Teck

Second Quarter 2018 Results

July 26, 2018

Forward Looking Information

Both these slides and the accompanying oral presentation contain certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of the Securities Act (Ontario). Forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variation of such words and phrases or state that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Teck to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

The forward-looking statements in these slides and the oral presentation include estimates, forecasts, and statements as to management’s expectations with respect to, among other matters, timing of the Waneta Dam sale closing, business unit production guidance, cost guidance, expectations for production at each of our operations, sales guidance, timing of full production at Fort Hills, the expectations underlying our guidance, our expectations regarding the projects and transactions described on the slide titled “Looking Forward Multiple catalyst/valuation milestones”, our expectation that our credit lines will be available to be drawn and our expectations regarding our business and markets.

These forward-looking statements involve numerous assumptions, risks and uncertainties and actual results may vary materially. These statements are based on a number of assumptions, including, but not limited to, assumptions regarding general business and economic conditions, interest rates, the supply and demand for, inventories of, and the level and volatility of prices of coal, copper, zinc and other primary metals and minerals produced by Teck as well as oil, natural gas and petroleum products, the timing of receipt of regulatory and governmental approvals for Teck’s development projects and other operations, Teck’s costs of production and production and productivity levels, as well as those of its competitors, power prices, market competition, the accuracy of Teck’s reserve estimates (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based, tax benefits, the resolution of environmental and other proceedings, assumptions regarding the impact of our cost reduction program on our operations, our ongoing relations with our employees and partners and joint venturers, performance by customers and counterparties of their contractual obligations, and the future operational and financial performance of the company generally.

The foregoing list of assumptions is not exhaustive. Events or circumstances could cause actual results to differ materially. Factors that may cause actual results to vary include, but are not limited to: adverse developments in business and economic conditions in the principal markets for Teck’s products, in credit markets, or in the supply, demand, and prices for metals and other commodities to be produced, changes in interest and currency exchange rates, failure of customers or counterparties to perform their contractual obligations, inaccurate geological or metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources), changes in taxation regimes, legal disputes or unanticipated outcomes of legal proceedings, unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, unavailability of materials and equipment, government action or delays in the receipt of permits or government approvals, industrial disturbances or other job action, and unanticipated events related to health, safety and environmental matters), political risk, social unrest, lack of available financing for Teck or its partners or co-venturers, and changes in general economic conditions or conditions in the financial markets. Our Fort Hills project is not controlled by us and construction and production schedules may be adjusted by our partners. Closing of the Waneta Dam sale is subject to certain conditions.

Statements concerning future production costs or volumes are based on numerous assumptions of management regarding operating matters and on assumptions that demand for products develops as anticipated, that customers and other counterparties perform their contractual obligations, that operating and capital plans will not be disrupted by issues such as mechanical failure, unavailability of parts and supplies, labour disturbances, interruption in transportation or utilities, adverse weather conditions, and that there are no material unanticipated variations in the cost of energy or supplies. Statements regarding anticipated coal sales volumes and average coal prices for the quarter depend on timely arrival of vessels and performance of our coal-loading facilities, as well as the level of spot pricing sales.

Certain of these risks are described in more detail in our news release dated April 24, 2018, and our most recently filed annual information form and annual report and other documents the company files with securities regulators made available at www.sedar.com and in public filings with the SEC available under the company’s profile at www.sec.gov. Teck does not assume any obligation to revise or update these forward-looking statements after the date of this document or to revise them to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

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Highlights from Q2 2018

- Commercial production achieved at Fort Hills
- Another quarter of strong operating results
- Improved guidance in Copper, Zinc and Energy business units
- Expect close of the Waneta Dam transaction on July 26th
- Named to the Best 50 Corporate Citizens of Canada list

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Strong Quarterly Earnings

	Q2 2018	Q2 2017
Revenue	$3.0 billion	$2.8 billion
Gross profit before depreciation & amortization[1]	$1.6 billion	$1.4 billion
Gross profit	$1.2 billion	$1.1 billion
Adjusted EBITDA[1]	$1.4 billion	$1.3 billion
Profit attributable to shareholders	$634 million	$580 million
Adjusted profit attributable to shareholders[1]	$653 million	$580 million
Adjusted basic earnings per share[1]	$1.14/share	$1.00/share
Adjusted diluted earnings per share[1]	$1.12/share	$0.99/share

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Earnings Adjustments in Q2 2018

$M	Q2 2018	Q2 2017
Profit attributable to shareholders	$634	$580
Add (deduct):		
Debt repurchase losses	-	27
Debt prepayment option loss (gain)	15	(17)
Asset sales & provisions	3	(1)
Foreign exchange (gains) losses	1	(9)
Collective agreement charges	-	-
Other	-	-
Adjusted profit attributable to shareholders[1]	$653 million	$580 million
Adjusted basic earnings per share[1]	$1.14/share	$1.00/share
Adjusted diluted earnings per share[1]	$1.12/share	$0.99/share

Additional charges in Q2 2018 not adjusted for total ($38) million after tax, or ($0.07)/share, including:

- Settlement pricing adjustments: ($13) million after tax, or ($0.02)/share
- Share-based compensation income (expense): ($21) million after tax, or ($0.04)/share

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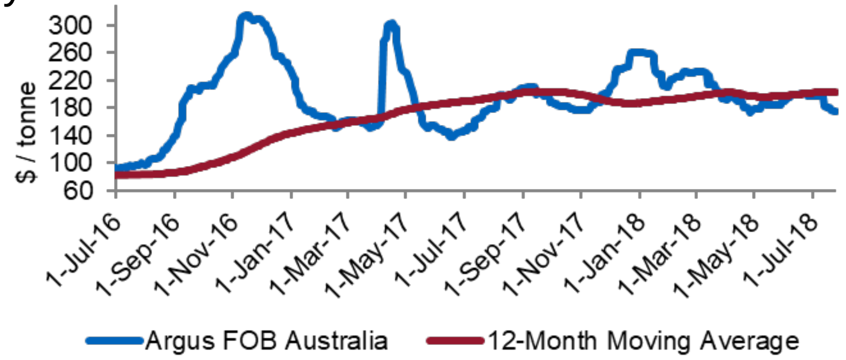
Steelmaking Coal Business Unit

Q2 2018:

- Orders in place to exceed sales guidance of ~6.7 Mt
- Sales volumes impacted by ~300 kt lost rail capacity due to strike preparation at CP Rail's operations
- Record material movement in H1 2018 provides operational flexibility

Steelmaking Coal Prices Trading Near the 10-Year Average of US$180/t[2]



Looking Forward:

- Expect sales of ~6.8 Mt in Q3 2018

Updated Guidance	2018	2019-2022
Production (Mt)	**Low end of 26-27**	26.5-27.5
Site Costs[1] ($/t)	$56-60	
Transport Costs ($/t)	**High end of $35-37**	

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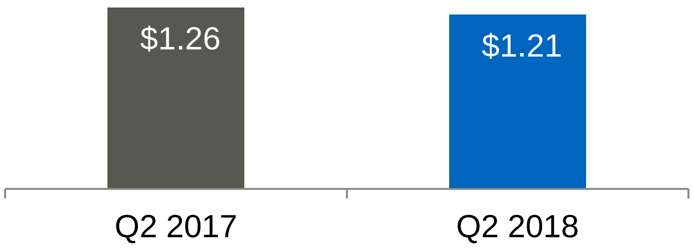
Copper Business Unit

Q2 2018:

- Strong results on higher price/volumes & lower costs
- Higher than expected grades at Highland Valley
- Record quarterly zinc production at Antamina
- QB2 detailed engineering 70% complete

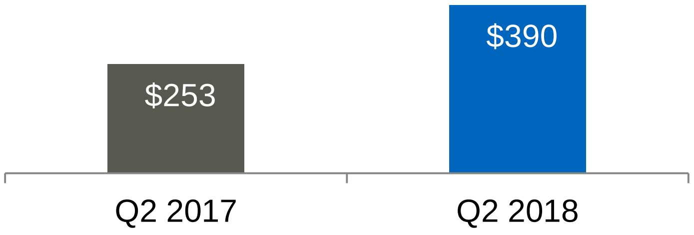
Net Cash Costs[3] (US$/lb)

Down US$0.05/lb



Gross Profit Before Depreciation & Amortization[4] ($M)

Up $137M



Looking Forward

- Expect SEIA approval of the QB2 project in Q3

Updated Guidance	2018	2019-2022
Production[1,2] (kt)	**280-290** **Was 270-285**	270-300
Net Cash Costs[3] (US$/lb)	**$1.30-$1.40** **Was $1.35-1.45**	

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Zinc Business Unit

Q2 2018:

- Strong results on higher price/volumes
- Higher production at Red Dog vs. Q2 2017
- Net cash unit costs after by-product credits above annual guidance, consistent with seasonal pattern

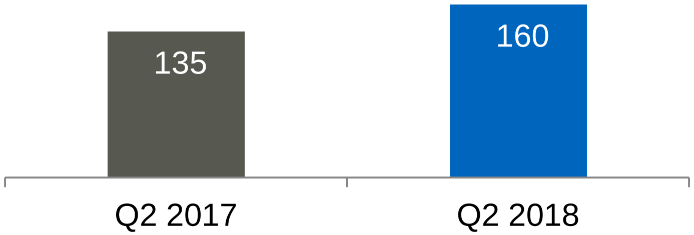
Looking Forward

- Red Dog shipping season commenced July 6th
- Expect Red Dog contained zinc sales of 160 kt in Q3[1]
- Trail extended maintenance in Q4

Key Guidance Unchanged	2018	2019-2022
Production, Mined Zinc[1,2] (kt)	**655-670** **Was 645-670**	575-625
Production, Refined Zinc (kt)	305-310	310-315
Net Cash Costs[3] (US$/lb)	$0.30-0.35	

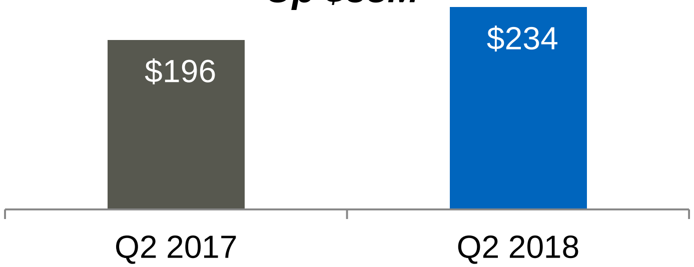
Zinc in Concentrate Production[1,2] (kt)

Up 25 kt



Gross Profit Before Depreciation & Amortization[4] ($M)

Up $38M



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Energy Business Unit

Q2 2018:

- Commercial production achieved at Fort Hills
- Fort Hills plant start up exceeded expectations for production volumes and product quality
- Unusually wet weather impacted June / July production

Looking Forward

- Full production at Fort Hills expected at the beginning of Q4 2018
- Annual production guidance increased; cost decreased
- Frontier hearing scheduled for September 25th

Updated Guidance	2018	2019-2022
Production, Bitumen[1] (million barrels)	**8.5-10.0** **Was 7.5-9.0**	14.0
Cash Operating Cost[2] (C$/barrel)	**C$28.50-$32.50** **Was C$35.00-40.00**	n/a

Operating Netback [3] (C$/bbl bitumen)	June 2018
Bitumen price realized	$64.59
Crown royalties	(3.59)
Transportation	(8.90)
Operating costs	(38.25)
Operating netback	**$13.85**

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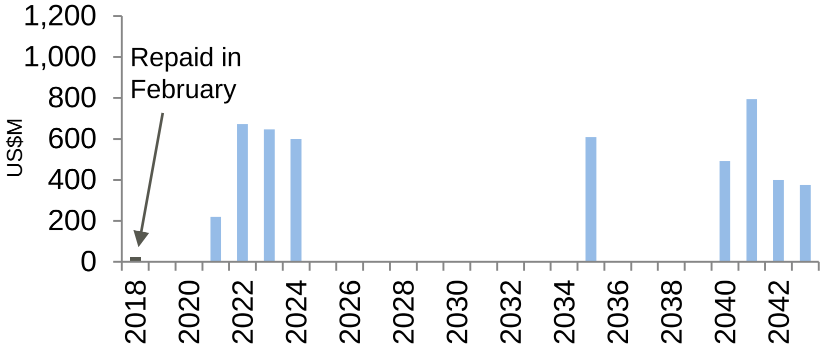
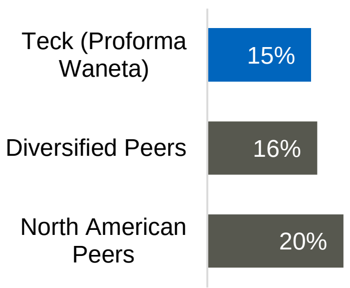
Solid Financial Position

- **>$5.6B of liquidity**, with ~$1.7B in cash + US$3B undrawn credit line[1]
- Expect to close the Waneta Dam transaction on July 26th = **additional $1.2B cash[2]**
- No significant debt maturities prior to 2022
- Strong credit metrics reflected in trading prices of public debt

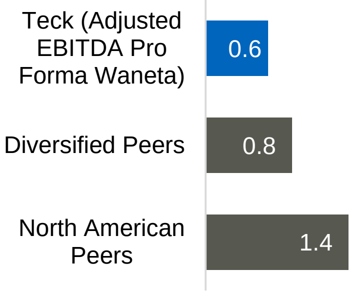
Debt Maturity Profile[3]



Net Debt / Net Debt-Plus-Equity[4]



Net Debt / EBITDA[5]



Source: Capital IQ, Teck

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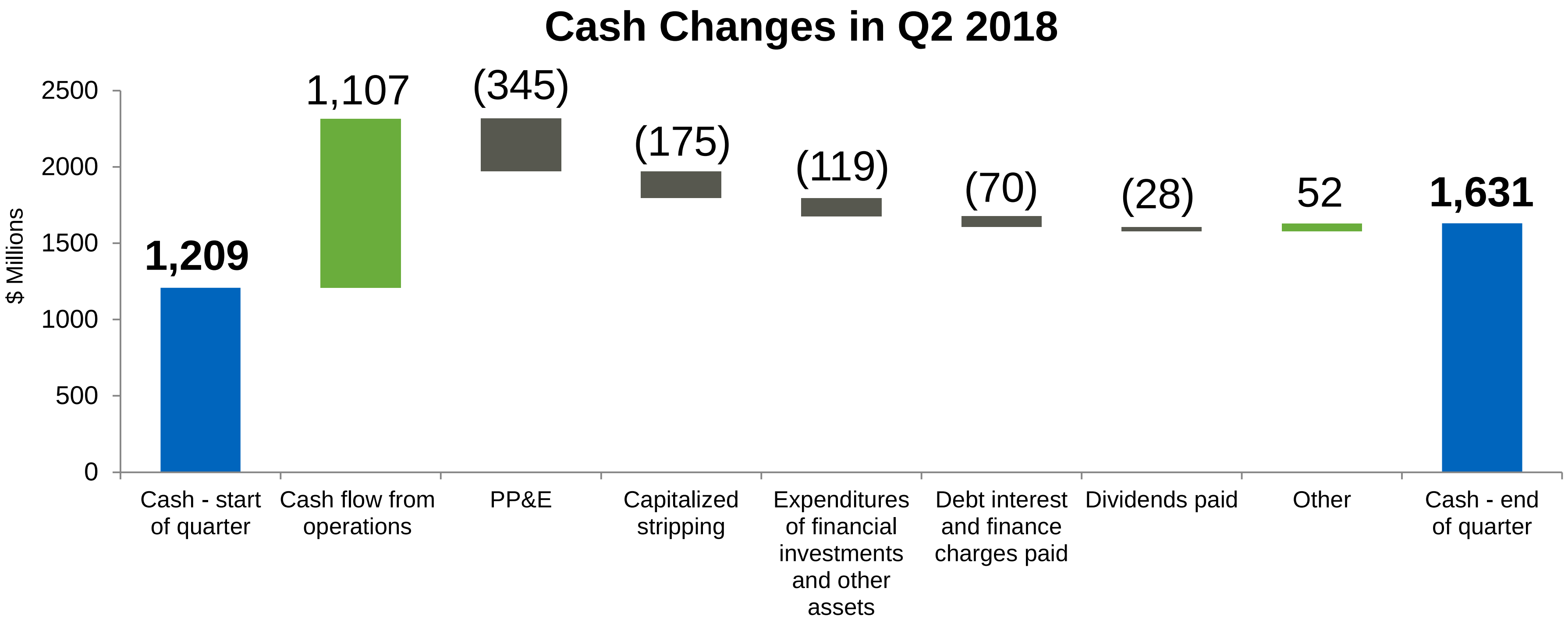
Cash Flow



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Looking Forward

Multiple catalysts / valuation milestones

Quebrada Blanca 2
- Permit in **Q3 2018**
- Partnership transaction likely in **Q4 2018**
- Sanctioning decision possible in **Q4 2018**

Fort Hills
- Full production by beginning of **Q4 2018**

Highland Valley (HVC)
- HVC 2040 Prefeasibility Study completion in **Q4 2018**

Zafranal
- Feasibility Study completion and SEIA submission by **Q4 2018**

NuevaUnión
- Feasibility Study completion by **Q3 2019**

San Nicolás
- Prefeasibility engineering and SEIA submission in **H2 2019**

H2 2018 → 2019+

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Appendix

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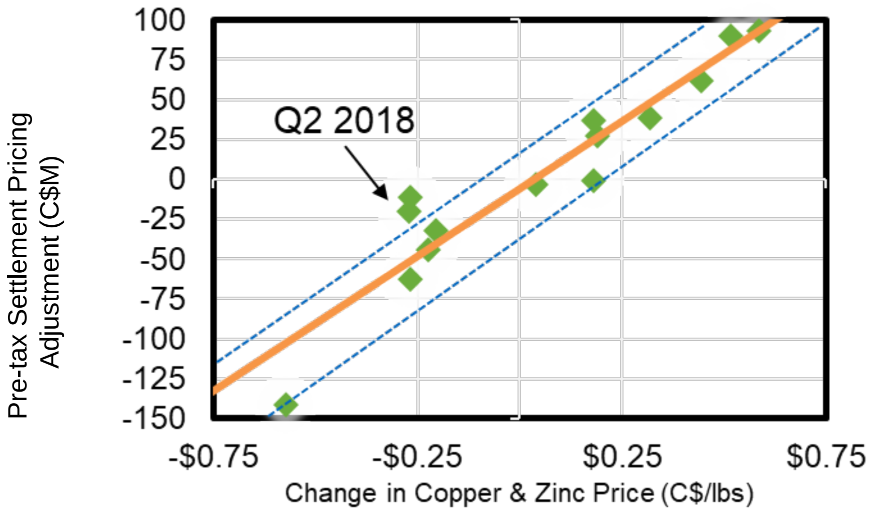
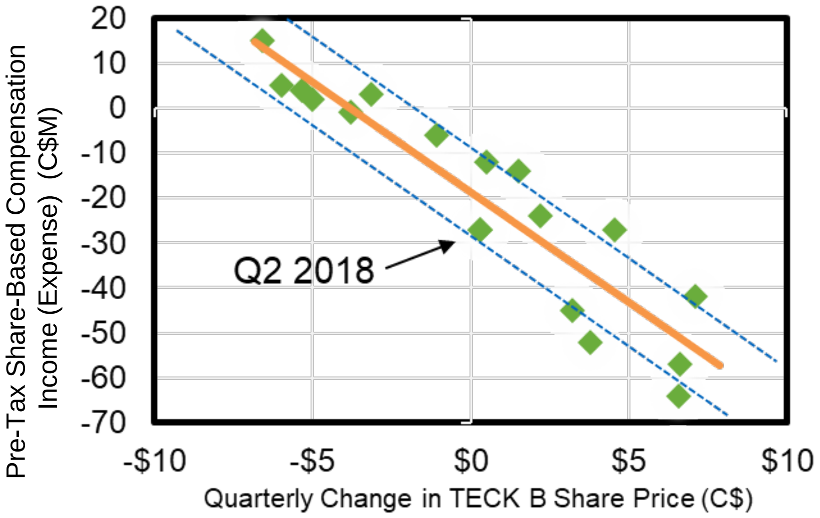
Other Operating Income (Expense)

Simplified Settlement Pricing Adjustment Model



Simplified Compensation Expense Model



	Outstanding at March 30, 2018		Outstanding at June 30, 2018		Quarterly Price Change	Pricing Adjustments
	Mlbs	US$/lb	Mlbs	US$/lb	US$/lb	C$M
Copper	130	3.04	112	3.01	(0.03)	(9)
Zinc	158	1.51	136	1.33	(0.18)	(9)
Other, e.g. Moly						(2)
TOTAL						**(20)**

	Closing Price March 30, 2018	Closing Price June 30, 2018	Quarterly Price Change	Share-Based Compensation Income (Expense)
	C$/share	C$/share	C$/share	C$M
Teck B	33.18	33.49	0.31	**(27)**

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Notes

Slide 4: Strong Quarterly Earnings

1. Gross profit before depreciation and amortization, adjusted EBITDA, adjusted profit attributable to shareholders, adjusted basic earnings per share and adjusted diluted earnings per share are non-GAAP financial measures. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q2 2018 press release for further information.

Slide 5: Earnings Adjustments in Q2 2018

1. Adjusted profit attributable to shareholders, adjusted earnings per share, adjusted basic earnings per share and adjusted diluted earnings per share are non-GAAP financial measures. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q2 2018 press release for further information.

Slide 6: Steelmaking Coal Business Unit

1. Steelmaking coal unit costs are reported in Canadian dollars per tonne. Site costs exclude deferred stripping and capital expenditures. Non-GAAP financial measures. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q2 2018 press release for further information.
2. Average steelmaking coal price for the past ten years is calculated from January 1, 2008. Source: Argus FOB Australia, Teck. Plotted to July 25, 2018.

Slide 7: Copper Business Unit

1. Metal contained in concentrate.
2. We include 100% of production from our Quebrada Blanca and Carmen de Andacollo mines in our production volumes, even though we own 90% of each of these operations, because we fully consolidate their results in our financial statements. We include 22.5% of production from Antamina, representing our proportionate equity interest in Antamina. Copper production includes cathode production at Quebrada Blanca and Carmen de Andacollo.
3. Copper unit costs are reported in U.S. dollars per payable pound of metal contained in concentrate. Copper net cash costs are after by-product margins and include adjusted cash cost of sales, smelter processing charges and cash margin for by-products including co-products. Assumes a zinc price of US$1.30 per pound, a molybdenum price of US$12 per pound, a silver price of US$16 per ounce, a gold price of US$1,250 per ounce; and a Canadian/U.S. dollar exchange rate of $1.30, on an annual average basis. Non-GAAP financial measures. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q2 2018 press release for further information.
4. Gross profit before depreciation and amortization is a non-GAAP financial measure. See “Non-GAAP Financial Measures” slides for further information.

Notes

Slide 8: Zinc Business Unit

1. Metal contained in concentrate.
2. We include 22.5% of production and sales from Antamina, representing our proportionate equity interest in Antamina. Total zinc production and sales include co-product zinc production and zinc from our Copper business unit.
3. Zinc unit costs are reported in U.S. dollars per payable pound of metal contained in concentrate. Zinc net cash costs are after by-product margins and are mine costs including adjusted cash cost of sales, smelter processing charges and cash margin for by-products. Assumes a lead price of US$1.00 per pound, a silver price of US$16.00 per ounce and a Canadian/U.S. dollar exchange rate of $1.30. By-products include both by-products and co-products. Non-GAAP financial measures. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q2 2018 press release for further information.
4. Gross profit before depreciation and amortization is a non-GAAP financial measure. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q2 2018 press release for further information.

Slide 9: Energy Business Unit

1. Guidance for Teck’s share of production at the Fort Hills mining and processing operations in 2018 is at our estimated working interest of 21.3%. Production estimates for Fort Hills could be negatively affected by delays in or unexpected events involving the ramp-up of production from the project. Three-year production guidance is our share before any reductions resulting from major maintenance downtime.
2. Bitumen unit costs are reported in Canadian dollars per barrel. Cash operating cost represents costs for the Fort Hills mining and processing operations and do not include the cost of diluent, transportation, storage and blending. Estimates of Fort Hills cash operating costs could be negatively affected by delays in or unexpected events involving the ramp up of production from the project. Non-GAAP financial measure. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q2 2018 press release for further information.
3. Bitumen price realized is blended bitumen revenue net of diluent expense. Operating netback is a non-GAAP financial measure. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q2 2018 press release for further information.

Notes

Slide 10: Solid Financial Position

1. As at July 25, 2018.
2. Closing of the Waneta Dam transaction is subject to receipt of regulatory approval and other customary conditions.
3. Public notes outstanding as at June 30, 2018.
4. Net debt/net debt-plus-equity for Diversified Peers and North American Peers are unweighted averages based on data reported by Capital IQ as at July 24, 2018. Net debt/net debt-plus-equity is a non-GAAP financial measure without a standardized meaning, but generally refers to net debt (total debt less cash and cash equivalents) divided by the sum of net debt plus shareholders equity. Capital IQ applies its own approach to calculate this metric and as a result the figures determined from Capital IQ data may vary from results published by Teck or peer companies. Net debt/net debt-plus-equity for Teck is an unweighted average pro forma metric as at June 30, 2018 and assumes closing of the Waneta Dam transaction. Non-GAAP financial measure. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q2 2018 press release for further information.
5. Net debt/EBITDA for Diversified Peers and North American Peers are unweighted averages based on data reported by Capital IQ as at July 24, 2018. Net debt/EBITDA is a non-GAAP financial measure without a standardized meaning, but generally refers to net debt (total debt less cash and cash equivalents) divided by EBITDA (earnings, before interest, taxes, depreciating and amortization). Capital IQ applies its own approach to calculate this metric and as a result the figures determined from Capital IQ data may vary from results published by Teck or peer companies. Net debt/EBITDA for Teck is based on our adjusted EBITDA and is an unweighted average pro forma metric as at June 30, 2018 and assumes closing of the Waneta Dam transaction. EBITDA, adjusted EBITDA and net debt/EBITDA are non-GAAP financial measures. See “Non-GAAP Financial Measures” slides and “Use of Non-GAAP Financial Measures” section of the Q2 2018 press release for further information.

Non-GAAP Financial Measures

EBITDA is profit attributable to shareholders before net finance expense, income and resource taxes, and depreciation and amortization. Adjusted EBITDA, as disclosed on slide 4 is EBITDA before the pre-tax effect of certain types of transactions that in our judgment are not indicative of our normal operating activities or do not necessarily occur on a regular basis. These adjustments to EBITDA highlight items and allow us and readers to analyze the rest of our results more clearly. We believe that disclosing these measures assist readers in understanding the ongoing cash generating potential of our business in order to provide liquidity to fund working capital needs, service outstanding debt, fund future capital expenditures and investment opportunities, and pay dividends. Other non-GAAP financial measures, including those comparing our results to our diversified and North American peers, are presented to help the reader compare our performance with others in our industry. The measures described above do not have standardized meanings under IFRS, may differ from those used by other issuers, and may not be comparable to such measures as reported by others. These measures should not be considered in isolation or used in substitute for other measures of performance prepared in accordance with IFRS.

In addition to these measures, we have presented certain other non-GAAP financial measures for our Diversified Peers and North American Peers, based on information or data published by Capital IQ and identified in the footnotes to this presentation. Those non-GAAP financial measures are presented to provide readers with a comparison of Teck to certain peer groups over certain measures using independent third-party data.

Reconciliation of Gross Profit Before Depreciation and Amortization

(C$ in millions)	Six months ended June 30, 2018
Gross profit	$ 2,601
Depreciation and amortization	703
Gross profit before depreciation and amortization	**$ 3,304**
Reported as:	
Steelmaking coal	$ 1,960
Copper	805
Zinc	526
Energy[1]	13
Gross profit before depreciation and amortization	**$ 3,304**

1. *Energy results are effective from June 1, 2018.*

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Non-GAAP Financial Measures

Reconciliation of Basic Earnings Per Share to Adjusted Basic Earnings Per Share

(C$ in millions)	Six months ended June 30, 2018
Earnings per share	**$2.43**
Add (deduct):	
Debt repurchase (gains) losses	-
Debt prepayment option (gains) losses	0.05
Asset sales and provisions	-
Foreign exchange (gains) losses	-
Other items	(0.03)
Adjusted basic earnings per share	**$2.45**

Reconciliation of Diluted Earnings Per Share to Adjusted Diluted Earnings Per Share

(C$ in millions)	Six months ended June 30, 2018
Diluted earnings per share	**$2.39**
Add (deduct):	
Debt repurchase (gains) losses	-
Debt prepayment option (gains) losses	0.05
Asset sales and provisions	-
Foreign exchange (gains) losses	-
Other items	(0.03)
Adjusted diluted earnings per share	**$2.41**

Reconciliation of EBITDA and Adjusted EBITDA

(C$ in millions)	Six months ended June 30, 2018
Profit attributable to shareholders	$ 1,393
Finance expense net of finance income	87
Provision for income taxes	775
Depreciation and amortization	703
EBITDA	**$ 2,958**
Add (deduct):	
Debt repurchase (gains) losses	-
Debt prepayment option (gains) losses	32
Asset sales and provisions	4
Foreign exchange (gains) losses	(8)
Collective agreement charges	-
Other items	(15)
Adjusted EBITDA	**$ 2,971**

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Non-GAAP Financial Measures

Reconciliation of Net Debt-to-Adjusted EBITDA Ratio & Net Debt-to-Debt-Plus-Equity Ratio

(C$ in millions)		(A) Twelve months ended December 31, 2017	(B) Six months ended June 30, 2017	(C) Six months ended June 30, 2017		(A-B+C) Twelve months ended June 30, 2018
Adjusted EBITDA	(D)	$ 5,697	$ 2,796	$ 2,971	(E)	$ 5,872
Total debt at period end		6,369				6,619
Less: cash and cash equivalents at period end		(952)				(1,631)
Net debt	(F)	**5,417**			(G)	**4,988**
Less: Cash proceeds from Waneta transaction		(1,200)				(1,203)
Pro forma net debt	(H)	**4,217**			(I)	3,785
Equity	(J)	**19,993**			(K)	**21,373**
Add: Net book gain from Waneta transaction		800				820
Pro forma equity	(L)	**20,793**			(M)	**22,193**
Net debt to adjusted EBITDA ratio	(F/D)	1.0			(G/E)	0.8
Pro forma net debt to adjusted EBITDA ratio	(H/D)	**0.7**			(I/E)	**0.6**
Net debt to net debt-plus-equity	(F/(F+J))	21%			(G/(G+K))	19%
Pro forma net debt to net debt-plus-adjusted equity ratio	(H/(H+L))	**17%**			(I/(I+M))	**15%**

We include net debt measures as we believe they provide readers with information that allows them to assess our credit capacity and the ability to meet our short and long-term financial obligations, as well as providing a comparison to our peers.

Non-GAAP Financial Measures

Steelmaking Coal Unit Cost Reconciliation

(C$ in millions, except where noted)	Six months ended June 30, 2018
Cost of sales as reported	**$ 1,583**
Less:	
Transportation	(470)
Depreciation and amortization	(373)
Adjusted cash cost of sales	$ 740
Tonnes sold (millions)	12.7
Per unit costs (C$/t)	
Adjusted cash cost of sales	$ 58
Transportation	37
Cash unit costs (C$/t)	$ 95
US$ AMOUNTS	
Average exchange rate (C$/US$)	$ 1.28
Per unit costs (US$/t)[2]	
Adjusted cash cost of sales	$ 46
Transportation	29
Cash unit costs (US$/t)	$ 75

Non-GAAP Financial Measures

Copper Unit Cost Reconciliation

(C$ in millions, except where noted)	Six months ended June 30, 2018
Revenue as reported	$ 1,470
By-product revenue (A)[1]	(257)
Smelter processing charges	80
Adjusted revenue	$ 1,293
Cost of sales as reported	$ 902
Less:	
Depreciation and amortization	(237)
Inventory write-downs	(3)
Collective agreement charges	-
By-product cost of sales (B)[1]	(31)
Adjusted cash cost of sales	$ 631
Payable pounds sold (millions) (C)	321.6
Adjusted per unit cash costs (C$/lb)	
Adjusted cash cost of sales	$1.96
Smelter processing charges	0.25
Total cash unit costs (C$/lb)	$2.21
Cash margin for by-products (C$/lb) ((A-B)/C)[1]	(0.70)
Net cash unit costs (C$/lb)[2]	$1.51

(C$ in millions, except where noted)	Six months ended June 30, 2018
US$ AMOUNTS	
Average exchange rate (C$/US$)	$ 1.28
Adjusted per unit costs (US$/lb)[3]	
Adjusted cash cost of sales	$ 1.54
Smelter processing charges	0.19
Total cash unit costs (US$/lb)[1]	$ 1.73
Cash margin for by-products (US$/lb)	(0.55)
Net cash unit costs (US$/lb)	$1.18

1. By-products include both by-products and co-products. By-product cost of sales also includes cost recoveries associated with our streaming transactions.
2. Net unit cash cost of principal product after deducting co-production and by-product margins per unit of principal product and excluding depreciation and amortization.
3. Average period exchange rates are used to convert to US$ per pound equivalent.

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Non-GAAP Financial Measures

Zinc Unit Cost Reconciliation (Mining Operations)[1]

(C$ in millions, except where noted)	Six months ended June 30, 2018
Revenue as reported	$ 1,390
Less:	
Trail Operations revenue, as reported	(1,106)
Other revenues as reported	(4)
Add back: Intra-segment as reported	347
	$ 627
By-product revenue (A)[2]	(10)
Smelter processing charges	123
Adjusted revenue	$ 740
Cost of sales as reported	$ 945
Less:	
Trail Operations cost of sales, as reported	(1,007)
Other costs as reported	8
Add back: Intra-segment as reported	347
	$ 293
Less:	
Depreciation and amortization	(44)
Royalty costs	(96)
Adjusted cash cost of sales	$ 153

(C$ in millions, except where noted)	Six months ended June 30, 2018
Payable pounds sold (millions) (C)	389.6
Adjusted per unit cash costs (C$/lb)	
Adjusted cash cost of sales	$ 0.39
Smelter processing charges	0.32
Total cash unit costs (C$/lb)	$ 0.71
Cash margin for by-products (C$/lb) (A/C)[2]	(0.03)
Net cash unit costs (C$/lb)[3]	$ 0.68
US$ AMOUNTS	
Average exchange rate (C$/US$)	$ 1.28
Adjusted per unit costs (US$/lb)[3]	
Adjusted cash cost of sales	$ 0.30
Smelter processing charges	0.25
Total cash unit costs (US$/lb)[1]	$ 0.55
Cash margin for by-products (US$/lb)	(0.02)
Net cash unit costs (US$/lb)	$0.53

1. *Red Dog and Pend Oreille.*
2. *By-products include both by-products and co-products..*
3. *Net cash unit cost of principal product after deducting co-production and by-product margins per unit of principal product and excluding depreciation, amortization and royalty costs.*
4. *Average period exchange rates are used to convert to US$ per pound equivalent.*

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Non-GAAP Financial Measures

Operating Netback Reconciliation

(C$ in millions, except where noted)	One month ended June 30, 2018
Revenue as reported	**$ 78**
Less:	
Cost of diluent for blending	(22)
Add back: Crown royalties[1] (D)	3
Adjusted revenue (A)	$ 59
Cost of sales as reported	$ 77
Less:	
Cost of diluent for blending	(22)
Transportation (C)	(8)
Depreciation and amortization	(12)
Adjusted cash cost of sales	$ 35

(C$ in millions, except where noted)	One month ended June 30, 2018
Blended bitumen barrels sold (000s of barrels)	1,162
Less: diluent barrels included in blended bitumen (000s of barrels)	(244)
Bitumen barrels sold (000s of barrels (B)	918
Per barrel amounts (C$/barrel)	
Bitumen price realized (A/B)	$64.59
Transportation (C/B)	(8.90)
Crown royalties (D/B)	(3.59)
Operating costs (E/B)	(38.25)
Operating netback (C$/barrel)	$ 13.85

1. *Revenue is reported after deduction of crown royalties.*
2. *Average period exchange rates are used to convert to US$ per tonne equivalent.*

We include unit cost information as it is frequently requested by investors and investment analysts who use it to assess our cost structure and margins and compare it to similar information provided by many companies in our industry.

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Second Quarter 2018 Results

July 26, 2018