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TECKb.TO - Q3 2026 Teck Resources Ltd Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen thank you for standing by. Welcome to Teck's third quarter 2026 earnings release conference call. (Operator Instructions) This conference call is being recorded on Thursday, October 29, 2026.

I would now like to turn the conference over to Edwin Shadeo, Vice President, Investor Relations and Treasurer. Please go ahead.

Edwin Shadeo - *Teck Resources Ltd - Vice President, Investor Relations and Treasurer*

Thank you, operator. Good morning, everyone, and thank you for joining us for Teck's third 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 third 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. Over to you, Jonathan.

Jonathan Price - *Teck Resources Ltd - President, Chief Executive Officer, Director*

Thanks, Edwin, and good morning, everyone. We've delivered another quarter of significant earnings growth and robust cash generation, underlying the strength of our business. In the third quarter of 2026, we increased production, demonstrated resilience in execution, and benefited from another record quarterly average copper price. We significantly increased our cash flow from operations to \$1.6 billion and doubled our adjusted EBITDA to \$2.3 billion compared with the same period last year.

We continue to strengthen our balance sheet quarter-by-quarter driven by significant cash flows from operations. We've increased our net cash position by \$655 million in the quarter and by \$1.7 billion over the first nine months of the year. Our liquidity is almost \$11 billion as of September 30, including \$6.7 billion of cash.

Our focus remains on our key near-term priorities to drive shareholder value, and we are making continued progress against them. Our merger of equals at Anglo American to form a copper-focused global metals and minerals champion continues to progress as planned and integration planning is advancing.

We continue to engage constructively with China's antitrust regulator to obtain the final outstanding regulatory approval. Expected completion within 12- to 18 months of our September 2025 announcement remains unchanged. In parallel, we remain focused on disciplined execution, particularly on safe and reliable operational performance and delivery against our commitments.

In the third quarter of 2026, our financial performance was strong despite a challenging operating environment with several of our sites. Our teams dealt with a wide range of severe weather events across our copper business. Extreme weather conditions at Carmen de Andacollo with torrential rain and flooding and more than 3 times the area's historical annual average rainfall in a short period of time.

Heavy rains, snow, and sustained high winds at QB operations in one of the driest regions in the world, and severe drought conditions and an extended wildfire season at Highland Valley. Throughout these events, the safety of our people remain the priority while simultaneously dealing with multiple severe weather events and the resulting impacts on mining conditions, we safely recovered our operations in the quarter.

Across our copper business, we increased production, lowered unit costs, and delivered strong margin growth, and our zinc business continued to contribute meaningful cash flow.

We've lowered our 2026 annual cash unit cost guidance in both our copper and zinc segments, primarily as a result of a strong byproduct pricing year-to-date. We lowered the midpoint of our net cash unit cost guidance by USD0.13 per pound for copper and by USD0.35 per pound for zinc, which also reflects our strong operating discipline.

Our 2026 annual production and capital expenditure guidance is unchanged. We continue to advance the work necessary to realize the full value of QB, which will ultimately come from stable and efficient operations and continuous improvement.

QB's strong operating performance in the first half of the year continued in July. But heavy snowfall and high winds in August caused intermittent power outages, resulting in shutdowns of the concentrator, dewatering systems and other critical equipment. Flooding of active mining areas reduced access to higher grade ore and impacted mine productivity into September.

QB successfully completed its final planned shutdown for 2026 in September, supporting continued operational performance for the remainder of the year. Despite the weather disruptions in the third quarter, QB's annual copper production guidance is unchanged. QB's resilience to severe weather events will continue to be enhanced through the remainder of 2026 and into 2027 as the mine matures, and more mining phases are opened.

QB's Tailings Management Facility, or TMF, development work continues to progress and we commenced construction of Rock Bench 6 in the quarter, which I will cover in more detail in a later slide. The third quarter of 2026 was our fourth consecutive quarter with no TMF-related downtime in the concentrator, supporting improved asset utilization and operational consistency.

We're advancing construction of the mine life extension at Highland Valley Copper, which will sustain operations of this important asset through to 2046 and support average annual copper production of approximately 132,000 tonnes. Construction is now more than 25% complete.

At the same time, we're continuing to progress the copper growth projects in our portfolio towards sanction readiness to generate shareholder value and strengthen optionality for future development opportunities and we are pleased that San Nicolas received its main environmental impact assessment permit in July. Overall, our third quarter 2026 results showcase the underlying strength of our business and demonstrate our strong foundation as we advance towards completion of our merger with Anglo American.

I'll now provide an update on each of our key near-term priorities, starting with the merger with Anglo American on slide 5. The merger is progressing as planned towards completion. The parties are working collaboratively towards securing the remaining required regulatory approval, and we are continuing to engage constructively with SAMR in China and are responding to their information requests.

Integration planning continues to advance with teams focused on day-one readiness, maintaining safe and reliable operations, and ensuring business continuity while preparing the combined company to realize the strategic and operational benefits of the transaction. Significant progress has been made, including establishing the future executive leadership team for Anglo Teck defining the fundamentals of its operating model and advancing integration plans.

On July 30, we announced Anglo Teck's future executive leadership team, which brings together a highly experienced and complementary set of leaders from both companies. The leadership that will be responsible for Anglo Teck's mining and production businesses across Brazil, Chile, Peru, North America and South Africa was also confirmed. These appointments will take effect immediately upon completion of the merger.

During the quarter, S&P and the TSX announced that certain foreign issuers with a strong Canadian presence will be eligible for full inclusion in Canadian indices. We expect Anglo Teck will be an important part of the Canadian investment landscape. And if confirmed, the ability to achieve full inclusion in Canadian indices is a significant milestone, enabled by having headquarters in Vancouver and expected listing on the Toronto Stock Exchange, and significant operations and ongoing investment in Canada.

Overall, the transaction continues to progress as planned and steady execution against the merger road map supports the expected close within 12- to 18 months of our September 2025 announcement, which remains unchanged. We expect completion of the merger to be approximately 11 trading days from fulfillment or waiver of the remaining applicable precedent conditions.

So turning to our safe and reliable operational performance and starting with safety and sustainability on slide 6. In the third quarter of 2026, our quarterly high potential incident frequency rate improved to 0.06 equivalent to our 2025 annual rate, which was tied for Teck's best-ever annual performance.

The Highland Valley mine life extension project has a strong safety record, having achieved over 1.5 million hours worked without a high potential incident or lost time injury. I'm personally very proud and impressed that during the severe weather events, our team responded quickly and safely with no high-risk incidents reported.

Our team has not only kept people safe, maintain essential services, and restored our operations as conditions allowed. They also assisted regional recovery efforts by providing equipment and operators to help clear roads and restore access in affected communities.

I would like to take a moment to acknowledge that the fatality occurred on October 27 at Antamina, in which Teck holds a non-controlling interest. We are deeply saddened by this event, and offer our condolences to the family, friends and colleagues of the deceased. Teck is supporting the organization and learnings from the investigation will be shared across our company and across the sector, so we can learn together to improve the safety of our people.

In sustainability, we announced that Teck had been named the Forbes World's Top Companies for Women 2026 list for the second time on October 7. This list recognizes organizations that are highly rated by female employees and demonstrated a commitment to advancing women in the workplace.

Slide 7 summarizes our operational results for the third quarter of 2026. Overall, we sustained our operating performance while dealing with severe weather events across our copper business. Compared with the same period last year, we grew our copper production by 11% to 116,000 tonnes, with increases at all operations, except Carmen de Andacollo which have an extended suspension of operations due to extreme weather.

While Red Dog zinc production declined by 13% to 107,000 tonnes due to lower grades as expected in the mine plan, refined zinc production at Trail operations increased 18% to 62,000 tonnes. Antamina zinc production was down 7% due to a lower ratio of copper, zinc ore as expected in the mine plan and reflected in our annual 2026 guidance.

Turning to costs. At the bottom of the slide, and noting continued strong cost performance in the quarter. In copper, net cash unit costs improved 15% from a year ago to USD1.77 per pound in the quarter. Year-to-date, our net cash unit costs were USD1.72 per pound. In zinc, unit costs were USD0.27 per pound in the quarter, reflecting lower volumes at Red Dog as expected. We continue to benefit from strong byproduct prices and year-to-date, we're at USD0.30 per pound.

Higher byproduct prices, together with strong operating discipline have allowed us to lower our 2026 cost guidance for both copper and zinc. Copper net cash unit costs for 2026 are now expected to be between USD1.80 and USD2 per pound. In zinc, we've reduced our guidance roughly in half, with net cash unit cost now expected to be between USD0.30 and USD0.40 per pound, and Crystal will take you through the details shortly.

Overall, we've delivered copper growth and cost discipline in the face of a challenging operating environment in the third quarter, demonstrating the resilience of our operations. There are no changes to our copper or zinc production guidance for 2026, including for QB despite the impact of severe weather in the third quarter.

On October 24, a strike commenced the Highland Valley. Contingency plans are in place and HPC continues to operate at a reduced capacity. The impact on production depends on the duration of the labor action, and we do not expect any significant impact on construction time lines for the mine life extension project. Our focus is on maintaining safe and environmentally responsible operations while working towards a new collective agreement that is fair to employees and supports the long-term competitiveness of the operation.

More broadly, the weather we experienced in the third quarter is a reminder of the very real impact of climate change and avoid building resilience into our operations matters. We continue to adjust our planning processes and operating assumptions to account for climate-related risks and our plans consider a range of scenarios.

So turning now to QB on slide 8. QB's operating performance has been strong, excluding the impact of the recent severe weather. QB's solid execution in the first half of the year continued through July, with key operating metrics consistent with or ahead of those used in our guidance for this year. However, severe weather in August caused intermittent power outages and downtime at the concentrator and affected our dewatering systems and other critical equipment.

Wet conditions continued into September, reducing mine productivity and limiting our access to higher grade ore. As a newer operation, QB is predominantly operating in a single phase of the mine per the mine plan, resulting in limited operational flexibility to respond to severe weather conditions. These weather impacts, along with a planned maintenance shutdown in September are reflected in QB's third quarter operating results.

Asset utilization was 79%, throughput averaged 117,000 tonnes per day, and recoveries were just over 81%. On a year-to-date basis, QB's operating metrics remain consistent with those used in our 2026 annual production guidance, which is unchanged. Completion of the final plant shutdown for the year in September supports continued operational performance for the remainder of the year, and work is continuing on performance improvements for recoveries.

As the mine plan advances through the fourth quarter and into 2027, multiple mining phases will be opened, enhancing operational flexibility and ore sourcing optionality and resulting in improved reliability and resilience.

So turning to an update on QB TMF on slide 9. As you can see in the photo, development work on the TMS continues to advance. The third quarter of 2026 marked our fourth consecutive quarter with no TMF-related downtime. Sand deposition has improved significantly from a year ago. And in July, we achieved our highest monthly deposition rate.

Construction of the secondary cyclone station is expected to further improve sand deposition performance and provide additional operational flexibility. As previously disclosed, we brought forward material placement originally planned for 2027 into 2026 and commenced construction of Rock Bench 6 in Q3. This allows us to install the permanent TMF pipeline infrastructure, which began in October.

The updated scorecard on slide 10 summarizes our latest progress on QB's TMS. We expect to complete all of our near-term TMF development objectives by the first quarter of 2027. We are working hard to advance the three remaining major components.

Commissioning of the secondary cyclone system is expected in the first quarter of 2027. Construction of Rock Bench 6, and installation of the permanent TMF pipeline infrastructure are also expected to be completed in the first quarter of 2027.

The photo on the right shows installation of the jack in header, which is part of the permanent pipeline infrastructure and will mechanically raise the tailings and sand pipelines once completed. Successful completion of these three remaining components of the TMS will support more efficient and optimized TMF performance and enable steady-state operations at QB.

Turning now to the mine life extension at Highland Valley on slide 11. Construction is progressing well, and the project is now more than 25% complete. More importantly, construction of the project is proceeding safely with more than 1.5 million hours worked without a high potential incidents or lost time injury.

Work is underway across the project, including tailings and power infrastructure, earthworks, pipelines and brownfield work. Towards the end of the third quarter, we began a planned temporary shutdown on grinding line to allow for upgrades to the processing plant, and we expect that work to be completed in January 2027.

Our project capital guidance is unchanged, \$900 million to \$1.2 billion for 2026, and \$2.1 billion to \$2.4 billion in total. We invested \$230 million of project capital in the third quarter and \$672 million year-to-date. In line with the mine plan, capitalized stripping activity for the project is expected to continue ramping up in the fourth quarter.

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

Crystal Prystai - Teck Resources Ltd - Senior Vice President, Chief Financial Officer

Thanks, Jonathan. Good morning, everyone. Starting with an overview of our Q3 2026 financial performance on slide 13. Overall, we had strong financial performance in the quarter, reflecting increased production, disciplined execution, and record copper prices, which averaged USD6.40 per pound. Compared with the same period last year, we doubled our adjusted EBITDA to \$2.3 billion, driven by significantly higher copper and zinc prices, higher byproduct revenue and lower smelter processing charges.

Our adjusted EBITDA margin increased to 51%, up from 35% a year ago. We generated \$1.6 billion of cash flow from operations, nearly 2.5 times the \$647 million we generated in Q3 2025. During the quarter, we recorded a pretax impairment reversal of \$888 million on Trail operations. This reflects higher expectations for long-term commodity prices, stronger market fundamentals for strategic metals and increased cash flow from our optimized fee strategy.

Turning to the key drivers of our higher profitability in Q3 2026 on slide 14. Higher commodity prices, primarily copper and zinc are the largest contributor, adding just over \$1 billion to adjusted EBITDA compared with a year ago. Higher co-product and byproduct pricing, mainly silver, added another \$198 million and lower smelter processing charges added \$50 million. These gains were partly offset by lower zinc volumes at Antamina and Red Dog in line with our mine plan, which reduced adjusted EBITDA by \$126 million.

Turning to our copper segment on slide 15. Despite severe weather, our copper business generated significant profit and delivered strong margin growth, demonstrating operational resilience. Gross profit before depreciation and amortization more than doubled to \$1.6 billion with a margin of 65%. This was primarily driven by another record quarterly average copper price.

Copper production grew 11% compared with the same period last year to 116,000 tons with increases at QB, HPC and Antamina. Higher production at Highland Valley and Antamina reflects higher copper grades in line with our mine plan. QB production of 47,000 tonnes was higher than the same period last year.

However, it was lower than in Q2 2026, reflecting the severe weather impacts in the quarter and limited flexibility while we're predominantly mining in a single phase. Carmen de Andacollo's operations were suspended for an extended period in Q3 due to extreme weather and returned to full operations by the end of September.

Copper net cash unit costs improved 15% to USD1.77 per pound, reflecting strong cost performance, lower treatment charges and higher byproduct credits. Looking forward, we have lowered our 2026 copper net cash unit cost guidance to USD1.80 to USD2 per pound, from USD1.85 to USD2.20 per pound to reflect strong performance and byproduct pricing year-to-date. Our annual copper production guidance is unchanged. We continue to expect QB to produce between 200,000- to 235,000 tons this year despite the impact of severe weather in the third quarter.

At Highland Valley, we expect 2026 production towards the high end of our guidance range of 115,000- to 135,000 tons despite the strike. And at Antamina, we continue to expect 2026 production to be within our guidance range of 95,000- to 105,000 tons. As a result of the extreme weather in Q3, we expect production at Carmen de Andacollo to be at the low end of our 45,000- to 55,000 tons guidance range.

Turning to our zinc segment now on slide 16. Our zinc business continues to generate significant value. Gross profit before depreciation and amortization increased 41% to \$638 million with a margin of 31%. This was primarily driven by higher zinc prices and higher byproduct revenues. Red Dog's production declined by 13% to 107,000 tons due to lower grades in line with the mine plan and Red Dog sales were within our previously disclosed guidance range at 247,000 tons.

Refined zinc production at Trail operations increased 18% to 62,000 tons. Trail operations profitability improved significantly again this quarter with gross profit before depreciation and amortization of \$169 million, up from \$54 million a year ago reflecting our optimized feed strategy and strong commodity prices.

Zinc net cash unit cost increased by 59% to USD0.27 per pound, driven by lower volumes at Red Dog as expected. Higher byproduct revenues, especially from silver, partly offset the increase and year-to-date unit costs continued to be below our previously disclosed guidance range.

As a result of strong cost performance and higher byproduct pricing, we have improved our 2026 zinc pass unit cost guidance. Total cash unit costs were lower to between USD0.70 to USD0.80 per pound, down from USD0.80 to USD0.90, and net cash unit costs were lowered to between USD0.30 and USD0.40 per pound down from USD0.65 to USD0.75.

Looking forward, we expect Red Dog shipping season to be completed by early November and Red Dog sales to be between 65,000- and 75,000 tonnes in Q4 2026, reflecting the normal seasonality of sales. Our zinc production guidance is unchanged. Based on strong year-to-date performance at Red Dog, we expect our 2026 zinc and concentrate production to be at the high end of our guidance of 410,000- to 460,000 tons. We also expect our 2026 refined zinc production at Trail to be at the high end of our guidance of 190,000- to 230,000 tons.

Slide 17 shows the substantial expansion in our EBITDA margins this quarter. We significantly improved our copper EBITDA margins compared to the same period last year from 42% to 67%, primarily driven by record copper prices, higher production and sales volumes, and lower copper net cash unit costs.

We also increased our zinc EBITDA margin from 28% to 30%, primarily driven by higher zinc prices stronger byproduct revenues and our continued focus on feed optimization at Trail. The ongoing improvements in our EBITDA margins demonstrate the underlying strength of our business.

Looking more closely now at our unit costs on slide 18. Year-over-year, our net cash unit costs were lower in copper and higher in zinc. The decline in copper unit cost was driven by strong cost discipline with lower cash cost of sales. Lower smelter processing charges were also a benefit.

The contribution from byproducts remained strong, so lower year-on-year as the benefit of higher byproduct prices was offset by lower byproduct volumes. Higher zinc net cash unit costs were driven by higher cash cost of sales as a result of lower volumes at Red Dog as expected in our mine plan with a small offset from lower smelter processing charges.

Higher diesel costs have negatively impacted our operating costs this year, particularly in our copper segment. And at the same time, byproduct revenues continue to provide a material benefit to our unit cost.

As I noted on the last slide, based on our performance year-to-date, we have reduced our 2026 unit cost guidance for both our copper and zinc segments. We have provided sensitivities of our net cash unit costs to by-product prices and to WTI oil prices as a proxy for diesel. In copper, our net cash unit costs are most sensitive to WTI at silver.

For every USD10 per barrel change in WTI, our annual copper net cash unit costs are expected to move USD0.03 per pound. For every USD10 per ounce change in the silver price, our annual copper net cash unit costs are expected to move USD0.02 per pound.

In zinc, our net cash unit costs are most sensitive to silver. For every USD10 per ounce change in the silver price, our annual zinc net cash unit costs are expected to be USD0.05 per pound. Our exposure to diesel prices is lower in our zinc segment, where every USD10 per barrel change in WTI is expected to move our annual net cash unit cost by only USD0.01 per pound.

Red Dog purchases diesel for the full year during each shipping season. Most of this year's supply was delivered in the third quarter, and the operation has now started using it. That diesel was purchased at higher prices than last year.

We are maintaining our strong focus on cost discipline and productivity. In today's inflationary environment, value creation isn't just about growing tons, it's about protecting margins and generating attractive returns.

Turning to our balance sheet on slide 19. We've continued to strengthen our balance sheet while funding the Highland Valley mine life extension project. This is driven by our strong cash flow from operations, which were \$1.6 billion in the quarter. As a result, our net cash position increased by \$655 million in the quarter and by \$1.7 billion year-to-date to \$1.9 billion.

Our liquidity was \$10.9 billion at the end of September, including \$6.7 billion of cash and our undrawn USD3 billion sustainability linked revolving credit facility. We returned \$61 million to shareholders in the quarter due to payment of our regular base quarterly dividend of \$0.125 per share. We continue to maintain investment-grade credit ratings, and we continue to reduce debt for our scheduled semiannual repayments under the QB project finance facility.

The ongoing strength of our balance sheet provides a strong foundation as we advance towards the launch of Anglo Teck. I will now pass it back to Jonathan for closing remarks.

Jonathan Price - Teck Resources Ltd - President, Chief Executive Officer, Director

Thanks, Crystal. So I'll wrap up on slide 21. It's an exciting time at Teck into the final quarter of the year, our focus is clear, finish 2026 strong and deliver on our commitments. Our priorities in the near term are unchanged: disciplined execution, safe and reliable operations and continuing to unlock the potential of our assets.

This quarter's results demonstrate the quality of our business and the strong foundation we've built as we advance towards Anglo Teck. We'll be entering our next chapter from a position of strength built on the foundation of a high-quality critical minerals portfolio with safe and productive operations and attractive short-, medium- and long-term copper growth optionality, backed by a very strong balance sheet.

We are moving towards completion of the merger with Anglo American and progressing towards the creation of a new global critical minerals champion and top 5 copper producer.

So with that, over to you, operator, for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Orest Wowkodaw, Scotia Bank.

Orest Wowkodaw - Scotiabank GBM - Analyst

Jonathan, I'm wondering if you can give us a bit more color on the current status of the regulatory approval in China. And specifically, there have been some media reports not that long ago that China is looking for security of copper concentrate offtake. I'm just wondering if you can confirm that? And is that the only thing China is looking for?

Jonathan Price - Teck Resources Ltd - President, Chief Executive Officer, Director

Thank you for the question. As you'd expect, I can't walk so much about the nature of the discussions we're having with the regulator in China. I'd say that the process with SAMR is unfolding very much in the normal course.

We continue to respond to information requests and we continue to expect completion within 12- to 18 months from the date of announcement. And we're, of course, looking forward to receiving that approval so we can complete the merger with Anglo American. But unfortunately, Orest, I can't really say more than that about the nature of those discussions.

Orest Wowkodaw - Scotiabank GBM - Analyst

Okay. Could you maybe then just comment in terms of -- if you can't comment on the nature of just where the status is? Like I assume it's a back-and-forth process in terms of request for information and your response. But could you characterize maybe where things are at in that process? Are we in the late stages? Or are we still call it, in the midst negotiations?

Jonathan Price - Teck Resources Ltd - President, Chief Executive Officer, Director

Yes. Again, Orest, unfortunately, I'm not going to sort of unpack the details of the process and the engagement other than to say that it's a constructive engagement. We continue to have confidence in receiving that approval within the timeline that we set out of 12- to 18 months from announcement. So on that basis, we're closer to the end than we are at the beginning. But aside from that, there's really no additional color that I can provide.

Operator

Liam Fitzpatrick, Deutsche Bank.

Liam Fitzpatrick - *Deutsche Bank AG - Analyst*

Two questions. Firstly, just on QB, it seems like it's the grade uplift that's going to be key to hitting the production range your guidance for next year. So what's the level of confidence in that grade uplift? And when will that start to come through? Is it the early part of 2027 or potentially later in the year?

And then second question is on copper concentrate sales into next year. Can you give any color in terms of the strategy, whether you're still looking to lock up the bulk of volumes under an annual benchmark, whatever that turns out to be or whether you're shifting the book more towards shorter term or spot sales?

Jonathan Price - *Teck Resources Ltd - President, Chief Executive Officer, Director*

Yes, on the QB piece, Liam, as we've noted, we'll have significantly more optionality in the mine as we move through this quarter, but also into next year as we open up a second and third phase in the mine. Of course, we'll be able to access grades, but we expect to see them to be relatively stable throughout the course of next year.

It will also, of course, give us enhanced blending optionality across the different ore types, which will help us with recoveries ultimately. So this is all reflective of a maturing mine and the operational flexibility that we'll continue to have as we go forward there.

In terms of copper concentrate sales, I mean, we'll continue very much in the normal course in terms of contracting with customers. But I'll just ask Ian, our Chief Commercial Officer, whether he has any further comments to make on pricing mechanisms.

Ian Anderson - *Teck Resources Ltd - Senior Vice President, Chief Commercial Officer*

Only just to say, thanks for the question, Liam. Of course, the existence and preservation of the copper benchmark is still a bit at question. And so I won't comment on where those negotiations might result with both other customers and other producers. But I would say that we carefully balance our book between both existing long-term contracts and spot sales. That's gone well this year, and we don't see a change for next year.

Operator

Chris LaFemina, Jefferies.

Christopher Lafemina - *Jefferies LLC - Equity Analyst*

Congratulations on another good quarter. Maybe following up on what Liam asked about the guidance. So when you first laid out the guidance for QB this year, there's a lot of people in the market questioning whether you'd be able to hit the targets, and you're showing that you are comfortably hitting your targets and even in a quarter when you had horrific weather, you're still producing at a level that's effectively within the guidance range. So it appears with the benefit of hindsight that the guidance was relatively conservative.

And now you're a 2027 and 2028, in particular, 2028 overall copper guidance for a pretty significant decline and production. Part of that is grade related, I'm wondering if we should assume the same level of potential conservatism in that guidance as well? And is the risk to that leaning more to the upside?

Jonathan Price - *Teck Resources Ltd - President, Chief Executive Officer, Director*

Yes. Thanks for the question, Chris. When we established that guidance, we, as you know, anchored it very much in observable performance at the operation, but we did also in food as we work through the forward guidance years improvements in that performance, which are built into those plans. The 2028 year and then the lower guidance there has always been a function of grade and a function of the mine plan.

That's not materially different from -- as we see it to date, when we guided to that previously. I think we have, as I mentioned, a stellar first seven months of the year. I think the mine was performing very, very well. We were meeting all of the metrics that we set out, in some cases, marginally exceeding those. We've had a couple of challenging months due to weather effects, as you noted, in Q3, and the focus now is on full recovery of operations and a strong fourth quarter.

So I wouldn't describe that guidance is conservative. I'd describe it as reflective of what is a complex system, Tier 1 mines are complex systems and an ongoing improvement in the underlying performance metrics required to deliver those numbers. So as you see in our numbers today, we haven't made any change to the '27 and '28 guidance signaling our comfort with those numbers being appropriate.

Of course, we always continue to evaluate as things change and performance changes. But right now, we're comfortable with the numbers we have.

Operator

Myles Allsop, UBS.

Myles Allsop - *UBS AG - Analyst*

Maybe just first on QB again. When is the next maintenance shutdown expected to take place? Is it Q1 or Q2 next year? Maybe on Red Dog as well. Obviously, we've got guidance out to 2028, 250,000 tons or continuing to fall. How long is the life of the existing operation? And when do you need to approve the sustaining project to avoid kind of a full closure of the operation?

Jonathan Price - *Teck Resources Ltd - President, Chief Executive Officer, Director*

Thanks for those questions, Myles. On the first one, the next shutdown at QB is in the first quarter of next year. So as mentioned, we don't have one this quarter, which is important for us. I think it was a very comprehensive shutdown in September. That went very well in terms of the activities that were undertaken and it gives us important operational continuity through the back end of the year.

In terms of Red Dog, generally, we've seen an end of the current mine life there and around 2031. Of course, we continue to review that to see if there's additional reserve available to extend that life, but I think that's the best working assumption at this point in time.

We're working very hard on understanding the potential for the mine life extension there. We have two world-class ore bodies within about 15 kilometers of the existing operations at Red Dog, very good grades and very rich in some of the specialty metals that have been so important to our profitability at Trail over the past year or so.

So we continue to evaluate that. We're in the PFS stage. We're working on opening up the portal there to get better access to those resources. And sanction will be several years from now is probably the best way to put that at the moment. We have to complete pre-feas and get through feasibility study until we get to that decision. So it's a way out, but it's something that the projects and operations teams are working very hard on.

Myles Allsop - UBS AG - Analyst

Just to be clear on QB, is there going to be sort of two- or three maintenance shuts in 2027? And then on Red Dog, just a quick follow-up there as well. With the opening up these new ore bodies, is it going to be like a three-, four-year construction, so you would need to get -- if we're going to avoid 0 in 2032, we need to get there by '27, '28 in terms of the approvals?

Jonathan Price - Teck Resources Ltd - President, Chief Executive Officer, Director

Yes. So on the first question, just in shutdowns, we would expect to have three major shutdowns at QB next year. You'll recall that when we started up the operations, they were quarterly. We're sort of extending the time between shutdowns now. So that would be the expectation for next year.

Of course, with Red Dog, we're working hard to try and avoid a production gap at that mine. That's what we're driving towards. Of course, that would be the ideal outcome, and that will be a product of many things, including the existing mine plan and, of course, the progress of the project. So we'll be able to say more about that in due course.

Operator

Carlos De Alba, Morgan Stanley.

Carlos De Alba - Morgan Stanley & Co Ltd - Equity Analyst

Just maybe on the zinc side. Any comments on what expectations you have for seeing TCRCs next year, just given what we have seen recently in China and also globally, I guess. And then if you could provide any more color on the CGF investment at Trail. I think it was presented as equity like, but do you have any more details? Is it going to be equity? Or what does it mean equity like?

Jonathan Price - Teck Resources Ltd - President, Chief Executive Officer, Director

Carlos, thank you very much. I will hand over to Ian for the zinc TC/RC or TC conversation.

Ian Anderson - Teck Resources Ltd - Senior Vice President, Chief Commercial Officer

And thank you, Carlos, for that question. I think really, there are a few things that have happened there coming out of LME, and we think that zinc is a positive story. Certainly, it performed very, very strongly in 2026. We saw pricing peak at about \$4,000 a ton in Q3. And in fact, zinc was LME's best-performing metal for the year.

But rightly, as you point out, that supply story is starting to get more attention. I think what you're seeing is something that has growing similarities to copper. So highly negative treatment charges, and we are expecting treatment charges to continue in the direction that you've seen in the spot market in 2027, which answers your question.

Certainly, there's not enough concentrate to meet smelter needs and you're seeing Chinese smelters pulling hard on concentrate imports whenever there is material available. And as well the trading houses are starting to come into. And so really, I think that challenge is driven by maintaining supply in existing mines.

And you can see an example of that with Antamina based on the existing mine plan low ends in production for the year. So on the whole in the zinc market, mines are depleted faster than new ones are being added, and you're also not seeing the elastic supply that would come from smaller Chinese operations coming into the market.

And China similarly has been challenged in terms of their imports, particularly for obvious reasons, both in Iran and with reference to Russia. So essentially, zinc supply is about the same as we've seen a decade ago. And we're also seeing some demand implications on the finished side, particularly in North America for 2027. So overall, I think that's a good success story.

And the pieces on zinc in terms of fundamentals, this is an asset that, of course, is a product that's consumed in its use. And as you start to see infrastructure spend flow through as it has in the world, and in the era of climate change, I think that in a hotter weather world, the world needs more zinc. So we're looking forward to the future of that commodity.

Jonathan Price - *Teck Resources Ltd - President, Chief Executive Officer, Director*

And just to move on to your question about the CGF funding, Carlos. As you know, that's been very much centered around germanium, antimony and gallium and increases of production for each of those metals at Trail. We continue to be working very constructively with the Canadian government on that and with the Canada Growth Fund. We haven't finalized those discussions yet. Of course, we'll announce them when we do.

They are very interested in supporting the expansion of that capacity, capacity, which we know is for small markets and then comes with some risk. So we're working with them on the nature of funding that will reflect both the opportunity and the risk associated with those investments, but nothing more to communicate at this stage.

Carlos De Alba - *Morgan Stanley & Co Ltd - Equity Analyst*

Jonathan, if I may, just a follow-up on QB. How is October ramping up after the production in September? And in particular, I think that was the only operation where you didn't highlight, you expect to be at the low end or the high end of the unchanged production range. So any color there?

Jonathan Price - *Teck Resources Ltd - President, Chief Executive Officer, Director*

Look at the operation is recovering well from the challenges we had through August and in September. And as I said, we hope to finish the year strong here and get that back to sort of steady state and full rates. But yes, things have improved significantly as we've worked through the last couple of months.

Operator

Craig Hutchison, TD Cowen.

Craig Hutchison - *Cowen and Company LLC - Analyst*

Maybe just a follow-up from the last question. Just Obviously, you highlighted weather issues in Q3. Have you had any weather-related issues that either QB or Andacollo kind of creep into Q4 at this point? Or has it been fairly steady state?

Jonathan Price - *Teck Resources Ltd - President, Chief Executive Officer, Director*

No. It's been pretty steady state, Craig. The weather in Chile generally has been quite up and down, including through the month of October, but nothing has had a direct impact on our operations.

Craig Hutchison - Cowen and Company LLC - Analyst

Okay. Great. And then just on Highland Valley, the work that you're doing at the mill, the mill upgrades, the upgraded flotation circuit, what's the timing around that completion? And once it's done, what are you guys hoping to achieve from maybe a throughput and a recovery perspective?

Jonathan Price - Teck Resources Ltd - President, Chief Executive Officer, Director

Yes. Thanks for that. So that is an ag to SAG conversion, essentially, which will allow us to process harder material more effectively and the timeline for that is Q1. And of course, it's complicated when you're doing these things inside a constrained operating environment, but that work is going well. That conversion is well underway right now. And as I said, we drive to have that finished in the first quarter.

Craig Hutchison - Cowen and Company LLC - Analyst

Okay. So the plan would be just to maintain the steady-state throughput considering you'll be dealing with higher ore?

Jonathan Price - Teck Resources Ltd - President, Chief Executive Officer, Director

That's exactly right, yes.

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. Please go ahead.

Jonathan Price - Teck Resources Ltd - President, Chief Executive Officer, Director

Thank you very much. That wraps up our third quarter of 2026 conference call. As always, please feel free to reach out to Edwin and the IR team with any further questions. So thank you again for joining us, and enjoy the rest of your day.

Operator

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

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