



# MESSAGE FROM THE CEO

## Tribute to Mine Safety

I would like to start my message by recognizing the enduring sadness and profound remorse attributed to the deaths of 16 men in four accidents in the West Virginia coal mines since January 2, 2006. These mining accidents have rightfully raised a number of broader safety questions that are now being addressed by emergency standards in Congress and joint industry/government/labor task forces, being too late to make a difference for the 16 men who perished in the disasters. My prayers go out to the victims, their family members and friends.

## 2005 Another Successful Year

2005 will go down in history as another successful year for Kennecott Minerals. However, it was a mixed year considering the disappointing increase in the number of reportable injuries to our employees and contractors relative to last year's safety performance (i.e., total of 5 injuries in 2004 to 12 injuries in 2005). A redoubling of our efforts is needed and will be accomplished in 2006 to turn around this unacceptable increase in injuries. The health and safety of every employee and contractor is paramount to the business success of Kennecott Minerals. Metal prices continued to remain strong during the year leading to record profits. Our success depends upon every employee and contractor working safely and productively to get us through both the highs and low cycles of metal prices, recognizing now is the time to improve efficiencies and reduce costs. Along with high metal prices came high materials and energy costs that must be controlled to the extent possible. I believe Kennecott Minerals has the very best employees that care about working safely and being productive. Everyone wants to go home without being hurt on the job to family and friends who care and benefit from the hard work being done each and every day.

## Kennecott Minerals Priorities

The goal of zero health and safety incidents will always remain a top priority, as will the goal of achieving improved environmental performance through use of best practices and to provide favorable economic results on shareholder investments. The formation of Community Advisory Groups at each property has enabled Kennecott Minerals to actively engage key stakeholders and to receive community input in a transparent manner. This has enabled us to direct our efforts in successfully reclaiming and closing mineral properties addressing sustainable development activities with benefits that will carry far beyond active mine life.

## Safety & Occupational Health

As mentioned above, Kennecott Minerals' 2005 safety performance declined from what was achieved in 2004. A total of 12 injuries were incurred, 6 resulting in Lost Day Injuries with the remaining 6 being Medical Treatment Case injuries. We ended the year with zero fatalities and no injuries at Rawhide, Eagle, Nevada Copper, Flambeau and Kennecott Minerals Headquarters. Also, there was a 25% reduction in contractor injuries in 2005 compared to 2004. Fortunately, all injuries incurred at Greens Creek (9) and Ridgeway (3) were not serious in nature and had a low consequence of long-term harm. Greens Creek had two

serious ground fall incidents during the year, fortunately with no injuries involved. However, both incidents had the potential for severe consequence. As a result, investment in the ongoing major mine rehabilitation program was accelerated and is well advanced at this time to ensure the long-term safety of Greens Creek employees and the long-term viability of the mining operation.

The Greens Creek Mine earned recognition for its Mill Department's safety achievements by being awarded the "Safest Mill in Alaska" by the U.S. Department of Labor's Mine Safety and Health Administration (MSHA) for working over 4 years without a Lost Time Injury.

I remain confident we can improve upon each and everyone's safety behavior to strengthen the safety culture at Kennecott Minerals and look forward to improved health and safety performance in 2006.

## Environment

During 2005, our environmental management systems were embedded in three separate Certificates of Registration for Greens Creek, Eagle Minerals and Kennecott Minerals in conformance with ISO 14001, certifying each operation's Environmental Management System. We participated in a Mine Work Group that was successful in developing rules for metallic sulfide mining in Michigan and continued to evaluate baseline environmental data to be incorporated in permit applications associated with the Eagle Project. We also continued with the collection of environmental data and information to allow for reclamation bond releases in the upcoming years at the Flambeau, Ridgeway and Rawhide mines.

Once again I am pleased to report that there were no significant incidents during the year at any of the Kennecott Minerals operations that resulted in lasting impacts to the environment.

## Sustainable Development

Sustainable Development alternatives continue to be evaluated and are progressing with a municipal solid waste landfill at Rawhide, the Center for Ecological Restoration at Ridgeway, Copper Park Equestrian Trails and multiple-use public trail system at Flambeau, Bassett Lake wildlife and public recreation area at Nevada Copper and for reclamation and closure options related to developing the Eagle Project.

## Sincere Thanks

I would like to thank everyone for their positive contributions during 2005, making this a very successful year for Kennecott Minerals. Continued success depends upon our focused efforts to health and safety, environmental protection, economic vitality and our social obligations to our neighboring communities, all forming the basis for sustainable development in our industry.



Adrian F. Jackman