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FOR IMMEDIATE RELEASE

August 1, 2006

All amounts in Canadian dollars unless indicated otherwise

Toronto, Canada - Inmet's 2006 second quarter earnings over four times higher than the same period in 2005

Highlights for the second quarter

- **Higher net income per share**
Net income per share this quarter was \$2.74 compared to \$0.75 for the same period in 2005.
- **Higher operating cash flow per share**
Operating cash flow before working capital increased to \$125.5 million or \$2.60 per common share from \$40.8 million or \$0.97 per common share for the same period in 2005.
- **On target for copper and zinc production in 2006**
We are on target to achieve our 2006 objective of 80,000 tonnes of copper and 82,000 tonnes of zinc.
- **Çayeli's corporate tax rate lowered**
The Turkish government passed legislation reducing the corporate income tax rate to 20 percent, effective January 1, 2006. We recorded an income tax recovery of \$12.9 million this quarter.
- **Las Cruces is progressing on schedule**
Construction at Las Cruces is off to a good start.
- **Las Cruces began borrowing under its credit facility**
Las Cruces made its first borrowing under its credit facility and letter of credit facility.
- **Ok Tedi to move ahead with the construction of a sulphur removal plant intended to significantly improve its environmental performance**
Our 18 percent share of the capital cost for the comprehensive mine waste management program, which includes the plant, is estimated at US \$23 million. The plant is expected to be operational in 2008.
- **Local administrative court rules in favour of local non-governmental groups regarding Cerattepe**
On July 31, 2006 the local administrative court in Erzurum, Turkey ruled that the operating licenses were incorrectly grandfathered from environmental assessment regulations. We expect it will be appealed. As a result of the ruling, there will be a further delay in our timeframe for completion of the project.

Key financial data

	three months ended June 30			six months ended June 30		
	2006	2005	change	2006	2005	change
FINANCIAL HIGHLIGHTS						
(thousands, except per share amounts)						
Sales						
Gross sales	\$317,624	\$157,720	+ 101%	\$527,858	\$339,654	+ 55%
Net income						
Net income	\$132,090	\$31,559	+ 319%	\$211,651	\$60,455	+ 250%
Net income per share	\$2.74	\$0.75	+ 265%	\$4.40	\$1.45	+ 203%
Adjusted net income (3), (4)	\$132,090	\$31,559	+ 319%	\$187,746	\$60,455	+ 211%
Adjusted net income per share (3), (4)	\$2.74	\$0.75	+ 265%	\$3.90	\$1.45	+ 169%
Cash flow (3), (4)						
Cash flow provided by operating activities (before working capital)	\$125,452	\$40,848	+ 207%	\$190,977	\$87,820	+ 117%
Cash flow provided by operating activities per share (before working capital)	\$2.60	\$0.97	+ 168%	\$3.97	\$2.11	+ 88%
OPERATING HIGHLIGHTS						
Production (1)						
Copper (tonnes)	20,700	20,800	-	40,200	41,600	- 3%
Zinc (tonnes)	18,000	19,300	- 7%	36,600	36,500	-
Gold (ounces)	62,300	63,400	- 2%	124,900	138,700	- 10%
Cash costs						
Copper (US \$ per pound) (2), (3)	\$0.28	\$0.53	- 47%	\$0.34	\$0.52	- 35%
Gold (US \$ per ounce) (3), (4)	\$310	\$330	- 6%	\$342	\$267	+ 28%
FINANCIAL CONDITION						
	as at June 30		as at December 31			
	2006		2005			
Current ratio	4.3 to 1		4.0 to 1			
Long-term debt to total capitalization	6%		5%			
Net working capital balance	\$479 million		\$301 million			
Cash balance	\$450 million		\$252 million			
Shareholders' equity (4)	\$834 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 36 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 7).

The business environment

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

	three months ended June 30		six months ended June 30	
	2006	2005	2006	2005
Metal prices				
Copper (per pound)	US \$3.69	US \$1.65	US \$3.20	US \$1.56
Zinc (per pound)	US \$1.50	US \$0.55	US \$1.29	US \$0.58
Gold (per ounce)	US \$534	US \$396	US \$496	US \$399
Treatment charges				
Copper (per tonne)	US \$94	US \$88	US \$90	US \$80
Zinc (per tonne)	US \$104	US \$125	US \$105	US \$127
Freight charges				
Copper (per tonne)	US \$45	US \$41	US \$41	US \$48
Zinc (per tonne)	US \$12	US \$25	US \$14	US \$27
Statutory tax rates				
Çayeli	20%	37%	20%	37%
Pyhäsalmi	26%	33%	26%	33%
Ok Tedi	37%	37%	37%	37%
Exchange rates				
1 US \$ to C\$	\$1.12	\$1.24	\$1.14	\$1.24
1 euro to C\$	\$1.41	\$1.57	\$1.40	\$1.59

Metal prices

Higher copper and zinc prices increased our gross sales this quarter by \$141 million and by \$210 million in the first six months of 2006. Higher metal prices increased our earnings and cash flow, but this also increased certain costs including:

- smelter processing charges that are variable depending on metal prices, such as price participation
- income taxes
- royalties at Çayeli
- bonus compensation at Ok Tedi.

Treatment charges

The treatment charges we pay per tonne of copper increased by seven percent this quarter and by 13 percent for the year to date compared to the same periods in 2005. Zinc treatment charges continue to be significantly lower in the first half of 2006 compared to 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

Copper freight charges were higher in the second quarter compared to the same period in 2005 because we shipped to locations that were further away from our operations. Copper and zinc freight charges year to date, on the other hand, were lower than 2005 because of an increase in the availability of cargo ships. We expect higher freight charges for the remainder of 2006 because we expect higher fuel prices.

Exchange rates

Canadian dollar revenue and earnings were negatively affected in the second quarter and year to date compared to the same periods last year because of the continued strengthening of the Canadian dollar relative to the US dollar and the euro. This reduced gross sales in the second quarter by \$18 million and net income by \$6 million. Year to date, gross sales were \$29 million lower than 2005, and net income was \$12 million lower as a result of the exchange rate.

Second 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.

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Our financial results

(thousands, except per share amounts)	three months ended June 30			six months ended June 30		
	2006	2005	change	2006	2005	change
EARNINGS FROM OPERATIONS⁽¹⁾						
Çayeli	\$58,987	\$5,787	+ 919%	89,206	\$19,969	+ 347%
Pyhäsalmi	39,068	15,197	+ 157%	58,234	25,937	+ 125%
Troilus	3,627	3,528	+ 3%	2,690	10,473	- 74%
Ok Tedi	66,092	21,579	+ 206%	103,649	43,005	+ 141%
Provisions for mine rehabilitation at closed sites	(468)	(500)	- 6%	(954)	(1,013)	- 6%
	167,306	45,591	+ 267%	252,825	98,371	+ 157%
DEVELOPMENT AND EXPLORATION						
Corporate development and exploration	(1,456)	(1,883)	- 23%	(2,910)	(3,293)	- 12%
CORPORATE COSTS						
General and administration	(2,624)	(1,815)		(4,994)	(3,781)	
Investment and other income (expense)	2,587	3,449		4,380	(764)	
Interest expense	(391)	(433)		(782)	(1,151)	
Income and capital taxes	(33,486)	(13,350)		(60,927)	(28,927)	
Non-controlling interest	154	-		154	-	
	(33,760)	(12,149)	+ 178%	(62,169)	(34,623)	+ 80%
Net income before other items	132,090	31,559	+ 319%	187,746	60,455	+ 210%
Gain on sale of Izok	-	-	-	23,905	-	
Net income	\$132,090	\$31,559	+ 319%	\$211,651	\$60,455	+ 250%
Basic net income per share	\$2.74	\$0.75	+ 265%	\$4.40	\$1.45	+ 203%
Diluted net income per share	\$2.74	\$0.75	+ 265%	\$4.39	\$1.44	+ 205%
Weighted average shares outstanding	48,197	42,005		48,148	41,713	

(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 June 30	six months ended June 30	see page
EARNINGS FROM OPERATIONS			
Sales			
Higher metal prices denominated in Canadian dollars	\$146	\$215	8
Higher (lower) sales volumes	6	(14)	9
Costs			
Higher smelter processing charges and freight	(23)	(36)	10
Higher royalties and compensation (because of higher earnings)	(6)	(8)	9
Higher operating costs	(1)	(2)	9
Other	-	(1)	
Increase in earnings from operations, compared to 2005	122	154	
CORPORATE COSTS			
Higher taxes from higher income	(33)	(44)	12
Lower taxes from reduced rates	13	12	12
Gain on sale of Izok	-	24	12
Redemption costs of debentures	-	7	12
Other	(1)	(2)	
Increase in net income, compared to 2005	\$101	\$151	

Understanding our performance

Metal prices and exchange rates

- All of our operations benefited from high metal prices this quarter. Copper and zinc prices continued to fluctuate around their record highs, and gold continued to be strong. The gold price we ultimately realized, however, was reduced by hedging part of the production at Troilus and Ok Tedi.
- The stronger Canadian dollar relative to the US dollar and the euro reduced costs at our operations on a Canadian dollar basis, but also lowered gross sales. The net result of the stronger Canadian dollar was that gross sales this quarter were \$18 million lower than the same period in 2005, and net income was \$6 million lower. Similarly, gross sales year to date were \$29 million lower than 2005, and net income was \$12 million lower.

The following table shows the metal prices, in US dollars and Canadian dollars, and exchange rates we realized in the second quarter and year to date.

	three months ended June 30		three months ended June 30		C\$ change
	2006	2005	2006	2005	
Copper (per pound)	US \$3.69	US \$1.65	C\$ 4.13	C\$ 2.05	+ 101%
Zinc (per pound)	US \$1.50	US \$0.55	C\$ 1.68	C\$ 0.68	+ 147%
Gold (per ounce)	US \$534	US \$396	C\$ 598	C\$ 491	+ 22%
1 US\$ to C\$	\$1.12	\$1.24			
1 euro to C\$	\$1.41	\$1.57			

	six months ended June 30		six months ended June 30		C\$ change
	2006	2005	2006	2005	
Copper (per pound)	US \$3.20	US \$1.56	C\$ 3.65	C\$ 1.93	+ 89%
Zinc (per pound)	US \$1.29	US \$0.58	C\$ 1.47	C\$ 0.72	+ 104%
Gold (per ounce)	US \$496	US \$399	C\$ 565	C\$ 495	+ 14%
1 US\$ to C\$	\$1.14	\$1.24			
1 euro to C\$	\$1.40	\$1.59			

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 and income statement as of that date.

Accounting changes

We adopted CICA's abstract *EIC 160 – Stripping Costs Incurred in the Production Phase of an Operation* retroactively, effective January 1, 2006.

The abstract allows companies to capitalize the costs of stripping, such as the removal of overburden and mine waste materials, when the stripping provides access to sources of reserves that would not have otherwise been accessible, and will be mined in the future. Capitalized stripping costs would then be amortized over the reserves that directly benefit from the stripping activity.

Previously, we capitalized mining costs associated with waste removal rock in relation the stripping ratio for the entire ore body. We then amortized the capital over the life of the ore body using the same stripping ratio.

We expensed some previously deferred stripping costs, which resulted in the following changes to our 2005 financial statements:

- increased the second quarter's cost of sales by \$1.3 million (nil for the six months)
- decreased the second quarter's earnings per common share and diluted earnings per common share by \$0.03 (nil for the six months)
- 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 this quarter and \$2 million in the first six months 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 doubled this quarter...

(thousands)	three months ended June 30			six months ended June 30		
	2006	2005	change	2006	2005	change
Gross sales by operation						
Çayeli	\$105,563	\$37,401	+ 182%	\$176,778	\$91,006	+ 94%
Pyhäsalmi	72,133	42,270	+ 71%	121,242	79,160	+ 53%
Troilus	29,558	25,887	+ 14%	48,241	60,746	- 21%
Ok Tedi ⁽¹⁾	110,370	52,162	+ 112%	181,597	108,742	+ 67%
	\$317,624	\$157,720	+ 101%	\$527,858	\$339,654	+ 55%
Gross sales by metal						
Copper	\$196,524	\$85,250	+ 131%	\$315,607	\$184,522	+ 71%
Zinc	71,655	29,617	+ 142%	125,059	58,989	+ 112%
Gold	39,014	33,053	+ 18%	68,263	75,499	- 10%
Other	10,431	9,800	+ 6%	18,929	20,644	- 8%
	\$317,624	\$157,720	+ 101%	\$527,858	\$339,654	+ 55%

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

...mainly because of higher copper and zinc prices

(millions)	three months ended	six months ended
	June 30	June 30
Higher copper prices, denominated in C\$	\$99	\$147
Higher zinc prices, denominated in C\$	42	63
Higher gold prices, denominated in C\$	5	5
Higher (lower) sales volumes	14	(27)
Increase in gross sales, compared to 2005	\$160	\$188

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

We record sales using the metal price on sales settled during the reporting period. For sales that have not been settled, we use an estimate based on the month we expect the sale to settle and the commodity's forward rate at the end of the reporting period. We recognize the difference between our estimate and the final price by adjusting our gross sales in the period when we settle the sale (finalization adjustment).

We recorded the following this quarter:

- copper sales prices at US \$3.69 per pound based on:
 - copper sales at US \$3.30 per pound
 - an increase in gross copper sales of approximately \$19 million (US \$0.39 per pound) from finalization adjustments.
- zinc sales prices at US \$1.50 per pound based on:
 - zinc sales at US \$1.44 per pound
 - an increase in gross zinc sales of approximately \$3 million (US \$0.06 per pound) from finalization adjustments.

The total finalization adjustments of \$22 million were offset by the following related costs:

- an increase in smelter processing charges of \$3 million
- an increase in royalties and variable compensation of \$1 million
- an increase in income tax expense of \$5 million

...and also because of higher copper sales volumes

	three months ended June 30			six months ended June 30		
	2006	2005	change	2006	2005	change
Sales volumes						
Copper (tonnes)	21,200	18,600	+ 14%	38,800	43,200	- 10%
Zinc (tonnes)	19,500	19,300	+ 1%	38,900	37,200	+ 5%
Gold (ounces)	64,200	63,100	+ 2%	119,200	146,400	- 19%

Sales volumes this quarter were higher than the same period last year because of higher production at Çayeli and the timing of shipments at Çayeli and Ok Tedi. Lower production at Pyhäsalmi reduced this amount somewhat. Sales volumes of copper and gold year to date were lower than the same period in 2005 mainly because of lower production.

Outlook for sales

We expect copper, zinc and gold sales in 2006 to be similar to 2005 based on our production estimates, but revenues should be higher because of higher metal prices.

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 higher than 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 17 percent higher than 2005...

(thousands)	three months ended June 30			six months ended June 30		
	2006	2005	change	2006	2005	change
Cost of sales by operation						
Çayeli	\$19,308	\$16,819	+ 15%	\$37,058	\$36,744	+ 1%
Pyhäsalmi	12,253	12,662	- 3%	24,864	24,299	+ 2%
Troilus	20,212	17,014	+ 19%	35,513	38,562	- 8%
Ok Tedi ⁽¹⁾	26,184	20,224	+ 29%	45,824	44,034	+ 4%
Other	468	500	- 6%	954	1,013	- 6%
	\$78,425	\$67,219	+ 17%	\$144,213	\$144,652	-

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

...mainly because sales volumes and royalty and compensation payments were higher

(millions)	three months ended	six months ended
	June 30	June 30
Higher (lower) sales volume	\$5	\$(10)
Energy costs	1	2
Labour costs	-	2
Royalties at Çayeli	4	5
Compensation at Ok Tedi	2	3
Other	1	(2)
Increase in cost of sales, compared to 2005	\$13	\$-

...and because higher metal prices increased smelter processing charges

(thousands)	three months ended June 30			six months ended June 30		
	2006	2005	change	2006	2005	change
Smelter processing charges and freight by operation						
Çayeli	\$25,214	\$13,059	+ 93%	\$46,790	\$30,559	+ 53%
Pyhäsalmi	18,853	11,706	+ 61%	34,196	23,601	+ 45%
Troilus	2,929	2,831	+ 3%	5,087	6,956	- 27%
Ok Tedi ⁽¹⁾	16,672	9,058	+ 84%	29,257	19,236	+ 52%
	\$63,668	\$36,654	+ 74%	\$115,330	\$80,352	+ 44%
Smelter processing charges and freight by metal						
Copper ⁽¹⁾	\$36,144	\$20,751	+ 74%	\$62,821	\$47,846	+ 31%
Zinc	24,826	13,012	+ 91%	47,521	27,058	+ 77%
Other	2,698	2,891	- 7%	4,988	5,448	- 8%
	\$63,668	\$36,654	+ 74%	\$115,330	\$80,352	+ 44%

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

Smelter processing charges include treatment charges and price participation. The treatment charges we pay per tonne of copper increased by seven percent this quarter and by 13 percent for the six months compared to the same periods in 2005. Zinc treatment charges were significantly lower in the first half 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 smelter processing charges and freight, which include treatment charges and price participation, were 74 percent higher this quarter than the same period in 2005 mainly because of the impact higher metal prices had on price participation.

Outlook for costs

We expect our costs to continue to increase in 2006 because of inflationary factors. We also expect that:

- royalties at Çayeli will increase as its net income increases
- compensation costs at Ok Tedi will increase as higher earnings increase cash flows
- fuel costs will be higher because of escalating geopolitical factors
- smelter processing charges will continue to be higher as long as metal prices stay high.

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 is slightly lower than last year

(thousands)	three months ended June 30			six months ended June 30		
	2006	2005	change	2006	2005	change
Depreciation by operation						
Çayeli	\$2,054	\$1,736	+ 18%	\$3,724	\$3,734	-
Pyhäsalmi	1,959	2,705	- 28%	3,948	5,323	- 26%
Troilus	2,790	2,514	+ 11%	4,951	4,755	+ 4%
Ok Tedi	1,422	1,301	+ 9%	2,867	2,467	+ 16%
	\$8,225	\$8,256	-	\$15,490	\$16,279	- 5%

Depreciation was lower year to date compared to 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 and sales
- depreciation of costs associated with the lower mine development at Çayeli, including the shaft expansion, which we expect to initiate when the shaft is put to use later this year.

CORPORATE COSTS

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

1. The gain on the sale of Izok increased investment and other income year to date

(thousands)	three months ended June 30		six months ended June 30	
	2006	2005	2006	2005
Gain on sale of Izok	\$-	\$-	\$23,905	\$-
Interest and dividend income	2,657	2,458	4,237	5,066
Redemption costs of debentures	-	-	-	(6,631)
Share consideration received	-	1,243	-	1,243
Foreign exchange loss	(138)	(119)	(220)	(47)
Other	68	(133)	363	(395)
	\$2,587	\$3,449	\$28,285	\$(764)

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, and expensed the difference between the carrying value of the debentures and the redemption cost.

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 lead us to repatriate funds. This could result in foreign exchange losses, because the Canadian dollar is much stronger now than it was at the time we invested in the operations. The amount of the loss, if any, will depend on the amount repatriated and foreign exchange rates.

2. Higher earnings increased income tax expense at our operations

(thousands)	three months ended June 30			six months ended June 30		
	2006	2005	change	2006	2005	change
Çayeli	\$(97)	\$625	- 116%	\$9,302	\$5,081	+ 83%
Pyhäsalmi	9,012	4,450	+ 103%	13,029	6,821	+ 91%
Ok Tedi	24,372	7,641	+ 219%	38,105	15,525	+ 145%
Corporate	199	634	- 69%	491	1,500	- 67%
	\$33,486	\$13,350	+ 151%	\$60,927	\$28,927	+ 111%

In June 2006, the Turkish government enacted tax legislation that reduced Çayeli's corporate tax rate to 20 percent, effective January 1, 2006. Çayeli recorded an income tax recovery of \$12.9 million this quarter from a reduction in its current and future income tax liabilities, and a \$10 million recovery for the year to date from a reduction in its future income tax liability.

Outlook for income tax expense

We are not expecting any further changes in statutory tax rates at our operations in 2006.

Results of our operations

Key performance indicator - production

In the second quarter of 2006:

- copper production was consistent with the same period in 2005
- zinc production was lower than the same period in 2005 because lower grades at Çayeli lowered zinc production. This was offset somewhat by higher grades and higher production at Pyhäsalmi
- gold production was lower because of lower throughput at Troilus.

Gold production year to date at Troilus was lower because of lower throughput.

Inmet's share	three months ended June 30			six months ended June 30			objective
	2006	2005	change	2006	2005	change	2006
Copper (tonnes)							
Ok Tedi	8,800	8,800		18,000	17,000		34,400
Çayeli	8,400	6,900		14,900	13,700		29,500
Pyhäsalmi	2,800	4,200		5,900	7,900		13,500
Troilus	700	900		1,400	3,000		3,200
	20,700	20,800	-	40,200	41,600	- 3%	80,600
Zinc (tonnes)							
Çayeli	6,800	10,200		16,900	18,900		43,500
Pyhäsalmi	11,200	9,100		19,700	17,600		38,400
	18,000	19,300	- 7%	36,600	36,500	-	81,900
Gold (ounces)							
Troilus	36,300	38,300		74,000	89,600		165,000
Ok Tedi	26,000	25,100		50,900	49,100		104,000
	62,300	63,400	- 2%	124,900	138,700	- 10%	269,000
Pyrite (tonnes)							
Pyhäsalmi	136,100	135,500	-	277,900	335,900	- 17%	557,000

Outlook for production

Our production for the first half of the year was lower than target for copper and gold, but we expect to achieve our original objectives for the year.

Key performance indicator – cash costs

(US \$)	three months ended June 30			six months ended June 30			original target 2006	<i>revised objective</i> 2006
	2006	2005	change	2006	2005	Change		
Cash cost per pound of copper								
Çayeli ⁽¹⁾	\$0.81	\$0.70		\$0.60	\$0.73		\$0.62	\$0.24
Pyhäsalmi ^(1,2)	(2.92)	0.14		(1.63)	0.08		(0.02)	(0.89)
Ok Tedi ⁽³⁾	0.81	0.58		0.77	0.55		0.62	0.58
	\$0.28	\$0.53	- 47%	\$0.34	\$0.52	- 35%	\$0.51	\$0.19
Cash cost per ounce of gold								
Troilus ^(4,5)	\$310	\$330	- 6%	\$342	\$267	+ 28%	\$345	\$316

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

- (1) a zinc price of US \$1.34 per pound
- (2) a euro to US dollar exchange rate of US \$1.23
- (3) a gold price of US \$610 per ounce
- (4) a copper price of US \$3.10 per pound
- (5) a US dollar to Canadian dollar exchange rate of \$1.12.

Our cash cost per pound of copper this quarter was 47 percent lower than the same period in 2005 and 35 percent lower year to date mainly because of:

- higher zinc and gold metal credits from higher metal prices
- offset by:
 - higher price participation charges
 - higher production costs from higher royalties and higher variable compensation.

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

(US \$)	three months ended June 30			six months ended June 30			original target 2006	<i>revised objective</i> 2006
	2006	2005	change	2006	2005	Change		
Cash cost per pound of copper								
Direct production costs	\$0.89	\$0.84	+ 6%	\$0.92	\$0.85	+ 8%	\$0.89	\$0.89
Royalties and variable compensation	0.15	0.01	+1400%	0.10	0.01	+900%	0.02	0.09
Smelter processing charges and freight	1.16	0.60	+ 93%	1.10	0.61	+ 80%	0.71	1.15
Metal credits	(1.92)	(0.92)	+ 109%	(1.78)	(0.95)	+ 87%	(1.11)	(1.94)
	\$0.28	\$0.53	- 47%	\$0.34	\$0.52	- 35%	\$0.51	\$0.19

Our gold cash cost per ounce was lower this quarter compared to the same period last year because of higher metal credits, which offset the impact of a rising Canadian dollar relative to the US dollar. Gold cash cost per ounce year to date was higher than the same period last year because of lower production and the stronger Canadian dollar.

ÇAYELI

		three months ended June 30			six months ended June 30			objective
		2006	2005	change	2006	2005	change	2006
Tonnes of ore milled (000's)		224	203	+ 10%	447	393	+ 14%	980
Tonnes of ore milled per day		2,500	2,200	+ 10%	2,500	2,200	+ 14%	2,700
Grades (percent)	copper	4.2	4.1	+ 2%	3.9	4.2	- 7%	3.7
	zinc	4.3	6.6	- 35%	5.3	6.4	- 17%	6.1
Mill recoveries (percent)	copper	91	83	+ 10%	85	84	+ 1%	81
	zinc	72	76	- 5%	72	76	- 5%	73
Production (tonnes)	copper	8,400	6,900	+ 22%	14,900	13,700	+ 9%	29,500
	zinc	6,800	10,200	- 33%	16,900	18,900	- 11%	43,500

Ore production continues to improve compared to previous years

Çayeli's ore production this quarter and for the first six months of 2006 was higher compared to the same periods last year as a direct result of operational improvements. Çayeli continued to mine from the central pillar this quarter, which provided access to larger stopes and reduced the hauling distance to the ore pass.

Higher throughput combined with higher grades and recoveries increased copper production by 22 percent this quarter compared to the same period in 2005. Copper production year to date was nine percent higher than the comparable period in 2005 mainly because throughput levels were higher.

Lower zinc grades and recoveries reduced zinc production by 33 percent this quarter and 11 percent year to date compared to the same periods in 2005. Zinc grades were lower because Çayeli mined less higher grade zinc ore than originally planned.

Outlook for production

Production rates in the rest of 2006 are expected to increase when the new ore handling infrastructure comes online at the beginning of August. Once operational, the new ore handling system will reduce the haulage distances and amount of uphill trucking, improving operational efficiencies.

Çayeli is currently in negotiations with its union to renew the collective agreement, which expired on May 31 of this year. If negotiations result in a labour disruption, Çayeli's production could be impacted.

Costs up because of higher smelter processing charges and royalties

Both cash costs and total costs went up this quarter mainly in response to higher metal prices and earnings; royalties increased as net income increased and processing charges increased because of higher price participation charges.

Unit costs were lowered by higher production and zinc metal credits.

(US \$)	three months ended June 30			six months ended June 30			original target 2006	<i>revised objective</i> 2006
	2006	2005	change	2006	2005	change		
Cash cost per pound of copper								
Direct production costs	\$0.68	\$0.82	- 17%	\$0.77	\$0.81	- 5%	\$0.78	\$0.78
Royalty payments	0.20	0.01	+1900%	0.14	0.01	+1300%	0.03	0.13
Total direct production costs	0.88	0.83	+ 6%	0.91	0.82	+ 11%	0.81	0.91
Smelter processing charges and freight	1.21	0.73	+ 66%	1.25	0.72	+ 74%	0.87	1.45
Metal credits ⁽¹⁾	(1.28)	(0.86)	+ 49%	(1.56)	(0.81)	+ 93%	(1.06)	(2.12)
Cash costs	0.81	0.70	+ 16%	0.60	0.73	- 18%	0.62	0.24
Depreciation and other non-cash costs	0.10	0.11	- 9%	0.12	0.12	-	0.13	0.13
Total costs	\$0.91	\$0.81	+ 12%	\$0.72	\$0.85	- 15%	\$0.75	\$0.37

(1) We used a zinc price of US \$1.34 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 17 percent lower than 2005 (not including the royalty)

(US \$ per pound)	three months ended June 30	six months ended June 30
Lower costs due to higher copper production	\$(0.12)	\$(0.05)
Higher labour costs	0.02	0.02
Higher consumable costs	0.03	0.03
Lower consultant costs	(0.03)	(0.04)
Higher fuel costs	0.01	0.01
Lower costs due to devaluation of the lira	(0.05)	(0.02)
Other	-	0.01
Decrease in direct production costs, compared to 2005	\$(0.14)	\$(0.04)

The value of the Turkish lira went down by 30 percent compared to the US dollar this quarter. This reduced Turkish lira costs when translated into US dollars.

Outlook for costs

We have adjusted our unit cost objective for Çayeli to US \$0.24 per pound. This reflects the impact of higher metal prices. We expect direct production costs to stay in line with our original target, but royalty costs to be higher as net income increases.

Capital spending consistent with 2005

(thousands of US\$)	three months ended June 30			six months ended June 30			objective 2006
	2006	2005	change	2006	2005	change	
Capital spending	\$3,100	\$3,600	- 14%	\$6,500	\$6,700	- 3%	\$21,000

Of the US \$3.1 million spent in the quarter, US \$2.1 million was for the shaft extension project. Development work this quarter concentrated on commissioning of the ore and waste handling system.

Outlook for capital spending

Spending for the remainder of 2006 will be mainly related to the continued development of the lower mine. Çayeli will continue to complete its main infrastructure projects and establish production areas in the lower part of the deposit.

We expect to commission the new ore pass and the shaft loading system in August, which will significantly reduce ore trucking and traffic congestion on the ramp.

Operating earnings for the quarter more than ten times higher than the same period in 2005

	three months ended June 30			six months ended June 30		
	2006	2005	change	2006	2005	change
Sales (tonnes) copper	7,900	4,700	+ 68%	13,700	13,600	+ 1%
zinc	8,900	10,800	- 18%	20,300	20,500	- 1%
Operating earnings (millions)	\$59.0	\$5.8	+ 917%	\$89.2	\$20.0	+ 346%
Operating cash flows (millions)	\$58.2	\$21.6	+ 169%	\$85.2	\$22.3	+ 282%

...mainly because of higher metal prices

(millions)	three months ended June 30	six months ended June 30
Higher metal prices, denominated in Canadian dollars	\$57	\$85
Higher sales volumes	9	3
Higher smelter processing charges and freight	(10)	(15)
Higher royalty cost	(4)	(5)
Lower operating costs	1	1
Increase in operating earnings, compared to 2005	\$53	\$69
Increased tax expense because of higher earnings	(11)	(17)
Changes in working capital	(4)	12
Other	(1)	(1)
Increase in operating cash flow, compared to 2005	\$37	\$63

Copper sales volumes were higher this quarter because of higher production and the timing of shipments. Sales were lower in the prior year because there was a delay in a shipment of copper concentrate to one large customer.

Changes in working capital for the quarter are the result of higher accounts receivable because of higher sales and metal prices. Changes in working capital year to date are mainly because of higher taxes payable.

PYHÄSALMI

	three months ended June 30			six months ended June 30			objective 2006	
	2006	2005	change	2006	2005	change		
Tonnes of ore milled (000's)	319	352	- 9%	672	692	- 3%	1,370	
Tonnes of ore milled per day	3,500	3,900	- 9%	3,700	3,800	- 3%	3,750	
Grades (percent)	copper	0.9	1.3	- 31%	0.9	1.2	- 25%	1.0
	zinc	3.7	2.8	+ 32%	3.1	2.7	+ 15%	3.0
	sulphur	37.1	40.8	- 9%	39.2	40.7	- 4%	40.0
Mill recoveries (percent)	copper	96	95	+ 1%	95	95	-	94
	zinc	95	93	+ 2%	95	93	+ 2%	92
Production (tonnes)	copper	2,800	4,200	- 33%	5,900	7,900	- 25%	13,500
	zinc	11,200	9,100	+ 23%	19,700	17,600	+ 12%	38,400
	sulphur	136,100	135,500	-	277,900	335,900	- 17%	557,000

Mill throughput impacted by two unrelated interruptions

A rupture of the main ore feed belt and a small contained fire at the conveyor transfer temporarily disrupted the operation of the crushing and conveying system and reduced production this quarter. These two separate events resulted in approximately six days of combined downtime, leading to a nine percent decline in the amount of ore milled compared to the same period last year. All necessary repairs have been made and Pyhäsalmi has resumed its normal production rate.

Mining this quarter took place in a zinc rich ore zone, which increased zinc grades and recoveries, and increased zinc production by 23 percent compared to the same period in 2005. At Pyhäsalmi, zinc rich ores have lower copper grades and, as a result, copper production during the quarter was 33 percent lower than the same period last year.

Production of pyrite in the first half of 2006 was lower than the same period last year because of a planned reduction in pyrite sales.

Outlook for production

Mill throughput is expected to continue at normal levels. Copper grades are expected to be higher and zinc grades lower for the remainder of the year. We expect Pyhäsalmi will meet its production objectives for 2006.

Cash costs down significantly because of high metal credits

Both direct production costs and smelter processing charges went up this quarter and year to date compared to the same periods last year. Unit costs went up mainly because copper production was lower. The higher zinc price increased metal credits and reduced cash costs significantly, but also increased smelter processing charges because of higher price participation.

(US \$)	three months ended June 30			six months ended June 30			original target 2006	<i>revised objective</i> 2006
	2006	2005	change	2006	2005	change		
Cash cost per pound of copper								
Direct production costs	\$1.65	\$1.04	+ 59%	\$1.61	\$1.10	+ 46%	\$1.29	\$1.34
Smelter processing charges and freight	2.52	0.82	+ 207%	2.11	0.90	+134%	1.10	2.23
Metal credits ⁽¹⁾	(7.09)	(1.72)	+ 312%	(5.35)	(1.92)	+ 179%	(2.41)	(4.46)
Cash costs	(2.92)	0.14	-2186%	(1.63)	0.08	- 2138%	(0.02)	(0.89)
Depreciation and other non-cash costs	0.31	0.24	+ 29%	0.29	0.26	+ 12%	0.26	0.27
Total costs	\$(2.61)	\$0.38	- 787%	\$(1.34)	\$0.34	- 494%	\$0.24	(\$0.62)

(1) We used a zinc price of US \$1.34 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 59% higher than 2005

(US \$ per pound)	three months ended June 30	six months ended June 30
Weakened (strengthened) US dollar compared to the euro	\$0.03	\$(0.05)
Higher costs due to lower copper production	0.54	0.42
Higher labour costs	0.02	0.06
Higher consumables	0.04	0.03
Higher utility costs	-	0.02
Other	(0.02)	0.03
Increase in direct production costs, compared to 2005	\$0.61	\$0.51

Outlook for costs

We have adjusted our unit cost objective for Pyhäsalmi to negative US \$0.89 per pound. This reflects the impact of higher metal prices and a more favourable zinc treatment contract we entered into this quarter.

Capital spending expected to be consistent with 2006 objective

(thousands)	three months ended June 30			six months ended June 30			<i>objective</i> 2006
	2006	2005	change	2006	2005	change	
Capital spending	€1,000	€600	+ 67%	€1,200	€800	+ 50%	€ 5,000

Outlook for capital spending

Capital spending for the rest of the year will focus on optimizing the zinc pressure filter installed this quarter, as well as mine mobile equipment and sustaining capital.

Operating earnings and cash flows continued to grow

		three months ended June 30			six months ended June 30		
		2006	2005	change	2006	2005	change
Sales (tonnes)	copper	2,800	4,500	- 38%	6,000	8,100	- 26%
	zinc	10,700	8,500	+ 26%	18,700	16,700	+ 12%
	pyrite	125,100	127,900	- 2%	249,900	262,500	- 5%
Operating earnings (millions)		\$39.1	\$15.2	+ 157%	\$58.2	\$25.9	+ 125%
Operating cash flows (millions)		\$17.8	\$4.7	+ 279%	\$41.3	\$19.0	+ 117%

...mainly because of higher metal prices

(millions)	three months ended June 30	six months ended June 30
Higher metal prices, denominated in Canadian dollars	\$34	\$49
Lower sales volumes	(3)	(5)
Higher smelter processing charges and freight	(7)	(11)
Higher costs	-	(1)
Increase in operating earnings, compared to 2005	\$24	\$32
Increased tax expense because of higher earnings	(4)	(6)
Changes in working capital	(6)	(3)
Other	(1)	(1)
Increase in operating cash flow, compared to 2005	\$13	\$22

Changes in working capital are the result of higher accounts receivable because of higher zinc sales in June 2006.

TROILUS

		three months ended June 30			six months ended June 30			objective
		2006	2005	change	2006	2005	change	2006
Tonnes of ore milled (000's)		1,627	1,755	- 7%	3,235	3,500	- 8%	7,300
Tonnes of ore milled per day		17,900	19,300	- 7%	17,900	19,300	- 8%	20,000
Strip ratio		1.6	1.8	- 11%	1.7	1.4	+ 21%	1.3
Grades	gold (grams/tonne)	0.8	0.8	-	0.9	1.0	- 10%	0.85
	copper (percent)	0.1	0.1	-	0.1	0.1	-	0.05
Mill recoveries (percent)	gold	84	81	+ 4%	82	81	+ 1%	82
	copper	87	88	- 1%	87	91	- 4%	86
Production	gold (ounces)	36,300	38,300	- 5%	74,000	89,600	- 17%	165,000
	copper (tonnes)	700	900	- 22%	1,400	3,000	- 53%	3,200

Mill throughput down but gold recoveries up

The milling rate at Troilus was down by seven percent this quarter and by eight percent year to date compared to the same periods in 2005. This was the result of milling harder ore from the 87 pit and a concerted effort by Troilus to achieve or exceed target gold recoveries in the plant.

Optimizing the grind size below a certain level and improving the operation of the flotation circuit increased the overall gold recovery this quarter compared to the same period in 2005, but reduced throughput. New mill discharge grates installed this quarter slightly offset this reduction.

Gold production year to date was 17 percent lower than the same period in 2005 because of lower mill throughput and lower gold grades.

Outlook for production

Troilus continues to adjust the mill and flotation circuit in order to maximize mill throughput and gold and copper recoveries. Troilus anticipates meeting its 2006 production objectives.

Costs per ounce down in the quarter

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

At Troilus it can take over six months to finalize a price on its copper sales. As a result, in the second quarter we recorded a \$2.4 million adjustment on its unsettled March 31 copper receivables.

(US \$)	three months ended June 30			six months ended June 30			original target 2006 ⁽²⁾	<i>revised objective 2006</i>
	2006	2005	change	2006	2005	change		
Cash cost per ounce of gold								
Direct production costs	\$474	\$368	+ 29%	\$458	\$321	+ 43%	\$372	\$406
Smelter processing charges and freight	71	52	+ 37%	66	60	+ 10%	46	58
Metal credits ⁽¹⁾	(235)	(90)	+ 161%	(182)	(114)	+ 60%	(73)	(148)
Cash cost	310	330	- 6%	342	267	+ 28%	\$345	\$316
Depreciation and other non-cash costs	70	54	+ 30%	67	45	+ 49%	58	63
Total cost	\$380	\$384	- 1%	\$409	\$312	+ 31%	\$403	\$379

(1) We used a copper price of US \$3.10 per pound to estimate the metal credit in the 2006 revised objective for cash costs per ounce of gold.

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

Direct production costs this quarter were US \$106 per ounce higher compared to the same period in 2005

(US \$ per ounce)	three months ended June 30	six months ended June 30
Stronger Canadian dollar	\$71	\$57
Higher costs due to lower production	25	80
Higher fuel costs	6	3
Higher labour costs	5	2
Higher consumables	4	2
Higher electricity costs	1	1
Lower maintenance and other	(6)	(8)
Increase in direct production costs, compared to 2005	\$106	\$137

Outlook for unit costs

We have adjusted our unit cash cost objective for Troilus to US \$316 per ounce for the year. This reflects the impact of higher metal prices and a weaker US dollar, as well as a change in the way we account for capitalized stripping.

Modest capital spending

(thousands)	three months ended June 30			six months ended June 30			<i>objective</i>
	2006	2005	change	2006	2005	change	2006
Capital spending	\$200	\$1,300	- 85%	\$600	\$5,300	- 89%	\$2,000

Capital spending was lower this quarter, because the mine incurred costs to develop the J-4 pit in the second quarter of 2005.

Operating earnings flat

	three months ended June 30			six months ended June 30		
	2006	2005	change	2006	2005	change
Sales gold (ounces)	36,600	40,800	- 10%	67,000	93,600	- 28%
copper (tonnes)	700	1,200	- 42%	1,300	3,100	- 58%
Operating earnings (millions)	\$3.6	\$3.5	+ 3%	\$2.7	\$10.5	- 74%
Operating cash flows (millions)	\$2.0	\$9.2	- 78%	\$(1.3)	\$13.2	- 110%

...mainly because a higher gold price offset lower sales volumes

Sales were lower this quarter and year to date compared to the same periods in 2005 because of lower production. We realized a higher gold price, on a Canadian dollar basis, even though half of our Troilus sales this quarter were recorded at a hedge price of US \$352 per ounce.

(millions)	three months ended June 30	six months ended June 30
Higher metal prices	\$7	\$7
Lower sales volumes	(5)	(12)
Higher costs	(2)	(3)
Increase (decrease) in operating earnings, compared to 2005	-	(8)
Changes in working capital	(8)	(7)
Other	1	-
Decrease in operating cash flow, compared to 2005	\$(7)	\$(15)

The changes in working capital are the result of higher accounts receivable because of higher sales and metal prices.

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. As part of this process, we initiated a feasibility study this quarter to assess the economic viability of an underground mine, and should have the results of the study by the end of 2006. SRK Consulting and Dynatec Corporation have been retained to produce a bankable feasibility study of the underground mine project before the end of this year. Troilus is also in the process of reviewing contractor bids to advance a decline from the pitwall to access the resources below the 87 pit.

OK TEDI

(100 percent)		three months ended June 30			six months ended June 30			objective 2006
		2006	2005	change	2006	2005	change	
Tonnes of ore milled (000's)		7,400	6,700	+ 10%	14,100	12,700	+ 11%	27,000
Tonnes of ore milled per day		81,300	73,600	+ 10%	77,900	70,200	+ 11%	75,000
Strip ratio		1.4	2.2	- 36%	1.7	2.3	- 26%	1.8
Grades	copper (percent)	0.7	0.9	- 22%	0.8	0.9	- 11%	0.8
	gold (grams per tonne)	0.8	0.9	- 11%	0.9	0.9	-	0.9
Mill recoveries (percent)	copper	87	84	+ 4%	86	83	+ 4%	85
	gold	73	72	+ 1%	70	72	- 3%	72
Production	copper (tonnes)	48,500	48,800	- 1%	99,800	94,400	+ 6%	191,000
	gold (ounces)	144,200	139,100	+ 4%	282,600	272,500	+ 4%	580,000

Ore production was 10 percent higher

A higher proportion of softer monzonite porphyry ores went through Ok Tedi's mill this quarter and year to date, which increased ore production compared to the same periods in 2005.

Copper production this quarter did not change compared to the same period last year, because higher mill throughput was offset by the lower copper grades. Copper production year to date was six percent higher than the same period last year because of higher throughput and recoveries.

Gold production this quarter and year to date were slightly higher than the same periods last year, because higher throughput was offset by lower gold grades.

Outlook for production

We expect lower copper and gold grades for the rest of the year as mining continues in lower grade areas.

Costs up because of higher smelter processing charges and compensation costs

Cash costs went up this quarter and year to date in response to higher metal prices, which increased price participation and processing charges, and variable compensation costs.

(US \$)	three months ended June 30			six months ended June 30			original target 2006	<i>revised objective</i> <i>2006</i>
	2006	2005	change	2006	2005	change		
Cash cost per pound of copper								
Direct production costs	\$1.00	\$0.78	+ 28%	\$0.91	\$0.79	+ 15%	\$0.84	\$0.90
Smelter processing charges and freight	0.68	0.40	+ 70%	0.64	0.38	+ 68%	0.43	0.48
Metal credits ⁽¹⁾	(0.87)	(0.60)	+ 45%	(0.78)	(0.62)	+ 26%	(0.65)	(0.80)
Cash cost	0.81	0.58	+ 40%	0.77	0.55	+ 40%	\$0.62	\$0.58
Depreciation and other non-cash costs	0.07	0.06	+ 17%	0.07	0.06	+ 17%	0.06	0.06
Total costs	\$0.88	\$0.64	+ 38%	\$0.84	\$0.61	+ 38%	\$0.68	\$0.64

(1) We used a gold price of US \$610 per ounce to estimate the metal credit in the 2006 objective for cash costs per pound of copper.

Direct production costs this quarter were \$0.22 per pound higher than 2005

(US \$ per pound)	three months ended June 30	six months ended June 30
Decrease in costs from higher production	\$ -	\$(0.05)
Higher fuel costs	0.04	0.05
Higher labour costs	0.03	0.03
Higher compensation costs (linked to income)	0.12	0.07
Other	0.03	0.02
Increase in direct production costs, compared to 2005	\$0.22	\$0.12

High metal prices have increased the mine's cash flow. Some bonuses at Ok Tedi are based on cash flows, so employee compensation costs have increased during the year.

Outlook for costs

We have adjusted our unit cost objective for Ok Tedi to US \$0.58 per pound. This reflects the impact of a higher gold price, changes to smelter processing costs and higher compensation costs.

Capital spending was higher

Ok Tedi's capital spending this quarter was mainly related to drainage tunnel studies. Capital spending year to date also included the purchase of trucks. Capital spending in 2005 was postponed until later in 2005.

(100 percent) (thousands of US\$)	three months ended June 30			six months ended June 30			objective
	2006	2005	change	2006	2005	Change	2006
Capital spending	\$4,500	\$2,900	+ 55%	\$16,800	\$4,300	+ 291%	\$51,000

Outlook

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

Operating earnings and cash flows for the quarter more than three times higher than the same period in 2005

Sales volumes were higher this quarter than the same period last year because of shipment timing. Higher river levels, and the use of a vessel that had been dry docked in the first quarter, allowed Ok Tedi to catch up on shipments that were delayed in the first quarter. Concentrate inventory was reduced by 16,000 tonnes this quarter, to 104,000 tonnes at June 30, 2006.

(18 percent)		three months ended June 30			six months ended June 30		
		2006	2005	change	2006	2005	change
Sales	copper (tonnes)	9,800	8,300	+ 18%	17,800	18,400	- 3%
	gold (ounces)	27,600	22,300	+ 24%	52,200	52,800	- 1%
	Operating earnings (millions)	\$66.1	\$21.6	+ 206%	\$103.6	\$43.0	+ 141%
	Operating cash flows (millions)	\$57.4	\$15.3	+ 275%	\$91.8	\$36.7	+ 150%

...mainly because of higher metal prices

(millions)	three months ended June 30	six months ended June 30
Higher metal prices, denominated in Canadian dollars	\$48	\$74
Higher sales volumes	5	-
Higher smelter processing charges and freight	(6)	(10)
Higher variable compensation costs	(2)	(3)
Increase in operating earnings, compared to 2005	\$45	\$61
Increased tax expense because of higher earnings	(20)	(26)
Changes in net working capital	17	19
Other	-	1
Increase in operating cash flow, compared to 2005	\$42	\$55

Changes in working capital for the quarter and year to date are the result of lower accounts receivable and higher taxes payable.

Planning for the future

As part of its objective to improve its environmental performance, Ok Tedi has approved the implementation of a comprehensive mine waste management program to substantially reduce the risk of future acid drainage from the mine waste.

This new program, together with ongoing dredging and the addition of limestone to the waste rock, should significantly mitigate the environmental impact of Ok Tedi's operations.

The existing dredging operation, introduced in 1998, removes approximately 10 million cubic metres of mine-derived sediments a year from the Ok Tedi River, and these are stored in permanent containment areas. Dredging has reduced vegetation die-back along the Fly and Ok Tedi River systems. Limestone is added to the waste rock to provide the river system with neutralizing capacity to prevent acid drainage from forming.

The new program will significantly reduce the amount of sulphides in the mill tailings that are currently discharged into the Ok Tedi River system. Using conventional flotation technology, this process will reduce sulphides in the tailings stream to less than one percent sulphur, and in the sulphide concentrate to 45 percent sulphur. The sulphide concentrate will be transported through a 130 kilometre pipeline and stored in specially prepared containment areas in the dredge sands. The containment areas will remain under permanently saturated conditions, preventing the sulphides in the concentrate from oxidizing and forming acid drainage. At the end of the mine's life, the containment areas will be covered with an engineered layer of non-acid-forming sand to ensure the safe storage of the sulphide concentrates and the dredge sands.

The capital cost of the new waste management program, which includes the sulphide flotation removal plant, the sulphide concentrate pipeline and the containment areas, is estimated to be US \$130 million (Inmet's share – US \$23 million). Incremental annual operating costs will be approximately US \$0.05 per pound of copper. Construction is expected to commence in 2007 with start-up during the first half of 2008.

Status of our development projects

Las Cruces

Quarterly development update

Las Cruces is now in the construction phase. Employment at the site increased to 206 people this quarter, including 164 contractors. In Santiago, Chile, SNC Lavalin together with Las Cruces' owners team is advancing the detailed engineering and procurement of the process plant to meet our start-up target of early 2008. Of the estimated capital costs of €380 million, €38 million had been spent by the end of June. The following are some highlights of the quarter:

Site activities off to a good start

- The Spanish mining contractor, AOMSA, removed the topsoil and overburden from the pit and waste dump areas and leveled the construction site. The mine pit area is now being stripped.
- Contractors are in the process of constructing a highway underpass and site access roads, and will begin working on the stream diversions and water supply pond dam shortly.

Dewatering and re-injection system commissioned

- The dewatering and re-injection system, required to protect the aquifer in the area of the future mine pit, has been commissioned and most dewatering and re-injection wells are now operating. The system removes water, transports it away from the pit area by closed pipelines to prevent contamination, and then re-injects it into the same water table to ensure it is preserved.

Construction of process plant expected to begin in November

- Procurement of major equipment has started and initial orders have been placed for items with long lead times.
- Civil work at site is expected to begin in November and concrete work is expected to start in early 2007.

Other value added projects continue

- Approximately 1.5 million tonnes of gossan (oxidized sulphide) overlying the Las Cruces ore body contains significant amounts of lead, silver and gold. This material is considered to be waste in the current mine plan.
- Results of flotation testing indicate that simple flotation of this material could produce a saleable lead concentrate containing gold and silver. Recoveries are estimated to be around 50 percent for lead and gold and 75 percent for silver.
- We have commissioned a scoping study to estimate the capital and operating costs for a small flotation plant. We expect to receive the results of this study in the third quarter.

Financing completed and first drawdown taken

- Las Cruces borrowed €19 million. The restoration and labour bond that Las Cruces posted with regulatory authorities in the first quarter was reissued under its credit facility, reducing our restricted cash by \$27.4 million.

CERATTEPE

Quarterly development update

This quarter we retained Deutsche Montan Technologie GmbH (DMT), a German mining engineering firm, to provide engineering, procurement and project management services for the Cerattepe project. DMT has since advanced the engineering on several aspects of the project, and has prepared bid packages to retain a mining contractor for the rehabilitation and advancement of the access ramp.

Although Cerattepe received an important permit this quarter for the occupation of land from the Forestry Department, another permit is still required before work can begin on the ramp. We are continuing to prepare the project for construction, and are working closely with the Turkish authorities to obtain this permit. We expect that we will receive the permit, and if we do, anticipate spending US \$13 million over the next 12 months. The date for the second option payment for the purchase of Cerattepe, of US \$4.5 million, was extended by mutual agreement with the vendor from June 30, 2006 to September 30, 2006.

On July 31, 2006 we received the decision of the local administrative court in Erzurum, Turkey on two related applications made by Artvin based local non-governmental groups last year to cancel the operating licenses for the Cerattepe property. In its decision, the local court ruled in favour of the applicants and determined that the relevant government authorities incorrectly grandfathered the licences from environmental assessment regulations implemented after the licenses were granted in the early 1990s. The defendant in the applications is the Turkish Ministry of Energy and Natural Resources and we expect that it will file an appeal of the decision with the Turkish administrative supreme court. We are reviewing the Court's decision with our legal counsel and expect to join in such appeal.

In light of the local court's decision, there will be a further delay in our timeframe for completion of the project. We anticipate that the Turkish Ministry of Energy and Natural Resources will ask the Turkish administrative supreme court to make an interim ruling that the local court decision not remain in effect during the appeal period. If such interim ruling is obtained, we would have the ability to continue to progress the project with a delay of only several months. If the Turkish administrative supreme court does not make such ruling, then work on the project will need to be suspended until at least the time it rules on the appeal. We expect the appeal process to take 12 to 18 months.

Managing our liquidity

(millions)	three months ended		six months ended	
	2006	June 30 2005	2006	June 30 2005
CASH FROM OPERATING ACTIVITIES				
Çayeli	\$58	\$22	\$85	\$22
Pyhäsalmi	18	5	41	19
Troilus	2	9	(1)	13
Ok Tedi	58	15	92	37
Corporate development and exploration not included in operations' cash flow	-	-	(1)	(1)
General and administration	(3)	(2)	(5)	(4)
Other	(2)	(1)	(5)	(2)
	131	48	206	84
CASH FROM INVESTING AND FINANCING				
Capital spending	(12)	(11)	(37)	(19)
Long-term borrowings	27	-	27	-
Redemption of convertible debentures	-	-	-	(64)
Funding from non-controlling shareholder	7	-	9	-
Financial assurance deposits	28	-	(2)	(1)
Subsidies received	-	-	5	-
Dividends paid on common shares	(5)	-	(5)	-
Foreign exchange on cash held in foreign currency	(5)	(2)	(2)	(4)
Other	(4)	2	(3)	2
	36	(11)	(8)	(86)
Increase (decrease) in cash	167	37	198	(2)
Cash and short-term investments				
Beginning of period	283	207	252	246
End of period	\$450	\$244	\$450	\$244

CASH FROM OPERATING ACTIVITIES

(millions)	three months ended		six months ended	
		June 30		June 30
Increased earnings from operations (see page 5)		\$121		\$154
Non-cash changes in operating earnings:				
Increased tax expense		(35)		(49)
Changes in working capital		(1)		19
Other		(2)		(2)
Increase in operating cash flow, compared to 2005		\$83		\$122

Operating cash flows were higher than 2005 because of higher operating earnings, but reduced somewhat by higher taxes. The changes in working capital year to date largely reflect the timing differences between tax expense and taxes paid.

Outlook

We expect operating cash flows from operations to continue to be strong for the rest of the year, in line with strong metal prices. The level of operating cash flows will depend on earnings and changes in working capital.

CASH FROM INVESTING AND FINANCING

Capital spending

(millions)	three months ended		six months ended		objective 2006
	2006	June 30 2005	2006	June 30 2005	
Çayeli	\$3	\$4	\$7	\$8	\$25
Pyhäsalmi	1	1	2	1	7
Troilus	-	2	1	6	2
Ok Tedi	-	1	3	1	10
Las Cruces	8	-	22	-	213
Cerattepe	-	1	1	1	12 ⁽¹⁾
Accruals and other	-	2	1	2	-
	\$12	\$11	\$37	\$19	\$269

(1) Prior to receiving the July 31, 2006 court ruling (see page 29) we had anticipated spending \$12 million. This amount could change.

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

Long-term borrowing and financial assurance deposits

Las Cruces borrowed €19 million for the continuing development of the mine. The restoration and labour bond it posted with the regulatory authorities in the first quarter was reissued as part of the Tranche A drawdowns under Las Cruces' credit facility, reducing our restricted cash by \$27.4 million.

Our restricted cash balances at June 30, 2006 include the deposits made this year, plus our December balances related to:

- Ok Tedi's \$9 million in trust for future rehabilitation
- Inmet's \$14 million of cash collateralized letters of credit, and
- \$2 million related to dewatering at Las Cruces.

Redemption of convertible debentures

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

Outlook for investing and financing

We expect that Las Cruces will continue to draw against its credit facility for the rest of the year to fund its development. We are expecting to spend €380 million to develop Las Cruces in the years 2006 and 2007, funded by the credit facility (€190 million), subsidies (€54 million) and the remainder by sponsor equity. All other cash spending will be for capital purchases and mine development at the operations.

SHARE CAPITAL

Common shares outstanding as of June 30, 2006 and August 1, 2006	48,271,732
Deferred share units outstanding as of June 30, 2006 (redeemable on a one-for-one basis for common shares)	78,400

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 June 30, 2006.

Type of contract	Expiry	Quantity	Price	C\$ marked-to-market gain (loss) at June 30 2006
Gold forward sales				
Troilus	2006	29,100 ounces	US \$352 per oz.	
	2007	58,200 ounces	US \$352 per oz.	
	2008	58,200 ounces	US \$352 per oz.	
		145,500 ounces	US \$352 per oz.	\$(47.4 million) ⁽¹⁾
Ok Tedi	2006	6,750 ounces	US \$370 per oz.	
	2007	13,500 ounces	US \$371 per oz.	
	2008	6,750 ounces	US \$372 per oz.	
		27,000 ounces	US \$371 per oz.	\$(8.8 million) ⁽¹⁾
Currency forward sales				
Las Cruces	2008	US \$215 million	€171.80 million	\$12.0 million
Interest rate swaps				
Las Cruces	2008 to 2014	US \$179 million (reducing in conjunction with debt repayment schedule)	5.2 percent	\$2.0 million

(1) At a gold price of US \$614 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 work on the new 570 metre level included developing the ore and waste handling system, installing the loading pocket and completing the first of three ore passes. The ore handling system should allow the new loading level and ore pass to be used in the third quarter of 2006, which will reduce ore trucking and traffic congestion on the ramp. Other development activities will continue for the rest of 2006, such as developing a cemented waste fill system complete with a storage raise, chute and cement addition.

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. We were pleased by the ground conditions and stability this quarter as we increased production in new areas below the 800 metre level.

Collective bargaining agreement at Çayeli

The current three-year collective labour agreement expired in May 2006. We began negotiations this quarter, starting with an initial meeting in June. If negotiations result in a labour disruption, Çayeli's production would be impacted depending on the length of the disruption.

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 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. As described on page 27, a comprehensive mine waste management program has been initiated to reduce these risks.

Negotiations of the Community Mine Continuation Agreements (CMCAs)

Ok Tedi began its mid-term review of the Community Mine Continuation Agreements (CMCAs) this quarter. The CMCAs set out the level of compensation that is paid to the communities impacted by the mining operation. The review is part of the current CMCAs process, and is to address any material changes that may have taken place since 2002, when the agreements were signed. Ok Tedi expects to complete the negotiations by early 2007 and it is anticipated that compensation payments under the renewed CMCAs will increase. Current payments under the CMCAs approximate US \$4 million annually (Inmet's share – US \$1 million).

Development at Las Cruces

Las Cruces is a development project, and while we are confident that the project will add value as planned, 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 are vigorously defending against them. One of these proceedings was dismissed at the initial trial level, but both it and the other proceedings have not been finally determined. There remains a risk that completion of the project could be delayed.

Foreign exchange exposure on returns of investment

Our operations (except for Troilus) operate in currencies different than our Canadian dollar reporting currency. Since these operations are self-sustaining, we defer changes in our net investment (which includes our initial investment, earnings and long-term intergroup loans) that arise from changes in foreign exchange rates in our foreign currency translation account. The balance at the end of this quarter was a deferred loss of \$36 million. Repatriating funds through dividends, loan repayments or capital redemptions could result in foreign exchange losses, because the Canadian dollar is much stronger now than it was at the time of our original investment. The amount of the loss, if any, will depend on the amount repatriated 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:
Metal prices			
Copper (per pound)	US \$0.10	\$12 million	\$0.25
Zinc (per pound)	US \$0.05	\$4 million	\$0.08
Gold (per ounce) (1)	US \$10	\$2 million	\$0.03
Exchange rates			
Canadian dollar per US dollar	C\$0.05	\$18 million	\$0.37
Canadian dollar per euro	C\$0.05	\$3 million	\$0.07
Treatment and refining charges			
Copper treatment charge per tonne and copper refining charge per pound	US \$10		
	US \$0.10	\$4 million	\$0.07
Zinc treatment charge per tonne	US \$10	\$1 million	\$0.03
Freight and energy costs			
Concentrate freight per tonne	10%	\$3 million	\$0.05
Fuel price per litre	\$0.10	\$3 million	\$0.06
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's common shares are listed and trade on the Toronto Stock Exchange under the stock symbol IMN.

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This press release is also available at www.inmetmining.com

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Second quarter conference call

Will be held on

- Wednesday, August 2, 2006
- 11:00 a.m. (ET)
- webcast available at <http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=1550560> or www.inmetmining.com

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