



Donald R. Lindsay – President and Chief Executive Officer

“I am proud of the way we all stood together in times of adversity and rose to the challenges we faced during 2009. We have an absolutely tremendous team here at Teck and I wish to thank all of our employees for their outstanding efforts. We learned valuable lessons from our experience and I firmly believe it has made us stronger as an organization.”

The theme of this year's annual report, "Determination", highlights the fact that we have been able to navigate our way through the challenges posed by the economic shock of late 2008 and early 2009. With our mineral, financial and human resources intact, we are once again well positioned to benefit from the expected economic recovery in the western world and the continued strong growth for our products in China, India and other developing economies.

Background

When I wrote to you at this time last year, we were in the early stages of executing a solid plan to address the uncertainties that followed the abrupt global economic meltdown. We knew we had to be resolute in cutting spending and raising cash to reduce our overall debt level. Our overriding objective was to accomplish this without sacrificing our core assets. The steps that we took during the course of the year to execute that plan can be summarized as follows:

- We reduced our operating expenses to free up cash flow for debt servicing. This involved the temporary shutdown of Pend Oreille and the difficult decision to reduce our workforce;
- We suspended our dividend;
- We deferred sustaining capital and new project capital expenditures;
- In April, we completed critical amendments to both the Fording acquisition bridge loan and term loan facilities;
- In May, we completed the refinancing of over US\$4 billion of the Fording acquisition bridge loan facility through the issuance of new 5, 7 and 10 year fixed rate notes;
- In July we completed a US\$1.5 billion private placement of Class B shares of Teck to China Investment Corporation (CIC), China's sovereign wealth fund. CIC manages over US\$300 billion of the country's foreign exchange reserves; and
- Over the course of the year, we sold certain non-core assets, including our gold properties and a one-third interest in the Waneta Dam, representing power that was surplus to the requirements of our metallurgical facility at Trail.

Progress in 2009 and Debt Reduction

As a result of these actions, I am pleased to be able to

report the following progress in respect of the goals that we set ourselves one year ago:

- With the proceeds from the sale of a one-third interest in the Waneta Dam in March 2010 and application of other debt payments in 2010, our total debt will be reduced by \$7.1 billion since the Fording acquisition. The bridge loan was fully repaid in July and the amount outstanding on the term loan now stands at approximately US\$800 million, which we expect to be able to repay entirely from cash flow from operations well before the end of this year. This debt reduction performance exceeds the targets stipulated in the original plan that we had presented to the debt rating agencies before the Fording acquisition;
- Our cash on the balance sheet in early March 2010 is approximately \$900 million, which exceeds the remaining balance of the term loan. Our net debt position is \$5.4 billion;
- Our net debt to net debt plus equity ratio of 26 percent and debt to EBITDA ratio of 1.53 are vastly improved and solidly in the range for an investment grade rating;
- CIC's shareholding in Teck has enabled us to form an important relationship with China, the largest consumer of our products. CIC is very well positioned to assist us in growing our business; and
- Our record revenues in 2009 reflect strong overall operating performance across the company. Our operating profit before depreciation was \$3.7 billion, compared to \$2.8 billion in 2008. Our net earnings were our second highest ever at \$1.8 billion, compared with \$659 million last year.

Outlook

But we still have work to do. Our immediate priority is to complete our objective of repaying the outstanding term loan balance. We also wish to re-establish an investment grade rating. Upon achieving that, the security over our assets that was granted to the banks and note holders will automatically fall away and, the higher our rating, the more flexibility we will have to finance our business going forward. While we will do all we can to justify investment grade ratings, the decisions and timing are ultimately up to the agencies. Once we see a clear path to the final repayment of the term loan, we fully intend to recommend to our Board that we reinstate dividend payments.

So, we have come a long way in the past year. Our balance sheet strength has been restored and we are in a position

to resume investments that will sustain both our existing operations and growth projects that will add to our production of coal, copper and eventually oil. The products we produce position us well to benefit from the increased demand for commodities that we expect to result from billions of people in China, India and the developing world seeking a better life for themselves. For example, China is currently producing seven times more steel and consuming more than three times more copper than the US. I have seen firsthand the progress China has made in building large new steel plants on the coast which creates new demand for seaborne metallurgical coal. 2009 was the worst year for the global steel industry in over 70 years, yet China's imports of metallurgical coal increased by a factor of ten.

While the current economic recovery may be slow and volatile, when the US emerges from recession, as it inevitably will, global demand for commodities will rise further. We therefore foresee strong growth prospects for all our business divisions over the next few years and are working hard to be able to meet increased demand.

Copper

We produced 308,000 tonnes of copper in 2009, as compared to 316,000 tonnes in 2008. Operating profit for the year was \$1,002 million compared to \$882 million in 2008, reflecting significantly higher copper prices over the course of the year. Quebrada Blanca achieved record production of 87,000 tonnes of copper cathode in 2009. Lower copper output and record zinc output at Antamina reflected the higher proportions of zinc in the available ores. Production at Highland Valley has been affected by geotechnical issues that are currently being addressed. The lost production should be more than offset in 2010 by the completion of the Carmen de Andacollo concentrator project in late 2009.

An expansion project at Antamina is expected to extend the mine's operation through 2029 and increase ore throughput by 38 percent when completed in late 2011. In Chile, an advanced engineering study of the Quebrada Blanca concentrate project is expected to be completed by mid-year after which we anticipate moving into a full feasibility study. We are also completing a scoping study at our Relincho property in Chile and expect to start a pre-feasibility study later this year.

Coal

Our decision to reduce coal output during the first half of the year in response to the global recession resulted in production decreasing from 23 million tonnes in 2008 to 19 million tonnes in 2009. Revenues were affected both by lower sales volumes and lower average sale prices.

However, we managed our mining operations efficiently at a time of extreme volatility in early 2009 and this helped our results in the latter part of the year. Our 2009 operating profit of \$1,278 million reflects our first full year of 100 percent ownership of Teck Coal. We have exceptionally long-life resources of high quality hard coking coal and are well placed to tap into the increased demand that we expect to see from China and other rapidly developing countries over the next few years.

Zinc

We had record zinc production years at both Red Dog and Antamina. Red Dog's operating profit rose from \$171 million to \$399 million in 2009. Profits were also bolstered by shipment timing and improved zinc prices, albeit partially offset by reduced lead production and sales. Provided we obtain the necessary permits, we expect to commence work on development of the Aqqaluk deposit which will become Red Dog's principal ore supply for the next two decades.

Full production was resumed at Trail in September 2009, having been curtailed due to market conditions since November 2008.

Energy

Fort Hills is another good, long life asset that fits well within our asset portfolio. We are pleased to have Suncor on board as our majority partner with their tremendous expertise in oil sands development. Suncor is currently assessing how the development of Fort Hills fits with their existing and planned oil sands operations and we need to wait for the results of this assessment. We are looking forward to working with them in the future.

During 2009 our energy division's contingent bitumen resources were re-estimated at 1.6 billion barrels and the Fort Hills site was placed on care and maintenance during the third quarter. Notwithstanding the long term value of this significant resource, we recorded an equity loss of \$119 million as a result of the deferral of the project. We continue to perform engineering studies as well as exploration and permit related activities on our other oil sands holdings.

Gold

We remain committed to the gold business but are not necessarily committed to being a gold producer. Our strategy continues to be to find and identify gold resources with our gold exploration teams and then add value through further definition drilling and engineering studies. Ultimately we will then sell those resources at a point in the development cycle where we believe we can maximize the return on our investment and in many cases that may

be well before a production decision. The recent sale of our Morelos property in Mexico for approximately US\$165 million serves as a good case study of how we can earn returns for Teck shareholders in the gold business. Our investment over the years in Morelos was approximately \$30 million.

Safety

Safety is a core value at Teck. We remain committed to the goal of zero accidents in the workplace and our vision of "Everyone Going Home Safe and Healthy Every Day". I am therefore pleased to be able to report further improvements in our safety performance. During 2009, we began rolling out our Courageous Safety Leadership program. Courageous Safety Leadership is an ongoing program that instills safety awareness and teaches people to take proactive steps to avoid incidents that can lead to accidents. As of the end of the first quarter this year our entire workforce will have been through the first round of training and a second training phase is underway.

Sustainability

We are striving to reinforce our culture where every decision we make takes appropriate account of its impacts upon the environment people and our communities. There are many examples where we put our values into action in 2009 and to learn more about this, we encourage you to read our annual Sustainability Report.

We are also playing a role in the Zinc Saves Kids campaign, in collaboration with UNICEF and the International Zinc Association, an initiative that aims to eradicate zinc deficiency worldwide. There are currently up to 800 thousand lives lost annually due to zinc deficiency, including 450 thousand children under the age of five.

At Teck, we believe that it is important to build and support Canadian champions on the world stage in all fields of endeavour including sports, the arts, medical research and, of course, business. We acknowledge all who contributed to the success of the Vancouver 2010 Winter Olympic and Paralympic Games. We were honoured to be the exclusive supplier of the metal for the gold, silver and bronze medals awarded at the games. Among the many unique features of the medals was the fact that they contained recycled metal from end-of-life electronic devices processed by our own metallurgical facility at Trail. Our sponsorship of the Games was used to recognize many of our employees for outstanding performance in areas such as productivity, safety, sustainability and community service.

Management

Larry Mackwood retired from the management team. I would like to thank Larry for his 14 years of service and

wish him a happy retirement. Larry was replaced as Treasurer by Scott Wilson.

I congratulate Anne Chalmers on her promotion to Vice President, Risk and Security and Robin Sheremeta on his promotion to Vice President, Health and Safety Leadership.


I would also like to welcome Marcia Smith, who will be joining us as Vice President, Corporate Affairs, assuming responsibility for communications and government relations.

Objectives for 2010

As we move forward with determination in 2010, our primary objective will be to maximize our cash flows through prudent capital and operating expense control in order to eliminate our term debt and achieve balance sheet ratios that are consistent with an investment grade rating. We will also continue to strive for improved performance in all aspects of our work through the pursuit of our Operating Excellence program and the ongoing development of our next generation of management. Other objectives include achieving commercial production from the new concentrator at Carmen de Andacollo, advancing the Quebrada Blanca concentrator project and the Relincho project and increasing coal production to a minimum of 23.5 million tonnes.

As always, we will remain cognizant of our commitment to safety and sustainable development as we pursue our objectives. To this end, we are implementing the second phase of Courageous Safety Leadership and we will develop our sustainability leadership initiative across the company, to maintain and enhance our social license to operate.

In conclusion, I want to say that I am proud of the way that we all stood together in times of adversity and rose to the challenges we faced during 2009. I am truly excited about the incredible opportunities that lie ahead to grow our business and make a positive difference in the world. This excitement is due to the energy and enthusiasm of our outstanding team and the tremendous work they do. I sincerely thank them for their commitment to Teck and to the communities where we live and work.



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March 5, 2010