## PARTICIPANTS

### Corporate Participants

**H. Fraser Phillips** – Senior Vice President, Investor Relations and Strategic Analysis, Teck Resources Ltd.
**Donald R. Lindsay** – President, Chief Executive Officer & Director, Teck Resources Ltd.
**Ronald A. Millos** – Chief Financial Officer & Senior VP-Finance, Teck Resources Ltd.
**Alexander Nicholas Christopher** – Senior Vice President, Exploration, Projects & Technical Services, Teck Resources Ltd.
**Réal Foley** – Vice President-Coal and Base Metals, Teck Resources Ltd.
**Robin B. Sheremeta** – Senior Vice President-Coal Operations, Teck Resources Ltd.
**Andrew A. Stonkus** – Senior Vice President-Marketing and Logistics, Teck Resources Ltd.
**Andrew Milner** – Senior Vice President-Innovation & Technology, Teck Resources Ltd.

### Other Participants

**Matthew Korn** – Analyst, Goldman Sachs & Co. LLC
**Chris Terry** – Analyst, Deutsche Bank Securities, Inc.
**Orest Wowkodaw** – Analyst, Scotia Capital, Inc.
**Greg Barnes** – Analyst, TD Securities, Inc.
**Curt Woodwort** – Analyst, Credit Suisse Securities (USA) LLC
**Timna Beth Tanners** – Analyst, Bank of America Merrill Lynch
**Jackie Przybylowski** – Analyst, BMO Capital Markets (Canada)
**Lucas N. Pipes** – Analyst, B. Riley FBR, Inc.
**Brian MacArthur** – Analyst, Raymond James Ltd.

## MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Teck Resources Q2 2019 Earnings Call. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. This conference call is being recorded on Thursday, July 25, 2019.

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

### H. Fraser Phillips, Senior Vice President, Investor Relations and Strategic Analysis, Teck Resources Ltd.

Thanks very much, Jen. Good morning, everyone, and thank you for joining us for Teck's second quarter 2019 results conference call.

Before we begin, I would like to draw your attention to the caution regarding forward-looking statements on slide 2. This presentation contains forward-looking statements regarding our business. This slide describes the assumptions underlying those statements. Various risks and uncertainties may cause actual results to vary. Teck does not assume the obligation to update any forward-looking statement.

I would also like to point out that we use various non-GAAP measures in this presentation. You can find explanations and reconciliations regarding these measures in the appendix.

With that, I will turn the call over to Don Lindsay, our President and CEO.

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

Thank you, Fraser, and good morning, everyone. We're pretty excited here today. We've got a lot of good news to share, so let's get going. I'll begin on slide 3 with highlights from our second quarter, followed by Ron Millos, our CFO, who will provide additional color on the financial results. We'll conclude with a Q&A session, where Ron and I and additional members of our senior management team would be happy to answer any questions.

We achieved a number of important milestones in the second quarter that have put Teck in a strong position moving forward. First, we updated our capital allocation policy and increased our share buyback to CAD 1 billion. We updated our capital allocation framework to reflect our intention to make additional cash returns to shareholders. I'll speak to this in greater detail later, but we intend to supplement our base dividend with an additional amount of at least 30% of available cash flow through supplemental dividends and/or share repurchases. And I note that a couple of analysts have already missed the fact that that 30% is on top of the base dividend.

Second the B.C. Government has endorsed the use of saturated rock fills to treat water at our steelmaking coal operations. We have begun construction of an expansion of the saturated rock fill at Elkview. We estimate that over the long-term, saturated rock fills will significantly reduce capital and operating costs compared to tank-based active water treatment facilities of similar capacity.

Third, we are accelerating our innovation-driven efficiency program known as RACE21 to generate an initial CAD 150 million in annualized EBITDA improvements by the end of 2019. There'll be much more going on into the future. In addition to RACE21, in light of economic uncertainty and trade tensions, we are actively evaluating further cost reduction initiatives, which can be implemented quickly in the event that commodity markets turn against us.

These measures are part of our straightforward strategy of running our operations safely, efficiently and sustainably to generate cash, successfully executing our QB2 Project and returning excess cash to shareholders.

We also had several additional highlights in the second quarter. We signed a US$2.5 billion limited recourse project financing facility to fund the development of the QB2 Project. We redeemed US$600 million of outstanding 8.5% notes due in 2024 on June 29, reducing our outstanding notes to just US$3.2 billion with no significant maturities for the next 16 years, until 2035.

And consistent with our capital allocation framework, we announced that we will not proceed with MacKenzie Redcap extension at our Cardinal River operations and the operation will close in the second half of 2020.

Critical path construction activities for QB2 are on track and we are building considerable value for shareholders through the development of this world-class copper project. And finally, we were pleased to be recognized as one of the top companies in Canada for corporate citizenship, placing fourth on the Best 50 Corporate Citizens in Canada ranking.

Looking at our capital allocation framework in greater detail, slide 4 shows how we think about it and prioritize our approach to capital allocation, which is designed to both position Teck for long-term value creation and growth, while returning cash directly to shareholders at the same time. The starting point for the assessment is the operating cash flow, which is first used to fund sustaining capital required to maintain our production levels in accordance with our long-term mine plans, including capitalized stripping costs.

The second priority is to fund capital spending on committed enhancement and growth projects that are already approved by the board such as QB2 or Red Dog's VIP2 or Neptune Terminal upgrades. Contributions from partners and drawdown of project finance facilities are netted off in the calculation of capital allocated to this purpose.

Capital is then used to fund the base dividend of CAD 0.20 per share. It may also be allocated to strengthen the capital structure through the repayment of debt or to build cash balances consistent with our long-stated objective of maintaining solid investment grade metrics and strong liquidity.

I should say that at this point, we don't see a need for any further substantial decrease in notes outstanding, leaving more available cash for supplemental shareholder distribution.

Our intention is to then distribute an additional amount of at least 30% of remaining cash flow to shareholders by way of supplemental dividends or share buybacks before taking on new major enhancement or growth projects. The allocation between dividends and buybacks will depend on market conditions at the relevant time and we will consider additional distributions out of the proceeds of any asset sales on a case by case basis. Of note, for example, we have already exceeded the 30% figure for 2019 by a considerable margin.

The balance of remaining cash flow is available to finance further enhancement or growth opportunities. And if there is no immediate need for this capital for investment purposes, it may be used for further returns to shareholders or retained as cash on the balance sheet.

On slide 5, as I mentioned earlier, we are accelerating our innovation-driven efficiency program, RACE21, which was first introduced at our Investor and Analyst Day in April of this year. It is an integrated program that looks across the full value chain from mine to port. RACE21 leverages existing proven technology to improve productivity and lower costs with a focus on delivering significant value by 2021.

But by the end of 2019, we intend to implement initiatives that we expect will generate an additional CAD 150 million in annualized EBITDA improvements primarily through the expansion of programs such as predictive maintenance, the use of mining analytics to improve cycle times and processing improvements.

We expect the one-time implementation costs of these initiatives will be approximately CAD 45 million in 2019 and that the benefits will be recurring thereafter. And I should say the CAD 150 million is after the investment of CAD 45 million.

A good example of this work is our haul cycle analytics program. We currently track hundreds of data points related to the performance of our load and haulage fleet. For any human, this volume of data is simply too big to analyze. By streaming this data to the cloud and applying advanced analytics techniques, we are increasing our ability to identify truck underperformance or poor road quality and other factors in near real-time.

Reducing variability is the key to reducing costs in surface mining. Advanced analytics enables this reduction by targeting low-performing trucks to increase average speed without increasing maximum speed. In our steelmaking coal business alone, we expect to realize CAD 14 million in annualized EBITDA gains by the end of this year based on a total investment of just CAD 3 million. As we look ahead and advance our mine autonomy program, we will be able to further reduce variability in cycle time and capture even greater value.

Another example is our predictive maintenance program. We also track millions of data points there in real-time that monitor the health of our haul trucks. As you can imagine, there is significant variation in this data due to differences in truck technology, equipment age, operating conditions and dozens of other factors. This complexity, coupled with the sheer volume of data, makes it impossible for humans to analyze in anywhere near real-time, which is what is needed to take predictive action.

By using machine-learning algorithms, we are now able to effectively model and predict component failure with adequate lead time to allow it to be replaced as part of regularly scheduled maintenance. Reducing unplanned downtime is expected to create CAD 20 million in annualized EBITDA improvements in 2019 in our steelmaking coal business alone and that's at a cost of approximately CAD 3 million.

We are rapidly advancing RACE21. We expect to identify and implement further opportunities to improve the cost structure of our business or increase our productive capacity. And we will provide guidance on further potential EBITDA improvements for 2020 this February when we do our normal annual guidance. And we think that at that time, it will be multiples of the current CAD 150 million that we're announcing today.

Turning to our financial results on slide 6, we generated adjusted EBITDA of CAD 1.2 billion in the second quarter, which is in line with consensus expectations. Revenues were CAD 3.1 billion for the quarter and gross profit before depreciation and amortization was CAD 1.4 billion. Bottom line adjusted profit attributable to shareholders was CAD 459 million or CAD 0.81 per share on both a basic and a fully diluted basis.

Details of the quarter's earnings adjustments are on slide 7. The most significant items in the table are the after tax charge on the debt repurchase of CAD 166 million and the after tax impairment of CAD 109 million relating to our decision not to proceed with the MacKenzie Redcap extension at our Cardinal River operations.

There are also a number of additional charges that we do not adjust for, which totals CAD 77 million on an after tax basis or CAD 0.13 per share on a diluted basis. And these include negative pricing adjustments of CAD 42 million or CAD 0.07 per share; stock-based compensation of CAD 7 million or CAD 0.01 per share; the change in the estimated DRP, otherwise known as decommissioning and reclamation provision, of CAD 12 million or CAD 0.02 per share; inventory write downs of CAD 8 million or CAD 0.01 per share; and the loss on commodity derivatives of CAD 8 million or again, CAD 0.01 per share.

I will now run through highlights of business unit by business unit, starting with steelmaking coal on slide 8. Sales were in line with our guidance, however, results were impacted by logistical issues in May, including a workforce lockout at Neptune, unplanned outages at Westshore and material handling issues.

Production in the quarter was also constrained by logistics issues, resulting in mine sites stockpiles reaching maximum capacity at times and causing plants to be idle. However, second quarter production of 6.4 million tonnes was still higher than a year ago as a result of quarterly production records at our Line Creek and Greenhills Operations and improved processing throughput at other operations.

Demand remained quite strong in the quarter. Without the logistical issues, our Q2 sales would have easily exceeded the high end of our original guidance of 6.4 million to 6.6 million tonnes. Site unit costs were higher than last year, but they are in line with our annual guidance range. Looking forward, we expect sales of approximately 6.3 million to 6.5 million tonnes in Q3.

In the second half of the year, site costs are expected to decrease to between CAD 62 and CAD 65 per tonne, within our annual guidance range, as we anticipate a higher production run rate in the second half of the year. For the full year, we expect transportation costs to come in at the high end of our guidance range of CAD 37 to CAD 39 per tonne. As a result of the logistics chain issues, combined with mining challenges at Cardinal River Operations, we have reduced our 2019 production guidance range to between 25.5 million and 26 million tonnes.

Turning to our copper business unit, our Q2 results are summarized on slide 9. Copper production was up year-over-year, primarily due to higher mill throughput and recovery at Highland Valley. Net cash unit costs were higher in Q2 2019 versus a year ago, impacted by a substantially lower co-product and by-product credits. Antamina had substantially lower zinc sales volumes as was expected in our plan.

The additional D3 ball mill at Highland Valley was successfully commissioned and ramp-up is in progress. The new mill is expected to contribute to continued improvement in recoveries in the second half of the year. And in June, we signed a new three-year collective agreement at Antamina.

Looking forward, we expect continued improvement in throughput, and grades and recoveries at Highland Valley, and our full year copper production guidance is unchanged, but we have lowered our net cash unit cost guidance to US$1.40 to US$1.50 per pound for the full year.

Moving on to slide 10, I would like to provide a quick snapshot of our progress on QB2 over the last quarter. Through the end of June, we've expanded approximately US$330 million in 2019 and have approximately 60% of the total budget committed under contracts and purchase orders to date, with the majority of the major contracts and purchase orders now completed.

Engineering is now well advanced at 92% complete, procurement is approximately 88% complete and contracting is approximately 96% complete. All of these are tracking very well and we are moving into closeout activities for engineering.

Overall, the project progress is over 14%. And speaking of ramp up, we now have a workforce of about 3,100 on the project. The photo on the right shows some of the progress that we have made in the grinding area of the concentrator.

Turn to slide 11. I'm pleased to report that the construction activities for our critical path are on track. Here, you can see the first major concrete pour in the grinding area of the concentrator. Concrete placement for the mill foundations is advancing well and has been ongoing since the initial SAG Mill Number 1 pour on May 20, 2019.

On slide 12, earthworks activities are advancing in all areas with approximately 7.7 million cubic meters moved to date. And this photo shows the main access road to the tailings management facility, which was completed in June, as well as lateral access roads that have been developed on the hillside. And these roads will be used for hauling materials to construct the tailings starter dam.

Slide 13 shows progress at the port site. You can see the lay-down of work area for the manufacturer of the piles to be used in construction of the jetty for the ship loader. Shortly, the marine works contractor will begin installing piles from the jetty abutment. Overall, we are satisfied with the progress to date with the project team working effectively with the EPCM contractors and field personnel to safely deliver the project on time and within budget.

And beyond QB2, drilling and engineering studies are underway to define our expansion options for QB3 with the potential to double or more the throughput capacity of what is currently being built at QB2. These early-stage engineering studies are expect to conclude in the third quarter before kicking off our pre-feasibility study before year end.

Our zinc business units are summarized on slide 14. And as a reminder, Antamina zinc-related financial results are reported in our copper business unit. Red Dog sales of zinc and concentrate were above guidance. Red Dog recovered more quickly than anticipated after the severe winter weather closed the port road and impacted production in Q1, and second quarter production was higher for the same period last year.

Profit of Trail Operations was negatively affected by the historically low treatment and refining charges from before and also higher electricity costs post Waneta. The construction of the Number 2 Acid Plant is complete and it is now fully operational, so we we're delighted to see that come in on budget and ahead of schedule.

Looking forward, we expect Red Dog's contained zinc sales to be 165,000 to 170,000 tonnes in Q3, reflecting the normal seasonal pattern. Higher treatment and refining charges are expected to positively affect profits at Trial Operations in the second half of the year.

And finally, Red Dog's net cash unit costs are expected to decline in the second half of the year due to the normal seasonal pattern. In addition to that, we have lowered our net cash unit cost guidance to US$0.30 to US$0.35 per pound for the full year.

Our energy business unit results are summarized on slide 15. And despite the Government of Alberta's production curtailments, our energy business unit had strong performance in the second quarter with our share of Fort Hills EBITDA of CAD 70 million compared with CAD 22 million in the first quarter of this year and CAD 13 million in the second quarter last year. And this was supported by higher realized prices and strong operating performance. Production and unit operating costs in the quarter reflected the production curtailments, offset with the purchase of curtailment credits.

Looking forward, the government imposed production curtailments have been extended to at least the end of August. And as a result, we expect to come in at the low end of the guidance range for our shares of bitumen production of 12 million to 14 million barrels for the full year. And with the lower production, we expect Q3 and Q4 unit operating costs to be similar to the first half of the year at the high end of our original annual guidance of CAD 26 to CAD 29 per barrel of bitumen.

And with that, I'll pass it over to Ron Millos for some comments on our financial results.

**Ronald A. Millos, Chief Financial Officer & Senior VP-Finance, Teck Resources Ltd.**

Thanks, Don. Slide 16 summarizes the changes in our cash position during the second quarter. We generated just over CAD 1.1 billion in cash flow from operations this quarter. We spent CAD 599 million on capital projects and CAD 835 million redeeming the US$600 million notes. Our capitalized stripping costs were CAD 170 million. We purchased CAD 153 million in Class B shares, which were cancelled, and we paid CAD 101 million in interest and finance charges.

We spent CAD 48 million on investments and other assets, CAD 39 million on lease payments and CAD 28 million in our regular base dividends. And after these and other minor items, we ended the quarter with cash and short-term investments of around CAD 1.5 billion.

Turning to a summary of our financial position on slide 17, our liquidity remained strong at about CAD 6.8 billion currently and that includes CAD 1.6 billion in cash or US$4 billion unused line of credit. CAD 1 billion of the cash is in Chile for the development of the QB2 Project.

And as Don mentioned earlier, we signed a US$2.5 billion limited recourse project financing facility to fund the development of the QB2 Project. And that financing is expected to close in the third quarter.

As we've previously mentioned, the QB2 partnering transaction and financing plan dramatically reduced our funding requirements for the project to just US$693 million, and that includes escalation, and no cash is expected from Teck until late 2020. With the redemption of the US$600 million of notes, our outstanding notes have been reduced to US$3.2 billion. And as Don mentioned, there's no significant debt maturities prior to 2035.

With that, I'll turn the call back to Don for his closing comments.

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

Thanks, Ron. As I said before, this is a very transformational time for Teck. Overall, I'm feeling very good about the direction of the company and the strong foundation that we built. We finalized the QB2 financing and advanced the project's major works, we increased our share buyback to CAD 1 billion, and we further strengthened our balance sheet by redeeming the US$600 million in notes.

And we announced three key developments. First, we updated our capital allocation framework, under which we are prioritizing returning cash to shareholders by adding at least 30% of free cash flow to our base dividend. Then, the B.C. Government has endorsed saturated rock fills as an alternative form of water treatment, which will significantly reduce capital and our operating costs. And we are accelerating RACE21 to generate an initial CAD 150 million in annualized EBITDA improvements by the end of the year and we believe it will be multiples of that in the future.

These milestones are part of our straightforward strategy of running our operations safely, efficiently and sustainably to generate cash, successfully executing our QB2 Project and returning additional cash to shareholders.

And with that, we will be happy to answer your questions. And please note that some of our management team members are calling in from different locations, so there may be a brief pause after you ask your question. So back to you, operator.



 

## QUESTION AND ANSWER SECTION

Operator: Thank you. We will now take questions from telephone lines. [Operator Instructions] We will take our first question from Matthew Korn with Goldman Sachs. Please go ahead.

**<Q – Matt Korn – Goldman Sachs & Co. LLC>:** Hi. Good morning, everyone. If you could, just a little bit more, what exactly was the detailed analysis done that prompted the pushback of so much of QB2 spending this year? And does it all push into 2020?

**<A – Don Lindsay – Teck Resources Ltd.>:** I'll turn that one over to Alex Christopher.

**<A – Alex Christopher – Teck Resources Ltd.>:** Yes. So in terms of the QB spending, it's being pushed into 2020, and that's really a function of two things. Number one is a bit of a slower mobilization in some of the non-critical path areas. And that's a function of some of the departmental clearances and weather impacts, as well as some of the timing of some of the initial invoices coming out of the contractors as we ramp up activities.

**<Q – Matt Korn – Goldman Sachs & Co. LLC>:** Got it. And then, the other one, I wanted some clarification on – on the saturated rock fills, is the approval and the endorsement you've gotten from the B.C. Government for Elkview and Elkview only SRF? And do you still need to do some more work to prove the viability for future SRF build-outs? Thanks.

**<A – Don Lindsay – Teck Resources Ltd.>:** The short answer is yes. It's approval for Elkview only at this stage, but they have endorsed the approach and technology overall. And we fully expect that the Elkview one will be successful. We've been running it now for over a year.

And remember, it recovers more selenium and more of the nitrates than the tank-based active water treatment plants and it gets into operation two years faster. So, it's not just the cost advantages, but there are a number of very significant advantages that lead us to believe that that's the technology of the future.

**<Q – Matt Korn – Goldman Sachs & Co. LLC>:** Got it. Thank you.

Operator: We will now take our next question from Chris Terry with Deutsche Bank. Please go ahead.

**<Q – Chris Terry – Deutsche Bank Securities, Inc.>:** Hi, Don and team. A couple of questions for me. Just in terms of the slide 4 on the capital management and thinking about where we're at today and then that framework for the future, given you've already announced the buybacks out, I imagine when you get to November, you're then talking about what you might announce from that point forward. Is the 30% the historic cash flow as in what you've delivered for 2019? Or is it your forecast for 2020 once you get to the end of this year and make decision on your next capital management announcement? Thanks.

**<A – Don Lindsay – Teck Resources Ltd.>:** I'll turn that over to Ron Millos.

**<A – Ron Millos – Teck Resources Ltd.>:** Yeah. So, the 30% will be based on, effectively, our operating cash flow less the lease payments, the interest payments and the minority interest and knock off the capital that Don spoke to earlier, and any debt payments that we would have to make. So once we get to the end of the year or have our forecast for the end of the year, we would then look at what that 30% number would kick out and talking about paying, I think as Don mentioned, this is in addition to the base dividend that we're paying. Does that cover your question?

**<Q – Chris Terry – Deutsche Bank Securities, Inc.>:** Yeah. And I was just trying to check because you've already gone above that 30% this year. When you get to the end of this year, you will have already met that and thinking about what you could announce at the end of the year ready for 2020, assuming you've already exhausted the current US$600 million buyback program.

**<A – Don Lindsay – Teck Resources Ltd.>:** Yeah. No, that's a good observation. For this year, we have allocated more capital than the formula would suggest in terms of returning capital to shareholders, but probably you should use this framework to look at 2020. Whatever your model throws out on the 2020, you could apply this framework to it.

I should say that, while historically we've made the decision in November, there is a bit of a debate amongst shareholders, the way they've given us feedback, that some would prefer the payout to come after the final year-end results, which means you do it in February. Others think that November, you can kind of predict what your year-end results are going to be. So it's one or the other. We'll see.

**<Q – Chris Terry – Deutsche Bank Securities, Inc.>:** Okay. Thanks for that. And then just in terms of the coal guidance change, it's quite minor, but splitting out, I guess, the different parts to how we've evolved through the year. So that's more to do with what wasn't produced in the first half rather than what could be produced in the second half. That's how we read that?

**<A – Don Lindsay – Teck Resources Ltd.>:** Robin and Réal are both nodding their heads in answer to your question. I do want to highlight though that as we reduce the guidance that the bulk of the tonnage that's within the reduction is the lower margin products. So it has very little effect on our financial results, but it does highlight the logistical challenges that we've had, which we are, of course, investing in new capacity at Neptune to try and alleviate those challenges.

**<Q – Chris Terry – Deutsche Bank Securities, Inc.>:** Okay. And then just on the SRF, is there any federal government approval needed for that or is it just by the state? And when would you expect to be able to quantify the CapEx and operating savings going forward?

**<A – Don Lindsay – Teck Resources Ltd.>:** There is no federal approval involved. It is the province-only. And we have, I think, indicated in our disclosure that we believe that the capital costs will be less than a quarter, about 20% of what it would cost to build an equivalent sized tank-based water treatment plant, and that the operating costs would be about 50% of what a tank-based plant would have.

**<Q – Chris Terry – Deutsche Bank Securities, Inc.>:** Okay. Thank you.

**<A – Don Lindsay – Teck Resources Ltd.>:** Those plants just – order of magnitude for those plants is about CAD 400 million. So, if you extend that throughout the model over the next 10 years, that's very significant savings.

**<Q – Chris Terry – Deutsche Bank Securities, Inc.>:** Okay. So, thanks for the color on that one. And just the last one from me, the met coal prices, obviously, weakened just a little bit in the last month or so. Just after – an updated view of how you're seeing the current conditions in met coal. Thanks.

**<A – Don Lindsay – Teck Resources Ltd.>:** Turn that over to Réal Foley.

**<A – Réal Foley – Teck Resources Ltd.>:** All right. Thanks, Chris. So, when we look at met coal, one important point to note is that the fundamentals for demand-supply remains strong. Yes, there has been steel production cuts announced in mainly the EU and also U.S. But when you look at hot metal production, which is a good proxy for steelmaking coal demand, as it relies on coke, the reality is that May year-to-date, the global hot metal production is up 5.1%. And it's based on really strong production out of India, Southeast Asia, China. And when you compare the EU and U.S. versus the hot metal production in the rest of the world, they only represent somewhere around

  

10% or so of that production. So the strong demand in those other market areas more than offset the cuts that have been announced in EU and U.S.

**<Q – Chris Terry – Deutsche Bank Securities, Inc.>:** Okay. Thanks. Thanks, guys, for all the answers.

Operator: Your next question is from Orest Wowkodaw with Scotiabank. Please go ahead.

**<Q – Orest Wowkodaw – Scotia Capital, Inc.>:** Hi. Good morning. Just a little bit more clarity, if we could, on the water treatment, and congratulations on getting the endorsement here on the first plant at Elkview. Can you just remind us about how many water treatment plants do you still have to build in the valley? And of those, how many do you think are suitable for SRF versus the active water treatment facility?

**<A – Don Lindsay – Teck Resources Ltd.>:** Robin Sheremeta.

**<A – Robin Sheremeta – Teck Resources Ltd.>:** Yeah. There's a number of plants that have been established and we talked about that back a ways, but there's the Fording River South tank-based active water treatment plant that's being built right now. It's about 20,000 cubic meters a day or 2 million liters of water a day. And then, there's the SRF at Elkview that's being constructed right now. Both those will come online at the end of 2020.

And then, there's a third large plant, which would be the fourth plant after the Line Creek, the Elkview and the Fording River South. It'll be the fourth plant constructed at Fording River. And that's the optionality, I guess, that we discussed as a best case scenario, which would be to replace that tank-based plant with a saturated rock fills. So that's the path we're trying to establish right now around options in terms of water treatment at that end of the valley.

And that's what was defined across the five years. And then, there are future plans that are really defined by updated modeling and measurements that are taken in the valley. And we had guided rough numbers around annual costs and operating costs of 10, 15 years. So, those projections need to be now reassessed with what is an extraordinarily positive news, which is we are able to now advance the SRF strategy. It's got an enormous amount of potential. And so really, that has to be brought into the long-term strategy.

**<A – Don Lindsay – Teck Resources Ltd.>:** Maybe if I could just sort of simplify it all that from the big picture point of view and the original plan with the government, there were nine plants contemplated. We've built one and we're building the second. And now, we're switching to SRF. And we would hope that SRF would be the technology for the rest of them.

**<Q – Orest Wowkodaw – Scotia Capital, Inc.>:** Okay. So, you think that the remaining seven plants are all suitable potentially for SRF?

**<A – Don Lindsay – Teck Resources Ltd.>:** I would say SRF or technology very similar to it.

**<Q – Orest Wowkodaw – Scotia Capital, Inc.>:** Okay.

**<A – Robin Sheremeta – Teck Resources Ltd.>:** Yeah. I think it's important just – we continue to do a considerable amount of research and that is opening possibilities of other techniques that are – or even more appropriate for specific applications and SRFs. So, lots of work still being done on this.

**<Q – Orest Wowkodaw – Scotia Capital, Inc.>:** Okay. When do you think you'd be in a position to give the market guidance then on the net implications for the capital and operation costs?

**<A – Don Lindsay – Teck Resources Ltd.>:** Well, we are disclosing in our release today that the operating cost will be about half of what a tank-based water treatment plant would be and the capital cost about 20%. So, that's what we've established so far and that's what we would apply to the Elkview plant and other plants would be similar.

**<Q – Orest Wowkodaw – Scotia Capital, Inc.>:** Okay. All right. Thank you.

Operator: The next question is from Greg Barnes with TD Securities. Please go ahead.

**<Q – Greg Barnes – TD Securities, Inc.>:** Yes. Thank you. Question for Don or Réal. There are a lot of talk lately about China imposing quotas or meeting quotas, I guess, for coal imports in September at a number of ports and what the impact might that have on coking coal imports into China beyond that and the broader market in general.

**<A – Don Lindsay – Teck Resources Ltd.>:** Okay. Réal can start.

**<A – Réal Foley – Teck Resources Ltd.>:** All right. Thanks, Greg. So the first thing, I guess, to keep in mind is our exposure to China is a lot lower than it's been. If you look at 2018, our sales to China were less than 3 million tonnes compared to a peak in 2013 of around 8 million. And for the first time in 2018, our sales to India exceeded the sales to China.

And second point is that China has imposed import restrictions at the number of ports, actually at all the ports in China pretty much since February this year. But when you look at the actual numbers, seaborne imports continue to be strong into China. They're up 3 million tonnes year-to-date, year-over-year. And most of the impact actually has been on thermal coal.

There were reports, if I recall correctly, it was last week, saying that two ports in the north were placing additional restrictions on import from traders. When we talked to our customers in China and also to domestic analysts, their view is that this will have a very minimal impact, if any. So, what will happen is the steel mills will actually import directly from the producers as opposed to traders.

**<Q – Greg Barnes – TD Securities, Inc.>:** Thanks, Réal. Don, can I follow up with you and just get a broader sense of what your view is on China macroeconomic growth and obviously commodity demand from this point forward? I'm not sure if you've been to China this year yet or not.

**<A – Don Lindsay – Teck Resources Ltd.>:** I was there about a month ago. I met with our key contacts there. Look, a lot depends on the trade negotiations with the U.S., but Chinese have been very capable of transitioning their economy from a FAI-based, fixed asset investment-based, growth model to more of a consumption model. It's been very impressive what they've been able to accomplish in the last three to five years. I think that will continue. It's structural. They also have the BRI, the Belt and Road Initiative, that is really gaining traction now. You've heard the expression that most people overestimate what they can do in one year, but they vastly underestimate what they can accomplish in five years. And I think that's going to be something that we see in the BRI.

They are quick to stimulate to our loose monetary policy, if they see spots of weakness, but they're also managing the percent GDP growth rate down on a gradual basis, which you would expect because the base is just that much larger. So, the incremental dollar amount of additional GDP is actually the same or in some quarters, higher.

So, there will be moments of weakness that get exaggerated by media, generally US-based media, but on balance, I think China's doing pretty well.

**<Q – Greg Barnes – TD Securities, Inc.>:** Thanks, Don.

Operator: Our next question is from Curt Woodwort with Credit Suisse. Please go ahead.

**<Q – Curt Woodwort – Credit Suisse Securities (USA) LLC>:** Hey. Good morning, Don and team. Don, I was wondering if you could provide some of your initial thoughts or expectations around the QB3 scoping study? And I know there's been some additional drilling done on the resource base. And if you could just kind of broadly talk about expectations there and then how potential development of QB3 would fit into the capital return program in the sense of how do you view organic growth priority versus capital return priority going forward?

**<A – Don Lindsay – Teck Resources Ltd.>:** Okay. So, I'll make four or five quick points. I don't want to get too far ahead of this one until the scoping study is finished and we can release the details. But it starts with the fact that we have a resource that's much larger than we had realized a year ago. We've increased the published resource from 4 billion to 6.5 billion. So far, we have five drills on site. So, we anticipated getting a much larger, that we'll publish by the end of the year and beyond that. So, a target of towards 10 billion tonnes. So, clearly, the operation that we're building now is not optimal for the size of the resource.

Second is strip ratio, which is the key structural competitive advantage that QB2 has, is consistent for the whole vast resource. The mine plan that we published is 0.7 to 1. For the whole resource, it's 0.8 to 1. And that is significantly lower than some of the major names in the copper business such as Collahuasi nextdoor, Antamina or Escondida itself. It's between a third and a quarter of the strip ratios that they have to deal with. So, that just means that, well, that many fewer trucks and fewer shovelers, and graders, and loaders, and smaller maintenance shop, fewer maintenance people, and it just makes your ongoing all-in sustaining costs that much more competitive.

Third, the nature of the terrain is rolling hills with lots of space to be able to build large plant, which is unlike certain in some of the operations that you would've been to that have very steep mountainous terrain, where there really isn't room.

Fourth, the tailings capacity that we are building with this operation will be about 5 billion tonnes. And then, we have a second location already designed and analyzed from our 2012 engineering studies that could add a further 8 billion. So, there's no limitation from tailings.

I forget if I'm at four or five points, but the source of water is the ocean, is desal plant. We're not drawing from a salar or interfering with the agriculture communities or those sorts of things. And we have good community support. We were able to sign all of the communities in the area to support agreements.

So, those combination of factors don't occur that often and in such a great country, a good geopolitical jurisdiction, to be able to just focus on gradually expanding QB2 and what we call QB3 over the next 10 years or so. So, we're looking at different models. The first is a clear 50% expansion, which would be incredibly capital efficient because we think we can do that without building new pipelines, just adding pumps and so on and getting another line, a line being a SAG mill and two ball mills.

We're also looking at doubling QB2 to take it up to over 600,000 tonnes of copper in concentrate per year. And the capital costs for that we estimate – and this is in the forward-looking statement category. These are just estimates, which we'll support with the scoping study. But that would be between CAD 3 billion and CAD 3.5 billion versus the roughly CAD 5 billion for QB2. So, again, much more capital efficient than most alternatives out there in the copper world.

But because of the size of the resource, and we've got the space and we've got the water and so on, you could also triple it or even quadruple it and go to four SAG mills and eight ball mills and so on. So, we'll do the homework and the scoping study on that and come back. One of the sort of clear instructions that I've given to the team doing that is that I want it to be something that's moderate in capital needs in any one year.

And remember, we do have the arrangement with Sumitomo where when we go to sanction QB3 that their capital obligation is to contribute 12% of the then net present value of what QB3 would be then. So, that combined with, I suspect, another project finance, since the providers of capital have already started lobbying us to be able to participate in QB3, would suggest that Teck would have to come up with very little of our own equity capital to build QB3. And that would mean that the decks would stay clear to be able to continue to return cash to shareholders.

So, that's the design. That's what we're focused on. We've designed a balance sheet that way with no significant maturities for another 16 years. So, we think it's pretty exciting and that's our priority.

**<Q – Curt Woodwort – Credit Suisse Securities (USA) LLC>:** And when do you expect to have the scoping study done by the end of this year?

**<A – Don Lindsay – Teck Resources Ltd.>:** We said the end of the third quarter, but probably saying the end of the year would be safer, but we're intensely working on it now.

**<Q – Curt Woodwort – Credit Suisse Securities (USA) LLC>:** Okay. Sounds really good. And one follow-up on the kind of ongoing issues with logistics at Westshore and then rail issues. Can you talk about your expectations maybe over the next 12 to 18 months in terms of how you're going to reposition your port capacity and what you think that could mean for your logistics costs? I mean, clearly the Westshore contract is up in early 2021. You have Neptune. And then will Ridley continue to play a role, given the new ownership? Any comments on that I think would be greatly appreciated.

**<A – Don Lindsay – Teck Resources Ltd.>:** Sure. Well, we'll finish the Neptune expansion by November of 2020. That's next year. I was on site on Friday and had a good visit. And that'll leave us lots of time for commissioning that. Ridley will certainly be a part of our logistical chain going forward as it is now. We think having new owners there is a good thing because they'll be wanting to maximize the value and throughput in their new investment, and it'll be great working with the private sector. So, we're very encouraged by that.

And in terms of how much tonnage will go where, we'll determine that in due course.

**<Q – Curt Woodwort – Credit Suisse Securities (USA) LLC>:** All right. Thanks so much.

**<A – Don Lindsay – Teck Resources Ltd.>:** But no matter what configuration you can think of, our costs will be going down significantly.

**<Q – Curt Woodwort – Credit Suisse Securities (USA) LLC>:** Yes. Okay. Thanks.

Operator: The next question is from Timna Tanners with Bank of America Merrill Lynch. Please go ahead.

**<Q – Timna Tanners – Bank of America Merrill Lynch>:** Yeah. Hey. Good morning, guys. I was wondering if you could provide a little bit more color on – thoughts around zinc since we last heard from you, and it's been a pretty weak market. So, just wanted your take on that. Any plans to address maybe some of the oversupply with the curtailments, if you could address that?

**<A – Don Lindsay – Teck Resources Ltd.>:** Hey. Over to Andrew Stonkus.

**<A – Andrew Stonkus – Teck Resources Ltd.>:** Yeah. Thank you. The zinc market, if you look at the concentrate market, concentrate market remains still very well supplied. Spot TCs are above the benchmark levels, but they have capped out and they're starting to trend a little bit downwards as Chinese smelters are trying to increase their utilization rates. But what we're seeing in the zinc concentrate market is disruptions on the mining side. So, the surplus is not as big as it was initially forecast. And so, the significant surplus that was initially forecast is coming down. The International Zinc Study Group is forecasting a smaller deficit today than they were earlier.

On the metal side, we're still at historically low levels on the LME exchanges. We're down to about seven days of consumption. So, again, as Réal pointed on the coal side, the fundamentals on zinc are still pretty solid. The demand for zinc metal is holding up and inventories are low. Prices are being reflected by the macroeconomic negativity. But in terms of fundamentals, metal inventories are still at historically low levels.

**<A – Don Lindsay – Teck Resources Ltd.>:** And maybe just to add a bit of color, as we call it, on fundamentals. We met with a longtime friend of Teck's yesterday, the CEO of one of the very largest base metal companies in China. And he gave an assessment that he thinks it's just now easier to get a permit and to build a mine in Canada than it will be in China because the environmental restrictions in China are so tough that he doesn't think there'll be any new zinc mines built in China. And they're actually investing in building a zinc mine in Canada. So, to the extent that people do analysis and think a lot of zinc will show up in the China market, apparently the locals don't think so.

**<Q – Timna Tanners – Bank of America Merrill Lynch>:** Okay, helpful. Thanks. The other two questions I had was, one, I was interested to hear about some of the RACE21 debottlenecking productivity lower costs. But in light of what Freeport elaborated on yesterday, does that also entail perhaps more volume or is that just cost-cutting at this point? I believe you're talking about some similar instance of debottlenecking and using big data. So, I was just wondering again if you were also looking at volumes and not just cutting costs.

And then the second question just relates to just any update you can provide us on how you're tracking or thinking about Zafranal, San Nic, and NuevaUnión. Thanks.

**<A – Don Lindsay – Teck Resources Ltd.>:** Okay. The short answer to your first question is both, but I'll turn it over to Andrew Milner to talk about the RACE21 part of it.

**<Q – Timna Tanners – Bank of America Merrill Lynch>:** Yeah. Thanks.

**<A – Andrew Milner – Teck Resources Ltd.>:** Yeah. So it is both – in the processing space, a lot of the value will come through the increase in productivity. And some of our other initiatives are in analytics in the mining environment, haul cycle analytics, maintenance analytics, et cetera. There'll be cost savings. What we're saying is that there's going to be a program that we're building here that's in excess of 20 initiatives right now. We've got a great deal of confidence in delivering CAD 150 million uplift in EBIDTA this year. And from our perspective, that is just the start. So, we're going to see huge increases in that over the next couple of years. We've got a program after 2021 where that number of initiatives will probably reach in excess of 100 initiatives across a range of areas looking in the processing space, maintenance area and other areas within the mining environment. So, it's in both areas.

**<A – Don Lindsay – Teck Resources Ltd.>:** On your second question then on Project Satellite and Zafranal within it, nothing has changed in our position there. We continue to optimize each of the five projects within that. And given what I've just said about QB3 being so excited, that certainly reinforces that with the five projects in Satellite that at a point in time, we'll be looking for partners or sales or some sort of transaction to realize value from that. But given the weaker copper markets or just general commodity markets that we're in right now, we're in no rush to do so. We clearly don't need the cash. So, we'll take our time on that, but it's certainly going to be something that would add value over the next year or two.

 

**<Q – Timna Tanners – Bank of America Merrill Lynch>:** Okay. Thank you.

Operator: The next question is from Jackie Przybylowski with BMO Capital Markets. Please go ahead.

**<Q – Jackie Przybylowski – BMO Capital Markets (Canada)>:** Thanks. I just had a really quick one. I guess, you mentioned in the release that you've had a workforce lockout at Neptune. And I was wondering if you could give us a little bit more color on the circumstances around that.

**<A – Don Lindsay – Teck Resources Ltd.>:** Andrew?

**<A – Andrew Stonkus – Teck Resources Ltd.>:** Yeah. It was the Longshoremen and lockout on the north shore. So, that was – the lockout itself I believe was only eight hours, but it had an effect on the stacking up of railcars. The train sets had an impact of about two to three days for us on the Neptune situation. We had to divert the trains to other ports to overcome that lockout situation.

**<Q – Jackie Przybylowski – BMO Capital Markets (Canada)>:** Okay. And the fact that you've had shipping challenges, or delays at both Neptune and Westshore, I'm assuming at this point, you've got a fairly good stockpile of coal at the ports. So, shipping going forward – assuming that the ports themselves are shipping out, it shouldn't be constrained by rail or other logistics at this point. Is that fair?

**<A – Andrew Stonkus – Teck Resources Ltd.>:** No. The port site inventories are where we would like them to be. They are at normal levels and that's not impacting the loading of vessels on port inventories. We have higher inventories than normal at the mine sites and that's what we still need to work on and draw down those inventories.

**<A – Don Lindsay – Teck Resources Ltd.>:** We've had some reasonable improvements lately, the service has been better.

**<Q – Jackie Przybylowski – BMO Capital Markets (Canada)>:** Okay, great. And maybe just to follow-up on something Chris Terry asked about earlier to Ron. When we're talking about the 30% distribution going forward, I think he asked this, but I didn't quite catch the answer. Is it going to be a forward-looking free cash flow, so the estimate of what your free cash flow would be in the following year? Or is it a backward looking, so the free cash flow that you've actually realized in the previous year? Can you just repeat that because I missed the answer on that?

**<A – Ron Millos – Teck Resources Ltd.>:** So, it'll be based on the current year. So, as Don mentioned, the board has looked at the supplemental distributions in November and there's been some discussion whether they should wait until February. But whatever is decided, if it's done in November, it'll be based on the forecast for 2019. And if it's done in January, it'll be looking backwards on what the actual results for 2019 were. And then, of course, the timing of the payments, whatever they might be, will be dictated by whenever the board makes that decision.

**<Q – Jackie Przybylowski – BMO Capital Markets (Canada)>:** Okay. That's great. Thanks very much. That's it for me.

**<A – Don Lindsay – Teck Resources Ltd.>:** What I would add, Jackie, is that I would anticipate that the buyback will continue throughout the year. That when we finish the CAD 1 billion, that there will be more allocated by the board because our philosophy is we want to have that buyback in place year in and year out.

**<Q – Jackie Przybylowski – BMO Capital Markets (Canada)>:** Got it. Okay. Thanks, Don.

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

**<Q – Lucas Pipes – B. Riley FBR, Inc.>:** Hey, good morning, everyone, and congrats on a good quarter and good updates. I wanted to follow up on Neptune. In the release, it mentioned an additional project scope. Could you elaborate on what do you mean by that and is the targeted capacity still the same as it was before? Thank you.

**<A – Don Lindsay – Teck Resources Ltd.>:** So Andrew or Alex, who wants to jump in? Alex will do it.

**<A – Alex Christopher – Teck Resources Ltd.>:** Yeah. In terms of targeted capacity, the targeted capacity is still the same target capacity. The additional costs, I'd say that that increase is really a function of several factors. We've advanced our engineering design, which is now about 78% complete. We've advanced our efforts in our contracting and procurement, which is now 60% complete. And then, our construction in the field is about 32% complete.

So, all of these kind of resulted in an advanced definition of the project scope, the material quantities, the subsurface geotechnical conditions, as well we have better line of sight on market pricing for equipment materials and installation costs. So, those are the things that contribute to the additional CapEx increase that you see.

**<Q – Lucas Pipes – B. Riley FBR, Inc.>:** That's helpful. Thank you.

**<A – Don Lindsay – Teck Resources Ltd.>:** We announced the capacity at 18.5 million tonnes, but the people involved think that's a very conservative number.

**<Q – Lucas Pipes – B. Riley FBR, Inc.>:** Interesting. Any sense on what kind of a best guess would be on the max capacity, if 18.5 million tonnes is conservative?

**<A – Don Lindsay – Teck Resources Ltd.>:** No, we're best to leave it at that.

**<Q – Lucas Pipes – B. Riley FBR, Inc.>:** Okay. Quick clarification on your capital allocation framework. I assume, when you speak about committed enhancement and growth CapEx being subtracted, that is only the net contribution. So, things like project financing would be added back. So, when it comes to QB2, it's really a minimal drag on this 30% of potential distribution or at least 30% contribution over the next couple of years. Is that right?

**<A – Ron Millos – Teck Resources Ltd.>:** That's correct. The contributions from Sumitomo and the project financing would be pulled out.

**<A – Don Lindsay – Teck Resources Ltd.>:** Yeah. I mean, bottom line, Lucas, is we think if you model this on your forecast for 2020, it's going to look pretty good.

**<Q – Lucas Pipes – B. Riley FBR, Inc.>:** I would agree with that. Maybe one last one on RACE21. The way I understand it, the CAD 150 million is in guidance for 2019. Would it be kind of netted out against other cost pressures so that we wouldn't be seeing, for example, cost guidance in the coal segment come down? How should we think about that? Where would we find the CAD 150 million? I guess, it's sprinkled in, but if you could maybe elaborate that would be helpful.

**<A – Don Lindsay – Teck Resources Ltd.>:** So our intention in February when we report the results for the year would be to report more detailed results of RACE21 so you can see where that CAD 150 million came from, the 12 or 14 or 15 different projects and the source of that.

**<Q – Lucas Pipes – B. Riley FBR, Inc.>:** Got it. Okay. Well, thank you very much and best of luck.

**<A – Don Lindsay – Teck Resources Ltd.>:** Thank you.

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

**<Q – Brian MacArthur – Raymond James Ltd.>:** Good morning. So I just want to go back to the water treatment. There's a statement in here saying we expect active water treatment will continue to be required in some locations when SRFs won't at work. Is that now just referring back to the current AWTP that's in place, while you can't convert it, because I think you were mentioning you think you can make all the plants going forward SRFs? Or is there something different in there?

**<A – Don Lindsay – Teck Resources Ltd.>:** So, I'll start and then we've got a couple people wanting to jump in here. So, we're very, very pleased with the government's endorsement of the SRF. We think it's a much better technology – we know it's a much better technology because it's been proven and running for the last year. And so, that technology and technologies similar to that, we think, will be what will be recommended in all the different things going forward. But we won't know until we get to each of those different situations and have to get government approval and endorsement. We will start with SRF or similar technology. And only if some circumstance presents itself that we weren't going to get approval for that would we go back to a tank-based technology. But we really don't think that's going to happen. But in terms of disclosure, we have to leave all the options open. Robin, did you want to add anything on that or is that covered?

**<A – Robin Sheremeta – Teck Resources Ltd.>:** No, that covers it.

**<A – Don Lindsay – Teck Resources Ltd.>:** Okay.

**<Q – Brian MacArthur – Raymond James Ltd.>:** So just then when we did the Investor Day, you talked about between 2000 and – through 2018 to 2022, there were CAD 600 million coming down to CAD 650 million – or going down from CAD 650 million to CAD 600 million in capital if you could do this, was that just for this Elkview plant or where there other plants in there? That is to say, now that we think we can do this, assume we can do it, that CAD 650 million will come down to like CAD 400 million or something?

**<A – Ron Millos – Teck Resources Ltd.>:** No, the CAD 600 million to CAD 650 million would be SRFs replacing – now that one of them was the SRF replacement at Elkview. The other would be the replacement of the Fording River North plant, which would be the second tank-based plant. It would be replaced with an SRF. And we know we have capacity at that end of the valley to do that. And that's what would create the CAD 600 million to CAD 650 million.

**<Q – Brian MacArthur – Raymond James Ltd.>:** But it wouldn't be better than that, because you're sort of saying the capital costs are 50%. So, if we can do that second tank-based one at SRF, does that not bring that capital number down?

**<A – Don Lindsay – Teck Resources Ltd.>:** No. The capital costs are 20%. The operating costs are 50%.

**<Q – Brian MacArthur – Raymond James Ltd.>:** Okay.

**<A – Don Lindsay – Teck Resources Ltd.>:** Let me take another shot at it. That in the Elkview case, if we had to built a tank-based plant, that would've been CAD 400 million plus. And now, order of magnitude, we think it'll be CAD 100 million or something like that. In the Fording River South plant, Robin, that would've been CAD 400 million to CAD 500 million. And now, we believe, it's not approved yet, but we believe that we'll go with SRF there as well. So – yeah, Fording River North. So, these are substantial chunks of capital that, if they were in your model, they should be taken out of the model.

**<Q – Brian MacArthur – Raymond James Ltd.>:** Right. That's what I was just trying to figure out the magnitude. So, that's very helpful doing it that way. One other quick question, just on the capital allocation, we keep talking about November or February. So, I assume this is going to be an annual decision, not a quarterly decision, i.e. like some people put in back based looking cash flow and pay out 30% excess. Is this going to be a one-time year thing and the share buyback will be throughout the year to give support? Is that the way you're thinking here, so you don't get a total variable dividend if you go that way all the time?

**<A – Don Lindsay – Teck Resources Ltd.>:** In a normal year, yes. The way you described it would be how it would work. I mean, the board has the flexibility to do what it wants at any time. If we sold an asset, for example, they may decide to do something in mid-year, but generally how you described it is the way it would work.

**<Q – Brian MacArthur – Raymond James Ltd.>:** Great. Thanks so much, Don.

**H. Fraser Phillips, Senior Vice President, Investor Relations and Strategic Analysis, Teck Resources Ltd.**

Operator? Jen?

I think we're past time here and we'll hand it over to Don for his closing comments.

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

Sure. Thanks, Fraser, and thank you, all, for joining us this morning. As I said that we're very excited to hear there's a number of really important good news items that we've just reviewed. The SRF Government endorsement is a very big deal in terms of capital savings and operating cost savings for the future. RACE21 is off to a racing start. I was visiting four of our operating sites last week. Got to speak to the engineers rightly on the front lines, who are implementing these things, and they are so excited. It's fantastic to see the passion with which they speak about these projects and the potential for it. And of course, the buybacks up to CAD 1 billion and going strong. So, lots of excitement ahead.

Thank you all. We'll speak to again, I guess, next in October. Thank you.

Operator: The conference has now ended. Please disconnect your lines at this time. Thank you for your participation.