

26-Apr-2023

Teck Resources Limited (TECK)

Q1 2023 Earnings Call

CORPORATE PARTICIPANTS

H. Fraser Phillips

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Jonathan Price

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Crystal Prystai

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Emily Chieng

Analyst, Goldman Sachs & Co. LLC

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Analyst, Wolfe Research LLC

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Teck's First 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 Wednesday, April 26, 2023.

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

H. Fraser Phillips

Senior Vice President-Investor Relations & Strategic Analysis, Teck Resources Limited

Thanks, Charice. Good morning, everyone, and thanks for joining us this morning for our quarterly 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 some comments on this morning's announcement. Crystal Prystai, our CFO, will follow with our first quarter 2023 results. Then we'll conclude the call with a question-and-answer period.

With that, I will turn the call over to you, Jonathan.

Jonathan Price

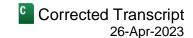
Chief Executive Officer & Director, Teck Resources Limited

Thank you, Fraser, and good morning, everyone. Before we get into the Q1 results, I want to start by speaking to our announcement this morning that we have withdrawn separation proposal that was to be considered by shareholders at our annual and special meeting today. That proposal was the result of a detailed process undertaken by a special committee of the board to review all the options and identify the best path forward for our shareholders and company.

From the outset, we've been clear that the focus of that work by our board, our senior management team and myself was maximizing value for our shareholders. And that work firmly identified that separating base metals and steelmaking coal was the best way to achieve that goal. There is no doubt in my mind or the minds of our board and management team that there is greater value and optionality in having a standalone, pure-play metals business separate from the steelmaking coal business. And we are confident from our discussions with shareholders that a substantial majority of shareholders support the strategy of separating Teck Metals and EVR.

At the same time, we've also heard very clearly that some shareholders would prefer a more direct approach for that separation. So our plan going forward is to evaluate alternatives for a responsible separation of our

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businesses, taking into account the feedback we've received. Our goal will be to pursue a simpler and more direct separation, which is the best path to unlock the full value of Teck for shareholders.

My job is about responsibly creating value for our shareholders and all stakeholders. We drive intrinsic value organically through the development of best-in-class projects and executing on our growth strategy. There is real value in being a good actor with good business practices, and that approach to doing business has made Teck a partner of choice, minimizing disruptions to our operations and creating opportunities for our business and our stakeholders.

Teck is a fantastic company with a strong future. We have the right assets, the right partners and the right people to capture the opportunities created by the energy transition, which we are well positioned to realize in the near-term. And we have a number of near-term value creation milestones ahead of us. Those include the ramp-up of our flagship QB2 copper project. Demonstrating QB2's ability to operate consistently to plan is a key area of focus for us and a major value inflection point.

Importantly, even beyond QB2, we have a portfolio of high-quality cornerstone assets in stable mining jurisdictions as well as a number of copper growth projects in our portfolio. And this is a copper growth pipeline that is the envy of the industry and in an advanced state of readiness, thanks to years of strategic and deliberate pre-investment.

We will be in a position to double copper production in the near-term and double it again by the end of the decade. At the same time, our steelmaking coal business is best-in-class, underpinned by an extensive reserve base with high margins. And it will be positioned to capitalize on the developing global supply gap from existing mine depletion and lack of new projects coming into production.

Long-term shareholder value can be created in a variety of ways. And today, we are focused on a three-pronged approach to value creation. Firstly, through a separation of Teck Resources to unlock the value of an exceptional high-growth base metals business. Secondly, through the development of our portfolio of copper projects to create substantial new intrinsic value. Thirdly, and all the while, retaining our focus on strong cash returns to our shareholders.

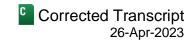
Beyond this focused approach, M&A can also play a role in creating value when done at the right price with the right partner at the right time. We have premium businesses, and when it comes to M&A, we firmly believe that competition for assets drives value. In M&A, you have to carefully evaluate both risk-to-value and timing of value. It is important to understand the consideration you would receive and the timing of when you would receive it.

All of these factors inform our thinking as to how and when Teck should contemplate a transaction with anyone. Management and the board take their duties incredibly seriously, but we'll not engage on something that is a distraction from our mandate to create the greatest value with the greater certainty for our shareholders.

I want to emphasize that we have greatly appreciated the engagement that we have had with our shareholders leading up to today and the very strong support shown for the goal of separation to unlock value. And we look forward to working to execute on a separation approach that reflects their considered feedback and ensure we maximize the value and opportunity it creates for all of our stakeholders.

So thank you. And with that, I will turn it over to Crystal to discuss our Q1 results.

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Crystal Prystai

Senior Vice President & Chief Financial Officer, Teck Resources Limited

Thanks, Jonathan. Starting with our financial results for Q1 on slide 8. We're pleased with the positive start to the year. We delivered strong financial performance in the quarter with strong commodity prices and steelmaking coal sales volumes. Adjusted EBITDA was CAD 2 billion and adjusted profit attributable to shareholders was CAD 930 million or CAD 1.78 per share on a diluted basis.

We paid dividends of CAD 0.625 per share in the quarter, representing a quarterly base dividend of CAD 0.125 and a supplemental dividend of CAD 0.50 per share. Additionally, in February, the board authorized the purchase of up to CAD 250 million of outstanding Class B shares.

Turning now to slide 9. During the quarter, we significantly advanced our copper growth strategy with the production of first bulk copper concentrate at QB2. We are just getting started on unlocking the tremendous value from QB, which is truly a world-class mine.

We achieved a number of significant milestones in the quarter in the QB2 ramp-up. The desalination plant is operational and producing water, which is being delivered to the concentrator through the water pipeline. The primary crusher and conveyors are delivering ore to the stockpile. Commissioning of the grinding and flotation systems on Line 1 are ongoing. The tailings facility has received tailings from commissioning activities and the concentrate transport system is in pre-commissioning.

We continue to expect to double our consolidated copper production in 2024, as QB2 is expected to reach full production rates at the end of this year. However, the result of the delay in the start-up of Line 1 and recent foreign exchange impacts have put pressure on our project capital cost guidance.

Significant efforts are ongoing to alleviate these cost pressures. However, total capital cost for the project could increase to \$8 billion to \$8.2 billion. Over 30% of the increase from our previously disclosed guidance relates to non-controllable foreign exchange impacts.

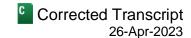
Turning now to slide 10 with the key highlights from our first quarter. We highlight the achievements on slide 10 across all four pillars of our copper growth strategy in the first quarter. First, in addition to production of first copper at QB2, we meaningfully advanced the path to value for our other copper growth projects in our portfolio. In particular, we successfully closed two significant transactions relating to the joint venture partnerships for NewRange and San Nicolás.

At the same time, we marked a step change towards the rebalancing of our portfolio of high-quality assets to low-carbon commodities with the closing of our previously announced sales of Quintette and our interest in Fort Hills. The latter completes our successful exit from the oil business.

Third, and as I mentioned previously, we returned significant cash to shareholders through dividends and have authorization for CAD 250 million of share buybacks. This reflects a distribution of 40% of the Fort Hills' proceeds received in the first quarter. We continue to maintain a strong balance sheet with liquidity of CAD 8 billion, including CAD 2.6 billion of cash.

And finally, we continue to build on our strong sustainability track record. We were honored to be recognized as one of the Global 100 Most Sustainable Corporations by Corporate Knights for the fifth consecutive year, and we are pleased to be named to the Bloomberg Gender Equality Index for the sixth consecutive year.

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We've outlined the key drivers for our profitability on slide 11. Adjusted EBITDA was CAD 2 billion in the quarter and lower than the same period last year as a result of lower prices for our principal products. To a lesser extent, lower sales volumes for copper and zinc, and inflationary pressures on our unit costs also impacted EBITDA as compared to Q1 of last year.

Inflationary cost pressures have moderated, but continued to have an impact across our business units in the first quarter, as we expected would be the case when developing our 2023 annual cost guidance. Inflation impacted our operating cost by 6% when comparing to the same period last year.

It is important to note that the primary drivers of cost increases are not related to key mining drivers, such as mine productivity and strip ratio, which both remain relatively stable. We remain highly focused on managing our controllable operating expenditures and our unit cost guidance is unchanged across our business units from our previously disclosed ranges for 2023.

Turning to – looking now at each of our business units in more detail and starting with copper on slide 12. Copper prices remained elevated despite the decline in the quarter, reflecting the continuing strong underlying market fundamentals. Copper production was lower than the same quarter last year, primarily due to harder ore and lower grades at Highland Valley and lower grades at Antamina as anticipated. An unexpected five-day suspension of operations at Antamina due to severe weather in late March impacted our Q1 production. Overall, full year production and unit cost guidance remain unchanged.

Turning to zinc on slide 13. During the quarter, severe weather events impacted zinc concentrate production at Red Dog and refined zinc production at Trail. Additionally, Trail was impacted by unplanned maintenance as well as a 22-day shutdown for KIVCET boiler repairs. Both Red Dog and Trail have returned to stable operations by the end of the quarter. And looking forward, we expect Red Dog zinc in concentrate sales of 45,000 to 55,000 tonnes in the second quarter, reflecting the normal seasonality of our sales.

Turning now to steelmaking coal on slide 14. Prices remained well above historic averages despite the decline in the quarter. Sales were 6.2 million tonnes, within our guidance range and above the same quarter last year. Logistics chain performance continued to be impacted by the weather-related disruptions from the fourth quarter of last year, but had substantially recovered by the end of the first quarter.

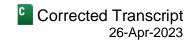
Our transportation costs in Q1 reflect higher rail rates and port costs as a result of increased utilization of third-party terminals. We expect transportation costs to normalize throughout the balance of the year and our transportation unit cost guidance is unchanged for 2023.

Looking forward, we expect Q2 sales of 6.2 million to 6.6 million tonnes as we complete the balance of deferred sales from the fourth quarter and reduce our clean coal inventories to normal levels.

As illustrated on slide 15, our financial position remains very strong. Our liquidity is currently CAD 8 billion, including CAD 2.6 billion of cash. In the first quarter, we returned CAD 321 million to shareholders through dividends and we reduced our debt levels by CAD 144 million with the redemption of notes upon maturity in February. Our board also authorized CAD 250 million of share buybacks in February under our normal course issuer bid.

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.

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

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Thanks, Crystal. Now on slide 17, I want to close by reiterating that our plan going forward is to evaluate alternatives for a responsible separation of our businesses, taking into account feedback we've received. Our goal will be to pursue a simpler and more direct separation, which is the best path to unlock the full value of Teck for shareholders. At the same time, we will continue to execute our copper growth strategy. We will advance our copper growth portfolio, which is the envy of our peers.

Commissioning and ramp-up of QB2 will, of course, be a key focus. We will rebalance our portfolio to copper, while reducing the proportion of carbon in our overall business. And we will continue to follow our rigorous capital allocation framework, balancing growth and cash returns to shareholders. And at the same time, we will maintain our leadership in responsible resource development, drive best practices in sustainability and share in the benefits of mining with our stakeholders.

Overall, Teck is very well positioned to drive long-term sustainable shareholder value.

So thank you, and operator, please open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] We ask that you please limit yourself to one question and one follow-up. [Operator Instructions] The first question comes from Greg Barnes with TD Securities.

Greg Barnes

Analyst, TD Securities, Inc.

...quarter. Jonathan, now that you've been through this process, do you think investors recognize the value in the coal business and are willing to take on a larger share individually of that coal business rather than, obviously, with the complicated transition capital structure now, something that's cleaner and more direct. Also, you've got two, I guess, independent valuations on that business of around CAD 11 billion. So that's what the market is telling you it's worth. Do you think investors will be willing to accept that valuation directly?

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Thanks for the question, Greg. Look, the first thing I would say is it's very clear that the market recognizes the value of the businesses that comprise Teck Resources today. One of the benefits through the engagement we've had with investors over the last two months is it has shone a light on the quality of the business we have today, but also the quality of the growth projects we have before us.

The other thing we've heard clearly from our shareholders through this process is they do see the value in a separation of Elk Valley Resources and Teck Metals as being the most value-creative path in terms of shareholder value. But what we've heard, as you just referenced, is that they would like to see a simpler and more direct separation. And that's exactly what we will now go away and study. We'll look at a range of alternatives there with a focus on maximizing shareholder value and work through those details.



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I think there's no doubt, Greg, that through this process, the quality of Teck's steelmaking coal business or Elk Valley Resources has been very, very well recognized in terms of the quality of the products that we produce, in terms of the high margins at which that business operates and the cash flow that's generated.

So, yes, there is clearly now a far enhanced understanding of the value of that business. And again, we continue to believe that the best path to unlock value is the separation of that business from Teck Metals.

Greg Barnes

Analyst, TD Securities, Inc.

Great. Thank you, Jonathan. That's it for me.

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Thanks, Greg.

Operator: And the next question comes from Orest Wowkodaw with Scotiabank. Please go ahead.

Orest Wowkodaw

Analyst, Scotia Capital, Inc.

Yeah. Hi. Good morning. Jonathan, just following up on Greg's questions. In terms of separating the business, can you run through the possible alternatives that you're considering? And would they include potentially a full spin-out of the coal business to shareholders or is another alternative of sale of the business?

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Thanks for that question, Orest. Look, I won't run through all of the options available to us today. But suffice to say, we will look very broadly at the full suite of options that would satisfy both the simpler and more direct separation of these businesses. Of course, that work has to be undertaken by the management team and with the board. And that is the focus, as I've said now, going forward. And of course, when that work is advanced and concluded, we will say more about that.

I think what's really important to note is that we will continue to work with our shareholders to get their perspectives and understand their feedback as that work progresses.

Orest Wowkodaw

Analyst, Scotia Capital, Inc.

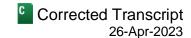
Can you – just as a follow-up, can you give us an expected timeline on how long you think the board and management needs to review and come up with a new separation strategy?

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Look, as I said, we'll look at a range of alternatives, Orest. I won't put a fixed date on that right now in terms of when we will communicate more about that. As you can imagine, this work will be a priority for us, but we need to ensure we take the time to engage with shareholders to understand their perspectives and come back with a

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proposal that meets those needs and is focused on maximizing shareholder value through unlocking that value with the separation of EVR and Teck Metals.

Orest Wowkodaw

Analyst, Scotia Capital, Inc.

Okay. And just one more, if I could. Just given the public separation plan that's been in front of shareholders, have you been approached at all by another party to buy the coal assets? Can you give us any sort of color there? Has there been interest in the market?

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

So, look, I won't speculate in any detail on that, Orest, as you would expect. But, again, suffice to say that the process we've been through over the last two months, which, of course, has been a very public one, has a significant interest in both businesses, EVR and Teck Metals, and it's very clear that the value of those businesses is well recognized. And hence, the value of Teck Resources is very well recognized. So we've been greatly encouraged by that and it really has shone a spotlight on the quality of the business that we have here as well as the growth options that we have ahead of us.

Orest Wowkodaw

Analyst, Scotia Capital, Inc.

Thank you, Jonathan.

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Thanks, Orest.

Operator: The next question comes from Emily Chieng with Goldman Sachs. Please go ahead.

Emily Chieng

Analyst, Goldman Sachs & Co. LLC

Thanks, Jonathan and Crystal. My question is around a follow-up on the separation that has been proposed. I guess, is there a sense of urgency in getting a separation done this year or could you wait until QB2 becomes more free cash flow generative and you've got further deleveraging at the corporate level before you could approach that next restructuring process?

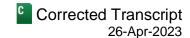
Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Yeah. Thanks for that question, Emily. As we look through the alternatives here that we will have for a simpler and more direct separation, of course, one of the things we will consider is timing as part of that proposal in terms of what would be optimal to maximize shareholder value.

Again, as I mentioned with respect to Orest's question, I won't give any more details now on exactly what that timing would look like. But to your point, we will consider timing as a key factor here in terms of how to maximize value for our shareholders.

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Emily Chieng

Analyst, Goldman Sachs & Co. LLC

Great. And then a follow-up on QB2 actually. I was curious around the – update around the jetty construction and when we should expect to see that come online and therefore, when we would expect logistical costs start ticking down for that asset. Thank you.

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Yeah. Thanks, Emily. On that point, I'll hand over to Red Conger, our Chief Operating Officer, to make some comments.

Harry M. Conger

President, Chief Operating Officer & Director, Teck Resources Limited

Yeah. Thanks, Emily. The jetty itself is the longest critical path to be completed later this year. Our logistics team has come up with a really creative way to sell our concentrate up until that construction is completed. So we will be able to ship and sell concentrate starting later this quarter for the remainder of the year until the jetty is completed.

Emily Chieng

Analyst, Goldman Sachs & Co. LLC

Great. Thank you.

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

Carlos F. de Alba

Analyst, Morgan Stanley & Co. LLC

Yeah. Thank you. Good morning, everyone. The question I had is on QB2 CapEx increase. I just wanted to go back and check what are the FX assumptions that are underneath the original CapEx. I thought it was CLP 775 per dollar. We have been above that level. And my understanding was that a weaker peso would favor the company. So, yeah, if you could provide maybe a little bit more color around that that would be great.

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Thanks for the question, Carlos. I'll hand you over to Crystal for that one.

Crystal Prystai

Senior Vice President & Chief Financial Officer, Teck Resources Limited

Hi, Carlos. Thanks for the question. Just in relation to the CLP 775 that you're referencing, that was an old FX assumption. When we updated our guidance in the third quarter, we used a range of CLP 900 to CLP 975 and the new estimate of CapEx is based on an CLP 800 to CLP 850. So you're seeing actually a strengthening of the peso, not a weakening. And that's the result of – or the impact is the CapEx increase.

Carlos F. de Alba

Analyst, Morgan Stanley & Co. LLC

That's very clear. And just a follow-up, any color on the timing of the remaining disbursements?

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Crystal Prystai

Senior Vice President & Chief Financial Officer, Teck Resources Limited

Yeah. I mean, it'll be spent over the remainder of the year that – and probably a little bit into the next year. The to go capital based on that updated guidance range is \$800 million to \$1 billion. So you can expect that to be spent over the rest of the year and probably some of that will move into 2024 as we finalize.

Carlos F. de Alba

Analyst, Morgan Stanley & Co. LLC

Thank you very much. Got it. Thank you.

Operator: The next question comes from Brian MacArthur with Raymond James. Please go ahead.

Brian MacArthur

Analyst, Raymond James Ltd.

Good morning. As you look at potential options going forward for the coal, obviously, shareholder opinion is very important, but you also have partners at the end of the day. Is there anything – and one of the unique things about EVR is, you kind of restructured the coal and made it a lot simpler. Is there anything you see that'll be a challenge going forward and your partners as you go down this route? I mean, you talked about shareholders who want a clean split. Do your partners want a clean split, too, or can you comment on that?

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Yeah. Thanks for the question, Brian. Look, we have a very good relationship with both POSCO and NSC, and of course, we worked with them for many years and including recently through the – through the recent proposal that we put to shareholders. We'll continue to engage with them and have been doing so. Of course, we expect them to remain very supportive of the business. And of course, we'd like to have them remain involved going forward. And those conversations, of course, will evolve as we work our way through the range of alternatives for the separation of steelmaking coal from base metals.

Brian MacArthur

Analyst, Raymond James Ltd.

Great. Thanks very much.

Operator: The next question comes from Shane Nagle with National Bank Financial. Please go ahead.

Shane Nagle

Analyst, National Bank Financial, Inc.

Just to confirm on the QB2 with the capital cost increase. Now that the concentrate is up and running, is there any other further delays or cost creep going to be classified under operator to this point? Or can you provide any color on maybe where things are at with commissioning the second line and how you may anticipate those costs going forward?

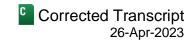
Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Thanks, Shane. That's a good question for Crystal.

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Crystal Prystai

Senior Vice President & Chief Financial Officer, Teck Resources Limited

I will probably pass the Line 2 ramp-up to Red, but I'll take your first – the first part of your question. We do have to continue to consider costs as whether they are operating costs versus capital costs. Project capital guidance is based on what we've disclosed. And the operating costs will just – it depends on how the ramp-up goes and our allocation of those costs to the inventory that's being sold, and we haven't provided guidance on that. So maybe I'll turn it to Red to give you an update on the Line 2 ramp-up timing.

Harry M. Conger

President, Chief Operating Officer & Director, Teck Resources Limited

Yeah, Shane So, where we're at right now, we've just completed a run on ball mill 2. It now requires retorquing for it to be ready to run long term. So that is going to entail a full project shut-down here to do that work and various other maintenance things that we've identified running Line 1.

So when that comes up in a week or so, Line 1 is ready to run, both ball mills are commissioned and running, will be going into cleaner flotation and essentially moving that construction workforce off of Line 1 substantially and on the Line 2 and be working diligently completing Line 2 the remainder of this quarter.

Shane Nagle
Analyst, National Bank Financial, Inc.

Okay, great. Thanks. And then just one more maybe just on the separation, the vote to – for the dual-class sunset, I just want to confirm that that's going to be disclosed a little bit later as well.

Jonathan Price

Veel. That yets will present and then will be considered at today's annual general and annual meeting.

Yeah. That vote will proceed and then will be considered at today's annual general and special meeting.

Shane Nagle
Analyst, National Bank Financial, Inc.

Jonathan Price
Chief Executive Officer & Director, Teck Resources Limited

Thank you, Shane.

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

operator. The flext question comes from Lawson Winder with Bank of America decounties. Fleade go ahead.

Lawson Winder

Thank you, operator. Good morning, Jonathan and Crystal. I just wanted to follow up on some comments you made in your prepared remarks, Jonathan, on value coming from a competitive process. And clearly, you indicated that you prefer that process to come after a spin. But I guess I would just ask you the question like is,

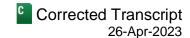
indicated that you prefer that process to come after a spin. But I guess I would just ask you the question like is, why couldn't that process create the most value prior to a coal separation? Like, potentially, there's a buyer that could actually address the coal separation more effectively.

Chief Executive Officer & Director, Teck Resources Limited

Okay, great. Thank you.

Analyst, BofA Securities

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Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Yeah. Thanks. Thanks for the question, Lawson. I mean, I think we've always been clear here that there will be more options to create value post the separation than pre. And that is a function of competition. As we see the situation today, of course, we have had one proposal that we have considered, that we've considered to be flawed with material execution risks for shareholders. That doesn't represent a competitive environment and that doesn't, of course, therefore, represent an opportunity to create the most value for our shareholders.

As I said, we continue to believe there will be more options to enhance value post separation. That's why we continue to look through the range of alternatives to conduct a separation in a simpler and more direct fashion.

Lawson Winder

Analyst, BofA Securities

Okay. Yeah. Thanks for that. Maybe I'll just sort of follow up on that and get one sort of a different way, which is, is it the case then that there was only one proposal that – on the table prior to the coal spin?

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Look, as you've seen in our communications, there is one proposal we have received, evaluated and rejected due to the flaws contained in that proposal. As we have discussed previously, we expect there would be significantly more interest in the businesses on a standalone basis than as combined today. I mean, that is one of the reasons we continue to believe that separation is the right path forward here.

More importantly, we think there is value to be created through the separation, as we can unlock the full potential of Teck Metals, in particular, with respect to the pipeline of copper growth projects that that business contains.

Lawson Winder

Analyst, BofA Securities

Fantastic. That's super helpful. And if I could just ask one simple sort of like accounting question. What is the CLP assumption on OpEx for the QB2 guidance for long-term? Thanks very much.

Crystal Prystai

Senior Vice President & Chief Financial Officer, Teck Resources Limited

Lawson, we'll have to follow up with you separately on that one. I don't have that one at my fingertips.

Lawson Winder

Analyst, BofA Securities

Okay. Thank you.

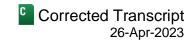
Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Thanks, Lawson.

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

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Lucas N. Pipes

Analyst, B. Riley Securities, Inc.

Thank you very much, operator, and good morning, everyone. Jonathan, my first question is also on the separation. I'm sure that before you went down the path with the TCS and EVR as you have proposed, you carefully evaluated, call it, like a clean spin where you would separate the coal business without cash flow, royalty, preferred equity structures, et cetera. What were the reasons you choose not to do that at that time? Would really appreciate your perspective on that.

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Yeah. Thanks, Lucas. I mean, I think as we've communicated over the past couple of months since announcing the proposed separation, we were trying to balance a number of competing factors here, which included the resilience of the valuation of the coal business and ensuring that was reflected and protected, looking for mechanisms to fund the very exciting pipeline of copper growth projects that we have in the base metals business, undertaking a separation in a responsible way, and of course, all the time with a focus on maximizing our value creation for our shareholders.

When we looked at that proposal, we believe that the separation, as we proposed back on the 21st of February, provided an optimal balance of those competing factors to unlock that value long-term. Now, clearly, in the engagement we've had with our shareholders and in listening to our shareholders, they have been strongly supportive of the path forward to separate EVR from Teck Metals, but they have told us that they would like to see a simpler and more direct structure to achieve that. So we take that feedback on board and we will work that through to come forward with alternative proposals in due course.

Lucas N. Pipes

Analyst, B. Riley Securities, Inc.

That's very helpful. Thank you. And then turning to operations for a moment. You mentioned in the release that the workforce in the Elk Valley is still a priority. And I wondered if you could touch a little bit on the staffing levels today and what has been an impediment to reach full staffing levels to date. Thank you very much for your perspective.

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Thanks, Lucas. I'll hand you over to Robin Sheremeta, the SVP of our coal business.

Robin B. Sheremeta

Senior Vice President-Coal Operations, Teck Resources Limited

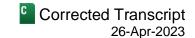
Yeah. Thanks. We've been actually on a pretty good track to bring our operating workforce back up to the full complement. So we've got enough operators, enough staff. I think the area that we're probably the most exposed right now is on the heavy-duty mechanics, so a very specific trade area, and we're working hard on that and making some progress. But that's probably the biggest risk we have right now, and it's just simply the heavy-duty mechanics side to production in the future. So we supplement that with contractors, so we have some options, but that's really our biggest risk right now.

Lucas N. Pipes

Analyst, B. Riley Securities, Inc.



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Thank you very much for all the color and again, continued best of luck.

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Thanks, Lucas. Much appreciate it.

Operator: The next question comes from Alex Terentiew with Stifel. Please go ahead.

Alex Terentiew

Analyst, Stifel Nicolaus Canada, Inc.

Hi, everyone. Look, I just wanted to go back to the separation question a bit once more and maybe just ask a different way here. Now that you've gone through this process, really, what are your – I understand maximizing shareholder value is key. But with that in mind, what are your objectives for separation? I mean, obviously, the past plan still had the 90% of free cash flow from the coal business going to the TCS and that was going to be there to fund the growth of the copper business.

I'm just trying to think of, going forward, what is kind of the main objective that you and the key shareholders that you've spoken to have decided upon would be a better alternative? And the second question, with the separation now off the table, the EST – or the original plan off the table, the Environmental Stewardship Trust that was in the prior plan, which was up to CAD 2 billion or so in payments over the next so many years and the Nippon investment. Are those – I just want to confirm where those stand.

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Yeah. Thanks, Alex, for those questions. So to your first point with respect to the objectives here, it boils down to maximizing shareholder value. And there are, of course, as I mentioned before, a number of competing factors with respect to that. And it's about re-evaluating that balance to ensure that a separation is progressed in a more simple and direct manner.

The other thing, of course, that we'll always factor into our considerations around the structured separation will be to do that in a responsible way that is taking care of all stakeholders associated with our business. So they will remain front and center and we will look broadly at a range of alternatives that meet those criteria.

With – to the Nippon investment and the creation of the EST, they were specific components of the proposal that we put forward on February 21. And as we undertake a review of a simpler and more direct approach to the separation here, then, of course, we will have to take those factors into account and determine what is most appropriate in a future separation.

Alex Terentiew

Analyst, Stifel Nicolaus Canada, Inc.

Okay. And then just I'm going to ask this question to see if I can get an answer. But you noted [ph] – at the beginning, you noted (00:38:22) substantially, a majority of the shareholders voted – sorry, were in favor of a separation. Any – are you willing to kind of give us a few details on what the vote was looking like? Obviously, that is now not going to be completed, but curious if there's any indication where you can give us kind of what shareholders were saying before today.

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Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Look, so we didn't proceed with the vote. So we won't have final numbers on a voting result, but our tracking showed that we weren't going to achieve the [ph] 66 and two-thirds percent (00:38:56) threshold that we needed for approval in this instance. Of course, I won't comment on the voting positions of individual shareholders through this process. However, overwhelmingly, the feedback that we've received is a separation of EVR and Teck Metals was favored as a mechanism to create value for shareholders. And hence, why we've elected to go back and figure out the best way to do that through a lens of doing this in a simpler and more direct way.

Alex Terentiew

Analyst, Stifel Nicolaus Canada, Inc.

That's great. Thank you.

Jonathan Price
Chief Executive Officer & Director, Teck Resources Limited

Thanks, Alex.

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

Timna Beth Tanners

Analyst, Wolfe Research LLC

Yeah. Hey. Thank you and good morning. Wanted to ask regarding the discussion of new mining laws in Mexico, the implications for San Nicolás as you go through your copper growth portfolio. The last version I saw had it first

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Thanks, Timna. I'm going to pass you over to Tyler Mitchelson, who's our SVP of Copper Growth, to address them.

Tyler Mitchelson
Senior Vice President-Copper Growth, Teck Resources Limited

Good morning. Thank you. Look, we continue to review the proposed legislation. Right now, it's gone through the lower house and there's been a number of changes from the original proposal. Right now, based on our preliminary estimates, it's not going to have a material impact on the development of San Nicolás itself, but we continue to work through the details to understand what the implications could be.

Timna Beth Tanners

Analyst, Wolfe Research LLC

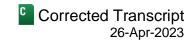
So, sorry, did I understand not expecting it to change your pipeline or your timing, but maybe the returns might be different? I'm sorry if I understand your answer.

Tyler Mitchelson

in line. So would love to hear the implications or your thoughts on any factor there.

Senior Vice President-Copper Growth, Teck Resources Limited

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No. Right now, we don't anticipate it changing any of the timing or the impacts of the returns. There's no financial implications to the proposed changes in the legislation. And we believe the fact that we've got a concession already, there won't be any implications going forward.

Timna Beth Tanners

Analyst, Wolfe Research LLC

Got it. Thank you. Just want to ask kind of a simple high-level question on the coal split. Clearly, unfortunate timing with regard to what the coal price was doing while you were in negotiations or pitching the split. How much do you think that was a factor? And what coal price do you think investors are looking at relative to where it's been historically? Thank you.

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Timna, based on the feedback we've received, I don't think the coal price has had any – has any impact on those discussions. The focus, as I've said, has been around supporting a separation but a desire to see that done in a simpler and more direct manner. Coal prices, as we know, will move up and down, and it hasn't been part of the conversation that we've had here [ph] over recent (00:41:55) months.

Timna Beth Tanners

Analyst, Wolfe Research LLC

Okay, great. Thanks again.

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Thanks, Timna.

Operator: The next question comes from Dalton Baretto with Canaccord Genuity. Please go ahead.

Dalton Baretto

Analyst, Canaccord Genuity Corp.

Thanks. Good morning, Jonathan. I want to start again by asking about the separation. This range of alternatives that you're going to work through, is this a subset of the range you've already looked at or did something fall through the cracks that you're going to start evaluating right now?

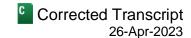
Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Look, we looked extensively around the best mechanism to optimize the portfolio and to create value for shareholders, and that was work done with the management and the board over the last two to three years. There were a number of options evaluated there. We will relook at those options again to see if they meet the criteria of doing this in a simpler and more direct manner.

We'll also, though, to see if there are other opportunities that weren't considered previously, perhaps in the light of a change in market conditions or whatever that might be. But the key driver, Dalton, behind this evaluation and the work that we will do is the feedback that we've received here from our shareholders. And we look forward to continuing to engage with our shareholders here, we'll continue to listen to their feedback and we will incorporate that into the work that we have ahead of us.

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Dalton Baretto

Analyst, Canaccord Genuity Corp.

Okay. Thanks. And then maybe just following up on a previous question there and kind of in the same vein here. How important now is managing Teck Metals' balance sheet and capital allocation framework as you work through this range of criteria?

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Look, I mean, I think it's always important, of course, to have the right balance sheet to underpin a growth portfolio. And it's always important to make sure we continue to return cash to shareholders on an ongoing basis to reward them for their ownership in the company. So those things will remain a priority for us here as we look to build out and realize substantial intrinsic value from the pipeline of projects that we have in the portfolio.

Dalton Baretto

Analyst, Canaccord Genuity Corp.

Thank you. And maybe just one last one for me. On the assumption that you come up with a structure that passes the vote, can you maybe speak to the appetite of the board and the Class As to look at bids immediately post separation versus kind of waiting for a period until your growth pipeline progresses?

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Yeah. I'm not going to speculate on that, Dalton. Our focus is to find a way to work through a separation here that will maximize value for our shareholders. As I've mentioned before, the priority with Teck Metals is the development of that unrivaled suite of copper projects that we have with QB2 ramping up to full capacity this year, doubling our copper output and then a range of projects, including the QB mill expansion, San Nicolás, Zafranal, hot on the heels of that to allow for investment in high-returning growth projects. So that's the focus here, Dalton, and I can't speculate on what may or may not happen beyond that.

Dalton Baretto

Analyst, Canaccord Genuity Corp.

Thanks, Jonathan. That's all for me.

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Thanks, Dalton. Much appreciated.

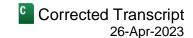
Operator: I will now hand the call back over to Mr. Price for closing remarks.

Jonathan Price

Chief Executive Officer & Director, Teck Resources Limited

Thank you very much. So I'm just going to make a few brief closing comments here. This process we've undertaken over recent months has really shone a bright light on the tremendous value of Teck, both for our shareholders and other stakeholders. It's shone a light on world-class operations, an industry-leading copper growth pipeline and our focus on responsible and ethical ESG performance, all of which contribute to an incredible value proposition and a bright future ahead.

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I will just close then by reiterating that our plan forward is to evaluate alternatives for a responsible separation of the business, taking into account the extensive feedback that we've received from our investors and feedback that we're very appreciative of. Our goal will be to do this in a simpler and more direct way, which we believe is the best path to unlock full value for Teck shareholders. Thank you very much.

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

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