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#### **CONFERENCE CALL PARTICIPANTS**

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Mark Altherr; Credit Suisse

Andrew Wells; IHS McCloskey

Harry Mateer; Barclays Capital

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Vishal Gupta; Desjardins Securities

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#### **PRESENTATION**

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Teck's first quarter 2010 results conference call. At this time all participants are in a listen-only mode. Later we will conduct a question-and-answer session. As a reminder this conference call is being recorded on Wednesday, April 21, 2010. I would now like to turn the conference call over to Greg Waller, Vice President Investor Relations and Strategic Analysis. Please go ahead, sir.

Greg Waller: Thanks very much. Good morning, everyone. And thanks for joining us this morning for our first quarter 2010 conference call. Before we start I would like to draw your attention to the forward-looking information slides on pages two and three of our presentation package. This presentation contains forward-looking information regarding our business. Various risks and uncertainties may cause actual results to vary. Teck does not assume the obligation to update any forward-looking statements.

At this point I would like to turn the call over to Don Lindsay.

Don Lindsay: Thank you, Greg. Good morning, everyone. Thank you for joining us.

There is a lot of good news to comment on today. We have hit the debt reduction targets that we originally put in place in July 2008, and we have hit it much faster than originally planned, in spite of the severe

economic recession that we have been through. We have investment grade ratings from three of the four North American rating agencies, reflecting the progress of our debt reduction and the strength of our underlying business. Moody's report on their review is expected shortly. And we are starting to benefit from the much higher coal prices that will deliver a significant boost to our financial results in upcoming quarters. I will start with a review of the results for the quarter, and then turn the presentation over to John Gingell, our Controller; and Scott Wilson, our Treasurer, to address some more in-depth financial topics. Ron Millos, our Senior Vice President Finance, who usually handles this portion, is currently away. I have a number of other members of management team here with me on the call and they will be available to answer any questions.

Turning to slide five, there are a number of highlights in the quarter. This quarter was in fact a record for first quarter revenues at \$1.9 billion. This is significant as the first quarter is usually our weakest quarter of the year due to some seasonality issues and I will come back to this in a bit. Operating profit before depreciation and amortization was \$844 million. Earnings were \$908 million, and EBITDA for the quarter was over \$1.5 billion. I should note that we have changed our earnings reporting this quarter to the new standard for dealing with minority or non-controlling interest of reporting earnings attributable to shareholders. We also had some unusual gains in the quarter from the last of our asset sales program. At Andacollo, we have achieved first concentrate production, and first shipment is scheduled for next week. And in our coal business, we have contracted for most of our sales for the quarter at US\$200 per tonne, but the more recent settlements were as high as US\$235 per tonne.

Turning to slide six, we show here the asset sales which closed during the quarter. Proceeds from these transactions were over \$1.0 billion in the quarter, and they have contributed to a total from the program of approximately \$1.6 billion. Now I think it is very important to note that although this asset sale program that got a lot of media attention, it only represented 5% of our total asset base of approximately \$30 billion, and none of our core assets were divested. And in fact, even half of the asset program was in gold, and that was something we denounced two or three years ago. With the elimination of the acquisition debt facilities, we have reached the bottom end of our original target debt/equity ratio with a net debt ratio of 25%.

Slide seven shows how we have reduced our bridge and term debt over the past 18 months. Since the end of the quarter, we have further paid down the term debt and we have given notice to the banks that the final payment on the term debt will be made tomorrow morning. The result is that we will have repaid these facilities, which were originally US\$9.8 billion, completely repaid in less than 18 months. Slide eight shows our earnings, and a comparison to last year. Earnings of \$908 million represent \$1.54 per share. These results compare to \$0.50 per share last year for the same quarter. But of course we did have a very large asset sale gain this quarter.

We show our view of comparative earnings for the quarter on slide nine. The largest non-recurring item this quarter is the gain on asset sales that we recognized of \$639 million. With the other normal adjustments, adjusted earnings are \$210 million, or \$0.36 per share for the quarter. Other comparative earnings factors to consider, that we don't normally include in the chart but I think are important, include the large SG&A expense in the quarter due to the appreciation in our stock price. Stock based compensation and other items added about \$32 million to G&A expense pre-tax, which we have not removed here in adjusted earnings. If we had, this would have pushed up adjusted EPS by about \$0.04 per share. Also, we had unusually high, non-cash costs in coal this quarter that impacted our earnings by about \$0.04 per share. So if you adjusted for these items as well, earnings would have been about \$0.44 per share for the quarter. We realize that this looks like street expectations missed our earnings for the

quarter, but I would like to remind you of the guidance we provided in our last quarterly call on issues that needed to be considered. I expect that some of these elements for the guidance were missed in each analysts estimate for the quarter.

Slide 10 highlights the items that we suggested that needed to be focused on when we had this call last quarter. The seasonality in our sales at Red Dog includes lead, and this impacts unit costs there as well due to the loss of the by-product credits. In coal, even though spot pricing has been very strong, we were still selling most of our coal on the basis of the 2009 contract year pricing at US\$128 per tonne. Our overall realized price was still only US\$140 per tonne. Lower copper production at Highland Valley and Andacollo, as it is in transition from cathode production to concentrate production, had impacts on unit costs in copper. And indeed we did incur slightly negative adjustments on settlements of sales from the prior quarter. With the closing of the Waneta transaction this quarter, our sales of surplus power were reduced this quarter. The other factor we tried to be very clear about was not to assume our guidance for coal sales for the year could just be divided equally over just four quarters. The production would ramp up as the year progressed, and we believe that's on target. So, as I said, I suspect that there are elements of these various points missing in most estimates.

And just to emphasize the impact of the seasonality in our earnings, mainly due to our zinc business of course with the Red Dog shipping season, in slide 11 we have summarized our quarterly distribution of earnings on average for the past five years. As you can see, in the past, less than 20% of earnings have typically occurred in the first quarter, with more than 25% in each of the subsequent three quarters. This will change going forward of course with coal being a larger share of our business, but it does emphasize the impact the seasonality of sales volumes, and the impact on unit costs that have on our business.

Slide 12 provides a breakdown of our operating profit for the quarter. Despite all the attention our coal business is getting currently, operating profit from our copper business was greater than our coal business for the quarter. This will change in Q2 of course as we start to realize the much higher coal prices, but it again emphasizes the point that we have a very profitable, and growing, copper business that deserves attention. On slide 13, turning to prices for the quarter, prices for our base metals were all up healthily compared to the same quarter last year. The Canadian dollar was stronger this quarter compared to last year, mitigating somewhat the impact of the higher metal prices. Coal was still much lower than last year as the majority of the coal being sold reflects the 2009 contract year pricing.

On slide 14, turning to our operating results for the quarter. In our coal business, our share of production and sales was more than 40% higher on a year-over-year basis, reflecting the substantial recovery we have seen from the very weak quarter in the steel industry last year. Our production was at an annualized rate of nearly 23 million tonnes. Our sales were in fact 5.25 million tonnes for the quarter. As we had indicated that our sales guidance for the year would be back-end loaded, if you had been assuming 5.5 million tonnes for the quarter, this difference of 250,000 tonnes represents a timing of ship loadings of just one ship each at the Neptune and Westshore terminals for the quarter, out of a total of about 55 ship loadings. Going forward, we are expecting much stronger sales in Q2.

The average realized price of US\$140 per tonne is consistent with our guidance with approximately 400,000 tonnes of sales still at 2008 prices. Unit site costs were made up of \$55 in cash costs, which were in fact 12% lower than last year, and \$6 in costs from the impact of selling some older high cost inventory. Our cost guidance for the year is still to be in the range of \$55 per tonne. Again, with the combination of higher prices we are expecting a significantly expanded margin in coal in the coming quarters. Unit transportation costs at \$30 per tonne were lower due to the impact of reduced rail rates and lower coal

prices impacting coal price participation provisions in our port contracts. We have established new contracts for rail and port handling. Rail rates will be similar to last year, with no coal price linkage, and port rates will see only about 20% of our coal move with a coal price linkage this year. And most importantly, next year the coal price linkage will be gone completely from our port contracts. And so we think these two changes in rail and port are very significant and make our coal business much more valuable overall than it ever was before.

Slide 15, in our copper business unit, our overall production of 72,000 tonnes was off 4% versus Q1 last year, due to reductions at Antamina, and as we processed a greater proportion of copper-zinc ores in the quarter. At Highland Valley, as ore availability is reduced, and at Andacollo as the transition from cathode production to concentrate production is underway. Sales volume was off by 15%, reflecting that sales were unusually high in Q1 2009 due to timing of shipping. The weighted average overall cash costs for the quarter were about \$1.10 per pound. Cash costs have increased somewhat at a few of the operations, consistent with our guidance for the year. Highland Valley is experiencing reduced production and the resulting impact on unit costs is expected to continue through the balance of 2010.

Quebrada Blanca costs have increased somewhat as well as it is now moving more waste material to maintain ore production rates. And Andacollo is in transition from cathode to concentrate production, and as a result unit costs are higher there. These higher costs have been partially offset by Antamina's low cost position. On slide 16, in our zinc business, zinc concentrate production for the quarter was 2% lower than last year as a reduction at Red Dog due to lower ore grade was offset by higher production at Antamina due to a greater quantity of copper-zinc ore being milled. I should note that even though we show Antamina's share of zinc production in these figures, the financial results of Antamina are fully recorded in our copper business. Production of refined zinc at Trail for the quarter was higher than last year as we had curtailed metal production in 2009. Our zinc business contributed \$155 million in cash operating profit this quarter, up considerably from last year as the zinc price at US\$1.04 per pound was almost double last year's quarterly value. I would now like to turn the call over to John Gingell to address some financial

John Gingell: Good morning.

On slide 18, I have summarized our changes for cash for the quarter. Cash flow from operations was \$412 million in the quarter. Our working capital change was positive this quarter, which is unusual as it is normally negative at this time of year due to the shipping season at Red Dog. We had a large decline in inventory in receivables this quarter. Capital expenditures and investments were \$151 million for the quarter. Net proceeds from asset sales in the quarter were \$1.82 billion. We made debt repayments of \$2.19 billion in the quarter with net proceeds from asset sales and operating cash flow. After allowing for the effects of exchange rates on cash, and non-controlling interests, our net change in cash in the quarter was a decrease of \$555 million, to a balance at the end of the quarter of \$774 million.

Slide 19 shows our final pricing revenues for the first quarter. As we highlight each quarter, pricing adjustments on sales of our various products can have a significant impact on revenues. Outstanding provisionally priced receivables at the end of any quarter are finally priced based on contractual quotation periods for subsequent periods, resulting in positive or negative price adjustments. Final pricing adjustments for this quarter were overall positive, but relatively minor compared to the quarterly volatility we have seen over the past year. On settlements within the quarter, the largest impact was in zinc, where we had 221 million pounds of receivables settled in the quarter at US\$0.10 per pound lower than the price at which they were provisionally booked in Q4. We also incurred negative adjustments in copper and in lead for total negative adjustments to revenue of \$18 million. This represents \$0.02 per share on an after

tax basis. We also record pricing adjustments on sales booked in the quarter as these are marked-to-market at quarter end.

With the increase in metal prices at quarter-end, this contributed an additional \$27 million pre-tax in revenue. Remember, when analyzing the impact of price changes on our final pricing revenues, refining and treatment charges, and the Canadian dollar exchange rate must be included in your calculations. In addition, when trying to analyze the impact on our net earnings, you need to consider taxes and royalties.

Turning to slide 20, I would like to highlight the guidance we have given for the coming quarter. Again, you should be aware of the seasonality in zinc and lead sales due to the shipping season at Red Dog, and the impact on unit costs due to reduced lead sales. We expect coal sales in the range of 6.0 million to 6.5 million tonnes in the quarter, at pricing between US\$180 and US\$185 per tonne. This includes the impact of all types of coal sold, expected carry-over from 2009 and 2008 and expected spot sales. Coal costs for the year are expected to be in the range of \$55 per tonne for site costs, and \$33 per tonne for transportation costs, including port handling. Copper production will continue to be lower at Highland Valley and at Andacollo, as Andacollo is in transition from cathode production to concentrate production. This will have consequent impacts on unit costs as well.

Settlement adjustments are difficult to call at this point, but could be potentially negative. And of course with the closing of the Waneta transaction, our sales of surplus power have ostensibly been eliminated when at full metal production. So those are some of the key things to be thinking about as you develop your earnings estimates for the quarter.

I will now turn the call over to Scott Wilson to address some debt issues.

Scott Wilson: Okay. Thank you, John.

Turning to slide 22, as Don noted earlier, our debt position at the end of the quarter has been reduced to US\$5.8 billion, but we have since given notice to the banks that we would be repaying the balance of the term debt. The pro-forma debt position as of tomorrow when the final term debt payment will be made is shown on this slide. This represents a reduction in our total debt since the end of the year of US\$2.3 billion, and as Don noted, US\$8.0 billion since we closed the Fording acquisition. Our debt-to-debt plus equity ratio is 26%, and with the cash deducted, our net debt to net debt plus equity ratio will be 25%.

Our credit ratings are summarized on slide 23. As you may have seen last week, S&P revised our rating from BB+, up two notches into Investment grade, to BBB stable. Moody's last revision to our rating was back in February to Ba1, and on CreditWatch positive for a possible further upgrade. A further upgrade from Moody's would put us back into Investment Grade as well. You may recall that the debt amendment we entered into last year at this time, included a first priority security interest on all of Teck's assets and certain restrictive covenants. When we achieve Investment Grade ratings from S&P and Moody's with stable outlooks, this security package and restrictive covenants will fall away.

Don, back to you.

Don Lindsay: Thank you, Scott.

Turning to slide 25, I would like to briefly update you on the status of our permitting process at Red Dog, which we are trying to secure to commence the development of the Aqqaluk deposit which is key to

extending the life of the Red Dog mine for another 20 years. Slide 25 summarizes the recent steps we have been through. The EPA issued the key permit in January with discharge conditions attached based on a full SEIS for Aqqaluk. Those conditions were determined to be fully protective of the environment and are consistent with the way the mine has been operating for the last 12 years. The issuance of the permit was appealed by two environmental law firms, with the support of six residents of the region.

In order to deal with the appeal, the EPA withdrew certain discharge conditions in the new permit, and have stated that we can continue to operate on the basis of our old permit while the new permit issues are resolved. Unfortunately, we can't meet one specific discharge criteria, and that is for the level of Total Dissolved Solids in the water. The legal situation is complex, with various motions and cross-motions in play in the 2010 permit appeal. We are in discussions with the EPA to clarify the implications of our ongoing non-compliance, and I hope to clarify the situation prior to the end of May. Other than this, we can't give you much more of an update at this time.

Slide 16. In summary before I turn it over to questions, we have achieved a lot over the past year and I am very happy that we have been able to report that we have completely eliminated the acquisition debt of US\$9.8 billion that we took on in October 2008, at the peak of the financial crisis, and we did this within an 18 month time period. We have re-established our target debt ratios and have achieved the credit metrics to qualify for an Investment grade rating, and we are starting to see these being confirmed. Going forward, our coal business is very exciting, with the very strong pricing we are looking at, and with the increasing production that we have and all for a very nominal amount of capital. But don't overlook our copper production growth as well, which will grow by more than 10% this year, and 40% over the next three years, or less. The bulk of which will occur over the next 24 months. We will be moving forward this year with our other development projects to further enhance shareholder value over the coming years.

And with that, I would like to turn it over to questions.

#### **QUESTIONS AND ANSWERS**

Operator: The first question will be from Meredith Bandy from BMO Capital Markets. Please go ahead.

Meredith Bandy: Hi. Good morning, everyone. So I'm looking at the met guidance, and its 24 million tonnes, which is in line with the previous guidance. But I'm wondering if you still think you could get to the 25, which was the high end of the range? And also you mentioned in the release you're taking steps to maximize production levels. I'm wondering if you could give us more guidance on what the steps might be and what the ultimate production could be?

Don Lindsay: Okay. I will make a brief comment and turn it over to Boyd Payne who is here with me.

We put out the annual guidance about a quarter ago at 23.5 to 25. Over the course of the year, it's a reasonably wide range because a lot could happen during the year related to equipment deliveries and all sorts of things. As we go to quarterly pricing, I think we are just going to be giving the outlook for each quarter going forward. We are still committed to the original annual guidelines, and we feel we are going to be in range for that. Be we couldn't comment much more than the range that we actually put out at this stage. But there are lots of challenges and lots of upside. With that I will turn it over to Boyd.

Boyd Payne: Thanks, Don. In terms of the production, our plans are on track. We haven't hit any snags on the equipment that we've ordered. The deliveries appear to be coming in on time. But as John just said, as the year unfolds we have to see that equipment arrive, man it up and operate as we expand production. So I think the range is still valid. We are very confident but I wouldn't want to comment further on the range.

In terms of pricing, the game has changed, it is quarterly pricing. The markets are very strong for coal. Very, very strong for coal. I wouldn't expect much more activity until we start to actually negotiate for our next quarter. We are seeing the same things in the press that everybody else is. But our own marketing activity will start gearing up for interactions with our customers for the next quarter in about a month.

Meredith Bandy: Okay. And if I could just follow up. So is the second half production, is that essentially all unpriced?

Don Lindsay: At this point, yes.

Meredith Bandy: Okay, thank you.

Operator: Thank you. The next question will be from Orest Wowkodaw from Canaccord. Please go ahead.

Orest Wowkodaw: Hi. Good morning. Just a clarification there on the first question. So you are sticking with the production guidance of 23.5 to 25, and it's just your sales guidance at 24, is that correct?

Boyd Payne: At 23.5 to 25 on the production guidance. And obviously we will match sales with our production.

Orest Wowkodaw: Okay. Just in terms of Red Dog, when you talk about potentially impacting production there in the fall. Are you talking about a complete shutdown or just a partial shutdown?

Don Lindsay: I have to back up a bit, in order to have continuous production, we would have to start pre-stripping Aqqaluk actually next month, by the end of next month. Otherwise we will be in a situation where we won't have access to the new ore body by the time the current main pit runs out. So if we don't have access to ore then that becomes a shutdown.

Orest Wowkodaw: Would you keep running the main pit just at a reduced rate until it fully runs out, or are you considering just shutting down completely?

Doug Horswill: It would depend on what we anticipate from the EPA as we move forward in attempting to clarify what is clearly an extremely complex legal situation. Due to the permits that we need, or the authorities that we need, we are going to come in to effect, then there is a possibility of running at reduced and more inefficient situations as we move forward and we would probably do that. On the other hand if we felt that we were not going to get the clarification that we needed then we would go to a full shutdown, until the situation was clarified.

Orest Wowkodaw: Okay. Thanks very much.

Operator: Thank you. The next question will be from Greg Barnes from TD Newcrest. Please go ahead.

Greg Barnes: Don, with the debt paid down now, you're generating significant free cash flow. My numbers you've got about a 15% free cash flow yield. What is the strategy going forward from here?

Don Lindsay: Well we do have significant growth projects down the road, and we take your point that they may not require a lot of capital for some time, probably not until 2012 at the earliest. So we have at least two full years of yes, very significant surplus cash flow at current prices, and we anticipate that the coal

price versus the 200 will probably actually be higher. So it's a good question. And but I think building up some cash on the balance sheet in anticipation of the major capital projects down the road is not a bad idea. And we will take it quarter by quarter and just see how that goes. I don't really have much more to answer than that frankly at this point.

Greg Barnes: Okay. Well one question that feeds on from that, in the press release you talk about Equinox and Frontier the oil sands projects and moving in to engineering studies and looking at Equinox as a satellite operation to Frontier I suppose. And then in the CapEx guidance you talk about the potential to increase CapEx if commodity prices allow that. Does that seem to imply that you are pushing ahead on some of these oil sands projects perhaps faster than you were looking for?

Don Lindsay: No, I have Ray Reipas here who is going to give more details. But basically, we don't anticipate any significant capital in oil sands for quite some time. But what we are doing is moving ahead with the projects you mentioned, Frontier and Equinox, and continuing to add value to those projects by moving it along the regulatory process.

Ray, do you want to give some details on that?

Ray Reipas: Yes. Thank you, Don.

With regards to Frontier and Equinox, you'll note that we've started engineering studies to prepare a regulatory application for those two projects which we hope to file in the first half of 2011. The regulatory process in Alberta then takes a couple of years to go through. So those projects while advancing are still a little bit longer out than we have been talking today.

Greg Barnes: Okay.

Don Lindsay: The time frames there are quite long actually. So those two projects that you mentioned, it's quite a few years before we get to decision where you would commit any large capital.

Greg Barnes: And no further commentary on Fort Hills from Suncor, what they are going to do?

Don Lindsay: We have nothing to update there. We remain optimistic on the project and think it's a great fit in our portfolio long-term but it's in Suncor's hands right now to complete their studies, and out towards the end of the year we'll hear from them.

Greg Barnes: Okay. Thank you.

Operator: Thank you. The next question will be from Haytham Hodaly from Salman Partners. Please go ahead.

Haytham Hodaly: Good morning, everybody. Just to follow up a little bit on the Aqqaluk comment. I guess you mentioned that you would have to begin pre-stripping Aqqaluk by the end of next month in order to continue operations uninterrupted. You also mentioned in the quarterly visit a contingency plan to minimize any potential disruptions. Could you just outline what kinds of things are considered in this contingency plan?



Doug Horswill: In terms of the properties as I said before, it really depends for us on where we think we are going to get with the EPA, and the discussions are going on continually. If we are confident that we will end up with the assurances, the clarifications that we need, then we can continue through certainly turning the mill back a little bit, continuing to operate in the main zone as we strip Aqqaluk. Starting in May is ideal, obviously these things can vary a bit in terms of time. One of the problems up there is weather dependency, if we don't start by May then we are into break-up and we have to move on from that point. The other aspect of course is Red Dog supply of ore to Trail and we have to consider what opportunities and options there are with regard to that. So our people are looking at that issue. I don't think we can add any detail at this point but that is another factor that obviously influences the future.

Haytham Hodaly: I appreciate that. Could you just maybe - - since you touched on Trail. What proportion of the overall Trail feed comes from Red Dog?

Doug Horswill: Approximately half.

Haytham Hodaly: Approximately half. Okay. And then maybe a question for Don or one of your cohorts there. Copper and zinc outlook and demand out of China. What are you seeing right now?

Don Lindsay: Just to finish on the previous subject, I just should point out that the effect on Trail won't be for quite some time because we will still get the full shipping season this year for the concentrate from Red Dog. We've already when we refer to contingency plan, we have already been in discussions about securing other concentrate if this whole scenario occurs, which we still are cautiously optimistic that we would be able to source concentrate outsource. Just so that people don't misunderstand on Trail.

Now so the question then was copper and zinc in China? Was that the question?

Haytham Hodaly: Yes, just a conference outlook, and what you are seeing in terms of demand out of China these days?

Don Lindsay: Well, I guess the first comment would be overall on the Chinese economy and consumption of commodities and we had a visit there two weeks ago and a good meeting with our partners at CIC. And then there have been announcements out of the Chinese government as well. But basically, the phrase that they use is that they were going to "accelerate urbanization". And that seems like a fairly optimistic statement. But they are really moving into tier two and tier three cities and they are also building railways.

There is a North-South and East-West, three or four different railways going each direction and just extraordinary consumption of steel and copper associated with those. So generally we see the Chinese economy continuing to grow at a significant rate and industrial production in particular to continue to grow. It's in the 18% or 19% range now and that consumes a lot of metal. We've seen the import numbers for copper recently and they are exceeding people's expectations, certainly for the first quarter. And I would say that the imports of steel making coal, has also been very high, higher than last year. So, so far it looks good.

Haytham Hodaly: Okay. Thank you.

Operator: Thank you. The next question will be from John Tumazos from Very Independent Research. Please go ahead.

John Tumazos: Good morning. Two further questions on the Aqqaluk permit. First, I read the plaintiff's suit against you. And it didn't seem to document any injury to these two coastal fishing villages 100 miles or so from the mine. It delved in procedure and past violations and other stuff. How does it work that they have an objection without defining evidentiary injury? Second, what is the technical reason why you can't control the Total Dissolve Solids filtration technologies or other methods, maybe investments would be an option?

Don Lindsay: Okay. I'll take the first question and I think Peter may comment as well, Peter Rozee, or Doug Horswill. But I'm glad you raised the issue because it is very much a regulatory struggle I guess. It's very important that people are aware that before there was a mine there, there were no fish in Red Dog Creek because of the natural occurring grade of mineralization in the region.

Since there has been a mine and we treat the water, there are now fish that live and spawn in Red Dog Creek. And so we have an extremely high degree of confidence in the quality of the water, and the EPA spent five years of very detailed research into this. So that really hasn't really been the issue here. It has been a debate over thresholds, particularly for TDS for Total Dissolve Solids. And at this point and even years ago when the current level was set, we don't know of a technology that could get the TDS levels down to the limits that have been talked about. So that would be my overview comment. I will turn it over to either Peter or Doug to address the second question.

Peter Rozee: Just commenting on the first question slightly further, Don. It is a procedural issue for the appellants as we understand it. And there are issues in play that have implications for the regulatory permitting process with other projects in Alaska and nationally. And so we really are caught in a situation where people have issues over the way in which EPA is issuing these permits, generally in the state is certifying them.

With respect to the question on treatment technology, I think the main issue is the volume of water that has to be discharged during a short window during the year, something like is 1.5 billion gallons of water that has to be discharged in a short window measuring in 100 days or so. And so while this technology that works at a bench scale to treat TDS there is just nothing commercially feasible to deal with that volume of water being discharged during that short period.

Doug Horswill: And over the years we have taken whatever steps we can, we introduced new water treatment facilities, sand filters, and various other things. The TDS actually comes into the water as a result of treating for metals. So the metals are removed and replaced by salts; that's what TDS is in effect the salt. And there is substantial metals that have to be treated and so we deal with that. Part of the motivation for us is in fact the operation of our mill itself. Because the TDS is - - the lower it is the better that the mill performs. So we've got that incentive. But the reality is all of the water studies that have been done over the years by the state of Alaska, by ourselves and by others have shown absolutely no quorum downstream at these kinds of levels. We have substantial studies in history back around 1998, demonstrating this issue of technology dealing with TDS, that really hasn't changed over time. And that's part of the issue that we are working through with the various parts and arms of the EPA right now.

John Tumazos: Thank you very much.

Operator: Thank you. The next question will be from Mark Altherr from Credit Suisse. Please go ahead.

Mark Altherr: Hi. Thank you very much. With your incipient full 9b's and interest rates pretty much at full time lows, would you think of trying to reduce your interest expense sometime this year through maybe in exchange or tender to lower that absolute interest rate level?

Don Lindsay: Short answer would be, yes, we would think of it. We will be considering various options associated with that. We wanted to get to this point first and now that we are here that those will be things we will be looking at. Yes.

Mark Altherr: But overall debt levels are about where you want them?

Don Lindsay: I wouldn't mind continuing to reduce debt. The programs have been very successful, and going further wouldn't be such a bad idea. But it all depends on the economic outlook and the cost of doing that and what our CapEx might be. But for the moment we are generating substantial surplus cash and so you kind of wonder why you carry that much debt. So all these things are constantly under review.

Mark Altherr: Thank you.

Operator: Thank you. The next question will be from Andrew Wells from IHS McCloskey. Please go ahead.

Andrew Wells: Hi, guys. I just wondered if you could confirm your US\$200 and US\$235 prices, are those FOB at the port?

Don Lindsay: Yes.

Andrew Wells: Okay. And secondly, I'm wondering if you can give anymore break down on the qualities of your 24 million that you are intending to produce this year.

Boyd Payne: We're on track with historical averages, approximately 10% non-prime steel making coals. The 10% split between PCI and thermal. So very similar to the pass. Last year, I should just be a little careful, we had a very strange year last year, we actually produced a little more non-coking than we averaged last year. But if you look at historical averages that's where we will be.

Andrew Wells: Okay, so a 10% PCI and the rest hard coking coal, is that right?

Boyd Payne: Within the 10%, there's thermal and PCI.

Andrew Wells: Okay. Thanks very much.

Operator: Thank you. The next question will be from Harry Mateer from Barclays Capital. Please go ahead.

Harry Mateer: Hi, guys. Just some questions on CapEx, few more questions. Can you give us a sense, I know you don't have a budget yet and some of the projects are still under review, but give us a sense for directionally and just kind of size it for us, where could CapEx get to over the next couple of years? What sort of range should we be expecting?

Don Lindsay: Okay, we were just over a billion dollars this year, and that included a reasonable amount of capital that we are devoting to the Coal business for the growth programs we talked about and the Copper business - - the activity at Highland Valley, and finishing Andacollo and of course our share of Antamina.

Going forward, we had done projections reasonably detailed for 2011, 2012. We expect that it would decline in both years. Not by that much but we will have finished the copper projects by early 2012. And Andacollo finished this year and Highland Valley in the middle of 2011, so that part declines. And coal, we tried to front end load as much as we could for 2010 in terms of equipment orders and so on so that allows copper to go down a bit in 2011, 2012, so slightly declining. I do want to be cautionary in this statement because lots can change over a couple of years. But that's what we know at this point.

Harry Mateer: That's very helpful. Thank you.

Operator: Thank you. The next question will be from Brett Levy from Jefferies & Company. Please go ahead.

Brett Levy: Yes, as you guys start to generate free cash flow, can you talk about what you are hearing from Moody's in terms of the timing of an upgrade? And then also can you talk a little bit about what you are looking for in terms of acquisitions or growth opportunities?

Don Lindsay: On the first one, we really can't comment. It's up to Moody's to do the review on their schedule, and so we will just wait and see when it comes. And I apologize the second question was?

Brett Levy: Acquisitions.

Don Lindsay: Acquisitions? Well we don't have anything in mind at the moment. Well I would never say never, we also don't feel at the moment that there is much of a need. We have quite substantial growth coming. In copper we really do have 40% growth in our copper business, our copper production from 2009 levels and we should hit that by our early to mid 2012, so that's about 24 months. And that's from three projects that are what you would call Brown Field projects; it's Antamina, the expansion that has been announced with our partners there. It's Andacollo, where the capital is essentially behind us and we are in ramp up stage now and we are pleased with how it's going. And it's Highland Valley returning to full production.

So that's coming soon and it's quite material. And then beyond that, we have two large projects that we are very excited about that are in prefeasibility and scoping stage and they are both in Chile. And this is Quebrada Blanca's hypogene project in northern Chile. And of course we've still got Galore Creek and HVC. So the copper business can really grow substantially over the next six or seven years. And I look back, and say if you went back four or five years if we hadn't done anything, our copper business today would only be the 22% piece of Antamina that we have. Instead we have five copper mines all strong cash flow and with three good growth projects and good growth built in. So we are glad we did the acquisitions we did. We are very pleased with them. But I'm not sure we need anymore. Again never say never but we have a lot of growth.

In coal we have 50% growth in coal production over what we did in 2009. We think we can achieve that in 3.5 or 4 years. And the resources are there. We have tremendous resources. It's a logistical exercise, it requires the equipment. You've got to man it up and you've got to do the stripping and make it happen, it takes time. And but it's certainly there to be done. And so if we get a full 50% growth in coal, again that takes away the need for acquisitions. And then we fully expect Glencore will finish their studies and we'll get a positive decision on Fort Hills at some point. The current studies, Suncor studies, will finished at the end of this year and then it will have to move to full feasibility and redoing the feed site.

So we don't expect a sanctioning of the project until 2012 at the earliest. But ultimately that will be built. And again, that would give us a whole oil sands provision with cash flow. If we just execute on the copper program, the coal program, and oil sands over the next five, six, seven years, that's an awful lot of growth. So I'm not sure why we would need an acquisition. Once again, never say never, but we don't feel any real need at the moment. Anything that I think we have looked at has been relatively small and what I would call not material, for example if something was a billion dollars that's about 4% of our market cap, it's not really going to move the needle that much. That's the kind of things that we've kind of looked at, but nothing has caught our interest so far.

Brett Levy: Sounds like you are going to get well below 25%. You are comfortable with that.

Don Lindsay: Yes. This rate, there is no question of that. The cash flow - - surplus cash really starts to roll in now. Actually we are going to enjoy that for a little while.

Brett Levy: Thanks very much.

Operator: Thank you. The next question will be from Fraser Phillips from RBC Capital Markets. Please go ahead.

Fraser Phillips: Thanks. Just wanted to check two things, Don. One, as mentioned, I think Boyd mentioned, that all the coal freight second half is unpriced. So does that mean that you essentially moved entirely to quarterly pricing for contracts?

Don Lindsay: Yes, it does. But what I would say is this is the first quarter that the industry has gone into the transition. I think it's safe to say that the customers would still prefer to a large degree annual pricing if they could get it. And I can tell you we have offered annual pricing at a significant premium to where the quarterly pricing was landing and they haven't accepted that and I suspect there has been a number of discussions like that with all of the customers because that's their starting point. So we can't definitively say that the whole industry has completely shifted to quarterly. We may find as Boyd said in the next set of discussions in June, that some proportion of the business will go to annual - - to some of our customers if we are happy with the price. But I think we just have to wait and see how it evolves right now, it's still in transition.

Fraser Phillips: Okay. Thanks.

Boyd Payne: I have a quick clarifications we do at (inaudible) we do have some material pricing carry over. We do have some material in primarily South America, where the contracts don't change until July 1. So there are bits and pieces like that, and we actually have a couple of residual annuals from small pieces, largely unpriced I guess.

Fraser Phillips: Okay. Thanks. Don, the other thing I was curious about is just Chile with respect to the copper projects. Are you seeing now or would you anticipate with the reconstruction that's required infrastructure in the country, that you'll see a situation where availability of labour, et cetera might get tight and make it difficult to pursue, not specifically your projects, but perhaps all the projects that the mining companies want to get done over the next couple of years.

Don Lindsay: We've got a number of different people who could provide some insight into that between Tim Watson, our Senior VP Project Development and Dale Andres, Copper business. Tim Watson is here.

Tim Watson: With respect to the availability of labour, the reconstruction of infrastructure I think you maybe aware is predominantly south of Santiago. And you look at the timing of that and I think you are going to see that commence relatively quickly. When you look at the development plans that we have in place, it's still going to be at least a couple of years before we move into field in any meaningful way on say something like a QB or another opportunity. So in terms of the impact that the reconstruction will have, I think much of that will be well underway and advanced long before we advance into the field.

Fraser Phillips: Okay. Thank you.

Operator: Thank you. The next question is a follow-up from Greg Barnes from TD Newcrest. Please go ahead.

Greg Barnes: Just wondering if you could give us some idea, further ideas, on Quintette; call qualities, what type of pricing that call might get, timing, CapEx, anything that would help us put a value on that?

Don Lindsay: Good question over to Boyd.

Boyd Payne: We're putting a project team together clearly to get a feasibility level decision sometime as soon as we get it organized. We haven't done anymore in the field. We haven't done anymore drilling or what have you. So we are basically still working on the same historical information we always have. We are going to accelerate our efforts to bring this thing to like I say, a feasibility level decision. I'm not really prepared to comment on differentials of pricing we haven't really done that level of work. We will. As soon as we have something, Greg we will come forward with it. Rest assured that heavy pressure is coming to bear to make this all happen.

Greg Barnes: You must have some idea what the coal quality is and how it compares to Elk Valley?

Boyd Payne: It is not Elk Valley coal, clearly. But what is fascinating in the changing world here, the old norms don't prevail. It's possible if you take a look at what we have just done. We have announced that we have priced our Elk Valley coal clearly at US\$200. That's the same number you will note as the Australian top qualities, no differentials, no change. And so, previously there was always a differential. I think what we need to do is examine how strong the market is at any given time because that will determine that differential more than just the quality. There are situations where those lesser qualities get higher prices, just by sheer demand alone. So we really have to look at more than just the historical information.

Greg Barnes: Okay. What time has Don asked for you to give him the feasibility study, Boyd?

Boyd Payne: I think it was yesterday noon. We are going to try to have that work wrapped up September 2011, we should be in a position to put that capital in play I think.

Greg Barnes: To move ahead with the project?

Boyd Payne: To get on with it. You know Greg, there is a fair bit of work on the ground you can imagine. We've got to go back in and permitting, those are issues that have to get - - we are working on actively right now, but there are lead times on those things.

Greg Barnes: So September 2011, you would like to be moving ahead with developing.

Boyd Payne: Yes, that's correct.

Greg Barnes: Okay. Thank you.

Operator: Thank you. Next question will be from Vishal Gupta from Desjardins Securities. Please go ahead.

Vishal Gupta: Hello, everyone. Just a quick follow-up question on the surplus cash on the balance sheet going forward. Any thoughts on reinstating a common share dividend program?

Don Lindsay: Yes. We have been thinking about that. I think I stated publicly that when we saw our way clear to completely eliminating the term loan we would go back to the board to recommend something. It is the board's decision and there is a range of options and a range of timing as to when we might do that. But it's definitely very high on the list. We will look at something that's more comparable to what other companies in our sector that we are compared to do. And we will look at their yields and see how it ratios and so on. We will probably be pretty conservative as we do that. But, yes, it's safe to say that the dividend is the high priority.

Vishal Gupta: Just one other thing. Is permitting at Red Dog going to affect the timing of such a reinstatement at all?

Don Lindsay: No.

Vishal Gupta: Thank you.

Operator: Thank you. The next question will be from Oscar Cabrera from Merrill Lynch.

Oscar Cabrera: Good morning, everyone. Just looking at your zinc supply, demand supply balance. What are you looking at over the next three years? And if you take Red Dog out, what would that supply demand balance look like?

Don Lindsay: Andrew Stonkus is here and will give you his view.

Andrew Stonkus: Hi, Oscar. Andrew Stonkus here. On the balance, it's already predicting a deficit marketplace for this year and in future years. So if Red Dog was not operating the deficit would even grow larger than we are currently predicting. The units have not come out of the ground, they are not going to be converted to metal, the situation we see in the years coming forward is that there's not going to be enough units coming out of the ground. On the metals side, currently we are looking at slight surplus this year but that could quickly change if the units are not being mined.

Oscar Cabrera: Thanks, Andrew. And then if I can just get your attention back down to Chile. During CESCO week and my trips, we talked about the lack of labour, or skill labour availability. We talked about changes in water policy. One of the other things that's come up recently is proposed by the Chile governor to increase royalties and taxes. As a matter of fact (inaudible) were referring to it a little bit earlier on. Just wondering if the government has approached you guys with thoughts about doing this with existing operations and/or, Greenfield projects?

Don Lindsay: The government hasn't approached us directly but we are aware that they are in discussions with other industry partners that we have. I think its early days to know what exactly is going to happen. I make this comment, - - a terrible earthquake and tragedy there. They need to rebuild the country. The copper industry is the biggest component of their economy, and everyone should do their fair share. So I actually don't have any problem with what is being discussed. I think it's is right thing. A lot of the companies have done well by Chile, and we should be doing whatever we can to help. So I think the order of magnitude they are talking about is appropriate and the kind of structure it being temporary and it coming back to normal within the government's timeframe. So far what we've seen, we think it's fair. But we don't really have anything else to talk about until we see a definitive proposal.

Oscar Cabrera: Okay. Just lastly, on the met coal sales expectations for next quarter can you give us a sense of what the carryover tonnage is going to be?

Boyd Payne: It's Boyd Payne. Carry over tonnage; I don't exactly have the figure. Okay. It's relatively small. I don't know the exact quarter numbers.

Greg Waller: But, Oscar, what we've done - - it's Greg Waller speaking, what we've done is given guidance on pricing for the quarter that takes into effect of the new contracts, the carry over contracts, the full realized price we expect. So that way we don't have to get into giving details about carry over and having you guys try to calculate the number.

Oscar Cabrera: Fair enough. Thank you very much.

Operator: Thank you. And there are no further questions registered at this time so I will turn the meeting back to you gentlemen.

Don Lindsay: Okay. Well we would like to thank you all for attending this investor conference call. Look forward to doing it again in July. Thanks very much.

Operator: Thank you. The conference call has concluded. You may disconnect your telephone lines at this time and we thank you for your participation