PARTICIPANTS

Corporate Participants

H. Fraser Phillips – Senior Vice President-Investor Relations & Strategic Analysis, Teck Resources Limited
Jonathan Price – Chief Executive Officer & Director, Teck Resources Limited

Other Participants

Orest Wowkodaw – Analyst, Scotiabank
Greg Barnes – Analyst, TD Securities, Inc.
Dalton Baretto – Analyst, Canaccord Genuity Corp.
Timna Beth Tanners – Analyst, Wolfe Research LLC

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Teck Separation Conference Call. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. [Operator Instructions] This conference call is being recorded on Monday, April 10, 2023.

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

H. Fraser Phillips, Senior Vice President-Investor Relations & Strategic Analysis, Teck Resources Limited

Thanks, Ariel. Good morning, everyone, and thank you for joining us this morning. Please note today's call will contain forward-looking statements. Various risks and uncertainties may cause actual results to vary. Teck does not assume the obligation to update any forward-looking statements. Please refer to slide 2 on the deck that's been posted to our website for the assumptions underlying our forward-looking statements. In addition, we will reference various non-GAAP measures throughout this call. Explanations and reconciliations regarding these measures can be found in our latest MD&A and quarterly press release on our website.

This morning, we published a presentation on our proposed separation and the choice for our shareholders, the separation and increased optionality to maximize value or the status quo. The presentation is, as I just said, available in the Investors section of our website at teck.com. On today's call, Jonathan Price, our CEO, will discuss the benefits of our proposed separation and comment on recent events. We will then conclude the session with a question-and-answer period.

With that, I will turn the call over to you, Jonathan.

Jonathan Price, Chief Executive Officer & Director, Teck Resources Limited

Thank you, Fraser, and good morning or good afternoon, everyone. We appreciate your time and interest, and thank you for joining us today on such short notice. This presentation we published this morning underscores the significant benefits of our previously announced separation of Teck's steelmaking coal and base metals businesses. We also provide additional detail and analysis that informed the work our board conducted in unanimously determining to reject Glencore's March 26 unsolicited and opportunistic acquisition proposal.

This work reaffirms our conclusion that our pending separation represents the best path to maximize value for Teck shareholders. Standalone Teck Metals and Elk Valley Resources will provide shareholders choice and a greater set of options to maximize the value of their investment. The presentation also outlines in greater detail some of the many reasons why Glencore's rejected proposal was highly uncertain, dilutive and value-destructive to Teck shareholders. We believe that our pending separation creates a greater spectrum of opportunities to maximize value for Teck shareholders.

Slide 4 outlines what we are asking Teck shareholders to vote for on April 26, a separation that opens the door to value-maximizing opportunities with the creation of two strong, pure-play mining companies. Teck Metals will be a global base metals miner, which will realize its full potential as a premier, growth-oriented producer of critical metals essential for the energy transition. Elk Valley Resources or EVR will be a responsible steelmaking coal business with high quality, long-life assets that are high margin operations. It will be focused on long-term cash generation and providing cash returns to shareholders.

The separation was the result of a multi-year review by our board to determine how best to position our company and businesses to maximize value for our shareholders. The board concluded that pursuing this separation positions both businesses for even greater success, allows shareholders to optimize their exposure to the different underlying commodities, and maximizes long-term value without limiting optionality going forward. This optionality is immediately available post-separation, which we are on track to complete in less than two months.

It's important to note that this separation minimizes execution risk, provides a path to fulfil the full potential of Teck Metals, realize its significant value for the high-quality steelmaking coal assets of EVR, and serves the best interests of all stakeholders. A vote against the separation is a vote to maintain the status quo at Teck, and there is no path that includes Glencore acquiring Teck, as I will discuss. Voting for the separation is the only path forward to unlock significant value, while also creating opportunities for a range of potential future value-enhancing events.

Slide 5 provides an overview of Teck Metals and EVR and how each entity will be positioned. This summarizes the benefits of the pending separation and how they stand in stark contrast to the value-destructive features of Glencore's proposal. And turning to slide 6, I'll discuss Teck Metals, which will be one of the top 10 copper producers in the world with a best-in-class, fully funded growth profile. Teck Metals will be optimally positioned as the go-to for investors in the sector, offering exposure to copper.

This is supplemented by the progress in our industry-leading copper growth pipeline, which is clear and reinforces the inherent value and optionality in our base metals business. Teck Metals benefits from an unrivalled suite of growth projects that could add more than 1.5 million tonnes to our current annual copper equivalent production. QB2 is currently the most advanced and lowest risk major development project in the copper space. Year-to-date, we achieved first copper concentrate production at QB2, the regulatory submission for our QBME project and the closing of the joint venture transaction between Teck and Agnico Eagle Mines Limited to advance the San Nicolás Copper-Zinc Development Project.

Over the next year alone, Teck copper production will double. Importantly, post-separation, Teck Metals will be able to fund these prudent investments in growth and disciplined returns to Teck Metals shareholders even as we maintain financial resilience. You can see that the separation of EVR will unleash Teck Metals' potential relative to both pure-play and diversified peers. The market has acknowledged that Teck Metals will be the highest growth copper producer of scale focused in low-risk jurisdictions and deserves a premium multiple. Its portfolio mix and industry-leading growth will position it to capture a substantial value opportunity.

Turning to slide 7, you will see how EVR will be well-received in the marketplace. Importantly, underpinned by an extensive reserve base with over 30 years of reserve life, EVR will be the world's second largest seaborne exporter of steelmaking coal with the industry's highest quality assets. This value is supported in the short-term by the significant steelmaking coal EBITDA and free cash flow attributable to the EVR common equity.

In 2022 alone, free cash flow attributable to EVR common equity would have been CAD 0.5 billion, which is tremendous. To be clear, this is the sort of quantum of cash flow directly attributable to EVR common equity on day one post-separation. Apply any peer EBITDA multiple or free cash flow yield metric to cash flow attributable to EVR common equity and you will see the significant value potential to be ascribed to this common equity.

Notably, this is before taking into account the substantial value accretion potential embedded in EVR as the Transition Structure is paid down. This makes EVR even more compelling as an investment opportunity. As I'll discuss later, the value of Glencore's rejected proposal is an illusion. In sharp contrast, the pending separation offers up something concrete, with Nippon Steel acquiring a stake in EVR for CAD 1 billion, affirming the common equity value in real terms. In addition, others have publicly stated significant interest in purchasing equity in EVR.

Looking now at slide 8, we are 100% focused on completing our pending separation, and here, you can see a summary of the thorough work already completed and the expected rapid path to completion. Our separation is actionable and board approved. We have the regulatory approvals in place and strong investor support. We have the right commodities and the right plan to unlock significant value creation opportunities from and following the separation. We are asking for shareholders to vote for the separation which, as previously noted, is on track to be completed in less than two months.

Before I turn to why a combination with Glencore would be value-destructive for Teck shareholders, I want to provide some context. Teck has engaged in discussions before with Glencore regarding a similarly structured transaction to Glencore's opportunistic proposal. In 2020, after discussions, the Teck Board determined not to proceed because the value to shareholders wasn't there. It still isn't. There has not been any meaningful engagement between Teck and Glencore concerning this type of transaction for over two years.

However, we have worked closely with Glencore on the creation of the NewRange joint venture to unlock regional synergies. We have also attempted to pursue a similar approach with Glencore and other Collahuasi partners to capture potential synergies in and around Collahuasi and QB2 without meaningful engagement from Glencore. We remain open to exploring these synergies, and given the multitude of partners involved, believe they would best be captured at the asset level.

Turning to slide 10, there has been much speculation and commentary regarding Glencore's rejected proposal, and we believe it is important for our shareholders to be aware of the facts. The Glencore proposal would have only benefited Glencore. It would not have benefited Teck shareholders. Glencore's takeover proposal was an opportunistically timed attempt to transfer value to Glencore at the expense of Teck shareholders with exceptional uncertainty and execution risk. As I noted earlier, Glencore knows that post-separation there is more optionality for Teck shareholders, and therefore, more value to be realized.

Further, the rejected proposal is fundamentally flawed, and the detail on slides 10 through 18 of the presentation we posted demonstrate that the structure is simply not viable. It's a non-starter for Teck. The Glencore proposal would expose Teck shareholders to a large thermal coal business and oil trading business, significant jurisdictional risk and poor track record of value creation, all of which would negatively impact the value and value potential of Teck's business. Not to mention the significant ESG issues it would introduce. Maintaining social license to operate and grow is critical to maximizing shareholder value.

As you can see on slide 10, under Glencore's proposal, there would have been less copper and zinc behind every Teck share and massive thermal coal exposure that shareholders could very well have been stuck holding, given the significant execution risk to any separation of a thermal coal-dominated business. The shift in mix to less desirable assets would undermine the re-rating efforts, as it's clear that exposure to these commodities have had real consequences on Glencore's valuation. The Teck Board believes that contaminating and diluting Teck's strong, pure-play businesses only destroys value for our shareholders.

Slide 11 shows that even beyond the inherent failings of Glencore's proposed structure, their value creation track record makes them an unsuitable acquirer for Teck. Glencore has materially underperformed on total shareholder return since its takeover of Xstrata and has lagged peers on TSR since its IPO in the early part of the last decade. We firmly believe that tying ourselves to a company that has lagged the industry in long-term value creation is not the best way to maximize value for our shareholders.

Slide 12 shows how Glencore's business mix results in a coal-like trading multiple that lags the diversified miner and base metals universe. Large thermal coal and oil trading businesses are inherent anchors on valuation. Glencore's proposal would introduce oil trading into the proposed base metals business, undoing Teck's successful efforts to exit the oil business, which our shareholders supported. All of these factors would make re-rating much more difficult to achieve with Glencore.

As we lay out on slide 13, there is no coherent plan, especially in today's market for the proposed combination of Glencore's and Teck's coal assets. A majority thermal coal production mix and its unprecedented and untested size is almost certain to result in a terrible trading profile and valuation outcome, especially in light of the shrinking public capital markets investor base for thermal coal. Based on 2024 combined consensus EBITDA estimates, a 1 turn swing in multiple would move valuation by approximately $15 billion, one-quarter of which would be owned by Teck shareholders under Glencore's proposal.

Given the size of this company, which would be bigger than all of the publicly traded global coal companies in the market today, and the high thermal coal contribution, we only see a multiple at the lower end of the range of the coal companies, as illustrated on the previous slide. Underlying all of this, Glencore has flip-flopped on whether all of this would be simultaneous, near simultaneous, subsequent or maybe never at all. Under Glencore's proposed CoalCo, Teck shareholders would be exposed to substantial value risk as much as or even more than the purported premium offered by Glencore. Our board considered all of this when assessing options for our steelmaking coal business, ultimately deciding on the responsible separation we are pursuing.

Turning to slide 14, the synergies that Glencore purported to be able to achieve were both a departure from reality and 3 times the projections presented during our discussions in 2020. Glencore has not provided any evidence to support these increased synergies, and we believe they are exaggerated and unrealistic. The modest implied premium under Glencore's rejected proposal is an illusion. Scale and diversification do not create value if the quality of the business is contaminated and diluted.

This is demonstrated in another important way on slide 15. Glencore operates in some of the world's most challenging countries, introducing significant jurisdictional and portfolio risk with over 80% of its 2022 EBITDA generated from high-risk mining jurisdictions, thermal coal and its opaque marketing business. In contrast, Teck operates high-quality, low-cost assets in stable mining jurisdictions. We know our local partners and how to operate efficiently, sustainably and ethically in these geographies.

Now, slide 16 on Glencore's track record, to some extent, this goes hand-in-hand with jurisdictional exposure. It is a critical risk factor to value. Taken together, the potent combination of a portfolio defined by oil, thermal coal and high-risk geographic exposure would destroy value for our shareholders.

On slide 17, you can see the significant misalignment between Teck and Glencore in our approach and performance in relation to ESG. This is a key competitive advantage for Teck in accessing new opportunities for growth and value creation that has made Teck a partner of choice and is not something that can simply be acquired by a third-party.

Slide 18 outlines why the Glencore proposal is highly uncertain and would likely take years to complete, if ever. It could trigger more than a dozen regulatory filings in significant jurisdictions such as Canada, the US, the EU, China, Japan, South Korea, India and Chile. Glencore conceded that its own review of antitrust and other regulatory issues comprises, and I quote, "some cursory work." In addition to the portfolio risk associated with operating in countries like Congo, Equatorial Guinea, Kazakhstan and Russia, Glencore's presence in these and other jurisdictions also creates a very real regulatory overhang.

The combination with Glencore would have a very high level of complexity and execution risk based on the numerous jurisdictions, commodities and complex approvals required from various competition and regulatory bodies. Glencore's disruptive assets ahead of our separation is a transparent attempt by Glencore to hold Teck shareholders back from raising the bar on the value for any future value creation opportunities post-separation. In short, while a combination might be good for Glencore, it would be bad for Teck shareholders.

We continue to have a well-established working relationship with Glencore. But because of its assets and the other factors I've discussed, any transaction involving Glencore equity would be value-destructive for Teck shareholders. As outlined on slide 20, the choice before Teck shareholders is simple. Shareholders can vote for the pending separation to open the door to value-maximizing opportunities with the creation of two strong pure-play mining companies or to maintain the status quo. There is no other alternative on the table.

On slide 21, the voting for the separation is the only path forward to unlock significant value for Teck shareholders, whilst also creating opportunities for a range of potential future value-enhancing events.

I'd like to thank you all again for joining us today. With that, we'll open the line to your questions. Over to you, operator.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Orest Wowkodaw of Scotiabank. Please go ahead.

<Q – Orest Wowkodaw – Scotiabank>: Hi. Good morning and thanks for the presentation. Jonathan, I was wondering if you could walk us through your planned copper growth. Given you're uniquely positioned with a whole bunch of projects and growth vehicles in copper, can you walk us through – obviously, you can't build everything at once. But can you walk us through what the priorities are over the next six years with respect to pushing the copper?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Thanks very much for the question, Orest. Look, we have a lot of growth options in front of us in that six-year period you referenced. Right now, of course, the immediate focus is on QB2. We announced first production there at the end of the first quarter of the year, and we're now very much in the ramp-up phase and very pleased with what we're seeing in the early stages of that process.

Immediately beyond that at QB, which is already an 8 billion tonne resource, and the QB2 project only consumes 18% of that, we're well underway in progressing the next phase of expansion there, which is the QB Mill Expansion, where we propose to add an additional single line of concentrator capacity to essentially a 50% capacity increase over and above QB2. We've submitted a permit for that expansion in the – permit application, I should say, for that expansion in the first quarter of the year. That appears to be going very well, and that will be a capital-efficient project, because we can leverage from installed infrastructure such as port jetty, desalination plant pipeline, tailings facilities, et cetera, to expand. So, that is something that's in front of us in the very near-term.

In addition to that, then we have the San Nicolás project in Mexico. We just very recently announced the completion of the joint venture arrangements with Agnico Eagle for San Nicolás. Agnico Eagle, as part of that, bring the first $580 million of project and capital development funding to the project. So, that again – in terms of completing studies, in terms of a permit that we will apply for shortly, again, should be capable of approval in the near-term. Zafranal, the project in which we have 80% of in Peru and 20% with Mitsubishi, again, permit application in train. We expect to have a permit back this quarter, looks like a very attractive option in terms of returns to shareholders. And then, of course, we have the NorthMet Project, which I referenced before, where we have a joint venture with Glencore, and again, the potential for a first phase of development there in the near-term.

I think what's really – really compelling here, Orest, is we have projects in different jurisdictions at different scale and complexity. But in all cases, we are advancing studies and permitting to allow for near-term approval considerations. Post-separation, Teck Metals will double its copper production in the first year as we ramp up QB2, and then beyond that, through the projects I've just referenced, we have the opportunity to become a 1 million tonne producer before the end of this decade. So, it really will be the industry-leading copper growth vehicle. The key for us here is to ensure that we balance investments in these projects with ongoing capital returns to our shareholders, while maintaining the foundation of the strong balance sheet. And I think we're incredibly well set up to achieve all three of those priorities.

<Q – Orest Wowkodaw – Scotiabank>: Thank you. And just as a quick follow-up, do you see M&A as part of the strategy as well in terms of growing the copper business even quicker?

<A – Jonathan Price – Teck Resources Limited>: Look, I think the core focus for us, Orest, has to be the organic pipeline here. There are so many good, well-advanced, de-risked opportunities in that pipeline. That will be the core focus for the management team here. I don't think we need more development options at the front-end of the portfolio today. Where we look beyond current – Teck's current portfolio is really through exploration, or sometimes as we call it, exploring the explorers where we might put our foot on some longer-dated resources, where we can continue to fill the hopper for some of those longer-dated project opportunities. But right now, between QB2, the QB Mill Expansions, San Nicolás, Zafranal and NorthMet, I feel like we have our hands full. So, that will be the dominant focus of our team.

<Q – Orest Wowkodaw – Scotiabank>: Thank you very much.

Operator: Our next question comes from Greg Barnes of TD Securities. Please go ahead.

<Q – Greg Barnes – TD Securities, Inc.>: Yes. Thank you, operator. Jonathan, I just wanted to follow up on the comments in the Financial Times this morning, I think, you made that post the separation of the company, assuming that happens, that the board would be open to proposals for Teck Metals and I assume EVR at that point. And I wonder how that [ph] measures (00:25:15) with the Class A structure or the Class A shares and Norm Keevil's comments about keeping it Canadian. I'm just wondering where that's going post the separation, if you have some thoughts on that.

<A – Jonathan Price – Teck Resources Limited>: Yeah. I think the key point here, Greg, is that post-separation, there will be many more opportunities for value creation for Teck shareholders or at that point in time for EVR shareholders and Teck Metals shareholders than exist to-date. And those opportunities could take a variety of forms. The core focus is for those businesses however – for EVR is going to be to run that business as well as they can to continue to maximize margins, generate strong cash flows, return that cash to shareholders, so there's an attractive yield associated with that business.

And as I've mentioned, on the Teck Metals side, it's very much about investing in this unrivalled pipeline of copper growth opportunities that we have before us. So, that will be the key focus for us. But I think with the pure-play nature of those two vehicles, Greg, it's just natural that there will be more opportunities for value creation post-separation than exist in the current construct of Teck Resources, and that's exactly why we're recommending that our shareholders vote in favor of separation on April 26.

<Q – Greg Barnes – TD Securities, Inc.>: And just to follow up too, Jonathan, can you give us some idea of where QB2 stands? I know you've produced first copper. How much, concentrate quality, that kind of things? I know it's very early days, but some color on how things are going there would be helpful.

<A – Jonathan Price – Teck Resources Limited>: Yeah. So, it's looking really good out of the gate. We're doing all the things that you would expect to happen at this stage. One example, we've done the 48-hour run on the mills, which of course running for that period of time generates the sort of heat that these mills will operate at over the long-term. What you then do is you switch the mill off, re-torque the bolts, et cetera, to account for that expansion, start it up again and keep producing concentrate.

So, we're in that phase at the moment, Greg. Everything we're seeing looks really good. The rates through the concentrator have been very encouraging, and we continue to move forward with that ramp-up. Our expectation still remains that we will reach full production capacity through this year, and therefore, 2024 for us is expected to be a first full year running at full rates, and therefore, running at the long-term operating costs that we've spoken to previously. So, very excited by what we see so far.

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

Operator: Our next question comes from Dalton Baretto of Canaccord. Please go ahead.

<Q – Dalton Baretto – Canaccord Genuity Corp.>: Thank you. Good morning, Jonathan and team. Quick question for you, Jonathan. On the chance that your separation proposal is voted down, is it truly the status quo going forward or are you contemplating coming back with a different type of proposal?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Thanks very much for that question, Dalton. Look, we've, as you would imagine, engaged extensively with our shareholders over the past six weeks, and I'm confident that they will vote in favor of separation. The rejected proposal from Glencore here is simply a sideshow, and our pending separation creates real value and optionality with a high degree of execution certainty. So, on April 26, our shareholders choose between separation and status quo. There's no other alternative on the table at that time.

<Q – Dalton Baretto – Canaccord Genuity Corp.>: Okay, great. And then, if we assume the status quo going forward, again, under the assumption that there's a chance this gets voted down, do you still expect your multiples to kind of naturally re-rate as QB2 ramps up and some of the copper growth comes in? Or do you think kind of current events will put a damper on things?

<A – Jonathan Price – Teck Resources Limited>: Look, I mean, I think what we will see as Teck Resources on an ongoing basis would be that we would continue to invest in the copper growth that I've spoken about and we will continue to see copper production in particular increase proportionally at Teck Resources relative to other components of that portfolio. And I think the Teck Board and management team, as it always is, will be laser-focused on value and acting in the best interest of all of our shareholders. As I said, I'm not going to speculate on what might happen with respect to the vote. But we are very confident in the way forward for the portfolio here and in particular the optionality that our growth portfolio provides for our shareholders.

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

<A – Jonathan Price – Teck Resources Limited>: Thanks, Dalton.

Operator: Our next question comes from Timna Tanners of Wolfe Research. Please go ahead.

<Q – Timna Tanners – Wolfe Research LLC>: Yeah. Good morning. Thanks for all the great detail. Wanted to just ask a question, and I know you've been quite unequivocal with all the detail on your stance, but there are reports that GLEN is preparing a new bid and a higher value. And I just was wondering if you could help us frame how to think about if there's any price or multiple that starts to get a change in your thinking, just because clearly you've laid out [ph] very clear opposition (00:30:54), but is there anything that you think could sway your mind in terms of the offer?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Thanks, Timna. I'm not going to speculate as to whether we will receive another proposal from Glencore or what form any further proposal might take. The proposal we received was rigorously reviewed and ultimately unanimously rejected by our board. As I've mentioned, we see it as a non-starter. It's worth mentioning, however, that this is not just about price. We also see serious structural flaws in the proposal that Glencore has put forward, and we believe that that proposal looked at as a whole would destroy value for Teck shareholders and that it has significant execution risk. As I've just mentioned, the board has and always will be value-focused and would act in the best interest of all shareholders.

<Q – Timna Tanners – Wolfe Research LLC>: [ph] No, I (00:31:49) completely understand. And I also wanted to ask, when you mentioned, for example, the opportunistically timed, what do you mean by that precisely? Do you mean the fact that that copper expansion is on the cusp and maybe not fully realized yet or is there something else that you're referring to?

<A – Jonathan Price – Teck Resources Limited>: I think that's one aspect of it that we're only just today realizing first production from QB2, and of course, a year from now or inside this year, in fact, we expect that to be operating at full capacity. Also, as I said, post-separation, we expect to see many more options and value creation opportunities for the new vehicles, Elk Valley Resources and Teck Metals, than we see in Teck Resources today. Hence, why we are recommending our shareholders vote for that proposal. So, when I called it opportunistic, I think it's about Glencore trying to move ahead of the separation, because we see much greater value opportunity post the separation, which will be voted for on the 26th of April.

<Q – Timna Tanners – Wolfe Research LLC>: Got it. Very helpful. Thank you very much, Jonathan.

<A – Jonathan Price – Teck Resources Limited>: Thanks, Timna.

Operator: I will now hand the call back over to Mr. Price for closing remarks.

Jonathan Price, Chief Executive Officer & Director, Teck Resources Limited

Okay. Thank you, everyone, for joining us today. The bottom line here is that the pending separation represents the best path to maximize value for Teck shareholders. We are pleased to have been able to reinforce the benefits of the separation and go into more detail and analysis on today's call to provide additional background for our board's unanimous decision to reject Glencore's proposal. The rejected Glencore's proposal is not actionable and would destroy value for Teck shareholders.

The choice for our shareholders is clear, vote for the pending separation to open the door to value-maximizing opportunities with the creation of two strong, pure-play mining companies. We have greatly appreciated the engagement we have had with our shareholders and look forward to continuing to discuss this with you as we work to complete the separation. As always, please follow up with Fraser if you have any additional questions. Thank you.

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