

Speaking Notes

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CRU's World Copper Conference, Santiago, Chile
April 5, 2017

Check Against Delivery

Slide 1 – Introduction

Good afternoon.

It is a pleasure to be back at the World Copper Conference for 2017.

Particularly when you contrast the optimistic mood this year with the challenges of last year.

After years of falling prices, we saw some positive movement in the copper market through late 2016 and into 2017.

But that comes following one of the harshest downturns in our industry's history.

For copper in particular, it was about a five-year price decline – the deepest and longest since the 1920s.

Prices hit a low of \$1.96 per pound in January 2016, right around the same time we saw the worst week in the history of equity markets.

That's turned around somewhat, with prices hitting a high of almost \$2.70 in November, and still around \$2.65 today.

And that's certainly a cause for some optimism.

However, the significant price swings we've seen in copper, and in other key mining commodities like zinc and steelmaking coal, underscore the increasing volatility in the market.

We're now operating in a period where commodity cycles have the potential to be faster moving and more extreme than ever before.

And while in times like this there are certainly reasons for optimism ...

...we also need to recognize that extreme volatility has become the 'new normal' in our industry.

This makes it critical that we build resiliency into our business to weather those extreme price cycles.

We know we can't control prices. So for Teck, this reality has led us to stay focused on the factors we do control – safety, productivity, and sustainability.

It's what I like to call "controlling the controllable".

It is a focus that guided us throughout the downturn and continues to guide us today.

We need to be ready for those sudden shifts in the market, and ensure that both our operations and our development projects are able to withstand them.

Because if we know one thing for sure, it's that the world will need more copper.

But we also know the kinds of challenges that make it so difficult to bring new copper supply into production: escalating capital costs, community opposition, Indigenous concerns...

All of which is now set against the backdrop of extreme market fluctuations.

So we need to think strategically about how we successfully identify and advance projects that can meet all of these challenges.

Today I'm going to talk to you about two major growth projects that Teck has underway in Chile.

And how we are taking steps to address those challenges, by finding ways to be more capital-efficient, forming innovative partnerships, and creating strong relationships with local communities and Indigenous groups.

Slide 2 – Forward Looking Information

But before I get started, I'd like to draw your attention to the Forward Looking Statement on the screen.

This presentation contains forward looking statements regarding our business.

However, various risks and uncertainties may cause actual results to vary.

Slide 3 – About Teck

I'd like to start by telling you a little more about Teck.

We are Canada's largest diversified resource company with business units focused on copper, zinc, steelmaking coal and energy.

We own or have an interest in 12 mines, as well as major development projects in Canada, the US, Peru and, of course, Chile.

In Peru, we are a partner in the Antamina copper-zinc mine, and we hold an 80% interest in Zafranal, a highly competitive mid-sized copper-gold deposit.

In Chile, we operate the Carmen de Andacollo and Quebrada Blanca mines, along with some key development projects that I'll talk about a bit later.

While we are a Canadian company, we are proud of our longstanding connections here in South America, and particularly in Chile.

A lot of people don't realize how far back that connection actually goes.

In fact, Teck was first involved in copper exploration here as far back as 1966.

While those early forays didn't pan out, we did later find out we were exploring within a few kilometres of what would later become Escondida.

So we were in the right neighbourhood at least.

It wasn't until a couple of decades later that we progressed to developing our own mine with the 1989 acquisition of Quebrada Blanca, which began operation in the mid-90s.

So with a history in Chile that spans over 50 years, we have a strong connection, and a strong affinity for partnering with the people and communities of this nation.

Chile is a country that understands mining, and appreciates the capacity of this industry to create jobs, opportunity and growth.

Beyond the incredible mineral resource that exists here, it also has one of the most skilled and experienced mining workforces anywhere on earth...

And policies and government that support responsible development.

Which is why it is consistently ranked at the top of the most attractive mining investment jurisdictions in Latin America.

The opportunity for further development, investment and growth in Chile is substantial as we look to a future of increasing copper demand...

And we work to bring on new supply in jurisdictions like Chile that have the right people, the right resources and the right investment climate.

That's why our largest corporate office outside of our Vancouver headquarters is located here in Santiago and why this country, its people and its communities are a major part of our future growth.

Slide 4 – Copper Demand

Of course, copper itself is also a big part of that growth, so I'd like to touch on where we see copper markets headed.

So first, the demand side.

As we look around the world today, we're seeing improving fundamentals.

Demand is up in the United States, and their new administration is pro-growth and pro-infrastructure, which broadly speaking is good for our industry.

Demand growth is up in Europe, even higher than forecast last year.

And demand for electricity and associated transmission infrastructure continues to increase.

But of course while the U.S. and Europe are important, Asia, and specifically China, continues to be the major drivers of demand for our industry.

Slide 5 – Chinese Copper Demand to Remain Strong

When you look to China's recent 13th 5-Year Plan, there are some promising drivers for copper demand, with power, construction and electric vehicles in particular showing strong growth.

These estimates are from the International Copper Association, based on their analysis of projected spending commitments under the 5 year plan.

Looking at the power grid, the total grid investment during the new 5-Year Plan may be as much as Rmb3 trillion – or about US\$450 billion – up over 40% from the last five year plan.

The International Copper Association estimates this could account for approximately 280,000 tonnes of copper demand growth per year.

And then there's the huge growth in electric vehicles.

While Tesla is trying to convince the American people of the benefits of electric cars, the Chinese are already there.

China sold over 350,000 electric cars in 2016.

Tesla only sold 76,000 vehicles *worldwide* last year.

So the Chinese are taking this very opportunity very seriously.

They've set a target to have 5 million electric cars on their roads by 2020.

In Beijing alone, they are making plans to replace their entire fleet of taxis with electric cars.

And when you consider an electric vehicle needs about three times more copper than a standard car, this represents a major area of growth.

China anticipates increasing electric vehicle production will require about 50,000 tonnes more copper each year.

And the associated charging stations and other infrastructure will add about 20,000 tonnes of copper demand growth per year.

When you add it all up, the ICA estimates that the 13th 5-Year Plan will drive more than 500,000 tonnes of demand growth per year up through 2020.

That is at the higher end of the range of estimates.

But it is clear that China will continue to be the major driver of global copper demand, with total global growth anticipated by Wood Mackenzie to be 2.1% in 2017.

Slide 6 – Long-Term Copper Mine Production Still Needed

While the demand side fundamentals are encouraging, it is the supply side where things start to get really interesting.

The most dramatic effect of the low prices we've seen over recent years has been the cost cutting by mining companies around the world.

Capital and exploration spending was among the first thing to be curtailed, and that will impact future production, the timing of expansions and the ability to deliver on previously forecast production targets.

Today we estimate that by 2025 the market will require somewhere between 4.5 and 5 million tonnes of new mine production.

That's the equivalent of bringing about 5 new Escondidas into production. That's a huge opportunity for the industry.

But the lack of spending in the past 6 years has set the market up for a supply situation that could be difficult to respond to in time.

Looking for 5 million new tonnes in a market that is just getting its feet under it and has only seen prices bottoming for less than 6 months is unlikely to be in a position to respond quickly enough to these projected requirements.

Even in the near-term, while we see the market as finely balanced through 2018 that could change materially with an increase in the disruption level from weather, labour disputes, community conflict, or other factors.

All of this equates to one very simple truth for our industry – we need new projects...

But we need to do them in a way that avoids the misallocation of capital and cost escalations that have occurred in the past – particularly in the volatile markets we are seeing.

Slide 7 – Factors for Successful Projects

And therein lies the challenge for all of us.

It's not getting easier to permit and build new mines.

The traditional challenges of capital escalation, regulatory hurdles and community concerns...

Are now coupled with the difficulty of increasingly volatile markets.

Taken together, these issues challenge us to think differently about which projects we choose to advance.

To find ways to ensure they we are:

- Deploying capital as efficiently as possible
- Finding opportunities to establish partnerships to pool expertise, reduce costs, and share risk

- And building strong relationships with Communities and Indigenous Peoples

These are the lenses through which we're examining all of our projects...

...including two of our major growth initiatives here in Chile that I'll take you through now in greater detail.

Slide 8 – Quebrada Blanca Phase 2

First is our Quebrada Blanca Phase 2 project.

As I mentioned earlier, Quebrada Blanca was Teck's very first mine in Chile and began production in the mid-90s.

A copper heap-leach operation in northern Chile, it was built to process the near-surface supergene resource.

Today, we're advancing permitting for Quebrada Blanca Phase 2, which will develop the deeper – and larger – hypogene resource.

QB Phase 2 has the potential to be a tier one asset in Teck's portfolio.

It has a large resource, and we anticipate 300,000 tonnes of annual copper equivalent production over the first five years.

If it were in production today, QB2 would be one of the Top 15 copper mines globally.

But importantly, it's a project that makes sense in today's more challenging environment.

The fact that we've been mining Quebrada Blanca for decades means it's really a brownfield project.

The ore body is essentially pre-stripped by the existing mine so it has virtually a zero strip ratio over the first few years of operation.

It is expected to have all-in cash costs well into the lower half of the cost curve, which will enable it to operate solidly throughout the price cycle.

In the fourth quarter of 2016 we updated the feasibility study which included moving the proposed tailings facility closer to the mine to reduce total capital cost.

Overall, our updated feasibility study estimates capital costs for development to be US\$4.7 billion, on a 100 percent basis, which represents a capital intensity of under \$US16,000 per tonne of copper equivalent production over the first five years.

With an initial mine life of 25 years we're only using around 25% of the known reserves and resources of the operation.

This means we have significant potential for a much longer mine life, or optionality for future expansion.

Another benefit we have with our QB2 project is that we're building on a longstanding local community relationships and an existing talent pool in a mining-friendly jurisdiction.

This will invariably save us time and money both into development and during operation.

We're advancing through the regulatory process, and could be in a position to make a sanctioning decision by mid-2018.

Slide 9 – NuevaUnión

When I was last at this conference in 2015 I spoke about the need for our industry to come together and consider common sense partnerships.

Partnerships that could reduce costs and risk, while pooling expertise and experience.

At Teck, we now have an example of just such a collaboration.

In late 2015, we joined with Goldcorp to combine our previous Relincho project and their El Morro project into one 50-50 joint venture project called NuevaUnión.

Currently in the pre-feasibility stage, this new project is now one of Latin America's most significant undeveloped copper-gold-molybdenum projects.

It is also representative of a new approach to efficient project development.

It is the first time in Chile, and one of the first times globally, where two companies have come together to combine their stand-alone projects into one project.

As a result, it is a 'capital smart' partnership.

Rather than building two individual projects each with its own infrastructure and related capital requirements, the combined project will have a longer mine life at a lower cost and improved capital efficiency.

This image represents our infrastructure requirements before we joined the projects...

Slide 10 – NuevaUnión (2)

...and here's the infrastructure requirement after we combined our interests.

Where previously we had planned to build two roads, two power lines, two tailings facilities, two pipelines, two desalination plants and so on...

We now only require one set of infrastructure.

This translates into major cost savings and greater returns than either standalone project.

The combining these assets gives us a project that will produce an estimated 190,000 tonnes of copper and 315,000 ounces of gold per year, with a 32-year mine life.

And with an estimated capital cost of US\$3.5 billion to bring NuevaUnión into production...

It is significantly less than the standalone Relincho and El Morro projects, at \$4.5 billion and \$3.9 billion respectively.

It also means a reduced environmental footprint and enhanced community benefits.

Strengthening our ability to gain social license and build and maintain strong local relationships.

And I strongly believe that innovative partnerships like NuevaUnión are a solution that will become more common in our industry....

As we increasingly look for ways to control costs and weather volatility while still bringing new supply online.

Slide 11 – Summary

As I close here today, I want to underscore the opportunity that's before us.

We know that there is going to be sustained longer term demand growth for copper.

At the same time, we also know that copper projects face a range of challenges.

Those challenges, if not addressed, will make it difficult to increase production to meet that demand growth.

The good news is that Chile's mining industry was built by people who turned great challenges into great opportunity.

And I believe we need to employ that same kind of thinking today to address the kinds of challenges facing copper projects.

That means:

- Deploying capital as efficiently as possible
- Finding opportunities for innovative partnership like NuevaUnion
- And, critically, ensuring we are building those relationships with communities and Indigenous peoples that create lasting benefits for them.

No one company has a monopoly on the solutions.

The key is to leverage those experiences as an industry to create a new generation of copper projects founded in partnerships that create value for all stakeholders.

Thank you.