Teck Resources Limited

Consolidated Financial Statements

For the Years Ended December 31, 2015 and 2014

Teck

Management's Responsibility for Financial Reporting

Management is responsible for the integrity and fair presentation of the financial information contained in this annual report. Where appropriate, the financial information, including financial statements, reflects amounts based on the best estimates and judgments of management. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Financial information presented elsewhere in the annual report is consistent with that disclosed in the financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. The system of controls is also supported by a professional staff of internal auditors who conduct periodic audits of many aspects of our operations and report their findings to management and the Audit Committee.

Management has a process in place to evaluate internal control over financial reporting based on the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework.

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee, which is composed entirely of independent directors. The Audit Committee meets periodically with management, our internal auditors and independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, appointed by the shareholders, have audited our financial statements in accordance with Canadian generally accepted auditing standards and have expressed their opinion in the auditor's report.

Donald R. Lindsay
President and Chief Executive Officer

Ronald A. Millos
Senior Vice President, Finance and Chief Financial Officer

February 16, 2016

Independent Auditor's Report

To the Shareholders of Teck Resources Limited

We have completed integrated audits of Teck Resources Limited's (the Company) December 31, 2015 and December 31, 2014 consolidated financial statements and its internal control over financial reporting as at December 31, 2015. Our opinions, based on our audits, are presented below.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Teck Resources Limited which comprise the consolidated balance sheets as at December 31, 2015 and 2014 and the consolidated statements of income (loss), comprehensive income (loss), cash flows and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Canadian generally accepted auditing standards also require that we comply with ethical requirements.

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Teck Resources Limited as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on Internal Control Over Financial Reporting

We have also audited Teck Resources Limited's internal control over financial reporting as at December 31, 2015, based on criteria established in Internal Control — Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility for Internal Control Over Financial Reporting

Management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on Internal Control Over Financial Reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our audit opinion on the Company's internal control over financial reporting.

Definition of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, Teck Resources Limited maintained, in all material respects, effective internal control over financial reporting as at December 31, 2015, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
February 16, 2016
Vancouver, British Columbia

Teck Resources Limited

Consolidated Statements of Income (Loss)

Years ended December 31

(CAD$ in millions, except for share data)	2015	2014
Revenues	**$ 8,259**	$ 8,599
Cost of sales	**(6,980)**	(7,064)
Gross profit	**1,279**	1,535
Other operating expenses		
General and administration	**(108)**	(119)
Exploration	**(76)**	(60)
Research and development	**(47)**	(29)
Asset impairments (Note 7)	**(3,631)**	(12)
Other operating income (expense) (Note 8)	**(335)**	(267)
Profit (loss) from operations	**(2,918)**	1,048
Finance income (Note 9)	**5**	4
Finance expense (Note 9)	**(316)**	(304)
Non-operating income (expense) (Note 10)	**(89)**	(21)
Share of losses of associates and joint ventures (Note 14)	**(2)**	(3)
Profit (loss) before taxes	**(3,320)**	724
Recovery of (provision for) income taxes (Note 19)	**836**	(342)
Profit (loss) for the year	**$ (2,484)**	$ 382
Profit (loss) attributable to:		
Shareholders of the company	**$ (2,474)**	$ 362
Non-controlling interests	**(10)**	20
Profit (loss) for the year	**$ (2,484)**	$ 382
Earnings (loss) per share (Note 22(g))		
Basic	**$ (4.29)**	$ 0.63
Diluted	**$ (4.29)**	$ 0.63
Weighted average shares outstanding (millions)	**576.2**	576.2
Shares outstanding at end of year (millions)	**576.3**	576.1

The accompanying notes are an integral part of these financial statements.

Teck Resources Limited

Consolidated Statements of Comprehensive Income (Loss)

Years ended December 31

(CAD$ in millions)	2015	2014
Profit (loss) for the year	**$ (2,484)**	$ 382
Other comprehensive income (loss) in the year		
Items that may be reclassified to profit		
Currency translation differences (net of taxes of $163 and $82)	**202**	132
Change in fair value of available-for-sale financial instruments (net of taxes of $(2) and $nil)	**7**	(1)
Cash flow hedges (net of taxes of $(1) and $nil)	**4**	(2)
Share of other comprehensive income of associates and joint ventures	**3**	–
	216	129
Items that will not be reclassified to profit		
Remeasurements of retirement benefit plans (net of taxes of $(18) and $nil)	**40**	28
Total other comprehensive income for the year	**256**	157
Total comprehensive income (loss) for the year	**$ (2,228)**	$ 539
Total other comprehensive income attributable to:		
Shareholders of the company	**$ 241**	$ 149
Non-controlling interests	**15**	8
	$ 256	$ 157
Total comprehensive income (loss) attributable to:		
Shareholders of the company	**$ (2,233)**	$ 511
Non-controlling interests	**5**	28
	$ (2,228)	$ 539

The accompanying notes are an integral part of these financial statements.

Teck Resources Limited

Consolidated Statements of Cash Flows

Years ended December 31

(CAD$ in millions)	2015	2014
Operating activities		
Profit (loss) for the year	**$ (2,484)**	$ 382
Items not affecting operating cash flows:		
Depreciation and amortization	**1,366**	1,344
Provision for (recovery of) income taxes	**(836)**	342
Asset impairments	**3,631**	12
Loss (gain) on sale of investments and assets	**(120)**	2
Foreign exchange losses	**76**	9
Finance expense	**316**	304
Income taxes paid	**(255)**	(406)
Other	**54**	6
	1,748	1,995
Net change in non-cash working capital items	**203**	283
	1,951	2,278
Investing activities		
Purchase of property, plant and equipment	**(1,581)**	(1,498)
Capitalized production stripping costs	**(663)**	(715)
Expenditures on financial investments and other assets	**(82)**	(44)
Proceeds from the sale of investments and other assets	**1,222**	34
	(1,104)	(2,223)
Financing activities		
Issuance of debt	**28**	12
Repayment of debt	**(476)**	(70)
Debt interest paid	**(444)**	(381)
Purchase and cancellation of Class B subordinate voting shares	**–**	(5)
Dividends paid	**(374)**	(518)
Distributions to non-controlling interests	**(27)**	(23)
	(1,293)	(985)
Effect of exchange rate changes on cash and cash equivalents	**304**	187
Decrease in cash and cash equivalents	**(142)**	(743)
Cash and cash equivalents at beginning of year	**2,029**	2,772
Cash and cash equivalents at end of year	**$ 1,887**	$ 2,029

Supplemental cash flow information (Note 11)

The accompanying notes are an integral part of these financial statements.

Teck Resources Limited
Consolidated Balance Sheets

(CAD$ in millions)	December 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents (Note 11)	**$ 1,887**	$ 2,029
Current income tax receivable	**183**	100
Trade accounts receivable	**1,115**	1,036
Inventories (Note 12)	**1,620**	1,752
	4,805	4,917
Financial and other assets (Note 13)	**936**	894
Investments in associates and joint ventures (Note 14)	**939**	32
Property, plant and equipment (Note 15)	**26,791**	28,925
Deferred income tax assets (Note 19)	**90**	361
Goodwill (Note 16)	**1,127**	1,710
	$ 34,688	$ 36,839
LIABILITIES AND EQUITY		
Current liabilities		
Trade accounts payable and other liabilities (Note 17)	**$ 1,673**	$ 1,663
Dividends payable (Note 22(i))	**–**	259
Current income tax payable	**25**	59
Debt (Note 18)	**28**	428
	1,726	2,409
Debt (Note 18)	**9,606**	8,013
Deferred income tax liabilities (Note 19)	**4,828**	6,091
Deferred consideration (Note 5(c))	**785**	–
Retirement benefit liabilities (Note 20)	**591**	572
Other liabilities and provisions (Note 21)	**515**	918
	18,051	18,003
Equity		
Attributable to shareholders of the company	**16,407**	18,606
Attributable to non-controlling interests	**230**	230
	16,637	18,836
	$ 34,688	$ 36,839

Contingencies (Note 24)
Commitments (Note 25)

Approved on behalf of the Board of Directors

Tracey L. McVicar — *Warren S.R. Seyffert*

Tracey L. McVicar
Chair of the Audit Committee

Warren S.R. Seyffert, Q.C.
Lead Director

The accompanying notes are an integral part of these financial statements.

Teck Resources Limited

Consolidated Statements of Changes in Equity

Years ended December 31

(CAD$ in millions)	2015	2014
Class A common shares (Note 22)	**$ 7**	$ 7
Class B subordinate voting shares (Note 22)		
Beginning of year	**6,502**	6,503
Share repurchases (Note 22(e))	**–**	(2)
Issued on exercise of options	**1**	1
Reversal of tax provision (Note 22(h))	**124**	–
End of year	**6,627**	6,502
Retained earnings		
Beginning of year	**11,723**	11,853
Profit (loss) for the year attributable to shareholders of the company	**(2,474)**	362
Dividends declared	**(115)**	(518)
Share repurchases (Note 22(e))	**–**	(2)
Remeasurements of retirement benefit plans	**40**	28
End of year	**9,174**	11,723
Contributed surplus		
Beginning of year	**149**	130
Share option compensation expense (Note 22(c))	**24**	20
Transfer to Class B subordinate voting shares on exercise of options	**–**	(1)
End of year	**173**	149
Accumulated other comprehensive income (loss) attributable to shareholders of the company (Note 22(f))		
Beginning of year	**225**	104
Other comprehensive income	**241**	149
Less remeasurements of retirement benefit plans recorded in retained earnings	**(40)**	(28)
End of year	**426**	225
Non-controlling interests (Note 23)		
Beginning of year	**230**	214
Profit for the year attributable to non-controlling interests	**(10)**	20
Other comprehensive income	**15**	8
Other	**22**	11
Dividends or distributions	**(27)**	(23)
End of year	**230**	230
Total equity	**$ 16,637**	$ 18,836

The accompanying notes are an integral part of these financial statements.

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Notes to Consolidated Financial Statements
Years ended December 31, 2015 and 2014

1. Nature of Operations

Teck Resources Limited and its subsidiaries (Teck, we, us or our) are engaged in mining and related activities including research, development and exploration, processing, smelting, refining and reclamation. Our major products are steelmaking coal, copper, zinc and lead. We also produce precious metals, molybdenum, electrical power, fertilizers and other metals. Metal products are sold as refined metals or concentrates. We also own an interest in a wind power facility and in certain oil sands leases and have a partnership interest in an oil sands development project now under construction.

Teck Resources Limited is a Canadian corporation and our registered office is at 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 0B3.

2. Basis of Preparation and New IFRS Pronouncements

a) Basis of Preparation

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements were prepared by management and were approved by the Board of Directors on February 16, 2016.

b) New IFRS Pronouncements

New IFRS pronouncements that have been issued but are not yet effective are listed below. We plan to apply the new standards or interpretations in the annual period for which they are first required.

Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (IFRS 15) as a result of a joint revenue project with the Financial Accounting Standards Board (FASB).

The new revenue standard introduces a single principles-based five-step model for the recognition of revenue when control of a good is transferred to or a service performed for the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price, and recognize revenue when the performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers, and improves the comparability of revenue from contracts with customers.

The standard initially had an effective date of January 1, 2017. However, subsequent to the FASB's decision to defer the adoption of its new revenue standard to 2018, the IASB issued an amendment to IFRS 15 in September 2015. This amendment formalized the deferral of the effective date of IFRS 15 by one year to January 1, 2018. Early application of IFRS 15 is still permitted. We are currently assessing the effect of this standard on our financial statements.

Financial Instruments

IFRS 9, Financial Instruments (IFRS 9), addresses the classification, measurement and recognition of financial assets and financial liabilities. The IASB has previously issued versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication of IFRS 9 is the completed version of the standard, replacing earlier versions of IFRS 9 and superseding the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

2. Basis of Preparation and New IFRS Pronouncements (continued)

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The new hedge accounting model in IFRS 9 aligns hedge accounting with risk management activities undertaken by an entity. Components of both financial and non-financial items will now be eligible for hedge accounting, as long as the risk component can be identified and measured. The hedge accounting model includes eligibility criteria that must be met, but these criteria are based on an economic assessment of the strength of the hedging relationship. New disclosure requirements relating to hedge accounting will be required and are meant to simplify existing disclosures. The IASB currently has a separate project on macro hedging activities and until the project is completed, the IASB has provided a policy choice for entities to either apply the hedge accounting model in IFRS 9 or IAS 39 in full. Additionally, there is a hybrid option to use IAS 39 to account for macro hedges only and to use IFRS 9 for all other hedges.

The completed version of IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. We are currently assessing the effect of this standard and its related amendments on our financial statements.

Leases

In January 2016, the IASB issued IFRS 16, Leases (IFRS 16), which eliminates the classification of leases as either operating or finance leases for a lessee. Under IFRS 16, all leases are considered finance leases and will be recorded on the balance sheet. The only exemptions to this classification will be for leases that are 12 months or less in duration or for leases of low-value assets. The requirement to record all leases as finance leases under IFRS 16 will increase lease assets and financial liabilities on an entity's financial statements. IFRS 16 will also change the nature of expenses relating to leases as the straight-line lease expense previously recognized for operating leases will be replaced with depreciation expense for lease assets and finance expense for lease liabilities. IFRS 16 includes an overall disclosure objective and requires a company to disclose (a) information about lease assets and expenses and cash flows related to leases; (b) a maturity analysis of lease liabilities; and (c) any additional company-specific information that is relevant to satisfying the disclosure objective. IFRS 16 is effective from January 1, 2019 and can be applied before that date but only if IFRS 15 is also applied. We are currently assessing the effect of this standard on our financial statements.

3. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of Presentation

Our consolidated financial statements include the accounts of Teck Resources Limited and all of its subsidiaries. Our significant operating subsidiaries include Teck Metals Limited (TML), Teck Alaska Incorporated (TAK), Teck Highland Valley Copper Partnership (Highland Valley Copper), Teck Coal Partnership (Teck Coal), Teck Washington Incorporated (TWI), Compañia Minera Teck Quebrada Blanca S.A. (Quebrada Blanca) and Compañia Minera Teck Carmen de Andacollo (Carmen de Andacollo).

All subsidiaries are entities that we control, either directly or indirectly. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when we have existing rights that give us the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All of our intra-group balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated in full. For subsidiaries that we control but do not own 100% of, the net assets and net profit attributable to outside shareholders are presented as amounts attributable to non-controlling interests in the consolidated balance sheet and consolidated statements of income and comprehensive income. If we lose control of a subsidiary but retain an investment in a joint venture or associate, we recognize a gain or loss on the transaction in the period in which the loss of control occurs. We do not revalue any retained interest in the joint venture or associate to fair value on the transaction date.

Certain of our business activities are conducted through joint arrangements. Our interests in joint operations include Galore Creek Partnership (Galore Creek, 50% share), Fort Hills Energy Limited Partnership (Fort Hills, 20% share), Waneta Dam (66.7% share) and Wintering Hills Wind Power Facility (49% share), which operate in Canada and Compañia Minera Antamina (Antamina, 22.5%), which operates in Peru. We account for our interests in these joint operations by recording our share of the respective assets, liabilities, revenue, expenses and cash flows. Beginning in 2015, we also have an interest in a joint venture, Corredor SPA (Project Corridor, 50% share), in Chile that we account for using the equity method (Note 5(a) and Note 14).

All dollar amounts are presented in Canadian dollars unless otherwise specified.

Interests in Joint Arrangements

A joint arrangement can take the form of a joint venture or joint operation. All joint arrangements involve a contractual arrangement that establishes joint control, which exists only when decisions about the activities that significantly affect the returns of the investee require unanimous consent of the parties sharing control. A joint operation is a joint arrangement in which we have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement in which we have rights to only the net assets of the arrangement.

Joint ventures are accounted for in accordance with the policy "Investments in Associates and Joint Ventures". Joint operations are accounted for by recognizing our share of the assets, liabilities, revenue, expenses and cash flows of the joint operation in our consolidated financial statements.

Investments in Associates and Joint Ventures

Investments over which we exercise significant influence and that we do not control or jointly control are associates. Investments in associates are accounted for using the equity method, except when classified as held for sale. Investments in joint ventures as determined in accordance with the policy "Interests in Joint Arrangements" are also accounted for using the equity method.

The equity method involves recording the initial investment at cost and subsequently adjusting the carrying value of the investment for our proportionate share of the profit or loss, other comprehensive income or loss and any other changes in the associate's or joint venture's net assets such as dividends.

Our proportionate share of the associate's or joint venture's profit or loss and other comprehensive income or loss is based on its most recent financial statements. Adjustments are made to align any inconsistencies between our accounting policies and our associate's or joint venture's policies before applying the equity method. Adjustments are also made to account for depreciable assets based on their fair values at the acquisition date of the investment and for any impairment losses recognized by the associate or joint venture.

If our share of the associate's or joint venture's losses equals or exceeds our investment in the associate or joint venture, recognition of further losses is discontinued. After our interest is reduced to zero, additional losses will be provided for and a liability recognized only to the extent that we have incurred legal or constructive obligations to provide additional funding or make payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, we resume recognizing our share of those profits only after our share of the profits equals the share of losses not recognized.

At each balance sheet date, we consider whether there is objective evidence of impairment in associates and joint ventures. If there is such evidence, we determine the amount of impairment to record, if any, in relation to the associate or joint venture.

Foreign Currency Translation

The functional currency of each of our subsidiaries and our joint operations, joint ventures and associates is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the period end date exchange rates.

The functional currency of Teck Resources Limited, the parent entity, is the Canadian dollar, which is also the presentation currency of our consolidated financial statements.

Foreign operations are translated from their functional currencies into Canadian dollars on consolidation. Items in the statement of income are translated using weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Items in the balance sheet are translated at the closing spot exchange rate. Exchange differences on the translation of the net assets of entities with functional currencies other than the Canadian dollar, and any offsetting exchange differences on net debt used to hedge those assets, are recognized in a separate component of equity through other comprehensive income.

Exchange differences that arise relating to long-term intra-group balances that form part of the net investment in a foreign operation are also recognized in this separate component of equity through other comprehensive income.

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in a separate component of equity is recognized in the statement of income.

Revenue

Recognition

Sales of product, including by-product, are recognized in revenue when there is persuasive evidence that all of the following criteria have been met: the significant risks and rewards of ownership pass to the customer, neither continuing managerial involvement nor effective control remains over the goods sold, the selling price and costs to sell can be measured reliably, and it is probable that the economic benefits associated with the sale will flow to us. All of these criteria are generally met by the time the significant risks and rewards of ownership pass to the customer. Royalties related to production are recorded in cost of sales.

For sales of steelmaking coal and a majority of sales of metal concentrates, significant risks and rewards of ownership generally pass to the customer when the product is loaded onto a carrier specified by the customer. We generally retain title to these products until we receive the first contracted payment, solely to protect the collectibility of the amounts due to us, which are typically received shortly after loading. A minority of metal concentrate sales are made on consignment. For these transactions, significant risks and rewards of ownership pass to the customer at the time the product is consumed in the customer's processes.

For sales of refined metal, significant risks and rewards of ownership generally pass to the customer when the product is loaded onto a carrier specified by the customer. For these products, loading generally coincides with the transfer of title.

Pricing agreements

Steelmaking coal is sold under spot, quarterly or annual pricing contracts, and pricing is final when the product is delivered.

The majority of our cathode and metal concentrates are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. For these sales, the price is determined on a provisional basis at the date of sale and revenue is recorded at that time based on current market prices.

Adjustments are made to the customer receivables in subsequent periods based on movements in quoted market prices up to the date of final pricing. As a result, the value of our cathode and concentrate sales receivables changes as the underlying commodity market prices vary and this adjustment mechanism has the characteristics of a derivative. Accordingly, the fair value of the embedded derivative is adjusted each reporting period by reference to forward market prices and the changes in fair value are recorded as an adjustment to other operating income (expense).

Streaming transactions

The treatment of upfront and ongoing payments received from counterparties under streaming arrangements depends on the specific terms of the arrangement. For arrangements we have entered into to date, we consider these transactions to be a disposition of a portion of the associated mineral properties and therefore, do not recognize revenue for payments received under these arrangements. Any deferred consideration recorded for streaming transactions and any ongoing payments received from our streaming transactions are recognized in profit as a reduction of cost of sales as deliveries are made under the respective streaming transaction.

Financial Instruments

We recognize financial assets and liabilities on the balance sheet when we become a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents include cash on account, demand deposits and money market investments with maturities from the date of acquisition of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant changes in value. Cash is classified as loans and receivables. Cash equivalents are classified as available-for-sale.

Trade receivables and payables

Trade receivables and payables are non-interest bearing if paid when due and are recognized at face amount, except when fair value is materially different, and are subsequently measured at amortized cost. Where necessary, trade receivables are net of allowances for uncollectible amounts. We may enter into transactions to sell trade receivables to third parties. We consider whether the risks and rewards of ownership of the receivables are transferred to the purchaser and whether control over the receivables is retained in determining whether to account for the transaction as a sale and derecognize the trade receivables, accordingly.

Investments in marketable securities

Investments in marketable securities are classified as available-for-sale and recorded at fair value. Fair values are determined by reference to quoted market prices at the balance sheet date. Unrealized gains and losses on available-for-sale investments are recognized in other comprehensive income until investments are disposed of or when there is objective evidence of an impairment in value. Investment transactions are recognized on the trade date with transaction costs included in the underlying balance.

At each balance sheet date, we assess for any objective evidence of an impairment in value of our investments and record such impairments in profit for the period. If an impairment of an investment in a marketable equity security has been recorded in profit, it cannot be reversed in future periods prior to sale.

Debt

Debt is initially recorded at fair value, less transaction costs. Debt is subsequently measured at amortized cost, calculated using the effective interest rate method.

3. Summary of Significant Accounting Policies (continued)

Derivative instruments

Derivative instruments, including embedded derivatives, are classified as at fair value through profit or loss and, accordingly, are recorded on the balance sheet at fair value. Unrealized gains and losses on derivatives held for trading are recorded as part of other operating income (expense) or non-operating income (expense) in profit depending on the nature of the derivative. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the balance sheet date or settlement date of the derivative. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract.

Hedging

Certain derivative investments may qualify for hedge accounting. For fair value hedges, any gains or losses on both the hedged item and the hedging instrument are recognized in profit.

For cash flow hedges, any unrealized gains and losses on the hedging instrument relating to the effective portion of the hedge are initially recorded in other comprehensive income. Gains and losses are recognized in profit upon settlement of the hedging instrument, when the hedged item ceases to exist, or when the hedge is determined to be ineffective.

For hedges of net investments in foreign operations, any foreign exchange gains or losses on the hedging instrument relating to the effective portion of the hedge are initially recorded in other comprehensive income. Gains and losses are recognized in profit on the ineffective portion of the hedge, or when there is a disposal of a foreign operation being hedged.

Inventories

Finished products, work in-process and raw materials inventories are valued at the lower of weighted average cost and net realizable value. Raw materials include concentrates for use at smelting and refining operations. Work in-process inventory includes inventory in the milling, smelting or refining process and stockpiled ore at mining operations.

For work in-process and finished product inventories, cost includes all direct costs incurred in production, including direct labour and materials, freight, depreciation and amortization and directly attributable overhead costs. Production stripping costs that are not capitalized are included in the cost of inventories as incurred. Depreciation and amortization of capitalized production stripping costs are included in the cost of inventory.

When inventories have been written down to net realizable value, we make a new assessment of net realizable value in each subsequent period. If the circumstances that caused the write-down no longer exist, the remaining amount of the write-down is reversed.

We use both joint-product and by-product costing for work in-process and finished product inventories. Joint costing is applied where the profitability of the operations is dependent upon the production of a number of primary products. Joint costing allocates total production costs based on the relative values of the products. Where by-product costing is used, by-products are allocated only the incremental costs of processes that are specific to the production of that product.

Supplies inventory is valued at the lower of weighted average cost and net realizable value. Cost includes acquisition, freight and other directly attributable costs.

Property, Plant and Equipment

Land, buildings, plant and equipment

Land is recorded at cost and buildings, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and the directly attributable costs to bring the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

3. Summary of Significant Accounting Policies (continued)

Depreciation of mobile equipment, buildings used for production, and plant and processing equipment at our mining operations is calculated on a units-of-production basis. Depreciation of buildings not used for production, and of plant and equipment at our smelting operations is calculated on a straight-line basis over the assets' estimated useful lives. Where components of an asset have different useful lives, depreciation is calculated on each component separately. Depreciation commences when an asset is available for use. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

The expected useful lives are as follows:

- Buildings and equipment (not used in production) 3 – 40 years
- Plant and equipment (smelting operations) 3 – 30 years

Mineral properties and mine development costs

The cost of acquiring and developing mineral properties or property rights, including pre-production waste rock stripping costs related to mine development and costs incurred during production to increase future output, are capitalized.

Waste rock stripping costs incurred in the production phase of a surface mine are recorded as capitalized production stripping costs within property, plant and equipment when it is probable that the stripping activity will improve access to the orebody; when the component of the orebody to which access has been improved can be identified; and when the costs relating to the stripping activity can be measured reliably. When the actual waste-to-ore stripping ratio in a period is greater than the expected life-of-component waste-to-ore stripping ratio for a component, the excess is capitalized as capitalized production stripping costs.

Once available for use, mineral properties and mine development costs are depreciated on a units-of-production basis over the proven and probable reserves to which they relate. Since the stripping activity within a component of a mine generally only improves access to the reserves of the same component, capitalized waste rock stripping costs incurred during the production phase of a mine are depreciated on a units-of-production basis over the proven and probable reserves expected to be mined from the same component.

Underground mine development costs are depreciated using the block depreciation method, where development costs associated with each distinct section of the mine are depreciated over the reserves to which they relate.

Exploration and evaluation costs

Property acquisition costs are capitalized. Other exploration and evaluation costs are capitalized if they relate to specific properties for which resources, as defined under National Instrument 43-101, exist or are near a specific property with a defined resource and it is expected that the expenditure can be recovered by future exploitation or sale. All other costs are charged to profit in the year in which they are incurred. Capitalized exploration and evaluation costs are considered to be tangible assets. These assets are not depreciated as they are not currently available for use. When proven and probable reserves are determined and development is approved, capitalized exploration and evaluation costs are reclassified to mineral properties and leases within property, plant and equipment.

Development costs of oil sands properties

The costs of acquiring, exploring, evaluating and developing oil sands properties are capitalized when it is expected that these costs will be recovered through future exploitation or sale of the property. Capitalized development costs of oil sands properties are considered to be tangible assets. These assets are not depreciated as they are not currently available for use. When proven and probable reserves are determined and development is approved, capitalized development costs for oil sands properties are reclassified to mineral properties and leases within property, plant and equipment.

Construction in-progress

Assets in the course of construction are capitalized as construction in-progress. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment, and depreciation commences when the asset is available for its intended use.

Impairment of non-current assets

The carrying amounts of assets included in property, plant and equipment are reviewed for impairment whenever facts and circumstances indicate that the carrying amounts are less than the recoverable amounts. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or cash-generating unit is determined as the higher of its fair value less costs of disposal and its value in use. An impairment loss exists if the asset's or cash-generating unit's carrying amount exceeds the recoverable amount, and is recorded as an expense immediately.

Fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. Costs of disposal are incremental costs directly attributable to the disposal of an asset. For mining assets, when a binding sale agreement is not readily available, fair value less costs of disposal is estimated using a discounted cash flow approach. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources, and operating and capital costs. All inputs used are those that an independent market participant would consider appropriate. Value in use is determined as the present value of the future cash flows expected to be derived from continuing use of an asset or cash-generating unit in its present form. These estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit for which estimates of future cash flows have not been adjusted.

Indicators of impairment and impairment of exploration and evaluation assets or oil sands development costs are assessed on a project-by-project basis or as part of the existing operation to which they relate.

Tangible assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount, but not beyond the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized into profit immediately.

Repairs and maintenance

Repairs and maintenance costs, including shutdown maintenance costs, are charged to expense as incurred, except when these repairs significantly extend the life of an asset or result in an operating improvement. In these instances, the portion of these repairs relating to the betterment is capitalized as part of plant and equipment.

Borrowing costs

We capitalize borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to construct or prepare for its intended use. We begin capitalizing borrowing costs when there are general or specific borrowings, expenditures are incurred, and activities are undertaken to prepare the asset for its intended use. The amount of borrowing costs capitalized cannot exceed the actual amount of borrowing costs incurred during the period. All other borrowing costs are expensed as incurred.

We discontinue the capitalization of borrowing costs when substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are complete. In addition, we cease capitalization of borrowing costs when there is suspension of activities to prepare an asset for its intended use or sale. Capitalization recommences when the activities are no longer suspended. Capitalized borrowing costs are amortized over the useful life of the related asset.

Leased assets

Leased assets in which we receive substantially all of the risks and rewards of ownership of the asset are capitalized as finance leases at the lower of the fair value of the asset or the estimated present value of the minimum lease payments. The corresponding lease obligation is recorded within debt on the balance sheet.

Assets under operating leases are not capitalized, and rental payments are expensed based on the terms of the lease.

3. Summary of Significant Accounting Policies (continued)

Goodwill

We allocate goodwill arising from business combinations to each cash-generating unit (CGU) or group of CGUs that are expected to receive the benefits from the business combination. Irrespective of any indication of impairment, the carrying amount of the CGU or group of CGUs to which goodwill has been allocated is tested annually for impairment. Testing is also performed when there is an indication that the goodwill may be impaired. Any impairment is recognized as an expense immediately. Should there be a recovery in the value of a CGU, any impairment of goodwill previously recorded is not subsequently reversed.

Income Taxes

Taxes, comprising both income taxes and resource taxes, are accounted for as income taxes under IAS 12, Income Taxes and are recognized in the statement of income, except where they relate to items recognized in other comprehensive income or directly in equity, in which case the related taxes are recognized in other comprehensive income or equity.

Current taxes receivable or payable are based on estimated taxable income for the current year at the statutory tax rates enacted or substantively enacted less amounts paid or received on account.

Deferred tax assets and liabilities are recognized based on temporary differences (the difference between the tax and accounting values of assets and liabilities) and are calculated using enacted or substantively enacted tax rates for the periods in which the differences are expected to reverse. The effect of tax rate changes is recognized in the period of substantive enactment.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits of the relevant entity or group of entities in a particular jurisdiction will be available, against which the assets can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates. However, we do not recognize such deferred tax liabilities where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction, other than in a business combination that will affect neither accounting profit nor taxable profit.

We are subject to assessments by various taxation authorities, who may interpret tax legislation differently than we do. The final amount of taxes to be paid depends on a number of factors, including the outcomes of audits, appeals or negotiated settlements. We account for such differences based on our best estimate of the probable outcome of these matters.

Employee Benefits

Defined benefit pension plans

Defined benefit pension plan obligations are based on actuarial determinations. The projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation, is used to determine the defined benefit obligations, the related current service costs and, where applicable, the past service costs. Actuarial assumptions used in the determination of defined benefit pension plan assets and liabilities are based upon our best estimates, including discount rates, salary escalation, expected health care costs and retirement dates of employees.

Vested and unvested costs arising from past service following the introduction of changes to a defined benefit plan are recognized immediately as an expense when the changes are made.

Actuarial gains and losses can arise from differences between expected and actual outcomes or changes in actuarial assumptions. Actuarial gains and losses, changes in the effect of asset ceiling rules and return on plan assets are collectively referred to as remeasurements of retirement benefit plans and are recognized immediately through other comprehensive income and directly into retained earnings. Measurement of our net defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is the funded status of the plan on an accounting basis, less the present value of the expected economic benefit available to us in the form of refunds from the plan or reductions in future contributions to the plan. We only have asset ceilings in our registered pension plans.

We apply one discount rate to the net defined benefit asset or liability for the purposes of determining the interest component of the defined benefit cost. This interest component is recorded as part of finance expense. Depending on their function, current service costs and past service costs are included in either operating expenses or general and administration expenses.

Defined contribution pension plans

The cost of providing benefits through defined contribution plans is charged to profit as the obligation to contribute is incurred.

Non-pension post-retirement plans

We provide health care benefits for certain employees when they retire. Non-pension post-retirement plan obligations are based on actuarial determinations. The cost of these benefits is expensed over the period in which the employees render services. We fund these non-pension post-retirement benefits as they become due.

Termination benefits

We recognize a liability and an expense for termination benefits when we have demonstrably committed to either terminate employees before their normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary retirement. We are demonstrably committed to a termination when, and only when, there is a formal plan for the termination with no realistic possibility of withdrawal. The plan should include, at a minimum, the location, function and approximate number of employees whose services are to be terminated, the termination benefits for each job classification or function, and the time at which the plan will be implemented without significant changes.

Share-Based Payments

The fair value method of accounting is used for share-based payment transactions. Under this method, the cost of share options and other equity-settled share-based payment arrangements is recorded based on the estimated fair value at the grant date, including an estimate of the forfeiture rate, and charged to profit over the vesting period. For employees eligible for normal retirement prior to vesting, the expense is charged to profit over the period from the grant date to the date they are eligible for retirement.

Share-based payment expense relating to cash-settled awards, including deferred, restricted and performance share units, is accrued over the vesting period of the units based on the quoted market value of Class B subordinate voting shares. Performance share units have an additional vesting factor determined by our total shareholder return in comparison to a group of specified companies. As these awards will be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price. Our performance share units are also adjusted by our total shareholder return in comparison to the group of specified companies.

Provisions

Decommissioning and restoration provisions

Future obligations to retire an asset and to restore a site, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations are initially recognized and recorded as a provision based on estimated future cash flows discounted at a credit-adjusted risk-free rate. This decommissioning and restoration provision is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the discount rate.

3. Summary of Significant Accounting Policies (continued)

The provisions are also accreted to full value over time through periodic charges to profit. This unwinding of the discount is charged to finance expense in the statement of income.

The amount of the decommissioning and restoration provision initially recognized is capitalized as part of the related asset's carrying value. The method of depreciation follows that of the underlying asset. For a closed site or where the asset that generated a decommissioning and restoration provision no longer exists, there is no longer any future benefit related to the costs and, as such, the amounts are expensed. For operating sites, a revision in estimates or a new disturbance will result in an adjustment to the provision with an offsetting adjustment to the capitalized retirement cost.

Environmental disturbance restoration provisions

During the operating life of an asset, events such as infractions of environmental laws or regulations may occur. These events are not related to the normal operation of the asset. The costs associated with these provisions are accrued and charged to profit in the period in which the event giving rise to the liability occurs. Changes in the estimated liability resulting in an adjustment to the provision are also charged to profit in the period in which the estimate changes.

Other provisions

Provisions are recognized when a present legal or constructive obligation exists as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate credit-adjusted risk-free rate.

Share Repurchases

Where we repurchase any of our equity share capital, the excess of the consideration paid over book value is deducted from contributed surplus and retained earnings on a pro rata basis.

Research and Development

Research costs are expensed as incurred. Development costs are only capitalized when: the product or process is clearly defined; the technical feasibility has been established; the future market for the product or process is clearly defined; and we are committed, and have the resources, to complete the project.

Earnings per Share

Earnings per share is calculated based on the weighted average number of shares outstanding during the year. For diluted earnings per share, dilution is calculated based upon the net number of common shares issued should "in-the-money" options and warrants be exercised and the proceeds be used to repurchase common shares at the average market price in the year. Dilution from convertible securities is calculated based on the number of shares to be issued after taking into account the reduction of the related after-tax interest expense.

4. Critical Accounting Estimates and Judgments

In preparing these consolidated financial statements, we make estimates and judgments that affect the amounts recorded. Actual results could differ from our estimates. Our estimates and judgments are based on historical experience and other factors we consider to be reasonable, including expectations of future events. The judgments and other sources of estimation uncertainty that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year are outlined below.

4. Critical Accounting Estimates and Judgments (continued)

Impairment Testing

Judgment is required in assessing whether certain factors would be considered an indicator of impairment. We consider both internal and external information to determine whether there is an indicator of impairment present and, accordingly, whether impairment testing is required. When impairment testing is required, discounted cash flow models are used to determine the recoverable amount of respective assets. These models are prepared internally with assistance from third-party advisors when required. When market transactions for comparable assets are available, these are considered in determining the recoverable amount of assets. Significant assumptions used in preparing discounted cash flow models include commodity prices, reserves and resources, mine plans, operating costs, capital expenditures, discount rates, foreign exchange rates, tax assumptions and inflation rates. Note 7 outlines the significant inputs used when performing goodwill and other asset impairment testing. These inputs are based on management's best estimates of what an independent market participant would consider appropriate. Changes in these inputs may alter the results of impairment testing, the amount of the impairment charges recorded in the income statement and the resulting carrying values of assets.

Joint Arrangements

We are a party to a number of arrangements in which we do not have control. Judgment is required in determining whether joint control over these arrangements exists and, if so, which parties have joint control and whether each arrangement is a joint venture or joint operation. In assessing whether we have joint control, we analyse the activities of each arrangement and determine which activities most significantly affect the returns of the arrangement over its life. These activities are determined to be the relevant activities of the arrangement. If unanimous consent is required over the decisions about the relevant activities, the parties whose consent is required would have joint control over the arrangement. The judgments around which activities are considered the relevant activities of the arrangement are subject to analysis by each of the parties to the arrangement and may be interpreted differently. When performing this assessment, we generally consider decisions about activities such as managing the asset while it is being constructed, during its operating life, and during the closure period. We may also consider other activities including the approval of budgets, expansion and disposition of assets, financing, significant operating and capital expenditures, appointment of key management personnel, representation on the board of directors, and other items. When circumstances or contractual terms change, we reassess the control group and the relevant activities of the arrangement.

If we have joint control over the arrangement, an assessment of whether the arrangement is a joint venture or joint operation is required. This assessment is based on whether we have rights to the assets, and obligations for the liabilities, relating to the arrangement or whether we have rights to the net assets of the arrangement. In making this determination, we review the legal form of the arrangement, the terms of the contractual arrangement, and other facts and circumstances. In a situation where the legal form and the terms of the contractual arrangement do not give us rights to the assets and obligations for the liabilities, an assessment of other facts and circumstances is required, including whether the activities of the arrangement are primarily designed for the provision of output to the parties and whether the parties are substantially the only source of cash flows contributing to the arrangement. In such circumstances, we may consider the application of other facts and circumstances to conclude that a joint arrangement is a joint operation. This conclusion requires judgment and is specific to each arrangement. We have applied the use of other facts and circumstances to conclude that Antamina and Fort Hills are joint operations for the purposes of our consolidated financial statements. The other facts and circumstances considered for both of these arrangements are the provisions for output to the parties of the joint arrangements. For both Antamina and Fort Hills, we will take our share of the output from the assets directly over the life of the arrangement. We have concluded that this, combined with other factors, gives us direct rights to the assets and obligations for the liabilities of these arrangements, proportionate to our ownership interests.

Streaming Transactions

When we enter into a long-term streaming arrangements linked to production at specific operations, judgment is required in assessing the appropriate accounting treatment of the transaction on the closing date and in future periods. We consider the specific terms of each arrangement to determine whether we have disposed of an interest in the reserves and resources of the respective operation. This assessment considers what the counterparty is entitled to and the associated risks and rewards attributable to them over the life of the operation including the contractual terms related to the total production over the life of the arrangement as compared to the expected production over the life of the mine, the percentage being sold, the percentage of payable metals produced, the commodity price referred to in the ongoing payment and any guarantee relating to the upfront payment if production ceases.

For both of the streaming arrangements entered into during the year (Note 5(b) and (c)), there is no guarantee associated with the upfront payment and we are effectively disposing of the interest in the gold and silver mineral interests at each of these operations over the life of the arrangement. Accordingly, we consider these arrangements a disposition of a mineral interest.

When the ongoing payment is based on future commodity prices at the date deliveries are made, this may be considered an embedded derivative (Note 27(c)). The valuation of embedded derivatives in these arrangements is an area of estimation and is determined using discounted cash flow models. These models require a variety of inputs, including, but not limited to, contractual terms, market prices, forward curve prices, mine plans and discount rates. Changes in these assumptions could affect the carrying value of derivative assets or liabilities and the amount of unrealized gains or losses recognized in other operating income (expense).

Estimated Recoverable Reserves and Resources

Mineral reserve and resource estimates are based on various assumptions relating to operating matters as set forth in National Instrument 43-101, Standards of Disclosure for Mineral Projects. These include production costs, mining and processing recoveries, cut-off grades, long-term commodity prices and, in some cases, exchange rates, inflation rates and capital costs. Cost estimates are based on feasibility study estimates or operating history. Estimates are prepared by appropriately qualified persons, but will be affected by forecasted commodity prices, inflation rates, exchange rates, capital and production costs, and recoveries, among other factors. Estimated recoverable reserves and resources are used to determine the depreciation of property, plant and equipment at operating mine sites, in accounting for capitalized production stripping costs, in performing impairment testing, and in forecasting the timing of the payment of decommissioning and restoration costs. Therefore, changes in the assumptions used could affect the carrying value of assets, depreciation and impairment charges recorded in the income statement and the carrying value of the decommissioning and restoration provision.

Decommissioning and Restoration Provisions

The decommissioning and restoration provision is based on future cost estimates using information available at the balance sheet date. The decommissioning and restoration provision is adjusted at each reporting period for changes to factors such as the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the discount rate. The decommissioning and restoration provision requires other significant estimates and assumptions, including the requirements of the relevant legal and regulatory framework and the timing, extent and costs of required decommissioning and restoration activities. To the extent the actual costs differ from these estimates, adjustments will be recorded and the income statement may be affected.

Current and Deferred Taxes

We calculate current and deferred tax provisions for each of the jurisdictions in which we operate. Actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities. This occurs subsequent to the issuance of our financial statements and the final determination of actual amounts may not be completed for a number of years. Therefore, profit in subsequent periods will be affected by the amount that estimates differ from the final tax return.

Judgment is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet and what tax rate is expected to be applied in the year when the related temporary differences reverse. We also evaluate the recoverability of deferred tax assets based on an assessment of our ability to use the underlying future tax deductions before they expire against future taxable income. Deferred tax liabilities arising from temporary differences on investments in subsidiaries, joint ventures and associates are recognized unless the reversal of the temporary differences is not expected to occur in the foreseeable future and can be controlled. Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future production and sales volumes, commodity prices, reserves and resources, operating costs, decommissioning and restoration costs, capital expenditures, dividends and other capital management transactions. Judgment is also required on the application of income tax legislation. These estimates and judgments are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision and a corresponding credit or charge to profit.

5. Transactions

a) Project Corridor

On November 24, 2015, we combined into a single project our Relincho project with the El Morro project owned by Goldcorp Inc. (Goldcorp). Project Corridor is the interim name of the project and it will be operated by a 50/50 joint venture entity, Corredor SPA.

We have accounted for this transaction as a disposition of a subsidiary in exchange for an investment in a joint venture. This was a non-cash transaction (Note 11). We have measured the fair value of Project Corridor using a combination of a discounted cash flow model and a market transaction approach based on management's best estimates of what inputs a market participant would consider appropriate. The key inputs used in determining the fair value of Project Corridor are consistent with those used in our impairment testing (Note 7). A change to these inputs would alter the value of our investment in Project Corridor and the gain that we have recognized on close of this transaction. This is classified as a Level 3 measurement within the fair value measurement hierarchy (Note 28).

We have recognized a gain of $37 million in other operating income (expense) on this transaction (Note 8). We apply the requirements of IAS 28, Investments in Associates and Joint Ventures and, accordingly, we have recognized a gain on this transaction only to the extent of Goldcorp's interest in the joint venture. Therefore, we have not remeasured our retained interest in Relincho to fair value on closing.

We have concluded that Project Corridor is a joint arrangement where we share joint control with Goldcorp. We have accounted for our interest as an investment in a joint venture and have applied the equity method of accounting for our investment (Note 14).

b) Gold Stream Agreement

On July 8, 2015, Carmen de Andacollo sold an interest in gold reserves and resources from the Carmen de Andacollo mine (Andacollo mine) to RGLD Gold AG (RGLDAG), a wholly owned subsidiary of Royal Gold, Inc. Under the terms of the agreement, RGLDAG is entitled to an amount of gold equal to 100% of the payable gold produced from the Andacollo mine until 900,000 ounces have been delivered, and 50% thereafter. RGLDAG will pay a cash price of 15% of the monthly average gold price at the time of each delivery. Carmen de Andacollo and Royal Gold Chile Limitada, a wholly owned subsidiary of Royal Gold, Inc., terminated an earlier royalty agreement entered into in 2010. Under the terminated royalty agreement, Royal Gold Chile Limitada was entitled to a payment based on 75% of payable gold produced from Andacollo mine until 910,000 ounces had been delivered, and 50% thereafter.

We received cash proceeds of $206 million (US$162 million) as a result of Carmen de Andacollo entering into the new agreement and terminating the separate royalty agreement from 2010. We have recorded the transaction on a net basis as a sale of an incremental mineral property interest, and the net consideration has been accounted for as a recovery of mineral property costs. Accordingly, no gain or loss was recognized on the transaction. We account for the 15% ongoing payment as a reduction of our cost of sales and not as revenue as we consider it to be payment for the mineral interest and mining and refining services. The 15% ongoing payment contains an embedded derivative relating to the gold price that is marked to market each period with changes flowing through profit (loss) (Note 27(c)).

c) Silver Stream Agreement

On October 9, 2015, we entered into a long-term streaming agreement with a subsidiary of Franco-Nevada Corporation (Franco-Nevada) linked to our share of silver production at the Antamina mine.

We received a payment of $789 million (US$610 million) from Franco-Nevada on closing of the transaction and will also receive 5% of the spot price at the time of delivery for each ounce of silver delivered under the agreement. We will deliver silver to Franco-Nevada equivalent to 22.5% of payable silver sold by Antamina, which represents our proportionate share of silver produced by Antamina. In the event that 86 million ounces of silver has been delivered under the agreement, the stream will be reduced by one-third to 15% of payable silver sold by Antamina.

Antamina is not a party to the agreement with Franco-Nevada and our rights as a shareholder of Antamina are unaffected by the agreement.

5. Transactions (continued)

We have recorded this transaction as a disposition of a partial mineral property interest and the consideration has been accounted for as a recovery of mineral property costs. Accordingly, no gain or loss was recognized on the transaction and, as a result of the low carrying value of our interest in the mineral property of Antamina, we have recorded deferred consideration of $816 million (US$590 million) as at December 31, 2015. We account for the 5% ongoing payment as a reduction of our cost of sales and not as revenue as we consider it to be payment for the mineral interest and mining and refining services. The 5% ongoing payment contains an embedded derivative relating to the silver price that is marked to market each period with a charge or credit to other operating income (expense) (Note 27(c)).

6. Expenses by Nature

(CAD$ in millions)	**2015**	2014
Wage related costs:		
Wages and salaries	**$ 913**	$ 919
Employee benefits and other wage-related costs	**263**	249
Bonus payments	**125**	126
Post-employment benefits and pension costs	**74**	67
	1,375	1,361
Transportation	**1,292**	1,355
Depreciation and amortization	**1,366**	1,344
Raw material purchases	**741**	729
Fuel and energy	**646**	811
Operating supplies consumed	**596**	621
Maintenance and repair supplies	**599**	585
Contractors and consultants	**482**	505
Overhead costs	**270**	243
Royalties	**198**	246
Other operating costs	**76**	86
	7,641	7,886
Less:		
Production stripping and other capitalized costs	**(663)**	(718)
Change in inventory	**233**	104
Total cost of sales, general and administration, exploration and research and development expenses	**$ 7,211**	$ 7,272

Approximately 28% (2014 – 25%) of our costs are incurred at our foreign operations where the functional currency is the U.S. dollar.

7. Asset Impairments

In light of economic conditions during the year and resultant changes in mine plans at certain operations, we revised our market participant long-term price expectations for copper, zinc, steelmaking coal, and oil and performed a detailed review of impairment indicators across all of our operations and assets. Where required, we estimated the recoverable amount of our assets on a fair value less costs of disposal basis (FVLCD). We assessed whether the recoverable amount determined using a FVLCD or value in use basis was greater. For all of our assets where carrying values exceeded their recoverable amount, we have determined that the FVLCD was greater.

In our copper, zinc, steelmaking coal and energy business units we identified CGUs with carrying values that exceeded the estimated recoverable amounts and recorded impairments in 2015. FVLCD was estimated using a discounted cash flow methodology taking into account assumptions likely to be made by market participants, which is classified as Level 3 within the fair value measurement hierarchy.

7. Asset Impairments (continued)

Cash flow projections were based on current life of mine plans and exploration potential for all assets. For our coal operations, the cash flows cover periods from 7 to 50 years, with a steady state thereafter until reserves and resources are exhausted. For Quebrada Blanca and Carmen de Andacollo, the cash flows cover periods of 31 years and 32 years, respectively, with a steady state thereafter until reserves and resources are exhausted. Fort Hills and Pend Oreille cash flows cover periods of 46 and 5 years, respectively.

The impairment charges recorded during the year in each reportable segment are as follows:

Reportable Segment	**Steelmaking Coal**	**Copper**	**Zinc**	**Energy**
Cash-generating unit	**Steelmaking Coal Assets CGU**	**Carmen de Andacollo**	**Pend Oreille**	**Fort Hills**
Nature of the asset	**Steelmaking Coal Mines in Canada**	**Copper Mine in Chile**	**Zinc Mine in U.S.**	**Oil Sands in Canada**
(CAD$ in millions)				
Post-tax recoverable amount	$ 9,969	$ 954	$ 49	$ 1,786
Post-tax impairment of property, plant and equipment	$ 981	$ 231	$ 19	$ 785
Post-tax impairment of goodwill (Note 16)	501	174	–	–
Total post-tax impairment	$ 1,482	$ 405	$ 19	$ 785

(CAD$ in millions)	**Steelmaking Coal Assets CGU**	**Carmen de Andacollo**	**Pend Oreille**	**Fort Hills**	**Total**
Impairment recorded in profit	$ 2,032	$ 506	$ 31	$ 1,062	$ 3,631
Less tax effect – recovery	(550)	(101)	(12)	(277)	(940)
Post-tax impairment recorded in profit	$ 1,482	$ 405	$ 19	$ 785	$ 2,691

During the year ended December 31, 2014, we recorded an asset impairment of $12 million relating to our Duck Pond Operations due to the short remaining mine life.

The key inputs, where applicable, used to estimate the FVLCD of each CGU as at December 31, 2015, when impairment indicators were identified, were determined as follows:

Commodity Prices

Commodity price assumptions are based on a number of factors, including forward curves in the near term, and are benchmarked with external sources of information, including information published by our peers and market transactions, where possible, to ensure they are within the range of values used by market participants.

Our key price assumptions are based on current prices over the next three years escalating to a real long-term price. For steelmaking coal, copper and zinc, we used the current price in the initial year, which is gradually escalated over the next three years, reaching a real long-term price in 2020 of US$130 per tonne, US$3.00 per pound and US$1.00 per pound for steelmaking coal, copper and zinc, respectively.

For impairment testing of assets within our energy business unit, we used the current price in the initial year, which is gradually escalated over the next three years, reaching a real long-term Western Canadian Select (WCS) price in 2020 of US$60 per barrel.

7. Asset Impairments (continued)

Reserves and Resources

Future mineral production is included in projected cash flows based on mineral reserve and resource estimates and on exploration and evaluation work, undertaken by appropriately qualified persons.

Operating Costs and Capital Expenditures

Operating costs and capital expenditures are based on life of mine plans and internal management forecasts. Cost estimates incorporate management experience and expertise, current operating costs, the nature and location of each operation, and the risks associated with each operation. Future capital expenditures are based on management's best estimate of expected future capital requirements, which are generally for the extraction and processing of existing reserves and resources. All committed and anticipated capital expenditures based on future cost estimates have been included in the projected cash flows. Operating cost and capital expenditure assumptions are continuously subject to ongoing optimization and review by management.

Discount Rates

Discount rates used are based on the weighted average cost of capital for a mining industry peer group, which would be considered the market participant, and are calculated with reference to current market information. Adjustments to the rate are made for any risks that are not reflected in the underlying cash flows. A 6.2% real, 8.3% nominal post-tax discount rate was used to discount cash flow projections in all of our FVLCD discounted cash flows.

Foreign Exchange Rates

Foreign exchange rates are benchmarked with external sources of information based on a range used by market participants. The Canadian-U.S. dollar foreign exchange rate assumption used in 2016 was 1 U.S. dollar to 1.38 Canadian dollars. The long-term Canadian-U.S. dollar foreign exchange assumption used from 2020 onwards was 1 U.S. dollar to 1.25 Canadian dollars.

Inflation Rates

Inflation rates are based on average historical inflation for the location of each operation and long-term government targets. The inflation rate for all FVLCD calculations was 2%.

Sensitivity Analysis

We noted impairment indicators at Teck Coal, Quebrada Blanca, Carmen de Andacollo, and Fort Hills and the recoverable amounts of the associated CGUs have been estimated. The goodwill balance for Teck Coal has been adjusted to its recoverable amount. The goodwill balance for Carmen de Andacollo has been reduced to nil. The recoverable amount for Quebrada Blanca exceeded the carrying amount and no impairment was recorded during the year ended December 31, 2015.

These recoverable amounts are most sensitive to changes in long-term prices for steelmaking coal, copper, WCS, Canadian-U.S. dollar exchange rates, and discount rates. These assumptions interrelate significantly with each other and with our operating plans. For example, a decrease in long-term commodity prices would result in us making amendments to the mine plans that would partially offset the effect of lower prices through lower operating and capital costs. In addition, WCS and Canadian-U.S. dollar exchange rates are generally considered to have an inverse relationship and a change in one may result in a partially offsetting change to the other. It is difficult to determine how all of these factors would interrelate, but in estimating the effect of changes in these assumptions on fair values, we believe that all of these factors need to be considered together. In addition, variations in assumptions could potentially cause some assets to be fully written off and not be subject to further impairment. Therefore, a further decrease in these assumptions does not necessarily correspond with a proportionate increase in a potential impairment charge and a linear extrapolation of these effects becomes less meaningful as the change in assumption increases.

The QB mine site's recoverable amount exceeds its carrying value by approximately $650 million. Ignoring the above described interrelationships, in isolation a 4% decrease in the long term copper price, or a 50 basis point increase in the discount rate would result in the recoverable amount being equal to the carrying value.

7. Asset Impairments (continued)

Teck Coal, Carmen de Andacollo and Fort Hills have been written down to their recoverable amounts. Ignoring the above described interrelationships, in isolation a US$1 decrease in long-term price assumptions in steelmaking coal, a US$0.01 decrease in the long-term copper price and a US$1 per barrel decrease in the long-term WCS price would result in additional reductions in recoverable amounts of approximately $280 million, $15 million and $140 million, respectively. A $0.01 strengthening of the Canadian dollar against the U.S. dollar would result in an additional reduction in recoverable amounts of approximately $330 million in total. A 25 basis point increase in the discount rate would result in additional reductions in recoverable amounts of approximately $560 million in total.

8. Other Operating Income (Expense)

(CAD$ in millions)	**2015**	**2014**
Settlement pricing adjustments (Note 27(b))	**$ (280)**	$ (130)
Share based compensation	**(13)**	(12)
Environmental and care and maintenance costs	**(49)**	(52)
Social responsibility and donations	**(10)**	(15)
Gain (loss) on sale of assets	**74**	(2)
Gain on Project Corridor (Note 5(a))	**37**	–
Commodity derivatives (Note 27(b) and Note 27(c))	**(12)**	(7)
Restructuring	**(22)**	(11)
Other	**(60)**	(38)
	$ (335)	$ (267)

9. Finance Income and Finance Expense

(CAD$ in millions)	**2015**	**2014**
Finance income		
Investment income	**$ 5**	$ 4
Total finance income	**$ 5**	$ 4
Finance expense		
Debt interest	**$ 434**	$ 384
Letters of credit and standby fees	**20**	9
Financing fees and discount amortization	**8**	7
Net interest expense on retirement benefit plans	**13**	16
Accretion on decommissioning and restoration provisions (Note 21(a))	**59**	70
Other	**4**	1
	538	487
Less capitalized borrowing costs (Note 15)	**(222)**	(183)
Total finance expense	**$ 316**	$ 304

10. Non-Operating Income (Expense)

(CAD$ in millions)	2015	2014
Foreign exchange losses	**$ (76)**	$ (9)
Provision for marketable securities	**(21)**	(8)
Gain on sale of investments	**8**	1
Other	**–**	(5)
	$ (89)	$ (21)

11. Supplemental Cash Flow Information

(CAD$ in millions)	December 31, 2015	December 31, 2014
Cash and cash equivalents		
Cash	**$ 247**	$ 378
Money market investments with maturities from the date of acquisition of three months or less	**1,640**	1,651
	$ 1,887	$ 2,029

(CAD$ in millions)	2015	2014
Net change in non-cash working capital items		
Trade accounts receivable and taxes receivable	**$ 18**	$ 229
Inventories	**242**	133
Trade accounts payable and other liabilities and taxes payable	**(57)**	(79)
	$ 203	$ 283
Non-cash financing and investing transactions		
Project Corridor (Note 5(a))	**$ 414**	$ –

12. Inventories

(CAD$ in millions)	December 31, 2015	December 31, 2014
Raw materials	**$ 198**	$ 197
Supplies	**638**	595
Work in-process	**432**	533
Finished products	**408**	486
	1,676	1,811
Less long-term portion (Note 13)	**(56)**	(59)
	$ 1,620	$ 1,752

Cost of sales of $7.0 billion (2014 – $7.1 billion) include $6.5 billion (2014 – $6.5 billion) of inventories recognized as an expense during the year.

12. Inventories (continued)

Total inventories held at net realizable value amounted to $352 million at December 31, 2015 (December 31, 2014 – $105 million). Total inventory write-downs during the year ended December 31, 2015 were $127 million (2014 – $118 million), of which $121 million (2014 – $118 million) was included as part of the cost of sales and $6 million (2014 – $nil) was included as part of other operating expenses as they related to the closed Duck Pond mine.

Long-term inventories consist of ore stockpiles and other in-process materials that are not expected to be processed within one year.

13. Financial and Other Assets

(CAD$ in millions)	December 31, 2015	December 31, 2014
Long-term receivables and deposits	**$ 299**	$ 219
Available-for-sale marketable equity securities carried at fair value	**198**	270
Pension plans in a net asset position (Note 20(a))	**272**	233
Long-term portion of inventories (Note 12)	**56**	59
Intangibles	**79**	81
Other	**32**	32
	$ 936	$ 894

14. Investments in Associates and Joint Ventures

(CAD$ in millions)	**Project Corridor** (a)	**Other** (b)	**Total**
At January 1, 2014	$ –	$ 24	$ 24
Contributions	–	8	8
Foreign exchange differences	–	3	3
Share of losses	–	(3)	(3)
At December 31, 2014	$ –	$ 32	$ 32
Contributions	845	17	862
Foreign exchange differences	36	8	44
Share of losses	–	(2)	(2)
Share of other comprehensive income	–	3	3
At December 31, 2015	$ 881	$ 58	$ 939

a) Project Corridor

On November 24, 2015, we combined our Relincho project with the El Morro project owned by Goldcorp into a single project held by Corredor SPA, a 50/50 joint venture entity (Note 5(a)). Prior to entering into this arrangement, we accounted for our interest in Relincho as a wholly owned subsidiary.

Our share of Project Corridor's losses was $nil for the period from November 24 to December 31, 2015.

b) Other Associates and Joint Ventures

Our share of losses from our other associates and joint ventures was $2 million in 2015 and $3 million in 2014.

15. Property, Plant and Equipment

(CAD$ in millions)	Exploration and Evaluation	Mineral Properties and Leases	Land, Buildings, Plant and Equipment	Capitalized Production Stripping Costs	Construction In-Progress	Total
At December 31, 2013						
Cost	$ 2,066	$ 20,090	$ 10,394	$ 2,102	$ 2,443	$ 37,095
Accumulated depreciation	–	(3,427)	(5,195)	(662)	–	(9,284)
Net book value	**$ 2,066**	**$ 16,663**	**$ 5,199**	**$ 1,440**	**$ 2,443**	**$ 27,811**
Year ended December 31, 2014						
Opening net book value	$ 2,066	$ 16,663	$ 5,199	$ 1,440	$ 2,443	$ 27,811
Additions	108	90	454	775	796	2,223
Disposals	–	–	(14)	–	–	(14)
Impairment (Note 7)	–	(12)	–	–	–	(12)
Depreciation and amortization	–	(551)	(559)	(442)	–	(1,552)
Transfers between classifications	–	–	1,054	–	(1,054)	–
Decommissioning and restoration provision change in estimate	–	(284)	(6)	–	–	(290)
Capitalized borrowing costs	–	70	–	–	113	183
Other	–	22	(29)	–	(3)	(10)
Foreign exchange differences	60	302	188	29	7	586
Closing net book value	**$ 2,234**	**$ 16,300**	**$ 6,287**	**$ 1,802**	**$ 2,302**	**$ 28,925**
At December 31, 2014						
Cost	$ 2,234	$ 20,349	$ 11,942	$ 2,916	$ 2,302	$ 39,743
Accumulated depreciation	–	(4,049)	(5,655)	(1,114)	–	(10,818)
Net book value	**$ 2,234**	**$ 16,300**	**$ 6,287**	**$ 1,802**	**$ 2,302**	**$ 28,925**
Year ended December 31, 2015						
Opening net book value	$ 2,234	$ 16,300	$ 6,287	$ 1,802	$ 2,302	$ 28,925
Additions	39	129	374	726	1,048	2,316
Disposals (Note 5(a) and (b))	(827)	(206)	(12)	–	–	(1,045)
Impairment (Note 7)	–	(1,885)	(10)	–	(1,062)	(2,957)
Depreciation and amortization	–	(404)	(571)	(464)	–	(1,439)
Decommissioning and restoration provision change in estimate	–	(476)	(38)	–	–	(514)
Capitalized borrowing costs	–	80	–	–	142	222
Other	–	(3)	(12)	–	–	(15)
Foreign exchange differences	105	595	435	82	81	1,298
Closing net book value	**$ 1,551**	**$ 14,130**	**$ 6,453**	**$ 2,146**	**$ 2,511**	**$ 26,791**
At December 31, 2015						
Cost	1,551	18,804	13,129	3,761	2,511	39,756
Accumulated depreciation	–	(4,674)	(6,676)	(1,615)	–	(12,965)
Net book value	**$ 1,551**	**$ 14,130**	**$ 6,453**	**$ 2,146**	**$ 2,511**	**$ 26,791**

15. Property, Plant and Equipment (continued)

a) Significant exploration and evaluation projects include Galore Creek and oil sands properties. At December 31, 2014, Relincho was included in exploration and evaluation within property, plant and equipment (Note 5(a)).

b) The carrying value of property, plant and equipment held under finance lease at December 31, 2015 is $166 million (2014 – $154 million). Ownership of leased assets remains with the lessor.

c) Borrowing costs are capitalized at a rate based on our cost of borrowing or at the rate on the project-specific debt, as applicable. These projects are shown as part of mineral properties and leases, land, buildings, plant and equipment, or construction in-progress. Our weighted average borrowing rate used for capitalization of borrowing costs in 2015 was 5.0% (2014 – 4.9%).

16. Goodwill

(CAD$ in millions)	Coal Operations	Quebrada Blanca	Carmen de Andacollo	Total
January 1, 2014	$ 1,203	$ 327	$ 138	$ 1,668
Foreign exchange translation	–	29	13	42
December 31, 2014	$ 1,203	$ 356	$ 151	$ 1,710
Foreign exchange translation	–	69	23	92
Impairment (Note 7)	(501)	–	(174)	(675)
December 31, 2015	**$ 702**	**$ 425**	**$ –**	**$ 1,127**

The allocation of goodwill to CGUs or groups of CGUs reflects how goodwill is monitored for internal management purposes.

As at September 30, 2015, in light of market conditions, we performed impairment testing of our goodwill at all operations. We recorded impairment of our goodwill of $675 million, of which $501 million related to goodwill allocated to our coal operations and $174 million related to goodwill allocated to Carmen de Andacollo (Note 7). As at December 31, 2015, we performed impairment testing of the goodwill allocated to Teck Coal and Quebrada Blanca and did not identify an impairment loss. The key inputs used to determine the recoverable amounts of our CGUs are summarized in Note 7. The sensitivity of the recoverable amounts to changes in key inputs is also summarized in Note 7 for those inputs where a reasonably possible change could result in an impairment.

17. Trade Accounts Payable and Other Liabilities

(CAD$ in millions)	December 31, 2015	December 31, 2014
Trade accounts payable and accruals	**$ 810**	$ 737
Capital project accruals	**222**	287
Payroll-related liabilities	**206**	182
Accrued interest	**179**	155
Commercial and government royalties	**129**	146
Customer deposits	**31**	56
Current portion of provisions (Note 21(a))	**58**	73
Current portion of deferred consideration (Note 5(c))	**31**	–
Current portion of derivative liabilities (Note 21)	**1**	18
Other	**6**	9
	$ 1,673	$ 1,663

18. Debt

(CAD$ in millions)	December 31, 2015		December 31, 2014	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
5.375% notes due October 2015 (US$300 million)	**$ –**	**$ –**	$ 348	$ 358
3.15% notes due January 2017 (US$300 million)	**415**	**380**	347	356
3.85% notes due August 2017 (US$300 million)	**413**	**354**	345	360
2.5% notes due February 2018 (US$500 million)	**689**	**534**	577	569
3.0% notes due March 2019 (US$500 million)	**689**	**431**	577	567
4.5% notes due January 2021 (US$500 million)	**688**	**364**	576	581
4.75% notes due January 2022 (US$700 million)	**964**	**474**	807	796
3.75% notes due February 2023 (US$750 million)	**1,026**	**496**	859	788
6.125% notes due October 2035 (US$700 million)	**952**	**440**	796	752
6.0% notes due August 2040 (US$650 million)	**895**	**386**	750	672
6.25% notes due July 2041 (US$1,000 million)	**1,368**	**623**	1,147	1,075
5.2% notes due March 2042 (US$500 million)	**682**	**300**	572	491
5.4% notes due February 2043 (US$500 million)	**684**	**340**	573	490
Antamina term loan due April 2020 (a)	**31**	**31**	26	26
Other	**138**	**138**	141	141
	9,634	**5,291**	8,441	8,022
Less current portion of long-term debt	**(28)**	**(28)**	(428)	(438)
	$ 9,606	**$ 5,263**	$ 8,013	$ 7,584

The fair values of debt are determined using market values, if available, and using discounted cash flows based on our cost of borrowing where market values are not available. The latter are considered Level 2 fair value measurements with significant other observable inputs on the fair value hierarchy (Note 28).

TML's guarantee of our public notes was released in June 2015 in accordance with the guarantee release mechanism outlined in our indentures. The back-to-back pledge of notes, which had a similar effect on a guarantee for the 5.375% and 6.125% notes, was also released at the same time.

a) Antamina Term Loan

The Antamina term loan is our proportionate share of Antamina's term loan, with full repayment due at maturity in April 2020 and is the obligation of Antamina. The term loan, which is denominated in U.S. dollars, is non-recourse to us and the other Antamina project sponsors. The term loan bears interest with reference to the London Interbank Offered Rate (LIBOR).

b) Optional Redemptions

All of our outstanding notes are callable at any time by repaying the greater of the principal amount plus accrued interest and the present value of the sum of the remaining scheduled principal and interest amounts discounted at a comparable treasury yield plus a stipulated spread. The 2023, 2042 and 2043 notes issued in 2012 are callable at 100% at any time on or after November 1, 2022, September 1, 2041, and August 1, 2042, respectively. The 2022 and 2041 notes issued in 2011 are callable at 100% at any time on or after October 15, 2021, and January 15, 2041, respectively. The 2021 notes are callable at 100% on or after October 15, 2020, and the 2040 notes are callable at 100% on or after February 15, 2040.

18. Debt (continued)

c) Revolving Facilities

At December 31, 2015, we had two committed revolving credit facilities in the amounts of US$3.0 billion and US$1.2 billion. The facility for US$3.0 billion is available until July 2020 and has a letter of credit sub-limit of US$1.0 billion. The facility for US$1.2 billion is available until June 2017 and can be drawn fully for cash or letters of credit. Any amounts drawn under these facilities can be repaid at any time and are due in full at maturity. Any outstanding amounts under the facilities bear interest at LIBOR plus an applicable margin based on our credit ratings, which is 225 basis points when our credit ratings are below investment grade. These facilities require that our total debt-to-capitalization ratio not exceed 0.5 to 1.0. As at December 31, 2015, we were in compliance with all debt covenants and default provisions.

At December 31, 2015, the facility for US$3.0 billion was undrawn. However, as a result of the loss of our investment grade ratings, we were required to deliver an aggregate of US$740 million of letters of credit in the fourth quarter of 2015 relating to financial security requirements under power purchase contracts at Quebrada Blanca and transportation, tank storage and pipeline capacity agreements relating to our interest in Fort Hills. These letters of credit were all issued under the US$1.2 billion committed revolving credit facility and will be terminated if and when we regain investment grade ratings or reduced if and when certain project milestones are reached.

We also maintain uncommitted bilateral credit facilities primarily for the issuance of letters of credit to support our future reclamation obligations. As at December 31, 2015, these facilities totalled $1.7 billion and outstanding letters of credit issued thereunder were $1.5 billion. These facilities are typically renewed on an annual basis. From time to time, at our election, we may reduce the fees paid to banks issuing letters of credit by making short-term deposits of excess cash with those banks. The deposits earn a market rate of interest and are refundable on demand. At December 31, 2015, we had $732 million (2014 – $363 million) of such deposits.

d) Scheduled Principal Payments

At December 31, 2015, the scheduled principal payments during the next five years and thereafter are as follows:

($ in millions)	**US$**	**CAD$ Equivalent**
2016	$ 20	$ 28
2017	618	855
2018	505	699
2019	503	696
2020	25	35
Thereafter	5,350	7,404
	$ 7,021	$ 9,717

19. Income Taxes

a) Provision for Income Taxes

(CAD$ in millions)	2015	2014
Current		
Current taxes on profits for the year	**$ 161**	$ 392
Adjustments for current tax of prior periods	**(5)**	5
Total current tax	**$ 156**	$ 397
Deferred		
Origination and reversal of temporary differences	**$ (1,103)**	$ (108)
Adjustments to deferred tax of prior periods	**23**	3
Tax losses not recognized (recognition of previously unrecognized losses)	**76**	13
Effect of newly enacted change in tax rates	**12**	37
Total deferred tax	**$ (992)**	$ (55)
	$ (836)	$ 342

b) Reconciliation of income taxes calculated at the statutory rates to the actual tax provision is as follows:

(CAD$ in millions)	2015	2014
Tax (recovery) expense at the Canadian statutory income tax rate of 26.04% (2014 – 26.12%)	**$ (865)**	$ 189
Tax effect of:		
Resource taxes	**55**	62
Resource and depletion allowances	**(76)**	(83)
Non-temporary differences including one-half of capital gains and losses	**42**	19
Tax pools not recognized (recognition of previously unrecognized tax pools)	**76**	13
Effect of newly enacted change in tax rates	**12**	37
Withholding taxes	**(76)**	30
Difference in tax rates in foreign jurisdictions	**46**	70
Tax settlements	**10**	21
Revisions to prior year estimates	**(15)**	(14)
Other	**(45)**	(2)
	$ (836)	$ 342

The Canadian statutory tax rate decreased to 26.04% due to legislative changes and provincial allocation updates.

c) The analysis of deferred tax assets and deferred tax liabilities is as follows:

(CAD$ in millions)	December 31, 2015	December 31, 2014
Deferred tax assets		
Expected to be reversed after more than a year	**$ 90**	$ 329
Expected to be reversed within a year	**–**	32
	$ 90	$ 361
Deferred tax liabilities		
Expected to be reversed after more than a year	**$ 4,727**	$ 5,793
Expected to be reversed within a year	**101**	298
	$ 4,828	$ 6,091
Net deferred tax liabilities	**$ 4,738**	$ 5,730

19. Income Taxes (continued)

d) The amount of deferred tax expense charged (credited) to the income statement is as follows:

(CAD$ in millions)	**2015**	**2014**
Net operating loss carryforwards	**$ 289**	$ (108)
Capital allowances in excess of depreciation	**(883)**	469
Decommissioning and restoration provisions	**87**	48
Amounts relating to phase-out of partnership deferrals	**(288)**	(96)
Unrealized foreign exchange losses	**(203)**	(92)
Withholding taxes	**(76)**	(206)
Retirement benefit plans	**17**	(40)
Other temporary differences	**65**	(30)
	$ (992)	$ (55)

e) Temporary differences giving rise to deferred income tax assets and liabilities are as follows:

(CAD$ in millions)	**December 31, 2015**	**December 31, 2014**
Net operating loss carryforwards	**$ 17**	$ 479
Property, plant and equipment	**29**	(50)
Decommissioning and restoration provisions	**–**	38
Amounts relating to phase-out of partnership deferrals	**–**	(168)
Retirement benefit plans	**–**	21
Other temporary differences	**44**	41
Deferred income tax assets	**$ 90**	$ 361
Net operating loss carryforwards	**$ (1,085)**	$ (787)
Property, plant and equipment	**6,474**	7,171
Decommissioning and restoration provisions	**(191)**	(240)
Amounts relating to phase-out of partnership deferrals	**–**	120
Unrealized foreign exchange	**(337)**	(134)
Withholding taxes	**86**	159
Retirement benefit plans	**(94)**	(90)
Other temporary differences	**(25)**	(108)
Deferred income tax liabilities	**$ 4,828**	$ 6,091

f) The gross movement on the net deferred income tax account is as follows:

(CAD$ in millions)	**2015**	**2014**
As at January 1	**$ 5,730**	$ 5,744
Income statement change	**(992)**	(55)
Amounts recognized in equity (Note 22(h))	**(124)**	–
Tax charge relating to components of other comprehensive income	**(145)**	(78)
Foreign exchange and other differences	**269**	119
As at December 31	**$ 4,738**	$ 5,730

19. Income Taxes (continued)

g) Deferred Tax Liabilities Not Recognized

Deferred tax liabilities of $610 million (2014 – $635 million) have not been recognized on the unremitted earnings associated with investments in subsidiaries and interests in joint arrangements where we are in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

h) Loss Carryforwards and Canadian Development Expenses

At December 31, 2015, we had $4.32 billion of Canadian federal net operating loss carryforwards (2014 – $4.93 billion). These loss carryforwards expire at various dates between 2027 and 2035. We have $1.77 billion of cumulative Canadian development expenses at December 31, 2015 (2014 – $1.5 billion), which are deductible for income tax purposes on a declining balance basis at a maximum rate of 30% per year. The deferred tax benefits of these pools have been recognized. In addition, we have $91 million of Canadian federal investment tax credits that expire at various dates between 2022 and 2035.

i) Deferred Tax Assets Not Recognized

We have not recognized $283 million (2014 - $224 million) of deferred tax assets associated with unused tax credits and tax pools in jurisdictions and entities that do not have established sources of taxable income.

20. Retirement Benefit Plans

We have defined contribution pension plans for certain groups of employees. Our share of contributions to these plans is expensed in the year earned by employees.

We have multiple defined benefit pension plans registered in various jurisdictions that provide benefits based principally on employees' years of service and average annual remuneration. These plans are only available to certain qualifying employees and some are now closed to additional employees. The plans are "flat-benefit" or "final-pay" plans and may provide for inflationary increases in accordance with certain plan provisions. All of our registered defined benefit pension plans are governed and administered in accordance with applicable pension legislation in either Canada or the United States. Actuarial valuations are performed at least every three years to determine minimum annual contribution requirements as prescribed by applicable legislation. For the majority of our plans, current service costs are funded based on a percentage of pensionable earnings or as a flat dollar amount per active member depending on the provisions of the pension plans. For these plans, deficits that are determined on an actuarial basis are funded over a period not to exceed five years. All of our defined benefit pension plans were actuarially valued within the past three years. While the majority of benefit payments are made from held-in-trust funds, there are also several unfunded plans where benefit payment obligations are met as they fall due.

We also have several post-retirement benefit plans that provide post-retirement medical, dental and life insurance benefits to certain qualifying employees and surviving spouses. These plans are unfunded and we meet benefit obligations as they come due.

20. Retirement Benefit Plans (continued)

a) Actuarial Valuation of Plans

(CAD$ in millions)	2015		2014	
	Defined Benefit Pension Plans	**Non-Pension Post-Retirement Benefit Plans**	**Defined Benefit Pension Plans**	**Non-Pension Post-Retirement Benefit Plans**
Defined benefit obligation				
Balance at beginning of year	**$ 2,089**	**$ 468**	$ 1,851	$ 407
Current service cost	**47**	**13**	43	10
Benefits paid	**(131)**	**(15)**	(118)	(13)
Interest expense	**80**	**18**	84	19
Obligation experience adjustments	**–**	**(11)**	6	(18)
Effect from change in financial assumptions	**(3)**	**(3)**	202	53
Effect from change in demographic assumptions	**–**	**–**	8	4
Foreign currency exchange rate changes	**30**	**13**	13	6
Balance at end of year	**2,112**	**483**	2,089	468
Fair value of plan assets				
Fair value at beginning of year	**2,228**	**–**	1,991	–
Interest income	**85**	**–**	92	–
Return on plan assets, excluding amounts included in interest income	**71**	**–**	187	–
Benefits paid	**(131)**	**(15)**	(118)	(13)
Contributions by the employer	**33**	**15**	65	13
Foreign currency exchange rate changes	**26**	**–**	11	–
Fair value at end of year	**2,312**	**–**	2,228	–
Funding surplus (deficit)	**200**	**(483)**	139	(468)
Effect of the asset ceiling				
Balance at beginning of year	**10**	**–**	101	–
Interest on asset ceiling	**–**	**–**	5	–
Change in asset ceiling	**26**	**–**	(96)	–
Balance at end of year	**36**	**–**	10	–
Net accrued retirement benefit asset (liability)	**$ 164**	**$ (483)**	$ 129	$ (468)
Represented by:				
Pension assets (Note 13)	**$ 272**	**$ –**	$ 233	$ –
Accrued retirement benefit liability	**(108)**	**(483)**	(104)	(468)
Net accrued retirement benefit asset (liability)	**$ 164**	**$ (483)**	$ 129	$ (468)

A number of the plans have a surplus totalling $36 million at December 31, 2015 (December 31, 2014 – $10 million), which is not recognized on the basis that future economic benefits are not available to us in the form of a reduction in future contributions or a cash refund.

20. Retirement Benefit Plans (continued)

We expect to contribute $32 million to our defined benefit pension plans in 2016 based on minimum funding requirements. The weighted average duration of the defined benefit obligation is 14 years.

Defined contribution expense for 2015 was $46 million (2014 – $42 million).

b) Significant Assumptions

The discount rate used to determine the defined benefit obligations and the net interest cost was determined by reference to the market yields on high-quality debt instruments at the measurement date with durations similar to the duration of the expected cash flows of the plans.

Weighted average assumptions used to calculate the defined benefit obligation at the end of each year are as follows:

	2015		**2014**	
	Defined Benefit Pension Plans	**Non-Pension Post-Retirement Benefit Plans**	**Defined Benefit Pension Plans**	**Non-Pension Post-Retirement Benefit Plans**
Discount rate	**3.84%**	**3.94%**	3.86%	3.94%
Rate of increase in future compensation	**3.25%**	**3.25%**	3.25%	3.25%
Initial medical trend rate	**–**	**6.00%**	–	6.50%
Ultimate medical trend rate	**–**	**5.00%**	–	5.00%
Years to reach ultimate medical trend rate	**–**	**3**	–	4

c) Sensitivity of the defined benefit obligation to changes in the weighted average assumptions:

	2015		
	Effect on Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	**1.0%**	**Decrease by 12%**	**Increase by 14%**
Rate of increase in future compensation	**1.0%**	**Increase by 1%**	**Decrease by 1%**
Medical cost claim trend rate	**1.0%**	**Increase by 2%**	**Decrease by 2%**

	2014		
	Effect on Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1.0%	Decrease by 13%	Increase by 15%
Rate of increase in future compensation	1.0%	Increase by 1%	Decrease by 1%
Medical cost claim trend rate	1.0%	Increase by 2%	Decrease by 2%

The above sensitivity analyses are based on a change in each actuarial assumption while holding all other assumptions constant. The sensitivity analyses on our defined benefit obligation are calculated using the same methods as those used for calculating the defined benefit obligation recognized on our balance sheet. The methods and types of assumptions used in preparing the sensitivity analyses did not change from the prior period.

20. Retirement Benefit Plans (continued)

d) Mortality Assumptions

Assumptions regarding future mortality are set based on management's best estimate in accordance with published mortality tables and expected experience. These assumptions translate into the following average life expectancies for an employee retiring at age 65:

	2015		**2014**	
	Male	**Female**	**Male**	**Female**
Retiring at the end of the reporting period	**85.1 years**	**87.5 years**	85.0 years	87.5 years
Retiring 20 years after the end of the reporting period	**86.2 years**	**88.5 years**	86.1 years	88.5 years

e) Significant Risks

The defined benefit pension plans and post-retirement benefit plans expose us to a number of risks, the most significant of which include asset volatility risk, changes in bond yields, and an increase in life expectancy.

Asset volatility risk

The discount rate used to determine the defined benefit obligations is based on AA-rated corporate bond yields. If our plan assets underperform this yield, the deficit will increase. Our strategic asset allocation includes a significant proportion of equities that increases volatility in the value of our assets, particularly in the short term. We expect equities to outperform corporate bonds in the long term.

Changes in bond yields

A decrease in bond yields increases plan liabilities, which are partially offset by an increase in the value of the plans' bond holdings.

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member. Increases in life expectancy will result in an increase in the plans' liabilities.

f) Investment of Plan Assets

The assets of our defined benefit pension plans are managed by external asset managers under the oversight of the Teck Resources Limited Executive Pension Committee.

Our pension plan investment strategies support the objectives of each defined benefit plan and are related to each plan's demographics and timing of expected benefit payments to plan members. The objective for the plan asset portfolios is to achieve annualized portfolio returns over five-year periods in excess of the annualized percentage change in the Consumer Price Index plus a certain premium.

Strategic asset allocation policies have been developed for each defined benefit plan to achieve this objective. The policies also reflect an asset/liability matching framework that seeks to reduce the effect of interest rate changes on each plan's funded status by matching the duration of the bond investments with the duration of the pension liabilities. We do not use derivatives to manage interest risk. Asset allocation is monitored at least quarterly and rebalanced if the allocation to any asset class exceeds its allowable allocation range. Portfolio and investment manager performance is monitored quarterly and the investment guidelines for each plan are reviewed at least annually.

20. Retirement Benefit Plans (continued)

The defined benefit pension plan assets at December 31, 2015 and 2014 are as follows:

(CAD$ in millions)	2015			2014		
	Quoted	**Unquoted**	**Total %**	**Quoted**	**Unquoted**	**Total %**
Equity securities	**$ 1,085**	**$ –**	**47%**	$ 1,094	$ –	49%
Debt securities	**848**	**–**	**37%**	835	–	38%
Real estate and other	**62**	**317**	**16%**	88	211	13%

21. Other Liabilities and Provisions

(CAD$ in millions)	December 31, 2015	December 31, 2014
Provisions (Note 21(a))	**$ 438**	$ 858
Derivative liabilities (net of current portion of $1 million (2014 – $18 million))	**12**	5
Other	**65**	55
	$ 515	$ 918

a) Provisions

The following table summarizes the movements in provisions for the year ended December 31, 2015:

(CAD$ in millions)	Decommissioning and Restoration Provisions	Other	Total
At January 1, 2015	$ 865	$ 66	$ 931
Settled during the year	(22)	(19)	(41)
Change in discount rate	(541)	–	(541)
Change in amount and timing of cash flows	14	31	45
Accretion	59	–	59
Exchange differences	40	3	43
At December 31, 2015	415	81	496
Less current provisions	(42)	(16)	(58)
Non-current provisions	**$ 373**	**$ 65**	**$ 438**

Decommissioning and Restoration Provisions

The decommissioning and restoration provisions represent the present value of estimated costs for required future decommissioning and other site restoration activities. The majority of the decommissioning and site restoration expenditures occur at the end of the life of the related operation. Remaining lives of mines and infrastructure range from less than a year to over 100 years. Therefore, it is anticipated that a portion of these costs will be incurred over a period in excess of 100 years. In 2015, the decommissioning and restoration provision was calculated using nominal discount rates between 13.51% and 14.51%. We also used an inflation rate of 2.00% in our cash flow estimates. The decommissioning and restoration provision includes $69 million (2014 – $102 million) in respect of closed operations.

During the fourth quarter of 2015, we updated the discount rate and cash flow estimates for our decommissioning and restoration provisions. As a result of the change in estimate and increase in discount rate, the provision decreased by $131 million compared to the third quarter. Of the $131 million decrease in the provision in the fourth quarter, $3 million was related to changes in estimated cash flows and $128 million was related to a change in the discount rate.

22. Equity

a) Authorized Share Capital

Our authorized share capital consists of an unlimited number of Class A common shares without par value, an unlimited number of Class B subordinate voting shares (Class B shares) without par value and an unlimited number of preferred shares without par value issuable in series.

Class A common shares carry the right to 100 votes per share. Class B shares carry the right to one vote per share. Each Class A common share is convertible, at the option of the holder, into one Class B share. In all other respects, the Class A common shares and Class B shares rank equally.

The attributes of the Class B shares contain so-called coattail provisions, which generally provide that, in the event that an offer (an Exclusionary Offer) to purchase Class A common shares, which is required to be made to all or substantially all holders thereof, is not made concurrently with an offer to purchase Class B shares on identical terms, then each Class B share will be convertible into one Class A common share.

The Class B shares will not be convertible in the event that an Exclusionary Offer is not accepted by holders of a majority of the Class A common shares (excluding those shares held by the person making the Exclusionary Offer). If an offer to purchase Class A common shares does not, under applicable securities legislation or the requirements of any stock exchange having jurisdiction, constitute a takeover bid, or is otherwise exempt from any requirement that such offer be made to all or substantially all holders of Class A common shares, the coattail provisions will not apply.

b) Class A Common Shares and Class B Subordinate Voting Shares Issued and Outstanding

Shares (in 000's)	**Class A Common Shares**	**Class B Subordinate Voting Shares**
At January 1, 2014	9,353	566,905
Options exercised (c)	–	115
Acquired and cancelled pursuant to normal course issuer bids (e)	–	(200)
Other	–	(25)
At December 31, 2014	9,353	566,795
Options exercised (c)	–	104
At December 31, 2015	**9,353**	**566,899**

c) Share Options

Under our current share option plan, at December 31, 2015, 18 million Class B shares have been set aside for the grant of share options to full-time employees, of which 15 million remain available for grant. The exercise price for each option is the closing price for our Class B shares on the last trading day before the date of grant. Our share options are settled through the issuance of Class B shares.

During the year ended December 31, 2015, we granted 6,134,096 Class B share options to employees. These share options have a weighted average exercise price of $19.12, vest in equal amounts over three years and have a term of 10 years.

22. Equity (continued)

The weighted average fair value of Class B share options granted in the year was estimated at $4.66 per option (2014 – $7.36) at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

	2015	2014
Weighted average exercise price	**$ 19.12**	$ 26.22
Dividend yield	**4.63%**	3.43%
Risk-free interest rate	**0.71%**	1.62%
Expected option life	**4.2 years**	4.2 years
Expected volatility	**40%**	41%
Forfeiture rate	**1.36%**	2.44%

The expected volatility is based on a statistical analysis of historical daily share prices over a period equal to the expected option life.

Outstanding share options are as follows:

	2015		2014	
	Share Options (in 000's)	Weighted Average Exercise Price	Share Options (in 000's)	Weighted Average Exercise Price
Outstanding at beginning of year	**10,632**	**$ 31.29**	8,318	$ 33.19
Granted	**6,134**	**19.12**	3,206	26.22
Exercised	**(104)**	**4.16**	(115)	4.15
Forfeited	**(217)**	**22.65**	(260)	31.56
Expired	**(516)**	**42.55**	(517)	36.25
Outstanding at end of year	**15,929**	**$ 26.53**	10,632	$ 31.29
Vested and exercisable at end of year	**7,285**	**$ 32.18**	5,803	$ 33.04

The average share price during the year was $12.28 (2014 – $22.19), with the highest Class B share price at $20.08 (2014 – $29.10) and the lowest Class B share price at $4.33 (2014 – $12.82).

Information relating to share options outstanding at December 31, 2015 is as follows:

Outstanding Share Options (in 000's)	Exercise Price Range	Weighted Average Remaining Life of Outstanding Options (months)
1,055	$ 4.15 – $ 12.35	38
5,998	$ 12.36 – $ 20.14	109
3,046	$ 20.15 – $ 26.79	98
3,796	$ 26.80 – $ 36.85	57
2,034	$ 36.86 – $ 58.80	69
15,929	**$ 4.15 – $ 58.80**	**85**

Total share option compensation expense recognized for the year was $24 million (2014 – $20 million).

In January 2016, we granted approximately 8.8 million Class B share options to employees. These share options have an exercise price of $5.34, vest in equal amounts over three years and have a term of 10 years. The weighted average fair value of Class B share options granted was estimated at $2.37 per option at the grant date based on the Black-Scholes option-pricing model.

22. Equity (continued)

d) Deferred Share Units, Restricted Share Units and Performance Share Units

We have issued and outstanding deferred share units, restricted share units and performance share units (collectively referred to as Units).

Deferred Share Units (DSUs) and Restricted Share Units (RSUs) are granted to both employees and directors. Preferred Share Units (PSUs) are granted to employees only. The DSUs and RSUs entitle the holder to a cash payment equal to the market value of one Class B share at the time they are redeemed. The PSUs entitle the holder to a cash payment equal to a percentage of the weighted average trading price of one Class B share over 10 consecutive trading days prior to the time they are redeemed. The percentage varies from 0% to 200% and is based on our total shareholder return ranking compared to a group of specified companies.

RSUs and PSUs vest in three years. DSUs vest immediately for directors and in three years for employees. On retirement, the units are pro-rated to reflect the period of vesting completed. Units vest on a pro rata basis, should employees be terminated without cause, and are forfeited if employees resign or are terminated with cause.

DSUs may only be redeemed within 12 months from the date a holder ceases to be an employee or director, while RSUs and PSUs vest and are redeemed no later than three years measured from the date of the grant.

Additional units are issued to unit holders to reflect dividends paid and other adjustments to Class B shares.

In 2015, we recognized a net recovery of compensation costs of $11 million for our Units (2014 – $8 million recovery). The total liability and intrinsic value for vested Units as at December 31, 2015 was $11 million (2014 – $31 million).

At December 31, 2015, 1,519,569 DSUs (2014 – 1,454,338), 1,497,869 RSUs (2014 – 1,189,661) and 664,454 PSUs (2014 – 262,956) were outstanding, of which 1,403,980 DSUs (2014 – 1,347,454), 646,159 RSUs (2014 – 557,071) and 291,794 PSUs (2014 – 77,138) have vested. In January 2016, 687,750 DSUs, 2,408,020 RSUs, and 1,152,250 PSUs were granted to employees.

e) Normal Course Issuer Bid

On occasion, we purchase and cancel Class B shares pursuant to normal course issuer bids that allow us to purchase up to a specified maximum number of shares over a one-year period. During 2015, we did not repurchase any Class B shares pursuant to our normal course issuer bid, which expired on July 1, 2015. In 2014, 200,000 shares were repurchased under our normal course issuer bid.

22. Equity (continued)

f) Accumulated Other Comprehensive Income (Loss)

(CAD$ in millions)	**2015**	**2014**
Accumulated other comprehensive income — beginning of year	**$ 235**	$ 106
Currency translation differences:		
Unrealized gains on translation of foreign subsidiaries	**1,390**	682
Foreign exchange differences on debt designated as a hedge of our investment in foreign subsidiaries (net of taxes of $163 and $82)	**(1,188)**	(550)
	202	132
Available-for-sale financial assets:		
Unrealized gains (net of taxes of $(1) and $nil)	**13**	–
Gains reclassified to profit (net of taxes of $(1) and $nil)	**(6)**	(1)
	7	(1)
Derivatives designated as cash flow hedges:		
Unrealized losses (net of taxes of $8 and $6)	**(22)**	(19)
Losses reclassified to profit on realization (net of taxes of $(9) and $(6))	**26**	17
	4	(2)
Share of other comprehensive income of associates and joint ventures	**3**	–
Remeasurements of retirement benefit plans (net of taxes of $(18) and $nil)	**40**	28
Total other comprehensive income	**256**	157
Less remeasurements of retirement benefit plans recorded in retained earnings	**(40)**	(28)
Accumulated other comprehensive income — end of year	**$ 451**	$ 235

The components of accumulated other comprehensive income (loss) are as follows:

(CAD$ in millions)	**2015**	**2014**
Currency translation differences	**$ 437**	$ 235
Unrealized gains on available-for-sale financial assets (net of taxes of $(2) and $nil)	**11**	4
Unrealized losses on cash flow hedges (net of taxes of $nil and $1)	**–**	(4)
Share of other comprehensive income of associates and joint ventures	**3**	–
Accumulated other comprehensive income	**$ 451**	$ 235
Accumulated other comprehensive income attributed to:		
Shareholders of the company	**$ 426**	$ 225
Non-controlling interests	**25**	10
	$ 451	$ 235

22. **Equity** (continued)

g) Earnings (Loss) Per Share

The following table reconciles our basic and diluted earnings per share:

(CAD$ in millions, except per share data)	**2015**	**2014**
Net basic and diluted profit (loss) attributable to shareholders of the company	**$ (2,474)**	$ 362
Weighted average shares outstanding (000's)	**576,224**	576,192
Dilutive effect of share options	**–**	996
Weighted average diluted shares outstanding	**576,224**	577,188
Basic earnings (loss) per share	**$ (4.29)**	$ 0.63
Diluted earnings (loss) per share	**$ (4.29)**	$ 0.63

At December 31, 2015, there is a net loss attributable to shareholders of the company and, accordingly, all share options would be considered anti-dilutive and have been excluded from the calculation of diluted earnings (loss) per share. At December 31, 2014, 9,471,916 potentially dilutive shares were not included in the diluted earnings per share calculation because their effect was anti-dilutive.

h) Reversal of Tax Provision

During the year, the Canada Revenue Agency informed us that they will no longer proceed with the adjustment they proposed in 2013 to disallow a $346 million deduction in relation to a premium paid on the redemption of our Cominco exchangeable debentures in 2006. The proposed adjustment would have reduced the loss carryforward pools available to us to reduce taxes payable in the future. As this matter is now settled, we reversed a previously recognized charge to equity of $124 million.

i) Dividends

We declared dividends of $0.15 and $0.05 per share in the second and fourth quarters of 2015, respectively, and $0.45 per share in the second and fourth quarters of 2014. Dividends of $0.05 per share (totaling $29 million) with a record date of December 14, 2015 were paid on December 30, 2015.

23. Non-Controlling Interests

Set out below is information about our subsidiaries with non-controlling interests and the non-controlling interest balances included in equity for all comparative periods presented:

(CAD$ in millions)	**Principal Place of Business**	**Percentage of Ownership Interest and Voting Rights Held by Non-Controlling Interest**	**December 31, 2015**	**December 31, 2014**
Highland Valley Copper	British Columbia, Canada	2.5%	**$ 43**	$ 39
Carmen de Andacollo	Region IV, Chile	10%	**45**	53
Quebrada Blanca	Region I, Chile	23.5%	**98**	95
Elkview Mine Limited Partnership	British Columbia, Canada	5%	**44**	43
			$ 230	$ 230

24. Contingencies

We consider provisions for all our outstanding and pending legal claims to be adequate. The final outcome with respect to actions outstanding or pending as at December 31, 2015, or with respect to future claims, cannot be predicted with certainty. Significant contingencies not disclosed elsewhere in the notes to our financial statements are as follows:

Upper Columbia River Basin

Teck American Inc. (TAI) continues studies under the 2006 settlement agreement with the U.S. Environmental Protection Agency (EPA) to conduct a remedial investigation on the Upper Columbia River in Washington State. Residential soil testing within the study site has identified certain properties where remediation is required. TAI and EPA reached an agreement regarding the remediation to be undertaken in 2015, which has been completed, and additional sampling will be required.

The Lake Roosevelt litigation involving TML in the Federal District Court for the Eastern District of Washington continues. In September 2012, TML entered into an agreement with the plaintiffs, agreeing that certain facts were established for purposes of the litigation. The agreement stipulates that some portion of the slag discharged from our Trail Operations into the Columbia River between 1896 and 1995, and some portion of the effluent discharged from Trail Operations, have been transported to and are present in the Upper Columbia River in the United States, and that some hazardous substances from the slag and effluent have been released into the environment within the United States. In December 2012, the Court found in favour of the plaintiffs in phase one of the case, issuing a declaratory judgment that TML is liable under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) for response costs, the amount of which will be determined in phases of the case. A hearing with respect to the claims of the Tribal plaintiffs in respect of approximately $9 million of past response costs was held in December, and a decision is pending.

In October 2013, the Confederated Tribes of the Colville Reservation filed an omnibus motion with the District Court seeking an order stating that they are permitted to seek recovery from TML for environmental response costs, and in a subsequent proceeding, natural resource damages and assessment costs, arising from the alleged deposition of hazardous substances in the United States from aerial emissions from TML's Trail Operations. Prior allegations by the Tribes related solely to solid and liquid materials discharged to the Columbia River. The motion does not state the amount of response costs allegedly attributable to aerial emissions, nor did it attempt to define the extent of natural resource damages, if any, attributable to past smelter operations. In December 2013, the District Court ruled in favour of the plaintiffs. The plaintiffs have subsequently filed amended pleadings in relation to air emissions. The Court dismissed a motion to strike the air claims on the basis that CERCLA does not apply to air emissions in the manner proposed by the plaintiffs, and a subsequent TML motion seeking reconsideration of the dismissal. TML has been granted leave to appeal these decisions in the Ninth Circuit on an interlocutory basis, and the appeal is expected to be heard in the first quarter of 2016.

A hearing with respect to liability in connection with air emissions, if that claim survives, and past response costs has been deferred in light of the interlocutory appeal, and a subsequent hearing with respect to claims for natural resource damages and assessment costs is expected to follow, assuming the remedial investigation and feasibility study being undertaken by TAI are completed, which is now expected to occur in 2017.

There is no assurance that we will ultimately be successful in our defence of the litigation or that we or our affiliates will not be faced with further liability in relation to this matter. Until the studies contemplated by the EPA settlement agreement and additional damage assessments are completed, it is not possible to estimate the extent and cost, if any, of any additional remediation or restoration that may be required or to assess our potential liability for damages. The studies may conclude, on the basis of risk, cost, technical feasibility or other grounds, that no remediation other than some residential soil removal should be undertaken. If other remediation is required and damage to resources found, the cost of that remediation may be material.

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25. Commitments

a) Capital Commitments

As at December 31, 2015, we had contracted for $3.0 billion of capital expenditures that have not yet been incurred for the purchase of property, plant and equipment. This amount includes $2.2 billion for Quebrada Blanca, $0.7 billion for our share of Fort Hills and $0.1 billion for our share of Antamina. The amount includes $0.7 billion that is expected to be incurred within one year, $1.4 billion within one to five years, and $0.9 billion, thereafter.

b) Operating Lease Commitments

We lease office premises, mobile equipment and railcars under operating leases. The lease terms are between one year and 10 years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(CAD$ in millions)	**2015**	**2014**
Less than one year	**$ 65**	$ 53
1 to 5 years	**84**	68
Thereafter	**10**	6
	$ 159	$ 127

Lease rentals amounting to $11 million (2014 – $12 million) for office premises, $43 million (2014 – $32 million) for mobile equipment and $11 million (2014 – $9 million) for railcars are included in the statement of income.

c) Red Dog Commitments

In accordance with the operating agreement governing the Red Dog mine, TAK pays a royalty to NANA Regional Corporation, Inc. (NANA) on the net proceeds of production. A 25% royalty became payable in the third quarter of 2007 after we had recovered cumulative advance royalties previously paid to NANA. The net proceeds of production royalty rate will increase by 5% every fifth year to a maximum of 50%. The increase to 30% of net proceeds of production occurred in 2012. An expense of US$137 million was recorded in 2015 (2014 – US$195 million) in respect of this royalty.

TAK leases road and port facilities from the Alaska Industrial Development and Export Authority, through which it ships all concentrates produced at the Red Dog Operations. The lease requires TAK to pay a minimum annual user fee of US$18 million for the next 26 years.

d) Antamina Royalty

Our interest in the Antamina mine is subject to a net profits royalty equivalent to 7.4% of our share of the mine's free cash flow. An expense of $11 million was recorded in 2015 (2014 – $19 million) in respect of this royalty.

e) Purchase Commitments

We have a number of forward purchase commitments for the purchase of concentrates and other process inputs, and for shipping and distribution of products, which are incurred in the normal course of business. In addition, we have contractual arrangements for the purchase of 240 megawatts of power for the expansion of our Quebrada Blanca Operations. These contracts contain monthly fixed prices and variable prices per hour and are effective from dates between November 2016 and January 2018, extending for 21 years. The majority of these contracts are subject to *force majeure* provisions.

25. Commitments (continued)

f) Fort Hills Energy Limited Partnership

In November 2005, we acquired a 15% interest in Fort Hills, which is developing the Fort Hills oil sands project in Alberta, Canada. As consideration for our initial 15% interest, we contributed 34% of the first $2.5 billion of project expenditures. In September 2007, we acquired an additional 5% interest, bringing our interest to 20%. In consideration for our additional 5% interest, we were required to contribute 27.5% of project expenditures between $2.5 billion and $7.5 billion. Thereafter, we are responsible for contributing our 20% share of project expenditures. Total project spending reached the $7.5 billion threshold in April 2015 and accordingly, our contribution to project expenditures has been 20% since that date. Our share of project spending totalled $3.0 billion from November 2005 to December 31, 2015, of which $1.6 billion was subsequent to October 2013 when the project was sanctioned.

26. Segmented Information

Based on the primary products we produce and our development projects, we have five reportable segments — steelmaking coal, copper, zinc, energy and corporate — which is the way we report information to our Chief Executive Officer. The corporate segment includes all of our initiatives in other commodities, our corporate growth activities and groups that provide administrative, technical, financial and other support to all of our business units. Other operating expenses include general and administration costs, exploration, research and development, and other operating income (expense). Sales between segments are carried out on terms that arm's-length parties would use. Total assets does not include intra-group receivables between segments. Deferred tax assets and liabilities have been allocated amongst segments.

(CAD$ in millions)	December 31, 2015					
	Steelmaking Coal	**Copper**	**Zinc**	**Energy**	**Corporate**	**Total**
Segment revenues	$ 3,049	$ 2,422	$ 3,121	$ 4	$ –	$ 8,596
Less: Inter-segment revenues	–	–	(337)	–	–	(337)
Revenues	3,049	2,422	2,784	4	–	8,259
Cost of sales	(2,849)	(1,996)	(2,129)	(6)	–	(6,980)
Gross profit (loss)	200	426	655	(2)	–	1,279
Asset impairments	(2,032)	(506)	(31)	(1,062)	–	(3,631)
Other operating income (expenses)	(56)	(230)	(42)	(14)	(224)	(566)
Profit (loss) from operations	(1,888)	(310)	582	(1,078)	(224)	(2,918)
Net finance expense	(26)	(15)	(32)	–	(238)	(311)
Non-operating income (expenses)	39	(13)	34	–	(149)	(89)
Share of losses of associates and joint ventures	–	–	–	–	(2)	(2)
Profit (loss) before taxes	(1,875)	(338)	584	(1,078)	(613)	(3,320)
Capital expenditures	493	539	211	997	4	2,244
Goodwill	702	425	–	–	–	1,127
Total assets	14,531	9,886	3,406	3,269	3,596	34,688
Net assets	$ 10,201	$ 6,335	$ 2,590	$ 2,846	$ (5,335)	$ 16,637

26. Segmented Information (continued)

(CAD$ in millions)			December 31, 2014			
	Steelmaking Coal	**Copper**	**Zinc**	**Energy**	**Corporate**	**Total**
Segment revenues	$ 3,335	$ 2,586	$ 2,950	$ 3	$ –	$ 8,874
Less: Inter-segment revenues	–	–	(275)	–	–	(275)
Revenues	3,335	2,586	2,675	3	–	8,599
Cost of sales	(3,127)	(1,908)	(2,026)	(3)	–	(7,064)
Gross profit	208	678	649	–	–	1,535
Asset impairments	–	(12)	–	–	–	(12)
Other operating income (expenses)	(34)	(132)	(50)	(6)	(253)	(475)
Profit from operations	174	534	599	(6)	(253)	1,048
Net finance expense	(40)	(23)	(32)	–	(205)	(300)
Non-operating income (expenses)	17	(9)	12	(1)	(40)	(21)
Share of losses of associates and joint ventures	–	–	–	–	(3)	(3)
Profit before taxes	151	502	579	(7)	(501)	724
Capital expenditures	678	582	239	702	12	2,213
Goodwill	1,203	507	–	–	–	1,710
Total assets	17,050	9,976	3,348	3,292	3,173	36,839
Net assets	$ 11,749	$ 7,310	$ 2,350	$ 2,612	$ (5,185)	$ 18,836

The geographical distribution of our non-current assets is as follows:

(CAD$ in millions)	**December 31, 2015**	**December 31, 2014**
Canada	**$ 20,110**	$ 22,665
Chile	**6,379**	5,943
Peru	**1,309**	1,059
United States	**983**	933
Other	**76**	67
	$ 28,857	$ 30,667

Non-current assets attributed to geographical locations exclude deferred income tax assets and financial and other assets.

26. Segmented Information (continued)

Revenue is attributed to regions based on the location of the port of delivery as designated by the customer and is as follows:

(CAD$ in millions)	2015	2014
Asia		
China	**$ 1,786**	$ 2,226
Japan	**1,343**	1,231
South Korea	**966**	900
Other	**955**	727
Americas		
United States	**1,291**	1,195
Canada	**581**	528
Latin America	**197**	272
Europe		
Germany	**394**	372
Finland	**213**	267
Other	**533**	881
	$ 8,259	$ 8,599

27. Accounting for Financial Instruments

a) Financial Risk Management

Our activities expose us to a variety of financial risks, which include liquidity risk, foreign exchange risk, interest rate risk, commodity price risk, credit risk and other risks associated with capital markets. From time to time, we may use foreign exchange, commodity price and interest rate contracts to manage exposure to fluctuations in these variables. We do not have a practice of trading derivatives. Our use of derivatives is based on established practices and parameters to mitigate risk and is subject to the oversight of our Hedging Committee and our Board of Directors.

Foreign Exchange Risk

We operate on an international basis; therefore, foreign exchange risk exposures arise from transactions denominated in a foreign currency. Our foreign exchange risk arises primarily with respect to the U.S. dollar and to a lesser extent, the Chilean peso and Peruvian sol. Our cash flows from Canadian, Chilean and Peruvian operations are exposed to foreign exchange risk, as commodity sales are denominated in U.S. dollars and a substantial portion of operating expenses are denominated in local currencies.

In the first half of 2015 and in prior years, we hedged a portion of our quarterly U.S. dollar denominated future cash flows with U.S. dollar forward sales contracts. This hedge was discontinued in the second quarter of 2015. We have elected not to actively manage this or other foreign exchange exposures at this time.

We also have various investments in U.S. dollar foreign operations, whose net assets are exposed to foreign currency translation risk. This currency exposure is managed in part through our U.S. dollar denominated debt as a hedge against net investments in foreign operations. As at December 31, 2015, $5.5 billion of U.S. dollar debt was designated in this manner.

27. Accounting for Financial Instruments (continued)

U.S. dollar financial instruments subject to foreign exchange risk are comprised of U.S. dollar denominated items held in Canada and are as follows:

(US$ in millions)	2015	2014
Cash and cash equivalents	**$ 911**	$ 583
Accounts receivable and other assets	**445**	447
Accounts payable	**(380)**	(301)
U.S. dollar forward sales contracts not designated as hedging instruments	**–**	(227)
U.S. dollar forward sales contracts designated as hedging instruments	**–**	(246)
Long-term debt	**(6,900)**	(7,200)
	(5,924)	(6,944)
Net investment in foreign operations	**5,552**	6,684
Net U.S. dollar exposure	**$ (372)**	$ (260)

Our policy is to apply a hedge against our U.S. dollar net investments using our U.S. dollar debt and working capital. As at December 31, 2015, with other variables unchanged, a $0.10 strengthening of the Canadian dollar against the U.S. dollar would result in a $37 million pre-tax gain (2014 - $23 million pre-tax loss) from our financial instruments. The inverse effect would result if the Canadian dollar weakened by $0.10 against the U.S. dollar. We had no outstanding U.S. dollar forward sales contracts as at December 31, 2015. We have assumed that our 2015 net investment balances can be fully hedged and therefore there is no effect on other comprehensive income from the translation of our foreign operations.

Liquidity Risk

Liquidity risk arises from our general and capital financing needs. We have planning, budgeting and forecasting processes to help determine our funding requirements to meet various contractual and other obligations. Note 18 details our available credit facilities as at December 31, 2015.

Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2015 are as follows:

(CAD$ in millions)	Less Than 1 Year	2 – 3 Years	4 – 5 Years	More Than 5 Years	Total
Trade accounts payable and other liabilities	$ 1,673	$ –	$ –	$ –	**$ 1,673**
Debt (Note 18(d))	28	1,554	731	7,404	**9,717**
Estimated interest payments on debt	$ 459	$ 855	$ 787	$ 5,461	**$ 7,562**

Interest Rate Risk

Our interest rate risk arises mainly in respect of our holdings of cash and cash equivalents. Our interest rate management policy is generally to borrow at fixed rates. However, floating rate funding may be used to fund short-term operating cash flow requirements or, in conjunction with fixed to floating interest rate swaps, be used to offset interest rate risk from our cash. The fair value of fixed-rate debt fluctuates with changes in market interest rates, but the cash flows, denominated in U.S. dollars, do not.

Cash and cash equivalents have short terms to maturity and receive interest based on market interest rates.

As at December 31, 2015 and 2014, with other variables unchanged, a 1% change in the LIBOR rate would not have a significant effect on profit. There would be no effect on other comprehensive income.

Commodity Price Risk

We are subject to price risk from fluctuations in market prices of the commodities that we produce. From time to time, we may use commodity price contracts to manage our exposure to fluctuations in commodity prices. At the balance sheet date, we had zinc and lead derivative contracts outstanding as described in Note 27(b) below.

27. Accounting for Financial Instruments (continued)

Our commodity price risk associated with financial instruments primarily relates to changes in fair value caused by final settlement pricing adjustments to receivables and payables, derivative contracts for zinc and lead, embedded derivatives in one of our road and port contracts and in the ongoing payments under our silver stream and gold stream arrangements.

The following represents the effect on profit attributable to shareholders from a 10% change in commodity prices, based on outstanding receivables and payables subject to final pricing adjustments at December 31, 2015. There is no effect on other comprehensive income.

	Price on December 31,		Change in Profit Attributable to Shareholders	
(CAD$ in millions, except for US$/lb. data)	**2015**	**2014**	**2015**	**2014**
Copper	**US$2.13/lb.**	US$2.86/lb.	**$ 46**	$ 41
Zinc	**US$0.73/lb.**	US$0.99/lb.	**$ 2**	$ 1
Lead	**US$0.82/lb.**	US$0.84/lb.	**$ (1)**	$ 1

A 10% change in the price of zinc, lead, silver and gold, respectively, would change our net liability relating to derivatives and embedded derivatives, excluding receivables and payables subject to final pricing adjustments, and change our pre-tax profit attributable to shareholders by $32 million. There would be no effect on other comprehensive income.

Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. Our primary counterparties related to our cash, money market investments and derivative contracts carry investment grade ratings as assessed by external rating agencies. There is ongoing review to evaluate the creditworthiness of these counterparties. We manage credit risk for trade and other receivables through established credit monitoring activities. The only significant concentration of credit risk with any single counterparty or group of counterparties relates to our investments in U.S. government securities. Our maximum exposure to credit risk at the reporting date is the carrying value of our cash and cash equivalents, trade accounts receivable and derivative assets. While we are exposed to credit losses due to the non-performance of our counterparties, we do not consider this to be a material risk.

b) Derivative Financial Instruments and Hedges

Sale and Purchase Contracts

Sales and purchases of metals in concentrates and cathodes are recognized on a provisional pricing basis when the significant risks and rewards of ownership pass to the customer, which is generally when the product is loaded onto a carrier specified by the customer. The final pricing for the product sold and purchased is contractually linked to market prices at a subsequent date. Adjustments are made to the associated receivable and payable in subsequent periods based on movements in quoted market prices up to the date of final pricing. These arrangements have the characteristics of a derivative instrument, as the value of our receivables and payables will vary as prices for the underlying commodities vary in the metal markets. These final pricing adjustments result in gains (losses from purchases) in a rising price environment and losses (gains from purchases) in a declining price environment and are recorded as other operating income (expense). It should be noted that while these effects arise on the sale of concentrates, we also purchase concentrates at our Trail Operations where the opposite effects occur. The profit effect of gains and losses on these contracts is mitigated by smelter price participation, royalty interests, taxes and non-controlling interests.

27. Accounting for Financial Instruments (continued)

The table below outlines our outstanding receivable and payable positions, which were provisionally valued at December 31, 2015, and at December 31, 2014, respectively.

	Outstanding at December 31, 2015		Outstanding at December 31, 2014	
(Pounds in millions)	Pounds	US$/lb.	Pounds	US$/lb.
Receivable positions				
Copper	**257**	**$ 2.13**	208	$ 2.86
Zinc	**162**	**$ 0.73**	117	$ 0.99
Lead	**20**	**$ 0.82**	41	$ 0.84
Payable positions				
Zinc payable	**83**	**$ 0.73**	68	$ 0.99
Lead payable	**35**	**$ 0.82**	9	$ 0.84

At December 31, 2015, total outstanding settlements receivable were $684 million (2014 – $886 million) and total outstanding settlements payable were $25 million (2014 – $23 million). These amounts are included in trade accounts receivable and trade accounts payable, respectively, on the consolidated balance sheet.

Economic Hedge Contracts

We enter into commodity forward sale and purchase contracts to mitigate the risk of price changes for a portion of our concentrate purchases and refined metal sales. These contracts effectively lock in prices for a portion of our smelter sales. We do not apply hedge accounting to these commodity forward sales contracts.

Certain customers purchase concentrate and refined metal products at fixed forward prices from our operations. Forward purchase commitments for these metal products are matched to specific fixed-price sales commitments to customers.

Zinc and Lead Swaps

Due to ice conditions, the port serving our Red Dog mine is normally only able to ship concentrates from July to October each year. As a result, zinc and lead concentrate sales volumes are generally higher in the third and fourth quarter of each year than in the first and second quarter. During 2015, we purchased and sold zinc and lead swaps to match our economic exposure to the average zinc and lead prices over our shipping year, which is from July of one year to June of the following year. During 2014, we purchased zinc swaps under similar arrangements. We do not apply hedge accounting to the zinc or lead swaps.

The fair value of our commodity swaps is calculated using a discounted cash flow method based on forward metal prices. A summary of these derivative contracts and related fair values as at December 31, 2015 is as follows:

	Quantity	Average Price of Purchase Commitments	Average Price of Sale Commitments	Fair Value Asset (Liability) (CAD$ in millions)
Derivatives not designated as hedging instruments				
Zinc swaps	204 million lbs.	US$0.73/lb.	US$0.72/lb.	$ (3)
Lead swaps	89 million lbs.	US$0.77/lb.	US$0.81/lb.	5
				$ 2

All free-standing derivative contracts mature in 2016.

Free-standing derivatives not designated as hedging instruments are recorded in trade accounts receivable and in trade accounts payable and other liabilities in the amount of $5 million and $3 million, respectively, on the consolidated balance sheet.

27. Accounting for Financial Instruments (continued)

Derivatives Not Designated as Hedging Instruments and Embedded Derivatives

(CAD$ in millions)	Amount of Gain (Loss) Recognized in Other Operating Income (Expense)	
	2015	**2014**
Zinc derivatives	**$ (2)**	$ (5)
Lead derivatives	**(3)**	(4)
Copper derivatives	**–**	2
Settlements receivable and payable	**(280)**	(130)
Contingent zinc escalation payment embedded derivative (Note 27(c))	**4**	(3)
Gold stream embedded derivative (Note 27(c))	**(8)**	–
Silver stream embedded derivative (Note 27(c))	**(3)**	–
Other	**–**	3
	$ (292)	$ (137)

Hedges

Cash flow hedges

At December 31, 2015, we did not have derivative instruments designated as cash flow hedges.

The following table provides information regarding the effect of U.S. dollar forward sales contracts that were derivative instruments designated as cash flow hedges on our consolidated statements of income and comprehensive income in the first half of 2015 and throughout 2014:

(CAD$ in millions)	**2015**	**2014**
Losses recognized in other comprehensive income	**$ –**	$ (25)
Losses reclassified from accumulated other comprehensive income into income (effective portion)	**(34)**	(23)
Location of losses reclassified from accumulated other comprehensive income into income	**Revenue**	Revenue

Net investment hedge

Our hedges of net investments in foreign operations were effective and no ineffectiveness was recognized in profit for the period.

c) Embedded Derivatives

One of our road and port contracts contains a contingent zinc escalation payment that is considered to be an embedded derivative. The fair value of this embedded derivative was $2 million at December 31, 2015 (2014 – $5 million), and is included in other liabilities and provisions on the consolidated balance sheet.

The silver stream and gold stream agreements entered into in 2015 (Note 5(b) and (c)) each contain an embedded derivative in the ongoing future payments due to Teck from Franco-Nevada and Royal Gold, respectively. The gold stream's 15% ongoing payment contains an embedded derivative relating to the gold price. The fair value of this embedded derivative was $8 million at December 31, 2015. The silver stream's 5% ongoing payment contains an embedded derivative relating to the silver price. The fair value of this embedded derivative was $3 million at December 31, 2015. The value of both of these embedded derivatives is included in other liabilities and provisions on the consolidated balance sheet.

28. Fair Value Measurements

Certain of our financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value our financial assets and liabilities are described below:

Level 1 — Quoted Prices in Active Markets for Identical Assets

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Cash equivalents and marketable equity securities are valued using quoted market prices in active markets. Accordingly, these items are included in Level 1 of the fair value hierarchy.

Level 2 — Significant Other Observable Inputs

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Derivative instruments and embedded derivatives are included in Level 2 of the fair value hierarchy as they are valued using pricing models or discounted cash flow models. These models require a variety of inputs, including, but not limited to, contractual terms, market prices, forward price curves, yield curves, and credit spreads. These inputs are obtained from or corroborated with the market where possible. Also included in Level 2 are settlements receivable and settlements payable from provisional pricing on concentrate sales and purchases because they are valued using quoted market prices for forward curves for copper, zinc and lead.

Level 3 — Significant Unobservable Inputs

Unobservable (supported by little or no market activity) prices.

We include investments in certain debt securities in Level 3 of the fair value hierarchy because they trade infrequently and have little price transparency. We review the fair value of these instruments periodically and estimate an impairment charge based on management's best estimates, which are unobservable inputs.

The fair values of our financial assets and liabilities measured at fair value on a recurring basis at December 31, 2015 and 2014 are summarized in the following table:

(CAD$ in millions)	2015				2014			
	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	Total
Financial assets								
Cash equivalents	$ 1,640	$ –	$ –	**$ 1,640**	$ 1,651	$ –	$ –	$ 1,651
Marketable equity securities	198	–	–	**198**	270	–	–	270
Debt securities	–	–	12	**12**	–	–	16	16
Settlements receivable	–	684	–	**684**	–	886	–	886
Derivative instruments and embedded derivatives	–	9	–	**9**	–	–	–	–
	$ 1,838	$ 693	$ 12	**$ 2,543**	$ 1,921	$ 886	$ 16	$ 2,823
Financial liabilities								
Derivative instruments and embedded derivatives	$ –	$ 16	$ –	**$ 16**	$ –	$ 23	$ –	$ 23
Settlements payable	–	25	–	**25**	–	23	–	23
	$ –	$ 41	$ –	**$ 41**	$ –	$ 46	$ –	$ 46

28. Fair Value Measurements (continued)

As at December 31, 2015, we measured certain non-financial assets at their recoverable amounts using a FVLCD basis, which is classified as a Level 3 measurement. Refer to Note 7 for information about this fair value measurement.

For our non-financial assets and liabilities measured at fair value on a non-recurring basis, no fair value measurements were made as at December 31, 2014.

29. Capital Management

The capital we manage is the total of equity and debt on our balance sheet. Our capital management objectives are to maintain access to the capital we require to operate and grow our business while minimizing the cost of such capital and providing for returns to our shareholders. Our financial policies include, on average over time, a target debt to debt-plus-equity ratio of approximately 30% and a target ratio of debt-to-EBITDA of approximately 2.5. These ratios are expected to vary from their target levels from time to time, reflecting commodity price cycles and corporate activity, including the development of major projects. We also maintain two committed revolving credit facilities with strongly rated banks to ensure adequate liquidity. These credit facilities include a financial covenant that requires us to maintain a debt-to-capitalization ratio that does not exceed 50%.

As at December 31, 2015, our debt to debt-plus-equity ratio was 37% (2014 – 31%), our debt-to-EBITDA ratio was (5.9) (2014 – 3.6) and our debt-to-adjusted-EBITDA ratio, before the asset impairments, was 4.8 (2014 – 3.6). We manage the risk of not meeting our financial targets through the issuance and repayment of debt, our dividend policy, the issuance of equity capital, and assets sales, as well as through the ongoing management of operations, investments and capital expenditures.

As part of our capital management plan, in 2015 we reduced our U.S. dollar debt and the semi-annual dividend. We also completed precious metal streaming transactions (Note 5(b) and (c)) and Project Corridor (Note 5(a)) and implemented further initiatives to reduce costs and conserve capital.

30. Key Management Compensation

The compensation for key management, which includes our directors and senior vice presidents, in respect of employee services is as follows:

(CAD$ in millions)	**2015**	**2014**
Salaries, bonuses, director fees and other short-term benefits	**$ 14**	$ 14
Post-employment benefits	**2**	4
Share option compensation expense	**9**	8
Net recovery of compensation costs related to Units (Note 22(d))	**(11)**	(2)
	$ 14	$ 24