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**FOR IMMEDIATE RELEASE**

**May 2, 2006**

All amounts in Canadian dollars unless indicated otherwise

**Toronto, Canada - Inmet's 2006 first quarter earnings nearly tripled compared to the same period in 2005**

**Highlights**

- **Higher net income per share**  
Net income per share this quarter was \$1.65.
- **Izok sale complete**  
On March 31, 2006, we sold our interest in the Izok development project to Wolfden Resources Inc. and in exchange we received 13.5 million common shares of Wolfden valued at \$50.6 million. The transaction resulted in a non-cash gain of \$24 million or \$0.49 per share.
- **Higher operating cash flow per share**  
Operating cash flow, before working capital increased to \$65.5 million or \$1.36 per common share.
- **On target for production in 2006**  
We produced 19,500 tonnes of copper, 18,600 tonnes of zinc and 62,600 ounces of gold in the first quarter. We are still on target to achieve our objective to produce 80,000 tonnes of copper, 82,000 tonnes of zinc and 269,000 ounces of gold.
- **Dividend declared**  
We declared a dividend of \$0.10 per common share payable on June 15, 2006 to common shareholders of record as at May 31, 2006.
- **Basic engineering at Las Cruces is complete**  
We have completed capital and operating cost estimates. We have a new mine plan and detailed engineering is underway.
- **Considering strategic alternatives for Troilus**  
On April 3, 2006, we announced that we had begun a process to consider strategic alternatives for our Troilus mine, which could include a possible sale or business combination with a third party.

## Key financial data

	three months ended March 31		
	2006	2005	change
<b>FINANCIAL HIGHLIGHTS</b>			
(thousands, except per share amounts)			
<b>Sales</b>			
Gross sales	\$210,234	\$181,934	+ 16%
<b>Net income</b>			
Net income	\$79,561	\$28,896	+ 175%
Net income per share	\$1.65	\$0.70	+ 136%
Adjusted net income (3), (4)	\$55,656	\$28,896	+ 93%
Adjusted net income per share (3), (4)	\$1.16	\$0.70	+ 66%
<b>Cash flow (3), (4)</b>			
Cash flow provided by operating activities (before working capital)	\$65,525	\$46,972	+ 39%
Cash flow provided by operating activities per share (before working capital)	\$1.36	\$1.13	+ 20%
<b>OPERATING HIGHLIGHTS</b>			
<b>Production (1)</b>			
Copper (tonnes)	19,500	20,800	- 6%
Zinc (tonnes)	18,600	17,200	+ 8%
Gold (ounces)	62,600	75,300	- 17%
<b>Cash costs</b>			
Copper (US \$ per pound) (2), (3)	\$0.40	\$0.51	- 22%
Gold (US \$ per ounce) (3), (4)	\$372	\$219	+ 70%
<b>FINANCIAL CONDITION</b>			
	As at March 31	As at December 31	
	2006	2005	
Current ratio	4.2 to 1	4.0 to 1	
Long-term debt to total capitalization	2%	5%	
Net working capital balance	\$359 million	\$301 million	
Cash balance	\$283 million	\$252 million	
Shareholders' equity (4)	\$712 million	\$624 million	

(1) Inmet's share

(2) Çayeli and Pyhäsalmi zinc production and Ok Tedi gold production are included as metal credits.

(3) See reconciliation of non-GAAP measures on page 37 to see how these costs are calculated.

(4) 2005 amounts are restated because we adopted CICA EIC 160 – Stripping Costs Incurred in the Production Phase of an Operation (see Accounting changes on page 6).

## The business environment

The following rates and prices have a significant impact on our business.

	three months ended March 31	
	2006	2005
<b>Metal prices</b>		
Copper (per pound)	US \$2.55	US \$1.49
Zinc (per pound)	US \$1.08	US \$0.61
Gold (per ounce)	US \$454	US \$405
<b>Treatment charges</b>		
Copper (per tonne)	US \$87	US \$77
Zinc (per tonne)	US \$99	US \$134
<b>Freight charges</b>		
Copper (per tonne)	US \$34	US \$45
Zinc (per tonne)	US \$15	US \$30
<b>Statutory tax rates</b>		
Çayeli	30%	37%
Pyhäsalmi	26%	33%
Ok Tedi	37%	37%
<b>Exchange rates</b>		
1 US \$ to C\$	\$1.15	\$1.23
1 euro to C\$	\$1.39	\$1.61

### Metal prices

The increase in the price of copper and zinc increased our gross sales this quarter by \$69 million.

### Treatment charges

Higher copper prices increased the treatment charges we pay per tonne of copper by 24 percent this quarter compared to the same period in 2005. Zinc treatment charges were significantly lower for the first quarter of 2006 compared to the same period in 2005 because of a growing shortage of zinc concentrates and strong demand from the smelters. Overall smelter processing charges, which include treatment charges and price participation, were higher than 2005 because of higher metal prices.

### Freight charges

An increase in the availability of cargo ships this quarter reduced our copper and zinc freight charges in the first quarter of 2006. Our freight charges were also reduced this quarter because we delivered to locations closer to our operations.

### Exchange rates

Canadian dollar revenue and earnings were lower in the first quarter because of the continued strengthening of the Canadian dollar relative to the US dollar and the euro. This reduced our gross sales by \$12 million and our net income by \$4 million.

## First quarter report

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

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

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

### Where to find it

Our financial results .....	5
Key changes in 2006.....	5
Understanding our performance .....	6
Earnings from operations.....	7
Corporate costs.....	10
Results of our operations .....	11
Çayeli .....	13
Pyhäsalmi .....	16
Troilus .....	18
Ok Tedi .....	21
Status of our development projects .....	24
Las Cruces.....	24
Cerattepe .....	30
Managing our liquidity .....	31
Managing risk.....	34

## Our financial results

(thousands, except per share amounts)	three months ended March 31		
	2006	2005	change
<b>EARNINGS FROM OPERATIONS<sup>(1)</sup></b>			
Çayeli	\$30,219	\$14,182	+ 113%
Pyhäsalmi	19,166	10,740	+ 78%
Troilus	(937)	6,945	- 113%
Ok Tedi	37,557	21,426	+ 75%
Provisions for mine rehabilitation at closed sites	(486)	(513)	- 5%
	<b>85,519</b>	<b>52,780</b>	<b>+ 62%</b>
<b>DEVELOPMENT AND EXPLORATION</b>			
Corporate development and exploration	(1,454)	(1,410)	+ 3%
<b>CORPORATE COSTS</b>			
General and administration	(2,370)	(1,966)	
Investment and other income (expense)	1,793	(4,213)	
Interest expense	(391)	(718)	
Income and capital taxes	(27,441)	(15,577)	
	<b>(28,409)</b>	<b>(22,474)</b>	<b>+ 26%</b>
<b>Net income before other items</b>	<b>55,656</b>	<b>28,896</b>	<b>+ 93%</b>
Gain on sale of Izok	23,905	-	+ 100%
<b>Net income</b>	<b>\$79,561</b>	<b>\$28,896</b>	<b>+ 175%</b>
<b>Basic net income per share</b>	<b>\$1.65</b>	<b>\$0.70</b>	<b>+ 136%</b>
<b>Diluted net income per share</b>	<b>\$1.64</b>	<b>\$0.68</b>	<b>+ 141%</b>
<b>Weighted average shares outstanding</b>	<b>48,097</b>	<b>41,417</b>	

(1) Sales less smelter processing charges and freight, cost of sales, depreciation and provisions for mine rehabilitation.

## Key changes in 2006

(millions)	three months ended March 31	see page
<b>EARNINGS FROM OPERATIONS</b>		
<b>Sales</b>		
Higher metal prices denominated in Canadian dollars	\$69	7
Lower sales volumes	(18)	7
<b>Costs</b>		
Higher processing charges and freight	(15)	8
Higher operating costs	(4)	8
Other	1	
<b>Increase in earnings from operations, compared to 2005</b>	<b>33</b>	
<b>CORPORATE COSTS</b>		
Higher taxes from higher income	(13)	10
Lower taxes from reduced rates	1	
Gain on sale of Izok	24	10
Redemption costs of debentures	7	10
Other	(1)	
<b>Increase in net income, compared to 2005</b>	<b>\$51</b>	

## Understanding our performance

### Metal prices and exchange rates

- Copper and zinc prices were at record highs through the first quarter of 2006. This increased our earnings from operations. The gold price we realized was reduced due to hedging of production at Troilus and Ok Tedi.
- The stronger Canadian dollar relative to the US dollar and the euro lowered costs at our operations on a Canadian dollar basis, but also lowered gross sales. The net effect in the quarter was a reduction in gross sales of \$12 million and a reduction in net income of \$4 million.

The following table shows the metal prices, in US dollars and Canadian dollars, and exchange rates that we realized in the first quarter.

	three months ended March 31		three months ended March 31		C\$ change
	2006	2005	2006	2005	
Copper (per pound)	<b>US \$2.55</b>	US \$1.49	<b>C\$ 2.93</b>	C\$ 1.83	+ 60%
Zinc (per pound)	<b>US \$1.08</b>	US \$0.61	<b>C\$ 1.24</b>	C\$ 0.75	+ 65%
Gold (per ounce)	<b>US \$454</b>	US \$405	<b>C\$ 522</b>	C\$ 498	+ 5%
1 US\$ to C\$	<b>\$1.15</b>	\$1.23			
1 euro to C\$	<b>\$1.39</b>	\$1.61			

### Comparing our results

On August 22, 2005, we acquired a 70 percent indirect interest in the Las Cruces copper project, and issued 5.6 million Inmet common shares valued at \$91 million to a wholly-owned subsidiary of Leucadia National Corporation as consideration. We consolidated the Las Cruces balance sheet as of that date.

### Accounting changes

Effective January 1, 2006, we adopted CICA's *EIC 160 – Stripping Costs Incurred in the Production Phase of an Operation*, retroactively. The abstract allows for the costs of stripping, such as the removal of overburden and mine waste materials, to be capitalized if the stripping activity can be shown to represent a betterment to the mineral property. A betterment occurs when the stripping activity provides access to sources of reserves that will be produced in future periods that would not have otherwise been accessible in the absence of this activity. Certain of the stripping costs that we previously deferred are now expensed. This had the following effect on our 2005 financial statements:

- increased cost of sales by \$2.2 million for the year and decreased cost of sales by \$1.3 million for the first quarter
- lowered income tax expense by \$0.5 million for the year
- lowered earnings per common share and diluted earnings per common share by \$0.04 for the year and increased \$0.03 per share for the first quarter
- lowered property, plant and equipment on the balance sheet by \$22.2 million at December 31
- increased future income tax asset on the balance sheet by \$5.0 million at December 31
- lowered opening 2005 retained earnings by \$15.5 million.

If we had continued with our previous accounting policy for stripping costs we would have capitalized \$1 million in the first quarter of 2006.

## EARNINGS FROM OPERATIONS

We calculate earnings from operations by taking the revenues generated from the sale of metals, less the costs associated with those sales, and then subtracting depreciation charges for capital investments and provisions for mine rehabilitation.

### 1. Gross sales were up by 16 percent this quarter...

(thousands)	three months ended March 31		
	2006	2005	change
<b>Gross sales by operation</b>			
Çayeli	\$71,215	\$53,605	+ 33%
Pyhäsalmi	49,109	36,890	+ 33%
Troilus	18,683	34,859	- 46%
Ok Tedi <sup>(1)</sup>	71,227	56,580	+ 26%
	<b>\$210,234</b>	<b>\$181,934</b>	<b>+ 16%</b>
<b>Gross sales by metal</b>			
Copper	\$119,083	\$99,272	+ 20%
Zinc	53,404	29,372	+ 82%
Gold	29,249	42,446	- 31%
Other	8,498	10,844	- 22%
	<b>\$210,234</b>	<b>\$181,934</b>	<b>+ 16%</b>

(1) Our 18 percent share of Ok Tedi's sales

### ...mainly because of higher copper and zinc prices

The metal prices and exchange rates we used are shown on page 6.

(millions)	three months ended March 31
Higher copper prices, denominated in C\$	\$48
Higher zinc prices, denominated in C\$	21
Lower sales volumes	(41)
<b>Increase in gross sales, compared to 2005</b>	<b>\$28</b>

### ...but lower sales volume reduced some of the benefit of higher metal prices

	three months ended March 31		
	2006	2005	change
<b>Sales volumes</b>			
Copper (tonnes)	17,600	24,500	- 28%
Zinc (tonnes)	19,400	17,900	+ 8%
Gold (ounces)	55,000	83,300	- 34%

Sales volumes were lower than previous years because production was lower, and because of the timing of shipments at Troilus and Ok Tedi.

### Outlook for sales

Based on our production estimates, we expect sales of copper, zinc and gold to be slightly lower in 2006 than they were in 2005, but this should be more than offset by higher metal prices. While we expect metal prices to moderate later in 2006, they should still be significantly higher than they have been in the past.

The total amount we will receive in Canadian dollars is affected by US dollar denominated metal prices and the US dollar to Canadian dollar exchange rate.

## 2. Costs this quarter were consistent with 2005

Costs include our cost of sales (direct production costs, including non-cash production related costs) and smelter processing charges.

**Our cost of sales this quarter was 15 percent lower than 2005...**

(thousands)	three months ended March 31		
	2006	2005	change
<b>Cost of sales by operation</b>			
Çayeli	\$17,750	\$19,925	- 11%
Pyhäsalmi	12,611	11,637	+ 8%
Troilus	15,301	21,548	- 29%
Ok Tedi <sup>(1)</sup>	19,640	23,810	- 18%
Other	486	513	- 5%
	<b>\$65,788</b>	<b>\$77,433</b>	<b>- 15%</b>

(1) Includes our 18 percent share of Ok Tedi's cost of sales.

**...mainly because sales volumes were lower**

(millions)	three months ended March 31
Lower sales volume	\$15
Offset by:	
Energy costs	(1)
Labour costs	(2)
Royalties	(1)
Other	1
<b>Decrease in cost of sales, compared to 2005</b>	<b>\$12</b>

**...though higher metal prices increased smelter processing charges**

(thousands)	three months ended March 31		
	2006	2005	change
<b>Smelter processing charges and freight by operation</b>			
Çayeli	\$21,576	\$17,500	+ 23%
Pyhäsalmi	15,343	11,895	+ 29%
Troilus	2,158	4,125	- 48%
Ok Tedi <sup>(1)</sup>	12,585	10,178	+ 24%
	<b>\$51,662</b>	<b>\$43,698</b>	<b>+ 18%</b>
<b>Smelter processing charges and freight by metal</b>			
Copper <sup>(1)</sup>	\$26,677	\$27,095	- 2%
Zinc	22,695	14,046	+ 62%
Other	2,290	2,557	- 10%
	<b>\$51,662</b>	<b>\$43,698</b>	<b>+ 18%</b>

(1) Includes our 18 percent share of Ok Tedi's processing charges and freight.

Smelter processing charges include treatment charges and price participation. Higher copper prices increased the treatment charges we pay per tonne of copper by 24 percent this quarter compared to the same period in 2005. Zinc treatment charges were significantly lower for the first quarter of 2006 compared to the same period in 2005 because of a growing shortage of zinc

concentrates and strong demand from the smelting community. Overall copper and zinc smelter processing charges, which include treatment charges and price participation, were 18 percent higher than 2005 because of higher metal prices.

### Outlook for costs

We expect our costs to continue to increase in 2006 because of inflationary factors. Some of our costs, such as royalties at Çayeli, are also based on our net income, and will increase as our net income increases. If metal prices continue to be higher than last year, smelter processing charges will also continue to be higher.

The total amount we spend in Canadian dollars will also be affected by the US dollar and euro to Canadian dollar exchange rates.

### 3. Depreciation was lower

(thousands)	three months ended March 31		
	2006	2005	change
<b>Depreciation by operation</b>			
Çayeli	\$1,670	\$1,998	- 16%
Pyhäsalmi	1,989	2,618	- 24%
Troilus	2,161	2,241	- 4%
Ok Tedi	1,445	1,166	+ 24%
	<b>\$7,265</b>	<b>\$8,023</b>	<b>- 9%</b>

Depreciation was lower this quarter than the same period in 2005 because of lower sales. We depreciate most of our capital investments for each operation over the life of the mine as reserves are depleted.

### Outlook for depreciation

We expect depreciation to increase throughout the rest of 2006 for two reasons:

- higher production
- depreciation of costs associated with the lower mine development at Çayeli, including the shaft expansion, which we expect to be in operation later this year.

## CORPORATE COSTS

This includes general and administration costs, taxes and interests. We also record income from investments in this category, as well as income we receive from other transactions.

### 1. Gain on the sale of Izok increased investment and other income

(thousands)	three months ended March 31	
	2006	2005
Gain on sale of Izok	\$23,905	\$ -
Interest and dividend income	1,580	2,608
Redemption costs of debentures	-	(6,631)
Foreign exchange gain (loss)	(82)	72
Other	295	(262)
	<b>\$25,698</b>	<b>\$(4,213)</b>

On March 31, 2006 we sold our interest in the Izok development property to Wolfden Resources Inc., and recorded a gain of \$23.9 million. In exchange, we received 13.5 million common shares of Wolfden, which represented approximately 18 percent of its issued and outstanding common shares on that date.

In 2005, we redeemed our convertible debentures for cash. The difference between the carrying value of the debentures and the redemption cost was expensed.

### Outlook for investment and other income

Investment and other income will be affected by cash balances, interest rates and exchange rates. Rising cash balances at our foreign operations may result in a repatriation of funds to Inmet. Because of the current strength of the Canadian dollar as compared to years when the earnings were accumulated, we could incur foreign exchange losses on the repatriation of cash. The amount of any loss will depend on the amount of cash repatriated and the exchange rate at the time of repatriation. Currency fluctuations could also have an impact on intergroup loan repayments.

### 2. Higher earnings increased income tax expense at our operations

(thousands)	three months ended March 31		
	2006	2005	change
Çayeli	\$9,399	\$4,456	+ 111%
Pyhäsalmi	4,017	2,371	+ 69%
Ok Tedi	13,733	7,884	+ 74%
Corporate	292	866	- 66%
	<b>\$27,441</b>	<b>\$15,577</b>	<b>+ 76%</b>

### Outlook for income tax expense

We expect statutory tax rates at all of our operations in 2006 to remain the same as they were in the first quarter of the year. In Turkey, an announced tax rate reduction (from 30 percent to 20 percent) has yet to be enacted. If it is enacted, we will reduce Çayeli's future income tax liability to reflect the lower tax rate and record tax expense at the lower rate.

## Results of our operations

### Key performance indicator - production

In the first quarter of 2006:

- copper production was lower than the same period in 2005 because of lower grades at Çayeli, Pyhäsalmi and Troilus
- zinc production was higher because of higher throughput at Çayeli
- gold production was lower because of lower throughput and grades at Troilus.

Inmet's share	three months ended March 31			objective
	2006	2005	change	2006
<b>Copper</b> (tonnes)				
Ok Tedi	9,200	8,200		34,400
Çayeli	6,500	6,800		29,500
Pyhäsalmi	3,100	3,700		13,500
Troilus	700	2,100		3,200
	<b>19,500</b>	20,800	- 6%	<b>80,600</b>
<b>Zinc</b> (tonnes)				
Çayeli	10,100	8,700		43,500
Pyhäsalmi	8,500	8,500		38,400
	<b>18,600</b>	17,200	+ 8%	<b>81,900</b>
<b>Gold</b> (ounces)				
Troilus	37,700	51,300		165,000
Ok Tedi	24,900	24,000		104,000
	<b>62,600</b>	75,300	- 17%	<b>269,000</b>
<b>Pyrite</b> (tonnes)				
Pyhäsalmi	141,800	200,400	- 29%	557,000

### Outlook for production

Our first quarter production was lower than our targets, but we still expect to achieve our original objectives for the year.

### Key performance indicator – cash costs

(US \$)	three months ended March 31			original target	revised objective
	2006	2005	change	2006	2006
<b>Cash cost per pound of copper</b>					
Çayeli <sup>(1)</sup>	\$0.34	\$0.76		\$0.62	\$0.33
Pyhäsalmi <sup>(1,2)</sup>	(0.51)	0.01		(0.02)	(0.81)
Ok Tedi <sup>(3)</sup>	0.74	0.53		0.62	0.54
	<b>\$0.40</b>	\$0.51	- 22%	\$0.51	<b>\$0.22</b>
<b>Cash cost per ounce of gold</b>					
Troilus <sup>(4,5)</sup>	\$372	\$219	+ 70%	\$345	\$332

To estimate the by-product credits in our 2006 revised objectives, we used:

- (1) a zinc price of US \$1.05 per pound
- (2) a euro to US dollar exchange rate of US \$1.15
- (3) a gold price of US \$540 per ounce
- (4) a copper price of US \$2.25 per pound
- (5) a US dollar to Canadian dollar exchange rate of \$1.15

Our cash cost per pound of copper this quarter was 22 percent lower than the same period in 2005 mainly because of:

- higher zinc and gold metal credits from higher metal prices
- lower zinc treatment charges

and were offset by:

- higher price participation charges
- lower pyrite production.

The change in our copper cash cost per pound is more clearly seen in the following breakdown:

(US \$)	three months ended March 31			original target 2006	<i>revised objective 2006</i>
	2006	2005	change		
<b>Cash cost per pound of copper</b>					
Direct production costs	<b>\$1.00</b>	\$0.88	+ 14%	\$0.91	<b>\$0.93</b>
Smelter processing charges and freight	<b>1.03</b>	0.62	+ 66%	0.71	<b>0.89</b>
Metal credits	<b>(1.63)</b>	(0.99)	+ 65%	(1.11)	<b>(1.60)</b>
	<b>\$0.40</b>	\$0.51	- 22%	\$0.51	<b>\$0.22</b>

Our gold cash cost per ounce was higher this quarter compared to the same period in 2005 because of lower production and the negative effect of a rising Canadian dollar versus the US dollar.

# ÇAYELI

		three months ended March 31			objective
		2006	2005	change	2006
Tonnes of ore milled (000's)		223	190	+ 17%	980
Tonnes of ore milled per day		2,500	2,100	+ 19%	2,700
Grades (percent)	copper	3.7	4.2	- 12%	3.7
	zinc	6.3	6.1	+ 3%	6.1
Mill recoveries (percent)	copper	79	85	- 7%	81
	zinc	72	75	- 4%	73
Production (tonnes)	copper	6,500	6,800	- 4%	29,500
	zinc	10,100	8,700	+ 16%	43,500

## Çayeli's ore production improved significantly but was short of the first quarter target

Ore production at Çayeli improved significantly compared to the same quarter last year as many of the improvement projects are showing positive results. The central pillar continues to be an important source of Çayeli's production. The operation encountered geotechnical difficulties in some of the production areas, which lowered ore production in the first quarter. Since then, additional ground support has been installed in the critical areas and the areas are again available for production.

Despite higher throughput, copper production in the first quarter of 2006 was lower because of lower grades and recoveries. Ore grades were lower because of the mining sequence and recoveries were lower because of the increased amount of black ore being processed. Black ore contains more zinc but is metallurgically more challenging for the recovery of copper.

Zinc production was 16 percent higher compared to the first quarter 2005 because of higher throughput and higher zinc grades.

### Outlook for production

Çayeli will continue to mine the central pillar and we expect production levels to be consistent with our annual objective for 2006. In addition, we expect Çayeli to commission a new orepass system in July, which will significantly reduce the requirement for ore trucking.

## Unit costs were significantly lower because of high zinc metal credits

Cash costs were significantly lower than in the first quarter of 2005 because of significant zinc metal credits. This was offset by higher price participation charges.

(US \$)	three months ended March 31			original target 2006	<i>revised objective</i> 2006
	2006	2005	change		
<b>Cash cost per pound of copper</b>					
Direct production costs	<b>\$0.96</b>	\$0.82	+ 17%	\$0.81	<b>\$0.86</b>
Smelter processing charges and freight	<b>1.30</b>	0.75	+ 73%	0.87	<b>1.14</b>
Metal credits <sup>(1)</sup>	<b>(1.92)</b>	(0.81)	+ 137%	(1.06)	<b>(1.67)</b>
<b>Cash costs</b>	<b>0.34</b>	0.76	- 55%	0.62	<b>0.33</b>
Depreciation and other non-cash costs	<b>0.14</b>	0.13	+ 8%	0.13	<b>0.13</b>
<b>Total costs</b>	<b>\$0.48</b>	\$0.89	- 46%	\$0.75	<b>\$0.46</b>

(1) We used a zinc price of US \$1.05 per pound to estimate the metal credit in the 2006 revised objective for cash costs per pound of copper.

## Direct production costs this quarter were US \$0.14 per pound higher than 2005

(US \$ per pound)	three months ended March 31
Higher costs due to lower copper production	\$0.05
Higher royalty costs due to higher net income	0.06
Higher labour costs	0.04
Higher consumable costs	0.01
Lower consultant costs	(0.05)
Other	0.03
<b>Increase in direct production costs, compared to 2005</b>	<b>\$0.14</b>

Çayeli pays an annual royalty to a former shareholder based on a percentage of its Turkish lira net income. A higher net income resulted in a higher royalty. Labour costs were higher because the value of the Turkish lira increased relative to the US dollar. Çayeli had hired Proudfoot Consultants in 2005 to help improve operating efficiencies and as a result in 2006 consulting costs are lower.

## Outlook for costs

We have adjusted our unit cost target at Çayeli to reflect the impact of higher metal prices and accordingly reduced the unit cost objective to US \$0.33 per pound. We are also expecting our direct production costs to come back in line with our original target, but with a higher royalty cost from higher expected net income.

## Capital spending was consistent with 2005

(thousands of US\$)	three months ended March 31			<i>objective</i> 2006
	2006	2005	change	
<b>Capital spending</b>	<b>\$3,400</b>	\$3,100	+ 10%	<b>\$21,000</b>

Of the US \$3.4 million spent in the quarter, US \$2.1 million was for the shaft extension project.

### Outlook for capital spending

Spending for the remainder of 2006 will be mainly related to the continued development of the lower mine. This quarter, Çayeli continued to make progress on completing the main infrastructure and establishing production areas in the lower part of the deposit. During the second quarter, it will continue to work on connecting the shaft to the ore passes, which will reduce the trucking along the main ramp. Other components of the newly developed infrastructure in the lower mine, including the orepass, feeder and conveyor belt, are scheduled to be completed in the third quarter.

## Operating earnings doubled despite lower copper sales volumes

		three months ended March 31		
		2006	2005	change
Sales (tonnes)	copper	<b>5,800</b>	8,900	- 35%
	zinc	<b>11,400</b>	9,700	+ 18%
Operating earnings (millions)		<b>\$30.2</b>	\$14.2	+ 113%
Operating cash flows (millions)		<b>\$27.0</b>	\$0.6	+ 4400%

### ...mainly because of higher metal prices

(millions)	three months ended March 31
Higher metal prices, denominated in Canadian dollars	\$28
Lower copper sales volumes	(6)
Higher smelter processing charges and freight	(5)
Higher operating costs (labour and royalty)	(1)
<b>Increase in operating earnings, compared to 2005</b>	<b>16</b>
Increased tax expense because of higher earnings	(5)
Changes in working capital	16
Other	(1)
<b>Increase in operating cash flow, compared to 2005</b>	<b>\$26</b>

The changes in working capital are largely because of a build-up of accounts receivable in March 2005.

# PYHÄSALMI

		three months ended March 31			objective
		2006	2005	change	2006
Tonnes of ore milled (000's)		353	340	+ 4%	1,370
Tonnes of ore milled per day		3,900	3,800	+ 4%	3,750
Grades (percent)	copper	0.9	1.1	- 18%	1.0
	zinc	2.6	2.7	- 4%	3.0
	sulphur	41.0	41.0	-	40.0
Mill recoveries (percent)	copper	95	95	-	94
	zinc	94	93	+ 1%	92
Production (tonnes)	copper	3,100	3,700	- 16%	13,500
	zinc	8,500	8,500	-	38,400
	sulphur	141,800	200,400	- 29%	557,000

## Record throughput rates in March

More ore was milled this quarter compared to the same period in 2005. Copper production was down by 16 percent, however, because of the mine's stoping sequence resulted in lowered copper grades.

Production of pyrite this quarter was lower than the same period in 2005 because of an expected reduction in pyrite sales. The mine also bypassed pyrite production this quarter while the new pyrite concentrate filter was installed.

## Outlook for production

Pyhäsalmi plans to mine a zinc-rich stope beginning in the fourth quarter of this year. This should provide higher zinc grades which should allow Pyhäsalmi to recover some of the shortage in zinc production and meet its production objectives for 2006.

## Cash costs were down significantly because of high metal credits

Both direct production costs and smelter processing charges were higher at Pyhäsalmi this quarter compared to the same period in 2005. The higher zinc price increased our metal credits and reduced cash costs significantly, but also increased our smelter processing charges because of higher price participation.

(US \$)	three months ended March 31			original target 2006	revised objective 2006
	2006	2005	change		
<b>Cash cost per pound of copper</b>					
Direct production costs	\$1.57	\$1.18	+ 33%	\$1.29	\$1.29
Smelter processing charges and freight	1.75	0.96	+ 82%	1.10	1.49
Metal credits <sup>(1)</sup>	(3.83)	(2.13)	+ 80%	(2.41)	(3.59)
<b>Cash costs</b>	<b>(0.51)</b>	0.01	- 5,200%	(0.02)	<b>(0.81)</b>
Depreciation and other non-cash costs	0.27	0.28	- 4%	0.26	0.26
<b>Total costs</b>	<b>(\$0.24)</b>	\$0.29	- 183%	\$0.24	<b>(\$0.55)</b>

(1) We used a zinc price of US \$1.05 per pound to estimate the metal credit in the 2006 revised objective for cash costs per pound of copper.

## Direct production costs this quarter were US \$0.39 per pound higher than 2005

(US \$ per pound)	three months ended March 31
Strengthened US dollar compared to the euro	\$(0.09)
Higher costs due to lower copper production	0.24
Higher costs due to higher throughput	0.04
Higher labour costs	0.06
Higher consumables	0.07
Higher utility costs	0.07
<b>Increase in direct production costs, compared to 2005</b>	<b>\$0.39</b>

### Outlook for costs

We have adjusted our unit cost outlook at Pyhäsalmi to reflect the impact of higher metal prices, and reduced the unit cost to negative US \$0.81 per pound.

## Capital spending will increase through the year

(thousands)	three months ended March 31			objective
	2006	2005	change	2006
<b>Capital spending</b>	<b>€200</b>	€200	-	<b>€ 5,000</b>

### Outlook for capital spending

For the remainder of the year capital spending will primarily be for a zinc pressure filter, mine mobile equipment and sustaining capital.

## Net sales and operating earnings continued to grow

		three months ended March 31		
		2006	2005	change
Sales (tonnes)	copper	<b>3,200</b>	3,600	- 11%
	zinc	<b>8,000</b>	8,200	- 2%
	pyrite	<b>124,800</b>	134,600	- 7%
Operating earnings (millions)		<b>\$19.2</b>	\$10.7	+ 78%
Operating cash flows (millions)		<b>\$23.5</b>	\$14.3	+ 64%

### ...mainly because of higher metal prices

(millions)	three months ended March 31
Higher metal prices, denominated in Canadian dollars	\$15
Lower sales volumes	(2)
Higher smelter processing charges and freight	(4)
Higher costs	(1)
<b>Increase in operating earnings, compared to 2005</b>	<b>8</b>
Increased tax expense because of higher earnings	(2)
Changes in working capital	3
<b>Increase in operating cash flow, compared to 2005</b>	<b>\$9</b>

The positive change in working capital is largely a result of lower accounts receivables from lower sales volumes in 2006.

# TROILUS

		three months ended March 31			objective
		2006	2005	change	2006
Tonnes of ore milled (000's)		<b>1,608</b>	1,745	- 8%	<b>7,300</b>
Tonnes of ore milled per day		<b>17,900</b>	19,400	- 8%	<b>20,000</b>
Strip ratio		<b>1.8</b>	1.1	+ 63%	<b>1.3</b>
Grades	gold (grams/tonne)	<b>0.90</b>	1.13	- 20%	<b>0.85</b>
	copper (percent)	<b>0.05</b>	0.10	- 50%	<b>0.05</b>
Mill recoveries (percent)	gold	<b>81</b>	81	-	<b>82</b>
	copper	<b>86</b>	92	- 7%	<b>86</b>
Production	gold (ounces)	<b>37,700</b>	51,300	- 27%	<b>165,000</b>
	copper (tonnes)	<b>700</b>	2,100	- 67%	<b>3,200</b>

## Production was down because of hard ores

Troilus milled eight percent less ore this quarter compared to the same period in 2005 because harder ore was mined from the 87 pit. This, combined with lower gold and copper grades, lowered production by 27 percent for gold and 67 percent for copper. Troilus has since made changes to the grinding circuit including the installation of larger screens on the semi autogenous grinding (SAG) mill discharge and mill throughput has improved.

Gold recoveries this quarter were consistent with the same period in 2005, but fell slightly short of our target because of the lower gold head grades.

## Outlook for production

We expect to install new mill discharge grates at the end of July, which should further increase mill throughput. Our goal is to regain the throughput we expected in the first quarter through the rest of 2006.

## Costs per ounce were 70 percent higher

Metal credits this quarter were lower than the same period in 2005, because of lower copper production, which more than offset the impact of the higher copper price.

(US \$)	three months ended March 31			original target	<i>revised objective</i>
	2006	2005	change	2006 (2)	2006
<b>Cash cost per ounce of gold</b>					
Direct production costs	\$443	\$290	+ 53%	\$372	\$388
Smelter processing charges and freight	62	70	- 11%	46	50
Metal credits <sup>(1)</sup>	(133)	(141)	- 6%	(73)	(106)
<b>Cash cost</b>	<b>\$372</b>	<b>\$219</b>	<b>+ 70%</b>	<b>\$345</b>	<b>\$332</b>
Depreciation and other non-cash costs	65	38	+ 71%	58	61
<b>Total cost</b>	<b>\$437</b>	<b>\$257</b>	<b>+ 70%</b>	<b>\$403</b>	<b>\$393</b>

(1) We used a copper price of US \$2.25 per pound to estimate the metal credit in the 2006 revised objective for cash costs ounce of gold.

(2) Adjusted to reflect the change in our accounting for capitalized stripping.

## Direct production costs this quarter were US \$153 per ounce higher than 2005

(US \$ per ounce)	three months ended March 31
Stronger Canadian dollar	\$33
Higher costs due to lower production	105
Higher energy costs	9
Higher consumable costs	10
Lower maintenance and other	(4)
<b>Increase in direct production costs, compared to 2005</b>	<b>\$153</b>

## Outlook for unit costs

We have adjusted our unit cost outlook at Troilus to reflect the impact of higher metal prices and a weaker US dollar. In addition, we adjusted our forecast unit cost to reflect our change in our accounting for capitalized stripping. We have reduced our unit cost estimate to US \$332 per ounce for the year.

## Capital spending at Troilus is for sustaining capital

(thousands)	three months ended March 31			<i>objective</i> 2006
	2006	2005	change	
<b>Capital spending</b>	<b>\$400</b>	\$4,000	- 90%	<b>\$2,000</b>

Capital spending was lower compared to the first quarter of 2005 when the mine incurred costs to develop the J-4 pit.

## Lower sales volumes reduced earnings

		three months ended March 31		
		2006	2005	change
Sales	gold (ounces)	<b>30,400</b>	52,800	- 42%
	copper (tonnes)	<b>600</b>	1,900	- 68%
Operating earnings (millions)		<b>(\$0.9)</b>	\$6.9	- 113%
Operating cash flows (millions)		<b>(\$3.4)</b>	\$4.0	- 185%

Sales volumes this quarter were lower than the same period in 2005 because of lower production and timing of shipments, which prevented us from recognizing revenue in the first quarter. In addition, approximately 70 percent of our sales in the first quarter were recorded at a hedge price of US \$352 per ounce, which made our realized gold price this quarter the same as it was in the first quarter of 2005.

(millions)	three months ended March 31
Lower sales volumes	\$(7)
Higher costs	(1)
<b>Decrease in operating earnings, compared to 2005</b>	<b>(8)</b>
Changes in working capital	1
<b>Decrease in operating cash flow, compared to 2005</b>	<b>\$(7)</b>

## Planning for the future

In April, we began a process to consider strategic alternatives for Troilus, which could include a possible sale or business combination with a third party. Any possible sale would not include Troilus' hedge book. If we were to sell Troilus we would liquidate the hedges. Based on the marked-to-market on March 31, 2006 this would cost approximately \$50 million.

## OK TEDI

(100 percent)		three months ended March 31			<i>objective</i> 2006
		2006	2005	change	
Tonnes of ore milled (000's)		<b>6,665</b>	6,000	+ 11%	<b>27,000</b>
Tonnes of ore milled per day		<b>74,100</b>	66,000	+ 11%	<b>75,000</b>
Strip ratio		<b>2.0</b>	2.8	- 29%	<b>1.8</b>
Grades	copper (percent)	<b>0.9</b>	0.9	-	<b>0.8</b>
	zinc (grams/tonne)	<b>1.0</b>	0.9	+ 11%	<b>0.9</b>
Mill recoveries (percent)	copper	<b>85</b>	81	+ 5%	<b>85</b>
	gold	<b>68</b>	73	- 7%	<b>72</b>
Production	copper (tonnes)	<b>51,300</b>	45,600	+ 13%	<b>191,000</b>
	gold (ounces)	<b>138,400</b>	133,400	+ 4%	<b>580,000</b>

### Copper production up by 13 percent

Ok Tedi's copper production this quarter was 13 percent higher than the same period in 2005, while gold production was four percent higher. This was because the ore that was treated was slightly softer than the corresponding quarter of 2005. In addition, changes to the mill liner configuration to accommodate for harder ores expected from the deeper parts of the pit have also resulted in improved throughput.

Gold grades were higher this quarter compared to the same period in 2005 because Ok Tedi mined a higher proportion of higher grade skarn ore. Gold metal recoveries were lower, however, because a less efficient blend of ores was delivered to the mill.

### Outlook for production

We anticipate copper and gold grades for the balance of the year to be lower than this quarter as production moves to lower grade areas.

## Costs up because of higher smelter processing charges

Cash costs were 40 percent higher than the first quarter of 2005 mainly because of higher smelter processing charges, a result of increased price participation charges due to higher copper prices. This was partly offset by higher production and higher gold metal credits.

(US \$)	three months ended March 31			original target 2006	<i>revised objective 2006</i>
	2006	2005	change		
<b>Cash cost per pound of copper</b>					
Direct production costs	<b>\$0.84</b>	\$0.80	+ 5%	\$0.84	<b>\$0.86</b>
Smelter processing charges and freight	<b>0.60</b>	0.36	+ 67%	0.43	<b>0.44</b>
Metal credits <sup>(1)</sup>	<b>(0.70)</b>	(0.63)	+ 11%	(0.65)	<b>(0.76)</b>
<b>Cash cost</b>	<b>\$0.74</b>	\$0.53	+ 40%	\$0.62	<b>\$0.54</b>
Depreciation and other non-cash costs	<b>0.07</b>	0.06	+ 17%	0.06	<b>0.06</b>
<b>Total costs</b>	<b>\$0.81</b>	\$0.59	+ 37%	\$0.68	<b>\$0.60</b>

(1) We used a gold price of US \$540 per ounce to estimate the metal credit in the 2006 objective for cash costs per pound of copper.

## Direct production costs this quarter were \$0.04 per pound higher than 2005

(US \$ per pound)	three months ended March 31
Decrease in costs from higher production	\$(0.09)
Higher energy costs	0.04
Higher labour costs	0.08
Other	0.01
<b>Increase in direct production costs, compared to 2005</b>	<b>\$0.04</b>

Employees at Ok Tedi receive a bonus based on cash flows. Higher metal prices and higher net income increased the bonus expensed this quarter compared to 2005.

## Capital spending was higher

Ok Tedi's capital spending this quarter was mainly related to the purchase of trucks.

(100 percent) (thousands of US\$)	three months ended March 31			<i>objective 2006</i>
	2006	2005	change	
<b>Capital spending</b>	<b>\$12,300</b>	\$1,400	+ 779%	<b>\$65,000</b>

## Outlook

Most capital spending for the rest of this year will be related to upgrading the in-pit crusher, replacement generator sets, a pit drainage study, and for sustaining capital.

## Higher metal prices increased operating earnings for the period

Sales volumes this quarter were lower than the same period in 2005, and lower than current year production, because Ok Tedi's silo vessel was dry docked for three months for maintenance from late 2005 to March 2006. During this time, concentrate barges from Ok Tedi entered the port of Port Moresby rather than transferring their concentrates onto the ocean vessel in the gulf of Papua New Guinea. Concentrate inventory accumulated to 120,000 tonnes at March 31, an increase of over 20,000 tonnes from December 31.

		three months ended March 31		
(18 percent)		2006	2005	change
Sales	copper (tonnes)	<b>8,000</b>	10,100	- 21%
	gold (ounces)	<b>24,600</b>	30,500	- 19%
Operating earnings (millions)		<b>\$37.6</b>	\$21.4	+ 75%
Operating cash flows (millions)		<b>\$34.5</b>	\$22.5	+ 53%

### ...mainly because of higher metal prices

(millions)		three months ended March 31
Higher metal prices, denominated in Canadian dollars		\$26
Lower sales volumes		(4)
Higher smelter processing charges and freight		(4)
Higher costs		(2)
<b>Increase in operating earnings, compared to 2005</b>		<b>16</b>
Increased tax expense because of higher earnings		(6)
Changes in net working capital		2
<b>Increase in operating cash flow, compared to 2005</b>		<b>\$12</b>

## Planning for the future

As part of Ok Tedi's objective to improve its environmental performance, the operation has commenced the engineering of a sulphur removal plant from the tailings and the permanent storage of sulphur concentrate. The objective is to reduce the sulphur content in the tailings below a level where acid rock drainage is a concern. Preliminary results of the engineering work are encouraging and could be the foundation for improved environmental performance in the future.

## Status of our development projects

### Las Cruces

#### Quarterly development update

##### **Detailed engineering and construction management has been awarded.**

- SNC Lavalin has been confirmed as the engineering, procurement and construction manager (EPCM) for the project.
- Outokumpu Technology has been confirmed as lead technology supplier for the grinding, leach, solvent extraction and electrowinning plant.

##### **Basic engineering has been completed**

- Project capital is estimated to be €380 million, of which €26 million has been spent to-date.
- €54 million of this capital will be funded by non-repayable subsidies from the Spanish government and the province of Andalusia.
- Cash operating costs are estimated at €0.39 per pound of copper or US \$0.47 per pound (euro to US dollar exchange rate of US \$1.20).
- Internal rate of return for the project is expected to be 24 percent using a long-term copper price of US \$1.10 per pound and a euro to US dollar exchange rate of US \$1.20.
- The mine plan has been adjusted to include some underground mining, which reduces stripping requirements by 21 million tonnes of waste.

##### **Production capacity has been increased by 9 percent**

- We have increased design production capacity to 72,000 tonnes per year from 66,000 tonnes per year.

##### **Start-up still on schedule**

- We expect initial copper production in January 2008.

##### **Construction has started**

- The mining contractor has begun site preparation and we expect the aquifer water management system to begin operating in June.

## Project update

### Key project statistics

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<b>Mine production</b>	
Proven and probable reserves	17.6 million tonnes
Average copper grade	6.2 percent
Life-of-mine contained copper	1.1 million tonnes
Mine life	15 years
Annual processing capacity	1.3 million tonnes
Average annual waste mined	10 million tonnes
Strip ratio	12.7 : 1
<b>Recoveries</b>	
Average ore recovery factor	97%
Average metallurgical recovery	91.4%
<b>Copper production</b>	
Annual production	72,000 tonnes
Life-of-mine production	996,000 tonnes
<b>Costs</b>	
Initial capital costs	€380 million (1)
Life-of-mine operating costs	€860 million
Unit cash operating cost	€0.39 per pound

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(1) Includes €26 million already spent since April 2005.

### Mine plan

Open pit mining has been contracted to AOMSA, a leading Spanish mining contractor, and they are currently on site carrying out preparatory work.

It should take about 18 months to remove the approximately 52 million tonnes of material above the ore body. This material is a calcite rich clay called marl. The marl will be used to encapsulate all of the tailings and waste products from the mine as well as for the required pit reclamation.

We have adjusted the original mine plan from the May 2004 feasibility study to include some underground mining, which will be accessible beginning in 2012 from a ramp in the pit. The underground mine provides significant benefits because it reduces waste material by approximately 21 million tonnes, and gives us access to approximately 40,000 additional tonnes of contained copper. The adjusted mine plan calls for 738,000 tonnes of ore to be extracted from underground, mainly by drift and fill methods, over a period of four years from 2013 to 2016. Las Cruces will engage a third party mining contractor for this activity.

### Water management

The ore body at Las Cruces is located below a regional water table that needs to be protected. We have developed a sophisticated system to remove the water, transport it by closed pipelines to prevent contamination, and then re-inject it into the same water table to ensure it is preserved.

Currently all of the wells for removing the water and about half of the re-injection wells have been drilled, and the work to connect them by pipe has begun. Work on the program is progressing well and we anticipate that the first three sectors of the system will be commissioned in June of this year.

### **Process technology**

When basic engineering began, Las Cruces retained a group of external experts to review and make recommendations on the process technology for the project outlined in the May 2004 feasibility study. As a result of this review, we:

- increased the number of leach reactors to eight from five. More reactors will add operating flexibility to the system and improve constructability of the reactors
- redesigned the agitators and increased power input to optimize performance
- increased the oxygen purity requirement for the leach process to 98 percent from 93 percent.

The overall result is a system that we are confident will meet or exceed the average copper recovery of 91.4 percent anticipated in the feasibility study.

### **Permitting and land acquisition**

Las Cruces has obtained all major permits and is now focused on securing numerous smaller construction permits. The relevant authorities and municipalities have already granted a number of these construction permits and Las Cruces does not anticipate any difficulties in securing the balance.

Las Cruces has purchased 857 hectares of land and leased an additional 50 hectares. This provides all of the land required for the operation. The purchase of an additional 40 hectares for long term planning purposes is close to completion.

### **Other project activities**

Approximately 1.5 million tonnes of gossan (oxidized sulphide) overlying the Las Cruces ore body is known to contain significant amounts of lead, silver and gold. This material is considered to be waste in the current mine plan.

Recent testing at SGS Lakefield Research Limited labs has indicated that simple flotation of this material could produce a lead concentrate with significant silver and gold credits. We are conducting further studies to determine the potential demand for this product and to scope out the cost of building a small flotation plant to produce it.

### **Project schedule and implementation**

We expect the first copper production in late January of 2008, based on the current schedule for detailed engineering, procurement and construction. Mine pre-stripping and related infrastructure are scheduled to conform with this.

While all key permits are in place, the schedule still depends on construction licenses being granted in a timely manner. Las Cruces is working closely with the relevant authorities to achieve this.

We expect that approximately one third of the capital spending will be completed by the end of 2006 with the remaining two thirds spent in 2007.

### Mineral reserves

Our December 31, 2005 mineral reserves reflect the additional drilling completed in May 2005 to better define early mining areas and the adjusted mine plan, which increased the reserves by 40,000 tonnes of contained copper. The table below presents the December 31, 2005 reserve statement:

(100%)	category	tonnes (thousands)	copper %	contained copper (tonnes)
<b>Open pit</b>	proven	9,790	6.42	<b>629</b>
	probable	7,097	5.87	<b>417</b>
		16,887	6.19	<b>1,046</b>
<b>Underground</b>	probable	738	7.02	<b>52</b>
		17,625	6.22	<b>1,098</b>

Although limited in scope, the underground mining, which will take place from year five to year nine of the mine life, will allow the strip ratio in the open pit to drop to 12.7:1 from 14.7:1. This has significant positive effects on future waste handling and reclamation.

### Capital costs

We now estimate total capital costs of €380 million, based on the following:

(100%) (millions)	updated capital cost (1)
Process plant	€200
Mining (pre-stripping)	47
Tailings and waste management	11
Water management, power and infrastructure	39
Environmental monitoring	5
Permits and land	14
Owners costs	22
Las Cruces plant indirect costs	3
Working capital	16
Contingencies	23
<b>Total</b>	<b>€380</b>

(1) Includes €26 million already spent.

At the end of the basic engineering stage, engineering is normally considered to be 25 percent complete, which improves the accuracy of the overall cost estimate. Accuracy is now within +/-15 percent with a 75 percent probability.

The capital cost estimate is a 30 percent increase from the May 2004 feasibility study, which was estimated at €290 million. Half the difference is due to inflation in construction material and labour costs and the other half is the result of changes to the scope, such as production increases and the correction of omissions from the feasibility study.

## Operating costs

We now estimate unit cash operating costs will be €0.39 per pound of copper produced.

<b>Unit cash operating cost</b>	
(per pound of copper)	
Crushing and grinding	€0.02
Thickening	0.02
Leaching and solution handling	0.04
Solvent extraction	0.01
Electrowinning	0.07
Services and water	0.03
General and administration	0.11
Mine	0.09
	<b>€0.39</b>

This estimate does not include a 1.5 percent net smelter royalty (NSR) payable to the original owners when the copper price exceeds US \$0.80 per pound. At a copper price of US \$1.10, this royalty would equate to approximately US \$0.015 per pound.

## Project funding

(100%) (millions)	
<b>Project costs</b>	
Capital cost estimate	€380
Capitalized interest and transaction costs	20
Environmental and labour bond	20
<b>Total project costs</b>	<b>€420</b>
<b>Funding</b>	
Loan facility	€190
Subsidies	54
Sponsor equity to-date	26
Future sponsor equity – Inmet	105
Future sponsor equity - Leucadia	45
<b>Total funding</b>	<b>€420</b>

In 2005, Las Cruces entered into a credit agreement with a syndicate of Canadian and international lending institutions to finance the development of the mine. The facility consists of two tranches:

- Tranche A is a US \$240 million senior secured facility that contains a US \$25 million letter of credit facility maturing on December 15, 2015.
- Tranche B is a €69 million senior secured bridge financing facility to finance the receipt of government subsidies and grants (€54 million) and value added taxes (up to €15 million) maturing on December 31, 2009.

Borrowings under Tranche A can be drawn in either euros or US dollars and will be repaid in US dollars, in semi-annual payments over seven years. Repayment will begin on the earlier of June 30, 2009 or six months after project completion (as defined under the credit agreement). During the repayment period, Las Cruces must also make additional payments, to a maximum of US \$36 million, when its debt service coverage ratio under the credit agreement goes above a given threshold.

Repayments for Tranche B are due no later than 30 days after Las Cruces receives VAT refunds and subsidy and grant payments.

Inmet and Leucadia National Corporation have provided guarantees in proportion to their indirect holdings in Las Cruces, until project completion (as defined under the credit agreement) and Tranche B is repaid, after which financing will be non-recourse to them. Inmet's guarantee includes a requirement to maintain certain customary ratios and is secured by a pledge of the company's assets and the shares of certain subsidiaries. These have also been pledged to secure Inmet's existing hedging facilities, and will continue to be pledged after project completion and Tranche B is repaid to secure any remaining obligations under the hedging facilities.

Las Cruces has not yet drawn down on the credit facility.

Las Cruces entered into a forward contract to exchange US \$215 million for €171.8 million on June 30, 2008. It also entered into an interest rate swap contract to fix the interest rate at 5.2 percent plus the applicable loan margin of between 1.75 percent and 2.0 percent.

We expect €54 million of funding from non-repayable subsidies from the Spanish government and the province of Andalusia.

The sponsors, Inmet and Leucadia, are responsible for the remaining funding for the project, estimated at €150 million, on a 70 percent/30 percent basis. This will be advanced on a pro rata basis over the construction period. Inmet's pro-rata share is €123 million of the total project and €105 million of the remaining project capital.

### Project economics

We calculate that the project has a net present value (NPV) of \$184 million, based on the following assumptions:

- capital cost: €380 million, including €26 million already spent
- operating costs: €0.39 per pound of copper
- long term copper price: US \$1.10 per pound
- euro to US dollar exchange rate: US \$1.20
- US dollar to Canadian exchange rate: \$1.20
- discount rate: 12 percent

Our internal rate of return (IRR) calculation for the project is 24 percent.

We expect that all-in cash costs, including reclamation and royalty payments, but excluding any copper premiums, should be US \$0.51 per pound of copper produced with total costs of US \$0.74 per pound. At a price of US \$1.10 per pound of copper, project payback should take just over three years.

The following table describes the project NPV in millions of Canadian dollars at various discount rates at a copper price of US \$1.10 per pound and using a long-term euro to US dollar exchange rate of US \$1.20. It also shows the change to the NPV for a US \$0.10 per pound change in the copper price.

Discount rate	NPV at US \$1.10 copper (1)	Change in NPV +/- US \$0.10 change in copper price
8%	\$294	\$96
10%	\$234	\$84
12%	\$184	\$76

(1) Includes €26 million already spent.

# CERATTEPE

## Quarterly development update

This quarter we:

- Began the process of finding an engineering, procurement and construction management (EPCM) consultant.
- Completed engineering of the surface waste dumps and waste management plan for Ministry approval and substantially completed engineering for power line.
- Prepared a project description for an environmental impact assessment for the tramway, and submitted it to the Ministry of the Environment.

## Planning for the future

- We are continuing to obtain the necessary permits so the project can continue on schedule. If all permits are received we expect to spend US \$13 million in 2006. A second option payment for the purchase of Cerattepe, of US \$4.5 million, is due in June 2006.
- The mine plan will be modified during the second quarter 2006 to accommodate zinc blending requirements during mine construction. The modified mine plan will also be further developed with revised operating and capital costs.

## Managing our liquidity

(millions)	three months ended	
	2006	March 31 2005
<b>CASH FROM OPERATING ACTIVITIES</b>		
Çayeli	\$27	\$ 1
Pyhäsalmi	23	14
Troilus	(3)	4
Ok Tedi	34	23
Corporate development and exploration not included in operations' cash flow	(1)	(1)
General and administration	(2)	(2)
Other	(3)	(3)
	<b>75</b>	<b>36</b>
<b>CASH FROM INVESTING AND FINANCING</b>		
Capital spending	(25)	(8)
Redemption of convertible debentures	-	(64)
Financial assurance deposits	(30)	(1)
Subsidies received	5	-
Foreign exchange on cash held in foreign currency	3	(2)
Other	3	-
	<b>(44)</b>	<b>(75)</b>
Increase (decrease) in cash	<b>31</b>	<b>(39)</b>
Cash and short-term investments		
Beginning of period	<b>252</b>	246
End of period	<b>\$283</b>	\$207

### CASH FROM OPERATING ACTIVITIES

(millions)	three months ended	
	March 31	
Increased earnings from operations (see page 5)		\$33
Non-cash changes in operating earnings:		
Increased tax expense		(12)
Changes in working capital		20
Other		(2)
<b>Increase in operating cash flow, compared to 2005</b>		<b>\$39</b>

Operating cash flows this quarter were higher than the same period in 2005 because of higher operating earnings and a reduction in net working capital. Lower working capital resulted from lower accounts receivable, as we drew down an accumulation of accounts receivable at Pyhäsalmi and Ok Tedi from December 31, 2005. These increases were offset somewhat by a higher tax expense as result of higher earnings.

### Outlook

We expect operating cash flows from operations to be strong for the rest of the year because higher metal prices should continue to push earnings up. The level of operating cash flows will depend on earnings and the accumulation or reduction of working capital.

## CASH FROM INVESTING AND FINANCING

### Capital spending

(millions)	three months ended		objective 2006
	2006	March 31 2005	
Çayeli	\$4	\$4	\$25
Pyhäsalmi	1	-	7
Troilus	1	4	2
Ok Tedi	3	-	14
Las Cruces	14	-	213
Cerattepe	1	-	21
Accruals and other	1	-	-
	<b>\$25</b>	<b>\$8</b>	<b>\$282</b>

Refer to *Results of our operations* and *Status of our development projects* for a discussion of actual results and our 2006 objective.

### Subsidies and financial assurance deposits

In the quarter Las Cruces received an advance of a subsidy of \$5 million, and it posted a bond for the full amount of the subsidy, \$8 million, which is required until certain conditions are met. It also posted other bonds required in connection with the project during the quarter. These bonds are cash collateralized and we recorded them as restricted cash.

(millions)	three months ended March 31
Las Cruces:	
Restoration and labour bond	\$20
Subsidy (described above)	8
Other	1
Ok Tedi rehabilitation	1
<b>2006 financial assurance deposits</b>	<b>\$30</b>

Our restricted cash balances at March 31, 2006 include the deposits made this quarter plus our December balances related to:

- Ok Tedi's \$10 million in trust for future rehabilitation
- Inmet's \$14 million cash collateralized letters of credit.

### Redemption of convertible debentures

In 2005 we redeemed our convertible debentures for \$64 million.

### Outlook for investing and financing

Once Las Cruces borrows under its project credit facility it will have access to the facility's Tranche B, which will provide security for the bonds and the associated cash will become unrestricted. We expect Las Cruces to begin borrowing against the facility in June of 2006. Our board has declared a dividend of \$0.10 per common share under our dividend policy payable on June 15, 2006 to common shareholders of record as at May 31, 2006.

## COMMON SHARES

Common shares outstanding as of December 31, 2005 and March 31, 2006	48,097,482
Exercisable stock options	174,250
Deferred share units (redeemable on a one-for-one basis for common shares)	76,104

## OFF BALANCE SHEET TRANSACTIONS

The following table shows our Troilus and Ok Tedi gold hedging transactions, the currency and interest rate hedges related to Las Cruces, and their respective marked-to-market valuations as at March 31, 2006.

Type of contract	Expiry	Quantity	Price	C\$ marked-to-market gain (loss) at March 31 2006
<b>Gold forward sales</b>				
Troilus	2006	46,600 ounces	US \$352 per oz.	
	2007	58,200 ounces	US \$352 per oz.	
	2008	58,200 ounces	US \$352 per oz.	
		163,000 ounces	US \$352 per oz.	\$(49.8 million) <sup>(1)</sup>
Ok Tedi	2006	10,125 ounces	US \$369 per oz.	
	2007	13,500 ounces	US \$371 per oz.	
	2008	6,750 ounces	US \$372 per oz.	
		30,375 ounces	US \$371 per oz.	\$(8.8 million) <sup>(1)</sup>
<b>Currency forward sales</b>				
Las Cruces	2008	US \$215 million	€171.80 million	\$0.5 million
<b>Interest rate swaps</b>				
Las Cruces	2008 to 2014	US \$179 million (reducing in conjunction with debt repayment schedule)	5.2 percent	\$0.2 million

(1) At a gold price of US \$582 per ounce.

## Managing risk

The following is an update to the discussion, only where required, of the key risks associated with our business and the strategies we use to manage them. You can find the full discussion in the annual Management's Discussion and Analysis in Inmet's 2005 Annual Report.

### **Development of the lower mine at Çayeli**

Çayeli's future lies in successfully developing the lower mine. This quarter, development of the lower shaft continued, which included removing the shaft development bulkhead, installing new hoist ropes and installing a temporary loading conveyor. Hoisting activities were carried out from the new 570 metre level without disruption to mining activities. Development will continue during the rest of 2006, which will include completing the number three orepass and completing of the orepass feeder and conveyor, which is scheduled for July 2006.

### **Ground conditions at Çayeli**

Ground conditions at Çayeli have improved, but they still continue to pose a significant challenge. The mine's rockmechanical staff have been actively managing ground conditions by re-sequencing production and their efforts appear to have been successful. We continue to actively manage ground conditions by adhering to appropriate support standards, by designing and sequencing working areas to minimize the impact of difficult ground conditions and by monitoring and modeling ground events to use the information gathered as a predictive tool.

### **Collective bargaining agreement at Çayeli**

The current three-year labour agreement will expire in May 2006, and negotiations with the labour unions are expected to begin in May.

### **Environmental and social impacts at Ok Tedi**

Dredging the sediments in the Ok Tedi River at Bige has reduced the river bed aggradation and overbank flooding, but riverine waste disposal at Ok Tedi has had, and continues to have, two significant impacts on the Ok Tedi and Fly River systems: sedimentation of the river beds resulting in overbank flooding, and acid rock drainage (ARD) effects from oxidation of sulphur in the waste streams.

While studies to assess these impacts are ongoing, Ok Tedi believes, based on current findings, that these impacts will likely be greater and last longer than previously thought to be the case. Ok Tedi is undertaking feasibility studies to assess options to prevent ARD in the future, which include the removing and storing of sulphide minerals from the tailings stream, and changing the current mine plan to reduce the rate of sulphidic discharge from the mine.

Work on the sulphur removal and storage project progressed in the first quarter of 2006 and an estimate for the capital and operating costs is expected late in the second quarter. Metallurgical test work is in progress to confirm the amount of sulphur that can be removed from the tailings stream and the grade of the sulphur concentrate. Ok Tedi has retained a consulting firm to evaluate the permanent storage of the sulphur concentrate in the Bige dredge sands. The consultant's initial assessment was that the storage was feasible so long as the sulphides are stored in an excavated area inside the dredge sands.

### **Development at Las Cruces**

This is a development stage project. While we are confident that the overall value impact of the project will be achieved, there is still significant uncertainty. Risks associated with detailed engineering, mine and processing facilities construction, permitting and relations with local

communities will continue to exist. In addition, a local non-governmental group has initiated several legal proceedings claiming that various governmental approvals for the project were not granted in accordance with regulatory requirements. We believe these claims are without merit and we are vigorously defending against them. While one of these proceedings has been dismissed at the initial trial level, both it and the other proceedings have not been finally determined. As such, there remains a risk that completion of the project may be impeded or delayed.

### Foreign exchange exposure on returns of investment

Our operations operate in various countries and have functional currencies that differ from our reporting currency, the Canadian dollar. Since these operations are self sustaining, we defer changes in our net investment (this includes our initial investment, earnings and intergroup loans) arising from changes in foreign exchange rates in our foreign currency translation account in the balance sheet. The balance at March 31, 2006 is a deferred loss of \$31 million because of the strengthening Canadian dollar. The repatriation of our foreign investments through dividends, loan repayments or capital redemptions could result in foreign exchange losses. The amount of the loss, if any, will depend on the repatriation amount and foreign exchange rates.

### Sensitivity analysis

The table below shows you the effect of key variables on our net income, based on our revised objectives for 2006.

	A change of:	Would change our 2006 net income by:	Would change our 2006 net income per share by:
<b>Metal prices</b>			
Copper (per pound)	US \$0.10	\$13 million	\$0.27
Zinc (per pound)	US \$0.05	\$4 million	\$0.09
Gold (per ounce) (1)	US \$10	\$2 million	\$0.04
<b>Exchange rates</b>			
Canadian dollar per US dollar	C\$0.05	\$16 million	\$0.33
Canadian dollar per euro	C\$0.05	\$3 million	\$0.07
<b>Treatment and refining charges</b>			
Copper treatment charge per tonne and copper refining charge per pound	US \$10		
	US \$0.10	\$3 million	\$0.07
Zinc treatment charge per tonne	US \$10	\$1 million	\$0.02
<b>Freight and energy costs</b>			
Concentrate freight per tonne	10%	\$3 million	\$0.05
Fuel price per litre	\$0.10	\$2 million	\$0.03
Electricity per kilowatt hour	\$0.01	\$3 million	\$0.05

(1) Calculations include hedging in place at December 31, 2005.

## About Inmet

Inmet is a Canadian-based global mining company that produces copper, zinc and gold. We have interests in four mining operations in locations around the world, including Çayeli in Turkey, Pyhäsalmi in Finland, Troilus in Canada and Ok Tedi in Papua New Guinea. Inmet is traded on the Toronto Stock Exchange under the stock symbol IMN.

### For more information

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This press release is also available at [www.inmetmining.com](http://www.inmetmining.com)

-30-

## Annual shareholders meeting

Will be held on

- Tuesday, May 2, 2006
- 2:30 p.m. (ET)
- The Design Exchange Trading Floor, 234 Bay Street, Toronto, Ontario, Canada
- audio webcast with slides available at <http://www.newswire.ca/en/webcast/index.cgi?okey=60043> or [www.inmetmining.com](http://www.inmetmining.com)

You can also dial in by calling

- Local or international: +1.416.644.3428
- Toll-free within North America: +1.866.250.4909

## First quarter conference call

Will be held on

- Wednesday, May 3, 2006
- 9:00 a.m. (ET)
- webcast available at <http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=1460800> or [www.inmetmining.com](http://www.inmetmining.com)

You can also dial in by calling

- Local or international: +1.416.644.3434
- Toll-free within North America: +1.866.249.2157

# INMET MINING CORPORATION

## Non-GAAP measures

### Reconciliation of copper cash costs to statements of earnings

(millions of Canadian dollars, except where otherwise noted)	three months ended March 31	
	2006	2005
Cost of sales per financial statements	\$50	\$55
Smelter processing charges and freight per financial statements	49	40
Zinc, gold and other sales	(77)	(55)
Inventory and receivable changes	(2)	(13)
Less - non-cash items	(1)	(1)
<b>Operating costs net of metal credits</b>	<b>\$19</b>	<b>\$26</b>
US \$ to C\$ exchange rate	\$1.15	\$1.23
Inmet's share of copper production (000's pounds)	41,400	41,200
<b>Copper cash cost (per pound)</b>	<b>US \$0.40</b>	<b>US \$0.51</b>

### Reconciliation of gold cash costs to statements of earnings

(millions of Canadian dollars, except where otherwise noted)	three months ended March 31	
	2006	2005
Cost of sales per financial statements	\$15	\$22
Smelter processing charges and freight per financial statements	2	4
Copper and other sales	(5)	(8)
Inventory and receivable changes	4	(4)
<b>Operating costs net of metal credits</b>	<b>\$16</b>	<b>\$14</b>
US \$ to C\$ exchange rate	\$1.15	\$1.23
Inmet's share of gold production (ounces)	37,700	51,300
<b>Gold cash cost (per ounce)</b>	<b>US \$372</b>	<b>US \$219</b>

### Reconciliation of net income to adjusted net income

(thousands of Canadian dollars, except where otherwise noted)	three months ended March 31	
	2006	2005
Net income per financial statements	\$79,561	\$28,896
Deduct gain on sale of Izok	23,905	-
<b>Adjusted net income</b>	<b>\$55,656</b>	<b>\$28,896</b>
Weighted average shares outstanding	48,097	41,417
<b>Adjusted net income per share</b>	<b>\$1.16</b>	<b>\$0.70</b>

### Reconciliation of operating cash flow to operating cash flow before working capital

(thousands of Canadian dollars, except where otherwise noted)	three months ended March 31	
	2006	2005
Operating cash flow per financial statements	\$74,560	\$35,880
Deduct: Net change in non-cash working capital per financial statements	9,035	(11,092)
<b>Operating cash flow before working capital</b>	<b>\$65,525</b>	<b>\$46,972</b>
Weighted average shares outstanding	48,097	41,417
<b>Operating cash flow before working capital per share</b>	<b>\$1.36</b>	<b>\$1.13</b>

# INMET MINING CORPORATION

## Quarterly review

(unaudited)

### Latest Four Quarters

	2006	2005	2005	2005
	First	Fourth	Third	Second
(thousands of Canadian dollars, except per share amounts)	quarter	quarter <sup>(1)</sup>	quarter <sup>(1)</sup>	quarter <sup>(1)</sup>
<b>STATEMENTS OF EARNINGS</b>				
Gross sales	\$ 210,234	\$ 190,901	\$ 178,170	\$ 157,720
Smelter processing charges and freight	(51,662)	(46,131)	(42,184)	(36,654)
Cost of sales	(65,788)	(67,305)	(64,659)	(67,129)
Depreciation	(7,265)	(7,879)	(7,849)	(8,256)
	85,519	69,586	63,478	45,681
Corporate development and exploration	(1,454)	(2,893)	(1,888)	(1,883)
General and administration	(2,370)	(2,119)	(1,351)	(1,815)
Investment and other income (expense)	25,698	985	(3,401)	3,449
Interest expense	(391)	(392)	(409)	(433)
Capital tax expense	(245)	(499)	(198)	(199)
Income tax expense	(27,196)	(19,022)	(20,387)	(13,151)
Net income	\$ 79,561	\$ 45,646	\$ 35,844	\$ 31,649
Net income per common share	\$ 1.65	\$ 0.94	\$ 0.80	\$ 0.75
Diluted net income per common share	\$ 1.64	\$ 0.94	\$ 0.80	\$ 0.75

### Previous Four Quarters

	2005	2004	2004	2004
	First	Fourth	Third	Second
(thousands of Canadian dollars, except per share amounts)	quarter <sup>(1)</sup>	quarter <sup>(1)</sup>	quarter <sup>(1)</sup>	quarter <sup>(1)</sup>
<b>STATEMENTS OF EARNINGS</b>				
Gross sales	\$ 181,934	\$ 120,420	\$ 133,758	\$ 132,445
Smelter processing charges and freight	(43,698)	(28,619)	(28,936)	(29,902)
Cost of sales	(77,433)	(65,676)	(54,650)	(59,634)
Depreciation	(8,023)	(7,154)	(6,331)	(6,382)
	52,780	18,971	43,841	36,527
Corporate development and exploration	(1,410)	(2,490)	(760)	(2,397)
General and administration	(1,966)	(1,074)	(1,226)	(1,381)
Investment and other income (expense)	(4,213)	1,614	884	1,968
Interest expense	(718)	(1,790)	(1,790)	(1,804)
Capital tax expense	(198)	(200)	56	(430)
Income tax expense	(15,379)	(732)	(15,368)	(12,022)
Non-controlling interest	-	-	(2,777)	(4,668)
Net income	\$ 28,896	\$ 14,299	\$ 22,860	\$ 15,793
Net income per common share	\$ 0.70	\$ 0.35	\$ 0.56	\$ 0.39
Diluted net income per common share	\$ 0.68	\$ 0.34	\$ 0.54	\$ 0.37

<sup>(1)</sup> Has been restated due to the adoption of Canadian Institute of Chartered Accountants Emerging Issues Abstract - 160 - Stripping Costs Incurred During the Production Phase of an Operation.

# INMET MINING CORPORATION

## Consolidated balance sheets

(thousands of Canadian dollars)	March 31 2006	December 31 2005
	(unaudited)	(note 2)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and short-term investments	\$282,951	\$251,895
Restricted cash	28,705	-
Accounts receivable	92,659	90,697
Inventories	61,181	52,215
Future income tax asset	4,662	4,938
	<u>470,158</u>	399,745
Restricted cash (note 4)	23,870	22,642
Property, plant and equipment (notes 2 and 9)	427,594	438,021
Investments (note 9)	53,002	3,620
Future income tax asset (note 2)	20,899	20,627
Deferred charges	9,381	10,978
Other assets	32,933	32,239
	<u>\$1,037,837</u>	<u>\$927,872</u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$111,626	\$99,196
Long-term debt (note 5)	17,275	31,934
Reclamation liabilities	61,956	61,132
Other liabilities	36,606	34,055
Future income tax liabilities	52,645	50,807
Non-controlling interest	46,103	27,124
	<u>326,211</u>	<u>304,248</u>
Commitments (note 6)		
<b>Shareholders' equity</b>		
Share capital	336,434	336,434
Contributed surplus	66,999	66,999
Stock based compensation (note 7)	1,050	962
Retained earnings	337,947	258,386
Foreign currency translation account (note 8)	(30,804)	(39,157)
	<u>711,626</u>	<u>623,624</u>
	<u>\$1,037,837</u>	<u>\$927,872</u>

(see accompanying notes)

# INMET MINING CORPORATION

## Segmented balance sheets

2006 As at March 31

(unaudited)	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
<b>Assets</b>							
Cash and short-term investments	\$108,289	\$57,394	\$81,327	\$ -	\$28,975	\$6,966	\$282,951
Current restricted cash	19,646	-	-	-	-	9,059	28,705
Other current assets	3,484	42,231	34,975	23,299	47,270	7,243	158,502
Long-term restricted cash	14,300	-	-	-	9,570	-	23,870
Property, plant and equipment	660	109,828	74,544	40,033	38,803	163,726	427,594
Investments	53,002	-	-	-	-	-	53,002
Deferred charges	-	-	-	9,381	-	-	9,381
Other assets	28,187	484	-	5,906	822	18,433	53,832
	<b>\$227,568</b>	<b>\$209,937</b>	<b>\$190,846</b>	<b>\$78,619</b>	<b>\$125,440</b>	<b>\$205,427</b>	<b>\$1,037,837</b>
<b>Liabilities</b>							
Current liabilities	\$6,793	\$18,820	\$18,927	\$17,438	\$44,935	\$4,713	\$111,626
Long-term debt	15,137	-	-	-	-	2,138	17,275
Reclamation liabilities	25,665	3,316	11,642	4,110	17,223	-	61,956
Other liabilities	10,572	3,929	-	15,111	2,052	4,942	36,606
Future income tax liabilities	-	33,367	5,508	-	2,054	11,716	52,645
Non-controlling interest	-	-	-	-	-	46,103	46,103
	<b>\$58,167</b>	<b>\$59,432</b>	<b>\$36,077</b>	<b>\$36,659</b>	<b>\$66,264</b>	<b>\$69,612</b>	<b>\$326,211</b>

2005 As at December 31

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(note 2)
<b>Assets</b>							
Cash and short-term investments	\$123,843	\$36,578	\$58,138	\$ -	\$16,031	\$17,305	\$251,895
Other current assets	3,674	39,922	40,624	18,996	41,227	3,407	147,850
Long-term restricted cash	14,000	-	-	-	8,642	-	22,642
Property, plant and equipment	27,149	108,153	74,161	42,398	37,445	148,715	438,021
Investments	3,620	-	-	-	-	-	3,620
Deferred charges	-	-	-	10,978	-	-	10,978
Other assets	28,130	488	-	5,865	899	17,484	52,866
	<b>\$200,416</b>	<b>\$185,141</b>	<b>\$172,923</b>	<b>\$78,237</b>	<b>\$104,244</b>	<b>\$186,911</b>	<b>\$927,872</b>
<b>Liabilities</b>							
Current liabilities	\$10,260	\$18,234	\$19,068	\$17,450	\$29,529	\$4,655	\$99,196
Long-term debt	14,624	-	-	-	-	17,310	31,934
Reclamation liabilities	25,650	3,248	11,155	4,058	17,021	-	61,132
Other liabilities	10,775	3,184	-	18,102	1,994	-	34,055
Future income tax liabilities	-	32,075	5,311	-	2,027	11,394	50,807
Non-controlling interest	-	-	-	-	-	27,124	27,124
	<b>\$61,309</b>	<b>\$56,741</b>	<b>\$35,534</b>	<b>\$39,610</b>	<b>\$50,571</b>	<b>\$60,483</b>	<b>\$304,248</b>

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

For the three months ended March 31 (thousands of Canadian dollars except per share amounts)	<b>2006</b>	2005 (note 2)
Gross sales	<b>\$210,234</b>	\$181,934
Smelter processing charges and freight	<b>(51,662)</b>	(43,698)
Cost of sales (note 2)	<b>(65,788)</b>	(77,433)
Depreciation	<b>(7,265)</b>	(8,023)
	<b>85,519</b>	52,780
Corporate development and exploration	<b>(1,454)</b>	(1,410)
General and administration	<b>(2,370)</b>	(1,966)
Investment and other income (note 9)	<b>25,698</b>	(4,213)
Interest expense	<b>(391)</b>	(718)
Capital tax expense	<b>(245)</b>	(198)
Income tax expense (note 10)	<b>(27,196)</b>	(15,379)
<b>Net income</b>	<b>\$79,561</b>	\$28,896
<b>Basic net income per common share (notes 2 and 11)</b>	<b>\$1.65</b>	\$0.70
<b>Diluted net income per common share (notes 2 and 11)</b>	<b>\$1.64</b>	\$0.68
<b>Weighted average shares outstanding (000's)</b>	<b>48,097</b>	41,417

(see accompanying notes)

# INMET MINING CORPORATION

## Segmented statements of earnings

(Unaudited)

**2006** For the three months ended March 31

	<b>CORPORATE</b>	<b>ÇAYELI</b>	<b>PYHÄSALMI</b>	<b>TROILUS</b>	<b>OK TEDI</b>	<b>TOTAL</b>
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	
Gross sales	\$ -	\$71,215	\$49,109	\$18,683	\$71,227	\$210,234
Smelter processing charges and freight	-	(21,576)	(15,343)	(2,158)	(12,585)	(51,662)
Cost of sales	(486)	(17,750)	(12,611)	(15,301)	(19,640)	(65,788)
Depreciation	-	(1,670)	(1,989)	(2,161)	(1,445)	(7,265)
	<b>(486)</b>	<b>30,219</b>	<b>19,166</b>	<b>(937)</b>	<b>37,557</b>	<b>85,519</b>
Corporate development and exploration	(582)	(313)	(513)	(46)	-	(1,454)
General and administration	(2,370)	-	-	-	-	(2,370)
Investment and other income	25,698	-	-	-	-	25,698
Interest expense	(391)	-	-	-	-	(391)
Capital tax expense	(245)	-	-	-	-	(245)
Income tax expense	(47)	(9,399)	(4,017)	-	(13,733)	(27,196)
Net income (loss)	<b>\$21,577</b>	<b>\$20,507</b>	<b>\$14,636</b>	<b>(\$983)</b>	<b>\$23,824</b>	<b>\$79,561</b>

**2005** For the three months ended March 31

	<b>CORPORATE</b>	<b>ÇAYELI</b>	<b>PYHÄSALMI</b>	<b>TROILUS</b>	<b>OK TEDI</b>	<b>TOTAL</b>
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(note 2)
Gross sales	\$ -	\$53,605	\$36,890	\$34,859	\$56,580	\$181,934
Smelter processing charges and freight	-	(17,500)	(11,895)	(4,125)	(10,178)	(43,698)
Cost of sales	(513)	(19,925)	(11,637)	(21,548)	(23,810)	(77,433)
Depreciation	-	(1,998)	(2,618)	(2,241)	(1,166)	(8,023)
	<b>(513)</b>	<b>14,182</b>	<b>10,740</b>	<b>6,945</b>	<b>21,426</b>	<b>52,780</b>
Corporate development and exploration	(676)	(117)	(193)	(58)	(366)	(1,410)
General and administration	(1,966)	-	-	-	-	(1,966)
Investment and other income	(4,213)	-	-	-	-	(4,213)
Interest expense	(718)	-	-	-	-	(718)
Capital tax expense	(198)	-	-	-	-	(198)
Income tax expense	(668)	(4,456)	(2,371)	-	(7,884)	(15,379)
Net income (loss)	<b>(\$8,952)</b>	<b>\$9,609</b>	<b>\$8,176</b>	<b>\$6,887</b>	<b>\$13,176</b>	<b>\$28,896</b>

# INMET MINING CORPORATION

## Consolidated statements of cash flows

(unaudited)

For the three months ended March 31 (thousands of Canadian dollars) **2006** 2005

### Cash provided by (used in) operating activities <sup>(1)</sup>

Net income	<b>\$79,561</b>	\$28,896
Add (deduct) items not affecting cash:		
Gain on disposition of investments (note 9)	<b>(24,291)</b>	-
Depreciation	<b>7,265</b>	8,023
Redemption cost of convertible debentures (note 9)	-	6,631
Future income tax	<b>1,491</b>	1,739
Accretion expense on reclamation liabilities	<b>885</b>	930
Deferred revenue	<b>236</b>	714
Other	<b>874</b>	678
Reclamation costs	<b>(496)</b>	(639)
Net change in non-cash working capital (note 3)	<b>9,035</b>	(11,092)
	<b>74,560</b>	35,880

### Cash provided by (used in) investing activities

Acquisitions and dispositions	<b>1,629</b>	-
Capital spending	<b>(24,889)</b>	(8,025)
Sale (purchase) of short-term investments	<b>(49,803)</b>	30,857
Other	<b>(40)</b>	(130)
	<b>(73,103)</b>	22,702

### Cash provided by (used in) financing activities

Redemption of convertible debentures (note 9)	-	(63,987)
Financial assurance deposits (note 4)	<b>(29,697)</b>	(991)
Subsidies received (note 4)	<b>4,850</b>	-
Funding by non-controlling shareholder	<b>2,050</b>	-
Debt issue costs	<b>(445)</b>	-
Issue of share capital	-	311
	<b>(23,242)</b>	(64,667)

### Foreign exchange gain (loss) on cash held in foreign currency

<b>3,038</b>	(1,991)
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**Decrease in cash** **(18,747)** (8,076)

### Cash:

Beginning of period	<b>251,895</b>	150,880
End of period	<b>233,148</b>	142,804

**Short-term investments** **49,803** 64,070

**Cash and short-term investments** **\$282,951** \$206,874

(see accompanying notes)

<sup>(1)</sup> Cash used in operations includes the following payments:

Interest	<b>\$579</b>	\$1,658
Taxes	<b>\$11,264</b>	\$6,204

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

(unaudited)

2006 For the three months ended March 31

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
<b>Cash provided by (used in) operating activities</b>							
Before net change in non-cash working capital	(\$3,231)	\$24,880	\$17,259	\$1,467	\$25,150	\$ -	\$65,525
Net change in non-cash working capital	(3,761)	2,104	6,224	(4,855)	9,323	-	9,035
	(6,992)	26,984	23,483	(3,388)	34,473	-	74,560
<b>Cash provided by (used in) investing activities</b>							
Acquisitions and dispositions	1,629	-	-	-	-	-	1,629
Capital spending	(68)	(6,773)	(545)	(900)	(2,550)	(14,053)	(24,889)
Short-term investments	(49,803)	-	-	-	-	-	(49,803)
Other	-	-	-	(40)	-	-	(40)
	(48,242)	(6,773)	(545)	(940)	(2,550)	(14,053)	(73,103)
<b>Cash used in financing activities</b>	(19,946)	-	-	-	(861)	(2,435)	(23,242)
<b>Foreign exchange change on cash held in foreign currency</b>	-	377	2,043	-	220	398	3,038
<b>Intergroup funding (distributions)</b>	9,823	228	(1,792)	4,328	(18,338)	5,751	-
<b>Increase (decrease) in cash</b>	(65,357)	20,816	23,189	-	12,944	(10,339)	(18,747)
<b>Cash:</b>							
Beginning of period	123,843	36,578	58,138	-	16,031	17,305	251,895
End of period	58,486	57,394	81,327	-	28,975	6,966	233,148
<b>Short-term investments</b>	49,803	-	-	-	-	-	49,803
<b>Cash and short-term investments</b>	\$108,289	\$57,394	\$81,327	\$ -	\$28,975	\$6,966	\$282,951

2005 For the three months ended March 31

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	Guinea)	(Spain)	
<b>Cash provided by (used in) operating activities</b>							
Before net change in non-cash working capital	(\$3,755)	\$14,750	\$10,647	\$9,781	\$15,549	\$ -	\$46,972
Net change in non-cash working capital	(1,831)	(14,124)	3,683	(5,807)	6,987	-	(11,092)
	(5,586)	626	14,330	3,974	22,536	-	35,880
<b>Cash provided by (used in) investing activities</b>							
Acquisitions and dispositions	-	-	-	-	-	-	-
Capital spending	(29)	(1,670)	(2,859)	(3,153)	(314)	-	(8,025)
Short-term investments	30,857	-	-	-	-	-	30,857
Other	-	-	-	(130)	-	-	(130)
	30,828	(1,670)	(2,859)	(3,283)	(314)	-	22,702
<b>Cash provided by financing activities</b>	(63,676)	-	-	-	(991)	-	(64,667)
<b>Foreign exchange change on cash held in foreign currency</b>	-	214	(2,179)	-	(26)	-	(1,991)
<b>Intergroup funding (distributions)</b>	12,850	607	(2,031)	(691)	(10,735)	-	-
<b>Increase (decrease) in cash</b>	(25,584)	(223)	7,261	-	10,470	-	(8,076)
<b>Cash:</b>							
Beginning of period	45,998	33,852	52,255	-	18,775	-	150,880
End of period	20,414	33,629	59,516	-	29,245	-	142,804
<b>Short-term investments</b>	64,070	-	-	-	-	-	64,070
<b>Cash and short-term investments</b>	\$84,484	\$33,629	\$59,516	\$ -	\$29,245	\$ -	\$206,874

# INMET MINING CORPORATION

## Consolidated statements of retained earnings

(unaudited)

For the three months ended March 31 (thousands of Canadian dollars)	2006	2005
Retained earnings, beginning of period, as previously reported	<b>\$275,541</b>	\$136,648
Adjustment for capitalized stripping (note 2)	<b>(17,155)</b>	(15,488)
Retained earnings, restated	<b>258,386</b>	121,160
Net income	<b>79,561</b>	28,896
Retained earnings, end of period (see accompanying notes)	<b>\$337,947</b>	\$150,056

## **INMET MINING CORPORATION**

### **Notes to the consolidated financial statements**

#### **1. Significant accounting policies**

Our interim consolidated financial statements do not include all the disclosures as required under generally accepted accounting principles for annual financial statements, however, the interim consolidated financial statements follow the same accounting policies and methods of application as our most recent annual financial statements, except for the changes as described in note 2. The interim consolidated financial statements should be read in conjunction with our annual consolidated financial statements included in our 2005 Annual Report.

#### **2. Change in accounting policy**

The Emerging Issues Committee of the CICA issued a new abstract, *EIC 160 – Stripping Costs Incurred in the Production Phase of an Operation*. The abstract allows for the costs of stripping, such as the removal of overburden and mine waste materials, to be capitalized if the stripping activity can be shown to represent a betterment to the mineral property. A betterment occurs when the stripping activity provides access to sources of reserves that will be produced in future periods that would not have otherwise been accessible in the absence of this activity. Capitalized stripping costs should be amortized in a rational and systematic manner over the reserves that directly benefit from the stripping activity. In the event that we had stripping costs that we capitalized, these costs would be amortized to cost of sales using the unit-of production method, where the book value of capitalized stripping costs would be reduced as the new reserves are depleted. The accounting treatment will apply in fiscal years beginning on or after July 1, 2006 and may be applied retroactively. As such, we adopted this section retroactively. As a result, certain of the stripping costs that we had previously capitalized or amortized have been reversed from cost of sales in the periods they were incurred.

The change in policy had the following effect on our 2005 financial statements:

- increased cost of sales by \$2.2 million for the year and decreased cost of sales by \$1.3 million for the first quarter
- lowered income tax expense by \$0.5 million for the year
- lowered earnings per common share and diluted earnings per common share by \$0.04 for the year and increased \$0.03 per share for the first quarter
- lowered property, plant and equipment on the balance sheet by \$22.2 million at December 31
- increased long-term future income tax asset on the balance sheet by \$5.0 million at December 31
- lowered opening 2005 retained earnings by \$15.5 million.

If we had continued with our previous accounting policy for stripping costs we would have capitalized \$1 million in the first quarter of 2006.

### 3. Statement of cash flows

The following tables show the components of our net change in non-cash working capital by segment for the three months ending March 31.

#### For the three months ended March 31, 2006

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Total
Accounts receivable	\$191	\$(2,205)	\$6,527	\$1,021	\$(5,293)	\$241
Inventories	-	(10)	143	(4,711)	(485)	(5,063)
Accounts payable and accrued liabilities	(2,445)	1,319	(2,755)	(1,165)	3,575	(1,471)
Taxes payable	(1,450)	2,993	2,309	-	11,548	15,400
Other	(57)	7	-	-	(22)	(72)
	<b>\$(3,761)</b>	<b>\$2,104</b>	<b>\$6,224</b>	<b>\$(4,855)</b>	<b>\$9,323</b>	<b>\$9,035</b>

#### For the three months ended March 31, 2005

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Total
Accounts receivable	\$228	\$(16,851)	\$4,359	\$(4,323)	\$(1,555)	\$(18,142)
Inventories	-	3,462	103	1,629	4,070	9,264
Accounts payable and accrued liabilities	(2,276)	(1,705)	(676)	(3,113)	(1,063)	(8,833)
Taxes payable	(9)	970	(103)	-	5,518	6,376
Other	226	-	-	-	17	243
	<b>\$(1,831)</b>	<b>\$(14,124)</b>	<b>\$3,683</b>	<b>\$(5,807)</b>	<b>\$6,987</b>	<b>\$(11,092)</b>

#### 4. Restricted cash

The table below shows our restricted cash balances:

(thousands)	March 31 2006	December 31 2005
Current restricted cash		
Environmental bonds - Las Cruces	\$19,646	\$ -
Security provided for subsidies – Las Cruces	7,752	
Other – Las Cruces	1,307	
	<u>28,705</u>	<u>-</u>
Long-term restricted cash		
Collateralized cash for letter of credit facility	14,300	14,000
In trust for Ok Tedi rehabilitation	9,570	8,642
	<u>23,870</u>	<u>22,642</u>
<b>Total restricted cash</b>	<b>\$52,575</b>	<b>\$ 22,642</b>

##### ***Environmental bonds - Las Cruces***

Las Cruces is required to post two bonds before mining activity can begin: a restoration bond and a labour bond. The labour bond is fixed at €5 million for the life of the mine. The closure bond is based upon the amount of money it would take at any particular time in the mine life to restore the site to its post-mining land-use. The initial amount of the restoration bond has been set at €14.8 million. The \$19.7 million represents our 70 percent share of the bonding requirements.

##### ***Security provided for subsidies - Las Cruces***

During the quarter, Las Cruces received a subsidy of \$4.9 million related to the development of the mine and, during the first quarter 2006, has submitted an application for an additional \$2.9 million. Las Cruces has posted a bond for the full amount of the subsidy which is required until certain conditions are met.

##### ***Other***

We also posted other required bonds this quarter and recorded them as restricted cash.

#### 5. Long-term debt

(thousands)	March 31 2006	December 31 2005
Promissory note	\$15,137	\$ 14,624
Loans from non-controlling shareholder	2,138	17,310
	<u>\$ 17,275</u>	<u>\$ 31,934</u>

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

The loans that Las Cruces had in place with its shareholders, Inmet and Leucadia, at December 31, 2005, were converted to equity in February 2006.

Later in the first quarter of 2006, Las Cruces entered into a new €5 million credit agreement with its shareholders. The loan bears interest at euro LIBOR plus a margin of 5.75 percent per annum. The non-controlling portion of this loan, 30 percent or €1.5 million, is reflected in long-term debt.

## 6. Commitments

Our operations had the following commitments at March 31, 2006:

- Çayeli has committed approximately US \$7.7 million for work on its shaft deepening project to be spent in 2006 and 2007
- Pyhäsalmi has committed approximately €1 million for the purchase of capital equipment.

## 7. Stock based compensation

There were no stock options exercised during the quarter.

The table below is a summary of our stock options outstanding at March 31, 2006.

	Outstanding	Exercisable	Exercise price	Remaining years outstanding
Treasury plan	79,000	79,000	\$ 2.95	5.7
Supplementary plan	85,250	85,250	\$ 2.95	1.7
	10,000	7,500	\$ 5.80	2.1
	95,250	92,750	\$ 3.25	1.7

During the quarter we issued 2,483 deferred share units and recognized an expense of \$0.1 million. The deferred share units are recorded in equity at an average price of \$9.94.

## 8. Foreign currency translation account

The table below shows the breakdown of the foreign currency translation account:

(thousands)	March 31 2006	December 31 2005
Pyhäsalmi (euro functional currency)	\$(3,326)	\$(7,479)
Las Cruces (euro functional currency)	(4,733)	(8,188)
Çayeli (US dollar functional currency)	(15,209)	(15,836)
Ok Tedi (US dollar functional currency)	(7,536)	(7,654)
	<b>\$(30,804)</b>	<b>\$(39,157)</b>

The Canadian dollar to United States dollar exchange rate was \$1.17 at March 31, 2006 and \$1.16 at December 31, 2005. The Canadian dollar to euro exchange rate was \$1.42 at March 31, 2006 and \$1.38 at December 31, 2005. The euro to Canadian dollar exchange rate on the date we acquired Las Cruces, August 22, 2005, was \$1.47.

## 9. Investment and other income

Investment and other income is summarized as follows:

### For the three months ended:

(thousands)	2006	2005
Gain on disposition of Izok	\$23,905	\$ -
Redemption costs of debentures	-	(6,631)
Interest and dividend income	1,580	2,608
Pension expense	(26)	(47)
Foreign exchange loss	(82)	72
Other	321	(215)
	<b>\$25,698</b>	<b>\$(4,213)</b>

### ***Sale of Izok development property and acquisition of Wolfden common shares***

On March 31, 2006, we sold our interest in the Izok development property to Wolfden Resources Inc. In exchange, we received 13.5 million common shares of Wolfden, which represented approximately 18 percent of the issued and outstanding common shares of Wolfden on that date. We recorded a gain of \$23.9 million as a result of the transaction.

The value of the Izok property was formerly carried at \$26.6 million and was recorded in property, plant and equipment

### ***Redemption costs of debentures***

On January 20, 2005, we redeemed the entire aggregate principal amount of our convertible debentures of \$64.1 million at a redemption price of \$1,000 per \$1,000 of state principal together with accrued and unpaid interest. The carrying value was \$6.6 million less than the redemption cost. We expensed this amount when the debt was settled.

## 10. Income tax expense

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

### For the three months ended March 31, 2006

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Total
Current income taxes	\$47	\$7,939	\$3,971	\$13,748	\$25,705
Future income taxes	-	1,460	46	(15)	1,491
	<b>\$47</b>	<b>\$9,399</b>	<b>\$4,017</b>	<b>\$13,733</b>	<b>\$27,196</b>

### For the three months ended March 31, 2005

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Total
Current income taxes	\$668	\$2,259	\$2,956	\$7,757	\$13,640
Future income taxes	-	2,197	(585)	127	1,739
	<b>\$668</b>	<b>\$4,456</b>	<b>\$2,371</b>	<b>\$7,884</b>	<b>\$15,379</b>

## 11. Net income per share

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

<b>For the three months ended:</b>		
(thousands)	<b>2006</b>	2005
Net income available to common shareholders (note 2)	<b>\$79,561</b>	\$28,896

<b>For the three months ended:</b>		
(thousands)	<b>2006</b>	2005
Weighted average common shares outstanding	<b>48,097</b>	41,417
Plus incremental shares from assumed conversions:		
Stock options	<b>122</b>	771
Deferred share units	<b>76</b>	61
Diluted weighted average common shares outstanding	<b>48,295</b>	42,249

<b>For the three months ended:</b>		
(Canadian dollars per share)	<b>2006</b>	2005
Basic net income per common share	<b>\$1.65</b>	\$0.70
Dilutive effect from assumed conversions:		
Stock options per common share	<b>(0.01)</b>	(0.02)
Deferred share units per common share	-	-
Diluted net income per common share	<b>\$1.64</b>	\$0.68