PARTICIPANTS

Corporate Participants

H. Fraser Phillips – Senior Vice President, Investor Relations & Strategic Analysis, Teck Resources Limited
Donald R. Lindsay – President, Chief Executive Officer & Director, Teck Resources Limited
Jonathan Price – Executive Vice President & Chief Financial Officer, Teck Resources Limited
Harry M. Conger – Chief Operating Officer & Executive Vice President, Teck Resources Limited
Réal Foley – Senior Vice President-Marketing & Logistics, Teck Resources Limited
Amparo Cornejo – Vice President, Corporate Affairs and Sustainability, South America, Teck Resources Limited
Robin B. Sheremeta – Senior Vice President, Coal, Teck Resources Limited

Other Participants

Greg Barnes – Analyst, TD Securities, Inc.
Dalton Baretto – Analyst, Canaccord Genuity Corp.
Lawson Winder – Analyst, BofA Securities
Carlos F. de Alba – Analyst, Morgan Stanley & Co. LLC
Matthew Murphy – Analyst, Barclays Capital Canada, Inc.
Emily Chieng – Analyst, Goldman Sachs & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to Teck's Second Quarter 2022 Earnings Release Conference 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 Wednesday, July 27, 2022.

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 & Strategic Analysis, Teck Resources Limited

Thanks, Patrick. Good morning, everyone, and thank you for joining us for Teck's second quarter 2022 results conference call. Please note today's call contains forward-looking statements. Various risks and uncertainties may cause actual results to vary. Teck does not assume the obligation to update any forward-looking statements. Please refer to slide 2 for the assumptions underlying our forward-looking statements.

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

Today's conference call is not quite an ordinary call. Not only have we reported our fourth consecutive quarter of record-setting profitability, but, as you know, we've announced President and CEO succession. So, our format will be slightly different today. To begin, Don and then Jonathan will make some opening comments. They will then take us through our regular quarterly results presentation followed by Q&A. We'll then end with Don's closing remarks.

With that for one last time, I will hand the call over to Don Lindsay, our President and CEO.

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

Well, thank you very much, Fraser, and good morning, everyone. Welcome to the second quarter call. As I guess you all know, yesterday, I announced my retirement from Teck. This will officially be the 71st quarterly earnings call that I've led since 2005 and my final one with Teck. And as such, I'm going to make a few opening comments about my decision in the transition and then a little bit of reflection about my last 17-plus years in the industry and to Teck.

And now, I'll turn it over to Jonathan Price, our new CEO-elect, for him to make some remarks. And when we get to the Q&A today, since this is my last time, you're welcome to ask me anything. This is your ask-me-anything moment. And I will try to answer, though, as you will understand, I may be precluded from answering some questions.

So it's tough to say goodbye to a company and to a team that you've been a part of this long and that you admire so much. And there is no perfect time. The fact is a lot of planning and preparation have all led up to this point. The board, in fact, established a succession committee two and a half years ago. And as you know, from a big picture point of view, at Teck, we are reshaping and rebalancing our portfolio to have a bigger focus on copper and less on carbon.

And with that shift to a new phase of growth for Teck, it is important to shareholders in particular that the strategy is owned and led by the CEO who [ph] will bound and accountable (3:09) for it in the longer term. And I clearly wasn't going to be the one to be around. I will be 64 later this year. So I knew that this was the right time to make this decision, to get the new team in place and to just get on with it.

The board and I have been working closely together on transition planning for several years, with the goal of having as seamless a transition as possible. We're also, of course, drawing close to completion of QB2 and first copper. We're all very excited about it. And that marks a major shift in Teck's trajectory towards becoming a major global copper player.

And it isn't just QB2. We have not one, not two, but four projects that could be in production as early as 2026. This announcement also comes as we mark our fourth consecutive record-setting quarter in a row, $3.3 billion in EBITDA, $1.8 billion in adjusted earnings. And in the last 12 months, we've reported $5.7 billion in earnings. These results really speak to the strength of not just Teck's assets, and certainly commodity prices were the big contributor, but also to the strength of the incredible team of people that we have here.

Now, looking back, when I joined Teck on January 1, 2005, my initial focus was on rejuvenating our resource base to ensure that we could maintain production over the long-term and to position us for future growth. We were, I would say at the time, resource challenged. In fact, Highland Valley Copper was scheduled [ph] to close forever (4:38) in 2008, just as an example. So, the early years were all about getting a hold of resources. We delivered on that through some key acquisitions, such as Aur Resources, Global Copper, Fort Hills, and ultimately the full ownership of the Fording Coal trust in addition to investing year-in and year-out in exploration.

And Aur Resources, of course, gave us QB. And QB at the time, we knew about eight deep drill holes built below the oxides that suggested the sulfides would be there, but they might not have been. It was a bit of a risk. But by the end of this year, we are on track to report 11 billion tonnes of resources and that's one of the top 10 resources in the world. And as a result, Teck's total resources – reserves and resources across all commodities on a copper equivalent basis have increased over 3.5 times since 2005. So, today, we are resource-rich and the new team has a lot to work with.

Next, we transitioned into converting those resources into production and cash flow to realize that potential through the construction of key projects like the Highland Valley Mill Optimization, which, combined with various pushbacks, helped extend the life out to 2027 and will extend it again out past 2040. The VIP2 project at Red Dog, which meant that instead of the production dropping from 550,000 tonnes to something starting with a three, it stayed over 500,000. So it was like building a whole new zinc mine.

There was the construction of Fort Hills, rebuilding key assets at Trail, the two acid plants which were so important and helped to actually increase production. There was rejuvenating the Elk Valley steelmaking coal operations to drop them from the high third quartile, in fact edging into the fourth quartile in the cost curve, right down to the second quartile. And then, of course, commencing construction of QB2.

With the upcoming completion of QB2, consolidated copper production capacity will double and we are uniquely positioned to double again. And that includes the planned QB mill expansion, which could add a further 150,000 tonnes of production. And we have numerous other assets through Project Satellite, including the advanced Zafranal and San Nicolás projects and our recently announced Mesaba PolyMet joint venture with PolyMet backed by Glencore. Together, these projects could add five times the amount of our current copper equivalent production and make Teck a very significant copper producer.

At the same time as we did all this, we worked hard to foster a culture of safety and sustainability in every corner of the company, including reducing total recordable injury frequency by 80% compared to 2005 and reducing high potential incident frequency by 90% since 2010. Our people really live those values day-in and day-out, demonstrating that it truly is possible to provide essential metals and minerals with the smallest footprint possible, all the while creating jobs and prosperity for people and communities.

I am very proud of how far we've come and where this company is today. Teck is in an enviable position in our industry with unparalleled copper growth optionality, strong production from world-class operations, leading sustainability performance, and a purpose and values-driven employee culture that is second to none.

I'm looking forward to supporting the transition to Jonathan and Red's leadership over the next few months. I'll also be staying on to support them in an advisory capacity in the role of Executive Vice Chair into the second quarter of 2023. But most of all, I'm very much looking forward to seeing Teck transition into this next phase of growth and value creation, and, very importantly, listen carefully and returning substantial capital to shareholders.

With that, I'll pass it to Jonathan for comments, and then, we'll move on to the actual earnings presentation and Q&A. Jonathan, over to you.

Jonathan Price, Executive Vice President & Chief Financial Officer, Teck Resources Limited

Thanks, Don. First, I would like to recognize Don's exceptional leadership of Teck for more than 17 years. As mentioned, we've just announced our fourth consecutive set of record financial results, an outcome which is the product of many years of building a great team and a great culture, both of which were central to what attracted me to Teck.

Second, I want to reinforce the strength of Teck's strategy and growth foundation. We have a portfolio comprising some of the industry's best mining assets, and we have a track record of operational excellence and leadership as a responsible and sustainable miner. And we're continually striving to improve through innovation and the deployment of digital technologies. We also have a suite of copper growth options without parallel amongst our peers. This is all the product of long-term strategic thinking, a clear-eyed focus on value, and creative commercial dealmaking.

As Don has indicated, and this is important, there is tremendous additional value to be unlocked in our portfolio. And I, and my team, are fully committed to working to realize that value for shareholders.

Finally, I want to personally thank Don for the trust he has placed in me over the past two years. He has been generous in the time he has spent helping to build my knowledge and appreciation of Teck's legacy, our values and the opportunities we have ahead of us.

And it is a great honor to be appointed as Teck's next CEO. Of course, I'm also very fortunate to have Red Conger working closely with me in the role of President and COO, and I know his leadership track record and depth of industry experience will be invaluable. I'm very excited for the opportunities ahead and to be leading Teck through the next chapter.

Now, back to Don to take us through the quarterly results presentation.

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

Okay. Thank you very much, Jonathan. So we'll now turn to slide 4 on the presentation and we'll go through the highlights. We're pleased to report our second quarter 2022 results, which mark Teck's fourth consecutive quarter of record-setting EBITDA and profitability. We delivered record adjusted profit attributable to shareholders of $1.8 billion, which is more than 5 times higher than Q2 last year, and record adjusted EBITDA of $3.3 billion, driven by strong profitability across each of our businesses.

At QB2, we achieved a number of exciting milestones during the second quarter, including the completion of construction of our transmission system, getting the starter dam to its design elevation and beginning the flow of seawater into the pretreatment area of the desal plant, which is on the critical path for first copper.

And while we execute on this transformational growth, our strong financial performance in the quarter enabled us to further strengthen our balance sheet and return significant cash to shareholders. During Q2, we redeemed $650 million of outstanding term notes. We paid $67 million in dividends and we completed $572 million in share buybacks. Yesterday, we declared $0.125 per share dividend and we authorized a further $500 million in share buybacks. And this brings our total authorized share buyback program to approximately CAD 1.4 billion year-to-date.

I'm pleased with our commitment to and continued progress in safety and sustainability leadership. Year-to-date, our high potential injury frequency remained low at 0.1.

And building on our longstanding commitment to biodiversity, Teck became the first mining company to set an ambitious goal of becoming a nature-positive company by 2030. Our sustainability efforts reflect the passion of our employees for caring for the land where they live and work. We are proud of the ongoing recognition by the outside industry. We were named to the Best 50 Corporate Citizens in Canada for the 16th consecutive year. Overall, our solid operational performance and strong balance sheet put Teck on a very strong footing as we manage through the current inflationary pressures and the slowdown in the global economy.

Turning to slide 5, as stated earlier, we delivered record adjusted EBITDA of $3.3 billion, which was more than three times higher than Q2 of 2021. Our results reflect meaningful contributions from each one of our business units, particularly Steelmaking Coal, of course, which delivered record

EBITDA of $2.7 billion in the quarter. Not unlike others in the industry, persistent global inflationary pressures increased our overall Q2 operating costs by 14% compared to last year and half of that is attributable to the price of diesel.

Turning to our operations, starting with the Copper business on slide 7, gross profit in the second quarter increased by 5% compared to last year, driven by a 10,000 tonne increase in sales that shifted forward from the third quarter as production remained flat year-over-year. This was partially offset by higher consumables, particularly diesel and transportation costs. Our total cash unit cost increased by $0.23 to $2.03 per pound.

Q2 EBITDA of $210 million included a $251 million negative [ph] settlement (13:46) price adjustment resulting from the decline in copper price towards the end of the quarter. Notwithstanding that, copper prices in Q2 remained well above historic averages at $4.32 per pound. During the quarter, we signed a new three-year collective agreement at Carmen de Andacollo. And looking forward, our 2022 copper production guidance remains unchanged. We increased our 2022 net cash unit cost guidance for copper to $1.48 to $1.58 per pound from the $1.40 to $1.50 we were before, primarily due to inflationary cost pressures and lower byproduct price forecasts.

Moving on to Zinc on slide 8. EBITDA on our zinc business tripled compared to Q2 last year to $236 million. The increase was primarily due to substantially higher zinc prices, a 40% increase in zinc and concentrate sales and higher byproduct contributions. Q2 total cash unit costs are at $0.13 or 21% lower compared to last year, largely due to lower smelter processing charges, which more than the offset inflationary cost pressures on consumables and labor.

At Trail, the increase in Q2 refined zinc production reflects the zinc roaster maintenance in 2021, but we also recorded a $32 million inventory write-down due to the decrease in zinc prices at the end of the quarter. Subsequent to quarter-end, on July 8, we reached a new five-year collective agreement at Trail.

Looking ahead, the Red Dog shipping season commenced on July 4 and we expect sales of Red Dog zinc and concentrate to be 215,000 to 240,000 tonnes in Q3, reflecting the normal seasonal pattern. Major maintenance activities are planned at Trail from September to November, which will impact production. Our 2022 zinc production guidance remains unchanged.

We increased our 2022 net cash unit cost guidance for mined zinc to $0.37 to $0.43 per pound from $0.32 to $0.38 per pound previously. The increase is primarily due to higher smelter processing charges expected in the second half of the year, as well as higher diesel prices and increased profit-based compensation.

On slide 9, our Steelmaking Coal business unit delivered yet another record quarter with gross profit of $2.5 billion, surpassing the record set last quarter at $1.8 billion. Steelmaking Coal EBITDA was $2.7 billion, which was a sixfold increase compared to $435 million last year.

FOB Australia price assessments for steelmaking coal hit a record high of $527 per tonne in the quarter. While prices pulled back in May to exit the quarter at $300 per tonne, they remain higher than historical averages. Sales to our customers in China are based on the CFR China price, which averaged $461 per tonne in Q2. And as a result of strong prices, our realized price reached a record high of $453 per tonne, more than triple Q2 of last year.

Production of 5.3 million tonnes was lower than a year ago due to planned maintenance shutdowns and some plant reliability challenges. Sales were 6.3 million tonnes in the quarter, which were within guidance.

Importantly, our upgraded rail infrastructure and Neptune terminal performed very well through the quarter and demonstrated their value by reducing mine inventories to near historical levels, enabling us to capitalize on high steelmaking coal prices in the quarter.

Looking forward, we expect sales of 5.8 million to 6.2 million tonnes in the third quarter to closely match production, as mined clean coal inventory is at record low levels. Given the plant reliability and workforce challenges, we lowered our full year production guidance to 23.5 million tonnes to 24 million tonnes from 24.5 million tonnes to 25.5 million tonnes previously. We increased our adjusted site cash cost sales guidance for the full year to $87 to $92 per tonne from $79 to $83 per tonne as a result of reduced annual production and higher inflationary cost pressures. Transportation unit costs are expected to decline in the second half of the year and our full year guidance, though, remains unchanged. By 2022, sustaining capital guidance for steelmaking coal was reduced by $100 million, due largely to a shift in timing of water project spending.

Turning to slide 10. Our Energy business generated $174 million of EBITDA in the second quarter, driven by strong Western Canadian Select prices and higher sales. Realized blended bitumen prices in the second quarter averaged $98.42 per barrel, which was a 72% increase compared to last year. Sales were 3.1 million barrels in the quarter, compared to 1.6 million last year when Fort Hills operated on one train only.

The ramp-up to a two-train operation at Fort Hills drove increased production and lowered unit operating costs compared to last year. Further, a planned 20-day maintenance outage was successfully completed in the quarter. And in addition to its positive contribution to the bottom line, Fort Hills provides us with a natural hedge against increasing WTI and diesel prices. Looking forward, adjusted operating cost guidance for the full year increased to $33 to $36 per barrel from $28 to $32 per barrel previously, due to higher natural gas and diesel input costs, as well as an increase in contractor costs, but production guidance remains unchanged.

Moving on to slide 11. At QB2, we now have approximately 13,000 workers on the project. And we are proud of the steady progress that we have made through the quarter. In terms of key milestones achieved, we have completed construction of the 220 kV transmission system and are sequentially energizing the electrical substation.

In terms of water, we began pumping seawater into the pretreatment area for commissioning. And we are 50% complete the hydro testing of the water supply pipeline and pump stations. At the mine, we completed the starter dam to its design elevation. We began system turnover to preoperational testing of the concentrator. We transferred the truck shop to operations.

Our capital cost guidance remains unchanged, while our COVID-related costs have increased to $1.4 billion to $1.5 billion due to the impact of inflation on labor costs, the ultimate impacts of the Omicron wave that we experienced in Q1 and ongoing inefficiencies, including as a result of COVID-19 related absenteeism, which continues to run at approximately 10% levels.

We continue to target first copper from line one in the latter part of this year, with a focus on system completion and handover. However, if COVID-19 absenteeism and related vendor specialty craft availability continues into the fourth quarter, this may be delayed into January of 2023.

Slide 12 shows the progress on the main jetty where we continue to advance the piling and deck construction. They will support the ship loader. Construction progress here has been impacted by marine weather and subsurface conditions, necessitating alternate concentrate shipping arrangements until the shiploader is commissioned in the first half of 2023.

On Slide 13, you can see the desalination plant in the foreground, where we are completing the high pressure testing. In the background, you can see the pretreatment area where we have introduced seawater for commissioning activities.

Slide 14 shows the completed truck shop that was transferred to operations in the quarter. Slide 15 shows the gas insulated switchgear inside one of the completed electrical substations that are being sequentially energized, and this substation provides power to water supply Pump Station 3, one of the key systems that's needed for first copper.

Slide 16 shows the completed power transmission lines and the water supply Pump Station 5, which is one of the stations for pumping water up from the desal plant to the concentrator. We've now completed more than 50% of the pipeline and pump station hydro testing, as required to advance the system into commissioning.

On slide 17, you can see a photo from May of the stockpile dome assembly. And as of today, is almost fully enclosed. On slide 18, you can see an overall view of the concentrator area at the grinding building on the right and the flotation area on the left. The focus in this area is on completion of Line 1 in preparation for first copper. And in the quarter, we began turnover of key systems in this area to pre-operational testing.

On slide 19, you can see the installation of the liners inside a SAG Mill at the grinding building. Slide 20 shows a portion of the tailings launder, which is a concrete channel that conveys the tailings from the concentrate area to the tailings facility. Finally, slide 21 shows the starter dam, where we completed all the earthworks and associated concrete works to bring the dam to its design height.

So, in summary, we continue to be very pleased with the progress that we are making. We're excited about building on our construction successes to-date with a focus on delivering to the project's key milestones. And I encourage you to visit the Investors section of our website to watch the latest progress video and view the most recent photo gallery.

With that, I'll now pass over to Jonathan to discuss our financial results.

Jonathan Price, Executive Vice President & Chief Financial Officer, Teck Resources Limited

Thanks, Don. As illustrated on slide 23, strong commodity prices drove Teck's fourth consecutive quarter of record EBITDA and profitability in Q2. Record high realized steelmaking coal prices increased by nearly $100 per tonne, quarter-over-quarter to $453 per tonne in the second quarter. While prices have weakened since May, both the FOB Australia and CFR China prices remain above historical averages.

Western Canadian Select, the heavy oil benchmark price, averaged $96 per barrel in Q2, up 20% quarter-over-quarter and 75% year-over-year. Zinc prices increased by $0.08 to an average of $1.78 per pound in Q2 compared to Q1. And while copper prices declined from the all-time quarterly average record of $4.53 per pound in Q1, they remained well above historic averages with an average at $4.32 per pound in the second quarter.

We've outlined the key drivers for our record profitability on slide 24. Adjusted EBITDA of $3.3 billion in the quarter represents an increase of $2.3 billion compared to last year, largely attributable to the strong commodity prices I mentioned. Like others in the industry, we continue to face inflationary cost pressures, which increased our Q2 operating costs by 14% compared to last year. The 75% increase in diesel prices over the same period drove approximately half of the increase.

Additionally, increases in the cost of a number of key supplies, including mining equipment, fuel, tires and explosives, continue to be driven by price increases in underlying commodities such as steel, crude oil and natural gas. It's important to note that the primary cost increases are not related to our key mining drivers, such as mine productivity and strip ratios, which remain relatively stable.

In fact, looking at those items that were under our control during the quarter, production and operating costs, we generated a net positive impact on adjusted EBITDA versus Q2 2021. However, inflationary pressures on diesel prices and other key input costs, as well as profit-based compensation and royalties, continue to put upward pressure on our unit cost guidance through 2022.

Now, moving to slide 25. In the second quarter, we generated significant cash flow from operations of $2.9 billion compared with $575 million a year ago, driven by record steelmaking coal prices. Our capital investments totaled $1.1 billion, including $819 million for QB2 and $212 million in sustaining capital. We also incurred $255 million for capitalized stripping, primarily related to the advancements of pits for future production at our steelmaking coal operations. Once again, higher diesel prices were the main driver of higher-than-planned capitalized stripping expenditure.

Importantly, as Don outlined earlier, our record financial performance enabled us to strengthen our balance sheet and return significant cash to shareholders during the quarter. We reduced our debt outstanding by $650 million through a waterfall tender of our 2035, 2040 and 2041 notes, further ensuring our ability to maintain solid investment grade rating through the cycle and reducing our annual debt interest expense by approximately $40 million on a pre-tax basis.

We completed $572 million in share buybacks through the purchase of a total of 11.5 million Class B shares under our normal course issuer bid, and we paid our regular base quarterly dividend of $0.125 per share totaling $67 million.

We ended the quarter with a strong cash position of $2.7 billion. And as of the date of reporting, this now stands at $3.3 billion.

Now looking at slide 26, we are pleased to have enhanced are already strong financial position. We have $8.4 billion of liquidity, with a net debt to adjusted EBITDA ratio of 0.4 times, investment grade credit ratings from all four credit rating agencies and no significant debt maturities due prior to 2030. We are very confident in our ability to complete QB2 while successfully weathering this period of macroeconomic uncertainty.

Adhering to our disciplined capital allocation framework, Teck continues to uphold our track record of significant cash returns to shareholders. Year-to-date to June 30, we returned to shareholders a total of $404 million in dividends and $662 million in share buybacks, while paying down $1.2 billion of our debt outstanding. And as Don noted earlier, further to our previously announced CAD 100 million and $500 million in Class B share buybacks, we announced an additional $500 million share buyback program yesterday. This demonstrates both our confidence in the long-term outlook for our business and our commitment to balance growth with shareholder returns.

Slide 27 outlines our updated guidance for capital investment. For 2022, we have increased CapEx for QB2 by approximately $200 million to a range of $2.7 billion to $2.9 billion from $2.5 billion to $2.7 billion previously. At the same time, we have reduced our steelmaking coal sustaining CapEx guidance by $100 million. With the completion of QB2, 2022 is expected to be the high watermark in our capital spend profile. We continue to expect significant decrease in capital investments in 2023, with a reduction of approximately $2 billion. The decrease is driven by significantly lower QB2 CapEx.

We first copper from QB2 now only months away and the operation then ramping up to full capacity, we are approaching a major cash flow inflection point where we shift from a period of significant capital investment to a period of significant cash generation.

With that, I will now pass it back to Don for closing remarks.

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

Thanks, Jonathan. Despite the short-term volatility and uncertainty related to the macroeconomic environment, we are confident in the long-term outlook for Teck and our key commodities. The COVID-19 pandemic has accelerated demand for metals and minerals that are essential for a low carbon world, including copper, zinc and steelmaking coal.

Let's take a look at renewable power as an example. Each megawatt of installed generation capacity for an offshore wind turbine requires up to 9.6 tonnes of copper, 0.5 tonne of zinc and 50 tonnes of steelmaking coal. Each megawatt requires that. So each of today's largest 13-megawatt offshore wind turbines with rotor diameters spanning 200 meters and up to 260 meters in height, they require approximately 125 tonnes of copper, 7 tonnes of zinc and 700 tonnes of steelmaking coal. So you can really look at Teck as the procurement arm for the clean energy wind power companies. Teck is uniquely positioned as a major supplier of these critical materials required for the development of wind power and also for other renewable energy technologies.

In closing, 2022 is a transformational year for Teck and our strong performance year-to-date has set us on a very strong footing as we manage through the inflationary pressures and the slowdown in the global economy.

In the near term, our growth is being driven by QB2, which is months away from producing first copper and is expected to double or consolidate copper production by next year. As we bring on QB2 and advance our corporate growth strategy, we will rebalance our portfolio and reduce the proportion of carbon in our overall business.

And all of this is in combination with our track record as an industry leader in sustainability and a position stacked to deliver meaningful long-term value to shareholders.

With that, I'll turn the call over to the operator to open it up for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] The first question is from Greg Barnes from TD Securities. Please go ahead.

<Q – Greg Barnes – TD Securities, Inc.>: Yes, thank you, operator. First off, Don, I just want to commend you on your track record at Teck over the past 17 years has been quite a ride. And secondly, how you positioned the company heading into the QB2 construction, I think you did a great job on that front.

My question for you is the long-term outlook, from your perspective, for the coking coal business, the steelmaking coal business within Teck. As you highlighted, there's a key element of the decarbonization drive. And clearly, supply is going down, demand is going up. It looks like a pretty attractive business over the long term.

<A – Don Lindsay – Teck Resources Limited>: Yeah. No, I very much agree with you. And let me say congratulations on getting to ask the first question, Greg. The supply demand situation, you're quite right. I think that supply is going to be constrained, that there aren't that many players who want to invest in new capacity. And even if they did, it's very difficult to finance it or to get it permitted. So, I think in the longer term, supply will be challenged, whereas, really demand for steelmaking coal will continue to grow as the steel industry continues to grow, reflecting the growth in the overall global population, mostly in developing markets, which will mostly get their steel from blast furnaces. The new green steel technologies are quite a few years away. I mean, we're talking decades.

So yeah, I think the outlook for the business is pretty good from that point of view. That said, there's no doubt that assets under management have something like $40 trillion of declared, you know, policies about investing in companies that produce coal.

And, you know, while more and more people are starting to realize that steelmaking coal is absolutely required for a low carbon future, more and more people are realizing that. But still, there's some restrictions out there, and the board has to be cognizant of that. As I said before, the board has studied this issue intensely for a couple of years now on how best to reshape the portfolio. And, you know, that's happening on its own with the growth in copper. And we have a lot of growth in copper. It takes a few years for that to occur. But somewhere in there will be the right answer. And I'll leave that to the board to decide.

<Q – Greg Barnes – TD Securities, Inc.>: Okay. Thank you.

Operator: Thank you. The next question is from Orest Wowkodaw from Scotiabank. Please go ahead. Unfortunately, we cannot hear you. Orest Wowkodaw from Scotiabank might be on mute. We'll go to the next question from Dalton Baretto from Canaccord Genuity. Please go ahead.

<Q – Dalton Baretto – Canaccord Genuity Corp.>: Yeah. Thanks, operator. And Don, Jonathan, and, Red, all the best to you guys as you go forward. My first question, I guess is for Jonathan. I'm just wondering. What might change in terms of the strategy going forward, particularly as it relates to things like portfolio construction, M&A, and capital allocation? Thanks.

<A – Jonathan Price – Teck Resources Limited>: Yeah. Thanks for the question, Dalton. Look, you know the strategy that Teck has put together now over many years is an incredibly robust one and it's a strategy that's not built on hope. It's a strategy that's built on the resources that have been put together in this company over many years. And as you know, it's a strategy centered on copper growth. We are incredibly committed to that. As Don has just discussed, we continue to contemplate the balance and the shape of the portfolio overall, and the direction remains moving that towards the metals required for decarbonization.

Finally, your point on – your question on capital allocation, again, that's unchanged. We are determined to strike a balance of growing our copper business while returning significant cash to shareholders and maintaining a foundation of a strong balance sheet. So, all of those elements, Dalton, remain very much intact. The focus of this team going forward will be continuing to execute on that strategy.

<Q – Dalton Baretto – Canaccord Genuity Corp.>: Okay. Great. Thank you for that. And then, just maybe an operational question or two. You've announced two separate labor agreements here. And I'm just wondering. Given the current cost of living environment globally, are you at liberty to discuss what kind of increases are being demanded and what this means for your other operations?

<A – Don Lindsay – Teck Resources Limited>: Well, we generally don't disclose the details of those contracts. I can say that we're pleased with the resolution. There was a tough negotiation, as they always are, but it provides us with labor stability going forward. So – and we're very fortunate in that last year at our three largest operations, Highland Valley, Fording River, and Elkview, all settled long-term five and, in some cases, six year contracts. So generally for the core of the operations of the company, we have labor stability at reasonable agreements going forward. Red Conger?

<A – Red Conger – Teck Resources Limited>: Yeah. Dalton, if I could just add one thing. This is actually, completes the cycle of all of our labor agreements. So we've been through the whole raft of them in the last several years. In my experience, to settle for maximum contract durations like Don mentioned, five years, six years, is a real testimony to the working relationship that this company has with the union, with the workforce. So it sets us up very well for the future.

<Q – Dalton Baretto – Canaccord Genuity Corp.>: That's great to hear. And maybe if I can squeeze one last one. And with the decline in the Chilean peso, is there an opportunity to hedge over the next 12 months as you finish QB2 and ramp it up?

<A – Don Lindsay – Teck Resources Limited>: I'll make an opening comment and then turn it to Jonathan. But I just want to tell you, we discussed this probably every hour of every day. So and that's all I'm going to say. You go, Jonathan.

<A – Jonathan Price – Teck Resources Limited>: Yeah. Like, Dalton, you know it's something we're very much [ph] alive to (38:40) if you can tell us with some conviction which way the Chilean peso is going to go next, we'd be welcome to get that feedback. Look it's, you know, it's something we're comfortable to keep floating as we do, you know, with all of our commodity price exposures as well as our foreign exchange exposures.

You know, there's a lot of uncertainty still in Chile with respect to the Constitution and the process that will play out in the months ahead. And, therefore, it's very difficult to get a good read on which way the peso will go in the medium term. Right now, of course, that's a tailwind for us with respect to both operating costs in Chile and construction costs in Chile. But no, no hedging action at this point in time.

<Q – Dalton Baretto – Canaccord Genuity Corp.>: That's great. That's all for me, guys. Thank you.

Operator: Thank you. Next question is from Lawson Winder from Bank of America. Please go ahead.

<Q – Lawson Winder – BofA Securities>: Hello. Good morning. Thank you for the update, Don. Congratulations on a remarkable tenure at Teck. And, Jonathan and Red, congratulations on your new roles. I would like to ask two questions. So first, would be about the QB2 COVID-19 CapEx increase. So it sounds as though there are some non-COVID-19 elements included in the explanation for the higher CapEx estimate for QB2, so namely inflation on labor costs. And I'd just be curious to know what proportion of the increase would be the sort of like non-COVID-specific-related cost? And then looking forward, what does that sort of non-COVID inflation component imply for [ph] QBME (40:26) CapEx expectation? Thanks.

<A – Red Conger – Teck Resources Limited>: Yeah. Appreciate the question, Lawson. Just – let me just hit on a couple of the highlight points before I answer your question directly. We're really excited about, first of all, being able to get our employment levels up to roughly 13,000 per shift. That's quite an accomplishment after COVID and gives us lots of optimism about getting this thing built and completed this year. A lot of those are key crafts that we need at this point, welders and electricians, while we continue to have world-class health and safety performance on the project. And of course, that – that's a big contributor to our success as well.

The – when Don talks about milestone of first energization of the transmission line, there's a whole lot behind that. I mean, we've been commissioning parts of the desal plant using temporary power portable gen sets. We now have the substation actually officially on the Chilean grid. So, it's thoroughly checked out, 100% functional. And that gives us a step change in ability and performance right now.

We have all of the electrical rooms now at site, all of the electrical rooms that we need to, not only make desalinated water at the port, but push it all the way up to 14,500 [feet] elevation. All of those electrical rooms are actually set in place. Cabling is being pulled and terminated for all of those. So, those are huge milestones for us that have been achieved in this last quarter, 145 weeks of construction to complete the starter dam to its ultimate height. We're now hydro testing throughout the system. We've got the pipeline from the coast up to the concentrator divided into about 10 logical sections where we do the hydro testing. We've completed four of those. We actually have [ph] water and flotation cells up at (42:58) the concentrator now testing, hydro testing. Vessels like flotation cells, other water tanks, et cetera. So, we're really proud of the team making all that progress in the face of these challenges that you mentioned. So, to just specifically go at your question, the increases have come in several different categories, one of which has been this labor inflation that you mentioned. When we look at that specifically, that's a Chilean labor practice that's according to law. At midyear, you adjust based on CPI, et cetera. But for these delays that we've been talking about the last year-and-a-half, we wouldn't even be here with doing construction right now.

So, the inefficiencies that have happened, the social distancing, all the things that we've had to do to keep people safe and healthy on the job, have caused this thing to run much longer time-wise, and that is related to the pandemic. And that's the way we've called that.

So as we go forward, we're doing a myriad of things to manage the current situations. We now have the opportunity to take Teck personnel that we've hired to run and maintain the operations. They're now participating in commissioning efforts. We've [ph] seconded some of them to backfill the help (44:45) with field supervision, productivity oversight, those kinds of things. So we're being very creative, very collaborative with all entities to mitigate these things that we're dealing with and continue to get this thing built. And the biggest thing to preventing cost overruns is to get it built and get the contractors off the project. And that's what we're focusing on.

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

<Q – Carlos de Alba – Morgan Stanley & Co. LLC>: Yeah. Thank you very much. Don, congratulations. Jonathan and Red, all the best in the new positions. You know, maybe the question I have is if you could give us an update on the latest thinking about the oil sands energy business within Teck and also any update that you may have in the copper Project Satellite and different processes that you are pursuing there. Thank you.

<A – Don Lindsay – Teck Resources Limited>: Okay. Sure. Well, we're very pleased with how Fort Hills is running now with its two trains up and running. And it has been performing above plan on many days and weeks. So it's good to see that happening and that will only get better from here and continue to drop the costs. As we've said for a couple of years now, once we had it up at full production, we would consider a transaction where it would be held differently. So shareholders could choose whether they want to continue to participate in the energy cycle or not.

We're conscious that there are quite a few investors that cannot buy Teck when we have a certain proportion of our revenues coming from oil sands. And so that suggests that it should be held in a different way, outside of the Teck Resources portfolio. We are working on that and I think you just have to stand by and see what evolves in due course.

In terms of Project Satellite, we announced a deal last week on Mesaba, our project in Minnesota, a joint venture with PolyMet, which is backed by Glencore. So we're very pleased with that and we will continue to advance Zafranal through the permitting process. And we continue to have detailed discussions with partners, potential partners, on San Nicolás and I expect something to evolve in that in the balance of this year.

And then, of course, QBME is advancing and so we're all very excited about that one and we'll be able to announce something related to sort of a combined pre-feasibility and feasibility study effort that's going on now and I think in December, we'll have something to say about that.

<Q – Carlos de Alba – Morgan Stanley & Co. LLC>: Great. Thank you.

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

<Q – Matt Murphy – Barclays Capital Canada, Inc.>: Hi. Congrats, Don, Jonathan, Red. I have a question on met coal. Just wondering, maybe Réal can share some thoughts on what he's seeing on this unusual dynamic of thermal coal prices being so much higher than met, and what you're seeing with steel markets slowing down in China. Would there ever be a strategy to divert some sales to thermal applications or are you pretty much set for the foreseeable outlook with your current customers?

<A – Réal Foley – Teck Resources Limited>: Yeah. Thanks for the question, Matthew. Maybe start with the end of your questions first. So when we look at thermal, I mean, there are technical and operational limits as to using steelmaking coal for power generation. So typically, our coals are high coking properties, so they're not so suitable for thermal application. We do sell a little bit of oxidized met coals, steelmaking coal, into thermal applications, but that is usually less than 0.5 million tonnes a year.

Now, with respect to what is happening in the overall market, if you look at the steel and the hot metal production, overall, it is still up. Granted, it's a drop year-over-year compared to 2021 that was running very high, but it is still higher than when we were in 2019. So, when you look at exact numbers, the crude steel production and hot metal production versus 2019 on an annualized basis year-to-date is still running around 70 million tonnes higher for crude steel and 50 million tonnes higher for hot metal production.

At the same time, the steelmaking coal exports year-to-date for the major exporters is down around 31 million tonnes versus 2019. So, availability continues to be tight, despite the demand slowdown that we're seeing on the steel side. And then, when you look at overall what has happened in the first half of this year with the record high prices, miners were focused on getting sales to market, just like we did. So, there is little inventories out there. So, the expectations from those low inventories and the continuing high thermal prices is as soon as demand improves on the steelmaking coal side, we will see the price turn up again.

<Q – Matt Murphy – Barclays Capital Canada, Inc.>: Got it. Okay. Thank you for that. Maybe just as a follow-up second question, Don, can't resist the ask-me-anything window here. Just having gone through the construction of QB2, obviously, it's not done yet, but it seems to me the sort of the most challenging thing in this industry right now is investor dislike of major projects. And so, I guess I'm wondering any reflections on how this industry deals with sort of a current slowdown, but an awareness that there's got to be more production growth in copper, when you look at capital markets that don't necessarily like these projects.

<A – Don Lindsay – Teck Resources Limited>: You know, the classic buy versus build question and it gets debated internally and amongst our industry colleagues frequently. You know, I share your observation that it's getting tougher and tougher to build anything anywhere. And different jurisdictions get the spotlight from time-to-time. But you can look in Canada. You could look within Canada at different provinces. You can look at the United States. You can look at Chile, Peru. You look in the Congo, Mongolia, any jurisdiction is getting tougher, not easier.

And I'd also say that the management teams that allocate the capital are less willing to engage in that long-term adventure or misadventure of trying to build something. QB2 , it'll 15 years from when we bought Aur Resources, knowing there were eight deep drill holes. Now, there had to be a lot of drilling done and so on. But between from the start to finish is 15 full years. That's a long time. And I think the willingness of teams to do that is not that high. And the barriers to doing that are getting higher and higher. So, what that means in the long-term, of course, is that demand will exceed supply and pricing will be good for those that have [ph] current (53:25) assets, they should do well.

You know, I have sensed a shift, partly related to the pandemic, partly related to the tragic war - Russia, Ukraine war, that people at the highest levels of government are starting to recognize that critical minerals, they really are critical and they are needed and they are [ph] some scarce supply (53:54) and that they have to change their policies and their attitude to encourage the mining industry to go and develop more production.

Pretty significant shift in [ph] Ottawa (54:08), positive, very positive. But that takes a long time to have an effect, a long time. So, you know, the projects that are already underway, like our QB2 and [indiscernible] (54:20) ramping up, they'll come on, but you look two years out after that, I don't see much. But the world will fix itself in terms of [ph] global recessions, those sorts of things and (54:30) demand will come back and there just won't be enough supply available.

So, that's how I see it. If it's a classic build versus buy, I think most of us would rather buy, because like the day the deal closes, you're starting getting cash – cash returned right away. [ph] And it's difficult to buy well. You always want to buy at the low and have a quick in (54:53) , but I think most of the industry has a bias to do that.

Those are just some thoughts to share.

<Q – Matt Murphy – Barclays Capital Canada, Inc.>: Got it. Thanks a lot.

Operator: Thank you. One moment, please. The next question is from Orest Wowkodaw from Scotiabank. Your line is open. If you are on mute, can you unmute your line, please? We cannot hear you, Mr. Wowkodaw from Scotiabank. Can you unmute, please?

<A – Don Lindsay – Teck Resources Limited>: Orest, we're worried about you. We can't have a quarterly call without a question from Orest. So, Orest, if you could hear me, maybe he can text one to you.

<A – Fraser Phillips – Teck Resources Limited>: We could do that. Orest, you could do that if you'd like. You want to send me an email or text? Orest has been trying for a while to get on and he can't. Whatever he's...

<A – Don Lindsay – Teck Resources Limited>: All right. Let's move on to the next question.

Operator: Certainly. The next question is from Emily Chieng from Goldman Sachs. Please go ahead.

<Q – Emily Chieng – Goldman Sachs & Co. LLC>: Good morning, Don. Congratulations on your retirement, and to Jonathan and Red on your new roles here today. My first question is just around perhaps getting the latest update on the changing fiscal regime in Chile and what you're seeing there as it relates to both the mining royalty and also the Constitution rewrite.

<A – Don Lindsay – Teck Resources Limited>: Okay. We have Amparo on the line, who could answer that question. Please, Amparo?

<A – Amparo Cornejo – Teck Resources Limited>: Yes. Good morning, Emily. Well, as you may be aware, the government of Chile introduced some changes in the mining royalty bill that was being discussed at the Senate. There have been some comments about these changes in this proposal of the government. It is important to mention that now the process will continue. This is a discussion that will take place at the Senate.

We have heard in the last days, that the Minister of Finance has indicated that the government is open to listen to the industry and potentially introduce some changes into this bill. So, basically, this is a process that has not yet finished and will continue a discussion. And we hope that the industry will be part of that conversation. Nevertheless, it is important to reinforce that we do have stability agreements for QB2 and also for CDA. And those stability agreements are not at risk and there are no indications that this could change.

So, in relation with the constitutional process, the commission that was preparing the Constitution presented the Constitution to their President early in July. Today, there is a very open process of dialogue and campaigns and sharing different positions from people that would like the new Constitution to be approved and those that have concerns and don't want that process to be approved.

What [ph] most of analysts (58:38) are seeing today in Chile is that despite the result, the discussion on the Constitution will continue. It is highly possible that changes will be made if the new Constitution is approved. And also if it's not approved, there is the intention to also conduct reforms. So, we believe that Chile will continue a disciplined process of discussion, an institutional process in order to approve and to change the Constitution in the future.

So, in regards with the mining industry, at this moment, we don't see any additional levels of concern. If the current draft is approved, a lot of discussion will need to continue at the Senate level. So we will continue having this institutional discussion in the short term in Chile.

<Q – Emily Chieng – Goldman Sachs & Co. LLC>: Great. That's very clear. My follow-up question is just around CapEx and more focused on sustaining CapEx and what that could potentially look like in 2023. It looks like there has been about $100 million of sustaining CapEx from the Coal segment, maybe reduced or potentially deferred into 2022, but any early reads on what that number could potentially look like and also what sort of the water treatment CapEx could look like for 2023 as well?

<A – Jonathan Price – Teck Resources Limited>: Yeah, Emily. We haven't guided specifically to sustaining capital for 2023 at this point. We did communicate in the last quarter that we expected to see sustaining capital trend back down towards long-term levels and, you know, give or take, including in future sustaining capital [ph] for QB2 (01:00:34). We said that would be around the $1 billion mark annually. In the short-term, we do still have some water treatment capital commitments over the next two to three years. They reduce over time, which is what helps bring us back into that $1 billion range. But we'll communicate the specifics for 2023 in due course.

<Q – Emily Chieng – Goldman Sachs & Co. LLC>: Great. Thanks, Jonathan.

Operator: Thank you.

<A – Fraser Phillips – Teck Resources Limited>: Patrick, it's Fraser. I think we're going to have to just take one more question, and I did get it actually on the email from Orest Wowkodaw. So, Orest says, right – I get rid of these pop-ups. He says my question is on the coal business. Q3 production sales guidance of 5.8 million tonnes to 6.2 million tonnes is only 24.8 million tonnes annualized on the high end. What gives you confidence that the business can still yield 26 million tonnes to 27 million tonnes moving forward as per your three-year guidance? Coal hasn't produced above 26 million tonnes since 2018.

<A – Don Lindsay – Teck Resources Limited>: I think we'll turn that over to Robin Sheremeta to start and, Red, if you want to add any comments as well. Robin?

<A – Robin Sheremeta – Teck Resources Limited>: You bet. Thanks, Orest. There's been a number of things that have occurred over the last couple of years, for sure, not the least of which has been the COVID pandemic, and that's certainly stressed the business. And then more recently, we've gone through a number of plant challenges here through the first half. So, [indiscernible] (01:02:08) spoke about that in the last quarter, I believe.

But we took our two largest operations down for plant maintenance here in the second quarter. So, going forward, we're pretty confident that they're going to be back up to normal reliability – a normal reliability situation. But the single biggest thing that's affecting us right now, and it's going across pretty much all aspects of the business, is just the shortage of labor that we have, which isn't any different really than any of our peers are facing in both our industry and any other industry right now.

So, again, we're seeing the impacts of COVID with higher absenteeism. We've got higher turnover, limited availability of new skilled hires. And all of that has put constraint on our production capacity in the short term. We have to work through that. We are seeing increasing success in hiring. So we've ramped up our efforts significantly. And we're starting to see uptake in that. But again it takes time. We have to train and integrate those new employees into the operations.

All that said, we still have an extraordinary resource. We've got all the capacity established for that 26 million tonnes to 27 million tonnes at our plants and our operations. And we really just need to get the labor force in place to deliver on that. We've got enough equipment. We've got, again, good plant facility. So, it's really just a matter of getting the labor re-established here to get back up to those limits – levels.

<A – Fraser Phillips – Teck Resources Limited>: That's great. Thanks, Robin. Thanks for the question, Orest. Back to Don for closing remarks.

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

Okay. Well, thank you, everyone, for joining our second quarter call, my 71st call and final one. I want to close today with some important thank yous. Nobody gets anywhere working alone. I've had a lot of support from a lot of wonderful people, and I'm going to take the risk of naming some of them, which always carries the danger that I might forget someone. And I apologize in advance to whoever that might be.

I want to start with Dr. Norman B. Keevil, without whom I would never have had the job in the first place and, more importantly, thank him for his support in November 2008 in the midst of the global financial crisis, without which I would never have been able to launch the 12-step plan to work our way out of a challenging situation following the [ph] Fording Coal acquisition (01:04:23). Fortunately, since that acquisition, the Steelmaking Coal business has generated about $34 billion in aggregate EBITDA and about $22 billion in free cash flow, which allowed us to build our base metals business and finance QB2.

I also want to thank Norman B. Keevil III, who's Vice Chair of our board and one of the most decent people I know and a huge supporter of the business.

I also have a special place in my heart for everyone in Sumitomo Metal Mining that I've ever dealt with. This is one of the class acts in the global mining industry. And every leader I've had the privilege to work with and every board member who's joined us has contributed and done nothing but be helpful and professional.

Quick thank you to two of the longest-serving analysts, Orest and Greg. Very much appreciate all of your insights and questions. And, Orest, I have to say, after you being the first question for so many calls in a row, it was kind of fun to have Greg be first and you were last, so seems fitting for some reason.

I want to say some thank yous to the global mining team of CIBC, which I was the founder. And I did that with a very special partner named Warren Gilman. I wish him well as he builds up his own investment business. And I mention [ph] Andy Quinn, Neil Johnson, David Scott and Paul Stafford (01:05:30), who are all incredible professionals and great partners. And John Hunkin, who was Chairman and CEO of the bank and a great mentor of mine, that from whom so many of us learned about inspiring leadership.

And back to Teck, and it's so hard as there are so many to recognize, but I'll name a few, a few names from the past, [ph] Doug Horswill, Greg Waller, Ron Vance, Ron Millos and Dale Andres (01:05:53), who've retired over the years, but made tremendous contribution to the company. Some of the past and present board members, [ph] Bob Wright (01:05:59), who's 90 years old, who I heard from last night and who was originally involved in recruiting me in the first place. [ph] Jack Cockwell (01:06:06), who was a very, very important mentor of mine; [ph] Warren Seaford (01:06:09), who was Vice Chair of the board; and the hardest working Directors we currently have, Ed Dowling, Tim Snider and Sheila Murray. Thank you to all.

I want to acknowledge my team because, boy, what a team we've got. I gave them all copper [ph] pens (01:06:25) last year saying best team ever. I see Red's holding his and I sure meant it. But current team members from [ph] our operations are proud of it (01:06:32), Robin Sheremeta, Shehzad Bharmal, Kieron McFadyen, are running our Metals and Coal and Energy divisions; Alex Christopher on Projects; Andrew Milner [ph] on our whole TDS and RACE21 (01:06:42).

On the corporate side, some pretty special people: Dean Winsor, who I've worked with so closely on putting the team together, so much appreciate your support; Marcia Smith, we wouldn't be number one in ESG without her team and everything that she's done for us; Peter Rozee has been there through thick and thin, through everything, all the transactions, all the issues that we've had to deal with; [ph] Nick Hooper (01:07:05), a whole new brain trust in our company now looking at all things going on in the world; Réal Foley, who's become like the guru of commodities – commodities for the [ph] whole street (01:07:17) and it's just been great working with you; Fraser Phillips, whose wisdom and understanding of shareholders is second to none; Ralph Lutes, one of my great partners, [ph] who's done so much for us in Asia and now in China (01:07:29).

And of course my support team, [ph] Mona Hatt and Stephanie Dunlop (01:07:34) over the last 22 years. I wouldn't have been able to survive without them. And [ph] Connie Wang, who steps in on to mat leave (01:07:39) for the third time now here to help out. I have a special gratitude to them for sure.

Finally, I want to wish Jonathan Price and Red Conger nothing but the greatest success. They are both tremendously capable individuals with complementary experience and skills. And I know that they will be focused on creating tremendous new value and taking the company to even greater heights. So believe me when I say, under this team, the best is yet to come.

Thank you, all. Over and out.

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