Teck Resources Limited

Management's Discussion and Analysis

For the Three Months Ended March 31, 2019

Teck

This management's discussion and analysis is dated as at April 22, 2019 and should be read in conjunction with the unaudited consolidated financial statements of Teck Resources Limited ("Teck") and the notes thereto for the three months ended March 31, 2019 and with the audited consolidated financial statements of Teck and the notes thereto for the year ended December 31, 2018. In this news release, unless the context otherwise dictates, a reference to "the company" or "us," "we" or "our" refers to Teck and its subsidiaries. Additional information, including our Annual Information Form and Management's Discussion and Analysis for the year ended December 31, 2018, is available on SEDAR at www.sedar.com.

This document contains forward-looking statements. Please refer to the cautionary language under the heading "CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION" below.

Overview

Our profit in the first quarter declined from a year ago primarily due to lower commodity prices for our products, and partly due to higher operating costs. These items were partly offset by a weaker Canadian dollar in the period compared with a year ago, which has a positive effect on our business. In the first quarter, LME copper prices decreased by 11% from a year ago and averaged US$2.82 per pound, while LME zinc prices decreased by 21% and averaged US$1.23 per pound. Our average realized steelmaking coal price decreased slightly by 5% to CAD$248 (US$186) per tonne compared with a year ago. The steelmaking coal market continues to be supported by strong demand and supply constraints and our steelmaking coal business unit continues to provide substantial profits and cash flows. We continue to move more material in order to improve future operational flexibility to take advantage of the current price environment. In our energy business unit, Western Canadian Select (WCS) prices rose substantially from the fourth quarter of 2018, due to a significant narrowing of Canadian heavy blend differentials and increasing global benchmark oil prices. Our averaged realized blended bitumen price was US$42.12 per barrel in the first quarter.

Production of our principal products in the first quarter was lower than a year ago due to various issues including severe winter weather conditions that affected Red Dog and our steelmaking coal operations and supply chain, anticipated lower ore grades at a few of our operations and maintenance issues at our Trail Operations. Despite these challenges, we expect to meet our production guidance for the year. Bitumen production from Fort Hills in the first quarter was lower than design capacity, but within our guidance range, due to the Government of Alberta curtailments that came into effect on January 1, 2019.

Our balance sheet and financial position remain strong and we closed the quarter with $2.4 billion in cash and US$4.0 billion of undrawn credit facilities. Since the end of 2018, we have received investment grade credit ratings from four rating agencies. As a result, we are completing the termination of approximately $1.1 billion in letters of credit that were required to satisfy financial security requirements for QB2 power purchase contracts and transportation, tank storage and pipeline capacity agreements for our interest in Fort Hills. To date we have terminated approximately $1.1 billion of these letters of credit.

Full construction of Quebrada Blanca Phase 2 (QB2) commenced in December and mobilization is in progress with the current construction workforce of over 1,600 people across the six major construction areas. First production is targeted for the second half of 2021. The transaction through which Sumitomo Metal Mining Co. Ltd. (SMM) and Sumitomo Corporation (SC) subscribed for a 30% indirect interest in Compañia Minera Quebrada Blanca S.A. (QBSA), which owns QB2, closed on March 29, 2019. On closing of the transaction SMM and SC contributed $1.3 billion (US$966 million) to the QB2 project, and are expected to contribute a further US$307 million over the remainder of 2019. Our first contributions to the project are not required until late 2020.

Effective January 1, 2019, we adopted IFRS 16, Leases (IFRS 16), and recorded additional lease liabilities on our balance sheet of approximately $347 million. The effect of adoption of this new accounting standard is further described in the Adoption of New Accounting Standards and Accounting Developments section of this MD&A and in more detail in Note 15 to our interim consolidated financial statements as at March 31, 2019.

Profit and Adjusted Profit

Profit attributable to shareholders in the first quarter was $630 million, or $1.11 per share, compared with $759 million, or $1.32 per share, in the same period a year ago.

Adjusted profit attributable to shareholders in the first quarter, taking into account the items identified in the table below, was $568 million, or $1.00 per share, compared with $753 million, or $1.31 per share, in the first quarter of 2018. The most significant adjusting item was a $51 million after-tax gain on the revaluation of our debt prepayment option, primarily as a result of higher market prices for our outstanding notes as a result of our receipt of investment grade credit ratings during the quarter.

The decrease in our adjusted profit compared with a year ago was primarily due to lower base metal prices for copper and zinc and slightly lower realized steelmaking coal prices. A weaker Canadian dollar during the quarter partially offset the lower commodity prices, as our products are sold in U.S. dollars and the majority of our operating costs are incurred in Canadian dollars. Although commodity prices in the first quarter were lower than a year ago, prices increased during the quarter and closed higher than the prices as at December 31, 2018, resulting in positive after-tax price adjustments of $48 million. This compares with negative after-tax pricing adjustments of $7 million last year. Our results were partly affected by weather issues at our steelmaking coal operations, including our supply chains and higher site cost of sales at our steelmaking coal business unit in the first quarter compared with a year ago. Maintenance issues at Trail, which are now resolved, also contributed.

Profit and Adjusted Profit

(CAD$ in millions)	Three months ended March 31, 2019	2018
Profit attributable to shareholders	$ 630	$ 759
Add (deduct):		
Debt prepayment option (gain) loss	(51)	9
Other	(11)	(15)
Adjusted profit[1]	$ 568	$ 753
Adjusted basic earnings per share[1 2]	$ 1.00	$ 1.31
Adjusted diluted earnings per share[1 2]	$ 0.99	$ 1.30

Notes:
1) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.
2) See “Use of Non-GAAP Financial Measures” section for reconciliation.

In addition to the items identified in the table above, our results include gains and losses due to changes in market prices in respect of pricing adjustments, commodity derivatives, inventory write-down reversals, and share-based compensation. Taken together, these items resulted in $58 million of after-tax gains ($88 million before tax) in the first quarter, or $0.10 per share. In addition, we incurred a $25 million non-cash, after-tax charge ($0.04 per share) for changes in the discounted value of decommissioning and restoration costs at our closed mines due to lower discount rates relating to our return to investment grade credit ratings during the quarter. We do not adjust our reported profit for these items.

FINANCIAL OVERVIEW	Three months ended March 31,	
(CAD$ in millions, except per share data)	2019	2018
Revenues and profit		
Revenues	$ 3,106	$ 3,092
Gross profit before depreciation and amortization[1]	$ 1,415	$ 1,710
Gross profit	$ 1,042	$ 1,360
EBITDA[1]	$ 1,396	$ 1,555
Profit attributable to shareholders	$ 630	$ 759
Cash flow		
Cash flow from operations	$ 520	$ 1,119
Property, plant and equipment expenditures	$ 482	$ 465
Capitalized stripping costs	$ 199	$ 197
Investments	$ 32	$ 31
Balance Sheet		
Cash balances	$ 2,446	$ 1,209
Total assets	$ 42,106	$ 37,894
Debt and lease liabilities, including current portion	$ 5,752	$ 6,503
Per share amounts		
Profit attributable to shareholders	$ 1.11	$ 1.32
Dividends declared	$ 0.05	$ 0.05
PRODUCTION, SALES AND PRICES		
Production (000's tonnes, except steelmaking coal and bitumen)		
Steelmaking coal (million tonnes)	6.1	6.2
Copper[2]	70	74
Zinc in concentrate	135	148
Zinc – refined	74	79
Bitumen (million barrels)[2 3]	2.8	–
Sales (000's tonnes, except steelmaking coal and blended bitumen)		
Steelmaking coal (million tonnes)	6.2	6.1
Copper[2]	74	77
Zinc in concentrate	155	140
Zinc – refined	75	77
Blended bitumen (million barrels)[2 3]	3.7	–
Average prices and exchange rates		
Steelmaking coal (realized US$/tonne)	$ 186	$ 207
Copper (LME cash – US$/pound)	$ 2.82	$ 3.16
Zinc (LME cash – US$/ pound)	$ 1.23	$ 1.55
Blended bitumen (realized US$/barrel)[3]	$ 42.12	$ –
Average exchange rate (CAD$ per US$1.00)	$ 1.33	$ 1.26

Notes:
1) Non-GAAP Financial Measure. See "Use of Non-GAAP Financial Measures" section for further information and a reconciliation to GAAP measures.
2) We include 100% of production and sales from our Quebrada Blanca and Carmen de Andacollo mines in our production and sales volumes, even though we do not own 100% of these operations, because we fully consolidate their results in our financial statements. We include 22.5% and 21.3% of production and sales from Antamina and Fort Hills, respectively, representing our proportionate ownership interest in these operations.
3) Fort Hills financial results included from June 1, 2018.

BUSINESS UNIT RESULTS

Our revenues, gross profit before depreciation and amortization, and gross profit by business unit are summarized in the table below.

(CAD$ in millions)	Three months ended March 31, 2019	2018
Revenues		
Steelmaking coal	$ 1,552	$ 1,588
Copper	630	739
Zinc	712	765
Energy[1]	212	–
Total	$ 3,106	$ 3,092
Gross profit before depreciation and amortization[2]		
Steelmaking coal	$ 909	$ 1,003
Copper	283	415
Zinc	201	292
Energy[1]	22	–
Total	$ 1,415	$ 1,710
Gross profit (loss)		
Steelmaking coal	$ 726	$ 816
Copper	170	293
Zinc	151	251
Energy[1]	(5)	–
Total	$ 1,042	$ 1,360
Gross profit margins before depreciation[2 3]		
Steelmaking coal	59%	63%
Copper	45%	56%
Zinc	28%	38%
Energy[1]	10%	–

Notes:
1) Fort Hills financial results included from June 1, 2018.
2) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.
3) See “Use of Non-GAAP Financial Measures” section for reconciliation.

STEELMAKING COAL BUSINESS UNIT

(CAD$ in millions)	Three months ended March 31, 2019	2018
Steelmaking coal price (realized US$/tonne)	$ 186	$ 207
Steelmaking coal price (realized CAD$/tonne)	$ 248	$ 261
Production (million tonnes)	6.1	6.2
Sales (million tonnes)	6.2	6.1
Gross profit before depreciation and amortization[1]	$ 909	$ 1,003
Gross profit	$ 726	$ 816
Property, plant and equipment expenditures	$ 140	$ 98

Performance

Gross profit in the first quarter from our steelmaking coal business unit was $726 million compared with $816 million a year ago. Gross profit before depreciation and amortization in the first quarter declined by $94 million from a year ago (see table below), primarily due to a lower average realized steelmaking coal price and higher operating costs, partially offset by a weaker Canadian dollar.

First quarter sales were 6.2 million tonnes, a 2% increase compared with a year ago. Our sales book remained strong throughout the quarter as demand continues to be solid. Severe cold weather, train derailments, and materials handling issues all affected our supply chain in the first quarter. However, supply chain performance in the latter part of the quarter was satisfactory, and there was a modest reduction in clean coal inventories at our mine operations.

The table below summarizes the change in gross profit, before depreciation and amortization, in our steelmaking coal business unit for the quarter:

Gross Profit Before Depreciation and Amortization[1] (CAD$ in millions)	Three months ended March 31,
As reported in first quarter of 2018	**$ 1,003**
Increase (decrease):	
Steelmaking coal price realized	(146)
Sales volumes	23
Unit operating and transportation costs	(45)
Foreign exchange	74
Net decrease	**(94)**
As reported in current quarter	**$ 909**

Note:
1) Non-GAAP Financial Measure. See "Use of Non-GAAP Financial Measures" section for further information.

Property, plant and equipment expenditures totaled $140 million in the first quarter, of which $81 million was for sustaining capital. Capitalized stripping costs were $143 million in the first quarter compared with $149 million a year ago.

Markets

Steel production and demand for seaborne steelmaking coal remained strong through the first quarter 2019. We expect solid steel production across all regions due to resilient steel pricing and demand growth in the developed world and the developing economies. The coal market is supported by demand from continued steel capacity growth in India and South East Asia, the relocation of steel production to coastal areas in China, as well as depletion and reduced production of some Eastern European coal mines. In addition, supply concerns remain, including supply disruptions in both Australia and China, a lack of investment and challenging permitting processes. While demand for steelmaking coal remains strong, trade uncertainty remains.

The first quarter price index for steelmaking coal sold under quarterly contracts based on the average of three assessments was established at US$210 per tonne. As the market for steelmaking coal remains solid, high-grade hard coking coal pricing remains near the average price of US$182 per tonne nominal, or US$197 per tonne inflation adjusted since January 2008.

Operations

First quarter production of 6.1 million tonnes was approximately 100,000 tonnes lower compared to the same period a year ago. Significant periods of cold weather in the first part of the quarter negatively affected the supply chain at the mines, on rail and at the terminals, whereas all areas saw improvement in the latter half of the quarter. With Coal Mountain moving to closure, Elkview has more than offset the reduction in Coal Mountain's first quarter production compared to a year ago through improved plant performance and the decision to utilize inter-site processing capacity.

The business unit achieved total material movement in the first quarter of 77 million bank cubic metres, a 1% decrease from the same quarter a year ago due to extended cold weather conditions through February. The operations are fully utilizing equipment fleets and productivities continue to achieve historical high performance levels.

Although no steelmaking coal production was planned for Coal Mountain Operations in 2019, the operation produced 30,000 tonnes in the first quarter of the year and anticipates a total of approximately 50,000 tonnes prior to closure in the second quarter of 2019. Excess processing capacity at the Coal Mountain plant will be utilized to process approximately 145,000 tonnes of steelmaking coal from our Elkview Operations to maximize free cash flow and margins in this favourable coal pricing environment. All raw coal processing is expected to be complete at Coal Mountain on April 23, 2019 and the transition to closure will commence.

Cost of Sales

As anticipated, we experienced higher site cost of sales in the first quarter of $65 per tonne compared with $58 per tonne a year ago, which is within our annual guidance range of $62 to $65 per tonne. The majority of the increase is attributable to higher overall labour cost and repair parts in order to maximize production, and higher natural gas prices as supply constraints combined with high demand due to cold weather resulted in a spike in spot prices and procurement of higher cost gas from the U.S. The decision to haul a portion of Elkview raw steelmaking coal to Coal Mountain for processing and the associated labour for these activities resulted in higher costs, but generated production to capture margin in this favourable pricing environment. The low-cost tonnes from Coal Mountain, which sold in the first quarter last year, have been replaced with higher cost tonnes from the other operations in the Elk Valley in the first quarter this year. All of these factors, combined with mining in recently permitted areas at a number of our operations with increased strip ratios in the first quarter compared with a year prior, has increased unit cost per tonne, which was anticipated when we set our 2019 guidance.

First quarter transportation costs were $39 per tonne, 1% higher compared to the same period a year ago. We are expecting full year transportation costs to be within our annual guidance of $37 to $39 per tonne.

The tables below report the components of our unit costs in Canadian and equivalent U.S. dollars.

	Three months ended March 31,	
(amounts reported in CAD$ per tonne)	2019	2018
Adjusted site cost of sales[1]	$ 65	$ 58
Transportation costs	39	38
Unit costs[1]	$ 104	$ 96

	Three months ended March 31,	
(amounts reported in US$ per tonne)	2019	2018
Adjusted site cost of sales[1]	$ 49	$ 46
Transportation costs	29	30
Unit costs[1]	$ 78	$ 76

Note:
1) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information and reconciliation to GAAP measures.

Our total cost of sales for the quarter also included a $13 per tonne charge for the amortization of capitalized stripping costs and $16 per tonne for other depreciation.

Outlook

We continue to expect 2019 coal production to be in the range of 26.0 to 26.5 million tonnes as set out in our original guidance. As in prior years, annual production volumes can be adjusted to reflect market demand for our products, subject to adequate rail and port service.

We are expecting sales volumes in the second quarter of 2019 to be approximately 6.4 to 6.6 million tonnes. As always, our sales may vary depending on the performance of our logistics chain. With steel pricing and world economies remaining sound, indications are that demand for steelmaking coal will continue to grow while supply issues continue to support prices.

Full year cost of sales are expected to be within our guidance range of $62 to $65 per tonne.

We continue to evaluate the MacKenzie Redcap detailed design study at our Cardinal River Operations and expect to make a decision on this project in the second quarter. If approved, the MacKenzie Redcap development is expected to supply approximately 1.8 million tonnes of steelmaking coal production per year and has the potential to extend production at Cardinal River to approximately 2027, beyond the planned closure in 2020.

We continue the Neptune facility upgrades as planned, which will increase the terminal's loading capacity.

On February 11, 2019, we agreed with Poscan, pursuant to a reopener in the Greenhills joint venture agreement, to increase the royalty paid by Poscan in respect of its 20% share of Greenhills' coal production. At benchmark coal prices of approximately US$200 tonne, the royalty payment will increase by approximately $90 million annually. At current exchange rates, a US$10 per tonne change in the coal price would increase or decrease the royalty by CAD$5 million. The new royalty remains in effect until December 31, 2022.

Elk Valley Water Management Update

We continue to implement the water quality management measures required by the Elk Valley Water Quality Plan (the Plan), an area-based management plan that was approved in the fourth quarter of 2014 by the British Columbia (BC) Minister of Environment. The Plan establishes short, medium and long-term water quality targets for selenium, nitrate, sulphate and cadmium to protect the environment and human health, as well as a plan to manage calcite formation.

In accordance with the Plan, we have constructed the first active water treatment facility (AWTF) at West Line Creek. This facility is expected to reach its full treatment capacity of 7.5 million litres per day by end of April.

The construction of our next AWTF at Fording River Operations is advancing as planned and is using the same treatment process as the West Line Creek AWTF. We are on schedule for late 2020 construction completion and commissioning of the facility, which will have a treatment capacity of 20 million litres per day.

The Elkview Operations Saturated Rock Fill (SRF) full-scale trial has been successfully operating since January 2018, treating up to 10 million litres of water per day and achieving near-complete removal of nitrate and selenium from mine-impacted waters. We are currently seeking permits to expand the Elkview SRF to 20 million litres per day.

We continue to work with the BC government to advance regulatory approvals for SRFs and expect those approvals in the first half of 2019. We intend to have the Elkview SRF replace the previously planned first active water treatment plant at Elkview and we have now suspended future work on that AWTF facility pending receipt of regulatory approvals. We estimate that over the long-term, SRFs will have capital and operating costs that are 20% and 50%, respectively, of AWTFs of similar capacity.

Capital spending on water treatment in 2019 is expected to be approximately $235 million, and includes the use of various innovative technical solutions to address water quality issues. This compares to $57 million of capital spending on water treatment in 2018.

These solutions range from source control, including the development of a clean water diversion at Fording River, application of SRF technology at Elkview, ongoing construction of Fording River AWTF South, and advancing management of calcite and the early development of water treatment solutions for Fording River North. Additional research and development projects are ongoing to continue to improve our understanding of water quality, source control and treatment options, including approximately $35 million for alternate treatment options in 2019.

All of the foregoing estimates are uncertain. Final costs of implementing the Plan will depend in part on the technologies applied and on the results of ongoing environmental monitoring and modelling. The timing of expenditures will depend on resolution of technical issues, permitting timelines and other factors. We expect that active water treatment will continue to be required in certain locations where SRFs are not suitable. We expect that, in order to maintain water quality, some form of water treatment will continue for an indefinite period after mining operations end. The Plan contemplates ongoing monitoring to ensure that the water quality targets set out in the Plan are in fact protective of the environment and human health, and provides for adjustments if warranted by monitoring results. This ongoing monitoring, as well as our continued research into treatment technologies, could reveal unexpected environmental impacts, technical issues or advances associated with potential treatment technologies that could substantially increase or decrease both capital and operating costs associated with water quality management.

During the third quarter of 2018, we received notice from Canadian federal prosecutors of potential charges under the *Fisheries Act* in connection with discharges of selenium and calcite from coal mines in the Elk Valley. Since 2014, compliance limits and site performance objectives for selenium and other constituents, as well as requirements to address calcite, in surface water throughout the Elk Valley and in the Koocanusa Reservoir have been established under a regional permit issued by the provincial government, which references the Plan. If federal charges are laid, potential penalties may include fines as well as orders with respect to operational matters. We expect that discussions with respect to the draft charges will continue at least into the fourth quarter of 2019. It is not possible at this time to fully assess the viability of our potential defenses to any charges, or to estimate the potential financial impact on us of any conviction. Nonetheless, that impact may be material.

COPPER BUSINESS UNIT

(CAD$ in millions)	Three months ended March 31, 2019	2018
Copper price (realized – US$/pound)	$ 2.84	$ 3.16
Production (000’s tonnes)	70	74
Sales (000’s tonnes)	74	77
Gross profit, before depreciation and amortization[1]	$ 283	$ 415
Gross profit	$ 170	$ 293
Property, plant and equipment expenditures	$ 243	$ 98

Note:
1) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.

Performance

Gross profit from our copper business unit was $170 million in the first quarter compared with $293 million a year ago. Gross profit before depreciation and amortization decreased by $132 million compared with a year ago (see table below) primarily due to lower prices for copper and zinc, and substantially lower molybdenum sales volumes.

Copper production in the first quarter decreased by 5% from a year ago primarily due to lower mill throughput and ore grades at Carmen de Andacollo and lower ore grades at Highland Valley Copper. Our total cash unit costs before by-product credits in the first quarter were US$1.85 per pound, 9% higher than the same period a year ago primarily due to the effect of lower production volumes. Lower zinc sales volumes and prices combined with significantly lower molybdenum sales volumes resulted in reduced by-product credits. As a result, cash unit costs after by-product credits of US$1.55 per pound in the first quarter were higher than US$1.15 per pound in the first quarter last year.

The table below summarizes the change in gross profit before depreciation and amortization, in our copper business unit for the quarter:

Gross Profit Before Depreciation and Amortization[1] (CAD$ in millions)	Three months ended March 31,
As reported in the first quarter of 2018	**$ 415**
Increase (decrease):	
Copper price realized	(63)
Sales volumes	(10)
Unit operating costs	(39)
Co-product and by-product contribution	(50)
Inventory write-downs reversed	11
Foreign exchange	19
Net decrease	**(132)**
As reported in current quarter	**$ 283**

Note:
1) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.

Property, plant and equipment expenditures totaled $243 million, including $28 million for sustaining capital and $190 million for new mine development related to QB2. Capitalized stripping costs were $48 million in the first quarter, $5 million higher than a year ago.

Markets

The copper concentrate market has moved into tightness in the first quarter caused by mine disruptions and commissioning of new smelting capacity in China. This is being reflected in spot treatment charges that have fallen to 6-year lows.

The copper metal market has seen an improvement in prices during the quarter as trade discussions between China and the U.S. are appearing to move forward. Metal stocks on the London Metal Exchange (LME) remain below long-term average levels. The limited new mine supply is expected to keep the metal market in deficit.

LME copper prices in the first quarter of 2019 averaged US$2.82 per pound, up 1% from the prior quarter but down 11% from the same quarter a year ago. Copper traded above US$3.00 per pound during the first quarter due to a number of mine and smelter production issues.

Operations

Highland Valley Copper

Copper production of 26,000 tonnes in the first quarter was 1,300 tonnes lower than a year ago mainly due to lower ore grades, partially offset by an increase in recoveries. Molybdenum production of 1.8 million pounds was significantly lower than a year ago due to expected grade variability in the mine plan. Copper grades and recoveries are expected to gradually improve during the rest of 2019 as we mine deeper ores in both the Lornex and Valley pits.

Operating costs before changes in inventory increased by $8 million, primarily due to slightly higher labour, operating supplies and energy costs.

The $73 million project to install an additional ball mill to increase grinding circuit capacity and recoveries is progressing ahead of schedule with start-up anticipated in the second quarter of 2019.

Antamina

Copper production in the first quarter was 2% lower than a year ago at 106,200 tonnes. This was due to lower mill throughput as a result of the timing of maintenance and to harder ore being processed, but was partially offset by higher copper grades. Antamina processed less copper-only ore and more copper-zinc ore than the same period last year. The mix of mill feed in the quarter was 54% copper-only ore and 46% copper-zinc ore, compared with 61% and 39%, respectively, a year ago. As expected, zinc production decreased 18% from last year to 73,300 tonnes as lower grade and recovery was only partially offset by higher volumes of copper-zinc ore processed.

Cost of sales in the first quarter was slightly higher than a year ago due to higher sales volumes and higher prices for diesel and grinding supplies.

Carmen de Andacollo

Copper production in the first quarter of 14,700 tonnes was 12% lower than a year ago due to lower grades, which were anticipated in the mine plan. Sales volumes of 19,100 tonnes exceeded production levels in the period as certain customers advanced shipments in the first quarter. Sales volumes were 17,300 tonnes a year ago.

Operating costs in the first quarter, before changes in inventory, were US$5 million higher than a year ago, primarily due to the timing of major maintenance.

Quebrada Blanca

Copper production in the first quarter was 5,600 tonnes compared with 6,100 tonnes a year ago. Mining of supergene ore was completed in the fourth quarter of 2018, with mining equipment and personnel redeployed to QB2 construction activities. Cathode production is expected to continue until early 2020 at declining production rates as leaching of dump leach material and secondary extraction continues.

Excluding changes to inventory and inventory write-down reversals, operating costs were US$11 million lower than a year ago, primarily due to the end of mining operations during the fourth quarter of 2018. As a result of improving copper prices in the first quarter, we reversed prior year inventory write-downs of US$11 million in the period.

Depreciation and amortization charges decreased by $14 million compared with a year ago partly due to the expected extension of cathode production into 2020.

Cost of Sales

Total cash unit costs of product sold in the first quarter, before cash margins for by-products, of US$1.85 per pound were higher than US$1.70 per pound in the same period a year ago, primarily as a result of lower copper production and slightly higher operating costs.

Cash margin for by-products were US$0.30 per pound, substantially lower than US$0.55 per pound in the same period a year ago, due to lower zinc sales volumes and prices and lower molybdenum sales volumes. The resulting net cash unit costs for copper, after by-products, of US$1.55 per pound were US$0.40 higher than US$1.15 in the same period a year ago.

	Three months ended March 31,	
(amounts reported in US$ per pound)	2019	2018
Adjusted cash cost of sales[1 2]	$ 1.65	$ 1.51
Smelter processing charges	0.20	0.19
Total cash unit costs[1]	$ 1.85	$ 1.70
Cash margin for by-products[1 2]	(0.30)	(0.55)
Net cash unit costs[1]	$ 1.55	$ 1.15

Notes:
1) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.
2) See “Use of Non-GAAP Financial Measures” section for reconciliation.

Outlook

We continue to expect 2019 copper production to be in the range of 290,000 to 310,000 tonnes, slightly higher than 2018 production levels. The higher production is primarily due to improving grades at Highland Valley Copper.

We continue to expect copper unit costs for 2019 to be in the range of US$1.70 to US$1.80 per pound before margins from by-products, similar to 2018 levels. After by-product credits, copper unit costs are expected to be in the range of US$1.45 to US$1.55 per pound based on current production plans, by-product prices and exchange rates, with the increase over 2018 due to expected lower by-product prices in 2019.

Copper Development Projects

Quebrada Blanca Phase 2

On December 4, 2018, our Board of Directors approved the QB2 project for full construction and we announced a transaction with SMM and SC to subscribe for a 30% indirect interest in QBSA, which owns 100% of the QB2 project. The transaction with SMM and SC closed on March 29, 2019 and SMM and SC contributed $1.3 billion (US$966 million) to the QB2 project on closing. SMM and SC are expected to contribute a further US$307 million over the remainder of 2019.

The QB2 project received approval of its social and environmental impact assessment (SEIA) during the third quarter of 2018 and relevant sectoral environmental permits are being received as planned. Various administrative and legal appeals have been filed in respect of the SEIA approval, and QBSA and the relevant Chilean authorities are responding in the ordinary course.

Project development expenditures in the first quarter were US$138 million as we continued to ramp up field activities and award major contracts. There are currently about 2,000 beds available for construction and the current workforce is over 1,600 people. Earthworks activities are fully underway, utilizing the existing mine fleet and third party contractors, as well as other enabling construction activities including camp construction and development of infrastructure for power and water. Other project activities during the quarter continued to focus on detailed engineering, contracting and procurement activities to support construction as well as advancing operational readiness. Engineering, contracting and procurement activities are currently 85%, 91% and 82% complete, respectively.

Engineering studies are underway to assess the expansion potential beyond QB2, including a potential doubling or more of throughput capacity in the future.

Other Copper Projects

During the first quarter, NuevaUnión continued to advance the Feasibility Study which commenced in the third quarter of 2018 and is anticipated to be complete in late 2019. The project team continues to work closely with local communities and is preparing to submit an Environmental Impact Assessment to the regulatory authorities in the second half of 2019.

Teck owns interests in five substantial base metals projects collectively referred to as the Satellite assets: Zafranal, San Nicolás, Galore Creek, Mesaba and Schaft Creek. Updated mineral resource and reserve statements were issued on each Satellite asset in the first quarter of 2019 as a result of updated drilling information, ore body modeling and resource modeling. Between 2016 and 2019, the copper contained in measured and indicated resource categories across the five Satellite assets increased by 78% from 10.2 million tonnes to 18.2 million tonnes. In the same period, copper contained in inferred resources increased by 125% from 2.9 million tonnes to 6.5 million tonnes.

ZINC BUSINESS UNIT

(CAD$ in millions)	Three months ended March 31, 2019	2018
Zinc price (realized – US$/pound)	$ 1.21	$ 1.55
Production (000's tonnes)		
Refined zinc	74	79
Zinc in concentrate[1]	119	128
Sales (000's tonnes)		
Refined zinc	75	77
Zinc in concentrate[1]	139	119
Gross profit before depreciation and amortization[2]	$ 201	$ 292
Gross profit	$ 151	$ 251
Property, plant and equipment expenditures	$ 40	$ 51

Notes:
1) Represents production and sales from Red Dog and Pend Oreille. Excludes co-product zinc production from our copper business unit.
2) Non-GAAP Financial Measure. See "Use of Non-GAAP Financial Measures" section for further information.

Performance

Gross profit from our zinc business unit was $151 million in the first quarter compared with $251 million a year ago. Gross profit before depreciation and amortization decreased by $91 million (see table below) due primarily to lower zinc prices and a decrease in by-product revenues from lead and silver, partially offset by higher zinc sales volumes. Profit at Trail Operations was also negatively affected by unplanned maintenance, historically low treatment and refining charges and increased electricity costs. Treatment and refining charges have recently increased and will positively affect profits at Trail Operations in the second half of 2019.

Refined zinc production at our Trail Operations in the first quarter was 6% lower and refined lead production was also 5% lower than the same period last year due to unplanned maintenance of the oxygen plant. Refined silver production of 2.9 million ounces was 33% lower than a year ago due to the treatment of lead concentrates with lower silver content and a temporary build up of in process inventory. At Red Dog, zinc and lead production in the first quarter declined by 9% and 4%, respectively, compared to a year ago. This was the result of severe winter weather conditions closing concentrate hauling on the road to the port requiring the mill to be shut down for 20 days when the mine concentrate storage facility was filled to capacity.

The table below summarizes the change in gross profit before depreciation and amortization, in our zinc business unit for the quarter.

Gross Profit Before Depreciation and Amortization[1] (CAD$ in millions)	Three months ended March 31,
As reported in the fourth quarter of 2018	**$ 292**
Increase (decrease):	
Zinc price realized	(98)
Sales volumes	27
Unit operating costs	(13)
Electricity costs at Trail	(18)
Co-product and by-product contribution	(15)
Royalties	7
Foreign exchange	19
Net decrease	**(91)**
As reported in current quarter	**$ 201**

Note:
1) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.

Property, plant and equipment expenditures include $19 million for sustaining capital, which included $12 million at our Trail Operations and $7 million at Red Dog.

Markets

The zinc concentrate market has moved into surplus with mine production increasing while smelters in China continue to face increased environmental regulation. The surplus concentrate market has moved spot treatment charges upwards. Treatment charges for spot zinc concentrates have risen over the past two quarters. The production reductions at the smelters have caused further tightness in the metals market with LME inventories falling to levels not seen since 1990. With higher prices and higher treatment charges, Chinese smelters are starting to resume production following Chinese New Year. Demand remains firm as global galvanized sheet steel production continues to grow.

LME zinc prices averaged US$1.23 per pound in the first quarter of 2019, an increase of 3% over the previous quarter, but down 21% over the same quarter last year. In the first quarter zinc prices have steadily increased as LME inventories continued to be drawn down to historically low levels.

Operations

Red Dog

Zinc production of 110,200 tonnes in the first quarter was 9% lower than a year ago as a result of reduced mill throughput and lower zinc grades. During January and February, mill throughput was adversely affected by extreme winter conditions that closed the haulage road connecting the mine site to the concentrate storage facility at the port, resulting in 20 days of concentrator downtime during the quarter.

Operating costs in the first quarter of US$41 million were US$5 million higher than last year. Higher costs were primarily due to higher diesel prices and increased maintenance costs as some maintenance activities planned for later in the year were performed during the unplanned mill shutdowns.

Work continues on the VIP2 mill upgrade project, which is expected to increase average mill throughput by about 15% over the remaining mine life, helping to offset lower grades and harder ore, with planned start-up in the first quarter of 2020.

Despite the disruptions due to extreme weather events in the first quarter, a production recovery plan is in place and we continue to expect Red Dog's production of contained metal in 2019 to be in the range of 535,000 to 555,000 tonnes of zinc and 85,000 to 90,000 tonnes of lead, unchanged from previous guidance.

Trail Operations

Refined zinc production of 74,200 tonnes in the first quarter was 6% lower than the same period a year ago and refined lead production in the first quarter of 19,000 tonnes was 5% lower, primarily due to unplanned oxygen plant maintenance that resulted in reduced concentrate treatment.

Silver production was 33% lower than a year ago due to processing lead concentrates with lower silver content and a temporary build up of in process inventory. Silver production declined to 2.9 million ounces compared with 4.3 million ounces a year ago.

Operating costs in the first quarter rose by $27 million compared with a year ago. This increase was primarily due to higher electricity costs of $18 million in the period as a result of the sale of our two-thirds interest in the Waneta Dam in July 2018.

Sustaining capital expenditures in the quarter included $7 million for the Number 2 Acid Plant, and $5 million for various small projects. The construction of the acid plant is complete and commissioning and ramp-up is in progress.

Pend Oreille

Zinc production during the first quarter of 8,400 tonnes was 1,700 tonnes higher than a year ago as mill throughput increased with better availability of underground ore sources. Pend Oreille is expected to exhaust its current reserves soon and mining and concentrate production will be suspended on July 31, 2019 and the mine to be transitioned to care and maintenance.

As a result of placing the mine on care and maintenance, we expect production of zinc in concentrate for 2019 to be at the low end of our guidance range of 20,000 to 30,000 tonnes. The suspension of concentrate production at Pend Oreille is not expected to have a significant impact on our Trail Operations.

Cost of Sales

Total cash unit costs of product sold in the first quarter, before cash margin for by-products, of US$0.47 per pound were US$0.09 per pound lower than a year ago, primarily due to historically low treatment and refining charges. Net cash unit costs for zinc, after by-products, of US$0.44 per pound were US$0.11 less than a year ago.

	Three months ended March 31,	
(amounts reported in US$ per pound)	2019	2018
Adjusted cash cost of sales[1 2]	$ 0.31	$ 0.30
Smelter processing charges	0.16	0.26
Total cash unit costs[1]	$ 0.47	$ 0.56
Cash margin for by-products[1 2]	(0.03)	(0.01)
Net cash unit costs[1]	$ 0.44	$ 0.55

Notes:
1) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.
2) See “Use of Non-GAAP Financial Measures” section for reconciliation.

Outlook

Despite weather challenges at Red Dog in the first quarter and the earlier closure of Pend Oreille, we continue to expect zinc in concentrate production in 2019, including co-product zinc production from our copper business unit, to be in the range of 620,000 to 650,000 tonnes.

We continue to expect our 2019 zinc unit costs to be in the range of US$0.50 to US$0.55 per pound before margins from by-products and US$0.35 to US$0.40 per pound after margins from by-products based on current production plans, by-product prices and exchange rates. Unit costs after by-product margins are expected to vary significantly throughout the year with higher costs in the first half, as sales of Red Dog lead, our main by-product, are typically completed in the third and fourth quarters.

We expect sales of 80,000 to 85,000 tonnes of contained zinc in the second quarter, reflecting the normal seasonal pattern of Red Dog sales.

Benchmark terms for zinc treatment and refining charges are currently at historical lows, which contributed to Trail’s profitability challenges in the first quarter. Trail uses a long-term concentrate purchase strategy that averages payment terms and results in composite treatment charge terms generally over two years, with the majority of Trail’s concentrate purchases for the first half of 2019 referenced to 2018 benchmark terms. Treatment and refining charges have recently increased and will positively affect profits at Trail Operations in the second half of 2019.

ENERGY BUSINESS UNIT

Fort Hills[1 2]

(CAD$ in millions)	Three months ended March 31, 2019
Blended bitumen price (realized US$/bbl)[3 4]	$ 42.12
Bitumen price (realized CAD$/bbl)[3 4]	$ 48.42
Operating netback (CAD$/bbl)[3 4]	$ 6.95
Production (million bitumen barrels)	2.8
Production (average barrels per day)	30,878
Sales (million blended bitumen barrels)	3.7
Gross profit before depreciation and amortization[3]	$ 22
Gross profit (loss)	$ (5)

Notes:
1) Fort Hills financial results financial included from June 1, 2018.
2) Fort Hills figures presented at our ownership interest of 21.3%.
3) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.
4) See “Use of Non-GAAP Financial Measures” section for reconciliation.

Performance

Gross profit before depreciation and amortization in the first quarter from our energy business unit was $22 million and was affected by lower production due to the Government of Alberta curtailments that came into effect on January 1, 2019. This was partially offset by higher realized prices in the first quarter driven by a significant narrowing of Canadian heavy blend differentials for Western Canadian Select (WCS) and increasing global benchmark crude oil prices, compared to the fourth quarter of 2018.

Our share of bitumen production was 30,878 barrels per day in the first quarter, which was within our guidance range of 30,000 to 32,000 barrels per day for the quarter. Production was lower than design capacity due to the production limits imposed by the Government of Alberta and unplanned maintenance. Unit operating costs of CAD$29.42 in the quarter were also affected by the lower production due to the curtailment and increased ore preparation costs to advance mine operations. We expect unit operating costs to remain within our production guidance for the year.

Fort Hills has performed well during start-up and commissioning and there is further potential to de-bottleneck and expand the production capacity. Evaluation of de-bottlenecking opportunities will include near-term work with minimal to no capital. Long-term opportunities that may require modest capital expenditure will also be investigated. Between the near-term and long-term opportunities, there is the potential to increase Fort Hills’ production by 20,000 to 40,000 barrels per day of bitumen on a 100% basis over the medium-term. Our share of annual bitumen production could increase from 14 million barrels to approximately 15.5 to 17 million barrels.

We receive our share of bitumen production from Fort Hills and are responsible for acquiring diluent, including transportation and blending, as well as the transportation and sales of our blended bitumen after the transfer point.

In the first quarter, our share of Fort Hills capital expenditures was $50 million, including $19 million for sustaining capital, $15 million for major enhancements and $16 million for new mine development relating to final project close-out costs paid in the first quarter of 2019. As previously disclosed, capital expenditures are expected to be elevated in 2019 at approximately CAD$13.50 per barrel of bitumen due to tailings and equipment ramp-up spending. We expect to remain within our annual capital expenditure guidance for the year.

Markets

Our blended bitumen price realizations are influenced by the North American crude oil benchmark prices of NYMEX WTI, and the Canadian heavy crude oil (Western Canadian Select or "WCS") differential at Hardisty and the U.S. Gulf Coast. Price realizations are also affected by specific blended bitumen quality.

In the first quarter, NYMEX WTI averaged US$54.90 per barrel. The WCS price for our Hardisty deliveries of blended bitumen were indexed at an average of NYMEX WTI less US$12.29 per barrel, for a WCS blend value of US$42.12 per barrel. U.S. Gulf Coast deliveries were priced at an average of NYMEX WTI less US$0.02 per barrel, for a WCS blend value of US$54.88 per barrel.

Differentials narrowed substantially in the quarter due to a global reduction in heavy oil supply driven by the Government of Alberta mandated production curtailments, production issues in Venezuela, U.S. sanctions on Iran and stronger global demand as new refinery capacity comes online between 2019 and 2020, mainly in China, Turkey and Saudi Arabia.

Operating Netback

The table below summarizes our Fort Hills operating netback:

(Amounts reported in CAD$ per barrel of bitumen sold)	Three months ended March 31,2019
Bitumen price realized[1 3 4]	$ 48.42
Crown royalties[5]	(1.75)
Transportation costs[6]	(10.30)
Adjusted operating costs [1 3 7]	(29.42)
Operating netback[1]	$ 6.95

Notes:
1) Non-GAAP measure. See “Use of Non-GAAP Financial Measures” section for further details.
2) Fort Hills financial results included from June 1, 2018.
3) See “Use of Non-GAAP Financial Measures” section for reconciliation.
4) Bitumen price realized represents the realized petroleum revenue (blended bitumen sales revenue) net of diluent expense, expressed on a per barrel basis. Blended bitumen sales revenue represents revenue from our share of the heavy crude oil blend known as Fort Hills Reduced Carbon Life Cycle Dilbit Blend (FRB), sold at the Hardisty and U.S. Gulf Coast market hubs. FRB is comprised of bitumen produced from the Fort Hills oil sands mining and processing operations blended with purchased diluent. The cost of blending is affected by the amount of diluent required and the cost of purchasing, transporting and blending the diluent. A portion of diluent expense is effectively recovered in the sales price of the blended product. Diluent expense is also affected by Canadian and U.S. benchmark pricing and changes in the value of the Canadian dollar relative to the U.S. dollar.
5) The royalty rate applicable to pre-payout oil sands operations starts at 1% of gross revenue and increases for every dollar by which the WTI crude oil price in Canadian dollars exceeds $55 per barrel, to a maximum of 9% when the WTI crude oil price is $120 per barrel or higher. Fort Hills is currently in the pre-payout phase. Detailed information regarding Alberta oil sands royalties can be found on the following website: https://www.energy.alberta.ca/OS/OSRoyalty/Pages/default.aspx.
6) Transportation costs represent pipeline and storage costs downstream of the East Tank Farm blending facility. We use various pipeline and storage facilities to transport and sell our blend to customers throughout North America. Sales to the U.S. markets require additional transportation costs, but realize higher selling prices.
7) Operating costs represent the costs to produce a barrel of bitumen from the Fort Hills mine and processing operation.

Outlook

Due to limited export capacity and the extreme price volatility for Alberta crude oil experienced in the fourth quarter of 2018, the Government of Alberta announced the curtailment of provincial crude oil and bitumen production, effective January 1, 2019. Initially set at 325,000 barrels per day, the Government of Alberta has subsequently reduced the curtailment level to the end of the second quarter as provided in the table below. It is uncertain when the curtailment will be lifted.

Production Month	Total Industry Curtailment (crude oil and bitumen bbl)
January	325,000
February	250,000
March	250,000
April	225,000
May	200,000
June	175,000

Our annual bitumen production guidance for 2019 of 33,000 to 38,000 barrels of bitumen per day assumed the curtailment would be lifted on April 1, 2019. With the announced extension of the curtailment through June, we now assume the curtailment will be lifted on July 1, 2019.

Accordingly, we expect to be in the mid to low-end of our annual production guidance for the year.

Consistent with the announced extension of the curtailment, we expect bitumen production to be in the range of 30,000 to 32,000 barrels per day in the second quarter. With the lower production, we expect second quarter unit operating costs to be similar to the first quarter of this year, and to remain within our original guidance range of CAD$26.00 to CAD$29.00 per barrel for the year.

Frontier Energy Project

The regulatory application review of Frontier continued with a public hearing before a joint federal/provincial panel that concluded in December 2018. The earliest a federal decision statement could be expected for Frontier is in the first quarter of 2020. Our expenditures on Frontier are limited to supporting this process. We continue to evaluate the future project schedule and development options as part of our ongoing capital review and prioritization process.

OTHER OPERATING INCOME AND EXPENSES

Other operating expense, net of other income, was $15 million in the first quarter compared with $83 million a year ago. Significant items included $25 million for take or pay contract costs, $46 million of environmental provision charges, $16 million in share based compensation, partially offset by positive settlement pricing adjustments of $74 million. Included in the amounts noted above was a $35 million ($25 million after-tax) non-cash charge for the revaluation of our decommissioning and restoration liabilities for our closed mines.

The table below outlines our outstanding receivable positions, provisionally valued at December 31, 2018 and March 31, 2019.

	Outstanding at March 31, 2019		Outstanding at December 31, 2018	
(payable pounds in millions)	Pounds	US$/lb.	Pounds	US$/lb.
Copper	142	2.94	93	2.70
Zinc	158	1.34	208	1.12

Our finance expense of $66 million in the first quarter increased by $21 million from a year ago. Our finance expense includes the interest expense on our debt, interest on lease liabilities, letters of credit and standby fees, interest components of our pension obligations and accretion on our decommissioning and restoration provisions, less any interest that we capitalize against our development projects. The primary reason for the increase in our finance expense is that we are no longer capitalizing interest on Fort Hills and our lease liabilities have increased by $347 million as a result of the adoption of IFRS 16 on January 1, 2019. Partly offsetting this is a reduction in debt interest due to lower outstanding debt balances. The amount of interest capitalized against our development projects, including $51 million for QB2, reflects our increased carrying values when compared with a year ago, partially offset by the cessation of interest capitalization for Fort Hills in June of 2018, when Fort Hills achieved commercial production.

Non-operating income in the first quarter of $75 million included $5 million in foreign exchange gains and a $70 million gain on the revaluation of the embedded call option on our 8.5% long-term notes (due in 2024) primarily due to higher market prices for our outstanding notes as a result of our receipt of investment grade credit ratings during the quarter.

Income Taxes

Income and resource taxes for the quarter were $339 million, or 35% of pre-tax profits. This effective tax rate is higher than the Canadian statutory income tax rate of 27% as a result of resource taxes and higher rates in some foreign jurisdictions. Due to available tax pools, we are currently shielded from cash income taxes, but not resource taxes, in Canada. We remain subject to resource taxes in Canada and cash taxes in foreign jurisdictions.

FINANCIAL POSITION AND LIQUIDITY

Our financial position and liquidity remains strong. Our debt position, net debt, and credit ratios are summarized in the table below:

	March 31, 2019	December 31, 2018
Term notes	$ 3,809	$ 3,809
Unamortized fees and discounts	(32)	(31)
Lease liabilities	504	248
Other	23	20
Debt (US$ in millions)	$ 4,304	$ 4,046
Debt (Canadian $ equivalent)[1] (A)	$ 5,752	$ 5,519
Less cash balances	(2,446)	(1,734)
Net debt[2] (B)	$ 3,306	$ 3,785
Equity (C)	$ 24,019	$ 23,018
Debt to debt-plus-equity ratio[2] (A/(A+C))	19%	19%
Net-debt to net-debt-plus-equity ratio[2] (B/(B+C))	12%	14%
Debt to EBITDA ratio[2 3]	1.0x	0.9x
Net debt to EBITDA ratio[2 3]	0.5x	0.6x
Average interest rate	6.1%	6.1%

Notes:
1) Translated at period end exchange rates.
2) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.
3) See “Use of Non-GAAP Financial Measures” section for reconciliation.

Our liquidity remains strong at $8.7 billion inclusive of $2.5 billion in cash, of which $1.3 billion is in Chile for the development of our QB2 project. At March 31, 2019, our debt to EBITDA and net

debt to EBITDA ratios were 1.0 and 0.5, respectively, and the principal balance of our public notes was US$3.8 billion.
In the first quarter, we regained investment grade ratings with three major U.S. credit rating agencies. Moody's, Fitch and S&P upgraded our credit ratings to Baa3, BBB-, and BBB-, respectively, all with stable outlooks. On April 5, 2019, DBRS upgraded our credit rating to BBB (low) with a stable trend.

Financial security requirements under various take-or-pay contracts have fallen away with our return to investment grade ratings and in March, $898 million (US$672) in letters of credit related to long-term power purchase contract for the QB2 project were terminated. We terminated $203 million in letters of credit in April relating to certain long-term transportation service agreements for our share of Fort Hills production.

We maintain various committed and uncommitted credit facilities for liquidity and for the issuance of letters of credit. The only financial covenant under our bank agreements is the requirement for our net debt to capitalization ratio not to exceed 55%. That ratio was 14% at March 31, 2019.

Our committed credit facilities are our US$4.0 billion revolving credit facility maturing November 2023 and our US$600 million revolving credit facility maturing November 2021. As at March 31, 2019, there were no amounts outstanding under the US$4.0 billion facility and US$129 million of letters of credit outstanding under the US$600 million facility.

We also have various other uncommitted credit facilities, standby letters of credit, and surety bonds that secure our reclamation and other obligations in the amount of approximately $2.0 billion, $501 million, and $350 million, respectively. We may be required to post additional security in respect of reclamation at our sites in future periods as additional land is disturbed, regulatory requirements change or closure plans are updated.

On January 1, 2019, we adopted IFRS 16 prospectively and as a result, we have recorded additional lease liabilities of $347 million on our balance sheet. We have not restated comparative financial information on transition to IFRS 16. The financial statement effect of adoption of IFRS 16 is outlined in the Adoption of New Accounting Standards and Accounting Developments section of this MD&A.

Operating Cash Flow

Cash flow from operations in the first quarter was $520 million compared to $1.1 billion in the same period last year. The decrease was partly attributable to lower commodity prices in the quarter, which were reflected in the decrease in our first quarter gross profit before depreciation of $295 million compared with a year ago. In addition, we had a significant use of cash for working capital items that reduced our cash flow from operations by $404 million compared with a year ago.

Changes in non-cash working capital items resulted in a use of cash of $698 million in the first quarter compared with $294 million in the same period a year ago. Typically, in the first quarter of each year we have a use of cash through our working capital by way of reduction of accounts payables and other liabilities due to the payment of the seasonally larger fourth quarter NANA royalty at Red Dog as well as other various annual expenses paid in the first quarter. In the first quarter, our payables and other liabilities were reduced by approximately $290 million compared with $200 million a year ago. In addition, our accounts receivable balances increased by approximately $370 million in the first quarter compared with minimal changes a year ago, partly due to the timing of sales and higher period end closing commodity prices, which are used to value our receivables. In the first quarter, approximately one-half of our sales volumes of steelmaking coal and copper occurred in the latter part of March, whereas a year ago sales volumes were more evenly timed through the quarter.

Investing Activities

Expenditures on property, plant and equipment were $482 million in the first quarter, including $190 million for the QB2 project, $150 million on sustaining capital and $105 million on major enhancement projects. The largest components of sustaining expenditures were $81 million at our steelmaking coal operations, $19 million at Fort Hills and $12 million at each of our Trail Operations and Antamina.

Capitalized production stripping costs were $199 million in the first quarter compared with $197 million a year ago. The majority of this represents the advancement of pits for future production at our steelmaking coal mines.

($ in millions)	Sustaining	Major Enhancement	New Mine Development	QB2 Project	Sub-total	Capitalized Stripping	Total
Steelmaking coal	$ 81	$ 59	$ –	$ –	$ 140	$ 143	$ 283
Copper	28	13	12	190	243	48	291
Zinc	19	18	3	–	40	8	48
Energy	19	15	22	–	56	–	56
Corporate	3	–	–	–	3	–	3
	$ 150	$ 105	$ 37	$ 190	$ 482	$ 199	$ 681

Financing Activities

On March 29, 2019, the transaction through which SMM and SC subscribed for a 30% indirect interest in QBSA closed. On closing of the transaction, SMM and SC contributed $1.3 billion (US$966 million) to the QB2 project, and are expected to contribute a further US$307 million over the remainder of 2019. These contributions are made in the form of share subscriptions for equity in QB Holdings, which holds a 90% interest in QBSA and shareholder loans. Our first contributions to the project are not required until late 2020. On closing of the transaction, SMM and SC contributed US$293 million in the form of equity share subscriptions and US$673 million in shareholder loans. We retain control of QBSA and consequently will continue to consolidate its results.

We continued to purchase shares under our normal course issuer bid and the direction of our Board to apply $400 million to the repurchase of Class B subordinate voting shares. To date, we have purchased approximately 11.9 million Class B subordinate voting shares for $348 million, of which $180 million was spent in the first quarter. As previously disclosed, our Board will consider an additional return of capital to shareholders over the course of 2019 relating to the closing of the QB2 transaction and related project financing.

In March, we paid our regular base dividend of $0.05 per share, which totaled $28 million.

Debt interest and finance charges paid in the first quarter were $110 million compared with $129 million a year ago.

FINANCIAL RISK MANAGEMENT

The sales of our products are denominated in U.S. dollars while a significant portion of our expenses are incurred in local currencies, particularly the Canadian dollar and the Chilean peso. Foreign exchange fluctuations can have a significant effect on our operating margins, unless such fluctuations are offset by related changes to commodity prices.

Our U.S. dollar denominated debt is subject to revaluation based on changes in the Canadian/U.S. dollar exchange rate. As at March 31, 2019, $2.9 billion of our U.S. dollar denominated debt is designated as a hedge against our foreign operations that have a U.S. dollar functional currency. As a result, any foreign exchange gains or losses arising on that amount of our U.S. dollar debt are recorded in other comprehensive income, with the remainder being charged to profit.

Commodity markets are volatile. Prices can change rapidly and customers can alter shipment plans. This can have a substantial effect on our business and financial results. Demand fundamentals, especially for steelmaking coal, refined zinc and refined copper, remain strong, contributing additional revenues and cash flows. Production and logistics disruptions in a number of the coal producing regions continued to have an effect on available supplies and market prices. Recent uncertainty in global markets arising from government policy changes, including tariffs and the potential for trade disputes, may have a significant positive or negative effect on the various products we produce. Price volatility will continue, but over the long-term, the industrialization of emerging economies, as well as infrastructure replacement in developed economies, will continue to be a major factor in the demand for the commodities we produce.

While price volatility remains a significant factor in our industry, we have taken significant steps to insulate our company from its effects. We have improved operations and made selective short-term decisions to maximize production more specifically in our steelmaking coal operations to capture significant gross profit cash margins. We have strengthened our balance sheet and credit ratings by reducing debt. Further, the supply and demand balance for our products is favorable. Combined, these factors are significant positives for the outlook for our company.

Commodity Prices and Sensitivities

Commodity prices are a key driver of our profit and cash flows. On the supply side, the depleting nature of ore reserves, difficulties in finding new ore bodies, the permitting processes, the availability of skilled resources to develop projects, as well as infrastructure constraints, political risk and significant cost inflation may continue to have a moderating effect on the growth in future production for the industry as a whole.

The sensitivity of our annual profit attributable to shareholders and EBITDA to changes in the Canadian/U.S. dollar exchange rate and commodity prices, before pricing adjustments, based on our current balance sheet, our expected 2019 mid-range production estimates, current commodity prices and a Canadian/U.S. dollar exchange rate of $1.32, is as follows:

	2019 Mid-Range Production Estimates[1]	Change	Estimated Effect of Change On Profit[2]	Estimated Effect on EBITDA[2]
US$ exchange		CAD$0.01	$ 51 million	$ 80 million
Steelmaking coal (million tonnes)	26.25	US$1/tonne	$ 20 million	$ 31 million
Copper (000's tonnes)	300.0	US$0.01/lb.	$ 5 million	$ 8 million
Zinc (000's tonnes)[3]	942.5	US$0.01/lb.	$ 10 million	$ 13 million
WCS (million bbl)[4]	13.0	US$1/bbl	$ 12 million	$ 17 million
WTI [5]		US$1/bbl	$ 9 million	$ 12 million

Notes:
1) All production estimates are subject to change based on market and operating conditions.
2) The effect on our profit attributable to shareholders and on EBITDA of commodity price and exchange rate movements will vary from quarter to quarter depending on sales volumes. Our estimate of the sensitivity of profit and EBITDA to changes in the U.S. dollar exchange rate is sensitive to commodity price assumptions.
3) Zinc includes 307,500 tonnes of refined zinc and 635,000 tonnes of zinc contained in concentrate.
4) Bitumen volumes from our energy business unit.
5) Our WTI oil price sensitivity takes into account our interest in Fort Hills for the relevant change in revenue, partially offset by the effect of the change in diluent purchase costs as well as the effect on the change in operating costs across our business units, as our operations use a significant amount of diesel fuel.

FINANCIAL INSTRUMENTS AND DERIVATIVES

We hold a number of financial instruments and derivatives, which are recorded on our balance sheet at fair value with gains and losses in each period included in other comprehensive income and profit for the period as appropriate. The most significant of these instruments are marketable securities, metal-related forward contracts including those embedded in our silver and gold streaming agreements, settlements receivable and payable, and prepayment rights on certain long-term debt notes. Some of our gains and losses on metal-related financial instruments are affected by smelter price participation and are taken into account in determining royalties and other expenses. All are subject to varying rates of taxation depending on their nature and jurisdiction.

GUIDANCE (There is no change to our 2019 guidance)

Production Guidance

The table below shows our share of production of our principal products for 2018. Our guidance for production in 2019 and for the following three years remains unchanged.

Units in 000's tonnes (excluding steelmaking coal, molybdenum and bitumen)	2018	2019 Guidance	Three-Year Guidance 2020 – 2022
PRINCIPAL PRODUCTS			
Steelmaking coal (million tonnes)	26.2	26.0 – 26.5	26.5 – 27.5
Copper[1 2 3]			
Highland Valley Copper	100.8	115 – 120	135 – 155
Antamina	100.4	95 – 100	90 – 95
Carmen de Andacollo	67.2	62 – 67	60
Quebrada Blanca [5]	25.5	20 – 23	–
	293.9	290 – 310	285 – 305
Zinc[1 2 4]			
Red Dog	583.2	535 – 555	500 – 520
Antamina	92.1	65 – 70	100 – 110
Pend Oreille	29.7	20 – 30	–
	705.0	620 – 650	600 – 630
Refined zinc			
Trail Operations	302.9	305 – 310	310 – 315
Bitumen (million barrels)[2 6 7]			
Fort Hills	6.8	12 – 14	14
OTHER PRODUCTS			
Lead[1]			
Red Dog	98.4	85 – 90	85 – 100
Refined lead			
Trail Operations	61.0	70 – 75	85 – 95
Molybdenum (million pounds)[1 2]			
Highland Valley Copper	8.7	6.0	4.0 – 5.0
Antamina	2.3	2.0	2.0 – 3.0
	11.0	8.0	6.0 – 8.0
Refined silver (million ounces)			
Trail Operations	11.6	13 – 14	N/A

Notes:
1) Metal contained in concentrate.
2) We include 100% of production and sales from our Quebrada Blanca and Carmen de Andacollo mines in our production and sales volumes, even though we do not own 100% of these operations, because we fully consolidate their results in our financial statements. We include 22.5% and 21.3% of production and sales from Antamina and Fort Hills, respectively, representing our proportionate ownership interest in these operations.
3) Copper production includes cathode production at Quebrada Blanca and Carmen de Andacollo.
4) Total zinc includes co-product zinc production from our copper business unit.
5) Excludes production from QB2 for three-year guidance 2020–2022.
6) Financial results are included from June 1, 2018.
7) The 2020–2022 bitumen production guidance does not include potential near-term debottlenecking opportunities. See energy business unit for more information.

Sales Guidance

The table below shows our sales for the last quarter and our sales guidance for the next quarter for selected primary products.

	Q1 2019	Q2 2019 Guidance
Steelmaking coal (million tonnes)	6.2	6.4 – 6.6
Zinc (000's tonnes)[1]		
Red Dog	131	80 – 85

Note:
1) Metal contained in concentrate.

Unit Cost Guidance

The table below reports our unit costs for selected principal products for the first quarter and our guidance for unit costs for selected principal products in 2019, which remains unchanged.

	2018	2019 Guidance
Steelmaking coal[1]		
Adjusted site cost of sales[5]	$ 62	$ 62 – 65
Transportation costs	37	37 – 39
Unit costs[5] – CAD$/tonne	$ 99	$ 99 – 104
Copper[2]		
Total cash unit costs[5] (US$/lb.)	$ 1.74	$ 1.70 – 1.80
Net cash unit costs[3 5] (US$/lb.)	1.23	1.45 – 1.55
Zinc[4]		
Total cash unit costs[5] (US$/lb.)	$ 0.49	$ 0.50 – 0.55
Net cash unit costs[3 5] (US$/lb.)	0.31	0.35 – 0.40
Bitumen		
Adjusted operating costs[5] (CAD$/barrel)	$ 32.89	$ 26 – 29

Notes:
1) Steelmaking coal unit costs are reported in Canadian dollars per tonne.
2) Copper unit costs are reported in U.S. dollars per payable pound of metal contained in concentrate. Copper total cash costs after by-product margins include adjusted cash cost of sales, smelter processing charges and cash margin for by-products including co-products. Assumes a zinc price of US$1.30 per pound, a molybdenum price of US$12 per pound, a silver price of US$16.00 per ounce, a gold price of US$1,250 per ounce and a Canadian/U.S. dollar exchange rate of $1.30.
3) After co and by-product margins.
4) Zinc unit costs are reported in U.S. dollars per payable pound of metal contained in concentrate. Zinc total cash costs after by-product margins are mine costs including adjusted cash cost of sales, smelter processing charges and cash margin for by-products. Assumes a lead price of US$1.00 per pound, a silver price of US$16.00 per ounce and a Canadian/U.S. dollar exchange rate of $1.30. By-products include both by-products and co-products.
5) Non-GAAP Financial Measure. See "Use of Non-GAAP Financial Measures" section for further information.

Capital Expenditure Guidance

The table below shows our capital expenditures for 2018 and our capital expenditures guidance for 2019, which is unchanged.

(Teck's share in CAD$ millions)	2018	2019 Guidance
Sustaining		
Steelmaking coal[1]	$ 232	$ 540
Copper	157	240
Zinc	225	170
Energy	21	60
Corporate	10	5
	$ 645	$ 1,015
Major Enhancement		
Steelmaking coal[2]	$ 230	$ 410
Copper	62	70
Zinc	107	60
Energy	69	100
	$ 468	$ 640
New Mine Development		
Copper[3]	$ 56	$ 130
Zinc	38	30
Energy	285	30
	$ 379	$ 190
Total		
Steelmaking coal	$ 462	$ 950
Copper	275	440
Zinc	370	260
Energy	375	190
Corporate	10	5
	$ 1,492	$ 1,845
QB2 capital expenditures	$ 414	$ 1,930
Total before SMM and SC contributions	1,906	3,775
Estimated SMM and SC contributions to capital expenditures[4]	–	(1,585)
Total Teck spend	$ 1,906	$ 2,190

Notes:
1) For steelmaking coal, sustaining capital includes Teck's share of water treatment charges of $57 million in 2018. Sustaining capital guidance includes Teck's share of water treatment charges related to the Elk Valley Water Quality Plan, which are approximately $235 million in 2019.
2) For steelmaking coal major enhancement capital guidance includes $210 million relating to the facility upgrade at Neptune Bulk Terminals that will be funded by Teck.
3) For copper, new mine development guidance for 2019 includes early scoping studies for QB3, Zafranal, San Nicolás and Galore Creek.
4) Total estimated SMM and SC contributions are $1.7 billion. The difference will be in cash at December 31, 2019. Total estimated contributions are US$1.2 billion as disclosed and US$79 million for their share of expenditures from January 1, 2019 to March 31, 2019.

Capital Expenditure Guidance – Capitalized Stripping

(Teck's share in CAD$ millions)	2018	2019 Guidance
Capitalized Stripping		
Steelmaking coal	$ 507	$ 410
Copper	161	175
Zinc	39	45
	$ 707	$ 630

QUARTERLY PROFIT AND CASH FLOW

(in millions, except for share data)	2019	2018				2017			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	$ 3,106	$ 3,247	$ 3,209	$ 3,016	$ 3,092	$ 3,156	$ 3,075	$ 2,832	$ 2,847
Gross profit	1,042	1,011	1,009	1,241	1,360	1,263	1,068	1,073	1,163
EBITDA[1]	1,396	1,152	2,064	1,403	1,555	1,563	1,370	1,341	1,315
Profit attributable to shareholders	630	433	1,281	634	759	740	584	580	556
Basic earnings per share	$ 1.11	$ 0.75	$ 2.23	$ 1.10	$ 1.32	$ 1.28	$ 1.01	$ 1.00	$ 0.96
Diluted earnings per share	$ 1.10	$ 0.75	$ 2.20	$ 1.09	$ 1.30	$ 1.26	$ 0.99	$ 0.99	$ 0.95
Cash flow from operations	$ 520	$ 1,336	$ 877	$ 1,105	$ 1,119	$ 1,458	$ 894	$ 1,407	$ 1,290

Note:
1) Non-GAAP Financial Measure. See "Use of Non-GAAP Financial Measures" section for further information.

ADOPTION OF NEW ACCOUNTING STANDARDS AND ACCOUNTING DEVELOPMENTS

Effective January 1, 2019, we adopted IFRS 16 using a cumulative catch-up approach where we have recorded leases prospectively from that date forward and have not restated comparative information. The effect of adoption of this new pronouncement is outlined below and in more detail in Note 15 to our interim consolidated financial statements as at March 31, 2019.

Leases

We adopted IFRS 16 as at January 1, 2019 in accordance with the transitional provisions outlined in the standard, using a cumulative catch-up approach where we have recorded leases prospectively from that date forward and have not restated comparative information. We have recorded right-of-use assets of $280 million within property, plant and equipment, measured at either an amount equal to the lease liability or their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using our incremental borrowing rate on January 1, 2019. These right-of-use assets related to lease liabilities continue to be recorded in property, plant and equipment. We have recorded lease liabilities of $342 million as at January 1, 2019 and reclassified $338 million of lease liabilities that were previously presented as debt on the balance sheet. The net of tax difference between right-of-use assets and lease liabilities recognized on the transition was recorded as a $43 million retained earnings adjustment on January 1, 2019.

IFRS 16 eliminates the classification of leases as either operating or finance leases for a lessee, and all leases will be recorded on the balance sheet for the lessee. As a lessee, we recognize a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of a lease.

We have elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

AREAS OF JUDGMENT AND CRITICAL ACCOUNTING ESTIMATES

In preparing our consolidated financial statements, we make judgments in applying our accounting policies. The judgments that have the most significant effect on the amounts recognized in our financial statements include the assessment of impairment indicators, the determination of the available for use date for property, plant and equipment, accounting for joint arrangements, streaming transactions and the accounting for income taxes. In addition, we make assumptions about the future in deriving estimates used in preparing our consolidated financial statements. Sources of estimation uncertainty include estimates used to determine the recoverable amounts of long-lived assets, recoverable reserves and resources, the provision for income taxes and the related deferred tax assets and liabilities and the valuation of other assets and liabilities including decommissioning and restoration provisions. These areas of judgment and critical accounting estimates are consistent with those reported in our 2018 annual consolidated financial statements and Management’s Discussion and Analysis.

OUTSTANDING SHARE DATA

As at April 22, 2019, there were 556.9 million Class B subordinate voting shares and 7.8 million Class A common shares outstanding. In addition, there were approximately 20.9 million stock options outstanding with exercise prices ranging between $5.34 and $58.80 per share. More information on these instruments and the terms of their conversion is set out in Note 23 of our 2018 audited financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our 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. There have been no significant changes in our internal controls during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

REVENUES AND GROSS PROFIT

Our revenue and gross profit by business unit are summarized in the tables below:

(Teck's share in CAD$ millions)	Three months ended March 31, 2019	2018
REVENUES		
Steelmaking coal	$ 1,552	$ 1,588
Copper		
Highland Valley Copper	218	288
Antamina	220	258
Carmen de Andacollo	143	137
Quebrada Blanca	49	56
	630	739
Zinc		
Trail Operations	471	585
Red Dog	346	336
Pend Oreille	25	27
Other	2	2
Intra-segment revenues	(132)	(185)
	712	765
Energy[1]	212	–
TOTAL REVENUES	$ 3,106	$ 3,092
GROSS PROFIT (LOSS)		
Steelmaking coal	$ 726	$ 816
Copper		
Highland Valley Copper	21	86
Antamina	122	167
Carmen de Andacollo	15	45
Quebrada Blanca	13	(4)
Other	(1)	(1)
	170	293
Zinc		
Trail Operations	(11)	69
Red Dog	149	181
Pend Oreille	2	1
Other	11	–
	151	251
Energy[1]	(5)	–
TOTAL GROSS PROFIT	$ 1,042	$ 1,360

Note:
1) Fort Hills financial results included from June 1, 2018.

COST OF SALES SUMMARY

Our cost of sales information by business unit is summarized in the tables below:

(Teck's share in CAD$ millions)	Three months ended March 31, 2019	2018
OPERATING COSTS		
Steelmaking coal	$ 396	$ 349
Copper		
Highland Valley Copper	140	140
Antamina	53	50
Carmen de Andacollo	99	67
Quebrada Blanca	26	36
Other	1	1
	319	294
Zinc		
Trail Operations	126	99
Red Dog	54	39
Pend Oreille	21	23
Other	(9)	2
	192	163
Energy[1]	82	–
Total operating costs	$ 989	$ 806
TRANSPORTATION COSTS		
Steelmaking coal	$ 240	$ 232
Copper		
Highland Valley Copper	10	10
Antamina	6	6
Carmen de Andacollo	7	7
Quebrada Blanca	1	1
	24	24
Zinc		
Trail Operations	36	34
Red Dog	30	23
Pend Oreille	1	–
	67	57
Energy[1]	26	–
Total transportation costs	$ 357	$ 313

Note:
1) Fort Hills financial results included from June 1, 2018.

COST OF SALES SUMMARY, continued

(Teck's share in CAD$ millions)	Three months ended March 31, 2019	2018
RAW MATERIAL PURCHASES		
Zinc concentrate purchases		
Trail Operations	$ 300	$ 364
Intra-segment purchases	(132)	(185)
	168	179
Energy[1 2]	82	–
Total raw material purchases	$ 250	$ 179
ROYALTY COSTS		
Steelmaking coal	$ 7	$ 4
Copper		
Antamina	4	6
Zinc		
Red Dog	84	74
Pend Oreille	–	–
	84	74
Total royalty costs	$ 95	$ 84
DEPRECIATION AND AMORTIZATION		
Steelmaking coal	$ 183	$ 187
Copper		
Highland Valley Copper	47	52
Antamina	35	29
Carmen de Andacollo	22	18
Quebrada Blanca	9	23
	113	122
Zinc		
Trail Operations	20	19
Red Dog	29	19
Pend Oreille	1	3
	50	41
Energy[1]	27	–
Total depreciation and amortization	373	$ 350
TOTAL COST OF SALES	$ 2,064	$ 1,732

Notes:
1) Fort Hills financial results included from June 1, 2018.
2) Includes diluent and non-proprietary blend purchases.

CAPITALIZED STRIPPING COSTS

(Teck's share in CAD$ millions)	Three months ended March 31, 2019	2018
Steelmaking coal	$ 143	$ 149
Copper		
Highland Valley Copper	23	22
Antamina	22	19
Carmen de Andacollo	3	2
	48	43
Zinc		
Red Dog	8	5
Total	$ 199	$ 197

PRODUCTION AND SALES STATISTICS

Production statistics for each of our operations are presented in the tables below. Operating results are on a 100% basis.

Steelmaking coal	Three months ended March 31, 2019	2018
Waste production (million BCM's)	70.8	71.4
Clean coal production (million tonnes)	6.1	6.2
Clean coal strip ratio (waste BCM's/coal tonnes)	11.5:1	11.4:1
Sales (million tonnes)	6.2	6.1

Highland Valley Copper		
Tonnes mined (000's)	26,408	26,965
Tonnes milled (000's)	12,302	12,212
Copper		
Grade (%)	0.26	0.29
Recovery (%)	82.7	76.3
Production (000's tonnes)	26.0	27.3
Sales (000's tonnes)	26.3	30.9
Molybdenum		
Production (million pounds)	1.8	2.6
Sales (million pounds)	1.2	2.4

Antamina		
Tonnes mined (000's)	57,900	58,085
Tonnes milled (000's)		
Copper-only ore	6,225	7,364
Copper-zinc ore	5,240	4,802
	11,465	12,166
Copper[1]		
Grade (%)	1.04	1.00
Recovery (%)	89.6	91.0
Production (000's tonnes)	106.2	108.2
Sales (000's tonnes)	102.6	98.5
Zinc[1]		
Grade (%)	1.58	2.22
Recovery (%)	84.4	88.5
Production (000's tonnes)	73.3	89.9
Sales (000's tonnes)	72.4	93.0
Molybdenum		
Production (million pounds)	1.0	2.7
Sales (million pounds)	1.7	3.3

Note:
1) Copper ore grades and recoveries apply to all of the processed ores. Zinc ore grades and recoveries apply to copper-zinc ores only.

PRODUCTION AND SALES STATISTICS, continued

Carmen de Andacollo	Three months ended March 31, 2019	2018
Tonnes mined (000’s)	6,037	5,802
Tonnes milled (000’s)	4,190	4,330
Copper		
Grade (%)	0.37	0.41
Recovery (%)	89.0	87.5
Production (000’s tonnes)	14.0	15.6
Sales (000’s tonnes)	18.4	16.5
Copper cathode		
Production (000’s tonnes)	0.7	1.1
Sales (000’s tonnes)	0.7	0.8
Gold[1]		
Production (000’s ounces)	13.2	14.0
Sales (000’s ounces)	18.4	15.4

Note:
1) 100% of the gold produced is for the account of Royal Gold, Inc. until 900,000 ounces have been delivered, and 50% thereafter.

Quebrada Blanca	2019	2018
Tonnes mined (000's)	–	3,796
Tonnes placed (000's)		
Heap leach ore	–	–
Dump leach ore	–	2,539
	–	2,539
Grade (SCu%)[1]		
Heap leach ore	–	–
Dump leach ore	–	0.30
Production (000's tonnes)		
Heap leach ore	1.0	1.3
Dump leach ore	4.6	4.8
	5.6	6.1
Sales (000's tonnes)	5.8	6.3

Note:
1) For heap leach and dump leach operations, copper grade is reported as % soluble copper (SCu%) rather than % total copper.

PRODUCTION AND SALES STATISTICS, continued

Trail Operations	Three months ended March 31, 2019	2018
Concentrate treated (000’s tonnes)		
Zinc	145	146
Lead	32	36
Metal production		
Zinc (000's tonnes)	74.2	79.0
Lead (000's tonnes)	19.0	19.9
Silver (million ounces)	2.9	4.3
Gold (000's ounces)	7.6	11.0
Metal sales		
Zinc (000's tonnes)	75.2	77.3
Lead (000's tonnes)	17.4	18.6
Silver (million ounces)	2.9	4.2
Gold (000's ounces)	6.6	10.9

Red Dog

Tonnes mined (000's)	2,132	2,903
Tonnes milled (000's)	887	913
Zinc		
Grade (%)	15.0	16.0
Recovery (%)	82.8	83.2
Production (000's tonnes)	110.2	121.5
Sales (000's tonnes)	130.5	111.2
Lead		
Grade (%)	4.1	4.4
Recovery (%)	51.7	49.1
Production (000's tonnes)	18.9	19.7
Sales (000's tonnes)	–	–

Pend Oreille

Tonnes mined (000's)	181	161
Tonnes milled (000's)	152	127
Zinc		
Grade (%)	6.1	6.0
Recovery (%)	90.8	88.8
Production (000's tonnes)	8.4	6.7
Sales (000's tonnes)	8.3	7.4
Lead		
Grade (%)	1.2	0.9
Recovery (%)	67.4	62.5
Production (000's tonnes)	1.2	0.7
Sales (000's tonnes)	1.2	0.8

USE OF NON-GAAP FINANCIAL MEASURES

Our financial results are prepared in accordance with International Financial Reporting Standards (IFRS). This document refers to a number of Non-GAAP Financial Measures which are not measures recognized under IFRS in Canada and do not have a standardized meaning prescribed by IFRS or Generally Accepted Accounting Principles (GAAP) in the United States.

The Non-GAAP Measures described below do not have standardized meanings under IFRS, may differ from those used by other issuers, and may not be comparable to such measures as reported by others. These measures have been derived from our financial statements and applied on a consistent basis as appropriate. We disclose these measures because we believe they assist readers in understanding the results of our operations and financial position and are meant to provide further information about our financial results to investors. These measures should not be considered in isolation or used in substitute for other measures of performance prepared in accordance with IFRS.

Adjusted profit – For adjusted profit, we adjust profit attributable to shareholders as reported to remove the after-tax effect of certain types of transactions that in our judgment are not indicative of our normal operating activities or do not necessarily occur on a regular basis.

Adjusted basic earnings per share – Adjusted basic earnings per share is adjusted profit divided by average number of shares outstanding in the period.

Adjusted diluted earnings per share – Adjusted diluted earnings per share is adjusted profit divided by average number of fully diluted shares in a period.

EBITDA – EBITDA is profit attributable to shareholders before net finance expense, provision for income taxes, and depreciation and amortization.

Adjusted EBITDA – Adjusted EBITDA is EBITDA before the pre-tax effect of the adjustments that we make to adjusted profit attributable to shareholders as described above.

The above adjustments to profit attributable to shareholders and EBITDA highlight items and allow us and readers to analyze the rest of our results more clearly. We believe that disclosing these measures assists readers in understanding the ongoing cash generating potential of our business in order to provide liquidity to fund working capital needs, service outstanding debt, fund future capital expenditures and investment opportunities, and pay dividends.

Gross profit before depreciation and amortization – Gross profit before depreciation and amortization is gross profit with the depreciation and amortization expense added back. We believe this measure assists us and readers to assess our ability to generate cash flow from our business units or operations.

Gross profit margins before depreciation – Gross profit margins before depreciation are gross profit before depreciation and amortization, divided by revenue for each respective business unit. We believe this measure assists us and readers to compare margins on a percentage basis among our business units.

Unit costs – Unit costs for our steelmaking coal operations are total cost of goods sold, divided by tonnes sold in the period, excluding depreciation and amortization charges. We include this information as it is frequently requested by investors and investment analysts who use it to assess our cost structure and margins and compare it to similar information provided by many companies in the industry.

Adjusted site cost of sales – Adjusted site cost of sales for our steelmaking coal operations is defined as the cost of the product as it leaves the mine excluding depreciation and amortization charges, out-bound transportation costs and any one-time collective agreement charges and inventory write-down provisions.

Total cash unit costs – Total cash unit costs for our copper and zinc operations includes adjusted cash costs of sales, as described above, plus the smelter and refining charges added back in determining adjusted revenue. This presentation allows a comparison of total cash unit costs, including smelter charges, to the underlying price of copper or zinc in order to assess the margin for the mine on a per unit basis.

Net cash unit costs – Net cash unit costs of principal product, after deducting co-product and by-product margins, are also a common industry measure. By deducting the co- and by-product margin per unit of the principal product, the margin for the mine on a per unit basis may be presented in a single metric for comparison to other operations. Readers should be aware that this metric, by excluding certain items and reclassifying cost and revenue items, distorts our actual production costs as determined under IFRS.

Adjusted cash costs of sales – Adjusted cash cost of sales for our copper and zinc operations is defined as the cost of the product delivered to the port of shipment, excluding depreciation and amortization charges, any one-time collective agreement charges or inventory write-down provisions and by-product cost of sales. It is common practice in the industry to exclude depreciation and amortization as these costs are non-cash and discounted cash flow valuation models used in the industry substitute expectations of future capital spending for these amounts.

Adjusted operating costs for our energy business unit is defined as the costs of product as it leaves the mine, excluding depreciation and amortization charges, cost of diluent for blending to transport our bitumen by pipeline, cost of non-proprietary product purchased and transportation costs of our product and non-proprietary product and any one-time collective agreement charges or inventory write-down provisions.

Cash margins for by-products – Cash margins for by-products is revenue from by- and co-products, less any associated cost of sales of the by and co-product. In addition, for our copper operations, by-product cost of sales also includes cost recoveries associated with our streaming transactions.

Adjusted revenue – Adjusted revenue for our copper and zinc operations excludes the revenue from co-products and by-products, but adds back the processing and refining charges to arrive at the value of the underlying payable pounds of copper and zinc. Readers may compare this on a per unit basis with the price of copper and zinc on the LME.

Adjusted revenue for our energy business unit excludes the cost of diluent for blending and non-proprietary product revenues, but adds back crown royalties to arrive at the value of the underlying bitumen.

Blended bitumen revenue – Blended bitumen revenue is revenue as reported for our energy business unit, but excludes non-proprietary product revenue, and adds back crown royalties that are deducted from revenue.

Blended bitumen price realized – Blended bitumen price realized is blended bitumen revenue divided by blended bitumen barrels sold in the period.

Operating netback – Operating netbacks per barrel in our energy business unit are calculated as blended bitumen sales revenue net of diluent expenses (also referred to as bitumen price realized), less crown royalties, transportation and operating expenses divided by barrels of bitumen sold. We include this information as investors and investment analysts use it to measure our profitability on a per barrel basis and compare it to similar information provided by other companies in the oil sands industry.

The debt-related measures outlined below are disclosed as we believe they provide readers with information that allows them to assess our credit capacity and the ability to meet our short and long-term financial obligations.

Net debt – Net debt is total debt, less cash and cash equivalents.

Debt to debt-plus-equity ratio – debt to debt-plus-equity ratio takes total debt as reported and divides that by the sum of total debt plus total equity, expressed as a percentage.

Net debt to net debt-plus-equity ratio – net debt to net debt-plus-equity ratio is net debt divided by the sum of net debt plus total equity, expressed as a percentage

Debt to EBITDA ratio – debt to EBITDA ratio takes total debt as reported and divides that by EBITDA for the twelve months ended at the reporting period, expressed as the number of times EBITDA needs to be earned to repay all of the outstanding debt

Net debt to EBITDA ratio – net debt to EBITDA ratio is the same calculation as the debt to EBITDA ratio, but using net debt as the numerator

Reconciliation of Basic Earnings per share to Adjusted Basic Earnings per share

(Per share amounts)	Three months ended March 31, 2019	2018
Basic earnings per share	$ 1.11	$ 1.32
Add (deduct):		
Debt prepayment option loss (gain)	(0.09)	0.02
Other	(0.02)	(0.03)
Adjusted basic earnings per share	$ 1.00	$ 1.31

Reconciliation of Diluted Earnings per share to Adjusted Diluted Earnings per share

(Per share amounts)	Three months ended March 31, 2019	2018
Diluted earnings per share	$ 1.10	$ 1.30
Add (deduct):		
Debt prepayment option loss (gain)	(0.09)	0.02
Other	(0.02)	(0.03)
Adjusted diluted earnings per share	$ 0.99	$ 1.29

Reconciliation of Net Debt to EBITDA Ratio

	(A) Twelve months ended December 31, 2018		(B) Three Months ended March 31, 2018	(C) Three months ended March 31, 2019	(A-B+C) Twelve months ended March 31, 2019	
Profit attributable to shareholders	$ 3,107		$ 759	$ 630	$ 2,978	
Finance expense net of finance income	219		39	54	234	
Provision for income taxes	1,365		407	339	1,297	
Depreciation and amortization	1,483		350	373	1,506	
EBITDA	$ 6,174	(D)	$ 1,555	$ 1,396	$ 6,015	(E)
Total debt at period end	$ 5,519				$ 5,752	
Less: cash and cash equivalents at period end	(1,734)				(2,446)	
Net debt	$ 3,785	(F)			$ 3,306	(G)
Debt to EBITDA ratio	0.9				1.0	
Net Debt to EBITDA ratio	0.6	(F/D)			0.5	(G/E)

Reconciliation of EBITDA and Adjusted EBITDA

(CAD$ in millions)	Three months ended March 31, 2019	Three months ended March 31, 2018
Profit attributable to shareholders	$ 630	$ 759
Finance expense net of finance income	54	39
Provision for income taxes	339	407
Depreciation and amortization	373	350
EBITDA	$ 1,396	$ 1,555
Add (deduct):		
Debt prepayment option loss (gain)	(70)	12
Other	(7)	(15)
Adjusted EBITDA	$ 1,319	$ 1,552

Reconciliation of Gross Profit Before Depreciation and Amortization

(CAD$ in millions)	Three months ended March 31, 2019	2018
Gross profit	$ 1,042	$ 1,360
Depreciation and amortization	373	350
Gross profit before depreciation and amortization	$ 1,415	$ 1,710
Reported as:		
Steelmaking coal	$ 909	$ 1,003
Copper		
Highland Valley Copper	68	138
Antamina	157	196
Carmen de Andacollo	37	63
Quebrada Blanca	22	19
Other	(1)	(1)
	283	415
Zinc		
Trail Operations	9	88
Red Dog	178	200
Pend Oreille	3	4
Other	11	–
	201	292
Energy[1]	22	–
Gross profit before depreciation and amortization	$ 1,415	$ 1,710

Note:
1) Fort Hills financial results included from June 1, 2018.

Reconciliation of Gross Profit Margins Before Depreciation

	Three months ended March 31,	
(CAD$ in millions)	2019	2018
Revenues		
Steelmaking coal (E)	$ 1,552	$ 1,588
Copper (F)	630	739
Zinc (G)	712	765
Energy (H)	212	–
Total	$ 3,106	$ 3,092
Gross profit, before depreciation and amortization		
Steelmaking coal (A)	$ 909	$ 1,003
Copper (B)	283	415
Zinc (C)	201	292
Energy (D)	22	–
Total	$ 1,415	$ 1,710
Gross profit margins before depreciation		
Steelmaking coal (A/E)	59%	63%
Copper (B/F)	45%	56%
Zinc (C/G)	28%	38%
Energy (D/H)	10%	–%

Steelmaking Coal Unit Cost Reconciliation

(CAD$ in millions, except where noted)	Three months ended March 31, 2019	2018
Cost of sales as reported	$ 826	$ 772
Less:		
Transportation costs	(240)	(232)
Depreciation and amortization	(183)	(187)
Adjusted cash cost of sales	$ 403	$ 353
Tonnes sold (millions)	6.2	6.1
Per unit amounts – CAD$/tonne		
Adjusted cash cost of sales	$ 65	$ 58
Transportation costs	39	38
Cash unit costs – CAD$/tonne	$ 104	$ 96
US$ amounts[1]		
Average exchange rate (CAD$ per US$1.00)	$ 1.33	$ 1.26
Per unit amounts – US$/tonne		
Adjusted cash cost of sales	$ 49	$ 46
Transportation costs	29	30
Cash unit costs – US$/tonne	$ 78	$ 76

Note:
1) Average period exchange rates are used to convert to US$/tonne equivalent.

Copper Unit Cost Reconciliation

(CAD$ in millions, except where noted)	Three months ended March 31, 2019	2018
Revenue as reported	$ 630	$ 739
By-product revenue (A)	(74)	(126)
Smelter processing charges (B)	43	40
Adjusted revenue	$ 599	$ 653
Cost of sales as reported	$ 460	$ 446
Less:		
Depreciation and amortization	(113)	(122)
Inventory (write-downs) provision reversal	11	–
Collective agreement charges	–	–
By-product cost of sales (C)	(11)	(13)
Adjusted cash cost of sales (D)	$ 347	$ 311
Payable pounds sold (millions) (E)	158.4	163.7
Per unit amounts – CAD$/pound		
Adjusted cash cost of sales (D/E)	$ 2.19	$ 1.90
Smelter processing charges (B/E)	0.27	0.24
Total cash unit costs – CAD$/pound	$ 2.46	$ 2.14
Cash margin for by-products – ((A – C)/E)	(0.40)	(0.69)
Net cash unit costs – CAD$/pound	$ 2.06	$ 1.45
US$ amounts[1]		
Average exchange rate (CAD$ per US$1.00)	$ 1.33	$ 1.26
Per unit amounts – US$/pound		
Adjusted cash cost of sales	$ 1.65	$ 1.51
Smelter processing charges	0.20	0.19
Total cash unit costs – US$/pound	$ 1.85	$ 1.70
Cash margin for by-products	(0.30)	(0.55)
Net cash unit costs – US$/pound	$ 1.55	$ 1.15

Note:
1) Average period exchange rates are used to convert to US$/lb. equivalent.

Zinc Unit Cost Reconciliation (Mining Operations[1])

(CAD$ in millions, except where noted)	Three months ended March 31, 2019	2018
Revenue as reported	$ 712	$ 765
Less:		
Trail Operations revenues as reported	(471)	(585)
Other revenues as reported	(2)	(2)
Add back: Intra-segment revenues as reported	132	185
	$ 371	$ 363
By-product revenues (A)	(10)	(4)
Smelter processing charges (B)	57	72
Adjusted revenue	$ 418	$ 431
Cost of sales as reported	$ 561	$ 514
Less:		
Trail Operations cost of sales as reported	(482)	(516)
Other costs of sales as reported	9	(2)
Add back: Intra-segment purchases as reported	132	185
	$ 220	$ 181
Less:		
Depreciation and amortization	(30)	(22)
Royalty costs	(84)	(74)
By-product cost of sales (C)	–	–
Adjusted cash cost of sales (D)	$ 106	$ 86
Payable pounds sold (millions) (E)	259.9	222.1
Per unit amounts – CAD$/pound		
Adjusted cash cost of sales (D/E)	$ 0.41	$ 0.39
Smelter processing charges (B/E)	0.22	0.32
Total cash unit costs – CAD$/pound	$ 0.63	$ 0.71
Cash margin for by-products – ((A - C)/E)	(0.04)	(0.02)
Net cash unit costs – CAD$/pound	$ 0.59	$ 0.69
US$ amounts[2]		
Average exchange rate (CAD$ per US$1.00)	$ 1.33	$ 1.26
Per unit amounts – US$/pound		
Adjusted cash cost of sales	$ 0.31	$ 0.30
Smelter processing charges	0.16	0.26
Total cash unit costs – US$/pound	$ 0.47	$ 0.56
Cash margin for by-products	(0.03)	(0.01)
Net cash unit costs – US$/pound	$ 0.44	$ 0.55

Notes:
1) Red Dog and Pend Oreille.
2) Average period exchange rates are used to convert to US$/lb. equivalent.

Energy Business Unit – Operating Netback, Bitumen and Blended Bitumen Price Realized Reconciliations[1 2]

(CAD$ in millions, except where noted)	Three months ended March 31, 2019	2018
Revenue as reported	$ 212	$ –
Less:		
Cost of diluent for blending	(73)	–
Non-proprietary product revenue	(8)	–
Add back: crown royalties (D)	5	–
Adjusted revenue (A)	$ 136	$ –
Cost of sales as reported	$ 217	$ –
Less:		
Depreciation and amortization	(27)	–
Cash cost of sales	$ 190	$ –
Less:		
Cost of diluent for blending	(73)	–
Cost of non-proprietary product purchased	(9)	–
Transportation for non-proprietary product purchased	3	–
Transportation for costs FRB (C)	(29)	–
Adjusted operating costs (E)	$ 82	$ –
Blended bitumen barrels sold (000's)	3,725	–
Less diluent barrels included in blended bitumen (000's)	(925)	–
Bitumen barrels sold (000's) (B)	2,800	–
Per barrel amounts – CAD$		
Bitumen price realized (A/B)	$ 48.42	$ –
Crown royalties (D/B)	(1.75)	–
Transportation costs for FRB (C/B)	(10.30)	–
Adjusted operating costs (E/B)	(29.42)	–
Operating netback – CAD$ per barrel	$ 6.95	$ –

Notes:
1) Calculated per unit amounts may differ due to rounding.
2) Fort Hills financial results included from June 1, 2018.
3) Bitumen price realized represents the realized petroleum revenue (blended bitumen sales revenue) net of diluent expense, expressed on a per barrel basis. Blended bitumen sales revenue represents revenue from our share of the heavy crude oil blend known as Fort Hills Reduced Carbon Life Cycle Dilbit Blend (FRB), sold at the Hardisty and U.S. Gulf Coast market hubs. FRB is comprised of bitumen produced from Fort Hills blended with purchased diluent. The cost of blending is affected by the amount of diluent required and the cost of purchasing, transporting and blending the diluent. A portion of diluent expense is effectively recovered in the sales price of the blended product. Diluent expense is also affected by Canadian and U.S. benchmark pricing and changes in the value of the Canadian dollar relative to the U.S. dollar.

Blended Bitumen Price Realized Reconciliation[1 2]

(CAD$ in millions, except where noted)	Three months ended March 31, 2019	2018
Revenue as reported	$ 212	$ –
Less: non-proprietary product revenue	(8)	–
Add back: crown royalties	5	–
Blended bitumen revenue (A)	$ 209	$ –
Blended bitumen barrels sold (000's) (B)	3,725	–
Blended bitumen price realized – (CAD$/barrel) (A/B) = D[1]	$ 55.99	$ –
Average exchange rate (CAD$ per US$1.00) (C)	1.33	–
Blended bitumen price realized – (US$/barrel) (D/C)[1]	$ 42.12	$ –

Notes:
1) Calculated per unit amounts may differ due to rounding.
2) Fort Hills financial results included from June 1, 2018.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

This news release contains certain forward-looking information and forward-looking statements as defined in applicable securities laws (collectively referred to in this news release as "forward-looking statements"). All statements other than statements of historical fact are forward-looking statements. 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.

These forward-looking statements, including under the headings "Outlook," that appear in various places in this release, include estimates, forecasts, and statements as to management's expectations with respect to, among other things, anticipated global and regional supply and demand for our commodities, production, sales and unit cost guidance and forecasts for our products and individual operations, and our expectation that we will meet that guidance, capital expenditure guidance, capitalized stripping guidance, mine lives and duration of operations at our various mines and operations, amount of remaining SMM/SC contribution to QB2, our expectation that coal production volumes can be adjusted to reflect market demand, expectations regarding the potential for the proposed MacKenzie Redcap development at Cardinal River, Elk Valley Water Quality Plan spending guidance, including projected 2019 capital spending and other capital spending guidance, expected operating costs associated with the Plan, timing of AWTF construction and projected number of AWTFs required and ability to have the Elkview SRF replace an AWTF, operating cost increase guidance associated with the Plan, potential for SRFs to reduce capital and operating costs associated with active water treatment, expectations regarding the Neptune facility upgrade, including costs and timing, anticipated benefits and timing of our ball mill project at Highland Valley, timing of first production at QB2 and expansion potential of QB2, the anticipated benefits of the Red Dog VIP2 mill upgrade project and the associated timing and cost, potential to debottleneck at Fort Hills and expand production capacity, potential to increase Fort Hills production, the timing of a decision statement regarding the Frontier Project, our expectations, projections and sensitivities under the heading "Commodity Prices and Sensitivities," impact of certain accounting initiatives and estimates, all guidance appearing in this news release including but not limited to the production, sales, unit cost and capital expenditure guidance under the heading "Guidance", the sensitivity of our profit and EBITDA to changes in currency exchange rates and commodity price changes, the expectations regarding the number of Class B subordinate voting shares that might be purchased under the normal course issuer bid and demand and market outlook for commodities and our products. 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, the supply and demand for, deliveries of, and the level and volatility of prices of, zinc, copper and steelmaking coal and other primary metals and minerals as well as oil, and related products, the timing of the receipt of regulatory and governmental approvals for our development projects and other operations, our costs of production and production and productivity levels, as well as those of our competitors, power prices, continuing availability of water and power resources for our operations, market competition, the accuracy of our mineral reserve and resource estimates (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based, conditions in financial markets, the future financial performance of the company, our ability to attract and retain skilled staff, our ability to procure equipment and operating supplies, positive results from the studies on our expansion projects, our steelmaking coal and other product inventories, our ability to secure adequate transportation, including rail and port service, for our products, assumptions that rail and port services perform adequately, our ability to obtain permits for our operations and expansions, and our ongoing relations with our employees, business partners, joint venturers and communities in which we operate. Assumptions regarding Quebrada Blanca Phase 2 are based on current project assumptions. Assumptions regarding the benefits of SRF and efforts to reduce water treatment costs are based on the assumption that technologies will work on a wide scale. Assumptions regarding the costs and benefits of the Highland Valley, Red Dog, Neptune and other projects include assumptions that the project performs as expected. Our Guidance tables include footnotes with further assumptions. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause actual results to vary materially.

Factors that may cause actual results to vary materially include, but are not limited to, changes in commodity and power prices, changes in market demand for our products, changes in interest and currency exchange rates, acts of governments and the outcome of legal proceedings, inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources), 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 government approvals, industrial disturbances or other job action, adverse weather conditions and unanticipated events related to health, safety and environmental matters), union labour disputes, political risk, social unrest, failure of customers or counterparties (including logistics suppliers) to perform their contractual obligations, changes in our credit ratings, unanticipated increases in costs to construct our development projects, difficulty in obtaining permits, inability to address concerns regarding permits of environmental impact assessments, and changes or further deterioration in general economic conditions. Fort Hills is not controlled by us and schedules and costs may be adjusted by our partners, and timing of spending and continued development is not in our control. Current and new technologies relating to our Elk Valley water treatment efforts may not perform as anticipated. Purchases of Class B subordinate voting shares under the normal course issuer bid may be affected by, amount other things, availability of Class B subordinate voting shares, share price volatility and availability of funds to purchase shares.

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

We assume no obligation to update forward-looking statements except as required under securities laws. Further information concerning risks and uncertainties associated with these forward-looking statements and our business can be found in our Annual Information Form for the year ended December 31, 2018, filed under our profile on SEDAR (www.sedar.com) and on EDGAR (www.sec.gov) under cover of Form 40-F, as well as subsequent filings that can also be found under our profile.

Scientific and technical information regarding our material mining projects in this quarterly report was reviewed, approved and verified by Mr. Rodrigo Alves Marinho, P.Geo., an employee of Teck. Mr. Marinho is a qualified person, as defined under National Instrument (NI) 43-101.