INMET
MINING

# ANNUAL INFORMATION FORM

**March 31, 2003**

**INMET MINING CORPORATION**
330 Bay Street, Suite 1000
Toronto, Ontario
M5H 2S8

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**DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

Certain of the statements that are not historical facts contained in this Annual Information Form ("AIF") (and the other disclosure documentation of Inmet Mining Corporation ("Inmet" or the "Corporation") such as its annual and quarterly reporting to shareholders) are forward-looking statements that involve risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in the forward-looking statements. Such forward-looking statements include, among other things, statements regarding targets or estimates for production, cash operating costs and capital expenditures, increases and decreases in production, reserves and/or resources and in anticipated grades and recovery rates and are or may be based on assumptions and/or estimates related to future economic, market and other conditions. Factors that could cause actual results, developments or events to differ materially from those anticipated include, among others, the factors described or referred to under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein and include unanticipated and/or unusual events. Many of such factors are beyond Inmet's ability to control or predict.

Actual results may differ materially from those anticipated. Readers are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. Inmet disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

## CURRENCY

Unless otherwise indicated, all currency amounts in this Annual Information Form are stated in Canadian dollars.

The following table summarizes exchange rates for the conversion of the currencies indicated into Canadian dollars for the past three years as reported by a Canadian chartered bank.

| | Rates at December 31 | | |
|---|---|---|---|
| Currency | 2002 | 2001 | 2000 |
| United States dollar | $1.58 | $1.59 | $1.50 |
| Euro | 1.66 | 1.42 | 1.41 |

On March 31, 2003, the noon rates of exchange into Canadian dollars as reported by the Bank of Canada were U.S.$1.00 = $1.47 and Euro 1.00 = $ 1.60, respectively. References to "$" mean Canadian dollars, and to "U.S.$" mean United States dollars.

## METRIC/IMPERIAL CONVERSION TABLE

| Metric Unit | Imperial Equivalent |
|---|---|
| Metres | 3.2808 Feet |
| Kilometres | 0.6214 Miles |
| Grams | 0.0322 Ounces (troy) |
| Tonnes | 1.1023 Tons (short) |
| Grams per tonne (metric) | 0.0292 Ounces (troy) per ton (short) |

## THE CORPORATION

Inmet is a Canadian-based mining company engaged in the exploration, development and mining of base and precious metals. The Corporation primarily produces copper and gold as well as other metals, principally zinc and silver.

## CORPORATE STRUCTURE

The Corporation was continued under the laws of Canada by certificate and articles of continuance dated June 1, 1987 and subsequently amalgamated under the laws of Canada with two wholly-owned subsidiaries by certificate and articles of amalgamation dated January 1, 1988. The amalgamated corporation was amalgamated again under the laws of Canada with Metallgesellschaft Canada Investments Limited, a wholly-owned subsidiary, by certificate and articles of amalgamation dated December 31, 1990. On May 4, 1995, the articles of the Corporation were amended to change the name of the Corporation from "Metall Mining Corporation/Corporation Minière Metall" to "Inmet Mining Corporation/Corporation minière Inmet". By Articles of Amalgamation dated January 1, 1999, the Corporation was again amalgamated with a wholly-owned subsidiary. The registered and principal office of the Corporation is 330 Bay Street, Suite 1000, Toronto, Ontario M5H 2S8 (telephone: 1-416-361-6400).

Unless the context indicates otherwise, references in this Annual Information Form to the "Corporation" or "Inmet" include its subsidiaries and direct and indirect holdings.

## BUSINESS OF THE CORPORATION

As at March 31, 2003, the Corporation's principal interests in mining operations and advanced exploration properties were as follows:

- a 55 per cent equity interest in Çayeli Bakir Isletmeleri A.S. ("ÇBI"), which owns the Çayeli copper and zinc mine in northeast Turkey.

- a 100 per cent equity interest in Pyhäsalmi Mine Oy ("PMO") which owns the Pyhäsalmi copper-zinc-pyrite mine in central Finland.

- a 100 per cent interest in the Troilus gold mine in northern Quebec, an open pit gold and copper mine.

- an 18 per cent equity interest in Ok Tedi Mining Limited ("OTML"), whose principal asset is the Ok Tedi mine, a major open-pit copper and gold mine in Papua New Guinea.

- a 100 per cent interest in the Izok property, a zinc-copper deposit in the territory of Nunavut, Canada.
- a 48 per cent equity interest in Minera Petaquilla S.A., which owns the Petaquilla copper deposit in Panama.
- a 3.3 per cent net proceeds interest relating to the Antamina zinc-copper mine in Peru.

## GENERAL DEVELOPMENT OF THE CORPORATION A THREE YEAR HISTORY

Major developments in each of the fiscal years ended December 31, 2000 to December 31, 2002 were as follows:

**2002**

The Corporation recorded net income of $7.4 million or $0.09 per share, compared to 2001 net income of $18.9 million or $0.44 per share (inclusive of a $15 million reduction in provisions for reclamation costs at closed mine properties). A combination of flat copper and zinc prices, together with the Corporation's recognition of $4.7 million in stock-based compensation, somewhat offset an increase in income resulting from the acquisition of Pyhäsalmi. As at December 31, 2002, Inmet had cash and short term investments of $76.5 million.

- January 15—The Corporation received a judgment awarding it $88.2 million in damages in lieu of specific performance in its British Columbia Supreme Court action against Homestake Canada, Inc. The action was commenced in connection with the failure of Homestake to complete the purchase of the Troilus mine in 1997. On February 7, 2002, the Corporation received a copy of a Notice of Appeal filed by Homestake with the British Columbia Court of Appeal to set aside the judgment. The Corporation subsequently filed a cross appeal to deal with the fact that interest was not awarded on the $88.2 million. Both the appeal and the cross-appeal is expected to be heard by the British Columbia Court of Appeal in June 2003.
- February 7—BHP Billiton Limited "("BHP Billiton") effected its withdrawal as a shareholder of OTML and new arrangements for the ownership and operation of OTML came into force.
- February 22—The Corporation entered into a put-call agreement with Noranda Inc. under which the Corporation may require Noranda to purchase, and Noranda may call upon the Corporation to sell, at any time until the end of 2003, the Corporation's 3.3 per cent net proceeds interest relating to the Antamina zinc-copper mine in Peru.
- March 14—The Corporation completed the acquisition of an additional six per cent equity interest in ÇBI announced in December, 2001 bringing its total equity interest in ÇBI to 55 per cent.
- March 19—The Corporation completed the acquisition of PMO from Outokumpu Oyj ("Outokumpu") and established a U.S.$40 million revolving credit facility announced in December, 2001.

- October 28—The Corporation announced that the Çayeli mine had experienced a series of ground fall events in the upper levels of the mine on October 25. No injuries to workers or damage to equipment or mine infrastructure resulted. Mining recommenced from the mine's lower levels during the week of December 9 at approximately 50 per cent capacity with a ramp up to full capacity anticipated by the end of the second quarter of 2003.

**2001**

The Corporation recorded net income of $18.9 million or $0.44 per share, up from $0.14 per share in 2000. This amount included a $15 million reduction in provisions for reclamation costs at closed mine properties. Earnings before the reduction in the reclamation cost provision were $3.9 million in 2001, compared to $8.4 million in 2000, due mainly to a substantial decline in metal prices that was partially offset by increased sales volumes at the Troilus mine and reduced spending on corporate development and exploration and general and administrative costs relative to 2000. At year end, the Corporation had cash and short-term investments of $63.9 million. Major developments included:

- March— ÇBI settled a labour strike that commenced on December 7, 2000 at the Çayeli mine. A new three-year contract was entered into between ÇBI and its unionized workforce effective from May 2000.

- May— The Corporation obtained shareholder approval for an amended and restated shareholder rights plan.

- May—The Corporation renewed its normal course issuer bid to acquire up to 2.9 million of its common shares through the facilities of The Toronto Stock Exchange. The renewal was effective May 7, 2001. In 2001, the Corporation purchased 1,126,800 of its common shares at an average cost of $2.00 per share.

- October—The Corporation's Board approved a heads of agreement between the Corporation, BHP Billiton and the Independent State of Papua New Guinea ("PNG") outlining the terms for the withdrawal of BHP Billiton as a shareholder of OTML.

- December—Inmet reduced its reclamation provisions for future estimated spending at its closed mine properties by $15 million. The reduction was included in earnings for the fourth quarter of 2001.

- December—The Corporation entered into an agreement with Outokumpu to acquire all of the issued and outstanding shares of PMO and to establish an alliance with Outokumpu to co-operate in the areas of mining and mineral processing, technology, smelting, refining and the development of future mining projects.

- December—The Corporation obtained a commitment for a U.S.$40 million revolving credit facility from a Canadian chartered bank and three non-Canadian banks.

**2000**

The Corporation recorded net income of $8.4 million or $0.14 per share, down from $0.84 per share in 1999. The decrease in earnings compared to 1999 resulted from decreased gold production at Troilus, the fact no dividends were paid by Ok Tedi during the year, increased corporate development expenditures and increased taxes at Çayeli. An additional factor in the difference in earnings from 1999 was a reduction in 1999 in the Corporation's provision for reclamation costs by $20 million in respect of closed sites that accounted for earnings per share of $0.52. At year end, the Corporation had cash and short-term investments of $77.3 million. Major developments included:

- Repurchase of 1,935,000 of the Corporation's outstanding common shares under a normal course issuer bid at an average cost of $2.04 per share. At December 31, there were 36,402,400 common shares outstanding.

- Interruption of operations at Çayeli from December, 2000 to March, 2001 due to a labour strike.

## SUBSEQUENT DEVELOPMENTS OF THE CORPORATION IN 2003

- March 26—The Corporation announced an increase of gold reserves at the Troilus mine from approximately 550,000 ounces to approximately 1.04 million ounces of recoverable gold, leading to an extension of the mine's expected life to 2010.

- March 31—Inmet completed the sale of its interest in the Jaguar Deposit, located in Western Australia, to Pilbara Mines Limited, Inmet's partner in the Teutonic Bore project. As a result of the sale, Inmet received $2.2 million Australian dollars and became fully vested in the Teutonic Bore Joint Venture with a 65 per cent interest.

## NARRATIVE DESCRIPTION OF THE CORPORATION

The Corporation's principal business is mining. The following is a description of the Corporation's mining operations and other principal assets. Mineral reserve and mineral resource estimates are set out on page 21 of this Annual Information Form.

## OPERATIONS

### ÇAYELI MINE

*__Ownership Interests__*

ÇBI is a corporation incorporated under the laws of the Republic of Turkey. Its principal asset is the Çayeli copper and zinc mine located in northeast Turkey. As of March 14, 2002, the Corporation has a 55 per cent interest in ÇBI. The other shareholder in Çayeli is Eti Holding A.S. (a Turkish state-owned mining entity), holding 45 per cent.

### *Property Interests and Location*

The Çayeli ore body is located within the boundaries of a mining operating license granted by the Government of Turkey, with an area of 203.1 hectares. The operating license expires on July 29, 2044. Eti Holding A.S. is the holder of the operating license and has leased the operating license to ÇBI, for a term that expires on July 29, 2044.

Çayeli is located in the Province of Rize near the Black Sea coast of northeastern Turkey. Situated at an elevation of about 100 metres, the plant site is located on the western flood plain of the Büyükdere River directly across from the town of Madenli about seven kilometres from the Black Sea coast. The town of Çayeli is located where the Büyükdere River enters the Black Sea and lies about 18 kilometres east of the city of Rize.

### *Geology*

Çayeli is a Cretaceous age volcanogenic massive sulphide deposit. The deposit has a known strike length of over 600 metres, extends to a depth of at least 500 metres and varies in thickness from a few metres to 80 metres, averaging about 20 metres. The average dip is 65 degrees to the north-northwest and the deposit is open down dip and to the north. The deposit occurs at the contact between altered footwall felsic volcanic flows and pyroclastic and hanging wall mafic volcanics.

The deposit consists of massive and stockwork sulphides. The mineralization includes pyrite, chalcopyrite and sphalerite with lesser amounts of galena and tetrahedrite. The massive sulphide ore is classified into Yellow Ore, which is zinc poor, Black Ore that is zinc rich and Clastic Ore, which contains copper, zinc and only appreciable lead. In the Clastic Ore, the sphalerite contains inter-growths and inclusions of chalcopyrite and requires batch processing through the mill. Stockwork ore containing pyrite and chalcopyrite in veins occurs stratigraphically below the massive sulphides.

### *Mining and Processing*

In 2002, ÇBI produced 32,600 tonnes of copper and 33,100 tonnes of zinc in concentrates. Daily mill throughput improved from 2,815 in 2001 to 2,896 tonnes per day in 2002 and copper and zinc recoveries were 87 per cent and 72 per cent, respectively.

During 2002, ÇBI prepared for a further increase of its throughput capacity by 25 per cent to 1.25 million tonnes per year. Mill improvements, which include the installation of additional crushing and concentrate filtering capacity to accommodate this higher throughput rate, are mostly complete. ÇBI also successfully completed the installation and commissioning of a new long-term and higher capacity submarine tailings pipeline. ÇBI's 2002 operational results were impacted by a ground fall event that occurred on October 25, 2002. The event was caused by the sudden failure of an ore pillar located in the mostly mined out upper south area of the mine. No injuries occurred but production was suspended until December 9, 2002 to restore affected areas in the main access ramp. ÇBI has developed a comprehensive plan to rehabilitate the affected areas and implemented changes to the operation to minimize the potential of future events. ÇBI has already taken steps to move its future infrastructure into the footwall and change its mining sequence to improve the ground conditions around the mine workings. In spite of this event, ÇBI achieved a mill throughput of 895,000 tonnes for the year, its highest since operations commenced in 1994.

In 2003, ÇBI expects its production rate to ramp-up to the current one million tonne annual capacity by the middle of the year with a further increase expected towards the end of the year to 1.25 million tonnes of annual capacity. In 2003, ÇBI is expected to mine 950,000 tonnes with average grades of 4.7 per cent copper and 5.6 per cent zinc. Zinc grades are expected to be higher than in previous years as the result of zinc-rich stopes included in the 2003 mine plan. In May, 2003, the collective bargaining agreement will expire and ÇBI will shortly commence negotiations with its hourly workforce to enter into a new agreement.

Approximately 40 per cent of ÇBI's proven and probable mineral reserves are located below the bottom of the existing shaft. ÇBI is currently evaluating two alternatives with respect to the most economical means of accessing its deeper mineral reserves. One alternative involves completing detailed engineering on the deepening of its existing shaft during 2003. If the shaft extension proceeds, it is expected that it will nearly double the depth of the existing shaft which is currently 280 metres in depth. ÇBI anticipated a potential shaft extension during the initial sinking. As a result, a second service hoist was installed to permit continued mine production in the event the shaft is extended. In light of the advances over the years in efficient and cost effective underground ore transportation, the second alternative involves investigating the option of using a fleet of modern haul trucks to transport the ore through the footwall ramp to the bottom of the existing hoisting shaft. A final decision on how ÇBI will move forward to access its deeper reserves should be made in 2003.

Approximately 70 per cent of ÇBI's copper and zinc concentrates are sold under long-term contracts with the balance sold in the spot market at prevailing market prices. ÇBI's concentrates are shipped out from the port at Rize, located on the Black Sea coast.

Mineral reserve and mineral resource estimates for ÇBI are set out on page 21 of this Annual Information Form. Çayeli is expected to continue operations until at least 2016.

***Operating Costs and Capital Expenditures***

Cash costs of U.S.$0.43 per pound of copper were lower than 2001 cash costs of U.S.$0.47 per pound, as a result of lower treatment and refining costs and increased by-product credits from higher zinc production.

Capital expenditures during 2002 amounted to U.S.$8 million compared to U.S.$4.7 million in 2001. These primarily related to replacement of the tailings pipeline and expansion of throughput capacity from 1 million tonnes to 1.25 million tonnes per year.

**TROILUS MINE**

***Ownership Interests***

The Corporation owns a 100 per cent interest in the Troilus gold and copper mine in northern Quebec.

***Property Interests and Location***

The Troilus property encompasses one mining lease covering an area of 840 hectares and, surrounding and adjacent to the mining lease, 481 unpatented claims covering a total area of 7,511.5 hectares. The property also includes five surface leases over an area of 1,502.4 hectares which includes the tailings lease, camp site, solid waste disposal site and access road.

The Troilus property is located some 175 kilometres north of Chibougamau at an elevation of 400 metres. It can be reached by following Route 167 paved road for 23 kilometres and Route du Nord gravel road for 108 kilometres and an all-weather dirt road extension from the Route du Nord for the final 44 kilometres. The site is located on Category III lands under the James Bay and Northern Quebec Agreement.

***Geology***

The Troilus disseminated gold and copper deposit is located in the eastern section of the Archean Frotet-Evans greenstone belt. The host rocks consist predominately of mafic lavas and intrusives with lesser intermediate to felsic volcaniclastic metasediments intruded by numerous sills and dykes of felsic porphyries.

Gold generally occurs as electrum and native gold. The gold occurs as discrete grains, from 20 to 4,000 microns in diameter, along sulphide grain boundaries, along fractures within the sulphides and along grain boundaries in small quartz veinlets. The mineralization contains two to three per cent sulphides. Sulphides are pyrite, chalcopyrite, pyrrhotite, and rarely sphalerite. The sulphides form disseminations, tiny veinlets, and narrow semi-massive seams that are controlled by both foliation and fractures. The mineralization occurs within a zone of potassic altered in-situ brecciation at the margin of a mafic intrusive. Mineralization also occurs in felsic dykes cutting the zone.

Reserves are reported from two zones: the principal ore body, the 87 Zone, and one satellite ore body, the J4 Zone. The mineralized zone strikes in a northeast-southwest direction, dips at approximately 55 degrees to 65 degrees to the northwest. The 87 Zone ranges in width from from 10 metres to 100 metres and has a strike length of 1,000 metres.

***Mining and Processing***

Over the last several years, Troilus has implemented numerous technical upgrades to steadily improve its production efficiencies and operational results. In 2002, Troilus processed over 5.7 million tonnes of ore at a grade of 1.1 grams of gold per tonne, the highest mill throughput since the start-up of the operation in 1996, and produced 164,900 ounces of gold and 6,800 tonnes of copper.

On March 26, 2003, Inmet announced that the gold reserves at Troilus had increased to over 1.0 million recoverable ounces, almost double the previous reserves, as a result of operational improvements and additional in-fill drilling. As a result of these developments, the resource model and pit boundaries were revised and a new life-of-mine plan was developed that extends the mine's life to 2010. See "Mineral Reserves and Resources" on page 21 of this Annual Information Form.

In 2003, Troilus should mill approximately 5.9 million tonnes at a grade of 1.0 grams of gold per tonne and produce approximately 165,000 ounces of gold. For the remainder of 2003, Troilus' production will come mostly from the 87 north push-back. In addition, the J-4 pit will be further developed in the fourth quarter.

The Corporation has entered into an impact and benefits agreement with the Mistissini Band of the Cree, in accordance with applicable provisions of the James Bay and Northern Quebec Agreement, for the employment of Cree employees from the local community of Mistissini.

All copper concentrate production from Troilus is sold under a long-term agreement to a third party smelter. Contracts for the refining of gold doré are negotiated on an annual basis. Refined gold is sold in the open market.

Mineral reserves and resources for Troilus are set out on page 21 of this Annual Information Form.

### *Operating Costs and Capital Expenditures*

Troilus' 2002 cash costs per ounce of gold of U.S.$247 compared to U.S.$232 per ounce in 2001 were higher due to higher mining costs associated with increased stripping of waste. Costs incurred in relation to the mining of waste in excess of the average life-of-mine strip ratio were capitalized.

Capital expenditures at Troilus, excluding capitalized stripping, for the full year were $4.5 million compared to $3.4 million in 2001 largely as a result of development of the J-4 zone that commenced in December 2002, earlier than originally planned. For the year, capitalized stripping costs were $3.8 million or $2.9 million higher than in 2001 as mining costs for waste in excess of the average life-of-mine strip ratio were capitalized. Capitalized stripping was higher than expected as additional waste expected to be mined in 2003 was moved forward to 2002. These costs will be amortized in future periods when the strip ratio is below the life-of-mine average.

In 2003, capital requirements, excluding capitalized stripping, are expected to increase to approximately $5.2 million as a result of further development of the J-4 pit and equipment upgrades and purchases resulting from the extension of the mine life.

## OK TEDI MINE

### *Ownership Interests*

On February 7, 2002, arrangements came into effect under which BHP Billiton transferred its 52 per cent equity interest in OTML to PNG Sustainable Development Program Limited ("SDPL"). SDPL is independent of the Government of PNG and BHP Billiton and has a mandate to fund development in PNG. The arrangements were given the force of law under legislation passed by the National Parliament of PNG in December, 2001.

Following the transfer to SDPL, Inmet maintains its 18 per cent interest in OTML while the Government of PNG holds 30 per cent and the SDPL holds 52 per cent. The revised OTML board structure provides for six directors: one nominee from each shareholder and three independent directors with international mining experience. The revised shareholders agreement does not obligate Inmet to fund any cash requirements of Ok Tedi nor does it provide, as was the case with the prior shareholders agreement, the other shareholders with the option to purchase Inmet's equity interest in OTML at fair value should a third party acquire control of Inmet. OTML also benefits from an obligation on the part of BHP Billiton to purchase, if requested by OTML, copper concentrates delivered to the Kiunga port in agreed upon amounts prior to February 2005.

A new environmental regime and long-term mine closure planning process was provided for in the new OTML arrangements. As part of the environmental regime, OTML submitted a change notice to convert the test dredging operation into a permanent one to mitigate the future impact of aggradation build-up in the Ok Tedi and Fly River system. The annual dredging cost is approximately U.S.$35 million. In addition, OTML has established a tax-deductible fund to which it will contribute cash over the balance of the remaining mine life for reclamation of the mine site, the cost of which is currently estimated to be U.S.$150 million.

SDPL is mandated to use future dividend payments from OTML to fund current and long-term sustainable development projects in PNG and in particular, the Western Province. Almost all communities affected by the operation of the Ok Tedi mine provided their consent to its continued operation under community mine continuation agreements ("CMCAs") between each such community and OTML. Under the CMCAs, OTML and its shareholders are released from claims relating to future environmental impacts and OTML will provide approximately U.S.$47 million in compensation to affected communities over the remaining life of the mine.

### *Property Interests and Location*

The Ok Tedi mine is located on Mount Fubilian in the remote Star Mountains region of PNG, approximately 18 kilometres east of the international border with the Indonesian province of Irian Jaya, at an elevation of 1800 metres above sea level. The ore body consists of a massive copper and gold porphyry deposit. Ore treatment facilities are 1.6 kilometres away at Folomian, 420 metres below the mine. The mine and the nearby processing plant are situated on the upper reaches of the Ok Tedi River, a major tributary of the Fly River. The Fly River is the primary mine supply and copper concentrate transport route. Use of the river, which in one area serves as the border between PNG and the Indonesian province of Irian Jaya, is in part governed by "Arrangements for the Use of the Fly River for the Ok Tedi project", a 1981 agreement between PNG and Indonesia. The town of Tabubil, 22 kilometres from the mine, currently houses the operating personnel and their families.

OTML owns and operates the Ok Tedi mine by virtue of the Mining (Ok Tedi Agreement) Act of 1976 (as amended) and under various mining leases under grant from the Government of PNG.

### *Geology*

Copper and gold mineralization at Ok Tedi is typical of many gold-rich porphyry-related copper deposits in the circum-Pacific Island Arc Terranes. The main body of mineralization at Ok Tedi is related to the intrusion and alteration of a monzonite porphyry stock. Subsequent leaching and re-deposition of copper minerals produced a leached cap and an enriched copper zone, which overlies protore sulphide mineralization. Significant residual gold mineralization was dominant in the leach cap where copper was removed in the weathering process. Similar gold values extended downwards into the copper mineralization in an annulus about a barren quartz stockwork core roughly centred in the Fubilian monzonite porphyry intrusive. The gold values correlate well with copper in the primary sulphide mineralization. Skarn ore is developed where flat lying and sub-vertical faults locally controlled hydrothermal fluids and subsequent metasomatic alteration of the sedimentary rocks surround the intrusions.

### *Mining and Processing*

During the fall of 2002, low water levels in the Ok Tedi and Fly Rivers caused by El Niño weather conditions impacted Ok Tedi's ability to ship concentrates to its customers. During this period, Ok Tedi continued operating while stockpiling concentrates at the Kiunga wharf and at the mine site. In January 2003, heavy rainfalls returned and resulted in a more consistent shipping schedule. In 2002, Ok Tedi produced 211,000 tonnes of copper and 515,000 ounces of gold in 2002. Since the beginning of 2003, Ok Tedi has significantly reduced its concentrate stockpiles that had accumulated to over 200,000 tonnes as at December 31, 2002. OTML sells the majority of its concentrate production under long-term contracts with a number of smelters.

In 2003, Ok Tedi is expected to produce 193,000 tonnes of copper and 500,000 ounces of gold at cash costs above 2002 costs but in line with 2001 costs. Mill throughput capacity during the first eight weeks of 2003 was temporarily reduced to 50 per cent due to scheduled replacement of one of the two SAG mills. The new SAG mill is now operational. This also provided Ok Tedi with the opportunity to implement a series of mill upgrades in the flotation area to improve metal recoveries for copper and gold.

Mineral reserve and mineral resource estimates for Ok Tedi are set out on page 21 of this Annual Information Form. Ok Tedi has approximately nine years of remaining mine life.

During 2002, Inmet received $6.0 million in dividends from OTML. The dividends were recorded as a reduction in the carrying value of Inmet's investment in OTML. A scheduled December dividend from OTML was deferred due to the impact of the El Nîno weather conditions and a return to a more reliable shipping schedule. The dividend was subsequently paid in March 2003 of which Inmet's share was $7.9 million. In 2001, OTML paid dividends to its shareholders of which Inmet's share was $8.0 million.

### *Operating Costs and Capital Expenditures*

Cash costs of U.S.$0.44 per pound, net of gold credits, decreased compared to those in 2001 mainly as a result of high copper production and higher gold credits.

During the year, capital expenditures were approximately U.S.$11.2 million, compared to U.S. $23.5m million in 2001 when Ok Tedi replaced its fleet of mobile mine equipment.

## PYHÄSALMI MINE

### *Ownership Interests*

On March 19, 2002, Inmet completed the acquisition of all of the issued and outstanding shares of PMO, the owner of the Pyhäsalmi mine located in central Finland, as well as associated mining concessions and over 3,000 hectares of other exploration claims located in Finland from Outokumpu

Mining Oy, a subsidiary of Outokumpu. In return, Inmet delivered to Outokumpu at closing €45 million in cash, a €14 million 10-year subordinated, unsecured six per cent promissory note with no repayment of principal until maturity and 4 million common shares of the Corporation issued at a price of $4.50 per share.

***Property Interests and Location***

The Pyhäsalmi mine is located in central Finland, four kilometres southeast of the town of Pyhäjärvi, on Lake Pyhäjärvi. There are three cities (Oulu, Jyväskylä and Kuopio) served by airports within a two hour drive from the mine. A rail spur joins the mine to the national network and to the port of Kokkola, located 170 kilometres to the west on the Gulf of Bothnia.

Pyhäsalmi's mining concession consists of two leases; a mining lease totaling 59.2 hectares and an auxiliary lease totaling 352.4 hectares. The mining lease covers all the mineralization and the mine itself and the auxiliary lease covers all other areas used for mining purposes (tailings ponds, etc.). PMO holds both mining concession leases.

***Geology***

The Pyhäsalmi deposit is a copper zinc volcanogenic massive sulphide deposit of Proterozoic age. The mineralization is hosted by altered felsic and mafic volcanics. The enveloping alteration zone is at least four kilometres long and one kilometre at its widest point. Alteration in the felsic volcanics includes sericite and cordierite dominated wide mineralogies. In the altered mafic volcanics, cordierite, anthophyllite and garnet dominate. The metamorphic grade is upper amphibolite facies.

The upper part of the Pyhäsalmi deposit was mined between 1962 and 2001 and has now been depleted. Deep drilling in 1996 by Outokumpu Oyj, the previous owner, led to the discovery of an extension to the deposit below the +1050 metre level.

The new deep deposit is located between the +1050 metre level (from surface) and the +1416 metre level. Its maximum length is 420 metres and maximum width is 200 metres. The inner part of the lens consists of massive pyrite with low copper and zinc values. This core is surrounded by massive chalcopyrite-pyrite and the outer rim consists of massive sphalerite-pyrite. Main sulphide minerals are pyrite (65 per cent), chalcopyrite (three per cent), sphalerite (four per cent) and pyrrhotite (three per cent). The ore is very coarse grained.

***Mining and Processing***

The Pyhäsalmi mine is expected to operate until 2016. The mine includes a newly constructed 1,450 metre deep, fully automated hoisting shaft and uses the latest technology, processing at a rate of approximately 1.2 million tonnes of ore per annum. The resulting copper and zinc concentrates are of high quality, with grades of approximately 30 per cent copper and 55 per cent zinc, respectively. Pyhäsalmi benefits from low transportation costs to neighboring customer smelters operated by Outokumpu. The mine is also Europe's leading producer of high purity pyrite concentrate, used in fertilizer production and to generate energy and produce sulphuric acid. PMO has approximately 200 employees.

### *Operating Costs and Capital Expenditures*

For the nine months ended December 31, 2002, Pyhäsalmi produced 11,200 tonnes of copper, 26,300 tonnes of zinc and 396,5000 tonnes of pyrite at a cash cost per pound of copper of U.S.$0.28. For the year ended December 31, 2002, Pyhäsalmi produced 14,400 tonnes of copper, 34,500 tonnes of zinc and 570,500 tonnes of pyrite at the same cash cost per pound of copper. Capital expenditures for 2002 amounted to €6.0 million. Planned capital expenditures in 2003 of €2 million relate to underground development and the addition of a dust extraction system in the mill.

## Outokumpu Alliance

Contemporaneously with the closing of the acquisition of PMO by Inmet in March 2002, Inmet and Outokumpu Oyj established an alliance to cooperate in the area of mining and mineral processing technology, smelting and refining and the development of future mining projects, including life-of-mine arm's length off-take agreements for the purchase by Outokumpu of copper and zinc concentrates from the Pyhäsalmi mine.

### *Off-Take Alliance Agreement*

Under an off-take alliance agreement, the Corporation and Outokumpu have agreed to cooperate on the supply of zinc and copper concentrates from current and future mines. Where the Corporation seeks long-term off-take agreements for any mine or development property that is wholly-owned by the Corporation (an "Inmet Mine") or over which it exercises control, direction or significant influence with respect to decisions relating to the sale of base metals concentrates (an "Inmet Controlled Mine"), the Corporation will notify Outokumpu on at least an equal basis with other parties and invite Outokumpu to offer to purchase copper and/or zinc concentrates. Where the Corporation, acting reasonably, determines the terms of Outokumpu's offer are competitive, then, in the case of an Inmet Mine, the parties shall in good faith negotiate a concentrates agreement, and in the case of an Inmet Controlled Mine, and subject to the terms of any shareholder, joint venture or similar agreement and the reasonable interests of the minority shareholders or joint venturers, Inmet will support the offer made by Outokumpu. Separately, Outokumpu and PMO also entered into life-of-mine arms' length off-take agreements at market terms for the purchase by Outokumpu of copper and zinc concentrates from the Pyhäsalmi mine.

### *Technology Alliance Agreement*

Outokumpu and the Corporation also entered into a technology alliance agreement under which the Corporation shall provide Outokumpu with the opportunity to participate in the provision of relevant services and equipment. Where the Corporation acting reasonably, determines that the terms of Outokumpu's tender or proposal is competitive, then, in the case of an Inmet Mine, Outokumpu has the right to provide the relevant services or equipment. In the case of an Inmet Controlled Mine, and subject to the terms of any shareholder, joint venture or similar agreement and the reasonable interests of the minority shareholders or joint venturers, the Corporation will support the tender made by Outokumpu. PMO has also made available to Outokumpu for research and demonstration purposes the Pyhäsalmi mine. Outokumpu has also granted to PMO a perpetual royalty-free licence to use Outokumpu intellectual property, including improvements thereon developed by Outokumpu, in the operations of the Pyhäsalmi mine.

***Alliance Term***

The off-take alliance agreement and the technology alliance agreement shall each survive for a maximum of ten years but either agreement can be terminated by either party after March 19, 2005 on 30 days prior written notice if: (1) Outokumpu fails to maintain at any time after such third anniversary a holding that is the greater of 4million common shares of the Corporation and five per cent of the then issued and outstanding common shares of the Corporation and (2) the promissory note issued to Outokumpu in connection with the acquisition of PMO has been repaid.

***Pre-emptive Right and Share Sale Agreement***

The Corporation and Outokumpu also entered into a pre-emptive right and share sale agreement. Under the terms of this agreement, Outokumpu is prohibited from disposing of the four million common shares of the Corporation it received in the PMO purchase transaction for a period of three years except to secure indebtedness of a member of the Outokumpu group to a financial institution. Thereafter, Outokumpu may only sell these shares under a prospectus or through a pre-arranged trade or a series of trades provided that aggregate sales on any trading day may not exceed 10 per cent of the average daily trading volume for the Corporation's common shares for the preceding 20 trading day period. Outokumpu was also granted a pre-emptive right by the Corporation with respect to future sales by the Corporation of its common shares and other equity securities excluding issuance of equity securities in connection with a bona fide business acquisition, stock option exercises or conversion or the exercise of existing convertible securities. If Outokumpu ceases to own at least five per cent of the Corporation's common shares by reason of any transaction by the Corporation and provided that (a) Outokumpu has previously exercised all of its rights under the agreement to acquire equity securities of the Corporation and (b) at least one of the other alliance agreements remains in full force and effect, then the Corporation must offer to Outokumpu on a private placement basis and at a price equal to the average daily closing price of common shares for the preceding 20 day trading period, that number of common shares of the Corporation necessary to return Outokumpu's holdings of common shares to 5 per cent of the Corporation's then outstanding common shares. Outokumpu will have 30 days following receipt to accept the Corporation's offer. Subject to Outokumpu being first provided with the opportunity to complete a purchase of common shares of the Corporation under a private placement offer as described above, Outokumpu's pre-emptive right under the agreement shall terminate on the later of the third anniversary of closing and the date on which the percentage of common shares of the Corporation held by Outokumpu falls below the greater of (a) 5 per cent of the issued and outstanding common shares of the Corporation (b) 4,000,000 divided by the sum of the number of issued and outstanding common shares of the Corporation as at March 19, 2002, being 39,275,600 common shares, and the total number of common shares issued by the Corporation after March 19, 2002 to which Outokumpu's pre-emptive right does not apply.

Under the pre-emptive right and share sale agreement, Outokumpu is also entitled to nominate one individual for election to the Corporation's board of directors. As a result, Dr. Jyrki Juusela, Chief Executive Officer and President of Outokumpu, was nominated and elected as a director of the Corporation.

## RECLAMATION

The Corporation has a number of reclamation projects involving closed mining properties including: Copper Range in Michigan; Winston Lake in Schreiber, Ontario; Sturgeon Lake, near Ignace, Ontario; Norbec, in northern Quebec; and Samatosum, near Barriere, British Columbia.

Reclamation spending in 2002 was $ 2.8 million, compared to $3.3 million in 2001. In 2003, reclamation spending is expected to remain at similar levels.

At ÇBI, approval was granted for a new tailings outfall line. This followed extensive modeling to demonstrate that impacts from the decreased depth of discharge would have minimal environmental impact. At Troilus, an updated closure plan was prepared and submitted to the Province of Quebec for review and approval. The Troilus closure cost estimate was reduced from $7.4 million to $4.1 million.

Reclamation activities at Inmet's closed properties progressed according to plan during 2002. At the Copper Range Company site in Michigan, a remedial action plan incorporating comments from the State of Michigan was submitted for final approval. Copper Range has recently entered into an agreement with the State of Michigan to amend a Consent Decree that governs the closure activities for Copper Range. Under this agreement, Inmet will be released from the requirement to provide financial assurance other than its corporate guarantee to secure performance of the outstanding closure activities of Copper Range. The amended Consent Decree is expected to receive court approval by the end of April. Inmet is negotiating a transfer for nominal value of the ownership of the underground mine to a third party that intends to use the mine workings for agricultural purposes.

## Mineral Reserves and Resources

The following table presents the Corporation’s mineral reserves and resources as estimated as at December 31, 20021 and 2001 [1] [2]:

| | Inmet’s Interest (%) | 2002 Tonnes (x 1000) | 2002 Cu % | 2002 Zn % | 2002 Au g/t | 2002 Ag g/t | 2002 S % | 2001 Tonnes (x 1000) | 2001 Cu % | 2001 Zn % | 2001 Au g/t | 2001 Ag g/t | 2001 S % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Properties** | | | | | | | | | | | | | |
| ***Mineral Reserves***[6] | | | | | | | | | | | | | |
| ÇBI - Proven | 55 | 7,350 | 4.0 | 5.8 | 0.6 | 44 | - | 5,000 | 4.5 | 5.7 | 0.6 | 41 | - |
| ÇBI - Probable | 55 | 8,600 | 3.2 | 5.5 | 0.5 | 49 | - | 11,900 | 3.5 | 5.8 | 0.5 | 50 | - |
| ÇBI - Total | 55 | 15,950 | 3.6 | 5.7 | 0.5 | 47 | - | 16,900 | 3.8 | 5.8 | 0.5 | 47 | - |
| Troilus - Proven | 100 | 4,700 | 0.1 | - | 0.9 | 1.1 | - | 9,800 | 0.1 | - | 0.8 | 1.1 | - |
| Troilus - Probable | 100 | 37,800 | 0.1 | - | 1.0 | 1.1 | - | 17,700 | 0.1 | - | 1.1 | 1.1 | - |
| Troilus - Total | 100 | 42,500 | 0.1 | - | 0.9 | 1.1 | - | 27,500 | 0.1 | - | 1.0 | 1.1 | - |
| Ok Tedi - Proven | 18 | 240,500 | 0.9 | - | 0.9 | - | - | 240,900 | 0.9 | - | 0.9 | - | - |
| Ok Tedi - Probable | 18 | 33,200 | 0.6 | - | 0.7 | - | - | 35,600 | 0.6 | - | 0.7 | - | - |
| Ok Tedi - Total | 18 | 273,700 | 0.9 | - | 0.9 | - | - | 276,500 | 0.9 | - | 0.9 | - | - |
| Pyhäsalmi - Proven | 100 | 13,200 | 1.2 | 2.5 | - | - | 42 | 8,885 | 1.2 | 2.3 | - | - | 40.0 |
| Pyhäsalmi - Probable | 100 | 4,000 | 1.2 | 2.9 | - | - | 42 | 8,264 | 1.0 | 3.4 | - | - | 38.4 |
| Pyhäsalmi - Total | 100 | 17,200 | 1.2 | 2.6 | - | - | 42 | 17,149 | 1.1 | 2.9 | - | - | 39.3 |
| ***Mineral Resources***[3, 5] | | | | | | | | | | | | | |
| ÇBI - Inferred | 55 | 3,300 | 5.8 | 8.7 | - | - | - | 2,900 | 4.9 | 6.9 | - | - | - |
| Pyhäsalmi - Measured | 100 | 9,500 | 0.7 | 0.6 | - | - | 44 | 20,158 | 0.94 | 1.3 | - | - | 43.0 |
| Pyhäsalmi - Indicated | 100 | 2,500 | 0.9 | 1.2 | - | - | 42 | 13,697 | 0.97 | 2.5 | - | - | 41.8 |
| Pyhäsalmi - Total | 100 | 12,000 | 0.7 | 0.7 | - | - | 44 | 33,855 | 0.96 | 1.8 | - | - | 42.5 |
| **Undeveloped Properties** | | | | | | | | | | | | | |
| ***Mineral Resources***[4] | | | | | | | | | | | | | |
| Petaquilla - Indicated | 48 | 1,096,500 | 0.5 | - | 0.1 | - | - | 1,096,500 | 0.5 | - | 0.1 | - | - |
| Izok - Indicated | 100 | 16,500 | 2.2 | 11.4 | - | 60 | - | 16,500 | 2.2 | 11.4 | - | 60 | - |

(1) There are no known environmental, permitting, legal, taxation, political or other relevant issues that would materially affect the estimates of mineral reserves.

(2) Mineral reserves, and mineral resources are shown on a 100 per cent basis for each property, other than as indicated under “Inmet’s Interest”.

(3) Mineral resources do not have demonstrated economic viability.

(4) Mineral resources for Petaquilla and Izok have been calculated using appropriate dilution and mining recovery factors.

(5) Çayeli mineral resources are in addition to mineral reserves. Pyhäsalmi mineral resources are inclusive of mineral reserves for 2001 but in addition to mineral reserves for 2002. Mineral resources for Çayeli and Pyhäsalmi are insitu and diluted.

(6) Revised mineral reserve estimate for Troilus as at December 31, 2002 announced on March 26, 2003.

Notes to Mineral Reserves and Resources Table

Mineral reserves and resources have been estimated at December 31, 2002 in accordance with definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum on August 20, 2000 (the "CIM Definitions").

Reserves and resources for ÇBI were prepared under the supervision of Robert Sim, P. Geol. (Chief Geologist, ÇBI), who is a qualified person for the purposes of National Instrument 43-101. ÇBI's reserves and resources are estimated based on a 2.5 per cent copper equivalent cut-off grade which corresponds to a copper price of U.S.$0.90 per pound.

Reserves and resources for Pyhäsalmi were prepared under the joint supervision of Frank Balint, P. Geol. (Vice-President, Corporate Development, Inmet) and Joseph Boaro, P. Eng. (Senior Project Engineer, Pyhäsalmi), who are qualified persons for the purposes of National Instrument 43-101. Pyhäsalmi's reserves have been calculated using a copper price of U.S.$0.90 per pound and an exchange rate of €1.00 = U.S.$1.00 and a net smelter return cut-off of €22.50 per tonne.

The reserve estimate for Troilus was prepared by Inmet employees under the supervision of Eric Lamontagne, P. Eng. (Chief Engineer, Troilus), who is a qualified person for the purposes of National Instrument 43-101. Troilus' reserves have been calculated using a gold price of U.S.$325 per ounce, a copper price of U.S.$0.90 per pound and is based on a cut-off grade of 0.45 grams of gold per tonne. Resource calculations were prepared by employees of Inmet under the supervision of Luke Evans, M.Sc., P. Eng., (Consulting Geological Engineer, Roscoe Postle Associates Inc.). Mr. Evans is a qualified person for the purposes of National Instrument 43-101. The resource has been calculated on a block modeling basis, using blocks of 10 by 10 by 10 metres and a cut-off grade of 0.45 grams per tonne of gold.

Reserves for Ok Tedi were prepared by Ok Tedi Mining Limited ("OTML") and provided to Inmet. OTML has advised that these reserves as at December 31, 2002 have been determined by adjusting for production between June 30, 2002 and December 31, 2002 reserves calculated and certified as at June 30, 2002 in accordance with the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves, published by the joint ore reserves committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Australian Mining Industry Council (the "Australasian Code"). The competent persons, as defined in the Australasian Code, responsible for the estimate included Stuart L. Green (Technical Services Manager, OTML). Inmet has not independently verified these reserves. Frank Balint, P. Geol. (Vice-President, Corporate Development, Inmet), a qualified person for the purposes of National Instrument 43-101, has reviewed the relevant definitions of proven and probable reserves under the Australasian Code, in relation to the estimation of proven and probable reserves by OTML, and has concluded that the confidence levels used to categorize those reserves under the Australasian Code are consistent with those required under the CIM Definitions. The Ok Tedi reserves have been calculated using a copper price of U.S.$0.90 per pound and a gold price of U.S.$300 per ounce.

Resources for Petaquilla include an assessment for mining dilution and recovery and are based on an open pit mine plan with an overall strip ratio of 1.1 to 1. The resources, which were estimated by H. A. Simons, an independent mine engineering firm, in 1998, have been calculated using a net smelter return cut-off of U.S.$3.10 per tonne of ore at a copper price of U.S.$1.10 per pound. This estimate, made before the adoption of National Instrument 43-101, continues to be relevant and reliable and uses categories that are consistent with the CIM Definitions.

Resources for Izok include appropriate mining dilution and recovery factors. The resource estimate calculation contemplates that 90 per cent of the resource could be mined from an open pit with an overall strip ratio of 3.2 to 1 and the remaining resource could be mined from underground. The resources, which were estimated by Strathcona Mineral Services Limited in March 1994, have been calculated using a net smelter return cut-off of U.S.$30 per tonne of ore at a zinc price of U.S.$0.59 per pound and a copper price of U.S.$0.90 per pound. This estimate, made before the adoption of National Instrument 43-101, continues to be relevant and reliable and uses categories that are consistent with the CIM Definitions.

## ADVANCED EXPLORATION PROJECTS

### Izok, Nunavut

#### *Ownership Interest*

The Corporation owns a 100 per cent interest in the Izok property in Nunavut. A feasibility study was completed in 1994.

#### *Property Interests and Location*

The Izok zinc, copper, and lead ore deposits are located approximately 360 kilometres north of Yellowknife, in the west Kitikmeot Region of the territory of Nunavut. Access to the property is by air from Yellowknife and Edmonton. The project is located in an isolated and uninhabited area north of the treeline, in deep permafrost and with a severe climate. There are no roads or communities within the project area and all required infrastructure would need to be constructed.

#### *Geology*

The Izok deposit is situated in the Archean age Slave Geological Province of Nunavut. It is a volcanogenic massive sulphide deposit consisting of five separate lenses of sulphides. Host rocks consist of a variety of felsic volcanic rocks (rhyolites), mafic intrusive rocks (gabbro), felsic intrusive rocks (dacite, granite) and minor sediments. The volcanic rocks are strongly altered in response to the hydrothermal processes which produced the sulphides.

Four of the five known sulphide lenses (Central, Northwest, North and South deposits) are ideally suited for open pit mining while the fifth lens (Inukshuk) is a rod shaped body plunging to the east that will require underground mining.

There are three distinct types of massive sulphides, all of which have been subject to metamorphic processes which have led to the coarsening of the original grain size. Polymetallic sulphides containing zinc, copper and lead are dominant with lesser zinc-rich sulphides (high zinc, some copper, minor lead) and copper-rich sulphides (high copper, some zinc, low lead). These three types occur in distinct zones which influence both reserve calculations and mine planning.

#### *The Project*

Substantial infrastructure costs associated with the property's remote location have been an impediment to development of it. In 2001, the Federal Government of Canada provided $3 million as part of funding to determine the feasibility of constructing a road and port in the Kitikmeot region of Nunavut with the Government of Nunavut and the private sector contributed a further $3 million. The proposed road would extend approximately 295 kilometers from a port site on Bathurst Inlet to the Izok property. The feasibility study concerning the road and port was completed prior to the end of the first quarter of 2002. A road and port project description was filed in April 2002 with the regulatory authorities.

## Petaquilla, Panama

### *Ownership Interest*

The Corporation has a 48 per cent equity interest in a Panamanian corporation, Petaquilla S.A., which owns the Petaquilla property in Panama. Adrian Resources Ltd. (“Adrian”) has a 52 per cent interest in Petaquilla S.A., of which TeckCominco Limited (“Teck”) can earn a 26 per cent interest by funding a feasibility study on the property and carrying Adrian’s remaining 26 per cent interest through to production.

### *Property Interests and Location*

The Petaquilla property comprises 136 square kilometres and is located 120 kilometres west of Panama City and 10 kilometres from the Caribbean coast.

### *Geology*

Copper, gold and molybdenum porphyry mineralization was discovered in the Petaquilla River region of central Panama during a regional survey by a United Nations Development Program team in 1968. Subsequent exploration outlined the Botija and Petaquilla porphyry deposits, which developed around granodioritic stocks within, and peripheral to, Oligocene, Petaquilla batholith. In addition to significant epithermal mineralization in a more distal setting to the batholith, several mineralized prospects and deposits have been identified.

### *The Project*

In January 1998, Teck completed a final feasibility study, which evaluated the Petaquilla porphyry deposits at daily ore throughput rates of 90,000 and 120,000 tonnes per day. The study concluded that Petaquilla has high infrastructure requirements (power, port and access) which add to the capital cost (projected to be U.S.$1 billion for a 90,000 tonne per day operation). As a result, a production decision can not be anticipated until capital costs can be reduced or copper prices improve substantially. In addition, the effect of 1999 Panamanian legislation that places a portion of the property within a projected Panama Canal watershed area must be clarified before any production decision could be made. Activities within the watershed area are to be governed by regulations (having the force of law) to be made by the Panama Canal Authority (“PCA”). As at December 31, 2002 no such regulations affecting the property have been promulgated by the PCA.

## OTHER EXPLORATION PROJECTS

The Corporation continues an exploration effort that focuses on projects and methodologies with the objective of making a discovery of a significant copper deposit. In 2002, exploration was focused geographically on the Americas, Australia and Europe. Exploration expenditures were $4.9 million in 2002, approximately the same as those in 2001.

On March 31, 2003 Inmet sold its interest in the Jaguar Deposit, located in Western Australia to Pilbara Mines Limited, its partner in the Teutonic Bore project. Inmet received $2.2 million Australian dollars and was fully vested in the Teutonic Bore Joint Venture with a 65 per cent interest as a result of the sale. Inmet will continue to jointly fund with Pilbara Mines other targets on the Teutonic Bore Joint Venture Property.

## INVESTMENT

### Antamina, Peru

The Corporation has a 3.3 per cent net proceeds interest relating to the Antamina copper-zinc mine in Peru ("NPI"). The Antamina mine commenced production in October 2001. The NPI is notionally equivalent to 3.3 per cent of the cash flow available to the shareholders of Companía Minera Antamina S.A. which owns the Antamina mine, after the shareholders have recovered their equity.

The NPI does not represent a property interest in the Antamina mine. Specifically, Teck Cominco Limited and Noranda Inc. are severally contractually obligated to pay to the Corporation an amount equal to 3.3 per cent of the amount by which gross revenues from the Antamina mine exceed actual expenditures in respect of the project (less third party indebtedness outstanding as at the date of calculation). Third party financing costs are excluded from the calculation but notional interest at a rate equal to LIBOR plus three per cent is applied to a portion of actual project expenditures (initially 60 per cent and declining to zero per cent over a twelve year period), and the calculation takes into account amounts in respect of working capital and provisions for contingencies reflected in the audited balance sheet of Compañia Minera Antamina S.A.

On February 22, 2002, the Corporation entered into a put-call agreement with Noranda Inc. under which Noranda may at any time until the end of 2003 purchase the NPI for U.S.$24 million. Alternatively, at the Corporation's option, it may require that Noranda purchase the NPI for U.S.$20 million during the first six months of 2003 and for U.S.$22.5 million during the last six month of 2003. If not exercised, the put-call agreement will expire after December 31, 2003.

## MISCELLANEOUS MATTERS

### Segmented Information

The following table allocates net sales by operation.

| *(millions of dollars)* | Year Ended December 31 2002 | 2001 | 2000 |
|---|---|---|---|
| ÇBI[1] | $ 73.6 | $ 28.4 | $ 41.7 |
| Troilus[1] | $ 90.7 | $ 78.4 | $ 62.2 |
| Pyhäsalmi | $ 47.7 | $ - | $ - |
| Total Sales | **$212.0** | **$106.8** | **$103.9** |

[1] Net of treatment charges, refining charges and freight.

### Employees

As at December 31, 2002, the Corporation employed approximately 350 people. This calculation does not reflect employment at either of Ok Tedi, ÇBI or Pyhäsalmi, which employ approximately 2,000, 380 and 200 individuals, respectively. ÇBI's workforce includes approximately 260 unionized employees who are subject to a collective agreement that will expire on May 31, 2003.

## MARKETING

Inmet's principal products are copper, zinc and gold.

### *Copper*

In 2002, world refined copper consumption rose marginally to 15.0 million tonnes. Regionally, consumption in North America fell by around 5.6 per cent and in Western Europe, consumption fell by a further 5 per cent. In Asia the growth in consumption was around 7 per cent. In Asia, most economies saw a growth in consumption, the main increase continues to be in China which registered a 9 per cent increase. On the other hand, world refined copper production is estimated to have decreased by around 2 per cent to 15.4 million tonnes in 2002. As a result, the world market balance in refined copper showed another surplus in 2002 of approximately 380,000 tonnes compared to the surplus of approximately 740,000 tonnes in 2001. LME inventories increased by around 7.5 per cent from the end of 2001 and stood at approximately 860,000 tonnes at the end of 2002. Copper prices started the year at U.S.$0.65 per pound and ended the year at U.S.$0.70 per pound.

### *Zinc*

World zinc demand in 2002 is estimated to have risen by 3.4 per cent to 9.1 million tonnes. Regionally, North America saw positive growth of 4.7 per cent and demand in Western Europe grew more modestly by 1.8 per cent. In Asia, demand grew by around 4.4 per cent from 2001 levels. Again, China was one of the better performers with consumption growth of around 7 per cent. World refined production is estimated to have increased by 3.2 per cent to 9.6 million tonnes resulting in a surplus production in the order of 430,000 tonnes. LME inventories also increased by around 50 per cent during the year, to end the year at around 646,000 tonnes. Zinc prices started the year at U.S.$0.35 per pound and also ended the year at U.S.$0.35 per pound.

***Gold***

World gold demand in 2002 rose by 1.5 per cent to 3,978 tonnes from 2001 levels. Due to higher gold prices in 2002, fabrication demand accounted for only 80 per cent of total demand down from 90 per cent in 2001. Producers buying back hedge positions and net investment primarily by individuals accounted for most of the remaining demand. Producer hedge buy-backs were estimated to be in the order of 423 tonnes against 151 tonnes in 2001. The major fabrication centres, most notably the Indian subcontinent, Italy and the USA saw significant falls in fabrication demand. Gold prices started the year at U.S. $278 per ounce and ended the year up 23 per cent at U.S. $343 per ounce.

## RISK FACTORS

The following discussion pertains to the outlook and conditions currently known to management which could have a material impact on the financial condition and results of operations of the Corporation. This discussion, by its nature does not purport to include all possible factors that would affect the Corporation in the future. This discussion should be read in conjunction with material contained in other sections included in or incorporated by reference in this Annual Information Form as well as the Corporation's interim and annual consolidated comparative financial statements.

Readers are also referred to the discussion under each of the headings "Financial Risk Factors" and "Non-Financial Risk Factors" at pages 14 to 16 of the Corporation's 2002 Financial Report that accompanies the Corporation's 2002 Annual Report, which discussions are hereby incorporated by reference in this Annual Information Form

***Currency and Price Risk***

The Corporation's earnings and cash flows are significantly affected by fluctuations in metal prices and currency exchange rates. The Corporation is highly leveraged to changes in copper prices. Inmet's main currency exposures are to the United States dollar and to a lesser extent, the Euro. The sensitivity of Inmet's net income to changes in metal prices and to changes in foreign currency exchange rates is as follows:

| | **Change in Metal Prices** | **Effect on Net Income [1]** | **Effect Per Share** |
|---|---|---|---|
| Copper (per pound) | U.S.$0.10 | $15 million | $0.38 |
| Gold (per ounce) | U.S.$10.00 | $1 million | $0.03 |
| Zinc (per pound) | U.S.$0.05 | $3 million | $0.08 |
| | **Change in Exchange Rate** | **Effect on Net Income** | **Effect Per Share** |
| Canadian dollar/U.S. dollar | C$0.05 | $3 million | $0.08 |
| Canadian dollar/Euro | C$0.05 | $1 million | $0.03 |

[1] ***Sensitivity of net income does not include hedged production. Calculations assume that all dividends received from OTML are recorded in income.***

In order to mitigate the impact of declining prices, Inmet from time to time enters into hedge transactions. The Corporation has hedging policies for both metals and currencies. The goal of any particular hedge program is to maintain sufficient liquidity for the relevant operation to meet its commitments while maintaining maximum leverage to upward metal price movements.

The following table includes the Corporation's hedging transactions, as at March 31, 2003, in relation to Troilus:

| ***Gold*** | ***Hedge Volume*** | ***Average Price*** |
|---|---|---|
| 2003 forward sales | 69,000 ounces | U.S.$323 per ounce |
| 2004 forward sales | 115,300 ounces | U.S.$334 per ounce |
| 2005 forward sales | 108,300 ounces | U.S.$342 per ounce |
| 2006 forward sales | 103,400 ounces | U.S.$356 per ounce |

All hedging transactions are under margin-free facilities. Credit risk, with respect to the commodity contracts outlined above, arises from the potential failure of counterparties to settle on contracts that are favourable to Inmet. Inmet manages this risk by dealing with highly-rated counterparties. As at March 31, 2003, based on a spot price of gold of U.S.$336 per ounce, Inmet's unrealized hedging loss on forward gold sales was $2 million. Inmet has not hedged any of its base metal exposure.

In the first quarter of 2003, Inmet took advantage of the high spot price for gold and deferred its first quarter hedges to 2005. For the balance of 2003, depending on the spot price of gold in relation to the hedge price for that period and in light of the extension of Troilus' mine life to 2010, Inmet may elect to defer further 2003 hedges to future years.

Revenue from Troilus, which is denominated in United States dollars, is at risk to a weakening in the value of the United States dollar. In order to mitigate some of the risk of a weakening United States dollar, Inmet has put in place the following hedge structure for United States dollars, in relation to Troilus, for the years 2003 to 2005:

*Currency Hedging Position as at March 31, 2003*

| | US dollars | Rate |
|---|---|---|
| 2003 bought put options | $13.5 million | $1.5033 |
| 2003 sold call options | $13.5 million | $1.5933 |
| 2004-05 bought put options | $28.5 million | $1.5033 |
| 2004-05 sold call options | $28.5 million | $1.5933 |

The currency hedge equates to approximately 25 per cent of forecasted United States dollar denominated cash flow from Troilus for 2003. As at March 31, 2003, Inmet's unrealized gain on the currency hedges was $1 million, based on a Canadian dollar to United States dollar spot exchange rate of 1.47.

### *Legal Matters*

#### *Troilus Litigation*

In 1998, the Corporation commenced an action in the Supreme Court of British Columbia against Homestake Canada, Inc. and Prime Resources Group Inc. concerning their failure to complete the purchase of the Troilus mine under a 1997 agreement. The Corporation claimed specific performance of the agreement or damages together with prejudgment interest and its costs. The trial commenced in February and ended in June, 2001. In January 2002, the Corporation received a judgment awarding it $88.2 million in damages in lieu of specific performance. In February 2002, Homestake gave notice of its intention to appeal to have the judgment set aside. Subsequently, the Corporation filed a cross appeal to deal with the fact that no interest was awarded on the $88.2 million. In the event the judgment is set aside, the Corporation may be obliged to pay a portion of the costs incurred by Homestake for the trial and in respect of the appeal and cross appeal. Both the appeal and the cross appeal are scheduled to be heard by the British Columbia Court of Appeal in June, 2003.

***Çayeli Port Dispute***

Since August, 1999, ÇBI has been in discussions and is a party to litigation with the Turkish Department of Transportation (TDI) and the private operator of the port facility at Rize in connection with the terms of a lease renewal for the use of the port by ÇBI. In January 2003, TDI obtained a judgement from the court in Rize Province that upheld a notice to evict CBI from the port facility. On appeal by CBI, the judgment was upheld by the Supreme Court in Ankara. As a result, TDI may, on seven days notice require CBI to vacate the port. CBI has made arrangements with the port facility at Hopa, near ÇBI to ship its concentrates there should TDI deliver an eviction notice and does not expect any material disruptions to its operations to occur if such notice is delivered. There has been no material impact on ÇBI's operations to date. Inmet understands that TDI has deferred serving any eviction notice in light of continuing discussions to settle all aspects of the dispute.

***OTML Proceedings***

OTML and BHP Billiton are co-defendants in legal proceedings commenced in the State of Victoria, Australia alleging breach of a 1996 settlement agreement relating to earlier claims for damages arising from the alleged environmental impacts of the mine. OTML has stated that it has good defences to this action. Inmet is not a party to those proceedings. As a shareholder of OTML, a limited liability corporation incorporated under the laws of PNG, Inmet enjoys the legal protections afforded to shareholders under those laws. The court has made directions for the filing of evidence and other matters in the second half of 2003. While no trial date has been set, a trial commencing in the first half of 2004 is expected.

One of the litigants in the State of Victoria proceedings and the Leader of the Opposition at the time of the passage of the legislation (now the Prime Minister of PNG) have challenged the constitutional validity of aspects of the Ninth Supplemental Agreement Act passed by the National Parliament of PNG. Among other things, that Act gives the force of law to certain agreements relating to BHP Billiton's transfer of its 52 per cent equity interest in OTML to SDPL as well as to agreements under which many of the communities affected by the mine have consented to its continued operation. These proceedings have been listed for directions in late May 2003.

***Claim by Zenmac Mines Limited***

The Corporation is the defendant in an action commenced in 1987 by Zenmac Zinc Limited ("Zenmac") in the Province of Ontario for a declaration that Zenmac is entitled to rescission of an agreement related to 36 patented mining claims operated as Minnova's (later the Corporation's) Winston Lake mine, or, in the alternative, damages for breach of contract and/or breach of fiduciary duties, or, in the further alternative, a declaration that Zenmac is entitled to 20% joint venture interest in the Winston Lake mine. The Corporation has taken the position that Zenmac became a royalty holder. The Corporation has been advised that it has good defences to the action.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Operating Results included at pages 2 to 17 of the Corporation's 2002 Financial Report that accompanies the Corporation's 2002 Annual Report, is incorporated by reference in this Annual Information Form.

## MARKET FOR SECURITIES/DIVIDEND POLICY

The Corporation's common shares are listed for trading on the Toronto Stock Exchange under the symbol IMN. As at March 31, 2003, the Corporation had 39,283,100 common shares issued and outstanding.

The current policy of the Corporation is not to pay dividends but to reinvest all earnings in order to enhance the financial position of the Corporation. This policy is reviewed from time to time by the Board of Directors of the Corporation.

## DIRECTORS AND OFFICERS

The names and municipalities of residence of the directors and officers of the Corporation, the offices held by them and their principal occupations, as at April 30, 2003, are as follows:

| Name and Municipality of Residence | Office | Principal Occupation in Previous Five Years |
|---|---|---|
| WILLIAM JAMES**/+/++ Toronto, Ontario | Chairman; Director since 1996 | Corporate Director; prior to January 2000, President and Chief Executive Officer of the Corporation |
| RICHARD A. ROSS Nobleton, Ontario | President and Chief Executive Officer; Director since 2000 | President and Chief Executive Officer of the Corporation |
| David R. Beatty, O.B.E **/+ Toronto, Ontario | Director since 2003 | Professor of Strategy and Director, Clarkson Centre for Business Ethics and Board Effectiveness, Rotman School of Management, University of Toronto |
| PAUL E. GAGNÉ*/++ Senneville, Québec | Director since 1996 | Corporate Director; prior to 2003 Consultant, Corporate Strategy, Kruger Inc. (forest products); prior to November 1997, President and Chief Executive Officer, Avenor Inc. (forest products) |
| OYVIND HUSHOVD*/++ Oakville, Ontario | Director since 2002 | Chairman and Chief Executive Officer, Gabriel Resources Ltd. (mining), since March 2003; prior to March 2002, President and Chief Executive Officer, Falconbridge Limited (mining/metallurgy) |
| JYRKI JUUSELA+ Helsinki, Finland | Director since 2002 | Chief Executive Officer and President, Outokumpu Oyj (metallurgy) |
| THOMAS E. KIERANS**/+ Toronto, Ontario | Director since 1996 | Chairman, Canadian Institute for Advanced Research |
| ALFRED POWIS Toronto, Ontario | Director since 1997 | Corporate Director; former Chairman, Noranda Inc.(mining/metallurgy) |
| JAMES M. TORY*/** Toronto, Ontario | Director since 1987 | Counsel, Torys LLP (law firm) |
| STEVE ASTRITIS Toronto, Ontario | Vice-President, General Counsel and Secretary | Vice-President, General Counsel and Secretary of the Corporation; prior to July 2001, Associate General Counsel and Assistant Secretary, Noranda Inc. (mining/metallurgy) |
| FRANK BALINT Toronto, Ontario | Vice-President, Corporate Development | Vice-President, Corporate Development of the Corporation |

| Name and Municipality of Residence | Office | Principal Occupation in Previous Five Years |
|---|---|---|
| WENDY KAUFMAN<br>Oakville, Ontario | Controller | Controller of the Corporation |
| OLIVER R.E. MERTON<br>Oakville, Ontario | Vice-President, Commercial | Vice-President, Commercial of the Corporation |
| JO-ANNE OSWALD<br>(formerly Sayers)<br>Toronto, Ontario | Vice-President, Finance and Chief Financial Officer | Vice-President, Finance and Chief Financial Officer of the Corporation |
| JOCHEN E. TILK<br>Toronto, Ontario | Executive Vice-President | Executive Vice-President of the Corporation |

* Member of the Audit Committee
** Member of the Compensation Committee
+ Member of the Corporate Governance and Nominating Committee
++ Member of Safety, Health & Environment Committee

Each director holds office until the next annual meeting of shareholders of the Corporation or until a successor is appointed. As at March 20, 2003, the directors and senior officers of the Corporation as a group own beneficially, directly or indirectly, or exercise control or direction over less than one per cent of the issued and outstanding common shares of the Corporation. The Corporation understands that Outokumpu Oyj owns, directly or indirectly, or exercises control or direction over, 4,000,000 common shares of the Corporation. Dr. Jyrki Juusela, a director of the Corporation, is the Chief Executive Officer and President of Outokumpu Oyj.

## ADDITIONAL INFORMATION

Upon request to the Vice-President, General Counsel and Secretary of the Corporation at the Corporation's offices, Suite 1000, 330 Bay Street, Toronto, Ontario, M5H 2S8, the Corporation will provide any person with a copy of:

(a) this annual information form;

(b) the management information circular prepared by the Corporation in connection with its annual and special meeting of shareholders held on April 30, 2003;

(c) any of the Corporation's unaudited interim reports to shareholders issued after December 31, 2002; and

(d) any other documents that are incorporated by reference into a preliminary short form prospectus or short form prospectus filed in respect of a distribution of securities of the Corporation.

A copy of any of these documents may be obtained without charge at any time when a preliminary short form prospectus has been filed in respect of a distribution of any securities of the Corporation or any securities of the Corporation are in the course of a distribution pursuant to a short form prospectus. At any other time, any document referred to in (a) to (c) above may be obtained by security holders of the Corporation without charge and by any other person upon payment of a reasonable charge. Information filed by the Corporation with the provincial securities regulatory authorities in Canada may also be obtained on the SEDAR website at www.sedar.com.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the management information circular prepared by the Corporation in connection with its annual and special meeting of shareholders held on April 30, 2003. Additional financial information is provided in the Corporation's comparative consolidated financial statements for the year ended December 31, 2002, which are included in the Corporation's 2002 Financial Report that accompanies the Corporation's 2002 Annual Report.

## SELECTED FINANCIAL INFORMATION

The following table sets out selected consolidated financial information for the Corporation for the three years ended December 31, 2002. This information is derived from the Corporation's audited financial statements.

| (thousands of dollars except per share amounts) | Year Ended December 31 2002 | 2001 | 2000 |
|---|---|---|---|
| **Financial Results**: | | | |
| Sales | $211,973 | $106,759 | $103,940 |
| Net income | $7,376 | $18,882 | $8,437 |
| Net income per share[(1)] | $0.09 | $0.44 | $0.14 |
| Cash flow provided by operation activities | $73,702 | $6,388 | $14,509 |
| Operating cash flow per share[(1)] | $1.92 | $0.18 | $0.38 |
| **Financial Position (December 31)** | | | |
| Cash and short-term investments | $76,532 | $63,871 | $77,259 |
| Net working capital | $91,064 | $96,849 | $91,719 |
| Total assets | $475,027 | $309,685 | $314,426 |
| Long-term debt | $67,711 | $16,981 | $21,700 |
| Reclamation and other long-term liabilities | $ 70,171 | $46,441 | $61,997 |
| Shareholders' equity | $249,673 | $212,355 | $195,183 |

(1) Calculated using weighted average shares outstanding for the year

The following tables set out selected unaudited consolidated financial information for the Corporation for each of the quarters in 2001 and 2002.

**SUMMARY OF QUARTERLY DATA** (unaudited)

| **2002** (thousands except per share amounts) | First Quarter | Second quarter | Third quarter | Fourth quarter | **Year** |
|---|---|---|---|---|---|
| STATEMENTS OF OPERATIONS | | | | | |
| Sales | $38,549 | $60,080 | $52,860 | $60,484 | **$211,973** |
| Cost of sales | (29,838) | (45,748) | (43,076) | (46,837) | **(165,499)** |
| Corporate development and exploration | (1,132) | (1,711) | (877) | (1,206) | **(4,926)** |
| General and administration | (1,168) | (1,146) | (1,126) | (1,793) | **(5,233)** |
| Stock based compensation | (1,584) | (2,353) | 1,366 | (2,081) | **(4,652)** |
| Net interest and other income | (373) | (822) | (1,367) | (2,986) | **(5,548)** |
| Capital tax expense | (181) | (182) | (333) | (331) | **(1,027)** |
| Income tax expense | (2,903) | (4,283) | (1,763) | (2,610) | **(11,559)** |
| Non controlling interest | - | (2,246) | (1,958) | (1,949) | **(6,153)** |
| **Net income** | $1,370 | $1,589 | $3726 | $691 | **$7,376** |
| **Net income (loss) per common share** (1) | $0.01 | $0.02 | $0.07 | $(0.01) | **$0.09** |

**SUMMARY OF QUARTERLY DATA** (unaudited)

| **2001** (thousands except per share amounts) | First Quarter | Second quarter | Third quarter | Fourth quarter | **Year** |
|---|---|---|---|---|---|
| STATEMENTS OF OPERATIONS | | | | | |
| Sales | $22,691 | $26,699 | $29,394 | $27,975 | **$106,759** |
| Cost of sales | (20,273) | (22,080) | (24,989) | (23,146) | **(90,488)** |
| Corporate development and exploration | (1,028) | (829) | (1,354) | (1,693) | **(4,904)** |
| General and administration | (1,168) | (1,107) | (910) | (1,300) | **(4,485)** |
| Stock based compensation | - | - | - | (538) | **(538)** |
| Net interest and other income | (933) | (1,603) | 128 | 4,665 | **2,257** |
| Capital tax expense | (225) | (2) | (181) | 203 | **(205)** |
| Income tax expense | (1,841) | 58 | (1,514) | (1,217) | **(4,514)** |
| Reduction in provision for reclamation costs | - | - | - | 15,000 | **15,000** |
| **Net income (loss)** | $(2,777) | $1,136 | $574 | $19,949 | **$18,882** |
| **Net income (loss) per common share** | $(0.10) | $0.01 | $(0.01) | $0.54 | **$0.44** |

(1) Net income per common share is calculated as net income (loss) less accretion on equity comp onent of convertible debentures divided by the weighted average of shares outstanding for each period.