THOMSON REUTERS STREETEVENTS

FINAL TRANSCRIPT

TCK.B.TO - Q2 2018 Teck Resources Ltd Earnings Call

EVENT DATE/TIME: JULY 26, 2018 / 3:00PM GMT

OVERVIEW:

Co. reported 2Q18 revenues of CAD3b and adjusted profit attributable to shareholders of CAD653m or CAD1.14 per share.

CORPORATE PARTICIPANTS

Alexander Nicholas Christopher *Teck Resources Limited - SVP of Exploration, Projects & Technical Services*

Andrew A. Stonkus *Teck Resources Limited - SVP of Marketing & Sales*

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

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

Marcia M. Smith *Teck Resources Limited - SVP of Sustainability & External Affairs*

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

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

Ronald A. Millos *Teck Resources Limited - Senior VP of Finance & CFO*

CONFERENCE CALL PARTICIPANTS

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

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

Jeremy Ryan Sussman *Clarksons Platou Securities, Inc., Research Division - Analyst*

Lucas Nathaniel Pipes *B. Riley FBR, Inc., Research Division - Senior VP & Equity Analyst*

Mark Andrew Levin *Seaport Global Securities LLC, Research Division - MD & Senior Analyst*

Oscar M. Cabrera *CIBC Capital Markets, Research Division - Research Analyst*

Piyush Sood *Morgan Stanley, Research Division - Research Associate*

PRESENTATION

Operator

Q2 2018 Earnings Call. (Operator Instructions) This conference is being recorded on Thursday, July 26, 2018. I would like to turn the conference over to Mr. Fraser Phillips, Senior Vice President, Investor Relations and Strategic Analysis. Please go ahead, sir.

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

Thanks very much, John. Good morning, everyone, and thank you for joining us for Teck's Second Quarter 2018 Results Conference Call. Before we begin, I will -- we will draw your attention to the forward-looking information in 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'll turn the call over to Don Lindsay, our President and CEO.

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

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

And I'm delighted to report a record first half for Teck and in fact, we've now had 7 quarters in a row of EBITDA of $1 billion or more, and the actual average during that time is $1.5 billion per quarter, and this is really put the company in great shape as we look forward to an exciting growth program.

But before discussing the quarter, I would like to comment on the announcement we made yesterday to the changes to our Board of Directors. Dominic's many accomplishments, he's served as Chair of the Canadian Minister of Finance’s Advisory Council on Economic Growth. He is a recognized thought leader on creating long-term social Teck is very pleased to announce that Dominic Barton has agreed to join Teck's Board of Directors, effective September 1, 2018. And many of you will know Dominic from his time at McKinsey and Co., where he has been a Global Managing Partner for the past 9 years. And among and economic value, and he brings tremendous global perspective to our business, including extensive experience in Asia, and we're very excited about the role that he will play at Teck in the future.

We've also announced yesterday, that our longtime Chairman, Dr. Norman B. Keevil, will retire from the Board of Directors at year-end. And as part of our succession planning, Dominic Barton will assume the role of chair on October 1st. Also at that time, Norman Keevil III, who has been on our board since 1997, will become Vice Chair of the company.

We will, of course, have much more to say about Norman's retirement as it approaches, but I wanted to say just a few short words today. Norman is an officer of the Order of Canada. He's a member of the Canadian Mining Hall of Fame and of the Canadian Business Hall of Fame. He has worn many hats over an extraordinary career, including scientist, explorer, entrepreneur, industry leader and more recently, author. And to paraphrase one of his most famous sayings, over more than half a century with Teck, Dr. Keevil never once rested on his ores.

And we're looking forward to furthering honouring and celebrating Dr. Keevil's achievements and his legacy in the months ahead.

Also, as you will have seen in our press release, we will shortly hold a process to seek an additional partner for QB2. Our objective is to hold our interest at the 60% to 70% level, and a transaction would most likely be announced in the fourth quarter. Our decision to proceed with the development will be contingent upon regulatory approvals and market conditions, among other things, and we are exploring various potential financing alternatives for the project.

Turning now to Q2. The highlight of the quarter was Fort Hills achieving commercial production. We have now added another operating business unit to our portfolio with a high-quality asset that will generate cash for the next 45 years or more.

The Fort Hills plant startup has exceeded expectations with respect to both production volumes and most importantly, product quality. Suncor has done a great job building that plant. Fort Hills is ramping up to its nameplate capacity of 194,000 barrels per day and is completing the transition from capital spending on construction to now generating cash flow from operations, which means a very significant swing in our cash generation profile.

Overall, our operations continue to perform well, resulting in another strong quarter of operating results. We set a new record for quarterly zinc production at Antamina. Strong mining performance from our steelmaking coal operations contributed towards record material movement in the first half of the year, which gives us a lot of operational flexibility going forward.

As a result of our solid operating performance, we've improved our guidance in our Copper, Zinc and Energy business units for 2018.

We expect to close the $1.2 billion sale of our 2/3 interest in the Waneta Dam today, in fact. This will strengthen our liquidity to close to $7 billion and put us in a good position ahead of a potential sanctioning decision on a QB project later year. In fact, our liquidity will already be significantly in excess of the capital cost of a 60% to 70% interest in QB2 and that is, of course, even before any entry fee that a new partner might pay.

In addition, we announced on July 25 that will pay our regular base quarterly dividend of $0.05 per share on September 28 to shareholders of record at close of business on September 14.

And finally, we were pleased to be named to the Best 50 Corporate Citizens in Canada list by Corporate Knights for the 12th consecutive year.

Turning to our financial results for the second quarter on Slide 4. Revenues were $3 billion, gross profit before depreciation and amortization was $1.6 billion and after adjusting for unusual items, adjusted EBITDA was $1.4 billion.

Bottom line adjusted profit attributable to shareholders was $653 million or $1.14 per share; that's $1.12 per share on a diluted basis. And that is a significant increase from the $580 million or $0.99 per diluted share in the same quarter last year.

Details of the quarter's earning adjustments are on Slide 5, and as you can see, there are very few adjustments in Q2 2018.

I'll now run through the highlights by business units, starting with steelmaking coal on Slide 6. Sales volumes were slightly lower than expected in Q2. Preparations for 2 separate CP Rail strikes resulted in around 300,000 tonnes in lost rail capacity. But importantly, demand remains strong. We had orders from customers in place that would comfortably exceed our original sales guidance of around 6.7 million tonnes.

As I mentioned earlier, we achieved record material movement in the first half of the year, and that will allow operational flexibility going forward.

Looking forward, third quarter sales are expected to be around 6.8 million tonnes, subject, of course, to our logistics chain performance.

For the full year, our annual steelmaking coal production guidance remains 26 million to 27 million tonnes. Though currently, we now expect it to be near the lower end of the range.

Our operating cost guidance is unchanged. With increased rail fuel surcharges due to higher diesel prices, we now expect our transportation costs to be at the high end of our guidance range of $35 to $37 per tonne.

And finally, some good news. We plan to invest approximately $12 million to complete and evaluate the McKenzie Redcap detailed design study at Cardinal River. The McKenzie Redcap development is expected to supply approximately 1.4 million tonnes of steelmaking coal production per year and has the potential to extend the Cardinal River Operations for approximately 9 years from the planned closure in 2020. And beyond 2020, the additional tonnage will be over-and-above our current planned production capacity of around 27 million tonnes in the Elk Valley.

Our Copper business unit results are summarized on Slide 7. In Q2, gross profit before depreciation and amortization was up $137 million from the same quarter last year, reflecting higher prices and volumes and lower costs.

Net cash costs after byproduct credits were down US$ 0.05 per pound from the Q2 of last year, helped by strong cash credits for byproducts.

At Highland Valley, copper ore grades and recoveries were higher than originally planned due to a timing issue related to areas being mined. Grades are expected to decline in the second half of the year as we mine lower-grade areas, consistent with the mine plan. We have basically brought forward some higher-grade ore from 2019 and expect to finish 2018 above plan.

On the technology side, an autonomous haulage pilot is on track to have 6 trucks operational by year-end. Following a successful trial of shovel-based ore sorting technology over the past 6 months, we now plan to fully operationalize the technology, which is now being extended to the rest of the main shovel fleet.

In on QB2, we continue to advance execution and operational readiness, with detailed engineering and design now approximately 70% complete. On the permitting front, the Indigenous Consultation Process, I'm proud to say, is now complete, and the environmental evaluation is finished. We expect to receive the final permit approval documents after the Environmental Evaluation Commission votes on the project, and that is anticipated in the first half of August.

Looking forward, we now expect full year copper production to be in the range of 280,000 to 290,000 tonnes, which is an increase from before, and we have lowered our copper unit cost range to US$ 1.30 to US$ 1.40 per pound after byproducts.

Finally, you will receive in a separate press release today that Newmont has acquired NovaGold's 50% interest in Galore Creek. We've entered into an amended partnership agreement with Newmont, and we look forward to working with them. Our objective for Galore Creek is to complete an updated prefeasibility study over the next 3 to 4 years to improve our overall project understanding and economics, and our share of the investment to complete this work will be approximately $12 million to $20 million on an annual basis. As you know, the Galore Creek project is part of Project Satellite, an initiative focused on surfacing value from Teck's substantial base metal assets located in low-risk, stable jurisdictions.

On Slide 8, we turn to our Zinc business units. And as a reminder, Antamina and Zinc-related financial results are reported in our Copper business unit.

In Q2, gross profit before depreciation and amortization was up 19% or $38 million from Q1 of 2017, and that reflects higher prices and higher volumes.

At Red Dog, contained zinc sales were slightly ahead of our guidance, reflecting ongoing tightness in the zinc concentrate market, and zinc production was 20% higher than a year ago due to higher-grade ore and improved recoveries. And as expected, Red Dog's unit cash costs after byproduct credits were above our annual guidance range, and that, just to remind you, is consistent with our normal seasonal pattern.
Refined zinc production at Trail operations was similar to Q2 of last year.

Looking forward, Red Dog's shipping season commenced on July 6, and we expect Red Dog-contained Zinc sales to be around 160,000 tonnes in Q3, again, reflecting the usual seasonal pattern. But based on strong performance at Red Dog, we have now increased our overall zinc and concentrate production guidance to the range of 655,000 and 670,000 tonnes for the full year. And just as a reminder as well, we will have extended maintenance at Trail operations starting in Q3 for the KIVCET furnace, which will result in lower lead production in the second half of the year compared to 2017, and this is maintenance that is required once every 4 years.

Our Energy business unit's results are summarized on Slide 9. And as I mentioned earlier, commercial production was achieved in the quarter, and the plant startup has exceeded expectations with respect to both production volumes and product quality. And please note that we have reported our Energy results from June 1 to June 30 as the first month of official commercial production.

Our share of Fort Hills production was around 750,000 barrels or almost 25,000 barrels per day in that period, and this reflects some unusually wet weather that impacted production in June and then also in July, but it is not expected to have a material impact on operations for the full year. We have also reported an operating netback of $13.85 per barrel of bitumen, and that's in Canadian dollars. The calculation is summarized on the slide, and there's also a reconciliation table included in our quarterly press release.

So looking forward, full production at Fort Hills is now expected at the beginning of the fourth quarter, and that is 3 months earlier than previously anticipated. And production guidance has now been increased for the full year, with our 23.1% share now expected to be 8.5 million to 10 million barrels of bitumen. So that's an increase over previous guidance, and it'll start 3 months earlier.

Guidance for cash operating costs has also now been lowered to C$28.50 to C$32.50 per barrel, and of course, in order to achieve that range, it will end up significantly lower than that by the end of the year.

Finally, at the Frontier Project, the regulatory application review is continuing, with a public hearing before a federal and provincial panel that's scheduled to start on September 25. The Federal decision statement can be expected sometime in mid-2019.

And with that, I will pass it over to Ron for some comments on the financial side.

Ronald A. Millos - *Teck Resources Limited - Senior VP of Finance & CFO*

Thanks, Don. I'll start with our liquidity on Slide 10 and our -- as Don mentioned, our liquidity is currently over $5.6 billion, and that includes $1.7 billion in cash and US$ 3 billion of the undrawn committed credit facilities.

As Don mentioned earlier, we expect to receive $1.2 billion in cash with the closing of the Waneta Dam transaction later today, and that would strengthen our cash balance to about $2.9 billion and our liquidity to close to $7 billion. This will put us in a good position ahead of a potential sanctioning decision on the Q2 project later this year. In the meantime, we're continuing to build cash on our balance sheet and progress the engineering, and that's reducing both funding and the execution risk for that project.

We also only have $220 million of debt maturities prior to 2022, and our strong credit metrics compare favorably to our diversified and North American peers on a pro forma basis, with the expected closing of Waneta Dam sale.

On Slide 11, I've summarized changes on our cash during the second quarter. We generated $1.1 billion in cash flow from operations. We spent $345 million on capital projects, including Fort Hills, and our capitalized stripping costs were $175 million in the quarter.

We paid $119 million on financial investments and other assets, including the US$ 52.5 million paid in closing on the transaction for the acquisition of the additional 13.5% indirect interest in the QB2 project through our purchase of IMSA, our minority partner. And that transaction simplifies the ownership and capital structure of QB2 and gives us flexibility on financing options for the project. So we now have a 90% equity interest and a 100% funding interest in QB2.

We paid $70 million in interest and finance charges and $28 million for our regular quarterly based dividend of $0.05 per share. And after these and other minor items, we ended the quarter with cash and short-term investments of around $1.6 billion.

And with that, I'll turn it back over to Don for his closing comments.

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

Okay. Thanks, Ron. I'd like to wrap up by looking forward to the next key catalysts or some call them valuation milestones. For a second half of 2018, we anticipate receiving the final approval documents for QB2, and that should happen next month, in fact. We expect the partnering process for QB2 to be completed and to be in a position to announce the transaction in Q4. And then, of course, we hope to sanction the project, also, probably in Q4. Full production at Fort Hills is expected at the beginning of the fourth quarter as well. We aim to complete the Highland Valley 2040 prefeasibility study, also, in Q4. And then we also aim to complete the feasibility study at Zafranal in Peru and to submit the SEIA document in the same quarter. And in 2019, we aim to complete the feasibility study on NuevaUnión. That, probably, by Q3. And we also expect to complete the prefeasibility study and submit the SEIA for San Nicolas, that's in Mexico, in the second half of the year. So there is a lot to look forward to in the next 6 to 12 months.

Before I close, I would be remiss if I did not come in other risks that have risen in the global economy and the volatility they have caused in commodity markets in particular.

But I do want to say that demand for our products and the underlying fundamentals of our commodity markets remains strong. However, government policy changes, including tariffs and the potential for trade wars have created uncertainty in global markets and that threatens to slow global economic growth. And that in turn has been resolved significant correction in commodity prices over the past few weeks. That being said, as you can see, we have taken significant steps to insulate our company for commodity price volatility. We have improved operations and reduced unit costs. We've strengthened our balance sheet by reducing debt. And we have significant liquidity and strong cash flows. And as a result, we are well positioned to navigate this period of uncertainty facing the global market.

Just a summary statement before we turn to questions. It really was an extraordinary quarter. Our earnings itself of $653 million was terrific, and it's a record earnings for the first half of the year at $1.4 million. We also increased our guidance in each of Zinc and Copper and Energy, and the QB2 partner process is really significant. If you think about it, that will make us a significant difference in terms of the financial requirements for us in the coming years if we, for example, just to use an arithmetic example, if we were to sell a 30% interest, that would reduce our capital needs by $1.5 billion and then add to that, the entry fee of some sort. So we believe that a transaction that will reduce financial requirements by over US$ 2 billion.

The permitting progress for QB2 is almost finished. Fort Hills, the final startup of train 3, went incredibly smoothly and would be operating at full capacity by the fourth quarter. The Waneta transaction will close literally later today. That's $1.2 billion more cash, which takes us close to $7 billion of liquidity, which significantly exceeds the capital that we'd be required to come up with for QB2. We've got a great new partner in Newmont at Galore Creek. And we had a very well managed, very smooth succession program for the Chairman. So very proud to say that Teck is in terrific condition, and we're now open for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

(technical difficulty)

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

In steelmaking coal, your guidance for Q3 is 6.8 million tonnes. It has been closer to 7.5 million tonnes in Q3 typically. Does that mean that you anticipate a slowdown or logistical issue impacting mine production?

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

It's a good question. And I can assure you, we had very, very strong sales in Q2, and we wish we would have been able to deliver more. But for more details, I'll turn it over to Réal Foley.

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

All right. Thanks, Don. So Orest, we do have sales in place for Q3. Demand is continuing to be very strong and of course, our estimated sales our sales guidance reflects all the considerations that you have mentioned. So it is really ensuring that we have appropriate coal to meet demand at the ports, and the port inventories continue to be tight. So we have sufficient coal to meet demand, but we -- no doubt we are tight. And that is what we are observing in the world. So there has been a correction in the coal price, but the coal price levels, over US$172 on average this morning, still reflect very strong demand fundamentals.

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

Could you, in theory, deliver more than that? Or are you capped right now by rail or loading constraints?

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

We could deliver more than 6 8 million tonnes but we also have to be reasonable in the guidance that we provide.

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

Okay. And just as a follow-on, I didn't see any mention in the release about the board approval for the Neptune Coal Terminal expansion. Has that been improved, or is that deferred?

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

No, it has been approved. It's underway and going really well.

Operator

Your next question is from Chris Terry from Deutsche Bank.

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

My question is really around QB2. I was just looking for a bit more color. So the project is 70% complete from a detailed engineering perspective. How far do you think you have to get that through when you look at doing a transaction? Do you think the key step is to get the permitting in place? Do you need to progress that further before you could look at the actual transaction with a partner?

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

The short answer to that would be, I don't think we need to progress it further. It will progress further just in the normal course, we had a target of wanting to have up to the 80% completion level before sanction, so clearly, we're on track to do that. We have had, I should say, an awful lot of interest in people being our potential partner from around the world. And many of them would've already known that this was possibility and done their numbers. So we will wait to before formally starting the process to get the permit in hand, just because that's clearly an important valuation milestone that's very close. But after that, we'll be fully into it. And I think the potential partners are quite ready for them.

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

Okay. And a follow-up to that, just 2 parts. What would you look to do with the cash if that comes in, is the first part. And then secondly, when you go to evaluate who the potential partner is, how are you going to assess them -- is it just the highest bidder, or is it the bidder that also brings some sort of operating expertise or build expertise or whatever it might be? How do you assess who the best partner would be?

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

Yes. No, very good question. I'll start -- I'll take the second question first. We look at it as probably 3 categories of potential partners. They're the very large mining companies that have strong operating expertise and construction expertise that really help to validate the project's long-term value and would be a great partner to have for the long term. Remember, we have about 100 years of resource at QB2. Right now, we currently only published a mine plan for 25 years but uses only about 25% of the resource. There are also different partners out there that clearly are more marketing oriented. They're very, very keen to get their share of the copper concentrate, which is going to be a higher-grade, very clean concentrate, which is clearly going to be in big demand as the world evolves. And then there's different financial players that have stepped up and have proposed interesting structures where they provide financing and really reduce the risk to us but while also still leaving us the potential 5, 7, 8 years down the road that we could buy it back from them or prescribed return. So there's a range of choices. It won't be just the highest bidder. But of course, the valuation to put out will be a significant factor. So we're looking forward to it. And because there are very few projects like this out there, people, sort of, thought that the world really only have Callavecho and QB2 as opportunities for those who wanted to grow in copper with a large project. Callavecho, of course, has already been done. And this looks like is the last one for some time. So I think we'll have some scarcity value involved in that, and it should be a very interesting process.

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

And just the potential use of cash, depending on what that would be from the sell down.

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

Yes. No, we're in a very good position. It's an interesting question. As we've said, we'll have close to $7 billion of liquidity before the end of today. And then there'll be some entry fee coming into QB2. So there are a number of choices. First and foremost, there's always return of capital to shareholders, and we will be making that decision at the November board meeting, as our policy describes, and that will be a combination of cash dividends and buyback. And so clearly, we're in a very strong position from that point of view. We could also reduce debt further in a market that's called volatile and for a bit of geopolitical uncertainty out there that might be appropriate. And then, of course, we do want to steward our capital for these potential growth opportunities, although, by doing the partnering process in QB2, we would require less than the market would have thought previously, and our financial resources will significantly exceed what would be required for QB2. So that'll give us other opportunities. As you know, we have 2 large projects, QB2 and NuevaUnión, that will be, sort of, core to portfolio for decades to come. And then within Project Satellite, we have 5 copper projects, 2 of which could be in production by 2022, 2023. And while we don't know whether we're going to build those or sell those, both of them are being advanced on the valuation milestone change with full feasibilities and prefeasibilities. So we do want to maintain some capital for things such as that. But we have a lot to work with, some very interesting choices, so should be quite interesting.

Operator

The next question is from Greg Barnes from TD Securities.

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

Just wanted to switch topics a little bit, Don. Zinc was the worst-performing metal yesterday, I think. Is that justified?

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

We don't think so. I'm going to turn it over to Andrew Stonkus in a minute. But again -- I call it this, sometimes, the market sentiment or the sheer weight of body can overgrow fundamentals. And we think zinc is the most extreme example of that. When we look at customer demand and treatment charges in particular as a signal of how tight the market is it different actions being taken by Chinese partners and so on, we believe the zinc market is still very tight. But Andrew? Over to you.

Andrew A. Stonkus - *Teck Resources Limited - SVP of Marketing & Sales*

Thanks, Don. Yes, Greg, I think Don summarized it pretty well. Its demand is still -- for metal is still very firm. I -- when you look at North American steel mill galvanized production, steel mills are running at high utilization rates and looking at adding on additional galvanized capacity. So the regional market in North America is strong. So is the global market. When you look at global galvanized production, it's -- continues to increase. So demand for metal is there on the raw material side, concentrate side. We're still at historically low treatment charges of approximately US$40 to US$50 in the spot market. So that's considerably below the annual benchmark term. So -- and the concentrate market continues to be extremely tight. There is additional mine production coming on stream later on this year. But a lot of this new mine production is also not sulfide production as reclaimed tailings. So that's another aspect of the marketplace. They're looking for materials that are not traditional supply lines. So that's going to be a challenge, I think, for the industry to continue to bring on new mine production and concentrate feet for the marketplace. The Chinese mine, domestic mine production continues to be basically flat with the environmental restrictions, both on the mining side and on the smelting side. So when we look at the metals drawdowns in the Shanghai inventory, they continue to fall down or decline. Smelters are not running at full rates in China. So demand in China is firm, and inventories in China are continuing to fall. So overall, it's -- the fundamentals are there. Technical trading for the situation is causing short-term volatility. But longer term, the fundamentals are still remaining very, very strong.

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

Great. Don, I just want to go back to another question then. I repeatedly get asked whether oil is still a core business for Teck, or is it a core business for Teck. Is it? And would you potentially monetize your oil sands business now that you've got Fort Hills up and running?

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

Yes. I think, 2 comments on that. First of all, we look at it as a mining business. And when we went into it some 10 years ago, we think of it is a large open-pit mining shovel truck operation. We have a lot of skill and operating experience and expertise in that. And it's also a great geopolitical jurisdiction. Even under an NDP government, it's a lot better than many other jurisdictions that if you're sitting in my seat, you get to choose whether you go into or not. And it's very tax effective for us to -- the capital we've invested it in provides shelter against operating cash flow from the coal mines or Highland Valley Trail and so on. The technology is proven, and we're delighted that the product we're producing is -- our carbon footprint point of view and actually ranks in the middle of the pack of all the oil that's refined and consumed in North America. So that's a very different situation than normally people think of with oil sands.

So there's a lot of reasons to hold it as a great, high-quality core asset, and we think once it's through this transition year, 2018, as it starts out, that depending what your assumptions are for oil price and differentials, that this would be literally one of our best mines, right up there with Antamina or Fording River, and -- in terms of, like ongoing EBITDA for the next 45 years. So in an ideal world, we'd love to have it as a core asset for the long term. It provides that much stability. And on nature, this whole business is -- the risk is in getting it built. Once it's built, and if you have a high-quality result like we've had where the startup is just so, so exciting, then it's just a source of sheer cash flow for several decades. And you see that in some quarter’s results, you've seen our results, you've seen our other results that once these assets are built, they are extremely valuable. However, if we go out a couple of years, it says 2020 or 2021, and the full debottlenecking is finished, and it's running with cash costs at CAD 20 a barrel and running significantly above nameplate capacity, if we don't get proper value recognition in our share price, then we would look at some other form of transaction or something to ensure the shareholders benefit from the value that's been created. And whether that was a -- some sort of a spinout over sale or a partnering, or I don't know what we'll look at it. But we wouldn't look at it for at least a couple of years. We need to finish the job right now. It's gone really well. As you've seen, we've increased our guidance for the year, and we've moved ahead the timetable for how long we think we'd be running at nameplate capacity. We need to finish that job first and do the debottlenecking next year to take that up even higher. But if mid- to end of 2020, we're not getting recognition for it, yes, we would do something. That's our job.

Operator

The next question is from Brad Rosenberg from Overbrook. Just one moment. I'm sorry for the delay, sir.

(technical difficulty)

Brad Rosenberg, Overbrook

I just wanted to follow up on a question before about zinc fundamentals. Obviously, you've had an increase in inventories over the past 4 months now, and there's a good amount of supply that's projected to come on. Just curious what your thoughts about those projects if you could comment on them.

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

Just a quick overview statement. We have a team that is just following the zinc industry in extreme detail full time and not just in Toronto, where our commodity consultants -- internal commodity consultants are based, but people in Shanghai who spend the bulk of their time analyzing what's going on in that country and what zinc production is coming on or not coming on. And we believe that one of the major commodity consultants out has significantly overestimated the supply that's coming on. And that's one of the big differences, in our view, of the zinc market. And it would appear that many in the financial markets have relied on that estimate. But I guess, we'll find out in the next 6 months whether it's right or not. But certainly, what we're seeing is, it's not close to right. But that is an overview. Andrew, do you have any more thoughts on zinc?

Andrew A. Stonkus - *Teck Resources Limited - SVP of Marketing & Sales*

Yes. I think, Brad, yes, when you look at the Terminal exchanges, stock exchanges LME has gone up. But again, some of that is hidden stocks that are reappearing on to the LME. But the market today is still a backward-dated market. So again, the backward-dated market means that the market physically is still firm. If it was a law market and, then that backwardation would probably be eliminated. And even with the increases in the LME, on occasion, is still a backward-dated market. But when we look at the Shanghai exchanges on the other side, it's down over 20%. So material's been basically displaced from other traditional markets and gone into the China market as the demand is -- continues to be strong there. Smelters are operating at low utilization rates, as I mentioned. So the demand in China is firm. There's just not enough metal supply because -- due to the tightness in the concentrate market. So metal inventories are declining in China. There is some blips and then LME terminal stocks. But that is still some of the hidden stocks coming out of the woodwork. And -- but overall, it's a firm market. We're at 9 days of global consumption. So again, well below the historical long-term average of over 20 days. So we're still running at very metal inventories. And the concentrate market, as I mentioned, is at historically low levels of treatment charges. And your number to your question and what are the quality of these materials coming to the marketplace on new production, some of them are the reclaimed tailings. And this will be something new to the marketplace, which has not experienced processing reclaimed tailings to the extent that this appears to go down to the marketplace. So the market for concentrates is still going to be tight in the near term. So there's new additional material coming on as required. It's still not sufficient to meet the demand growth rates.

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

And just one other factor. I mean, there has been no letup in China's commitment to environment standards. There's much higher environment standards and if anything, they're getting stricter on that. So that has had a big, big impact on potential mine zinc production in China. We don't think is going to materialize like some of the others do. But I guess, that's what makes the market, the difference of views.

Operator

The next question is from Oscar Cabrera from CIBC.

Oscar M. Cabrera - *CIBC Capital Markets, Research Division - Research Analyst*

If we could get back to just QB2. The objective to ultimately hold 60% to 70% interest, was that trying to diversify risk from the project, or -- and then participate in other projects in the copper space later on? Or is it more the current market that we are seeing now and the possibility of slowing the mine life if the trade wars escalate?

THOMSON REUTERS

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

So I want to be very clear on this, Oscar, because we saw your report, and we that you didn't get a chance to call us before writing out. But the current market conditions have nothing to do with us making the decision to seek a partner in QB2. I repeat, absolutely nothing to do. No effect whatsoever. This is a long-term project. As I said, a 100-year resource and short-term market volatility or even short to medium-term, kind of, volatility in price does not affect these long-term investment decisions. We are making decisions that are more than 50 years. So it has no impact whatsoever. We just believe that given the experience the industry has had over the last 10 to 15 years, putting all your eggs in one US$5 billion basket isn't really the prudent thing to do. Bringing a partner will only strength of the project, whichever kind of partner we bring on, whether it be a financial partner, market -- like, concentrated-related partner or an operating construction-related partner. And that's a good thing for QB2, long term, and a good thing for Teck long term. It does free up quite a bit of financial resources. Certainly, US$2 billion or more for us to do other things. And as I said, that could start with capital returns to shareholders or reducing debt more or any of the other projects that we have, and we do have a long list. But again, I want to emphasize that, that decision has nothing to do and shouldn't have anything to do with current market volatility.

Oscar M. Cabrera - *CIBC Capital Markets, Research Division - Research Analyst*

Okay, that's really clear. Then in terms of -- you're about 70% complete on engineering. Have you seen anything that would lead you to believe the -- I believe it was US$ 4.8 billion, could be reduced?

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

I'll turn that over to I guess, Alex Christopher or Dale Andres, whoever wants to take it. We're in the final strokes. I will highlight the exchange rate, which is only the Chilean peso, and that's been variable, shall we say, in the last 6 to 12 months, just as the Canadian dollar has. So the nameplate number that we end up publishing will be affected by that. But Alex, you want to start?

Alexander Nicholas Christopher - *Teck Resources Limited - SVP of Exploration, Projects & Technical Services*

Yes, certainly. Thanks for the question, Oscar. I guess, a couple of things here to point out. As we advance engineering, one of the things we're doing here is reducing the exposure risk with respect to all of our estimates around pricing of contracts and labor productivity. As we go through our procurement cycle, we're getting firms in from the companies that we're lending the equipment out to. So we've certainly reduced the risk of that capital number moving from -- on an upward basis. And really, that's the benefit of getting the advancement in the engineering and – into the market with respect to procurement. With respect to reducing the cost, we continue to focus on a variety of things, including our estimates of labor productivity in the field and are working hard with the major contractors that we're going out to our feet to bid on the major contracts in terms of improving on productivity estimates to maintain the capital number or bring it down. And we see that is the place where we're going to see the best chance at reducing the overall capital price.

Oscar M. Cabrera - *CIBC Capital Markets, Research Division - Research Analyst*

That's helpful. And then lastly, on -- switching over to steelmaking coal. On the MacKenzie Redcap, 1.4 million tonnes over 9 years. Could you clarify the project in terms of capital expenditures? And can you remind me what your capacity is on your processing facilities?

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

Okay. I'll just turn that over to Robin Sheremeta. But just to remind you that, that 1.4 million tonnes would be over and above the current capacity that we're aiming from the Elk Valley mines of 27 million tonnes. So Robin?

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

Okay. So as far as capacity, the Cardinal River plant has capacity for about 1.8 million per year, so that's nameplate on the plant. And then as far as capital, I think, to be fair, it's still at a feasibility stage. We're still trying to establish what the total capital costs are. But it's actually quite a capital-efficient project for us. If you looked at any of our capital, it's one of our top ones. So I think that's probably where we'd like to leave the capital estimate right now.

Oscar M. Cabrera - *CIBC Capital Markets, Research Division - Research Analyst*

Would be comparable to what we were talking with Quintette?

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

It would be quite a bit less. Because it's a Brownfield expansion. It's really the mining part. There's not a whole lot to do beyond that. We just need to construct an access out to the area of the operation. There's not a whole lot of extra equipment to bring that online. So it's quite a bit more capital efficient than Quintette would be.

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

Yes. And that would be order of magnitude less. I just want to clarify that QB2's engineering is 70% complete, not 30%, as I think was said.

Operator

The following question is from Lucas Pipes from B. Riley FBR.

Lucas Nathaniel Pipes - *B. Riley FBR, Inc., Research Division - Senior VP & Equity Analyst*

I also appreciate the clarity on seeking a partner for QB2, and I really want to follow up on just the previous question. Don, at various times, it appeared as if you would be happy to go ahead alone, if I think back, for example, to the Analyst Day. And what changed? Is it -- I would really appreciate your perspective on that. I think it makes, kind of, sense that, that would appreciate. What change are you thinking?

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

I wouldn't say anything actually changed. What I would say is that the board has had a thorough discussion of the balance of risks and made a decision to be as prudent as possible on this project. Look, if you've been in the business a long time, you know how hard it is to get a hold of a nice, clean doable project in a decent geopolitical jurisdiction that has a really long life -- mine life to pay back ratios of in excess of 10 or something. So get a hold of that is really, really tough. Just ask any of the other competitive -- competing companies that are in the industry. It's tough to find one, and we brought one. So you are tempted to keep it all and do it all. But we also have several other alternatives, and we do want to ensure that shareholders get good returns on a capital return basis and that we have debt at nice, low levels for the long term in an increasing volatile world. So when you're balancing all those factors, eventually, the board makes a decision. And this will free up in the order of US$ 2 billion or more in terms of capital required going forward. So completely changes the picture going forward and gives us flexibility to do something else. We could still end up with the same total copper production increase over a 3- or 4-year period. But just having it in 2 different sources. Perhaps, 2 different countries, 2 different operational and construction risks. And that just makes a stronger company overall. So I'm -- that's the board's decision. We haven't done it yet, of course. But we certainly see an awful lot of interest settle. As we've said, we think we can go through the process from now till the end of the year and announce the transaction.

Lucas Nathaniel Pipes - *B. Riley FBR, Inc., Research Division - Senior VP & Equity Analyst*

I appreciate that. And then on Neptune, I wanted to follow up on the expansion project there. And I wanted to ask, kind of, what is the potential minimum amount of volumes that could've -- would have to ship through Westshore, once that the Neptune expansion is completed?

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

I think that will depend at the time on what the alternative options are. But suffice it to say that we're going to have a lot of capacity there. And if competing options are not appropriate economics, then we can put an awful lot through Neptune. I think -- I mean, we've announced different sort of nameplates and things, but it's going to give us a lot of flexibility. And remember, the key reason for doing this is, it gives us long-term, low-cost and flexible capacity, so we can count on our coal being delivered into the market, particularly when prices are high. And so this is just going to make that whole business a lot stronger.

Lucas Nathaniel Pipes - *B. Riley FBR, Inc., Research Division - Senior VP & Equity Analyst*

Got it. And the competing options that you mentioned, would that be -- could you elaborate on that?

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

All right. Now we essentially ship through Westshore, Neptune and Ridley And the mix of how many tonnes go where will change once the Neptune project is completed.

Lucas Nathaniel Pipes - *B. Riley FBR, Inc., Research Division - Senior VP & Equity Analyst*

All right. And then maybe just one last one for Réal. Just following on the drop in met coal prices. Réal, what would you attribute that to? Is it some of the macro concerns, or maybe more specifically related to weaker demand in China or supply growth? I would really appreciate your perspective, and also if you could comment on what you think is the -- kind of the best estimates for an equilibrium price in your steelmaking coal. I would appreciate your thoughts.

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

All right. Thanks, Lucas. Well, maybe the first thing to say is, demand in the market remains really, really strong. So even if you look at global crude steel production June year-to-date, it's up of nearly 5%. And that's in all areas of the world. And that's a global increase. But China is up 6%, India is up over 5%, and the rest of the world is up 3%. So as you can see, the global demand remains strong. In terms of what we're seeing on our side, customers are continuing to request additional tonnes, and that reflects, really, that stronger demand that we see on the coal side and on the steel side. With respect to pricing, yes, pricing has corrected. It is a function of, we believe, the uncertainty around tariffs and also, potential for trade war. But the price of coal is still pretty close to the long-term average of around US$180. This morning, the average of the 3 assessments are above US$172, and the average for the quarter to-date, lagged by a month, is sitting over US$192. So it is still, by all means, very decent pricing for steelmaking coal.

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

Particularly in Canadian dollars where it's close to C$230.

Operator

The next question is from Piyush Sood from Morgan Stanley.

Piyush Sood - *Morgan Stanley, Research Division - Research Associate*

Couple questions for me. First, on Galore Creek, I just want to understand that let's say, the project gets approved, would you be 50-50 partners, and will you also get an off take of the precious metal side? Or is it possible to imagine a scenario where, based on some economics, you keep the copper and Newmont keeps gold and silver, something like that?

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

Yes. I guess, it's an interesting question. I would say, it's a little premature, in that we're going to be working with Newman for the next 3 years. We have an agreed plan to be due the prefeasibility, as we've discussed. And at that time then, make decisions on how to go forward, but we're delighted to have Newmont as a partner. Gary Goldberg and I worked closely on different industry issues. And I think it's just a great partnership, really, good cultural fit and could come, long term, we end up streaming gold one way, copper the other. That's, of course a possibility. But it's something that I think we'd think about, literally, probably not for about 4 years at the earliest. We had to get through the work that we agreed to do. But it's still an exciting development. It's just make Galore Creek really a nice option for the long term. And that's exciting for us because it's right here in BC as well. So we're very, very pleased with that announcement today.

Piyush Sood - *Morgan Stanley, Research Division - Research Associate*

That's fair. And also, the press release mentions a letter from the U.S. Commissioners of International Joint Commission on Water Quality. Could you talk a little bit more about it?

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

Yes. I think, probably the best person to answer to answer that would be Marcia Smith, our Senior Vice President of Sustainability and External Affairs.

Marcia M. Smith - *Teck Resources Limited - SVP of Sustainability & External Affairs*

Sure. Happy to take the question. As we've said over the last few weeks, it is disappointing that numbers of the U.S. Joint International Commission claimed that they lack information on water quality in the Elk Valley. In fact, I think as people on this call no, there have been massive amounts of data, numerous studies made available of what the potential impacts of selenium on water quality. And I think the issue is very well understood by both regulators and stakeholders on both sides of the border. This is a complex legacy issue caused by many decades of mining. And that is why we are working to address those issues. We are working closely with regulators here in British Colombia, with Canada and in the U.S. And we are in the process of investing significant funds to treat water quality and ultimately, our view is that the plan we've put in place is one of the most comprehensive of its kind ever developed. So were making good progress, and I think we're on track to get our water treatment facilities up this fall. So that's really where the issue stands at this point.

Piyush Sood - *Morgan Stanley, Research Division - Research Associate*

So at this point, you're probably doing R&D on the saturated rock fill, the site technology, so you think, eventually, maybe costs actually go down versus what we previously heard from you?

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

Yes. We're pretty excited about this. I'm going to ask Robin Sheremeta to talk about saturated rock fill.

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

You bet. I love talking about saturated rock fills. We've got what is, at this stage, a very successful pilot in process. In fact, we've -- we're managing to treat now -- we're approaching 10,000 cubic meters a day. We're seeing 95% to 100% removal of selenium out of the water from the saturated rock fill at Elkview. And I'll just put that into perspective. That's almost double the capacity of what we will have operating in West Line Creek when we -- when our plant comes back online here shortly. So it's -- so far, it is an extraordinarily positive pilot, and we do anticipate this will be a part of our long-term strategy in our water treatment.

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

And possible effects on capital required?

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

Yes, just -- I mean, briefly, if you take a 20,000 cubic meter a day plant, just for reference, it would cost in and around $300 million to construct. The saturated rock fill would cost roughly $50 million to construct at that same level of capacity. And then on an operating basis, a 20,000 cubic meter a day plant would run at roughly $22 million a year operating costs and the saturated rock fill about half that, so around $10 million a year. So big difference in cost

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

So clearly, we're very excited about the potential. But we will have to finish our confirmation of the results there and make sure that the fully understand that before it becomes part of the long-term plan. But clearly, very, very positive development.

Operator

The next question is from Jeremy Sussman from Clarkson's.

Jeremy Ryan Sussman - *Clarksons Platou Securities, Inc., Research Division - Analyst*

I think, Don, last quarter, you were, sort of, pretty clear in terms of noting your priority for QB2 over Quintette. I'm curious if the decision to sell down a stake in QB2 changes anything for the potential for Quintette to move ahead.

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

That's a very good question. My initial response is, not really. But I think it's a fair question, in that it certainly frees up a lot of capital for us to be able to do other things, one of which could be Quintette. But the principles that I probably talked about last time remain the same that we are working longer term to rebalance the portfolio. We, obviously, are a little bit overweight, steelmaking coal. Not that we don't like the business. It's proving to be one of the very best mining businesses in the world. And so we like that, and we are seeing strong demand, as Réal has talked about. And we had a lot of requests from customers in India and so on to reopen Quintette. So I do think, at some point, that it will make sense to do so. The right now, we've committed to our shareholders that growth and copper is getting the priority. And the strategy of the company is quite simple, with taking strong cash flows from coal, strong cash flows from sink and devoting it to doubly our Copper business. To the extent that we're not going to put all of our eggs in one US$5 billion basket on QB2, because we just think it's more prudent to diversify a bit. And that frees up as much as US$2 billion to do something else. I still think that copper would take priority for some time. But you never know. So -- and that's the decision that -- we wouldn't be looking at deploying any extra capital, I would think, for at least a year. You'd want to see QB2 up and running smooth -- I mean, in terms of its construction, up and running smoothly before you decided to commit capital to other growth projects, one of which could be Quintette. But during that year, we're going to see several milestones, including the full feasibility on Zafranal, prefeasibility on San Nicolás and so on. So it's going to be a very interesting year. Fair question. I'm not sure I gave you that clear an answer, but at least you get a feel of how we think about it.

Jeremy Ryan Sussman - *Clarksons Platou Securities, Inc., Research Division - Analyst*

No, that was actually a super-helpful answer. And maybe, just as my follow-up. Obviously, QB2 and Quintette are both world-class projects, and 1 of the 2 just sold a further 22% stake for $600 million. Curious if you have a thought on valuation there.

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

Yes. I think depending on future payments, you'd get a number even higher than that. We see a lot of comparability between the 2 projects. We literally do, we call it, apples to apples, go whatever comparison, line by line on the different aspects of the 2 projects. And they have a little bit higher production in the early years because of higher grade, but QB2 has more consistency over the life. And we have much lowered strip ratios and all in sustaining costs. We're going to be going out to the market, Canada, U.S. and Europe, once the project is sanctioned with very detailed presentations on all on QB2 and comparing to what else is out there. So we can't predict what the valuation is going to be. And the world will evolve between now and when something in Q4 that will have an effect. But we do see a lot of comparability between the 2 projects.

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

Don, I think we've gone a little bit over here. We have time for one more question.

Operator

So the last question is from Mark Levin from Seaport Global Securities.

Mark Andrew Levin - *Seaport Global Securities LLC, Research Division - MD & Senior Analyst*

Just two very quick questions. 1 has to do with capital structure. And maybe if you have some updated thoughts about what you think will look like or looks like the best capital structure for the business going forward, and particularly given QB2 and the decision you made to find a partner?

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

Okay. I'll ask Ron Millos first to start just on our basic ratios and then I may be at some additional colors.

Ronald A. Millos - *Teck Resources Limited - Senior VP of Finance & CFO*

So our basic ratio that equity ratios, we like to see that somewhere in the 20% to 30% range. And the debt to EBITDA, the leverage test, we'd like to be that, sort of, 2.5 to 2.5x. If on occasion, we'll exceed that, depending on the opportunities in front of us and our commodity prices are. But if we were to sort of get to the levels, we think that we will certainly help fall to get back to investment grade credit rating.

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

Yes. And so that's what I wanted to add to that is, the structure of the outstanding debt is really important to in terms of your maturity latter balanced against how much you liquidity you keep on. So we said, we're going to have close to $7 billion in liquidity, and this is before any entry fee into QB2. And that compares to no debt due for the 2018, no debt due in 2019, no debt due in 2020 and only $220 million due in 2021. So $7 billion of liquidity with only $200 million of debt coming due in 3 years' time. So during the time that we would be building, we would have a really, really strong position. So the total debt outstanding is one thing and we could still reduce that. But there is -- the majority letter of the timetable of our maturities is William are really important to us. And that's why we've structured it the way it is.

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

Yes. So on this one, we have made a decision not to focus on realized because it became clear that it was highly misleading to the market, the people were focused on that number. The reality is that it -- if we ever put a number out there, it is only good for a moment in time. And that we found the people were models and leaving it there, when will you need to pay attention to the deli -- the trade journals published call price index every day and look at the difference between high-quality, high coking coal and the lower-quality products that are out there and see what the spreads were. It is true that the -- that percent realization number, if you did the cultivation, which were not going to do anymore, was wider last time because, in the market there was a significant difference in demand for high-quality, there were still quality and those spreads wide didn't quite significantly. In this quarter, they've gone back more to normal. Nothing has changed in terms of the coal that's in the ground. It is what it is, and then the long-term, if you just took a normalized pricing spreads is about 92% is where we end up. We were, I think, 93% this time. But I'm trying to forget what those numbers are because it's more important to just look at the day-to-day numbers.

Mark Andrew Levin - *Seaport Global Securities LLC, Research Division - MD & Senior Analyst*

Understand, that makes sense. Last question, for we all, it has to do with the Chinese buying patterns in the met coal market, that 1 has obviously had a pretty significant move. In India, the rupee has moved a lot. We've seen, in the market, last of an interest from either Chinese or any engine bars, potentially is a function of currency more than anything?

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

So interesting question, Mark. And the Chinese imports of steelmaking coal from seaborne market are down this year compared to last year, but India is running very, very strong. And that is where we see the most growth going forward. There's -- so the government plans to increase steel production to 300 million tonnes of capacity by 2030, 2031. That's compared to around 120 million to 125 million tonnes currently. So there is very strong demand in that market, in Eastern Europe with the completion of mines. They're relying more on seaborne market. We are also seeing growth in Southeast Asian markets. So we need to look at the market as a whole as opposed to market by market.

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

Okay, well, let me just make a closing comment. And to repeat, it was a solid earnings of $650 million and a record first half for the company of $1.4 billion of earnings. We've increased guidance on each of the zinc, copper and cold businesses. We've got the QB2 partner process coding started, which should free up as much as US$ 2 billion from future capital requirements. We've got the permitting almost done in the QB2. And as the real scarcity value in QB2 in terms of the projects out there. The Fort Hills start up could not have been better. Really got a fantastic plant there. Suncor doing a great job. The Waneta transaction closes today. $1.2 billion more cash. Newmont coming in as a partner, and Galore Creek is fantastic. And we've got all sorts of catalysts coming in the next 6 to 12 months. So we're feeling great here. Look forward to talking to you after Q3. Thanks very much.

Operator

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