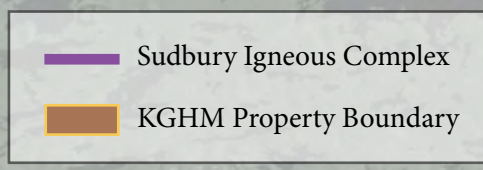
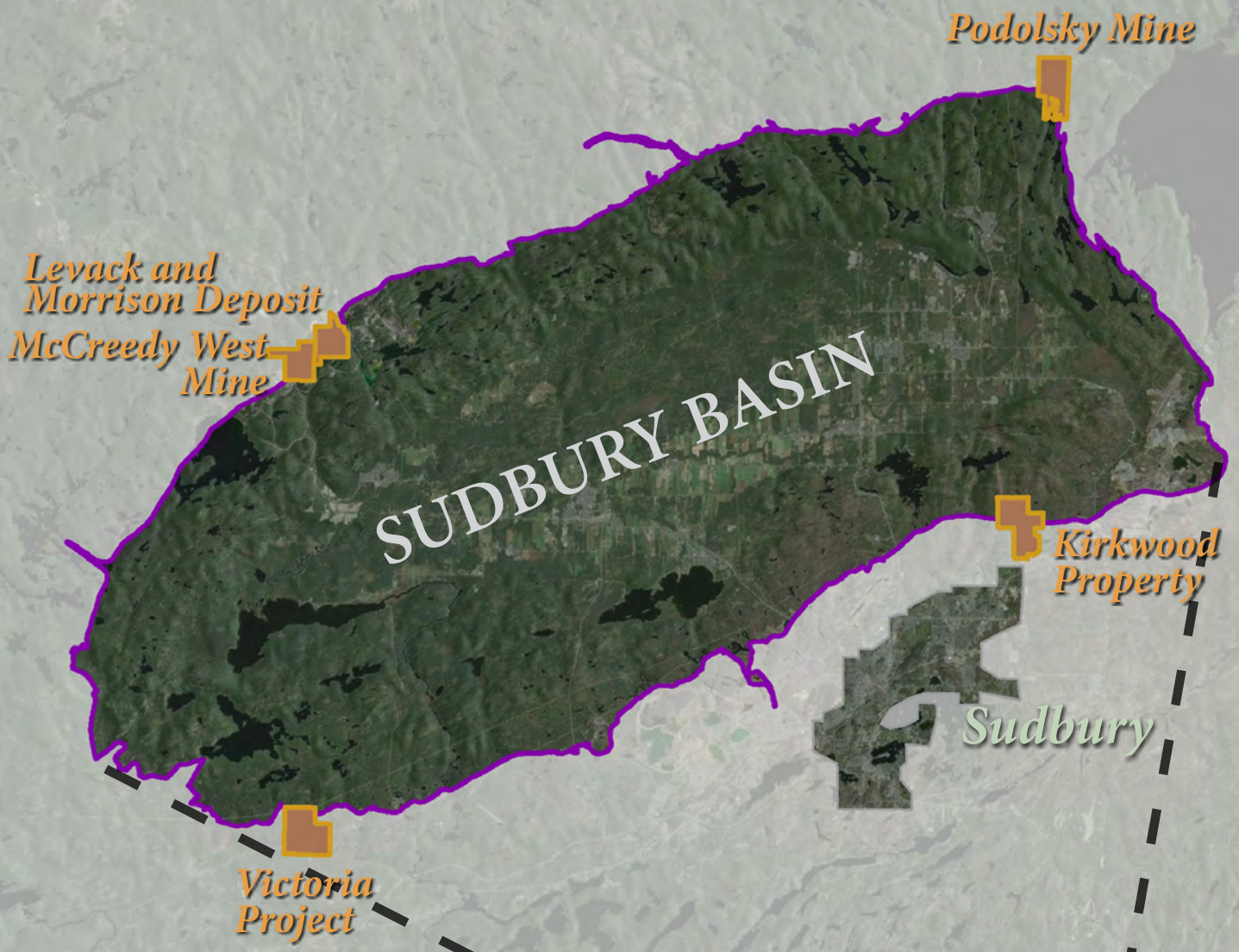


KGHM
INTERNATIONAL



**Sudbury Operations,
Ontario, Canada**





Sudbury Operations, Ontario, Canada
Several mines, one culture



Photos Courtesy of Hans Brasch and CGS Archives and Museums.

From left to right: Kirkwood headframe, Victoria Mine, Victoria Mine workers underground, Levack Mine headframe

History and Development

The rich mining history of Sudbury, Ontario is legendary. The nickel, copper and precious metal potential of the area was discovered over 160 years ago, and the first mining camps were established in the 1890s. Four generations of miners have made Sudbury their home, and mining has been a part of every family history. Sudbury is recognized internationally as the Nickel Capital of the world.

The Sudbury Basin is a 60 x 30 kilometre elliptical geologic structure located within the City of Greater Sudbury, approximately 400 kilometres north of Toronto. Today, Sudbury is one of the most productive mining camps in the world and the ore deposits, located around the rim of the Sudbury Basin, are the remnants of a 1.85 billion-year-old meteorite impact crater. Early in its history, the area around the Sudbury Basin was home to several small communities. The original town of Sudbury is located just south of the geological meteor impact basin. Other communities surround the basin, including Levack, in the northwest

corner, Capreol in the northeast, Wanup in the southeast, and Walden in the southwest. In 2001, all of these communities were consolidated under the banner of the City of Greater Sudbury, which today has a population of approximately 165,000 people. Greater Sudbury also boasts Lake Wanapitei, the world's largest lake located entirely within the boundaries of a single city.

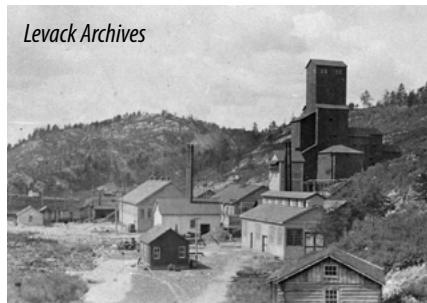
There are three major mining companies and many smaller companies working in the Sudbury Basin. KGHM International is the third major mining company in Sudbury. KGHM International and its predecessor companies have been mining in Sudbury since 2002 and today, it employs approximately 500 people in the area.

KGHM International operates copper, nickel and precious metal mines in the Sudbury area and is in the process of advancing the exploration of a more recent discovery, the Victoria Project.



The Sites

Levack headframe, October 12, 2007



Levack Archives

Levack headframe, circa 1917

Levack and Morrison Deposit

The original Levack copper-nickel mine was discovered in 1887, with first production in 1915. After 100 years of operation, the mine was closed in 1997 and put under care and maintenance. KGHM International acquired the Levack property in March 2002 and commercial production began in January 2007.

Continuing exploration work on the Levack property resulted in the discovery of the Morrison Deposit in February 2005. Nickel mining in the old Levack mine workings was halted in late 2009, while mining of the high-grade Morrison Deposit continues. Access and mining operations on the Morrison Deposit are now carried out from the adjoining Craig Mine under a cooperation agreement with Xstrata.

McCreedy West

The McCreedy West Mine was first developed by Inco in 1970 and operated until 1998, when it was closed. KGHM International began work on the McCreedy West property in 2002. Exploration efforts on the property resulted in the discovery of the contact nickel Inter Main Deposit in 2002, which has been in production since 2003.

In 2005, the Sudbury mining camp's first low-sulphide copper-nickel-platinum group deposit with stand-alone infrastructure was brought into production. Contact nickel production was suspended at the end of 2008 due to low commodity prices while copper production continued through 2011, when production was halted due to low ore grade. Contact nickel production restarted in July 2011 in an arrangement with Xstrata Nickel, which processes the ore at its Strathcona mill. Production of contact nickel ore is currently ongoing.



Surface concrete adit (tunnel entrance) to the McCreedy mine ramp in 2002, prior to the FNX acquisition



McCreedy West Mine, October 12, 2007



Podolsky Mine, June 19, 2009

Podolsky

The Podolsky property had been explored intermittently since 1971. KGHM International began development work in 2002; commercial production was declared in January 2008 and continued through to March 2013. Mining at Podolsky ceased due to completion of mining what was known as the 2000 deposit.



Royal Ontario Nickel Commission Report and Appendix, 1917
Whistle Mine, south of Podolsky Mine, Capreol, Ontario, November 2, 1916

Victoria Project

In 2002, KGHM International acquired the mineral rights to the Victoria property and initiated an exploration program on the property. Environmental and engineering work, and consultation with First Nation communities have progressed, and project permitting is under way. When all regulatory requirements are met, the project will enter the Advanced Exploration stage, which entails development of surface and underground infrastructure to permit detailed underground drilling for a feasibility study. The results of the feasibility study will determine whether the project is developed into a producing mine.



Victoria Mine Circa 1900-1910
CGS Archives & Museums



Reaffirming the relationship between Wahnapiatae First Nation and KGHM International

Honouring Historic Values

The Canadian Constitution recognizes and affirms the rights of aboriginal people, including First Nation and Métis, to be consulted in the event of development activity within their traditional territories. KGHM International recognizes this right and engages with affected aboriginal groups in the communities in which it operates. In Sudbury, the company has Memorandums of Understanding with two local First Nation communities, Atikameksheng Anishnawbek and Sagamok Anishnawbek within whose traditional territory the Victoria project is located (shown on map). An impact benefit agreement was signed in 2008, with the Wahnapiatae First Nation for the Podolsky Mine. KGHM International is committed to fulfilling its moral and legal obligations to First Nation and Métis communities.



A Special Company Culture – Zero Harm

While KGHM International has several properties in the Sudbury Basin, a well-defined company culture exists basin wide. KGHM International recognizes that each site is distinct, but the values and goals are the same throughout all of the operations.

The company strives to be the preferred employer in Sudbury and management is committed to establishing a strong culture and consistent operating standards across sites. Company employees and contractors work side by side as part of an integrated team. This long-time company philosophy has been tremendously successful in creating a uniform company culture and assuring that employees and contractors are committed to the company's core value of Zero Harm.



Trendsetting Practices and Positive Returns

The company's unique "5x5" program has had a tremendous impact and safety associations and other organizations have shown an interest in learning more about it.

KGHM International created the "5x5" program to promote safety awareness among employees and contractors and to make it part of the company culture. The program applies to everyone in the operation, from the miner working at the rock face to a payroll clerk working in the office. Employees are encouraged to look at their work surroundings and consider the risks that are present. The employee assesses the risks, and if they are manageable, carries forward with the

work activity. If not, the employee finds a way to minimize the risk before the work begins. The program reflects a company that cares about its employees, contractors and members of the local community.

Contractors play a huge part in the company's success in the Sudbury Basin and throughout its operations in North and South America. The company treats contractors like other employees, giving full consideration to their ideas and concerns. KGHM International is proud of its reputation as a trendsetter in its approach and partnership with site contractors.



Civic and Community Involvement

Sudbury Operations has built a strong relationship with the City of Greater Sudbury and its leaders. The city welcomes the company's participation in local governing bodies and shows an interest in KGHM International's success. Likewise, KGHM International is committed to the local community and determined to provide Sudbury a sustainable and positive legacy into the future.

While all of our Sudbury Basin properties are located within the City of Greater Sudbury, there are a number of established communities within the city, each of which has a local volunteer Community Action Network. KGHM International has reached out to the Community Action Networks and

is working with them to support and develop opportunities for local citizens. In addition, the company supports civic, health and sporting activities in each of these communities.

KGHM International's employees and contractors live in the Sudbury area and contribute to the social, political and environmental wellbeing of their communities. Many play a prominent role in service clubs, recreational activities and charities, and the company encourages others to join this group of active community volunteers. Every year the Sudbury operations offer many donations and sponsorships in the community; in 2012 these contributions were worth over CAD \$128,000.

2012 Dragon Boat team



“Collaboration with our communities”



The Sudbury management team is committed to benefiting the community in a number of ways:

- Influencing Ontario mining and being a strong presence in the Ontario Mining Association.
- Being active with the Workplace Safety North (WSN, formally MASHA). The Sudbury team was influential in creating a new supervisory training program.
- Acting as our own “United Way” by supporting the people in Sudbury through personal efforts and/or money. This reflects the company’s belief that every activity or action affects our relationship with the community.

Sudbury Operations employees are the best ambassadors a company can have and many make an effort year-round to make the community better. These are some of many recent examples of Sudbury Operations’ community involvement and generosity:

- Sudbury Crime Stoppers – The annual black-tie dinner and silent auction is a high profile local event and several Sudbury Operations managers and their spouses attended and a donation to this cause was made.
- Cash Donations to the Community - In 2012 alone, Sudbury Operations donated to the Copper Cliff Curling Club, the Little NHL Hockey Tournament, the annual Business Excellence Awards dinner, the Children’s Community Network of Greater Sudbury, Threads of Life, Association for Workplace Tragedy Family Support, Valley East Days, Sagamok First Nation group, Canadian Breast Cancer Foundation, and the Sudbury Diabetes Foundation in honor of a deceased employee.



Threads of Life 2012

- Chamber of Commerce - Sudbury Operations was a platinum sponsor when the Sudbury Chamber of Commerce hosted a luncheon for the Minister of Northern Development and Mines.
- Canadian Mining Games – When Laurentian University in Sudbury hosted the event, a Sudbury Operations engineer was co-chair, and Sudbury provided Platinum Sponsorship and hosted a dinner with featured speakers from the company.
- In support of the Capreol community, Podolsky Mine donated the transportation of all of the marble rock from a nearby quarry to the garden site.
- Canadian Mining Industry Research Organization – Sudbury Operations participates on the Management Committee of this not-for-profit organization.
- Canadian Institute of Mining, Metallurgy and Petroleum (Sudbury Branch) – A chief mine engineer from Sudbury Operations is a CIM officer and 16 employees attended the organization’s annual dinner and dance.
- Northern Cancer Foundation – Sudbury Operations donated to the Sudbury branch of the foundation and several employees participated in the annual charity golf tournament.
- Sudbury Dragon Boat Festival – This charity event attracted a team from Sudbury Operations, and its recent participation resulted in a donation to the Sudbury Regional Hospital, The Alzheimer’s Society, the Multiple Sclerosis Chapter and the Sudbury Food Bank.
- Onaping/Levack Tri-Sports Tournament – Sudbury Operations donated as a title sponsor of this annual event, which includes a hockey, baseball and golf tournament.
- Charity Golf Tournament – The annual KGHM International Charity Golf Tournament raised funds with half donated to the Downs Syndrome Association of Sudbury and half to Wild at Heart Animal Wildlife Refuge Centre.

- Sudbury Rocks – KGHM International, Sudbury Operations was a key partner in this promotion, headed by the City of Greater Sudbury, which was part of the Las Vegas Mine Expo.
- Local Sports and Recreation – Sudbury Operations sponsored three minor hockey teams and leased a section of the local arena to support sports and recreation.
- Sudbury Muscular Dystrophy Foundation – The maintenance crew at the McCreedy site gathered and donated scrap copper through a program sponsored by the local fire department.

In addition to this impressive list, Sudbury Operations employees host international visitors for mine tours and hold annual community information meetings near the mine sites. The company is currently working on a community strategy to increase its impact on activities, events and charities in which our employees participate.



Sudbury Rocks 2012 run for diabetes



Professional Engineers of Ontario Hockey Tournament 2013

Environment



Capreol garden restoration

There are over 100 historical mines located around the rim of the Sudbury Basin. Most are closed but others, like the Le-vack Mine, have celebrated their 100th anniversary. The legacy of early mining is well documented. Little consideration was given to air, surface water and groundwater quality, and as late as the 1960s, Sudbury was described as “a moonscape,” a landscape of bare rock with most vegetation dead from pollution. Today, as a result of collaboration among industry, academia and government, vegetation has been re-established and water quality has improved significantly through programs like “Re-greening Sudbury.”

Each of the five KGHM International properties acquired from Vale was previously developed and mined, and each had associated liabilities. The two companies agreed that Vale would retain liability for the existing mine hazards and KGHM International would assume any liabilities it incurred as part of its startup and ongoing operations. This arrangement has worked out very well and has included cooperation between

the companies to investigate and mitigate existing liabilities. The companies are jointly developing closure plans to ensure that when KGHM International has completed mining on the properties, they will be rehabilitated to a productive land use and the surrounding environment will be protected.

When the Podolsky mine was built KGHM International undertook an innovative plan to place all reactive ore and waste rock onto engineered water-collection and containment pads and to install a water treatment plant to process water from the pads to meet the highest provincial standard (Ontario Provincial Water Quality Objectives). This standard ensures Zero Harm to aquatic life when water is discharged into the environment. KGHM International was the first mining company in Ontario to install a plant that treats water to such a high a standard. Today, all water impacted by mine operations as well as stormwater runoff from the site is treated in the plant prior to its release to the environment.

The company also participates in EarthCare Sudbury. This is a unique partnership between the City of Greater Sudbury and over 150 community agencies, organizations and businesses, along with hundreds of individuals to create a greener, healthier and more sustainable community. KGHM International introduced the idea of recognizing, through the “Good Greenie” award, individuals or groups of employees that make a significant contribution to the environment. Each month, the company recognizes the winner in its newsletter, and the award has introduced a spirit of friendly competition among the EarthCare participants.





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