OVERVIEW:
Co. reported 3Q16 revenues of CAD2.3b, profit attributable to shareholders of CAD234m and adjusted profit attributable to shareholders of CAD152m or CAD0.26 per share.
Welcome to Teck Resources Q3 2016 earnings conference call. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. This conference call is being recorded on Thursday, October 27, 2016. I would like to turn the conference call over to Mr. Greg Waller, Vice President of Investor Relations and Strategic Analysis. Please go ahead, sir.

Greg Waller - Teck Resources Limited - VP IR & Strategic Analysis

Thanks very much, operator, and good morning, everyone. And thanks for joining us for our third-quarter results conference call. We’ve got about 12 slides to go through this morning, and then we’ll get to Q&A. But before that, of course, we’ve got to draw your attention to the forward-looking information on slide 2. This presentation contains forward-looking statements regarding our business, however, of course, there are various risks and uncertainties that may cause actual results to vary. Teck does not assume the obligation to update any forward-looking statement. And with that, I would like to turn the call over to Don Lindsay our President and CEO.
Thank you, Greg, and good morning, everyone. I will begin with a brief overview of our Q3 results, and then Ron Millos, our CFO, will provide additional color from a financial perspective. We will conclude with a Q&A session with Ron, myself and several additional members of our senior management team available to answer questions.

So, clearly, the headline event this quarter is the dramatic spike in steelmaking coal prices, which have more than doubled since mid-August. Zinc prices have also risen this quarter relative to last quarter and to Q3 last year.

Teck is well positioned to capitalize on this turn in cycle. We have used some of the additional free cash flow to strengthen our balance sheet. We repurchased US $759 million of our standing notes in September and October. And this demonstrates the powerful cash generating of capability of our business at current spot prices. We have previously talked about our desire to reduce debt, and we are delivering on that. In the past 12 months we've reduced our debt by more than US$1 billion, and Ron will speak to this in greater detail later. We now expect our year-end cash balance to exceed our original target at approximately CAD1 billion. It is important to note that this is after the CAD1 billion debt buyback, which we'd not contemplated in our original target.

Our operation teams are doing an outstanding job, consistently delivering results on cost management and operating execution. This quarter, we have set a number of quarterly and year-to-date sales and production records, while continuing to reduce costs across all business units. In Coal, we have increased our full-year production guidance once again, and at the same time, we are also continuing to invest for growth, primarily in the Fort Hills project, which is now in its peak construction period.

Finally, we are staying true to our core values, we were honored to be named to the Dow Jones Sustainability World Index for the seventh consecutive year.

Looking at an overview of our Q3 results on slide 4, compared with the same quarter last year, revenues were up 10% to $2.3 billion, that was primarily due to higher steelmaking coal and zinc prices.

Overall, gross profit before depreciation and amortization was $817 million. Adjusted EBITDA was $830 million, and that's more than double the $389 million recorded in the same quarter last year. Bottom line profit attributable to shareholders was $234 million. After removing unusual items, adjusted profit attributable to shareholders was $1.52 million or $0.26 per share, which is significantly higher than the $0.05 per share in the same quarter last year.

I would note that some analysts may characterize this adjusted earnings number as a miss relative to consensus expectations, but I want to point out that we actually beat our guidance on coal sales, on zinc sales from Red Dog, and on copper production in the quarter. We also beat guidance on coal cost and on copper costs.

Our profit also includes various gains and losses due to changes in market prices and rates, such as share-based compensation. We do not adjust for these items as they occur on a regular basis although we understand several companies do. In Q3 adjusted profit attributable to shareholders was reduced by $0.07 per share as a result.

So, overall, I would say that this was a very good quarter.

Touching on some operational highlights from the third quarter on slide 5, 11 of our 13 operations increased production. As I mentioned earlier, we set a number of quarterly production records, including a new record for quarterly steelmaking coal production at 7 million tons. Elkview and Line Creek have each set new quarterly records at the mine level. We also set a new quarterly record for refined zinc production at Trail Operations. Zinc in concentrate production was also higher.

In addition, we have continued to reduce costs across all business units. On a US-dollar basis, coal unit costs, including capitalized stripping, were US$564 per tonne, down US$12 a tonne from Q3 last year. Copper unit costs, including capitalized stripping, are currently US$1.49 per pound or US$0.15 per pound lower in the same period.

This quarter's results are an excellent reflection of our continued drive for efficiencies and cost reductions across our business.

Turning to slide 6, I'll now run through our quarterly results by business unit, starting with steelmaking coal. Revenues grew significantly. Q3 was the second-highest quarterly sales volume in our history. Our average realized price was close to the Q3 benchmark in US-dollar terms, and was up 3% in Canadian-dollar terms. It's important to note that revenue recognition is upon shipment for coal sales, and there is typically a four to six-week lag between the time we agree to a sale with a customer and when the shipment occurs. Gross profit before depreciation and amortization grew 54% to $307 million. As I had mentioned earlier, this is the first time that we've exceeded 7 million tonnes of production in a quarter. That this represents an annual run rate of 28 million tonnes. We're well-positioned to sustain our current coal production in the medium term.
On the cost side and in Canadian-dollar terms, unit costs of sales were $7 per tonne lower than the same period last year, reflecting the higher level of production, as well as our cost-reduction initiatives and lower diesel prices.

Looking forward to Q4, we expect sales of at least 6.5 million tonnes. Needless to say, with coal prices where they are, we will be trying to beat that. Coal prices have been agreed with the majority of customers based on a US$200 per tonne benchmark for the highest quality products, and we expect our average realized price will fall in our typical range relative to the benchmark. Given current margins, we are shifting our focus to maximizing production and profitability, as our shareholders would want us to do, and those additional tonnes come at a slightly higher cost. So, for the full year, we now expect our production to be between 27 million and 27.5 million tonnes.

On the cost side, we may also incur some one-time costs relating to settlement of collective bargaining agreements, which would result in our site costs being higher than our sustainable run rate in Q4, and at the top end of our guidance range of $42 to $46 per ton for the full year.

Turning to slide 7 and looking at the steelmaking coal market, we estimate that the hard coking coal component of the steelmaking coal market is currently short. This is due to several factors, primarily on the supply side. Production cutbacks have been implemented globally since 2014, depleting seaborne traded production capacity.

China has implemented supply-side reforms, including operating day restrictions, which have impacted their domestic production. There have also been a series of weather and transportation issues leading to production interruptions in China and at key Australian mines. On the demand side, coking coal demand appears to be improving in a number of market areas, including China. The World Steel Association forecasts 2017 steel demand growth of 4% for emerging economies and around 1% for developed countries, which will support steel output and steelmaking coal demand. A combination of these factors has resulted in the rapid improvement in coal prices to the highest levels in five years. Spot prices are currently significantly above the quarterly benchmark, at around US$250 per tonne, reflecting ongoing tightness in supply. It was up again last night, so it's now US$253.25.

Looking forward, we are not suggesting that current steelmaking coal prices are the new normal. They could stay at these levels for some time, though. Industry response is constrained, which means it will take time for new supply to come online. Supply will primarily come from the US, where the majority of cutbacks came from over the past two years. Some of the US mine closures are permanent. Others require significant capital spending. But management teams will typically not make any significant investment decisions based on a few weeks of prices. There are also financing challenges to overcome.

We don't know what price level will be supported by a balanced market, but it will not be US$250 per tonne. It is not US$100 per tonne either, as a significant portion of the industry was losing money at that level. We know that mines take a lot of pain on the way down before they actually close, and many were not doing the right things with the long-term viability of the mine, such as stripping or underground development work. Therefore, the price needed for a restart is higher than the price when they close down.

Whatever that price is that supports a balanced market, we stand to do very well in our Coal business given the cost reductions we've been able to achieve. Slide 8 highlights the earnings potential in our steelmaking coal business.

This chart shows the range of EBITDA and cash flow that we can generate over a range of coal prices. We've used our 2016 guidance for production and costs, and our typical price realization relative to the benchmark to create this chart. At Q4 contract pricing of US$200 per tonne, we expect to be generating a margin north of $150 per tonne. On an annualized basis, this equates to between $4 billion and $4.5 billion in annual EBITDA, and that is only from our Coal business.

On an annualized basis, this equates to between $4 billion and $4.5 billion in annual EBITDA, and that is only from our Coal business.

Turning to our base metal businesses, starting with copper on slide 9. As we've previously flagged, we have been transitioning to the lower-grade Lornex pit at Highland Valley as the current high-grade phase of the Valley pit has now finished. As a result, copper production sales have declined from the second quarter and from Q3 last year.

Our realized copper price was also US$0.25 per pound lower in the same period last year. Our cost reduction efforts continue to produce significant results in copper, though, so our margin has not declined as much. On a US-dollar basis, C1 unit costs, net of byproduct margins, were down US$0.10 per pound to US$1.34 despite lower production levels.

Gross profit for depreciation amortization was down 12% to $176 million.

Looking forward, production is expected to decline further in Q4, due to the transition at Highland Valley, resulting in a significant increase in unit costs. For the full year, we now expect to come in near the high end of our production guidance range of 310,000 to 320,000 tonnes, and near the low end of our cost guidance range of US$1.40 to a US$1.50 per pound net of byproduct margins.

We also remind you that in early July, we acquired the 2.5% interest in Highland Valley that we did not own, which now gives us 100% interest in the operation.
Turning to slide 10, in our zinc business unit, and please note that Antamina zinc-related financial results are reported in our copper business unit.

Revenues were up in the quarter. Mine zinc sales were substantially higher than our guidance at 200,000 tonnes. And this reflects market pull from the smelters for Red Dog concentrates. There continues to be tightness in the concentrate market, real tightness, as evidenced by spot treatment charges that are significantly below benchmark terms. Our realized price was also up by US$0.14 per pound. Refined zinc production at Trail Operations set a new quarterly record at 83,000 tonnes. Mining zinc production was also up 20,000 tonnes due to significantly higher mill throughput at Red Dog, helped by softer ores and operational efficiencies. Overall, gross profit before depreciation amortization was up 24% to $334 million.

Looking forward, we have extended Red Dog shipping season by two weeks due to favorable ice conditions. And it is now expected to wrap up during the first week of November, having shipped over 1,000,000 tonnes of zinc in concentrate and 220,000 tonnes of lead in concentrate. And this represents all the concentrates available to be shipped from Red Dog. In Q4, we now expect Red Dog sales of contained zinc to be 180,000 tonnes, reflecting the normal seasonal pattern. We also expect lower production at Red Dog due to lower grades and a planned maintenance shutdown. For the full year, we expect total mining zinc production to be near the high end of our guidance range of 645,000 to 665,000 tonnes.

On slide 11, I want to turn for a moment to look at the Teena/Rewards zinc project. On October 18, we announced our intention to exercise our right of first refusal to acquire the outstanding 49% interest in this project, which is one of only a handful of recent zinc discoveries. It has been described as the best zinc discovery in Australia in over 20 years.

The left side of the chart shows a map of the location in Northern Australia. You'll note that it is located in one of the premier zinc provinces globally, and very close to the MacArthur River mine. You should also note that very good zinc-to-lead ratios in most of the drill holes. As a guide to see how to read these, look at drill hole 19 at the top of the chart. The first line shows the intercept of 38.8 m, with a zinc grade of 14.7% and a lead grade of 2.3%. With a very attractive zinc-to-lead ratio, this is truly a zinc discovery, and we're happy to have this in our portfolio at a very reasonable cost.

And needless to say, as many of you will know, in Alaska, near our Red Dog mine, we have tremendous zinc resources that we are still drilling and we look forward to being able to announce the results on those sometime in the future.

Turning to an update on Fort Hills in slide 12, engineering work is finished and construction is now more than 70% complete. The project is currently in its peak construction period, with the offsite fabrication and the modularization program having been completed. Project execution is site-based from this point on. Current site activity levels have surpassed those prior to the Fort McMurray wildfire, and several areas are now in early commissioning activities.

Our share of capital expenditures was $254 million in Q3, and with that, we have spent around $700 million of the $960 million that we expected this year. An update on capital expenditures and schedule is expected from Suncor, coincident with their fourth-quarter results.

In addition, we expect to provide an update on our marketing plans for Teck's share production in mid-2017, and I can say I'm confident that we will have sufficient capacity to achieve our marketing objectives.

And with that, I will pass it over to Ron Millos for additional color from a financial perspective.

---

**Ron Millos - Teck Resources Limited - SVP, Finance and CFO**

Thanks, Don. I've summarized our changes in cash for the quarter on slide 13. Cash flow from operations and working capital was $854 million, and we received $54 million on proceeds from the sale of investments and other assets in the quarter.

As Don mentioned earlier, we repurchased debt in September/October. In Canadian-dollar terms, $394 million was completed in September, and is reflected in the Q3 cash flow statement. I'll speak to the debt repurchase in greater detail in a moment.

We spent $376 million on capital projects in the quarter, including Fort Hills, we also paid interest in finance charges of $175 million, and our capitalized tripping costs were $88 million in the quarter.

And after these items, expenditures on financial investments and other assets, the effective exchange rate changes on our cash and cash equivalents and distributions to non-controlling interests. We ended the quarter with cash and short-term investments of around $1.1 billion.

We now expect our year-end cash balance to exceed our original target, ending the year at approximately $1 billion. And I should emphasize that we expect to conclude the year with a higher cash balance, even after having using $1 billion for the debt repurchase, which was not contemplated in our original target. This really demonstrates the cash flow generation we're seeing at the current steelmaking coal prices.
Looking at the debt repurchase in greater detail in slide 14, you will recall that for a while we talked about continuing to look for opportunities to reduce debt. We've taken advantage of the additional free cash flow that we were generating from the higher steelmaking coal prices, and we've acted on this initiative.

In September and October, we repurchased debt that with an aggregate principal amount of US$759 million in private and open market transactions, funding that from cash on the balance sheet. The repurchase was primarily comprised of the long bonds, including all notes with maturity dates in 2035 and longer, as well as some of the 2023s. Of the total, US$334 million settled in Q3. The balance settled in October and will be reflected in our Q4 results.

In Canadian dollars and on a pretax basis, the overall gain is $76 million, of which $49 million was recorded in Q3. We expect the remaining $27 million in Q4 for the purchases that settled in October.

In US dollar terms, we expect to save US$43 million in interest expense annually as a result of this transaction, and over the remaining lives of the various tranches that adds up to a total interest savings of roughly US$1 billion.

The principal balance of our notes is now US$6.1 billion, and the transaction reduced our debt-to-debt plus equity ratio to about 33%.

So, in the past 12 months, we have retired just over US$1 billion of our debt or $1.4 billion in Canadian-dollar terms. We remain focused on returning to an investment grade rating, and we may take the opportunity in the future to purchase further debt on an opportunistic basis from time to time.

Moving on to our third-quarter pricing adjustments, which are summarized on slide 15. Overall, we had $37 million in positive pricing adjustments in this quarter. This compared with $141 million in negative pricing adjustments in the third quarter of last year. And these adjustments are included in our income statement, under other operating income and expense.

The chart on the left represents the simplified relationship between the change in copper and zinc prices and the reported settlement adjustment, and continues to provide a good estimate of our pricing adjustments each quarter. The overall settlement adjustments this quarter was within the range suggested by our model.

And as a reminder, refining treatment charges in the Canadian-US-dollar exchange rate should be considered in your analysis of the impact of price changes in these adjustments, and you should also consider taxes and royalties when analyzing the impact on our profits.

With that, I'll now turn the call back to Don for some closing comments before we move on to the Q&A.

Don Lindsay - Teck Resources Limited - President, CEO

Okay, thanks, Ron. Turning to the summary slide on slide 16, just a couple of closing comments. You know, we've been saying for the past year that our five key aspect to our strategy for working our way through what was a very severe downturn. The first was not to issue equity. We note that quite a number of our competitors have been issuing more shares. Second, not to sell any core operating assets. Third, to build something during the downturn, and clearly we continue to invest in Fort Hills. We'll have new capacity and a whole new division. Fourth, maintain strong liquidity, billions of dollars of liquidity. And fifth, to reduce debt.

Well, as you have seen today, we have reduced debt in the last few weeks by another CAD1 billion. So, now we now feel that we are achieving all five of those things, and that will position us to be in a better position coming out of the down cycle than our competitors, because we will have more production per share than we had before going into the downturn, while many of them will have less production per share, because they've issued a lot of shares and they've sold to production.

So, with that, we'd be happy to answer any of your questions. And please note that some of our management team members are on the line in different locations, so there may be a brief pause after you ask your questions while we sort out who is going to answer it. Thank you, and over to you, operator.
Andrew Quail, Goldman Sachs.

Andrew Quail - Goldman Sachs - Analyst

Hi, Don and Ron, thanks for the updates. Congratulations on a very strong quarter. Just a question on met coal. Obviously, you guys had increased this quarter and with your costs coming down as well. Can you guys just outline the strategy and where the bottleneck would be heading into 2017, if you did want to increase production or sales? And is the bottleneck at the mine, rail or port?

Don Lindsay - Teck Resources Limited - President, CEO

Okay, I think we'll turn that over to Robin Sheremeta.

Robin Sheremeta - Teck Resources Limited - SVP

Thanks, Andrew. Essentially, the bottleneck is at the mine site, and it's really our ability to process a certain volume of coal. It is a combination of both what we can process and what we can deliver out of the mine operations. Right now, the pace that we've established through the last couple of quarters is pretty much the pace that we're on for 2017. So, if you look forward, and certainly we'll provide clear guidance in the Q4 results, but looking forward the pace of production is really pretty much what we're on right now.

Andrew Quail - Goldman Sachs - Analyst

Okay, so when you're talking about the Elkview operation, you're talking about the environmental assessment, nothing like that sort of changes that?

Robin Sheremeta - Teck Resources Limited - SVP

No. All aspects of that are pretty much on track. It's really just a function of how much we can process through the plants right now.

Andrew Quail - Goldman Sachs - Analyst

Okay great. And last one is with Ron, obviously you guys have done a really good job last quarter paying down some debt. You obviously talk about investment grade but is there a financial leverage ratio that you guys look at and you want to be somewhere in the medium-term? Is that on a net debt to EBITDA basis something you guys can try and target.

Ron Millos - Teck Resources Limited - SVP, Finance and CFO

Yes. Our equity ratio is within the investment grade rating right now, and it has always been. Where we have got concerns with is at the low commodity prices, we don't have the EBITDA necessary to meet the investment-grade metrics. Our target is to get to 2.5 times and we weren’t there earlier in the year when we had the sub US$100 coal prices. At the US$200 coal price, we see that we would have no trouble meeting those metrics.

Andrew Quail - Goldman Sachs - Analyst

Is it trailing?
Ron Millos - Teck Resources Limited - SVP, Finance and CFO

On a go forward basis. If these prices continue, on a go forward basis.

Don Lindsay - Teck Resources Limited - President, CEO

Even if you look at what EBITDA is going to be for the fiscal year 2016, that will now be within the debt-to-EBITDA ratios that the ratings agencies are looking for.

Andrew Quail - Goldman Sachs - Analyst

Got it.

Don Lindsay - Teck Resources Limited - President, CEO

It's a combination of reducing debt and increased EBITDA.

Andrew Quail - Goldman Sachs - Analyst

Thanks very much for the update.

Operator

Evan Kurtz, Morgan Stanley.

Evan Kurtz – Morgan Stanley - Analyst

Hey good morning. Also had a question on met. I noticed in the press release that you had received a permit for the Neptune Bulk Terminal, and I was just hoping to get just a little bit of a quick overview on exactly how much port capacity you have today, how much of that you're using, what this would add, and how does that tie into your views on when you might restart the Quintette project.

Don

Okay I'll get Andrew Stonkus to answer the first part and then I may comment on the last part.

Andrew Stonkus Teck Resources Limited - SVP Marketing & Sales

Thanks. At the Neptune Terminal, we are currently operating at an 18 million tonne annualized rate. The work that we are doing now is to see what how can we take that up on the capacity side. We are doing some preliminary engineering work, which is in progress now and will be worked on over the next few months. So looking to see what would be required to move it up from the current level.

Don Lindsay - Teck Resources Limited - President, CEO

I might just modify that a bit. We are permitted for the 18 million, we are not operating at that level. We are operating at about a 5 million tonne level in terms of what coal gets shipped out of Neptune. And the capacity at the current moment is about 12 million, but we have the permit to go to 18 million. And then what Andrew said about increasing that. We are looking at that right now and we're quite optimistic that 18 could go a reasonable amount higher which gives us that much more flexibility.
Evan Kurtz – Morgan Stanley - Analyst

Great. So how does that tie in with Quintette? You probably need more coal to actually utilize any of that capacity.

Don Lindsay - Teck Resources Limited - President, CEO

Right now we ship out of Westshore about 19 million tonnes. At Neptune, the numbers as we just talked about around five, and then some of course can go to Ridley. You know, depending upon how the market unfolds in the coming years. Obviously it's very very strong now, but what we really have to look at in terms of making decisions on port capacities, is what the long-term volumes are likely to be. That requires you to take a view on long-term imports into China and in particular the growth in India. As I look at decisions for either Quintette are Neptune, I'm looking at what kind of imports are likely to occur over a 5 to 10 year period in India, which has published some pretty, pretty strong numbers about the potential steel growth and they need to import hard coking coal for that. And then also what amount of coal could come back online if prices remain high. So those are kind of the factors we look at, but we're deliberately building in some flexibility. If we have a lot of capacity at Neptune, we view that as a good thing for future negotiations with Westshore. There's a lot of potential value in reconfiguration of the ports.

Evan Kurtz – Morgan Stanley - Analyst

Got it thanks for that. I'll hand it over.

Operator

Matt Murphy, Macquarie.

Matt Murphy Macquarie - Analyst

Hi Don. Wondering if you can share some thoughts about how this upcoming met coal cash flow windfall changes the way you’re positioning the business? I mean, is it still all about debt reduction and cost-cutting, or how you see your priorities shifting on Capex, growth, M&A etc.?

Don Lindsay - Teck Resources Limited - President, CEO

It’s still all about debt reduction. You know, we don't know how long this is going to last. We’re pretty confident that Q1 is likely to be as good as Q4. And so if we get another $1 billion of cash that we didn't expect and we can put that to debt reduction right away, that just means we start to approach our long-term debt targets that much faster and get it behind us. Then beyond that, we start to look at further growth for the company. We won't have any significant capital requirements for QB2 to for quite some time. If everything went perfectly there, we would be making a sanction decision in the first half of 2018, and then even as you ramp up construction, you're not into sort of peak capital until 2019 or 2020. We have the potential for generating a lot of surplus cash if prices stay anywhere near this. Coal could correct a lot, but we still have a positive view on zinc. Zinc really hasn't moved to where we can go, so coal could go down and zinc could go up and our cash would be at the same levels as they are now. For the near-term, nothing's changed. We are going to reduce debt. As I said last week when I met with a number of institutions, this is in the read-my-lips category. Debt reduction.

Matt Murphy Macquarie - Analyst

Okay. Thanks.

Operator

Ralph Profiti, Credit Suisse.

Ralph Profiti, Credit Suisse - Analyst

Good morning. Thanks, Don. By my calculations, for the Q4 realized price to fall in that typical range, the sales mix for these additional tonnes in 2016 has to remain in the sort of 50-50 mix between spot and benchmark. Wondering if that is fair assumption, or are you seeing a change in customer buying, wishing to lock more in the benchmark price and perhaps impact that 50-50 mix in 2017.
Very interesting question which I've asked myself, but I'll turn it over to Real Foley.

All right. Thanks Ralph. So if you look at our sales mix, it's about 60% or so shorter-term price, so that’s shorter than quarterly. When you look at our realized price, you actually need to look at what we're doing in terms of how we're selling our products and the product mix. So, we sell of course the quarterly benchmark price where the hard coking coal will all be sold at the US$200 quarterly benchmark price for Q4. But we also sell some semi-soft and some semi-hard products and a little bit of thermal coal, which sells at a lower price than the premium hard coking coal. And we also have a component left of annually-priced sales, mainly to US and Canadian customers, actually all to US and Canadian customers, which were priced a year ago when the market was much lower. So when you're looking at our overall realized price, you need to take that into consideration. The other thing as well that Don has mentioned in the presentation, when we price our shorter-term price tonnes, we price about a month -and-a-half ahead of the vessel picking up the tonnes. So there is that one to one-and-half-month lag to our pricing versus the spot price for our spot priced sales.

Does that answer your question?

Ralph, currently there is definitely a supply shortage in the market. There is strong demand, our vessel lineup actually flags that; we have a strong vessel lineup. So as a result, we're expecting to continue to see stock levels to be tight at our ports. We're trying to sell the products to meet demand from customers in the market.

I thought I might just add a bit more color to this whole subject as people look forward to Q1. And comparing Q1 to Q4. Obviously we're going to have an extremely strong Q4. But I think you have to remember that when we first started selling cargoes that would be booked in early October in Q4, that was back in the middle of August and the prices was just starting to run. So we have in our total mix of sales prices in Q4, we have quite a few tonnes that started in the US$120, US$130, US$140 range and kept working up to US$150, US$160 and so on. When you look at Q1, we're going to start selling for Q1 in a couple of weeks and we're going to be starting talk about the benchmark for Q1 probably in two or three weeks as well. We do know that customers are going to want to try and get that done before Christmas and not end up in the situation they were in this quarter, particularly as we go into the bad weather season in Australia. They won't want to be caught still negotiating in January. But our first cargoes in Q1 will be starting at the US$250 level if the prices hold where they are today. Even if the price start to correct in Q1, and we don't see any signal that that's going to happen, it would have to correct an enormous amount to get down to the average price that we’re going to getting Q4 which is outstanding quarter. So I see that there is every possibility that Q1 could be as good or even better than Q4. The math just works that way.

Thank you Don.
Operator

Greg Barnes, TD Securities. These go ahead.

Greg Barnes TD Securities - Analyst

Thank you, Don. This surprises me but it still comes up when in meet with clients. They still wonder whether Teck would ever issue any equity to reduce debt. I think your actions this quarter demonstrate that you probably wouldn't, but do you just want to reiterate your views on that.

Don Lindsay - Teck Resources Limited - President, CEO

Yes, I reiterate that we will not issue equity to reduce debt. I appreciate you asking the question as it gives me a chance to answer. As you recall, the five strategic aspects of getting through the downturn, that I just summarized at the end of our presentation, always started with number one was don't issue equity. Because every time you issue shares you've got to get cash flow and earnings for that share to drive the share price. That's tough. You have to get new mines and permits at all the different challenges related to that. If you can keep your number of shares outstanding stable or even reduce it, then you'll have more production per share, more cash flow per share. We feel we're enough strong financial position. We earlier did the liability management transactions where we pushed out any significant maturities a full five years. Looks like we didn't need to do that, just given how the coal price move but no one knew that at the time. As I just said with Q1, Q1 looks really good. It could be even stronger than Q4, so that would be another $1 billion in cash flow without issuing any equity. We just reduced debt in the last few weeks by $1 billion, which I don't think anybody expected. There's no reason why we can't do that again in the upcoming year and keep going. So we see no need whatsoever to issue equity.

Greg Barnes TD Securities - Analyst

Thank you. Then just quickly on Teena, I know it's early days but can you give us some kind of view on how you see this moving forward?

Don Lindsay - Teck Resources Limited - President, CEO

Turn that over to Alex Christopher.

Alex Christopher Teck Resources Limited – SVP Exploration, Projects & Technical Services

Thanks Greg. I guess a couple things here. This was a discovery we made back in 2013. We've been drilling it for the last several years, to outline the footprint of the deposit and the size. You can see that our partner, Rox Resources in Australia, put out a JORC-compliant resource on that. It's still relatively early days. We're still looking at the limits to the deposit and as well as working towards looking at things like metallurgy and potential economics. So we will work through that over the next couple years. And look at where it may fit the inside our growth portfolio.

Greg Barnes TD Securities - Analyst

Great. Thank you.

Don Lindsay - Teck Resources Limited - President, CEO

Greg, maybe just because this question about the equity keeps coming up. I appreciate that you have asked it. Just another number to point to because sometimes people don't want to actually do the math or understand the math, but our original target for year-end cash balance was $500 million in increased as you know to $700 million. We've now said we're going to finish with $1 billion, having paid off $1 billion of debt. So the original target of $500 million, we're going to end up with the equivalent number of $2 billion. So during the year, we somehow generated $1.5 million more than we thought. If the company has that kind of capability and now we have really high coal prices and zinc still to move, why would we ever issue equity. I just don't see the case.

Operator

Thank you Timna Tanners, Bank of America Merrill Lynch.
Morning. A really hot topic of course is met coal. As a large provider, wondering if you would mind helping us with some more color. First of all, you noted that the low vol benchmark was US$200 and I've heard perhaps that was mid-vol, so I just wanted some clarification there. If you could on top of that characterize how your customers in Asia are talking about the outlook for met. Are they looking to lock in longer terms of contracts, or are they talking about restocking - anything else you can talk about regarding their appetite for your product would be great.

Don Lindsay - Teck Resources Limited - President, CEO

Okay Real Foley.

Real Foley - Teck Resources Limited - VP Marketing

Okay so maybe to answer the first question the price for Q4 is the same, it’s US$200 for low vol and mid vol for premium hard coking coal. That is a bit different from the previous quarter when it was a $0.50 difference. In terms of demand, demand is broad-based across the market. We're not seeing a change in customers' behavior with respect to contract pricing. Continuing to move tonnes to all market areas. One thing maybe to point out is China is not really a key driving factor behind the price rally. Because if you look at the China imports they’re up only 1 million tonnes this year compared to last year. What is really happening, we believe is that customers across all market areas, all traditional market areas are actually running with very low inventory so they have to import coal. Of course, they had to manage working capital, just like coal suppliers had, in the very low prices. But steel prices have actually increased in a range of 25 to 45% year-to-date. So they are also in a better shape like the coal suppliers are. And as a result, steel production and coking coal demand is continuing to improve. The view from World Steel Association is that it will improve further in 2017.

Timna Tanners - Bank of America Merrill Lynch - Analyst

Thank you for that. To kind of approach an earlier question a little differently, you were asked about the bottleneck to increase production but I wanted to ask it a little differently, which is to say what kind of market conditions would you need to consider making some necessary investments to add to your capacity or upgrade your mix.

Don Lindsay - Teck Resources Limited - President, CEO

Maybe I will take that one. I'm a very strong believer that we make more money on price than volume. And so we clearly want to see that the market remains in deficit and not bring on a bunch of new tonnage that might tip the market into surplus. Clearly it's quite a large deficit right now, and you can bring on more tonnes by squeezing each of the current operating mines. But in terms of making any significant investment for more capacity, such as at Quintette, we aren’t looking at those kind of things at the moment and we would want to see long-term structural growth in either the imports into China back to 60 million tonnes or India's steel production doubling again, that sort of thing before we would make those kind of decisions.

Timna Tanners - Bank of America Merrill Lynch - Analyst

Great. Thank you.

Operator

Orest Wowkodaw, Scotiabank.

Orest Wowkodaw - Scotiabank - Analyst

Good morning. Two questions. First of all, with the met coal pricing moving up so much and your ability to generate a lot more free cash flow, I’m just wondering where restoring the dividend might fit into your thinking versus deleveraging and whether there's an opportunity to increase the dividend before you would potentially get back to investment grade rating or would you wait until then. Thank you.
Don Lindsay - Teck Resources Limited - President, CEO

Good question. So this is all happened fairly recently so the Board hasn't had a chance to consider the dividend. Clearly, it's a Board decision. I would note that while four of our major competitors went to zero dividend, we did keep a small dividend for the benefit of shareholders particularly those who need to own dividend paying stocks. The normal times that we consider dividend would be the November board meeting and the April board meeting for payment right at the end of the year end and of June. The November board meeting is just around the corner. I think that's too soon to be looking at things. We probably want to see more evidence that this is going to last and debt reduction still remains our highest priority. So for my part in terms of recommending to the Board, I would recommend that we continue to reduce debt significantly, notwithstanding that we just did $1 billion the last few weeks and we could do another $1 billion and keep going. But by the time we get to the April board meeting, given what we think is going to happen in Q1, I would think the Board will look seriously at the dividend then. But I shouldn't presume to indicate what the Board might do. We'll have to wait till April.

OrestWowkodaw Scotiabank - Analyst

Okay thank you. And just as a separate follow-up, the last time coal pricing ran like this, a lot of producers like yourselves ran into issues around carryover tonnage at lower prices. I'm just curious this time around, would any of your customers on contracts have the ability to elect more tonnes at historical quarterly pricing here or is that kind of gone away with the change in the market the last couple of years.

Don Lindsay - Teck Resources Limited - President, CEO

Good question, Real.

Real Foley Teck Resources Limited - VP Marketing

So Orest all of our contracts have been cleaned up if we can use that term. Carryover currently is virtually nonexistent.

Orest Wowkodaw Scotiabank - Analyst

That's great. Thank you very much.

Don Lindsay - Teck Resources Limited - President, CEO

Yes it is.

Operator

Brian Turner, J.P. Morgan.

Brian Turner JPMorgan - Analyst

Thank you and good morning guys. With respect to your debt repurchase activity in September and October, you been consistent in saying that delevering remains the focus despite the pickup in commodity prices. Can you comment on how you evaluate opportunities to buyback bonds as prices rise, against other uses of liquidity given it's likely you will experience significant deleveraging through EBITDA growth in that coal price environment.

Don Lindsay - Teck Resources Limited - President, CEO

Yes I appreciate why you would ask that question. I guess what I would say is we'll be watching how much cash builds up and watching the trading in the bond market. Quite a few of our bonds are trading far better now so there's less incentive or less ability to sort of do what we just did in the last 3 to 6 weeks. But we'll watch for opportunities as to how we might do it. We will take some comfort that our net debt to debt plus equity number will be going down week by week anyways so all the rating agencies will look at that somewhat. But how we actually do it remains to be seen.
Thanks. And in terms of prioritizing your use of cash, obviously you mentioned debt repayment as being the number one priority. What would you prioritize next? How would you evaluate the other potential uses of cash going forward?

Don Lindsay - Teck Resources Limited - President, CEO

I just thought of something else in your first question. Just recall that we do have the call options on the bonds that we issued in June and so the first US$650 million on that is June 2018, I'm looking at Scott Wilson, and then the rest of it another US$600 is June 2019. So those are obvious routes to reduce debt there.

So in terms of other capital, we are conscious that QB2 is a significant project that eventually we will have to ensure that are in the right financial position to build that between now and then. When I say then, the decision in first half of 2018, we will need to finalize the ownership in that asset because there is one smaller owner that wants to sell or wanted to sell a couple of years ago. We'll have to make sure we know the status of that is. I have to finalize our financing for that. Project financing certainly has been offered to us and we will see what we do on that. So there's those kind of things that we'll we working through. And we're always watching the marketplace to see if anything comes up. But at the moment, not much out there that looks very interesting.

Great. Thank you.

Operator

Chris Terry, Deutsche Bank.

Hi guys. I had a question on Antamina. I noticed the recoveries lifted in that quarter. How are you thinking about going forward? Is that sustainable closer to 90% rather than 90% and maybe if you can just refresh us on the mine plan out into 2017, particularly around zinc?

Don Lindsay - Teck Resources Limited - President, CEO

Okay I'll turn that over to Dale Anders.

Dale Andres - Teck Resources Limited - SVP, Base Metals

Thanks Chris. The performance of Antamina quarter on quarter really does make depend upon the mix of feeds and that will change quarter over quarter. Right now, we're having a good blend of feeds that enable that higher recovery. We do anticipate good strong recoveries heading into 2017. As well as a higher mix of copper-zinc ores. I think we flagged that in our Q4 report at the end of last year, that we did expect a significant increase in zinc heading into 2017. We started to see that ramp up in the last quarter. That will ramp up again this quarter and heading into next year. We're not going to give specific guidance on zinc production until our Q4 results next quarter. But we can refer back to the guidance. I think we said there would be an average for our share of 80,000 tonnes of contained zinc over the next three years starting in 2017.

Okay. Thanks. I know we talked about the coal division a lot but specifically around Coal Mountain, in the next 12 months can you just remind us there what quarter of next year you go through the transition phase?
Don Lindsay - Teck Resources Limited - President, CEO

Robin.

Robin Sheremeta Teck Resources Limited - SVP

You bet. Coal Mountain will exhaust its reserve in the last quarter of next year. It should be close to the end of the last quarter.

Chris Terry Deutsche Bank - Analyst

Great. Thank you.

Operator

Karl Blunden, Goldman Sachs

Good morning. Thanks for taking the question. Just a quick one here on alternative sources of cash generation. You're generating a lot from coal now. You’d discussed early in the year the potential to sell infrastructure assets and that could be used to aid debt reduction as well. Is that still on the table or is that through now given the cash generation of the coal business?

Don Lindsay - Teck Resources Limited - President, CEO

It is very much on the table. I just should point out that we're still a zinc company as of Q3. But the thinking behind the infrastructure, you know we have pretty low interest rates in the world today but eventually likely to go up. We have large pools of capital that are chasing infrastructure and that are paying very high multiples of EBITDA: 15, sometimes as high as 20 and as a diversified mining metals company we're never going to trade at those levels. And so if you get the right arrangement, with long-term power purchasing agreements and those kind of things, it just makes sense in terms of creating value for shareholders. So we are looking at that in great detail. It's the kind of thing that it takes a long time and since we don't have any urgency to do it, it's really important to get it right. And get it right both on the value that you can achieve for it and the long-term cost structure that you’ve locked in for operations for Trail or related to the port. So we're actually quite excited about what the potential is and probably even more excited than we were first started looking at it, but at the same time as I said it's going to take a while to actually implement. So I think that answers your question. You did mention at the beginning of your question about sources of cash. Do remember that the tightness in the zinc concentrate market, zinc treatment charges are near record lows, no price participation, the whole bit. This is a real indication of how short the smelters are of zinc concentrate and we believe you're going to see shutdowns coming very soon. They may disguise them as maintenance shutdowns or whatever but we know they're running out. We'll hit the pinch point. When we hit the pinch point in zinc back in 2005/2006, zinc price moved from US$0.65 to US$1.80 in nine months. I'd note that in the 11 or almost 12 years since then, the world's got a lot more volatile. Everyone sort of jumps on the bandwagon that much faster. We think zinc’s going to be very exciting in 2017.

Karl Blunden, Goldman Sachs - Analyst

Thanks. That makes a lot of sense on infrastructure. Thanks for reminding us on zinc. So I hate to move back to coal but I think this one question I have, understanding market dynamics in operation. You did mention that the incentive price to bring back production for the rest of the industry is significantly higher than when that production went out. Understand that. When those folks do their calculations in terms of what the payback would be, what do you think is a reasonable amount of time to think about how long it takes to bring idled production back online, if that something you can comment on?

Don Lindsay - Teck Resources Limited - President, CEO

Okay, Real, do you want to start? Everyone's been doing a lot of work on this issue. I will point out there's number of different research reports and we've got our own view as well. Real?
Real Foley Teck Resources Limited - VP Marketing

Is difficult to say exactly what the price is, but I guess what we can say for sure is that it is most likely to be higher than when the production was actually stopped. Because normally, what happens on the down market when mines start losing money, there's always the hope that the market will get better so you keep going. But the reality of the environment that we've been operating in for the past 2+ years. The mines were running basically on a shoestring and they were just trying to survive. So what ended up happening is there was little investment going into operations, let alone looking at expansions. And when we actually look at where we stand today, the ability of the suppliers to respond to demand is actually limited by financing challenges, access to labor, and as I said that prolonged period of low pricing has really impacted the ability of the mines to respond quickly. And typically, for mining companies to consider significant investments to restart operations or rehire employees or purchase equipment, we want to see higher prices to be sustainable for the longer rather than shorter period of time.

Karl Blunden, Goldman Sachs - Analyst

Okay. Thanks very much.

Greg Waller Teck Resources Limited - VP IR & Strategic Analysis

Operator I would just like to note that we are coming up to the top of the hour, so maybe we will just take one more question here and if somebody is still in the queue, if you want to call back, myself, Greg Waller, and Ron Millos can talk to you separately after the call. We can go ahead with one more.

Operator

Thank you Lucas Pipes, FBR.

Lucas Pipes FBR & Co. - Analyst

Good morning everybody and thanks for taking my question. I have to go back to the met coal side as well, really quickly. First I understand that right now you don't want to go at some of the growth project that you mentioned earlier but I would be curious in terms of Quintette for example, at what long-term price you think does that project makes sense assuming the foreign exchange rates, transportation rates and such.

Don Lindsay - Teck Resources Limited - President, CEO

Good question and Lucas I have to say that we really appreciate your research and I read it in detail. So we don't actually think of one number on Quintette, as to if the price is this number is that we're going to restart. I would say this though that Quintette should be more competitive than the other Western Canadian coal operations. We've always been of the view that some of those that are potentially swing producers should actually be a bit more cautious as to when they open and when they close and I think we've got a lot of evidence of that in the last cycle just to see how that worked. So even though Quintette is more competitive, we would wait till we were more certain of long-term volume needs in the market. You know when we were looking at it back in 2013 when we were about to do sort of the investment for the final year to bring it on, we had certain sort of cost structure. Since then, given what we've done in the other six mines, we are pretty confident that Quintette's costs would be lower than we were thinking at the time, by quite a margin. So I guess what I'm saying is we think it's very a competitive operation but we're choosing not to open it because we are strong believers that we make more money on price than volume. Quintette would be 4 million tonnes a year, which is not insignificant.

Lucas Pipes FBR & Co. - Analyst

That's very helpful. Thank you. And then I also had a quick question on slide eight of your presentation where you showed your sensitivity at both in EBITDA and cash flow on various met coal prices. I was curious, in terms of royalties and transportation rates being pro-cyclical, for example, how should we think about and model that for Teck. Do costs go up because of higher royalties and higher transportation? How to think about that. Thank you.

Don Lindsay - Teck Resources Limited - President, CEO

So Ron Millos you want to start?
Ron Millos - Teck Resources Limited - SVP, Finance and CFO

Sure. The transportation rates are that we have our already in these numbers. And they are basically other than small sort of cost or price index adjustment to the transportation rates, they are not going to affect a thing there. On the coal, the difference between the EBITDA and the cash flow is just the mining taxes as the big item there and the capital spending. So depending on your view of the exchange rates and where the commodity prices ultimately settle out, you can sort of see the impact there. I'm not sure I totally answered your question, but let me know if I did.

Lucas Pipes FBR & Co. - Analyst

That's helpful. I think that answers the question. I was just curious in terms of if there are other escalators that maybe kicking at higher met coal prices that the Street should be aware of as we model higher met coal prices hopefully going forward.

Greg Waller Teck Resources Limited - VP IR & Strategic Analysis

Nope. There's nothing like that in the business. We got rid of that years ago.

Don Lindsay - Teck Resources Limited - President, CEO

Okay with that, I do want to say thank you to all of us for joining us for the call. To summarize again, there are five key aspects of the strategy working through the downturn. First and foremost is not to issue equity. Thank you Greg for asking the question I get a chance to repeat that. Second, not to sell core operating assets. Third, build something in downturn and Fort Hills is over 70% complete. Fourth, maintain strong liquidity which we have done. I note that no one is speculating whether we're going to have to dip into our credit line now, but in Canadian dollars, that's a four billion-dollar facility in addition to all the cash we've got. And fifth, to reduce debt and as you've seen in the last few weeks we have just reduced debt by $1 billion and we intend to reduce more. With that, I think with that plan, we're coming through the down cycle in the best position in terms of production per share of any of our competitors. So thank you very much and we look forward to speaking to you in February of 2017.

Operator

Thank you the conference is now ended. Please disconnect your line at this time. And we thank you for your participation.

[ End of transcript. ]