



M I N I N G

Quarterly Report Three and Six Months Ended June 30, 2008

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 2007 Annual Review.

Highlights

- **Lower net income per share**
Net income per share this quarter was lower than in the second quarter of 2007, mainly because lower zinc prices reduced second quarter 2008 sales by \$53 million. The difference was also the result of the recognition of \$15 million in foreign exchange losses in 2008 from the repatriation of cash from our subsidiaries. A \$12 million gain on sale of investment was recorded in 2007.
- **Higher production**
For the second quarter 2008, copper production was similar to 2007, while gold and zinc production was higher. Çayeli and Pyhäsalmi have continued to deliver strong throughput.
- **Production outlook**
For the year, we expect to produce 93,100 tonnes of copper, 78,700 tonnes of zinc and 268,400 ounces of gold. This reflects a reduction in our original copper estimate because of the current delay in direct ore shipping at Las Cruces and a reduction in our gold estimate because of lower expected grades at Ok Tedi. We increased pyrite projections to 645,000 tonnes to reflect the strong demand for this product.
- **Lower operating cash flow per share**
Operating cash flow this quarter was \$115 million or \$2.38 per common share compared to \$138 million or \$2.85 per share in the second quarter of 2007.
- **Petaquilla is moving forward**
We began acting as operator, on behalf of Teck Cominco, of the Petaquilla project on April 1, and on July 28 formally announced an all-cash offer of \$2 per share for all of the outstanding common shares of Petaquilla Copper Ltd. (PTC). PTC has a 26 percent stake in Minera Petaquilla SA, the Panamanian company that holds the project concession. The purpose of the offer is to acquire control of PTC in order to protect our interest in the Petaquilla Concession and advance the development of the copper project.

- **Las Cruces construction on target subject to regulator consent**

Las Cruces is still on target to begin production in 2008 subject to lifting of the suspension of the dewatering system permit. Good progress has been made to address the water quality concerns of the dewatering system as temporary water treatment facilities are now in place. Remediation of the waste dump and residue storage areas are underway following a slide of material in July.

Key financial data

	three months ended June 30			six months ended June 30		
	2008	2007	change	2008	2007	change
FINANCIAL HIGHLIGHTS						
(thousands, except per share amounts)						
Sales						
Gross sales	\$281,463	\$320,018	-12%	\$557,744	\$606,632	-8%
Net income						
Net income	\$67,705	\$138,050	-51%	\$174,379	\$239,128	-27%
Net income per share	\$1.40	\$2.86	-51%	\$3.60	\$4.95	-27%
Cash flow						
Cash flow provided by operating activities	\$114,797	\$137,731	-17%	\$195,708	\$242,711	-19%
Cash flow provided by operating activities per share (1)	\$2.38	\$2.85	-17%	\$4.05	\$5.03	-19%
Capital spending	\$121,028	\$82,079	+47%	\$232,442	\$134,014	+73%
OPERATING HIGHLIGHTS						
Production (2)						
Copper (tonnes)	19,300	19,100	+1%	38,600	38,600	-
Zinc (tonnes)	21,000	16,600	+27%	41,300	38,700	+7%
Gold (ounces)	59,900	54,800	+9%	116,200	110,800	+5%
Cash costs						
Copper (US \$ per pound) (3)	\$0.65	\$0.15	+333%	\$0.48	\$0.12	+300%
Gold (US \$ per ounce) (3)	\$360	\$338	+7%	\$374	\$393	-5%
FINANCIAL CONDITION						
	as at June 30		as at December 31			
	2008		2007			
Current ratio	6.0 to 1		5.6 to 1			
Gross debt to total equity (4)	25%		18%			
Net working capital balance (millions)	\$1,034		\$855			
Cash balance (millions)	\$999		\$841			
Shareholders' equity (millions)	\$1,658		\$1,392			

(1) Calculated as cash flow provided by operating activities divided by average shares outstanding for the respective period.

(2) Inmet's share.

(3) Cash cost per pound of copper and cash cost per ounce of gold are non-GAAP measures – see *Supplementary financial information* on pages 29, 30 and 31.

(4) Gross debt includes long-term debt and current portion of long-term debt.

Second quarter report

We prepared this report as of July 29, 2008.

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 June 30			six months ended June 30		
	2008	2007	change	2008	2007	change
EARNINGS FROM OPERATIONS⁽¹⁾						
Çayeli	\$45,262	\$64,741	-30%	\$98,917	\$124,176	-20%
Pyhäsalmi	27,232	44,890	-39%	55,226	76,332	-28%
Troilus	7,510	3,718	+102%	16,145	6,530	+147%
Ok Tedi	49,656	65,391	-24%	103,574	105,406	-2%
Other	(494)	(355)	+39%	(988)	(843)	+17%
	129,166	178,385	-28%	272,874	311,601	-12%
DEVELOPMENT AND EXPLORATION						
Corporate development and exploration	(2,483)	(1,836)	+35%	(5,101)	(2,678)	-90%
CORPORATE COSTS						
General and administration	(2,790)	(2,162)		(6,438)	(5,002)	
Investment and other income	(11,358)	1,685		3,396	9,112	
Interest expense	(471)	(424)		(918)	(862)	
Income and capital taxes	(44,457)	(48,783)		(89,327)	(84,433)	
Non-controlling interest	98	(545)		(107)	(340)	
	(58,978)	(50,229)	+17%	(93,394)	(81,525)	+15%
Net income before other items	\$67,705	\$126,320	-46%	\$174,379	\$227,398	-23%
Gain on sale of Wolfden	-	11,730		-	11,730	
Net income	\$67,705	\$138,050	-51%	\$174,379	\$239,128	-27%
Basic and diluted net income per share	\$1.40	\$2.86	-51%	\$3.61	\$4.95	-27%
Weighted average shares outstanding	48,282	48,278		48,282	48,278	-27%

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

Key changes this year

(millions)	three months ended June 30	six months ended June 30	see page
EARNINGS FROM OPERATIONS			
Sales			
Lower metal prices denominated in Canadian dollars	\$(46)	\$(19)	7
Lower sales volumes	-	(22)	8
Costs			
Lower smelter processing charges and freight	7	18	9
Higher operating costs, including costs that vary with income and cash flows	(10)	(16)	10
Decrease in earnings from operations, compared to 2007	\$(49)	\$(39)	
CORPORATE COSTS			
Change in taxes from change in income	2	(6)	11
Change in tax rates	2	1	11
Foreign exchange losses	(9)	(2)	11
Gain on sale of Wolfden in 2007	(12)	(12)	11
Higher (lower) interest income	(1)	2	11
Other	(3)	(9)	11
Decrease in net income, compared to 2007	\$(70)	\$(65)	

Understanding our performance

Metal prices

The table below shows the average metal prices we realized in US dollars and Canadian dollars (the prices we realize include finalization adjustments – see *Gross sales* on page 7).

	three months ended June 30			six months ended June 30		
	2008	2007	Change	2008	2007	Change
US dollar metal prices						
Copper (per pound)	\$3.83	\$ 3.71	+3%	\$4.00	\$ 3.27	+22%
Zinc (per pound)	\$0.94	\$ 1.75	-46%	\$1.00	\$ 1.54	-35%
Gold (per ounce)	\$725	\$ 575	+26%	\$748	\$ 569	+31%
Canadian dollar metal prices						
Copper (per pound)	\$3.87	\$ 4.08	-5%	\$4.04	\$ 3.73	+8%
Zinc (per pound)	\$0.95	\$ 1.92	-51%	\$1.01	\$ 1.76	-43%
Gold (per ounce)	\$732	\$ 632	+16%	\$755	\$ 649	+16%

Exchange rates affect revenue and earnings. The table below shows the average exchange rates we realized.

	three months ended June 30			six months ended June 30		
	2008	2007	change	2008	2007	change
Exchange rates						
1 US\$ to C\$	\$1.01	\$ 1.10	-8%	\$1.01	\$ 1.14	-11%
1 euro to C\$	\$1.58	\$ 1.46	+8%	\$1.54	\$ 1.50	+3%

Sales are affected by the conversion of US dollar revenue to Canadian dollars. Because of the weaker US dollar this year, gross sales and net income were lower compared to 2007:

- gross sales decreased by \$27 million for the quarter and \$67 million year to date
- net income decreased by \$36 million for the quarter and \$62 million year to date. The net income changes included the impact of foreign exchange losses from the recognition of deferred foreign exchange losses when cash was repatriated from Çayeli and Ok Tedi. These losses are recorded in *Investment and other income* and were \$21 million for the quarter and \$26 million for the year to date.

The change in the average value of the Canadian dollar relative to the euro lowered net income slightly between periods because euro-based costs were slightly higher when converted to Canadian dollars.

There was a larger change in the value of the euro relative to the Canadian dollar in 2008, between December 31, 2007 to March 31, 2008 and June 30, 2008, when we revalued euro denominated cash and short-term intergroup receivables and from the recognition of deferred foreign exchange gains when cash was repatriated from Pyhäsalmi. This resulted in foreign exchange gains of \$3 million and \$10 million for the three and six months of this year, respectively, which we recorded in *Investment and other income*.

Treatment charges and freight down for copper and up for zinc

Treatment charges are one component of smelter processing charges. We also pay smelters for content losses and price participation.

The table below shows the average charges we realized.

	three months ended June 30			six months ended June 30		
	2008	2007	change	2008	2007	change
Treatment charges						
Copper (per dry metric tonne of concentrate)	US \$40	US \$59	-32%	US \$46	US \$69	-33%
Zinc (per dry metric tonne of concentrate)	US \$292	US \$384	-24%	US \$291	US \$249	+17%
Price participation						
Copper (per pound)	US \$0.05	US \$0.11	-55%	US \$0.05	US \$0.08	-38%
Zinc (per pound) ⁽¹⁾	US \$(0.01)	US \$(0.12)	-92%	US \$(0.02)	US \$0.09	-122%
Freight charges						
Copper (per dry metric tonne of concentrate)	US \$54	US \$67	-19%	US \$50	US \$55	-9%
Zinc (per dry metric tonne of concentrate)	US \$41	US \$39	+5%	US \$41	US \$33	+24%

(1) Zinc price participation is based on a zinc price of US \$2,000 per tonne in 2008 and US \$3,500 per tonne in 2007.

Copper treatment charges were lower this quarter and year to date than they were in 2007 because we have better contract terms with smelters. While zinc treatment charges were higher than 2007, zinc price participation was down significantly.

Statutory tax rates down slightly

The table below shows the statutory tax rates for each of our taxable operating mines.

	2008	2007	change
Statutory tax rates			
Çayeli	24%	27%	-3%
Pyhäsalmi	26%	26%	-
Ok Tedi	37%	37%	-

Çayeli's tax rate is lower because the withholding tax rate was reduced from 8 percent to 5 percent.

EARNINGS FROM OPERATIONS

Earnings from operations include the following:

(thousands)	three months ended June 30			six months ended June 30		
	2008	2007	change	2008	2007	change
Gross sales	\$281,463	\$320,018	-12%	\$557,744	\$606,632	-8%
Smelter processing charges	(53,209)	(55,413)	-4%	(97,366)	(120,019)	-19%
Cost of sales:						
Direct production costs	(82,076)	(66,936)	+23%	(159,610)	(140,652)	+13%
Inventory changes	(1,744)	(6,290)	-72%	1,196	(9,898)	-112%
Provisions for mine rehabilitation and other non-cash charges	(6,073)	(4,955)	+23%	(10,725)	(7,008)	+53%
Depreciation	(9,195)	(8,039)	+14%	(18,365)	(17,454)	+5%
Earnings from operations	\$129,166	\$178,385	-28%	\$272,874	\$311,601	-12%

Gross sales were lower this year mainly because the price of zinc was down

(thousands)	three months ended June 30			six months ended June 30		
	2008	2007	change	2008	2007	change
Gross sales by operation						
Çayeli	\$98,313	\$112,208	-12%	\$198,929	\$229,942	-13%
Pyhäsalmi	61,249	75,807	-19%	116,157	141,147	-18%
Troilus	35,171	25,849	+36%	69,422	56,091	+24%
Ok Tedi ⁽¹⁾	86,730	106,154	-18%	173,236	179,452	-3%
	\$281,463	\$320,018	-12%	\$557,744	\$606,632	-8%
Gross sales by metal						
Copper	\$161,530	\$189,056	-15%	\$329,698	\$332,380	-1%
Zinc	52,185	82,702	-37%	100,991	172,483	-41%
Gold	45,046	36,816	+22%	88,333	77,873	+13%
Other	22,702	11,444	+98%	38,722	23,896	+62%
	\$281,463	\$320,018	-12%	\$557,744	\$606,632	-8%

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

Key components of the change in sales: zinc prices down, gold prices up

(millions)	three months ended June 30	six months ended June 30
(Lower) higher copper prices, denominated in C\$	\$(11)	\$27
Lower zinc prices, denominated in C\$	(53)	(74)
Higher gold prices, denominated in C\$	7	13
Higher pyrite prices, denominated in C\$	7	11
Changes in other metal prices	4	4
Higher (lower) sales volumes	7	(30)
Decrease in gross sales, compared to 2007	\$(39)	\$(49)

We record sales using the metal price we receive for sales that settle 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 forward price of the metal at the end of the reporting period. We recognize the difference between our estimate and the final price we receive by adjusting our gross sales in the period we settle the sale (finalization adjustment).

Finalization adjustments in the second quarter were minimal.

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

- 35 million pounds of copper provisionally priced at US \$3.90 per pound
- 23 million pounds of zinc provisionally priced at US \$0.87 per pound.

The finalization adjustment we record for these sales will depend on the actual price when the sale settles, which can be from one to five months after we initially record it.

Sales volume higher for zinc

	three months ended June 30			six months ended June 30		
	2008	2007	change	2008	2007	change
Sales volumes						
Copper (tonnes)	18,900	20,900	-10%	37,200	40,900	-9%
Zinc (tonnes)	25,000	19,700	+27%	45,500	44,900	+1%
Gold (ounces)	61,600	59,000	+4%	117,000	120,800	-3%

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

Higher production increased sales volumes this quarter compared to the same period last year. While production was also higher for the first six months of 2008, sales volumes were mostly lower than the same period in 2007 because of shipment timing.

Production

Inmet's share ⁽¹⁾	three months ended June 30			six months ended June 30			<i>revised objective 2008</i>
	2008	2007	change	2008	2007	change	
Copper (tonnes)							
Ok Tedi	7,400	6,700	+10%	14,100	14,900	-5%	32,100
Çayeli	7,600	8,100	-6%	15,800	15,600	+1%	33,600
Pyhäsalmi	3,100	3,600	-14%	6,600	6,900	-4%	13,000
Las Cruces	-	-	-	-	-	-	7,400
Troilus	1,200	700	+71%	2,100	1,400	+50%	7,000
	19,300	19,100	+1%	38,600	38,600	-	93,100
Zinc (tonnes)							
Çayeli	13,200	8,300	+59%	25,900	20,200	+28%	47,800
Pyhäsalmi	7,700	8,300	-7%	15,300	18,500	-17%	30,900
	20,900	16,600	+26%	41,200	38,700	+6%	78,700
Gold (ounces)							
Troilus	37,800	35,100	+8%	72,800	68,300	+7%	163,200
Ok Tedi	22,100	19,700	+12%	43,400	42,500	+2%	105,200
	59,900	54,800	+9%	116,200	110,800	+5%	268,400
Pyrite (tonnes)							
Pyhäsalmi	111,200	98,400	+13%	305,700	258,900	+18%	645,000

(1) Inmet's share represents 100 percent for Çayeli, Pyhäsalmi and Troilus, 18 percent for Ok Tedi and 70 percent for Las Cruces.

This quarter:

- copper production was consistent with the second quarter of 2007. This was the net result of higher grades at Ok Tedi and Troilus, and lower grades at Çayeli and Pyhäsalmi.
- zinc production was higher mainly because of higher grades, recoveries and throughput at Çayeli.
- gold production was higher due to higher grades.

2008 outlook for sales

We expect sales of all metals for the year to be consistent with our 2008 production estimates in the chart above. We have estimated an October production start up at Las Cruces.

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

Smelter processing charges and freight were consistent with last year

(thousands)	three months ended June 30			six months ended June 30		
	2008	2007	change	2008	2007	change
Smelter processing charges and freight by operation						
Çayeli	\$25,565	\$24,302	+5%	\$47,578	\$55,470	-14%
Pyhäsalmi	14,561	15,100	-4%	25,381	33,714	-25%
Troilus	2,421	2,020	+20%	4,608	4,713	-2%
Ok Tedi ⁽¹⁾	10,662	13,991	-24%	19,799	26,122	-24%
	\$53,209	\$55,413	-4%	\$97,366	\$120,019	-19%
Smelter processing charges and freight by metal						
Copper	\$21,516	\$27,160	-21%	\$42,409	\$54,640	-22%
Zinc	24,679	25,071	-2%	44,451	58,786	-24%
Other	7,014	3,182	+120%	10,506	6,593	+59%
	\$53,209	\$55,413	-4%	\$97,366	\$120,019	-19%
Smelter processing charges by type and freight						
Copper treatment and refining charges	\$5,099	\$7,398	-31%	\$11,074	\$18,423	-40%
Zinc treatment charges	14,348	14,562	-1%	26,140	21,646	+21%
Copper price participation	2,281	5,222	-56%	4,244	9,082	-53%
Zinc price participation	(366)	(5,082)	-93%	(2,261)	8,533	-126%
Content losses	16,104	20,829	-23%	32,361	42,792	-24%
Other	2,239	3,252	-31%	4,512	2,179	+107%
Freight	13,504	9,232	+46%	21,296	17,364	+23%
	\$53,209	\$55,413	-4%	\$97,366	\$120,019	-19%

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

Copper treatment and refining charges were lower in 2008 compared to 2007 because of more favourable contract terms with smelters. Zinc treatment charges were higher, but lower prices significantly reduced zinc price participation charges. For the quarter, zinc treatment charges expensed were similar with last year's second quarter because of adjustments made to first quarter sales after contracts were finalized with the smelters in the second quarter. Freight charges were higher because Pyhäsalmi increased their shipments of pyrite and freight rates increased as a result of rising demand and fuel prices.

2008 outlook for smelter processing charges and freight

Contract terms for long-term copper sales at our operating mines, and treatment charges are averaging about US \$50 per dry metric tonne with little to no price participation.

Contract terms for long-term zinc treatment charges have been finalized averaging about US \$300 per dry metric tonne. Price participation of zinc concentrate is averaging US \$0.10 per dry metric tonne for zinc priced at higher than US \$2,000 per tonne (\$1.36 per pound), and (US \$0.10) per dry metric tonne for zinc priced at less than US \$2,000 per tonne.

Copper cathode production at Las Cruces should begin in the fourth quarter. Copper cathode will be sold directly to buyers, bypassing the smelters and eliminating smelter and refining treatment charges. In the fourth quarter, the mine also intends to sell crushed ore and pay smelter processing charges. These charges are expected to be higher than what our other operations pay because of the impurity levels in this ore.

Direct production costs and cost of sales were higher than last year

(thousands)	three months ended June 30			six months ended June 30		
	2008	2007	change	2008	2007	change
Direct production costs by operation						
Çayeli	\$22,638	\$20,865	+8%	\$45,978	\$41,766	+10%
Pyhäsalmi	15,351	11,833	+30%	29,955	25,450	+18%
Troilus	22,345	18,569	+20%	42,292	37,906	+12%
Ok Tedi ⁽¹⁾	21,742	15,669	+39%	41,385	35,530	+16%
Total direct production costs	82,076	66,936	+23%	159,610	140,652	+13%
Inventory changes	1,744	6,290	-72%	(1,196)	9,898	-112%
Reclamation, accretion and other non-cash expenses	6,073	4,955	+23%	10,725	7,008	+53%
Total cost of sales	\$89,893	\$78,181	+15%	\$169,139	\$157,558	+7%

(1) Our 18 percent share of Ok Tedi's direct production costs.

Key reasons for the increase in direct production costs

(millions)	three months ended June 30	six months ended June 30
Volume	\$(2)	\$(3)
Labour costs	6	8
Consumables	7	9
Energy	1	4
Costs that vary with income and cash flow	(2)	1
Other	5	-
Increase in direct production costs, compared to 2007	\$15	\$19

Depreciation was higher than last year

(thousands)	three months ended June 30			six months ended June 30		
	2008	2007	change	2008	2007	change
Depreciation by operation						
Çayeli	\$2,556	\$1,871	+37%	\$4,929	\$4,568	+8%
Pyhäsalmi	2,232	2,433	-8%	4,382	4,794	-9%
Troilus	1,718	2,007	-14%	4,136	4,716	-12%
Ok Tedi	2,689	1,728	+56%	4,918	3,376	+46%
	\$9,195	\$8,039	+14%	\$18,365	\$17,454	+5%

At Çayeli, depreciation is higher because of the shaft extension that was finished in the last quarter of 2007. Ok Tedi has higher depreciation because it has been spending on new mine equipment and other sustaining capital over the last few years.

2008 outlook for depreciation

We estimate depreciation will be about \$40 million for 2008 assuming production at Las Cruces commences in October.

CORPORATE COSTS

Corporate costs include 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.

Investment and other income was lower because of foreign exchange losses

(thousands)	three months ended June 30		six months ended June 30	
	2008	2007	2008	2007
Interest income	\$6,963	\$7,378	\$15,686	\$14,394
Dividend income and royalty	1,504	1,000	1,504	2,000
Foreign exchange gain (loss)	(18,573)	(9,400)	(11,715)	(9,545)
Sale of Wolfden	-	11,730	-	11,730
Other	(1,252)	2,707	(2,079)	2,263
	\$(11,358)	\$13,415	\$3,396	\$20,842

We recorded a net foreign exchange loss of \$18.6 million this quarter. This included a foreign exchange loss of \$15 million when we received dividends from Çayeli, Pyhäsalmi and Ok Tedi, and a \$4 million loss when we revalued some of our foreign currency denominated accounts and cash balances. For the year, we recognized \$20 million in foreign exchange losses from dividends received. In 2007, we sold our shares in Wolfden for cash proceeds of \$51 million and recorded a gain of \$11.7 million.

2008 outlook for investment and other income

Investment and other income is affected by cash balances, interest rates and exchange rates. For the rest of the year, we expect to repatriate funds only from Ok Tedi. This operation distributes its earnings more frequently, so the foreign exchange effect of repatriation is normally not significant.

On June 30, 2008, the Las Cruces credit facility converted from a euro denominated loan to a US \$215 million dollar loan. Starting on July 1, we will revalue the loan to euros (the functional currency of Las Cruces). Foreign exchange gains or losses on revaluations will be reflected in *Investment and other income*.

Income tax expense was lower in the quarter because of lower earnings

(thousands)	three months ended June 30			six months ended June 30		
	2008	2007	change	2008	2007	change
Çayeli	\$8,655	\$13,763	-37%	\$27,779	\$27,434	+1%
Pyhäsalmi	6,425	10,379	-38%	12,448	17,286	-28%
Ok Tedi	23,803	23,291	+2%	43,150	37,908	+14%
Las Cruces	(84)	691	-112%	166	486	-66%
Corporate	5,658	659	+759%	5,784	1,319	+339%
	\$44,457	\$48,783	-9%	\$89,327	\$84,433	+6%

Our tax expense changes as our earnings change. Çayeli's effective tax rate was 20 percent this quarter. This is lower than its statutory rate of 24 percent because taxable foreign exchange losses in its Turkish lira tax accounts generated a lower tax expense of \$2 million. For the year to date, Çayeli's effective tax rate was 27 percent, the result of foreign exchange gains in its tax accounts. The effective tax rate at Ok Tedi is also higher than its statutory 37 percent for the quarter and year to date because of foreign exchange gains recorded in its tax accounts. The tax expense at Corporate reflects a provision for Quebec mining duties. We expect 2008 to be the first year we have to pay this tax because we have fully drawn down our tax deductible assets in regard to this mining tax return.

2008 outlook for income tax expense

We are not expecting any further changes in statutory tax rates at our operations in 2008. We estimate approximately \$15 million for Quebec mining duties will be expensed for the year, but this will depend on Troilus' 2008 net income.

Results of our operations

ÇAYELI

	three months ended June 30			six months ended June 30			<i>revised objective 2008</i>	
	2008	2007	change	2008	2007	change		
Tonnes of ore milled (000's)	279	249	+12%	557	508	+10%	1,100	
Tonnes of ore milled per day	3,100	2,700	+12%	3,100	2,800	+10%	3,000	
Grades (percent)	copper	3.5	3.9	-10%	3.6	3.7	-3%	3.8
	zinc	6.3	5.3	+19%	6.4	5.7	+12%	6.0
Mill recoveries (percent)	copper	78	83	-6%	79	83	-5%	81
	zinc	75	63	+19%	73	70	+4%	72
Production (tonnes)	copper	7,600	8,100	-6%	15,800	15,600	+1%	33,600
	zinc	13,200	8,300	+59%	25,900	20,200	+28%	47,800
Cost per tonne of ore milled (C\$)	\$81	\$84	-4%	\$83	\$82	+1%	\$80	

On target to achieve production goal of 1.1 million tonnes

Çayeli produced ore this quarter at an annualized rate of more than 1.1 million tonnes, which is consistent with our annual objective and higher than last year. Higher zinc grades along with the higher throughput increased zinc production compared to last year. Copper production was slightly lower in the second quarter compared to last year because of lower copper grades mined.

Operating costs are higher than in previous years. This is mainly because of inflation in Turkey (which has increased labour costs), rising electricity rates in Turkey, and increasing commodity prices worldwide.

2008 outlook for production and costs

Improvements to Çayeli's ore pass system were completed in the first half of the year and we expect to continue to reliably mine and process 1.1 million tonnes of ore this year. Development in 2008 is focusing on access and level development of the lower mine ore blocks. Mine development rates are higher than 2007 and development of the lower mine is proceeding as planned. We expect to operate at an annual production rate of 1.2 million tonnes by 2009.

Costs could change, depending on the value of the Turkish lira relative to the US dollar. If the Turkish lira decreases in value, Turkish lira based costs such as labour will go down, reducing our costs.

Royalties also have a significant effect on costs and are variable depending on earnings. Cost per tonne of ore milled includes \$8 per tonne in royalties in the second quarter, and \$12 per tonne in royalties year to date. Our objective is \$12 per tonne, which is based on metal price assumptions for the rest of the year.

Financial review

Lower earnings this quarter because shipments in 2007 were considerably higher than production

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended June 30		six months ended June 30	
	2008	2007	2008	2007
Sales analysis				
Copper sales (tonnes)	6,800	7,200	13,500	15,400
Zinc sales (tonnes)	17,300	10,600	31,200	26,300
Gross copper sales	\$57	\$66	\$121	\$124
Gross zinc sales	37	44	70	101
Other metal sales	4	2	8	5
Gross sales	98	112	199	230
Smelter processing charges and freight	(25)	(24)	(48)	(56)
Net sales	\$73	\$88	\$151	\$174
Cost analysis				
Tonnes of ore milled (thousands)	279	249	557	508
Direct production costs (\$ per tonne)	\$81	\$84	\$83	\$82
Direct production costs	23	21	46	42
Change in inventory	1	(1)	-	2
Depreciation and other non-cash costs	4	3	6	6
Operating costs	\$28	\$23	\$52	\$50
Operating earnings	\$45	\$65	\$99	\$124
Operating cash flow	\$31	\$63	\$50	\$122

The table below shows what contributed to the change in operating earnings and operating cash flow between 2008 and 2007.

<i>(millions)</i>	three months ended	six months ended
	June 30	June 30
Change in metal prices, denominated in Canadian dollars	\$(38)	\$(34)
Higher (lower) sales volumes	11	(2)
Lower smelter processing charges	9	14
Higher operating costs	(2)	(3)
Decrease in operating earnings, compared to 2007	\$(20)	\$(25)
(Higher) lower tax expense	3	(4)
Lower tax rate	2	2
Changes in working capital	(12)	(46)
Other	(5)	1
Decrease in operating cash flow, compared to 2007	\$(32)	\$(72)

The change in working capital this quarter is from higher tax payments, reduced in part by the collection of accounts receivable. Year to date, higher accounts receivable balances and higher taxes paid resulted in a \$46 million reduction in working capital.

Capital spending ahead of schedule, but on track for the year

	three months ended June 30			six months ended June 30			<i>objective 2008</i>
	2008	2007	change	2008	2007	change	
Capital spending	\$6,300	\$3,900	+62%	\$12,000	\$8,300	+45%	\$23,000

Capital spending in the quarter and the year to June was mainly for replacing mine equipment.

2008 outlook for capital spending

Çayeli expects to spend \$23 million in 2008 on repairing a ventilation raise, buying mine equipment and replacing other equipment.

PYHÄSALMI

	three months ended June 30			six months ended June 30			revised
	2008	2007	change	2008	2007	change	objective 2008
Tonnes of ore milled (000's)	344	346	-1%	691	671	+3%	1,370
Tonnes of ore milled per day	3,800	3,800	-1%	3,800	3,700	+3%	3,750
Grades (percent)							
copper	1.0	1.1	-9%	1.0	1.1	-9%	1.0
zinc	2.5	2.6	-4%	2.4	3.0	-20%	2.5
sulphur	40	41	-2%	41	40	+3%	41
Mill recoveries (percent)							
copper	95	96	-1%	96	96	-	94
zinc	92	90	+2%	92	92	-	90
Production (tonnes)							
copper	3,100	3,600	-14%	6,600	6,900	-4%	13,000
zinc	7,700	8,300	-7%	15,300	18,500	-17%	30,900
pyrite	111,200	98,400	+13%	305,700	258,900	+18%	645,000
Cost per tonne of ore milled (C\$)	\$45	\$34	+32%	\$43	\$38	+13%	\$41

Consistent strong performance

Mill throughput has been consistent between years. Copper and zinc production is lower, however, because the areas being mined contain lower grades.

Strengthening of the pyrite market has resulted in significantly improved prices and sales.

2008 outlook for production and costs

We expect throughput and copper production for the year to be consistent with our earlier estimates.

Pyhäsalmi has commissioned new copper flotation cells and installed a primary mill motor for the mill in May. The mill motor should allow speed to be adjusted more easily, which should increase throughput capacity in the grinding circuit and reduce energy costs.

We have revised our costs upwards to reflect the strength of the euro relative to the Canadian dollar.

Financial review

Lower sales volumes reduce operating earnings

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended June 30		six months ended June 30	
	2008	2007	2008	2007
Sales analysis				
Copper sales (tonnes)	3,300	3,400	6,800	6,800
Zinc sales (tonnes)	7,700	9,100	14,300	18,600
Pyrite sales (tonnes)	142,700	124,400	266,800	258,300
Gross copper sales	\$29	\$30	\$57	\$54
Gross zinc sales	16	38	31	72
Other metal sales	16	8	28	15
Gross sales	61	76	116	141
Smelter processing charges and freight	(15)	(15)	(25)	(34)
Net sales	46	61	91	107
Cost analysis				
Tonnes of ore milled (thousands)	344	346	691	671
Direct production costs (\$ per tonne)	\$45	\$34	\$43	\$38
Direct production costs	15	12	30	25
Change in inventory	1	1	(1)	-
Depreciation and other non-cash costs	3	3	7	6
Operating costs	\$19	\$16	\$36	\$31
Operating earnings	\$27	\$45	\$55	\$76
Operating cash flow	\$19	\$10	\$50	\$51

The table below shows what contributed to the change in operating earnings and operating cash flow between 2008 and 2007.

<i>(millions)</i>	three months ended June 30	six months ended June 30
Lower metal prices, denominated in Canadian dollars	\$(8)	\$(9)
Lower sales volumes	(8)	(14)
Lower smelter processing charges and freight	3	7
Higher freight on pyrite sales	(3)	(3)
Higher operating costs	(2)	(2)
Decrease in operating earnings, compared to 2007	\$(18)	\$(21)
Lower tax expense because of lower earnings	4	4
Changes in working capital	23	16
Increase (decrease) in operating cash flow, compared to 2007	\$9	\$(1)

The change in working capital this quarter and year to date is mainly because the accounts receivable was lower and fewer income taxes were paid.

Capital spending in 2008 will mainly be used to improve mill efficiencies

<i>(thousands)</i>	three months ended June 30			six months ended June 30			<i>objective</i>
	2008	2007	change	2008	2007	change	2008
Capital spending	\$1,600	\$400	+300%	\$3,400	\$700	+386%	\$12,000

Spending this quarter was mainly for the mill motor and other asset replacements and upgrades.

2008 outlook for capital spending

We expect to spend \$12 million in 2008, mainly for mine and mill equipment.

TROILUS

		three months ended June 30			six months ended June 30			revised
		2008	2007	change	2008	2007	change	objective
								2008
Tonnes of ore milled (000's)		1,454	1,487	-2%	2,851	3,122	-9%	6,100
Tonnes of ore milled per day		16,000	16,300	-2%	15,700	17,200	-9%	16,700
Strip ratio		1.6	1.0	+60%	1.4	1.0	+40%	1.1
Grades	gold (grams/tonne)	0.96	0.90	+7%	0.94	0.84	+12%	1.00
	copper (percent)	0.09	0.05	+80%	0.08	0.05	+60%	0.12
Mill recoveries (percent)	gold	84	81	+4%	84	81	+4%	83
	copper	92	88	+5%	92	86	+7%	92
Production	gold (ounces)	37,800	35,100	+8%	72,800	68,300	+7%	163,200
	copper (tonnes)	1,200	700	+71%	2,000	1,400	+43%	7,000
Cost per tonne of ore milled (C\$)		\$15	\$12	+25%	\$15	\$12	+25%	\$12

Higher gold production

Throughput this quarter continued to be lower than expectations. Modifications to maximize mill throughput were complete during the first quarter, but because harder ore was mined from the upper areas of the 87 pit, we have yet to benefit from the modifications.

Gold production this quarter and year to date was higher than the same periods last year, mainly because grades from the 87 pit were higher. Gold recoveries also continue to be higher than expected.

A higher cost per tonne compared to previous years is mainly because the cost of fuel and steel grinding media are higher.

2008 outlook for production and costs

Troilus is mining through the hard, lower grade ore of the upper benches of the 87 pit and expects to access the higher grade, softer ore of the main 87 pit in August of this year. Both grades and mill throughput will improve as it progresses deeper and towards the north. The pit will remain on track for completion in early 2009 and then will begin stockpile recovery. Despite lower throughput than expected, Troilus should meet targeted gold and copper production this year because of the higher expected grades.

Financial review

Higher gold prices helped earnings

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended June 30		six months ended June 30	
	2008	2007	2008	2007
Sales analysis				
Gold sales (ounces)	36,300	32,400	71,500	72,100
Copper sales (tonnes)	1,200	700	2,100	1,400
Gross gold sales	\$24	\$18	\$50	\$44
Gross copper sales	10	7	18	11
Other metal sales	1	1	1	1
Gross sales	35	26	69	56
Smelter processing charges and freight	(2)	(2)	(4)	(5)
Net sales	\$33	\$24	\$65	\$51
Cost analysis				
Tonnes of ore milled (thousands)	1,454	1,487	2,851	3,122
Direct production costs (\$ per tonne)	\$15	\$12	\$15	\$12
Direct production costs	\$22	\$19	\$42	\$38
Change in inventory	-	(1)	-	1
Depreciation and other non-cash costs	3	2	7	6
Operating costs	\$25	\$20	\$49	\$45
Operating earnings	\$8	\$4	\$16	\$7
Operating cash flow	\$8	\$4	\$15	\$5

The table below shows what contributed to the change in operating earnings and operating cash flow between 2008 and 2007.

<i>(millions)</i>	three months ended June 30	six months ended June 30
Higher metal prices denominated in Canadian dollars	\$1	\$8
Higher sales volumes	5	5
Higher operating costs	(2)	(4)
Increase in operating earnings, compared to 2007	\$4	\$9
Changes in working capital	-	(2)
Other	-	3
Increase in operating cash flow, compared to 2007	\$4	\$10

OK TEDI

(100 percent)	three months ended June 30			six months ended June 30			revised objective
	2008	2007	change	2008	2007	change	2008
Tonnes of ore milled (000's)	5,400	6,400	-16%	10,400	13,000	-20%	23,200
Tonnes of ore milled per day	59,300	70,500	-16%	57,100	71,900	-20%	64,000
Strip ratio	1.5	1.1	+36%	1.7	1.2	+42%	1.3
Grades							
copper (percent)	0.9	0.7	+29%	0.9	0.7	+29%	0.9
gold (grams/tonne)	1.0	0.7	+43%	1.0	0.8	+25%	1.1
Mill recoveries (percent)							
copper	87	87	-	86	86	-	84
gold	74	72	+3%	74	72	+3%	72
Production							
copper (tonnes)	41,100	37,200	+10%	78,400	82,500	-5%	178,600
gold (ounces)	122,700	109,300	+12%	241,200	236,500	+2%	584,700
Cost per tonne of ore milled (C\$)	\$22	\$14	+57%	\$22	\$15	+47%	\$22

Lower throughput at Ok Tedi

Mill throughput this quarter and year to date was lower than the same periods last year because of harder skarn ore, and because problems with the in-pit crusher conveyor system reduced the supply of ore to the mill. A detailed plan has been developed to improve the conveyor.

Copper and gold grades exceeded grades in 2007, increasing copper production this quarter and gold production this quarter and year to date.

The cost per tonne of ore milled is higher in 2008 because mill throughput is lower and labour and fuel costs have increased.

2008 outlook for production and costs

We have adjusted our objective for 2008 to compensate for the shortfall in production in the first half of the year. We anticipate copper production to be consistent to our original objective because we expect copper grades to be higher. We expect gold production to be lower than originally anticipated because of lower gold grades.

The increased cost per tonne reflects the higher fuel and labour costs.

Financial review

Ok Tedi benefited from higher copper and gold prices

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended June 30		six months ended June 30	
	2008	2007	2008	2007
Sales analysis at 18%				
Copper sales (tonnes)	7,600	9,600	15,000	17,300
Gold sales (ounces)	25,300	26,500	45,500	48,700
Gross copper sales	\$65	\$87	\$134	\$143
Gross gold sales	21	18	38	34
Other metal sales	1	1	1	2
Gross sales	87	106	173	179
Smelter processing charges and freight	(11)	(14)	(20)	(26)
Net sales	76	92	153	153
Cost analysis at 18%				
Tonnes of ore milled (thousands)	5,400	6,400	10,400	13,000
Direct production costs (\$ per tonne)	\$22	\$14	\$22	\$15
Direct production costs	\$22	\$16	\$41	\$36
Change in inventory	(1)	7	-	6
Depreciation and other non-cash costs	5	4	8	6
Operating costs	\$26	\$27	\$49	\$48
Operating earnings	\$50	\$65	\$104	\$105
Operating cash flow	\$42	\$62	\$81	\$70

The table below shows what contributed to the change in operating earnings and operating cash flow between 2008 and 2007.

<i>(millions)</i>	three months ended June 30	six months ended June 30
(Lower) higher metal prices, denominated in Canadian dollars	\$(1)	\$15
Lower sales volumes	(9)	(8)
Higher smelter processing charges	(3)	-
Higher operating costs	(2)	(8)
Decrease in operating earnings, compared to 2007	\$(15)	\$(1)
Lower tax expense	(4)	(2)
Changes in net working capital	(8)	8
Other	7	6
Increase (decrease) in operating cash flow, compared to 2007	\$(20)	\$11

The mine waste management program is expected to be commissioned in August

Ok Tedi's capital spending this quarter was mainly for the mine waste management program.

<i>(18 percent)</i>	three months ended June 30			six months ended June 30			<i>objective 2008</i>
	2008	2007	change	2008	2007	change	
Capital spending	\$10,900	\$6,400	+70%	\$18,900	\$13,000	+45%	\$32,000

2008 outlook for capital spending

Ok Tedi plans to spend \$180 million in 2008 (Inmet's 18 percent share is \$32 million). Of the \$180 million, about \$90 million will be for the mine waste management program, \$27 million for the pit drainage tunnel, and the rest for mine equipment and other sustaining capital. The estimate for the mine waste management program has increased about \$50 million to include the effect of a weaker US dollar on the Australian dollar based costs of construction.

Status of our development projects

Las Cruces

Quarterly development update

Dewatering and re-injection system (DRS)

In May Las Cruces was notified of a suspension of the authorization for its DRS by the Confederación Hidrográfica del Guadalquivir (CHG). Las Cruces continued to operate the DRS to ensure that water from the aquifer did not impact the pit walls. Although Las Cruces stopped mining in the bottom of the pit, Las Cruces began to strip material for the second push back of the pit.

On June 13, in response to the concerns that led to the suspension of the DRS authorization, Las Cruces submitted a "Global Plan" to CHG. The proposal included two primary actions.

The first proposed action item under the Global Plan involves purification of water extracted from the aquifer through a highly efficient reverse osmosis treatment process prior to reinjection into the aquifer. In July, Las Cruces took delivery of three reverse osmosis treatment units and partial water treatment began shortly thereafter. We have also begun the design of a long-term water treatment facility.

The second proposed action item under the Global Plan involves the relocation of certain DRS extraction wells currently located above the mineralized zone to locations outside of the mineralized zones and to add additional wells to increase dewatering capacity. We have identified the locations for the new DRS wells.

We anticipate that once we can demonstrate to the relevant regulatory authorities through use of the temporary water treatment units that water reinjected into the aquifer meets drinking water quality standards the suspension of our DRS authorization will be lifted. At that time, mining of ore can recommence prior to the completion of construction of the metallurgical plant in the fourth quarter of 2008.

Ground movement

At the beginning of July over 5 million cubic metres of material from the North dump failed, affecting a newly constructed storage facility. The facility will be used for dried residues from the process plant once the plant has started up. Las Cruces immediately commenced rehabilitation of the affected areas and is examining measures to ensure long term stability of the dumps. Based on preliminary findings we do not expect that the failure and the rehabilitation measures will impact our planned fourth quarter start-up.

Plant construction

Plant construction continued at full pace and by the end of the second quarter Las Cruces had completed the following:

- 88 percent of construction
- 89 percent of total physical progress.

Work is progressing on schedule. We are preparing for the commissioning of the plant and anticipate production of the first copper cathode in the fourth quarter.

Direct ore shipping

Direct ore shipping has been suspended until the DRS authorization suspension has been resolved and mining activity can restart in the bottom of the pit.

2008 outlook for development and operations

Las Cruces plant construction is on schedule and copper cathode production could begin in the fourth quarter subject to the lifting of the suspension of the DRS permit and completion on the remediation of the storage facilities.

By June 30, 2008, €393 million had been spent on the project with a further €24 million committed. We expect to spend the balance of the estimated project costs (€495 million, which includes the project estimate of €463 million plus the additional owners costs and construction costs we expected because of the delay in the plant construction) by the fourth quarter of 2008. Capital expenditures for 2008 are estimated to be \$344 million. This includes the cost to complete the project, \$17 million for sustaining capital and \$10 million on further pushback of the mine in preparation of phase two mining. The costs to remediate the dumps have not been included in the capital expenditure forecast for the year. Las Cruces has been in contact with its insurance adjustor. Once the technical issues have been fully resolved, Las Cruces will identify and pursue appropriate remedies to attempt to mitigate these incremental costs.

PETAQUILLA

Quarterly development update

All-cash offer for Petaquilla Copper

On July 28, 2008, we filed a formal offer for all the outstanding common shares of Petaquilla Copper Ltd. (PTC). Under the offer, PTC shareholders will receive \$2 per share in cash.

PTC holds 26 percent of Minera Petaquilla SA. Petaquilla is an important source of long term growth for Inmet. By obtaining control over the project we can protect our interests in the Petaquilla Concession and advance the development of the copper project.

Summary of work during the quarter

Management

Under our agreement with Teck Cominco Limited, Inmet began acting as operator of the project on behalf of Teck Cominco as of April 1. Inmet also has funded \$8 million for development costs in the quarter.

Drilling

Drilling to expand the resource, to confirm prospective locations for plant and other facilities and to provide geotechnical information for engineering work is continuing. It is not progressing as quickly as planned because of the speed of the permitting process, drill availability and a lack of roads to supplement helicopter support. Additional drills are being sourced and the field facilities to support them are being prepared.

Plant and equipment

Because of the long lead times required to receive equipment, we have placed an order for two SAG mills, four ball mills and the associated gearless drives, subject to cancellation terms.

Baseline work for the social and environmental impact assessment

Work is progressing in this area and we expect to submit our impact assessment to the Panamanian environmental authorities in the second quarter of 2009.

Petaquilla team

We continue to build a strong and dedicated team to lead all development, engineering, technical, environmental and permitting activities in Panama.

2008 outlook for development

Petaquilla budgeted approximately \$75 million for the project in 2008 to continue the current field program and the engineering study and order long lead time capital equipment. The capital items must be ordered at this stage of development to maintain the project schedule. This spending plan could be affected by the outcome of the all-cash offer for PTC and if the arbitration between PTC and Teck Cominco continues without resolution in the near term.

Managing our liquidity

(millions)	three months ended		six months ended	
	2008	June 30 2007	2008	June 30 2007
CASH FROM OPERATING ACTIVITIES				
Çayeli	\$37	\$63	\$50	\$122
Pyhäsalmi	19	10	50	51
Troilus	8	4	15	5
Ok Tedi	42	62	81	70
Corporate development and exploration not included in operations' cash flow	(2)	(2)	(4)	(3)
General and administration	(3)	(2)	(6)	(5)
Other	14	3	10	3
	115	138	196	243
CASH FROM INVESTING AND FINANCING				
Capital spending	(121)	(82)	(232)	(134)
Long-term borrowings	56	24	106	38
Funding from non-controlling shareholder	20	21	35	26
Funding for Petaquilla	(4)	-	(5)	-
Settlement of foreign exchange forward contract	52	-	52	-
Financial assurance deposits	(6)	(7)	(14)	(17)
Dividends paid on common shares	(5)	(5)	(5)	(5)
Disposition of portfolio investments	-	51	2	51
Foreign exchange on cash held in foreign currency	(9)	(32)	24	(34)
Other	(5)	(3)	(1)	(5)
	(22)	(33)	(38)	(80)
Increase in cash	93	105	158	163
Cash and short-term investments				
Beginning of period	906	698	841	640
End of period	\$999	\$803	\$999	\$803

OPERATING ACTIVITIES

Key components of the change in operating cash flows

(millions)	three months ended	six months ended
	June 30	June 30
Lower earnings from operations (see page 4)	\$(49)	\$(39)
Non-cash changes in operating earnings:		
Higher tax expense	-	(5)
Changes in working capital	16	(16)
Other	10	13
Decrease in operating cash flow, compared to 2007	\$(23)	\$(47)

Operating cash flows are lower than they were in 2007 mainly because earnings from operations are lower. Working capital in the second quarter of 2008 increased because outstanding dividends were paid, accounts receivable was down and higher taxes were paid at Pyhäsalmi. For the year to June, working capital was affected by higher accounts receivable at Çayeli.

2008 outlook for operating activities

Based on our outlook for metal prices and production, we expect operating cash flows in 2008 for our operating mines to be similar to 2007.

INVESTING AND FINANCING

Capital spending and investing

(millions)	three months ended June 30		six months ended June 30		<i>revised objective</i>
	2008	2007	2008	2007	2008
Çayeli	\$6	\$4	\$12	\$9	\$23
Pyhäsalmi	2	1	3	1	12
Troilus	-	-	-	-	1
Ok Tedi	11	7	19	13	32
Las Cruces	97	69	190	107	344
Cerattepe	5	1	8	3	20
	\$121	\$82	\$232	\$133	\$432
Funding for Petaquilla	\$4	-	\$5	\$-	\$75

Please see *Results of our operations* and *Status of our development projects* for a discussion of actual results and our 2008 objective.

As of April 29, development work stopped at Cerattepe after an appeal by the Turkish Ministry of Energy and Natural Resources of an injunction granted by the Rize Administrative Court prohibiting further work on the property was rejected. The property will remain on care and maintenance until a final decision is made by the Rize Court concerning two applications by a local non-governmental organization to cancel the operating licences for the property (see page 27 for further details on the legal proceedings). Spending year to date was on ramp development and receipt of part of the aerial tramway.

Long term borrowings and settlement of hedge

Las Cruces borrowed the remaining €26 million this quarter under its credit facility, bringing the total amount borrowed under Tranche A of its credit facility to €139 million. On June 30, this euro denominated debt was converted to a US dollar facility and the foreign exchange forward contract in relation to this conversion was settled. Las Cruces received €36 million in cash from settlement of this contract. At June 30, Las Cruces holds a US \$215 million debt at interest rates of US Libor plus 2 percent. The funds received from the settlement of the forward contract will be amortized as a reduction to interest expense over the term of the loan.

2008 outlook for investing and financing

We expect capital spending to be \$432 million in 2008:

- \$317 million for the continuing development of the Las Cruces mine and \$27 million for its sustaining capital and phase two mining
- \$20 million for development at Cerattepe for capital already incurred and committed items
- \$17 million for the mine waste management program and \$5 million for drainage tunnel underground work at Ok Tedi.

To fund the costs at Las Cruces for the rest of the year, we expect to use current cash on hand of \$105 million, along with government subsidies and sponsor contributions. We are expecting €45 million in subsidies, but we must meet certain conditions before we receive the funds (mainly reaching specific levels of employment and completing construction of the plant).

We also expect to invest \$36 million (our 48 percent share) for engineering studies and the deposits required for long lead time equipment at Petaquilla. We will fund this from our current cash balances.

Financial condition

CASH

Our cash and equivalents balance of \$999 million at June 30, 2008 included cash and money market instruments that mature in 90 days or less from the date of acquisition, and short-term investments that mature in 91 days to a year.

Cash and short-term investments were generally held in:

- short-term debt instruments issued by Canadian Crown Corporations
- highest rated asset backed commercial paper programs sponsored by leading Canadian financial institutions backed by global style liquidity lines
- AAA rated money market funds managed by leading international fund managers investing in money market and short-term debt securities and fixed income securities issued by leading international financial institutions and their sponsored securitization vehicles
- cash and term and overnight deposits with leading Canadian and international financial institutions.

Our restricted cash balance of \$55 million included:

- \$13 million in trust for future reclamation at Ok Tedi
- \$16 million of cash collateralized letters of credit for Inmet
- \$24 million related to issuing letters of credit to suppliers at Las Cruces
- \$2 million for future reclamation at Pyhäsalmi.

COMMON SHARES

Common shares outstanding as of June 30, 2008 and July 29, 2008	48,281,759
Deferred share units outstanding as of June 30, 2008 (redeemable on a one-for-one basis for common shares)	77,290

FINANCIAL INSTRUMENTS

The table below shows the gold and copper forward sales, and the currency and interest rate hedges (and their marked-to-market valuations) recorded on our balance sheet at the end of this quarter.

Type of contract	Expiry	Quantity	Price	C\$ marked-to-market loss at June 30, 2008
Copper forward sales				
Ok Tedi	2008	1.6 million lbs	US \$2.78 per lb	\$6.2 million ⁽¹⁾
	2009	3.2 million lbs	US \$2.41 per lb	
		4.8 million lbs	US \$2.54 per lb	
Gold forward sales				
Troilus	2008	29,100 ounces	US \$352 per oz.	\$17.4 million ⁽²⁾
Ok Tedi	2010	3,600 ounces	US \$748 per oz.	\$4.8 million ⁽²⁾
	2011	3,600 ounces	US \$775 per oz.	
	2012	3,600 ounces	US \$803 per oz.	
	2013	1,800 ounces	US \$825 per oz.	
		12,600 ounces	US \$783 per oz.	
Interest rate swaps				
Las Cruces	2009 to 2014	US \$179 million (reducing in conjunction with debt repayment schedule)	5.2 percent	\$8.1 million

(1) At a copper price of US \$3.86 per pound.

(2) At a gold price of US \$933 per ounce.

Managing risk

The following is an update to the discussion, only where required, of the key risks associated with our business and the strategies we use to manage them. You can find the full discussion in our 2007 annual review.

Development at Las Cruces

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 to meet critical construction milestones and to demonstrate to the regulators the effectiveness of the Global Plan with respect to the DRS.

Not meeting construction milestones or requirements for operating permits could delay the date Las Cruces starts production, and affect whether it receives government subsidies.

A local non-governmental group has initiated several legal proceedings claiming that various government 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.

Ceratepe legal proceedings

After the Turkish Administrative Supreme Court reinstated the project operating licences on procedural grounds in April 2007, the plaintiffs in prior proceedings re-filed applications to have the licences cancelled with the newly created Rize Administrative Court to stop work on the property and to cancel a lease of the land where the ropeway terminus will be located.

We joined the various application proceedings as an intervener and, together with the Turkish Ministry of Energy and Natural Resources, filed defences in the various proceedings.

On March 26, 2008 we received notice from the Rize Administrative Court of its decision to grant an injunction against the Cerattepe project. The main defendant in the legal proceedings is the Turkish Ministry of Energy and Natural Resources (ABMI is a co-defendant). The Ministry appealed the injunction decision to the Trabzon District Administrative Court, and on April 29, 2008 that appeal was rejected.

As a result, our subsidiary Artvin Bakir Maden Isletmeleri, A.S. (ABMI) is prevented from carrying out further development work on the Cerattepe property until the Rize Administrative Court makes its final decision on the status of the operating licences which is expected later this year. This decision can be appealed to the Turkish Administrative Supreme Court.

We continue to believe the applications to cancel the operating licences are without merit and together with the Ministry are vigorously defending against them. Nonetheless, in light of the Trabzon Regional Administrative Court's decision, our ability to move the Cerattepe project ahead remains subject to legal uncertainty at this time.

Sensitivity analysis

The table below shows you the effect of key variables on our net income for the last six months of 2008, based on our 2008 revised objectives.

	A change of:	Would change our 2008 net income by:	Would change our 2008 net income per share by:
Metal prices			
Copper (per pound)	US \$0.30	\$25 million	\$0.51
Zinc (per pound)	US \$0.10	\$3 million	\$0.06
Gold (per ounce) (1)	US \$100	\$13 million	\$0.27
Exchange rates			
Canadian dollar per US dollar	C\$0.10	\$30 million	\$0.63
Canadian dollar per euro	C\$0.10	\$4 million	\$0.07
Treatment and refining charges			
Copper treatment charge per tonne and copper refining charge per pound	US \$10	\$2 million	\$0.03
Zinc treatment charge per tonne	US \$10	\$1 million	\$0.01
Freight and energy costs			
Concentrate freight per tonne	10%	\$2 million	\$0.04
Fuel price per litre	\$0.10	\$2 million	\$0.04
Electricity per kilowatt hour	\$0.01	\$2 million	\$0.04

(1) Calculations include hedging in place at December 31, 2007.

Accounting changes

We adopted a new section of the CICA Handbook:

Section 3031 - Inventories

Effective January 1, 2008, we adopted CICA Handbook section 3031 – *Inventory* on a prospective basis. This Section requires inventory to be measured at cost or net realizable value — whichever is lower.

The section also clarifies the allocation of fixed production overhead, requires consistent use of either first-in, first-out or weighted average to measure inventories, requires insurance and capital spares be accounted for as property, plant and equipment and requires that any previous write-downs be reversed when the value of inventories increases. The amount of the reversal is limited to the amount of the original write-down.

As a result, certain administrative and other costs that were previously included in the cost of inventory are now expensed as incurred. Metal inventory and materials and supplies are measured at weighted average cost or net realizable value – whichever is lower.

This change in policy had the following impact on our 2008 interim financial statements:

- decreased opening 2008 inventory by \$5.2 million
- increased opening 2008 property, plant and equipment by \$2.4 million
- decreased opening 2008 future income tax liability by \$0.6 million
- decreased opening 2008 retained earnings by \$2.2 million.

Plans on transition to International Financial Reporting Standards (IFRS):

As of January 1, 2011 Inmet will report under IFRS, which are the accounting standards used in most of the European Union, Australia, South Africa and many other countries around the world. Changing from Canadian GAAP to IFRS could materially affect our reported financial position and results of operations. We have analyzed the major accounting differences between current Canadian GAAP and IFRS. Over the next year we will refine our transitional plan, consult with our operating units and assess the impact on our internal controls over financial reporting, disclosure controls and information systems. Our goal is to make policy changes (including transition elections) that are compliant but also provide the most meaningful and transparent information to our stakeholders.

Recently issued accounting pronouncement:

Section 3064 - Goodwill and intangible assets

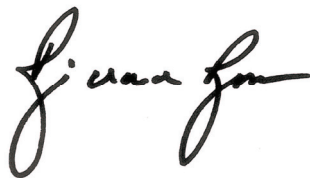
This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. This section replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. It provides guidance for the recognition of internally developed intangible assets and ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. Standards concerning goodwill are unchanged from the standards included in the previous section. This section will become effective for us beginning on January 1, 2009. We are currently assessing the impact this change in accounting policy will have on our consolidated financial statements.

Supplementary financial information

Page 30 includes supplementary financial information on cash costs. These measures do not fall into the category of generally accepted accounting principles.

We use unit cash cost information as a key performance indicator, both on a segmented and consolidated basis. We have included cash costs as supplementary information because we believe our key stakeholders use these measures as a financial indicator of our profitability and cash flows before the effects of capital investment and financing costs, such as interest.

Since cash costs are not recognized measures under Canadian generally accepted accounting principles they should not be considered in isolation of earnings or cash flows. There is also no standard way to calculate cash costs, so they are not a reliable way to compare us to other companies.



Richard A. Ross
*Chairman and
Chief Executive Officer*



Jochen Tilk
*President and
Chief Operating Officer*

Toronto, Canada
July 29, 2008

INMET MINING CORPORATION

Supplementary financial information

Cash costs

2008 For the six months ended June 30

	per pound of copper			TOTAL COPPER	per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI		TROIILUS
(US dollars)					
Direct production costs	\$1.15	\$2.06	\$1.25	\$1.35	\$576
Royalties and variable compensation	0.19	-	0.11	0.12	-
Smelter processing charges and freight	1.40	1.17	0.58	1.04	63
Metal credits	(2.04)	(3.73)	(1.22)	(2.03)	(265)
Cash cost	\$0.70	(\$0.50)	\$0.72	\$0.48	\$374

2007 For the six months ended June 30

	per pound of copper			TOTAL COPPER	per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI		TROIILUS
(US dollars)					
Direct production costs	\$0.95	\$1.52	\$1.02	\$1.08	\$488
Royalties and variable compensation	0.14	-	0.08	0.09	-
Smelter processing charges and freight	1.07	1.66	0.58	0.98	58
Metal credits	(1.89)	(4.87)	(0.86)	(2.03)	(153)
Cash cost	\$0.27	(\$1.69)	\$0.82	\$0.12	\$393

Reconciliation of cash costs to statements of earnings

2008 For the six months ended June 30

	per pound of copper			TOTAL COPPER	per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI		TROIILUS
(millions of Canadian dollars, except where otherwise noted)					
GAAP reference	page 15	page 17	page 21		page 19
Direct production costs	\$46	\$30	\$42	\$118	\$42
Smelter processing charges and freight	48	26	20	94	5
By product sales	(77)	(59)	(39)	(175)	(19)
Adjust smelter processing and freight, and sales to production basis	8	(4)	-	4	-
Operating costs net of metal credits	\$25	(\$7)	\$23	\$41	\$28
US \$ to C\$ exchange rate	\$1.01	\$1.01	\$1.01	\$1.01	\$1.01
Inmet's share of production (000's)	34,400	14,600	31,100	80,100	72,800
Cash cost	\$0.70	(\$0.50)	\$0.72	\$0.48	\$374

2007 For the six months ended June 30

	per pound of copper			TOTAL COPPER	per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI		TROIILUS
(millions of Canadian dollars, except where otherwise noted)					
GAAP reference	page 15	page 17	page 21		page 19
Direct production costs	\$42	\$25	\$36	\$103	\$38
Smelter processing charges and freight	55	34	26	115	5
By product sales	(105)	(88)	(37)	(230)	(13)
Adjust smelter processing and freight, and sales to production basis	19	(2)	5	22	-
Operating costs net of metal credits	\$11	(\$31)	\$30	\$10	\$30
US \$ to C\$ exchange rate	\$1.14	\$1.14	\$1.14	\$1.14	\$1.14
Inmet's share of production (000's)	34,300	15,100	32,800	82,200	68,300
Cash cost	\$0.27	(\$1.69)	\$0.82	\$0.12	\$393

INMET MINING CORPORATION

Supplementary financial information

Cash costs

2008 For the three months ended June 30

	per pound of copper			TOTAL COPPER	per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI		TROILUS
(US dollars)					
Direct production costs	\$1.24	\$2.23	\$1.21	\$1.40	\$584
Royalties and variable compensation	0.14	-	0.12	0.11	-
Smelter processing charges and freight	1.39	1.19	0.60	1.03	67
Metal credits	(2.02)	(3.51)	(1.09)	(1.89)	(291)
Cash cost	\$0.75	(\$0.09)	\$0.84	\$0.65	\$360

2007 For the three months ended June 30

	per pound of copper			TOTAL	per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI		TROILUS
(US dollars per pound)					
Direct production costs	\$0.93	\$1.43	\$1.14	\$1.11	\$480
Royalties and variable compensation	0.16	-	0.18	0.14	-
Smelter processing charges and freight	1.23	1.34	0.58	1.02	57
Metal credits	(1.99)	(4.64)	(0.90)	(2.12)	(199)
Cash cost	\$0.33	(\$1.87)	\$1.00	\$0.15	\$338

Reconciliation of cash costs to statements of earnings

2008 For the three months ended June 30

	per pound of copper			TOTAL COPPER	per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI		TROILUS
(millions of Canadian dollars, except where otherwise note)					
GAAP reference	page 15	page 17	page 21		page 19
Direct production costs	\$23	\$15	\$22	\$60	\$22
Smelter processing charges and freight	26	15	11	52	3
By product sales	(41)	(32)	(21)	(94)	(11)
Adjust smelter processing and freight, and sales to production basis	5	1	2	8	-
Operating costs net of metal credits	\$13	(\$1)	\$14	\$26	\$14
US \$ to C\$ exchange rate	\$1.01	\$1.01	\$1.01	\$1.01	\$1.01
Inmet's share of production (000's)	16,400	6,800	16,300	39,500	37,800
Cash cost	\$0.75	(\$0.09)	\$0.84	\$0.65	\$360

2007 For the three months ended June 30

	per pound of copper			TOTAL COPPER	per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI		TROILUS
(millions of Canadian dollars, except where otherwise note)					
GAAP reference	page 15	page 17	page 21		page 19
Direct production costs	\$21	\$12	\$16	\$49	\$19
Smelter processing charges and freight	24	15	14	53	2
By product sales	(46)	(46)	(20)	(112)	(8)
Adjust smelter processing and freight, and sales to production basis	8	2	6	16	-
Operating costs net of metal credits	\$7	(\$17)	\$16	\$6	\$13
US \$ to C\$ exchange rate	\$1.10	\$1.10	\$1.10	\$1.10	\$1.10
Inmet's share of production (000's)	17,900	8,100	14,800	40,800	35,100
Cash cost	\$0.33	(\$1.87)	\$1.00	\$0.15	\$338

INMET MINING CORPORATION

Quarterly review

(unaudited)

Latest Four Quarters

	2008	2008	2007	2007
	Second	First	Fourth	Third
(thousands of Canadian dollars, except per share amounts)	quarter	quarter	quarter	quarter
STATEMENTS OF EARNINGS				
Gross sales	\$ 281,463	\$ 276,281	\$ 224,773	\$ 272,293
Smelter processing charges and freight	(53,209)	(44,157)	(43,902)	(42,557)
Cost of sales	(89,893)	(79,246)	(78,809)	(72,057)
Depreciation	(9,195)	(9,170)	(9,480)	(8,739)
	129,166	143,708	92,582	148,940
Corporate development and exploration	(2,483)	(2,618)	(3,510)	(2,895)
General and administration	(2,790)	(3,648)	(12,622)	(2,674)
Investment and other income (expense)	(11,358)	14,754	5,968	9,644
Interest expense	(471)	(447)	(407)	(424)
Capital tax expense	(124)	(126)	212	(273)
Income tax expense	(44,333)	(44,744)	(18,551)	(37,649)
Non-controlling interest	98	(205)	(27)	167
Net income	\$ 67,705	\$ 106,674	\$ 63,645	\$ 114,836
Net income per common share	\$ 1.40	\$ 2.21	\$ 1.32	\$ 2.38
Diluted net income per common share	\$ 1.40	\$ 2.21	\$ 1.32	\$ 2.37

Previous Four Quarters

	2007	2007	2006	2006
	Second	First	Fourth	Third
(thousands of Canadian dollars, except per share amounts)	quarter	quarter	quarter	quarter
STATEMENTS OF EARNINGS				
Gross sales	\$ 320,018	\$ 286,614	\$ 258,911	\$ 301,100
Smelter processing charges and freight	(55,413)	(64,606)	(65,005)	(60,270)
Cost of sales	(78,181)	(79,377)	(67,868)	(73,394)
Depreciation	(8,039)	(9,415)	(9,057)	(9,025)
	178,385	133,216	116,981	158,411
Corporate development and exploration	(1,836)	(842)	(4,136)	(2,708)
General and administration	(2,162)	(2,840)	(6,128)	(2,618)
Investment and other income	13,415	7,427	17,972	1,759
Interest expense	(424)	(438)	(425)	(412)
Capital tax (expense) recovery	(274)	(274)	-	41
Income tax expense	(48,509)	(35,376)	(26,679)	(42,902)
Non-controlling interest	(545)	205	(165)	11
Net income	\$ 138,050	\$ 101,078	\$ 97,420	\$ 111,582
Net income per common share	\$ 2.86	\$ 2.09	\$ 2.02	\$ 2.31
Diluted net income per common share	\$ 2.86	\$ 2.09	\$ 2.02	\$ 2.31

INMET MINING CORPORATION
Consolidated financial statements
June 30, 2008

These financial statements have not been reviewed by Inmet Mining Corporation's external auditors.

INMET MINING CORPORATION

Consolidated balance sheets

(thousands of Canadian dollars)	June 30 2008	December 31 2007
	(unaudited)	
Assets		
Current assets:		
Cash and short-term investments (note 5)	\$998,925	\$840,823
Restricted cash (note 6)	1,265	1,569
Accounts receivable	167,371	131,197
Inventories (note 2)	59,412	52,725
Future income tax asset	12,272	14,515
	<u>1,239,245</u>	<u>1,040,829</u>
Restricted cash (note 6)	54,136	37,205
Property, plant and equipment	1,152,163	870,965
Investments (note 7)	49,032	32,266
Future income tax asset	10,035	7,884
Derivatives (note 8)	-	33,565
Other assets	13,138	25,751
	<u>\$2,517,749</u>	<u>\$2,048,465</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$191,310	\$172,800
Current portion of long-term debt	14,403	12,971
	<u>205,713</u>	<u>185,771</u>
Long-term debt (note 9)	405,798	234,317
Reclamation liabilities (note 10)	98,096	84,017
Derivatives (note 8)	36,458	43,960
Other liabilities	24,554	19,249
Future income tax liabilities	25,880	37,084
Non-controlling interest	62,862	51,574
	<u>859,361</u>	<u>655,972</u>
Commitments (note 11)		
Shareholders' equity		
Share capital	337,464	337,464
Contributed surplus	61,630	60,722
Stock based compensation	1,229	1,085
Retained earnings	1,244,313	1,076,958
Accumulated other comprehensive income (loss) (note 12)	13,752	(83,736)
	<u>1,658,388</u>	<u>1,392,493</u>
	<u>\$2,517,749</u>	<u>\$2,048,465</u>
(see accompanying notes)		

INMET MINING CORPORATION
Segmented balance sheets

2008 As at June 30

(unaudited)	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Assets							
Cash and short-term investments	\$649,702	\$147,853	\$62,054	\$ -	\$34,805	\$104,511	\$998,925
Other current assets	14,577	45,579	54,383	30,693	38,266	56,822	240,320
Restricted cash	15,994	-	1,926	-	13,292	22,924	54,136
Property, plant and equipment	497	138,100	69,922	24,624	78,683	840,337	1,152,163
Investments	49,032	-	-	-	-	-	49,032
Derivatives	-	-	-	-	-	-	-
Other assets	10,234	343	-	6,289	3,878	2,429	23,173
	\$740,036	\$331,875	\$188,285	\$61,606	\$168,924	\$1,027,023	\$2,517,749
Liabilities							
Current liabilities	\$9,309	\$39,797	\$16,076	\$11,669	\$37,887	\$90,975	\$205,713
Long-term debt	18,347	-	-	-	-	387,451	405,798
Reclamation liabilities	24,769	7,864	14,978	7,872	20,608	22,005	98,096
Derivatives	-	-	-	17,381	10,981	8,096	36,458
Other liabilities	4,992	5,149	-	581	1,620	12,212	24,554
Future income tax liabilities	-	3,716	7,771	-	1,104	13,289	25,880
Non-controlling interest	-	-	-	-	-	62,862	62,862
	\$57,417	\$56,526	\$38,825	\$37,503	\$72,200	\$596,890	\$859,361

2007 As at December 31

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Assets							
Cash and short-term investments	\$359,359	\$333,671	\$111,492	\$ -	\$13,473	\$22,828	\$840,823
Other current assets	23,455	29,384	55,069	23,644	38,162	30,292	200,006
Restricted cash	14,444	-	-	-	11,836	10,925	37,205
Property, plant and equipment	629	115,064	63,147	28,413	63,655	600,057	870,965
Investments	32,266	-	-	-	-	-	32,266
Derivatives	-	-	-	-	-	33,565	33,565
Other assets	22,343	441	-	6,289	2,101	2,461	33,635
	\$452,496	\$478,560	\$229,708	\$58,346	\$129,227	\$700,128	\$2,048,465
Liabilities							
Current liabilities	\$16,948	\$39,161	\$14,560	\$11,972	\$21,487	\$81,643	\$185,771
Long-term debt	16,267	-	-	-	-	218,050	234,317
Reclamation liabilities	24,393	3,169	13,104	7,662	19,708	15,981	84,017
Derivatives	-	-	-	26,889	9,034	8,037	43,960
Other liabilities	5,057	4,787	-	-	1,412	7,993	19,249
Future income tax liabilities	-	17,723	7,393	-	-	11,968	37,084
Non-controlling interest	-	-	-	-	-	51,574	51,574
	\$62,665	\$64,840	\$35,057	\$46,523	\$51,641	\$395,246	\$655,972

INMET MINING CORPORATION
Consolidated statements of earnings

(unaudited)

(thousands of Canadian dollars except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Gross sales	\$281,463	\$320,018	\$557,744	\$606,632
Smelter processing charges and freight	(53,209)	(55,413)	(97,366)	(120,019)
Cost of sales	(89,893)	(78,181)	(169,139)	(157,558)
Depreciation	(9,195)	(8,039)	(18,365)	(17,454)
	129,166	178,385	272,874	311,601
Corporate development and exploration	(2,483)	(1,836)	(5,101)	(2,678)
General and administration	(2,790)	(2,162)	(6,438)	(5,002)
Investment and other income (loss) (note 13)	(11,358)	13,415	3,396	20,842
Interest expense	(471)	(424)	(918)	(862)
Capital tax expense	(124)	(274)	(250)	(548)
Income tax expense (note 14)	(44,333)	(48,509)	(89,077)	(83,885)
Non-controlling interest	98	(545)	(107)	(340)
Net income	\$67,705	\$138,050	\$174,379	\$239,128
Basic and diluted net income per common share (note 15)	\$1.40	\$2.86	\$3.61	\$4.95
Weighted average shares outstanding (000's)	48,282	48,278	48,282	48,278

(see accompanying notes)

INMET MINING CORPORATION
Segmented statements of earnings

(unaudited)

2008 For the six months ended June 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Gross sales	\$ -	\$198,929	\$116,157	\$69,422	\$173,236	\$ -	\$557,744
Smelter processing charges and freight	-	(47,578)	(25,381)	(4,608)	(19,799)	-	(97,366)
Cost of sales	(988)	(47,505)	(31,168)	(44,533)	(44,945)	-	(169,139)
Depreciation	-	(4,929)	(4,382)	(4,136)	(4,918)	-	(18,365)
	(988)	98,917	55,226	16,145	103,574	-	272,874
Corporate development and exploration	(3,812)	(96)	(1,181)	(12)	-	-	(5,101)
General and administration	(6,438)	-	-	-	-	-	(6,438)
Investment and other income (expense)	199	3,938	-	2,722	(3,786)	323	3,396
Interest expense	(918)	-	-	-	-	-	(918)
Capital tax expense	(250)	-	-	-	-	-	(250)
Income tax expense	(5,534)	(27,779)	(12,448)	-	(43,150)	(166)	(89,077)
Non-controlling interest	-	-	-	-	-	(107)	(107)
Net income (loss)	(\$17,741)	\$74,980	\$41,597	\$18,855	\$56,638	\$50	\$174,379

2007 For the six months ended June 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Gross sales	\$ -	\$229,942	\$141,147	\$56,091	\$179,452	\$ -	\$606,632
Smelter processing charges and freight	-	(55,470)	(33,714)	(4,713)	(26,122)	-	(120,019)
Cost of sales	(843)	(45,728)	(26,307)	(40,132)	(44,548)	-	(157,558)
Depreciation	-	(4,568)	(4,794)	(4,716)	(3,376)	-	(17,454)
	(843)	124,176	76,332	6,530	105,406	-	311,601
Corporate development and exploration	(1,268)	(860)	(1,019)	469	-	-	(2,678)
General and administration	(5,002)	-	-	-	-	-	(5,002)
Investment and other income (expense)	20,013	(1,581)	-	791	-	1,619	20,842
Interest expense	(862)	-	-	-	-	-	(862)
Capital tax expense	(548)	-	-	-	-	-	(548)
Income tax expense	(771)	(27,434)	(17,286)	-	(37,908)	(486)	(83,885)
Non-controlling interest	-	-	-	-	-	(340)	(340)
Net income	\$10,719	\$94,301	\$58,027	\$7,790	\$67,498	\$793	\$239,128

INMET MINING CORPORATION
Segmented statements of earnings

(unaudited)

2008 For the three months ended June 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Gross sales	\$ -	\$98,313	\$61,249	\$35,171	\$86,730	\$ -	\$281,463
Smelter processing charges and freight	-	(25,565)	(14,561)	(2,421)	(10,662)	-	(53,209)
Cost of sales	(494)	(24,930)	(17,224)	(23,522)	(23,723)	-	(89,893)
Depreciation	-	(2,556)	(2,232)	(1,718)	(2,689)	-	(9,195)
	(494)	45,262	27,232	7,510	49,656	-	129,166
Corporate development and exploration	(1,835)	(26)	(615)	(7)	-	-	(2,483)
General and administration	(2,790)	-	-	-	-	-	(2,790)
Investment and other income (expense)	(10,362)	(923)	-	1,361	(924)	(510)	(11,358)
Interest expense	(471)	-	-	-	-	-	(471)
Capital tax expense	(124)	-	-	-	-	-	(124)
Income tax (expense) recovery	(5,534)	(8,655)	(6,425)	-	(23,803)	84	(44,333)
Non-controlling interest	-	-	-	-	-	98	98
Net income (loss)	(\$21,610)	\$35,658	\$20,192	\$8,864	\$24,929	(\$328)	\$67,705

2007 For the three months ended June 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Gross sales	\$ -	\$112,208	\$75,807	\$25,849	\$106,154	\$ -	\$320,018
Smelter processing charges and freight	-	(24,302)	(15,100)	(2,020)	(13,991)	-	(55,413)
Cost of sales	(355)	(21,294)	(13,384)	(18,104)	(25,044)	-	(78,181)
Depreciation	-	(1,871)	(2,433)	(2,007)	(1,728)	-	(8,039)
	(355)	64,741	44,890	3,718	65,391	-	178,385
Corporate development and exploration	(521)	(651)	(558)	(106)	-	-	(1,836)
General and administration	(2,162)	-	-	-	-	-	(2,162)
Investment and other income (expense)	11,878	(1,266)	-	499	-	2,304	13,415
Interest expense	(424)	-	-	-	-	-	(424)
Capital tax expense	(274)	-	-	-	-	-	(274)
Income tax expense	(385)	(13,763)	(10,379)	-	(23,291)	(691)	(48,509)
Non-controlling interest	-	-	-	-	-	(545)	(545)
Net income	\$7,757	\$49,061	\$33,953	\$4,111	\$42,100	\$1,068	\$138,050

INMET MINING CORPORATION
Consolidated statements of cash flows

(unaudited)

(thousands of Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Cash provided by (used in) operating activities ⁽¹⁾				
Net income	\$67,705	\$138,050	\$174,379	\$239,128
Add (deduct) items not affecting cash:				
Gain on disposition of investments	-	(11,730)	(256)	(11,730)
Depreciation	9,195	8,039	18,365	17,454
Future income tax	(6,973)	(2,645)	(4,056)	(4,380)
Accretion expense on reclamation liabilities	1,123	879	2,144	1,803
Non-controlling interest	(98)	545	107	340
Foreign exchange loss	22,476	3,253	18,890	3,437
Other	1,156	(2,424)	3,465	(1,711)
Reclamation costs	(303)	(524)	(824)	(1,004)
Net change in non-cash working capital (note 4)	20,516	4,288	(16,506)	(626)
	114,797	137,731	195,708	242,711
Cash provided by (used in) investing activities				
Capital spending	(121,028)	(82,079)	(232,442)	(134,014)
Investment in Petaquilla	(3,755)	-	(3,755)	-
Loans to other Petaquilla shareholders	(4,091)	-	(4,091)	-
Disposition of investments	-	50,726	1,521	50,726
Sale (purchase) of short-term investments	(125,439)	17,355	174,985	137,531
Other	-	-	-	(46)
	(254,313)	(13,998)	(63,782)	54,197
Cash provided by (used in) financing activities				
Long-term debt borrowings (note 9)	55,894	24,169	106,240	38,009
Funding by non-controlling shareholder	19,627	21,462	34,756	26,110
Settlement of foreign currency forward contract	52,256	-	52,256	-
Financial assurance deposits	(6,478)	(7,485)	(13,972)	(17,415)
Dividends paid on common shares	(4,828)	(4,827)	(4,828)	(4,827)
Subsidies received	-	62	3,233	199
Other	(46)	(1,435)	(92)	(2,770)
	116,425	31,946	177,593	39,306
Foreign exchange change on cash held in foreign currency				
	(9,467)	(31,540)	23,568	(34,049)
Increase (decrease) in cash	(32,558)	124,139	333,087	302,165
Cash:				
Beginning of period	888,150	562,636	522,505	384,610
End of period	855,592	686,775	855,592	686,775
Short-term investments	143,333	116,229	143,333	116,229
Cash and short-term investments	\$998,925	\$803,004	\$998,925	\$803,004
(see accompanying notes)				
⁽¹⁾ Supplementary cash flow information:				
Cash interest paid	\$4,724	\$1,100	\$8,122	\$2,381
Cash taxes paid	\$65,036	\$52,368	\$80,249	\$64,739

INMET MINING CORPORATION
Segmented statements of cash flows
(unaudited)

2008 For the six months ended June 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Cash provided by (used in) operating activities							
Before net change in non-cash working capital	(\$1,973)	\$78,116	\$46,306	\$22,893	\$66,872	\$ -	\$212,214
Net change in non-cash working capital	1,752	(28,164)	4,298	(8,321)	13,929	-	(16,506)
	(221)	49,952	50,604	14,572	80,801	-	195,708
Cash provided by (used in) investing activities							
Capital spending	(50)	(20,255)	(3,358)	(279)	(18,851)	(189,649)	(232,442)
Disposition of investments	1,521	-	-	-	-	-	1,521
Sale of short-term investments	174,985	-	-	-	-	-	174,985
Spending for Petaquilla	(7,846)	-	-	-	-	-	(7,846)
	168,610	(20,255)	(3,358)	(279)	(18,851)	(189,649)	(63,782)
Cash provided by (used in) financing activities	45,739	-	(1,850)	-	(616)	134,320	177,593
Foreign exchange change on cash held in foreign currency	-	9,517	8,531	-	978	4,542	23,568
Intergroup funding (distributions)	251,200	(225,032)	(103,365)	(14,293)	(40,979)	132,469	-
Increase (decrease) in cash	465,328	(185,818)	(49,438)	-	21,333	81,682	333,087
Cash:							
Beginning of period	41,041	333,671	111,492	-	13,473	22,828	522,505
End of period	506,369	147,853	62,054	-	34,806	104,510	855,592
Short-term investments	143,333	-	-	-	-	-	143,333
Cash and short-term investments	\$649,702	\$147,853	\$62,054	\$ -	\$34,806	\$104,510	\$998,925

2007 For the six months ended June 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Cash provided by (used in) operating activities							
Before net change in non-cash working capital	\$1,392	\$104,357	\$62,953	\$10,549	\$64,086	\$ -	\$243,337
Net change in non-cash working capital	(6,696)	17,974	(11,960)	(5,834)	5,890	-	(626)
	(5,304)	122,331	50,993	4,715	69,976	-	242,711
Cash provided by (used in) investing activities							
Capital spending	(131)	(13,150)	(724)	(407)	(12,811)	(106,791)	(134,014)
Disposition of investments	50,726	-	-	-	-	-	50,726
Sale of short-term investments	127,701	17,027	-	-	(7,197)	-	137,531
Other	-	-	-	(46)	-	-	(46)
	178,296	3,877	(724)	(453)	(20,008)	(106,791)	54,197
Cash provided by (used in) financing activities	(5,799)	-	-	(2,000)	(850)	47,955	39,306
Foreign exchange change on cash held in foreign currency	-	(21,515)	(4,930)	-	(6,136)	(1,468)	(34,049)
Intergroup funding (distributions)	64,999	1,643	(99,572)	(2,262)	(26,174)	61,366	-
Increase (decrease) in cash	232,192	106,336	(54,233)	-	16,808	1,062	302,165
Cash:							
Beginning of period	39,899	159,195	119,260	-	33,972	32,284	384,610
End of period	272,091	265,531	65,027	-	50,780	33,346	686,775
Short-term investments	99,677	-	-	-	16,552	-	116,229
Cash and short-term investments	\$371,768	\$265,531	\$65,027	\$ -	\$67,332	\$33,346	\$803,004

INMET MINING CORPORATION
Segmented statements of cash flows

(unaudited)

2008 For the three months ended June 30

	CORPORATE	ÇAYELI	PYHÄSÄLMI	TROILUS	OK TEDİ	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Cash provided by (used in) operating activities							
Before net change in non-cash working capital	\$699	\$33,041	\$22,192	\$10,218	\$28,131	\$ -	\$94,281
Net change in non-cash working capital	13,829	(2,250)	(2,826)	(2,124)	13,887	-	20,516
	<u>14,528</u>	<u>30,791</u>	<u>19,366</u>	<u>8,094</u>	<u>42,018</u>	<u>-</u>	<u>114,797</u>
Cash provided by (used in) investing activities							
Capital spending	(18)	(11,372)	(1,599)	(32)	(10,892)	(97,115)	(121,028)
Purchase of short-term investments	(125,439)	-	-	-	-	-	(125,439)
Spending on Petaquilla	(7,846)	-	-	-	-	-	(7,846)
	<u>(133,303)</u>	<u>(11,372)</u>	<u>(1,599)</u>	<u>(32)</u>	<u>(10,892)</u>	<u>(97,115)</u>	<u>(254,313)</u>
Cash provided by (used in) financing activities	<u>45,784</u>	<u>-</u>	<u>(1,850)</u>	<u>-</u>	<u>(1)</u>	<u>72,492</u>	<u>116,425</u>
Foreign exchange change on cash held in foreign currency	<u>-</u>	<u>(2,255)</u>	<u>(6,844)</u>	<u>-</u>	<u>(165)</u>	<u>(203)</u>	<u>(9,467)</u>
Intergroup funding (distributions)	<u>225,967</u>	<u>(182,259)</u>	<u>(91,545)</u>	<u>(8,062)</u>	<u>(41,097)</u>	<u>96,996</u>	<u>-</u>
Increase (decrease) in cash	<u>152,976</u>	<u>(165,095)</u>	<u>(82,472)</u>	<u>-</u>	<u>(10,137)</u>	<u>72,170</u>	<u>(32,558)</u>
Cash:							
Beginning of period	346,198	312,948	151,721	-	44,943	32,340	888,150
End of period	499,174	147,853	69,249	-	34,806	104,510	855,592
Short-term investments	<u>143,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,333</u>
Cash and short-term investments	<u>\$642,507</u>	<u>\$147,853</u>	<u>\$69,249</u>	<u>\$ -</u>	<u>\$34,806</u>	<u>\$104,510</u>	<u>\$998,925</u>

2007 For the three months ended June 30

	CORPORATE	ÇAYELI	PYHÄSÄLMI	TROILUS	OK TEDİ	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Cash provided by (used in) operating activities							
Before net change in non-cash working capital	(\$2,577)	\$53,115	\$36,430	\$5,924	\$40,551	\$ -	\$133,443
Net change in non-cash working capital	872	9,626	(25,933)	(1,694)	21,417	-	4,288
	<u>(\$1,705)</u>	<u>62,741</u>	<u>10,497</u>	<u>4,230</u>	<u>61,968</u>	<u>-</u>	<u>137,731</u>
Cash provided by (used in) investing activities							
Capital spending	(107)	(5,818)	(440)	(241)	(6,348)	(69,125)	(82,079)
Disposition of investments	50,726	-	-	-	-	-	50,726
Sale (purchase) of short-term investments	35,876	(549)	-	-	(17,972)	-	17,355
	<u>86,495</u>	<u>(6,367)</u>	<u>(440)</u>	<u>(241)</u>	<u>(24,320)</u>	<u>(69,125)</u>	<u>(13,998)</u>
Cash provided by (used in) financing activities	<u>(5,464)</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>27</u>	<u>38,383</u>	<u>31,946</u>
Foreign exchange change on cash held in foreign currency	<u>-</u>	<u>(19,024)</u>	<u>(5,519)</u>	<u>-</u>	<u>(5,653)</u>	<u>(1,344)</u>	<u>(31,540)</u>
Intergroup funding (distributions)	<u>71,419</u>	<u>2,312</u>	<u>(94,874)</u>	<u>(2,989)</u>	<u>(26,174)</u>	<u>50,306</u>	<u>-</u>
Increase (decrease) in cash	<u>150,745</u>	<u>39,662</u>	<u>(90,336)</u>	<u>-</u>	<u>5,848</u>	<u>18,220</u>	<u>124,139</u>
Cash:							
Beginning of period	121,346	225,869	155,363	-	44,932	15,126	562,636
End of period	272,091	265,531	65,027	-	50,780	33,346	686,775
Short-term investments	<u>99,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,552</u>	<u>-</u>	<u>116,229</u>
Cash and short-term investments	<u>\$371,768</u>	<u>\$265,531</u>	<u>\$65,027</u>	<u>\$ -</u>	<u>\$67,332</u>	<u>\$33,346</u>	<u>\$803,004</u>

INMET MINING CORPORATION
Consolidated statements of retained earnings
(unaudited)

(thousands of Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Retained earnings, beginning of period, as previously reported	\$1,181,436	\$770,082	\$1,076,958	\$669,004
Adjustment for inventory (note 2)	-	-	(2,196)	-
Retained earnings, restated	1,181,436	770,082	1,074,762	669,004
Net income	67,705	138,050	174,379	239,128
Dividends on common shares	(4,828)	(4,827)	(4,828)	(4,827)
Retained earnings, end of period (see accompanying notes)	\$1,244,313	\$903,305	\$1,244,313	\$903,305

Consolidated statements of comprehensive income
(unaudited)

(thousands of Canadian dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Net income	\$67,705	\$138,050	\$174,379	\$239,128
Other comprehensive income (loss) for the period ⁽¹⁾ :				
Changes in fair value of gold forward sales contracts	2,351	7,745	(7,283)	10,894
Changes in fair value of interest rate swap contracts	3,047	14	118	(120)
Changes in fair value of foreign exchange forward contracts	(558)	(530)	7,054	291
Changes in fair value of investments	4,360	2,408	(1,746)	19,308
Currency translation adjustments	(10,883)	(54,960)	64,486	(58,203)
Reclassification to net income of gains/losses realized:				
Gain on sale of investment	-	(11,730)	(256)	(11,730)
Troilus gold hedge loss	6,721	-	13,718	-
Ok Tedi gold hedge loss	-	-	1,013	-
Foreign exchange loss on reduction of net investment in self-sustaining foreign operations (note 13)	14,870	-	20,384	-
	19,908	(57,053)	97,488	(39,560)
Comprehensive income (see accompanying notes)	\$87,613	\$80,997	\$271,867	\$199,568

1 Net of applicable income tax and non-controlling interest.

INMET MINING CORPORATION

Notes to the consolidated financial statements

1. Significant accounting policies

Our interim consolidated financial statements do not include all of the disclosure required for annual financial statements under generally accepted accounting principles (GAAP), and they have not been reviewed by our external auditors. These statements do, however, follow the same accounting policies and methods of application used in our most recent annual consolidated financial statements, except for the differences explained in note 2. You should read our interim statements in conjunction with our annual statements, which you can find in our 2007 Annual Review.

2. Changes in accounting policies

Effective January 1, 2008, we adopted CICA Handbook section 3031 – *Inventories* on a prospective basis. This Section requires inventory to be recorded at the lower of cost or net realizable value. The section also clarifies the allocation of fixed production overhead, requires consistent use of either first-in, first-out or weighted average to measure inventories, requires insurance and capital spares be accounted for as property, plant and equipment and requires that any previous write-downs be reversed when the value of inventories increases. The amount of the reversal is limited to the amount of the original write-down.

As a result, certain administrative and other costs that were previously included in the cost of inventory are now expensed as incurred. Metal inventory and materials and supplies are measured at the lower of weighted average cost and net realizable value.

This change in policy had the following impact on our 2008 interim financial statements:

- decreased opening 2008 inventory by \$5.2 million
- increased opening 2008 property, plant and equipment by \$2.4 million
- decreased opening 2008 future income tax liability by \$0.6 million
- decreased opening 2008 retained earnings by \$2.2 million.

3. Recently issued accounting pronouncement

Section 3064 - Goodwill and intangible assets

This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. This section replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. It provides guidance for the recognition of internally developed intangible assets and ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. Standards concerning goodwill are unchanged from the standards included in the previous section. This section will become effective for us beginning on January 1, 2009. We are currently assessing the impact this change in accounting policy will have on our consolidated financial statements.

4. Statement of cash flows

The following tables show the components of our net change in non-cash working capital by segment.

For the six months ended June 30, 2008

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Las Cruces	Total
Accounts receivable	\$8,832	\$(13,805)	\$9,362	\$(5,113)	\$1,476	\$ -	\$752
Inventories	-	(3,180)	(714)	(2,320)	(1,502)	-	(7,716)
Accounts payable and accrued liabilities	(10,271)	1,966	(80)	(467)	(4,232)	-	(13,084)
Taxes	3,138	(13,255)	(4,270)	-	18,386	-	3,999
Other	48	110	-	(421)	(194)	-	(457)
	\$1,747	\$(28,164)	\$4,298	\$(8,321)	\$13,934	\$ -	\$(16,506)

For the six months ended June 30, 2007

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Las Cruces	Total
Accounts receivable	\$(1,713)	\$18,960	\$(5,602)	\$(5,373)	\$(14,916)	\$ -	\$(8,644)
Inventories	-	885	(259)	240	1,611	-	2,477
Accounts payable and accrued liabilities	(1,896)	(10,205)	2,345	(701)	(5,685)	-	(16,142)
Taxes	(3,090)	8,357	(8,444)	-	25,404	-	22,227
Other	3	(23)	-	-	(524)	-	(544)
	\$(6,696)	\$17,974	\$(11,960)	\$(5,834)	\$5,890	\$ -	\$(626)

For the three months ended June 30, 2008

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Las Cruces	Total
Accounts receivable	\$8,817	\$19,569	\$(2,937)	\$(2,022)	\$10,537	\$ -	\$33,964
Inventories	-	(433)	750	367	(1,602)	-	(918)
Accounts payable and accrued liabilities	1,533	3,555	1,395	(48)	1,305	-	7,740
Taxes	3,422	(24,931)	(2,034)	-	2,705	-	(20,838)
Other	52	(10)	-	(421)	947	-	568
	\$13,824	\$(2,250)	\$(2,826)	\$(2,124)	\$13,892	\$ -	\$20,516

For the three months ended June 30, 2007

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Las Cruces	Total
Accounts receivable	\$(807)	\$4,365	\$(18,453)	\$1,236	\$5,786	\$ -	\$(7,873)
Inventories	-	(1,682)	573	(1,949)	2,285	-	(773)
Accounts payable and accrued liabilities	1,362	3,718	3,706	(981)	6,064	-	13,869
Taxes	316	3,254	(11,759)	-	7,795	-	(394)
Other	1	(29)	-	-	(513)	-	(541)
	\$872	\$9,626	\$(25,933)	\$(1,694)	\$21,417	\$ -	\$4,288

5. Cash and short-term investments

At June 30, our cash and short-term investments are held in:

(thousands)	June 30 2008	December 31 2007
Cash:		
Liquidity funds	\$187,134	\$424,390
Term deposits	38,887	22,186
Corporate	254,537	-
Overnight deposits	15,888	50,822
Bankers' acceptances	170,376	-
Money market funds	97,209	18,531
Other	91,561	7,018
	855,592	522,947
Short-term investments:		
Federal and crown corporation investments	29,842	317,876
Provincial short-term notes	28,971	-
Corporate	84,520	-
	143,333	317,876
Total cash and short-term investments	\$998,925	\$840,823

6. Restricted cash

The table below shows our restricted cash balances.

(thousands)	June 30 2008	December 31 2007
Collateralized cash for letter of credit facility - Corporate	\$15,994	\$14,444
In trust for Ok Tedi reclamation	13,292	11,836
Collateralized cash for letters of credit - Las Cruces	24,189	12,494
Collateralized cash for Pyhäsalmi reclamation	1,926	-
	55,401	38,774
Less current portion:		
Collateralized cash for letters of credit – Las Cruces	(1,265)	(1,569)
	\$54,136	\$37,205

Cash collateralized letters of credit for Las Cruces are for the following:

- €3.1 million to secure payments that will ultimately be for the use of an electrical substation
- €2.5 million to secure payments to local townships that it will owe once certain licences are granted
- €5 million for a labour bond previously issued under Tranche A of its credit facility. During the second quarter, Las Cruces closed this portion of the credit facility and has secured the labour bond with cash. The labour bond is fixed at €5 million for the life of the mine.
- €4.5 million for dewatering and other purposes.

7. Investments

The table below shows our investments.

(thousands)	June 30 2008	December 31 2007
Available-for-sale equity securities:		
Premier Gold Mines Ltd.	\$24,381	\$22,680
Other	4,171	9,586
	28,552	32,266
Equity accounted investment:		
Minera Petaquilla S.A.	20,480	-
	\$49,032	\$32,266

Our investment in Minera Petaquilla S.A. of \$16.7 million was included in Other assets at December 31, 2007. During the second quarter, Inmet invested \$3.8 million in Minera Petaquilla S.A.

8. Derivatives

The table below shows the fair value of our derivatives.

(thousands)	June 30 2008 (fair value)	December 31 2007 (fair value)
Derivative asset:		
Las Cruces currency forward sale	\$ -	\$33,565
Derivative liabilities:		
Troilus gold forward sales	\$17,381	\$26,889
Ok Tedi gold and copper forward sales	10,981	9,034
Las Cruces interest rate swaps	8,096	8,037
	\$36,458	\$43,960

On June 30, 2008, Las Cruces' currency forward sale settled and Las Cruces received €32.6 million. As this hedge was highly effective from inception to the date of settlement, we continue to apply hedge accounting for this contract. The gain on settlement continues to be deferred in Accumulated other comprehensive income (note 12) and will be recognized in income as a reduction of interest expense over the life of Las Cruces' credit facility – Tranche A.

9. Long-term debt

	June 30 2008	December 31 2007
(thousands)		
Credit facility – Tranche A	\$222,384	\$125,776
– Tranche B	67,378	34,656
Promissory note	18,347	16,267
Loans from non-controlling shareholder	112,092	70,589
	420,201	247,288
Less current portion:		
Credit facility – Tranche B	(14,403)	(12,971)
	\$405,798	\$234,317

Credit facility

This quarter, Las Cruces borrowed an additional €26 million (2008 year to date - €52 million) under Tranche A, the US \$240 million senior secured facility, and an additional €10 million (2008 year to date - €18 million) under Tranche B, the €69 million senior secured bridge financing facility. The credit facility loans approximate fair value because the loans accrue interest at prevailing market rates.

On June 30, 2008, the Las Cruces credit facility – Tranche A was converted from a euro-denominated loan to a US \$215 million loan. From July 1 forward, we will revalue the loan to euros (the functional currency of Las Cruces). Foreign exchange gains and losses on revaluations will be reflected in Investment and other income.

Loans from non-controlling shareholder

This quarter, Las Cruces received €36 million (2008 year to date - €70 million) of intercompany loan advances. These loans bear interest at EURIBOR plus 6.1 percent and are due to be repaid on February 25, 2020. The non-controlling portion of these loans, €70 million, is reflected in long-term debt at June 30, 2008. Loans from non-controlling shareholders approximate fair value because the loans accrue interest at prevailing market rates.

10. Reclamation liabilities

This quarter, we recognized additional liabilities of \$4.3 million at Çayeli primarily as a result of cost escalation and \$1.0 million at Las Cruces as a result of development activities that took place during the quarter.

11. Commitments

Our operations have the following capital commitments as at June 30, 2008:

- Ok Tedi has committed approximately \$28.9 million (our proportionate share is \$5.2 million) to capital expenditures for the mine waste management project.
- Las Cruces has committed \$38.5 million to engineering, procurement and construction management and additional construction work related to the development of the mine and process plant.
- Çayeli has committed \$3.2 million for mine and mill equipment.
- Cerattepe has committed approximately \$5.2 million for mine and mill equipment.

12. Accumulated other comprehensive income (loss) (AOCI)

The table below shows the components of the beginning and ending balances of AOCI.

(thousands)	
Unrealized losses on gold forward sales contracts (net of tax of \$2,169)	\$(31,951)
Deferred Troilus gold hedges	5,444
Unrealized gains on foreign exchange forward contract ¹	17,067
Unrealized losses on interest rate swap contracts ²	(4,097)
Unrealized gains on investments (net of tax of \$2,951)	14,506
Currency translation adjustment	(84,705)
AOCI, December 31, 2007	\$(83,736)
Other comprehensive income for the six months ending June 30, 2008	97,488
AOCI, June 30, 2008	\$13,752
AOCI June 30, 2008 comprises:	
Unrealized losses on gold forward sales contracts (net of tax of \$1,885)	\$(21,781)
Deferred Troilus gold hedges	2,722
Unrealized gains on foreign exchange forward contract ³	24,121
Unrealized losses on interest rate swap contract ⁴	(3,979)
Unrealized gains on investments (net of tax of \$2,516)	12,504
Currency translation adjustment	165
AOCI, June 30, 2008	\$13,752

1. Net of tax of \$10,448 and non-controlling interest of \$7,315.
2. Net of tax of \$2,510 and non-controlling interest of \$1,756.
3. Net of tax of \$14,767 and non-controlling interest of \$10,337.
4. Net of tax of \$2,438 and non-controlling interest of \$1,705.

The table below shows the breakdown of the currency translation adjustment included in AOCI.

(thousands)	June 30 2008	December 31 2007
Pyhäsalmi (euro functional currency)	\$6,607	\$(1,466)
Las Cruces (euro functional currency)	34,027	(1,919)
Çayeli (US dollar functional currency)	(27,557)	(65,822)
Ok Tedi (US dollar functional currency)	(12,912)	(15,498)
	\$165	\$(84,705)

The US dollar to Canadian dollar exchange rate was \$1.02 at June 30, 2008 and \$0.99 at December 31, 2007. The euro to Canadian dollar exchange rate was \$1.61 at June 30, 2008 and \$1.45 at December 31, 2007.

13. Investment and other income

Investment and other income are summarized as follows:

(thousands)	Three months ended		Six months ended	
	2008	June 30 2007	2008	June 30 2007
Interest income	\$6,963	\$7,378	\$15,686	\$14,394
Foreign exchange gain (loss)	(18,573)	(9,400)	(11,715)	(9,545)
Dividend and royalty income	1,504	1,000	1,504	2,000
Gain on sale of Wolfden	-	11,730	-	11,730
Other	(1,252)	2,707	(2,079)	2,263
	\$(11,358)	\$13,415	\$3,396	\$20,842

Foreign exchange

We recorded a net foreign exchange loss of \$18.6 million this quarter. We recognized a deferred foreign exchange loss of \$14.7 million when dividends were received from Çayeli, Pyhäsalmi and Ok Tedi, and recognized a loss of \$3.7 million because we revalued some of our foreign currency denominated accounts and cash balances.

For the year, we recognized \$20.4 million in foreign exchange losses from dividends received.

Gain on sale of Wolfden

In 2007, we sold our shares in Wolfden for cash proceeds of \$51.4 million and recorded a gain of \$11.7 million.

14. Income tax expense (recovery)

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

For the six months ended June 30, 2008

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Las Cruces	Total
Current income taxes	\$5,534	\$28,472	\$12,536	\$46,591	\$-	\$93,133
Future income taxes	-	(693)	(88)	(3,441)	166	(4,056)
	\$5,534	\$27,779	\$12,448	\$43,150	\$166	\$89,077

For the six months ended June 30, 2007

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Las Cruces	Total
Current income taxes	\$771	\$26,072	\$17,246	\$44,176	\$-	\$88,265
Future income taxes	-	1,362	40	(6,268)	486	(4,380)
	\$771	\$27,434	\$17,286	\$37,908	\$486	\$83,885

For the three months ended June 30, 2008

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Las Cruces	Total
Current income taxes	\$5,534	\$9,922	\$6,564	\$29,286	\$-	\$51,306
Future income taxes	-	(1,267)	(139)	(5,483)	(84)	(6,973)
	\$5,534	\$8,655	\$6,425	\$23,803	\$(84)	\$44,333

For the three months ended June 30, 2007

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Las Cruces	Total
Current income taxes	\$385	\$14,716	\$10,381	\$25,672	\$-	\$51,154
Future income taxes	-	(953)	(2)	(2,381)	691	(2,645)
	\$385	\$13,763	\$10,379	\$23,291	\$691	\$48,509

15. Net income per share

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

(thousands)	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Net income available to common shareholders	\$67,705	\$138,050	\$174,379	\$239,128
<hr/>				
(thousands)				
Weighted average common shares outstanding	48,282	48,278	48,282	48,278
Plus incremental shares from assumed conversions deferred share units	78	78	78	78
Diluted weighted average common shares outstanding	48,360	48,356	48,360	48,356
<hr/>				
(Canadian dollars per share)				
Basic net income per common share	\$1.40	\$2.86	\$3.61	\$4.95
Dilutive effect from assumed conversions of deferred share units per common share	-	-	-	-
Diluted net income per common share	\$1.40	\$2.86	\$3.61	\$4.95

16. Subsequent event

On July 6, 2008, Inmet announced its intention to make an all cash offer for all of the outstanding shares of Petaquilla Copper Ltd. ("PTC") at a price of \$2.00 per share. On July 28, 2008, Inmet mailed its offer-to-purchase to PTC shareholders. The offer is subject to certain conditions, including receipt of all necessary regulatory clearance and acceptance of the offer by PTC shareholders owning not less than 50.1 percent of PTC common shares on a fully diluted basis. Following the completion of the offer, Inmet intends but is not required to take steps to acquire any PTC common shares that remain outstanding.

Corporate Office

Inmet Mining Corporation
330 Bay Street
Suite 1000
Toronto, Ontario, Canada
M5H 2S8
Telephone: + 1-416-361-6400

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:

CIBC Mellon Trust Company Ltd.
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario, Canada
M5C 2W9

Answer Line™: + 1-416-643-5500 or toll free in North America at 1-800-387-0825
Fax: + 1-416-643-5501
Email: inquiries@cibcmellon.com
Web site: www.cibcmellon.ca

Common Shares

<i>(thousands)</i>	2008	2007
Outstanding as at June 30	48,282	48,278
Weighted average for the three months ended June 30	48,282	48,278

Stock Exchange Listing

Toronto Stock Exchange

Stock Symbol

IMN

Common Shares

Trading History

	High	Low
2008		
Second Quarter	\$98.61	\$66.30
First Quarter	\$90.51	\$61.01
2007		
Fourth Quarter	\$109.35	\$76.05
Third Quarter	\$99.90	\$73.06
Second Quarter	\$85.48	\$64.51
First Quarter	\$65.37	\$50.64