

# Teck

## Second Quarter 2014 Results

July 24, 2014



# Forward Looking Information



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

The forward-looking statements in these slides and the oral presentation include estimates, forecasts, and statements as to management's expectations with respect to, among other things, our future earnings and cash flow, production and cost guidance and our expectation that they will be met, expectations regarding our cost reduction efforts, expected progress and timing of growth projects, expected sales and realized pricing for coal, the production benefits of the Highland Valley Mill Optimization, the timing of restarting our Pend Oreille mine, expected benefits from processing Pend Oreille production at Trail, demand and market outlook for commodities and future commodity prices.

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

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

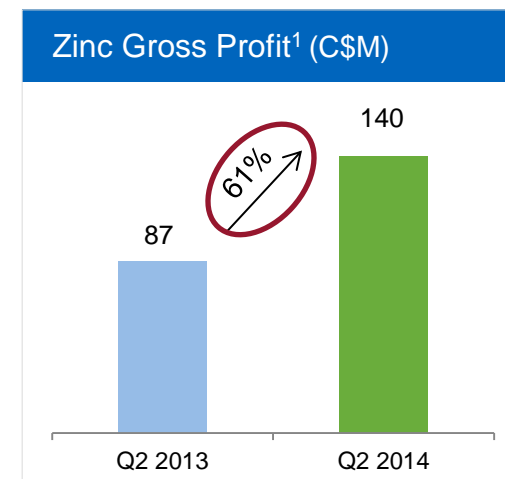
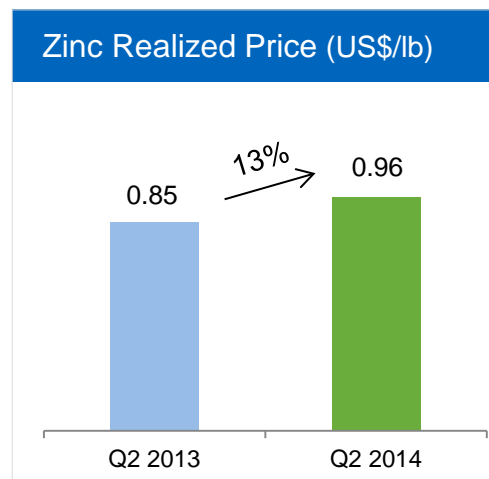
Certain of these risks are described in more detail in the annual information form of the company available at [www.sedar.com](http://www.sedar.com) and in public filings with the SEC. The company does not assume the obligation to revise or update these forward-looking statements after the date of this document or to revise them to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

- Executing well in difficult market conditions
  - Oversupply continues to impact coal prices
- Solid financial position and strengthened liquidity
- Increased focus on reducing costs and capex
- Updated 2014 guidance
  - Lower coal and copper costs
  - Higher zinc concentrate production
- Semi-annual dividend of \$0.45



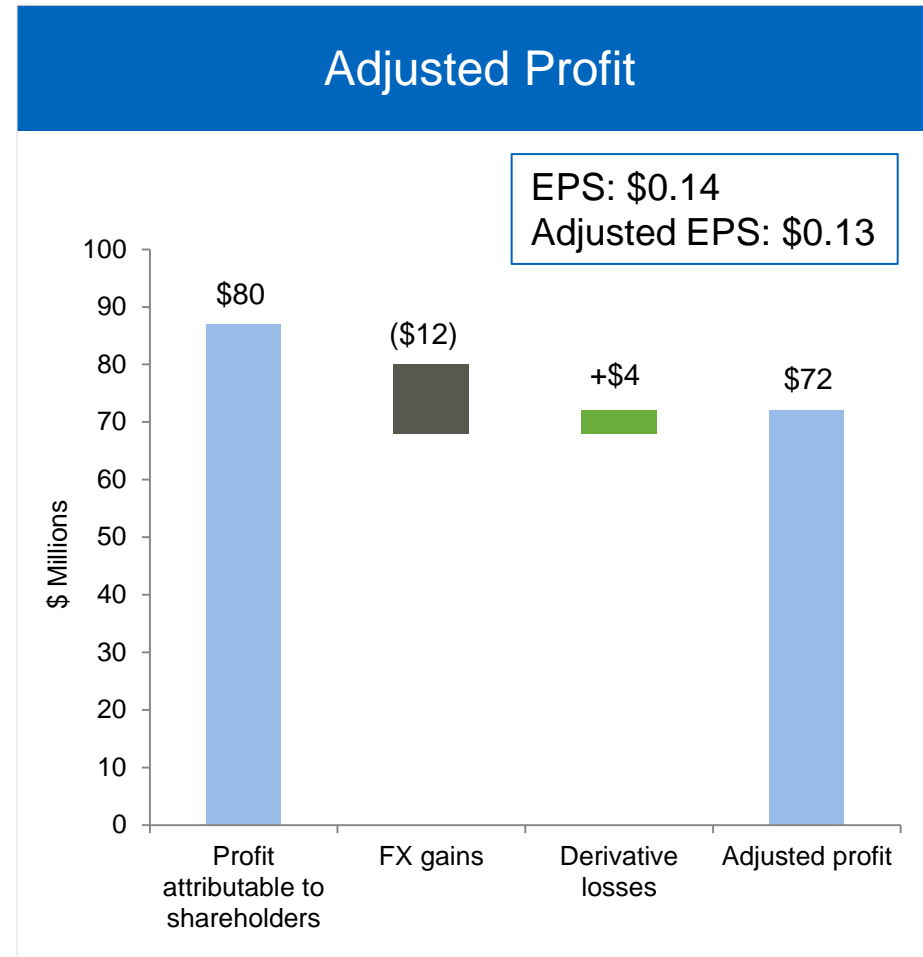
- Solid operational performance
  - Increased throughput at 10 of our 13 operations
  - Higher production volumes in coal and copper
- Significant progress in cost reduction
- Benefiting from improving zinc market fundamentals

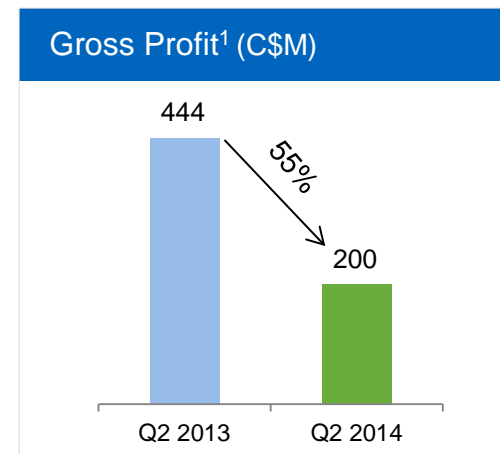
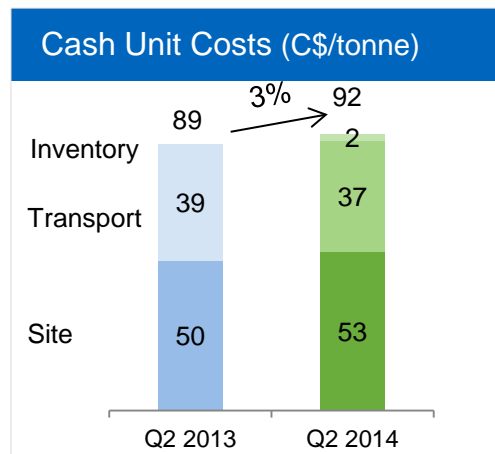
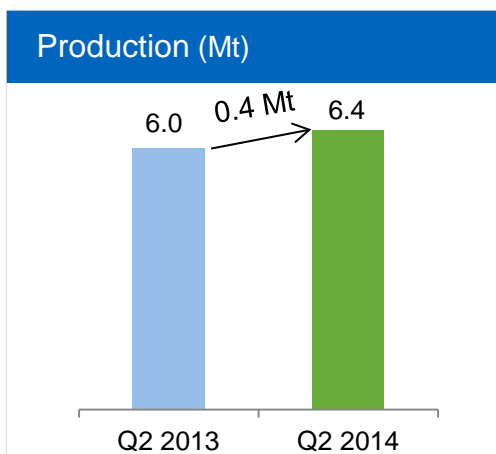
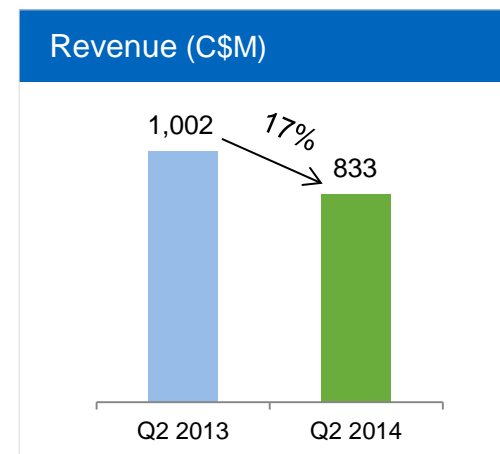
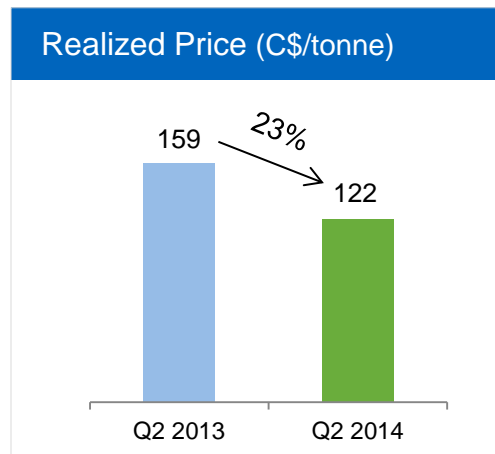
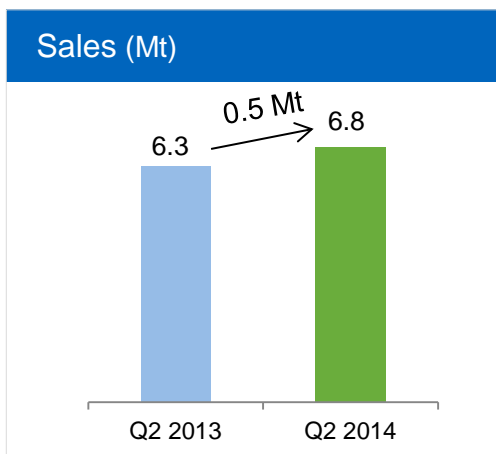
Production	Q2 2014	△ To Q2 2013
Coal (Mt)	6.4	▲ 0.4
Copper (kt)	87	▲ 2
Zinc in concentrate (kt)	157	▼ 4
Zinc – refined (kt)	72	▼ 2



# Profitability Impacted By Lower Coal Prices

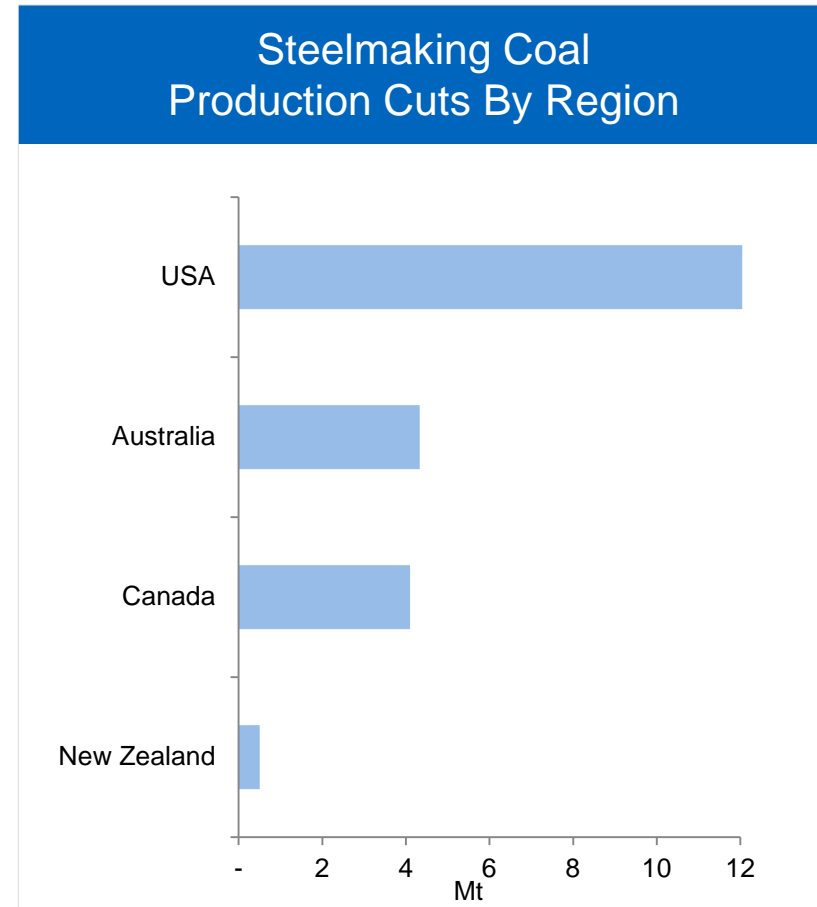
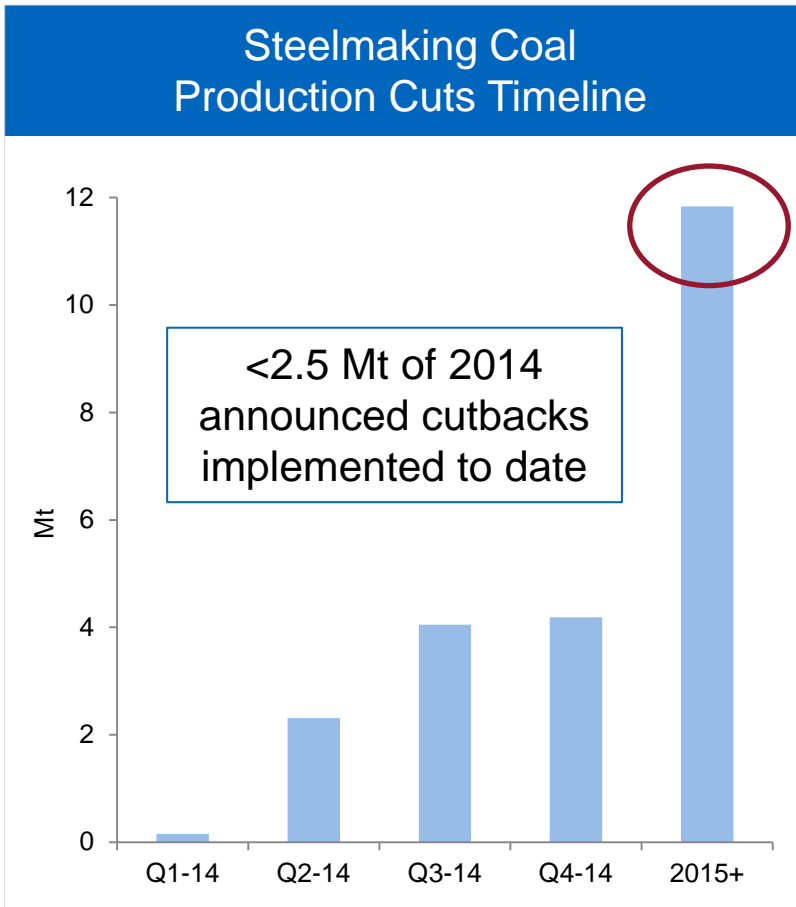
(\$M)	Q2 2014	△ To Q2 2013
Gross profit <sup>1</sup>	633	▼ 238
EBITDA	558	▼ 112
Profit attributable to shareholders	80	▼ 63
Adjusted profit	72	▼ 125

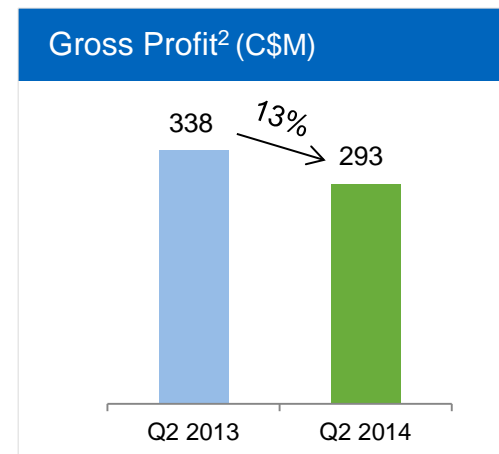
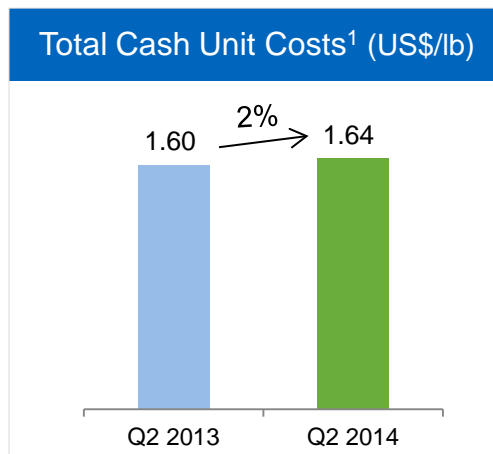
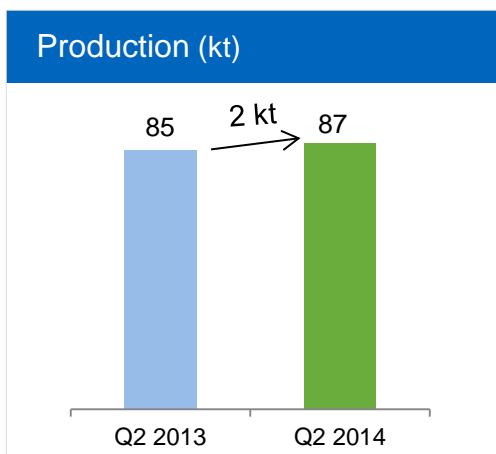
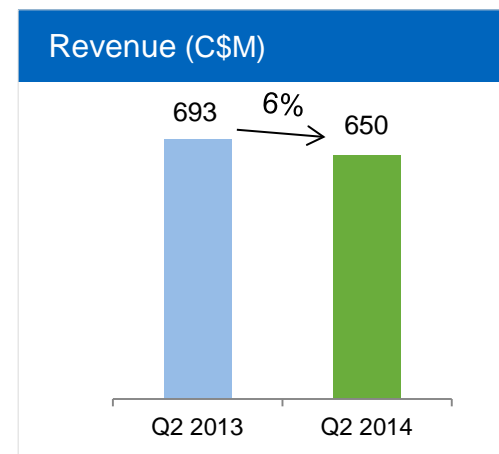
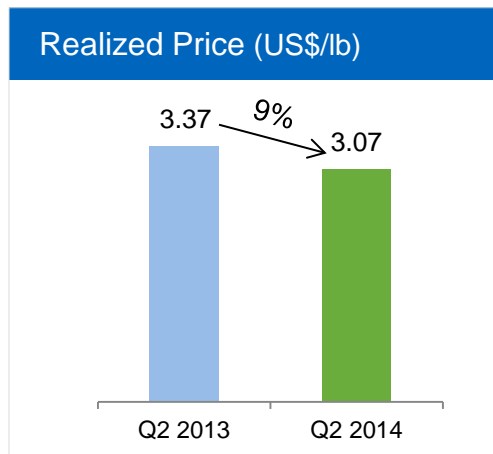
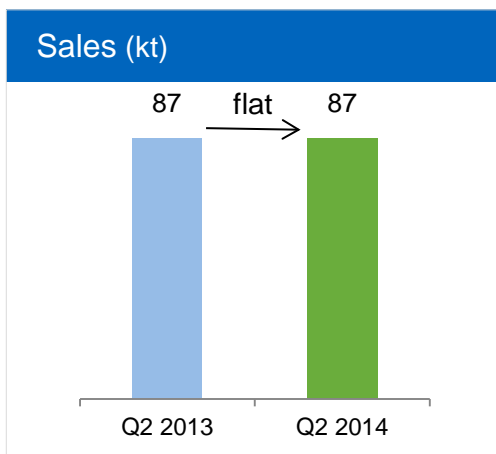




Full-year steelmaking coal cost guidance lowered to site costs of \$52-57/tonne and transportation costs of \$37-41/tonne

# Steelmaking Coal Market Curtailments Slowly being Implemented





Full-year copper cost guidance<sup>1</sup> lowered to \$1.65-1.75/pound

1. After by-product margins.  
 2. Before depreciation and amortization.



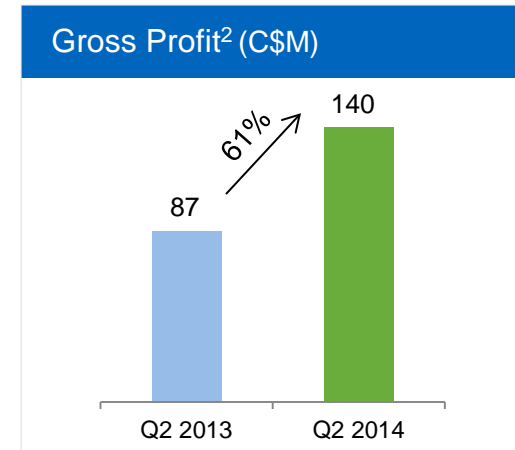
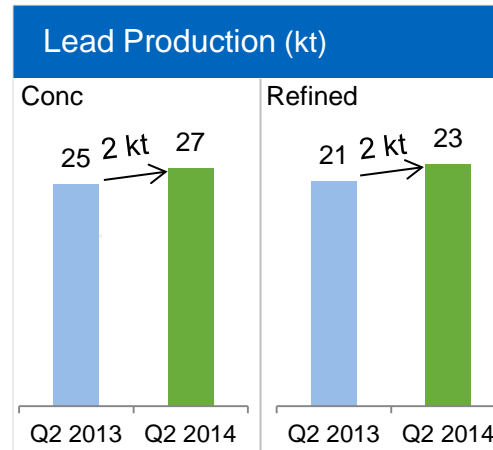
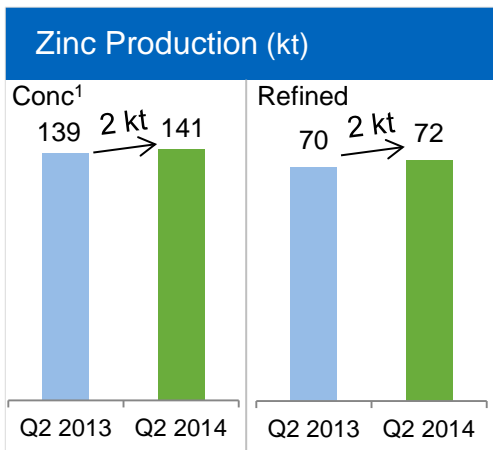
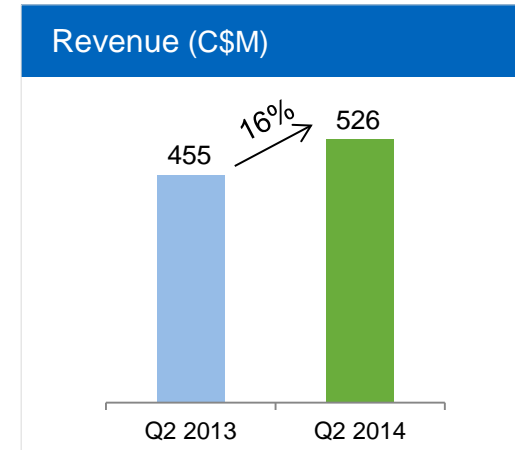
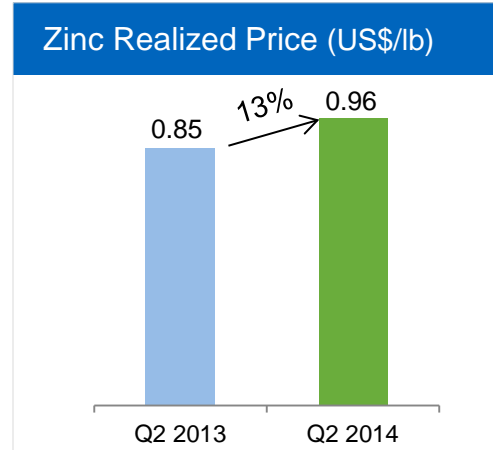
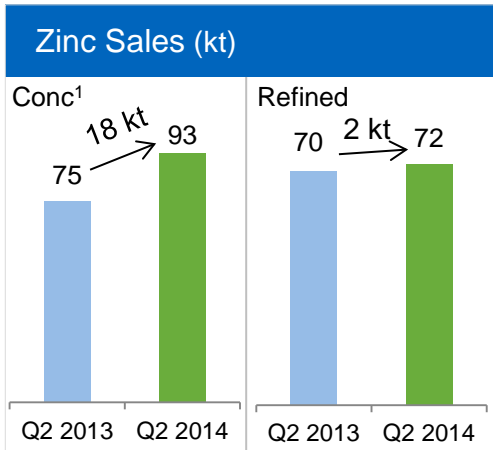
## Throughput exceeds design capacity in Q2

- Design: 130 ktpd
- Q2 Average: 140 ktpd

## Supports mining through at least 2027

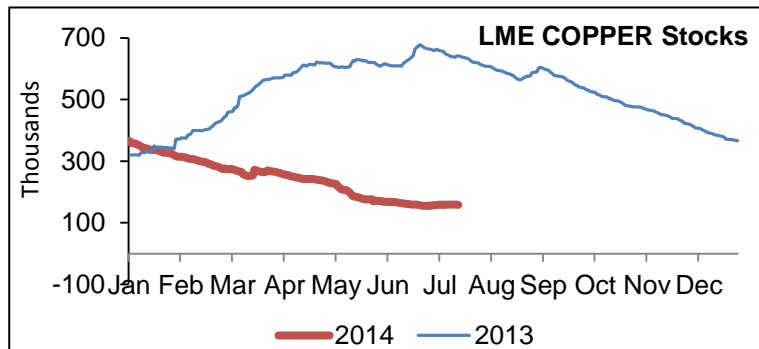
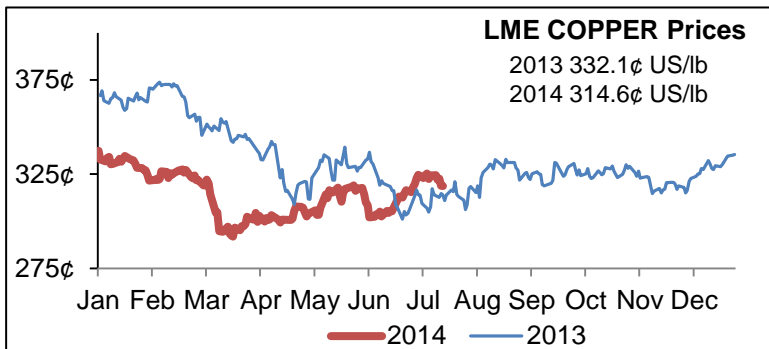
- Increase in mill throughput of ~10%
- Improvement in recovery
- Copper production ~15 ktpa higher



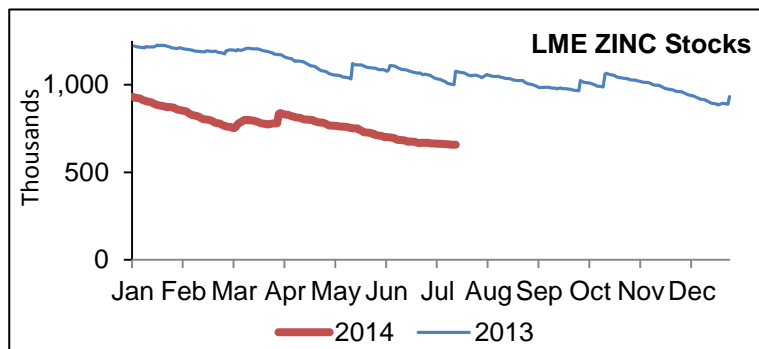
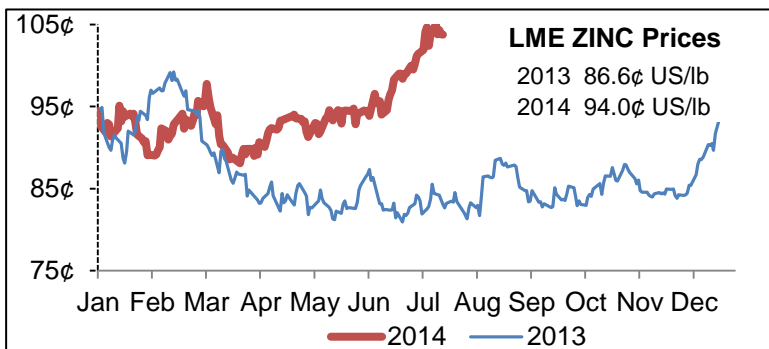


Full-year zinc in concentrate production guidance increased to 600-615 kt

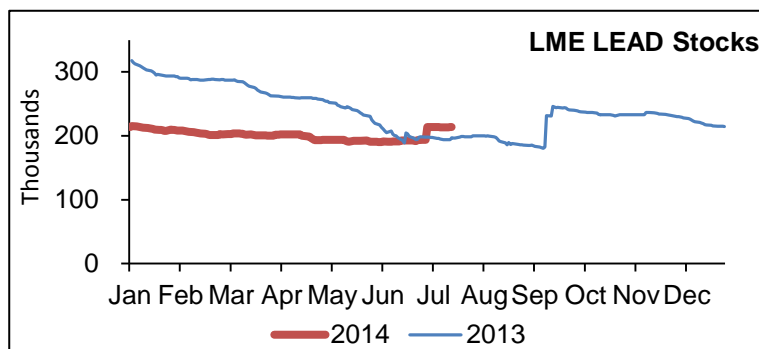
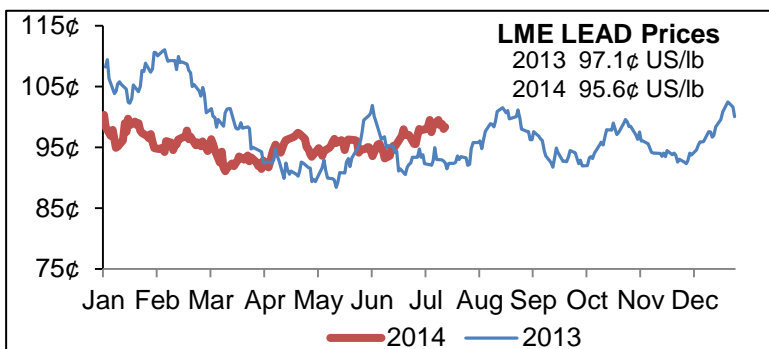
# Base Metals Markets Improving



**Copper**  
LME inventory  
down ~500 kt  
last 12 months



**Zinc**  
LME inventory  
down ~550 kt  
last 18 months



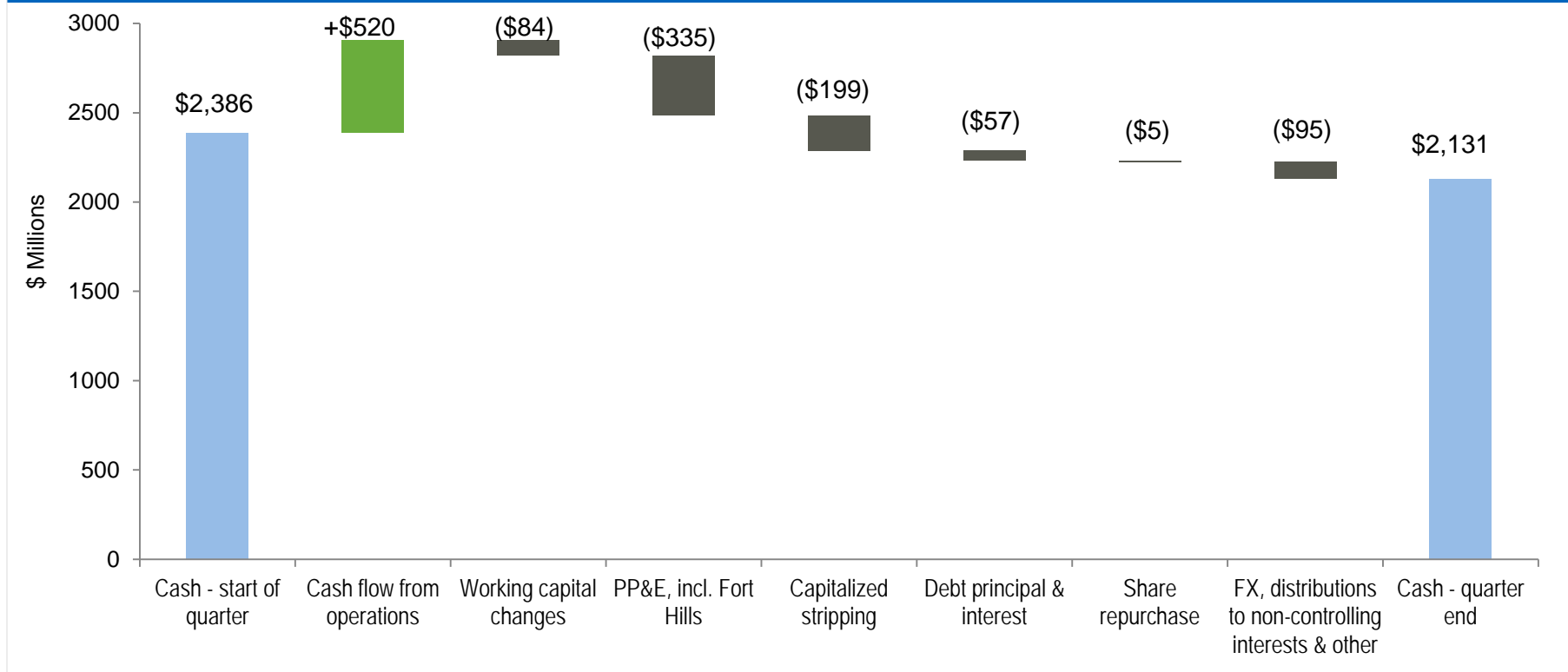
**Lead**  
LME inventory  
down ~125 kt  
last 18 months

## Fort Hills Update

- On schedule & spending consistent with the project budget
- Engineering and procurement almost 50% complete
- Many EPC contracts in place or being completed within budget
- Mobilized in all project areas
- Site construction 2000 people and continuing to ramp up



## Cash Changes in Q2 2014

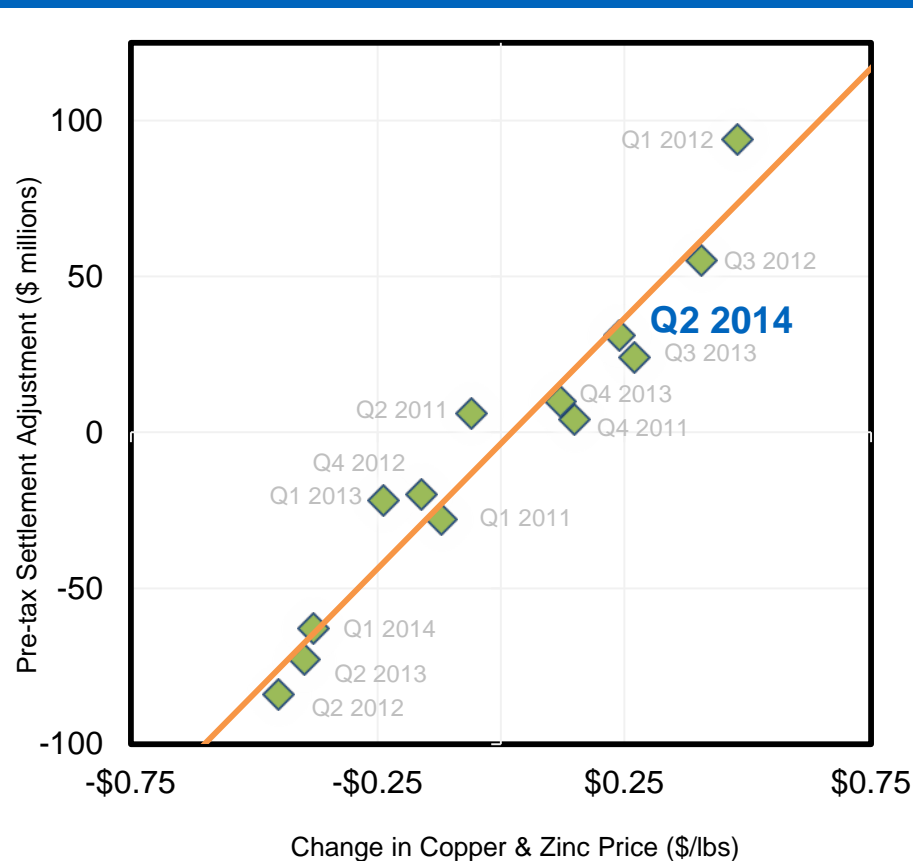


Liquidity of \$5.3B, including revolving credit facility, which was extended through 2019 and increased to US\$3B

- Positive pricing adjustment of \$31M in Q2 2014
- Driven by quarterly change in commodity prices
  - Copper: up \$0.14
  - Zinc: up \$0.10

	Outstanding at March 31, 2014		Outstanding at June 30, 2014	
	Pounds (M)	US\$/lb	Pounds (M)	US\$/lb
Copper	158	3.01	225	3.15
Zinc	133	0.90	75	1.00

## Simplified Pricing Adjustment Model





- Cost reduction program exceeded our initial goals, with \$360M of annualized reductions achieved to year end 2013
- Additional \$150M in annualized reductions realized year-to-date, and a further \$50M is targeted for 2014
- Also, on track for \$150M in sustaining and development capital reductions this year

	Guidance
<b>Steelmaking Coal</b>	
Coal production	26-27 Mt
Coal site costs	C\$52-57 /t
Coal transportation costs	C\$37-41 /t
Coal costs – combined*	US\$82-91 /t
<b>Copper</b>	
Copper production	320–340 kt
Copper cash unit costs (net of by-product margins)	US\$1.65-1.75 /lb
<b>Zinc</b>	
Zinc in concentrate production	600-615 kt
Refined zinc production	280–290 kt



An aerial photograph of a large, corrugated metal dome structure, likely a storage tank or processing unit, with a prominent red and white geometric pattern. The dome is situated in a dry, rocky landscape with sparse vegetation and a dirt road visible in the background.

Focusing intensely on cost reductions

Managing our capital spending profile

Executing restart of Pend Oreille mine

[www.teck.com/investor](http://www.teck.com/investor)

[investors@teck.com](mailto:investors@teck.com)

Telephone: +604-699-4257 or  
Toll-free (Canada & US) 1-877-759-6226



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# Teck

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