

Environment

Being a good steward of the environment means minimizing the impact of our work and rehabilitating affected areas when we're done. It starts at the very outset of a project, in our environmental impact assessment and project planning, and continues throughout the lifecycle of our mines. Our efforts aim to protect air, soil and water quality and to maintain biodiversity.

How we did this year

This year Çayeli and Pyhäsalmi implemented water and energy conservation plans, and our development property in Panamá completed most of its environmental impact assessment. Water management and compliance at Las Cruces was challenging as it ramped up operations.

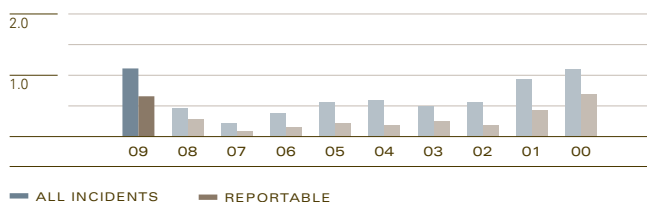
While total energy and water consumption and greenhouse gas emissions were down this year compared to 2008, we were disappointed by a higher number of environmental incidents.

KEY ENVIRONMENT HIGHLIGHTS FOR 2009

(turn to *Performance* on page 45 for the detailed data)

- reportable environmental incident frequency increased 133 percent over 2008 (reflecting better reporting and the ramp up of operations at Las Cruces)
- absolute water consumption decreased by 5 percent from 2008, to 13.4 million cubic metres (an intensity reduction of nearly seven percent from 2008 and 10 percent from 2007)
- absolute energy consumption decreased by 24 percent from 2008, to 2.03 million gigajoules (an intensity reduction of 3.3 percent from 2008 and 2.1 percent from 2007)
- absolute greenhouse gas emissions decreased by 26 percent, to about 118,000 tonnes of carbon dioxide equivalent (an intensity decrease of 0.2 percent from 2008 and an increase of 1.9 percent from 2007).

ENVIRONMENTAL INCIDENTS AT MAJORITY-OWNED SITES PER 1,000 TONNES COPPER EQUIVALENT PRODUCED



Better environmental awareness and incident reporting and the start of operations at Las Cruces led to more reported environmental incidents this year. In total, we recorded 159 environmental incidents: 55 petroleum spills, 71 water-related incidents, 19 process solution spills, eight reagent spills, three tailings incidents, one hazardous waste incident and two air-related incidents. Forty-five percent were reportable to regulatory agencies, and 26 percent were pre-production incidents at Las Cruces and Cobre Panama. Although the environmental impact of these incidents was minor, we are disappointed by the high number of incidents.

We also received three notices of violation: one from the Spanish environmental administration, one from the Ontario Ministry of the Environment, and a one from the Ministry of Sustainable Development, Mining and Parks in Quebec. Site personnel, consultants and the regulators involved have discussed and documented measures to mitigate these water-related incidents.

Nearly 40 percent of our environmental incidents this year were at Las Cruces. A high number of spills and water management incidents is not surprising during the start up of any new, complex operation and ramp up of production – in many jurisdictions, permits provide for these typical start up challenges. The permit for Las Cruces, however, does not include these provisions and specifies limits that are very difficult to achieve, even under normal operating conditions. The site did an excellent job at preventing environmental impacts by immediately stopping effluent discharge and containing spills and cleaning them up promptly each time an incident occurred. Las Cruces is committed to ensuring the plant and control systems continue to protect the environment by working with external consultants and its contractors to improve water treatment and plant piping, valving and storage systems.

We've taken steps to change our procedures and practices at all locations to conform to international best practices, including improving discharge control systems and operations at Pyhäsalmi, runoff management procedures at Çayeli and process water treatment operations at Las Cruces, among others. We were encouraged by improved environmental awareness, incident reporting and follow up this year, which led to fewer water-related incidents at Çayeli and Pyhäsalmi during the last quarter of 2009.

Five-year environmental targets

In 2007, we set five-year targets in the areas of safety, environment and community affairs. We're tracking our progress as we go.

GOAL	CURRENT STATUS
Protect the environment Target: Eliminate significant environmental incidents	On track No significant environmental incidents at our majority-owned sites
Reduce incidents Target: 10 percent year over year improvements in reportable and non-reportable environmental incidents, notices of violation and warnings	Setback Significant increase in incident intensity Three notices of violation
Reduce fresh water use Target: 20 percent reduction from 2007 levels	Significant progress 6.7 percent intensity improvement from 2008, 9.8 percent from 2007 4.7 percent reduction in absolute consumption from 2008, 4.2 percent from 2007
Reduce energy use and GHG emissions Target: 10 percent intensity improvement from 2007 levels	Some progress 3.3 percent energy intensity reduction from 2008, 2.1 percent from 2007 0.2 percent reduction in GHG emission intensity from 2008, 1.9 percent increase from 2007

WHAT YOU NEED TO KNOW

A third-party environmental compliance audit was held this year at Çayeli. As with our health and safety audits, the site has 60 days from receiving their findings to report how they will correct any deficiencies. As expected and most importantly, the auditors identified several matters related to water management. The auditors and Çayeli management worked to fully review the issues, an in-depth process that helped Çayeli begin its corrective action plan immediately.

Mine waste performance and management

Pyhäsalmi and Çayeli took several steps to improve tailings management systems this year. Pyhäsalmi improved the embankment slope layout and overall stability. Çayeli improved its deep sea tailings placement system by improving the shoreline mix tank set-up, operation, maintenance and inspection, as well as improving pipeline protection and increasing community awareness about how our deep sea placement system works. The existing five year, deep sea tailings deposition permit expired in January 2010. We were granted an extension while the regulator reviewed expert technical opinion and proposed new legislation. A new permit has been issued, effective April 2010.

Water performance and management

As access to fresh water becomes more of a concern worldwide and demands for it increase, many jurisdictions are now charging fees to withdraw water from natural sources, like water bodies and aquifers. We've set a five-year target to reduce the fresh water we use by 20 percent, and we've begun to see progress toward that goal – our majority-owned operations reduced their water consumption intensity by nearly seven percent from 2008 and nearly 10 percent from 2007. Company-wide, we reduced absolute fresh water use at our majority-owned sites by 4.6 percent from 2008 and 4.2 percent from 2007, our target reference year.

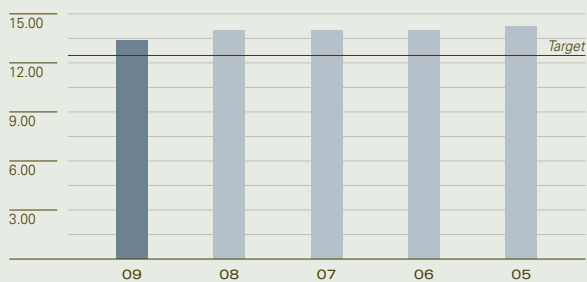
Energy and greenhouse gas emissions

Mining is an energy-intensive activity. The deeper we dig, the more energy (fuel or electricity) it takes to extract each tonne of ore. Much of the electricity we use is hydroelectric, but some of it is generated by burning coal or other fossil fuels.

Company-wide, our energy intensity improved by 3.3 percent over 2008 and 2.1 percent over 2007 (our target reference year), but much of this reduction was due to lower fuel consumption at Troilus, which stopped mining in April, and Las Cruces, which had less pit pushback work in 2009. Çayeli reduced its absolute energy consumption by more than five percent over 2008 and Pyhäsalmi by nearly three percent. We're encouraged by their progress.

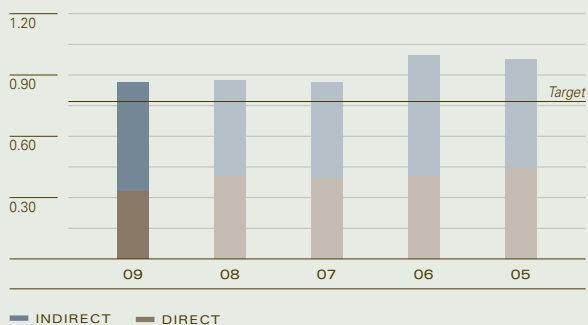
STRIVING FOR SUSTAINABLE PRODUCTION: WATER WITHDRAWAL AND GHGS

WATER WITHDRAWAL
Inmet majority-owned operations
(Water withdrawal - million cubic metres)

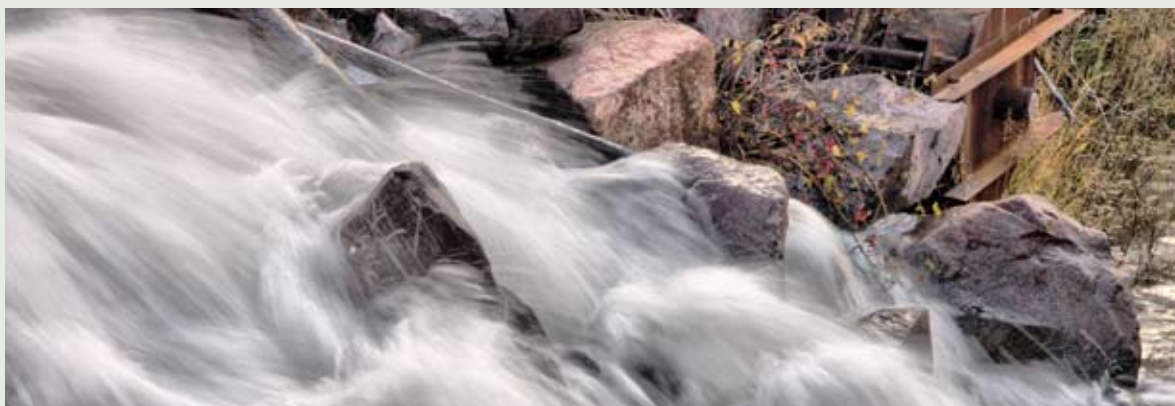


We've set a five-year target to reduce the fresh water we use by 20 percent.

GREENHOUSE GAS (GHG) EMISSIONS - INTENSITY
Inmet majority-owned operations
(GHG emissions - tonnes CO₂ per tonne copper (eq))



The increase in indirect GHG emissions intensity this year is the result of higher electricity consumption at Las Cruces with the start up of operations, combined with copper production that was below target.



Our operations have been consistently reducing fresh water consumption since 2006.

**Keeping our commitments:
Closed properties and reclamation**

In our annual budgets and financial reporting, we make provisions for restoring our operating sites after the mines are closed. We also develop closure plans that meet or exceed local regulatory requirements and comply with Canadian standards and international best practices.

After we close a mine, our experienced operations, maintenance, inspection and monitoring personnel oversee site reclamation to ensure the site achieves its performance targets. We use external consultants to help us measure the effectiveness of restoration efforts, through biological surveys and other forms of evaluation.

We have already completed most of the individual reclamation projects at our closed properties and are starting to show positive results:

- improved water quality and aquatic ecosystem health downstream of the Winston Lake site,

- improved water quality in the small creek next to the Sturgeon Lake site
- stabilized tailings at White Pine, reducing the risk of dust in the community and silt in creeks.

The table below shows our spending on reclamation over the past three years, not including Troilus:

(millions)	2009	2008	2007
	\$3.0	\$2.8	\$3.4

DID YOU KNOW...

In 2009, we submitted our third voluntary annual report to the Carbon Disclosure Project. We addressed questions related to the effects of climate change and our plans to reduce energy use and greenhouse gas emissions across our company. We'll be reporting again in 2010.