MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen thank you for standing by. Welcome to Teck Resources 2021 Investor and Analyst Day Broadcast and Conference Call. At this time, all participants are in listen-only mode. Later we will conduct a question-and-answer period after each session. This conference call is being recorded on Tuesday, September 21, 2021. I would now like to turn the conference call over to Fraser Phillips Senior Vice President, Investor Relations and Strategic Analysis. Sir, please go ahead.

Fraser Phillips, Senior VP-Investor Relations & Strategic Analysis, Teck Resources Ltd.

Thanks, Matt. Now depending on where you're joining us from today, good morning or good afternoon to everyone. On behalf of the entire senior management team welcome to Teck's 2021 Investor and Analyst Day. Our presentation is posted in the Investors section of our website at Teck.com. Please note that this event is being video recorded and the recordings will be posted on our website later this week. Before we begin, please note today's presentation contains forward-looking statements, regarding our business. 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 slides 2 and 3 for the assumptions underlying our forward-looking statements. Throughout this presentation we will reference various non-GAAP measures, explanations and reconciliations regarding these measures can be found in the appendices of our presentations and our most recent filed quarterly press release on our website. Today's presentation is divided into three sessions, strategy, operations and ESG leadership. Don Lindsay our President and Chief Executive Officer, will lead our strategy panel which is focused on Teck strategy to capitalize on our industry leading corporate growth profile Industry-leading copper growth profile as we rebalanced our portfolio towards low carbon metals. The session will include a review of our key commodity markets updates on our to growth copper growth project and on our copper growth strategy and a discussion of our capital allocation priorities. Next we will provide operational updates across our major business units including the exciting progress on RACE21. The session will be led by Red Conger our Executive Vice President and Chief Operating Officer. The third and final session will be with Marcia Smith, Senior Vice President of Sustainability and External Affairs. Our CEO will provide an overview of tax commitment to ESG in and our industry-leading performance.

In order to make today's event as interactive as possible we've we have allocated time for a Q&A following each of the three panel discussions. We will wrap up the day with a final Q&A session and Don's closing remarks. Our presentation materials including a replay of the webcast will again be made available on teck.com. As a reminder to analysts and investors who wish to ask a question please dial into the conference center. Please limit your questions to one per Q&A session so that as many people as possible can participate. With that let's kick off our first session on strategy. Don will begin with an overview. He will be followed by Réal Foley, Senior Vice President of Marketing and Logistics and in our Key Commodity Markets. Next will be Red along with Alex Christopher our Senior Vice President of Exploration, Projects and Technical Services with an update on QB2. After that Nic Hooper, Senior Vice President Corporate Development will review our copper growth strategy. And finally Jonathan Price, our Senior Vice President and Chief Financial Officer will provide a summary of our financial strategy including capital allocation. Don with that over to you.

Donald R. Lindsay, President, Chief Executive Officer & Director, Teck Resources Ltd.

Well thanks very much Prystai and welcome everyone. Thank you all for joining us today. I'm going to begin with an overview of how Teck is poised for growth these next couple of years are going to be of how Teck is poised for growth. These next couple of years are going to be a very exciting phase in our company's history. Then, I'm going to go through an update on our health and safety performance and sustainability performance and some of the key changes to our management team over the last year. And then I'll go through the positioning that we have in a decarbonizing world and what we believe is an industry leading growth profile in copper and conclude with a review of our solid track record of returning cash to shareholders.

So starting on slide 2, as I said this is a very exciting time for both our industry and for tech itself. There are opportunities ahead as global growth and the transition to a lower carbon economy drive new metal demand, particularly for copper. Now, we are also focused on delivering strong operating results and strong free cash flow by taking advantage of the current favorable commodity price environment, particularly with steel making coal prices that are actually around $399 per tonne on a FOB basis and over $750 per tonne on a CFR China basis.

We believe the Teck is one of the best positioned companies globally to capitalize on the strong demand growth that we see for copper with one of the very best copper production growth profiles in the industry. In the process, we expect to continue to reduce carbon as a proportion of our total business while continuing to produce the essential metals and minerals required for a low carbon world. We're also continuing to strengthen our existing high quality, low carbon assets through our RACE21 technology and innovation program which is harnessing cutting edge technologies to drive step change improvements in productivity, efficiency, safety, and sustainability. And at the same time, we strive to maintain the highest standards of sustainability, safety and operational excellence in everything we do. And we have a leadership team with the right mix of skills and experience to deliver on our strategy.

Turning to slide 3 health and safety is a core value teck. We continue to make progress in our health and safety and our sustainability performance as you see on the slide. We have reduced our rate of high potential instance by 80% since 2016 and by 38% year-to-date.

As we work towards building a more inclusive workplace we have enhanced representation and diversity across the company with women comprising 28% of the senior management team and one-third of all new hires. We are rebalancing our portfolio as Fraser mentioned towards low carbon metals and have goals that address the climate challenges.

We've made a commitment to be carbon neutral across all of our operations and activities by 2050 with an interim target to reduce our carbon intensity by 33% by 2030. We are serving the needs of our communities and indigenous peoples with 24% of our procurement spend with local suppliers and with 72 active agreements with indigenous peoples. And we are implementing innovative water management and water treatment solutions to protect water quality downstream of all of our operations and all the time reducing our water use. We expect to triple our water treatment capacity in the Valley this year and we have achieved a 13% reduction in freshwater use at our Chilean and operations to-date. At the same time while we are proud of health and safety – and our health and safety performance and our sustainability performance we do know there is more work to be done to keep pace with the expectations of our stakeholders. Now addressing key changes to our management team on Slide 4 we have had a significant renewal of our senior management team over the past year including new hires.
promotions, retirements and restructuring. We've had a number of recent changes including Sarah Hughes was appointed VP Assurance and Advisory this past April overseeing Teck's Enterprise Assurance Program and the Assurance and Advisory team. Sarah joined us from Trevali where she was VP Risk and Insurance and previously Sarah held a number of senior roles at Goldcorp and was Group Internal Auditor for British Petroleum in London.

Brianne Metzger-Doran was appointed VP Health and Safety in May replacing Lawrence Watkins who retired on June 15. Brianne joined us from Enbridge where she was VP Safety and Reliability and brings to the role more than 20 years of experience in the Health and Safety, continuous improvement and risk management and compliance. Don Sandor was appointed VP Planning and Innovation for our coal business in November. He was previously the General Manager of our [indiscernible] operation and in his new role Don is responsible for aspects of sustainable resource development and business improvement initiatives in the steel making coal business. Nick Uzelac was appointed VP Legal in November, Nick brings to his role nearly 20 years of legal practice experience with a focus on securities law and M&A. Dr. Joshua Tepper was appointed Chief Medical Officer in July and Dr. Tepper is responsible for guiding the development and implementation of companywide occupational health systems and medical programs which of course has had a significant focus on our COVID programs to-date. Dr. Tepper brings extensive experience as a family physician and a health system leader most recently as President and CEO of North York General Hospital and Helen Kelly was appointed director and based investor relations in September. She joined us from Aritzia where she was VP Investor Relations for the past two years. She brings more than a decade of Investor Relations experience to the role largely in oil and gas and including both Suncor and MEG Energy.

Next slide please. So as I said in the opening some very exciting time to be in this industry. The unprecedented global monetary and fiscal stimulus in response to the COVID-19 pandemic has increased demand for the minerals metals and minerals essential for a low carbon world including copper, zinc and steel making coal. And the forecast near-term economic recovery as vaccine uptake continues is expected to further increase demand at a time when inventories of many of these metals and minerals are at historically low levels. At the same time long-term demand forecasts are strong driven by decarbonization, population growth and rising middle class. In copper significant growth demand is expected from power generation and grid infrastructure, storage, charging infrastructure and electric vehicles and overall CRU expects copper demand in these end users to grow at a 26% [indiscernible] growth rate between now and 2030. Teck is well-positioned to capitalize on this increase in copper demand. We expect to double our consolidated copper production by 2023 with the startup of QB2.

As shown on slide 6 we believe that high quality seaborne steel making coal will continue to be an essential input for production of the steel that's needed for infrastructure development including that required to support electrification and decarbonization. Over the long-term demand for seaborne steelmaking coal is forecast to remain robust fueled by growth in blast furnace steel production in regions such as India and Southeast Asia which have limited scrap availability and little to no access to domestic or overland hard coking coal supply.

The market share for seaborne steelmaking coal imports in these developing economies is forecast to increase from about one third currently to more than half by 2050. And supply growth is clearly constrained as shown in the graph on this slide. Without the addition of confirmed and unconfirmed greenfield and brownfield projects, there will be a significant gap to steelmaking coal demand between 2025 and 2030 which is not very far off.

We recognize the need for the steel sector to decarbonize in support of global climate goals. And we've done a great deal of work to understand the long-term resilience of steelmaking coal demand in a decarbonizing world both internally and with external experts. And you can find a summary of that work in the appendix of our marketing document which is available in the investor section of our website.

Our analysis suggests that in order to meet the world's decarbonization target, the steel industry is unlikely to converge on a single emission abatement technology. It's more likely a range of technologies will need to be deployed as they become commercially viable. Of these technologies blast furnace plus carbon capture utilization and storage or CCUS is the most cost competitive and commercially viable solution for large scale adoption unlikely to be displaced to scale by any other technology this half century. Is also the only abatement technology capable of decarbonizing the steelmaking industry at the rate and scale is required by 2050 and that drives continued demand for Teck's high quality seaborne hard coking coal.

Teck's premium hard coking coal also has properties that improve blast furnace efficiency and decrease CO_2 emissions efficiency and decrease CO_2 emissions per ton of steel, optimally positioning it for a decarbonizing future.

On slide 7, we believe that Teck strategy will ensure that we remain well positioned now and in the future for the transition to a low carbon world. In the near-term, our focus on copper growth will rebalance our portfolio and make Teck a major copper producer. At the same time, it will reduce the proportion of our total business that is derived from carbon, including steelmaking goal. In the medium term, we plan to prudently grow our copper business as an area essential to the transition to a low carbon world. In the process, we expect to reduce carbon as a proportion of our total business, while continuing to produce a high quality steel making coal required for the low carbon transition. Longer term, we aim to be the leading copper producers supplying essential metals for a low carbon world.

As I mentioned earlier, we have set a target to be carbon neutral by 2050 with interim goals for 2030. We intend to continue to progress carbon reduction initiatives that are already underway in our operations to achieve our carbon neutrality by avoiding, eliminating and minimizing emissions. These include transitioning to renewable power sources, switching to low emissions mining fleets and implementing efficiency improvements among other measures.

Next slide please. Accelerating capital efficient growth in copper is the cornerstone of our strategy. By growing our copper business and leveraging our industry leading copper production growth profile, we will become a major copper producer. As I said a few moments ago, we will rebalance our portfolio, making carbon including steelmaking coal a much smaller overall proportion of our business at the same time. We're also continuing to strengthen our existing assets through our [indiscernible] 2021 technology and innovation program which Andrew Milner will speak to shortly. And everything we do is underpinned by a focus on disciplined capital allocation and maximizing returns of cash to shareholders. We will rigorously assess and balance future opportunities for growth with providing cash returns to shareholders underpinned by a strong balance sheet. And of course we remain committed to leadership in ESG performance.

We believe Teck is one of the best positioned companies globally to capitalize on the strong demand growth we see for copper. We're already a significant copper producer from our four existing mines. But more importantly, as shown on slide 9, we have one of the very best copper production growth profiles in the whole industry. As I've already noted by 2023, Teck will have doubled our consolidated copper production as we complete construction of QB2. And this compares to an average copper production growth profile of just 21% for our diversified mining peers and only 11% growth for our copper peers and these numbers are according to Mackenzie. So Teck provides investors with strong corporate growth exposure at a time when copper demand is set to increase significantly.

In addition to QB2, our well understood resource base creates multiple growth options as illustrated on slide 10. These are high-quality resources and very attractive and well-established districts including Canada, the US, Mexico, Chile and Peru. These options also include approximately 22 million ounces of measured and indicated gold resources and a further 10 million ounces of gold in inferred resources. We are making prudent investments to further define the path to value for each asset, leveraging our exploration development and commercial expertise with a strong sustainability and community focus. Our continued investment has resulted in a robust pipeline in copper which is something that many of our peers simply do not have.

Next slide please. Everything we do is underpinned by a focus on disciplined capital allocation. We optimize how we deploy what we call available cash flow in our capital allocation framework. Balancing between returning additional cash to shareholders and investing in copper gold. Jonathan Price will speak to this more detail in just a few minutes. Teck has a solid track record of cash returns to shareholders with over $4.9 billion of dividends and buybacks from 2011 to 2020 as shown in slide 11. And I would be remiss if I did not highlight the significant potential for EBITDA generation from current steelmaking coal prices. We estimate our annualized EBITDA to increase by approximately CAD 1.5 billion for every $50 per ton increase in the steelmaking coal price.

In summary on slide 12 this is indeed a very exciting time for our industry and for Teck itself. There are opportunities ahead as global growth and the transition to a lower carbon economy drive new copper metal demand. And we have an industry leading copper growth profile and a very attractive copper pipeline. Strengthening how we operate both through cutting edge innovation to improve productivity as well as leading ESG performance. And we have a leadership team with the right mix of skills and experience to deliver on our strategy.

And with that I'll turn it over now to Réal Foley, our Senior Vice President, Marketing and Logistics on the current state of affairs and outlook for our major commodities. So Réal over to you.

[0C2YF8-E Réal Foley]

Thank you, Don and good morning or good afternoon. In my presentation today I will provide an overview of the markets for steelmaking coal, copper and zinc.
and – but I can say is what a difference a year makes. So starting on slide 2, the steelmaking coal prices diverged with the China import ban on Australian coal as shown on the far right of the top chart and as Don said China CFR prices are at an all-time high around $580 per tonne today and the current FOB Australia price is above $390 per tonne.

So the market is definitely very tight. The global increase in demand for steel is one of the main drivers for the coal prices. Global crude steel production is up by around 125 million tonnes at around 2 million tonnes year-to-date annualized and the crude steel increased ex-China is more than double the China increase. Steel production remains high to capture record high steel prices and strong margins. The iron ore price lost above $100 per tonne since speaking in May this year leaving steel mills with capability to pay for coal.

Steelmakers ex-China continue to run on local stocks and customers are trying to secure supply for Q4 ahead of the rainy season in Australia. We're also receiving inquiries from customers who have not purchased from Teck recently again illustrating supply tightness.

On the supply side on slide 3, the main price drivers following China's ban on Australian coal imports has been relatively absorbed by the global market, but has continued to impact China. Previously, Australia exported around $30 million tonnes to $35 million tonnes per year to China. It took around six months for trade flows to rebalance as we suggested back in November 2020. India, Japan, Korea, Taiwan and Southeast Asia reflagged the largest year-over-year increase in Australian coal imports as seen on the top chart. Increase in steel demand globally help move the Australian coal but left the Chinese market undersupplied by around 13 million tonnes to 20 million tonnes as shown on the bottom chart. China planned on increased domestic mine production and also increased imports from Mongolia and seaborne imports to offset the losses from Australia. While domestic mine production and seaborne imports increased year-over-year Mongolia is down a further 9 million tonnes year to-date annualized following a 10 million tonne drop in 2020. China domestic production continues to be challenged by safety inspection with increased production now expected to be half of forecast at the start of 2021. And at the same time port inventories are low and end-user inventories are at multi-year lows. COVID is continuing to impact Mongolia exports to China. China seaborne August year-to-date annualized coal imports ex-Australia are running at record high levels exceeding the previous record high in 2013. Ex-Australia continues to divert tonnes to China to capture the record highs CFR China prices. Keep in mind that in 2013 China crude steel production was around $780 million China crude steel production was around 780 million tonnes, so that is more than 300 million tonnes below the current production level which clearly shows that the coal market is very tight. We're hearing rumors that some suppliers are sold out through October or longer. While we can't be certain of the length of time that this pricing environment will continue indications are that the ban on Australian coal will continue into 2022. And what is certain is that the market is very tight. July year-to-date annualized coal production by the key seaborne exporters is down around 17 million tonnes versus the pre-COVID 2019 levels, while crude steel production is up around 125 million tonnes over the same period.

Looking at the medium-term to long-term on slide 4, steelmaking coal and particularly hard coking coal demand will be supported by expansion and builds of blast furnaces in Southeast Asia, in India. Asia has already committed to 20-plus years of traditional steelmaking technology. And the chart on the right shows a country split with India representing around 60% of the brownfield and greenfield expansions. As Don mentioned, steel production will be critical for global efforts on de-carbonization. It's used in almost all green energy and storage projects will increase in coming years. And while the world makes every effort to decarbonize efficient technology has not been developed yet to replace the primary steelmaking capacity using the traditional glass furnace and BOI food. The steel industry will look at several alternatives to transition to a low carbon environment including carbon capture usage and storage to reduce carbon emissions. Scrap will also be a factor in reducing emissions but it is not a silver bullet as we're seeing today in this year. Scrap has not been able to keep up with demand despite record high steel prices.

Now shifting to base metals on slide 5 with copper, copper is an essential element in the reduction of carbon emissions globally. The rapid expansion of green energy energy storage and emissions free transportation are adding to the demand for – demand growth for copper. A number of mining projects will come online in 2023, 2024 that could temporarily meet these demand projection but the supply response is falling short for the top chart. Note that 80% of the projects were sanctioned prior to the pandemic and prior to the rapid escalation in the move forward in the green energy. Demand for copper is forecast to grow by more than 12 million tonnes in the next 10 years to meet the accelerated IEA targets. In the last 20 years by comparison during the economic transition in China copper mine production only grew by 7 million tonnes and currently only 2.4 million tonnes have been committed out of that 12 million tonnes required in the next 10 years.
So demand for copper continues to accelerate as more companies move to lower emissions. Automakers for instance in the last three months alone have raised or brought forward their five-year targets or total yearly [indiscernible] 00:2754 fleets by 8% per the bottom chart. This is an 8% increase in end use demand versus what was projected only three months ago. Many industries now struggling to keep up with the rapid pace of change. It is estimated that the current electric grid will require over a 10% increase in capacity just to meet the near-term targets of global 20% EV penetration.

Turning to the zinc market on slide 6, the market continues to underestimate the changes taking place. Chinese mining production continues to underperform expectations. We expect Chinese zinc mine production will remain relatively flat in the coming years with some expansions offset by lower grains and lower production out of their mines. This will result in an increase of imported concentrate into China per the light blue bars on the top chart. In the short term, energy restrictions impacted some smelter production offset by continuing logistic issues in South America including the shortage of vessels and containers. The same concentrate market remained tight this year with treatment charges stable in the US 70% to 90% range. And the zinc metal market also exceeded expectations In the zinc metal market also exceeded expectations in 2021. For instance premiums in the American market are now in the $8.75 to $0.11 per pound range levels last seen a number of years ago. Global galvanized steel is increasing when galvanized sheet prices hitting record highs despite a slowdown in auto production due to a shortage of computer chips. We see this pent up demand continuing well into 2022. But some suggesting auto prices could remain high into 2023 on supply shortages. As mentioned earlier, decarbonization will require steel. Galvanized steel extend the service life of steel and reduces scrapping and thereby carbon emissions.

With that, I'll turn it over to Rad Conger and Alex Christopher to provide an update on our near-term copper grove project QB2.

Unverified Participant

Thanks Réal. I'm Rich Conger Executive Vice President and Chief Operating Officer and I'm joined today by Alex Christopher our Senior Vice President of Explorations, Projects and Technical Services. We're going to take the next 10 minutes or so and talk to you about the significant progress we've been making at QB2 and give you a snapshot of our current construction and commissioning focus.

We won't repeat what Don has highlighted or reiterate much what you already know regarding the quality and attractiveness of Quebrada Blanca is one of the world's premier undeveloped copper deposits. Before I start with the update, I wanted to remind you of the size and scope of the infrastructure that we are developing at this brownfield site where we expect that we are developing at this brownfield site, where we expect to produce 316,000 tonnes of copper equivalent and concentrate annually over the first five full years of operation. Constructing a 143,000 ton a day conventional copper concentrator, a tailings facility with a capacity for a 28-year mine life, 165 kilometers long concentrate on water pipelines, our port facilities and includes a desalinization plant and concentrate filtration plant as well as supporting infrastructure such as power lines, electrical substations and roads.

Now over to Alex to take you through progress on key focus areas.

Alexander Nicholas Christopher, SVP-Exploration, Projects & Technical Services, Teck Resources Ltd.

Okay, thanks Red. So starting on slide 2 the overall construction is advancing very well across the project, and we continue to gain steady progress surpassing 60% overall project progress in early August. And absent another significant wave of COVID, we remain confident we'll achieve first copper production in the second half by 2022. The project's team response to the significant second wave of COVID in Chile in the first half of 2021 was nothing sort of exceptional. Our focus on vaccinations and our strong COVID protocols including extensive proactive testing continue to be very effective [indiscernible] (00:32:50) key to the second successful advancement of the project.

Chile has cited our efforts as a model for managing workplace health and safety during these unprecedented times, and Bechtel indicates that QB2 is one of their best performing projects worldwide for managing the spread of the virus.

The capital estimate remains unchanged at $5.2 billion before COVID impacts. And our estimate of COVID capital cost impact as highlighted in our most recent quarterly conference call is $600 million. I'm proud to say that as of this morning the work, we work, the project workforce is currently over 82% fully vaccinated with over 90% of the workers having received at least one dose. So with COVID cases in Chile declining coupled with the higher rates of vaccination in the country and in the project workforce, we're aggressively ramping up the workforce levels with the focus on delivering to the project's key milestones.

And we're doing this in a coordinated fashion by collaborating with Bechtel and the various construction contractors to build a ramp up and construction success to-date. This includes initiatives and incentive programs to continue to drive behaviors that will successfully deliver results and keep major project areas on track to achieve our targeted first production date.

The project focus and critical path remains the grinding circuit at the concentrator. The Port you see – at the right of the slide shows of course our stockpile area back in June we're well-advanced with the Dawn Foundation's Dacher structure and reclaim tunnels. We're also maintaining a strong focus on other important construction areas including the Port Dupont infrastructure which provide water for commissioning of the concentrator.

So moving on to the next slide. Given the advanced stage of construction with first copper rapidly approaching we've considerable efforts directed at operational readiness and commissioning to ensure a successful startup and a seamless transition operations. As a major new project [indiscernible] is being built from the ground up to incorporate leading technology in innovation including our state-of-the-art Integrated Operation Center.

Which will drive value by letting people process and workplace design. The facility has been designed so that multidisciplinary operations teams including our integrated planning group value chain optimization process control and reliability we'll have real-time visibility and tools to remotely manage operations at QB2 . Our operations leadership team is already in place and we're actively ramping up the operations workforce as we undertake pre-commissioning and commissioning activities and systems as a turnover. Each of the operational areas listed here has multiple systems and subsystems that need to be commissioned and operated.
with a number of these starting just this year. Our operations and commissioning teams are working closely in collaboration with our construction and corporate groups to ensure successful delivery and start-up. So in the foreground of this July photo on slide 4 you can see our progress in advancing the jetty from both onshore and offshore work fronts. In the background you can see the construction activities on a desalination plant, pump station, facilities for receiving and loading the concentrate on to ships and our electrical substation which we'll start commissioning later this year.

The desalination plant will be one of the first facilities that will be commissioned in order to deliver waters to the tailings management facility and support commissioning of the concentrator. Construction of the linear works which includes the pipelines, pump stations, 23 kilovolt substations and 220 kilovolt power transmission lines are in full swing and these facilities are all well advanced.

Slide 5 shows a starter dam with the tailings management facility where we continue to raise the dam in preparation for storage of the desalinated water that we'll be using for commissioning and operations. But the tailings management facility work is ongoing on the tailings transfer system as well as other work areas related to tailings deposition and water recovery. It's important to note here that we're using our new CAT 794 truck fleet to deliver the materials to the dam and the fleet is performing very well. This has effectively commissioned a portion of the QB2 fleet ahead of pre-stripping all the mining activities. In addition, we're well advanced in the commissioning and testing of the autonomous haul system in advance of pre-stripping activities later this year.

Slide 6 provides a view of the concentrator grinding area which continue to progress very well and which remains the critical longest path for the project. All six mills are in place and will continue to advance structural, electrical and mechanical components as well as piping and cabling.
there are several discrete systems and subsystems at the mine and [ph] military which are required to be in place over time to support the commissioning and ramp up of the concentrator and [ph] using the flotation circuit, which is well advanced with all the tanks now in place. Other systems such as the primary crusher and ore delivery systems as well as the concentrate and tailings thickeners are well advanced and the associated mine area facilities including the both the mine and the truck driver plan for completion and commissioning later this year. The critical – this critical work front is progressing well and we're working to ensure that these systems – the systems are in place to support the commissioning first copper.

Moving on to slide 7, we're committed to achieving first copper as quickly as possible to summarize the prior three slides there are three key systems required for first copper. The desalination plant sufficient water storage capacity to [indiscernible] facility and the line one crushing grinding and flotation systems. Commissioning of the desalination plant will provide water to be pumped through the pipeline for placement in the tailings management facility which will be used for commissioning to freeze copper concentrate. The project team is laser focused on ensuring these three systems are delivered and commission on schedule. The keys to success to a delivery of first copper remain partnership with Bechtel and ensuring alignment of the construction commissioning and operating teams across Teck, Bechtel and contractors. Going forward there were two major focus areas execution on the critical path of the concentrator and delivering the port upon infrastructure that are key to enable the commissioning and startup. The push to finish is all about first copper as soon as possible in the second half of 2022.

With that, thank you and I'll turn this over to [ph] Nick Cooper to speak to our copper growth strategy.

Unverified Participant

Thank you, Alex. Good morning or good afternoon. As Don highlighted in his introduction accelerating copper growth is the cornerstone of our strategy copper growth is the cornerstone of our strategy by leveraging our leading copper growth profile, we will become a leading corporate producer. Teck is well-positioned to realize value from a robust and diverse pipeline of corporate dominance based metal projects. Everything we do is underpinned by a commercial value focused approach combined with disciplined capital allocation. In the next few minutes, I'm going to highlight that we have the right approach, the right assets and the right team to achieve our corporate growth aspiration.

On slide 2, our approach to the developments of QB2 illustrates how we are thinking about our corporate growth pipeline. In the lead up to QB2 development decision, we de-risk the project from a technical permitting social environmental perspective. We right-sized our balance sheet through the repayment of $4 billion of debt and regained our investment grade credit rating. We returned CAD 1.9 billion to shareholders in the form of dividends and share buybacks. We reduced our project equity funding exposure through the US $1.2 billion partnering transaction with SMM and Sumitomo Corp. and a competitively priced $2.5 billion project financings.

As we did in QB2, recognizing investors focus on cash returns and free cash flow yield as part of adhering to our capital allocation framework. We will seek to reduce on an opportunity-by-opportunity basis, Teck's equity requirements for future growth through partnering, streams, infrastructure carve outs and project financing. Let me repeat, we will adhere to our capital, our rigorous capital allocation framework to balance growth and cash returns to shareholders.

On the next slide I want to stress that is by design Teck is in this particular position to have such a robust pipeline of growth projects. The longstanding corporate goal has been to consistently invest cycle in, cycle out in large high quality ore bodies and thereby sustain Teck for the following generation. This approach is one where we constantly strive to increase the quality of the portfolio 00:41:49 [indiscernible] advancing our medium term and future growth options. As this slide illustrates, Teck corporate growth profile portfolio is supported by extensive studies that have been completed over the last five years. Alongside technical analysis, we have pursued a comprehensive and considered approach to community relations and permitting. This foundational work provides the basis upon which Teck can recognize value from these options. Ultimately, our competitive advantage is a result of actively advancing our portfolio of copper growth options over the last five years or so while the rest of the industry hasn't. The end result is Teck is extremely well positioned perhaps better than any of our competitors to maximize value from our, from copper demand growth well beyond the ramp up of 00:42:39 [indiscernible]

On slide 4, our portfolio, slide 4 shows our portfolio of copper growth options from a relative risk and return perspective. We have a suite of copper projects which vary by demand type and deposit type scale jurisdiction and stage of advancement. As Fred articulated, QB2 is an, in execution and set to deliver value in the near-term. [indiscernible] are nearing the point where value can be realized. QB3 and galore are attractive medium term options, which we will systematically advance in the coming years. Waiver [indiscernible] are future options with a compelling scope, scale and value improvement potentials. Details of these projects, these feature options are included in the appendix to the Investor Day presentation which can be found on the website.

On slide 5, we provide an overview of the key attributes of Zafranal, which is located in Southern Peru. A feasibility study and subsequent value added study was completed in mid-2019 and early 2020, which substantiated staff analysis of quality mid-sized capital efficient copper gold development opportunity with a 19-year mine life and mine life extension potential. Zafranal distinguishes itself from other development opportunities in Southern Peru due to its favorable location to infrastructure and moderate elevation. Good grades, superb gene, enriched mineralization in the early mine life roughly about 2.5 times the grade at the end of the mine life allows for a rapid payback about 2.5 years of attractive cash cost and investment returns.

In August of this year, we submitted the SCIA, which upon approval will increase our ability to realize value from Zafranal. Leading up to the FDA submission, we strengthened our community engagement at the local regional and national levels, while establishing and maintaining a high level of collaboration and coordination with the proven regulators. Our focus over the next year will be to secure the SCIA and make prudent investments to improve capital and operating costs and realize mine life extension opportunities.

As the review of the SCIA continues and once COVID CIA continues and once COVID constraints are reduced, we will consider our value realization options with [indiscernible] (00:45:22).

Slide six provides an overview of San Nicolas project located in central Mexico Zacatecas state one of the country's key mining states. A pre-feasibility study was completed in Q1 2021 that demonstrates San Nicolas is a high-quality midsize copper zinc massive sulfide development opportunity with robust economics tied to a high average copper and zinc grades through the 15-year mine life. San Nicolas has a favorable location which results in very competitive development and operating costs. The initiation of the feasibility study and submission of permitting applications are expected to be made in the next quarter or so.

In addition to initiating the feasibility study and advancing permits, we are considering a range of development options including partnering that will improve our ability to advance the development of San Nicolas in a prudent capital efficient and timely manner.

On page 7 we highlight our two medium-term corporate development projects QB3 in Galore, both are underpinned by high quality large resources with compelling production operating costs and competitive capital efficiency profiles in attractive jurisdictions. Social engagement for both assets as well advanced and we will strengthen these as these projects evolve. The QB Hydrogen Resource Base allows us to consider potential increases to QB2 production by 50% up to 200% with corresponding incremental increases in QB2 EBITDA, capital intensity is expected to be low to medium capital intensity is expected to be low to medium due to QB2 brown – brownfield environment and related to economies of scale that will improve cost competitiveness. The sequence and timing to realize the full potential of the significant resource base in QB will be a key component of the QB3 pre-feasibility study.

At Galore Creek, work is underway to complete a pre-feasibility study by the first half of 2023. The high grade copper, gold, silver resources, this porphyry deposit is one of the key contributors to its attractive operating costs and capital intensity. It is worth noting that QB3 benefits from a contingent payment from Esserman and Sumitomo Corp. and Galore Creek is a 50/50 partnership with Newmont.

In both cases this will reduce tax equity exposure and development risk. Any future development decision on these projects will be based on the completion of thorough development studies focused on de-risking each investment from a technical, permitting, social environment perspective and will be subject to our rigorous capital allocation framework. Any decision will favor the most compelling investment opportunity unlike we did when QB2 was sanctioned include considered returns of cash to shareholders prior to a development decision being made.

In closing I want to stress that in addition to having the right approach and the right asset to realize value from our robust pipeline of corporate growth projects we have the right team with the necessary technical project development, ESG, commercial and leadership depth and experience executing QB2 is adding significantly to our development experience significantly to our development experience and mindset which will enhance delivery of our Copper growth strategy.

With that I'll hand it over to Jonathan Price, our Chief Financial Officer who will outline our financial strategy.

Jonathan Price, Chief Financial Officer & Senior Vice President, Teck Resources Ltd.

Thank you Nick. I'm going to focus today on Teck's financial strategy central to which is our capital allocation framework. In doing so we will review Teck's strong balance sheet and liquidity. We will dive into our largest ever capital investment QB2 and look at both the QB2 funding model and the terms of the project finance facility. And finally we will look ahead to our potential cash flow position once QB2 is operating at a state of potential to highlight the returns that might be available under a range of scenarios.

I'll begin on slide 2 with a recap of our capital allocation framework which I'm sure many of you are familiar with. It all starts with the inflow of the cash we generate from our operations. To maximize this through running our operations as safely and productively as possible supported by our tireless efforts and continuous improvement in the RACE21 transformation program. In terms of the cash flows we first take care of the sustaining capital that underpins the integrity and reliability of our operations including equipment replacement and maintenance. In addition, we provide for our committed growth capital which in 2021 includes QB2, Neptun spending on our studies for future growth options and investment in our RACE21 activities.

Next we check the health of our balance sheet or capital structure which for us means keeping our net debt at a level that will see us maintain a solid investment grade rating through the cycle and we pay our annual base dividend of $0.20 per share which is distributed quarterly. Once these uses of cash have been deducted from our operating cash flows Once these uses of cash have been deducted from our operating cash flows, we are left with our available cash flow, of this we pay out at least 30% in distributions to shareholders with the remaining amounts available for growth projects or for further shareholder returns. Therefore, the framework allows for a minimum of 30% and up to 100% of available cash flow to be returned to shareholders. These returns can take the form of dividends or buybacks or a combination of both and this will be determined based on consultation with major shareholders and having regard to the expected returns generated from buying back our own shares.

As I'll explain in the coming slides, one of the most anticipated benefits of bringing QB2 online is the additional cash flow we expected to generate and the optionality that this could give us around balancing ongoing growth and shareholder returns.

Next slide please. Our current strong balance sheet will be a key enabler of our ability to balance prudent future growth in copper with attractive returns to shareholders and this is very much by design. We've kept to conservative level of long-term debt on the balance sheet with no significant maturities until 2030 and many extending beyond 2040. We also have access to over CAD 6 billion Canadian of liquidity.

Finally, our existing production portfolio has substantial leverage to rising commodity prices. The chart on the upper right hand side of this slide shows that for example the $50 per tonne increase in the price of coal for a year could add approximately $1.5 billion to our EBITDA based on 26 million tonnes of annual production.

Now onto slide 4 and the funding model for QB2, looking back to January 2019 and running through to the end of 2022 at which point the construction of QB2 is expected to be completed. Before getting into the detail, the eagle eyed among you will notice that the ownership percentage shown here only some, some 90%. This is because we've excluded the 10% of [indiscernible] 00:53:17 given they don't contribute to project CapEx. As most of you know we have a $5.2 billion in QB2 capital budget which provides for both escalation and contingency and our spending remains in line with this budget. This excludes the COVID capital that we have highlighted to you over the last several quarters. Of this $5.2 billion spend, $2.5 billion will come from our project finance facility with the remaining being contributed by Teck and our Sumitomo Partners. In terms of the contributions from our Sumitomo Partners we've reflected here the full buy-in as well as the subsequent proportional capital contributions all being attributed to the stated capital budget. As such, the historical contributions from Teck from 2019 through 2021 are a balancing item. Now looking ahead to 2022, we expected through the remaining $300 million of the project finance facility with equity contributions totaling $1 billion split two thirds, one third between Tech and Sumitomo Partners respectively. Finally worth noting that while Teck retains a 60% interest in QB2 our contributions to Project Capital have been minimized through a well-thought-of funding in partnership model.

Next slide please. Slide 5 provides some further details regarding the project finance facility. These are important as you think about modeling our debt guarantees as well as our debt repayment post QB2 completion. The facility requires that we fund debt equity at a 37% to 63% ratio. We and our partners contributed a significant amount of equity upfront which meant that after the closing of the project finance facility, we use primarily debt to fund QB2 construction for an extended period of time. This past spring, we had drawn enough on the project finance facility to achieve the required debt equity ratio and therefore, we and our partners began contributing equity to the project once again. The project finance facility is guaranteed on a pro rata basis before the project is complete. But these guarantees fall away after we achieve various industry standard operational completion tests and becomes an non-recourse. Importantly, the project finance facility will begin to emphasize no later than June 15, 2023 at about $300 million a year. This is made up of semi-annual amortization payments of $147 million each. We are also required to repay some debt as QB2 pays dividends up to its equity partners.

I highlighted this to show that there is a decent amount of natural deleveraging built into our project finance facility and this will augment our goal of disciplined debt repayment after QB2 is complete. Now we know that there's a lot of anticipation in the market about the project coming online. As such, we've put together some illustrated scenarios on slide 6 and 7 to give you a picture of what our cash flows and capital allocations might look like once QB2 is operational. Important that I emphasized that this is not guidance as you know we don't give cash flow or EBITDA guidance. So to construct this, we've taken actual first half numbers and flex them based on our publicly disclosed commodity price sensitivities and combine this with our current guidance in other areas. The point is to give you a better sense of how transformative QB2 could be for our cash flows and how much optionality that will then give us with respect to both shareholder returns and growth. I'll explain briefly how we've arrived at these scenarios. To start, we annualized first half 2021 EBITDA. As a reminder our average copper price in the first half was CAD 4.30. Our average zinc price was CAD 1.29 and our steelmaking coal price was CAD 137 per tonne.

Next we adjust this annualized first half EBITDA for a high FOB steelmaking coal price of CAD 199 per tonne US which is a combination of August year-to-date pricing and the spot price when we constructed these scenarios. We use this same coal price for all three scenarios. And the adjustment is based on our publicly disclosed EBITDA sensitivities that I mentioned earlier.

Next we flex the copper price based on these same sensitivities to show hypothetical adjusted EBITDA from the current portfolio at CAD 4.50 – CAD 4 and CAD 3.50 copper. Finally we are QB2 EBITDA based on CAD 290,000 tonnes of annual production. A C1 cash cost of US $1.28 per pound and the copper price in each scenario. With these EBITDA numbers as a basis we deduct key cost items. Cash taxes, cash interest and lease payments to determine operating cash flow. Next in accordance with our capital allocation framework we deduct sustaining and growth capital as well as capitalized stripping at our base dividend. For these deductions again we either annualize first half 2021 numbers or base them on our public guidance for 2021. And then finally we subtract our project finance facility amortization of roughly CAD 400 million. And I'll note that this does not include additional debt that would be repaid alongside dividends per the restricted payments clause of the project finance facility.

Next slide please. So the outcome of these scenarios is that depending on the copper price once QB2 is operating as planned we could generate between QB2 is operating as planned. We could generate between CAD 2.2 billion and CAD 3.1 billion of available cash flow which is roughly between CAD 4 per share and CAD 6 per share. As you will recall the first 30% of this is returned to shareholders while the balance of 70% could also be returned to shareholders or can be deployed to additional growth options in the portfolio or a combination of the two. And of the metrics at the base of the slide show we could do all of this while maintaining a very strong balance sheet. So based on what I've shared here I hope you can see why we're so excited about the near-term potential of the business and specifically the contribution of QB2. We're getting ever closer to a major inflection point as we transition from significant cash outflows to fund the development of QB2 to the potential for significant EBITDA generation from a world-class copper operation. These cash flow scenarios highlight the potential for increased capital returns coupled with prudent growth of our copper business.

And with that I will pass it back to Don. Don?

Donald R. Lindsay, President, Chief Executive Officer & Director, Teck Resources Ltd.

Well thanks very much Jonathan. Now before we go to Q&A I do want to make a brief comment. Most of you in fact not all of you will have seen the rumors reported last week concerning the possible sale or restructuring of our coal business. We do not comment on market rumors or speculation and we are not going to address those rumors or other questions about specific potential transactions in connection with our coal business today at all. I will say though that conversations about the composition of our portfolio and the role of carbon in the portfolio are not new nor are they news. We've been quite public that we are looking to reduce the proportion of coal in our portfolio over time. And while we like the long-term fundamentals of the coal business of course we always evaluate alternatives to improve our portfolio.

So with that overdue Fraser to start the Q&A.

Unverified Participant

Okay, thanks Don. Joining me for this Q&A I'm Strauss and strategy and we have Don of course will be our moderator. Réal, Red, Alex, Nick and Jonathan also. So Matt over to you to open up for questions please.

QUESTION AND ANSWER SECTION

Operator: Thank you Mr. Prystai. [Operator Instructions] Thank you for your patience. The first question is from Orest Wowkodaw of Scotiabank. Please go ahead. Your line is open.

<Q>: Hi, thank you. Don I appreciate your comments here a second ago about not wanting to address some of the media reports about the coal business but maybe I could frame it a different way and that has the board determined at all what the ideal mixes from a commodity perspective and how coal fits into that. Is there potentially a target of trying to dilute the coal to say I don't know sub 20% of the portfolio or anything to that matter?

<A>: Okay well thanks for the question Orest and let me congratulate you again for once more being the first question out. You've got a pretty consistent track record there. Short answer to your question is no. There's no specific threshold system set by the board. We looked at a whole range of alternatives and it continues to get intense focus but no target as such has been said set.

But if you run your own models you'll see that just with what we're we are doing with the bringing on QB2 next year that it'll it will drop quite quite significantly with the doubling in of the copper production.

<Q>: And is that likely to continue And is that and likely to continue as you bring on some of those near-term copper growth projects San Nicolás, Zafranal? I mean just looking at your copper growth strategy would appear the coal is going to be a significantly lower part of the portfolio by call it end of decade, is that fair?

<A>: Yes that's fair. And then I would hope that it is sooner than the end of decade because each of you know those projects that you mentioned can come on before 2030.

<Q>: Okay. Thank you very much.

Operator: Thank you. The next question is from Greg Barnes of T.D. Securities. Please go ahead.

<Q>: A couple of questions on QB2 one peak workforce are you there yet and/or when do you expect to achieve it? And two I would just want to hear from Ray – from Red and John Christopher about the strategies for ramp-up in terms of how are you are going to integrate the production team from the construction team how that handover is going to happen and what the strategy is?

<A>: Okay. Maybe the first one over to Alex and then I Red with the second.

<A>: Sure Keith. Thanks. Thanks Greg. And in terms of peak workforce so we are very close to our peak workforce number. In fact as we for growth various different disciplines and then as we move away from civils and then into other mechanical and electrical pieces we continued to add workers and turn them over. But we will stick with this peak workforce through the fourth quarter here as we work through the various areas of the project.

<Q>: Okay.

<A>: Okay.

Operator: Thank you.

<A>: Thank you.

Operator: Thank you. The next question is from – the next question is from Lucas Pipes of B. Riley Securities. Your line is ready, rlease go ahead.

<A>: Sorry operator we weren't finishing the answer the previous question. So I'll just turn it back to read on the ramp-up question and then we'll go back to Lucas, thank you.

<A>: So we've got a ramp-up schedule that we're executing we're hiring and training people. Now as Alex mentioned in his presentation, some of the work that we're doing on the tailings management facility is actually being [indiscernible] by our mine operator personnel. So we're operating the new truck fleet. We've got additional mining equipment coming in, being assembled and running through all kinds of drills every day on start-up, though one of the advantages of this integrated operation center that we've put in is you can actually simulate operating the plant. So we're running through simulations with operators with supervision, we're also taking personnel to [indiscernible] which is our other operating entity in Chile and getting hands-on experience there. So ramp-up for operations is going on a variety of fronts right now and we're working day in, day out on having a successful startup.

<A>: Back to Lucas.

<Q>: Hey good afternoon. Good morning everybody and thank you very much for hosting this event, this is always great, Don I vaguely remember that in prior cycles of met coal you commented on one of these calls or an earnings call Investor Day that you're receiving daily updates on the new medical projects that are being announced and monitoring the situation very closely. Now you fast forward a few years, I'm not seeing a lot of projects out there, but wondering if you're still getting daily updates, maybe they're weekly now, but what is, what is included there, where are you seeing new medical supply coming from. And obviously as it relates to, to Teck, I assume given the preceding questions, there is no interest in changing things on the supply side, but I would be curious how, how that global supply picture could in any way affect your decision on that. Thank, thank you very much for your perspective.

<A>: Yeah. Okay. Well thanks for the question, Lucas. And before I turn it over to Real to get his comments on, on new supply or [indiscernible] the way I would answer your questions, well it may not be daily but part of that is because there isn't much being announced other than projects being turned down in both Australia and Canada and elsewhere in the market. So in the grassy mountains very high profile one here, but there have been others that may turned down the permitting process. So I mean it's tough to bring on new supply in steelmaking coal. It's tough to bring our new mines anywhere, but steelmaking coal is going to, going to be tough to see that grow, but Real, what do you think.

<A>: Yeah. Thanks, Don. Thanks, Lucas for the question. Yeah, you're correct, I mean there's very little new projects being announced if any specialty sold for High-Grade hard coking coal. I guess you would have seen the news a while ago now that what is most significant is Anglo restarting both Moran Bernard and also applying to restart the Grosvenor mine.
so that is around 12 to 13 million tonnes of annualized production. That's what they were running at prior to the mine accidents and incidents that shut them down. Other than that, there is very little out there either in terms of new projects or expansion. And I think it is related to the fact that capital is less attractive maybe Q2 we're still making gold than it was in previous cycles.

<Q>: That's very helpful. Really appreciate the update, and thanks, thanks again.

Operator: Thank you. The next question is from Jackie Przybylowski of BMO Capital Markets. Please go ahead. Your line is open.

<Q>: Thanks very much. I know you mentioned this earlier in your presentation that some of your satellite assets that pronounced and [indiscernible] are getting closer to the position where you could realize value or monetize them maybe. Can you give us a bit of an update on the timing as to when you may see an announcement on an asset sale, how close are you?

<A>: What I would say is, it's more important to do it right and get the right partner and right structure of the deal than it is to do with quickly. So it is true that we are in discussions with potential partners and there's a variety of [indiscernible] that we could go to at least, but I don't anticipate this happening in the very near term, I'd say it's more in the medium term, if we could come to a landing on it by the end of the year that would be great, but we're not going to rush it. We're trying to get it right. We really as Nick highlighted in his presentation the model we use for QB2 Sumitomo Metal Mining Corporation these are two fabulous partners. And the structure of the deal really worked in terms of derisking the project financially allowing us to continue to return capital to shareholders. We'd like to do something with those principles behind it as well so that we enhance our growth beyond QB2 while at the same time protecting our ability to return cash to shareholders. So that's sort of a long answer without much clarity for you. But that's how it is right now.

<Q>: No I appreciate that. Thank you. If I could ask one other question. You talked about Galore Creek is being one of your medium term priorities or medium priorities I guess sort of on par with QB3 and ahead of no other union. And it looks like. Can you maybe give us a bit of an update on how align your timeline is for Galore Creek and NuevaUnión with your joint venture partner. Are you are you guys both seeing the same in terms of which of those two assets is the higher priority?

<A>: Well let me start by saying that Teck and in new have a really strong working relationship and we have 50-50 joint ventures not just clear but you know as well. But for more specific answer I'll turn it over to Nick Cooper.

<A>: Hi Jackie. I would say that at the moment the focus is very much on the Gloria Creek free feasibility study. Work is continuing. Optimization work is continuing on NuevaUnión. And in terms of both of us are aligned on that approach.

<Q>: Great. Thanks very much. That's all my questions. Thank you.

Operator: Thank you. The next question is from Emily Chang of Goldman Sachs. Please go ahead.

<Q>: Hi there. Good morning, everyone. Just a couple follow-ups on the coal segment there. I think Teck's longer term coal production outlook is roughly 26 to 27 million tons. With the startup of Neptune and some of – some other sort of infrastructure debottlenecking activities, is that potential that that number creeps a little higher?

<A>: And the short answer to that is no. The investment in Neptune expanding the capacity was done for several key reasons. One of the really important one was having the flexibility and freedom to deliver our coal, our product to the customers when they wanted. And we found that there were constraints to that before in one quarter actually cost us $200 million of EBITDA in one quarter, when we didn't have access to delivery that that we needed. So I look at that as having more flexibility in the whole logistics system, rather than giving us increased capacity to take that 26 to 27 million ton number higher. So we anticipate it staying in that range for a while here. We're always going to review the portfolio as I said earlier, but to the extent that we've said that we're reducing the proportion of carbon in the portfolio, it is unlikely that we would grow production of wallet.

<Q>: That's very clear. And just a quick follow up around the $600 million of COVID capital cost estimates. Is there an estimate as to how much has been consumed so far? I'll leave it at that. Thank you.

<A>: I'll turn that back to [indiscernible]

<A>: Yeah. [indiscernible] (01:14:57) the question, we have not incurred a large sum of that. Those are all forecast to completion cost estimates, so it has to do with schedule effects and those kinds of things; so most of that remains out in front of us yet to be concerned.

Operator: Thank you. The next question is from Dalton Baretto of Canaccord Genuity. Please go ahead. Your line is open. Dalton Baretto of Canaccord Genuity, your line is open.

<Q>: I'm sorry. Can you hear me now?

Operator: Yes.

<Q>: Thank you. Good afternoon everyone. Sorry about that. Don another portfolio question for your here. Just given tax history in terms of changing the commodity mix in the portfolio, as you look to reduce the proportion of carbon going, sorry, going forward, what's the board's thinking right now in terms of potentially adding new commodities to the mix things like uranium or lithium or even nickel?

<A>: We look at those commodities as just part of our ongoing review of the industry. Nick has a whole team that analyzes transactions that others are doing other opportunities that are out there so that we are knowledgeable about them. And obviously at different times we've looked very closely at nickel. But at this stage right now we don't have any particular opportunity in front of us that we're focused on in those other commodities, but that's not to say that we wouldn't if we saw the right thing coming up.

<Q>: Okay. And then, just maybe a follow-up, this is on QB2, but not directly. Can you let us know what you're hearing in terms of the latest in the changing Chilean [indiscernible] 01:17:06

<A>: Okay. I think, for that one, what I'm going to do is ask Amparo Cornejo, our Vice President in Chile to give you the latest on that question. And Amparo, actually on our behalf, testified in front of the Senate Committee that was reviewing it. So, Amparo, over to you.

<A – Amparo Cornejo – Teck Resources Ltd.>: Okay. Thank you, Don. Good afternoon. Good morning. Maybe the most relevant and news information on the process is that the Senate Mining Committee has approved to legislate in relation to the mining royalty deal that was previously approved by the Chilean Chamber of Deputies. The Senate Committee has spent a lot of time, providing opportunity to different players to present ideas and to provide the perspective on the bill, and the mining industry was part of that. And what has happened after that is that this committee has approved the idea of legislating.

And we expect that the Senate will approve that process. The next step is that within the next couple of weeks, we are waiting and expecting to know what are going to be the indications that the committee will present. So, at that moment, we will know exactly what are the changes that the Senate has introduced to the original bill that was approved by the Chamber of Deputies. So waiting that information that will provide a good context. And also as you know a most of the mining companies in Chile have variability tax agreements with the state of Chile. And in our case, we have those agreements both for government and the core yield for QB2.

<Q>: That's great color. Thank you. So just if I can clarify then, so in the next couple of weeks, we will hear from the Senate in terms of what changes will be made to the bill.

<A>: Yes, that's correct.

<Q>: Okay. And is there any risk as the constitution is being rewritten that any of these DL 600 type stability agreements will be up for review.

<A>: No. We don't expect that the process that is taking place in relation with the constitution will have any impact on these DL 600 agreements.

<Q>: That's great. Thank you very much. That's all for me.

<A>: Welcome.

Operator: Thank you. The next question is from Carlos De Alba of Morgan Stanley. Your line is open. Please go ahead.

<Q>: Thank you very much. Good afternoon, everyone. So also on QB2, so just wondering with all the inflation that we're seeing across raw materials, what is the scope for a potential increase in the CAD 5.2 billion CapEx for QB2 or in other words how much of the CapEx is still exposed to potential changes that you may have to review later on? And then if you could maybe also comment on the other sort of build or proposal that is in Chilean congress which is related to the glacier and how Mining Breaks may work with glaciers going forward, any update there would also be very appreciated? Thank you.

<A>: Okay. Red or Alex maybe starting with Red.

<A>: Yeah. Thanks, Carlos. We are – we purchased almost all of the material that we require to build a project. And a lot of it's already on site. The most of the spend to go is in Chilean pesos. It's mostly labor. We do have some electrical rooms that are being assembled in Santiago. But again we have most of that material and the expense to go on those as labor. And right now the exchange rate is pretty similar to what we had forecast in the numbers that we've been reporting publicly. So we don't from a inflation standpoint we don't see a lot of pressure that way.

Operator: Thank you. The next question is from Abhi Agarwal of Deutsche Bank. Please go ahead.

<Q>: Thanks Don and team. Really appreciate the update. I have a couple of questions please. The first one is on your growth projects. Could you please talk about the pecking order of your projects which is the first project you're paying, you would like to build?

<A>: I'll turn that one over to Nick Hooper.

<A>: Obviously Zafranal has a prefeasibility study on it. And we're going through the permitting process.
So that by definition is a little bit further forward. How that fits into our portfolio is as Don indicated sort of a question much internal discussion. And then obviously after that sounded close because there's a feasibility study, but we're just starting the permitting process on that. So that's probably the right the right order, but things can change.

<Q>: Got it. Thank you. And the second question I have is around the strategy around building new projects. Would you like to follow the QB2 model and partner up, or would you like to go alone – or would you like to go alone especially as the balance sheet becomes stronger post QB2 ramping up to full capacity? Thank you.

<A>: There's a couple of parts to the answer on that one. First is we really are very pleased with the model we used on QB2. We think that just makes sense. And having partners is not just a financial undertaking. It also brings highly skilled and experienced people into the team and makes the team stronger and the likelihood of a successful project execution that much better. So, I think throughout tax history most of the key minds that tax has problem portfolio has been as a partner. We have looked at things, let me say, Nicholas we own 100% we bought out that partner there at that time it was Goldcorp. But when we look at that and then we balance the resources that we're allocating to QB2, QB3 and others and we know that we have to stay laser focused on executing those well. It did make sense – it looked to appealing to have another partner build it with their people in their capital it keeps us then totally focused on QB2 and QB3 and preserves our ability to return cash to shareholders just like we did with the QB2 commencing. So really that's how we looked at it. On Zafranal I should note that we own 80% of that. So we already have a partner in that circumstance, but we'll carry on with our discussions there.

<Q>: Thanks a lot, Don, and best of luck.

[indiscernible]

Unverified Participant

Sorry, Abhi. No. It's Fraser. I think I've come to the end of our allotted time for questions. We should probably move on here. So with that, thanks, Don, and thanks team for all those answers. We'll move on to our second panel at this point. Our second panel is on operations. Red Conger will begin with some introductory remarks. He'll be followed by Andrew Milner. Andrew is our Senior Vice President and Chief Transformation Officer. And Andrew will be joined by Greg Brouwer, Vice President of Transformation and Andrea Leroux, our Director of Value Delivery for RACE21. And they're going to discuss some of the exciting progress that's been made on RACE21. After that will be Shehzad Bharmal, our Senior Vice President Base Metals North America and Peru. And he'll provide an update on Base Metal business. And then, Robin Sheremeta, our Senior Vice President, Coal, with an update on our steelmaking coal business. After that Réal is back and provide an update on logistics brief update. And then, finally, Kieron McFadyen, Senior Vice President Energy, will provide an update on Fort Hills.

With that Red over to you.

Harry Milton Conger, Chief Operating Officer & Executive Vice President, Teck Resources Ltd.

Thank you, Fraser. Our team continues to successfully manage the challenges that COVID pandemic has brought us keeping our employees safe and protecting our communities. Our safety performance has been equally commendable. We have excellent operating teams who have done an exceptional job maintaining solid production capabilities who have done an exceptional job maintaining solid production capabilities during the tumultuous market gyrations over the last 18 months. We have completed key enabling projects this year and achieved important milestones that our panel will provide updates on.

Our mines are properly stripped and developed and our processing plants and mobile fleets are well maintained. Our business units are hitting their stride in the second-half of this year as we recover nicely from wildfire disruption in B.C. during July and August. This combination of execution, focus, agility to respond to COVID and rapidly changing market conditions puts us in an excellent position. We are sprinting to the end of the year on our transformational RACE21 program. All operations in both mining and processing within our operations are logging impressive games this year in spite of related logistics challenges. Our cost profile, production levels, and current commodity prices bode very well for the remainder of this year. These are very exciting times for our operating team at Teck.

And with that, I will turn it over to Andrew Milner on RACE21.

Unverified Participant

Thanks Red and good morning everyone. We are not coming to the end of the RACE21 program and while we are planning to report on the full results of the [indiscernible] at the end of this year, we felt now was a perfect time to update you on the incredible journey we have been on.

Before we do that, I want to remind everyone that RACE takes digital transformation program that I announced to the market in 2019. RACE stands for Renew, Automate, Connect and Empower which represents the four key areas of focus for our transformation. Renew involves the organization wide upgrades to our infrastructure systems, LTE, senses and numerous other aspects of our technology and data infrastructure.
automate is a holistic approach to automation across all facets that we can newly focused on mobile equipment. Connecting both and looking of all aspects of a value chain via an integrated data platform. Empower acknowledges the most important aspect of our transformation our People. [indiscernible] (01:28:47) having a significant impact on our company both in terms of value creation and on our culture. This has certainly been the most exciting initiative I've had the privilege to lead during my career.

I'll now hand it over to Greg Brouwer, our Vice President of Transformation leading the delivery aspects of the program to elaborate on our exciting journey over the last two years.

Greg Brouwer, Vice President-Transformation, Teck Resources Ltd.

Good morning, everyone and thanks Andrew. We're super excited to be here today to talk to you, because it was only just over two years ago that Tech first embarked upon the RACE21 digital transformation. A tremendous amount has happened since then. We have built a digital capacity and capabilities that we feel is second to none in our industry. Our culture has embraced digital transformation and we have seen significant value creation. And although RACE21 started as a program, we feel the capacity and capability that we have built we will be leveraging going forward as a core competency in our company just like we relied on engineering, geology, metallurgy and other capabilities in the past. I get the opportunity to talk a lot about RACE21 and what we're achieving. And when people ask me, why we are seeing the successes we are I also point to saying they resonated with me a few years ago which is that, if you want to achieve great outcomes as a company you need two things, a bold goal and not quite enough time. So when we started RACE21we've really embraced that philosophy. We set a bold goal to deliver and initial $150 million in onboarding value, and we said we would achieve that goal in only six shorter months.

We were very conscious early on in the program that lot of these digital transformation programs are not successful. In fact we have pulled upwards of 60% to 70% of them fail after a short period of time. And so at Teck we have from the very beginning been very value focused and impact focused because that is where other organizations fail. They start to focus on the cool technology not the impact that they can have on the organization. We also recognized in the beginning that there was some healthy skepticism of what digital can do at Teck. As a company, we didn't know what it was and we weren't entirely comfortable with the impact it could have. And it was for these reasons that we established this concept of path to value or PTV when we set the initial target of 150 and we created a culture laser focused on impact and value creation. We started by standing up six domains with an early focus on mining and processing. We also knew early on that there absolutely would be value in leveraging what is referred to as advanced analytics across these domains given what we've seen at other organizations that have gone before us. And because today we're going to talk a lot about advanced analytics before we move on, I want to do a quick refresher of what that is. Simply put advanced analytics involves taking a lot of data, sometimes referred to as big data from our company and streaming it to the cloud in real-time and using the huge computing power that is available to us from Google and Microsoft to analyze that data to find patterns in that data and ultimately this is where the value is predict what is going to happen in the future based on what is happening in that moment to then make a recommendation as to what we should change today to optimize value. With this technique in hand, we wanted to start off today by taking you back to how we were first thinking about one of our initial focus areas what we call hall cycle analytics. With a vision and goal in place, the team hit the ground running in the established text of first grace digital squad. Now the digital squads as the non-embrasive agile methodology, which is a customer focused innovative approach to digital product development. And quite different than the waterfall approach, all of us here at Teck are you seizing for example in the execution of our major capital projects. Agile focuses on rapid continuous releases that incorporate operations feedback with every iteration. And although we have a general sense of the direction that digital product is going to go over time we don't worry too much about planning for the ultimate endpoint at the beginning. We let the users and the process take us down the value that down the path rather that represents the greatest value opportunity wherever that may take us.

One of the reasons that we want to talk about whole cycle first is that it illustrates the pattern that ultimately we would follow for nearly every single digital product we would develop over the next two years. We had computers on board all of our haul trucks. We had the trucks instrumented with sensors generating an enormous amount of data and we had Wi-Fi networks in our minds to send that data to the cloud in real time. We just were not effectively using that data. And if you recall from a couple of minutes ago when I described advanced analytics then hopefully you can see why this whole cycle space was so attractive to us.

So with the start of race, we began asking ourselves what can we do with this data. And that was the inspiration for whole cycle analytics, one of the first products we developed. The team's initial diagnostics provided insights into significant opportunity to improve knowledge, productivity across the company that we just couldn't see before. They selected a couple of problems that needed to be solved to drive up truck productivity and rapidly developed and deployed initial products. As the team establishes footing and ways of working, they then quickly expanded the scope to end-to-end haulage optimization. Delivering an integrated suite of digital tools that were first piloted at our core deliver operations and subsequently have been scaled across all coal sites and which we see.

It was rudimentary at first, but it had impact.
Excitement about race 2021. Well, it has been the opportunity to push boundaries and unlock productivity benefits in areas we didn't think were possible. Fording River is a truck constrained operation that for many years has continued to see cost pressures due to our deepening fears increasing calls and higher strip ratios.

Considering the importance of truck productivity to maintain competitiveness and profitability has been heavily on the RACE team to help the site, find another step change in performance. The big stretch goal for flooring was to achieve productivity. Site has never seen by fettering system optimization and improving travel time and fixed time components. As we started to build capacity and add new capability, we soon realized we gained access to newly insights better operation that we couldn't see before. These new insights that allowed our frontline leaders to make better and fast decisions to improve operational results. Real quality app is an example of how analytics has helped our frontline leaders to make better decisions around fixing roads and allocations resources, something they've historically struggled with.

Another great example has been the development in the deployment of the advance machine learning and optimization algorithm called truck allocation, which maximizes material movement while reducing overall system and efficiency such as truck gearing. Using this tool in conjunction with our current lead management system has allowed 40 more to achieve truck queuing signs below one minute, something I never thought possible.

I'm super excited to continue to work with enormously capable RACE teams and find it unlock the next performance with Fording River and protect.

Unverified Participant

Most critically, these early wins, these are RACE team and ultimately Teck leadership, the confidence and experience has enabled the rapid expansion into other domains, including processing. Like our truck fleets, Teck's wash plants and concentrators are data rich.
plants and concentrators are data rich. Thousands of process variables, pump speeds, flow rates et cetera are recorded every second. The perfect start for advanced analytics – advanced Analytics uses the historical data to understand which control room operator decision in the past resulted in the best outcome. And using that information we can build digital advisory systems that help us make the best decision every time going forward.

Now some of the operators were initially skeptical but were willing to take the leap. Their confidence grew in 2009 when we developed our first minimum viable product or MVP as we call them for the HCC flotation circuit. And we saw immediate success another area of the company – the saw e the potential early on was Red Dog. Like HCC they very aggressively embraced that opportunity installing significant instrumentation over a very short period of time at the end of 2019. That allowed Red Dog to start stabilizing and optimizing their circuit to an extent they had never been able to before. In the end Red Dog and HCC Concentrators are two of the greatest contributors to value creation in 2019. Which brings us to the end of 2019 in less than six months – we met our goal and well over a $150 million of direct annualized and ongoing value started to flow. Achieving this milestone did three things for us – first we really gained the critical buy-In through leadership and operations as to what digital was and what it could deliver. Second we generated an energy and excitement across the organization. And third this success was the catalyst that supercharged our culture shift changing mindsets about what is possible at tech through digital. We want to tell you – now what has happened over the year and a half since that initial success. But before we do that we want to talk about a very critical element that needed to be in place for all of this to happen. Everything we talk about here today only happens if one thing exists and that's data if one thing exists and that's data. Data getting to the cloud as fast as possible. Getting the sensors installed. The data pipelines built with those foundational work done by Teck's digital systems group, none of this would have been possible and none of the value would have been there. The excitement of achieving the PTV or pass the value 150 milestone and supported by the rapid advancement of the foundational technology investments that we were making propelled us into 2020. As I said earlier one of the reasons we were seeing success is because we decided early on that we needed to be very value focused as a program. Core to establishing that culture was creating a team within RACE21 we called value delivery. Now this is a team that's actually quite unique to Teck. It doesn't typically exist in digital transformation programs. But we felt it was key to driving impact. The best way to think about value delivery is that they are the integrators between our digital teams and talent and our sites. They deeply understand both operations and digital so they act as a bridge. Today, Andrea Leroux leads that value delivery team. So at this point I'm going to hand over to her to describe how things evolve with RACE in 2020 and 2021. Andrea, over to.

Unverified Participant

Thanks, Greg. The role of value delivery in the RACE21 program is really exciting. It's our team's job to collaborate with operations to understand and interpret the business needs and to bring together diverse teams to solve really complex problems. And while value an impact can be measured in terms of reduced cost increase production or ultimately free cash flow there are impacts that are harder to quantify but equally important to sustaining long term value. So yes Teck is building some really impactful technology. But above all else RACE is a people and culture transformation program.
It's about changing the way we look at our business. The way we use data to solve problems, the way we empower people at all levels of the organization to make important business decisions every day. In the very early stages of race there wasn't a great understanding of what race was

really about. The program was well-received in 2019 but there was that natural skepticism in some of the racing was doing more of the pushing but that all changed in 2020 as the broader organizations understanding and appreciation for the power of digital tools grew. And it was in early 2020 when the team first started to see that impact was occurring that the culture was changing.

A great example of leaderships growing appreciation for the power of advanced analytics was when in the spring of 2020 Robin approached the Race team and asked a really pivotal question. He said, we have the teams in place and all this data related to our whole track movements and operator behaviors. How can we leverage these teams and this data to reduce the risk of vehicle interactions on our sites?

Brace pull the team together in a week partnered with people from the coal business unit and corporate offices and through ideation diagnostics and road mapping. The team came up with Race's first digital safety tools. Too often when we have incidents and investigate causes we learn that the key contributing factors are behavioral. People are not making good decisions. They're becoming complacent or not following protocols. So when it comes to heavy and light vehicle interactions, we've created almost complete transparency into how our people are operating haul trucks and vehicles on our sites. Through digital scorecards and safety alerts, we've enabled supervisors and trainers to have the right conversations with the right people at the right time. For changing behaviors so that all of our people can go home safe and healthy every day. As our first iterations of digital safety tools were emerging, our whole cycle analytics team was by mid- 2020 well established and the impact of whole cycle analytics on truck productivity was evident. Our core business unit had already been on a journey of improving Teck productivity and by mid-2020 the digital tools that were first developed and piloted in partnership with Fording River Operation, as we heard from Richard Whittington a few minutes ago had now been scaled across all of Teck coal providing our mining teams across the business unit with access to insights that they just didn't have in the past. Through this partnership, Tech coal's standard [indiscernible] 01:43:06 model continued to rise to over 105%. This represented record truck productivity across the business unit. The processing analytics team also made great advancements in 2020 tools like the mill and flotation optimizers leverage years of data combined with predictive analytics to optimize set points for pump speeds, flow rates chemical levels et cetera resulting in reduced variability increased throughput in recovery and overall improved concentrator performance. Highland Valley Copper was the first adopter of these models and by 2020 these tools had been deployed to every base metals concentrator and coal wash plant across Teck with the exception only about [indiscernible] 01:43:50 which in 2020, it was progressing the 9M plant upgrade. In 2019, feedback features on the apps collected comments from operators that indicated a hesitation to trust the tools, operators were clearly skeptical, but by the end of 2020 the operators were bought in and they're now the first ones to escalate if the application is down, they want those applications available 24/7 as a critical tool in the way they work.
The development of these products would not have been possible without the strong support from all of the operations team. That said, one of the greatest influences driving team collaboration, adoption and ultimately results is strong leadership support. One of the things we learned early on from other organizations that have attempted digital transformation was the criticality of senior leadership and engagement. The leadership from Shehzad and Robin has been outstanding [indiscernible] a lot of the successes we're highlighting today have really been enabled by the top down leadership support we've experienced.

Through the initial months of race we intentionally focused on mining and processing because we knew there was significant value creation potential in those areas. And in doing that we learned just how broadly applicable advanced analytics was to addressing bottlenecks and operational challenges. In a similar situation of sustainability stage we have ambitious goals, complex challenges and a lot of data. We can use the same thinking and tools and techniques to help us in our decision making around sustainability. Standing up to sustainability domain and targeting the coal regional water quality model is an extremely significant milestone in our journey. It's a critical example of how we can [indiscernible] new internal capability to solve some of our most complex and dynamic challenges. How we can approach a problem not with the solution but with the acknowledgement that we don't know what we don't know and dig in to learn and to improve so that future business decisions such as where to place our stockpiles or where we should be treating water in the future are informed by the most up to date information and most powerful advanced analytics tools available.

So now that we've shared a few highlights of what we did as we scaled in 2020 I want to take a step back and talk to you about that internal capacity that we built over the last two years. Our digital teams are made up of people with diverse roles, backgrounds and experience levels but need to be organized in a specific way to be able to build these digital tools that in many cases are leading edge technologies. Our digital squads include developers, data scientists, data engineers, user experience designers and others. Teck Now has this in-house capability and these established ways of working that enabled rapid product development and deployment. And our digital team members are building strong relationships with operations teams so that overall our organizational digital literacy is increasing from the boots on the ground operators to our senior management team.

So, let's rejoin the storyline in 2021. And as a reminder, the program originally started with focused bespoke products. But we knew all along that eventually these products would start linking together, integrating across the value chain. And by 2021, the focus on integrated operations was growing. A significant achievement in the integrated operations domain was the development and implementation of supply chain reliability tools. For a long time, we relied on our people to be able to understand and interpret significant volumes of complex information in order to make the best decisions for the company. But given the complexity of the supply chain, it's always been extremely difficult for anyone to know exactly what the optimum, optimal solution is. And that's why this is such a game changer because when we take all that data and bring in predictive analytics, the computer can understand all the permutations and options that we have and it can help teams across coal and logistics to make the optimal decision every single time. We've developed a suite of tools to support our coal logistics team over the past six months and we're seeing really great results from these tools.
with some key performance indicators already exceeding targets. This effort is not complete we will continue to develop mature and enhance these tools in partnership with the business. And we remain very excited and optimistic on the value this will unlock for the company. This takes us up to today and I'll hand it back to you here Greg.

Greg Brouwer, Vice President-Transformation, Teck Resources Ltd.

Thanks André. Hopefully from our overview today you have started to get a sense of how impactful RACE21 has been to Teck and the incredible value it is now unlocking. To finish off we want to share a summary of the breadth of that impact. Today at Teck there are over 450 RACE21 initiatives that are underway supported by over a 100 digital products across six domains. We have a team of approximately 40 digital squads that are actively working with sites on those products. We are seeing broad value creation across the company. And finally and most importantly for me we are seeing our culture change. Our organization today is recognizing where digital can create value and we are rapidly bringing new tools to help solve our most complex business problems and optimize in a way we have never been able to it before. Thank you everyone and I'll now turn it over to [indiscernible].

Unverified Participant

Thank you Greg. Starting on slide 2 we are very excited about the near-term growth in our base metals business which will build on our quality copper and zinc asset base and our continued focus on operating discipline and the improvement. QB2 which is expected to start production in the second half of 2022 will double our consolidated copper production by 2023. And it is expected to be a low cost operation providing substantial cash flow for decades. To illustrate the EBITDA potential off of a base metals business once QB2 is operational we are using the construct that Jonathan Price presented previously isolated for the copper and zinc business units only with QB2 EBITDA based on 290,000 tonnes of annual production and [indiscernible] cost of the $28 per pound.

At a copper price of $3.50 per pound this calculation gives us an illustrative EBITDA from base metals alone of $3.8 billion. And we can consider it a substantial upside of what this looks like at current spot prices. Again as Jonathan mentioned, this is not guidance but provides an illustrative scenario. At our current operations our RACE21 program is a core part of driving significant improvements and achieving a high performance operating culture. We have made exciting progress and improvements and I will highlight a couple of examples shortly.

Slides 3 and 4 show that our growing base metals business compares favorably to our peers providing high production and earnings growth within the next two years. Our copper equivalent production is expected to be more than 850,000 tonnes in 2023 following the completion of QB2. I should note that the projected 2023 production figures for tech and peers are based on Wood Mackenzie information. We have substantial high quality resources and these are located in very attractive mineral districts and stable jurisdictions with operations in Canada, the US, Chile and Peru. This provides a balanced distribution of exposure across countries and an ability to allocate capital where risk adjusted returns are highest.

On slide 4 if you benchmark our base metals business across leading copper and base metals spears which we encourage you to do so you will find that we have industry leading growth comparable production rates and attractive unit costs. The yellow dash marks represent attributable copper equivalent production. Our size and cost position highlight that earnings generation potential within the base metals business alone with rival peer companies in both estimated earnings metrics and very importantly and relative value comparisons. As a result of this we are very well-positioned to benefit from the expected strong demand from metals and minerals driven by decarbonization and population growth.

Looking at slide five, our copper portfolio is based on the foundation of stable low cost operations which include Antamina, Highland Valley Copper and Carmen de Andacollo in Chile. The graph on the upper right shows that Teck's copper operations have consistently achieved gross margins before DNA between 45% to 55% over the last five years and a margin of over 60% in the first half of 2021 as we benefit from rising copper prices.

QB2 should further strengthen our portfolio with strong operating performance due to a low strip ratio and expected second quartile all-in sustaining costs. Beyond the startup of QB2, Teck has position to continue realizing value from a robust pipeline of high potential copper opportunities that Nick highlighted including both greenfield and brownfield projects. These opportunities continued to be refined through prudent advancement of both growth and extension options. It is important to note that these growth options are a result of intentional focus on developing this pipeline over a sustained period of time and hence Teck today has one of the best copper growth portfolios in the business.

Now turning to our World-Class zinc business on slide 6. We have high quality assets with first quartile cost position at Red Dog and recycling capabilities that trail up to support the growing circular economy. Teck has a unique position within the zinc market. As the largest net zinc miner we are able to maximize market value from our products to effective and strategic integration of our mining and refining operations.

Looking to the future, Red Dog remains a premium zinc district with high quality mine life extension potential at Aktigiruq and Anarraaq deposits. In the graph on the lower right the bar height is the size of the deposit and the yellow marker is the estimated grade. As you can see Aktigiruq exploration target which is located just 12 kilometers from Red Dog operations and Tina in Australia have excellent grades when compared to other undeveloped zinc assets.

Moving to RACE21 since 2019 we have implemented numerous digital tools using advanced analytics at our operations that have resulted in significant improvements. On slide 7, I will highlight two specific examples of different approaches two specific examples of different approaches and tools currently we use within our concentrator operations at Red Dog and Highland Valley that Andrea and Greg mentioned. I'll go into a little bit more detail. At Red Dog, there have been historical challenges in pushing the grinding process beyond certain rates as in many cases this led to process instability, creating a negative impact on recoveries for lead and zinc and thereby eroding value. Through a focused effort leveraging advanced process control upgrades and significantly improved instrumentation, control system optimizes the important variables, integrating process, mill speed, water addition, ball charge, power while adhering to save operating constraints and preventing liner damage.

The supercharged control system allows the optimization across three primary grinding mills to achieve increased combined throughput. And of course the operators are fundamental to the success of such initiatives. The system is fully integrated with their interface shown on the bottom right and they have driven a 9% improvement in throughput at Red Dog. And the work continues today to further improve on the achievements to date.

The second example focuses on machine learning and advanced analytics at Highland Valley where we focused on the flotation circuit. Within the flotation circuit where copper is separated from waste, there are hundreds of variables that can have an impact on the overall performance of the process including fragmentation ore types and operator decisions. Operations teams typically rely on past experience to establish set points within the process. This does create challenges due to information gaps but also from the complexity of the process and hence the lack of ability to readily determine the optimal settings.

Site teams and RACE21 have developed machine learning models that have provided our operators with real time data and operating recommendations in real time. These recommendations are based on numerous input variables that would have been very difficult to leverage together in the past. The image on the top right shows the 40 plus set points for the frontline operators and the recommended changes from the models shown in the red boxes. The acceptance rate of the recommendations remains high today and continues to improve as the models improve with more data over time.

The improvement within the flotation process is one of the key initiatives that has contributed to a 7% increase in throughput and 2% improvement of recovery of copper recovery at Highland Valley. And please keep in mind that these are just two specific high impact examples and we continue to expand the applications within all of our processing plants. And as Greg described earlier similar work is ongoing in mining operations including halt cycle analytics as well as other projects to improve safety and environmental performance.

In summary on slide 8, the expansion of a base metals business is underway. And we are very, very well positioned to benefit from increased demand for copper and zinc, which are fundamental to the decarbonization efforts globally. We have high quality copper assets a world class sink business and continue to drive an operating culture focused on discipline and improvements.

With that I will turn it over to Robin Sheremeta to discuss our steelmaking coal business.

Robin B. Sheremeta, Senior Vice President-Coal Operations, Teck Resources Ltd.

Good. Thank you, [indiscernible] and good afternoon, everyone. Can you just go to slide 2, I'm going to begin with a brief summary of the historical financial performance of steelmaking coal. Teck is a large proven and reliable supplier of high quality steelmaking coal. Our steelmaking coal business units delivered exceptional results over the past 12 years with an average impairment adjusted EBITDA margin of 49% and average annual impairment adjusted EBITDA of $2.2 billion. We have an extensive resource base in Southeastern British Columbia. Our integrated operations are supported by a dedicated logistic system providing numerous value accretive production scenarios to meet the demand of our diversified long term customer base. We operate four fully integrated minds with a long term stable strip ratio of approximately 10:1 and our long term production rate is about 26 to 27 million tons per year. With a history of over 50 years of continuous operations, we have a positive social license with a stable and highly skilled workforce and strong relationships with our unions and local communities. We're continuously driving innovation through integrating technology, optimizing coordination of our activities from planning to execution and from pit to port, all of which is underpinned by strong culture of safety performance.

If you can go to next slide. It describes our operating strategy. Four areas of focus are optimizing our supply chain, increasing margins, drive best-in-class productivity and asset utilization through continued innovation and maintain and enhance our commitment to strong social and environmental performance. As you can see on the map on the right side of slide 3, here are four steelmaking co-operations that are located within 60 kilometers of each other in the Elk Valley of South-Eastern British Columbia. This geographical concentration enables full operational integration to maximize planning and execution synergies to optimize the supply chain improve market access and provide reliability and certainty for our customers. We have total proven and probable reserves of about 800 million tonnes of which supports a long-term production run rate of about 26 million to 27 million. We did make the strategic decision to close our Cardinal River operations in 2020 and we replaced that with higher cost – sorry replacing this higher cost production with lower cost tonnes to the Elkview plant expansion. The focus of our strategy and steelmaking coal is not to increase volumes as Don said but to increase margins and our overall competitiveness. We aim to maximize and sustain strong cash flows through managing costs and sustaining improved productivity supported by our digital transformation and innovation program RACE21.

As you've heard quite a bit now RACE is driving operational improvements and helping to lower unit costs affect our haul truck productivities increased over 28% from 2012 to 2020 with 2020 being a record year. Importantly we're committed to a strong social and environmental performance. We continue to build on our strong relationships with local communities and indigenous peoples. And we are aggressively pursuing decarbonization initiatives and are executing on the Elk Valley water quality plan.

Next slide please. Briefly for those that might not be familiar there's been over 100 years of mining in the Elk Valley. This has created a substantial legacy challenge associated with the large volume of waste rock it is a accumulated over decades. That rock contains naturally occurring substances such as selenium an element that is essential for human and animal health in small amounts. When water flows through this rock it carries Saleem and other substances into the watershed. And if present in high enough concentrations these substances can adversely affect aquatic health. In 2014 the Elk Valley water quality plan was developed to address this challenge.
and it was approved by the BC Ministry of Environment. It establish short-term, medium-term, and long-term water quality targets to maintain the health of the watershed. And this year marks a major milestone in the plan is after years of work we are commissioning a substantial volume of water treatment that will materially improve water quality. We currently treat some of their water in active water treatment facilities which uses a tank based biological treatment process. Going forward we expect to treat water using saturated rock fills or SRFs and this is where old mining areas are

backfilled with rock, saturated with water to remove selenium and nitrate using a naturally occurring bacteria.

You may recall our team researched and developed SRFs which are less costly and a more effective form of water treatment. And in February we successfully commissioned our first one, the Elkview SRF which was under budget and ahead of schedule and it's now delivering about 20 million liters of per day of treatment capacity and achieving near-complete removal of selenium and nitrate. Between [indiscernible] and Line Creek's active water treatment facility we're now treating up to 27.5 million liters of water per day. I'm also pleased to tell you that the Fording River Active Water Treatment Facility is now completed and it's being commissioned. He will add a further 20 million liters per day capacity. We also expect to complete phase one of our second SRF facility at Fording River this fall allowing us to treat an additional 7 million liters of water per day and next year we'll expand that facility to 30 million liters of water per day.

So to recap, we started the year with 17.5 million liters of treatment capacity and we'll finish 2021 with a capacity of more than 50 million liters or triple the treatment capacity of today. And this will grow to 70 million liters next year. We've included a summary of our guidance for capital and operating costs related to water treatment in the appendix and operating cost related to water treatment in the appendix. In summary, after years of work, we expect to see a material improvement in water quality throughout the water set. Turning to slide 5. Our steelmaking coal business is well positioned to achieve carbon neutrality. We're committed to improve energy efficiency and reduce emissions. We're currently developing a carbon reduction technology roadmap in support of Teck's commitment to be carbon neutral across all of our operations by 2050. Notably, the greenhouse gas intensity for Teck's steelmaking coal production is amongst the lowest in the industry as shown by the graph on the right, which includes SCOPE 1 and SCOPE 2 emissions from our operations. Our high quality steelmaking coal contributes to cleaner steel production to the – due to the high coal strength of our products which helps ensure stable and efficient blast furnace operations and results in lower carbon dioxide emissions per ton of steel. The significant advantage of our operations in BC is the electricity is provided through hydroelectric power which is obviously a low carbon source. We continue to evaluate renewable and alternative energy sources and introduce efficient and emissions free fleet technology. And Marcia will be speaking to our carbon neutrality objective shortly. During the slide 6, just want to summarize the operating philosophy is steelmaking coal. It's critically important to understand the relationship between operating costs and coal pricing. Our objective is to maximize cash flow in any market. So when the price of coal is high, we aim to maximize production in order to drive cash flow and EBITDA generation. While costs remain a key focus, we may choose to strategically spend to generate additional production and increase margins to meet market demand. Under this scenario, we will often use higher cost equipment where necessary, will utilize contractor labor to ensure we have high availabilities in our plants and with the equipment we may increase over time and we'll look at strategies like interstate processing. We invest in reducing risk to production and we take steps to mitigate potential issues. And a good example of this we just recently supplemented the 40 river haulage fleet with low cost use truck capacity to maximize Brocco availability from the mine going forward. In a low coal price environment our focus shifts to cost reductions and deferrals to deliver again maximum cash flow for our shareholders. We demonstrated our ability to do this effectively in the downturn of 2013 to 2016 and through this period we implemented a hiring freeze these contractors and idled our high cost equipment. And as a result we were able to deliver strong cash flows despite a very challenging environment through that period. This recent period a very high premium pricing to China is unique in our history. Our target of 7.5 million tonnes or 30% of our sales to the Chinese market this year reflects our margin strategy for high price environments and our operational flexibility. Our steelmaking coal business has demonstrated we can quickly respond to any market condition and deliver strong returns by focusing on the levers that maximize cash flows in value for our shareholders while meeting our customer commitments.

Slide 7 illustrates that our operating margins are competitive relative to industry peers as shown in the chart on the lower right. Our Neptune port upgrade project is complete. And Réal will speak to

the project and our logistics chain in a moment. The Neptune upgrade secures a long-term low cost reliable steelmaking coal port access for our supply chain for the long-term. Our logistics costs are lower through Neptune and through Westshore terminal or Ridley terminal with a lower cost base and strengthened supply chain our steelmaking coal business is well-positioned for the future. As you've heard quite a bit of our RACE21 transformation is ongoing. There are numerous initiatives in mine operations maintenance and processing underway and implemented.
Due to the innovative nature of these projects some will generate strong upside while others may prove out or may not prove out or require more time than anticipated to achieve target objectives. However on balance we're seeing our unit cost inflation and COVID-19 related productivity impacts have been notably mitigated by our RACE21 initiatives compared to our peers through this year. Our costs and production profiles are predictable and stable as our long term strip ratio remains constant. We continue to achieve best in class truck productivity and asset utilization levels. And further we expect the gap between our cost and that of our primary competitor is going to widen because they are guiding for a cost increase of over 20% and our costs are expected to remain relatively stable.

Finally as mentioned earlier we've got a diversified long-term customer base and integrated operations including a dedicated logistic system that supports our extensive resource base providing numerous value accretive production scenarios to meet market demand and deliver strong returns in any price environment.

And with that I'll turn over to Réal to provide an update on our logistics chain supply.

Unverified Participant

All right. Thank you, Robin. Starting on slide 2 the coal logistics chain is performing really well. Actually the best it ever has showing the benefits of port and rail optionality and related resilience. The sound commercial arrangements with rail and ports and the increased capacity as Neptune ramps up improve the reliability of the coal supply chain. For instance we moved over 350,000 tons through Riddley terminals during Vancouver real closure caused by the unfortunate BC wildfires. In that movement through Riddley terminals helped us to partially mitigate the impact to sales and mine production.
The Kamloops rail interchange between CN and CP is performing well moving product to the port efficiently. Mine inventory is at good levels providing options for loading trains and flexibility at the mines. As Andrea highlighted earlier RACE21 technology is also assisting the coal supply chain continuous improvement supporting coordination between mines rail, ports, and vessels and reinforcing the efficient and optimal utilization of capacity.

Neptune is performing well with the equipment demonstrating designed capacities with over 300 trains dumping and deliver 60 vessels loaded since April of this year. Terminal wide system integration and ramp up is going as planned and targeting over 18.5 million tonnes annualized rate in Q4. We thought we'd share a few photos of Neptune on the following slides.

Next slide please. So Neptune is a world-class terminal with modern control rooms for remote vessel loading and train dumping. State-of-the-art visibility in 02:13:19 [indiscernible] and collision avoidance systems ensures safe and efficient operation.

Next slide please. First call was put through the tandem dumper on April 19 as previously reported. This is what you see on the photo here, the actual tandem dumper in action. The train dumping is performing well with the new tandem dumper and the upgraded with the new tandem dumper and the upgrade is single dumper.

Next slide please. Neptune's yard system includes new stacker reclaimer and conveyers, allowing efficient train unloading and vessel loading.

Next slide please. This is the new high capacity west ship loader. And on the next slide, this is a view of Neptune's two ship loaders in action loading the largest vessel ever for the terminal and also showing the benefits of the Neptune upgrade. The high capacity west ship loader is on the top of the photo and the upgraded east ship loader is in the [indiscernible] 02:14:37.

And with that I will turn it over to Kieron Mcfadyen on Energy.

Kieron Mcfadyen, Senior Vice President-Energy, Teck Resources Ltd.

Réal, thank you. Good morning everyone. Good afternoon everyone. So my [indiscernible] 02:14:53 is to provide a [indiscernible] 02:14:53 outlook. And we want to emphasize very upfront that our absolute short-term focus is on ramping up Fort Hills and maximizing asset utilization. So let me start with a short recap on Fort Hills the asset. Next slide please.

Fort Hills is a long way high quality asset both in terms of the scale and ore quality and in terms of scale, the nameplate capacity of [ph] 120,000 02:15:26 barrels a day, the asset provides stable free cash flow for over certain years. The operation of stable jurisdiction for the high quality workforce and high quality supply chains genuinely. And I do want to stress but I do want to stress that from a greenhouse gas point of view, Fort Hills production is one of the lowest in oil sands. So to summarize, Fort Hills is a long life, low cost, high quality asset located in a progressive jurisdiction.

Next slide please. So, I want to be – to begin by saying that the operators' done a commendable job managing COVID. There have been no significant business impacts as a result of COVID. In our Q2 2021 usually reference several operational issues at [indiscernible] (02:16:23) to contract over the shipping being voted into – and remain slow in stability. And I want to note that none of these issues are long-term structural issues and will not have any impact on 2022 opening plants. The operator is absolutely focused on overbooking shipping to explore sufficient port to maintain and indeed sustain production at rates. Overall, we see clear signs of improvements in main productivity but the recent operational performance and we are positioned to ramp up production heading into 2022 with a clear focus on maximizing asset utilization as I said. But I can't say the operator's been actively working to understand that the partnership could further reduce costs, the departments are working together in a constructive manner to support these efforts. Clearly as production ramp ups it also provides an opportunity for us to improve our cost structure overall from a unit cost point of view. Next slide please. We stabilized production we expect to see a significant. stabilized production we expect to see a significant improvement in Fort Hill's EBITDA. As you can see in the chart on the right, EBITDA has the potential to increase over $0.5 billion. This assumes production at nameplate capacity and operating costs to actually we have achieved already. Please note that in December 2018, we produced over 200,000 barrels a day. We are well above nameplate and operating costs alone CAD 23 per barrel. So this in part gives us the confidence in the financial potential of the Fort Hill's asset. Importantly this confidence is further underpinned by recent improvements in global benchmark energy prices. We're also seeing steady Canadian differentials which are forecasted to improve further with Enbridge leading to the expansion expected to be in service fairly in Q4 and five. We expect to see it coming online next month. Added to that, we expect to see [indiscernible] PMX expansion to come to service late 2022-2023. 02:19:03 As noted in previous analyst presentations, we have lot more say of you've lost. We have lot more say of significant people on 02:19:11 opportunities at Fort Hill. He believes something in the range of 20,000 to 40,000 barrels of the debottlenecking opportunities at Fort Hills. But we also recognize that 02:19:25 to run the asset through rates 12 to 18 months to fully understand [indiscernible] constraints. However we do believe that there are opportunities with upside production EBITDA potential. This was best illustrated in the chart on the right with the incremental EBITDA potential of $100 million to $250 million. Moreover, there may be regional synergies that could prevent further significant cost improvement opportunities. [indiscernible] crucially once [indiscernible] commission that says [indiscernible] footnotes provide daily cash flow of their kids and with the prospect of treason.

<Q>: That's great. Thanks, Karen very much. We'll now take questions on operations. Joining me for this panel, as Don of course is going to come back and moderate for and then Red, Andrew, Shehzad, Robin, Real, and Kiran. As a reminder to analysts investors, if you want to ask questions please dial into the call for the Congress [indiscernible] limit questions to one if you can and make sure we would fit everybody in. Otherwise, Matt overdue to start the questions.

Operator: Thank you, sir. And once again [Operator Instructions] The first question is from Carlos the De Alba of Morgan Stanley. Your line is open. Please go ahead.

<Q>: Yeah. Thank you very much. So when, when, is there a timeframe where perhaps you could reach the potential for field and how much, for lack of a better word, maybe patients with the board have with this operation before maybe taking other steps?

<A>: That one goes back to Kiran please. I'll do the second part.

<A>: Sure. Sure, Don. So thanks for the question, Carlos. You know as I mentioned in my commentary, our focus right now with the operator is to ensure that we get plans in place for the – the safe and efficient Ramp Up. We hope to start Ramp Up before the end of the year. The current plan sees to Ramp Up in Q1. So that's early January, February, but we are working hard with the operator to bring it up to full capacity and EBITDA [ph] lead as something like 175,000 barrels a day, something early next year January.

<A>: Okay. Just on your second question, I can say the board is certainly frustrated, management team is frustrated. I'm sure Suncor is frustrated as well. We would like to see this back at full production because what that does to the numbers is very positive for a company but think about this, there's real pressure on Suncor because if we're losing over $0.5 billion in EBITDA, they're losing about $1.3 billion in EBITDA. So they have real incentive to get, get up to capacity as do we. We've had a very good dialogue with them and worked very well with them sharing ideas and best practices and so on. But at the end of the day they're the operator and the real pressures on them right now.

<Q>: All right. Thank you.

Operator: Thank you. The next question is from Dalton Baretto of Canaccord Genuity. Please go ahead.

<Q>: Thanks. I'm just wondering if I can know where we stand in terms of the HVC 2040 and the Antamina 02:23:15 EVA2 [indiscernible] project? Thanks.

<A>: Okay. 02:23:20 [indiscernible] over to you.

<A>: Thanks. For HVC 2040 we are completing our feasibility study right now and expect to submit an EIA and our focus really is on the EIA getting that in the process and getting it approved And we do expect to submit that in the second half of 2022 and a 12 to 15 month approval timeline. So that would be typical. And then there would be a time for a sanction decision at that time. With Antamina EVA, our mine life right now is till 2028. And we have been working on a MEIA to be submitted in 2022 and expect approval in 2023 to extend that mine life to 2036. And also work is ongoing on other tailings facilities to look for that to get my life extended past 2036, so.

<Q>: Okay, great. And just maybe switching gears to the Aktigiruq deposit, I remember when we were inside a couple of years ago, there was talk around doing a deal with NANA. Just wondering if that's still in the works.

<A>: Back to Sheila. Yeah.

<A>: Okay. Yeah. NANA has been a strong partner with us for a long period of time. And remember that Red Dog facility is and the ore body is on NANA lands, whereas the Aktigiruq and Anarraaq are on state lands. So there's a different regime for that. And we are working collaboratively with NANA to get alignment. We don't have a signed agreement at this point, but that work is going on very collaboratively as we develop the resource in the short term.

<Q>: That's great. Thank you.

Operator: Thank you. The next question is from Brian MacArthur of Raymond James. Your line is open. Please go ahead.

<Q>: Good afternoon. Sorry my question sort of bridges back to the first part as well. But there was a slide in the first presentation, where you showed Good afternoon. Sorry my question sort of bridges back to the first part as well. But there was a slide in the first presentation where you showed potential cash flows with QB2 and there were a lot of assumptions. My two questions are the following. You talked about how you adjusted the coal business for 199 I think, coal price. But you annualize the first half of this year's EBITDA. Does that mean we didn't put the benefit going forward and those numbers of the new logistics system? And secondly, I mean did cost get adjusted given you're, assuming a higher price in the first half? How did you actually address that and my second part of this is very simple. Similarly if I understand the assumptions, we used the first half of oil and gas again but that obviously wasn't particularly good this year. Did we adjust the oil and gas forecast and those consolidated numbers for everything you've been talking about in oil and gas here if you get back to the potential of running at out. Thank you.

<A>: Okay. Well thank you Brian for the question. First to answer that would be Jonathan Price, our CFO. This being the operating section of the IR Day today we didn't necessarily have him on standby. I'm just looking at the list to see if he is available. But if not at the end of the day we have a catch all for remaining questions outstanding and he could answered then. So does anyone see Jonathan on the list also.

<A>: Don I am here.

<A>: Yeah. Go ahead.

<A>: So on the – the second question we haven't assumed all of the operating benefits that Karen was talking to. We simply took the first half performance and carried that forward with the adjustments noted. We also didn't assume the full benefits of the Neptune facility and those future forecasts as well, because we wanted to stick to the H1 performance. You can see that there's still some upside in the numbers that we because we wanted to stick to the H1 performance. You can see that although there's still some upside in the numbers that we quoted, there's a bit of detail behind that and we're – we're happy to take that offline with – with Fraser and team if you want to understand that further.

<Q>: Okay. Sorry – sorry, that's very helpful and I apologize for asking this now. I was just [ph] out of line so I couldn't see what was actually available. So, apologize for asking now. I just didn't get it in last time, but thanks very much. That's – that's very helpful.

<A>: [indiscernible] 02:27:56

<Q>: [indiscernible] 02:27:58.

<A>: No problem. Okay. Next question?

Operator: Thank you. The next question is from Matthew Murphy of Barclays. Your line is open. Please go ahead.

<Q>: Thanks. There's a bunch of RACE21 team on here. So I guess I'll take advantage of – of your presence to ask a question on it. I'm interested to hear a little bit of a sneak preview about what happens after 2021? I guess if 2021 was the acceleration phase, what's the constraint going forward? Is it capital or is it people or you know is it all systems go already here? And also interested if Red Conger has any thoughts having come into the program in mid – mid progress?

<A>: Okay. Well, we'll let Andrew – Andrew answer the first part and then turn over to Red. I will say though that we look at these things the RACE21 just becomes a RACE and it's like an ongoing cultural transformation as I think you saw in the presentation, but Andrew back to you.

<A>: Yeah. Look on – on the – the future, we see – we see a similar trajectory going forward in terms of pace and value uplift. If anything, there's potential [indiscernible] 02:29:16 to – to ramp up and that's something we're looking at – at the moment. And – and then clearly we'll have to align decisions around that with capital constraints and other things, but one thing I would say the initiatives we pursue in the RACE program, a very short payback and we have a rigorous approval process for each – each project we undertake. We saw on the slides you know 250 plus initiatives, all of those had a rigorous review process that we undertake and it's approved at the highest levels it's revised by myself. And it's, it's an initiative base level. So what we're calling Robin wishes that would be involved. We sit down, we discuss the merits of the initiative. And in a lot of cases, the IRRs on those is extraordinary, you know they have 200% to 300% in short payback because all sides. So we're going to continue to approach the program on that basis. We have a logical and full year that we're continuing to expand. You would have heard about the domains that we talked about, we're expanding those domains. We're expanding the initiatives and we're moving to other areas. There's an exciting feature from my perspective is what RACE can do with that decarburization goals. I mentioned on, on the Connect phase the integrated platform. I mean ultimately what we want to be able to do is look at full value chain, and it's about reducing variability across the value chain while leveraging [indiscernible] (02:30:40) et cetera. And that's a work that's underway way and we'll continue to reap huge benefits in the future. So you know that's going to be something we decided to focus at the mind is clearly on getting to the end of this year. We've made some ambitious, we've set some ambitious targets around where we want to be to end of this year. And I'm focusing in teams I'm getting to the end of the year, but certainly there's a change also focusing on the future and what 2022 and beyond looks like. So stay change, I'm looking forward to announcing some of that in future calls. And with that, Greg I'll hand over to yourself for the next part of the question.

<A>: Yeah, thanks for the question Matthew. There are things in the concentrator that Shehzad pointed out to us that I have experienced with that I'm familiar with. So I think what Teck's doing is cutting edge there and obviously delivering big, big results for us. Of – the things that I'm – that I've learned about in the past year that I was not familiar with prior a myriad of other tools that Andrew and the team have developed you saw some of them showcased here today with a haulage optimizer, Don and I have been out at the sites in the field working with the people. We've actually used these applications out there. And the supervisors and skilled leaders have very excitedly explained to us how it changes their day-to-day responsibilities helps them delivers better results for them that they can actually see an extra benefit So I think it's a great combination of all of those things that you pointed out were renewing systems, were automating things and making significant improvements all the way around. So I'm excited to be a part of it and very impressed with what's been accomplished today.

<Q>: Okay. Thank you.

Operator: Thank you. We have no further questions on the line.

Unverified Participant

Okay. Well, thank you.

Unverified Participant

Sorry Don. No. Go ahead Fraser.

Unverified Participant

My apologies. Thanks. Thank you. I'm so Matt. I guess we'll start off the last session here at third and final session of the day. It's led by Marcia Smith. Of course, our Senior Vice President of Sustainability and External Affairs. Marcia will provide an overview of Teck's commitment to ESG and our industry-leading performance So Marcia over to you.

Marcia M. Smith, Senior VP-Sustainability & External Affairs, Teck Resources Ltd.

Great. Thank you very much, Fraser, and good afternoon everyone. So today Fraser said I'm going to give an overview of Teck ESG performance and our strategy for continuing to meet the evolving ESG expectations moving forward. So moving to slide 2, I we'll start with an update on performance and achievements in each of health, safety, environment and communities. I'm going to briefly review Teck's sustainability strategy and then provide a review of our climate related performance including the role of steelmaking coal in a low carbon future. And finally I'll close with an update on ESG resources for investors.

So starting with the health component of health and safety, throughout 2021 COVID-19 remained one of the most material issues facing Teck and the world. We have a comprehensive approach to managing the risks and impacts of the pandemic based around five pillars, prevention, employee support, aid for communities and public health organizations, business continuity and communication. So on the prevention side, we've continued to enhance protective measures in addition to the protocols that we've put in place in line with health guidance. We've also implemented pre-work rapid testing programs across our operations and major projects. And as a result we've been able to maintain operations and continue the ramp up at our QB2 project. For employees we've greatly expanded our mental health programs and also provided access to on demand virtual health services. And we've launched programs to encourage vaccination as well as onsite vaccination clinics and provided a pay day off for employees to get vaccinated. We've also continued to support community and local health organizations through our $20 million community relief fund. And throughout the pandemic we have remained close contact with our employees, our stockholders, health authorities and unions to ensure that they understand and support We have made close contact with our employees, our stakeholders, health authorities and unions top ensure that they understand and support the protective measures that we're putting in place.

So moving to overall safety performance as Don said, this is the core priority for Teck. Our company wide safety performance in 2020 was the best on record for Teck with performance in the first half of 2021 following similar downward trends in high potential incidents and lost time injury frequency. And we attribute some of this progress to the continued implementation of our high potential risk program, targeting potentially unsafe situations before any potential incident can occur. Now, despite this progress, we were saddened to report one fatality in January 2021 at our Red Dog operations. We have carried out an in-depth investigation to identify measures to prevent a recurrence of such an incident and we are sharing the results to help strengthen performance across the mining sector.

So for these next few slides, I'll say a few words about Teck's approach in each priority area. So starting with community, we engage with surrounding communities throughout the mining lifecycle from exploration to development, operations to closure and remediation to create lasting benefits for all and this includes generating approximately CAD 10.8 billion in economic benefits in 2020, which includes spending with local suppliers, payments to various levels of government and wages and prioritizing hiring from within the areas where we operate with 72% local employment across operations. On our work with indigenous people, we focus on early engagement and we work to achieve the free prior and informed consent, [indiscernible] 02:37:05 activities in the traditional territory of indigenous people. An important part of that is establishing formal agreements and we currently have 72 active indigenous agreements in place covering all of our operations. And we also worked to advance reconciliation through support for numerous indigenous-led organizations. And we focus on creating economic opportunities for indigenous communities including investing $192 million with Indigenous businesses last year alone.

Moving onto water on slide 6, we work to protect water quality and reduce our use of freshwater in water scarce regions. Two of our major undertakings are the continued implementation of the Elk Valley water quality plant that are still making coal operations in British Columbia. And as Robert said, by the end of 2021, we plan to have capacity to treat more than 54 million liters of water per day in the Elk Valley. And that is nearly 3 times our 2020 treatment capacity. And interestingly, we are focused on reducing use of fresh water. That includes construction of a major desalination plant at our QB2 operations, which will be the first large scale use of desalinated sea water for copper production in the Tarapacá region of Chile.

On tailings management, we are committed to meeting global best practices for safe and responsible tailings facilities. And we're proud to have been part of the efforts to develop the global industry standard on tailings management. And because of our existing mature tailings governance program we already need about 75% of the global tailings standards requirements that are safe. And we're in the process of completing full implementation. This is largely around developing stronger community engagement programs on tailings management. And our plan is to complete that work no later than August 2023.

So moving to slide 7, biodiversity and reclamation. We are working towards a commitment that we actually made back in 2011 to have a net positive impact on biodiversity. And this includes working in cooperation with groups including indigenous communities and others on conservation and shift initiatives. For example in January of this year, we signed a joint management agreement with the Ktunaxa Nation for over 7,000 hectares of land near our steelmaking coal operations that have been set aside for conservation. Further, in our effort to be a responsible producer, we continue to focus on reducing waste and pollution, while increasing recycling activities, including recycling of electronics, the urban ore at our Trail smelter to reclaim valuable metals with over 43,000 tons of urban ore recycled last year alone.

On slide 8, at Teck, we are working to foster a culture of equity, inclusion and diversity, ensuring that our employees feel valued and equipped for their roles today and into the future. And for example, we're working to improve gender diversity across the company. And to-date, 20% of our total workforce are women, ahead of the industry average of 15.7%. Over one-quarter of all senior management roles are held by women today. And we're also committed to transparency and accountability in our governance practices. And this includes linking our compensation to sustainability performance, through the integration into corporate business and personal components.

So moving now from performance to strategy on slide 9. Tech has had a comprehensive sustainability strategy in place for over a decade. We updated the strategy on a per – we update the strategy on a periodic basis. First in 2015 and we released a second major update last year. With the 2020 update, we set ambitious new goals and the eight strategic themes shown here on the slide, from health and safety, to tailings, to climate change. And under each, there are long-term objectives with short-term milestone goals to guide our progress. So there's a lot of detail on each of the goals available on our website. But for our time today, I want to focus on climate change. So on the next slide mining is by its nature. As the audience will know a GHG emissions-intensive business and we recognize our responsibility to work to reduce emissions and support global action on climate change.

Today Teck is in an industry-leading position when it comes to climate action. The carbon intensity of our operations is already very low. And as shown in the graphs here on the slide, the intensity of our Scope 1 and Scope 2 GHG emissions for each of our major – major projects – products are already in the first or second quartile in the industry. And in fact as Robin pointed out earlier, Teck's hard coking coal is amongst the highest quality in the world with properties that improve blast furnace efficiency and decrease CO2 emissions per ton of steel. And this has positioned Teck's seabourne still making coal as a preferred product for steelmakers as they begin to face rising carbon prices. And finally I will say that the majority of our business is already covered by carbon pricing and has been so for many years. So unlike many of our peers, the cost of carbon is already factored in to our cost structure.

So moving from this strong starting position, we are implementing a comprehensive climate strategy organized around four pillars. The first is to ensure Teck's portfolio is well-positioned for the low carbon economy. And central to that is as Don discussed earlier today, rebalancing our portfolio towards copper and essential metal for the low carbon transition. Second, we support adoption of carbon pricing as an effective and fair method of driving climate action broadly when applied equitably. Third, we're working to reduce our own carbon footprint including setting a long-term climate goal of being carbon-neutral across our operations by 2050. And our plan to achieve this 2050 goal includes several – several short-term milestone goals including moving to renewable power for our 02:43:11 [indiscernible] operations and reducing the carbon emissions intensity of our operations by 33% by 2030.
So we are continuing the implementation of our climate change policy, including working on our Scope III emissions, through work with our customers and transportation providers to reduce downstream emissions. Finally, we are adapting to the physical impacts of climate change on our site, incorporating climate scenarios into our project design and mine closure planning and increasing the resilience of our operations. So we've been working on a roadmap for how we will reduce our carbon intensity to achieve this long-term objective of being carbon neutral by 2050. And so from now until 2030, our focus is on readily available cost competitive technologies. And our action in Chile to move towards renewable electricity reflects this approach, where we've been able to procure renewable electricity at competitive prices. We're also evaluating abatement opportunities across all of our sources of emissions with a focus on mobile equipment, which represents our largest sources of emissions. And today we're piloting projects such as Electric Progresso's' and other heavy duty electric vehicle options such as concentrate haulers at Highland Valley Copper. And finally, we're also actively exploring early stage adoption options for zero emissions haul trucks.

So moving to slide 13. Beyond reducing emissions of our own operations, we're also considering the resilience of our products in a low-carbon world, particularly steelmaking coal. And currently the steel industry accounts for 7% to 10% of global greenhouse gas emissions. And as Don noted, many solutions have been proposed to decarbonize steel production. And we believe meeting global climate commitments will require deploying a range of steelmaking decarbonization technologies. Today about 70% of steel is produced by a blast furnace, which requires coke made from steelmaking coal and adapting blast furnaces with capture, utilization and Today about 70% of steel is produced via blast furnace, which requires coke made from steelmaking coal and adapting blast furnaces with carbon capture utilization and storage technology is we believe going to be at least in the short and near-term, the most cost competitive and commercially-viable decarbonization solution, leveraging the more than 1 trillion US of existing blast furnace capacity. And as such, we see continued strong demand for high quality seaborne steelmaking coal through to 2050.

[ph] Commenting slide 14 I'd like to close by highlighting our approach to reporting and to touch on external recognition of Teck's sustainability performance. We have issued sustainability reports for 20 years in alignment with the [ph] GRI framework. We also report in alignment with [indiscernible] 02:45:54 standards and we published three TCFD aligned reports, most recently of which we released just a couple of months ago. And finally, we have achieved industry-leading ESG performance including the honored as the top range mining company by both the Dow Jones Sustainability Index and [indiscernible] (02:46:13 and maintaining an A rating with MSCI.

And on slide 15, I invite you to access some of Teck's extensive ESG disclosure as listed here, all of which are available through our website. So in summary, Teck remains focused on leading ESG performance. We are well-positioned for the low carbon transition with low carbon intensity production of the metals and minerals essential to the clean economy. We have strong health and safety environmental and communities' performance with a focus on continuous improvement as guided by our sustainability strategy. And that strong performance has been recognized by a number of external ESG ratings and ratings organizations.

And so with that, I will turn it back to Fraser and thank you very much.

Fraser Phillips, Senior VP-Investor Relations & Strategic Analysis, Teck Resources Ltd.

Thanks, Marcia. We'll now take questions on Teck's ESG strategy, performance and reporting. Donald, to back on of course moderate. Don, Marcia and I will be joined by Red and also Chris Adachi who is our Director of Climate Change, and Scott Maloney who is our Vice President of Environment. Other members of the senior management team are also available on the line to answer questions. As a reminder again anybody wants to ask a question please dial on to the conference center and limit questions to one. And with that Matt please open up the lines for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And we have no questions registered at this time.

Unverified Participant

We may have bored everyone out.

Unverified Participant

Why don't – why don't we then, I mean, we've got time slotted to everyone whoever is still with us for Q&A on sustainability of course to wrap up with Don. So General. Q&A.

Operator: And I'm sorry to...

Unverified Participant

Sorry. Go ahead, Matt.

Operator: Yes. Sorry to interrupt. We do have one question that queued up if you would like to take it.

Unverified Participant

Well absolutely. Please.

Operator: Thank you. The question is from Carlos De Alba of Morgan Stanley Mr. De Alba, please go ahead. Your line is open.

<Q – Carlos De Alba – Morgan Stanley & Co. LLC>: Great. Thank you very much. I'm sorry if I missed this, but could you make any comments on what are the key initiatives on Scope 3 for the coal business If any?

<A>: Go ahead, Marcia.
<A>: Sure. Maybe – maybe the first – thanks Carlos for the question and maybe the first point that I would make is that rebalancing our portfolio towards copper will shift our Scope 1, 2 and 3 intensity of our portfolio to one that is lower in intensity since carbon has a lower Scope 3 emissions profile than the steelmaking coal business does. Having said that, as – as we've all talked about today the steel sector is taking meaningful actions to decarbonize as they aim to deliver their own net zero emissions goals by 2050. So in terms of Scope 3 we are committed to working with our customers and our logistics chain to better understand what options there are to decarbonize their business and – and to identify where we can help support their efforts. Maybe I would also just see if Chris wants to add anything there.

<A>: No. I think Marcia you – you hit the – the main points there. The only thing I'd add potentially is that we are looking at options as well in the supply chain and I think there's some announcements that we anticipate in the coming months, but we are looking at all those options throughout the supply chain to see where we can support others.

<Q>: All right. Thank you very much.

<A>: And maybe [ph] Don – thank you, Carlos.

<Q>: Oh! Sorry, sorry.

<A>: So maybe Don, I'll just say – I was just going to say there was a question earlier and I'm sorry Carlos I don't know if it was from you, but there was a question earlier on [ph] glaciers, but I don't think we addressed someone asked a question that was part of a multi-pronged question on [ph] glaciers. And I just wanted to say to whoever questioned that the [ph] glacier issue that you referred to in Chile it does not have any impact on our QB2 or [indiscernible] 02:50:53 operations where we – we have no involvement with glaciers. So just – just to close the loop on that question.

<Q>: Thank you.

<A>: Fraser there's no [indiscernible] 02:51:05 unsustainability. Why don't we move to – like to a final question session on – on anything and everything that the people may want to ask?

Unverified Participant

Yeah. Absolutely. So we will do that the – just before we do, I was going to mention two things for people for their calendars. So don't do at the very end. First two events. First, we'll report our Q3 results on 27th of October. It'll be a conference call as usual 11:00 A.M. Eastern and all the details will be released a little closer to the time of report. Second, perhaps – not perhaps absolutely more exciting is that we are going to host a QB2 virtual site visit on Monday, November 1st and we'll again have further details on that in the coming weeks.

And so with that then, we go to the final Q&A. We're going to have on screen Don, Réal, Jonathan Marsia and Nick. But of course all the members of the senior management team are free to – are available – excuse me, to answer questions.

And so with that, Matt, wanted to see if we had any other questions on any subject, including sustainability.

QUESTION AND ANSWER SECTION

<A>: Yes. Thank you. And we do have questions. The first question is from Lucas Pipes of B. Riley Securities. Please go ahead. Your line is open.

<A>: Thank you very much. Good afternoon, again, everybody. Réal, a quick question for you on CFR prices in China. Obviously Teck has some nice exposure there. And the Pacific market 7.5 million tons, if I recall correctly. How would you describe the CFR market in regards to how it translates to netback prices? Major pitfalls that we should be aware of, just always sensitive from prices went up so quickly that that things can rise along the Quickly that that thinks things can rise along the way too following discounts, transportation what have you. So, just thought I ask that question would appreciate your perspective on that? Thank you.

<A>: All right. Thanks, Lucas. Well you know the current China CFR prices is really high for sure as you are pointing out to, I mean, now on average it's sitting just below $580 per tonne. But to your question to word that back to an FOB price, the freight from Vancouver to China is currently in the $25 to $30 range. So you need to get done that call it from $580 for round number. So that puts it in a very healthy $550 to $555 per tonne. Now what is supporting this and what are we watching on the seaborne supply side, supply is down as I said in the presentation compared to pre-COVID, while steel production overall across the world is up significantly 125 million tonnes versus 17 million tonnes lower on the steel making coal supply side.

We're also watching of course the domestic supply in China. Domestic supply in China right now is running higher than last year. It is annualized at about 9 million tonne increase versus last year bringing it to 494 million tonnes compared to 485 million tonnes last year. And it doesn't seem like there is ongoing safety inspections at the mines. So it seems like doing any more than that would be difficult. Actually the plus 9 million is probably a best case and then of course, when you watch Mongolia, Mongolia year-to-date exports to China are down. They're down actually if you annualize the number, they're down another 9 million tonnes year-over-year to annualizing let around 15 million that is down from 24 million last year and 34 million pre-pandemic in 2019. So supply overall is continuing to be very tight. And – and we're seeing movement in the market by steelmakers in various markets trying to procure additional steel making coal as they're continuing to produce at very high level to capture the – the record high or near-record highs steel prices.

<Q>: Very, very helpful. Thank you. I'll – I'll do a very quick follow-up. Many investors ask about the forward price for next year still really, really healthy. Any interest in locking hedging out some of the coking coal price risk?

<A>: That's a good question, Lucas. But when you look at forward markets for coal it is – it's still very thin, very small number of transactions. And if we were trying to hedge just one vessel alone, we could swing the market completely because the – the – the forward market is actually in – in very small clips of a few thousand tonnes compared to you know vessel sizes if you take a Panamax, you're looking at 80,000, 85,000 tons. If you take a capsize, you're looking at a minimum of 165,000 tons. So it is not really an alternative. There is no forward market we need to hedge.

<Q>: Thanks, again, and best of luck everybody.

<A>: Thank you.

Operator: Thank you. The next question is from Orest Wowkodaw of Scotiabank. Please go ahead.

<Q>: Thank you. You've outlined some potential development timeline for Saint Nicholas and Zafranal. I'm wondering if you can outline sort of what the timeline could be for QB3 and specifically not just a development decision there but also when – when Teck would actually be contributing significant capital to fund that expansion?

<A>: Okay. Several of us could comment on that. But why don't we start actually with, Nick, if you could explain then how the deal works with Sumitomo Mining, Sumitomo Corp, in terms of throughputs and capital when and in terms – and then ran it over to on the timetable related to pre-feasibility filing of the SCRA and some final feasibility and so on?

<A>: The contingent payment is equal to effectively 8% of the NPV of QB3 and that goes in in a similar manner to their upfront payment, did in the original transaction, which is it get spent first.

<Q>: Okay. And Nick?

<A>: So RSX, so we're heading into pre-feasibility now on QB3 and there's – it's a pretty exciting QB4 and there is – it's a very exciting deposit that's been another fun thing for me to learn about in the past year. It's got great expansion potential. We could add an additional sideline pretty straight forward to that, but it would support much more than that. So the prefeasibility is going to be looking at those options with a lot of focus on just adding one additional sideline, which would be a 50% increase in the QB2 capacity to get to QB3. So you can imagine those different approaches would have different timelines. But still they're well out in the future of the way the way that timing works when Teck would actually have to be putting cash and if we were to continue down that path and sanction something.

<Q>: Okay.

<A>: So, I take those two things together. If you – if you think about it when we first did the deal and people thought of long-term copper prices is around $3 dollars at that stage to the extent that people of you have a view it might be $350 now. The value of the 8% of the NPV at that stage is much higher than we would have thought and sort of the capital that Teck would have to come up with is of course that much lower. And so, then of course, you have project finance that would come after that. So really tax equity commitment is probably 2027 or 2028. And it would be lower than what we otherwise would have thought. And that depends on which model of development is. So we'll have quite a few years of lots of cash to return to shareholders before we're getting into QB3.

<Q>: Okay. As a follow up, it looks like the CapEx for San Nicolás. And Zafranal is combined even on a 100% basis is only $2 billion. So if – if according to your timelines of potentially starting those in mid-2023, it does sound like there's going to be a multi-year window here of positive-free cash flow. Is that the right way to think about it?

<A>: Yes.

<Q>: Thank you.

<A>: And then even more so if we – if we partner on those assets in terms of our – our need to put up capital becomes that much less.

<Q>: Thanks, Don.

Operator: Thank you. The next question is from Greg Barnes of TD Securities. Please go ahead.

<Q>: Yeah. Thank you. Don, I had jumped the gun a little bit with coal prices where they are and it looks like that's going to continue into Q4. Is there a possibility of supplemental shareholder returns this year or early 2022 or is it going to wait until QB2 is done?

<A>: You know I think if you do the math you have to make your own assumption of what – what not just coal prices but all prices are going to be but certainly anywhere near these levels, our capital allocation framework would produce a number – a healthy number of available cash flow.

And then Jonathan you know took the group through how that works. And so we would make a decision on that at the board – board meeting in February when we have all the final results there. So I'm not going to predict what it is but certainly [ph] prior models show that there would be available cash flow.

<Q>: Okay. Thank you.

Operator: Thank you. And next question is from Matthew Murphy of Barclays. Please go ahead.

<Q>: Hi. Another one on coal, can you remind me on the contract volumes which time of month do the assessments tend to happen at the consistent time of the month just given the rally? I want to make sure I am catching that right. And then does the capturing that right. And then does the price action that you've seen and your assessment of the market make you want to shift your volumes at all trying to get more into China or vice versa?

<A>: Okay. Réal back to you.

<A – Réal Foley – Teck Resources Ltd.>: All right. Thanks Matthew. I'll answer the second question first. Yeah. We keep looking to maximize tonnes for our sales to China but of course we're continuing to supply into our long-term highly stable and reliable customers that it took us years to develop. So currently our target is over around 7.5 million tonne sales to China for 2021. We're well on track to do that. And you know there is a good reason to do this as you say with the prices that we're seeing right now.

Now in terms of our book, China at around 7.5 million tonnes is about 30% of our sales. The sales in China are priced around four weeks to six weeks ahead of the start of the Longport late can for the vessels. So, we're always kind of about a month to six weeks behind price. The other – another 40% of our books is with our long-term customers where the price is calculated on the average of the FOB Australia assessments lagged by one month. So what that means for the current quarter for Q3 is that the average that price for the quarter has already been set. The average is that that price for the quarter has already been set. The average is at just under $203 per ton. That compares to $117 per ton in Q2. And it was $122 per ton in Q1 this year. So we are seeing benefits in Q3 for those quarterly price sales. But of course the balance of our sales that are sold on the spot market, we're seeing benefits like I say four to six weeks behind actual price in the market as times are reflecting.

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Okay. I understand that there are no more questions at this time. So I just want to say to everybody thank you very much for joining us today. If we have missed anyone with questions, please feel free to reach out to Fraser and other members of our Investor Relations team will be happy to get back to you. And we look forward to hosting our Annual Investor and Analyst Day in person next year. I certainly hope that comes to pass. Lastly, I want to say a special thank you to my team, to Fraser, and Lori and Alan and our newest addition, Helen, for working so hard. Put this this session together today. I think you've done a great job. And thank you to the rest of the senior management team for being available for these questions. We wish you all very well. Thank you very much. Bye now.

Operator: Thank you. The conference has now ended. Please disconnect your lines at this time. And we thank you for your participation.
[call ended]