



Quarterly Report Three and Six Months Ended June 30, 2011

All amounts are in Canadian dollars, unless otherwise stated.

Management's Interim Discussion and Analysis

The following is management's interim discussion and analysis of operations and consolidated financial condition and should be read in conjunction with the consolidated audited financial statements and management's discussion and analysis included in Inmet's 2010 Annual Report.

Highlights

- **Earnings from operations up from last year but impacted by shipping delays**

Earnings from operations were \$88 million compared to \$67 million in the second quarter of last year because of higher metal prices and the inclusion of earnings from Las Cruces. Earnings were impacted by copper sales volumes lagging production volumes by a combined 3,000 tonnes at Çayeli and Pyhäsalmi due to shipment timing. These shipping delays reduced earnings from operations by approximately \$17 million.

- **Inmet Board approval for development decision on Cobre Panama**

On July 25, 2011, the Board of Directors of Inmet approved the development of Cobre Panama as described in the final FEED study of March, 2010 after completing a comprehensive review and risk assessment. This approval is conditional on the achievement of the following project milestones:

- approval of the project Environmental and Social Impact Assessment (ESIA) by Autoridad Nacional del Ambiente (ANAM), the Panamanian environmental regulator
- securing of all material permits and approvals required to be issued by relevant Panamanian authorities for construction and development of the mine and process plant
- completion of basic engineering and related update of capital and operating project cost estimates
- Board satisfaction regarding the ability to finance development of the project.

As a result of the development decision, KPMC, under an amended option agreement we have agreed to with it, must make its election on whether to exercise its option to acquire a 20 percent interest in Minera Panama by the later of 60 days after the date of this release or the date that is seven days after we have publicly announced ANAM's approval of the ESIA.

- **Cobre Panama partnership process**

This quarter, we commenced a process to engage potential new partners in Cobre Panama. At this point, multiple interested parties have executed confidentiality agreements with us and are engaged at various stages of due diligence on the project.

- **Las Cruces completes shutdown and achieves weekly copper production record**

Las Cruces produced 8,500 tonnes of copper cathode this quarter, following production of 8,100 tonnes in the first quarter. The scheduled maintenance shutdown ran 16 days, and the plant started up on schedule, achieving record throughput above 80 percent soon after start-up and record weekly production of 1,340 tonnes of cathode copper. Within two weeks after start-up, a support structure of the new grinding thickener failed due to a faulty weld causing a subsequent shut-down for repair. Production was halted for seven days to empty, repair and re-fill the thickener before it resumed. We are extremely disappointed about the poor performance of our technology provider and are in discussions with it about rectifying the situation. We look forward to the coming months and expect to

reach production design capacity this year, as all critical components of the operation have performed on a sustained basis at close to their design capacity or better.

- **Temasek converts subscription receipts**

On May 17, 2011, a subsidiary of Temasek Holdings (Private) Ltd. exchanged its subscription receipts for 7.78 million Inmet common shares and we received cash of approximately \$500 million, with a resulting 13 percent increase in our outstanding common shares. Although the dilution resulting from this transaction has reduced, and will reduce, earnings per share in the short-term, it is strategically significant because it provides access to additional financing resources for the construction of Cobre Panama.

Adjustments to production guidance for 2011

- **Las Cruces 2011 production objective reduced to between 42,000 and 45,000 tonnes of cathode copper**

We are reducing our cathode copper production objective from 50,200 tonnes to between 42,000 and 45,000 tonnes for the year to reflect the actual performance for the first half of the year and the impact of the failure of the new grinding thickener in July.

- **Çayeli 2011 zinc production guidance reduced to 45,700 tonnes**

Additionally, we have revised our zinc grade objective to be 5.6 percent, compared to our previous target 5.9 percent because of mine sequence changes and updates to expected stope grades. We have therefore reduced our zinc objective from 48,600 tonnes to 45,700 tonnes to reflect this in addition to lower recoveries.

Key financial data

(thousands, except per share amounts)	three months ended June 30			six months ended June 30		
	2011	2010	change	2011	2010	change
FINANCIAL HIGHLIGHTS						
Sales						
Gross sales	\$221,952	\$161,165	+38%	\$476,229	\$322,327	+48%
Net income						
Net income from continuing operations	\$56,050	\$51,494	+9%	\$115,455	\$100,865	+14%
Net income from continuing operations per share	\$0.86	\$1.00	-14%	\$1.82	\$1.96	-7%
Net income from discontinued operations	-	\$12,475	-100%	\$83,439	\$43,193	+93%
Net income from discontinued operations per share	-	\$0.22	-100%	\$1.31	\$0.77	+70%
Net income attributable to Inmet shareholders	\$56,050	\$68,495	-18%	\$198,894	\$153,266	+30%
Net income per share	\$0.86	\$1.22	-30%	\$3.13	\$2.73	+15%
Cash flow						
Cash flow provided by operating activities	\$92,931	\$39,691	+134%	\$211,107	\$84,818	+149%
Cash flow provided by operating activities per share ⁽¹⁾	\$1.42	\$0.71	+100%	\$3.33	\$1.51	+121%
Capital spending ⁽²⁾	\$51,801	\$6,889	+652%	\$92,531	\$24,430	+279%
OPERATING HIGHLIGHTS						
Production ⁽³⁾						
Copper (tonnes)	19,200	16,400	+17%	36,900	30,900	+19%
Zinc (tonnes)	18,300	20,600	-11%	39,500	39,300	+1%
Gold (ounces)	-	18,600	-100%	-	37,900	-100%
Pyrite (tonnes)	198,200	137,700	+44%	384,200	335,200	+15%
Copper cash cost (US \$ per pound) ⁽⁴⁾	\$1.04	\$0.56	+86%	\$0.99	\$0.45	+120%

FINANCIAL CONDITION	as at June 30	as at December 31
	2011	2010
Current ratio	8.2 to 1	3.4 to 1
Gross debt to total equity	1%	1%
Net working capital balance (millions)	\$1,125	\$626
Liquidity balance including cash and long-term bonds (millions)	\$1,625	\$699
Gross debt (millions)	\$18	\$17
Shareholders' equity (millions)	\$3,291	\$2,555

⁽¹⁾ Cash flow provided by operating activities divided by average shares outstanding for the period.

⁽²⁾ The six months ended June 30, 2011 includes capital spending of \$48 million at Cobre Panama and \$34 million at Las Cruces. The six months ended June 30, 2010 includes capital spending of \$41 million at Cobre Panama and \$29 million at Las Cruces reduced by positive cash flow from pre-operating costs net of revenues and working capital changes at Las Cruces of \$53 million.

⁽³⁾ Inmet's share. 2010 production does not include our share of Ok Tedi.

⁽⁴⁾ Copper cash cost per pound is a non-GAAP financial measure – see *Supplementary financial information* on pages 30 to 32. Copper cash costs this quarter and year to June were higher because Las Cruces is ramping up to full production. We did not include Las Cruces' results in cash costs in the first half of 2010 because it had not yet reached commercial production.

Second quarter report

We prepared this report as of July 25, 2011.

In this report, *Inmet* means Inmet Mining Corporation and *we, us* and *our* mean Inmet and/or its subsidiaries and joint ventures. *This quarter* refers to the three months ended June 30, 2011. *Revised objective* is as of July 25, 2011.

Securities regulators encourage companies to disclose forward-looking information to help investors understand a company's future prospects. This interim report contains statements about our future financial condition, results of operations and business.

These are "forward-looking" because we have used what we know and expect today to make a statement about the future. Forward-looking statements usually include words such as *may, expect, anticipate, believe* or other similar words. We believe the expectations reflected in these forward-looking statements are reasonable. However, actual events and results could be substantially different because of the risks and uncertainties associated with our business or events that happen after the date of this interim report. You should not place undue reliance on forward-looking statements. As a general policy, we do not update forward-looking statements except as required by securities laws and regulations.

Adoption of International Financial Reporting Standards

We have prepared our second quarter 2011 consolidated financial statements and other financial information according to International Financial Reporting Standards, and restated our 2010 comparative financial statements and other financial information following our IFRS accounting policies. See *Adoption of International Financial Reporting Standards* on page 28 for more information.

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Our financial results

(thousands, except per share amounts)	three months ended June 30			six months ended June 30		
	2011	2010	change	2011	2010	change
EARNINGS FROM OPERATIONS ⁽¹⁾						
Çayeli	\$35,271	\$32,262	+9%	\$86,744	\$63,298	+37%
Las Cruces	21,475	-	+100%	52,051	-	+100%
Pyhäsalmi	31,043	24,967	+24%	65,496	47,832	+37%
Other	-	10,213	-100%	-	24,391	-100%
	87,789	67,442	+30%	204,291	135,521	+51%
DEVELOPMENT AND EXPLORATION						
Corporate development and exploration	(4,562)	(2,524)	+81%	(17,973)	(5,303)	+239%
CORPORATE COSTS						
General and administration	(8,258)	(6,200)	+33%	(16,680)	(11,621)	+44%
Investment and other income	4,731	3,321	+42%	(1,042)	4,525	-123%
Stand by costs	-	-	-	-	(6,753)	-100%
Finance costs	(2,386)	(1,770)	+35%	(4,717)	(3,643)	+29%
Income and capital taxes	(21,264)	(8,775)	+142%	(48,424)	(11,861)	+308%
	(27,177)	(13,424)	+102%	(70,863)	(29,353)	+141%
Net income from continuing operations	56,050	51,494	+9%	115,455	100,865	+14%
Income from discontinued operation (net of taxes)	-	12,475	-100%	83,439	43,193	+93%
Non-controlling interest	-	4,526	-100%	-	9,208	-100%
Net income attributable to Inmet shareholders	\$56,050	\$68,495	-18%	\$198,894	\$153,266	+30%
Income from continuing operations per common share	\$0.86	\$1.00	-14%	\$1.82	\$1.96	-7%
Diluted income from continuing operations per common share	\$0.86	\$1.00	-14%	\$1.81	\$1.96	-8%
Basic net income per common share	\$0.86	\$1.22	-30%	\$3.13	\$2.73	+15%
Diluted net income per common share	\$0.86	\$1.22	-30%	\$3.12	\$2.73	+14%
Weighted average shares outstanding	65,393	56,107	+17%	63,483	56,107	+13%

⁽¹⁾ Gross sales less smelter processing charges and freight, cost of sales including depreciation and provisions for mine reclamation at closed properties.

Key changes in 2011

(millions)	three months ended June 30	six months ended June 30	see page
EARNINGS FROM OPERATIONS			
Sales			
Higher copper prices denominated in Canadian dollars	\$15	\$34	8
Other changes in prices denominated in Canadian dollars	10	12	8
Lower sales volumes	(11)	-	8
Costs			
Higher operating costs, including costs that vary with income and cash flows	(5)	(5)	11
Operating earnings at Las Cruces	21	52	19
2010 earnings from Troilus	(10)	(24)	
Higher earnings from operations compared to 2010	20	69	
CORPORATE COSTS			
Costs related to proposed merger with Lundin	-	(6)	13
Exploration of Balboa deposit at Cobre Panama	-	(2)	13
Standby charges in 2010	-	7	14
Foreign exchange changes	(1)	(11)	13
Higher income taxes	(12)	(37)	14
Other	(2)	(5)	
Higher net income from continuing operations compared to 2010	5	15	
Higher (lower) income from discontinued operation – Ok Tedi	(12)	40	14
Non-controlling interest in 2010	(5)	(9)	
Higher (lower) net income attributable to Inmet shareholders compared to 2010	(\$12)	\$46	

Understanding our performance

Metal prices

The table below shows the average metal prices we realized in US dollars and Canadian dollars, this quarter and year to date compared to 2010. The prices we realize include finalization adjustments – see *Gross sales* on page 8.

	three months ended June 30			six months ended June 30		
	2011	2010	change	2011	2010	change
US dollar metal prices						
Copper (per pound)	US \$4.16	US \$2.91	+43%	US \$4.24	US \$3.14	+35%
Zinc (per pound)	US \$1.01	US \$0.81	+25%	US \$1.03	US \$0.91	+13%
Canadian dollar metal prices						
Copper (per pound)	C \$4.03	C \$2.99	+35%	C \$4.14	C \$3.25	+27%
Zinc (per pound)	C \$0.98	C \$0.83	+18%	C \$1.01	C \$0.94	+7%

Copper

Copper prices on the London Metals Exchange (LME) averaged US \$4.14 per pound this quarter, a decrease of 8 percent from the first quarter of 2011 and a 29 percent increase over the second quarter of 2010.

Zinc

Zinc prices on the LME averaged US \$1.02 per pound this quarter, slightly lower than last quarter's average price of US \$1.09 per pound and a 9 percent increase over the second quarter of 2010.

Pyrite

Prices for sulphur stabilized during the second quarter and we expect to realize similar prices for the remainder of the year.

Exchange rates

Exchange rates affect our revenue and earnings. The table below shows the average exchange rates we realized this quarter and year to date compared to 2010.

	three months ended June 30			six months ended June 30		
	2011	2010	change	2011	2010	change
Exchange rates						
1 US\$ to C\$	\$0.97	\$1.03	-6%	\$0.98	\$1.03	-5%
1 euro to C\$	\$1.39	\$1.31	+6%	\$1.37	\$1.37	-
1 euro to US\$	\$1.44	\$1.28	+13%	\$1.40	\$1.33	+5%

Our sales are affected by the conversion of US dollar revenue to Canadian dollars. Compared to the same quarter last year, the value of the Canadian dollar appreciated 6 percent relative to the US dollar and depreciated 6 percent relative to the euro.

Our earnings are affected by changes in foreign currency exchange rates when we:

- translate the results of our operations from their functional currency (US dollars or euros) to Canadian dollars
- revalue US dollars and euros that we hold in cash and long-term bonds at Corporate.

Treatment charges down for zinc

Treatment charges are one component of smelter processing charges. We also pay smelters for content losses and price participation.

The table below shows the average charges we realized this quarter and year to date. We finalized our terms with zinc smelters this quarter, agreeing on treatment charges for zinc concentrates that are lower than last year, reflecting a tightening zinc concentrate market. Results this quarter include adjustments we've made to first quarter charges, which were at 2010 rates.

(US\$)	three months ended June 30			six months ended June 30		
	2011	2010 ⁽¹⁾	change	2011	2010 ⁽¹⁾	change
Treatment charges						
Copper (per dry metric tonne of concentrate)	US \$57	US \$46	+24%	US \$52	US \$52	-
Zinc (per dry metric tonne of concentrate)	US \$197	US \$284	-31%	US \$225	US \$247	-9%
Price participation						
Copper (per pound)	US \$0.02	US \$0.02	-	US \$0.02	US \$0.02	-
Zinc (per pound)	US (\$0.01)	US (\$0.11)	+91%	US (\$0.01)	US (\$0.02)	+50%
Freight charges						
Copper (per dry metric tonne of concentrate)	US \$52	US \$54	-4%	US \$51	US \$49	+4%
Zinc (per dry metric tonne of concentrate)	US \$23	US \$35	-34%	US \$24	US \$32	-25%

⁽¹⁾ 2010 charges exclude Ok Tedi charges.

Statutory tax rates remain consistent

The table below shows the statutory tax rates for each of our taxable operating mines.

	2011	2010	change
Statutory tax rates			
Çayeli	24%	24%	-
Las Cruces	30%	30%	-
Pyhäsalmi	26%	26%	-

Earnings from operations

(thousands)	three months ended June 30			six months ended June 30		
	2011	2010	change	2011	2010	change
Gross sales	\$221,952	\$161,165	+38%	\$476,229	\$322,327	+48%
Smelter processing charges and freight	(33,870)	(35,272)	-4%	(65,455)	(68,373)	-4%
Cost of sales:						
Direct production costs	(77,223)	(45,940)	+68%	(148,651)	(94,745)	+57%
Inventory changes	5,653	(1,343)	-521%	(1,501)	(3,492)	-57%
Other non-cash expenses	(2,074)	(840)	+147%	(2,642)	(2,152)	+23%
Depreciation	(26,649)	(10,328)	+158%	(53,689)	(18,044)	+198%
Earnings from operations	\$87,789	\$67,442	+30%	\$204,291	\$135,521	+51%

Gross sales were significantly higher

(thousands)	three months ended June 30			six months ended June 30		
	2011	2010	change	2011	2010	change
Gross sales by operation						
Çayeli	\$81,829	\$82,195	-	\$180,882	\$157,463	+15%
Las Cruces	78,787	-	+100%	169,613	-	+100%
Pyhäsalmi	61,336	51,247	+20%	125,734	102,687	+22%
Other (Troilus)	-	27,723	-100%	-	62,177	-100%
	\$221,952	\$161,165	+38%	\$476,229	\$322,327	+48%
Gross sales by metal						
Copper	\$144,766	\$77,539	+87%	\$336,469	\$157,524	+114%
Zinc	50,291	39,598	+27%	95,162	86,271	+10%
Gold	-	23,035	-100%	-	46,292	-100%
Other	26,895	20,993	+28%	44,598	32,240	+38%
	\$221,952	\$161,165	+38%	\$476,229	\$322,327	+48%

Key components of the change in sales: gross sales at Las Cruces, no sales at Troilus since closure

(millions)	three months ended June 30	six months ended June 30
Higher copper prices, denominated in Canadian dollars	\$15	\$34
Higher zinc prices, denominated in Canadian dollars	7	4
Changes in other metal prices	3	7
Gross sales at Las Cruces	79	170
2010 gross sales from Troilus	(28)	(62)
Higher (lower) sales volumes at our other mines	(15)	1
Higher gross sales, compared to 2010	\$61	\$154

We record sales that settle during the reporting period using the metal price on the day they settle. For sales that have not settled, we use an estimate based on the month we expect the sale to settle and the forward price of the metal at the end of the reporting period. We recognize the difference between our estimate and the final price by adjusting our gross sales in the period when we settle the sale (finalization adjustment).

This quarter, we recorded \$3 million in negative finalization adjustments from first quarter sales.

At the end of this quarter, the following sales had not been settled:

- 20 million pounds of copper provisionally priced at US \$4.28 per pound
- 12 million pounds of zinc provisionally priced at US \$1.07 per pound.

The finalization adjustment we record for these sales will depend on the actual price we receive when they settle, which can be up to five months from the time we initially record the sales. We expect these sales to settle in the following months:

(millions of pounds)	copper	zinc
July 2011	11	12
August 2011	4	-
September 2011	5	-
Unsettled sales at June 30, 2011	20	12

Significantly higher pyrite sales volumes, no gold sales volumes

Our sales volumes are directly affected by the amount of production from our mines and our ability to ship to our customers.

Copper production volumes were up this quarter and year to date mainly because of production at Las Cruces. Copper sales volumes were lower than production volumes this quarter mainly because of the timing of shipments to our customers at Çayeli and Pyhäsalmi.

Zinc sales volumes were slightly higher than 2010 due to the timing of shipments.

There was no gold production or sales volumes because Troilus stopped operating in June 2010 and we sold our interest in Ok Tedi in January 2011.

Pyhäsalmi's pyrite sales volumes were higher than in 2010 because of higher customer demand in Europe and China.

Sales volumes	three months ended June 30			six months ended June 30		
	2011	2010 ⁽¹⁾	change	2011	2010 ⁽¹⁾	change
Copper (tonnes)	16,300	16,300	-	36,900	29,700	+24%
Zinc (tonnes)	23,300	21,600	+8%	43,100	41,300	+4%
Gold (ounces)	-	18,100	-100%	-	39,300	-100%
Pyrite (tonnes)	222,800	168,300	+32%	364,100	259,100	+41%

Production

Inmet's share ⁽²⁾	three months ended June 30			six months ended June 30			revised objective 2011 ⁽³⁾
	2011	2010 ⁽¹⁾	change	2011	2010 ⁽¹⁾	change	
Copper (tonnes)							
Çayeli	7,000	7,100	-1%	13,000	14,200	-8%	30,900
Las Cruces	8,500	4,600	+85%	16,600	7,800	+113%	43,500
Pyhäsalmi	3,700	4,000	-8%	7,300	6,900	+6%	13,300
Troilus	-	800	-100%	-	2,000	-100%	-
	19,200	16,400	+17%	36,900	30,900	+19%	87,700
Zinc (tonnes)							
Çayeli	10,500	15,000	-30%	23,000	26,500	-13%	45,700
Pyhäsalmi	7,800	5,600	+39%	16,500	12,800	+29%	31,900
	18,300	20,600	-11%	39,500	39,300	+1%	77,600
Gold (ounces)							
Troilus	-	18,600	-100%	-	37,900	-100%	-
Pyrite (tonnes)							
Pyhäsalmi	198,200	137,700	+44%	384,200	335,200	+15%	800,000

⁽¹⁾ 2010 volumes have been revised to exclude Ok Tedi.

⁽²⁾ Inmet's share: 100 percent for Çayeli, Pyhäsalmi and Troilus. Our share of Las Cruces was 70 percent until December 15, 2010 and 100 percent after that.

⁽³⁾ 2011 objective was revised to decrease cathode copper production at Las Cruces and zinc production at Çayeli. All other production objectives are unchanged.

2011 outlook for sales

We use our production objectives to estimate our sales target.

- We expect copper production in 2011 to be 87,700 tonnes. Copper production at Las Cruces should be more than 50 percent higher than it was in 2010 as the operation ramps up to its nameplate capacity of 72,000 tonnes of copper cathode, and because we increased our ownership from 70 percent to 100 percent in December 2010. We have revised our cathode copper production objective from 50,200 tonnes to between 42,000 and 45,000 tonnes for the year to reflect the actual performance for the first half of the year and the impact of the failure of the new grinding thickener in July.
- We expect 2011 zinc sales and production volumes to be slightly lower than 2010 volumes because of lower grades and recoveries at Çayeli. We have revised our zinc grade objective to be 5.6 percent, compared to our previous target 5.9 percent because of mine sequence changes and updates to expected stope grades. We have therefore reduced our zinc objective from 48,600 tonnes to 45,700 tonnes to reflect this in addition to lower recoveries.
- We do not expect any gold sales in 2011.
- Pyhäsalmi expects to produce and sell 800,000 tonnes of pyrite in 2011. It signed a five year sales contract in March 2011 with a customer in the Far East for up to 400,000 tonnes of pyrite per year, and now has long term agreements covering sales of up to 760,000 tonnes annually.

Our Canadian dollar sales revenues are affected by the US dollar denominated metal price we receive, and the exchange rate between the US dollar and Canadian dollar.

Lower smelter processing charges

(thousands)	three months ended June 30			Six months ended June 30		
	2011	2010	change	2011	2010	change
Smelter processing charges and freight by operation						
Çayeli	\$18,350	\$20,859	-12%	\$36,244	\$39,697	-9%
Las Cruces	208	-	+100%	476	-	+100%
Pyhäsalmi	15,312	12,850	+19%	28,735	24,355	+18%
Other (Troilus)	-	1,563	-100%	-	4,321	-100%
	\$33,870	\$35,272	-4%	\$65,455	68,373	-4%
Smelter processing charges and freight by metal						
Copper	\$8,427	\$11,363	-26%	\$19,628	\$21,484	-9%
Zinc	17,697	15,503	+14%	35,374	35,978	-2%
Other	7,746	8,406	-8%	10,453	10,911	-4%
	\$33,870	\$35,272	-4%	\$65,455	\$68,373	-4%
Smelter processing charges by type and freight						
Copper treatment and refining charges	\$2,818	\$3,580	-21%	\$6,199	\$7,569	-18%
Zinc treatment charges	8,897	12,794	-30%	18,659	20,863	-11%
Copper price participation	328	412	-20%	714	837	-15%
Zinc price participation	(359)	(5,372)	-93%	(559)	(1,438)	-61%
Content losses	11,165	10,758	+4%	22,786	22,396	+2%
Freight	10,761	12,434	-13%	17,068	17,392	-2%
Other	260	666	-61%	588	754	-22%
	\$33,870	\$35,272	-4%	\$65,455	\$68,373	-4%

Our copper treatment and refining charges were lower than they were in 2010 because Troilus stopped operating in June 2010. Zinc treatment charges were lower than last year because our terms with smelters were lower.

2011 outlook for smelter processing charges and freight

We expect costs for copper treatment and refining to be higher in 2011 based on agreements we signed recently with customers. We sell approximately 90 percent of our copper concentrate under long-term contracts.

Spot smelter processing charges continue to be significantly higher than they were in 2010, because the earthquake in Japan in March caused stoppages in copper smelter production, lowering short-term demand for copper concentrates. This should settle in the third quarter and we expect spot processing charges to normalize.

We expect copper price participation to be minimal.

We expect total zinc smelter processing charges, including price participation, to be lower than in 2010 because of a tightening zinc concentrate market and our long-term contracts reflect this.

We expect our ocean freight costs to be similar to 2010.

Las Cruces sells its copper cathode production directly to buyers in the Spanish and Mediterranean markets and therefore does not incur smelter processing charges and has relatively low freight costs.

Direct production costs and cost of sales higher

(thousands)	three months ended June 30			six months ended June 30		
	2011	2010	change	2011	2010	change
Direct production costs by operation						
Çayeli	\$22,889	\$21,273	+8%	\$46,267	\$43,009	+8%
Las Cruces	39,240	-	+100%	72,728	-	+100%
Pyhäsalmi	15,094	12,853	+17%	29,656	27,831	+7%
Other (Troilus)	-	11,814	-100%	-	23,905	-100%
Total direct production costs	77,223	45,940	+68%	148,651	94,745	+57%
Inventory changes	(5,653)	1,343	-521%	1,501	3,492	-57%
Other non-cash expenses	2,074	840	+147%	2,642	2,152	+23%
Total cost of sales (excluding depreciation)	\$73,644	\$48,123	+53%	\$152,794	\$100,389	+52%

Direct production costs

Direct production costs are higher this year, mainly because we began recognizing operating results at Las Cruces in our consolidated income statement effective July 1, 2010, partly offset by the closure of Troilus mid-year in 2010. At Çayeli, consumables, ground control and royalty costs were higher as anticipated in our guidance. Pyhäsalmi realized higher consumable, electricity and ground support costs this quarter than the second quarter of 2010.

Inventory changes

Copper inventories at Çayeli and Pyhäsalmi increased this quarter end by a combined 3,000 tonnes because of the timing of shipments.

2011 outlook for cost of sales (excluding depreciation)

We expect consolidated direct production costs to be higher in 2011 because we will recognize a full year of production costs in the income statement for Las Cruces. This will be somewhat offset by the closure of Troilus.

Our budget for 2011 assumes our costs at Pyhäsalmi will be similar to 2010 and higher at Çayeli. Costs at Las Cruces will rise to reflect increased production, but should decrease significantly per pound of copper produced as this operation continues to ramp up to full production.

Certain variable costs may continue to affect our earnings, depending on metal prices:

- royalties at Çayeli are affected by its net income
- royalties at Las Cruces are affected by its net sales.

Higher depreciation

(thousands)	three months ended June 30			six months ended June 30		
	2011	2010	change	2011	2010	Change
Depreciation by operation						
Çayeli	\$5,028	\$6,104	-18%	\$10,254	\$10,814	-5%
Las Cruces	19,283	-	+100%	38,839	-	+100%
Pyhäsalmi	2,338	1,995	+17%	4,596	4,016	+14%
Other (Troilus)	-	2,229	-100%	-	3,214	-100%
	\$26,649	\$10,328	+158%	\$53,689	\$18,044	+198%

Depreciation was higher this quarter and year to date mainly because Las Cruces began to depreciate its operating assets in the income statement on July 1, 2010. There was no depreciation at Troilus in 2011 because it stopped operating in June 2010.

2011 outlook for depreciation

We expect depreciation to be higher in 2011 mainly because we will recognize Las Cruces' operating results in earnings for the entire year. This will be offset somewhat by the closure of Troilus.

Corporate costs

Corporate costs include corporate development and exploration, general and administration costs, taxes, interest and other income.

Corporate development and exploration

Costs year to date are approximately \$13 million higher than 2010. In the first quarter, we incurred approximately \$6 million of expenses from work related to the arrangement agreement to merge with Lundin Mining Corporation. We and Lundin Mining Corporation agreed to mutually terminate our arrangement agreement on March 29, 2011. All of the costs incurred in connection with the proposed merger were expensed and classified as *corporate development and exploration* in the consolidated statement of earnings. In addition, we incurred \$2 million in expenditures in the first quarter to drill the Balboa deposit at Cobre Panama. Work on Balboa continued in the second quarter and we began capitalizing drilling and evaluation costs for this deposit based on the positive results to date. See *Status of development project – Cobre Panama* on page 22 for more information. Increased costs compared to 2010 also reflect our higher budget for 2011 to explore for world class deposits.

Investment and other income

(thousands)	three months ended June 30		six months ended June 30	
	2011	2010	2011	2010
Interest income	\$4,205	\$1,760	\$6,977	\$3,357
Foreign exchange losses	(267)	863	(11,093)	(198)
Dividend and royalty income	467	1,175	1,067	1,889
Other	326	(477)	2,007	(523)
	\$4,731	\$3,321	\$(1,042)	\$4,525

Interest income

Interest income was higher this quarter and year to date compared to last year because our long-term bond portfolio provided higher yields and because our cash and long-term bond balances were higher.

Foreign exchange losses

We have foreign exchange gains or losses when we revalue certain foreign denominated assets and liabilities.

Our foreign exchange losses were from:

(thousands)	three months ended June 30		six months ended June 30	
	2011	2010	2011	2010
Translation of US dollar held-to-maturity investments	\$(1,399)	\$-	\$(2,851)	\$-
Translation of US dollar cash held at corporate	49	393	(8,188)	(10)
Translation of other monetary assets and liabilities	1,083	470	(54)	(188)
	\$(267)	\$863	\$(11,093)	\$(198)

We continue to hold the proceeds we received from the sale of our equity interest in Ok Tedi in US dollars, and plan to use this money to fund our US dollar denominated capital program at Cobre Panama. In the first quarter, we recognized total foreign exchange losses of \$9.5 million on these funds because the US dollar depreciated in value relative to the Canadian dollar.

2011 outlook for investment and other income

Investment and other income is affected by cash and held to maturity investments, and by interest rates and exchange rates.

Stand-by costs

In the first quarter of 2010, we could not mine ore at Las Cruces because of the water levels in the pit. We expensed \$6.8 million in operating and maintenance costs for the water purification plant because they did not relate to production activities. We recognized these expenses as stand-by costs because we were not yet at commercial production.

Income tax expense (recovery)

(thousands)	three months ended June 30			six months ended June 30		
	2011	2010	change	2011	2010	change
Çayeli	\$11,936	\$8,738		\$23,592	\$15,604	
Las Cruces	2,437	(7,222)		9,934	(14,856)	
Pyhäsalmi	6,595	5,551		14,398	10,510	
Corporate and other	296	1,708		500	603	
	\$21,264	\$8,775		\$48,424	11,861	
Consolidated effective tax rate	28%	15%	+13%	30%	11%	+19%

Our tax expense changes as our earnings change.

The consolidated effective tax rate increased this quarter and year to date compared to last year, mainly because in 2010 Las Cruces recognized a tax recovery on a foreign exchange loss from its intercompany US dollar denominated debt. The foreign exchange eliminates on consolidation, but the tax recovery does not, since there is no corresponding tax expense on the foreign exchange gain.

2011 outlook for income tax expense

We expect statutory tax rates at our operations to remain the same as they were in 2010 unless a statutory tax rate change is enacted.

Discontinued operation

We sold our 18 percent equity interest in Ok Tedi in January 2011, and have reported our results relating to Ok Tedi as discontinued operations retroactively. After-tax income of \$83 million in 2011 includes net earnings of \$17 million in January, before the sale, and a gain on sale of \$66 million net of withholding taxes. We paid Papua New Guinea withholding taxes of \$28 million on the sale. We did not pay any Canadian taxes, and we expect to reduce our tax-affected Canadian tax loss pools by about \$2 million.

Results of our operations

2011 estimates

Our financial review by operation includes estimates for our 2011 operating earnings and operating cash flows. We used our 2011 objectives for production and cost per tonne of ore milled to build these estimates, as well as the following assumptions for the remaining six months of the year:

Copper price	US \$4.30 per pound
Zinc price	US \$1.00 per pound
Copper treatment cost	US \$54 per tonne for contracts
Zinc treatment cost	US \$224 per tonne (basis US \$2,500 per tonne) for contracts
US \$ to C\$ exchange rate	\$1.00
euro to C\$ exchange rate	\$1.35
Working capital	Assume no changes for the year

Çayeli

		three months ended June 30			six months ended June 30			<i>revised</i>
		2011	2010	change	2011	2010	change	<i>objective</i>
								<i>2011</i>
Tonnes of ore milled (000's)		275	295	-7%	568	584	-3%	1,200
Tonnes of ore milled per day		3,000	3,200	-6%	3,100	3,200	-3%	3,300
Grades (percent)	copper	3.3	3.2	+3%	3.1	3.2	-3%	3.2
	zinc	5.7	7.0	-19%	6.0	6.3	-5%	5.6
Mill recoveries (percent)	copper	77	76	+1%	75	77	-3%	80
	zinc	67	73	-8%	68	72	-6%	68
Production (tonnes)	copper	7,000	7,100	-1%	13,000	14,200	-8%	30,900
	zinc	10,500	15,000	-30%	23,000	26,500	-13%	45,700
Cost per tonne of ore milled (C\$)		\$83	\$72	+15%	\$82	\$74	+11%	\$81

Copper production improved from last quarter

Copper grades increased this quarter as we began to produce higher copper grade ore that had been deferred earlier in the year. We will continue to process this high copper grade ore in the third quarter. Low stockpiles early in the quarter limited blending opportunities, which led to lower overall copper recoveries than planned. Stockpiles have since grown giving us the ability to optimize blending going forward. Mill throughput was lower this quarter compared to the second quarter of 2010 due to a routine shutdown. Although copper production was lower than expected, we anticipate making up this production in the second half of the year.

Zinc grades this quarter were significantly lower than the second quarter of 2010 because of variation in ore types. Ore containing bornite minerals continued to pose challenges to the process plant, lowering metallurgical recoveries this year especially for zinc. Zinc production was therefore lower than last year.

The additional resources for ground control are improving production reliability. The mine achieved a 30 day monthly production record in June, producing 103,000 tonnes of ore and also achieving weekly records for rockbolts installed, shotcrete applied and sheets of wire mesh installed.

Cost per tonne of ore milled this quarter and year to date were higher than 2010 mainly because of higher royalty costs (pushed up by higher realized metals prices), additional ground support costs and increased costs for labour and consumables. This change was, however, consistent with our expectations and the objective for the year.

2011 outlook

Production levels in 2011 should remain at approximately 1.2 million tonnes. We expect copper grades to be 3.2 percent consistent with our original plan. We have reduced our zinc grade objective to 5.6 percent, compared to our previous target of 5.9 percent because of mine sequence changes and updates to forecast stope grades. We expect there will continue to be bornite containing ore in the mill feed, and we have reduced our objective for zinc recoveries from 73 percent to 68 percent. The result is that we adjusted our zinc production objective from 48,600 tonnes to 45,700 tonnes.

Financial review

Impact of higher metal prices realized this quarter offset by lower sales volumes due to timing of shipments

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended		six months ended		<i>revised objective 2011</i>
	2011	June 30 2010	2011	June 30 2010	
Sales analysis					
Copper sales (tonnes)	5,000	7,500	12,500	13,100	30,900
Zinc sales (tonnes)	15,500	16,600	25,500	28,900	45,700
Gross copper sales	\$42	\$48	\$112	\$91	\$289
Gross zinc sales	34	30	57	59	103
Other metal sales	6	4	12	7	22
Gross sales	82	82	181	157	414
Smelter processing charges and freight	(19)	(21)	(36)	(40)	(79)
Net sales	\$63	\$61	\$145	\$117	\$335
Cost analysis					
Tonnes of ore milled (thousands)	275	295	568	584	1,200
Direct production costs (\$ per tonne)	\$83	\$72	\$82	\$74	\$81
Direct production costs	\$23	\$21	\$46	\$43	\$97
Change in inventory	(1)	1	-	(1)	-
Depreciation and other non-cash costs	6	7	12	12	25
Operating costs	\$28	\$29	\$58	\$54	\$122
Operating earnings	\$35	\$32	\$87	\$63	\$213
Operating cash flow	\$37	\$23	\$91	\$53	\$186

The objective for 2011 uses the assumptions listed on page 15.

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		six months ended	
	June 30	June 30	June 30	June 30
Higher copper prices, denominated in Canadian dollars		\$10		\$25
Higher other metal prices, denominated in Canadian dollars		8		10
Lower copper sales volumes		(12)		(5)
Lower zinc sales volumes		(2)		(4)
Higher production costs, including royalty		(2)		(3)
Other		1		1
Higher operating earnings, compared to 2010		3		24
Change in tax expense because of change in taxable income		(6)		(7)
Changes in working capital (see note 19 on page 78)		19		22
Other		(2)		-
Higher operating cash flow, compared to 2010		\$14		\$38

Capital spending

<i>(thousands)</i>	three months ended June 30			six months ended June 30			<i>objective 2011</i>
	2011	2010	change	2011	2010	change	
Capital spending	\$5,200	\$3,100	+68%	\$7,700	\$4,900	+57%	\$19,000

2011 outlook for capital spending

We expect to spend \$19 million on capital in 2011 for underground development, ore pass rehabilitation, mobile equipment, a shotcrete delivery line extension, a new concrete batch plant and additional mill improvements.

Las Cruces

(100 percent)	three months ended June 30			six months ended June 30			revised objective
	2011	2010	change	2011	2010	change	2011
Tonnes of ore processed (000's)	164	111	+48%	336	188	+79%	800
Copper grades (percent)	6.3	7.2	-13%	6.2	7.0	-11%	6.3
Plant recoveries (percent)	83	84	-1%	80	84	-5%	86
Cathode copper production (tonnes)	8,500	6,600	+29%	16,600	11,100	+50%	43,500
Cost per pound of cathode produced (C\$)	\$2.07	n/a	n/a	\$1.99	n/a	n/a	\$1.51

Progress update

In June 2011, we completed a planned maintenance shutdown at Las Cruces for 16 days to install new components and modify equipment, working to increase the underflow (or solids) density of the grinding thickener to its design capacity of 80 percent. After the shutdown, we operated consistently at solid densities at 80 percent or higher, compared to 75 percent before the shutdown. The plant started up on schedule, achieving record throughput above 80 percent soon after start-up and record weekly production of 1,340 tonnes of cathode copper.

Within two weeks after start-up, a support structure of the new grinding thickener failed due to a faulty weld, causing a subsequent shut-down for repair. Production was halted for seven days to empty, repair and re-fill the thickener before it resumed. We are extremely disappointed by the poor performance of our technology provider and are in discussions with it about rectifying the situation.

Copper cathode production in the second quarter was slightly better than the first quarter (8,500 tonnes compared to 8,100 tonnes). This reflects the downtime for the June shutdown and the continuing improvements to the reactors, including installing and commissioning new oxygen distributors.

Recoveries increased in the second quarter to 83 percent, approaching our objective of 85 percent as the efficiency of oxygen dispersion continues to improve. Higher iron levels in the reactors have also increased copper recoveries and ferric iron levels, allowing us to leach copper more effectively.

Despite these measurable improvements, we still need to closely monitor the leach reaction process. The leach solution in the reactors is extremely corrosive and abrasive, damaging even high nickel alloy stainless steel. We are monitoring and attempting to mitigate the wear on components inside the leach reactors, such as the cooling baffles, oxygen distributors and agitators.

Ore mining continues to progress well, and we have built up stockpiles and expect to mine up to one million tonnes this year.

Our water management continues to be successful, and we are progressively increasing our capacity for drainage and reinjection, as we commission new wells while aiming to reduce contact water inflows. Favourable summer climatic conditions have allowed us to reduce our discharge to the river.

Operating costs this quarter include \$5 million for shutdown costs.

2011 outlook

We look forward to the coming months and we expect to reach production design capacity this year, as all critical components of the operation have performed on a sustained basis at close to their design capacity or better. Our task now is to achieve reliable, sustained operations for the balance of the year, and to optimize the required maintenance and component replacements.

We are reducing our cathode copper production objective from 50,200 tonnes to between 42,000 and 45,000 tonnes for the year to reflect actual performance during the ramp-up year to date and the impact of the failure of the new grinding thickener in July.

Financial review

New operating earnings and operating cash flow at Las Cruces this year

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended June 30 2011	six months ended June 30 2011	revised objective 2011
Sales analysis			
Copper sales (tonnes)	8,700	18,400	43,500
Gross copper sales	\$78	\$169	\$410
Smelter processing charges and freight	-	-	(1)
Net sales	\$78	\$169	\$409
Cost analysis			
Pounds of copper produced (millions)	19	37	96
Direct production costs (\$ per pound)	\$2.07	\$1.99	\$1.51
Direct production costs	\$39	\$73	\$145
Change in inventory	(1)	5	-
Depreciation and other non-cash costs	19	39	81
Operating costs	\$57	\$117	\$226
Operating earnings	\$21	\$52	\$183
Operating cash flow	\$41	\$99	\$272

The objective for 2011 uses the assumptions listed on page 15.

Capital spending

<i>(100 percent and millions of Canadian dollars)</i>	three months ended June 30			six months ended June 30			revised objective 2011
	2011	2010	change	2011	2010	change	
Capital	\$19	\$19	-	\$34	\$29	+17%	\$68
Pre-operating costs capitalized, net of sales, working capital and other	-	(40)	-100%	-	(53)	-100%	-
	\$19	(\$21)	+190%	\$34	(\$24)	+242%	\$68

Capital spending this year was mainly on plant improvements, the permanent water purification plant and mine development. In 2010 it was mainly for the permanent water purification plant.

2011 outlook for capital spending

We expect to spend \$68 million on capital projects in 2011, including \$16 million for mine development and \$37 million for plant improvements.

Pyhäsalmi

		three months ended June 30			six months ended June 30			revised
		2011	2010	change	2011	2010	change	objective
		2011						
Tonnes of ore milled (000's)		352	355	-1%	687	700	-2%	1,370
Tonnes of ore milled per day		3,900	3,900	-	3,800	3,900	-3%	3,750
Grades (percent)	copper	1.1	1.2	-8%	1.1	1.0	+10%	1.0
	zinc	2.4	1.8	+33%	2.6	2.0	+30%	2.6
	sulphur	41	45	-9%	41	44	-7%	43
Mill recoveries (percent)	copper	96	96	-	96	96	-	95
	zinc	91	88	+3%	91	90	+1%	90
Production (tonnes)	copper	3,700	4,000	-8%	7,300	6,900	+6%	13,300
	zinc	7,800	5,600	+39%	16,500	12,800	+29%	31,900
	pyrite	198,200	137,700	+44%	384,200	335,200	+15%	800,000
Cost per tonne of ore milled (C\$)		\$43	\$36	+19%	\$43	\$40	+8%	\$40

Higher zinc grades increase zinc production

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 96 percent and zinc recoveries of 91 percent. Zinc grades were significantly higher this quarter and year to date compared to last year, and are consistent with our plan, pushing zinc production significantly higher. Copper production this quarter was slightly below the same quarter in 2010 and higher year to date because of variations in copper grades. Pyrite production was higher this quarter to meet higher customer demand.

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.

It expects to produce and sell 800,000 tonnes pyrite in 2011. In March 2011, Pyhäsalmi signed a five year sales contract with a customer in the Far East for up to 400,000 tonnes of pyrite per year, and now has long term agreements covering sales of up to 760,000 tonnes per year.

Financial review

Higher earnings because of higher copper prices and higher zinc and pyrite sales volumes

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended June 30		six months ended June 30		<i>revised objective</i>
	2011	2010	2011	2010	2011
Sales analysis					
Copper sales (tonnes)	2,600	3,600	6,100	6,800	13,300
Zinc sales (tonnes)	7,900	5,000	17,500	12,400	31,900
Pyrite sales (tonnes)	222,800	168,300	364,100	259,100	800,000
Gross copper sales	\$24	\$26	\$55	\$52	\$125
Gross zinc sales	17	9	38	27	71
Other metal sales	20	16	33	24	67
Gross sales	61	51	126	103	263
Smelter processing charges and freight	(15)	(13)	(29)	(24)	(51)
Net sales	\$46	\$38	\$97	\$79	\$212
Cost analysis					
Tonnes of ore milled (thousands)	352	355	687	700	1,370
Direct production costs (\$ per tonne)	\$43	\$36	\$43	\$40	\$40
Direct production costs	\$15	\$13	\$30	\$28	\$55
Change in inventory	(3)	(1)	(3)	(1)	-
Depreciation and other non-cash costs	3	1	5	4	11
Operating costs	\$15	\$13	\$32	\$31	\$66
Operating earnings	\$31	\$25	\$65	\$48	\$146
Operating cash flow	\$30	\$13	\$70	\$28	\$122

The objective for 2011 uses the assumptions listed on page 15.

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 June 30	six months ended June 30
Higher copper prices, denominated in Canadian dollars	\$5	\$9
Higher zinc prices, denominated in Canadian dollars	2	-
Lower copper sales volumes	(4)	(3)
Higher zinc and other sales volumes	7	12
Higher production costs	(2)	(2)
Other	(2)	1
Higher operating earnings, compared to 2010	6	17
Change in tax expense because of change in earnings	(1)	(4)
Changes in working capital (see note 19 on page 78)	12	28
Other	-	1
Higher operating cash flow, compared to 2010	\$17	\$42

Capital spending

<i>(thousands)</i>	three months ended June 30			six months ended June 30			<i>objective</i>
	2011	2010	change	2011	2010	change	2011
Capital spending	\$2,500	\$2,000	+25%	\$2,800	\$2,500	+12%	\$8,000

2011 outlook for capital spending

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

Status of our development project

Cobre Panama

Engineering, infrastructure and power

Basic engineering progressed as scheduled this quarter and we have compiled equipment lists, and finalized the process flow diagrams in all plant, port and power areas. We received permits and started several early work projects during the quarter. Preparatory road construction commenced in July in anticipation of major civil work scheduled to begin in early 2012. All early work projects have been approved under separate ESIA's by the regulatory authorities.

As part of our project related efforts, we had been working with GDF Suez Energy Central America S.A. (GDF Suez) to jointly develop an "over the fence" 300 megawatt coal-fired power plant to be owned and operated by GDF Suez. We believe the project would benefit more by directly incorporating the power plant into the project and as a result we reached an agreement with GDF Suez to terminate our joint development agreement. GDF Suez closely collaborated with us to transition Minera Panama as the developer and owner of the power plant. This change will be reflected in the ongoing basic engineering for the project's capital and operating (including power) cost estimates that we expect to have by the end of this year. As part of the transition, Minera Panama has engaged SK Engineering and Construction, Co. Ltd. of Korea under a limited notice to proceed with basic engineering for the power plant.

ESIA approval and corporate responsibility progress

This quarter, we initiated work on our responses to the second set of questions from ANAM, pertaining to the ESIA, which we believe will receive approval in September. The second set of questions is focused mainly on our biodiversity strategy as well as follow up questions on social and economic impacts. We expect to complete our responses and submit them to ANAM within the next month.

Board Approval for Development Decision on Cobre Panama

On July 25, 2011, the Board of Directors of Inmet approved development of Cobre Panama as described in the final FEED study of March, 2010 after completion of a comprehensive review and risk assessment. This approval is conditional on the achievement of the following project milestones:

- approval of the project ESIA by ANAM
- securing of all material permits and approvals required to be issued by relevant Panamanian authorities for construction and development of the mine and process plant
- completion of basic engineering and related update of capital and operating project cost estimates
- Board satisfaction regarding the ability to finance development of the project.

As a result of the development decision, KPMC, under an amended option agreement we have agreed to with it, must make its election on whether to exercise its option to acquire a 20 percent interest in Minera Panama by the later of 60 days after the date of this release or the date that is seven days after we have publicly announced ANAM's approval of the ESIA. In the event that KPMC exercises its option, it will be required to invest approximately US\$135 million in Minera Panama within 30 days of making its election. Any such funds invested by KPMC will be used to fund project related expenditures.

Partnership process recommencement

This quarter, we recommenced a process to engage potential new partners in Cobre Panama. At this point, multiple interested parties have executed confidentiality agreements with us and are engaged at various stages of due diligence on the project.

Drilling

We continued with resource drilling this quarter on the recently discovered Balboa deposit. On May 31, 2011, we provided a progress update from 12 further holes drilled on Balboa which is available at www.inmetmining.com. This drilling has defined a quartz-bornite-chalcopyrite mineralized porphyry returning higher copper and gold grades than those encountered at any time previously on the Cobre Panama property in over 40 years of exploration drilling. The Balboa mineralization starts near surface and this implies that it could be mined with a relatively low strip ratio but at generally higher copper and gold grades than the current mineral resources. Drills continue to delineate the extents of zone on 200 metre centres and we have also begun infill drilling on 100 metre centres with a view to establishing National Instrument 43-101 compliant mineral reserves and resources by year-end.

2011 outlook for development

In the latter half of 2011, we plan to:

- continue our dialogue with stakeholders at the community, regional and national levels, to increase their understanding of the project and its benefits to Panama, and our understanding of stakeholder concerns
- continue to work with ANAM on responding to the second round of questions on the ESIA
- work with all the government agencies to obtain permits that will be required after the ESIA is approved
- continue with a 720 hectare reforestation plan outside of the concession area
- work with environmental non-governmental organizations and the environmental authorities in plans to protect two national parks in the region of the project
- continue to improve site access and infrastructure
- complete additional drilling for geotechnical and hydrological purposes and to improve our understanding of mineralization not currently included in the project base case
- complete basic engineering and prepare to begin site capture when we receive the main permits
- Work with SK Engineering and Construction, Co. Ltd. on the development of the 300 megawatt thermal power plant to supply power for the project
- develop a range of financing options including a project level limited recourse facility, capital market alternatives and potential new partners
- spend the balance of our budgeted \$224 million to carry out the work described.

After basic engineering is completed and we have received the appropriate approvals, site capture, preparation and construction should take approximately 48 months.

Managing our liquidity

We develop our financing strategy by considering our long-term capital requirements and deciding on the optimal mix of cash, future operating cash flow, credit facilities and project financing.

Our capital structure includes a liquidity cushion that gives us the flexibility to deal with operational disruptions or general market downturns.

(millions)	three months ended		six months ended	
	2011	June 30 2010	2011	June 30 2010
CASH FROM OPERATING ACTIVITIES				
Çayeli	\$37	\$23	\$91	\$53
Las Cruces	41	-	99	(7)
Pyhäsalmi	30	13	70	28
Other (Troilus)	(2)	18	(2)	37
Corporate development and exploration not incurred by operations	(3)	(1)	(13)	(3)
General and administration	(8)	(6)	(17)	(12)
Foreign exchange losses on US dollar funds	(1)	-	(11)	-
Other	(1)	(7)	(6)	(11)
	93	40	211	85
CASH FROM INVESTING AND FINANCING				
Purchase of property, plant and equipment	(52)	(7)	(93)	(24)
Purchase and maturing of long-term investments, net	14	(117)	(254)	(219)
Foreign exchange on cash held in foreign operations	1	(6)	4	(20)
Issuance of common shares	502	-	502	-
Other	(1)	(2)	(2)	2
	464	(132)	157	(261)
CASH FROM DISCONTINUED OPERATION (OK TEDI)				
	-	39	307	78
Increase (decrease) in cash	557	(53)	675	(98)
Cash and short-term investments				
Beginning of period	444	489	326	534
End of period	\$1,001	\$436	\$1,001	\$436

Our available liquidity also includes \$624 million of held to maturity investments (\$373 million at December 31, 2010), providing a total of \$1,625 million in capital available to finance our growth strategy as at June 30, 2011.

OPERATING ACTIVITIES

Key components of the change in operating cash flows

(millions)	three months ended June 30	six months ended June 30
Higher earnings from operations (see page 5)	\$20	\$69
Add back higher depreciation included in earnings from operations	16	36
Higher tax expense	(7)	(10)
Changes in working capital (see note 19 on page 78)	29	50
Realized foreign exchange loss on cash	-	(8)
Higher corporate development and exploration	(2)	(13)
Stand-by costs in 2010	-	7
Other	(3)	(5)
Higher operating cash flow, compared to 2010	\$53	\$126

Operating cash flows this year were higher than 2010 because our operating earnings before depreciation were higher. The large inflow of cash related to working capital this quarter and year to date mainly reflects lower accounts receivable at Çayeli and Pyhäsalmi due to the timing of collections from customers.

2011 outlook for cash from operating activities

The table below shows expected operating cash flow from our key operations, based on our outlook for metal prices and production listed on page 15, and the assumptions in *Results of our operations*, which starts on page 15.

2011 estimated operating cash flow by operation

(millions)	
Çayeli	\$186
Las Cruces	272
Pyhäsalmi	122
	\$580

INVESTING AND FINANCING

Capital spending

(millions)	three months ended June 30		six months ended June 30		revised objective
	2011	2010	2011	2010	2011
Çayeli	\$5	\$3	\$8	\$5	\$19
Las Cruces	19	(21)	34	(24)	68
Pyhäsalmi	3	2	3	3	8
Cobre Panama	25	23	48	40	224
	\$52	\$7	\$93	\$24	\$319

Please see *Results of our operations* and *Status of our development project* for a discussion of actual results and our 2011 objective. Capital spending this year was mainly for Cobre Panama and for plant improvements at Las Cruces.

Purchase of long-term investments

We used the US dollar proceeds from the sale of Ok Tedi to buy US \$273.9 million in US Treasury bonds with AAA credit ratings. The bonds mature between March 2012 and January 2016 and have a weighted average annual yield to maturity of 1.2 percent. In 2010, we bought \$219 million in medium-term Canadian government and corporate bonds with credit ratings of A to AAA.

Issuance of common shares

On May 17, 2011, a subsidiary of Temasek Holdings (Private) Ltd. exchanged its subscriptions receipts for 7.78 million Inmet common shares and we received cash of \$500 million, plus accrued interest on funds in escrow during the subscription period.

Cash from discontinued operation

In January 2011, we sold our 18 percent equity interest in Ok Tedi for net proceeds of \$307 million after Papua New Guinea withholding taxes.

2011 outlook for investing and financing

Capital spending

We expect capital spending to be \$319 million in 2011. The more significant items include:

- \$224 million for work on the development at Cobre Panama, including basic engineering, advance payments for mill equipment and other costs to advance development
- \$68 million at Las Cruces, including \$16 million for mine development and \$37 million for plant improvements.

Financial condition

Our strategy is to ensure we have sufficient liquidity (including cash and committed credit facilities) to finance our operating requirements as well as our growth projects. At June 30, 2011, we had \$1,625 million in total funds, including \$1,001 million in cash and short-term investments and \$624 million invested in long-term bonds.

Cash

At June 30, 2011 our cash and short-term investments of \$1,001 million included cash and money market instruments that mature in 90 days or less.

Our policy is to invest excess cash in highly liquid investments of the highest credit quality, and to limit our exposure to individual counterparties to minimize the risk associated with these investments. We base our decisions about the length of maturities on our cash flow requirements, rates of return and other factors.

At June 30, 2011, we held cash and short-term investments in the following:

- A to AAA rated treasury funds and money market funds managed by leading international fund managers, who are investing in money market and short-term debt securities and fixed income securities issued by leading international financial institutions and their sponsored securitization vehicles.
- Cash, term and overnight deposits with leading Canadian and international financial institutions that are benefiting directly and indirectly from support programs by various governments and central banks.

See note 7 on page 72 in the consolidated financial statements for more details about where our cash is invested.

Medium-term bonds

We have created a bond portfolio to provide better yields with no change to our investment risk. As at June 30, 2011, the portfolio was \$624 million (*Held to maturity investments*):

- 55 percent US Treasury bonds
- 5 percent Government of Canada bonds
- 35 percent Provincial Government bonds
- 5 percent corporate bonds.

The bonds mature between August 2011 and May 2016. Although our intention is to hold these investments to maturity, there is a liquid market for them and they are available to us at any time.

Restricted cash

Our restricted cash balance of \$76 million as at June 30, 2011 included:

- \$17 million in cash collateralized letters of credit for Inmet
- \$57 million at Las Cruces related to a reclamation bond, issuing letters of credit to suppliers and the local water authority and for its labour bond to the government
- \$2 million for future reclamation at Pyhäsalmi.

COMMON SHARES

Common shares outstanding as of June 30, 2011	69,328,864
Deferred share units outstanding as of June 30, 2011 (redeemable on a one-for-one basis for common shares)	116,691

Accounting changes

Adoption of International Financial Reporting Standards

The Accounting Standards Board incorporated International Financial Reporting Standards (IFRS) into the Canadian Institute of Chartered Accountants Accounting Handbook effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The first quarter of 2011 was the first presentation of our results under IFRS, with an effective transition date of January 1, 2010.

While the adoption of IFRS did not change our business activities, it has significantly changed our reported financial position. Our key controls over financial reporting did not change as a result of our transition to IFRS. For all changes to policies and procedures that have been identified, the effectiveness of internal controls over financial reporting and disclosure controls and procedures has been assessed and any changes have been implemented. In addition, controls over the IFRS changeover process have been implemented as necessary.

See note 3 to our interim consolidated financial statements for a complete list of our significant accounting policies followed on adoption of IFRS. See note 6 to the financial statements for a detailed description of our conversion to IFRS, including a line-by-line reconciliation of our financial statements previously prepared under Canadian GAAP to those under IFRS for the three and six months ended June 30, 2010 and for the year ended December 31, 2010.

The table below reconciles total equity under Canadian GAAP to total equity under IFRS, and illustrates the after-tax effect of each of the most significant adjustments had on equity.

	Notes	January 1, 2010	June 30, 2010	December 31, 2010
Canadian GAAP equity		\$2,238,145	\$2,268,704	\$2,758,484
IFRS adjustments:				
Reclassification of non-controlling interest to equity		78,005	58,926	-
Revenue recognition	i	14,210	15,219	30,023
Reversal of impairment of assets – Çayeli	ii	42,395	40,893	34,005
Provision for asset retirement obligations	iii	(38,349)	(35,553)	(41,310)
Acquisition of the non-controlling interest in Las Cruces	iv	-	-	(254,056)
Property, plant and equipment associated with asset retirement obligations	v	8,304	11,992	12,175
Other		18,702	14,527	15,218
IFRS equity		\$2,361,412	\$2,374,708	\$2,554,539

i) Revenue

Under Canadian GAAP, we recognized revenue when title was legally transferred to the purchaser. For certain shipments at Çayeli, Pyhäsalmi and Ok Tedi, we transfer title when we receive the first provisional payment, which is later than the transfer point for risks and rewards of ownership.

Under IFRS, we recognize revenue when all significant risks and rewards of ownership of our products are transferred to the purchaser.

ii) Impairment of assets

Under Canadian GAAP, we used a two-step approach to impairment testing:

- first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists
- then measuring any impairment by comparing asset carrying values with fair values (generally assessed using a discounted cash flow valuation process).

Under IFRS we use a one step approach to test for and measure impairment, and compare asset carrying values directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). IFRS also requires a full or partial reversal of previous impairment losses when circumstances have changed and the impairments have been reduced. Impairment losses were not reversed under Canadian GAAP.

We increased January 1, 2010 property plant and equipment at Çayeli by approximately \$50 million to reverse an impairment charge we recognized for this operation in 1996. The increase is the IFRS carrying amount we would have calculated, net of depreciation, if we had not recognized the original impairment. This will also result in a higher ongoing depreciation expense for Çayeli, including an increase of \$8 million for the year ended December 31, 2010.

iii) Asset retirement obligations

Under Canadian GAAP, we used a credit adjusted risk free interest rate and were not required to update the rate when market rates changed.

Under IFRS, we measure asset retirement obligations using a risk free interest rate and revalue when market risk free interest rates change.

iv) Business combinations

Under Canadian GAAP, companies that acquired an additional interest in an entity they already controlled accounted for it as a step acquisition. Under IFRS, acquiring a non-controlling interest is not considered a business combination, and is instead accounted for as an equity transaction.

Under IFRS, we have accounted for our acquisition of the remaining 30 percent interest in Las Cruces in December 2010 as an equity transaction, because we already controlled it. We recognized the difference between the non-controlling interest (as determined under IFRS) and the fair value of the consideration paid, in retained earnings.

v) First time adoption of IFRS: property, plant and equipment associated with asset retirement obligations
First time adoption of International Financial Reporting Standards (IFRS 1) provides specific exemptions that we used when we adopted IFRS.

IFRS and Canadian GAAP both require us to recognize a corresponding change in asset retirement obligations in the carrying value of the related property, plant and equipment (where we identify an asset) and depreciate this amount prospectively. The amount under IFRS was different from the amount determined under Canadian GAAP because of the different way IFRS determines asset retirement obligations.

We used an optional transitional calculation to determine the property, plant and equipment associated with our provision for asset retirement obligations. Under the transitional calculation, we measured the provision at the transition date and discounted it to the date the liability first arose. The result became the initial asset value. Depreciation was applied to this value. We applied this exemption to certain mines instead of determining property, plant and equipment associated with asset retirement obligations retrospectively.

Supplementary financial information

Pages 31 and 32 include supplementary financial information about cash costs. These measures do not fall into the category of International Financial Reporting Standards.

We use unit cash cost information as a key performance indicator, both on a segmented and consolidated basis. We have included cash costs as supplementary information because we believe our key stakeholders use these measures as a financial indicator of our profitability and cash flows before the effects of capital investment and financing costs, such as interest.

Since cash costs are not recognized financial measures under International Financial Reporting Standards, they should not be considered in isolation of earnings or cash flows. There is also no standard way to calculate cash costs, so they are not a reliable way to compare us to other companies.

A handwritten signature in black ink, appearing to read "Jochen Tilk". The signature is written in a cursive, flowing style.

Toronto, Canada
July 25, 2011

Jochen Tilk
*President and
Chief Executive Officer*

INMET MINING CORPORATION

Supplementary financial information

Cash costs

2011 For the six month ended June 30

	per pound of copper			TOTAL
	ÇAYELI	LAS CRUCES	PYHÄSALMI	
(US dollars)				
Direct production costs	\$1.49	\$1.95	\$1.90	\$1.78
Royalties and variable compensation	0.17	0.08	-	0.10
Smelter processing charges and freight	1.60	0.01	1.19	0.80
Metal credits	(2.65)	-	(3.81)	(1.69)
Cash cost	\$0.61	\$2.04	(\$0.72)	\$0.99

2010 For the six month ended June 30

	per pound of copper			TOTAL
	ÇAYELI	LAS CRUCES ⁽¹⁾	PYHÄSALMI	
(US dollars)				
Direct production costs	\$1.22	\$ -	\$1.72	\$1.39
Royalties and variable compensation	0.11	-	-	0.07
Smelter processing charges and freight	1.37	-	1.02	1.26
Metal credits	(2.06)	-	(2.71)	(2.27)
Cash cost	\$0.64	\$ -	\$0.03	\$0.45

Reconciliation of cash costs to statements of earnings

2011 For the six months ended June 30

	per pound of copper			TOTAL
	ÇAYELI	LAS CRUCES	PYHÄSALMI	
(millions of Canadian dollars, except where otherwise noted)				
GAAP reference	page 17	page 19	page 21	
Direct production costs	\$46	\$73	\$30	\$149
Smelter processing charges and freight	36	-	29	65
By product sales	(69)	-	(71)	(140)
Adjust smelter processing and freight, and sales to production basis	4	-	1	5
Operating costs net of metal credits	\$17	\$73	(\$11)	\$79
US \$ to C\$ exchange rate	\$0.98	\$0.98	\$0.98	\$0.98
Inmet's share of production (000's)	28,600	36,600	16,100	81,300
Cash cost	\$0.61	\$2.04	(\$0.72)	\$0.99

2010 For the six months ended June 30

	per pound of copper			TOTAL
	ÇAYELI	LAS CRUCES ⁽¹⁾	PYHÄSALMI	
(millions of Canadian dollars, except where otherwise noted)				
GAAP reference	page 17	page 19	page 21	
Direct production costs	\$43	\$ -	\$28	\$71
Smelter processing charges and freight	40	-	24	64
By product sales	(66)	-	(51)	(117)
Adjust smelter processing and freight, and sales to production basis	4	-	(1)	3
Operating costs net of metal credits	\$21	\$ -	\$ -	\$21
US \$ to C\$ exchange rate	\$1.03	\$ -	\$1.03	\$1.03
Inmet's share of production (000's)	31,300	-	15,200	46,500
Cash cost	\$0.64	\$ -	\$0.03	\$0.45

INMET MINING CORPORATION

Supplementary financial information

Cash costs

2011 For the three months ended June 30

	per pound of copper			
	LAS			TOTAL
	ÇAYELI	CRUCES	PYHÄSALMI	
(US dollars)				
Direct production costs	\$1.38	\$2.07	\$1.94	\$1.79
Royalties and variable compensation	0.15	0.08	-	0.09
Smelter processing charges and freight	1.44	0.01	1.08	0.74
Metal credits	(2.38)	-	(3.75)	(1.58)
Cash cost	\$0.59	\$2.16	(\$0.73)	\$1.04

2010 For the three months ended June 30

	per pound of copper			
	LAS			TOTAL
	ÇAYELI	CRUCES ⁽¹⁾	PYHÄSALMI	
(US dollars)				
Direct production costs	\$1.25	\$ -	\$1.37	\$1.30
Royalties and variable compensation	0.08	-	-	0.05
Smelter processing charges and freight	1.40	-	0.73	1.16
Metal credits	(2.10)	-	(1.95)	(1.95)
Cash cost	\$0.63	\$ -	\$0.15	\$0.56

Reconciliation of cash costs to statements of earnings

2011 For the three months ended June 30

	per pound of copper			
	LAS			TOTAL
	ÇAYELI	CRUCES	PYHÄSALMI	
(millions of Canadian dollars, except where otherwise noted)				
GAAP reference	page 17	page 19	page 21	
Direct production costs	\$23	\$39	\$15	\$77
Smelter processing charges and freight	19	-	15	34
By product sales	(40)	-	(37)	(77)
Adjust smelter processing and freight, and sales to production basis	7	-	1	8
Operating costs net of metal credits	\$9	\$39	(\$6)	\$42
US \$ to C\$ exchange rate	\$0.97	\$0.97	\$0.97	\$0.97
Inmet's share of production (000's)	15,400	18,800	8,100	42,300
Cash cost	\$0.59	\$2.16	(\$0.73)	\$1.04

2010 For the three months ended June 30

	per pound of copper			
	LAS			TOTAL
	ÇAYELI	CRUCES ⁽¹⁾	PYHÄSALMI	
(millions of Canadian dollars, except where otherwise noted)				
GAAP reference	page 17	page 19	page 21	
Direct production costs	\$21	\$ -	\$13	\$34
Smelter processing charges and freight	21	-	13	34
By product sales	(33)	-	(25)	(58)
Adjust smelter processing and freight, and sales to production basis	2	-	-	2
Operating costs net of metal credits	\$11	\$ -	\$1	\$12
US \$ to C\$ exchange rate	\$1.03	\$ -	\$1.03	\$1.03
Inmet's share of production (000's)	15,600	-	8,800	24,400
Cash cost	\$0.63	\$ -	\$0.15	\$0.56

⁽¹⁾ Las Cruces' results are included from July 1, 2010

INMET MINING CORPORATION
Quarterly review
(unaudited)

Latest Four Quarters

	2011	2011	2010 ⁽¹⁾	2010 ⁽¹⁾
(thousands of Canadian dollars, except per share amounts)	Second	First	Fourth	Third
	quarter	quarter	quarter	quarter
STATEMENTS OF EARNINGS				
Gross sales	\$221,952	\$ 254,277	\$ 230,269	\$ 225,960
Smelter processing charges and freight	(33,870)	(31,585)	(35,733)	(34,358)
Cost of sales (excluding depreciation)	(73,644)	(79,150)	(82,967)	(70,503)
Depreciation	(26,649)	(27,040)	(18,882)	(19,062)
	87,789	116,502	92,687	102,037
Corporate development and exploration	(4,562)	(13,411)	(5,434)	(2,758)
General and administration	(8,258)	(8,422)	(4,758)	(3,985)
Investment and other income	4,731	(5,773)	50,622	3,197
Finance costs	(2,386)	(2,331)	(4,294)	(5,239)
Income tax expense	(21,264)	(27,160)	(31,960)	(25,266)
Income from continuing operations	56,050	59,405	96,863	67,986
Income from discontinued operation (net of taxes)	-	83,439	47,993	33,569
Net income	\$ 56,050	\$ 142,844	\$ 144,856	\$ 101,555
Net income attributable to:				
Inmet equity holders	\$ 56,050	\$ 142,844	\$ 146,932	\$ 91,678
Non-controlling interest	-	-	(2,076)	9,877
	\$ 56,050	\$ 142,844	\$ 144,856	\$ 101,555
Income from continuing operations per share				
Basic	\$ 0.86	\$ 0.97	\$ 1.73	\$ 1.04
Diluted	\$ 0.86	\$ 0.96	\$ 1.73	\$ 1.03
Income from discontinuing operations per share				
Basic	\$ -	\$ 1.36	\$ 0.84	\$ 0.60
Diluted	\$ -	\$ 1.35	\$ 0.84	\$ 0.60
Net Income per share				
Basic	\$ 0.86	\$ 2.33	\$ 2.57	\$ 1.64
Diluted	\$ 0.86	\$ 2.31	\$ 2.57	\$ 1.63

⁽¹⁾ Information from 2010 restated in accordance with IFRS, including presentation of our share of Ok Tedi as discontinued operations.

INMET MINING CORPORATION

Quarterly review (continued)

(unaudited)

Previous Four Quarters

	2010 ⁽¹⁾	2010 ⁽¹⁾	2009 ⁽²⁾	2009 ⁽²⁾
(thousands of Canadian dollars, except per share amounts)	Second quarter	First quarter	Fourth quarter	Third quarter
STATEMENTS OF EARNINGS				
Gross sales	\$ 161,165	\$161,162	\$290,570	\$241,121
Smelter processing charges and freight	(35,272)	(33,101)	(53,696)	(41,607)
Cost of sales (excluding depreciation)	(48,123)	(52,266)	(74,995)	(72,706)
Depreciation	(10,328)	(7,716)	(17,911)	(14,558)
	67,442	68,079	143,968	112,250
Corporate development and exploration	(2,524)	(2,779)	(2,915)	(1,963)
General and administration	(6,200)	(5,421)	(9,836)	(5,147)
Investment and other income	3,321	1,204	280	3,588
Asset impairment	-	-	(3,496)	-
Stand-by costs	-	(6,753)	-	-
Finance costs	(1,770)	(1,873)	(496)	(496)
Income tax expense	(8,775)	(3,086)	(38,599)	(39,988)
Income from continuing operations	51,494	49,371	88,906	68,244
Income from discontinued operation (net of taxes)	12,475	30,718	-	-
Net income	\$ 63,969	\$ 80,089	\$ 88,906	\$ 68,244
Net income attributable to:				
Inmet equity holders	\$ 68,495	\$ 84,771	\$ 89,763	\$ 61,551
Non-controlling interest	(4,526)	(4,682)	(857)	6,693
	\$ 63,969	\$ 80,089	\$ 88,906	\$ 68,244
Income from continuing operations per share				
Basic	\$ 1.00	\$ 0.96	\$ 1.60	\$ 1.10
Diluted	\$ 1.00	\$ 0.96	\$ 1.60	\$ 1.09
Income from discontinuing operations per share				
Basic	\$ 0.22	\$ 0.55	\$ -	\$ -
Diluted	\$ 0.22	\$ 0.55	\$ -	\$ -
Net Income per share				
Basic	\$ 1.22	\$ 1.51	\$ 1.60	\$ 1.10
Diluted	\$ 1.22	\$ 1.51	\$ 1.60	\$ 1.09

⁽¹⁾ Information from 2010 restated in accordance with IFRS, including presentation of our share of Ok Tedi as discontinued operations.

⁽²⁾ Information from 2009 is presented in accordance with Canadian GAAP and was not required to be restated to IFRS.

Consolidated financial statements
INMET MINING CORPORATION
Consolidated statements of financial position
(unaudited)

(thousands of Canadian dollars)	Note reference	June 30, 2011	December 31, 2010 ⁽¹⁾	January 1, 2010 ⁽¹⁾
Assets				
Current assets:				
Cash and short term investments	7	\$1,001,020	\$326,425	\$533,913
Restricted cash	8	758	617	15,130
Accounts receivable		86,256	119,426	155,761
Inventories		72,176	72,154	98,324
Current portion of held to maturity investments	9	120,777	53,915	9,993
Assets held for sale	10	92	319,082	-
		1,281,079	891,619	813,121
Restricted cash	8	74,957	70,059	101,589
Property, plant and equipment		1,803,533	1,736,065	1,945,669
Investments in equity securities		4,194	2,694	42,411
Held to maturity investments	9	502,930	318,615	89,891
Deferred income tax assets		2,805	8,721	2,360
Other assets		2,363	2,335	1,903
Total assets		\$3,671,861	\$3,030,108	\$2,996,944
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities		\$138,210	\$136,345	\$170,524
Provisions	11	17,564	17,668	17,417
Derivatives		-	-	1,543
Liabilities associated with assets held for sale	10	-	111,896	-
		155,774	265,909	189,484
Long-term debt		17,792	16,619	200,026
Provisions	11	170,535	162,399	196,430
Other liabilities		18,852	18,117	20,695
Derivatives		-	-	3,165
Deferred income tax liabilities		17,895	12,525	25,732
Total liabilities		380,848	475,569	635,532
Commitments and contingencies	20			
Equity				
Share capital	12	1,591,744	1,089,576	669,952
Contributed surplus		66,433	66,131	64,809
Share based compensation	13	5,419	6,542	5,170
Retained earnings		1,769,468	1,577,507	1,527,109
Accumulated other comprehensive income (loss)	14	(142,051)	(185,217)	19,093
Total equity attributable to Inmet equity holders		3,291,013	2,554,539	2,286,133
Non-controlling interest		-	-	75,279
Total equity		3,291,013	2,554,539	2,361,412
Total liabilities and equity		\$3,671,861	\$3,030,108	\$2,996,944

⁽¹⁾ Refer to note 6 for effects of adoption of IFRS

(See accompanying notes)

INMET MINING CORPORATION
Segmented statements of financial position
(unaudited)

2011 As at June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	DISCONTINUED OPERATIONS - OK TEDI	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	(Papua New Guinea)	
Assets							
Cash and short-term investments	\$720,586	\$74,521	\$95,727	\$94,909	\$15,277	\$ -	\$1,001,020
Other current assets	128,821	37,397	61,129	50,708	2,004	-	280,059
Restricted cash	16,750	-	56,494	1,713	-	-	74,957
Property, plant and equipment	918	145,273	990,156	68,092	599,094	-	1,803,533
Investments in equity securities	4,194	-	-	-	-	-	4,194
Held to maturity investments	425,387	77,543	-	-	-	-	502,930
Other non-current assets	1,103	4,065	-	-	-	-	5,168
	\$1,297,759	\$338,799	\$1,203,506	\$215,422	\$616,375	\$ -	\$3,671,861
Liabilities							
Current liabilities	\$25,295	\$32,421	\$58,600	\$26,908	\$12,550	\$ -	\$155,774
Long-term debt	17,792	-	-	-	-	-	17,792
Provisions	54,735	22,525	64,660	28,615	-	-	170,535
Other liabilities	676	-	18,176	-	-	-	18,852
Deferred income tax liabilities	98	-	5,087	12,710	-	-	17,895
	\$98,596	\$54,946	\$146,523	\$68,233	\$12,550	\$ -	\$380,848

2010 As at December 31	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	DISCONTINUED OPERATIONS - OK TEDI	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	(Papua New Guinea)	
Assets							
Cash and short-term investments	\$53,184	\$107,750	\$59,866	\$97,056	\$8,569	\$ -	\$326,425
Other current assets	60,785	58,959	59,602	66,193	686	318,969	565,194
Restricted cash	16,906	-	51,521	1,632	-	-	70,059
Property, plant and equipment	779	152,653	941,434	66,984	574,215	-	1,736,065
Investments in equity securities	2,694	-	-	-	-	-	2,694
Held to maturity investments	253,749	64,866	-	-	-	-	318,615
Other non-current assets	952	5,754	4,350	-	-	-	11,056
	\$389,049	\$389,982	\$1,116,773	\$231,865	\$583,470	\$318,969	\$3,030,108
Liabilities							
Current liabilities	\$30,286	\$39,654	\$47,220	\$28,913	\$7,940	\$111,896	\$265,909
Long-term debt	16,619	-	-	-	-	-	16,619
Provisions	57,536	21,607	56,439	26,817	-	-	162,399
Other liabilities	676	-	17,441	-	-	-	18,117
Deferred income tax liabilities	176	-	-	12,349	-	-	12,525
	\$105,293	\$61,261	\$121,100	\$68,079	\$7,940	\$111,896	\$475,569

INMET MINING CORPORATION
Segmented statements of financial position (continued)

(unaudited)

2010 As at January 1	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	DISCONTINUED OPERATIONS - OK TEDI	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	(Papua New Guinea)	
Assets							
Cash and short-term investments	\$251,570	\$158,631	\$10,039	\$66,314	\$10,728	\$36,631	\$533,913
Other current assets	37,591	40,341	73,501	49,882	468	77,425	279,208
Restricted cash	16,492	-	56,878	1,854	-	26,365	101,589
Property, plant and equipment	13,508	168,389	1,034,947	72,183	537,251	119,391	1,945,669
Investments in equity securities	42,411	-	-	-	-	-	42,411
Held to maturity investments	89,891	-	-	-	-	-	89,891
Other non-current assets	729	2,196	412	-	-	926	4,263
	\$452,192	\$369,557	\$1,175,777	\$190,233	\$548,447	\$260,738	\$2,996,944
Liabilities							
Current liabilities	\$42,278	\$35,144	\$29,173	\$27,665	\$10,855	\$44,369	\$189,484
Long-term debt	18,094	-	181,932	-	-	-	200,026
Provisions	56,281	21,214	55,929	21,522	-	41,484	196,430
Other liabilities	676	-	20,019	-	-	-	20,695
Derivatives	-	-	-	-	-	3,165	3,165
Deferred income tax liabilities	3,128	-	-	11,448	-	11,156	25,732
	\$120,457	\$56,358	\$287,053	\$60,635	\$10,855	\$100,174	\$635,532

INMET MINING CORPORATION
Consolidated statements of changes in equity

(unaudited)

(thousands of Canadian dollars)	Attributable to Inmet equity holders					Non-controlling interest	Total equity	
	Share Capital	Retained earnings	Contributed surplus	Share based compensation	Accumulated other comprehensive income (loss) (note 13)	Total		
Balance as at January 1, 2010⁽¹⁾	\$669,952	\$1,527,109	\$64,809	\$5,170	\$19,093	\$2,286,133	\$75,279	\$2,361,412
Comprehensive income	-	153,266	-	-	(118,980)	34,286	(16,865)	17,421
Equity settled share-based compensation plans	-	-	657	888	-	1,545	-	1,545
Dividends on common shares	-	(5,610)	-	-	-	(5,610)	-	(5,610)
Other	-	-	-	-	-	-	(60)	(60)
Balance as at June 30, 2010⁽¹⁾	\$669,952	\$1,674,765	\$65,466	\$6,058	(\$99,887)	\$2,316,354	\$58,354	\$2,374,708
Comprehensive income	-	238,610	-	-	(78,425)	160,185	8,553	168,738
Equity settled share-based compensation plans	-	-	665	484	-	1,149	-	1,149
Dividends on common shares	-	(5,600)	-	-	-	(5,600)	-	(5,600)
Acquisition of non-controlling interest in Las Cruces	419,624	(330,268)	-	-	(6,905)	82,451	(66,847)	15,604
Other	-	-	-	-	-	-	(60)	(60)
Balance as at December 31, 2010⁽¹⁾	\$1,089,576	\$1,577,507	\$66,131	\$6,542	(\$185,217)	\$2,554,539	\$-	\$2,554,539
Comprehensive income	-	\$198,894	-	-	43,166	242,060	-	242,060
Equity settled share-based compensation plans	-	-	302	(1,123)	-	(821)	-	(821)
Dividends on common shares	-	(6,933)	-	-	-	(6,933)	-	(6,933)
Issuance of common shares	502,168	-	-	-	-	502,168	-	502,168
Balance as at June 30, 2011	\$1,591,744	\$1,769,468	\$66,433	\$5,419	(\$142,051)	\$3,291,013	\$-	\$3,291,013

⁽¹⁾ Refer to note 6 for effects of adoption of IFRS

(See accompanying notes)

INMET MINING CORPORATION
Consolidated statements of earnings

(unaudited)

(thousands of Canadian dollars except per share amounts)	Note reference	Three Months Ended June 30		Six Months Ended June 30	
		2011	2010 ⁽¹⁾	2011	2010 ⁽¹⁾
Gross sales		\$221,952	161,165	\$476,229	\$322,327
Smelter processing charges and freight		(33,870)	(35,272)	(65,455)	(68,373)
Cost of sales (excluding depreciation)		(73,644)	(48,123)	(152,794)	(100,389)
Depreciation		(26,649)	(10,328)	(53,689)	(18,044)
Earnings from operations		87,789	67,442	204,291	135,521
Corporate development and exploration		(4,562)	(2,524)	(17,973)	(5,303)
General and administration		(8,258)	(6,200)	(16,680)	(11,621)
Investment and other income	15	4,731	3,321	(1,042)	4,525
Stand-by charges		-	-	-	(6,753)
Finance costs	16	(2,386)	(1,770)	(4,717)	(3,643)
Income before taxation		77,314	60,269	163,879	112,726
Income tax expense	17	(21,264)	(8,775)	(48,424)	(11,861)
Income from continuing operations		\$56,050	\$51,494	\$115,455	\$100,865
Income from discontinued operation (net of taxes)	10	-	12,475	83,439	43,193
Net income		\$56,050	\$63,969	\$198,894	\$144,058
Net income attributable to:					
Inmet equity holders		\$56,050	68,495	\$198,894	\$153,266
Non-controlling interest		-	(4,526)	-	(9,208)
		\$56,050	\$63,969	\$198,894	\$144,058
Earnings per common share					
	18				
Income from continuing operations					
Basic		\$0.86	\$1.00	\$1.82	\$1.96
Diluted		\$0.86	\$1.00	\$1.81	\$1.96
Income from discontinued operation					
Basic		\$ -	\$0.22	\$1.31	\$0.77
Diluted		\$ -	\$0.22	\$1.31	\$0.77
Net income					
Basic		\$0.86	\$1.22	\$3.13	\$2.73
Diluted		\$0.86	\$1.22	\$3.12	\$2.73

⁽¹⁾ Refer to note 6 for effects of adoption of IFRS

(See accompanying notes)

INMET MINING CORPORATION
Segmented statements of earnings
(unaudited)

2011 For the six months ended June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	DISCONTINUED OPERATIONS - OK TEDI	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	(Papua New Guinea)	
Gross sales	\$ -	\$180,882	\$169,613	\$125,734	\$ -	\$ -	\$476,229
Smelter processing charges and freight	-	(36,244)	(476)	(28,735)	-	-	(65,455)
Cost of sales (excluding depreciation)	-	(47,640)	(78,247)	(26,907)	-	-	(152,794)
Depreciation	-	(10,254)	(38,839)	(4,596)	-	-	(53,689)
Earnings from operations	-	86,744	52,051	65,496	-	-	204,291
Corporate development and exploration	(13,143)	(931)	(5)	(1,665)	(2,229)	-	(17,973)
General and administration	(16,680)	-	-	-	-	-	(16,680)
Investment and other income	(3,555)	2,337	90	200	(114)	-	(1,042)
Finance costs	(1,904)	(290)	(2,077)	(446)	-	-	(4,717)
Income tax expense	(500)	(23,592)	(9,934)	(14,398)	-	-	(48,424)
Net income from continuing operations	(\$35,782)	\$64,268	\$40,125	\$49,187	(\$2,343)	\$ -	\$115,455
Income from discontinued operation (net of taxes)	-	-	-	-	-	83,439	83,439
Net income (loss)	(\$35,782)	\$64,268	\$40,125	\$49,187	(\$2,343)	\$83,439	\$198,894

2010 For the six months ended June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	DISCONTINUED OPERATIONS - OK TEDI	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	(Papua New Guinea)	
Gross sales	\$62,177	\$157,463	\$ -	\$102,687	\$ -	\$ -	\$322,327
Smelter processing charges and freight	(4,321)	(39,697)	-	(24,355)	-	-	(68,373)
Cost of sales (excluding depreciation)	(30,251)	(43,654)	-	(26,484)	-	-	(100,389)
Depreciation	(3,214)	(10,814)	-	(4,016)	-	-	(18,044)
Earnings from operations	24,391	63,298	-	47,832	-	-	135,521
Corporate development and exploration	(3,247)	(78)	-	(1,978)	-	-	(5,303)
General and administration	(11,621)	-	-	-	-	-	(11,621)
Investment and other income	4,054	293	178	-	-	-	4,525
Stand-by charges	-	-	(6,753)	-	-	-	(6,753)
Finance costs	(1,906)	(296)	(1,085)	(356)	-	-	(3,643)
Income tax expense	(603)	(15,604)	14,856	(10,510)	-	-	(11,861)
Net income from continuing operations	\$11,068	\$47,613	\$7,196	\$34,988	\$ -	\$ -	\$100,865
Income from discontinued operation (net of taxes)	-	-	-	-	-	43,193	43,193
Net income	\$11,068	\$47,613	\$7,196	\$34,988	\$ -	\$43,193	\$144,058

INMET MINING CORPORATION
Segmented statements of earnings

(unaudited)

2011 For the three months ended June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	DISCONTINUED OPERATIONS - OK TEDI	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	(Papua New Guinea)	
Gross sales	\$ -	\$81,829	\$78,787	\$61,336	\$ -	\$ -	\$221,952
Smelter processing charges and freight	-	(18,350)	(208)	(15,312)	-	-	(33,870)
Cost of sales (excluding depreciation)	-	(23,180)	(37,821)	(12,643)	-	-	(73,644)
Depreciation	-	(5,028)	(19,283)	(2,338)	-	-	(26,649)
Earnings from operations	-	35,271	21,475	31,043	-	-	87,789
Corporate development and exploration	(3,174)	(453)	-	(935)	-	-	(4,562)
General and administration	(8,258)	-	-	-	-	-	(8,258)
Investment and other income	3,440	1,487	(158)	76	(114)	-	4,731
Finance costs	(963)	(143)	(1,053)	(227)	-	-	(2,386)
Income tax expense	(296)	(11,936)	(2,437)	(6,595)	-	-	(21,264)
Net income from continuing operations	(\$9,251)	\$24,226	\$17,827	\$23,362	(\$114)	\$ -	\$56,050
Income from discontinued operation (net of taxes)	-	-	-	-	-	-	-
Net income (loss)	(\$9,251)	\$24,226	\$17,827	\$23,362	(\$114)	\$ -	\$56,050

2010 For the three months ended June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	DISCONTINUED OPERATIONS - OK TEDI	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	(Papua New Guinea)	
Gross sales	\$27,723	\$82,195	\$ -	\$51,247	\$ -	\$ -	\$161,165
Smelter processing charges and freight	(1,563)	(20,859)	-	(12,850)	-	-	(35,272)
Cost of sales (excluding depreciation)	(13,718)	(22,970)	-	(11,435)	-	-	(48,123)
Depreciation	(2,229)	(6,104)	-	(1,995)	-	-	(10,328)
Earnings from operations	10,213	32,262	-	24,967	-	-	67,442
Corporate development and exploration	(1,369)	(12)	-	(1,143)	-	-	(2,524)
General and administration	(6,200)	-	-	-	-	-	(6,200)
Investment and other income	2,925	174	222	-	-	-	3,321
Finance costs	(937)	(147)	(516)	(170)	-	-	(1,770)
Income tax expense	(1,708)	(8,738)	7,222	(5,551)	-	-	(8,775)
Net income from continuing operations	\$2,924	\$23,539	\$6,928	\$18,103	\$ -	\$ -	\$51,494
Income from discontinued operation (net of taxes)	-	-	-	-	-	12,475	12,475
Net income	\$2,924	\$23,539	\$6,928	\$18,103	\$ -	\$12,475	\$63,969

INMET MINING CORPORATION
Consolidated statements of comprehensive income (loss)

(unaudited)

(thousands of Canadian dollars)	Note reference	Three Months Ended June 30		Six Months Ended June 30	
		2011	2010 ⁽¹⁾	2011	2010 ⁽¹⁾
Net income		\$56,050	\$63,969	\$198,894	\$144,058
Other comprehensive income (loss) for the period:					
Continuing operations					
Changes in fair value of investments		(2,096)	7,128	(2,636)	7,300
Currency translation adjustments		11,468	(16,216)	29,424	(133,946)
Income tax recovery related to investments - other comprehensive income		(74)	(1,037)	3	(432)
		9,298	(10,125)	26,791	(127,078)
Other comprehensive income from discontinued operation (net of taxes)		-	6,288	16,375	441
Comprehensive income		\$65,348	\$60,132	\$242,060	\$17,421
Comprehensive income (loss) attributable to:					
Inmet equity holders		\$65,348	\$67,090	\$242,060	\$34,286
Non-controlling interests		-	(6,958)	-	(16,865)
		\$65,348	\$60,132	\$242,060	\$17,421

⁽¹⁾ Refer to note 6 for effects of adoption of IFRS

(See accompanying notes)

INMET MINING CORPORATION

Consolidated statements of cash flows

(unaudited)

(thousands of Canadian dollars)	Note reference	Three Months Ended June 30		Six Months Ended June 30	
		2011	2010 ⁽¹⁾	2011	2010 ⁽¹⁾
Cash provided by (used in) operating activities⁽²⁾					
Net income from continuing operations		\$56,050	\$51,494	\$115,455	\$100,865
Add (deduct) items not affecting cash:					
Depreciation		26,649	10,328	53,689	18,044
Deferred income taxes	17	2,381	(3,206)	10,770	(16,112)
Accretion expense on asset retirement obligations and capital leases		1,921	1,333	3,812	2,753
Foreign exchange loss		541	(159)	4,766	386
Other		(2,596)	376	(3,014)	1,115
Settlement of asset retirement obligations		(1,785)	(948)	(3,451)	(1,521)
Net change in non-cash working capital	19	9,770	(19,527)	29,080	(20,712)
		<u>92,931</u>	<u>39,691</u>	<u>211,107</u>	<u>84,818</u>
Cash provided by (used in) investing activities					
Purchase of property, plant and equipment		(51,801)	(6,889)	(92,531)	(24,430)
Acquisition of held to maturity investments	9	(22,656)	(116,718)	(298,112)	(219,098)
Maturing of held to maturity investments	9	36,267	-	44,267	-
Funding received under Cobre Panama option agreement		4,848	4,069	8,792	6,208
Purchase of equity securities		(645)	-	(4,138)	-
Sale (purchase) of short-term investments		(24,918)	-	(17,640)	26,996
Other		2,701	-	2,827	-
		<u>(56,204)</u>	<u>(119,538)</u>	<u>(356,535)</u>	<u>(210,324)</u>
Cash provided by (used in) financing activities					
Issuance of common shares		502,168	-	502,168	-
Dividends on common shares		(6,933)	(5,610)	(6,933)	(5,610)
Other		(874)	(661)	(3,710)	1,976
		<u>494,361</u>	<u>(6,271)</u>	<u>491,525</u>	<u>(3,634)</u>
Foreign exchange on cash held in foreign currencies					
		<u>754</u>	<u>(5,892)</u>	<u>3,894</u>	<u>(19,849)</u>
Cash provided by discontinued operation					
	10	<u>-</u>	<u>39,048</u>	<u>306,982</u>	<u>78,390</u>
Increase (decrease) in cash:					
Cash:					
Beginning of period		444,260	489,280	319,129	506,917
End of period		\$976,102	\$436,318	\$976,102	\$436,318
Short term investments		24,918	-	24,918	-
Cash and short-term investments		\$1,001,020	\$436,318	\$1,001,020	\$436,318
⁽¹⁾ Refer to note 6 for effects of adoption of IFRS (See accompanying notes)					
⁽²⁾ Supplementary cash flow information:					
Cash interest paid		\$ -	\$ -	\$562	\$600
Cash taxes paid		\$25,013	\$36,058	\$42,522	\$52,219

INMET MINING CORPORATION
Segmented statements of cash flows

(unaudited)

2011 For the six months ended June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	DISCONTINUED OPERATIONS - OK TEDI	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	(Papua New Guinea)	
Cash provided by (used in) operating activities							
Before net change in non-cash working capital	(\$39,717)	\$75,956	\$93,783	\$54,348	(\$2,343)	\$ -	\$182,027
Net change in non-cash working capital	(6,798)	15,494	4,987	15,397	-	-	29,080
	(46,515)	91,450	98,770	69,745	(2,343)	-	211,107
Cash provided by (used in) investing activities							
Purchase of property, plant and equipment	(376)	(7,661)	(34,057)	(2,787)	(47,650)	-	(92,531)
Funding received under Cobre Panama option agreement	-	-	-	-	8,792	-	8,792
Acquisition of held to maturity investments	(283,244)	(14,868)	-	-	-	-	(298,112)
Maturity of held-to-maturity investments	44,267	-	-	-	-	-	44,267
Purchase of equity securities	(4,138)	-	-	-	-	-	(4,138)
Sale (purchase) of short-term investments	(24,918)	-	7,278	-	-	-	(17,640)
Other	2,332	495	-	-	-	-	2,827
	(266,077)	(22,034)	(26,779)	(2,787)	(38,858)	-	(356,535)
Cash provided by (used in) financing activities	495,241	-	(3,716)	-	-	-	491,525
Foreign exchange on cash held in foreign currencies	-	(3,957)	3,963	4,196	(308)	-	3,894
Cash provided by discontinued operation	306,982	-	-	-	-	-	306,982
Intergroup funding (distributions)	152,853	(98,688)	(29,081)	(73,301)	48,217	-	-
Increase (decrease) in cash	642,484	(33,229)	43,157	(2,147)	6,708	-	656,973
Cash:							
Beginning of year	53,184	107,750	52,570	97,056	8,569	-	319,129
End of period	695,668	74,521	95,727	94,909	15,277	-	976,102
Short term investments	24,918	-	-	-	-	-	24,918
Cash and short-term investments	\$720,586	\$74,521	\$95,727	\$94,909	\$15,277	\$ -	\$1,001,020

2010 For the six months ended June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	DISCONTINUED OPERATIONS - OK TEDI	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	(Papua New Guinea)	
Cash provided by (used in) operating activities							
Before net change in non-cash working capital	\$11,989	\$60,030	(\$6,753)	\$40,264	\$ -	\$ -	\$105,530
Net change in non-cash working capital	(1,581)	(6,586)	-	(12,545)	-	-	(20,712)
	10,408	53,444	(6,753)	27,719	-	-	84,818
Cash provided by (used in) investing activities							
Purchase of property, plant and equipment	(88)	(4,882)	24,321	(2,521)	(41,260)	-	(24,430)
Acquisition of held to maturity investments	(219,098)	-	-	-	-	-	(219,098)
Funding received under Cobre Panama option agreement	-	-	-	-	6,208	-	6,208
Sale of short-term investments	26,996	-	-	-	-	-	26,996
	(192,190)	(4,882)	24,321	(2,521)	(35,052)	-	(210,324)
Cash provided by (used in) financing activities	(5,428)	-	1,794	-	-	-	(3,634)
Foreign exchange on cash held in foreign currencies	-	(2,590)	(3,041)	(14,597)	379	-	(19,849)
Cash provided by discontinued operation	-	-	-	-	-	78,390	78,390
Intergroup funding (distributions)	125,130	(76,011)	3,719	(24,006)	37,541	(66,373)	-
Increase (decrease) in cash	(62,080)	(30,039)	20,040	(13,405)	2,868	12,017	(70,599)
Cash:							
Beginning of year	224,574	158,631	10,039	66,314	10,728	36,631	506,917
End of period	162,494	128,592	30,079	52,909	13,596	48,648	436,318
Short term investments	-	-	-	-	-	-	-
Cash and short-term investments	\$162,494	\$128,592	\$30,079	\$52,909	\$13,596	\$48,648	\$436,318

INMET MINING CORPORATION
Segmented statements of cash flows

(unaudited)

2011 For the three months ended June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	DISCONTINUED OPERATIONS - OK TEDI	TOTAL
		(Turkey)	(Spain)	(Finland)	(Panama)	(Papua New Guinea)	
(thousands of Canadian dollars)							
Cash provided by (used in) operating activities							
Before net change in non-cash working capital	(\$13,337)	\$29,074	\$41,519	\$26,019	(\$114)	\$ -	\$83,161
Net change in non-cash working capital	(1,957)	8,379	(439)	3,787	-	-	9,770
	(15,294)	37,453	41,080	29,806	(114)	-	92,931
Cash provided by (used in) investing activities							
Purchase of property, plant and equipment	(194)	(5,245)	(19,223)	(2,461)	(24,678)	-	(51,801)
Funding received under Cobre Panama option agreement	-	-	-	-	4,848	-	4,848
Purchase of held-to-maturity investments	(8,265)	(14,391)	-	-	-	-	(22,656)
Maturity of held-to-maturity investments	36,267	-	-	-	-	-	36,267
Purchase of equity securities	(645)	-	-	-	-	-	(645)
Purchase of short-term investments	(24,918)	-	-	-	-	-	(24,918)
Other	2,206	495	-	-	-	-	2,701
	4,451	(19,141)	(19,223)	(2,461)	(19,830)	-	(56,204)
Cash provided by (used in) financing activities	495,102	-	(741)	-	-	-	494,361
Foreign exchange on cash held in foreign currencies	-	(437)	1,530	(124)	(215)	-	754
Intergroup funding (distributions)	157,237	(98,609)	(14,491)	(75,211)	31,074	-	-
Increase (decrease) in cash	641,496	(80,734)	8,155	(47,990)	10,915	-	531,842
Cash:							
Beginning of year	54,172	155,255	87,572	142,899	4,362	-	444,260
End of period	695,668	74,521	95,727	94,909	15,277	-	976,102
Short term investments	24,918	-	-	-	-	-	24,918
Cash and short-term investments	\$720,586	\$74,521	\$95,727	\$94,909	\$15,277	\$ -	\$1,001,020

2010 For the three months ended June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	DISCONTINUED OPERATIONS - OK TEDI	TOTAL
		(Turkey)	(Spain)	(Finland)	(Panama)	(Papua New Guinea)	
(thousands of Canadian dollars)							
Cash provided by (used in) operating activities							
Before net change in non-cash working capital	\$4,346	\$33,891	\$ -	\$20,981	\$ -	\$ -	\$59,218
Net change in non-cash working capital	(1,057)	(10,191)	-	(8,279)	-	-	(19,527)
	3,289	23,700	-	12,702	-	-	39,691
Cash provided by (used in) investing activities							
Purchase of property, plant and equipment	(80)	(3,063)	21,669	(2,064)	(23,351)	-	(6,889)
Purchase of held-to-maturity investments	(116,718)	-	-	-	-	-	(116,718)
Funding received under Cobre Panama option agreement	-	-	-	-	4,069	-	4,069
	(116,798)	(3,063)	21,669	(2,064)	(19,282)	-	(119,538)
Cash provided by (used in) financing activities	(5,373)	-	(898)	-	-	-	(6,271)
Foreign exchange on cash held in foreign currencies	-	3,436	(1,706)	(8,205)	583	-	(5,892)
Cash provided by discontinued operation	-	-	-	-	-	39,048	39,048
Intergroup funding (distributions)	109,147	(75,992)	(456)	(19,884)	20,392	(33,207)	-
Increase (decrease) in cash	(9,735)	(51,919)	18,609	(17,451)	1,693	5,841	(52,962)
Cash:							
Beginning of year	172,229	180,511	11,470	70,360	11,903	42,807	489,280
End of period	162,494	128,592	30,079	52,909	13,596	48,648	436,318
Short term investments	-	-	-	-	-	-	-
Cash and short-term investments	\$162,494	\$128,592	\$30,079	\$52,909	\$13,596	\$48,648	\$436,318

Notes to the consolidated financial statements

1. *Corporate information*

Inmet Mining Corporation is a publicly traded corporation listed on the Toronto stock exchange. Our registered and head office is in Toronto, Canada. Our principal activities are the exploration, development and mining of base metals.

2. *Basis of presentation and statement of compliance*

International Financial Reporting Standards (IFRS) require us to make an explicit and unreserved statement that our financial statements are in compliance with IFRS. We will make this statement when we issue our 2011 annual financial statements. These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and using the accounting policies we expect to adopt in our consolidated financial statements for the year ending December 31, 2011.

This is the first year we have prepared our financial statements in accordance with IFRS. See note 6, *First time adoption of IFRS*, for information about our transition from Canadian GAAP. You should read our interim statements in conjunction with our annual statements which you can find in our 2010 Annual Report.

We have prepared the consolidated financial statements under the historical cost convention, modified by the revaluation of certain financial instruments we have measured in accordance with IFRS. The financial statements are in Canadian dollars and all values are rounded to the nearest thousand except where otherwise indicated. These statements have been approved by Inmet's board of directors and have been reviewed by our external auditors.

Our segmented statements reflect the management structure of our company, where each operation retains its own management team and compiles its own financial information, following the accounting policies outlined here.

- *Çayeli* – a mine in Turkey that produces copper and zinc concentrates. Çayeli is a wholly-owned subsidiary.
- *Las Cruces* – a high grade copper mine and plant operation in Spain that produces cathode copper. Las Cruces is a wholly-owned subsidiary.
- *Pyhäsalmi* – a mine in Finland that produces copper and zinc concentrates. Pyhäsalmi is a wholly-owned subsidiary.
- *Cobre Panama* – a copper, gold and molybdenum deposit currently under development in Panama. We have a 100 percent interest in Cobre Panama. Korea Panama Mining Corp owns an option to acquire a 20 percent interest in Cobre Panama.
- *Corporate and other* – our head office and closed properties. As a result of the closure of Troilus, we no longer consider it to be a separate reportable operating segment and included its results in *Corporate and other* retroactively.

3. Summary of significant accounting policies

Basis of consolidation

Entities we control

We have control of an entity when we have the right to govern its operating and financial policies (usually when we have more than 50 percent voting power through ownership or agreements), unless a non-controlling interest is able to prevent us from exercising control.

We consolidate the results of entities we control and eliminate all intercompany balances and transactions. When we acquire a new entity, we consolidate from the day that control passes to us. We consolidate those we sell until the day control passes to the acquirer.

Interests in jointly controlled entities

We jointly control an entity when we hold a long-term interest in it, and share joint control over its operating and financial decisions with one or more other parties under a contractual arrangement.

We proportionately consolidate our share of any entity we jointly control, combining its line-by-line results with similar line items in our financial statements.

Foreign exchange

Functional and presentation currency

Inmet Mining's functional currency is the Canadian dollar. We report our consolidated financial statements in Canadian dollars.

Our entities measure the items in their financial statements in their functional currency (the currency of the primary economic environment they operate in). Çayeli and Cobre Panama use the US dollar and Pyhäsalmi and Las Cruces use the euro.

Foreign currency transactions

Monetary items denominated in foreign currencies are translated into each entity's functional currency at the rate of exchange on the balance sheet date, and gains and losses on translation are recognized in the statement of earnings for the period. We recognize all other transactions in foreign currencies at the exchange rate at the time of the transaction.

Financial statements of foreign operations

For operations that have a functional currency other than the Canadian dollar, we translate the statement of earnings and balance sheet as follows:

- assets and liabilities: translated at the closing rate at the end of the financial period.
- revenues and expenses: translated for each statement of earnings at rates approximating the exchange rates at the time of the transactions.
- resulting differences: recognized as a separate component of *accumulated other comprehensive income*.

We also recognize exchange differences relating to long-term intercompany loan balances with foreign operations that form part of the net investment in the foreign operation in this separate component of *accumulated other comprehensive income*.

When we sell all or part of a foreign operation, or repay its share capital or intercompany debt considered part of the net investment, we recognize exchange differences arising from the translation of the net investment in the statement of earnings.

Business combinations

When we acquire a subsidiary, we account for it using the purchase method.

The cost of the business combination is the fair value at the date of exchange of:

- the assets we gave
- the liabilities we incurred or assumed, and
- the equity instruments we issued in exchange for control.

We allocate total consideration paid to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) we acquired, at their fair value on the date of the acquisition, including mineral reserves and resources that can be reliably valued.

We expense transaction costs related to an acquisition as incurred.

If the fair value of our share of the identifiable net assets acquired is greater than the fair value of the consideration paid, we recognize the difference in the statement of earnings on the acquisition date.

Non controlling interest is the portion of an entity that we do not own (the profit or loss and net assets we are not entitled to). We record non controlling interests in equity, separate from our shareholders' equity.

Revenue

Gross sales include the sale of all concentrate, cathode copper and gold doré. It does not include smelter processing charges and freight, which are presented as a separate line item in the statement of earnings.

We recognize revenue when all significant risks and rewards of ownership of our products have been transferred to the customer – usually when the customer takes on the insurance risk and the goods have been delivered to the shipping agent.

Most of our sales contracts set the sales price at the commodity's market price on a specified future date. To calculate our revenue from the sale of our products, we use the forward price of the commodity for the day we expect the contract to settle. Variations between the price we record on the date of initial revenue recognition and the final price we receive due to changes in market prices represents an embedded derivative in our sales contracts. We adjust our revenue every period for any change in the value of the contract using the period end forward price for the day the contract is expected to settle. When it settles, we record the difference between the forward price and the final price we receive in revenue.

We recognize interest income in *investment and other income*, based on the principal outstanding and the effective interest rate.

We recognize dividends and royalties in *investment and other income* when we have established the right to receive payment.

Inventories

Inventories include:

- *stockpiled ore, materials and supplies*: ore, goods and supplies that will be consumed directly or indirectly in the production process
- *work in process*: inventory in an intermediate state that has not yet passed through all stages of the production process
- *finished goods*: concentrate, cathode copper and gold doré that are ready for sale.

We measure inventory at the lower of cost or net realizable value, as follows:

- *cost*: a weighted average that includes all costs directly related to bringing the inventory to its current location and condition, such as mining and milling costs and an allocation of production overheads and depreciation based on normal capacity
- *net realizable value*: the estimated selling price less any additional costs we expect to incur for completion and sale of the related inventory.

We classify inventories of stockpiled ore that we do not expect to process in the next year as *other assets*.

Property, plant and equipment

On initial acquisition, we recognize property, plant and equipment at cost. Cost includes the purchase price, costs that can be directly attributed to acquiring it, and the cost required to bring the asset to the location and the condition necessary to operate in the way we intended it to.

In subsequent periods, we recognize it at cost less accumulated depreciation and any impairment in value.

We depreciate the cost, less estimated residual values of property, plant and equipment, as follows:

- *property*: depreciated in proportion to the depletion of proven and probable reserves on a unit of production basis.
- *plant and equipment*: depreciated using a straight-line method based on estimated useful life. The expected useful lives of plant and equipment range from 5 to 15 years, but do not exceed the life of mine.

When different parts (or components) of an asset are significant and have different useful lives, we depreciate the individual components separately, considering both a component's physical life, and the present estimated mineral reserves at the mine where the component is located.

We review estimates in remaining useful lives and residual values at least annually and account for any changes prospectively.

When we carry out a major maintenance refit, we may replace or overhaul assets or parts of assets. When we replace an asset or a component that we have been depreciating separately, we capitalize these costs if this extends its useful life and it is probable that this will result in future economic benefits to the operation. In addition, we write off the asset or component that has been replaced. If we replace part of an asset that was not considered a component, we use the replacement value to estimate the carrying amount of the replaced asset and immediately write that off. We expense all other regular maintenance costs as incurred.

Exploration and evaluation expenditures

We expense the costs of exploration and evaluation as incurred, except for the following:

- in areas currently under development
- where we can reasonably expect to convert existing mineral resources into mineral reserves or add additional mineral resources with further drilling and evaluations
- the cost to acquire an early stage entity conducting primarily exploration and evaluation activities.

In the first two instances, we capitalize costs as development expenditures. In the third instance, we capitalize costs as exploration and evaluation assets.

Development expenditures

We capitalize the costs of acquiring and developing mineral reserves and resources on the balance sheet as we incur them. These costs include accessing the ore body, designing and constructing the production infrastructure, interest and financing relating to construction, and costs that can be directly attributed to bringing the assets to the condition necessary for their intended use. This includes costs during the commissioning period when required before the asset can operate at normal levels.

Development expenditures are not depreciated. When production begins, we reclassify these costs to the appropriate category of property, plant and equipment and depreciate them according to our accounting policy.

Capitalized stripping

In open pit mining operations, we remove overburden and other waste in order to access the ore body (stripping). During development, we capitalize the cost of stripping as part of the cost of mine development and reclassify it to property when production begins.

During the production phase, we capitalize these costs to property when stripping activity gives us access to reserves that would not otherwise have been accessible, and that we expect will be mined in the future. We amortize production phase stripping costs over the reserves that are directly affected by the stripping activity on a units-of-production basis.

Leasing

We determine whether an arrangement is, or contains, a lease based on the substance of the arrangement, considering whether the arrangement is dependent on the use of a specific asset or whether the arrangement conveys a right to use the asset.

We classify a lease as financial when we carry substantially all of the risks and rewards of owning the asset. We capitalize assets under financial leases at either the fair value of the leased asset or the present value of the minimum lease payments over the lease term using the interest rate in the lease agreement – whichever is lower. We determine these amounts at the inception of the lease and depreciate the corresponding asset over its estimated useful life or the lease term – whichever is shorter. We recognize a corresponding amount representing our future obligation for finance leases in *Other liabilities* in the balance sheet, and recognize the associated accretion expense over time in *finance costs* in the statement of earnings.

We classify a lease as operating when we do not have substantially all the risks and rewards of ownership. We recognize rentals payable under operating leases in the statement of earnings on a straight line basis over the term of the lease.

Impairment of assets

At each reporting date, we look for indications of impairment of our non-current assets. If there are indicators of impairment, we carry out a formal test to see whether the asset's carrying amount exceeds its recoverable amount.

An asset's recoverable amount is its *fair value less costs to sell* or its *value-in-use* – whichever is higher.

- *Fair value less costs to sell* is the amount we would receive from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. For our mining assets, we generally use the present value of future cash flows we expect from their continued use, including any expansion prospects, and from their eventual disposal. When assessing cash flows and discounting them to present value, we use assumptions that we believe an arm's length party would consider appropriate.
- We calculate the *value-in-use* of an asset by using the present value of cash flows we expect from its continued use in its present form, and from its disposal, without taking into account any future development. *Value-in-use* is likely to be different from fair value because we use different assumptions.

If the carrying amount of the asset exceeds its recoverable amount, we recognize an impairment loss in the statement of earnings to reflect the lower amount of the asset. We recognize impairment losses related to continuing operations in the statement of earnings in the expense category that relates to the asset's function.

We carry out these reviews for each asset, unless the asset does not generate cash flows on its own. In this case, we will carry out the review at the cash-generating unit level. Cash generating units are the smallest identifiable group of assets and liabilities that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This generally results in an evaluation of assets at the mine entity level.

We reverse an impairment loss in the statement of earnings if the estimates we used to calculate the recoverable amount have changed since we recognized the impairment. We increase the carrying amount to the recoverable amount, net of the depreciation or amortization that would have arisen if we had not recognized the original impairment loss.

After a reversal, we recognize depreciation over the asset's remaining useful life based on its revised carrying amount, less any residual value.

Government subsidies

We recognize government subsidies when there is reasonable assurance we will receive the subsidy and will comply with all of the associated conditions. We credit government subsidies related to a capital expenditure against the carrying amount of the related asset, and amortize the subsidy over the expected useful life of the asset. We credit subsidies that are not associated with an asset to income, to match them with the expenses they relate to.

Provisions for asset retirement obligations

Our mines, closed properties and joint ventures are subject to environmental laws and regulations in Canada and the other countries we operate in. Mining companies are legally obligated to rehabilitate land and other property that has been damaged or contaminated in the course of their business activities. While rehabilitation activities usually happen after the site has been closed, companies are required to estimate reclamation costs from both operating sites and closed sites.

We incur obligations to restore and rehabilitate land and the environment as we carry out the regular construction and operation of our mines. Costs can include, among other things, the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas. We recognize a provision for these costs as the related disturbances occur, using our best estimate of future costs based on information available at the balance sheet date, including an adjustment for risk when there is significant variability in possible outcomes. We discount the provision using a current inflation adjusted pre-tax risk free interest rate and include the accretion of the discounted amount over time in *finance costs* in the statement of earnings.

When we recognize a provision, we record a corresponding increase in the carrying amount of the related asset (where we can identify one) and recognize depreciation following our accounting policies for property, plant and equipment.

We review these provisions annually for changes to our obligations, legislation or discount rates that affect our cost estimates or lives of operations. We adjust the provision and the cost of the related asset (where we can identify one) when there is a change in the estimated cash flows or discount rate, and depreciate the adjusted cost of the asset prospectively.

When we do not identify an asset, such as at our closed sites, we record a provision or a change in provision in *cost of sales*.

Other provisions

We recognize a provision when we have a legal or constructive obligation because of past events, and it is probable that, to settle the obligation, we will be required to make a payment that we can reliably estimate. If its effect is material, we discount the provision to net present value using a pre-tax risk free interest rate. We recognize the accretion of discounted provisions over the time of the obligation in *finance costs* in the statement of earnings.

Income taxes

We calculate current income tax expense for each of our taxable entities based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date, and include adjustments to income taxes payable or recoverable for previous periods.

We calculate deferred tax assets and liabilities based on temporary differences between the carrying amounts in our balance sheet and their tax bases, using income tax rates we expect to be in effect when the temporary differences are likely to be settled. We present all deferred taxes as non-current assets and liabilities on the balance sheet.

We only recognize deferred tax assets when it is probable that we will have enough taxable income in the future to recover them. We include the effects of changes in tax rates in income when the change is enacted or substantively enacted.

We recognize deferred tax assets or liabilities for all temporary differences, except for:

- a deferred tax liability on the initial recognition of goodwill
- a deferred tax asset or liability arising from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, does not affect accounting profit or loss, or taxable profit or loss
- a deferred tax liability related to investments in subsidiaries, branches, associates and interests in joint ventures, when we can control the timing of the reversal of the temporary difference and when it is probable that the temporary difference will not reverse in the foreseeable future.

We review the carrying amount of deferred income tax assets at each balance sheet date and adjust it if:

- an asset not previously recognized meets the criteria for recognition
- our estimate of future taxable income available to recover them changes.

We recognize current and deferred tax that relates to equity items in equity, and not in the statement of earnings.

Assets held for sale and discontinued operations

Assets held for sale

We classify assets and disposal groups as *held for sale* if we will recover their carrying amounts through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal groups are available for immediate sale in their present condition. We must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year of the date of classification.

We carry assets (or disposal groups) held for sale at the lower of the carrying amount before being classified as *held for sale*, and the fair value less costs to sell. We present the assets and liabilities of a disposal group classified as held for sale separately as one line in the assets and liabilities sections on the statement of financial position.

Discontinued operations

A discontinued operation is a component of an entity that has been disposed of or classified as *held for sale*, with operations and cash flows that are clearly distinguished both operationally and for financial reporting purposes from the rest of the entity. To be classified as a discontinued operation, an operation must:

- represent a separate major line of business or geographical area of operations
- be part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- be a subsidiary acquired only for resale.

When the operation is discontinued at the balance sheet date, the results are presented in one line on the statement of earnings, and prior period results are represented as discontinued.

See note 10 for a breakdown of our results from discontinued operations.

Cash and short-term investments

Cash includes cash and money market instruments that mature in 90 days or less from the date of acquisition. Short-term investments mature in 91 days to a year.

In the consolidated statements of cash flows, we disclose:

- short-term investments we buy with cash during the year as cash used in investing activities
- short-term investments we sell to generate cash as a source of cash from investing activities

See note 7 for a breakdown of our cash and short-term investments.

Restricted cash

Restricted cash includes cash that has been pledged for other uses, such as reclamation, and is not available for immediate disbursement.

See note 8 for a breakdown of our restricted cash.

Financial instruments

Financial instruments include cash, as well as any contract that gives rise to a financial asset to one party and a financial liability or equity instrument to another party. We classify financial instruments at their initial recognition. We initially recognize financial instruments at their fair value.

Fair value is the value a financial instrument can be closed out or sold at, in a transaction with a willing and knowledgeable counterparty. It is usually the instrument's quoted market price. If a quoted market price is not available, we determine fair value with models using market-based or independent information and assumptions.

Cash and short-term investments, accounts receivable from metal sales, restricted cash and accounts payable and accrued liabilities

These financial instruments have been designated as *fair value through profit and loss* and are recorded at fair value. We record any changes in their fair value in net income. We record interest and dividends earned on cash, short-term investments and restricted cash in *Investment and other income*. For cash, we calculate fair value using published price quotations in an active market where there is one. Otherwise fair value represents cost plus accrued interest, which is reasonable given its short-term nature. We record accounts receivable related to metal sales at fair value based on forward market metal prices on the date of the balance sheet (see our *Revenue* policy above). We record accounts payable and accrued liabilities at amortized cost, which approximates fair value because of their short-term nature.

Investments

Our investments in equity securities are designated as *available-for-sale* and recorded at fair value. We calculate fair value using the bid price of the investment as quoted in an active market. We record changes in the fair value of our investments in *Other comprehensive income*. The change in fair value of an investment in an equity security appears in *Investment and other income* only when it is sold or impaired.

Our investments in long-term government and corporate bonds are designated as *held to maturity*. We initially recognize these investments at fair value and subsequently at amortized cost with the related interest income recorded in *Investment and other income*. We only designate investments as *held to maturity* when we intend, and have the ability, to hold them to maturity.

We capitalize transaction costs related to investments we make and include these in the investment's initial carrying value.

Loans and receivables

All non-metal receivables are designated as *loans and receivables*. We initially measure these assets at fair value. In subsequent periods, we measure them at amortized cost using the effective interest rate method.

Long-term debt

Our long-term debt is designated as *other liabilities* and is accounted for at amortized cost. We record interest expense on long-term debt in *finance costs* in the statement of earnings unless it relates specifically to a development project, and has been accounted for using our accounting policy for borrowing costs.

Derecognition of financial instruments

We will derecognize a financial asset when:

1. our rights to receive cash flows from the asset have expired
2. our right to receive cash flows has been retained, but we have assumed an obligation to pay them in full to a third party without material delay, or
3. our right to receive cash flows has been transferred, together with substantially all the risks and rewards of ownership.

We derecognize financial liabilities when the associated obligation is discharged, cancelled or has expired.

Impairment of financial assets

We review our investments for impairment at the end of each reporting period based on both quantitative and qualitative criteria, including the extent that cost exceeds market value, the length of a market decline and the financial health of the issuer.

For loans and receivables and our investments in long-term bonds, we measure the amount of the loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. We reduce the carrying amount of the asset and recognize the amount of the loss in the income statement in *investment and other income*. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, we reverse the previously recognized impairment loss. We recognize any subsequent reversal of an impairment loss in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

If our investments in equity securities are impaired, we transfer the difference between its cost and its current fair value, less any impairment loss previously recognized in the income statement, from *accumulated other comprehensive income* to the income statement in *investment and other income*.

Embedded derivatives

When we enter into a contract, we determine whether it contains an embedded derivative. We separate an embedded derivative from its host contract if the derivative is not measured at *fair value through profit and loss*, and when its economic characteristics and risks are not closely related to the host contract. In these circumstances, we recognize the embedded derivative according to our accounting policy for derivatives.

Derivatives and hedging

We designate non-financial derivative contracts as *held-for-trading* and record them at fair value on the balance sheet. We include mark-to-market adjustments on these instruments in net income, unless the instruments are designated as part of a hedge relationship.

We record derivatives on the balance sheet at fair value. On the date we enter into a derivative, we designate it as a hedging instrument or a non-hedge derivative. A hedging instrument is designated in either:

- a fair value hedge relationship with a recognized asset or liability, or
- a cash flow hedge relationship with either a forecasted transaction, the variable future cash flows arising from a recognized asset or liability, or a foreign currency risk in an unrecognized firm commitment.

When we enter into a hedging contract, we formally document the relationship between the hedging instrument and the items it hedges, and the related risk-management strategy. This documentation:

- links the hedging instrument to a specific asset or liability, specific forecasted transaction, firm commitment or variable future cash flows
- defines how we assess retrospective and prospective hedge effectiveness.

At the end of every quarter, we determine whether we expect a hedging instrument to be highly effective in offsetting risk in the future. If we do not expect it to be highly effective, we stop hedge accounting prospectively, and keep accumulated gains or losses in *other comprehensive income* until the hedged item affects earnings.

We also stop hedge accounting prospectively if:

- a derivative is settled
- it is no longer highly probable that a forecasted transaction will occur
- we de-designate a hedging relationship.

If we conclude that it is probable that a forecasted transaction will not happen within the documented time frame, we immediately transfer all gains and losses accumulated in *other comprehensive income* to earnings. When hedge accounting stops, we reclassify the derivative as a non-hedge derivative prospectively.

We classify cash flows from a derivative in the same category as the cash flows from the item it hedges. We record cash flows from non-hedge derivatives as operating cash flows.

We record derivatives on the balance sheet at fair value and record changes in the fair value of derivatives at the end of every period:

- *fair value hedges*: we record the change in the fair value of the derivative and the item it hedges in earnings
- *cash flow hedges*: we record the change in the fair value of the derivative in *other comprehensive income* until earnings are affected by the item it hedges, except for any hedge ineffectiveness which we immediately record in earnings
- *non-hedge derivatives*: we record the change in the fair value of the derivative in *investment and other income*.

Gold forward sales contracts

We use the dollar offset method to assess the prospective and retrospective effectiveness of a hedging relationship:

- *prospective effectiveness*: we compare the effect of theoretical shifts in forward gold prices on the fair value of the actual derivative and a hypothetical derivative.
- *retrospective effectiveness*: we compare the effect of historical changes in gold prices each period on the fair value of the actual and the hypothetical derivative.

We record the effective portion of a change in a gold contract's fair value in *other comprehensive income* until forecasted gold sales affect earnings.

Borrowing costs

When we can attribute borrowing costs directly to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use, we capitalize these costs as part of the asset's carrying value and amortize them over its useful life. Otherwise, we capitalize borrowing costs related to the establishment of a loan facility as long-term debt, and amortize them over the life of the loan facility.

We recognize other borrowing costs as an expense when we incur them.

Share capital

When we issue common shares, we recognize them in share capital at the net proceeds received (the fair value of the consideration we received, less costs we incurred to issue the shares).

Share-based compensation plans

We have a number of equity-settled and cash settled share-based compensation plans for senior management under which we issue either Inmet common shares or make cash payments based on the value of Inmet common shares. We calculate the cumulative expense at each balance sheet date before vesting, basing it on the vesting period remaining and our best estimate of the fair value of awards that we ultimately expect to vest, and recognize any change in the statement of earnings in *general and administration*. Annually, we adjust the estimated forfeiture rate for actual forfeitures in the year. For equity settled awards, we determine the fair value at the grant date and recognize our obligation in equity. For cash-settled awards, we recalculate the fair value at each balance sheet date until the awards are settled and recognize our obligation as a liability. Our share-based compensation plans comprise the following:

Stock option plan: Stock options are equity-settled by issuing shares from treasury. We estimate the fair value of stock options at the grant date using the Black-Scholes option pricing model. Options vest evenly over a four-year period.

Performance share unit (PSU) plan: PSUs are cash-settled and are subject to certain vesting requirements and vest at the end of a three year performance period. Vesting requirements are based on performance criteria established by the board of directors (Board). We re-measure the fair value of PSUs at each balance sheet date using a Monte Carlo pricing model that takes into account expected volatility, expected dividend yield and the risk-free interest rate over the life of the PSUs to generate potential outcomes for share prices, which are used to estimate the value the PSUs vesting at the end of the three year performance measurement period. A Monte Carlo pricing model is a technique used to approximate the probability of certain outcomes, called simulations, based on normally distributed random variables and highly subjective assumptions. This model generates potential outcomes for stock prices and allows for the simulation of multiple stocks in tandem resulting in an estimated probability of vesting.

Deferred share unit (DSU) program: this program allows Inmet directors to receive director fees in the form of DSUs rather than cash. DSUs are equity-settled by issuing shares from treasury and directors can only redeem their units for Inmet common shares when they retire. DSUs are fully vested when granted. We determine the fair value of DSUs at the grant date based on the closing trading price of an Inmet common share.

Long-term incentive plan (LTIP): this plan ties a portion of incentive compensation to the completion of specific development projects as defined under the plan. LTIP units are equity-settled by issuing shares from treasury. The Board uses its discretion to determine the vesting date for an award, but vesting is generally when the development project is determined to be substantially complete and has operated for enough time to be able to assess its ongoing operating parameters. The Board determines the number of units that vest by assessing senior management's performance against the expectations underlying the Board's original decision to develop the project. We calculate the stock based compensation expense using the estimated vesting date for the project associated with an award, and an estimate of senior management's ultimate performance for an award based on performance to date (estimated performance). We determine the fair value of LTIP units at the grant date based on the closing trading price of an Inmet common share.

Share award plan (SAP): at the time a share award is made, it is equity-settled by purchasing an equivalent number of Inmet common shares on the open market and we record this amount against *contributed surplus*. The share awards vest evenly over a period of four years.

See note 13 for more information related to our share based compensation plans.

Net income per share

We calculate basic net income per share by dividing net income available to the common shareholders of Inmet Mining by the weighted average number of common shares outstanding for the year.

We calculate diluted net income per share by taking into consideration the dilutive effects of stock options, DSUs and LTIP units. For stock options, we calculate dilution based upon the net number of common shares to be issued assuming *in-the-money* options are exercised and the proceeds are used to repurchase common shares at the average market price in the period. We also adjust the weighted average number of common shares by the number of DSUs outstanding and the number of LTIP units that are expected to vest.

See note 18 for our calculation of basic and diluted net income per share.

Employee future benefits

We provide a defined contribution retirement benefit to employees in Canada.

Employees in the other jurisdictions where we operate either have state pension arrangements or do not receive pension benefits.

Certain employees take part in the defined contribution employee benefit plans. Our cost for these plans is the required contributions based on specified percentages of salaries we are required to make.

For certain executives, our total contribution to the defined contribution component of the registered plan, including the annual cash payment in lieu of a supplementary pension plan, is equivalent to 9 to 12 percent of their salary and bonus.

We expense contributions as they come due.

4. Application of critical accounting judgements and estimates

Preparing our consolidated financial statements in conformity with IFRS requires us to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements, and reported amounts of revenues and expenses during the reporting period. Our estimates and assumptions are based on our experience and other factors, including expectations of future events that we believe to be reasonable under the circumstances. We continuously evaluate these estimates, but actual outcomes could be different.

The most critical judgements, estimates and assumptions are described below.

Estimated mineral reserves

Our mineral reserves are estimates of the amount of ore that can be economically and legally extracted from our mining properties. To calculate reserves, we use estimates and assumptions about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production and freight costs, commodity prices and exchange rates. Our reserves for all operations are estimated based on information compiled by or under the supervision of a qualified person as defined under National Instrument 43-101.

Changes in our reserve estimates can affect:

- asset carrying values due to changes in estimated future cash flows and impairment analysis
- depreciation in the statement of earnings, when depreciation is based on units of production, or when the useful economic life of an asset changes
- asset retirement obligations where changes in estimated reserves affect expectations about the timing or cost of these activities.

Provision for asset retirement obligations

Our closed mines, operations and joint ventures are subject to environmental laws and regulations in Canada, the United States and the other countries in which we operate.

Our provision for asset retirement obligations is our best estimate of the present value of the future costs of mine closure, and involves a significant number of technical issues, estimates and assumptions, with many uncertainties, including changes to the relevant legal and regulatory framework, the magnitude of possible contamination and the timing and extent of the cost of required restoration activities. We will record any changes that arise prospectively, as follows:

- *operating mines*: we record changes in the balance sheet by adjusting the reclamation asset and provision, which affects both future depreciation and finance costs
- *closed properties*: we immediately recognize changes to estimated costs in the statement of earnings as *finance costs*.

Impairment of assets

If we believe an asset may be impaired, we calculate its recoverable amount as either its fair value less costs to sell, or its value in use (whichever is higher), following our *Impairment of assets* accounting policy described in note 3.

When following this policy, we make estimates and assumptions about future production and sales volumes, future commodity prices, recoverable mineral reserves, discount rates, foreign exchange rates, future operating and capital costs. We may also make assumptions about our ability to obtain financing for a project or to recover costs by selling an asset. Actual outcomes could be different.

Income taxes

We operate in a number of countries around the world and are subject to, and pay annual income taxes under the regimes in countries in which we operate. These tax regimes are determined under general corporate income tax laws in those countries. We file all required income tax returns and pay the taxes reasonably determined to be due.

The tax laws in many countries can be complex and subject to interpretation. From time to time, there may be disagreement with the taxing authorities over our interpretation of the country's income tax rules. The final outcome of these disputes could be materially different from our estimated tax liabilities.

We have significant Canadian tax benefits from capital losses, capital cost allowances and mining resource pools. We only recognize deferred tax assets arising from tax loss carry forwards, capital losses and temporary differences when it is probable that we will have enough taxable income in the future to recover them, therefore this is dependent on the generation of sufficient future taxable income.

Our estimates of future taxable income include assumptions about interest rates, foreign currency exchange rates and other factors. Our future income tax asset could be reduced if future taxable income is reduced resulting in a corresponding charge to income tax expense in the statement of earnings.

Plant construction

In the construction of plant and equipment, we capitalize costs that can be directly attributed to bringing the asset into working condition for its intended use, including costs during a commissioning period, before the asset is able to operate at normal levels.

We use several criteria to determine when an asset is able to operate at normal levels. These are complex, and depend on each development property's plan and its economic, political and environmental condition. Criteria can include:

- producing saleable material
- completing a reasonable period of testing of the plant and equipment in the mine, mill and/or plant
- achieving certain level of recoveries from the ore mined and processed
- sustaining ongoing production and reaching a certain level of production.

Once these criteria are met, we stop capitalizing the costs related to the commissioning period, and begin to recognize production costs in the statement of earnings.

5. Standards issued but not yet effective

The IASB has issued the following new standards and amendments to existing standards. These changes in accounting are not yet effective at June 30, 2011, and could have an impact in future periods:

IFRS 9	Financial instruments	<p>IFRS 9 simplifies the current measurement model for financial instruments under IFRS and establishes two measurement categories for financial assets: amortized cost and fair value. Existing IAS 39 categories of loans and receivables, held-to-maturity investments, and available-for-sale financial assets will be eliminated. A financial asset can be measured at amortized cost when:</p> <ul style="list-style-type: none">• the objective of the business model is to hold assets in order to collect contractual cash flows, and• the contractual terms give rise, on contractual dates, to cash flows that are solely payments of principal and interest on principal outstanding. <p>All other financial assets are measured at fair value.</p>
IFRS 10	Consolidated financial statements	<p>IFRS 10 provides a definition of control determined by the following three elements: power over an investee, exposure to variable returns from an investee, and the ability to use power to affect the reporting entity's returns. Power is not defined as the legal or contractual right to direct activities, but is based on the ability to direct activities, which requires the entity to exercise significant judgment. Accounting requirements and consolidation procedures remain unchanged from IAS 27.</p>
IFRS 11	Joint arrangements	<p>IFRS 11 introduces a principle-based approach where a party to a joint arrangement recognizes its own rights and obligations arising from the arrangement. Joint arrangements not structured through a separate vehicle are classified as a "joint operation" and the accounting for transactions is in accordance with the contractual arrangement. Joint arrangements structured through a separate vehicle must be evaluated based on their legal form and the terms of the contractual arrangement; these arrangements are classified as either a joint operation or a joint venture based on this evaluation. Joint ventures are accounted for using the equity method. The most significant impact of this standard is therefore the elimination of proportionate consolidation as a method to account for joint arrangements.</p>
IFRS 12	Disclosure of interests in other entities	<p>IFRS 12 enhances, and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard requires a reporting entity to disclose information that helps users assess the nature and financial effects of the reporting entity's relationship with other entities. Disclosure requirements include information that helps users in understanding the judgments and assumptions made by a reporting entity when deciding how to classify its involvement with another entity, understand the interest that non-controlling interests have in consolidated entities, and assess the nature of the risks associated with interests in other entities</p>
IFRS 13	Fair value measurement	<p>IFRS 13 defines fair value, sets a framework for measuring fair value, and requires disclosures about fair value measurements. Generally, the standard does not introduce new requirements to measure assets or liabilities at fair value, change what is measured at fair value in IFRS, or address how to present changes in fair value, but rather consolidates guidance on fair value into a single standard and better clarifies measurement and disclosure objectives</p>
IAS 19	Employee benefits	<p>The IASB published amendments to IAS 19, the standard dealing with accounting for pensions and other post-retirement and post-employment benefits, most significantly:</p> <ul style="list-style-type: none">• Immediate recognition of all changes in a plan's funded status (i.e. removal of the corridor approach option for recognizing actuarial gains and losses)• streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income (OCI), thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations• expanded disclosures about defined benefit plans, with an additional focus on describing the risks to which the plan sponsor is exposed because of the plan and the effect of the plan on the plan sponsor's future cash flows

These standards and amendments are effective for financial periods beginning January 1, 2013, although early adoption is permitted. We are currently assessing the impact these changes in accounting will have on our consolidated financial statements.

6. *First time adoption of IFRS*

We have adopted IFRS from January 1, 2011, as required for publicly accountable enterprises in Canada.

Our transition date is January 1, 2010 and we have adjusted 2010 comparative information from what was previously reported under Canadian GAAP to conform to IFRS.

Under IFRS 1 – *First time adoption of International Financial Reporting Standards*, we must apply IFRS retrospectively at the transition date, changing retained earnings to incorporate all adjustments to assets and liabilities as stated previously under Canadian GAAP, except where we apply any exemptions that are available. We have applied the following significant exemptions:

- we did not restate acquisitions we made before January 1, 2010 in accordance with IFRS 3 – *Business combinations*
- we reset the cumulative translation gains and losses in accumulated other comprehensive income to nil at January 1, 2010 and made the corresponding adjustment to retained earnings
- we applied IFRS 2 – Share based payments only to equity settled share based payment awards we granted after November 7, 2002 and that had not vested by January 1, 2010
- for certain mines, we used a transitional calculation to determine the property, plant and equipment associated with our provision for asset retirement obligations. Under this calculation, we measured the provision at the transition date and discounted to the date the liability first arose. The result became the initial asset value we applied depreciation to.

Balance sheet reconciliations

The schedule below reconciles our Canadian GAAP and IFRS balance sheets as at January 1, 2010 (our transition date to IFRS).

	Canadian GAAP	Reclassifications	Subtotal	Adjustments	Notes	IFRS
Assets						
Current assets:						
Cash and short-term investments	\$533,913	\$ -	\$533,913	\$ -		\$533,913
Restricted cash	15,130	-	15,130	-		15,130
Accounts receivable	129,987	-	129,987	25,774	i	155,761
Inventories	103,108	-	103,108	(4,784)	i, ii	98,324
Current portion of held to maturity investments	9,993	-	9,993	-		9,993
Deferred income tax assets	8,466	(8,466)	-	-		-
	800,597	(8,466)	792,131	20,990		813,121
Restricted cash	101,589	-	101,589	-		101,589
Property, plant and equipment	1,860,616	-	1,860,616	85,053	ii, iii, iv, v	1,945,669
Investments in equity securities	42,411	-	42,411	-		42,411
Held to maturity investments	89,891	-	89,891	-		89,891
Deferred income tax assets	6,151	5,076	11,227	(8,867)	vii, viii	2,360
Other assets	2,894	-	2,894	(991)		1,903
	\$2,904,149	(\$3,390)	\$2,900,759	\$96,185		\$2,996,944
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	\$185,145	(\$15,047)	\$170,098	\$426	i	\$170,524
Provisions	-	17,417	17,417	-		17,417
Derivatives	1,543	-	1,543	-		1,543
Deferred income tax liabilities	4,612	(4,612)	-	-		-
	191,300	(2,242)	189,058	426		189,484
Long-term debt	200,026	-	200,026	-		200,026
Asset retirement obligations	145,038	(145,038)	-	-		-
Provisions	-	156,456	156,456	39,974	vi	196,430
Other liabilities	32,113	(11,418)	20,695	-		20,695
Derivatives	3,165	-	3,165	-		3,165
Deferred income tax liabilities	16,357	(1,148)	15,209	10,523	vii, viii	25,732
Non-controlling interest	78,005	(78,005)	-	-		-
	666,004	(81,395)	584,609	50,923		635,532
Equity						
Share capital	669,952	-	669,952	-		669,952
Contributed surplus	63,296	-	63,296	1,513		64,809
Stock based compensation	5,170	-	5,170	-		5,170
Retained earnings	1,541,803	-	1,541,803	(14,694)		1,527,109
Accumulated other comprehensive income (loss)	(42,076)	-	(42,076)	61,169	ix	19,093
Total equity attributable to Inmet equity holders	2,238,145	-	2,238,145	47,988		2,286,133
Non-controlling interest	-	78,005	78,005	(2,726)		75,279
Total equity	2,238,145	78,005	2,316,150	45,262		2,361,412
Total liabilities and equity	\$2,904,149	(\$3,390)	\$2,900,759	\$96,185		\$2,996,944

The schedule below reconciles our Canadian GAAP and IFRS balance sheets as at June 30, 2010.

	Canadian GAAP	Reclassifications	Subtotal	Adjustments	Notes	IFRS
Assets						
Current assets:						
Cash and short-term investments	\$436,318	\$ -	\$436,318	\$ -		\$436,318
Restricted cash	11,905	-	11,905	-		11,905
Accounts receivable	86,793	-	86,793	29,041	i	115,834
Inventories	78,163	-	78,163	(5,367)	i, ii	72,796
Current portion of held to maturity investments	43,632	-	43,632	-		43,632
Deferred income tax assets	8,464	(8,464)	-	-		-
Assets held for sale	9,000	-	9,000	-		9,000
	674,275	(8,464)	665,811	23,674		689,485
Restricted cash	96,210	-	96,210	-		96,210
Property, plant and equipment	1,743,229	-	1,743,229	84,447	ii, iii, iv, v	1,827,676
Investments in equity securities	49,712	-	49,712	-		49,712
Held to maturity investments	277,424	-	277,424	-		277,424
Deferred income tax assets	21,006	6,180	27,186	(11,220)	vii, viii	15,966
Other assets	2,998	-	2,998	(991)		2,007
	\$2,864,854	(\$2,284)	\$2,862,570	\$95,910		\$2,958,480
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	\$168,077	(\$15,994)	\$152,083	\$827	i	\$152,910
Provisions	-	17,395	17,395	-		17,395
Derivatives	1,857	-	1,857	-		1,857
Deferred income tax liabilities	2,084	(2,084)	-	-		-
	172,018	(683)	171,335	827		172,162
Long-term debt	181,338	-	181,338	-		181,338
Asset retirement obligations	142,063	(142,063)	-	-		-
Provisions	-	153,911	153,911	37,137	vi	191,048
Other liabilities	29,451	(11,848)	17,603	-		17,603
Derivatives	3,544	-	3,544	-		3,544
Deferred income tax liabilities	8,810	(1,601)	7,209	10,868	vii, viii	18,077
Non-controlling interest	58,926	(58,926)	-	-		-
	596,150	(61,210)	534,940	48,832		583,772
Equity						
Share capital	669,952	-	669,952	-		669,952
Contributed surplus	64,130	-	64,130	1,336		65,466
Stock based compensation	6,058	-	6,058	-		6,058
Retained earnings	1,664,500	-	1,664,500	10,265		1,674,765
Accumulated other comprehensive income (loss)	(135,936)	-	(135,936)	36,049	ix	(99,887)
Total equity attributable to Inmet equity holders	2,268,704	-	2,268,704	47,650		2,316,354
Non-controlling interest	-	58,926	58,926	(572)		58,354
Total equity	2,268,704	58,926	2,327,630	47,078		2,374,708
Total liabilities and equity	\$2,864,854	(\$2,284)	\$2,862,570	\$95,910		\$2,958,480

The schedule below reconciles our Canadian GAAP and IFRS balance sheets as at December 31, 2010.

	Canadian GAAP	Re- classifications	Subtotal	Adjustments	Notes	IFRS
Assets						
Current assets:						
Cash and short-term investments	\$326,425	\$ -	\$326,425	\$ -		\$326,425
Restricted cash	617	-	617	-		617
Accounts receivable	91,893	-	91,893	27,533	i	119,426
Inventories	84,077	-	84,077	(11,923)	i, x	72,154
Current portion of held to maturity investments	53,915	-	53,915	-		53,915
Deferred income tax assets	27,614	(27,614)	-	-		-
Assets held for sale	282,255	-	282,255	36,827	xi	319,082
	866,796	(27,614)	839,182	52,437		891,619
Restricted cash	70,059	-	70,059	-		70,059
Property, plant and equipment	1,921,843	-	1,921,843	(185,778)	ii, iii, iv, v, x	1,736,065
Investments in equity securities	2,694	-	2,694	-		2,694
Held to maturity investments	318,615	-	318,615	-		318,615
Deferred income tax assets	1,336	12,782	14,118	(5,397)	vii, viii	8,721
Goodwill	76,368	-	76,368	(76,368)	x	-
Other assets	4,865	-	4,865	(2,530)		2,335
	\$3,262,576	(\$14,832)	\$3,247,744	(\$217,636)		\$3,030,108
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	\$153,111	(\$17,668)	\$135,443	\$902	i	\$136,345
Provisions	-	17,668	17,668	-		17,668
Liabilities associated with assets held for sale	102,447	-	102,447	9,449		111,896
	255,558	-	255,558	10,351		265,909
Long-term debt	16,619	-	16,619	-		16,619
Asset retirement obligations	108,592	(108,592)	-	-		-
Provisions	-	118,598	118,598	43,801	vi	162,399
Other liabilities	28,123	(10,006)	18,117	-		18,117
Deferred income tax liabilities	95,200	(14,832)	80,368	(67,843)	vii, viii	12,525
	504,092	(14,832)	489,260	(13,691)		475,569
Equity						
Share capital	1,015,698	-	1,015,698	73,878	x	1,089,576
Contributed surplus	64,972	-	64,972	1,159		66,131
Stock based compensation	6,542	-	6,542	-		6,542
Retained earnings	1,889,491	-	1,889,491	(311,984)		1,577,507
Accumulated other comprehensive income (loss)	(218,219)	-	(218,219)	33,002	ix	(185,217)
Total equity	2,758,484	-	2,758,484	(203,945)		2,544,539
Total liabilities and equity	\$3,262,576	(\$14,832)	\$3,247,744	(\$217,636)		\$3,030,108

Notes to the balance sheet reconciliations as at January 1, 2010, June 30, 2010 and December 31, 2010:

Reclassifications

We reclassified several items to conform to IFRS. The following are the most significant:

- **non-controlling interests** are under a separate component of equity. Under Canadian GAAP, we reported these as a liability.
- **current deferred income tax assets and liabilities** are under long term assets and liabilities. Under IFRS, all deferred income taxes assets and liabilities must be classified as long term.
- **asset retirement obligations** are under *provisions*. We previously reported these as a separate long term liability.
- certain **employee compensation obligations** are under current and long term provisions. Under Canadian GAAP, we reported them in *accounts payable* if they were current obligations, or as *other liabilities* if they were long term obligations.

Adjustments

- (i) **Revenue recognition** – at January 1, 2010 we increased accounts receivable by \$25.8 million (June 30, 2010 - \$29.0 million, December 31, 2010 - \$27.5 million) and reduced inventory by \$5.6 million (June 30, 2010 - \$7.8 million, December 31, 2010 - \$6.3 million).

Under IFRS, we recognize revenue when all significant risks and rewards of ownership of our products are transferred to the purchaser. Under Canadian GAAP, title also had to legally transfer to the purchaser before revenue was recognized. For certain shipments at Çayeli, Pyhäsalmi and Ok Tedi, we transfer title when we receive the first provisional payment, which is later than the transfer point for risks and rewards of ownership.

- (ii) **Reversal of impairment of assets** – at January 1, 2010, we increased property plant and equipment by \$51.9 million (June 30, 2010 - \$48.2 million, December 31, 2010 - \$41.1 million) to reverse an impairment charge we recognized for Çayeli in 1996. The increase is the IFRS carrying amount we would have calculated, net of depreciation, if we had not recognized the original impairment.

Canadian GAAP did not allow for reversal of impairment charges after they were initially recognized. Under IFRS, we must reverse an impairment loss if there is a change in the estimates we used to determine the recoverable amount. In 1996, after Çayeli's first two years of operations, we recognized an impairment charge of \$128 million against property, plant and equipment. At the time, zinc and copper recoveries were significantly lower than feasibility levels, and were continuing to deteriorate. The complex mineralogy of the Çayeli ore body, continuing poor metallurgical results and the possibility that no improvements may have been achievable were the main reasons for the impairment. After many initiatives and capital improvements, and many years of significantly improved production performance since that time, we concluded that the extensive uncertainties underlying the original impairment no longer apply, and that Çayeli's recoverable amount exceeded its carrying value on our transition to IFRS.

- (iii) **Plant and equipment at Ok Tedi** – at January 1, 2010, we increased property, plant and equipment by \$14.5 million (June 30, 2010 - \$16.0 million). For plant and equipment that was purchased after our initial proportionate consolidation of Ok Tedi, we used Ok Tedi's accumulated depreciation, which Ok Tedi has used historically under IFRS.
- (iv) **Property, plant and equipment associated with asset retirement obligations** – at January 1, 2010, we increased property, plant and equipment by \$8.8 million (June 30, 2010 - \$13.0 million, December 31, 2010 - \$12.1 million).

Under both IFRS and Canadian GAAP, we recognize a corresponding change in the provision for asset retirement obligations in the carrying value of the related property, plant and equipment and depreciate this amount prospectively. The amount of our asset retirement obligations under IFRS is different from the amount under Canadian GAAP as described in (vi) below, and therefore has an impact on our related assets.

- (v) **Foreign exchange forward contract** – at January 1, 2010, we increased property, plant and equipment by \$13.4 million on our transition to IFRS (June 30, 2010 - \$11.6 million, December 31, 2010 - \$11.5 million).

To fix the amount of euros under its credit facility upon conversion to a US dollar denominated loan, Las Cruces entered into a forward contract to exchange US \$215 million for €171.1 million. In 2008, this derivative settled on a net basis with Las Cruces receiving cash of €32.6 million (\$52.3 million).

Under Canadian GAAP, we applied hedge accounting for this contract. While the credit facility was outstanding, Las Cruces capitalized the related interest under its credit facility as a cost of deferred development. We amortized the gain in property, plant and equipment, as a reduction of this capitalized interest. Under IFRS, this instrument does not qualify as a hedge for accounting purposes, and we reclassified the amount we had recognized against property, plant and equipment to retained earnings.

- (vi) **Provision for asset retirement obligations** – at January 1, 2010, we increased our provision for asset retirement obligations by \$39.8 million (June 30, 2010 - \$36.9 million, December 31, 2010 - \$43.6 million).

Under IFRS, we measure asset retirement obligations using a risk free interest rate, and revalue for changes in market risk free interest rates. Under Canadian GAAP, we used a credit adjusted risk free interest rate and were not required to remeasure for changes in market rates.

- (vii) **Deferred income taxes – translation of non-monetary items** – at January 1, 2010, we increased deferred income tax assets by \$3.3 million (June 30, 2010 - \$0.4 million, December 31, 2010 - \$1.0 million).

Under IFRS, when an entity's taxes are denominated in a currency that is not its functional currency (Çayeli and Ok Tedi), we are required to recognize deferred income taxes and liabilities related to the foreign exchange gains and losses for foreign non-monetary assets and liabilities that are re-measured into the functional currency, using historical foreign exchange rates. This was not allowed under Canadian GAAP.

- (viii) **Deferred income taxes** – as a result of the tax effect of changes to our opening balances under IFRS, we decreased deferred income tax assets by \$12.2 million at January 1, 2010 (June 30, 2010 - \$11.6 million, December 31, 2010 - \$6.4 million) and increased deferred income tax liabilities by \$10.7 million (June 30, 2010 - \$10.3 million, December 31, 2010 - decrease of \$65.9 million).
- (ix) **Cumulative translation adjustment** – at January 1, 2010, we reset the cumulative translation gains and losses in *accumulated other comprehensive income* to nil, and recognized a corresponding decrease of \$61.2 million in retained earnings, using an election under IFRS 1.
- (x) **Acquisition of non-controlling interest in Las Cruces** – at December 31, 2010, we decreased inventory by \$6.8 million, decreased property, plant and equipment by \$247.0 million, decreased goodwill by \$76.4 million and increased share capital by \$73.9 million.

Under Canadian GAAP, companies that acquire an additional interest in an entity they already control must account for it as a step acquisition. Under IFRS, acquiring a non-controlling interest is not considered a business combination, and is instead accounted for as an equity transaction. Under IFRS, we have accounted for our acquisition of the remaining 30 percent interest in Las Cruces which closed in December 2010, as an equity transaction, because we already controlled it.

- (xi) **Assets and liabilities held for sale for Ok Tedi** - on January 29, 2011, Ok Tedi Mining Limited repurchased our 18 percent equity interest in Ok Tedi for US \$335 million, and we classified it as *held for sale* at December 31, 2010 (consistent to our Canadian GAAP presentation). Our share of Ok Tedi's assets and liabilities classified as *held for sale* under IFRS were \$36.8 million and \$9.4 million higher respectively than they were under Canadian GAAP because of the adjustments outlined above.
- (xii) **Equity reconciliation** – The table below reconciles total equity under Canadian GAAP to total equity under IFRS, and illustrates the after-tax effect of each of the most significant adjustments had on equity.

	Notes	January 1, 2010	June 30, 2010	December 31, 2010
Canadian GAAP equity		\$2,238,145	\$2,268,704	\$2,758,484
IFRS adjustments:				
Reclassification of non-controlling interest to equity		78,005	58,926	-
Revenue recognition	i	14,210	15,219	30,023
Reversal of impairment of assets – Çayeli	ii	42,395	40,893	34,005
Plant and equipment - Ok Tedi	iii	10,184	11,169	11,179
Property, plant and equipment associated with asset retirement obligations	iv	8,304	11,992	12,175
Foreign exchange forward contract – Las Cruces	v	9,386	8,121	8,034
Provision for asset retirement obligations	vi	(38,349)	(35,553)	(41,310)
Deferred income taxes	vii	3,481	-	2,870
Acquisition of the non-controlling interest in Las Cruces	x	-	-	(254,056)
Other		(4,349)	(4,763)	(6,865)
IFRS equity		\$2,361,412	\$2,374,708	\$2,554,539

The schedule below reconciles our Canadian GAAP and IFRS net income for the three months ended June 30, 2010. The Canadian GAAP statement of earnings is presented in an IFRS format.⁽¹⁾

	Canadian GAAP	Reclassifications	Ok Tedi	Adjustments	Notes	IFRS
Gross sales	\$215,051	\$ -	(\$57,019)	\$3,133	i	\$161,165
Smelter processing charges and freight	(36,794)	-	6,894	(5,372)	i	(35,272)
Cost of sales (excluding depreciation)	(72,437)	1,098	22,505	711	i	(48,123)
Depreciation	(18,951)	-	6,736	1,887	iii, iv	(10,328)
Earnings from operations	86,869	1,098	(20,884)	359		67,442
Corporate development and exploration	(2,524)	-	-	-		(2,524)
General and administration	(6,288)	-	-	88		(6,200)
Investment and other income	(18,370)	-	167	21,524	ii	3,321
Stand-by costs	-	-	-	-		-
Finance costs	(421)	(1,225)	217	(341)		(1,770)
Income before taxation	59,266	(127)	(20,500)	21,630		60,269
Income tax expense	(15,249)	127	8,025	(1,678)	vi	(8,775)
Income from continuing operations	\$44,017	\$ -	(\$12,475)	\$19,952		\$51,494
Income from discontinued operation (net of taxes)	-	-	12,475	-		12,475
Net income	\$44,017	\$ -	\$ -	\$19,952		\$63,969
Attributable to:						
Inmet equity holders	\$48,436	\$ -	\$ -	\$20,059		\$68,495
Non-controlling interest	(4,419)	-	-	(107)		(4,526)
	\$44,017	\$ -	\$ -	\$19,952		\$63,969

⁽¹⁾ Under Canadian GAAP, we deducted the non-controlling interest's share of Las Cruces' income when calculating net income. Under IFRS, no deduction for this is made and net income is presented as separately attributable to the equity holders of Inmet Mining and to the non-controlling interest.

The schedule below reconciles our Canadian GAAP and IFRS net income for the six months ended June 30, 2010. The Canadian GAAP statement of earnings is presented in an IFRS format.⁽¹⁾

	Canadian GAAP	Reclassifications	Ok Tedi	Adjustments	Notes	IFRS
Gross sales	\$466,610	\$ -	(\$151,645)	\$7,362	i	\$322,327
Smelter processing charges and freight	(81,123)	-	17,417	(4,667)	i	(68,373)
Cost of sales (excluding depreciation)	(153,417)	2,217	50,468	343	i	(100,389)
Depreciation	(34,175)	-	13,525	2,606	i, iii, iv	(18,044)
Earnings from operations	197,895	2,217	(70,235)	5,644		135,521
Corporate development and exploration	(5,303)	-	-	-		(5,303)
General and administration	(11,798)	-	-	177		(11,621)
Investment and other income	(18,448)	-	90	22,883	ii	4,525
Stand-by costs	(6,753)	-	-	-		(6,753)
Finance costs	(873)	(2,555)	471	(686)		(3,643)
Income before taxation	154,720	(338)	(69,674)	28,018		112,726
Income tax expense	(35,394)	338	26,481	(3,286)	vi	(11,861)
Income from continuing operations	\$119,326	\$ -	(\$43,193)	\$24,732		\$100,865
Income from discontinued operation (net of taxes)	-	-	43,193	-		43,193
Net income	\$119,326	\$ -	\$ -	\$24,732		\$144,058
Attributable to:						
Inmet equity holders	\$128,307	\$ -	\$ -	\$24,959		\$153,266
Non-controlling interest	(8,981)	-	-	(227)		(9,208)
	\$119,326	\$ -	\$ -	\$24,732		\$144,058

⁽¹⁾ Under Canadian GAAP, we deducted the non-controlling interest's share of Las Cruces' income when calculating net income. Under IFRS, no deduction for this is made and net income is presented as separately attributable to the equity holders of Inmet Mining and to the non-controlling interest.

The schedule below reconciles our Canadian GAAP and IFRS net income for the year ended December 31, 2010. The Canadian GAAP statement of earnings is presented in an IFRS format.⁽¹⁾

	Canadian GAAP	Reclassifications	Ok Tedi	Adjustments	Notes	IFRS
Gross sales	\$1,098,087	\$ -	(\$356,629)	\$37,098	i	\$778,556
Smelter processing charges and freight	(166,754)	-	36,448	(8,158)	i	(138,464)
Cost of sales (excluding depreciation)	(345,764)	6,343	95,871	(10,309)	i, v	(253,859)
Depreciation	(81,844)	-	27,513	(1,657)	i, iii, iv	(55,988)
Earnings from operations	503,725	6,343	(196,797)	16,974		330,245
Corporate development and exploration	(12,036)	-	-	(1,459)		(13,495)
General and administration	(20,638)	-	-	274		(20,364)
Investment and other income	35,416	-	(32)	22,960	ii	58,344
Stand-by costs	(6,753)	-	-	-		(6,753)
Finance costs	(6,873)	(7,148)	910	(65)		(13,176)
Income before taxation	492,841	(805)	(195,919)	38,684		334,801
Capital tax expense	(373)	-	-	-		(373)
Income tax expense	(134,682)	805	71,164	(6,001)	vi	(68,714)
Income from continuing operations	\$357,786	\$ -	(\$124,755)	\$32,683		\$265,714
Income from discontinued operation	-	-	124,755	-		124,755
Net income	\$357,786	\$ -	\$ -	\$32,683		\$390,469
Net income attributable to:						
Inmet equity holders	\$358,898	\$ -	\$ -	\$32,978		\$391,876
Non-controlling interest	(1,112)	-	-	(295)		(1,407)
	\$357,786	\$ -	\$ -	\$32,683		\$390,469

⁽¹⁾ Under Canadian GAAP, we deducted the non-controlling interest's share of Las Cruces' income when calculating net income. Under IFRS, no deduction for this is made and net income is presented as separately attributable to the equity holders of Inmet Mining and to the non-controlling interest.

Notes to the reconciliation of the statement of earnings for three and six months ended June 30, 2010 and the year ended December 31, 2010:

Reclassifications

When we adopted IFRS, we reclassified accretion of asset retirement obligations and capital lease obligations to finance costs. We recognized it as part of cost of sales under Canadian GAAP.

Ok Tedi

In January 2011, we sold our 18 percent equity interest in Ok Tedi. As the operations and cash flows for Ok Tedi have been eliminated as a result of this disposal and we have no continuing involvement with this operation, we have presented our proportionately consolidated results from Ok Tedi as *discontinued operations* retroactively. The sale of our investment in Ok Tedi did not qualify for treatment as discontinued operations under Canadian GAAP. This change affects our entire income statement so we have disclosed it separately.

Adjustments

- (i) **Revenue** – for the three months ended June 30, 2010 we increased revenue by \$3.1 million (six months ended June 30, 2010 - \$7.4 million, year ended December 31, 2010 - \$37.1 million) and made associated adjustments to smelter processing charges and freight, cost of sales and depreciation.

Under IFRS, we recognize revenue when all significant risks and rewards of ownership of our products are transferred to the purchaser. Under Canadian GAAP, title also had to legally transfer to the purchaser before revenue was recognized. For certain shipments at Çayeli, Pyhäsalmi and Ok Tedi, we transfer title when we receive the first provisional payment, which is later than the transfer point for risks and rewards of ownership.

- (ii) **Foreign exchange gains and losses** – for the three months ended June 30, 2010, we reversed foreign exchange losses recognized under Canadian GAAP, which increased investment and other income by \$21.4 million (six months ended June 30, 2010 - \$22.7 million, year ended December 31, 2010 - \$22.7 million).

Under IFRS, only dividends that represent a return on capital invested in a foreign operation require recognition of previously deferred foreign exchange gains or losses. Under Canadian GAAP, dividends, including those related to the accumulation of earnings are considered a return on investment, and we recognized the deferred foreign exchange gains or losses on these amounts in investment and other income.

- (iii) **Depreciation** – we increased property, plant and equipment relating to the reversal of an impairment charge recognized for Çayeli, and made an associated increase in depreciation of \$2.0 million for the three months ended June 30, 2010 (six months ended June 30, 2010 - \$4.0 million, year ended December 31, 2010 - \$7.9 million).

- (iv) **Depreciation of property, plant and equipment associated with asset retirement obligations** – we recognized a \$3.4 million decrease in depreciation for the three months ended June 30, 2010 (six months ended June 30, 2010 - \$6.6 million, year ended December 31, 2010 - \$6.3 million).

Under both IFRS and Canadian GAAP, we recognize a corresponding change in the provision for asset retirement obligations in the carrying value of the related property, plant and equipment and depreciate this amount prospectively. The amount of our asset retirement obligations under IFRS is different from the amount under Canadian GAAP, and therefore has an impact on our related assets and depreciation expense.

- (v) **Provision for asset retirement obligations** – we increased *cost of sales* by \$6.5 million for the year ended December 31, 2010 to increase our asset retirement obligations at our closed properties as a result of changes in discount rates.

Under IFRS, we measure asset retirement obligations using a risk free interest rate, and revalue for changes in market risk free interest rates. Under Canadian GAAP, we used a credit adjusted risk free interest rate and were not required to remeasure for changes in market rates.

- (vi) **Deferred income taxes** – as a result of the tax effect of changes recognized in our income statement under IFRS, we increased income tax expense by \$1.7 million for the three months ended June 30, 2010 (six months ended June 30, 2010 - \$3.3 million, year ended December 31, 2010 - \$4.8 million)

The schedule below reconciles our Canadian GAAP and IFRS comprehensive income for the three and six months ended June 30, 2010 and the year ended December 31, 2010. The Canadian GAAP statement of comprehensive income is presented in an IFRS format.

	Notes	three months ended June 30, 2010	six months ended June 30, 2010	year ended December 31, 2010
Comprehensive income reported under Canadian GAAP		\$62,415	\$25,466	\$181,643
Total adjustments to net income		19,952	24,732	32,683
Adjustments to other comprehensive income (loss):				
Currency translation adjustments	i, ii	(22,235)	(32,777)	(28,167)
Comprehensive income under IFRS		\$60,132	\$17,421	\$186,159

Notes to the reconciliation of the statement of comprehensive income for the three and six months ended June 30, 2010 and the year ended December 31, 2010

Adjustments

- (i) **Currency translation adjustments** – for the three months ended June 30, 2010, we reversed foreign exchange losses previously recognized in the statement of earnings under Canadian GAAP, which decreased other comprehensive income by \$21.4 million (six months ended June 30, 2010 - \$22.7 million, year ended December 31, 2010 - \$22.7 million).

Under IFRS, only dividends that represent a return on capital invested in a foreign operation require recognition of previously deferred foreign exchange gains or losses. Under Canadian GAAP, dividends, including those related to the accumulation of earnings and repayment of intercompany debt, are considered a return on investment, and we recognized the deferred foreign exchange gains or losses on these amounts in investment and other income.

- (ii) **Currency translation adjustments** - as a result of the currency translation impact of recognizing changes to our balance sheet under IFRS, we decreased other comprehensive income by \$0.8 million for the three months ended June 30, 2010 (six months ended June 30, 2010 - \$10.1 million, year ended December 31, 2010 - \$5.5 million).

Cash flow statement

The IFRS transition adjustments above did not have an impact on our cash and short-term investments. Differences in our cash flow statements between Canadian GAAP and IFRS are the result of non-cash adjustments to items in the statements of earnings outlined above and the presentation of Ok Tedi cash flows as discontinued operations (note 10).

7. Cash and short-term investments

	June 30, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents:			
Liquidity funds	\$323,970	\$194,603	\$205,190
Term deposits	9,497	52,991	40,140
Overnight deposits	129,327	4,319	54,435
Bankers acceptances	334,200	-	92,200
Money market funds	40,022	40,048	19,951
Corporate	15,969	-	-
Bank deposits	48,267	27,168	95,001
Provincial short-term notes	74,850	-	-
	976,102	319,129	506,917
Short-term investments:			
Corporate	-	-	26,996
Term deposits	-	7,296	-
Provincial short term notes	24,918	-	-
	24,918	7,296	26,996
Total cash and short-term instruments	\$1,001,020	\$326,425	\$533,913

8. Restricted cash

	June 30, 2011	December 31, 2010	January 1, 2010
Collateralized cash for letter of credit facility – Inmet Mining	\$16,750	\$16,906	\$16,492
In trust for Ok Tedi reclamation	-	-	26,365
Collateralized cash for letters of credit – Las Cruces	57,252	52,138	72,008
Collateralized cash for Pyhäsalmi reclamation	1,713	1,632	1,854
	75,715	70,676	116,719
Less current portion:			
Collateralized cash for letters of credit – Las Cruces	(758)	(617)	(15,130)
	\$74,957	\$70,059	\$101,589

9. Held to maturity investments

In the first quarter, we purchased US \$274 million of US Treasury bonds with credit ratings of AAA. The bonds mature between March 2012 and January 2016 and have a weighted average annual yield to maturity of 1.2 percent. Additionally, we purchased a Provincial Government bond for \$8 million with a credit rating of AA, maturity of June 2011 and an annual yield to maturity of 1.08 percent.

This quarter, \$36.3 million of bonds matured and we purchased \$6.7 million of Federal and Corporate bonds with credit ratings of AA to AAA. The bonds mature between August 2011 and March 2016 and have a weighted average annual yield to maturity of 1.79 percent. In addition, we purchased US \$16.2 million of US Treasury bonds with a credit rating of AAA. The bonds mature between March 2012 and May 2016 and have a weighted average annual yield to maturity of 0.89 percent.

We have designated these bonds as held to maturity, measuring them initially at fair value and subsequently at amortized cost.

10. Sale of our interest in Ok Tedi

On January 29, 2011, Ok Tedi Mining Limited repurchased our 18 percent equity interest in Ok Tedi for US \$335 million. Our interest in Ok Tedi met the criteria of an asset held for sale, so we presented our share of the results of operations of Ok Tedi as discontinued operations in the consolidated statements of earnings and the consolidated statements of cash flow retroactively. In 2011, after-tax income of \$83 million from this discontinued operation includes net earnings of \$17 million in January, before the sale, and a gain on sale of \$66 million net of withholding taxes. Papua New Guinea withholding taxes of \$28 million were paid on the sale and no Canadian taxes were payable, but we expect to reduce our tax-effected Canadian tax loss pools by about \$2 million. The following tables provide a breakdown of our share of the earnings and cash flows at Ok Tedi for the three and six months ended June 30, 2010 and 2011.

Statements of earnings

	three months ended June 30		six months ended June 30	
	2011	2010	2011	2010
Gross sales	\$ -	\$57,019	\$44,865	\$151,645
Smelter processing charges and freight	-	(6,894)	(4,051)	(17,417)
Cost of sales (excluding depreciation)	-	(22,505)	(12,116)	(50,468)
Depreciation	-	(6,736)	(2,272)	(13,525)
	-	20,884	26,426	70,235
Investment and other income	-	(167)	(80)	(90)
Finance costs	-	(217)	(33)	(471)
Income tax expense	-	(8,025)	(9,670)	(26,481)
	-	12,475	16,643	43,193
Gain on sale of our interest	-	-	79,029	-
Income tax expense on sale of our interest	-	-	(12,233)	-
Net income from discontinued operation	\$ -	\$12,475	\$83,439	\$43,193

Statements of cash flow

	three months ended June 30		six months ended June 30	
	2011	2010	2011	2010
Cash provided by operating activities				
Before net change in non-cash working capital	\$ -	\$17,420	\$ -	\$52,369
Net change in non-cash working capital	-	23,177	-	34,678
	-	40,597	-	87,047
Cash provided by (used in) investing activities				
Cash proceeds on sale, net of withholding tax	-	-	306,982	-
Purchase of property, plant and equipment	-	(4,125)	-	(8,405)
	-	(4,125)	306,982	(8,405)
Cash used in financing activities	-	3	-	(645)
Foreign exchange change on cash held in foreign currency	-	2,573	-	393
Net cash from discontinued operation	\$ -	\$39,048	\$306,982	\$78,390

11. Provisions

The table below shows the significant components of our provisions.

	June 30, 2011	December 31, 2010	January 1, 2010
Asset retirement obligations	\$175,983	\$168,589	\$198,291
Employee benefits and other	12,116	11,478	15,556
	<u>188,099</u>	<u>180,067</u>	<u>213,847</u>
Less current portion:			
Asset retirement obligations	(16,847)	(16,417)	(13,500)
Employee benefits and other	(717)	(1,251)	(3,917)
	<u>(17,564)</u>	<u>(17,668)</u>	<u>(17,417)</u>
	<u>\$170,535</u>	<u>\$162,399</u>	<u>\$196,430</u>

12. Common share issuance

On May 17, 2011, Temasek Holdings (Private) Ltd. exchanged its subscriptions receipts for 7.78 million Inmet common shares and we received cash of \$500 million, plus accrued interest on funds in escrow during the subscription period.

13. Stock-based compensation

During the second quarter, a number of changes were made to equity-based compensation plans following a review of senior management compensation:

Stock option plan

On June 27, 2011, shareholders approved a share option plan (SOP) for senior management, enabling them to purchase Inmet common shares, with a reserve of 2.8 million common shares. The exercise price is determined by the Board at the time the option is granted, and may not be less than the volume weighted average price of Inmet common shares for the five preceding trading days (5 day VWAP). In the absence of specific vesting conditions determined by the Board at the grant date, each grant will vest 25 percent per year for four years, with each amount vesting on the anniversary of the grant date (graded vesting).

An initial grant of 380,000 options was made to senior management on May 10, 2011, with an exercise price of \$65.11, graded vesting and an expiry date of May 10, 2018. We calculated the compensation expense for these options using the Black Scholes valuation model assuming the following weighted average parameters, resulting in a weighted average fair value per option of \$28.86 per option: 5 year expected life, 49 percent expected volatility, expected dividend rate of 0.3 percent annually and a risk free interest rate of 2 percent.

Performance share unit plan

Effective May 10, 2011, we adopted a performance share unit plan (PSUP) for senior management. The Board grants performance share units (PSUs) at its sole discretion with PSU grants generally being equal in value to a percentage of an executive's annual base salary. The vesting period for the PSUs is the three year period commencing on January 1 of the year in which a PSU grant is made and ending on November 25th of the second year following the year in which the grant is made. Each PSU is settled in cash based on the 5 day VWAP prior to November 25 of the second year following the year of the grant.

We used a Monte Carlo simulation model to calculate the compensation expense for the PSUs assuming no forfeitures, 3 year historical average volatilities and a risk free interest rate of 1.9%.

Long-term incentive plan

On May 10, 2011, the LTIP units associated with Las Cruces were redeemed with a vesting performance factor of 60 percent, based on the board's assessment of senior management performance for the project. The board decided to redeem the LTIP units for \$3.4 million in cash based on the 5 day VWAP of \$65.11.

Additionally, the LTIP has been replaced by the SOP and PSUP described above. The 312,000 LTIP units associated with Cobre Panama remain in place and will be redeemed in accordance with the LTIP provisions. However, no additional LTIP units will be granted as a result of the replacement of the plan.

Share award plan

The share award plan has been terminated for the 2011 year onwards in conjunction with the establishment of the SOP and PSUP. Shares already awarded under the plan will continue to vest according to the original vesting period and no additional shares will be awarded.

We recognized the following share-based compensation expense in *general and administration*:

	three months ended June 30		six months ended June 30	
	2011	2010	2011	2010
Stock option plan	\$952	\$ -	\$952	\$ -
Performance share unit plan	189	-	189	-
Long-term incentive plan	-	-	759	382
Deferred share unit plan	224	230	574	506
Share award plan	152	333	302	657
	\$1,517	\$563	\$2,776	\$1,545

14. Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) includes:

	June 30, 2011	December 31, 2010	January 1, 2010
Unrealized losses on gold forward sales contracts (net of tax of nil (December 31, 2010 - \$2,427, January 1, 2010 - \$2,015))	\$ -	(\$5,661)	(\$4,701)
Unrealized gains (losses) on investments (net of tax of \$81 (December 31, 2010 - \$78, January 1, 2010 - \$4,788))	(3,085)	(452)	23,794
Currency translation adjustment	(138,966)	(179,104)	-
Accumulated other comprehensive income (loss)	(\$142,051)	(\$185,217)	\$19,093

Currency translation adjustments

The table below is breakdown of our currency translation adjustments.

	June 30, 2011	December 31, 2010	January 1, 2010
Pyhäsalmi (euro functional currency)	(\$15,824)	(\$24,354)	\$ -
Las Cruces (euro functional currency)	(44,865)	(93,427)	-
Çayeli (US dollar functional currency)	(31,511)	(20,908)	-
Cobre Panama (US dollar functional currency)	(46,766)	(29,701)	-
Ok Tedi (US dollar functional currency)	-	(10,714)	-
	(\$138,966)	(\$179,104)	\$ -

The Canadian dollar to US dollar exchange rate was \$0.96 at June 30, 2011, \$0.99 at December 31, 2010 and \$1.05 at January 1, 2010. The Canadian dollar to euro exchange rate was \$1.40 at June 30, 2011, \$1.33 at December 31, 2010 and \$1.50 at January 1, 2010.

15. Investment and other income

	three months ended June 30		six months ended June 30	
	2011	2010	2011	2010
Interest income	\$4,205	\$1,760	\$6,977	\$3,357
Dividend and royalty income	467	1,175	1,067	1,889
Foreign exchange gain (loss)	(267)	863	(11,093)	(198)
Other	326	(477)	2,007	(523)
	\$4,731	\$3,321	(\$1,042)	\$4,525

Foreign exchange gain (loss) is a result of:

	three months ended June 30		six months ended June 30	
	2011	2010	2011	2010
Translation of foreign-denominated cash	(\$572)	\$202	(\$9,304)	\$(569)
Revaluation of US dollar held-to-maturity investments	(1,399)	-	(2,851)	-
Translation of other-monetary assets and liabilities	1,704	661	1,062	371
	(\$267)	\$863	(\$11,093)	(\$198)

16. Finance costs

	three months ended June 30		six months ended June 30	
	2011	2010	2011	2010
Interest on note payable	\$293	\$275	\$572	\$573
Accretion on note payable	172	146	333	300
Accretion on provisions and capital lease obligations	1,921	1,349	3,812	2,770
	\$2,386	\$1,770	\$4,717	\$3,643

17. Income tax

For the three months ended June 30, 2011:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Current income taxes	\$326	\$11,392	\$477	\$6,688	\$18,883
Deferred income taxes	(30)	544	1,960	(93)	2,381
Income tax expense	\$296	\$11,936	\$2,437	\$6,595	\$21,264

For the three months ended June 30, 2010:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Current income taxes	\$1,665	\$5,372	\$ -	\$4,944	\$11,981
Deferred income taxes	43	3,366	(7,222)	607	(3,206)
Income tax expense	\$1,708	\$8,738	(\$7,222)	\$5,551	\$8,775

For the six months ended June 30, 2011:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Current income taxes	\$575	\$21,982	\$477	\$14,620	\$37,654
Deferred income taxes	(75)	1,610	9,457	(222)	10,770
Income tax expense	\$500	\$23,592	\$9,934	\$14,398	\$48,424

For the six months ended June 30, 2010:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Current income taxes	\$2,907	\$15,180	\$ -	\$9,886	\$27,973
Deferred income taxes	(2,304)	424	(14,856)	624	(16,112)
Income tax expense	\$603	\$15,604	(\$14,856)	\$10,510	\$11,861

18. Net income per share

(thousands)	three months ended June 30		six months ended June 30	
	2011	2010	2011	2010
Income from continuing operations available to common shareholders	\$56,050	\$56,020	\$115,455	\$110,073
Income from discontinued operations available to common shareholders	-	12,475	83,439	43,193
Net income available to common shareholders	\$56,050	\$68,495	\$198,894	\$153,266

(thousands)	three months ended June 30		six months ended June 30	
	2011	2010	2011	2010
Weighted average common shares outstanding	65,393	56,107	63,483	56,107
Plus incremental shares from assumed conversions:				
Deferred share units	117	100	117	100
Long term incentive plan units	22	43	37	43
Share option plan units	1	-	-	-
Diluted weighted average common shares outstanding	65,533	56,250	63,637	56,250

The table below shows our earnings per common share for the three months ended June 30.

(Canadian dollars per share)	three months ended June 30			
	2011		2010	
	Basic	Diluted	Basic	Diluted
Net income from continuing operations per share	\$0.86	\$0.86	\$1.00	\$1.00
Income from discontinued operations per share	-	-	0.22	0.22
Net income per share	\$0.86	\$0.86	\$1.22	\$1.22

The table below shows our earnings per common share for the six months ended June 30.

(Canadian dollars per share)	six months ended June 30			
	2011		2010	
	Basic	Diluted	Basic	Diluted
Net income from continuing operations per share	\$1.82	\$1.81	\$1.96	\$1.96
Income from discontinued operations per share	1.31	1.31	0.77	0.77
Net income per share	\$3.13	\$3.12	\$2.73	\$2.73

19. Statements of cash flows

The tables below show the components of our net change in non-cash working capital by segment.

For the three months ended June 30, 2011:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Accounts receivable	(\$375)	\$13,559	(\$2,034)	\$12,684	\$23,834
Inventories	-	(1,595)	(2,791)	(2,905)	(7,291)
Accounts payable and accrued liabilities	(967)	(1,534)	3,909	693	2,101
Taxes payable	(590)	(2,135)	477	(6,685)	(8,933)
Provisions	(25)	-	-	-	(25)
Other	-	84	-	-	84
	(\$1,957)	\$8,379	(\$439)	\$3,787	\$9,770

For the three months ended June 30, 2010:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Accounts receivable	\$3,393	(\$4,045)	\$ -	(\$2,715)	(\$3,367)
Inventories	2,449	856	-	(1,742)	1,563
Accounts payable and accrued liabilities	5,248	(4,413)	-	971	1,806
Taxes payable	(11,631)	(2,578)	-	(4,793)	(19,002)
Provisions	(518)	-	-	-	(518)
Other	2	(11)	-	-	(9)
	(\$1,057)	(\$10,191)	\$ -	(\$8,279)	(\$19,527)

For the six months ended June 30, 2011:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Accounts receivable	(\$1,135)	\$21,144	(\$7,280)	\$21,761	\$34,490
Inventories	-	(884)	3,180	(2,971)	(675)
Accounts payable and accrued liabilities	(3,136)	(722)	8,610	(1,707)	3,045
Taxes payable	(1,992)	(4,125)	477	(1,686)	(7,326)
Provisions	(535)	-	-	-	(535)
Other	-	81	-	-	81
	(\$6,798)	\$15,494	\$4,987	\$15,397	\$29,080

For the six months ended June 30, 2010:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Accounts receivable	\$3,056	\$1,852	\$ -	(\$1,790)	\$3,118
Inventories	6,602	(586)	-	(1,160)	4,856
Accounts payable and accrued liabilities	553	(3,892)	-	(5,568)	(8,907)
Taxes payable	(11,055)	(4,026)	-	(4,027)	(19,108)
Provisions	(734)	-	-	-	(734)
Other	(3)	66	-	-	63
	(\$1,581)	(\$6,586)	\$ -	(\$12,545)	(\$20,712)

20. Capital commitments

Our operations had the following capital commitments as at June 30, 2011:

- Las Cruces committed \$1.8 million for the purchase of plant equipment.
- Cobre Panama committed \$189.2 million for the design and supply of two SAG mills, four ball mills and the related gearless drives, basic engineering, resource drilling and early works.

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Investor Relations

Financial information such as annual reports, interim reports and other information is available on Inmet's web site: www.inmetmining.com.

Copies of the annual reports, interim reports and other corporate publications are also available from our Investor Relations department:

- By mail directed to our Corporate Office
- By email at investor@inmetmining.com
- By fax at + 1-416-368-4692
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Shareholder Inquiries

Inquiries with respect to changes of address, registration and lost share certificates should be directed to the Stock Transfer Department of CIBC Mellon Trust Company Ltd. in Toronto, Montreal, Winnipeg, Calgary or Vancouver. Alternatively, our Transfer Agent may be reached at:

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Common Shares

<i>(thousands)</i>	2011	2010
Outstanding as at June 30	69,329	56,107
Weighted average for the three months ended June 30	65,393	56,107

Stock Exchange Listing

Toronto Stock Exchange

Stock Symbol

IMN

Common Shares

Trading History

	High	Low
2011		
First Quarter	\$81.67	\$61.51
Second Quarter	\$72.66	\$62.96
2010		
Fourth Quarter	\$78.76	\$56.82
Third Quarter	\$59.10	\$42.40
Second Quarter	\$61.90	\$41.97
First Quarter	\$71.05	\$52.69