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PRESENTATION
Operator: Ladies and gentlemen, thank you for standing by. Welcome to Teck's fourth quarter 2010 results conference call. At this time, all participants are in listen-only mode. Later, we will conduct a question and answer session. This conference call is being recorded on Wednesday, February 9, 2011. 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: Good morning. Thanks, Operator. And thanks for joining us, everybody. The forward-looking information slides are on page 3 and page 4. We need to draw your attention to those. This presentation contains forward-looking information regarding our Business. Various risks and uncertainties may cause actual results to vary. Teck does not assume the obligation to update any forward-looking statement. And at this point, I'd like to turn the call over to Don Lindsay.

Don Lindsay: Thanks very much, Greg. Good morning all, and thanks very much for joining us. I will start with a review of the results for the quarter, and then turn the presentation over to Ron Millos, our Senior Vice President of Finance and CFO, to address the more in-depth financial topics. And I should say, a number of the other members of the Management team are on the call this morning, and available to answer your questions.

Turning to slide 5, we are very pleased with the results for the year. We set a new record for company revenues this year, at over $9.3 billion. Operating profit after depreciation and amortization was almost $3.6 billion, which was up 30% over 2009, compared to the revenues being up 22%. Net earnings were $1.9 billion, and EBITDA was almost $4.3 billion.

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Slide 6 shows our adjusted earnings for the year, in comparison to last year. Due to the number of unusual items we had both this year and last year, adjusted earnings, which removed the effects of the unusual items, gives a much better picture of our fundamental earnings power. Adjusted earnings of $1.5 billion, or $2.61 per share on a fully diluted basis, are 24% from higher than the per-share figure last year. And adjusted EBITDA was $4.0 billion for the year.

Turning to slide 7, there are a number of highlights in the quarter. The quarter was also a record for revenues, at over $2.8 billion. Operating profit after depreciation and amortization was $1.2 billion, which was up over 16% over the third quarter of this year and up 55% year-over-year. Earnings were $361 million, but were impacted by a $289 million after-tax charge related to the repurchase of a portion of our debt. So with adjustments, earnings were $548 million. And EBITDA for the quarter was about $1.0 billion, and adjusted EBITDA was $1.2 billion.

Slide 8, and continuing with the highlights for the quarter. Our business fundamentals are very strong, with higher copper production going forward, since we have achieved commercial production at Andacollo. And as well, we have strong pricing in both copper and coal. During this quarter, we continued to repurchase our long term debt. And we also increased the semi-annual dividend by 50%, bringing total annual dividend in 2010 to $0.50 per share, and on an annualized rate going forward, to$0.60 a share. And in December, Suncor announced an updated development schedule for Fort Hills oil sands project, which we were very pleased about.

We show our view of comparative earnings for the quarter on slide 9. We again hit a number of unusual items in the quarter to adjust for. We had modest exchange in derivative losses and minor gains from asset sales. The most significant item, however, is the already mentioned charge related to the debt repurchase, which was $289 million on an after-tax basis. And adjusting for these items, earnings were $548 for the quarter, or $0.93 per share. I should note we had an unusually high stock-based compensation expense this quarter, due to the move in the share price, and that impacted earnings by $0.08 a share. And as a result, if we adjust for this, adjusted earnings would be $1.01 per share, much closer to the consensus estimates for the quarter.

On slide 10, we are showing a comparison of our operating profit for the quarter and the year, compared to previous periods. Our coal business is contributing about 50% of our operating profit at this stage. Higher prices and sales are the main driver behind a 10% quarter-over-quarter increase in coal's contribution to operating profit. Over the 12-month period, copper has increased by 2%, to make up approximately 33% of annual operating profit. And we expect that to grow, as our copper production is expected to increase by about 10% this year.

Turning to Slide 11, we have summarized the guidance we gave last quarter and the performance relative to that guidance. Our guidance was largely met this quarter, except for coal costs. Coal costs were elevated by extreme cold weather in November, higher moisture coal from Greenhills due to the dryer being down for repair, arising from the explosion in Q3. It became difficult to handle in those cold temperatures, and that resulted in reduced efficiency and movement of clean coal inventories from the mines to the ports. And this issue is behind us now though, as the rebuilt Greenhills dryer has been commissioned and it just restarted last Friday.

Fourth quarter transportation costs increased slightly on a year-over-year basis, reflecting higher freight costs, due to a greater proportion of our sales being made inclusive of ocean freight. And during the quarter, we also began moving product through Ridley Terminals, which contributed to higher transportation cost, due to the greater distance from our mines compared with the Vancouver ports. It does give us extra flexibility.

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Turning to our operating results for the quarter. In our coal business on slide 12, production sales were up almost 11% on a year-over-year basis. The production sales both were approximately 6.0 million tonnes. We currently expect to sell between 5.0 million and 5.5 million tonnes in the first quarter of 2011, with some uncertainty currently due to the work stoppage in our Elkview operations. The ship loader at Westshore was put back into service in late January, resulting in reduced loading capacity just shy of the two weeks that had been indicated.

We are still struggling with rail capacity somewhat though, due to adverse weather still. And -- but we are very pleased with the service that CP has been giving us. The average realized price for the fourth quarter 2010 was US$200 per tonne, relative to benchmark prices of US$209 per tonne for premium brand of coal for the quarter. Fourth quarter 2010 unit site costs were $54 per tonne, and unit transportation costs of $35 per tonne gave us combined costs of just under $90 per tonne, Canadian.

In our copper business unit, on slide 13, overall production was up 7.5% versus Q4 last year, mainly due to the new copper concentrator at Carmen de Andacollo, which commenced commercial production October 1 and contributed 14,100 tonnes of new copper production in the fourth quarter. The increase in production was slightly offset by lower production from Highland Valley Copper, as a result of lower ore grades. Sales volume was up over 5%, reflecting the higher production.

In our zinc business, zinc concentrate production for the quarter was approximately 19% lower than last year, as both Red Dog and Antamina produced at lower rates. Red Dog production was down by 14% due to planned maintenance activities in the quarter, and also slightly lower ore grades. Antamina zinc production was down 50% due principally to lower zinc ore grades and reduction of copper-zinc ores processed in the quarter. And this is no surprise -- we've known about this from the mine plant for some time.

As in previous quarters, I should note even though we show Antamina's share of zinc production in these figures, the financial results for Antamina are reported in our copper business. At Trail, production of refined zinc was 6% higher than last year. The 32-day KIVCET maintenance shutdown during the fourth quarter resulted in lead production being lower this quarter. The shutdown was completed on time and on budget. Overall, our zinc business contributed $204 million in cash operating profit this quarter, up almost 5% year-over-year. And the key drivers behind the increase is the higher zinc, lead, and silver price.

In our energy business, the most advanced project in our portfolio is Fort Hills, and Suncor is the managing partner with 41%; and Total will now have 39%, assuming their joint venture announcement in December closes as expected. Suncor have announced that they intend to proceed with the Fort Hills project, and we expect that we could see a sanctioning decision for Fort Hills in 2012, in order to meet the planned first production in 2016.

The project is planned as a mine only, producing a bitumen product, and at a rate of 164,000 barrels per day in the first phase. To Teck, this would be about 11 million barrels per year. The project is being designed for possible future expansion to 320,000 barrels per day. Suncor is currently going through a re-evaluation of costs, so final capital of costs is not yet defined. But they have indicated that they expect it to be in the range of about $60,000 per flowing barrel. I'd now like to turn the call over to Ron Millos to address some of the financial issues.

Ron Millos: Thanks, Don. And I'm on slide 17, where we've summarized our changes in cash for the quarter. Our cash flow from operations was $900 million in the quarter, which is up almost 34% from the third quarter. Our working capital change was positive this quarter, due to changes in the various working capital items.

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During the fourth quarter, we sold a portion of our coal receivables, which reduced our working capital by approximately $150 million at the end of the year.

Capital expenditures and investments were $309 million for the quarter, and that included $86 million on sustaining projects and $214 million on our major development projects. We reduced our debt by $1.2 billion in the quarter, as part of our overall liability management program, bringing our total debt reduction for the year to $3.1 billion. And that will save us about $225 million per year in interest costs. And after allowing for payments to our partners, and the effective exchange rate changes on our cash, our net change in cash in the quarter was a decrease of $345 million, and we ended the quarter with $832 million in cash.

Slide 18 shows our final pricing revenues for the fourth quarter. As we highlight each quarter, pricing adjustments on sales of our various products can have a significant impact on revenues. Outstanding provisionally priced receivables at the end of any quarter are final priced, based on contractual quotational periods for subsequent periods, resulting in positive or negative price adjustments, depending on the movements in commodity prices.

Final pricing adjustments for this quarter were positive. On settlements within the quarter, the largest impact was in copper, where we had 81 million pounds of receivables settled in the quarter at US$0.25 per pound higher than the price at which they were provisionally booked in Q3. We also incurred positive adjustments in zinc and lead, for total positive adjustments to operating profit of $37 million on sales from the previous quarter.

We also record pricing adjustments on sales booked during the quarter, as these are marked-to-market at quarter end. As metal prices improve during the quarter, this increased revenue by a further $50 million on a pre-tax basis. And as always, remember, when analyzing the impact of price changes on our pricing revenues, refining and treatment charges and the Canadian/US exchange rate must be included in your earnings. And in addition, when trying to analyze impact on net earnings, you need to consider taxes and royalties.

On slide 19, we have summarized our production guidance for the year. Coal production is in the range of 24.5 to 25.5 million tonnes, which would be approximately 6% to 10% higher than the rate we produced at in 2010. Copper production is expected to be about 10% higher than last year, primarily due to increased production at Carmen de Andacollo. Zinc production is expected to be 620,000 tonnes of zinc in concentrate, which includes Red Dog and our share of production from Antamina. Zinc in concentrate production will be down at Antamina, due mainly to more copper-only ores, and less copper-zinc ores, being mined and processed. And refined zinc production at Trail is expected to be 285,000 tonnes.

Turning to slide 20, I'd like to highlight the guidance we have given for the first quarter of 2011. Again, you should be aware of the seasonality in zinc sales, due to the shipping season at Red Dog and the impact on unit costs, due to varying lead sales. We expect coal sales to be in the range of 5.0 to 5.5 million tonnes in the first quarter of 2011, and our average realized pricing in the quarter to be between US$206 and US$211 per tonne. And this includes the impact of all types of coal sold, expected carry-over, and expected spot sales.

And as you're aware, we do have a strike at our Elkview mine, which we don't expect to affect our guidance for the first quarter, due to inventory levels. But depending on the duration of the strike, it could impact our annual guidance for 2011. Our coal costs for the year are expected to be in the range of $59 to $63 per tonne for site costs, and $30 to $34 per tonne for transportation costs. As mentioned earlier, the settlement adjustments are dependent on the direction of prices, and need to factor in the effects of treatment and refining charges, the exchange rate, taxes, and royalties. So, those are some of the key items to consider as you develop your earnings estimates for the first quarter.

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Turning to slide 21, I would like to highlight the guidance we have given for our sensitivity to changes in prices and exchange rates for the year. Our adjusted EBITDA, not including all of the unusual items in 2010, was $4 billion. The slide shows our EBITDA sensitivity to our key products. And for example, in coal, our EBITDA sensitivity is $25 million for each USD1.00 per change in the coal price. In copper and zinc, our sensitivity is $7 million and $10 million, respectively, for each USD0.01 per pound change in the metal price.

And our sensitivity to changes in the exchange rate is about $80 million for each CAD0.01 change in the Canadian dollar versus the US dollar. In addition to these price sensitivities, you need to take into account volume and cost changes, relative to our production levels in 2010, if you are trying to estimate EBITDA for 2011. And with that, I will turn the call back to Don Lindsay.

Don Lindsay: Thank you, Ron. And before we close, I would like to update you on the status of the many development projects we have underway. At Quebrada Blanca, a full feasibility study commenced in early 2011, and is expected to be completed by the end of the first quarter in 2012. A positive feasibility study could potentially result in a decision to undertake project development, with production in early 2016. At Relincho, the pre-feasibility is underway, and is expected to be completed in the first quarter of 2012.

Continuing in copper, the Galore Creek pre-feasibility is expected in Q2 2011. And 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 as well. And this study is expected to be complete in Q4 of 2011, which will also be marked by the filing of a regulatory application. And in coal, the feasibility study for the re-start of the Quintette coal mine is proceeding, and is expected to be complete in mid-2011. Assuming the results of this study are positive and development proceeds, the mine could be in production by 2013 at an annual rate of approximately 3.0 million tonnes per year. So, we have lots of exciting growth opportunities coming. I look forward to reporting on the development of these projects in the quarters ahead.

In summary, before I turn it over to questions, we have a solid balance sheet; we're now focused on the strong and increasing cash flow from our business. Our coal business is very exciting, with robust fundamentals and market prices, and increasing production for a moderate amount of capital. Our copper production is expected to grow to over 400,000 tonnes annualized by 2012. And we are moving forward with several development projects to enhance shareholder value even further. And with that, I would like to turn it over to questions.

QUESTIONS AND ANSWERS

Operator: Thank you. We will now take questions from the telephone lines.

(Operator Instructions)The first question is from Harry Mateer of Barclays Capital. Please go ahead.

Harry Mateer: Hi, guys. I was wondering if you could talk about your priorities of cash flow now. And specifically, when you look at the high coupon debt that remains outstanding, is that still something you're interested in reducing over time? Or have your priorities shifted elsewhere?

Don Lindsay: We had a pretty good program in the second half of 2010, which we were pleased with the results of. It's the kind of thing that we'll monitor throughout the year. At the moment, we have no plans to do anything further. But we'll watch market conditions and make decisions based on what other uses of capital we have in front of us.

Harry Mateer: Okay, thanks very much.

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Operator: Thank you. The next question is from Sal Tharani of Goldman Sachs. Please go ahead.

Sal Tharani: Thank you. Can you just give us some colour on the Andacollo concentrator cost, how to model that? I think it was $60 million in the fourth quarter?

Roger Higgins: This is Roger Higgins. Thanks for the question. Andacollo was in ramp-up mode throughout 2010. We achieved 9% of design capacity in September, and declared commercial production at that time. And since that time, Andacollo has contributed positively to the company's EBITDA. We are still working our way through, as with all new plants, the process of optimizing. And the greatest focus, always, at that time, is to get the production first, make sure we are able to get throughput through the plant, and recovery metallurgical processes correct, and then start to focus on optimizing the costs after that.

We are still in the first phase of that, doing some work to ensure that we can get the tonnage up reliably to the design stage. As we achieve that, we'll have some benefits and costs in two different directions -- first, a more consistent production and more pounds, we'll reduce the unit cost simply by having more pounds to spread the cost over. And then, we'll be able to focus principally on maintenance costs, and bring the costs into line where we are. So, difficult to put real numbers on it. It's a process we need to go through in the -- particularly in the first half of the coming year. But we see it as a mid-range in terms of the Q1 cost curve, mid-range producer going forward.

Sal Tharani: Thank you. I also wanted to ask about the impending second-level contract coming up in April for Fording. Has there been any discussion with the labour union there?

Robert Bell: Hi Sal, its Bob Bell here. It's a bit early for us to get in those discussions. Right now, we're focused on the situation at Elkview.

Sal Tharani: Okay, thank you very much. I'll get back in the queue.

Operator: Thank you. The next question is from Duncan McKeen of Macquarie. Please go ahead.

Duncan McKeen: Yes, thanks very much, guys. I just wanted to ask, regarding your realized prices for Q1 of this year, can you just explain how your realized prices are coming in so far below the benchmark, which is at US$225 for the contract price? Thanks.

Robert Bell: Duncan, there's of course, what goes into the average pricing is a whole mix of pricing. If you actually look back at guidance from last year, in Q3 we had benchmark price of US$225, same as what we had in the first quarter. And yet, our guidance was US$195 to US$200. So, the guidance we're giving for this quarter, US$206 to US$211, is actually quite a bit tighter than what it was in Q3. But it's a mix of all of the products we're selling, and a mix of spot pricing and contract pricing.

Duncan McKeen: What percentage of your coal overall is the premium coal?

Robert Bell: Generally, it's about 85% to 90%, would be what you'd call hard coking coal. But even within that hard coke coal range, there's a spectrum of qualities that gives you a pricing band.

Duncan McKeen: Okay. So, is part of the reason for your lower realized pricing, is there some lower prices coming through from the wet coal from Greenhills?

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Robert Bell: That wouldn't have had a huge impact. And as I say, the gap between the benchmark and our realized price in Q1 is actually tighter than what it had been when we had the same pricing in Q3 of 2010. So, it's -- I wouldn't say that there's an anomaly there. It's important to remember that in Q4 of 2010, we had less sales from the Coal Mountain operation, because of the labour disruption there. So, you would have seen a tighter band in Q4 than you would normally have.

Duncan McKeen: Okay, thank you.

Operator: Thank you. The next question is from Terry Ortslan of TSO & Associates. Please go ahead.

Terry Ortslan: Good morning. You have a lot of things on the plate for feasibility studies for 2011 and going into 2012. I guess, Ron and Don combined, the financing for this, how much each month are you going to be able to do internally each month, are you going to tap the outside market? And how much do you want to lever the balance sheet in the process, going into the next few years on this capital expenditures?

Don Lindsay: I think it's important to look at the time table. A lot of these are pre-feasibility studies. So, you then have to go through full feasibility before you get to construction decision. And then, even having made the construction decision, large CapEx doesn't occur for some time after that. So they are kind of spread out, and in the meantime, we have quite high prices and very strong cash flow. So, a lot of cash should build up between now and when CapEx would start to occur. So at the moment, when we do our models, we could do it all internally.

We don't know that the prices will hold at these levels, of course. But I think we just have to take it quarter by quarter and see. In some cases, where we have partners, it may make sense to engage in project financing, because they have an interest in that. So, we will look at those opportunities as time progresses. But right now, we don't think it will have that much effect on the balance sheet.

Terry Ortslan: Thanks. The other question is on the labour contracts. Can you remind us what else is coming up this year?

Don Lindsay: We have, as we just mentioned, Fording River in April, and then Highland Valley. Roger, what month is Highland Valley?

Roger Higgins: I believe its September, Don.

Terry Ortslan: Okay. And Don, just to be on the [phone] here. Can you talk about the -- not the demand side, but more like on the balances on the supply side in China, also now on the cost rates level. Do you -- what shifts do you see this year, 2011, on the lead and zinc imports, and also the production profiles in China?

Don Lindsay: Well, of course it's always hard to know. But we have seen the growth rate of mine to zinc production in China come down quite a bit – those still growing at a small to moderate rate. Their consumption, of course, has been very strong. And so, the country has still been in an import situation, but it's very hard to make forecasts on these things.

Terry Ortslan: Fair enough. Thank you.

Operator: Thank you. The next question is from David Radclyffe of BMO. Please go ahead.

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David Radclyffe: Hi, everyone. So, having looked at the presentation here, it looks like the QB in Relincho studies have actually been pushed back a couple quarters from the targets we discussed at the Investor Day. And, just in regards to this, I was just wondering, could this potentially impact from the start-up of those projects? I'm just trying to work out what maybe the scope of the delay is at Relincho. I know you were looking at potentially upgrading the resources there. So, has the scope of that project may be changed at all? And then, because now Galore Creek pre-feasibility study will be ahead of Relincho. Does that mean Galore Creek naturally moves up in your mind, in terms of when it could be delivered?

Don Lindsay: I'll answer the last question first, and then to Roger or Tim on the first two. The answer is no, Galore Creek will not be put ahead of Relincho. And, it is one of these things where we'll wait for the results of these studies before making any final decisions. But, from Teck's point of view, Relincho is a high-priority project.

Tim Watson: With respect to QB, on the timing of that particular project, the completion of the feasibility study is, we're showing now -- and basically the same timeline, is that we expect to be submitting the EIA to the government for final permit approval. And then, the goal from that point is then to carry on with the basic engineering as we're progressing through the EIA process.

With respect to Relincho, the overall scope of the project has not changed. We are, as we're going through the feasibility study, finalizing some of the options with respect to throughput and some of our processing options. So, in terms of the scope of that particular project, it's roughly the same as QB, fairly large concentrator. We are focusing on seawater processing, evaluating our port options, as well as the power options for the project.

David Radclyffe: Okay, so even if the study is sort of taking six to nine months longer, you still think you can meet that sort of 2017 target?

Tim Watson: That's correct, yes.

David Radcliffe: Okay, thank you.

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

Greg Barnes: The question focuses on the copper operations. Cash costs at QB were pretty high in the fourth quarter, and just wondering how you expect that to trend going forward?

Roger Higgins: Thanks, Greg. There are two main drivers of that cost, and one of them is somewhat larger tonnes, so the stripping ratio has gone up a little bit. We moved more tonnes at QB in 2010 than we had ever moved before. So that's permanent, and we will be facing that in the future. But the other one, more important perhaps, is that all of the costs, the cost increase that you notice, really could be accounted for by increased energy costs, whether it's off the -- seeing the grid in northern Chile or for fuel oil fire and power station. And that's not a controllable, particularly, so that will depend on how those costs progress. That's not to say we're not working hard at it. And we do have some more bigger equipment come in during the course of the year, which will help us with our unit costs, but they were the two principal drivers at QB.

Greg Barnes: Do you see costs there on a per pound basis being in the US$1.40, US$1.50 range, going forward?

Roger Higgins: I hope not. I hope we can bring them down under that, Greg.

Greg Barnes: What do you think is an appropriate number?

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Roger Higgins: Somewhere below that.

Greg Barnes: Okay. Just another question, another topic. The coal production ramp-up in the Elk Valley. Just wondering how you see that progress. I know you said second half weighted this year, but how you see that progress over 2012 and 2013.

Robert Bell: Don, did you want me to answer, or would you like to -- ?

Don Lindsay: Yes, the only comment I would make is, we do have to get the plant upgrades finished, and that obviously makes a big difference to what capacity we can put through. But Bob, you go ahead for the rest.

Robert Bell: Yes, the rest of the ramp-up, we've given sort of a trajectory in the past heading towards the 30 million tonne range. And then adding the Quintette above that. So, we're still focused on delivering that, and it's about plant upgrades and its equipment, and we're on that path.

Greg Barnes: Bob, do you mean 30 million tonnes out of Elk Valley? Or, 30 million --

Robert Bell: No, no, that's a -- we've given that as total, that's the target for the total existing mining operations. And we're still aiming towards that.

Greg Barnes: But the 30 million tonnes doesn't include Quintette.

Robert Bell: That's right. And I'm sorry, it was -- we gave 29 million tonnes without Quintette.

Greg Barnes: Okay. So -- but, by the end of 2013, do you think you'll be at that exit rate? You'll be at around 28 million--29 million tonnes by then?

Robert Bell: It's a bit early to get precise. We go year by year when we put our plans together. And we've given where we're going to go in 2011, and we'll go through the same process as we get to every year. So, I wouldn't want to speculate on exactly when we hit the certain target.

Greg Barnes: Okay, thank you.

Operator: Thank you. The next question is from Alex Kodatsky of CIBC. Please go ahead.

Alex Kodatsky: I actually have two questions here. First, in terms of the CapEx, in particular, sustaining CapEx. It looks like there's a pretty meaningful increase at the coal operations year-over-year. I'm just curious whether there has been any sort of scope changes, as far as the expansion plans or potential for cost overruns. And secondly, you also mentioned in the release, onsite mine inventories for coal are high, port inventories are low. And just wondering if you could potentially give us some clarity as what those numbers are. Thanks.

Don Lindsay: On the first question, it's not as big an increase as it might look, because a significant amount of the sustaining CapEx from last year wasn't spent and has rolled forward into this year. Ron Millos, not sure if you have the number available, if you could get someone to look it up and get back to the questioner, and I'll turn the rest of it over to you.

Ron Millos: Yes, for next year, it's about $275 million. I don't have the split handy on how much was carried forward, but we'll get that and have Greg distribute it.

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Alex Kodatsky: Okay, thanks, and—

Greg Waller: The question was on the mine site coal inventory?

Alex Kodatsky: Yes. Thanks, Greg.

Robert Bell: We don't disclose our exact mine site inventories. They are quite high from a historic basis. And that's one of the reasons why we haven't altered our guidance for the sales in this current quarter. But we're obviously working very closely with our rail service provider to find ways to move as much of that to the coast as possible, and as quickly as possible, to take advantage of current markets.

Alex Kodatsky: Okay. Well, thanks very much.

Operator: Thank you. The next question is from John Hughes of Desjardins Securities. Please go ahead.

John Hughes: Thank you, Operator. Just a couple quick ones. On Elkview, are the negotiations with the union ongoing today?

Don Lindsay: The status of the Elkview discussion is we have a various range of contracts with them, on different schedules. And we really don't want to comment or negotiate in the public domain about our discussions there. We remain optimistic that we will be able to settle, and we feel we've made a very strong offer to the union.

John Hughes: Just sort of highlight, for that operation, what your budgeted production number was for 2011.

Greg Waller: John, it's about 20% of our overall coal production.

John Hughes: Okay, and we can apply that 20%, Greg, to the range of 24.5 million to 25.5 million tonnes?

Greg Waller: Yes.

John Hughes: On Red Dog, just a quick one -- I know you're operating today with the renewed water discharge permit, and I'm just wondering how concerned we should be with the possibility that that existing permit can be pulled.

Douglas Horswill: John, its Doug Horswill here. There's no chance of that. We're operating to the 1998 permit, but also to a court ordered level that we have used since 1998. We're working with the EPA and the state. There’s processes we're going through. We can't predict. We've tried in the past, but it's just hopeless to try and predict exactly when all of that will get sorted out. But in the meantime, we feel very secure and confident in our continued operation and Aqqaluk no problems.

John Hughes: I guess, in the absence of any sort of renewed sort of problem, like an appeal, any further appeal, then everything is -- from an operating perspective, what you're doing today you'll continue through the course of the year?

Douglas Horswill: Yes. And whether or not there's appeals -- I mean, that's a matter of course of business in the US, these things are appealed. You just anticipate it. And you just -- we're -- we have the support of the EPA and the state in respect to our current operations, and we will continue to do that -- continue to operate.

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John Hughes: Great. Thank you, Doug. Yes, that's great. Thank you very much indeed.

Douglas Horswill: Okay.

Operator: Thank you. The next question is from Oscar Cabrera of Bank of America. Please go ahead.

Oscar Cabrera: Hi, good morning, gentlemen. To start with, your quoted first quarter 2011 coal price, the press release is US$206 to US$211 per tonne, but the presentation has a lower range US$200 to US$205?

Greg Waller: Yes, Oscar, it's a mistake in our slides. The numbers that we've given in the release are the correct guidance.

Oscar Cabrera: Okay, and if so, then, can you give us the – Bob talked about the mix in the production, but can you give us the amount of thermal coal that would be included in that number?

Robert Bell: Oscar, we don't generally give such specific guidance. But generally, our thermal coal -- or, you'd say thermal coal and lower grade steel making coals, would be sort of in the 10% range. But it depends on what's happening in that particular quarter.

Oscar Cabrera: Okay, thanks a lot, Bob. And then, second question, with regards to Elkview. I know that it's a sensitive issue and you don't want to comment in the public domain, but could you give us colour on how your expansion plans would change? Are you at a stage right now where the stripping in the mine is complete therefore, a protracted strike wouldn't impact that profile as much? Can you comment on that?

Don Lindsay: No, we could not comment on that kind of detail. It wouldn't be appropriate.

Oscar Cabrera: Okay. And then, lastly, on your copper development projects, as you're progressing with the feasibilities and pre-feasibilities, any chance you can give us an idea of the CapEx on a per tonne basis, be it on a concentrate cost per tonne of concentrate or tonne of contained copper? Thanks.

Don Lindsay: I think it's a very good question, but we'll have to wait until the feasibility is finalized before we release numbers like that, because it would just be an estimate at this stage. So, I think it's important to get the final report.

Oscar Cabrera: Okay, thank you.

Operator: Thank you. The next question is from Sal Tharani of Goldman Sachs. Please go ahead.

Sal Tharani: Thank you. Don, have you looked into further expansion in the coal side outside the organic growth, particularly on the thermal coal side, through acquisitions? Is that something -- I mean, you are already in the oil sand energy. Would that be of interest to the company?

Don Lindsay: The question, then, is on thermal coal?

Sal Tharani: Yes, thermal coal.

Don Lindsay: Well, we watch the industry and look at the opportunities that are out there from time to time. But we haven't seen anything that would make sense for us at this stage. We like the steelmaking coal business

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a lot, and have made a big investment in that. And we want to optimize that investment and maximize the value of it. So, our attention is really focused on that.

Sal Tharani: And, next question is on the copper market. Any comments you're seeing? There's a view out there that there's too much copper being offered by different participants. And have you seen any resistance in purchases of copper at the supply side level?

Andrew Stonkus: Sal, its Andrew Stonkus. If I can make a comment on the copper markets – I think you have to again differentiate -- are you talking copper concentrates or copper metal? In the concentrates, our market is still structural deficit situation, and we don't see that changing in the near term. On the copper metals side, I think the statistics don't point out to deficit on metal, as well. What we are seeing is more scrap in the marketplace, and that's having a potential impact on near-term demand for cathode. But, ultimately, it's a deficit market for concentrates and metal for this coming year.

Sal Tharani: Thank you very much.

Operator: Thank you. The next question is from Peter Epstein of PWP Xerion. Please go ahead.

Peter Epstein: Hi. Thanks for taking my call. I'm starting to step back and look at a big picture fundamental view of what's going on in the highest quality coking coal segment, given what's happening in Australia, for example, and even in other parts of the world. The supply shock, can you talk about that a little bit?

Don Lindsay: Well, in the seaborne metallurgical coal market, the number of sources of supply is fairly limited, so you can track what is likely to come on in the next two or three years fairly easily. Obviously, Australia is the largest source by far, and the flood had a serious impact, so it takes out a large amount of tonnage. No one knows exactly how much. And they have made investments after 2008 to improve pumping capability and the rest of it, and the ports have improved. So, it's hard to estimate just what the shortfall will be. But there certainly is a shortfall, and the market is very tight, so we will be trying to produce as much as we can.

But as you'll see in all aspects of the mining industry, there are day-to-day operational challenges. And we've had our own issues there, ranging from avalanches to port issues. And I think you'll find throughout the industry, in whichever country, that there will continue to be those kinds of challenges. So, as I've said in other forums, it's tough enough just to keep a current operation running at full capacity with all of the challenges we have, let alone increase production on a Brownfields basis, let alone then start a new Greenfields operation. So I think, given all those challenges, that supply will stay tight in this seaborne metallurgical coal market for some time.

Peter Epstein: And then, a quick question on -- I'm not sure how closely you follow China specifically, as opposed to the overall Asia market. But, it seems like they haven't really been active in the coal market, on the coking coal side. Do you have a sense of -- if they are going to become more active, and how soon?

Don Lindsay: Well, we actually would think that they have been active. And that's judging by their import numbers, that the imports have gone up from a level in 2008 of just over 3 million tonnes to actually 45 million tonnes in 2010. And then there's 34 million tonnes in 2009, it doesn't seem to be any indication that that will change. The largest source of coking coal, particularly hard coking coal, in China is Shanxi Province; and in 2009, they shut down 1,000 mines there for safety reasons, and there was a consolidation phase for the industry. They are increasing production again, but they haven't got back yet to the level they were at 2008. In the

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meantime, the steel industry has grown by about almost 100 million tonnes of the steel production and the associated coking coal that goes with that.

So, we think, in fact, China's -- we would think of it as the most active participant. And really, what goes on in that market is really setting the price. And so, we pay very close attention. We have people in China whose full-time job is to study what's going on there, and while they live in Beijing, they travel there frequently and give us reports very frequently. And so, we watch the cost of production that they have there, and compare that to what it costs to buy seaborne coal FOB Vancouver or FOB Australia. And the costs have been going up quite considerably in China, because the mines are getting deeper, the seams are narrower, labour costs are getting higher, and of course, most importantly, as the currency -- the Chinese currency appreciates, that of course means that their cost in US dollars is going up relative to our cost in US dollars FOB Vancouver.

So, we think those three factors -- deeper mines; higher labour costs, sometimes labour costs going up at 16% or 17% per year, as you've seen in all sorts of other industries, autos in particular; and then, increase in currency will continue to drive the cost of production in China up relative to FOB Vancouver. So, that may be a bit more detail than you're asking about, but that's a really important dynamic that I think people need to understand in the seaborne steelmaking coal market.

Peter Epstein: No, that's the kind of detail I was looking for, actually. I appreciate that very much. With regard to China, I meant, so far in 2011, it seems like they haven't been active in the coking coal front. Is that still something that you would disagree with?

Don Lindsay: I think we're only five or six weeks in. It would be hard to tell.

Peter Epstein: Okay, thanks.

Operator: Thank you. The next question is from Duncan McKeen of Macquarie. Please go ahead.

Duncan McKeen: Yes, my question has been answered. I'll let someone else jump in. Thank you.

Operator: The next question is from Tony Rizzuto of Dahlman Rose. Please go ahead.

Tony Rizzuto: Thanks very much. Hi, gentlemen. I have a question -- a couple questions, actually. A follow-on to a previous question. Just wanted to know, from a standpoint of copper, what you might be building in, from a standpoint of possible substitution loss in demand, into your analysis. And then, I wanted to ask a question, Don, just to gauge your thoughts on if you're changing your views at all with regard to hedging, and specifically with regard to copper.

Don Lindsay: Quickly, on the second question, no change in views on hedging with respect to copper. And Andrew, over to you on the first question.

Andrew Stonkus: On the substitution side, Tony, it is a concern. I think we do put it into our model, but I don't have an exact percentage that we would factor into that. There are certain aspects of the substitution side obviously, on the plumbing side of the end uses, that's been ongoing for the last few years. But there’s the basic requirement or the capability of copper of conducting -- as a conductor, that doesn't change. So, we feel that there is some positioning threat. But overall, it's, we feel, it's still a very strong growth market, as China and the developing world continues to electrify their infrastructure. So, the main use for copper is going to -- continues to grow.

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Tony Rizzuto: Thanks very much, guys. And just a quick followup, if I may. Don, that was some great insight about the metallurgical coal industry in China. What is the current self-sufficiency ratio of China in metallurgical coal?

Don Lindsay: I'm not sure what you mean by self-sufficiency, but I think, in total -- and Bob or Greg may have these numbers-- but in total, China consumes, I'd guess, something like 450 million to maybe as much as 500 million -- counting all industries, tonnes of coking coal, of all blends and qualities. And so, if they're importing 45 million tonnes -- I don't know if you can compare it against that.

But I think what's more important and actually, this is a very important point. Coal is not coal is not coal. And this is something we see as people compare coking coal to iron ore, for example, or other things, that coking coal -- steelmaking coal is sold shipload by shipload to certain steel plants that have certain specifications, as part of a blend that they've tested over months and years before they fit it into their blend. And, the difference in value and use between high quality hard coking coal, and then, semi-soft or PCI is a whole another product these are all very different things.

So to calculate a self-sufficiency kind of ratio, you really should be looking at comparing apples to apples, and say okay, they imported X number of tonnes of hard coking coal, versus they consume annually X number of tonnes. And those numbers are very difficult to get, just the way China discloses the production.

Tony Rizzuto: That's great stuff. Thanks a lot, Don. I appreciate it.

Operator: Thank you. There are no further questions registered for the moment. Please go ahead.

Greg Waller: Oh, there's no further questions. Thanks, everybody, for joining us this morning, and we look forward to talking to you next quarter.

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

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