

INMET

MINING

Quarterly Report Three Months Ended March 31, 2007

All amounts are in Canadian dollars, unless otherwise stated.

Management's Interim Discussion and Analysis

The following is management's interim discussion and analysis of operations and consolidated financial condition and should be read in conjunction with the consolidated audited financial statements and management's discussion and analysis included in Inmet's 2006 Annual Report.

Highlights

- **Higher net income per share**
Net income per share this quarter was \$2.09 compared to \$1.65 for the same period in 2006.
- **Higher operating cash flow per share**
Operating cash flow before working capital increased to \$110 million or \$2.28 per common share compared to \$66 million or \$1.36 for the same period in 2006.
- **On target for production in 2007**
We produced 19,500 tonnes of copper, 22,100 tonnes of zinc and 56,000 ounces of gold in the first quarter. This means we are on target to achieve our annual objective of 83,000 tonnes of copper, 87,000 tonnes of zinc and 249,000 ounces of gold.
- **Strong performance at Çayeli**
Çayeli milled 259,000 tonnes in the first quarter and is on target to process 1.1 million tonnes in 2007.
- **Revised capital cost estimate for Las Cruces**
Now that detailed engineering is at the final stage and construction is well underway, we have increased our capital cost estimate by 22 percent to €463 million, which includes €40 million of contingency. We still expect production to begin in the first quarter of 2008.
- **Agreement to sell shares of Wolfden Resources Inc.**
Zinifex Canadian Enterprises Inc. made a cash offer of \$3.81 per share to acquire all of the issued and outstanding common shares of Wolfden Resources Inc. We entered into a lock-up agreement with Zinifex relating to this offer, and expect the transaction to close in May. We own 13.5 million Wolfden shares and will record a gain of approximately \$12 million in net income when the transaction closes.

Key financial data

	three months ended March 31		
	2007	2006	change
FINANCIAL HIGHLIGHTS			
(thousands, except per share amounts)			
Sales			
Gross sales	\$286,614	\$210,234	+ 36%
Net income			
Net income	\$101,078	\$79,561	+ 27%
Net income per share	\$2.09	\$1.65	+ 27%
Adjusted net income (1)	\$101,078	\$55,656	+ 82%
Adjusted net income per share (1)	\$2.09	\$1.16	+ 80%
Cash flow (1)			
Cash flow provided by operating activities (before working capital)	\$109,894	\$65,525	+ 68%
Cash flow provided by operating activities per share (before working capital)	\$2.28	\$1.36	+ 68%
OPERATING HIGHLIGHTS			
Production (2)			
Copper (tonnes)	19,500	19,500	-
Zinc (tonnes)	22,100	18,600	+ 19%
Gold (ounces)	56,000	62,600	- 11%
Cash costs			
Copper (US \$ per pound) (1), (3)	\$0.10	\$0.40	- 75%
Gold (US \$ per ounce) (1)	\$448	\$372	+ 20%
FINANCIAL CONDITION			
	As at March 31	As at December 31	
	2007	2006	
Current ratio	5.7 to 1	5.1 to 1	
Long-term debt to total capitalization	11%	10%	
Net working capital balance (millions)	\$728	\$666	
Cash balance (millions)	\$698	\$640	
Shareholders' equity (millions)	\$1,166	\$1,073	

(1) See reconciliation of non-GAAP measures on page 29 to see how these costs are calculated.

(2) Inmet's share.

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

The business environment

The following have a significant impact on our business.

	three months ended March 31	
	2007	2006
Metal prices		
Copper (per pound)	US \$2.81	US \$2.55
Zinc (per pound)	US \$1.38	US \$1.08
Gold (per ounce)	US \$559	US \$454
Treatment charges (1)		
Copper (per tonne)	US \$73	US \$87
Zinc (per tonne) (2)	US \$124	US \$99
Freight charges (1)		
Copper (per tonne)	US \$30	US \$34
Zinc (per tonne)	US \$24	US \$15
Statutory tax rates		
Çayeli	27%	30%
Pyhäsalmi	26%	26%
Ok Tedi	37%	37%
Exchange rates		
1 US \$ to C\$	\$1.17	\$1.15
1 euro to C\$	\$1.54	\$1.39

(1) Per dry metric tonne of concentrate.

(2) Zinc treatment charges are based on a zinc price of US\$1,400 per tonne and reflect provisional terms.

Metal prices

Higher copper and zinc prices increased our gross sales this quarter by \$29 million. Higher metal prices increased our earnings and cash flow, but also increased certain costs such as income taxes and the royalties we pay at Çayeli.

Treatment charges

Treatment charges are one component of smelter processing charges. We also pay smelters for content losses and price participation. Copper treatment charges were lower than the first quarter of last year because we negotiated more favourable contract terms with smelters. We expect zinc treatment charges to be significantly higher in 2007 compared to 2006 once contract negotiations conclude. In exchange, we are paying significantly less price participation when metal prices are higher.

Freight charges

High fuel prices, the ice season in the Baltic, and lack of available vessels to meet higher demand from China, resulted in a 108 percent increase in shipping rates as measured by the Baltic Dry Index. The copper freight charge per tonne we realized this quarter was six percent lower than the same period last year, mainly because we received a more favourable rate under a new sales contract for Troilus concentrate. The zinc freight charge we realized this quarter was significantly higher because shipments last year were made to destinations closer to our operations.

We anticipate generally higher freight rates this year compared to 2006.

Exchange rates

Canadian dollar revenue and earnings were higher because the value of the Canadian dollar relative to the US dollar and the euro was lower this quarter than in the first quarter of 2006.

First quarter report

We prepared this report as of May 1, 2007.

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

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

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

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Our financial results

(thousands, except per share amounts)	three months ended March 31		
	2007	2006	change
EARNINGS FROM OPERATIONS⁽¹⁾			
Çayeli	\$59,572	\$30,219	+ 97%
Pyhäsalmi	31,442	19,166	+ 64%
Troilus	2,812	(937)	+ 400%
Ok Tedi	40,015	37,557	+7%
Other	(488)	(486)	-
	133,353	85,519	+ 56%
DEVELOPMENT AND EXPLORATION			
Corporate development and exploration	(842)	(1,454)	+ 42%
CORPORATE COSTS			
General and administration	(2,840)	(2,370)	
Investment and other income	7,290	1,793	
Interest expense	(438)	(391)	
Income and capital taxes	(35,650)	(27,441)	
Non-controlling interest	205	-	
	(31,433)	(28,409)	- 11%
Net income before other items	\$101,078	\$55,656	+ 82%
Gain on sale of Izok	-	23,905	-
Net income	\$101,078	\$79,561	+ 27%
Basic net income per share	\$2.09	\$1.65	+ 27%
Diluted net income per share	\$2.09	\$1.64	+ 27%
Weighted average shares outstanding	48,278	48,097	

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

Key changes in 2007

(millions)	three months ended March 31	see page
EARNINGS FROM OPERATIONS		
Sales		
Higher metal prices denominated in Canadian dollars	\$41	7
Higher sales volumes	15	7
Costs		
Higher operating costs	(5)	10
Other	(3)	
Increase in earnings from operations, compared to 2006	48	
CORPORATE COSTS		
Higher taxes from higher income	(8)	12
Gain on sale of Izok recorded in the previous year	(24)	11
Higher interest and dividend income	6	11
Increase in net income, compared to 2006	\$22	

Understanding our performance

Metal prices and exchange rates

Copper prices increased during the latter part of this quarter. The average London Metal Exchange (LME) copper cash price this quarter was US \$2.69, compared to US \$2.24 in 2006 — an increase of 20 percent. Zinc prices were also higher this quarter. The average LME zinc cash price this quarter was US \$1.57, compared to US \$1.02 in 2006 — an increase of 53 percent. The price of gold continued to increase this quarter, mainly because of the decrease in value of the US dollar. The gold price we ultimately realized was slightly lower because we had hedged some of our production at Troilus and Ok Tedi.

The decreasing value of the Canadian dollar relative to the US dollar and the euro increased our gross sales by \$8 million compared to the first quarter of last year, but it also increased our costs. Net income this quarter is therefore \$4 million higher than the first quarter of last year because of foreign exchange differences.

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

	three months ended		three months ended		C\$ change
	2007	March 31 2006	2007	March 31 2006	
Copper (per pound)	US \$2.81	US \$2.55	C\$ 3.29	C\$ 2.93	+ 12%
Zinc (per pound)	US \$1.38	US \$1.08	C\$ 1.61	C\$ 1.24	+ 30%
Gold (per ounce)	US \$559	US \$454	C\$ 654	C\$ 522	+ 25%
1 US\$ to C\$	\$1.17	\$1.15			
1 euro to C\$	\$1.54	\$1.39			

EARNINGS FROM OPERATIONS

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

1. Gross sales were up by 36 percent this quarter...

(thousands)	three months ended March 31		
	2007	2006	change
Gross sales by operation			
Çayeli	\$117,734	\$71,215	+ 65%
Pyhäsalmi	65,340	49,109	+ 33%
Troilus	30,242	18,683	+ 62%
Ok Tedi ⁽¹⁾	73,298	71,227	+3%
	\$286,614	\$210,234	+ 36%
Gross sales by metal			
Copper	\$143,324	\$119,083	+ 20%
Zinc	89,781	53,404	+ 68%
Gold	41,057	29,249	+ 40%
Other	12,452	8,498	+ 47%
	\$286,614	\$210,234	+ 36%

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

... because of higher copper, zinc and gold prices

	three months ended March
(millions)	31
Higher copper prices, denominated in C\$	\$8
Higher zinc prices, denominated in C\$	21
Higher gold prices and other metal prices, denominated in C\$	12
Higher sales volumes	35
Increase in gross sales, compared to 2006	\$76

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

We made the following finalization adjustments for sales recorded in the fourth quarter of 2006 that were settled this quarter:

- we reduced copper sales by US \$1 million
- we reduced zinc sales by US \$5 million.

At the end of this quarter, the following sales had not been settled:

- 20 million pounds of copper provisionally priced at US \$3.07 per pound
- 36 million pounds of zinc provisionally priced at US \$1.47 per pound.

The finalization adjustment we record for these sales will depend on the actual price we receive on final settlement.

...and also because of higher sales volume

	three months ended March 31		
	2007	2006	change
Sales volumes			
Copper (tonnes)	20,000	17,600	+ 14%
Zinc (tonnes)	25,200	19,400	+ 30%
Gold (ounces)	61,800	55,000	+ 12%

Our sales volumes are directly affected by the amount of production from our mines, and our ability to ship to our customers.

Sales volumes of copper and gold this quarter was higher than the first quarter of last year because of the timing of shipments at Troilus and Ok Tedi in the previous year. Sales volumes of zinc were higher because of higher production and because zinc shipments from Çayeli in late 2006 were deferred to 2007.

Production

Inmet's share	three months ended March 31		objective
	2007	2006	2007
Copper (tonnes)			
Ok Tedi	8,200	9,200	33,800
Çayeli	7,500	6,500	33,200
Pyhäsalmi	3,200	3,100	12,900
Troilus	600	700	3,300
	19,500	19,500	83,200
Zinc (tonnes)			
Çayeli	11,900	10,100	48,600
Pyhäsalmi	10,200	8,500	38,400
	22,100	18,600	87,000
			+19%
Gold (ounces)			
Troilus	33,200	37,700	157,900
Ok Tedi	22,800	24,900	91,200
	56,000	62,600	249,100
			-11%
Pyrite (tonnes)			
Pyhäsalmi	160,500	141,800	537,000
			+13%

In the first quarter of 2007:

- copper production was consistent with 2006 because higher throughput at Çayeli offset the impact of lower throughput and grades at Ok Tedi
- zinc production was higher because of higher throughput at Çayeli and higher grades at Pyhäsalmi
- gold production was lower because of lower grades at both Troilus and Ok Tedi.

2007 outlook for sales

We expect sales of all metals this year to be consistent with our 2007 production estimates. Gold production was lower than target this quarter, but we still expect to achieve the original objective we set for the year.

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

2. Cash costs this quarter were lower than 2006

We measure cost performance at our operations by tracking costs per pound of copper or ounce of gold in US dollars.

Cash costs include:

- direct production costs, such as labour, fuel, consumables and other costs directly related to the production of metals
- *plus* smelter processing charges and freight
- *less* revenue from the sale of by-product metals (metal credits).

The table below shows our cash cost by operation.

(US \$)	three months ended March 31			<i>revised objective 2007</i>
	2007	2006	change	
Cash cost per pound of copper				
Çayeli ⁽¹⁾	\$0.19	\$0.34	-44%	\$0.08
Pyhäsalmi ^(1,2)	(1.50)	(0.51)	-194%	(1.61)
Ok Tedi ⁽³⁾	0.65	0.74	-12%	0.61
	\$0.10	\$0.40	-75%	\$0.04
Cash cost per ounce of gold				
Troilus ^(4,5)	\$448	\$372	+20%	\$348

To estimate the by-product credits in our 2007 objectives, we used:

- (1) a zinc price of US \$1.45 per pound
- (2) a euro to US dollar exchange rate of US \$1.25
- (3) a gold price of US \$630 per ounce
- (4) a copper price of US \$3.00 per pound
- (5) a US dollar to Canadian dollar exchange rate of \$1.10.

Our cash cost per pound of copper this quarter was 75 percent lower than the same period last year mainly because of:

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

The table below shows the breakdown in our cash cost per pound of copper this quarter, and in the first quarter of 2006:

(US \$)	three months ended March 31			<i>revised objective 2007</i>
	2007	2006	change	
Cash cost per pound of copper				
Direct production costs	\$1.06	\$0.94	+13%	\$0.97
Royalties and variable compensation	0.04	0.06	-33%	0.11
Smelter processing charges and freight	0.94	1.03	-9%	1.00
Metal credits	(1.94)	(1.63)	-19%	(2.04)
	\$0.10	\$0.40	-75%	\$0.04

Our gold cash cost per ounce was higher this quarter compared to the same period in 2006 because of lower production and higher consumable costs.

Direct production costs and cost of sales

Our cost of sales this quarter was 20 percent higher than 2006...

(thousands)	three months ended March 31		
	2007	2006	change
Cost of sales by operation			
Çayeli	\$24,297	\$17,750	+ 37%
Pyhäsalmi	12,923	12,611	+ 2%
Troilus	22,028	15,301	+ 44%
Ok Tedi ⁽¹⁾	19,504	19,640	- 1%
Other	488	486	-
	\$79,240	\$65,788	+ 20%

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

...mainly because sales volumes were higher

(millions)	three months ended	
	March 31	
Higher sales volume		\$9
Labour costs		1
Other		3
Increase in cost of sales, compared to 2006		\$13

Smelter processing charges and freight

Higher sales volumes increased smelter processing charges

(thousands)	three months ended March 31		
	2007	2006	change
Smelter processing charges and freight by operation			
Çayeli	\$31,168	\$21,576	+ 44%
Pyhäsalmi	18,614	15,343	+ 21%
Troilus	2,693	2,158	+ 25%
Ok Tedi ⁽¹⁾	12,131	12,585	- 4%
	\$64,606	\$51,662	+ 25%
Smelter processing charges and freight by metal			
Copper	\$27,479	\$26,677	+ 3%
Zinc	33,715	22,695	+ 49%
Other	3,412	2,290	+ 49%
	\$64,606	\$51,662	+ 25%

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

2007 outlook for costs

We have revised our 2007 copper cash cost objective to US \$0.04 per pound reflecting higher expected labour and energy costs at Çayeli. We expect to meet our 2007 objective for gold cash costs.

3. Depreciation was higher this quarter

(thousands)	three months ended March 31		
	2007	2006	change
Depreciation by operation			
Çayeli	\$2,697	\$1,670	+ 61%
Pyhäsalmi	2,361	1,989	+ 19%
Troilus	2,709	2,161	+ 25%
Ok Tedi	1,648	1,445	+ 14%
	\$9,415	\$7,265	+ 30%

Depreciation was higher at Çayeli, Pyhäsalmi and Troilus compared to the first quarter of last year, because sales volumes were higher. Depreciation at Çayeli was also higher because of the depreciation of the shaft development capital.

2007 outlook for depreciation

We expect depreciation to be approximately \$40 million for 2007.

CORPORATE COSTS

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

1. Interest income was higher because of higher cash balances

(thousands)	three months ended March 31	
	2007	2006
Gain on sale of Izok	\$-	\$23,905
Interest and dividend income	7,879	1,580
Foreign exchange loss	(145)	(82)
Other	(444)	295
	\$7,290	\$25,698

In 2006, we sold our interest in the Izok development property to Wolfden Resources Inc., and recorded a gain of \$23.9 million. In exchange, we received 13.5 million common shares of Wolfden. This quarter we entered into a lock-up agreement with Zinifex Canadian Enterprises Inc. relating to Zinifex's cash offer of \$3.81 per share to acquire all of the issued and outstanding common shares of Wolfden.

Interest income was higher this quarter compared to the same period last year because we had higher cash balances.

2007 outlook for investment and other income

The sale of Wolfden shares to Zinifex is subject to the terms and conditions of the offer, which we believe is customary for a transaction of this kind. We expect the transaction to close in May, and have enough capital losses to offset the expected \$12 million gain on the sale of the shares.

Investment and other income will be affected by cash balances, interest rates and exchange rates. Rising cash balances at our foreign operations may lead us to continue to repatriate funds. This could result in foreign exchange losses or gains depending on the strength or weakness in the Canadian dollar relative to the other currencies compared to when we initially invested in the operations, or the foreign exchange rate at which funds were accumulated. The amount of the gain or loss, if any, will depend on the amount distributed and foreign exchange rates.

2. Income tax expense was higher than 2006

(thousands)	three months ended March 31		
	2007	2006	change
Çayeli	\$13,671	\$9,399	+ 45%
Pyhäsalmi	6,907	4,017	+ 72%
Ok Tedi	14,617	13,733	+ 6%
Corporate	455	292	+ 56%
	\$35,650	\$27,441	+ 30%

Taxes were higher at Çayeli and Pyhäsalmi because of higher earnings.

2007 outlook for income tax expense

We are not expecting any further changes in statutory tax rates at our operations in 2007.

Results of our operations

ÇAYELI

		three months ended March 31			objective
		2007	2006	change	2007
Tonnes of ore milled (000's)		259	223	+16%	1,060
Tonnes of ore milled per day		2,900	2,500	+16%	3,000
Grades (percent)	copper	3.5	3.7	-5%	3.8
	zinc	6.2	6.3	-2%	6.3
Mill recoveries (percent)	copper	83	79	+5%	82
	zinc	75	72	+4%	73
Production (tonnes)	copper	7,500	6,500	+15%	33,200
	zinc	11,900	10,100	+18%	48,600

Çayeli stepped up its production rate in line with expectation

Çayeli produced 259,000 tonnes this quarter — 16 percent higher than the first quarter of 2006. This was mainly because of improvements made to the operation in 2006, including commissioning a new ore handling system that allows Çayeli to handle ore from the lower parts of the mine much more efficiently.

Higher throughput and recoveries this quarter more than offset lower grades. Copper production was 15 percent higher than in the first quarter of 2006, and zinc production was 18 percent higher.

2007 outlook for production

Çayeli expects ore production over the following months to be in line with the annual objective of 1.1 million tonnes.

Unit costs were significantly lower

Cash costs were significantly lower than the first quarter of 2006 because of lower smelter processing charges, a result of lower treatment charges and 2006 finalization adjustments.

(US \$)	three months ended March 31			revised objective
	2007	2006	change	2007
Cash cost				
per pound of copper				
Direct production costs	\$0.97	\$0.88	+10%	\$0.90
Royalty payments	0.11	0.08	+38%	0.20
Total direct production costs	1.08	0.96	+13%	1.10
Smelter processing charges and freight	0.90	1.30	-31%	1.25
Metal credits ⁽¹⁾	(1.79)	(1.92)	+7%	(2.27)
Cash costs	\$0.19	\$0.34	-44%	\$0.08
Depreciation and other non-cash costs	0.13	0.14	-7%	0.13
Total costs	\$0.32	\$0.48	-33%	\$0.21

(1) We used a zinc price of US \$1.45 per pound to estimate the metal credit in the 2007 objective for cash costs per pound of copper. For every US \$0.05 per pound change in the price of zinc, cash costs would change by US \$0.04 per pound.

Direct production costs this quarter were US \$0.09 per pound higher than 2006

(US \$ per pound)	three months ended March 31
Lower unit costs from higher copper production	\$(0.15)
Higher costs from higher consumable volumes	0.08
Higher labour costs	0.09
Higher consumable costs	0.06
Other	0.01
Increase in direct production costs, compared to 2006	\$0.09

2007 outlook for costs

We expect a cash cost of US \$0.08 per pound of copper for the year. This is a US \$0.10 per pound increase from our original objective reflecting the increased cost of labour and energy we are expecting.

Capital spending higher than 2006

(thousands of US\$)	three months ended March 31			<i>objective</i>
	2007	2006	change	2007
Capital spending	\$4,300	\$3,400	+ 26%	\$15,200

Of the US \$4.3 million spent in the first quarter, US \$1.8 million was for the shaft extension project.

2007 outlook for capital spending

Capital spending for the rest of 2007 is allocated to completing the infrastructure project, mine development, a spare hoist motor and for sustaining and other capital.

Operating earnings almost doubled

		three months ended March 31		
		2007	2006	change
Sales (tonnes)	copper	8,200	5,800	+ 41%
	zinc	15,700	11,400	+ 38%
Operating earnings (millions)		\$59.6	\$30.2	+ 97%
Operating cash flows (millions)		\$59.6	\$27.0	+ 121%

...mainly because of higher metal prices and higher zinc sales volumes

(millions)	three months ended March 31
Higher metal prices, denominated in Canadian dollars	\$19
Higher sales volumes	14
Higher royalty costs	(1)
Higher operating costs	(2)
Other	(1)
Increase in operating earnings, compared to 2006	\$29
Increased tax expense because of higher earnings	(3)
Changes in working capital	6
Other	1
Increase in operating cash flow, compared to 2006	\$33

The positive change in working capital is from lower accounts receivable, offset significantly by lower accounts payable.

PYHÄSALMI

		three months ended March 31			objective
		2007	2006	change	2007
Tonnes of ore milled (000's)		326	353	-8%	1,370
Tonnes of ore milled per day		3,600	3,900	-8%	3,750
Grades (percent)	copper	1.0	0.9	+11%	1.0
	zinc	3.4	2.6	+31%	3.1
	sulphur	39	41	-5%	41
Mill recoveries (percent)	copper	95	95	-%	94
	zinc	92	94	-2%	92
Production (tonnes)	copper	3,200	3,100	+3%	12,900
	zinc	10,200	8,500	+20%	38,400
	pyrite	160,500	141,800	+13%	537,000

Pyhäsalmi expects to meet its annual objectives despite lower throughput this quarter

Mill throughput was 8 percent lower this quarter than the first quarter of 2006 for two reasons: hard, angular material made grinding more difficult, and there was a failure of the main conveyor belt. Grinding capacity is now back to normal and the belt has been repaired. A new belt will be installed during the next scheduled shut down in the second quarter.

Zinc production was 20 percent higher than the first quarter of last year because Pyhäsalmi began mining the higher grade stopes it had deferred at the end of 2006.

2007 outlook for production

We expect Pyhäsalmi to meet its production objectives for 2007.

Cash costs were down because of high metal credits

A higher zinc price, combined with higher zinc and pyrite production, significantly increased metal credits compared to the first quarter of last year.

(US \$)	three months ended March 31			objective
	2007	2006	change	2007
Cash cost per pound of copper				
Direct production costs	\$1.62	\$1.57	+3%	\$1.45
Smelter processing charges and freight	2.01	1.75	+15%	1.79
Metal credits ⁽¹⁾	(5.13)	(3.83)	-34%	(4.85)
Cash costs	\$(1.50)	\$(0.51)	-194%	\$(1.61)
Depreciation and other non-cash costs	0.31	0.27	+15%	0.31
Total costs	\$(1.19)	\$(0.24)	-396%	\$(1.30)

(1) We used a zinc price of US \$1.45 per pound to estimate the metal credit in the 2007 objective for cash costs per pound of copper, and a euro to US dollar exchange rate of US \$1.25. For every US \$0.05 per pound change in the price of zinc, cash costs would change by US \$0.11 per pound.

Direct production costs this quarter were US \$0.05 per pound higher than 2006

This was mainly because of the weakening of the US dollar, since our direct production costs, which are in euros, were actually lower than in the first quarter of 2006.

(US \$ per pound)	three months ended March 31
Weakened US dollar compared to the euro	\$0.14
Lower costs due to higher copper production	(0.06)
Lower consumables cost	(0.02)
Higher labour costs	0.02
Lower utility costs	(0.03)
Increase in direct production costs, compared to 2006	\$0.05

2007 outlook for costs

We expect to meet the cash cost target of negative US \$1.61 per pound of copper.

Minimum capital spending during the quarter

(thousands)	three months ended March 31 2007	2006	change	objective 2007
Capital spending	€ 200	€ 200	-	€ 7,000

2007 outlook for capital spending

We expect Pyhäsalmi to reach its capital spending objective for 2007. The €7 million in capital will be spent on developing an ore pass, replacing mine mobile equipment, acquiring mill equipment such as the copper rougher and scavenger circuits, and on other sustaining capital.

Operating earnings higher than last year

	three months ended March 31 2007	2006	change
Sales (tonnes) copper	3,400	3,200	+ 6%
zinc	9,500	8,000	+ 19%
pyrite	133,900	124,800	+ 7%
Operating earnings (millions)	\$31.4	\$19.2	+ 64%
Operating cash flows (millions)	\$40.5	\$23.5	+ 72%

...mainly because of higher metal prices and higher sales volumes

(millions)	three months ended March 31
Higher metal prices, denominated in Canadian dollars	\$10
Higher sales volumes	4
Higher operating costs in Canadian dollars	(1)
Other	(1)
Increase in operating earnings, compared to 2006	\$12
Increased tax expense because of higher earnings	(3)
Changes in working capital	8
Increase in operating cash flow, compared to 2006	\$17

The positive change in working capital is mainly from the collection of accounts receivable.

TROILUS

		three months ended March 31			objective
		2007	2006	change	2007
Tonnes of ore milled (000's)		1,635	1,608	+2%	6,700
Tonnes of ore milled per day		18,200	17,900	+2%	18,400
Strip ratio		0.9	1.8	-50%	1.2
Grades	gold (grams/tonne)	0.79	0.90	-12%	0.88
	copper (percent)	0.05	0.05	-	0.06
Mill recoveries (percent)	gold	80	81	-1%	83
	Copper	84	86	-2%	87
Production	gold (ounces)	33,200	37,700	-12%	157,900
	copper (tonnes)	600	700	-14%	3,300

Gold production affected by lower grades

As expected, gold production this quarter was 12 percent lower than in the first quarter of 2006, mainly because Troilus mined a higher grade area at the bottom of the J4 pit in 2006.

2007 outlook for production

We expect Troilus to achieve its production objectives for 2007.

Mining towards the end of 2007 and in 2008 will be exclusively from the 87 pit. The ore from this pit has higher copper grades. A study will be completed in the second quarter to determine the most cost-effective method of increasing the copper cleaner capacity to recover more copper and the associated gold.

Lower production increased the cost per ounce

Costs were higher mainly because Troilus spent more on equipment repairs and maintenance, and gold production was lower in 2007.

(US \$)	three months ended March 31			objective
	2007	2006	change	2007
Cash cost				
per ounce of gold				
Direct production costs	\$498	\$443	+12%	\$443
Smelter processing charges and freight	58	62	-6%	55
Metal credits ⁽¹⁾	(108)	(133)	-19%	(150)
Cash cost	\$448	\$372	+20%	\$348
Depreciation and other non-cash costs	56	65	-14%	66
Total cost	\$504	\$437	+15%	\$414

(1) We used a copper price of US \$3.00 per pound to estimate the metal credit in the 2007 objective for cash costs per ounce of gold and a US dollar to Canadian dollar exchange rate of \$1.10.

Direct production costs this quarter were US \$55 per ounce higher than 2006

(US \$ per ounce)	three months ended March 31
Weaker Canadian dollar	\$(8)
Higher costs due to lower production	41
Higher consumable costs	19
Other	3
Increase in direct production costs, compared to 2006	\$55

2007 outlook for unit costs

We expect to achieve the cash cost objective of US \$348 per ounce of gold.

Capital spending at Troilus is for sustaining capital

(thousands)	three months ended March 31			<i>objective</i>
	2007	2006	change	2007
Capital spending	\$200	\$400	-50%	\$3,000

2007 outlook for capital spending

Because of the mine's short remaining life, capital expenditures for the rest of the year are limited to sustaining capital. The mine will spend approximately \$3 million on copper cleaner cells in the mill, on the tailings dam lift and embankment enforcements, and on other sustaining capital expenditures.

Higher sales volumes increased earnings

		three months ended March 31		
		2007	2006	change
Sales	gold (ounces)	39,700	30,400	+31%
	copper (tonnes)	700	600	+17%
Operating earnings (millions)		\$2.8	\$(0.9)	+411%
Operating cash flows (millions)		\$0.5	\$(3.4)	+115%

(millions)	three months ended March 31
Higher metal prices denominated in Canadian dollars	\$6
Higher operating costs and depreciation	(2)
Increase in operating earnings, compared to 2006	\$4
Changes in working capital	1
Other	(1)
Increase in operating cash flow, compared to 2006	\$4

OK TEDI

(100 percent)		three months ended March 31			objective 2007
		2007	2006	change	
Tonnes of ore milled (000's)		6,600	6,670	-1%	27,500
Tonnes of ore milled per day		73,300	74,100	-1%	76,000
Strip ratio		1.3	2.0	-35%	1.1
Grades	copper (percent)	0.8	0.9	-11%	0.8
	gold (grams/tonne)	0.8	1.0	-20%	0.8
Mill recoveries (percent)	copper	85	85	-	87
	gold	71	68	+4%	70
Production	copper (tonnes)	45,300	51,300	-12%	188,000
	gold (ounces)	126,700	138,400	-8%	507,000

Lower grades impact production but annual objective remains the same

Copper production this quarter was 12 percent lower than in the first quarter of 2006, while gold production was 8 percent lower. This was mainly the result of mining in areas with lower copper and gold grades, in accordance with the mine plan.

2007 outlook for production

We expect Ok Tedi to meet its 2007 annual production objective.

Costs lower because of higher metal credits

(US \$)	three months ended March 31			objective 2007
	2007	2006	change	
Cash cost				
per pound of copper				
Direct production costs	\$0.92	\$0.77	+19%	\$0.85
Variable compensation	-	0.07	-100%	0.06
Smelter processing charges and freight	0.57	0.60	-5%	0.45
Metal credits ⁽¹⁾	(0.84)	(0.70)	-20%	(0.75)
Cash cost	\$0.65	\$0.74	-12%	\$0.61
Depreciation and other non- cash costs	0.11	0.07	+57%	0.07
Total costs	\$0.76	\$0.81	-6%	\$0.68

(1) We used a gold price of US \$630 per ounce to estimate the metal credit in the 2007 objective for cash costs per pound of copper.

Direct production costs this quarter were US \$0.15 per pound higher than 2006

(US \$ per pound)	three months ended March 31
Increase in costs from lower production	\$0.11
Higher labour costs	0.04
Increase in direct production costs, compared to 2006	\$0.15

2007 outlook for costs

We expect to achieve the cash cost objective of US \$0.61 per pound of copper. Negotiations on the Community Mine Continuation Agreements (CMCAs) have progressed well and are expected to be completed in the second quarter.

Capital spending was higher because of the mine waste management program

Ok Tedi's capital spending this quarter was for the purchase of trucks, work on the mine waste management program, the pressure filtration plant and the in-pit crusher.

(100 percent) (thousands of US\$)	three months ended March 31			objective 2007
	2007	2006	change	
Capital spending	\$30,600	\$12,300	+149%	\$209,000

2007 outlook for capital spending

Ok Tedi plans to spend US \$140 million in 2007 on its mine waste management program, US \$20 million for the capital required for pit drainage, and the rest for mine equipment and other sustaining capital.

Operating earnings were higher because of higher metal prices

Sales volumes this quarter were lower than they were in the first quarter of 2006, mainly because of the timing of shipments. Concentrate inventory accumulated to approximately 140,000 tonnes at March 31, an increase of approximately 14,000 tonnes from December 31.

(18 percent)		three months ended March 31		
		2007	2006	change
Sales	copper (tonnes)	7,700	8,000	-4%
	gold (ounces)	22,200	24,600	-10%
	Operating earnings (millions)	\$40.0	\$37.6	+6%
	Operating cash flows (millions)	\$8.0	\$34.5	-77%

...mainly because of higher metal prices

(millions)	three months ended March 31
Higher metal prices, denominated in Canadian dollars	\$5
Lower sales volumes	(3)
Lower variable compensation costs	1
Higher costs	(1)
Increase in operating earnings, compared to 2006	2
Increased tax expense	(5)
Changes in net working capital	(25)
Other	1
Increase in operating cash flow, compared to 2006	\$(27)

The negative change in working capital is mainly because of higher accounts receivable.

Status of our development projects

Las Cruces

Quarterly development update

Capital cost update

We completed a detailed review of the Las Cruces project costs this quarter, since detailed engineering was substantially advanced, almost all equipment had been procured or purchased and most construction contracts had been awarded.

Our revised capital estimate is €463 million. This is a 22 percent increase from the €380 million capital estimate we prepared about one year ago. In addition to adjustments for price inflation and growth, we increased our provision for contingencies to €40 million or 9 percent of the total capital cost.

We still expect to begin producing copper cathode in the first quarter of 2008. The life-of-mine production forecast remains at 72,000 tonnes of cathode copper per year (100 percent) at a cash cost of approximately €0.40 per pound of cathode produced.

The additional capital costs will be funded by the owners. We are required to pay 70 percent of these costs, or €58 million. After deducting the cash already spent and the undrawn amount of the loan facility, our remaining cash contribution to complete the project will be approximately €125 million.

Project progress

The project progressed well this quarter:

- **Removal of overburden and pre-stripping** - the mining contractor removed an additional 2.5 million cubic metres of overburden material from the area of the future pit, making excellent progress toward reaching the ore, which is expected late this year.
- **Detailed engineering** – at the end of March, detailed engineering was 75 percent complete.
- **Recruiting of employees** – by the end of March, the project employed 652 people, of which 583 were contractors.
- **Preparation of the site for plant construction** – construction of civil works for the main process plant facilities and the primary supply pond dam is ongoing. Structural steel, piping, electrical and mechanical work will start in May.
- **Began construction of the tailings storage system** - the process of constructing the berms required to encapsulate tailings is underway.
- **Contracts awarded** - major contracts were awarded this quarter for civil works, electro-mechanical works, structural and steel fabrication, site earthworks, and for commissioning services.
- **Erection of office buildings** - the main office building is complete.
- **Poured concrete foundations** - foundations have been laid in most areas.

CERATTEPE

Quarterly development update

Since August 2006, Cerattepe has been affected by a ruling of the local Erzurum Administrative Court that stated that government authorities had incorrectly exempted the operating licences for the property from environmental assessment regulations.

In April, the Danistay (Turkish Administrative Supreme Court) directed the local court to review its decision on procedural grounds. The Danistay's decision reinstates the validity of the operating licences, but does not finally resolve their status. As the licences are once again valid we can resume permitting and on-site work on the project pending a new decision from the local court. We are doing this.

An active campaign of community dialogue and engagement continues to solidify support for the project. This quarter we continued to work with Deutsche Montan Technologie GmbH (DMT), a German mining engineering firm that is in the process of updating the capital and operating costs of the project. Preparation of the ropeway landing site and construction of the connection road is nearly complete.

Our objective is to begin production in 2009. We can resume onsite activity shortly after we receive all required permits for full-scale construction.

PETAQUILLA

Quarterly development update

AMEC Americas Limited has been awarded the contract for Front End Engineering and Design (FEED) services and Golder Associates has been awarded the work on the Social and Environmental Impact Assessment (SEIA).

Managing our liquidity

(millions)	three months ended	
	2007	March 31 2006
CASH FROM OPERATING ACTIVITIES		
Çayeli	\$60	\$27
Pyhäsalmi	40	23
Troilus	1	(3)
Ok Tedi	8	34
General and administration	(3)	(2)
Other	(1)	(4)
	105	75
CASH FROM INVESTING AND FINANCING		
Capital spending	(52)	(25)
Long-term borrowings	14	-
Funding from non-controlling shareholder	5	2
Financial assurance deposits	(10)	(30)
Subsidies received	-	5
Foreign exchange on cash held in foreign currency	(3)	3
Other	(1)	1
	(47)	(44)
Increase in cash	58	31
Cash and short-term investments		
Beginning of period	640	252
End of period	\$698	\$283

CASH FROM OPERATING ACTIVITIES

(millions)	three months ended	
	March 31	
Increased earnings from operations (see page 5)	\$48	
Non-cash changes in operating earnings:		
Increased tax expense	(11)	
Changes in working capital	(14)	
Other	7	
Increase in operating cash flow, compared to 2006	\$30	

Operating cash flows this quarter were higher than in the first quarter of 2006 because operating earnings were higher. The negative change in working capital is mainly because of lower accounts payable at Çayeli and Ok Tedi.

2007 outlook for operating activities

High metal prices would continue to result in strong earnings and increased operating cash flows. The level of operating cash flows will depend on earnings and the accumulation or reduction of working capital.

CASH FROM INVESTING AND FINANCING

Capital spending

(millions)	three months ended March 31		<i>revised objective 2007</i>
	2007	2006	
Çayeli	\$5	\$4	\$17
Pyhäsalmi	-	1	10
Troilus	-	1	3
Ok Tedi	6	3	41
Las Cruces	38	14	492
Cerattepe	2	1	15
Accruals and other	1	1	-
	\$52	\$25	\$578

Refer to *Results of our operations* and *Status of our development projects* for a discussion of actual results and our 2007 objective.

Long-term borrowings and financial assurance deposits

Las Cruces borrowed an additional €9 million this quarter, bringing the total amount borrowed under its credit facility to €59 million. Las Cruces also provided €5.3 million this quarter to secure future contractual obligations for the construction of the process plant.

Our restricted cash balance of \$46 million at March 31, 2007 includes:

- \$12 million in trust for future rehabilitation at Ok Tedi
- \$14 million of cash collateralized letters of credit for Inmet
- \$20 million related to issuing letters of credit to suppliers, the local townships and for dewatering at Las Cruces.

2007 outlook for investing and financing

We expect capital spending to be \$578 million in 2007. Of that amount, we expect to spend \$492 million for the continuing development of the Las Cruces mine based on its new cost estimate, and \$28 million for the mine waste management program at Ok Tedi. The remaining expenditures are mostly for sustaining capital.

COMMON SHARES

Common shares outstanding as of March 31, 2007 and May 1, 2007	48,277,726
Deferred share units outstanding as of March 31 (redeemable on a one-for-one basis for common shares)	76,668

Dividend declaration

The board of directors has declared an eligible dividend of \$0.10 per common share payable on June 15, 2007 to shareholders of record as at May 30, 2007.

OFF BALANCE SHEET TRANSACTIONS

The following table shows our Troilus and Ok Tedi gold hedging transactions, the currency and interest rate hedges related to Las Cruces, and their respective marked-to-market valuations as at March 31, 2007.

Type of contract	Expiry	Quantity	Price	C\$ marked-to-market gain (loss) at March 31 2007
Gold forward sales				
Troilus	2007	43,700 ounces	US \$352 per oz.	
	2008	58,200 ounces	US \$352 per oz.	
		101,900 ounces	US \$352 per oz.	\$(40 million) ⁽¹⁾
Ok Tedi	2007	13,500 ounces	US \$371 per oz.	
	2008	6,750 ounces	US \$372 per oz.	
		20,250 ounces	US \$371 per oz.	\$(7 million) ⁽¹⁾
Currency forward sales				
Las Cruces	2008	US \$215 million	€171.80 million	\$20 million
Interest rate swaps				
Las Cruces	2008 to 2014	US \$179 million <small>(reducing in conjunction with debt repayment schedule)</small>	5.2 percent	\$(2) million

(1) At a gold price of US \$662 per ounce.

Accounting changes

We adopted several new CICA – Handbook sections.

Section 3855 - Financial instruments – recognition and measurement

This section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and liabilities including derivatives be recognized on the balance sheet when we become a party to the contractual provisions of the financial instrument or a non-financial derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instruments have been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

Effective January 1, 2007, we classify cash and short-term investments, accounts receivable, investments, restricted cash, accounts payable and accrued liabilities as held-for-trading and record them on the balance sheet at fair value. We record long-term debt at amortized cost.

3865 - Hedges

This section specifies when and how we can use hedge accounting for hedging strategies: fair value hedges, cash flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation.

All of our hedges at January 1, 2007 qualified for cash flow hedge accounting. The contracts are reflected at fair value on the balance sheet.

1530 - Comprehensive income

This section calls for a statement of comprehensive income and its components. Other comprehensive income includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation amounts arising from self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments.

Effective January 1, 2007, we include unrealized fair value of our cash flow hedges, investments and foreign currency translation adjustment in accumulated other comprehensive income, net of tax. The change in fair value this quarter of the effective portion of our cash flow hedges, investments and foreign currency translation adjustments is included in other comprehensive income for the period, net of tax.

Turn to note 2 on page 39 in the Interim consolidated financial statements for more details about the transitional adjustments.

Managing risk

The following is an update to the discussion, only where required, of the key risks associated with our business and the strategies we use to manage them. You can find the full discussion in the annual Management's discussion and analysis in Inmet's 2006 annual report.

Development at Las Cruces

Las Cruces is a development project, and while we are confident that the project will add value as planned, there is still significant uncertainty. Risks associated with detailed engineering, construction of mine and processing facilities, cost increases due to inflation, permitting, legal proceedings and relations with local communities will continue to exist and could have a negative effect on the project. 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. The other two proceedings are outstanding.

Development at Cerattepe

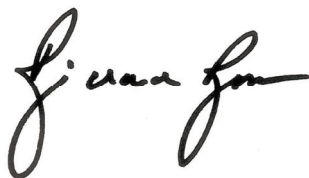
Recently the Danistay (Turkish Administrative Supreme Court) directed the local court to review its decision to cancel our operating licences for the project. The Danistay's decision does not finally resolve the status of the licences but they remain valid pending a new decision from the local court. There remains a risk that the licences could yet again be cancelled, in which case we would have to suspend permitting and on-site work.

Sensitivity analysis

The table below shows you the effect of key variables on our net income, based on our revised objectives for 2007.

	A change of:	Would change our 2007 net income by:	Would change our 2007 net income per share by:
Metal prices			
Copper (per pound)	US \$0.10	\$14 million	\$0.28
Zinc (per pound)	US \$0.05	\$5 million	\$0.11
Gold (per ounce) (1)	US \$10	\$2 million	\$0.03
Exchange rates			
Canadian dollar per US dollar	C\$0.05	\$19 million	\$0.40
Canadian dollar per euro	C\$0.05	\$4 million	\$0.08
Treatment and refining charges			
Copper treatment charge per tonne and copper refining charge per pound	US \$10	\$4 million	\$0.08
Zinc treatment charge per tonne	US \$10	\$1 million	\$0.03
Freight and energy costs			
Concentrate freight per tonne	10%	\$3 million	\$0.06
Fuel price per litre	\$0.10	\$3 million	\$0.07
Electricity per kilowatt hour	\$0.01	\$2 million	\$0.05

(1) Calculations include hedging in place at December 31, 2006.



Richard A. Ross
Chairman and
Chief Executive Officer



Jochen Tilk
President and
Chief Operating Officer

Toronto, Canada
May 1, 2007

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Investor Relations

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

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

- By mail directed to our Corporate Office
- By email at investor@inmetmining.com
- By fax at + 1-416-368-4692
- By telephone at + 1-416-860-3979

Shareholder Inquiries

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

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Common Shares

<i>(thousands)</i>	2007	2006
Outstanding as at March 31	48,278	48,097
Weighted average for the three months ended March 31	48,278	48,097

Stock Exchange Listing

Toronto Stock Exchange

Stock Symbol

IMN

Common Shares

Trading History

	High	Low
2007		
First Quarter	\$65.37	\$50.64
2006		
Fourth Quarter	\$68.17	\$41.25
Third Quarter	\$49.00	\$39.24
Second Quarter	\$46.50	\$33.16
First Quarter	\$37.00	\$29.10