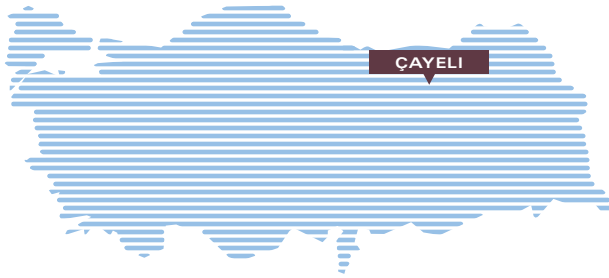


Çayeli



Çayeli is an underground mine located on the Black Sea coast of northeastern Turkey.

Location	Turkey
Ownership	100%
Type of mine	underground
Primary metal	copper
Secondary metal	zinc
End product	copper and zinc concentrate
Expected mine life	2017
Average reserve grades	copper – 3.5% zinc – 4.9%
Infrastructure	close to roads and 18 kilometres from the port at Rize
Employees	449
Contractors	127

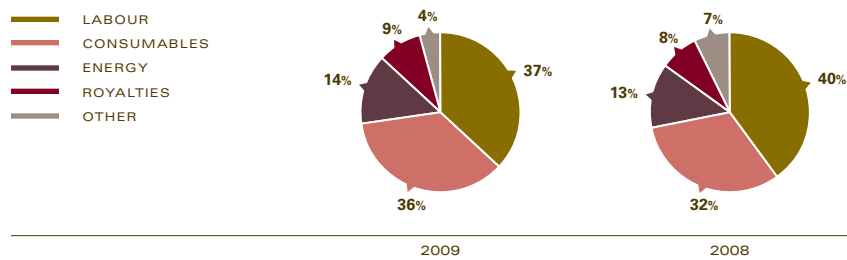
Key data

Production	2010 objective	2009 results	2009 target	2008 results	Change (target to 2009)	Change (2008 to 2009)
Tonnes of ore milled (thousands)	1,200	1,151	1,200	1,109	-4%	+4%
Tonnes of ore milled per day	3,300	3,150	3,300	3,040	-4%	+4%
Grades (percent)	copper	3.3	3.8	3.7	-13%	-11%
	zinc	6.1	6.5	6.1	-3%	+3%
Mill recoveries (percent)	copper	78	80	80	-4%	-4%
	zinc	70	72	71	-1%	-
Metal production (tonnes)	copper	30,500	36,800	32,700	-21%	-11%
	zinc	51,700	56,400	47,600	-10%	+7%
Cost per tonne of ore milled (C\$)	\$ 72	\$ 72	\$ 81	\$ 81	-11%	-11%
Capital expenditures (C\$)	\$ 21	\$ 15	\$ 22	\$ 20	-32%	-25%

Direct production costs

The following charts show the breakdown of 2009 production costs compared to 2008.

DISTRIBUTION OF DIRECT PRODUCTION COSTS
2009 vs. 2008



Operating earnings and cash flow

	2009	2008	Objective 2010
(millions of Canadian dollars, unless otherwise stated)			
SALES ANALYSIS			
Copper sales (tonnes)	29,000	32,500	30,500
Zinc sales (tonnes)	52,400	48,800	51,700
Gross copper sales	\$ 185	\$ 194	\$ 212
Gross zinc sales	102	99	120
Other metal sales	18	12	18
Gross sales	305	305	350
Smelter processing charges and freight	(82)	(78)	(97)
Net sales	\$ 223	\$ 227	\$ 253
COST ANALYSIS			
Tonnes of ore milled (thousands)	1,151	1,109	1,200
Direct production costs (per tonne)	\$ 72	\$ 81	\$ 72
Direct costs of production	\$ 83	\$ 90	\$ 86
Change in inventory	–	–	–
Depreciation and other non-cash costs	16	14	18
Operating costs	\$ 99	\$ 104	\$ 104
Operating earnings	\$ 124	\$ 123	\$ 149
Operating cash flow	\$ 96	\$ 82	\$ 132

Operating earnings and cash flow

The table below shows what contributed to the change in operating earnings and operating cash flow between 2009 and 2008.

	Change
(millions)	
Higher metal prices, denominated in Canadian dollars	\$ 13
Lower sales volumes from lower production	(15)
Higher smelter processing charges and freight	(2)
Lower operating costs (labour costs)	7
Higher depreciation	(2)
Higher operating earnings, compared to 2008	1
Lower tax expense because taxable earnings were lower	2
Changes in working capital	(1)
Other	12
Higher operating cash flow, compared to 2008	\$ 14

Çayeli

Financial and operations review

FINANCIAL REVIEW

Operating earnings were consistent between years because the higher prices we received for copper and zinc in 2009 almost offset the lower metal production and sales volume. Operating costs were lower mainly because of lower labour costs associated with the value of Turkish lira labour costs relative to the US dollar.

OPERATIONS REVIEW

Çayeli's production increased to a record 1.15 million tonnes this year, and set several new records for milling, including best daily tonnage of 3,700 tonnes, and best monthly tonnage of 107,000 tonnes. The mine also placed record amounts of paste and waste fill into the underground.

Despite this, production was just under its target of 1.2 million tonnes. Several stopes collapsed early in the year and at mid-year the ball mill gear box failed. This reduced overall throughput, but a 17 percent improvement in the hoist cycle time in the middle of the year had a positive impact on production.

Both copper and zinc grades were below our 2009 target mainly because we changed the mining sequence in response to the stope collapses, moving to upper level stopes with lower grades. Dilution was also higher because we mined more secondary and tertiary stopes than planned.

Copper and zinc recoveries for 2009 were also below our target and last year because the ore type changed as we moved deeper into the ore body. This, combined with difficulties in estimating the quantity of secondary copper mineral, meant the ore could not be blended to optimize processing, resulting in higher proportions of low quality copper concentrate production and higher zinc activation in the copper circuits.

Over the year, we worked to improve our ability to better predict, understand and adapt to the varying ore types and mineralogical differences, and are now able to identify and process secondary copper mineral ores separately, to optimize overall metallurgical performance.

Copper and zinc production were therefore both below our targets for the year. Compared to 2008, copper production was down because copper grades were lower, while zinc production was up because zinc grades were higher.

We partially corrected the misalignment of the Çayeli headframe this year (the result of local ground movement over the years), and commissioned a geotechnical review to find ways to minimize surface instability in the future.

Recent reductions in the work force and improvements in productivity have helped to manage labour costs and maintain our competitiveness. In December 2009, Çayeli finalized a three-year labour agreement, effective May 2009, that includes an inflation adjustment as well as some first year adjustments. We expect the agreement to increase annual operating costs by about US \$0.02 per pound.

We spent \$15 million to upgrade underground mobile equipment, remediation costs for the head frame and mine development. In 2008, \$22 million in capital spending was for a water filtration plant, ventilation raise, mine equipment, mill upgrades and other equipment replacements.

Outlook for 2010

In 2010, production levels should remain at 1.2 million tonnes, and copper and zinc grades should remain essentially unchanged at 3.3 percent for copper and 6.1 percent for zinc.

The operating earnings and cash flows table provides an estimate for 2010 earnings and cash flows for Çayeli based on our production objectives and the market factor assumptions found on page 27.

We expect operating earnings and cash flows to increase in line with higher expected metal prices. Copper smelter processing charges and freight should go up while zinc charges are likely to remain similar. We expect to sell about 20 percent of our concentrates on the spot market. We will work to control costs by carrying out structured programs for continuous improvement designed to increase productivity and should result in cost savings. Particular emphasis will be placed on labour, power and water savings.

We expect to spend \$21 million on capital in 2010 for mobile equipment, site water control, slope stability, additional mill upgrades and development. We will complete a second head frame realignment phase in 2010, which will bring the head frame back to its design location, and establish a monitoring and correction program to ensure the facility remains viable for the life of the mine. At the same time, we will implement several geotechnical recommendations to curtail surface instability.

Planning for the future

Underground infrastructure additions and improvements such as the concrete delivery line extension, an additional internal exhaust raise, and the ore pass rehabilitation will enhance Çayeli's ability to sustain production at a level of 1.2 million tonnes per year.

Ground conditions remain an important challenge as the mine matures and we access deeper ore. Using a stress model and seismic system data, the planners will be able to more effectively predict areas of increased stress and apply proactive ground support.

The existing five year, deep sea tailings deposition permit expired in January 2010. The regulator has granted an extension while it incorporates recent changes in legislation into the renewal.

We will continue our efforts to overcome challenging metallurgical conditions at the mill. We will study various modifications to our process (adding column flotation cells, for example), to improve copper and zinc recovery and increase the production of high quality copper concentrate. We will also investigate new technologies designed to increase recoveries and reduce reagent consumption, such as real time froth surface analysis.

Çayeli has budgeted \$0.7 million in 2010 for surface exploration drilling that will test targets that were identified in recent geophysical surveys, capable of detecting anomalies to depths of up to 2,000 metres.