PARTICIPANTS

Corporate Participants

H. Fraser Phillips – Senior Vice President-Investor Relations & Strategic Analysis, Teck Resources Limited
Jonathan Price – Chief Executive Officer & Director, Teck Resources Limited
Crystal Prystai – Senior Vice President & Chief Financial Officer, Teck Resources Limited
Harry M. Conger – President, Chief Operating Officer & Director, Teck Resources Limited
Réal Foley – Senior Vice President, Teck Resources Limited
Amparo Cornejo – Vice President, South America, Teck Resources Limited
Tyler Mitchelson – Senior Vice President-Copper Growth, Teck Resources Limited

Other Participants

Orest Wowkodaw – Analyst, Scotiabank
Carlos F. de Alba – Analyst, Morgan Stanley & Co. LLC
Lucas N. Pipes – Analyst, B. Riley Securities, Inc.
Liam Fitzpatrick – Analyst, Deutsche Bank AG (UK)
Lawson Winder – Analyst, BofA Securities
Christopher LaFemina – Analyst, Jefferies LLC
Bryce Adams – Analyst, CIBC World Markets, Inc.
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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Teck's Second Quarter 2023 Earnings Release Conference Call. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. [Operator Instructions] This conference call is being recorded on Thursday, July 27, 2023.

I would now like to turn the conference over to Fraser Phillips, Senior Vice President, Investor Relations and Strategic Analysis. Please go ahead.

H. Fraser Phillips, Senior Vice President-Investor Relations & Strategic Analysis, Teck Resources Limited

Thanks, Caitlin. Good morning, everyone, and thank you for joining us for Teck's second quarter 2023 conference call. Please note today's call contains forward-looking statements. Various risks and uncertainties may cause actual results to vary. Teck does not assume the obligation to update any forward-looking statements. Please refer to slide 2 for the assumptions underlying our forward-looking statements.

In addition, we will reference various non-GAAP measures throughout this call. Explanations and reconciliations regarding these measures can be found in our MD&A and the latest press release on our website.

Jonathan Price, our CEO, will begin today's call with highlights from our second quarter results. Crystal Prystai, our CFO, will follow with additional color on the quarter. And then Jonathan will conclude the call today with an update on our copper growth strategy. And of course, we will then open the lines to questions.

With that, I'll turn the call over to Jonathan.

Jonathan Price, Chief Executive Officer & Director, Teck Resources Limited

Thank you, Fraser, and good morning, everyone. Now before we get into the second quarter results, I'd like to begin by taking a moment to say that we are deeply saddened by the fatalities that occurred in May 2023 at our Quebrada Blanca Operations. Health and safety is a core value at Teck, and we are focused on our goal of every single person going home to their families safe and healthy each and every day. We undertook a thorough investigation, and learnings from the investigation are being shared across Teck and with our industry peers to help prevent future incidents.

So moving now to the highlights for the second quarter on slide 4. Overall, we maintained positive momentum through the second quarter with achievements across all four pillars of our value creation strategy. First, we made significant advancements in copper growth. We achieved a major milestone at QB2 with the first sale of copper concentrate, and we are advancing ramp up towards full production rates later this year.

We also continue to progress our copper growth pipeline, and we achieved another major milestone with the receipt of regulatory approval from the Peruvian Environmental Authority for our Zafranal project. The team did a fantastic job throughout the process and we are very pleased to have the permit in hand. And for San Nicolás in Mexico, we closed the joint venture transaction with Agnico Eagle in the quarter, and the new project management team finalized the EIA permit application in June.

Second, our continued focus on execution on our operations drove strong financial performance. We generated CAD 1.5 billion in adjusted EBITDA and ended the quarter with CAD 7 billion of liquidity. Third, our strong financial performance enabled us to return cash to shareholders while continuing to strengthen our balance sheet. We paid our quarterly base dividend, repurchased CAD 85 million of Class B shares through the NCIB and repaid the first biannual installment on the QB2 project finance facility.

And finally, we advanced our governance and sustainability initiatives. We made a step change in the advancement of our governance structure with the completion of the plan of arrangement to implement a sunset of the multiple voting rights attached to the Class A common shares.

We also marked the one-year anniversary of Teck becoming the first mining company globally to commit to the goal of becoming nature-positive by 2030 with a CAD 10 million donation to the Chilean Nature Fund. This will help protect a critical global biodiversity area.

Since the launch of our nature positive program, I am particularly proud that Teck has helped conserve over 51,500 hectares, which is equivalent to 4.5 times the size of the city of Vancouver. Further, we are pleased that Trail became the first stand-alone zinc processing site globally to be awarded the Zinc Mark based on 32 responsible production criteria, including GHG emissions, community health and respect for indigenous people's rights. And we were honored to be named one of Corporate Knights' Best Corporate Citizens in Canada for the 17th consecutive year.

Now looking at our progress at QB2 on slide 5, as noted earlier, we achieved a major milestone at QB2 with the first shipment and sale of copper concentrate in the second quarter. Line 1 is operating well as per expectations and Line 2 is now in commissioning. The concentrate pipeline, concentrate filter plant and storage systems at the port are now in operation.

Due to delays in construction and commissioning, we have updated our QB2 2023 production guidance to 80,000 to 100,000 tonnes, but continue to expect to be operating at full production rates by the end of the year. So, total QB 2023 production guidance has been revised to 90,000 to 110,000 tonnes, which includes 10,000 tonnes of cathode. Our project capital cost guidance of US$8 billion to US$8.2 billion remains unchanged.

And with that, I will hand it over to Crystal for additional color on the quarter.

Crystal Prystai, Senior Vice President & Chief Financial Officer, Teck Resources Limited

Thank you, Jonathan. I'm going to start on slide 7 with our financial results for the quarter. As Jonathan noted, we delivered solid financial performance in the quarter, driven by robust commodity prices and steelmaking coal sales.

Overall, adjusted EBITDA was CAD 1.5 billion and adjusted profit attributable to shareholders was CAD 643 million or CAD 1.22 per share on a diluted basis. We paid CAD 65 million in quarterly base dividends, completed CAD 85 million in share buybacks and reduced our debt through the first semiannual repayment on our QB2 project finance facility of US$147 million.

We've outlined the key drivers of our profitability on slide 8. Our adjusted EBITDA was CAD 1.5 billion in the second quarter. Compared to the same period in 2022, the decrease was primarily driven by lower prices for our principal products, which were at historically high levels last year, particularly for steelmaking coal. Lower prices were partially offset by a weaker Canadian dollar. Lower copper sales volumes, continued inflationary pressures on our unit costs and the sale of Fort Hills also had a negative impact on our Q2 EBITDA compared to last year.

Looking ahead, we remain highly focused on managing our controllable operating expenditures. While diesel and other fuel costs have materially declined from last year, we continue to experience inflationary pressures in the cost of key supplies, including mining equipment, tires and contractors. Our underlying mining drivers remain relatively stable and the continued pressures on certain input costs are already reflected in our 2023 sustaining capital and annual unit cost guidance, which are unchanged.

Looking now at each of our business units in more detail and starting with copper on slide 9. Copper production of 64,000 tonnes was 10% lower than the same period last year, reflecting expected lower grades as well as unplanned maintenance at Highland Valley and reduced milling rates in response to cyclone impacts at Antamina. Copper production in the second half of the year is expected to be strong, with our annual copper production guidance, excluding QB2, unchanged.

Net cash unit costs were higher than the same quarter last year due to lower production and higher consumable costs, particularly for power, as well as higher maintenance costs. We expect copper unit costs to be within our annual cost guidance range with higher production in the second half of the year. Importantly, we achieved the first sale of copper concentrate at QB2 in the quarter.

Looking forward, as Jonathan mentioned earlier, Line 1 is operating well and Line 2 is in commissioning. We continue to expect QB2 to reach full production rates by the end of 2023. However, recent changes to IFRS require us to recognize sales proceeds and related costs associated with products sold during ramp-up and commissioning through our earnings. Historically, we and others in the industry would have capitalized these amounts during ramp-up through to commercial production. We expect this change in accounting treatment to increase our unit operating costs for QB2 during ramp-up. As a result, we do not anticipate generating significant gross profit from QB2 in the third quarter despite the expected ramp-up in production rates.

As Jonathan noted earlier, we updated our full year production guidance for QB2 to 80,000 to 100,000 tonnes from 140,000 to 170,000 tonnes. As a result, our total annual copper guidance has been updated to 330,000 to 375,000 tonnes from 390,000 to 445,000 tonnes. Our previously disclosed QB2 production guidance for 2024 to 2026 is unchanged.

Turning now to zinc on slide 10. Red Dog zinc production of 134,000 tonnes decreased by 7% compared to last year as a result of lower grades, as expected in the mine plan, as well as reduced power system availability. Red Dog zinc production is expected to improve in the second half of the year.

At Trail, refined zinc production was impacted by the planned roaster shutdown and the commissioning of the automated circuit to produce zinc. Refined lead production was impacted by unplanned KIVCET boiler repairs.

Net cash unit costs were higher than the same period last year and above our annual guidance range for 2023, primarily due to the timing of sales. Our annual unit cost guidance for the year is unchanged. The Red Dog shipping season commenced on July 4. And looking forward, we expect Red Dog zinc and concentrate sales of 240,000 to 280,000 tonnes in Q3, reflecting the normal seasonality of our sales.

For the full year, we have updated our guidance for lead production at Red Dog to 95,000 to 110,000 tonnes from 110,000 to 125,000 tonnes. As a result of our decision to advance the KIVCET boiler replacement at Trail from 2026 into 2024, we expect lower by-product production and related profitability next year.

Turning now to slide 11, strong performance and cash flow generation from our high-margin steelmaking coal operations in the second quarter further reinforce the inherent value of this business. While prices decreased from all-time record highs in Q2 last year, they remain strong and significantly above the long-term average. Production of 5.8 million tonnes was 9% higher than the same period last year, reflecting the timing of maintenance outages and improvements in productivity and reliability, despite intermittent plant reliability challenges in the quarter.

The logistics chain performed well during the second quarter, drawing down steelmaking coal inventories to low levels, as anticipated. Second quarter sales volumes were 6.2 million tonnes, within our guidance range and similar to last year.

We were pleased to enter into a long-term rail agreement with Canadian Pacific Kansas City Limited to support the efficient movement of our high-quality, low-emission steelmaking coal to global customers through 2026. We also announced jointly a unique collaboration to pioneer hydrogen locomotive technology, which supports our climate action plan and the objective of achieving net zero by 2050.

Looking forward, we expect Q3 sales of 5.6 million to 6 million tonnes, reflecting planned shutdowns at two of our operations and our low inventory levels. We expect slightly elevated transportation costs in the third quarter, reflecting the utilization of alternate port capacity to minimize the impact of the B.C. port workers' strike in July. Nonetheless, we anticipate transportation costs to decline in the second half of the year due to lower demurrage costs. As a result, our annual transportation cost guidance is unchanged. We expect our annual production to be at the lower end of our previously disclosed guidance range of 24 million to 26 million tonnes.

Moving now to slide 12, our financial position remains strong. Our liquidity is currently CAD 7 billion, including CAD 1.7 billion of cash. In Q2, we purchased approximately 1.6 million Class B shares for CAD 85 million and paid our quarterly base dividend of CAD 0.125 per share. We also reduced our debt through the first semiannual repayment of US$147 million on the QB2 project finance facility. We continue to maintain investment-grade credit ratings from S&P, Moody's and Fitch.

Looking ahead, in accordance with our capital allocation framework, we remain focused on balancing our investment in growth against returning capital to shareholders, while maintaining a strong balance sheet.

And with that, I'll turn it back over to Jonathan.

Jonathan Price, Chief Executive Officer & Director, Teck Resources Limited

Thanks, Crystal. Now I would like to take a moment to touch on our progress on advancing our strategy to create value for shareholders.

First and foremost, the board and senior management remains focused on delivering the tremendous value inherent in our base metals and steelmaking coal businesses. The exciting potential we see is a testament to the incredible work our teams have done to position each business for sustainable long-term success. The board continues to evaluate paths to unlock the full potential of our unparalleled copper growth pipeline and create significant value and opportunity for our shareholders and all stakeholders.

As previously announced, Teck continues to engage with a number of parties that have expressed interest in our steelmaking coal business. These expressions of interest demonstrate the broad recognition of the quality of Teck's high-margin, long-life steelmaking coal assets.

The board and special committee are pleased with the progress we have been making to date. As we continue to move through this comprehensive and competitive review, we are focused on arriving at an outcome that maximizes value for shareholders and ensures a sustainable future for the benefit of our employees, local communities and indigenous peoples.

Our steelmaking coal business is best-in-class, underpinned by a high-quality reserve base with top-quartile margins and a record of free cash flow generation through various commodity cycles. This business is positioned to capitalize on the global supply gap from existing mine depletion and a lack of new projects coming into production. The core business fundamentals are robust.

I highlight this only to underscore our commitment to delivering the right value for our highly profitable and resilient steelmaking coal operations. We will transact only if the benefits to our shareholders and other stakeholders are clear. Now we don't intend to provide any other detail regarding the ongoing review at this time, but we'll continue to provide updates as appropriate.

So turning to slide 15, driving organic growth through development of our copper project pipeline remains critical to our value creation journey. As I mentioned earlier, we continue to ramp up our flagship QB2 project, demonstrating its ability to operate consistently to plan and significantly accelerating our copper production profile.

Our pipeline of additional projects is full of high-quality assets in stable jurisdictions, and the portfolio is at an advanced state of readiness given our deliberate pre-investment. We have the opportunity to double copper production in the near term and double it again by the end of the decade to drive substantial new intrinsic value. But we will always remain disciplined in balancing the pursuit of growth with returning capital to investors, in line with our capital allocation framework.

Now looking at our near-term copper projects in more detail on [audio gap] (18:13) we have five significant near-term projects to drive additional copper-focused growth, all located in well-established mining [ph] jurisdictions (18:23) San Nicolás, QBME, Zafranal, NewRange and Galore Creek. These are diversified by jurisdiction and scale, with all projects significantly less complex than QB2.

In addition, they are forecasted to be low-cost operations and, in many cases, already de-risked through strategic partnerships. As I mentioned earlier, we significantly advanced these projects in the second quarter with the receipt of regulatory approval for Zafranal and close of the JV with Agnico Eagle and finalized the permit documentation for submission for San Nicolás.

On slide 17, Teck is pursuing an active portfolio management approach to our growth pipeline, maximizing optionality and value. With numerous sanction windows within the next three years, we'll be in a position to drive substantial additional growth from these development projects before the end of the decade. For each of these projects, we have significant work underway to advance development, including resource definition, engineering and design, and permitting and [ph] stakeholder (19:32) engagement. We are progressing projects towards the earliest possible sanction date.

We have de-risked product delivery financially and operationally through a partnership approach such as our approach for the development of QB. It is important to note that this is an unconstrained view of our copper growth. In prioritizing our growth options, we will consider multiple investment criteria, including financial returns, balance sheet capacity and financing options, project readiness, project development capacity and the social, political and environmental context.

Importantly, each of these projects will have to compete for capital with the rest of the business and demonstrate and generate strong returns. While permitting is a major gating factor in determining potential sanction dates, we are largely in control of project timing. We will continue to apply our disciplined capital allocation framework that balances growth with returns to shareholders. Overall, Teck's copper growth pipeline is well positioned to maximize optionality and value.

In closing, on slide 18, I want to reiterate our objective to responsibly create value for shareholders. That is my job, first and foremost. And if there is one conclusion that I hope our shareholders will take away from this call, it is that everything we do at Teck is designed to further that goal of responsible value creation. This is our North Star as we explore a range of options to unlock the full potential of our world-class base metals business and evaluate any transaction for our high-margin steelmaking coal business.

It is also our focus as we continue to execute against our copper growth strategy while continuing to balance growth with cash returns to shareholders. And we remain strongly committed to our purpose and values and to being a responsible corporate actor with good business practices. We are steadfast in our belief that behaving responsibly and thoughtfully enhances value.

Operating the right way makes Teck a partner of choice, minimizes disruptions to our operations and opens new opportunities for our company and our stakeholders. Teck is a fantastic company with an incredibly bright future. There is undoubtedly more work to do, and we remain both confident and excited about the potential for Teck in the future.

Thank you. Operator, please open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] The first question is from Orest Wowkodaw with Scotiabank. Please go ahead.

<Q – Orest Wowkodaw – Scotiabank>: Hi. Good morning. I was wondering if we can get some more color on the QB2 progress. We saw you disclosed production of only 3,000 tonnes in Q2, yet the comment was made in the presentation that Line 1 is operating well per expectations. Can you give us an update on what the status of Line 1 is and sort of what the issues have been?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Thanks very much for the question, Orest. I'm going to hand that one off to Red.

<A – Red Conger – Teck Resources Limited>: Hey. Good morning, Orest. We've had some delays in construction and commissioning in the second quarter that we've addressed, things like the required rework, some adjustments and modifications, not uncommon. And as you know, we've been building and commissioning this thing all along with the thought in mind of long-term reliable performance. So we've addressed things rather than patch them.

And so, now that we've got actually up and running strong in June and sending concentrate down to the port, getting it filtered, getting it off to market, we have all of those things in place now. And those adjustments and modifications that we made on Line 1 have all been made on Line 2. So we're commissioning Line 2 now with the full knowledge of everything that we addressed on Line 1, and that is going very smooth, very positive for us. So we're in a situation now where the second half of the year, the production is going to be heavier weighted toward the fourth quarter than the third quarter. But very confident that we'll be at full production rates by the end of the year.

<Q – Orest Wowkodaw – Scotiabank>: Just on that, Red, can you give us an idea of where throughput is right now on Line 1 in terms of tonnes per day?

<A – Red Conger – Teck Resources Limited>: Yeah. No, we've hit design capacities for periods of time. So as you commission all of this equipment like the concentrate pipeline and the filter plant, we have to adjust throughput as we're commissioning those components. We don't have a lot of storage space either at altitude or at the port. So the throttle as we commission these other components is throughput. But when everything is wide open and running, it runs very strong according to design, and we're very excited about the performance of the plant.

These adjustments that we made in the second quarter, not uncommon. There were no fatal flaws. Like, everything was sized appropriately and powered appropriately. So those are all significant checks for us that give us the confidence that this thing will perform as designed. We've seen it for periods of time performing as designed. And as we get everything else commissioned, you'll just have more and more of those days strung together, and that's how our forecast is built.

<Q – Orest Wowkodaw – Scotiabank>: And just finally, Red, what gives you the confidence, though, that – I mean, since things are delayed and you've cut guidance for this year, what gives you the confidence of the 2024 guidance, which I assume it's the low end of that three-year of 285,000 tonnes. Like, are you seeing any constraints that will impact the ramp-up next year?

<A – Red Conger – Teck Resources Limited>: No, not at all. If we did see constraints for us, we'd be flagging those, signaling those. Again, I want to repeat the plant is very well designed. It performs as designed. We've made a lot of adjustments that are for the long-term benefit of the operation. We're not patching things or leaving things to be modified in the future. We identified them in the second quarter, addressed them. And the run of Line 1 in June and July indicates that all of that is very strong, very sound, very solid.

<Q – Orest Wowkodaw – Scotiabank>: Thanks, Red. Good luck.

<A – Jonathan Price – Teck Resources Limited>: Yeah. Thanks, Red. And Orest, just to reiterate, overall, the reduction in guidance that we've communicated today is due to delays in construction and commissioning, not ramp-up. It's that that gives us the confidence that we will achieve full rates of production before the end of this year. And that, again, is why we don't expect any impact or carryover into 2024 and why we've retained that guidance.

Operator: The next question is from Carlos de Alba with Morgan Stanley. Please go ahead.

<Q – Carlos de Alba – Morgan Stanley & Co. LLC>: Yeah. Thank you. Good morning, everyone. Just on QB2 also, when do you expect the operation to turn profitable, given everything that was discussed in the previous question?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Carlos, thanks very much for that question. I'll turn that one over to Crystal, please.

<A – Crystal Prystai – Teck Resources Limited>: Hi, Carlos. Thanks for the question. I think as we've indicated, as a result of the change in accounting treatment where we have to record the results through our earnings, right, from sort of get go rather than waiting until we've achieved commercial production has an impact on the profitability. We haven't really commented on or guided to what that may look like. I think we do expect QB2 to be up to those full production rates by the end of the year and expect to be generating free cash flow into 2024, but that accounting treatment is really going to preclude us from generating substantial profitability in 2023.

<Q – Carlos de Alba – Morgan Stanley & Co. LLC>: Understood. Thank you, Crystal. And so on the expansion of QB2 now, the mill expansion, given the recent changes that haven't become law yet but might become law soon that increase the tax royalty for copper operations in Chile, have you now under this new paradigm, this new scenario, analyzed the possibility of moving ahead with this operation or with this expansion? I'm not so sure and if you could remind us, that would be great, if the tax stability agreement that you have for QB2 also applies to this expansion or it doesn't.

<A – Jonathan Price – Teck Resources Limited>: Yeah. Good question, Carlos. We assume that the bill that's been announced will be passed into law. And therefore, of course, we've modeled the impact on that across all of our operations and future projects in Chile.

We have a stability agreement in place at Carmen de Andacollo, which runs through to 2027. And as you know, we have a 50-year stability agreement for QB2. Now the design for the QB Mill Expansion, or QBME, is designed to be an expansion of QB2, not a separate project. And for that reason, we think it should achieve the same tax stability protection as QB2. That will ultimately be definitively tested through our engagement with government.

But either way, Carlos, as we look at the economics of QBME with or without the stability agreement, it looks attractive. Of course, it looks more attractive if we have the cover of that agreement. And that's something we're working through now. The permit application that we submitted in the first quarter of this year for QBME is running along very well. And we've had questions and queries from the relevant authorities that we've reverted on, and we see that moving along exactly as we would expect. So, very pleased with progress there so far.

<Q – Carlos de Alba – Morgan Stanley & Co. LLC>: Thank you, Jonathan. And if I may squeeze just one more on QB2. Any comments on the port and the jetty, and when would you expect that part of the project to be ready for you to ship the concentrate out of the country?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Let me pass that one back to Red.

<A – Red Conger – Teck Resources Limited>: Yeah. Carlos, first of all, just a nod to our marketing and logistics team. They've got a great set of alternate programs for us to truck concentrate out of the port. We've already proved that out. It's working well. And so we've got a strong sales mechanism in place in the interim.

The jetty work is progressing. We're wrestling away this construction project from the wild Pacific Ocean and it's been quite an interesting project for all of us. But we're making progress and should be shipping concentrate out of our own port facility by the end of the year.

<Q – Carlos de Alba – Morgan Stanley & Co. LLC>: Okay. Thank you very much, Red. Good luck with everything.

<A – Jonathan Price – Teck Resources Limited>: Thanks, Carlos.

Operator: The next question is from Lucas Pipes with B. Riley Securities. Please go ahead.

<Q – Lucas Pipes – B. Riley Securities, Inc.>: Thank you very much, operator. Good morning, everyone. Jonathan, I really appreciated your comments on the strategic side earlier today. And I know there is a process, but I just wondered if you could maybe frame up a preference on the steelmaking coal side. A partial sale, where would that fit in strategically? Would that solve the objectives that you've laid out? Thank you very much for your color on that.

<A – Jonathan Price – Teck Resources Limited>: Yeah. Thanks for the question, Lucas. As we said previously, we were looking for a separation here of coal from the metals business, something that would be considered simpler and more direct. We have a range of parties engaged right now who have expressed interest in the steelmaking coal business. And of course, they have a range of proposed transactions that they're bringing forward. It's a good confirmation, as I mentioned before, of the value of that business. And it's great that we have a competitive process that's running its course here.

Our focus will be to maximize value for shareholders, of course, while also ensuring a sustainable future for the benefit of employees, communities, indigenous groups, et cetera. There will be a range of considerations that we have to bring to the table here as we make those decisions to ensure we are taking care of all of those stakeholder groups appropriately. And that is something that we're working through right now.

So we have deliberately sought to keep a very open mind here with respect to what will create the greatest value. We do that through the lens of the perspectives of our shareholders, and we look forward to speaking to them again in the coming days post the quarter, and I'm sure we'll learn more about their views in that regard.

But look, we're working very diligently through this process. I don't want to say anything now to sort of prejudge or preempt what the outcome might be. We'll take the time to get this right and do the very best we can for our shareholders, but needless to say, we're not sitting on our hands and we're progressing this as quickly as we can.

<Q – Lucas Pipes – B. Riley Securities, Inc.>: Thank you very much for that perspective. Thank you. I have a market-related question on the coking coal side. Is Réal on the call as well?

<A – Jonathan Price – Teck Resources Limited>: Yes, Lucas. I mean we made a change, as you know, recently in the organization. Réal, after many, many, many years of phenomenal contribution here at [ph] SEC and obviously (35:21) the retirement. And we appointed Ian Anderson as our new Chief Commercial Officer. But Réal is on the line and I'm sure would love to talk to you about the current status and outlook for the met coal market. So Réal, with that, over to you, please.

<A – Réal Foley – Teck Resources Limited>: All right. Thanks, Jonathan.

<Q – Lucas Pipes – B. Riley Securities, Inc.>: Hey, Réal, I will miss your comments very much and I wish you all the best in your retirement.

<A – Réal Foley – Teck Resources Limited>: Well, thanks a bunch, Jonathan – Lucas. Really appreciate your comments. So just to give you a short insight into our outlook for steelmaking coal, I guess, at a high level, if you look at the demand side, this is what is happening with coal production. Hot metal production is up 60 million tonnes when you compare it to 2019, pre-pandemic. And when you do the same comparison for coal from the key exporters, it's actually down 35 million tonnes. So that kind of puts in perspective the levels of tightness that we're seeing in the market.

Now more specifically, steel prices are improving compared to the lows of last year. That's in response to better demand from various sectors. We are seeing some indications from China as well and they are looking at policies to support the economy. In India, steel production is also continuing to increase towards the government's target of reaching 300 million tonnes of installed capacity by 2030, 2031.

And then on the coal supply side, supply is still struggling. It's still down compared to last year. That's the fourth consecutive year of reduction in terms of seaborne exports. So it remains overall a tight market. And as a result, pricing is continuing to be substantially above the long-term average going back to 2010.

<Q – Lucas Pipes – B. Riley Securities, Inc.>: Réal, I really appreciate that. And I hope you keep an eye on the coking coal markets even after October. Again, best of luck in retirement. Thank you.

<A – Réal Foley – Teck Resources Limited>: Thanks a bunch, Lucas.

Operator: The next question is from Liam Fitzpatrick with Deutsche Bank. Please go ahead.

<Q – Liam Fitzpatrick – Deutsche Bank AG (UK)>: Hi, everyone. Just one quick one from myself. Just on the EVR sale process, I appreciate it's difficult to give much color, but there's a lot of interest in this at the moment. In terms of timing, is it your hope or your expectation that before the next set of numbers in October that we could get a fuller update in terms of your next steps on this business?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Thanks for the question, Liam. We are working on this very actively right now. We're engaged with multiple counterparties. As you would imagine, there's a detailed data room and due diligence process that's working its way through, which we will run to its conclusion.

As I said before, we're not sort of sitting on our hands here. We're taking a very active and diligent approach to moving this forward as quickly as we can, but also ensuring that we take time as we need it to deliver the best outcome here for shareholders and stakeholders. So I won't commit right now to timing, Liam, because, of course, that's also a function of the counterparties on the other side of this process. But suffice to say, we've been very active and continue to be very active in this world.

<Q – Liam Fitzpatrick – Deutsche Bank AG (UK)>: Okay. Understood. Thanks for the color.

Operator: The next question is from Lawson Winder with Bank of America Securities. Please go ahead.

<Q – Lawson Winder – BofA Securities>: Thank you, operator. And good morning, Jonathan, Red, Crystal. And hello, Réal, and also congratulations on your retirement. I just wanted to hopefully ask a follow-up on the coal separation again. Just based on your conversations with potential interested minority interest, is it getting to the point where the minority interest could actually add up to a majority stake in coal?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Thanks for the question, Lawson. There is a lot of interest, whether that's for the whole of the business or for components of the business. As you know, previously, with the transaction we had announced earlier in the year for separation, Nippon Steel, we're active and keen at that point in time with respect to their interest. Again, there are a number of structures that we're looking at here and a number of different forms of transaction that we will have to compare and trade off against one another.

I'm not going to preempt that now by sort of commenting on what will be more or less attractive because, of course, there's far more to it than just evaluation, as you know, in these circumstances, the allocation of risk and there's the long-term implications for the business beyond the transaction, all of which we have to be cognizant of in the decision-making process. But suffice to say, there is significant interest and it's broad-based in terms of where that interest is coming from.

<Q – Lawson Winder – BofA Securities>: Okay. Thanks very much. And then maybe just my follow-up would be on Chile. So you've highlighted again that the QBME feasibility study is expected to be completed in the second half.

And so my question there would be, would you expect that to be released with Q3 2023 results? And then assuming the economics are as compelling as you currently believe they are, is the regulatory environment in Chile – are you sufficiently comfortable with that to move ahead, whether or not you have the same tax benefits as the existing agreement with QB2?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Lawson, we are working through the completion of that feasibility study, which we hope to have done in the second half of this year. So it certainly will be done by the end of the year. In parallel, of course, we need to get the permit or the amendment to the existing permit to allow us to construct this project. So those two things are outstanding before we would make any sanction decision.

I'm actually going to hand over to Amparo just to give you a bit of a lay of the land with respect to the regulatory environment right now. Amparo is our Vice President covering South America. At the highest level, I would just say we're pretty comfortable with it based on what we see. But let me invite Amparo to add some color to that.

<A – Amparo Cornejo – Teck Resources Limited>: Okay. Good morning, everybody. And yes, as Jonathan said, the regulatory process of the DIA, which is Declaration of Impact study is going underway. The process has been smooth. We are now preparing the second round of answers. So we don't foresee any issues impacting the approval of that DIA.

<Q – Lawson Winder – BofA Securities>: Okay. Fantastic. Thank you both for those responses.

<A – Jonathan Price – Teck Resources Limited>: Thanks, Lawson.

Operator: The next question is from Chris LaFemina with Jefferies. Please go ahead.

<Q – Chris LaFemina – Jefferies LLC>: Thank you, operator. Guys, thanks for taking my question. I have actually a couple of questions on QB2. One is just maybe more of an accounting question. In the – so the CapEx budget or guidance for the project is unchanged at CAD 18.2 billion. In your investing activities table in the earnings release, you show QB2 project CapEx and you show the ramp-up CapEx. Does the CapEx for the project include the ramp-up CapEx? That's my first question.

<A – Jonathan Price – Teck Resources Limited>: Crystal, that's one for you.

<A – Crystal Prystai – Teck Resources Limited>: Yeah. Thanks, Jonathan. Thank you, Chris. There is a portion of project capital that is related to ramp-up, but that separate bucket of capital that we've categorized there is really in relation to the accounting treatment and how we have to look at those costs that we're incurring during that sort of commissioning phase and breaking those out between what goes into inventory versus what goes into cost of sales and what should continue to go into capital. So those aren't included in the project piece. But when we develop that project capital budget, there is obviously some capital associated with ramp-up that was built into that. But this is really in relation to the accounting treatment.

<Q – Chris LaFemina – Jefferies LLC>: Okay. So the ramp-up CapEx, I mean, obviously we're very close to commissioning. But if the ramp-up takes longer than you expect today, ramp-up CapEx would obviously continue to rise. But we should not look at that as being additive to the project CapEx. In other words, that's just basically pre-commercial production operating costs that are being capitalized [indiscernible] (44:49).

<A – Crystal Prystai – Teck Resources Limited>: That's – yes, that's the right way to think about it. And we don't guide to that number, but I don't expect that number to be substantially higher than what we've incurred already given, as you know, we're largely through the ramp-up phase.

<Q – Chris LaFemina – Jefferies LLC>: Got it. Thanks for that. I'm sorry, I wasn't sure exactly how that worked. My second question is if we look at...

<A – Crystal Prystai – Teck Resources Limited>: No, it's okay. Actually we're – yeah. Go ahead.

<Q – Chris LaFemina – Jefferies LLC>: Yeah. If we look at QB2 in its entirety and we consider the delays in some of the CapEx increases over the life of the project, with the project – assuming that you hit all your targets going forward in terms of production, operating cost and CapEx going forward, would it meet your hurdle rate based on your capital price assumptions? Or do you need the mill expansion now, which is obviously a much higher returning project for the project in its entirety to actually meet your hurdle rate? So does QB2 in and of itself meet your hurdle rate based on what you've built so far and will you expect to happen going forward?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Thanks, Chris. Of course, one of the major changes that's occurred since we started building the project is the long-term outlook for copper prices. When this was sanctioned and based on the returns we communicated at the time, we were using CAD 3.15 for the long-term copper price here.

Now, there's a range of views as to what that price should be in future, but I think everybody recognizes that that wouldn't be sufficient to incentivize the capacity that we're going to need to even go some way to filling the expected gap between supply and demand a few years out.

So that's a long way of saying, if you look at the additional CapEx that we've incurred, if you factor in some inflation in unit costs, which we, of course, have communicated as really updated our own unit costs for the market, you can still get a very strong return on QB2 using quite a reasonable copper price.

So the answer is yes. But in addition to seeing inflation in operating costs, exceedances in CapEx, you have to adjust the copper price assumption commensurately to go with that. But it is still a project that looks good in its own right and doesn't require the mill expansion to make the economics work.

<Q – Chris LaFemina – Jefferies LLC>: That's perfect. Thank you for the help. I appreciate it. Good luck.

<A – Jonathan Price – Teck Resources Limited>: Thank you, Chris.

Operator: The next question is from Bryce Adams with CIBC. Please go ahead.

<Q – Bryce Adams – CIBC World Markets, Inc.>: Yeah. Hi, all. Thanks for the call. I wanted to ask on NewRange listed as a copper growth opportunity on a few slides. So just an update on the permitting process. I think the water permit was revoked in May, but was that an air permit as well? A rundown on the permits there would be appreciated. And then, if permitting is a current hurdle, should NewRange be moved from a near-term to a longer-term opportunity?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Thanks for that, Bryce. I'm going to hand you over to Tyler Mitchelson, who's our SVP of Copper Growth. And of course, he's very close to that situation with the permit that you're referring to.

<Q – Bryce Adams – CIBC World Markets, Inc.>: Perfect.

<A – Tyler Mitchelson – Teck Resources Limited>: Hi, Bryce. Thanks for the question. Yeah, the Section 404 permit was the wetland permit, which is essentially the water discharge permit. And it was being contested in court. And in the end, we got the decision in May that that was revoked by the Army Corps of Engineers.

So right now, taking a bit of a step back to understand what is the pathway forward to get that permit reinstated. So there's multiple approach to that, including engagement with stakeholders, particularly the First Nations groups there as well as the EPA and the Army Corps of Engineering and state and federal regulators to understand what is our pathway forward from that. So we don't have a definitive answer, but it is a critical permit for us to be able to move forward with the project.

<Q – Bryce Adams – CIBC World Markets, Inc.>: So putting it all together, do you think that it would be – that asset could be in production this decade or is it going to the next decade?

<A – Tyler Mitchelson – Teck Resources Limited>: Very difficult to say at this point in time. As this – as been stated by a number of people, this is a bit unprecedented in the US to actually revoke a permit in the context of no violations to the permit conditions or anything. We're in a bit of uncharted territory right now. So over the next few months, we're going to work through what is that pathway forward, and we'll be able to have a much better sense for what the time line is on the project.

<Q – Bryce Adams – CIBC World Markets, Inc.>: Okay. And sorry [ph] if I was putting off (49:30)

<A – Jonathan Price – Teck Resources Limited>: No, I was just going to say, Bryce, I mean I think similar to many of the projects we have, and this is common across every operator in the industry, is that the permitting piece is one of the greatest uncertainties that to a certain extent is beyond our control. It's an advantage, therefore, to have multiple projects because of those time lines, as you identify. We're therefore very happy to have the Zafranal permit in hand. We will submit the permit for San Nicolás shortly. And of course, we have the QBME permit in train, as Amparo described, and is moving along well.

Ultimately, even with permits in hand, we still then have to look at how we optimize the development [audio gap] (50:23) of capital in such a way that it leaves space for return to shareholders and that we're directing the organization's project capacity – project construction capacity and those things that will generate the highest returns. So just having a permit per se does not necessarily guarantee that any project would be the first cab off the rank because we will always take a portfolio perspective to the way we deliver the greatest value.

<Q – Bryce Adams – CIBC World Markets, Inc.>: Okay. Maybe just a last one, a follow-up on these projects. But on that waterfall chart in slide 15, how do you see – like when you're preparing that chart, which one you put on the left, is that like the most probable project to be advanced or is it just more random?

<A – Jonathan Price – Teck Resources Limited>: Yeah. I mean, I wouldn't read into it necessarily in that first phase where you see those five projects of San Nic, QB Mill Expansion, Zafranal, et cetera, because, of course, Zafranal is the one where we have a permit, but in Zafranal we're redoing feasibility and we've got some engineering to be done. San Nicolás, we haven't yet put in the application for the permit. And QB Mill Expansion, of course, we're somewhere between the two.

So I wouldn't read into that too definitively in terms of the sequence in which these things happen. The point we're trying to communicate here is all of these things are in the mix in what we would call the near term here from a project development capability and delivery. And we will look at that on a portfolio basis across some of the range of factors I referenced in my remarks earlier.

But it's a great position to be in. Because of the risk of things like permitting, having multiple projects here, that we can accept one moving back in time because there'll be others that still exist, and that close timeframe gives us the option to continue to invest in growth. Whereas if we were a single project operator or even a two-project operator, that might be a very difficult thing to achieve.

<Q – Bryce Adams – CIBC World Markets, Inc.>: That's great. I appreciate the discussion. Thanks so much.

<A – Jonathan Price – Teck Resources Limited>: Thanks, Bryce.

Operator: The next question is from Timna Tanners with Wolfe Research. Please go ahead.

<Q – Timna Tanners – Wolfe Research LLC>: Great. Thank you. I wanted to follow up on that last question, just to understand slide 16 on those cash costs. If you could just remind us when they were last updated. And if it wasn't that recently, like what you think they might look like roughly if you were to update them, just high level?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Thanks, Timna. Tyler, do you want to comment on those?

<A – Tyler Mitchelson – Teck Resources Limited>: Yeah. Those cash costs, they are from the most recent studies that we have done. Now some of those are dated. And as we're moving through, as Jonathan is saying, we're moving through feasibility updates and for the majority of these projects, and we'll update those as we complete the final feasibility numbers. But as you noted, you are seeing inflationary impacts across the board, so we anticipate those will go up, but I can't tell you what they are at this point in time. But we'll have much better information as we work through the feasibility and the study process and update.

<Q – Timna Tanners – Wolfe Research LLC>: Okay. Fair enough. Thanks for that. My other question is just for Crystal. I wanted to touch base on the working capital just because it continues to see pretty high inventories. And just I'm assuming, of course, that has to do with the QB2 ramp-up. But how do we think about the cadence of that normalizing because the working capital use hasn't reversed as much as we might have expected? So, any timing guidance there would be great. Thanks.

<A – Crystal Prystai – Teck Resources Limited>: Thanks, Timna, for your question. You're correct, there is a build in working capital in relation to QB. So I think you can expect that to come down over time through the rest of the year.

<Q – Timna Tanners – Wolfe Research LLC>: Okay. Great. Thanks again.

Operator: I will now hand the call back over to Mr. Price for closing remarks.

Jonathan Price, Chief Executive Officer & Director, Teck Resources Limited

Thank you, and thanks to everyone for joining us today. As ever, if you need further details or context here, please reach out to the IR team. They will be very happy to help. And we look forward to seeing you all soon. So, thank you very much and have a good day.

Operator: This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.