

**INMET**

MINING

**ANNUAL INFORMATION FORM**

**March 31, 2004**

**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” 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			
<u>Currency</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
United States dollar	\$1.30	\$1.58	\$1.59
Euro	\$1.63	\$1.66	\$1.42

On March 31, 2004, the noon rates of exchange into Canadian dollars as reported by the Bank of Canada were U.S.\$1.00 = \$1.3105 and Euro 1.00 = \$ 1.6109, respectively. References to "\$" mean Canadian dollars, and to "U.S.\$" mean United States dollars.

## METRIC/IMPERIAL CONVERSION TABLE

<u>Metric Unit</u>	<u>Imperial Equivalent</u>
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, 2004, 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 north eastern Turkey;
- a 100 per cent equity interest in Pyhäsalmi Mine Oy (“PMO”) which owns the Pyhäsalmi copper-zinc-pyrite mine in central Finland;
- an 18 per cent equity interest in Ok Tedi Mining Limited (“OTML”), whose principal asset is the Ok Tedi mine, an open-pit copper and gold mine in Papua New Guinea;
- a 100 per cent equity interest in the Troilus gold and copper mine in northern Quebec;
- a 55 per cent interest in the Cerattepe property, a copper and gold deposit located in north eastern Turkey;

- a 100 per cent interest in the Izok property, a zinc-copper deposit in the territory of Nunavut, Canada; and
- a 48 per cent equity interest in Minera Petaquilla S.A., which owns the Petaquilla copper deposit in Panama.

### **GENERAL DEVELOPMENT OF THE CORPORATION A THREE YEAR HISTORY**

Major developments in each of the fiscal years ended December 31, 2001 to December 31, 2003 were as follows:

#### **2003**

The Corporation recorded net income of \$179.5 million or \$4.46 per share, compared to 2002 net income of \$7.3 million or \$0.09 per share. 2003 net income included net proceeds of \$109.6 million received on settlement of litigation with Homestake Canada, Inc. as well as \$31.2 million from the sale of the net profits interest in the Antamina mine to Noranda Inc. Earnings before these items were \$31 million higher than in 2003 as a result of the proportionate consolidation of Ok Tedi, reduced stock based compensation expense and a full year of earnings from PMO.

- March 26 - The Corporation increased 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. See also "Mineral Reserves and Resources" at page 20 of this Annual Information Form.
- March 31 - Inmet sold its interest in the Jaguar deposit, located in Western Australia, to Pilbara Mines Limited, Inmet's partner in the Teutonic Bore project. Inmet received \$2.2 million Australian dollars on the sale and became fully vested in the Teutonic Bore Joint Venture with a 65 per cent interest.
- April 28 - ÇBI agreed to acquire the Cerattepe copper-gold property, located near Artvin, Turkey, from an affiliate of Teck Cominco Limited through the acquisition of all of the shares of Teck Cominco Madencilik Sanayi A.S. ("TCMS"), the owner of the Cerattepe property. The purchase price is payable in three installments: a first installment of U.S.\$2 million will be paid at closing while the remaining installments of U.S.\$4.5 million each are to be paid at the option of ÇBI at specified times after closing. Should ÇBI decline to pay the second or third installment, it will be required to reconvey the shares of TCMS to the vendor. Closing of the transaction occurred on March 31, 2004 after completion of definitive documentation and necessary filings with agencies of the Turkish government.
- July 1 - Effective this date, the Corporation changed its method of accounting for its investment in Ok Tedi from cost accounting to proportionate consolidation reflecting

the new governance arrangements at Ok Tedi following the withdrawal of BHP Billiton Limited as a shareholder of OTML that give the shareholders joint control over OTML's strategic decisions.

- July 16, 2003 – Pursuant to a put-call agreement between the Corporation and Noranda Inc., the Corporation sold its 3.3 per cent net proceeds interest relating to the Antamina zinc and copper mine in Peru to Noranda Inc. for proceeds of U.S. \$22.5 million. The Corporation used the sale proceeds to pay down the remaining U.S.\$19.5 million balance outstanding under its U.S.\$40 million revolving credit facility.
- July 22, 2003 – ÇBI entered into an agreement with a subsidiary of Teck Cominco Limited to purchase the Rize property, comprising two mineral licences adjacent to the current holdings of ÇBI. Consideration for the purchase included a payment of U.S.\$150,000 and a 2% net smelter return in favour of the vendor.
- October 3, 2003 – The Corporation announced an amendment to its arrangements the regarding Outokumpu Oyj's holding of four million Inmet common shares. The amendment removed restrictions placed on Outokumpu from selling such shares prior to March 19, 2005 and terminated a pre-emptive right and share sale agreement between the parties. In consideration of obtaining Inmet's consent to the amendment, Outokumpu paid 600,000 euros to Inmet and agreed to extend the maturity date of a 14 million euro 6% promissory note held by it to October 3, 2013. The life-of-mine concentrate sales agreements between PMO and Outokumpu and other strategic alliance arrangements between Inmet and Outokumpu continue to remain in effect. Outokumpu subsequently sold its holding of common shares of the Corporation to reduce its ownership interest to nil.
- November 14, 2003 – The Corporation received the decision of the British Columbia Court of Appeal on the appeal of Homestake Canada, Inc. and the Corporation's related cross appeal, of the British Columbia Supreme Court judgment obtained by the Corporation in connection with Homestake Canada, Inc.'s failure to complete the purchase of the Troilus mine. The B.C. Court of Appeal dismissed the appeal by Homestake Canada Inc. and allowed the Corporation's cross-appeal concerning pre-judgment interest, awarding the Corporation pre-judgment interest at the rate prescribed by the B.C. Supreme Court. On November 25, 2003, the Corporation announced that it had agreed to receive the sum of approximately \$111 million from Homestake Canada, Inc. in payment of the amount to which Inmet was entitled as a result of the Court of Appeal decision.
- December 19, 2003 – The Corporation was reinstated as part of the S&P /TSX Composite Index.

- December 19, 2003 – The Corporation announced that OTML had reached a settlement to dismiss class action proceedings commenced in April 2000 against it and BHP Billiton Limited. The class action proceedings alleged a breach of a 1996 settlement relating to earlier claims for damages arising from the environmental impacts of the Ok Tedi mine. Under the settlement, the plaintiffs acknowledged that OTML was in compliance with the 1996 settlement agreement. Court approval of the settlement was obtained in January 2004.

## 2002<sup>(1)</sup>

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 PMO. 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 were 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 would require Noranda to purchase, and Noranda could 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 and established the U.S.\$40 million revolving credit facility announced in December, 2001.

(1) Figures have not been restated to reflect changes in accounting policies or treatments in subsequent years

- 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 effected by the end of the second quarter of 2003.

## 2001<sup>(1)</sup>

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 obtained settlement of 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.
- 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 Oyj to acquire all of the issued and outstanding shares of PMO and to enter into an announced alliance with Outokumpu Oyj 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.

(1) Figures have not been restated to reflect changes in accounting policies or treatments in subsequent years

## 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 20 of this Annual Information Form.

### OPERATIONS

#### ÇAYELI MINE

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 north eastern Turkey. The Corporation has a 55 per cent interest in ÇBI. Prior to March, 2003, the other shareholder of ÇBI, holding a 45 per cent interest, was Eti Holding A.S., a Turkish state-owned mining entity ("Eti"). On August 14, 2003, the Turkish government announced its intention to privatize Eti's interest in ÇBI. Although no further announcement has been made regarding the privatization process, Eti's interest in ÇBI was transferred in March, 2004 to the Republic of Turkey Prime Ministry Privatization Administration.

#### *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 Buyukdere River directly across from the town of Madenli about seven kilometres from the Black Sea coast. The town of Çayeli is located where the Buyukdere 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 the 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.

### ***Operations***

In 2003, ÇBI produced 33,500 tonnes of copper and 33,600 tonnes of zinc in concentrates at a cash cost per pound of copper of U.S.\$0.47. Copper and zinc recoveries averaged 87 per cent and 72 per cent, respectively, for the year. Mill throughput of approximately 930,000 tonnes was achieved, the highest annual level since the mine commenced operations, in spite of the fact that during the first half of 2003 ÇBI was continuing to rehabilitate areas of the mine impacted by a groundfall event that occurred on October 25, 2002. However, Çayeli fell short of meeting its production targets for copper and zinc metal due to mining in lower grade areas in order to maximize ore delivery to the mill after the groundfall event.

ÇBI has made a number of adjustments to its operation to minimize the potential of a reoccurrence of the groundfall events. With assistance from external experts, the mine has adjusted its standards for ground support and now applies an integrated system of resin and cable bolts. In addition, the main infrastructure below the 800 metre level was successfully shifted into the more competent footwall. ÇBI also improved its predictive methods and is now using a microseismic system and numeric modeling to record and simulate the impact of future mining on ground conditions.

Approximately 40 per cent of Çayeli's proven and probable mineral reserves are located below the bottom of the existing shaft. At the end of 2003, ÇBI mobilized contractors to commence work to deepen Çayeli's shaft under a fixed price contract for U.S.\$14 million, of which U.S.\$8 million is expected to be spent in 2004. The project involves extending the existing shaft by 300 metres and developing new ore handling facilities at the 600 metre level. The project is expected to be completed during the first quarter of 2006. Because the shaft has two independent hoisting systems, mine production and shaft sinking can take place simultaneously with a minimum amount of disruption. The deepened shaft is intended to provide Çayeli with access to its deeper ore and to improve the efficiency of its ore transport below the 900 metre level.

On April 28, 2003, ÇBI agreed to acquire the Cerattepe copper-gold property, located near Artvin, Turkey, from an affiliate of Teck Cominco Limited through the acquisition of all of the shares of the owner of the Cerattepe property. Technical feasibility work and environmental studies on the Cerattepe project commenced in the latter part of 2003 and is expected to continue through most of 2004. The Cerattepe deposit is located approximately 200 kilometres from Çayeli and has a high grade copper deposit. ÇBI's development plan for the Cerattepe property involves ramping down to the deposit and mining the high-grade copper ore from underground and trucking it a distance of

approximately 130 kilometres for processing at the Çayeli mill. The feasibility study on the Cerattepe property should be completed later in 2004.

Çayeli's production target for 2004 is based on a throughput rate of 1.25 million tonnes. Çayeli will require a two week shutdown in the second quarter of 2004 to install a concrete floor in parts of the main ramp, upgrade its mill control system and carry out a series of maintenance projects.

Çayeli will continue with its efforts to advance its throughput rate to 1.25 million tonnes per annum. Because of the operational challenges and the potential interference from the shaft deepening project, it is expected that the throughput rate will be reduced to 1.1 million tonnes for 2004; however copper grades are expected to increase, offsetting the impact of the expected lower throughput. Zinc grades are expected to decrease, resulting in reduced zinc production.

Negotiations with the Miner's Union at Çayeli commenced early in 2004 for the renewal of the collective bargaining agreement that expired in May 2003. The union will be in a legal position to strike in June should the negotiations not be successfully concluded by then. If labour negotiations are not successful, then production would be impacted.

In March, 2003, the discussions regarding renewal of ÇBI's lease at the local port facility at Rize were successfully concluded and a commercial settlement was reached between all involved parties. As a result, ÇBI entered in a new four year lease with a further option to renew.

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. Most of ÇBI's concentrates are shipped out from the port at Rize, located on the Black Sea coast, with some concentrates shipped from a port at Hopa, located to the east of Rize.

Mineral reserve and mineral resource estimates for ÇBI are set out on page 20 of this Annual Information Form. Çayeli has approximately 380 employees and is expected to continue operations until at least 2016.

## **PYHÄSALMI MINE**

### ***Ownership Interest***

On March 19, 2002, a subsidiary of the Corporation completed the acquisition from Outokumpu Mining Oy, a subsidiary of Outokumpu Oyj, 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. In return, Inmet delivered 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 four 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 hours 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. 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 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.

### ***Operations***

The Pyhäsalmi mine is expected to operate until 2016. The mine includes a 1,450 metre deep, fully automated hoisting shaft and uses the latest technology, with the mill capable of processing at a rate of approximately 1.3 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 customer smelters located in Finland operated by Boliden SA. The

mine is also Europe's leading producer of high purity pyrite concentrate, used in fertilizer production and to generate electricity and produce sulphuric acid. PMO has approximately 200 employees.

In 2003, Pyhäsalmi produced 14,900 tonnes of copper, 38,800 tonnes of zinc and 673,600 tonnes of pyrite at a cash cost per pound of copper of U.S.\$0.18. Zinc production was higher than expected due to higher mill throughput and higher zinc grades. Capital expenditures for 2003 amounted to €2.8 million. For 2004, capital expenditures should amount to €3.0 million for underground development, the purchase of an underground loader and utility vehicles, and upgrades in the mill.

At the beginning of 2003, Pyhäsalmi upgraded its milling operation by adding grinding capacity that allowed the operation to exceed its previously designed throughput capacity of 1.2 million tonnes per year. Additional upgrades were made with the installation of a new on-stream analyzer and several adjustments in the flotation circuit to further improve control over metallurgical recoveries. As result, recoveries of 95 per cent for copper and 94 per cent for zinc were achieved.

Pyhäsalmi is a deep operation at the beginning of its extraction cycle and efforts to understand and mitigate future potential impacts are ongoing. The installation of a geoseismic survey system was completed early in 2003, the results of which are fed into a database to monitor and analyze all ongoing activities. Pyhäsalmi has also developed a rock mechanical management system to review all aspects of ground control such as support methods, monitoring, modelling, expert reviews and audits to alleviate part of this risk.

In addition, Pyhäsalmi completed a detailed life-of-mine plan that uses the compact layout and known geometry of the Pyhäsalmi ore body to optimize stope design and mining cycles.

Mineral reserve and mineral resource estimates for Pyhäsalmi are set out on page 20 of this Annual Information Form.

## **TROILUS MINE**

### ***Ownership Interest***

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 hectares. The property also includes five surface leases over an area of

1,502 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 volcanoclastic 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 rare 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 J-4 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.

### ***Operations***

In 2003, Troilus produced 164,100 ounces of gold and 5,800 tonnes of copper at a cash cost per ounce of gold of U.S.\$259. The average mill throughput rate was 16,400 tonnes per day, a significant increase compared to the previous year, and the highest throughput rate since mining commenced at Troilus.

On March 26, 2003, the Corporation 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 20 of this Annual Information Form.

Troilus also completed a successful test of its J-4 satellite deposit which ultimately led to the decision to proceed with the development of the J-4 pit. Much of the construction work is completed and J-4 will be mined for a significant part of 2004. Because of the increased mine life and construction activities related to the development of the J-4 pit, Troilus capital expenditures in 2003 were \$15.4 million compared to the target of \$6.3 million set at the beginning of 2003. Looking forward, production of gold in 2004 is expected to be approximately 4 per cent less than 2002 and 2003 levels as a result of a decrease in gold grade.

On March 9, 2004 a mill expansion was approved at an estimated capital expenditure of \$18.5 million. The project involves the installation of a new ball mill that will add grinding capacity and improve the gold recovery through better liberation. The expansion is expected to increase mill capacity by at least 15 per cent and increase gold recoveries by two per cent. Capital expenditures at Troilus in 2004 are estimated to be \$9.6 million. These relate to purchase of a used shovel, replacement engines for the truck fleet, preparation work for the J-4 pit and various upgrades in the mill and surface facilities.

The Corporation is a party to 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.

Effective January 1, 2004, all copper concentrate production from Troilus is sold under a three year agreement to an international metals merchant. Contracts for the refining of gold doré are negotiated on an annual basis. Refined gold is sold in the open market. See also "Currency and Metal Price Risk" at page 26 of this Annual Information Form.

## **OK TEDI MINE**

### ***Ownership Interest***

OTML, the owner of Ok Tedi, has operated as an independent company since the February, 2002 transfer by BHP Billiton of 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 new shareholder arrangements entered into to give effect to the transfer were given the force of law under legislation passed by the National Parliament of PNG in December, 2001.

After the transfer of the 52 per cent interest to SDPL, Inmet continued to maintain an 18 per cent interest in OTML while the Government of PNG holds the other 30 per cent. The post-transfer 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 the Corporation's equity interest in OTML at fair value should a third party acquire control of the Corporation. As an independent company, OTML continues to own and operate the Ok Tedi copper and gold mine located in the Western Province of PNG. 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.

Since February, 2002, a new environmental regime and long-term mine closure planning process has been in effect for Ok Tedi. As part of the new 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 systems. The annual dredging cost of approximately U.S.\$25 million is included in OTML's cash operating costs. In addition, OTML 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.\$100 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 Fubilan 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.

## ***Operations***

In 2003, Ok Tedi produced 195,700 tonnes of copper and 503,400 ounces of gold at a cash cost of U.S.\$0.44 per pound of copper. Mill throughput of 28,200,000 tonnes was achieved. Production was lower in 2003 compared to 2002 due to reduced mill throughput as mill throughput capacity during the first eight weeks of 2003 was temporarily reduced to 50 per cent due to the scheduled replacement of the shell of one of Ok Tedi's two SAG mills. However, the shell replacement allowed Ok Tedi to implement a series of mill upgrades in the flotation area to improve metal recoveries for copper and gold.

Sales, on the other hand, surpassed prior year levels as concentrates stockpiled during the 2002 El Niño weather pattern were sold during 2003. OTML sells the majority of its concentrate production under long-term contracts with a number of smelters.

A mechanical failure of the other Ok Tedi SAG mill occurred in January 2004 and Ok Tedi operated at approximately 50 per cent of production capacity during February and part of March 2004 using the other SAG mill while repairs were completed. Repair of the damaged part of the mill was completed and the mill resumed regular operations in March. Replacement of the damaged part of the mill is scheduled to occur during a planned maintenance shutdown later in 2004 or 2005. A risk that Ok Tedi faces in achieving increased throughput is dry weather caused by El Niño weather patterns. If the weather is dry for an extended period, water levels in the Fly River drop to unnavigable levels and adversely impact OTML's ability to transport copper concentrates to its customers.

Ok Tedi's copper and gold production in 2004 is expected to be above that for 2003 due to higher expected mill throughput. Ok Tedi anticipates capital expenditures of U.S.\$18 million in 2004, the most significant portion of which relates to replacement of Ok Tedi's fleet of haul trucks, dozers and other utility vehicles.

Mineral reserve and mineral resource estimates for Ok Tedi are set out on page 20 of this Annual Information Form. Ok Tedi has approximately 2,000 employees and currently has approximately nine years of remaining mine life.

As of July 1, 2003, the Corporation changed its method of accounting for its 18 per cent investment in Ok Tedi from cost accounting to proportionate consolidation. This method of accounting, reflects the new governance arrangements in place at Ok Tedi following the withdrawal of BHP Billiton Limited as a shareholder of OTML that give the shareholders joint control over OTML's strategic decisions. Ok Tedi's balance sheet and results from operations have been proportionately consolidated effective July 1, 2003 and are now disclosed as a separate segment in the Corporation's segmented financial statements. Previous to July 1, 2003, the Corporation cost accounted for its 18 per cent investment in Ok Tedi. Under this method, earnings were only recognized on receipt of dividends paid from Ok Tedi's earnings which had accumulated from April 1, 2000. However, when the dividend exceeded the Company's share of post April 1, 2000 earnings from Ok Tedi, the dividend was recorded as a reduction in the carrying value of the Corporation's investment in Ok Tedi. In 2003, prior to July 1, the Corporation received \$15.6 million in dividends that were recorded as a reduction in the carrying value of the Corporation's investment in Ok Tedi. In 2002, dividends amounting to \$6.0 million were received and were also recorded as a reduction in Ok Tedi's carrying value.

## **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 2003 was \$ 4.1 million, compared to \$2.8 million in 2002. In 2004, reclamation spending is expected to be \$5.1 million.

Reclamation activities at Inmet's closed properties progressed according to plan during 2003. Most of the discrete reclamation projects at the closed properties have been completed; long-term treatment of mine-impacted water is being performed at several sites.

## Mineral Reserves and Resources

The following table presents the Corporation's mineral reserves and resources as estimated as at December 31, 2003 and 2002<sup>(1)(2)</sup>:

	Inmet's Interest (%)	2003						2002					
		Tonnes (x 1000)	Cu %	Zn %	Au g/t	Ag g/t	S %	Tonnes (x 1000)	Cu %	Zn %	Au g/t	Ag g/t	S %
<b>Operating Properties</b>													
<b>Mineral Reserves<sup>(6)</sup></b>													
ÇBI - Proven	55	6,560	4.0	5.7	0.7	43	-	7,350	4.0	5.8	0.6	44	-
ÇBI - Probable	55	9,370	3.2	5.4	0.5	45	-	8,600	3.2	5.5	0.5	49	-
ÇBI - Total	55	15,930	3.6	5.6	0.6	44	-	15,950	3.6	5.7	0.5	47	-
Pyhäsalmi - Proven	100	15,090	1.2	2.7	-	-	40	13,200	1.2	2.5	-	-	42
Pyhäsalmi - Probable	100	600	1.1	2.9	-	-	40	4,000	1.2	2.9	-	-	42
Pyhäsalmi - Total	100	15,690	1.2	2.7	-	-	40	17,200	1.2	2.6	-	-	42
Troilus - Proven	100	4,870	0.1	-	0.6	1.1	-	4,700	0.1	-	0.9	1.1	-
Troilus - Probable	100	31,660	0.1	-	0.9	1.1	-	37,800	0.1	-	1.0	1.1	-
Troilus - Total	100	36,530	0.1	-	0.9	1.1	-	42,500	0.1	-	0.9	1.1	-
Ok Tedi - Proven	18	212,300	0.9	-	1.0	-	-	240,500	0.9	-	0.9	-	-
Ok Tedi - Probable	18	33,200	0.6	-	0.7	-	-	33,200	0.6	-	0.7	-	-
Ok Tedi - Total	18	245,500	0.9	-	0.9	-	-	273,700	0.9	-	0.9	-	-
<b>Mineral Resources<sup>(3,5)</sup></b>													
ÇBI - Inferred	55	3,200	3.8	5.9	-	-	-	3,300	5.8	8.7	-	-	-
Pyhäsalmi - Measured	100	11,100	0.8	0.6	-	-	43	9,500	0.7	0.6	-	-	44
Pyhäsalmi - Indicated	100	6,000	0.8	0.8	-	-	43	2,500	0.9	1.2	-	-	42
Pyhäsalmi - Total	100	17,100	0.8	0.7	-	-	43	12,000	0.7	0.7	-	-	44
<b>Undeveloped Properties</b>													
<b>Mineral Reserves</b>													
Cerattepe - Probable	55	1,320	10.0	0.5	1.3	29	-						
<b>Mineral Resources<sup>(4)</sup></b>													
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) Mineral reserve estimate for Troilus includes a small amount of inferred mineral resources, representing approximately 1.4% of total mineral reserves for Troilus that have been included in the Troilus life-of-mine plan. Inferred mineral resources are considered to be too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. Exclusion of the inferred mineral resource from the Troilus life-of-mine plan would reduce the net present value of the Troilus mine by one percent

#### Notes to Mineral Reserves and Resources

Mineral reserves and resources have been estimated at December 31, 2003 in accordance with definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM Definitions").

Reserves and resources for Çayeli were prepared under the supervision of Robert Sim, P.Geol. (Chief Geologist, Çayeli until Dec 31, 2003), who is a qualified person for the purposes of National Instrument 43-101. Çayeli'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.\$1.10 and a net smelter return cut-off of €21.50 per tonne.

Reserves and resources for Troilus were prepared by 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 and are based on a cut-off grade of 0.45 grams of gold per tonne.

Reserves for Ok Tedi were prepared by Ok Tedi Mining Limited ("OTML") and provided to Inmet. These reserves as at December 31, 2003 have been determined by adjusting for production between June 30, 2002 and December 31, 2003 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 June 30, 2002 estimate was Stuart L. Green (former 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. OTML is currently undergoing an extensive process of reviewing its life-of-mine pit design and reserves.

Reserves for Cerattepe were prepared under the supervision of Robert Sim, P.Geol., who is a qualified person for the purposes of National Instrument 43-101. Cerattepe's reserves are estimated based on a copper price of U.S.\$0.90 per pound.

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 this project. In August, 2001, the then Canadian federal Department of Indian Affairs and Northern Affairs (now Indian and Northern

Affairs Canada) announced that the Federal Government of Canada would provide \$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 contributing a further \$3 million. The proposed road would extend approximately 368 kilometers from the proposed 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 and a project description was filed in April 2002 with the regulatory authorities. The Nunavut Impact Review Board subsequently recommended that the project be sent for environmental review under Part 5 of Article 12 of the Nunavut Land Claims Agreement. The recommendation has been submitted for approval to the Canadian federal Minister for Indian Affairs and Northern Development.

## **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 (UNDP) 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, 2003 no such regulations affecting the property have been promulgated by the PCA.

Subsequent to August 1999, the PCA announced that it was planning to utilize, among others, the Caimito and Cocle del Norte river systems as reservoirs for increased water and power supply for the Canal. The proposal contemplated flooding of certain areas to the level of 100 metres above sea level. The creation of such a reservoir would significantly impact any mine development on the property. The uncertainty arising from the announced PCA proposals, caused Minera Petaquilla to serve notice in August 2000 upon the Panamanian Minister of Commerce and Industry that a force majeure situation exists under the contract law that serves to extend, by the period of force majeure, the time for performance of obligations on the part of Minera Petaquilla required to preserve title to the concession as well as the term of the concession comprising the property itself. The Minister has indicated that he does not believe that a force majeure situation exists.

### **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 2003, exploration was focused geographically on areas that are located in proximity to Inmet’s operations. Exploration expenditures were \$4.1 million in 2003, compared to \$4.9 million in 2002.

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 became fully vested in the Teutonic Bore Joint Venture with a 65 per cent interest as a result of the sale.

On July 22, 2003, ÇBI entered into an agreement with a subsidiary of Teck Cominco Limited to purchase the Rize property, comprising two mineral licences adjacent to the current holdings of ÇBI. Consideration for the purchase included a payment of U.S.\$150,000 and a 2 per cent net smelter return in favour of the vendor.

**MISCELLANEOUS MATTERS**

**Segmented Information**

The following table allocates net sales by operation.

<i>(millions of dollars)</i>	<b>Year Ended December 31</b>		
	<b>2003</b>	<b>2002</b>	<b>2001</b>
ÇBI <sup>(1)</sup>	\$ 78.4	\$ 73.6	\$ 28.4
Pyhäsalmi	\$ 71.9	\$ 47.7	\$ ----
Troilus <sup>(1)</sup>	\$ 81.9	\$ 90.7	\$ 78.4
Ok Tedi <sup>(2)</sup>	\$ 69.9	\$ ----	\$ ----
<b>Total Sales</b>	<b><u>\$302.1</u></b>	<b><u>\$212.0</u></b>	<b><u>\$106.8</u></b>
(1) Net of treatment charges, refining charges and freight			
(2) Sales include 49 per cent of ÇBI's sales up to March 31, 2002 and 100 per cent thereafter. Pyhäsalmi's sales are included commencing April 1, 2002 while 18 per cent of Ok Tedi's sales are included commencing on July 1, 2003			

**Employees**

As at December 31, 2003, the Corporation employed approximately 350 people. This calculation does not reflect employment at any of Ok Tedi, ÇBI or Pyhäsalmi, which employ approximately 2,000, 380 (260 of which are unionized) and 210 individuals, respectively.

**METAL MARKETS**

Inmet's principal products are copper, zinc and gold. The Corporation sells all its copper in the form of copper concentrates to international copper smelters and merchants, all its zinc in the form of zinc concentrates to international zinc-smelting companies, as well as to merchants. The Corporation has the gold doré production from its Troilus mine toll refined and sells the refined gold in the market. Gold produced by Troilus is also sold as an element in copper concentrates.

Base metal prices increased substantially during 2003. Copper prices started the year at U.S.\$0.70 per pound and closed, 50 per cent higher, at U.S.\$1.05 per pound. Zinc prices rose by 35 per cent from U.S.\$0.34 per pound to U.S.\$0.46 per pound by year end.

During the second half of 2003, leading economic indicators pointed to strong growth which suggested that the world economy was coming out of a prolonged period of slow economic growth. This growth was supported by the expanding Chinese economy,

which once again saw annual growth in GDP of almost 10 per cent. In 2003, copper consumption in China rose 24 per cent and zinc consumption growth was up 15 per cent. Speculative fund long positions also grew throughout the year which accelerated metal price increases. Base metal prices should remain strong in 2004, although prices could be impacted by slower than expected United States economic growth or a faltering in the double digit growth rates in China.

Copper raw materials have been in a deficit position for most of 2003. This has resulted in a significant reduction in smelter treatment and refining charges which have dropped to levels of approximately U.S.\$45 per tonne of copper concentrate and U.S.\$0.045 per pound of copper. Zinc raw materials were also in a slight deficit position during 2003.

Gold prices increased substantially in 2003 from U.S.\$343 per ounce at the beginning of the year to end 2003 at U.S.\$417 per ounce, a rise of 22 per cent. Gold has traded as an alternative currency to the United States dollar, with the metal showing a strong negative correlation during 2003 of 85 per cent to the United States dollar trade weighted index. Gold prices also benefited from producers buying back hedge positions.

## 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, is not all-inclusive. It is not a guarantee that other factors will or will not affect the Corporation in the future. This discussion should be read in conjunction with material contained in other sections of this Annual Information Form.

### *Currency and Metal 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 annualized net income to changes in metal prices based on 2004 sales estimates and constant foreign currency exchange rates is as follows:

	<b>Change in Metal Prices</b>	<b>Effect on Net Income</b>	<b>Effect Per Share</b>
Copper (per pound)	U.S.\$0.10	\$14 million	\$0.35
Zinc (per pound)	U.S.\$0.05	\$4 million	\$0.10
Gold (per ounce) <sup>(1)</sup>	U.S.\$10.00	\$1 million	\$0.02

<sup>(1)</sup> Calculations include hedging in place at December 31, 2003

Inmet's revenues are derived from the sale of copper, gold, zinc and other metals and its earnings are directly affected by fluctuations in the prices of these metals. Inmet does not generally hedge the prices of the base metals it produces. The prices of these metals are affected by numerous factors beyond the Corporation's control, including expectations for world economic growth, inflation, speculative activities, relative exchange rates to the US dollar, production activities of other producers, global and regional demand and supply, political and economic conditions and production costs in major producing regions.

In order to mitigate the impact of changes in gold prices, Inmet from time to time enters into hedge transactions. The Corporation has hedging policies for base metals and currencies.

The following table includes the Corporation's gold hedging transactions, in relation to Troilus, as at March 31, 2004:

	Hedge Volume	Anticipated Hedged Production	Average Hedged Price (per ounce)
<b>Gold</b>			
2004 forward sales	101,300 ounces	87%	U.S.\$333
2005 forward sales	108,300 ounces	70%	U.S.\$342
2006 forward sales	103,400 ounces	65%	U.S.\$356

Total forward sales at Troilus represent approximately 38 per cent of its estimated life-of-mine production. Because of the high cost nature of the Troilus operation, the Corporation used forward sales to ensure positive cash flow in the event of a decline in gold prices to levels that were experienced between 1998 and 2002. The Corporation does not at this time intend to enter into further gold forward sales of Troilus production.

The following table includes Inmet's 18 per cent share of gold hedging transactions at Ok Tedi, as at March 31, 2004:

	Hedge Volume	Percentage of Estimated Total Volume	Average Price (per ounce)
<b>Gold</b>			
2004 forward sales	6,750 ounces	10%	U.S.\$366
2005 forward sales	13,500 ounces	10%	U.S.\$367
2006 forward sales	13,500 ounces	10%	U.S.\$369
2007 forward sales	13,500 ounces	10%	U.S.\$371
2008 forward sales	6,750 ounces	5%	U.S.\$372
2004 bought put options	12,600 ounces	15%	U.S.\$375
2004 sold call options	12,600 ounces		U.S.\$461

All hedging transactions are under margin-free facilities. As at March 31, 2004, the spot price of gold was U.S.\$427 per ounce, which resulted in a negative marked-to-market value of \$43 million.

The Corporation has not hedged any of its base metal exposure.

In addition to copper, zinc and gold, Inmet has exposure to the pyrite market. Pyrite is a metal by-product of the Pyhäsalmi operation. It accounts for 20 per cent of Pyhäsalmi's net sales and five per cent of the Company's consolidated net sales. Pyrite is used for energy production, sulphuric acid production and iron oxide applications. The price is influenced mainly by the sulphur market. The price received by Pyhäsalmi for its pyrite sales has been relatively constant over the past years and there is no indication to expect otherwise in the near future.

The Corporation's main currency exposures are to the United States dollar and, to a lesser extent, the euro. In the absence of metal price movements, the impact of a \$0.05 strengthening in the Canadian to United States dollar exchange rate would decrease net income by approximately \$3 million (\$0.07 per share) and a \$0.05 increase in the Canadian dollar relative to the euro would decrease net income by approximately \$1 million (\$0.02 per share).

In order to mitigate some of the risk of a weakening United States dollar, the Corporation has put in place the following hedges for United States dollars, in relation to Troilus' revenues as at March 31, 2004:

	Hedge Volume	Percentage of Estimated Total Volume	Average Price
<i>Currency</i>			
2004 bought put options	U.S.\$13.5 million	30%	\$1.5033
2004 sold call options	U.S.\$13.5 million		\$1.5933
2005 bought put options	U.S.\$10.5 million	20%	\$1.5033
2005 sold call options	U.S.\$10.5 million		\$1.5933

As at March 31, 2004 the positive marked-to-market value of the Corporation's currency hedges was \$6 million, based on a Canadian dollar to United States dollar spot exchange rate at that date of \$1.31.

Credit risk, with respect to the commodity and currency contracts outlined above, arises from the potential failure of counterparties to settle on contracts that are favourable to the Corporation. The Corporation manages this risk by dealing with highly-rated counterparties in accordance with its metal hedging policy.

### ***Risks Inherent in the Mining Business***

The business of exploring for minerals is inherently risky by its nature. Few properties that are explored are ultimately developed into producing mines.

Mineral properties are often non-productive for reasons that cannot be anticipated in advance. Even after the commencement of mining operations, such operations may be subject to risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruptions of production, increases in production costs, monetary losses, legal liability and adverse government action.

Inmet maintains insurance against risks that are typical in the mining industry in amounts that it believes to be reasonable. However, insurance against certain risks, including certain liabilities for environmental pollution, may in the future not be available to Inmet or to other companies within the industry. Because the life of a mine is limited by its mineral reserves, Inmet continually seeks to replace and expand mineral reserves through the exploration of our existing properties, as well as through acquisition of interests in new properties or in companies which own such properties. Inmet may encounter strong competition from other mining companies in connection with the acquisition of mining properties or companies.

### ***Reserve and Production Estimates***

Inmet's reported mineral reserves as of December 31, 2003 are estimated quantities of proven and probable mineral reserves that under present and anticipated conditions can be legally and economically mined and processed by the extraction of their mineral content. Inmet determines the amount of its mineral reserves in accordance with applicable regulatory requirements and established mining standards. The volume and grade of reserves actually recovered and rates of production from Inmet's present mineral reserves may be less than geological measurements of the reserves. Market price fluctuations in copper, gold, zinc and other metals and exchange rates, and changes in operating and capital costs may in the future render certain mineral reserves uneconomic to mine. In addition, short-term operating factors relating to mineral reserves, such as the need for orderly development of ore bodies or the processing of new or different ore grades, may cause mineral reserves to be modified or Inmet's operations to be unprofitable in any particular fiscal period.

No assurance can be given that the indicated amount of ore will be recovered or that it will be recovered at prices assumed by Inmet in determining mineral reserves. Mineral reserve estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative of the entire ore body. As more knowledge and

understanding of the ore body is obtained, the reserve estimates may change significantly, either positively or negatively.

Inmet prepares estimates of future production for particular operations. These production estimates are based on, among other things, reserve estimates; assumptions regarding ground conditions and physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics; and estimated rates and costs of mining and processing. Inmet's actual production may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the mineral reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; risks and hazards associated with mining, natural phenomena, such as inclement weather conditions, floods, and earthquakes; and unexpected labor shortages or strikes. No assurance can be given that production estimates will be achieved. Failure to achieve production estimates could have a material adverse impact on Inmet's future cash flows, earnings, results of operations and financial condition.

### ***Environmental Risk***

Inmet's operations and investments are subject to environmental laws and regulations in Canada and in other countries, controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. Future legislation and regulations could cause additional expenses, capital expenditures, restrictions and delays in the development of properties, the extent of which cannot be predicted. In the context of environmental permits, including the approval of reclamation plans, Inmet must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays, depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The potential for changes in laws and regulations creates significant uncertainty with regard to the actual environmental and reclamation costs that Inmet could incur in the future. Environmental and regulatory review has become a long, complex and uncertain process which can delay the opening of a new mine or prolong decommissioning activities at closed mines. Regulatory developments or changes in the assessment of conditions at closed sites can cause substantial variances, positive or negative, from prior estimates of reclamation liabilities.

Inmet has capped, through insurance, its reclamation project costs at Copper Range, Winston Lake and Norbec. The insurance policy requires the insurer to pay for reclamation expenditures in respect of known conditions, in excess of specific limits at each of the insured sites. The insurer covers overruns above the site limits, to a maximum of \$30 million. Based on costs incurred to date and expected future costs, the \$30 million maximum limit is not likely to be reached.

### ***Political risk***

Inmet operates or holds investments internationally in PNG and Turkey. Inmet does not regard the nature of these countries as a significant deterrent to operation or investment. Inmet's operations and investments outside Canada could be adversely affected by war, civil disturbances and activities of foreign governments that limit or disrupt markets, restrict the movement of funds or supplies or result in the restriction of contractual rights or the taking of property without fair compensation. These operations and investments could also be adversely affected by changes in Canadian laws and regulations relating to foreign trade, investment and taxation. In order to mitigate political risk, Inmet has from time to time entered into joint venture arrangements with local partners and international financing agencies. Inmet does not currently maintain political risk insurance.

### ***Competitive Risk***

The Corporation's primary interests are in copper and gold and to a lesser extent in zinc. These products are sold by Inmet at world market prices over which the Corporation has no influence. However, the Corporation somewhat reduces its exposure to cyclical swings in individual metal prices and foreign currencies through the diverse geographical settings of its operations and the variety of products they produce. Since the Corporation has no control over the prices of its principal products, its competitive position depends on its ability to control operating costs. The cost structure of each operation in which the Corporation has an interest depends on the location, grade and nature of the ore body as well as the management skills of the operator. The Corporation's competitive position also depends on its ability to expand its mineral reserves through exploration and acquisitions.

### **Legal Matters**

The nature of Inmet's business subjects it to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of business. The results of these legal proceedings cannot be predicted with certainty. There can be no assurances that these matters will not have a material adverse effect on Inmet.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management's Discussion and Analysis included at pages 36 to 64 of the Corporation's 2003 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, 2004, the Corporation had 40,275,289 common shares issued and outstanding. The Corporation also has outstanding \$64,086,983 principal amount of convertible subordinated debentures that entitle the holders thereof to acquire approximately 3,015,858 common shares of the Corporation at a conversion price of \$21.25 per common share.

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, are as follows<sup>(1)</sup>:

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation in Previous Five Years</u>
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; prior to January 2000, Executive Vice-President and Chief Financial Officer of the Corporation; prior to May 1999 Vice-President, Finance and Chief Financial Officer
DAVID R. BEATTY, O.B.E **/+ Toronto, Ontario	Director since 2003	Professor of Strategic Management and Director, Clarkson Centre for Business Ethics and Board Effectiveness, Rotman School of Management, University of Toronto and Managing Director Canadian Coalition for Good Governance
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)
W. WARREN HOLMES Timmins, Ontario	Director since 2004	President and Chief Executive Officer, Nuinsco Resources Limited (mineral exploration); prior to July 2002, Senior Vice-President, Canadian Mining Operations, Falconbridge Limited
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
JAMES M. TORY* Toronto, Ontario	Director since 1987	Counsel, Torys LLP (law firm)

(1) Assumes that the directors are duly elected at the Corporation's annual and special meeting of shareholders on April 29, 2004.

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation in Previous Five Years</u>
STEVEN 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; prior to January 2000, Vice-President, Exploration of the Corporation.
WENDY KAUFMAN Oakville, Ontario	Controller	Controller of the Corporation; prior to April 2000, Assistant Controller of the Corporation.
OLIVER R.E. MERTON Oakville, Ontario	Vice-President, Commercial	Vice-President, Commercial of the Corporation; prior to January 2000, Vice-President, Marketing of the Corporation.
JO-ANNE OSWALD Toronto, Ontario	Vice-President, Finance and Chief Financial Officer	Vice-President, Finance and Chief Financial Officer of the Corporation; prior to January 2001, Vice-President, Treasurer of the Corporation; prior to April 2000, Vice-President, Controller of the Corporation; prior to January 2000, Controller of the Corporation.
STUART TEVENDALE Whitby, Ontario	Treasurer	Treasurer of the Corporation; prior to August 2003, Commercial and Finance Manager, Çayeli Bakir Isletmeleri A.S.
JOCHEN E. TILK Toronto, Ontario	Chief Operating Officer	Chief Operating Officer of the Corporation; 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 31, 2004, 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.

### **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 29, 2004;

- (c) any of the Corporation's unaudited interim reports to shareholders issued after December 31, 2003; 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](http://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 29, 2004. Additional financial information is provided in the Corporation's comparative consolidated financial statements for the year ended December 31, 2003, which are included in the annual report of the Corporation for 2003.

**SELECTED FINANCIAL INFORMATION**

The following table sets out selected consolidated financial information for the Corporation for the three years ended December 31, 2003. This information is derived from the Corporation's audited financial statements.

(thousands of dollars except per share amounts)	Year Ended December 31		
	2003	2002	2001
<b>Financial Results:</b>			
Sales	\$302,147	\$211,973	\$106,759
Net income	\$179,497	\$7,330	\$3,309
Net income per share <sup>(1)</sup>	\$4.46	\$0.09	\$0.00
Cash flow provided by operating activities			
	\$83,407	\$73,702	\$6,388
Operating cash flow per share <sup>(1)</sup>	\$2.12	\$1.92	\$0.18
<b>Financial Position (December 31)</b>			
Cash and short-term investments	\$230,251	\$76,532	\$63,871
Net working capital	\$270,152	\$91,320	\$96,849
Total assets	\$645,289	\$481,461	\$312,132
Long-term debt	\$24,115	\$67,711	\$16,981
Reclamation and other long-term liabilities	\$ 107,873	\$ 84,907	\$56,438
Shareholders' equity	\$413,393	\$241,835	\$204,805

(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 2003 and 2002.

**SUMMARY OF QUARTERLY DATA** (unaudited)

<b>2003</b>					
(thousands except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
<b>STATEMENTS OF OPERATIONS</b>					
Sales	\$44,781	\$57,092	\$90,562	\$109,712	<b>\$302,147</b>
Cost of sales	(32,448)	(41,915)	(62,072)	(65,430)	<b>(201,865)</b>
Amortization	(4,424)	(4,577)	(5,005)	(6,718)	<b>(20,724)</b>
Corporate development and exploration	(1,090)	(580)	(1,002)	(1,385)	<b>(4,057)</b>
General and administration	(1,139)	(1,072)	(1,022)	(2,061)	<b>(5,294)</b>
Stock based compensation	(84)	(62)	(580)	(1,796)	<b>(2,522)</b>
Net interest and other income	2,575	(294)	29,034	111,904	<b>143,219</b>
Capital tax expense	(228)	(172)	(186)	(587)	<b>(1,173)</b>
Income tax expense	(968)	(1,487)	(7,290)	(11,742)	<b>(21,487)</b>
Non controlling interest	(503)	(1,957)	(1,953)	(4,334)	<b>(8,747)</b>
<b>Net income (loss)</b>	<b>\$6,472</b>	<b>\$4,976</b>	<b>\$40,486</b>	<b>\$127,563</b>	<b>\$179,497</b>
<b>Net income (loss) per common share<sup>(1)</sup></b>	<b>\$0.14</b>	<b>\$0.10</b>	<b>\$1.00</b>	<b>\$3.21</b>	<b>\$4.46</b>

**SUMMARY OF QUARTERLY DATA** (unaudited)

<b>2002</b>					
(thousands except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
<b>STATEMENTS OF OPERATIONS</b>					
Sales	\$38,549	\$60,080	\$52,860	\$60,484	<b>\$211,973</b>
Cost of sales	(28,641)	(41,826)	(39,017)	(42,445)	<b>(151,929)</b>
Amortization	(1,616)	(4,377)	(4,794)	(4,752)	<b>(15,539)</b>
Corporate development and exploration	(1,132)	(1,711)	(877)	(1,206)	<b>(4,926)</b>
General and administration	(1,168)	(1,146)	(1,126)	(1,793)	<b>(5,233)</b>
Stock based compensation	(1,584)	(2,627)	1,400	(2,447)	<b>(5,258)</b>
Net interest and other income	(232)	569	(908)	(2,558)	<b>(3,129)</b>
Capital tax expense	(181)	(182)	(333)	(331)	<b>(1,027)</b>
Income tax expense	(2,903)	(4,266)	(1,746)	(2,593)	<b>(11,508)</b>
Non controlling interest	14	(2,231)	(1,943)	(1,934)	<b>(6,094)</b>
<b>Net income</b>	<b>\$1,106</b>	<b>\$2,383</b>	<b>\$3,516</b>	<b>\$425</b>	<b>\$7,330</b>
<b>Net income (loss) per common share<sup>(1)</sup></b>	<b>\$0.01</b>	<b>\$0.02</b>	<b>\$0.07</b>	<b>\$(0.01)</b>	<b>\$0.09</b>

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