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.
Jonathan Price – Chief Financial Officer & Senior Vice President, Teck Resources Ltd.
Robin B. Sheremeta – Senior Vice President, Coal, Teck Resources Ltd.
Shehzad Bharmal – Senior Vice President, Base Metals, North America and Peru, Teck Resources Ltd.
Harry Milton Conger – Chief Operating Officer & Executive Vice President, Teck Resources Ltd.
Réal Foley – Senior Vice President-Marketing & Logistics, Teck Resources Ltd.

Other Participants

Orest Wowkodaw – Analyst, Scotiabank
Greg Barnes – Analyst, TD Securities, Inc.
Curt Woodworth – Analyst, Credit Suisse Securities (USA) LLC
Abhi Agarwal – Analyst, Deutsche Bank AG (UK)
Lawson Winder – Analyst, BofA Securities
Jackie Przybylowski – Analyst, BMO Capital Markets Corp. (Canada)

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Teck's Third Quarter 2021 Earnings Release Conference Call. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. This conference call is being recorded on Wednesday, October 27, 2021.

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, Laurie. Good morning, everyone, and thank you for joining us for Teck's third quarter 2021 results conference call. Before we begin, I would like to draw your attention to slide 2. This call 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 would also like to point out that we use various non-GAAP measures in this presentation. You can find explanations and reconciliations regarding these measures in the appendix.

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

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

Thanks very much, Fraser, and good morning, everyone. I will begin with third quarter highlights on slide 3, followed by Jonathan Price, our CFO, who will provide additional color on our financial results. Then we'll conclude today's session with a Q&A where Jonathan and additional members of our senior management team will join me in answering your questions.

So, I'm pleased to report that our solid operational performance, combined with an extremely favorable commodity price environment in the third quarter, resulted in record adjusted EBITDA and record adjusted profit.

Third quarter adjusted EBITDA of CAD 2.1 billion is more than triple the same period last year. And note that September alone contributed to approximately half of the total, as strong realized pricing continued across all of our principal products, particularly steelmaking coal, but also copper, zinc and energy. And if you look at the pricing we've experienced in October, it's higher than it was in September right across the board. So, it'd be a pretty good indication how we did in the month of October.

Despite the continued impact of COVID-19 as well as the impact of forest fires in British Columbia in July, Q3 production was in line with plan across our business units, and our annual production guidance remains unchanged. However, as we previously mentioned, we are seeing inflationary cost pressures, notably in the price of diesel, supplies and labor costs, and not unlike our peers, these cost increases impacted the third quarter operating results across our businesses, and we are expecting upward pressure on our cash unit costs through the balance of the year and into 2022.

Despite this, we have not changed our full year cash unit costs guidance as we anticipate higher utilization and efficiency gains to partially offset some of the current pressures. Looking ahead, we are well-positioned to capture the significant cash flow generation opportunities that's arising from current steelmaking coal prices into Q4 and into 2022.

During the third quarter, we continued to advance our priority projects. Overall progress on our flagship QB2 copper growth project has surpassed the two-thirds mark as our team continue to aggressively manage the conditions resulting from COVID-19. Vaccination rates among the project workforce are high. And more recently, we have been able to ramp up staffing levels with a focus on delivering on the project's key milestones.

We continue to expect first production at QB2 in the second half of next year, and QB2 is expected to double our consolidated copper production by 2023. We are, though, experiencing some upward cost pressures, and we expect to issue updated capital cost guidance on the project in February with our Q4 results. And I'll come back to this in a moment.

To see more of the latest progress on QB2, I encourage you to watch a video of the project and view our latest quarterly photo gallery, which is in the Investors section of our website. And as a reminder, we are hosting a virtual site visit of QB2 on November 1, so please mark the date in your calendar and we hope you will join us.

Our Neptune facility continued its ramp up during the third quarter, successfully demonstrating the ability to perform at design capacity, And just a couple of days ago, it actually loaded 91,000 tonnes, a new all-time record. But don't get out your calculators, you can't annualize that number. But suffice it to say, it's going very well. The facility is expected to achieve a run rate at its design capacity of 18.5 million tonnes or higher in the fourth quarter.

Our steelmaking coal supply chain transformation is contributing significantly, improved optionality and reliability, and with record high prices for steelmaking coal, it is an excellent time to be in charge of your own destiny. Last week, we announced the conversion of our $4 billion committed credit facility into a Sustainability-Linked credit facility to support our sustainability goals. And to that end, we're also very proud to see our efforts recognized with an upgrade in our ESG rating from

MSCI to AA from A, which puts Teck in the top decile of our sector and ahead of most of our diversified competitors.

We were also named to the Forbes World's Best Employers list for the second year in a row. And heading into the fourth quarter, we are focused on continuing to optimize sales and production to capitalize on the high commodity prices and advancing our priority QB2 copper project.

Turning to an overview of our third quarter 2021 financial results on slide 4, our revenues improved significantly from a year ago, driven by increases in the prices of all of our principal products, particularly steelmaking coal. Adjusted EBITDA, as I mentioned earlier, more than tripled from the same period last year. Profit attributable to shareholders was CAD 816 million or CAD 1.53 per share, and adjusted profit attributable to shareholders was CAD 1 billion or CAD 1.91 per share, which is more than 7 times higher than same period last year.

Slide 5 provides a snapshot of third quarter performance across our business units compared to last year. And notwithstanding the effects of wildfires on our operations in B.C. and some minor unplanned maintenance at Red Dog, solid operational performance, high realized prices drove meaningful gross profit increases across the board in each of our business units. And Jonathan will review our financial results in more detail in just a few minutes.

Turning to copper on slide 6, EBITDA for our copper business unit increased by 95% compared to the same period last year, driven primarily by the 43% increase in our realized price of $4.28 per pound. Production was in line with plan despite the temporary suspension of our Highland Valley operations in mid-August due to wildfires.

Net cash unit costs reflect higher cash margins for byproducts due to substantially higher zinc prices. We have maintained our annual production operating cost guidance in copper despite upward pressure on cash unit costs, primarily due to higher consumable costs, a stronger Canadian dollar, and profit-based payments at Antamina.

Moving on to slide 7. As I mentioned earlier, we continue to advance construction at QB2 with overall progress now past the two-thirds mark. We have maintained our extensive COVID-19 protocols in order to protect the health and safety of our workers and our community. Working closely with the Chilean government, we successfully rolled out a vaccination campaign. The proportion of workers who have been fully vaccinated now exceeds 88%. And in fact, 93% of workers have been administered at least one dose of the vaccine. So, that's good.

Pre-screening and on-site testing have been key to our success in managing case rates at site, while effectively advancing construction. But it's not over. As COVID-19 cases in Chile declined in the third quarter, we continued to ramp up towards peak workforce levels to maximize camp occupancy, where we are now able to house three employees to a room. Chile has cited our efforts as a model for managing workplace health and safety during these unprecedented times. And Bechtel indicates that QB2 is one of their best-performing projects worldwide for managing the spread of the virus.

Now, we are reviewing our capital cost guidance, and an updated cost estimate will be provided with our Q4 2021 results in February. We are now, though, seeing some COVID-19-related pressures on contingency and on our capital estimate of $5.26 billion that we published on April 1, 2020. We are continuing to review and manage these costs and expect that an increase to our capital estimate of up to 5% could be required for additional contingency.

COVID-19-related capital costs are also seeing ongoing cost pressures as a result of continued absenteeism and labor inefficiencies. We are managing these costs and have put in place a variety of mitigation measures to counter the many adverse effects associated with construction in this environment, many of which are aimed at attracting talent, employee retention and minimizing absenteeism. The final extent of COVID-19-related impacts on the project schedule and budget will depend on our ability to establish and maintain adequate workforce levels and productivity.

Looking ahead, we remain focused on delivering to key project milestones and positioning for a successful startup. We continue to expect first production in the second half of 2022. The critical path is the grinding circuit, which remains on track.

And in addition, our teams remain focused on the important port-to-pond infrastructure, which will provide water for the concentrator. The photo on the right shows the truck shop, which is one of the early components being commissioned, along with the mine electrical loop to support pre-stripping activities. Other systems such as the power substations are also nearing completion to support overall commissioning activities. Our operations and commissioning teams are working in close collaboration with our construction and corporate groups to ensure a successful startup and to drive value through linking people, process, and workplace design. Our priority is to ensure a seamless transition to operations with our leadership team already in place as we ramp up the operations workforce.

Slide 8 shows our progress in the port onshore area, including the concentrate storage building, the filter plant, and water pump station in the background, and the desalination plant in the foreground.

Slide 9 provides an overall view of the steel work for the grinding building in the background and the pebble crusher in the foreground. And the grinding lines currently remain the critical or longest path for the project and we continue to make significant progress here.

Slide 10 shows the upstream side of the starter dam at the tailings management facility where we have raised the dam elevation significantly in the quarter and we continue to utilize the Teck mine fleet and some of our new fleet of CAT 794s and they are performing very well. We continue to be pleased with the progress we're making and are excited about building on our construction successes to-date with a focus on delivery to the project's key milestones. We look forward to sharing more of our progress with you at our QB2 virtual site tour on November 1.

Next, we've summarized your zinc business unit results for the third quarter on slide 11. And as a reminder, Antamina zinc-related financial results are reported in our copper business unit. EBITDA generated from our zinc business increased by 24% compared to last year, primarily due to higher prices, partly offset by higher royalty costs related to increased Red Dog profitability.

At Red Dog, zinc in concentrate sales of 162,000 tonnes was above our guidance range despite a late start to the shipping season due to weather and ice conditions and a record weather-related shipping delays in July and August. Lower Red Dog zinc in concentrate production was primarily due to lower mill throughput and recoveries as a result of some unplanned maintenance, which is now behind us.

As previously announced, refined zinc production at our Trail Operation reflects a temporary four-day shutdown of the oxygen plant due to wildfires in August. And looking forward, we expect to ship all zinc concentrates from Red Dog during the current shipping season assuming normal weather conditions for the next few days. However, as a result of the late start to the season and various weather-related delays, a portion of our fourth quarter sales has been deferred to the first quarter. So, it's just a timing issue. We expect Q4 sales of zinc in concentrate to be in the range of 140,000 tonnes to 155,000 tonnes, and our annual guidance for the zinc business unit remains unchanged.

Turning to our steelmaking coal business on slide 12. Our steelmaking coal business unit had a strong third quarter, reflecting prices that are at unprecedented levels, and a 16% increase in sales volumes relative to Q3 last year. Sales were 5.9 million tonnes, in line with guidance, including approximately 1.9 million tonnes of sales to customers in China that are priced at premium CFR

China prices, increased to $402 per tonne from $257 in the second quarter, and we exited the third quarter at a record high of $602 per tonne. And as I said earlier, today's prices are even higher.

The remainder, roughly 70% of our sales, were sold based on the FOB Australia price, which averaged $253 per tonne compared with $137 in the second quarter. And we hit a record price above $400 per tonne in late September. Given strong commodity prices, we maximized the utilization of available processing capacity to meet additional sales opportunities into China, while also completing a substantial proportion of our maintenance outages for the year during the quarter, so that set us up really well for Q4.

Adjusted site cash cost of sales was CAD 63 per tonne, which was within our guidance range as anticipated. And it was CAD 4 per tonne lower than a year ago. Our transportation costs of CAD 46 per tonne reflect higher vessel demurrage, rail, and port charges that were incurred as a result of the July rail service disruption caused by wildfires. By putting contracts in place to be able to ship through all of three West Coast ports, we had the flexibility to opt to divert some trains and vessels to Ridley Terminals during the disruptions. And while this increased our transportation costs somewhat, it enabled market access for our steelmaking coal during this period of record high prices. So, incurring these extra transportation costs to continue shipping was clearly the right thing to do for the business because it was very minor amount compared to the margins per tonne that we were making.

Looking forward, our fourth quarter steelmaking coal sales are expected to be 6.4 million to 6.8 million tonnes. We will continue to prioritize available spot sales volumes to China, which is expected to result in favorable price realization, but we continue to target 7.5 million tonnes of sales to China in 2021, unchanged from our previous guidance.

We anticipate our 2021 production to come in at the lower end of our guidance range of 25 million to 26 million tonnes as the wildfire impacts are not expected to be fully recoverable by year-end. As a result of inflationary pressures, including higher diesel costs, reliance on overtime to offset increased absenteeism due to COVID-19 as well as ongoing global supply chain constraints and disruptions, we expect to be at or slightly above the upper end of our full year adjusted site cash cost of sales guidance in the quarter.

Further, due to inflationary pressures, wildfire disruptions in the third quarter and increased ocean freight rates, vessel demurrage and rail surcharges, we expect to be at the high end or slightly above our full year transportation cost guidance ranges. I should note that at this point, we have priced nearly two-thirds of our fourth quarter sales based on FOB and CFR China prices that have averaged $370 FOB and $561 per tonne since September 1. Just to repeat those numbers. Since September 1, the Aussie FOB price averaged $370 per tonne and the China CFR price has averaged $561 per tonne. And you'll note those are substantially above what we averaged in the month of September.

Our upgraded Neptune facility, which is a crucial component of our steelmaking coal supply chain transformation, is now ramped up. Our equipment is performing according to or exceeding plan. As a result, we're starting to see the benefit of meaningfully lower port costs with a higher percentage of sales volumes loaded at Neptune.

And while throughput was impacted by the B.C. wildfires in July, Neptune demonstrated its ability to perform at design capacity during the second half of September, as planned. In the fourth quarter, Neptune is expected to achieve a run rate at design capacity of 8.5 million tonnes or higher. Overall, our efforts to transform our steelmaking coal supply chain has and will continue to play an instrumental role in maximizing our operational reliability and market access optionality to capture strong commodity pricing.

Turning to our energy business unit results for the third quarter on slide 14, our results improved from Q3 2020, primarily due to an increase in Western Canadian Select prices. However, this is partially offset by higher unit operating costs. Production at Fort Hills increased by 20% compared to the same quarter last year, which was impacted by extremely wet weather conditions. We have been working closely with Suncor, the operator, to address the operational issues reported last quarter, particularly dealing with the mining challenges where we have extensive experience. And we are seeing signs of improvement in mine productivity now. Fort Hills is now expected to transition to a two-train operation and operate at full production rates by year-end. So, our full year guidance for 2021 is unchanged.

And with that, I'll pass it over to Jonathan for some comments on our financial results.

Jonathan Price, Chief Financial Officer & Senior Vice President, Teck Resources Ltd.

Thanks, Don. I'll start by addressing our third quarter earnings adjustments on slide 15 to reconcile our profit and adjusted profit attributable to shareholders. The most significant adjustment in the quarter is CAD 97 million in QB2 variable consideration owing to IMSA, a former owner. This is a derivative financial liability that arose from our 2018 acquisition of an additional 13.5% interest in QBSA through the private Chilean company. This liability is carried at fair value and any change in fair value is recognized on our income statement.

The purchase price included additional amounts that may become payable in the event that average copper prices exceed $3.15 per pound in each of the first three years following commercial production up to a cumulative maximum of $100 million if commencement of commercial production occurs prior to January 21, 2024. A nominal value was attributed to the additional payments at the time of acquisition. As of September 30, 2021, the fair value of this financial liability increased by CAD 97 million reflecting the discounted value of the maximum consideration.

The second largest adjustment in the quarter is CAD 49 million in environmental costs on an after-tax basis. This primarily relates to a decrease in the rates used to discount our decommissioning and restoration provisions for closed operations. Share-based compensation expense was CAD 28 million in the quarter and commodity derivatives were CAD 10 million. After these and other minor adjustments, bottom line adjusted profit attributable to shareholders was CAD 1 billion in the quarter or CAD 1.88 per share on an adjusted diluted basis.

Excluded from our earnings adjustments, our results include gains and losses due to changes in market prices in respect of pricing adjustments, which resulted in CAD 73 million of after-tax gains in the third quarter or CAD 0.14 per share. Notably, the large increase in steelmaking coal prices from Q2 to Q3 resulted in pricing adjustments of approximately CAD 162 million in the third quarter or CAD 103 million on an after-tax basis.

Now, the changes to our cash position during the third quarter are illustrated on slide 16. We generated strong cash flow from operations of CAD 1.5 billion in the quarter, an increase of more than CAD 1.1 billion compared to the same period last year, reflecting substantially higher commodity prices, most significantly in steelmaking coal. We invested CAD 1 billion on sustaining and growth capital, including CAD 676 million on the QB2 project, CAD 48 million on the Neptune facility upgrade and CAD 247 million in sustaining capital.

Capitalized stripping was CAD 172 million, primarily related to the advancement of pits for future production at our steelmaking coal operations. This was higher than a year ago, primarily due to decreased stripping activities in Q3 2020 as a result of COVID-19 restrictions. Debt proceeds on our $2.5 billion project financing facility for QB2 were CAD 224 million in the quarter. We also repaid a net CAD 360 million on our revolving credit facility. In addition, we paid CAD 120 million in interest and finance charges and CAD 27 million with respect to our regular quarterly base dividend of CAD 0.05 per share. Including these and other minor items, we ended the quarter with cash and short-term investments of CAD 390 million.

Now, turning to slide 17, we're very pleased to maintain our strong financial position with current liquidity of CAD 5.4 billion, including cash and the amounts available on our committed revolving credit facilities. We ended Q3 with $218 million drawn on our $4 billion committed credit facility, and with strong commodity prices, we have since reduced this balance to zero.

As Don noted at the beginning, last week, we converted our $4 billion committed credit facility into a Sustainability-Linked facility in support of Teck's sustainability strategy goals and extended its maturity to October 2026. It is currently undrawn. The Sustainability-Linked facility involves pricing adjustments that are aligned with our sustainability performance over the term of the facility, measured by Green House Gas intensity, percentage of women in Teck's workforce and safety. This further underlines the integration of sustainability performance into everything we do, now including financing.

At the same time, we canceled our $1 billion credit facility maturing in June 2022. As a reminder, this the sidecar facility was established in June 2020 in the initial months of COVID-19. Market conditions and commodity prices have improved significantly since then, and consistent with our confidence in the outlook, it is no longer needed.

As of September 30, we have drawn $2 billion from our $2.5 billion limited recourse project financing facility for the QB2 project, of which $178 million was drawn in the third quarter. We have no significant note maturities prior to 2030 and we have investment-grade credit ratings from all four credit rating agencies.

And then, finally, a brief reminder on our capital allocation framework on slide 18. In the event our cash flow from operations exceeds our sustaining and committed growth capital, our base dividend payments, and any cash required to maintain our capital structure, we generate what we refer to as available cash flow. The first 30% of any available cash flow is returned to shareholders, and the balance of 70% can also be returned to shareholders or otherwise used for investments in growth or debt reduction or a combination of these. The board considers supplemental shareholder distributions each February when the full results of the year are known.

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

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

Thanks, Jonathan. So, in summary, this is a very exciting time for our industry and for Teck, in particular. There are opportunities ahead as global growth and the transition to a lower carbon economy drive new copper metal demand. And in the near term, given the current commodity outlook, we have the ability to generate significant EBITDA and free cash flow.

Looking ahead, we have an industry leading copper growth profile and a very attractive copper pipeline. We're strengthening how we operate both through cutting edge innovation to improve productivity as well as our leading ESG performance. And we have a leadership team with the right mix of skills and experience to deliver on our strategy.

So with that, we would be happy to answer your questions. And like many of you, most of us are on phone lines from home. So, please bear with us if there is delay while we sort out who will answer your question.

Thank you. And operator, over to you for the questions.

QUESTION AND ANSWER SECTION

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

<Q – Orest Wowkodaw – Scotiabank>: Hi. Good morning. In your release, you disclosed that there's several challenges related to the port and tailings facility at QB2. Can you please give us more detail on what the issues are and whether you see any potential impacts to the schedule from these issues, or is it strictly a CapEx issue and can you catch up here?

<A – Don Lindsay – Teck Resources Ltd.>: Okay. Well, first, congratulations, Orest. You did it again, first up. So, I'll turn this question over to Red Conger. Red, you might be on mute.

Operator: Actually, I do apologize. His line has disconnected.

<A – Don Lindsay – Teck Resources Ltd.>: Okay. So, what we're going to do is track Red down, because I'd like you to hear it straight from the man in charge, and we'll come back to your question. And operator, if we can go then to the next question, while I think Fraser's team will track down Red.

Operator: Perfect. Mr. Wowkodaw, you'll have to re-queue up once I clear you from the queue right now, please. So, the next question is from Greg Barnes from TD Securities. Please go ahead.

<Q – Greg Barnes – TD Securities, Inc.>: Thank you, Don. Can you give us some color around the inflation pressures you are seeing into 2022? Other companies – other mining companies are saying it's in the range of [ph] upwards (00:29:47) 5% to 7%.

<A – Don Lindsay – Teck Resources Ltd.>: Yeah. So, two or three comments, and I'll turn it over to Jonathan and can even have Robin or Shehzad directly from the operations give you some more insights. So, first of all, it's not what we would call structural inflation. It's more broad-based inflation from different input items such as diesel and supplies, things related to supply chain problems that we all hear about.

And in terms of order of magnitude, it's not in the range that – you'll be aware of some of our major competitors in coal, for example, calling for 20% increases. This is something that in total takes us, perhaps, $2 to $3 a tonne in coal higher than where we were. So, the percentage would be in the 5% or less right now.

We don't know how it's going to evolve. Obviously, there is supply disruption in the global economy all over the place. And so, we want to make sure that we flag that, I think you all know it anyway. But yes, we're getting hit with it, too. But it's probably more moderate than some of our major competitors.

How about, Jonathan, any additional insight from you? And then, let's give Robin and Shehzad a chance to give more color. Jonathan?

<A – Jonathan Price – Teck Resources Ltd.>: Yeah. Thanks, Don. I think if we look at some of the underlying indices here and particularly the changes from 2020 flowing into 2021, you look at crude up by 64%, gas up 39%, steel up 55%. This flows through a whole range of categories of spend, including diesel, explosives, grinding media and mobile equipment, plant, tires, chemicals, et cetera, et cetera. There is also, of course, some pressure coming through a whole range of other small consumables right across the business. And one of the things that's impacting costs there is supply chains, the cost of transportation and the way in which these cost pressures are flowing through into the economy.

So, the sort of range that Don has quoted is consistent with what we're seeing in the business right now. We do expect that pressure, as we've signaled in the release, to be maintained into 2022. But we don't see these as necessarily structural changes to the underlying cost of the business. They are driven by movements in these indices and, therefore, to a certain extent, some of this pressure will be transitory. As Don said, I don't know if Robin or Shehzad want to provide any particular business context.

<A – Robin Sheremeta – Teck Resources Ltd.>: It's Robin...

<A – Shehzad Bharmal – Teck Resources Ltd.>: Go ahead, Robin.

<A – Robin Sheremeta – Teck Resources Ltd.>: I was going to add that there is no question that some of the costs are inflationary, but I think one of the things to recognize is we've had considerable success with some of our RACE21 initiatives. They've reduced costs in many cases and increased our productivities, particularly in the process, plants and in the mine. So, we're actually seeing some offset to that pressure as well. So, you've got to kind of look at both sides of that equation.

<A – Don Lindsay – Teck Resources Ltd.>: Shehzad, any comment?

<A – Shehzad Bharmal – Teck Resources Ltd.>: I was going to say that the majority of that translates really is the energy complex with gas and crude and steel. And of course, we enjoy some of the margins from that as well in terms of the amount of margin that has gone up for all of our products as well. As Robin said, in copper, Don mentioned earlier, in spite of the pressures, we have been able to maintain our guidance both in copper and zinc to be within our previous guidance as we work through efficiency gains and find new ways to reduce consumption when pricing is so high and we have been fairly successful in that.

<Q – Greg Barnes – TD Securities, Inc.>: I had a follow-on...

<A – Don Lindsay – Teck Resources Ltd.>: So, Greg, that gives...

<Q – Greg Barnes – TD Securities, Inc.>: Yeah. Sorry. Go ahead.

<A – Don Lindsay – Teck Resources Ltd.>: So, it gives you some color, and I mentioned at the beginning that it isn't structural. But what is structural is that we're seeing the benefits from the investments we've made in the Elkview expansion to 9 million tonnes and the Neptune port, we're just going to the quarter where we'll see lower port cost. So, actually, cash cost in Canadian dollars were CAD 4 lower this quarter than a year ago.

So, on balance, [ph] we're getting (00:34:11) some control from those investments in the RACE21 experience, while at the same time flagging that all these different inputs worldwide are showing some increases. So, maybe your follow-on question, and then I do want to highlight I've got Red Conger back, so I want to get back to Orest's question as well. So, Greg, you first.

<Q – Greg Barnes – TD Securities, Inc.>: Okay. Yeah. Just as you touched on, it was given you've got some experience now with Neptune operating close to full capacity. What kind of tonnage loading rates are you seeing on a per tonne cost basis?

<A – Don Lindsay – Teck Resources Ltd.>: Sorry, cost basis, we haven't reported the cost for like a full quarter running at full capacity. That would be this quarter coming like Q4 right now.

<Q – Greg Barnes – TD Securities, Inc.>: But obviously, they're going in the right direction. Not CAD 11, CAD 12 a tonne, like [ph] they're paying less (00:35:00).

<A – Don Lindsay – Teck Resources Ltd.>: Yeah. But you know – and you'll be familiar with this, Greg. But what's even more important, as you know thermal coal prices are very high. And you'll remember what happened the last time thermal coal price was high, if we did not have – haven't done that, we would have been at the mercy of the other provider where they shortchanged just a million tonnes last time at margins of CAD 200 a tonne. If that happen again to us, this time the margins are CAD 400 a tonne. So, just by having it, avoiding that, that potential cost is huge. So, that's why I said the optionality – to have that optionality was strategically so important. And I'll also say that by dividing the business between CP and CN and keeping them both very competitive, that has worked really well, both from a cost point of view and service point of view, that we're getting the coal delivered to the port very well. So, we're looking forward to the next year or two and getting the benefit from that. We're very, very pleased with Neptune. Okay. Yes.

<Q – Greg Barnes – TD Securities, Inc.>: Thanks, Don.

<A – Don Lindsay – Teck Resources Ltd.>: Red, if I could call on you to answer Orest's question, which I believe you now have, which is about the port.

<A – Red Conger – Teck Resources Ltd.>: Yeah. Thanks, Don. Good morning, Orest. Apologies to everybody for my phone dropping off. So, we've had several things that we're dealing with in the third quarter starting at the port, the sea floor conditions are actually softer now where we're driving the pilings in to extend the jetty out into the sea. And initially, you think, well, that's great, it's going to go faster, but to meet the structural criteria that the facility has been designed to, we're actually having to drive those piles now deeper down into the sea floor to achieve that structural integrity.

So, that requires us – we've already ordered the pilings. They're at a designed length. So, now, we pound them down and then weld an extension on to them to drive them further down into the ocean floor to achieve the structural integrity. So, we burned additional effort hours in the third quarter doing that. We have the material on hand now to proceed in that manner if it continues this way.

And when we think about, first, copper, the critical path that we've talked about, we really have a relatively short distance to connect is – and we're going to show more of this in detail on Monday's virtual tour. But we've put a temporary island out in the sea and we're actually driving pilings back toward the shore as well as driving pilings from the shore out. So, that's the critical path to get the water from the ocean up then to the desalinization plant. And so, that continues to remain on track. As you indicated in your question, it's going to be more expensive to build that as long as this condition endures. But as far as the schedule goes, we're going to be able to accommodate that within the schedule.

Likewise, up at the tailing management facility, we had a pump station where we just completed the earthworks to start doing the foundation work. We discovered some geotechnical instabilities in the wall that was remaining there. And we have redesigned and relocated that pump station. So, now that work is ongoing and we can accommodate that within the critical power start-up schedule that we've been tracking to for next year. So, those are two of the biggest items that are contributing to the upward cost pressure right now and some idea of how we're dealing with those.

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

Operator: Thank you. The next question is from Curt Woodworth from Credit Suisse. Please go ahead. Your line is now open.

<Q – Curt Woodworth – Credit Suisse Securities (USA) LLC>: Yeah. Thanks. Good morning, Don and team. First question is for Réal. In past cycles where we've seen very extreme escalation in met coal, oftentimes, there was not significant liquidity at that price. I know Teck didn't always capture the full spot realizations. Can you just comment on your ability to capture the $600 China CFR price and what the netback would be for you today given ocean freight?

<A – Réal Foley – Teck Resources Ltd.>: Yeah. So, thanks for your question, Curt. Yes, we are capturing those higher prices as they are occurring. We've got a number of pricing mechanisms actually and we've made some sales at pricing – fixed pricing above $600. And we've also got some sales that are index linked and reflect the average of the index in the month of shipment. So, yes, we are capturing those prices.

On the FOB side, we have a combination of sales that are either priced on the quarterly – on the average of the quarterly indexes lag by a month and those indexes, the average is now tracking at about $370, as Don was saying, and we're halfway through the quarter.

If we go back to China, your question as to what is the FOB equivalent today, so trade has increased. I mean, this is one place where we are seeing inflationary pressures. Freight rates to China are currently around $33 to $35. So, we're getting roughly between $577 to $580, if you compare to the spot price today, which is sitting at that $613 per tonne.

<Q – Curt Woodworth – Credit Suisse Securities (USA) LLC>: Great. Thank you. And then, just on QB2, can you frame some of the bucket, I guess, around the 5% increase in the contingency? And would you feel that beyond the 5% increase, it's fairly de-risked at this point? And then, can you confirm – I think my understanding is that that Bechtel was taking most of the raw material price risk with respect to steel and whatnot, and Teck was more kind of on the blocking and tackling operationally labor. Thank you.

<A – Don Lindsay – Teck Resources Ltd.>: Red, back to you.

<A – Red Conger – Teck Resources Ltd.>: Yeah. Curt, so let me talk about the material risk first. We continued to procure all the material for this project throughout the pandemic. So, even though we idled construction during the early onset of the pandemic, we continued to procure materials. So, all of the material that we require to complete this project is actually procured and most of it is on site at this point. So, that's a huge advantage for us given what's going on globally today.

This issue that I just mentioned of requiring additional piling materials and in order to relocate this pump station that I just talked about, we need some additional pipe runs and cable runs. Those materials have been procured, secured and are on the way to site. So, we have a little or no risk associated with the things that are going on with global supply chain right now as far as construction is concerned.

And the buckets that I would put the additional contingency in that we're signaling to you today with upward pressure on the capital cost of the project itself are primarily related to geotechnical issues. So, the sea floor condition requiring additional pilings. So you can imagine that if we have to pound those deeper, this requires more effort hours, more construction hours per unit of progress than we had engineered and forecast. So, it's a pretty straightforward calculation. And we're already have – we have a fix in hand and are underway proceeding with that modification.

And then, likewise, this pump station up at the tailing management facility, same set of circumstances. We've reengineered that. The construction is well underway. One of the advantages that we have having an operating mine site there are our mine team is doing a lot of that earthwork. So, they were immediately available to respond.

So, the one other bucket we've had is weather-related where high sea conditions of support for safety reasons, we don't put divers in the water when we have high sea conditions. We had an inordinate amount of that exposure in the third quarter. And we also had some high wind conditions [ph] of the altitude (00:45:23) that kept us from making some of the lifts that we needed to make in the afternoons that it caused us some setbacks that – those are the categories and what we would include in that additional contingency we're talking about today.

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

Operator: Thank you. The next question is from Abhi Agarwal from Deutsche Bank. Please go ahead. Your line is now open.

<Q – Abhi Agarwal – Deutsche Bank AG (UK)>: Yeah. Thanks, operator. Morning, Don and team, and thanks a lot for taking my question. I have a couple of questions. So, the first one is, is it fair to assume that you can look to target another 7.5 million tonnes of met coal into China, depending on the premium between CFR and FOB persisting? And also, can you look to increase this as you plan for the next year? That's my first question.

<A – Don Lindsay – Teck Resources Ltd.>: Okay. I will turn that over to Réal.

<A – Réal Foley – Teck Resources Ltd.>: All right. Thanks for the question, Abhi. Yes, we are still targeting – it's unchanged – around 7.5 million tonnes of sales to China for 2021. And as we're looking at our book for 2022, our objective is the same to maximize sales into China. Keep in mind, as we do that that we have a number of long-term, well-established and stable customers that we're continuing to deliver into as well. Demand in that market is also very strong. And so, it took a long time to develop and build those relationships, acquire those contracts. And we don't know how long the import restrictions in China will last. So, we need to balance between our sales to long-term customers and also to China.

<Q – Abhi Agarwal – Deutsche Bank AG (UK)>: Thanks, Réal. My next question is on Neptune. With the ramp up progressing in line with expectations, is the guidance to get to below – I think the guidance was lower end of [ph] CAD 36 to CAD 39 (00:47:48) per tonne by 2022. Does that still stand? Do you think that given the inflationary pressures, it could eat into majority of those gains? Thank you.

<A – Don Lindsay – Teck Resources Ltd.>: Carry on, Réal.

<A – Réal Foley – Teck Resources Ltd.>: Yeah. So, we haven't provided guidance yet for 2022, Abhi. This is something that we will be doing when we report Q4 results in February. What we're seeing for Q3 and actually in the market currently, the inflationary pressures that we're seeing on diesel price and, therefore, rail fuel surcharge, on ocean freight rates and also on vessel demurrage, those are probably the main areas. The benefits in the savings that we're achieving with the increased throughput through Neptune is helping to offset those inflationary pressures.

So, you can just imagine that if we did not do Neptune, we would be impacted by the full-on effect of those cost inflations. And keep in mind, too, that for Q3, the impact from the wildfires with the tonnes that we were able to divert to Ridley Terminals also increased our costs, because Ridley is a much longer distance and, therefore, more expensive to get the coal there. But as Don explained, it provides the benefits of getting the coal to market reliably and, more importantly, realizing the benefits of the current very high prices in the steelmaking coal market.

<Q – Abhi Agarwal – Deutsche Bank AG (UK)>: Thanks, Réal.

Operator: Thank you. The next question is from Lawson Winder from Bank of America Securities. Please go ahead. Your line is now open.

<Q – Lawson Winder – BofA Securities>: Good morning, and thank you for the update. I'd like to ask about the energy business, if I may. You've in the past suggested that that business could potentially be divested given the strong oil price environment and an improvement in operations. So, certainly, the first criteria seems to be met, and it looks like there is scope for the operations to turn around in the fairly near future. Could you maybe comment on whether or not now might be the right time to divest? And how would you assess the marketplace of potential buyers at this point? Thank you.

<A – Don Lindsay – Teck Resources Ltd.>: Yeah. No, I agree with the way you've phrased the question. We do see strong pricing. And if Fort Hills was running at full capacity today, it would be very profitable and the board would be able to make a decision. What we've said in the past, and it hasn't changed, is that once Fort Hills is at full production and generating the kind of EBITDA we think it can, particularly at these prices, then the board would assess whether we're getting paid for it in Teck Resources shares. And if not, then it would entertain a transaction to have it held differently, but still to have Teck shareholders benefit.

So, what we mean by that is, possibly contributing it into a mid-cap and taking back shares, distributing those to Teck shareholders. We could do a direct Teck energy spin out. We could sell to another party for shares in that company. And it looks like that the ramp up will occur this quarter, so we're very pleased with that, but it hasn't happened yet. But if it does hit full production by January 1, then Q1, like next quarter would be the first full quarter where we can demonstrate financial results with it running at full production. So, coming soon, yeah, but not quite there yet, will be at time when the board can make a decision.

<Q – Lawson Winder – BofA Securities>: And then, if I might, just a follow-up on QB2, you've mentioned before and in the release today mitigation measures with the aim of attracting new talent and improving retention and minimizing absenteeism. And how should we think about the costs associated with those programs vis-à-vis the offsetting costs of potentially less overtime? I mean, if you're successful with those measures, would there be the risk of that CAD 600 million going much higher or would that actually help keep the CAD 600 million of COVID-related costs under control? Thanks. That's it for me.

<A – Don Lindsay – Teck Resources Ltd.>: Yeah. Excellent questions. And back to Red.

<A – Red Conger – Teck Resources Ltd.>: Yeah. And the way to think about it is that, in many ways, we're moving heaven and earth to minimize the impacts of COVID-19. So if the right thing to do now is to not be so cautious about staying away from the job that, but – not when you're sick, but we need everybody to come to work and we incent them to do that. Those people are getting paid when they're off. We need them getting paid when they're on the job. So, it's going to minimize the upward pressure on these COVID-related capital costs. And the same thing with attracting talent and retention. So, those – any time someone leaves and goes somewhere else or we have a spot unfilled, that's just more pressure for us on what it's going to cost to get all this done. So, this is the time now to be aggressive with getting as many people on site as we can. We have material. We have work fronts. We've got a very solid work plan to get all of this done and we need to get as many people on site and not laying off the [ph] work (00:54:08) to get this thing built.

<Q – Lawson Winder – BofA Securities>: Yeah. Thanks.

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

<Q – Jackie Przybylowski – BMO Capital Markets Corp. (Canada)>: Thanks very much. I don't normally ask the bond question, but I just wanted to ask you about the sustainability bonds that you reported the other day. And if you could give us a sense on roughly what the cost of borrowing on those bonds would be, if there is any kind of range. And maybe a little bit of the color on what changes in terms of tax behavior, if anything, to take advantage of more favorable terms with the sustainability aspect of those bonds.

<A – Don Lindsay – Teck Resources Ltd.>: Okay. Jonathan, over to you, unless we have Justin on the line. I'm not sure we do.

<A – Jonathan Price – Teck Resources Ltd.>: Well, I'll pick it up, Don, if you like. Jackie, just to be clear, they weren't bonds. It was a committed revolving credit facility. The pricing on that at LIBOR plus 150 basis points is exactly the same as the prior facility that we had. However, in this instance, what we have is essentially discounts or penalties based on the performance of the underlying sustainability metrics that we have. As I've sort of said previously, the intent here is to ensure that we embed sustainability in everything we do in the organization now, including our financing. We're already heavily motivated to meet the commitments on the targets that we've made in the market. And this is just a further confirmation of that and shows our willingness to connect that to the pricing of our borrowing, where, of course, if we fail to meet those targets there, there would be a penalty, albeit not material in terms of the cost of the organization. But I don't think, to directly answer your question, it changes our motivation because we're already very highly motivated. But it does create that direct connection between the cost of borrowing and our performance.

<Q – Jackie Przybylowski – BMO Capital Markets Corp. (Canada)>: Thank you. That sounds great. And maybe another question for you, Jonathan. In the Capital Markets Day you guys did recently, you talked about RACE21 and, I thought, in a really helpful way in terms of what that program is and the benefits that you're seeing. I kind of got the sense from the Capital Markets Day presentation that there may be additional phases. I don't know if you're going to change the name to RACE22 or something. Can you talk about that? Is there additional objectives or goals for that program that you can kind of contemplate announcing sometime soon? Or is this just maybe just more of an ongoing initiative at this point?

<A – Jonathan Price – Teck Resources Ltd.>: Don, do you want me to talk to that? Happy to do so.

<A – Don Lindsay – Teck Resources Ltd.>: Sure, go ahead. Go ahead, yeah.

<A – Jonathan Price – Teck Resources Ltd.>: Yeah. I mean, Jackie, really, it's a continuum of activity that will continue to be embedded in Teck and into all of our operations. So whilst we coined RACE21 to sort of bring together a series of targets and goals for a defined period of time, which we will report on in February 2022 when we give you our fourth quarter results, the work carries right on through that. There are new initiatives being developed all the time inside the organization looking for that next leg of performance and further embedment of the digital transformation, the cultural transformation, the empowerment of the workforce, essentially, that comes with that. So, it's certainly not a case that we hit the end of this year and we stop. We very much keep going. But we will tell you in February what's been delivered up to the end of 2021.

<Q – Jackie Przybylowski – BMO Capital Markets Corp. (Canada)>: Sorry. Are you going to maybe put new targets out for subsequent years or not so much published targets?

<A – Jonathan Price – Teck Resources Ltd.>: I think the importance with any program or program of transformation like this is really to see the benefit coming through the businesses, coming through our production, coming through our safety, coming through our unit operating costs, rather than necessarily creating new targets for RACE. I think you increasingly – every time you hear from Robin, you hear from Shehzad, they're talking to the benefit that RACE is having for their operations and for their business. That's a sign of success of a transformation program because that's where the – that's ultimately where the benefit would show up. And I think that's probably how we can continue to communicate going forward.

<Q – Jackie Przybylowski – BMO Capital Markets Corp. (Canada)>: Great. Thank you. And am I allowed to ask one last question?

<A – Don Lindsay – Teck Resources Ltd.>: Go ahead.

<Q – Jackie Przybylowski – BMO Capital Markets Corp. (Canada)>: Thank you. I just want to ask, we've heard from other companies that freight and shipping has been increasingly challenged. So, I was wondering if you can comment on how that affects your CFR priced coal going into China. Is the freight rates going up or are you having issues finding vessels?

<A – Don Lindsay – Teck Resources Ltd.>: That one is for you, Réal.

<A – Réal Foley – Teck Resources Ltd.>: Yeah. Thanks, Jackie. Yeah, freight rates are going up. If you compare to what they were at the beginning of 2021, they would have been in the mid- to high-teens, maybe as high as $20 per tonne. They're currently in the $33 to $35 range, so substantial increase. But at the same time, the coal price has increased so much more that the margins are highly beneficial. In terms of vessel availability, we have not had issues finding vessel availability. And we actually have a COA for part of our business, a Contract of Affreightment, for part of our business that covers some of our sales, too. So, that helps to balance some of the increases.

<Q – Jackie Przybylowski – BMO Capital Markets Corp. (Canada)>: Great. Thank you very much, Réal, and everybody. Thanks.

<A – Don Lindsay – Teck Resources Ltd.>: And Jackie, just to add some, first, to what Jonathan was talking about with RACE21 and to refresh what we said in the Capital Markets Day, in case there is those on the line that weren't there, RACE21 has already completed more than 100 projects and we will report on those and the measurement of how much EBITDA sort of gained, what the value of that was. But they've identified another 450 initiatives divided into 40 different digital squads to go after those. So, it truly is a transformation across the company into the digital world. And we're very, very excited about it and look forward to giving you the report in February.

<Q – Jackie Przybylowski – BMO Capital Markets Corp. (Canada)>: Thanks so much, Don. It was a great presentation at the Capital Markets Day. I really enjoyed that one.

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

Operator, Laurie, it's Fraser Phillips. I think we've reached end of time. Don, if you want to make a few closing comments.

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

Okay. Well, thanks very much. Once again, that was a record quarter, but it will likely be exceeded by Q4. And if you translate what we showed you in September and we've already completed in October and recognizing that we priced two-thirds of the coal for the quarter already. And in fact, for the benchmark, the 90-day calculation period, we're almost two-thirds of the way through that as well. So, Q4 is shaping up to be pretty good.

We hope to see you at the virtual site visit of our flagship QB2 Copper Growth Project on November 1 from 1:00 P.M. to 2:00 P.M. Eastern Time, and live webcast link will be available on our website, and further details are also available in the October press release.

So, once again, thank you for joining us, and we very much look forward to talking to you in February. Thank you, all.

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