



Letter from the Chairman

Dr. Norman B. Keevil
Chairman of the Board

To the Shareholders

It was a very good year for your company.

The improvement in prices for most mined products that began in 2016, and led to record fourth quarter profits a year ago, continued through 2017. Revenues were at a record \$12 billion and earnings of \$2.5 billion were the second highest in Teck's history. We were able to reduce debt by a further \$2 billion and ended the year with \$4.7 billion in liquidity.

Encouragingly, the strong year was the result of broadly-spread synchronous economic growth in much of the world, with China still growing substantially but no longer being the sole driver as had been the case for much of the last decade. The prognosis in the near term continues to be good.

Teck produces steelmaking coal from six mines in Western Canada, copper from four mines in Canada, Peru and Chile and zinc from two mines in the US, as well as operating zinc and lead metallurgical plants at Trail, British Columbia. The results from these ongoing operations are covered in the body of this annual report.

But a successful mining company can never rest on its ore reserves. To be sustainable, it must continuously replenish what has been mined through economically-effective new mine development or acquisitions, and this too is a key part of Teck's business.

Construction of the first producing line at the Fort Hills oil sands joint venture in Alberta was largely complete by year-end, with the first oil being produced on January 27, 2018. As we approach nameplate capacity a year from now, Teck's share of annual bitumen production is expected to be approximately 14 million barrels, with a mine life that can be measured in decades.

We also plan to develop a major new copper mine in Chile, based upon primary sulphide ore that underlies the supergene Quebrada Blanca mine built by Teck and Cominco in the 1990s. This is another operation that, when placed into production, is expected to last for decades. Permitting and engineering is progressing well, and a production commitment is expected to be sanctioned in 2018.

Our NuevaUnión copper project, also in Chile, is a 50/50 joint venture with Goldcorp, combining its El Morro copper-gold property with our Relincho copper deposit into a planned single operation. Although the mines themselves are 40 km apart, developing them jointly, with a single milling plant at Relincho, makes sense economically and socially. The partners are currently well-advanced in environmental impact surveys and engineering planning.

Also on the drawing boards are a number of potential mines in a company unit known as Project Satellite. These include two copper deposits in British Columbia, a copper-zinc project in Mexico and a copper project in Peru, as well as several other properties. The team is advancing each as part of a pipeline of prospects that can be considered for continuing new mine development at the appropriate time.

Readers of this letter over the years will recognize three things I have always stressed as fundamental to our business. One is the importance of solid, responsible engineering and management everywhere we operate; second is the need to develop new mines effectively and consistently to replace and augment older ones; and third is to at all times maintain a strong balance sheet, recognizing that cyclical ups and downs are a natural occurrence that should never surprise and that, dealt with smartly, can even be taken advantage of.

Which brings me to a book. Some years ago I was asked to speak at a Fraser Institute event and told a few stories about how this company evolved. Several listeners suggested I should write a book, which was the farthest thing from my mind. But, after musing about it for a year or so I actually started and, perhaps more surprisingly, finished it.

Published last October as part of McGill Queen's University Press's Footprints Series, *Never Rest on Your Ores; Building a Mining Company, One Stone at a Time* relates some of the key events of the first 95 years of the Teck story.

Beginning with a gold discovery at Kirkland Lake, it continued with copper, silver, zinc, niobium, coal and oil discoveries, all in Canada, the building of new metal mines from Alaska in the north to Peru and Chile in the south, and the occasional diversion to keep life interesting.

Some say the book is "a good read". That aside, it does tell the tale of how a group of like-minded geologists, engineers and "numbers men" managed to build a very good mining company, while encountering a few odd characters, missteps, trials and tribulations along the way.

Did we always know what was coming next as we moved ahead? No more so than Deng Xiaoping did when asked in 1981 how he expected to quadruple China's GDP in 20 years. He said: "*We will cross the river by feeling the stones.*" It is a good plan.

In closing, on behalf of your Board I would like to express our appreciation for the efforts of our strong management team led by Don Lindsay, which never stops working and which, like Deng and those who went before it in Teck, asks itself at all times: "*How can we make this a better company?*"

And it has been a pleasure to work with an exceptional Board of Directors in recent years. It is diverse in many respects including talent and experience, ranging from finance through to engineering and construction of large projects. At the upcoming annual meeting Ms. Sheila Murray, an accomplished mining and securities lawyer who is currently President of CI Financial Corp., will be nominated to join your Board, and is expected to add further to this strong team.

Thank you all for your support.



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Chairman
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