

effective January 1, 2006 and the company's 22.5% share of the proposed contributions for the nine months amounting to \$13 million was accrued in the third quarter. Legislation to impose new mining royalties is still under debate in the Peruvian Congress, although it is expected that those royalties will not apply to companies with mining stability agreements provided that the proposed arrangements for extraordinary contributions are finalized.

The company's share of operating profit in the third quarter was \$155 million compared with \$87 million in the same period last year. The higher operating profit was due mainly to significantly higher copper and zinc prices, partially offset by the accrual of social contributions and the provision for the net profits royalty.

The collective agreement at the Antamina mine expired July 24, 2006 and negotiations for a new agreement are ongoing.

As part of the purchase consideration, the company's interest in Antamina is subject to a net profits royalty which is equivalent to 7.4% of the company's share of project cash flow after recovery of capital costs and an interest factor. The net profits royalty has become payable beginning in 2006 and third quarter royalty expense was \$12 million.

Highland Valley Copper (97.5%)

100%	Three months ended Sep. 30		Nine months ended Sep. 30	
	2006	2005	2006	2005
Tonnes milled (000's)	11,461	13,079	33,961	37,139
Copper grade (%)	0.411	0.408	0.399	0.392
Copper recovery (%)	91.7	89.1	91.2	88.6
Copper production (000's tonnes)	44.0	47.6	124.5	128.7
Copper sales (000's tonnes)	48.0	40.8	136.7	136.8
Molybdenum production (000's pounds)	1,002	1,308	3,258	4,997
Molybdenum sales (000's pounds)	933	1,701	2,993	5,427
Operating profit (\$ millions)	287	144	818	423

Mill throughput at Highland Valley Copper in the third quarter was 12% lower than last year primarily due to the harder ore from Valley and Highmont pits, a fire in the pebble crusher building in mid-September and the orderly shutdown of the mill three days prior to the quarter end in anticipation of a potential strike. As a result of the lower throughput, copper production declined to 44,000 tonnes in the third quarter compared with 47,600 tonnes last year.

Copper sales in the third quarter were 18% higher than a year ago and 9% higher than production due to the timing of shipments. Copper sales volumes on a year-to-date basis are the same as last year. Molybdenum revenues, after realization charges and final pricing adjustments, were \$27 million in the quarter compared with \$47 million last year. The 45% reduction in sales volumes was caused by lower production due to lower ore grades.

Operating profit was \$287 million in the third quarter compared with \$144 million in the same period a year ago due to significantly higher copper prices and sales volumes.

The Highland Valley Copper mine and its unionized workers reached a collective agreement on October 1, 2006, which was ratified on October 13, 2006 and covers a five-year period to September 30, 2011.

The Valley east pit wall push-back is progressing on plan and mass excavation for the relocation of the in-pit crusher and conveyor is nearing completion. Higher molybdenum prices continued to facilitate the inclusion of Highmont ore which is expected to further extend the mine life and improve copper production during the 2008-2009 transition period. Approximately 13 million tonnes of Valley east wall pre-stripping will be mined in the current year, with 33 million tonnes planned in 2007 and 44 million tonnes in 2008.

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