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

Greg Barnes – Analyst, TD Securities, Inc.
Lucas N. Pipes – Analyst, B. Riley Securities, Inc.
Orest Wowkodaw – Analyst, Scotiabank

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Teck Copper Growth 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 Tuesday April 18, 2023.

I would now like to turn the conference call 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, Brenda. Good afternoon, everyone, and thank you for joining us. We have published a presentation on Teck Metals and our unparalleled copper growth pipeline. The presentation is available in the Investors section of our website at teck.com.

Please note that today's call contains 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 of the presentation 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.

I also want to note that next week on Wednesday, we report our Q1 2023 results. At that time, we will provide a full update on QB2 and report our operating results, of course. We'll, therefore, not be commenting on QB2 or current operating results on this call.

On today's call, Jonathan Price, our CEO, will discuss the choice for shareholders, the benefits of our proposed separation, and unlocking the value potential of Teck Metals and our unparalleled copper growth pipeline. We will then conclude the session with a question-and-answer period.

With that, I'll turn the call over to Jonathan.

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

Thanks, Fraser. And good afternoon, everyone, and thank you for joining us again at short notice. I should also mention we have Tyler Mitchelson on this call. He is our Senior Vice President of Copper Growth. So, I'm starting on slide 3.

We've spoken a great deal over the last few weeks about the significant benefits of our previously announced separation of Teck steelmaking coal and base metals businesses, and why we are encouraging our shareholders to vote for our separation on April 26.

We are confident that creating two strong stand-alone businesses, Teck Metals and Elk Valley Resources, will provide shareholders choice and a greater set of options to maximize the value of their investment.

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. And 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.

While I have plenty to say about the significant value that I believe can be created through a stand-alone steelmaking coal business, today I wanted to spend some time walking you through the tremendous potential we see for Teck Metals to significantly enhance value for our shareholders as a stand-alone, pure-play base metals company.

But before I dig into that, turning to slide 4, I wanted to reinforce the choice that is before our shareholders. A vote for the separation is a vote to create two world-class, pure-play mining companies, providing both unparalleled exposure to a premier base metals platform and an attractive opportunity to remain invested in a high quality, high margin steelmaking coal business.

Voting for opens the door to value-maximizing opportunities and provides certainty with no execution risk. In fact, it can be completed in as little as six weeks from today. And the separation and the further path to value has the clear support of our Class A shareholders.

A vote against is a vote for the status quo, which means less optionality and far fewer paths to create value. There is no other alternative on the table. And to be clear, Glencore's rejected proposal is not a realistic or viable option. Most importantly, for an investor perspective, it wouldn't have gotten close to execution for at least two years, if ever. Our board and our Class A shareholders have been clear it is a non-starter.

Slide 5 summarizes some of the most important drivers of Teck Metals' value proposition. As a stand-alone business, Teck Metals will be positioned to achieve its full potential as a premier global base metals platform and an indispensable producer of one of the most critical materials for the energy transition, copper.

Teck Metals has everything investors want in a base metals portfolio. It has the right commodities with the right portfolio of assets in the right jurisdictions, with the right plan to unlock value for shareholders, backed up by a strong investment-grade balance sheet and robust capital allocation framework that balances growth with returns to shareholders. From day one, Teck Metals will be a top 10 producer in the Americas with a clear path to become one of the top 10 copper producers in the world in as little as 18 months.

Now to slide 6. Teck Metals portfolio of high-quality cornerstone assets are located in stable mining jurisdictions across the Americas that boast first quartile C1 cash costs. This growth pipeline is well advanced thanks to thoughtful investments made over the last several years that will position five projects for final sanctioning within approximately three years.

As shown in the top left here, that means the ability to double copper production near term, then double again by the end of the decade. And under the terms of the separation from EVR, this growth potential, as well as significant shareholder returns under our capital allocation framework, will continue to be well funded and supported with investment-grade credit ratings, a strong balance sheet, and dependable cash flows.

Turning to slide 7, as I mentioned, this incredible growth potential is supported with a solid foundation with low cost, long-life producing assets that generate strong cash flow. I could go on at length about the world-class operations of Antamina in Peru, Highland Valley Copper in British Columbia, and Red Dog in Alaska.

But this afternoon, I want to particularly focus on QB2. This is because the most significant driver of our operational strength is our Quebrada Blanca asset. QB is Teck Metals' flagship operation, a truly world-class copper mine.

Turning to slide 8. QB is a world-class asset with an initial mine life of 27 years, significant options for future expansion, and it is a key driver of both near-term and long-term growth. When I say we are just getting started unlocking exciting value from this asset, I mean that quite literally. It produced its first bulk copper concentrate on March 31.

It is currently the most advanced and lowest risk major development project in the copper space. And as it reaches full production later this year, it will double Teck Metals' current copper production on a consolidated basis by 2024.

As significant as that is and QB2 will be rubbing shoulders with the biggest minds globally from the get-go, the real potential is actually much greater from this massive copper resource. Only 18% of QB's total mineral resource is included in the existing mine plan, highlighting the opportunity we see for substantial expansions from the massive copper mineral endowment, both in the near term with QBME, and then further beyond.

Now, turning to Teck Metals' leading portfolio of development projects on slide 9, I want to emphasize this is a pipeline in an advanced state of readiness thanks to years of strategic and deliberate pre-investment.

Over a decade ago, Teck recognized the value that could be created through a robust pipeline of copper projects. The value of that has only been further emphasized by the increasing demand for copper driven by electrification and the energy transition. At the same time, we foresaw the need to invest early to overcome multiyear investment timelines and take advantage of the potential that creates.

So, in recent years, we have work to complete longer lead time development work across our portfolio of projects to put them into an accelerated state of readiness. We also partnered with others to accelerate and de-risk that work, realizing over $1 billion of additional value in the process. As a result, we have created the most valuable portfolio of actionable copper growth projects in the industry, well beyond the investments made in QB2.

And looking at the copper growth projects in more detail on slide 10, as you can see, Teck Metals has five significant near-term projects to drive additional copper-focused growth, all located in well-established mining jurisdictions in the Americas, San Nicolás, QBME, Zafranal, NewRange, and Galore Creek. They are diversified by jurisdiction and scale. Each of these will be a low-cost operation with competitive capital intensities already de-risked through strategic partnerships.

On slide 11, you can see just how actionable that portfolio is. With numerous sanctioned windows within the next three years, we will be in a position to drive substantial additional production growth from these development projects beginning as early as 2027. For each of these, we have significant work underway, including resource definition, engineering and design, and permitting, as well as stakeholder engagement.

Turning to slide 12. In the immediate term, as mentioned, Teck Metals' consolidated copper production will double with the full ramp up of QB2. After 2026, our near-term development pipeline helps us to almost double production again by the end of the decade, with a clear pathway of projects through the medium to longer term to further double production after that.

As you can see on slide 13, this copper growth pipeline makes Teck Metals the go to company in base metals globally, a company with industry-leading copper growth, setting the stage for a substantial rerate potential, all underpinned by strong cash flows, high quality assets, and a compelling value proposition as a pure-play business.

Turning to slide 14. So, what's the potential value of all this copper? As the demand for copper continues to rise and the constraints on new supply persist, so will the value of strategic, high quality copper growth assets. Given that context and with a premium base metals portfolio and substantial growth in both the near and long term, Teck Metals clearly warrants a premium valuation in the market.

Teck Metals will have the best of both worlds, ownership of a premium existing portfolio, substantial fully funded growth pipeline, and the ability to provide ongoing cash returns to shareholders. As such, its portfolio mix and industry-leading growth will position it to capture a substantial value opportunity. Comparable pure-play copper companies simply do not have a growth pipeline of this significance.

Turning to 15. As shown in the illustrative examples here, the Teck Metals per share value has strong upside, including a favorable long-term copper price trend, our impressive near-term growth pipeline and strong balance sheet. And importantly, this does not include the value of EVR common shares we intend to distribute to shareholders.

Looking at the comparables, the pure-play peer set are effectively [ph] ex-growth, are diversified to have (00:13:01) growth, but trade on a diversified multiple. That effectively means Teck Metals will be the only pure-play high-growth copper vehicle, a truly unique prospect.

Looking at these scenarios, depending on your view on multiple and copper price, you can readily see a place where Teck Metals' shares post-separation are worth CAD 100 or more. That is the kind of value unlock potential we mean when we say that separation to create a stand-alone, pure-play base metals business is the best path to value for our shareholders.

Turning to slide 16. In summary, we see our base metals portfolio as undervalued in the market and are confident that the pending separation represents the best path to realize that significant value potential which is inherent within Teck Metals. This is a business that will have the best of both worlds, a premier portfolio of producing operations and industry-leading copper growth potential in the near term.

It is clear that the key to fully unlocking and maximizing this value is through a separation to create a stand-alone, pure-play base metals company of unrivaled potential. Along with our board, I ask all of our shareholders to vote for the separation to open the door to Teck Metals and to the value it will create.

With that, I'd like to thank you all again for joining us today, and we can now begin our Q&A.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The first question comes from Greg Barnes from TD Securities. Please go ahead.

<Q – Greg Barnes – TD Securities, Inc.>: Yes, thank you. And, Jonathan, thanks for the presentation. Can you give us any kind of more granularity on QB Mill Expansion in terms of the required capital cost to add that production to the portfolio?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Thanks, Greg, for the question. When we submitted our application for the amendment to the permit under which QBME would be built, we had to use an indicative capital cost for that project. And that's required as part of the process in Chile. For those purposes, we use on 100% basis the capital cost of $3 billion. So, we expect that to fall within the range of capital costs for the QBME build.

<Q – Greg Barnes – TD Securities, Inc.>: Okay. And the timing that you have here appears to indicate mid-2027 for first production. Is that accurate, given the timing and the permitting window that you have on this?

<A – Jonathan Price – Teck Resources Limited>: Yeah, Greg, we think so. We are currently working through a feasibility study, which we expect to have finished at the end of this year. As I said, the amendment to the existing permit has been submitted and is working its way through the process and is going well from our perspective.

So, we believe that QBME could be ready for sanction in the second half of 2024, and therefore construction could begin early 2025. And given that we will be leveraging from installed infrastructure, such as the [ph] diesel (00:16:59) plant, the pipelines, the tailings facility, et cetera, we do think that the construction window that we've outlined here of around 2.5 years is a reasonable estimate.

<Q – Greg Barnes – TD Securities, Inc.>: Great. Okay. Thank you. That's it from me.

<A – Jonathan Price – Teck Resources Limited>: Thank you, Greg.

Operator: The next question comes from Lucas Pipes from B. Riley Securities. Please go ahead.

<Q – Lucas Pipes – B. Riley Securities, Inc.>: Thank you very much, operator. Thank you for the call. Jonathan, I wanted to ask a quick follow-up question on slide 15, where you lay out the different scenarios, and just get your perspective on the timing of seeing these potential upside cases.

Do you think this is – that the multiples 10 times, 9 times, is that what ought to be baked in today or would you say this is something that – obviously, post spin, or do you think this requires additional capital spending on some of these growth projects that you've outlined? Thank you very much for your perspective.

<A – Jonathan Price – Teck Resources Limited>: Look, I think the growth potential here in the near term, Lucas, is very real. If you look at some of the analysis in the slides here, we have a doubling of copper production this year as we ramp up QB2. And then, we have a doubling of copper production again over a number of years that follow QB2. So, you have a period of sustained growth here for Teck's copper profile.

As we said in the slide here, between 2022 and 2026, the consensus CAGR for our copper production growth is 22%. So, that's compelling and that should attract a premium multiple in the near term. So, of course, as ever is the case, Lucas, the market will decide, but we think we offer compelling copper growth out of the gate, and we're able to sustain that copper growth through the balance of this decade and beyond. And therefore, a premium growth-related multiple should be applied to Teck Metals.

<Q – Lucas Pipes – B. Riley Securities, Inc.>: Thank you very much for that. And then another quick follow-up question on slide 12 with the longer-term growth projects. Are those in chronological order or order of priority, how would you frame up those four projects? Sorry if I missed it.

<A – Jonathan Price – Teck Resources Limited>: Yeah. Look, I wouldn't read into those four projects as being in chronological order. They are clearly longer-dated options for us. The future QB expansions, of course, given the platform we will have built for QB2 and probably the QB Mill Expansion as well, would just be further brownfield expansions of that site, which would look very interesting.

Similarly, with Mesaba, which could be the next development following NorthMet at the NewRange joint venture, again, is sort of a pseudo brownfield situation. Of course, as we look to things like Nueva Unión and Schaft Creek, which will be greenfield in nature, then, again, there's more work to be done there.

So, I wouldn't read these necessarily as being stepwise. The more that we delineate those resources, we undertake these studies, we progress the permitting and the stakeholder engagement, we'll have a far better view as to the right sequence for the development of those projects in due course.

<Q – Lucas Pipes – B. Riley Securities, Inc.>: Thank you very much for the color and, to you and the team, best of luck.

<A – Jonathan Price – Teck Resources Limited>: Thank you, Lucas. Appreciate it.

Operator: The next question comes from Orest Wowkodaw from Scotiabank. Please go ahead.

<Q – Orest Wowkodaw – Scotiabank>: Hi, Jonathan. Thanks for taking the call today. Can you maybe talk about more about QB itself? I realize you have all of these other longer-dated greenfield projects. But, I mean, given that QB2 is only using 18% of the resource, QBME will be expansion of 50%, I mean, why not push ahead with studies and permitting to do Phase 1, Phase 2, Phase 3, Phase 4? And what potential could QB actually get to, say, on a 10-year view? Because that seems probably a better use of capital than things like Schaft Creek and Galore Creek and some of the other big greenfield ones.

<A – Jonathan Price – Teck Resources Limited>: Yeah. Thanks, Orest. I mean, the resource potential, of course, of QB is very exciting. We're at 8 billion tonnes now. QB orebody remains open in multiple directions, so there is the potential for that to grow quite significantly. So, the 18% currently being used by QB2, of course, could become a smaller proportion of a much bigger resource over time.

Look, we will absolutely evaluate those options, Orest. Of course, we'll do the studies to see what the subsequent expansions post QBME look like. QBME, of course, is a logical next step because of that use of installed infrastructure that I mentioned previously. Should we then go again? Of course, with subsequent expansions, we will have to expand the associated infrastructure in a commensurate basis.

But you can see, just if you look at some of the bars on the slide here, QB2 plus the QB Mill Expansion gives you that 460,000 tonnes, and then the future QB expansions can give you sort of something order of magnitude similar to that, again, depending on how many lines of concentrated capacity you put in place. So, this has the potential to truly be one of the world's largest operations, which is why we show it on the slide up here sort of just below Escondida and Collahuasi.

<Q – Orest Wowkodaw – Scotiabank>: Yeah. Makes sense for me. Thanks very much.

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

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

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

Thank you very much and thanks again, everyone, for joining us. We are very excited about the prospects for both Teck Metals and EVR post separation. If you have any questions or need any additional information, don't hesitate to contact Fraser or any of the other members of the IR team, and I look forward to speaking to each of you in the near future. Thank you.

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