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Elk Valley Coal Partnership (39%)

100%	Three months ended June 30 2005	2004	Six months ended June 30 2005	2004
Coal production (000's tonnes)	**6,852**	6,652	**13,503**	12,671
Coal sales (000's tonnes)	**6,379**	6,819	**12,062**	12,419
Average sale price (US$/tonne)	**94**	51	**79**	48
Average sale price (Cdn$/tonne)	**121**	73	**103**	69
Operating expenses (Cdn$/tonne)				
Cost of product sold	**28**	25	**28**	25
Transportation	**38**	29	**34**	28
Company's share of operating profit ($ millions)	**131**	39	**171**	54

Note:
Results from Elk Valley Coal Partnership represent the company's 39% direct interest from April 1, 2005, 38% from April 1, 2004 to March 31, 2005 and 35% prior to that date. The company holds an additional 5.3% indirect ownership interest through its investment in the Fording Canadian Coal Trust for a combined 44.3% effective interest since April 1, 2005.

Coal production was 3% higher in the second quarter and 7% higher in the first half of the year compared with a year ago. Coal production was lower than expected due to delays in delivery of mining equipment at Cardinal River. Despite the delay in production expansion at Cardinal River, Elk Valley Coal still plans to increase annualized production capacity from existing operations to 28 million tonnes by the end of 2005 and to 30 million tonnes by the end of 2007.

Sales volumes decreased by 440,000 tonnes to 6.4 million tonnes in the second quarter compared with 2004 due mainly to rail capacity constraints and scheduling of vessel arrivals to build appropriate volumes and product mixes at the ports. Sales in the second half of the year are targeted to be approximately 15 million tonnes which will be dependent upon available rail and port capacity and customers taking delivery on a timely basis.

The average coal price was US$94 per tonne in the second quarter, representing a US$43 per tonne increase from a year ago as Elk Valley Coal began shipping coal at substantially higher prices during the first quarter of the new coal year which commenced in April. Transportation costs increased to $38 per tonne in the second quarter from $29 per tonne a year ago due in part to higher rail rates pertaining to the new contract with CP Rail, and port rates which increased with the higher coal prices. The company's share of operating profit of $131 million in the second quarter was up significantly from $39 million in 2004 as approximately 55% of sales were sold at higher 2005 coal year prices.

As a result of an agreement with Fording Canadian Coal Trust reached in July 2004 to adjust partnership interests pertaining to realized synergies, the company's direct interest in Elk Valley Coal increased by 1% to 39% commencing April 1, 2005. The final adjustment increasing the company's direct interest to 40% will take place on April 1, 2006.

Elk Valley Coal is expected to finalize an agreement in the third quarter with POSCO and Nippon Steel Corporation that would provide for ten-year sales contracts and the acquisition of a 5% interest in the Elkview mine by the two companies (2.5% for each company) for US$50 million. Elkview's annual production capacity is planned to be increased from six to seven million tonnes of coal by the end of 2007.

A new five-year collective agreement at the Coal Mountain operations was settled in May. The collective agreements at Line Creek expired at the end of May and negotiations are ongoing. Elkview's collective agreement expires at the end of October 2005.

Elk Valley Coal has given notice as provided for under the Elkview contract with Westshore Terminals, requesting a review of rates effective April 1, 2005 to the end of the contract in 2010. Discussions with Westshore are ongoing. Failing agreement on revised rates, Elk Valley Coal may apply to have an arbitrator determine how the rates should be revised to be consistent with the original intention of the parties.

Costs and Expenses

Interest expense of $13 million in the second quarter of 2005 was reduced from $16 million in the previous year mainly as a result of the conversion and redemption of the company's convertible debenture of $202 million in October 2004.

Administration expense was $2 million higher in the second quarter compared with a year ago, primarily due to an increase in stock-based compensation expense.

Significant items included in other income of $19 million in the second quarter were $11 million of investment income from the company's holding of Fording Canadian Coal Trust units and $13 million in gains on sale of investments.

Income and resource tax expense of $161 million in the second quarter represents a 42% composite tax rate for the company's income from various jurisdictions. This composite tax rate was higher than the Canadian statutory income tax rate of 36% due mainly to provincial mineral taxes in Canada. The second quarter tax rate was higher than the tax rate of 39% in the second quarter of 2004 and the 36% rate in the first quarter of 2005 as a smaller proportion of income in the current quarter was earned in lower tax rate jurisdictions and a greater proportion of income was earned in Canada and subject to mining taxes.

Financial Position and Liquidity

Cash flow from operations, before changes to non-cash working capital items, was $332 million in the second quarter compared with $231 million a year ago due mainly to higher operating profits. Cash flow from operations after changes in non-cash working capital items was $307 million compared with $261 million in the previous year.

Capital expenditures in the second quarter were $73 million compared with $50 million in the second quarter of 2004, and included $44 million of sustaining capital expenditures and $29 million of development expenditures. Development expenditures comprised $15 million for the Pogo gold project, the company's share of development expenditures of $5 million at Cheviot Creek and $9 million at Fording River.

On April 27, 2005 the company announced an increase in its semi-annual dividend from $0.20 per share to $0.40 per share which resulted in dividend payments of $81 million on June 30, 2005. This follows an increase of the semi-annual dividend from $0.10 per share to $0.20 per share in November 2004.

At the end of the quarter, the company had a cash balance of $1.3 billion and debt of $632 million excluding the Inco exchangeable debentures. The company also had bank credit facilities aggregating $1.08 billion and unused credit lines under these facilities amounted to $958 million, after issuing letters of credit for $125 million.

Corporate Development

Construction of the Pogo gold mine in Alaska continues to progress on schedule except for underground development work. A construction work force of over 400 is currently working on the site. At the end of June the construction was estimated to be 75% complete. Underground mine pre-production development work is currently about 30% complete. Productivity has been lower than anticipated and progress has also been slowed by poor ground conditions in portions of the access drift areas. As a result, it is anticipated that the overall project completion schedule will be met but that the initial ore feed to the mill