

Ok Tedi

(100 percent)	three months ended June 30			six months ended June 30			revised
	2010	2009	change	2010	2009	change	objective 2010
Tonnes of ore milled (000's)	4,900	5,400	-9%	10,500	10,500	-	23,900
Tonnes of ore milled per day	53,800	59,300	-9%	58,300	58,300	-	65,000
Strip ratio	1.4	1.9	-26%	1.4	1.7	-18%	1.2
Grades							
copper (percent)	0.8	0.8	-	0.8	0.8	-	0.8
gold (grams/tonne)	0.9	1.1	-18%	0.9	1.1	-18%	1.1
Mill recoveries (percent)							
copper	84	86	-2%	86	86	-	85
gold	69	71	-3%	70	68	+3%	66
Production							
copper (tonnes)	33,800	38,200	-12%	71,000	75,100	-5%	163,000
gold (ounces)	100,600	132,800	-24%	217,000	248,000	-13%	570,000
Cost per tonne of ore milled (C\$)	\$24	\$23	+4%	\$23	\$24	-4%	\$22

Production lower due to illegal strike action

Copper and gold production this quarter and for the year to June were significantly lower than planned, and the same quarter in 2009.

Production during the quarter was interrupted by an illegal work stoppage for the first 17 days of April. Members of the Ok Tedi Mining and Allied Workers Union (OTMAWU) took action over concerns about distributions under an employee retention bonus arrangement that is not part of Ok Tedi's industrial agreement with the OTMAWU.

Gold grades were lower in the first six months due to adjustments in the mine plan to avoid processing high sulphur, high gold areas of the mine. Despite the significant redesign and modification of the mine waste management plant, its performance continues to be challenged, requiring control of sulphur by blending the ore in the mine before it goes to the mill. This is being accomplished by mining lower benches that contain more copper and less sulphur and gold. The higher grade gold ore is available to be mined but will not be processed until the mine waste management plant is performing to expectations. A dedicated team of in-house and consulting specialists are working on the plant's technical and operational issues. Ok Tedi is also exploring other alternatives for neutralizing the impact of sulphur.

Last year, we entered into a non-binding draft term sheet with PNG Sustainable Development Programme Limited, the 52 percent majority shareholder of Ok Tedi to exchange our 18 percent equity interest in Ok Tedi for a 5 percent net smelter return royalty. During May, the relevant Papua New Guinea tax legislation was passed. Work is proceeding to finalize definitive documentation and the transaction could close in the third quarter, although there can be no assurance until definitive documentation has been completed and signed by all parties.

2010 outlook for production and costs

Ok Tedi's labour contract expires on August 31. The work stoppage in April added some uncertainty to the outcome of future negotiations. However we remain optimistic that a settlement can be reached without a strike. Ok Tedi was able to complete significant scheduled maintenance work planned for later in the year during the strike action. This, along with other productivity improvements, should allow Ok Tedi to make up most of the production lost in April. Ok Tedi expects to process 23.9 million tonnes of ore in 2010, at a grade of 0.8 percent copper and containing 1.1 grams per tonne of gold. This should produce 163,000 tonnes of copper and 570,000 ounces of gold. To meet its gold production forecast for the year, Ok Tedi needs to successfully operate the mine waste management plant.

Financial review

Higher earnings year to date due to higher copper and gold prices

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended		six months ended		<i>revised objective</i>
	2010	June 30 2009	2010	June 30 2009	
Sales analysis at 18%					
Copper sales (tonnes)	7,300	6,900	14,600	12,400	29,300
Gold sales (ounces)	21,900	24,400	44,100	43,700	102,600
Gross copper sales	\$47	\$41	\$103	\$76	\$204
Gross gold sales	28	27	54	49	126
Other metal sales	1	1	2	2	4
Gross sales	76	69	159	127	334
Smelter processing charges and freight	(8)	(7)	(18)	(14)	(40)
Net sales	\$68	\$62	\$141	\$113	\$294
Cost analysis at 18%					
Tonnes of ore milled (thousands)	881	967	1,881	1,898	4,300
Direct production costs (\$ per tonne)	\$24	\$23	\$23	\$24	\$22
Direct production costs	\$21	\$23	\$44	\$46	\$95
Change in inventory	3	(1)	7	-	-
Depreciation and other non-cash costs	10	4	15	14	27
Operating costs	\$34	\$26	\$66	\$60	\$122
Operating earnings	\$34	\$36	\$75	\$53	\$172
Operating cash flow	\$41	\$29	\$87	\$15	\$135

The objective for 2010 uses the assumptions listed on page 13.

The table below shows what contributed to the change in operating earnings and operating cash flow between 2010 and 2009.

<i>(millions)</i>	three months ended June 30	six months ended June 30
Higher copper prices, denominated in Canadian dollars	\$-	\$13
Higher gold prices, denominated in Canadian dollars	3	4
Higher sales volumes	-	4
Higher smelter processing and freight charges	(1)	(2)
Lower operating costs	(1)	6
Higher depreciation	(3)	(3)
Higher (lower) operating earnings, compared to 2009	(\$2)	\$22
Change in tax expense because of change in earnings	(6)	(22)
Changes in net working capital (see note 2 on page 44)	16	70
Change in depreciation	3	3
Other	1	(1)
Higher operating cash flow, compared to 2009	\$12	\$72

Capital spending

In 2010, Ok Tedi spent \$47 million (our share is \$8 million), mainly on a mining fleet specifically designed for limestone mining and the construction of underwater storage pits for sulphur concentrate produced by the tailings management plant. In 2009, spending was primarily for the pit drainage project.

<i>(18 percent)</i>	three months ended June 30			six months ended June 30			<i>objective</i>
	2010	2009	change	2010	2009	change	2010
Capital spending	\$4,100	\$3,300	+24%	\$8,400	\$6,600	+27%	\$21,000

2010 outlook for capital spending

Spending in 2010 will be on a mining fleet specifically designed for limestone mining, the construction of underwater storage pits for sulphur concentrate produced by the tailings management plant, and earthworks.