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CORPORATE PARTICIPANTS
Greg Waller; Teck Resources Limited; VP Investor Relations & Strategic Analysis
Don Lindsay; Teck Resources Limited; President & CEO
Ron Millos; Teck Resources Limited; SVP Finance & CFO
Real Foley; Teck Resources Limited; VP Coal Marketing
Ian Kilgour; Teck Resources Limited; SVP Coal
Roger Higgins; Teck Resources Limited; SVP Copper
Tim Watson; Teck Resources Limited; SVP Project Development
Ray Reipas, Teck Resources Limited, SVP Energy

CONFERENCE CALL PARTICIPANTS
Meredith Bandy, BMO Capital Markets
Harry Mateer, Barclays Capital
Greg Barnes, TD Securities
Sal Tharani, Goldman Sachs
Ralph Profiti, Credit Suisse
Oscar Cabrera, Bank of America Merrill Lynch
Alec Kodatsky, CIBC World Markets
Jorge Beristain, Deutsche Bank
Kerry Smith, Haywood Securities
Cliff Hale-Sanders, Cormark Securities
Steve Bristo, RBC Capital Markets

PRESENTATION
Ladies and gentlemen, thank you for standing by. Welcome to Teck's first quarter 2013 results conference call. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session. This conference call is being recorded on Tuesday, April 23, 2013. 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: Thanks very much, Melanie. Good morning everyone, and thanks for joining us this morning for Teck's first-quarter 2013 earnings conference call.

Before we start, I'd like to draw your attention to the forward-looking information slides on pages 2 and 3 of our presentation package. This presentation contains forward-looking information regarding our business. Various risks and uncertainties may cause actual results to vary. Teck doesn't assume the obligation to update any forward-looking statement. At this point, I'd like to turn the call over to Don Lindsay.

Don Lindsay: Thanks Greg, and good morning everyone. Thank you all for joining us. As usual, I'll start this morning with a review of the results for the quarter, and then I will turn it over to Ron Millos, our CFO, to address some of the more in-depth financial topics. And we do have a number of the other members of the management team here either in the room or on the line this morning to answer some of your questions.

So looking at the highlights for our Q1 results on slide 5, I'm pleased to report record first quarter coal sales of 6.6 million tonnes, and that is up 24% from the same time last year. In Q1, our coal site costs were down 20% year-over-year. Our cost-reduction program has exceeded our initial goals, and we've now implemented annualized cost savings and referrals of approximately $275 million.

So far this year, we've taken advantage of our normal course issuer bid to purchase through cancellation approximately 2.2 million Class B shares, of which 1.2 million were in the first quarter. In January, we paid a semi-annual dividend of $0.45 per share, which was up from last year. And finally, the new accounting rules for waste stripping have been incorporated into our reporting and Ron Millos will touch on that later in the call.

Turning to slide 6, first quarter revenues were over $2.3 billion. Gross profit before depreciation and amortization was $994 million, and profit attributable to shareholders is $319 million. EBITDA was $902 million, and adjusted profit after one-time and unusual items, which I will speak to on the next slide, was $328 million.

Turning to slide 7, this was a relatively clean quarter with minimal unusual items that we have to adjust for to get to comparative earnings. After these minimal adjustments, adjusted profit was $328 million for the quarter or $0.56 per share.

Now I should also note that the effect of the change in the accounting rules this quarter was $0.09 per share, so our earnings per share would have been $0.47 per share without this change. We believe effectively all analysts prepared their earnings estimates on the basis of prior accounting rules, so you should compare your estimate against this figure.

Turning to our operating results for the quarter on slide 8, in our coal business, we had record first quarter sales, as I said, of 6.6 million tonnes, and this was about 16% higher than our previous Q1 record, which was set back in 2005. In terms of production, it was relatively stable and as we continue to align our production rates with anticipated demand.

The average realized price for the second quarter was US$161 per tonne, about a 2% discount to the benchmark price of US$165 per tonne for the premium brand coal. Now usually the realized price is about an 8% discount to the benchmark price due to the mix of products and often it has been 10% or more, including some of the lower value PCI and thermal coals that we have. However, this does fluctuate due to product mix and carryover tonnage.

First quarter unit site costs were $47 per tonne, which was down $12 per tonne from the same period last year and distribution costs came in at $36 per tonne for combined costs of $83 per tonne, which we are pretty pleased with. These costs incorporate the new accounting rules around capitalized stripping.

Increased distribution costs compared to last year were mainly due to higher demurrage charges that were incurred throughout the quarter, resulting from the backlog of ships at the West Coast ports associated with the incident at Westshore.

On slide 9, we've used this chart on the right several times in the past with the blue bars representing total material moved and the red line representing production. Both are on a rolling four-quarter basis and they show that we've stabilized production over the last few quarters, but our total material movement has declined somewhat.

Contract prices for the second quarter for our highest quality coals have been set at US$172 per tonne this quarter, which is in line with prices reportedly achieved by our competitors. As of this release, we have contracted sales of 5.4 million tonnes to be delivered in Q2 at an average price of US$154 per tonne. We are seeing some customers that previously purchased coal on a quarterly pricing basis are starting to request monthly pricing for their purchases, so we expect to be selling more on a shorter-term contract or spot basis. At this point, we expect total sales to be 6.0 million tonnes or more for the quarter.

Finally, the Quintette restart project continues to progress, and we expect to receive permit approval in the second quarter with production commencing in 2014.

On slide 10, at Neptune, the new stacker reclaimer that will help boost capacity from 9.0 million tonnes to 12.5 million tonnes is expected to be operational by the end of Q2. At Westshore, Berth 1 was back in full service in early February and the picture here shows the rebuilt conveyor trestle and the roadway leading out to Berth 1.

In our copper business unit, on slide 11, we had total copper production of 83,000 tonnes. Production was up 2% versus the same period last year with capital production down and concentrate production increasing. Overall unit costs in the copper business were down about 3% versus last year. We expect to see further decreases in reported costs, particularly at QB, as due to the leach cycle, it takes a while for the impact of lower costs to flow through to reported costs.

Turning to slide 12, this chart, which shows rolling four quarters of production again, illustrates the progress we've made in increasing production. At Highland Valley, copper production in the first quarter of 28,500 tonnes was 42% higher than a year ago, primarily as a result of significantly higher grades, as well as improved throughput and recoveries.

At Carmen de Andacollo, concentrate production rose 7% to 20,600 tonnes, principally due to increased mill throughput and higher ore grades. At Antamina, year-over-year production was down 18%, mainly due to lower grades. However, mechanical problems and unscheduled downtime also contributed to the decrease. We are still comfortable, though, with our production guidance for the year.

Slide 13 highlights the headway we've made in Highland Valley with respect to the mill optimization project. The picture here is from April 14, and that is about a week and a half ago. The steel skeleton is up and the structure is taking shape. You can see the major equipment housed inside and overall construction is now over 30% complete. The project remains on track for completion by the end of 2013, which will enable increased throughput rates and increased recoveries started in 2014. So Highland Valley is looking good for a long time to come.

Turning to our zinc business on slide 14, zinc concentrate production for the quarter was about the same as last year. At Red Dog, year-over-year production was relatively flat while the Antamina production was up about 13%. The increase was due noticeably to higher grades and an increase in recoveries.

As always, I should note that even though we show Antamina's share of zinc production in these figures, the financial results of Antamina are reported in our copper business as we consider zinc to be a by-product of this mine.

Lead concentrate production at Red Dog was similar to a year ago, and at Trail, production was stable as were profits. The year-over-year decline in silver price was offset by an increase in lead price while zinc was unchanged versus the same period last year. With that, I'd like to turn the call over to Ron Millos to address some financial issues.

Ron Millos: Thanks Don. On slide 16, we've summarized our changes in cash for the quarter. Cash flow from operations was $776 million. Capital spending and investments were $468 million and capitalized stripping was $210 million and I will talk about capitalized stripping a bit more in the next few slides.

During the quarter, we purchased for cancellation approximately 1.2 million Class B subordinate voting shares for $35 million pursuant to our normal course issuer bid that we announced in June of last year and in April a further 1.0 million shares were purchased bringing the total under our current bid to 6.0 million shares. In early January, we paid a $0.45 per share dividend. After allowing for principal and interest payments on our debt, exchange rate changes and other items, our cash decrease in the quarter was about $317 million and we ended the quarter with almost $3.0 billion in cash.

Slide 17 summarizes the capitalized stripping costs incurred during the first quarter and compares it to our restated results for the first quarter of 2012. Our coal operations, Highland Valley and Antamina, make up over 85% of the total in both periods and these represent the bulk of our expansion spending over the past few years, particularly in coal.

I want to emphasize this new accounting rule has no effect on our total cash flow and cash balance or how we operate the mine. It does, however, affect our earnings and a number of our other financial statement line items. Effectively, the new rule requires us to capitalize some stripping costs that we would have expensed under the old rules. This reduces our operating costs and increases the book value of property plant and equipment. We then depreciate the capitalized costs as we mine the various pits. This additional depreciation then becomes part of the cost of our inventory, which flows through earnings when the coal is ultimately sold.

So as you can see, it affects many items on our financial statements. In addition, the capitalized costs are shown as investing activities on our cash flow statement compared with being included in cash flow from operations under the old rules. We have had the application of the new rules and the restatement of our prior results reviewed by our auditors.

In summary, the new rules added approximately $53 million to our earnings for the first quarter of 2013 and approximately $47 million for the first quarter of 2012. And for the balance of 2013, we expect to capitalize approximately $210 million each quarter. However, the amounts will ultimately be determined by the actual mining activities undertaken during those periods.

Slide 18 helps describe the concept behind capitalized stripping. As stripping takes place, it occurs either above, at or below the long-term average strip ratio. Generally a higher ratio can be described as excess stripping that improves access to ore that may be mined for several years and favorably impacts future production. In very simple terms, it's like a prepaid expense; you do the work today for the benefit you expect to receive tomorrow.

As a result, the costs associated with this excess are capitalized and then amortized across the production that benefits from this activity. In theory, the deferral and amortization of the stripping costs could or would help stabilize the operating costs associated with the phase of a mine over its entire production life. Unfortunately, complicating the matter is the fact that mines, particularly our coal mines, are made up of multiple phases with each phase having its own life. The charts on the right try to tie all of this together.

Finally, although these are based on our current mine plans, those plans may change over time for many different reasons, such as commodity prices, changes in mining and processing technologies, ground issues, etc. and that could affect the amount of stripping capitalized in a given period.

In addition, this new rule only applies after the start of production. It doesn't apply to the development of a new mine or a new pit and does not apply to underground mines.

Finally, although we don't have a separate slide here, new rules on how we account for our pension costs resulted in about a $5 million reduction in our first quarter profits for both 2013 and 2012.

Moving on, slide 19 shows our final pricing adjustments for the quarter, which are included in other operating income expense on our income statement. Total pricing adjustments for the quarter were negative $22 million on a pre-tax basis. The chart on the right, which you've seen before, attempts to show a simplified relationship between the change in copper and zinc price and the reported settlement adjustment. Remember when analyzing the impact of price changes in the adjustment, refining and treatment charges and the Canadian/US dollar exchange rate must be included in your calculations. And in addition when trying to analyze the impact on our net earnings, you need to consider taxes and royalties.

Moving on to slide 20, during the fourth quarter, we put in place a program aimed at containing and reducing our production costs. This program encompasses both sustainable cost reductions, as well as one-off cost-saving actions. To date, we have identified sustainable annualized savings of approximately $200 million and a further $75 million of one-time savings and deferrals. The bulk of the savings, as you would expect, would come from our coal and copper business units and we expect to realize these savings throughout the year.

Slide 21 is our current guidance for 2013. Production guidance for coal, copper, zinc and concentrate and refined zinc remain unchanged. Because of the new accounting rules for deferred stripping, we have restated our previous guidance for coal site costs and added guidance for our depreciation and amortization expense as it becomes a more significant component of the total unit costs.

Likewise, on slide 22, our updated capital spending guidance now includes capitalized stripping. The remaining numbers on this page are unchanged and we do expect the annualized stripping to be about $840 million or about $210 million per quarter. With that, I will now turn the call back to Don Lindsay.

Don Lindsay: Thanks Ron. I'd now like to update you on the status of the many development projects we have underway, so slide 24. For Quintette, we expect to receive the permit approval sometime this quarter, and we would then, subject to Board approval, move ahead with the site work. First coal production would be in Q2 of 2014, and by year end ramp up to about 3 million tonnes should be in place.

At Neptune Coal terminal, the new stacker reclaimer, which will increase our throughput rate to 12.5 million tonnes, will be delivered and installed this quarter. At Fort Hills, work continues towards the project sanction decision expected in the latter half of this year. A significant amount of engineering work is being done to get us to hopefully what, in this case, will be the starting line.

At Relincho, the feasibility study is expected to be completed in Q4 of this year. And finally, at QB, the updated SEIA document is now expected to be submitted some time in Q4 of 2013. Some issues related to permitting of the existing facilities have caused the schedule to be pushed back here.

So in summary, Teck remains in great financial shape with solid margins in all of our businesses and a strong balance sheet to fund our future growth. But these are very uncertain economic times, so we will continue to be prudent in the use of our balance sheet. Our coal production will continue to be tailored to match market demand. We have tremendous coal assets and we will manage them for the long term.

Our view of the markets for our products are still very constructive long term, driven by the continued growth expected in the developing world where the OECD expects three billion people to move into the middle income group over the next 20 years.

We will continue to be disciplined in our approach to new investment. There has been a lot of speculation about us pursuing major M&A transactions, but I can tell you this is grossly overblown. We will always be looking at new opportunities. That is our job and is consistent with our strategy of diversification, which has underpinned this company for years. But we will not pursue any transaction that doesn't create real value for our shareholders, and those opportunities are actually quite rare. And we have no reason to chase marginal assets.

And lastly, our cost-savings program has delivered real near-term results and our capital spending program reflects our focus on prudent allocation of capital. With that, I'd like to turn the call over to questions.

QUESTION AND ANSWER

Operator (Operator Instructions): Meredith Bandy, BMO Capital Markets.

Meredith Bandy: Good morning. Thanks for taking my question. So I still had some question, I guess, for Ron Millos on the new accounting treatments. First of all, on coal, you gave us the DD&A, and also you gave us a little bit more colour on maintenance expense, maintenance CapEx of US$11 to US$14 per tonne. Does that include -- does the maintenance CapEx include the pre-stripping and --?

Ron Millos: No, that does not include the deferred stripping. The deferred stripping is in addition to what is referred to as more the normal maintenance capital spending.

Meredith Bandy: So how should we think about maintenance capital for the coal now with this new treatment? And also, is the DD&A that you've given us, does that sort of stay the same or as you go forward with this program, does that increase as well?

Ron Millos: The maintenance capital on slide, I forget the number there, 22 provides the maintenance capital for coal, and it hasn't changed from the previous guidance we've given. So all we've done is, for the capital spending guidance, is added the $840 million for the capitalized stripping. The depreciation expense will be the normal depreciation expense that we have for the existing assets, and then we add to that whatever depreciation is capitalized. And that is going to be a difficult calculation because it depends on the pits that you are mining and the phases that you're mining in each of the different mines. So they can change. So some of the deferred stripping might access ore for a year or two. Other parts of the deferred stripping could access ore for much longer or much shorter periods.

Meredith Bandy: The capitalized stripping that you've given us, so we should split that among the mines, so I guess most of it would go to coal, but also Highland Valley and Antamina.

Ron Millos: Highland Valley, Antamina, all the open pit mines will have some coal. Coal has the largest piece of it.

Meredith Bandy: And does that stay -- that just continues going forward?

Ron Millos: It will continue going forward until you get to the stage where the strip ratios are at or below the average for the particular areas being mined.

Meredith Bandy: Yes. And then what should we think about in terms of the impact for some of the other mines in terms of cost, like Highland Valley and Antamina? I know you don't break it out in particular, but is there any impact on the copper costs that we should be aware of because you sort of gave us the new costs and the DD&A for coal, but is there any impact for the copper side that we should be aware of? I know you don't want to break that out by mine.

Greg Waller: Actually, Meredith, it's Greg. We have broken out the amount we would charge to capitalize stripping for each of the operations in the quarter, and we've also indicated that we would expect the future quarters this year to be similar to what we've capitalized this quarter. So the $840 million for the year, you can look at to be split roughly similarly to what we've incurred in the first quarter (technical difficulty).

Meredith Bandy: Right, I understand that. Thank you. But I was also talking about like on slide 21 where you give like the coal site costs and coal DD&A, but you don't give us any of that guidance for copper, for example. Could you give us any more colour on the impact to the copper?

Ron Millos: Are you talking the all-in costs with the deferred stripping or before the deferred stripping?

Meredith Bandy: Well, I guess I'm just saying what should -- how should we think about your cash costs for copper now and also the DD&A for copper now?

Ron Millos: No change from how you previously thought to the cash costs and the deferred stripping is going to come up based on the $840 million that Greg talked. And if you look on our news release on page 6, there is a little bit of a table there that tells you the amounts by the various business units.

Meredith Bandy: Okay.

Ron Millos: That gives you sort of the impact. And again, be careful with those numbers because, under the old rules, there were some stripping costs, so we unwind what we did under the new rules and then put in so these are the net numbers.

Meredith Bandy: Okay. I'll turn it over to someone else. Thank you very much.

Operator: Harry Mateer, Barclays.

Harry Mateer: Good morning. A couple questions. I guess, first, clearly we've been in a period of considerable volatility in commodity prices, not just coal, but copper. You are doing some of this with trying to lower cost, but can you just talk to us a bit about your contingency planning in light of all the volatility to keep your balance sheet healthy? Are you going to run with more cash than what you might've previously viewed as a minimum cash balance?

And then second question, somewhat related, Don, you addressed this to some extent at the end of your comments, but how do you think about M&A opportunities when it seems like prices are such a moving target right now?

Don Lindsay: On the first question, I'll answer that in two or three different ways. First, our obligations between now and the beginning of 2017 financially I think is $323 million of debt that comes due. And that compares to just under $3.0 billion of cash that we have. So we feel that we are in a pretty strong position from that point of view.

The CapEx schedule is deferring itself in many ways. At QB, obviously, we have just said that the SEIA for QB2 is not going to be filed till Q4. So if you then just sort of revise your model, you'll find that a substantial amount of capital that we thought we would be spending in 2014 is now not going to occur, and so that means that our financial position is going to be stronger than we thought was previously.

We haven't seen a sanctioned decision on Fort Hills yet. We are certainly hoping to do so, but I think we've got to wait and see until that happens. And likewise, the final decision on Quintette hasn't been made yet either. We haven't got the permit. We think we are very, very close, but we will have to wait and see.

In terms of a contingency plan to keep the balance sheet strong, it is really dependent on those factors. Our starting position is very, very strong indeed. But we will adjust depending on how those decisions go. And note that, with Quintette and QB, those are within our control. We can choose to defer that if commodity prices get unusually low or much lower than they are from here. At these levels, of course, we do have strong cash flows, and so we feel like we are in a pretty good position.

Relative to M&A, nothing has really changed. We look at opportunities as they come up. Frankly, we're not very busy at it at the moment because there is not a lot out there that is appealing to us. We have had discussions in the past and people's expectations were higher than we were willing to commit to. And I don't think anyone should be holding their breath or sitting on the edge of their seat for something to happen. But at the same time, it is our job to keep looking, so we will keep looking.

Harry Mateer: Thanks and then on the coal business, what is your sense as you look out over the next 12, 24, 36 months in terms of the percent of coal volumes that you think are at risk for moving to monthly or shorter pricing? Is the whole business going to go that way or is it still a relatively smaller percentage?

Don Lindsay: I think we will ask Real Foley to answer that question please.

Real Foley: All right. Thanks, Harry. The first comment to make is we have long-term relationships and contractual arrangements and that gives us a certain level of certainty on our volumes that we are moving to the market.

Now when we are looking at what happens in the future, the timeframe that you are saying, a lot of that is speculation. What I can say today, what we know today is there are customers that choose to buy 100% on a quarterly price basis who are now looking at a shorter pricing cycle for a portion of their tonnage. But all of that tonnage is still covered under our long-term relationships and our contractual arrangements. The only thing that is changing is the pricing, the pricing cycle that is being used.

In terms of percentage of spot sales, if you look at our history, pre-2011, we were somewhere around -- pre-2012, sorry -- we were somewhere around the 15% to 25% portion of our sales book on a shorter-term priced sales basis. For 2012, our ratio was somewhere around the 25% to 30%, and that reflected a gradual shift to shorter-term pricing, but also growing [land] from growth market areas. We are only one month into a new contract here now because the majority of the contracts are actually on an April-to-March contract year. But at this time, we expect the ratio for 2013 to be somewhat at the higher end of our 2012 range, so somewhere around 25% to 30%, near the 30% level.

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

Operator: Greg Barnes, TD Securities.

Greg Barnes: Thank you. I guess we'll go back to that comment about the spot sales and the percentage. Does this imply that the buyers now have more flexibility? So if spot prices start going up again, they can switch back to the longer-term pricing contracts?

Don Lindsay: That's an interesting question. Real Foley, you better give your view first.

Real Foley: Thanks, Greg. So currently, in the market, there is no doubt that there is coal available and spot prices are below what quarterly benchmarks are, and that is causing customers to review the way that they are pricing their coal. The reality is that margins of steelmakers are pinched, and they have been at least for the last year.

So when the market turns, and it will because there are positive signs, it will drive behaviors. What we will see in the market now is typically when the market rises, customers want to protect their position in the market. The other comment that we can make, too, is if you look at the history of other commodities, ones that have moved to the shorter pricing cycle, there is not many of them that have gone back to the longer pricing cycle. So again, it is speculation. That is what we are seeing in the market right now. It is difficult to really see what will happen in the future.

Greg Barnes: Don, I guess on a bigger picture question, are you prepared to move towards a higher percentage of spot-based pricing then?

Don Lindsay: So I was going to add a couple of comments and then address that as well. So we've seen in the last few years periods of oversupply and undersupply type markets. We've seen customers pay spot prices dramatically higher than benchmark, spot prices of US$380 when benchmark was US$330. And now we are seeing customers who want to pay a spot price that's under the benchmark. So it certainly does go both ways.

I think, in the end, this is a relationship business. The relationship with a customer is quite crucial and we make our decisions on what we are going to do with each customer. That is partly driven by the nature of the steelmaking coal business that it is an ubiquitous product, a homogeneous product. There is different specifications that are really important to each steel plant and it takes some time to understand it, figure out what the blend is going to be, how it works with other coals and that in itself is part of the whole relationship between the supplier and the customer.

So there were times in the past few years when we have acted differently with certain core customers than we would with customers that we don't have a strong relationship and where we might just sell on spot. So I don't see that the market will sort of convert completely to a spot market that quickly because the customers themselves I don't think will want to be exposed that much given the blend that they are used to and the efficiency they get from that. So that was sort of the comments to add to what Real just said.

But to your last question, I think, in the end, we're going to have to follow the market. We won't be able to be a complete outlier. I don't expect we'll be leading the market to go to spot only. I don't think that would be in either our customers' interests or our interests. But if the customers have decided collectively that they want to have a higher proportion of spot than they've had previously, then that is something that we will have to be aligned with.

Greg Barnes: Okay, good. Thanks very much.

Operator: Sal Tharani, Goldman Sachs.

Sal Tharani: Thank you. Good morning. On the coal cost of $51 to $58 versus $71, $77 earlier, is this all strictly coming from the stripping cost benefit -- accounting benefit?

Ron Millos: Pretty much.

Sal Tharani: Okay, so there is no change in your cost for this year versus what you had before?

Ron Millos: No, our guidance remains the same other than the change related to the stripping.

Sal Tharani: Okay, next thing, on slide 9, you have this chart about the movement of how much material you have moved versus shipments. How should we interpret this? Do you have some inventory sitting over there or is it the stripping has been going up?

Ian Kilgour: Ian Kilgour here. The stripping has been going up with our coal volume. So if you look at that chart, you'll see the red line indicating the increase in coal production, along with the blue bars indicating the increasing stripping and generally they go together. Over the long term, we have a strip ratio of around 10.5. That will fluctuate from time to time, and you will see that, in the last couple of months, coal production has remained stable while the amount of material has gone down a little bit, and that is just part of the natural course of fluctuation of strip ratio over time.

Sal Tharani: Okay, great. And last thing is there was a comment on the Red Dog, the mine discharge permit has been shifted to a different agency. I was wondering if there is any progress on that going forward.

Ron Millos: Permit shifted to the Alaska government or the EPA.

Peter Rozee: So the state has reissued the permit for Red Dog. There is an appeal underway, but the good thing about the state having issued the permit is that the permit remains in effect during the pendency of the appeal. This appeal doesn't really raise any issues that we haven't seen before on previous appeals, which have been favorably resolved. So we are reasonably confident that in due course these appeals will be sorted out. So in summary, the permitting at Red Dog is about a good a position as it has been since 1998 really.

Sal Tharani: Okay, great. Thank you very much.

Operator: Ralph Profiti, Credit Suisse.

Ralph Profiti: Good morning. That's for taking my question. Just want to come back to the coal cost guidance of $51 to $58 in the context of the $47 that was reported in Q1. Just wondering, that disconnect, are we seeing higher unit costs or are you baking into your assumption the possibility of sales coming in below production levels?

Ian Kilgour: Thanks for the question. Essentially, the firstquarter costs came in a little bit below the guidance range mainly because we concentrate a lot of our maintenance in the second and third quarters, so you would expect to see cost of production go up for the second and third quarters as we do all of our plant shutdowns. So the first quarter and the last quarter tend to be clean. Lowest-cost quarters, because, number one, you're not spending the money on your plant or your annual plant maintenance shutdowns and number two, you're not losing production because of those plant shutdowns. So those factors mean that first quarter costs are often below annual costs.

Ralph Profiti: Thank you. Maybe I'd like to get a little bit more colour as we circle back on QB2. Previously, you've talked about one year for the possible permitting plus a 39-month construction schedule, which puts the context of the supergene orebody expiring in 2017 and then startup of QB2. How are you thinking about the possibility of that gap opening up? Is it something that Teck is willing to accept or is there some risk mitigation on maintaining some continuity that is possible? Thanks very much.

Don Lindsay: Roger Higgins.

Roger Higgins: Good morning. Thanks for the question. You are correct, of course, that we had a mine plan that nicely had a somewhat of an overlap between the leaching process and the concentrating process at QB, and that overlap is being whittled away. But, at this stage, we have mine plans, which do allow us to continue operations. The mined part of the operation, of course, doesn't change very much at all because the pit is there, it's open and we continue to move at approximately the same rate through the transition from mining and leaching ore to mining concentrator ore. The plant, of course, will continue because the leaching cycle at QB, the period of time that ore is in the heaps and in the dumps ranges from just under one year for the heaps to sort of closer to two years for the dumps. So we will be able to continue to produce cathode and importantly keep a continuous operation going on through the transition as we see it at this stage.

Ralph Profiti: Great. Thanks very much.

Operator: Oscar Cabrera, Bank of America-Merrill Lynch.

Oscar Cabrera: Thank you, operator. Good morning, everyone. Just going back to the question on coal spot prices, as the iron ore market transitions from a contracted pricing a quarter to a spot market, the onus on the transportation and insurance of the shipments passed from the mills to the miners. Are you expecting something similar to happen in the met coal market, i.e. are we going to see prices that reflect CIF delivery to wherever the destination?

Don Lindsay: Who wants to answer that? Ian or Real?

Ian Kilgour: At the moment, we have a combination of pricing which includes vessels that the customers supply to us and vessels that we contract ourselves. That mix may shift in the future. However, it is going to be very dependent on customer preference and we are well-equipped to handle either situation.

Oscar Cabrera: Okay. And then if I may, also on your stripping in the coal mines, I know that the stripping went up to like 121/2 to 1 when you were expanding to 27.0 million tonnes. As you undergo your expansion to 28.0 million tonnes, what should we expect the stripping ratio to be in 2014 and '15?

Ian Kilgour: We expect it to be around the 101/2 level, Oscar, over the next few years.

Oscar Cabrera: So would it be fair to say that the amount of the first stripping that you quoted -- I believe it was like $80 million per quarter. Would that be a good benchmark to use for the next couple years?

Ian Kilgour: Around the 75 million -- 72 million to 77 million cubic meters per quarter is about what we expect.

Oscar Cabrera: Great, that's very helpful. Thank you.

Greg Waller: Oscar, if I could just interject here, just to clarify the capitalization of stripping in the coal business has been about $140 million per quarter.

Oscar Cabrera: Just, looking to see what we do over the next years. In other words, most of the stripping has been done, so it should, you’re in harvest mode?

Ian Kilgour: I wouldn't quite put it like that. We did have a peak of stripping, which we talked about last year, which we moved through, which was above that 101/2 level, but we are moving back towards that more normal level for the next few years.

Oscar Cabrera: Okay, great. Thank you. And then, lastly, on Quebrada Blanca, during CESCO week, I think one of the issues that came to the floor was the fact that permitting within the country was just being extended because of different stakeholders. I was wondering if you can give us a little bit more colour on what the government is asking you with regards to your existing operations or existing processing facilities I think you mentioned during your remarks. What is the government focusing on and why the delay?

Don Lindsay: Thank you for that question. I don't know if it's any comfort to know that we're not alone in this situation, but Chile is definitely going through a transition, and I'll ask Roger to make a comment.

Roger Higgins: Thanks, Oscar. And you're right, it was a major topic of conversation atCESCO. Just to give a little bit of background perhaps to Quebrada Blanca because I suspect that is where you are thinking most at the moment. Quebrada Blanca original EIA was approved in 1991 for operations starting in '93 and for a mine life of 14 years, so that takes us to 2007. We're still operating that mine now with mine life extensions in 2013 and have some years left to go. And of course, that is a good thing. And it has been well-advised, and we have applied for various extension permits, and we've reported annually to government authorities and all of those sorts of things.

But the regulation (inaudible) is different now from what it was in 1991. It is in transition. There is nothing inherently wrong with this; it is just a case of getting used to what's happening not just in Chile, obviously, but in virtually every mining jurisdiction in the world. So we are going through that process and in our dialogue, it is a constructive dialogue with authorities at the national level, environmental and mining authorities at the regional level as well. And working our way through to ensure that we have a current QB operation, which is regularized, if you like, to the current mining regulations and rules as we proceed to go into a brand new project.

It is a transition process. Everybody is learning their way through that, including ourselves, other mining companies and the authorities themselves. They've set up some new departments, they've set up some new tribunals. There are new people in all of those and so we are working with them to progress QB and the other projects in the future, of course, like Relincho, through the new processes. We don't consider this to be an impediment. Chile is still a good place for us to be looking for new copper opportunities and we are working with the authorities to make it as smooth a transition process as we can.

Oscar Cabrera: There is nothing specific, right, Roger? Just the process as opposed to the government focusing on the tailings or in the processing at the site?

Roger Higgins: The only thing I would say is a bit specific is, in Chile, as in so many parts of the world, there is a greater focus on the influence of communities and our discussions with them around specific details, which certainly is different from the way it was in 1991.

Oscar Cabrera: Thank you very much.

Operator: Alec Kodatsky, CIBC.

Alec Kodatsky: Thanks. Good morning, everyone. Just a couple of things. Wondered if you could maybe offer some comments just on the observations for the met coal market. Clearly, with spot where it's at, it would appear that there is a reasonable amount of material available. I'm just curious whether the production curtailments aren't necessarily appearing as you might have expected or whether there is a demand pushback or any coloir to the market would be helpful.

Don Lindsay: Okay, Real Foley please.

Real Foley: Thanks, Alec. The current pricing levels are definitely putting pressure on coal supply. We've already seen announcements that add up to around 30.0 million tonnes in the latest production cuts, and it is also a number of projects that I (inaudible) suppliers exiting certain projects or putting the assets up for sale. So that is all public information. You may have seen as well at a number of conferences where we presented the margin curve where the estimate that, at a price of somewhere around US$107, there is production of about 52.0 million to 58.0 million tonnes that is uneconomical. At the current pricing level, production is continuing to suffer, for sure. And the higher cost, especially the higher cost ones with the lower quality type coals get impacted most.

Alec Kodatsky: Right, and it is -- I guess sort of the question is, is there an inherent reluctance to scale back output and people just sort of waiting for better signs, or is there another element to the margin curve that would suggest that they can continue to operate at these prices and everyone is sort of adjusting maybe to the wrong number?

Real Foley: I guess each company is making their own decision. But what we witness is when there are inventories to go through the system, those tonnes will tend to move and we have seen that from a number of areas. As prices trended down from about mid-February this year, we started seeing more production cuts and more announcements come out and whether or not there will be more really depends on how long pricing continues at that level. But the pricing at the current level is definitely making it difficult for some miners and reducing margins for everyone.

Alec Kodatsky: Okay and maybe a question for Ian. Just conceptually, when, for the coal operations, do you plan to get to the long-term average strip ratio? I understand they are long-life assets, but is it 10 years, 20 years? I'm just sort of curious.

Ian Kilgour: We are approaching that time fairly quickly. This year, we will be at around that long-term ratio. We'll be going up a little bit, down a little bit, but we won't be straying drastically from the long-term strip ratio over the next 10 years.

Alec Kodatsky: But it will be fairly consistent then. You won't necessarily see as big a fluctuation as you might have if these accounting rules were applied two years ago or a year ago? Is that fair to say?

Ron Millos: You do want to be careful because it is sort of area-by-area, not mine-by-mine calculations. So one pit may be under, one pit may be over. The one under, you don't defer; the one that's over, you will defer. So there are going to be awkward numbers on a go-forward basis to get right, and that is why we've sort of put the depreciation guidance in the numbers.

Alec Kodatsky: Okay, got it. Thank you very much. That's it.

Operator: Jorge Beristain, Deutsche Bank.

Jorge Beristain: Good morning. I guess my question is for Roger and just following up on Oscar's question earlier about QB2. Could you comment on if any of these changes or pushbacks that the Chilean regulators are asking for would lead to a higher CapEx or OpEx in the future on this project?

Roger Higgins:Jorge, thanks. Look, we are not saying that. We are basing our CapEx and our OpEx on bottom-up calculations of both and apart from the question of deferral and little delays, which has I guess an inflationary effect, we are not seeing any other impact.

Jorge Beristain: And that was going to be my second question because the 43-101 was filed in January 2012 based on those dollars. Or better put, it was on 2012 dollars. Could you comment in terms of what you're seeing in terms of general Chile cost inflation on a year-on-year basis for CapEx?

Don Lindsay: Yes, Tim Watson to comment on that.

Tim Watson: From an inflationary perspective, there are the three elements with respect to inflation you need to look at. There is the labour component. There is the commodities, things like rebar, concrete. And then there is the capital equipment. You can look at those individually. We have I guess looked at things I guess across the whole project and an overall assessment over the last few years that inflation or escalation has been running close to 5% per annum from that initial capital cost estimate that was tabled in 2012. And while we continue to award long lead equipment and we are seeing very attractive prices in comparison to budget there, the overall average we're still expecting to see around that 5% per annum.

Jorge Beristain: My last question is are the current discussions that you're having with some of your partners in terms of funding have anything to do with the potential project CapEx escalation or the declining copper price as both of those could obviously impact the project NPVs, or are they completely independent of that situation?

Don Lindsay: The short answer is no; they are completely independent.

Jorge Beristain: Okay. Thank you.

Operator: Kerry Smith, Haywood.

Kerry Smith: Thanks, Don. Could somebody comment just on Asian demand generally that you are sort of expecting in the second half? Are you seeing possibly better demand in Japan say versus China? I'm just wondering what the dynamic is like there.

Don Lindsay: Real, over to you.

Real Foley: Looking at China, so far this year, they are running at a very high level in terms of steel production. They are actually running at record levels. And that has been for January, February a bit contrary to what we've seen in the majority of the rest of the world. And we are now at the point where we're seeing positive trends in Northeast Asian traditional customers with anecdotal evidence suggesting that those customers of steelmakers are running at higher capacity utilization compared to 2012. And they are expecting that that should continue for the balance of 2013.

Kerry Smith: Okay, that's helpful. Thank you. And the second question, for the mill optimization at Highland Valley Copper, say it's on schedule, Don, what about in terms of the cost to complete that optimization? Is it on budget as well that way on the cost side?

Don Lindsay: Yes, Tim Watson can answer.

Tim Watson: Yes, it is. Right now, we've got a series of major shutdowns scheduled for the summer months. The most significant is when we tie in the new pebble crushing circuit in August of this year, followed by mechanical completion of the float plant at the end of the year. So we haven't seen anything at this point in time that is changing either our scheduled completion dates, nor our forecasted capital cost for the project.

Kerry Smith: And the 30%, just remind me, was that committed capital or that was actually spent capital that you talked about for the project?

Tim Watson: The 30% was the construction progress. So in terms of total expenditures on the project, we are in excess of 60% expended on the project and on commitments, we are in excess of 75% on our committed costs.

Kerry Smith: Okay, okay. So on that basis you are pretty confident the price won't change. Okay, that's great. That's all my questions. Thank you.

Operator: Cliff Hale-Sanders, Cormark Securities.

Cliff Hale-Sanders: Good morning, everyone. Just a quick question really on capital spending in 2013 given the focus on near-term capital preservation in the market. With QB2 and Frontier both having pretty high numbers for 2013, just wondering how much of that number could come down if there is further delays in the permitting in the sense that expenditures you could put off in the future at QB2 and at Fort Hills, if there is no sanction in 2013, is there room for that spending to come down? And then just one final question kind of relating to that, on the capitalized stripping, I understand the nuances for the accounting treatment, but how long will it stay from a cash draw point of view at these sort of elevated levels or should we expect it from a free cash flow point of view start to shrink dramatically over sort of the next two to three years?

Don Lindsay: Okay, there were several questions there. Let's do the last one first, if that's okay. Ron or Ian? Ron?

Ron Millos: The cash numbers, again, there is no changes to our mining plans. So the effect on our cash flow and our cash balance is not touched by this change in the rule. It becomes really just a presentation issue. So we've only given guidance for our spending for the current year, and that was the 71 million to 77 million before the change in the rule. We have not yet given guidance for the future years, so that will come out probably when we issue our fourth-quarter results in early February next year. But whatever they will be, it would be what we intended to do all along.

Don Lindsay: Okay, and then let's do the QB part of the question and I'd just make the comment first before I turn it over to Tim is that we do want to stay as close to the schedule on QB2 as we can. But we are cognizance of delays versus mining expense. So Tim, you've looked at this.

Tim Watson: Yes, so with respect to QB, we did have the budget approved for 2013 assuming the submittal of the SEIA in the end of the second quarter of this year. So with the pushout of the SEIA submittal end of this year, we're actually just in the process right now of analyzing what impact that will have on reducing our budgeted expenditure for 2013, and we expect to have that number available associated with the Q2 results.

Don Lindsay: And then on -- you did mention actually Frontier at the beginning of your question and you referred to Fort Hills.

Cliff Hale-Sanders: Sorry, just oilsands in general I guess.

Don Lindsay: So Ray Reipas is here to answer that one.

Ray Reipas: Yes, thanks for the question. On Fort Hills, the spending this year is really focused at getting us to that sanction decision. So I think your question was, was there any ability to change that amount and I would suggest that's probably not going to change. We will spend that to get us prepared for that sanction decision.

Cliff Hale-Sanders: And at Frontier, any point in slowing things down in light of the current market or are you still proceeding as planned?

Ray Reipas: Frontier is a much smaller percentage of that spend that is shown there and that is really moving through the regulatory and pre-feasibility study engineering phases and I wouldn't see that changing.

Cliff Hale-Sanders: Okay, great. Thanks a lot.

Operator: Steve Bristo, RBC Capital Markets.

Steve Bristo: My question also ties into the capital spending. I was wondering with the delay in QB2 why the CapEx guidance hasn't changed, but it sounds like you just haven't had a chance to review that yet. It is that correct?

Don Lindsay: Well, it's under review. We haven't made any new decisions on it yet. And that is -- as we are watching it very closely trying to keep the right balance between maintaining schedule and then not spending too far ahead of when the SEIA is submitted.

Steve Bristo: Perfect. That was it for me. Thanks.

Operator: Sal Tharani, Goldman Sachs.

Sal Tharani: I wanted to go back to the coal side and also the steel mill margins in Asia, China and all around the world have compressed and you alluded to in your commentary also and what we have seen on the iron ore side is that the premium mills were willing to pay particularly in Asia for higher grade iron ore or pellets as compressed. And I was wondering if, aside from the fact that people want to go on a more spot basis, are you also seeing a compression in lower grade high growth coking coal prices or that has maintained as it was historically?

Don Lindsay: Real Foley.

Real Foley: Thanks, Sal. When we look at the different grades if coals, they each have demand supply conditions that are slightly different depending on the conditions in the market. Now as steelmakers are trying to control their costs, manage their costs, we have seen an increase in the utilization of lesser value coals and that for instance has pushed the ratio of the low ball PCI prices closer to the hard coking coals. And it has also created demand for more lower grade material that we have been able to respond to with the range of product that we have available for the market.

Sal Tharani: Great, thank you very much.

Operator : Thank you. There are no further questions registered at this time. I'd like to turn the meeting back over to Mr. Lindsay.

Don Lindsay: Okay, well, thank you very much for attending this morning. Just a couple of summary comments and sort of a point that is of interest to us. The change in the accounting rules is new this quarter and it's something we understand people have to get used to, but there is a benefit that we are looking forward to and that is that we are under IFRS now the same as our major competitors in the steelmaking coal business. So we are looking forward to when the new cost curves come out because we are very proud of what has occurred in our coal business since we made the Fording acquisition, and we've moved the business down the cost curve quite substantially and we think it's going to move down even further when an apples-to-apples cost curve is developed with the new numbers. So we will look forward to that.

As I said earlier, the company is in very strong financial condition, and whether the capital allocation turns out to go to the projects with what we call our Stay the Course strategy, which we are committed to, or whether there is another opportunity that looks better than the Stay the Course strategy, either way, we think it will be a benefit to shareholders.

We are watching our capital very carefully, watching the market as events unfold to see which direction it's going to go. But, for the moment, the Company is running very well. We are getting good operating results and we've got good projects ahead of us. So we thank you for listening today and look forward to the next quarter in July. Thanks very much, all.

Operator: Thank you. The conference has now ended. Please disconnect your lines at this time. We thank you for your participation.