

## Status of our development project

### Cobre Panama

#### **Engineering, infrastructure and power**

Basic engineering progressed as scheduled this quarter. We continue to expect to announce revised capital and operating cost estimates for the project at the conclusion of basic engineering (early 2012), allowing major civil work to begin at that time.

We continued with preparatory road construction this quarter on a pioneer road to the tailings dam site, and other road by-passes and upgrades, as well as preparation for bridge construction.

#### **Update on ESIA approval**

We continue to await ESIA approval for the project. The government's review and assessment process has been methodical and thorough. Our final step in the process this quarter was to submit our responses to the second round of questions posed by Autoridad Nacional del Ambiente (ANAM), the Panamanian environmental authority, and other consulting ministries and the public file indicates that the Panamanian government has completed its technical review.

When we receive and formally announce ESIA approval, Korea Panama Mining Corporation will have seven days to make its election on whether to exercise its option to acquire a 20 percent interest in Minera Panama.

#### **Partnership process**

We continue to engage with potential new partners in Cobre Panama. Interested parties are engaged in various stages of due diligence under confidentiality agreements.

#### **Drilling**

We continued with resource drilling this quarter on the recently discovered Balboa deposit, to delineate the extents of the zone as well as infill drilling on 100 metre centres. This quarter, we completed 11,150 metres of drilling in 21 holes, bringing the total to date for this deposit to 28,400 metres in 48 holes. We plan to continue the program to the end of this year with a view to establishing National Instrument 43-101 compliant mineral resources for the Balboa deposit in early 2012. Metallurgical test work is also continuing on the mineralization, which should allow us to convert Balboa resources into reserves and include them in a revised mine plan for the property later in 2012.

## **2011 outlook for development**

We plan to:

- continue our dialogue with stakeholders at the community, regional and national levels, to increase their understanding of the project and its benefits to Panama, and our understanding of their potential concerns
- work with all the government agencies to obtain permits that will be required after the ESIA is approved
- continue with a 720 hectare reforestation plan outside of the concession area, as a first step in our biodiversity commitments
- work with environmental non-governmental organizations and the environmental authorities to plan the conservation initiative for two national parks in the general project region, but outside the project footprint area
- continue to expand site access and infrastructure
- complete additional drilling for geotechnical and hydrological purposes and to improve our understanding of mineralization not currently included in the project base case
- complete basic engineering and prepare to begin site capture when we receive the main permits
- Work with SK Engineering and Construction, Co. Ltd. on the development of the 300 megawatt thermal power plant to supply power for the project
- develop a range of financing options including a project level limited recourse facility, capital market alternatives and potential new partners
- spend the balance of our capital expenditures budget of \$177 million to carry out the work described. This budget represents a reduction of \$47 million from our initial capital spending objective of \$224 million, and reflects the delay of \$24 million of advance payments for mill equipment and certain advance projects to early 2012.

After basic engineering is completed and we have received the appropriate approvals, site capture, preparation and construction should take approximately 48 months.