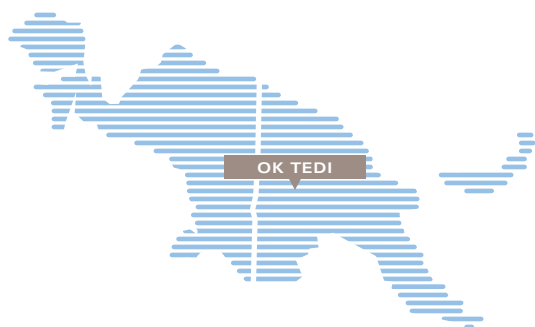


# Ok Tedi



|                        |   |
|------------------------|---|
| Location               | Papua New Guinea                        |
| Ownership              | 18%                                     |
| Type of mine           | open pit                                |
| Primary metal          | copper                                  |
| Secondary metal        | gold                                    |
| End product            | copper concentrate                      |
| Expected mine life     | 2014                                    |
| Average reserve grades | copper – 0.8%<br>gold – 1.1 grams/tonne |
| Infrastructure         | concentrate pipeline and river barging  |
| Employees              | 2,141                                   |
| Contractors            | 2,000                                   |

Ok Tedi is an open pit mine located in Papua New Guinea.

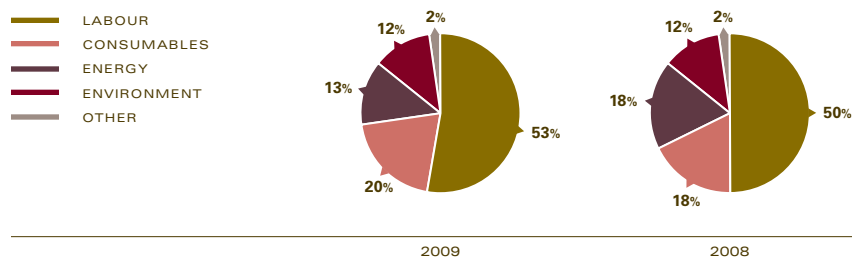
## Key data

| Production                         | 2010<br>objective  | 2009<br>results | 2009<br>target | 2008<br>results | Change<br>(target to 2009) | Change<br>(2008 to 2009) |
|------------------------------------|--------------------|-----------------|----------------|-----------------|----------------------------|--------------------------|
| Tonnes of ore milled (thousands)   | 23,900             | 22,600          | 25,300         | 21,700          | -11%                       | +4%                      |
| Tonnes of ore milled per day       | 65,000             | 62,000          | 69,000         | 59,000          | -11%                       | +4%                      |
| Strip ratio                        | 1.2                | 1.8             | 1.2            | 1.8             | +50%                       | –                        |
| Grades                             | copper (percent)   | 0.8             | 0.9            | 0.9             | +13%                       | –                        |
|                                    | gold (grams/tonne) | 1.2             | 1.0            | 1.1             | -9%                        | –                        |
| Mill recoveries                    | copper (percent)   | 85              | 86             | 84              | +2%                        | -1%                      |
|                                    | gold (percent)     | 66              | 69             | 68              | +1%                        | -5%                      |
| Metal production                   | copper (tonnes)    | 163,000         | 166,700        | 176,000         | -5%                        | +4%                      |
|                                    | gold (ounces)      | 607,000         | 517,800        | 608,000         | -15%                       | –                        |
| Cost per tonne of ore milled (C\$) | \$ 23              | \$ 24           | \$ 26          | \$ 24           | -8%                        | –                        |
| Capital expenditures (C\$)         | \$ 21              | \$ 21           | \$ 26          | \$ 38           | -19%                       | -45%                     |

## 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) |        |        |                |
| <b>SALES ANALYSIS AT 18%</b>                           |        |        |                |
| Copper sales (tonnes)                                  | 26,600 | 29,900 | 29,300         |
| Gold sales (ounces)                                    | 88,900 | 92,100 | 109,300        |
| Gross copper sales                                     | \$ 189 | \$ 193 | \$ 203         |
| Gross gold sales                                       | 101    | 81     | 115            |
| Other metal sales                                      | 4      | 3      | 3              |
| Gross sales  | 294    | 277    | 321            |
| Smelter processing charges and freight                 | (30)   | (33)   | (31)           |
| Net sales  | \$ 264 | \$ 244 | \$ 290         |
| <b>COST ANALYSIS AT 18%</b>                            |        |        |                |
| Tonnes of ore milled                                   | 4,100  | 3,900  | 4,300          |
| Direct production costs (per tonne)                    | \$ 24  | \$ 24  | \$ 23          |
| Direct costs of production                             | \$ 96  | \$ 93  | \$ 99          |
| Change in inventory                                    | (9)    | (3)    | –              |
| Depreciation and other non-cash costs                  | 27     | 19     | 30             |
| Operating costs  | \$ 114 | \$ 109 | \$ 129         |
| <b>Operating earnings</b>                              | \$ 150 | \$ 135 | \$ 161         |
| <b>Operating cash flows</b>                            | \$ 103 | \$ 117 | \$ 125         |

## 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 copper price, denominated in Canadian dollars | \$ 17   |
| Higher gold price, denominated in Canadian dollars   | 23      |
| Lower sales volumes                                  | (17)    |
| Lower operating costs                                | 1       |
| Higher depreciation                                  | (9)     |
| <b>Higher operating earnings, compared to 2008</b>   | 15      |
| Increased tax expense because of higher earnings     | (1)     |
| Change in working capital                            | (36)    |
| Add back higher depreciation and other               | 8       |
| <b>Lower operating cash flow, compared to 2008</b>   | \$ (14) |

## Ok Tedi

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### Financial and operations review

#### FINANCIAL REVIEW

Operating earnings increased in 2009 due to higher copper and gold prices realized. Sales volumes were lower in 2009 despite higher production because of delayed shipments towards the end of 2009. Operating cash flows decreased from 2008 because the payments owing to smelters in 2008 were made in 2009 plus the benefits of higher metal prices are reflected in higher accounts receivable balances at the end of 2009.

#### OPERATIONS REVIEW

Mill throughput in 2009 was 2.7 million tonnes, or 11 percent below target this year, but 4 percent higher than 2008. The most significant issues were lack of mill availability during maintenance shutdowns and low grinding rates on certain ores.

Lower throughput compared to target reduced copper production in 2009, but copper grades were higher than planned helping offset part of the reduction. Higher copper grades were a noteworthy achievement given Ok Tedi's need to manage the sulphur level in the ore.

The ore scheduled to be mined this year was high in sulphur, but because of modifications being made in the mine waste management plant it could not handle high sulphur in the mill tailings stream. Ok Tedi had almost completed its extensive modifications to the tailings management plant by the end of the year, and the plant should be able to handle higher sulphur in the mill tailings stream by the end of the first quarter of 2010. In the meantime, Ok Tedi created new mining plans and prepared new mining areas to access higher grade, lower sulphur ores this year.

The lower sulphur ores have less gold content, however, so gold head grades were lower than planned this year resulting in lower gold production than planned.

Ok Tedi completed the mine drainage tunnel this year and, in the fourth quarter, connected it to the pit bottom using drainage holes. The project has been very successful and the bottom benches, which cannot otherwise use gravity to drain, are in excellent condition for mining operations.

There has been a greater emphasis by Ok Tedi on mining limestone because it is a good source of acid-neutralizing sediments for the river system. This is currently done with existing equipment, but a new mining shovel and truck fleet has been ordered and will be in operation in 2010. This is in response to high variability in the acid generating potential of river sediments dredged at Bige. To be more certain that there are enough neutralizing sediments in the river, Ok Tedi is increasing the amount of limestone it places in the watershed. Further studies are underway to ensure an optimal long-term solution.

At the end of 2009, Ok Tedi prepared and submitted a revised closure plan. We recognized an associated increase in asset retirement obligations of \$17 million for river system monitoring, dredging and other closure activities.

Capital spending in 2009 of \$117 million (our share \$21 million) was for the mine drainage tunnel and other projects. In 2008 capital spending was mainly for the mine waste management program and the mine drainage tunnel.

#### Outlook for 2010

Ok Tedi expects to process 23.9 million tonnes of ore in 2010, at a grade of 0.8 percent copper and containing 1.2 grams per tonne of gold. This should produce 163,000 tonnes of copper and 607,000 ounces of gold. Ok Tedi expects a 17 percent increase in its gold production compared to 2009 because of a higher percentage of skarn ores in the mill feed. The mine waste management plant should be able to handle increased sulphur loads by the end of the first quarter of 2010, which will allow it to process skarn ores with a higher gold content.

The operating earnings and cash flows table provides an estimate for 2010 earnings and cash flows for our 18 percent share of Ok Tedi based on 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 and higher production. Copper smelter processing charges and freight should go up. Ok Tedi estimates it will sell 85 percent of its concentrate under long-term contracts and the rest in the spot market.

Capital spending in 2010 will be for a mining fleet specific to limestone mining, the construction of underwater storage pits for sulphur produced by the mine waste management plant and earthworks.

#### Planning for the future

The modification and successful operation of the tailings management plant is a matter of intense focus at Ok Tedi and is a key requirement for achieving budgeted production in 2010. The plant must operate to design specifications for remaining ore to be processed in an environmentally responsible way. While the plant functioned well enough to allow sulphur levels well above historical averages to be fed to the mill in 2009, it was still necessary to limit the pyrite content of the ore to below budgeted levels, and in the coming months, Ok Tedi will have significantly less flexibility.

Mill performance was affected by maintenance downtime during 2009. A shortage of skilled maintenance personnel was the major contributor and Ok Tedi is addressing recruiting and retention issues.

Ok Tedi has historically operated and been scheduled as a 'townsite' mine. The reality in recent years, however, is that the mine operates more as a fly-in, fly-out camp, as increasing numbers of employees commute to Tabubil from other parts of Papua New Guinea and from Australia. This trend, and the overall competition for skilled workers, will increase as more mines and natural gas projects come on stream in Papua New Guinea. Ok Tedi is looking closely at the townsite model of operation to see if it is the most effective for the operation.

Ok Tedi's ability to generate electrical power, ship concentrates to its customers and bring supplies to the operations depends on the amount of rainfall in the area. When rainfall levels are low, sand banks in the river prevent the barges from passing and concentrate is stockpiled at the river port. Low water levels can also potentially delay shipments of supplies of fuel and explosives to the mine. If there are prolonged dry weather conditions, the mine may not be able to generate electrical power, and may have to cut back or suspend production. Ok Tedi has taken the necessary steps to minimize the impact of dry weather on the operation by keeping concentrate stockpiles at the lowest possible levels, and increasing its inventory of diesel fuel and other consumables. This should allow the mine to operate for 45 days without interruption during a complete drought, and for 90 days during a drought where there is intermittent rainfall.

#### **INMET'S ROLE IN OK TEDI**

On June 2, 2009 we entered into a non-binding draft term sheet with PNG Sustainable Development Programme Limited (PNG SDPL), the 52 percent majority shareholder of Ok Tedi, to exchange our 18 percent equity interest in Ok Tedi for a 5 percent net smelter return (NSR) royalty on revenues of product from the Ok Tedi mine.

The proposed transaction will have no effect on our net asset value. It is designed to give Ok Tedi the ability to pursue specific projects outside the scope of its current activities, while insulating our economic interest from the financial impact of Ok Tedi's future operating and capital costs.

The NSR will apply to proceeds from the sale of all mineral products from the Ok Tedi mine as operated under the current mine plan (including gains and losses from hedging and forward sales that were in effect as of May 18, 2009), less treatment charges and penalties, insurance, freight and sampling/assaying and a two percent royalty Ok Tedi pays to the government of Papua New Guinea, the Western Province and local landowners.

The NSR will remain in place until operations under the current mine plan end (currently expected by mid-2014). This date will be adjusted to reflect any acceleration, delay, sterilization or change in cut-off grade ore from the currently approved pit shell and budget.

On closing of the transaction, we will:

- receive a payment equal to 18 percent of Ok Tedi's working capital
- cease to be a shareholder of Ok Tedi
- give up our representation on the Board of Directors of Ok Tedi and have no further rights or funding obligations in respect of Ok Tedi in that capacity
- not participate economically in Ok Tedi operations beyond the term of the NSR.

In November 2009, the National Executive Council of the Government of Papua New Guinea gave its consent to the proposed NSR transaction. We expect the transaction to close by end of 2010, assuming all documentation is completed and the relevant Papua New Guinea tax legislation comes into force.