PARTICIPANTS

Corporate Participants

Fraser Phillips – Senior VP-Investor Relations & Strategic Analysis, Teck Resources Ltd.
Donald R. Lindsay – President, Chief Executive Officer & Director, Teck Resources Ltd.
Ronald A. Millos – Senior Vice President-Finance & Chief Financial Officer, Teck Resources Ltd.
Robin B. Sheremeta – Senior Vice President-Coal, Teck Resources Ltd.
Dale E. Andres – Senior Vice President-Base Metals, Teck Resources Ltd.
Réal Foley – Senior Vice President-Marketing & Logistics, Teck Resources Ltd.
Peter C. Rozee – Senior Vice President-Commercial & Legal Affairs, Teck Resources Ltd.

Other Participants

Orest Wowkodaw – Analyst, Scotia Capital, Inc.
Carlos F. De Alba – Analyst, Morgan Stanley & Co. LLC
Curt Woodworth – Analyst, Credit Suisse Securities (USA) LLC
Greg Barnes – Analyst, TD Securities, Inc.
Jackie Przybylowski – Analyst, BMO Capital Markets Corp. (Canada)

MANAGEMENT DISCUSSION SECTION

Operator: All participants please standby, your conference is ready to begin. Ladies and gentlemen, thank you for standing by. Welcome to Teck's Third Quarter 2020 Earnings Release Conference Call. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. This conference call is being recorded on Tuesday, October 27, 2020.

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

Fraser Phillips, Senior VP-Investor Relations & Strategic Analysis, Teck Resources Ltd.

Thanks very much, Melanie. Good morning, everyone, and thank you for joining us for Teck's third quarter 2020 results conference call. Before we begin, I would like to draw your attention to the caution regarding forward-looking statements on Slide 2.

This presentation contains forward-looking statements regarding our business. This slide describes the assumptions underlying those statements. Various risks and uncertainties may cause actual results to vary. Teck does not assume the obligation to update any forward-looking statement. I'd also like to point out that we use various non-GAAP measures in this presentation. You can find explanations and reconciliations regarding these measures in the appendix.

With that, I will turn the call over to Don Lindsay, our President and CEO.

Donald R. Lindsay, President, Chief Executive Officer & Director, Teck Resources Ltd.

Well, thanks very much Fraser, and good morning everyone. Thank you for joining us this morning. I will begin on Slide 3 with our third quarter highlights that will be followed by Ron Millos, our retiring CFO who will provide additional color on our financial results. We will then conclude with a Q&A

session where Ron and I and several additional members of our senior management team would be happy to answer any questions.

Before I start, I do want to say that after 25 years with Teck this is expected to be Ron's last quarterly conference call and I just want to personally, and on behalf of our whole team, thank Ron for his many outstanding contributions to Teck over his 25 years with the company and we wish him the very best in his retirement. Thank you, Ron.

Jonathan Price, Teck's new Senior Vice President and Chief Financial Officer will join me in presenting our fourth quarter 2020 results in February.

So these continue to be what I guess many have called unprecedented times as the world adapts to a new normal with COVID-19. And despite the ongoing challenges, our financial performance recovered strongly from a second quarter that clearly was very significantly and negatively impacted by COVID-19.

And despite the decline in realized steelmaking coal prices that you all have seen we did post gain in profitability and operating cash flows. We made significant progress during the quarter on the execution of our major projects including advancing the Neptune Terminals upgrade, in line with the schedule and the budget and also safely ramping back up construction at our QB2 project. We've also made progress in reducing costs through supply chain improvements and our cost reduction program and as a result of RACE21.

Our adjusted site cost of sales in steelmaking coal is expected to be below CAD 60 per tonne in December, but around CAD 45 per tonne at the mine site. And across our business, our people have adapted to the new normal of operating through the pandemic, staying focused on health and safety, while continuing to responsibly produce materials that are essential to the global economic recovery.

Turning to our financial results on Slide 4. In the third quarter, revenues were CAD 2.3 billion. Gross profit before depreciation and amortization was CAD 703 million. Bottom line adjusted profit attributable to shareholders was CAD 130 million or CAD 0.24 per share on both a basic and a fully diluted basis.

And while these results reflect the negative effect of COVID-19 on the prices and sales of the products compared to the third quarter of last year, they also represent a strong recovery from Q2 2020 which was significantly negatively impacted by the pandemic.

I'll now run through some key updates for the quarter starting with our steelmaking coal business on Slide 5. We are continuing to successfully restructure our cost base due to our planned decline in strip ratios, and due to the Elkview plant expansion, and due to the closure of our Cardinal River operations, as well as our cost reduction program, CRP and our RACE21 programs.

Our adjusted site cost of sales are expected to decrease over the remainder of 2020, and to be below CAD 60 per tonne in the month of December. Our strip ratio was 11.4:1 in 2019 last year and we expect it to decline to around 10:1 through the fourth quarter and into 2021.

We completed the major expansion of our Elkview operations plan in Q2 despite the challenges of the pandemic, and that plant now has the capacity to produce 9 million tonnes annually which enables us to replace higher cost production from our Cardinal River operations with a higher quality coal produced at a lower cost from our Elkview operations.

And at the same time we're nearing the end of the major capital deployment phase for Neptune, this one next quarter, and the water treatment facilities at both Elkview and Cardinal River. So that's three capital projects that will be coming to an end by the end of next quarter.

Turning to our Neptune upgrade project on Slide 6. We continue to advance the project in line with the previously announced capital estimate and schedule. And the planned five month shutdown of terminal operations was successfully completed in September and all the different things that we wanted to achieve and accomplish during that five months were achieved.

Major equipment deliveries are now complete with all equipment currently on site. A number of us went to have a visit with the sole goal to see the new shiploader now in place and we were thrilled to see it arriving on the special ship called Jumbo on October 8th as it sailed into Vancouver's Lions' Gate Bridge. And you'll see a picture here, and I'll tell you it was a beautiful sight.

The Neptune upgrade will of course secure for us a long term, low cost and reliable supply chain -- supply chain solution for steelmaking coal business unit. We expect construction to be completed next quarter that's Q1 of 2021 and the terminal capacity to increase as the new equipment comes online. So it does start to increase before the quarter is over.

We made solid progress during the quarter at our QB2 project on slide 7. QB2 is a key component of course to test copper growth strategy. It's a big part of us rebalancing the portfolio, and copper will ultimately be our largest business.

We currently have over 7,000 people on site and are targeting over 9,000 people on site by the end of the year. All major contractors have remobilized and work is progressing well across the project and it is in line with our ramp up plan. Construction of additional camp space is being built to manage the COVID-19 impacts, will provide additional capacity as it begins to come online in Q4 of 2020 this quarter.

We are aiming to achieve overall project progress of approximately 40% by year end. As a result of COVID-19, we expensed CAD 107 million of costs related to the project's expansion of construction and CAD 23 million of interest that would have otherwise been capitalized for the project in the third quarter. And to the end of September, we've expense total costs of $272 million and $103 million of interest that would have been capitalized for the project.

We recommenced capitalization of borrowing costs on the QB2 project in the third quarter, consistent with the return to active construction on the project. And assuming the ramp-up proceed through the fourth quarter as currently planned, the aggregate estimated impact from this suspension is expected to be approximately US$350 million to US$400 million, excluding interest, with a scheduled delay of approximately five to six months. As well, the additional camp space has an incremental cost of US$45 million above that. First production at QB2 is expected in the second half of 2022.

Turning to Slide 8, at Teck, our approach to safety and sustainability are core to the success of our business. Robust COVID-19 protocols remain in place at all of our operations. We continue to focus on preventative measures and controls and compliance and integration into our new normal.

Year-to-date, our high potential incident frequency is 31% lower than the same period of 2019 at 1.1 per million hours worked. In September, together with the AES Corporation, we entered into a long-term power purchase agreement to provide a 100% renewable power for our Carmen de Andacollo operation in Chile. This agreement is expected to eliminate approximately 200,000 tonnes of greenhouse gas emissions each and every year.

And it is our goal to be the leading diversified mining company when it comes to sustainability in ESG rankings and performance. I'm proud to say our efforts on sustainability have been recognized by a number of organizations. In 2019, Teck was named to the Dow Jones Sustainability World Index for the 10th consecutive year, and we were the top ranked mining company in the index.

We are also the top ranked diversified metals mining company on Sustainalytics and are highly ranked on MSCI in comparison to our peers. We are an ICMM member company. I just finished three years as chair, and we've been recognized as a strong performer by ISS, FTSE4Good and others.

And we were proud to announce yesterday that Teck has been named to the Forbes World's Best Employers 2020 list, which is an employee-driven ranking of multinational and large companies from 45 different countries. They looked at topics including COVID-19 response, and willingness to recommend an employer to friends or family.

And now -- while, we are of course we are proud of our performance, but we do know that there is more work to be done on these key issues as they become much more pertinent to many stakeholders.

I'll now run through highlights of our third quarter by business unit, starting with steelmaking coal on Slide 9. Third quarter steelmaking coal sales were 5.1 million tonnes which was within our guidance range. We had planned mining and production outages at our operations in the third quarter to correspond with anticipated reduced demand related to COVID-19.

We reduced the logistics capacity in accordance with that by using the planned five month shutdown at Neptune Terminal and that was completed in September. And as result, our Q3 production of 5.1 million tonnes was 22% lower than the same period last year, and that affects costs. As you would expect, our adjusted site cost of sales of $67 per tonne reflected that lower production and lower sales volume.

Transport costs were higher than the same period a year ago, primarily due to the lower volumes to Neptune during the planned five month shutdown of terminal operations. And on August 25th we announced that we signed an agreement in principle with Westshore Terminals for the shipment of 32.25 million tonnes starting on April 1, 2021.

Together with the Neptune upgrade, and our contract with Ridley Terminal, this will provide much greater flexibility and optionality for Teck protect shipments and contribute to reduced costs and improved performance and reliability throughout our steelmaking coal supply chain. So looking forward, we expect strong sales of 5.8 million to 6.2 million tonnes in Q4 of 2020, up from the 5.1 million in Q3.

We expect our adjusted site cash cost of sales to decrease over the remainder of the year and to be below CAD 60 per tonne in December, supported by the restructuring of the cost base in our steelmaking coal business segment.

Turning to our copper business unit, our third quarter results are summarized on Slide 10. Antamina performed well at full production rates in the quarter, following a temporary suspension of operations due to COVID-19 that happened in Q2 of 2020.

Production was lower than the same period last year at both Highland Valley and Carmen de Andacollo. At Highland Valley, production was impacted by harder than expected ore, following a change in mine sequencing earlier in the year in support of reduced waste movement as well as maintenance challenges. Production is expected to be higher in Q4 due to increased mill throughput and higher ore grades.

Decreased Andacollo was primarily the result of lower ore grades which were expected in the mine plan and also reduced mill throughput due to longer than anticipated maintenance shutdown. Notwithstanding the reduced production where you would expect cost to go higher, we actually had significantly lower total and net cash unit costs during the same period last year and this was supported by a cost reduction program and the contribution from RACE21.

Looking forward, we've lowered our copper production guidance range for the second half of 2020 to 140,000 to 155,000 tonnes, which is guiding down 5,000 tonnes than before and that's due to the lower production at Highland Valley.

Our zinc business unit results for the third quarter are summarized on Slide 11, and as a reminder, Antamina zinc-related financial results are reported in our copper business unit. Red Dog sales of zinc and concentrate were 175,300 tonnes, which was in line with our guidance range. Red Dog zinc production is significantly improved from Q2 2020.

Climate change, I have to say, is affecting site conditions which limited our ability to discharge treated water. However, operating restrictions due to excess water were resolved in the third quarter. And we completed a raise of the tailings facility earlier than originally planned which provided us with additional flexibility for water storage. We also installed a new water treatment plant to increase the water discharge capacity when permit limitations allow.

At Trail, refined zinc and lead production was higher than in Q3 of 2019 and looking forward we continue to expect to ship all concentrate during the Red Dog shipping season. In fact, they will be completed in just a matter of days and compared to the loading arm on one of the two shipping barges was completed by the end of July.

We expect sales of Red Dog zinc and concentrate of 145,000 to 155,000 tonnes in fourth quarter, which reflects a normal seasonality. We have lowered our guidance for our net cash unit costs in the second half of 2020 to US$0.30 to US$0.40 per pound from previously US$0.40 to US$0.50 per pound, so that's definitely headed the right direction.

Our energy business unit results for the third quarter are summarized on Slide 12. Our realized prices and operating results were significantly impacted by both lower production and a material decline in benchmark oil prices compared with Q3 of 2019.

As previously announced, the Fort Hills Partners safely and efficiently reduced operations to a single train facility in the second quarter, which helped reduce negative cash flows in the third quarter in light of COVID-19 and the very low Western Canadian Select prices. Production was also negatively impacted by extreme wet weather, which resulted in soft pit conditions starting in June and continuing into July.

Looking forward, the Fort Hills Partners has decided to restart the second train and to ramp up production to around 120,000 barrels per day by the end of the year, and that was earlier than had previously been anticipated.

On October 23rd, just five days ago, the government of Alberta announced that it will not issue monthly production limits for the December 2020 production month. And in December 2020 that means that operators will be able to produce above their previously issued production limits without having to purchase curtailment credits or to acquire these special production allowances.

The curtailment rules have been extended to December 31, 2021. However, the government of Alberta will only issue ministerial orders to limit production when they feel it is needed. If required, ministerial orders will be issued with 30 to 60 days' notice to allow time for producers to respond and plan accordingly.

The Fort Hills Partners continue to monitor the business environment and assess plans to maximize cash flow, including the potential to increase production and lower costs. We've lowered our guidance for adjusted operating costs in the second half of the year to CAD 35 to CAD 38 per barrel of bitumen, down from the previous CAD 37 to CAD 40 per barrel.

But, of course, what we're all looking forward to is to regain that level that we were in December of 2018 when -- which was the last month when Fort Hills was allowed to run at full capacity, and in that month it did averaged 201,000 barrels a day at a cash cost of CAD 23 per barrel. We're looking forward to getting back there sometime in the future.

And with that I'll pass it over to Ron Millos for some comments on our financial results. Ron over to you.

Ronald A. Millos, Senior Vice President-Finance & Chief Financial Officer, Teck Resources Ltd.

Great. Thanks Don. I'll speak to the changes in our cash position during the third quarter and that's on Slide 13. So we received that net proceeds of CAD 540 million from debt in the quarter. And that was made up of net draws of US$49 million on our revolver and US$341 million on the QB2 project financing facility.

We generated CAD 390 million in cash flow from operations. We spent CAD 589 million on capital projects and that included CAD 246 million on QB2 and CAD 89 million on Neptune facility upgrade. Our stripping activities used CAD 110 million and that was lower than our Q3 2019, due mainly to the planned mining and production outages at our steelmaking coal operations in the quarter.

We paid a CAD 104 million in interest and financing charges and CAD 54 million on expenditures on investments and other assets. Lease payments totaled CAD 41 million and we paid CAD 27 million in our regular CAD 0.05 base dividend. And after these and other minor items, we ended the quarter with cash and short-term investments of $403 million.

Turning to the impact of COVID-19 on our business on Slide 14. As Don mentioned earlier, while our third quarter financial results reflect the negative effect of COVID-19 on the prices and sales of our products compared with the same period last year, we saw strong recovery compared with Q2 of this year which was significantly negatively impacted by the pandemic.

In the second quarter, all of our mines had recovered from COVID-19 production disruptions, and in the third quarter we expensed CAD 130 million related to COVID-19 on a pre-tax basis which is half of the amount expensed in Q2.

And, of course, we expensed CAD 107 million in other operating income -- expenses related to the temporary suspension of construction and remobilization at QB2 project and CAD 23 million in additional finance expense, representing interest that would have otherwise been capitalized if construction on QB2 had not been suspended.

While we have certain increased costs associated with operating our mines at full production in the new normal environment of COVID-19 such as medical testing, safety equipment supplies and additional transportation and accommodation costs for social distancing, they are cost of operating in this environment and are not adjusted for an adjusted earnings calculations.

And on a year-to-date basis, we expensed a total of CAD 434 million related to COVID-19 and that included a CAD 103 million of interest that would otherwise have been capitalized. And we recommenced capitalization of borrowing costs in the QB2 project in the third quarter and that was consistent with our return to active construction on the project. And barring any further negative developments around COVID-19, we do not expect significant COVID-19 specific costs on a go forward basis.

Slide 15 summarizes the latest results of our cost reduction program. To the end of September, we've achieved approximately CAD 270 million of operating costs reductions and CAD 550 million of capital costs reductions. And these reductions are against what we were expecting to spend back at the end of June 2019 when we started looking for cost reduction opportunities. So we've made pretty good progress against our targeted reductions of CAD 1 billion. The reductions are spread throughout the company with the majority of the operating business units and it also includes the Satellite projects, the exploration projects, our IT systems and our admin and marketing costs throughout the company.

And the realized and remaining targeted cost reductions from our cost reduction program have been included in our guidance since we announced the program in October last year and are reflected in our current guidance as well.

Turning to our financial position on Slide 16, we have a strong financial position with current liquidity of CAD 6.8 billion and this includes our cash balance and the amounts available on our US$5 billion of committed revolving credit facilities. US$3.8 billion is available on our US$4 billion facility that matures in fourth quarter of 2024. And our US$1 billion sidecar that matures in the second quarter of 2022 is undrawn.

Importantly, both of these facilities do not have any earnings or cash flow based financial covenants, do not include a credit rating trigger and do not include a general material adverse effect borrowing condition. The only financial covenant is a net debt to capitalization ratio that cannot exceed 60% and at September 30th, that ratio was 23%.

And for our US$2.5 billion limited recourse project financing facility for QB2, we've currently drawn about US$860 million of which US$340 million -- US$341 million -- sorry -- was drawn in the third quarter.

Going forward, our project funding will be from the project financing until the project reaches a specific ratio of project financing to total shareholders' funding. And Teck's next contributions to project capital for QB2 are not expected until the first half of 2021.

And we have no significant note maturities prior to 2030, and investment grade ratings from all four of the credit rating agencies. So, overall, our financial position is in good shape to allow us to continue to weather the challenges around COVID-19 and to complete the Neptune facility upgrade and the QB2 project.

And with that, I will turn it back over to Don for his closing comments.

Donald R. Lindsay, President, Chief Executive Officer & Director, Teck Resources Ltd.

Thank you, Ron. And to wrap up on Slide 17, despite the ongoing challenges, our financial performance did recover strongly in Q3 following a second quarter that was obviously negatively impacted by COVID-19.

We believe that Teck has quality operating assets and stable jurisdictions and we are advancing our corporate growth strategy that is funded and is being implemented. We continue to progress our four key priorities to create shareholder value and position Teck for decades to come. And those are the QB2 project, RACE21, Neptune and our company-wide CRP cost reduction program. And we believe Teck is well-positioned to generate shareholder value as it will adapt to the new normal with COVID-19.

And with that we would be happy to answer your questions. I should say, like many of you, most of us are on phone lines from home, so please bear with us if there is a delay while we sort out who will answer each question. So now operator over to you for the questions?

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Thank you for your patience. The first question is from Orest Wowkodaw of Scotiabank. Please go ahead. Your line is now open.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: Hi, good morning. Don, I was hoping we could get a bit more color on the cost guidance in coal. I find the languaging in the MD&A fairly confusing, because it -- on one hand you say that you expect on site costs in coal to exit this year, sub CAD 60 a tonne. But then in the disclosure it also talks about kind of preliminary 2021 site cash guidance to be in line with H2 levels, which are CAD 60 to CAD 64. Can you help explain how we should interpret that?

<A – Don Lindsay – Teck Resources Ltd.>: Yes. I'll turn it over to Robin in just a minute. But you should have the context that we haven't finished our budgeting for 2021 yet, so we didn't want to put out formal numbers very specifically until we've done that, and that process is ongoing. There are always a number of different factors with any operation that come at you throughout the course of the year, so we want to make sure that we've examined all those things before we put out very specific guidance. But for sure, the cost structure of the business has been materially reduced. And while it would be plus or minus a couple of bucks going forward, we are at a level that's substantially lower than it was before and the starting point going into 2021 is pretty good. But with that Robin over to you.

<A – Robin Sheremeta – Teck Resources Ltd.>: You bet. Thanks. And thanks Orest. As Don said, we're going through a budget process right now, so there's still lot of things like all this and these plant maintenance outages that normally occur in Q2 and Q3 that we ought to take into account. And we've also got two new water treatment facilities coming online this year with Fording River South going to be completed at the end of Q1 as well as the Elkview saturated rock fill which is just going online now, so those things all have to be rolled into a budget.

But I want to give you -- I will give you a few important data points that will help you kind of frame a view on around this. So our strip ratio -- and this is a key cost driver -- is going to be -- we're coming down to around 10:1 through this last quarter. We will go through 2021 at that 10:1 and we see ourselves over the next few years staying at 10:1. And that's an extremely important cost driver for us. You will remember our strip ratio through 2019 was 11.4:1. It's going to be 11.1:1 through 2020. So now that we've got the expansion of Elkview behind us, we see that strip ratio stabilizing. So that's one really important data point.

Don also mentioned the closure of Cardinal River. From a structural point of view, that was our highest cost operation, lower quality coal and that tonnage and more actually has been created through the Elkview expansion, which is now successfully executed and we're running at a pace of 9 million tonnes per year at that operation. And that's our lowest -- one of our lowest cost operations in the business and at a higher quality coal. So that's another factor you have to take into account, because it's both cost and it gives us greater value on the product side.

The other thing that we probably haven't talked much about, but through this time -- through the COVID time we've maintained our mine plans and the key assets [Technical Difficulty] (28:55) So we've got healthy raw coal inventories now going into 2021. And if you remember, that was one of the constraints that we actually suffered through here over the last couple of years when we were driving to product into the high priced market, so that's behind us, so we now have healthy raw coal inventories. Our mine plans are very stable, that's why we're able to maintain 10:1.

And the other piece of puzzle is we've had trouble with full clean coal inventories as well. And that's three of the four operations now are pretty much down to stable levels and that means that's no longer a constraint for us. So another reason we've got a pretty strong base going into 2021.

And then, I guess, I'll end on one last positive note. We're driving RACE21 -- that strategy through coal and we're seeing significant value right now. And I kind of -- just to illustrate it, we saw record high mine productivities in Q3 above anything we've seen previously. So there's -- that will be sustained forward, and that's the kind of structural change that's occurring that supports a very strong cost base going into 2021. So, again, I don't want to get specific numbers out at this point as we go through the budget, but suffice to say we're operating off a much, much better cost base than we have through this two year transition phase.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: But Robin just on that, I mean for all the reasons that you cite here, I guess, I'm not understanding why costs are not going to remain below CAD 60 bucks a tonne in 2021?

<A – Robin Sheremeta – Teck Resources Ltd.>: Well, Q4 -- I mean, one aspect about Q4 is we don't have plant shutdowns in that quarter. It's typically a quarter where that's all behind us. And we on average will operate at a lower cost normally in Q4 than we do over full year. So quarter-to-quarter you're going to have different impacts on your cost base. So that's why we're confident we'll end the year below CAD 60, but that doesn't mean that every quarter forward in 2021 will be at that same level.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: Okay. That will be it. Thank you very much.

<A – Don Lindsay – Teck Resources Ltd.>: Orest, you can assume it is certainly our objective to stabilize CAD 60 if we can and -- if it's at all possible, but we don't want over represent right now until we're finished the budgeting process.

<A – Robin Sheremeta – Teck Resources Ltd.>: Yes.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: Okay. Thanks, Don.

<A – Don Lindsay – Teck Resources Ltd.>: I might add just on the haul truck productivities comment that Robin made. But we actually had really high record haul truck productivity during spring runoff. For those of you who've ever been a foreman in the pit and seen what the road conditions are like at that time of year, that's incredible statement to be able to make, so RACE21 is certainly helping us a lot. Next question please.

Operator: Thank you. The next question is from Carlos De Alba of Morgan Stanley. Please go ahead.

<Q – Carlos De Alba – Morgan Stanley & Co. LLC>: Hi, good morning. Thank you. My question, maybe Don is on Highland Valley Copper, just on two points there. First, given the guidance for the fourth quarter, is it expected then that the hard ore that you processed in Q3 and that resulted in lower output is a thing of the past and moving forward -- going forward that is normalized and production should stabilize beyond the fourth quarter guidance that was provided.

And also on that operation, the molybdenum production in the third quarter declined significantly year-on-year due to particularly lower grades. What can you comment in terms of the moly grade going forward at the Highland Valley? Thank you.

<A – Don Lindsay – Teck Resources Ltd.>: Okay. I think both of those questions can go to Dale Andres please.

<A – Dale Andres – Teck Resources Ltd.>: Yes, thanks Carlos. Just to start on the first question with ore hardness. Basically, there's two factors that led us to change to the mine plan and the sequence for the year. One, due to reduced stripping around COVID in the second quarter where we're focused more in -- on the valley pit and as well as some geotechnical constraints that limited our flexibility for the various ore sources that we feed to the mill.

So we found ourselves in a particular area in the pit that was harder than expected, an area that we didn't quite have as much hardness data around. And that's the reason for the lower guidance for the quarter. We do expect higher production and throughput going into the fourth quarter and into 2021 as well. So, while we won't completely be out of that area, in 2021, we do have other areas that will blend and mix with softer ores, so we don't anticipate to have the same kind of issues as Q3 going forward.

Just on moly, again it's due to the change in mine sequence. Originally more ores planned from other areas in the mine and when we changed the mine sequence that directly affects the moly production and grades. So, again, we don't anticipate that as low as we've had. For moly, we do anticipate that strengthening going forward as well -- well, as you updated guidance for 2021 on Q4 as we finished the budgeting process as well.

<Q – Carlos De Alba – Morgan Stanley & Co. LLC>: Excellent. Thank you very much. Good luck.

<A – Dale Andres – Teck Resources Ltd.>: Thanks.

Operator: Thank you. The next question is from Curt Woodworth of Credit Suisse. Please go ahead.

<Q – Curt Woodworth – Credit Suisse Securities (USA) LLC>: Thank you. Good morning. Question on coking coal, curious what you're seeing on the demand side given some of the port restrictions announced in China. It seems like, if you look at the domestic price in China it's up about CAD 15 a tonne to CAD 200. Yet the Australian price has done a quick U-turn given they're out of the market. So it seems like the ARB is extremely wide and potentially India is coming back to the market. So just curious your -- what you're seeing with respect to that? And do you have any sense at a consumer level how you're viewing coking coal inventories, because obviously it's -- there's no -- limited data for us to look at. Thank you.

<A – Don Lindsay – Teck Resources Ltd.>: Thank you for your question. I thought this would actually be the first question of the day. There are some exciting developments there, but I'll turn it over to Réal Foley.

<A – Réal Foley – Teck Resources Ltd.>: All right. Thanks Curt. So maybe I'll start with your second question with respect to inventories. So you'll recall that steel production was actually turned down and blast furnaces were shut down a lot quicker with the pandemic. And as a result of that inventories of steelmaking coal were also brought down very quickly. So, going into this quarter, and from the second half of the second quarter -- of the third quarter, really, we've seen blast furnaces restart again. And as those blast furnaces are restarting the steelmakers are trying to replenish inventories as well. So orders have been trending up and that is reflected in our Q4 sales guidance. But just a note of caution on that. Demand is not yet back to pre-COVID levels, so I just want to qualify that also.

Now, your first question on what is happening with the coal market overall and the impact of heightened seaborne import restrictions. The first thing I guess to say is, there has been no official announcement on those restrictions, but they appear to be mainly directed toward Australian coal. And we're continuing to see China's steel production run at record high levels. So you're quite right, the steelmakers require steelmaking coal. And when we are starting to see a few sales to China above original expectations, and that is coinciding well with our operations ramping up through the quarter as Robin was just explaining.

Now, when we look at China per se, there's three sources of steelmaking coal for China. Seaborne market is one, Mongolia is another, and of course domestic coal where the majority of coal comes from. So on the seaborne side, the impact of the pandemic has reduced supply from the main supply areas, Australia and U.S., Canada and Mozambique are all down and it's total of around 20 million tonnes August to year-to-date. Australia alone is down around 10 million tonnes August to year-to-date, so that annualizes roughly at 15 million tonnes. And when we look at IHS Markit data for October, steelmaking coal vessel loadings are actually trending down somewhere around 4.5 million tonnes month over month, so there is likely an impact from that report [indiscernible] (38:53).

The other point to make is that there is vessel queues at the China ports. Around 6 million tonnes of coal is sitting in queues right now at the port. But we have not seen any Australian cargos are waiting at Chinese ports being diverted to other ports. And as you mentioned, with the coal prices having come down quite a bit, actually by close to $30 per tonne since the beginning of October, it's quite difficult to resell some of those cargoes as the loss would be quite large on top of the extra costs to move the coal.

But there is also another part to this. If we look at December 2019, the stats were showing that only around 120,000 tonnes were imported into China from the seaborne market at that time. However, again, IHS Markit data shows that around 4.8 million tonnes of coal was offloaded in December of 2019, but did not make it into the stats until early 2020 and that that could happen again. And we are hearing in the market that there has been at least one Australian coking coal vessel that was discharged after the ban. So how will the ban last? We don't know. But back when Mongolia imports were banned in 2016 and 2017 they lasted less than one month.

Another point to keep in mind is, of course, there is inventory in China. We're estimating that there is somewhere around 45 million to 50 million tonnes of coking coal and coking coal equivalent in the supply chain in China right now. That is equivalent to about four weeks at the rate that China is running right now. So they are, of course, consuming some of that inventory as time goes.

Now the other two areas for supply of steelmaking coal into China are Mongolia. So it's logical for Mongolia to benefit from the possible loss of Australian coal imports. And the market is expecting that Mongolia is trying to recover the lost exports during the early months of the pandemic when the China border was shut. Mongolia exports were down 10 million tonnes September year-to-date. But they also reached a new record high in September just around 3.9 million tonnes in the month. And if Mongolia can keep running at record high levels for the remaining three months of the year, imports from Mongolia in 2020 would still be down somewhere around 6 million tonnes year-over-year. The other point is that Mongolia imports have never run at this kind level for three consecutive months. The previous record was in August 2019 and it was one month at around 3.75 million tonnes.

And then ending with domestic, China domestic production is virtually flat September year-to-date and expectations are that China domestic production will be flat for the full year 2020 compared to 2019. Their production in 2019 was right around 480 million tonnes and we're seeing more aggressive safety and environmental inspections ongoing in China. So, hence the belief in the market that supply -- production of coking coal from Australia will be flat for the full year. So eventually we're expecting that the global demand will be unaffected by those trade restrictions.

And we're also expecting that the improved sentiment and the potential disruptions related to weather in Australia in the fourth quarter and also in early 2021 should support increased activity in the steelmaking coal market and we are seeing that has shown with our guidance for Q4. So it's a long answer, I know, but there's a lot of moving parts. And as I said right at the outset, there has been no official announcements about this. There is also expectations that quotas -- port import quotas will reset at the beginning of 2021. But thing again, the quotas are talked about a lot in the market, but there is really no official announcement about that.

<A – Don Lindsay – Teck Resources Ltd.>: Réal, any further color on the Chinese domestic price and the spread between that and the seaborne price and whether any of that will find its way to a non-Australian seaborne supplier?

<A – Réal Foley – Teck Resources Ltd.>: Good question, Don. We -- the current arbitrage is somewhere around $70 or just under that actually. And we're starting to see a few sales to China above original expectations. And thus there -- if Chinese steelmakers become pinched for steelmaking coal, they could very well continue looking to the seaborne market for more supply from regions other than Australia and that could very well continue to push price up.

<Q – Curt Woodworth – Credit Suisse Securities (USA) LLC>: Thank you. I appreciate all the granular data. That's very fascinating. And maybe a quick one for you, Don. As we're kind of coming out of COVID, obviously the base medal performance I think has been pretty remarkable certainly within both copper and zinc. With respect to portfolio construction, can you give us an update on kind of Project Satellite? Has there been any more traction there with regards to divestiture potential? And then, I guess, similarly with Fort Hills as you see some additional capacity coming on, is there -- and there's been some consolidation in the energy. Is there any potential for -- looking at monetizing that asset potentially ahead of when you would get back to your more baseline level of 200 thousand barrels a day and CAD 23 per barrel cost structure? Thank you.

<A – Don Lindsay – Teck Resources Ltd.>: Yes. So first on Project Satellite, we continue to add value where we can on the five different assets. As you know there're still travel restrictions, so whether you wanted to do a sales process or not, it would be difficult for people to do site due diligence and so on. But we certainly like the way the direction the market is taking. And as you point out copper-zinc have performed pretty well. So the market looks stronger than it was when we had launched the Zafranal sale process before, so that should be a benefit. And we're not we're not in a rush because we, we can't really do everything you'd want to do until you have a much freer travel than we have today. But, certainly, the assets are getting more valuable and at some point we'll engage in some sort of transaction to get that to shareholders.

In terms of Fort Hills, I think the partners will have to come up with the plan on how to ramp up Fort Hills to the next level. As I said in my comments that we'll be looking at different market conditions and operating parameters. But the objective would be to get back to full production and thereby lower their cost per barrel quite significantly as it goes up. So I think you'll see some version of that. Suncor is the managing partner, obviously, and you'll see announcements from them on that in due course.

And in terms of where it stands within the Teck portfolio, portfolio construction, I think, you called it. We have said for more than a year now that if we get through some of these issues in the market in terms of getting it back running at full capacity and people, better visibility on the pipelines, and it's clear that we're not going to be paid for in Teck's share price, then we will engage in a transaction where it gets little differently whether it's an outright sale for cash, whether it's contributed into another company taking back shares in some sort of consolidation play. It's not lost on us. There's consolidation going on in the sector. So you can assume conversations that are taking place, but I wouldn't anticipate you'd see anything in the near term not until we've been able to ramp-up and demonstrate what the asset can do.

I mean when Fort Hills first started out that first eight or nine months it was absolutely a terrific operating performance for a start-up and got to a point where it was running above capacity. And as I've been told, 80% of projects of that scope never had design capacity on that's one got there pretty quickly and has been de-bottlenecking on top of that. So I think you want to be sure we can demonstrate that value before we engage in any transaction. But Alberta's removed its cap sooner than people expected and we've just started up the second train now, so it's heading the right direction.

<Q – Curt Woodworth – Credit Suisse Securities (USA) LLC>: Great. Thanks very much for your time.

Operator: Thank you. The next question is from Greg Barnes of TD Securities. Please go ahead.

<Q – Greg Barnes – TD Securities, Inc.>: Yes, thank you. Just question for Don or Réal, do you have the ability to meet additional demand from China for Canadian coal? You said they're coming to you. Does the guidance imply that you are meeting some of that demand or is there upside to that number -- the guidance number?

<A – Don Lindsay – Teck Resources Ltd.>: Réal, I'll turn over to you. But, Greg, as you might expect I'm putting a lot of pressure on. Réal over to you.

<A – Réal Foley – Teck Resources Ltd.>: Thanks Greg. So yes we are starting to see some of that demand. We are making a few sales into that demand. But as we look at the full quarter, keep in mind that the guidance that we've provided is based on the fact that overall demand for steelmaking coal in the world, not only China, but in the world, is not back to pre-COVID level. So the guidance as we feel is appropriate. And let's keep in mind too that there remains a risk to the recovery with the second wave that we're seeing with the pandemic, number of places in the world getting hit pretty hard right now.

<Q – Greg Barnes – TD Securities, Inc.>: Sure. So I just want to go back to Orest's question on the costs for 2021. Does that also include some, I guess, conservatism on what volumes could be next year? And, obviously, you don't have any guidance out there yet. But it does look challenging into 2021 still. That would obviously have an impact on the unit costs if volumes aren't back up to that 26 million tonne, 27 million tonne level?

<A – Don Lindsay – Teck Resources Ltd.>: I'll let Robin to talk about initial production plans. But, directionally, Greg, we want to be going into 2021 at full production or very close to it. Go ahead Robin.

<A – Robin Sheremeta – Teck Resources Ltd.>: Yes. I have not much to add to that, Don. That's the plan. So, like I said, we go into 2021 quite strong with healthy raw coal inventories, stable mine plan, record productivities all those things set us up. So if the market supports full production, the plan obviously is to meet that demand.

<Q – Greg Barnes – TD Securities, Inc.>: Okay. And just follow-up question finally for you Robin, in the MD&A, I saw something about regulatory changes coming shortly that will increase water management costs over and above the CAD 350 million to CAD 400 million that's planned for 2021 through 2024, what is that all about?

<A – Robin Sheremeta – Teck Resources Ltd.>: Yes. I'll probably defer to Peter for that one.

<A – Peter Rozee – Teck Resources Ltd.>: Yes. Unfortunately, Greg, there's not much more we can say on that in light of the ongoing prosecution. But we do expect some additional regulatory requirements in the near future that will complement measures that we're already taking under the Elk Valley Water Quality Plan. And to the extent that those represent a significant change in our spending plans we'd probably make an announcement when those are finalized.

<Q – Greg Barnes – TD Securities, Inc.>: Okay. Fair enough. Thank you.

Operator: Thank you. The next question is from Jackie Przybylowski of BMO Capital Markets. Please go ahead.

<Q – Jackie Przybylowski – BMO Capital Markets Corp. (Canada)>: Hi. Thanks very much. I have a couple of questions. I guess, I just want to ask, first, your dividend policy, I know when you initiated the formula -- the dividend formula last summer you'd mentioned -- for last year, you would either provide an update on your dividend in November or in February. And in fact, I guess, it came in February last year or this year. Do you have a sense of what the policy is going to be on that going forward? Can we expect a dividend announcement next month or are you more likely to update the market in February on that?

<A – Don Lindsay – Teck Resources Ltd.>: No. It would be February. The decision was made to wait until the year is complete before determining any supplementary capital returns. We have the capital allocation model that's published -- and I believe we keep it in the IR appendix in every presentation, so you can see how the decision making flows on that one. If there's capital available for further returns above the base dividend then we have in the past year asked shareholders to determine whether buybacks or cash dividends are preferred and then the Board makes a decision. So basically nothing has changed.

<Q – Jackie Przybylowski – BMO Capital Markets Corp. (Canada)>: Okay. Thanks. And to follow up on Greg's question about coal, and if you do see -- and I know you mentioned that there's still some risks to the volumes and outlook. But if you do see higher demand for coal say from China through Q4 or through 2021, are there still mechanisms like you've had in the past to push the mines to raise volumes? Could you bring in contract labor or something like that to sort of produce more than what you normally would for a short period to take advantage of that high demand. Is that still possible?

<A – Don Lindsay – Teck Resources Ltd.>: Robin.

<A – Robin Sheremeta – Teck Resources Ltd.>: Yes, it's -- well, it's less possible than it might have been when we had six operating mines. We're down to four now. So, flexibility around that is incrementally less, I guess, than it was before. There's still opportunity I think. There's some latent capacity in the one mine right now, but it's pretty marginal, so...

<Q – Jackie Przybylowski – BMO Capital Markets Corp. (Canada)>: That's why I was asking with the change to the number of mines you had -- that's -- that makes sense. Thanks. And maybe just one final question. I know it's difficult for you guys to comment on the water treatment costs. So if -- we've seen some press releases -- press reports recently about some more stringent water treatment protocols, whether it's through Canada or in some of the U.S. states like Montana. Is there potentially more that Teck would have to do to keep selenium levels under control, beyond what you guys have already envisioned in the water treatment plan? Is there's something you can talk to on that?

<A – Don Lindsay – Teck Resources Ltd.>: Yes, I think we start with Peter on that one and then maybe Robin.

<A – Peter Rozee – Teck Resources Ltd.>: Yes. So I think what we have to do over the long-term is going to depend very much on the results of our current program and ongoing environmental monitoring. We're obviously committed to protecting water quality as far down as the transboundary impacts of our operations, including Lake Koocanusa. And there is Montana rulemaking that's still ongoing.

We're primarily regulated in B.C. and in the B.C. government hasn't yet announced or recommended water quality objective for Lake Koocanusa. And they recently announced that they remain committed to a science-based process. And that B.C. will only commit to a standard once that that science-based process has been fulfilled. And, obviously, there's ongoing consultation with the Ktunaxa Nation Council.

We're participating in the regulatory process on both sides of the border. And from a good news perspective, annual average selenium levels in Lake Koocanusa have been stable since 2014 and we expect to see reductions in those levels as treatment capacity comes online. And as Robin said earlier, the Elk Valley saturated rock fill has been commissioned and the Fording Active Water Treatment Facility is coming online very shortly. So kind of difficult to say, Jackie, what the future holds. But I think we believe that our current spending estimates are reasonable subject to the additional regulatory actions that Greg spoke about which may require some additional spending.

<Q – Jackie Przybylowski – BMO Capital Markets Corp. (Canada)>: Okay, that's helpful.

<A – Don Lindsay – Teck Resources Ltd.>: And the good news, Jackie, is in the next three or four months our capacity to treat water is about to go up dramatically from 7.5 million liters a day currently to 47.5 million liters, so that's the Elkview SRF. We'll be finished shortly and wrapping up. That would be finished under budget and ahead of schedule. And then the Fording River Active Water Treatment plant will be coming online in the next quarter. And so that'll really increase the capacity for water treatment and will demonstrate how the other plants or SRFs -- not plants, SRFs are coming will continue to help that. So we're looking forward to getting that capital deployment, which makes the company a better company behind us.

So we're past 9:00 o'clock now, so I'm going to call it close and just make a couple of final comments. First, I do want to say how exciting October 8th was, and -- for those of us in the company, because in the morning we had pictures sent to us from Chile where we saw ball mill number one being almost rolled into place and that's a significant threshold of construction, we see these large piece equipment to get in there. And that afternoon we saw the shiploader coming in from Vietnam, arriving into the harbor, sailing underneath the Lions' Gate Bridge. And these are two big pieces of equipment and two initiatives that we have that are really going to make the company that much stronger for decades to come.

On the coal side, the Neptune initiative is going to lower costs by quite a few dollars for decades to come on a lot of tonnes and just make us a stronger, more competitive steelmaking coal business. And, of course, QB2, when finished, is going to double on a consolidated basis our copper production and change the look of our portfolio. And this is what we're working towards, making the company a much stronger company, commodity prices will be what they will be. But certainly the underlying assets will be much stronger.

And then a final comment, I do want to say thank you to Ron Millos once again for tremendous 25 years of contribution to making this company what it is today. We very much wish you all the best in your retirement. Thank you for all the tremendous service.

And with that operator we'll close the meeting.

Operator: The conference has now ended. Please disconnect your lines at this time. We thank you for your participation.