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Co. reported 3Q17 bottom-line profit attributable to shareholders of CAD620m.

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CORPORATE PARTICIPANTS

Dale E. Andres *Teck Resources Limited - SVP of Base Metals*

Donald R. Lindsay *Teck Resources Limited - CEO, President & Director*

Fraser Phillips *Teck Resources Limited - SVP of IR & Strategic Analysis*

Glenn Burchnall *Teck Resources Limited – Director, Energy Marketing & Logistics*

Réal Foley *Teck Resources Limited - VP of Coal Marketing*

Robin B. Sheremeta *Teck Resources Limited - SVP of Coal*

Ronald A. Millos *Teck Resources Limited - CFO and SVP of Finance*

CONFERENCE CALL PARTICIPANTS

Alex Terentiew *BMO Capital Markets Equity Research - Analyst*

Brian MacArthur *Raymond James Ltd., Research Division - MD & Head of Mining Research*

Christopher Michael Terry *Deutsche Bank AG, Research Division - Research Analyst*

Greg Barnes *TD Securities Equity Research - MD and Head of Mining Research*

James Albert Bardowski *Axiom Capital Management Inc., Research Division - Analyst VP*

Karl Blunden *Goldman Sachs Group Inc., Research Division - Senior Analyst*

Lucas Nathaniel Pipes *FBR Capital Markets & Co., Research Division - Analyst*

Orest Wowkodaw *Scotiabank Global Banking and Markets, Research Division - Equity Research Analyst of Senior Base Metals*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to Teck Resources Q3 2017 Earnings Call. (Operator Instructions)

This conference call is being recorded on Thursday, October 26, 2017.

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 - *Teck Resources Limited - SVP of IR & Strategic Analysis*

Thanks very much. Good morning, everyone. Thank you for joining us for Teck's Third Quarter 2017 Results Conference Call.

Before we begin, I'd like to draw your attention to the forward-looking information on Slide 2. This presentation contains forward-looking statements regarding our business. However, various risks and uncertainties may cause actual results to vary. Teck does not assume the obligation to update any forward-looking statement.

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

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Thanks very much, Fraser, and good morning, everyone.

I will begin on Slide 3 with some highlights from our third quarter results, and then new this time, we have Glenn Burchnall, our Director of Energy, Marketing and Logistics, who will provide an update on Fort Hills and in particular on our sales and logistics strategy for blended bitumen. He will be followed by Ron Millos, our CFO, who will provide additional color on our financial results, and then we will conclude, as always, with a Q&A session, where Ron, Glenn and I and several additional members of our senior management team would be happy to answer any questions.

We are very pleased with our performance in the third quarter. We achieved strong operating results, which, together with favorable commodity prices, translated into strong financial performance. And while there were a number of onetime items, which totaled about $0.17 a share when you aggregate the reported $1.8 with that $0.17, it certainly looks very strong to us. We reported our second highest quarterly sales for steelmaking coal, reflecting strong customer demand with record steel production in China in the third quarter and importantly strong demand in the rest of the world. We also reported record zinc production at Antamina for the second consecutive quarter. So with these strong operating results and improving prices, our gross profit before depreciation and amortization was almost $700 million higher in Q3 than in the same period last year, and we continue to generate significant free cash flow. At the same time, we are preparing for first oil at Fort Hills. Construction is now more than 96% complete and froth production was initiated in September, which will allow for commissioning to be accelerated. When Fort Hills is running at full capacity, our cash flows related to the project will shift from significant capital going out the door to cash inflows.

Also in the quarter, we received approval to make a Normal Course Issuer Bid to purchase up to 20 million of our class B shares over the next 12 months. And we are also very pleased to be named to the 2017 Dow Jones Sustainability World Index for the 8th consecutive year, which indicates that our sustainability practices are in the top 10% of the 2,500 largest companies in the world.

Turning to our third quarter financial results on Slide 4. Our strong operating performance has enabled us to capitalize on favorable commodity prices in the quarter. Revenue was up compared with the same quarter last year, primarily due to significantly higher steelmaking coal prices and helped by higher zinc and copper prices as well. The bottom line adjusted profit attributable to shareholders was $620 million, and adjusted EBITDA was $1.4 billion in the quarter. Importantly, over the past 12 months to September 30, we generated a record $6.1 billion in adjusted EBITDA, and note that, that was based on an average realized price of USD 185 per tonne of steelmaking coal and a copper price of USD 2.62 per pound and a zinc price of USD 1.23. Now to put that in context, our previous record of $5.9 billion, which was set in 2011 when our average realized price for steelmaking coal was USD 257 versus that USD 185 in the last 12 months, so a USD 72 per tonne difference. And the average copper price back in 2011 was USD 4 per pound. That's USD 1.38 per pound higher than what we just averaged in the past 12 months of USD 2.62. So quite a difference. Now it is true that the zinc price back then was USD 0.99 per pound or USD 0.24 per pound lower and, of course, the Canadian dollar was stronger, so we've had a benefit of a weaker dollar these past 12 months. But still, it's a very significant achievement, which is the result of our ongoing focus on managing costs and optimizing production from our core assets. So once again, higher EBITDA with a coal price that was USD 72 a tonne lower and a copper price that was USD 1.38 per pound lower.

I also like to point out that the realized steelmaking coal price for the past 10 years has averaged USD 164 per tonne. And on an inflation-adjusted basis, that's USD 183 per tonne, which is very close to the USD 185 average that we just received in the 12 months ended September 30. So that USD 185 is not really that higher price relative to the average of the last 10 years.

Turning to Slide 5. As I mentioned earlier, our adjusted profit attributed to shareholders was $621 million or $1.08 per share. While we are pleased with our strong financial performance, our earnings in EBITDA were below consensus expectations for the quarter. There were a number of items and events that may have contributed to the shortfall, including high share-based compensation expense because our shares -- our share price increased during the quarter; environmental and care and maintenance costs due to regulatory changes; a higher effective tax rate; copper sales below production due to timing of shipments, so that they'll show up in the next quarter; and lower gross profit trail operations due to lower silver production, following some operating disruptions at some of our concentrate suppliers; and of course, lower zinc treatment charges.

I'll now run through highlights by business units, starting with our base metals businesses and, in particular, copper on Slide 6. Production at Highland Valley is improving gradually through the year as we expected. We continue to expect full year copper production to total for the division at 275,000 to 290,000 tonnes. Cash costs, net of by-product margins, were down from Q3 last year, driven by strong cash margins for byproducts and helped by strong zinc prices and zinc sales in Antamina and strong moly sales at Highland Valley. Looking forward, we now expect full year cash costs, net of by-product margins, to be in the range of USD 1.30 to USD 1.40 per pound, which is down from the previous guidance of USD 1.40 to USD 1.50 per pound. At Highland Valley, new 5-year collective agreement was ratified by union employees, resulting in a $13 million onetime labor settlement charge. And in addition, the board sanctioned our D3 project to install an additional ball mill at Highland Valley, which is expected to increase mill throughput by 5% and copper recoveries by over 2%, and that is expected to be completed by mid-2019 at a cost of $72 million. Overall, gross profit before depreciation and amortization was up 60% from Q3 in 2016 to $281 million.

Our zinc business unit. Results are summarized on Slide 7. As a reminder, Antamina zinc-related financial results are reported in our copper business unit. At Red Dog, zinc sales were higher than our guidance for the quarter and are indicative of the tightness in the zinc concentrate market. The concentrate shipping season was extended by 2 weeks and is expected to be completed in the first week of November, having shipped the maximum possible of around 1 million tonnes of zinc concentrate and 210,000 tonnes of lead concentrate. We now expect Red Dog sales of contained zinc to be around 180,000 tonnes in Q4, reflecting stronger demand from customers and, of course, our normal seasonal pattern. In addition, the board sanctioned our VIP2 project to upgrade the mill at Red Dog, which is expected to increase average mill throughput by around 15% over the remaining mine life to 2031. It is expected to be completed by Q4 2019 at a cost of US$110 million. And finally, please note that NANA's royalty rate increased to 35% effective October 1st, as expected.

A new five-year collective agreement was ratified by union employees at Trail Operations, resulting in a $26 million one-time labor settlement charge, and we now have long-term labor agreements in place at all of our North American operations. And again, like we saw at Highland Valley in the settlement with the collective agreement there, trail had this onetime settlement charge, and those are charges that analysts would not have been able [that had] in their models because they weren't disclosed until our release last night.

For the full year, we now expect our total zinc in concentrate production, including co-product production, to be 645 to 665 thousand tonnes.

Overall, gross profit before depreciation and amortization was up 8% from Q3 2016.

We have provided an update on the Elk Valley Water Quality Plan on Slide 9. At our West Line Creek active water treatment facility, we have successfully tested an additional treatment step to address the issue that we had previously reported with selenium compounds in the effluent. We are now proceeding with plant modifications, with construction to be completed in Q3 2018 at a cost of around $15 million. The construction of our second plant at Fording River was pushed out to incorporate these design changes and will commence in 2018.

Our spending plans on water treatment were delayed as a result, and you may recall that in 2014, our capital cost estimate for water quality management was $600 million over a 5-year period from 2014 to 2018. We now expect that during that same period, our spending will be only around $300 million, so $300 million less than the original $600 million that we had guided to while we were working through the technological challenges. For the next 5-year period starting in 2018, so from 2018 to 2022, we expect to spend between $850 million and $900 million. Beyond that, we expect long-term water treatment costs to be around $6 per tonne versus the $4 per tonne we had guided to previously, and that will include capital and operating costs and assuming annual production of 27.5 million tonnes. Just to emphasize, that includes both capital and operating costs. Of course, actual cost may vary depending on the results of ongoing environmental monitoring, and we continue to research and develop alternatives that have potential to reduce significantly our cost, some of which are very encouraging.

And so with that, I will turn it over to Glenn with an update on Fort Hills and our sales and logistics strategy for blended bitumen. Glenn?

Glenn Burchnall *Teck Resources Limited – Director, Energy Marketing & Logistics*

Thanks, Don.

Slide 10 provides an update on the Fort Hills project. As Don mentioned earlier, we are preparing for first oil, which is now expected prior to year-end. Construction is now more than 96% complete, and 98% of Fort Hills operations staff have been hired. 5 of the 6 major project areas have been turned over to operations, and the focus remains on the construction of the secondary extraction area, which is now 95% complete. Unfortunately, first froth production commenced in September. The significance of this is that it allows for accelerated commissioning of the project. Froth is an intermediate product, and its production utilizes all the major components of the project prior to secondary extraction. The froth produced is currently being trucked to Suncor's base plant for further processing until construction of the secondary extraction area is completed. By the time secondary extraction construction is complete, early froth production should have resulted in the front end of the plant being fully commissioned, allowing the focus to shift to the startup of secondary extraction.

We have developed a comprehensive sales and logistics strategy for our blended bitumen product. The extent of our commercial activities when Fort Hills is at full production capacity are summarized on Slide 11. Our share of bitumen production is expected to average 36,000 barrels per day, and we will purchase around 11,000 barrels per day of diluent for blending. We do not anticipate any issues with availability of diluent in the market in Western Canada. Total bitumen blend sales are expected to average 47,000 barrels per day.

Fort Hills will produce a high-quality, lower carbon intensity product under the name Fort Hills Reduced Carbon Dilbit Blend as outlined on Slide Fort Hills utilizes paraffinic froth treatment, or PFT, which is a solvent-based extraction process to remove fines and asphaltines. As a result, it will be among the lowest life cycle carbon intensity of any Canadian oil sand production with a lower carbon intensity than about half of the oil currently refined in the U.S. Overall, Fort Hills Reduced Carbon Dilbit Blend is a superior refinery feedstock. It also has lower diluent requirements for pipelines.

The Albian mining project operated by Canadian Natural Resources and the Kearl mining project operated by Imperial Oil also use PFT, so they are the best benchmarks for the product that will be produced at Fort Hills.

The regional distribution network in Alberta is shown on Slide 13. All components are now ready to receive products from Fort Hills. From the mine gate, bitumen will be transported via the Northern Courier hot bitumen pipeline to the East Tank Farm, where it will be blended with condensate that arrives on the Norlite pipeline. The diluted bitumen will be transported on the Wood Buffalo pipeline to Hardisty, where Teck has dedicated storage available for approximately 425,000 barrels. Diluent originates at the Edmonton terminal, and Teck has dedicated storage available for 100,000 barrels of diluent at Fort Saskatchewan in Alberta.

Our sales and logistic strategy for blended bitumen is summarized on Slide 14. Overall, it is based on diverse market access and risk mitigation. For our 47,000 barrels of blended bitumen per day, we have contracted for 10,000 barrels per day of capacity on the existing Keystone pipeline to the U.S. Gulf Coast, where there is significant refining capacity for heavy oil available. We have also contracted for 12,000 barrels per day of capacity on the proposed Trans Mountain pipeline to the West Coast of Canada, which would provide access to the Pacific Rim. We plan to sell the remaining 25,000 barrels per day at Hardisty, where customers may have their own contracted pipeline capacity, and common carrier pipelines are available. We have long-term contracts in place for up to 20,000 barrels per day to be sold at Hardisty. The remaining 27,000 barrels per day are expected to be sold on a monthly basis either to the U.S. Gulf Coast to the Pacific Rim or at Hardisty. If the proposed Trans Mountain pipeline is not built or is delayed, we have additional options available, including increasing our capacity on Keystone and selling additional products at Hardisty. In addition, rail will be available as required.

We're looking forward to first oil at Fort Hills, and we have a comprehensive plan in place for sales and logistics of our share of product.

And with that, I will turn it over to Ron for additional color on the quarter from a financial perspective.

Ronald A. Millos - *Teck Resources Limited - CFO and SVP of Finance*

Thank you, Glenn.

I'm moving on to Slide 15, which looks at 2 components of our other operating income and expense. So Don mentioned earlier, our third quarter pricing adjustments are summarized on the left side. Overall, we had a $93 million in positive adjustments this quarter compared with $25 million in positive adjustments in Q3 of 2016. There was a USD 0.27 increase in the copper price and USD 0.20 increase in the zinc price compared with USD 0.01 and USD 0.13 increases, respectively, in the same period last year. Now these adjustments are included in our income statement under other operating income and expense. And the chart on the left represents a simplified relationship between the change in the copper and zinc prices and the reported settlement pricing adjustment, and it continues to provide a good estimate each quarter. And our third quarter share-based compensation expense is summarized on the right side. Overall, we had an expense of $52 million in Q3 compared with a $15 million positive contribution in Q2 of 2017. The chart on the right represents a simplified relationship between the change in our stock price and the report of share-based compensation expense, and Q3 was a bit of an outlier on a simplified model due to the particularly strong performance of our shares in the period.

Moving on to Slide 16. I'd summarize the changes in cash during Q3. Our cash flow from operations was $901 million in the quarter. We spent $390 million on capital projects, including Fort Hills. Capitalized stripping costs were $175 million, and we paid $137 million in interest and finance charges and $78 million on financial investments and other assets, sorry. We repaid a total of CAD 28 million in debt in Canadian dollar terms. In addition, we paid $29 million in dividends, representing our new $0.05 per share quarterly-based dividend. After these and other minor items, we ended the quarter with cash and short-term investments of around $889 million, and our current cash balance is about CAD billion.

Turning to Slide 17. Our financial position remains strong. We currently have approximately $4.9 billion in liquidity, and that includes $1 billion in cash and our undrawn USD 3 billion committed credit facility. That meaningful progress have remained in reducing our debt, and our strong free cash flow had been noted by the rating agencies and upgrades most recently by S&P a week or 2 back, who now rate us BB+ with a stable outlook. Our net debt to EBITDA ratio for the 12-month period to September 30 is 0.9x, and it will likely move down further with the closing of the Waneta transaction, which we expect around the end of the first quarter next year.

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

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Thanks, Ron.

In summary on Slide 18, operational performance. Strong markets for our key products and the approaching completion of Fort Hills have resulted in a successful quarter for the company, and it positions us well for ongoing profitability. Looking forward, we are generating strong free cash flow at current spot prices. We are preparing for first oil at first -- Fort Hills by year-end, with a comprehensive sales and logistics plan in place for our share production, and our financial position remains strong for the future.

And with that, we would be happy to answer any questions. Please note that some of our management team members are calling in from different locations as you would expect, so there may be a brief pause after you ask your question as we sort out where to directed.

Okay. Over to you, operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question is from Chris Terry with Deutsche Bank.

Christopher Michael Terry - *Deutsche Bank AG, Research Division - Research Analyst*

My question is really around the coal division. Just trying to get more comfort, I guess, as we head into '18 around both the realized price and also the geotechnical issues and the transition out of Coal Mountain and how we think about that. I guess on the realized price, should we expect that it jumps straight away back into the historical normal range well above 90% by 1Q next quarter? Or is it a ramp-up as the product mix changes? And how do we think about 2018 coal production maybe on a quarterly basis in the first couple of quarters of next year? Is it still going to be hampered a little bit by some of the moves and the geotechnical issues?

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Okay. Good question. Thank you, Chris, and I'm going to start with Réal Foley, who is on the line on the first part of your question, and back to Robin Sheremeta on the second part. Réal, over to you.

Réal Foley - *Teck Resources Limited - VP of Coal Marketing*

All right. Thanks, Don. So Chris, so when we look at our products, usually in our Annual Information Form, we've said that for 2015 and 2016, less than 25% of our sales were non-premium hard coking coal. So for Q4 2017, that is an outlier, and the non-premium hard coking coal will be around 30% of our sales or so, which is what is leading our realized price relative to the premium steelmaking coal assessment to about 85%, as we said in the release. Our expectation is that we will recover our coal inventories, as indicated through Q4, and those inventories have already started to improve in Q3, and we will transition to our traditional product mix as we get into 2018.

Christopher Michael Terry - *Deutsche Bank AG, Research Division - Research Analyst*

Okay. So we should expect some return to realized pricing and no continued impact, I guess, from some of the current issues you've had from the actual operations side?

Réal Foley - *Teck Resources Limited - VP of Coal Marketing*

Yes. That's correct.

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Over to Robin on the part 2.

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

Yes. I can maybe add a little bit more to the look going into 2018. Just gone through all the mine plans actually over the last couple of weeks as we prepare our budgets for next year. As Don mentioned, we set a pretty strong performance level through Q3 on total material and expect that to continue through the next of the year and into next year. So as Réal said, we are building raw coal inventories at sites again and will be back up to levels that are quite typical through into 2018. Maybe a little bit on the geotechnical issues, there are two localized issues at two of our smaller operations. They have impacted, in the short term anyway, some access to coal. Out of one of the operations, we are starting to get some coal out now. The other one is still challenged. But overall, with the strong performance across the other operations, we're able to make up that shortfall in raw coal, so at least by year-end. We're still working through, obviously, the ramp-up as we recover from the first half. So pretty confident in 2018 for sure.

Christopher Michael Terry - *Deutsche Bank AG, Research Division - Research Analyst*

Okay. And just one other quick question, maybe for Don. In terms of QB2 and you thinking about making a commitment, I guess, around the middle of next year, can you provide any more timing on when you might look at a strategic partner for the minority stake? Is it definitely pre that, or do you make the decision to commit to the project and then look at the second partner? I'm just trying to get a bit more color on how we should think about the timing of that.

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Yes. So we're really focused on getting the permit. And as you know, there's an election in Chile coming, and so there's a bit of uncertainty there. We think it's going to come early next year. But until we really have the permit, a lot of those kind of decisions that you're referencing wouldn't really be pursued at the board level until we really know what we've got. And so that -- it's the kind of question that actually I don't think we could answer for several months. At the moment -- and that -- and when we do take a look at it, it would be in the context of what our balance sheet looks like then. And of course, we would expect that Waneta would've closed some time, hopefully by the end of Q1, which is $1.2 billion of cash. And at these commodity prices, we are generating pretty good cash, and so we would look at what our balance sheet looks like at that stage as well. So between now and when we hope to sanction the project, which would be around April of 2018, our financial position could be really quite strong. And so that would be a factor that the board would look at in determining whether a partner was needed or not. So the short answer is I can't quite answer your question yet, but that's at least how we think about it.

Operator

The next question is from Orest Wowkodaw with Scotiabank.

Orest Wowkodaw - *Scotiabank Global Banking and Markets, Research Division - Equity Research Analyst of Senior Base Metals*

Just going back to the coal again. Obviously, I was surprised by the guidance for Q4, specifically around the mix. And I just want to be absolutely clear in terms of -- are you expecting realizations to go back to the normal level starting Q1? And what gives you confidence as you transition out of Coal Mountain that you can maintain the mix at the same 27 million to 27.5 million tonnes in the next couple of years?

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Okay. Same two people to answer that question, two-part system. We'll start with Robin on the production levels post-Coal Mountain.

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

Yes. So post-Coal Mountain, we've got a number of things being done at the other four operations within the Valley. They're going to make up that tonnage. So across all four operations, there's additional production capacity with small amounts of capital in some cases. And some of the work we've been doing over the last few quarters, anyway, to get stripping up is in preparation for that so that we've got coal available at those other operations. So that plan has been developed over the last couple of years to be able to transition from Coal Mountain and to sustain production level post-closure of that operation. And the product mix then coming out of that is going to be more around the product you'd expect from those other four operations, which are typically the premium hard coking coals on balance.

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

That last point was really important. Okay. With that, over to Réal on the first part of the question.

Réal Foley - *Teck Resources Limited - VP of Coal Marketing*

All right. Thanks, Don. So as a result of our other operations picking up production, as Robin just described, we will see our price realizations return to historical levels starting in 2018.

Orest Wowkodaw - *Scotiabank Global Banking and Markets, Research Division - Equity Research Analyst of Senior Base Metals*

Which of your mines, which two are the ones having the geotech issues? And then in terms of the quality mix, where does the lower quality coal mostly come from? Which mine?

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Robin, do you want to...

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

Yes. Well, Coal Mountain is primarily a semisoft with small amounts of thermal. So on the balance of products, that's the bulk of the lower quality products. Every operation has a range of products, but in the other four in the Valley, they're more towards the hard coking coal end.

Orest Wowkodaw - *Scotiabank Global Banking and Markets, Research Division - Equity Research Analyst of Senior Base Metals*

So actually, Coal Mountain closing actually reduces your amount of lower quality coal then?

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

On balance, it does, yes.

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Correct.

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Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

Because it's replaced by higher quality coking coal from the other four operations that represents the balance of the reserve.

Operator

The next question is from Lucas Pipes with FBR Capital Markets.

Lucas Nathaniel Pipes - *FBR Capital Markets & Co., Research Division - Analyst*

So I hate to stay on the coal side, but I wanted to maybe ask a bigger picture question on the coal, on the cost front. So obviously, site costs were in the $50s year-over-year. That compares to, I think, $43. And you mentioned a couple of drivers that contributed to the higher cost on a year-over-year basis. And I just wonder, are some of those going to reverse again if you think about employee turnover, for example, or stripping ratios? As we look into 2018, where could cost go?

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

Yes. Well, one of the things that, I think, certainly represented the increasing cost through the last half of the year has been the use of contract mining to catch up. So in order to get ourselves back on track in terms of a balanced stripped ratio going into 2018, we've had to make up for quite a shortfall through the first half. And so that was done by additional capacity, which obviously is going to come at a higher unit cost, but it's temporary. So once we've brought ourselves back to a level of strip ratio that can support the plan 2018, those costs come out of the plan. So contract mining will end and we can sustain the cost forward with the same structure we did in the past.

Lucas Nathaniel Pipes - *FBR Capital Markets & Co., Research Division - Analyst*

So could costs be lower year-over-year in '18 versus '17?

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

No. I'm going to say they're pretty much about that because there's a couple of things going on as well. If you remember, strip ratio has come up to around 10 to 1, so slightly higher than you would've seen year-to-year in 2016. So that's part of the stripping being replaced at the other operations from Coal Mountain. So Coal Mountain is quite a low strip ratio operation. The other ones are in around 10 to 1. So that also contributes to the cost structure forward, but that's the one we've been forecasting out for some time.

Ronald A. Millos - *Teck Resources Limited - CFO and SVP of Finance*

On cost and production, the detailed guidance for 2018 will come out when we issue our fourth quarter results in mid-February as well. So stay tuned for that information.

Lucas Nathaniel Pipes - *FBR Capital Markets & Co., Research Division - Analyst*

Right. And then on the water treatment side, the long-term cost estimate in between capital and operating cost was increased from $4 to $6 per tonne. What drove that increase? And could you maybe expand a little on the things you're working on that could maybe lower the cost to maybe back down to the $4 dollar level?

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

Okay. Well, there's a fair bit going on with that question. So there's two main things that have changed, I guess, in terms of the forward view. So one was the work that was done after 2014, where we upgraded many of the processes within the West Line Creek plant. And the second piece was the identification of an issue with selenium compounds and the development of a strategy to resolve that, which is AOP, or Advanced Oxidation Process. So that's a bolt-on process onto the current design of the West Line Creek plant that will solve that problem. So there are 2 sort of cycles, I guess, of enhancements made to the treatment strategy that led to a higher cost. The other part of that puzzle is that we had to delay the start of the second water treatment plant at Fording River until we resolved some of those issues. We're still on pace for the other treatment plants in the schedule. But with the delay of Fording River, that's now compressed into the next 5-year period. So that's what you see a jump in capital for the next five years, and then long term, that increases from $4 to $6 per tonne. It really does reflect the additional costs around the design of the plants going forward. Now there's certainly some things that we're excited about. We're currently in the process of a pilot for a Saturated Fill Project, which has a potential to be a really strong strategy as far as treatment of water. So if that goes well through next year, that would be an exciting development, I guess, in terms of that strategy. So there's some things like that, that we're working on as well. But right now, the plan forward is water treatment plants. It's a proven technology we can make work, and that's the solution that we know will solve the problem.

Lucas Nathaniel Pipes - *FBR Capital Markets & Co., Research Division - Analyst*

That's helpful. Sorry, so should we layer in the $850 million to $900 million in capital cost kind of on a gradual basis into the model through the period 2022? And then in addition to that, what should we be thinking of in terms of coal sustaining capital?

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

In terms -- well, in terms of -- you're talking about how the scheduling of that capital will occur. I think that's still going to be flushed out. We're planning roughly for 2018 around $90 million. So the rest of that schedule, I think, will have to wait until we can lock down the spending across that five years.

Fraser Phillips - *Teck Resources Limited - SVP of IR & Strategic Analysis*

Yes. it's Fraser. I'd put the rest of it in just evenly for the time being in your model, and that they may be similar. We can say more about in February with the guidance for next year.

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Maybe just for clarification. The Saturated Fill Project that Robin was referring to would replace water treatment plants to a certain extent. At the moment, we're giving you that number because we have to go with the known technology that will work, and a number of plants would have to built, and that's what it would cost. But our hope, of course, is that the new technology will prove out and that some of those plants won't be necessary, and that's hundreds of millions of dollars. But we won't be able to make those kind of decisions for some time, a couple of years. And so in terms of trying to put in your model what's going to happen, I think Fraser is right. You're going to put something in, so try that. But things are going to likely change in the next year or two.

Lucas Nathaniel Pipes - *FBR Capital Markets & Co., Research Division - Analyst*

Yes, that's great. I'm sure you're going to be moving up the learning curve really quickly. So I appreciate your commentary there.

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Exactly, it's a learning curve.

Operator

The next question is from Greg Barnes with TD Bank.

Greg Barnes - *TD Securities Equity Research - MD and Head of Mining Research*

A couple of clarifications. If I'm putting in a couple of hundred million dollars a year for sustaining capital into my model for coal currently, should I be increasing that by another couple of hundred million between 2018 and 2022? So $400 million dollars a year in sustaining?

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Just hold that thought for a minute because some of it was already in, but we'll come back to it. What was the second clarification?

Greg Barnes - *TD Securities Equity Research - MD and Head of Mining Research*

Then if Coal Mountain was the bulk of your lower quality coal, the soft coal, semisoft, should not your price realization actually get better going forward as you get a higher percentage of higher quality coal?

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

That's certainly what I hope, but I've can never get my marking guys to commit to that because they're trained to be so conservative. Réal, would you like to comment on that?

Réal Foley - *Teck Resources Limited - VP of Coal Marketing*

Yes. So Greg, the other mines will also produce some different grade material, so it's a little bit early days. I mean, at this point, we're comfortable saying that we will return to typical realizations. But as some of our mines are going into new mining areas, we also need to clarify that before we can say whether or not we could actually do better.

THOMSON REUTERS

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

And just while we're working on the answer to your first question, I want to make a comment on the arithmetic, frankly. Recall that we sell about 40% of our coal at the benchmark, which is calculated on a 3-months rolling average, with a 1-month lag. And the other 60% at spot. And so if you're looking at the average realization for a quarter, it highly depends on whether the spot price is rising during the quarter or following during the quarter. So for example, we've been seeing that the price falling for the last while, though it seems to have stabilized lately, but that would mean that relative to a benchmark set earlier that you would have your 60% volume selling at lower prices, and that would open up the spread, the realization spread, between benchmark and spot. Conversely, when the spot price is rising, you're selling more at prices that could even exceed the benchmark, and have on several occasions, and you end up with quite a tight realization. And as an example, if you just go back four quarters, I think, I think the benchmark was 93% or 92.50%, and our realized was 92%, almost exactly the same. We're very, very close, and not the normal 92% or 94% that we see. So I see there's a lot of focus on the 85%, but we give that as an estimate to try and guide and be helpful and to highlight that, yes, we will have a different product mix this quarter. But that 85% could change dramatically if the spot price changes or stabilizes, so I wouldn't be too exact about it. Okay. Now looking to Ron or Fraser if we can give more...

Ronald A. Millos - *Teck Resources Limited - CFO and SVP of Finance*

On the sustaining capital, Greg, we haven't given out the guidance for 2018 yet, but we will do that in mid-February when we release our results there. But -- and effectively, whenever you're at this point in time for the CapEx, sustaining CapEx at that time, you'll need to add in whatever your view is on when we would spend that $850 million on the water treatment plants. But there'll be a bit more clarity in mid-February when we give that out. We're in the process of going through the plans right now, so we haven't finalized the 2018 capital plan yet.

Greg Barnes - *TD Securities Equity Research - MD and Head of Mining Research*

Okay. It's just a bit difficult for us to assess this properly on our NAV if we've got a $850 million, and we're not really sure whether it's incremental or whether that is already included in some of the numbers that we have in the model.

Ronald A. Millos - *Teck Resources Limited - CFO and SVP of Finance*

It shouldn't be included in your current model unless you had something in for that original $600 million, so you'll have to sort that out.

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

It's important, Greg, that we signal that this is what it could be. I think anything that people put in the models now is going to change fairly significantly in the next year or two on this question. So once again, the NAV that you calculate is only as good as the assumptions, and the assumptions are likely to change.

Operator

The next question is from Alex Terentiew with BMO Capital Markets.

Alex Terentiew - *BMO Capital Markets Equity Research - Analyst*

Just one follow-up question on the coal cost. The $6 a tonne long-term cost post-2022 you're talking about, are there costs that you are currently incurring that are part of that? I mean, you already have your West Line Creek, and you're doing other activities. So are those $6 incremental to costs today? Or are there $1 or $2 that you're spending today that are a part of that?

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Good question. Robin?

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

Yes, they're inclusive of what we're spending today. So the $6 long term are whatever remaining capitals involved as well as the operating of all of the plants that we've put into play over the next five years, basically. So the costs we incur now are included in that $6 a tonne long term.

Greg Barnes - *TD Securities Equity Research - MD and Head of Mining Research*

And I could be wrong here, but I think I recall talking to somebody about this a year or so ago. But I think that cost now is somewhere in the $1 to $1.50 range. Is that about right? Or $1 to $2 range maybe?

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

I think it's around $1 per tonne, but that's a pretty rough number.

Greg Barnes - *TD Securities Equity Research - MD and Head of Mining Research*

Sure. No, I understand. And then just one follow-up question, the Highland Valley Copper. I know we went through a low-grade phase the past 9, 12 months or so, and so recoveries had been low. But when do you expect them to kind of get back into the mid- to upper-80s range? I know you're doing a mill enhancement project. That should add a couple of percent in 2019 or so. But is mid-80s next year reasonable and then back up to the upper 80s by later 2019?

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Dale Andres?

Dale E. Andres - *Teck Resources Limited - SVP of Base Metals*

Yes, thanks. Thanks for the question, Alex. As we drop, we're in the upper levels of both the Lornex pit and for the Valley pit, basically doing the west wall pushback. While we're in the upper phases of those two pits, the grades are lower, but the ore characteristics are also not condusive to higher recoveries. So it will take a few years to get back to historical recoveries. It's one of the reasons we really want to do this D3 mill project. The grades have gradually recovered, but recoveries will also take some time to get back to historical levels. We do anticipate the increase next year, but not to the mid-80s. And we'll come out, as Ron said, with guidance at the end of the fourth quarter. We're currently running through those in our plan.

Operator

The next question is from Karl Blunden with Goldman Sachs.

Karl Blunden - *Goldman Sachs Group Inc., Research Division - Senior Analyst*

Just thinking about some of the alternatives that you have now for capital allocations since you do have a lot of cash on hand and more coming in. When you think about what the most attractive things might be relative to QB2, what comes to mind? You had put in a bid for 50% of a copper asset back in 2015. So just trying to think if M&A is in the game plan at all?

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Not that we can see. I guess the first decision that the board would make related to capital allocation will be the supplemental dividend, which we will determine at the board meeting next month. And what we choose to do there could have an effect on other capital allocation decisions, including QB2. So I think we really have to get through that and then see what the picture looks like. As I said earlier, at these prices, zinc is looking very strong, coal market is stabilizing at a pretty nice level. We are going to generate a fair bit of cash, put us in a position to make some good decisions. So the first one up is the supplemental, and that's next month.

Karl Blunden - *Goldman Sachs Group Inc., Research Division - Senior Analyst*

Got you. And then on that topic, as you think about capital allocation, your discussions with the credit agencies, I know you've been vocal about investment grade being an objective that you can consider over time. What do you think is the gating factor right now: diversified portfolio, strong cash generation, low leverage? What's it going to take to have the move to IG?

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Good question. Obviously, we work very hard to get back to investment grade, which is very important to us. If you calculated our ratios, obviously, they're pretty strong, and they're going to get stronger when $1.2 billion of cash comes in, and hopefully, end of Q1. So when you look at the numbers, I think we've got a pretty strong case. Having said that, what the rating agencies will look for is the completion of Fort Hills and progress on the ramp-up next year, which, of course, we're quite optimistic about, given how well the bitumen froths or tests have gone in the early going here. But they'll want to see that completed. They'll also want to see what our decisions are in supplemental dividends, and they want to see what the final kind of capital estimates are on QB2 and when that decision is made. So those are 3 key decisions for them, but if you look at our numbers, we've got a very strong case.

Karl Blunden - *Goldman Sachs Group Inc., Research Division - Senior Analyst*

Got you. So it'd probably take a little while for them to get all the clarity they need, but it's still on the cards.

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Yes, time flies pretty quickly. Fort Hills, 96% done with first oil in December. This is October 26th, so it's getting pretty close.

Operator

The next question is from James Bardowski with Axiom.

James Albert Bardowski - *Axiom Capital Management Inc., Research Division - Analyst & VP*

I guess, first, with respect to Antamina -- great job on the record zinc production, by the way. But with respect to that, what do you expect in terms of zinc production next year, including what kind of grades and recoveries you expect to see? And how do you see this influencing the by-product credits for your unit copper costs? I have a follow-up as well.

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Dale Andres?

Dale E. Andres - *Teck Resources Limited - SVP of Base Metals*

Yes. So the zinc production at Antamina is variable, quite variable quarter-by-quarter. It is managed as a byproduct, so copper is the primary contributor and revenue driver. That being said, we do anticipate strong zinc production. I think at the end of the last year, we gave a 3-year guidance from 2018 out to 2020, and I think the average was about 80,000 tonnes of contained zinc for our share. And that -- we'll update our guidance at the end of the year, but I don't anticipate any major change. Zinc production will be strong next year.

James Albert Bardowski - *Axiom Capital Management Inc., Research Division - Analyst & VP*

Okay. Helpful, helpful. And then separately, turning to Fort Hills. Relative to the WTI price, what do you see in terms of the aggregate discount? And also, what are you expecting for operating margins when it starts producing?

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Okay. We've got 3 people to choose from for that question, but I might just make a comment first. When you say aggregate discounts, there's a number of different certain line items that you go through in the calculation, and those are moving parts that once we get into operation and start seeing how it nails down stabilizes, then we're going to spend a fair bit of time taking people through the models so that they can calculate what kind of margins we can look at. At this stage, the focus is really on just getting it completed and up and running. And then whatever operating issues, when they plan to work those out and get into a steady-state production at design capacity. And that's Suncor's focus and the partners' focus, so we really don't have operating cost to share at this stage going forward, and that's not our focus. What we usually do is when people ask us that question is we point to Suncor's results at their base operations, and note that they announced yesterday, and they're pretty strong, pretty impressive. And we think that Fort Hills will be better. So that's not going to get to that point until 2019 at the earliest. 2018 is going to be a ramp-up here. Actually, I think I may have answered the question, so why don't I leave it at that unless there's a subsequent question.

Operator

The next question is from Brian MacArthur with Raymond James.

Brian MacArthur - *Raymond James Ltd., Research Division - MD & Head of Mining Research*

Sorry to go back to the Elk Valley Water, but I just want to understand the numbers here. You talked historically about $600 million from 2014 to 2018. And now we're saying it's $300 million, of which you mentioned $120 million is spent, and some of it for 2017 is included in your sustaining capital, I think, if I read this correctly. So if I go and assume, just never mind the exact numbers conceptually, if I have $300 million to spend, I've spent $120 million, I had $180 million to go between '17 and '18, I take some out of it in your sustaining this year, I should end up with a leftover number, which I should then add to the $850 million to $900 million going forward. Is that the way to look at the capital going forward?

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

Yes...

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Just before Robin starts, I want to give some more context. Well, if you go back in time to when we first guided to the $600 million, all of that was included in our sustaining capital budgets at that time. The reason why we haven't been as quite as precise to the question that was asked earlier is that we haven't done our budgets yet. We haven't finished them for next year and decided what component is in sustaining capital or not. And that's why Ron said that we'll give you the final guidance on that later on. So you're a little bit ahead of us in trying to get to this position in your models. But that $600 million was all sustaining capital at that stage. Okay. Robin, back to you.

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

Yes, I'll -- okay, I'm not going to be able to follow you on your calculation. But essentially, we had planned to spend $600 million. We're going to spend roughly $300 million through the end of 2018. So $300 million that we had intended to spend in that five-year period did not get spent and will be advanced into the next five-year period. That's probably the way to look at it. I think I mentioned we expect around $90 million to be spent in 2018, so that would be part of the 2014 to 2018 calculation you're trying to do. So the one piece of that number, I think, that you'd mentioned that I'm not sure I'm clear on is the $120 million spent to date. I think it's more than that. I think the balance -- well, the balance will come out to the $300 million across that five years, is what it should calculate out to ending in 2018.

Brian MacArthur - *Raymond James Ltd., Research Division - MD & Head of Mining Research*

Yes, no, that makes sense. The $120 million, I just got it with what you gave us for what you spent on West Line Creek, so I assumed there's something else as well, too. Okay. And then on top of that back...

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

That $120 million was the number, the original number, when we first built it. But there have been things done to the plant since then.

Brian MacArthur - *Raymond James Ltd., Research Division - MD & Head of Mining Research*

And then on top of that, back to Alex's question, for the next 3 years, you just run like $1 a tonne for operating costs, and that it continues through from 2017 through to 2022 until we get the long-term, $6 a tonne, which includes both operating and capital. Is that the right way to think about it?

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

Yes. Again, like the West Line Creek operating cost, that's roughly what it's at. It's a little hard to pin that down simply because we've been going through the work of bringing that plant to a fully-operational state with the enhancements and we stopped to add on the advanced oxidation process. So there's still work being done on the West Line Creek that will lock down what its operating costs are, but that's roughly in the range, I think. And then the other plants that are constructed will be in addition to that dollar, I guess, looking forward, if that makes sense.

Brian MacArthur - *Raymond James Ltd., Research Division - MD & Head of Mining Research*

Yes. Okay. No, that's very helpful. And then just secondly, back to the earlier question about the closure of Coal Mountain. Maybe, I've got this wrong. But I believe it has lower strip, and then you said lower realized coal price. So there may be marketing reasons why you do this. Because I removed Coal Mountain and replace that the other mines. I don't know how the cost work out, but the strip is going to be higher, so my cost is going up. So why wouldn't I sell higher premium coking coal as opposed to just semisoft, back to the earlier question, which would lead to a higher percentage of the realized price, all else being equal. Are there some other marketing reasons you do that?

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

Yes, the front end of that, you're right. I'm just going to follow the logic. So Coal Mountain is a lower strip ratio, produces a lower quality product. As we transfer into the other operations, the costs are higher because they're higher strip ratio, but they have higher quality products on balance. But they do still have a portion of semisoft or lower quality products. And I think -- and Réal will speak to this -- in the market, there is value in having some range of products. So we're still working out what this will look like in balance. Maybe, Réal, it's better you speak to that. But generally, on balance, we should have a higher proportion of high quality hard coking coal being produced out of the 27 million that we'll produce.

Brian MacArthur - *Raymond James Ltd., Research Division - MD & Head of Mining Research*

Post coal?

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

Post-Coal Mountain.

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Réal, over to you, and then I have a comment.

Réal Foley - *Teck Resources Limited - VP of Coal Marketing*

Okay. So yes, as Robin said, the reality is that we have a range of product across our operations in the Elk Valley. So as we're transitioning into those new mining areas, we need to also develop markets for these new products. So that's the reason as well why we say, yes, we think that we will be back on our typical realization. There is a chance we might be able to do better, but it's a little bit too early to say whether or not that can happen. So we'd rather be like more realistic, I guess, and say we know that we can get back to our typical realization, so then let's just see what the products that will come out would look like and what will be the response in the market for those new products.

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Okay. The comment I want to make is I think there might be a bit too much of a fixation on the percent realized. And if you think about it, what we really should be doing is maximizing the profitability during the quarter. Coal Mountain is quite a profitable operation. If you wanted to just manage to realized, you'd shut Coal Mountain down right now and have higher proportion of premium quality coal to sell and you'd minimize your discount to the benchmark, and you have a high percent realization, but you'd have lower profits. So I think people should sort of keep the whole thing in context. We give this disclosure to give you things to work with, but in the end, maximizing profitability is important.

Fraser Phillips - *Teck Resources Limited - SVP of IR & Strategic Analysis*

We've gotten to the end of our time. Maybe if there's still one more question we can take, and then we'll wrap up.

Operator

The last question will be from Orest Wowkodaw, a follow-up question, with Scotiabank.

Orest Wowkodaw - *Scotiabank Global Banking and Markets, Research Division - Equity Research Analyst of Senior Base Metals*

I think there's some confusion still out there on the water treatment cost. Is the easiest way to think about this, as you originally put out $600 million of CapEx guidance, now you're saying $850 million to $900 million. But of the original $600 million, you only spent $300 million. So effectively, the capital is doubled? What used to be $600 million is now $1.2 billion overall?

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

Within the $600 million originally was a full construction of a water treatment plant that didn't happen. So the Fording River water treatment plant was included in that $600 million in the five-year period 2014 to 2018. That was delayed because of the issues we've discussed. And so now that capital will fall into the next five-year period, and as well there were other treatment plants that were to be built within this next five-year period, so it's not doubling.

Orest Wowkodaw - *Scotiabank Global Banking and Markets, Research Division - Equity Research Analyst of Senior Base Metals*

But basically, aren't you spending $300 million between '14 and '18 and then another $900 million between '18 and '22?

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

We are, but it's a different scope of work.

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

You're also comparing 2 different time periods. We only gave guidance on '14 to '18 to begin with. There was always is going to be capital from '18 to 2022, but we never disclosed the numbers, so it's 2 different time periods.

Orest Wowkodaw - *Scotiabank Global Banking and Markets, Research Division - Equity Research Analyst of Senior Base Metals*

Is there capital beyond 2022, beyond the $6 a tonne?

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

The capital beyond '22 is included in the $6 a tonne. There's other capital to be done, but it becomes a smaller and smaller percentage, though.

Ronald A. Millos - *Teck Resources Limited - CFO and SVP of Finance*

Once the plants are built, the ongoing capital would be the normal sustaining-type capital to keep those operations running.

Orest Wowkodaw - *Scotiabank Global Banking and Markets, Research Division - Equity Research Analyst of Senior Base Metals*

Okay. But this assumes all the plants are built by '22?

Robin B. Sheremeta - *Teck Resources Limited - SVP of Coal*

Not necessarily, but this would address the largest at the front-end of the plants to be built. There are other plants that are, in the current schedule, past that, that are smaller capacity. But again, they're all included in $6 a tonne post-2022.

Operator

Thank you. This concludes the question-and-answer session. I would now like to turn the meeting back over to Mr. Lindsay.

Donald R. Lindsay - *Teck Resources Limited - CEO, President & Director*

Okay. Thanks very much, and thank you all for your questions. I want to make four comments related to these things. First, on cost and capital. It is our obligation to give timely disclosure and as much transparency as possible. And so putting those numbers out was very important, even though, as you can tell, that they haven't been nailed down yet, and we will give you more precise numbers at the February call once we finish the work. Some of your questions are ahead of where we are, but I wouldn't want to have not put out some estimates now at this point. I think it's important that you have a feel for it. But in our minds, certainly, it looks like there's been an overreaction.

Secondly, I'm always intrigued by the cost precision people are trying to get to on their models, and whether it's $4 to $6 and whether it includes a dollar and so on, I would note that quarter-to-quarter costs swing by much larger margins, and that's just on exchange rates and other things. And if you are putting in models, you should probably incorporate things that we are going to do to help reduce cost.

So for example, we think on our logistics sense that we're going to be able to make some real progress in the next few years in terms of reducing costs there, our advanced management program has been very successful and continues to be successful as has the purchasing program that we have. So while you may add $2 there, we're certainly intending to take more than that, significantly more than that out of cost as we go forward.

Second point, the coal market is stabilizing. The decreases from a peak of about USD212 were significant at firsts, but we haven't seen very significant declines in the last week or two. And we do have a synchronized global growth. We have the strongest demand in Europe that we've seen in 10 years. And while there's lots of people focused on China, don't forget the other markets because they are quite strong. So we feel quite comfortable. And that demand is absorbing the increases in exports that we've seen in the U.S. and the recovery in Australia. So we feel pretty solid markets elsewhere. And frankly, China's GDP growth numbers are really solid as well.

Then on the one-off items. As I said at the beginning of the meeting, $0.17 were things that if you were modeling before our results, you might not have been able to get to it. That's $0.03 a share on the tax rate $0.02 on the copper sales, that it's just timing. It'll come in this quarter. The regulatory changes on environment, care maintenance of $0.05 and $0.07 a share base compensation. If you add back that $0.17, you get a pretty good number for the quarter. So whilst there are some calling it a miss, we certainly think of it as a beat and a pretty solid quarter. And as you look forward to Q4 with the rolling average of where the benchmark would be calculated, it's just under USD194 today. While sales are likely to be lower than the second highest of all time that we had in Q3, they're still pretty solid quarter and a pretty solid price. So we think that Q4's results look pretty good to us right now.

And finally, on the point made at the beginning that we had over $6 billion of EBITDA on the last 12 months at an average price of USD185, and when you look at the average price on an inflation-adjusted basis over the last 10 years, that's USD183. So that the earnings generation capability of this company is quite substantial, and I'm not sure that the market realizes this at this point.

So with that, thank you all for your attention. We look forward to talking to you in February.

Operator

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