

Annual information form

Inmet Mining Corporation
March 10, 2008

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This AIF contains **important information** that can help you make an informed decision about Inmet Mining Corporation. It describes our **business**, our **mineral reserves and resources**, our **operations and prospects**, **risks** and other **factors** that affect us.

About this document

Throughout this AIF, the terms *we, us, our* and *Inmet* mean Inmet Mining Corporation and its subsidiaries and joint ventures. *Inmet Mining* means Inmet Mining Corporation only. All information in this AIF is as of March 10, 2008 unless otherwise indicated. All currency amounts are in Canadian dollars unless otherwise indicated.

Our principal subsidiaries and joint ventures include:

	Jurisdiction	Ownership (%)
Çayeli Bakir Isletmeleri A.S. (Çayeli)	Turkey	100
Pyhäsalmi Mine Oy (Pyhäsalmi)	Finland	100
Troilus (division of Inmet Mining)	Canada	100
OkTedi Mining Limited (OkTedi)	Papua New Guinea	18
Cobre Las Cruces (Las Cruces)	Spain	70
Artvin Bakir Madencilik Isletmeleri A.S. (Cerattepe)	Turkey	100
Minera Petaquilla S.A. (Petaquilla)	Panama	48

Forward-looking information

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

These statements 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 like *may, expect, anticipate, believe* or other similar words. We believe the expectations reflected in these forward-looking statements are reasonable. Actual events and results could be substantially different, however, because of the risks and uncertainties associated with our business or events that happen after the date of this AIF (see *Risk factors in our business* beginning on page 39).

You should not place undue reliance on forward-looking statements. As a general policy, we do not update forward-looking statements except if there is an offering document or where securities legislation requires us to do so.



Other documents you can ask for

Additional financial information is available in our financial statements and management's discussion and analysis (MD&A). You can ask us for our most recent MD&A, annual and interim financial statements and management proxy circular at no charge. The management proxy circular contains information about the nominated directors, compensation of our directors and executive officers, loans to our directors and executive officers, principal holders of our securities and securities authorized for issuance under equity compensation plans.

To request a copy, write to:

Vice-President,
General Counsel and Secretary
Inmet Mining Corporation
330 Bay Street
Suite 1000
Toronto, Ontario
Canada M5H 2S8

You can also call us at
+ 1.416.361.6400,
or send a fax to
+ 1.416.368.4692.

Accessing documents online

This annual review (AIF, MD&A, financial statements) our management proxy circular and other documents are also available on our website at www.inmetmining.com or on SEDAR at www.sedar.com.

Our strategy

Our strategy is to grow responsibly as a base metal mining company, providing superior returns to shareholders. This simple yet comprehensive strategy has delivered excellent results for our shareholders.

The choices we make in every aspect of our business — from human resource requirements to allocation of capital — are all framed by our desire to grow responsibly. Responsible growth means finding the right balance between financial returns for our shareholders, and the interests of employees, communities and the environment.

Three key components

Our strategy is supported by three goals. These guide our planning, and help us set objectives and measure our success:

1. Long-term responsible growth

We are focused on increasing our copper reserves in a disciplined way. We plan to increase our reserves by moving ahead with our existing development projects, increasing our exploration activities around the world and making new acquisitions as opportunities arise. At the same time, we manage our balance sheet conservatively to make sure we can finance our growth regardless of market conditions.

Over the last five years, our acquisitions have increased copper reserves by 1.3 million tonnes or 140 percent.

We are committed to continually improving our performance as a responsible corporate citizen while creating shareholder value. Having safe workplaces, co-operating with people in the communities where we operate and adhering to high environmental standards are all important to our future.

In 2007, we improved our safety statistics and implemented more components of the Mining Association of Canada's *Towards Sustainable Mining* (TSM) performance indicators at our operations.

2. Superior returns

Providing superior returns to our shareholders is a key part of our strategy. We focus on operating effectively, assessing and managing risk to make sure we meet or exceed our production targets, controlling our costs and developing our human resources. These activities strengthen our long-term returns relative to our peers.

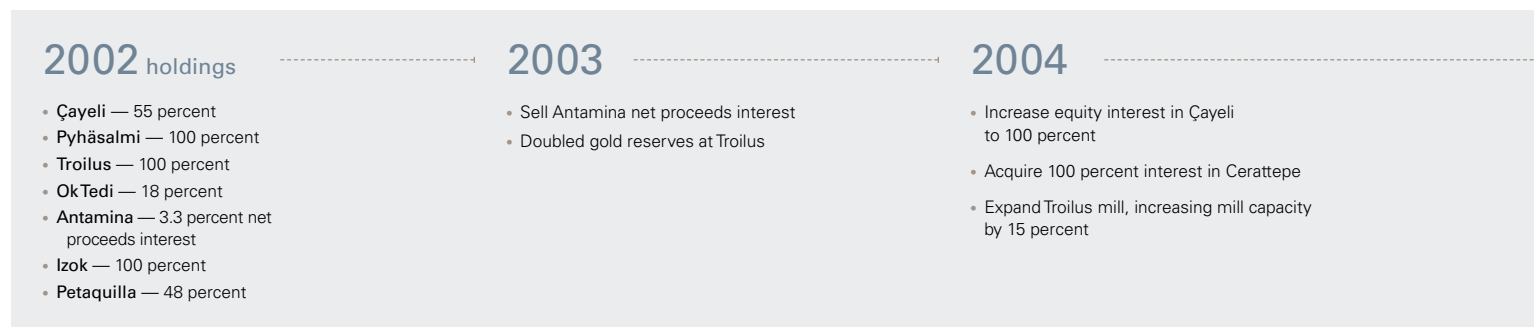
Over the last five years, our share price has outperformed the S&P/TSX Diversified Metals and Mining Index by a cumulative 131 percent.

3. Base metal mining

Our business model focuses on base metals, primarily copper, which we believe is a very attractive business in light of the significant growth in demand for copper. As populations and industries grow, so does the demand for copper. The pace of industrialization in China and India and other countries like Brazil, Russia and Turkey, is expected to keep global demand for copper and other base metals high for at least the next decade.

The supply of new copper production is expected to come mainly from large deposits. Developing them successfully will require significant investment and resources to deal with lengthy permitting and challenging community engagement processes. This could limit the rate of growth in copper production to meet rising demand. Although this would bode very well for the price of copper in future, it also presents challenges for our growth as the competition for new growth opportunities is expected to increase as fewer companies are chasing fewer and more expensive opportunities.

A history of growth



Growth in our reserves and resources since we implemented our strategy

In the last five years we have increased our copper reserves by 1.5 million tonnes, zinc reserves by 0.4 million tonnes and gold reserves by 700,000 ounces. The following discussion provides more detail on significant events that happened from 2005 to 2007.

Key events in the past three years

Las Cruces

Acquisition — In August 2005, we bought a 70 percent indirect interest in Cobre Las Cruces, which owns the Las Cruces copper development project located in Southern Spain, 20 kilometres northwest of Seville. As part of the purchase, we issued 5.6 million common shares to MK Resources, LLC, a wholly-owned subsidiary of Leucadia National Corporation. Leucadia retains an indirect 30 percent participating interest in Las Cruces. In the fourth quarter of 2005, we completed a US \$240 million credit facility and €69 million bridge facility for development of the project. The first drawdown was made under the credit facility during the second quarter of 2006.

Increased capacity — In May 2006, we announced an increase in the planned production capacity of the Las Cruces project from 66,000 tonnes per year to 72,000 tonnes per year. We also updated our capital and operating costs for the project following the completion of basic engineering in April.

Revised capital cost estimate — In May 2007, with approximately 70 percent of the detailed engineering complete, we began a definitive cost estimate of the Las Cruces project. This resulted in a 22 percent increase in forecasted capital costs, from €380 million to €463 million. The revised cost covers escalation and growth in several areas and includes a €40 million contingency allowance.

Plant construction delay — On October 30, 2007, we announced that completion of the hydrometallurgical process plant and initial production of copper cathode would be delayed until the fourth quarter of 2008. As a result of the anticipated delay, we expect that our capital cost estimate of €463 million will be increased by €4 million per month for owners' costs and construction management costs from April 2008 until production of copper cathode begins. To manage the impact of this delay, Las Cruces plans to selectively mine and crush approximately 130,000 tonnes of high grade chalcocite ore and sell it as direct feed to copper smelters. This should result in the production of approximately 18,000 tonnes of copper.

Çayeli

Shaft extension — In 2007, Çayeli successfully expanded the infrastructure to the lower areas of the mine. This included extension of the shaft, development of the ramp and ore handling systems and associated services.

OkTedi

Community Mine Continuation Agreements concluded — On June 29, 2007, OkTedi signed a memorandum of agreement with almost all of its local communities concluding the scheduled mid-term review under the Community Mine Continuation Agreements process. Inmet's share of the payments under the new agreement is US \$3 million per year for the next six years, compared to approximately US \$1 million per year under the previous agreement, which was first negotiated in 2002.

2005

- Acquire 70 percent interest in Las Cruces
- Implement dividend policy

2006

- Increase Las Cruces production capacity by 9 percent
- Sell Izok to Wolfden Resources

2007

- Start Petaquilla work program
- Sell interest in Wolfden Resources
- Conclude Ok Tedi Community Mine Continuation Agreements
- Complete shaft extension at Çayeli

Petaquilla

Project cost update — In January 2007, we announced, jointly with Petaquilla Minerals Ltd., Petaquilla Copper Ltd. and Teck Cominco Limited, the results of a cost update to the 1998 feasibility study completed by AMEC Americas Limited for the Petaquilla project.

Work program — On May 7, 2007, we announced, together with Petaquilla Minerals Ltd., Petaquilla Copper Ltd. and Teck Cominco Limited, the approval of a comprehensive work program to facilitate the development of the project, including the completion of a front-end engineering and design (FEED) study for the project.

Revised capital and operating cost estimate — In February 2008, jointly with Petaquilla Copper Ltd. and Teck Cominco Limited, we announced the revised capital cost estimate to develop the Petaquilla project. The interim FEED study indicated a 106 percent increase in forecasted capital costs, from US \$1.7 billion to US \$3.5 billion (including a contingency of US \$0.5 billion but not including working capital and escalation). The costs increased because of scope changes, including enhancements in erosion control, water management and other environmental protection measures, and increases in equipment and construction costs that have been affecting projects worldwide.

Cash costs, including operating and smelter processing costs net of by-product credits, in years 1 to 10 of the project are estimated to average US \$0.85 per pound of copper produced.

A project review team is currently studying opportunities to reduce the project's estimated capital costs. Petaquilla's shareholders will evaluate their respective options and are expected to make a decision regarding the project before the end of the first quarter of 2008.

Sale of Izok property

On March 31, 2006, we sold our interest in the Izok development property in Nunavut, Canada to Wolfden Resources Inc. As consideration for the sale, Wolfden issued 13.5 million common shares to Inmet, representing approximately 18 percent of its issued and outstanding common shares following the completion of the transaction. On August 18, 2006, Wolfden completed an arrangement under the *Business Corporations Act* (Ontario) involving a new company, Premier Gold Mines Limited. Under the arrangement, in exchange for each Wolfden common share, shareholders received one new common share of Wolfden and 0.70 of a common share of Premier. As a result, we owned 13.5 million common shares of Wolfden and 9.5 million common shares of Premier.

In May 2007, we tendered our shares of Wolfden to Zinifex Limited's offer to acquire all of the outstanding common shares of Wolfden at a cash price of \$3.81 per share. We realized gross proceeds of \$51 million in disposing of our Wolfden shares, and recorded a gain of \$12 million.

Dividend policy

In November 2005, Inmet Mining's board of directors adopted a dividend policy that pays annual dividends of \$0.20 per share to common shareholders. Under the policy, dividends of \$0.10 per common share are paid on a semi-annual basis on June 15 and December 15 of each year.

Redemption of convertible debentures

In January 2005, Inmet Mining redeemed \$64,052,000 aggregate principal amount convertible subordinated debentures due September 30, 2007. The debentures were redeemed for cash at par, together with accrued and unpaid interest.

Our objectives

Our objectives help us and our board **measure the success** of our strategy. These **objectives** are by no means all-encompassing. When our board evaluates **Inmet’s performance**, it looks beyond a basic scorecard to see if the company has succeeded in building long-term value for shareholders.

The following discussion is an **overview** of our 2007 performance compared to our original targets, and describes our **goals** for 2008.

1. Superior returns

One of our longer-term goals is to provide returns better than our peers. Because long-term share performance is a key part of our overall strategy, we assess our results over a five year period.

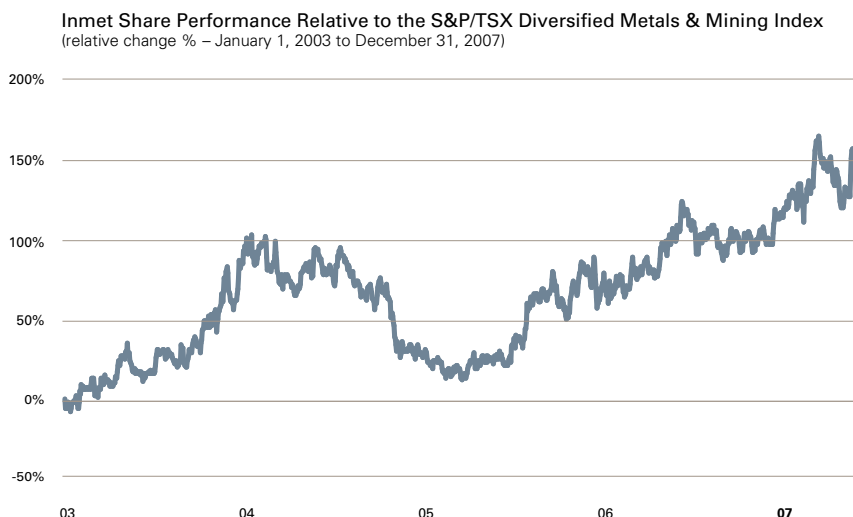
Continue to improve Inmet’s share price relative to our peers over the long term

Key performance indicator

Outperform the S&P/TSX Diversified Metals and Mining Index (our peer group) over the long term.

Results

- Our share performance in 2007 was strong, both in absolute and relative terms. We also directly outperformed many of our peers.
- For the past five years (ending December 31, 2007):
 - We have outperformed our peer group by a cumulative 131 percent.
 - Our share price has increased over 13 times — a compound annual growth rate of 68 percent.



2. Growth

Growth in base metal mining is a core element of our corporate strategy. We believe we have achieved our growth objectives over the past several years and continue to strive for growth to enhance our ability to deliver superior returns.

Grow through the acquisition of production, development of a property or successful exploration

2007 key performance indicators

- Complete the construction of Las Cruces
- Advance work on the development of Petaquilla
- Expand our activities related to exploring for world-class copper opportunities

2007 results

- Advancing Las Cruces was our primary focus in 2007. By the end of the year, we had completed 99 percent of the detailed engineering and 51 percent of the construction. Throughout the year we experienced delays with engineering drawings and contractor difficulties. Capital costs increased because of escalation and growth in several areas. As a result, we have revised the project schedule and now expect Las Cruces to begin producing copper cathode in the fourth quarter of 2008. We plan to manage the impact of this delay by shipping high grade ore directly to smelters beginning in May of 2008.
- We took the necessary steps in 2007 to give us the information we need to make a decision about developing Petaquilla. We expect to make this decision at the end of the first quarter of 2008. Front-end engineering and design, permitting and community engagement, marketing and financing activities are all already underway.

2008 key performance indicators

- Complete the construction at Las Cruces and successfully begin production
- Advance construction at Cerattepe so production can begin in 2009
- Make a decision about the development of Petaquilla
- Continue to evaluate our next growth opportunity

Our objectives (cont'd)

3. Maximize the value of our existing assets

The focus of this objective is to maximize the value of our existing operations through productivity improvements, cost reductions, mitigation of risks and ultimately the maximization of profitability. In certain circumstances this could include the sale of assets if we believe that this would be more likely to generate maximum value for our shareholders. Our progress in 2007 with respect to three indicators: productivity, costs and risk management, is summarized below.

3.1 Meet production targets and continuously improve productivity

2007 key performance indicators and results, and 2008 key performance indicators

Meet the following production targets

	2007 target	2007 results	2008 target
Copper	83,000 tonnes	79,000 tonnes	104,000 tonnes
Zinc	87,000 tonnes	85,000 tonnes	79,000 tonnes
Gold	249,000 ounces	223,000 ounces	285,000 ounces

Meet the following productivity targets

	2007 target	2007 results	2008 target
(tonnes of ore milled per day)			
Çayeli	2,900	2,900	3,000
Pyhäsalmi	3,750	3,770	3,750
Troilus	18,400	16,500	18,100
Ok Tedi (100%)	76,000	71,000	69,000

2007 results

Production results were slightly below target mainly because productivity at Ok Tedi and Troilus was lower than expected. Troilus had difficulties with its ball mill and Ok Tedi had high levels of fluorine ore, which reduced mill throughput.

2008 target

We have raised our production targets for copper because we expect production to begin at Las Cruces in 2008. Gold production targets are higher because ore grades at Troilus and Ok Tedi should be higher, while zinc targets are lower because zinc grades should be lower. We also expect Çayeli to continue to improve its productivity and Troilus to have fewer operational challenges in 2008.

3.2 Control costs through continuous improvement programs and cost monitoring

2007 key performance indicators and results, and 2008 key performance indicators

	2007 target	2007 results	2008 target
Cost per tonne of ore milled (C \$)			
Çayeli	\$ 74	\$ 83	\$ 71
Pyhäsalmi	\$ 33	\$ 36	\$ 36
Troilus	\$ 11	\$ 13	\$ 12
Ok Tedi	\$ 15	\$ 18	\$ 18
Las Cruces	\$ –	\$ –	\$ 172
Cash cost per pound of copper (US \$)	\$ (0.01)	\$ 0.20	\$ 0.51
Cash cost per ounce of gold (US \$)	\$ 348	\$ 421	\$ 243

Cost per tonne of ore milled is described on an operational basis in the financial review by operation included in our MD&A. Cash cost per pound of copper and cash cost per ounce of gold include direct production costs plus smelter processing charges and freight less revenue from the sale of by-product metals. These are non-gaap measures. There is no standard method for calculating them and therefore is not a reliable way to compare us to other companies. It can, however, help you understand how our production costs have changed from year to year compared to our targets, and the impact this has on our profitability and cash flows. A reconciliation of the 2007 non-gaap measures to our gaap measures is found on pages 92-93 in our MD&A under the title *Supplementary information, Cash costs* and is incorporated by reference into this AIF.

2007 results

Costs were higher than our targets mainly because labour costs at Çayeli and compensation costs at Ok Tedi were higher in 2007 than we expected. Foreign exchange also increased costs.

2008 target

We expect higher productivity at Çayeli and Troilus will help reduce our costs. We did not include an increase in the cost of consumables in our 2008 costs.

3.3 Effectively assess and manage risk

2007 key performance indicators

- Continue to implement enterprise risk management (ERM) policies and standards at our operations
- Develop documented risk management plans at our operations
- Continue to streamline and improve financial reporting
- Test and report on the effectiveness of our controls on financial reporting

2007 results

- We have integrated risk management at our operations through the implementation of ERM policies and documentation of risk management plans.
- Although we were not required to certify the operating effectiveness of our internal controls over financial reporting for December 2007, we had completed our testing and evaluation and were in a position to do so.

2008 target

We do not have a corporate objective specifically for risk management because our risk management systems have become a part of the way we do business, and are implicit in our strategy.

Our objectives (cont'd)

4. Continue to make our operations safe places to work

We are committed to continually improving our performance as a responsible corporate citizen while creating shareholder value. Having safe workplaces, co-operating with people in the communities where we operate and adhering to high environmental standards are all important to our future.

We have additional objectives related to sustainability — see our 2007 sustainability report online at www.inmetmining.com.

Improve the safety and health performance of our operations and construction projects

2007 key performance indicators

- Lower our lost-time injury frequency rate
- Focus on contractor safety at Las Cruces
- Improve our performance against the Mining Association of Canada's *Towards Sustainable Mining* (TSM) performance indicators

2007 results

- While Pyhäsalmi and Troilus had excellent safety performance this year, our overall performance was overshadowed by a contractor fatality at Çayeli. Çayeli commissioned an independent investigation to find out what caused the incident and recommended measures to minimize the possibility of this kind of accident in the future. These findings have led to a modification to the way we will manage hazards that can have severe consequences to employee or contractor safety. We are developing high consequence protocols for eight hazard areas and these will be rolled out across Inmet starting in 2008.
- Overall, our lost-time injury frequency increased seven percent from 2006. This is primarily the result of 16 contractor injuries at Las Cruces, related to construction activities. Our total injury frequency and disabling injury frequencies decreased 11 percent and 17 percent, respectively.
- Pyhäsalmi's safety performance, as measured by lost-time injury frequency, was the best in their 47 year history.

2008 key performance indicators

We have renewed our five-year strategic objectives. As in the past, our primary focus continues to be improving our operational safety, environmental and community affairs (SECA) performance, but we have also shifted more focus to a corporate responsibility footing and our strategic and 2008 objectives reflect this. In 2008 we intend to:

- Implement higher safety and health standards (high consequence protocols) at all of our operations
- Improve operational performance by implementing SECA standards
- Commit to open and transparent reporting by improving our external sustainability/corporate social responsibility reporting and ultimately moving to a G3 Global Reporting Initiative framework
- Expand our participation in global community organizations

Mining and development

Global business

Inmet operates in countries as diverse as Canada and Turkey, and Finland and Papua New Guinea.



Çayeli Turkey	Pyhäsalmi Finland	Troilus Canada	Ok Tedi Papua New Guinea	Las Cruces Spain	Cerattepe Turkey	Petaquilla Panama
Ownership 100%	Ownership 100%	Ownership 100%	Ownership 18%	Ownership 70%	Ownership 100%	Ownership 48%
Primary metal copper	Primary metal copper	Primary metal gold	Primary metal copper	Primary metal copper	Primary metal copper	Primary metal copper
Secondary metal zinc	Secondary metal zinc	Secondary metal copper	Secondary metal gold	Secondary metal —	Secondary metal —	Secondary metal gold
Mine type underground	Mine type underground	Mine type open pit	Mine type open pit	Mine type open pit	Mine type underground	Mine type open pit
Mine life 2016	Mine life 2018	Mine life 2009	Mine life 2013	Mine life 2008-2022	Mine life 2009-2014	Mine life 23 years
p.18	p.20	p.22	p.24	p.27	p.30	p.32

Çayeli

Çayeli is an underground **copper** and **zinc mine** located on the Black Sea coast of northeastern Turkey

Location	Turkey	Average reserve grades	copper — 3.5% zinc — 5.4%
Ownership	100%	Infrastructure	close to roads and 18 kilometres from the port at Rize
Type of mine	underground	Employees	465
Primary metal	copper	Contractors	89
Secondary metal	zinc		
End product	copper and zinc concentrate		
Expected mine life	2016		

Business structure

Çayeli Bakir Isletmeleri A.S. is a wholly-owned subsidiary of Inmet Mining and is incorporated under the laws of the Republic of Turkey. Its main asset is the Çayeli copper and zinc mine.

Eti Holding A.S., which is wholly-owned by the Government of Turkey, holds the operating licence for the property and has leased it to Çayeli. The lease expires on July 29, 2044. Eti is entitled to a royalty based on seven percent of Çayeli's net income.

About the property

The Çayeli mine is located in the province of Rize near the Black Sea coast of northeastern Turkey:

- the plant site is at about 100 metres above sea level, on the western flood plain of the Büyükdere River
- it sits directly across from the town of Madenli, about seven kilometres from the Black Sea coast
- the town of Çayeli is located where the Büyükdere River enters the Black Sea, about 18 kilometres east of the city of Rize
- its ore body covers an area of 203.1 hectares.

Physical characteristics of the deposit

Çayeli is a Cretaceous age volcanogenic massive sulphide deposit that:

- has a known strike length of over 600 metres
- extends to a depth of at least 600 metres
- varies in thickness from a few metres to 80 metres, averaging about 20 metres.

The average dip is 65 degrees to the north, northwest and the deposit is open down dip and to the north.

The deposit is at the contact between altered footwall felsic volcanic flows and pyroclastic and hanging wall mafic volcanics. It consists of massive and stockwork sulphides. The mineralization includes pyrite, chalcopyrite and sphalerite and smaller amounts of galena and tetrahedrite.

Geology

The massive sulphide ore is classified into:

- Yellow Ore, which is zinc poor
- Black Ore, which is zinc rich
- Clastic Ore, which contains copper, zinc and precious metals. In this ore, the sphalerite contains inter-growths and inclusions of chalcopyrite and requires batch processing through the mill.

Stockwork ore containing pyrite and chalcopyrite in veins occurs stratigraphically below the massive sulphides.

Mining method

Çayeli's mine design is based on underground bulk mining methods with the use of delayed backfill to extract ore in a sequential manner. The primary mining method is retreat transverse and longitudinal long hole stoping with paste fill and loose or consolidated waste rock backfill. The stopes are mined in primary, secondary and tertiary sequencing.

Production

		2008 objective	2007 results	2007 target	2006 results	Change (target to 2007)	Change (2006 to 2007)
Tonnes of ore milled (thousands)		1,100	1,046	1,060	933	-1%	+12%
Tonnes of ore milled per day		3,000	2,900	2,900	2,600	-1%	+12%
Grades (percent)	copper	3.8	3.8	3.8	3.9	–	-3%
	zinc	6.0	6.2	6.3	5.7	-2%	+9%
Mill recoveries (percent)	copper	81	81	82	84	-1%	-4%
	zinc	72	71	73	73	-3%	-3%
Metal production (tonnes)	copper	33,600	32,500	33,200	30,400	-2%	+7%
	zinc	47,800	46,200	48,600	38,700	-5%	+19%
Cost per tonne of ore milled (C \$)		\$71	\$83	\$74	\$78	+12%	+6%

Record production in 2007

Çayeli's mine production was at record levels again in 2007, and by the fourth quarter it was producing at an annualized rate of more than 1.1 million tonnes. Both copper and zinc metal production were higher than 2006, and only marginally below the 2007 target.

Unfortunately, our activity this year was overshadowed by the death of a contractor employee in the second quarter. Çayeli is committed to doing everything it can to make sure its workers and contractors are working in a safe environment. We will continue to work diligently in this area in 2008.

Long-term, reliable operation of the ore pass system continued to be our focus in 2007. At times, moisture content and dump height resulted in plugging of the ore passes. We took interim measures to keep the system flowing and will implement longer term measures to permanently improve the operation of the ore passes.

Ore mineralogy continued to be a challenge in 2007, reducing recoveries of both copper and zinc. Metallurgical performance is impacted by the ore types and relative quantities of these ores delivered to the mill. In 2007 we improved our ability to characterize the ore and predict metallurgy, and we intend to continue our improvements in 2008. Surface stockpile levels of close to 10,000 tonnes and multiple ore passes should allow us to segregate ore by type, minimizing the metal losses associated with difficult ore types.

Outlook for 2008

Çayeli expects to complete improvements to the ore pass system in 2008, allowing it to mine and process 1.1 million tonnes of ore in 2008. The ore will come from all areas of the mine as the emphasis on the lower mine continues to increase. Ore pass performance is critical for efficient material flow.

Development of the mine will continue in 2008 with a focus on access and level development of the lower mine ore blocks. The levels in blocks 4 and 5 are to be developed with two independent accesses from the ramp to the main footwall drive to provide needed flexibility and allow any rehabilitation work to proceed without isolating the ore zone. This would allow the mine to operate at its maximum production rate of 1.2 million tonnes in 2009 and beyond.

Work is ongoing to test the possibility of removing zinc from Çayeli's off-spec concentrate and improve our economic recovery. Testing of Çayeli concentrates is currently underway to determine the parameters for a commercial process that would lead to basic engineering for a mill improvement. This work should be completed in early 2008 so a decision about feasibility and development could be made mid-year.

Mine development advanced significantly in the fourth quarter of 2007, reaching an annual rate of 4,100 metres. Development rates in 2008 need to reach a level of 4,800 metres. This is almost 27 percent higher than what was achieved in 2007 when waste disposal was hampered by poor performance of the cemented wastefill system.

Planning for the future

Now that the shaft extension infrastructure is complete, Çayeli is focusing on increasing mine production to 1.2 million tonnes per year in 2009.

The mine's new infrastructure allows ore to be transported through a combination of ore passes, conveyor drifts and the recently extended hoisting shaft. Development in 2008 will focus on access and level development of the lower mine ore blocks.

Production from several areas of the mine simultaneously should increase production. A key element of our ongoing mine planning is to increase the mining of higher grade zinc from the far north zone.

Ore from the Cerattepe project is planned to be processed at Çayeli. Engineering and procurement for the mill expansion is well underway and equipment with long lead times is on order. Once Cerattepe is in production (estimated in March 2009), Çayeli's mill should be producing at a rate of 1.5 million tonnes per year.

Çayeli has budgeted \$1.2 million for surface drilling on its property, for underground drilling to test for deep targets within the existing Çayeli ore body and for other exploration around the mine.

When the mine is closed, Çayeli's infrastructure will be dismantled and any remaining waste rock will be placed underground in the mine. We currently estimate our closure costs to be US \$7 million.

Pyhäsalmi

Pyhäsalmi is an underground **copper** and **zinc mine** located in central Finland

Location	Finland	Average reserve grades	copper — 1.1% zinc — 2.3%
Ownership	100%	Infrastructure	close to roads and rail connection at property
Type of mine	underground	Employees	212
Primary metal	copper	Contractors	52
Secondary metal	zinc		
End product	copper and zinc concentrate		
Expected mine life	2018		

Business structure

Pyhäsalmi Mine Oy is a wholly-owned subsidiary of Inmet Mining incorporated under the laws of Finland. Its main asset is the Pyhäsalmi copper and zinc mine.

Pyhäsalmi’s mining concession consists of two leases:

- a mining lease for 59.2 hectares, covering all the mineralization and the mine itself
- an auxiliary lease for 352.4 hectares, covering all other areas used for mining purposes.

Pyhäsalmi holds both mining concession leases and holds over 3,000 hectares of other exploration claims located in Finland.

About the property

The Pyhäsalmi mine is in central Finland, four kilometres southeast of the town of Pyhäjärvi, on Lake Pyhäjärvi:

- it is within a two-hour drive from the cities of Oulu, Jyväskylä and Kuopio and their airports
- a rail spur joins the mine to the national network
- the rail spur also joins the mine to the port of Kokkola, 170 kilometres to the west on the Gulf of Bothnia.

Physical characteristics of the deposit

The Pyhäsalmi deposit is a copper zinc volcanogenic massive sulphide deposit of Proterozoic age:

- the mineralization is hosted by altered felsic and mafic volcanics
- the enveloping alteration zone is at least four kilometres long and one kilometre at its widest point. Alteration in the felsic volcanics includes sericite and cordierite dominated mineralogies.

- cordierite, anthophyllite and garnet dominate in the altered mafic volcanics
- the metamorphic grade is upper amphibolite facies

Geology

The upper part of the Pyhäsalmi deposit was mined between 1962 and 2001 and is now depleted.

Deep drilling in 1996 by Outokumpu Oyj (the previous owner) led to the discovery of an extension to the deposit below the +1050 metre level.

The newer deep deposit is located between the +1050 metre level (from surface) and the +1416 metre level:

- maximum dimensions are 420 metres long and 200 metres wide
- the inner part of the lens consists of massive pyrite with low copper and zinc values. This core is surrounded by massive chalcopyrite-pyrite and the outer rim consists of massive sphalerite-pyrite
- the main sulphide minerals are:
 - pyrite (65 percent)
 - chalcopyrite (three percent)
 - sphalerite (four percent)
 - pyrrhotite (three percent).

The ore is very coarse grained.

Mining method

Pyhäsalmi uses non-entry, bulk open-stope mining methods in a primary-secondary sequence. On average, stope size varies from 50,000 tonnes for narrow primary stopes to 200,000 tonnes for wider secondary stopes.

Environmental permit

Pyhäsalmi received its environmental permit in the fourth quarter 2007. This permit reflects the European Union Integrated Pollution Prevention and Control environmental regulatory framework that has been incorporated into Finnish legislation. The permit contains many new requirements in terms of studies and monitoring. We submitted the required environmental monitoring plan to the authorities at the end of 2007 and are moving forward under this new permit.

Production

		2008 objective	2007 results	2007 target	2006 results	Change (target to 2007)	Change (2006 to 2007)
Tonnes of ore milled (thousands)		1,370	1,377	1,370	1,372	+1%	+1%
Tonnes of ore milled per day		3,750	3,770	3,750	3,750	+1%	+1%
Grades (percent)	copper	1.0	1.0	1.0	1.0	–	–
	zinc	2.5	3.1	3.1	2.8	–	+11%
	sulphur	41	40	41	39	-2%	+3%
Mill recoveries (percent)	copper	94	96	94	95	+2%	+1%
	zinc	90	92	92	93	–	-1%
Metal production (tonnes)	copper	13,000	13,600	12,900	13,000	+5%	+5%
	zinc	30,900	38,900	38,400	35,700	+1%	+9%
	pyrite	505,000	485,800	537,000	512,000	-10%	-5%
Cost per tonne of ore milled (C \$)		\$36	\$36	\$33	\$35	+9%	+3%

Exceeded targeted mine and mill production expectations

Pyhäsalmi mined 13 stopes during 2007, which produced 1.4 million tonnes of ore.

Copper and zinc metal production were essentially on target for the year, and higher than 2006. Pyrite production was below target this year because demand for pyrite was lower than expected.

Outlook for 2008

Pyhäsalmi expects to mine 1.4 million tonnes of 1 percent copper and 2.5 percent zinc in 2008, and produce 13,000 tonnes of copper and 30,900 tonnes of zinc. These estimates are lower than 2007 results because of the grade of the remaining ore.

To maintain throughput and increase efficiency in both the mine and mill, Pyhäsalmi plans to make improvements to the ore-pass system and replace key drilling equipment, as well as the primary mill motor and mill flotation cells. A new mill motor will allow speed to be adjusted more easily, which should increase throughput capacity in the grinding circuit and reduce energy costs. This should increase mill throughput by approximately five percent.

Planning for the future

At Pyhäsalmi, we plan for sustainable, low-cost production. Modern technology and automation have always been an important part of this operation so it can maintain its competitiveness. These efforts will continue. The unique geometry of the ore body has allowed us to put essentially all of the critical mine development in place at this early stage in the mine's life cycle. This allows the mine to focus on its production targets and keep the capital requirements for infrastructure at an unusually low level. Equipment will have to be replaced, however, as the mine ages.

We expect to spend \$1.4 million on exploration at Pyhäsalmi in 2008, focusing on drilling out from the existing development and drilling and evaluating its current exploration claims. We also expect to spend another \$1.4 million on greenfield exploration around Finland.

When the mine is closed, the main activity will be rehabilitating the surface area. This includes covering and re-vegetating the tailings impoundments. We currently estimate our closure cost to be €1.2 million.

Troilus

Troilus is an open pit **gold** and **copper mine** located in northern Quebec, Canada

Location	Canada	Average reserve grades	gold — 0.8 grams per tonne copper — 0.1 %
Ownership	100%	Infrastructure	close to roads and rail
Type of mine	open pit	Employees	256
Primary metal	gold	Contractors	29
Secondary metal	copper		
End product	gold doré and copper concentrate		
Expected mine life	2009		

Business structure

Troilus operates as a division of Inmet.

About the property

The Troilus property is about 175 kilometres north of Chibougamau, at 400 metres above sea level. The site is on Category III lands under the James Bay and Northern Quebec Agreement.

The property includes:

- one mining lease covering an area of 840 hectares
- 481 unpatented claims covering a total area of 7,511 hectares surrounding and adjacent to the mining lease
- five surface leases over an area of 1,502 hectares, which include the tailings lease, camp site, solid waste disposal site and access road.

Physical characteristics of the deposit

The Troilus disseminated gold and copper deposit is in the eastern section of the Archean Frotet-Evans greenstone belt.

The host rocks consist mainly of mafic lavas and intrusives with lesser intermediate to felsic volcanoclastic metasediments intruded by numerous sills and dykes of felsic porphyries.

Geology

Gold generally occurs as electrum, a gold-silver alloy and native gold. The gold occurs as discrete grains, from 20 to 4,000 microns in diameter, along sulphide grain boundaries, along fractures within the sulphides and along grain boundaries in small quartz veinlets.

The mineralization contains 2 to 3 percent sulphides:

- sulphides are pyrite, chalcopyrite, pyrrhotite, and rare sphalerite. The sulphides form disseminations, tiny veinlets and narrow semi-massive seams that are controlled by both foliation and fractures
- mineralization occurs within a zone of potassic altered in-situ brecciation at the margin of a mafic intrusive. Mineralization also occurs in felsic dykes cutting the zone.

Reserves are reported from two zones:

- the principal ore body, the 87 zone, which ranges from 10 to 100 metres wide, and has a strike length of 1,000 metres
- one satellite ore body, the J-4 zone.

The mineralized zone strikes in a northeast-southwest direction, and dips at approximately 55 degrees to 65 degrees to the northwest.

- sphalerite (four percent)
- pyrrhotite (three percent).

The ore is very coarse grained.

Mining method

Troilus operates as a conventional open pit mine, using two hydraulic excavators, three other excavators, a front-end loader, a fleet of nine haul trucks, two bulldozers and two graders.

Production

	2008 objective	2007 results	2007 target	2006 results	Change (target to 2007)	Change (2006 to 2007)
Tonnes of ore milled (thousands)	6,600	6,000	6,700	6,500	-10%	-8%
Tonnes of ore milled per day	18,100	16,500	18,400	17,800	-10%	-8%
Strip ratio	1.1	1.1	1.2	1.5	-8%	-27%
Grades						
gold (grams/tonne)	0.93	0.87	0.88	0.86	-1%	+1%
copper (percent)	0.11	0.05	0.06	0.05	-17%	-
Mill recoveries						
gold (percent)	83	82	83	82	-1%	-
copper (percent)	92	88	87	87	+1%	+1%
Metal production						
gold (ounces)	163,200	138,400	157,900	147,900	-12%	-6%
copper (tonnes)	7,000	2,800	3,300	2,900	-15%	-3%
Cost per tonne of ore milled (C \$)	\$12	\$13	\$11	\$12	+18%	+8%

Mill throughput lower than last year

Troilus mined and milled 6 million tonnes of ore in 2007, which is 500,000 tonnes below 2006 and 700,000 tonnes below target. This was the result of several factors, including harder than expected ore from the 87 pit, mechanical failures and a lack of overall pump capacity in the mill.

Gold and copper production was lower than our 2007 target and lower than in 2006 because of lower throughput and grades. Copper production, however, was approximately the same as in 2006 because improved copper recoveries offset the lower throughput.

In January 2008, Troilus completed its program to upgrade the primary ball mill pumps to 1,500 horsepower and secondary ball mill pumps to 1,000 horsepower.

Gold and copper grades should increase significantly in 2008 as we return to mining in the bottom of the 87 pit after completion of the J-4 pit. The copper flotation capacity will be increased to accommodate the higher grades.

Outlook for 2008

In 2008, Troilus expects to mine and process 6.6 million tonnes of ore at a grade of 0.93 grams per tonne gold and 0.11 percent copper. This should result in production of 163,200 ounces of gold and 7,000 tonnes of copper.

Planning for the remaining mine life

The mine will continue with its present plan of open pit mining and stockpile recovery. The J4 pit is expected to be completed in the first quarter of 2008 while the 87 pit will continue to be mined into the second quarter of 2009. Stockpile recovery will begin in 2009.

As we mine the bottom of the pit, we will ensure stability of the pit wall by applying rock bolting and wall scaling.

As we approach the end of the pit life in early 2009, we will also increase the frequency of geotechnical audits.

When the mine is closed, we will dismantle the infrastructure and stabilize the open pit, and impound the tailings and waste rock dumps. Our current estimate of the closure cost is \$9 million.

Our focus until the final closure will be human resources and retaining the skilled workforce that has developed at Troilus.

Ok Tedi

Ok Tedi is an open pit **copper and gold mine** located in Papua New Guinea

Location	Papua New Guinea	Average reserve grades	copper — 0.8% gold — 1.1 grams per tonne
Ownership	18%	Infrastructure	concentrate pipeline and river barging
Type of mine	open pit	Employees	2,100
Primary metal	copper	Contractors	1,200
Secondary metal	gold		
End product	copper concentrate		
Expected mine life	2013		

Business structure

Ok Tedi Mining Limited (OTML) owns the Ok Tedi mine, and has operated as an independent company since BHP Billiton Limited transferred its 52 percent equity interest in OTML to PNG Sustainable Development Program Limited in February 2002.

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

About Ok Tedi Mining Limited

OTML has three owners:

- Inmet Mining Corporation (18 percent interest)
- PNG Sustainable Development Program Limited (52 percent interest), which is independent of the Government of Papua New Guinea and BHP Billiton Limited
- Government of Papua New Guinea (30 percent interest).

The current shareholder arrangements came into effect in 2002.

The OTML board’s structure provides for six directors:

- one nominee representing each shareholder
- three independent directors (including the Managing Director), each with international mining experience who are appointed by mutual agreement of the shareholders.

The current OTML shareholders’ agreement does not require us to fund any of Ok Tedi’s cash requirements.

About the property

The Ok Tedi mine is on Mount Fubilan in the remote Star Mountains region of Papua New Guinea. It is approximately 18 kilometres east of the international border with the Indonesian province of Papua, 1,800 metres above sea level.

Ore treatment facilities are 1.6 kilometres away at Folomian, 420 metres below the mine. The mine and the nearby processing plant are situated on the upper reaches of the Ok Tedi River, a major tributary of the Fly River. Concentrate is then transported as a slurry through a 157 kilometre pipeline from the mine to the river port of Kiunga, where the concentrate is filtered, dried and

stockpiled. Dried concentrate is loaded onto barges and sent 800 kilometres down the Fly River to a silo vessel in the Gulf of Papua for export.

The Fly River is the primary mine supply and copper concentrate transport route. Use of the river is in part governed by *Arrangements for the Use of the Fly River for the Ok Tedi project*, a 1981 agreement between Papua New Guinea and Indonesia.

The town of Tabubil is 22 kilometres from the mine and currently houses the operating personnel and their families.

Physical characteristics of the deposit

The ore body consists of a massive copper and gold porphyry deposit.

Copper and gold mineralization at Ok Tedi is typical of many gold-rich porphyry-related copper deposits in the circum-Pacific Island Arc Terranes.

Geology

The main body of mineralization at Ok Tedi is related to the intrusion and alteration of a monzonite porphyry stock. Subsequent leaching and redeposition of copper minerals produced a leached cap and an enriched copper zone, which overlies protore sulphide mineralization. Significant residual gold mineralization was dominant in the leach cap where copper was removed in the weathering process.

Similar gold values extended downwards into the copper mineralization in an annulus about a barren quartz stockwork core roughly centred in the Fubilian monzonite porphyry intrusive. The gold values correlate well with copper in the primary sulphide mineralization.

Skarn ore is developed where flat lying and sub-vertical faults locally controlled hydrothermal fluids and subsequent metasomatic alteration of the sedimentary rocks surround the intrusions.

Mining method

Ok Tedi is an open pit operation where up to 80,000 tonnes of ore and 152,000 tonnes of overburden can be mined each day.

Community agreements

PNG Sustainable Development Program Limited is required to use future dividend payments from OTML to fund current and long-term sustainable development projects in Papua New Guinea and in particular, the Western Province. The great majority of all communities affected by the operation of the Ok Tedi mine provided their consent to its continued operation under community mine continuation agreements (CMCAs).

Under the CMCAs, OTML provides compensation to affected communities over the remaining life of the mine, and is, along with its shareholders, released from claims relating to future environmental impacts. The CMCAs were reviewed throughout 2006 and into 2007, and on June 29, 2007 Ok Tedi concluded the scheduled mid-term review of the CMCAs and signed a memorandum of agreement (MOA) with most of the affected communities. Under the MOA, approximately 60,000 people in the Western Province will receive about one billion Kina (about US \$300 million) over the next six years.

Parties to the MOA are OTML, the PNG Sustainable Development Program Limited and the Papua New Guinea National Government as well as 160 villages situated from near the mine to the delta at the mouth of the Fly River. The key elements of the MOA are:

- Under a regional development package, Ok Tedi has increased direct compensation funds to four times the previous level, a commitment of 324 million Kina (US \$116 million) over six and a half years.
- The PNG Sustainable Development Program Limited will fund development projects in the affected areas at a minimum of 21.5 million Kina (US \$7 million) each year or 129 million Kina (US \$42 million) over six years.
- The PNG National Government has committed one sixth of the 30 percent dividend it receives to development projects in the affected areas and has set up a new trust to manage these funds. The value of this commitment is estimated at 466 million Kina (US \$155 million), subject to future copper and gold prices.

Inmet's share of the revised payments from OTML under the MOA are approximately US \$3 million annually (from about US \$1 million previously).

Production

		2008 objective	2007 results	2007 target	2006 results	Change (target to 2007)	Change (2006 to 2007)
Tonnes of ore milled (thousands)		25,300	25,800	27,500	27,600	-6%	-7%
Tonnes of ore milled per day		69,000	71,000	76,000	76,000	-6%	-7%
Strip ratio		1.3	1.3	1.1	1.6	+18%	-19%
Grades	copper (percent)	0.8	0.8	0.8	0.8	-	-
	gold (grams/tonne)	1.2	0.9	0.8	0.9	+13%	-
Mill recoveries	copper (percent)	85	86	87	86	-1%	-
	gold (percent)	67	71	70	71	+1%	-
Metal production (tonnes)	copper (tonnes)	174,000	169,200	188,000	194,400	-10%	-13%
	gold (ounces)	674,000	471,800	507,000	550,100	-7%	-14%
Cost per tonne of ore milled (C \$)		\$18	\$18	\$15	\$17	+20%	+6%

High fluorine levels lowered throughput

Mill throughput in 2007 was 1.7 million tonnes below target and 1.8 million tonnes below 2006. Daily throughput averaged about 71,000 tonnes per day for the year because of high fluorine content in the ore mined in the east section of the pit.

Smelters cannot accept material with high fluorine content because it damages the brick lining of the copper furnaces. Without mitigation, fluorine content in the concentrate would have risen above 2,000 parts per million, compared to a maximum allowable content of 1,200 parts per million under the marketing contracts. To reduce the impact, for most of the year Ok Tedi had been blending lower grade ore with lower levels of fluorine. Lowering throughput while blending the low grade ore brought the fluorine content in the concentrate back to acceptable levels.

The result, however, was that head grades were four percent below target for copper and four percent above target for gold, leading to copper production of 169,200 tonnes and gold production of 471,800 ounces.

Ok Tedi has developed a fluorine management plan, which includes solutions for the pit and the process plant, as well as a sales strategy for concentrate. The plan includes evaluating the possibility of separating the fluorine minerals from the concentrate using chemical reagents in the flotation circuit.

Operating costs for Ok Tedi were higher in 2007 compared to 2006 because of lower tonnes of ore produced and higher labour, contractor and community payments.

OkTedi (cont'd)

Outlook for 2008

OkTedi expects to process 25.3 million tonnes of ore grading 0.8 percent copper and containing 1.2 grams per tonne of gold. This is expected to produce 174,000 tonnes of copper and 674,000 ounces of gold. OkTedi expects a 43 percent increase in its gold production compared to 2007 because of the higher content of skarn ores in the mill feed.

The fluorine situation is expected to improve in 2008 as OkTedi opens additional working faces in the pit. Recoveries for both copper and gold are expected to be somewhat lower in 2008 compared to 2007.

OkTedi plans to mine a significantly higher portion of skarn ore in 2008 than it has in the past. Skarn ores are metallurgically more challenging and contain more sulphur than the porphyry ores that were predominantly mined in previous years. Skarn ores should significantly increase sulphur content in the mill feed (from three percent in 2007 to an average of eight percent in 2008). It is therefore crucial that the mine waste and tailings management plant is commissioned by the middle of 2008, since it is designed to remove most of the sulphur in the tailings stream and greatly reduce the environmental risk of acid rock drainage.

Planning for the future

Mine waste management program

OkTedi discharges both tailings and waste rock into the OkTedi River. These discharges include sediment build-up in the river beds, resulting in overbank flooding, forest die-back and reduced navigability, and have led to adverse effects on the environment in and around the OkTedi and Fly Rivers. There has also been the potential for acid rock drainage resulting from oxidation of sulphur from the mine-related sediments deposited in the OkTedi and Fly Rivers. These sulphide-bearing sediments may be prone to oxidation if they are exposed to air during periods of dry weather. Then if they are exposed to water, they may form dilute sulphuric acid.

OkTedi is implementing a comprehensive mine waste management program to substantially reduce the risk of future acid drainage from mine waste, as part of its objective to improve its long-term environmental performance. The program includes a new sulphur removal plant that, together with ongoing dredging and the addition of limestone to the waste rock, should mitigate the environmental impact of OkTedi's operations by reducing the amount of sulphide in the mill tailings that are currently discharged into the OkTedi River system.

Sulphide reduction — Using conventional flotation technology in the plant, OkTedi expects to reduce sulphides in the tailings stream to less than one 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 is estimated to be US \$170 million (Inmet's share would be US \$31 million), of which US \$127 million was spent by the end of 2007. Incremental annual operating costs should be equivalent to US \$0.05 per pound of copper. The sulphide removal system is expected to be commissioned by the middle of 2008.

Dredging — In February 2002, a new environmental regime and long-term planning process for mine closure was put into effect for OkTedi. As part of that environmental regime, OkTedi Mining Limited submitted a change notice to convert the test dredging operation into a permanent one to mitigate the future impact of aggradation build-up in the OkTedi and Fly River systems.

OTML has included the annual dredging cost in its cash operating costs. It has also established a tax-deductible fund for reclamation of the mine site, which is currently estimated at US \$130 million, and will contribute cash to the fund over the remaining life of the mine.

While dredging the sediments in the OkTedi River has reduced the river bed aggradation and overbank flooding, riverine waste disposal at OkTedi has had, and continues to significantly affect the OkTedi and Fly River systems with sedimentation of the river beds resulting in overbank flooding and acid rock drainage. OkTedi maintains a program to detect the presence of these sediments and monitor their impact as part of its effort to better understand the potential for future acid rock drainage and how this can be managed if it does occur.

While there have been ongoing studies to assess the environmental impact, OkTedi believes that these effects will likely be greater and last longer than previously thought, based on current findings from its monitoring program. OkTedi has also launched a program to fully inform the affected communities about the recent findings of the mine's anticipated environmental impact. These findings and future predictions have also been incorporated in the recent review of the CMCA's.

Water drainage

Water in the OkTedi pit currently drains freely to the south. Starting in 2009, the water will no longer drain freely from the pit, so OkTedi is in the process of constructing a drainage tunnel to provide for free drainage until the end of the pit life. A tunnel boring contractor has been hired and it is expected that the new drainage tunnel will be operational by the end of 2009. The capital costs for the tunnel are estimated at US \$65 million (Inmet's share would be US \$12 million).

Las Cruces

Las Cruces is a **copper deposit** located in southern Spain being developed as an open pit mine

Location	Spain	Average reserve grades	copper — 6.2%
Ownership	70%	Infrastructure	well maintained all-weather paved roads provide excellent access to the site
Type of mine	open pit	Employees	96
Primary metal	copper	Contractors	894
Secondary metal	–		
End product	copper cathode		
Expected mine life	2008-2022		

Business structure

On August 22, 2005, Inmet acquired a 70 percent indirect interest in Cobre Las Cruces from MK Resources. Leucadia, through MK Resources, retained the other 30 percent.

The Las Cruces deposit was originally discovered by a subsidiary of Rio Tinto plc in 1994. It sold the project in 1999 to MK Resources, who established Las Cruces as its local Spanish subsidiary. They completed a second feasibility study in 2003 and carried out environmental studies and permitting work.

About the property

Las Cruces is located in the Sevilla Province of southern Spain, about 20 kilometres northwest of the city of Seville in the region known as Andalucia.

Las Cruces has been granted mining rights for subsurface minerals through Mining Concession No. 7532, granted by the Regional Ministry for Employment and Technological Development of the Province of Andalucia. The Mining Concession was granted in August 2003, after a positive Declaration of Environmental Impact was issued by the Andalucian Regional Ministry of the Environment in May 2002.

Las Cruces has purchased the surface rights to the land above the deposit and to the adjacent lands needed for infrastructure and is in the process of finalizing all of the rights of ways that are necessary to construct and develop the project.

The project also covers land in the public domain that requires permits that have already been obtained.

This excellent location provides access to all necessary infrastructure to develop a state-of-the-art mining project adhering to the highest environmental standards:

- well maintained, paved roads
- rail service in Seville
- international airport in Seville with connections throughout Europe
- port facilities available in Huelva, approximately 80 kilometres to the southwest.

Las Cruces will be mined using conventional open-pit mining methods, based upon hydraulic shovels and trucks, with drilling and blasting in the lower marls and ore zones. The project has a relatively high stripping ratio supported by the high grade ore. Las Cruces has been successfully using contract miners for the pre-stripping and plans to continue to do so for mine production.

Physical characteristics of the deposit

The massive sulphide is hosted by late Devonian to early Carboniferous Period volcanic and sedimentary rocks:

- deposited in a submarine setting within a narrow and relatively shallow intra-continental sea
- characterized by bimodal volcanism and sedimentation.

Post depositional secondary copper enrichment occurred in the upper part of the massive sulphide deposit, forming the mineralization of interest. The deposit was subsequently buried under 100 to 150 metres of sandstone and calcareous mudstone, called marl.

Las Cruces (cont'd)

Geology

The Las Cruces deposit occurs near the eastern end of the Iberian Pyrite Belt, a 250-kilometre long and 40-kilometre wide geologic belt that extends eastward from southern Portugal into southern Spain. The belt is host to more than 100 mineral deposits, some of which were exploited for metals as long ago as pre-Roman times. Mineralization consists of syngenetic massive sulphides containing polymetallic mineralization, similar to most other Iberian Pyrite Belt deposits.

Las Cruces is a blind deposit with no outcroppings because of the 100 to 150 metres of marl on top of the deposit. No other deposits have been found in the immediate area but exploration is difficult because of the thickness of the overburden.

The nearest deposits are Aznalcollar and Los Frailes, both approximately 10 kilometres to the west in the area where the host rock assemblage outcrops at the surface. The Aznalcollar and Los Frailes deposits consist of zinc-lead massive sulphides that were in production over the last 10 to 20 years.

Project update

Construction

Las Cruces' construction began in early 2007 with 55 percent of detailed engineering complete and the plant site prepared.

In May 2007, we revised the capital cost estimate for the project to €463 million, a 22 percent increase from the basic engineering estimate of €380 million. The revised costs cover escalation and growth in several areas as well as a significant increase in contingency allowance.

We also revised the project schedule in October 2007. This shifted forecast production of first copper through the process plant to the fourth quarter of 2008. This shift was because of delays with the engineering drawings and difficulties with civil works contractors, a situation that was exacerbated by labour shortages in a booming Spanish construction industry. Capital costs are expected to increase by approximately €4 million for each month of delay.

By December 31, 2007 Las Cruces had completed the following:

- essentially all detailed engineering and procurement
- 51 percent of construction
- 71 percent of total physical progress.

At the start of 2008, civil works are nearly complete, and the focus is shifting to mechanical work and piping installation. Electrical and instrumentation work is also well underway. Infrastructure projects to supply and store process water, provide power from the Spanish grid and divert a number of streams for environmental and safety reasons are essentially complete.

Mining progress and direct ore shipping

A total of 19.9 million bench cubic metres (bcms) of waste were removed from the mine in 2007, reaching a total of 27.8 million bcms for the project to December 2007. A further 2.4 million bcms is to be removed before we expect to reach ore in late April 2008. Mining costs have been 9 percent below budget because of more efficient blasting and haulage.

Since the process plant is not expected to be ready to process ore until the fourth quarter of 2008, starting May 2008 Las Cruces plans to selectively mine and crush a subset of approximately 130,000 tonnes of the available ore that averages 14 percent copper, and then ship this ore directly to selected smelters. This should result in the production of approximately 18,500 tonnes of copper and significantly mitigate the financial impact of the delay in completion of the process plant. At the same time, ore will be stockpiled in preparation for the plant start-up in the fourth quarter of 2008. The build-up of the stockpile will permit blending of the ore to ensure optimal feed for start-up.

Operating costs

Most cost estimates of consumables are now supported by firm price quotations and contract values. We expect the life-of-mine operating costs for Las Cruces to be approximately €0.49 per pound of copper produced. On an annual basis they should range from €0.53 per pound in the early years, to €0.44 per pound in later years when the mine's strip ratio decreases.

Project management and staff

During 2007 Las Cruces continued to successfully build its management team and has now filled all key positions. Plant management will be integral to commissioning and start-up. During 2007, in cooperation with the Andalucian and local municipal governments, Las Cruces provided a training program in operations and maintenance skills for more than 70 trainee workers and is now in the process of hiring more than 80 percent of these trainees.

Environment

Las Cruces continued its strict environmental management program during 2007 and is pleased to report that there were no significant environmental incidents. Progressive reclamation also continues. Las Cruces' environmental management system also became certified under ISO14001 in 2007.

Permits

The project has all major federal, provincial and municipal permits required to build the mine, plant and infrastructure.

Community relations

Las Cruces continues to have a very good relationship with the local communities. At the end of 2007, almost 200 local residents were directly employed by Las Cruces or its contractors, and local groups are visiting the mine on a regular basis.

Material contracts

In December 2005, Las Cruces entered into a credit agreement with a syndicate of Canadian and international lenders to finance development of the project. It completed an initial drawdown under the facility in June 2006.

The central and regional governments in Spain have agreed to provide subsidies of approximately €53 million in total. We have received advanced subsidy payments of €6 million, and do not expect the balance until after construction is complete and Las Cruces has fulfilled conditions related to investment and job creation.

The following table shows the spending made and required:

(millions)	Spending	Lending under Tranche A of credit facility	Subsidies received	Funding from project sponsors
Up to December 31				
2007	€ 263	€ 87	€ 6	€ 170
2008	200	84	47	69
	€ 463	€ 171	€ 53	€ 239

The following table shows expected production for 100 percent of Las Cruces:

	2008 target	2009 target
Tonnes of ore processed (thousands)	240	800
Strip ratio	28	32
Copper grades (percent)	12	9
Copper production (tonnes)	27,000	64,000
Smelter processing charges and freight for crushed ore sales (C\$ per tonne)	\$ 277	–
Direct production cost of ore processed (C\$ per tonne)	\$ 172	\$ 150

Inmet Mining and Leucadia are responsible for the remaining funding for the project, which is estimated at €94 million. Inmet's share is 70 percent and Leucadia's is 30 percent. The funding is being advanced on a pro rata basis over the construction period.

See *Investor Information, Material contracts — Las Cruces credit agreement* on page 47 for more information.

Planning for the future

Las Cruces construction should be complete by the end of the third quarter and copper cathode production should begin in the fourth quarter. By the end of 2007, €370 million has been spent or committed on the project, and we expect to spend the balance in 2008. Las Cruces should start generating revenue in 2008 as 130,000 tonnes of high grade copper ore is expected to be shipped to smelters beginning in May.

Cerattepe

Cerattepe is a **copper deposit** located near the Çayeli mine in Turkey being developed as an underground mine

Location	Turkey	Average reserve grades	copper — 8.8% zinc — 1.1%
Ownership	100%	Infrastructure	close to roads
Type of mine	underground	Employees	38
Primary metal	copper	Contractors	31
End product	copper concentrate		
Expected mine life	2009-2014		

Business structure

The concession for the Cerattepe deposit is owned by Artvin Bakir Maden Isletmeleri, A.S. (ABMI), a wholly-owned subsidiary of Çayeli Bakir Isletmeleri A.S. by virtue of two operating licences granted by the Turkish Ministry of Energy and Natural Resources.

In March 2004, Çayeli acquired ABMI from an associated entity of Teck Cominco Limited for US \$11 million. Çayeli paid US \$2 million at closing and has two optional instalments of US \$4.5 million each for the remainder of the purchase price.

We have obtained the initial construction and operating permit for the project but legal proceedings have slowed and complicated our activities.

About the property

Cerattepe is a small but high grade copper sulphide deposit near our Çayeli mine in northeastern Turkey.

We plan to mine the Cerattepe deposit from underground, at a rate of approximately 290,000 tonnes per year, and truck the ore to the Çayeli mill for processing. This will allow us to take advantage of the existing mill and other infrastructure at Çayeli to keep costs down. The operation should have a life of approximately five years.

The Cerattepe deposit is located in Artvin Province, in northeastern Turkey:

- approximately 100 kilometres due east of the Çayeli mine, and
- 60 kilometres south of the Black Sea port of Hopa.

It is in a mountainous region, 3.5 kilometres southwest of the town of Artvin and approximately 1,700 metres above sea level. Two switchback gravel roads provide access to the site.

Physical characteristics of the deposit

The Cerattepe deposit is a volcanogenic massive sulphide deposit, with significant concentrations of copper and zinc and minor concentrations of lead, silver and gold.

It also has a formation of a gold and silver rich gossan above and adjacent to the massive sulphide body.

Geology

The Cerattepe deposit consists of three distinct deposits:

- a massive sulphide zone that is rich in copper near the base
- a copper poor sulphide (low-grade) zone above the base
- an overlying oxidized gossan zone, which is rich in gold.

ABMI started technical feasibility work and environmental studies on the Cerattepe project in late 2003 and continued these through 2004. A feasibility study was completed by mid-2004 by SRK Consulting Inc. This study recommended mining only the higher grade portion of the copper ore body.

Project update

A revised capital and operating cost estimate was prepared in mid-2007 based on the results of additional engineering work, current exchange rates and updated commodity, material and labour costs. The revised capital estimate of US \$87 million includes all historical and expected costs. Although costs have increased in all areas, the biggest increase is from the expansion of the Çayeli mill. Changes in currency exchange rates since mid-2004 added 14 percent to costs.

Activities on the mine site resumed in mid-2007 with an emphasis on developing the mine access by rehabilitating the mine decline. This work was successfully completed by the end of the year, and the ramp was extended towards the ore zone.

In 2007 we completed significant engineering work to prepare for construction. Our engineering, procurement and construction management firm completed site engineering layouts and geotechnical investigations, and supervised site construction.

Dopplemayr of Austria was awarded the contract to design and construct the aerial tramway that will take Cerattepe ore from the mine site to the landing station along the Borçka River. The tramway will also carry backfill and shotcrete materials 4.8 kilometres up the mountainside for the mine operation. Engineering has begun and the tramway should be installed by the end of 2008.

Basic engineering on the Çayeli mill expansion was completed. This expansion is designed to increase the throughput of the mill to 1.5 million tonnes per year to accommodate 300,000 tonnes per year from Cerattepe.

Design of the water treatment plant is complete, which means permitting and equipment procurement can begin. Equipment with long lead times are on order, and used equipment will be used where it is advantageous to the project cost and schedule.

In all, engineering and construction are on track for production in 2009.

Capital and operating costs

We completed the following capital and operating cost estimates in 2007:

Total capital costs	US \$87 million (includes US \$21 million for a mill expansion at Çayeli)
Operating costs	US \$65 per tonne (includes transportation and processing)

Key project statistics

Production for the life of mine	1.4 million tonnes at a grade of 8.7 percent copper
Annual production level	290,000 tonnes
Expected production start	first quarter 2009

These costs include the \$15 million spent up to December 2007 and remaining property option payments of US \$9 million.

Permitting

Two cases have been filed as two separate actions corresponding to two of our key moving licences. The plaintiffs, Green Artvin and Artvin Bar, have characteristically requested an injunction against further activity. A ruling on the injunction request is expected before the end of the first quarter. These cases are brought against the Ministry of Energy and Natural Resources, who granted our permits, and we have applied for status as a co-defendant.

Permit applications continue along with the processing of permits which were recently submitted.

Legal proceedings

Prior to April 2007, Cerattepe was affected by a local administrative court decision that determined governmental authorities had incorrectly exempted the project operating licences from environmental assessment regulations. In April 2007, the Danistay (Turkish Administrative Supreme Court) directed the lower court to review its decision and re-instated the validity of the licences on procedural grounds. In June, the local court confirmed its agreement with the Danistay's decision. The plaintiff in the prior proceedings re-filed its applications to have the licences cancelled, and has also made applications to stop work on the property and to cancel a lease of the land on which the bottom ropeway terminus will be located. We have applied to join the proceedings as an intervenor and together with the Turkish Ministry of Energy and Natural Resources have filed defences to the applications which we believe are without merit.

The decision of the Danistay did not finally resolve the status of the operating licences but they remain valid pending receipt of any new decision from the local administrative court. As a result, we resumed permitting and on-site work in April 2007 and have continued with such efforts. Any adverse court ruling in the future could have a negative impact on, or stop our ability to progress, the project.

An active campaign of community dialogue and engagement continues to solidify support for the project.

Petaquilla

Petaquilla is an undeveloped copper, gold and molybdenum property located in Panama

Location	Panama	Expected mine life	23 years
Ownership	48%	Average resource grades	copper — 0.5%
Type of mine	open pit	Infrastructure	20 kilometres from tide water
Primary metal	copper	Employees	—
Secondary metals	gold and molybdenum	Contractors	—
End product	copper and molybdenum concentrate		

Business structure

We have a 48 percent equity interest in Minera Petaquilla, S.A., (MPSA) the Panamanian company that holds the Petaquilla concession.

MPSA was incorporated in January 1997 under the laws of the Republic of Panama and has a mineral concession to explore and exploit the Petaquilla property (Contract-Law No. 9 of February 26, 1997, promulgated by the Government of Panama or *Ley Petaquilla*). *Ley Petaquilla* has an initial twenty year term from its date of enactment in February 1997 with provisions for two consecutive extensions of twenty years each.

Petaquilla Copper Ltd. holds a 52 percent equity interest. Teck Cominco Ltd. has the right to acquire a 26 percent equity interest in MPSA from Petaquilla Copper in return for funding 52 percent of all the development costs for the project to commercial production. Teck Cominco is the operator of the project.

About the property

The Petaquilla concession is located 120 kilometres west of Panama City and 20 kilometres from the Caribbean Sea coast, in the district of Donoso, Colon province, in the Republic of Panama. The concession consists of four zones totalling 13,600 hectares.

Access to the project area is via the southern Pan-American Highway system from Panama City to Penonome, surfaced all-weather roads to La Pintada, and gravel roads via the town of Coclecito. There is also an existing airplane runway at Coclecito. The topography in the concession area is rugged with considerable local relief covered by dense forest. Climatic conditions are equatorial, with high precipitation levels, high humidity and relatively high temperatures of 25° C to 30° C year-round.

Geology

In 1968, a United Nations Development Program team discovered copper, gold and molybdenum porphyry mineralization in the Petaquilla River region of central Panama during a regional survey.

Subsequent exploration outlined the Botija and Petaquilla porphyry deposits, which developed around granodioritic stocks within and peripheral to the Oligocene Petaquilla batholith. Significant epithermal mineralization has also been identified in a more distal setting to the batholith, as well as several mineralized prospects and deposits.

Progress report

In January 1998, Teck Cominco completed a feasibility study, which evaluated the Petaquilla porphyry deposits at daily ore throughput rates of 90,000 and 120,000 tonnes per day. The study concluded that Petaquilla needs infrastructure to provide power, a port and access which add to the capital cost, which the study projected to be US \$1 billion for a 120,000 tonne per day operation.

In June 2005, Inmet, Petaquilla Minerals Limited and Teck Cominco Limited entered into an agreement for a phased development of the Petaquilla project, subject to approval by the Government of Panama. The first phase provided that Petaquilla Minerals would assume full risk to develop the Molejon gold deposit, situated within the Petaquilla concession, as a stand-alone gold mine. In December 2005, the Panamanian Minister of Commerce and Industry *MICI* issued a resolution declaring that for the purposes of *Ley Petaquilla*, the start of development of the Molejon gold deposit would constitute the start of the development of the copper project and related infrastructure and if completed within the required time, would also constitute compliance with MPSA's obligations under *Ley Petaquilla* to commence construction of the copper project.

The agreement concerning the Molejon gold deposit amongst Inmet, Petaquilla Minerals and Teck Cominco, however, does not confirm a decision by the shareholders of MPSA to proceed with a larger scale development of the Petaquilla project.

In April 2006, Inmet, Petaquilla Minerals and Teck Cominco engaged Amec Americas Limited (formerly H.A. Simons) to update the 1998 feasibility study by re-estimating the capital and operating costs for the project and to review opportunities for optimization. The cost update of the feasibility study was completed in January 2007.

Following completion of the Amec cost update, in May 2007, Teck Cominco, Petaquilla Copper (a new company Petaquilla Minerals transferred its interest in Petaquilla to) and Inmet entered into a memorandum of understanding (MOU) and agreed to a work plan to accelerate the development of the Petaquilla copper deposit in Panama by completing the front-end engineering and design (FEED), progressing the social and environmental impact assessment, commencing marketing discussions with our potential customers and advancing financing discussions.

In January 2008 the interim FEED study was completed and estimates that the capital cost required to develop the Petaquilla project would be US \$3.5 billion (including a contingency of \$515 million but not working capital or escalation). The capital cost estimate includes approximately \$500 million for the provision for power and approximately \$280 million for port facilities. Cash costs, including operating costs and smelter processing charges, net of by-product credits, in years 1 to 10 of the project are estimated to average US \$0.85 per pound of copper produced. The study is based on the mine plan developed in 1998, which contemplates a 23-year mine life. The project contemplated in the interim FEED study includes a concentrator capable of processing 120,000 tonnes per day of ore. Construction is expected to take approximately 44 months from issuance of construction permits. Permitting would follow the submission of a social and environmental impact assessment, expected to be completed in the fourth quarter of 2008.

Capital costs for the project have increased substantially over previously published estimates because of scope changes, including enhancements in erosion control, water management and other environmental protection measures, and increases in equipment and construction costs that have been affecting projects worldwide. Despite the increase in capital costs required to develop Petaquilla, the shareholders believe that the project still has the potential to be a world-class mining operation.

Work is continuing on the final FEED study. A project review team is currently studying opportunities to reduce the capital costs from the interim FEED study estimate. Several possible opportunities have already been identified in the area of the grinding circuit, power supply and port infrastructure. The project review team is evaluating these opportunities and, where appropriate, will incorporate these changes into the final FEED study capital cost estimate.

The MOU also provides that Teck Cominco will commit by March 31, 2008 to make a one-time election to exercise its option to acquire a 26 percent interest in MPSA. In addition, Inmet and Petaquilla Copper agreed to have an independent engineering firm perform an evaluation of oxides overlying the Petaquilla, Botija and Grande Valle sulphide deposits and other areas within the Petaquilla concession. If the evaluation demonstrates that separate mining and processing of oxides can be justified from an economic and environmental perspective, Inmet has the right to elect to participate with Petaquilla Copper in such activities on a 48/52 percent basis. Teck Cominco would have no economic interest from such activities.

Should Teck Cominco elect to exercise its option, it will remain as operator of the project and will be entitled to recover all of the investment in the project funded by it (52 percent), plus interest out of 52 percent of the project's cash flow before Petaquilla Copper is entitled to receive its 26 percent share of such cash flow.

Exploration

Securing our future growth potential

We are developing a pipeline of future growth opportunities through our development and pre-development projects and our exploration strategy, which is focused on exploring for world-class copper deposits with annual production of at least 100,000 tonnes of contained copper with a mine life of at least 20 years.

Our exploration strategy is two-pronged to offer the greatest potential:

- exploring worldwide for copper deposits that are consistent with our growth objectives
- exploring our operational areas to take advantage of the existing infrastructure and to potentially extend the life of a mine or increase mill output.

In the last five years, we have concentrated mainly on the areas we operate in. At Çayeli and Pyhäsalmi, the exploration team has targeted volcanogenic massive sulphide (VMS) deposits within trucking distance of our mills. These deposits tend to be smaller and provide good growth opportunities in the vicinity of existing operations, but have limited potential for large-scale production.

In 2006, we set an objective to look for world-class copper opportunities, with the potential to add 100,000 tonnes of annual copper production to our portfolio and have a mine life of over 20 years. For 2008, we decided to increase our annual exploration budget from approximately \$7 million to approximately \$12 million by 2010, to help us find these opportunities. We are also tracking and evaluating junior mining activity based on scale, funding and/or non-commodities to identify possible joint ventures or equity positions.

We have been gradually directing our activities into new areas where we believe the probability of achieving this growth objective is highest. This has meant revisiting both the type of copper deposit we look for, and the geographical areas we explore in.

We believe that copper-gold and copper-molybdenum porphyries, sedimentary-hosted copper, skarns and iron oxide copper gold deposits are most likely to help us meet our growth objectives.

We have ranked countries that have the potential to host these types of deposits by five criteria:

- geological favourability
- quality of their geodatabase
- political risk
- infrastructure
- level of competition.

Our exploration is now focused on Peru, Sweden, Finland, Mexico, Chile and the porphyry belts of Turkey.

Promoting a safe and healthy environment

Our success in developing a sustainable business depends in part on how well we make our operations safe and rewarding places to work, and on how well we manage the economic, environmental and social impacts we have on the communities we operate in.

We expect our employees to adhere to the four key principles in our Leadership Charter that relate to sustainability:

- ensure a safe and healthy working environment by following safe working practices
- demonstrate social and environmental responsibility in what we do
- consult and listen to others
- treat others fairly and with respect.

These principles apply to all of our dealings with employees, shareholders, the communities where we operate and all other stakeholders.

Health and safety

We are deeply committed to the safety of everyone in our operations. We expect our employees and contractors to work safely and to respond immediately to correct any unsafe behaviour.

We have invested considerable time and resources to develop a risk management mindset among our employees, as well as management tools that foster a culture that promotes safety.

Our health and safety management systems cover:

- occupational health
- reporting and investigating any accidents or incidents
- safety meetings
- workplace inspections
- analysis of job safety
- personal protective equipment
- training.

We also benchmark our safety performance against statistics of the Mines and Aggregates Safety and Health Association, an Ontario workplace organization for safe mining.

Environment

Responsible environmental stewardship is a high priority. Because mining, by its nature, has an impact on the environment, we have developed environmental management systems that cover:

- reporting and investigating any incidents
- tailings management
- environmental protection and management
- emergency preparedness and response
- closure plans and closure cost estimates.

Our biggest concern is how we manage mine waste, specifically waste rock and tailings, to control the potential effects on the environment. To make sure tailings are managed responsibly at all of our operations, we have adopted the principles of two guides published by the Mining Association of Canada:

- *Management of Tailings Facilities*
- *Developing an Operations, Maintenance Surveillance Manual for Tailing and Waste Management Facilities.*

We also continue to improve our systems. Senior management's review of our 2004 tailings performance prompted us to expand our existing tailings management policy at wholly-owned sites to include all mine waste as of 2005. This change means that the standards that currently apply to tailings management will also apply to waste rock and other forms of mine waste.

We have also formed a corporate community stakeholder panel to test ideas and seek opinions on different environmental and social responsibility matters. The panel consists of several experts in the fields of responsible investing, environmental conservation, community development, governance and mining.

Closed properties and reclamation

We have reclamation projects involving closed mining properties in Canada and the United States:

Canada

- Winston Lake, near Schreiber, Ontario
- Sturgeon Lake, near Ignace, Ontario
- Norbec, in west central Quebec
- Samatosum, near Barriere, British Columbia

United States

- Copper Range, in the Upper Peninsula, Michigan

The table below shows our spending on reclamation over the past three years:

(millions)	2005	2006	2007
Reclamation spending	\$ 3.0	\$ 2.5	\$ 3.4

Our reclamation activities at our closed properties progressed according to plan during 2007. Most of the individual reclamation projects at the closed properties have been completed with long-term treatment of mine-impacted water at several sites.

We expect reclamation spending to be approximately \$4 million in 2008.

Community affairs

We have formal procedures in place at all of our active operations for addressing concerns and complaints from the community.

We are engaged in an on-going process of increasing the frequency and quality of formal community dialogue at all of our operations and closed properties. Ok Tedi already has a formal engagement and dialogue plan and a record of substantial, long-term community engagement.

Sustainability report 2007

Our sustainability report (which does not form part of this AIF) can give you a better understanding of how we manage our operational, social and environmental risks, and how our systems and performance are evolving over time.

Our 2007 sustainability report will be available to download from our website www.inmetmining.com in spring 2008.

Mineral reserves and resources

The table below shows our mineral reserves and resources estimated as at December 31, 2007.

Operating properties

Category	Tonnes (x 1000)	Cu %	Zn %	Au g/t	Ag g/t	S %	Mo ppm	Contained Metal (x 1000)					Inmet's Interest	
								Cu tonnes	Zn tonnes	Au ounces	Ag ounces	Mo tonnes		
Mineral reserves														
Çayeli	Proven	3,800	3.8	5.5	0.6	45	–	–	142	210	67	5,250	–	100%
	Probable	6,670	3.4	5.4	0.5	48	–	–	224	358	109	10,302	–	100%
	Total	10,470	3.5	5.4	0.5	46	–	–	366	568	176	15,552	–	100%
Pyhäsalmi	Proven	14,380	1.1	2.3	0.4	14	41	–	160	331	186	6,494	–	100%
	Probable	–	–	–	–	–	–	–	–	–	–	–	–	100%
	Total	14,380	1.1	2.3	0.4	14	41	–	160	331	186	6,494	–	100%
Troilus	Proven	6,120	0.1	–	0.6	–	–	–	4	–	114	–	–	100%
	Probable	9,140	0.1	–	1.0	–	–	–	11	–	289	–	–	100%
	Total	15,260	0.1	–	0.8	–	–	–	15	–	403	–	–	100%
Ok Tedi	Proven	119,000	0.7	–	0.9	–	–	–	804	–	3,258	–	–	18%
	Probable	31,000	1.3	–	2.0	–	–	–	403	–	2,002	–	–	18%
	Total	150,000	0.8	–	1.1	–	–	–	1,207	–	5,260	–	–	18%
Inmet's share								758	899	1,712	22,046	–		
Mineral resources														
Çayeli	Measured	1,270	3.8	3.9	0.5	30	–	–	48	50	22	1,229	–	100%
	Indicated	1,710	3.7	2.7	0.5	33	–	–	63	46	30	1,817	–	100%
	Inferred	610	3.3	8.8	–	–	–	–	20	54	–	–	–	100%
Pyhäsalmi	Measured	8,580	0.6	0.4	–	–	44	–	55	34	–	–	–	100%
Troilus	Indicated	29,400	0.2	–	1.5	–	–	–	47	–	1,400	–	–	100%
	Inferred	7,900	0.1	–	1.2	–	–	–	11	–	300	–	–	100%
Inmet's share								213	130	1,452	3,046	–		
(not including inferred resources)														

Development and pre-development properties

Category	Tonnes (x 1000)	Cu %	Zn %	Au g/t	Ag g/t	S %	Mo ppm	Contained Metal (x 1000)					Inmet's Interest	
								Cu tonnes	Zn tonnes	Au ounces	Ag ounces	Mo tonnes		
Mineral reserves														
Las Cruces	Proven	9,790	6.4	–	–	–	–	–	629	–	–	–	–	70%
	Probable	7,835	6.0	–	–	–	–	–	469	–	–	–	–	70%
	Total	17,625	6.2	–	–	–	–	–	1,098	–	–	–	–	70%
Cerattepe	Probable	1,560	8.8	1.1	1.4	33	–	–	138	17	68	1,655	–	100%
Inmet's share								907	17	68	1,655	–		
Mineral resources														
Petaquilla	Measured	526,000	0.5	–	0.1	–	–	101	2,842	–	1,732	–	53	48%
	Indicated	424,000	0.5	–	0.1	–	–	94	1,997	–	1,091	–	40	48%
	Total	950,000	0.5	–	0.1	–	–	98	4,839	–	2,823	–	93	48%
Inmet's share								2,323	–	1,355	–	45		

Notes to mineral reserves and resources table

Mineral reserves and resources are shown on a 100 percent basis for each property. Mineral resources are exclusive of mineral reserves.

The mineral reserve and resource estimates are prepared in accordance with the *CIM Definition Standards On Mineral Resources and Mineral Reserves*, adopted by CIM Council on November 14, 2004, and the *CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines*, adopted by CIM Council on November 23, 2003, using geostatistical and/or classical methods, plus economic and mining parameters appropriate to each project. You will find the definitions and guidelines at www.cim.org.

Estimates for all operations except Ok Tedi are prepared by or under the supervision of a qualified person as defined in National Instrument 43-101 (usually an engineer or geologist). Ok Tedi's estimates are prepared by competent persons as defined in the *Australasian Code for Reporting of Identified Mineral and Ore Reserves* (the Australasian Code).

There are no known environmental, permitting, legal, taxation, political or other relevant issues that would materially affect the estimates of the mineral reserves except in the case of Cerattepe.

Mineral resources do not have demonstrated economic viability.

Çayeli

Resource and reserve estimates prepared at December 31, 2007 under the supervision of Joseph Boaro, P. Eng. (Technical Manager, Çayeli).

Reserve estimates are based on the following assumptions:

- copper price: US \$1.50 per pound
- zinc price: US \$0.75 per pound
- net smelter return cut-off: US \$56 per tonne.

Resource estimates include only material in addition to those used to generate reserves and are based on the same metal prices and a lower net smelter return cut-off: US \$50 per tonne.

Pyhäsalmi

Estimates prepared at December 31, 2007 have been audited by Wardrop Engineering and prepared under the supervision of Timo Maki, Geologist, European Federation of Geologists (Chief Geologist, Pyhäsalmi).

Reserve estimates are based on the following assumptions:

- copper price: US \$1.50 per pound
- zinc price: US \$0.75 per pound
- exchange rate: €1.00 = US \$1.30
- net smelter return cut-off: €25.00 per tonne.

Resource estimates are based on the geological limits of the massive sulphides.

Troilus

Resource and reserve estimates prepared at December 31, 2007 under the supervision of Yves Beauchamp, P. Eng. (Chief Engineer, Troilus).

Reserve estimates are based on the following assumptions:

- gold price: US \$450 per ounce
- cut-off grade: 0.45 grams of gold per tonne
- exchange rate: C \$1.20 = US \$1.00.

Underground resource estimates are based on the following assumptions:

- gold price: US \$450 per ounce
- copper price: US \$1.10 per pound
- cut-off grade: 0.80 grams of gold per tonne
- net smelter return cut-off: US \$13.50 per tonne
- exchange rate: C \$1.20 = US \$1.00.

Mineral reserves and resources (cont'd)

Ok Tedi

Estimates prepared at December 31, 2007 by Ok Tedi Mining Limited (OTML) according to the Australasian Code. The competent persons responsible for the estimate were Karl Smith (Manager Mine Planning Services, OTML) and Ian Sheppard (Executive Manager Technical Services, OTML).

Ok Tedi reserves have declined by 136,000 tonnes of contained copper and 677,200 ounces of contained gold, net of that milled in 2007. This reduction is due to an update of the geological resource estimation model completed in 2007 following the in pit drilling over 2005 to 2007, a categorization change of the mineral resource from the indicated to the inferred category and pit design changes.

OTML plans to complete additional resource drilling, detailed pit design improvements based on geotechnical investigations and review of cut off grades reflecting the current higher metal prices in 2008. We expect that OTML's planned 2008 activities should recover a majority of the reserve decline in the December 31, 2007 estimate.

Estimates are based on the following assumptions:

- copper price: US \$0.90 per pound
- gold price: US \$350 per ounce.

Las Cruces

Reserve estimates prepared at December 31, 2007 under the supervision of Michael Doyle, FIMM, FAIMM (Technical Manager, Cobre Las Cruces).

Reserve estimates are based on the following assumptions:

- copper price: US \$1.10 per pound
- exchange rate: €1.00 = US \$1.20
- open pit cut-off: 1 percent copper (95.3 percent of copper in reserve)
- underground cut-off: 3 percent copper (4.7 percent of copper in reserve).

Cerattepe

Estimates were prepared during a 2004 feasibility study and are valid as of December 31, 2007 under the joint supervision of:

- Ken Reipas, P. Eng. (SRK Consulting)
- Michael Michaud, P. Geol. (SRK Consulting) and in consultation with:
- Ian Pirie, P. Geol. (Project Manager, Cerattepe).

Estimates are based on a copper price of US \$0.90 per pound.

Petaquilla

In 2007, AMEC performed a review of the Petaquilla mineral resource as reported in the 1998 feasibility study (Simons, 1998). AMEC is of the opinion that the resource estimates for the Petaquilla and Botija deposits reported in that study are compliant with current National Instrument 43-101 standards and CIM best practices. This review was performed under the supervision of:

- Ted Eggleston, Principal Geologist, AMEC.

Estimates are based on the following assumptions:

- copper price: US \$1.10 per pound
- gold price: US \$375 per ounce
- molybdenum price: US \$3.50 per pound
- net smelter return cut-off: US \$3.50 per tonne
- average metallurgical recoveries: 86 percent for copper, 58 percent for gold and 62 percent for molybdenum.

Risk factors in our business

There are risks in every business and the mining industry has its own inherent risks. The reality is that only a few properties that are explored are ultimately developed into producing mines, and this is often for reasons that cannot be anticipated in advance.

Even after mining operations begin, there can be environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding. Any of these can damage or destroy mineral properties or impact the environment. They can also result in personal injuries, production delays or interruptions, higher production costs, financial losses, legal liability and adverse government action.

We maintain insurance coverage to cover some risks, however, like any other mining company, we may not be able to and do not obtain insurance to cover all risks.

The section that follows provides a description of the most material risks affecting Inmet.

Reserve and production estimates

Our mineral reserves and resources are the foundation of our business. They dictate how much ore we can produce, and how many years we can produce it for.

The mineral reserves we have reported as of December 31, 2007 are estimated quantities of proven and probable mineral reserves that can be mined legally and economically, and processed by extracting their mineral content under current conditions and conditions anticipated in the future. We determine the amount of our mineral reserves according to the regulatory requirements that apply, and following established mining standards.

The volume and grade of reserves we actually recover, and rates of production from our current mineral reserves, may be less than geological measurements of the reserves. Fluctuations in the market price of copper, gold, zinc and other metals, changing exchange rates and operating and capital costs may make it uneconomical to mine certain mineral reserves in the future.

Short-term operating factors relating to mineral reserves, such as the need for orderly development of ore bodies or the processing of new or different ore grades, may also prompt us to modify mineral reserves estimates or make one of our operations unprofitable in a particular fiscal period. There is no assurance that the indicated amount of ore will be recovered or that it will be recovered at prices we have assumed in determining the mineral reserves.

Mineral reserve estimates can be uncertain because they are based on limited sampling and not the entire ore body. As we gain more knowledge and understanding of the ore body, the reserve estimates may change significantly, either positively or negatively.

We prepare estimates of future production that are based on, among other things:

- reserve estimates
- assumptions about ground conditions and physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics
- estimated rates and costs for mining and processing.

Our actual production could be different for a variety of reasons, including:

- actual ore mined varying from estimates of grade
- tonnage
- dilution
- metallurgical and other characteristics
- short-term operating factors relating to the mineral reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades
- risks and hazards associated with mining
- natural phenomena, such as inclement weather conditions, floods and earthquakes
- unexpected labour shortages or strikes.

There is no assurance that we will achieve our production estimates. Failing to achieve production estimates could have a material adverse effect on our future cash flows, earnings, results of operations and financial condition.

Because the life of a mine is limited by its mineral reserves, we continually look for opportunities to replace and expand our reserves by exploring existing properties and by looking for potential acquisitions of new properties or companies that own new properties. There is no assurance, however, that we will be successful in our efforts.

Risk factors in our business (cont'd)

Metal prices

We produce concentrates that we sell for processing into refined metals. Our earnings are derived from the sale of the metals and fluctuate with changes in the market prices for the refined metals. The most significant factor affecting our financial performance is the price we receive for the metals we produce and sell. This has an impact on our sales revenues, smelter processing charges and certain variable costs, such as royalties.

Metal prices are affected by many factors beyond our control, including:

- global supply and demand
- regional supply and demand
- political and economic conditions
- exchange rates relative to the US dollar
- inflation expectations
- speculative activities
- production costs in major producing regions.

We do not typically hedge the prices of the base metals we produce. Any decrease in the market price of one or more of these metals could materially adversely affect the value and amount of our reserves, our business, financial condition, liquidity and results of operations.

To manage the risks associated with hedging, we have a metal price hedging policy that, among other restrictions:

- limits the amount of production we can hedge to 50 percent of our reserves
- restricts the amount of hedging that we can transact with any one counterparty. Any counterparty we deal with must be highly rated.

Because of the high cost nature of our Troilus mine, we use hedging instruments such as forward sales contracts to manage changes in the price of gold. Ok Tedi has forward sales contracts for about 10 percent of its 2008 gold production and about five percent for years 2010 to 2013. Although we enter into hedging transactions, there can be no assurance that we will not be adversely affected by fluctuating metal prices.

Exchange rates

Almost all of the revenue we earn is in US dollars, but because we operate in countries around the world, our costs are in several different currencies. We are most affected by changes in the various exchange rates between the Canadian dollar, the US dollar and the euro.

We may use option contracts to hedge against changes in the US dollar. While we use these contracts to limit our exposure to changes in currency rates, there's still the potential for any changes in currency exchange rates to have an adverse effect on us.

Smelter processing charges

We sell concentrate mainly to smelters, which process it into refined metal. Smelter processing charges are made up of the contracted price for treatment and refining charges, and costs to cover metal losses in the smelting process (referred to as *content losses*). Most contracts also include a price participation clause where the smelter participates to some extent in the upward and downward movement in metal prices. We sell most of our concentrate under long-term contracts. We also sell in the spot market where the economic return is typically more volatile. Contract terms dealing with processing fees are normally negotiated once a year and depend on forecasted supply of concentrate, and smelter demand.

At Las Cruces we will produce copper cathode, bypassing the smelters and eliminating smelter and refining treatment charges. Copper cathode generally receives a premium above market prices, and can be sold and shipped to buyers closer to the operation.

Human resources

People are core to our success. The currently buoyant commodities markets have resulted in a shortage of skilled recruits, especially trades people. We have a comprehensive strategy in place to make sure we attract and retain people of the highest calibre. This includes training, competitive compensation and other incentives.

Regulatory risk

Our operations and investments are subject to environmental laws and regulations in Canada and other countries. This controls the mining and exploration of mineral properties and the possible effects that these activities could have on the environment. We require permits from a variety of regulatory authorities for many aspects of mine operation and reclamation.

If new legislation and regulations are introduced in the future, they could lead to additional costs, capital expenditures, restrictions and delays at existing operations or developing properties, and it is impossible to predict the extent of any of these possible changes.

When we receive environmental permits, including the approval of reclamation plans, we must comply with standards that have been established and existing laws and regulations. This can increase or lower costs or cause delays or both, depending on the activity and how rigorously permitting authorities enforce regulations.

Laws and regulations can change, which would create significant uncertainty around the environmental and reclamation costs we incur. Environmental and regulatory review has also become a long, complex and uncertain process that can delay the opening of a new mine or extend decommissioning activities at closed mines. Regulatory developments or changes in the assessment of conditions at closed sites can vary substantially, positively or negatively, from prior estimates of reclamation liabilities.

The ore body at Las Cruces is located below a regional aquifer. Las Cruces has developed a program to pump the water out around the mine pit, transport it in closed pipelines to prevent contamination and then re-inject it into the same aquifer to ensure that the water and its quality are preserved.

Mine restoration will begin during construction so the site will be reclaimed and re-vegetated progressively throughout the life of the mine. Once mining at the site is finished, some of the marl will be put back into the open pit to seal the aquifer. The marl will also be used to encapsulate all of the tailings and waste products from the mine.

At Cerattepe, permitting has been a significant factor affecting the project. ABMI has been working diligently with the regulatory agencies to obtain all necessary permits. An active campaign of community dialogue and engagement is also underway to solidify support for the project.

Development risk

Las Cruces is a development project, and while we are confident that the project will add value as planned, there are still significant risks to completing the project as planned, particularly in the ability of Las Cruces contractors to meet critical construction milestones. While there are rigorous controls on contractor performance, progress depends on the abilities of the Las Cruces owner team and construction manager to hire the necessary resources and effectively manage them.

A local non-governmental group has initiated several legal proceedings claiming that various governmental approvals for the project were not granted according to regulatory requirements. We believe these claims are without merit and are vigorously defending against them. Two of these proceedings were dismissed in 2006. Two other proceedings are still outstanding.

Ground conditions

Ground conditions at our mines are an important challenge, especially as a mine matures.

At Çayeli, in order to address the risks of adverse ground conditions, the design and sequencing of working areas has minimized the impact of difficult ground conditions.

At Pyhäsalmi, the operation has developed a sophisticated management system for ground control that includes seismic sensors throughout the mine and modeling programs to analyze the data. Stope sizes and ground support requirements are evaluated on a case-by-case basis to address local ground conditions and the stability of the stopes. In 2008, we plan to reduce stope heights to lower the risk associated with stope caving, oversize boulders and to reduce the height of backfill exposures.

At Troilus, as the pit gets larger the potential for geotechnical problems increases. Troilus is lowering this risk substantially through good blasting practices, general pre-splitting in critical areas, anchoring in critical areas and retaining independent geotechnical experts to conduct a bi-annual audit.

Risk factors in our business (cont'd)

Competitive risk

Our primary focus is on copper and zinc, and gold to a lesser extent. We sell these products at world market prices that we do not and cannot influence. We reduce our exposure somewhat to cyclical swings in individual metal prices and foreign currencies, however, because of the diverse geographical locations of our operations and the different products they produce.

Our competitive position depends on our ability to control operating costs. The cost structure of each operation is based on the location, grade and nature of the ore body, and the management skills at each site.

Many of our costs are driven by supply and market demand. For example, the cost of local materials, like cement or explosives, and electricity will vary based on demand. Wages can be affected by inflation and currency exchange rates and most recently have been impacted by the shortage of mining human resources. The costs of fuel and steel are driven by global market supply and demand. We do not enter into long-term contracts for any consumable products. Our main cost drivers include the cost of labour plus consumables such as electricity, fuel and steel.

Our competitive position also depends on our ability to expand our mineral reserves through exploration and acquisitions of other mining companies or properties. We may experience strong competition from other mining companies as we look for acquisition opportunities, especially with the consolidation that has occurred in the mining industry in 2007.

Most new copper will come from large low grade deposits and the development of these projects will require significantly more capital investment. It is the consolidated larger companies that have the strong financial resources to develop these projects. Our ability to finance a large scale project that we control could be challenging in this environment.

Energy and power supply and prices

Our operations, by their nature, use large amounts of power and energy. Our ability to obtain a secure supply of energy and power at a reasonable cost depends on many factors, including:

- global and regional supply and demand
- political and economic conditions
- problems that can affect local production
- delivery and relevant regulatory regimes.

Even a temporary interruption of power could adversely affect an operation. An increase in power and energy prices could negatively affect our business, financial condition, liquidity and results of operations.

Access to markets

Regulatory and voluntary initiatives that restrict or eliminate the use of certain metals or specific products or applications can affect the supply of, and demand for, metals as well as lower metal prices.

Political risk

We have operations in Papua New Guinea and Turkey but do not regard the nature of these countries as a significant deterrent to our operations or investments.

Our operations and investments outside Canada could be adversely affected by war, civil disturbances and activities of foreign governments that limit or disrupt markets, restrict the movement of funds or supplies, or restrict contractual rights or take property without fair compensation.

These operations and investments could also be negatively affected by changes in Canadian laws and regulations relating to foreign trade, investment and taxation. From time to time, we have entered into joint venture arrangements with local partners to mitigate political risk. We do not currently have political risk insurance.

Meteorological factors

Ok Tedi's ability to generate electrical power, ship concentrates to its customers and bring supplies to the operations depends on the amount of rainfall in the area.

When rainfall levels are low, sand banks in the river prevent the barges from passing and concentrate are stockpiled at the river port. Low water levels can also potentially delay shipments of supplies of fuel and explosives to the mine.

Ok Tedi's ability to generate electrical power also depends on the amount of rainfall in the area. If prolonged dry weather conditions occur, the mine may have to cut back or suspend production, which would have an impact on operating results.

Ok Tedi has taken the necessary steps to minimize the impact on the operation by keeping concentrate stockpiles at the lowest possible levels, and increasing its inventory of diesel fuel and other consumables. This should allow the mine to operate for 45 days without interruption during a complete drought, and for 90 days during a drought where there is intermittent rainfall.

Non-project legal proceedings

OTML, its shareholders, including Inmet Mining, and a subsidiary of BHP Billiton that formerly provided management services to the mine, have been named as defendants in a legal proceeding filed with the Papua New Guinea National Court of Justice in October 2006.

The proceeding concerns a claim for damages for environmental harm allegedly caused by the operation of the Ok Tedi mine. The total amount of damages sought was not specified in the claim. The plaintiffs are members of the Ningerum and West Ningerum clans, some of whom are participants in the Community Mine Continuation Agreement process. OTML and Inmet each filed with the Court notice of their intention to defend against the action. In mid 2007, various defendants brought motions to have the action dismissed. In November 2007, the Court ordered that the proceedings against all defendants be dismissed. The plaintiffs have filed a notice of appeal in the Papua New Guinea Supreme Court of Justice concerning the dismissal. Both OTML and Inmet continue to believe the claim is without merit and that they each have good defences to the action.

In addition to substantive defences, OTML is a limited liability corporation. Inmet therefore, in its capacity as a holder of fully paid shares, is not exposed directly or derivatively to liabilities that may attach to OTML itself.

In April 2006, the Fly River Provincial Government filed a reference with the Papua New Guinea Supreme Court of Justice challenging the constitutional validity of certain aspects of the Mining (*Ok Tedi Mine Continuation (Ninth Supplemental) Agreement*) Act 2001 (the Act) passed by the National Parliament. The Act, among other things, gives the force of law to the Community Mine Continuation Agreements, where local communities affected by the Ok Tedi mine have consented to its continued operation. OTML intervened in the proceedings, and brought a motion seeking to have the constitutional challenge dismissed. In August 2007, the Papua New Guinea Supreme Court of Justice ruled that the constitutional challenge was improperly brought before it and ordered that it be dismissed.

Investor information

Inmet Mining's corporate structure

June 1, 1987

Metall Mining Corporation / Corporation Minière Metall continued under the laws of Canada by certificate and articles of continuance

January 1, 1988

Amalgamation with two wholly-owned subsidiaries by certificate and articles of amalgamation

December 31, 1990

Amalgamation with a wholly-owned subsidiary by certificate and articles of amalgamation

Inmet Mining

Our registered and head office is at 330 Bay Street, Suite 1000, Toronto, Ontario, Canada M5H 2S8. We have approximately 3,200 employees worldwide (including employees of Ok Tedi).

Share capital

Inmet Mining's articles of amalgamation provide for three classes of shares:

- common shares
- preferred shares
- subordinate voting participating shares.

Each class has an unlimited number of shares.

There are 48,281,909 common shares issued and outstanding. We have not issued any preferred shares or subordinate voting participating shares.

Common shares

Each common share gives the holder the right to:

- receive notice of and attend all meetings of shareholders, with each common share entitling the holder to five votes at a meeting of shareholders
- participate equally with the holders of subordinate voting participating shares in any:
 - dividends declared by the directors
 - distribution of assets if the company is liquidated, dissolved or wound up, after payments are made to holders of preferred shares.

Common shares cannot be subdivided, consolidated or otherwise changed unless all of the common shares and subordinate voting participating shares are also subdivided, consolidated or otherwise changed at the same time, in the same proportion and in the same manner.

Preferred shares

Preferred shares can be issued in series. The directors can fix the number, designation, rights, privileges, restrictions and conditions of the preferred shares of each series before the shares are issued.

Holders of preferred shares do not have the right to receive notices of any meetings of shareholders, or to attend them or to vote at them, unless the conditions when the preferred shares are issued state otherwise. Preferred shares can carry other rights that have been specified when the shares are issued. The holders of preferred shares can also be entitled by law to vote as a class on certain matters.

May 4, 1995

Name changed to
Inmet Mining Corporation /
Corporation Minière Inmet

January 1, 1999

Amalgamation with a wholly-owned
subsidiary by articles of amalgamation

Preferred shares rank ahead of subordinate voting participating shares and common shares when:

- dividends are paid
- assets are distributed if the company is liquidated, dissolved or wound up.

Subordinate voting participating shares

Each subordinate voting participating share gives the holder the right to:

- receive notice of and attend all meetings of shareholders
- one vote at a meeting of shareholders
- participate equally with the holders of common shares in any dividends declared by the directors, and any distribution of assets if the company is liquidated, dissolved or wound up, after payments are made to holders of preferred shares.

Subordinate voting participating shares cannot be subdivided, consolidated or otherwise changed unless all of the subordinate voting participating shares are changed in the same way, at the same time and in the same proportion.

Dividends

Inmet Mining's board of directors can declare dividends at its discretion. In November 2005, the board adopted a dividend policy that pays annual dividends of \$0.20 per share to common shareholders. Under the policy, dividends of \$0.10 per common share are paid on June 15 and December 15 of each year.

We believe we can maintain this level of dividend as copper prices fluctuate. Our ability to pay dividends would be restricted, however, if there is a default under our sponsor guarantee (see *Material contracts — Inmet sponsor guarantee* on page 47 for more information).

Ratings

Credit ratings assess the ability of a company to meet its financial commitment on an obligation.

None of our securities have been rated by a rating agency. If, however, they receive a rating in the future, there is no guarantee that the rating will remain in effect for an extended period. A rating can also be revised or withdrawn by the rating agency.

Investor information (cont'd)

Market for securities

Trading price and volume

Inmet Mining's common shares trade on the Toronto Stock Exchange (TSX) under the symbol *IMN*. The table below shows the range in share price and volume traded in each month of 2007.

Month	High	Low	Volume Traded
January	\$ 62.85	\$ 50.11	9,123,349
February	\$ 62.75	\$ 57.35	6,543,219
March	\$ 66.00	\$ 52.00	7,568,737
April	\$ 68.98	\$ 63.02	5,526,445
May	\$ 76.51	\$ 67.50	7,426,838
June	\$ 85.98	\$ 76.30	6,115,340
July	\$ 101.16	\$ 86.00	9,033,372
August	\$ 93.91	\$ 73.88	8,331,016
September	\$ 100.93	\$ 86.50	8,288,238
October	\$ 111.89	\$ 93.22	9,546,218
November	\$ 99.00	\$ 75.51	14,035,434
December	\$ 93.73	\$ 75.50	6,947,892

Transfer agent and registrar

CIBC Mellon Trust Company (CIBC Mellon) is our transfer agent and registrar, and maintains the register of transfers of our common shares at its main office in Toronto, Ontario.

Use of experts

We rely on experts to audit our financial statements and prepare our mineral reserve and resource estimates.

- Our consolidated financial statements for the year ended December 31, 2007 have been audited by KPMG LLP Chartered Accountants. The auditors have confirmed they are independent according to the Rules of Professional Conduct of Ontario.
- *Notes to mineral reserves and resources* table, starting on page 37, lists qualified persons, as defined by *National Instrument 43-101 — Standards of Disclosure for Mineral Projects*, and competent persons, as defined by the *Australasian Code for Reporting of Identified Mineral and Ore Reserves* (the Australasian Code) who have prepared or supervised the preparation of our mineral reserve and mineral resource estimates as at December 31, 2007.

None of these people or organizations beneficially owns (directly or indirectly), or exercises control or direction over, more than one percent of our issued and outstanding common shares.

Material contracts

Amended and restated Las Cruces project shareholders agreement

Inmet Mining and certain of its subsidiaries, together with Leucadia and MK Resources, entered into an amended and restated Las Cruces project shareholders agreement dated February 16, 2006 that gives the companies the authority to oversee the development and operation of the Las Cruces project, subject to certain protective minority rights of Leucadia.

Under the agreement, Inmet Mining and Leucadia have also committed to the development costs for the Las Cruces project and agreed to provide several guarantees of Las Cruces obligations under a credit agreement with certain lenders (see *Las Cruces credit agreement* and *Inmet sponsor guarantee* below). Once the guarantees are terminated, as specified in their terms, Leucadia has the right to offer its interest in Las Cruces to Inmet Mining, or to sell its interest to a third party that Inmet Mining finds reasonably acceptable, subject to its right of first refusal. Inmet Mining will also have the right to call for Leucadia to sell its interest in Las Cruces to it, if Leucadia's interest drops below 15 percent.

Las Cruces credit agreement

Las Cruces, as borrower, has entered into a credit agreement dated December 15, 2005 with the Canadian Imperial Bank of Commerce (CIBC) as sole lead arranger, The Bank of Nova Scotia, Soci t  Generale and Banco Bilbao Vizcaya Argentaria, S.A. as co-arrangers and co-syndication agents, and certain other banks and financial institutions, to finance the development of the Las Cruces mine. The credit facility consists of two tranches:

- Tranche A is a US \$240 million senior secured facility that matures on December 15, 2015 and contains a US \$25 million letter of credit facility.
- Tranche B is a €69 million senior secured bridge financing facility that expires on December 31, 2009 and provides financing until the government subsidies and value added taxes (VAT) for the project have been received.

Borrowing under Tranche A will be repaid in US dollars, in semi-annual payments over seven years. Repayments will begin on June 30, 2009 or six months after project completion (as defined in the agreement) whichever is earlier.

Repayments for Tranche B are due within 30 days of Las Cruces receiving subsidy payments and VAT refunds. Tranche B must be fully repaid by December 31, 2009. The agreement contains terms and provisions that are customary for a project financing, including an obligation on the part of Las Cruces to comply with certain financial ratios and other financial tests and specified positive and negative covenants.

Inmet sponsor guarantee

Inmet Mining has provided a sponsor guarantee to CIBC, dated December 15, 2006, on behalf of the lenders under the CLC credit agreement, to guarantee Las Cruces' obligations under the agreement in proportion to its indirect holding in Las Cruces. The sponsor guarantee will be in place until project completion is reached (as defined under the agreement), and until Tranche B of the agreement is repaid. At that time, the project financing will be non-recourse to Inmet Mining.

The guarantee contains customary terms and conditions including a requirement to maintain certain financial ratios. It is secured by a pledge of the assets of Inmet Mining and the shares of certain subsidiaries. These assets and shares have also been pledged to secure Inmet Mining's existing hedging facilities and will continue to be pledged, after project completion is reached (as defined under the agreement), and Tranche B of the agreement is repaid, to secure any remaining obligations under the hedging facilities.

Leucadia has also provided a sponsor guarantee for Las Cruces' obligations under the credit agreement in proportion to its indirect holding in Las Cruces.

Governance

Board of directors

Our board of directors is responsible for the stewardship of our business and affairs. Its main role is to oversee corporate performance and to make sure that management has the talent, professionalism and integrity necessary to successfully carry out our strategic plan and achieve our corporate objectives. Each of our directors hold office until our next annual meeting of shareholders, or until a successor is appointed.

Dr. Yilmaz Argüden, Ph.D., 50

Istanbul, Turkey

Independent — Director since 2005

Member of:

Compensation committee

Corporate governance and nominating committee

Owns no common shares

Holds 3,644 deferred share units

Dr. Argüden is Chairman of ARGE Consulting A.S., a management consulting firm based in Istanbul, Turkey. He is the Chairman of Rothschild Investment Bank in Turkey. He is also an Adjunct Professor of Business Strategy at the Bosphorus University and Koç University, an author of numerous books and a columnist.

He is the former Chairman of Erdemir, the largest Turkish steel company, and was also a board member of various Anadolu, Borusan, and Vestel Group companies in Turkey. Dr. Argüden was selected as a “Global Leader of Tomorrow” by the World Economic Forum in 1999. He received his Ph.D. in policy analysis from the RAND Graduate Institute. Dr. Argüden is also Chairman of the Turkish Canadian Business Council.

Dr. Argüden is also a director of Anadolu Efes, Coca-Cola İçecek, Vestel Electronics Corp., Vestel White Goods Trade and Industry A.S. and Yazicilar Holding A.S.

David R. Beatty, O.B.E., 66

Toronto, Ontario

Independent — Lead director, Director since 2003

Member of:

Compensation committee

Corporate governance and nominating committee (chair)

Owns 4,000 common shares

Holds 4,322 deferred share units

Mr. Beatty is Professor of Strategic Management and Director of the Clarkson Centre for Business Ethics and Board Effectiveness at the University of Toronto’s Rotman School of Management. He is also the Managing Director of the Canadian Coalition for Good Governance.

He has gained extensive business, international and mining experience during a professional career that spans more than 30 years. He is also Honorary Consul to Canada for the Government of Papua New Guinea, and in 1993, was awarded the O.B.E.

Mr. Beatty is also a director of Bank of Montreal, First Service Corporation, and the Institute of Corporate Directors.

John C. Eby, 56

Toronto, Ontario

Independent — Director since 2005

Member of:

Audit committee

Safety, environmental and community affairs committee

Compensation committee

Owns 3,000 common shares

Holds 1,822 deferred share units

Mr. Eby is a corporate director and the past Vice-Chairman, Scotia Capital Inc., where he was responsible for overseeing the firm’s mining practice.

He has over 29 years of experience with Scotiabank and its affiliates, covering corporate banking, capital markets and investment banking in a variety of sectors.

Mr. Eby is also a director of Wajax Income Fund and First Nickel Inc.

Paul E. Gagné, 61

Senneville, Quebec

Independent — Director since 1996

Member of:

Audit committee (chair)

Safety, environmental and community affairs committee (chair)

Owns 5,300 common shares

Holds 28,862 deferred share units

Mr. Gagné is a corporate director. He is the Chairman of Wajax Income Fund. From 1998 to 2002, he was a consultant to Kruger Inc. and prior to that, he was Chief Executive Officer of Avenor Inc., a pulp, paper and wood products company.

Mr. Gagné has extensive experience in the resources sector and is a Canadian chartered accountant.

Mr. Gagné is also a director of CAE Inc., Fraser Papers Inc. and Textron Inc.

Oyvind Hushovd, 58

Kristiansand, Norway

Independent — Director since 2002

Member of:

Audit committee

Safety, environmental and community affairs committee

Owns no common shares

Holds 7,752 deferred share units

Mr. Hushovd is a corporate director with considerable experience in the mining and resource sectors. Prior to February 2006 he was the non-executive Chairman, and prior to July 2005, the Chief Executive Officer, of Gabriel Resources Ltd.

From 1996 to 2002, he was President and Chief Executive Officer of Falconbridge Limited and prior to that held senior positions within that company.

Mr. Hushovd is also a director of Cameco Corporation and Ivanhoe Nickel and Platinum Ltd.

Thomas E. Mara, 62

New York, USA

Independent — Director since August 2005

Owns no common shares

Holds 1,230 deferred share units

Mr. Mara is Executive Vice-President and Treasurer of Leucadia National Corporation, and Chief Executive Officer of The FINOVA Group Inc. Before joining Leucadia in 1977, Mr. Mara was a Vice-President at United Virginia Factors Corporation.

Mr. Mara has broad U.S. and international financial experience. He received his Bachelor of Business Administration from Western Michigan University and served in the United States Army Security Agency for two years.

He is also a director of The FINOVA Group Inc.

Richard A. Ross, 50

Nobleton, Ontario

Director since 1999

Owns 50,802 common shares

Mr. Ross is Inmet's Chairman and Chief Executive Officer. He is a Canadian chartered accountant.

Mr. Ross is also President of the Canadian-Turkish Business Council, a director of St. Joseph's Health Centre, Toronto, and past Chairman of the Mining Association of Canada.

James M. Tory, O.C., 78

Toronto, Ontario

Independent — Director since 1987

Member of:

Audit committee

Compensation committee (chair)

Corporate governance and nominating committee

Owns 22,100 common shares

Holds 27,506 deferred share units

Mr. Tory is a corporate director. Prior to 2006, he was Chair Emeritus of Torys LLP and prior to that, a partner in the firm.

He is highly regarded for his lengthy career in law, focusing on general corporate law and acting for many of Canada's leading corporations, banks and investment dealers.

He is also a director of Cognos Inc., and the chair and a trustee of Canadian Real Estate Investment Trust.

Douglas Whitehead, 61

North Vancouver, British Columbia

Independent — Director since October 2007

Member of:

Safety, environmental and community affairs committee

Owns no common shares

Holds 78 deferred share units

Mr. Whitehead is President and Chief Executive Officer of Finning International Inc.

From 1992 to 1998, he was President and Chief Executive Officer of Fletcher Challenge Canada. He previously held various management and executive positions of increasing responsibility in general management, marketing and merchandising, planning and development and human resources with Fletcher Challenge Canada and its predecessors.

Mr. Whitehead holds a Bachelor of Applied Science in Civil Engineering from the University of British Columbia and an MBA degree from the University of Western Ontario.

Mr. Whitehead is a member of the Canadian Council of Chief Executives and a member of the B.C. Progress Board.

Committees

Audit committee — met 6 times in 2007

Compensation committee — met 5 times in 2007

Corporate governance and nominating committee — met 4 times in 2007

Safety, environmental and community affairs committee — met 4 times in 2007

Governance (cont'd)

Cease trade or similar order, bankruptcies, penalties or sanctions

The following directors have been involved with companies that have had a cease trade or similar order, had gone bankrupt or had penalties or sanctions:

- Early in November 2006, Mr. Gagné resigned as a director of Gemofor Inc., a small, privately held manufacturer of sawmilling equipment. In December 2006, Gemofor declared bankruptcy.
- Mr. Tory is a director of Cognos Incorporated, which was the subject of cease trade orders issued by the Ontario Securities Commission and the Autorité des Marchés Financiers in June 2006 for failing to file its audited financial statements and management's discussion and analysis for the year ended February 28, 2006. The missed filings resulted from questions raised by the U.S. Securities and Exchange Commission (SEC) about certain accounting practices related to the recognition of income. When the SEC accepted Cognos' treatment, Cognos filed the documents and the cease trade orders were revoked.
- Mr. Beatty was a director of Thistle Mining Inc. on December 21, 2004 when it announced its plans to restructure under the *Companies' Creditors Arrangement Act* (CCAA). Thistle completed its restructuring on June 30, 2005. Its common shares have been suspended from trading on the Toronto Stock Exchange since December 31, 2004 due to the restructuring. Mr. Beatty is no longer a director of Thistle.

About the audit committee

The audit committee consists of four directors:

- Paul E. Gagné (chair). Mr. Gagné is a Canadian chartered accountant and is a former Chief Executive Officer of Avenor Inc., a pulp, paper and wood products company.
- John C. Eby. Mr. Eby is a corporate director. He is a former Vice-Chairman, Scotia Capital Inc. where he was in charge of the firm's mining practice.
- Oyvind Hushovd. Mr. Hushovd is a former Chairman and Chief Executive Officer of Gabriel Resources Ltd. From 1996 to 2002, he was President and Chief Executive Officer of Falconbridge Limited and prior to that held senior positions within that company, including Chief Financial Officer.
- James M. Tory. Mr. Tory is a corporate director. During a lengthy legal career with Torys LLP, he focused on general corporate law, acting for many of Canada's leading corporations, banks and investment dealers.

Each member is independent and financially literate according to the terms of Multilateral Instrument 52-110, *Audit committees*.

The committee's main function is to assist the board by overseeing:

- the quality, integrity and appropriateness of our financial reporting
- the quality, integrity and performance of our systems of internal control for finance, accounting and ethics
- the quality, performance and independence of our external auditors
- our compliance with legal and regulatory requirements.

The audit committee receives regular reports on the following in order to fulfill its mandate:

- significant accounting transactions and financial matters that required professional judgment in arriving at the financial statements
- financial risk management
- exploration and capital spending in relation to approved budgets
- our system of internal controls.

The audit committee and the corporate governance and nominating committee review this committee's charter once a year to make sure it meets regulatory requirements and reflects best practices.

Financial reporting

The audit committee is also responsible for reviewing:

- our financial reporting procedures, internal controls and risk management practices as they relate to financial reporting
- the terms of engagement and performance of the external auditors
- our interim and annual financial statements, management's discussion and analysis of financial condition and results, and the annual report before they are reviewed and approved by the board.

The audit committee meets regularly with our external auditors without management present. It also has direct access to management in order to review specific issues.

External auditors

KPMG LLP (KPMG) is our current auditor. From time to time, KPMG and/or its affiliates also provide us and some of our subsidiaries with advisory and other non-audit services.

These professional services break down into different types of fees:

- *audit fees* for services for reviewing annual and interim financial statements and notes and for conducting the annual audit
- *audit-related fees* for services relating to KPMG's role as auditor. The fees for fiscal 2006 and 2005 relate to due diligence and the audit of our pension plan
- *non-audit (tax) fees* for services relating to tax compliance, tax advice and tax planning.

The table below shows the fees that were paid to KPMG for the fiscal years ended December 31, 2007 and 2006.

	2007	2006
(thousands)		
Audit fees	\$ 686	\$ 494
Audit-related fees	104	15
Non-audit (tax) fees	975	705
Total	\$ 1,765	\$ 1,214

Auditor independence

The audit committee has reviewed this list of services and determined KPMG maintained auditor independence.

The audit committee has the authority to conduct any investigation it believes is necessary to help it fulfil its responsibilities, and has direct access to the external auditors, our financial management, our officers and employees and all of our books and records. Any member of the committee can ask to retain the help of accounting, legal or other consultants or experts to carry out its duties, and these expenses would be paid by Inmet.

Approving services

The audit committee has a policy that any services to be performed by the external auditors must be pre-approved.

The audit committee must pre-approve the following:

- audit and non-audit services provided by external auditors, and the annual range of fees for each type of service
- services that are not part of the annual process
- fees that go higher than the range of fees that was pre-approved.

Management must submit a report to the audit committee each year describing in detail all services it expects the external auditors to provide in the following fiscal year. The report must also include a range of fees for each type of service.

The audit committee takes into account the ratio of fees for audit and audit-related services to non-audit services when pre-approving services and fees. It has also delegated limited authority to the committee chair to pre-approve services and fees. Any approvals the committee chair makes must be reported to and ratified by the audit committee at its next meeting.

Inmet has a policy of not engaging external auditors to provide services relating to internal audit, and the design and implementation of financial information systems.

The committee met six times in 2007.

You can find a copy of the committee charter in this AIF as Schedule 1, on pages 53–54. It is also available on our website (www.inmetmining.com) or on SEDAR (www.sedar.com).

Share ownership

Our directors and senior management as a group beneficially own (directly or indirectly), or exercise control or direction over, less than 1 percent of our issued and outstanding common shares. Mr. Mara is an officer of Leucadia which, through its wholly-owned subsidiary, MK Resources, owns approximately 11.6 percent of Inmet's issued and outstanding common shares.

Senior management and officers

Richard Ross

Nobleton, Ontario

Chairman and Chief Executive Officer

Years with Inmet: 19

Owns 50,802 common shares

Prior to February 2005, President and Chief Executive Officer, Inmet

Jochen Tilk

Toronto, Ontario

President and Chief Operating Officer

Years with Inmet: 20

Owns 26,315 common shares

Prior to February 2005, Executive Vice-President and Chief Operating Officer, Inmet
Prior to August 2003, Executive Vice-President, Inmet

Steven Astritis

Toronto, Ontario

Vice-President, General Counsel and Secretary

Years with Inmet: 7

Owns 12,029 common shares

D. James Slattery

Oakville, Ontario

Vice-President, Finance and Chief Financial Officer

Years with Inmet: 2

Owns 9,403 common shares

Prior to June 2005, Chief Financial Officer, Canadian General — Tower Limited

Frank Balint

Toronto, Ontario

Vice-President, Corporate Development

Years with Inmet: 30

Owns 8,275 common shares

Lynda Beesley

Toronto, Ontario

Assistant Corporate Secretary

Years with Inmet: 1

Owns no common shares

Prior to September 2006, Assistant Corporate Secretary of Falconbridge Limited and Noranda Inc.
Prior to November 2004, law clerk, Ogilvy Renault LLP
Prior to June 2003, law clerk, Aird & Berlis LLP

Craig Ford

Oakville, Ontario

Vice-President, Safety, Environmental and Community Affairs

Years with Inmet: 8

Owns 8,159 common shares

Prior to January 2005, Director, Safety, Environmental and Community Affairs, Inmet

Scott Herr

Oakville, Ontario

Vice-President, Mining

Years with Inmet: 2

Owns 2,896 common shares

Prior to January 2007, Director, Mining, Inmet
Prior to January 2006, Consultant, McIntosh Engineering Ltd.
Prior to January 2004, self-employed consultant
Prior to August 2003, Operations Superintendent, Barrick Gold Corporation

Wendy Kaufman

Oakville, Ontario

Vice-President, Controller

Years with Inmet: 14

Owns 6,662 common shares

Prior to February 2005, Controller, Inmet

Sunny Lowe

Toronto, Ontario

Director, Global Taxation and Compliance

Years with Inmet: 2

Owns 1,091 common shares

Prior to May 2007, Director, Business Systems and Controls, Inmet
Prior to December 2005, Senior manager, B.C. Hydro

Ian Pirie

Oakville, Ontario

Vice-President, Projects

Years with Inmet: 28

Owns 6,744 common shares

Prior to May 2005, Director, Corporate Development, Inmet

Zeki Sayilir

Ankara, Turkey

Director, Marketing

Years with Inmet: 14

Owns 1,043 common shares

Prior to May 2006, Marketing and Sales Manager, Çayeli

Cheryl Smith

Toronto, Ontario

Director, Human Resources

Years with Inmet: 8

Owns 2,121 common shares

Prior to July 2004, Manager, Human Resources, Inmet

Stuart Tevendale

Whitby, Ontario

Director of Finance, Operations Controller

Years with Inmet: 14

Owns 1,764 common shares

Prior to September 2005, Treasurer, Inmet
Prior to August 2003, Commercial and Finance Manager, Çayeli

Josh Truyens

Toronto, Ontario

Director of Finance, Financial Controller

Years with Inmet: <1

Owns no common shares

Prior to January 2008, Manager, Financial Reporting, Inmet
Prior to June 2007, Manager, Ernst & Young
Prior to October 2004, Senior Staff Accountant, Ernst & Young

Schedule 1

Inmet Mining Audit Committee Charter

I. Purpose

The function of the Audit Committee is to assist the Board of Directors in its oversight of the quality of the Corporation's financial reporting and public disclosure of financial information, the performance and integrity of the related systems of internal and disclosure controls, compliance with legal and regulatory reporting requirements applicable to financial reporting and public disclosure of financial information and the performance and independence of the external auditors.

The Audit Committee may conduct any investigation appropriate to fulfilling its function and have direct access to the independent auditors, any officer or employee of the Corporation and all books and records of the Corporation. At the request of any Audit Committee member, the Audit Committee may retain, at the Corporation's expense, accounting, legal or other advisors or experts it deems necessary to perform its duties.

II. Composition

The Audit Committee shall have a minimum of three members. All of its members shall be "independent" as determined under the Board's annual assessment of the independence of its members and "financially literate," in each case as defined under any requirements of the Canadian Securities Administrators or other securities regulatory authorities to which the Corporation is subject.

III. Meetings

The Committee shall meet at least five times annually, or more frequently as circumstances dictate.

The Audit Committee Chair will approve an agenda in advance of each meeting and will cause minutes of meetings to be maintained. The Chairman will regularly report to the Board of Directors on the results of the Committee's deliberations.

IV. Responsibilities and Duties

To fulfill its responsibilities and duties the Audit Committee shall:

Financial Reporting

1. Review the principal risks affecting the Corporation's financial reporting and oversee appropriate systems to identify, evaluate and manage such risks.

2. Review the Corporation's public disclosure of financial information, including annual and interim financial statements, management's discussion and analysis (MD&A) and annual and interim earnings releases, prior to filing with regulatory authorities or public dissemination and make recommendations to the Board for approval of same.

Such review shall address:

- (a) Appropriate application of GAAP as well as the underlying estimates, judgments and consideration of alternative treatment and presentation.
 - (b) Clarity, accuracy and completeness of public disclosure.
 - (c) Application of the Disclosure Committee process.
3. Verify that the Corporation has appropriate procedures and policies in the areas of financial reporting, disclosure and internal controls, including for the review of the Corporation's public disclosure of financial information derived from the Corporation's financial statements and periodically assess the adequacy of such procedures and policies.
 4. Review the annual audited financial statements of the Corporation's employee pension plans prior to filing with regulatory authorities and make recommendations to the Board for approval of same.

Independent Auditors

5. The Audit Committee is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting.
6. The Audit Committee shall review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the independent auditors and their compensation or approve any discharge of auditors where circumstances warrant.
7. Review and approve the independent auditors' audit plan and engagement letter. Discuss and approve audit scope, staffing, locations, reliance upon management and general audit approach. Ensure the auditor's assessment of risks associated with financial reporting is consistent with that prepared by management.
8. Review the results of the audit with the auditors.
9. Review quarterly earnings reports with the auditor prior to public release.
10. Approve the audit fees and other significant compensation to be paid to the independent auditors.
11. At each Audit Committee meeting, consult with the independent auditors in the absence of management on internal controls and the fullness, appropriateness and accuracy of the Corporation's annual financial statements including any disagreements.

Schedule 1 (cont'd)

12. The Audit Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by the external auditors. In this regard, the Chairman is authorized to pre-approve non-audit services provided such pre-approval is presented to the Audit Committee at its first scheduled meeting thereafter.

Internal Controls and Compliance

13. Review and assess reports prepared or caused to be prepared by management regarding internal controls, financial risk management and insurance programs.

14. On at least a quarterly basis, review with the Corporation's counsel any legal matters that could have a significant impact on the Corporation's annual financial statements, the Corporation's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.

15. Establish procedures for:

(a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting or auditing matters; and

(b) the confidential, anonymous submission by employees of the Corporation or its subsidiaries of concerns regarding questionable accounting or auditing matters.

16. Review management's reports on related party transactions.

17. Review annually the framework of internal controls, how these align with the objective of preventing and detecting fraud as well as management's assessment of the continued effectiveness and application of those internal controls.

18. Review at least annually management's report on executive travel and other expenses.

19. Review at least annually management's report on the Corporation's source deductions and other remittances required under applicable tax legislation.

Other Responsibilities

20. Periodically review and discuss with management and the independent auditors the significance of emerging regulatory and accounting standards and initiatives for the financial reporting of the Corporation.

21. Review and reassess the adequacy of this Charter at least annually and make recommendations to the Corporate Governance and Nominating Committee as well as to the Board of Directors for approval.

22. Annually assess the effectiveness of the Committee against its Charter and report the results of the assessment to the Corporate Governance and Nominating Committee as well as to the Board.

23. Review disclosure of a summary of this Charter to shareholders.

24. Perform any other activities consistent with this Charter, the Corporation's by-laws, and governing law, as the Committee or the Board deems necessary or appropriate.

25. At each audit committee meeting, meet with management in the absence of the independent auditors.

26. Periodically review financial and accounting personnel succession planning within the Corporation and its major subsidiaries.

27. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and any former external auditors of the Corporation.

The Committee's role, as described in this Charter, is an important part of monitoring the quality and integrity of the Corporation's financial reporting. This role does not replace the responsibility of the Corporation's management for the preparation and presentation of financial statements in accordance with generally accepted accounting principles, for significant accounting estimates and judgements, or for ensuring compliance by the Corporation with applicable laws relating to financial reporting. Nor does the role of the Committee detract from the responsibility of the auditors to plan and conduct an audit in accordance with Canadian generally accepted auditing standards or from the fact that the independent auditors are ultimately accountable to the Board of Directors and the Committee, as representatives of the shareholders of the Corporation.

This Charter establishes guidelines, rather than inflexible rules, and the Committee will adopt such additional procedures and standards from time to time as it deems appropriate to help fulfill its responsibilities. Nothing in this Charter is intended to expand applicable standards of liability under statutory or regulatory requirements for directors of the Corporation.

This Charter has been adopted by the Audit Committee of the Corporation, and approved by the Board, with effect as of February 13, 2007.