

# INMET

MINING

## Quarterly Report Three and Nine Months Ended September 30, 2008

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*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 third quarter of 2007 because zinc and copper prices were lower, costs were higher, and we recognized foreign exchange losses on the translation of Las Cruces' US dollar denominated credit facility.
- **Higher production**  
This quarter, copper and gold production was higher than the same quarter in 2007, zinc production was lower, and pyrite production was nearly four times higher.
- **Production outlook**  
We expect to produce 82,400 tonnes of copper, 74,000 tonnes of zinc and 248,200 ounces of gold for the year. This is an overall reduction from our original objectives because of the delay in the start of production at Las Cruces, change in mine plans at Çayeli and Pyhäsalmi, and lower throughput at Troilus and Ok Tedi. Pyrite projections are 616,000 tonnes because of the strong demand for this product in the third quarter.
- **Lower operating cash flow per share**  
Operating cash flow this quarter was \$98 million or \$2.03 per common share compared to \$108 million or \$2.24 per share in the third quarter of 2007.
- **Las Cruces awaiting regulator consent to resume mining**  
The temporary water treatment facilities are in place and working effectively at Las Cruces, but we have to wait for the suspension of the dewatering system permit to be lifted before we can resume mining activities. Construction is essentially completed and commissioning has commenced with turning of the mills. The commissioning will take several months before copper production commences, which we now expect will be in the first quarter of 2009.
- **Controlling ownership in Petaquilla**  
On September 19, we acquired 95 percent of the outstanding common shares of Petaquilla Copper Ltd. (PTC) for \$2.20 per share. PTC has a 26 percent stake in Minera Petaquilla SA, the Panamanian company that holds the project concession. We now control 74 percent of the project.

- **Court rules against Cerattepe operating licenses**

On October 24, we learned that the Rize Administrative Court ruled to cancel the Cerattepe operating licences. We will review the reasons for the decision once we receive it and will discuss with the Turkish Ministry of Energy and Natural Resources an appeal to the Supreme Administrative Court of Turkey. We will continue to keep the project on care and maintenance and also suspend all work on the project and re-assess our development plans in light of the court decision.

- **Dividend declaration**

The board of directors has declared an eligible dividend of \$0.10 per common share payable on December 15, 2008 to shareholders of record as at November 30, 2008.

## Key financial data

	three months ended September 30			nine months ended September 30		
	2008	2007	change	2008	2007	change
<b>FINANCIAL HIGHLIGHTS</b>						
(thousands, except per share amounts)						
<b>Sales</b>						
Gross sales	\$247,495	\$272,293	-9%	\$805,239	\$878,925	-8%
Net income						
Net income	\$75,057	\$114,836	-35%	\$249,436	\$353,964	-30%
Net income per share	\$1.55	\$2.38	-35%	\$5.17	\$7.33	-30%
<b>Cash flow</b>						
Cash flow provided by operating activities	\$97,805	\$108,315	-10%	\$293,513	\$351,026	-16%
Cash flow provided by operating activities per share (1)	\$2.03	\$2.24	-10%	\$6.08	\$7.27	-16%
Capital spending	\$94,371	\$117,989	-20%	\$326,813	\$252,003	+30%
<b>OPERATING HIGHLIGHTS</b>						
<b>Production (2)</b>						
Copper (tonnes)	20,800	19,000	+9%	59,400	57,600	+3%
Zinc (tonnes)	14,600	20,400	-28%	55,900	59,100	-5%
Gold (ounces)	63,200	55,400	+14%	179,400	166,200	+8%
<b>Cash costs</b>						
Copper (US \$ per pound) (3)	\$0.60	\$0.27	+122%	\$0.51	\$0.19	+168%
Gold (US \$ per ounce) (3)	\$432	\$367	+18%	\$395	\$384	+3%

	as at September 30	as at December 31
	2008	2007
<b>FINANCIAL CONDITION</b>		
Current ratio	3.1 to 1	5.6 to 1
Gross debt to total equity (4)	23%	18%
Net working capital balance (millions)	\$575	\$855
Cash balance (millions)	\$636	\$841
Shareholders' equity (millions)	\$1,714	\$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 31, 32 and 33.

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

## Current market environment

Since September 30, there has been a further general weakening in the economic environment and a significant decline in base metal prices. We believe we are in a strong financial position with a cash balance at September 30 of \$636 million to sustain and grow our business. We will continue to ensure efficiencies at our operations and to carefully manage capital budgets during these uncertain times.

## Third quarter report

We prepared this report as of October 28, 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 September 30			nine months ended September 30		
	2008	2007	change	2008	2007	change
<b>EARNINGS FROM OPERATIONS<sup>(1)</sup></b>						
Çayeli	\$32,004	\$63,578	-50%	\$130,921	\$187,754	-30%
Pyhäsalmi	29,660	34,101	-13%	84,886	110,433	-23%
Troilus	6,488	2,953	+120%	22,633	9,483	+139%
Ok Tedi	33,974	48,927	-31%	137,548	154,333	-11%
Other	(476)	(619)	-23%	(1,464)	(1,462)	-
	<b>101,650</b>	<b>148,940</b>	<b>-32%</b>	<b>374,524</b>	<b>460,541</b>	<b>-19%</b>
<b>DEVELOPMENT AND EXPLORATION</b>						
Corporate development and exploration	(3,548)	(2,475)	+43%	(8,649)	(5,573)	+55%
<b>CORPORATE COSTS</b>						
General and administration	(3,411)	(2,674)		(9,849)	(7,676)	
Investment and other income	(5,467)	9,224		(2,071)	18,756	
Interest expense	(476)	(424)		(1,394)	(1,286)	
Income and capital taxes	(17,504)	(37,922)		(106,831)	(122,355)	
Non-controlling interest	3,813	167		3,706	(173)	
	<b>(23,045)</b>	<b>(31,629)</b>	<b>-27%</b>	<b>(116,439)</b>	<b>(112,734)</b>	<b>+3%</b>
<b>Net income before other items</b>	<b>\$75,057</b>	<b>\$114,836</b>	<b>-35%</b>	<b>\$249,436</b>	<b>\$342,234</b>	<b>-27%</b>
Gain on sale of Wolfden	-	-	-	-	11,730	-100%
<b>Net income</b>	<b>\$75,057</b>	<b>\$114,836</b>	<b>-35%</b>	<b>\$249,436</b>	<b>\$353,964</b>	<b>-30%</b>
<b>Basic net income per share</b>	<b>\$1.55</b>	<b>\$2.38</b>	<b>-35%</b>	<b>\$5.17</b>	<b>\$7.33</b>	<b>-29%</b>
<b>Diluted net income per share</b>	<b>\$1.55</b>	<b>\$2.37</b>	<b>-35%</b>	<b>\$5.16</b>	<b>\$7.32</b>	<b>-30%</b>
<b>Weighted average shares outstanding</b>	<b>48,282</b>	<b>48,278</b>	<b>-</b>	<b>48,282</b>	<b>48,278</b>	<b>-</b>

(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 September 30	nine months ended September 30	see page
<b>EARNINGS FROM OPERATIONS</b>			
<b>Sales</b>			
Lower metal prices denominated in Canadian dollars	\$(37)	\$(56)	5
Higher (lower) sales volumes	15	(16)	8
<b>Costs</b>			
Lower smelter processing charges	4	30	9
Higher freight costs	(8)	(12)	9
Higher operating costs, including costs that vary with income and cash flows	(19)	(28)	10
Other	(2)	(4)	
<b>Decrease in earnings from operations, compared to 2007</b>	<b>(47)</b>	<b>(86)</b>	
<b>CORPORATE COSTS</b>			
Change in taxes from change in income	20	13	11
Decrease in tax rates	1	3	11
Foreign exchange losses	(12)	(14)	11
Gain on sale of Wolfden in 2007	-	(12)	11
Lower interest income	(5)	(4)	11
Other	3	(5)	
<b>Decrease in net income, compared to 2007</b>	<b>\$(40)</b>	<b>\$(105)</b>	

## 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 September 30			nine months ended September 30		
	2008	2007	change	2008	2007	change
<b>US dollar metal prices</b>						
Copper (per pound)	<b>US \$2.66</b>	US \$3.62	-27%	<b>US \$3.52</b>	US \$3.37	+4%
Zinc (per pound)	<b>US \$0.73</b>	US \$1.37	-47%	<b>US \$0.93</b>	US \$1.50	-38%
Gold (per ounce)	<b>US \$715</b>	US \$580	+23%	<b>US \$736</b>	US \$571	+29%
<b>Canadian dollar metal prices</b>						
Copper (per pound)	<b>C\$ 2.77</b>	C\$ 3.76	-26%	<b>C\$ 3.59</b>	C\$ 3.74	-4%
Zinc (per pound)	<b>C\$ 0.76</b>	C\$ 1.42	-46%	<b>C\$ 0.95</b>	C\$ 1.67	-43%
Gold (per ounce)	<b>C\$ 744</b>	C\$ 603	+23%	<b>C\$ 751</b>	C\$ 634	+18%

Commodity prices have declined substantially in the third quarter. Copper prices were steady for the first half of the year and then in the third quarter, it had the largest drop among base metals coming down from US \$3.90 per pound on July 1 to US \$2.91 per pound on September 30. September saw the largest decline where the price dropped US \$0.50 per pound. Zinc prices came down about US \$0.14 per pound in the quarter, but they had already been declining gradually from January 1. Conversely gold was viewed as a safe haven amid the financial crisis with the price increasing 20 percent during the quarter. The price of sulphur, which is closely linked to pyrite prices, was also strong during the quarter. Sulphur prices have tapered off dramatically in October.

### Exchange rates

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

	three months ended September 30			nine months ended September 30		
	2008	2007	change	2008	2007	change
<b>Exchange rates</b>						
1 US\$ to C\$	<b>\$1.04</b>	\$1.04	-	<b>\$1.02</b>	\$1.11	-8%
1 euro to C\$	<b>\$1.56</b>	\$1.44	+8%	<b>\$1.55</b>	\$1.48	+5%
1 euro to US\$	<b>\$1.51</b>	\$1.37	+10%	<b>\$1.52</b>	\$1.34	+13%

Sales are affected by the conversion of US dollar revenue to Canadian dollars. Foreign exchange was not a factor when looking at variances in sales between the third quarter of 2007 and 2008 because the US to Canadian exchange rate was consistent between these periods. On average for the nine months, the US dollar was weaker in 2008 than 2007, which reduced sales by \$67 million.

Net income was \$80 million less for the year and \$17 million less for the quarter because of fluctuations in the value of the US dollar relative to the Canadian dollar and euro.

Changes to the US to Canadian dollar exchange rate and US dollar to euro exchange rate affect our net income in three ways:

- US dollar sales translated to Canadian dollar
- Çayeli and Ok Tedi record all costs in US dollars which we translate to Canadian dollars
- we recognize deferred foreign exchange gains or losses when we repatriate cash from Çayeli and Ok Tedi (we record this in *Investment and other income*). Foreign exchange losses for the year to date include a deferred foreign exchange loss of \$26 million when we repatriated cash from Çayeli and Ok Tedi. No cash was repatriated this quarter
- we revalue foreign currency balances such as the US dollar debt in Las Cruces (recorded in *Investment and other income*). Pre-tax net income this quarter and year to September was down \$17 million because we recognized a foreign exchange loss on the translation of the Las Cruces' US dollar credit facility.

Net income was slightly lower between periods because costs we incurred in euros were higher when we converted them to Canadian dollars.

We recorded foreign exchange gains of \$3 million year to date when we revalued euro denominated cash and short-term intergroup receivables. This was the result of a large change in the value of the euro relative to the Canadian dollar during the nine month period. We also recognized deferred foreign exchange gains of \$6 million when we repatriated cash from Pyhäsalmi. We recorded both of these in *Investment and other income*. Foreign exchange gains in the third quarter were minimal.

#### Treatment charges 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 this quarter and year to date

	three months ended September 30			nine months ended September 30		
	2008	2007	change	2008	2007	change
<b>Treatment charges</b>						
Copper (per dry metric tonne of concentrate)	\$41	\$51	-20%	\$44	\$63	-30%
Zinc (per dry metric tonne of concentrate)	\$341	\$315	+8%	\$304	\$268	+13%
<b>Price participation</b>						
Copper (per pound)	\$0.06	\$(0.02)	+400%	\$0.04	\$0.12	-66%
Zinc (per pound) <sup>(1)</sup>	\$0.04	\$(0.09)	+144%	\$(0.01)	\$0.04	-125%
<b>Freight charges</b>						
Copper (per dry metric tonne of concentrate)	\$58	\$33	+76%	\$53	\$48	+10%
Zinc (per dry metric tonne of concentrate)	\$31	\$25	+24%	\$38	\$31	+23%

(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. The quarterly price participation figures for zinc include adjustments from the first half of the year because of the timing of when annual zinc terms are finalized. Excluding the adjustments, price participation for zinc would have been nil for the third quarter of 2008 and the third quarter of 2007.

#### Statutory tax rates down slightly

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

	2008	2007	change
<b>Statutory tax rates</b>			
Çayeli	24%	27%	-3%
Pyhäsalmi	26%	26%	-
Ok Tedi	37%	37%	-
Las Cruces	30%	30%	-

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 September 30			nine months ended September 30		
	2008	2007	change	2008	2007	change
Gross sales	\$247,495	\$272,293	-9%	\$805,239	\$878,925	-8%
Smelter processing charges	(49,502)	(42,557)	+16%	(146,868)	(162,576)	-10%
Cost of sales:						
Direct production costs	(84,628)	(67,520)	+26%	(244,238)	(213,934)	+14%
Inventory changes	2,179	(1,293)	+269%	3,375	(5,429)	-162%
Provisions for mine rehabilitation and other non-cash charges	(2,499)	(3,244)	-23%	(13,224)	(10,252)	+29%
Depreciation	(11,395)	(8,739)	+30%	(29,760)	(26,193)	+14%
Earnings from operations	\$101,650	\$148,940	-32%	\$374,524	\$460,541	-19%

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

(thousands)	three months ended September 30			nine months ended September 30		
	2008	2007	change	2008	2007	change
<b>Gross sales by operation</b>						
Çayeli	\$78,780	\$107,664	-27%	\$277,709	\$337,606	-18%
Pyhäsalmi	67,694	60,427	+12%	183,851	201,574	-9%
Troilus	35,438	24,970	+42%	104,860	81,061	+29%
Ok Tedi <sup>(1)</sup>	65,583	79,232	-17%	238,819	258,684	-8%
	\$247,495	\$272,293	-9%	\$805,239	\$878,925	-8%
<b>Gross sales by metal</b>						
Copper	\$134,972	\$174,338	-23%	\$464,670	\$506,718	-8%
Zinc	29,115	54,983	-47%	130,106	227,467	-43%
Gold	46,326	33,826	+37%	134,659	111,700	+21%
Other	37,082	9,146	+305%	75,804	33,040	+129%
	\$247,495	\$272,293	-9%	\$805,239	\$878,925	-8%

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

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

(millions)	three months ended September 30	nine months ended September 30
Lower copper prices, denominated in C\$	\$(47)	\$(20)
Lower zinc prices, denominated in C\$	(23)	(96)
Higher gold prices, denominated in C\$	9	22
Higher pyrite prices, denominated in C\$	20	30
Changes in other metal prices	4	8
Higher (lower) sales volumes	12	(18)
<b>Decrease in gross sales, compared to 2007</b>	<b>\$(25)</b>	<b>\$(74)</b>

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).

We recorded \$17 million in negative finalization adjustments in the third quarter.

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

- 47 million pounds of copper provisionally priced at US \$2.89 per pound
- 32 million pounds of zinc provisionally priced at US \$0.76 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.

### Overall, sales volumes were higher for the quarter

	three months ended September 30			nine months ended September 30		
	2008	2007	change	2008	2007	change
<b>Sales volumes</b>						
Copper (tonnes)	<b>22,000</b>	21,000	+5%	<b>59,200</b>	61,900	-4%
Zinc (tonnes)	<b>17,000</b>	17,900	-5%	<b>62,500</b>	62,800	-
Gold (ounces)	<b>61,100</b>	55,500	+10%	<b>178,100</b>	176,400	+1%
Pyrite (tonnes)	<b>225,000</b>	118,100	+91%	<b>491,700</b>	376,400	+31%

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

### Production

Inmet's share <sup>(1)</sup>	three months ended September 30			nine months ended September 30			revised objective 2008
	2008	2007	change	2008	2007	change	
<b>Copper (tonnes)</b>							
Ok Tedi	<b>7,300</b>	6,900	+6%	<b>21,400</b>	21,700	-1%	<b>29,800</b>
Çayeli	<b>8,600</b>	7,900	+9%	<b>24,400</b>	23,500	+4%	<b>33,600</b>
Pyhäsalmi	<b>3,300</b>	3,400	-3%	<b>9,900</b>	10,300	-4%	<b>13,000</b>
Las Cruces	-	-	-	-	-	-	-
Troilus	<b>1,600</b>	800	+100%	<b>3,700</b>	2,100	+76%	<b>6,000</b>
	<b>20,800</b>	19,000	+9%	<b>59,400</b>	57,600	+3%	<b>82,400</b>
<b>Zinc (tonnes)</b>							
Çayeli	<b>8,900</b>	12,300	-28%	<b>34,900</b>	32,500	+7%	<b>46,100</b>
Pyhäsalmi	<b>5,700</b>	8,100	-30%	<b>21,000</b>	26,600	-21%	<b>27,900</b>
	<b>14,600</b>	20,400	-28%	<b>55,900</b>	59,100	-5%	<b>74,000</b>
<b>Gold (ounces)</b>							
Troilus	<b>38,000</b>	36,400	+4%	<b>110,800</b>	104,700	+6%	<b>152,000</b>
Ok Tedi	<b>25,200</b>	19,000	+33%	<b>68,600</b>	61,500	+12%	<b>96,200</b>
	<b>63,200</b>	55,400	+14%	<b>179,400</b>	166,200	+8%	<b>248,200</b>
<b>Pyrite (tonnes)</b>							
Pyhäsalmi	<b>177,800</b>	45,100	+294%	<b>483,500</b>	304,000	+59%	<b>616,000</b>

(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 compared to the third quarter of 2007:

- copper production was higher because of higher grades at Çayeli, Troilus and Ok Tedi.
- zinc production was lower mainly because of low zinc grade areas being mined at Çayeli and Pyhäsalmi.
- gold production was higher due to higher grades.

For the nine months zinc production was lower than the prior year because of lower grades and gold production was higher because of 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. The total amount we 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.

## Higher freight costs in the quarter

(thousands)	three months ended September 30			nine months ended September 30		
	2008	2007	change	2008	2007	change
<b>Smelter processing charges and freight by operation</b>						
Çayeli	\$17,543	\$19,474	-10%	\$65,121	\$74,944	-13%
Pyhäsalmi	21,958	12,983	+69%	47,339	46,697	+1%
Troilus	2,541	1,478	+72%	7,149	6,191	+15%
Ok Tedi <sup>(1)</sup>	7,460	8,622	-13%	27,259	34,744	-22%
	<b>\$49,502</b>	<b>\$42,557</b>	<b>+16%</b>	<b>\$146,868</b>	<b>\$162,576</b>	<b>-10%</b>
<b>Smelter processing charges and freight by metal</b>						
Copper	\$19,728	\$22,479	-12%	\$62,138	\$77,156	-19%
Zinc	17,551	17,673	-1%	62,002	76,459	-19%
Other	12,223	2,405	+408%	22,728	8,961	+154%
	<b>\$49,502</b>	<b>\$42,557</b>	<b>+16%</b>	<b>\$146,868</b>	<b>\$162,576</b>	<b>-10%</b>
<b>Smelter processing charges by type and freight</b>						
Copper treatment and refining charges	\$5,473	\$6,462	-15%	\$16,101	\$24,322	-34%
Zinc treatment charges	10,662	10,969	-3%	36,802	32,615	+13%
Copper price participation	1,551	2,763	-44%	5,796	11,846	-51%
Zinc price participation	1,445	(3,469)	+142%	(816)	5,064	-116%
Content losses	11,392	16,532	-31%	43,752	59,324	-26%
Other	693	2,512	-72%	5,651	5,253	+8%
Freight	18,286	6,788	+169%	39,582	24,152	+64%
	<b>\$49,502</b>	<b>\$42,557</b>	<b>+16%</b>	<b>\$146,868</b>	<b>\$162,576</b>	<b>-10%</b>

(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 third quarter because of lower volumes sold. 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.

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

(thousands)	three months ended September 30			nine months ended September 30		
	2008	2007	change	2008	2007	change
<b>Direct production costs by operation</b>						
Çayeli	\$22,622	\$21,299	+6%	\$68,600	\$63,065	+9%
Pyhäsalmi	14,090	11,078	+27%	44,045	36,528	+21%
Troilus	23,787	18,614	+28%	66,079	56,520	+17%
Ok Tedi <sup>(1)</sup>	24,129	16,529	+46%	65,514	57,821	+13%
Total direct production costs	84,628	67,520	+23%	244,238	213,934	+14%
Inventory changes	(2,179)	1,293	-269%	(3,375)	5,429	-162%
Reclamation, accretion and other non-cash expenses	2,499	3,244	-23%	13,224	10,252	+29%
<b>Total cost of sales</b>	<b>\$84,948</b>	<b>\$72,057</b>	<b>+18%</b>	<b>\$254,087</b>	<b>\$229,615</b>	<b>+11%</b>

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

## Key reasons for the increase in direct production costs

(millions)	three months ended September 30	nine months ended September 30
Volume	\$(2)	\$(5)
Labour costs	4	10
Consumables	7	15
Energy	5	8
Costs that vary with income and cash flow	-	2
Other	3	-
<b>Increase in direct production costs, compared to 2007</b>	<b>\$17</b>	<b>\$30</b>

## Depreciation was higher than last year

(thousands)	three months ended September 30			nine months ended September 30		
	2008	2007	change	2008	2007	change
<b>Depreciation by operation</b>						
Çayeli	\$3,369	\$1,654	+104%	\$8,298	\$6,222	+33%
Pyhäsalmi	2,343	1,764	+33%	6,725	6,558	+3%
Troilus	2,149	2,784	-23%	6,285	7,500	-16%
Ok Tedi	3,534	2,537	+39%	8,452	5,913	+43%
	<b>\$11,395</b>	<b>\$8,739</b>	<b>+30%</b>	<b>\$29,760</b>	<b>\$26,193</b>	<b>+14%</b>

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.

## 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 September 30		nine months ended September 30	
	2008	2007	2008	2007
Interest income	\$6,308	\$11,490	\$21,994	\$25,884
Dividend income and royalty	1,650	1,821	3,154	3,821
Foreign exchange gain (loss)	(16,553)	(4,695)	(28,268)	(14,240)
Sale of Wolfden	-	-	-	11,730
Other	3,128	1,028	1,049	3,291
	<b>\$(5,467)</b>	<b>\$9,644</b>	<b>\$(2,071)</b>	<b>\$30,486</b>

We recorded a net foreign exchange loss of \$17 million this quarter mostly from the effects of revaluing the Las Cruces US \$215 million credit facility. For the year, we recognized \$20 million in foreign exchange losses from dividends received. The decrease in interest income is mainly due to lower interest rates on cash and short-term investments we are holding. 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.

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

(thousands)	three months ended September 30			nine months ended September 30		
	2008	2007	change	2008	2007	change
Çayeli	\$6,428	\$13,055	-51%	\$34,207	\$40,489	-16%
Pyhäsalmi	6,418	7,425	-14%	18,866	24,711	-24%
Ok Tedi	7,174	17,015	-58%	50,324	54,923	-8%
Las Cruces	(5,167)	(232)	+2,127%	(5,001)	254	-2,069%
Corporate	2,526	659	+283%	8,060	1,978	+307%
	<b>\$17,379</b>	<b>\$37,922</b>	<b>-54%</b>	<b>\$106,456</b>	<b>\$122,355</b>	<b>-13%</b>

Our tax expense changes as our earnings change. Çayeli's effective tax rate was 21 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. For the year to date, Çayeli's effective tax rate was 26 percent, the result of foreign exchanges gains in its tax accounts. At Las Cruces, we have recorded a tax recovery in relation to the foreign exchange losses recorded from the translation of its US dollar denominated debt. 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 \$11 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 September 30			nine months ended September 30			<i>revised objective 2008</i>
	2008	2007	change	2008	2007	change	
Tonnes of ore milled (000's)	<b>259</b>	262	-1%	<b>817</b>	770	+6%	<b>1,100</b>
Tonnes of ore milled per day	<b>2,800</b>	2,850	-2%	<b>3,000</b>	2,800	+7%	<b>3,000</b>
Grades (percent)	copper	3.7	+8%	<b>3.7</b>	3.7	-	<b>3.8</b>
	zinc	6.4	-19%	<b>6.0</b>	6.0	-	<b>6.0</b>
Mill recoveries (percent)	copper	81	+1%	<b>80</b>	82	-2%	<b>81</b>
	zinc	73	-10%	<b>71</b>	71	-	<b>71</b>
Production (tonnes)	copper	7,900	+9%	<b>24,400</b>	23,500	+4%	<b>33,600</b>
	zinc	12,300	-28%	<b>34,900</b>	32,500	+7%	<b>46,100</b>
Cost per tonne of ore milled (C\$)	<b>\$87</b>	\$81	+7%	<b>\$84</b>	\$82	+2%	<b>\$81</b>

### On target to achieve production goal of 1.1 million tonnes

Ore milled this quarter was less than the annualized rate and less than what Çayeli had been producing in the first half of the year, mainly because mine production was down. In addition, we lowered throughput rates to improve metal recovery while mining high grade clastic ore. Throughput rates are expected to return to the previous quarter rate for the remainder of the year. Year to date, Çayeli produced ore at its expected annualized rate of 1.1 million tonnes, which is consistent with our annual objective and higher than last year.

Lower zinc grades and recoveries in this quarter resulted in a 28 percent drop in zinc production compared to the third quarter of last year. Copper production this quarter was higher than last year because grades were higher. Both copper and zinc production improved year to date compared to last year because throughput was higher.

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

As we originally anticipated, we expect to process 1.1 million tonnes of ore this year and produce 33,600 tonnes of copper. We revised our zinc recovery estimate to 71 percent and now we expect to produce about 1,700 tonnes less zinc. 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.

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

Royalties also have a significant effect on costs and are variable depending on earnings. Cost per tonne of ore milled includes \$7 per tonne in royalties in the third quarter and \$10 per tonne in royalties year to date. We have estimated \$11 per tonne in our \$81 per tonne of ore milled annual objective, which can change based on metal price assumptions for the rest of the year.

## Financial review

### Lower earnings this quarter because of a significant decline in copper and zinc prices

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended		nine months ended	
	2008	September 30 2007	2008	September 30 2007
<b>Sales analysis</b>				
Copper sales (tonnes)	9,900	8,800	23,300	24,200
Zinc sales (tonnes)	10,400	10,400	41,600	36,700
Gross copper sales	\$59	\$74	\$180	\$199
Gross zinc sales	17	32	87	132
Other metal sales	3	2	11	7
Gross sales	79	108	278	338
Smelter processing charges and freight	(18)	(19)	(65)	(75)
Net sales	\$61	\$89	\$213	\$263
<b>Cost analysis</b>				
Tonnes of ore milled (thousands)	259	262	817	770
Direct production costs (\$ per tonne)	\$87	\$81	\$84	\$82
Direct production costs	\$23	\$21	\$69	\$63
Change in inventory	2	1	2	3
Depreciation and other non-cash costs	4	3	11	9
Operating costs	\$29	\$25	\$82	\$75
<b>Operating earnings</b>	\$32	\$64	\$131	\$188
<b>Operating cash flow</b>	\$40	\$42	\$90	\$164

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	nine months ended
	September 30	September 30
Change in metal prices, denominated in Canadian dollars	\$(38)	\$(70)
Higher (lower) sales volumes	5	-
Lower smelter processing charges	4	17
Higher operating costs and depreciation	(3)	(4)
<b>Decrease in operating earnings, compared to 2007</b>	<b>(32)</b>	<b>(57)</b>
Lower tax expense	3	1
Lower tax rate	1	3
Changes in working capital	27	(19)
Other	(1)	(2)
<b>Decrease in operating cash flow, compared to 2007</b>	<b>\$(2)</b>	<b>\$(74)</b>

The change in working capital this quarter is from higher accounts payable. Year to date, the increase in working capital is because more taxes were paid.

### Capital spending behind schedule this quarter, but on track for the year

	three months ended			nine months ended			<i>objective</i>
	2008	2007	change	2008	2007	change	
<b>Capital spending</b>	<b>\$4,600</b>	\$6,100	-25%	<b>\$16,700</b>	\$15,600	+7%	<b>\$23,000</b>

Capital spending this quarter and year to date was mainly to repair a ventilation raise, replace mine equipment and develop the lower mine.

#### 2008 outlook for capital spending

Çayeli expects to spend \$23 million in 2008 to repair a ventilation raise, buy mine equipment and replace other equipment.

# PYHÄSALMI

	three months ended September 30			nine months ended September 30			<i>revised objective 2008</i>
	2008	2007	change	2008	2007	change	
Tonnes of ore milled (000's)	<b>359</b>	348	+3%	<b>1,050</b>	1,019	+3%	<b>1,370</b>
Tonnes of ore milled per day	<b>3,900</b>	3,780	+3%	<b>3,850</b>	3,730	+3%	<b>3,750</b>
Grades (percent)							
copper	<b>1.0</b>	1.0	-	<b>1.0</b>	1.1	-9%	<b>1.0</b>
zinc	<b>1.8</b>	2.6	-31%	<b>2.2</b>	2.9	-24%	<b>2.2</b>
sulphur	<b>43.0</b>	40.7	+6%	<b>41.4</b>	40.3	+3%	<b>41</b>
Mill recoveries (percent)							
copper	<b>94</b>	95	-1%	<b>95</b>	95	-	<b>94</b>
zinc	<b>88</b>	89	-1%	<b>91</b>	91	-	<b>90</b>
Production (tonnes)							
copper	<b>3,300</b>	3,400	-3%	<b>9,900</b>	10,300	-4%	<b>13,000</b>
zinc	<b>5,700</b>	8,100	-30%	<b>21,000</b>	26,600	-21%	<b>27,900</b>
pyrite	<b>177,800</b>	45,100	+294%	<b>483,500</b>	304,000	+59%	<b>616,000</b>
Cost per tonne of ore milled (C\$)	<b>\$39</b>	\$32	+22%	<b>\$42</b>	\$36	+17%	<b>\$41</b>

## Record pyrite production and sales

Mill throughput this quarter has improved because of the high pyrite content ore being more easily processed and because of the mill improvements made during the second quarter. Pyrite production was at a record high in August to take advantage of increased demand and increased sales prices for the product. Zinc production continues to be lower than last year because the areas being mined contain lower grade zinc.

Costs this year increased partly because of the exchange rate between the euro and Canadian dollar and partly due to increased prices for steel and mill processing reagents.

## 2008 outlook for production and costs

We have reduced our zinc production objective because areas with lower grade zinc are being mined this year. We do expect to meet our original copper production estimate for the year and we expect pyrite production to increase. We do not expect to produce as much pyrite in the fourth quarter as we did in the third quarter because we are expecting a lower demand for pyrite and sulphur from China.

## Financial review

### Higher pyrite sales help offset lower copper and zinc sales

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended		nine months ended	
	2008	September 30 2007	2008	September 30 2007
<b>Sales analysis</b>				
Copper sales (tonnes)	3,200	3,900	9,900	10,700
Zinc sales (tonnes)	6,600	7,500	20,900	26,100
Pyrite sales (tonnes)	225,000	118,100	491,700	376,400
Gross copper sales	\$24	\$31	\$80	\$85
Gross zinc sales	12	24	43	95
Other metal sales	32	5	61	22
Gross sales	68	60	184	202
Smelter processing charges and freight	(22)	(13)	(47)	(47)
Net sales	\$46	\$47	\$137	\$155
<b>Cost analysis</b>				
Tonnes of ore milled (thousands)	359	348	1,050	1,019
Direct production costs (\$ per tonne)	\$39	\$32	\$42	\$36
Direct production costs	\$14	\$11	\$44	\$37
Change in inventory	-	-	-	-
Depreciation and other non-cash costs	2	2	8	8
Operating costs	\$16	\$13	\$52	\$45
<b>Operating earnings</b>	<b>\$30</b>	<b>\$34</b>	<b>\$85</b>	<b>\$110</b>
<b>Operating cash flow</b>	<b>\$28</b>	<b>\$53</b>	<b>\$79</b>	<b>\$104</b>

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	nine months ended
	September 30	September 30
Change in metal prices, denominated in Canadian dollars	\$12	\$2
Lower sales volumes	(3)	(16)
Lower smelter processing charges and freight	(1)	6
Higher freight costs for pyrite sales	(8)	(11)
Higher operating costs	(4)	(6)
<b>Decrease in operating earnings, compared to 2007</b>	<b>(4)</b>	<b>(25)</b>
Lower tax expense because of lower earnings	1	6
Changes in working capital	(23)	(7)
Other	1	1
<b>Decrease in operating cash flow, compared to 2007</b>	<b>\$(25)</b>	<b>\$(25)</b>

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

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

<i>(thousands)</i>	three months ended			nine months ended			<i>objective</i>
	2008	September 30 2007	change	2008	September 30 2007	change	
<b>Capital spending</b>	<b>\$2,500</b>	\$1,300	+92%	<b>\$5,900</b>	\$2,100	+181%	<b>\$12,000</b>

Spending this quarter was mainly for asset replacements.

#### 2008 outlook for capital spending

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

# TROILUS

	three months ended September 30			nine months ended September 30			revised objective 2008
	2008	2007	change	2008	2007	change	
Tonnes of ore milled (000's)	<b>1,444</b>	1,475	-2%	<b>4,295</b>	4,600	-7%	<b>5,800</b>
Tonnes of ore milled per day	<b>15,900</b>	16,000	-2%	<b>15,700</b>	16,800	-7%	<b>15,900</b>
Strip ratio	<b>1.6</b>	1.1	+45%	<b>1.4</b>	1.0	+40%	<b>1.2</b>
Grades							
gold (grams/tonne)	<b>0.95</b>	0.93	+2%	<b>0.95</b>	0.87	+9%	<b>0.97</b>
copper (percent)	<b>0.12</b>	0.06	+100%	<b>0.09</b>	0.05	+80%	<b>0.11</b>
Mill recoveries (percent)							
gold	<b>85</b>	83	+2%	<b>84</b>	82	+2%	<b>84</b>
copper	<b>94</b>	89	+6%	<b>94</b>	87	+8%	<b>93</b>
Production							
gold (ounces)	<b>38,000</b>	36,400	+4%	<b>110,800</b>	104,700	+6%	<b>152,000</b>
copper (tonnes)	<b>1,600</b>	800	+100%	<b>3,700</b>	2,100	+76%	<b>6,000</b>
Cost per tonne of ore milled (C\$)	<b>\$16</b>	\$13	+23%	<b>\$15</b>	\$12	+25%	<b>\$14</b>

## Higher gold production

Troilus mined the hard, lower grade ore of the upper benches of the 87 pit through most of the third quarter, and by September began to mine the main 87 pit. Congestion in the pit bottom has resulted in ore sequencing challenges and when not enough feed can be brought to the mill, ore from the low grade stockpile is processed.

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. Copper grades peaked in the third quarter, doubling copper production compared to last year, and increasing it by 76 percent year to date.

Higher fuel and steel grinding media costs resulted in a higher cost per tonne compared to previous years.

### 2008 outlook for production and costs

Both grades and mill throughput will improve as Troilus moves deeper and towards the north of the 87 pit. Troilus may need to supplement mill feed with lower grade stockpiled ore if production scheduling difficulties continue because of congestion in the pit bottom. The production objectives have been adjusted to reflect the results to September. We expect to remain on track to complete the pit in early 2009 and then we will complete stockpile recovery in 2010.

## Financial review

### Higher gold prices and higher sales volumes improved earnings

<i>(millions of Canadian dollars unless otherwise stated)</i>	<b>three months ended September 30</b>		<b>nine months ended September 30</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
<b>Sales analysis</b>				
Gold sales (ounces)	<b>38,000</b>	33,900	<b>109,400</b>	106,100
Copper sales (tonnes)	<b>1,500</b>	700	<b>3,500</b>	2,100
Gross gold sales	<b>\$26</b>	\$19	<b>\$77</b>	\$63
Gross copper sales	<b>8</b>	5	<b>26</b>	17
Other metal sales	<b>1</b>	1	<b>2</b>	1
Gross sales	<b>35</b>	25	<b>105</b>	81
Smelter processing charges and freight	<b>(2)</b>	(1)	<b>(7)</b>	(6)
Net sales	<b>\$33</b>	\$24	<b>\$98</b>	\$75
<b>Cost analysis</b>				
Tonnes of ore milled (thousands)	<b>1,444</b>	1,475	<b>4,295</b>	4,600
Direct production costs (\$ per tonne)	<b>\$16</b>	\$13	<b>\$15</b>	\$12
Direct production costs	<b>\$24</b>	\$19	<b>\$66</b>	\$57
Change in inventory	-	(1)	<b>(1)</b>	-
Depreciation and other non-cash costs	<b>3</b>	3	<b>10</b>	9
Operating costs	<b>\$27</b>	\$21	<b>\$75</b>	\$66
<b>Operating earnings</b>	<b>\$6</b>	\$3	<b>\$23</b>	\$9
<b>Operating cash flow</b>	<b>\$7</b>	\$5	<b>\$21</b>	\$10

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

<i>(millions)</i>	<b>three months ended September 30</b>	<b>nine months ended September 30</b>
Change in metal prices denominated in Canadian dollars	\$3	\$11
Higher sales volumes	7	11
Lower smelter processing charges	-	2
Higher operating costs	(7)	(10)
<b>Increase in operating earnings, compared to 2007</b>	<b>3</b>	<b>14</b>
Changes in working capital	5	3
Settlement of gold forward sales, less amounts amortized to sales	(7)	(7)
Other	1	1
<b>Increase in operating cash flow, compared to 2007</b>	<b>\$2</b>	<b>\$11</b>

In August, we paid \$12 million to settle the remainder of Troilus' gold forward sales (4,850 ounces per month for a five month period). We will recognize this settlement loss equally over the period from August to December as a reduction to our gold sales.

# OK TEDI

(100 percent)	three months ended September 30			nine months ended September 30			revised objective 2008
	2008	2007	change	2008	2007	change	
Tonnes of ore milled (000's)	<b>5,600</b>	6,500	-14%	<b>16,100</b>	19,500	-17%	<b>22,400</b>
Tonnes of ore milled per day	<b>61,500</b>	70,700	-14%	<b>58,800</b>	71,500	-17%	<b>61,400</b>
Strip ratio	<b>1.6</b>	1.1	+45%	<b>1.6</b>	1.2	+33%	<b>1.5</b>
Grades							
copper (percent)	<b>0.8</b>	0.7	+14%	<b>0.9</b>	0.7	+29%	<b>0.9</b>
gold (grams/tonne)	<b>1.0</b>	0.8	+25%	<b>1.0</b>	0.8	+25%	<b>1.0</b>
Mill recoveries (percent)							
copper	<b>88</b>	86	+2%	<b>87</b>	86	+1%	<b>86</b>
gold	<b>71</b>	64	+11%	<b>73</b>	71	+3%	<b>73</b>
Production							
copper (tonnes)	<b>40,700</b>	38,200	+7%	<b>119,100</b>	120,800	-1%	<b>165,600</b>
gold (ounces)	<b>140,100</b>	105,400	+33%	<b>381,300</b>	341,400	+12%	<b>534,500</b>
Cost per tonne of ore milled (C\$)	<b>\$24</b>	\$14	+71%	<b>\$23</b>	\$17	+35%	<b>\$23</b>

## Lower throughput at Ok Tedi

Ok Tedi made considerable progress this quarter in resolving problems with the in-pit crushing system, including replacing the main conveyor belt. Mill throughput this quarter and year to date was lower than the same periods last year because of harder skarn ore, and because of the problems with the in-pit crusher conveyor system. We saw improvements in September when Ok Tedi met mill throughput plans.

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 nine months of the year.

## Financial review

### Higher operating cash flow

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended September 30		nine months ended September 30	
	2008	2007	2008	2007
<b>Sales analysis at 18%</b>				
Copper sales (tonnes)	7,500	7,600	22,400	24,900
Gold sales (ounces)	23,100	21,600	68,600	70,300
Gross copper sales	\$44	\$64	\$178	\$207
Gross gold sales	20	15	58	49
Other metal sales	1	1	3	3
Gross sales	65	79	239	259
Smelter processing charges and freight	(7)	(8)	(27)	(35)
Net sales	\$58	\$71	\$212	\$224
<b>Cost analysis at 18%</b>				
Tonnes of ore milled (thousands)	1,000	1,170	2,900	3,500
Direct production costs (\$ per tonne)	\$24	\$14	\$23	\$17
Direct production costs	\$24	\$17	\$66	\$58
Change in inventory	(4)	2	(4)	3
Depreciation and other non-cash costs	4	3	12	9
Operating costs	\$24	\$22	\$74	\$70
<b>Operating earnings</b>	<b>\$34</b>	<b>\$49</b>	<b>\$138</b>	<b>\$154</b>
<b>Operating cash flow</b>	<b>\$25</b>	<b>\$6</b>	<b>\$106</b>	<b>\$76</b>

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 September 30	nine months ended September 30
Change in metal prices, denominated in Canadian dollars	\$(14)	\$2
Higher (lower) sales volumes	6	(11)
Lower smelter processing charges	1	4
Higher operating costs	(7)	(9)
Higher depreciation	(1)	(2)
<b>Decrease in operating earnings, compared to 2007</b>	<b>(15)</b>	<b>(16)</b>
Lower tax expense	10	8
Changes in net working capital	27	35
Other	(3)	3
<b>Increase in operating cash flow, compared to 2007</b>	<b>\$19</b>	<b>\$30</b>

### The mine waste management program was commissioned in September

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

<i>(18 percent)</i>	three months ended September 30			nine months ended September 30			<i>objective</i>
	2008	2007	change	2008	2007	change	2008
<b>Capital spending</b>	<b>\$7,800</b>	\$8,500	-8%	<b>\$26,700</b>	\$21,300	+25%	<b>\$32,000</b>

### 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.

## Status of our development projects

### Las Cruces

#### Quarterly development update

##### **Dewatering and re-injection system (DRS)**

In May the Confederación Hidrográfica del Guadalquivir (CHG) notified Las Cruces that the authorization for its DRS had been suspended. In June, Las Cruces responded to the concerns with a “Global Plan” that included two primary action items:

- purification of water extracted from the aquifer through a highly efficient reverse osmosis treatment process prior to reinjection into the aquifer
- 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.

By the end of July, Las Cruces was successfully treating water with the use of three portable water treatment facilities to ensure that all water extracted from the aquifer met drinking water standards. In October, we installed additional water treatment units to increase the treatment capacity and have provisional treatment capacity in place for all water extracted from the aquifer. CHG has not yet approved the start of re-injection as it is reviewing a technical report from the Spanish Geological Survey. We are now awaiting a decision from CHG to approve the reinjection of the treated water into the aquifer and, the lifting of the suspension of the DRS permit. Until the suspension is lifted, we cannot begin to mine the ore. In September, the Public Prosecutor’s office in Seville announced that, after acting on a complaint by local anti-mining ecologists, a local Court would commence a criminal investigation regarding the events of May 2008 that led to the suspension of the water authorization. We understand that the judge presiding over the investigation will have to provide her consent to the reinjection of treated water into the aquifer and the lifting of the suspension. We would expect the judge to concur with the technical recommendations provided by the Geological Survey, CHG and other third parties that have been asked to opine on the measures proposed and implemented by Las Cruces.

We believe that our proposed and implemented measures fully address the concerns raised by CHG and provide sufficient grounds for the suspension to be lifted. Although we cannot predict the outcome and timing of the final decision, we remain confident that the suspension will be lifted in the coming months.

##### **Repair of dumps**

At the beginning of July over 5 million cubic metres of material from the North dump collapsed. We have fully repaired the dump walls and re-designed both the north and south dump to make sure they will be able to support the mine until the end of its life. The total cost to rehabilitate and improve was about \$3.5 million.

##### **Preparation for first copper**

Construction is essentially completed and commissioning has commenced with the turning of mills. The Las Cruces plant operations team will also work directly with Outotec to ensure a smooth and rapid commissioning period of the leach reactors. Commissioning will take several months before first copper cathode is produced in the first quarter of 2009.

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**Direct ore shipping**

We have suspended direct ore shipping until the DRS authorization suspension has been lifted and mining activity in the bottom of the pit can re-commence. In light of changing market conditions, including the price of copper and smelting charges, we will be re-examining the economic benefit of shipping and selling this material.

**2008 outlook for development spending**

By September 30, 2008, we had spent €445 million on the project and committed another €38 million. We expect to spend the balance of the estimated project costs (€495 million) by the fourth quarter of 2008. We estimate capital expenditures for 2008 to be \$360 million. This includes the cost to complete the project including \$7 million on the remediation of the dumps, \$7 million for the temporary water treatment plants and \$14 million on further pushback of the mine to prepare for phase two mining.

# PETAQUILLA

## Quarterly development update

### All-cash offer for Petaquilla Copper

On September 19, 2008, we acquired 95 percent of the outstanding common shares of PTC at a price of \$2.20 per share. Our intention is to acquire the remaining 5 percent in November through a second step acquisition and then de-list PTC from the Toronto Stock Exchange.

PTC holds 26 percent of Minera Petaquilla SA, while Inmet holds 48 percent and Teck holds the remaining 26 percent. Petaquilla is an important source of long term growth for Inmet. Gaining control over the project allows us to protect our interests in the Petaquilla Concession and to advance the development of the copper project.

Under an agreement with Teck we have been acting as operator for the project and have provided 100 percent project funding since April 1, 2008. By October 28, we had funded US \$28 million to Petaquilla, and expect to have funded US \$50 million by November.

At that point, Teck must decide to either begin funding its own share or to allow us to acquire its 26 percent interest in Petaquilla for US \$26 million.

### Drilling

Drilling is continuing to expand the resource, to confirm prospective locations for plant and other facilities and to provide geotechnical information for engineering work.

### Social and environmental impact assessment

Following the completion of the baseline studies, the work is now moving to the impact assessment stage. We expect to submit our impact assessment to the Panamanian environmental authorities by September 2009.

### Engineering

Engineering work is advancing, and our goal is to complete the front end engineering and design (FEED) by mid 2009.

### Petaquilla team

We continue to build a strong and dedicated team to lead all development, engineering, technical, environmental and permitting activities in Panama. We have also begun to consider engineering firms with a view to awarding the contract once the FEED study is complete.

### 2008 outlook for development

We expect to fund approximately \$65 million in 2008, to continue the current field program and the engineering study, and on capital equipment with long lead times. We have placed the order for the equipment to maintain the project schedule.

We believe it is appropriate to advance the Petaquilla copper project in the current market, but we will remain prudent and disciplined in our approach and find the right balance between advancing the project and preserving our cash reserves.

## Managing our liquidity

We plan our financing strategy by assessing our long-term financial requirements, reviewing our future capital needs and determining the optimal mix of several alternatives, including our significant cash position, future operating cash flow, credit facilities and project financing. In planning our capital structure, we include a liquidity cushion that allows us to address operational disruptions or general market downturns, such as the current weakening of the global economy.

(millions)	three months ended		nine months ended	
	September 30		September 30	
	2008	2007	2008	2007
<b>CASH FROM OPERATING ACTIVITIES</b>				
Çayeli	\$40	\$42	\$90	\$164
Pyhäsalmi	28	53	79	104
Troilus	7	5	21	10
Ok Tedi	25	6	106	76
Corporate development and exploration not included in operations' cash flow	(4)	(1)	(8)	(3)
General and administration	(3)	(3)	(10)	(8)
Other	5	6	16	8
	<b>98</b>	<b>108</b>	<b>294</b>	<b>351</b>
<b>CASH FROM INVESTING AND FINANCING</b>				
Capital spending	(94)	(118)	(327)	(252)
Long-term – borrowing	-	36	106	74
- repayment	(14)	(9)	(14)	(9)
Funding from non-controlling shareholder	1	13	36	40
Acquisition of Petaquilla Copper	(337)	-	(337)	-
Funding for Petaquilla	(8)	-	(12)	-
Settlement of foreign exchange forward contract	-	-	52	-
Financial assurance deposits	(1)	5	(15)	(13)
Dividends paid on common shares	-	-	(5)	(5)
Disposition of portfolio investments	-	-	2	50
Foreign exchange on cash held in foreign currency	-	(23)	24	(57)
Other	(8)	-	(9)	(4)
	<b>(461)</b>	<b>(96)</b>	<b>(499)</b>	<b>(176)</b>
Increase (decrease) in cash	<b>(363)</b>	12	<b>(205)</b>	175
Cash and short-term investments				
Beginning of period	999	803	841	640
End of period	<b>\$636</b>	<b>\$815</b>	<b>\$636</b>	<b>\$815</b>

## OPERATING ACTIVITIES

### Key components of the change in operating cash flows

(millions)	three months ended		nine months ended	
	September 30		September 30	
Lower earnings from operations (see page 4)		\$(47)		\$(86)
Non-cash changes in operating earnings:				
Lower tax expense		15		10
Changes in working capital		33		17
Settlement of gold forward contracts, less amounts amortized to sales		(7)		(7)
Other		(5)		8
<b>Decrease in operating cash flow, compared to 2007</b>		<b>\$(11)</b>		<b>\$(58)</b>

Operating cash flows are lower than they were in 2007 mainly because of lower operating earnings and higher taxes paid offset by reduced accounts receivable from lower metal prices. During the third quarter, we settled Troilus' remaining gold forward sales contracts for 24,250 ounces at a settlement price of US \$819 per ounce. This resulted in a cash payment of \$12.4 million.

### 2008 outlook for operating activities

In the current volatile markets it is even more difficult than usual to develop reliable estimates for commodity prices and foreign exchange rates. Our estimates of the sensitivity of our earnings and cash flow to key operating parameters are shown on page 28.

## INVESTING AND FINANCING

### Capital spending and investing

(millions)	three months ended September 30		nine months ended September 30		<i>revised objective 2008</i>
	2008	2007	2008	2007	
Çayeli	\$5	\$6	\$17	\$16	\$23
Pyhäsalmi	3	1	6	2	12
Troilus	1	1	1	2	1
Ok Tedi	8	9	27	21	32
Las Cruces	72	100	262	207	387
Cerattepe	6	1	14	4	15
Petaquilla <sup>(1)</sup>	8	-	12	-	65
	<b>\$103</b>	<b>\$118</b>	<b>\$339</b>	<b>\$252</b>	<b>\$535</b>

(1) Includes our 48 percent share of funding provided to Petaquilla prior to acquisition of PTC

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

On October 24, we learned that the Rize Administrative Court ruled to cancel the Cerattepe operating licences. We will review the reasons for the decision once we receive it and will discuss with the Turkish Ministry of Energy and Natural Resources an appeal to the Supreme Administrative Court of Turkey. We will continue to keep the project on care and maintenance and also suspend all work on the project and re-assess our development plans in light of the court decision. See page 27 for further details on the legal proceedings. Spending year to date was on ramp development and receipt of the aerial tramway.

### Long term borrowings and settlement of hedge

By June 30, 2008 Las Cruces had fully drawn down its credit facility and on June 30, this euro denominated debt was converted to a US dollar facility and the related foreign exchange forward contract was settled. Las Cruces received €36 million in cash from the settlement of this contract. Since June 30, Las Cruces has held 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.

During the third quarter, Las Cruces repaid €9 million under Tranche B of its credit facility which is equal to the amount of VAT refunds received. It had €14 million of undrawn capacity remaining under Tranche B at September 30, 2008.

### **Acquisition of PTC**

On September 19, 2008, we acquired 95 percent of the outstanding common shares of Petaquilla Copper Ltd. (PTC) for \$337 million in cash, net of cash acquired of \$23 million. We intend to acquire the remaining 5 percent by the end of the year at a price per common share of \$2.20 and then de-list PTC from the Toronto Stock Exchange. Turn to note 4 on page 45 in the consolidated financial statements for more details about this transaction.

### **2008 outlook for investing and financing**

We expect capital spending to be \$515 million in 2008:

- \$365 million for the continuing development of the Las Cruces mine and \$19 million for its sustaining capital and phase two mining
- \$19 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 sponsor contributions, government subsidies and the undrawn amount of Tranche B of the credit facility. 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 \$46 million (including our share of funding provided to MPSA prior to the acquisition of PTC) for drilling programs, engineering studies and the deposits required for equipment at Petaquilla that has long lead times. We will fund this from our current cash balances.

Our current cash balance puts us in a good position to finance the next stages of Petaquilla's pre-development. We will review our spending for the coming year and make our development decisions in a manner that finds the right balance between advancing the project and preserving cash balances. We will continue with our normal dividend distribution until this project is fully financed.

## **Financial condition**

### **CASH**

Our cash and equivalents balance at September 30, 2008 was \$636 million. This 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. Our policy is to invest excess cash in highly liquid investments of the highest credit quality and to limit our exposure to individual counterparties in order to minimize risks associated with these investments. Decisions regarding the length of maturities are based on our cash flow requirements, rates of returns and various other factors.

At September 30, 2008, cash and short-term investments were mainly held in:

- Canada and provincial T-Bills
- 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, term and overnight deposits with leading Canadian and international financial institutions.

Since the end of the third quarter, general worldwide economic conditions have weakened dramatically. In response, we adjusted our investment positions and are now mainly invested in treasury funds to minimize liquidity risk until normal market conditions return. Turn to note 7 on page 47 in the consolidated financial statements for more details on where our cash is invested.

Our restricted cash balance of \$59 million included:

- \$14 million in trust for future reclamation at Ok Tedi
- \$17 million of cash collateralized letters of credit for Inmet
- \$23 million related to issuing letters of credit to suppliers at Las Cruces
- \$2 million for future reclamation at Pyhäsalmi
- \$3 million supporting a guarantee by PTC of capital leases of one of its former related parties.

## COMMON SHARES

Common shares outstanding as of September 30, 2008 and October 28, 2008	48,281,950
Deferred share units outstanding as of September 30, 2008 (redeemable on a one-for-one basis for common shares)	78,596

## 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 September 30, 2008
<b>Copper forward sales</b>				
Ok Tedi	2008	0.8 million lbs	US \$2.78 per lb	
	2009	3.2 million lbs	US \$2.41 per lb	
		4.0 million lbs	US \$2.49 per lb	\$1.8 million <sup>(1)</sup>
<b>Gold forward sales</b>				
Ok Tedi	2010	3,600 ounces	US \$748 per oz.	
	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.	\$2.5 million <sup>(2)</sup>
<b>Interest rate swaps</b>				
Las Cruces	2009 to 2014	US \$179 million (reducing in conjunction with debt repayment schedule)	5.2 percent	\$9.1 million

(1) At a copper price of US \$2.88 per pound.

(2) At a gold price of US \$901 per ounce.

## Managing risk

The following is an update to the discussion, only where required, of the key risks associated with our business and how we 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.

### **Cerattepe 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.

On October 24, 2008 we learned that the Rize Administrative Court ruled to cancel the Cerattepe operating licences. We will review the reasons for the decision once we receive it and will discuss with the Turkish Ministry of Energy and Natural Resources an appeal to the Supreme Administrative Court of Turkey. We will continue to keep the project on care and maintenance and also suspend all work on the project and re-assess our development plans in light of the court decision.

We continue to believe that the applications to cancel the operating licences are without merit. Nonetheless, in light of the Rize 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 three months of 2008, based on our 2008 revised objectives.

	<b>A change of:</b>	<b>Would change our 2008 net income by:</b>	<b>Would change our 2008 net income per share by:</b>
<b>Metal prices</b>			
Copper (per pound)	US \$0.30	\$10 million	\$0.21
Zinc (per pound)	US \$0.10	\$2 million	\$0.04
Gold (per ounce) (1)	US \$100	\$5 million	\$0.10
<b>Exchange rates</b>			
Canadian dollar per US dollar	C\$0.10	\$9 million	\$0.19
Canadian dollar per euro	C\$0.10	<\$1 million	<\$0.01
<b>Treatment and refining charges</b>			
Copper treatment charge per tonne and copper refining charge per pound	US \$10		
	US \$0.01	\$1 million	\$0.02
Zinc treatment charge per tonne	US \$10	<\$1 million	<\$0.01
<b>Freight and energy costs</b>			
Concentrate freight per tonne	10%	<\$1 million	<\$0.01
Fuel price per litre	\$0.10	\$1 million	\$0.02
Electricity per kilowatt hour	\$0.01	\$1 million	\$0.02

(1) Calculations include hedging in place at September 30, 2008.

## 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, 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 and 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 recognizing, measuring, presenting and disclosing goodwill (after its initial recognition) and intangible assets. It replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Changes have been made to other sections of the CICA Handbook for consistency.

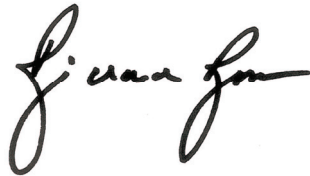
The section explains how to recognize internally developed intangible assets, and how to ensure that all intangible assets (both separately acquired and internally developed) are treated consistently. Standards related to goodwill have not been changed. This section will become effective for us beginning 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 31 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  
October 28, 2008

# INMET MINING CORPORATION

## Supplementary financial information

### Cash costs

2008 For the nine months ended September 30

	per pound of copper			TOTAL COPPER	per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI		TROIILUS
(US dollars)					
Direct production costs	\$1.10	\$1.98	\$1.30	\$1.33	\$585
Royalties and variable compensation	0.15	-	0.09	0.10	-
Smelter processing charges and freight	1.23	1.23	0.54	0.96	64
Metal credits	(1.68)	(3.68)	(1.27)	(1.88)	(254)
<b>Cash cost</b>	<b>\$0.80</b>	<b>(\$0.47)</b>	<b>\$0.66</b>	<b>\$0.51</b>	<b>\$395</b>

2007 For the nine months ended September 30

	per pound of copper			TOTAL COPPER	per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI		TROIILUS
(US dollars)					
Direct production costs	\$0.97	\$1.47	\$1.08	\$1.11	\$488
Royalties and variable compensation	0.15	-	0.06	0.09	-
Smelter processing charges and freight	1.22	1.59	0.58	1.04	53
Metal credits	(2.09)	(4.48)	(0.86)	(2.05)	(157)
<b>Cash cost</b>	<b>\$0.25</b>	<b>(\$1.42)</b>	<b>\$0.86</b>	<b>\$0.19</b>	<b>\$384</b>

### Reconciliation of cash costs to statements of earnings

2008 For the nine months ended September 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 13	page 15	page 19		page 17
Direct production costs	\$69	\$44	\$66	\$179	\$66
Smelter processing charges and freight	65	47	27	139	7
By product sales	(98)	(103)	(61)	(262)	(28)
Adjust smelter processing and freight, and sales to production basis	8	1	-	9	-
<b>Operating costs net of metal credits</b>	<b>\$44</b>	<b>(\$11)</b>	<b>\$32</b>	<b>\$65</b>	<b>\$45</b>
US \$ to C\$ exchange rate	\$1.02	\$1.02	\$1.02	\$1.02	\$1.02
Inmet's share of production (000's)	53,700	21,900	47,300	122,900	110,800
<b>Cash cost</b>	<b>\$0.80</b>	<b>(\$0.47)</b>	<b>\$0.66</b>	<b>\$0.51</b>	<b>\$395</b>

2007 For the nine months ended September 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 13	page 15	page 19		page 17
Direct production costs	\$63	\$37	\$58	\$155	\$57
Smelter processing charges and freight	75	47	35	157	6
By product sales	(139)	(117)	(52)	(308)	(18)
Adjust smelter processing and freight, and sales to production basis	15	(3)	4	16	(1)
<b>Operating costs net of metal credits</b>	<b>\$14</b>	<b>(\$36)</b>	<b>\$45</b>	<b>\$20</b>	<b>\$44</b>
US \$ to C\$ exchange rate	\$1.11	\$1.11	\$1.11	\$1.11	\$1.11
Inmet's share of production (000's)	51,800	22,700	48,000	122,500	104,700
<b>Cash cost</b>	<b>\$0.25</b>	<b>(\$1.42)</b>	<b>\$0.86</b>	<b>\$0.19</b>	<b>\$384</b>

# INMET MINING CORPORATION

## Supplementary financial information

### Cash costs

**2008** For the three months ended September 30

	per pound of copper			TOTAL COPPER	per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI		TROILUS
(US dollars)					
Direct production costs	\$1.01	\$1.84	\$1.40	\$1.30	\$601
Royalties and variable compensation	0.10	-	0.05	0.06	-
Smelter processing charges and freight	0.86	1.31	0.48	0.79	64
Metal credits	(0.98)	(3.57)	(1.29)	(1.55)	(233)
<b>Cash cost</b>	<b>\$0.99</b>	<b>(\$0.42)</b>	<b>\$0.64</b>	<b>\$0.60</b>	<b>\$432</b>

**2007** For the three months ended September 30

	per pound of copper			TOTAL	per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI		TROILUS
(US dollars per pound)					
Direct production costs	\$1.01	\$1.38	\$1.23	\$1.16	\$489
Royalties and variable compensation	0.16	-	-	0.07	-
Smelter processing charges and freight	1.29	1.46	0.57	1.05	43
Metal credits	(2.26)	(3.71)	(0.86)	(2.01)	(165)
<b>Cash cost</b>	<b>\$0.20</b>	<b>(\$0.87)</b>	<b>\$0.94</b>	<b>\$0.27</b>	<b>\$367</b>

### Reconciliation of cash costs to statements of earnings

**2008** For the three months ended September 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 13	page 15	page 19		page 17
Direct production costs	\$26	\$14	\$21	\$61	\$24
Smelter processing charges and freight	18	22	7	47	3
By product sales	(20)	(44)	(21)	(85)	(9)
Adjust smelter processing and freight, and sales to production basis	(4)	5	3	4	(1)
<b>Operating costs net of metal credits</b>	<b>\$20</b>	<b>(\$3)</b>	<b>\$10</b>	<b>\$27</b>	<b>\$17</b>
US \$ to C\$ exchange rate	\$1.04	\$1.04	\$1.04	\$1.04	\$1.04
Inmet's share of production (000's)	18,900	7,300	16,300	42,500	37,800
<b>Cash cost</b>	<b>\$0.99</b>	<b>(\$0.42)</b>	<b>\$0.64</b>	<b>\$0.60</b>	<b>\$432</b>

**2007** For the three months ended September 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 13	page 15	page 19		page 17
Direct production costs	\$23	\$11	\$18	\$52	\$19
Smelter processing charges and freight	19	13	9	41	1
By product sales	(33)	(29)	(16)	(78)	(6)
Adjust smelter processing and freight, and sales to production basis	(5)	(2)	4	(3)	-
<b>Operating costs net of metal credits</b>	<b>\$4</b>	<b>(\$7)</b>	<b>\$15</b>	<b>\$12</b>	<b>\$14</b>
US \$ to C\$ exchange rate	\$1.04	\$1.04	\$1.04	\$1.04	\$1.04
Inmet's share of production (000's)	17,400	7,600	15,200	40,200	36,400
<b>Cash cost</b>	<b>\$0.20</b>	<b>(\$0.87)</b>	<b>\$0.94</b>	<b>\$0.27</b>	<b>\$367</b>

# INMET MINING CORPORATION

## Quarterly review

(unaudited)

### Latest Four Quarters

	2008	2008	2008	2007
	Third	Second	First	Fourth
(thousands of Canadian dollars, except per share amounts)	quarter	quarter	quarter	quarter
<b>STATEMENTS OF EARNINGS</b>				
Gross sales	\$ 247,495	\$ 281,463	\$ 276,281	\$ 224,773
Smelter processing charges and freight	(49,502)	(53,209)	(44,157)	(43,902)
Cost of sales	(84,948)	(89,893)	(79,246)	(78,809)
Depreciation	(11,395)	(9,195)	(9,170)	(9,480)
	101,650	129,166	143,708	92,582
Corporate development and exploration	(3,548)	(2,483)	(2,618)	(3,510)
General and administration	(3,411)	(2,790)	(3,648)	(12,622)
Investment and other income (expense)	(5,467)	(11,358)	14,754	5,968
Interest expense	(476)	(471)	(447)	(407)
Capital tax expense	(125)	(124)	(126)	212
Income tax expense	(17,379)	(44,333)	(44,744)	(18,551)
Non-controlling interest	3,813	98	(205)	(27)
Net income	\$ 75,057	\$ 67,705	\$ 106,674	\$ 63,645
Net income per common share	\$ 1.55	\$ 1.40	\$ 2.21	\$ 1.32
Diluted net income per common share	\$ 1.55	\$ 1.40	\$ 2.21	\$ 1.32

### Previous Four Quarters

	2007	2007	2007	2006
	Third	Second	First	Fourth
(thousands of Canadian dollars, except per share amounts)	quarter	quarter	quarter	quarter
<b>STATEMENTS OF EARNINGS</b>				
Gross sales	\$ 272,293	\$ 320,018	\$ 286,614	\$ 258,911
Smelter processing charges and freight	(42,557)	(55,413)	(64,606)	(65,005)
Cost of sales	(72,057)	(78,181)	(79,377)	(67,868)
Depreciation	(8,739)	(8,039)	(9,415)	(9,057)
	148,940	178,385	133,216	116,981
Corporate development and exploration	(2,475)	(2,086)	(1,012)	(4,136)
General and administration	(2,674)	(2,162)	(2,840)	(6,128)
Investment and other income	9,224	13,665	7,597	17,972
Interest expense	(424)	(424)	(438)	(425)
Capital tax (expense) recovery	(273)	(274)	(274)	-
Income tax expense	(37,649)	(48,509)	(35,376)	(26,679)
Non-controlling interest	167	(545)	205	(165)
Net income	\$ 114,836	\$ 138,050	\$ 101,078	\$ 97,420
Net income per common share	\$ 2.38	\$ 2.86	\$ 2.09	\$ 2.02
Diluted net income per common share	\$ 2.37	\$ 2.86	\$ 2.09	\$ 2.02

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**INMET MINING CORPORATION**  
**Consolidated financial statements**  
September 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)	September 30 2008	December 31 2007
	(unaudited)	
<b>Assets</b>		
<b>Current assets:</b>		
Cash and short-term investments (note 7)	\$636,283	\$840,823
Restricted cash (note 8)	7,294	1,569
Accounts receivable	125,707	131,197
Inventories (note 2)	64,851	52,725
Future income tax asset	13,950	14,515
	<u>848,085</u>	1,040,829
Restricted cash (note 8)	52,093	37,205
Property, plant and equipment	1,605,204	870,965
Investments (note 9)	32,945	32,266
Future income tax asset	11,274	7,884
Derivatives (note 10)	-	33,565
Other assets	20,019	25,751
	<u>\$2,569,620</u>	\$2,048,465
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$186,247	\$149,197
Taxes payable	44,715	23,603
Current portion of long-term debt	42,130	12,971
	<u>273,092</u>	185,771
Long-term debt (note 11)	353,421	234,317
Reclamation liabilities (note 12)	97,021	84,017
Derivatives (note 10)	13,355	43,960
Other liabilities	24,365	19,249
Future income tax liabilities	24,656	37,084
Non-controlling interest (note 16)	70,172	51,574
	<u>856,082</u>	655,972
Commitments (note 13)		
<b>Shareholders' equity</b>		
Share capital	337,464	337,464
Contributed surplus	62,087	60,722
Stock based compensation	1,301	1,085
Retained earnings	1,319,370	1,076,958
Accumulated other comprehensive income (loss) (note 14)	(6,684)	(83,736)
	<u>1,713,538</u>	1,392,493
	<u>\$2,569,620</u>	\$2,048,465
(see accompanying notes)		

# INMET MINING CORPORATION

## Segmented balance sheets

2008 As at September 30

(unaudited)	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
<b>Assets</b>							
Cash and short-term investments	\$294,862	\$187,574	\$77,105	\$ -	\$53,504	\$23,238	\$636,283
Other current assets	13,551	45,545	50,011	23,921	33,304	45,470	211,802
Restricted cash	20,093	-	1,798	-	14,422	15,780	52,093
Property, plant and equipment	408,510	152,024	65,392	23,546	86,783	868,949	1,605,204
Investments	32,945	-	-	-	-	-	32,945
Derivatives	-	-	-	-	-	-	-
Other assets	17,558	441	-	6,289	3,620	3,385	31,293
	<b>\$787,519</b>	<b>\$385,584</b>	<b>\$194,306</b>	<b>\$53,756</b>	<b>\$191,633</b>	<b>\$956,822</b>	<b>\$2,569,620</b>
<b>Liabilities</b>							
Current liabilities	\$45,065	\$53,931	\$15,943	\$9,924	\$28,906	\$119,323	\$273,092
Long-term debt	17,266	-	-	-	-	336,155	353,421
Reclamation liabilities	24,121	8,321	14,181	7,708	21,682	21,008	97,021
Derivatives	-	-	-	-	4,274	9,081	13,355
Other liabilities	4,954	5,585	-	872	1,768	11,186	24,365
Future income tax liabilities	-	3,879	7,597	-	780	12,400	24,656
Non-controlling interest	15,355	-	-	-	-	54,817	70,172
	<b>\$106,761</b>	<b>\$71,716</b>	<b>\$37,721</b>	<b>\$18,504</b>	<b>\$57,410</b>	<b>\$563,970</b>	<b>\$856,082</b>

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)	
<b>Assets</b>							
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
	<b>\$452,496</b>	<b>\$478,560</b>	<b>\$229,708</b>	<b>\$58,346</b>	<b>\$129,227</b>	<b>\$700,128</b>	<b>\$2,048,465</b>
<b>Liabilities</b>							
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
	<b>\$62,665</b>	<b>\$64,840</b>	<b>\$35,057</b>	<b>\$46,523</b>	<b>\$51,641</b>	<b>\$395,246</b>	<b>\$655,972</b>

**INMET MINING CORPORATION**  
**Consolidated statements of earnings**

(unaudited)

(thousands of Canadian dollars except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Gross sales	\$247,495	\$272,293	\$805,239	\$878,925
Smelter processing charges and freight	(49,502)	(42,557)	(146,868)	(162,576)
Cost of sales	(84,948)	(72,057)	(254,087)	(229,615)
Depreciation	(11,395)	(8,739)	(29,760)	(26,193)
	<b>101,650</b>	148,940	<b>374,524</b>	460,541
Corporate development and exploration	(3,548)	(2,475)	(8,649)	(5,573)
General and administration	(3,411)	(2,674)	(9,849)	(7,676)
Investment and other income (loss) (note 15)	(5,467)	9,224	(2,071)	30,486
Interest expense	(476)	(424)	(1,394)	(1,286)
Capital tax expense	(125)	(273)	(375)	(821)
Income tax expense (note 17)	(17,379)	(37,649)	(106,456)	(121,534)
Non-controlling interest	3,813	167	3,706	(173)
<b>Net income</b>	<b>\$75,057</b>	\$114,836	<b>\$249,436</b>	\$353,964
<b>Basic net income per common share (note 18)</b>	<b>\$1.55</b>	\$2.38	<b>\$5.17</b>	\$7.33
<b>Diluted net income per common share (note 18)</b>	<b>\$1.55</b>	\$2.37	<b>\$5.16</b>	\$7.32
<b>Weighted average shares outstanding (000's)</b>	<b>48,282</b>	48,278	<b>48,282</b>	48,278

(see accompanying notes)

**INMET MINING CORPORATION**  
**Segmented statements of earnings**

(unaudited)

**2008** For the nine months ended September 30

	<b>CORPORATE</b>	<b>ÇAYELI</b>	<b>PYHÄSALMI</b>	<b>TROILUS</b>	<b>OK TEDI</b>	<b>LAS CRUCES</b>	<b>TOTAL</b>
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Gross sales	\$ -	\$277,709	\$183,851	\$104,860	\$238,819	\$ -	\$805,239
Smelter processing charges and freight	-	(65,121)	(47,339)	(7,149)	(27,259)	-	(146,868)
Cost of sales	(1,464)	(73,369)	(44,901)	(68,793)	(65,560)	-	(254,087)
Depreciation	-	(8,298)	(6,725)	(6,285)	(8,452)	-	(29,760)
	<u>(1,464)</u>	<u>130,921</u>	<u>84,886</u>	<u>22,633</u>	<u>137,548</u>	<u>-</u>	<u>374,524</u>
Corporate development and exploration	(6,507)	(278)	(1,801)	(63)	-	-	(8,649)
General and administration	(9,849)	-	-	-	-	-	(9,849)
Investment and other income (expense)	8,483	2,140	(228)	4,083	241	(16,790)	(2,071)
Interest expense	(1,394)	-	-	-	-	-	(1,394)
Capital tax expense	(375)	-	-	-	-	-	(375)
Income tax (expense) recovery	(8,060)	(34,207)	(18,866)	-	(50,324)	5,001	(106,456)
Non-controlling interest	-	-	-	-	-	3,706	3,706
Net income (loss)	<u>(\$19,166)</u>	<u>\$98,576</u>	<u>\$63,991</u>	<u>\$26,653</u>	<u>\$87,465</u>	<u>(\$8,083)</u>	<u>\$249,436</u>

**2007** For the nine months ended September 30

	<b>CORPORATE</b>	<b>ÇAYELI</b>	<b>PYHÄSALMI</b>	<b>TROILUS</b>	<b>OK TEDI</b>	<b>LAS CRUCES</b>	<b>TOTAL</b>
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Gross sales	\$ -	\$337,606	\$201,574	\$81,061	\$258,684	\$ -	\$878,925
Smelter processing charges and freight	-	(74,944)	(46,697)	(6,191)	(34,744)	-	(162,576)
Cost of sales	(1,462)	(68,686)	(37,886)	(57,887)	(63,694)	-	(229,615)
Depreciation	-	(6,222)	(6,558)	(7,500)	(5,913)	-	(26,193)
	<u>(1,462)</u>	<u>187,754</u>	<u>110,433</u>	<u>9,483</u>	<u>154,333</u>	<u>-</u>	<u>460,541</u>
Corporate development and exploration	(3,152)	(1,160)	(1,571)	310	-	-	(5,573)
General and administration	(7,676)	-	-	-	-	-	(7,676)
Investment and other income (expense)	28,360	(1,417)	-	4,188	(1,492)	847	30,486
Interest expense	(1,286)	-	-	-	-	-	(1,286)
Capital tax expense	(821)	-	-	-	-	-	(821)
Income tax expense	(1,157)	(40,489)	(24,711)	-	(54,923)	(254)	(121,534)
Non-controlling interest	-	-	-	-	-	(173)	(173)
Net income	<u>\$12,806</u>	<u>\$144,688</u>	<u>\$84,151</u>	<u>\$13,981</u>	<u>\$97,918</u>	<u>\$420</u>	<u>\$353,964</u>

**INMET MINING CORPORATION**  
**Segmented statements of earnings**

(unaudited)

**2008** For the three months ended September 30

	<b>CORPORATE</b>	<b>ÇAYELI</b>	<b>PYHÄSALMI</b>	<b>TROILUS</b>	<b>OK TEDI</b>	<b>LAS CRUCES</b>	<b>TOTAL</b>
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Gross sales	\$ -	\$78,780	\$67,694	\$35,438	\$65,583	\$ -	\$247,495
Smelter processing charges and freight	-	(17,543)	(21,958)	(2,541)	(7,460)	-	(49,502)
Cost of sales	(476)	(25,864)	(13,733)	(24,260)	(20,615)	-	(84,948)
Depreciation	-	(3,369)	(2,343)	(2,149)	(3,534)	-	(11,395)
	(476)	32,004	29,660	6,488	33,974	-	101,650
Corporate development and exploration	(2,695)	(182)	(620)	(51)	-	-	(3,548)
General and administration	(3,411)	-	-	-	-	-	(3,411)
Investment and other income (expense)	8,284	(1,798)	(228)	1,361	4,027	(17,113)	(5,467)
Interest expense	(476)	-	-	-	-	-	(476)
Capital tax expense	(125)	-	-	-	-	-	(125)
Income tax (expense) recovery	(2,526)	(6,428)	(6,418)	-	(7,174)	5,167	(17,379)
Non-controlling interest	-	-	-	-	-	3,813	3,813
Net income (loss)	(\$1,425)	\$23,596	\$22,394	\$7,798	\$30,827	(\$8,133)	\$75,057

**2007** For the three months ended September 30

	<b>CORPORATE</b>	<b>ÇAYELI</b>	<b>PYHÄSALMI</b>	<b>TROILUS</b>	<b>OK TEDI</b>	<b>LAS CRUCES</b>	<b>TOTAL</b>
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Gross sales	\$ -	\$107,664	\$60,427	\$24,970	\$79,232	\$ -	\$272,293
Smelter processing charges and freight	-	(19,474)	(12,983)	(1,478)	(8,622)	-	(42,557)
Cost of sales	(619)	(22,958)	(11,579)	(17,755)	(19,146)	-	(72,057)
Depreciation	-	(1,654)	(1,764)	(2,784)	(2,537)	-	(8,739)
	(619)	63,578	34,101	2,953	48,927	-	148,940
Corporate development and exploration	(1,464)	(300)	(552)	(159)	-	-	(2,475)
General and administration	(2,674)	-	-	-	-	-	(2,674)
Investment and other income (expense)	7,927	164	-	3,397	(1,492)	(772)	9,224
Interest expense	(424)	-	-	-	-	-	(424)
Capital tax expense	(273)	-	-	-	-	-	(273)
Income tax (expense) recovery	(386)	(13,055)	(7,425)	-	(17,015)	232	(37,649)
Non-controlling interest	-	-	-	-	-	167	167
Net income	\$2,087	\$50,387	\$26,124	\$6,191	\$30,420	(\$373)	\$114,836

**INMET MINING CORPORATION**  
**Consolidated statements of cash flows**  
(unaudited)

(thousands of Canadian dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Cash provided by (used in) operating activities <sup>(1)</sup></b>				
Net income	\$75,057	\$114,836	\$249,436	\$353,964
Add (deduct) items not affecting cash:				
Gain on disposition of investments	-	-	(256)	(11,730)
Depreciation	11,395	8,739	29,760	26,193
Future income tax	2,126	2,873	(1,930)	(1,507)
Accretion expense on reclamation liabilities	1,085	907	3,229	2,710
Non-controlling interest	(3,813)	(167)	(3,706)	173
Foreign exchange loss	11,257	2,397	30,147	5,834
Other	1,704	897	5,169	(814)
Settlement of gold forward contracts (note 10)	(12,399)	-	(12,399)	-
Reclamation costs	(638)	(946)	(1,462)	(1,950)
Net change in non-cash working capital (note 6)	12,031	(21,221)	(4,475)	(21,847)
	<u>97,805</u>	<u>108,315</u>	<u>293,513</u>	<u>351,026</u>
<b>Cash provided by (used in) investing activities</b>				
Acquisition of Petaquilla Copper, net of cash acquired (note 4)	(336,911)	-	(336,911)	-
Capital spending	(94,371)	(117,989)	(326,813)	(252,003)
Loans to other Petaquilla shareholders	(9,143)	-	(13,234)	-
Investment in Petaquilla prior to consolidation	(8,412)	-	(12,167)	-
Disposition of investments	-	-	1,521	50,170
Sale (purchase) of short-term investments	29,254	(173,117)	204,239	(35,586)
Other	-	(553)	-	(43)
	<u>(419,583)</u>	<u>(291,659)</u>	<u>(483,365)</u>	<u>(237,462)</u>
<b>Cash provided by (used in) financing activities</b>				
Long-term debt:				
Borrowings (note 11)	-	35,929	106,240	73,938
Repayment (note 11)	(13,871)	(8,604)	(13,871)	(8,604)
Funding by non-controlling shareholder	1,432	13,418	36,188	39,528
Settlement of foreign currency forward contract (note 10)	-	-	52,256	-
Financial assurance deposits	(1,344)	4,764	(15,316)	(12,651)
Dividends paid on common shares	-	-	(4,828)	(4,827)
Subsidies received	-	-	3,233	-
Other	(46)	(1,514)	(138)	(4,085)
	<u>(13,829)</u>	<u>43,993</u>	<u>163,764</u>	<u>83,299</u>
<b>Cash assumed on consolidation of Petaquilla</b>	<u>2,201</u>	<u>-</u>	<u>2,201</u>	<u>-</u>
<b>Foreign exchange change on cash held in foreign currency</b>	<u>18</u>	<u>(22,541)</u>	<u>23,586</u>	<u>(56,590)</u>
<b>Increase (decrease) in cash</b>	<b>(333,388)</b>	<b>(161,892)</b>	<b>(301)</b>	<b>140,273</b>
<b>Cash:</b>				
Beginning of period	855,592	686,775	522,505	384,610
End of period	<u>522,204</u>	<u>524,883</u>	<u>522,204</u>	<u>524,883</u>
<b>Short-term investments</b>	<u>114,079</u>	<u>289,701</u>	<u>114,079</u>	<u>289,701</u>
<b>Cash and short-term investments</b>	<u>\$636,283</u>	<u>\$814,584</u>	<u>\$636,283</u>	<u>\$814,584</u>
(see accompanying notes)				
<sup>(1)</sup> <b>Supplementary cash flow information:</b>				
Cash interest paid	\$1,657	\$3,187	\$9,779	\$5,568
Cash taxes paid	<u>\$44,163</u>	<u>\$50,830</u>	<u>\$124,412</u>	<u>\$115,569</u>

**INMET MINING CORPORATION**  
**Segmented statements of cash flows**  
(unaudited)

2008 For the nine months ended September 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
<b>Cash provided by (used in) operating activities</b>							
Before net change in non-cash working capital	(\$559)	\$103,176	\$72,532	\$25,282	\$97,557	\$ -	\$297,988
Net change in non-cash working capital	(1,421)	(13,531)	6,061	(4,123)	8,539	-	(4,475)
	<u>(1,980)</u>	<u>89,645</u>	<u>78,593</u>	<u>21,159</u>	<u>106,096</u>	<u>-</u>	<u>293,513</u>
<b>Cash provided by (used in) investing activities</b>							
Acquisition of Petaquilla Copper, net of cash acquired	(336,911)	-	-	-	-	-	(336,911)
Capital spending	(368)	(30,945)	(5,848)	(1,357)	(26,653)	(261,642)	(326,813)
Disposition of investments	1,521	-	-	-	-	-	1,521
Sale of short-term investments	204,239	-	-	-	-	-	204,239
Loans to Petaquilla shareholders	(13,234)	-	-	-	-	-	(13,234)
Investment in Petaquilla prior to consolidation	(12,167)	-	-	-	-	-	(12,167)
	<u>(156,920)</u>	<u>(30,945)</u>	<u>(5,848)</u>	<u>(1,357)</u>	<u>(26,653)</u>	<u>(261,642)</u>	<u>(483,365)</u>
<b>Cash provided by (used in) financing activities</b>	<u>(6,696)</u>	<u>-</u>	<u>(1,858)</u>	<u>-</u>	<u>(1,258)</u>	<u>173,576</u>	<u>163,764</u>
<b>Cash assumed on consolidation of MPSA</b>	<u>2,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,201</u>
<b>Foreign exchange change on cash held in foreign currency</b>	<u>-</u>	<u>16,745</u>	<u>3,586</u>	<u>-</u>	<u>2,476</u>	<u>779</u>	<u>23,586</u>
<b>Intergroup funding (distributions)</b>	<u>303,137</u>	<u>(221,542)</u>	<u>(108,860)</u>	<u>(19,802)</u>	<u>(40,630)</u>	<u>87,697</u>	<u>-</u>
<b>Increase (decrease) in cash</b>	<u>139,742</u>	<u>(146,097)</u>	<u>(34,387)</u>	<u>-</u>	<u>40,031</u>	<u>410</u>	<u>(301)</u>
<b>Cash:</b>							
Beginning of period	41,041	333,671	111,492	-	13,473	22,828	522,505
End of period	180,783	187,574	77,105	-	53,504	23,238	522,204
Short-term investments	114,079	-	-	-	-	-	114,079
<b>Cash and short-term investments</b>	<u>\$294,862</u>	<u>\$187,574</u>	<u>\$77,105</u>	<u>\$ -</u>	<u>\$53,504</u>	<u>\$23,238</u>	<u>\$636,283</u>

2007 For the nine months ended September 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
<b>Cash provided by (used in) operating activities</b>							
Before net change in non-cash working capital	\$5,584	\$158,070	\$91,006	\$16,324	\$101,889	\$ -	\$372,873
Net change in non-cash working capital	(7,444)	5,863	12,673	(6,801)	(26,138)	-	(21,847)
	<u>(1,860)</u>	<u>163,933</u>	<u>103,679</u>	<u>9,523</u>	<u>75,751</u>	<u>-</u>	<u>351,026</u>
<b>Cash provided by (used in) investing activities</b>							
Capital spending	(145)	(20,259)	(2,071)	(1,457)	(21,414)	(206,657)	(252,003)
Disposition of investments	50,170	-	-	-	-	-	50,170
Sale (purchase) of short-term investments	(62,323)	16,575	-	-	10,162	-	(35,586)
Other	-	-	-	(43)	-	-	(43)
	<u>(12,298)</u>	<u>(3,684)</u>	<u>(2,071)</u>	<u>(1,500)</u>	<u>(11,252)</u>	<u>(206,657)</u>	<u>(237,462)</u>
<b>Cash provided by (used in) financing activities</b>	<u>(6,472)</u>	<u>-</u>	<u>-</u>	<u>(3,000)</u>	<u>(1,659)</u>	<u>94,430</u>	<u>83,299</u>
<b>Foreign exchange change on cash held in foreign currency</b>	<u>-</u>	<u>(39,914)</u>	<u>(7,268)</u>	<u>-</u>	<u>(8,348)</u>	<u>(1,060)</u>	<u>(56,590)</u>
<b>Intergroup funding (distributions)</b>	<u>63,056</u>	<u>6,203</u>	<u>(104,649)</u>	<u>(5,023)</u>	<u>(52,281)</u>	<u>92,694</u>	<u>-</u>
<b>Increase (decrease) in cash</b>	<u>42,426</u>	<u>126,538</u>	<u>(10,309)</u>	<u>-</u>	<u>2,211</u>	<u>(20,593)</u>	<u>140,273</u>
<b>Cash:</b>							
Beginning of period	39,899	159,195	119,260	-	33,972	32,284	384,610
End of period	82,325	285,733	108,951	-	36,183	11,691	524,883
Short-term investments	289,701	-	-	-	-	-	289,701
<b>Cash and short-term investments</b>	<u>\$372,026</u>	<u>\$285,733</u>	<u>\$108,951</u>	<u>\$ -</u>	<u>\$36,183</u>	<u>\$11,691</u>	<u>\$814,584</u>

**INMET MINING CORPORATION**  
**Segmented statements of cash flows**

(unaudited)

2008 For the three months ended September 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
<b>Cash provided by (used in) operating activities</b>							
Before net change in non-cash working capital	\$1,414	\$25,060	\$26,226	\$2,389	\$30,685	\$ -	\$85,774
Net change in non-cash working capital	(3,173)	14,633	1,763	4,198	(5,390)	-	12,031
	<u>(1,759)</u>	<u>39,693</u>	<u>27,989</u>	<u>6,587</u>	<u>25,295</u>	<u>-</u>	<u>97,805</u>
<b>Cash provided by (used in) investing activities</b>							
Acquisition of Petaquilla Copper, net of cash acquired	(336,911)	-	-	-	-	-	(336,911)
Capital spending	(318)	(10,690)	(2,490)	(1,078)	(7,802)	(71,993)	(94,371)
Purchase of short-term investments	29,254	-	-	-	-	-	29,254
Loans to Petaquilla shareholders	(9,143)	-	-	-	-	-	(9,143)
Investment in Petaquilla prior to consolidation	(8,412)	-	-	-	-	-	(8,412)
	<u>(325,530)</u>	<u>(10,690)</u>	<u>(2,490)</u>	<u>(1,078)</u>	<u>(7,802)</u>	<u>(71,993)</u>	<u>(419,583)</u>
<b>Cash provided by (used in) financing activities</b>	<u>(179)</u>	<u>-</u>	<u>(8)</u>	<u>-</u>	<u>(642)</u>	<u>(13,000)</u>	<u>(13,829)</u>
<b>Cash assumed on consolidation of Petaquilla</b>	<u>2,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,201</u>
<b>Foreign exchange change on cash held in foreign currency</b>	<u>-</u>	<u>7,228</u>	<u>(4,945)</u>	<u>-</u>	<u>1,498</u>	<u>(3,763)</u>	<u>18</u>
<b>Intergroup funding (distributions)</b>	<u>(319)</u>	<u>3,490</u>	<u>(5,495)</u>	<u>(5,509)</u>	<u>350</u>	<u>7,483</u>	<u>-</u>
<b>Increase (decrease) in cash</b>	<u>(325,586)</u>	<u>39,721</u>	<u>15,051</u>	<u>-</u>	<u>18,699</u>	<u>(81,273)</u>	<u>(333,388)</u>
<b>Cash:</b>							
Beginning of period	506,369	147,853	62,054	-	34,805	104,511	855,592
End of period	180,783	187,574	77,105	-	53,504	23,238	522,204
<b>Short-term investments</b>	<u>114,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,079</u>
<b>Cash and short-term investments</b>	<u>\$294,862</u>	<u>\$187,574</u>	<u>\$77,105</u>	<u>\$ -</u>	<u>\$53,504</u>	<u>\$23,238</u>	<u>\$636,283</u>

2007 For the three months ended September 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
<b>Cash provided by (used in) operating activities</b>							
Before net change in non-cash working capital	\$4,192	\$53,713	\$28,053	\$5,775	\$37,803	\$ -	\$129,536
Net change in non-cash working capital	(748)	(12,111)	24,633	(967)	(32,028)	-	(21,221)
	<u>3,444</u>	<u>41,602</u>	<u>52,686</u>	<u>4,808</u>	<u>5,775</u>	<u>-</u>	<u>108,315</u>
<b>Cash provided by (used in) investing activities</b>							
Capital spending	(14)	(7,109)	(1,347)	(1,050)	(8,603)	(99,866)	(117,989)
Sale (purchase) of short-term investments	(190,024)	(452)	-	-	17,359	-	(173,117)
Other	(553)	-	-	-	-	-	(553)
	<u>(190,591)</u>	<u>(7,561)</u>	<u>(1,347)</u>	<u>(1,050)</u>	<u>8,756</u>	<u>(99,866)</u>	<u>(291,659)</u>
<b>Cash provided by (used in) financing activities</b>	<u>(673)</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>(809)</u>	<u>46,475</u>	<u>43,993</u>
<b>Foreign exchange change on cash held in foreign currency</b>	<u>-</u>	<u>(18,399)</u>	<u>(2,338)</u>	<u>-</u>	<u>(2,212)</u>	<u>408</u>	<u>(22,541)</u>
<b>Intergroup funding (distributions)</b>	<u>(1,946)</u>	<u>4,560</u>	<u>(5,077)</u>	<u>(2,758)</u>	<u>(26,107)</u>	<u>31,328</u>	<u>-</u>
<b>Increase (decrease) in cash</b>	<u>(189,766)</u>	<u>20,202</u>	<u>43,924</u>	<u>-</u>	<u>(14,597)</u>	<u>(21,655)</u>	<u>(161,892)</u>
<b>Cash:</b>							
Beginning of period	272,091	265,531	65,027	-	50,780	33,346	686,775
End of period	82,325	285,733	108,951	-	36,183	11,691	524,883
<b>Short-term investments</b>	<u>289,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>289,701</u>
<b>Cash and short-term investments</b>	<u>\$372,026</u>	<u>\$285,733</u>	<u>\$108,951</u>	<u>\$ -</u>	<u>\$36,183</u>	<u>\$11,691</u>	<u>\$814,584</u>

**INMET MINING CORPORATION**  
**Consolidated statements of retained earnings**

(unaudited)

(thousands of Canadian dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Retained earnings, beginning of period, as previously reported	\$1,244,313	\$903,305	\$1,076,958	\$669,004
Adjustment for inventory (note 2)	-	-	(2,196)	-
Retained earnings, restated	1,244,313	903,305	1,074,762	669,004
Net income	75,057	114,836	249,436	353,964
Dividends on common shares	-	-	(4,828)	(4,827)
Retained earnings, end of period (see accompanying notes)	\$1,319,370	\$1,018,141	\$1,319,370	\$1,018,141

**Consolidated statements of comprehensive income**

(unaudited)

(thousands of Canadian dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Net income	\$75,057	\$114,836	\$249,436	\$353,964
Other comprehensive income (loss) for the period <sup>(1)</sup> :				
Changes in fair value of gold forward sales contracts	3,593	(3,411)	(3,690)	(2,559)
Changes in fair value of interest rate swap contracts	(445)	(1,417)	(327)	(1,537)
Changes in fair value of foreign exchange forward contracts	-	5,780	7,054	6,071
Changes in fair value of investments	(2,930)	1,074	(4,676)	20,382
Currency translation adjustments	(24,030)	(39,269)	40,456	(99,203)
Reclassification to net income of gains/losses realized:				
Gain on sale of investment	-	-	(256)	(11,730)
Troilus gold hedge loss	7,932	4,963	24,372	15,005
Amortization of deferred Troilus gold hedges	(1,361)	(4,188)	(4,083)	(4,188)
Amortization of Las Cruces foreign exchange forward contract	(3,195)	-	(3,195)	-
Ok Tedi gold hedge loss	-	-	1,013	-
Foreign exchange loss on reduction of net investment in self-sustaining foreign operations (note 14)	-	1,580	20,384	3,311
	(20,436)	(34,888)	77,052	(74,448)
<b>Comprehensive income</b> (see accompanying notes)	\$54,621	\$79,948	\$326,488	\$279,516

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. Acquisition

On September 19, 2008, we acquired, through a wholly-owned subsidiary, 95 percent of the outstanding common shares Petaquilla Copper Ltd (“PTC”), a Canadian junior mining company listed on the Toronto Stock Exchange. PTC’s principal asset is a 26 percent interest in the Petaquilla copper project for which we already owned 48 percent.

For our interest, we paid \$359 million in cash or \$2.20 per PTC common share.

We fully consolidated PTC’s balance sheet effective September 19, 2008 with the five percent of PTC that we do not own represented as non-controlling interest.

We have not yet finalized the allocation of purchase consideration for this acquisition. The table below shows the preliminary fair value of the assets we acquired and liabilities we assumed at the date of acquisition, based on the consideration paid.

<i>(thousands of Canadian dollars)</i>	
<b>Consideration:</b>	
Cash paid	\$359,000
Transaction costs <sup>(1)</sup>	23,348
<b>Cost of acquisition</b>	<b>\$382,348</b>
<b>Assets acquired:</b>	
Cash	\$22,981
Other current assets	1,160
Property, plant and equipment and other assets	383,417
	407,558
<b>Liabilities assumed:</b>	
Current liabilities	(14,611)
Other liabilities	(6,619)
Non-controlling interest	(3,980)
<b>Net assets acquired</b>	<b>\$382,348</b>

<sup>(1)</sup> Includes Panamanian withholding taxes of \$18 million as a result of transfer of ownership of the shares

#### 5. Consolidation of Petaquilla

As a result of our acquisition of PTC (note 4), we hold a 74 percent interest in Petaquilla and have determined that we control this entity. We fully consolidated Petaquilla’s balance sheet effective September 19, 2008. Prior to September 19, 2008, we equity accounted for our investment in Petaquilla. 26 percent of the fair value of Petaquilla has been recognized in the purchase accounting for PTC. The remaining amount has been recognized at historical book values.

## 6. Statement of cash flows

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

### For the nine months ended September 30, 2008

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Las Cruces	Total
Accounts receivable	\$10,753	\$(1,188)	\$11,987	\$533	\$18,254	\$ -	\$40,339
Inventories	-	(992)	(91)	(1,194)	(8,587)	-	(10,864)
Accounts payable and accrued liabilities	(10,530)	1,335	891	(3,462)	(1,408)	-	(13,174)
Taxes	(1,752)	(12,718)	(6,726)	-	375	-	(20,821)
Other	108	32	-	-	(95)	-	45
	\$(1,421)	\$(13,531)	\$6,061	\$(4,123)	\$8,539	\$ -	\$(4,475)

### For the nine months ended September 30, 2007

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Las Cruces	Total
Accounts receivable	\$(2,753)	\$255	\$17,819	\$(5,072)	\$(22,800)	\$ -	\$(12,551)
Inventories	-	1,247	(704)	(1,805)	483	-	(779)
Accounts payable and accrued liabilities	(1,125)	(6,324)	(186)	76	(2,789)	-	(10,288)
Taxes	(3,548)	10,703	(4,256)	-	421	-	3,320
Other	(18)	(18)	-	-	(1,453)	-	(1,549)
	\$(7,444)	\$5,863	\$12,673	\$(6,801)	\$(26,138)	\$ -	\$(21,847)

### For the three months ended September 30, 2008

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Las Cruces	Total
Accounts receivable	\$1,921	\$12,617	\$2,625	\$5,646	\$16,778	\$ -	\$39,587
Inventories	-	2,188	623	1,126	(7,085)	-	(3,148)
Accounts payable and accrued liabilities	(259)	(631)	971	(2,995)	2,824	-	(90)
Taxes	(4,890)	537	(2,456)	-	(18,011)	-	(24,820)
Other	60	(78)	-	421	99	-	502
	\$(3,168)	\$14,633	\$1,763	\$4,198	\$(5,395)	\$ -	\$12,031

### For the three months ended September 30, 2007

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Las Cruces	Total
Accounts receivable	\$(1,040)	\$(18,705)	\$23,421	\$301	\$(7,884)	\$ -	\$(3,907)
Inventories	-	362	(445)	(2,045)	(1,128)	-	(3,256)
Accounts payable and accrued liabilities	771	3,881	(2,531)	777	2,896	-	5,854
Taxes	(458)	2,346	4,188	-	(24,983)	-	(18,907)
Other	(21)	5	-	-	(929)	-	(1,005)
	\$(748)	\$(12,111)	\$24,633	\$(967)	\$(32,028)	\$ -	\$(21,221)

## 7. Cash and short-term investments

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

(thousands)	September 30 2008	December 31 2007
Cash:		
Liquidity funds	\$224,190	\$424,390
Term deposits	134,424	22,186
Corporate	16,000	-
Overnight deposits	17,778	50,822
Bankers' acceptances	10,475	-
Money market funds	75,538	18,531
Other	43,799	7,018
	<b>522,204</b>	522,947
Short-term investments:		
Federal and crown corporation investments	22,031	317,876
Provincial short-term notes	15,624	-
Corporate	31,454	-
Bankers' acceptances	44,970	-
	<b>114,079</b>	317,876
Total cash and short-term investments	<b>\$636,283</b>	\$840,823

## 8. Restricted cash

The table below shows our restricted cash balances.

(thousands)	September 30 2008	December 31 2007
Collateralized cash for letter of credit facility - Corporate	\$17,580	\$14,444
In trust for Ok Tedi reclamation	14,422	11,836
Collateralized cash for letters of credit - Las Cruces	23,074	12,494
Collateralized cash for Pyhäsalmi reclamation	1,798	-
Collateralized cash for guarantee - PTC	2,513	-
	<b>59,387</b>	38,774
Less current portion:		
Collateralized cash for letters of credit – Las Cruces	(7,294)	(1,569)
	<b>\$52,093</b>	\$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.
- €4.8 million for dewatering and other purposes.

We acquired \$2.5 million of restricted cash as part of PTC which supports a guarantee of capital leases of one of its former related parties.

## 9. Investments

The table below shows our investments.

(thousands)	September 30 2008	December 31 2007
Available-for-sale equity securities:		
Premier Gold Mines Ltd.	\$20,696	\$22,680
Asset-backed commercial paper - PTC	7,913	-
Other	4,336	9,586
	<b>\$32,945</b>	<b>\$32,266</b>

As part of our acquisition of PTC (note 4), we acquired an investment in asset-backed commercial paper (ABCP) issued by a number of trusts with an original cost of \$12.8 million. This investment matured in early 2008 but as a result of liquidity issues in the ABCP market, did not settle on maturity. This investment is included in the ongoing Canadian ABCP restructuring that is expected to be finalized in the fourth quarter of 2008. We have recognized this asset at an estimated fair value of \$7.9 million and have designated this financial instrument as *available-for-sale*.

## 10. Derivatives

The table below shows the fair value of our derivatives.

(thousands)	September 30 2008 (fair value)	December 31 2007 (fair value)
Derivative asset:		
Las Cruces currency forward sale	\$ -	\$33,565
Derivative liabilities:		
Troilus gold forward sales	\$ -	\$26,889
Ok Tedi gold and copper forward sales	4,274	9,034
Las Cruces interest rate swaps	9,081	8,037
	<b>\$13,355</b>	<b>\$43,960</b>

During the second quarter, 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 14) and will be recognized in income as a reduction of interest expense over the life of Las Cruces' credit facility – Tranche A.

During the third quarter, we settled Troilus' remaining gold forward sales contracts for 24,250 ounces relating to gold shipments taking place during the remainder of 2008. These contracts were settled at a market price of US \$819 per ounce, resulting in a cash payment of \$12.4 million. We applied hedge accounting up to the point of settlement of these contracts therefore the settlement loss will be recognized against gross sales at the same time as the originally hedged gold shipments.

## 11. Long-term debt

(thousands)	September 30 2008	December 31 2007
Credit facility – Tranche A	\$222,900	\$125,776
– Tranche B	49,434	34,656
Promissory note	17,266	16,267
Loans from non-controlling shareholder	105,951	70,589
	<b>395,551</b>	247,288
Less current portion:		
Credit facility – Tranche B	(42,130)	(12,971)
	<b>\$353,421</b>	\$234,317

### ***Credit facility***

In the first half of 2008, Las Cruces borrowed an additional €52 million under Tranche A, the US \$215 million senior secured facility. On June 30, 2008, Tranche A was fully drawn and was converted from a euro-denominated loan to a US \$215 million loan. Beginning July 1, we revalued the loan to euros (the functional currency of Las Cruces). Foreign exchange gains and losses on revaluations are reflected in Investment and other income (note 15).

This quarter, there were no additional borrowings (2008 year to date - €18 million) under Tranche B, the €69 million senior secured bridge financing facility. During this quarter, Las Cruces repaid €9 million under Tranche B equal to value-added tax refunds received.

The credit facility loans approximate fair value because the loans accrue interest at prevailing market rates.

### ***Loans from non-controlling shareholder***

This quarter, Las Cruces received €3 million (2008 year to date - €73 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, €71 million, is reflected in long-term debt at September 30, 2008. Loans from non-controlling shareholders approximate fair value because the loans accrue interest at prevailing market rates.

## 12. Reclamation liabilities

During the current year to date, we have recognized additional liabilities of \$4.6 million at Las Cruces as a result of development activities that have taken place.

During the second quarter, we recognized additional liabilities of \$4.3 million at Çayeli primarily as a result of cost escalation.

## 13. Commitments

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

- Ok Tedi has committed approximately \$50.9 million (our proportionate share is \$9.2 million) to capital expenditures for the mine waste management project and pit drainage project.
- Las Cruces has committed \$57.3 million to engineering, procurement and construction management and additional construction work related to the development of the mine and process plant.
- Çayeli has committed \$2.9 million for mine and mill equipment.
- Cerattepe has committed approximately \$4.4 million for mine and mill equipment.

#### 14. 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 <sup>1</sup>	17,067
Unrealized losses on interest rate swap contracts <sup>2</sup>	(4,097)
Unrealized gains on investments (net of tax of \$2,951)	14,506
Currency translation adjustment	(84,705)
<b>AOCI, December 31, 2007</b>	<b>\$(83,736)</b>
Other comprehensive income for the nine months ending September 30, 2008	77,052
<b>AOCI, September 30, 2008</b>	<b>\$(6,684)</b>
AOCI September 30, 2008 comprises:	
Unrealized losses on gold forward sales contracts (net of tax of \$1,207)	\$(10,256)
Deferred Troilus gold hedges	1,361
Unrealized gains on foreign exchange forward contract <sup>3</sup>	20,926
Unrealized losses on interest rate swap contract <sup>4</sup>	(4,424)
Unrealized gains on investments (net of tax of \$1,926)	9,574
Currency translation adjustment	(23,865)
<b>AOCI, September 30, 2008</b>	<b>\$(6,684)</b>

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 \$14,786 and non-controlling interest of \$10,350.
4. Net of tax of \$2,710 and non-controlling interest of \$1,895.

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

(thousands)	September 30 2008	December 31 2007
Pyhäsalmi (euro functional currency)	\$(6,295)	\$(1,466)
Las Cruces (euro functional currency)	8,533	(1,919)
Çayeli (US dollar functional currency)	(16,079)	(65,822)
Ok Tedi (US dollar functional currency)	(7,925)	(15,498)
Petaquilla (US dollar functional currency)	(2,099)	-
	<b>\$(23,865)</b>	<b>\$(84,705)</b>

The US dollar to Canadian dollar exchange rate was \$1.06 at September 30, 2008 and \$0.99 at December 31, 2007. The euro to Canadian dollar exchange rate was \$1.50 at September 30, 2008 and \$1.45 at December 31, 2007.

## 15. Investment and other income

Investment and other income are summarized as follows:

(thousands)	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Interest income	\$6,308	\$11,490	\$21,994	\$25,884
Foreign exchange gain (loss)	(16,553)	(4,695)	(28,268)	(14,240)
Dividend and royalty income	1,650	1,821	3,154	3,821
Gain on sale of Wolfden	-	-	-	11,730
Other	3,128	1,028	1,049	3,291
	<b>\$(5,467)</b>	<b>\$9,644</b>	<b>\$(2,071)</b>	<b>\$30,486</b>

### **Foreign exchange**

A net foreign exchange loss of \$16.6 million was recognized this quarter due to revaluation of Las Cruces' US dollar-denominated debt (note 11).

For the year, we also 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.

## 16. Non-controlling interest

The table below provides a breakdown of our non-controlling interest:

(thousands)	September 30	December 31
	2008	2007
Las Cruces (30%)	\$54,817	\$51,574
PTC (5%)	3,980	-
Petaquilla (26%)	11,375	-
	<b>\$70,172</b>	<b>\$51,574</b>

## 17. Income tax expense (recovery)

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

### For the nine months ended September 30, 2008

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Las Cruces	Total
Current income taxes	\$8,060	\$36,565	\$18,597	\$49,447	\$(4,283)	\$108,386
Future income taxes	-	(2,358)	269	877	(718)	(1,930)
	\$8,060	\$34,207	\$18,866	\$50,324	\$(5,001)	\$106,456

### For the nine months ended September 30, 2007

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Las Cruces	Total
Current income taxes	\$1,157	\$40,131	\$24,548	\$57,205	\$-	\$123,041
Future income taxes	-	358	163	(2,282)	254	(1,507)
	\$1,157	\$40,489	\$24,711	\$54,923	\$254	\$121,534

### For the three months ended September 30, 2008

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Las Cruces	Total
Current income taxes	\$2,526	\$8,093	\$6,061	\$2,856	\$(4,283)	\$15,253
Future income taxes	-	(1,665)	357	4,318	(884)	2,126
	\$2,526	\$6,428	\$6,418	\$7,174	\$(5,167)	\$17,379

### For the three months ended September 30, 2007

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Las Cruces	Total
Current income taxes	\$386	\$14,059	\$7,302	\$13,029	\$-	\$34,776
Future income taxes	-	(1,004)	123	3,986	(232)	2,873
	\$386	\$13,055	\$7,425	\$17,015	\$(232)	\$37,649

## 18. Net income per share

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

(thousands)	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Net income available to common shareholders	<b>\$75,057</b>	\$114,836	<b>\$249,436</b>	\$353,964
<hr/>				
(thousands)				
Weighted average common shares outstanding	<b>48,282</b>	48,278	<b>48,282</b>	48,278
Plus incremental shares from assumed conversions deferred share units	<b>78</b>	74	<b>78</b>	74
Diluted weighted average common shares outstanding	<b>48,360</b>	48,352	<b>48,360</b>	48,352
<hr/>				
(Canadian dollars per share)				
Basic net income per common share	<b>\$1.55</b>	\$2.38	<b>\$5.17</b>	\$7.33
Dilutive effect from assumed conversions of deferred share units per common share	-	(0.01)	<b>(0.01)</b>	(0.01)
Diluted net income per common share	<b>\$1.55</b>	\$2.37	<b>\$5.16</b>	\$7.32

## 19. Subsequent event

On October 24, 2008 we learned that the Rize Administrative Court ruled to cancel the Cerattepe operating licences. We will review the reasons for the decision once we receive it and will discuss with the Turkish Ministry of Energy and Natural Resources an appeal to the Supreme Administrative Court of Turkey. We will continue to keep the project on care and maintenance and also suspend all work on the project and re-assess our development plans in light of the court decision.

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## Investor Relations

Financial information such as annual reports, interim reports and other information is available on Inmet's web site: [www.inmetmining.com](http://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](mailto:investor@inmetmining.com)
- By fax at + 1-416-368-4692
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## Shareholder Inquiries

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

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P.O. Box 7010  
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## Common Shares

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

## Stock Exchange Listing

Toronto Stock Exchange

## Stock Symbol

IMN

## Common Shares

### Trading History

	High	Low
<b>2008</b>		
Third Quarter	\$66.15	\$46.63
Second Quarter	\$98.61	\$66.30
First Quarter	\$90.51	\$61.01
<b>2007</b>		
Fourth Quarter	\$109.35	\$76.05
Third Quarter	\$99.90	\$73.06
Second Quarter	\$85.48	\$64.51
First Quarter	\$65.37	\$50.64