

## Status of our development project

# Cobre Panama

### FEED program

The revised mine plan and other optimization studies have contributed to an updated base case for design purposes, including a switch to a third party power provider (Suez Energy Central America with whom we signed a joint development agreement), higher throughput of 150,000 tonnes per day, a minimum 30 year mine life and other changes. In late March 2010, we plan to announce the results of the work from the front-end engineering and design (FEED) study, which will include updated capital cost estimates, operating cost estimates, mineral reserves, and other information that will help us in the assessment of the economics of the project.

### Environmental affairs

Our environmental activities this year revolved around two primary components: work on the environmental and social impact assessment study (ESIA), and support for our field activities.

We completed baseline data collection and made substantial progress on the impact assessments and management plans. Our ESIA, which will cover all environmental and social interactions associated with the project, is being prepared by experts in the field of environmental and social assessment, who have experience in other large and complex mining projects. They will complete the assessment early in the second quarter of 2010, and then we will submit it to the Panamanian regulatory authorities for their review, comment and approval.

### Option to sell 20 or 30 percent of Cobre Panama

In October 2009, we entered into an agreement with LS-Nikko Copper Inc. (LS-Nikko), that gives it the option to acquire a 20 percent interest in Minera Panama. Under the agreement LS-Nikko has the right to increase this interest to 30 percent prior to January 31, 2010. We granted an extension of this right to February 28, 2010 while it continues to seek additional partners. LS-Nikko is holding the option through a wholly-owned subsidiary, Korea Panama Mining Corp. (KPMC), and has guaranteed KPMC's obligations under the agreement.

During the option period, we and KPMC will fund our proportionate shares of Minera Panama's development costs up to US \$150 million. We will fund 100 percent of development costs that exceed US \$150 million during this period.

After we publicly announce a decision to proceed with construction and development of the project, KPMC will have 60 days to exercise its option. If it chooses to exercise the option:

- KPMC will invest in Minera Panama its proportionate share of:
  - our US \$501 million investment in Minera Panama, or approximately US \$125.5 million with a 20 percent interest or US \$215 million with a 30 percent interest, and
  - development costs during the option period that exceeded US \$150 million.

We will enter into a shareholders' agreement with LS-Nikko, KPMC and Minera Panama that will include usual terms related to governing the affairs of Minera Panama and the relationships among the parties. All essential terms have already been agreed upon, including the fact that Inmet will continue to oversee development and operation of the project.

### 2010 outlook for development

In 2010 we plan to:

- complete and release the results of the FEED study
- complete and submit an updated National Instrument 43-101 compliant technical report and reserve statement
- submit the ESIA to the Panamanian environmental authorities

- continue our communications at the community, regional and national levels to enhance understanding of the project and its benefits to Panama
- continue to improve site access and infrastructure
- carry out additional drilling for geotechnical and hydrological purposes
- improve our understanding of mineralization not currently included in the project base case
- enter into an agreement with an engineering, procurement and construction (EPC) contractor for the project and start basic engineering
- work with Suez Energy Central America to select an EPC contractor for the development of a 300 megawatt coal-fired power plant to supply power for the project
- spend \$122 million to carry out the work described in 2010.

We expect approval for the ESIA and permitting for construction to take approximately 12 months from the time the ESIA report is submitted. After we receive the approvals, site capture, preparation and construction should take approximately 48 months.

We continue to consider other companies as part of our overall partnering and financing strategy for the project, but have no plans to sell down additional interests at this time. We are also in discussions about other financing options for the project at this time.