

# Pyhäsalmi

		three months ended March 31			objective
		2009	2008	change	2009
Tonnes of ore milled (000's)		<b>349</b>	348	-	<b>1,370</b>
Tonnes of ore milled per day		<b>3,900</b>	3,900	-	<b>3,750</b>
Grades (percent)	copper	<b>1.1</b>	1.1	-	<b>1.0</b>
	zinc	<b>1.2</b>	2.4	-50%	<b>1.9</b>
	sulphur	<b>44</b>	42	+5%	<b>42</b>
Mill recoveries (percent)	copper	<b>95</b>	96	-1%	<b>94</b>
	zinc	<b>85</b>	92	-8%	<b>87</b>
Production (tonnes)	copper	<b>3,600</b>	3,500	+3%	<b>13,000</b>
	zinc	<b>3,500</b>	7,600	-54%	<b>22,600</b>
	pyrite	<b>190,800</b>	194,500	-2%	<b>510,000</b>
Cost per tonne of ore milled (C\$)		<b>\$45</b>	\$42	+7%	<b>\$41</b>

## Lower zinc grades reduce zinc production by more than half

Pyhäsalmi maintained its strong production record in the first quarter of 2009, processing at an annualized rate of 1.4 million tonnes.

Copper production was consistent with last year. Zinc production in the first quarter was lower than we planned and lower than the first quarter of 2008 because changes in stope sequencing resulted in lower grades. Pyrite production was consistent with last year, but a steep drop in pyrite demand at the end of 2008 reduced prices significantly, and customers took only minimum contracted deliveries. Pyhäsalmi sold 76,000 tonnes of pyrite in the first quarter of 2009 compared to 124,000 tonnes in the same period last year.

The higher cost in 2009 is a result of the exchange rate between the euro and Canadian dollar.

### 2009 outlook for production and costs

Pyhäsalmi expects to mine 1.4 million tonnes of 1 percent copper and 1.9 percent zinc in 2009, and produce 13,000 tonnes of copper and 22,600 tonnes of zinc. Zinc grades are expected to increase through the rest of the year to reach our objective of 1.9 percent.

## Financial review

### Lower earnings this quarter because of a significant decline in copper and zinc prices

<i>(millions of Canadian dollars unless otherwise stated)</i>	<b>three months ended March 31</b>		<b>objective</b>
	<b>2009</b>	2008	<b>2009</b>
<b>Sales analysis</b>			
Copper sales (tonnes)	<b>3,700</b>	3,500	<b>13,000</b>
Zinc sales (tonnes)	<b>4,000</b>	6,600	<b>22,600</b>
Pyrite sales (tonnes)	<b>76,000</b>	124,000	<b>510,000</b>
Gross copper sales	<b>\$17</b>	\$28	<b>\$54</b>
Gross zinc sales	<b>6</b>	15	<b>31</b>
Other metal sales	<b>11</b>	12	<b>46</b>
Gross sales	<b>34</b>	55	<b>131</b>
Smelter processing charges and freight	<b>(9)</b>	(11)	<b>(38)</b>
Net sales	<b>\$25</b>	\$44	<b>\$93</b>
<b>Cost analysis</b>			
Tonnes of ore milled (thousands)	<b>349</b>	348	<b>1,370</b>
Direct production costs (\$ per tonne)	<b>\$45</b>	\$42	<b>\$41</b>
Direct production costs	<b>\$16</b>	\$15	<b>\$56</b>
Change in inventory	<b>(1)</b>	(2)	<b>-</b>
Depreciation and other non-cash costs	<b>3</b>	3	<b>11</b>
Operating costs	<b>\$18</b>	\$16	<b>\$67</b>
<b>Operating earnings</b>	<b>\$7</b>	\$28	<b>\$26</b>
<b>Operating cash flow</b>	<b>(\$2)</b>	\$31	<b>\$33</b>

The objective for 2009 uses the assumptions laid out on page 13.

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

<i>(millions)</i>	<b>three months ended March 31</b>
Lower metal prices, denominated in Canadian dollars	\$(11)
Lower pyrite sales, net of costs to sell	(5)
Lower sales volumes	(5)
<b>Lower operating earnings, compared to 2008</b>	<b>(21)</b>
Lower tax expense because of lower earnings	6
Changes in working capital (mainly from higher accounts receivable)	(15)
Other	(3)
<b>Lower operating cash flow, compared to 2008</b>	<b>\$(33)</b>

### Capital spending to sustain and improve

<i>(thousands)</i>	<b>three months ended March 31</b>		<b>objective</b>
	<b>2009</b>	2008	<b>change</b>
			<b>2009</b>
<b>Capital spending</b>	<b>\$800</b>	\$1,800	<b>-56%</b>
			<b>\$11,000</b>

#### 2009 outlook for capital spending

We expect to spend \$11 million in 2009, mainly for mine equipment, making improvements in the mill and renovating process water pumps. We expect to replace the zinc circuit cells in September, and these should provide a reliable circuit for the remaining mine life.