Thompson Creek Metals CO Inc.
Form 10-Q
November 04, 2010
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2010**

**or**

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File Number: 001-33783**

# THOMPSON CREEK METALS COMPANY INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **British Columbia, Canada** | **98-0583591** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **26 West Dry Creek Circle, Suite 810, Littleton, CO** | **80120** |
| (Address of principal executive offices) | (Zip Code) |

**(303) 761-8801**

(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer x | Accelerated filer o |
| Non-accelerated filer o<br>(Do not check if a smaller reporting company) | Smaller reporting company o |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

As of November 4, 2010 there were of record 164,315,150 shares of Common Stock, no par value, outstanding.

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**THOMPSON CREEK METALS COMPANY INC.**

**CONSOLIDATED BALANCE SHEETS**

**(Unaudited)**

| | September 30, 2010 | December 31, 2009 |
|---|---|---|
| | (in millions, except share data) | |
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 457.9 | $ 158.5 |
| Short-term investments | 35.1 | 353.0 |
| Accounts receivable trade | 63.8 | 32.4 |
| Accounts receivable related parties | 9.6 | 10.3 |
| Product inventory | 66.0 | 43.5 |
| Material and supplies inventory | 33.0 | 34.5 |
| Prepaid expense and other current assets | 3.2 | 6.0 |
| Income tax receivable | 6.7 | 4.8 |
| | 675.3 | 643.0 |
| Property, plant and equipment, net | 735.4 | 605.7 |
| Restricted cash | 19.9 | 16.8 |
| Reclamation deposits | 26.7 | 30.3 |
| Goodwill | 47.0 | 47.0 |
| Other assets | 0.5 | 1.8 |
| | $ 1,504.8 | $ 1,344.6 |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | $ 59.4 | $ 29.9 |
| Income and mining taxes payable | | 3.6 |
| Current portion of long-term debt | 2.9 | 3.7 |
| Deferred income tax liabilities | 6.7 | 6.7 |
| | 69.0 | 43.9 |
| Long-term debt | 7.0 | 9.2 |
| Other liabilities | 25.4 | 24.6 |
| Asset retirement obligations | 26.2 | 24.8 |
| Common stock warrant derivatives | 85.6 | 115.4 |
| Deferred income tax liabilities | 136.4 | 141.3 |
| | 349.6 | 359.2 |
| Commitments and contingencies (Note 8) | | |
| Shareholders equity | | |
| Common stock, no-par, 139,844,091 and 139,511,257 shares issued and outstanding, as of September 30, 2010 and December 31, 2009, respectively | 700.4 | 697.1 |
| Additional paid-in capital | 49.4 | 45.7 |
| Retained earnings | 391.5 | 232.8 |
| Accumulated other comprehensive income | 13.9 | 9.8 |
| | 1,155.2 | 985.4 |
| | $ 1,504.8 | $ 1,344.6 |

See accompanying notes to consolidated financial statements.

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**THOMPSON CREEK METALS COMPANY INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Unaudited)**

| | Three Months Ended September 30, 2010 | Three Months Ended September 30, 2009 | Nine Months Ended September 30, 2010 | Nine Months Ended September 30, 2009 |
|---|---|---|---|---|
| | (in millions, except per share amounts) | | | |
| REVENUES | | | | |
| Molybdenum sales | $ 157.1 | $ 111.8 | $ 426.6 | $ 258.6 |
| Tolling, calcining and other | 4.7 | 2.6 | 11.4 | 8.6 |
| Total revenues | 161.8 | 114.4 | 438.0 | 267.2 |
| COSTS AND EXPENSES | | | | |
| Operating expenses | 89.8 | 62.5 | 239.9 | 173.2 |
| Selling and marketing | 2.3 | 1.9 | 5.6 | 4.6 |
| Depreciation, depletion and amortization | 12.7 | 11.6 | 35.6 | 32.0 |
| Accretion expense | 0.4 | 0.3 | 1.2 | 1.0 |
| General and administrative | 7.7 | 4.5 | 21.9 | 17.6 |
| Exploration | 3.3 | 1.2 | 6.8 | 4.9 |
| Total costs and expenses | 116.2 | 82.0 | 311.0 | 233.3 |
| OPERATING INCOME | 45.6 | 32.4 | 127.0 | 33.9 |
| OTHER (INCOME) AND EXPENSE | | | | |
| Change in fair value of common stock warrants | 20.5 | 15.7 | (29.8) | 99.0 |
| Loss (gain) on foreign exchange | (6.7) | 6.8 | (8.0) | 10.7 |
| Interest (income) expense, net | (0.1) | (0.4) | (0.4) | (0.8) |
| Other | (0.4) | | (0.7) | (0.4) |
| Total other (income) and expense | 13.3 | 22.1 | (38.9) | 108.5 |
| Income (loss) before income and mining taxes | 32.3 | 10.3 | 165.9 | (74.6) |
| Income and mining tax expense | 1.2 | 11.7 | 7.2 | 7.4 |
| NET INCOME (LOSS) | $ 31.1 | $ (1.4) | $ 158.7 | $ (82.0) |
| NET INCOME (LOSS) PER SHARE | | | | |
| Basic | $ 0.22 | $ (0.01) | $ 1.14 | $ (0.66) |
| Diluted | $ 0.22 | $ (0.01) | $ 1.08 | $ (0.66) |
| Weighted average number of common shares | | | | |
| Basic | 139.8 | 125.9 | 139.7 | 123.5 |
| Diluted | 142.9 | 125.9 | 146.5 | 123.5 |

See accompanying notes to consolidated financial statements.

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**THOMPSON CREEK METALS COMPANY INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

| | Three Months Ended September 30, 2010 | | Three Months Ended September 30, 2009 | | Nine Months Ended September 30, 2010 | | Nine Months Ended September 30, 2009 | |
|---|---|---|---|---|---|---|---|---|
| | | | (in millions) | | | | | |
| OPERATING ACTIVITIES | | | | | | | | |
| Net income (loss) | $ | 31.1 | $ | (1.4) | $ | 158.7 | $ | (82.0) |
| Items not affecting cash: | | | | | | | | |
| Change in fair value of common stock warrants | | 20.5 | | 15.7 | | (29.8) | | 99.0 |
| Depreciation, depletion and amortization | | 12.7 | | 11.6 | | 35.6 | | 32.0 |
| Accretion expense | | 0.4 | | 0.3 | | 1.2 | | 1.0 |
| Stock-based compensation | | 1.6 | | 0.9 | | 5.8 | | 6.3 |
| Deferred income tax benefit | | 5.5 | | 2.5 | | 2.6 | | (8.7) |
| Unrealized loss on derivative instruments | | (0.6) | | (0.8) | | 0.7 | | 0.9 |
| Change in working capital accounts (Note 13) | | (12.2) | | (4.6) | | (49.0) | | 19.2 |
| Cash generated by operating activities | | 59.0 | | 24.2 | | 125.8 | | 67.7 |
| INVESTING ACTIVITIES | | | | | | | | |
| Short-term investments | | 233.9 | | 9.6 | | 319.5 | | (172.2) |
| Capital expenditures | | (56.8) | | (13.1) | | (147.3) | | (54.4) |
| Restricted cash | | (0.7) | | (0.1) | | (3.2) | | (1.9) |
| Reclamation deposits | | 3.7 | | | | 3.7 | | (2.6) |
| Cash generated (used) in investing activities | | 180.1 | | (3.6) | | 172.7 | | (231.1) |
| FINANCING ACTIVITIES | | | | | | | | |
| Proceeds from issuance of common shares, net | | 0.2 | | 199.8 | | 2.3 | | 203.5 |
| Repayment of long-term debt | | (0.7) | | (1.3) | | (3.1) | | (4.0) |
| Cash generated (used) by financing activities | | (0.5) | | 198.5 | | (0.8) | | 199.5 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | | 3.7 | | 6.9 | | 1.7 | | 9.4 |
| INCREASE IN CASH AND CASH EQUIVALENTS | | 242.3 | | 226.0 | | 299.4 | | 45.5 |
| Cash and cash equivalents, beginning of period | | 215.6 | | 77.5 | | 158.5 | | 258.0 |
| Cash and cash equivalents, end of period | $ | 457.9 | $ | 303.5 | $ | 457.9 | $ | 303.5 |
| Supplementary cash flow information (Note 13) | | | | | | | | |

See accompanying notes to consolidated financial statements.

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**THOMPSON CREEK METALS COMPANY INC.**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY and COMPREHENSIVE INCOME**

**Nine Months Ended September 30, 2010**

**(Unaudited)**

| | Common Stock Shares | Common Stock Amount | Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Total |
|---|---|---|---|---|---|---|
| | (in millions, except share data in thousands) | | | | | |
| **Balances at January 1, 2010** | 139,511 | $ 697.1 | $ 45.7 | $ 232.8 | $ 9.8 | $ 985.4 |
| Amortization of stock-based compensation | | | 4.7 | | | 4.7 |
| Stock option exercises | 333 | 3.3 | (1.0) | | | 2.3 |
| Comprehensive income: | | | | | | |
| Net income | | | | 158.7 | | 158.7 |
| Foreign currency translation | | | | | 4.1 | 4.1 |
| Total comprehensive income | | | | | | 162.8 |
| **Balances at September 30, 2010** | 139,844 | $ 700.4 | $ 49.4 | $ 391.5 | $ 13.9 | $ 1,155.2 |

See accompanying notes to consolidated financial statements.

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**THOMPSON CREEK METALS COMPANY INC.**

**Notes to the Consolidated Financial Statements Unaudited**

**(US dollars in millions, except per share amounts)**

**1. Basis of Presentation**

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q. In compliance with those instructions, certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States ( US GAAP ) have been condensed or omitted. This report should be read in conjunction with Thompson Creek Metals Company Inc. s ( TCM or the Company ) consolidated financial statements and notes contained in its 2009 Annual Report on Form 10-K, as amended on Form 10-K/A (the 2009 Form 10-K ) filed with the Securities and Exchange Commission. The information furnished herein reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods reported. Operating results for the three-month and nine-month periods ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. TCM bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

The consolidated financial statements include the accounts of TCM and its subsidiaries, and intercompany accounts and transactions have been eliminated in consolidation. Financial amounts are presented in United States ( US ) dollars unless otherwise stated. References to C$ are Canadian dollars.

**2. Healthcare Legislation**

On March 30, 2010, the President of the United States signed the Health Care and Education Reconciliation Act of 2010, which is a reconciliation bill that amends the Patient Protection and Affordable Care Act that was signed by the President on March 23, 2010 (collectively the Acts ). As a result of this legislation, the tax treatment related to the Medicare Part D subsidy has changed requiring companies to determine the financial impact, if any. TCM has evaluated the change in tax treatment for Medicare Part D and has determined that there was no impact on TCM s consolidated financial statements. TCM is continuing to evaluate the other provisions of the Acts and is not able to determine at this time the potential impact the Acts may have on the consolidated financial statements.

**3. Inventory**

The carrying value of product inventory is as follows:

| | September 30, 2010 | December 31, 2009 |
|---|---|---|
| Finished product | $ 48.6 | $ 27.7 |
| Work-in-process | 12.2 | 13.2 |
| Stockpiled ore | 5.2 | 2.6 |
| | $ 66.0 | $ 43.5 |

As of September 30, 2010 and December 31, 2009, the market value of TCM s inventory exceeded the carrying value. For the nine months ended September 30, 2009, TCM recorded a lower of cost or market adjustment of $0.8 million in its consolidated statements of operations.

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**4. Property, Plant and Equipment**

Property, plant and equipment is comprised of the following:

| | September 30, 2010 | December 31, 2009 |
|---|---|---|
| Mining properties | $ 323.8 | $ 320.2 |
| Mining equipment | 254.9 | 213.3 |
| Processing facilities | 120.8 | 113.9 |
| Construction in progress | 202.7 | 86.2 |
| Other | 5.9 | 2.7 |
| | 908.1 | 736.3 |
| Less: Accumulated depreciation, depletion and amortization | (172.7) | (130.6) |
| | $ 735.4 | $ 605.7 |

The construction in progress balance included $168.6 million and $63.9 million related to the mill expansion project at the Endako Mine as of September 30, 2010 and December 31, 2009, respectively.

**5. Derivative Financial Instruments**

TCM enters into various derivative financial instruments in its normal course of operations. None of TCM s derivative instruments are treated as hedges, and all are recorded on the consolidated balance sheet at fair value with changes in fair value recorded to the consolidated statements of operations, except those contracts for which TCM has elected to apply the normal purchases and normal sales scope exception. TCM is exposed to credit loss when counterparties with which it has entered into derivative transactions are unable to pay. To reduce counterparty credit exposure, TCM deals only with a group of large credit-worthy financial institutions and limits credit exposure to each. TCM believes the counterparties to the contracts to be credit-worthy entities, and; therefore, TCM believes credit risk of counterparty non-performance is relatively low. For information regarding the nature and types of TCM s derivatives, see the references noted in the following tables.

The following table summarizes the location and fair value amounts of all derivative financial instruments in the consolidated balance sheets:

| | | Fair Value | |
|---|---|---|---|
| Derivative Type | Balance Sheet Classification | September 30, 2010 | December 31, 2009 |
| Derivative assets | | | |
| Provisionally-priced sales (a) | Accounts receivable trade | $ | $ (0.1) |
| Fixed-priced contracts current (b) | Prepaid expense and other current assets | 1.4 | 0.9 |
| Fixed-priced contracts noncurrent (b) | Other assets | 0.5 | 1.7 |
| Forward currency contracts (c) | Prepaid expense and other current assets | 0.5 | |
| Total derivative assets | | $ 2.4 | $ 2.5 |
| Derivative liabilities | | | |

| | | | | | |
|---|---|---|---|---|---|
| Fixed-priced contracts (b) | Accounts payable and accrued liabilities | $ | 0.1 | $ | 0.8 |
| Common stock warrant derivatives (d) | Common stock warrant derivatives | | 85.6 | | 115.4 |
| Total derivative liabilities | | $ | 85.7 | $ | 116.2 |

The following table sets forth the gains (losses) on derivative instruments for the three and nine months ended September 30, 2010 and 2009:

| **Derivative Type** | **Statement of Operations Classification** | **Gain/(loss) for the Three Months Ended September 30, 2010** | **Gain/(loss) for the Three Months Ended September 30, 2009** | **Gain/(loss) for the Nine Months Ended September 30, 2010** | **Gain/(loss) for the Nine Months Ended September 30, 2009** |
|---|---|---|---|---|---|
| Provisionally-priced sales (a) | Molybdenum sales | $ | $ (0.1) | $ (0.9) | $ 0.2 |
| Provisionally-priced purchases (a) | Operating expenses | 0.1 | (0.3) | (2.3) | (1.6) |
| Fixed-priced contracts (b) | Molybdenum sales | 0.1 | (0.1) | (0.1) | (1.0) |
| Forward currency contracts (c) | (Loss) gain on foreign exchange | 2.8 | 0.3 | 2.8 | 0.5 |
| Common stock warrant derivatives (d) | Change in fair value of common stock warrants | (20.5) | (15.7) | 29.8 | (99.0) |
| | | $ (17.5) | $ (15.9) | $ 29.3 | $ (100.9) |

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*(a) Provisionally-Priced Contracts*

As described in Note 2 of the financial statements in TCM s 2009 Form 10-K under Revenue Recognition , certain molybdenum sales contracts provide for provisional pricing as specified in the contract. These sales contain an embedded derivative related to the provisional pricing mechanism, which is bifurcated and accounted for as a derivative.

TCM also enters into provisionally-priced molybdenum purchase contracts that also contain an embedded derivative, which is bifurcated and accounted for as a derivative. Changes to the fair values of the embedded derivatives related to provisionally-priced molybdenum purchases are included in operating expenses in the consolidated statements of operations as the product is sold.

The following table sets forth TCM s outstanding provisionally-priced contracts as of September 30, 2010, which all mature in 2010:

| | **Pounds to be Sold/Purchased (000 s lb)** |
|---|---|
| Provisionally-priced sales | 497 |
| Provisionally-priced purchases | 630 |

*(b) Fixed-Priced Contracts*

TCM s earnings and operating cash flows are affected by changes in market prices for molybdenum. To mitigate a portion of this risk, TCM enters into certain molybdenum sales contracts where it sells future molybdenum production at fixed prices. These fixed prices may be different than published market prices at the date of sale.

Beginning October 1, 2009, TCM elected to apply the normal purchases and normal sales scope exception to its fixed-priced contracts in accordance with derivative and hedge accounting guidance. The mark-to-market net asset of $3.5 million, as of September 30, 2009, is being amortized to molybdenum sales revenue as TCM makes the physical deliveries related to those contracts. As of September 30, 2010 and December 31, 2009, the remaining unamortized net balance was $1.8 million and $1.8 million, respectively. Since December 31, 2009, the amortization has resulted in no change in the net balance due to offsetting asset and liability positions.

The following table sets forth TCM s outstanding fixed-priced molybdenum sales contracts as of September 30, 2010:

| | **2010** | **2011** |
|---|---|---|
| Molybdenum committed (000 s lb) | 265 | 459 |
| Average price ($/lb) | $ 16.53 | $ 20.49 |

*(c) Forward Currency Contracts*

As a company operating in North America, TCM transacts business in various currencies in the normal course of its operations and for capital expenditures. Foreign currency transactions at TCM s Canadian operations increase its risk as exchange rates can change between the time agreements are made and the time foreign currency transactions are settled. TCM uses foreign currency forward contracts to mitigate the exchange risk of US dollars for foreign currency dollars at future dates. The terms of these contracts are typically less than one year. As of September 30, 2010, in anticipation of the Terrane acquisition, TCM had open forward currency contracts to purchase $175 million Canadian dollars at a weighted-average US dollar to Canadian dollar exchange rate of 1 to 1.03, which all settle during the fourth quarter of 2010. At December 31, 2009, TCM had no open forward currency contracts.

*(d) Common Stock Warrant Derivatives*

As described in Note 3 of the financial statements in TCM s 2009 Form 10-K under Common stock warrant derivatives , TCM is required to account for its common stock warrants as derivative liabilities with changes in fair value recorded to earnings. As of September 30, 2010, TCM had 24.5 million warrants outstanding. There were nil and 501 warrant exercises during the nine months ended September 30, 2010 and 2009, respectively.

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**6. Fair Value Measurement**

US GAAP accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standards establish a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

| | |
|---|---|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. |
| Level 2 | Quoted prices in markets that are not active or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. |
| Level 3 | Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity). |

The following table sets forth TCM s financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

| | Fair Value at September 30, 2010 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Provisionally-priced sales | $ | $ | $ | $ |
| Fixed-priced contracts current | 1.4 | | | 1.4 |
| Fixed-priced contracts noncurrent | 0.5 | | | 0.5 |
| Foreign currency contracts | 0.5 | | 0.5 | |
| | $ 2.4 | $ | $ 0.5 | $ 1.9 |
| Liabilities: | | | | |
| Common stock warrant derivatives | $ 85.6 | $ 85.6 | $ | $ |
| Fixed-priced contracts current | 0.1 | | | 0.1 |
| | $ 85.7 | $ 85.6 | $ | $ 0.1 |

| | Fair Value at December 31, 2009 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Provisionally-priced sales | $ (0.1) | $ | $ (0.1) | $ |
| Fixed-priced contracts current | 0.9 | | | 0.9 |
| Fixed-priced contracts noncurrent | 1.7 | | | 1.7 |
| | $ 2.5 | $ | $ (0.1) | $ 2.6 |
| Liabilities: | | | | |
| Common stock warrant derivatives | $ 115.4 | $ 115.4 | $ | $ |
| Fixed-priced contracts current | 0.8 | | | 0.8 |
| | $ 116.2 | $ 115.4 | $ | $ 0.8 |

The following table sets forth a summary of the fair value of TCM s Level 3 financial assets and liabilities for the nine months ended September 30, 2010:

| | | Fixed-Priced Contracts |
|---|---|---|
| Balance at January 1, 2010 | $ | 1.8 |
| Unrealized and realized (loss) | | |
| Balance at September 30, 2010 | $ | 1.8 |

As of September 30, 2010 and December 31, 2009, the carrying values of TCM s financial assets and liabilities are not significantly different from their fair values.

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**7. Long-term Debt**

Effective February 2, 2010, TCM voluntarily terminated its $35 million revolving line of credit that was secured by a significant amount of TCM s assets. At the time of termination, TCM had no amount outstanding on this revolving line of credit.

**8. Commitments and Contingencies**

In the normal course of operations, TCM may be subject to litigation. As of September 30, 2010, there are no material litigation matters. In May 2010, TCM received notification of a petition filed in the Supreme Court of British Columbia by the Stellat en First Nation claiming that the British Columbia Ministry of Energy, Mines and Petroleum Resources has not fulfilled its duty to consult with or accommodate Stellat en s asserted aboriginal rights and title interests in relation to the mill expansion project at the Endako Mine. The petition names TCM, a 75% owner of the Endako Mine, as one of the parties involved but does not cite TCM in any of its claims regarding the lack of consultation.

In the normal course of operations, TCM enters into agreements for the purchase of molybdenum. As of September 30, 2010, TCM had commitments to purchase approximately 2.1 million pounds of molybdenum sulfide concentrate throughout the remainder of 2010, to be priced at a discount to the market price for molybdenum oxide at the time of purchase.

As of September 30, 2010, TCM had contractual obligations related to the mill expansion project at the Endako Mine of $43.0 million (75% share).

On December 9, 2009, TCM entered into a credit support agreement with British Columbia Hydro and Power Authority ( BC Hydro ) related to the mill expansion project at the Endako Mine. Under this agreement, TCM is required to post financial assurance in an amount equal to BC Hydro s estimated out-of-pocket costs for work on the expansion project, estimated at C$16.5 million. Subsequent to the commissioning of the new mill and subject to annual measurements of BC Hydro s incremental revenues following the mill s commissioning, some or all of this financial assurance may, thereafter, be released in amounts equal to the incremental revenues generated until such time as the full amount of financial assurance has been released or until such time as the expiration period has been reached. The new mill facility is currently scheduled for completion in late 2011. The amount of the guarantee as of September 30, 2010 was C$16.5 million. As part of the financial guarantee, TCM provided a surety bond for C$11.2 million for additional financial assurance to BC Hydro. The surety bond can be drawn down in the event of a shortfall in incremental revenues after the commissioning of the new mill facility, as discussed above. At this time, TCM does not anticipate having to post any additional financial assurance with respect to the BC Hydro credit support agreement.

As of September 30, 2010, a shortfall in Endako s future electric power usage that would result in incremental payments to BC Hydro cannot be determined and is not deemed to be probable. As such, no accrual has been recorded. An accrual for any expected shortfall will be recorded if and when it is determined that a shortfall is probable and a reasonable estimate can be made.

**9. Income and Mining Taxes**

Income and mining taxes for the three and nine months ended September 30, 2010 were an expense of $1.2 million and $7.2 million, respectively.  For the three and nine months ended September 30, 2009, income and mining taxes were an expense of $11.7 million and $7.4 million, respectively.

The 2010 effective tax rate differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes primarily due to a non-taxable change in the fair value of common stock warrants; a $10.7 million net refund of certain state income taxes related to prior year tax returns; a reduction in the current year alternative minimum tax (  AMT  ) credit and the respective valuation allowance related to a current-year tax election of development costs; and an out-of-period adjustment of $3.8 million.  The out-of-period adjustment relates to a difference between the 2009 income tax provision and the 2009 tax return, whereby TCM realized an additional net operating loss carry-back.   Management does not believe that the out-of-period adjustment is material to the period affected or the periods presented in this Form 10-Q.

The 2009 effective tax rate differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes primarily due to changes in the enacted provincial statutory income tax rates and the impact of the common stock warrants.

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**10. Stock-Based Compensation**

On May 6, 2010, TCM s shareholders approved the 2010 Long-Term Incentive Plan ( LTIP ) and the 2010 Employee Stock Purchase Plan ( ESPP ). Under the LTIP, TCM can grant stock options, share appreciation rights, restricted shares, restricted share units, performance share units, or shares granted as bonus compensation. The number of common shares available for awards under the LTIP plan is 2.5 million plus those shares still remaining under the previous stock option plan. As of September 30, 2010, TCM has granted stock options and approved performance share units and restricted share units under the LTIP, as discussed below.

TCM does not realize a tax benefit for stock-based awards granted to Canadian employees under the current Canadian tax law.

*a) Stock Options*

The expiration date and vesting provisions of options granted are established at the time an award is made. Options may be exercised by the holder upon vesting of the grant. When an option is exercised, TCM issues the requisite shares from authorized but unissued common stock (new shares). The exercise price of option grants awarded is the greater of: (i) the weighted-average trading price of the underlying shares over the five consecutive trading days immediately before the grant date and (ii) if the award date occurs in a trading black-out period, the weighted-average trading price over the five consecutive trading days immediately after the black-out period has been lifted.

The following table summarizes stock option activity during the nine months ended September 30, 2010:

| | **Shares (000 s)** | | **Weighted Average Exercise Price (C$)** |
|---|---|---|---|
| Stock options outstanding at January 1, 2010 | 6,314 | $ | 10.89 |
| Granted | 203 | | 12.18 |
| Exercised | (333) | | 6.71 |
| Canceled/expired | (362) | | 18.65 |
| Stock options outstanding at September 30, 2010 | 5,822 | $ | 10.59 |

The following table presents the weighted-average assumptions used in the pricing model for the 2010 grants and the resulting weighted-average grant date fair value of the stock options granted:

| | | |
|---|---|---|
| Expected volatility | | 73.9% |
| Risk-free interest rate | | 1.01% |
| Expected life (years) | | 2.95 |
| Exercise price | $ | 10.95 |
| Grant date fair value | $ | 4.77 |

For the three and nine months ended September 30, 2010, TCM recorded expense related to stock options of $1.3 million and $5.2 million, respectively.

For the three and nine months ended September 30, 2009, TCM recorded expense related to stock options of $0.9 million and $6.3 million, respectively. In June 2009, TCM completed a voluntary stock option surrender program offered to all holders of stock options with an exercise price of C$16.19 per share and above. Under the terms of the surrender program, options to acquire an aggregate of 2,414,500 common shares were voluntarily surrendered, effective June 22, 2009. A non-cash compensation charge of approximately $2.8 million, representing the remaining unamortized stock-based compensation cost for the surrendered options, was recorded in the nine months ended September 30, 2009.

*b) Performance Share Units*

On May 6, 2010, TCM approved a total of 240,000 performance share units ( PSUs ), which were granted to eligible executives on July 22, 2010. The vesting of the PSUs is contingent upon employee service and a market condition based on the performance of TCM s share price. To determine whether or not this market condition is achieved and the PSUs vest, TCM establishes an award price. At each anniversary date during the vesting period (three years for the May 2010 awards), if the per share closing price of TCM s common stock on such date is at or higher than the award price, then the awards will vest one-third on each anniversary date, and the requisite shares will be issued from authorized but unissued common stock. If the closing price is less than

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the award price, and, therefore, the market condition is not achieved, then those PSUs do not vest and are carried forward to the following anniversary date. Any PSUs not vested at the end of the three-year vesting period year will expire.

PSUs granted are accounted for at fair value using a Monte Carlo simulation valuation model on the date of grant. The Monte Carlo model is based on random projections of stock price paths. Expected volatility was calculated using a weighted-average of historical daily volatilities and implied volatility and represents the extent to which TCM s stock price performance is expected to fluctuate during each of the three calendar periods of the award s anticipated term ending May 6, 2013.

The estimated fair value of the PSUs granted on July 22, 2010 is $6.68 per unit, and TCM established an award price of $11.88. For the three and nine months ended September 30, 2010, TCM recorded $0.4 million of expense related to the PSUs in its consolidated statements of operations.

*c) Restricted Stock Units*

On May 6, 2010, TCM approved 209,050 restricted stock units ( RSUs ), which were granted to certain eligible employees and directors on July 22, 2010. TCM accounts for RSUs at fair value, which is based on the market value of TCM s common shares on the day of grant. The total fair value is recognized over the vesting period of three years. Upon vesting, TCM will issue the requisite shares from authorized but unissued common stock. The market value of TCM s stock on July 22, 2010 was $9.13 per share, which resulted in TCM recording $0.2 million of expense related to the RSUs granted for the three and nine months ended September 30, 2010. At September 30, 2010, unrecognized compensation expense related to restricted stock and restricted stock units totaled $1.8 million. Such unrecognized expense will be recognized on a straight-line basis over a weighted-average period of 2.8 years.

*d) Employee Stock Purchase Plan*

The ESPP plan provides an opportunity for TCM s employees to purchase its common shares at 85% of the closing price at the beginning of the offering period or at the end of the offering period, whichever is lower. The ESPP has two six-month offering periods beginning on the first day of January and on the first day of July. There are 1.0 million shares available for purchase by TCM s employees under the ESPP plan. The first offering period for 2010 was July 1. Compensation expense is measured based on the fair value using the Black Scholes model of the employees option to purchase shares of common stock at the grant date and is recognized over the future periods in which the related employee service is rendered. TCM estimated a fair value of employee options to purchase shares under the ESPP of $2.75 per share. TCM recorded $0.1 million of expense related to the ESPP plan for the three and nine months ended September 30, 2010**.**

**11. Net Income per Share**

The following is a reconciliation of net income and weighted-average common shares outstanding for purposes of calculating diluted net income per share for the three and nine months ended September 30, 2010 and 2009:

| | For the Three Months Ended September 30, 2010 | For the Three Months Ended September 30, 2009 | For the Nine Months Ended September 30, 2010 | For the Nine Months Ended September 30, 2009 |
|---|---|---|---|---|
| Net income | $ 31.1 | $ (1.4) | $ 158.7 | $ (82.0) |
| Basic weighted-average number of shares outstanding | 139.8 | 125.9 | 139.7 | 123.5 |
| Effect of dilutive securities stock options | 0.9 | | 1.1 | |
| Common stock warrants | 2.1 | | 5.6 | |
| Restricted stock units | 0.1 | | 0.1 | |
| Diluted weighted-average number of shares outstanding | 142.9 | 125.9 | 146.5 | 123.5 |
| Net income per share | | | | |
| Basic | $ 0.22 | $ (0.01) | $ 1.14 | $ (0.66) |
| Diluted | $ 0.22 | $ (0.01) | $ 1.08 | $ (0.66) |

For the three and nine months ended September 30, 2010, approximately 2.8 million stock options were excluded from the computation of diluted weighted-average shares as the exercise prices exceeded the average price of TCM s common stock for the period. In addition, 0.2 million performance share units have been excluded from the computation of diluted weighted-average shares as the award price exceeded the closing price of TCM s common stock as of September 30, 2010.

For the three and nine months ended September 30, 2009, 2.5 million and 4.0 million stock options, respectively, were excluded from the computation of diluted weighted-average shares as their effect would have been anti-dilutive.

For the three and nine months ended September 30, 2009, 15.9 million and 23.7 million common stock warrants, respectively, were excluded from the computation of diluted weighted-average shares as their effect would have been anti-dilutive.

**12. Related Party Transactions**

Total sales to members of a group of companies affiliated with the other participant in the Endako Mine joint venture were $44.9 million and $126.7 million for the three and nine months ended September 30, 2010, respectively. This represented 28% and 29% of TCM s total revenues for the three and nine months ended September 30, 2010, respectively.

Total sales with the other participant in the Endako Mine joint venture were $33.5 million and $57.7 million for the three and nine months ended September 30, 2009, respectively. This represented 29% and 22% of TCM s total revenues for the three and nine months ended September 30, 2009, respectively.

For the three and nine months ended September 30, 2010, TCM recorded management fee income of $0.1 million and $0.3 million, respectively, and selling and marketing expenses of $0.1 million and $0.6 million, respectively, from this group of companies.

For the three and nine months ended September 30, 2009, TCM recorded management fee income of $0.1 million and $0.2 million, respectively, and selling and marketing expenses of $0.2 million and $0.4 million, respectively, from this group of companies.

As of September 30, 2010 and December 31, 2009, TCM s accounts receivable included $9.6 million and $10.3 million, respectively, owing from this group of companies.

**13. Supplementary Cash Flow Information**

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| Change in working capital accounts: | | | | |
| Accounts receivable | $ (13.2) | $ (17.9) | $ (30.5) | $ (0.1) |
| Product inventory | 7.5 | (0.4) | (22.2) | 11.6 |
| Material and supplies inventory | 0.7 | 1.4 | 1.7 | 2.7 |
| Prepaid expense and other current assets | (0.3) | 1.7 | 2.8 | 3.4 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Income tax receivable | | (0.6) | | (0.7) | | (1.8) | | (1.5) |
| Accounts payable and accrued liabilities | | (2.5) | | 5.5 | | 4.6 | | 2.8 |
| Income and mining taxes payable | | (3.8) | | 5.8 | | (3.6) | | 0.3 |
| | $ | (12.2) | $ | (4.6) | $ | (49.0) | $ | 19.2 |
| Cash interest paid | $ | 0.4 | $ | 0.2 | $ | 0.7 | $ | 0.6 |
| Cash income taxes paid | $ | 0.4 | $ | 3.4 | $ | 10.6 | $ | 18.3 |

In addition, a $13 million refund of certain state income taxes related to prior year tax returns was received in the second quarter of 2010. This refund was offset by a tax payment of $4 million, of which $1.7 million was accrued as of December 31, 2009.

**14. Concentration of Credit Risk**

TCM is exposed to counterparty risk from its cash and cash equivalent balances, its short-term cash investments, and its reclamation deposits held by financial institutions and governmental entities. TCM monitors its positions with, and the credit quality of, the financial institutions in which it invests its cash, cash equivalents and short-term investments, and that hold its reclamation deposits. Counterparties to cash balances, money market instruments, government treasury securities and its reclamation deposits are US and Canadian institutions and the US and Canadian governments. TCM s investment policy limits investments to government-backed financial instruments, other than balances maintained in various bank operating accounts.

TCM manages its credit risk from its accounts receivable through established credit monitoring activities. As of September 30, 2010, TCM had four customers which owed TCM more than $3.0 million and accounted for approximately 38% of all receivables outstanding. There were another nine customers having balances greater than $1.0 million but less than $3.0 million that accounted for approximately 20% of total receivables. All of these balances were compliant with credit terms and scheduled payment dates.

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TCM s maximum credit risk exposure is the carrying value of its accounts receivable. The carrying amounts of accounts receivable, accounts payable and accrued liabilities, and fixed rate debt approximate fair value as of September 30, 2010.

**15. Segment Information**

TCM has two reportable segments: US Operations and Canadian Operations. The US Operations segment includes all mining, milling, mine site administration, roasting and sale of molybdenum products from the Thompson Creek Mine and the Langeloth Facility, as well as all roasting and sales of third-party purchased material. The Canadian Operations segment includes all mining, milling, mine site administration, roasting and sale of molybdenum products from the 75% owned Endako Mine. The Inter-segment represents the revenue and cost of sales elimination of product transported from the Canadian Operations to the US Operations for processing. TCM s chief operating decision makers (Chief Executive Officer and Chief Operating Officer) evaluate segment performance based on segment revenue less costs of sales. TCM attributes other income and expenses to the reporting segments if the income or expense is directly related to segment operations, as described above. TCM does not allocate corporate expenditures such as general and administrative, exploration, and interest income and expense items to its reporting segments. Segment information for the three and nine months ended as of September 30, 2010 and 2009 is as follows:

*For the three months ended September 30, 2010*

| | US Operations | Canadian Operations | Inter-segment | Total |
|---|---|---|---|---|
| Revenues | | | | |
| Molybdenum sales | $ 130.5 | $ 27.2 | $ (0.6) | $ 157.1 |
| Tolling, calcining and other | 4.7 | | | 4.7 |
| | 135.2 | 27.2 | (0.6) | 161.8 |
| Costs of sales | | | | |
| Operating expenses | 73.3 | 17.3 | (0.8) | 89.8 |
| Selling and marketing | 1.8 | 0.8 | (0.3) | 2.3 |
| Depreciation, depletion and amortization | 6.8 | 5.3 | | 12.1 |
| Accretion expense | 0.4 | | | 0.4 |
| | 82.3 | 23.4 | (1.1) | 104.6 |
| Segment revenue less costs of sales | 52.9 | 3.8 | 0.5 | 57.2 |
| Other segment expenses: | | | | |
| Loss (gain) on foreign exchange | | (2.4) | | (2.4) |
| Segment income before income and mining taxes | $ 52.9 | $ 6.2 | $ 0.5 | |