

Pyhäsalmi

		three months ended June 30			six months ended June 30			objective
		2010	2009	change	2010	2009	change	2010
Tonnes of ore milled (000's)		355	355	-	700	704	-1%	1,370
Tonnes of ore milled per day		3,900	3,900	-	3,900	3,900	-1%	3,750
Grades (percent)	copper	1.2	1.1	+9%	1.0	1.1	-9%	1.0
	zinc	1.8	1.8	-	2.0	1.5	+33%	2.5
	sulphur	45	42	+7%	44	43	+2%	42
Mill recoveries (percent)	copper	96	96	-	96	95	+1%	94
	zinc	88	88	-	90	87	+3%	90
Production (tonnes)	copper	4,000	3,700	+8%	6,900	7,300	-5%	13,400
	zinc	5,600	5,700	-2%	12,800	9,200	+39%	31,300
	pyrite	137,700	132,200	+4%	335,200	323,000	+4%	420,000
Cost per tonne of ore milled (C\$)		\$36	\$44	-25%	\$40	\$45	-11%	\$36

Higher copper grades increase copper production

Pyhäsalmi processed at an annualized rate of 1.4 million tonnes this quarter, maintaining its strong production record.

In the second quarter, copper production was higher than last year because grades were higher, while zinc production was consistent with last year. Year to date, zinc grades and production were significantly higher than 2009 because we mined several zinc rich stopes on the periphery of the ore body in the first quarter of 2010.

We are making several technological improvements, using electronic detonators to improve blasting fragmentation and reduce wall damage, and automating full fan longhole drilling to increase productivity.

Cost per tonne of ore milled was significantly lower than last year mainly because the value of the Canadian dollar increased relative to the euro.

2010 outlook for production and costs

Pyhäsalmi expects to mine 1.4 million tonnes of 1 percent copper and 2.5 percent zinc in 2010, to produce 13,400 tonnes of copper and 31,300 tonnes of zinc.

Pyrite sales enhance Pyhäsalmi's financial performance and we have been in discussions with companies in Finland and China to secure sales of over 500,000 tonnes of pyrite per year.

Financial review

Higher earnings because of higher metal prices and lower Canadian dollar production costs

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended June 30		six months ended June 30		<i>revised objective</i>
	2010	2009	2010	2009	2010
Sales analysis					
Copper sales (tonnes)	3,600	3,500	6,800	7,100	13,400
Zinc sales (tonnes)	5,000	5,900	12,400	9,800	31,300
Pyrite sales (tonnes)	108,300	121,000	199,100	197,000	420,000
Gross copper sales	\$26	\$20	\$52	\$37	\$98
Gross zinc sales	9	11	27	17	63
Other metal sales	8	12	16	23	36
Gross sales	43	43	95	77	197
Smelter processing charges and freight	(8)	(12)	(20)	(21)	(45)
Net sales	\$35	\$31	\$75	\$56	\$152
Cost analysis					
Tonnes of ore milled (thousands)	355	355	700	704	1,370
Direct production costs (\$ per tonne)	\$36	\$44	\$40	\$45	\$36
Direct production costs	\$13	\$16	\$28	\$31	\$49
Change in inventory	(2)	-	(2)	-	-
Depreciation and other non-cash costs	2	3	4	7	12
Operating costs	\$13	\$19	\$30	\$38	\$61
Operating earnings	\$22	\$12	\$45	\$18	\$91
Operating cash flow	\$13	\$23	\$28	\$21	\$77

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 metal prices, denominated in Canadian dollars	\$3	\$16
Higher (lower) sales volumes	(1)	2
Lower smelting processing and freight charges	3	2
Lower operating costs	5	6
Other	-	1
Higher operating earnings, compared to 2009	\$10	\$27
Change in tax expense because of change in earnings	(4)	(9)
Changes in working capital (see note 2 on page 44)	(18)	(15)
Other	2	4
Higher (lower) operating cash flow, compared to 2009	(\$10)	\$7

Capital spending lower than expected due to timing

	three months ended June 30			six months ended June 30			<i>revised objective</i>
	2010	2009	change	2010	2009	change	2010
Capital spending	\$2,000	\$3,000	-33%	\$2,500	\$3,800	-34%	\$5,000

2010 outlook for capital spending

Capital spending in 2010 is mainly to replace mobile equipment and the secondary cone crusher.