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TCK.B.TO - Q2 2015 Teck Resources Ltd Earnings Call

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OVERVIEW:

Co. reported 2Q15 revenue of CAD2b and adjusted profit attributable to shareholders of CAD79m or CAD0.14 per share.

CORPORATE PARTICIPANTS

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Ron Millos *Teck Resources Limited - CFO*
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Kerry Smith *Haywood Securities Inc. - Analyst*
David Wang *Morningstar - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to Teck Resources Q2 earnings call.

(Operator Instructions)

Later, we will conduct a question and answer session. This conference call is being recorded on July 23, 2015. I would like to turn the conference over to Mr. Greg Waller, Vice President Investor Relations and Strategic Analysis. Please go ahead, Sir.

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

Good morning, everyone and thank you for joining us for Teck's second quarter 2015 results conference call. Before we begin, I'd like to draw your attention to the forward-looking information on slide 2. This presentation does contain forward-looking statements regarding our business. However, various risks and uncertainties may cause actual results to vary. Teck does not assume the obligation to update any forward-looking statements. With that, I'd like to turn call over to Don Lindsay, our President and CEO.

Don Lindsay *- Teck Resources Limited - President & CEO*

Thanks, Greg, and good morning, everyone. I will begin with a brief overview of our second quarter results and then Ron Millos, our CFO, will provide additional color from a financial perspective. We will then close with a Q&A session when Ron and myself and several other members of the team would be happy to answer any questions.

Our industry continues to face difficult conditions. In Q2, prices for all of our major commodities were lower than the same quarter last year. Steelmaking coal spot prices have fallen by around $25 per tonne from the start of the year as the market continues to be oversupplied. We are responding to these conditions with our ongoing focus on cost management and operational performance. We continue to lower unit costs, helped significantly by lower oil prices and the US dollar remaining at favorable levels in the quarter and strengthening in July. We will continue to have a disciplined approach to managing our mine production and inventory and began rotating temporary shutdowns at each of our six coal operations in June. Improved gross profit before depreciation and amortization in each our business units this quarter reflects our close attention to costs.

In addition, we have taken steps to significantly enhance our liquidity. In Q2 we extended our existing revolving line of credit by one year and we added a new two year, $1.2 billion facility. Also, subsequent to quarter end we announced changes to our gold streaming arrangement with RGLD which generated an additional $162 million in cash. In total, we currently have over CAD6.5 billion in liquidity, including our undrawn credit facilities.

Finally, we were honored to be recognized again as one of the top corporations in Canada for both corporate citizenship and social responsibility. Teck is the fourth ranked company overall and the top-ranked mining company on Corporate Knights' Best 50 Corporate Citizens in Canada list. We were also named one of the top 50 socially responsible corporations in Canada by Sustainalytics.

Looking at the overview of our second quarter results on slide 4, revenue of CAD2 billion was flat to Q2 last year, but gross profit was up 6%, again reflecting the results of our cost management program. Overall profitability was down by CAD17 million at CAD63 million due to a higher provisional tax rate, much of which is a one-time item related to the recent increase in Alberta's provincial tax rates implemented there by the new government.

After removing unusual items though, adjusted profit attributable to shareholders was actually up CAD7 million from the same period last year to CAD79 million or CAD0.14 per share despite lower commodity prices.

Touching on some operational highlights from the second quarter on slide 5. Our operations performed well. Production was up for all of our major products, and this includes production from Pend Oreille which completed its restart in the quarter and is expected to achieve its annualized production capacity of 44,000 tonnes of zinc concentrate by the end of Q3.

We also reduced unit costs in both copper and coal by 9% and 10% respectively.

I will now review our quarterly results by business unit starting with steelmaking coal on slide 6. While sales were 300,000 tonnes lower in the quarter, they were higher than our quarterly guidance at 6.5 million tonnes, and we achieved record sales in the first half of the year. That is, our sales were 6.5 million tonnes and the guidance was 6 million tonnes.

However, ongoing oversupplied market conditions and indications of weakening demand in China continued to impact coal prices. Spot prices were down close to CAD15 per tonne in the quarter and even lower during the middle of the quarter, and since roughly half of our sales are priced on shorter term pricing arrangements, our realized price came in at the low end of historical range at 87% of the quarterly benchmark. On a Canadian dollar basis, our average realized price was down CAD6 per tonne to CAD116.

Production was up 200,000 tonnes in the quarter compared to last year, and this was prior to our decision to take temporary shutdowns beginning in late June. We also significantly reduced coal site costs by CAD8 per tonne and transportation costs were also lower. Costs have fallen even further in US dollar terms. Gross profit before depreciation and amortization was actually up 6% to CAD215 million.

Looking forward, as I mentioned earlier, we have begun temporary shutdowns at each of our coal operations for the third quarter and reduced our production guidance by approximately 1.5 million tonnes. At the same time, we maintained our annual coal cost guidance and reduced our annual capitalized stripping guidance by CAD65 million. We have said that we will consider additional production adjustments as market conditions evolve and we plan to review our Q4 production levels around the end of September.

We continue to support our long-term customers. For Q3, coal prices have been agreed with the majority of our customers based on $93 per tonne for the highest quality product, and we expect sales to be at least 6 million tonnes, including spot sales.

Turning to our base metals business and starting with copper on slide 7. Revenue was up 8% to CAD704 million. Average realized price was down 13% in US dollar terms and sales were up by 10,000 tonnes.

Production was 6,000 tonnes higher than the same quarter last year and 12,000 tonnes higher than Q1 of this year.

We reduced our total cash unit cost by CAD0.15 per pound or 9% on a US dollar basis, and that's in line with our guidance for a significant reduction this year. Gross profit before depreciation and amortization was up 8% to CAD317 million.

At Quebrada Blanca, we temporarily suspended cathode production on June 25 following an unexpected ground movement in the SX-EW plant area. Partial production has since resumed. The impact on production in the second half of the year is expected to be 5,000 to 10,000 tonnes of copper cathode. As a result, we now expect full year copper production of 340,000 to 350,000 tonnes, that's in the bottom half of the previous guidance range.

And finally, as planned, Duck Pond ceased operations on June 30 after exhausting it's remaining ore reserves.

Looking at our zinc business unit on slide 8, and please note that Antamina and Duck Pond zinc related results are reported in our copper business unit as usual. Duck Pond officially closed on June 30. Pend Oreille achieved commercial production at the end of the first quarter, so its earnings have been included in our profit since April 1.

Lower zinc concentrate sales were due to normal seasonal variability at Red Dog and higher refined zinc sales were more reflective of the production rate at Trail. Red Dog’s shipping season commenced June 28 and we expect sales of 170,000 tonnes of contained zinc in Q3 and 200,000 tonnes in Q4, consistent with the normal seasonal sales pattern.

Production of zinc concentrate was up, principally at Red Dog as it continues to benefit from excellent ore throughput and also including Pend Oreille contribution.

As I mentioned earlier, Pend Oreille's restart was completed in the quarter. The mill reached design capacity of 2,000 tonnes per day of ore throughput in June. Annualized production capacity of 44,000 tonnes of zinc concentrate is expected to be achieved by the end of Q3.

Lower refined lead production was driven by our annual KIVCET shutdown which was advanced to Q2 from Q3 as well as a reduction in throughput due to furnace conditions.

Overall, gross profit before depreciation and amortization was 2% higher at CAD143 million.

Turning to an update on Fort Hills on slide 9. We are well into construction and all critical milestones are being achieved as per plan.

As of the end of Q2, engineering activities were 85% complete. Construction was 35% complete and we would expect to be more than half done by year end. At that point we will be only 18 months away from commissioning.

These photos give you a sense of the scale of the construction. Equipment and material deliveries are continuing and off-site modular fabrication, site civil works, and process facility construction are now well underway.

As I've said before, this is a great environment to be building an asset like Fort Hills with capital spending having been reduced in the industry substantially; there is a lot less pressure on labor and contractors. And while we are very pleased with the progress of the project and the cost management, with the project only 35% complete, it is too early to declare victory on budget and schedule. Look forward to the completion of the project and the addition to earnings and cash flow that we expect it to generate.

With that, I will turn it over to Ron Millos for the financial highlights for the quarter.

Ron Millos *- Teck Resources Limited - CFO*

Thanks, Don. I summarized our changes in cash for the quarter on slide 10. Our cash flow from operations was CAD332 million. We spent CAD329 million on capital projects, including Fort Hills. Capitalized stripping costs were CAD175 million. We paid CAD39 million in our interest on our debt and CAD42 million of principle, and Antamina refinanced a loan of which our portion was CAD28 million.

After these items, distribution to non-controlling interest, foreign exchange translation, and other changes of working capital, we ended the quarter with cash and short-term investments of around CAD1.3 billion, and this is in line with our expectations for this point in the year.

With the changes to the Andacollo gold streams that Don spoke to earlier, our current cash balance is approximately CAD1.5 billion as of July 22.

Moving on to slide 11, our pricing adjustments for the first quarter, lower prices resulted in CAD32 million of negative pricing adjustments in Q2 compared with positive pricing adjustments of CAD19 million in the same period last year. Copper was down $0.13 from the end of Q1 2015 and zinc was down $0.04.These adjustments are included on our income statement under other operating income and expense.

The chart on the right represents a simplified relationship between the change in copper and zinc prices and the reported settlement adjustment and usually provides a good estimate of our pricing adjustment each quarter. And, as always, as a reminder refining and treatment charges in the Canadian and US dollar exchange rate should be considered in your analysis of the impact of price changes in the adjustment, and you should also consider taxes and royalties when analyzing the impact on our profit.

Looking at our credit ratings on slide 12. Our credit ratings were recently put on negative outlooks by S&P and Moody's due to the current economic environment

Our investment grade credit ratings continue to be a priority for us; however, if commodity price moves further against us, there is a limit to what makes sense to defend it.

We've executed on a number of initiatives supportive of our credit rating. We're consistently delivering on our operational targets and have achieved significant cost reductions with minimized capital spending and funding only one growth project being Fort Hills, and we have cut the dividend to CAD0.30 per share on an annualized basis beginning with the July payment.

We've also implemented production curtailments at our coal operations while maintaining our coal cost guidance. We've enhanced our cash position through changes to our gold streaming arrangement at Andacollo with the potential for further streaming transactions, particularly in silver, and we've enhanced our liquidity through additional committed bank credit and I'll speak to that momentarily.

We believe that the quality of our long life assets and their positioning on the commodity cost curves, our actions to diversify our commodity basket, and our financial policies are all supportive of investment grade credit rating we continue to target as appropriate for Teck.

Turning to liquidity on slide 13. As Don mentioned earlier, we've recently taken steps to significantly enhance our liquidity. We now have two undrawn revolving credit facilities totaling $4.2 billion. We extended the maturity in our $3 billion revolving facility by one year to July 2020 and put in place a new 1.2 revolving facility maturing in June 2017. And again subsequent to quarter end we restructured the agreement with Royal Gold at Andacollo which generated an additional $162 million cash. And the rating agencies have confirmed that transaction is not treated as debt. And again including these proceeds, our current cash balance is CAD1.5 billion as of the end of day yesterday.

In total, our cash and unused available committed bank credit is now over CAD6.5 billion and this is almost four times of our share of capex remaining at the Fort Hills project, not including the free cash flow generation from the rest of our business. These credit lines are fully available to us regardless of our credit rating. The cost of facilities drawn or undrawn would become more expensive if our credit ratings were to decline, but there is no credit rating trigger regarding availability. The credit facilities contain one financial covenant and that is to maintain a debt to debt plus equity ratio of not greater than 50%. We are currently at 32%. And regarding commonly voiced concerns we hear these days regarding write-down room, our equity would have to drop by about CAD10 billion to be off side that 50% ratio.

Our current cash balance is in line with our expectations for this time of the year and is consistent with our goal of ending the year with at least CAD1 billion, assuming that we meet our current full-year guidance for production volumes, costs, and capital spending based on current commodity prices and exchange rates and also assuming that we have no unusual transactions or events by the end of the year.

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

Don Lindsay ***- Teck Resources Limited - President & CEO***

Thanks, Ron. And before I wrap up I'd like to reinforce what Ron said about some of the speculation and comments we've heard in the market, and this is related to the investment grade rating and actions we may or may not take.

As Ron said, we believe that with our diversification strategy and with the quality and long lives of our assets and our positioning on the cost curves for key commodities, Teck should be considered an investment grade company over the long term.

However, if commodity prices move in such a fashion against us that our debt to EBITDA metric is stressed for the short-term and the rating agencies decide which is the right to move us out of investment grade for some time, then there is not much more we can do to defend that. We will not issue equity to buy back debt to defend the rating, and that's one of the comments that we've heard in the market. We want to make sure that people understand that we will not issue equity to buy back debt to defend the rating. We will continue to invest in our business and to restore the EBITDA side of that metric.

To wrap up with a summary of our near-term priorities on slide 14, we remain focused on cost reductions and operating performance. At the same time, we are maintaining a strong financial position and we expect to finish the year with at least CAD1 billion in cash without any material change in the overall US dollar debt level.

With that, we would be happy to answer your questions and I want to please note that some of our management team members are on the line in different locations and so there may be a brief pause after you ask your question as we sort out who is going to (inaudible) to. Thank you very much and over to you, Operator.

QUESTION AND ANSWER

Operator

(Operator Instructions)

Aleksandra Bukacheva from BMO Capital Markets.

Aleksandra Bukacheva *- BMO Capital Markets - Analyst*

Thank you, Operator. Don, thank you very much for an update. Are you able at this time to give us an idea of the magnitude or at least the range of those additional ongoing coal production cuts and also the cost profile associated with that volume?

Don Lindsay *- Teck Resources Limited - President & CEO*

No, we are not. As we said in the comments, we're going to make that decision in September. Ian, you're on the line. Maybe I'll ask you to comment related to the cost side of it.

Ian Kilgour *- Teck Resources Limited - EVP & COO*

Yes, sure, Don. We're continuing to maintain our operations cash positive over Q3. What we're looking at Q4 to see what the market expectation or the market trends are and will be maintaining the production that we have that's cash positive and at this point we expect that to be all of our mines; however, we can't predict what's going to happen in the market in the next four months. So, we'll be making any decisions as to production levels around September.

Aleksandra Bukacheva *- BMO Capital Markets - Analyst*

Okay. And then a follow up question on that. Capitalized stripping in the coal division are still quite high versus operating income at CAD100 million, that was about half of the gross profit, so is there any chance that those additional production cuts would help with the stripping cost reductions or maybe some deferrals?

Ian Kilgour *- Teck Resources Limited - EVP & COO*

Of course our ongoing cost cutting is important. We've been reducing costs for several years now and all of our people are still working very hard at that. So, we'll be looking to continue to reduce costs right across our range of costs. When we look at how we performed in the first half of the year compared to our budget and compared to costs in previous years, we reduced costs in every category. That is in labour, contractors, operating supplies, repair parts, diesel, and other costs, so we are confident that we can maintain that momentum.

Aleksandra Bukacheva *- BMO Capital Markets - Analyst*

You wouldn't really want to speak to any of the ranges right now? We'd have to wait until September to kind of get the better sense of the numbers?

Ian Kilgour *- Teck Resources Limited - EVP & COO*

Yes, that's correct.

Aleksandra Bukacheva *- BMO Capital Markets - Analyst*

Okay. Thank you very much. I'll jump back in the queue.

Don Lindsay *- Teck Resources Limited - President & CEO*

I'd like to point out that with the degree of volatility we've seen in the last two weeks, let alone the last two months or six months, it's very hard to make decisions in this volatile environment, so we're going to wait until the end of the quarter.

Operator

Harry Mateer from Barclays Capital.

Harry Mateer *- Barclays Capital - Analyst*

Hi, good morning. A couple questions. I guess first, Don, in the past you had indicated that you might be willing to issue equity to buy assets. Can you just talk about what you are seeing in that market? Are there any opportunities or is that just not viable with your equity at this level?

Don Lindsay *- Teck Resources Limited - President & CEO*

Yes, I'll just add some clarity to the comment. The nature of the question at the time, this is on the last quarterly caller, probably anytime you want to ask me a question you always actually get to the situation where you say never say never, but our bias is strongly against issuing equity at all anywhere near these price levels and if it were for an acquisition, it would have to be quite an extraordinary acquisition for us to think that it was so accretive that we would issue equity, so that's the one point on issuing equity.

On what we're seeing in the acquisitions market, not much. You can read in the paper about different activities that are ongoing, but the odds of us being sort of involved at a point where we'd actually make an acquisition are quite slim at the best of times and I don't think anything has changed. The fact is when the industry went through its consolidation phase from about 5 to 10 years ago, a lot of the good opportunities were taken then and they are held in strong hands and they are unlikely to free up, at least opportunities we'd be interested in, and exploration worldwide generally has not been that successful. And whether our discovery, one thing we've learned as an industry is that it's at least 10, 12, probably 15 years, before there'd be any production from those discoveries. And so if you're looking to grow near to medium term production and cash flow, there's very, very little out there.

Harry Mateer *- Barclays Capital - Analyst*

Thanks. And then just a follow up. As a management team, I don't know if this is how you manage, but what do you think the right debt or net debt to EBITDA metric is for the Company?

Ron Millos *- Teck Resources Limited - CFO*

Our target is geared to maintaining the mid-triple B credit rating, above the 30% number is what we've targeted in the past. Certainly at these commodity prices it's challenging to maintain that, but the 30% in a more normal pricing environment is a reasonable target for us.

Harry Mateer *- Barclays Capital - Analyst*

And that's a debt to cap target?

Ron Millos *- Teck Resources Limited - CFO*

Debt to debt plus equity. Of course the rating agencies look at EBITDA coverage and interest coverage. They have a number of different metrics that they look at, but our financial policies are tied into trying to maintain that mid-triple B level. We like the mid-triple B because when you get into an environment like this you and end up getting sort of drawn down with the entire industry and it leaves us that cushion to avoid the non-investment grade categories.

Don Lindsay *- Teck Resources Limited - President & CEO*

Let me just add to that that the issue with the debt to EBITDA ratio is really with the denominator. If you look at our debt maturity schedule, we only have CAD300 million due this year and nothing due next year and then the maturity ladder is well staggered throughout with very, very manageable maturities, so it's really about EBITDA and in the extremely low price environment, low coal price in particular, it's tough to do much about that EBITDA. It doesn't take much change in the coal price for the denominator to increase such that fraction is right back onside. However, we'll have to wait and see if and more likely when that happens.

Harry Mateer *- Barclays Capital - Analyst*

I guess at that point where do you think we are in the met coal cost curve at this point?

Ron Millos *- Teck Resources Limited - CFO*

Well, that is an excellent question but one of the most difficult to answer in the industry right now. I'm looking at Real Foley as I speak. The whole industry has been able to lower costs certainly more than I think anyone anticipated. We've done a pretty good job ourselves and we're trying to make sure we maintain our position on that cost curve, but I think it would be just a guess to know where we are right now. Real, do you have anything better to say?

Real Foley *- Teck Resources Limited - VP, Coal Marketing*

Just more generally, Don. Wood Mackenzie's estimate a couple months ago was showing that around half of the seaborne hard coking coal industry was operating at negative margin and that was based on a price of CAD89. So, since then, the spot price has come down further. So you can expect that at least half of the industry is still operating cash negative and in our case, we're cash positive at all of our mines.

Don Lindsay *- Teck Resources Limited - President & CEO*

The currency effect of course is very powerful. It's helped us in Canada, it certainly helped Australia and doesn't help the US. We have seen acceleration in the US of what I'd call corporate activity I guess. I think there have been six bankruptcies so far, including Walter recently. There's been delisting of Alpha. Arch is I think consolidating 10:1 to avoid delisting. These are serious indications of how stressed the industry is. There was a report out from one of the major banks a few days ago saying 100% of the Central Appalachian coal business is losing cash. We know there's a lot of pressure out there, but at this point the market is still over supplied.

Harry Mateer *- Barclays Capital - Analyst*

Thank you.

Operator

Greg Barnes from TD Securities.

Greg Barnes *- TD Securities - Analyst*

So, Don, how over supplied is the coal industry right now given there has been cuts in production, including your own?

Don Lindsay *- Teck Resources Limited - President & CEO*

Good question, Greg. As you all know, we keep a running chart on that and we have a number. I don't think we share the number because we're not sure how accurate it is, but I want to be helpful so I'd say -- I think we set a range before, so I'd say we're still in the 10 million to 15 million tonne oversupply range.

Greg Barnes *- TD Securities - Analyst*

And I know this is an equally difficult question.

Don Lindsay *- Teck Resources Limited - President & CEO*

You know what I want to say though, because I see Real staring at me. There's a part B to that and that depends on your assumption on what the imports into China are. And when I talked about volatility earlier, this would be a good case in point. In May, the total net coal imports in China were 1.8 million tonnes and then we saw June's number and it was 5.08 million tonnes. So, if you annualize the 5.08 that's over 60 million tonnes a year. That would be fantastic, right. Of course we know that it's just shipping schedules and various other things. So, to answer your first question on how oversupplied are we, you have to make an estimate or a guess on what the numbers are going to be going to China, what the end demand are. I saw another comment out saying that one of the factors that might bring the coal price back that we're all underestimating what China will buy from the seaborne market. We don't know we'll just have to see how it unfolds month by month. It’s the absolute right question, Greg, but it’s tough to answer.

Greg Barnes *- TD Securities - Analyst*

Yes. It's an equally difficult question then. What is the right long term price for coking coal now? I know you use $185 in your replacement or carrying value test but clearly that's not right. What is right?

Don Lindsay *- Teck Resources Limited - President & CEO*

There's a long paragraph in the disclosure about that because we spent a lot of time on it, and thanks for the opportunity to elaborate on that. First, we don't know the long term price and the other factor going into that assumption is what is the long term cost structure, and that hasn't stabilized yet. And so it hasn't stabilized for us either. Because as the price gets lower people change their mine plans and in some cases that can change cost structure quite significantly as you all know. So for example, we have our impairment testing, the last time it was done was in October which is the same time we do annually for the goodwill testing. At that time I think the Canadian dollar was closer to par or something. So if you then use a current exchange rate, actually use the 1.25 exchange rate that it takes it down to $140, then the current exchange takes it to about $134. Then if you were able to use a model with our current cost and what we think our costs are likely to be in the new five year mine plans going forward then that might get us below $130 in terms of where we think there might be any impairment. So that's one part of the discussion, does that mean that the long term price is $130 or below? We don't know because if we look at other operations and where the top 10% to 20% of the cost curve is, we think it's going to be above that. We've seen some disclosure lately that re-enforces that. So we are doing a lot of work on it and it's very important for people modeling and doing evaluations and so on. I don't think we'll find that the percent cost reductions that we've seen in the last two years will continue much longer. I think people are going to hit the wall on that and in fact you'll see some snap-back and costs will come back up because of things people did to survive these extreme lows will run out and if they want to stay in business they'll have to mine higher cost material. So, it's just another form of volatility in trying to assess this business. I don't know if that's a helpful answer or not. We are trying to be helpful but the answers are not easy to your questions which is of course something you knew when you asked them.

Greg Barnes *- TD Securities - Analyst*

Yes that is helpful Don. That gets us somewhere down the road on this. Thanks a lot.

Operator

Orest Wowkodaw from Scotiabank.

Orest Wowkodaw Scotiabank - Analyst

I just wanted to get a little bit more colour on the coal business. You have done a pretty good job taking down costs over the last year or so. Do you think we have reached the bottom of where costs can go, given that you are taking volumes down starting in the third quarter? I am curious if you still think there is more room to bring down costs from current levels. And then secondary, in terms of volumes, if the spot price stays around $80 per tonne which would signal that we will see an even lower benchmark moving forward, do you think it is reasonable to assume that your volumes would stay around that 5.7 to 6 million tonne per quarter mark moving forward until we saw an improvement?

Don Lindsay *- Teck Resources Limited - President & CEO*

I'm going to make some comments and then turn it over to Ian in a minute. And working backwards on your questions. It is still too early to tell on that. Directionally, I think that if prices stayed that low, we would probably stay in the range we are now. But we are looking at a number of different alternatives that could change that decision. So I apologize but there isn't just one option for us on that and we haven't made the decision so I don't want to be definitive.

On the costing, if you asked me about four or five months ago I would have thought, yes, we're getting close to having done just about all that we can do, but imagination prevails and mine plan is a big, big part of it. If you assume that we're in an environment of lower prices for longer, then you could make some significant decisions that might structurally lower your cost. And so we know the whole industry is looking at that, so we are too, plus there's different technology applications. One of the things that we're excited about is converting our haul trucks from diesel to LNG and not only is that a very important move from a sustainability point of view in terms of lowering your carbon footprint, but it would also lower our fuel costs significantly, so there's a bunch of things that could make a difference. So, Ian, why don't I turn it over to you on that point on the cost side.

Ian Kilgour ***- Teck Resources Limited - EVP & COO***

Thanks, Don. So, I guess we just continue to look for cost reduction opportunities. Basically all our employees in the coal business unit are engaged in one form or another and we're working on the highest priority and highest impact cost reduction initiatives. We're talking to all our suppliers. We're talking to all our contractors. We're examining the services that we have provided to us to look for opportunities. We're looking to consolidate our purchasing effort, looking for increased leverage and we're looking at mine plans. We've been able to reduce haul distances this year below budget, basically questioning the various assumptions of which we are formulating our mine plans, so I wouldn't say we're at the finish of our cost reduction capability. We're certainly a fair way through. We've achieved a lot, but we're going to be keeping on looking.

Orest Wowkodaw Scotiabank - Analyst

Okay. Thank you for that. And just as a follow up. You spent about CAD1 billion year-to-date on capex all in including cap stripping in Fort Hills, so you seem to be tracking below your budget for the year of CAD2.3 billion. Do you expect that to pick up in the second half or is there a possibility you might come in below budget on that spending?

Ron Millos ***- Teck Resources Limited - CFO***

Yes, we think we might come in a bit lower. The one significant item that Ian mentioned earlier or Don mentioned earlier was reduced stripping costs at the coal operations. Of course our US-based operations are being hit by the exchange rate. But I wouldn't say it's going to come in hundreds of millions of dollars below by and means but it could come in 100 million or so below.

Orest Wowkodaw Scotiabank - Analyst

Okay. Thanks for that color.

Operator

Geoffrey McKinney from Bank of America Merrill Lynch.

Geoffrey McKinney ***- BofA Merrill Lynch - Analyst***

Hi. Good morning, guys, and thank you for the question. I guess first just some further clarity on the additional liquidity that was put in place. Curious why the decision for a two-year facility. Was there nothing available from a longer term standpoint? And generally don't think of liquidity as a near-term concern, so just kind of wanted to get your thoughts there.

Don Lindsay ***- Teck Resources Limited - President & CEO***

Scott Wilson, Vice President of Treasury.

Scott Wilson ***- Teck Resources Limited - VP of Treasury***

Thanks, Jeffrey. Yes, the decision on the $1.2 billion tenure of two years was really a balance between a longer term there but also extending our existing $3 billion facility. So we extended that from a four-year term to a five-year term and in conjunction with that felt and took advice from our banking relationships that a two-year term in terms of capital that the banks would need to hold against these things was about the right sweet spot. So, it was really to find that optimal balance.

Geoffrey McKinney ***- BofA Merrill Lynch - Analyst***

And was there a longer term facility available or was this kind of, as far as lending banks were willing to go out?

Scott Wilson ***- Teck Resources Limited - VP of Treasury***

We might have been able to do something longer. I'm not sure we would have been able to get $1.2 billion had we done that. So, again, it was trying to find the right balance between size and tenor.

Geoffrey McKinney ***- BofA Merrill Lynch - Analyst***

Okay. Thank you. That's helpful. And then just kind of revisiting the comments on some of the other coal producers. You mentioned Walter and Alpha. As you think about kind of your intermediate term strategy, what are you guys thinking about in terms of that capacity potentially being permanently shut versus continuing to operate post a potential reorganization?

Don Lindsay ***- Teck Resources Limited - President & CEO***

It's hard to know. Historically, if you went back to around the 2005 time period and before, the exports out of the US were in the kind of 23 million to 25 million tonne range kind of consistently. Then as prices rose, and they rose quite significantly, we saw those exports go up to as high as 55 million tonnes and kind of within that range for a few years. If prices today are below, well, hard to pick a year, but certainly they're below 10 years ago would it go back to that level? If it did go back to that level, that would mean still significant shutdowns to come, permanent shutdowns to come out of a number of those companies. So that's probably the only kind of factual guideline that we can point to, but each of those will be case specific and they'll make their own decisions.

Geoffrey McKinney ***- BofA Merrill Lynch - Analyst***

Okay. Thank you. That's helpful.

Operator

Oscar Cabrera from Bank of America Merrill Lynch.

Oscar Cabrera *- BofA Merrill Lynch - Analyst*

Thank you, Operator. Good morning, everyone. Staying with the coal markets, wondering if you would be willing to share your estimates and those 10 million to 15 million tonnes of oversupply, what's the assumption for imports into China?

Don Lindsay *- Teck Resources Limited - President & CEO*

You came through quite faintly. Sorry, Oscar. The question was what our assumption was for imports into China. I think in our chart and that 10 to 15 million tonnes there's a number of factors and it would probably be best not to go into those details. I can say that for six months, at the half year, it was 21 million tonnes into China. If you annualize that, that's 42 million tonnes. Monthly was much higher, but May was really not much. So it's very volatile, it's hard to tell.

Oscar Cabrera *- BofA Merrill Lynch - Analyst*

I'm assuming that you're using the first six months of the year but that's fine, that's helpful. Then on the -- you talked about the issues that you have in Quebrada Blanca as well as one of your coal mines with some slide -- do you have an estimate for the amount of capex that will be required to get these operations back to normal?

Don Lindsay *- Teck Resources Limited - President & CEO*

Dale Andres, our Senior VP, Copper.

Dale Andres *- Teck Resources Limited - SVP, Copper*

I'm comment briefly on QB. It's still early days as far as our cost assessments. We do have remediation plans that we're putting into place and that includes plans to put a stabilization buttress against the pit wall that's the primary cause of the ground movement in and around our SX-EW plant. I think again it's too early to comment on the cost estimate, but as we stated in our release we have restarted production at about 80% of planned production for the year and we'll go at that rate until we finalize those plans.

Oscar Cabrera *- BofA Merrill Lynch - Analyst*

Right. And on the coal operation?

Ian Kilgour *- Teck Resources Limited - EVP & COO*

Ian here, Oscar. It's probably in the order of a couple of million dollars. Basically, there was a fall of rock in the area between the mine and the plant that has been cleaned up already to a significant degree and now we just got to get the conveyor running through, carrying the raw coal. Meanwhile, we're doing it by trucking, so it's going to be back to normal fairly soon.

Oscar Cabrera ***- BofA Merrill Lynch - Analyst***

So marginal, okay. Then the last thing, if I may. When you decided to shut down your operations for three weeks, what Canadian exchange were you using in your assumptions when that happened?

Don Lindsay ***- Teck Resources Limited - President & CEO***

So the question was related to our three-week shutdown what exchange rate were we using?

Oscar Cabrera ***- BofA Merrill Lynch - Analyst***

Yes, because if I remember correctly, back in the first quarter the operations were free cash flow positive and then a few weeks since there was a decision to shut down the operations. So I'm assuming that part of the reason for that was the difference in the Canadian exchange.

Don Lindsay ***- Teck Resources Limited - President & CEO***

Let me back up a bit on that and give some more color. So, when we made the statement that would have been in our Q1 results, so as of March 31 all operations were cash positive and then the coal price from about the middle of April to the middle of May declined substantially, like I think CAD20 in a very short space of time; and so for a phase there, depending upon whether you had maintenance shutdowns going or what, we would not have been able to have made that comment.

So Ian and I then got together and the rest of the management team and we implemented what we called our coal reset where we literally wanted to reset the business and we worked backwards from the market from customer demand and different quality of demand in different markets. China was one thing but our percentage sales to China had declined quite a bit and so it wasn't as big an impact as some people might have believed, but we are kind of pricing discussions take place and elsewhere we decided to deliberately not put additional tonnes into an already oversupplied market. And that was my quote in release and that's something that we strongly believe in.

So, exchange rate didn't really have that much of an impact in the decision to cut production. It was really working back from customer demand, looking at our inventories at ports and mines, and looking at just how we could be most efficient, and we did that very specifically so that it would have no effect on our key long-term customers. We'd have the coal blends available that we wanted and that's why we spread it throughout all six mines. If we continue with that in the next quarter and I repeat, we will not know that until the end of September, but we'd probably do it on the same basis more or less.

So, that just gives more color on it. We are basically taking spot tonnes off the market that we are going to weaker hands that were kind of helping weaken the price. And you will have seen that when we did that and we saw another producer, Peabody, cut back a few days later, there was a 10% move in the spot price. So, we kind of think that justifies the move. Ian, did you want to make any additional comments?

Ian Kilgour *- Teck Resources Limited - EVP & COO*

No thanks, Don, I think you covered it.

Don Lindsay *- Teck Resources Limited - President & CEO*

Okay.

Oscar Cabrera *- BofA Merrill Lynch - Analyst*

Thank you, Don.

Operator

Jorge Beristain from Deutsche Bank.

Jorge Beristain *- Deutsche Bank - Analyst*

Hey, good morning, guys. I guess my question is for Ron Millos but sorry I joined the call late, so I'm not sure if he's on.

Don Lindsay *- Teck Resources Limited - President & CEO*

He is, yes.

Jorge Beristain *- Deutsche Bank - Analyst*

Just again addressing and just from taking a page from the gold stocks, they typically use sort of three-year trailing average gold prices to sort of mark-to-market their reserves. I was wondering if Ron could comment on what is the mechanism for making that determination as for when you do a mark-to-market on your reserves and given where the spot is relative to your reserve or carrying price of $185 per tonne. And then the other question is, Ron, like how solid do you think Teck's book is right now because with the stock trading at about 25% of book value, the market is trying to tell you that there's probably some write-downs coming, so I'm just sort of looking for where we could be expecting those write downs to originate? Thanks.

Ron Millos *- Teck Resources Limited - CFO*

I might get John Gingell to help out with the pricing, but generally speaking it's what the market views the prices to be. So we look at the various what analysts do, what the various Wood Macs, those people look at and what other companies are using, plus our own views go into those calculations. So, it's a number of things. The write down also factors in the exchange rates, the mine plans, all of that information. So, that's basically how we go about the impairment process. Market value is really just an indicator. It's something that if the market value of our shares are less than the book value, it's an indicator that something is wrong. The thing I might point out is we looked at that in detail sometime in the last year, I can't remember the details, We went back in history and looked at our market value and at that time about two-thirds of the time, our market value was well in excess of our book value and a third of the time it was less. And when we were above, we were above by, on average, about CAD7 billion and when we were below, we were below by about CAD2 billion. So, in a cyclical industry the market value of your shares against the book value is not that relevant in the overall scheme of things.

Don Lindsay *- Teck Resources Limited - President & CEO*

John, do you want to comment?

John Gingell *- Teck Resources Limited - VP & Controller*

Yes, just a couple of comments. One is that the reserve testing prices are determined a little bit differently to a formula than the impairment testing numbers, so you can't make a direct correlation between them. And, as I say, there's a specific formula that's required there. The other thing just on the determination of prices, we use spot prices and forward markets where there are forward markets to determine those, but those forward markets for all our commodities run out after about two or three years, so after that period we blend in our long-term prices. Our long-term prices we go to a lot of sources for that. There is management judgment involved in that. We do -- when there are transactions in the market, we try to test our assumptions by back calculating the transaction price compared to the assumptions that we're using and we're generally pretty good, they tend to tie in, but there haven't been a lot of transactions lately, so it gets a little bit more difficult.

Don Lindsay *- Teck Resources Limited - President & CEO*

Yes, and I want to try to provide even more clarity and sounds like you may have missed my earlier answer earlier on the call, but we had some disclosure in the quarterly release as well on this. Important to note that the $185 number is not a number that is used in 2015 or 2016, it's several years out. And the numbers actually for these years are quite low, reflective of the market. That's when we do our models.

Secondly, when that number was done it was October 2014 and since that time the combination of both exchange rates, which Canadian dollars are 1.30 or so now, and the reduction in costs would make as much as a $50 or more swing in that equivalent price. So, we are looking at very closely, we looked at very closely for this quarter, we will look at it very closely for next quarter as well. And so there could be a write down at some stage, but one of the most important factors will be to get a handle on our own long-term cost structure which comes down to decisions on mine plan and haulage distances and strip ratios which can structurally affect the cost structure. You have to pick exchange rates and, as you know, that's quite difficult these days with the volatility. You'd also have to take a view on the long-term cost structure for the industry and how that might affect the long-term price.

So, we're very comfortable with this quarter because we know there's at least a $50 swing from what we published before, but we haven't come to a definitive view on those key factors that I just listed because in this market that's kind of difficult, and we are still working on those mine plans to see what decisions we might make that could materially affect the cost structure. So, I hope that gives you some more color on your question.

Ron Millos *- Teck Resources Limited - CFO*

If you missed the earlier part of the call, there has been concern that the off side, lending covenants with a potential write down. And our equity is CAD10 billion higher than our debt, so you've got basically CAD10 billion potential reduction in equity before we would be off side in that covenant as well.

John Gingell *- Teck Resources Limited - VP & Controller*

And just to add to that, that's an after-tax impairment, so you'd have to have a CAD15 billion impairment or something like that taken off side.

Jorge Beristain *- Deutsche Bank - Analyst*

I perfectly understand, but just taking a page from how I've seen some other industries function, like gold, we see $50 billion write downs in the past three years, so large numbers are possible given the magnitude of the pullback we've seen in commodities and that's what I'm trying to understand. What is the triggering mechanism and ultimately is this a Company decision or is this your auditor's decision to then year-end December 31 say hey, guys, we need to do a mark-to-market here. That's what I'm just trying to understand. At what point does it become necessary to take that write down?

Ron Millos *- Teck Resources Limited - CFO*

It's our decision, it's not the auditor's decision.

Jorge Beristain *- Deutsche Bank - Analyst*

Okay, thank you.

Operator

Brian MacArthur from UBS.

Brian MacArthur *- UBS - Analyst*

Not to go back to this impairment again, but you made a statement that is obviously a lot of assumptions, including taxes. How are the tax pools from the Fording transaction or what sort of tax rates do you use going forward for that impairment testing given the pool is out there? Do you just take a normalized statutory rate?

John Gingell *- Teck Resources Limited - VP & Controller*

Yes, we take a normal statutory rate for that and there are mineral taxes that are figured into that calculation as well.

Brian MacArthur *- UBS - Analyst*

Right. So you'd be using like when you did your impairment there'd be a cash tax rate somewhere at 30% as opposed to like lower than that with the pools. Is that how it works?

Ron Millos *- Teck Resources Limited - CFO*

The pools are factored into the calculation, Brian, because it's basically a net present value analysis and we have these pools that are available to us. So, until they run out they would be factored into the calculations.

Brian MacArthur *- UBS - Analyst*

And are they specifically allocated to certain assets or no. On the book value?

John Gingell *- Teck Resources Limited - VP & Controller*

They're allocated to the coal business unit as a whole as they apply to them. The mineral taxes are a mine-by-mine allocation because that's the way mineral, taxes work.

Brian MacArthur *- UBS - Analyst*

Right. So you'd use the tax pools from that basically for the impairment testing in the coal then I guess, is that sort of the way it works?

John Gingell *- Teck Resources Limited - VP & Controller*

Yes.

Brian MacArthur *- UBS - Analyst*

Okay, great. Thank you very much.

Operator

David Charles from Dundee Capital Markets.

David Charles *- Dundee Capital Markets - Analyst*

I just have one quick question. Most of mine have been answered. I was just wondering where we are on the collective bargaining agreements on your copper assets. If I'm correct, you're still negotiating or will begin negotiating for Antamina, Andacollo, and QB and I'm wondering whether this might cause strikes or other curtailments in production.

Dale Andres *- Teck Resources Limited - SVP, Copper*

Sure, it's Dale. I can provide some color on that. Actually, our Antamina agreement expires today, but we're in the middle of active negotiations. It's not unusual for those negotiations to go past the expiring date of the agreement, similar to last time around. And as far as CDA and QB in Chile, we're also in early negotiations with all the unions there. And because we're in the middle of negotiations, I really don't want to comment any further than that.

David Charles *- Dundee Capital Markets - Analyst*

Do you think that given the current copper price environment the negotiations will be more difficult or less difficult?

Dale Andres *- Teck Resources Limited - SVP, Copper*

I think negotiations are always difficult and I wouldn't anticipate it any more or less. And, again, there's nothing to indicate that it would be any different than last time around.

David Charles *- Dundee Capital Markets - Analyst*

And maybe just in the same vein has there been any disclosure as to the situation both at Line Creek and one of your, I'm not sure which, Coal Mountain where we are on negotiations there as well?

Ian Kilgour *- Teck Resources Limited - EVP & COO*

Ian here. We're carrying on negotiations on those with both those mines and it's an ongoing process and we'll be continuing over time.

Operator

Alex Terentiew from Raymond James.

Alex Terentiew *- Raymond James Financial Services, Inc. - Analyst*

Hey, guys, just one quick question on your coal business costs. Obviously, you've done a good job keeping costs down so far this year, well below the guidance and you note in your presentation you're maintaining your cost guidance for the year. Is there any reason why we should think costs will go back up to that range? To even hit the low end, you'd have to be kind of in the CAD94 per tonne range for the rest of this year. I'm just trying to get an idea if you guys are being extra conservative there or not.

Ian Kilgour *- Teck Resources Limited - EVP & COO*

I guess we certainly hope and expect that we can keep the costs that are under our control, but there's always external factors, including diesel price. And we still have to make decisions about our quarter four production, so we just thought it was prudent to leave the current range intact for the time being.

Alex Terentiew *- Raymond James Financial Services, Inc. - Analyst*

Given your current production plans, where costs are, and so forth, you don't really see any reason why costs the second half of this year should be much higher than they have been in the first half?

Ian Kilgour *- Teck Resources Limited - EVP & COO*

Well, I guess we'll be endeavoring to keep cash positive and as prices are not going to be any higher than they were in the first half, you can see where costs have to be.

Alex Terentiew *- Raymond James Financial Services, Inc. - Analyst*

Okay. Great. Thank you.

Operator

Jeremy Sussman from Clarkson. Please go ahead.

Jeremy Sussman *- Clarkson Capital Markets - Analyst*

Thank you very much. Can you just remind us how much of your coal is sold quarterly versus spot in the mix of Chinese versus non-Chinese sales which obviously is related to that?

Réal Foley Teck Resources Limited - VP, Coal Marketing

So, we've got about half our coal that remains priced on a quarterly contract basis. Actually, what we said for 2014 is that we had above 55% of our coal that was sold on shorter than quarterly basis and that's up from around 40% in 2013. It was about 30% in 2012 and it was 15% to 25% prior to 2012. And the sales split in 2014, you asked about China, China was somewhere around 25% or so of our sales in 2014 and we started producing our sales to China from about Q4 of 2013.

Jeremy Sussman *- Clarkson Capital Markets - Analyst*

Thank you. And then just following up real quick on one more question on costs. Regardless of unit costs and keeping it very high level and acknowledging that you're still in the decision-making process, do you see overall costs trending higher or lower over the next 12 months kind of outside of currency swings?

Don Lindsay *- Teck Resources Limited - President & CEO*

Could you rephrase the question or repeat the question?

Jeremy Sussman *- Clarkson Capital Markets - Analyst*

Yes. So basically I understand that you're still in the decision-making process on the operational side, but just generally speaking outside of currency do you see coal costs trending higher or lower over the next 12 months from where they sat in Q2?

Don Lindsay *- Teck Resources Limited - President & CEO*

Unfortunately, it is related to some of the key decisions. Ian, why don't I turn that one over to you.

Ian Kilgour *- Teck Resources Limited - EVP & COO*

Thanks, Don. Really, I think we probably covered this and I'm not sure we can give too much more color than we have previously. Our endeavor will be to maintain all of our operations cash positive and so we're going to be doing everything we can to keep costs down.

Jeremy Sussman *- Clarkson Capital Markets - Analyst*

Thank you very much.

Operator

Kerry Smith from Haywood Securities.

Kerry Smith *- Haywood Securities Inc. - Analyst*

Are the mine plans for coal operations just generally sufficiently flexible that you could re-work mine plans for the next one to three years and significantly reduce your stripping requirements and still not jeopardize long term mine plan? Could you take CAD100 million out of capitalized stripping for the next couple of years annually and still not screw up your mine plans?

Don Lindsay *- Teck Resources Limited - President & CEO*

I guess we're seeing reviewing our mine plans on an ongoing basis over the last couple of years and we're still in that process. We are looking at every avenue we have to reduce costs in the short term, but of course we are keeping an eye on the long-term and we certainly aren't going to be doing anything which prejudices our ability to maintain production levels when the price recovery comes.

Kerry Smith *- Haywood Securities Inc. - Analyst*

Okay. I'll take that as a maybe. And just on Antamina you had a good quarter there in terms of throughput. Is that throughput level sustainable or was that a function of softer ore in the quarter? Just wondering if you can run at that rate on going forward basis.

Dale Andres *- Teck Resources Limited - SVP, Copper*

It was an unusual quarter in the fact that it was record throughput. It does depend on the mix of ore feeds and where we are in our various phases of our mine plan. The original design rate through the expanded facility was 130,000 tonnes per day. I would expect a more normal rate for production would be in that 145,000 tonnes per day, so still well above design but probably not as high as in the second quarter on a continuous ongoing basis, although we are trying to continue to optimize throughput as we go forward. Countering that, I guess we do anticipate grades to recover on the copper side going forward in the second half of the year.

Kerry Smith *- Haywood Securities Inc. - Analyst*

Okay, okay.

Operator

David Wang from Morningstar.

David Wang *- Morningstar - Analyst*

I just had a couple questions. First, if net coal prices remained where you signed the latest contract, would you be able to maintain the current level of guidance of 25 to 26 million production after this year? For the tonnage that you're not producing, are those still profitable or are you mainly taking them off to help the supply-demand balance in the market?

Don Lindsay *- Teck Resources Limited - President & CEO*

Good question but again not sure we could answer until we get closer to next year and make an assessment on market conditions. I know you prefaced your question saying if the prices stay there. I would repeat that all of our operations are cash positive now, so that would suggest that we keep going at the rate we are now or more, but our general philosophy is that you shouldn't put incremental tonnes into an over supplied market, so those are two factors that we would look at. That's how we'd think about it and we'd make the decision then.

David Wang *- Morningstar - Analyst*

Alright, great. And for the decline in what you guys expect for capital costs in Fort Hills, can you guys give us some color on what you think your portion of capital still left will come down to? Has it changed from your previous guidance?

Don Lindsay *- Teck Resources Limited - President & CEO*

Sorry, I missed the question. Could you repeat the question, please.

David Wang *- Morningstar - Analyst*

Yes, you mentioned that you expect declining capital costs for Fort Hills, I was wondering if that's changed from what you previously expected or is it about the same?

Don Lindsay *- Teck Resources Limited - President & CEO*

You may have misinterpreted our comments. We have not said that we expect declining capital costs. What we had said is this is a terrific environment to be building Fort Hills because elsewhere there have been significant cut backs in capital devoted to the industry. That makes the environment for building much better in terms of access to key skills in labor and deliveries and the rest of it and we have been benefiting from that, so the project is right on track and meeting all its major milestones. That's the state of play. I'm actually going there tomorrow and looking forward to it. They are making good progress.

David Wang *- Morningstar - Analyst*

Alight. Costs are about the same as what you had been projecting. I'm also wondering about copper. Copper's price has come down quite a bit too, but on the cost side of the industry, are you seeing the same sort of cost cuts as you have with met coal or do you see it to a different degree?

Dale Andres *- Teck Resources Limited - SVP, Copper*

I think in copper from a cost perspective we are making good progress on how we manage contractors, how we manage labor, how we manage supplies. Exchange rates in our favor in our Canadian operations. In Chile and Antamina, a good portion of our costs are exposed in US dollars, so I guess to a lesser degree we're benefiting from the exchange rate there. But, yes, we're no different than coal. We're going to continue to try and drive our costs lower and that's across the board at all operations.

David Wang *- Morningstar - Analyst*

Great. Thanks, guys.

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

Operator, we've gone well through our hour so we are going to cut off the Q&A now. If anybody is left in the queue with a question, we'd be happy to talk to your separately over the course of the day. I'm going to turn it back to Don Lindsay for a moment to make some closing comments.

Don Lindsay ***- Teck Resources Limited - President & CEO***

Yes, the first thing I would say is that there are a couple of questions there on deferred stripping that suggests that at least a few individuals out there might benefit from a conversation to clarify your understanding of how deferred stripping works. I strongly encourage you to call Greg Waller directly on that issue. And I'd say the same on things related to debt covenants and ratings and those kinds of things. A number of issues that I think are based on we know stories are circling the market and sometimes it's stories related to what people hope might happen based on their own investment position, but we have some pretty clear answers to those. We tried to give them today, but for those who are still wondering, don't hesitate to call Greg Waller directly.

So then in closing, I just want to say that we're very, very proud of this quarter because the operating team has really delivered. The finance team has really delivered as well in terms of our balance sheet and liquidity strength and I point out that notwithstanding the fact that commodity prices are significantly down, our results are up. So look forward to speaking to you again at the end of Q3. Thanks very much.

Operator

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