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CORPORATE PARTICIPANTS
Greg Waller; Teck Resources Limited; VP Investor Relations & Strategic Analysis
Don Lindsay; Teck Resources Limited; President & CEO
Ron Millos; Teck Resources Limited; SVP Finance & CFO
Ian Kilgour; Teck Resources Limited; EVP & COO
Real Foley; Teck Resources Limited; VP Coal Marketing
Dale Andres, Teck Resources Limited, SVP Copper
Andrew Stonkus, Teck Resources Limited, VP Base Metals Marketing
Tim Watson; Teck Resources Limited; SVP Project Development

CONFERENCE CALL PARTICIPANTS
Meredith Bandy BMO Capital Markets - Analyst
Curt Woodworth Nomura Securities - Analyst
Ralph M. Profiti Credit Suisse - Analyst
David Charles Dundee Securities - Analyst
Josh Golden JP Morgan - Analyst
Alex Terentiew Raymond James - Analyst
Mitesh Thakkar FBR Capital Markets - Analyst
Orest Wowkodaw Scotiabank - Analyst
Oscar Cabrera BofA Merrill Lynch - Analyst
Garrett Nelson BB&T Capital Markets - Analyst
Lucas Pipes Brean Capital - Analyst
Cliff Hale-Sanders Cormark Securities - Analyst

PRESENTATION
Ladies and gentlemen, thank you for standing by. Welcome to Teck's third quarter 2013 results conference call. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session. This conference call is being recorded on Thursday, October 24, 2013. I will now like to turn the conference over to Greg Waller, Vice President, Investor Relations and Strategic Analysis. Please go ahead, sir.

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

Thank you much, Audrey, and good morning, everybody. Thanks for joining us for our third quarter 2013 conference call. Before we start, I would like to draw your attention to the forward-looking information on slide 2. This presentation regards contains forward-looking statements regarding our business. However, various risks and uncertainties may cause actual results to vary. And Teck does not assume the obligation to update any forward-looking statement. At this point, I would like to turn the call over to Don Lindsay.

Don Lindsay - Teck Resources Limited - President, CEO

Thanks, Greg, and good morning, everyone. We will be following our usual presentation format this morning. I will begin with the highlights of our Q3 2013 operating and financial results, and then I will turn it over to Ron Millos, our CFO, to provide additional color on the financial side. And we will conclude with a Q&A session where Ron, myself, and several additional members of our management team will be available to answer your questions.

So starting with slide 4 and the highlights from our third quarter... We set a new sales record for steelmaking coal in the quarter at 7.6 million tonnes. Demand from customers in each of our market segments including traditional contract customers, spot sales, and development markets for new customers has been strong.

We had very strong operational results in the quarter as well. Steelmaking coal production, on an annualized basis, was close to our current capacity of 27 million tonnes. In copper, production was 7% higher than Q2, but lower than the record production levels we achieved in Q3 and Q4 of 2012.

We remain focused on shareholder value. As a result, given the current market conditions, our near-term attention is on cost reductions, deferring capital spending, and reviewing the timing of our various development projects. As a reflection of our sharp focus on operating costs, unit costs were significantly lower in coal, compared with the same period last year.

We continue to make progress with our cost reduction program. To date, our existing operations have identified about $330 million of annual ongoing potential cost savings at constant production levels, and have implemented $300 million of those initiatives. In addition, we have identified and implemented $130 million of one-time cost savings and deferrals.

We announced last quarter that we had deferred capital expenditures in light of current market conditions, including delaying the Quintette mine restart and slowing development of Quebrada Blanca Phase 2. We are targeting substantial deferrals of both sustaining and development capital expenditures for 2013 and 2014. Reductions to sustaining capital will have a greater effect in 2014 due to lead times and existing commitments. We will provide a more complete update with our 2014 guidance in our Q4 earnings release.

Turning to an overview of our Q3 results on slide 5…Revenues were $2.5 billion, which was similar to the same period last year despite lower prices for all of our principal products, partially offset by a stronger US dollar and higher sales volume in coal and zinc.

Gross profit before depreciation and amortization was $919 million compared with $1.1 billion in the same quarter last year. Our profit attributable to shareholders was $267 million. Adjusted profit, excluding one-time and unusual items, was $252 million, and EBITDA was $815 million.

Looking at our adjusted profit in additional detail on slide 6…As you can see there are only a few adjustments for unusual items to calculate comparative earnings figures for the third quarter. Including these items, adjusted profit declined to $252 million in Q3 or $0.44 per share, compared with $425 million or $0.73 per share in the same period last year. This decline was primarily due to significantly lower coal prices, partially offset by record sales volume for steelmaking coal.

I will now review our Q3 and year-to-date results by business unit, starting with the steelmaking coal on slide 7.

Production was up 6% over last year and 12% over the previous quarter. We have a strong sales outlook for Q4 and expect to be near the top end of our production guidance range of 24.5 million to 25.5 million tonnes for the full year.

As I mentioned earlier, we set a new sales record for steelmaking coal in the quarter. In addition to the good demand from customers, all of our logistics partners continue to provide consistently strong performance, including Neptune Terminals with its newly expanded capacity.

However, the current price for steelmaking coal remains below what we believe is required to sustain adequate production in the industry in the long term.

Revenue remained comparable to the same quarter last year, primarily due to substantially lower coal prices.

We continue to drive down unit cost, due to productivity improvements and reduction of input and overhead costs. The total combined cost of our sales of $88 per tonne represents a decline of 7% from Q3 last year. Site costs declined 14% to $50 per tonne, and this is partially offset by a $1 per tonne increase in distribution costs, driven by slightly higher rail transportation costs. We now expect our annual cost of product sold to be near the bottom of our guidance at $51 up to $58 per tonne based on our current production plans. And, as a reminder, this incorporates the new accounting rules around capitalized stripping.

Gross profit before depreciation and amortization for our steelmaking coal business unit declined by $131 million to $417 million, reflecting lower coal prices.

Turning to slide 8, this chart shows our rolling four-quarter coal production. This somewhat masks the recent increase in production in response to market demand. Since August 2012, we had been running about 10% under capacity. We were running much closer to capacity this quarter, at an annualized rate of nearly 27 million tonnes. We expect to have the capacity to produce 28 million tonnes in 2014. Our production rate though, will be a function of market demand.

We also have the option to grow capacity by a further 3 million to 4 million tonnes by restarting our Quintette mine. We announced the deferral of the restart last quarter and we will review it again in the spring of 2014. In the meantime, we are continuing engineering work so if market conditions are good and we decide to go ahead, Quintette could be in production in mid-2015.

At Line Creek, we received our British Columbia Environmental Assessment Certificate for Phase 2 in Q3, which will maintain production and extend the mine life by 18 years.

Looking forward to Q4, the benchmark price for premium products is US$152 per tonne. We have reached agreements with our customers to sell 5.6 million tonnes at an average price of US$145 per tonne, and we expect total sales to be at or above 6.3 million tonnes.

Turning to slide 9, copper production was 7% higher than Q2, but lower than the record production levels that we achieved in the second half of 2012 when higher grades were mined at Highland Valley. Moly production also declined, primarily driven by the lower ore grades at Highland Valley.

Total operating costs were unchanged compared with the same period last year. Higher costs at Highland Valley and Antamina were offset by substantially lower costs at Quebrada Blanca.

Gross profit before depreciation and amortization for our copper business unit decreased by 19% or $74 million in Q3 compared with the same period last year, primarily as a result of lower copper prices, reduced sales volumes, and lower moly revenues.

The chart on slide 10 shows the progress we have made in increasing copper production over the past three years. We are on track to meet our production guidance of 340,000 to 360,000 tonnes for the full year.

So, looking at highlights of our copper operations…As we discussed last quarter, Highland Valley throughput and production in Q3 was affected by a one-month partial shutdown of the mill required to connect the new pebble crusher to the existing grinding lines. The shutdown also resulted in higher operating costs for the quarter.

At Antamina, we set a new quarterly production record. Higher feed grade grades drove the higher production. The mine continues to run very well following the expansion completed last year.

At Quebrada Blanca, we continue to see the benefit of our initiatives to reduce operating costs since Q4 2012 with a 25% decline in unit cash costs since the restructuring. Given the permitting issues that we face and current market conditions, we delayed development of QB Phase 2. Some additional capital operating costs associated with infrastructure upgrades and permit activities are expected in Q4 and in 2014.

At Relincho, the feasibility study is progressing towards completion at the end of this quarter. And we will review it in Q1 2014 before making any decision on next steps to further optimize or advance the project.

Slide 11 provides a further update on the Highland Valley Mill Optimization Project.

The project is on schedule for substantial mechanical completion by year-end, with first feed expected to be introduced in January. The new pebble-crushing facility and grinding line updates were commissioned in Q3 and are operating as designed, with some minor modifications required. The new flotation facility will be commissioned next quarter.

We still expect to meet our Highland Valley copper production guidance of 100,000 to 110,000 tonnes for the full-year. Higher mill throughput rates are expected to start in Q4 with the full throughput benefit in 2014.

Turning to our zinc business on slide 12, zinc and concentrate production was up, primarily due to an increase at Red Dog. As a reminder, we include Antamina's share of zinc production in these figures, but Antamina's financial results are reported in our copper business unit as zinc is considered to be a by-product at this mine. We continue to expect to achieve our 2013 production guidance of 560,000 to 590,000 tonnes of zinc and concentrate, and 280,000 to 290,000 tonnes of refined zinc.

Red Dog sales of zinc and lead were approximately 25% higher this quarter than the same period last year, as the shipping season got off to a much better start. The 2013 shipping season was completed yesterday with higher volumes shipped this year than in the 2012 season.

Trail's refined zinc and lead production grew 4% and 14%, respectively, as a result of higher throughput and improved operating efficiencies.

Revenues rose by $57 million to $721 million, driven by significantly higher zinc and lead sales volumes from Red Dog. Gross profit before depreciation and amortization grew by $48 million, to $183 million. Increased contributions from both Red Dog and Trail were driven by higher sales volumes and 6% higher lead prices.

Turning to our energy business on slide13…We know that you are all awaiting the sanction decision for Fort Hills, which is still expected before the end of the year. If it is approved, we will be able to release further details covering the scope and cost and schedule in conjunction with the sanctioning decision.

We can tell you that a lot of time and effort has been put into the engineering studies to update the design basis for the project and to improve the accuracy of the cost estimates. Suncor, the project's operator, has indicated that they are developing a cost-driven construction schedule, which means they will be focused on doing the project cost effectively.

I will now turn it over to Ron to provide additional color on the financial side.

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

Thanks, Don. I am moving on to slide 15 and it shows our cash flow from operations was $647 million for the quarter.

We spent $486 million on capital projects and a further $160 million on capitalized production stripping costs. Expenditures and financial investments and other assets were $85 million, which was primarily our investment in

Fort Hills, which we account for on an equity basis. We paid $156 million in debt, principal, and interest, and $259 million for our semi-annual dividend, and that payment went out in July.

After these items, distributions to non-controlling interests, foreign-exchange translation and other changes in working capital, our cash and short-term investments declined by $549 million and we ended the quarter with a strong cash balance of approximately $2.3 billion. And finally, we only have about $325 million of debt due between now and early 2017.

Moving on to the next slide, our pricing adjustments for the third quarter are summarized in the table in the chart. Pricing adjustments were $24 million on a pre-tax basis, compared with $54 million in the same period a year ago. And these adjustments are included in on our income statement under other operating income and expense.

Pricing adjustments are driven by the change in the quarter-end commodity prices. In Q3, copper prices increased by $0.24 and zinc increased by $0.03. The chart on the right hand side simplifies the relationship between the change in copper and zinc prices and the reported settlement adjustments.

And as a reminder, refining and treatment charges and the Canadian-US dollar exchange rate should be considered in your analysis of the impact of price changes in the adjustment. You should also consider taxes and royalties when analyzing the impact on our net profit. With that, I will turn the call back to Don for some closing remarks.

Don Lindsay - Teck Resources Limited - President, CEO

Thanks, Ron. So in summary, on slide 1…We had a new record for quarterly steelmaking coal sales and demand from customers is strong. And we had solid operational performance in the quarter.

We remain focused on shareholder value. As a result, we retain our sharp focus on operating costs. We continue to make progress with our cost reduction program. And we have deferred capital expenditures and are reviewing the timing of our various development projects.

With that, we would be happy to answer any questions. And, please note, that some of our management team members are on the line in different locations so there may be a pause after you ask a question. Over to you, operator, for questions.

<u>Question and Answer</u>

(Operator Instructions)

Meredith Bandy - BMO Capital Markets - Analyst

Thank you and congratulations on a great quarter, everyone. I guess my first question was just in terms of your cash costs for coal…If you are guiding to the low end of your guidance, that would seem to imply a pretty big step up just for the fourth quarter. Is that the case? And if so, what is causing that? And is the low 50s a sustainable long-term cost?

Don Lindsay - Teck Resources Limited - President, CEO

Thanks, Meredith. I will turn that over to Ian Kilgour.

Ian Kilgour - Teck Resources Limited - EVP, COO

Thanks, Meredith. We expect to continue in the fourth quarter reasonably similar to what we have in the previous three quarters. The fourth quarter does contain some of the remnant costs from the processing plant annual shutdowns, so that is a little bit of a bump there. However, we don't see a great change in the trends. And moving forward, we expect to see a continuity of costs rather than any step change over the next few years.

Meredith Bandy - BMO Capital Markets - Analyst

Okay, thanks, Ian. That was very helpful. And then in terms of Quintette, could you describe a little bit more about what a sustained turn in met coal would look like that would encourage you to give the green light on Quintette?

Don Lindsay - Teck Resources Limited - President, CEO

I will just make a brief comment and then Ian can as well. And I say that it is very subjective and we look at a lot of factors -- general economic performance, the countries of our main customers first, the customers themselves, what the competitors are doing in terms of supply coming on, all of the supply and demand factors that you would think -- but in the end, it is a judgment. We have 15 people in the room here and we could probably get 15 different opinions. So that is sort of a starting point and, Ian, what other factors would you mention?

Ian Kilgour - Teck Resources Limited - EVP, COO

Well, as Don stated, I think, in the introductory remarks, we believe that the coal price right now is below the level that needs to be sustained for a sustainable future for the level of production that we have across the globe at the moment. And so that we see that we will get back to that point; that we will get to a point where prices allow sustainable growth in production along with the sustainable demand across the globe, including the developing countries. So, overall, our view is positive. There is the pause in Quintette was to allow us to look at that project in light of our overall production. We have been increasing our production from our existing mines to move closer to our capacity. And we are looking at the project at Quintette to look at all ways of optimizing the capital on that project, and then using this pause to make sure that when we develop Quintette, we develop it as capital-efficiently as we possibly can.

Curt Woodworth - Nomura Securities - Analyst

I was wondering if you could just kind of follow up on the met coal comment you made, where pricing appears to be at unsustainably low level. Yet, from a demand side perspective, your volumes were by far the best quarterly result you had in some time. And if you look at a lot of the trade data out of Australia, it implies that seaborne demand is actually running up pretty strongly year-to-date. So do you feel that the pricing is more a function of cost curve shifts as opposed to demand? Or what would kind of take that met pricing up as you look out the next several years?

Don Lindsay - Teck Resources Limited - President, CEO

Thanks. I will turn that over to Real Foley.

Real Foley - Teck Resources Limited - VP, Coal Marketing

What we are seeing in the market, actually, is the market levels have recovered from the lows that we have seen in the summer. But pricing, as we said earlier, is still below a sustainable level in the long-term. However, we are starting to see some slight improvements in demand and in fundamentals in a number of market areas as the world economic uncertainty appears to be easing. For instance, China GDP was at 7.8% in the last quarter. Steel production is running at very high level levels -- record levels, actually. We are also seeing increased hot metal production in India and in traditional Asian markets, generally. The rest of the world, demand is kind of flat or slightly lower. So to put all that in perspective, overall demand is better, but the pricing environment is still below sustainable level. And, as a result of that, there has been around 40 million tonnes of production cuts in met coal since the spring of 2012. So in our view, pricing needs to improve and between now and the end of the year there is a number of analysts that are expecting further production cuts on top of the 40 million. And that should bring better balance in the market in terms of pricing.

Don Lindsay - Teck Resources Limited - President, CEO

And maybe I could just add a bit more color, and it links to the previous question as well, directly related to Quintette. A fact of life in this business is that you make far more money on price than you do on volume. And, even though we know that Quintette will be much more competitive as an operation than some of the coal operations that are currently still running, we don't want to contribute to the oversupply that is in the market, and thereby hurt the other six operating mines that we have. And so we are very cognizant of that relationship between price and current production when we are looking at bringing on additional production in an oversupplied market. So those are the kind of things that we are looking at.

Curt Woodworth - Nomura Securities - Analyst

Okay. Great. And then just as a follow-up, in terms of the book and the volume guide for coal the fourth quarter, it does imply fairly sharp deceleration from what you did in third quarter, which I know is just a very strong quarter. Is there any particular reason for that? Are you seeing any slowdown in China? Or is it more just kind of a tough come off the third quarter?

Don Lindsay - Teck Resources Limited - President, CEO

I will let Ian answer that.

Ian Kilgour - Teck Resources Limited - EVP, COO

I think the thing to emphasize, really, is the combined outlook for the second half of the year. When you add the third quarter sales to our estimates for the fourth quarter, we are looking at a 28 million tonne annualized rate compared to the first half, which was around a 25.5 million annualized rate. So I think it is sometimes misleading to compare on a quarterly basis because there is some just inherent volatility in the market. But if you look at the overall trends from half one to half two, it is extremely positive.

Ralph Profiti - Credit Suisse - Analyst

There has been a considerable implied inventory drawdown since Q4 of 2012 in the coal business. And I am just wondering how are inventory levels looking currently? By my calculations, about 1.35 million tonnes. Is that a reasonable number within the chain? And if it is possible to get an approximate split between the mine and the port, that would also be helpful.

Don Lindsay - Teck Resources Limited - President, CEO

Good question. Ian?

Ian Kilgour - Teck Resources Limited - EVP, COO

Okay. Well, you are correct. There has been a drawdown and we had built up inventory levels significantly, and a good thing that we did that. Right now, we are in a pretty healthy situation. We like to have somewhere around potentially 3 to 4 weeks of inventory available and we like to have around two-thirds of that at the port, or at the various ports. And that gives us the most flexibility when it comes to managing the different sort of events that happen through the year in the supply chain. And so we are around those levels at the moment and we are pretty happy with the situation.

Ralph Profiti - Credit Suisse - Analyst

Great. That's helpful. I see now that QB1 is now been pushed into early 2019. But along with that is coming some increased permitting. And can you be a little bit more specific on what those permits are? Thanks very much.

Don Lindsay - Teck Resources Limited - President, CEO

Okay. I will turn it over to Dale Andres, Senior VP, Copper.

Dale Andres - Teck Resources Limited - SVP, Copper

Sure. We have recently updated our life-of-mine plan. It does envision cathode production into 2019. With the life extension we do need to update our EIA. And as we mentioned on the previous quarter, our original EIA was done back before the mine was built back in 1991, and regulations have changed since that time. And, with the life extension, we do need to both provide that EIA and update that for the life extension. But that also comes with upgrading some of our facilities to comply with the new environmental legislation. So that is what we are currently working through and the team is preparing the data and the submission for that EIA update. And that EIA update needs to be completed and approved before we go forward with the QB Phase 2 EIA submission.

David Charles - Dundee Securities - Analyst

Believe it or not, Ralph asked the question I was looking to ask on coal inventories. But am not sure if I heard the answer on what your current level of inventories are. Could you give us some insight into that, please?

Ian Kilgour - Teck Resources Limited - EVP, COO

Yes. Sure. Just to repeat what I mentioned before, we are aiming for inventories between three and four weeks production. We like to have about two-thirds of that at the port and that is the situation we are in at the moment, which is a very good situation for us to be able to manage the different challenges that happen from time-to-time along the supply chain.

David Charles - Dundee Securities - Analyst

So that would suggest, then, or imply that your inventory levels would be around 2 million tonnes across the supply chain?

Ian Kilgour - Teck Resources Limited - EVP, COO

I will leave that for you to calculate.

David Charles - Dundee Securities - Analyst

Okay. Thank you very much. My follow-up question, I suppose, is sort of switching gears a little bit from coal. Could you maybe give us an overview of the zinc market as it stands? It appears that in the recent LME Week there was some positive comments made on zinc. And I see that Red Dog had an excellent quarter and I'm just wondering how you see the zinc market develop over the next year or so.

Don Lindsay - Teck Resources Limited - President, CEO

Okay. I'm going to turn that over to Andrew Stonkus.

Andrew Stonkus - Teck Resources Limited - VP Base Metals Marketing

The stats came out recently and there is still a concentrate surplus being predicted or reported, but it is down from the surplus from last year. So the overhang on the concentrate market is being whittled down and moved downwards. The Chinese imports for concentrates are also still very strong. They are up about 14% year to date. So the Chinese are still very aggressive in the importing of concentrates.

On the metals side, we are starting to see drawdown of inventories on the LME. We are down about 180,000 tonnes so far this year. And the demand side is shaping up very well. The North American galvanizing lines are running at strong rates. The automotive sector is up on annualized rate around 15 million to 16 million units. So the galvanizing sector in North America is very strong and that is supporting the premium side of the equation for zinc metal. So it is a strong market for concentrates in China. And domestically for metal sales is also a strong market.

David Charles - Dundee Securities - Analyst

And what are you seeing on the supply side? Do you think we will really get some of these large mines actually get taken out of production finally?

Andrew Stonkus - Teck Resources Limited - VP Base Metals Marketing

Well, there is a number of reported. The exact timing -- I don't want to comment on, but we had the first large mine that closed earlier this year, the Brunswick mine in Eastern Canada. So that's the first of a couple that are being predicted to be closed in the next couple of years. So we are starting to see the stress or the exhaustion of some of these long-life, large mines. And that is trying to impact the concentrate market as these mines start to come to the end of their lives. So we are in the early stages of those mine reductions or closures and that's got to work its way through the metal supply side as well. So if you don't have the concentrates, you won't produce the metal. And those are the signs that we see that are going to be supporting the underlying metal markets next upcoming few months and years.

Josh Golden - JPMorgan - Analyst

I think there is some concern about M&A and ultimately what the balance sheet would look like. So can you talk a little bit about your commitment to an investment grade rating and your overall approach to credit ratings? And then, can you sort of talk a little bit about your approach to M&A and how you would handle the balance sheet in such a scenario? Thank you.

Don Lindsay - Teck Resources Limited - President, CEO

Well, I think it's a pretty short answer. We are committed to investment grade, full stop. Any M&A transactions that we might review, we review solely in that context and we review it in advance with rating agencies to be sure that it would remain investment grade. And it is simple as that.

Josh Golden - JPMorgan - Analyst

Let me ask you, if I could get a little bit more granular, is there sort of a commitment to a mid to a strong investment grade rating? Or are you willing to do some M&A and go down into sort of a lower investment grade rating?

Don Lindsay - Teck Resources Limited - President, CEO

It is probably getting too granular. You have to be looking at an actual M&A opportunity to be able to answer the question with any sort of clarity. But, I will repeat what I said, that if we want to be committed to investment grade, we wouldn't want to be getting too close to where, if some event happened in the world and the rating agencies took a very negative view of our industry, which happens from time-to-time, they would end up downgrading us. So we don't want to be close.

Josh Golden - JPMorgan - Analyst

Okay. Excellent. That's great color.

Alex Terentiew - Raymond James - Analyst

I just have one outstanding question on your coal business. In light of your comments on strong demand for your coal products and assuming demand stays around where it is today, should we expect your Q3 run rate of about 6.7 million tonnes or 27 million tonnes per year to be sustained in 2014?

Don Lindsay - Teck Resources Limited - President, CEO

Our answer is yes.

Ian Kilgour - Teck Resources Limited - EVP, COO

Yes, certainly.

Alex Terentiew - Raymond James - Analyst

Okay. That's it.

Mitesh Thakkar - FBR & Co. - Analyst

Congratulations on the quarter. Just a quick question on the copper side. How should we think about incremental volumes? I know the metal optimization process is kind of in the ramp up in the fourth quarter here. But how do you think about volume growth next year versus this year, if there is something you can comment on?

Don Lindsay - Teck Resources Limited - President, CEO

Go ahead, Dale.

Dale Andres - Teck Resources Limited - SVP, Copper

Thanks for the question. Yes, we are currently reviewing our budgets and plans going into next year. We are faced with some grade declines at some operations and we will be offsetting that with throughput and productivity improvements and, of course, our cost reduction initiatives. So we anticipate continuing to be stressed by gradually reducing grades, but we will be offsetting that with increased throughput.

Mitesh Thakkar - FBR & Co. - Analyst

Great. And just on the coal side, can you update us on the selenium spending. How much you have done so far and how much more to go?

Don Lindsay - Teck Resources Limited - President, CEO

Ian?

Ian Kilgour - Teck Resources Limited - EVP, COO

Yes, our guidance around the spend on selenium has been around $600 million of capital over the next five years and our current plans are maintaining that outlook. The key progress that we made this year is that our first water treatment plant, which is located at the Line Creek operation, is substantially structurally complete and is on track for commissioning in the second quarter of next year. So that will be the first major impact that we will have on our selenium output. And we will be following that with a sequence of plants. The next one will be at the Fording River mine and followed by one at the Elkview mine. And we are in the planning process of that program and basically moving along in a very orderly way to manage that program, again making sure that we are applying good project management principles and that the capital that we spend there is well spent.

Orest Wowkodaw - Scotiabank - Analyst

My question revolves around cost as well. On the call, you previously guided that you expect costs to remain relatively similar going forward. Does that take into account any incremental operating costs related to the selenium management? I.e., do you think you can maintain around $50 a tonne and offset any additional selenium costs with cost reductions from higher volumes and your cost reduction initiatives?

Ian Kilgour - Teck Resources Limited - EVP, COO

Yes. We will be certainly attempting to do that. As we foreshadowed, the operating costs of selenium are going to grow gradually over the period from something around $1.50 next year, up to $5 or $6 five years out. So we will certainly be aiming to continue with the productivity improvements that we have been focusing on over the last period of time to do our best to offset those costs.

Orest Wowkodaw - Scotiabank - Analyst

Okay. And just following that up a little bit more with -- your $330 million target for annual cost savings, of which I think $300 million had been implemented already at the end of third quarter, is there a lag in terms of seeing the actual cost savings flow through your financials? So even though you have implemented it, does it take some time to actually realize those savings? And I am just curious, if that was realized as of the end of the quarter so that we are going to see additional benefits actually flowing through the fourth quarter? Or have we essentially captured most of that on average during the third quarter?

Ian Kilgour - Teck Resources Limited - EVP, COO

There is a lag. The way we report the program is that our aim was increased from $250 million to $300 million, I think in the last quarterly session. And we are working away at that and, in fact, the identified savings have now increased to $330 million. When we say implemented, it means that we have actually taken the steps required to achieve that saving and those steps will bear fruit over the following period of time. So there is a natural lag and a natural accumulation of the savings over time. But, over a one-year period, we expect to have the full benefit of those total savings realized and to continue with that level of saving in the following years.

Orest Wowkodaw - Scotiabank - Analyst

Okay. So even though you have implemented $300 million to date, we have yet to see the full impact of that, actually.

Ian Kilgour - Teck Resources Limited - EVP, COO

Yes, because depending on when it was implemented, the cumulative savings started either earlier or later, according to their place in the program.

Don Lindsay - Teck Resources Limited - President, CEO

I just want to add my own take on this. Every week at the meeting of my direct reports, right after safety, we go through the cost-cutting program, which has a very thick binder, site-by-site. The classification of what is an ongoing sustainable cost reduction versus something that might be just a deferral has a lot of scrutiny on that. The reporting of it is actually managed by our controller and he has put a lot of detail into it. So, on the principal that people respect what you inspect, or what gets measured, gets done. There is a lot of focus on this one and we want to make sure the numbers are real. That is what Ian's teams are delivering on.

Oscar Cabrera - BofA Merrill Lynch - Analyst

Just interested in your comment in your release where you talk about traditional customers that used to buy your coal, or the coal requirements on a quality pricing basis is going to a spot market. Just wondering if you can provide context around that. Is it large volumes? Is it a trend that you are seeing in all of the regions, or is it just some of your customers?

Real Foley - Teck Resources Limited - VP, Coal Marketing

I can do that, Oscar. The highest proportion of sales that are priced on a spot basis in the industry go to China and India. It is pretty common knowledge. For instance, in 2012, we sold around 30% of our spot priced sales into the China market. But, we also sell spot price tonnes to our traditional market, and this is something that we started from the second quarter this year. So basically, that is in response to lower steel pricing and lower margin environment where steelmakers are trying to control their cost.

Oscar Cabrera - BofA Merrill Lynch - Analyst

Right. So the traditional buyer that you are talking about is Japan, Korea, and Europe. Is that trend, you think, continuing or going to continue?

Real Foley - Teck Resources Limited - VP, Coal Marketing

Yes. We think that shorter-term pricing is most likely to remain because the market is quite volatile. The important point to make is that, even though the pricing has changed in some instances, we still have long-term business relationships, contractual arrangements. And those give us a certain level of certainty on volume.

Oscar Cabrera - BofA Merrill Lynch - Analyst

Appreciate that color. And then, just a question on capital allocation. As you know a decision on Fort Hills nearing, and you talked about deferred capital. You are doing a great job with cost savings. As these projects start to take effect, you have about $2 billion on the balance sheet right now, another $2 billion in potential line of credit or loans. What amount of working capital would you require or you will be comfortable with as you move on with some of these projects?

Don Lindsay - Teck Resources Limited - President, CEO

Okay. Ron Millos, the CFO will answer that.

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

Well, you are right with the line of credit, Oscar. If we were to do something, we like to have $400 million or $500 million of cash on the balance sheet. And high end to low end of that range will depend on where the cash is and how we easily accessible it is without having to have dividends declared with subsidiary entities, or having to bring it back up from a foreign country with some sort of withholding tax. But about $500 million is order of magnitude where we would like to see the cash balance at any point in time.

Garrett Nelson - BB&T Capital Markets - Analyst

Looking out to 2014, in light of the QB and Quintette delays and excluding any decision regarding Fort Hills, what are some of the other planned investments on the growth capex side, so looking at the major enhancements in new mine development columns? I realize you are probably in the budgeting process right now, but I am just trying to get a better sense of how Teck's total capex number might trend next year relative to this year.

Don Lindsay - Teck Resources Limited - President, CEO

Well, maybe I will start and Ian may add some color. We have said that we are very, very focused on capital reduction and capital deferral in this environment. The coal price benchmark is still only US$152. We said sustaining capital, a $500 million target for next year. And most of the things that we have been working on, such as the Highland Valley modernization, will be either finished or closed to finished. So, some of that which I think you would think of as growth capital or development capital, should be finished. We will make a decision sometime in the spring on Quintette as we have mentioned, so that could be something to add to the budget, but it wouldn't start until the second quarter of 2014. And then, of course, in coal, the expansion program that we have been on to get to 28 million tonnes will essentially be finished by then. So there isn't really very much on the list for next year. Ian, did you want to add anything on that?

Ian Kilgour - Teck Resources Limited - EVP, COO

Yes, Don. I think the Quintette project is obviously still a focus for us there. The decision on a go-ahead or how to go ahead will be made, as we said, second quarter. Until that time, we are looking at all means of optimizing the capital required for that project. There are one or two smaller modifications, enhancements possible on our existing operations, which will -- with relatively small amounts of capital give us increased yield in our preparation plants and increased capacity. And we continue to look at those, but they are the key areas of focus for next year.

Lucas Pipes - Brean Capital - Analyst

So my first question is on Quintette and QB2. I believe you spent roughly $55 million in Q3 in capex on QB2, and $79 million for Quintette. First, could you maybe give us a flavor on what that money exactly is spent on? And then, secondly, if you were to go ahead with these two projects, how much more capital would be required at this point in time?

Don Lindsay - Teck Resources Limited - President, CEO

Okay. Ian is going to start with Quintette.

Ian Kilgour - Teck Resources Limited - EVP, COO

With Quintette, really in the first half of the year we were moving essentially forward with Quintette on a path to first production in mid-2014. When we made the decision to defer Quintette by a year, we had already made some commitments on mining equipment, for which we were required to utilize or provide some progress payments. So they were a key element of the spending. And what was done in the meantime is divert some of those pieces of mining equipment down to our current operations to get the best value for them while we progressed Quintette. And the other part of that was some other contracts which were previously committed to. But spending did curtail drastically during the quarter and was much lower in September than it was in July.

Don Lindsay - Teck Resources Limited - President, CEO

And on QB2, we have reduced substantially the spending from the original budget, but there are still some commitments, just as Ian described. I will turn it over to Tim Watson for details on it.

Tim Watson - Teck Resources Limited - SVP, Project Development

Thank you. With respect to QB2, you may reflect back a couple of quarters where we in fact did release major mechanical equipment and electrical equipment for purchase and fabrication. Since then, we have stopped releasing any further equipment into fabrication and we have been working with the manufacturers of the various pieces of equipment to actually stop fabrication of what we can to minimize our obligations going forward. In conjunction with that, we are ramping down the engineering. But on a going-forward basis we will have some commitments in terms of the equipment that was released previously for fabrication to complete the fabrication of those particular pieces of equipment.

Lucas Pipes - Brean Capital - Analyst

Great. That's extremely helpful. Do you have a sense now how much more capital would be required for completion, or if you could maybe comment on what sense you have right now?

Tim Watson - Teck Resources Limited - SVP, Project Development

I am assuming you are talking about the --

Lucas Pipes - Brean Capital - Analyst

Quintette and QB2, respectively.

Don Lindsay - Teck Resources Limited - President, CEO

We are right in our budgeting right now and I am not sure that it is appropriate to answer that with detail. But it is not very much; order of magnitude.

Lucas Pipes - Brean Capital - Analyst

That's helpful. And then maybe switching gears, Ian and Real, I have a follow-up question. First, Ian, on the coal sustaining capex side, it keeps on coming down. Is this a sustainable rate now going forward? Are there some more potential to bring this down, going forward? And then, Real, where do you see spot prices is right now on the met coal side? And would you say that the benchmark price is generally accepted in the market?

Ian Kilgour - Teck Resources Limited - EVP, COO

On the sustaining capital, yes, we have been through a cycle where we have substantially rejuvenated our mining fleets and upgraded our processing plants. So the lower level of sustaining capital is expected to be maintained over the next few years.

Real Foley - Teck Resources Limited - VP, Coal Marketing

Yes. On the spot pricing, I guess through Q3, spot prices were low, were quite low, actually, for two-thirds of the quarter, and then they recovered through the quarter. And, the market price now is pretty much flat. The quarterly settlement has been accepted by customers, as we said in the release. The majority of our quarterly sales are already priced. And so there is really not much of a difference right now in the market between quarterly pricing and spot pricing levels.

Cliff Hale-Sanders - Cormark Securities - Analyst

Most of my questions have been answered, but I do have one shorter-term question for the copper space. Obviously, results for Q2 will benefit from the higher grade we saw at Antamina. And, from my perspective, a very modest impact from the tie-in with Highland Valley mill. Just wondering what we can look for in Q4 and into Q1. Do you expect the grades at Antamina to remain a little bit elevated relative to the past history? And do we expect a greater impact in Q4 at Highland Valley than we saw in Q3? Or do we expect again to be relatively minimal? Thanks.

Dale Andres - Teck Resources Limited - SVP, Copper

To start with, for Antamina…Antamina did have a 30-day shutdown in the third quarter of their SAG mill number one, for a stater change, which is a major drive component in the motor. And, as a result, we were purposely feeding high-grade during the quarter. So we don't anticipate those kinds of grades going forward, but throughput should increase. So again, for sites like Antamina, throughput will go up from in the third quarter. Grades will come down.

From a Highland Valley perspective, the pebble crushers are operating. We are targeting a 10% throughput increase through those pebble crushers. There are still some minor modifications that we need to make and those are very minor. The pebble crushers are operating as designed. So we will start to see some of that throughput increase in the fourth quarter and the full benefit of that going into 2014. So we anticipate, in the fourth quarter, similar production to the third quarter overall.

Cliff Hale-Sanders - Cormark Securities - Analyst

Okay. So you are not expecting any really lost time from the tie-in of the new mill.

Dale Andres - Teck Resources Limited - SVP, Copper

No. Most of the major tie-ins have already been done. There will be some very minor tie-ins as we plug in the new flotation plant, heading into the first quarter. But we don't anticipate any slowdown in the fourth quarter at HVC due to the mill optimization project.

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

Thanks, operator. We are coming up to our hour limit for the call. I just want to turn it over to Don for a moment to make a concluding comment and then he will turn it back to me just to talk about our investor day for a moment.

Don Lindsay - Teck Resources Limited - President, CEO

Okay. Thanks, Greg. I just want to go back to the question on investment grade versus M&A opportunities, because I think it is an important one and people do speculate from time-to-time on what we might or might not do. We do review M&A opportunities, as you would expect us to. We look at pretty much everything that is out there. Some of them, we look at for a couple of hours; some of them for a couple of days; and others we could spend weeks on them. Obviously, we've chosen not to do anything at this point. Within that, if we do pursue something in detail, we do screen it with the rating agencies. And, as most of you know who have been in the markets for some time, rating agencies tend to be lagging indicators. And while we believe, that the market has sort of past the bottom, prices are up, our volumes are very strong, as you have seen, the rating agencies would take much longer before they had comfort that markets were on a very firm footing. And so we review them in that context. And that means, quite frankly, that the size of the check that we could write for an M&A deal is much smaller today than it would have been a year or two ago. And we are very cognizant of that. So some of those things that you see that are out there, that are a bit larger, we are not interested in because we know that that might take us closer to non-investment grade and we are just not doing that.

And just to give you a little more colorful flavor on it, I'm going to return to what I said in May of 2009, just to make the point. And at that stage, we did have to go to the high-yield market. And I met with something like 65 institutions in a week and I closed every meeting with the following summary. I said there were three reasons why you should buy our bonds. The first was that we were much closer to the bottom than the top, and that was certainly true. Secondly, all of our operations were cash positive. That means we have very good quality assets that are underpinning any bonds. And, third, I said, I met a lot of really nice people in the high-yield market this week, and I never wanted to meet them again. We are going back to investment grade as fast as we could, and that's exactly what we did. Well, I will say this. I think that there is probably still a lot of really nice people working in the high-yield market, but I still don't want to meet them. So that really summarizes my position on this; been through that, not going there again.

And, with that, I want to say thank you very much for joining us in this meeting and we look forward to seeing a lot of you, I think, on November 7, I think it is, Greg, with our investor day.

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

Yes. November 5. Thanks very much. And, of course, for those of you who weren't able to get your question in today, Ron Millos and myself are certainly available to take your call off-line over the course of the day. We can talk. But look forward to seeing you on November 5 at our investor day.

Don Lindsay - Teck Resources Limited - President, CEO

Thanks so much.

Operator

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