

## 2016 UCR Update

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, and 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.

In June 2006, Teck Metals and its affiliate, Teck American Incorporated ("TAI"), entered into a Settlement Agreement (the "EPA Agreement") with the U.S. Environmental Protection Agency ("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. To date, TAI has spent over US\$83 million on this study. TAI has conducted some soil removal actions at residential properties in the study area where sampling indicated metals levels were above guidelines.

A lawsuit in which the State of Washington, the Confederated Tribes of the Colvilles Reservation and the Spokane Tribe seek natural resource damages and response costs from Teck Metals under the United States Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") 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 judgement 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 2013, the Confederated Tribes of the Colville Reservation filed a motion seeking 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. In July 2016 the Ninth Circuit unanimously ruled in favour of Teck Metals, dismissing the air-related claims.

Also In 2016 the trial court judge awarded past response costs to the plaintiffs. That decision, along with other findings in phase one of the case, is under appeal. A hearing with respect to claims for natural resource damages and assessment costs has been deferred in light of the appeals, and is expected to follow when the remedial investigation and feasibility study being undertaken by TAI are substantially completed.