

# INMET

MINING

## Quarterly Report Three and Six Months Ended June 30, 2009

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*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 2008 Annual Review.*

### Highlights

- **Earnings from operations were down because of lower metal prices and sales volumes**  
Lower copper and zinc prices reduced sales by \$57 million this quarter compared to the same quarter in 2008. This was offset somewhat by higher gold and other metal prices, which increased sales by \$16 million. Copper prices this quarter averaged US \$2.22 per pound compared to US \$3.83 per pound during the same quarter in 2008.
- **Copper production in line with last year**  
Copper production this quarter was in line with last year's production. Zinc production was lower because of lower grades mined and gold production was lower because Troilus began to draw from its low grade stockpile.
- **Copper cash costs were down**  
Copper cash costs this quarter were US \$0.52 per pound compared to US \$0.65 per pound in the second quarter of 2008. Lower direct production costs and treatment charges helped lower cash costs, but these were partly offset by lower zinc metal credits. Cash costs are a non-GAAP measure (see pages 30 to 32).
- **Revised production outlook for 2009**  
Production in the first half of the year was lower than we expected because of lower grades mined at Çayeli and lower throughput at Ok Tedi. As a result we have revised our 2009 production objectives to reflect this. We now expect to produce 100,000 tonnes of copper, 78,000 tonnes of zinc, 230,000 ounces of gold and 411,000 tonnes of pyrite in 2009.
- **Las Cruces produces first copper cathode and receives final approval for amended dewatering and reinjection system permit**  
On June 3, Las Cruces produced its first copper cathode and is working towards achieving its designed annualized production rate capacity of 72,000 tonnes by February 2010. On July 16, the Water Authority of Andalucia approved an amended permit for the dewatering and reinjection system.
- **Petaquilla completes its drilling program**  
We completed the drilling program in June, but we have to finalize a National Instrument 43-101 compliant technical report and the front-end engineering and design study before we can establish a final mineral reserve estimate for the Petaquilla project. Preliminary results, however, indicate that we can expect to meet or exceed our target for mineral reserves that would support a minimum mine life of 30 years at a throughput rate of 150,000 tonnes per day.

- **We successfully issued 7.8 million shares for gross proceeds of \$348 million**  
On June 25, we closed a bought deal offering of 7.8 million common shares at an offering price of \$44.50 per share for gross proceeds of \$348 million. We plan to use about US \$240 million of the proceeds to fund the repayment of the Las Cruces credit facility, which is scheduled for July 31, 2009.

## Key financial data

	three months ended June 30			six months ended June 30		
	2009	2008	change	2009	2008	change
<b>FINANCIAL HIGHLIGHTS</b>						
(thousands, except per share amounts)						
<b>Sales</b>						
Gross sales	\$213,042	\$281,463	-24%	\$452,194	\$557,744	-19%
<b>Net income</b>						
Net income	\$66,528	\$67,705	-2%	\$117,855	\$174,379	-32%
Net income per share	\$1.37	\$1.40	-2%	\$2.43	\$3.61	-32%
<b>Cash flow</b>						
Cash flow provided by operating activities	\$90,596	\$114,797	-21%	\$107,693	\$195,708	-45%
Cash flow provided by operating activities per share <sup>(1)</sup>	\$1.86	\$2.38	-21%	\$2.22	\$4.05	-45%
<b>Capital spending</b>	\$86,263	\$121,028	-29%	\$181,122	\$232,442	-22%
<b>OPERATING HIGHLIGHTS</b>						
<b>Production</b> <sup>(2)</sup>						
Copper (tonnes)	19,200	19,300	-1%	39,300	38,600	+2%
Zinc (tonnes)	17,500	20,900	-16%	32,800	41,200	-20%
Gold (ounces)	50,600	59,900	-16%	129,400	116,200	+11%
<b>Cash costs</b> <sup>(3)</sup>						
Copper (US \$ per pound)	\$0.52	\$0.65	-20%	\$0.55	\$0.48	+15%
Gold (US \$ per ounce)	\$259	\$360	-28%	\$164	\$374	-56%

<b>FINANCIAL CONDITION</b>	as at June 30	as at December 31
	2009	2008
Current ratio	2.7 to 1	2.4 to 1
Gross debt to total equity <sup>(4)</sup>	12%	19%
Net working capital balance (millions)	\$689	\$475
Cash balance (millions)	\$835	\$573
Shareholders' equity (millions)	\$2,247	\$1,868

<sup>(1)</sup> Calculated as cash flow provided by operating activities divided by average shares outstanding for the respective period.

<sup>(2)</sup> Inmet's share.

<sup>(3)</sup> Cash cost per pound of copper and cash cost per ounce of gold are non-GAAP measures – see *Supplementary financial information* on pages 30 to 32.

<sup>(4)</sup> Gross debt includes long-term debt and current portion of long-term debt less the non-recourse note owing from Las Cruces to its non-controlling shareholder.

## Current market environment

Although we saw improvement in base metal prices during the first half of the year and despite signs of economic recovery, we continue to consider market conditions to be unsettled. The strength of our financial position, together with our relatively low operating costs, however, lead us to expect that:

- market conditions will not have any impact on our ability to meet expected production levels
- we will be able to sustain our capital expenditures and remain consistent with our objectives
- we will continue to pursue our growth objectives by advancing the Petaquilla project and considering other opportunities as they arise.

We will continue to monitor the metal and financial markets, our financial performance and resources, and our capital spending to make sure we maintain the financial strength we need in these volatile and uncertain markets.

## Second quarter report

We prepared this report as of July 28, 2009.

In this report, *Inmet* means Inmet Mining Corporation and *we*, *us* and *our* mean Inmet and/or its subsidiaries and joint ventures.

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.

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## Our financial results

(thousands, except per share amounts)	three months ended June 30			six months ended June 30		
	2009	2008	change	2009	2008	change
<b>EARNINGS FROM OPERATIONS <sup>(1)</sup></b>						
Çayeli	\$22,185	\$45,262	-51%	\$37,086	\$98,917	-63%
Pyhäsalmi	11,783	27,232	-57%	18,326	55,226	-67%
Troilus	16,032	7,510	+113%	70,516	16,145	+337%
Ok Tedi	35,530	49,656	-28%	53,115	103,574	-49%
Other	(508)	(494)	+3%	(992)	(988)	-
	<b>85,022</b>	129,166	-34%	<b>178,051</b>	272,874	-35%
<b>DEVELOPMENT AND EXPLORATION</b>						
Corporate development and exploration	(2,727)	(2,483)	+10%	(5,959)	(5,101)	+17%
<b>CORPORATE COSTS</b>						
General and administration	(4,785)	(2,790)	+72%	(8,909)	(6,438)	+38%
Investment and other income	16,466	(11,358)	-245%	5,263	3,396	+55%
Asset impairment	-	-	-	(6,419)	-	-100%
Interest expense	(493)	(471)	+5%	(985)	(918)	+7%
Income and capital taxes	(24,177)	(44,457)	-46%	(43,192)	(89,327)	-52%
Non-controlling interest	(2,778)	98	-2,935%	5	(107)	-105%
	<b>(15,767)</b>	(58,978)	-73%	<b>(54,237)</b>	(93,394)	-42%
<b>Net income</b>	<b>\$66,528</b>	\$67,705	-2%	<b>\$117,855</b>	\$174,379	-32%
<b>Basic net income per share</b>	<b>\$1.37</b>	\$1.40	-2%	<b>\$2.43</b>	\$3.61	-32%
<b>Diluted net income per share</b>	<b>\$1.36</b>	\$1.40	-3%	<b>\$2.42</b>	\$3.61	-33%
<b>Weighted average shares outstanding</b>	<b>48,712</b>	48,282	+1%	<b>48,498</b>	48,282	-

<sup>(1)</sup> Gross sales less smelter processing charges and freight, cost of sales, depreciation and provisions for mine reclamation.

## Key changes in 2009

(millions)	three months ended June 30	six months ended June 30	see page
<b>EARNINGS FROM OPERATIONS</b>			
<b>Sales</b>			
Lower copper and zinc prices denominated in Canadian dollars	\$(57)	\$(139)	7
Higher gold prices and other prices	16	51	7
Lower sales volumes	(13)	(3)	8
Lower pyrite sales, net of costs to sell	(2)	(9)	
<b>Costs</b>			
Lower smelter processing charges and freight	5	7	9
Lower operating costs, including costs that vary with income and cash flows	11	9	10
Higher depreciation	(4)	(11)	10
<b>Lower earnings from operations, compared to 2008</b>	<b>\$(44)</b>	<b>\$(95)</b>	
<b>CORPORATE COSTS</b>			
Lower income tax expense from lower earnings	20	40	12
Lower interest income on cash balances	(6)	(13)	11
Foreign exchange changes on Las Cruces debt	15	4	11
Other foreign exchange changes	22	16	11
Other	(8)	(9)	
<b>Lower net income, compared to 2008</b>	<b>\$(1)</b>	<b>\$(57)</b>	

## Understanding our performance

### Metal prices

The table below shows the average metal prices we realized in US dollars and Canadian dollars (the prices we realize include finalization adjustments – see *Gross sales* on page 7).

	three months ended June 30			six months ended June 30		
	2009	2008	change	2009	2008	change
<b>US dollar metal prices</b>						
Copper (per pound)	\$2.22	\$3.83	-42%	\$2.14	\$4.00	-47%
Zinc (per pound)	\$0.69	\$0.94	-27%	\$0.60	\$1.00	-40%
Gold (per ounce)	\$900	\$725	+24%	\$932	\$748	+25%
<b>Canadian dollar metal prices</b>						
Copper (per pound)	\$2.60	\$3.87	-33%	\$2.58	\$4.04	-36%
Zinc (per pound)	\$0.81	\$0.95	-15%	\$0.72	\$1.01	-29%
Gold (per ounce)	\$1,050	\$732	+43%	\$1,124	\$755	+49%

There has been an overall improvement in base metal prices in 2009 so far, and a steady increase in the price of gold.

### Copper

The price of copper increased by over 25 percent this quarter, following a more than 30 percent increase in the first quarter, and reaching a high of US \$2.39 per pound in June. The average market copper price for the quarter was US \$2.11 per pound, and in June was US \$2.27 per pound.

The increase was supported by a steady decline in metals exchange inventories, a rise in demand from China, and an improvement in business sentiment.

LME warehouse copper inventories fell in June to 266,000 tonnes – the lowest level since November of 2008. Over the last four months, total global exchange stocks have dropped by over 200,000 tonnes and, at the end of June, were 14,000 tonnes lower than they were at the end of 2008.

### Zinc

Zinc averaged US \$0.67 per pound this quarter, a 25 percent increase over last quarter, hitting a 9 month high in mid June of US \$0.76 per pound. Exchange stocks at LME warehouses increased by 10 percent in June, to 353,000 tonnes, reversing the downward movement of the prior three months.

### Gold

Gold prices continued to increase this quarter, closing at US \$935 per ounce. This is a 2 percent increase over the first quarter, which ended at US \$917 per ounce. Gold averaged US \$923 per ounce this quarter, up from US \$908 per ounce in the first quarter. The price of gold was as high as US \$982 at the beginning of June because of the weakness of the US dollar and concerns about inflation.

### Pyrite

Toward the end of 2008, the economic downturn began to have a significant effect on demand for sulphur and sulphuric acid. According to analysts, the sulphuric acid market will continue to deteriorate and sulphur prices will continue to be lower over the short to medium term. This will have a direct impact on pyrite prices.

### Exchange rates

Exchange rates affect revenue and earnings. The table below shows the average exchange rates we realized.

	three months ended June 30			six months ended June 30		
	2009	2008	change	2009	2008	change
<b>Exchange rates</b>						
1 US\$ to C\$	\$1.17	\$1.01	+16%	\$1.21	\$1.01	+20%
1 euro to C\$	\$1.59	\$1.58	+1%	\$1.61	\$1.54	+5%
1 euro to US\$	\$1.36	\$1.56	-13%	\$1.33	\$1.53	-13%

Sales are affected by the conversion of US dollar revenue to Canadian dollars. Foreign exchange had a significant impact on our results this quarter compared to the same period last year. The Canadian dollar dropped 16 percent this quarter relative to the US dollar and 1 percent relative to the euro.

Net income was \$34 million higher this quarter compared to the same quarter last year because of fluctuations in the value of the US dollar and euro relative to the Canadian dollar, as described in the table below.

(millions)	three months ended June 30
US dollar sales translated into Canadian dollars (reflected in Canadian dollar sales price)	\$47
Çayeli and Ok Tedi US dollar costs translated into Canadian dollars	(25)
Pyhäsalmi euro based costs translated into Canadian dollars	(2)
Foreign exchange gain on Las Cruces debt, net of tax and non-controlling interest	7
Foreign exchange realized from distributions of funds from subsidiaries	4
Other	3
	<b>\$34</b>

### Treatment charges up for copper and 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.

	three months ended June 30			six months ended June 30		
	2009	2008	change	2009	2008	change
<b>Treatment charges</b>						
Copper (per dry metric tonne of concentrate)	<b>US \$66</b>	US \$40	+65%	<b>US \$67</b>	US \$46	+46%
Zinc (per dry metric tonne of concentrate)	<b>US\$ 131</b>	US \$292	-55%	<b>US \$192</b>	US \$291	-34%
<b>Price participation</b>						
Copper (per pound)	<b>US \$0.03</b>	US \$0.05	-40%	<b>US \$0.03</b>	US \$0.05	-40%
Zinc (per pound)	<b>US \$0.05</b>	US \$(0.01)	+600%	<b>US \$0.01</b>	US \$(0.02)	+150%
<b>Freight charges</b>						
Copper (per dry metric tonne of concentrate)	<b>US \$34</b>	US \$54	-37%	<b>US \$30</b>	US \$50	-40%
Zinc (per dry metric tonne of concentrate)	<b>US \$28</b>	US \$41	-32%	<b>US \$26</b>	US \$41	-37%

Copper treatment charges were higher this quarter and year to date than they were last year because contract terms with smelters were less favourable. We finalized our contract terms for zinc smelters in the second quarter at more favourable terms than last year. The second quarter includes adjustments to first quarter charges that were priced at 2008 rates.

### Statutory tax rates remain consistent

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

	2009	2008	change
<b>Statutory tax rates</b>			
Çayeli	<b>24%</b>	24%	-
Pyhäsalmi	<b>26%</b>	26%	-
Ok Tedi	<b>37%</b>	37%	-
Las Cruces	<b>30%</b>	30%	-

## Earnings from operations

Earnings from operations include the following:

(thousands)	three months ended June 30			six months ended June 30		
	2009	2008	change	2009	2008	change
Gross sales	<b>\$213,042</b>	\$281,463	-24%	<b>\$452,194</b>	\$557,744	-19%
Smelter processing charges and freight	<b>(40,589)</b>	(53,209)	-24%	<b>(81,129)</b>	(97,366)	-17%
Cost of sales:						
Direct production costs	<b>(71,935)</b>	(82,076)	-12%	<b>(150,354)</b>	(159,610)	-6%
Inventory changes	<b>2,222</b>	(1,744)	-227%	<b>(1,673)</b>	1,196	-240%
Provisions for mine rehabilitation and other non-cash charges	<b>(4,114)</b>	(6,073)	-32%	<b>(11,704)</b>	(10,725)	+9%
Depreciation	<b>(13,604)</b>	(9,195)	+48%	<b>(29,283)</b>	(18,365)	+59%
Earnings from operations	<b>\$85,022</b>	\$129,166	-34%	<b>\$178,051</b>	\$272,874	-35%

### Gross sales were down this year

(thousands)	three months ended June 30			six months ended June 30		
	2009	2008	change	2009	2008	change
<b>Gross sales by operation</b>						
Çayeli	<b>\$63,711</b>	\$98,313	-35%	<b>\$123,732</b>	\$198,929	-38%
Pyhäsalmi	<b>43,001</b>	61,249	-30%	<b>76,982</b>	116,157	-34%
Troilus	<b>37,407</b>	35,171	+6%	<b>124,397</b>	69,422	+79%
Ok Tedi <sup>(1)</sup>	<b>68,923</b>	86,730	-21%	<b>127,083</b>	173,236	-27%
	<b>\$213,042</b>	\$281,463	-24%	<b>\$452,194</b>	\$557,744	-19%
<b>Gross sales by metal</b>						
Copper	<b>\$105,260</b>	\$161,530	-35%	<b>\$209,999</b>	\$329,698	-36%
Zinc	<b>33,028</b>	52,185	-37%	<b>60,052</b>	100,991	-41%
Gold	<b>55,711</b>	45,046	+24%	<b>148,725</b>	88,333	+68%
Other	<b>19,043</b>	22,702	-16%	<b>33,418</b>	38,722	-14%
	<b>\$213,042</b>	\$281,463	-24%	<b>\$452,194</b>	\$557,744	-19%

<sup>(1)</sup> Our 18 percent share of Ok Tedi's sales.

### Key components of the change in sales: lower copper and zinc prices, higher gold prices

(millions)	Three months ended June 30	six months ended June 30
Lower copper prices, denominated in Canadian dollars	\$(51)	\$(116)
Lower zinc prices, denominated in Canadian dollars	(6)	(23)
Higher gold prices, denominated in Canadian dollars	17	50
Changes in other metal prices	(1)	-
Lower sales volumes	(27)	(17)
<b>Lower gross sales, compared to 2008</b>	<b>\$(68)</b>	<b>\$(106)</b>

We record sales using the metal price we receive for sales that settle during the reporting period. For sales that have not been settled, we use an estimate calculated using 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 we receive by adjusting our gross sales in the period we settle the sale (finalization adjustment).

In the second quarter, we recorded \$8 million in positive finalization adjustments from first quarter sales.

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

- 18 million pounds of copper provisionally priced at US \$2.25 per pound
- 14 million pounds of zinc provisionally priced at US \$0.70 per pound.

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

(millions of pounds)	copper	zinc
July 2009	7	14
August 2009	6	-
September 2009	3	-
October 2009	2	-
<b>Unsettled sales at June 30, 2009</b>	<b>18</b>	<b>14</b>

### Lower sales volumes

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

	three months ended June 30			six months ended June 30		
	2009	2008	change	2009	2008	change
<b>Sales volumes</b>						
Copper (tonnes)	<b>18,300</b>	18,900	-3%	<b>36,800</b>	37,200	-1%
Zinc (tonnes)	<b>18,600</b>	25,000	-26%	<b>37,300</b>	45,500	-18%
Gold (ounces)	<b>52,500</b>	61,600	-15%	<b>131,900</b>	117,000	+13%
Pyrite (tonnes)	<b>121,000</b>	142,700	-15%	<b>197,000</b>	266,800	-26%

### Production

Inmet's share <sup>(1)</sup>	three months ended June 30			six months ended June 30			revised objective
	2009	2008	change	2009	2008	change	2009
<b>Copper (tonnes)</b>							
Ok Tedi	<b>6,900</b>	7,400	-7%	<b>13,500</b>	14,100	-4%	<b>28,600</b>
Çayeli	<b>7,500</b>	7,600	-1%	<b>14,600</b>	15,800	-8%	<b>32,700</b>
Pyhäsalmi	<b>3,700</b>	3,100	+19%	<b>7,300</b>	6,600	+11%	<b>13,000</b>
Las Cruces	-	-	-	-	-	-	<b>20,200</b>
Troilus	<b>1,100</b>	1,200	-8%	<b>3,900</b>	2,100	+86%	<b>6,000</b>
	<b>19,200</b>	19,300	-1%	<b>39,300</b>	38,600	+2%	<b>100,500</b>
<b>Zinc (tonnes)</b>							
Çayeli	<b>11,800</b>	13,200	-11%	<b>23,600</b>	25,900	-9%	<b>55,300</b>
Pyhäsalmi	<b>5,700</b>	7,700	-26%	<b>9,200</b>	15,300	-40%	<b>22,600</b>
	<b>17,500</b>	20,900	-16%	<b>32,800</b>	41,200	-20%	<b>77,900</b>
<b>Gold (ounces)</b>							
Troilus	<b>26,700</b>	37,800	-29%	<b>84,800</b>	72,800	+16%	<b>128,000</b>
Ok Tedi	<b>23,900</b>	22,100	+8%	<b>44,600</b>	43,400	+3%	<b>102,000</b>
	<b>50,600</b>	59,900	-16%	<b>129,400</b>	116,200	+11%	<b>230,000</b>
<b>Pyrite (tonnes)</b>							
Pyhäsalmi	<b>132,200</b>	111,200	+19%	<b>323,000</b>	305,700	+6%	<b>411,000</b>

<sup>(1)</sup> Inmet's share represents 100 percent for Çayeli, Pyhäsalmi and Troilus, 18 percent for Ok Tedi and 70 percent for Las Cruces.

Copper production this quarter was consistent to the same quarter in 2008, because of higher grades at Pyhäsalmi, and lower grades at Ok Tedi. Zinc production was down mainly because zinc grades and recoveries at Çayeli and Pyhäsalmi were lower. Gold production was down because grades were lower at Troilus as production was drawn from its low grade stockpiles.

### 2009 outlook for sales

Our outlook for sales ties directly to our production outlook. We have revised our original annual production objectives because production at Çayeli, Ok Tedi and Troilus in the first half of the year was lower than we expected. Turn to *Results of our operations* starting on page 13 for an explanation for each operation. Overall, our copper production objective is now 7,100 tonnes lower, zinc production is lower by 1,100 tonnes, gold by 11,600 ounces and pyrite production by 99,000 tonnes.

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. Market uncertainty makes it difficult to forecast metal prices, but we remain focused on maximizing the efficiency of our operations to ensure that we remain highly competitive in any economic environment.

### Lower smelter processing charges than last year

(thousands)	three months ended June 30			six months ended June 30		
	2009	2008	change	2009	2008	change
<b>Smelter processing charges and freight by operation</b>						
Çayeli	\$18,438	\$25,565	-28%	\$37,514	\$47,578	-21%
Pyhäsalmi	12,326	14,561	-15%	21,317	25,381	-16%
Troilus	2,458	2,421	+2%	8,718	4,608	+89%
Ok Tedi <sup>(1)</sup>	7,367	10,662	-31%	13,580	19,799	-31%
	<b>\$40,589</b>	<b>\$53,209</b>	<b>-24%</b>	<b>\$81,129</b>	<b>\$97,366</b>	<b>-17%</b>
<b>Smelter processing charges and freight by metal</b>						
Copper	\$19,827	\$21,516	-8%	\$38,343	\$42,409	-10%
Zinc	11,780	24,679	-52%	26,968	44,451	-39%
Other	8,982	7,014	+28%	15,818	10,506	+51%
	<b>\$40,589</b>	<b>\$53,209</b>	<b>-24%</b>	<b>\$81,129</b>	<b>\$97,366</b>	<b>-17%</b>
<b>Smelter processing charges by type and freight</b>						
Copper treatment and refining charges	\$8,882	\$5,099	+74%	\$18,575	\$11,074	+68%
Zinc treatment charges	5,602	14,348	-61%	17,281	26,140	-34%
Copper price participation	1,275	2,281	-44%	2,738	4,244	-35%
Zinc price participation	2,407	(366)	+758%	739	(2,261)	+133%
Content losses	10,660	16,104	-34%	21,400	32,361	-34%
Other	2,039	2,239	-9%	4,010	4,512	-11%
Freight	9,724	13,504	-28%	16,386	21,296	-23%
	<b>\$40,589</b>	<b>\$53,209</b>	<b>-24%</b>	<b>\$81,129</b>	<b>\$97,366</b>	<b>-17%</b>

<sup>(1)</sup> Our 18 percent share of Ok Tedi's smelter processing charges and freight.

Copper treatment and refining charges were higher in 2009 than they were last year because contract terms with smelters were less favourable. Zinc treatment charges were lower in part because sales volumes were lower and also because of more favourable contract terms.

### 2009 outlook for smelter processing charges and freight

We expect copper treatment and refining costs to increase in 2009, and our agreements with our smelters reflect this. We sell approximately 90 percent of our copper concentrate under long-term contracts. We are estimating annual treatment costs of US \$75 per dry metric tonne in 2009. We also expect that price participation will continue to be minimal.

We expect realized zinc processing charges to be less than US \$200 per tonne in 2009. Since the beginning of 2009, smelters have joined mines in cutting zinc production to respond to the decline in demand for refined zinc and to falling prices. We expect zinc mine production to be below smelting requirements this year, which should result in a balanced or deficit zinc concentrate market.

Las Cruces began producing copper in June. Its copper cathode production is sold directly to copper fabricators, bypassing the smelters and eliminating smelting and refining charges. Depending on certain conditions, it may also sell crushed ore to smelters and incur smelter processing charges. The costs associated with smelting this material are expected to be higher than at our other operations because of the higher level of impurities in the ore.

We expect our ocean freight costs to be about 20 percent lower than they were in 2008 because of the general slowdown in global economic activity.

### Direct production costs and cost of sales were lower than last year

(thousands)	three months ended June 30			six months ended June 30		
	2009	2008	change	2009	2008	change
<b>Direct production costs by operation</b>						
Çayeli	\$19,834	\$22,638	-12%	\$40,306	\$45,978	-12%
Pyhäsalmi	15,711	15,351	+2%	31,365	29,955	+5%
Troilus	13,816	22,345	-38%	32,422	42,292	-23%
Ok Tedi <sup>(1)</sup>	22,574	21,742	+4%	46,261	41,385	+11%
Total direct production costs	71,935	82,076	-12%	150,354	159,610	-6%
Inventory changes	(2,222)	1,744	-227%	1,673	(1,196)	-240%
Reclamation, accretion and other non-cash expenses	4,114	6,073	-32%	11,704	10,725	+9%
<b>Total cost of sales</b>	<b>\$73,827</b>	<b>\$89,893</b>	<b>-18%</b>	<b>\$163,731</b>	<b>\$169,139</b>	<b>-3%</b>

<sup>(1)</sup> Our 18 percent share of Ok Tedi's direct production costs.

Direct production costs in 2009 were lower than they were last year mainly because Troilus completed mining in April and began recovering ore from its lower cost stockpiles. Çayeli has also seen the benefit of lower labour costs from the drop in value of the Turkish lira.

### 2009 outlook for cost of sales

We expect cost of sales to increase in 2009 in line with the start of production at Las Cruces. The cost of consumables and energy should go down. The total amount we spend in Canadian dollars will also be affected by the value of the US dollar and euro relative to the Canadian dollar.

### Depreciation was higher than last year

(thousands)	three months ended June 30			six months ended June 30		
	2009	2008	change	2009	2008	change
<b>Depreciation by operation</b>						
Çayeli	\$3,373	\$2,556	+32%	\$6,846	\$4,929	+39%
Pyhäsalmi	2,162	2,232	-3%	4,764	4,382	+9%
Troilus	3,301	1,718	+92%	6,720	4,136	+62%
Ok Tedi	4,768	2,689	+77%	10,953	4,918	+123%
	\$13,604	\$9,195	+48%	\$29,283	\$18,365	+59%

Depreciation is higher than last year mainly because we started depreciating the mine tailings management plant at Ok Tedi, as well as assets associated with an increase in our asset retirement obligations at Troilus.

### 2009 outlook for depreciation

We expect depreciation to be about \$70 million for 2009. Depreciation for Las Cruces should be about \$10 million, assuming we capitalize pre-commercial production costs until November.

## Corporate costs

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

### Investment and other income was higher because of foreign exchange gains

(thousands)	three months ended June 30		six months ended June 30	
	2009	2008	2009	2008
Interest income	\$701	\$6,963	\$2,743	\$15,686
Dividend income and royalty	385	1,504	685	1,504
Foreign exchange gain (loss)	18,195	(18,573)	8,098	(11,715)
Other	(2,815)	(1,252)	(6,263)	(2,079)
	\$16,466	\$(11,358)	\$5,263	\$3,396

#### Foreign exchange gain (loss)

We have a foreign exchange gain or loss when:

- we revalue certain foreign denominated assets and liabilities
- we distribute funds from our self-sustaining operations and recognize the foreign exchange we previously deferred on our original investment and on funds as they accumulated.

Foreign exchange gains (losses) are a result of the following:

(millions)	three months ended June 30		six months ended June 30	
	2009	2008	2009	2008
Revaluation of US dollar denominated debt at Las Cruces	\$15	\$-	\$4	\$-
Distribution of funds from subsidiaries	4	(15)	4	(20)
Revaluation of short-term foreign intergroup loans and other monetary items	(1)	(4)	-	8
	\$18	\$(19)	\$8	\$(12)

#### 2009 outlook for investment and other income

Investment and other income is affected by cash balances, interest rates and exchange rates. For the remainder of 2009, we expect to repatriate funds only from Ok Tedi. Because Ok Tedi distributes its earnings more frequently, the effect of repatriation is normally not that significant.

At June 30, 2009, we held €19 million in Canada that could be affected by foreign exchange gains or losses.

We expect to repay 100 percent of Las Cruces' US dollar denominated debt on July 31 (see also *2009 outlook for investing and financing* on page 27), and replace it with intergroup debt using the proceeds from our equity offering. As a result of this, Las Cruces terminated its interest rate swap contracts on July 20 paying out \$16 million for early termination. This will have the following effects on investment and other income after July 31:

- At June 30, we held US \$229 million corporately to be used to fund Las Cruces. These funds were transferred to Las Cruces in July and because of the strengthening in the Canadian dollar in July, we will recognize a foreign exchange loss of about \$17 million in the third quarter.
- We will no longer have to report foreign exchange on revaluation of bank debt, because we are replacing it with intergroup debt and therefore foreign exchange impacts will eliminate on consolidation. Las Cruces will continue to be subject to foreign exchange fluctuations on the intergroup debt on a stand-alone basis.
- When we converted the Las Cruces debt from euro to US dollars in 2008, Las Cruces settled a foreign exchange forward contract and received proceeds of \$52 million. We deferred the proceeds in accumulated other comprehensive income, and have been amortizing it to income over the term of the debt. When we repay the debt, we will realize the remaining deferred gain of \$36 million in investment and other income.
- When we repay the debt, we will reflect the \$16 million paid for early termination of the interest rate swap as a loss in investment and other income.

### Asset impairment

We made a decision in 2008 not to proceed with the Cerattepe project. All work ceased on the project and we took a \$34 million charge to write down the assets to net realizable value. We took an additional impairment charge of \$6 million in the first quarter of 2009, as well as a \$6 million tax recovery.

### Income tax expense was lower because earnings were lower

(thousands)	three months ended June 30			six months ended June 30		
	2009	2008	change	2009	2008	change
Çayeli	\$2,212	\$8,655	-74%	\$1,631	\$27,779	-94%
Pyhäsalmi	1,870	6,425	-71%	2,305	12,448	-81%
Ok Tedi	12,469	23,803	-48%	19,009	43,150	-56%
Las Cruces	4,302	(84)	-5,221%	267	166	+61%
Corporate	3,324	5,658	-41%	19,980	5,784	+245%
	<b>\$24,177</b>	<b>\$44,457</b>	<b>-46%</b>	<b>\$43,192</b>	<b>\$89,327</b>	<b>-52%</b>

Our tax expense changes as our earnings change.

- At Çayeli, we recorded a \$6 million tax recovery in the first six months, related to the impairment on Cerattepe.
- At Las Cruces, we recorded a tax expense for foreign exchange gains from the translation of US dollar denominated debt.
- The tax expense at Corporate relates to a provision for Quebec mining duties and a reduction in our future income tax asset to reflect Troilus' earnings. We reduced our future income tax asset by \$10 million for the six months of 2009 and \$1 million for the quarter. We also recorded Quebec mining duties of \$10 million for the six months and \$2 million for the quarter.

### 2009 outlook for income tax expense

We are not expecting any further changes in statutory tax rates at our operations this year. We do, however, expect to expense approximately \$12 million in Quebec mining duties, depending on Troilus' 2009 net income.

## Results of our operations

### 2009 estimates

Our financial review by operation includes estimates for our 2009 operating earnings and operating cash flows. We used our 2009 objectives for production and cost per tonne of ore milled to build these estimates, along with the following assumptions for the remaining six months of the year:

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Copper price	US \$1.80 per pound
Zinc price	US \$0.60 per pound
Gold price	US \$920 per ounce
Copper treatment cost	US \$75 per tonne
Zinc treatment cost	US \$190 per tonne
US \$ to C\$ exchange rate	\$1.15
euro to C\$ exchange rate	\$1.58
Working capital	Assume no changes for the year

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# Çayeli

	three months ended June 30			six months ended June 30			revised
	2009	2008	change	2009	2008	change	objective
Tonnes of ore milled (000's)	<b>296</b>	279	+6%	<b>561</b>	557	+1%	<b>1,200</b>
Tonnes of ore milled per day	<b>3,300</b>	3,100	+6%	<b>3,100</b>	3,100	-	<b>3,300</b>
Grades (percent)							
copper	<b>3.2</b>	3.5	-9%	<b>3.3</b>	3.6	-8%	<b>3.5</b>
zinc	<b>5.9</b>	6.3	-6%	<b>6.0</b>	6.4	-6%	<b>6.4</b>
Mill recoveries (percent)							
copper	<b>80</b>	78	+3%	<b>79</b>	79	-	<b>79</b>
zinc	<b>68</b>	75	-9%	<b>70</b>	73	-4%	<b>72</b>
Production (tonnes)							
copper	<b>7,500</b>	7,600	-1%	<b>14,600</b>	15,800	-8%	<b>32,700</b>
zinc	<b>11,800</b>	13,200	-11%	<b>23,600</b>	25,900	-9%	<b>55,300</b>
Cost per tonne of ore milled (C\$)	<b>\$67</b>	\$81	-17%	<b>\$72</b>	\$83	-13%	<b>\$68</b>

## Production throughput on target for the year

Çayeli processed ore this quarter consistent with our annual objective and higher than last year. Grades this quarter and year to June were lower than last year and our 2009 plan because of interruptions in stope sequencing. Copper and zinc production were therefore lower this quarter and year to date compared to 2008.

Operating costs for the quarter and year to date were lower than last year, mainly because of the drop in the value of the Turkish lira, which reduced labour costs, and a reduction in the cost of key commodities, such as copper sulphate and electricity. Royalty charges were \$2 million less than the second quarter of last year because earnings were lower.

### 2009 outlook for production and costs

We expect grades in 2009 to average 3.5 percent for copper and 6.4 percent for zinc, down from our initial objectives because grades in the first half of the year have been lower than expected. Grades and recoveries should improve during the second half of 2009. We have therefore lowered our annual objectives from 36,800 tonnes of copper to 32,700 tonnes and 56,400 tonnes of zinc to 55,300 tonnes.

We have reduced our objective for cost per tonne of ore milled for the year from \$81 per tonne to \$68 per tonne for the following reasons:

- a stronger Canadian dollar
- cost savings programs
- lower commodity input prices
- lower labour costs.

Royalties also have a significant effect on costs and are variable depending on earnings. Cost per tonne of ore milled included \$3 per tonne in royalties in the second quarter and \$5 per tonne year to date. We estimate that royalties will be \$3 per tonne out of our total 2009 objective of \$68 per tonne of ore milled, depending on metal prices.

The current three-year labour agreement expired in May 2009 and negotiations with the union are underway. Pay increases for the Çayeli workers have typically been higher than Turkish inflation levels, which we believe is not sustainable. We will make a strong effort to manage labour cost escalations to maintain our competitiveness knowing that this position could result in a short term labour disruption to achieve a long term improvement in our labour costs.

## Financial review

### Lower earnings because of a significant decline in copper and zinc prices

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended June 30		six months ended June 30		objective
	2009	2008	2009	2008	2009
<b>Sales analysis</b>					
Copper sales (tonnes)	6,800	6,800	13,300	13,500	32,700
Zinc sales (tonnes)	12,700	17,300	27,500	31,200	55,300
Gross copper sales	\$36	\$57	\$73	\$121	\$162
Gross zinc sales	23	37	44	70	86
Other metal sales	5	4	7	8	16
Gross sales	64	98	124	199	264
Smelter processing charges and freight	(19)	(25)	(38)	(48)	(88)
Net sales	\$45	\$73	\$86	\$151	\$176
<b>Cost analysis</b>					
Tonnes of ore milled (thousands)	296	279	561	557	1,200
Direct production costs (\$ per tonne)	\$67	\$81	\$72	\$83	\$68
Direct production costs	\$20	\$23	\$40	\$46	\$82
Change in inventory	(1)	1	-	-	-
Depreciation and other non-cash costs	4	4	9	6	18
Operating costs	\$23	\$28	\$49	\$52	\$100
<b>Operating earnings</b>	<b>\$22</b>	<b>\$45</b>	<b>\$37</b>	<b>\$99</b>	<b>\$76</b>
<b>Operating cash flow</b>	<b>\$24</b>	<b>\$35</b>	<b>\$15</b>	<b>\$50</b>	<b>\$82</b>

The objective for 2009 uses the assumptions listed on page 13.

The table below shows what contributed to the change in operating earnings and operating cash flow between 2009 and 2008.

<i>(millions)</i>	three months ended June 30	six months ended June 30
Lower metal prices, denominated in Canadian dollars	\$(25)	\$(66)
Lower sales volumes	(3)	(6)
Lower smelter processing charges	2	6
Lower royalty	2	4
Lower operating costs	2	2
Higher depreciation	(1)	(2)
<b>Lower operating earnings, compared to 2008</b>	<b>\$(23)</b>	<b>\$(62)</b>
Lower tax expense because earnings were lower	7	18
Changes in working capital	3	8
Other	2	1
<b>Lower operating cash flow, compared to 2008</b>	<b>\$(11)</b>	<b>\$(35)</b>

### Spending in 2009 will be limited to sustaining capital

	three months ended June 30			six months ended June 30			Objective
	2009	2008	change	2009	2008	change	2009
<b>Capital spending</b>	<b>\$3,000</b>	\$6,300	-52%	<b>\$6,600</b>	\$12,000	-45%	<b>\$22,000</b>

Capital spending in the quarter was for mine equipment replacements.

### 2009 outlook for capital spending

Çayeli expects to spend \$22 million in 2009 on mine equipment replacements, mill upgrades and mine development.

# Pyhäsalmi

	three months ended June 30			six months ended June 30			revised
	2009	2008	change	2009	2008	change	objective 2009
Tonnes of ore milled (000's)	<b>355</b>	344	+3%	704	691	+2%	<b>1,370</b>
Tonnes of ore milled per day	<b>3,900</b>	3,800	+3%	3,900	3,800	+3%	<b>3,750</b>
Grades (percent)							
copper	<b>1.1</b>	1.0	+10%	1.1	1.0	+10%	<b>1.0</b>
zinc	<b>1.8</b>	2.5	-28%	1.5	2.4	-38%	<b>1.9</b>
sulphur	<b>42</b>	40	+5%	43	41	+5%	<b>42</b>
Mill recoveries (percent)							
copper	<b>96</b>	95	+1%	95	96	-1%	<b>94</b>
zinc	<b>88</b>	92	-4%	87	92	-5%	<b>87</b>
Production (tonnes)							
copper	<b>3,700</b>	3,100	+19%	7,300	6,600	+11%	<b>13,000</b>
zinc	<b>5,700</b>	7,700	-26%	9,200	15,300	-40%	<b>22,600</b>
pyrite	<b>132,200</b>	111,200	+19%	323,000	305,700	+6%	<b>411,000</b>
Cost per tonne of ore milled (C\$)	<b>\$44</b>	\$45	-2%	\$45	\$43	+5%	<b>\$41</b>

## Lower zinc grades reduce zinc production

Pyhäsalmi maintained its strong production record in the second quarter of 2009, processing at an annualized rate of 1.4 million tonnes.

Copper production was higher than the second quarter of last year mainly because of higher grades. Zinc production this quarter continued to be lower than we planned and lower than the second quarter of 2008 because changes in stope sequencing resulted in lower grades. Pyrite production was above the same period last year, but persisting weakness in pyrite demand has reduced sales prices and volumes. Pyhäsalmi sold 121,000 tonnes of pyrite in the second quarter of 2009 compared to 142,700 tonnes in the same quarter last year.

### 2009 outlook for production and costs

We expect zinc grades to increase in the second half of the year and anticipate copper and zinc production for the year to be consistent with our earlier estimates. Pressure on mine operating costs caused by increased ground support requirements in the first half of 2009 are expected to be reduced in the second half of the year from lower mill operating materials.

We adjusted our pyrite production objective from 510,000 tonnes to 411,000 in response to lower demand.

## Financial review

### Lower earnings because of a significant decline in copper and zinc prices

<i>(millions of Canadian dollars unless otherwise stated)</i>	<b>three months ended June 30</b>		<b>six months ended June 30</b>		<b>objective</b>
	<b>2009</b>	2008	<b>2009</b>	2008	<b>2009</b>
<b>Sales analysis</b>					
Copper sales (tonnes)	<b>3,500</b>	3,300	<b>7,100</b>	6,800	<b>13,000</b>
Zinc sales (tonnes)	<b>5,900</b>	7,700	<b>9,800</b>	14,300	<b>22,600</b>
Pyrite sales (tonnes)	<b>121,000</b>	142,700	<b>197,000</b>	266,800	<b>380,000</b>
Gross copper sales	<b>\$20</b>	\$29	<b>\$37</b>	\$57	<b>\$68</b>
Gross zinc sales	<b>11</b>	16	<b>17</b>	31	<b>38</b>
Other metal sales	<b>12</b>	16	<b>23</b>	28	<b>34</b>
Gross sales	<b>43</b>	61	<b>77</b>	116	<b>140</b>
Smelter processing charges and freight	<b>(12)</b>	(15)	<b>(21)</b>	(25)	<b>(40)</b>
Net sales	<b>\$31</b>	\$46	<b>\$56</b>	\$91	<b>\$100</b>
<b>Cost analysis</b>					
Tonnes of ore milled (thousands)	<b>355</b>	344	<b>704</b>	691	<b>1,370</b>
Direct production costs (\$ per tonne)	<b>\$44</b>	\$45	<b>\$45</b>	\$43	<b>\$41</b>
Direct production costs	<b>\$16</b>	\$15	<b>\$31</b>	\$30	<b>\$56</b>
Change in inventory	-	1	-	(1)	-
Depreciation and other non-cash costs	<b>3</b>	3	<b>7</b>	7	<b>12</b>
Operating costs	<b>\$19</b>	\$19	<b>\$38</b>	\$36	<b>\$68</b>
<b>Operating earnings</b>	<b>\$12</b>	\$27	<b>\$18</b>	\$55	<b>\$32</b>
<b>Operating cash flow</b>	<b>\$23</b>	\$19	<b>\$21</b>	\$50	<b>\$34</b>

The objective for 2009 uses the assumptions listed on page 13.

The table below shows what contributed to the change in operating earnings and operating cash flow between 2009 and 2008.

<i>(millions)</i>	<b>three months ended June 30</b>	<b>six months ended June 30</b>
Lower metal prices, denominated in Canadian dollars	\$(12)	\$(26)
Lower pyrite sales, net of costs to sell	(2)	(9)
Lower smelter processing charges	2	4
Lower sales volumes	(1)	(4)
Other	(2)	(2)
<b>Lower operating earnings, compared to 2008</b>	<b>\$(15)</b>	<b>\$(37)</b>
Lower tax expense because of lower earnings	5	11
Changes in working capital	16	2
Other	(2)	(5)
<b>Higher (lower) operating cash flow, compared to 2008</b>	<b>\$4</b>	<b>\$(29)</b>

The change in working capital this quarter is because Pyhäsalmi received a refund from 2008 tax over instalments.

### Capital spending to sustain and improve

<i>(thousands)</i>	<b>three months ended June 30</b>			<b>six months ended June 30</b>			<b>objective</b>
	<b>2009</b>	2008	<b>change</b>	<b>2009</b>	2008	<b>change</b>	<b>2009</b>
<b>Capital spending</b>	<b>\$3,000</b>	\$1,600	+88%	<b>\$3,800</b>	\$3,400	+12%	<b>\$11,000</b>

#### 2009 outlook for capital spending

We expect to spend \$11 million in 2009, mainly for mine equipment, making improvements in the mill and renovating process water pumps. We expect to replace the zinc circuit cells in September, and these should remain reliable for the remaining mine life.

# Las Cruces

## First copper cathode produced on June 3

On April 7, 2009 Andalusian Regional Ministry of Innovation, Science and Business (CICE) issued a resolution that authorized lifting the mining suspension that had been imposed in May 2008.

On April 29, Las Cruces resumed mining, delivered the first truck load of ore to the crusher on May 26, and produced the first copper cathode on June 3. On July 16, the Water Authority of Andalusia authorized and approved operation of the dewatering and reinjection system, based on the modifications proposed in technical documentation Las Cruces provided in September 2008 (the "Global Plan"). The authorization was granted for an operational period of 15 years and a closure period of 5 years.

Operations in the pit are progressing well. In May and June, Las Cruces mined 249,000 tonnes of gossan and 23,500 tonnes of copper ore, and produced two tonnes of copper cathode. As expected, there have been normal challenges in the plant during the start-up related to equipment operation, adjustment and component reliability, including for example, performance of the belt filters, adjustment of the pressure filter and corrosion failure of the leaching thickener drive. We consider all of these problems typical in the commissioning of a complex plant and are correcting them as they occur. We do not expect them to have any long term effect on the performance of the metallurgical plant.

Metallurgical recoveries to date are encouraging indicating that the target rates are achievable. We delivered the first shipment of LME grade cathode to Cunext Copper Industry in Cordoba, Spain on July 15, 2009.

We are focusing on ramping up production to reach the design capacity of 72,000 tonnes of copper cathode per year. Our goal continues to be to reach full production by February 2010 and commercial production (about 60 percent of design capacity) by November 2009.

## Capital update

Las Cruces construction is complete and on budget, and, as at the end of June, only €7 million of the €504 million construction budget remained to be spent. The following table shows total spending for the project to the end of June 2009 and our capital objective for the rest of the year:

(millions)	up to December 31, 2008	January to June 2009	revised objective July to December 2009	total project estimate at December 31, 2009
Construction capital	€448	€49	€7	€504
Mine development	6	5	17	28
Sustaining capital	-	7	19	26
Capitalized interest	18	6	-	24
Pre-operating costs capitalized, net of sales	-	8	(3)	5
Value added tax	25	9	(34)	-
Other	5	(10)	10	5
Capital expenditures	<b>€502</b>	<b>€74</b>	<b>€16</b>	<b>€592</b>

## 2009 outlook

The table below shows expected production for 100 percent of Las Cruces for 2009 and for the mine life.

	2009 target	life of mine
Tonnes of ore processed (thousands)	305	17,492
Strip ratio	40	12.5
Copper grades (percent)	9.8	6.2
Copper production (tonnes)	28,800	997,200
Cost per tonne of ore processed (C \$)	\$195	\$87

Expected copper production for 2009 includes 23,400 tonnes of copper cathode and 5,400 tonnes of copper in ore. We expect to ship ore directly to smelters beginning in December of this year, subject to regulatory approval. Depending on shipping dates and contract terms for title transfer, sales of any production may not be recorded until after the start of 2010.

Our overall plan includes shipping a total of 18,200 tonnes of copper ore to smelters, including 12,800 tonnes in 2010.

We estimate the following operating earnings and cash flow in 2009, based on commencement of commercial production in November and the assumptions listed on page 13:

100%	<i>revised objective 2009</i>
<i>(millions of Canadian dollars unless otherwise stated)</i>	
Gross copper sales	\$69
Smelter processing charges and freight	(14)
Net sales	\$55
Direct production costs	\$24
Depreciation and other non-cash costs	11
Operating costs	\$35
<b>Operating earnings</b>	<b>\$20</b>
<b>Operating cash flow</b>	<b>-</b>

# Troilus

		three months ended June 30			six months ended June 30			revised
		2009	2008	change	2009	2008	change	objective
		2009						
Tonnes of ore milled (000's)		1,542	1,454	+6%	3,019	2,851	+6%	6,100
Tonnes of ore milled per day		16,900	16,000	+6%	16,700	15,700	+6%	16,700
Strip ratio		-	1.6	-100%	0.1	1.4	-93%	0.1
Grades	gold (grams/tonne)	0.65	0.96	-32%	1.03	0.94	+10%	0.82
	copper (percent)	0.08	0.09	-11%	0.14	0.08	+75%	0.11
Mill recoveries (percent)	Gold	83	84	-1%	84	84	-	81
	Copper	88	92	-4%	93	92	+1%	92
Production	gold (ounces)	26,700	37,800	-29%	84,800	72,800	+16%	128,000
	copper (tonnes)	1,100	1,200	-8%	3,900	2,100	+86%	6,000
Cost per tonne of ore milled (C\$)		\$9	\$15	-40%	\$11	\$15	-27%	\$10

## Completion of mining activity

Troilus completed mining the main 87 pit in April and began recovering the lower-grade stockpile it had accumulated over the past several years.

This lowered gold and copper grades and production in the second quarter, and lowered cost per tonne compared to the previous year.

Site restoration began this quarter, with Troilus placing moraine on dumps and safety berms around the pits.

## 2009 outlook for production and costs

Troilus will continue to recover stockpiled ore for the rest of the year, and should meet its targeted copper production.

We have reduced Troilus' gold production objective to 128,000 ounces from 132,200 ounces because deteriorating mining conditions prevented recovery of ore from the pit bottom in April.

We will submit our revised closure plan to the provincial authorities in the second half of the year and will continue with restoration of the site. We will continue to lay off mining and maintenance personnel as primary reclamation activities and pit clean up are completed.

## Financial review

### Higher gold prices improved earnings this quarter even though sales volumes were down

<i>(millions of Canadian dollars unless otherwise stated)</i>	<b>three months ended June 30</b>		<b>six months ended June 30</b>		<i>revised objective</i>
	<b>2009</b>	2008	<b>2009</b>	2008	<b>2009</b>
<b>Sales analysis</b>					
Gold sales (ounces)	<b>28,200</b>	36,300	<b>88,300</b>	71,500	<b>128,000</b>
Copper sales (tonnes)	<b>1,100</b>	1,200	<b>4,000</b>	2,000	<b>6,000</b>
Gross gold sales	<b>\$29</b>	\$24	<b>\$99</b>	\$50	<b>\$139</b>
Gross copper sales	<b>8</b>	10	<b>24</b>	18	<b>31</b>
Other metal sales	<b>-</b>	1	<b>1</b>	1	<b>2</b>
Gross sales	<b>37</b>	35	<b>124</b>	69	<b>172</b>
Smelter processing charges and freight	<b>(2)</b>	(2)	<b>(8)</b>	(4)	<b>(13)</b>
Net sales	<b>\$35</b>	\$33	<b>\$116</b>	\$65	<b>\$159</b>
<b>Cost analysis</b>					
Tonnes of ore milled (thousands)	<b>1,542</b>	1,454	<b>3,019</b>	2,851	<b>6,100</b>
Direct production costs (\$ per tonne)	<b>\$9</b>	\$15	<b>\$11</b>	\$15	<b>\$10</b>
Direct production costs	<b>\$14</b>	\$22	<b>\$33</b>	\$42	<b>\$61</b>
Change in inventory	<b>-</b>	-	<b>2</b>	-	<b>1</b>
Depreciation and other non-cash costs	<b>5</b>	3	<b>10</b>	7	<b>11</b>
Operating costs	<b>\$19</b>	\$25	<b>\$45</b>	\$49	<b>\$73</b>
<b>Operating earnings</b>	<b>\$16</b>	\$8	<b>\$71</b>	\$16	<b>\$86</b>
<b>Operating cash flow</b>	<b>\$29</b>	\$8	<b>\$78</b>	\$15	<b>\$101</b>

The objective for 2009 uses the assumptions listed on page 13.

The table below shows what contributed to the change in operating earnings and operating cash flow between 2009 and 2008.

<i>(millions)</i>	<b>three months ended June 30</b>	<b>six months ended June 30</b>
Higher gold price denominated in Canadian dollars	\$10	\$37
Lower copper price denominated in Canadian dollars	(2)	(12)
Higher (lower) sales volumes	(4)	28
Higher smelter processing charges	(2)	(5)
Lower operating costs	8	10
Higher amortization	(2)	(3)
<b>Higher operating earnings, compared to 2008</b>	<b>\$8</b>	<b>\$55</b>
Changes in working capital	12	7
Other	1	1
<b>Higher operating cash flow, compared to 2008</b>	<b>\$21</b>	<b>\$63</b>

# Ok Tedi

(100 percent)	three months ended June 30			six months ended June 30			revised objective
	2009	2008	change	2009	2008	change	2009
Tonnes of ore milled (000's)	5,400	5,400	-	10,500	10,400	+1%	23,300
Tonnes of ore milled per day	59,300	59,300	-	58,300	57,100	+1%	64,000
Strip ratio	1.9	1.5	+27%	1.7	1.7	-	1.5
Grades							
copper (percent)	0.8	0.9	-11%	0.8	0.9	-11%	0.8
gold (grams/tonne)	1.1	1.0	+10%	1.1	1.0	+10%	1.1
Mill recoveries (percent)							
copper	86	87	-1%	86	86	-	84
gold	71	74	-4%	68	74	-8%	68
Production							
copper (tonnes)	38,200	41,100	-7%	75,100	78,400	-4%	159,000
gold (ounces)	132,800	122,700	+8%	248,000	241,200	+3%	567,000
Cost per tonne of ore milled (C\$)	\$23	\$22	+5%	\$24	\$22	+9%	\$26

## Throughput will improve after mine tailings management plant has reached designed performance

Ok Tedi has begun to modify the tailings management plant, and expects to complete this work in the third quarter. It therefore mined only ores with low sulphur content in the first and second quarters. Despite this change in mine plan, however, gold and copper grades were consistent with expectations.

Mill throughput this quarter and year to date was consistent with last year, but lower than expected because of low grinding rates on certain ores.

The cost per tonne of ore milled this quarter and year to date was higher than in 2008 mainly because of the weaker value of the Canadian dollar.

On June 2, we entered into a non-binding draft term sheet with PNG Sustainable Development Programme Limited (PNG SDPL), the 52 percent majority shareholder of Ok Tedi Mining Limited (OTML), to exchange our 18 percent equity interest in OTML for a 5 percent net smelter return (NSR) royalty from OTML on product revenues from the Ok Tedi mine. We are waiting for the consent of the Independent State of Papua New Guinea, which owns 30 percent of OTML and the consent of BHP Billiton Ltd., which previously ceded its 52 percent interest in OTML to PNG SDPL, among other things, before the transaction can proceed.

### 2009 outlook for production and costs

We have adjusted our objectives for 2009 to compensate for the shortfall in production in the first half of the year. We expect gold and copper production to be lower than originally anticipated because of lower throughput.

Until the mine tailings management plant is completed and working at designed levels, Ok Tedi can put only a limited amount of sulphur in the ore feed. Staying within these limits is a constraint on mining and, if the project is delayed, could result in shortfalls in ore tonnes or grades. Operating the plant to achieve designed results is critical not only to achieve annual production objectives but also for the continued responsible operation of the mine.

The pit drainage tunnel project is behind schedule because there have been changes to the construction plan. The tunnel is critical because it allows water to drain freely from the pit until the end of the mine life. Ok Tedi has installed a temporary pumping system so mining can continue uninterrupted while the tunnel is being built.

## Financial review

### Lower earnings and operating cash flow

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended June 30		six months ended June 30		<i>revised objective</i>
	2009	2008	2009	2008	2009
<b>Sales analysis at 18%</b>					
Copper sales (tonnes)	6,900	7,600	12,400	15,000	28,600
Gold sales (ounces)	24,400	25,300	43,700	45,500	102,000
Gross copper sales	\$41	\$65	\$76	\$134	\$134
Gross gold sales	27	21	49	38	109
Other metal sales	1	1	2	1	3
Gross sales	69	87	127	173	246
Smelter processing charges and freight	(7)	(11)	(14)	(20)	(38)
Net sales	\$62	\$76	\$113	\$153	\$208
<b>Cost analysis at 18%</b>					
Tonnes of ore milled (thousands)	967	978	1,898	1,877	4,200
Direct production costs (\$ per tonne)	\$23	\$22	\$24	\$22	\$26
Direct production costs	\$23	\$22	\$46	\$41	\$109
Change in inventory	(1)	(1)	-	-	-
Depreciation and other non-cash costs	4	5	14	8	29
Operating costs	\$26	\$26	\$60	\$49	\$138
<b>Operating earnings</b>	<b>\$36</b>	<b>\$50</b>	<b>\$53</b>	<b>\$104</b>	<b>\$70</b>
<b>Operating cash flow</b>	<b>\$29</b>	<b>\$42</b>	<b>\$15</b>	<b>\$81</b>	<b>\$71</b>

The objective for 2009 uses the assumptions listed on page 13.

The table below shows what contributed to the change in operating earnings and operating cash flow between 2009 and 2008.

<i>(millions)</i>	three months ended June 30	six months ended June 30
Lower copper prices, denominated in Canadian dollars	\$(18)	\$(35)
Higher gold prices, denominated in Canadian dollars	7	13
Lower sales volumes	(5)	(21)
Lower smelter processing and freight charges	2	3
(Higher) lower operating costs	2	(5)
Higher depreciation	(2)	(6)
<b>Lower operating earnings, compared to 2008</b>	<b>\$(14)</b>	<b>\$(51)</b>
Lower tax expense because of lower earnings	25	37
Changes in net working capital (from higher accounts receivable balances)	(21)	(55)
Add back – non-cash higher depreciation	2	6
Other	(5)	(3)
<b>Lower operating cash flow, compared to 2008</b>	<b>\$(13)</b>	<b>\$(66)</b>

### Capital spending on pit drainage

Ok Tedi's capital spending this quarter was mainly for the pit drainage project.

<i>(18 percent)</i>	three months ended June 30			six months ended June 30			<i>objective</i>
	2009	2008	change	2009	2008	change	2009
<b>Capital spending</b>	<b>\$3,300</b>	\$10,900	-70%	<b>\$6,600</b>	\$18,900	-65%	<b>\$26,000</b>

### 2009 outlook for capital spending

Ok Tedi plans to spend US \$115 million (our 18 percent share is \$26 million) in 2009 on the pit drainage project, further pit development and other capital projects.

## Status of our development project

# Petaquilla

### Quarterly development update

There are three main activities at Petaquilla: drilling, social and environmental impact assessment and engineering.

#### **Drilling**

We completed the drilling program in June, but we have to finalize a National Instrument 43-101 compliant technical report and the front-end engineering and design (FEED) study before we can establish a final mineral reserve estimate for the Petaquilla project. Preliminary results, however, indicate that we can expect to meet or exceed our target for mineral reserves that would support a minimum mine life of 30 years at a throughput rate of 150,000 tonnes per day.

#### **Social and environmental impact assessment and community development**

First drafts of the baseline studies are being completed and we are progressing with impact assessment and identification of options. We expect to submit an impact assessment (EsIA) to the Panamanian environmental authorities by the end of 2009.

#### **Engineering**

We continued with engineering work and expect to complete the FEED study by the end of 2009. The base case for the FEED study is a throughput rate of 150,000 tonnes per day, which equates to an average annual production of 275,000 tonnes of copper for the first 10 years. We have also begun a metallurgical program to further review the throughput rate and explore opportunities to optimize this rate.

We are working with a large international power company to pursue the development of a coal-fired electric generating plant in parallel with the development of Petaquilla. This plant would supply all the electricity required for operation of the project.

#### **2009 outlook for development**

In early 2010, once the final FEED study is complete and the EsIA is submitted, we expect to begin detailed engineering. At the same time, we intend to seek approval of the EsIA and begin the permitting process for construction. If we receive the permits in time, we should be able to complete construction in 2014.

We expect to spend approximately \$94 million in 2009 to fund this work.

We are continuing to meet with potential partners for the development of Petaquilla. We have approached certain potential partners and some of them have expressed an interest in the project. Others have approached us to express their interest.

We will evaluate the suitability of all potential partners. Proposals could take a variety of forms or structures including, but not limited to, direct investments in the project, financing related to concentrate purchases, direct investments in Inmet or other forms of financing. We plan to pursue these opportunities but there can be no assurance that any transaction will be consummated.

## Managing our liquidity

We plan our financing strategy by assessing our long-term financial requirements, reviewing our future capital needs and determining the optimal mix of several alternatives, including our significant cash position, future operating cash flow, credit facilities and project financing.

When planning our capital structure, we include a liquidity cushion that allows us to address operational disruptions or general market downturns, such as the current weakness of the global economy.

(millions)	three months ended		six months ended	
	2009	June 30 2008	2009	June 30 2008
<b>CASH FROM OPERATING ACTIVITIES</b>				
Çayeli	\$24	\$35	\$15	\$50
Pyhäsalmi	23	19	21	50
Troilus	29	8	78	15
Ok Tedi	29	42	15	81
Corporate development and exploration not included in operations' cash flow	(2)	(2)	(3)	(4)
General and administration	(5)	(3)	(9)	(6)
Other	(7)	16	(9)	10
	<b>91</b>	<b>115</b>	<b>108</b>	<b>196</b>
<b>CASH FROM INVESTING AND FINANCING</b>				
Capital spending	(86)	(121)	(181)	(232)
Proceeds from issuance of common shares, net of transaction costs	334	-	334	-
Long-term debt - borrowings	-	56	-	106
- repayments	(74)	-	(83)	-
Funding by non-controlling shareholder	28	20	44	35
Subsidies received	58	-	66	3
Settlement of foreign currency forward contract	-	52	-	52
Foreign exchange on cash held in foreign currency	(18)	(9)	(13)	24
Other	(5)	(20)	(13)	(26)
	<b>237</b>	<b>(22)</b>	<b>154</b>	<b>(38)</b>
Increase in cash	<b>328</b>	<b>93</b>	<b>262</b>	<b>158</b>
Cash and short-term investments				
Beginning of period	<b>507</b>	<b>906</b>	<b>573</b>	<b>841</b>
End of period	<b>\$835</b>	<b>\$999</b>	<b>\$835</b>	<b>\$999</b>

## OPERATING ACTIVITIES

### Key components of the change in operating cash flows

(millions)	three months ended June 30	six months ended June 30
Lower earnings from operations (see page 4)	\$(44)	\$(95)
Non-cash changes in operating earnings:		
Add back higher depreciation in earnings from operations	4	11
Lower tax expense	41	62
Lower interest income	(6)	(13)
Reclamation spending at Troilus	(2)	(2)
Changes in working capital	(11)	(39)
Other	(6)	(12)
<b>Lower operating cash flow, compared to 2008</b>	<b>\$(24)</b>	<b>\$(88)</b>

Operating cash flows are lower than they were in 2008 because of lower operating earnings and a large outflow of cash related to working capital. We repaid smelters the excess provisional payments they made in 2008, before copper prices dropped, which decreased cash flow by approximately \$48 million for the first six months.

#### **2009 outlook for cash from operating activities**

Volatile markets make it more difficult than usual to develop reliable estimates for commodity prices and foreign exchange rates. The table below shows our expected operating cash at our operations, based on the market assumptions listed on page 13, and the assumptions in *Results of our operations*, which starts on page 13.

#### **2009 estimated operating cash flow by operation**

(millions)	
Çayeli	\$82
Pyhäsalmi	34
Troilus	101
Ok Tedi	71
Las Cruces	-
	<b>\$288</b>

## INVESTING AND FINANCING

### Capital spending

(millions)	three months ended June 30		six months ended June 30		revised
	2009	2008	2009	2008	objective 2009
Çayeli	\$3	\$6	\$6	\$12	\$22
Pyhäsalmi	3	2	4	3	11
Troilus	-	-	-	-	-
Ok Tedi	3	11	7	19	26
Las Cruces	54	97	119	190	141
Petaquilla	23	-	45	-	94
Cerattepe	-	5	-	8	-
	\$86	\$121	\$181	\$232	\$294

Please see *Results of our operations* and *Status of our development project* for a discussion of actual results and our 2009 objective.

#### Proceeds from public offering

On June 25 we completed a public offering of 7.825 million common shares of Inmet Mining, on a bought deal basis, at a price of \$44.50 per share, for aggregate gross proceeds of \$348 million (\$334 million net of transaction costs).

We will use about US \$240 million of the net proceeds of the offering to repay the debt under Las Cruces' project financing facility. We will use the balance for general corporate purposes.

#### Long-term debt repayments

In the first half of 2009, Las Cruces made its first scheduled repayment of US \$12 million under Tranche A of its credit facility. It also repaid €42 million under Tranche B (an amount equal to the subsidies received). We expect Las Cruces to receive the remaining €3 million in subsidies in the third quarter.

On July 31, we expect Las Cruces to repay the remaining US \$203 million under Tranche A, €5 million under Tranche B and to cash collateralize about US \$30 million in letters of credit. This will eliminate the Las Cruces project credit facility. In connection with the decision to repay the credit facility, Las Cruces paid US \$14 million in July to terminate its interest rate swap contract.

#### Settlement of foreign currency forward contract

When we converted the Las Cruces debt from euro to US dollars on June 30, 2008, Las Cruces settled a foreign exchange forward contract and received proceeds of \$52 million on that date.

#### 2009 outlook for investing and financing

We expect capital spending to be \$294 million in 2009. The more significant items include:

- \$88 for the Las Cruces processing plant
- \$94 million for work on the development plan at Petaquilla
- \$10 million for pit development and \$7 million for an underground drainage tunnel at Ok Tedi.

Until we start receiving proceeds from sales at Las Cruces, we plan to fund its costs using sponsor contributions and value added tax refunds. We also plan to fund Las Cruces so it can repay its credit facility. We will be funding 100 percent of the repayment of the credit facility at Las Cruces and as a result the funding will be effected so that Leucadia's 30 percent interest in Las Cruces is neither economically benefited nor disadvantaged as compared to the terms currently in effect under the Las Cruces credit facility.

After we repay the debt, long-term debt on our consolidated financial statements will be significantly lower and restricted cash will increase by about \$36 million. The restricted cash will be used as cash collateral for the letters of credit that had been secured under the credit facility.

## Financial condition

### CASH

Our cash and cash equivalents balance at June 30, 2009 was \$835 million. This included cash and money market instruments that mature in 90 days or less, and short-term investments that mature in 91 days to a year.

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.

General worldwide economic conditions have weakened dramatically since the end of the third quarter of 2008. In response, we are now mainly invested in treasury funds to minimize liquidity risk until normal market conditions return. At June 30, 2009, we held cash and short-term investments in the following:

- Canada and provincial T-Bills
- Short-term debt instruments issued by Canadian Crown Corporations
- Highest rated asset backed commercial paper programs sponsored by leading Canadian financial institutions backed by global style liquidity lines
- AAA rated treasury funds and money market funds managed by leading international fund managers 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 benefiting directly and indirectly from support programs by various governments and central banks.

See note 4 on page 46 in the consolidated financial statements for more details about where our cash is invested.

Our restricted cash balance of \$69 million included:

- \$17 million in trust for future reclamation at Ok Tedi
- \$17 million of cash collateralized letters of credit for Inmet
- \$33 million related to issuing letters of credit to suppliers at Las Cruces and for its labour bond to the government
- \$2 million for future reclamation at Pyhäsalmi.

After we repay the Las Cruces credit facility, restricted cash will increase by about \$36 million mainly to secure the Las Cruces reclamation bond that had been secured under the credit facility.

### COMMON SHARES

Common shares outstanding as of June 30, 2009 and July 28, 2009	56,106,660
Deferred share units outstanding as of June 30, 2009 (redeemable on a one-for-one basis for common shares)	85,563

## FINANCIAL INSTRUMENTS

The table below shows the gold and copper forward sales and interest rate hedges (and their marked-to-market valuations) recorded on our balance sheet at the end of this quarter.

Type of contract	Expiry	Quantity	Price	C\$ marked-to-market gain (loss) at June 30, 2009
<b>Copper forward sales</b>				
Ok Tedi	2009	1.6 million lbs	US \$2.41 per lb	
		2.4 million lbs	US \$2.41 per lb	\$0.3 million <sup>(1)</sup>
<b>Gold forward sales</b>				
Ok Tedi	2010	3,600 ounces	US \$748 per oz.	
	2011	3,600 ounces	US \$775 per oz.	
	2012	3,600 ounces	US \$803 per oz.	
	2013	1,800 ounces	US \$825 per oz.	
		12,600 ounces	US \$783 per oz.	\$(2.7 million) <sup>(2)</sup>
<b>Interest rate swaps</b>				
Las Cruces	2009 to 2014	US \$167 million (reducing in conjunction with debt repayment schedule)	5.2 percent	\$(15.1) million <sup>(3)</sup>

<sup>(1)</sup> At a copper price of US \$2.25 per pound.

<sup>(2)</sup> At a gold price of US \$942 per ounce.

<sup>(3)</sup> Settled on July 20 at a cost of \$16 million.

## Accounting changes

### Plans on transition to International Financial Reporting Standards (IFRS):

The Accounting Standards Board confirmed in February 2008 that International Financial Reporting Standards (IFRS) will replace current Canadian GAAP for financial periods beginning on and after January 1, 2011. IFRS is based on a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure.

While the adoption of IFRS will not change the actual cash flows we generate, it will result in changes to our reported financial position and results of operations.

We have prepared a comprehensive IFRS convergence plan that addresses the changes in accounting policy, restatement of comparative periods, internal control over financial reporting, modification of existing systems, the training and awareness of staff, as well as other related business matters. Senior financial management who report to and are overseen by Inmet's Audit Committee are responsible for planning and implementing the conversion.

To date, we have completed an initial draft of all our significant accounting policies. Over the next several months we will quantify and prepare the calculations to adjust our financial statements using these initial new policies. This exercise will either validate our accounting policy choices or tell us to rethink them. The work prepared to date has indicated that we are not expecting significant changes to the carrying values of property, plant and equipment, but based on current IFRS we expect significant effects on our accounting for business combinations going forward. Current exposure drafts on accounting for joint venture interests, which currently includes our investment in Ok Tedi, and future income taxes could also have significant effects on our financial statements. We will continue to monitor these exposure drafts.

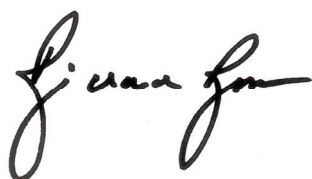
We will complete and finalize our accounting policies under IFRS during the rest of the year, prepare the notes to our IFRS financial statements, calculate all differences and document new internal controls. Our goal is to restate our December 31, 2009 Canadian GAAP balance sheet to IFRS in the first quarter of 2010.

## Supplementary financial information

Pages 31 and 32 include supplementary financial information about cash costs. These measures do not fall into the category of generally accepted accounting principles.

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 measures under Canadian generally accepted accounting principles 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.



Richard A. Ross  
*Chairman and  
Chief Executive Officer*



Jochen Tilk  
*President and  
Chief Operating Officer*

Toronto, Canada  
July 28, 2009

# INMET MINING CORPORATION

## Supplementary financial information

### Cash costs

**2009** For the six months ended June 30

	per pound of copper				per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI	TOTAL COPPER	TROILUS
(US dollars)					
Direct production costs	\$0.98	\$1.63	\$1.27	\$1.23	\$317
Royalties and variable compensation	0.07	-	0.01	0.03	-
Smelter processing charges and freight	1.06	0.74	0.40	0.74	82
Metal credits	(1.28)	(1.79)	(1.46)	(1.45)	(235)
<b>Cash cost</b>	<b>\$0.83</b>	<b>\$0.58</b>	<b>\$0.22</b>	<b>\$0.55</b>	<b>\$164</b>

**2008** For the six months ended June 30

	per pound of copper				per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI	TOTAL COPPER	TROILUS
(US dollars)					
Direct production costs	\$1.15	\$2.06	\$1.25	\$1.35	\$576
Royalties and variable compensation	0.19	-	0.11	0.12	-
Smelter processing charges and freight	1.40	1.17	0.58	1.04	63
Metal credits	(2.04)	(3.73)	(1.22)	(2.03)	(265)
<b>Cash cost</b>	<b>\$0.70</b>	<b>(\$0.50)</b>	<b>\$0.72</b>	<b>\$0.48</b>	<b>\$374</b>

### Reconciliation of cash costs to statements of earnings

**2009** For the six months ended June 30

	per pound of copper				per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI	TOTAL COPPER	TROILUS
(millions of Canadian dollars, except where otherwise noted)					
GAAP reference	page 15	page 17	page 21		page 19
Direct production costs	\$40	\$31	\$46	\$117	\$32
Smelter processing charges and freight	38	21	14	73	9
By product sales	(50)	(40)	(51)	(141)	(25)
Adjust smelter processing and freight, and sales to production basis	4	(1)	(1)	2	-
<b>Operating costs net of metal credits</b>	<b>\$32</b>	<b>\$11</b>	<b>\$8</b>	<b>\$51</b>	<b>\$16</b>
US \$ to C\$ exchange rate	\$1.21	\$1.21	\$1.21	\$1.21	\$1.21
Inmet's share of production (000's)	32,200	16,100	29,800	78,100	84,800
<b>Cash cost</b>	<b>\$0.83</b>	<b>\$0.58</b>	<b>\$0.22</b>	<b>\$0.55</b>	<b>\$164</b>

**2008** For the six months ended June 30

	per pound of copper				per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI	TOTAL COPPER	TROILUS
(millions of Canadian dollars, except where otherwise noted)					
GAAP reference	page 15	page 17	page 21		page 19
Direct production costs	\$46	\$30	\$42	\$118	\$42
Smelter processing charges and freight	48	26	20	94	5
By product sales	(77)	(59)	(39)	(175)	(19)
Adjust smelter processing and freight, and sales to production basis	8	(4)	-	4	-
<b>Operating costs net of metal credits</b>	<b>\$25</b>	<b>(\$7)</b>	<b>\$23</b>	<b>\$41</b>	<b>\$28</b>
US \$ to C\$ exchange rate	\$1.01	\$1.01	\$1.01	\$1.01	\$1.01
Inmet's share of production (000's)	34,400	14,600	31,100	80,100	72,800
<b>Cash cost</b>	<b>\$0.70</b>	<b>(\$0.50)</b>	<b>\$0.72</b>	<b>\$0.48</b>	<b>\$374</b>

# INMET MINING CORPORATION

## Supplementary financial information

### Cash costs

2009 For the three months ended June 30

	per pound of copper			TOTAL COPPER	per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI		TROILUS
(US dollars)					
Direct production costs	\$0.98	\$1.65	\$1.23	\$1.21	\$443
Royalties and variable compensation	0.04	-	0.07	0.04	-
Smelter processing charges and freight	1.10	0.82	0.39	0.77	74
Metal credits	(1.46)	(1.54)	(1.53)	(1.50)	(258)
<b>Cash cost</b>	<b>\$0.66</b>	<b>\$0.93</b>	<b>\$0.16</b>	<b>\$0.52</b>	<b>\$259</b>

2008 For the three months ended June 30

	per pound of copper			TOTAL COPPER	per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI		TROILUS
(US dollars per pound)					
Direct production costs	\$1.24	\$2.23	\$1.21	\$1.40	\$584
Royalties and variable compensation	0.14	-	0.12	0.11	-
Smelter processing charges and freight	1.39	1.19	0.60	1.03	67
Metal credits	(2.02)	(3.51)	(1.09)	(1.89)	(291)
<b>Cash cost</b>	<b>\$0.75</b>	<b>(\$0.09)</b>	<b>\$0.84</b>	<b>\$0.65</b>	<b>\$360</b>

### Reconciliation of cash costs to statements of earnings

2009 For the three months ended June 30

	per pound of copper			TOTAL COPPER	per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI		TROILUS
(millions of Canadian dollars, except where otherwise note)					
GAAP reference	page 15	page 17	page 21		page 19
Direct production costs	\$20	\$16	\$23	\$59	\$14
Smelter processing charges and freight	18	12	7	37	2
By product sales	(27)	(22)	(28)	(77)	(8)
Adjust smelter processing and freight, and sales to production basis	2	3	1	6	-
<b>Operating costs net of metal credits</b>	<b>\$13</b>	<b>\$9</b>	<b>\$3</b>	<b>\$25</b>	<b>\$8</b>
US \$ to C\$ exchange rate	\$1.17	\$1.17	\$1.17	\$1.17	\$1.17
Inmet's share of production (000's)	16,700	8,200	15,200	40,100	26,700
<b>Cash cost</b>	<b>\$0.66</b>	<b>\$0.93</b>	<b>\$0.16</b>	<b>\$0.52</b>	<b>\$259</b>

2008 For the three months ended June 30

	per pound of copper			TOTAL COPPER	per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI		TROILUS
(millions of Canadian dollars, except where otherwise note)					
GAAP reference	page 15	page 17	page 21		page 19
Direct production costs	\$23	\$15	\$22	\$60	\$22
Smelter processing charges and freight	26	15	11	52	3
By product sales	(41)	(32)	(21)	(94)	(11)
Adjust smelter processing and freight, and sales to production basis	5	1	2	8	-
<b>Operating costs net of metal credits</b>	<b>\$13</b>	<b>(\$1)</b>	<b>\$14</b>	<b>\$26</b>	<b>\$14</b>
US \$ to C\$ exchange rate	\$1.01	\$1.01	\$1.01	\$1.01	\$1.01
Inmet's share of production (000's)	16,400	6,800	16,300	39,500	37,800
<b>Cash cost</b>	<b>\$0.75</b>	<b>(\$0.09)</b>	<b>\$0.84</b>	<b>\$0.65</b>	<b>\$360</b>

## Quarterly review

### INMET MINING CORPORATION

#### Quarterly review

(unaudited)

#### Latest Four Quarters

	2009	2009	2008	2008
	Second	First	Fourth	Third
(thousands of Canadian dollars, except per share amounts)	quarter	quarter	quarter	quarter
<b>STATEMENTS OF EARNINGS</b>				
Gross sales	\$ 213,042	\$239,152	\$139,626	\$247,495
Smelter processing charges and freight	(40,589)	(40,540)	(32,870)	(49,502)
Cost of sales	(73,827)	(89,904)	(91,715)	(84,948)
Depreciation	(13,604)	(15,679)	(14,844)	(11,395)
	85,022	93,029	197	101,650
Corporate development and exploration	(2,727)	(3,232)	(1,971)	(3,548)
General and administration	(4,785)	(4,124)	(3,289)	(3,411)
Investment and other income (expense)	16,466	(11,203)	8,057	(5,467)
Asset impairment	-	(6,419)	(36,275)	-
Interest expense	(493)	(492)	(490)	(476)
Capital tax expense	(125)	(125)	(1,304)	(125)
Income tax (expense) recovery	(24,052)	(18,890)	767	(17,379)
Non-controlling interest	(2,778)	2,783	1,794	3,813
Net income (loss)	\$ 66,528	\$51,327	(\$32,514)	\$75,057
Net income (loss) per common share	\$ 1.37	\$1.06	(\$0.67)	\$1.55
Diluted net income (loss) per common share	\$ 1.36	\$1.06	(\$0.67)	\$1.55

#### Previous Four Quarters

	2008	2008	2007	2007
	Second	First	Fourth	Third
(thousands of Canadian dollars, except per share amounts)	quarter	quarter	quarter	quarter
<b>STATEMENTS OF EARNINGS</b>				
Gross sales	\$ 281,463	\$ 276,281	\$ 224,773	\$ 272,293
Smelter processing charges and freight	(53,209)	(44,157)	(43,902)	(42,557)
Cost of sales	(89,893)	(79,246)	(78,809)	(72,057)
Depreciation	(9,195)	(9,170)	(9,480)	(8,739)
	129,166	143,708	92,582	148,940
Corporate development and exploration	(2,483)	(2,618)	(3,510)	(2,475)
General and administration	(2,790)	(3,648)	(12,622)	(2,674)
Investment and other income	(11,358)	14,754	5,968	9,224
Interest expense	(471)	(447)	(407)	(424)
Capital tax (expense) recovery	(124)	(126)	212	(273)
Income tax expense	(44,333)	(44,744)	(18,551)	(37,649)
Non-controlling interest	98	(205)	(27)	167
Net income	\$ 67,705	\$ 106,674	\$ 63,645	\$ 114,836
Net income per common share	\$ 1.40	\$ 2.21	\$ 1.32	\$ 2.38
Diluted net income per common share	\$ 1.40	\$ 2.21	\$ 1.32	\$ 2.37

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**INMET MINING CORPORATION**  
**Consolidated financial statements**

June 30, 2009

These financial statements have not been reviewed by Inmet Mining Corporation's external auditors.

# Consolidated financial statements

## INMET MINING CORPORATION

### Consolidated balance sheets

(thousands of Canadian dollars)	June 30 2009	December 31 2008
	(unaudited)	
<b>Assets</b>		
<b>Current assets:</b>		
Cash and short-term investments (note 4)	\$834,678	\$572,733
Restricted cash (note 5)	7,210	8,311
Accounts receivable	154,617	135,742
Inventories	80,360	74,362
Derivatives (note 7)	340	-
Future income tax asset	11,642	14,311
	<u>1,088,847</u>	805,459
Restricted cash (note 5)	61,399	52,893
Property, plant and equipment	1,925,554	1,950,535
Investments (note 6)	26,915	17,514
Future income tax asset	7,137	5,499
Derivatives (note 7)	-	4,327
Other assets	3,183	5,031
	<u>\$3,113,035</u>	\$2,841,258
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$130,887	\$212,527
Derivatives (note 7)	15,141	8,693
Future income tax liabilities	11,492	-
Current portion of long-term debt (note 8)	242,624	109,666
	<u>400,144</u>	330,886
Long-term debt (note 8)	208,175	384,848
Asset retirement obligations	127,414	126,782
Derivatives (note 7)	2,718	16,417
Other liabilities (note 10)	34,234	27,122
Future income tax liabilities	15,657	15,971
Non-controlling interest	77,984	71,449
	<u>866,326</u>	973,475
Commitments (note 9)		
<b>Shareholders' equity</b>		
Share capital (note 12)	670,346	337,464
Contributed surplus	61,857	61,925
Stock based compensation	3,871	2,688
Retained earnings	1,396,101	1,283,074
Accumulated other comprehensive loss (note 13)	114,534	182,632
	<u>2,246,709</u>	1,867,783
	<u>\$3,113,035</u>	\$2,841,258

(see accompanying notes)

# INMET MINING CORPORATION

## Segmented balance sheets

2009 As at June 30

(unaudited)	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	PETAQUILLA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
<b>Assets</b>								
Cash and short-term investments	\$556,248	\$100,665	\$94,742	\$ -	\$42,797	\$35,304	\$4,922	\$834,678
Other current assets	7,710	40,404	32,860	21,190	58,247	93,040	718	254,169
Restricted cash	16,444	-	1,958	-	17,144	25,853	-	61,399
Property, plant and equipment	1,058	134,389	74,555	20,727	94,992	1,051,994	547,839	1,925,554
Investments	26,915	-	-	-	-	-	-	26,915
Other non-current assets	1,797	413	-	-	6,216	1,894	-	10,320
	<b>\$610,172</b>	<b>\$275,871</b>	<b>\$204,115</b>	<b>\$41,917</b>	<b>\$219,396</b>	<b>\$1,208,085</b>	<b>\$553,479</b>	<b>\$3,113,035</b>
<b>Liabilities</b>								
Current liabilities	\$19,524	\$24,875	\$15,731	\$10,088	\$30,620	\$292,848	\$6,458	\$400,144
Long-term debt	19,278	-	-	-	-	188,897	-	208,175
Asset retirement obligations	23,879	9,467	16,125	11,043	24,281	42,619	-	127,414
Derivatives	-	-	-	-	2,718	-	-	2,718
Other liabilities	4,832	5,463	-	-	2,126	21,813	-	34,234
Future income tax liabilities	2,473	3,567	9,405	-	-	212	-	15,657
Non-controlling interest	-	-	-	-	-	77,984	-	77,984
	<b>\$69,986</b>	<b>\$43,372</b>	<b>\$41,261</b>	<b>\$21,131</b>	<b>\$59,745</b>	<b>\$624,373</b>	<b>\$6,458</b>	<b>\$866,326</b>

2008 As at December 31

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	PETAQUILLA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
<b>Assets</b>								
Cash and short-term investments	\$241,238	\$192,881	\$65,976	\$ -	\$37,547	\$33,981	\$1,110	\$572,733
Other current assets	15,992	43,946	39,428	22,595	43,148	66,774	843	232,726
Restricted cash	16,343	-	2,104	-	16,667	17,779	-	52,893
Property, plant and equipment	916	144,124	74,790	27,659	105,145	1,065,435	532,466	1,950,535
Investments	17,514	-	-	-	-	-	-	17,514
Other non-current assets	3,183	454	-	1,825	7,039	2,356	-	14,857
	<b>\$295,186</b>	<b>\$381,405</b>	<b>\$182,298</b>	<b>\$52,079</b>	<b>\$209,546</b>	<b>\$1,186,325</b>	<b>\$534,419</b>	<b>\$2,841,258</b>
<b>Liabilities</b>								
Current liabilities	\$15,983	\$52,112	\$11,537	\$11,029	\$45,711	\$182,535	\$11,979	\$330,886
Long-term debt	19,741	-	-	-	-	365,107	-	384,848
Asset retirement obligations	23,501	9,654	16,307	12,626	25,016	39,678	-	126,782
Derivatives	-	-	-	-	1,670	14,747	-	16,417
Other liabilities	4,911	5,374	-	1,484	2,232	13,121	-	27,122
Future income tax liabilities	1,026	5,509	9,215	-	-	221	-	15,971
Non-controlling interest	-	-	-	-	-	71,449	-	71,449
	<b>\$65,162</b>	<b>\$72,649</b>	<b>\$37,059</b>	<b>\$25,139</b>	<b>\$74,629</b>	<b>\$686,858</b>	<b>\$11,979</b>	<b>\$973,475</b>

**INMET MINING CORPORATION**  
**Consolidated statements of earnings**

(unaudited)

(thousands of Canadian dollars except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Gross sales	\$213,042	\$281,463	\$452,194	\$557,744
Smelter processing charges and freight	(40,589)	(53,209)	(81,129)	(97,366)
Cost of sales	(73,827)	(89,893)	(163,731)	(169,139)
Depreciation	(13,604)	(9,195)	(29,283)	(18,365)
	<b>85,022</b>	129,166	<b>178,051</b>	272,874
Corporate development and exploration	(2,727)	(2,483)	(5,959)	(5,101)
General and administration	(4,785)	(2,790)	(8,909)	(6,438)
Investment and other income (expense) (note 14)	16,466	(11,358)	5,263	3,396
Asset impairment (note 17)	-	-	(6,419)	-
Interest expense	(493)	(471)	(985)	(918)
Capital tax expense	(125)	(124)	(250)	(250)
Income tax expense (note 15)	(24,052)	(44,333)	(42,942)	(89,077)
Non-controlling interest	(2,778)	98	5	(107)
<b>Net income</b>	<b>\$66,528</b>	\$67,705	<b>\$117,855</b>	\$174,379
<b>Basic net income per common share (note 16)</b>	<b>\$1.37</b>	\$1.40	<b>\$2.43</b>	\$3.61
<b>Diluted net income per common share (note 16)</b>	<b>\$1.36</b>	\$1.40	<b>\$2.42</b>	\$3.61
<b>Weighted average shares outstanding (000's)</b>	<b>48,712</b>	48,282	<b>48,498</b>	48,282

(see accompanying notes)

**INMET MINING CORPORATION**  
**Segmented statements of earnings**

(unaudited)

**2009** For the six months ended June 30

	<b>CORPORATE</b>	<b>ÇAYELI</b>	<b>PYHÄSALMI</b>	<b>TROILUS</b>	<b>OK TEDI</b>	<b>LAS CRUCES</b>	<b>PETAQUILLA</b>	<b>TOTAL</b>
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
Gross sales	\$ -	\$123,732	\$76,982	\$124,397	\$127,083	\$ -	\$ -	\$452,194
Smelter processing charges and freight	-	(37,514)	(21,317)	(8,718)	(13,580)	-	-	(81,129)
Cost of sales	(992)	(42,286)	(32,575)	(38,443)	(49,435)	-	-	(163,731)
Depreciation	-	(6,846)	(4,764)	(6,720)	(10,953)	-	-	(29,283)
	(992)	37,086	18,326	70,516	53,115	-	-	178,051
Corporate development and exploration	(3,374)	(901)	(1,684)	-	-	-	-	(5,959)
General and administration	(8,909)	-	-	-	-	-	-	(8,909)
Investment and other income (expense)	6,420	1,070	(422)	361	(2,486)	320	-	5,263
Asset impairment charges	-	(6,419)	-	-	-	-	-	(6,419)
Interest expense	(985)	-	-	-	-	-	-	(985)
Capital tax expense	(250)	-	-	-	-	-	-	(250)
Income tax expense	(19,730)	(1,631)	(2,305)	-	(19,009)	(267)	-	(42,942)
Non-controlling interest	-	-	-	-	-	5	-	5
Net income	(27,820)	\$29,205	\$13,915	\$70,877	\$31,620	\$58	\$ -	\$117,855

**2008** For the six months ended June 30

	<b>CORPORATE</b>	<b>ÇAYELI</b>	<b>PYHÄSALMI</b>	<b>TROILUS</b>	<b>OK TEDI</b>	<b>LAS CRUCES</b>	<b>PETAQUILLA</b>	<b>TOTAL</b>
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
Gross sales	\$ -	\$198,929	\$116,157	\$69,422	\$173,236	\$ -	\$ -	\$557,744
Smelter processing charges and freight	-	(47,578)	(25,381)	(4,608)	(19,799)	-	-	(97,366)
Cost of sales	(988)	(47,505)	(31,168)	(44,533)	(44,945)	-	-	(169,139)
Depreciation	-	(4,929)	(4,382)	(4,136)	(4,918)	-	-	(18,365)
	(988)	98,917	55,226	16,145	103,574	-	-	272,874
Corporate development and exploration	(3,812)	(96)	(1,181)	(12)	-	-	-	(5,101)
General and administration	(6,438)	-	-	-	-	-	-	(6,438)
Investment and other income	199	3,938	-	2,722	(3,786)	323	-	3,396
Interest expense	(918)	-	-	-	-	-	-	(918)
Capital tax expense	(250)	-	-	-	-	-	-	(250)
Income tax expense	(5,534)	(27,779)	(12,448)	-	(43,150)	(166)	-	(89,077)
Non-controlling interest	-	-	-	-	-	(107)	-	(107)
Net income	(\$17,741)	\$74,980	\$41,597	\$18,855	\$56,638	\$50	\$ -	\$174,379

**INMET MINING CORPORATION**  
**Segmented statements of earnings**

(unaudited)

**2009** For the three months ended June 30

	<b>CORPORATE</b>	<b>ÇAYELI</b>	<b>PYHÄSALMI</b>	<b>TROILUS</b>	<b>OK TEDI</b>	<b>LAS CRUCES</b>	<b>PETAQUILLA</b>	<b>TOTAL</b>
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
Gross sales	\$ -	\$63,711	\$43,001	\$37,407	\$68,923	\$ -	\$ -	\$213,042
Smelter processing charges and freight	-	(18,438)	(12,326)	(2,458)	(7,367)	-	-	(40,589)
Cost of sales	(508)	(19,715)	(16,730)	(15,616)	(21,258)	-	-	(73,827)
Depreciation	-	(3,373)	(2,162)	(3,301)	(4,768)	-	-	(13,604)
	(508)	22,185	11,783	16,032	35,530	-	-	85,022
Corporate development and exploration	(1,526)	(407)	(794)	-	-	-	-	(2,727)
General and administration	(4,785)	-	-	-	-	-	-	(4,785)
Investment and other income (expense)	5,969	(1,797)	(422)	77	(1,114)	13,753	-	16,466
Asset impairment charges	-	-	-	-	-	-	-	-
Interest expense	(493)	-	-	-	-	-	-	(493)
Capital tax recovery	(125)	-	-	-	-	-	-	(125)
Income tax expense	(3,199)	(2,212)	(1,870)	-	(12,469)	(4,302)	-	(24,052)
Non-controlling interest	-	-	-	-	-	(2,778)	-	(2,778)
Net income	(\$4,667)	\$17,769	\$8,697	\$16,109	\$21,947	\$6,673	\$ -	\$66,528

**2008** For the three months ended June 30

	<b>CORPORATE</b>	<b>ÇAYELI</b>	<b>PYHÄSALMI</b>	<b>TROILUS</b>	<b>OK TEDI</b>	<b>LAS CRUCES</b>	<b>PETAQUILLA</b>	<b>TOTAL</b>
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
Gross sales	\$ -	\$98,313	\$61,249	\$35,171	\$86,730	\$ -	\$ -	\$281,463
Smelter processing charges and freight	-	(25,565)	(14,561)	(2,421)	(10,662)	-	-	(53,209)
Cost of sales	(494)	(24,930)	(17,224)	(23,522)	(23,723)	-	-	(89,893)
Depreciation	-	(2,556)	(2,232)	(1,718)	(2,689)	-	-	(9,195)
	(494)	45,262	27,232	7,510	49,656	-	-	129,166
Corporate development and exploration	(1,835)	(26)	(615)	(7)	-	-	-	(2,483)
General and administration	(2,790)	-	-	-	-	-	-	(2,790)
Investment and other income (expense)	(10,362)	(923)	-	1,361	(924)	(510)	-	(11,358)
Interest expense	(471)	-	-	-	-	-	-	(471)
Capital tax expense	(124)	-	-	-	-	-	-	(124)
Income tax expense	(5,534)	(8,655)	(6,425)	-	(23,803)	84	-	(44,333)
Non-controlling interest	-	-	-	-	-	98	-	98
Net income	(\$21,610)	\$35,658	\$20,192	\$8,864	\$24,929	(\$328)	\$ -	\$67,705

**INMET MINING CORPORATION**  
**Consolidated statements of cash flows**  
(unaudited)

(thousands of Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
<b>Cash provided by (used in) operating activities <sup>(1)</sup></b>				
Net income	\$66,528	\$67,705	\$117,855	\$174,379
Add (deduct) items not affecting cash:				
Depreciation	13,604	9,195	29,283	18,365
Future income tax	13,552	(6,973)	11,319	(4,056)
Accretion expense	1,208	1,123	2,475	2,144
Non-controlling interest	2,778	(98)	(5)	107
Asset impairment	-	-	6,419	-
Foreign exchange loss (gain)	(19,788)	22,476	(8,848)	18,890
Other	5,114	1,156	7,610	3,209
Settlement of asset retirement obligations	(2,309)	(303)	(2,756)	(824)
Net change in non-cash working capital (note 3)	9,909	20,516	(55,659)	(16,506)
	<u>90,596</u>	<u>114,797</u>	<u>107,693</u>	<u>195,708</u>
<b>Cash provided by (used in) investing activities</b>				
Capital spending	(86,263)	(121,028)	(181,122)	(232,442)
Investment in Petaquilla prior to consolidation	-	(3,755)	-	(3,755)
Loans to other Petaquilla shareholders	-	(4,091)	-	(4,091)
Disposition of investments	-	-	-	1,521
Sale (purchase) of short-term investments	(47,682)	(125,439)	(45,251)	174,985
	<u>(133,945)</u>	<u>(254,313)</u>	<u>(226,373)</u>	<u>(63,782)</u>
<b>Cash provided by (used in) financing activities</b>				
Long-term debt prepayments (note 8)				
Borrowings	-	55,894	-	106,240
Repayments	(74,174)	-	(82,502)	-
Issuance of common shares	334,284	-	334,284	-
Funding by non-controlling shareholder	28,269	19,627	43,941	34,756
Settlement of foreign currency forward contract	-	52,256	-	52,256
Financial assurance deposits	700	(6,478)	(8,740)	(13,972)
Dividends paid on common shares	(4,828)	(4,828)	(4,828)	(4,828)
Subsidies received (note 11)	57,600	-	66,209	3,233
Other	(45)	(46)	(90)	(92)
	<u>341,806</u>	<u>116,425</u>	<u>348,274</u>	<u>177,593</u>
<b>Foreign exchange change on cash held in foreign currency</b>	<b>(18,400)</b>	<b>(9,467)</b>	<b>(12,900)</b>	<b>23,568</b>
<b>Increase (decrease) in cash</b>	<b>280,057</b>	<b>(32,558)</b>	<b>216,694</b>	<b>333,087</b>
<b>Cash:</b>				
Beginning of period	473,696	888,150	537,059	522,505
End of period	753,753	855,592	753,753	855,592
<b>Short-term investments</b>	<b>80,925</b>	<b>143,333</b>	<b>80,925</b>	<b>143,333</b>
<b>Cash and short-term investments</b> (see accompanying notes)	<b>\$834,678</b>	<b>\$998,925</b>	<b>\$834,678</b>	<b>\$998,925</b>
<b><sup>(1)</sup> Supplementary cash flow information:</b>				
Cash interest paid	\$5,170	\$4,724	\$9,895	\$8,122
Cash taxes paid	\$4,792	\$65,036	\$10,640	\$80,249

**INMET MINING CORPORATION**  
**Segmented statements of cash flows**

(unaudited)

2009 For the six months ended June 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	PETAQUILLA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
<b>Cash provided by (used in) operating activities</b>								
Before net change in non-cash working capital	(\$21,139)	\$34,967	\$15,368	\$78,859	\$55,297	\$ -	\$ -	\$163,352
Net change in non-cash working capital	79	(19,786)	5,873	(1,173)	(40,652)	-	-	(55,659)
	(21,060)	15,181	21,241	77,686	14,645	-	-	107,693
<b>Cash provided by (used in) investing activities</b>								
Capital spending	(261)	(6,555)	(3,778)	-	(6,590)	(118,550)	(45,388)	(181,122)
Disposition of investments								
Purchase of short-term investments	(45,251)	-	-	-	-	-	-	(45,251)
Other								
	(45,512)	(6,555)	(3,778)	-	(6,590)	(118,550)	(45,388)	(226,373)
<b>Cash provided by (used in) financing activities</b>	329,264	-	-	-	(749)	19,759	-	348,274
<b>Foreign exchange change on cash held in foreign currency</b>	-	(10,675)	(1,652)	-	(1,951)	1,371	7	(12,900)
<b>Intergroup funding (distributions)</b>	7,067	(90,167)	12,955	(77,686)	(105)	98,743	49,193	-
<b>Increase (decrease) in cash</b>	269,759	(92,216)	28,766	-	5,250	1,323	3,812	216,694
<b>Cash:</b>								
Beginning of period	205,564	192,881	65,976	-	37,547	33,981	1,110	537,059
End of period	475,323	100,665	94,742	-	42,797	35,304	4,922	753,753
<b>Short-term investments</b>	80,925	-	-	-	-	-	-	80,925
<b>Cash and short-term investments</b>	\$556,248	\$100,665	\$94,742	\$ -	\$42,797	\$35,304	\$4,922	\$834,678

2008 For the six months ended June 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	PETAQUILLA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
<b>Cash provided by (used in) operating activities</b>								
Before net change in non-cash working capital	(\$1,973)	\$78,116	\$46,306	\$22,893	\$66,872	\$ -	\$ -	\$212,214
Net change in non-cash working capital	1,752	(28,164)	4,298	(8,321)	13,929	-	-	(16,506)
	(221)	49,952	50,604	14,572	80,801	-	-	195,708
<b>Cash provided by (used in) investing activities</b>								
Capital spending	(50)	(20,255)	(3,358)	(279)	(18,851)	(189,649)	-	(232,442)
Disposition of investments	1,521	-	-	-	-	-	-	1,521
Sale of short-term investments	174,985	-	-	-	-	-	-	174,985
Spending on Petaquilla	(7,846)	-	-	-	-	-	-	(7,846)
	168,610	(20,255)	(3,358)	(279)	(18,851)	(189,649)	-	(63,782)
<b>Cash provided by (used in) financing activities</b>	45,739	-	(1,850)	-	(616)	134,320	-	177,593
<b>Foreign exchange change on cash held in foreign currency</b>	-	9,517	8,531	-	978	4,542	-	23,568
<b>Intergroup funding (distributions)</b>	251,200	(225,032)	(103,365)	(14,293)	(40,979)	132,469	-	-
<b>Increase (decrease) in cash</b>	\$465,328	(185,818)	(49,438)	-	21,333	81,682	-	333,087
<b>Cash:</b>								
Beginning of period	41,041	333,671	111,492	-	13,473	22,828	-	522,505
End of period	506,369	147,853	62,054	-	34,806	104,510	-	855,592
<b>Short-term investments</b>	143,333	-	-	-	-	-	-	143,333
<b>Cash and short-term investments</b>	\$649,702	\$147,853	\$62,054	\$ -	\$34,806	\$104,510	\$ -	\$998,925

**INMET MINING CORPORATION**  
**Segmented statements of cash flows**

(unaudited)

**2009** For the three months ended June 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	PETAQUILLA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
<b>Cash provided by (used in) operating activities</b>								
Before net change in non-cash working capital	(\$7,607)	\$23,370	\$9,708	\$19,143	\$36,073	\$ -	\$ -	\$80,687
Net change in non-cash working capital	(6,900)	757	13,319	9,817	(7,084)	-	-	9,909
	(14,507)	24,127	23,027	28,960	28,989	-	-	90,596
<b>Cash provided by (used in) investing activities</b>								
Capital spending	(445)	(2,988)	(3,006)	-	(3,269)	(53,999)	(22,556)	(86,263)
Purchase of short-term investments	(47,682)	-	-	-	-	-	-	(47,682)
	(48,127)	(2,988)	(3,006)	-	(3,269)	(53,999)	(22,556)	(133,945)
<b>Cash provided by (used in) financing activities</b>								
	329,374	-	-	-	24	12,408	-	341,806
<b>Foreign exchange change on cash held in foreign currency</b>								
	-	(17,356)	(509)	-	(3,037)	3,039	(537)	(18,400)
<b>Intergroup funding (distributions)</b>								
	14,696	(90,562)	17,107	(28,960)	(299)	64,149	23,869	-
<b>Increase (decrease) in cash</b>								
	281,436	(86,779)	36,619	-	22,408	25,597	776	280,057
<b>Cash:</b>								
Beginning of period	193,887	187,444	58,123	-	20,389	9,707	4,146	473,696
End of period	475,323	100,665	94,742	-	42,797	35,304	4,922	753,753
<b>Short-term investments</b>								
	80,925	-	-	-	-	-	-	80,925
<b>Cash and short-term investments</b>								
	\$556,248	\$100,665	\$94,742	\$ -	\$42,797	\$35,304	\$4,922	\$834,678

**2008** For the three months ended June 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	PETAQUILLA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
<b>Cash provided by (used in) operating activities</b>								
Before net change in non-cash working capital	(\$3,462)	\$37,202	\$22,192	\$10,218	\$28,131	\$ -	\$ -	\$94,281
Net change in non-cash working capital	13,829	(2,250)	(2,826)	(2,124)	13,887	-	-	20,516
	10,367	34,952	19,366	8,094	42,018	-	-	114,797
<b>Cash provided by (used in) investing activities</b>								
Capital spending	(18)	(11,372)	(1,599)	(32)	(10,892)	(97,115)	-	(121,028)
Sale (purchase) of short-term investments	(125,439)	-	-	-	-	-	-	(125,439)
Other	(7,846)	-	-	-	-	-	-	(7,846)
	(133,303)	(11,372)	(1,599)	(32)	(10,892)	(97,115)	-	(254,313)
<b>Cash provided by (used in) financing activities</b>								
	45,784	-	(1,850)	-	(1)	72,492	-	116,425
<b>Foreign exchange change on cash held in foreign currency</b>								
	-	(2,255)	(6,844)	-	(165)	(203)	-	(9,467)
<b>Intergroup funding (distributions)</b>								
	230,128	(186,420)	(91,545)	(8,062)	(41,097)	96,996	-	-
<b>Increase (decrease) in cash</b>								
	152,976	(165,095)	(82,472)	-	(10,137)	72,170	-	(32,558)
<b>Cash:</b>								
Beginning of period	346,198	312,948	151,721	-	44,943	32,340	-	888,150
End of period	499,174	147,853	69,249	-	34,806	104,510	-	855,592
<b>Short-term investments</b>								
	143,333	-	-	-	-	-	-	143,333
<b>Cash and short-term investments</b>								
	\$642,507	\$147,853	\$69,249	\$ -	\$34,806	\$104,510	\$ -	\$998,925

**INMET MINING CORPORATION**  
**Consolidated statements of retained earnings**  
(unaudited)

(thousands of Canadian dollars)	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Retained earnings, beginning of period	<b>\$1,334,401</b>	\$1,181,436	<b>\$1,283,074</b>	\$1,074,762
Net income	<b>66,528</b>	67,705	<b>117,855</b>	174,379
Dividends on common shares	<b>(4,828)</b>	(4,828)	<b>(4,828)</b>	(4,828)
Retained earnings, end of period (see accompanying notes)	<b>\$1,396,101</b>	\$1,244,313	<b>\$1,396,101</b>	\$1,244,313

**Consolidated statements of comprehensive income**  
(unaudited)

(thousands of Canadian dollars)	<b>Three Months Ended June 30</b>		<b>Six Months Ended June 30</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net income	<b>\$66,528</b>	\$67,705	<b>\$117,855</b>	\$174,379
Other comprehensive income (loss) for the period :				
Changes in fair value of gold forward sales contracts	<b>(344)</b>	2,926	<b>(1,105)</b>	(6,999)
Changes in fair value of interest rate swap contracts	<b>3,244</b>	4,912	<b>4,984</b>	190
Changes in fair value of foreign exchange forward contracts	<b>-</b>	(899)	<b>-</b>	11,373
Changes in fair value of investments	<b>5,781</b>	5,238	<b>9,401</b>	(2,181)
Currency translation adjustments	<b>(98,622)</b>	(10,883)	<b>(71,577)</b>	64,486
Reclassification to net income of gains/losses realized:				
Gain on sale of investment	<b>-</b>	-	<b>-</b>	(256)
Troilus gold hedge loss	<b>-</b>	-	<b>-</b>	13,718
Ok Tedi gold hedge loss	<b>-</b>	6,721	<b>-</b>	1,013
Amortization of gain on foreign exchange forward contracts	<b>(1,523)</b>	-	<b>(3,031)</b>	-
Foreign exchange loss (gain) on reduction of net investment in self-sustaining foreign operations (note 14)	<b>(3,912)</b>	14,870	<b>(3,912)</b>	20,384
Income tax expense related to other comprehensive income (note 18)	<b>(2,098)</b>	(2,977)	<b>(3,137)</b>	(4,240)
	<b>(97,474)</b>	19,908	<b>(68,377)</b>	97,488
<b>Comprehensive income (loss)</b> (see accompanying notes)	<b>(\$30,946)</b>	\$87,613	<b>\$49,478</b>	\$271,867

# INMET MINING CORPORATION

## Notes to the consolidated financial statements

### 1. Significant accounting policies

Our interim consolidated financial statements do not include all of the disclosure required for annual financial statements under generally accepted accounting principles (GAAP), and they have not been reviewed by our external auditors. These statements do, however, follow the same accounting policies and methods of application used in our most recent annual consolidated financial statements, except for the differences explained in note 2. You should read our interim statements in conjunction with our annual statements, which you can find in our 2008 Annual Review.

### 2. Changes in accounting policies

Effective January 1, 2009, we adopted CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062 - *Goodwill and Other Intangible Assets* and Section 3450 - *Research and Development Costs*. This new standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. It provides guidance for recognizing internally developed intangible assets, and ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. Standards concerning goodwill are unchanged from the standards included in the previous section. The adoption of this standard did not have an impact on our consolidated financial statements.

#### **Emerging Issues Committee 173 – Credit Risk and the fair value of financial assets and financial liabilities**

Effective January 1, 2009, we adopted EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* retroactively, without restatement. This EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of EIC 173 did not have a significant impact on our consolidated financial statements.

### 3. Statement of cash flows

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

#### For the six months ended June 30, 2009

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Total
Accounts receivable <sup>(1)</sup>	66	(\$15,678)	(\$6,203)	(\$495)	(\$48,400)	(\$70,710)
Inventories	-	219	390	3,938	(12)	4,535
Accounts payable and accrued liabilities	(2,871)	(5,522)	1,257	(4,616)	382	(11,370)
Taxes	5,342	1,172	10,429	-	7,671	24,614
Other	(2,458)	23	-	-	(293)	(2,728)
	\$79	(\$19,786)	\$5,873	(\$1,173)	(\$40,652)	(\$55,659)

#### For the six months ended June 30, 2008

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Total
Accounts receivable	\$8,832	(\$13,805)	\$9,362	(\$5,113)	\$1,476	\$752
Inventories	-	(3,180)	(714)	(2,320)	(1,502)	(7,716)
Accounts payable and accrued liabilities	(10,271)	1,966	(80)	(467)	(4,232)	(13,084)
Taxes	3,138	(13,255)	(4,270)	-	18,386	3,999
Other	48	110	-	(421)	(194)	(457)
	\$1,747	(\$28,164)	\$4,298	(\$8,321)	\$13,934	(\$16,506)

(1) Includes changes in accounts payable related to metal sales.

#### For the three months ended June 30, 2009

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Total
Accounts receivable	\$214	\$8,839	(\$7,323)	\$13,290	(\$8,967)	\$6,053
Inventories	-	(999)	797	998	(1,400)	(604)
Accounts payable and accrued liabilities	(2,137)	(3,671)	1,478	(6,162)	1,801	(8,691)
Taxes	(2,530)	(3,381)	18,367	-	2,467	14,923
Other	(2,447)	(31)	-	1,691	(985)	(1,772)
	(\$6,900)	\$757	\$13,319	\$9,817	(\$7,084)	\$9,909

#### For the three months ended June 30, 2008

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Total
Accounts receivable	\$8,817	\$19,569	(\$2,937)	(\$2,022)	\$10,537	\$33,964
Inventories	-	(433)	750	367	(1,602)	(918)
Accounts payable and accrued liabilities	1,533	3,555	1,395	(48)	1,305	7,740
Taxes	3,422	(24,931)	(2,034)	-	2,705	(20,838)
Other	57	(10)	-	(421)	942	568
	\$13,829	(\$2,250)	(\$2,826)	(\$2,124)	\$13,887	\$20,516

#### 4. Cash and short-term investments

At period end, our cash and short-term investments are held in:

(thousands)	June 30 2009	December 31 2008
Cash:		
Liquidity funds	\$193,645	\$276,301
Bankers' acceptances	56,408	64,293
Money market funds	41,700	38,683
Corporate	65,495	-
Term deposits	344,422	78,041
Overnight deposits	11,316	14,684
Bank deposits	40,767	52,429
Provincial short-term notes	-	12,628
	<b>753,753</b>	<b>537,059</b>
Short-term investments:		
Provincial short-term notes	11,420	35,674
Bankers' acceptances	26,709	-
Bank deposits	19,985	-
Other	22,811	-
	<b>80,925</b>	<b>35,674</b>
Total cash and short-term investments	<b>\$834,678</b>	<b>\$572,733</b>

#### 5. Restricted cash

(thousands)	June 30 2009	December 31 2008
Collateralized cash for letter of credit facility	\$16,444	\$16,343
In trust for Ok Tedi rehabilitation	17,144	16,667
Collateralized cash for letters of credit - Las Cruces	33,063	26,090
Collateralized cash for Pyhäsalmi reclamation	1,958	2,104
	<b>68,609</b>	<b>61,204</b>
Less current portion:		
Collateralized cash for letters of credit – Las Cruces	(7,210)	(8,311)
	<b>\$61,399</b>	<b>\$52,893</b>

Las Cruces' restricted cash which secures a restoration bond increased by €5.4 million (note 9) year to date.

#### 6. Investments

(thousands)	June 30 2009	December 31 2008
Available-for-sale equity securities:		
Premier Gold Mines Ltd.	\$24,476	\$15,309
Other	2,439	2,205
	<b>\$26,915</b>	<b>\$17,514</b>

## 7. Derivatives

(thousands)	June 30 2009	December 31 2008
Derivative asset:		
Ok Tedi copper forward sales contracts	<b>\$341</b>	\$4,327
Derivative liabilities:		
Ok Tedi gold forward sales contracts	<b>\$2,718</b>	\$1,670
Las Cruces interest rate swap contracts	<b>15,141</b>	23,440
	<b>\$17,859</b>	\$25,110

On July 20, 2009, Las Cruces settled its interest rate swap contracts, requiring a cash payment of US \$14 million (\$16 million).

## 8. Long-term debt

(thousands)	June 30 2009	December 31 2008
Credit facility – Tranche A	<b>\$234,339</b>	\$262,504
– Tranche B	<b>8,285</b>	80,364
Promissory note	<b>19,278</b>	19,741
Loans from non-controlling shareholder	<b>188,897</b>	131,905
	<b>450,799</b>	494,514
Less current portion:		
Credit facility – Tranche A	<b>(234,339)</b>	(29,302)
– Tranche B	<b>(8,285)</b>	(80,364)
	<b>\$208,175</b>	\$384,848

### ***Credit facility***

This quarter, Las Cruces repaid €37.0 million under Tranche B equal to subsidies received. Additionally Las Cruces made a scheduled repayment of US \$12 million under Tranche A. The credit facility loans approximate fair value because the loans accrue interest at prevailing market rates.

On July 17, 2009, Las Cruces issued a notice to repay amounts outstanding under its credit facility on July 31, 2009 and these amounts have been classified as current liabilities.

### ***Loans from non-controlling shareholder***

This quarter, Las Cruces received intercompany loan advances of €40 million. These loans bear interest at EURIBOR plus 6.1 percent and are due to be repaid on February 25, 2020. The non-controlling portion of these loans, €116 million, is reflected in long-term debt at June 30, 2009. Loans from non-controlling shareholders approximate fair value because the loans accrue interest at prevailing market rates.

## 9. Commitments

Our operations have the following capital commitments as at June 30, 2009:

- Ok Tedi has committed approximately \$116.3 million (our proportionate share is \$20.9 million) to capital expenditures related to the mine waste management project.
- Las Cruces has committed \$6.6 million for engineering, procurement and construction management related to the process plant.
- Petaquilla has committed \$166 million for the design and supply of certain mill equipment.
- Çayeli has capital commitments related to drilling equipment amounting to \$2.4 million.

Las Cruces' restoration bond increased by €5.4 million year to date, to €20.2 million, because of development activities in 2008.

## 10. Leases

Las Cruces has a contract for the supply of oxygen, effective during the first quarter, from a plant owned and operated by a third party and located at the mine site. This arrangement contains a capital lease with minimum lease payments of:

2009	\$2,001
2010	2,668
2011	2,668
2012	2,668
2013	2,668
Thereafter	27,348
<u>Total</u>	<u>\$40,021</u>

We have recognized the oxygen plant in property, plant and equipment at \$25 million. This amount is based on the total minimum future lease payments, discounted at Las Cruces' incremental borrowing rate of 8.2 percent. We have also recognized capital lease obligations of \$25 million in other liabilities. The oxygen plant will be depreciated over its estimated useful life of 15 years once Las Cruces is substantially complete.

## 11. Las Cruces subsidies

During the second quarter, Las Cruces received €37 million in subsidy grants. This operation must meet certain minimum employment and share capital requirements for a five year period, otherwise subsidies received must be repaid. Las Cruces expects to meet these conditions and has recognized total subsidies of €53 million as a reduction of the cost of the related property, plant and equipment.

## 12. Share capital

On June 25, 2009, we completed a public offering of 7.825 million common shares, on a bought deal basis, at a price of \$44.50 per share for aggregate gross proceeds of \$348 million (\$333 million net of estimated transaction costs).

### 13. Accumulated other comprehensive loss (AOCI)

The table below shows the components of the beginning and ending balances of AOCI.

(thousands)	
Unrealized losses on gold forward sales contracts (net of tax of \$1,030)	(\$2,402)
Unrealized gains on foreign exchange forward contract <sup>1</sup>	21,023
Unrealized losses on interest rate swap contracts <sup>2</sup>	(9,962)
Unrealized gains on investments (net of tax of \$667)	3,314
Currency translation adjustment	170,659
<b>AOCI, December 31, 2008</b>	<b>\$182,632</b>
Impact on adoption of EIC 173 – January 1, 2009 (note 2)	279
Other comprehensive income for the six months ending June 30, 2009	(68,377)
<b>AOCI, June 30, 2009</b>	<b>\$114,534</b>
AOCI June 30, 2009 comprises:	
Unrealized losses on gold forward sales contracts (net of tax of \$1,361)	(\$3,176)
Unrealized gains on foreign exchange forward contract <sup>3</sup>	17,992
Unrealized losses on interest rate swap contract <sup>4</sup>	(6,592)
Unrealized gains on investments (net of tax of \$2,242)	11,140
Currency translation adjustment	95,170
<b>AOCI, June 30, 2009</b>	<b>\$114,534</b>

1. Net of tax of \$12,792 and non-controlling interest of \$8,956.
2. Net of tax of \$6,102 and non-controlling interest of \$4,270.
3. Net of tax of \$10,946 and non-controlling interest of \$7,664.
4. Net of tax of \$4,038 and non-controlling interest of \$2,825.

The table below shows the breakdown of the currency translation adjustment included in AOCI.

(thousands)	June 30 2009	December 31 2008
Pyhäsalmi (euro functional currency)	\$9,245	\$17,480
Las Cruces (euro functional currency)	42,424	57,947
Çayeli (US dollar functional currency)	4,677	24,751
Ok Tedi (US dollar functional currency)	(976)	6,224
Petaquilla (US dollar functional currency)	39,800	64,257
	<b>\$95,170</b>	<b>\$170,659</b>

The US dollar to Canadian dollar exchange rate was \$1.16 at June 30, 2009 and \$1.22 at December 31, 2008. The euro to Canadian dollar exchange rate was \$1.63 at June 30, 2009 and \$1.70 at December 31, 2008.

## 14. Investment and other income

(thousands)	Three months ended		Six months ended	
	2009	June 30 2008	2009	June 30 2008
Interest income	\$701	\$6,963	\$2,743	\$15,686
Dividend and royalty income	385	1,504	685	1,504
Foreign exchange gain (loss)	18,196	(18,573)	8,098	(11,715)
Mark to market on Ok Tedi Copper forward contracts	(1,007)	(1,436)	(2,426)	(4,416)
Other	(1,809)	184	(3,837)	2,337
	<b>\$16,466</b>	<b>(\$11,358)</b>	<b>\$5,263</b>	<b>\$3,396</b>

### **Foreign exchange**

For transactions with foreign currencies we use the exchange rates in effect:

- at period-end for monetary assets and liabilities
- on the date of the transaction for non-monetary assets and liabilities
- on the date of the transaction for income and expenses

Foreign exchange gain (loss) is a result of:

(thousands)	Three months ended		Six months ended	
	2009	June 30 2008	2009	June 30 2008
Translation of Las Cruces' US dollar-denominated debt (note 13)	15,273	-	3,808	-
Translation of other-monetary assets and liabilities	(989)	(3,703)	378	8,669
Reduction in our net investments	3,912	(14,870)	3,912	(20,384)
	<b>\$18,196</b>	<b>\$18,573</b>	<b>\$8,098</b>	<b>\$(11,715)</b>

## 15. Income tax expense

The tables below show our current and future income tax expense.

### For the six months ended June 30, 2009

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Las Cruces	Total
Current income taxes	\$10,164	\$10,606	\$1,758	\$9,095	\$ -	\$31,623
Future income taxes	9,566	(8,975)	547	9,914	267	11,319
	\$19,730	\$1,631	\$2,305	\$19,009	\$267	\$42,942

### For the six months ended June 30, 2008

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Las Cruces	Total
Current income taxes	\$5,534	\$28,472	\$12,536	\$46,591	\$ -	\$93,133
Future income taxes	-	(693)	(88)	(3,441)	166	(4,056)
	\$5,534	\$27,779	\$12,448	\$43,150	\$166	\$89,077

### For the three months ended June 30, 2009

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Las Cruces	Total
Current income taxes	\$2,509	\$2,800	\$1,330	\$3,861	\$ -	\$10,500
Future income taxes	690	(588)	540	8,608	4,302	13,552
	\$3,199	\$2,212	\$1,870	\$12,469	\$4,302	\$24,052

### For the three months ended June 30, 2008

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Las Cruces	Total
Current income taxes	\$5,534	\$9,922	\$6,564	\$29,286	\$ -	\$51,306
Future income taxes	-	(1,267)	(139)	(5,483)	(84)	(6,973)
	\$5,534	\$8,655	\$6,425	\$23,803	(\$84)	\$44,333

## 16. Net income per share

The following tables show our calculation of basic and diluted net income per share.

(thousands)	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Net income available to common shareholders	<b>\$66,528</b>	\$67,705	<b>\$117,855</b>	\$174,379
(thousands)				
Weighted average common shares outstanding	<b>48,712</b>	48,282	<b>48,498</b>	48,282
Plus incremental shares from assumed conversions:				
Deferred share units	<b>83</b>	78	<b>83</b>	78
Long term incentive plan units	<b>43</b>	-	<b>43</b>	-
Diluted weighted average common shares outstanding	<b>48,838</b>	48,360	<b>48,624</b>	48,360
(Canadian dollars per share)				
Basic net income per common share	<b>\$1.37</b>	\$1.40	<b>\$2.43</b>	\$3.61
Dilutive effect from assumed conversions of deferred share units and long term incentive plan units per common share	<b>(\$0.01)</b>	-	<b>(\$0.01)</b>	-
Diluted net income per common share	<b>\$1.36</b>	\$1.40	<b>\$2.42</b>	\$3.61

## 17. Asset impairment

We made a decision in 2008 not to proceed with the Cerattepe project and all work has ceased on the project. During the first quarter, we recognized an asset impairment charge of \$6 million and an associated tax recovery of \$6 million.

## 18. Income taxes recovery (expense) included in other comprehensive income

(thousands)	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Changes in fair value of gold forward sales contracts	<b>\$104</b>	(\$575)	<b>\$331</b>	(\$284)
Changes in fair value of interest rate swap contracts	<b>(1,233)</b>	(1,865)	<b>(1,893)</b>	(72)
Changes in fair value of foreign exchange forward contracts	-	341	-	(4,319)
Changes in fair value of investments	<b>(969)</b>	(878)	<b>(1,575)</b>	435
	<b>(\$2,098)</b>	(\$2,977)	<b>(\$3,137)</b>	(\$4,240)

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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](http://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](mailto: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>	2009	2008
Outstanding as at June 30	<b>56,107</b>	48,282
Weighted average for the three months ended June 30	<b>48,712</b>	48,282

## Stock Exchange Listing

Toronto Stock Exchange

## Stock Symbol

IMN

## Common Shares

### Trading History

	High	Low
<b>2009</b>		
Second Quarter	\$50.30	\$32.77
First Quarter	\$36.63	\$19.46
<b>2008</b>		
Fourth Quarter	\$47.00	\$13.38
Third Quarter	\$66.15	\$46.63
Second Quarter	\$98.61	\$66.30
First Quarter	\$90.51	\$61.01