



## Letter from the CEO

Donald R. Lindsay  
President and Chief Executive Officer

### To the Shareholders

This past year was transformational for Teck. We achieved key milestones and began the transition to a new phase of growth for our company. A number of important initiatives came to fruition in 2018, some of which have been in the works for close to a decade. These included entering into a partnership for, and commencing construction at, our Quebrada Blanca Phase 2 copper project (QB2), commencing production at the Fort Hills mine, progressing the Project Satellite properties and implementing innovative new technologies across our business.

Collectively, these achievements create a strong platform for Teck to build new value and seize new opportunities. Moving forward, we are focusing on continued strong performance at our existing operations, maintaining a strong balance sheet and returning cash to shareholders, disciplined execution of QB2 and seizing on the enormous potential for even more copper growth ahead.

At the same time, our commitment to safety as a core value remains unchanged. In 2018, we continued to build on our efforts to improve our safety performance. Compared to the previous year, High-Potential Incidents and Lost-Time Injury Frequency were down 28% and 21%, respectively. However, this year we were deeply saddened by two fatalities at our Elkview and Fording River operations. These incidents are a powerful reminder of how we must remain vigilant in our efforts to achieve our vision of everyone going home safe and healthy every day.

Reflecting on 2018, our operations performed very well, generating significant free cash flow, particularly from our steelmaking coal business. We had record revenues of \$12.6 billion, and record gross profit before depreciation and amortization of \$6.1 billion. We reduced our outstanding debt by \$1.4 billion, bringing our net debt to \$3.8 billion at year-end, with strong liquidity and access to credit. Early in the year, Teck was upgraded to an investment grade credit rating by Moody's.

We declared dividends of \$0.30 per share in 2018, returning \$172 million in cash to shareholders and completed \$189 million in share buybacks, of which \$131 million was done under the \$400 million of buybacks approved by our Board in November. We have bought back a further \$116 million in 2019, and when complete, we will have returned a total of \$572 million to shareholders through dividends and share buybacks.

The commissioning and successful production ramp-up of Fort Hills oil sands mine with our partners Suncor and Total further diversified our product mix. We also advanced our Frontier oil sands project through a federal-provincial Joint Review Panel public hearing, and we have reached long-term participation agreements with all 14 Indigenous communities closely connected to the project.

QB2 received regulatory approval in August 2018, and in December, Sumitomo Metal Mining and Sumitomo Corporation agreed to acquire a 30% indirect interest in the project for US\$1.2 billion. This transaction significantly de-risks Teck's investment in QB2, as the combination of proceeds and proposed project financing reduces our share of equity contributions toward the un-escalated US\$4.739 billion estimated capital cost to US\$693 million, with our first contributions not required until late 2020.

In December, our Board sanctioned full construction of QB2, with first production targeted for the second half of 2021. Once complete, QB2 will transform our copper business, making Teck a major global copper producer. QB2 utilizes only

25% of the reserves and resources currently delineated at the vast Quebrada Blanca orebody, meaning there are significant opportunities to further increase production and mine life in future phases. The next expansion opportunity, what we are calling QB3, has the potential to double production, or more, which would make the mine a top five copper producer globally. In addition, we are advancing other copper projects, including our NuevaUnión joint venture and assets within our Project Satellite portfolio. These projects provide Teck with multiple copper growth options at a time when the long-term outlook for copper is very positive.

We have significantly accelerated the pace of innovation and technology adoption across our business. Smart shovels that can detect ore from waste, artificial intelligence that predicts equipment failures before they occur and remote and autonomous equipment are just some of the innovations that are making our operations safer, more sustainable and more productive.

In all of our activities, we are committed to social and environmental responsibility. As part of this commitment, we announced new goals for reducing fresh water use and managing water quality across our operations in 2018. We have also continued to focus on strengthening diversity at all levels of our company. In 2018, 26% of all new hires at Teck were women, and 17% of our senior management team is now female.

In recent years, there have been serious tailings facility failures, including the tragic failure at Vale's Brumadinho facility in Brazil in January 2019. As Chair of the International Council of Mining and Metals, I am committed to working with CEOs from its 27 members to establish international standards for tailings facilities and emergency procedures, along with working to make a fundamental step change in how the mining industry manages tailings.

At Teck, we take extensive measures to ensure the safety and security of our tailings storage facilities at all of our operations and legacy properties. We have comprehensive systems and procedures in place, including monitoring technology, regular inspections, and reviews by independent experts. We have implemented a leading industry practice by establishing independent tailings review boards, which are in place for all of our major tailings facilities. Nothing is more important to us than the safety of our people, communities and the environment, and we are committed to continually reviewing our procedures and facilities to ensure they are best in class.

Our sustainability performance was recognized earlier this year, with Teck being named the top-ranked company in the metals and mining category on the 2019 Global 100 Most Sustainable Corporations list by media and investment research company Corporate Knights. We were also named for the second consecutive year as one of Canada's Top 100 Employers by Mediabarp, and named to the Dow Jones Sustainability World Index for the ninth consecutive year.

Turning to our people, Ray Reipas, Senior Vice President, Energy, and Tim Watson, Senior Vice President, both retired in 2018. I would like to thank them for their leadership in the successful construction and start-up of the Fort Hills oil sands mine, and for their work on the Frontier project. New members of our senior team in 2018 include Kieron McFadyen, Senior Vice President, Energy; and Andrew Milner, Senior Vice President, Technology and Innovation.

I would also like to welcome our new Chair of the Board, Dominic Barton, to Teck. Dominic previously served as the Global Managing Partner of McKinsey & Company, and will provide us with a strong global perspective as a recognized thought leader on creating long-term economic and social value. Thank you to our Chairman Emeritus, Dr. Norman B. Keevil, for his decades of leadership that have helped build Teck into the company it is today. Dr. Keevil will carry on his association with the company as special advisor to the Board.

In closing, we are on the cusp of an exciting new phase for Teck, made possible by the experience, ability and innovation of our people. This skilled team is ensuring that our existing operations are running at peak performance, that we are fully leveraging our portfolio of premier operating assets and development projects, and that we are adopting new technologies that will further enhance our business. Together, we will continue to build on the milestones we reached in 2018 to create new value for our shareholders, employees and communities through the year ahead.



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