PARTICIPANTS

Corporate Participants

H. Fraser Phillips – Senior Vice President, Investor Relations and Strategic Analysis, Teck Resources Ltd.
Donald R. Lindsay – President and Chief Executive Officer, Teck Resources Ltd.
Ronald A. Millos – Chief Financial Officer & Senior VP-Finance, Teck Resources Ltd.
Réal Foley – Vice President-Coal and Base Metals, Teck Resources Ltd.
Andrew Golding – Senior Vice President-Corporate Development, Teck Resources Ltd.
Robin B. Sheremeta – Senior Vice President-Coal Operations, Teck Resources Ltd.
Andrew A. Stonkus – Senior Vice President-Marketing and Logistics, Teck Resources Ltd.
Alexander Nicholas Christopher – Senior Vice President, Exploration, Projects & Technical Services, Teck Resources Ltd.

Other Participants

Matthew Korn – Analyst, Goldman Sachs & Co. LLC
Curt Woodworth – Analyst, Credit Suisse Securities (USA) LLC
Greg Barnes – Analyst, TD Securities, Inc.
Chris Terry – Analyst, Deutsche Bank Securities, Inc.
Dale E. Andres – Senior Vice President-Base Metals, Teck Resources Ltd.
Orest Wowkodaw – Analyst, Scotiabank
Oscar Cabrera – Analyst, CIBC World Markets, Inc.
Scott Schier – Analyst, Clarksons Platou Securities, Inc.
Lucas N. Pipes – Analyst, B. Riley FBR, Inc.
Brian MacArthur – Analyst, Raymond James Ltd.
Jackie Przybylowski – Analyst, BMO Capital Markets (Canada)

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Teck Resources Q1 2019 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 23, 2019.

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

H. Fraser Phillips, Senior Vice President, Investor Relations and Strategic Analysis, Teck Resources Ltd.

Thanks very much, Manish. Good morning, everyone. Thank you for joining us for Teck's first quarter 2019 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 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 and Chief Executive Officer, Teck Resources Ltd.

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

We delivered a solid operating performance in the first quarter despite some fairly challenging weather; severe winter weather which affected a number of our operations and as a result, we have no changes to our 2019 guidance.

At the same time, we achieved a number of important milestones during the quarter. We completed the QB2 partnership transaction with Sumitomo Metal Mining and Sumitomo Corporation, what we will refer to collectively as Sumitomo. And upon closing, Sumitomo made a CAD 1.3 billion or $966 million contribution to the project and a further $307 million contribution is expected over the remainder of the year.

The QB2 partnering transaction and financing plan dramatically reduced our equity requirements for the project to just under $700 million excluding escalation and with no cash required from Teck until late 2020. Work on the project financing for QB2 is progressing well and we expect to sign the loan agreement by the end of April. Following the signing, the board will consider additional cash returns to shareholders and that's likely at the board meeting at the end of May.

Also in the first quarter, we reached agreement with Posco Canada to substantially increase the royalty that they pay on their 20% share of Greenhills coal production, effective February 11. At benchmark steelmaking coal prices of approximately $200 per tonne, the royalty payment will increase by around CAD 90 million annually. The increase in revenue amounted to CAD 13 million in the first quarter already.

We are pleased to be upgraded to investment grade by four agencies in the quarter. As a result, we have now cancelled CAD 1.1 billion in letters of credit.

We continue to return significant cash to shareholders. We purchased CAD 180 million of class B shares and we also paid CAD 28 million in dividends in the first quarter. Last November, the board directed management to apply CAD 400 million to the purchase and cancellation of shares and so far, CAD 348 million has been spent to date.

Finally, we remain in a very strong financial position with approximately CAD 9.1 billion [corrected: CAD 8.7 billion] in liquidity, including CAD 2.5 billion in cash, CAD 1.3 billion of which is in Chile for the development of the QB2 project.

Turning to our financial results on slide 4, in the first quarter, revenues were CAD 3.1 billion and gross profit before depreciation and amortization was CAD 1.4 billion. After adjusting for unusual items, adjusted EBITDA was CAD 1.3 billion in the quarter and bottom line adjusted profit attributable to shareholders was CAD 568 million or CAD 1 a share and that would be CAD 0.99 per share on a fully diluted basis.

Details of the quarter's earnings adjustments are on slide 5. Primary adjustment this quarter was a CAD 51 million gain on our debt prepayment option and other than that, it was a fairly clean quarter.

I will now run through some highlights by business units starting with steelmaking coal on slide 6.

We continue to generate significant cash flow in coal. Sales were at the midpoint of our guidance range for the quarter at 6.2 million tonnes, reflecting solid demand. Steelmaking coal spot prices remain above $200 per tonne. With steel pricing and world economies remaining sound, indications are that demand for steelmaking coal will continue to grow, while supply issues continue to support prices.

The substantial increase in the royalty paid by Posco Canada on their 20% share of Greenhills production came into effect on February 11th and increased our first quarter revenue by around CAD 13 million.

First quarter production was around 100,000 tonnes lower compared to the same quarter last year. Significant periods of cold weather negatively affected the supply chain but we saw improvement in the latter half of the quarter.

Now, with Coal Mountain moving to closure, Elkview has more than offset the reduction in Coal Mountain's production through improved plant performance and the decision to utilize inter-site processing capacity.

Operating costs increased in the first quarter relative to Q1 2018 as anticipated. This reflects our decision, our deliberate decision to incur higher costs in order to capture additional margin, given the current pricing environment. Looking forward, we expect second quarter sales of approximately 6.4 million tonnes to 6.6 million tonnes.

Turning to our copper business unit, our Q1 results are summarized on slide 7. For the copper price averaged $2.82 per pound in the quarter essentially unchanged from the fourth quarter and down 11% from the first quarter of 2018, the price did trade above $3.00 per pound during the quarter due to a number of mine and smelter production issues.

Copper fundamentals remain strong in our view. Total reported global copper exchange stocks are now estimated to be 7.2 days of global consumption and that is below the estimated 25-year average of 11.9 days of consumption.

Overall in the first quarter, our gross profit before depreciation and amortization in copper decreased by CAD 132 million compared with year ago, that's primarily due to lower commodity prices.

Copper production was down modestly compared with the year ago primarily due to lower copper ore grades at Carmen de Andacollo and Highland Valley which was anticipated in their respective mine plans.

Our total cash cost before by-product credits in the first quarter were already $1.85 per pound, that's 9% higher than the same period year ago, primarily due to the effect of lower production volumes. Lower zinc sales volumes and prices combined with significantly lower moly sales resulted in reduced by-product credits and as a result, cash costs after by-product credits of $1.55 per pound in the first quarter were higher than the $1.15 per pound achieved in the first quarter of last year.

Looking forward though, copper grades at Highland Valley are expected to gradually improve through the remainder of 2019. The installation of the additional ball mill at Highland Valley is progressing ahead of schedule and under budget and we expect start-up in Q2.

And at QB2, we continued to ramp up field activities and award major contracts. Earthworks activities are fully underway, utilizing the existing mine fleet and third-party contractors. Engineering, contracting and procurement activities are currently 85%, 91% and 82% complete, respectively.

Our zinc business unit results are summarized on slide 8. As a reminder, Antamina zinc related financial results are reported in our copper business unit.

Zinc market remains very tight. Zinc prices increased steadily throughout the quarter as LME inventories continue to be drawn down to historically low levels. Reported zinc stocks held on the LME and the Shanghai exchanges are now estimated at just 4.1 days of global consumption and that is well below the 25-year average of 22.3 days, once again, 4.1 days of global consumption versus the 25-year average of 22.3 days, that's a tight market.

Overall, in the first quarter, our gross profit before depreciation and amortization of zinc decreased by CAD 91 million compared with the year ago due primarily to lower zinc prices.

At Red Dog, very severe winter weather closed the port road which impacted production. The production recovery plan is in place and we expect to make it up in the remainder of the year. Sales were unaffected and came in above our guidance range in 131,000 tonnes.

On the cost side, our net cash unit costs for mined zinc was down $0.11 per pound from Q1 2018, primarily due to historically low treatment and refining charges.

What goes around comes around as you see as we get to Trail where profit of Trail Operations improved from Q4 2018, the results were negatively affected by unplanned maintenance. Zinc treatment charges have recently increased and are expected to have a positive impact on Trail Operations in the second half of 2019.

The construction of the Number 2 Acid Plant at Trail was completed under budget and ahead of schedule. Commissioning and ramp-up is in progress right now.

Looking forward, we expect Red Dog contain zinc sales of 80,000 to 85,000 tonnes in Q2 and that reflects the normal seasonal pattern due to the shipping season.

Our energy business unit results are summarized on slide 9. There was a significant narrowing of Canadian heavy blend differentials for Western Canadian Select and an increase in global benchmark crude oil prices compared to Q4 in 2018. This is reflected in our higher average realized price of $42.12 per barrel of blended bitumen.

Overall, gross profit before depreciation and amortization from our energy business unit was positive at CAD 22 million. And this is despite being affected by lower production due primarily to the Government of Alberta's curtailments that came into effect on January 1, 2019.

Fort Hills' production was lower than design capacity due to the production limits imposed by the Government of Alberta, and also due to unplanned maintenance. Our share of bitumen production was 30,878 barrels per day which was within our guidance range of 30,000 to 32,000 barrels per day for Q1.

Operating costs of CAD 29.42 per barrel of bitumen in Q1 were also affected by the lower production. With the extension of the Government of Alberta production curtailments through June, we expect our share of bitumen production in the second quarter to be in the range of 30,000 to 32,000 barrels per day.

With the lower production, we expect second quarter unit operating costs to be similar to the first quarter of this year and to remain within our original guidance range of CAD 26 to CAD 29 per barrel of bitumen for the year. For the full year, there is no change to our guidance though with the extension of the curtailments, we now expect to be in the mid to low end of our annual production guidance range of 12 million barrels to 14 million barrels of bitumen.

With that, I'll pass it over to Ron Millos for some comments on our financial results.

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

Thanks Don. I'll start with the summary of changes in our cash balance on slide 10 here. So as Don mentioned on the closing of the partnering transaction, Sumitomo contributed $966 million or CAD 1.3 billion to the QB2 project and that appears in two lines on the cash flow statement as advances from the two Sumi's and equity contributions and note that as Don mentioned, they're expected to contribute a further $307 million over the remainder of 2019.

We generated CAD 520 million in cash flow from operations and we spent CAD 482 million on capital projects and capitalized stripping costs were CAD 199 million. We returned CAD 208 million to shareholders through buying back CAD 180 million of Class B shares and paying CAD 28 million by way of our quarterly CAD 0.05 base dividend.

We paid CAD 110 million in interest and financing charges and CAD 31 million to repay lease liabilities and this includes the impact of the adoption of the new accounting rules IFRS 16 which we adopted effective January 1, that resulted in approximately CAD 347 million of additional lease liabilities being recorded on our balance sheet. Further information on the impact of the new rules is available in our MD&A and in Note 15 to the financial statements. And after these and other minor items, we ended the quarter with cash and short-term investments of about CAD 2.4 billion and our current cash balance is now approximately CAD 2.5 billion.

Turning to the summary of our financial position on slide 11, we continue to generate strong operating cash flow. Our liquidity is currently CAD 8.7 billion; Don mentioned CAD 9.1 million that was a mistake, it is CAD 8.7 billion in liquidity and that includes CAD 2.5 billion in cash, of which CAD 1.3 billion is in Chile for the development of the QB2 project.

QB2 partnering transaction and financing plan dramatically reduces our equity requirements on the project to just $693 million that excludes escalation and no cash is required from Teck until late 2020. We are progressing the project financing for QB2 and expect to sign the loan agreement later this quarter. We have no significant debt maturities prior to 2024.

Of course, we're pleased to be upgraded to investment grade by four agencies in the first quarter and as a result, we've canceled CAD 1.1 billion on letters of credit that were providing security for our power purchase agreements in Chile and the transportation agreements at Fort Hills.

And I'll now turn the call back over to Don for closing comments.

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

Thanks, Ron. Before we wrap up, I would like to revisit a theme that I talked about at our recent Investor and Analyst Day that was 2018 was truly a transformational year for Teck and the transformation has continued into 2019. We achieved significant major milestones and we now find ourselves on incredibly solid foundation to build for the future.

We have a number of value catalysts that we're poised to execute on including potential additional cash returns to shareholders, possible further reductions in our notes outstanding, growth certainly through QB2 which is already in construction and even more so further down the road with QB3. We've got value creation coming from Project Satellite and transformations through innovation across the company.

So, overall, we believe Teck is well-positioned to take advantage of the many opportunities that we already have on our plate and generate compelling value for shareholders.

And with that, we'd be happy to answer your questions and I should say that some of our management team members are calling in from different locations. So there may be a brief pause when you ask a question as we sort out who's going to be answering. Thank you back to you operator.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And we have a question from Matthew Korn of Goldman Sachs. Please go ahead.

<Q – Matt Korn – Goldman Sachs & Co. LLC>: Hello. Good day, everyone. Thanks for taking my questions. I wanted to ask on Mackenzie Redcap, you know you've been very clear on your view now for last several quarters on through cycle coal pricing and from the Analyst Day, you've got a good grasp on this project as a low CapEx, higher OpEx operation, just right now what are you buttoning up when it comes to go ahead, where are the remaining variables for you in getting this done and decided upon over the next couple of months?

<A – Don Lindsay – Teck Resources Ltd.>: Well, it's a decision that will be discussed at the board over the next couple of days and we may take longer to make the decision. There's equally balanced arguments for and against, so it's quite interesting, it's not that big of a decision in terms of total capital but it is a higher cost operation so we're very conscious of that. You could think of it almost as a swing producer. It's certainly a product that our marketing people would really like to have as part of the overall portfolio, with those key customers, who have a strong interest in their product and have had for years.

But you know balancing that is just more coal on the market overall and the higher cost, so we'll discuss it thoroughly and see where we get to. But I couldn't signal one way or the other on this decision and not sure, that it will happen, not sure exactly when that will happen other than probably in this quarter either at this meeting or the next meeting.

<Q – Matt Korn – Goldman Sachs & Co. LLC>: All right. Got it. Let me circle over to copper, you were all at CESCO, I think, earlier this past this month. Now, how would you characterize the tone and the messaging on the copper market as you heard from the other corporates this time around and with bullishness more pronounced from everything that we've seen, the tighter market disruptions and the better data out of China, now was there any more enthusiasm that you saw for new project development relative to the last few years. I'm interested in your take there?

<A – Don Lindsay – Teck Resources Ltd.>: It's a good question. I would say that there was a group that was trying to make the case that the copper market may be balanced for longer and not to enter the structural deficit that many have been calling for, for some time. But that case was not really being well accepted by most. Most were looking for copper projects that they'd love to be able to get their hands on because we have quite a long list as you may know.

We had a lot of approaches. Most people don't have anything to develop. I mean we see QB2 and Quellaveco under development, but even those will take to 2021, 2022 or longer in some cases to come into production, so – and then balancing the background in China where I think you're seeing a more positive tone, the looser monetary policy and the stimulus usually there's a lag effect of eight months or so before it starts to gain traction, so it looks like it's gaining traction. There's a more positive tone between China and the U.S. So we think the outlook for the next 6 to 12 months is probably as positive as it has been for some time when it comes to copper. In the end though, it will be really into 2020 before the structural deficit starts to really, really get some traction and we're looking forward to that because QB2 will be timed pretty well for that.

<Q – Matt Korn – Goldman Sachs & Co. LLC>: Hi, Thank you very much.

Operator: [Operator Instructions] We'll now take our next question from Curt Woodworth of Credit Suisse. Go ahead.

<Q – Curt Woodworth – Credit Suisse Securities (USA) LLC>: Hey, good morning. First question is just around portfolio optimization, specifically around your copper assets when you look at the success you had at QB2 as well as other copper transactions, it seems to suggest that the private market is willing to pay much higher NAV value relative to where public equity markets are. So given that QB2, QB3 in the mix, has that altered sort of your plan around Project Satellite or if you could speak to potential monetization strategy around that, it would be helpful?

<A – Don Lindsay – Teck Resources Ltd.>: Right. Okay, now this question is something we spent a fair bit of time on at the Analyst Day. So QB3 has become our best project, with the capital efficiency that is associated with building that after QB2 and that moved all the other projects, we have eight in total, down a notch if you like and give us a lot more flexibility on what we might do with them in terms of either realizing value, actually sell for cash, or bringing on a partner and letting them do it or what we might do.

The first two coming up are Zafranal whose feasibility study is finished about now and then San Nicolás at the end of the year, the pre-feasibility study. I should say that NU, maybe NuevaUnión Feasibility Study is also finished in the second half of this year. So we have three that are in the near term of a lot of interest to other partners, NU, of course, will continue on with NuevaUnión Goldcorp. And so what we do with those two, it really depends. We're in no rush. It's not as if we need any cash as you heard we have CAD 8.7 billion in liquidity and no debt due this year and no debt due next year, only CAD 100 million due 2021. No equity obligations on QB2 either, so we're financially extremely strong. But it is a logical time for us to start discussions on those projects, so we've had approaches and we've sort of started a quiet dialogue as to what might be possible but we're in no rush that people shouldn't be sitting on the edge of their seats waiting for the announcement.

At the NPVs of these things add up to some pretty decent numbers. So sometimes during the course, I mean, in the latter part of this year or into early next year, we'd likely enter into some transaction on one or both of those two. That's our thinking at the moment but there's no particular timetable for us.

<Q – Curt Woodworth – Credit Suisse Securities (USA) LLC>: Thanks. That makes a lot of sense and just a follow-up, with regards to the coking coal market, the China import data has been extremely strong year-to-date. The March data was up 53%. I think that came out this morning, so there's been a lot of sort of speculation around what's going on in China with respect to port clearance and issues around taking Australian coal. Can you just speak to what you see kind of on the ground right now in China or are you being impacted that by any measure? And then, I guess, is the feedback you're getting from the Indian customers which have come in to take, I guess, majority of share relative to China. Do you see that continuing this year as well? Thank you.

<A – Don Lindsay – Teck Resources Ltd.>: Okay, I'll make a quick comment then I'll turn it over to Réal Foley for the detail. It's quite interesting situation in the coal markets. I mean, the average price for the last 11 years is $197 [inflation-adjusted]. We're holding very nicely and steadily. The volatility has reduced dramatically, the transparency in the market because of the change in pricing mechanism is really helping to provide stability and then globally, we're seeing good growth in steel production and then China, as I said, the effective loosening monetary policy and stimulus is only gaining traction now. So we see a very good outlook for the next six to 12 months from that part of the market. India remains very strong, the numbers last year were really quite extraordinary. So we see quite a positive environment, add to all this that capital is clearly being rationed to coal and likely will be for the foreseeable future. So additional supply will be few and far between kind of thing. So we see a very good environment. Now on the specifics of ports and so on, over to you, Réal.

<A – Réal Foley – Teck Resources Ltd.>: All right. Thanks Don. So the first point, I guess about China, as we've reduced our exposure to China a lot. If you go back to the peak in 2013, we were selling close to 8 million tonnes of our production into China. Last year, we sold less than 3 million tonnes and actually India became a bigger market for Teck with our sales exceeding 4 million tonnes so that was the first time in 2018 that India surpassed China.

To the question about the port restrictions, there is no official policy that we're aware of in China but what we've seen reported in the media is the fact that Australian imports, particularly, are being targeted with longer delays at ports. And those longer delays which started in the north had spread through the southern ports. So it seems that Australian imports are impacted. We don't have the breakdown per country yet and per coal quality yet, those usually come out a little bit later in the month. But what we saw to the end of February, February imports from Australia were down around 25% but year-to-date at the end of February, they were up by about 25%.

So the bottom line is China actually needs some higher grade hard coking coal from the seaborne market. Over two thirds of the steel production in China is located on the coast to have access to high grade hard coking coal from the seaborne market and we see those larger steel mills continuing to rely on seaborne imports. Seaborne imports of high-grade hard coking coal for the foreseeable future as their own domestic reserves are depleting and year-to-date domestic raw coal production in China including thermal and met coal is down over 10%.

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

Operator: And we now have a question from Greg Barnes of TD Securities. Go ahead.

<Q – Greg Barnes – TD Securities, Inc.>: Thank you. I'm just wondering what happens to the Posco royalty when it has to be reset again, I guess, at December 31, 2022?

<A – Don Lindsay – Teck Resources Ltd.>: We'll have a discussion with Posco at that time and it will reflect market conditions and hard to predict what conditions will be like at that time. But it will be the same kind of dialog we had this time. I mean, if you think about it effectively what's happened is we now have the economics of about a million tonnes of coal added to our business without having to layout any capital to build or purchase that scope of production.

So it's pretty exciting news for our coal division for sure. At the end of the day, Teck owns the coal, so that's a very valuable asset for us and we'll have a discussion with Posco as to what arrangements they might want to have.

<Q – Greg Barnes – TD Securities, Inc.>: Does it reset every three years then? Is that how the mechanics work?

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

<A – Andrew Golding – Teck Resources Ltd.>: It's Andrew Golding here, not from 2022 onwards. We're in the middle of a 10-year extension period at the moment where there was a negotiation after three years. One that's just finished is after six years and as Don just alluded to the next one comes in 2022. After that, it is to be agreed between us.

<Q – Greg Barnes – TD Securities, Inc.>: Agreed between you when it resets again?

<A – Andrew Golding – Teck Resources Ltd.>: I am sorry, I missed that Greg.

<Q – Greg Barnes – TD Securities, Inc.>: So after 2022, you renegotiate the deal again or it's...

<A – Andrew Golding – Teck Resources Ltd.>: That's correct. Yes.

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

<A – Don Lindsay – Teck Resources Ltd.>: They are large customer, very important customer. If they offer us a deal that we think is suitable then we'll do another deal otherwise, we'll just keep the coal and it becomes ours.

<Q – Greg Barnes – TD Securities, Inc.>: Okay. Okay. Got you. Just Don, can you talk a little bit again about MacKenzie Redcap. Obviously, it is a higher OpEx operation but what kind of OpEx range are we talking about, if it's a swing producer?

<A – Don Lindsay – Teck Resources Ltd.>: We haven't disclosed those numbers at this stage, Greg, and so I think, once we've made a decision then we'll give you a lot more detail. I wouldn't want too much focus to be on MacKenzie Redcap. It's in the grand scheme of things, it's not that much capital. It's a fraction of our just annual sustaining capital. It's more about looking at the big picture and you hear a lot of people talk about value over volume and you've heard me over the years repeat again and again, that we always make more money on price than volume.

And so it's kind of looking at all of those kind of factors and then we look at other things like logistics, imports and capacity, balancing those kind of things, longer term sustainability factors. Perhaps there's so many factors that go into such a decision. It's very easy to make a case one direction or the other and so this is one that's right on the bubble. I'm pretty convinced that if we go ahead with it that it'll make a lot of money because I'm pretty convinced that coal price is going to stay in this range that I've been talking about because it has for 11 years. So I think it would be very economic.

But I also know that whether it'd be you, Greg, or any of the other analysts on the line, have much lower coal prices that you're going to analyze it on and come to a different conclusion and we won't know who's right till the end of eight years. So therein lies part of the dilemma, is that if everybody used the 11 year average coal price on MacKenzie Redcap, you'd all be rushing to make sure we put this into production but unfortunately you don't. So we're going to consider very, very carefully.

<Q – Greg Barnes – TD Securities, Inc.>: Okay. That's great. Thanks Don.

Operator: And we now have a question from Chris Terry of Deutsche Bank. Go ahead.

<Q – Chris Terry – Deutsche Bank Securities, Inc.>: Hi, Don and team, a couple of questions from me. I just want to extend a little bit on the earlier question around the different projects in your portfolio. I understand that you want to take time and evaluate the best decisions on those. But from a share price perspective, what do you think the market's looking for. Is it asset sales for some of those Project Satellite opportunities or do you think JVs and putting them, I guess, numbers around some of the projects will hopefully result in that being recognized in the share price?

And then specifically on Quintette. I appreciate the comments on MacKenzie Redcap and that ones, the one that you're immediately looking at. I know Quintette's further down the line. Would you ever look to sell that project or is it not one that's in line purely because somebody else could then develop it and it may then impact the coal price. I'm just interested in your thoughts on that. Thanks.

<A – Don Lindsay – Teck Resources Ltd.>: Well, during the second or first, I think you almost answered your own question in a sense. But yes, that is part of the things that we think about when we look at Quintette. There's no plans for Quintette in the near term. It is a more economic project that some of the others we see people proposing. But we'll watch to see whether some of these other projects actually ever do get up and running. Some of them won't even though they make a good case and they're good promoters. So that's probably the answer on Quintette.

On the copper projects, I'm not sure there's much more to say and what I have said already is that we clearly have added a lot of value since we launched Project Satellite, is it almost three years I guess and moving them from resource to reserve to scoping study to pre-feasibility, the Feasibility Study, each one of those takes up a step in value and we're at the stage where parties have expressed interest. There are two that are developable and could be in production by 2023.

We don't want to distract ourselves from our QB2 and QB3 focus that we just want to be absolutely totally focused on executing those cleanly. So we would consider a transaction with another company where their people and their money developed it and maybe we keep a carried interest or joint venture interest or maybe we just sell outright. But as I said with CAD 8.7 billion in liquidity and no debt due this year or next year and no equity contribution required at QB2 for quite some time, we're in no rush so and particularly, if you believe as we do, that the copper market is likely to improve in 2020 and 2021 and we think we will have a real structural deficit and probably some pretty high copper prices that might be a better time to engage in any transaction at that stage because people will be that much more enthusiastic to get their hands on a project. So we're in a very good position. We'll take our time. We will continue to add value and listen to the proposals.

We aren't running a formal process at this stage though we could, though not the next few months but we could within this year. So we've highlighted that we have this resource rich situation and we're going to convert it to value but we can't give you a schedule because we don't see a need to rush this.

<Q – Chris Terry – Deutsche Bank Securities, Inc.>: Okay thanks Don and then just on Antamina, just wondering if you can give some more color on the timeline of a potential expansion and just some details around that. Thanks.

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

<Q – Dale Andres – Teck Resources Ltd.>: Yeah, thanks. Thanks Chris. Yeah, we're currently undertaking debottlenecking studies, wouldn't want to put any timeframe to it now. There's lots of resources as we know and it's looking at things like our infrastructure and our tailings capacity and things like that longer term. What we are doing through the debottlenecking study is looking at, it's kind of 15% to 20% of throughput improvement, and we know we have resources that will go for decades. So it's more just undertaking those studies over the next, let's say, 18 months to 24 months and we'll hear more as we progress.

<Q – Chris Terry – Deutsche Bank Securities, Inc.>: Okay. Thanks, that's all from me.

Operator: We have our next question from Orest Wowkodaw of Scotiabank. Please go ahead.

<Q – Orest Wowkodaw – Scotiabank>: Hi, good morning. Don, I just wanted to talk about little bit about the water treatment in the Elk Valley. You disclosed that you're going to push off building the Elkview active water treatment plant in hopes of building a saturated rock fill plant. I'm just curious, you must be pretty confident with your negotiations, I guess with the government but how long can you wait on this before you need an approval and then have to revert back if – can you just indefinitely wait?

<A – Don Lindsay – Teck Resources Ltd.>: Yeah. Let me say we are pleased with the progress as you've outlined and I'll turn it over to Robin and to get further detail.

<A – Robin Sheremeta – Teck Resources Ltd.>: Yeah. I'll give you some of the pieces that just have to fall in play. It's really just going through a process right now. So there isn't anything that that's interfering with our ability to advance the SRF being built out to 20 million liters of water a day at Elkview now. So and that's really just an expansion of what's currently running at 10 million liters of water a day. So that process is simply a matter of working through with the government, the regulators, the KNC in terms of how to put that permit in place. So that's why as we work through this, we expect to have formal approval within this second quarter.

<Q – Orest Wowkodaw – Scotiabank>: Okay and like if the approval takes longer. Okay.

<A – Don Lindsay – Teck Resources Ltd.>: Go ahead and ask your other question.

<Q – Orest Wowkodaw – Scotiabank>: No, I'm just curious what if the approval takes longer with respect to getting the sign off. Can you indefinitely defer the active water treatment plant?

<A – Robin Sheremeta – Teck Resources Ltd.>: We can at this stage. When we talk about what if it takes longer. If it took into Q3, say it would not interfere with the plan to continue to advance the SRF that plan is pretty much locked in at this stage. It would be a considerable amount of time down the road before we would have to look at an alternative. We don't anticipate that's in the cards.

<Q – Orest Wowkodaw – Scotiabank>: Okay, perfect and then just finally on the MacKenzie Redcap at the Investor Day, you talked about the CAD 140 million of CapEx that's already embedded in the 2019 guidance. Is there any incremental development CapEx beyond this year or is that the whole project?

<A – Don Lindsay – Teck Resources Ltd.>: We should clarify that CAD 140 million was in the budget but not in the guidance, just to distinguish between the two and I think I would go back to the same answer I gave before that. Once the decision on MacKenzie Redcap has been made, we'll give you all the details if we're going forward or if we're not going forward that will be, I guess, easier in your models. But we don't have additional information to give you for your models at this stage, so we'll wait for the board decision.

<Q – Orest Wowkodaw – Scotiabank>: Okay. Thank you. Thanks, Don.

Operator: We'll take our next question from Oscar Cabrera from CIBC. Please go ahead.

<Q – Oscar Cabrera – CIBC World Markets, Inc.>: Thank you, operator. Good morning, everyone. Don, the mix in coal and your products, we had a discount of about 11.4% to the benchmark. So I would have expected this to be a little bit lower because Cold Mountain is not in production or the sales are much lower now. So I was wondering if you can help us understand what is making that discount go above 10%. Is it the spot sales or is there anything in terms of quality of coal that we should be taking into consideration here?

<A – Don Lindsay – Teck Resources Ltd.>: Yeah. So just before I turn it over to Réal for this one, as you may recall, I've been trying to move the market away from looking at these percents and getting people to look at the individual prices that are published in the trade journals for high quality hard coking coal or semi-hard or semi-soft and seeing how those spreads work because that's public information in the market that we think people can follow rather than just calculating a percent that's why we don't publish the percent anymore. And then of course, there's changes quarter-to-quarter in mine plans depending upon where you are in that particular mine plan and then particularly, if you're opening up a new pit as before you get into the main coal seems, you can have some variation. But Réal, how about further detail from you?

<A – Réal Foley – Teck Resources Ltd.>: Yeah. Thanks, Don. So Oscar, I guess, our focus is really on margins, the earnings and the cash flow that coal business unit is generating and at the current prices as Don said, it's pretty sizable. And then, we've mentioned before that the difference between our average realized price and the quarterly index is a function of a number of factors, including the price spreads between the various qualities of coking coal, our product mix and also the timing of the sales amongst other factors.

For instance, if you look today at the price spread, for the quarter to-date, or like by a month, you'll see that the FOB average of these indexes is around CAD 208 for the high-grade hard coking coal and it's around CAD 179 for the semi-hard. So that's a CAD 30 gap, more or less, compared to around a CAD 10 spread historically. So that will have an impact on what we're selling.

And like Don said it's also important to keep in mind that our realized price versus the quarterly price has been quite volatile. So if you go back to Q2 2010 to-date, our realized prices ranged from a high of 104% to a low of 75%. So this is a big difference and with 89% you know we're around what we would expect for realized price.

<Q – Oscar Cabrera – CIBC World Markets, Inc.>: Okay. Now, that's helpful, Réal. And Don, I appreciate, you cannot encapsulate everything in one number, but are you going to start disclosing then what the quality of the coal that you're selling is?

<A – Réal Foley – Teck Resources Ltd.>: So what we've indicated before Oscar is that around 75% of our coal is high-quality hard coking coal. Long-term, that hasn't changed. But again as Don mentioned from quarter-to-quarter and year-to-year, depending on where we mine in our various operations, we might get a slightly different ratio of high-grade hard coking coal compared to semi-hard, semi-soft products.

<Q – Oscar Cabrera – CIBC World Markets, Inc.>: Okay, yeah. Thank you, Réal. Then if I may, on your zinc business, there was a comment during your introductory remarks about treatment charges and how this affects Trail positively on the second half of the year. I was wondering if you can comment on results from the negotiations for this year. I understand it's about $100 a tonne, more in treatment charges and how that then impacts the concentrate that you're selling into the market as well. Is it also an impact for the second half of this year? Thanks.

<A – Don Lindsay – Teck Resources Ltd.>: I think I'll save Andrew Stonkus the trouble and just say that we can't comment on those negotiations. Sorry, Oscar, that's just the nature of the beast here. And I would observe that while there's intense focus on 89% or 91% of present realization, when you then put that in your model and you're using CAD 125 coal price, which is CAD 80 below the market that might be a little bit more material, Oscar, in your model and I would encourage you to think about that.

<Q – Oscar Cabrera – CIBC World Markets, Inc.>: We will be working on it, Don. Thanks.

Operator: We'll take our next question from Scott Schier from Clarksons. Please go ahead.

<Q – Scott Schier – Clarksons Platou Securities, Inc.>: Good morning, everyone. On coal, your guidance suggests a decent step-up in production next quarter. Just for modeling purposes, is this a trend that we can assume we'll continue throughout the year and can we expect to see a similar improvement in cost as well or just how would you like us to think of all the moving pieces?

<A – Don Lindsay – Teck Resources Ltd.>: Generally, I think you just refer to the guidance of 26 to 26.5 million tonnes, we're going to be somewhere in that range for the year and it's going to vary from quarter-to-quarter. Same thing with costs, we're still confident in our cost guidance is $62 to $65 per tonne. So we've got – there is a number of factors that enter into the year. So you'll see some of the plant shutdowns occurring through the middle of the year, towards the later part and that, that's going to affect things in short runs. But generally, we're on guidance at this stage.

<Q – Scott Schier – Clarksons Platou Securities, Inc.>: Okay, great. Thank you for that. And then just as a quick follow up, more broadly, are there any other commodities or projects out there that look attractive to you at this stage that you consider adding to your portfolio?

<A – Don Lindsay – Teck Resources Ltd.>: Short answer is, no. We're all-in focused on QB2 and that's what our focus is right now.

<Q – Scott Schier – Clarksons Platou Securities, Inc.>: All right. Thank you for the color. Good luck.

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

Operator: We have our next question from Lucas Pipes from B. Riley FBR. Please go ahead.

<Q – Lucas Pipes – B. Riley FBR, Inc.>: Hey, good morning, everyone. I wanted to first ask a little bit about kind of your current transportation, logistics options. So with Neptune coming on, how will that change and then specifically, what amount of tonnage are you currently shipping through Ridley and how will that may change, as you bring on MacKenzie Redcap? Thank you very much.

<A – Don Lindsay – Teck Resources Ltd.>: Okay. Some of the answers to that Lucas unfortunately are commercially sensitive, so we can't give you too much detail. The one thing we certainly can tell you is that there will be more coal going to Neptune, quite a bit more. And I'm not sure, I'm looking at Andrew Stonkus, is there anything else we can disclose at this stage and I'm not sure that there is.

<A – Andrew Stonkus – Teck Resources Ltd.>: No, I think what we're looking for is optionality to get it to market, when we need to and we're going to achieve that.

<A – Don Lindsay – Teck Resources Ltd.>: Yeah, you can assume that we put an awful lot of time into thinking through the port issue very carefully as to how much capacity will be used and where at what cost. And we're quite excited about the end result that we will have in 2021. Neptune will be ready, a good five months and in advance of that too so. So looking good but that's all we can tell you for now.

<Q – Lucas Pipes – B. Riley FBR, Inc.>: No. Currently not possible to disclose the volumes that go through Ridley?

<A – Don Lindsay – Teck Resources Ltd.>: I guess, what we disclosed last year, we can look backwards?

<A – Andrew Stonkus – Teck Resources Ltd.>: Yeah, while well we have – Ridley is one of our, one of our core port logistics of our logistic chain, so we put approximately 3 million tonnes through that facility here, currently, in addition to what we put through Westshore and Neptune already. And we also have tonnage going eastbound as well. So when you look at our logistic chain, we have multiple ways of getting our coal to the market place.

<Q – Lucas Pipes – B. Riley FBR, Inc.>: And if Redcap were to come on line, the most logical option would be Ridley from a distance perspective?

<A – Andrew Stonkus – Teck Resources Ltd.>: Yeah. That's right.

<Q – Lucas Pipes – B. Riley FBR, Inc.>: That's very helpful. Thank you and then I wanted to switch topics to capital allocation. This came up during the Analyst Day and I believe the response at the time was that you're looking at a couple options including debt reduction and so I want to ask the question again and maybe with a slightly different emphasis and what is your preference in terms of capital allocation, if you could rank it from here on out with the cash those you are going to generate over the course of the year that would be very much appreciated? Thank you.

<A – Don Lindsay – Teck Resources Ltd.>: I'm not sure that the word preference would apply. We're looking at the 8.5% coupon 2024 bonds where we have the option to redeem those and clearly, there's a very strong economic incentive to do so, when you have a huge cash balance as we do that is earning not very much these days of low interest rates and that – so that sort of looked at in its own right and then we have told the market that as a result of the transaction on QB2 where we feel we got good value and the market seems to agree that the board will consider once the project financing is signed, an additional return of capital shareholders and that's still the case then likely to be determined at the board meeting at the end of May.

So it's not an either or situation, we're looking at both. And then going forward from there, it's all hands on deck on QB2 just total focus on that. And if we continue to generate kind of cash that we are then the next point which we look at what to do would be normally the November board meeting. I suppose it could stretch out to the February board meeting, but we'll continue to look at each board meeting that what the cash needs are versus the cash being generated. And in this environment which we think is pretty stable, I mean we've got more positive tone between the U.S. and China as well on top of what's going on with the Chinese economy and demand in India. So this looks to be pretty, pretty good environment. So I would expect the board will continue to look at returning capital to shareholders.

<Q – Lucas Pipes – B. Riley FBR, Inc.>: That's very good to hear and thank you for all the color and best of luck.

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

Operator: We will now take our next question from Brian MacArthur from Raymond James. Please go ahead.

<Q – Brian MacArthur – Raymond James Ltd.>: Good morning. I'd want you to just remind me how you actually account for the Posco royalty. I mean, I think it's 1 million tonnes that you get at Greenhills there. Those are all brought through as all the revenues, costs, et cetera, and you just gross up the realized price to revenue or how do you actually account for that in the overall coal division?

<A – Ron Millos – Teck Resources Ltd.>: Brian, it just goes into revenue.

<Q – Brian MacArthur – Raymond James Ltd.>: But – so it's just an additional revenue. So if I think of, if you're getting around $100 million extra at these prices that's kind of like $4 a tonne over the 27 million tonnes is kind of what you're getting basically?

<A – Ron Millos – Teck Resources Ltd.>: Yeah.

<A – Don Lindsay – Teck Resources Ltd.>: And no cost.

<Q – Brian MacArthur – Raymond James Ltd.>: Okay. So that's impacting your realized price as we go forward, is that a linear function? So, I know Don you mentioned we tend to use lower prices as a linear function or a step function or obviously this can make a difference on the realized price everybody's trying to calculate as well too?

<A – Fraser Phillips – Teck Resources Ltd.>: Brian, this is Fraser. I'll confirm afterwards but I do not believe that the royalty is included. It's included in revenue but it's not included for the calculation of a realized price just to be clear.

<Q – Brian MacArthur – Raymond James Ltd.>: Okay that's kind of what I was trying to get at. Okay. Great. Thank you.

Operator: And we'll take our question now from Jackie Przybylowski from BMO. Go ahead please.

<Q – Jackie Przybylowski – BMO Capital Markets (Canada)>: Hi good morning. I just wanted to get a little bit more color from you guys on QB2 if I can. Can you tell us like what metrics or news flow we may expect to hear from QB2 this year besides the financing that you've achieved already?

<A – Don Lindsay – Teck Resources Ltd.>: Just one second, Dale or Alex, who wants to answer?

<A – Alex Christopher – Teck Resources Ltd.>: Sure. I'll take that.

<A – Don Lindsay – Teck Resources Ltd.>: Sure, Alex Christopher is going to answer that one Jackie.

<A – Alex Christopher – Teck Resources Ltd.>: So thanks Jackie. I guess in terms of news flow right now, we're – as we stated in our Investor and Analyst Day, we're presently in the field with our mass earthworks getting ready for our major vertical construction package to get in place, to-date we have been reporting on our progress with respect to things like our engineering, procurement and contracting but as we get those major packages into place, we expect to be reporting in terms of our major milestones and accomplishments with respect to that as well as with respect to our financial progress against our budget.

<Q – Jackie Przybylowski – BMO Capital Markets (Canada)>: Okay, that's great. Thanks Alex. That's it for me.

<A – Don Lindsay – Teck Resources Ltd.>: Operator, I think we have a time for one more question.

Operator: It appears there are no further questions at this time. Mr. Fraser Phillips, I'd like to turn the conference back to you for any additional or closing remarks.

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

Well, maybe, I'll take that. But thank you all for joining us this morning. We're very pleased with where we stand as a company. A very strong foundation, Teck need to focus on the priorities and realize on some of these catalysts or valuation milestones that are coming throughout the year and we look forward to speaking to you again next in July. Thanks very much, all.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.