

# INMET

MINING

## QUARTERLY REPORT THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2004

All amounts are in Canadian dollars, unless otherwise stated.

### MANAGEMENT'S INTERIM DISCUSSION AND ANALYSIS

The following is management's interim discussion and analysis of operations and consolidated financial condition and should be read in conjunction with the consolidated audited financial statements and management's discussion and analysis included in Inmet's 2003 Annual Report.

Inmet Mining Corporation reported net income in the third quarter of 2004 of \$24.3 million or \$0.57 per share. Earnings in the third quarter of 2004 were \$15.0 million higher than earnings in the same period in 2003, before a non-recurring gain, because of significantly higher metal prices. Net income of \$40.5 million or \$1.00 per share in the third quarter of 2003 included a non-recurring gain of \$31.2 million relating to the sale of Inmet's 3.3 per cent net proceeds interest ("NPI") in the Antamina mine.

<i>(in thousands except per share figures)</i>	<b>Third Quarter</b>		<b>Nine Months</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Operations' Earnings</b>				
Çayeli	<b>\$9,416</b>	\$7,604	<b>\$47,037</b>	\$15,512
Pyhäsalmi	<b>12,298</b>	5,306	<b>35,410</b>	10,863
Troilus	<b>6,210</b>	2,965	<b>12,523</b>	9,016
Ok Tedi	<b>16,980</b>	8,113	<b>40,804</b>	8,113
Reclamation costs	<b>(506)</b>	(503)	<b>(1,517)</b>	(1,510)
	<b>44,398</b>	23,485	<b>134,257</b>	41,994
Corporate development and exploration	<b>(760)</b>	(1,002)	<b>(3,994)</b>	(2,672)
General and administration	<b>(1,155)</b>	(1,022)	<b>(3,666)</b>	(3,233)
Stock based compensation	<b>(21)</b>	(580)	<b>(66)</b>	(726)
Gain on sale of Antamina NPI	-	31,200	-	31,200
Investment and other income (expense)	<b>600</b>	(930)	<b>1,552</b>	4,807
Interest expense	<b>(678)</b>	(1,236)	<b>(2,127)</b>	(4,692)
Income and capital taxes	<b>(15,312)</b>	(7,476)	<b>(47,749)</b>	(10,331)
Non-controlling interest	<b>(2,777)</b>	(1,953)	<b>(14,225)</b>	(4,413)
<b>Net income</b>	<b>\$24,295</b>	\$40,486	<b>\$63,982</b>	\$51,934
Accretion on equity component of convertible debentures	<b>\$(1,112)</b>	\$(1,023)	<b>\$(3,290)</b>	\$(3,024)
<b>Basic net income per share</b>	<b>\$0.57</b>	\$1.00	<b>\$1.51</b>	\$1.24
<b>Diluted net income per share</b>	<b>\$0.53</b>	\$0.90	<b>\$1.41</b>	\$1.16
<b>Weighted average shares outstanding (000's)</b>	<b>40,593</b>	39,321	<b>40,194</b>	39,296

## Recent Events

On September 23, 2004, Inmet acquired the remainder of Çayeli Bakir Isletmeleri A.S. (“Çayeli”) that it did not already own from the Government of Turkey for U.S.\$49.25 million.

## Comparability of Results

As of July 1, 2003, Inmet proportionately consolidates its 18 per cent interest in Ok Tedi. For the six months ended June 30, 2004, the effect of the proportionate consolidation of Ok Tedi added \$15 million to net income. Prior to July 1, 2003, Inmet cost accounted for Ok Tedi.

The following table identifies the sources of changes in Inmet’s consolidated net income between the respective three and nine month periods ended September 30, 2004 and 2003:

### *Changes in 2004 Net Income Compared to 2003*

<i>(millions of dollars)</i>	<b>Change in Third Quarter</b>	<b>Change in Nine Months</b>
Increased metal prices	\$ 20	\$ 55
Foreign exchange rate changes on sales and costs	(4)	(12)
Sales volume	(2)	(3)
Operating costs	(1)	(4)
Proportionate consolidation of Ok Tedi	-	15
Gain on sale of Antamina NPI in 2003	(31)	(31)
Foreign exchange rate changes on debt in 2003	-	(5)
Litigation costs related to Winston Lake	-	(3)
Gain on sale of asset in 2003	-	(2)
Other	2	2
<b>Increase (decrease) in net income</b>	<b>\$ (16)</b>	<b>\$ 12</b>

Compared to the same periods in 2003, net income was positively impacted by higher metal prices in both the three and nine month periods ended September 30, 2004. This positive impact was offset somewhat by foreign exchange rate changes due to a weaker United States dollar and reduced sales volumes due to lower production at Çayeli and timing of sales at Ok Tedi.

In the third quarter of 2003, Inmet sold its Antamina NPI for proceeds of \$31.2 million. In the nine months ended September 30, 2003, foreign exchange gains of approximately \$5 million were recognized on the revaluation to Canadian dollars of Inmet’s United States dollar denominated debt. This debt was repaid in July 2003. A \$3.4 million legal settlement relating to the closed Winston Lake mine was expensed in the first quarter of 2004 and a non-recurring gain of \$1.9 million from the sale of an Australian exploration property was recorded in the first quarter of 2003.

## Net Sales

<i>(in thousands)</i>	Third Quarter		Nine Months	
	2004	2003	2004	2003
<b>Net sales by operation:<sup>(1)</sup></b>				
Çayeli	<b>\$22,206</b>	\$22,407	<b>\$89,919</b>	\$49,279
Pyhäsalmi	<b>25,248</b>	18,537	<b>77,897</b>	52,895
Troilus	<b>23,514</b>	21,737	<b>66,586</b>	62,380
Ok Tedi	<b>33,854</b>	27,881	<b>98,287</b>	27,881
	<b>\$104,822</b>	\$90,562	<b>\$332,689</b>	\$192,435
<b>Net sales by metal:<sup>(1)</sup></b>				
Copper	<b>\$52,229</b>	\$39,866	<b>\$184,970</b>	\$78,015
Zinc	<b>14,663</b>	13,891	<b>38,923</b>	29,357
Gold	<b>32,605</b>	30,351	<b>88,299</b>	67,664
Other	<b>5,325</b>	6,454	<b>20,497</b>	17,399
	<b>\$104,822</b>	\$90,562	<b>\$332,689</b>	\$192,435

Sales by metal volume <sup>(1)</sup>	Third Quarter		Nine Months	
	2004	2003	2004	2003
Copper (tonnes)	<b>17,300</b>	22,400	<b>60,700</b>	45,250
Zinc (tonnes)	<b>20,000</b>	22,800	<b>52,100</b>	50,500
Gold (ounces)	<b>62,100</b>	63,800	<b>179,300</b>	146,100

<sup>(1)</sup> Includes 100 per cent of sales from Çayeli, Pyhäsalmi and Troilus, and, commencing July 1, 2003, 18 per cent of Ok Tedi's sales.

Net sales increased by \$14 million in the third quarter of 2004 compared to the third quarter of 2003. Higher metal prices improved net sales by \$33 million; however, the effect of lower sales volumes at Çayeli and Ok Tedi and foreign exchange rate changes offset this improvement by \$19 million.

For the nine months ended September 30, 2004, net sales increased by \$140 million compared to the same period in 2003. Net sales of copper and gold from Ok Tedi contributed \$65 million and \$33 million, respectively, for the period compared to net sales in 2003 of \$17 million and \$11 million, respectively. In 2003, Ok Tedi's sales were included as of July 1, 2003 onwards. Higher metal prices during the first nine months of 2004 improved net sales by \$91 million compared to the same period in 2003, but lower gold sales volumes at Troilus and foreign exchange rate changes offset this increase by \$21 million. Average treatment and refining charges in the period were lower compared to 2003 but the benefit of these lower rates was offset by higher freight costs and price participation charges payable to smelters.

The realized average metal prices and average foreign exchange rates of the United States dollar to the Canadian dollar for the three and nine months ended September 30, 2004 and 2003 are set out in the following chart:

<b>Prices realized</b>	<b>Third Quarter</b>		<b>Nine Months</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
Copper (per pound)	<b>U.S.\$1.38</b>	U.S.\$0.79	<b>U.S.\$1.31</b>	U.S.\$0.77
Zinc (per pound)	<b>U.S.\$0.45</b>	U.S.\$0.37	<b>U.S.\$0.46</b>	U.S.\$0.36
Gold (per ounce)	<b>U.S.\$367</b>	U.S.\$347	<b>U.S.\$369</b>	U.S.\$338
1 U.S.\$ to C\$	<b>\$1.31</b>	\$1.38	<b>\$1.33</b>	\$1.43

## SUMMARY OF OPERATIONS

Weighted average unit costs <sup>(1)</sup> at Inmet's operations are a key performance indicator and are as follows:

	<b>Third Quarter</b>		<b>Nine Months</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
<b>Copper</b> (per pound)				
Cash costs	<b>U.S.\$0.47</b>	U.S.\$0.37	<b>U.S.\$0.42</b>	U.S.\$0.39
Total costs	<b>U.S.\$0.57</b>	U.S.\$0.45	<b>U.S.\$0.51</b>	U.S.\$0.52
<b>Gold</b> (per ounce)				
Cash costs	<b>U.S.\$225</b>	U.S.\$269	<b>U.S.\$249</b>	U.S.\$261
Total costs	<b>U.S.\$249</b>	U.S.\$281	<b>U.S.\$273</b>	U.S.\$273

<sup>(1)</sup> A reconciliation of the calculation of weighted average unit costs to Inmet's income statement is provided under the heading "Consolidated Unit Costs" on page 19.

Inmet's share of metal production is set out below:

	<b>Third Quarter</b>		<b>Nine Months</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
Copper (tonnes)	<b>16,500</b>	20,100	<b>53,200</b>	54,000
Zinc (tonnes)	<b>13,200</b>	16,400	<b>39,200</b>	42,400
Gold (ounces)	<b>68,400</b>	65,700	<b>186,500</b>	186,700

In the third quarter, copper and zinc production were each lower compared to 2003 due to lower than expected production at Çayeli.

## Çayeli

<i>(100 per cent of production)</i>		<b>Third Quarter</b>		<b>Nine Months</b>		<i>Full year</i>
		<b>2004</b>	2003	<b>2004</b>	2003	<i>Objective<sup>(1)</sup></i>
Ore milled (000's of tonnes)		<b>130</b>	263	<b>609</b>	666	<i>810</i>
Grades:	Copper	<b>4.0%</b>	4.2%	<b>4.0%</b>	4.1%	<i>4.0%</i>
	Zinc	<b>5.2%</b>	6.0%	<b>5.5%</b>	5.2%	<i>5.5%</i>
Recoveries:	Copper	<b>89%</b>	85%	<b>91%</b>	85%	<i>90%</i>
	Zinc	<b>75%</b>	73%	<b>73%</b>	71%	<i>73%</i>
Production:	Copper (tonnes)	<b>4,600</b>	9,300	<b>22,300</b>	23,300	<i>29,200</i>
	Zinc (tonnes)	<b>5,000</b>	11,500	<b>24,700</b>	24,700	<i>32,600</i>
Cash costs	(per pound/copper)	<b>U.S.\$0.72</b>	U.S.\$0.41	<b>U.S.\$0.59</b>	U.S.\$0.44	<i>U.S.\$0.60</i>
Total costs	(per pound/copper)	<b>U.S.\$0.82</b>	U.S.\$0.46	<b>U.S.\$0.65</b>	U.S.\$0.50	<i>U.S.\$0.66</i>
Capital expenditures (millions)		<b>U.S.\$2.6</b>	U.S.\$2.5	<b>U.S.\$9.1</b>	U.S.\$5.1	<i>U.S.\$18.0</i>

(1) In estimating the by-product credit included in the forecasted copper cash costs, a forecasted zinc price of U.S.\$0.48 per pound was used for the fourth quarter of 2004.

On September 23, Inmet acquired the remainder of Çayeli that it did not already own from the Turkish Privatization Administration for a purchase price of U.S.\$49.25 million. With the completion of the purchase, Inmet has strengthened its presence in Turkey and will continue to explore the growth potential of the Çayeli operation and Cerattepe project. In that regard, Çayeli has made a number of organizational changes to its management team that were announced in a press release dated October 26, 2004.

On August 21, Çayeli experienced a fatal accident when a stope access drift collapsed burying a scoop operator. Çayeli commissioned an independent investigation to determine potential causes of the accident and to recommend measures to minimize the potential for a recurrence. Çayeli remains committed to pursuing all measures necessary to provide its workers with a safe working environment.

Çayeli's third quarter operating results were disappointing due to limited availability of working areas, difficult ground conditions and limited equipment availability. Production results were also impacted by a 15 day scheduled maintenance shutdown to replace the concrete floor in the main decline and upgrade the mill operating system.

Operating earnings for the three months ended September 30, 2004 were \$9.4 million compared to \$7.6 million for the same period in 2003. For the nine months ended September 30, 2004 operating earnings were \$47.0 million versus 2003 operating earnings of \$15.5 million. Higher metal prices in 2004 more than offset the impact of lower production and higher costs. The 15 day scheduled shutdown in the third quarter is estimated to have reduced net income by about \$2 million. During the third quarter of 2004, Çayeli settled its claim with its insurers regarding the 2002 groundfall event. A further \$0.7 million was recorded in investment and other income during the quarter (\$2.3 million for the nine months) to reflect the final insurance settlement.

Cash costs for the third quarter of 2004 were U.S.\$0.72 per pound, compared to 2003 third quarter cash costs of U.S.\$0.41 per pound. Unit cash costs were higher in 2004 due to lower copper production and higher operating costs.

Çayeli's production is highly dependent on the mine's ability to frequently cycle underground mining stopes. A number of operational difficulties continue to impact Çayeli's ability to maximize its production, as follows:

- The upper part of the Çayeli ore body is mostly mined out and access to some of the remaining areas has been limited since the October 2002 groundfall event. The majority of mining activity now takes place on levels below the existing shaft bottom where access to new mining stopes requires additional development.
- Many of the areas currently available for mining were developed several years ago. Some rehabilitation is often necessary prior to bringing these into production. However, some of the areas have required more rehabilitation work than anticipated. Çayeli has accelerated its rehabilitation efforts by hiring contractors to augment its workforce.
- Ore from production areas below the existing shaft bottom will be trucked upward through the main access ramp until the shaft extension is completed. Limited truck availability and traffic congestion on the ramp have also contributed to the low productivity during the third quarter. To improve equipment availability, Çayeli has ordered several trucks, which are expected to arrive by the beginning of 2005. Traffic congestion has improved somewhat after concrete placement in the ramp floor was finished during the August shutdown.
- To achieve long term geotechnical benefits, the stoping sequence of the lower levels of the mine has been changed to form a pyramid shaped mining front advancing out from the centre pillar to the boundaries of the ore body. During the transition to the new sequence, mining activity has been concentrated in a tight area around the central pillar, resulting in some logistical difficulties. Çayeli expects to improve its productivity as the mining front opens up.

### ***Outlook***

Çayeli will continue its efforts to improve productivity by opening up new mining areas. Development of the lower mine, which will be coincident with the completion of the shaft extension, is the most significant part of this effort. The shaft extension project is progressing well. As at the end of September, sinking activities had advanced by 109 metres of the total extension depth of 286 metres. The shaft project should be completed during the first quarter of 2006, including the necessary lateral and ramp development to bring the lower mining areas in production. Until then, Çayeli expects productivity improvements to be gradual with an anticipated mining rate of approximately 800,000 to 900,000 tonnes per year until the shaft extension is completed, as compared to the originally anticipated production rate of 1.25 million tonnes per year.

## Cerattepe

SRK Consulting Inc., an international mining consulting firm, recently completed a feasibility study on the Cerattepe project. The project, a wholly-owned subsidiary of Çayeli, is located at an elevation of 1,600 metres approximately 100 kilometres due east of Çayeli near the town of Artvin.

The Cerattepe feasibility study recommends mining only the higher grade portion of the copper ore body. Indicated mineral resources and probable mineral reserves at Cerattepe have been estimated as follows:

### **Cerattepe Indicated Mineral Resources** <sup>(1) (2)</sup>

	Tonnage (millions)	Copper Grade (%)	Zinc Grade (%)	Lead Grade (%)	Gold Grade (g/t)	Silver Grade (g/t)
High Grade Zone	1.6	9.6	1.1	0.3	1.5	36
Low Grade Zone	5.5	1.4	1.0	0.4	1.0	29
Total	7.1	3.3	1.0	0.3	1.1	31

### **Cerattepe Mineral Reserves** <sup>(1) (2) (3)</sup>

	Tonnage (millions)	Copper Grade (%)	Zinc Grade (%)	Lead Grade (%)	Gold Grade (g/t)	Silver Grade (g/t)
Probable Reserves	1.6	8.8	1.0	0.3	1.4	33

The major findings of the feasibility study are:

- Based on the estimated mineral reserves, Cerattepe should operate for approximately six years and produce an average of 20,000 tonnes per year of copper. The mine is designed as a very low-impact operation with no processing on-site. As a result, no tailings disposal will be required. In addition, all waste will be returned underground to be used as backfill.
- Mining would be carried out from underground by ramp access at a rate of 800 tonnes per day. Ore would be transported from the mine by aerial tramway to an existing highway, then trucked to Çayeli and processed through the existing mill.
- Capital costs for the project are estimated at U.S.\$46 million, including expenditures of approximately U.S.\$9 million to expand the Çayeli mill from its current capacity of 1.25 million tonnes to 1.5 million tonnes per year. The decision to expand the Çayeli mill will be made later in 2005 after taking into consideration the progress of the Çayeli mine in achieving its production targets.
- Cerattepe is expected to employ approximately 90 people in mining activities during its life. Operating costs, including mining, processing, transportation of the ore from Artvin to Çayeli, general and administration costs and royalties are estimated to be U.S.\$40 per tonne of ore milled. Cash costs, including treatment and refining costs of U.S.\$90 per tonne and U.S.\$0.09 per pound, respectively, are estimated to be U.S.\$0.50 per pound of copper.

- To optimize mining and processing methods, Cerattepe plans to collect a 24,000 tonne bulk sample and process it at the Çayeli mill. To obtain the bulk sample, some 1,200 metres of underground development, including furthering the existing ramp to access the ore body will be required. Rehabilitation of existing infrastructure is underway and actual ramp development is expected to begin by the end of the year. The bulk sample is expected to be processed during the second half of 2005.

As a next step in the permitting process, Cerattepe will submit an environmental impact assessment to the Turkish regulatory authorities, which is substantially completed. An extensive public consultation process is also underway. Barring any unexpected delays in permitting, production from Cerattepe should begin during the second half of 2006.

*(1) Reserves and resources for Cerattepe were prepared under the supervision of Michael Michaud, P.Geo. and Ken Reipas, P.Eng. (SRK Consulting (Canada) Inc.) in consultation with Ian Pirie, P.Geo. (Project Manager, Cerattepe) who are all qualified persons for the purposes of National Instrument 43-101 promulgated by the Canadian Securities Administrators. Cerattepe's mineral reserves and resources are estimated based on a copper price of U.S.\$0.90 per pound.*

*(2) Indicated mineral resources include probable mineral reserves.*

*(3) Mineral reserves include appropriate mining dilution and recovery factors.*

## Pyhäsalmi

<i>(100 per cent of production)</i>		<b>Third Quarter</b>		<b>Nine Months</b>		<i>Full year</i>
		<b>2004</b>	2003	<b>2004</b>	2003	<i>Objective<sup>(1)</sup></i>
Ore milled (000's of tonnes)		<b>335</b>	337	<b>1,013</b>	1,003	<i>1,330</i>
Grades:	Copper	<b>1.2%</b>	1.2%	<b>1.3%</b>	1.2%	<i>1.2%</i>
	Zinc	<b>3.3%</b>	3.2%	<b>2.7%</b>	3.1%	<i>2.8%</i>
	Sulphur	<b>40%</b>	41%	<b>41%</b>	41%	<i>40%</i>
Recoveries:	Copper	<b>95%</b>	95%	<b>96%</b>	95%	<i>95%</i>
	Zinc	<b>94%</b>	94%	<b>93%</b>	94%	<i>93%</i>
Production:	Copper (tonnes)	<b>3,700</b>	3,700	<b>12,700</b>	11,400	<i>15,800</i>
	Zinc (tonnes)	<b>10,400</b>	10,100	<b>25,600</b>	28,800	<i>34,900</i>
	Pyrite (tonnes)	<b>80,600</b>	74,700	<b>504,700</b>	485,200	<i>690,000</i>
Cash costs	(per pound/copper)	<b>U.S.\$0.14</b>	U.S.\$0.20	<b>U.S.\$0.13</b>	U.S.\$0.21	<i>U.S.\$0.15</i>
Total costs	(per pound/copper)	<b>U.S.\$0.39</b>	U.S.\$0.46	<b>U.S.\$0.35</b>	U.S.\$0.45	<i>U.S.\$0.40</i>
Capital expenditures (millions)		<b>€0.6</b>	€0.8	<b>€1.7</b>	€2.2	<i>€3.3</i>

<sup>(1)</sup> In estimating the by-product credit included in the forecasted copper cash costs, a forecasted zinc price of U.S.\$0.48 per pound was used for the fourth quarter of 2004.

For the three months ended September 30, 2004, Pyhäsalmi continued to demonstrate its strong operating performance. Production levels were similar to those achieved during the same period in 2003. Operating earnings for the quarter were \$12.3 million compared to \$5.3 million in 2003 due to significantly higher metal prices.

For the nine months ended September 30, 2004, operating earnings were \$35.4 million compared to \$10.9 million in the same period of 2003 due to increased copper production, in combination with higher metal prices.

The strengthening of the euro relative to the Canadian dollar during 2004 had a negative impact on costs and the weakening of the United States dollar relative to the Canadian dollar in 2004 had a negative impact on sales. Pyhäsalmi's 2004 net income for the quarter compared to 2003 was negatively impacted by approximately \$1 million as a result of foreign exchange rate changes. For the nine months ended September 30, 2004, the reduction in net income was approximately \$5 million.

Copper cash costs per pound in each of the three and nine months ended September 30, 2004 were lower than the comparable periods in 2003, largely because of higher zinc and pyrite by-product credits. As well, for the nine months ended September 30, 2004, higher copper production contributed to lower unit costs.

### **Outlook**

For the remainder of the year, Pyhäsalmi's production performance is expected to remain at similar levels to those achieved during the year to date. Zinc grades are expected to increase and copper grades are expected to decrease as mining activity is expected to move to higher zinc-grade stopes.

## Troilus

<i>(100 per cent of production)</i>	Third Quarter		Nine Months		Full year
	2004	2003	2004	2003	Objective <sup>(1)</sup>
Ore milled (000's of tonnes)	<b>1,608</b>	1,547	<b>4,549</b>	4,496	6,000
Strip ratio	<b>1.8</b>	1.7	<b>1.6</b>	2.0	1.6
Grade (grams per tonne)	<b>1.0</b>	1.0	<b>1.0</b>	1.0	1.0
Recoveries	<b>81%</b>	84%	<b>80%</b>	83%	81%
Gold production (ounces)	<b>41,200</b>	40,200	<b>113,300</b>	121,500	153,000
Cash costs (per ounce/gold)	<b>U.S.\$225</b>	U.S.\$269	<b>U.S.\$249</b>	U.S.\$261	U.S.\$250
Total costs (per ounce/gold)	<b>U.S.\$249</b>	U.S.\$281	<b>U.S.\$273</b>	U.S.\$273	U.S.\$274
Capital expenditures (millions)	<b>\$10.6</b>	\$3.1	<b>\$18.2</b>	\$6.5	\$27.6
Capitalized stripping (millions)	<b>\$1.3</b>	\$0.9	<b>\$4.6</b>	\$6.0	\$6.3

<sup>(1)</sup> In estimating the by-product credit included in the forecasted gold cash costs, a forecasted copper price of U.S.\$1.35 per pound was used for the fourth quarter of 2004.

Operating earnings for the three months ended September 30, 2004 were \$6.2 million, compared to \$3.0 million for the same period in 2003 largely due to higher gold and copper prices and higher gold sales volumes. For the nine months ended September 30, 2004 compared to the equivalent 2003 period, operating earnings were \$12.5 million versus \$9.0 million due mainly to higher gold and copper prices. Including hedging, Troilus realized an average gold price of U.S.\$357 per ounce in the third quarter of 2004 and U.S.\$355 per ounce in the nine months ended September 30, 2004.

For the second consecutive quarter, Troilus' mill throughput reached record levels. Mill throughput in the third quarter of 2004 was four per cent higher than in the same period in 2003. Gold production for the three months ended September 30, 2004 increased two per cent from the same period in 2003 due to the higher throughput. About 80 per cent of Troilus' gold production during the third quarter originated from the J-4 pit. Although ore from the J-4 pit tends to have better milling characteristics, thereby increasing throughput rates, recoveries were negatively impacted due to the lower feed grade and restrictions in ball mill capacity. These restrictions are expected to be eliminated after completion of the mill expansion in December of this year.

In the third quarter, cash costs of gold per ounce were lower than in the same period in 2003 because of higher gold production and higher metal credits from higher copper prices. For the nine months ended September 30, 2004, higher metal credits from higher copper prices was the main factor contributing to lower unit cash costs compared to the same period in 2003.

The Troilus mill expansion project remains on budget and is on schedule to be commissioned in December of this year, with the capital cost estimate remaining at \$18.5 million. The expansion involves the installation of a larger secondary crusher and new ball mill circuit and should improve mill throughput by at least 15 per cent and metallurgical recoveries by approximately 2 per cent in 2005.

### Outlook

The objective at Troilus has been revised to reflect slightly lower gold production due to lower recoveries than originally expected. As well, unit cash costs have been reduced largely reflecting higher metal credits from higher copper production and higher copper prices.

## Ok Tedi

<i>(100 per cent of production)</i>	Third Quarter		Nine Months		Full year
	2004	2003	2004	2003	Objective <sup>(1)</sup>
Ore milled (000's of tonnes)	<b>7,300</b>	7,000	<b>19,800</b>	20,300	27,000
Grades: Copper	<b>0.8%</b>	0.9%	<b>0.8%</b>	0.8%	0.8%
Gold (grams per tonne)	<b>0.9</b>	0.9	<b>0.9</b>	0.8	0.9
Recoveries: Copper	<b>86%</b>	85%	<b>83%</b>	84%	83%
Gold	<b>70%</b>	72%	<b>73%</b>	68%	71%
Production: Copper (tonnes)	<b>49,500</b>	53,700	<b>135,300</b>	142,300	186,000
Gold (ounces)	<b>151,200</b>	141,700	<b>406,800</b>	362,100	555,000
Cash costs (per pound/copper)	<b>U.S.\$0.53</b>	U.S.\$0.41	<b>U.S.\$0.48</b>	U.S.\$0.44	U.S.\$0.48
Total costs (per pound/copper)	<b>U.S.\$0.58</b>	U.S.\$0.45	<b>U.S.\$0.53</b>	U.S.\$0.56	U.S.\$0.53
Capital expenditures (millions)	<b>U.S.\$5.0</b>	U.S.\$0.8	<b>U.S.\$11.9</b>	U.S.\$7.7	U.S.\$23.0

<sup>(1)</sup> In estimating the by-product credit included in the forecasted copper cash costs, a forecasted gold price of U.S.\$400 per ounce was used for the fourth quarter of 2004.

Higher metal prices increased Inmet's share of Ok Tedi's operating earnings to \$17.0 million in the three months ended September 30, 2004 compared to \$8.1 million for the same period in 2003. However lower sales volumes offset some of the positive impact of higher metal prices. Copper and gold sales volumes were 21 per cent and 18 per cent lower, respectively, than for the same period in 2003.

During the quarter Ok Tedi experienced unexpected periods of low rainfall. The low rainfall resulted in low river levels at times, causing delays in shipments of concentrates to customers. This increased the level of concentrates inventory in the quarter to 111,000 tonnes and reduced Inmet's share of sales by approximately \$8 million in the quarter. Ore production was not impacted during the quarter although Ok Tedi curtailed waste mining in order to preserve its diesel fuel and explosive supplies.

As of July 1, 2003, Inmet changed its method of accounting for its 18 per cent investment in Ok Tedi from cost accounting to proportionate consolidation. As a result, operating earnings in the nine months ended September 30, 2004, of \$40.8 million, cannot be compared to operating earnings from the same period in 2003.

Mill throughput in the third quarter of 2004 was four per cent higher than that of the third quarter of 2003 as a result of improved mill availability and the ore blend provided by the mine. Copper grades in the third quarter of 2004 were slightly lower than for the same period in 2003, leading to an eight per cent drop in copper production. In the third quarter of 2003, higher grade sulphide skarns were mined, resulting in above average copper grades.

In each of the nine month periods ended September 30, 2004 and 2003, mill throughput was impacted by eight week shut downs to repair each of the semi-autogenous grinding ("SAG") mills. The SAG mill repairs have been effective and Ok Tedi is not anticipating a further shutdown in 2004 to replace the repaired mill end plates.

Cash costs of U.S.\$0.53 per pound were higher for the third quarter of 2004 compared to U.S.\$0.41 per pound for the same quarter in 2003. For the nine months ended September 30, 2004, copper cash costs were U.S.\$0.48 per pound compared to U.S.\$0.44 per pound for the same period in 2003. Unit costs were higher in the 2004 periods compared to the 2003 periods due to lower copper production and higher operating costs. Operating costs during the 2004 periods were higher as a result of higher repair and maintenance costs and higher leasing costs for additional mining equipment to catch-up on waste mining.

### ***Outlook***

Based on current meteorological forecasts and anticipated conditions during the normal dry season, a continuation of lower rainfall levels is expected in the fourth quarter. This has the potential to impact shipments and therefore sales. In addition, Ok Tedi typically relies on hydropower generation, which is replaced by diesel generated power during periods of low rainfall. During persistent periods of low rainfall, production may be adversely impacted if sufficient quantities of diesel fuel cannot be shipped to Ok Tedi.

## LIQUIDITY AND FINANCIAL CONDITION

Inmet's consolidated cash and short-term investments at September 30, 2004 were \$237 million. A summary of consolidated sources and uses of cash and short-term investments for the three and nine months ended September 30 follows.

### *Sources and Uses of Consolidated Cash and Short-Term Investments*

<i>(millions of Canadian dollars)</i>	Third Quarter		Nine Months	
	2004	2003	2004	2003
<b>Cash provided by (used in) operating activities:</b>				
Çayeli	\$2.0	\$16.6	\$48.2	\$13.2
Pyhäsalmi	8.5	8.1	34.8	19.2
Troilus	11.0	7.4	31.2	12.8
Ok Tedi	2.1	5.7	28.4	21.3
Corporate development and exploration	(0.8)	(1.0)	(4.0)	(2.7)
General and administration	(1.2)	(1.0)	(3.7)	(3.2)
Other	(3.4)	(0.9)	(13.8)	(8.6)
	<b>18.2</b>	<b>34.9</b>	<b>121.1</b>	<b>52.0</b>
<b>Cash provided by (used in) investing and financing activities:</b>				
Acquisition of 45% of Çayeli	(63.0)	-	(63.0)	-
Sale of Antamina NPI	-	31.2	-	31.2
Dispositions	-	-	-	7.5
Capital expenditures	(15.7)	(9.3)	(42.0)	(25.9)
Credit facility repayments	-	(32.6)	-	(40.2)
Other	(3.4)	(2.8)	(9.2)	(11.4)
	<b>(82.1)</b>	<b>(13.5)</b>	<b>(114.2)</b>	<b>(38.8)</b>
Increase (decrease) in cash	<b>(63.9)</b>	21.4	<b>6.9</b>	13.2
Cash and short-term investments				
Beginning of period	<b>301.1</b>	68.3	<b>230.3</b>	76.5
Ok Tedi – June 30 cash	-	9.5	-	9.5
End of period	<b>\$237.2</b>	\$99.2	<b>\$237.2</b>	\$99.2

## Cash flows from operating activities

Cash from operating activities was \$18.2 million in the quarter ended September 30, 2004 compared to \$34.9 million for the same period a year ago. In the third quarter of 2004, a \$23 million build up of working capital at Çayeli and Ok Tedi offset the benefit of higher metal prices. At Ok Tedi, the level of concentrate receivables and inventories increased largely due to timing of shipments. At Çayeli, in addition to the build up of working capital, payables decreased at September 30, 2004 due in part to tax installment payments.

For the nine months ended September 30, 2004, operating cash flows were \$121.1 million compared to \$52.0 million in the same period in 2003. The increase is largely due to higher metal prices and a reduction in non-cash working capital at Çayeli and Troilus. In addition, the proportionate consolidation of Ok Tedi resulted in an \$11 million increase in operating cash flow in the first nine months of 2004 compared to the same period a year ago.

## Cash flows from investing and financing activities

In the third quarter of 2004, Inmet acquired a 45 per cent interest in Çayeli for \$63 million. Capital investments in the third quarter of 2004 were directed towards the Çayeli shaft extension project and the Troilus mill expansion project. For the nine months ended September 30, 2004, capital expenditures were \$42 million. The Çayeli shaft extension accounted for \$6 million, the Cerattepe project \$3 million and the Troilus mill expansion \$10 million, of 2004 spending. In the third quarter of 2003, Inmet sold its Antamina NPI for cash proceeds of \$31.2 million. In July 2003, Inmet's corporate debt facility was fully repaid.

## Financial condition

Inmet's key financial ratios as at September 30, 2004 compared to December 31, 2003 are summarized below.

	<b>September 30, 2004</b>	<b>December 31, 2003</b>
Current ratio	<b>4.4</b>	4.7
Debt to total capitalization <sup>(1)</sup>	<b>15%</b>	16%

<sup>(1)</sup> In evaluating its leverage, Inmet considers the outstanding convertible debentures as debt; therefore, the convertible debentures are reflected as debt in the debt to total capitalization ratio.

The current ratio has reduced slightly due to the acquisition of 45 per cent of Çayeli using corporate cash reserves.

## Risks

Inmet's earnings and cash flows are significantly affected by fluctuations in metal prices and exchange rate changes between the Canadian dollar, United States dollar and euro.

The prices of metals that Inmet produces vary with market supply and demand. The following table illustrates the sensitivity of Inmet's annualized net income to changes in metal prices based on 2004 sales estimates and constant foreign exchange rates:

	<b>Change in Metal Prices</b>	<b>Effect on Annual Net Income</b>	<b>Effect Per Share</b>
Copper (per pound)	U.S.\$0.10	\$14 million	\$0.34
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.

Because of the high cost nature of the Troilus operation, Inmet uses 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.

In October 2004, Inmet rolled substantially all of its existing hedge positions to more evenly match Troilus' estimated life-of-mine production. Total forward sales at Troilus represent 36 per cent of life-of-mine production. The following table sets out Inmet's gold hedging transactions in relation to Troilus production as at October 2004:

	<b>Hedge Volume</b>	<b>Average Hedged Price (per ounce)</b>
<b><i>Gold</i></b>		
2004 forward sales	13,300 ounces	U.S.\$350
2005 forward sales	86,200 ounces	U.S.\$349
2006 forward sales	69,900 ounces	U.S.\$352
2007 forward sales	58,200 ounces	U.S.\$352
2008 forward sales	58,200 ounces	U.S.\$352

Inmet does not at this time intend to enter into further gold hedges for Troilus production.

For accounting purposes, Inmet recognizes in revenue the gold hedge price in the period in which the hedge was initially designated. The rolling of Inmet's original hedge positions has given rise to both a deferred charge and deferred revenue. For the fourth quarter of 2004, Inmet will recognize a charge to income of \$1.5 million, which reflects the initial hedge designation. From 2005, Inmet's deferred revenue, net of deferred charges, to be recognized into income over the next four years is about \$6.6 million.

The following table sets out Inmet's 18 per cent share of gold hedging transactions at Ok Tedi as at September 30, 2004:

	<b>Hedge Volume</b>	<b>Percentage of Estimated Total Volume</b>	<b>Average Price (per ounce)</b>
<b><i>Gold</i></b>			
2004 forward sales	3,375 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	3,600 ounces	10%	U.S.\$375
2004 sold call options	3,600 ounces		U.S.\$461

All hedging transactions are under margin-free facilities. On September 30, 2004 the spot price of gold was U.S.\$416 per ounce resulting in a negative marked-to-market of \$33 million for Inmet's consolidated hedges.

Inmet has not hedged any of its base metal exposure.

Inmet'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, Inmet has in place the following hedges for United States dollars in relation to Troilus' revenues as at September 30, 2004:

	<b>Hedge Volume (millions)</b>	<b>Anticipated Production Hedged</b>	<b>Average Hedged Price</b>
<b><i>Currency</i></b>			
2004 bought put options	U.S.\$4.5 million	24%	\$1.5033
2004 sold call options	U.S.\$4.5 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 September 30, 2004 the positive marked-to-market of Inmet's currency hedges was \$4 million, based on a Canadian dollar to United States dollar spot exchange rate as at that date of \$1.26.

## Common Shares Outstanding

For the three and nine months ended September 30, 2004, 681,600 and 1,608,750 common shares, respectively, were issued relating to the exercise of stock options. Inmet has 40,956,889 common shares outstanding at October 28, 2004. As of such date, Inmet also has 1,344,000 stock options that are exercisable, subject to vesting requirements, on a one-for-one basis for common shares, \$64.1 million principal amount of convertible subordinated debentures, convertible into Inmet common shares at a conversion price of \$21.25 per common share, and 449,928 deferred share units redeemable on a one-for-one basis for common shares of Inmet.



Richard A. Ross  
*President and  
Chief Executive Officer*

Toronto, Canada  
October 28, 2004

## CAUTIONARY STATEMENT

This document contains forward-looking statements concerning Inmet's business and operations. Inmet cautions that forward-looking statements, by their nature, involve risk and uncertainty and Inmet's actual results could differ materially from estimated or anticipated events or results. Reference should be made to Inmet's most recent Annual Information Form for a description of major risk factors.

**INMET MINING CORPORATION  
CONSOLIDATED PRODUCTION**

	Three Months Ended September 30		Nine Months Ended September 30	
	<b>2004</b>	2003	<b>2004</b>	2003
<b>PRODUCTION (Inmet's share)</b>				
<b>COPPER (tonnes)</b>				
Ok Tedi	<b>8,900</b>	9,700	<b>24,300</b>	25,600
Çayeli	<b>2,600</b>	5,100	<b>12,300</b>	12,800
Pyhäsalmi	<b>3,700</b>	3,700	<b>12,700</b>	11,400
Troilus	<b>1,300</b>	1,600	<b>3,900</b>	4,200
	<b><u>16,500</u></b>	<u>20,100</u>	<b><u>53,200</u></b>	<u>54,000</u>
<b>ZINC (tonnes)</b>				
Çayeli	<b>2,800</b>	6,300	<b>13,600</b>	13,600
Pyhäsalmi	<b>10,400</b>	10,100	<b>25,600</b>	28,800
	<b><u>13,200</u></b>	<u>16,400</u>	<b><u>39,200</u></b>	<u>42,400</u>
<b>GOLD (ounces)</b>				
Troilus	<b>41,200</b>	40,200	<b>113,300</b>	121,500
Ok Tedi	<b>27,200</b>	25,500	<b>73,200</b>	65,200
	<b><u>68,400</u></b>	<u>65,700</u>	<b><u>186,500</u></b>	<u>186,700</u>
<b>PYRITE (tonnes)</b>				
Pyhäsalmi	<b>80,600</b>	74,700	<b>504,700</b>	485,200

**INMET MINING CORPORATION**  
**CONSOLIDATED UNIT COSTS**

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2004	2003	2004	2003
<b>UNIT COSTS</b>				
<b>Weighted average copper (U.S.\$ per pound)</b>				
Cash cost	\$ 0.47	\$ 0.37	\$ 0.42	\$ 0.39
<b>Total cost</b>	<b>\$ 0.57</b>	<b>\$ 0.45</b>	<b>\$ 0.51</b>	<b>\$ 0.52</b>
<b>Çayeli (U.S.\$ per pound of copper)</b>				
Direct cash costs	\$0.78	\$0.44	\$0.60	\$0.41
Copper processing charges and freight	0.25	0.22	0.28	0.22
Net metal credits	(0.31)	(0.25)	(0.29)	(0.19)
<b>Cash cost</b>	<b>0.72</b>	<b>0.41</b>	<b>0.59</b>	<b>0.44</b>
Amortization and other non cash costs	0.10	0.05	0.06	0.06
<b>Total cost</b>	<b>\$0.82</b>	<b>\$0.46</b>	<b>\$0.65</b>	<b>\$0.50</b>
<b>Pyhäsalmi (U.S.\$ per pound of copper)</b>				
Direct cash costs	\$0.95	\$0.86	\$0.91	\$0.92
Copper processing charges and freight	0.23	0.21	0.22	0.20
Net metal credits	(1.04)	(0.87)	(1.00)	(0.91)
<b>Cash cost</b>	<b>0.14</b>	<b>0.20</b>	<b>0.13</b>	<b>0.21</b>
Amortization and other non cash costs	0.25	0.26	0.22	0.24
<b>Total cost</b>	<b>\$0.39</b>	<b>\$0.46</b>	<b>\$0.35</b>	<b>\$0.45</b>
<b>Troilus (U.S.\$ per ounce of gold)</b>				
Direct cash costs	\$283	\$302	\$315	\$311
Amortization (capitalization) of stripping costs	(6)	5	1	(26)
Processing charges and freight	40	44	41	40
Metal credits	(92)	(82)	(108)	(64)
<b>Cash cost</b>	<b>225</b>	<b>269</b>	<b>249</b>	<b>261</b>
Amortization and other non cash costs	24	12	24	12
<b>Total cost</b>	<b>\$249</b>	<b>\$281</b>	<b>\$273</b>	<b>\$273</b>
<b>Ok Tedi (U.S.\$ per pound of copper)</b>				
Direct cash costs	\$0.78	\$0.63	\$0.73	\$0.64
Processing charges and freight	0.29	0.20	0.29	0.21
Metal credits	(0.54)	(0.42)	(0.54)	(0.41)
<b>Cash cost</b>	<b>0.53</b>	<b>0.41</b>	<b>0.48</b>	<b>0.44</b>
Amortization and other non cash costs	0.05	0.04	0.05	0.12
<b>Total cost</b>	<b>\$0.58</b>	<b>\$0.45</b>	<b>\$0.53</b>	<b>\$0.56</b>

**RECONCILIATION OF UNIT CASH COSTS TO CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended		Nine Months Ended	
	September 30, 2004		September 30, 2004	
	Copper	Gold	Copper	Gold
(millions of Canadian dollars, except where otherwise noted)	Cash Cost	Cash Cost	Cash Cost	Cash Cost
Operating costs per financial statements	\$37	\$17	\$128	\$51
Net sales per financial statements	(81)	(24)	(266)	(67)
Add back - copper sales not included in cash costs	62	-	214	-
Add back - gold sales not included in cash costs	-	19	-	55
Add back - inventory changes	10	-	10	-
Less - standby costs incurred at Çayeli and Ok Tedi	(3)	-	(9)	-
Çayeli minority interest	(4)	-	(17)	-
Other	(1)	-	-	(2)
<b>Operating costs net of metal credits</b>	<b>\$20</b>	<b>\$12</b>	<b>\$60</b>	<b>\$37</b>
U.S.\$ to C\$ exchange rate	\$1.31	\$1.31	\$1.33	\$1.33
Inmet's share of copper production (000's pounds)	33,500	-	108,700	-
Inmet's share of gold production (ounces)	-	41,200	-	113,300
<b>Consolidated copper cash cost (per pound)</b>	<b>\$0.47</b>	<b>-</b>	<b>\$0.42</b>	<b>-</b>
<b>Gold cash cost (per ounce)</b>	<b>-</b>	<b>\$225</b>	<b>-</b>	<b>\$249</b>

**INMET MINING CORPORATION**  
**REVIEW OF LAST EIGHT QUARTERS**

(unaudited)

**Latest Four Quarters**

	2004	2004	2004	2003
	Third	Second	First	Fourth
(thousands of dollars, except per share amounts)	quarter	quarter	quarter	quarter
<b>STATEMENTS OF OPERATIONS</b>				
Sales	\$ 104,822	\$ 102,543	\$ 125,324	\$ 109,712
Cost of sales	(54,093)	(59,559)	(66,633)	(65,430)
Amortization	(6,331)	(6,382)	(5,434)	(6,718)
	44,398	36,602	53,257	37,564
Corporate development and exploration	(760)	(2,397)	(837)	(1,385)
General and administration	(1,155)	(1,284)	(1,227)	(2,061)
Stock based compensation	(21)	(20)	(25)	(1,796)
Investment and other income	600	1,670	(718)	112,907
Interest expense	(678)	(692)	(757)	(1,003)
Capital tax expense	56	(430)	(329)	(587)
Income tax expense	(15,368)	(12,022)	(19,656)	(11,742)
Non-controlling interest	(2,777)	(4,668)	(6,780)	(4,334)
Net income	\$ 24,295	\$ 16,759	\$ 22,928	\$ 127,563
Net income per common share	\$ 0.57	\$ 0.39	\$ 0.55	\$ 3.21
Diluted net income per common share	\$ 0.53	\$ 0.36	\$ 0.49	\$ 2.83

**Previous Four Quarters**

	2003	2003	2003	2002
	Third	Second	First	Fourth
(thousands of dollars, except per share amounts)	quarter	quarter	quarter	quarter
<b>STATEMENTS OF OPERATIONS</b>				
Sales	\$ 90,562	\$ 57,092	\$ 44,781	\$ 60,484
Cost of sales	(62,072)	(41,915)	(32,448)	(42,445)
Amortization	(5,005)	(4,577)	(4,424)	(4,752)
	23,485	10,600	7,909	13,287
Corporate development and exploration	(1,002)	(580)	(1,090)	(1,206)
General and administration	(1,022)	(1,072)	(1,139)	(1,793)
Stock based compensation	(580)	(62)	(84)	(2,447)
Investment and other income	30,270	1,238	4,499	(347)
Interest expense	(1,236)	(1,532)	(1,924)	(2,211)
Capital tax expense	(186)	(172)	(228)	(331)
Income tax expense	(7,290)	(1,487)	(968)	(2,593)
Non-controlling interest	(1,953)	(1,957)	(503)	(1,934)
Net income	\$ 40,486	\$ 4,976	\$ 6,472	\$ 425
Net income (loss) per common share	\$ 1.00	\$ 0.10	\$ 0.14	\$ (0.01)
Diluted net income (loss) per common share	\$ 0.90	\$ 0.10	\$ 0.14	\$ (0.01)

**INMET MINING CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
September 30, 2004

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

**INMET MINING CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

(thousands of Canadian dollars)	<b>September 30</b> <b>2004</b>	December 31 2003
	(Unaudited)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and short-term investments	\$237,237	\$230,251
Accounts receivable	55,276	68,467
Inventories	54,688	45,031
Future income tax asset	-	215
	<b>347,201</b>	343,964
Property, plant and equipment	318,620	258,753
Investments	2,377	1,714
Future income tax asset	8,942	7,877
Other assets	34,271	32,981
	<b>\$711,411</b>	\$645,289
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$77,257	\$68,826
Current portion of long-term debt	2,483	4,986
	<b>79,740</b>	73,812
Long-term debt	21,867	24,115
Reclamation liabilities	64,011	64,726
Other liabilities	24,703	24,517
Future income tax liability	43,099	18,630
Non-controlling interest	-	26,096
	<b>233,420</b>	231,896
<b>SHAREHOLDERS' EQUITY</b>		
Convertible debentures	48,550	45,260
Share capital (note 5)	236,020	227,682
Contributed surplus	66,999	66,999
Stock based compensation (note 6)	6,058	6,538
Retained earnings	121,163	60,471
Foreign currency translation account	(799)	6,443
	<b>477,991</b>	413,393
	<b>\$711,411</b>	\$645,289

(see accompanying notes)

# INMET MINING CORPORATION

## SEGMENTED BALANCE SHEETS

(thousands of Canadian dollars)

### As at September 30, 2004

(Unaudited)

	CORPORATE	ÇAYELI (Turkey)	PYHÄSALMI (Finland)	TROILUS (Canada)	OK TEDİ (PNG)	TOTAL 2004
<b>ASSETS</b>						
Cash and short-term investments	\$150,964	\$31,331	\$40,932	-	\$14,010	\$237,237
Other current assets	739	25,863	32,048	18,029	33,285	109,964
Property, plant and equipment	26,966	104,882	90,472	56,605	39,695	318,620
Investments	2,377	-	-	-	-	2,377
Other assets	30,602	450	-	4,329	7,832	43,213
<b>TOTAL ASSETS</b>	<b>\$211,648</b>	<b>\$162,526</b>	<b>\$163,452</b>	<b>\$78,963</b>	<b>\$94,822</b>	<b>\$711,411</b>
<b>LIABILITIES</b>						
Current liabilities	\$11,374	\$12,136	\$20,557	\$14,958	\$20,715	\$79,740
Long-term debt	21,867	-	-	-	-	21,867
Reclamation liabilities	27,311	3,239	11,871	3,794	17,796	64,011
Other liabilities	12,303	2,731	-	7,407	2,262	24,703
Future income tax liability	-	33,361	4,564	-	5,174	43,099
<b>TOTAL LIABILITIES</b>	<b>\$72,855</b>	<b>\$51,467</b>	<b>\$36,992</b>	<b>\$26,159</b>	<b>\$45,947</b>	<b>\$233,420</b>

### As at December 31, 2003

	CORPORATE	ÇAYELI (Turkey)	PYHÄSALMI (Finland)	TROILUS (Canada)	OK TEDİ (PNG)	TOTAL 2003
<b>ASSETS</b>						
Cash and short-term investments	\$177,262	\$10,835	\$21,613	-	\$20,541	\$230,251
Other current assets	1,069	33,239	26,210	25,981	27,214	113,713
Property, plant and equipment	26,952	49,769	98,954	42,559	40,519	258,753
Investments	1,714	-	-	-	-	1,714
Other assets	29,746	209	-	3,643	7,260	40,858
<b>TOTAL ASSETS</b>	<b>\$236,743</b>	<b>\$94,052</b>	<b>\$146,777</b>	<b>\$72,183</b>	<b>\$95,534</b>	<b>\$645,289</b>
<b>LIABILITIES</b>						
Current liabilities	\$16,089	\$13,476	\$13,423	\$12,655	\$18,169	\$73,812
Long-term debt	24,115	-	-	-	-	24,115
Reclamation liabilities	28,240	3,162	11,802	3,636	17,886	64,726
Other liabilities	12,143	2,520	-	5,740	4,114	24,517
Future income tax liability	-	9,868	4,611	-	4,151	18,630
Non-controlling interest	-	26,096	-	-	-	26,096
<b>TOTAL LIABILITIES</b>	<b>\$80,587</b>	<b>\$55,122</b>	<b>\$29,836</b>	<b>\$22,031</b>	<b>\$44,320</b>	<b>\$231,896</b>

**INMET MINING CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

(thousands of Canadian dollars except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	<b>2004</b>	2003	<b>2004</b>	2003
Sales	<b>\$104,822</b>	\$90,562	<b>\$332,689</b>	\$192,435
Cost of sales	<b>(54,093)</b>	(62,072)	<b>(180,285)</b>	(136,435)
Amortization	<b>(6,331)</b>	(5,005)	<b>(18,147)</b>	(14,006)
	<b>44,398</b>	23,485	<b>134,257</b>	41,994
Corporate development and exploration (note 7)	<b>(760)</b>	(1,002)	<b>(3,994)</b>	(2,672)
General and administration	<b>(1,155)</b>	(1,022)	<b>(3,666)</b>	(3,233)
Stock based compensation	<b>(21)</b>	(580)	<b>(66)</b>	(726)
Investment and other income (note 8)	<b>600</b>	30,270	<b>1,552</b>	36,007
Interest expense	<b>(678)</b>	(1,236)	<b>(2,127)</b>	(4,692)
Capital tax recovery (expense)	<b>56</b>	(186)	<b>(703)</b>	(586)
Income tax expense	<b>(15,368)</b>	(7,290)	<b>(47,046)</b>	(9,745)
Non-controlling interest	<b>(2,777)</b>	(1,953)	<b>(14,225)</b>	(4,413)
<b>Net income</b>	<b>\$24,295</b>	\$40,486	<b>\$63,982</b>	\$51,934
Accretion on equity component of convertible debentures	<b>(\$1,112)</b>	(\$1,023)	<b>(\$3,290)</b>	(\$3,024)
<b>Basic net income per share (note 9)</b>	<b>\$0.57</b>	\$1.00	<b>\$1.51</b>	\$1.24
<b>Diluted net income per share (note 9)</b>	<b>\$0.53</b>	\$0.90	<b>\$1.41</b>	\$1.16
<b>Weighted average shares outstanding (000's)</b>	<b>40,593</b>	39,321	<b>40,194</b>	39,296

(see accompanying notes)

**INMET MINING CORPORATION**  
**SEGMENTED STATEMENTS OF OPERATIONS**

(thousands of Canadian dollars)

**For the nine months ended September 30, 2004**

(Unaudited)

	<b>CORPORATE</b>	<b>ÇAYELI (Turkey)</b>	<b>PYHÄSALMI (Finland)</b>	<b>TROILUS (Canada)</b>	<b>OK TEDI (PNG)</b>	<b>TOTAL 2004</b>
Sales	-	\$89,919	\$77,897	\$66,586	\$98,287	\$332,689
Cost of sales	(1,517)	(39,716)	(34,358)	(50,715)	(53,979)	(180,285)
Amortization	-	(3,166)	(8,129)	(3,348)	(3,504)	(18,147)
	(1,517)	47,037	35,410	12,523	40,804	134,257
Corporate development and exploration	(3,994)	-	-	-	-	(3,994)
General and administration	(3,666)	-	-	-	-	(3,666)
Stock based compensation	(66)	-	-	-	-	(66)
Investment and other income	(713)	2,265	-	-	-	1,552
Interest expense	(2,086)	(17)	-	(24)	-	(2,127)
Capital tax expense	(703)	-	-	-	-	(703)
Income tax expense	(1,636)	(19,637)	(10,300)	-	(15,473)	(47,046)
Non-controlling interest	-	(14,225)	-	-	-	(14,225)
<b>Net income (loss)</b>	<b>(\$14,381)</b>	<b>\$15,423</b>	<b>\$25,110</b>	<b>\$12,499</b>	<b>\$25,331</b>	<b>\$63,982</b>

**For the nine months ended September 30, 2003**

(Unaudited)

	<b>CORPORATE</b>	<b>ÇAYELI (Turkey)</b>	<b>PYHÄSALMI (Finland)</b>	<b>TROILUS (Canada)</b>	<b>OK TEDI (PNG)</b>	<b>TOTAL 2003</b>
Sales	-	\$49,279	\$52,895	\$62,380	\$27,881	\$192,435
Cost of sales	(1,510)	(30,919)	(34,185)	(51,273)	(18,548)	(136,435)
Amortization	-	(2,848)	(7,847)	(2,091)	(1,220)	(14,006)
	(1,510)	15,512	10,863	9,016	8,113	41,994
Corporate development and exploration	(2,672)	-	-	-	-	(2,672)
General and administration	(3,233)	-	-	-	-	(3,233)
Stock based compensation	(726)	-	-	-	-	(726)
Investment and other income	36,007	-	-	-	-	36,007
Interest expense	(3,975)	(648)	-	(69)	-	(4,692)
Capital tax expense	(586)	-	-	-	-	(586)
Income tax expense	(332)	(4,744)	(1,764)	-	(2,905)	(9,745)
Non-controlling interest	-	(4,413)	-	-	-	(4,413)
<b>Net income</b>	<b>\$22,973</b>	<b>\$5,707</b>	<b>\$9,099</b>	<b>\$8,947</b>	<b>\$5,208</b>	<b>\$51,934</b>

**INMET MINING CORPORATION**  
**SEGMENTED STATEMENTS OF OPERATIONS**

(thousands of Canadian dollars)

**For the three months ended September 30, 2004**

(Unaudited)

	<b>CORPORATE</b>	<b>ÇAYELI (Turkey)</b>	<b>PYHÄSALMI (Finland)</b>	<b>TROILUS (Canada)</b>	<b>OK TEDI (PNG)</b>	<b>TOTAL 2004</b>
Sales	-	\$22,206	\$25,248	\$23,514	\$33,854	\$104,822
Cost of sales	(506)	(11,771)	(10,425)	(16,021)	(15,370)	(54,093)
Amortization	-	(1,019)	(2,525)	(1,283)	(1,504)	(6,331)
	(506)	9,416	12,298	6,210	16,980	44,398
Corporate development and exploration	(760)	-	-	-	-	(760)
General and administration	(1,155)	-	-	-	-	(1,155)
Stock based compensation	(21)	-	-	-	-	(21)
Investment and other income	(64)	664	-	-	-	600
Interest expense	(674)	-	-	(4)	-	(678)
Capital tax recovery	56	-	-	-	-	56
Income tax expense	(546)	(4,152)	(3,646)	-	(7,024)	(15,368)
Non-controlling interest	-	(2,777)	-	-	-	(2,777)
<b>Net income (loss)</b>	<b>(\$3,670)</b>	<b>\$3,151</b>	<b>\$8,652</b>	<b>\$6,206</b>	<b>\$9,956</b>	<b>\$24,295</b>

**For the three months ended September 30, 2003**

(Unaudited)

	<b>CORPORATE</b>	<b>ÇAYELI (Turkey)</b>	<b>PYHÄSALMI (Finland)</b>	<b>TROILUS (Canada)</b>	<b>OK TEDI (PNG)</b>	<b>TOTAL 2003</b>
					(note 3)	
Sales	-	\$22,407	\$18,537	\$21,737	\$27,881	\$90,562
Cost of sales	(503)	(14,055)	(10,885)	(18,081)	(18,548)	(62,072)
Amortization	-	(748)	(2,346)	(691)	(1,220)	(5,005)
	(503)	7,604	5,306	2,965	8,113	23,485
Corporate development and exploration	(1,002)	-	-	-	-	(1,002)
General and administration	(1,022)	-	-	-	-	(1,022)
Stock based compensation	(580)	-	-	-	-	(580)
Investment and other income	30,270	-	-	-	-	30,270
Interest expense	(1,176)	(41)	-	(19)	-	(1,236)
Capital tax expense	(186)	-	-	-	-	(186)
Income tax expense	(23)	(3,162)	(1,200)	-	(2,905)	(7,290)
Non-controlling interest	-	(1,953)	-	-	-	(1,953)
<b>Net income</b>	<b>\$25,778</b>	<b>\$2,448</b>	<b>\$4,106</b>	<b>\$2,946</b>	<b>\$5,208</b>	<b>\$40,486</b>

**INMET MINING CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(thousands of Canadian dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
<b>Cash provided by (used in) operating activities <sup>(1)</sup></b>				
Net income	\$24,295	\$40,486	\$63,982	\$51,934
Add (deduct) items not affecting cash:				
Amortization	6,331	5,005	18,147	14,006
Stock based compensation	21	580	66	726
Gain on sale of assets	-	(31,200)	(161)	(33,147)
Future income tax	7,950	1,065	8,377	3,376
Non-controlling interest	2,777	1,953	14,225	4,413
Amortization of capitalized stripping	991	1,219	4,858	1,387
Accretion expense on reclamation liabilities	923	547	2,787	2,101
Deferred revenue	1,818	376	3,853	1,474
Other	852	2,352	(353)	(1,904)
Distributions in excess of earnings from Ok Tedi	-	-	-	15,605
Reclamation costs	(732)	(3,222)	(2,167)	(4,626)
Net change in non-cash working capital	(27,057)	15,753	7,522	(3,392)
	<b>18,169</b>	<b>34,914</b>	<b>121,136</b>	<b>51,953</b>
<b>Cash provided by (used in) investing activities</b>				
Acquisitions and dispositions (note 4)	(63,006)	31,200	(62,818)	38,686
Property, plant and equipment	(15,694)	(9,313)	(42,029)	(25,912)
Short-term investments	(64,648)	(22,864)	(41,216)	(17,651)
Other	(343)	-	(683)	-
	<b>(143,691)</b>	<b>(977)</b>	<b>(146,746)</b>	<b>(4,877)</b>
<b>Cash provided by (used in) financing activities</b>				
Long-term debt repayments	(580)	(34,682)	(4,468)	(46,407)
Financial assurance fund payments	(1,114)	-	(2,240)	-
Issue of share capital	2,548	83	5,381	83
Dividends paid to non-controlling shareholder	-	-	(3,366)	(1,453)
Other	(93)	-	(776)	-
	<b>761</b>	<b>(34,599)</b>	<b>(5,469)</b>	<b>(47,777)</b>
<b>Cash assumed on consolidation of Ok Tedi</b>				
	-	9,454	-	9,454
<b>Foreign exchange change on cash held in foreign currency</b>				
	<b>(3,787)</b>	<b>(783)</b>	<b>(3,151)</b>	<b>(3,765)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(128,548)</b>	<b>8,009</b>	<b>(34,230)</b>	<b>4,988</b>
<b>Cash and cash equivalents:</b>				
Beginning of period	271,453	58,231	177,135	61,252
End of period	142,905	66,240	142,905	66,240
<b>Short-term investments</b>	<b>94,332</b>	<b>32,930</b>	<b>94,332</b>	<b>32,930</b>
<b>Cash and short-term investments</b>	<b>\$237,237</b>	<b>\$99,170</b>	<b>\$237,237</b>	<b>\$99,170</b>
(see accompanying notes)				
<sup>(1)</sup> <b>Cash used in operations includes the following payments:</b>				
Interest	\$2,277	\$4,661	\$4,715	\$7,960
Taxes	\$4,785	\$1,333	\$14,840	\$3,740

**INMET MINING CORPORATION**  
**SEGMENTED STATEMENTS OF CASH FLOWS**

(thousands of Canadian dollars)

**For the nine months ended September 30, 2004**

(Unaudited)

	<b>CORPORATE</b>	<b>ÇAYELI (Turkey)</b>	<b>PYHÄSALMI (Finland)</b>	<b>TROILUS (Canada)</b>	<b>OK TEDI (PNG)</b>	<b>TOTAL 2004</b>
<b>Cash provided by (used in):</b>						
<b>Operating activities</b>						
Before net change in working capital	(\$18,342)	\$40,061	\$33,637	\$24,681	\$33,577	\$113,614
Net change in working capital	(3,153)	8,141	1,159	6,563	(5,188)	7,522
	(21,495)	48,202	34,796	31,244	28,389	121,136
<b>Investing activities</b>	(104,165)	(15,469)	(2,816)	(21,454)	(2,842)	(146,746)
<b>Financing activities</b>	2,894	(6,123)	-	-	(2,240)	(5,469)
<b>Foreign exchange change on cash held in foreign currency</b>	-	(1,389)	(1,525)	-	(237)	(3,151)
<b>Intergroup funding (distributions)</b>	55,253	(4,725)	(11,137)	(9,790)	(29,601)	-
<b>Increase (decrease) in cash and cash equivalents</b>	(67,513)	20,496	19,318	-	(6,531)	(34,230)
<b>Cash and cash equivalents:</b>						
Beginning of period	124,145	10,835	21,614	-	20,541	177,135
End of period	56,632	31,331	40,932	-	14,010	142,905
<b>Short-term investments</b>	94,332	-	-	-	-	94,332
<b>Cash and short-term investments</b>	\$150,964	\$31,331	\$40,932	-	\$14,010	\$237,237

**For the nine months ended September 30, 2003**

(Unaudited)

	<b>CORPORATE</b>	<b>ÇAYELI (Turkey)</b>	<b>PYHÄSALMI (Finland)</b>	<b>TROILUS (Canada)</b>	<b>OK TEDI (PNG)</b>	<b>TOTAL 2003</b>
<b>Cash provided by (used in):</b>						
<b>Operating activities</b>						
Before net change in working capital	(\$14,341)	\$15,833	\$19,123	\$14,031	\$20,699	\$55,345
Net change in working capital	(248)	(2,614)	53	(1,222)	639	(3,392)
	(14,589)	13,219	19,176	12,809	21,338	51,953
<b>Investing activities</b>	20,866	(7,247)	(5,493)	(12,809)	(194)	(4,877)
<b>Financing activities</b>	(41,714)	(6,063)	-	-	-	(47,777)
<b>Cash assumed on consolidation of Ok Tedi</b>	-	-	-	-	9,454	9,454
<b>Foreign exchange change on cash held in foreign currency</b>	-	(3,242)	(515)	-	(8)	(3,765)
<b>Intergroup funding (distributions)</b>	27,780	(1,317)	(6,432)	-	(20,031)	-
<b>Increase (decrease) in cash and cash equivalents</b>	(7,657)	(4,650)	6,736	-	10,559	4,988
<b>Cash and cash equivalents:</b>						
Beginning of period	29,357	22,971	8,924	-	-	61,252
End of period	21,700	18,321	15,660	-	10,559	66,240
<b>Short-term investments</b>	32,930	-	-	-	-	32,930
<b>Cash and short-term investments</b>	\$54,630	\$18,321	\$15,660	-	\$10,559	\$99,170

**INMET MINING CORPORATION**  
**SEGMENTED STATEMENTS OF CASH FLOWS**

(thousands of Canadian dollars)

**For the three months ended September 30, 2004**

(Unaudited)

	CORPORATE	ÇAYELI (Turkey)	PYHÄSALMI (Finland)	TROILUS (Canada)	OK TEDI (PNG)	TOTAL 2004
<b>Cash provided by (used in):</b>						
<b>Operating activities</b>						
Before net change in working capital	(\$3,525)	\$11,513	\$11,324	\$10,040	\$15,874	\$45,226
Net change in working capital	(1,865)	(9,501)	(2,857)	965	(13,799)	(27,057)
	(5,390)	2,012	8,467	11,005	2,075	18,169
<b>Investing activities</b>	(127,717)	(3,605)	(1,027)	(10,160)	(1,182)	(143,691)
<b>Financing activities</b>	1,875	-	-	-	(1,114)	761
<b>Foreign exchange change on cash held in foreign currency</b>	-	(1,622)	(1,315)	-	(850)	(3,787)
<b>Intergroup funding (distributions)</b>	5,656	526	(5,337)	(845)	-	-
<b>Increase (decrease) in cash and cash equivalents</b>	(125,576)	(2,689)	788	-	(1,071)	(128,548)
<b>Cash and cash equivalents:</b>						
Beginning of period	182,208	34,020	40,144	-	15,081	271,453
End of period	56,632	31,331	40,932	-	14,010	142,905
<b>Short-term investments</b>	94,332	-	-	-	-	94,332
<b>Cash and short-term investments</b>	\$150,964	\$31,331	\$40,932	-	\$14,010	\$237,237

**For the three months ended September 30, 2003**

(Unaudited)

	CORPORATE	ÇAYELI (Turkey)	PYHÄSALMI (Finland)	TROILUS (Canada)	OK TEDI (PNG)	TOTAL 2003
					(note 3)	
<b>Cash provided by (used in):</b>						
<b>Operating activities</b>						
Before net change in working capital	(\$4,590)	\$5,176	\$7,827	\$5,654	\$5,094	\$19,161
Net change in working capital	1,626	11,491	270	1,727	639	15,753
	(2,964)	16,667	8,097	7,381	5,733	34,914
<b>Investing activities</b>	8,244	(3,530)	(1,196)	(4,301)	(194)	(977)
<b>Financing activities</b>	(33,099)	(1,500)	-	-	-	(34,599)
<b>Cash assumed on consolidation of Ok Tedi</b>	-	-	-	-	9,454	9,454
<b>Foreign exchange change on cash held in foreign currency</b>	-	(861)	86	-	(8)	(783)
<b>Intergroup funding (distributions)</b>	9,177	318	(1,989)	(3,080)	(4,426)	-
<b>Increase (decrease) in cash and cash equivalents</b>	(18,642)	11,094	4,998	-	10,559	8,009
<b>Cash and cash equivalents:</b>						
Beginning of period	40,342	7,227	10,662	-	-	58,231
End of period	21,700	18,321	15,660	-	10,559	66,240
<b>Short-term investments</b>	32,930	-	-	-	-	32,930
<b>Cash and short-term investments</b>	\$54,630	\$18,321	\$15,660	-	10,559	\$99,170

**INMET MINING CORPORATION**  
**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)**

(Unaudited)

(thousands of Canadian dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	<b>2004</b>	2003	<b>2004</b>	2003
Retained earnings (deficit), beginning of period	<b>\$97,980</b>	(\$105,490)	<b>\$60,471</b>	(\$114,937)
Net income	<b>24,295</b>	40,486	<b>63,982</b>	51,934
Accretion on equity component of convertible debentures	<b>(1,112)</b>	(1,023)	<b>(3,290)</b>	(3,024)
Retained earnings (deficit), end of period (see accompanying notes)	<b>\$121,163</b>	(\$66,027)	<b>\$121,163</b>	(\$66,027)

**INMET MINING CORPORATION**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**1. Significant Accounting Policies**

The interim consolidated financial statements of Inmet Mining Corporation (“Inmet”) do not include all the disclosures as required under generally accepted accounting principles, however, the interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual financial statements, except for the change, as described in note 2. The interim consolidated financial statements should be read in conjunction with Inmet’s annual consolidated financial statements included in its 2003 Annual Report. Certain comparative amounts have been reclassified to conform to the 2004 presentation.

**2. Change in Accounting Policy**

Effective January 1, 2004 Inmet adopted the Canadian Institute of Chartered Accountants new Accounting Guideline 13 *Hedging Relationships* relating to the circumstances in which hedge accounting is appropriate, including the identification, documentation, designation and effectiveness of hedges, and the discontinuance of hedge accounting. The application of this standard had no effect on Inmet’s hedge accounting in the prior year and in 2004 all hedges have continued to be effective.

**3. Investment in Ok Tedi**

On July 1, 2003, Inmet began proportionately consolidating its 18 per cent interest in Ok Tedi. Prior to July 1, 2003, Inmet cost accounted for Ok Tedi.

#### 4. Acquisitions

In September 2004, Inmet, through a wholly-owned subsidiary, acquired a 45 per cent interest in Çayeli Bakir Isletmeleri A.S. (“Çayeli”). The purchase increased Inmet’s interest in Çayeli to 100 per cent and the results of operations were fully consolidated as at September 30, 2004.

The allocation of the purchase price as at September 30, 2004, based on the consideration paid, is summarized as follows:

<i>(in millions)</i>	
<b>Net assets acquired:</b>	
Cash	\$ 14.3
Other current assets	11.8
Property, plant and equipment	69.8
Current liabilities	(5.6)
Reclamation and other liabilities	(26.2)
	<u>\$ 64.1</u>
<b>Consideration:</b>	
Purchase price	\$ 63.0
Accrued transaction costs	1.1
	<u>\$ 64.1</u>

#### 5. Share Capital

Authorized:

Unlimited number of preferred shares.

Unlimited number of subordinate voting participating shares.

Unlimited number of common shares.

Issued:

<i>(in thousands)</i>	<b>Common Shares</b>	<b>Amount</b>
Balance at December 31, 2003	39,348	\$227,682
Common shares issued through stock option plans (note 6):		
First quarter 2004	927	4,989
Third quarter 2004	682	3,349
Balance at September 30, 2004	<u>40,957</u>	<u>\$236,020</u>

## 6. Stock Based Compensation

On January 1, 2004, option holders with stock appreciation rights (“SARs”) had signed irrevocable waivers allowing Inmet to eliminate the SARs feature on all but 6,500 stock options. The \$2.5 million for the SARs was subsequently reclassified to shareholders’ equity.

A total of 681,600 stock options were exercised during the third quarter of 2004 for which Inmet received proceeds of \$2.6 million on the issuance of 681,600 common shares. An additional 933,650 stock options were exercised during the first quarter of 2004 for which Inmet received proceeds of \$2.8 million on the issuance of 927,150 common shares. The remaining 6,500 options had the SARs feature and thus no common shares were issued and a nominal expense was recorded.

On the exercise of the stock options, 1,608,750 common shares were issued from treasury. As well, \$2.9 million was transferred from Stock Based Compensation to Share Capital to reflect the previously recorded value of the shares issued.

Changes to the stock options outstanding for the period ending September 30, 2004 are as follows:

	<b>Options</b>	<b>Weighted Average Price</b>
At December 31, 2003	2,961,750	\$3.32
Exercised – first quarter 2004	(933,650)	\$3.05
Exercised – third quarter 2004	(681,600)	\$3.74
Cancelled – third quarter 2004	(2,500)	\$3.00
<b>At September 30, 2004</b>	<b>1,344,000</b>	<b>\$3.30</b>

At September 30, 2004 the following stock options were outstanding and exercisable:

<b>Outstanding</b>	<b>Exercisable</b>	<b>Exercise Price</b>	<b>Remaining Years Outstanding</b>
305,000	305,000	\$5.35	3.4
10,000	5,000	\$5.80	3.6
230,000	53,750	\$1.75	4.0
71,350	71,350	\$3.25	4.1
56,500	56,500	\$3.00	4.6
130,500	130,500	\$2.75	5.4
528,150	161,150	\$2.95	5.4
12,500	6,250	\$2.30	6.8
<b>1,344,000</b>	<b>789,500</b>	<b>\$3.30</b>	<b>4.6</b>

## 7. Corporate Development and Exploration

During the second quarter of 2004, Inmet incurred approximately \$1 million of expenses related to an agreement to merge with Aur Resources Inc. entered into on May 4, 2004. Inmet and Aur Resources agreed to mutually terminate their merger agreement on June 28, 2004. All of the costs incurred in connection with the merger agreement have been expensed and classified as corporate development and exploration in the interim consolidated statements of operations.

## 8. Investment and Other Income

Investment and other income is summarized as follows:

<i>(millions of dollars)</i>	Third Quarter		Nine Months	
	2004	2003	2004	2003
Antamina NPI	\$ -	\$31.2	\$ -	\$31.2
Interest and other income	1.6	0.4	5.6	1.5
Çayeli insurance proceeds	0.7	-	2.3	-
Gain on sale of assets	-	-	0.2	1.9
Foreign exchange gains (losses)	(1.3)	(1.1)	(1.5)	3.8
Litigation costs	-	(0.1)	(3.5)	(1.4)
Pension expense	(0.3)	(0.2)	(1.1)	(1.0)
Other	(0.1)	0.1	(0.4)	-
Total	\$0.6	\$30.3	\$1.6	\$36.0

In the prior year, a gain of \$31.2 million arose from the sale of Inmet's 3.3 per cent net proceeds interest in Antamina. Also in the prior year, the gain on the sale of assets arose from Inmet's sale of an Australian exploration property. In the third quarter of 2004, Çayeli settled its claim with its insurance company regarding the 2002 ground fall event. A further \$0.7 million (for the nine months - \$2.3 million) was recorded to reflect the final insurance settlement. A 1987 claim concerning a 20 per cent interest in the Winston Lake mine was settled in April 2004 for \$3.4 million. This amount, in addition to legal costs, was expensed in the first quarter of 2004. Litigation costs in the prior year largely related to the Troilus litigation that was successfully resolved in the fourth quarter of 2003. The foreign exchange gain in the prior year resulted primarily from holding United States dollar denominated debt in that year as the Canadian dollar was appreciating in relation to the United States dollar. The debt was fully repaid in July 2003.

## 9. Basic and Diluted Net Income Per Share

The calculation of basic and diluted net income per share is detailed in the following tables:

### For the nine months ended September 30

(thousands, except share amounts)	Income		Weighted Average Number of Shares		Per Share Amount	
	2004	2003	2004	2003	2004	2003
<b>Basic net income per share:</b>						
Net income	\$63,982	\$51,934				
Accretion on equity component of convertible debentures	(3,290)	(3,024)				
Income available to common shareholders	60,692	48,910	40,194	39,296	\$1.51	\$1.24
<b>Diluted net income per share:</b>						
Effect of dilutive convertible debentures	2,430	2,359	3,016	3,016	(0.05)	(0.03)
Effect of dilutive stock options	-	-	1,102	1,595	(0.04)	(0.04)
Effect of dilutive DSUs	-	-	450	450	(0.01)	(0.01)
	\$63,122	\$51,269	44,762	44,357	\$1.41	\$1.16

### For the three months ended September 30

(thousands, except share amounts)	Income		Weighted Average Number of Shares		Per Share Amount	
	2004	2003	2004	2003	2004	2003
<b>Basic net income per share:</b>						
Net income	\$24,295	\$40,486				
Accretion on equity component of convertible debentures	(1,112)	(1,023)				
Income available to common shareholders	23,183	39,463	40,593	39,321	\$0.57	\$1.00
<b>Diluted net income per share:</b>						
Effect of dilutive convertible debentures	814	791	3,016	3,016	(0.02)	(0.05)
Effect of dilutive stock options	-	-	1,108	1,810	(0.02)	(0.04)
Effect of dilutive DSUs	-	-	450	450	-	(0.01)
	\$23,997	\$40,254	45,167	44,597	\$0.53	\$0.90

## 10. Commitments

Troilus has committed approximately \$9 million for various capital requirements related to the expansion of the mill and other capital equipment. Çayeli has committed approximately \$16 million for various capital requirements related to the shaft deepening project and other capital equipment.

## Corporate Office

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## Investor Relations

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

[www.inmetmining.com](http://www.inmetmining.com).

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

- By mail directed to our Corporate Office
- By email at [investor@inmetmining.com](mailto:investor@inmetmining.com)
- By fax at + 1-416-368-4692
- By telephone at + 1-416-860-3968

## Shareholder Inquiries

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

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P.O. Box 7010  
Adelaide Street Postal Station  
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## Common Shares

<i>(thousands)</i>	<b>2004</b>	2003
Outstanding as at September 30	<b>40,957</b>	39,348
Weighted average for nine months ended September 30	<b>40,194</b>	39,296

## Stock Exchange Listing

Toronto Stock Exchange

## Stock Symbol

IMN

## Common Shares

### Trading History

	High	Low
<b>2004</b>		
Third Quarter	\$22.04	\$17.60
Second Quarter	\$21.00	\$15.25
First Quarter	\$21.47	\$14.81
<b>2003</b>		
Fourth Quarter	\$17.75	\$9.26
Third Quarter	\$10.00	\$6.65
Second Quarter	\$7.42	\$5.80
First Quarter	\$7.25	\$5.40