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Gary Lampard; Canaccord Genuity

Harp Sandhu; Private Investor

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#### **PRESENTATION**

Ladies and gentlemen, thank you for standing by. Welcome to Teck's second quarter 2013 results conference call. This conference call is being recorded on Thursday, July 25, 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, operator. Good morning, everyone; and thanks for joining our second-quarter 2013 investor conference call.

Before we start, I'd like to draw your attention to the forward-looking information slides in our package, slide 2. This presentation contains forward-looking statements regarding our business. However, risks and uncertainties may cause actual results to vary. Teck does not assume the obligation to update any forward-looking statement.

And at this point, I'd like to turn the call over to Don Lindsay, President and CEO.

Don Lindsay: Thanks, Greg; and good morning, everyone.

We will be following our usual presentation format this morning. I'll begin with the highlights of Q2 2013 operating and financial results, and then I will turn it over to Ron Millos, our CFO, to provide additional colour on the financial side. We will conclude with a Q&A session where Ron, myself, and additional members of our management team will be available to answer your questions. And I should say up front that a number of the members of our management team are on different lines in different locations, so there may be a little pause after your question as we decide which direction to turn the question to.

So starting with slide 4; overall, we had solid operating performance in Q2. However, commodity prices have certainly weakened, including a 23% decline in steelmaking coal compared with the same quarter last year. We remain focused on shareholder value. As a result, we are taking prudent steps to continue to adapt to these market conditions.

First, we have made excellent progress on our cost reduction program, and certainly we exceeded our initial goals. We have identified at this point over \$250 million of ongoing potential cost savings at constant production levels, and we have already implemented \$220 million of those savings. So we are continuing to focus on managing costs and have increased our target now to \$300 million for the year.

Second, we are reviewing our capital spending in light of current market conditions, with the goal of deferring a substantial portion. Reductions approved to date include delaying the Quintette mine restart and slowing the development of Quebrada Blanca Phase 2. And I will speak to these two later in the call.

Our forecast for full-year capital expenditures is now approximately \$1.85 billion, which is lower than our previous guidance of \$2 billion, and further reductions are also expected. In addition, we are continuing to strengthen shareholder value through the capital markets. We have purchased 10 million class B shares under our Normal Course Issuer Bid in the past 12 months, including 5 million shares in Q2. We've also renewed our Normal Course Issuer Bid this quarter, which will allow us to buy up to 20 million additional shares through to June 27, 2014.

And on July 2, we paid a semi-annual dividend of \$0.45 per share. Since the start of 2012, we have returned approximately \$1.3 billion to shareholders through dividends and share buybacks.

Turning to an overview of our Q2 results on slide 5; Revenues were \$2.2 billion. Lower prices for all of our principal products reduced our revenues by approximately \$350 million in Q2 based on 2013 sales volumes. This also, of course, affected our profitability with gross profit before depreciation and amortization of \$871 million, compared with \$1.1 billion in the same quarter last year.

Our profit attributable to shareholders was \$143 million; EBITDA was \$670 million; and adjusted profit, excluding one-time and unusual items, was \$197 million.

Looking at our adjusted profit in additional detail on slide 6; as you can see, we had a number of unusual items in Q2 that should be adjusted to calculate a comparative earnings figure. Including these items, adjusted profit declined to \$197 million for the quarter or \$0.34 per share, compared with \$398 million or \$0.68 per share in the same period last year. And this decline was primarily due to lower prices for our principal products, especially coal. And this was partially offset by reduced operating expenses from our cost reduction program and by lower finance expenses.

I will now review our Q2 and year-to-date results by business unit, starting with the steelmaking coal unit on slide 7.

Production in steelmaking coal increased 5% over Q2 last year to 6 million tonnes, despite several days of lost production related to the late June flooding in South Eastern BC. The mines effectively managed inventories and

successfully aligned production rates with market demand. We continue to expect to achieve our 2013 steelmaking coal production guidance of 24 million to 25 million tonnes, and in fact have increased that by about 0.5 million tonnes for the full year. While steelmaking coal sales were down 6% quarter over quarter, they grew in the first half of the year to a new record high of almost 13 million tonnes, nearly 0.5 million tonnes above the previous record set in 2004. Revenue from steelmaking coal declined to just over \$1 billion in Q2, primarily due to significantly lower coal prices.

Cost reduction efforts at the mines continue to be successful and ongoing. Site costs declined 18%, or \$9 per tonne, to \$50 per tonne. Distribution costs were 5%, or \$2 per tonne, higher at \$39 per tonne, primarily due to higher port charges resulting from an outage at Neptune while a new stacker reclaimer was erected. The total combined cost of \$89 per tonne represents a decline of 8% from Q2 last year. We expect our 2013 annual cost to products sold to be in the range of \$51 to \$58 per tonne for coal based on our current production plans. As a reminder, this incorporates new accounting rules around capitalized stripping, which we discussed last quarter. I should also say it doesn't incorporate changes in exchange rates that have occurred over the last quarter.

Gross profit before depreciation and amortization for our coal business unit declined by \$275 million to \$444 million, with significantly lower coal prices driving the reduction and a partial offset from lower unit operating costs as a result of the cost reduction efforts.

On the graph on slide 8, you can see our rolling 4-quarter steelmaking coal production, which has stabilized over the past year and a half. We are currently operating approximately 10% below our 27 million tonnes annual capacity.

Looking forward to Q3, contract prices for our highest-quality steelmaking coals have been agreed on with the majority of our quarterly contract customers based on US\$145 per tonne, which is consistent with prices that our competitors are reporting. We expect to realize an average price on all of our products of approximately US\$143 per tonne. Note that any remaining volumes under Q2 contracts that are shipped in Q3 will utilize the higher Q2 contract price, which were based on a premium benchmark of US\$172 last quarter.

We expect steelmaking coal sales to be at least 6.4 million tonnes in Q3. The proportion of sales under shorter-term contracts, or on a spot basis, is expected to be similar to Q1 levels.

Looking at the steelmaking coal projects on slide 9; as I mentioned earlier, we have elected to delay the final decision to place the Quintette mine into production to minimize our production volumes and capital expenditures in these market conditions. The revised project plan defers \$650 million of our expected capital expenditures over the next 12 months, of which \$300 million will be deferred in 2013 and \$350 million deferred in the first part of 2014. Note that these totals include some capital spending that was not included in our original capex guidance. We have also diverted deliveries of mobile equipment from Quintette to our other sites. At the same time, we are continuing the detailed engineering work so that if a decision to proceed is made in early 2014, Quintette could be in commercial production in mid-2015.

At Neptune Bulk Terminals, the new stacker reclaimer was installed on schedule, as you can see from the photos on the slide. And commissioning is expected by the end of this month, which will increase Neptune's capacity to 12.5 million tonnes per annum, which will give us a lot of flexibility going forward. So we are very pleased with that.

Turning to slide 10, gross profit before depreciation and amortization for our copper business unit decreased by 8% or \$30 million in Q2 compared with the same period last year; and that is primarily as a result of lower copper prices and, importantly, reduced by product revenues. And this was partially offset by lower unit operating costs resulting from our cost reduction initiatives as well as slightly higher copper sales volumes due to timing of shipments following the resolution of the strike in Q1 at the port that serves Quebrada Blanca.

Total copper production declined by 5,000 tonnes to 85,000 tonnes in Q2, primarily due to lower copper production at QB.

The chart on slide 11 shows the progress we have been making on increasing copper production over the past 3 years. Now, looking at highlights of our copper projects in 2013...

Highland Valley -- the production there was 7% lower at 26,000 tonnes in Q2, primarily as a result of lower mill throughput and lower ore grades. However, production is 14% higher year to date at 54,000, due to higher mill throughput and higher ore grades. Throughout the first half of the year, production has been affected by scheduled downtime as part of the mill optimization project, which I'm pleased to say is on track.

Ore throughput in Antamina increased 19% to 137,000 tonnes per day in Q2 as maintenance problems were resolved. Production increased slightly year to date to 23 million tonnes following the mine and mill expansion completed in the first half.

At Quebrada Blanca, we are seeing the benefit of our initiatives to reduce operating costs since Q4 2012, with a 34% decline in unit cash costs. Since the restructuring, the operations returned to profitability in Q2. However, we continue to confront permit issues for Phase 2. The timetable for the SEIA resubmission is unclear, but we now do not expect it prior to Q4 of 2014. Given these issues and current market conditions, it makes sense to slow development of QB Phase 2; and as a result, we now expect to defer approximately \$180 million of capex at QB in 2013. The earliest construction could commence now would be early 2016, with first production in 2019.

Copper production at Carmen de Andacollo has increased 7% year to date to 38,000 tonnes, due to increased mill throughput and improved mill recoveries, partially offset by lower grades.

Overall in our copper business unit, we are on track to meet our production guidance of 340,000 to 360,000 tonnes for the full year.

Slide 12 provides an update on the Highland Valley mill optimization project. The project is on track for completion by the end of 2013. Construction is now 52% complete, with the steel structure and major equipment in place, as you can see from this photo.

Note that the third-quarter production will be affected by a one-month partial shutdown of the mill that is required to connect the new pebble crushing circuit to the existing grinding lines. However, we still expect to meet our Highland Valley Copper production guidance of 100,000 to 110,000 tonnes for the full year, as the mill is expected to increase throughput and production in the fourth quarter.

Turning to our zinc business on slide 13; overall in Q2, zinc in concentrate production was up 12,000 tonnes to 161,000 tonnes, while refined zinc remained relatively flat. At Red Dog, zinc production rose by 7% to 139,000 tonnes, due to increased mill throughput and improved mill recoveries, partially offset by lower ore grades.

As a reminder, we include Antamina's share of production in these figures, but Antamina's financial results are reported in our copper business unit as zinc is considered to be a by-product at this mine.

Overall in our zinc business unit, we continue to expect to achieve our 2013 production guidance of 560,000 to 590,000 tonnes of zinc in concentrate and 280,000 to 290,000 tonnes of refined zinc.

Production of lead in concentrate at Red Dog and refined lead at Trail were both similar to Q1 of 2013 and Q2 last year.

Revenues from our zinc business remained similar to a year ago as the higher zinc sales at Red Dog offset significantly lower silver revenues from Trail, due to a 21% decline in silver prices and a modest decline in zinc prices in the quarter.

Turning to our energy business on slide 14; permitting is ongoing at our Frontier energy project. We expect the environmental assessment process will extend to 2015. And during the quarter, we announced a lease exchange with Shell at our Frontier property.

The map on the right shows the areas that were involved, with Shell's leases in the dark green transferring to Teck; and Teck's leases in the dark blue transferring to Shell. It is expected to strengthen both projects' economic recoveries and have a net positive impact on project resources.

At Fort Hills, the partners are moving towards a sanctioned decision for Phase I in the latter half of 2013. And if approved, production would not be expected to start until 2017. We expect to speak on this in more detail in our Q3 results call.

And with that, I would like to turn it over to Ron Millos to provide additional colour on the financial side.

Ron Millos: Thanks, Don. We have summarized our changes in cash for the quarter on slide 16. As you can see, cash flow from operations was \$584 million in Q2. We spent \$443 million on capital projects and capitalized production stripping costs of approximately \$189 million.

We had \$111 million in expenditures on financial investments, which were principally our contributions to the Fort Hills project. And we paid \$37 million in debt principal and interest.

Also, as Don mentioned earlier, we purchased approximately 5 million class B subordinated voting shares in Q2, pursuant to our Normal Course Issuer Bid.

Adjusting for these items as well as distributions to non-controlling interests, foreign exchange translation, and other items, our cash and short-term investments declined by about \$151 million in Q2. And we ended the quarter with a strong cash balance of approximately \$2.8 billion.

Moving on to slide 17, we've summarized our pricing adjustments for the second quarter. Pricing adjustments in Q2 were a negative \$74 million this year on a pre-tax basis, compared with negative \$84 million in the same period a year ago, primarily due to the declining copper prices. And these adjustments are included in our income statement under other operating income and expenses.

Our pricing adjustments are driven by changes in quarter-end commodity prices. And in Q2 of this year, copper prices declined by US\$0.38 and zinc declined by US\$0.02. The chart on the right side of the slide simplifies the relationship between the change in copper and zinc prices and the reported settlement adjustments.

And as a reminder, refining and treatment charges and the Canadian/US exchange rate should be considered in your analysis of the impact of price changes in the adjustment. And you should also consider taxes and royalties when analyzing the impact of net earnings.

It was a relatively quiet quarter from a financing perspective, so I don't have a lot to say this quarter. And with that, I'll turn the call back to Don.

Don Lindsay: Thank you, Ron. So in summary, on slide 19; Teck is adapting to current market conditions.

We are matching our coal production to market demand.

We continue to reduce costs, and we've increased our cost reduction targets now.

We are prudently deferring projects and capital expenditures.

And we will continue to pay a strong dividend and to buy back shares.

So we are demonstrating a very disciplined capital allocation process.

We remain sharply focused on shareholder value.

And with that, we'd be happy to answer any of your questions.

### **Question and Answer**

Operator: [Operator Instructions]. Meredith Bandy, BMO Capital Markets.

Meredith Bandy: I was wondering if you could clarify on QB 2. In the release, it mentions issues linked to the permitting for existing operations. What do you mean by that?

Don Lindsay: Thank you, Meredith. I will turn that over to Dale Andres, our new Senior Vice President, Copper.

Dale Andres: Thanks, Meredith. Yes, so the issues with the existing operation; the operation was originally permitted back in 1991 and that was under a very different regulatory environment. The operation started in 1993 with a 14-year mine life. While there have been many amendments since that time, these were all approved before the new environmental regulations were enacted. In connection with further extending that original mine life, we need to update our permits. We've decided to make a separate regulatory submission based on those updates for the current mine life and for the extension of that mine life. We've decided to make 2 submissions -- so one to update the current mine life; and doing that before submitting the SEIA for QB phase 2. That is primarily the reasons for the further delay in QB 2.

Meredith Bandy: Okay. And that what point -- or could you potentially have Relincho leapfrog QB 2? Could you do Relincho first? And where do we stand on port and power for Relincho?

Don Lindsay: Okay. I'm going to turn that to Tim Watson, but I do want to observe that that is a question that has been asked many times around here -- not just recently, with the developments at QB 2, but the engineers working on Relincho have always been keen to build it first. But Tim, why don't you --?

Tim Watson: With respect to Relincho and the status of our feasibility study, we remain on track to complete the feasibility study at the end of the fourth quarter of this year. With respect to power, we have had preliminary discussions with numerous different power suppliers of the region. And at this point in time we do not have any definitive agreements in place. We continue to progress those discussions, but as you can imagine, certainly power is a key requirement in the development of Relincho going forward. Certainly, with respect to the potential of Relincho leapfrogging, as you put it, QB 2, we as of yet have not started the regulatory approval process for Relincho. And the assessment of that will be made following the completion of the feasibility study at the end of this year.

Meredith Bandy: All right. Thank you very much.

Operator: Jorge Beristain, Deutsche Bank.

Jorge Beristain: Jorge Beristain with Deutsche Bank. My question maybe is more for Don. If we could think about 2014, you have been pretty clear that you are now taking your maintenance capex down to a run rate of \$500

million, which is impressive. But there are going to be some other financial investments in other assets, such as Fort Hills, which may move ahead in 2014. And I just wanted to understand if you could give us a baseline as to where you could see growth capex for 2014, and then some of these investments in other assets, as well.

Don Lindsay: Okay, so in our disclosure we have a chart that lists it in 3 different columns. I'm just going to try to flip to the right page here.

Ron Millos: Page 25.

Don Lindsay: And these are just observations or comments. We don't give you exact numbers for 2014, because we aren't there yet. But as you mentioned, under the sustaining column, that would reduce to our target of \$500 million. Under major enhancement, the copper line is mostly related to the mill optimization project at Highland Valley, which is on track and should be finished. There will still be a little bit of spending left in 2014, paying bills where we have already incurred the expense and so on, but not very much. And likewise, in coal, our expansion to 28 million tonnes should be done by then. And the asset plan at Trail will be not finished but getting close. So that column should reduce substantially -- not to zero, but I am just ball-parking it to \$50 million to \$75 million. And then in the new mine development line, the big one in copper is QB 2; and as we have said, we are reviewing over the next short period of time -- 2 to 4 weeks -- exactly what the plan will be there. But you can certainly assume that the dollars will go down. And the coal line is related to what we decide in Quintette, which we have currently deferred as we await market conditions improving. And that will substantially reduce the total in anticipation of a decision on Fort Hills. So that is basically how it looks.

Jorge Beristain: What I'm trying to get is a baseline; some of these projects, such as QB 2 and Quintette, are going to be somewhat suspended over the next 2 or 3 years-- or I'm putting words in your mouth on Quintette. I'm just trying to get an idea of what is maintenance capex to keep those projects idling before you make the full decision.

Don Lindsay: Quintette, very low. QB 2, as we have said in our disclosure, we're determining that over the next 2 to 4 weeks.

Jorge Beristain: Okay, thank you.

Operator: Ralph Profiti, Credit Suisse.

Ralph Profiti: Good morning. Thank you for taking my question. Don, the Q3 realized price is currently tracking US\$143 a tonne. That is the lowest discount versus the benchmark that we've seen. Just a point of clarification -- is that strictly coming from favorable carryover tonnage, or are you seeing any mix changes -- i.e., you're choosing not to sell the less economic, lower-quality, and non-seaborne coals; -- and over the longer term you're still going to maintain that 5% to 10% discount?

Don Lindsay: So the short answer is yes to the first part of your question. But I'll turn it over to Real Foley.

Real Foley: Thanks Ralph, for your question. Actually, the average price guidance reflects our overall sales mix, and that includes carryover tonnes quarterly and also shorter-term priced tonnes. So the carryover tonnes, in this case from the previous quarter, are pushing our average realized price up. And in Q3 we will also have lower sales of lower-priced energy coal. So that is also pushing our average realized price up. Another thing that is happening is as the market seems to be stabilizing; the gap between the spot prices and the quarterly benchmark price is narrower. And that is also a positive effect compared to when the market was falling in the previous quarter.

Ralph Profiti: I see. Thanks for that. As a follow up, a question on the new capital plan. If there is a next phase to these initiatives, Don, is this taking, in your view, the form of a more thorough project review; or are you anticipating

most of the new plant to come from cost relief as industry pressures subside? And if you are seeing that, where is some of that relief coming from?

Don Lindsay: I think there are a couple of parts to the answer to that one. On the first part, in the case of QB we are going through regulatory changes and so we just have to evolve with that. It's not really so much related to the thoroughness of the project. We're still very, very positive on QB 2 and look forward to the day when we can build it. But we have got to work with the regulatory authorities there and get through that process, so it's a little bit different. On the second part of your question, I think the overall statement is that we're matching our capex to the market conditions that we see for the next period of time and deferring decisions to move ahead on things and then also clearing the decks, if you like, to be able to move ahead with Fort Hills later in the year, if it does get sanctioned.

Ralph Proffitt: Got it. Okay, thank you.

Operator: Curt Woodworth, Nomura.

Curt Woodworth: Hi, good morning. I was wondering if you could comment on your general strategy towards pricing in the met market. A lot of what we read in Platt's and various news sources are showing spot pricing in the US\$130 level. I think in the past you guys have commented on how you see a disconnect between some of these low spot price being reported in the market and what you have been able to sell. Are you guys willing to sell at that US\$130 price level? Would you look to pull tonnes back from the market if price started to weaken from here?

Don Lindsay: I will make an overall comment and then turn it over to Real Foley. The overall comment is this -- what we are witnessing in the market is a battle between Australia and the US. And fortunately, in our case, we've got our business in really good shape. You have seen our cash costs down to \$89, so US dollar equivalent would be a little bit lower. And that compares very favorably to what the US is; and, in particular, where Australia got to now. Australia is really focused on cost reductions there, as they need to be, given where spot price is. So while we're certainly affected by the decline in price that is the result of the market share battle between Australia and the US, we are at least in a very good position on the cost curve. When we bought Fording, we were probably 80th percentile on the cost curve. And we are now, we think, below 40<sup>th</sup> percentile. So the work we did on improving our businesses has given us some flexibility to be able to continue to place tonnes at a very good level, in record volume in the first half of the year. But quarter-to-quarter, in terms of our mix on short-term versus contract, or spot versus contract, I will turn that over to Real Foley.

Real Foley: All right; thanks, Don. So in terms of our contracts, we have long-term relationships and contractual arrangements, so that gives us a level of certainty on volume. We mentioned that before - so no change there. But starting from Q2 this year, there is a number of customers that are reducing the proportion of quarterly-priced tonnes and requesting suppliers to price a portion of the contract volume on a spot basis. So with a larger number of customers moving to shorter-term pricing, we're expecting a larger proportion of our 2013 sales mix to be on a shorter rather than quarterly basis. We're expecting somewhere around 40% to be priced on shorter term. And to give you a bit more perspective, Curt; shorter-term priced sales pre-2012 were in the range of about 15% to 25% of our sales book. And in 2012 they were in the range of about 25% to 30% as the market started to move gradually to shorter-term pricing.

Curt Woodworth: Okay, and just to follow up in terms of your price book right now for met; at 6.4 million tonnes, it is up about a million tonnes from your price position last year. Do you think that is a function of demand may be getting a little bit better, or is it some of the carryover volume that just got pushed out into this quarter?

Don Lindsay: Go ahead, Real.

Real Foley: Okay, so there are definitely signs that the market may be bottoming out. And we are seeing spot price assessment stabilizing. There are number of market areas where we see either improved or stabilizing



fundamentals, and that demand is reflecting that. But at the same time, there is still uncertainty around the world so that is what is keeping the pressure on the steel and coal prices.

Curt Woodworth: Okay, great. Thanks very much.

Operator: Mitesh Thakkar, FBR Capital Markets.

Mitesh Thakkar: Good morning, gentlemen. This is Mitesh Thakkar from FBR. My first question is just on the cost side. You made a comment about the attractive position on the cost curve. When you think about today's spot price, because as 40% of your volume goes into the spot market, are any of your mines which are not above that spot pricing? Or pretty are much all the mines below spot prices?

Don Lindsay: Sorry, could you repeat the question, please?

Mitesh Thakkar: Yes, so the question is, at the current spot market prices, do you have any mines which do not make a cash margin when you look at it on an all-in cash basis?

Don Lindsay: No.

Mitesh Thakkar: Okay. And looking at the cost for the second half of the year versus the first half, can you explain the delta? It looks like your costs have been really attractive in the first half, and then there was a little bit of ramp up in the second half. If you use the midpoint of the guidance range, how should we think about that?

Don Lindsay: Great. For that I will turn it over to Ian Kilgour, please.

Ian Kilgour: Thanks, Don. One of the main reasons for that is that we tend to carry out more of our planned maintenance -- our annual scheduled maintenance comes in the second half of the year. So those costs tend to come through in quarter 3. Other than that, we're going to be continuing with our cost reduction program and seeking to continually reduce our costs. And we certainly look forward to coming in well within the range that was given as guidance.

Mitesh Thakkar: Okay. And just a follow-up question; when you think about share repurchases and mobilizing capital on the growth side, with QB 2 getting pushed out and opportunities coming up in the copper space, is that something which you are still considering vis-a-vis returning capital to the shareholders?

Don Lindsay: The answer to that hasn't changed from previous quarters. We are always reviewing opportunities that are out there. We have a corporate development department, as would any other company whose job is to review them all. Some of them get a five-minute review; some of them get a five-day review; and some of them get a five-week review, detailed due diligence and the rest of it. And they are then compared to capital allocation opportunities, such as QB 2. We allocate capital to the best returns. So really, nothing has changed in our policy there.

Mitesh Thakkar: Okay, great. Thank you very much, guys. I appreciate it.

Operator: Orest Wowkodaw, Scotiabank.

Orest Wowkodaw: Just wanted to follow up on the coking coal market; just wondering if you are seeing any signs of restocking by mills, specifically in China? It seems that inventories have been pretty low so far this year. And also curious -- in terms of your estimation, if the current spot prices stick around the low US\$130s, how much of the global production in met coal do you think is losing cash at current levels? And as a follow-on, how much of that, if any, has been announced for closure? And have you actually seen any tonnes come out of the market?

Don Lindsay: Okay, well, why don't we start with Real Foley on the first part, and you can carry on into the second part or we will take that here.

Real Foley: All right. Thanks, Don. So on your question with respect to China restocking, China is running at very high production level right now. If we look at total crude steel production in the world, it is up over 2%. But excluding China, it is actually down 3% versus 2012. So China is a big part of that increase. And of course, they need more coal, and they are importing more coal from the seaborne market in order to do this. We're seeing regular intake that we would expect with the level of production that the steel mills are running at right now. And then the other part of your question was around spot pricing and whether or not we are seeing cuts, and the level of cuts? Is that correct?

Orest Wowkodaw: Yes and your estimation of how much of the production is losing cash if that spot price sticks.

Real Foley: Okay. Well, whether or not the spot price sticks, I guess that is speculation. So what we can say is that we are seeing signs of bottoming out, and it seems like the market is stabilizing. But there is still uncertainty in the world, so that keeps pressure on price. Now, the low coal pricing environment so far has generated, in our estimate, around 40 million tonnes of production cuts. And we are expecting further cuts from the high-cost producers. And if you look at the weakening of the Australian dollar - the Australian dollar has lost over 10% of its value; Canadian dollar, maybe a little bit less than half of that. But the US suppliers do not benefit from that exchange gain, so they will be under pressure, for sure. In terms of volume, we had said in a previous presentation a while back that you may have seen, we were estimating, at a price of US\$170, that there was around 20% of the steelmaking production that was uneconomical. That is equivalent to about 52 million to 58 million tonnes. Now with the prices at the level that they are now, you can imagine that there would be more tonnes under pressure.

Orest Wowkodaw: Okay. And of the 40 million tonnes of global production cuts, how much of that has actually come out of the market so far in terms of announced versus actually shut in, in your estimation?

Real Foley: Yes, that's a good question. I would be estimating. A lot of these cuts have actually been made. They were announced; the earlier ones were announced when the price was quite low, in Q3 and early Q4 last year. And there have been more announced since the beginning of the year, so I don't know --.

Orest Wowkodaw: Do you think that we are still yet to see the impact on the price because these cuts haven't really kicked in yet?

Real Foley: I think the majority of the cuts have actually been made, and there will be more coming.

Don Lindsay: I'll just turn it over now for some more colour to Greg Waller. And I note that this is quite a moving target, particularly with the volatility in exchange rates. So Greg, anything to add here?

Greg Waller: Yes, Orest, as Real talked about, he referred to that margin slide we've used in our presentation for the last number of quarters in pointing out that around 20% of the industry we think would be uneconomic at the previous quarter's price. So clearly, more would be uneconomic. We haven't updated that chart yet. We expect to do that for probably the launch in September sometime, but more would be uneconomic. There have been a couple of more closure announcements in the last month, but they are closures to come. For example, there was one in the US announced that is going to close in September. So it's going to take a while for that to clear through the market. Of course, there was another announcement in Australia recently that really hasn't come out. But there are a couple of other factors at work, as well. In the US market, where we think a lot of the coal is a lower-quality product; and it's not even getting that high price, anyway. It's getting a lower price reflecting the quality there. They sell a lot of their coal, domestically, of course, on a calendar-year contract in North America. That's a much higher price than what we're seeing right now. That was set last, let's say, November, December some time; took effect in

January. It is still in place. That is supporting a lot of the US coal in the marketplace. When those prices come off and that changes, that's going to change the economics of their business. And we expect there could be some more closures there. And then I'm sure as you've heard, there's been a lot of discussion in the last couple of months about these take-or-pay arrangements that exist in the logistics side in Australia. And that is probably keeping some production on that isn't sustainable longer-term. So as Real says, I think we can reasonably expect to see some more closures.

Orest Wowkodaw: Okay. Thanks so much.

Operator: Greg Barnes, TD Securities.

Greg Barnes: Just switching to the copper business; with the delay of QB 2, are we going to see a dip in production with the existing QB mine going off-line before you can bring the new QB 2 back online?

Don Lindsay: I will turn that to Dale Andres.

Dale Andres: In conjunction with our permit submission and update for the existing operation, we are running scenarios of extending the mine life. Right now, some of those scenarios have the potential to extend that mine life out to 2019 and that will be part of our permitting submission as well. So yes, we think there is opportunity to fill that gap with the delay of QB 2. As far as production rates; until that time, they will be coming off a little bit from where we expect this year, primarily due to a slight reduction in our heap leach grades and a reduction in our dump leach material. But we still think it's an economic business and has a good chance to transition out to the delayed start time of QB 2.

Greg Barnes: Okay, good. Don, on that \$500 million sustaining target for next year - that seems really, really low. Is that sustainable, or is that a level that you could sustain during a low market price environment and then you'd have to recover from it?

Don Lindsay: There are two or three parts to that answer, but the overview statement would be that it's not a long-term sustaining capital number, but it's certainly something that we can do now, given what we have spent in the last 2 or 3 years. So Ian, do you want to comment? We will start with Ian Kilgour. Go ahead.

Ian Kilgour: Yes, thanks, Don. The fact is that we've invested heavily in the coal business over the last few years. Our mining fleets are in very good shape. Our truck fleet is much lower average hours than it ever has been. We've done a lot of work on our preparation plans. So we're actually in very good shape to be able to continue to produce at our desired levels with a reduced sustaining capital for an amount of time.

Greg Barnes: Okay. And just quickly on the coal business, that carryover tonnes in Q3, what percentage of your sales would be at that higher price?

Ian Kilgour: I will hand that over to Real.

Real Foley: We don't usually provide a breakdown, Greg.

Greg Barnes: Okay, fair enough. Thank you.

Operator: Oscar Cabrera, Merrill Lynch.

Oscar Cabrera: Good morning, everyone. You are increasing your met coal production guidance by 0.5 million tonnes in what appears to be a weakening pricing environment. And so there is two parts to this question. So the first one is, is this increase based on expectations of a stronger demand in the second half of the year? And the

second part of that is, based on the previous question, you appear to be targeting higher spot sales, which I'm assuming are in China. So could you comment on those two things, please?

Don Lindsay: The basic answer is that on a volume basis, things are going very well for us. I will turn it over to Real Foley for more details.

Real Foley: So with respect to the question on the stronger demand, we are seeing signs that the market is actually stabilizing. There are a number of areas outside of China where crude steel production is actually higher for the first half compared to the same period last year. Crude steel production has actually increased in Japan, Taiwan and India versus 2012. So there is demand in a number of areas. And in others, it seems like the market is actually stabilizing. And the other question is regarding the distribution of our spot sales. So as I indicated earlier, there are a number of customers -- spot price sales now are no longer only in growth markets. They're also in traditional markets. And so as the pricing cycle is changing, we are adapting to the market in order to keep on delivering our tonnes.

Oscar Cabrera: Could you provide a breakdown of that 40% you mentioned?

Real Foley: You mean by country?

Oscar Cabrera: By country, yes; that would be helpful.

Real Foley: No, we don't disclose that.

Oscar Cabrera: Okay, let me ask it this way. Out of your estimates, I think in the last quarter you mentioned that you were targeting about 25% sales for China in 2013?

Don Lindsay: Real, are you still there? We lost you.

Real Foley: No, I am here.

Ian Kilgour: Sorry, it is Ian here. With respect to our sales to China, we are continuing to have good sales to China. Last year was a record. And this year, we will be around the same volume to China as we achieved last year.

Oscar Cabrera: Okay. See, the reason I'm asking that is that during this quarter, you are basically at the top end of your guidance for logistics. So the guidance, if I remember correctly, was from \$36 to \$40 a tonne. So if you are increasing your sales into that market, should we expect that the logistic cost would be at the higher end of the range for the balance of the year or the future?

Don Lindsay: I'm just going to make a comment here. This business is a very competitive business, and so we don't get too granular with our disclosure on both logistics or regions or our customers or spot. We try and give you guidelines. We understand fully that you have got to run models and so on, and you want to get as detailed and as exact as possible. But at the same time, from our side, we have to protect the competitive nature of our sales book. So I appreciate where the questions are coming from, but not all of them are we going to choose to answer.

Oscar Cabrera: Okay, fair enough. And then, if I may, in terms of your decisions on QB 2, can you comment on the sales process or the process of one of your partners to exit the investment? And have you received still expressions of interest from other smelters that could reduce the amount of capex for you in the project?

Don Lindsay: At this stage I'd say that while we have a good dialogue with our partners, we shouldn't make any comment on processes there.

Oscar Cabrera: Okay, thanks very much.

Operator: John Hughes, Desjardins Capital Markets.

John Hughes: Just a couple of quick ones. Ron, could you let us know for Quintette what the book value was at the end of June?

Ron Millos: We're --going to dig that one up.

Don Lindsay: Maybe we will go on to the next question and come back to you on that.

Greg Waller: Do have another question, John, while we are looking that up?

John Hughes: Yes, no problem. I know -- talking about granular; that was a fairly granular one. Yes, just more general, Don, Las Bambas is obviously up for sale. I guess a year ago, nobody expected it to be, but today it is. And I'm just wondering, from Teck's perspective, now that you are pushing QB 2 off and trying to match development time frames with the markets and when you receive permits, and et cetera - is that a type of asset that you might look at?

Don Lindsay: I had heard of Las Bambas, but no, the reality is that the answer I would give would be the same for most of these things, that we do review all the situations. You know Ron Vance well. In his department, that's their job to monitor these things. And some of them we will look at in detail; others not so much. And that's really all we could say about that at this time.

John Hughes: Okay. So are we safe to say sort of \$4 billion to \$5 billion single acquisitions are not really in the cards for now, given how you are managing your balance sheet?

Don Lindsay: We just couldn't comment. I think directionally, we are going to be very conservative with our balance sheet.

John Hughes: Okay, great. Last point; the feedback that I think a lot of people get on Teck, certainly on your stock, is any funding exposure to Fort Hills. You've done a great job in laying out where you're going on a sustaining capex side with existing assets. Can you help us with regards to what kind of funding exposure Teck may have for Fort Hills in 2014 in the event that the project is given a green light in the fourth quarter?

Don Lindsay: We can't do that at this stage, but it's coming soon. So the sanctioned decision, one way or the other, will be disclosed later this year. It's probably October -- I'm just picking a month, but don't hold me to it. And then you will get all the details. But suffice to say, we have seen it and looked at it very closely. And we're not concerned about our ability to fund that. It is spread over a number of years, and we've said in our disclosure that first oil would be 2017. You can see it is spread over 3 full years and then another part of a year, so the spending per year is certainly very manageable from our point of view.

John Hughes: Okay, that's great. Thank you. And Ron, I can get back to you individually if you want on that Quintette one.

Ron Millos: Sure. We are just down finding the guy that has got the number.

John Hughes: Yes, other than that, that's it for me. Thank you for the good quarter, as well.

Operator: Kerry Smith, Haywood Securities.

Kerry Smith: Don, the \$9 a tonne operational saving on the operating side on the coal division that you've realized, if you annualize that over 25 million tonnes, you get about \$225 million. I'm curious, is that where the bulk of the \$220 million of annual savings have come from, and you haven't really cut costs in any of the other operations? Or can you give me in a general sense where the numbers have come from to get to that \$220 million?

Don Lindsay: You just probably prompted some people to jump up and down here if they think that they haven't contributed to the cost cutting. No, cost cutting is across the board throughout the whole company. I appreciate your calculation in annualizing. The cost in each quarter is going to vary with different factors. And I will turn it over to Ian to speak to that. But I do want to attest that all divisions have contributed to cost cutting in a significant way - in head office and IT and exploration. They've all been coming through my office and getting the focus on their costs, so it isn't just coal. So, Ian; as Chief Operating Officer, over to you to summarize that.

Ian Kilgour: Thanks, Don. The cost reduction exercise has been right across all of our operations and support areas, as Don mentioned. And it is giving us significant results. It comes from examining the full range of our input costs - consumables, contractors, consultants, all of those sorts of things - combined with really looking at where we can continue to improve our productivity in our unit processors; a real focus on truck haulage productivity, which is a key cost for us in our coal mines and our largest copper mine; and improving the throughput of our mills; improving the recovery of our copper, yield of our coal. So it really is a focus right across the organization and will continue as such.

Kerry Smith: Okay. I guess that kind of answers it. I was just curious just how it would have split out, like, between the different operating units. But that's fine; that's okay. And secondly, what impact would the mill optimization have on your cost per tonne at Highland Valley? Would it drop your milling costs by 10%, or can you give me an idea as to how it might affect your unit costs?

Don Lindsay: Dale?

Dale Andres: The mill optimization will really start to take some effect in the fourth quarter of this year, but really full effect in 2014. We do anticipate improved unit costs going forward, partly due to decreased maintenance costs having a new and modern facility. But there are still higher strip ratios, and the grades going forward are going to be very linked in with our reserve grades. We don't expect a huge change in our unit costs going forward, but we do expect incremental improvements as we bring that optimization project online.

Kerry Smith: Okay, that's good. Thanks. And then just lastly, how long would it realistically take to permit a Greenfield project in Chile like Relincho?

Don Lindsay: I don't think that we could answer that question at this stage. There are things that are changing in Chile. We have lots of people having lots of interaction with the regulators, but I just don't think there is the degree of certainty that we could give you a clear answer.

Kerry Smith: Okay, that's good. Thanks, Don.

Greg Waller: Just before we go on to the next question, John Hughes asked a previous question on the book value of Quintette. It is approximately \$230 million.

Operator: Lucas Pipes, Brean Capital.

Lucas Pipes: My first question is in regards to the new mine development capex for next year. It's been very helpful to hear your colour on the sustaining and major enhancement capex. I was just wondering if you could give us a range on where things could shake out based on Quintette and some of the energy projects?

Don Lindsay: I'm not sure we understood your question here. Which range are you looking for?

Lucas Pipes: So if we look at the new mine development capex for next year, I think earlier in the call you gave us directional indications that coal is going to be down. But then when it comes to copper -- so QB 2 -- and energy, could you give us a rough ballpark for where new mine development capex in 2014 could end up?

Don Lindsay: Okay, so if you are referring to the chart on page 25 in the quarterly financial statement, I go back to the answer I gave previously on copper, that the majority of that is QB 2. And we will be reviewing our plans there over the next 2 to 4 weeks before we come to an answer on that. So we know it will be lower, but we can't give you a number just yet.

Lucas Pipes: Okay. And then as in regards to Quintette, are there certain parameters that you are looking at in terms of pursuing this project? Again, is it price of \$160? For how long? How do you look at that project in this price environment? What would be necessary to fix that up again?

Don Lindsay: I'd say, first, it's more general market conditions, along the lines of what you heard Real Foley has been talking about. We do see some encouraging signs - the spot price is up a bit over the last week or two; we've had some good conversations with customers in countries other than China; Japan and India is still growing, and so on. We'd like to see that continue to improve, and certainly to see spot price to continue to move up. The project itself, as we've noted, we will finish the engineering and finish all the final smaller permits, and so on so it's definitely ready to go; . we can push the button and start. But we're going to be waiting until we have the right confidence level in market conditions before we do that.

Lucas Pipes: That's very helpful. Thank you for taking my questions.

Operator: Steve Bristo, RBC Capital Markets.

Steve Bristo: I was just wondering if you could give us a little more light on capitalized stripping going forward in future years.

Don Lindsay: Ron Millos.

Ron Millos: Sure. The numbers will change, obviously, depending on mine plans, but on average over the next 5 years, in the order of about \$500 million would be capitalized per year.

Steve Bristo: Okay, thanks. And then volumes of coal sales; you said so far you have sold 6.4 million tonnes, and I know last quarter you said that there was going to be at least 6 million tonnes because you were going to expect a number of spot sales. So is there a number you have in mind including spot sales, where your volumes could end up?

Don Lindsay: No. I think we just have to stick with the disclosure that we gave, that we do expect to sell more.

Steve Bristo: All right. And then the last one, just on the capital for the new mine development and project enhancing in the copper; it looks like from what has been disclosed, there's an unallocated amount of about \$35 million in each of those. I'm just wondering if you could maybe shed some more light on where that capital is being spent.

Don Lindsay: Greg Waller.

Greg Waller: Steve, in each operation there's always a series of small projects that are not material enough to individually talk about in terms of whether there are things that are being done to enhance the operations. It might

be \$5 million to \$10 million being spent at a Red Dog and \$5 million to \$10 million being spent at Andacollo. So over the 13 operations, it doesn't take very much of that kind of spending in small projects to add up to the kind of number you are thinking of. So none of them are individually material enough, I don't think, to talk about. But there will always be that level of enhancement kind of capital being spent in the operations.

Steve Bristo: Okay, thanks. And then just going back quickly to capitalized stripping, so far this year it's been about \$430 million, I think it was. I'm just wondering what's going to happen there that's going to make that drop from an annualized rate of about \$860 million down to \$500 million?

Greg Waller: It really just depends on the various phases of the mines that we are in any given period. They will be up and down on a site-by-site basis; on an annual basis. Basically it's really tied into what you are blessed with by Mother Nature, more than anything.

Steve Bristo: All right. That's it for me, guys. Thanks.

Ron Millos: It's not something where we can give you a real precise answer, because it's based on plans which change; it's based on the actual mining; and it is a pit-by-pit or area-by-area calculation. It's a quite complicated exercise for the accounting group to go through to give that.

Don Lindsay: And just to say, again, this is related to IFRS accounting. It's not a Teck issue. It's just something that we have to comply with the accounting standards.

Steve Bristo: Yes, understood. Thanks, guys.

Operator: Alexander Mak, FDA.

Alexander Mak: Talking about zinc, do you see already an increase in the uses of zinc for fertilizer?

Don Lindsay: We do. There are several manufacturers now in both China and India that are including zinc in their fertilizers. It's not a lot of tonnage right now, but the trend line is definitely good, and it had tremendous results in terms of productivity crop-by-crop with the use of that. I think Rob Scott wants to make a comment.

Rob Scott: Thanks, Don. We don't have a precise figure, but as Don says, the initial indications are that the take-up on zinc and fertilizer is positive, starting to get better over time.

Don Lindsay: But since you prompted the thought about zinc- we haven't heard much about zinc, so far - I do want to make note that it looks like we have now had the zinc market in deficit for two months. So we are pretty excited about that. A lot of inventory to go down, but it has now gone from surplus to deficit, so we are pleased.

Alexander Mak: Thank you very much.

Operator: Alec Kodatsky, CIBC.

Alec Kodatsky: I know you've attacked the coal market from pretty much every direction, but I'm just curious if you had any commentary - either anecdotal or your own observations - as to how coal production is actually progressing within China, and whether there's any indications from your customer base there as to where they expect things to settle out in the longer term.

Don Lindsay: That's a good question, though always very difficult to answer. I will ask Real Foley to take a stab at it first, and then check around here if anyone else has additional colour. Real, do you want to comment?



Real Foley: Yes. So what we're hearing from customers in China, Alec, is there's been consolidation at the mines in Shanxi Province and coal production has increased, but it is not increasing at a rate that is keeping up with the increase in steel production. That's the reason. Shanxi Province is the province that produces the majority of the hard coking coal in China. So that not keeping up with the increase in steel production is the reason why there is more imported coal going into the China market.

Alec Kodatsky: Okay, that's great. I was curious for any colour that was out there. I will pass it on. Thank you.

Operator: John Tumazos, John Tumazos Very Independent Research.

John Tumazos: My question involves your commitment to the oil sands where there was no capex adjustment. I realize the biggest portion of Fort Hills is a JV, where you're following your partner. We hear a lot of chatter - some accurate and not accurate - that there is the issue of the dil-bit discount being large; no plan to build an upgrader to save capital; the larger amount of US output from the Bakken field in North Dakota, relatively close to Canada; all of the environmental objections to the Keystone Pipeline; the terrible rail accident near the Maine border in Quebec. Would you just give us some colour as to whether Teck's commitment to the oil sands is as strong as it was a year or year and a half ago when you bought out SilverBirch?

Don Lindsay: Okay. I will start, and then I'll turn it over to Ray Reipas. And I'll start by saying that we spent an awful lot of time on this in the last few weeks and months in anticipation of making a sanction decision, and in anticipation of really what is an important event - or catalyst, as the market likes to call - in terms of shining light on the value and resources in our energy division that we built up. We've actually got, in the next 20 months or so, two events: the sanctioning of Fort Hills and the permit for Frontier, which we will also go and get a partner for a large piece of it. So the business is going to transform from just a large resource to something that is going into production and has a permit for another very large property. There are a number of factors. I'm going to ask Ray to address some of them, but at the same time, to be relatively brief because we're going to be talking a lot more about this once the sanction decision has been made. We can actually then disclose a lot of the details, so then you will get a lot more information. But, Ray?

Ray Reipas: Thanks, Don, and thanks for the question, John. Your questions are really around the transportation differential that bitumen, or heavy oil, out of Canada has been seeing for the last couple of years. I think what I would point to is the rapid change in that differential over the last few months; between the Brent pricing, seaborne pricing, and WTI pricing has really narrowed that differential. That is as a result of some transportation options coming online in the US and moving that oil out of Cushing down to the Gulf Coast. And this is a cyclical business. It will cycle as transportation gets built and comes on. And then we'll take that capacity up and some new options will come open. So we do expect it to cycle, but we do expect the differentials to stay in the low range compared to history, and that is favorable for Canadian production.

John Tumazos: Thank you. We hear a lot of stuff in the press, and some of it is environmental propaganda. And we just enjoy your view as to what is the long-term effect.

Don Lindsay: Thank you. Any other questions at this time?

Operator: Gary Lampard, Canaccord.

Gary Lampard: I had a question about the asset impairment reviews that you recently conducted. Did you change any of your long-term price forecasts for those reviews? And while it's relevant to all of your commodities, it is particularly directed towards coking coal and the substantial cost savings that BHP has disclosed at their Australian operations.

Don Lindsay: John Gingell, our Controller.

John Gingell: We have not changed substantially any of our long-term prices used in the models. When we look at coal, we have a lot of room because we have a very low cost base based on how we acquired these mines in the first place. And they test down to quite a low level, in general. So when we take a very long-term view of coal prices, those coal prices just don't change a lot from quarter-to-quarter or from year-to-year.

Gary Lampard: Okay, yes; thank you for that. And just as a second one - and I apologize if this is in your disclosure somewhere -but is your guidance for capitalized stripping for this year still \$840 million?

Ron Millos: Probably come in a little bit lighter than that. I think in the third and fourth quarter, the amounts are going to be similar to what we had in the second quarter, so that will come in a little bit lower. But again, if mine plans change and actual mining areas differ from where we think we're going to go, that could have an impact.

Gary Lampard: Okay, thank you. That's all I've got.

Operator: Orest Wowkodaw, Scotiabank.

Orest Wowkodaw: Don, just wanted to get a little bit more colour on your appetite for M&A in the current environment. We've seen a lot of majors, especially on the coal side, over-lever. Do you have any appetite to add debt to the balance sheet? And how much debt do you think you could add before you'd jeopardize the investment-grade rating and perhaps have to look at the dividend?

Don Lindsay: We are not looking at the dividend. The question is very conceptual, and if we were looking at an acquisition and it had strong free cash flow that came with it, then you could then look at how you might want to finance it. But we have a very strong balance sheet now. We've worked hard to get it. We have a very strong cash balance. We only have, I think, \$323 million of debt coming due to the end of 2016. And we have termed out a lot - to 2040, 2041, and so on. So we have a very strong balance sheet, and we'd like to keep it that way. We do look at opportunities in the market; and then once we've identified an opportunity, see if we can get it for a value that we would like, which we obviously haven't been able to do for some time. But if we did, then we'd look at how to finance it at that stage but always with the key criteria that we are staying investment grade. We enjoy having a strong balance sheet, so we're going to keep it.

Orest Wowkodaw: Okay. And given the majors are selling a number of assets, do you think that the environment is conducive to a transaction? Or do you think the asking price is still too high, in general?

Don Lindsay: Well, it's all case-by-case. Certainly from our point of view so far, the asking prices have been too high because we haven't done anything. Generally, they're not selling their best assets. I'd make this as an overview comment of M&A in the mining industry. Assets in the lowest quartile on the cost curve rarely are sold; very rarely. Mostly you are going to get things in the 50th to 75th percentile or higher. When you look at them, you'd have to decide whether you can do something to that asset to improve it and move it down the cost curve, or if you have some sort of synergy with customers, or the like. So when we are looking at acquisition opportunities, we look at all the details and decide whether we can add value and make it better. At this point, we just haven't seen anything; or we've seen some things that might have been of interest to us, but we haven't been able to get anywhere near the price that we were willing to pay. So we continue to look, but at the same time, we will carry on with our current assets.

Orest Wowkodaw: Great. Thanks so much.

Operator: Harp Sandhu, Private investor.

Harp Sandhu: Just calling in regards to the Schaft Creek project that was recently invested in, and also a two-part question; The first is that we've had a phase 1 drilling announced - is there a phase 2 drilling plan for 2013? And what's the general exploration plan; or is it more of a plan to develop the mine?

Don Lindsay: Dale Andres.

Dale Andres: Thanks. We just took ownership - if you want to call it that - or operatorship of the JV, so we are just currently working through with our partner, Copper Fox, on that transition. We are also currently finalizing the budget and the work program for this year's program. It will be one program, and it will be in the range of 10,000 meters is what we are currently considering. So as we get up to speed with the project and we execute on our program for this summer, we will make decisions on that project going forward, For now, we are really focused on looking at the current resource and the potential for resource expansion, and we will take it from there.

Harp Sandhu: Thank you.

Operator: Paretosh Misra, Morgan Stanley.

Paretosh Misra: Paretosh Misra from Morgan Stanley. Just one question on your metallurgical coal operations; at current prices, many of your competitors face very high costs and, on top of that, a very stretched balance sheet. So are you seeing that perhaps some of your customers want to allocate a greater percentage of their purchase to you, because you could be a more reliable, longer-term, lower-cost supplier?

Don Lindsay: I guess, Real Foley, we will ask to give you an answer. But obviously, it's not very scientific. We'd sure like to allocate for just all sorts of good relationship reasons, and we have been building relationships with a number of new customers of the past years. But Real, what would your comment be on that one?

Real Foley: Thanks, Don. We do have long-term relationships with customers and contractual arrangements in place also for that. And when the market presents opportunities to grow our business, of course we take advantage of that.

Paretosh Misra: Great. What is your current capacity right now without Quintette?

Greg Waller: Our current capacity is about 27 million. Sorry, Ian, go ahead.

Ian Kilgour: Yes, Greg, you took the words out of my mouth.

Paretosh Misra: 27 million?

Ian Kilgour: Yes.

Paretosh Misra: Great. Thank you.

Operator: Jorge Beristain, Deutsche Bank.

Jorge Beristain: I just wanted to follow up a little bit on what you're calling your maintenance capex because as Ron Millos quantified, you're saying that your capitalized stripping is running at about \$500 million per year in the coal business. I just wanted to understand how to tie in the concept of capitalized stripping to maintenance capex, which you are quoting for the entire Company at \$500 million, because there are some other enhancement capital projects ongoing at some of these other businesses. I wanted to understand if I should be looking at that number and adding something for the copper and zinc businesses, or if I'm thinking about it incorrectly.

Ron Millos: The \$500 million average is a go-forward number for the whole company - not just the coal, Jorge, on the deferred stripping.

Jorge Beristain: Okay. So that is \$500 million, so we just don't look at it on the met coal volumes? That is firm-wide.

Ron Millos: That's right. And again, mine plans change; mining areas change; so those numbers can move rapidly, but those are the indications at this stage.

Jorge Beristain: And just to follow up on the earlier question, I am quite surprised that the maintenance capital for coal has dropped so sharply. And that is really due to pit sequencing, or is there some of that that you are just holding back and in an up-cycle we would expect the maintenance capex of the coal business to recover?

Don Lindsay: So you are using the term maintenance capex, and that is referring to what we call sustaining capital. The comment that we made previously is that we have gone through a phase of pretty high levels of investment of sustaining capital. As a result of that we have our operations with new shovels, new trucks - and by the way, larger shovels, larger trucks, more productive. We finished the plant upgrades so you have a much newer operation and much more productive operation and that has helped drive the cost down. So there's less of a need right now to keep the same level of sustaining capital. I should also say we have the same in our copper business. If you look forward to the end of the year, with the Highland Valley modernization program finished, obviously the sustaining capital we'd talked about earlier - maintenance costs and stuff - will go down. Likewise, at Antamina, we just finished the expansion last year. Andacollo was only a couple of years old -- I guess this third year since it was built. At our core operations, things are much newer, if you like, than they were before so that allows us to reduce the sustaining capital - at least for next year; eventually it will come back up to a higher level, but we have the opportunity so we're going to do it.

Jorge Beristain: Understood. Thanks 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. Waller.

Greg Waller: Great. Well thanks very much, operator. And thanks, everybody, for attending today. And always happy to take follow-up questions subsequent to the call. If you want to call direct, myself and Ron Millos will be available to talk. Other than that, we will talk to you on our next conference call.

Don Lindsay: Thank you.

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