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CORPORATE PARTICIPANTS

Emma Chapman *Teck Resources Ltd - Vice President - Investor Relations*

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

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

Shehzad Bharmal *Teck Resources Ltd - Senior Vice President - Base Metals*

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

CONFERENCE CALL PARTICIPANTS

Orest Wowkodaw *Scotiabank GBM - Analyst*

Matthew Murphy *Bank of Montreal - Equity Analyst*

Carlos De alba *Morgan Stanley - Analyst*

Craig Hutchison *TD Cowen - Analyst*

Craig Hutchison *Cowen and Company LLC - Analyst*

Myles Allsop *UBS AG - Analyst*

William Peterson *JPMorgan Chase & Co - Analyst*

Christopher Lafemina *Jefferies LLC - Equity Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to Teck's second quarter 2025 earnings release conference call. (Operator Instructions) This conference call is being recorded on Thursday, July 24, 2025.

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

Emma Chapman - *Teck Resources Ltd - Vice President - Investor Relations*

Thank you, operator. Good morning, everyone, and thank you for joining us for Teck's second quarter 2025 conference. This call contained forward-looking statements. Actual results may vary due to various risks and uncertainty. Teck does not assume the obligation to update any of statements. Please refer to slide 2 for the assumption underlying our forward-looking statement.

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 start with highlights from our second quarter. Crystal Prystai, our CFO, will follow with the financial and operational review of the quarter. Jonathan will then wrap up with closing remarks and a Q&A session.

With that, over to you, Jonathan.

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

Okay. Thank you, Emma, and good morning, everyone. Now before we get into the quarter, I would like to take a moment to acknowledge the incident earlier on Tuesday at one of our peers' operations in the northwest of our home province of British Columbia. Our thoughts are with the three workers that remain in the underground work area, as well as their families, friends, and colleagues and the emergency response teams, and we hope for their safe and speedy rescue.

So turning to our second quarter 2025 results, starting with highlights on slide 4. Overall, we are advancing our strategy of copper growth while returning cash to shareholders. Our profitability improved compared to the same period last year, $722 million of adjusted EBITDA.

We have strong performance in our Zinc segment, with Red Dog sales above our guidance range and a significant improvement in our zinc net cash unit costs, as well as another quarter of profitability and cash generation and trail. Across our established operations, production is on track to meet our annual guidance.

At QB, we had previously noted that we would be at the lower end of our guidance of around 230,000 tonnes for the year. While the team is working hard to achieve this, we acknowledge that there could be risk from possible external factors or of course, any delay from the CMF development work. As a result, we've revised our outlook for QB to 210,000 to 230,000 tonnes for the year, but continue to target design rates by year end.

Earlier today we announced that the Board has sanctioned the Highland Valley Copper Mine Life Extension project in British Columbia for construction. This is foundational to our strategy to double copper production by the end of the decade. Given the strong demand for copper as an energy transition metal, the project will generate compelling returns, with an IRR far surpassing our cost of capital and secure access to this critical mineral for the next two decades. The project extends the core asset to 2046 with average annual copper production of 132,000 tonnes over the life of mine.

We are continuing to return significant cash to shareholders with elevated daily share buying levels in the quarter, resulting in a total of $487 million or 9.8 million Class B shares. Year to date, we have returned a total of $1.1 billion to our shareholders through dividends and share buybacks, and we have completed approximately 70% of our authorized $3.25 billion buyback, which is the equivalent of $2.2 billion.

Finally, we are maintaining the resilience of the business, including through our strong balance sheet, which enables us to navigate uncertainty and continue to create value. We currently have $8.9 billion in liquidity, including $4.8 billion in cash.

Turning to slide 5. We continue to be committed to safety and sustainability. Across the operations that we can control, a high potential incident frequency rate remained low in the first half of the year at 0.09, below our 2024 performance of 0.12.

I would like to take a moment to acknowledge the fatality occurred on April 22 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 fully participated in the investigation, which was led by the team at Antamina, and learnings will be shared across our company and across the sector.

We were honored to be named as one of Corporate Knights' 2025 Best 50 Corporate Citizens in Canada. It's the 19th consecutive year that we've received this recognition, which is based on an evaluation of up to 25 sustainability indicators, including for diversity, resource efficiency, financial management, sustainable revenue, and sustainable investment.

So now turning to QB on slide 6. QB's second-quarter performance was impacted by the ongoing TMF development work. We're advancing multiple TMF development initiatives to improve sand drainage rates and accelerate mechanical movements of sand to achieve steady state operation. This work impacted mill online time in the quarter, as previously disclosed. The planned post QB2 construction pace of TMF development was based on design assumptions for sand drainage rates that have subsequently proven unachievable.

Modifications to cyclones alone, while showing an improvement in sand drainage rates, were not sufficient to allow us to fully catch up on TMF development work in the quarter. As a result, we are implementing a range of additional measures to improve sand drainage rates and accelerate the mechanical movement of sand, including enhanced sand placement techniques and optimization of the grind size concentrator.

Importantly, the TMF development work and the transition from starter down to regular ongoing sand [rates] is a onetime milestone related to the ramp-up of the operation. When it is completed, the TMF development work will be behind us for the life of facility. While the TMF development work will continue in Q3, we continue to target design rates by the end of the year. Throughput increased from the prior quarter, and we expect to see consistent grades of approximately 0.61% in the second half of the year. Work is ongoing to improve recoveries by year-end, which will also be helped by more consistent mill run time.

The outage of ship loader at QB's port facility announced on June 2 is expected to be extended into the first half of 2026. We have been successfully shipping concentrate through our alternative port arrangements and have maximized shipments to local customers, so there has been no production impact. Alternative sales logistics have had some incremental impact on our net cash unit costs, which is expected to be approximately USD0.10 per pound.

We had a good step-up in molybdenum production as a result of some key process improvement initiatives implemented during the quarter. We expect to continue to see molybdenum production improvements, and we continue to target design throughput and recoveries of the moly plant by year-end. Once we have completed the TMF development work, QB will be able to run in steady state, showcasing it as a Tier 1 asset that will be a cornerstone of Teck's portfolio for generations.

We continue to work on defining the most capital efficient and value-accretive path for future growth of QB through optimization of the mill and low capital debottlenecking opportunities that could collectively increase throughput by a further 15% to 25%. The foundation of QB is its large long-life deposit that can support multiple expansions, and it offers multiple potential parts to create value for our shareholders, including assessing adjacencies or synergies with Collahuasi. The operation also has the advantage of a very low strip ratio, which enabled competitive all-in sustaining costs.

We successfully achieved completion testing requirement under QB's USD2.5 billion project finance facility earlier this year, which provides independent verification, confirming the robustness of design, construction, and operational capacity. And we have a tax stability agreement in place through 2037. Taking all these factors into account, we are well positioned to generate significant future cash flows from this Tier 1 asset for decades to come.

Turning to the mine life extension of Highland Valley on slide 7. Highland Valley is Canada's largest copper mine and a core asset in our portfolio, and we are excited to announce the sanction of the Highland Valley Copper Mine Life Extension, or HVC MLE project. This is a lower risk and lower complexity brownfield project that is 100% owned by Teck. The MLE is an extension of the operation to 2046 and is expected to produce 132,000 tonnes of copper per annum on average over the life of mine.

Based on additional technical and engineering work, we have (technical difficulty) the project. As a result, capital estimate sanction is CAD2.1 billion to CAD2.4 billion in nominal terms. Compared with our prior estimate of CAD1.8 billion to CAD2 billion, it now includes project-level contingencies, accounts for inflation, input cost escalation, and the impact of potential tariffs on construction materials and reflects the accelerated procurement of mobile equipment originally planned for later project phases. It also incorporates additional scope and indirect contract requirements identified through ongoing project requirements.

The MLE project consists of development of site infrastructure and facilities, grinding circuit upgrades, increased tailings storage capacity, and enhancements for power and water systems, as well as the mine pushback that requires additional waste stripping to access high-quality resources within the valley pit. The project economics are attractive, including (technical difficulty) above our cost of capital and a project net present value using an 8% -- sorry, a positive net present value using an 8% discount rate.

The capital intensity of the project is expected to be low at USD11,500 to USD13,200 per tonne of copper on an annualized basis. Overall, we expect to generate significant EBITDA and cash flows over the life of mine.

We have operated Highland Valley for decades and have successfully executed several mine life extensions there. And importantly, project readiness for construction has been confirmed through independent assurance activities, including an external construction readiness assessment and a review of the technical scope, capital cost estimate, and execution strategy and planning. We are well positioned for solid project execution of the

Highland Valley Mine Life Extension with a strong and experienced team in place, all major permitting complete, engineering nearly 70% complete, and all contracting and permitting well advanced. Construction mobilization is underway. We plan to start construction in a few weeks, and we look forward to delivering on this value-accretive project.

We have summarized the changes to our guidance on slide 8. Production changes driven by the revised outlook for QB based on the TMF development work. We had previously noted that we would be at the lower end of our guidance of around 230,000 tonnes for the year. While this is still possible, we acknowledge that there could be risk from possible external factors or from any delay to the TMF development work. As a result, we have revised our outlook for QB to 210,000 tonnes to 230,000 tonnes for the year, but continue to target design rates by year-end.

Production guidance for all other operations is maintained. As such, the impact of the revised QB outlook is the only driver of flow-through changes to total copper production, moly production and therefore, net unit cash costs. We have also incorporated the increase in copper production in 2028 and the start of the growth capital investment associated with the sanction of the Highland Valley Copper mine life extension project. Please refer to the MD&A for further details.

Turning to the near-term growth on slide 9. Our ongoing growth trajectory is underpinned by our established portfolio of operating mines. The sanction of the HVC MLE project is foundational to our copper growth strategy and a significant milestone in the growth of Teck's copper production in the future. Our high returning greenfield projects with Zafranal in Peru and San Nicolas in Mexico are progressing as planned, and we are targeting sanction readiness by year-end.

For now, we initiated advanced early works in May, following receipt of the advanced works permit in April. This will enable construction to start immediately following project sanction. We are targeting receipt of the construction permit of Stage A approval, first of two approvals required in Q3. And the earliest date for a potential sanction decision is late in 2025. San Nicolas engagement with government authorities and other stakeholders is ongoing to support our permit applications.

We plan to complete the feasibility study in the fourth quarter, which is the earliest stage of the project to be positioned for a potential sanction decision following the receipt of necessary permits. These projects are significantly less complex and smaller in scope than QB with lower capital intensities, attractive project economics and well-balanced risk return profiles.

In addition, we are working to define the most capital efficient and value-accretive part of further growth of QB through optimization of the mill and low capital debottlenecking opportunities that could increase throughput by 15% to 25%. Our priority at QB remains completing the ramp-up, but optimization plans are also progressing, detailed planning for debottlenecking is underway. This should enable us to submit the declaration of environmental impact on deferment application in the second half of the year.

All of our growth projects must meet stringent criteria, delivering attractive risk-adjusted returns and competing for capital in alignment with our capital allocation framework. Overall, we expect to be able to double copper production by the end of the decade with a path to annual copper production of up to 800,000 tonnes through these near-term projects.

With that, I will now hand the call over to Crystal.

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

Thanks, Jonathan. Good morning, everyone. I will start with our second quarter 2025 financial performance on slide 11. Our adjusted EBITDA increased by 3% in the quarter compared to a year ago to $722 million, primarily due to another profitable quarter from Trail Operations, lower smelter processing charges and reductions in corporate overhead costs, partially offset by lower copper and zinc prices and higher operating costs at Highland Valley due to increased production and at QB.

The improved performance from Trail Operations reflects the implementation of initiatives to improve profitability and cash flows, including increasing byproduct revenue. While the current load smelter processing charges are a headwind for Trail, Teck overall has a net benefit from them.

We successfully reduced our corporate overhead cost by 21%, reflecting our ongoing efforts to reduce costs across our business. We continue to expect lower annual corporate overhead costs compared to 2024.

Importantly, we continue to return cash to shareholders, with $548 million returned in the second quarter. This includes $61 million of base dividends and $487 million of share buybacks, which equates to 9.8 million shares and reflects elevated daily share buying levels through the quarter. Year-to-date, we have returned over $1.1 billion to our shareholders.

Turning to slide 12, which summarizes the key drivers of our financial performance in the second quarter compared to the same period in 2024. Our adjusted EBITDA increased by $19 million to $722 million, driven by another profitable quarter from Trail Operations, lower smelter processing charges, reductions in corporate overhead costs and lower royalties. It also reflects higher sales volume and an increase in commodity prices for our byproducts and positive foreign exchange impact.

Trail's improved results reflect higher by-product production volumes such as silver, germanium and indium and higher refined lead production as compared with a year ago. These factors were partially offset by a $91 million reduction in settlement pricing adjustments and higher operating costs at Highland Valley due to increased production and at QB.

Now looking at each of our reporting segments in greater detail, starting with copper on slide 13. In the second quarter, gross profit before depreciation and amortization from our copper segment declined by 3% to $673 million compared to the same period last year, primarily due to lower copper prices and higher operating costs, partially offset by increased coal product and byproduct revenues from zinc and molybdenum and lower smelter processing charges. Copper production remained similar to the same period last year at 109,000 tonnes.

At QB, though online time was impacted by the TMF development work required to complete the ramp-up of the operation as expected. Our established operations are performing in line with guidance, and our outlook remains on track for the balance of the year. Production improved significantly at Highland Valley, driven by higher grades and mill throughput as we advance mining in the Lornex pit. Production at Antamina was lower, reflecting a shutdown of approximately one week due to the fatality, as well as the processing of a lower proportion of copper-only ore as expected in [line flood]. The site returned to full production in June.

Carmen de Andacollo had higher production in the quarter driven by higher grades and recoveries as water availability improved compared with the same period last year, which was impacted by drought conditions. The improved performance in Q2 of 2025 was despite maintenance at the [SAG Mill] for approximately one month for repairs. The operation has been running at full rate since it successfully restarted at the end of June.

Our net cash unit costs improved by USD0.14 per pound to USD2.02 per pound. While cost of sales increased, particularly at QB and Highland Valley, this was more than offset by increased flat product credits, including significantly higher zinc revenue for [Antamina] and additional molybdenum revenue from Highland Valley and QB as well as much lower costs.

In the quarter, we (inaudible) labor agreements at QB and Carmen de Andacollo. QB's third labor union provides a new three-year collective bargaining agreement in early April, completing all labor negotiations for QB's workforce and ensuring that labor agreements are now in place through 2028 across our QB operations. At CdA, both using contracts were ratified in June and July, with each covering a three-year period. Looking forward, we continue to target design rates at QB by the end of this year. We also continue to expect higher quarterly copper production at Highland Valley through the balance of this year as we process increasing proportion of higher grade Lornex ore.

As mentioned earlier, we've updated our annual production and unit cost guidance based on our revised QB operational outlook. Copper production has been revised to 470,000 tonnes to 525,000 tonnes. And copper net cash unit costs have been revised to USD1.90 to USD2.05 per pound.

Turning now to our zinc segment on slide 14. Performance in our zinc segment was very strong in the second quarter. Our profitability in zinc improved substantially with a 137% increase in gross profit before depreciation and amortization compared with the same period last year to $159 million. This improvement was driven by higher byproduct revenues as a result of our updated operating strategy at Trail and lower operating costs.

Red Dog performed well despite lower grades that we expected in the mine plan. Red Dog sales of [35 by 1,000 tonnes] were higher than our guidance range of 25,000 tonnes to 35,000 tonnes due to the timing of sales. Our net cash unit cost for zinc improved significantly, decreasing by USD0.20 per pound to USD0.49 per pound, primarily due to lower sulfur processing charges and higher byproduct credits.

At Trail operations, profitability was strong in the quarter, reflecting our updated operating plan to improve profitability and cash flow generation in challenging smelter market conditions. We have curtailed our refined zinc production and increased production of byproducts such as silver, germanium and other critical metals compared to the same period last year. We also implemented cost reductions in Q4 of 2024, the benefit of which continued into Q2.

Overall, this strong performance led to a 13% improvement in our gross profit margin before depreciation and amortization for our zinc segment 28% compared to the same period last year. Looking forward to the third quarter, we expect zinc and concentrate sales from Red Dog of 200,000 tonnes to 250,000 tonnes. And with Red Dog shipping season commencing on July 11, we expect reductions in Red Dog inventory in the third quarter, reflecting the normal seasonality of sales.

Our annual production and unit cost guidance for our zinc segment is unchanged, as they can concentrate production of 525,000 tonnes to 575,000 tonnes; refine zinc production of 190,000 tonnes to 230,000 tonnes and net cash unit cost of USD0.45 to USD0.55 per pound.

Looking at our cash return to shareholders on slide 15. We continue to build on our strong history of cash return to shareholders. We have returned a total of approximately $6 billion since 2020. This includes over $1.1 billion year to date, reflecting elevated daily share buyback levels in the second quarter. We have now completed $2.2 billion or approximately 70% of our $3.25 billion authorized buyback, leaving approximately $1 billion remaining.

And with the strong cash flow generation potential of our business, we can see further cash returns to shareholders in line with our capital allocation framework. We remain committed to returning between 30% and 100% of future available cash flows to our shareholders.

Looking now at our balance sheet on slide 16. We remain focused on maintaining the resilience of our business, including the strength of our balance sheet. As of yesterday, our cash balance remained significant at $4.8 billion, and our liquidity is strong at $8.9 billion. We also continue to maintain investment-grade credit ratings. We have moved into a small net debt position in the quarter as we continued to deploy the proceeds from the sale of steelmaking coal business to shareholder return.

But we do expect a release of working capital build of Red Dog inventory to unwind in the third quarter, reflecting the normal shipping season.

Since 2024, we have reduced our [debt] by $2 billion, and our USD1 billion outstanding term notes are long dated. We made a semiannual repayment of USD147 million on the QB project finance facility in the quarter. And through these payments, we are further deleveraging our balance sheet on an ongoing basis. Our near-term growth projects, including the HVC MLE project remain well funded, and we are strongly positioned for continued value creation as we execute on our strategy.

With that, I'll turn it back to Jonathan.

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

Thanks, Crystal. On slide 18, we remain focused on our priorities to create value for our shareholders. Completing the TMF development work at QB and ramping up the operation, targeting design rates by year-end; driving operational excellence, including growing our copper production, reducing our unit costs and improving our margins; continuing to return cash to our shareholders through execution of our authorized share buyback program and through our base dividend and progressing our value-accretive near-term copper projects to create options for our next phase of copper growth. And maintaining the resilience of our business, including our strong balance sheet. We are committed to continuing to balance investment and growth in copper with cash returns to shareholders.

Turning to slide 19. We can continue to significantly impact the accretive growth potential of our metrics on a per share basis. Last year, with the ramp-up of QB and with a significant portion of our $3.25 billion share buyback completed, we increased our copper production per share by 54% compared to the prior year. By 2026, our copper production per share could increase by a further 33% to 50% as we stabilize QB at full production while completing the remaining authorized share buyback. And our copper production per share could increase substantially beyond that as we bring on near-term value accretive growth projects.

And this does not consider the impact of any further share buybacks that could be authorized under our capital allocation framework given the strong cash flow generation potential of our business. Our copper production has the potential to increase rapidly long term on a per share basis.

So thank you. And with that, operator, please open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Orest Wowkodaw, Scotiabank.

Orest Wowkodaw - *Scotiabank GBM - Analyst*

Some questions on QB2, please. Firstly, the tailings issue that's limiting throughput and then the new investment required here, is there any knock-on impact to 2026? I mean, will tailings still be a constraint next year?

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

Orest, thank you for that question. Yes, as you point out in the current quarter and to some extent as well expected in Q3, the TMF development work has been limiting online time for QB. Actually, throughput at the plant and the recoveries of the plant have been good, considering these constraints, but online time is an issue. Our expectation here, Orest, is that we can work through the TMF development issue and to put that behind us so that it won't deconstrain operations on an ongoing basis. On that basis and based on what we see in terms of throughput and recoveries and grade, of course, the operation we have maintained our guidance for 2026.

But of course, as we noted, we'll continue to monitor the progress of the TMF development work through the balance of this year.

Orest Wowkodaw - *Scotiabank GBM - Analyst*

Is there potentially more investment required in the tailings next year?

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

At this point, we've guided to the capital -- incremental capital spend for this year. We don't expect additional investment next year. We expect normal operating conditions around the TMF and its ongoing development, but we don't expect to signal additional capital essentially as we have done in the current quarter.

Orest Wowkodaw - *Scotiabank GBM - Analyst*

Okay. And just -- I mean, given the state of the ramp-up, I mean, at this point, I'm having trouble understanding how realistic it is for QB to even reach the low end of its guidance for '26. I mean, that would imply monthly production required of 23,000 tonnes a month. The operation hasn't done that in a single month to date. What -- at this point, what gives you confidence that you can exit the year anywhere close to that kind of run rate?

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

Yes. So our view, Orest, is that when we can put the TMF issue behind us and we can therefore improve the online time at the plant that we see from the throughputs, recoveries and grade perspective, the potential on the guidance for 2026. So these are assumptions that we are able to underpin by operating parameters that we have experienced and deliver at the plant. Of course, it requires us to run the operation consistently through the year to achieve those numbers. They're consistent with design, of course and at the low end of the range.

We have seen operating results already that give us confidence that those numbers are achievable.

As you can imagine, we continue to interrogate both the operational parameters at QB and we continue to interrogate the forward guidance for QB. But at this point in time, we don't see any changes to 2026 and believe with a period of consistent operation without the constraints of TMF development, that we can move forward and deliver.

Orest Wowkodaw - *Scotiabank GBM - Analyst*

Okay. Thank you.

Operator

Matthew Murphy, BMO Capital Markets.

Matthew Murphy - *Bank of Montreal - Equity Analyst*

I have a question just on the pace of CapEx this year. So first half of the year, you've done almost $700 million CapEx. That's growth and sustaining not including capitalized stripping. And then your guidance is around $2.4 billion, if I'm not mistaken. So you have to spend $1.6 billion to $1.8 billion, call it, back half of the year.

Am I thinking about that right?

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

Yes. I'll let Crystal speak to the details behind that. Of course, we have increased our capital guidance for the second half of the year in large part based on the sanctioning of HVC MLE, which goes to both capitalized stripping, but it also, of course, goes directly to the growth capital as well as some of the additional capital that we've just discussed for TMF development at the QB. But Crystal, over to you.

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

Yes. Thanks for the question. You're right. So year-to-date, we spent $700 million on capital expenditures, excluding capitalized stripping, and our total for the year is at the low end, $2.3 billion. So that's a reasonable run rate in terms of what you're thinking that would put us around $1.6 billion over the second half of the year.

Again, a large portion of that is in relation to growth, and that number again has increased because it previously didn't include the sanction capital associated with the HVC MLE over the balance of the year. So we have now embedded that spending for the second half of the year. And that's why I think you're seeing that increase in the run rate. Of course, we also have embedded the TMF expected costs associated with that work is the plan, and you'll see some of that coming through in the third quarter as well.

Matthew Murphy - *Bank of Montreal - Equity Analyst*

Okay. Yes, it's just the magnitude of the step up. I mean, do you worry about being able to get that done this year? Or are there some big ticket items in there that you're confident you'll see that spend? And is a lot of the tailings spend, therefore yet to come in the back half of the year?

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

Yes. I think the run rate is reasonable. We've done a detailed scrub through the projects to understand exactly what is remaining, ongoing. We do have a few larger projects on the sustaining side that we expect to kick off, including the Antamina tailings lift associated with the mine life extension. We have the QB truck shops that we're continuing construction on.

We also have some demobilization of facilities as we begin the next phase of mining there. So with that, in addition to HVC MLE, which, of course, we have a rigorous schedule associated with the project and the CapEx that we've articulated is in line with that schedule.

And then in the context of TMF, we have spent cash today. We haven't disclosed what that figure is, but we can get out to folks as required, but do expect that spending to continue through the second half of the year. And really maybe to articulate a bit more about why that number is the number that it is. We did have spend associated with TMF embedded in our sustaining capital guidance this year. But the amount and distance of mechanical went of stand related to the TMF and the related cost of that work has increased that expected cost and hence our guidance in relation to staff.

Operator

Carlos De Alba, Morgan Stanley.

Carlos De alba - *Morgan Stanley - Analyst*

Just on QB, could you please provide a little bit more comments around the ship loader repairs? How long would it take if you have already started? And also if there is any -- maybe you mentioned this, but I may have missed it, if there is any impact on CapEx that are material because of the repairs?

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

Yes, Carlos, thank you for that question. As you know, we disclosed the challenge with the ship loader back in June of last year is essentially the cause for that was a brake failure on the [shuttle], which cause an overextension of the ship loader and of course, some damage associated with that. It took some time to be able to access the ship loader. So we've even assessed the repair work, and that was because we were required to apply for and obtain some marine permits. The assessment of that damage is ongoing, and the repair plans are being finalized associated with that work as well.

As we've said, we do think that's going to be an extended shutdown now that will extend in the first half of 2026. We haven't got a finalized capital number for that repair at this point in time because that assessment is ongoing. Importantly, as we've said, the work on the ship loader and the downtime of the ship loader is not impacting our production here. As you'll recall, previously, we had in place trucking arrangements while we were awaiting the completion of the ship loader originally that was allowing us to move material to either smelters in Chile or to other ports in Chile. We've just reactivated that, and we have that trucking fleet operating daily.

So no production constraints, and that's allowed us to minimize any buildup in inventory in the port.

Carlos De alba - *Morgan Stanley - Analyst*

All right. Fair enough. And then just if I may, a second question, just on the sequence of the projects for Zafranal and San Nicolas, well, both are likely to be sanctioned or may be sanctioned by the end of this year at the earliest. Is it fair to think that Zafranal probably is ahead and maybe will be developed earlier?

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

I mean I think it's fair to say that Zafranal is more advanced in terms of the permitting status, in terms of the construction readiness of that team, for example. However, we consider both of those to be options while we're saying we would like to get them ready for sanction by the end of the year, of course, those are decisions that are yet to be taken and the -- a range of factors that will play into those decisions.

So I wouldn't give any particular guidance now on the sequencing of those projects. Think of them as options that we have in the portfolio as we look to derisk and progress those options to the point that we could take sanction decisions when ready.

Carlos De alba - *Morgan Stanley - Analyst*

All right. Thank you very much, Jonathan. Bye.

Operator

Craig Hutchison, TD Cowen.

Craig Hutchison - *TD Cowen - Analyst*

Just on the Highland Valley extension. Now that you guys have made a final investment decision, is there a plan to file a technical report? And just maybe as an interim, can you give me a sense of what throughput you're looking at to achieve that annual production rate of 132,000 tonnes a year?

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

Yes. So we will publish a technical report. We expect that to happen in August of this year. And of course, you'll get all the details associated with that. The throughput, the life of the future mine will be variable.

Of course, it's going to be a product of the ore mining. You'll see in our disclosure that we go through various phases here, where we're mining different pits. Of course, there's different ore harnesses associated with the ore coming from those pits. So there will be variable throughput is the answer and variable grade, of course, that goes with that.

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

And Craig, we did disclose in our Investor Day in November what a production profile would look like for HVC MLE. So I just encourage you to go back and look at that as you think on shows the variability.

Craig Hutchison - *Cowen and Company LLC - Analyst*

I guess to get to the 132,000 tonnes per year, I would assume the throughput has to be materially higher just based on your reserve grade, unless I'm missing something?

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

I mean, I think we are adding capacity to the circuit. We're adding mills there to increase the throughput of material and also to improve recoveries of material, I should say. I mean, last year, you saw our production at HVC come in just below 100,000 tonnes this year. Of course, that production guidance is materially higher in the sort of 140, 150 range. You there year-on-year, currently through the operations that HVC and that's been driven this year in the processing of additional Lornex ore.

And I think that's what you should expect going forward is variability depending on the ore type that's dominating mill feed at any point in time.

Craig Hutchison - *Cowen and Company LLC - Analyst*

Okay. And then just on QB. How are the recoveries progressing? And are you guys -- do you feel like you'll be through the transitional ore this quarter? Or is that still kind of lagging into [Q4]?

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

Yes, I'll just ask Shehzad to talk about that in terms of the transition ore, where we are on recoveries and what we're doing there to continue to drive those higher.

Shehzad Bharmal - *Teck Resources Ltd - Senior Vice President - Base Metals*

Thanks, Craig. Craig, as we had noted last year that we did expect lower recoveries in the first half as we were dealing with more transition ores. And our recovery performance was just slightly below what we had expected due to the inconsistency in the first half of the down dates. We do expect to have better quality ore in the second half with a high grade and higher recoveries. And the transition ores will be variable.

But yes, we expect lockless transition ore in the second half and in 2026.

Craig Hutchison - *Cowen and Company LLC - Analyst*

All right. Thanks, guys.

Operator

Myles Allsop, UBS.

Myles Allsop - *UBS AG - Analyst*

Yeah. Just a couple of questions. Maybe first on QB and Collahuasi, as mentioned in your presentation, it sounds like discussions are not happening at the moment. Is that right? Or is there any progress in terms of looking at that option seriously?

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

Look, there are discussions regarding QB-Collahuasi. I'm not going to go into those because, of course, they're confidential in nature. But as we've said before, we recognize the potential of the opportunity there for synergies. We will always do what's in the best interest of our shareholders in that regard.

As you can see, right now, we have our hands full with ramping QB up to steady state, which has to be our priority here to make sure we get stable production there and then the cash generation that this asset is capable of delivering. But as I mentioned, in parallel, we continue to think about, continue to discuss the potential synergies there, but I won't unpack discussions given they're confidential.

Myles Allsop - *UBS AG - Analyst*

That's fair. And then just going back to the two issues at QB, why is it taking a year to fix the ship loader if it's overextended? It's a new ship loader. Seems an awful long time. And obviously, there is a meaningful OpEx impact.

And with the tailings, when will -- when are you hoping to get that complete? Is it right to assume that, that will be sorted largely by the end of this year? Or is that going to drag?

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

So I'll hand the ship loader question over to Ian Anderson in a moment. I'm just going to talk about tailings. I mean, of course, given the fact that we have maintained our guidance for 2026, our expectation is that we put the TMF issues behind us this year. And that's what we're providing for in our guidance. So as I mentioned, it's sort of a onetime event associated with ramp up.

And when we get through that phase of work, we move into a steady state operation. So it's not something we expect to be plaguing this operation indefinitely at all. It's something we expect. It's a discrete piece of work, we'll get that resolved and move past it, and then we'll be able to secure the online time essentially that we need from this operation. Ian, would you like to make some comments just on the ship loader outlook, please?

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

Sure. Thank you very much, Myles, for the question. So despite the fact that we said it would conclude in the first half of 2026, that's not saying that it will, in fact, take a year. At this point, we're really carefully defining the nature of that work. So as a result of the brake failure, of course, we have to assess all of the structural elements, make sure that, that ship loader has returned safely.

And similarly, do we complete all the work to get it back into great condition.

And so we'll progress that project as we go. Of course, we are dealing with maritime authority. That can cause permit delays, and we certainly want to be cautious about how we deal with that. So want to make sure that, that continues at pace, but at the same time, the nature of the incident demands.

Myles Allsop - *UBS AG - Analyst*

Okay.

Operator

Bill Peterson, JPMorgan.

William Peterson - *JPMorgan Chase & Co - Analyst*

On the higher CapEx guide for Highland Valley mine life extension relative to last year's strategy day, it looks at around 15% to 20% higher. Can you provide additional color or breakdown between materials inflation, contingencies you mentioned or any other factors? And then is there anything through for project sanctioning for Zafranal or San Nicolas, for example, should we expect a similar sort of double-digit increase at this stage just to be prudent? Or any read-through at all?

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

Yes. Look, so on the HVC piece, I mean, I won't specifically give that breakdown. But as I mentioned, there's a range of things in there. And this project level contingency, it's inflation, it's cost escalation, it's the potential for tariffs on construction materials, which we think is a real driver, of course, particularly in between the U.S. and Canada.

So that is something that we've reflected here.

Importantly, as I mentioned, it's also the acceleration of the procurement of mobile equipment that we've brought forward from later project phases. And that materially derisks the project at the rate at which we'll be able to essentially access the valley pit for the long term. So those are important derisking elements in our view. And I'll also ask Crystal just to comment on some of the process by which we looked at this capital spend through the investment approach here that we've taken and our determination to ensure that we give robust capital numbers that can be delivered.

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

Sure. Thanks, Bill. Look, we've advanced this project through the final stages of our project delivery framework as well as through our governance processes, including through our investment committee. Those processes embed the final product requirements, the construction readiness, [probistic] modeling around various facets of the estimates involved as well. We had detailed independent assurance provided on many areas of the business plan as well as in the context of construction readiness.

So all of those are learnings that we set from the QB projects that we've committed to embedding as we go forward in into future projects, including in HVC MLE. And the conclusion of that work ahead of sanction has led to the capital range that we're disclosing, of course, in addition to the factors that Jon noted in the context of what's embedded in that range.

William Peterson - *JPMorgan Chase & Co - Analyst*

Any read-through for future?

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

Yes. I was just going to pick up on that. Look, every project has its own characteristics. We will take the same approach with future projects Crystal just outlined in terms of using independent assurance, taking probabilistic modeling to ensure the full range of, obviously, economic outcomes associated with the project, but also the full range of potential input assumptions here which goes in capital because we need to ensure that we are reflecting uncertainties or known unknowns in the project as we're setting forth the assumptions here. But again, as I mentioned, these projects has its own unique characteristics.

So I don't think you should take a direct read through from that. But what I can say if we will apply the same rigorous approach in Zafranal and San Nicolas that we've applied to HVC.

William Peterson - *JPMorgan Chase & Co - Analyst*

Well understood. My next question is not something the team's talked about recently, but new range, a potential project in the U.S. Just any update on where that project stands in terms of permitting, community engagement and I guess, an opportunity to potentially move faster in what appears to be a pretty strong support within the US in terms of permitting and promoting domestic production?

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

Yeah. Look, I mean, that remains an interesting option for us. It's clearly further out than the Zafranal or San Nicolas here in the schedule. I think the key for us there is to define what is the right project, what is the configuration that will deliver the greatest value in the event that project developed, and that's the work that we're doing now. And of course, you have to define that before you can start to approach the permitting process in any detail.

So I think that's a conversation for later, Bill. We have our hands full with other things right now, but we do continue to work that in parallel.

William Peterson - *JPMorgan Chase & Co - Analyst*

Well, understood. Thanks for your insights.

Operator

Chris LaFemina, Jefferies.

Christopher Lafemina - *Jefferies LLC - Equity Analyst*

I just wanted to ask about, first, on the incremental CapEx for QB for the TMF. How do you decide whether you're going to include CapEx and the project CapEx or in sustaining? Because I would think if you're spending money to ramp the project to full capacity for whatever reason, that would have been part of the project CapEx. I understand it's really just a question of semantics, but when we think about the capital intensity of the project, why wouldn't that be a project CapEx rather than sustaining?

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

I will hand over the semantics question over to Crystal.

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

Hi, Chris. Thanks for the question. In the context of TMF, when we thought about the growth capital for the project, of course, there was construction costs associated with that built into the project capital that we reported against in our results over the first years. I think the pieces that I add to why it's sustaining, I mean, firstly, we're running the operation, and we're producing copper. So I think these things are no longer growth capital.

We did expect spend on the TMF. But that amount, as I mentioned, is more significant than we expected as we are now moving significantly more sand further distances than we expected for mechanical movement and the related cost of that is expected cost. And I think at this point, it doesn't make sense to extend growth capital and it becomes part of the sustaining capital.

Christopher Lafemina - *Jefferies LLC - Equity Analyst*

Okay. That's fair enough. And then secondly, just on the ship loader. Do you have any insurance related to the issues there? Or is it all on you?

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

Ian, do you want to comment on that as well?

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

Yes. Certainly, we are investigating the root cause, and we'll understand based on that, what the next steps will be in terms of insurance. So yes, we do have insurance coverage and that includes interruptions.

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, operator, and thanks again to everyone for joining us today. We look forward to welcoming many of you to our QB site visit on November 3 and 4 of this year. Please reach out to Emma Chapman and our IR team for further information on the site visit or, of course, if you have any follow-up questions on the quarter. So thank you, 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.