MANAGEMENT DISCUSSION SECTION

Operator: All participants please stand-by, your meeting is about to begin. Ladies and gentlemen, thank you for standing by. Welcome to Teck's Second 2020 Earnings Release Conference Call. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. This conference call is being recorded on Thursday, July 23, 2020.

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

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

Thanks very much, Lori, and good morning, everyone. Thanks for joining us for Teck's second quarter 2020 results conference call. Before we begin, I would like to draw your attention to the caution regarding forward-looking statements on slide 2. This presentation contains forward-looking statements regarding our business. This slide describes the assumptions underlying those statements.

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

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

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

Thank you, Fraser, and good morning, everyone. Thanks for joining us today. I would begin on slide 3 with our second quarter highlights followed by Ron Millos, our CFO, who will provide some additional color on the financial results. We will then conclude with the Q&A session, where Ron and I and additional members of our senior management team would be happy answer any questions.

So, these continue to be challenging times, as the world works its way through the COVID-19 pandemic. At Teck we remain focused on protecting our people and communities, while continuing to operate responsibly and safely to support the economic recovery in the wake of the pandemic.

We took steps during the quarter to further strengthen our financial position and reduce costs and position Teck further strengthen our financial position and reduce costs and position Teck to significantly improve margins, towards the end of 2020 and early 2021 as we complete our major capital projects. We're also pleased to be recognized as one of the Best 50 Corporate Citizens in Canada in ranking by Corporate Knights for the 14th consecutive year.

Turning to our financial results on slide 4. In the second quarter revenues were CAD 1.7 billion, gross profit before depreciation and amortization was CAD 453 million. Profitability was impacted by the significant negative effects that COVID-19 on both prices and demand for our products, as well as abnormal costs because of the pandemic. Bottom line adjusted profit attributable to shareholders was CAD 89 million or CAD 0.17 per share on both a basic and a fully diluted basis.

Details of the second quarter's earnings adjustments are on slide 5. The most significant adjustment was CAD 147 million of COVID-19 expenses in the quarter on an after tax basis which is primarily related to the suspension of our QB2 project. We also had a CAD 69 million adjustment for environmental costs which relates to the impact of the re-measuring or our decommissioning and restoration provisions for our closed operations using a current credit adjusted risk free discount rate. In addition we had adjustments of CAD 38 million for inventory write downs and CAD 17 for share based compensation. This was partially offset by commodity derivatives and taxes and other items which were CAD 20 million and CAD 21 million respectively. With these and other minor adjustments bottom line adjusted profit attributable to shareholders was CAD 89 million or CAD 0.17 per share on both the basic and fully diluted basis.

I'll now run through key updates for the quarter starting on slide 6. The COVID-19 pandemic obviously had a significant negative impact on our business in the quarter while all of our operations are currently producing with comprehensive virus prevention measures in place. The economic impacts of the pandemic have reduced to manageable crisis for our products.

We expensed CAD 260 million in costs associated with COVID-19 in the second quarter on a pre-tax basis. And this includes CAD 151 million of QB2 demobilization, remobilization and care and maintenance costs and CAD 75 million of borrowing costs that would otherwise have been capitalized had QB2 construction not been suspended. Ron will speak to these items in a few minutes.

Looking at our key updates in our Steelmaking Coal Business on slide 7. We continue to focus on increasing margins not volumes. Our second quarter sales were 5 million tonne as the pandemic continue to negatively impact supply and demand particularly outside China. I'll just ask if everyone could please go on mute, so we can – I'll make a paper [indiscernible]. Thanks very much.

Chinese steel production returned to pre-pandemic levels during the quarter and established new average daily record highs in both May and June. We are shifting to a lower cost base due to a declining strip ratio, also due to the Elkview plant expansion which was completed, the Cardinal River closure and as well as our cost reduction and RACE21 programs. Our adjusted site cost of sales are expected to decrease over the remainder of 2020 until the end of the year, we expect to be below CAD 60 per tonne. Our strip ratio was 11.4:1 in 2019, and we now expect it to decline to below 10:1 by 2021 as planned. We completed the major expansion of our Elkview Operations plant in Q2 despite the pandemic.

The plant now has the capacity to produce 9 million tonnes annually, which will enable us to replace that higher cost production from Cardinal River with higher quality coal product and lower cost from an Elkview operations. As planned Cardinal River completed its final production in June after 51 years of mining and operations is now transitioning to closure. And I'll come back to our steelmaking coal business in just a few minutes.

Turning to QB2 on slide 8, QB2 is a key component of Teck's future growth as we rebalance our portfolio. Construction activities are ramping back up with over 3,000 people currently on site and robust COVID-19 prevention protocols in place. We are planning to continue a gradual ramp up of the construction work force over the next three months towards the pre-suspension work force level as conditions allow. We expect to have approximately 4,000 people on site by the end of July and approximately 8,000 people on site by the end of October. We are also aiming to achieve overall project progress close to 40% by year-end. The impact of the suspension of cost and schedule will depend on the length of the suspension and the ramp up period that I just described, and I'll provide more detail on QB2 in a few minutes.

Looking at progress on our Neptune facility on slide 9, we continue to advance the project which will secure a long-term, very low cost and reliable supply chain solution for our steelmaking coal business unit. Major equipment deliveries remain on track. COVID-19 related issues have not substantially impacted works on the critical path. The project remains in line with the previously announced capital estimate and the schedule. Terminal operations were suspended for five months as we previously announced starting in May in order to improve productivity and safety at the terminal as we advance construction. And completion of construction is still expected in Q1 of 2021 just about eight months away.

Turning to key updates on our financial position on slide 10, we have a strong financial position to weather the effects of the pandemic and we took steps to enhance it even further during the second quarter. This includes adding a $1 billion two year unsecured revolving credit facility, bringing the total committed credit facilities now to $5 billion. We also issued $550 million of 10-year notes to July 23, 2030 bearing interest of 3.9% per annum.

We used the net proceeds to purchase near term notes and to repay amounts drawn on our $4 billion revolving credit facility. This is a conservative approach that we think is prudent during these COVID-19 times and it reinforces our commitment to maintaining very strong liquidity and our investment grade credit profile. We also continue to focus on our cost reduction program. We have achieved significant reductions as of June 30, including approximately CAD 250 million in operating cost reductions and CAD 430 million of capital cost reductions. And Ron will provide further details later in the presentation.

Looking at our guidance on slide 11, you have issued updated guidance for the second half of 2020 with few visits to reflect the continued uncertainty around the extent and duration of the impact of the pandemic on both demand and prices for our commodities. We've also changed the categories under which we present our capital expenditure guidance. So going forward we'll present capital expenditures in three buckets, first, sustaining capital, then growth capital and finally capitalized stripping which you've all been getting used to for the last five years.

We will continue to report QB2 capital expenditures and external funding separately. Spending grievously categorized as major enhancement capital is now primarily considered sustaining capital and new mine development is now included in growth capital. The Neptune upgrade project and RACE21 are considered both the growth capital. You'll find all the details of our updated guidance and the guidance tables in our press release.

I will now run through highlights of our second quarter by business unit, starting with steelmaking coal on slide 12. As I mentioned earlier, Q2 steelmaking coal sales were 5 million tonnes and this is higher than originally expected despite steelmakers cutting production faster than during the global financial crisis in 2008 and 2009. Our adjusted site cost of sales increased to CAD 68 per tonne reflecting the COVID-19 impacts to our production cost. Production averaged around 80% of plan in the quarter due to the pandemic. We reduced our workforce by up to 50% for physical distancing requirements starting on March 25 and then we ramp back up to 75% on April 10 and on May 12 we returned our work force levels to 100%.

Looking forward, we expect 5 million tonnes to 5.4 million tonnes of sales in Q3 given the impact of the pandemic on supply and demand particularly ex-China. Adjusted site cost of sales are expected to decrease over the remainder of 2020 as I mentioned and we expect to end the year below CAD 60 per tonne the site costs. Our production guidance for the second half of the year reflects the estimated the impact of the pandemic and the suspension of terminal operations at Neptune.

Turning to our copper business unit, our Q2 results are summarized on slide 13. Copper production of 59,000 tonnes in the quarter reflects the 43 day temporary suspension of operations at Antamina to support Peruvian COVID response efforts and to facilitate a change in work workforce. Antamina has since then ramped up to a full production which is ahead of our original expectations and we now expect to achieve full production in the complete third quarter. At Highland Valley, after initially reducing onsite workforce by 50% and scaling back operations we have now gradually ramped back up to full production rates. In Chile, at our Carmen de Andacollo and Quebrada Blanca operations, we have generally maintained production levels while reducing the onsite workforce where possible. Significantly lower total cash unit costs before by-product credits during the same period last year, reflect our cost reduction program or CRP and also favorable exchange rates.

Lower by-product credits resulted in slightly lower net cash unit cash after by-product credits in the same period.

Turning to QB2 on slide 14. As I said earlier we are planning to continue a gradual ramp-up of the construction work force over the next three months towards the pre-suspension workforce level as conditions allow. The impact of the suspension on costs and schedule will of course depend on the length of the suspension and on that ramp up period.

In the second quarter we expensed CAD 133 million of costs associated with the QB2 project suspension and also CAD 75 million of interest for the project that would have otherwise been capitalized if construction had not been suspended. As of June 30 we have expensed a total of CAD 165 million due to the suspension excluding interest.

Looking forward in the third quarter we expect to continue to expense some costs associated with the project suspension as well as some interest and that will otherwise be capitalized. Assuming the ramp-up proceeds through the third quarter as currently planned. The aggregate estimated impact from the suspension is expected to be approximately $260 million to $290 million excluding interest with a scheduled delay of approximately five months to six months.

In addition we expect to construct more camp space an incremental cost of $25 million to $40 million to ensure that we can maintain necessary physical distancing protocols to protect the health and safety of our construction workforce. If we are not able to ramp up through the third quarter according to the current plan each additional month and partial suspension impact is expected to have an additional cost impact of approximately $25 million to $35 million and one month of additional scheduled delay.

Our zinc business unit results for the second quarter are summarized on Slide 15 and as a reminder Antamina's zinc related financial results are reported in our copper business unit.

Red Dog zinc and concentrate sales were 93,800 tonnes reflecting the normal season pattern of Red Dog sales. Our net cash unit costs after byproduct credits were $0.06 per pound lower than the same period last year despite $0.03 per pound in unexpected costs associated with COVID-19. Travel restriction and modified schedules remain in place at Red Dog due to the fly-in/fly-out nature of the operation and maintenance schedules now ability to respond to maintenance challenges were impacted as a result of that in Q2. Red Dog zinc production was lower than the same period one year ago primarily due to those maintenance challenges and also to lower grades resulted from mine sequencing changes to manage site water levels, which restricted some access to high grade ore. We continue implementing an increased number of tailings and water-related projects in 2020 to manage increased precipitation, and water levels at Red Dog. It seems the frequency of extreme weather events has been increasing and these projects are designed to ensure that we can continue to optimize the mine operations.

At Trail Operations, production of refined zinc in the quarter was impacted by annual zinc close to maintenance.

Looking forward, the Red Dog concentrates shipping season commenced on July 13 following a delay due to the failure of the loading on one of two shipping barges. Shipping is being completed with one barge operational now and we currently expected repairs to the other barge will be completed by the end of July. This will affect the timing of customer deliveries, but barring unforeseen severe weather conditions we do expect to ship all Red Dog production during the shipping season.

We expect Red Dog sales of 160,000 tonnes to 180,000 tonnes of contained zinc in Q3, which reflects normal seasonality. Red Dog production is expected to return to full production rates in the third quarter as throughput and grades improve, however water levels at this site may continue to restrict access to high grade ore in the second half of 2020.

Our Energy Business Unit results for the second quarter are summarized on slide 16. As previously announced the Fort Hills Partners safely and efficiently reduced operations to a single train facility during the quarter, which helped reduce the negative cash flows in light of COVID-19 and the unprecedented low Western Canadian Select prices. Production was also negatively impacted by extreme wet weather resulting in flooding in the mining area in June and early July. However we expect to remain within the full year production guidance that we provided in Q1 of 2020. As a result of lower realized prices we recorded in inventory write down of CAD 23 million in the second quarter. Please note that adjusted operating costs are low in the quarter because of inventory write downs which are adjusted out, through for the first half of the year, and including CAD 46 million in inventory write downs, our site production costs are within our previously issued in the guidance of CAD 37 to CAD 40 per barrel bitumen for the period. Looking forward, our guidance for production, operating costs and capital spending is unchanged from the disclosure provided last quarter. Fort Hills Partners continue to monitor market conditions and may adjust the operating plan for Fort Hills accordingly.

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

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

Great. Thanks – excuse me, Thanks Don and I'll start by addressing the changes in our cash position during the second quarter which was shown on Slide 17 so we've generated CAD 300 million in cash flow from operations in the quarter. We issued $550 million of the 10-year notes and used the net proceeds to repurchase $268 million of the notes maturing in 2021, 2022 and 2023 and used the balance to reduce draws on our $4 billion revolving credit facility resulting in the transactions being leverage neutral. In the second quarter we had a net reduction of $32 million on the draws against our revolver and we did draw $388 million on the QB2 project financing and that accounts for most of the increase in our total debt which totaled CAD 6.2 billion at the end of June versus CAD 5.5 billion at the end of March.

Our capital spending was CAD 889 million in the quarter of that CAD 97 million was stripping activities and the largest single piece wasCAD 446 million on QB2. We paid CAD 78 million in interest and finance charges and CAD 52 million on expenditures on investments and other assets. We repaid CAD 40 million of lease liabilities and paid CAD 26 million for our regular CAD 0.05 quarterly base dividend. So after these and other minor items we ended the quarter with cash and short term investments of CAD 336 million

Turning on to the COVID expenditures on Slide 18 in terms of the accounting what we're doing is cost related to capital projects that do not qualify for capitalization our expense does – incurred in our other operating income expense line item. And these are primarily the demobilization remobilization and current maintenance cost. The cost not directly related to the production of our products, our expenses incurred in cost of sales but they're not included in our costing of inventory so they're not flow through our future earnings when the products are ultimately sold. So they're – we expect that basically expensed in the quarter incurred. And again borrowing costs on capital projects that are temporarily suspended are charged against finance expense as they are no longer allowed to be capitalized while the project is down and that's primarily QB2 and we've deducted all of our COVID-19 related costs that are expensed from our profit attributable to shareholders and our adjusted earnings table to assist readers in analyzing and understanding our operating results absent the effects of the pandemic.

In the second quarter we expensed CAD 260 million related to COVID on a pre-tax basis: CAD 133 million of that related to the temporary suspension of construction at our QB2 project and CAD 18 million was related to the temporary closure of Antamina and COVID-19 fund donations, CAD 75 million in additional finance expense was expensed rather than capitalized against QB2 during the construction period and then we had CAD 34 million related to other incremental costs at our various operations. So on a year to date basis we've expensed CAD 304 million related to COVID-19 and that includes CAD 80 million of interest that would otherwise have been capitalized.

Slide 19 summarizes our cost reduction program. So to the end of June we have achieved approximately CAD 250 million of operating cost reductions and CAD 400 million of capital cost reductions and of that total CAD 305 million was achieved in the second quarter. And just as a reminder these reductions are against what we were expecting to spend back at the end of June 2019 when we started looking at cost reduction opportunities The reductions are spread throughout the company with the majority of the operating business units. They include the Satellite projects, the exploration projects, our IT systems and our admin and operating costs throughout the company and the savings from our cost reduction program have been included in our guidance since we've announced the program back in Q3 with our Q3 2019 results and they are included in our current updated guidance as well.

Turning to Slide 20 we have a strong financial position to weather the effects of the pandemic and as Don mentioned earlier we took steps to enhance it further during the second quarter by adding a new 2 year unsecured revolving credit facility. So together with the $4 billion revolving credit facility which matures in 2024 and our $2.5 billion project financing facility for QB2 this new $1 billion facility and the extension of debt maturities gives Teck significant liquidity as we complete QB2 and the Neptune Terminal facility upgrade while we go through the COVID situation. We've currently drawn $195 million on our $4 billion revolver and our current cash balance is $430 million and allowance available on our lines of credit we currently have CAD 6.9 billion of liquidity. Importantly our facilities do not have any earnings or cash flow based financial covenants. We do not have include a credit rating trigger and when there is no general material adverse effect borrowing condition. So the only financial covenant that we have is a net debt to capitalization ratio that cannot exceed 60% and at June 30 that ratio was 22% and for our QB2 project we have currently drawn $563 million on the $2.5 billion limited recourse facility, going forward project funding will be from that fine project financing till the project reaches a specific ratio of a project financing to total shareholders funding.

Teck's next contributions are not expected until the first half of 2021. And of course that is subject to the impact of the pandemic on the project schedule and timing of the capital spending. We do not expect COVID-19 impacts to prevent us from drawing on the project financing facility. And as previously mentioned, we issued the $550 million of notes that are due in July 2030. They bear interest of 3.9% and we use the net proceeds to purchase $268 million of the 21s, 22s and 23s and the balance of those proceeds were used to reduce the draws on the $4 billion credit facility.

We've also given notice of our intention to redeem the remaining $13 million balance on the 2021 notes that were not tendered to our recent offer and that's expected to happen by the end of this month and after that will leave us with only $258 million of notes maturing until February 20 2023 and after that there are no notes due until the new 10-year notes mature in July 2030. The combination of these various transactions is obviously leverage neutral. We also have investment grade credit ratings from the four credit rating agencies. So overall our financial position is in good shape to allow us to weather the challenges around COVID-19.

And with that I will turn the call back over to Don for his closing comments.

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

Thanks, Ron. To wrap up on slide 21, Teck has quality operating assets in stable jurisdictions, we're advancing up our growth strategy that is funded and is being implemented. We continue to progress our four key priorities which are the QB2 project, RACE21, the Neptune upgrade project and our company wide cost reduction program reduced spending. We are executing on these priorities to create value to position Teck for decades to come and we are confident that our strategy will drive significant value over the long term as the world recovers from COVID-19.

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

QUESTION AND ANSWER SECTION

Operator: Certainly, thank you. [Operator Instructions] The first question is from Orest Wowkodaw from Scotiabank. Please go ahead.

<Q>: Hi good morning. Last quarter you warned that you were seeing customers defer contracted coal volume. I'm just curious if you're still seeing that what are customers I guess outside of China are still deferring and whether the guidance for Q3 assumes a higher proportion of spot sales in that number.

<A>: Okay thanks Orest. Good question. I'll turn that over to Réal. Réal Foley?

<A>: Yeah. Can you hear me Don.

<A>: Go ahead we hear you

<A>: Can you hear me

<A>: Yes we can.

<A>: Okay. Thank you. Thanks for the question Orest. So actually we're seeing quite the opposite right now. You're right in Q2 we had deferred sales but now some of the customers that had deferred sales are actually bringing some back into Q2 and there's a couple reasons for that actually. First if you look at the steel price, it is back to nearly where it was at the beginning of 2020 pre-COVID-19 and as steel production was coming back of course demand for our customers, products is increasing and we are seeing some increased production in some areas. But as steel mills reduced production during Q2, they were also a lot quicker to reduce their inventory as well than they did, during the global financial crisis in 2008, 2009. They basically leveraged the learnings, the technical learnings from that period. So, of course, as production is starting to ramp up for steel products, beginning to import steel making coal from the market and this is what we are seeing from our customers. And your last question on the ratio of spot to contracted sales; our ratio remains very similar around 40% of the contracted sales and the balance is spot sales.

<Q>: That's great. Thank you. That's great to hear. And then just finally on the costs for coal, you talked about exit rate this year on site cost of less than CAD 60 a tonne by year-end that's certainly a big improvement from what we've seen in the first half of the year. Should we take that to mean that for costs for 2001 at least on site costs are going to average below that CAD 60 a tonne?

<A>: I think you mean in 2021, I'll turn that over to...

<Q>: Yeah. Sure.
<A>: I think you mean in 2021, I'll turn that over to...

<Q>: Yes. Correct.

<A>: Yeah. You bet. That's -- appreciate the question, Orest. There's a number of things that have happened in the coal BU over the last few years, and I've kind of walked the group through that a few times. I'm going to take the opportunity to take a shot at it again, just because it sets up for the structural change that's occurred.

So, the first thing that I've spoken to a number of times is the strip ratio, and that's a key cost driver for us and for the last three years, we've been transitioning from . Coal Mountain closure and setting up for the expansion of Elkview where we need to go -- where we want to go from 7 million tonnes to 9 million tonnes. To do that, we had to run a higher strip ratio through 2019, so that was around 11.4 to 1. And we're going to come in around 10.7 to 1 in 2020. But in the second, half we're actually going to be mining at less than 10 to 1, and that'll continue that through -- through into 2021 and forward.

So, that key structural change of getting the strip ratio established at a 10 to 1 average or below was the biggest part of getting our cost structure adjusted.

The second key piece of that was bringing Cardinal River into closure. So, that's been done as we mentioned.

So, just to put that in perspective that operation ran to almost double the cost of sales as the BU average So, bringing that to closure actually reduces our cost per tonne by about CAD 3 a tonne. So that's the cost of sales story.

So, that's been established, and then the third piece of the puzzle was getting Elkview expended and we've successfully done that. Elkview now is capable of 9 million tonnes per year. So, when the market comes around, we're well-positioned now with that operation, which is low cost and produces a higher quality product. So, I know this has been talked about a few times again, but that will generate about CAD 160 million of EBITDA annually if the price of coal is at $150 and exchange around 1.35 or 1.38. So, that's structural shift from shutting down high cost tonnage and replacing it and more with low cost tonnage has had a significant structural change.

And then the fourth component that we're executing through 2020 is RACE21. And we know and have spoken to a number of times that kind of value that that can create across the company and certainly within the coal BU. So when you combine all those things together, when I say we will exit in 2020 at $60 a tonne or lower, we will be less than CAD 60 a tonne going into 2021 to be able to sustain that. And we've got significant opportunity to build on that capacity, on that performance just with the work being done in RACE21.

So pretty excited about both the second half of this year and 2021, if you look at cost of sales below CAD 60 a tonne, we're – that's roughly $44 a tonne US. So on an operating basis, we're going to be operating on a good cost.

<Q>: That's excellent. Thank you very much for the color.

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

<Q>: Yes. Thank you. I just want to continue on the coal side. On Neptune, Don, it sounds like it's on track for completion in Q1. I just want to understand more about the rail capacity through Vancouver to get the volume of coal to Neptune that you want. Is the work been done to open that up, is that being done as we speak or is it being completed and will it be ready by the time that the Neptune is ready.

<A>: Yes it is. And what I should say just before I turn it over to Ian Anderson that we had a terrific visit to site at Neptune, just last weekend. It is impressive what they've been able to accomplish so far, and it gave us a lot of confidence. So Ian are you there or if not Réal.

<A>: Yeah. I'll take that, Don. So Greg, that's – one thing to say is we've also had visits with CN as to some infrastructure upgrades that they are doing to address the increased tonnage. This is on schedule progressing very well. And at this point we have no concern with capacity being insufficient to maximize the volume throughput through Neptune which is our overall goal to ensure that we have long-term competitive supply chain.

<Q>: Right. Thanks, Réal. Don, secondarily, the guidance on QB2 construction workforce just to be clear, by October, I assume everything goes according to plan. You will be back up to full construction on the project?

<A>: And that's – that is the plan. And obviously everything subject to...

<Q>: Yeah.

<A>: ...the ramp-up from here. Where – we're actually about 3,400 people on site today and we think we'll be at 4,000 by the end of month, which is not that far off of course. And between now and then one of the key – key criteria is to get two to a room and we developed protocols. This is – has been done with the health authorities elsewhere in the country to do that. So if all go according to plan, yes, we'd be at full strength by October and trying to get that to 3% to 4% completion per month by thereafter. So it isn't done yet, obviously. There is still lot a ways to go, but we're encouraged we come from the demobilization level which was about 400 people on site. So we come from 400 to 3,400 headed the direction, but it's still a ways to go.

<Q>: Okay. And again according to plan the five to six month delay in the construction schedule will mean that you get first ore hopefully by the end of 2022 was it slipping into...

<A>: Yeah, no – yeah, end of 2022, to a recent delay of five to six months and you know we've initially said Q2 of 2022, so you should think in terms of a couple of quarters that's right.

<Q>: Okay, great. Thank you.

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

<Q – Curt Woodworth – Credit Suisse Securities (USA) LLC>: Hey good morning Don.

<A – Don Lindsay – Teck Resources Ltd.>: Good morning.

<Q – Curt Woodworth – Credit Suisse Securities (USA) LLC>: First question is just on portfolio concern – and so when you kind of evaluate the copper supply landscape today you know you look at [indiscernible] 00:38:14 and others in terms of challenges to meet mine production, I wonder if you could give us an update on project satellite and any monetization efforts there I would think with sort of the recovery we've seen in the market that are maybe be some more momentum on that front?

<A – Don Lindsay – Teck Resources Ltd.>: Yeah I'll turn it over to Andrew Golding in just a minute but yeah, we remain constructive on the copper market for the long term which is why we have you know a portfolio rich in opportunities to develop but we don't need to do them all ourselves. So as we've said in the past if market conditions are appropriate and interest is there we could sell outrght or contribute to another company to take back shares that sort of thing. There are two projects of the five that are advanced enough that we think it's appropriate to look at potential transactions when the market is great but we're not quite sure about the markets all the way there yet still copper of course as you said, quite a run. And why don't I stop there and turn it over to Andrew for any other thoughts you may want to share.

<A – Andrew Golding – Teck Resources Ltd.>: Can you hear me other thoughts that you may want to share.

<A>: Can you hear me Don?

<A>: Yes. I could.

<A>: Okay. Good. I don't really have a great deal to add to what you've said there. I mean clearly there are some significant logistical constraints as a result of COVID-19 in advancing fieldwork and for that matter if we want to conduct any form of sales process that would be logistically extremely challenging right now. But we are in very good shape for when it becomes logistically more practical to take potential buyers interested parties to sites. So, we continue to get a lot of interest. These are very good projects by world standards and honestly with a positive copper market then these are things we would hope to advance COVID notwithstanding in 2021.

<Q>: Okay. That makes sense. And then just a follow maybe for Réal on the coking coal market, it seems like there's been some increased activity added India, but then there's been some reports around quota restrictions being potentially exhausted in China. I was wondering if you could just provide a little bit more granular outlook in terms of what you're seeing perhaps regionally in terms of the demand trends you're seeing in coking coal? Thank you.

<A>: Yeah. So thanks Curt. So, let's look at maybe China first to address one part of your question on the import restrictions. So, the China economy is really continuing to recover in showing well and the steel industry is producing very strong right now which achieving record production in both May and June. So year-to-date, they're running at a high level. And as a result, the seaborne coking coal imports into China have also been very strong with main year-to-date up to 11 million tonne a year-over-year. And there's a couple of reasons for that, reduced Mongolian coking coal imports are wanting to down 9 million tonnes year-over-year. And lower domestic coking coal production, they're actually down 3 million tonnes year-over-year. And that the seaborne price is still lower than the domestic coking coal price. Today, it's around $60 and it's been above $15 for a while now. And then we're seeing a sustained demand, increasing demand from the coastal steel mills. So that is all helping with the seaborne market.

Now when we look at outside of China. Depending on the market area, there is definitely still risk with the pandemic, but we are seeing some economies reopened and as I've answer one question earlier, we are seeing some customers bring back the original deferred tonnes into Q3. And that's a result of the reopening the economy, but it is also a result of expected supply disruptions – ongoing supply disruption this year, but also expected further production cuts as we're going through the yield, whether it's related to COVID-19 or overall mine disruptions.

So when you look at the WoodMac figures for instance, they're forecasting that seaborne exports this year will be down 30 million tonnes that include somewhere around 10 million tonnes from the US little bit less from Australia, Russia, Canada, Mozambique somewhere in the 2 million tonne to 3 million tonne range and for those other markets outside of China, the China steel exports were also a lot lower this year which is continuing to support production as the economy recovers in those other parts of the world. In India, monsoon season will be over during the quarter. So we are expecting some demand come back as a result of that as well.

<Q>: Great. Really appreciate it. Thank you.

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 just wanted to get some more color from you guys on -- on what's happening at Red Dog. If you don't mind I know in the MD&A it says that there is a risk to grade, I guess specifically for the second half of the year if the water -- water conditions continue to restrict access. Can you tell me a little bit about what is the risk to the guidance that you've given and how much additional work might need to be done or CapEx might need to be spent to mitigate those risks? Thanks.

<A>: Okay. Thanks Jackie. We'll turn that over to Dale or Shehzad.

<A>: Yeah. It's Dale. Thanks Don and thanks Jackie. Yeah, so just to give you a bit more color on the issue. Due to changing climate conditions, we have experienced higher precipitation levels at Red Dog in recent years and our discharge capacity for water that we do collect on site is restricted and it's also dependent on background levels in our discharge water as well. So, we are seeing naturally higher levels that we're discharging into which does restrict us. So, in order to manage those water balances, we are actually storing water in various areas in – at the site and that includes in our – in our pits. And so, when we have to store water in our pit, it does restrict us from accessing the higher grade at the bottom of the pit and we're having to mine lower grades towards the top of the pit. So, what we're doing at valley is we are raising the tailings dam to store more water in that facility and that will be complete in the next two to three months for the next lift to the tailings dam and we're also building – and that's normal course, but we're kind of staging that in a bit of a different way to get capacity earlier and we're also increasing our water treatment capacity and putting in our first osmosis plan. That is probably costing in the range of CAD 25 million that wasn't originally budgeted.

<Q>: Okay. Thanks. So, that's sort of a onetime I guess both of those things are onetime costs and then after that you should have sufficient water capacity to manage going forward.

<A>: Yeah, through future tailings dam lifts...

<Q>: Yeah.

<A>: ...and other water management efforts exactly.

<Q>: Great. And if I could just ask one follow-up question
<Q>: Great. And if I can just ask one follow question on Red Dog, I noticed at the back of the MD&A where you talk about the costs, the royalties for Red Dog seem to be a credit to Teck this quarter and can you just help me maybe interpret or explain what happened with the royalties in the zinc provision this quarter? Thanks.

<A>: Ron, I'm not sure if you want to take that one. Ron Millos, are you there?

<A>: Sorry. Just my apologies coming off of mute. It's a cash flow royalty based calculation so it might have to dig into the numbers there on that one, but – and it's – it ties in with when we received the receipts from the sales and when we pay our bills and stuff and in the first half of the year, we're generally buying a lot of supplies and paying for those supplies getting ready for the shipping season and of course we have no lower sales volume so the revenue coming in is a lesser number. So there's a good chance that it [indiscernible] generally catches up in the latter half of the year where you see the largest royalty payments would normally be in Q1 based on the Q4 results.

<Q>: Okay. Got it. Thanks a lot, Ron. That's it for me.

Operator: Thank you. The next question is from Oscar Cabrera from CIBC. Please go ahead.

<Q>: Thank you, operator, and good morning, everyone. So I'm just wondering, in QB2, there's been reports Coming out of different companies in Chile where there's you know there's been reduced workforce two thirds supported by [indiscernible] so wondering in the ramp up assumptions that you're making for your labor force in the QB2 construction. What are your assumptions in terms of allowance by the government to do everything safely. And then secondly there were also – there's also been reports of labor just being reluctant to go back to site without any strict policies on COVID-19. I just wonder if you can comment on that as well.

<A>: Okay thank you Oscar. Good question and I'll turn that over to either Alex or Dale. Alex, are you there

<A>: Yeah Alex here, so maybe I'll answer to Oscar here and then Dale can chime in if he has any additional comments but Oscar our priorities here continue to be the safety of our workforce and supporting the Chilean efforts to limit the transmission of COVID-19 so the project team Bechtel we've been working very closely with the government with our subcontractors and with our unions and they've done a really good job at developing and putting protocols in place to manage the workforce the camp environment the transportation of workers to and from the site. So over the last couple of months we've spent a fair bit of time ensuring that there are essentially the protocols we've put in place are working well. The government's been up and inspected and are quite complementary in terms of what we're doing. So we have a trigger action response plan in place to manage the situation should we see an outbreak and then those – the protocols that we have in place there are to manage – so to ensure that we have timely identification of symptoms and particularly as we some cases of workers that are arriving at site who may bring the disease with them. So, we're looking at that testing basically quarantine and medical treatment and working with the government on that. And we have a COVID committee that meets regularly to review the status of what we're doing and approve all the additional ramp up changes that we're having. So, a lot of protocols in place, and working very closely with both the government and our subcontractors and union. So, we have haven't seen any substantive challenges to date. But, should we see challenges, we do have a response plan prepared to manage those. So, with that maybe I'll pass it over to Dale if he has any additional comments on that.

<A>: I think you've covered it all well, Alex.

<A>: [indiscernible] as for those who have followed us closely through the beginning or construction of this project, you may recall that during the first year we had several delays related to permitting, and it's very slow in a permitting process. But, one of the silver linings to the COVID delay is that the government, the federal government and local governments and the independent regulators and so on have been working very hard and getting through that. So, yesterday we actually got the final group of permits that had been outstanding. So, we're very, very pleased about that we'll be able to go forward with construction.

<Q>: Right. That's helpful. Thank you Don and Alex, and Dale. Now, just -- if I may, moving back to the most of the coal market, it sounds like you're more optimistic on the fundamentals of metallurgical coal. However, we haven't seen prices move above $110 a tonne, based on Platts in the first quarter last month or so. I was just wondering maybe you can comment on this notion of Chinese restocking in the first half of the year to make sure that they have enough materials to close this in the second half, so they won't have more disruptions. Is that mean, that is the bearish argument, the bullish argument is that there is enough demand on the second half and hence that's why all of things that come, that you have pointed to would suggest the higher [indiscernible] coal price in the second half of the year. Can you just add more on that please.

<A>: Yes. Those are interesting concepts and about the commodities market, you can always create scenario both bullish or bearish based on the number of factors like you stated but Réal I'm going to turn it over to you if you want to take a shot at answering that.

<Q>: Yeah. Sure. Thanks, Oscar. So yes the prices is holding around a $110 right now. So we are seeing positive signs out there in terms of demand there whether it's out of China or markets outside of China. But of course, there is still uncertainty with the pandemic. And we've seen reductions on both the demand and the supply side. So the market is still trying to find the balance for sure. But we are cautiously more optimistic about Q3 than we were say at the beginning of Q2. So we are seeing changes. With respect to re-stocking, we have not really seen restocking in China right now we have not really seen restocking in China right now because China steel industry is running at record high levels. And when you look at what is happening in terms of supply, the increase in seaborne supply is just about balancing the reductions from Mongolian imports, but also domestic coking coal production, but I don't know if that answers your question.

<Q>: Yeah. No, that does, Réal. Thanks very much and congratulations for a strong performance under challenging situations.

<A>: Thank you.

<A>: Thank you.

<A>: Operator, I think we've got time for maybe one more question here before we hit the top of the hour.

Operator: Certainly, the next question and last question is from Alex Hacking from Citi. Please go ahead.

<Q>: Hi. Good morning. I just wanted to clarify something on the QB2 CapEx. I think when you put out the update a few months ago, you said that the sensitivity to the peso – if the peso I think you had republished at CLP 775 is the underlying assumption is that if the peso went to CLP 850, there would be about a $240 million benefit on the CapEx. Should we assume that that relationship is linear? Obviously, copper has strengthened, the peso has strengthened, so if the peso were to go back to CLP 700, would it be fair to assume kind of a $240 million headwind there? I'm just trying to understand how the relationship works? Thanks.

<A>: Okay. That would be for Alex [indiscernible] at the time that we published the peso it was CLP 850 actually which is why we did that sensitivity, its rate close to the CLP 775, CLP 770 or so now. Alex over to you.

<A>: Yeah. Certainly. Thanks. Sorry. Thanks, Alex. Yeah. In general as the exchange rate changes the exposure to the exchange rate is somewhat different, but in general the relationship is close to linear. Obviously the higher the – let's say the lower the peso becomes against the US dollar, the less exposure you have to the Chilean peso. But inside a couple of hundred peso to the US dollar exchange rate the relationship you can assume that it's close to linear with just around 70% or 69% of our total capital that expose the Chilean peso.

<Q>: Thank you.

Operator: Thank you.

Unverified Participant

Well, I think that was the last question. So I just want to say thank you to everybody for joining us for the call today. We're very pleased to get Q2 behind us. Q2 2020 was a tough one for sure. Things have improved significantly. We're delighted to have the Elkview plant expansion complete and got that done despite COVID we're delighted to be ramping up slowly but surely QB2 and look forward to getting back to full strength there in October and we're looking forward to continued global recovery from the pandemic through Q3 and Q4 and we'll speak to you again in October. Thanks very much. Meeting adjourned.

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