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PRESENTATION
Operator: Ladies and gentlemen, welcome to Teck's second-quarter 2011 results conference call. At this time all participants are in a listen-only mode. Later we will conduct a question-and-answer session. This conference call is being recorded on Friday, July 29, 2011. I will now like turn the conference call over to Greg Waller, Vice President Investor Relations and Strategic Analysis.

Greg Waller: Good morning everyone, and thank you for joining us this morning for our second-quarter earnings conference call. Before we start, I would 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 does not assume the obligation to update these forward-looking statements. At this point, I would like to turn the call over Don Lindsay.

Don Lindsay: Thanks Greg, and good morning everyone. I will start this morning with a review of the results of the quarter, and then I'll turn the presentation over to Ron Millos, our Senior Vice President Finance and CFO, to address some more in-depth financial topics.

We do have a number of other members the management team on the call this morning and they, too, are available to answer questions. So turning to slide 5, this quarter was a record quarter for revenues, for gross profits, and EBITDA on a normalized or clean basis, despite having adjusted our guidance for coal that was down later in the quarter.

The very strong quarter is a reflection of the strong fundamentals of our business, particularly in the higher prices for both coal and copper. I would note that the second quarter for Teck is traditionally a weaker quarter for us because of the seasonality related to Red Dog.

Underscoring our financial position is our $3.4 billion cash balance, and that is after having already paid $177 million in dividends this quarter. Since quarter-end, we issued US$2.0 billion in aggregate amount of term notes. We expect to use the proceeds for general corporate purposes, including anticipated capital spending and debt repayment.

Our net debt position is also about $3.4 billion, but it hasn't changed materially with our increased cash balance. And finally, in coal, the benchmark contract price for premium hard coking coal for the third quarter has been settled at US$315 per metric tonne. Our average price will depend on the volume of each product that we sell.

Turning to slide 6, Q2's record revenues stood at almost $2.8 billion, up over 27% from Q2, 2010. Gross profit before depreciation and amortization was over $1.4 billion, which was up 31% over the second quarter of 2010, with expanding margins. Second-quarter profit was $756 million, and EBITDA was just over $1.4 billion.

I would like to remind everyone that our profit is reported now under IFRS, and if you have not already done so, we urge you to go through the notes to the financials to become more familiar with the changes.

Slide 7, it shows our adjusted profit for the quarter, which removes unusual items in comparison to last year. Adjusted profit of $663 million, or $1.12 per share on a fully diluted basis is almost double the adjusted profit-per-share last year.

We show our view of normalized or adjusted profit for the quarter on slide 8. This quarter had two significant adjustments. The largest was the sale of our interest in the Carrapateena project, which had an after-tax impact of $99 million.

The second is one-time after-tax charge of $26 million, related to the new 5-year labour agreement in our coal operations. As usual, we have some modest adjustments related to the foreign exchange derivative losses. Adjusting for these items, profit was $663 million for the quarter, or $1.12 per share.

Turning to our operating results for the quarter on slide 9, in our coal business, production and sales were down year-over-year. Our production for the quarter was 5.8 million tonnes, and sales came in around 5.6 million tonnes. The average realized price for the second quarter was US$272 per tonne, relative to the benchmark prices of US$330 for the premium quality of the coal.

The wider spread between realized price and of the benchmark price was primarily due to the significant increase in the benchmark price this quarter, and the carryover a sales of some coal at prices from the previous quarter which were substantially lower.

Also, the deferrals from customers impacted by the March earthquake and tsunami in Japan resulted in the realized price being somewhat lower than previously expected. Some of those cargoes have been pushed into the third quarter, and they will be still priced at the Q2 levels.

Second-quarter 2011 unit site costs were $73 per tonne, not including the one-time costs related to the settlement of labour contracts. The one-time cost related to those labour contracts amounted to about $40 million, or approximately $7 per tonne.

A number of factors contributed to higher site costs. First the increase in strip ratios, external mining contractor costs, and diesel, of course, all contributed to higher unit cost during the quarter.

It is important note that some of these are deliberate decisions that we make to maximize production given the high coal price. We know that these decisions will increase costs, but it is the right economic decision for our shareholders.

Adding unit transportation costs of $33 per tonne gave us combined costs of $106 per tonne for the quarter. We recognize that our site costs have increased significantly over the past three years.

Slide 10 underlines the increase in strip ratios, and how the change has impacted costs. Although the strip ratio has been trending higher, we do expect it to decline and then stabilize in the near future. The bars in the chart correspond to the amount of total material that is coal and waste material that we moved quarterly over the past three years or so and our forecast for the end of 2012 as well.

During the second quarter we moved a record amount of material. This is a direct result of more equipment and specifically having larger haul trucks. Speaking of which, we now have increased our truck deliveries by 5 more, to 42 new trucks by the end of 2012. Of the 42, 22 new trucks have already been delivered.

Of our increase in costs over the past three years, about 35% is to do with the strip ratios. The logic underlying our expansion is really quite straightforward. In order to produce more coal, we have to move more waste to expose the coal and prepare it to move to the wash plants. More coal means more waste strip that adds to that coal production. Hence we need more trucks.

This is the right economic decision for our shareholders given the tightness of the hard coking coal market currently, and we expect in the future, and the associated high prices with that type market.

In our copper business on slide 11, overall production was up over 4% versus Q2 last year with concentrate up and cathode production down, mostly due to the transition in Andacollo from cathode production to concentrate production. While we would have liked to have more, at least it was up; most other companies have seen copper production down.

Production of copper concentrate was up over 17%, mainly due to Carmen de Andacollo and to a lesser extent Highland Valley Copper. The increase in production was slightly offset by lower production from Antamina, primarily due to lower than average ore grade.

Conversely, cathode production was down 6,000 tonnes, or about 25%. The decline is mainly attributable to the unusually heavy rainfall experienced at QB during the first quarter. During the lag times involved in the leaching operation, this had an impact in Q2 as well.

Higher revenue on weaker sales volume was the result of substantially higher copper prices. Copper prices averaged US$4.14 per pound in second-quarter 2011, compared to US$3.18 per pound in the same period a year ago.

Turning to slide 12, I would like to provide an update regarding the Andacollo concentrator. As discussed in earlier quarters, we've encountered harder ore at Carmen de Andacollo sooner than anticipated. As a result, there is a need for additional grinding capacity.

Consequently, we have plans underway to increase plant throughput to meet or exceed the original design plan. The three main steps to achieve this include adding a small crusher to feed the pebble crusher, and that will be done by the end of August, next month.

Second, to increase the second SAG motor capacity by about 10% by the end of the third quarter this year. And thirdly, to install a 20,000 tonne-per-day pre-crusher plant by the end of the first quarter next year.

This improvement plan is already in progress. It is estimated to cost about US$15 million, and these plans are intended to increase throughput to meet or exceed the original design plan. Finally, in addition to these improvements, we expect the feasibility study examining the expansion to up to 100,000 to 120,000 tonnes per day, and that feasibility study would be due in the fourth quarter of this year.

Slide 13 describes the challenges that we've had at our Quebrada Blanca mine in northern Chile, and our responses to do with those challenges. Heavy rain in January and early February and a reduction in higher-grade heap leach ore due to instability in the south wall of the pit, continue to have an impact on production in the second quarter. The combined impact of these factors over Q1 and Q2 has been approximately 5,000 tonnes and 3,000 tonnes respectively.

More recently, unusual winter weather earlier this month brought more disruption. However, compared to last time, the impact is temporary, and disruptions have been minimal.

We are doing a number of things to address these challenges. We have stabilized the south wall of the pit by removing material weight and by taking a step out of about 70 metres, which leaves some ore behind for later recovery due to be phase 2. We are now mining below the filled area and will reach the ore zone in early 2012.

Quebrada Blanca is now transitioning from higher grade heap leach operation to a lower grade dump leach operation. We are also experimenting with treating ripios, which is ore that has been leached already, but still has copper in it to leach. Testing has shown that re-leaching of ripios can result in additional copper recovery.

We will re-leach ripios in 2011, and plan to include significant ripios in 2012. We expect to produce about 150 tonnes this year, and as much as several thousand tonnes in 2012. As well, modifications to the SX plant are being carried out to deal with lower concentration leach solutions that come off of the dump leach ore.

Slide 14 shows the current status of the expansion to the Antamina concentrator. The project stands at 63% complete and the forecast cost remained stable at US$1.3 billion. In addition to the new SAG mill and ball mill, the new copper and zinc flotation cells are already in place. And the target for operational readiness of the new facility is late Q4 of this year, with throughput and production benefits expected in Q1 2012.

Turning to slide 15. As you heard from our partner in the Galore Creek project yesterday, NovaGold had a very comprehensive release and discussion of project, so I won't go into a lot of detail. This is a very large copper gold resource. Potentially a very large producer.

The project plan has been simplified from that original vision to enhance the project to reduce risks. There are number of things to be evaluated in the enhanced plan, which will be completed by the end of the year, and that will form the basis of the project description for feasibility study and to initiate the permitting process.

Turning to our zinc business on slide 16. Zinc concentrate production for the quarter was approximately the same compared to last year. At Red Dog, higher mill throughput resulted in 3.7% increase in production. At Antamina, production declined due principally to a lower proportion of copper-zinc ore.

As in previous quarters, 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.

Lead concentrate production was 29% lower than our first quarter last year due to lower feed grade and recovery, impacted by near surface weather ore from the Aqqaluk pit in Red Dog. This issue should sort itself out as we get deeper into the ore body.

Consistent with last quarter, we had no sales of lead concentrate from Red Dog as we sold out in the last half of the previous year. At Trail, production of refined zinc was largely higher than the same period last year, due to improved online time and higher plant throughput. Overall, the zinc business contributed $156 million in cash gross profit this quarter.

In our energy business, we continue make progress across all of our projects.

At Fort Hills, engineering studies of both design and cost are ongoing. The timeline continues to anticipate a project sanction decision by the partners in late 2012 or early 2013.

At Frontier and Equinox, we have recently completed a capital cost estimate and a design basis memorandum which is the basis for regulatory application which we expect to file the second half of this year and that will kick off the permitting process. The first two production trains are expected have a production capacity of 159,000 barrels per day of bitumen, and should cost approximately $14.5 billion, with an expected accuracy of minus 10% to plus 30%.

The Frontier project has been designed for up to four production trains, and that's including Equinox as a satellite operation with a total capacity of 277,000 barrels per day of bitumen, costing an estimate of $22.9 billion.

At Lease 421 we completed a seismic program which assists in sighting future drill holes. Beyond that, exploration is ongoing, and we hope to be able to declare an initial contingent resource in the 2012 to 2013 timeframe.

At our Wintering Hills wind farm project with Suncor, the project is proceeding on schedule, and is expected to be complete by year end. I will now turn the call over to Ron Millos to address some financial issues.

Ron Millos: I am on to slide 19, where we summarize changes in cash for the quarter. Cash flow from operations was approximately $1.2 billion in the second quarter, which is up 48% from the same period last year. Our working capital investment was unusually large in this quarter, but we typically see net investment and working capital in the first half of year. And I will come back to this on the next slide.

Capital expenditures and investments were $325 million for the quarter, including $104 million on sustaining capital, and $168 million on major development projects.

Our major development projects include $26 million for stripping on Highland Valley Copper's mine life extension project, $26 million for Antamina's expansion, $18 million on QB's hypogene project, and $68 million at Teck Coal.

After allowing for our minority partners share of cash, and the effective exchange rate changes, our cash increase in the quarter was $268 million, and we ended the quarter with just over $1.3 billion in cash. With our bond issue earlier this month, our cash balance currently sits at about $3.4 billion.

Moving to slide 20, I would like to touch on a large working capital change. The largest single item relates to the factoring of our receivables, which we do to efficiently manage our cash balances. We did not do any factoring at the end of June, and this resulted in a $150 million increase in our receivables.

In addition to the factoring, our receivables are also higher due mainly to the high commodity prices, especially coal, and the timing of when the sales actually occur, which drives the timing of the payment from our customers. We have higher inventories, the largest of which relates to the cost of Trail's raw materials purchases due to higher commodity prices, particularly precious metals.

We also had higher inventory volumes at a number of sites, due to the timing of raw material purchases, and the timing of the sales of our finished goods. We expect these to reverse in the normal course. In addition, as you heard earlier in the presentation, some of our operating costs have risen, and these higher cost flow through our in-process and finished goods inventories.

The working capital increase also factors in an approximate $150 million reduction in payables rising from timing of tax and royalties payments in the first half of the year. Some of the working capital buildup is temporary, such as the higher inventory due to volumes and the timing of payments. Others related to higher commodity prices may last longer as a further buildup or drawdown are somewhat dependent on the movement in these future prices.

Slide 21 shows our final pricing adjustments for the quarter. Starting in 2011, our pricing adjustments are now included in non-operating income/expense. These pricing adjustments were previously included in our revenue or concentrate purchases as appropriate.

This is a presentation change only. There has been no change to the methodology in how we calculate the pricing adjustments. And our adjustments from previous periods have been reclassified for comparative purposes.

Total adjustments for the second quarter were positive $6 million on a pre-tax basis. Copper and zinc both have small negative settlement adjustments this quarter due to the small reduction in price.

Silver works in the opposite direction, as this represents settlements outstanding on the purchase of silver in concentrate at our Trail operations. On average, we had about 3 million ounces of silver payables outstanding at beginning of the quarter, and with the price declining, we recorded a positive $15 million adjustment.

And remember, when analyzing the effect of price changes in the adjustments, refining and treatment charges, and the Canadian/US exchange rate must be included in your calculations. When trying to analyze impact on our net earnings, you need to consider taxes and royalties.

Slide 22, there are 2 charts there. The top chart illustrates our updated debt maturity profile; the chart on the bottom our recent notes offering.

Our debt maturity profile remains very manageable with only US$200 million due in September 2012 and about US$1.0 billion due between now and 2015. Earlier this month, on July 5, we issued US$2.0 billion in aggregate amount of 5, 10 and 30-year notes with about US$1.0 billion maturing in 2017 and 2022, and US$1.0 billion maturing in 2041. We expect to use proceeds for general corporate purposes which may include our capital spending for project development and/or debt repayment.

We were able to place this bond issue at historically very low rates. The chart at the bottom of the slide highlights that we executed this debt issue at an average funding yield which was in the fourth percentile of where rates have been over the last 20 years.

In our view, this represents a very good time to secure long term, low cost money to help fund our expected investment program. With that, I'll now turn the call back to Don Lindsay.

Don Lindsay: Before we close, I would like to update you on the status of our many development projects that we have underway. So that's slide 24.

In coal, the feasibility study for the restart of the Quintette coal mine is proceeding, and is expected to be complete by the end of this quarter. Assuming the results of the study are positive and development proceeds, the mine could be in production by 2013, at an annual rate of approximately 3 million tonnes per year.

At Relincho, the pre-feasibility study is underway and is also expected be completed in third quarter of this year. At Andacollo, a feasibility study for possible expansion is in progress, and is expected to be complete in the fourth quarter of this year.

At Quebrada Blanca, a full feasibility study commenced in 2011 and is expected to be completed by the end of the first quarter of 2012. A positive feasibility study could potentially result in a decision to undertake project development with production in early 2016. Continuing in copper, the Galore Creek pre-feasibility has been completed, and more work is being planned through the end of this year before a decision is made for full feasibility.

In our energy division, we are working on a pre-feasibility study for the Frontier oil sands project with the possibility of Equinox as a satellite mine. This study is expected to be complete in Q4 of this year, which will also be marked by filing of a regulatory application. So we have lots of exciting growth opportunities coming. I look forward to reporting on the development status of these projects in the future.

In summary, the record results this quarter demonstrate the strength of our overall business and we expect further improvements as the year unfolds. We are very well-positioned to pursue our strong growth potential. We have a strong balance sheet and a focus on the strong and increasing cash flow from our business.

Our coal business is very exciting, with robust fundamentals and market prices, and we are increasing production for a very nominal amount of capital relative to others.

Our copper production will grow over the next year with the completion of the expansion of Antamina, and we are moving forward with several development projects to further enhance shareholder value. As you have seen, we have number of other growth projects on the agenda as well. With that, I'd like to turn it over to questions. So over to you, John.

QUESTIONS AND ANSWERS

Operator: Thank you. (Operator Instructions) Thank you for your patience.

Greg Waller: John, while we wait for the first question, I would just like to note for the benefit of people on the line, that a number people are calling in for this call this morning. So if we pause for a moment in coordinating our response, it is due to the fact that we are in various locations, and we will be coordinating who will be responding to the question. Thanks.

Operator: Thank you. The first question is from Meredith Bandy of BMO Capital Markets. Please go ahead.

Meredith Bandy: Hello, good morning. Congratulations on the results, gentlemen. I was wondering if you feel comfortable looking ahead to next year. You're still talking about maybe $32 million or above met coal production and 2013. What sort of production would you think about for next year?

Don Lindsay: Well, this stage, we haven't put out guidance for next year. I think we want to until we see the plant upgrades complete and working well and all of the equipment, the rest of the trucks delivered before we take a look at what production we can achieve in 2012. But we are quite confident, in 2013, all of the equipment will be in place and the plants running smoothly, and the targets we put out there for Elk Valley, and $28 million coming out of there, and another $3 million on average from Quintette will take us over the $30 million. So, I would say wait until, let's see, somewhere into the fourth quarter when the plant upgrade are further along before we can give a clear answer on the question.

Meredith Bandy: Okay. Thanks. And then on the cost side, you did give a lot of detail, and thank you very much, in the release about the increase and what was responsible for the increase. How much of that could go away? It sounds like the strip ratios are coming down. I'm not sure about the inventory impact. How much improvement could you get in the next few quarters or going into next year?

Don Lindsay: I will turn it over to Ian Kilgour.

Ian Kilgour: We expect to be able to bring our unit costs down in the second half of this year as we increase production and, we expect to be running around $65 per tonne on site costs by the end of the year. That's expected to continue in 2012.

Meredith Bandy: Okay. Thank you very much.

Operator: Thank you. The next question is from Jorge Beristain of Deutsche Bank. Please go ahead.

Jorge Beristain: Good morning gentlemen. Hello Ron, Don, and Greg. Just following up on that, maybe looking into the second half for coal. You were intoning that guidance could come in at the slight low end of your sort of 23.5 million to 24.5 million range. And seems to be more fourth quarter weighted in terms of coal sales volume. Could you talk to why you are still seeing a sort of slightly weak third quarter? And, if there is, on the cost decreases you're expecting, is that really something more seeing at exiting the fourth quarter run rate at $65 per tonne or is that sort of immediate one we get rid of the $7 per tonne that you saw for the labour settlement?

Don Lindsay: Maybe I will make an additional comment and then I'll turn it over to Ian Kilgour again. We don't feel the third quarter is slightly weak. It's ramping up. The first quarter was a miserable quarter because of all the weather-related issues and strike and so on. We have seen a significant improvement in the second quarter. The third quarter will continue that improvement and of course, we are getting more trucks, and continuing to get closer to when the plant upgrades are finished and we have increased capacity there. I view it as ramping up quarter by quarter which was always the case. It's hard to sort of do a straight line ramp up. Things come in incrementally. We are generally on the plan that we said we would be. For more detail, Ian over to you.

Ian Kilgour: Thanks, Don. I think it’s essentially the ramp-up as the key difference between the quarters in the sense of that we are gradually bringing on extra equipment, and we continue to do that in the second half. And the other aspect actually is that we concentrate our plant shutdown in the third quarter to take advantage of the good weather. So we just completed 4 of our planned 5 plant shutdowns for the scheduled annual plant shutdown for the year.

Jorge Beristain: So, sorry if I heard that correctly, you just had 4 or 5 plant shutdowns in the third quarter?

Ian Kilgour: That's right.

Jorge Beristain: Okay.

Ian Kilgour: That's simply scheduled on an annual basis to take advantage of the best weather to be out to carry out the scheduled maintenance.

Jorge Beristain: And from a cost point of view, could you talk to, if any of your fuel is hedged at any price in the second half or, for example, the Canadian dollar which has obviously been a source of appreciating costs?

Don Lindsay: Ron Millos, did you want to speak to the Canadian dollar?

Ron Millos: We generally hedge a portion of our US dollar sales to fix, effectively to match it up the Canadian dollar cost. We do that on a quarterly basis about $300 million. We don't do any fuel hedging.

Jorge Beristain: Okay. Thank you.

Operator: Thank you. Next question is from Garrett Nelson, of BB&T Capital Markets. Please go ahead.

Garrett Nelson: Good morning, everyone. As you highlighted, you have about $3.4 billion of cash right now. Hardly any debt maturity is due until mid-decade. Based on anyone's projection, you should be generating pretty significant free cash flow going forward. So, I guess I was little surprised to see you lower your 2011 coal and copper CapEx guidance slightly, most of which was on the expansion CapEx side. I was hoping you could talk about how you are weighing some very attractive organic growth opportunities versus potential acquisitions right now? And if you see anything that might be of interest on the acquisition front?

Don Lindsay: Okay. There are two or three parts on the question. I guess, first, we do have large cash balance. We took advantage of what we thought was a good opportunity in the debt markets in general levels of interest rates, at the 4% over the last 20 years. Knowing that at some stage, we would need that cash, either to, call or redeem or buy-back some of the other bonds that are outstanding with higher coupons. Or to fund the large CapEx program that we have, admittedly it doesn't start until next year sometime. It doesn't ramp-up to significant numbers until the end of 2013 or 2040, but we don't know how the world will unfold so we wanted to be sure that we had all the cash on hand. We do look at acquisition opportunities as you would expect us to. We haven't seen anything that is of interest at this point. We do a lot of analysis. The industry went through a period of fairly significant consolidation from the 2006 to 2008 period.

Also during that phase we were acquiring the projects in good geo-political jurisdictions that we wanted to develop. And right now, when we look at our, what I call the “stay the course strategy”, where we continue to do internal or organic growth as people call, developing each of Quebrada Blanca & Relincho, we have Fort Hills coming along with quite material growth in the coal business. We know that at the end of five years, we'll have substantially more copper production per share, substantially more coal production per share, substantially more oil production that was pretty good based strategy, and acquisitions need to be measured against that. And so far, the acquisitions haven't been appealing enough for us to make a move. Doesn't mean we aren't looking, but the “stay the course strategy” looks pretty good.

Garrett Nelson: Okay. And then on the copper sales guidance. It looks like you're at about a 150,000 tonnes through six months, and maybe you've built a little bit of inventory in the first half. What mines are the key volume drivers in the second half in order to get to your 330,000 to 340,000 guidance range?

Don Lindsay: Okay, I'll turn that over to Roger Higgins.

Roger Higgins: Thanks, Don. The two mines we expect to see some improvement and will see some improvement on during the course of the year. Highland Valley as we complete the buttress work that we've been talking about now for the best part of a couple of years. The buttress is due for completion in August. That will provide us better overall value going forward. It will take the third or fourth quarter to achieve the full benefits of that. The other is Andacollo, as we ramp-up to some of the measures that Don spoke about earlier on to get more throughput through the Andacollo plant.

Garrett Nelson: Great. Thanks very much gentlemen.

Operator: Thank you. The next question is from Harry Mateer of Barclay's Capital. Please go ahead.

Harry Mateer: Hello. Good morning. Ron, question for you. Just following up on the last question about the new debt. During the last couple of years you consistently paid down debt, and you're generating free cash flows. So, does the new debt offering, in addition to taking advantage of the low rates, does it reflect a view that you may have overshot on debt reduction a bit and this is more optimal capital structure or is taking advantage of the low rates and paying down some high coupon debt, still a very real possibility, particularly before your CapEx picks up next year?

Ron Millos: You know, we will monitor the debt on an opportunistic basis, but I think, going up to the marketplace, the rates were low, and the opportunity was there. We have a major capital spend coming at us. We will look at the economics of taking out high-yield debts with cash on hand if the opportunity presents itself. So, we are relatively happy with the capital structure, and with the cash we have on hand, and the potential cash coming in at current commodity prices. We have a lot of flexibility on how we want to move forward.

Harry Mateer: Okay. Can you just refresh us on your leverage targets? Are there terms of total debt you wanted the balance sheet or debt to EBITDA, or debt to cap metrics?

Ron Millos: We want the metrics to be consistent or allow us to maintain our mid investment grade credit rating. Our internal target is 25% to 30% debt to debt equity ratio. We're comfortable with the mid-triple B rating. It gives us a bit of a cushion in a general industry downgrade where we don't want to get drawn to below the investment grade. Basically, the key metric is that the debt equity ratio, the 25% to 30% and leverage of 2.5 times debt to EBITDA.

Harry Mateer: Great. Thanks very much.

Operator: Thank you. Our next question is from Oscar Cabrera of Bank of America, Merrill Lynch. Please go ahead.

Oscar Cabrera: Good morning, gentlemen. Couple of questions. Met coal first, and then copper. Met coal -- just curious on your estimates for the third quarter, in the range of US$280 to US$290 a tonne. You said, the third quarter had settled at US$315. The last conference call you said there would be carryovers almost every quarter and the carryover is at US$330. Can you provide colour on the mix of coal sales that you expect to get that lower met coal price realized for the third quarter?

Don Lindsay: Hand over to probably a combination of Ian and Greg. Whoever wants to go first.

Ian Kilgour: Well, our premium hard coking coal is likely priced at US$315 a tonne. And that's a high proportion of that production, but of course we also have weak coking coal and PCI coal, which are priced at levels below that. So, essentially, we have that mix, and we also have the carryover from the second quarter. We expect to complete all the sales that we had, that did carryover from Q2 in Q3. And basically, that mix gives us the proportions that we are estimating at this point.

Greg Waller: And Ian, if I could add just one point here, Oscar, you may recall in Q1 we indicated that there would be some carryover tonnage from Q1. The bulk of which would be sold in Q2 and was, but there would still be some of that coal. Of course, that was priced back on a base of a benchmark price of US$225 a tonne. Some of that would be carried into Q3 as well.

Oscar Cabrera: Thank you. And then, on your copper projects. This is more a question on your priorities and how you state your projects and the returns that you are looking for. Based on the release from the pre-feasibility in Galore Creek, long-term copper prices are about US$2.65 a pound. The project economics internal rate of return is about 7%. Just wondering -- so two part question. One, how are you thinking about in terms of staging your development CapEx for your copper and oil sands? And secondly, what sort of hurdle rates are you looking for to get -- to maximize free cash flow.

Don Lindsay: Okay. This is an excellent question, and I just want to take some time on it. Because its probably the key question that the whole industry is facing right now. My first comment would be that every analysis that you do is based on a number of significant assumptions. The first one of course is commodity pricing. While the model you are referring to in Galore Creek, NovaGold shows US$2.65 copper. We've been using lower copper prices than that as our base case. But we do note that various other bank analysts have come out with higher long term copper pricing, more recently some at US$3.00. It is a very tough call.

We don't know what the long-term price is going to be, so we do sensitivity analysis and run several models of different copper prices. And it's interesting that, in this day and age, where there is significant pressure on capital costs, as you raise the capital costs for some of these projects, and we have seen a number of companies come out in the last week increasing capital cost on major products by $1 billion or more. As you raise that capital cost, it really makes a big difference to your IRR result or your NPV and then the commodity price itself does. Right now, as you analyze these large, $4 and $5 billion projects, the result you get in your NPV and your RR is all over the map. So in the end you have to make a judgment as to whether the world is going to need that particular project.

So in those cases, you look and say, well first of all, what is the quality of the resource? What is the grade? What is the mine like? Is it going to be around for several cycles? Will you have 5 or 6 cycles longer than the pay back periods of the project itself? Is it in a geopolitically safe jurisdiction where you know that if you invest your capital, you can get your capital out and get your return? Can you keep your workers safe? Can you meet the local sustainability requirements, and will the communities benefit? All these kind of qualitative decisions become very, very important and is a judgment call.

I think the doability of building a project, actually construction challenges that a project has, what elevation is it at? What is the terrain like? What other sort of engineering challenges there might be. Those become very critical when making the final decision. Our Board spends an awful lot of time on these issues. And, I think probably the mining industry generally is doing that. And particularly, the larger companies that have a portfolio projects -- we're very lucky that we have several choices of projects to develop in copper. A lot of companies don't, and so they run into the same issue which is one project, and then they have to make assumptions that are sometimes aggressive just to show a decent return.

I think it is reflective of the whole copper industry. That the tightness of the market is pushing us to look at projects that have more and more challenges associated with them, and when the calculation is done it shows numbers that are 7%, as you point out or, sometimes not even that high. But in the end, the world is short copper and a lot of these projects should be built because world is going to need it. Those are some thoughts on how we do the analysis, but, it's never a pure science at the end. It'll come down to a judgment call.

Oscar Cabrera: Great. Thank you Don.

Operator: Thank you. The next question is from Greg Barnes of TD Securities. Please go ahead.

Greg Barnes: I would just like follow up on that too, in respect to the CapEx inflation that we have seen, and just deep into the studies on Relincho and QB too. On investor day last year, we talked about capital intensities of 25, 000 to 30,000 per tonne of daily mill throughput. This seems to be going up. I'm just wondering where that number fits now relative to where it was nine months ago?

Don Lindsay: We don't have an answer that question yet. It is an excellent question. But I think it's safe to assume that it is going to be higher and probably significant. So, we are seeing significant pressures on capital costs. And as I mentioned earlier, number of announcements from other companies confirmed that. We are seeing the same thing but we haven't finished the numbers, and when we do, we will announce them. But Greg, while I have got you, I just wanted to compliment you on the last quarterly call when you made the suggestion on hedging silver when it was over US$50.00. I have to say that was a very good call. I think two days later, the collapse occurred, so I hope you did some yourself.

Greg Barnes: No, better lucky than smart, I guess. I do have a second question. On the transition on of QB to the dump leach. QB has historically produced about 85,000 tonnes of copper a year. I'm wondering how that profile changes as we move into this transition and how costs are going to evolve as well?

Don Lindsay: Roger Higgins, over to you.

Roger Higgins: Yes, thanks, Don. QB is approaching the final years of its leaching operations. During this period, heap grades will be declining. All the sensors for overburden are increasing and we are putting an increasing proportion of material to the end of line dump, as opposed to the heap. These factors put pressure on unit cost of production. We don't see a great fall off in total production terms, although, we are also, of course adjusting to maintain the leaching plant in place as long as possible given the encroaching pit for the future hypogene project. The plant was originally designed for 75,000 tonnes per year, we should remember that, as we record that we did have a few good years – where we were able to put more than that through. The declining solution grades from QB will mean it will be pushed back further towards that original design capacity. And that the cost will be subject to the lower grades and longer, particularly longer distances.

Greg Barnes: If I have calculated the numbers right, cash costs in Q2 was around US$2, US$2.07. Is that something we should be looking at pushing forward on?

Roger Higgins: That would be about the right number for this last quarter, but it was an unusual quarter because of the disruptions we had due to weather. And are still reacting to the wall stability. That's a fairly high number.

Greg Barnes: Okay fair enough. Thank you.

Operator: Thank you. Next question is from David Beard of Iberia Capital Partners. Please go ahead.

David Beard: Hello. Good morning.

Don Lindsay: Good morning.

David Beard: I just want to touch base on the coking coal side relative to your ASP guidance. I seem to recall as order you guided to US$280 to US$290. We came in lower, and Japanese shipments were pushed out. You are still guiding US$280, US$290. I would have thought that new tonnes being sold or the Japanese shipments coming in this quarter; that would be a higher number or last quarter's guidance was too aggressive. Maybe just help me understand why, seemingly with either high price Japanese shipment or higher price coal being sold, the guidance is flat sequentially. – $280 to $290 stage.

Don Lindsay: Ian and Greg again.

Ian Kilgour: Essentially it is a combination of factors we talked about previously, that there is increased carryover of higher priced coal from the second quarter, a positive factor on the one hand. But the headline price is down US$15 from US$330 to US$315. So those two factors basically counteract each other and the result is a similar forecast.

Greg Waller: Ian, if I could just add a clarification. David, I think is important to note that we talk about our benchmark price of US$315 a tonne, we and our competitors are talking about the price that our premium product sells at. Of course, not everything we sell, that is hard coking coal is that premium product. It is a percentage of our product. We then have other products, other blends that sell at some reductions of that. They are still considered hard coking coal, but they don't sell at quite as high a price. And 90% of our business is hard coking coal. Conversely, that means, of course, 10% of our business is not hard coking coal. It is semi-soft, it is PCI, it is thermal – it sells of course, at much lower prices.

When you factor those in, that of course brings down the overall average realized price by some percentage change. It is going to vary from quarter to quarter depending on, as Ian referred to as well, these carryover amounts. And we do have some carryover still from Q1, which was that US$225 quarter.

Don Lindsay: And the other point to make is that the spread the price of the highest quality coal and then that of weaker coal is getting wider. And that is something that we think could incur for quite some time. One of the reasons why we like our coal, and don't participate in the number of these other transactions where it is much weaker coal involved, because the long-term outlook for those coals is not as positive as it is for the high-quality, hard coking coal, which is quite scarce. So I think you have to factor those items in as well.

David Beard: Right. Now that's helpful. Just maybe to address the stripping ratios because it has come up in the first quarter and again in the second quarter. I usually don't worry until three quarters is a trend. Can you give me some more detail why we may see strip ratios return to a more normal environment?

Don Lindsay: Ian, over to you.

Ian Kilgour: Yes, the reason that we will see a decrease from our highs of the last couple of quarters is that we are moving to a higher level of production. And, when you're moving to a higher level of coal production, you're also moving to a higher level of waste production. Normally, the production of waste precedes the increase in coal production so that you get a little bit of a jump in the strip ratio before you return to the steady state again. That's basically what we are seeing. We are in the middle of the bump at the moment, and then, as our coal exposure and production increases over the next two quarters, we will see a return to a slightly lower strip ratio.

David Beard: Okay. That's helpful. Last question relative to share repurchases. What were your levels of share repurchases in the quarter, and what will we see going forward relative to your operation?

Don Lindsay: Sorry, could you repeat the question?

David Beard: Just, did you repurchase any shares of the quarter, and, can you give us any sense of what share repurchases may look like going forward?

Don Lindsay: Okay. We did not purchase any shares in the quarter and going forward, we monitor it, daily basically, looking at the opportunities. We don't know what we will be able to achieve in the coming quarters, but we at least have the regulatory filing in place so we can do so we think it's a right time.

David Beard: Okay. Thank you for your time.

Operator: Thank you. (Operator Instructions) The next question is from Alec Kodatsky of CIBC. Please go ahead.

Alec Kodatsky: Thanks, good morning everyone. I just had a couple of questions around slide 10. And probably just break them up into three parts so you can hand them off. Just in observing the strip ratio going forward, it is much less volatile than it has been in the past. Just curious, is that reflective of a shift in operations or a shift in planning? With respect to the coal operations or, where is your level of comfort, if that's going to stabilize relative to history?

And, secondly, you have expressed in the past, sort of a need or a feeling that you needed to catch up on stripping. Just curious on your thoughts as to where you sit now as far as your level of comfort with catching up with past stripping.

And then thirdly, just in looking at the material move column, it's obviously ramping up here through the end of 2011, but as you get into 2012, the total material mine number stays pretty static. I'm just curious, with equipment coming on in 2012, and over the course of trucks arriving through the course of 2012, is that new equipment largely replacing the contractors that you have on site, and therefore we should start to see some cost improvements? Or just trying to reconcile how new equipment doesn't translate into more tonnes moved. Thanks.

Don Lindsay: I'll make a quick comment first then turn it over to Ian for the second half or second two thirds of that question. On the volatility in the strip ratio, as shown on slide 10, you see a big bump in Q1 and Q2 of 2009. Basically, what occurred there, that was during the severe downturn. We had some large European customers who reneged on contracts, and so, they weren't sending ships. And so we didn't mine the coal but used the capacity to mine more waste to free up coal for later. And, that was just deliberate decision at that time, during those two quarters. So in the normal course, you would not have seen that degree of volatility. So when you're looking is slide 10, yes, from Q1 2008, to Q4 of 2010, it was pretty volatile. It was an unusual situation and normally that would have been a little flatter. With that, over to you, Ian.

Ian Kilgour: Thanks, Don. The trend in strip ratio normally is reasonably steady, because it's a blend of the product of our six mines. Trends go up and down in the different mines, but overall, when we add them altogether, they are normally fairly steady in the changes of flow. As Don mentioned, that was an unusual period in 2008, 2009. We are returning, I guess you would say to a more normal sort of profile. In terms of where we are in stripping, we have, as you mentioned, used contractors at a number of our mines to help us get in a strong position with regard to coal recovery. That does, in fact decrease over the next year, and that is one of the factors in us increasing our own truck capacity. So that we will be moving more material to increase our coal production in 2012, and essentially doing that principally with our own equipment.

Alec Kodatsky: Okay. Great. Thank you very much.

Operator: Thank you. The next question is from Brian MacArthur of UBS Securities. Please go ahead.

Brian MacArthur: I just wanted to follow-up on that slide a little bit more, too. That was very helpful. When you get up to Q4 2012, does that assume you have now got to maximum production at the Elk Valley mines? Ie: that 26.5 million, 27 million tonnes, whatever you think. Or to get that, will the strip ratio have to go up even higher as you ramp up?

Don Lindsay: Ian?

Ian Kilgour: No, the strip ratio doesn't go significantly higher in the next few years. We will be, at that point pretty much at the capacity in place to ramp up to our overall goal.

Brian MacArthur: And just a second follow-up, when you get to that full Elk Valley production, as Don mentioned, the spreads are getting wider between high quality hard coking coal and the secondary coal. You talk now, 90% hard coking coal and 10% other. What's the ratio when we get up to that maximum value when everything is at full capacity – [loose] coke, coal, and everything else – is it 85-5 to 15 or is it still stay at 90-10?

Ian Kilgour: No, the ratio stays pretty much as it is now because we are focusing our expansion on our premium coal producing mines. That is, Fording River, Elk View and Greenhills.

Brian MacArthur: Okay great. Thank you very much.

Operator: Thank you. The next question is from David Lipner of CLSA. Please go ahead.

David Lipner: Hi. You said that you sell some hard coking coal of the benchmark, and some hard coking coal that sold slightly below the benchmark. Is there any deterioration in that spread?

Ian Kilgour: Well, we don't see significant trends in that spread occurring at the moment. We see the demand for our products is still strong and, so that the outlook is still positive. So we don't see any major changes in the structure of the processing.

David Lipner: Okay. Thanks.

Operator: Thank you. We have no further questions registered at this time. I'm not like to turn the meeting back over to Mr. Lindsay. Please go ahead.

Don Lindsay: Okay. Well, thank you very much. I might just add one little bit of colour to that last question – Ian is absolutely right – there's been no change in the structure. But when prices are higher, prices are US$300 and over, the difference between one high quality hard coking coal and the other is at lower prices, there was $1 or $2 difference, then you might get $3 or $4 difference, but percentage-wise, it is pretty much the same. I think that's important because we get a lot of questions on this average price we realize for the quarter versus the benchmark. So, the more understanding people can have on how that works, the better. So it's a good question.

In any event, since there are no more questions, we thank you all for attending today, and look forward to reporting in October on the third quarter which, we believe will continue to be stronger as we ramp up our production in coal and copper. Thanks very much all.

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