PARTICIPANTS

Corporate Participants

Fraser Phillips – Senior Vice President-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.
Réal Foley – Senior Vice President-Marketing & Logistics, Teck Resources Ltd.
Robin B. Sheremeta – Senior Vice President-Coal, Teck Resources Ltd.
Dale E. Andres – Senior Vice President-Base Metals, Teck Resources Ltd.
Scott R. Wilson – Treasurer & Vice President, 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
Gordon Lawson – Analyst, Paradigm Capital, Inc.
Jackie Przybylowski – Analyst, BMO Capital Markets Corp. (Canada)
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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, Thank you for standing by. Welcome to Teck Resources' Q1 2020 Earnings 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, April 21, 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 Vice President-Investor Relations & Strategic Analysis, Teck Resources Ltd.

Thanks very much, Helena, and good morning, everyone, and thank you for joining us for Teck's first 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 the call over to Don Lindsay, our President and CEO.

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

Thank you, Fraser, and good morning, everyone. While these certainly continue to be difficult times, not just in the mining sector, but for all of us as we navigate the evolving COVID-19 challenge both personally and professionally. Like you, we are continuing to work from home. And so, the entire senior management team has dialed in remotely this morning, and so please bear with us in the event there are any hiccups.

We last spoke during our Investor and Analyst Day Conference Call on April 1, just about three weeks ago, and that included a summary of our COVID-19 response measures, some initial highlights from our first quarter results and, of course, our QB2 project update. Today, we will focus on updates from the full results from our first quarter, as well as some additional detail on our COVID-19 protocols and the impact of COVID-19 on our operations.

I'll begin on slide 3 with first quarter highlights, followed by Ron Millos, our CFO, who will provide additional color on our financial results. We will conclude with a Q&A session, where Ron and I and additional members of our senior management team would be happy to answer any questions.

Our focus is on managing the risks around COVID-19, ensuring that we have the necessary measures in place to safeguard our people and our local communities. The global health situation posed by COVID-19 is unlike anything previously faced by companies, by families, and by communities. The scope and severity of this pandemic requires all of us to step up and do our part. And we are proud to have announced last week the creation of a CAD 20 million fund to support the COVID-19 response and future recovery efforts. Nothing is more important than the health and safety of our employees, our contractors, and the communities where we operate.

While our COVID-19 response has temporarily reduced production at some of our operations, all of our managed sites are currently operating. There has been no material impact on sales or shipments to Teck products due to COVID-19 to-date, but there is a risk that sales volumes could decline significantly in Q2 following the dramatic slowdown that we had seen in global economic activity. There is clearly still a very fluid situation with COVID-19, and the overall impact on our business will depend on the progression of the pandemic and on the success of measures in place to combat it. And as such, we have suspended our previously issued 2020 annual guidance.

Now, despite the emergence of COVID-19, there were a number of positives in the first quarter. Steelmaking coal had a very strong finish to the quarter, with sales exceeding our quarterly guidance, adjusted site cost of sales come in well below previous expectations, reduced finished coal inventories at our mine sites, and that provides greater operational flexibility, and the logistics supply chain performed very well in March, including Westshore.

We completed the Elkview plant expansion in mid-April, and this is a very important milestone because it increases annual capacity at Elkview from 7 million tonnes to 9 million tonnes. And this is important because it will enable us to replace higher cost production from Cardinal River, which produced 1.4 million tonnes in 2019, with much lower cost production from Elkview when Cardinal River closes later this year. And taking into account both the cost savings and the higher average pricing for Elkview coal because it is higher quality, and then assuming $150 per tonne of coal pricing and current exchange rates, this strategic move should translate to an annual increase in our EBITDA of approximately CAD 160 million. The initial investment was just CAD 135 million, so that is a rapid payback on an asset that will provide significant long-term value to our business literally for decades to come.

At the same time, we continue to advance our four key priorities. On March 31, we issued an updated capital cost estimate for our QB2 project with a to-go capital estimated at $3.9 billion before considering any impacts of the current suspension as a result of the COVID-19 situation. This estimate is based on an average exchange rate over the remainder of the build of CLP 775 per US dollar. At the current exchange rate of around CLP 850 to the dollar, capital expenditure would be $240 million lower than that $5.2 billion.

We are consolidating the improvements that we implemented in 2019 under our RACE21 initiative, which is now focused on transforming the company for the future. We continue to advance the strategically important Neptune Terminal upgrade, which will secure a long-term, low-cost, and reliable supply chain solution for our steelmaking coal business unit.

Preparations are underway for the suspension of terminal operations for five months, with starting on May 1. And you will recall that we made the decision to proceed with the extended shutdown of Neptune in order to match port capacity with reduced production and to improve productivity and safety as we advance construction. We have increased our target for total reductions under our cost reduction program to CAD 1 billion from previously planned spending through the end of 2020. And we have achieved CAD 375 million in capital and operating cost reductions to-date since starting the program in the fourth quarter of 2019. And importantly, we have maintained a strong financial position with current liquidity of CAD 5.8 billion.

Turning to our financial results on slide 4. In the first quarter, revenues were CAD 2.4 billion, and gross profit before depreciation and amortization was CAD 776 million. Profitability was impacted by the significant negative effect of COVID-19 on commodity prices. Our unadjusted EBITDA also reflects a non-cash pre-tax impairment charge of CAD 647 million related to our interest in Fort Hills. Bottom line adjusted profit attributable to shareholders was CAD 94 million or CAD 0.17 per share on both a basic and a fully-diluted basis.

Details of the quarter's earnings adjustments are on slide 5. With effects from January 1, 2020, we have made changes on how we present adjusted profit attributable to shareholders and adjusted EBITDA. So, going forward, we will include additional items that we have not previously included in our adjustments, and comparative figures have been restated, and this is really based on feedback that we've had directly from our shareholders.

We now include adjustments for environmental costs, including changes related to decommissioning and restoration costs for our closed operations, also share-based compensation costs, inventory write-downs and reversals, and commodity derivatives. And we believe that these changes our adjusted profit attributable – with these changes, our adjust to shareholders and adjusted EBITDA will better reflect the results of our core operating activities and will help readers to understand the ongoing cash generating performance of our business, and bring us more in line with practice at our peer group.

In the first quarter, the most significant adjustment was the non-cash impairment charge related to our interest in Fort Hills, which was CAD 474 million this time on an after-tax basis. There were also CAD 22 million of COVID-19 expenses in the first quarter on an after-tax basis, and Ron will speak to this in greater detail shortly.

Environmental costs and share-based compensation reduced our adjusted profit attributable to shareholders by CAD 87 million and CAD 22 million, respectively. And this was partially offset by CAD 27 million in inventory write-downs and CAD 15 million in commodity derivatives. So, with these and other minor adjustments, bottom line adjusted profit was CAD 94 million or CAD 0.17 per share, again, on both a basic and a fully diluted basis.

Please note that we continue to not adjust for settlement pricing adjustments which were negative CAD 64 million or negative CAD 0.12 per share in the first quarter on an after tax basis. And again, that is based on feedback from analysts and shareholders.

Turning to our response to COVID-19 on slide 6. As I've said many times, nothing is more important than the health and the safety of our employees, contractors, and the communities where we operate in. So, we have put in place comprehensive preventative measures at every one of our sites. And these measures include reducing onsite crew sizes, enhanced cleaning and disinfecting protocols, eliminating group meetings, and promoting physical distancing, and also requiring anyone with symptoms not to come to work and promoting preventative measures like frequent hand washing.

We're also being diligent in ensuring those preventative measures are being followed and we are working closely in collaboration with employee unions such as the United Steelworkers. In the last three weeks alone, this is very important, our health and safety teams have conducted over 5,000 individual audits to ensure that COVID-19 protocols are being implemented and that they are effective. And earlier this month, the Regional Health Authority conducted an audit of COVID-19 prevention measures at our steelmaking coal operations which confirmed that we "have strong protocols in place with regards to COVID-19".

As I mentioned earlier, we've also created a CAD 20 million fund to provide direct support to critical services in areas where we operate. And this includes procuring and donating essential medical supplies such as the 1 million KN95 masks that support local health and social services affected by COVID-19 and contributing to relief efforts.

I will now run through highlights by business units starting with steelmaking coal on slide 7. As I mentioned at the start, steelmaking coal had a strong finish to the quarter with sales of 5.7 million tonnes, which exceeded our previously issued guidance; also, adjusted site cost of sales coming in well below previously expectations at CAD 63 per tonne; and finished coal inventories have been reduced at our mine site, enhancing operational flexibility, and I can tell you we're very pleased about that. And then, the logistics supply chain performed very well in March.

We also completed the Elkview plant expansion to 9 million tonnes of capacity in mid-April, and this again is a very important milestone. We commenced a temporary slowdown of our steelmaking coal operations on March 25, which lasted approximately two weeks, and we had reduced our crews by up to 50% of regular house in the period which reduced production to between 80% and 85% of normal levels.

But because we now have greater confidence, we're further up the learning curve and dealing with COVID-19, beginning a week ago, our operating crews were returned to 75% of normal levels. So, that's a step in the right direction. We are currently at stable levels of production across all operations. And subject to market demand, we are planning to increase production of 2020 when the Neptune extended outage and our annual major planned outages are scheduled to be completed.

In terms of sales, our second quarter sales volumes could decrease significantly from first quarter 2020 levels as COVID-19 is expected to continue to impact global economic activity and steelmaking coal demand and supply. We are starting to receive notifications from customers that they may delay purchases in response to reduced demand for their steel products as their own customers are reducing or suspending production of their products.

Turning to our copper business unit, our Q1 results are summarized on slide 8. Copper production of 70,600 tonnes in the quarter was similar to a year ago. Higher production at Carmen de Andacollo and Highland Valley Copper offset decreases at Antamina and QB. Net cash unit costs after the cash margin for by-products of $1.27 per pound were $0.28 lower than the same period a year-ago, reflecting our CRP, our cost reduction program, and also favorable exchange rates.

As you know, we announced a temporary suspension of construction activities at our QB2 project to March 18, that impacts the total of approximately 15,000 workers. Demobilization was essentially complete by March 23, so very good execution on that. And while this was initially planned for a two-week period, project construction activities still remain on hold today.

We continue to reassess the status of the suspension in light of the rapidly evolving COVID-19 situation. And our priorities continue to be the safety of our workforce and supporting Chilean efforts to limit transmission of COVID-19. We cannot predict when the temporary suspension of the project will be lifted. If full construction activities are restarted in the second quarter, the soonest we would expect first production would be mid-2022.

Similar to the actions we took at our steelmaking coal operations, we commenced a temporary slowdown of operations at Highland Valley Copper on March 25 which lasted approximately two weeks. We initially reduced our onsite crews by up to 50% of regular levels in that period, and we've reduced production to approximately 85% of normal levels. But, beginning a week ago, again, because we're further up the learning curve and people have more confidence in our operating practices and protocols, operating crews were returned to 75% of normal levels and opportunities are being evaluated to increase production back up to normal operating levels while maintaining social distance measures.

Antamina temporarily suspended operations on April 13 to support Peruvian COVID-19 response efforts and to facilitate a change in workforce. Antamina has implemented protocols to ensure the health and safety of all workers, and it is coordinating its response with public health authorities. Safe demobilization of the workforce has been completed including implemented COVID-19 testing of employees and contractors. Antamina is working towards a restart, but timing on resuming operations is uncertain at this time.

At our Chilean operations, Carmen de Andacollo and Quebrada Blanca, we continue to operate at normal production levels with reduced workforce levels onsite.

Our zinc business unit's results are summarized on slide 9. And as a reminder, Antamina's zinc-related financial results are reported in our copper business unit. Red Dog's sales of zinc in concentrate of 134,000 tonnes were within our quarterly guidance range. Red Dog zinc production increased compared to a year ago, primarily due to substantially higher mill throughput which was offset by lower grades and recoveries – which offset lower grades and recoveries.

In the first quarter last year, mill operations were negatively affected by a 20-day shutdown due to the effects of severe winter weather. At Trail Operations, production of refined zinc was higher than in the first quarter last year. We recorded an inventory write-down of CAD 19 million related to Trail Operations in the quarter.

Looking forward, the unique fly-in/fly-out circumstances at our Red Dog operations in Northwest Alaska has necessitated significant travel restrictions and modified schedules to maintain safe operations. But to-date, normal production levels have been maintained. Sales of Red Dog zinc concentrate are normally lower in the second quarter than the first quarter ahead of the start of the new shipping season. This year, our second quarter sales could decrease significantly compared to Q2 2019 as COVID-19 is expected to continue to impact global economic activity and zinc demand and supply.

At our Trail Operations, we have maintained production levels while reducing the workforce onsite on weekdays by over 40%, resulting from restructured shift schedules and people working from home. Sales volumes of refined zinc from Trail could decrease significantly again from Q1 2020 due to COVID-19.

Our energy business unit results are summarized on slide 10. And as you are aware, global crude markets are in a period of unprecedented volatility. Now, this script was written a few days before yesterday, but that, of course, is an understatement. Prices declined dramatically in the first quarter as a result of the unparalleled collapse in demand, following the measures taken to combat COVID-

19 across all major economies and exacerbate it by an increase in supply from both Saudi Arabia and Russia.

Our realized prices and operating results were hit hard by the drop in oil prices. The gross loss before depreciation and amortization from our energy business was CAD 90 million in the first quarter and included in the loss was an inventory write-down of CAD 23 million.

In addition, we recorded a non-cash pre-tax impairment charge of CAD 647 million in the quarter related to Fort Hills. Looking forward, Fort Hills is temporarily operating as a single-train facility in light of COVID-19 and in light of depressed Western Canada Select prices as previously announced. This should significantly reduce variable operating costs and mitigate losses.

Assuming Fort Hills is operated as a single-train facility through the balance of 2020, we expect our share of Fort Hills' production will be 8 million to 9 million barrels of bitumen and our unit operating costs will be between CAD 37 and CAD 40 per barrel for the full-year. The Fort Hills Partners continue to monitor market conditions and may adjust the operating plan for Fort Hills accordingly. For the full-year, we have reduced our planned 2020 capital spending in our energy business unit, now down to CAD 85 million from previously CAD 175 million.

And with that, I will pass 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 start by addressing the changes in our cash position during the first quarter on slide 12 (sic) [slide 11] (00:18:43). We generated CAD 279 million in cash flow from operations. The net change in debt was CAD 220 million and we received CAD 61 million in proceeds from investments and other assets.

We spent CAD 818 million on capital projects and CAD 172 million on our stripping activities. And we purchased approximately 16.3 million Class B shares under our normal course issuer bid for CAD 207 million in the quarter. And that completes the CAD 1 billion of share buybacks previously authorized by our board. We paid CAD 109 million in interest and finance charges, repaid CAD 43 million of lease liabilities, and we paid CAD 27 million on the regular base dividends. After these and other minor items, we ended the quarter with cash and short-term investments of CAD 219 million.

One other note about our quarterly financial results, not on the slide, but after adjusting for the Fort Hills impairment, our overall effective tax rate on profit before taxes was 39% in the quarter, and that's above our longer-term general expectation of 35% to 37%. And that's primarily due to the losses at Fort Hills and Trail, which are not subject to mining taxes. If we remain in a lower operating margin environment and continue to experience losses at Fort Hills, we would expect our effective tax rate on profit before taxes to remain a little bit emulated above those normal expected levels.

Turning to COVID-19 expenditures on slide 12. We previously mentioned that we were reviewing the accounting treatment of these expenditures that are incremental in nature and incurred specifically because of COVID-19. So, no COVID-19-specific expenditures will be charged against our capital projects as they really don't add any value to those projects. COVID costs related to the production of products will be expensed as incurred in our cost of sales rather than being charged to inventories and then flowing through to our future earnings when the products are ultimately sold.

But COVID-19 expenditures not related to the production of products will be expensed as incurred in our other operating expenses. And to assist readers in analyzing and understanding our more normal operating results, we have deducted all COVID-19-related costs that were expensed from our profit attributable to shareholders in our adjusted earnings table.

In the first quarter, our COVID-19 expenditures were CAD 44 million on a pre-tax basis, and that included about CAD 32 million related to the temporary suspension of construction at our QB2 project, CAD 5 million of finance expenses were included in the adjusted items. And that was due to us not allowing to capitalize the interest expenses while QB2 is in suspension on the construction. And in addition to that, there was CAD 7 million related to incremental COVID expenditures throughout our various operations. Our COVID expenditures in the second quarter will depend on the trajectory of the pandemic, but they are expected to be higher than what we expensed in the first quarter of this year.

Slide 13 summarizes our cost reduction program. As Don mentioned, we've intensified the focus on our cost reduction program across the organization in the context of COVID-19. On April 1, we announced our targeted reductions were increased to CAD 1 billion of previously planned spending from the launch of the program in the beginning of Q4 2019 through to the end of 2020. And to the end of March, we've received – achieved approximately CAD 375 million of capital and operating cost reductions since we announced the program last year.

Turning to slide 14. Our financial position remains strong with about CAD 5.8 billion of liquidity and that includes CAD 525 million in cash. We maintain a $4 billion revolving credit facility of which $3.75 billion is currently available. And importantly, this facility is committed out to the fourth quarter of 2024. It does not have any earnings or cash flow-based financial covenants, does not include a credit rating trigger, and does 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 March 31, that ratio was 20%. We only have $500 million of notes maturing in the next four years with nothing due in 2020. No significant debt maturities prior to 2035. And we have investment grade credit ratings from all four credit rating agencies.

And for our QB2 projects, the funds from the QB2 partnering transaction with Sumitomo Metal Mining, and Sumitomo Corporation, and the $2.5 billion limited recourse project financing facility dramatically reduces our funding requirements for the project. During the first quarter, we drew $50 million on the $2.5 billion on the recourse financing facility. Going forward, project spending will be from the project financing until it reaches a specific ratio of project financing to total shareholder funding. Teck's next contribution to the project capital are not expected until Q1 2021. That, of course, is subject to the impact of COVID-19 on the projected schedule and timing of capital spending. We do not expect COVID-19 impacts to prevent us from drawing on the project financing facility. And overall, our financial position is in good shape to allow us to weather the challenges around COVID-19.

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

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

Well, thanks, Ron. As I said at the outset, these continue to be unprecedented times that we're living in. The COVID-19 pandemic has had a significant negative impact on global economy and commodity markets, and the outlook remains uncertain.

Our focus is on managing the risks around COVID-19 and ensuring that we have the necessary measures in place to safeguard our people and our local communities. While our COVID-19 response has temporarily reduced production at some of our operations, all of our managed sites are currently operating and that is acknowledging that Antamina is a joint venture with BHP, Glencore, and Mitsubishi.

There has been no material impact on sales or shipments of Teck products due to COVID-19 so far, but there is a risk that sales volumes could decline significantly in Q2 following the dramatic slowdown that we've seen in global economic activity.

And despite the emergence of COVID-19, there were a number of positives including a very strong finish to the quarter in steelmaking coal and very importantly the completion of the Elkview plant expansion which sets us up in really good position for decades to come.

At the same time, we continue to progress our four key priorities, and those are: the QB2 project, which will help rebalance our portfolio; RACE21, which will set us up to transform the company for the long-term and improve productivity and reduce costs; Neptune, which will secure a long-term, low-cost, and reliable supply chain solution where our steelmaking coal business and lower costs for decades to come; and finally, our CRP, the company-wide cost reduction program with an increased target of CAD 1 billion. We have a very strong financial position and we are well-positioned to weather this storm and the challenges around COVID-19.

And with that, we'd be happy to answer any questions. And as a reminder, we are all on phone lines from home, so please bear with us if there's a delay while we sort out who will answer your question. So, back to you, operator.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] The first question is from Orest Wowkodaw with Scotiabank. Please go ahead.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: Hi. Good morning. Don, I'm wondering if you can give us some more color on your comments about significantly lower potential coal sales in Q2 and that you're seeing customers defer delivery of volume. Can you give us a sense of, A, how many customers – are you just seeing the beginning of that, or are you seeing substantial amount? And the language here obviously seems a lot different than what we heard three weeks ago. And I'm curious how much of that might be related to the India being closed as well. Thank you.

<A – Don Lindsay – Teck Resources Ltd.>: Yeah. No. This is an important question, and you are correct that it has changed a fair bit in the last three weeks, particularly in the last two weeks, and the conversations are ongoing. I'm going to turn it over to Réal Foley in a minute. But just a perspective on this, it does feel similar to one of the quarters that we had during 2008-2009 and it lasted for a while where the customers went through the depth of demand for their own products came back quite quickly. We don't know how much volume might be deferred. Let's not talk about cancellation really, it's deferral to the quarter, but it all kind of cascades through the subsequent quarters. And we won't know for certain exactly which ships will come when or for a few weeks really although it happens throughout the quarter. So, unfortunately, we can't give guidance on it. I know you're looking for a better sense for the volumes involved. And at this stage, it's very difficult to answer that.

But, Réal, over to you for a little bit more color on the discussions.

<A – Réal Foley – Teck Resources Ltd.>: All right. Thanks, Don. So, Orest, we are seeing hot metal capacity cuts around two-thirds of what has been announced to-date. It's concentrated in Europe, the US, and India. So, as you said, India is definitely part of this. But also with the rapid spread of COVID-19, there is more countries that have implemented lockdown measures. And as Don said during the presentation, the global economic activity has slowed with lower demand for a number of products that steel goes into.

Recently, we've seen announcement of BF, blast furnace closures, or reduced hot metal production in other countries, that include Japan, Brazil, and South Africa as well. And so far, the total hot metal cuts represents somewhere around 78 million tonnes to 80 million tonnes on an annualized basis. So, that is around 15% or so of the blast furnace capacity outside of China and Russia.

<Q – Orest Wowkodaw – Scotia Capital, Inc.>: Thank you. And, Don, when you say it feels like 2008-2009, and when I go back and look, it looks like in Q1 2009 your coal sales bottomed at 3.7 million tonnes. Is that – I realized you can't give guidance, but is that the sort of goal post on one end of the spectrum might be realistic?

<A – Don Lindsay – Teck Resources Ltd.>: Yeah. I'd say yes. I mean, it's possible. I don't think so. But the way you phrased it as goal post on one end of the spectrum, yeah, those kind of things are possible. And it doesn't mean that those sales are lost forever. They tend to come back. But in terms of the timing of deliveries, that kind of stuff can happen, yeah.

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

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

<Q – Carlos De Alba – Morgan Stanley & Co. LLC>: Thank you. Good morning. So, the question is, maybe Don, can you give us some qualitative comments on the cost performance that you expect in Q2? You discussed the impact on sales volumes both in zinc and coal in the press release. But – so presumably your cost also will come down. How do you see that part of the equation with less volumes [indiscernible] (00:30:31) fixed costs potentially offset by progress in CRP and RACE21 progress?

<A – Don Lindsay – Teck Resources Ltd.>: Yeah. There are different parts to that question. So, what I'm going to suggest is, Robin Sheremeta, why don't you start with cost in coal and then, Dale, you follow up on copper and zinc. So, Robin, over to you first.

<A – Robin Sheremeta – Teck Resources Ltd.>: Sure. It's – I guess, in one sense we're fortunate that we spent the last few years structurally changing the coal business unit. There's a number of things that will play out through 2020, and not the least which is the declining strip ratio. So, if you remember back in 2019, we were operating around 11.4:1, will be lower this year around 10.7, and as we go into 2021, we're going to be around 10:1. So, we're setting the business unit up to have an improved cost structure around the strip ratio itself.

Don mentioned the closure of Cardinal River. We're actually closing that early, so it's going to be shut down around the end of June. We've got the 9 million tonnes complete at Elkview. So, you've got a structural change around the operating costs within the business unit as well that's kicking in.

And then, with RACE21, you've mentioned that as well, that strategy will be focused on some of the shortest-term, highest-value projects which will likely be focused on the plant operations. So, we'll see pretty good payback on that.

And then, just around CRP, this is what we're good at. In coal mining, we go through ups and downs, and we've demonstrated in the past we get into a low cycle like this, we're able to cut spending, And that was reflected in a large part in Q1 when we saw the spending or the costs actually quite a bit lower than we anticipated or as signaled earlier in the year. So, we're pretty well set up to take this on right now.

<A – Don Lindsay – Teck Resources Ltd.>: And Dale?

<A – Dale Andres – Teck Resources Ltd.>: This is Dale. I can make a couple of quick comments on copper and zinc. I think the question was specific to zinc. But I just want to remind that our quarterly zinc costs do depend on our lead sales. And typically, those are stronger as the year progresses and start in Q2, and particularly stronger in the Q3 and Q4 although we have suspended guidance, as we talked about previously. But CRP and RACE21 are also being driven throughout the copper and zinc operations. And I was quite pleased with both copper and zinc's sort of cost performance in Q1. And we're going to continue to drive that as we go forward.

<Q – Carlos De Alba – Morgan Stanley & Co. LLC>: Great. Thank you. And just a follow-up or, I guess, an additional question on the disbursements of QB2 financing. Has there been any alterations to the schedule that was presented earlier for the remaining of the $3.9 billion that the party still needs to spend?

<A – Don Lindsay – Teck Resources Ltd.>: I just wanted to be clear on the question, any changes to the schedule on our project finance, is that what you're referring to?

<Q – Carlos De Alba – Morgan Stanley & Co. LLC>: Right. Exactly. The disbursement of those – of that...

<A – Don Lindsay – Teck Resources Ltd.>: Oh, disbursement? Okay. Ron Millos or Scott Wilson, over to you.

<A – Ron Millos – Teck Resources Ltd.>: Scott, do you want to take that one?

<A – Scott Wilson – Teck Resources Ltd.>: Sure. It's Scott Wilson. The spending profile on QB2 will be somewhat impacted by the construction suspension. We updated the project finance lenders on this a couple of weeks. And over the balance of 2020, we think that there will be something like $200 million less drawn on the project finance facility than pre-suspension. So, that reflects procurement activities continuing and payments for commitments that have already been made. But other than that, we will continue to utilize the project finance facility as intended.

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

<A – Don Lindsay – Teck Resources Ltd.>: And I just want to go back to Orest's question earlier. And while we talked about the tonnage sales in Q1 of 2009, the equivalent quarter, if you like, to upcoming Q2, and that number is possible. The most important number to watch is really the hot metal production that Réal Foley talked about. And that at this stage is down about 15% outside of China. China, of course, is back basically to 100% steel production and we do sell to China as well though not as much as we used to. We could choose to sell more there. But I think those are the more important driving factors in trying to make an educated guess on what will happen in Q2.

<A – Réal Foley – Teck Resources Ltd.>: And one thing maybe I could add also, Don, is, we also need to look on the supply side for steelmaking coal. So, currently, the supply disruption reduction or closures that have been announced add up to somewhere around 38 million tonnes to 40 million tonnes. So, that is again outside of China. If you factor in China, the Mongolian exports into China are down 5 million tonnes year-to-date March. And the domestic China production of coking coal is also down 5 million tonnes year-to-date.

<A – Don Lindsay – Teck Resources Ltd.>: Thank you.

Operator: Thank you. And the next question is from Curt Woodworth with Credit Suisse. Please go ahead.

<Q – Curt Woodworth – Credit Suisse Securities (USA) LLC>: Yeah. Hi. Good morning. Question on the coal side, I wonder if you could comment a little bit about sort of tactically how you're managing the volume flow. So, my understanding is that you don't have a lot of spot market sales. Is there an opportunity to try to divert some of your traditional contract customer base into China or other avenues? And then, can you give us a sense for kind of what your year-on-year shipment rates look like today or kind of what April is at?

<A – Don Lindsay – Teck Resources Ltd.>: Okay. Réal, over to you.

<A – Réal Foley – Teck Resources Ltd.>: All right. So, of course, we are in the market every day. As you can imagine, Curt, with global economic activity slowing, there is less demand on the spot market as well. Now, we continue to talk to customers. We have customers in all markets including China, India, Eastern Europe, Western Europe, pretty much in all the areas of the world, the Americas also. So, it is a challenging time. It is difficult right now.

Specifically, with respect to Q2, when we look at volume, April is looking pretty good. But as we start to receive notification from customers, we could see the impact later on in the quarter, maybe in May or June. But it is too early to say because when you look at how the shipping world works for coal, the nominations for vessels are somewhere around two weeks or so prior to vessel loading. So, it is uncertain and a little bit unclear right now.

<Q – Curt Woodworth – Credit Suisse Securities (USA) LLC>: Okay. Thank you.

Operator: Thank you. The next question is from Gordon Lawson with Paradigm Capital. Please go ahead.

<Q – Gord Lawson – Paradigm Capital, Inc.>: Hi. Thanks for taking my question. Can you talk about the timing expected for the remaining permits for the water treatment facilities at Fording River and what work remains for Elkview's Phase 2 SRF?

<A – Don Lindsay – Teck Resources Ltd.>: Robin Sheremeta, over to you.

<A – Robin Sheremeta – Teck Resources Ltd.>: Yeah. Just, I've to ask you to repeat the first one. Just on the Elkview SRF, that project will – is under construction now and it will be completed by the fourth quarter of 2020. But I didn't quite understand the first question.

<Q – Gord Lawson – Paradigm Capital, Inc.>: You talk about those remaining permits for the treatment facilities at Fording River. Is there any guidance you can provide with respect to timing?

<A – Robin Sheremeta – Teck Resources Ltd.>: Well, the permits are – they just go through stages. So, there's the construction permit and then there's an operating permit. So, the timing on those are really just staged around the progression of the project itself. So, presumably, the timing on the actual operation permits will occur in 2021. So, we're just working through construction now.

<Q – Gord Lawson – Paradigm Capital, Inc.>: Okay. And as a follow-up, the strip ratio was quite high this quarter. When can we expect this to come down to the 10 times range?

<A – Robin Sheremeta – Teck Resources Ltd.>: Yeah. Well, through 2020, the current mine plan has us around 10.7, so that'll be the average across the year. So, you saw higher strip ratio in the first quarter simply because of the logistic challenges we had through January and February. And so, our production levels were quite a bit lower than what we had anticipated.

So, that affected strip ratio in the short-term and that will balance out over the next three quarters. So, you think about it in a sense we got ahead of stripping in the first quarter and that's move out for the rest of the year. But you can expect the average for the year to be around that 10.7 range. And then, following that, as we progress into 2021, the strip ratio does dropped to around 10:1 on average.

<Q – Gord Lawson – Paradigm Capital, Inc.>: And Robin, 10 – that 10.7 compares to is it 11.4 last year?

<A – Robin Sheremeta – Teck Resources Ltd.>: It was 11.4 in 2019. You bet.

<Q – Gord Lawson – Paradigm Capital, Inc.>: Okay. Excellent. Thank you very much.

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

<Q – Jackie Przybylowski – BMO Capital Markets Corp. (Canada)>: Thanks very much. I just wanted to dig into a little bit the comments that you got in your MD&A on the Elk Valley Water Quality. So, maybe following up a little bit on Gordon's questions, you've got a note in the MD&A about fish population, the specific kind of trout being affected. And maybe a little bit of a scary sentence at the end where it says that you may face delays in permitting or restrictions on mining activities. Can you give us a little bit more color in terms of like what kind of studies are required to determine the causes of this population decline? And what actually the risks would be to your operations, like, what would we need to see, I guess, in terms of the study results for your operations to be impacted? Thanks.

<A – Don Lindsay – Teck Resources Ltd.>: Okay. Robin, why don't you start, and then you can throw it to whoever you like for the balance?

<A – Robin Sheremeta – Teck Resources Ltd.>: Sure. Just, as far as the causation study, that – there's a considerable amount of work that has to be done in that area. So, it's not a simple process to land on a cause. And because we haven't got a sense of what the outcome that's going to be, it's pretty tough to speculate on how would we respond to it. So, that work continues. There is a incredibly competent team that is working through that. And by the middle of the year, or probably closer in the second half, we should have some outcome on those results. I wouldn't want to speculate on what – how that impacts – how that's going to impact the operations.

<Q – Jackie Przybylowski – BMO Capital Markets Corp. (Canada)>: So, if I could just ask a follow-up on that. If it's determined that hypothetically, let's say, some activity at the mine or the, say, Saturated Rock Fill treatment or something like that was contributing to this issue, would that be – cause the government to require you to slow mining down or slow processing down?

<A – Robin Sheremeta – Teck Resources Ltd.>: I think all that is just speculation. To be honest, until we have an actual cause, some combination of causes, there's no real way of knowing what the response would be.

<Q – Jackie Przybylowski – BMO Capital Markets Corp. (Canada)>: [ph] I was waiting for that (00:41:50). And then, if I can just ask one other question on Antamina. The previous release that you put out had basically said that you're doing a shift change, sanitizing all the work surfaces, and bringing the crews back. This MD&A that you put out today is a little bit more vague on timing. Has there have been a change in terms of the activities that are required for the miners to return to work? Are you now sort of looped in with the state of emergency legislation in the country, or are you still able to return to work as soon it's sanitized and the crews are ready to go?

<A – Don Lindsay – Teck Resources Ltd.>: Dale Andres, over to you.

<A – Dale Andres – Teck Resources Ltd.>: Yeah. Thanks, Jackie. It is – we basically said it's uncertain at this time because it is going to take a little bit longer. It is – it did take a little bit longer to demobilize the crews. There still is the state of emergency in effect and that does limit transportation of workers between regions.

We have now demobilized all the crews except for we'll call it a care and maintenance crew or core essential services crew. And we currently have about 400 to 500 people onsite. So, we moved about 2,000 people off after initially moving 4,000 people before the original state of emergency. So, we're working through the details of how regional movement of crews. We're still cleaning the facilities and we do expect it to take a little bit longer, but the exact timing is uncertain.

<Q – Jackie Przybylowski – BMO Capital Markets Corp. (Canada)>: Thanks very much.

Operator: Thank you. The next question is from Timna Tanners with Bank of America. Please go ahead.

<Q – Timna Tanners – BofA Securities, Inc.>: Great. Thank you. And I hope everyone's doing all right and healthy. Just wanted to ask a little bit more, I know you suspended guidance, and we've been talking about some specific projects. But if you could talk a little bit on a high level on CapEx, on what amount or percent, if you will, could be flexible or could be reassessed if conditions continue to remain depressed? And along those same lines, if you could provide some more color about what you and your partners at Fort Hills are discussing in terms of when and how to make a decision on any further cuts?

<A – Don Lindsay – Teck Resources Ltd.>: Okay. On CapEx, and I may turn it over to Ron Millos a bit in a minute, but really, the reductions in CapEx are included in our CRP targets and – because they have both CapEx and OpEx. And so, we're going through business by business site and meet with the leaders of each division and we go through what the trade-offs are and sustaining capital or actual enhancement projects whether they can be stopped, deferred, reduced. And then, the total reductions will show up in that CRP number, and Ron Millos has mentioned that.

I'll just talk to the Fort Hills question first then turn it to you, Ron. At Fort Hills, we are having an ongoing dialogue with the partners, Suncor, the operator, of course, and Total, and looking at different options. There are a lot of factors to consider. It's a complicated decision. And the starting point is, you have to take a view on what you think oil prices and WCS prices are likely to be and when, because if you were looking at reducing production further or going to shut down, then you have to look at winterization costs that would be quite substantial if you were all the way into sort of the November-December period. So, if you're going to do that, you want to make sure that you were going to be shut down for a long enough period to justify that versus sustaining operating losses on pure barrels operating. So, those are the tradeoffs. And if you think that the oil price is coming back a year or two from now, then you clearly wouldn't do that because there's lots of risk associated with it as well.

So, Suncor is going through the different iterations of studies and we'll be looking at that with them I think towards the end of this month, and you'll hear more in due course, but it is a very complex decision for sure.

Ron, back to you on CRP and CapEx.

<A – Ron Millos – Teck Resources Ltd.>: Sure, Don. On the CAD 1 billion target, about two-thirds of that is CapEx reductions, and that's spread amongst the various sites. Just the total program itself of the CAD 1 billion, about 80 – a little over 80% of it is at the operating sites being coal, base metals and energy. And the balance is split amongst the – our IT systems, satellite projects, corporate costs, and exploration and other project type expenditures. So, that gives a sense of where the cost reductions are currently coming from and that's based on the full target.

<Q – Timna Tanners – BofA Securities, Inc.>: Okay, great. And just to complete the thought then, can you remind us on QB2 that decision is made because of COVID-19 is my understanding. But is there any decision that you would make with regard to the copper price on any of your projects given the depressed level, how do you think about that? And with the buybacks, it sounds like – I just want to confirm it sounds like that was completing an authorization and you don't have anything set up further. Thanks a lot.

<A – Don Lindsay – Teck Resources Ltd.>: On the first question, there's no change in our outlook long-term for the copper price. In fact, if anything, COVID-19 has probably made that more positive, I think most people know about the antimicrobial properties of copper and the COVID-19 virus dies within four hours on a copper surface, but it lives for days and days on stainless steel or other surfaces. So we would hope that in the long-term that various public transit infrastructure and healthcare hospital facilities would be using more copper.

So, no change in that at all. And, yes, we completed the authorized buyback and the board would review that again as we go through and have a better understanding of when QB2 has started and how COVID-19 has shaken out. But we clearly believe that that is good value. At these levels, it's very good value. And we do want to make sure, Timna, that you and everybody at BAML did see the Elkview plant was completed and that's a very important investment. Some could even say a milestone or catalyst related to our coal business for the long-term.

<Q – Timna Tanners – BofA Securities, Inc.>: Thank you.

<A – Fraser Phillips – Teck Resources Ltd.>: [indiscernible] (00:48:13) sorry – Don, just Robin's going to jump back in here.

<A – Robin Sheremeta – Teck Resources Ltd.>: Okay. I appreciate that. I just want to come back to a question that Jackie had. And I might have misunderstood that question, in particular part of the MD&A that was being referred to, but that qualifier that's in the MD&A about the (00:48:32) permitting, it's not specific to the missing trout. Generally, we need to show progress in managing water quality issues in order to keep permitting on track. We're doing that and working closely with the regulators. This is a really complex problem with numerous stakeholders and there is always a chance that something unexpected comes up. But we are making progress and that's really what that statement was meant to highlight.

Operator: Thank you. And the next question is from Chris Terry with Deutsche Bank. Please go ahead.

<Q – Chris Terry – Deutsche Bank Securities, Inc.>: Hi, Don and team. First question for me is just in terms of the oil FX declines should be benefiting your operations. But I think you've provided sensitivities in the past. But just wondered if you could go through those.

And then, as a follow-on to that, I think you talked about it on the call at the start of April around the Investor Day that you would – you wouldn't hedge anything related to QB2. But I just wondered if you could just talk about any hedging policies not on the revenue side but on the cost side for FX or oil for the broader business? Thanks.

<A – Fraser Phillips – Teck Resources Ltd.>: Don, are you on?

<A – Don Lindsay – Teck Resources Ltd.>: Sorry, I was on mute. I apologize. Ron, if you could take the first question on FX, but I'll start by addressing the overall hedging question. And so, our hedging policy broadly speaking is, we don't hedge the specific commodities that we produce because we know our shareholders are buying us for exposure to those commodities. Historically, when we used to have annual benchmark pricing in coal and then quarterly benchmarking, we hedged the Canadian dollar, the currency, we locked in our cost base once we've known, we'd locked in the tonnage and the sales price.

But since so much more business is done in spot that we don't do anymore. For sources of supply at places like Red Dog when we're buying diesel, we can hedge that. We also do smooth out the zinc price received at Red Dog because there's so much seasonality to its shipping, but it ends up net sort of the average zinc price for the year. But we don't end up in a position where we're long or short a commodity or the exchange rate because we don't want to build that risk into our business for our shareholders.

Ron, and on sensitivities to FX, over to you.

<A – Fraser Phillips – Teck Resources Ltd.>: You might be on mute as well, Ron.

<A – Ron Millos – Teck Resources Ltd.>: Sorry. I am. My apologies. Sorry, if I heard the question properly, I thought it was related to the asset impairment, and the details on the on the sensitivities are provided in Note 4 to the financial statements. But the $0.01 strengthening in the Canadian dollar would affect the impairment by about $50 million and a $1 change in the WCS price, it could be about $140-something-million.

<Q – Chris Terry – Deutsche Bank Securities, Inc.>: Thanks, Ron. I meant just how it actually translates to on a real-time basis on falling FX in some of your operations right now? Thanks.

<A – Don Lindsay – Teck Resources Ltd.>: Yeah, Ron. Just our main sensitivity chart.

<A – Ron Millos – Teck Resources Ltd.>: Yeah. So, the main sensitivity chart, we obviously withdrew that, because the sensitivities are based on our estimates of production volumes, and we're pulling back the guidance. It's – we're a little concerned at providing any sort of sensitivity information. It could be resulting in numbers that are not correct. And the sensitivity is disclosed in our annual report. I don't have the number handy. My recollection was it's around CAD 60 million for every CAD 0.01, and that was based on the guidance that we previously gave and withdrawn. So, I would be – I would caution people to be very, very careful on using those sensitivities now because they are impacted by volumes or impacted by prices and throughputs, and they're probably no longer accurate.

<Q – Chris Terry – Deutsche Bank Securities, Inc.>: Okay. Okay. Thanks. And then, the follow-on for me, just you talked a bit about the water treatment in coal and given some color on that I think in Jackie's question earlier. But there's also a comment on Red Dog in the release around tailings and water-related projects in 2020. I just wondered if you could give some more details on that and any CapEx associated with it. Thank you.

<A – Don Lindsay – Teck Resources Ltd.>: Dale, I guess.

<A – Dale Andres – Teck Resources Ltd.>: Yeah. I'll take that, Don. Yeah, we have for over the last couple of years experienced higher-than-normal water precipitation and water inflow. And so, we're just flagging that in 2020 there's a higher-than-normal amount of projects associated with water and tailings to manage that situation to set ourselves up well for the longer-term. As far as the specifics, I think we did have originally capital guidance in our Q4 release. We've now withdrawn that guidance due to COVID. But those are the kind of projects. I think there's a question earlier about what's our potential to reduce sustaining capital going forward. That's one area that we will not be able to reduce and it will be higher than normal for 2020 [indiscernible] (00:53:47).

<A – Fraser Phillips – Teck Resources Ltd.>: Helena, I think we've come to the end of our time. We should hand it back here to Don for his closing remarks. Thanks.

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

Okay. Well, thank you, Fraser, and thank you all for joining us today. I just want to sort of give an overview or summary, if you like, on how we see things. If you look back at the last six or seven weeks, I sort of think of that as the operational phase of dealing with the effects of COVID-19 where all of us, both in our work and in personal lives, have had to go up the learning curve and figure out what protocols need to be in place and how to deal with it, physical distancing and the rest.

But I'm encouraged because we've got through that operational phase and we are well up the learning curve now. And we are able to operate at close to capacity levels. We now have taken the step to go from 50% of our employees onsite back up to 75% with the full support of the Interior Health Authority. And we see a lot more confidence among employees and their families, the communities, the Mayors of the towns, the President of [indiscernible] (00:54:54), and a lot of support. People are working very hard to get through this and they have been successful.

So, now, we have confidence that we are able to operate, and even logistics chain has been performing extremely well too. So, now, we're going to the next phase, and that's where the market is going to be reduced somewhat as all the things that the world had to do when the global economy take hold. But we look at the length of that. We know it's one quarter. It's probably two. But is it three or four? I don't think so. It doesn't look like it because we see the results in China where industrial production base is back up to 98.5%. There's two industries that are 100%. We see what Korea is doing. We see countries all over the world getting their arms around this issue. And the world will fix itself. It always does.

So, at some point, there is the other side of the valley which we kind of think looks pretty green unless when you figure the $8 trillion of stimulus monetary and fiscal has been announced around the world. But, yes, we have cautioned about our sales volumes in Q2, and I think that should be expected. But in no ways it makes us think that long-term prospects for the business have changed radically. And, in fact, we think the comeback could be pretty interesting once we get through this next quarter or two.

So, I do want to thank all of my team that have performed at an extraordinary level these last six or seven weeks as we were dealt with the challenge and challenge after challenge. We will have other cases of COVID-19. There's no question about that. There's inevitability to that. But we know how to deal with that, and we will.

Thank you to all the shareholders and the analysts who have joined the call today, and we look forward to updating you again after Q2. Thanks very much. The call is adjourned. Oh, I should say, at the end of every meeting at Teck, I always say this. Stay healthy, keep the faith, this too shall pass, and all will be well. Thanks very much, everyone. Right on.

Operator: Thank you. The conference has now ended. Please disconnect your lines at this time, and we thank you all for your participation.