PARTICIPANTS

Corporate Participants

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Jonathan Price – Chief Executive Officer & Director, Teck Resources Limited
Harry M. Conger – President, Chief Operating Officer & Director, Teck Resources Limited
Crystal Prystai – Senior Vice President and Chief Financial Officer, Teck Resources Limited

Other Participants

Orest Wowkodaw – Analyst, Scotia Capital, Inc.
Greg Barnes – Analyst, TD Securities, Inc.
Lucas N. Pipes – Analyst, B. Riley Securities, Inc.
Brian MacArthur – Analyst, Raymond James Ltd.
Timna Beth Tanners – Analyst, Wolfe Research LLC
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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Teck's Fourth Quarter 2022 Earnings Release 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, Tuesday, February 21, 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, Ariel. Good morning or good afternoon, everyone. Thanks for joining us for Teck's fourth quarter 2022 conference call. Please note, 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 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 MD&A and the latest press release on our website.

Now, we know there's a great deal to digest this morning. We've got four – issued four press releases, which you should now have. The first on the spinoff of steelmaking coal business; second on the sunset for the Dual Class share structure; the third on the dividend and share buyback that was announced; and finally, of course, on the Q4 results.

In addition, there's a copy of our presentation to go with the releases. If you do not have all five documents, they are available on our website. It's www.teck.com/separation. And to allow time to discuss the strategic announcements we issued this morning, Jonathan Price, our CEO, will begin today's call with a brief overview of the fourth quarter results. We'll then shift to the focus of the three strategic announcements, again, the separation of Teck into two independent, publicly-listed companies; the related transactions with our steelmaking coal joint venture partners and major customers, Nippon and POSCO; and the six-year sunset for Teck's Class A shares. We will then conclude today's session with a question-and-answer period.

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

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

Thank you, Fraser, and good morning, everyone. Starting on slide 5, we are pleased to have achieved several financial records in 2022, including a record CAD 9.6 billion in adjusted EBITDA. This was driven by strong commodity prices, particularly steelmaking coal which reached new heights during the year. Each of our business units made substantial contributions to our profitability in 2022.

In the fourth quarter, the resilience of our teams was demonstrated as we successfully managed through severe winter conditions and short-term production challenges, specifically in Elkview, Highland Valley Copper and Trail. However, we did fall short the consensus analyst estimates for fourth quarter adjusted EBITDA or EPS. Variance was driven by lower than consensus gross profits, which was partly because of the extended maintenance activities at Trail during the quarter, higher than consensus non-operating expenses and the timing of the removal of Fort Hills from analysts' models.

Importantly, strong profitability enabled us to deliver record cash returns to our shareholders in 2022, including CAD 1.4 billion in share buybacks and CAD 532 million in dividends, while continuing to strengthen our balance sheet through the repayment of CAD 1.3 billion of debt during the year.

And we are adding to this with our announcement that the board has declared a dividend of CAD 0.625 per share to be paid on March 31. This consists of our base quarterly dividend of CAD 0.125 per share and a supplemental dividend of CAD 0.50 per share. In addition, the board has authorized up to CAD 250 million share buyback.

In total, these returns to shareholders include a distribution of 40% of the proceeds from the sale of Fort Hill received earlier this month in accordance with our capital allocation framework. In aggregate, these returns bring total approved returns of over CAD 2.4 billion since the start of 2022.

Now looking at slide 6, we've made significant progress against each of the four pillars of our copper growth strategy in 2022. We advanced flagship QB2 copper growth project despite COVID-related productivity impact and challenging weather and subsurface conditions. It is currently ramping up as we look forward to doubling our consolidated copper production when it reaches full capacity by the end of 2023.

We also advanced the [ph] partner (00:05:14) value for our industry-leading copper growth pipeline through joint partnerships at San Nicolás in Mexico and at NewRange Copper Nickel in Minnesota. I will come back to QB2 and our progress in copper growth in just a moment.

As I mentioned earlier, we closed the sale of Fort Hills in February. Our exit from the energy business provides a step-change towards the rebalancing of our portfolio to low-carbon metals. And we continue to balance copper growth and cash returns to shareholders, as demonstrated by our record cash returns in 2022. As of February 20, we have CAD 8.2 billion in liquidity, including CAD 2.8 billion of cash.

We also made significant progress against our sustainability goals during the year. We secured 100% clean renewable power at QB2 2025 and I'm especially proud that we reported our lowest ever High Potential Incident Frequency rate last year. Full details of our performance will be in our 2022 Sustainability Report, which will be released on March 16.

Now, coming back to our progress on copper growth on slide 7. Our priority for 2023 will be the ramp-up of QB2. We are in commissioning of Line 1 at the concentrator and making final preparations to feed ore to the mills. Construction and commissioning are progressing across all areas of the project. Construction is essentially complete in the pipeline's power and mining areas. We expect QB2 to reach full capacity by the end of 2023.

Our CapEx guidance for the project remains unchanged to the previous disclosure. We expect QB copper production of 150,000 to 180,000 tonnes in 2023, increasing to a range of 285,000 to 315,000 tonnes from 2024 to 2026. It is important to note that recent changes to IFRS will impact unit costs for QB2 this year. We are now required to recognize sales proceeds and related costs associated with products sold during the ramp-up and commissioning phase through earnings rather than capitalizing these amounts. Once QB2 is at full capacity, we expect average net cash unit costs of $1.40 to $1.60 per pound.

Turning to slide 8, we are also making meaningful progress on other projects in our industry-leading copper growth pipeline. We initiated a feasibility study in San Nicolás last year and expect completion in early 2024. We are targeting submission of the EIA in the first half of this year. Transaction with Agnico Eagle is expected to close in the second quarter of 2023.

We are continuing to advance feasibility study for QB Mill Expansion, representing a throughput increase of approximately 50% at QB. EIA permit application was submitted to the Chilean regulator in early 2023 and the feasibility study is expected to be completed later this year.

At Zafranal, we successfully completed a comprehensive public participation session and responded to the SEIA observations last year. We are expecting receipt of the SEIA permit in the first half of this year. And just last week, we closed the NewRange Copper Nickel LLC transaction with PolyMet to jointly advance both NorthMet and Mesaba.

And at Galore Creek, completion of the prefeasibility study is targeted for the second half of the year. Overall, our progress in 2022 positions us well for our very exciting next chapter.

So, with that, we'd like to move from the fourth quarter results and discuss the transaction we announced today, spin-off of Teck's steelmaking coal business to shareholders and the creation of two world-class independent companies.

Starting on slide 10, this is a significant and exciting day for our company, our shareholders and our people. As we take a major step forward to unlock value for Teck shareholders, by establishing a path to separate our steelmaking coal and base metals businesses. As independent companies, Teck Metals and Elk Valley Resources, or EVR, will have simplified portfolios, allowing for heightened strategic and financial focus, and the ability to pursue their own tailored capital allocation strategies.

We are confident this plan positions both companies for greater success, while supporting a sustainable future for the benefit of our employees, communities and indigenous peoples in the areas where we operate. Importantly, this separation will provide investors with choice for allocating their portfolios between two businesses and commodities with unique fundamentals and value propositions.

We will realize our full potential at Teck Metals as a premier, growth-oriented producer of critical metal essential for the energy transition. And EVR will be a pure-play, high-margin steelmaking coal producer. Teck Metals will retain a significant portion of the steelmaking coal cash flows during a transition period to fund our copper growth.

Concurrent with the separation, we announced agreements with two of our steelmaking coal joint venture partners and major customers to exchange their minority interest in the Elkview and Greenhills operations or interest in EVR. Notably, Nippon Steel's CAD 1 billion cash investment implies an CAD 11.5 billion enterprise value for our steelmaking coal assets.

Lastly, we also announced today a sunset of Dual Class share structure, which will modernize Teck Metals' governance structure.

Now turning to slide 11, I want to provide some context on the rationale for this transaction and why Teck is taking this step now. We recognize that the investment landscape has changed over the last 10 to 15 years. Previously, broad-based demand growth across all commodities to support global development drove investment preferences for miners through diversifying strategies. So, as a result, we're often rewarded with premium valuations.

In recent years, the investor bases for base metals and steelmaking coal businesses have become increasingly divergent. This proposed separation responds to that changing landscape. It will allow investors to optimize their exposures to each of base metals and steelmaking coal through the creation of two world-class pure-play companies with compelling but different value propositions.

Copper's critical role in electrification and the energy transition will drive continued demand growth at premium valuation. High-quality steelmaking coal will remain an essential input of steel production necessary for both decarbonization and infrastructure over the long-term.

Turning to slide 12. Following the separation, Teck Resources will become Teck Metals, a premier growth-oriented base metal company. Teck Metals is focused on copper growth and we are well positioned to capitalize on the strong demand generated by the accelerating transition to the low-carbon economy.

Foundation of our portfolio is our high-quality, low-cost and long-life operations, which are located in well-established mining jurisdictions in the Americas. And we have significant growth potential and resource optionality through our industry-leading pipeline of copper development projects anchored by QB2.

With the ramp-up of QB2 this year, we expect our copper production to double in the near term, and the vast long-life deposit at Quebrada Blanca can support multiple expansions. We currently have a little over 8 billion tonnes of reserves and resources in QB and the ore body is open in multiple directions for further potential increases.

Beyond QB2, we have an attractive suite of additional projects diversified by geography, scale and time to development. We have the potential to add more than 1.5 million tonnes of annual copper equivalent production to our current portfolio. And Teck Metals has the potential to become one of the top 10 copper producers in the world.

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

Turning to slide 13, EVR will be a pure-play world-class Canadian steelmaking coal company, high-quality, long-life assets that are high-margin operations focused on long-term cash generation and providing cash returns to shareholders. The existing Elk Valley operating team will continue to lead EVR and ensure continuity of operating principles and responsible environmental and social stewardship. The team will be led by President and CEO, Robin Sheremeta, who is currently Teck's Senior Vice President of Coal.

EVR will own four producing steelmaking coal operations in the Elk Valley of British Columbia and the recently expanded coal-handling facilities at Neptune Terminals in North Vancouver. Its high-quality, low emissions, hard-coking coal product is sought after by the world's largest steelmakers as they work to reduce their own emissions. And this is demonstrated by the agreement with Nippon Steel and POSCO we announced today. This significant participation by two of our major customers emphasizes the long-term and critical importance of high-quality steelmaking coal. And as I mentioned earlier, the CAD 1 billion investment by Nippon Steel implies an enterprise value of approximately CAD 11.5 billion, further validating the EVR value proposition.

Importantly, underpinned by an extensive reserve base with over 30 years of reserve life, EVR has significant equity value accretion potential as the Transition Capital Structure is paid down, as shown in the graph at the bottom right.

Now turning to details of the transaction on slide 14. At the highest level, the separation is a spin-off of Teck's steelmaking coal business to shareholders. Teck Metals will retain substantial access to steelmaking coal cash flows in the form of a royalty and preferred shares. The separation will be implemented by way of a distribution of the equity common shares of EVR to existing Teck shareholders.

Shareholders will receive 1 common share of EVR for every 10 shares of Teck Resources, together with the share of a total cash distribution of CAD 200 million. Shareholders can elect to maximize the amount of cash or EVR common shares they receive, subject to proration, through a Dutch auction process.

In consideration for the transfer of the steelmaking coal assets to EVR, EVR will issue a gross revenue royalty and preferred shares, together called the Transition Capital Structure, in which Teck Metals will maintain an 87.5% interest.

Further, in exchange for their minority interest in the Elkview and Greenhills operations and an additional CAD 1 billion cash investment by Nippon Steel, Nippon Steel and POSCO will own a combined 12.5% interest in both EVR common shares and the Transition Capital Structure. Payable quarterly, the royalty will be based on steelmaking coal revenue, generally equivalent 90% of EVR's free cash flow and payable until the later of an aggregate amount of CAD 7 billion in royalty payments have been made or year-end 2028.

EVR will also issue CAD 4.4 billion of redeemable preferred shares with a 6.5% cumulative dividend. Teck Metals will continue to be listed on the Toronto and New York Stock Exchanges. EVR has applied for a listing on the TSX.

Now looking at the planned capital structure for EVR in more detail on slide 15. Cash flow from operations will be prioritized for use to ensure the resiliency of operations, including capital investments and fixed annual contributions to a new Environmental Stewardship Trust, which will provide for long-term environmental obligations. While the TCS is in place, 90% of free cash flow will go to the royalty and preferred share redemptions. Once the TCS is extinguished, 100% free cash flow is retained by EVR. The remaining free cash flow will go towards an initial base dividend of CAD 0.20 per share and supplemental shareholder returns made up of at least 50% of the free cash flow after TCS payments.

Importantly, EVR will be well capitalized at launch with CAD 1 billion in cash and working capital and no debt. Teck Metals is expected to retain investment-grade credit rating based on preliminary indications.

Slide 16 provides detail on the sensitivity on the proceeds from the Transition Capital Structure to changes in steelmaking coal prices. TCS has leveraged the hard coking coal prices to provide flexibility and resiliency to EVR, while also providing Teck Metals with continued access to steelmaking coal cash flows during the transition period. This will allow Teck Metals to prudently invest in our industry-leading copper growth portfolio while delivering cash returns to shareholders.

TCS is forecast to provide Teck Metals with not less than CAD 12 billion pre-tax proceeds over time. Because of the leverage to hard coking coal prices, a higher price environment would both accelerate payments and provide upside participation for Teck Metals through the royalty. Assuming a $185 per tonne long-term benchmark hard coking coal price and a Canadian-US dollar exchange rate of $1.30, TCS could be fully paid in approximately 11 years. If long-term prices stayed at current spot levels, TCS could be paid in only seven years while providing CAD 34 billion in combined royalty payments and preferred share redemptions on a 100% basis over that time.

Turning to slide 17. Another important step announced today is the proposed six-year sunset for the multiple voting rights attached to the Class A shares of Teck. This will modernize Teck Metals governance and provide a simplified and competitive capital structure. On the effective date, each Teck's Class A common share will be exchanged for 1 new Class A common share and 0.67 of a Class B subordinate voting share. In terms of the new Class A common shares, we'll provide that on the sixth anniversary of the effective date of the Dual Class Amendment, all new Class A common shares will be automatically exchanged for Class B subordinate voting shares, which will be renamed common shares, at which point the Class A common shares carrying multiple voting rights will be eliminated.

Based on the 7.8 million Class A common shares currently outstanding and the exchange premium, the additional Class B shares issued on the effective date of the amendment represents approximately 1% dilution. The separation transaction and the Dual Class Amendment are subject to [ph] 66.75% (00:21:39) approval by Class A and Class B shareholders voting separately by class.

In addition, the Dual Class Amendment is subject to approval by a majority of Class B shareholders other than Temagami Mining Company, Sumitomo Metal Mining and Dr. Keevil. Those votes are expected to be held at Teck's annual and special meeting of shareholders on or about April 26, 2023. In addition to Teck shareholder and court approvals, the separation is subject to customary conditions, including approval by the TSX. We expect that the transaction will be completed in the second quarter of 2023, at which time Teck Metals and EVR will begin operating as separate companies.

So before we turn to Q&A, I want to start where I began. We could not be more excited about this transformational transaction that will unlock significant value for our shareholders. We strongly believe this transaction is the best pathway to separate and realize the full potential of the two businesses. It will increase the strategic and financial focus for both organizations, allowing the two entities to pursue tailored growth and capital allocation strategies to realize their full potential. It will enable Teck Metals to unlock the value of our world-class copper growth portfolio and capitalize on the opportunities created by the energy transition, funded by steelmaking coal cash flows during the transition period and position EVR as a pure-play, high-margin steelmaking coal producer with exposure to strong steel fundamentals and a significant equity value appreciation potential – accretion potential as the Transition Capital Structure is paid.

The separation will provide investors the flexibility to optimize portfolio allocation between base metals and steelmaking coal, with each company providing exposure to different commodity fundamentals, capital return policies and value propositions. Further, the Dual Class sunset will modernize Teck Metals' governance structure. As we move forward, our purpose and values, which are deeply embedded, will ensure health and safety and sustainability are at a forefront of everything we do across both businesses. This includes our unwavering commitment to become net-zero by 2050 and nature positive by 2030, and ongoing support for the people and communities where we operate for decades to come.

With that, operator, please open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] The first question comes from Orest Wowkodaw of Scotiabank. Please go ahead.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: Hi. Good morning and congratulations on the proposed transaction. I'm wondering, Jonathan, if you can give us some color in terms of some of the options that were being evaluated and why ultimately the spin-out was the chosen, I guess, avenue to separate the business versus just an outright sale of the coal business?

<A – Jonathan Price – Teck Resources Limited>: Yeah, Orest, thanks very much for your question. This is something that's been under consideration by the board of directors at Teck for a number of years now and we've worked very hard through a range of alternatives to get to this point that we're announcing today. Ultimately, we decided that a separation via a spin-out of steelmaking coal business to Teck shareholders was the optimal means of creating these two great companies, Teck Metals and Elk Valley Resources. It sets both companies up for success. For Teck Metals, of course, this allows us to continue to use cash flows from the coal business to fund our unrivaled copper growth portfolio and continue to develop and deliver the copper that the world is going to need for electrification and decarbonization.

In the case of the steelmaking coal business or Elk Valley Resources, that will be a world-class standalone company with high margins, long-life reserves and producing a product that the world needs for decades to come to produce steel required for the infrastructure and for decarbonization. Ultimately, the creation of these two separate companies, we believe, will give investors a choice to allocate funds within their portfolios based on their priorities and based on the different strategies and capital allocation framework that these companies will have going forwards.

So, Orest, it's been an extensive process, as you would imagine, conducted over an extended period of time with all alternatives the table, but, ultimately, the board and the management team concluded that this was the optimal way [ph] going forward. (00:26:50)

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: Thank you. And as a follow-up, on your slide 16 that talks about the illustrative sensitivities to the proceeds, how should we think about the sort of your OpEx and CapEx assumptions moving forward here? Does this assume kind of 2023 guidance levels for both stay flattish moving forward? Or does this assume kind of, I guess, revision here to the norm with respect to CapEx and OpEx? I'm just wondering in terms of backing into the 11-year TCS payment on the base case.

<A – Jonathan Price – Teck Resources Limited>: Yeah. I think what you'll see in that, Orest, and I'll start with referencing the coal price that's used there, they reflect the [indiscernible] (00:27:37) the coming years, and then we make a long-term assumption of $185 per tonne for hard coking coal. It would be fair to say that operating costs somewhat follow that profile. In the near years, they reflect elevated costs as a result of the inflationary environment that we're working in. And as we've said in our quarterly, we expect elevated costs to retain – to remain through 2023, and of course, potentially into 2024.

But beyond that, we would expect to see some reversion and reduction in unit cost in the steelmaking coal business, which, of course, is go to be required if we're going to see the sort of reversion in coal prices that we highlight in the deck.

From a capital expenditure perspective, we do expect elevated levels to remain through the current year and in the near years, in particular, as we continue to make heavy investments in water management and water treatment in the coal business. However, beyond that, the investments in water management and treatment should decline, and we'd expect to see our sustaining capital revert back towards historical long-term levels.

So, Orest, that's just a long answer I know, but we do see some continued elevated unit costs and capital costs in the near years, but we do expect to see something of a reversion in the years beyond that.

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

<Q – Greg Barnes – TD Securities, Inc.>: Yes. Thank you. Jonathan, can you talk about the timelines for all of this to really unwind? And is it 7 to 11 years on the TCS and six-years on the sunset on the Class As? Was there some reason you pushed them out that long or is it just maximizing the opportunity?

<A – Jonathan Price – Teck Resources Limited>: So starting with the TCS, Greg, what we've tried to achieve here is getting a balance between continuing to fund the copper growth portfolio for Teck Metals, and of course, to realize the full value of the EVR business against the desire, ultimately, to separate the two companies. And that's a balance that I think struck well through the timelines here. Of course, as you note, ultimately, that will be a function of predominantly hard coking coal prices, but also the underlying cash flow generation of the EVR business.

With respect to the sunset provision of the Class A shares, ultimately, that would be subject of a negotiation between the majority Class A shareholders and a special committee of Teck's board of directors. We think that the six-year sunset provides Teck Metals with good cover to continue to deliver on our unrivaled copper growth pipeline, but ultimately provides a fixed timeline for reversion to a model – a modern capital governance structure.

<Q – Greg Barnes – TD Securities, Inc.>: And secondarily, both these transactions require votes from shareholders. Is either one of the votes dependent on the other or they go ahead independently of each other? [ph] If one's not approved, then the other... (00:30:59)

<A – Jonathan Price – Teck Resources Limited>: Yeah. The votes for the separation, Greg, and for the changes to the A Class share structures are independent of one another.

<Q – Greg Barnes – TD Securities, Inc.>: So, one will go ahead if the other is not approved?

<A – Jonathan Price – Teck Resources Limited>: That's right. Yes.

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

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

<Q – Lucas Pipes – B. Riley Securities, Inc.>: Thank you very much. Good morning, everyone. My first question is on the capital return profile of Teck Metals. You mentioned discipline. How do you envision balancing capital returns at Teck Metals with the desire to grow that business? Thank you very much.

<A – Jonathan Price – Teck Resources Limited>: Yeah. Thanks for the question, Lucas. And essentially, the approach to capital allocation will remain unchanged at Teck Metals, as it has been Teck for the last number of years. We will continue to advance our copper growth pipeline and we will continue to invest in the development of those copper projects throughout the Americas.

However, we will continue to focus on balancing that investment in growth against strong cash returns to shareholders as well as maintaining the foundation of the strong balance sheet. I think that's something we did very well through 2022, where we invested significant capital in QB2 and then bringing that towards completion, whilst ultimately approving and announcing around CAD 2.4

billion of returns to shareholders through a combination of dividends and buybacks, and also buying back CAD 1.3 billion of our debt to improve the balance sheet foundation that we have.

So that will remain unchanged. Just as a reminder, the way the capital allocation framework operates is that the first 30% of available cash flow is automatically returned to shareholders by way of dividends and buybacks. And beyond that, the balance of 70% could also be returned to shareholders or could be allocated to new growth options in the portfolio, and that will be the same allocation [ph] framework of (00:33:09) Teck Metals going forward.

<Q – Lucas Pipes – B. Riley Securities, Inc.>: That's very helpful. Thank you. And then a quick follow-up, Nippon Steel and POSCO, respectively, [indiscernible] (00:33:17) 10% and 2.5% of both the EVR and TCS following the separation. Is that right?

<A – Jonathan Price – Teck Resources Limited>: Yeah. That's absolutely correct, Lucas. And look, we couldn't be more excited by the investments that we've had here from Nippon Steel and from POSCO. They are both world-class steelmakers. They have been long-term customers of our business. It's great to continue to have their involvement in the business here. In particular, the CAD 1 billion of cash received from Nippon, I think, is such a strong endorsement, both for the quality and valuation of EVR equivalent to an enterprise value of CAD 11.5 billion, but also the long-term outlook for the steelmaking coal business. So as I said, we couldn't be happy with the investments that we receive.

Operator: Our next question comes from Brian MacArthur of Raymond James. Please go ahead.

<Q – Brian MacArthur – Raymond James Ltd.>: Good morning and thank you for taking my questions. Can you just tell me what happened in this scenario? I realize there's a minimum CAD 250 million in the coal business, and I understand there's a sunset in 2028. But what happens if coal business has a really tough year, you go down to the CAD 250 million, so you don't kick out anything for the quarter, then the coal price goes up a lot. Is there a catch-up miss – mechanism to get back that cash flow in the quarter you missed or do you just play – lose it because you tap out at the low end, if that make sense to you, if you see what I'm saying?

<A – Jonathan Price – Teck Resources Limited>: Yeah. I wasn't quite sure, Brian, about the CAD 250 million that you were referencing here, but essentially, there wouldn't be a catch-up in the quarter. The cash flows will flow to the TCS, to Teck Metals when available – oh, sorry, you mean the cash balance...

<Q – Brian MacArthur – Raymond James Ltd.>: Yes, the cash balance, the CAD 250 million. [ph] So say it goes to (00:35:19) CAD 150 million, right, then technically, for a quarter, I guess, I assume you pay the pref, but you don't pay the royalty. In the next quarter, your cash balance goes up because the coal price is volatile. Do you actually make up that lost payment, I guess, is what my question is or is it just the time clock keeps moving to 2028 and then what – or the CAD 7 billion that you either make it or you don't make it?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Absolutely, you would still operate on the CAD 7 billion of royalty and the CAD 4.4 billion of pref shares, they would be unchanged. So I guess in the scenario you're taking, it would just take slightly longer to recover those cash flows. Once the coal business has recovered, its cash position back to $250 million. So there's no permanent loss of recovery of cash flows to Teck Metals, it really just extends the duration.

<Q – Brian MacArthur – Raymond James Ltd.>: Perfect. Thank you. And the second question, just to be very clear, on the A shares, you're spinning out these new shares in coal. They don't have As or Bs, right? They're just common shares in the new vehicle. So there's no protective right there.

<A – Jonathan Price – Teck Resources Limited>: That's exactly right. They'll just be a single class of common shares at EVR.

<Q – Brian MacArthur – Raymond James Ltd.>: Thank you very much. I'll get back in line.

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

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

<Q – Timna Tanners – Wolfe Research LLC>: Hey. Good morning, everyone. Thanks for the detail. Just trying to process it all still, but I wondered on the coal spin, if you could talk a little bit more about could there be further partners, any offtake agreements or is this just purely a stake. Why just Toronto listed? And is there any price embedded in the CAD 11.5 billion or is that simply in the conclusion from the amount that was paid by – or that will be paid by Nippon Steel?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Thanks. Thanks for the question. Timna, I mean, it is just a straight spin of the coal business here. We don't have plans for further investments into that business and we don't have plans for further offtake associated with that business. As I said, we're incredibly excited by the investments we have secured from Nippon and POSCO, but nothing in the works beyond that at this point in time.

The CAD 11.5 billion enterprise value, of course, reflects the long-term outlook for the business based on typical production, operating cost and capital assumptions. And of course, there is an embedded long-term steelmaking coal price in that as well. We think it's an absolutely fair valuation for the business and we're very happy to see Nippon Steel confirm that with their CAD 1 billion investment for 9%.

<Q – Timna Tanners – Wolfe Research LLC>: Okay. Thanks. And just on the last question, just wondering if it would be just Toronto listed or why that decision? And the second question was just on QB2. Just to clarify, it sounds like there's really not any update on QB2 from – when we heard from you last in terms of aside from the comment on the accounting for costs. Is there anything we're missing or is it exactly the same guidance as before in terms of volumes and cadence?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Sorry, just – yeah, sorry, I missed your question on the TSX. Yes, EVR will be listed on the TSX. Only there's no magic behind that. That's just where we've elected to have that. It's the Canadian company, and a world-class mining company and [indiscernible] (00:38:59) pretty well on the TSX.

With respect to QB2, that's in very good shape. We are in touching distance to this production. And I'm going to hand over to Red Conger briefly, who can just give you a slightly more detailed update on status and when that first production is expected.

<A – Red Conger – Teck Resources Limited>: Yeah. Good morning, Timna. We're really in an exciting part of the project right now. We're commissioning all of the equipment from the seashore all the way up to the concentrator at elevation. We're really happy with the desalinization plant and how that's running, and we're pushing water up the hill now to the concentrator. At the concentrator, we've run all of the motors, the big mills, a lot of those pieces, and commissioning require lengthy runs of 8, 12 hours consistently. We've done all of those successfully.

There were a couple of items with key conveyor belts where one, we're re-splicing it, right now. We weren't happy with that configuration. And another conveyor where we're doing a little extra work on the tensioning mechanism. So it's ready to go. We've already crushed rock in the primary crusher and we're – it's imminent pushing rock through those grinding mills and getting all the rest of the equipment going. So very, very exciting time for us on the project.

<Q – Timna Tanners – Wolfe Research LLC>: Okay. Great. Thank you.

Operator: Our next question comes from Emily Chieng of Goldman Sachs. Please go ahead.

<Q – Emily Chieng – Goldman Sachs & Co. LLC>: Good morning, Jonathan, and thanks for taking my question. My first is just around the Teck Metals business. It sounds like there's going to be a lot of copper growth there in the portfolio, but how are you thinking about the zinc assets? Do they, at some point, become non-core or is there still investment there ahead?

<A – Jonathan Price – Teck Resources Limited>: Hi, Emily. Thanks very much for that question. No, zinc remains absolutely core to Teck Metals going forward as it is today in the portfolio. What we've said about zinc is we don't expect that to be an area of growth to the same extent that we're focused on copper. But certainly, we'd like to maintain our current levels of production there or thereabouts in Teck Metals going forward.

Obviously, we have a large position in Antamina, which we expect to continue to operate for a long time. Red Dog, as we've said before, the current open-cut mine comes toward end of life in the early 2030s. And we're working now on the extension beyond that, which would involve us going underground at Red Dog and that is something that looks very attractive, given the quality of the resources that we have there. And we would fully intend to maintain the Trail smelting and refining operations that we have.

So it will remain very much a core business for us. It's a very strong cash-generative business for us. Give or take, it does about CAD 1 billion of EBITDA a year and doesn't consume a great deal of capital. So it's a solid contributor to the group and will continue to be a core part of Teck Metals going forward.

<Q – Emily Chieng – Goldman Sachs & Co. LLC>: Great. That makes sense. And a follow-up is just around the Dual Class share structure collapse discussion there. During the sunset period, does this mean – what does this mean for the voting rights of the Class A shareholders? Does this essentially preclude Teck from any M&A during this period?

<A – Jonathan Price – Teck Resources Limited>: So there will be no change to the voting rights until we ended the six-year period, so as is today.

<Q – Emily Chieng – Goldman Sachs & Co. LLC>: Great. That's very clear. Thank you.

Operator: Our next question comes from Lawson Winder of Bank of America. Please go ahead.

<Q – Lawson Winder – BofA Securities>: Hi. Good morning, Jonathan and team. Thanks for the update and congratulations on an interesting transaction. I wanted to get your thoughts on the way that the Class A shares are being converted. So effectively, each class shares being converted, plus they're getting 0.67% of Class B. And I'd love to hear your views on how that kind of valuation gets arrived at?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Look, ultimately, Lawson, that was a negotiation between the majority holders of the Class A shares and the special committee of the board. It reflects consideration for valuable voting rights essentially that will be foregone through this sunset. But importantly, this represents only 1% dilution of Teck shares overall. So in that context, we think that the valuations struck here benchmark very well against present.

<Q – Lawson Winder – BofA Securities>: Okay. That's fair. Obviously, I understood that you can't say a lot there. And I also wanted to follow up on QB2 and just get an idea for how the ramp-up to first concentrate production might look. So from when you feed first ore to the mill to when you have first concentrate, like how long will it take for that to flow through the process?

<A – Jonathan Price – Teck Resources Limited>: Sorry. The timing from first ore to the mill to first concentrate?

<Q – Lawson Winder – BofA Securities>: Yeah, exactly. Thank you.

<A – Jonathan Price – Teck Resources Limited>: Red, do you want to add a bit of color to that?

<A – Red Conger – Teck Resources Limited>: Yeah. Lawson, think about the first half of this year is the ramp-up period. And as we get toward the end of the year, the facility will be running at full speed and that guidance range that we provided would have copper production commensurate with that.

<Q – Lawson Winder – BofA Securities>: Okay. So maybe asked another way, do you expect to produce concentrate in Q1?

<A – Red Conger – Teck Resources Limited>: Yeah. We'll make first copper in Q1, for sure.

<Q – Lawson Winder – BofA Securities>: Okay. Okay. Fantastic. Thanks for clearing that up.

Operator: Our next question comes from Carlos de Alba of Morgan Stanley. Please go ahead.

<Q – Carlos de Alba – Morgan Stanley & Co. LLC>: Yeah. Thank you. Good morning, Jonathan and team. Just on the transaction EVR, given the potential environmental and remediation considerations of that business, does the authorities in Canada have to approve the transaction or have you discussed with them this – the spinoff plan so that they are aware and there's no potential issues down the road? And the second question is just to clarify, the EVR will start with no debt, right? So, basically, debt-free going forward.

<A – Jonathan Price – Teck Resources Limited>: Yeah. So I'll just address the second question. First, you're exactly right. EVR will be debt-free. Talking then just about the environmental and external approvals you asked about, there are no required approvals for the separation. There is an approval required for the TSX for the listing, [indiscernible] (00:46:41) shareholder's approval, we don't require anything from regulators or government.

We have engaged with both provincial and federal government regarding this transaction, and we've also critically engaged with the indigenous groups who are present in the Elk Valley and very much involved with our steelmaking coal business there. We don't require approvals from them, but, of course, we will continue to maintain very strong and productive relationships with them going forward.

<Q – Carlos de Alba – Morgan Stanley & Co. LLC>: All right. Great. Thank you.

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

<Q – Dalton Baretto – Canaccord Genuity Corp.>: Thanks. Good morning, Jonathan and team and congratulations. My first question is on the proceeds from EVR into Teck Metals. So Jonathan, can you tell me if there are any restrictions on the use of proceeds in Teck Metals or do you have carte blanche into how you use those funds?

<A – Jonathan Price – Teck Resources Limited>: Yeah. Hi, Dalton. Thanks for the question. No, no restriction at all on the use of proceeds that Teck Metals receives from EVR. As mentioned previously, our focus will be to deploy those to assist with the growth of our copper portfolio while balancing returns to shareholders and maintaining a strong balance sheet. So we will use those proceeds in a manner that's very consistent with our strategy.

<Q – Dalton Baretto – Canaccord Genuity Corp.>: Okay. And then when you're running Teck Metals, does the strategy remain the same or will you look to be more aggressive on things like M&A to accelerate the growth profile?

<A – Jonathan Price – Teck Resources Limited>: The strategy will remain the same, Dalton. The focus is on copper growth and the focus of our copper growth is through our organic pipeline of projects, whilst returning cash to shareholders. So no change in that respect. And of course, we maintain, for a number of years, what has been a key part of our strategy, which is to use cash flows from the steelmaking coal business to support that capital allocation strategy.

<Q – Dalton Baretto – Canaccord Genuity Corp.>: Okay. Thanks. And then maybe one last one. You're harvesting, call it, 90% of the free cash flow back into Teck Metals from EVR. So Teck Metals doesn't really look very different than the business today when you consider where those funds are coming from. So what kind of gives you comfort that you will rerate on the back of this?

<A – Jonathan Price – Teck Resources Limited>: Just, I mean, one point of clarification there. Whilst 90% of the free cash flow from EVR goes to the Transition Capital Structure, 87.5% of that goes to Teck Metals and 12.5% goes to Nippon and POSCO, just a clarification there.

Look, we are creating two entirely separate businesses here with separate listings, with separate management teams and separate boards. We do recognize, of course, that through the Transition Capital Structure, this is, as it's described, a transition, which will go on for a number of years until we see a complete separation or financial independence of the two companies. And of course, we think as that is paid down, then that will create value accretion or equity accretion for EVR and will increasingly have Teck Metals seen as an entirely independent base metals company.

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

Operator: Our next question comes from Chris LaFemina of Jefferies. Please go ahead.

<Q – Chris LaFemina – Jefferies LLC>: Thank you, operator. Thanks for taking my questions. I have a couple of questions about change in control provisions. I think I read somewhere that, in the case of EVR and a change of control, the royalty payment that Teck Metals would receive would increase from 90% to 92.5% of the free cash flow. What happens in the event that Teck Metals becomes a potential acquisition target? Is there any change of control around Teck's ownership in EVR? Any sort of poison pill there that would reduce the value to a potential buyer of Teck, if you were to be acquired? And then – sorry, so first question is around, am I right about the change in control on EVR and then secondly, change of control on Teck, if Teck were to be acquired? Thank you.

<A – Jonathan Price – Teck Resources Limited>: Yeah, you're correct on both fronts. In the first instance, there is a step-up from 90% to 92.5% and there would be no implications with respect to any acquisition or sale of the Teck Metals.

<Q – Chris LaFemina – Jefferies LLC>: Okay. Thank you.

Operator: Our next question is a follow-up from Orest Wowkodaw, Scotiabank. Please go ahead.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: Hi. Thanks for taking the follow-up. Jonathan, just curious, given the spin-out of the coal business, do you – you obviously have a lot of copper growth options internally. Do you see advancing those – some of those growth options quicker than you would have previously? I'm just wondering if given now you've got a very clear focus on coal cash flow coming into the business to fund copper, whether we should anticipate that you may bring forward some of those internal copper projects?

<A – Jonathan Price – Teck Resources Limited>: Look, Orest, I mean, I think in one sense here, there's no real change to the strategy for Teck Metals, which is to develop that copper growth pipeline. And this transaction per se doesn't signal a change or an acceleration of that. Of course, we're always looking at the optimal pace of development of the projects we have in the portfolio and the optimal sequence of those projects, recognizing that we can't do everything at once.

As you know well, permitting could be one of the greatest restrictions in terms of the timing for development. As I mentioned at the top of the call, we're advanced [ph] both on feasibility studies (00:52:34) and permits across a range of our projects here. And given the focus on critical minerals from a number of governments around the world, it could be that permitting timelines are reduced somewhat. But as I mentioned, this transaction in and of itself doesn't change the strategy because we've already been very focused on the development of copper projects in the portfolio.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: That's perfect. Thanks. And can you just remind us what's your current plan for the timing of the QB Mill Expansion?

<A – Jonathan Price – Teck Resources Limited>: So we have submitted a permit application this quarter and we are in the process of completing a feasibility study, which will be done by the end of this year. And therefore, we said that there's the potential for an approval for the QB Mill Expansion in early 2024.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: Great. Thank you so much.

<A – Jonathan Price – Teck Resources Limited>: Welcome.

Operator: Our next question comes from Alex Terentiew of Stifel. Please go ahead.

<Q – Alex Terentiew – Stifel Nicolaus Canada, Inc.>: Yeah. Good morning, everybody. I know there's a lot of details in here, so I appreciate you guys been doing this call earlier today. But question for you on the Teck coal spin-out EVR, I know you mentioned that you expect Teck Metals to retain investment-grade credit rating. But how do we think about the – or how will the cash flows from that be allocated to Teck? I'm just trying to think of in terms of EBITDA calculations and any covenants or any ratios that we could think of for Teck going forward.

<A – Jonathan Price – Teck Resources Limited>: Yeah. I will invite our CFO, Crystal Prystai, to just talk a little bit about how those cash flows will be treated. We have had received preliminary indications from the three credit rating agencies that cover us: Fitch Moody's and S&P, and their preliminary indications are that we will maintain investment-grade ratings for Teck Metals. But I'll just let Crystal briefly explain how those cash flows will be treated.

<A – Crystal Prystai – Teck Resources Limited>: Hi, Alex. Thanks for your question. Just in the context of the treatment on our financial statements, maybe that's the most important place to start. We will, in Teck Metals, deconsolidate our interest in the coal business unit on closing of the transaction. So in our unadjusted profit figures, you won't see the results from the coal business unit reflected there. But given the recurring nature of the cash flows coming in to Teck Metals, we are planning to adjust our EBITDA for both the royalty and the pref share dividends and redemption. So you should expect to see those coming through our adjusted EBITDA calculations as well as adjusted EPS, and you could model it that way.

<Q – Alex Terentiew – Stifel Nicolaus Canada, Inc.>: Okay. Great. Thank you.

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

<Q – Lucas Pipes – B. Riley Securities, Inc.>: Thank you very much, operator. Thank you for taking my follow-up question. I believe Nippon and POSCO are receiving rights to the coal. Is that in exchange for their prior interest? How should we think about those offtake rates? Thank you very much.

<A – Jonathan Price – Teck Resources Limited>: Yeah. So, both Nippon and POSCO have been joint venture partners in Elkview, and POSCO as well in Greenhills, so it's the part of what's happened here is a conversion of those interests to their interests in equity and the Transition Capital Structure here. They will retain offtake agreements – long-term offtake agreements with EVR. I won't talk about commercial terms of those contracts, but substantially similar to the sort of agreements that we've had with them in the past. So no significant change there.

<Q – Lucas Pipes – B. Riley Securities, Inc.>: All right. I appreciate it. Thank you, and again, best of luck.

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

Operator: This concludes the question-and-answer session. I will now hand the call back over to Mr. Phillips for closing remarks.

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

Thanks, Ariel, and thanks, everyone. Just before I hand it over to Jonathan for his closing remarks, I just want to say that, again, lots to digest. I'm sure there will be plenty of other questions. Please reach out to me or Helen or indeed anybody on the IR team. We'll be happy to do our best to get in touch with you and have a conversation, and we will be delighted to help out.

With that, Jonathan, over to you for any final remarks.

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

Yeah. Thanks, Fraser, and thanks, everyone, for joining the call today and for the good questions. We, at Teck, couldn't be more excited about this transformational transaction that we've announced today. We believe it will unlock significant value for our shareholders. And we do believe that this transaction structure is the best pathway to separate and realize the full potential of both of these great businesses.

As I mentioned, it will increase strategic and financial focus from both organizations, allowing the two entities to pursue tailored growth and capital allocation strategies into the future. Teck Metals, this is about unlocking the value of the world-class copper growth portfolio and capitalizing on the opportunities presented by the energy transition, continuing to be funded by steelmaking coal cash flows through the transmission period.

And of course, we set up EVR as a pure-play, high-margin steelmaking coal producer exposed to strong long-term steel fundamentals, and we have the potential for strong equity value accretion as the capital structure is paid down. Critically, the separation provides our investors with flexibility to choose and optimize their portfolio allocation between base metals and steelmaking coal given that both companies provide exposure to different commodity fundamentals and capital return policies.

And finally, of course, the Dual Class share sunset will modernize Teck Metals' governance structure.

So with that, thank you very much. We look forward to following up this conversation with you beyond this call. And yes, once again, thank you, a very exciting day for Teck.

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