

Las Cruces

(100 percent)	three months ended			nine months ended			revised objective
	2011	2010	September 30 change	2011	2010	September 30 change	
Tonnes of ore processed (000's)	209	143	+46%	545	331	+65%	800
Copper grades (percent)	6.5	7.5	-13%	6.3	7.2	-13%	6.3
Plant recoveries (percent)	87	77	+13%	85	81	+5%	86
Cathode copper production (tonnes)	11,400	8,400	+36%	28,000	19,500	+44%	43,500
Cost per pound of cathode produced (C\$) ⁽¹⁾	\$1.43	\$1.68	-15%	\$1.76	\$1.68	not applicable	\$1.59

(1) Subsequent to July 1, 2010

Improved plant performance

We produced 11,400 tonnes of cathode this quarter, including a record 4,500 tonnes in August. Plant modifications during the June shutdown had a positive impact on production, which was interrupted in July when a support structure of the new grinding thickener failed due to a faulty weld. Since repairs were made, the grinding thickener has operated as required.

Reactor performance and reliability continued to improve this quarter, and by the end of September, all eight reactors had operated reliably for 30 consecutive days. The major modifications to the plant, including the fines bypass system, pinned bed clarifier and the leach feed surge tank, have all been installed and are now being commissioned.

Mining activities year to date are close to planned levels, despite limited access in the first half of the year because of water levels in the pit. Surface stockpiles are approaching 700,000 tonnes, and should remain at that level through to year end, in preparation for the rainy season.

Our water treatment and drainage and reinjection well systems performed very well this quarter, and the pit is in optimal condition as we head into the rainy season. Our contact water storage ponds are at only 40 percent of their available capacity, and we have reduced our water discharge to the river to remain well below our regulated limits for the year.

Cost per pound of cathode produced this quarter was significantly lower than earlier in the year and in the same quarter of 2010, as higher production translated into a lower unit cost.

2011 outlook

Following a successful third quarter, we continue to target a ramp up to production design capacity by year end, and we continue to expect cathode production of 42,000 – 45,000 tonnes this year.

We are currently testing the plant at up to 100 percent throughput levels to assess its overall stability and identify any remaining bottlenecks. We have installed a higher strength conveyor belt to accommodate higher tonnage, and intend to increase the width of the conveyor in early 2012 to provide capacity above design. We have seen copper recoveries improve to an average of 87 percent this quarter and continue to push to reach design levels of 91 percent. We expect this improvement to evolve with better oxygen dispersion as we pilot the fifth generation oxygen distributors (currently installed in one reactor), and with further improvements in overall fluid flow and process control. We completed a three day shutdown in October to change worn mill linings, and are not planning any further production interruptions this year.

Las Cruces' cost per pound of cathode produced should continue to go down as production increases. By the first quarter of 2012, we expect to have a reliable prediction for long term costs when one time contractor costs can be separated from ongoing maintenance costs.

Financial review

Higher operating earnings and operating cash flow this year as Las Cruces ramps up

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended September 30		nine months ended September 30		<i>revised objective</i>
	2011	2010	2011	2010	2011
Sales analysis					
Copper sales (tonnes)	10,800	8,600	29,200		43,500
Gross copper sales	\$86	\$62	\$256		\$364
Smelter processing charges and freight	-	-	(1)		(1)
Net sales	\$86	\$62	\$255		\$363
Cost analysis					
Pounds of copper produced (millions)	25	18	62		96
Direct production costs (\$ per pound)	\$1.43	\$1.68	\$1.76		\$1.59
Direct production costs	\$36	31	\$109		\$153
Change in inventory	(1)	(1)	4		-
Depreciation and other non-cash costs	18	11	57		88
Operating costs	\$53	41	\$170		\$241
Operating earnings	\$33	\$21	\$85		\$122
Operating cash flow	\$50	\$32	\$149		\$207

The objective for 2011 uses the assumptions listed on page 14.

The table below shows what contributed to the change in operating earnings and operating cash flow between the three months ended September 30, 2011 and 2010.

<i>(millions)</i>	three months ended September 30
Higher copper prices, denominated in Canadian dollars	\$9
Higher copper sales volumes	16
Higher production costs, including royalty	(5)
Higher depreciation	(7)
Other	(1)
Higher operating earnings, compared to 2010	12
Changes in working capital (see note 20 on page 75)	1
Change in depreciation	7
Other	(2)
Higher operating cash flow, compared to 2010	\$18

Capital spending

<i>(100 percent and millions of Canadian dollars)</i>	three months ended September 30			nine months ended September 30			<i>revised objective</i>
	2011	2010	change	2011	2010	change	2011
Capital	\$10	\$23	-57%	\$44	\$52	-15%	\$61
Pre-operating costs capitalized, net of sales, working capital and other	-	(7)	-100%	-	(60)	-100%	-
	\$10	\$16	-38%	\$44	(\$8)	-650%	\$61

Capital spending this year has been mainly on making improvements to the plant, the permanent water purification plant and mine development. In 2010 it was mainly for the permanent water purification plant.

2011 outlook for capital spending

We expect to spend \$61 million on capital projects in 2011, including \$16 million for mine development and \$37 million for plant improvements.