

Las Cruces

(100 percent)	three months ended June 30			six months ended June 30			revised
	2010	2009	change	2010	2009	change	objective 2010
Tonnes of ore processed (000's)	111,000	-	+100%	188,000	-	+100%	566,000
Tonnes of unprocessed ore (000's)	-	-	-	-	-	-	128,000
Copper grades (percent)	7.2	-	+100%	7.0	-	+100%	7.2
							13.7
Plant recoveries (percent)	84	-	+100%	84	-	+100%	89
Copper production (tonnes)	6,600	-	+100%	11,100	-	+100%	35,700
							17,600
Cost per tonne of ore processed (subsequent to July 1, 2010) (C\$)	-	-	-	-	-	-	\$135

Fatality at Las Cruces

On May 25, 2010, a contractor at Las Cruces suffered fatal injuries in a workplace accident. As a result, Las Cruces commissioned an independent investigation to determine the cause of this tragic accident and to recommend and implement measures to minimize the potential for this kind of accident from happening again. Las Cruces remains committed to pursuing all measures necessary to provide its workers and contractors with a safe working environment.

Progress update

During the second quarter, cathode production has improved by approximately 44 percent compared to the previous quarter and the plant demonstrated during consecutive running days its ability to reach the currently available plant capacity. However, a number of equipment failures and operational issues delayed the ramp-up of the plant and limited our ability to operate continuously. As a result, we produced 6,600 tonnes of copper cathode during the second quarter as compared to a target of 12,400 tonnes. This represents approximately 37 percent of design capacity (72,000 tonnes of copper cathode per year) or 55 percent of available capacity. Available capacity reflects the temporary constraint of having only two of the three leach residue filters available as one is dedicated to the neutralization plant. Installation of the new neutralization filter is on track and the necessary additional filtration capacity should be available by the end of July. Excluding the impact of production days lost due to mechanical failures, we produced at approximately 46 percent of design capacity for the quarter or 69 percent of available capacity. During the quarter, we achieved production for single days nearing 100 percent of design capacity and for extended periods we operated at over 60 percent of design capacity.

In May, production ran very well as we produced at an average daily rate of 104 tonnes of copper cathode or 52 percent of design capacity and 78 percent of available capacity while operating 28 days during the month. This encouraged us to believe we were moving towards commercial production rates by the end of the second quarter.

We experienced a set-back during June because of unexpected non-corrosion related equipment failures mostly related to the grinding and leach thickeners causing 10 days of lost production time.

After one year since the start up of the plant, we have confirmed the exceptional quality of a high grade ore body, a sound leaching and electrowinning process and that we have completed or initiated the necessary technical improvements to the plant to improve reliability. We believe that our ramp up pattern is typical of hydrometallurgical plants and other complex processes and that the critical step to achieving full production at this point is to improve reliability and operational uptime.

2010 outlook

In July, we have continued to focus on increasing available plant capacity and reducing the causes of equipment failures and downtime as we identified these to be the root causes of our ramp up challenges. The most important steps are:

- installed an additional pressure filter and completed commissioning of the filter to increase capacity and remove a significant bottleneck to throughput
- adding permanent water treatment capacity which will be commissioned in the third quarter. This will allow for a more consistent discharge into the aquifer and maintain water balance throughout the process

- completing phase two of the Dewatering and Reinjection System which will reduce the quantity of water flowing into the pit and the resulting water treatment load in both the plant and water treatment facility
- adding a large surge tank between leaching and filtration to further smooth out the leaching operation toward the end of this year
- applying a disciplined and systematic problem solving process to identify and address root causes of downtime.

We believe we have identified the key bottlenecks to production. All of these steps and improvements should significantly add to our operating reliability. July month to date has demonstrated further signs of improvement and we have returned to production rates similar to those in May, with total copper cathode production of 2,300 tonnes as of July 25.

We believe there will be continuing challenges in the ramping up process and we are encouraged by the improved capability of our operating teams to address those as they have demonstrated in recent months. We will continue with the rigorous implementation of the ramp up plan to achieve our goal of full production by the end of the year. We require a period of continuous operation to accurately predict the timing of achieving our performance but believe a range for our 70 percent share of production of 20,000 to 30,000 tonnes of copper cathode is achievable.

We have begun mining high grade ore and stockpiling it in preparation for shipping to smelters. We have not yet received the necessary permit from the regulators to move the material off-site and cannot determine when this will occur.

Taking all factors into account, we believe it is appropriate to cease capitalizing Las Cruces' pre-operating costs net of sales and to begin recognizing these results in operating earnings and operating cash flow in our consolidated statements. This will be done as of July 1, 2010.

The table below shows estimated earnings and cash flow for 100 percent of Las Cruces using production estimates and the estimates on page 13.

<i>(millions of Canadian dollars unless otherwise stated)</i>	revised objective 2010
Sales analysis	
Copper cathode sales subsequent to July 1, 2010 (tonnes)	24,800
Gross copper sales	\$173⁽¹⁾
Smelter processing charges and freight	(1)
Net sales	\$172
Cost analysis	
Tonnes of ore processed subsequent to July 1, 2010 (thousands)	378
Direct production costs (\$ per tonne)	\$135
Direct production costs	\$51
Depreciation and other non-cash costs	31
Operating costs	\$82
Operating earnings	\$90
Operating cash flow	\$98

(1) excludes copper contained in ore that we intend to ship directly to smelters

Capital spending

<i>(100 percent and millions of Canadian dollars)</i>	three months ended June 30			six months ended June 30			revised objective 2010
	2010	2009	change	2010	2009	change	
Capital	\$19	\$45	-58%	\$29	\$98	-70%	\$97
Pre-operating costs capitalized, net of sales, working capital and other	(40)	9	-544%	(53)	21	-352%	(36)
Capital spending	(\$21)	\$54	-139%	(\$24)	\$119	-120%	\$61

In 2010, capital spending was mainly for the permanent water treatment plant and mine development. In 2009 it was mainly for construction capital.

2010 outlook for capital spending

We expect to spend \$97 million on capital in 2010. This includes \$33 million on a water treatment plant and other water management projects, \$18 million for mine development and \$21 million for plant improvements.