

Neves-Corvo Mine

Neves-Corvo is an underground mine, located 100 km north of Faro, Portugal, in the western part of the Iberian Pyrite Belt. The mine has been a significant producer of copper since 1989 and in 2006 commenced treating zinc ores. The facilities include a shaft with a total hoisting capacity of up to 4.5 mtpa, a copper plant with 2.5 mtpa processing capacity and a newly expanded zinc plant with 1.0 mtpa processing capacity. The zinc plant has the flexibility to process zinc or copper ores.

Operating Statistics

	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
	2012	2012	2012	2012	2012	2011	2011	2011	2011	2011
Ore mined, copper (000 tonnes)	2,507	648	577	638	644	3,126	899	750	769	708
Ore mined, zinc (000 tonnes)	530	178	107	132	113	86	-	9	34	43
Ore milled, copper (000 tonnes)	2,512	648	597	634	633	3,198	921	797	736	744
Ore milled, zinc (000 tonnes)	543	181	104	135	123	63	-	63	-	-
Grade per tonne										
Copper (%)	2.6	2.2	2.7	2.8	2.9	2.7	3.4	2.3	2.2	2.9
Zinc (%)	7.3	7.1	7.2	7.2	7.6	6.4	-	6.4	-	-
Recovery										
Copper (%)	88.2	85.6	86.0	90.0	91.1	84.5	84.7	83.3	83.3	85.9
Zinc (%)	71.0	70.5	78.2	78.5	74.6	46.3	-	46.3	-	-
Concentrate grade										
Copper (%)	23.9	23.6	24.2	23.9	24.0	24.4	24.3	24.5	24.2	24.5
Zinc (%)	47.3	47.0	46.6	48.1	47.3	47.6	-	47.6	-	-
Production (contained metal)										
Copper (tonnes)	58,559	11,988	14,012	15,950	16,609	74,109	26,866	15,070	13,475	18,698
Zinc (tonnes)	30,006	9,533	5,834	7,619	7,020	4,227	382	1,874	1,020	951
Lead (tonnes)	87	39	48	-	-	-	-	-	-	-
Silver (000 oz)	961	282	178	240	261	901	297	201	184	219
Sales (\$000s)	466,174	108,349	92,640	112,274	152,911	558,044	193,768	84,678	123,036	156,562
Operating earnings (\$000s)	218,564	33,705	45,602	52,467	86,790	299,053	118,759	21,029	59,817	99,448
Cash cost (€ per pound)	1.39	1.67	1.49	1.26	1.23	1.27	1.05	1.67	1.48	1.13
Cash cost (\$ per pound)	1.79	2.17	1.87	1.61	1.63	1.76	1.42	2.35	2.13	1.55

Operating Earnings

Operating earnings of \$218.6 million for the year ended December 31, 2012 were \$80.5 million lower than 2011. The decrease is attributable to a change in the mix of sales, to less profitable zinc (\$48.0 million), lower sales volume (\$14.9 million), increase in unit costs (\$17.3 million), and lower realized metal prices and price adjustments from prior period sales (\$18.0 million) which more than offset the favourable exchange rates (\$17.7 million).

Production

Copper production for 2012 was lower than the prior year by 15,550 tonnes (21%). Although metallurgical recoveries were higher in the current year, throughput and head grades were lower, resulting in lower copper production. A significant percentage of lower grade, but profitable, material was mined during the year benefiting the overall life of mine copper production profile, representing 42% of the total ore tonnes mined and 27% of the total copper produced being derived from mineralization outside the mineral reserve. In the fourth quarter, a lower proportion of ore mined was from higher grade bench and fill stopes, which resulted in lower overall copper head grade.

Ramp-up of the zinc plant continued in the fourth quarter of 2012. Annual zinc production, at 30,006 tonnes of metal in concentrate, represents a new zinc production record for the mine.

Cash Costs

Cash costs of \$1.79/lb were higher than guidance (\$1.70/lb) as a result of higher mining costs, lower than planned grades and a stronger Euro than forecast in the fourth quarter. Cash costs were slightly higher than the previous year's average of \$1.76/lb mainly due to an increase in overall production costs (\$0.44/lb) partially offset by favourable foreign exchange (\$0.15/lb) and by-product credits (\$0.26/lb).

Lombador Zinc/Copper Project and Semblana Copper Project

In 2012, a revised mine development strategy was prepared with an emphasis on achieving early copper production from Lombador Phase I by the third quarter of 2013. Construction of the first phase of the Lombador project remains on track, including a range of supporting surface infrastructure. Significant Lombador zinc production starts in 2013 and ramps up to constitute the majority of zinc plant feed in 2015.

Studies directed at the future mine areas of lower Lombador and the Semblana deposit continue to focus on further low cost options for access, mining, materials handling, and incremental process plant expansions. A range of opportunities are being examined on how these new areas can best be integrated into the existing operations for maximum value. In parallel, development of twin ramps continued from the adjacent Zambujal orebody down to Semblana, initially for the purpose of gaining access for underground exploration drill drives but with sufficient flexibility in their design to readily convert them into production ramps.

