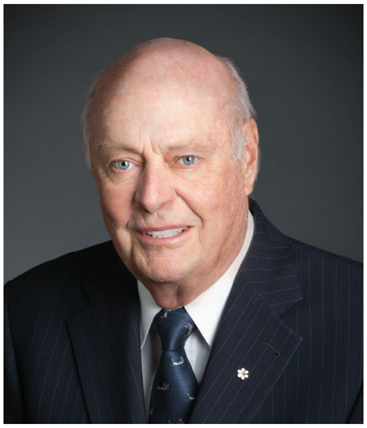

Letter from the Chairman

Dr. Norman B. Keevil
Chairman of the Board

To the Shareholders

In this letter a year ago, I began by saying 2015 was the year the chickens came home to roost after the most volatile pricing cycle for mined commodities in living memory. Commodity and share prices as well as mining company profits were down across the industry. I expressed hope those chickens had almost finished roosting.

The recent "super-cycle" for mined commodities began a few years into the turn of the millennium. Chinese demand for many of our industry's products had grown steadily for two decades, ever since Deng Xiaoping had proclaimed in 1980 that China would quadruple its GDP in 20 years. When he was asked what this would entail, his colleague Hu Yaobang had responded that it would require an annual compounded growth rate of 7.2%. By the early 2000s it was becoming evident to many in the Western world that, remarkably, China had in fact achieved Deng's target, and was continuing to grow.

As a result, China became the world's largest single consumer of many of the commodities that Teck produces, including metallurgical coal, copper and zinc. Prices naturally rose. By 2006 the price of copper in constant (inflation-adjusted) dollars had reached its highest level since 1974, 32 years earlier. It would keep rising, except for a year's hiatus after the Global Financial Crisis (GFC), until it peaked in 2011. It was one of those "new eras" that we have seen occur from time to time in the mining business.

The industry naturally responded with new or increased production in the ensuing years, as it always does when prices climb. It is the Aristotelian nature of humanity that managers, as well as entrepreneurs, will rush in to fill any vacuum. When that occurred, coincident with a sense that growth rates in China were slowing, prices naturally began to decline, as they generally do. The second, downward leg of the super-cycle took hold. As a result, by the end of 2015 profits and share prices across the mining industry had fallen dramatically. Woe was throughout the land.

Now, a year later, the situation has improved dramatically. Those chickens do appear to have finished roosting, at least for now.

Some mining companies that a few years ago were declaring loudly they would increase production at all costs to preserve market share, exacerbating the price problem for all, now seem to have rediscovered restraint. China itself is continuing to move logically towards a more balanced economy, and is taking steps to reduce uneconomic overcapacity in some materials. The industry at large has morphed to one that emphasizes reducing costs and excess debt, as it generally does in such times.

By the end of 2016, commodity prices, profitability and share valuations had come back a long way for many industry companies. Our own company achieved all-time record profits in the fourth quarter. Hope and optimism had returned, tempered with caution as memories of recent difficulties persisted.

There is an interesting story that happened towards the end of 2009, as the world was recovering from the GFC. Bob, an American friend who knew me socially but not professionally, told me his broker had put him into a Canadian stock a year earlier. It had become one of the hottest stocks on the New York Exchange over the course of the year, making him a bundle, and he asked if I'd ever heard of it. It was Teck Resources. Talk about "know your shareholders".

Teck was again the best performing stock in 2016, this time on the Toronto Exchange. We received plaudits from traders and it is tempting to bask in the glow. But we need to recognize that in both cases the amount of recovery was proportional to the amount of lost value in the previous years.

In the earlier situation, Teck's management did a yeoman's job of dealing with it effectively and, within a year of the GFC, the company was back in solid condition. Beginning early in 2016 Don Lindsay and his team, with the active assistance of Board members, once again dealt with it effectively through ongoing cost control, refinancing near-term debt into longer maturities, and buying back $1 billion of our outstanding bonds. We are continuing to focus on cost control, and plan to continue deploying part of our operating cash flow to reduce debt further.

Historically, the problem with too high a debt load goes beyond the obvious one of survival in a crisis. Teck is in fine shape in that respect. The more insidious one is the cost of lost opportunity, especially in weak economic times when the best opportunities are most likely to occur. As I wrote here two years ago, each of our Hemlo gold, Bullmoose coal and Antamina copper-zinc mines, transformational for the company at the time, were acquired and/or built in the middle of a financial crisis, and each was possible because we were in a financial position to do so.

Now, we are fortunate to have the Fort Hills oil sands, and the Quebrada Blanca Phase 2 and NuevaUnión copper projects as a similar part of our mining pipeline for the future. Fort Hills should be producing oil less than a year from now, permitting and feasibility studies at Quebrada Blanca 2 are advancing well, and NuevaUnión should not be far behind. But as we have seen, taking a mining project from discovery through permitting and into production takes time, and it is never too early to be acting on early-stage, potential new projects that can augment that pipeline and be the next tier of mines of the future. We can never rest on our ores.

So this is our plan: to continue controlling debt as well as costs at current operations, to focus all hands on deck to get our existing portfolio of development projects off the ground (or out of it, to be more precise), and to seek out opportunities to augment the pipeline cost-effectively with good prospects that may become the next generation of new mines. That in a nutshell is how the company was built, and must go on.

And we must continue to do it professionally, as the partner of choice as well as the employer of choice within the industry and the communities in which we operate.

In closing, I'm sorry to report that Jack Cockwell will be retiring from the Board at the upcoming AGM. Jack joined us in the aftermath of the GFC and was a quiet but strong voice in the recovery. He has been a pleasure to work with and will be missed, although I have a feeling he will still be as close as the telephone as we go on.

Nominated to join the Board at the AGM is Una Power from Calgary, who brings a strong knowledge of finance and the oil business from her years as Chief Financial Officer of Nexen Energy. Una will continue the renewal process of the past few years that has seen several new directors with outstanding experience in finance and/or mining engineering add to the depth of our Board.

On behalf of the Board of Directors,

Dr. Norman B. Keevil
Chairman
Vancouver, B.C., Canada
February 23, 2017