MANAGEMENT DISCUSSION SECTION

Colin Hamilton, Analyst, BMO Capital Markets Ltd.

Hey. Good day. Good afternoon. And so to continue on our base medals stream here this afternoon, delighted to welcome Teck. I should highlight first of all that Jackie who will be moderating is restricted on deck due [indiscernible] 00:00:17 owing to the deal being done recently. Teck, is of course, Canada's largest diversified metals mining company, headquartered in Vancouver, a major producer of metallurgical steelmaking coal on significant and growing copper production, as well as an important zinc presence.

Please join us in welcoming your Chief Executive Officer, Jonathan Price. Jonathan, thank you.

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

Yeah. Thank you, Colin, and welcome, Jackie, to your own conference. It's nice to see you here. And thanks very much to the to the BMO team for hosting us here today. Wonderful to be back in Florida, of course, and great to have the opportunity to speak to you all, and particularly for me as the first time as CEO of Teck Resources.

Before we begin, I'll draw your attention to slide 2. This presentation does 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 our presentation and our investor website for the assumptions underlying our forward-looking statements. I promise you that will be the least exciting slide of this presentation.

So moving on, I'm going to begin with the key highlights from our 2022 financial results and an update on the flagship QB2 project, as well as an overview of our copper growth pipeline. I'm then going to turn to the significant and exciting strategic announcements we made last week, including the spinoff of Teck's steelmaking coal business to shareholders.

So starting on slide 4. Teck entered 2023 in a very strong position following a great year in 2022. During which we executed on our strategy of balancing growth in copper with significant returns to shareholders while maintaining the critical foundation of a strong balance sheet.

We achieved several financial records in 2022, including a record $9.6 billion of adjusted EBITDA. Now, this was driven by strong commodity prices with each of our business units making substantial contributions to our profitability during the year. Importantly, strong profitability enabled us to strengthen our balance sheet, and we repaid $1.3 billion worth of debt and we delivered record cash returns to shareholders. In aggregate, we've approved an announced $2.5 billion of returns to shareholders through a combination of dividends and buybacks since the start of 2022.

Our cash returns include a distribution of 40% of the proceeds from the sale of Fort Hills received earlier this month, exceeding the minimum of 30% as prescribed by our capital allocation framework. And we ended the year with $8.2 billion in liquidity, including $2.8 billion of cash, a very strong financial position.

Now on slide 5, a key priority for 2023 is the ramp up of QB2. Over the last year, we advanced the flagship QB2 copper growth project, despite COVID related productivity impacts and challenging weather and subsurface conditions. It's currently ramping up and within touching distance of first concentrate production. We're commissioning line 1 at the concentrator and making final preparations to feed ore to the mills.

Construction and commissioning are progressing across all areas of the project. Construction is essentially complete in the desalination, pipeline, power and mining areas. And I was just talking to Red Conger, our Chief Operating Officer this morning who's down in Chile right not, he's at the site at QB2. In terms of the latest status, we are producing water at the desalination plant. That water is being pumped up the pipeline towards the concentrator. We've commissioned the primary crusher. We've commissioned the conveyors that will feed crushed ore into the mill. We've turned the SAG mill. We've turned both Ball mills. We're introducing the Ball's. The flotation circuit is ready to go. The tailings facility is all done. So essentially what's left to happen is getting ore on those conveyors into the front end of the mill and first concentrate well follow very shortly thereafter.

Of course, our focus, whilst everybody is following the status around first production really is on setting this project up for success to ensure we ramp it up this year to hit our full production targets. When we hit those full production targets this year it will double tax consolidated copper production. Our previous CapEx guidance for the project remains unchanged from our previous disclosure and we expect QB2 this year to produce 150,000 to 180,000, increasing to a range of 285,000 to 315,000 tonnes from 2024 to 2026.

Now recent changes to IFRS require the recognition of sales and related costs associated with ramp up and commissioning through the P&L which will impact unit costs at QB2 to this year. However, importantly, average net unit cash costs of $1.40 to $1.60 per pound once QB2 is at full capacity are expected. So a very, very competitive operation. Now we currently have a little over 8 billion tonnes of reserves and resources at QB and the ore bodies open in multiple directions for further potential increases. As such, QB2 is just the beginning of what is a very long life, low cost and expandable operation.
So looking at slide 6, we're also making meaningful progress on the other projects in our industry-leading copper portfolio. At San Nicolás in Mexico San, we expect the transaction with Agnico Eagle to close in the second quarter. We're targeting submission of the EIA in the first half of 2023 and the completion of the feasibility study in early 2024. Per the terms of the transaction, Agnico will contribute the first US $580 million of project capital. The feasibility study for the QB Mill Expansion, which represents a 50% throughput increase at QB, is expected to be completed later this year. And the permit amendment for this expansion was submitted in January.

And in Zafranal, we're expecting receipt of the SEIA permit in the first half of this year. And earlier this month we close the transaction with PolyMet to jointly advance both the NorthMet and Mesaba projects. And finally at Gilmore Creek, completion of the pre-feasibility study is targeted for the second half of the year. So I think overall you can see significant progress being made in the copper growth pipeline as we bring these projects forward. They will become a reality in terms of production and development in the very near term and they position Teck extremely well for a very exciting next chapter of copper project development.

So speaking of next chapters, I will shift to the transaction that we announced last week, the creation of two, world-class independent companies to unlock value for Teck shareholders. Now at the highest level, this is a pretty simple transaction, the separation is a spinoff of Teck steelmaking coal business to shareholders, through which Teck Metals will retain access to substantial steelmaking cash flows to fund delivery of our copper growth strategy. The separation will be implemented by way of a distribution of the equity of the common shares of EVR to existing Teck shareholders.
And in consideration, for the transfer of the steelmaking coal assets to EVR, EVR will issue a royalty and preferred shares together called the transition capital structure, in which Teck Metals will maintain an 87.5% interest.

Now, slide 8, this major step forward will unlock significant value for Teck shareholders by establishing a definitive path to separate our steelmaking coal and base metals businesses. In recent years, the investor bases for base metals and steelmaking coal businesses have become increasingly divergent, and this proposed separation responds to that changing landscape. It will allow investors to optimize their exposure to each of base metals and steelmaking coal through the creation of two world-class pure play companies with compelling but different value propositions.

As independent companies, Teck Metals and Elk Valley Resources or EVR, will have simplified portfolios, allowing for heightened strategic and financial focus and the ability to pursue their own tailored capital allocation strategies. We will realize our full potential at Teck Metals as a premier growth-oriented producer of critical metals essential for the energy transition and EVR will be a pure play, high margin steelmaking coal producer. Teck Metals will retain a significant portion of the steelmaking coal cash flows during a transition period to fund our copper growth. And we are confident that this plan positions both companies for greater success, while supporting a sustainable future to the benefit of our employees, communities and indigenous peoples in the areas where we operate.

Concurrent with the separation, we announced agreement with two of our steelmaking coal joint venture partners and major customers to exchange their minority interests in the Elk View and Greenhills operations for interest in EVR.
Notably, Nippon Steel is making an additional $1 billion cash investment, which implies an $11.5 billion enterprise value for our steelmaking coal assets. Lastly, we also announced a sunset for the dual class share structure, which will modernize Teck's metals governance structure.

So turning to slide 9. Following the separation, Teck Resources will become Teck Metals, a premier growth-oriented base metals company. Teck Metals will be focused on copper growth and we are well-positioned to capitalize on the strong demand generated by the accelerating transition to a low carbon economy. The foundation of our portfolio is a high-quality, low-cost and long-life operations which are located in well-established mining jurisdictions throughout the Americas. And we have significant growth potential and resource optionality through our industry-leading pipeline of copper development projects anchored by QB2. With the ramp up of QB2 this year, we expect our copper production to double in the near-term. And as I mentioned before the long-life deposit at Quebrada Blanca can support multiple expansions.

Beyond QB2, we have an attractive suite of additional projects diversified by geographies, scale and time to development. We have the potential to add more than 1.5 million tonnes of annual copper equivalent production to our current portfolio. And Teck Metals has the potential to become one of the top ten copper producers in the world.

Importantly, cash flow from the transition capital structure provides Teck Metals with continued funding to make prudent investments in growth balanced with disciplined returns to our shareholders and while maintaining our financial resilience. This transaction will unlock the full potential of our industry-leading copper growth portfolio which is significantly undervalued relative to our peers.

Now turning to slide 10. EVR will be a pure-play, world-class Canadian steelmaking coal company with high quality, long-life assets that are high-margin operations focused on long-term cash generation and providing cash returns to shareholders. The existing Elk Valley operating team will continue to lead EVR and ensure continuity of operating principles and responsible environmental and social stewardship. The team will be led by President and CEO, Robin Sheremeta, who is currently Teck's Senior Vice President Coal, and he joins me here today.

EVR will own producing steel-making coal operations in the Elk Valley, British Columbia, and the recently expanded coal-handling facilities at Neptune Terminals in North Vancouver. It's high quality, low emissions, hard coking coal product is sought after by the world's largest steelmakers as they work to reduce their own emissions and this is demonstrated by the agreements I mentioned with Nippon Steel and POSCO that we recently announced.

The significant participation by two of our major customers emphasizes the long term and critical importance of high-quality steelmaking coal. And as I mentioned earlier, the $1 billion investment by Nippon Steel implies an enterprise value of approximately $11.5 billion, further validating the EVR value proposition.

Importantly, underpinned by its extensive reserve base with over 30 years of reserve life, EVR has significant equity value accretion potential as shown in the graph in the bottom right. Assuming the TCS was in place in 2022, the free cash flow generated by EVR would have paid out $4.5 billion in royalty payments to Teck Metals, reducing the royalty liability and therefore increasing the value of EVR common equity. And this is the accretion equity value potential that I spoke of before.

So, slide 11 illustrates the planned capital structure for EVR that was designed to safeguard its resilience. Cash flows from operations will be prioritized for use to ensure the resilience of those operations, including capital investments and fixed annual contributions to a new environmental stewardship trust, which will provide for long-term environmental obligations. While the TCS is in place, 90% of the resulting free cash flow will go to the royalty and preferred share redemptions.

Once the TCS is extinguished, 100% of free cash flow is retained by EVR. The remaining free cash flow for EVR shareholders will go towards an initial base dividend of $0.20 per share and supplemental shareholder returns made up of at least 50% of the free cash flow. Assuming a $185 per tonne, long-term benchmark, hard coking coal price and a Canadian/US dollar exchange rate of $1.30, the TCS would be paid in approximately 11 years. However, if long-term prices remain at current spot levels, the TCS could be paid in as little as seven years.

Importantly, EVR will be very well capitalized at launch with CAD 250 million in cash, plus nearly CAD 700 million in working capital and no debt. Teck Metals is expected to retain investment grade credit ratings based on preliminary indications from the three agencies.

So, now onto slide 12. This transaction, coupled with our copper growth, will fully rebalance Teck Metals portfolio towards base metals.
Upon listing the EVR, steelmaking coal is immediately deconsolidated from Tech Metals' financial statements. During the transition period, the contribution of steelmaking coal cash flows is received solely via the TCS. When coupled with QB2 at full production, thereby doubling our current copper production and assuming commodity prices that are consistent with the average in the past five years, we will see a step change in the relative contributions of steelmaking coal and base metals to the Teck Metals portfolio.

The outcome is that base metals will increase from 44% to 80% of the portfolio, with steelmaking coal contributing only 20%. And when the TCS is extinguished, base metals will represent 100% of the Teck Metal's portfolio. So this represents a defined pathway to a pure play, high-growth base metals producer.

Now turning to slide 13. Another important step that we announced is the proposed six-year sunset for the multiple voting rights attached to the Class A shares of Teck. This will modernize Teck Metal's governance and provide a simplified and competitive capital structure. On the effective date, each Teck Class A common share will be exchanged for one new Class A common share and 0.67 of a Class B subordinate voting share.

The terms of the new Class A common shares will provide that on the sixth anniversary of the effective date of the dual class amendment, all new Class A common shares will be automatically exchanged for Class B subordinate voting shares, which will be renamed common shares. At which point, all the Class A common shares carrying multiple voting rights will be eliminated.

Based on the 7.8 million Class A common shares currently outstanding and the exchange premium, the additional Class B shares issued on the effective date of the amendment represents approximately only 1% dilution.

Now on slide 14, just to talk about the transaction timeline on approvals, the separation transaction and the Dual Class Amendments are subject to a 66 and two-thirds percent approval by Class A and B shareholders voting separately by class. In addition, the Dual Class Amendment is subject to approval by a simple majority of Class B shareholders other than Temagami Mining Company, Sumitomo Metal Mining and Dr. Keevil. These votes are expected to be held at Teck's annual and special meeting of shareholders on or about April 26, 2023. In addition to Teck shareholder and court approvals, the separation is subject to customary conditions, including approval by the TSX. We expect that the transaction will be completed in the second quarter of 2023, at which time Teck Metals and EVR would begin operating a separate companies.

So to wrap up, we could not be more excited about this transformational transaction that will unlock significant value for our shareholders. We strongly believe this transaction is the best pathway to separate and realize the full potential of both businesses. It will increase the strategic and financial focus for both organizations, allowing the two entities to pursue tailored growth and capital allocation strategies to realize their full potential. It will enable Teck Metals to unlock the value of our world-class copper growth portfolio and capitalize on the opportunities created by the energy transition, funded by steelmaking coal cash flows during the transition period. And position EVR as a pure play high margin steelmaking coal producer with exposure to strong steel fundamentals and significant equity value accretion potential as the transition capital structure is paid. The separation will provide investors with the flexibility to optimize portfolio allocation between base metals and steelmaking coal, with each company providing exposure to different commodity fundamentals, capital return policies and value propositions.

Further, the dual class share Sunset will modernize Teck Metals' governance structure. As we move forward, our purpose and values which are deeply embedded at Teck will ensure health and safety and sustainability are at the forefront of everything we do across both businesses. This includes our unwavering commitments to become net zero by 2050 and nature positive by 2030, an ongoing support for the people and communities where we operate for decades to come. For further information and to view our full presentation on the transaction, please visit our website at teck.com/separation.

So thank you very much. And with that, we'll open it up for questions.

QUESTION AND ANSWER SECTION

<A>: Thanks, Jonathan. Is this one? We have a number of questions on the app, so I'll try and get through as many as possible. But let's start with one on QB2 getting finished? Can you elaborate a little bit more on the positive progress year-to-date, please?

<A – Jonathan Price – Teck Resources Limited>: Yeah. I mean, I think, as I said before, we've commissioned many of the major pieces of equipment here from the desalination plant through the pipeline, the primary crusher and the conveyors that will take that first ore into the grinding mill. The mills have been turned. We've loaded the balls. The flotation circuit is ready to go. And the pipeline to the to the tailings facility is in place. So essentially everything we need is ready. It's about getting it all to line up so we can close that circuit. We've got a few final tests to do on one of the conveyors and we expect to load that with – very shortly. And then we can begin to feed the concentrator. So, as I said before, we're at touching distance now from first production at QB2. And of course, this is just the first step of what will become a multigenerational expendable asset.

We're already doing the work for the further stage, which we call the QB mill expansion, which is an additional concentrator line, where we can leverage from the desalination pipeline, tailings and port and shiploader capacity we have in place, add approximately 50% capacity at a much more competitive capital intensity than QB2. We submitted a permit amendment to support that project in January and we'll have a feasibility study done by the end of the year. So, we're very excited that we have the potential for QB2 this year to ramp up to full production capacity, which is our expectation. And then potentially as early as the beginning of 2024, we can consider sanctioning the next phase of growth for this world-class ore body.

<Q>: And a question on the transaction. Why do the coal spin-off now? Why not wait until after QB2 is finished?

<A>: Look, as I said, I mean, we were very confident in the outlook for QB2 now. We expect that to have first production soon and ramp up shortly there afterwards. I think two reasons for now. One is I think there's been a real sea change in the market's understanding of the long-term value of steelmaking coal and the critical nature of this business.

12 months ago at this conference, we were talking about the potential risks to steelmaking coal supply as a result of green hydrogen and the transformation that was going to occur in the steelmaking industry. And the question we were getting is, are you thinking of running these operations to closure. The answer then was absolutely not. The answer now is absolutely not.

I think the market's maturity around understanding the energy transition has improved greatly. And I think the role of high-quality, low emissions steelmaking coal for the very long term has now been well-appreciated. So that's true on the steelmaking coal side of this.

On the other hand, with QB2 nearly ready to go and the significant progress we've made in the pipeline of projects that sit behind QB2, which gives us great confidence in the outlook for growth in Teck Metals. It seemed like an opportune time to push forward with the separation.

<Q>: You have a few questions in the app about your next phases of growth beyond QB2 and specifically about the structure. There's a few different ones, so I'm going to combine them. But is joint venture probably the way that you look at growth from here? Maybe you can talk a little bit about the joint ventures you have. And there's a question about whether San Nicholas would be a good model to look at going forward, meaning a gold company investing in a copper asset? I know you've got some joint ventures like that already.

<A>: Yeah. Look, I think we look at everything on a case by case basis in terms of what is going to be the best approach to the derisking of the project and to maximize the returns for Teck shareholders. In the case of QB2, given the size and scale and complexity of that project, bringing in a partner like Sumitomo Metals Mining and Sumitomo Corp. enabled us to derisk from a funding perspective, but of course also bring long-term partners who can take significant offtake from that project and sell into their customers and into their own operations, of course, throughout Asia. And we supported that with a $2.5 billion project finance facility.

Now at San Nicholas, a very different set of considerations. It's a much smaller project. It's much simpler. Teck didn't have experience of building and operating projects in Mexico. Enter Agnico, who of course have significant experience in that regard. But Agnico paid us $580 million for a 50% interest in that project. The funding going forward will be on a 50/50 basis. So Teck could spend as little as $300 million of capital to end up with 50% of a project in Mexico and a very high-class project with very strong returns. If I look at one of the others that I mentioned earlier on with the JV that we've done with PolyMet and we've created the company called NewRange. This was PolyMet's NorthMet projects and we had [indiscernible] 00:25:53 project which in its own right was probably never going to see the light of day given the challenges with permits and access to land in that region of the US.

However, NorthMet already has land. It has infrastructure. It has permits. We put the two together. We provide a 50-50 JV where we have a near-term pathway for the development of NorthMet and we have a longer term pathway for the development of Mesaba. So it's all about surfacing value that might not otherwise be there. So, Jackie, it really is case by case in terms of how we assess the need for partnering or not and the role that Teck will play versus those partners, but always with a focus on de-risking and maximizing shareholder returns.

Unverified Participant

Thank you. Unfortunately, we're out of time, but thank you very much for your presentation.

Unverified Participant

Thank you. Thanks very much.