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PRESENTATION
Welcome to Teck's fourth-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 Thursday, February 13, 2014. I would now like to turn the conference call over to Greg Waller, Vice President Investor Relations and Strategic Analysis. Please go ahead.

Greg Waller - Teck Resources Limited - VP of IR & Strategic Analysis
Thanks very much, operator, and good morning, everyone. And thank you for joining us for our fourth-quarter 2013 investor conference call. Before we start I'd like to draw your attention to the forward-looking information cautions on slide 2.

This presentation contains forward-looking statements regarding our business; however, various risks and uncertainties may cause actual results to vary. Teck does not assume the obligation to update any forward-looking statement.

Before I turn it over to Don I'd just like to point out that we're going to limit the call again to an hour today. So we will have a fairly brief presentation portion and then go to Q&A. And at this point I would like to turn the call over to Don Lindsay.

Don Lindsay - Teck Resources Limited - President & CEO
Okay, thanks, Greg, and good morning, everyone. I'm going to begin with the highlights of our year-end and also go through our fourth-quarter operating and financial results and I will turn it over to Ron Millos, our CFO, to provide additional colour on the financial side including our 2014 guidance and then we will conclude, as Greg said, with a Q&A session.

So, starting with slide 4, operationally we achieved very solid performance in 2013. I am pleased to report that we met or exceeded all of our production targets which I will review in a moment. We also set a number of significant operating and sales records including record annual coal sales and record annual throughput at each of Greenhills, Antamina, Carmen de Andacollo and Red Dog.

We also exceeded the goals of our cost reduction program which we had increased midway through the year due to the success of the program. And in total we identified over $380 million of annual ongoing potential cost savings at constant production levels and we implemented approximately $360 million of them as of December 31. And we will continue with this program to see if we can identify and implement additional savings.

We are prudently allocating capital to the best risk/reward projects for future growth and we are responding to market conditions in the short-term to manage our capacity to invest. We have reduced our sustaining capital where it makes sense, we have also deferred projects and their related capital expenditures, including delaying the Quintette mine restart and slowing down development of QB 2 over and above the delays related to permitting.

We announced with our partners that we are proceeding with construction of the Fort Hills oil sands project. And this is the first step towards building an energy business unit that will become a significant growth driver for Teck. And this is in line with our strategy as a diversified mining company that develops long-life assets with world-class resources and competitive margins in mining.

We've also returned cash to shareholders through dividends and buybacks over the year while maintaining a strong balance sheet. We have retained our dividend at an annualized rate of $0.90 and our cash balance at year end was almost $2.8 billion.

So looking at the overview of the full-year results on slide 5, the benefits of our diversified business model are showing through. Coal prices were down 23% as new sources of supply have put significant downward pressure on market. Copper prices and zinc prices were much better supported; as a result our adjusted profit came in at about $1.0 billion or $1.74 per share.

Overall revenue was down approximately 9% to $9.4 billion primarily again due to lower prices. Coal and zinc sales and production were higher than last year. Copper sales and production were both down about 2%.

On slide 6, we have reported our achievements against 2013 guidance. As I mentioned, we met or exceeded all of our production targets for the full year and we set a number of significant operating and sales records.

In steelmaking coal we are pleased with production of 25.6 million tonnes, which is broadly in line with the top end of our guidance range, which we raised in the middle of the year. Coal sales were a new record at 26.9 million tonnes resulting from increased global steel production. In addition, we achieved more than a 10% reduction in our coal site costs coming in at the bottom end of our guidance range.

In copper we slightly exceeded the annual production target with our second highest copper production year ever. In zinc we significantly exceeded our production target per concentrate production due to record annual ore throughput at Red Dog and Antamina. We also met the top end of our guidance range for refined zinc production. Ron Millos will address our guidance for 2014 later in this call.

Turning to some highlights for the fourth quarter on slide 7. We had very strong operational results in the quarter. Production was higher than the previous year for all of our principal products, and copper production of 105,000 tonnes set a new quarterly record.

However, prices for all of our principal products continued to decline with coal prices down 11%, copper prices down 10% and zinc prices down 2% over the same quarter last year. Softer prices were partially offset by the strengthening of the US dollar which averaged $1.05 in Q4 compared with $0.99 in the fourth quarter of 2012. As I mentioned, the Fort Hills oil sands project commenced construction in the quarter as well.

We declared our semiannual dividend in December and we paid it in January. Subsequent to quarter end I'd like to point out that Teck's leadership in sustainability was recognized again in one of the most credible corporate sustainability rankings worldwide.

We were named to the Global 100 most sustainable corporations list for the second consecutive year by corporate night at the World Economic Forum in Davos, Switzerland. Companies are evaluated based on a range of sector specific sustainability metrics such as water, energy and carbon productivity and of course safety performance. This year Teck was the only mining company in the world on the list.

Looking at an overview of Q4 results on slide 8. Revenue declined 13% to $2.4 billion primarily due to lower prices for all of our principal products. Gross profit before depreciation and amortization and bottom-line profit attributable to shareholders were $875 million and $232 million respectfully. On an adjusted basis profit attributable to shareholders was $227 million or $0.40 per share and EBITDA was $766 million.

Now going through our Q4 results by business unit and starting with steelmaking coal on slide 9. Production was up 300,000 tonnes over the previous year. Sales volumes were slightly ahead of last year in the quarter, contributing to the new annual coal sales record which was 2.9 million tonnes above the prior year and 1.9 million tonnes higher than the previous record which was back in 2004.

And this reflects strong sales growth worldwide, particularly in the traditional markets of Asia. In addition, our logistics providers have had consistently strong performance, including the recently expanded Neptune Terminal.

However, steelmaking coal prices declined remaining below the level that we believe is required to sustain adequate production in the sector long-term. This was partially offset by the effect of the stronger US dollar.

Site costs were negatively impacted by a write-down of thermal coal inventories which represented an additional $3.00 per tonne. Excluding this impact, site costs were $52 per tonne, and important to point out that with the new exchange rate that is US$47.00 per tonne. We estimate that our cost reduction program reduced coal site costs by $6.00 per tonne this quarter compared with the first nine months of 2012 before the program began.

The program is focused on savings in areas such as productivity improvement in mining, maintenance, processing operations as well as reducing input and overhead costs. However, additional factors impacted site costs this quarter such as higher fuel costs, contracted labor rate increases and the completion of deferred maintenance activity.

Softer coal prices impacted revenue gross profit for our steelmaking coal business. Quarterly gross profit before depreciation and amortization declined by $83 million to $352 million.

Looking at some highlights of our steelmaking coal business unit on slide 10. The chart on the left shows the positive trend in our rolling four quarter steelmaking coal production. Full year production was 25.6 million tonnes and I should say that in the small box above the bar chart it says 25.6 in 2014 - that should say 2013.

We've completed the expansion program that has been underway for the past three years and currently we have the capacity to produce 28 million tonnes of coal, which was our objective. Our actual production rate, however, will be a function of market conditions and at this point we are planning to run somewhat under capacity.

We also have the option to grow capacity by a further 3 to 4 million tonnes by restarting our Quintette mine. We are continuing detailed engineering work at Quintette so that if market conditions turn favourable we would be in a position to be able to move quickly. Production could commence within 14 months of a construction decision and at this point we don't contemplate making a decision until closer to midyear.

In the Elk Valley we had record annual ore throughput at Greenhills. Construction of the first water treatment plant to reduce selenium is progressing satisfactorily at Line Creek, and that facility is expected to be commissioned in the second quarter.

In terms of the first-quarter outlook for steel making coal, benchmark price for premium products is US$143 per tonne. Demand remains strong and we expect total sales to be at or above 6.3 million tonnes. I should note here that we are no longer providing guidance on realized price. We have concluded that providing this detailed guidance is problematic.

However, if you look at our realized price versus the benchmark over the past two years, we have realized around 94% of the benchmark price on average on an annual basis. This discount is reflective of our product mix and is as good as or better than most of our peers which reflects the high quality of our product.

The discount does it vary somewhat from quarter to quarter reflecting the direction of quarterly benchmark prices or spot prices or product mix, the last one being quite important. The discount can be particularly influenced by carryover tonnage. So if you watch these factors closely you should be able to reasonably estimate the realized price.

Turning to our copper business unit on slide 11. We had a record copper production quarter of 105,000 tonnes in Q4, which was driven by our record annual ore throughput at Antamina following its expansion and subsequent de-bottlenecking activities. But also improved productivity at Quebrada Blanca and another strong finish to the year at Highland Valley.

However, we note that we expect copper production to begin declining in 2014. Copper sales were behind production with a 7% decline due to timing of shipments. We did achieve a reduction in unit operating costs particularly at our Chilean operations, copper cash unit cost declined by 7% in the fourth quarter.

Gross profit before depreciation and amortization for our copper business unit declined by $79 million primarily due to lower commodity prices which also reduced byproduct revenue and lower copper sales.

Looking at some highlights of our copper business unit on slide 12, the chart on the left shows the progress we've made in increasing copper production over the past four years. It has stabilized at a somewhat lower rate over the past few quarters and this decline is expected to continue.

Throughput was strong at Highland Valley at over 125,000 tonnes per day benefiting from the new pebble crushing facility. The mill optimization project achieved substantial mechanical completion in the quarter and commissioning of the new flotation facility has commenced.

Antamina continues to run very well following recent throughput improvement initiatives. In Q4 throughput was over 136,000 tonnes per day and we broke the quarterly records for copper production and ore throughput. We also set an annual ore throughput record in 2013.

At QB production was up in Q4 compared with the previous year's quarter. We continue to see a significant improvement in operating costs as a result of our restructuring plan and cost reduction initiatives with a 33% reduction in copper unit cost in Q4. For QB2 we have continued ramping down engineering and procurement activities and their related costs. And the scope of the work on QB2 will be much reduced in 2014.

At Carmen de Andacollo copper unit cost declined 15% in Q4 and a new quarterly throughput record was set in 2014.

And finally Relincho's feasibility study was completed. Although the project would be economic at consensus long-term prices we will not be moving ahead with a significant development at this time due to market conditions. In 2014 we will work on optimization studies focused on capital and operating cost reductions but we will be spending very little money.

And turning to the photo on slide 13 for the latest update on Highland Valley's mill optimization program I would like to point out we have bubbles. We achieved a key milestone last week when the first feed went into the new flotation plant. Two of the five grinding lines, line D and line E, are now connected and running at expected recoveries and concentrate grades and we are actually making concentrate and that is a very positive start. So approximately 40% of the plant feed has been transferred to the new plant with the remainder expected in early March. So we are very pleased about that.

Turning to our zinc business on slide 14. Red Dog broke its annual mill throughput record with 3.9 million tonnes milled primarily due to softer favourable ore types. Zink mining production increased slightly in Q4 compared with the previous year's quarter, as Antamina's mill feed mix contained a significantly higher amount of copper-zinc ore.

We include Antamina's share of zinc production in these production figures, but Antamina's financial results are reported in our copper business unit as zinc is considered to be a byproduct at this mine.

Red Dog had lower sales volume in the quarter as a result of the timing of shipments. In 2012 shipments were higher than normal in Q4 as poor weather resulted in shipments scheduled for the third quarter last year being pushed into the fourth quarter. Also in 2013 some customers requested deliveries of zinc scheduled for Q4 2013 to actually be delivered in Q1 2014.

Trail's refined zinc production increased as a result of better roaster throughput and improved operating efficiency.

So in the end gross profit before depreciation and amortization declined by $56 million to $138 million primarily due to the substantially lower sales volumes from Red Dog.

Turning to our energy business unit on slide 15. On October 30 we were very pleased to announce with our partners that construction of the Fort Hills project would proceed. Now this is an attractive project with very competitive margins, an expected mine life in excess of 50 years. It will create significant value over the long term as it generates substantial cash flow across many price cycles.

It is a strategic diversification as well into a mining product that is consumer driven. Projects are aligned with Teck's core competency of large truck and shovel operations and as a bonus the investment is very tax effective for us as we already generate much of our income in Canada.

Our share production is expected to be 36,000 barrels of bitumen per day or 13 million barrels per year. The project is scheduled to produce first oil as early as the fourth quarter of 2017 and achieve 90% of planned production capacity within 12 months.

In terms of capital expenditures, Suncor has indicated planned total project spending of $3.16 billion in 2014 of which our share is $850 million including our earn-in commitment. A similar level of spending is expected in 2015 and 2016.

The partners are working closely together to minimize execution risk at every stage with the project benefiting from Suncor's operational project development experience in the oil sands. 2014 project activities are expected to focus on completion and detail engineering, procurement across areas of the project and construction of mine and extraction infrastructure including pilings and foundations.

With that, I will now turn it over to Ron to provide some additional colour on the financial side.

Ron Millos - Teck Resources Limited - SVP Finance & CFO
Thanks, Don. I am on slide 17 where we've summarized changes in our cash for the quarter. Our cash flow from operations was $636 million which reflects lower prices for all of our primary products. We spent $541 million on capital projects in the quarter, including $243 million on sustaining capital. Capitalized production stripping costs were $185 million in the quarter.

Expenditures in financial investments and other assets were $47 million which is primarily for Fort Hills. And you should note that effective October 30, we have changed how we account for our Fort Hills investment to recording our proportionate share of the project so the capital expenditures are now captured in property, plant and equipment. We previously accounted for the investment using the equity method.

We also paid $47 million in principal and interest on our debt and we received $498 million in proceeds from the sale of various marketable securities. After these items, distributions to non-controlling interests, foreign-exchange translation and other changes in working capital we ended the quarter with a strong cash balance of about $2.8 billion.

On the next slide, slide 18, our pricing adjustments for Q4 are summarized. We had positive pricing adjustments of $10 million on a pretax basis in the fourth quarter compared with $20 million of negative adjustments in the fourth quarter of 2012. These adjustments are included in our income statement under other operating income and expense.

The pricing adjustments are driven by the change in the quarter end commodity prices. And in Q4 the average copper price increased by about $0.04 per pound and zinc increased by about $0.08 per pound. The chart on the right side of the slide simplifies the relationship between the change in copper and zinc prices and the reported settlement adjustments.

And as a reminder, the Canadian/US dollar exchange rate and refining and treatment charges 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 net profit.

I'd like to touch on the balance sheet for a moment on slide 19. As mentioned, we have a strong cash balance with almost $2.8 billion at the end of the year which is about $2.6 billion at the December 31 exchange rate. We have a balanced debt maturity profile with an average maturity of approximately 15.5 years.

And importantly, we only have US$300 million of notes due in the next three years to the end of 2016. Our note rollovers average about US$600 million. Our average coupon rate is 4.8% and our annual interest payments are about US$346 million. We also have a mid-BBB investment credit rating with a stable outlook from all four of the major agencies and we are committed to retaining that rating.

Looking forward to guidance on slide 20. In steelmaking coal our 2014 production guidance is 26 million to 27 million tonnes, which represents a modest increase from the 2013 production of 25.6 million tonnes. And this is lower than our current capacity of approximately 28 million tonnes as we align our production rates with anticipated demand and effectively manage our inventories based on market conditions.

In terms of cost, coal site guidance is between $55 and $60 per tonne which is equivalent to US$50 to US$54 per tonne at the current exchange rate. This is based on our current production plans reflecting longer haul distances and higher fuel prices which are offsetting our cost reduction initiatives.

Our coal transportation cost guidance is between $38 and $42 per tonne for the full year. And on a combined basis that is $93 to $102 per tonne or equivalent to US$85 to US$93 per tonne at current exchange rates.

In copper our 2014 production guidance is 320,000 to 340,000 tonnes. This represents a decline from the 364,000 tonnes produced in 2013 given lower expected production from Antamina as it enters a period of lower grades as per the mining plan. In addition the QB's supergene deposit nears the last period of its life and production is down a little bit there as well. Antamina is expected to gradually increase production after 2014 as grades improve.

We expect our copper cash unit cost to be between US$1.70 and US$1.90 per pound net of by-product credits. And in zinc, production of zinc in concentrate is expected to between 555,000 and 585,000 tonnes in 2014. This includes both Red Dog and our share of production from Antamina. Refined zinc production at Trail is the same as last year, between 280,000 and 290,000 tonnes for 2014.

Moving on to the next slide, total capital spending is expected to be approximately $2.6 billion in 2014 and this includes the $850 million for our share of Fort Hills and $700 million for our capitalized production stripping cost. Overall we are reducing our sustaining capital spending figure to $620 million.

We are able to respond to the current market conditions and to do so in the short term because of significant investments over the past few years. As an example, our truck fleets are relatively new with the spending that we have had over the past few years.

Our major enhancement project spending at our existing operations is also reduced to $170 million and that includes about $70 million for the final completion of the mill optimization project at Highland Valley and $70 million at our coal operations.

Major project spending on new mine development is expected to be $1.1 billion. The biggest piece is our investment in building the energy business unit that Don mentioned and, again, our share of the Fort Hills spend is estimated at $850 million for 2014. We also expect to spend $105 million on advancing the Frontier project and in addition we have $100 million for QB2 and $25 million for the Quintette project.

As always, the amount and timing of actual capital expenditures is dependent upon numerous factors including our ability to secure any permits that are necessary, and the necessary equipment, labor and supplies. And to do so at cost level expected. And of course we may change our capital spending plan depending on commodity markets, results of feasibility studies and various other factors.

Moving on to slide 22, I would like to highlight the sensitivity of our profits and EBITDA changes in prices and exchange rate based on the midpoint production estimates we have provided and assuming a Canadian/US dollar exchange rate of $1.10.

As a starting point our EBITDA was $3.2 billion in 2013. For coal our estimated EBITDA sensitivity for each US dollar per tonne change in the coal price is $29 million, for copper and zinc the estimated sensitivity for each US $0.01 change in the price is $7 million for copper and $10 million zinc.

And the one to watch closely at the moment is the exchange rate. The Canadian/US dollar exchange rate has moved significantly in our favour over the past months and the US dollar is now approximately $0.08 stronger than 2013 average.

Our estimated sensitivity to every $0.01 change in the Canadian dollar versus the US dollar is approximately $62 million. So if the current exchange rate continues for the balance of 2014 we could have a possible $500 million or so increase in our EBITDA for the year. So with that I will now turn the call back over to Don for some closing comments.

Don Lindsay - Teck Resources Limited - President & CEO
Thanks, Ron. So in summary on slide 24, we had strong operational performance in 2013 and we met or exceeded all of our annual production targets. We exceeded our cost reduction targets in 2013 and we retained our sharp focus on those operating costs. We are prudently allocating capital to the best risk/reward projects and we maintained our dividend at $0.90 on an annualized basis.

We are maintaining the discipline and focus on the long-term while remaining mindful of the short-term. And with that we would be happy to answer any questions. Operator, back to you.

QUESTION AND ANSWER

Sal Tharani - Goldman Sachs - Analyst
In your press release, you mentioned about the cost inflation which is offsetting the cost reductions you are implementing, I was just wondering if there could be some significant cost inflation in some of those areas you mentioned. I just was wondering if you can give us some colour on that.

Don Lindsay - Teck Resources Limited - President & CEO
I will just make a quick comment before turning it to Ian Kilgour, our Chief Operating Officer. But what we said in the release is that while we have had good success on our cost reduction program on a number of items, we still can't ignore the effect of grade or haulage distance or strip ratio and what that might do to the overall cost. And so, we just want to make sure that people are keeping those key factors in mind. So, Ian, over to you.

Ian Kilgour - Teck Resources Limited - EVP & COO
Thanks, Don. Yes, we still will be certainly keeping up the focus on our cost reduction programs, bedding in the ones that we implemented last year and looking for extra cost reductions as we look through and incorporate all of the projects that have been implemented at our mines throughout the other mines across the business.

But we are facing annual differences in things like haul distance, and that is going to increase a little bit in 2014. We are also at a period in our maintenance cycle when we bought quite a lot of new trucks in the last couple of years and some of those are reaching the first engine overhauls and things like that. So there will be factors changing from year to year, but our focus on continued cost reduction and trying to come in as low as we can in the range of our cost guidance is a focus for all our people.

Sal Tharani - Goldman Sachs - Analyst
And my second question is, a recent press report about your involvement in the Las Bambas project, I was just wondering if you can give us some colour on that, also.

Don Lindsay - Teck Resources Limited - President & CEO
We don't comment on that kind of speculation. Sorry we can't give you any more colour, but that is just the policy that we have to have on those kinds of things. We see a lot of speculation. Part of the reason that we see the speculation is because we have a large cash balance and we are able to look at opportunities.

You can assume that our corporate development department is mandated to look at everything. Some things they look at for five minutes, some things they look at for five days, and sometimes they look at for five weeks and with a lot of detailed due diligence. But we are never really going to comment on any specific opportunity.

Sal Tharani - Goldman Sachs - Analyst
That is great. Think you very much.

Operator
Mitesh Thakkar, FBR.

Mitesh Thakkar - FBR & Company - Analyst
Just a quick question on Relincho. With the feasibility study behind us now, what kind of market conditions are required to bring that project online? And is it more of a copper market situation which you are focused on right now, or just where the coal markets are and the amount of cash flows and other CapEx priorities?

Don Lindsay - Teck Resources Limited - President & CEO
I would say it is more of a company decision in terms of prioritization of our capital allocation. We have done a lot of work comparing QB2 to Relincho and for a number of reasons, including the fact that there is current Quebrada Blanca in operation with the workforce and the rest of it, we put a priority on QB2. So we wouldn't want to be doing two projects at once from a project development capability and use of people and skills and executive experience point of view. And also from a balance sheet point of view with Fort Hills going ahead.

So we like Relincho and we know it is going to be something the world needs and is going to be very valuable one day. But in terms of its just place in the queue, it is behind. So I think finish the feasibility there is a bit of optimization to do, but we are just going to put it on hold until these other things run their course.

Mitesh Thakkar - FBR & Company - Analyst
Great. And just switching gears to Highland Valley a little bit. You had a pretty good quarter in the fourth quarter. It produced about 135,000 tonnes kind of run rate. Can you explain to us how the 2014 guidance looks kind of flattish versus 2013, even though the optimization should be done and you should get some benefit from there?

Don Lindsay - Teck Resources Limited - President & CEO
Okay, I am going to turn that over to Ian.

Ian Kilgour - Teck Resources Limited - EVP & COO
Yes, thanks. As the optimization comes in we are already getting benefit from the increased throughput due to our pebble crushing circuits. And with the flotation circuits coming on line fully by the end of March, we expect a little bump in our copper recovery and that will be fully in place by the second half of the year. However, the grade is fairly stable so that means that we are not going to see a significant increase in overall production.

Mitesh Thakkar - FBR & Company - Analyst
Okay, thank you.

Operator
Orest Wowkodaw, Scotiabank.

Orest Wowkodaw - Scotiabank - Analyst
Two questions. First of all just getting back to the coal costs. I mean back on the October conference call we certainly got the indication that you expected costs to stay around $50 a tonne for the foreseeable future. Just curious what has changed between then and now in terms of the guidance for this year at $55 to $60?

Don Lindsay - Teck Resources Limited - President & CEO
Ian, over to you.

Ian Kilgour - Teck Resources Limited - EVP & COO
Yes. Well, I guess the things that are a little bit different going forward in 2014 are, as we said, our haul distance increases somewhat and that means that we have to have more trucks operating to move the same amount of material. We do have some, as I said, some cyclic increase in the maintenance costs.

There are a few other factors that come in; we've got labour inflation, just the yearly increases in all of our labour agreements. Fuel prices have gone up a little. It will be the first year where we do have some operating costs for our selenium plant. So all of those things combine to give us that increase for 2014.

Orest Wowkodaw - Scotiabank - Analyst
Is there any impact from say just lower volumes than maybe you thought before in terms of spreading fixed costs?

Ian Kilgour - Teck Resources Limited - EVP & COO
No. No, we expect to produce more coal in 2014 than we did in 2013. So the there is no sort of dilution.

Orest Wowkodaw - Scotiabank - Analyst
Okay, I just mean in terms of previous expectations. But -- and just second question in terms of copper. I mean at the Investor Day you guys made it pretty clear that you made it a high priority to try to find some copper growth to bridge you to QB2.

I mean, given the feasibility study results for Relincho, can you give us some colour on where your head is at in terms of copper growth between now and QB2 and Relincho, which both look like they are kind of end of decade projects?

Don Lindsay - Teck Resources Limited - President & CEO
Yes. Nothing has changed from our comments at our November meeting. We are constructive, quite positive on the long-term outlook for copper. In fact, maybe even more so today than we were in November.

I note that as each new forecast comes out for the surplus in copper in 2014-2015 the numbers seem to get smaller. And the drop-off in copper production in Chile that is forecast for the second half of this decade is quite material.

So yes, we would be interested in adding to our copper portfolio. And the second part of the answer would be similar to what I said earlier, our corporate development department, it is their mandate to look at everything. And they are certainly looking at everything that is available in copper, but at the moment we haven't found anything that makes sense for us.

One other point I would make is that while we would like to do that and that would sort of fit backfilling some declining production that we have in the next couple of years, we don't have to do that. In the end we are a diversified company, our diversified strategy is based on having the flexibility to allocate capital to where the highest returns are.

So if we see something that we think the returns long-term are better in a project in some other commodity, we can do that even though we have declining copper production. So I think it is important to understand that principle.

Orest Wowkodaw - Scotiabank - Analyst
Thank you very much.

Operator
Meredith Bandy, BMO Capital Markets.

Meredith Bandy - BMO Capital Markets - Analyst
I just wanted to ask -- I guess this is sort of a follow-up on the other ones -- QB2, it sounded to me, and I could've gotten this wrong, but you're resubmitting the SEIA in Q2, which I thought was up a couple of quarters. But then it also sounds like that is still a little bit on the back burner. Could you just update us on what sort of the timeline could potentially be at QB2?

Don Lindsay - Teck Resources Limited - President & CEO
Yes, that is not quite right and that we understand it is a bit confusing. Ian, why don't I turn it to you for the timeline.

Ian Kilgour - Teck Resources Limited - EVP & COO
Thanks, Don. Meredith, we are going full steam ahead on our QB1 SEIA. We expect that to be submitted in Q2 this year. And as soon as we do that we will be turning our attention to the QB2 SEIA and moving that forward.

We've been working very closely with the authorities in Chile and have very, very good relationships in terms of being able to anticipate all of the issues which may be arising as a part of these SEIAs. And so, we are very confident that we can move through a very orderly program to get, first of all, QB1 and then QB2 approved.

Meredith Bandy - BMO Capital Markets - Analyst
Okay. So the SEIA for QB2 would still be late 2014, is that right?

Ian Kilgour - Teck Resources Limited - EVP & COO
Yes, we would be wanting to submit that as soon as we basically get approval for the QB1 SEIA, which of course depends on the government. But certainly by the end of 2014, start of 2015 that is where we would hope to be.

Meredith Bandy - BMO Capital Markets - Analyst
Okay. And then just quickly on the CapEx budget. Is there any of the selenium cost in there? Or have you just taken out the $600 million over the next five years given that you are working on a new plan for that? Or how should we think about this --?

Don Lindsay - Teck Resources Limited - President & CEO
No, it is included in the sustaining capital. Earlier I had given indications that we hope to have sustaining capital to $500 million not counting selenium. So you are seeing $620 million including corporate, so $600 million that includes selenium cost for 2014.

Meredith Bandy - BMO Capital Markets - Analyst
Okay. So for now we would just leave that with the $600 million previous five-year estimate, right?

Don Lindsay - Teck Resources Limited - President & CEO
That is correct.

Meredith Bandy - BMO Capital Markets - Analyst
Thank you.

Operator
Greg Barnes, TD Securities.

Greg Barnes - TD Securities - Analyst
I'm surprised I'm going to ask this question and to be the first one on the coal pricing. Don or someone else I guess, you talked in the discussion about more of your coal sales going into spot price contracts. I think the last guidance we had was around 30% of volume will be spot priced. Is that increasing?

Don Lindsay - Teck Resources Limited - President & CEO
Yes it is. And I will turn it over to Real Foley to give a more detailed answer.

Real Foley - Teck Resources Limited - VP of Coal Marketing
Thanks, Don. So, Greg, the guidance that we gave before talks about our overall sales price ratio -- ratio of sales price on shorter than quarterly basis above 40%, that is what we were expecting for 2013 and that is where our sales came in. That compares to around -- above 30% in 2012, so maybe that is where the 30% that you are remembering comes from. And it was 15% to 25% prior to 2012.

So the majority of our coal continues to be priced on a quarterly basis but there is more coal being priced on a spot basis in the market. The important thing to remember is that we have long-term relationships and contractual arrangements with our customers and that gives us a level of certainty on volume.

So, yes, pricing -- the pricing mechanisms are gradually changing in the market, but the basis for the business is really the long-term relationships and contractual arrangements.

Greg Barnes - TD Securities - Analyst
Is 40% good against 2014 then?

Real Foley - Teck Resources Limited - VP of Coal Marketing
Yes. We are expecting 2014 to be somewhere around that level or maybe slightly higher.

Greg Barnes - TD Securities - Analyst
Okay. And just one other question quickly on the capitalized stripping at $700 million this year. That's quite a bit higher than I was expecting. Is that a go-forward number or should that come down?

Ron Millos - Teck Resources Limited - SVP of Finance & CFO
It will gradually come down, Greg, but it is a number that can get whipsawed quite easily because if you change where you are mining or what you are intending to do for any reason it can be a volatile number. It is done on a sort of pit-by-pit or area-by-area basis, so --.

Don Lindsay - Teck Resources Limited - President & CEO
Unfortunately it's one of the hazards of IFRS, it is not something that we have a choice on.

Greg Barnes - TD Securities - Analyst
Okay, thank you.

Operator
Jeremy Sussman, Clarkson.

Jeremy Sussman - Clarkson - Analyst
Your 2014 coal sustaining Capx of $215 million seems to compare favourably to 2013 levels even when I account for selenium. Just curious if you can kind of walk us through where you've been able to save on the sustaining CapEx front?

Don Lindsay - Teck Resources Limited - President & CEO
Over to you, Ian.

Ian Kilgour - Teck Resources Limited - EVP & COO
Yes, thanks. We expected to be able to reduce sustained capital in this year because of the investment we had made in the business over the last three years. And so, we have come to basically the end of our sort of

brownfields growth phase. So basically the sustaining capital on things like tracks, shovels, drills has decreased. That is probably the main area where it is lower than previously.

Jeremy Sussman - Clarkson - Analyst
Great. And then just can you remind us if you do decide to go ahead with Quintette where it kind of fits on the cost curve within your mines?

Ian Kilgour - Teck Resources Limited - EVP & COO
Yes, Quintette would come in around the middle of our range in terms of cash costs.

Jeremy Sussman - Clarkson - Analyst
Great. Thanks very much.

Operator
Lucas Pipes, Brean Capital.

Lucas Pipes - Brean Capital - Analyst
Don, if I understood you correctly you said in the prepared remarks that copper production will begin declining in 2014. Is it right to interpret that as at 2015 production could be lower than 2014 even though Antamina should recover?

Don Lindsay - Teck Resources Limited - President & CEO
Yes, it is right. We haven't put out a number as yet, but I think you will see in the quarterly today that Duck Pond will be shutting down, so there is a loss of production there. And QB will continue to decline somewhat. So it will be declining this year versus last year and then stabilize a bit. So we have some moderate losses there and then we hope to make some of it up at Highland Valley.

And then, in Antamina's case of course, and I really should be letting Ian speak to this, but it really depends on the grade and the mine plan for that particular year. As you know, we are already into a lower grade phase. Ian, do you want to add some colour on that?

Ian Kilgour - Teck Resources Limited - EVP & COO
Yes. I guess Antamina is a complex deposit and as the mine plan progresses the percentage of copper only ore versus copper zinc ore changes. It was always foreseen that there would be a period of time lasting a couple of years where the copper production reduced and the zinc production increased, as those percentages of ore types change. So that is the period we're going through now and the overall trend will be back towards gradually higher copper production.

Lucas Pipes - Brean Capital - Analyst
I appreciate that. That is helpful. And then on Quintette, do you have a sense on CapEx in terms of what it would take to complete that project?

Ian Kilgour - Teck Resources Limited - EVP & COO
At this stage we are working very hard to shave every cent we can off that project. So it will be a bit premature to give a number on that.

Lucas Pipes - Brean Capital - Analyst
That is helpful. I appreciate it. Thank you.

Operator
Brian Yu, Citi.

Brian Yu - Citi - Analyst
I have just got a follow-up on the prior question about coal contracts, spot versus contract. We saw something similar in the iron ore markets where your customers were going more towards spot and prices were falling and then leaning towards contracts where prices are increasing. Can you maybe elaborate a little bit more on the term, how long these things last and is there any flexibility in there for your customers to move around between those two types of purchases?

Don Lindsay - Teck Resources Limited - President & CEO
Good question, Real?

Real Foley - Teck Resources Limited - VP of Coal Marketing
All right, thanks, Don. So when we look at the last year, Brian, starting from about the second quarter in 2013 a number of customers actually reduced the portion of quarterly price tonnes and requested suppliers to price a portion of their contracts on the spot basis. And it was in an environment of low steel prices, I guess that helps to control costs. And really our coal sales profile reflects that.

What we are seeing in the market this year is there is a continuation of that. Customers are continuing to request that a portion of their contract, a number of customers are continuing to request that a portion of their contracts be priced on a spot basis. So we expect, as I said earlier, to sell somewhere around 40% or maybe a little bit higher than that in 2014 on a spot price basis.

Brian Yu - Citi - Analyst
Okay. And were these requests made or committed on an annual basis or do they make these requests on a quarterly basis? And I guess I'm trying to get a sense of, say we do get a recovery of met coal prices and spot moves up above contract, that it is still good for us to use this 40% number and that it is suddenly not going to start to drop off as spot prices go up.

Real Foley - Teck Resources Limited - VP of Coal Marketing
So typically those arrangements are made on an annual basis so the ratio of spot to annual, if a customer has a contract like that it will be agreed at the beginning of the year. So that when the market changes as you say it is fair for both parties. At the beginning of the year nobody knows where the market is exactly going to go.

Brian Yu - Citi - Analyst
Got it, that is helpful. Thank you.

Operator
Kerry Smith, Haywood Securities.

Kerry Smith - Haywood Securities - Analyst
Don, in the Q1 report you had given some guidance on what you thought the operating cost would be for the selenium management program and now in this quarter you have kind of said you are not sure what the capital operating cost would be but that you are starting the first plant at Line Creek.

So should I interpret that to mean that you are thinking you can do better than the cost that you talked about previously? Or should I interpret that to mean that you are thinking the cost might be higher?

Don Lindsay - Teck Resources Limited - President & CEO
I don't think we said we are not sure; we have a distinct plan with real numbers and a real program that we have gone through with the government. But we do hope to be able to do it for less. There are several different technologies that people are looking at that could change the game. And so, in the longer term we hope one of those things will come to pass and help reduce costs. But maybe either Ian or Marcia could add further colour.

Ian Kilgour - Teck Resources Limited - EVP & COO
We're currently working with the provincial government on developing our Elk Valley Water Quality Plan. And how that evolves will determine the level of control that we need to put in for our selenium management and to some extent that will vary the expected capital and operating costs. And we hope to have that plan submitted to the government early in the third quarter this year.

But as Don said, we also have a very extensive laboratory pilot plant program occurring at the moment with our applied research and technology centre looking at all of the alternative technologies for selenium management and we're working actively to come up with the technology that is the most cost effective.

Kerry Smith - Haywood Securities - Analyst
Okay. So the costs you have given us previously are still accurate, it is just you are looking for ways to lower those potentially then, okay. And then the second question I had was just on Relincho again, Don, because you kind of deferred this project. Is it more a function of the moly price that is driving that decision or is there something else that is giving you returns that aren't adequate?

Don Lindsay - Teck Resources Limited - President & CEO
No, it is exactly what I said before, that the sequence of projects is QB2 first, and we haven't got the permit for QB2 and we won't have for some time. And balancing that with the cash available on the balance sheet and so on just means that it is going to be further out. So we are on our way with Fort Hills, QB2 will come after that if and when we get the permit. And Relincho after that.

Kerry Smith - Haywood Securities - Analyst
Okay. Okay, that is great. Thank you.

Operator
Grant Moenting, Paradigm Capital.

Grant Moenting - Paradigm Capital - Analyst
Congrats on another year and thanks for taking my call. Just a follow-up to some of the other questions. In terms of your core development team looking at copper, is there any potential that Teck would consider a buy immediate production versus build strategy? Or would you prefer to look only at projects that your team can develop in advance internally?

Don Lindsay - Teck Resources Limited - President & CEO
We would look at all options and so, yes, we could buy current production. We could buy a project if we thought it was a better project than the ones we already have in the pipeline. One of the advantages of having 76% of QB or 100% of Relincho is that we control the schedule and for something that was much better than those, then we could always put those on the back burner and go ahead with a new one. But we are looking at all of the options.

Grant Moenting - Paradigm Capital - Analyst
And do you think you are sort of in an environment now where buying production do you guys see it as cheaper as sort of maybe some of the other projects that you could develop or build or compared to Relincho or QB2? Are we there?

Don Lindsay - Teck Resources Limited - President & CEO
It all depends. The landscape does shift from more value in buying to more value in building. In the long-term what we really want is a high quality long life resource. And those are usually pretty difficult to buy. The most value creation for shareholders is if you get one of those and it goes through cycle after cycle.

And as I said on different occasions, in the commodity business whether it is copper or zinc or anything else, you are going to have cycles and inevitably you get all of your money back in two or three good years you just don't know when the two or three good years are going to be.

But if you have a 50-year mine life the odds of getting two or three good years five or six times are quite high. And if you back calculate your IRR then you will see you get a very good return. So for us the priority is quality of resource and mine life and that is what is going to really drive value creation for shareholders.

Grant Moenting - Paradigm Capital - Analyst
And price I assume.

Don Lindsay - Teck Resources Limited - President & CEO
Well, yes, it is always trying to get the right value proposition. And as you noticed, we haven't been able to find that yet. So the seller's expectations are often very high and we haven't been willing to pay it.

Grant Moenting - Paradigm Capital - Analyst
Great. Okay, well thank you very much. Appreciate it.

Operator
Oscar Cabrera, Bank of America.

Oscar Cabrera - Bank of America Merrill Lynch - Analyst
So basically a question on copper and then a question on coal if I may. In terms of the projects and disciplined capital allocation in the current macro environment, can you provide some more colour in terms of how you're thinking about the development of QB2? Assuming that you will be able to get permits within the next 18 months, should we think about this project as being developed until after Fort Hills is finished?

Don Lindsay - Teck Resources Limited - President & CEO
Yes. So here is how we think about it. If we get the SEIA filed at the end of this year, I am just conceptually. And then it takes maybe 18 months to get the permit. Historically it has been faster than that, but I think we have to be considerate of that. My guess is by that stage copper will have gone through its period of time when it has had a slight surplus and will be starting to move into a very deep deficit. And so my guess is that the cash flows that we'd be experiencing - and by the way, we kind of have a positive outlook on zinc by that stage too - will probably be quite strong and that we'll have the financing capability to go ahead with construction.

Certainly we think QB2 is an excellent project, solid returns, lower half or better on the cost curve, good for geopolitical jurisdiction, very long life, expandable and so on. So if we could snap our fingers and have that built we would. We think it will be a core part of our portfolio for generations. We just have to get from here to there. And when we get there we will take a look at what the financing options are. But I suspect by the time we get the permit we will be in a different commodity price environment.

Oscar Cabrera - Bank of America Merrill Lynch - Analyst
I think you are right. And in terms of the coal, getting back to the pricing spot versus quarterly. Just want to understand a little bit better if you can tell us which are the clients. So I guess the best way to ask this is, on a regional basis how were the coal sales segmented? And do you see the same mix in 2014?

Don Lindsay - Teck Resources Limited - President & CEO
Real.

Real Foley - Teck Resources Limited - VP of Coal Marketing
Thanks, Don. So, Oscar, 2012 if you recall, our sales profile was about 75% of overall sales into the Asian market. That included around 30% to China. And then the balance is sold to Europe and the Americas.

For 2013 our sales mix was pretty similar again. And just looking at what is happening in the market we expect maybe slight rebalancing towards traditional markets. There was a little bit of that, maybe 1% or 2% in 2013, but we expect again maybe a little bit of rebalancing towards traditional customers in 2014 as the recovery continues to take hold across the majority of the market areas.

Oscar Cabrera - Bank of America Merrill Lynch - Analyst
In fact you are getting then requests from everyone not just Asia?

Real Foley - Teck Resources Limited - VP of Coal Marketing
Yes, that is correct.

Oscar Cabrera - Bank of America Merrill Lynch - Analyst
Okay, great, thank you very much.

Greg Waller - Teck Resources Limited - VP of IR & Strategic Analysis
Operator, we are coming up on the hour so maybe just time for one more question and then we will have to cut it after that.

Operator
Certainly, thank you. Daniel Rohr, Morningstar.

Daniel Rohr - Morningstar - Analyst
A couple questions. Highland Valley unit costs looked pretty good in the fourth quarter. I guess operating cost about $1.51 a pound. I understand some of that is due to good grades. But can you comment on how much the improvement you saw as sustainable into 2014?

Don Lindsay - Teck Resources Limited - President & CEO
Ian.

Ian Kilgour - Teck Resources Limited - EVP & COO
Yes, I think we view that improvement is sustainable into 2014. Basic parameters don't change particularly. And we are going to be getting the full positive impact of the new flotation plant. I guess we would hope that with operating of that new plant with fewer larger flotation cells that we would actually get some improvement there. But we of course are going through a period where we are tying in that new system to the existing plant and there will be a period of bedding that down. So all-in-all outlook is fairly similar.

Daniel Rohr - Morningstar - Analyst
Thanks. And then with respect to currency sensitivities in the coal business you have got site costs forecast at $55 to $60 per tonne in 2014. Of that figure what portion might be true Canadian dollar expenses like labour and services and what share might be more globally fungible in nature so diesel and explosives and parts and the like?

Ron Millos - Teck Resources Limited - SVP of Finance & CFO
Probably -- this is a guess. It's probably best to get back to you on that with the detail because I would be guessing on the number.

Daniel Rohr - Morningstar - Analyst
All right, thank you.

Ron Millos - Teck Resources Limited - SVP of Finance & CFO
All of the labour would be Canadian. A big chunk of the supplies would be US. Another big chunk of the supplies would be Canadian, but in reality they are based on US, so it is hard to say. We'll have to get back with some detail on that.

Daniel Rohr - Morningstar - Analyst
Appreciate it. Good luck on the quarter.

Greg Waller - Teck Resources Limited - VP of IR & Strategic Analysis
Great, thank you much and just before we return back to the operator for a moment, for those of you who are still in the queue, we didn't get a chance to answer your questions, Ron Millos and I will be available to take calls. So give us a call or send us an email and we will get back to you.

Don Lindsay - Teck Resources Limited - President & CEO
Greg, maybe I will just make a summary comment.

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

Don Lindsay - Teck Resources Limited - President & CEO
I just wanted to repeat what I've said on institutional road shows. You know Teck itself is operating very well: we are meeting our targets, the balance sheet is very strong, we had our best safety record in our history, we have been named the most sustainable mining company in the world. So the company is in very, very good shape. But we are in a period of commodity price weakness, or in particular coal price weakness. And that means in the short term, the next couple of quarters, you are going to see weaker financial results.

But I don't know how many people invest for the medium-term these days where it is sort of three to four years out. But if you look out at that 2017 or so period, three years from now, we believe at that stage zinc is going to be in a very significant deficit and price should be very favourable. By that stage, copper should have a cleared its year or two of small surpluses and be going into significant deficit as well. We think the coal market will be cleared and Fort Hills will be almost built. So in terms of what Teck looks like at that stage it could be very, very exciting. So for anybody who is a medium-term investor you get paid a pretty good dividend along the way. And the three-year outlook is very exciting.

As miserable as the next quarter or two is, the three-year outlook is equally and oppositely exciting. I just wanted to leave you with those thoughts.

Greg Waller - Teck Resources Limited - VP of IR & Strategic Analysis
Thank you all for joining us and we will look forward to the next quarterly call.

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