S&P Global
Market Intelligence

Teck Resources Limited TSX:TECK.B

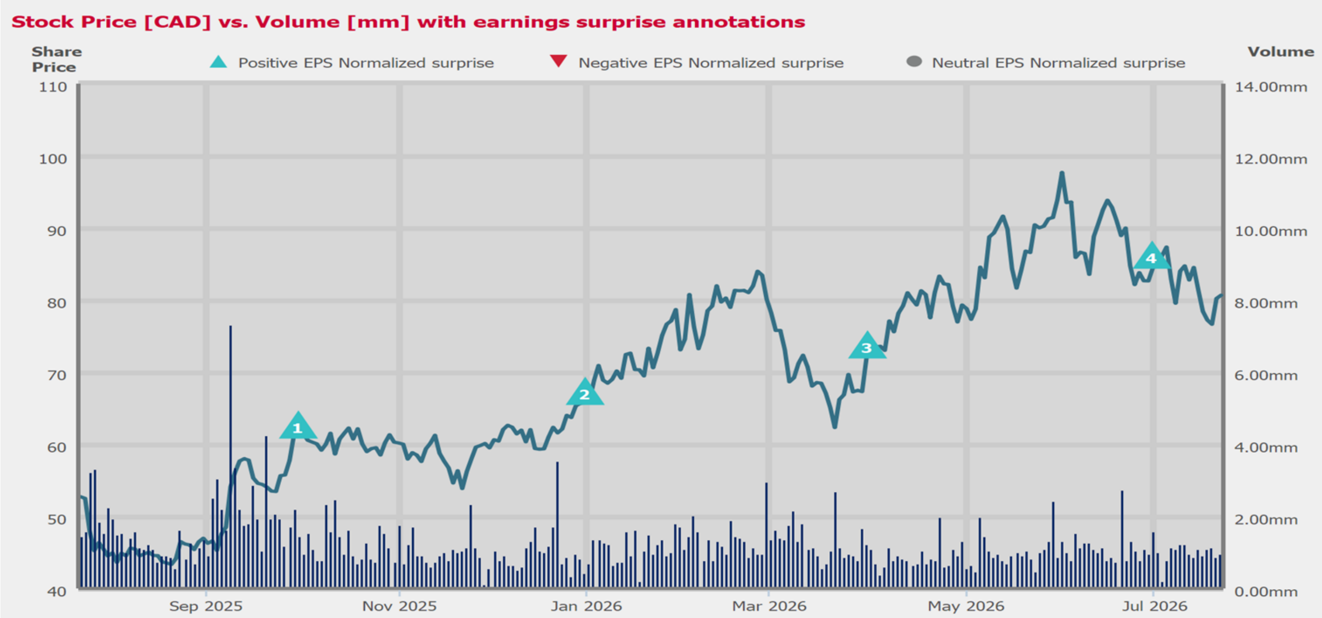
FQ2 2026 Earnings Call Transcripts

Thursday, July 23, 2026 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2026-			-FQ3 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.41	1.93	▲36.88	1.15	5.41	NA
Revenue (mm)	3398.25	3605.00	▲6.08	3850.69	14561.51	NA

Currency: CAD
Consensus as of Jul-23-2026 5:55 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2025	0.57	0.76	▲1 33.33 %
FQ4 2025	0.96	1.37	▲2 42.71 %
FQ1 2026	1.12	1.75	▲3 56.25 %
FQ2 2026	1.41	1.93	▲4 36.88 %

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EXECUTIVES

Crystal J. Prystai
Executive VP & CFO

Dale Webb
Senior Vice President of Operations - Latin America,

Emma Chapman

Ian K. Anderson
Executive VP & Chief Commercial Officer

Jonathan H. Price
President, CEO & Director

ANALYSTS

Adam Smiarowski
BofA Securities, Research Division

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CIBC Capital Markets, Research Division

Brian MacArthur
Raymond James Ltd., Research Division

Craig Hutchison
TD Cowen, Research Division

Dalton Baretto
Canaccord Genuity Corp., Research Division

Liam Fitzpatrick
Deutsche Bank AG, Research Division

Myles Allsop
UBS Investment Bank, Research Division

Orest Wowkodaw
Scotiabank Global Banking and Markets, Research Division

Presentation

Operator

Ladies and gentlemen, thank you for standing by. Welcome to Teck's Second Quarter 2026 Earnings Release Conference Call. [Operator Instructions] This conference call is being recorded on Thursday, July 23, 2026.

I would now like to turn the conference over to Emma Chapman, Vice President, Investor Relations. Please go ahead.

Emma Chapman

Thank you, operator. Good morning, everyone, and thank you for joining us for Teck's Second Quarter 2026 Conference Call.

Today's call contains forward-looking statements. Actual results may vary due to various risks and uncertainties. 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. We will reference non-GAAP measures throughout this presentation. Explanations and reconciliations are in our MD&A and the latest press release on our website.

On today's call, Jonathan Price, our CEO, will provide highlights for the second quarter of 2026. Crystal Prystai, our CFO, will follow with further details on our operational performance and financials in the quarter. Jonathan will then wrap up with closing remarks and an opportunity for Q&A.

And with that, over to you, Jonathan.

Jonathan H. Price
President, CEO & Director

Thank you, Emma, and good morning, everyone. We've delivered another quarter of strong operational and financial performance. We generated significantly higher earnings and robust cash flow in the second quarter of 2026, supported by favorable commodity prices, including another record quarterly average copper price.

Compared with the same period last year, we generated cash flow from operations of $1.7 billion and tripled adjusted EBITDA to $2.2 billion. We also successfully managed our net cash unit costs despite energy cost headwinds, supported by stronger operational performance and favorable byproduct pricing. As a result, we increased our net cash position by $756 million during the quarter and $1 billion in the first half of the year.

Alongside this strong financial performance, we continue to make good progress against our near-term priorities to create shareholder value. We are advancing our merger of equals with Anglo American, with our focus on securing the remaining regulatory approval. Meanwhile, integration planning is intensified to ensure we are ready to close shortly after approval is received.

Operationally, we continue to build momentum across the business. Copper production increased by 25% compared with the second quarter of last year with higher production across all our copper operations, coupled with continued strong sales volumes. We are delivering greater operational stability quarter-by-quarter through our continued focus on safe, reliable and consistent performance, and there are no changes to our previously disclosed annual guidance. Importantly, this strong performance includes QB, where we achieved our third consecutive quarter of stable operations, an important step towards realizing the full value of this world-class asset.

During the quarter, we also continued to advance our tailings management facility work at QB, including the completion of Rock Bench 5. And I'll return later in the presentation to some of the TMF options currently under evaluation with the potential to further enhance operational continuity.

At Highland Valley, we continue to advance the mine life extension project, with detailed engineering now approximately 95% complete. Overall, this was another strong quarter that demonstrates disciplined execution across the business, reinforces the quality of our portfolio and positions us well as we move towards completing our merger with Anglo American.

So turning to the merger update on Slide 5. The regulatory approval process in China continues to progress as expected, and we remain focused on engagement with the regulator. In parallel, integration planning continues to advance. Our teams are working hard to ensure we are fully prepared to close the transaction following receipt of the necessary approvals, while also continuing to develop our plans to capture the significant value creation opportunities available through the combination. Consistent with our original expectations, we continue to anticipate completing the transaction within 12 to 18 months of the September 2025 announcement.

Turning to our focus on safe and stable operational performance, beginning with safety on Slide 6. During the second quarter, our high potential incident frequency rate at Teck-controlled operations remained low at 0.08, broadly in line with our performance last year. Any safety incidents are thoroughly investigated, with corrective actions implemented to strengthen critical risk controls and reduce the likelihood of recurrence. We're also very pleased that the Highland Valley Copper Mine Life Extension Project has now achieved 1 million hours worked without a high potential incident or a lost time injury, reflecting the strong safety culture across the project team.

So turning now to our operational performance on Slide 7. Copper production increased by almost 25% in the second quarter compared with the same period last year, with higher production across each of our operations, as shown in the chart on the left. This higher production, together with favorable commodity and byproduct prices, drove a significant reduction in our net cash unit costs, more than offsetting the impact of higher energy prices.

As a result, our profitability continued to strengthen, with adjusted EBITDA margins reaching a record 61%, up from 36% in the second quarter of 2025. These results demonstrate how our continued focus on operational performance is translating into higher volumes, lower costs and improved financial returns.

Turning to QB on Slide 8. As we continue to advance tailings management facility development, we have not experienced any TMF-related downtime in the past 3 quarters, supporting improved asset utilization and operational consistency. As a result, QB produced 55,800 tonnes of copper during the quarter compared with 52,700 tonnes in the same period last year, with stable throughput and recoveries and all key operating metrics tracking in line with our full year guidance.

During the planned maintenance shutdown in May, we completed several initiatives designed to optimize plant performance and increase throughput. We began to see the benefits of that work towards the end of the quarter, providing a solid foundation for continued operational improvement throughout the remainder of the year. Overall, QB continues to demonstrate improving operational consistency, giving us increasing confidence in the long-term performance and value of this world-class asset.

Now looking at the QB TMF on Slide 9. Progress on the TMF remains an important enabler of predictable operating performance at QB, and we made significant progress during the second quarter. As you can see from these photographs, we completed Rock Bench 5 during the quarter, an important milestone that supports [freeboard] management through the remainder of the year. Completion of the cyclone station upgrades and increased paddock availability improved our sand deposition rates and supported continued progress towards planned TMF performance.

As mentioned, there was no TMF-related downtime at the concentrator in the past 3 quarters, demonstrating the progress we've made in reducing operational constraints. Work has continued to optimize the supporting ancillary infrastructure required to accommodate higher sand deposition rates. And construction of the secondary cyclone station should further improve our sand deposition performance.

The latest progress on the QB TMF is reflected in our updated scorecard on Slide 10. As I've already mentioned, we completed Rock Bench 5 as planned. Looking ahead, we expect to complete installation of the secondary sand cyclone system by the end of the year, further strengthening the robustness of the tailings handling system and increasing its ability to manage variability in plant feed.

Consistent with our QB action plan, we are progressing our evaluation of the timing and sequencing of the installation of the permanent TMF pipeline infrastructure, which will mechanically raise the tailings pipeline, supporting more efficient and optimized TMF performance. As part of this assessment, we are evaluating opportunities to accelerate certain TMF activities, including the potential advancement of material placement currently planned for 2027 by constructing an additional rock bench this year.

Proceeding with Rock Bench 6 would allow the permanent pipeline infrastructure to be installed later this year, which is earlier than planned. This would provide greater operational flexibility during completion of the sand dam, reducing execution risk and supporting continued improvements in operating performance from a stable operating base.

If we take the decision to proceed, construction of Rock Bench 6 is expected to commence in late August or early September and be completed by around year-end, with an estimated capital investment of approximately USD 100 million this year. Overall, we continue to make good progress on the TMF and are focused on opportunities to safely accelerate development and further strengthen the long-term reliability of QB operations.

So turning now to the mine life extension at Highland Valley on Slide 11. Construction continues to advance well, with the project achieving an important safety milestone of more than 1 million hours worked without any high potential incidents or lost time injuries. During the second quarter, we completed installation of the pilings for the mill upgrades and successfully executed the first integrated shutdown between the operation and the mine life extension project.

Detailed engineering is now approximately 95% complete. Procurement is nearing completion, and construction activity continues to ramp up across the site, including earthworks, pipelines, brownfield works and supporting infrastructure. We invested $254 million of project capital during the quarter, and our capital expenditure guidance remains unchanged at $900 million to $1.2 billion for 2026 and $2.1 billion to $2.4 billion over the life of the project.

Capitalized stripping activity is also expected to increase during the second half of the year as we prepare future mining areas. While higher diesel prices will have some impact, our guidance for capitalized stripping remains unchanged at $450 million to $550 million for the copper business.

The mine life extension will extend Highland Valley's mine life to 2046, while supporting average annual copper production of approximately 132,000 tonnes, reinforcing its position as a cornerstone asset in the copper portfolio. Overall, we're continuing to execute well across our portfolio with strong operational performance, supporting disciplined project delivery and positioning the business well for the future.

I'll now hand over to Crystal to take you through the financial results in more detail.

Crystal J. Prystai
Executive VP & CFO

Thanks, Jonathan. Good morning, everyone. Starting with an overview of our strong financial performance in Q2 2026 on Slide 13. We delivered significantly stronger financial results in the second quarter, with adjusted EBITDA tripling to $2.2 billion compared to the same period last year. This performance was underpinned by strong copper production across all of our operations, including a third consecutive quarter of stable production at QB, together with higher commodity prices and increased byproduct revenues. In addition, we significantly improved profitability at Trail Operations as we continue to focus on cash generation through value-driven optimization of feed sources and production.

As a result, our adjusted EBITDA margin increased to a record 61%. Our strong earnings in the second quarter translated into robust cash generation with $1.7 billion of cash flow from operations, contributing to a $756 million increase in our net cash position over the quarter. We also returned $61 million to shareholders through payment of our regular quarterly base dividend.

Looking now at the key drivers of our higher profitability in Q2 2026 on Slide 14. The increase in adjusted EBITDA was primarily driven by significantly higher commodity prices, including favorable pricing adjustments and stronger byproduct pricing. Higher copper production and sales volumes and higher volumes of byproducts also made significant contributions. Overall, operating costs were lower year-on-year, more than offsetting higher oil prices, while lower smelter processing charges also provided a benefit. These positive factors were partially offset by higher royalties and profit sharing as a result of higher profitability at our operations.

Turning to our copper segment now on Slide 15. Compared with Q2 last year, gross profit before depreciation and amortization more than doubled to $1.8 billion, with margins substantially higher at 65% compared to 46% a year ago. This stronger performance was driven by record copper prices, together with higher production across all operations. Higher copper production reflects higher throughput across our operations as well as higher grades at Highland Valley and Antamina, as expected.

QB delivered its third consecutive quarter of stable operations, with copper production increasing to 55,800 tonnes from 52,700 tonnes in the same period last year. Our copper net cash unit costs improved by 19%, reflecting higher copper production and byproduct credits. Looking ahead, guidance for our copper segment remains unchanged, and we continue to expect further growth in copper production this year to 455,000 to 530,000 tonnes from 454,000 tonnes last year.

Looking at our zinc segment on Slide 16. Compared with Q2 last year, gross profit before depreciation and amortization increased 122% to $353 million, with margins significantly higher at 39% compared with 28% previously. This improvement was primarily driven by strong performance at Trail Operations. This reflects materially higher byproduct pricing and the continued execution of our value-driven optimization of feed sources and production, including prioritizing processing of residues in the near term. As a result, gross profit before depreciation and amortization at Trail increased to $203 million compared with $42 million in the same period last year despite the planned shutdown of the lead circuit during the quarter.

On July 7, we also announced a strategic investment agreement with the Government of Canada to support strategic metals production at Trail. The initiative has the potential to expand production of germanium and antimony and add new gallium capacity. It also remains subject to certain conditions as well as evaluation under our capital allocation framework.

At Red Dog, zinc production in the second quarter reflected lower grades and recoveries consistent with the mine plan, and zinc sales were within our guidance range at 37,000 tonnes. Zinc net cash unit costs improved 29%, benefiting from lower smelter processing charges and higher byproduct credits.

Looking ahead, Red Dog shipping season commenced on July 12. As in previous years, the majority of diesel deliveries are expected during the third quarter alongside zinc concentrate sales of 220,000 tonnes to 270,000 tonnes, reflecting the normal seasonal shipping pattern. Our guidance for the zinc business remains unchanged. We continue to expect zinc in concentrate production of 410,000 tonnes to 460,000 tonnes and refined zinc production of 190,000 tonnes to 230,000 tonnes in 2026.

Turning now to our net cash unit costs on Slide 17. Despite oil price headwinds during the quarter, we reduced net cash unit costs across both our copper and zinc businesses, reflecting strong operational performance, cost discipline and favorable byproduct pricing. In copper, total cash unit costs declined despite approximately USD 0.07 per pound of energy inflation impact, supported by higher production across our operations. Net cash unit costs improved even further from USD 2.02 per pound to USD 1.64 per pound as stronger byproduct production and pricing, particularly for molybdenum, silver and zinc, increased byproduct credits. In zinc, total cash unit costs were broadly stable as the impact of lower production volumes has been largely offset by lower smelter processing charges.

Red Dog has been largely insulated from higher energy prices year-to-date as diesel for the 2026 shipping season had not yet been delivered. Net cash unit costs in zinc also improved significantly from USD 0.49 per pound to USD 0.35 per pound, driven by stronger byproduct prices, including silver, lead and germanium. These cost improvements, together with the favorable pricing environment, translated into materially stronger margins across both of our business segments.

Turning now to our margins on Slide 18. We delivered a significant expansion in margins across both of our business segments during the second quarter, reflecting the benefit of higher commodity prices, together with continued operational improvements and disciplined cost performance. In copper, our adjusted EBITDA margin increased to 70% compared with 45% in the second quarter of last year, driven by stronger copper prices, higher production and sales volumes and strong byproduct credits. In zinc, our adjusted EBITDA margin increased to 38% from 25% a year ago, reflecting higher zinc prices, stronger byproduct credits and the continued optimization of feed sources at Trail Operations.

Turning now to our balance sheet on Slide 19. As a result of the strong cash generation from our operations, we continue to strengthen our balance sheet while funding the Highland Valley mine life extension project. In the second quarter of 2026, we generated significant cash flow from operations of $1.7 billion. Net cash increased by $756 million during the quarter to $1.2 billion, representing an increase of $1 billion over the first half of this year.

Our liquidity strengthened further to $10.3 billion as at June 30, including $6.1 billion of cash. We also continue to reduce debt through our scheduled semiannual repayments under the QB project finance facility, positioning us with a strong balance sheet as we move towards completion of the Anglo-Teck merger.

I will now pass it back to Jonathan for closing remarks.

Jonathan H. Price
President, CEO & Director

Thanks, Crystal. I'll now wrap up briefly on Slide 21. We're pleased to have delivered another quarter of strong operational and financial performance, reflecting the continued progress we are making across the business.

As we look to the second half of the year, our key near-term priorities remain clear: advancing our merger of equals with Anglo American, including securing the remaining regulatory approval and progressing integration planning; continuing to deliver safe, stable and reliable operating performance across our business; further strengthening the performance of QB through continued operational improvements and progress on the tailings management facility; and advancing the Highland Valley mine life extension project. By remaining focused on these priorities, we believe we are well positioned to complete the merger and create a leading critical minerals company with the financial strength, operational capability and portfolio quality to deliver long-term value for shareholders.
So with that, over to you, operator, for questions, please.

Question and Answer

Operator

[Operator Instructions] The first question comes from Orest Wowkodaw with Scotiabank.

Orest Wowkodaw
Scotiabank Global Banking and Markets, Research Division

It's really great to see the operational turnaround, especially at QB. And before my question, I just wanted to also put out a big thank you to Emma for all her help at IR, with the best on her next opportunity.

What specifically -- I'm just curious if advancing Rock Bench 6 and advancing some of the infrastructure, if that could positively impact throughput rates in terms of versus plan for 2027-'28?

Jonathan H. Price
President, CEO & Director

Thanks, Orest, and thank you as well for that comment on Emma. I'll talk a little bit about that later. The short answer to your question is no, Orest. We don't expect any impact to throughput rates directly the result of the planned actions that we're taking here. As mentioned, we see this as an acceleration and essentially a derisking that allows us to further underwrite that ongoing operational continuity that we've worked so hard to achieve over the last 3 quarters.

Orest Wowkodaw
Scotiabank Global Banking and Markets, Research Division

Okay. And second question, just in terms of the regulatory approval, specifically from China, can you give us an update on where things are at, whether you think [indiscernible] any requests for potential offtakes or asset sales or anything like that? Or is it just really -- I'm curious to what the Chinese may be asking for in terms of the process?

Jonathan H. Price
President, CEO & Director

Yes. Look, I'd say that the process with SAMR, which is the market regulator in China, is unfolding in the normal course. We continue to respond to information requests aligned with the typical process here.

We're moving ahead. We still expect completion to be within the originally announced 12 to 18 months from the date of announcement. And beyond that, there's nothing more to say in that we haven't received any request for remedies arising from the approval process. So business as usual for the time being.

Orest Wowkodaw
Scotiabank Global Banking and Markets, Research Division

Okay. And just finally, how quickly do you [indiscernible] receive that Chinese approval?

Jonathan H. Price
President, CEO & Director

Sorry, you just cut out a little bit there. How quickly...

Orest Wowkodaw
Scotiabank Global Banking and Markets, Research Division

Sorry, how quickly do you expect the transaction to close, post the Chinese approval?

Jonathan H. Price
President, CEO & Director

Very quickly. We'd be talking a matter of a couple of weeks, no more than that.

Operator

The next question comes from Dalton Baretto with Canaccord Genuity.

Dalton Baretto
Canaccord Genuity Corp., Research Division

On the assumption that you do get the SAMR approvals in short order and you close fairly quickly, can you give us an update on where you're at in terms of the integration planning? What sort of things have been sort of settled on and ready? What are you still working on? And any thinking around the pro forma portfolio?

Jonathan H. Price
President, CEO & Director

Yes. Thanks for those questions, Dalton. An enormous amount of work going on, on integration planning between ourselves and Anglo American right now. Of course, we have to continue to operate entirely as independent companies until such time as the merger closes. We run our own businesses, there's no crossover of decisions in relation to operations or current activities.

In the meantime, of course, we've got to ensure that we can seamlessly integrate these two new companies to do two things: one, to maintain operational continuity and to ensure we can operate efficiently and effectively. On the other hand, of course, we've got a lot of value to capture here through the combination of these businesses. So we're planning for both of those things.

So on the one hand, we have to plan the way forward around business processes and systems, organizational structures. Of course, the appointment of leadership and other teams throughout the new organization will be key to standing that new business up. On the other hand, we're working hard to build out the synergy capture plans that we have at a much higher level of fidelity to ensure that as soon as the merger closes, teams in the new Anglo-Teck organization can get after capturing that value. So an enormous amount of work going on, and we'd expect that work to continue with a high level of intensity all the way through to completion of the transaction.

Dalton Baretto
Canaccord Genuity Corp., Research Division

And maybe in parallel as you're working through that, can you comment on where you guys are at either as Teck or potentially with Anglo American on the Collahuasi-QB2 tie-up, specifically from an ownership perspective?

Jonathan H. Price
President, CEO & Director

Yes. So we remain super focused on that, of course, given the significant value opportunity that, that presents. As we've said before, we continue to believe that it offers the shareholders of both QB and Collahuasi the fastest growth route to copper growth, lowest risk, lowest capital intensity and therefore, delivers the highest returns of any opportunity available to either operation and either set of shareholders here.

One of the first steps there, of course, is advancing a formal study to ensure that we validate and underwrite the investment thesis here and begin to shape exactly what that project will look like from an execution perspective. We've engaged with shareholders of both operations. We've engaged with local governments. And we remain very optimistic that we'll arrive at a mutually beneficial agreement here for all parties because there is so much value to be shared.

I won't comment more on the nature of those commercial interactions at this point because, of course, they remain confidential. But we remain very focused, as is Anglo American, on pursuing that synergy capture opportunity.

Dalton Baretto
Canaccord Genuity Corp., Research Division

Great. And just maybe one more thing on that. Is that study being conducted or will be conducted as a collective? Or are the different shareholders having different people look at this?

Jonathan H. Price
President, CEO & Director

So ultimately, of course, that's going to have to be a shared piece of work across both sites. But what we have to do is, of course, come into those interactions with the specifics here. We're working with Anglo American on developing that. So we have the coverage, of course, as we do today across both QB and Collahuasi in that respect. But of course, ultimately, what that looks like is going to be something for all shareholders to be part of. But for the time being, that's something we're progressing at pace.

Operator

The next question comes from Anita Soni with CIBC World Markets.

Anita Soni
CIBC Capital Markets, Research Division

And again, similar to Orest, congratulations, Emma, on your move and best wishes on your next endeavor. And thanks for all your help over the last couple of years.

I just wanted to ask firstly on this Rock Bench 6. What would you need to see to be able to make that go-ahead decision to accelerate the Rock Bench 6 construction?

Jonathan H. Price
President, CEO & Director

I think, Anita, as ever, when we make a decision to invest capital, we need to ensure that that's the right thing to do in terms of the uplift that it will give to the value of the operation. I think we have a pretty strong conviction view that this is the direction that we will go in because of that acceleration and derisking that I mentioned. But we've just got our usual investment committee processes to work through here and the technical assessment of Dale and his team. But like I said, I think a high likelihood that that's the direction that we'll follow.

Anita Soni
CIBC Capital Markets, Research Division

And the idea is that you now build out the rock bench, that you'd have a wide enough crest to be able to put the infrastructure in earlier, and then that would help with the sand deposition and accelerate that?

Jonathan H. Price
President, CEO & Director

Yes, that's exactly right, of course. An additional rock bench here, Rock Bench 6 will significantly widen the crest. That will enable the installation of the permanent infrastructure on that crest. And of course, then the efficiency of the deposition of tailings upstream and the deposition of sand downstream will be significantly enhanced and more efficient than the practices that we're deploying today.

Anita Soni
CIBC Capital Markets, Research Division

Okay. So would there be any kind of cost savings from that? I mean, just more of the sand deposition is being taken up by just sort of automatic deposition rather than physically placing it with trucks. Is there any kind of cost savings that you guys are looking at?

Jonathan H. Price
President, CEO & Director

Yes. I mean, I think that's a fair assumption. I don't think they'll be dramatically material in the context of the overall operation at QB. But yes, you're right in that we will gain efficiencies from progressing to this next phase of a steady-state operation.

Anita Soni
CIBC Capital Markets, Research Division

Okay. And I just have one quick question. On the Antamina zinc pipeline, is there any update on where that stands? I read -- it says in your release that it was shut down during the quarter. Is there any idea when it would restart?

Jonathan H. Price
President, CEO & Director

Yes. Anita, that's now fixed, and it's back in operation.

Operator

The next question comes from Craig Hutchison with TD Cowen. The next question comes from Craig Hutchison with TD Cowen.

Craig Hutchison
TD Cowen, Research Division

I just want to ask a follow-up question on the throughput at QB. Just given your guidance range of 115,000 tonnes to 132,000 tonnes, is the goal now in the second half of the year to really kind of push the mill up to its design rate? Or are you guys still kind of being a bit cautious on that? I guess maybe as a follow-up, like is there anything on the tailings management facility or the mill itself that would prevent you guys from operating a design?

Jonathan H. Price
President, CEO & Director

Dale, do you want to provide a bit of color on that, please?

Dale Webb
Senior Vice President of Operations - Latin America,

Sure, thanks for the question. I think really, the focus that we've been doing and recognizing 3 quarters of stable operation is just stability. And what that's allowed us to do is you can see sort of achieving that stable metallurgical recovery as well as improve the moly plant performance.

But agree, our focus now is to build upon that stability, start optimizing and improving plant performance, and it is unconstrained from the TMF. So really, our focus is to be able to achieve stable operations and be able to drive demonstrated results through that improvement over the next few quarters. So that's our focus there.

Craig Hutchison
TD Cowen, Research Division

Okay. And then the improvements in recovery, is part of that just the stability of the operation? Or are you also starting to see improvements just in terms of geology, less oxide, less clay-type interferences with the recoveries?

Dale Webb
Senior Vice President of Operations - Latin America,

Yes. As the mine continues to develop, we do expect to see improved recoveries as a result of the ore type. But at the same time, what we're doing today is through stable operations, it's far easier to identify those opportunities to make some incremental improvements. This is allowing us also to drive more operating discipline to achieve that stability and repeatability of performance. So it's really a combination of the two as we keep moving forward.

Craig Hutchison
TD Cowen, Research Division

Okay. Great. And just maybe one last question for me. Just on the Trail deal you guys announced a few weeks back, just -- is the plan to double the production of germanium -- is part of that just better recoveries from Red Dog? Or is it more you're going to source more ore from other places? And I'm just trying to understand, like how much of an uplift would be for you guys from your existing operations versus just more of a tolling type of arrangement?

Jonathan H. Price
President, CEO & Director

Yes. So Craig, that's more about increasing the processing capacity at Trail over time so we can handle more feed. Of course, the majority of our feed today comes from Red Dog. And of course, that's been supplemented by certain residues and other sources to complement that.

And we continue to look on a go-forward basis at a wide range of potential sources. And our commercial group, working with our corporate development group, has been very active sourcing a wide range of feeds to support that going forward. But fundamentally, the additional volume isn't a recovery game. It's actually expanding processing capacity, and that's what the investment would be directed towards.

Operator

The next question comes from Liam Fitzpatrick with Deutsche Bank.

Liam Fitzpatrick
Deutsche Bank AG, Research Division

Two quick ones probably. First one, just on indexation in Canada. Any recent updates that you can share with us on that?

And then second one on Trail. You did highlight that Q2 would be impacted by maintenance, but profitability has still remained very strong compared to history in Q2. So should we expect similar or better profitability in the second half? Or anything else you'd highlight on that asset?

Jonathan H. Price
President, CEO & Director

Thank you, Liam. I'll get Crystal to [indiscernible] have to meet certain domicile criteria for Canada. But that's been quite encouraging in that it talks about the materiality being an important part of the Canadian investment landscape, but it also doesn't require Canada to be the highest level of economic component of a business of an issuer to achieve that.

So we're quite encouraged by what we've seen overnight. Also, S&P, rather than applying strict criteria are giving themselves some flexibility here and some discretion around how these decisions are made, and importantly, when these decisions are made. So the consultation process will start shortly. It's open for comment until the 21st of August, and we expect beyond that to learn more.

So I think the signals there, Liam, are being quite positive here, and we'll continue to watch that carefully. And of course, our investors and other members of the investment community continue to advocate strongly for that development. And then Crystal on Trail, please.

Crystal J. Prystai
Executive VP & CFO

Liam, I hope you're doing well. Similar to what we said in the first quarter, as we think about Trail, we're very focused on the feed optimization, and the profitability as we go forward really depends both on commodity prices as well as that feed profile. We continue to focus on maximizing profitability over volumes.

But there's a couple of things I would note for the second half of the year, first being that we expect the refined zinc production to increase in the third quarter as we continue to optimize the feed source, as I mentioned. And that also balances with processing residues. And then we do have planned shutdowns for required maintenance in both zinc and lead in the fourth quarter. So I think those would be things I would use to moderate your expectations for the second half of the year.

Operator

The next question comes from Myles Allsop with UBS.

Myles Allsop
UBS Investment Bank, Research Division

I mean, one thing that surprised me a little bit is that you didn't point to the upper end of guidance. I mean, how -- are you just being super prudent given history when thinking about production for this year? Or are there -- is there a kind of realistic scenario where you could be at the midpoint of guidance rather than the top end of guidance?

Jonathan H. Price
President, CEO & Director

Yes, Myles, thank you. I mean, we are very focused on this operational consistency and stability throughout the year. That's a primary focus for us. I think we've spoken before, particularly at HVC, that, that has been very much an H1-weighted story. In the second half at HVC, we're going to have some downtime in the mills for tie-ins to the mine life extension project. And we also expect a reduction in grade as well from a feed perspective in the second half of 2026. So we are expecting lower production there. We're also expecting lower production at Antamina in the second half of the year.

So of course, we'll work as hard as we can to generate the best production outcomes possible across all of our sites, but we do still think that the guidance ranges that we have here are valid and appropriate and reflect well, the full year outcomes that we're anticipating.

Myles Allsop
UBS Investment Bank, Research Division

Okay. And going back to QB, the debottlenecking optimization, now that we're getting 3 steady quarters and the tailings has been kind of derisked to a large degree, should we be thinking about bringing forward the debottlenecking optimization opportunities, getting throughput up that 15%, 20% or so?

Dale Webb
Senior Vice President of Operations - Latin America,

Thanks for the question. I think certainly, the work in achieving that stable operation is certainly highlighting key areas that will allow us to, one, optimize and then think about future debottlenecking. So that work is in progress, really building upon that operational information that we're gathering to think about what's next and as we progress.

But certainly, our focus now is to certainly drive that stability and provide that incremental improvement within what we have. And that's really highlighting that really, the best cost-effective ways to improve the operation as we go forward.

Myles Allsop
UBS Investment Bank, Research Division

What's the best time frame to start debottlenecking? I mean, could that be sort of over the next 2 years? Or would we still be looking further out?

Dale Webb
Senior Vice President of Operations - Latin America,

So I think that's part of the work that we're doing to understand what work we're actually needing to do and then how fast we can do that work. Just recognizing all the other work we're doing in terms of the broader picture of what QB will be, what it will look like and how we progress. So I think that work is still being defined to what we can do short term, and then what we would take more work in a bit longer time.

Jonathan H. Price
President, CEO & Director

Okay. I think, Myles, you can see from our disclosure today around some of the key operating parameters, we still got work to do to push those towards design levels. And that provides a higher base and a strong foundation on which to execute those debottlenecking projects.

Operator

The next question comes from Lawson Winder with Bank of America.

Adam Smiarowski
BofA Securities, Research Division

This is Adam Smiarowski on for Lawson. I just have a follow-up question on the recovery initiative at QB2. Would you be able to kind of describe some of the work that's being done there? And what level of copper recovery we should expect for the remainder of 2026 and into 2027?

Jonathan H. Price
President, CEO & Director

Yes. So look, we're not going to reguide the copper recoveries. We've set out the parameters for this year that we're targeting to operate within. But Dale, maybe if you can just give some color on some of the initiatives that we're pursuing to improve recoveries?

Dale Webb
Senior Vice President of Operations - Latin America,

Quite a bit of the work that we've done builds upon the comprehensive operational review that was done last year. One key element was certainly accelerated drilling, getting some more information around the ore body to help our operational plans and help develop key playbooks for different ore types as we go forward. So that work has been done, and now we're currently optimizing that, and that's being fed into our different process control setups to allow us to be more efficient in what we do.

In addition, we continue to progress installation of additional sensors and controls to allow us to be -- fine-tune the operation and really building upon that stable operation and see what we can do to improve that control and just that stable base. We continue to improve and optimize our reagent addition, building upon that stability that's allowed us to be more effective and efficient in how we see things. And this gives us more confidence in the repeatability of our performance and our ability to build upon it as we continue to improve our throughput rates.

Adam Smiarowski
BofA Securities, Research Division

Great. And just a question on costs. Q1 and Q2 net cash costs have been well below guidance and byproduct prices are above the sort of the guidance that you provided. So my question is, are unit cash costs setting up to beat guidance? And communicate sort of the sensitivity of those unit costs to byproduct prices as well as especially for diesel shipments going in, how -- what the sensitivity we have to the zinc to diesel prices?

Jonathan H. Price
President, CEO & Director

Crystal?

Crystal J. Prystai
Executive VP & CFO

Sure. Hi, hope you're having a good day. Again, similar to the story on production, I think that's an important component as we think about the unit cost in the second half of the year. Obviously, we're very pleased with our cost performance year-to-date. There remains a lot of volatility in the byproduct pricing as well as in energy costs. So while we do have a more conservative assumption embedded in our guidance because those were established late last year, we remain confident in the ranges. I think if byproduct pricing persists, we would expect to be below the midpoint on copper, and then similarly on the zinc side of things.

From a sensitivity perspective, I think there was a few things you had in there. I believe you said energy and what the sensitivity to that was. For every sort of $10 change in -- per barrel of WTI is about $0.01 on our zinc C1 and about $0.03 on copper. I'm not sure if I captured everything that you were asking there, but feel free to weigh in if there was more.

Adam Smiarowski
BofA Securities, Research Division

That's helpful on the energy. And just on some of the byproduct assumptions, so I think silver is roughly double what you have in your guidance. So just sort of how $10 change in silver, how that's going to affect net costs?

Crystal J. Prystai
Executive VP & CFO

Sorry, just give me one quick second here to find -- I don't have it off the top of my head. Can we circle back with you offline? Sorry, I just need to get the team to provide a bit more on that. I can provide it to you in an EBITDA context, but I don't have the C1s off the top here.

Adam Smiarowski
BofA Securities, Research Division

That's perfect.

Crystal J. Prystai
Executive VP & CFO

Okay. We'll come back to you offline.

Operator

The next question comes from Brian MacArthur with Raymond James.

Brian MacArthur
Raymond James Ltd., Research Division

I just want to follow up on Craig's question about the germanium and I guess, gallium and other stuff that the Canadian government is putting money in at Trail. At Red Dog, as it currently sits, it runs out over a number of years. We've got a new area.

I got a couple of questions. Does the new area have the same amount of germanium? Or b, if it doesn't, how do you get your heads around the fact that you may be losing one of the major sources for germanium at Trail on a longer-term basis if it's not grading the same way? And I realize this is pretty competitive information, so I'll accept whatever you're willing to actually talk about.

Jonathan H. Price
President, CEO & Director

Yes. Thanks for that question, Brian. I'm going to pass you to Ian Anderson, our Chief Commercial Officer. Because in addition to Red Dog, which he can comment on, he's also been looking at and working to develop a whole series of other feed sources to supplement the feed at Trail. So over to you, Ian.

Ian K. Anderson
Executive VP & Chief Commercial Officer

Thanks for the question, Brian. I would say at the outset that decisions in terms of Red Dog MLE and the advancement of that project are independent from what we're doing at Trail, and of course, subject to the normal both capital allocation and portfolio decisions that are required of any project.

But the feed sources from Trail come from a variety of places, including Red Dog. As we're advancing the Red Dog MLE project, which, of course, is rich in germanium, we've also entered into a number of recent transactions in order to secure offtake agreements with both zinc and germanium miners.

And I'll give you some examples. So we recently had a transaction to divest the Apex germanium mine to Blue Moon Metals, and that secured an offtake agreement for zinc concentrate from Blue Moon and marketing rights for that product produced from Apex. We also had a recent investment on an equity basis to rebuild zinc, lead and silver capacity in the Idaho Silver Valley, an area that's really growing, and you're seeing more production coming on there through Bunker Hill. And we also engaged in a recent divestment of the Smucker project to Valhalla Metals, and that secured priority purchase rights and [last], an offer of -- [last] on concentrates produced from the Sun and Smucker properties.

So we are also working on a number of others. And of course, based on this announcement, this is an exciting area where there's lots of promise. So we intend to continue our strategy of optimizing for value at Trail, and both residues and feed sources are an important component of that in order to create optionality.

Brian MacArthur
Raymond James Ltd., Research Division

Great. That's very helpful. Can I just ask one more question? Because when I look at some of the other sources, Kipushi, China, would you take that stuff? Or you're trying to get your -- I assume it's all designed to be Western sources.

Ian K. Anderson
Executive VP & Chief Commercial Officer

We've got lots of offers, and we'll be very careful about how we engage with those, but some of them are pretty exciting, as I said, both on the residue basis and on the raw feed basis. So more to come on that one.

Operator

Thank you. We are out of time for further questions. I will now hand the call back over to Jonathan Price for closing remarks.

Jonathan H. Price
President, CEO & Director

Okay. Thank you, operator. And before we sign off and to some of the kind comments earlier in the call, I did want to note that this is Emma Chapman's last quarterly conference call with Teck. Of course, I'd like to thank Emma for her incredible contributions, for the incredible relationships that she's built and has maintained throughout both the sell side and the buy side.

And I know she's worked in very close partnership with many of you. Of course, Emma has been with us through what has been an intensely active period of time. And she's done an amazing job on behalf of Teck, and we wish her all the very best in her next chapter.

Edwin Shadeo has stepped in as Acting Vice President, Investor Relations and Treasurer. Many of you will already know Edwin from his previous roles with the company since 2005. He's been in Treasury. He's been in Corporate Development and previously in

Investor Relations. So please do reach out to Edwin, and of course, other members of our IR team on anything that you want to follow up on.

So thanks again to all of you for joining us today, and enjoy the rest of your day. Thank you.