

Status of our development project

Cobre Panama

Environmental and community affairs

We made significant progress in moving the project environmental and social impact assessment (ESIA) study to completion. The ESIA will cover all environmental and social interactions associated with the project, comply with Panamanian requirements, and will conform with the requirements of the International Finance Corporation (IFC) Performance Standards (PS) on social and environmental sustainability. We expect to submit the ESIA to the Panamanian regulatory authorities in the third quarter for their review, comment and approval. We are working closely with the Panamanian authorities to ensure there is coordination to facilitate a timely review process. While the Panamanian authorities review the ESIA, we expect that it will also be reviewed by external financing agencies to ensure compliance with the IFC PS and the Equator Principles. We continue our on-going stakeholder engagement and community development activities to build social license for the project.

Engineering

Engineering this quarter focused on obtaining additional geotechnical information in advance of basic engineering, and on the Engineering, Procurement and Construction (EPC) procurement process.

Geotechnical work, which includes rock and overburden characterization, site-specific seismic analysis and hydrology, is being undertaken at the plant and port sites, the tailings management facility, eastern infrastructure and along the coast road. It will also include seafloor investigations in the port area. At the end of the quarter, the land based program was 60 percent complete and we expect to begin the seafloor drilling in late July. All work is expected to be complete by the fourth quarter.

We have put considerable effort into selecting an EPC contractor. We sent out requests for proposal to pre-qualified consortia in April and at the end of June had received proposals. The proposals are under careful review and due diligence by Inmet and our consultants, and we expect a recommendation by mid August.

2010 outlook for development

In 2010 we plan to:

- submit the ESIA to the Panamanian environmental authorities in the third quarter
- continue our dialogue with stakeholders at the community, regional and national levels, to enhance understanding of the project and its benefits to Panama
- continue to pursue the amendment to Panama's Mineral Resources Code to permit entities in which foreign governmental bodies or authorities have an interest, to hold direct or indirect interests in mining concessions in Panama
- continue to improve site access and infrastructure
- carry out additional drilling for geotechnical and hydrological purposes and to improve our understanding of mineralization not currently included in the project base case
- enter into an agreement with an EPC contractor and start basic engineering
- work with GDF Suez Energy Central America to select an EPC contractor for the development of a 300 megawatt thermal power plant to supply power for the project
- spend \$122 million to carry out the work described.

We estimate that approval for the ESIA and permitting to begin construction could take as much as 15 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 engage with other companies as part of our overall partnering and financing strategy for the project, and will consider reducing our interest in the project. We are also in discussions about other financing options for the project at this time.