Status of our development projects

Las Cruces

Quarterly development update

On April 7th, the Andalucian Regional Ministry of Innovation, Science and Business (CICE) issued a resolution to approve the lifting of the suspension of mining imposed at Las Cruces in May 2008.

Las Cruces has completed all activities required to fulfill the pre-conditions and is awaiting receipt of final verification from CICE which would enable Las Cruces to resume mining in the pit.

Preparation for first copper

Construction of the process plant has been completed and commissioned to the extent possible without ore. It is ready to start up as soon as ore is delivered, which we expect would be about four weeks after Las Cruces receives final verification from CICE that would enable it to resume mining. First copper should be produced approximately eight days after the start of production.

2009 outlook for development and production

Las Cruces construction is complete. To date, €477 million has been spent on construction capital for the project and €543 million for the total project.

The following table shows total spending for the project to the end of March 2009 and our capital objective for the rest of the year:

(millions)	**up to December 31, 2008**	**January to March 2009**	***revised objective April to December 2009***	***total project estimate at December 31, 2009***
Construction capital	€448	€29	*€27*	*€504*
Mine development	6	4	*14*	*24*
Sustaining capital	-	-	*24*	*24*
Capitalized interest	18	3	*5*	*26*
Pre-operating costs capitalized, net of sales	-	-	*16*	*16*
Value added tax	25	5	*(30)*	-
Other	5	-	*3*	*8*
Capital expenditures	**€502**	**€41**	***€59***	***€602***

The table below shows expected production for 100 percent of Las Cruces for 2009 (assuming we start production in June) and for the mine life.

		2009 target	**life of mine**
Tonnes of ore processed (thousands)		**305**	**17,492**
Strip ratio		**40**	**12.5**
Copper grades	(percent)	**9.8**	**6.2**
Copper production	(tonnes)	**28,800**	**997,200**
Cost per tonne of ore processed	(C $)	**$195**	**$87**

Expected copper production for 2009 includes 23,400 tonnes of copper cathode and 5,400 tonnes of copper in ore that, depending on market conditions and renewal of export permits, we plan to ship directly to smelters. If market conditions change and smelters refuse to accept the ore, we will stockpile the ore and process it in the hydrometallurgical plant, which will reduce copper sales by 5,400 tonnes of copper. We still plan on mining 18,200 tonnes of copper in ore to ship directly to smelters, however, 12,800 tonnes has been shifted to 2010.

Based on the 2009 production targets and the assumptions laid out on page 13, we estimate the following operating earnings and cash flow in 2009.

100%

(millions of Canadian dollars unless otherwise stated)	***revised objective 2009***
Copper sales (tonnes)	***28,800***
Gross copper sales	***$77***
Smelter processing charges and freight	***(14)***
Net sales	***$63***
Tonnes of ore milled (thousands)	***305***
Direct production costs ($ per tonne)	***$195***
Direct production costs	***$39***
Change in inventory	***(6)***
Depreciation and other non-cash costs	***14***
Operating costs	***$47***
Operating earnings	***$16***
Operating cash flow	***$32***