Event Name: Q4 2012 Teck Resources Limited Earnings Conference Call
Event Date: February 7, 2013

CORPORATE PARTICIPANTS
Greg Waller; Teck Resources Limited; VP Investor Relations & Strategic Analysis
Don Lindsay; Teck Resources Limited; President & CEO
Ron Millos; Teck Resources Limited; SVP Finance & CFO
Real Foley; Teck Resources Limited; VP Coal Marketing
Ian Kilgour; Teck Resources Limited; SVP Coal
Roger Higgins; Teck Resources Limited; SVP Copper
Tim Watson; Teck Resources Limited; SVP Project Development
John Gingell, Teck Resources Limited; Controller
Andrew Stonkus, Teck Resources Limited; VP Base Metals Marketing

CONFERENCE CALL PARTICIPANTS
Meredith Bandy BMO Capital Markets
Curtis Woodworth Nomura Securities International
Jorge Beristain Deutsche Bank
Ralph Profiti Credit Suisse
Garrett Nelson BB&T Capital Markets
Oscar Cabrera Bank of America Merrill Lynch
Alex Kodatsky CIBC World Markets
Carly Mattson Goldman Sachs
John Hughes Desjardins Securities
Greg Barnes TD Securities
Terence Ortslan TSO & Associates
John Tumazos Very Independent Research

PRESENTATION
Ladies and gentlemen, thank you for standing by. Welcome to Teck's fourth-quarter 2012 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 Thursday, February 7, 2013. I would now like to turn the conference over to Greg Waller, Vice President Investor Relations and Strategic Analysis. Please go ahead.

Greg Waller: Thanks very much, operator. Good morning, everyone, and thank you for joining us this morning for Teck's fourth-quarter earnings conference call. Before we start, I would like to draw your attention to the forward-looking information slides on pages 2 and 3 of our presentation package. This presentation contains forward-looking information regarding our business. Various risks and uncertainties may cause actual results to vary. Teck does not assume the obligation to update any forward-looking statement. Before I turn the call over to Don, I would just like to point out we've got people dialing in from a number of locations this morning, so when we do go to the Q&A, please bear with us if it takes a moment to sort out who is going to respond to a question. And with that, turn it over to Don and we'll hear from you later. Thanks.

Don Lindsay: Thanks very much, Greg. Good morning, everyone, and thank you for joining us. I will start with a review of the results for the quarter, then I'll turn the presentation over to Ron Millos, our CFO, to address some more in-depth financial topics. As Greg said, we do have a number of members of management on the phone in different time zones, different countries, and so on.

So turning to slide 5 and starting with the results for the calendar year, although sales volumes of our key products, coal and copper, were up by 8% and 13% respectively, revenues declined about 10% versus last year to $10.3 billion, reflecting lower prices for all of our major products. In fact, we set a new company record for copper production of 373,000 tonnes, and also record material moved at our coal operations, so operationally we are fairly pleased. Gross profit for the year was still very healthy at $4.0 billion. Bottom line profit attributed to shareholders of $811 million was significantly impacted by the nearly $800 million in financing charges recognized due to the debt reduction program. EBITDA was also strong at $2.8 billion for the year.

On slide 6, we have summarized our production results for 2012 versus the guidance that we gave earlier in the year and I am pleased to report that we delivered on each of our objectives. In coal, production was impacted earlier in the year due to the strike at CP, and we adjusted production in the last half of the year in response to market conditions, but despite these challenges, production was still within our targeted range. Coal costs came in at the bottom end of our guidance at $72 per tonne with, of course, much lower costs in the fourth quarter. Record copper production at 373,000 tonnes was at the higher end of our guidance, and in zinc, both concentrate and refined zinc production ended the year in the mid-range of the guidance for the year. Ron Millos will address our guidance for 2013 later in the call.

Looking at Q4 results on slide 7, thanks to incremental improvements from most of our copper operations, this quarter we achieved record copper production of 103,000 tonnes. Also during the quarter, we completed the final redemption of our high-yield notes, and this is a very positive step that will significantly lower our interest charges going forward. In December, we announced a 12.5% increase in the semi-annual dividend to $0.45 a share. Also in Q4, we took advantage of our normal course issuer bid to purchase for cancellation approximately 3.8 million Class B shares. And then subsequent to the quarter end, I'm very proud, on behalf of all of the employees in the company to note that we were the top-ranked Canadian company named to the Global 100 list of Most Sustainable Corporations. I could also add we were the top mining company globally on that list as well.

Turning to slide 8, fourth-quarter revenues were over $2.7 billion. Gross profit before depreciation and amortization was $961 million, and profit attributable to shareholders was $145 million. EBITDA was $527 million and adjusted profit after one-time and unusual items, which I will speak to on the next slide, was $354 million.

Next slide, this quarter the most significant adjustment is related to the debt redemption, which resulted in a $259 million after-tax charge. Other significant items include tax items that amounted to $61 million. The balance was made up of asset sales, a one-time labor settlement at the Antamina operation, and foreign exchange losses. After these items, adjusted profit was $354 million for the quarter, or $0.61 per share versus the street consensus estimate of $0.48 per share.

Turning to our operating results for the quarter on slide 10, in our coal business, production and sales both ended at 6.4 million tonnes. The average realized price for the second quarter was US$159 per tonne, about a 6% discount to the benchmark price of US$170 per tonne for the premium brands of coal. Usually the realized price is about a 10% discount to the benchmark price, due to the mix of products that we have, including some lower value PCI and thermal coals. However, this does fluctuate due to product mix and importantly to carry-over tonnage. Fourth quarter unit site costs were $62 per tonne, and that was down $13 per tonne from the average of the first three-quarters. Distribution costs came in at $41 per tonne for a combined cost of $103 per tonne. We're pretty pleased with that. That increased distribution costs compared to last year were mainly due to the higher port, rail, and ocean freight costs, including a higher proportion of coal sold in the quarter that was inclusive of ocean freight.

Turning to slide 11, the expansion at our six existing mines is nearing completion. Plant upgrades and additions to our mine fleet have increased our production capacity to about 27 million tonnes currently. However, we continue to align our production rate to the anticipated market demand. So the capacity is there. We're just waiting for market conditions to improve. Demand for our coal products remain strong in China. However, the share of sales into our traditional markets will probably increase back to more normal levels in 2013. Contract prices for the first quarter for our highest quality coals has been set at US$165 per tonne, which is in line with prices reportedly achieved by our competitors. As of this release, we have already contracted for sales of 6 million tonnes to be delivered in Q1 at an average price of US$159 per tonne, which is a discount of only 4% from the benchmark prices this quarter. Finally, the Quintette restart project continues to progress, and we expect to receive permit approval in the first half of 2013 with production commencing in 2014.

On slide 12, at Neptune, the new stacker-reclaimer is taking shape. The picture at the top gives a sense of the scale of the equipment and the progress being made. This expansion will increase our throughput capacity from the current 9.0 million tonnes to 12.5 million tonnes. Beyond this phase, we have completed the feasibility study for a further increase in capacity. The project has received permitting approvals, and will be developed in two phases over the next number of years, taking the capacity from 12.5 million tonnes to 18.5 million tonnes, which gives us a lot of flexibility. At Westshore, Berth Number 1 is anticipated to be back in full service in mid-February, which is only about a week away. The picture here shows the excellent progress that's been made on rebuilding the conveyor trestle. The conveyor and loading system will be activated first, and then the road deck work will be completed in mid-April. It's worth mentioning, I think, that this incident would have been a very significant problem for our coal business in the past, but through several strategic decisions over the last three years we now have flexibility in our distribution network that allows alternatives which situations like this arise.

In our copper business unit on slide 13, we had record copper production of 103,000 tonnes, and thus we've achieved our targeted 400,000 tonne annualized run rate. However, we do face declining grade issues, as do most mining companies these days, and production will tail off from this level until our next significant growth project comes on-line. Production was up 22% versus Q4 of last year, with capital production down and concentrate production increasing significantly. Overall unit costs in the copper business were up about 6% versus last quarter. Lower by-product credits, as well as higher labour, contractor, and energy prices were the main drivers behind the increase.

Turning to slide 14, this chart, which shows rolling four quarters of production, illustrates the progress we've made in increasing production. Year over year production at Antamina was up 28%, with mill throughput up 22%, which reflects Antamina expanded capacity. At Highland Valley, copper production in the fourth quarter of 37,400 tonnes was 37% higher than a year ago, primarily as a result of significantly higher grades. We've been waiting for that to materialize for some time. And at Carmen de Andacollo, production rose 7% to 20,500 tonnes. October was a particularly noteworthy month for the operation, as the concentrator processed a record 55,500 tonnes of ore per day, which is slightly over design capacity.

Next slide, the mill optimization project at Highland Valley is progressing well, with commencement of structural steel erection and also placement of major equipment. You can see the structure come together in the picture here on slide 15. Detailed engineering was 88% complete at year end, and the project is on track for completion by the end of 2013, which will enable us to increase throughput rates and recoveries starting in 2014.

Now turning to our zinc business on slide 16, zinc concentrate production for the quarter was up about 5% compared to last year. At Red Dog, year over year production was up about 5%, and mining is now exclusively from the Aqqaluk pit. At Antamina, additional mill throughput and a greater absolute tonnage of copper zinc ores were offset by lower grades, resulting in production being about 3,000 tonnes lower. And as always, I should note that even though we show Antamina's share of zinc production in these figures, the financial results for Antamina are reported in our copper business, as we consider zinc to be a byproduct of this mine.

Lead concentrate production was 18% higher than the fourth quarter last year, as higher recoveries counteracted the lower grades that we were seeing. And at Trail, production was slightly down with the decline in profits was mainly due to lower metal prices and the stronger Canadian dollar. I will now turn the call over to Ron Millos to address some of the financial issues. Ron?

Ron Millos: Thanks, Don. On slide 18, we've summarized our changes in cash for the quarter. Cash flow from operations before working capital changes was $722 million. Our capital expenditures and investments in the quarter were $661 million, and in mid-November, as Don mentioned, we redeemed all of the outstanding balance of the high-yield notes that we issued back in 2009. In addition, during the quarter, we purchased for cancellation approximately 3.8 million Class B subordinate voting shares for $123 million, pursuant to our normal course issuer bid that we announced back in June. And these items and exchange rate changes, other items our cash decrease in the quarter was $663 million, leaving us with $3.3 billion of cash at the end of the year, and as of today, we have about $2.9 billion of cash.

Moving forward to slide 19, it shows our final pricing adjustments for the quarter which are included in our other operating income and expense, on our income statement, and our outstanding position at the end of 2012. Total pricing adjustments for the quarter were negative $20 million on a pretax basis, primarily due to the reduction in metal prices. And remember, when analyzing the effect of price changes in the adjustment, refining and treatment charges and the Canadian/US exchange rate must be included in your calculation. And in addition, when trying to analyze the effect on our profits, you need to consider taxes and royalties.

On slide 20, we continue to use this chart to illustrate the relationship between the change in metal prices and our reported price adjustments. We've updated the chart with our Q4 data, and you can see the adjustment is in line with what we would expect from our historical relationships. And keep in mind, this chart is meant to be an indicative guide, not a definitive predictor. As we mentioned last quarter, there are other elements that impact the total settlement adjustment. The total volumes, lead and silver prices, but clearly copper and zinc price changes are the most significant factor in these adjustments.

Moving to slide 22, I would like to spend a minute to provide a quick summary of our debt refinancing transaction. Over the last two-plus years we've taken advantage of the historically low interest rates and investment grade credit rating to reduce our all-in interest rates, and reduce some of the large maturity towers and extend our average term to maturity. We've reduced the average coupon from 7.6% to 4.8%, which has reduced our annual interest expense by approximately US$250 million. Our average maturity has been stretched out to over 16 years, with maturities now averaging about US$600 million in the years in which we have issues coming due. And moreover, we only have about US$325 million due to the end of 2016. We're very pleased with the accomplishment, and as Don indicated earlier, this marks the end of our planned refinancing transaction, and we can look forward to some cleaner quarters in the future.

On slide 22, we've summarized our production guidance for 2013. Coal production guidance is in the range of 24 to 25 million tonnes, and this is lower than our current productive capacity of 27 million tonnes, as we continue to match our production to market conditions. Our annual site costs of coal are expected to be between $71 and &77 per tonne. Copper production is expected to be in the range of about 340,000 to 360,000 tonnes, down about 6% from 2012. This is due mainly to lower production from Quebrada Blanca, as that mine nears the end of its life and lower ore grades at Highland Valley Copper. Zinc in concentrate production is expected to be between 560,000 and 590,000 tonnes. This includes Red Dog, and our share of production from Antamina, and a small amount from the Duck Pond copper mine. Refined zinc production at Trail is expected to be similar to last year, between 280,000 and 290,000 tonnes.

Our forecast capital expenditures for 2013 are summarized on slide 23. Note that this includes our investment in Fort Hills, which we do account for as an equity investment. Our sustaining capital expenditures are expected to be lower this year at just under $750 million and should decline even more next year. Our major enhancement spending at existing mines includes $310 million for the Highland Valley mill optimization project, which should finish near the end of this year, and more than 50% of the $80 million in coal is for the expansion of Neptune terminals. Our major project spending on new mine development projects includes $120 million for Quintette, $450 million for Phase 2 at Quebrada Blanca, $70 million at Relincho, and final work on the Antamina expansion project. Note that spending for Quintette could be higher for the year if we do make a go-ahead decision later this year. In energy, we expect to spend $110 million on the Frontier project and $290 million for our share of the Fort Hills project. As always, the amount and timing of actual capital expenditures is dependent upon numerous factors, including permitting, equipment and other costs, the timing of orders, and the timing of delivery schedules.

Lastly, slide 24 highlights the sensitivity to changes in commodity prices and exchange rates for the year, based on the guidance that we provided. Our EBITDA in 2012 was $2.8 billion or about $3.7 billion if the unusual items disclosed in the table on page 4 of our news release are excluded. In coal, our EBITDA sensitivity is $25 million for each US dollar per tonne change in the coal price. In copper and zinc, our sensitivity is $7 million and $11 million respectively for each $0.01 per pound change in the metal price. And our EBITDA is most sensitive to changes in the Canadian/US dollar exchange rate with each $0.01 change affecting EBITDA by about $70 million. And with that I will now turn the call back to Don.

Don Lindsay: Thanks, Ron, and turning to slide 26, I would like to update you on the status of the many development projects that we have underway. For Quintette, the feasibility study for the restart is complete, and we expect to receive permit approval sometime in the first half of 2013. At QB, the updated SEIA document is expected to be submitted closer to the end of Q2 2013, and every effort is being made to see that we comprehensively address the issues raised by the regulators. At Relincho, the completion of the feasibility study has been deferred due to the related power and port project. We now expect it to be complete in Q4 of 2013. At the Neptune coal terminal, I commented earlier on our plan to expand to 18.5 million tonnes of capacity. Finally at Fort Hills, work continues towards a project sanction decision, expected in the latter half of 2013.

So in summary, Teck remains in great financial shape and is well-positioned in these uncertain economic times. Our long-term view remains favorable, particularly for key products, steelmaking coal and copper. Our near-term expansions are on track. You've seen the benefit of the results that we've reported today. Our coal production is making the necessary adjustments to ensure it is responding to market demand, but the capacity is there. Lastly, our capital spend program reflects our current expectations, but it might be modified depending on commodity markets, our financial position, or other factors. And with that, I would like to turn the call over to questions.

QUESTION AND ANSWER

Meredith Bandy - BMO Capital Markets

Meredith Bandy: So, my question is about the selenium guidance that you gave. You gave a little bit more colour on that this quarter, and in particular, the CapEx, but also the cost per tonne. Is it appropriate for the long-term costs to add the $6 to your $71 to $77 a tonne cost for 2013?

Don Lindsay: I'll turn that question over to Ian.

Ian Kilgour: Yes, for -- it wouldn't be appropriate to add it next year, because the first plant won't be completed until 2014. So basically, we'll -- as we move to install the water treatment plants at each of our major Elk Valley mines, the cost per tonne will move towards that figure. That figure is based on current technology. It's based on the technology we're installing at Line Creek at that time moment, a biological reactor. We are carrying out research into quite a number of alternative treatment methods which we're hoping will prove to be more economical.

Meredith Bandy: And then my follow-on question is, if the market were better and you were producing the coal at your full capacity, what impact would that have on the cost?

Ian Kilgour: I think, as would you expect, there would be some better distribution of overhead costs over a larger denominator, and we would expect to see some slight decreases.

Meredith Bandy: Would it be toward the low end of the range? Is that why there is a range? If you were closer to capacity, you would be at the bottom? Or would it even be below that?

Ian Kilgour: I think the bottom of the range is probably an appropriate way to think about it.

Meredith Bandy: Thank you.

Don Lindsay: Let me just offer a comment to put operating costs in the coal industry in perspective. You've seen, in our own business from the average of the first three quarters this year to the fourth quarter, we had a significant drop of over $10 per tonne. And we've given the guidance for next year. But if you look back over the last three or four years, other areas of production in the world, in the US and Australia, and Shanxi province, the costs have gone up by $30 or more a tonne. Quite significantly. The additional selenium costs that we're indicating, in context of what's happened elsewhere, it just needs to be put into balance.

Meredith Bandy: Sure. Thank you.

Operator: Thank you. The following question is from Curt Woodworth of Nomura Securities International. Please go ahead.

Curt Woodworth: Question on the coking coal market. Seems like the spot price has been moving up $10 to $12 a tonne in the past month. The BHP monthly settlement was up about $9. Yet it seems like in terms of your demand outlook or for production the first quarter and for the full year running about that 6 million tonne level, is it just, you think, a brief snap-back in China that's sort of benefiting the market, and some of the other regions aren't participating? Or any colour you can kind of give on what you are seeing in terms of the near-term fundamentals would be great. Thank you.

Don Lindsay: I'll turn that to either Ian or Real.

Ian Kilgour: Real, would you like to take that one?

Real Foley: I will take that, Ian. Thanks for your question. What we're seeing overall in the market is gradual improvement for 2013, but there is still economic uncertainty. We were seeing strong demand from a number of areas, stronger demand compared to 2012, but we're still being prudent. And at the same time, we've developed very strong relationships with our customers around all the market areas in the world, so that allows us to try to maximize the sales that we can make during the year.

Curt Woodworth: Thank you.

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

Jorge Beristain: Good morning. I guess my question is for Don. You closed, you flagged, in February with a very high cash position now of almost $3.0 billion. I was wondering if you could talk to -- if you feel in this environment still a need to carry such a high cash position and what the possible uses of that could be, given, again, that you're still seeing some deferrals in your Chilean copper growth projects, now particularly with the push back of Relincho. So do you still feel the need to have this cash to pay for the growth CapEx over the next two or three years?

Don Lindsay: The classic capital allocation question, I guess. Yes, we do. Our starting point is the "Stay the Course" strategy that we've talked about before. At the moment we're using some of the cash to finish the Highland Valley modernization, the acid plant at Trail and so on, but we are carrying on with QB2 and moving it along as we finish the SEIA for resubmission. In the long-term, that's going to be just one of the key assets in our portfolio.

As you've seen with our guidance, today as the copper production starts to go down, because two of the mines are nearing the end of their lives, where the ore bodies deplete and grades go down and costs go up, it just illustrates the value of getting QB2 built. It's just very important to us. But we could see, it wouldn't be that many months from now that you could have the permit at Quintette, a sanction decision at Fort Hills, and QB2 just around the corner, and Relincho not so far behind that.

So we think having the cash balance on hand for the “Stay the Course” strategy makes a lot of sense, and if we execute well on the “Stay the Course” strategy, and looking out five or six years, then each share of Teck will have significantly more copper production, more coal production, and the first phase of oil sands up running with a lot of growth after that. So that's our base case.

Now, in the meantime, we still look at what is going on around the world in terms of acquisition opportunities, and there's a bit of action out there. We talked about, in the past, that iron ore would be a good fit for our portfolio, and it really would, for all sorts of good reasons. I said in the last quarterly call that we moved on because we just found the values too high.

And so I enjoyed a good holiday from iron ore for quite a few weeks there, but the values have come down, and also, as probably those who follow the industry closely, there's a few new assets that have become available. So we still think that's a good fit in our portfolio, but we've never been able to get a deal at values we were comfortable with. Copper obviously is a priority for us, and with declining production for the next couple of years, it's something that might fill the gap there, would be of interest to us.

But, again, all these things come down to what long-term prices are you comfortable with? I'm always intrigued to see what different sort of commodity forecasters use. Often, once they get three or four years out, they use quite low prices. We've published ourselves things at US$2.50 copper when we do feasibilities and that sort of thing. But realistically, for long-term prices to be US$2.50 in copper or US$75 or US$80 in iron ore, to average that long term, you've got to be significantly below that for large periods of time. That would be US$2.00 copper or US$50 iron ore, that sort of thing.

So we don't think that those sort of long-term prices actually make sense is and probably realistically, you would see US$3.00 or US$3.25 is what it is going to end up, because we've seen so many long periods when the copper price is higher. Likewise, you see in iron ore today, you see US$155, an awfully high price. We recognize that. But the reality is, it's unlikely to stay down at US$50, either. So US$100 average, US$110, somewhere in there, probably makes more sense.

So the key is to start on your long-term prices, then look at the assets. Are they in a good geopolitical jurisdiction? Are there significant environmental issues? What's the nature of the country, is it a country that's conducive for mining investment? First and foremost is it a long life ore body and at the midpoint of the cost curve or below, and is infrastructure available and workforce and the rest of it? So, we're always looking at these and comparing it to the base case, and so far we haven't obviously executed on any of them. We've carried on with the “Stay the Course” strategy. The odds are that's what we will do.

But in the meantime we still look at opportunities. And so, having cash balance there for either “Stay the Course” or one of these opportunities makes sense to us. We have increased the dividend, as you've seen. We have bought back a few shares. We will continue to do that going forward.

Jorge Beristain: Perfect. Sorry, if I could have a quick follow-up, has the recent opening of the spread of the West Canada Select to WTI changed the potential long-run break-even price that you're thinking you need up in Northern Alberta for the oil sands projects? Or do you think things will revert out by the end of the decade as more pipeline capacity comes on?

Don Lindsay: The latter, and not just pipeline capacity, but bitumen by rail, as well. And a lot of it is already moving that direction. That issue is so important for Canada that we believe there will be a solution one way or the other.

Jorge Beristain: Great. Thank you.

Operator: Thank you. The following question is from Ralph Profiti, of Credit Suisse. Please go ahead.

Ralph Profiti: Don, with respect to unit costs in the copper business, unit mining costs, can you give us a sense of what you saw in 2012 versus 2011, and you can expect that trend to be in 2013, say, on a year-over-year basis, and presumably those prices are coming from labour and power, and also if you can discuss if there's anything else we should be concerned about?

Don Lindsay: Okay. I will make an overview comment, then turn it over to Roger Higgins, and the overview comment is that at four of our five operations, we felt we had good solid performance, meaning Antamina, Carmen de Andacollo, Highland Valley, and Duck Pond. Then QB has been problematic as it gets to the end of its mine life and has switched over from heap leach to dump leach and grades lower and the rest of it. And we've taken quite a number of steps related to QB, and so I think it's probably best if Roger summarizes that. Roger, over to you.

Roger Higgins: I'm actually calling you from Quebrada Blanca today.

Operator: I'm sorry for the interruption. His line just disconnected.

Greg Waller: Okay. Well, I suspect he will dial in. Maybe we can come back to that question when he comes back on the call later on. So, if we could move on to the next question.

Operator: Certainly. The following question is from Garrett Nelson of BB&T Capital Markets. Please go ahead.

Garrett Nelson: Looking at your 2013 production guidance, is it fair to say it is potentially conservative, given the recent run rates you've demonstrated recently, and that you are choosing to leave some tonnes in the ground and not run the assets at full capacity? On the coal side that appears to be true, with the capacity being 27 million tonnes, but on the copper side, obviously you cited the factors at QB and Highland Valley. But the total platform ran at a run rate of over 400,000 tonnes in the second half of last year.

Don Lindsay: I don't think Roger is on the line yet so just to add, in coal, you're quite right, we are choosing to leave capacity unutilized due to market conditions. But in copper, it's all a question about grade, really. At different times you're in different parts of the mine plant, different parts of the ore body, some higher grade, some lower grade. At Highland Valley for example for quite awhile as we were going through the geotechnical issue that we had in building the buttress and so on, we were in an unusually low grade phase, and then we finally completed that, and got back into valley pits and got some higher grade material. And, in fact, there will be different phases like that going forward as well. But the average grade won't be as high as what we've had in the fourth quarter.

Now, down the road, there's a lot of material left around Highland Valley that literally 0.4 and 0.5, and we are currently mining at just under 0.3. This is from 20 or 30 years ago. We've got a resource development program underway to go and get that somehow worked into the mine plan, as we finish the mine valley modernization program. So that's a factor.

Also, QB is in declining mode, and this is what you expect at the end of mine life. It's not actually a surprise. It's just the way it is as you reach the end of the mine life. So copper is really more about grade, I would say, than leaving capacity unutilized.

Roger Higgins: Don, I'm back on the line.

Don Lindsay: Okay, sorry, Roger. I answered that question. But you got cut off just as you were about to talk about what's going on at QB. So, maybe we could go back to that.

Roger Higgins: Yes, I'll just make two comments. First, the thing to note in terms of the last couple years, at four of the operations, both the operations in Chile and Antamina and at Highland Valley, we have had labour settlements in each of those has resulted in a largish lump sum that's gone into the cost. We made comments on those appropriately throughout them, but just when looking at the costs over both 2011 and 2012, keep in mind each of those four operations has had a labour settlement. At Quebrada Blanca, Don has been describing how we are in transition from a leaching operation now to a concentrator operation, when Quebrada Blanca Phase 2 goes into business.

And during that period, we're going through a number of changes. First of all, a greater proportion of material going to dump leaching operation, which is run of the mine uncrushed material because it is lower grade compared with the heap leach. That has somewhat lower recovery. But equally importantly a much longer leaching time, so while it takes 300 days or so on the heaps to fully leach material it takes 700 days or more on the dump to fully leach materials. So, you can see how there's some time lags go into this, as well.

And in addition, the production itself is going down from the 80-84,000 tonnes when we had our best years to 60s, and we'll have some years in the mid to high 50s before Quebrada Blanca comes on. All of those affect the unit costs, and whether it's the mining cost because we're still having to make waste, or the processing cost. So the process we're in at the moment is effectively to rebase Quebrada Blanca to recognize that, that it is going to be a different operation for the next few years.

We did comment at the call at the Q3 call last year, that we're in the process of resizing the workforce, and we had done that without difficulty, and now we have to, unfortunately, reduce our employee workforce by around about 200 people, of which 160 or so is now complete, and we're cleaning up the rest of that right now. Now we have just let some people go, and that's always unfortunate, but it's a reality. An equivalent number of contractors around the site, as we've rationalized.

The progress, things we're looking at most actively now include contract services and supply costs, and we have some opportunities that we're working through to get some better arrangements around energy costs, around some contract maintenance costs, and that's the immediate focus as we then have a look at how we can carry Quebrada Blanca forward. So there are the actions we are doing. We did put a team together of people across Teck to assist the operation to make sure we can keep it successful during this period between now and the start of the Quebrada Blanca Phase 2 project in some years time.

Garrett Nelson: I have a follow-on question about the CapEx budget. How much of that is committed of the 2013?

Don Lindsay: The question may need some clarification, but, Ron Millos, do you want to go through what we have in our quarterly?

Ron Millos: Yes. Was it a question related to all of the CapEx or specific projects?

Garrett Nelson: Just collectively, looking at slide 23, how much of that CapEx number is committed, and how much would you potentially be willing to delay, if needed.

Ron Millos: I guess I would have to go back to the nitty-gritty detail behind there. But most of the sustaining -- the only project -- and I would have to follow up with the detail, would be those that are in progress at this stage. But anything that hasn't started, or is in the latter part of the year, we're intending to move those projects forward, but the formal paperwork and detailed engineering and detailed cost estimates I would think would be vetted before formal approval to go ahead would happen. The Quintette, on the major projects, the bulk of the Quintette and QB Phase 2, you know, is moving forward. That has been committed. And the Fort Hills money, what we expect to spend to the sanctioning decision, that is pretty much committed.

Garrett Nelson: One final question. Your cash balance has declined by about $400 million since year end. Is that primarily a function of additional stock buybacks, or something else?

Ron Millos: No, the dividend payment in January, and we also in January, we make the quarterly payment to NANA. Then we've got the normal capital spending, as well. Of course in addition, Q1 usually the sales out of Red Dog are not as high as they are in Q4 just because of the timing of the shipping season.

Garrett Nelson: Thanks very much.

Don Lindsay: Just to point out on the CapEx question, page 29 of the quarterly report gives all the details right there.

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

Oscar Cabrera: Don, I was just wondering if you can just answer Ralph Profiti's question, with regard to cash cost for copper? I think he was looking for a comparison between 2012 and 2013. He got interrupted there.

Don Lindsay: So, is it the 2012 cost versus what we expect in 2013?

Oscar Cabrera: That's right.

Don Lindsay: Roger, over to you.

Roger Higgins: Yes, I'm just checking. I want to make sure I get the numbers correct here, Oscar. We came in at about $1.70 all up, if I've got the number correct, for 2012, and that is, of course, a widespread between, particularly between those operations that have very significant byproduct credits starting from Antamina and to another extent at Carmen de Andacollo and Duck Pond, for example. And some moly at Highland Valley.

So the costs are widespread, and the average is a little bit meaningless in that sense. We will have a widespread again because we still have those same effects during 2013, but we are expecting that cost will come down, and we sort of look at the industry cost curve, where we see midpoint at around about $1.50, $1.55. And our clear target is to bring the year end into the second quartile, just below the halfway point, rather than just above it in the third quarter.

Oscar Cabrera: Roger, just, if we were to take away the byproducts, how do you see your gross costs before byproducts year-over-year? Should we assume that you are going to try to reduce these, or are they going to cause pressures from labour and other things too much?

Roger Higgins: Of course we do have those things. But I think the cost of our byproducts is also a little bit meaningless in the sense that some of our operations are built and operated on the basis that they do have significant byproduct credits. And so it is nonetheless legitimate to keep them in, but we are focusing on total costs, total costs at the operations are going to come down. We are focusing as we said, particularly on total costs at Quebrada Blanca. We need to bring those down because the production is coming down and they are starting to come down.

Initial results for January, which we have to confirm, are showing the effects of the steps we took in November, December are starting to have an impact and we'll be able to talk to you about that fully at the next quarterly call. Likewise, we are in a cost conscious mode, obviously, with some volatility in the market, so we're looking at bringing total costs down, but we don't generally even have the number of what a total cost per pound is, because we really do believe that byproduct credits are a legitimate part of that calculation.

Oscar Cabrera: On Quebrada Blanca 2 there's a statement in the press release where you talk about potentially financing or bringing in a financing partner. Can you provide more colour around that, please?

Roger Higgins: Don, I think probably best answered in Vancouver.

Don Lindsay: I'll take that. QB has two partners. Enami is at the 10% carry interest. That is a state agency of the Chilean government, and IMSA a private company. And there have been discussions with the other owners as to whether they will participate in QB2, the project going forward. That has resulted in them examining their options as to whether they go forward or whether they sell their interests.

So at this stage, it is still in process, and we'll have to see what the result is, but it is quite possible that we could end up with a new partner or partners, depending upon the result. So, when we refer to it as a financing partner, that's really what we're thinking about, the change-over of ownership. We haven't really thought about Teck taking on a financing partner, because we think we can certainly manage our 76% from our current strong balance sheet.

Oscar Cabrera: Thanks for that. Just shifting gears to coal if I may. On the CapEx that you put down for selenium or for water treatment, is that included in your estimates for 2013? How should we spread out this $600 million over the next five years?

Ian Kilgour: Thanks, Oscar. Ian here. It is included in the capital for 2013. And it will be spread out reasonably evenly over that time, as it does involve the construction of four plants at four different mines, and they will be constructed sequentially. It will be spread out.

Oscar Cabrera: That's very helpful, Ian, thank you. Lastly, on the release when you quote your mine costs for your coal operations, between $71 and $77, there's a statement here that says that this is before the effects of new accounting for overburdened removal costs. I'm assuming that you've been capitalizing stripping or removal of overburdened. How can we expect -- are you going to continue to report these like in this manner, or should we expect to see increases in this cost? I don't know if you can give us an idea of what that removal cost per tonne would be like, or what are you looking for in 2013?

Ian Kilgour: Okay. Well, I'm going to hand it over to Ron Millos.

Ron Millos: John Gingell, our Controller, is here.

John Gingell: The effect of the new overburden removal for our cost standard will reduce our operating costs and increase our capital costs over the next -- well, from now on. That number will be quite substantial, but we do not have a figure yet to release to the public.

Oscar Cabrera: Okay. Great. That's helpful. Thank you.

Ron Millos: And we will be restating the comparative figures so that on a go-forward basis will you have an apples-to-apples comparison, as well.

Oscar Cabrera: Thanks, Ron.

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

Alex Kodatsky: Thanks. Just wanted to follow up on the selenium CapEx number, not to beat it to death. But in terms of the shift of the number, it looks like there may be a few things going on. Has there been a change in the scope of your plans, either in terms of number of plants that you are building or the volume of water that you need to treat? And is there another element as far as industry inflation, as well, that will explain the increase?

Ian Kilgour: The increase comes from two main things. One is the increase in number of plants and the size of a couple of the plants due to the different volumes of water being treated. And I guess the other one really is, the fact that this has come from the development of a valley-wide management plan. So that we're looking at the whole Elk Valley and have modeled the water flows, the selenium contents, and the water treatment required to reach satisfactory levels of selenium throughout the watershed. So that basically resulted in the numbers.

Alex Kodatsky: What prompted the shift for a valley-wide plan rather than a site-specific plan?

Ian Kilgour: I guess the realization that it was an issue which, in fact, was occurring at all of the mines. Initially, I guess it focused on a particular mine permit that we were looking to extend the life of the Line Creek mine. But as we broadened the studies that led us to do, it took us to a valley-wide perspective.

Alex Kodatsky: Great. Thanks very much.

Operator: Thank you. The following question is from Carly Mattson of Goldman Sachs. Please go ahead.

Carly Mattson: I wanted to follow up on the comments made earlier regarding potential acquisition opportunities. Understanding this isn't the “Stay the Course” strategy, if the right acquisition opportunity did present itself, how should we think about what Teck would view as peak leverage that the company would be comfortable operating with?

Don Lindsay: Ron Millos, you want to talk about our philosophy there?

Ron Millos: Sure. We want to maintain the debt at the level that allows us to maintain our mid-BBB investment grade credit rating. That would be at about the 30% debt to debt plus equity ratio. Debt to EBITDA of 2.5 times or better and interest coverage or EBITDA to interest coverage of 6 times or better. And we're within those guidelines right now.

We would consider moving beyond those a bit if we felt that we could get back down within those targets in a relatively quick period of time. Of course, if we were going to do something, we generally go to the rating agencies ahead of time with what our plans are, how we intend to finance, and ask for an indicative rating, and depending on the results that we get back, we move forward or change things, or decide not to do things. That would be the approach we would take.

Carly Mattson: Okay. And “a bit”, does that mean that you would be willing to take a not standard rating to stay within investment grade, or could that also include falling below investment grade?

Don Lindsay: No.

Ron Millos: Go ahead, Don.

Don Lindsay:. Just to be clear, that was a no.

Carly Mattson: Okay. Very helpful. Thank you.

Operator: Thank you. The following question is from John Hughes of Desjardins Securities.

John Hughes: Just a couple of quick ones left anyway. Coal inventory situation, with what's happened at Westshore over the last little while, could you quantify or try to give us an idea on what kind of inventory you're sitting with on the coal front that maybe we can augment some of your production numbers for this year, in terms of getting to our sales numbers?

Ian Kilgour: Yes, we're sitting with reasonably healthy inventories, both at the mines and at the port. That was basically the situation late last year when we -- around August, we looked at the situation, and said that it really wasn't the best thing to do, to keep producing at 100% rate when the inventories were at good levels. Basically we have reduced somewhat from that point, and maintaining that rate to basically keep in balance, but having sufficient inventories to be able to respond readily to any uptick in the market.

John Hughes: So if we're running, can we use 1.5 million tonnes inventory? That kind of 1-2, 1.5 million to 2.5 million, that kind of range?

Ian Kilgour: You could.

John Hughes: Okay. Sticking with the coal, it was noted that you had a record material moved in the quarter, and I'm just wondering if you could quantify that for us on either a tonnage or a BCM basis.

Ian Kilgour : Yes, we're moving fairly steady volumes now of 75 million to 77 million BCMs per quarter, and that's the sort of rating we need to move to achieve the capacities that we've been talking about.

John Hughes: That's great. Thank you very much.

Operator: The following question is from Greg Barnes of TD Securities. Please go ahead.

Greg Barnes: The selenium management plan, that doesn't appear that it has been approved by the regulatory authorities from what you said in the press release. When do you expect it to be approved?

Ian Kilgour: We're talking to the regulators now, basically been, talking with them for quite a while, and developing frameworks that would satisfy the regulators as we go. So, we've been expecting that somewhere in the next three to six months, we'd be able to reach agreement on the water quality required by the regulators that would allow us to move on the first permit extension, or mine life extension, which is the Line Creek.

Greg Barnes: And the $300 odd million, I think you said $345 million in sustaining capital for the coal operations this year, 2013, is that the sort of level we should be looking at going forward, including the selenium management plan?

Ian Kilgour: Yes, more or less. We're going to have higher levels in the next few years, while we're putting the plants that are required and then they're going to, obviously, last 30 or 40 years, so that bump will mitigate once those plants are in place.

Greg Barnes: So $400 million for the next five years, then down to $300 million, is what we should be looking at? Sustaining?

Ian Kilgour: I think those sorts of numbers are a little bit more exact than we could probably be able to really say at this point. But it's obviously a one-off cost that we're going to have to undergo while we install those plants, and then, as I said, they will be long-lasting plants.

Greg Barnes: Sure. Just on the coal operating cost in Q4, they dropped, as Don said, $10 a tonne, but going forward, doesn't seem like you can sustain that $62 per tonne mine site cost. I'm wondering what happened in Q4 and why is it bumping back up again going forward?

Ian Kilgour: Q4 is often the lowest quarter of the year, because we generally do our plant maintenance shutdowns in the second and third quarters. So, that pattern actually occurred the year before.

Greg Barnes: I did, I noticed that.

Ian Kilgour: It would, perhaps, emphasize the issue because we realized that with the revenues and prices coming down as they were, and the reduced production that we would have to really minimize costs for that period. We'd certainly be hoping that we can maintain the efficiencies that we generated in that period. But realistically, some of that was cost deferral of maintenance and things like that, that eventually you do have to catch up with.

Greg Barnes: Just one more, switching to copper. Don, I guess. Relincho, you said you could have the feasibility study done by the end of this year. Does that mean you've it got a port and power plant in place for that? That project?

Don Lindsay: I'll let Tim Watson answer that.

Tim Watson: I'll deal with the two issues separately. From the port perspective, we kicked off a fairly detailed study back late November, analyzing about 350 kilometres of the coast, both up and down from the Port of Huasco in terms of potential opportunities for port side development. That has been narrowed down to realistically a half-dozen options. We expect to keep that study towards the end of February. I believe what we will then have is a plan going forward from a port perspective.

The power is slightly different, insomuch as there are power opportunities available to us, and we continue to analyze different options, whether it be similar to what we've done with QB, where we go in terms of potential long-term power purchase agreements with somebody that has a permitted plant.

But we're also looking at other options. You may or may not have heard that the government does want the interconnection of the Northern and the Southern grids to go ahead, and that would actually be completed in the time frame, well ahead of when we require the power for Relincho. Plus there's other people looking at expanding the import of natural gas into Chile. So, we're looking at all those options and just seeing what is the best fit, but certainly by the time for us to complete the feasibility study, we really need to have good options developed for both port and power by, say, the middle of the year.

Greg Barnes: Does this mean that potentially you are going to have to build the port for Relincho, and that would have to come into the CapEx number?

Tim Watson: That would certainly be one possibility. But at the same time, we've also been speaking with port operators, and it does appear that there are, again, a number of alternatives out there for us to maintain the same approach, even if we had to possibly go the route of getting the port site permitted, but then have somebody else come in and do the actual development work. So, again, we're looking at various alternatives there, as well.

Greg Barnes: Great. Thanks, Tim.

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

Terence Ortslan: Two questions actually. Since the analyst meeting, I'm just wondering if the 2012 numbers for zinc for China changed, in terms of zinc mines coming in, and the zinc metal production and consumption, and also the output for 2003 for China that you, on the best guess basis, would anticipate that some of the economic numbers have changed, on the zinc imports and the zinc market, and I have another question for you, Don.

Don Lindsay: Andrew, do you want to take that one?

Andrew Stonkus: Yes, thanks. There's a lot of dispute about the trade stats and domestic mine production in China, and I think the official numbers were in excess of 20% for domestic mine production but there's a lot of skepticism on those numbers due to the double counting that may have occurred. And so the domestic mine production has gone up, but I think the numbers have been inflated, and there will be a revision downwards.

The domestic, and the imports for zinc concentrates have been down into China, but the demand for zinc concentrate is still relatively strong. The imports were approximately 1 million tonnes at the time of this -- in 2012. Still very strong demand. Smelters are running at the low utilization rate. So, there's still a lot of capacity for production of metal in China, underutilized capacity, and so the raw material demand is there. Domestic mine production is up. It's not up as much as the official stats would indicate.

Terence Ortslan: And your expectation for 2013, Andrew?

Andrew Stonkus: 2013, the growth rates demand for zinc in China, specifically, is strong. The galvanizing production numbers that we're seeing are up about 5% or 6%, so the galvanizing demand is still strong and that will continue to improve demand for zinc metal. And it's reflected by zinc metal imports, as well. Zinc metal imports into China have been very strong. Combination of the -- for consumption for galvanized production is a driving imports of zinc metal into China, as well.

Terence Ortslan: Thank you Andrew. Don, just a question with respect to the write-offs in the industry see your changes and expected changes. This is probably an interesting time for the majors to look into the possible asset reshuffling by the majors as the new CEOs come in. They probably orient the company in terms of direction, geopolitics, and also size of the assets. I guess we have three ways you can do this. One, do nothing. Two, be very proactive and express your interest, which assets you're interested in. Three is which ones you can participate in as some of these assets would probably be too big for these companies. And as well, another you can make another arrangement or Escondido or QBs or whatever. What are your thoughts on this?

Don Lindsay: This issue has got fairly high profile. You see on the front page of The Wall Street Journal that 20 mining CEOs have lost their jobs in the last little while. It definitely makes you take a good hard look at what's going on. I guess there's been $50 billion in write-downs in the industry, but I'm pleased to say that none of that was at Teck. Our assets have been closely reviewed by the auditors, and we have no write-offs. And we actually we feel we're quite strongly positioned with some good quality assets and good geopolitical jurisdictions, and if we could get the permits, we'd get on and build them. That's what we like to do.

I think you are quite right though, that with change in leadership at some of the large companies, the major ones in the industry, that there will be some reviews of their portfolios and some assets may shake out. In fact, I already referred to that in my earlier comments, that we're already aware of some things that will now be either for sale, or where they're looking for partners that otherwise might not have occurred. So we will be watching that closely.

So that, combined with delays in permitting in Chile and that sort of stuff, means that we're probably looking more closely at acquisition opportunities. But in the end, it's pretty tough to do these things, and the odds are not that high, and it's an odd time in the industry right now, because you can't build anything because you can't get permits, or the market is worried about cost overruns. You can't buy anything, because the market is worried about overpaying. If you're in the mining industry where your assets year after year deplete, that's not really a good formula. So, I think companies to have to do something, but it certainly is a very awkward time in the industry from that point of view.

Terence Ortslan: I can't see too many companies being aggressively pursuing, participating, or acquiring. I think most of them are the other way around, but Teck is positioned with your balance sheet, cash position and what you bring it to table. You don't have much competition, the way I see it.

Don Lindsay: I guess we'll have to be contrarian.

Terence Ortslan: Okay. Fair enough. Thank you very much.

Operator: Thank you. The following question is from John Tumazos, of John Tumazos Very Independent Research. Please go ahead.

John Tumazos: Thank you. I was looking at the map of your coal operations, and could you explain the distance from the Fording River mine north-most to the Coal Mountain mine that's south-most of the five mines, sort of in a north-south line, and the size of the envelope around Cardinal River or Quintette, if they were to be part of the water management operations, too?

Ian Kilgour: Okay. So, John, from Fording down to Coal Mountain is probably about 80 kilometres.

John Tumazos: 80?

Ian Kilgour: 80. And that encompasses our five mines plus some gaps between them. And they are all part of the Elk Valley watershed. Cardinal River is a quite separate operation up in Alberta, which has about a 30-kilometre span, but the mining operations are over a much smaller distance, perhaps 10 kilometres. And Quintette is quite focused, quite concentrated over a smaller distance.

So our selenium management efforts are focused in the Elk Valley. At this point with Quintette in our permit application, we've included selenium management measures, and for Cardinal River we have been managing selenium for quite awhile. So, each case is individual and we'll be managing them as they require.

John Tumazos: How many valley envelopes, if you will, would the water management districts entail? In other words, you said there were gaps. That whole 80-kilometre track is not affected by mining. It's just little pockets here and there where you have a pit, or a dump.

Ian Kilgour: Yes, but the significant number of streams, perhaps 20 streams, something like that. Tributaries of the Elk River.

John Tumazos: Are there public documents filed yet that provide detail? Such as environmental applications and things?

Ian Kilgour: Yes, there's a public application for the Line Creek environmental assessment. There's a public document.

John Tumazos: I want to commend you for your meticulousness of putting specific numbers to this issue. I'm sure there must be extraordinary work being done by your team to communicate to us. Thank you.

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

Don Lindsay: Okay. Well, thank you very much, all. It is sort of the meeting at which we review the last year, the 2012, and I just want to close by summarizing a few aspects. It was our best year in safety ever, and that's a value in the company that's extremely important to us. We've got international recognition for our sustainability practices from both the Global 100 and the Dow Jones Sustainability Index, where we were in the world index. We met all of our guidance on production, despite challenges with the CP rail strike and the Westshore incident, and record copper production for the year, so that was all very important.

And our balance sheet is extremely strong. We've termed out the debt past the year 2040 for a bunch of it, and we only have US$323 million of debt coming due between now and the beginning of 2017. So, the company is in very strong condition, and it was a very solid year in 2012. The outlook still depends on the global economy, and we've seen some very encouraging signs on the China front, though the rest of the world is still somewhat weak, and we'll look for greater recovery there. But generally, Teck is very strongly positioned, and we thank you all for attending this morning.

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