GLENCORE plc

Board of Directors
Teck Resources Limited
Vancouver
British Columbia
Canada

Attention: Ms. Sheila A. Murray, Chair of the Board
Mr. Jonathan Price, Chief Executive Officer and Director

26 March 2023

Dear Directors

Re: All-Share Merger between Glencore and Teck and simultaneous demerger of combined coal and carbon-intensive businesses

We refer to your announcement dated 21 February 2023, regarding your intention to separate into Teck Metals and Elk Valley Resources ("EVR"), and the discussions between our respective teams over the several months that preceded your separation announcement.

We appreciate that the proposed separation contemplated by your 21 February 2023 announcement was the product of a considered and thoughtful process. However, as our respective teams have discussed extensively, we continue to believe that a compelling opportunity exists for Teck and Glencore to merge and achieve a clean separation of their combined metals and combined coal businesses that would create significant additional value for all of our respective shareholders.

The scale and quality of Glencore's business, together with its uniquely complementary footprint and strategic fit, including its strengthened and demonstrable commitment to being a responsible and ethical operator, make it the logical partner for an all-share merger with Teck to form MergeCo and a simultaneous demerger ("Proposed Transaction") to create:

- MetalsCo: a world-class standalone transition metals focused business with a diversified portfolio comprising Glencore's and Teck's metals and minerals assets, Glencore's metals and energy (excluding coal) marketing, recycling, and distribution businesses and its investment in Viterra. The investment in Viterra would be announced as subject to a strategic review and potential divestment.
- CoalCo: a highly cash-generative, standalone coal and carbon steel materials business comprising Glencore's and Teck's coal assets, Glencore's ferroalloys assets and Glencore's coal and ferroalloys marketing businesses.

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Compelling and Unique Benefits to Teck Shareholders

The Proposed Transaction builds on the same central premise of your currently proposed separation, but offers meaningfully greater benefits to your shareholders.

1. The proposed exchange ratios, as described below, provide a compelling and immediate premium to the shareholders of Teck A and Teck B.

2. Given the complementary nature of Glencore's and Teck's portfolios, the Proposed Transaction is expected to unlock US$4.25-5.25 billion of post-tax synergy value across marketing, operating and overhead optimization (as described in more detail below), which would be shared by both Teck and Glencore shareholders.

3. MetalsCo and CoalCo would represent substantially larger and more diversified entities than Teck Metals and EVR, respectively. MetalsCo would represent a leading copper-equivalent producer with US$16 billion of 2022 proforma EBITDA, and CoalCo would represent a leading coal producer with US$26 billion of 2022 proforma EBITDA. Each entity would be uniquely positioned to provide their shareholders with highly liquid exposure to Tier 1 assets and a strong growth pipeline.

4. The Proposed Transaction would not require any intercompany arrangements between MetalsCo and CoalCo going forward—each would be a true standalone company with MetalsCo being capable of funding its own growth pipeline without the need to rely on coal cashflows. The result would be a MetalsCo that could fully realize the ESG premium from being unburdened by continued exposure to coal, and a CoalCo that could immediately deliver strong cashflows to its shareholders.

5. As a result of the points above, each of MetalsCo and CoalCo would be expected to re-rate to a premium multiple compared to Teck Metals and EVR, respectively. For example, Teck currently trades at 4.3x 2023 Consensus EBITDA, whereas large-scale, diversified base metals miners—those that would be peers to MetalsCo—generally trade above 7.0x 2023 Consensus EBITDA. With all-share consideration, Teck shareholders would participate fully in the future upside that the Proposed Transaction is expected to create.

Premium Exchange Ratios

We propose a combination exchange ratio of 7.78 Glencore shares per Teck B share, which represents a valuation premium, as of 26 March 2023, of:

- 20% based on Glencore's and Teck B's last close prices;
- 20% based on Glencore's and Teck B's three-month VWAPs; and
- 30% based on Glencore's and Teck B's twelve-month VWAPs.

In addition, we propose a combination exchange ratio of 12.73 Glencore shares per Teck A share, which represents a valuation premium, as of 26 March 2023, of:

- 20% based on Glencore's and Teck A's last close prices;
- 43% based on Glencore's and Teck A's three-month VWAPs; and
- 73% based on Glencore's and Teck A's twelve-month VWAPs.

This proposed exchange ratio with respect to Teck A shares allows such shareholders to crystalize the 62% uplift in Teck A's share price relative to Teck B's share price post Teck's announcement on 21 February 2023.

At these proposed exchange ratios, Glencore's and Teck's shareholders would own approximately 76% and 24% of MergeCo, respectively. Teck's proforma ownership under these proposed exchange ratios is materially higher than Teck's share of the historical equity market value of the proforma MergeCo., being:

- 21% based on the last close;
- 21% over the last 3 months;
- 20% over the last 12 months; and
- 18% since the completion of the Glencore Xstrata merger in May 2013.

The proposed exchange ratios therefore provide Teck shareholders with a material valuation premium against both the short term, and the long-term, through-the-cycle relative value of Teck.

US$4.25-5.25 billion of post-tax synergy value

Marketing

There is scope for significant value creation through having Glencore market Teck's production. As the pre-eminent metals and coal marketing company, Glencore has unparalleled scale and presence, and the combination would create value through efficiencies and optimization. Based on Teck's guided production levels, and usual marketing margin structures, this would add c.US$300 million per annum of incremental EBITDA across the combined companies, or c.US$2.75bn of value on a post-tax NPV basis.[1]

Operating and Overhead Optimization

As is the case with all large corporate combinations, a transaction of this size would also result in corporate synergies. Whilst there would continue to need to be two management teams, one for MetalsCo and one for CoalCo, we nevertheless believe that the restructuring that is required would result in significant savings potential being identified across overheads, procurement and financing. Based on our previous experience, this would result in savings of c.US$200 million per annum across the combined companies, or c.US$1.5bn of value on a post-tax NPV basis.[2]

Collahuasi and QB2

Given their proximity in Chile, there is scope for material value creation through a joint approach to the operation of Collahuasi and QB2, including the use of QB2's infrastructure to process Collahuasi's higher-grade ore. This would substantially enhance the profitability of both these mines, whilst simultaneously de-risking production. Realizing this synergy requires collaboration with the other shareholders in each of Collahuasi and QB2, the prospects of which would be enhanced and facilitated by MetalsCo having an interest in both assets. Whilst work

[1] Assuming an ETR of 15% and a discount rate of 8% (real), modelled to 2050. Assuming 50% of the savings are realized in Year 1, 100% in Year 2, and $100m of implementation costs.

[2] Assuming an ETR of 30% and a discount rate of 8% (real), modelled to 2050. Assuming 50% of the savings are realized in Year 1, 100% in Year 2, and another $100m of implementation costs.

on this remains ongoing, we estimate that this Collahuasi-QB2 synergy would add at least c.US$1.0 billion of value on a post-tax NPV basis to MetalsCo.[3]

MetalsCo and CoalCo Would Deliver Superior Value to Teck

Each of MetalsCo and CoalCo would be uniquely positioned within their respective peer groups from an asset quality, scale and diversification perspective. As a result, each should trade at a premium valuation to its peers, and to a Teck Metals or EVR as proposed, respectively.

MetalsCo: The Preeminent "Transition" Metals Miner

MetalsCo's leading and diversified portfolio of high growth and "transition" commodities would place it at the forefront of companies best suited to respond to the energy transition. MetalsCo would be:

- a leading producer in copper with 2022 proforma consolidated production of 1.3 million tonnes;
- a leading producer in zinc with 2022 proforma consolidated production of 1.6 million tonnes;
- a leading producer in nickel with 2022 proforma consolidated production of 107 thousand tonnes; and
- a leading producer in cobalt with 2022 proforma consolidated production of 44 thousand tonnes.

MetalsCo would be the must-own, "transition metals" company globally, with a Tier 1 portfolio comprising 44% of Collahuasi, 60% of QB2 (with potential for Collahuasi and QB2 to become the world's greatest copper complex), 100% of Antapaccay, 75% of KCC and 95% of Mutanda, 56% of Antamina, 100% of Red Dog, 70% of Kazzinc, 100% of Mt Isa and Macarthur River and 100% of Integrated Nickel Operations and Murrin Murrin. The combined assets would be fully integrated with MetalsCo's leading metals and energy (excluding coal) marketing business, which would market the full suite of products critical to the energy transition (metals, transition fuels, power and carbon solutions).

MetalsCo would also enjoy industry leading growth options. Glencore's portfolio supplements Teck's existing suite of copper growth opportunities, with an ability to add approximately 1 million tonnes of additional attributable annual copper production over the coming decade. Notably, the majority of Glencore's growth potential comes from comparatively low-risk, high-return brownfield projects at Collahuasi, Coroccohuayco, MARA, NewRange, and Mutanda, with only El Pachon being a greenfield project of size.

The highly cash-generative nature of MetalsCo's existing assets and its deep access to capital would ensure that MetalsCo would be able to action available growth options to meet the expected robust market demand growth, as and when required. As a result, MetalsCo would not need to retain any economic exposure to CoalCo's cashflows, and would therefore provide

[3] Teck and Glencore's combined 52% share (being 60% of QB2's assumed 50% share of the total synergy, plus 44% of Collahuasi's assumed 50% share of the total synergy), of at least US$2 billion of value on a post-tax NPV basis.

investors with a standalone, "transition" metals exposure, with first class ESG credentials. By contrast, Teck Metals would be reliant on EVR's cash flow for an extended period of time.

CoalCo: A Leading Yield Investment

Similarly, CoalCo's combined thermal and coking coal assets would position it as a leading, highly cash-generative bulk commodity company. CoalCo would be:

- a leading producer of export energy coal with 2022 proforma consolidated production of 61.1 million tonnes in Australia, 16.4 million tonnes in South Africa, and 19.7 million tonnes in Colombia;
- a leading producer of export met coal with 2022 proforma consolidated production of 21.5 million tonnes in Canada, and 12.7 million tonnes in Australia; and
- a leading producer of ferrochrome with 2022 consolidated production of 1.5 million tonnes of ferrochrome.

Diversified, with core, large-scale, low-cost operations, primarily in the Hunter Valley, Australia, Colombia and British Columbia, and free from encumbrances to MetalsCo, CoalCo would be able to sustain an attractive cash flow payout to investors through the cycle, thereby underpinning its value as an immediate 'yield play'. By contrast, EVR would not be able to do so for a significant period of time.

Commitment to Responsibility and Sustainability

We have a deep respect for the legacy and future of Teck, its strong track record and its commitment to responsible business practices. We believe that we would benefit from the strong leadership and deep technical expertise that exists in Teck's business and would want to ensure that this talent is retained and utilized for the benefit of the respective companies and shareholders.

Glencore is similarly committed to being a responsible and ethical operator wherever we work, and we have taken significant steps over the last few years to operationalize our commitments throughout our business. We see great opportunity to learn from one another and to create a MetalsCo that is able to support meeting the world's needs for responsibly and sustainably produced transition metals.

We recognize both companies' commitment to supporting the goals of the Paris agreement and the supporting net zero strategies. We intend for CoalCo to respect the net zero climate strategy Teck has announced in respect of its coking coal operations and that CoalCo would oversee a responsible decline of its thermal coal portfolio production.

Board, Management and Name

Against that backdrop and reflecting the fact that the Proposed Transaction is a merger, we would propose that:

- the Board of each of MetalsCo and CoalCo consists of 12 members, including the CEO, with 6 to be nominated by Teck and 6 to be nominated by Glencore;
- Teck to appoint the Chair of MetalsCo and Glencore to appoint the Chair of CoalCo;

- Glencore to appoint the CEO of MetalsCo and Teck to appoint the CEO of CoalCo, with the rest of management to be appointed on a "best of both" basis; and
- MetalsCo be named GlenTeck and the name of CoalCo to be subject to agreement amongst ourselves.

Strong Commitment to Canada and Canadian Presence

In line with our deep respect for the legacy and future of Teck, we acknowledge the position of Teck as a leader in the Canadian mining industry and its long history in Canada.

The formation of MetalsCo would ensure that Canada's base metals industry participates in a leading base metals producer that operates responsibly, is invested in the long-term success of its properties, and has the financial strength to explore and develop the next generation of significant base metals mines.

As part of this combination, Glencore would agree to:

- designate either Teck's Vancouver or Glencore's Toronto office as MetalsCo's global Industrial Head Office, which would manage approximately 3x times Teck's current metals production;
- maintain significant Canadian representation on each of MetalsCo's and CoalCo's Board of Directors;
- ensure that Canadians continue to serve in the management of MetalCo's and CoalCo's Canadian assets;
- provide ongoing and long-term employment in Canada for Canadians – the Proposed Transaction would not materially change the day-to-day operations at Teck's assets in Canada;
- maintain a listing of MetalsCo and CoalCo on the TSX;
- continue to invest in Canadian capital expenditure programs in each of MetalsCo and CoalCo and make new investments in a reinvigorated exploration program in Canada;
- honor all of Teck's commitments to local Canadian communities as well as to Indigenous communities to ensure their interests are acknowledged and protected; and
- honor all of Teck's social, labor and environmental programs in Canada.

Transaction Structure

We would propose the combination and separation be effected by way of two simultaneous (or near-simultaneous) and inter-conditional processes: (i) acquisition by Glencore of Teck in exchange for Glencore shares; and (ii) demerger of CoalCo.

<u>Step 1 - Merger of Glencore and Teck to create MergeCo</u>

We would propose the merger be effected legally by Glencore acquiring Teck in exchange for Glencore shares (Merger), at the above-mentioned exchange ratios. The acquisition would be effected through a Canadian Plan of Arrangement. MergeCo would retain its primary listing on the LSE to account for Glencore's extensive existing LSE shareholder base and its secondary listing on the JSE, but would also apply for a secondary listing on the TSX.

Step 2 – Demerger of CoalCo leaving MetalsCo

Simultaneously (or near-simultaneously) with the Merger, as an inter-conditional second step, CoalCo would be demerged through a distribution to the shareholders of MergeCo, with MergeCo then becoming MetalsCo. CoalCo would be listed on the NYSE, with secondary listings on the TSX and JSE.

Whilst our preliminary assessment is that the above should be able to be accomplished absent material structural inefficiencies, we would intend to work through this with you in due course, to ensure as efficient a structure as possible.

Due Diligence

Given the scale of the two companies, and as there is significant information publicly available on each of them, we would be willing to proceed without any due diligence. However, if your preference is to conduct due diligence, we are prepared to facilitate a reciprocal, expedited, due diligence review.

Conditions

The Proposed Transaction and this letter have been unanimously approved by the Board of Glencore.

Whilst the Proposed Transaction would require approval of our shareholders, we have approached our key former employee and current employee shareholders, and they have indicated support for the Proposed Transaction.

In addition, there would be a number of regulatory approvals required in various jurisdictions. Based on our initial analysis, we believe that we would be able to obtain the regulatory approvals for the Proposed Transaction. We anticipate working hand in hand with you and your team to make all required regulatory filings as soon as possible and expect our combined working teams and outside advisors to develop a plan to ensure such approvals are obtained expeditiously.

Conclusion

We believe that the Proposed Transaction provides a compelling value proposition to Teck shareholders, and is a superior transaction to the announced Teck separation into Teck Metals and EVR as:

- Teck shareholders immediately receive a meaningful premium through the exchange ratio;
- Teck shareholders would share in material synergies arising from the combination; and
- Teck shareholders would receive shares in a MetalsCo and a CoalCo that should trade at a premium valuation to Teck Metals and EVR, respectively.

In addition, we believe that the Proposed Transaction addresses a number of the issues raised by Teck in previousf discussions with Glencore, namely that:

- the proposed exchange ratio is materially higher than the 80/20 ownership split that Glencore proposed in previous discussions, reflective of the premium;

- the proposed approach on Board, Management and name for each of MetalsCo and CoalCo ensures that this is in all aspects a merger, not a takeover; and
- the incorporation of the Teck name, and the significant Canadian commitments secure Teck's legacy and future in Canada.

In sum, we believe that no other combination can provide Teck with the strategic and financial benefits outlined above, and that these vastly outweigh the potential value creation and strategic merits of the proposed Teck separation.

Next Steps

As we have demonstrated in our engagement over the last few years, it is our strong preference to work together over the coming weeks to agree a transaction, which we can then present promptly to our respective shareholders, many of which are common to both companies. We strongly believe that our respective shareholders would find this Potential Transaction compelling and would want our respective Boards to submit it for their consideration. We are hopeful that the terms of this Proposed Transaction will result in Teck Board engagement leading to meaningful progress, as we believe we have addressed all reasonable potential concerns.

* * *

We appreciate your consideration of this Proposed Transaction and look forward to hearing from you as soon as possible, particularly given the timing on your proposed separation transaction.

Yours faithfully,

Gary Nagle
Chief Executive Officer
GLENCORE plc