

Protect the environment

Our 2008 environmental performance was disappointing. Our operations experienced an increased number of incidents that were reportable to environmental agencies under regulatory requirements and our internal standards. Much of the increase resulted from water-related incidents. However, in our judgment, the environmental impact of these incidents was minor.

Environment performance at a glance

- A disappointing rise in reportable environmental incident intensity, primarily caused by water-related incidents at Troilus and Pyhäsalmi
- Suspension of the Las Cruces DRS license
- Energy consumed 2.7 million GJ
- GHG emissions 156,500 tonnes carbon dioxide equivalent
- Water conservation plans drafted at Çayeli and Pyhäsalmi
- Energy conservation plans developed at each majority-owned operation
- Continued environmental and social impact assessment at Minera Panamá
- Mine Reclamation Award for Samatosum in BC

A significant increase in water-related environmental incidents led to a 186 percent increase in reportable incident frequency (from our active, majority-owned operations) over the comparable 2007 performance, which was the best in our history. There were 10 water compliance incidents at Troilus during the year, most of which related to elevated water levels in the tailings facility and elevated concentrations of total suspended solids and metals in the discharge. Most of the incidents occurred in the spring when the operation has historically struggled to effectively manage water. An elevated snowpack, rapid melting and heavy rains contributed to the incidents in 2008. In response, Troilus eliminated one of its effluent points by using water from the main open pit to flood the smaller, mined-out pit instead of discharging the mine water to the environment. In addition, the site increased its year-end water treatment efforts to improve the management of high runoff water in spring. Treating the tailings water at a reduced and optimum rate over a longer period by starting early in winter will allow the operations team to improve the effluent discharge quality from

the treatment plant. Troilus received two Notices of Violation during the year from the Province of Québec as a direct result of water-related challenges.

There were seven reportable water-related compliance incidents at Pyhäsalmi, the majority of which were related to elevated pH in its discharge. Under the environmental permit issued in 2007, Pyhäsalmi's discharge is subject to continuous monitoring for pH; its mill operators have had some initial difficulty adjusting their process to the new monitoring system. Moreover, these exceedances occurred when Pyhäsalmi was bypassing its pyrite recovery circuit and when pH is more difficult to control. The mill operations staff has developed new control procedures to ensure pH is within specifications, including improved operational monitoring of pH and control of lime addition.

Overall, there were 79 environmental incidents reported, including 48 petroleum spills, 23 water-related incidents and six reagent spills, one release of hazardous waste and one air quality limit exceedance. Of these, 32 were reportable to regulatory agencies, including 20 water-related incidents, 11 petroleum spills and an air quality limit exceedance. We are disappointed by this performance, coming after good performance in 2007. Thirty-eight percent of the 79 environmental incidents (30 incidents in total) were pre-production incidents at Las Cruces, including 22 petroleum spills, four reagent spills and three releases of water. Most of the petroleum spills originated from hose breakages on contractor heavy equipment and averaged eight litres in size. As Las Cruces transitions from construction to operations we expect to see the number of petroleum incidents decrease significantly. Despite the elevated number of incidents we are pleased to see the awareness and reporting culture that has developed so early in the life of this operation. We have taken steps to modify procedures and practices at all locations for those aspects of our operations that could lead to an environmental incident.

The suspension of the Las Cruces DRS license overshadowed all other environmental-related matters during 2008. Fundamentally, we underestimated the reaction to the re-injection of water containing minute concentrations of some elements, despite the fact that these elements are naturally-occurring within the Nieblas-Posada aquifer. We took literally both key principles of the DRS; conservation of water quantity and quality within the aquifer.



Samatosum tailings pond survey. The tailings water cover and site reclamation continue to effectively protect the nearby creek.

The re-injection of natural water containing elements such as arsenic has a negative perception of human and environmental risk with the general public. Nevertheless, on the basis of our analytical results we strongly believe that the quality of water within the aquifer was not impaired. As a result of the suspension of the licence, Las Cruces took quick action and developed the Global Plan, which addressed three primary measures:

1. Purification of re-injected water to meet Spanish human health-based drinking water quality standards
2. Optimization of the DRS
3. Restructuring of Las Cruces' water management responsibilities

Las Cruces implemented short-term water purification and proposed relocation of certain DRS wells and long-term water purification in response to the water authority's concerns. Las Cruces also established a water management department to exercise operation-wide control and responsibility for water-related matters. The water authority stated that the measures set out in the Las Cruces action plan had been validated, and recommended that the provincial mining authority allow Las Cruces to resume mining.

Minera Panamá received notice from Autoridad Nacional del Ambiente (ANAM), the Panamanian environmental regulatory agency, that it was the subject of an administrative enforcement action related to environmental damage that took place in 2005 (before it began on-site activities at Petaquilla). Minera Panamá had no knowledge of the activities that ANAM alleges resulted in environmental damage, which were conducted without Minera Panamá's knowledge or consent. Nevertheless, Minera Panamá believes it was named in the notice solely because it was the concession owner at the relevant time.

ANAM subsequently levied a US\$1 million fine against all of the parties named in the notice jointly and severally, including Minera Panamá. Minera Panamá has appealed its being named in the notice to the Supreme Court of Panama.

We updated the 1999 Çayeli closure plan and cost estimate. The broad closure concepts remained unchanged but the estimated costs to reclaim the Çayeli site increased to \$US13.9 million, up from the previous estimate of \$US 6.8 million.

Our Closed Property Samatosum received the Jake MacDonald Mine Reclamation Award from the Province of British Columbia. This award recognizes the excellent work at Samatosum over the past 15 years to enhance public safety and reduce environmental risk associated with decommissioned mine waste management facilities.

Excerpt from Jack MacDonald Award presentation speech

"Inmet Mining has truly embraced a culture of proactive management, risk reduction and continuous site improvement, and this culture is applied to worker safety, the community and the environment." – Kim Bellefontaine, BC Ministry of Energy, Mines and Petroleum Resources.

Environmental and social impact assessment

We largely completed the baseline studies for the environmental and social impact assessment for the Petaquilla project in Panama. We plan to submit the completed environmental and social impact assessment to Panamanian regulatory authorities by the fourth quarter of 2009.

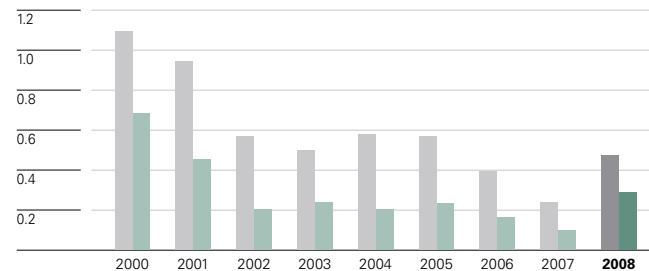
WATER PERFORMANCE AND MANAGEMENT

The availability of water is of increasing concern worldwide as competing uses for water intensify and sources of fresh water are depleted. Many jurisdictions are now requiring payment for the privilege of withdrawing water from natural sources such as water bodies and aquifers. To reduce our fresh water use, we have set a five-year target to reduce fresh water withdrawal at our majority-owned operations by 20 percent from 2008 levels by 2012.

In 2008 we consumed 17.6 million cubic metres of fresh water. Water conservation plans are required for each facility to indicate how our reduction target will be met.

Environmental incident – Intensity

Majority-owned sites incident per tonne copper equivalent produced
 ■ All ■ Incidents reportable



MINE WASTE PERFORMANCE AND MANAGEMENT

We took several steps throughout the year to improve our tailings management systems. We improved our deep sea tailings disposal system at Çayeli by ensuring that the shoreline head tank that pushes the tailings out to the deep sea pipeline is properly pressurized, minimizing the potential for spillage of tailings in the shallow offshore area. We are also considering an option that will maximize the use of seawater to help improve the function of the intake system and reduce the requirement for fresh water consumption for flushing the pipeline. At Las Cruces, the east wall of the partially constructed process residue storage facility shifted in July of 2008. There were no environmental consequences and no one was hurt. We hired third-party geotechnical experts to investigate the cause of the event, and fully repaired the storage area slopes, re-designing similar storage areas to make sure they will be able to support the mine until the end of its life. The total cost to rehabilitate and improve these facilities was approximately \$3.5 million.

A dam safety review report was completed for Sturgeon and was largely completed for Winston during 2008. The reports indicated no significant flaws in the design, construction, operation, maintenance or surveillance of the dams, dykes, embankments and related infrastructure at the Sturgeon and Winston Closed Properties.

CLOSED PROPERTIES AND RECLAMATION

We set aside funds for reclamation at all our operating facilities and we develop closure plans for regulatory approval at these sites.

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

(millions)	2006	2007	2008
Reclamation spending	\$3.0	\$3.4	\$3.5

All of the expenditures in 2006 and 2007 were at the Closed Properties. In 2008, \$730,000 was spent on concurrent reclamation at Troilus. Reclamation activities at our Closed Properties progressed according to plan during 2008. Most of the individual reclamation projects at the Closed Properties have been completed. The ongoing treatment of mine-impacted effluent is the main activity at several sites.

Exploration SECA Guide

In past years we had not devoted sufficient time to our worldwide exploration staff to ensure that they were fully aware of our SECA Standards, and how they applied to their activities. Since exploration personnel are often the first Inmet staff with whom local communities have contact, they need to be fully aware of their safety and health, environmental and community responsibilities. An Exploration SECA Guide was developed and rolled out Inmet-wide in 2008. The guide includes the applicable Inmet SECA Standards and related requirements for reporting environmental incidents, preparing for environmental and other emergencies, spill prevention, environmental and water resource protection measures, and requirements for waste management. The guide addresses the most significant hazards that we expect to encounter in our exploration activities.

ENERGY AND CLIMATE CHANGE

Energy usage and greenhouse gas emissions management

Mining is an energy intensive activity. The energy to extract each tonne of ore increases the deeper we go to excavate to reach the ore; energy is needed in the form of electricity and fossil fuels. Depending upon the source of electricity, its generation, such as by

the burning of fossil fuels, may result in greenhouse gas emissions. A significant portion of the electricity we use is hydroelectric. Pyhäsalmi in Finland has certified that its grid electricity is generated with zero carbon dioxide emissions.

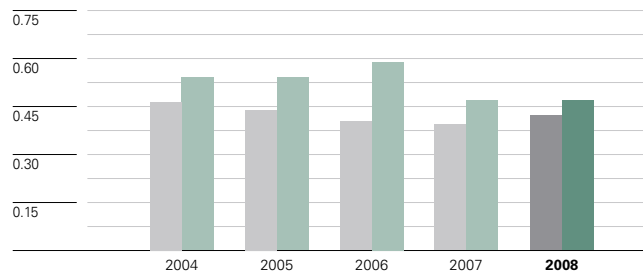
Troilus and our Closed Properties also use grid electricity that is generated primarily by hydroelectric plants. (We report some greenhouse gas emissions for sites that we know are carbon-free because the methodology is based on country-wide emissions from electricity distribution, rather than for the electricity used at a specific location.) In 2008 we drafted energy conservation plans at Çayeli and Pyhäsalmi to help achieve our five-year corporate target of decreasing energy intensity by 10 percent by the year 2012.

We submitted our second voluntary annual report to the Carbon Disclosure Project (<http://www.cdproject.net/search-form.asp>), an independent non-profit organization that asks companies to report on how they address greenhouse gas emissions and manage climate change risk in their business. In our report we addressed questions related to the effects of climate change on us and our internal plans to reduce energy usage and greenhouse gas emissions. We will also participate in the CDP report in 2009.

In 2008, we emitted 156,500 tonnes of carbon dioxide equivalent company-wide, an approximately seven percent increase over 2007 due to our increased activities at the sites and the addition of exploration activities and development work at Petaquilla.

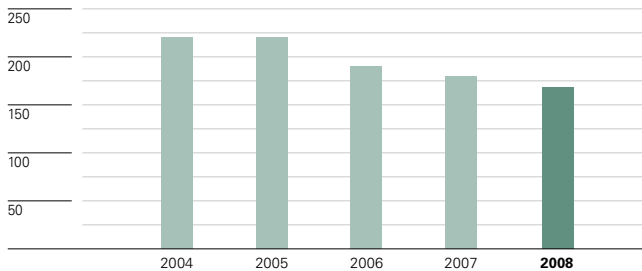
Greenhouse gas (GHG) emissions – Intensity

Inmet majority-owned operations (GHG emissions – CO₂ per tonne copper (eq))



Water withdrawal – Intensity

Inmet majority-owned operations (Water use – cubic metre per tonne copper (eq))



Energy consumption – Intensity

Inmet majority-owned operations (Direct energy use – GJ/tonne copper (eq))

