

Pyhäsalmi

| | three months ended September 30 | | | nine months ended September 30 | | | revised objective 2011 |
|------------------------------------|------------------------------------|--------|--------|-----------------------------------|---------|--------|------------------------------|
| | 2011 | 2010 | change | 2011 | 2010 | change | |
| Tonnes of ore milled (000's) | 351 | 351 | - | 1,038 | 1,051 | -1% | 1,370 |
| Tonnes of ore milled per day | 3,800 | 3,800 | - | 3,800 | 3,800 | -1% | 3,750 |
| Grades (percent) | | | | | | | |
| copper | 1.0 | 1.2 | -17% | 1.1 | 1.1 | - | 1.0 |
| zinc | 2.9 | 2.9 | - | 2.7 | 2.3 | +17% | 2.6 |
| sulphur | 41 | 40 | +3% | 41 | 43 | -5% | 43 |
| Mill recoveries (percent) | | | | | | | |
| copper | 95 | 95 | - | 96 | 96 | - | 95 |
| zinc | 90 | 90 | - | 91 | 90 | +1% | 90 |
| Production (tonnes) | | | | | | | |
| copper | 3,200 | 3,900 | -18% | 10,500 | 10,800 | -3% | 13,300 |
| zinc | 9,100 | 9,100 | - | 25,600 | 21,900 | +17% | 31,900 |
| pyrite | 210,100 | 62,000 | +239% | 594,300 | 397,000 | +50% | 800,000 |
| Cost per tonne of ore milled (C\$) | \$41 | \$35 | +17% | \$42 | \$38 | +11% | \$42 |

Record pyrite production and sales

Pyhäsalmi processed at an annualized rate that was in line with its annual objective.

The operation maintained its strong production record and achieved copper recoveries of 95 percent and zinc recoveries of 90 percent. Zinc grades were significantly higher year to date compared to last year, pushing zinc production significantly higher. Copper production this quarter was below the same quarter in 2010 and consistent with our plan because of variations in copper grades. Pyrite production was significantly higher this year to meet higher customer demand. In August, Pyhäsalmi shipped a record 150,000 tonnes of pyrite concentrate to customers.

Operating costs have been higher this year mostly because of increased group support and consumables costs, and due to the incremental costs associated with producing more pyrite.

2011 outlook

Pyhäsalmi remains on target to mine 1.4 million tonnes of 1 percent copper and 2.6 percent zinc in 2011, and to produce 13,300 tonnes of copper and 31,900 tonnes of zinc.

Pyhäsalmi expects to produce and sell 800,000 tonnes of pyrite in 2011 and has long term agreements covering sales of up to 760,000 tonnes per year.

Financial review

Higher earnings because of significantly higher pyrite sales volumes

| <i>(millions of Canadian dollars unless otherwise stated)</i> | three months ended | | nine months ended | | <i>revised objective 2011</i> |
|---|--------------------|-------------------|-------------------|-------------------|-------------------------------|
| | 2011 | September 30 2010 | 2011 | September 30 2010 | |
| Sales analysis | | | | | |
| Copper sales (tonnes) | 4,200 | 3,500 | 10,300 | 10,400 | 13,300 |
| Zinc sales (tonnes) | 9,400 | 8,800 | 26,900 | 21,200 | 31,900 |
| Pyrite sales (tonnes) | 269,200 | 136,000 | 633,200 | 395,100 | 800,000 |
| Gross copper sales | \$35 | \$27 | \$90 | \$79 | \$113 |
| Gross zinc sales | 19 | 19 | 58 | 46 | 67 |
| Other metal sales | 28 | 12 | 60 | 36 | 73 |
| Gross sales | 82 | 58 | 208 | 161 | 253 |
| Smelter processing charges and freight | (16) | (15) | (45) | (40) | (56) |
| Net sales | \$66 | \$43 | \$163 | \$121 | \$197 |
| Cost analysis | | | | | |
| Tonnes of ore milled (thousands) | 351 | 351 | 1,038 | 1,051 | 1,370 |
| Direct production costs (\$ per tonne) | \$41 | \$35 | \$42 | \$38 | \$42 |
| Direct production costs | \$14 | \$12 | \$44 | \$40 | \$58 |
| Change in inventory | 3 | 1 | - | (1) | - |
| Depreciation and other non-cash costs | 3 | 3 | 7 | 7 | 10 |
| Operating costs | \$20 | \$16 | \$51 | \$46 | \$68 |
| Operating earnings | \$46 | \$27 | \$112 | \$75 | \$129 |
| Operating cash flow | \$24 | \$26 | \$93 | \$53 | \$106 |

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 2011 and 2010.

| <i>(millions)</i> | three months ended September 30 | nine months ended September 30 |
|---|------------------------------------|-----------------------------------|
| Higher copper prices, denominated in Canadian dollars | \$3 | \$12 |
| Lower zinc prices, denominated in Canadian dollars | (1) | (1) |
| Higher other metal prices | 7 | 10 |
| Higher zinc sales volumes | 1 | 7 |
| Higher pyrite sales volumes | 9 | 15 |
| Higher production costs | (2) | (4) |
| Other | 2 | (2) |
| Higher operating earnings, compared to 2010 | 19 | 37 |
| Change in tax expense because of change in earnings | (4) | (8) |
| Changes in working capital (see note 20 on page 75) | (18) | 10 |
| Other | 1 | 1 |
| Higher (lower) operating cash flow, compared to 2010 | (\$2) | \$40 |

Capital spending

| <i>(thousands)</i> | three months ended September 30 | | | nine months ended September 30 | | | <i>objective 2011</i> |
|-------------------------|------------------------------------|-------|--------|-----------------------------------|---------|--------|-----------------------|
| | 2011 | 2010 | change | 2011 | 2010 | change | 2011 |
| Capital spending | \$2,500 | \$700 | +257% | \$5,300 | \$3,300 | +61% | \$8,000 |

2011 outlook for capital spending

Capital spending in 2011 is mainly to replace underground mobile equipment.