24-Apr-2025

Teck Resources Limited (TECK)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, and thank you for standing by. Welcome to Teck's First Quarter 2025 Results Release Conference Call. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. [Operator Instructions] This conference call is being recorded on Thursday, April 24, 2025.

I would now like to turn the conference over to Emma Chapman, Vice President, Investor Relations. Please go ahead.

Emma Chapman

Vice President-Investor Relations, Teck Resources Limited

Thank you, operator. Good morning, everyone, and thank you for joining us for Teck's first quarter 2025 conference call. Today's call contains forward-looking statements. Actual results may vary due to various risks and uncertainties. Teck does not assume the obligation to update any forward-looking statements. Please refer to slide 2 for the assumptions underlying our forward-looking statements.

We will reference non-GAAP measures throughout this presentation. Explanations and reconciliations are in our MD&A and the latest press release on our website. Jonathan Price, our CEO will start with an overview of our first quarter. Crystal Prystai, our CFO will follow with a financial and operational review. Jonathan will conclude with closing remarks followed by a Q&A session.

I will now turn the call over to Jonathan.

Jonathan H. Price

President, Chief Executive Officer & Director, Teck Resources Limited

Thanks, Emma, and good morning, everyone. Now before we get into the quarter, I want to take a moment to acknowledge the current macro environment on slide 4. As we all know, the past few months have been marked by volatility and uncertainty, factors like the threat of a global economic downturn, geopolitical tensions, inflation and supply chain disruptions have created an uncertain and challenging global business landscape. Despite these headwinds, we believe that the fundamentals for our key metals, copper and zinc, are robust over the medium and long-term, as several macro factors continue to drive demand. These metals are essential for global manufacturing and development, industrial policy and national security, electrification infrastructure, as well as the growth of the digital economy.

On the supply side, the industry continues to face constraints. At the same time, new demand opportunities are emerging as many economies seek to revitalize their industrial sector. For example, defense spending may be significantly broadened to include areas central to economic resilience, such as upgrades to and expansion of electricity grids, which remains central to copper demand. We see this providing a medium term boost to metals demand as the world enters into a state-backed, more capital intensive phase of growth. And even in the short-term, we continue to see extreme tightness in the concentrate markets that make up nearly 90% of our revenue, with benchmark treatment charges for copper and zinc at historically low levels. [ph] At this moment (00:03:18), Teck is well-positioned for continued value creation. We are growing copper production and improving margins through disciplined operational performance.

In addition, we have an active share buyback program, a portfolio of value accretive copper growth projects, an agile commercial strategy, and a strong balance sheet. Together, these underpin the resilience of our business, which is a competitive advantage for Teck, enabling us to navigate uncertainty while continuing to deliver value through our strategy of balancing disciplined copper growth with returns to shareholders.

So turning to slide 5. We are closely monitoring the potential impact of tariffs and retaliatory trade measures between the countries we trade with and the risks of wider macroeconomic uncertainty. Although the situation is fluid and evolving rapidly, we do not expect announced tariffs to materially impact our business. That said, the global trade war could weigh on global economic growth with potential implications for metals demand.

Today, we are continuing to see strong demand for our copper and zinc concentrate and we are working closely with our customers with limited impact so far. Our copper and zinc concentrate sales are not exposed to US tariffs as we primarily sell to Asia and Europe with no sales to the US. On the other hand, Chinese tariffs, if maintained, are expected to apply to our sales of Red Dog concentrate to China, which represent less than 20% of our zinc and lead concentrate sales. However, over the past few years we have successfully developed a regionally diverse customer base, which gives us greater optionality while trade negotiations are ongoing. Red Dog is a highly valued concentrate in the zinc market and we have several long-standing customers for this product. We also have other options available, including trail feed integration, delivery outside the Red Dog shipping season and product swaps. All options that support continuity of sales.

Turning to Trail and our metal sales, refined zinc, lead and specialty metals such as germanium, indium and sulphur products are sold into the US, but they are exempt from US tariffs because they are compliant with the USMCA. Overall, Teck has a strong business with diversified products and operations and agile commercial strategy and strong logistics capabilities. This enables us to quickly adapt and respond to changing market conditions to mitigate any potential impact on our business.

Turning now to highlights from the first quarter of 2025 on slide 6. Our profitability improved significantly compared to last year, driven by higher commodity prices and copper sales volumes. Our adjusted EBITDA more than doubled to CAD 927 million. The ramp up of QB operations continues and we are seeing performance improvements in key areas such as average daily mill throughput. Production was impacted in the quarter by additional shutdowns and I will provide more detail on this later in the presentation.

During the quarter, QB successfully achieved the completion testing requirements under the $2.5 billion project finance facility. This is a significant milestone that provides independent verifications, confirming the robustness of design and construction and the capacity of the asset to operate at designed levels, providing further confidence in the ramp up to steady state by the end of the year.

In the first quarter, we had strong operational performance across our established operations, particularly Highland Valley and Carmen de Andacollo. Trail Operations generated strong profit in the quarter following the successful implementation of a range of initiatives to improve profitability and cash flow generation. Our annual guidance is unchanged across all operations. Our balance sheet remains strong and resilient. We ended the quarter in a net cash position of CAD 764 million, and as of yesterday, our liquidity is CAD 10 billion. Finally, we continue to return cash to shareholders through share buybacks and dividends totaling CAD 568 million year-to-date.

Turning to our ongoing commitment to safety and sustainability on slide 7. Our safety performance was strong in the first quarter. Our high potential incident frequency rate across the operations we control remained low at 0.05. I would like to take a moment to acknowledge the fatality that occurred at Antamina, in which Teck holds a non-operating interest earlier this week. We are deeply saddened by this event, and we offer our condolences to the families, friends and colleagues of the deceased. As ever, we will support the Antamina team with the investigation and ensure that lessons are both learned and shared.

In March, we released our 24th Annual Sustainability Report, which details last year's environmental and social performance, including key areas such as health and safety, support for communities, indigenous peoples, diversity and climate. Copy of the report is available on our website.

So coming back to QB ramp up on slide 8. As I just mentioned the successful achievement of completion testing under the QB project finance facility is a significant milestone. It comprised several independently verified operational and technical tests that validate the robustness of the design, construction and operational performance of QB. This demonstrates QB's ability to generate strong cash flows.

We've made significant progress in the ramp up of QB, as you can see on the left hand side of the slide. We have a plan to consistently achieve design, throughput and recoveries and have several data points showing that we can and have already operated at these levels. That said, first quarter production was impacted for two reasons. First, the previously disclosed 18-day extended shutdown to conduct maintenance and reliability work and progress tailing development. And second, external factors that included a nationwide power outage in Chile in February, leaving the site without power, which affected production for several days and challenging weather.

In particular, challenging weather impacted the rate of material movement for tailings lifts required for the development of the Tailings Management Facility, which was also impacted by slower than expected sand drainage times. The result are a bit slower than planned TMF development, is that additional mechanical movement is required prior to installation of the permanent infrastructure and we expect to extend planned maintenance shutdowns in Q2 and Q3 to complete this work. This is expected to impact production in the short-term only and there are no issues with dam integrity. Once this phase of TMF development is complete, we will be on track for full production ramp up by year-end and steady state operation into the future.

Moving to slide 9. QB's plant performance continues to improve. In the first quarter, the average daily throughput, excluding the extended and unplanned shutdowns, increased compared to the fourth quarter, demonstrating continued improvement in operational stability. Higher levels of transition ore were mined, leading to lower recoveries as expected, and higher grade ore mined in March increased the average grade for the quarter. For the remainder of the year, we will continue to drive operational performance and expect to achieve higher throughput rates and higher recoveries in line with design.

We continue to expect to achieve our production guidance for QB, albeit at the lower end of our previously disclosed range of 230,000 to 270,000 tonnes. And we continue to expect QB net cash unit costs to be between $1.80 and $2.15 per pound for the full year, although commensurate with production, we expect this to be towards the higher end of guidance.

Turning to slide 10. We expect significant growth in our copper production with improving margins this year. Our copper EBITDA margin increased last year from 33% to 42%. This year current consensus estimates show further improvement to 51%. We continue to expect our copper production to grow to between 490,000 to 565,000 tonnes for the full year from 446,000 tonnes in 2024, reflecting the ongoing ramp up of QB and improved grades and throughput at Highland Valley. We also expect a significant reduction in our copper net cash unit costs to $1.65 to $1.95 per pound from $2.20 per pound in 2024 reflecting an increase in copper and molybdenum production, as well as continued cost discipline across our explorations.

Slide 11 outlines our ongoing growth trajectory underpinned by our existing portfolio of operating mines, coupled with our well-funded value accretive near-term copper projects, including the Mine Life Extension at Highland Valley in British Colombia, and our high returning greenfield projects at Zafranal in Peru and San Nicolás in Mexico. Compared to QB, these greenfield projects are significantly less complex and smaller in scope with lower capital intensities. We are also working to define the most capital efficient and value accretive path for further growth of QB through optimization of the mill and low capital debottlenecking opportunities that could increase throughput by 15% to 25%. With these projects, we have a clear path to increase our annual copper production to approximately 800,000 tonnes before the end of the decade.

Now on slide 12, I will cover the key progress updates and major future milestones as we work to bring these near-term projects to potential sanctioning this year. An independent review of the Mine Life Extension project to Highland Valley was completed in the first quarter and confirms construction readiness of the project. This means we should be positioned for a potential sanction decision after we receive the necessary permits, which potentially could be in mid-2025.

At Zafranal, the project is progressing as scheduled and we received the Advanced Works permit on April 10. We aim to submit the construction permit in Q2 and the project could be ready for a potential sanction decision in late-2025.

At San Nicolás, engagement with government authorities and other stakeholders is ongoing to support our permit application. We expect to complete the feasibility study in the second half of 2025, positioning the project for a potential sanction decision following the receipt of necessary permits.

At QB, our focus is to ramp up to steady state, at the same time, optimization is progressing and detailed planning for debottlenecking is underway, which should enable us to submit the Declaration of Environmental Impact or

DIA permit application in the second half of the year. We look forward to progressing these well-funded near-term projects to sanction and launching the next phase of Teck's copper growth.

I'll now hand over to Crystal to provide further details on our first quarter results.

Crystal Prystai

Executive Vice President & Chief Financial Officer, Teck Resources Limited

Thanks, Jonathan. Good morning, everyone. I'll start with our first quarter 2025 financial performance on slide 14. We more than doubled our adjusted EBITDA in the quarter compared to a year ago to CAD 927 million. This was primarily driven by higher copper and zinc prices and increased copper sales volumes due to strong production performance across our established operations. We generated increased revenue and profit from byproducts, including molybdenum from QB and Highland Valley as well as silver, germanium and other critical metals from Trail.

We also benefited from a weaker Canadian dollar as we converted US dollar denominated revenue into Canadian dollars. Our results reflect positive pricing adjustments of CAD 106 million, primarily as a result of higher copper prices. Our finance income increased significantly to CAD 91 million, compared with CAD 27 million a year ago as our investment income increased due to our elevated balance since the sale of steelmaking coal business last year.

In February, we paid a final 2024 Canadian income tax instalment of CAD 630 million, primarily related to earnings and the proceeds from the sale of the steelmaking coal business. And importantly, we continue to return cash to shareholders throughout the quarter with CAD 568 million return year-to-date.

Turning to slide 15, which summarizes the key drivers of our financial performance in the first quarter compared to the same period in 2024. Our adjusted EBITDA increased by 127% in the first quarter as a result of strong base metals prices, higher copper and zinc in concentrate sales volumes and the positive impact of a weaker Canadian dollar. Copper sales volumes increased by 11% from Q1 of last year, reflecting higher volumes from Highland Valley and Carmen de Andacollo. Zinc in concentrate sales volumes increased by 10% due to the timing of sales from Red Dog and increased volumes from Antamina. Our strong adjusted EBITDA also reflects improved copper and zinc unit costs reflecting cost discipline across our business. This was partially offset by an increase in royalties, primarily as a result of increased profitability at Red Dog.

Now looking at each of our reporting segments in greater detail and starting with copper on slide 16. In Q1 2025, gross profit before...

Operator: Pardon me. We seem to have lost the connection with the presenters. Let's switch to the backup line, please. Just a moment. I'm going to turn the hold music on for just a moment and check the volume with the backup line. Please standby. Thank you for your patience. [Technical Difficulty] (00:17:59-00:18:52) Thank you for your patience. We have reconnected with the presenters.

Crystal Prystai

Executive Vice President & Chief Financial Officer, Teck Resources Limited

Hi everyone. Sorry about the technical difficulties. I'm going to start back at the beginning of slide 16 and get going again. In Q1 2025, gross profit before depreciation and amortization from our copper segment increased 90% to CAD 704 million compared with the same period last year, primarily due to higher copper prices and sales volumes and increased byproduct revenues from molybdenum and zinc. This reflects strong performance across our established copper operations.

Copper production increased by 7% to 106,000 tonnes, driven by increased grades and mill throughput at Highland Valley and Carmen de Andacollo. Production significantly improved at Highland Valley as we advanced mining in the higher grade Lornex pit, which has softer ore leading to increased mill throughput. Carmen de Andacollo also had improved mill throughput as a result of increased water availability compared to the same period last year which was affected by drought conditions. Antamina performed in line with expectations.

Our net cash unit costs improved by $0.32 per pound to $2.04 per pound as a result of higher copper production, increased byproduct credits, reduced smelter processing charges and lower transportation costs at QB. This strong performance led to an improvement in our gross profit margin before depreciation and amortization up 13% to 47% compared to the same period last year.

On April 9, QB's third and final labor union ratified a new three-year collective bargaining agreement. This completes all labor negotiations for QB's workforce, with labor agreements now in place through 2028.

Looking forward to the rest of this year, we expect to see QB continue to ramp up to steady state by year-end as well as increased quarterly copper production at Highland Valley as we process increasing proportions of higher grade Lornex ore through 2025. For the full year, as Jonathan mentioned, we continue to expect growth in our copper production with improving margins in line with our guidance of 490,000 to 565,000 tonnes at a net cash unit costs of between a $1.65 and $1.95 per pound.

Turning now to our zinc segment on slide 17. Our profitability in zinc improved significantly in the first quarter, with a 79% increase in gross profit before depreciation and amortization to CAD 225 million. This increase was due to higher zinc prices, strong sales volumes at Red Dog and improved profitability at our Trail Operations. Our Red Dog zinc in concentrate sales of 91,000 tonnes were higher than our guidance range for the quarter of 75,000 to 90,000 tonnes due to the timing of sales. Red Dog production was impacted by lower grades as expected in the mine plan.

Our net cash unit costs improved to $0.59 per pound from $0.67 per pound in the same period last year, driven by reduced smelter processing charges and partially offset by the impact of lower production levels. At Trail Operations, we generated strong profitability in the quarter, reflecting increased production of byproducts such as silver, germanium and other critical metals, as well as the successful implementation of initiatives to improve profitability and cash flow generation at Trail.

Looking forward to the second quarter, we expect zinc in concentrate sales from Red Dog of 25,000 to 35,000 tonnes, reflecting the normal seasonality of sales. Our full year production and unit cost guidance for our zinc segment is unchanged. Our guidance for zinc in concentrate production remains at 525,000 to 575,000 tonnes, and we continue to expect refined zinc production of 190,000 to 230,000 tonnes for the year. Net cash unit costs are expected to be between $0.45 and $0.55 per pound.

Turning to our balance sheet on slide 18. Our balance sheet remains strong and resilient. We were in a net cash position of CAD 764 million at March 31. And as of yesterday, our liquidity was CAD 10 billion, including CAD 5.8 billion of cash. Our cash balance decreased in the first quarter, primarily due to continued returns to shareholders through dividends and share buybacks. The final 2024 tax payment relating to the earnings and sale of the steelmaking coal business and the seasonally larger royalty payment to NANA in respect of Red Dog's strong Q4 2024 performance.

Our remaining outstanding term [audio gap] (00:23:45) are long dated. We will continue to deleverage as we make semi-annual repayments on a QB project finance facility through 2031. With the achievement of the QB project financing completion testing requirements, Teck and the other sponsor guarantees of the project finance facility have been released.

Our balance sheet strength and investment grade credit [audio gap] (00:24:07-00:24:13) we remain committed to our disciplined capital allocation framework which balances investment in value accretive growth with returns to shareholders while maintaining a strong balance sheet through the cycle. Our capital allocation framework and project sanction requirements ensure the prudent deployment of capital. All growth projects must meet stringent criteria, delivering attractive risk adjusted returns and competing for capital. We are continuing to execute on our CAD 3.25 billion authorized share buyback and we are committed to returning between 30% and 100% of available cash flows to our shareholders.

Looking at our cash returns now on slide 20. [Technical Difficulty] (00:24:55-00:25:17)

Operator: Pardon the interruption. Pardon the interruption. This is the operator. The quality of your backup line has deteriorated to the point where we're not really able to hear you. I'd like to suggest that we pause for a moment and reconnect your main line. And I will put hold music on again. I apologize. I really don't think that we should proceed when we can't hear what's being said. Let me put the hold music back on. [Technical Difficulty] (00:25:47-00:29:07) Pardon me. We've reconnected with the presenters. Please proceed.

Crystal Prystai

Executive Vice President & Chief Financial Officer, Teck Resources Limited

Sorry, everyone. I'm going to jump back in here, still on slide 20. As of yesterday, we've executed CAD 1.75 billion of the CAD 3.25 billion authorization under our normal course issuer bid, including over CAD 500 million year-to-date. This leaves approximately CAD 1.5 billion of our authorized share buybacks remaining to further improve our per share value. And with the strong cash flow generation potential of our business, we could see further cash returns to shareholders in line with our capital allocation framework.

Turning to our near-term growth now on slide 21. Our value accretive near-term copper projects are well-funded. While the project capital attributable to these growth projects remains unsanctioned and uncommitted, we continue to expect to deploy between $3.2 billion and $3.9 billion over the next four years for our near-term copper projects. And we will continue to be disciplined in our assessment and progression of these projects to ensure value accretive growth.

As we continue to balance our growth in copper with cash returns to shareholders, we can continue to significantly impact the accretive growth potential of our metrics on a per share basis, as shown on slide 22. Last year with the ramp up of QB and with a significant portion of our CAD 3.25 billion share buyback completed, we increased our copper production per share by 54% compared to the prior year. And by 2026, as we stabilized QB at full production and complete the remaining authorized share buyback, our copper production per share could increase by a further 34% to 51%.

Beyond that, our copper production per share could increase substantially as we bring our near-term value accretive growth projects online. And this does not consider the impact of any further share buybacks that could be authorized under our capital allocation framework as a result of the strong cash flow generation potential of our business. Through the end of the decade, our copper production has the potential to increase rapidly on a per share basis.

With that, I'll now turn it back over to Jonathan.

Jonathan H. Price

President, Chief Executive Officer & Director, Teck Resources Limited

Thanks, Crystal. So turning to slide 24. We remain focused on our priorities to create value for our shareholders: completing the QB ramp up to steady state operations, continuing to drive operational excellence across our portfolio of high quality copper and zinc operations and projects, growing our copper production and improving our margins, remaining committed to returning cash to our shareholders by continuing to execute our authorized share buyback program and paying our base dividend, progressing our value accretive near-term copper projects to possible sanction decisions in 2025, positioning us for our next phase of copper growth and maintaining the resilience of our business to navigate uncertainty and create value, leveraging our agile commercial strategy and strong balance sheet.

So to wrap up on slide 25. Our strategy remains delivering growth and creating value in a responsible and disciplined way. We will continue to balance investment in growth with returns to shareholders. We have the resilience to successfully navigate the current environment as well as potentially exploring evolving opportunities. As a pure play energy transition metals company, Teck is uniquely positioned to deliver significant value to shareholders through the execution of our copper growth strategy. Apologies again for the disruption on the line during that portion of the call. Hopefully you can hear us clearly now.

So with that operator, please open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] We ask that you limit yourself to one question and one follow-up. The first question is from Orest Wowkodaw with Scotiabank. Please go ahead.

Orest Wowkodaw

Analyst, Scotiabank

Q

Hi. Good morning. Questions on QB2. It sounds like you're pushing back the target for sustainable full production at the operation from mid-year to end of year, yet the guidance is unchanged. What – can you give us a sense of how long these extended maintenance outages related to the tailings facility are supposed to impact Q2 and Q3? And I'm curious, like what gives you confidence at this point given the pretty weak Q1, you can still make even the low-end of the range for the year.

Jonathan H. Price

President, Chief Executive Officer & Director, Teck Resources Limited

A

Hi, Orest, thank you for the questions. Look, we'd always expected 2025 to be a build of production throughout the year and achieving steady state operations towards the end of the year rather than in the first part of the year. And I think that's no different with what we've guided to today. We still expect to deliver the guidance of 230,000 to 270,000 tonnes this year, albeit now towards the bottom end of that range. And yes, there's some additional work we have to do here around the tailings facility. We're making good progress. We're implementing measures to complete that work quickly and that includes initiatives which will allow us to speed up sand drainage and deposition of material at the dam.

Look, as we've said, completing this work will require some additional downtime in Q2 and Q3, which is why we anticipate being at that lower end. But once we get through this phase of the transition from the starter dam to regular ongoing sand lifts, which is essentially a one-time event, we can then operate at steady state for the life of the facility. So that's the phase of work we're going through this quarter and next quarter. That's why we have confidence that we can end the year running at steady state and that's why we believe that we will continue to deliver within the guidance range that we've set out for 2025.

And knowing that this was a ramp up year for the operation, we reflected in that guidance range, the uncertainty with operations in this phase of the life of the project. And that's what you're seeing in our disclosures today. But I think, critical that we remain confident of delivering production within that range.

Orest Wowkodaw Q
Analyst, Scotiabank

And sorry, can you give us detail how long are the expected outages in total for Q2, Q3 now?

Jonathan H. Price A
President, Chief Executive Officer & Director, Teck Resources Limited

Well, look, that will be a function of the work that needs to be done, Orest, which will be determined by the operations team and will be a function of the improvements that we make in sand drainage and the improvements that we make in the pace of material deposition at the dam. So it's not possible to be precise on what those the number of days that we will need to achieve that this year at this point in time. But I can tell you that the range of outcomes that we expect to be likely in terms of the number of days that we will take are reflected in the guidance and are reflected in the fact that we continue to hold our guidance. Yes, we are pointing towards the lower end of that range.

Orest Wowkodaw Q
Analyst, Scotiabank

Okay. And finally, do you see anything at this point that could impact the guidance range for 2026, the CAD 280 million to 3 – I think it's CAD 310 million based on what you're saying or all these issues expected to be solved by year-end.

Jonathan H. Price A
President, Chief Executive Officer & Director, Teck Resources Limited

Yeah. So the short answer is no, Orest, we don't expect to see any changes to the guidance for 2026 or beyond. The work that's required here on the tailings to transition into steady state, we expect to be finished in the third quarter of this year. So therefore as we move into 2026 and beyond, we don't see any ongoing impact of the work that we're undertaking today.

Orest Wowkodaw Q
Analyst, Scotiabank

Okay. Thank you.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Thanks, Orest.

Operator: The next question is from Liam Fitzpatrick with Deutsche Bank. Please go ahead. Pardon me if I can take control of the – the next question is from Liam Fitzpatrick with Deutsche Bank. Please go ahead.

Liam Fitzpatrick
Analyst, Deutsche Bank AG

Q

Can you hear me, okay?

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Yeah.

Crystal Prystai
Executive Vice President & Chief Financial Officer, Teck Resources Limited

A

Yeah, all good.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

[indiscernible] (00:37:41)

Liam Fitzpatrick
Analyst, Deutsche Bank AG

Q

Okay. All right. Yeah. My question is just around the next copper projects that you're highlighting now. First of all, would you realistically approve something like Zafranal in the current macro environment? Or would you wait for greater clarity around US trade policies and the general macro and so on? And then it also seems that three or four of your projects are all converging towards the decision within the next 6 to 12 months or so. Can you talk about management bandwidth to manage multiple projects, particularly while QB is still ramping up and how you're thinking about project phasing with all of these options ahead of you? Thank you.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Yeah, thanks for the question, Liam. Now, of course, as we look at the projects that we have in the portfolio here, what we're focused on is the long-term perspective for the fundamentals of the commodities associated with those projects. And we see nothing at this point in time that the changes our view or our conviction on the long-term fundamentals for both copper and zinc being the key components of growth with copper being the primary target. So there's nothing in that respect that causes us to sort of take a pause in that regard. The growth projects that we have in the portfolio are critical to the long-term strategy, as I mentioned in the call. And these are projects that are smaller in scope, lower in complexity than QB, for example, with low capital intensities, which should be very competitive projects and should deliver strong returns. So from that perspective, no change. Of course, we always continue to evaluate those things. And when we take our projects forward for sanction, we always look at a range of forward pricing scenarios to ensure that those economics and returns will be robust.

Just in terms of your comment on organizational bandwidth, just to put these projects into context. So Highland Valley, Mine Life Extension, is a brownfield project at a site where we've been operating since the 1960s and we've undertaken numerous previous brownfield expansions of that site. The team is all in place, is ready to go. And as I mentioned, we had a very positive, independent review of our construction readiness for that project. So we've got a good level of confidence moving forward with that.

The other greenfield project that we would deliver and then Teck would take the lead on is Zafranal, because of course, we're 80% of that project. So that's where we would be delivering. And again, we've been building a very strong team over an extended period of time now coupled with our EPC partners. So we're well set up, subject to sanction and permits, of course, for construction and delivery of that project.

San Nicolás is somewhat different because of course that is an incorporated joint venture with Agnico, which doesn't mean Teck is taking the lead on delivering that project. It's actually the joint venture that does that work. So of course, we'll be very closely involved in a range of ways in support of that project and in particular really taking a lead on the commercial aspects of that project when it comes to the marketing and sales of copper and zinc. But that's necessarily by virtue of the way that that's been set out, is a lower list on the organization here. So we do believe that this is manageable and we've been preparing for this for a number of years in terms of systems, processes, procedures, etcetera. But most importantly, bringing in the talent, developing the teams and getting ourselves set up for success and execution.

Liam Fitzpatrick
Analyst, Deutsche Bank AG

Q

All right. Thank you.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Thanks, Liam.

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

Carlos F. de Alba
Analyst, Morgan Stanley & Co. LLC

Q

Yeah. Thank you very much. Good morning. I would like to check if you received any feedback or suggestions for potential improvements on the completed QB in the pending testing that you successfully did recently, which again, congratulations on that. But I'm interested to know if there was any suggestions, or any potential improvements that they provided.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Look, I think the short answer is no. That's not really the way our process works. There's a series of tests that have to be achieved, based on performance. And those tests were achieved and independently validated and certified. But it's not really an improvement focused process, Carlos.

Carlos F. de Alba
Analyst, Morgan Stanley & Co. LLC

Q

All right. Thanks, Jonathan. And just maybe a follow-up. Can you mention how many days was QB shutdown as a result of the power outages? I think it's a little bit, well, several days, but it will help us for the analysis if we had a little bit of more precise number of days.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Yeah. So Carlos, we were sort of directly shutdown for a couple of days and then it took us a couple of days to get back up and running to full rates again. So, broadly speaking, four days, half of which was downtime and then half of which was recovery. Of course, it's the first time at QB that we've had to deal with one of these events and get the sites back up and running at full capacity. So that's a learning experience perhaps in future we'll be able to come back online more quickly. But we have to be prudent first time out dealing with an event like this at that site.

Carlos F. de Alba
Analyst, Morgan Stanley & Co. LLC

Q

Fair enough. Thank you very much, Jonathan.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Thanks, Carlos.

Operator: The next question is from Craig – the next question is from Craig Hutchinson with TD Cowen. Please go ahead.

Craig Hutchison
Analyst, TD Securities, Inc.

Q

Hi there. Good morning. I just want to ask about the zinc business, I think in your opening remarks, you said that about 20% of the sales from Red Dog is going to China could be subject to tariffs if they remain in place? Any indications or whether there's concerns about those sales right now, whether you have to redirect the material? And then I guess just on the flip side, are you purchasing materials for Red Dog from China that are subject to tariffs? And could that be a potential risk on costs? Thanks.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Yeah, thanks, Craig, for those questions. Look on the outbound, as I mentioned, given the levels of tariffs being placed on imports from the US into China, that creates challenges with supply at the moment. Now unfortunately at this time of the year, given the shipping season, the Red Dog we're not moving material from the site in any event. So we're pretty well covered at present. The commercial team is working very hard, as I mentioned on the call as they arrange of options and alternatives here, which could see us placing material elsewhere through this period of time. The bottom line is, Craig, that we don't expect to face a material impact here as the result of tariffs between China and the US. And as I said, we've got, a number of months up our sleeve here to resolve any issues that might arise. There is no risk the other way around.

Craig Hutchison
Analyst, TD Securities, Inc.

Q

Okay.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

We're not exposed on the inbound here in terms of imports of goods from China into US or into Red Dog. So no risk there.

Craig Hutchison
Analyst, TD Securities, Inc.

Q

Okay. And just on Antamina, obviously sorry to hear about the fatality. Is there any updates on that operation? Is it still halted or is it back online? Thanks.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Yeah. Look, as I said, a tragic event. We will work very closely, as we always do with the Antamina team here to understand what's happened and to look at learnings for the future and learnings not just for Antamina, of course, but for the industry more generally. Our understanding is that the site will be returning to operations today. So getting back up and running.

Craig Hutchison
Analyst, TD Securities, Inc.

Q

Thanks, guys.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Thank you, Craig.

Operator: The next question is from Myles Allsop with UBS. Please go ahead.

Myles Allsop
Analyst, UBS AG (London Branch)

Q

Great. Thanks. Maybe just on QB and the DIA in the second half, I mean, if all goes to plan when should you get the licenses to be able to lift throughput above the 143,000 tonnes a day? Just how do we model that kind of optimization and debottlenecking?

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Yeah. I mean, I think there's a level of optimization that's allowed under the current permit. Myles, as we have it today, which is essentially a 10% allowance from nameplate. So that's something we already have in hand. In terms of the submission of the deal, let's say that goes in, in July of this year, we would expect to have an approval on that 12 months subsequent. So that would be July of the following year, which fits very well with the timeframe we have for the debottlenecking. So the existing permit really allows for the optimization that we've been talking about and the deal or amendment to the permit allows for the debottlenecking so we can get the optimization with what we have now and with the DIA, we can unlock the debottlenecking.

Myles Allsop
Analyst, UBS AG (London Branch)

Q

Okay. Thank you. And then with Highland Valley, I think there was still a dispute that had to be resolved before you could kind of push ahead with the life extension project. Where are you with that? I mean, is that potentially going to push back approval to mid-year?

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Yeah. Look, so we are going through engagements with various of the indigenous government organizations surrounding Highland Valley and those – a number of those parties, two of those parties in fact have initiated dispute resolution processes under the Environmental Assessment Act. That's not unusual for these sorts of processes. It's the way in which they engage with the province, essentially around the terms of the permit. Ultimately, we stay very close to this of course, as you can imagine, we're very close with the indigenous government organizations. We're very close with the province here in British Columbia who have this as a priority project for them. So they're working very hard on this.

Of course, we continue to assess the project, plan and schedule as these processes unfold. And while we can't guarantee time for permitting, you never can with any project, we are optimistic that we will have a resolution in the middle of this year. So we'll continue to progress the project. As I said, the work we've done on construction readiness looks very good. That's been independently verified. And we'll continue to move with the project forward this year. So, yes, we've got to get through those engagements and ultimately get the permits issued. But we're hopeful that the middle of this year is still the timeframe that we're working to.

Myles Allsop
Analyst, UBS AG (London Branch)

Q

Okay. Thanks. So maybe just on QB, do you – come from now we're not going to see any more downgrades to production guidance for 2025?

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Yeah. Look, what we know about the site, what we see in the operation of the mine, of the concentrator of the port, and our view now on the work that is required to progress the tailings facility from today into steady state operations. All of those factors are considered in the guidance range. So of course, we are looking at guidance all the time to ensure it's appropriate and representative of what we expect to do at the asset. And we've communicated to 230,000 to 270,000 tonnes again today because we have confidence in delivering within that range, albeit at the lower end.

Myles Allsop
Analyst, UBS AG (London Branch)

Q

Good luck. Thank you.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Thanks, Myles.

Operator: The next question is from Matthew Murphy with BMO Capital Markets. Please go ahead.

Matthew Murphy
Analyst, BMO Capital Markets Corp. (Canada)
Q

Hi, Jonathan. Just would like to dig a little deeper on the understanding the tailings issue. Is sand drainage is that referring to like how wet the sand is?

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited
A

Well, it's essentially referring to how long it's taking that sand to dry might be a better way of thinking about it. But yes, it is to do with the moisture in the sand and the time that it's taking for those moisture levels to reduce.

Matthew Murphy
Analyst, BMO Capital Markets Corp. (Canada)
Q

Okay. And is that connected to challenging weather or it's a separate issue?

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited
A

No, it's really a separate issue there. I mean, ultimately what you need to be able to do is to compact the sand and to compact the sand, you need it to drain. We think the source of some of these slower drainage times has been a function of clay and fines in the sand which have to be separated. That separation happens through the cyclones, and we've recently made some modifications to those cyclones. And the initial results from those modifications are positive again, which is, part of what gives us confidence that we move through this issue by the third quarter of the year.

Matthew Murphy
Analyst, BMO Capital Markets Corp. (Canada)
Q

Okay. And then the last little follow-on, the need to take maintenance shutdowns, is it because you're currently constrained on tailings capacity? So you're like waiting for these lifts to be ready to let the mill go, do what it can do? Or is part of the shutdown also on the mill?

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited
A

So we have our regular shutdowns on the mills for mill relining and other work. So there's nothing different at the mill over and above what we would consider to be our sort of routine quarterly work. The reason that we point towards the low end of the guidance range is that the work we have to do on the tailings facility does create a constraint to production. But again, factoring in the range of outcomes there that we can foresee for this year, we maintain the range of CAD 230 million to CAD 270 million.

Matthew Murphy
Analyst, BMO Capital Markets Corp. (Canada)
Q

Okay. Thanks, Jonathan.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited
A

Thank you very much, Matt.

Operator: The next question is from Lawson Winder with Bank of America Securities. Please go ahead.

Lawson Winder
Analyst, BofA Securities

Q

Operator, thank you very much. Good morning, Jonathan and team, and thank you for the update today. Would – maybe I'll ask again about QB2 and just going back to one of the challenges that was experienced last year, that with the stabilization of the mix of clay in the feed, is the asset now on track to be able to deliver that consistency in the second half? And then also on the geotechnical issue, the faulting that led to the slip on the ramp is that as the work to-date in the mine now confirm that, that was in fact localized.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Yeah. So there's no ongoing manifestation of that geotechnical issue that's very much behind us, Lawson. In terms of the clays, as we go through this year, we started the year processing a lot of transition ores, which is why you've seen some lower recoveries. In the first quarter, as the year progresses, we expect to have less transition ore and therefore less clay and therefore better recoveries. So, all of those things are connected. That's been in the plan for this year. It's why we've expected to partly at least why we've expected to see quarter-over-quarter improvements through the year. But nothing different from what we've communicated previously there, Lawson.

Lawson Winder
Analyst, BofA Securities

Q

And then just a question on a grade with QB2. So when we started the year, the guidance suggest that, that grade would improve in the second half. But actually, I mean, you guys had really solid grades at QB2. I think it was about 0.61%, but you're guiding to a 0.6% average grade. I mean, is there some room in there for grade to potentially do better? Is that part of what's driving your confidence in staying within the guidance range?

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

No, we still expect grade for the full year to be approximately 0.6%. With the mine plan, we ended up processing a little bit of higher grade in March that was previously expected to come through in April. So there's always a few, sort of puts and takes in this. But as we look at this for the year as a whole, the average of 0.6% is still the right number. So we're not relying on grade to deliver the guidance, if that's the question, Lawson.

Lawson Winder
Analyst, BofA Securities

Q

Yeah, no, that was it. Perfect. Thanks very much, Jonathan.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Thank you, Lawson.

Operator: The next question is from Bill Peterson with JPMorgan. Please go ahead.

Bill Peterson
Analyst, JPMorgan Securities LLC

Q

Yeah, hi. Good morning and thanks for taking the question. I'm thinking, I guess on Trail specifically, nice job on the profitability. I guess, how should we think about profitability in second quarter and the back half of the year? Specifically do you expect, the byproducts to repeat in the subsequent quarters and then maybe beyond that, like what initiatives you have to maybe continue driving, improved profitability. Are there room for further improvements there?

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Yeah, thanks for that, Bill. I'll ask Crystal to just respond on the outlook for Trail for the balance of the year.

Crystal Prystai
Executive Vice President & Chief Financial Officer, Teck Resources Limited

A

Thanks, Bill. Nice to hear from you. Look, in Q1, as you mentioned, we had very strong performance at Trail. We generated CAD 80 million of gross profit before depreciation and amortization. That was really the result of that implementation of initiatives to improve cash flows, though those have been fully embedded now and we expect those to continue through the rest of the year and we'll continue to realize the benefit of those. And then in terms of the contribution from byproducts such as silver, germanium and indium, and then obviously the FX rate has an impact, we built up a stockpile of materials during the period when we had the kits at boiler under repair in 2023. We are progressing treating those materials, which is where you're seeing the benefit of some of those specialty metals coming through and supporting the improvement of the profitability. So we expect that to continue through this year. But of course, that's not a long-term solution, the [ph] TP (00:56:08) environment for Trail continues to be challenging, but the cost structure changes that we've made there have been – have led to some improvement that we're seeing come through and we expect that to continue.

Bill Peterson
Analyst, JPMorgan Securities LLC

Q

Okay. Great. Thanks for that. And then I guess for [ph] sort of analysts (00:56:24) south of the border, I guess, any thoughts on the upcoming presidential election, any potential impacts to the industry, industry in Canada, read through for HVC or maybe, basically FDI.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Look, nothing in particular. I mean, there's obviously an election early next week. We will know who the prime minister will be at that point in time. I think what we can say is this, that both sides of politics here are very, very supportive of the resources industry. That's been a key part of their platforms, whether that's about deregulation and simplification, whether that's about actually putting in place investment vehicles to help with the developments of the industry here.

I think there's a lot of support for resources, Canada is recognizing that as a real potential competitive advantage and a great lever through which to engage with the US on something that's clearly very important to them. So we hope to see that progress, Bill, in the weeks and months ahead. But I think, however the election works out, Canada will remain very focused on its mining industry, on its critical minerals. And we expect to see supportive legislation to help ease doing business essentially in the country. So I think the outlook is positive from that perspective.

Bill Peterson
Analyst, JPMorgan Securities LLC

Q

Thanks, Jonathan, and Crystal. Thanks for sharing the insights.

Jonathan H. Price
President, Chief Executive Officer & Director, Teck Resources Limited

A

Thanks, Bill.

Operator: Thank you. We are out of time for further questions. I'd now like to hand the call back over to Jonathan Price for closing remarks.

Jonathan H. Price

President, Chief Executive Officer & Director, Teck Resources Limited

Yeah. Thank you, operator. Apologies once again for the issues of the call today. I hope you were able to hear everything you needed to hear, if not, as ever, please follow-up with Emma and the Investor Relations team.

I would just close off by saying the business is in really good shape. We are very resilient. We're managing very well through these turbulent times, both through our commercial strategy and through the strong balance sheet we have. We will continue returning capital to our shareholders as per our commitment and balancing that with growth.

And we've discussed QB extensively on this call. We will get past this tailings situation by the third quarter of this year and move on to steady state operations. And as I said, we see no changes to guidance this year or in the coming years. So thank you very much for joining all today and enjoy the rest of your day.

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