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**FOR IMMEDIATE RELEASE
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All amounts in Canadian dollars unless indicated otherwise

Toronto, Canada – Inmet announces fourth quarter earnings of \$1.60 per share compared with a loss of \$0.67 per share in the fourth quarter of 2008

Fourth quarter highlights

- **Earnings from operations were higher because of higher metal prices**
Higher copper and zinc prices increased sales by \$143 million compared to the same quarter of 2008. In 2008, prices were significantly impacted by the downturn in the metal and financial markets.
- **Lower operating costs**
Cost of sales in the fourth quarter of 2009 were \$17 million lower than they were last year mainly because Troilus is now only processing ore from stockpiles.
- **Las Cruces produced 3,300 tonnes of copper cathode**
We did not achieve commercial production in the fourth quarter because of operational challenges during the ramp-up phase. We have developed a comprehensive plan to maximize our efforts in reaching plant capacity. We now anticipate reaching commercial production, equal to 60 percent of plant capacity, by May 2010 and full capacity in August 2010.
- **Higher zinc production**
Copper production at our other operations was consistent with last year. Zinc production was higher because grades at Pyhäsalmi were higher. Gold production was lower because Troilus drew all of its feed from its low grade stockpile.
- **Lower copper cash costs**
Copper cash costs this quarter were US \$0.22 per pound compared to US \$0.50 per pound in the fourth quarter of 2008. Higher metal credits helped lower cash costs, partly offset by higher treatment charges. Cash costs are a non-GAAP measure (see pages 34 to 36).
- **Çayeli finalized three year agreement with its workers' union**
In December 2009, Çayeli finalized a three-year labour agreement, effective May 2009, that includes an inflation adjustment as well as some first year adjustments. We expect the agreement to increase operating costs by about US \$0.02 per pound per year (assuming 8 percent inflation in the next two years).
- **Option to sell 20 or 30 percent of Cobre Panama**
In October 2009, we entered into an agreement with LS-Nikko Copper Inc. (LS-Nikko), that gives it an option to acquire a 20 percent interest in Minera Panama. LS-Nikko may, prior to February 28, 2010 (formerly January 31, 2010) elect to increase this interest to 30 percent. The original date was extended by one month following LS-Nikko's recent request as it is in the midst of negotiating with other interested parties.

Key financial data

	three months ended December 31			year ended December 31		
	2009	2008	change	2009	2008	change
FINANCIAL HIGHLIGHTS						
(thousands, except per share amounts)						
Sales						
Gross sales	\$290,570	\$139,626	+108%	\$983,885	\$944,865	+4%
Net income						
Net income	\$89,763	\$(32,514)	+376%	\$269,169	\$216,922	+24%
Net income per share	\$1.60	\$(0.67)	+339%	\$5.14	\$4.49	+14%
Cash flow						
Cash flow provided by operating activities	\$125,781	\$30,992	+306%	\$322,751	\$324,505	-1%
Cash flow provided by operating activities per share ⁽¹⁾	\$2.24	\$0.64	+250%	\$6.17	\$6.72	-8%
Capital spending ⁽²⁾	\$63,353	\$133,979	-53%	\$268,264	\$460,792	-42%
OPERATING HIGHLIGHTS						
Production ⁽³⁾						
Copper (tonnes)	24,300	21,100	+15%	83,600	80,500	+4%
Zinc (tonnes)	23,500	19,600	+20%	78,000	75,400	+3%
Gold (ounces)	50,800	64,600	-21%	228,400	244,100	-6%
Pyrite (tonnes)	60,900	81,700	-25%	383,900	565,000	-32%
Cash costs ⁽⁴⁾						
Copper (US \$ per pound)	\$0.22	\$0.50	-56%	\$0.44	\$0.52	-15%
Gold (US \$ per ounce)	\$202	\$460	-56%	\$182	\$417	-56%

FINANCIAL CONDITION	as at December 31	as at December 31
	2009	2008
Current ratio	4.2 to 1	2.4 to 1
Gross debt to total equity ⁽⁵⁾	1%	19%
Net working capital balance (millions)	\$609	\$475
Cash balance (millions)	\$534	\$573
Shareholders' equity (millions)	\$2,238	\$1,868

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

⁽²⁾ For the year ended 2009, includes \$139 million in spending at Las Cruces and \$85 million at Cobre Panama.

⁽³⁾ Inmet's share.

⁽⁴⁾ Cash cost per pound of copper and cash cost per ounce of gold are non-GAAP measures – see *Supplementary financial information* on pages 34 to 36.

⁽⁵⁾ Gross debt includes long-term debt and current portion of long-term debt less the non-recourse note owing from Las Cruces to its non-controlling shareholder.

Fourth quarter press release

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In this press release, *Inmet* means Inmet Mining Corporation and *we*, *us* and *our* mean Inmet and/or its subsidiaries and joint ventures. *This quarter* refers to the three months ended December 31, 2009.

Forward looking information

Securities regulators encourage companies to disclose forward-looking information to help investors understand a company's future prospects. This press release 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 press release. 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.

Our financial results

(thousands, except per share amounts)	three months ended December 31			year ended December 31		
	2009	2008	change	2009	2008	change
EARNINGS FROM OPERATIONS ⁽¹⁾						
Çayeli	\$57,854	\$(8,438)	+786%	\$123,729	\$122,483	+1%
Pyhäsalmi	24,106	7,812	+209%	63,232	92,698	-32%
Troilus	20,033	3,695	+442%	104,645	26,328	+297%
Ok Tedi	48,168	(2,385)	+2,120%	150,257	135,163	+11%
Other	(6,193)	(487)	+1,172%	(7,594)	(1,951)	+289%
	143,968	197	+72,980%	434,269	374,721	+16%
DEVELOPMENT AND EXPLORATION						
Corporate development and exploration	(2,915)	(1,971)	+48%	(10,837)	(10,620)	+2%
CORPORATE COSTS						
General and administration	(9,836)	(3,289)	+199%	(23,892)	(13,138)	+82%
Investment and other income	280	8,057	-97%	9,131	5,986	+53%
Asset impairment	(3,496)	(36,275)	-90%	(9,915)	(36,275)	-73%
Interest expense	(496)	(490)	+1%	(1,977)	(1,884)	+5%
Income and capital taxes	(38,599)	(537)	+7,088%	(121,779)	(107,368)	+13%
Non-controlling interest	857	1,794	-52%	(5,831)	5,500	-206%
	(51,290)	(30,740)	+67%	(154,263)	(147,179)	+5%
Net income	\$89,763	\$(32,514)	+376%	\$269,169	\$216,922	+24%
Basic net income per share	\$1.60	\$(0.67)	+339%	\$5.14	\$4.49	+14%
Diluted net income per share	\$1.60	\$(0.67)	+339%	\$5.13	\$4.48	+15%
Weighted average shares outstanding	56,107	48,282	+16%	52,334	48,282	+8%

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

Key changes in 2009

(millions)	three months ended December 31	year ended December 31	see page
EARNINGS FROM OPERATIONS			
Sales			
Higher copper and zinc prices denominated in Canadian dollars	\$143	\$31	7
Higher gold prices and other prices	19	83	7
Lower sales volumes	(6)	(40)	8
Lower pyrite sales, net of costs to sell	(7)	(26)	8
Costs			
Higher smelter processing charges and freight	(14)	(7)	10
Lower operating costs, including costs that vary with income and cash flows	11	35	11
Higher depreciation	(3)	(17)	12
Other	1	1	
Higher earnings from operations, compared to 2008	144	60	
CORPORATE COSTS			
Change in income tax expense from change in earnings	(38)	(14)	14
Higher general and administration costs	(7)	(11)	12
Foreign exchange on Las Cruces credit facility and realization of related hedge contracts	12	34	13
Other foreign exchange changes	(11)	6	13
Asset impairment	33	26	13
Lower interest income on cash balances	(5)	(23)	12
Change in non-controlling interest	1	(11)	
Other	(7)	(15)	
Higher net income, compared to 2008	\$122	\$52	

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 December 31			year ended December 31		
	2009	2008	change	2009	2008	change
US dollar metal prices						
Copper (per pound)	US \$3.31	US \$0.50	+562%	US \$2.63	US \$2.70	-3%
Zinc (per pound)	US \$1.11	US \$0.46	+141%	US \$0.81	US \$0.84	-4%
Gold (per ounce)	US \$1,110	US \$714	+55%	US \$980	US \$732	+34%
Canadian dollar metal prices						
Copper (per pound)	C \$3.51	C \$0.61	+475%	C \$3.00	C \$2.88	+4%
Zinc (per pound)	C \$1.18	C \$0.56	+111%	C \$0.92	C \$0.90	+2%
Gold (per ounce)	C \$1,177	C \$866	+36%	C \$ 1,117	C \$ 781	+43%

There was an overall improvement in base metal prices in 2009, and a steady increase in the price of gold.

Copper

Copper rose to its highest levels at the end of the year against a background of rising inventory on the London Metals Exchange (LME). While the entire metals complex was subject to the same macro-economic conditions, copper was most favoured, driven by tight supply, rising demand from China, improving business sentiment near the end of the year, and a return of investment fund flow. The price of copper increased by 140 percent during the year, from US \$1.39 per pound to US \$3.33 per pound at December 31, even though copper stocks on the LME increased by 47 percent, from 342,000 tonnes to 502,000 tonnes. For the quarter, copper prices rose 20 percent. Prices do not usually move in the same direction as inventory. We believe this is likely the impact of a continuing inflow of investment funds into commodities like copper and zinc.

Zinc

Zinc was near the top of the list for price gains in 2009. It is used extensively in infrastructure, auto production and construction, which were favoured by various government stimulus programs, and the zinc price increase was driven mainly by rapid response from the supply side, a record inflow of funds and increasing demand from China.

Mines and smelters voluntarily reduced production and shut down operations in 2008 in response to falling prices, reducing the total amount of refined zinc produced in 2009 by 1 million tonnes. Zinc prices quickly recovered to levels last seen nearly 20 months ago, growing 113 percent over the year, from US \$0.55 per pound in January, to US \$1.17 per pound at the end of December. At the same time, LME zinc inventory increased by 92 percent, from 255,000 tonnes to 490,000 tonnes. For the quarter, the price of zinc rose 34 percent.

Gold

Gold, a traditional safe-haven in times of economic uncertainty, reached an all-time high in 2009. Prices were driven by the lower US dollar, an increase in investor demand as US dollar reserves and portfolios diversified into gold. Starting the year at US \$870 per ounce, gold reached US \$996 per ounce at the end of September, US \$1,200 per ounce in November, and closed the year at US \$1,104 per ounce.

Pyrite

The economic downturn began to have a significant effect on demand for sulphur and sulphuric acid near the end of 2008 and the sulphur markets continued to feel the effects of the downturn in 2009. Sulphur prices experienced a large increase in December 2009, which we expect will hold in 2010 and will have a direct impact on pyrite prices.

Exchange rates

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

	three months ended December 31			year ended December 31		
	2009	2008	change	2009	2008	change
Exchange rates						
1 US\$ to C\$	\$1.06	\$1.21	-12%	\$1.14	\$1.07	+7%
1 euro to C\$	\$1.56	\$1.60	-3%	\$1.59	\$1.56	+2%
1 euro to US\$	\$1.48	\$1.32	+12%	\$1.39	\$1.47	-5%

Our sales are affected by the conversion of US dollar revenue to Canadian dollars. The Canadian dollar appreciated 12 percent this quarter relative to the US dollar, and 3 percent relative to the euro as compared to the same quarter last year. Changes in foreign currency exchange rates affect our earnings as follows:

- translation of US dollar and euro functional currency operations to Canadian dollars
- revaluation of US dollar and euro cash held in Canada
- translation of US dollar sales at Troilus to Canadian dollars.

Prior to repayment of the credit facility at Las Cruces, we had foreign exchange from translation of a US dollar loan to euros.

Treatment charges up for copper and down 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 December 31			year ended December 31		
	2009	2008	change	2009	2008	change
Treatment charges						
Copper (per dry metric tonne of concentrate)	\$60	\$64	-7%	\$73	\$50	+46%
Zinc (per dry metric tonne of concentrate)	\$200	\$379	-47%	\$215	\$318	-32%
Price participation						
Copper (per pound)	\$0.01	\$0.02	-50%	\$0.03	\$0.04	-25%
Zinc (per pound)	\$0.14	\$(0.08)	+275%	\$0.06	\$(0.02)	+400%
Freight charges						
Copper (per dry metric tonne of concentrate)	\$46	\$37	+24%	\$42	\$48	-13%
Zinc (per dry metric tonne of concentrate)	\$15	\$32	-53%	\$23	\$37	-38%

Statutory tax rates remain consistent

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

	2009	2008	change
Statutory tax rates			
Çayeli	24%	24%	-
Pyhäsalmi	26%	26%	-
Ok Tedi	37%	37%	-
Las Cruces	30%	30%	-

Earnings from operations

Earnings from operations include the following:

(thousands)	three months ended December 31			year ended December 31		
	2009	2008	change	2009	2008	change
Gross sales	\$290,570	\$139,626	+108%	\$983,885	\$944,865	+4%
Smelter processing charges and freight	(53,696)	(32,870)	+63%	(176,432)	(179,738)	-2%
Cost of sales:						
Direct production costs	(78,612)	(86,935)	-10%	(297,159)	(331,173)	-10%
Inventory changes	8,767	(30)	-29,323%	7,273	3,345	+117%
Provisions for mine rehabilitation and other non-cash charges	(5,150)	(4,750)	+8%	(21,546)	(17,974)	+20%
Depreciation	(17,911)	(14,844)	+21%	(61,752)	(44,604)	+38%
Earnings from operations	\$143,968	\$197	+72,980%	\$434,269	\$374,721	+16%

Gross sales were higher

(thousands)	three months ended December 31			year ended December 31		
	2009	2008	change	2009	2008	change
Gross sales by operation						
Çayeli	\$113,747	\$27,481	+314%	\$305,091	\$305,190	-
Pyhäsalmi	59,747	37,273	+60%	184,991	221,124	-16%
Troilus	41,203	36,391	+13%	199,879	141,251	+42%
Ok Tedi ⁽¹⁾	75,873	38,481	+97%	293,924	277,300	+6%
	\$290,570	\$139,626	+108%	\$983,885	\$944,865	+4%
Gross sales by metal						
Copper	\$154,925	\$46,367	+234%	\$503,242	\$511,037	-2%
Zinc	64,964	20,110	+223%	160,253	150,216	+7%
Gold	54,889	54,720	-	257,713	189,379	+36%
Other	15,792	18,429	-14%	62,677	94,233	-33%
	\$290,570	\$139,626	+108%	\$983,885	\$944,865	+4%

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

Change in sales for the fourth quarter the result of significantly higher metals prices

(millions)	three months ended December 31	year ended December 31
Higher copper prices, denominated in Canadian dollars	\$115	\$27
Higher zinc prices, denominated in Canadian dollars	28	3
Higher gold prices, denominated in Canadian dollars	15	78
Changes in other metal prices	(11)	(15)
Higher (lower) sales volumes	4	(54)
Higher gross sales, compared to 2008	\$151	\$39

We record sales that settle during the reporting period using the metal price on the day they settle. For sales that have not 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 by adjusting our gross sales in the period when we settle the sale (finalization adjustment).

In the fourth quarter, we recorded \$7 million in positive finalization adjustments from third quarter sales.

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

- 25 million pounds of copper provisionally priced at US \$3.34 per pound
- 23 million pounds of zinc provisionally priced at US \$1.15 per pound.

The finalization adjustment we record for these sales will depend on the actual price when we receive the final settlement, which can be up to five months from the time we initially record it. We expect these sales to settle in the following months:

(millions of pounds)	copper	zinc
January 2010	9	23
February 2010	11	-
March 2010	5	-
Unsettled sales at December 31, 2009	25	23

Higher zinc and pyrite sales volumes

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

	three months ended December 31			year ended December 31		
	2009	2008	change	2009	2008	change
Sales volumes						
Copper (tonnes)	21,700	22,500	-4%	79,300	81,700	-3%
Zinc (tonnes)	24,500	13,600	+80%	79,400	76,100	+4%
Gold (ounces)	45,800	63,700	-28%	228,900	241,800	-5%
Pyrite (tonnes)	116,900	66,000	+77%	412,500	557,700	-26%

Production

Inmet's share ⁽¹⁾	three months ended December 31			year ended December 31			objective 2010
	2009	2008	change	2009	2008	change	
Copper (tonnes)							
Çayeli	8,200	8,400	-2%	29,200	32,700	-11%	30,500
Las Cruces	2,300	-	+100%	3,900	-	+100%	51,100
Pyhäsalmi	3,600	3,400	+6%	14,600	13,300	+10%	13,400
Troilus	1,000	2,000	-50%	5,900	5,700	+4%	2,100
Ok Tedi	9,200	7,300	+26%	30,000	28,800	+4%	29,300
	24,300	21,100	+15%	83,600	80,500	+4%	126,400
Zinc (tonnes)							
Çayeli	13,800	12,800	+8%	50,900	47,600	+7%	51,700
Pyhäsalmi	9,700	6,800	+43%	27,100	27,800	-3%	31,300
	23,500	19,600	+20%	78,000	75,400	+3%	83,000
Gold (ounces)							
Troilus	24,200	40,500	-40%	135,200	151,300	-11%	36,400
Ok Tedi	26,600	24,100	+9%	93,200	92,800	-	109,300
	50,800	64,600	-21%	228,400	244,100	-6%	145,700
Pyrite (tonnes)							
Pyhäsalmi	60,900	81,700	-25%	383,900	565,000	-32%	420,000

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

Year 2009 production compared to 2008

Metal production overall was fairly consistent between years, although copper production at Çayeli was down because we mined lower grades, and gold production at Troilus was down because we began processing low grade stockpiled ore in April 2009.

Fourth quarter 2009 production compared to 2008

Copper production this quarter was higher than the same quarter in 2008, because of new production at Las Cruces and higher grades and mill throughput at Ok Tedi. This was partly offset by the impact of lower grades at Troilus.

Zinc production was up mainly because zinc grades and recoveries at Pyhäsalmi were higher.

Gold production was down because grades were lower at Troilus (as production was drawn from its low grade stockpiles).

We restarted producing pyrite in the quarter but produced less than in 2008 to reduce inventory stockpiles.

2010 outlook for sales

We use our production objectives to estimate our sales target. We expect copper and zinc sales volumes in 2010 to be higher because we expect higher production. We expect gold sales volumes to be lower than 2009 because production will end at Troilus mid-year 2010.

We expect copper production to be about 50 percent higher in 2010 because of the incremental production at Las Cruces. Estimated production for our 70 percent share of Las Cruces includes 38,500 tonnes of copper cathode and 12,600 tonnes of copper contained in ore that, depending on marketing conditions and permitting requirements, we intend to ship directly to smelters. We expect zinc production to increase because we plan to mine higher zinc grades at Pyhäsalmi in 2010.

Our Canadian dollar sales revenues are affected by the US dollar denominated metal price we receive, and the exchange rate between the US dollar and Canadian dollar. The overall outlook for copper demand is broadly positive in 2010 and copper is the most favoured base metal because of its strong fundamentals, especially if global demand recovery gathers momentum in 2010.

Globally, we expect very little additional copper production to come on stream in 2010 given the number of projects that were delayed during the economic crisis. The strong demand expected from emerging markets and pick-up in demand from the developed economies, combined with tighter supply, are likely to keep prices above US \$3.00 per pound. We also expect continued interest from investors to support the price through 2010.

For zinc, improving demand in end-use markets, strong galvanized steel output in China, continuing flow of funds and a balanced concentrate market are expected to limit the surplus of zinc along the supply chain and support prices in 2010.

Investment demand for gold continues to be its main price driver, and this year's high of over US \$1,000 per ounce at the end of 2009 should continue into 2010. Even if economic indicators continue to recover and investors become more willing to diversify into risky assets, investment demand for gold is expected to be maintained as we see more visible signs of rising inflation.

Higher smelter processing charges for the quarter

(thousands)	three months ended December 31			year ended December 31		
	2009	2008	change	2009	2008	change
Smelter processing charges and freight by operation						
Çayeli	\$27,032	\$13,279	+104%	\$82,126	\$78,400	+5%
Pyhäsalmi	17,094	9,615	+78%	50,896	56,954	-12%
Troilus	2,750	3,904	-30%	13,740	11,053	+20%
Ok Tedi ⁽¹⁾	6,820	6,072	+11%	29,670	33,331	-12%
	\$53,696	\$32,870	+63%	\$176,432	\$179,738	-2%
Smelter processing charges and freight by metal						
Copper	\$18,880	\$15,301	+23%	\$75,932	\$69,263	+10%
Zinc	28,421	12,069	+135%	74,295	74,071	-
Other	6,395	5,500	+16%	26,205	36,404	-28%
	\$53,696	\$32,870	+63%	\$176,432	\$179,738	-2%
Smelter processing charges by type and freight						
Copper treatment and refining charges	\$7,651	\$8,524	-10%	\$34,914	\$24,625	+42%
Zinc treatment charges	9,594	10,228	-6%	33,750	47,030	-28%
Copper price participation	524	1,229	-57%	4,622	7,025	-34%
Zinc price participation	7,312	(2,355)	+410%	11,164	(3,170)	+452%
Content losses	18,822	6,778	+178%	53,778	50,530	+6%
Other	1,479	950	+56%	6,163	6,600	-7%
Freight	8,314	7,516	+11%	32,041	47,098	-32%
	\$53,696	\$32,870	+63%	\$176,432	\$179,738	-2%

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

Year 2009 smelter processing charges and freight compared to 2008

Close to 90 percent of our copper concentrates are sold under long-term contracts and are therefore not subject to the volatile spot market. Our contracts with the smelters for 2009 were negotiated at the end of 2008, amidst the global market downturn, at treatment charges of US \$75 per tonne, which was almost 70 percent higher than 2008 contract terms. Contract terms for zinc treatment charges were lower in 2009 because of the tight zinc concentrate market. Higher price participation charges, however, increased total zinc charges to the same level as 2008. Freight rates were volatile during the year, but on average they were substantially lower than 2008. Freight costs were also down in 2009 because Pyhäsalmi made fewer pyrite shipments

Fourth quarter 2009 smelter processing charges and freight compared to 2008

The higher smelter processing charges in the quarter is largely due to higher sales volumes of zinc. Freight costs were higher because Pyhäsalmi made more pyrite shipments than the comparative quarter of 2008.

2010 outlook for smelter processing charges and freight

We expect our costs for copper treatment and refining to decrease in 2010. Reduced concentrate supply, coupled with rising smelting capacity, especially in China, is expected to keep the concentrate market in a deficit position and should result in treatment costs of less than US \$50 per dry metric tonne in 2010.

With the current high price of zinc it is expected that zinc mines and smelters will ramp up their production in 2010. As a result, we believe that a balanced zinc concentrate market could evolve and therefore expect zinc processing charges to remain at 2009 levels.

In 2010, Las Cruces may sell crushed ore to smelters and incur smelter processing charges. The costs associated with smelting and refining this material are expected to be higher than at our other operations because of the low copper grade compared to grades in concentrates and the higher level of impurities in this ore.

Las Cruces' copper cathode production will be sold directly to buyers in the Spanish and Mediterranean

markets.

We expect our ocean freight costs to be about 20 percent higher than they were in 2009 because of the expected recovery in global trade.

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

(thousands)	three months ended December 31			year ended December 31		
	2009	2008	change	2009	2008	change
Direct production costs by operation						
Çayeli	\$23,540	\$21,161	+11%	\$82,429	\$89,761	-8%
Pyhäsalmi	16,694	15,597	+7%	62,085	59,642	4%
Troilus	12,915	22,628	-43%	56,503	88,707	-36%
Ok Tedi ⁽¹⁾	25,463	27,549	-8%	96,142	93,063	+3%
Total direct production costs	78,612	86,935	-10%	297,159	331,173	-10%
Inventory changes	(8,767)	30	-29,323%	(7,273)	(3,345)	117%
Reclamation, accretion and other non-cash expenses	5,150	4,750	+8%	21,546	17,974	+20%
Total cost of sales	\$74,995	\$91,715	-18%	\$311,432	\$345,802	-10%

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

Year 2009 direct production costs compared to 2008

Direct production costs were lower in 2009 than they were in 2008 mainly because we finished mining at Troilus and began to process stockpiled ore in April 2009. Lower operating costs from our other operations, however, were mostly offset by foreign exchange.

Fourth quarter 2009 direct production costs compared to 2008

Higher production costs at Çayeli for the quarter are mainly because of higher royalty payments associated with higher income. Ok Tedi had reduced costs largely due to the translation of costs from US dollars to Canadian dollars.

2009 charges for reclamation, accretion and other non-cash charges compared to 2008

This includes an accrual for asset retirement obligations, provisions for severance and retirement and other non-cash expenses. In 2009, we recorded an additional \$6 million for closure liabilities at our closed sites to reflect the longer time expected to treat water at certain sites, and increased costs.

2010 outlook for cost of sales

Our budget for 2010 assumes our costs will be similar to 2009. Consolidated direct production costs should be higher because production starts at Las Cruces.

Certain variable costs may continue to affect our earnings, depending on metal prices:

- royalties at Çayeli are affected by its net income
- variable employee compensation costs at Ok Tedi are affected by its cash flows
- royalties at Las Cruces are affected by its net sales.

Depreciation is increasing

(thousands)	three months ended December 31			year ended December 31		
	2009	2008	change	2009	2008	change
Depreciation by operation						
Çayeli	\$3,522	\$3,150	+12%	\$13,348	\$11,448	+17%
Pyhäsalmi	1,983	2,502	-21%	8,220	9,227	-11%
Troilus	6,521	2,954	+121%	16,642	9,239	+80%
Ok Tedi	5,885	6,238	-6%	23,542	14,690	+60%
	\$17,911	\$14,844	+21%	\$61,752	\$44,604	+38%

Depreciation in 2009 included a full year of depreciating the capital spent on the Ok Tedi tailings management plant. This project is being depreciated over Ok Tedi's remaining four year life. Depreciation at Troilus more than doubled in the quarter compared to 2008, and was significantly higher for the year, because it recorded an increase to its asset related to its retirement obligation at the end of 2008 and again in 2009.

2010 outlook for depreciation

We expect depreciation to be higher in 2010 because we expect Las Cruces to be transitioning to commercial production in the second quarter of 2010. Troilus is expected to process ore until mid-year 2010 and will depreciate its remaining assets to estimated salvage value over this period.

Corporate costs

Corporate costs include general and administration costs, taxes, interest and other income.

General and administration

General and administration costs are largely for management remuneration, governance and strategy. Costs in 2009 were \$11 million higher than 2008 (\$6 million in the fourth quarter) mainly because of the costs associated with the changes to the board and executive management this year. Costs in 2009 also included \$1 million for a deferred 2008 bonus payment that was granted in June 2009 when Las Cruces started producing cathode copper.

2010 outlook for general and administration

We expect general and administration costs to be lower than 2009, but higher than they were in 2008 as we expect to increase our human resources as we move forward with Cobre Panama.

Investment and other income was higher

(thousands)	three months ended December 31		year ended December 31	
	2009	2008	2009	2008
Interest income	\$828	\$6,188	\$4,706	\$28,182
Dividend and royalty income	350	1,825	1,335	4,979
Loss on recognition of settlement of interest rate swap contract	-	-	(14,823)	-
Gain on recognition of settlement of foreign currency forward contract	-	-	35,615	-
Foreign exchange loss on Las Cruces credit facility	-	(12,001)	(11,503)	(24,896)
Other foreign exchange gains (losses)	(4,836)	6,394	(2,652)	(8,979)
Other	3,938	5,651	(3,547)	6,700
	\$280	\$8,057	\$9,131	\$5,986

Interest income is lower than last year because market yields and our average cash balance were lower.

Recognition of interest rate swap contract and foreign currency forward contract

On July 31, 2009, we repaid 100 percent of Las Cruces' US dollar denominated bank credit facility and replaced it with intergroup debt using the proceeds from our equity offering. Las Cruces terminated its interest rate swap contracts on July 20, 2009, paying out \$16 million for early termination. This had the following effects on investment and other income:

- When we converted the Las Cruces debt from euro to US dollars in 2008, Las Cruces settled a foreign exchange forward contract and received proceeds of \$52 million. We deferred the proceeds in *accumulated other comprehensive income*, and had been amortizing it against interest costs over the term of the debt. When we repaid the debt, we realized the remaining deferred gain of \$36 million in *investment and other income*.
- When we repaid the debt, we recorded the \$15 million interest rate swap loss we had deferred in *accumulated other comprehensive income* in *investment and other income*.
- We revalued the US dollar credit facility into euros (Las Cruces' functional currency) and recorded foreign exchange gains or losses on the translation. We incurred foreign exchange losses of \$12 million in 2009 and \$25 million in 2008 before the debt was repaid. The \$12 million loss in 2009 includes a \$2 million foreign exchange gain from translation and a \$14 million foreign exchange loss from a devaluation of US dollar cash we were holding to repay the credit facility.
- As of July 31, 2009, we no longer report foreign exchange on revaluation of bank debt, because we have replaced it with intergroup debt, and foreign exchange is eliminated on consolidation. Las Cruces continues to be affected by foreign exchange fluctuations on the intergroup debt.

Foreign exchange gain (loss)

We have a foreign exchange gain or loss when:

- we revalue certain foreign denominated assets and liabilities
- we distribute funds from our self-sustaining operations and recognize the foreign exchange we previously deferred on our original investment and on funds as they accumulated.

Other foreign exchange gains (losses) are a result of the following:

(millions)	three months ended December 31		year ended December 31	
	2009	2008	2009	2008
Revaluation of US dollar cash held in Canada	\$(691)	\$5,113	\$(1,123)	\$5,102
Distribution of funds from subsidiaries	(3,649)	1,421	(1,176)	(18,963)
Revaluation of short-term foreign intergroup loans, cash and other monetary items	(496)	(140)	(353)	4,882
	\$(4,836)	\$6,394	\$(2,652)	\$(8,979)

2010 outlook for investment and other income

Investment and other income is affected by cash balances, interest rates and exchange rates. We plan to continue to repatriate excess cash balances from our foreign operations. This could result in foreign exchange losses or gains depending on the value of the Canadian dollar relative to when we initially invested in the operations, or the rate at which funds were accumulated.

We plan to repatriate approximately US \$60 million in cash from Çayeli and €15 million from Pyhäsalmi in the first half of 2010. This excess cash was accumulated at 2009 average exchange rates. The foreign exchange impact will depend on the exchange rate on the day of repatriation. Because Ok Tedi distributes its earnings more frequently, the effect of repatriation is normally not significant.

Asset impairment

We made a decision in 2008 not to proceed with the Cerattepe project. All work ceased on the project and we took a \$34 million charge to write down the assets to its net realizable value. In 2009, we took an additional impairment charge of \$10 million, as well as a \$6 million tax recovery (reflected in income taxes), to adjust to current net realizable value. The remaining \$2 million asset impairment in 2008 was a write down of materials and supplies at Troilus.

Income tax expense

(thousands)	three months ended December 31			year ended December 31		
	2009	2008	change	2009	2008	change
Çayeli	\$12,516	\$(1,991)		\$19,788	\$32,216	
Pyhäsalmi	5,372	948		12,016	19,814	
Ok Tedi	18,480	(545)		56,413	49,779	
Las Cruces	(2,354)	(6,049)		5,595	(11,050)	
Troilus and corporate	4,585	8,174		27,967	16,609	
	\$38,599	\$537		\$121,779	\$107,368	
Consolidated effective tax rate	30%	2%	+28%	31%	33%	-2%

Our tax expense changes as our earnings change.

Year 2009 income taxes compared to 2008

The consolidated effective tax rate decreased 2 percent from the 2008 rate largely due to taxes at Çayeli. In 2008, Çayeli's write down of Cerattepe was not tax deductible which increased Çayeli's effective tax rate. In 2009, we were able to record a tax recovery in relation to the 2008 write down, which lowered the 2009 effective tax rate.

Fourth quarter 2009 income taxes compared to 2008

There is a 28 percent increase in effective tax rate related mainly to Çayeli because in 2008 the tax recovery was lower as a result of the non-deductible Cerattepe write down.

2010 outlook for income tax expense

We expect statutory tax rates at our operations in 2010 to remain the same as they were in 2009 unless a statutory tax rate change is enacted.

Results of our operations

2010 estimates

Our financial review by operation includes estimates for our 2010 operating earnings and operating cash flows. We used our 2010 objectives for production and cost per tonne of ore milled to build these estimates, along with the following assumptions for the year:

Copper price	US \$3.00 per pound
Zinc price	US \$1.00 per pound
Gold price	US \$1,000 per ounce
Copper treatment cost	US \$51 per tonne for contracts and US \$32 per tonne for spot sales
Zinc treatment cost	US \$205 per tonne (basis US \$1,500 per tonne) and US \$200 per tonne for spot sales
US \$ to C\$ exchange rate	\$1.05
euro to C\$ exchange rate	\$1.53
Working capital	Assume no changes for the year

Çayeli

	three months ended			year ended			objective	
	2009	2008	change	2009	2008	change		
Tonnes of ore milled (000's)	300	292	+3%	1,151	1,109	+4%	1,200	
Tonnes of ore milled per day	3,300	3,200	+3%	3,150	3,040	+4%	3,300	
Grades (percent)	copper	3.7	-5%	3.3	3.7	-11%	3.3	
	zinc	6.5	6.2	+5%	6.3	6.1	+3%	6.1
Mill recoveries (percent)	copper	79	77	+3%	77	80	-4%	78
	zinc	71	70	+1%	71	71	-	70
Production (tonnes)	copper	8,200	8,400	-2%	29,200	32,700	-11%	30,500
	zinc	13,800	12,800	+8%	50,900	47,600	+7%	51,700
Cost per tonne of ore milled (C\$)	\$78	\$72	+8%	\$72	\$81	-11%	\$72	

Production results surpass 2008 achievement to set a new record

Çayeli's production increased to a record 1.15 million tonnes this year, including 300,000 tonnes in the fourth quarter, and set several new records for milling, including best daily tonnage of 3,700 tonnes, and best monthly tonnage of 107,000 tonnes. The mine also placed record amounts of paste and waste fill into the underground.

Copper grades this quarter and for the year were lower than last year due to adjustments in the mining sequence. Dilution was also higher because we mined more secondary and tertiary stopes than planned. Copper recoveries for the year were also below prior year because the ore type changed as we moved deeper into the ore body. Copper production for the quarter and year compared to 2008, was therefore lower.

Zinc grades were higher this quarter and for the year compared to last year because of the sequence of stopes resulting in higher zinc production.

Recent reductions in the work force and improvements in productivity have helped to manage labour costs and maintain our competitiveness. In December 2009, Çayeli finalized a three-year labour agreement, effective May 2009, that includes an inflation adjustment as well as some first year adjustments. We expect the agreement to increase annual operating costs by about US \$0.02 per pound. Operating costs this quarter were higher than 2008 mainly due to higher royalties because of higher income and the cumulative effect of the labour agreement during 2009 (effective May 2009) that was recorded when the agreement was signed.

2010 outlook for production and costs

In 2010, production levels should remain at 1.2 million tonnes, and copper and zinc grades should remain essentially unchanged at 3.3 percent for copper and 6.1 percent for zinc.

The existing five year, deep sea tailings deposition permit expired in January 2010. The regulator has granted an extension while it incorporates recent changes in legislation into the renewal.

Financial review

Higher earnings this quarter because of significantly higher copper and zinc prices

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended		year ended		<i>objective 2010</i>
	2009	December 31 2008	2009	December 31 2008	
Sales analysis					
Copper sales (tonnes)	8,900	9,100	29,000	32,500	30,500
Zinc sales (tonnes)	15,000	7,200	52,400	48,800	51,700
Gross copper sales	\$69	\$14	\$185	\$194	\$212
Gross zinc sales	39	11	102	99	120
Other metal sales	6	2	18	12	18
Gross sales	114	27	305	305	350
Smelter processing charges and freight	(27)	(13)	(82)	(78)	(97)
Net sales	\$87	\$14	\$223	\$227	\$253
Cost analysis					
Tonnes of ore milled (thousands)	300	292	1,151	1,109	1,200
Direct production costs (\$ per tonne)	\$78	\$72	\$72	\$81	\$72
Direct production costs	\$24	\$21	\$83	\$90	\$86
Change in inventory	1	(2)	-	-	-
Depreciation and other non-cash costs	4	3	16	14	18
Operating costs	\$29	\$22	\$99	\$104	\$104
Operating earnings (loss)	\$58	\$(8)	\$124	\$123	\$149
Operating cash flow	\$51	\$(7)	\$96	\$82	\$132

The objective for 2010 uses the assumptions listed on page 15.

The table below shows what contributed to the change in operating earnings and operating cash flow between 2009 and 2008.

<i>(millions)</i>	three months ended December 31	year ended December 31
Higher metal prices, denominated in Canadian dollars	\$74	\$13
Higher (lower) sales volumes	1	(15)
Higher smelter processing charges	(6)	(2)
Higher royalty	(4)	-
(Higher) lower operating costs (labour)	(1)	7
(Higher) lower depreciation and other	2	(2)
Higher operating earnings, compared to 2008	66	1
Change in tax expense because of change in taxable income	(17)	2
Changes in working capital	1	(1)
Add back higher depreciation and other	8	12
Higher operating cash flow, compared to 2008	\$58	\$14

Spending in 2009 limited to sustaining capital

	three months ended			year ended		
	2009	2008	change	2009	2008	change
Capital spending	\$4,200	\$3,600	+17%	\$14,900	\$20,300	-27%
						\$21,000

Capital spending in the quarter and for the year was for mine equipment replacements, some mill upgrades and mine development.

2010 outlook for capital spending

We expect to spend \$21 million on capital in 2010 for mobile equipment, site water control, slope stability, additional mill upgrades and development. We will complete a second head frame realignment phase in 2010, which will bring the head frame back to its design configuration, and establish a monitoring and correction program to ensure the facility remains viable for the life of the mine. At the same time, we will implement several geotechnical recommendations to curtail surface instability.

Las Cruces

2009 Production ramp-up summary

The grinding and leaching areas of the plant performed well throughout the ramp-up, and the agitated leach reactors regularly returned copper recovery values of higher than 90 percent. We tested the electrowinning and cathode stripping operation at the design capacity of 250 tonnes per day and the solvent extraction area operated without any significant issues. Cathode quality reached 99.999 percent copper, exceeding our expectations.

We did not, however, achieve commercial production and produced 5,600 tonnes of copper cathode compared to our estimate of 37,200 tonnes.

A number of equipment failures and operational issues delayed the ramp-up of the plant. Most of these were related to corrosive failure of plant components that were not adequately protected from high temperature and high acidity levels, and have been addressed or will be remediated and resolved in the first quarter of 2010.

- One of the reactor agitators failed in early August because corrosion protection failed. As a preventative measure, we removed and inspected all eight of the agitators, and made improvements to the rubber acid protection. We have had no indication of any subsequent damage since the repairs and inspections.
- The leach thickener's corrosion protection failed, causing the drive mechanism to fail completely. As a temporary solution, we cleaned the thickener for repair and inspection and created a new drive tube with thicker rubber protection. The rubber protection was damaged again in October by flex in the shaft and the thickener structure, causing the shaft and the diffusion cone to come in contact. New stainless steel components and other structural improvements will be installed in the first quarter of 2010.
- There were issues around the proper feeding arrangement of the band filters and the operation of the discharge conveyors that dewater and transport the leach residue before final disposal. Plugging of the fences in one of the SX settlers and initial errors in the installation of the pre-neutralization thickener rakes resulted in additional delays.
- There were pipe leaks and control problems associated with the operation of the grinding and neutralization thickeners.

Both thickeners were eventually drained and cleaned out before being returned to service with new operating parameters and procedures. They have operated as designed since that time. Filtration and conveyor operation improved by the end of December and we have scheduled additional modifications to the conveyor system to prevent blockages.

Throughput improved significantly in November: we processed 41,000 tonnes of ore, produced 1,500 tonnes of cathode and built up our in-process inventory. We also gained important operating experience over the month as we adjusted the plant to changing conditions and throughput rates.

Because of record high rainfall in the last two weeks of December, we had to use the high density sludge neutralization water treatment plant to reduce the critically high water levels in the process ponds, rather than to treat additional process water, which reduced plant throughput significantly.

Pond level management and the capacity of the neutralization plant limited production in early January. The re-direction of the neutralization plant solids to one of the tailings filters removed the water treatment bottleneck and allowed the treatment plant to operate at designed levels. Additional filter capacity will be needed to increase overall plant throughput above an estimated two-thirds rate later in the year and both temporary and permanent solutions are under investigation. We are confident that we can add temporary filter capacity to reach our stated ramp-up goals.

Capital update

The following table shows total spending for the project to the end of December 2009 and our capital objective for 2010:

(millions)	up to December 31, 2008	January to December 2009	total project at December 31, 2009	objective 2010
Construction capital	€448	€56	€504	€-
Advance stripping in the pit	6	14	20	13
Permanent water purification plant	-	5	5	12
Sustaining capital and plant improvements	-	9	9	35
Capitalized interest	18	6	24	-
Pre-operating costs capitalized, net of sales, working capital and other	30	(2)	28	(11)
Capital expenditures	€502	€88	€590	€49

Outlook for 2010

We believe that our ability to dewater the solids from the neutralization plant is a bottleneck to throughput. Solids are dewatered in a filter press and stored in the residue tailings facility as stackable filter cakes. The filter has not been performing at designed rates because of the nature of the material. Additional filter capacity will be added to ensure we can reach full plant capacity later in the year. We estimate we are lacking approximately 10 tonnes per hour of capacity for the neutralization plant sludge that we will add on a temporary basis until the permanent equipment is installed.

The maintenance shutdown in March is expected to last 14 days and involves 800 contract workers to complete a large number of projects geared towards improving plant reliability and throughput. Most importantly, failures associated with thickener corrosion and plugging of the plant discharge conveyor will be corrected permanently.

We now expect to reach commercial production (about 60 percent of design capacity) in May 2010 and design capacity (72,000 tonnes of copper cathode per year) by August 2010. We plan to produce 55,000 tonnes of copper cathode and 18,000 tonnes of copper contained in ore to ship directly to smelters, as long as market conditions persist and permits are in place.

We have developed a plan leading to full production rates in August that incorporates the above plant improvements, as well as operational and reliability-centered improvements. As well as addressing technical improvements, we are committed to improving overall performance through operator training and the organization of project execution teams. Our available resources include a comprehensive group of outside experts assisting in our ramp-up program.

The tables below show estimated production, earnings and cash flows for 2010 for 100 percent of Las Cruces using the estimates on page 15.

<i>(millions of Canadian dollars unless otherwise stated)</i>	objective 2010
Sales analysis	
Copper sales during commercial production (tonnes)	67,000
Gross copper sales	\$465
Smelter processing charges and freight	(34)
Net sales	\$431
Cost analysis	
Tonnes of ore milled (thousands)	810
Direct production costs (\$ per tonne)	\$122
Direct production costs	\$98
Depreciation and other non-cash costs	66
Operating costs	\$164
Operating earnings	\$267
Operating cash flow	\$323

	objective 2010
Tonnes of ore processed (thousands)	930
Tonnes of unprocessed ore (thousands)	129
Strip ratio	1.3
Copper grades	
cathode (percent)	6.6
unprocessed ore (percent)	13.9
Plant recoveries (percent)	92
Copper production	
cathode (tonnes)	55,000
unprocessed ore (tonnes)	18,000
Cost per tonne of ore processed (subsequent to commercial production)	(C \$) \$122
Capital expenditures (thousands)	(C \$) \$75

Pyhäsalmi

	three months ended			year ended			objective 2010
	2009	2008	change	2009	2008	change	
Tonnes of ore milled (000's)	349	356	-2%	1,396	1,406	-1%	1,370
Tonnes of ore milled per day	3,790	3,870	-2%	3,820	3,850	-1%	3,750
Grades (percent)							
copper	1.1	1.0	+10%	1.1	1.0	+10%	1.0
zinc	3.1	2.1	+48%	2.2	2.2	-	2.5
sulphur	39	42	-7%	41	42	-2%	42
Mill recoveries (percent)							
copper	97	96	+1%	96	95	+1%	94
zinc	92	90	+2%	90	91	-1%	90
Production (tonnes)							
copper	3,600	3,400	+6%	14,600	13,300	+10%	13,400
zinc	9,700	6,800	+43%	27,100	27,800	-3%	31,300
pyrite	60,900	81,700	-25%	383,900	565,000	-32%	420,000
Cost per tonne of ore milled (C\$)	\$48	\$44	+9%	\$44	\$42	+5%	\$43

Higher zinc grades in the quarter increased zinc production

Throughput continued to be high this year – Pyhäsalmi processed 1.4 million tonnes of ore through the mill, and had a near record 96 percent availability and record copper recovery of 96 percent. It also completed an accelerated backfill program to reduce the amount of open void and improve geotechnical stability. We also improved the reliability of backfill supply by keeping the fill raise system full, increasing stability and minimizing raise failures and blockages.

Copper production in the quarter and for the year was higher than 2008 because grades and recoveries were both higher. For the year, zinc production was in line with 2008 and higher for the quarter because we moved some higher grade stopes up in the plan. We produced less pyrite this year than planned, choosing instead to reduce our stockpiles because of depressed market conditions.

2010 outlook for production and costs

Pyhäsalmi expects to mine 1.4 million tonnes of 1 percent copper and 2.5 percent zinc in 2010, and produce 13,400 tonnes of copper and 31,300 tonnes of zinc. The budgeted zinc grade will increase because we plan to mine several zinc rich stopes on the periphery of the ore body. We plan to mine 25 stopes in 2010 (8 primary and 17 secondary) and expect 60 percent of the ore to come from the secondary stopes.

Pyrite sales enhance Pyhäsalmi's financial performance, so we will continue our efforts to sign long-term agreements within Finland, and to enter new markets in Europe and Asia.

Financial review

Higher earnings this quarter because of a significant increase in copper and zinc prices

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended		year ended		<i>objective 2010</i>
	2009	December 31 2008	2009	December 31 2008	
Sales analysis					
Copper sales (tonnes)	3,300	3,800	14,200	13,700	13,400
Zinc sales (tonnes)	9,600	6,500	27,000	27,400	31,300
Pyrite sales (tonnes)	117,000	66,000	413,000	558,000	420,000
Gross copper sales	\$26	\$14	\$89	\$94	\$93
Gross zinc sales	25	9	58	51	72
Other metal sales	9	14	38	76	26
Gross sales	60	37	185	221	191
Smelter processing charges and freight	(17)	(9)	(51)	(57)	(48)
Net sales	\$43	\$28	\$134	\$164	\$143
Cost analysis					
Tonnes of ore milled (thousands)	349	356	1,396	1,406	1,370
Direct production costs (\$ per tonne)	\$48	\$44	\$44	\$42	\$43
Direct production costs	\$17	\$16	\$62	\$60	\$59
Change in inventory	-	-	(1)	-	-
Depreciation and other non-cash costs	2	4	10	11	11
Operating costs	\$19	\$20	\$71	\$71	\$70
Operating earnings	\$24	\$8	\$63	\$93	\$73
Operating cash flow	\$16	\$21	\$61	\$100	\$64

The objective for 2010 uses the assumptions listed on page 15.

The table below shows what contributed to the change in operating earnings and operating cash flow between 2009 and 2008.

<i>(millions)</i>	three months ended December 31	year ended December 31
Higher (lower) metal prices, denominated in Canadian dollars	\$26	\$(2)
Lower pyrite sales, net of costs to sell	(7)	(26)
Higher sales volumes	1	3
Higher smelter processing charges	(4)	(5)
Higher (lower) operating earnings, compared to 2008	16	(30)
Change in tax expense because of change in earnings	(4)	9
Changes in working capital (see note 3 on page 48)	(17)	(15)
Other	(2)	(3)
Lower operating cash flow, compared to 2008	\$(5)	\$(39)

Capital spending to sustain and improve

<i>(thousands)</i>	three months ended December 31			year ended December 31			<i>objective 2010</i>
	2009	2008	change	2009	2008	change	
Capital spending	\$2,100	\$3,900	-46%	\$7,900	\$9,800	-19%	\$9,000

We spent \$8 million in sustaining capital this year: we purchased a new underground loader and mobile rock breaker, upgraded the process water supply pump station, automated the treated water discharge valve, and buttressed part of the tailings pond to improve stability. To improve mill efficiency, we replaced the zinc rougher and scavenger flotation cells, which had become corroded. In 2008, we spent \$10 million to replace mine and mill equipment.

2010 outlook for capital spending

Capital spending in 2010 is mainly to replace equipment.

Troilus

	three months ended December 31			year ended December 31			objective 2010
	2009	2008	change	2009	2008	change	
Tonnes of ore milled (000's)	1,500	1,500	-	6,000	5,800	+3%	3,019
Tonnes of ore milled per day	16,300	16,600	-2%	16,400	15,900	+3%	16,700
Strip ratio	-	1.3	-100%	0.13	1.4	-91%	-
Grades							
gold (grams/tonne)	0.61	0.99	-38%	0.83	0.96	-14%	0.49
copper (percent)	0.11	0.14	-21%	0.11	0.10	+10%	0.08
Mill recoveries (percent)							
gold	83	83	-	84	84	-	77
copper	90	94	-4%	92	93	-1%	91
Production							
gold (ounces)	24,200	40,500	-40%	135,200	151,300	-11%	36,400
copper (tonnes)	1,000	2,000	-50%	5,900	5,700	+4%	2,100
Cost per tonne of ore milled (C\$)	\$9	\$15	-40%	\$9	\$15	-40%	\$9

Troilus continues to process stockpiled ore

Troilus continued to process ore from its low-grade stockpile after completing mining the 87 pit in April. This has lowered gold grades and production compared to last year, both in the quarter and for the year, and lowered the cost per tonne of ore milled.

Gold grades were lower than 2008 because we finished mining the main 87 pit in April and began recovering from stockpiles. Copper production was in line with our results in 2008.

We began site restoration early this year to prepare for mine closure in mid-2010. Work included building safety berms around the completed pits, placing and seeding moraine and raising a dyke on the west and south branches of the tailings management facility.

Late in the year, we submitted an updated and detailed site closure plan to the Quebec regulatory authorities, and began the process of disposing of mobile and fixed assets, and recognized an \$8 million increase in asset retirement obligations. At December 31, we had recorded a total asset retirement obligation of \$18 million for Troilus.

2010 outlook for production and costs

We expect to mill slightly over 3.0 million tonnes at an average grade of 0.49 grams per tonne gold and 0.08 percent copper, which should produce 36,400 ounces of gold and 2,100 tonnes of copper during the first half of the year.

We will finish milling the surface stockpiles by the end of June. A small group of employees will remain after that to oversee closure activities.

Financial review

Lower operating costs and higher copper prices improved earnings this quarter

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended		year ended		<i>objective 2010</i>
	2009	December 31 2008	2009	December 31 2008	
Sales analysis					
Gold sales (ounces)	26,400	40,000	140,000	149,700	43,700
Copper sales (tonnes)	1,200	2,000	6,100	5,500	2,200
Gross gold sales	\$31	\$32	\$157	\$109	\$46
Gross copper sales	9	4	40	30	15
Other metal sales	1	-	3	2	1
Gross sales	41	36	200	141	62
Smelter processing charges and freight	(3)	(4)	(14)	(11)	(5)
Net sales	\$38	\$32	\$186	\$130	\$57
Cost analysis					
Tonnes of ore milled (thousands)	1,500	1,530	6,000	5,800	3,000
Direct production costs (\$ per tonne)	\$5	\$15	\$9	\$15	\$9
Direct production costs	\$13	\$23	\$57	\$89	\$27
Change in inventory	1	1	2	-	9
Depreciation and other non-cash costs	4	4	22	15	17
Operating costs	\$18	\$28	\$81	\$104	\$53
Operating earnings	\$20	\$4	\$105	\$26	\$4
Operating cash flow	\$25	\$20	\$119	\$41	\$10

The objective for 2010 uses the assumptions listed on page 15.

The table below shows what contributed to the change in operating earnings and operating cash flow between 2009 and 2008.

<i>(millions)</i>	three months ended December 31	year ended December 31
Higher gold price denominated in Canadian dollars	\$10	\$55
Higher copper price denominated in Canadian dollars	7	7
Lower sales volumes	(13)	(10)
Higher smelter processing charges	(2)	(2)
Lower operating costs	17	35
Higher depreciation	(4)	(7)
Other	1	1
Higher operating earnings, compared to 2008	16	79
Changes in working capital	(2)	-
Add back of higher depreciation	4	7
Amortization of cash settled gold hedges in 2008	(7)	-
Settlement of asset retirement obligations	-	(3)
Other	(6)	(5)
Higher operating cash flow, compared to 2008	\$5	\$78

Financial review

Higher earnings and operating cash flow in the fourth quarter due to higher copper prices

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended		year ended		<i>objective 2010</i>
	2009	December 31 2008	2009	December 31 2008	
Sales analysis at 18%					
Copper sales (tonnes)	6,100	7,500	26,600	29,900	29,300
Gold sales (ounces)	19,500	23,500	88,900	92,100	109,300
Gross copper sales	\$51	\$15	\$189	\$193	\$203
Gross gold sales	24	22	101	81	115
Other metal sales	1	1	4	3	3
Gross sales	76	38	294	277	321
Smelter processing charges and freight	(7)	(6)	(30)	(33)	(31)
Net sales	\$69	\$32	\$264	\$244	\$290
Cost analysis at 18%					
Tonnes of ore milled (thousands)	1,100	1,000	4,100	3,900	4,300
Direct production costs (\$ per tonne)	\$23	\$27	\$24	\$24	\$23
Direct production costs	\$25	\$27	\$96	\$93	\$99
Change in inventory	(11)	1	(9)	(3)	-
Depreciation and other non-cash costs	7	6	27	19	30
Operating costs	\$21	\$34	\$114	\$109	\$129
Operating earnings	\$48	(\$2)	\$150	\$135	\$161
Operating cash flow	\$42	\$11	\$103	\$117	\$125

The objective for 2010 uses the assumptions listed on page 15.

The table below shows what contributed to the change in operating earnings and operating cash flow between 2009 and 2008.

<i>(millions)</i>	three months ended December 31	year ended December 31
Higher copper prices, denominated in Canadian dollars	\$39	\$17
Higher gold prices, denominated in Canadian dollars	5	23
Higher (lower) sales volumes	5	(17)
Higher smelter processing and freight charges	(2)	-
Lower operating costs	3	1
Higher depreciation	-	(9)
Higher operating earnings, compared to 2008	50	15
Change in tax expense because of change in earnings	(21)	(1)
Changes in net working capital (see note 3 on page 48)	3	(36)
Add back of higher depreciation and other	(1)	8
Higher (lower) operating cash flow, compared to 2008	\$31	\$(14)

Capital spending on pit drainage

Capital spending in 2009 of \$117 million (our share \$21 million) was for the mine drainage tunnel and other projects. In 2008 capital spending was mainly for the mine waste management program and the mine drainage tunnel.

<i>(18 percent)</i>	three months ended December 31			year ended December 31			<i>objective 2010</i>
	2009	2008	change	2009	2008	change	
Capital spending	\$11,300	\$11,700	-3%	\$21,200	\$38,400	-45%	\$21,000

2010 outlook for capital spending

Capital spending in 2010 will be for a mining fleet specific to limestone mining, the construction of underwater storage pits for sulphur concentrate produced by the tailings management plant and earthworks.

Status of our development project

Cobre Panama

FEED program

The revised mine plan and other optimization studies have contributed to an updated base case for design purposes, including a switch to a third party power provider (Suez Energy Central America with whom we signed a joint development agreement), higher throughput of 150,000 tonnes per day, a minimum 30 year mine life and other changes. In late March 2010, we plan to announce the results of the work from the front-end engineering and design (FEED) study, which will include updated capital cost estimates, operating cost estimates, mineral reserves, and other information that will help us in the assessment of the economics of the project.

Environmental affairs

Our environmental activities this year revolved around two primary components: work on the environmental and social impact assessment study (ESIA), and support for our field activities.

We completed baseline data collection and made substantial progress on the impact assessments and management plans. Our ESIA, which will cover all environmental and social interactions associated with the project, is being prepared by experts in the field of environmental and social assessment, who have experience in other large and complex mining projects. They will complete the assessment early in the second quarter of 2010, and then we will submit it to the Panamanian regulatory authorities for their review, comment and approval.

Option to sell 20 or 30 percent of Cobre Panama

In October 2009, we entered into an agreement with LS-Nikko Copper Inc. (LS-Nikko), that gives it the option to acquire a 20 percent interest in Minera Panama. Under the agreement LS-Nikko has the right to increase this interest to 30 percent prior to January 31, 2010. We granted an extension of this right to February 28, 2010 while it continues to seek additional partners. LS-Nikko is holding the option through a wholly-owned subsidiary, Korea Panama Mining Corp. (KPMC), and has guaranteed KPMC's obligations under the agreement.

During the option period, we and KPMC will fund our proportionate shares of Minera Panama's development costs up to US \$150 million. We will fund 100 percent of development costs that exceed US \$150 million during this period.

After we publicly announce a decision to proceed with construction and development of the project, KPMC will have 60 days to exercise its option. If it chooses to exercise the option:

- KPMC will invest in Minera Panama its proportionate share of:
 - our US \$501 million investment in Minera Panama, or approximately US \$125.5 million with a 20 percent interest or US \$215 million with a 30 percent interest, and
 - development costs during the option period that exceeded US \$150 million.

We will enter into a shareholders' agreement with LS-Nikko, KPMC and Minera Panama that will include usual terms related to governing the affairs of Minera Panama and the relationships among the parties. All essential terms have already been agreed upon, including the fact that Inmet will continue to oversee development and operation of the project.

2010 outlook for development

In 2010 we plan to:

- complete and release the results of the FEED study
- complete and submit an updated National Instrument 43-101 compliant technical report and reserve statement
- submit the ESIA to the Panamanian environmental authorities

- continue our communications at the community, regional and national levels to enhance understanding of the project and its benefits to Panama
- continue to improve site access and infrastructure
- carry out additional drilling for geotechnical and hydrological purposes
- improve our understanding of mineralization not currently included in the project base case
- enter into an agreement with an engineering, procurement and construction (EPC) contractor for the project and start basic engineering
- work with Suez Energy Central America to select an EPC contractor for the development of a 300 megawatt coal-fired power plant to supply power for the project
- spend \$122 million to carry out the work described in 2010.

We expect approval for the ESIA and permitting for construction to take approximately 12 months from the time the ESIA report is submitted. After we receive the approvals, site capture, preparation and construction should take approximately 48 months.

We continue to consider other companies as part of our overall partnering and financing strategy for the project, but have no plans to sell down additional interests at this time. We are also in discussions about other financing options for the project at this time.

Managing our liquidity

We plan our financing strategy by looking at our long-term financial requirements and our future capital needs, and deciding on the optimal mix of cash, future operating cash flow, credit facilities and project financing.

Our capital structure includes a liquidity cushion that gives us the flexibility to deal with operational disruptions or general market downturns, like the fragility of the global economy.

(millions)	three months ended December 31		year ended December 31	
	2009	2008	2009	2008
CASH FROM OPERATING ACTIVITIES				
Çayeli	\$51	(\$7)	\$96	\$82
Pyhäsalmi	16	21	61	100
Troilus	25	20	119	41
Ok Tedi	42	11	103	117
Corporate development and exploration not incurred by operations	(1)	(1)	(6)	(7)
General and administration	(10)	(3)	(24)	(13)
Corporate taxes				
Investment income and other	5	(9)	(23)	8
Settlement of asset retirement obligations, excluding Troilus	(2)	(1)	(3)	(3)
	126	31	323	325
CASH FROM INVESTING AND FINANCING				
Purchase of property, plant and equipment	(63)	(134)	(268)	(461)
Acquisition of Petaquilla Copper, net of cash acquired	-	(43)	-	(380)
Investment in Cobre Panama prior to consolidation	-	-	-	(25)
(Acquisition) disposition of investments	-	-	(100)	-
Proceeds from issuance of common shares, net of transaction costs	-	-	334	-
Long-term debt - borrowings	-	22	-	128
- repayments	-	-	(315)	(14)
Funding by non-controlling shareholder	1	25	51	62
Financial assurance deposits	(11)	1	(63)	(14)
Dividends paid on common shares	(5)	(5)	(10)	(10)
Subsidies received	-	-	71	3
Settlement of interest rate swap contract	-	-	(16)	-
Settlement of foreign currency forward contract	-	-	-	52
Foreign exchange on cash held in foreign currency	(13)	37	(47)	60
Other	2	3	1	6
	(89)	(94)	(362)	(593)
Increase (decrease) in cash	37	(63)	(39)	(268)
Cash and short-term investments				
Beginning of period	497	636	573	841
End of period	\$534	\$573	\$534	\$573

OPERATING ACTIVITIES

Key components of the change in operating cash flows

(millions)	three months ended December 31	year ended December 31
Higher earnings from operations (see page 4)	\$144	\$60
Add back non-cash charges included in operating earnings	2	12
Lower (higher) tax expense	(38)	5
Higher general and administration	(7)	(11)
Lower interest income	(5)	(23)
Higher reclamation payments	-	(3)
Changes in working capital	(7)	(42)
Other	6	-
Higher (lower) operating cash flow, compared to 2008	\$95	\$(2)

Working capital changes reduced our operating cash flows in 2009 mainly because metal prices and therefore accounts receivable balances were higher at the end of the year. We started the year with a payable owing to smelters from Çayeli and Ok Tedi, because of the large drop in metal prices in the fourth quarter of 2008. The upswing in metal prices in the fourth quarter of 2009 significantly increased our accounts receivable at the end of the year.

2010 outlook for cash from operating activities

The table below shows expected operating cash at our operations, based on our outlook for metal prices and production listed on page 15, and the assumptions in *Results of our operations*, which starts on page 15.

2010 estimated operating cash flow by operation

(millions)	
Çayeli	\$132
Las Cruces	323
Pyhäsalmi	64
Troilus	10
Ok Tedi	125
	\$654

INVESTING AND FINANCING

Capital spending

(millions)	three months ended		year ended		<i>objective</i> 2010
	2009	December 31 2008	2009	December 31 2008	
Çayeli	\$4	\$4	\$15	\$20	\$21
Las Cruces	31	94	139	356	75
Pyhäsalmi	2	4	8	10	9
Troilus	-	-	-	2	-
Ok Tedi	11	12	21	38	21
Cobre Panama	15	17	85	42	122
Cerattepe	-	3	-	18	-
	\$63	\$134	\$268	\$486	\$248

Please see *Results of our operations* and *Status of our development project* for a discussion of actual results and our 2010 objective. Capital spending in 2009 was mainly for construction at Las Cruces, the pit drainage tunnel project at Ok Tedi and work to advance Cobre Panama.

Acquisition of assets - 2008

In March 2008, we entered into an arrangement with Teck Cominco Limited to proceed with development of the Cobre Panama project. Under that agreement we agreed to fund our and Teck's share of project expenditures from April 1, 2008 until we contributed a total between us of US \$50 million in development costs, or until September 30, 2009, whichever was earlier. In late December, we acquired Teck's 26 percent interest in the project after it gave notice of its withdrawal from our arrangement. No payment was required other than the US \$30 million we had already paid to fund project expenditures.

Following our successful take-over bid in September to acquire all of the shares of Petaquilla Copper Ltd. for \$2.20 each, in November we acquired the remaining shares of Petaquilla Copper. This increased our interest in the Cobre Panama project by 26 percent at a cost of \$402 million.

Acquisition of long-term investments

In 2009, we bought \$100 million in medium-term Canadian government and corporate bonds with credit ratings of A to AAA, and a weighted average term to maturity of approximately three years. These will increase our return on the cash we have set aside for capital spending at Cobre Panama.

Proceeds from issuing common shares

On June 25 we completed a public offering of 7.825 million common shares of Inmet Mining, on a bought deal basis, at a price of \$44.50 per share, for aggregate gross proceeds of \$348 million (\$334 million net of transaction costs).

We used US \$240 million of this to repay the debt under Las Cruces' project financing facility, and will use the balance for general corporate purposes.

Long-term debt repayments and settlement of interest rate swap contract

In the first half of 2009, Las Cruces made its first scheduled repayment of US \$12 million under Tranche A of its credit facility. It also repaid €42 million under Tranche B (an amount equal to the subsidies received).

On July 31, 2009, Las Cruces repaid the remaining US \$203 million under Tranche A, €5 million under Tranche B and cash collateralized \$32 million in letters of credit that had been secured under the credit facility. This eliminated the Las Cruces project credit facility. We funded 100 percent of the repayment through an intercompany loan. Leucadia guarantees 30 percent of this loan.

Las Cruces paid \$16 million in July to terminate its interest rate swap contract, in connection with the decision to repay the credit facility.

Settlement of foreign currency forward contract in 2008

On June 30, 2008, when we converted the Las Cruces debt from euro to US dollars, Las Cruces settled a foreign exchange forward contract and received proceeds of \$52 million.

2010 outlook for investing and financing

We expect capital spending to be \$248 million in 2010. The more significant items include:

- \$75 million at Las Cruces, including \$37 million on a water treatment plant and other water management projects, \$20 million for mine development and \$6 million for plant improvements
- \$122 million for work on the development at Cobre Panama, including basic engineering, advance payments for mill equipment and other costs to advance development
- \$10 million at Ok Tedi for the construction of underwater storage pits for sulphur concentrate produced by the tailings management plant.

Financial condition

CASH

Our cash and cash equivalents balance at December 31, 2009 was \$534 million. This included cash and money market instruments that mature in 90 days or less, 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 to minimize the risk associated with these investments. We base our decisions about the length of maturities on our cash flow requirements, rates of return and other factors.

The economic downturn appears to be reversing, but we are still monitoring the potential for a second wave. We have moved some of our government funds to prime funds and have created a bond portfolio that should provide better yields with minimal change to our investment risk. At December 31, 2009, we held cash and short-term investments in the following:

- Highest rated asset backed commercial paper programs sponsored by leading Canadian financial institutions backed by global style liquidity lines
- AAA rated treasury funds and 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 benefiting directly and indirectly from support programs by various governments and central banks.

See note 4 on page 50 in the consolidated financial statements for more details about where our cash is invested.

The bond portfolio (*Held to maturity investments*) is comprised of 30 percent Government of Canada bonds, 50 percent Provincial bonds and 20 percent corporate bonds, with average maturities of three years.

Our restricted cash balance of \$117 million as at December 31, 2009 included:

- \$26 million in trust for future reclamation at Ok Tedi
- \$17 million of cash collateralized letters of credit for Inmet
- \$72 million related to issuing letters of credit to suppliers and the local water authority at Las Cruces, a reclamation bond and for its labour bond to the government
- \$2 million for future reclamation at Pyhäsalmi.

Las Cruces' restricted cash increased by €8 million in the fourth quarter to secure a letter of credit with the local Spanish water authority related to the permanent water treatment plant.

COMMON SHARES

Common shares outstanding as of December 31, 2009 and February 9, 2010	56,106,759
Deferred share units outstanding as of December 31, 2009 (redeemable on a one-for-one basis for common shares)	90,932

FINANCIAL INSTRUMENTS

The table below shows the gold forward sales (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 gain (loss) at December 31, 2009
Gold forward sales				
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.	\$(4.5 million) ⁽¹⁾

⁽¹⁾ At a gold price of US \$1,098 per ounce.

Accounting changes

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

The Accounting Standards Board confirmed that International Financial Reporting Standards (IFRS) will replace current Canadian GAAP for financial periods beginning on and after January 1, 2011. IFRS is based on a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure.

While the adoption of IFRS will not change the actual cash flows we generate or our business activities, it will result in changes to our reported financial position and results of operations.

We have prepared a comprehensive IFRS convergence plan that addresses the changes in accounting policy, restatement of comparative periods, internal control over financial reporting, modification of existing systems, the training and awareness of staff, and other related business matters. Senior financial management, who report to and are overseen by Inmet's Audit Committee, are responsible for planning and implementing the conversion.

To date, we have made an initial determination all of our significant accounting policies, prepared sample financial statements and assessed the impacts on our systems and processes. We have been working alongside our auditors in drafting our accounting policies to ensure they agree with our choices, and that we are choosing policies that are consistent with our peers in the industry. Our goal is to restate our December 31, 2009 Canadian GAAP balance sheet under IFRS by the end of first quarter of 2010 and document the related internal controls.

The major differences between our current accounting policies under Canadian GAAP and the accounting policies we currently expect to apply when we transition to IFRS are set out below.

The standard-setting bodies that determine Canadian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS, and their impact on our consolidated financial statements. The impact IFRS has in future years will also depend on circumstances at the time. An exposure draft on accounting for joint venture interests (including our investment in Ok Tedi) could have significant effects on our financial statements. We will continue to monitor changes to IFRS and adjust our convergence plan as required.

Impairment of assets

Under Canadian GAAP, we use a two-step approach to impairment testing:

- first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists
- then measuring any impairment by comparing asset carrying values with fair values (generally assessed using a discounted cash flow valuation process).

IFRS uses a one step approach to test for and measure impairment, and compares asset carrying values directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may result in more write downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted basis, but could not be supported on a discounted basis under IFRS.

IFRS also requires a full or partial reversal of previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits the reversal of impairment losses.

Business combinations

Under Canadian GAAP, mining companies in the early development stage when acquired often do not constitute a business, and instead are accounted for as an acquisition of assets without any goodwill. The definition of a business under IFRS is broader, and most acquisitions represent business combinations, so goodwill is recognized more frequently.

In addition, most identifiable assets, liabilities, non-controlling interests and goodwill acquired in a business combination are recorded at full fair value under IFRS. Under Canadian GAAP, these items are recorded only to the extent of the ownership percentage acquired and non-controlling interests are recognized at book value.

Asset retirement obligations

Under Canadian GAAP, we use a credit adjusted risk free interest rate and are not required to update the rate when market rates change. Under IFRS, we will measure asset retirement obligations using a risk free interest rate and revalue when market risk free interest rates change.

Revenue

Under IFRS, we will recognize revenue when all significant risks and rewards of ownership of our products are transferred to the purchaser. Under Canadian GAAP, we recognize revenue when title is legally transferred to the purchaser. For certain shipments at Çayeli, Ok Tedi and Las Cruces, we transfer title when we receive the first provisional payment, which is later than the transfer point for risks and rewards of ownership.

Foreign exchange gains and losses

Under IFRS, only dividends that represent a return on capital invested in a foreign operation require recognition of previously deferred foreign exchange gains or losses. Under Canadian GAAP, dividends, including those related to the accumulation of earnings and repayment of intercompany debt, are considered a return on investment, and we recognize the deferred foreign exchange gains or losses on these amounts in investment and other income.

First time adoption of IFRS

First time adoption of International Financial Reporting Standards (IFRS1) lists specific exemptions that we can use when we first adopt IFRS. The most significant exemptions we expect to apply are as follows:

- Business combinations – for business combinations that occurred before the transition date, we can choose to restate all of them under IFRS, restate all of them after a particular date, or not restate any of them. We expect to use this exemption and not restate any business combinations under IFRS.
- Cumulative translation adjustment – IFRS requires an entity to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS 1 allows an entity to consider the cumulative translation differences for all foreign operations to be zero at the date of transition, and to reclassify of the previous amount to retained earnings. We expect to use this exemption and reset our cumulative translation adjustment to zero on transition to IFRS.

Supplementary financial information

Pages 35 and 36 include supplementary financial information about 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.

About Inmet

Inmet is a Canadian-based global mining company that produces copper, zinc and gold. We have interests in five mining operations in locations around the world: Çayeli, Las Cruces, Pyhäsalmi, Troilus and Ok Tedi. We also have a 100 percent interest in Cobre Panama, a development property in Panama.

For more information

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This press release is also available at www.inmetmining.com

Fourth quarter conference call

Will be held on

- Wednesday, February 10, 2010
- 8:30 a.m. Eastern Time
- webcast available at <http://events.digitalmedia.telus.com/inmet/021010/index.php> or www.inmetmining.com.

You can also dial in by calling

- Local or international: +1.416.340.2216
- Toll-free within North America: +1.866.226.1792

Starting 10:00 a.m. (ET) Wednesday February 10, 2010, conference call replay will be available

- Local or international: +1.416.695.5800 passcode 1325738
- Toll-free within North America: +1.800.408.3053 passcode 1325738

INMET MINING CORPORATION

Supplementary financial information

Cash costs

2009 For the year ended December 31

	per pound of copper				per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI	TOTAL COPPER	TROILUS
(US dollars)					
Direct production costs	\$1.02	\$1.71	\$1.23	\$1.24	\$366
Royalties and variable compensation	0.10	-	0.05	0.06	-
Smelter processing charges and freight	1.24	1.08	0.43	0.88	86
Metal credits	(1.73)	(2.26)	(1.49)	(1.74)	(270)
Cash cost	\$0.63	\$0.53	\$0.22	\$0.44	\$182

2008 For the year ended December 31

	per pound of copper				per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI	TOTAL COPPER	TROILUS
(US dollars)					
Direct production costs	\$1.07	\$1.92	\$1.32	\$1.32	\$550
Royalties and variable compensation	0.10	-	0.07	0.07	-
Smelter processing charges and freight	1.13	1.10	0.49	0.88	70
Metal credits	(1.55)	(3.33)	(1.25)	(1.75)	(203)
Cash cost	\$0.75	(\$0.31)	\$0.63	\$0.52	\$417

Reconciliation of cash costs to statements of earnings

2009 For the year ended December 31

	per pound of copper				per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI	TOTAL COPPER	TROILUS
(millions of Canadian dollars, except where otherwise noted)					
GAAP reference	page 17	page 21	page 25		page 23
Direct production costs	\$82	\$62	\$96	\$240	\$57
Smelter processing charges and freight	82	51	30	163	14
By product sales	(120)	(96)	(105)	(321)	(43)
Adjust smelter processing and freight, and sales to production basis	2	2	(4)	-	-
Operating costs net of metal credits	\$46	\$19	\$17	\$82	\$28
US \$ to C\$ exchange rate	\$1.14	\$1.14	\$1.14	\$1.14	\$1.14
Inmet's share of production (000's)	64,400	32,200	66,100	162,700	135,200
Cash cost	\$0.63	\$0.53	\$0.22	\$0.44	\$182

2008 For the year ended December 31

	per pound of copper				per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI	TOTAL COPPER	TROILUS
(millions of Canadian dollars, except where otherwise noted)					
GAAP reference	page 17	page 21	page 25		page 23
Direct production costs	\$90	\$60	\$93	\$243	\$89
Smelter processing charges and freight	78	57	33	168	12
By product sales	(111)	(127)	(84)	(322)	(33)
Adjust smelter processing and freight, and sales to production basis	1	-	1	2	(1)
Operating costs net of metal credits	\$58	(\$10)	\$43	\$91	\$67
US \$ to C\$ exchange rate	\$1.07	\$1.07	\$1.07	\$1.07	\$1.07
Inmet's share of production (000's)	72,100	29,300	63,400	164,800	151,300
Cash cost	\$0.75	(\$0.31)	\$0.63	\$0.52	\$417

INMET MINING CORPORATION

Supplementary financial information

Cash costs

2009 For the three months ended December 31

	per pound of copper				per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI	TOTAL COPPER	TROILUS
(US dollars)					
Direct production costs	\$1.06	\$2.05	\$1.11	\$1.25	\$440
Royalties and variable compensation	0.15	-	0.08	0.09	-
Smelter processing charges and freight	1.45	1.70	0.47	1.06	87
Metal credits	(2.26)	(3.57)	(1.58)	(2.18)	(325)
Cash cost	\$0.40	\$0.18	\$0.08	\$0.22	\$202

2008 For the three months ended December 31

	per pound of copper				per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI	TOTAL COPPER	TROILUS
(US dollars per pound)					
Direct production costs	\$0.98	\$1.73	\$1.41	\$1.28	\$466
Royalties and variable compensation	(0.07)	-	-	(0.03)	-
Smelter processing charges and freight	0.88	0.82	0.33	0.66	80
Metal credits	(1.18)	(2.46)	(1.18)	(1.41)	(86)
Cash cost	\$0.61	\$0.09	\$0.56	\$0.50	\$460

Reconciliation of cash costs to statements of earnings

2009 For the three months ended December 31

	per pound of copper				per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI	TOTAL COPPER	TROILUS
(millions of Canadian dollars, except where otherwise note)					
GAAP reference	page 17	page 21	page 25		page 23
Direct production costs	\$24	\$17	\$25	\$66	\$13
Smelter processing charges and freight	27	17	7	51	3
By product sales	(45)	(34)	(25)	(104)	(10)
Adjust smelter processing and freight, and sales to production basis	2	2	(5)	(1)	-
Operating costs net of metal credits	\$8	\$2	\$2	\$12	\$6
US \$ to C\$ exchange rate	\$1.06	\$1.06	\$1.06	\$1.06	\$1.06
Inmet's share of production (000's)	18,100	7,900	20,200	46,200	24,200
Cash cost	\$0.40	\$0.18	\$0.08	\$0.22	\$202

2008 For the three months ended December 31

	per pound of copper				per ounce of gold
	ÇAYELI	PYHÄSALMI	OK TEDI	TOTAL COPPER	TROILUS
(millions of Canadian dollars, except where otherwise note)					
GAAP reference	page 17	page 21	page 25		page 23
Direct production costs	\$21	\$16	\$28	\$65	\$23
Smelter processing charges and freight	13	10	6	29	4
By product sales	(13)	(24)	(23)	(60)	(4)
Adjust smelter processing and freight, and sales to production basis	(7)	(1)	-	(8)	-
Operating costs net of metal credits	\$14	\$1	\$11	\$26	\$23
US \$ to C\$ exchange rate	\$1.21	\$1.21	\$1.21	\$1.21	\$1.21
Inmet's share of production (000's)	18,400	7,400	16,100	41,900	40,500
Cash cost	\$0.61	\$0.09	\$0.56	\$0.50	\$460

INMET MINING CORPORATION

Quarterly review

(unaudited)

Latest Four Quarters

	2009	2009	2009	2009
	Fourth	Third	Second	First
(thousands of Canadian dollars, except per share amounts)	quarter	quarter	quarter	quarter
STATEMENTS OF EARNINGS				
Gross sales	\$ 290,570	\$ 241,121	\$ 213,042	\$239,152
Smelter processing charges and freight	(53,696)	(41,607)	(40,589)	(40,540)
Cost of sales	(74,995)	(72,706)	(73,827)	(89,904)
Depreciation	(17,911)	(14,558)	(13,604)	(15,679)
	143,968	112,250	85,022	93,029
Corporate development and exploration	(2,915)	(1,963)	(2,727)	(3,232)
General and administration	(9,836)	(5,147)	(4,785)	(4,124)
Investment and other income (expense)	280	3,588	16,466	(11,203)
Asset impairment	(3,496)	-	-	(6,419)
Interest expense	(496)	(496)	(493)	(492)
Capital tax expense	69	(744)	(125)	(125)
Income tax expense	(38,668)	(39,244)	(24,052)	(18,890)
Non-controlling interest	857	(6,693)	(2,778)	2,783
Net income	\$ 89,763	\$ 61,551	\$ 66,528	\$51,327
Net income per common share	\$ 1.60	\$ 1.10	\$ 1.37	\$1.06
Diluted net income per common share	\$ 1.60	\$ 1.09	\$ 1.36	\$1.06

Previous Four Quarters

	2008	2008	2008	2008
	Fourth	Third	Second	First
(thousands of Canadian dollars, except per share amounts)	quarter	quarter	quarter	quarter
STATEMENTS OF EARNINGS				
Gross sales	\$139,626	\$ 247,495	\$ 281,463	\$ 276,281
Smelter processing charges and freight	(32,870)	(49,502)	(53,209)	(44,157)
Cost of sales	(91,715)	(84,948)	(89,893)	(79,246)
Depreciation	(14,844)	(11,395)	(9,195)	(9,170)
	197	101,650	129,166	143,708
Corporate development and exploration	(1,971)	(3,548)	(2,483)	(2,618)
General and administration	(3,289)	(3,411)	(2,790)	(3,648)
Investment and other (expense) income	8,057	(5,467)	(11,358)	14,754
Asset Impairment	(36,275)	-	-	-
Interest expense	(490)	(476)	(471)	(447)
Capital tax expense	(1,304)	(125)	(124)	(126)
Income tax (expense) recovery	767	(17,379)	(44,333)	(44,744)
Non-controlling interest	1,794	3,813	98	(205)
Net income (loss)	(\$32,514)	\$ 75,057	\$ 67,705	\$ 106,674
Net income (loss) per common share	(\$0.67)	\$ 1.55	\$ 1.40	\$ 2.21
Diluted net income (loss) per common share	(\$0.67)	\$ 1.55	\$ 1.40	\$ 2.21

INMET MINING CORPORATION

Consolidated balance sheets

(thousands of Canadian dollars)	Note reference	December 31 2009	December 31 2008
		(unaudited)	
Assets			
Current assets:			
Cash and short-term investments	4	\$533,913	\$572,733
Restricted cash	5	15,130	8,311
Accounts receivable	6	129,987	135,742
Inventories		103,108	74,362
Current portion of held to maturity investments	8	9,993	-
Future income tax asset		8,466	14,311
		800,597	805,459
Restricted cash	5	101,589	52,893
Property, plant and equipment		1,860,616	1,950,535
Investments in equity securities	7	42,411	17,514
Held to maturity investments	8	89,891	-
Future income tax asset		6,151	5,499
Derivatives	9	-	4,327
Other assets		2,894	5,031
		\$2,904,149	\$2,841,258
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	10	\$185,145	\$212,527
Derivatives	9	1,543	8,693
Future income tax liabilities		4,612	-
Current portion of long-term debt	11	-	109,666
		191,300	330,886
Long-term debt	11	200,026	384,848
Asset retirement obligations	12	145,038	126,782
Derivatives	9	3,165	16,417
Other liabilities		32,113	27,122
Future income tax liabilities		16,357	15,971
Non-controlling interest		78,005	71,449
		666,004	973,475
Commitments	13		
Shareholders' equity			
Share capital	16	669,952	337,464
Contributed surplus		63,296	61,925
Stock based compensation		5,170	2,688
Retained earnings		1,541,803	1,283,074
Accumulated other comprehensive income	17	(42,076)	182,632
		2,238,145	1,867,783
		\$2,904,149	\$2,841,258

(see accompanying notes)

INMET MINING CORPORATION

Segmented balance sheets

2009 As at December 31

(unaudited)	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	COBRE PANAMA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
Assets								
Cash and short-term investments	\$251,570	\$158,631	\$66,314	\$ -	\$36,631	\$10,039	\$10,728	\$533,913
Other current assets	14,504	42,356	49,882	24,030	61,943	73,501	468	266,684
Restricted cash	16,492	-	1,854	-	26,365	56,878	-	101,589
Property, plant and equipment	920	119,669	66,217	19,376	103,693	1,013,490	537,251	1,860,616
Investments in equity securities	42,411	-	-	-	-	-	-	42,411
Held to maturity investments	89,891	-	-	-	-	-	-	89,891
Other non-current assets	1,720	248	-	-	3,523	3,554	-	9,045
	\$417,508	\$320,904	\$184,267	\$43,406	\$232,155	\$1,157,462	\$548,447	\$2,904,149
Liabilities								
Current liabilities	\$22,416	\$32,348	\$27,665	\$19,862	\$48,981	\$29,173	\$10,855	\$191,300
Long-term debt	18,094	-	-	-	-	181,932	-	200,026
Asset retirement obligations	28,606	8,805	15,293	8,497	39,546	44,291	-	145,038
Derivatives	-	-	-	-	3,165	-	-	3,165
Other liabilities	4,714	5,541	-	-	1,839	20,019	-	32,113
Future income tax liabilities	4,240	2,024	9,897	-	-	196	-	16,357
Non-controlling interest	-	-	-	-	-	78,005	-	78,005
	\$78,070	\$48,718	\$52,855	\$28,359	\$93,531	\$353,616	\$10,855	\$666,004

2008 As at December 31

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	COBRE PANAMA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
Assets								
Cash and short-term investments	\$241,238	\$192,881	\$65,976	\$ -	\$37,547	\$33,981	\$1,110	\$572,733
Other current assets	15,992	43,946	39,428	22,595	43,148	66,774	843	232,726
Restricted cash	16,343	-	2,104	-	16,667	17,779	-	52,893
Property, plant and equipment	916	144,124	74,790	27,659	105,145	1,065,435	532,466	1,950,535
Investments in equity securities	17,514	-	-	-	-	-	-	17,514
Other non-current assets	3,183	454	-	1,825	7,039	2,356	-	14,857
	\$295,186	\$381,405	\$182,298	\$52,079	\$209,546	\$1,186,325	\$534,419	\$2,841,258
Liabilities								
Current liabilities	\$15,983	\$52,112	\$11,537	\$11,029	\$45,711	\$182,535	\$11,979	\$330,886
Long-term debt	19,741	-	-	-	-	365,107	-	384,848
Asset retirement obligations	23,501	9,654	16,307	12,626	25,016	39,678	-	126,782
Derivatives	-	-	-	-	1,670	14,747	-	16,417
Other liabilities	4,911	5,374	-	1,484	2,232	13,121	-	27,122
Future income tax liabilities	1,026	5,509	9,215	-	-	221	-	15,971
Non-controlling interest	-	-	-	-	-	71,449	-	71,449
	\$65,162	\$72,649	\$37,059	\$25,139	\$74,629	\$686,858	\$11,979	\$973,475

INMET MINING CORPORATION
Consolidated statements of earnings

(unaudited)

(thousands of Canadian dollars except per share amounts)	Note reference	Three Months Ended December 31		Year Ended December 31	
		2009	2008	2009	2008
Gross sales		\$290,570	\$139,626	\$983,885	\$944,865
Smelter processing charges and freight		(53,696)	(32,870)	(176,432)	(179,738)
Cost of sales		(74,995)	(91,715)	(311,432)	(345,802)
Depreciation		(17,911)	(14,844)	(61,752)	(44,604)
		143,968	197	434,269	374,721
Corporate development and exploration		(2,915)	(1,971)	(10,837)	(10,620)
General and administration		(9,836)	(3,289)	(23,892)	(13,138)
Investment and other income	18	280	8,057	9,131	5,986
Asset impairment	21	(3,496)	(36,275)	(9,915)	(36,275)
Interest expense		(496)	(490)	(1,977)	(1,884)
Capital tax (expense) recovery		69	(1,304)	(925)	(1,679)
Income tax (expense) recovery	19	(38,668)	767	(120,854)	(105,689)
Non-controlling interest		857	1,794	(5,831)	5,500
Net income (loss)		\$89,763	(\$32,514)	\$269,169	\$216,922
Basic net income per common share	20	\$1.60	(\$0.67)	\$5.14	\$4.49
Diluted net income per common share	20	\$1.60	(\$0.67)	\$5.13	\$4.48
Weighted average shares outstanding (000's)		56,107	48,282	52,334	48,282

(see accompanying notes)

INMET MINING CORPORATION
Segmented statements of earnings

(unaudited)

2009 For the year ended December 31

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	COBRE PANAMA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
Gross sales	\$ -	\$305,091	\$184,991	\$199,879	\$293,924	\$ -	\$ -	\$983,885
Smelter processing charges and freight	-	(82,126)	(50,896)	(13,740)	(29,670)	-	-	(176,432)
Cost of sales	(7,594)	(85,888)	(62,643)	(64,852)	(90,455)	-	-	(311,432)
Depreciation	-	(13,348)	(8,220)	(16,642)	(23,542)	-	-	(61,752)
	(7,594)	123,729	63,232	104,645	150,257	-	-	434,269
Corporate development and exploration	(6,131)	(1,458)	(3,248)	-	-	-	-	(10,837)
General and administration	(23,892)	-	-	-	-	-	-	(23,892)
Investment and other income (expense)	(9,229)	631	(420)	677	(3,389)	20,861	-	9,131
Asset impairment charges	-	(9,915)	-	-	-	-	-	(9,915)
Interest expense	(1,977)	-	-	-	-	-	-	(1,977)
Capital tax expense	(925)	-	-	-	-	-	-	(925)
Income tax expense	(27,042)	(19,788)	(12,016)	-	(56,413)	(5,595)	-	(120,854)
Non-controlling interest	-	-	-	-	-	(5,831)	-	(5,831)
Net income (loss)	(\$76,790)	\$93,199	\$47,548	\$105,322	\$90,455	\$9,435	\$ -	\$269,169

2008 For the year ended December 31

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	COBRE PANAMA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
Gross sales	\$ -	\$305,190	\$221,124	\$141,251	\$277,300	\$ -	\$ -	\$944,865
Smelter processing charges and freight	-	(78,400)	(56,954)	(11,053)	(33,331)	-	-	(179,738)
Cost of sales	(1,951)	(92,859)	(62,245)	(94,631)	(94,116)	-	-	(345,802)
Depreciation	-	(11,448)	(9,227)	(9,239)	(14,690)	-	-	(44,604)
	(\$1,951)	122,483	92,698	26,328	135,163	-	-	374,721
Corporate development and exploration	(7,325)	(487)	(2,808)	-	-	-	-	(10,620)
General and administration	(13,138)	-	-	-	-	-	-	(13,138)
Investment and other income	23,490	(3,009)	603	5,444	6,780	(27,322)	-	5,986
Asset impairment	-	(34,200)	-	(2,075)	-	-	-	(36,275)
Interest expense	(1,884)	-	-	-	-	-	-	(1,884)
Capital tax expense	(1,679)	-	-	-	-	-	-	(1,679)
Income tax (expense) recovery	(14,930)	(32,216)	(19,814)	-	(49,779)	11,050	-	(105,689)
Non-controlling interest	-	-	-	-	-	5,500	-	5,500
Net income (loss)	(\$17,417)	\$52,571	\$70,679	\$29,697	\$92,164	(\$10,772)	\$ -	\$216,922

INMET MINING CORPORATION
Segmented statements of earnings

(unaudited)

2009 For the three months ended December 31

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	COBRE PANAMA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
Gross sales	\$ -	\$113,747	\$59,747	\$41,203	\$75,873	\$ -	\$ -	\$290,570
Smelter processing charges and freight	-	(27,032)	(17,094)	(2,750)	(6,820)	-	-	(53,696)
Cost of sales	(6,193)	(25,339)	(16,564)	(11,899)	(15,000)	-	-	(74,995)
Depreciation	-	(3,522)	(1,983)	(6,521)	(5,885)	-	-	(17,911)
	(6,193)	57,854	24,106	20,033	48,168	-	-	143,968
Corporate development and exploration	(1,550)	(487)	(878)	-	-	-	-	(2,915)
General and administration	(9,836)	-	-	-	-	-	-	(9,836)
Investment and other income (expense)	1,569	(191)	1	32	(90)	(1,041)	-	280
Asset impairment charges	-	(3,496)	-	-	-	-	-	(3,496)
Interest expense	(496)	-	-	-	-	-	-	(496)
Capital tax recovery	69	-	-	-	-	-	-	69
Income tax (expense) recovery	(4,654)	(12,516)	(5,372)	-	(18,480)	2,354	-	(38,668)
Non-controlling interest	-	-	-	-	-	857	-	857
Net income	(\$21,091)	\$41,164	\$17,857	\$20,065	\$29,598	\$2,170	\$ -	\$89,763

2008 For the three months ended December 31

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	COBRE PANAMA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
Gross sales	\$ -	\$27,481	\$37,273	\$36,391	\$38,481	\$ -	\$ -	\$139,626
Smelter processing charges and freight	-	(13,279)	(9,615)	(3,904)	(6,072)	-	-	(32,870)
Cost of sales	(487)	(19,490)	(17,344)	(25,838)	(28,556)	-	-	(91,715)
Depreciation	-	(3,150)	(2,502)	(2,954)	(6,238)	-	-	(14,844)
	(487)	(8,438)	7,812	3,695	(2,385)	-	-	197
Corporate development and exploration	(818)	(209)	(1,007)	63	-	-	-	(1,971)
General and administration	(3,289)	-	-	-	-	-	-	(3,289)
Investment and other income (expense)	15,007	(5,149)	831	1,361	6,539	(10,532)	-	8,057
Asset impairment charges	-	(34,200)	-	(2,075)	-	-	-	(36,275)
Interest expense	(490)	-	-	-	-	-	-	(490)
Capital tax expense	(1,304)	-	-	-	-	-	-	(1,304)
Income tax (expense) recovery	(6,870)	1,991	(948)	-	545	6,049	-	767
Non-controlling interest	-	-	-	-	-	1,794	-	1,794
Net income	\$1,749	(\$46,005)	\$6,688	\$3,044	\$4,699	(\$2,689)	\$ -	(\$32,514)

INMET MINING CORPORATION
Consolidated statements of cash flows

(unaudited)

(thousands of Canadian dollars)	Note reference	Three Months Ended December 31		Year Ended December 31	
		2009	2008	2009	2008
Cash provided by (used in) operating activities ⁽¹⁾					
Net income		\$89,763	(\$32,514)	\$269,169	\$216,922
Add (deduct) items not affecting cash:					
Depreciation		17,911	14,844	61,752	44,604
Future income tax		(2,393)	(4,050)	14,353	(5,980)
Accretion expense		889	1,131	4,544	4,360
Non-controlling interest		(857)	(1,794)	5,831	(5,500)
Asset impairment	21	3,496	34,428	9,915	34,428
Foreign exchange loss (gain)		4,874	5,541	(1,023)	35,688
Gain on recognition of settlement of foreign currency forward contract	18	-	-	(35,615)	-
Loss on recognition of settlement of interest rate swap contract	18	-	-	14,823	-
Increase in asset retirement obligations at closed properties	12	5,672	5,672	5,672	-
Other		(469)	(877)	10,339	4,036
Settlement of gold forward contracts		-	-	-	(12,399)
Settlement of asset retirement obligations	12	(1,565)	(1,330)	(6,414)	(3,522)
Net change in non-cash working capital	3	8,460	15,613	(30,595)	11,868
		125,781	30,992	322,751	324,505
Cash provided by (used in) investing activities					
Capital spending		(63,353)	(133,979)	(268,264)	(460,792)
(Acquisition) disposition of investments, net	8	-	-	(100,000)	1,521
Sale (purchase) of short-term investments		(29)	78,405	8,678	282,644
Acquisition of Cobra Panama, net of cash acquired		-	(42,863)	-	(379,774)
Investment in Cobre Panama prior to consolidation		-	-	-	(25,401)
Funding received under Cobre Panama option agreement	13	3,425	-	3,425	-
		(59,957)	(98,437)	(356,161)	(581,802)
Cash provided by (used in) financing activities					
Long-term debt:					
Borrowings		-	22,199	-	128,439
Repayment	11	-	-	(314,603)	(13,871)
Issuance of common shares	16	-	-	334,284	-
Funding by non-controlling shareholder		1,398	25,450	51,015	61,638
Settlement of foreign currency forward contract		-	-	-	52,256
Financial assurance deposits	5	(11,539)	1,101	(63,357)	(14,215)
Dividends paid on common shares		(5,612)	(4,828)	(10,440)	(9,655)
Settlement of interest rate swap contract	18	-	-	(15,982)	-
Subsidies received	15	-	-	70,939	3,233
Other		(541)	(746)	(1,882)	(885)
		(16,294)	43,176	49,974	206,940
Cash assumed on consolidation of Cobre Panama		-	-	-	4,414
Foreign exchange change on cash held in foreign currency		(12,271)	36,911	(46,706)	60,497
Decrease in cash		37,259	12,642	(30,142)	14,554
Cash:					
Beginning of period		469,658	524,417	537,059	522,505
End of period		506,917	537,059	506,917	537,059
Short-term investments		26,996	35,674	26,996	35,674
Cash and short-term investments		\$533,913	\$572,733	\$533,913	\$572,733
(see accompanying notes)					
⁽¹⁾ Supplementary cash flow information:					
Cash interest paid		\$-	\$8,782	\$10,867	\$18,562
Cash taxes paid		\$20,192	\$19,945	\$38,020	\$143,357

INMET MINING CORPORATION
Segmented statements of cash flows
(unaudited)

2009 For the year ended December 31, 2009

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	COBRE PANAMA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
Cash provided by (used in) operating activities								
Before net change in non-cash working capital	(\$58,561)	\$109,148	\$59,423	\$119,404	\$123,932	\$ -	\$ -	\$353,346
Net change in non-cash working capital	1,634	(12,846)	2,017	(830)	(20,570)	-	-	(30,595)
	(56,927)	96,302	61,440	118,574	103,362	-	-	322,751
Cash provided by (used in) investing activities								
Capital spending	(304)	(14,855)	(7,870)	-	(21,236)	(138,769)	(85,230)	(268,264)
Purchase of long-term investments	(100,000)	-	-	-	-	-	-	(100,000)
Funding received under Cobre Panama option agreement	-	-	-	-	-	-	3,425	3,425
Sale of short-term investments	8,678	-	-	-	-	-	-	8,678
	(91,626)	(14,855)	(7,870)	-	(21,236)	(138,769)	(81,805)	(356,161)
Cash provided by (used in) financing activities								
Long-term debt repayment	-	-	-	-	-	(314,603)	-	(314,603)
Issuance of common shares	334,284	-	-	-	-	-	-	334,284
Funding by non-controlling shareholder	-	-	-	-	-	51,015	-	51,015
Other	(10,760)	-	-	-	(11,676)	1,714	-	(20,722)
	323,524	-	-	-	(11,676)	(261,874)	-	49,974
Foreign exchange change on cash held in foreign currency	-	(25,418)	(8,757)	-	(10,270)	(1,219)	(1,042)	(46,706)
Intergroup funding (distributions)	(155,961)	(90,279)	(44,475)	(118,574)	(61,096)	377,920	92,465	-
Increase (decrease) in cash	19,010	(34,250)	338	-	(916)	(23,942)	9,618	(30,142)
Cash:								
Beginning of period	205,564	192,881	65,976	-	37,547	33,981	1,110	537,059
End of period	224,574	158,631	66,314	-	36,631	10,039	10,728	506,917
Short-term investments	26,996	-	-	-	-	-	-	26,996
Cash and short-term investments	\$251,570	\$158,631	\$66,314	\$ -	\$36,631	\$10,039	\$10,728	\$533,913

2008 For the year ended December 31

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	COBRE PANAMA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
Cash provided by (used in) operating activities								
Before net change in non-cash working capital	(\$6,881)	\$94,440	\$82,801	\$40,726	\$101,551	\$ -	\$ -	\$312,637
Net change in non-cash working capital	(8,398)	(11,988)	16,856	95	15,303	-	-	11,868
	(15,279)	82,452	99,657	40,821	116,854	-	-	324,505
Cash provided by (used in) investing activities								
Acquisition of Cobre Panama Copper, net of cash acquire	(379,774)	-	-	-	-	-	-	(379,774)
Capital spending	(361)	(37,632)	(9,772)	(1,510)	(38,357)	(356,135)	(17,025)	(460,792)
Sale of short-term investments	282,644	-	-	-	-	-	-	282,644
Investment in Cobre Panama prior to consolidation	(25,401)	-	-	-	-	-	-	(25,401)
Other	1,521	-	-	-	-	-	-	1,521
	(121,371)	(37,632)	(9,772)	(1,510)	(38,357)	(356,135)	(17,025)	(581,802)
Cash provided by (used in) financing activities								
Long-term debt borrowings	-	-	-	-	-	128,439	-	128,439
Long-term debt repayment	-	-	-	-	-	(13,871)	-	(13,871)
Funding by non-controlling shareholder	-	-	-	-	-	61,638	-	61,638
Other	(10,287)	-	(1,932)	(700)	(1,317)	44,970	-	30,734
	(10,287)	-	(1,932)	(700)	(1,317)	221,176	-	206,940
Cash assumed on consolidation of Cobre Panama	-	-	-	-	-	-	4,414	4,414
Foreign exchange change on cash held in foreign currency	-	37,298	13,018	-	6,387	4,668	(874)	60,497
Intergroup funding (distributions)	311,460	(222,908)	(146,487)	(38,611)	(59,493)	141,444	14,595	-
Increase (decrease) in cash	164,523	(140,790)	(45,516)	-	24,074	11,153	1,110	14,554
Cash:								
Beginning of period	41,041	333,671	111,492	-	13,473	22,828	-	522,505
End of period	205,564	192,881	65,976	-	37,547	33,981	1,110	537,059
Short-term investments	35,674	-	-	-	-	-	-	35,674
Cash and short-term investments	\$241,238	\$192,881	\$65,976	\$ -	\$37,547	\$33,981	\$1,110	\$572,733

INMET MINING CORPORATION
Segmented statements of cash flows

(unaudited)

2009 For the three months ended December 31

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	COBRE PANAMA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
Cash provided by (used in) operating activities								
Before net change in non-cash working capital	(\$8,729)	\$48,435	\$21,537	\$23,291	\$32,787	\$ -	\$ -	\$117,321
Net change in non-cash working capital	687	2,766	(5,992)	1,665	9,334	-	-	8,460
	<u>(8,042)</u>	<u>51,201</u>	<u>15,545</u>	<u>24,956</u>	<u>42,121</u>	<u>-</u>	<u>-</u>	<u>125,781</u>
Cash provided by (used in) investing activities								
Capital spending	(26)	(4,224)	(2,047)	-	(11,329)	(30,622)	(15,105)	(63,353)
Purchase of short-term investments	(29)	-	-	-	-	-	-	(29)
Funding received-Cobre Panama option agreement							3,425	3,425
	<u>(55)</u>	<u>(4,224)</u>	<u>(2,047)</u>	<u>-</u>	<u>(11,329)</u>	<u>(30,622)</u>	<u>(11,680)</u>	<u>(\$59,957)</u>
Cash provided by (used in) financing activities								
Funding by non-controlling shareholder	-	-	-	-	-	1,398	-	1,398
Other	(5,677)	-	-	-	289	(12,304)	-	(17,692)
	<u>(5,677)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>289</u>	<u>(10,906)</u>	<u>-</u>	<u>(16,294)</u>
Foreign exchange change on cash held in foreign currency	-	(4,906)	(3,295)	-	(2,658)	(488)	(924)	(12,271)
Intergroup funding (distributions)	85,411	(939)	(34,552)	(24,956)	(42,872)	(1,018)	18,926	-
Increase (decrease) in cash	71,637	41,132	(24,349)	-	(14,449)	(43,034)	6,322	37,259
Cash:								
Beginning of period	152,937	117,499	90,663	-	51,080	53,073	4,406	469,658
End of period	224,574	158,631	66,314	-	36,631	10,039	10,728	506,917
Short-term investments	26,996	-	-	-	-	-	-	26,996
Cash and short-term investments	<u>\$251,570</u>	<u>\$158,631</u>	<u>\$66,314</u>	<u>\$ -</u>	<u>\$36,631</u>	<u>\$10,039</u>	<u>\$10,728</u>	<u>\$533,913</u>

2008 For the three months ended December 31

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	COBRE PANAMA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	(Panama)	
Cash provided by (used in) operating activities								
Before net change in non-cash working capital	(\$6,322)	(\$8,736)	\$10,269	\$16,174	\$3,994	\$ -	\$ -	\$15,379
Net change in non-cash working capital	(6,977)	1,543	10,795	3,488	6,764	-	-	15,613
	<u>(13,299)</u>	<u>(7,193)</u>	<u>21,064</u>	<u>19,662</u>	<u>10,758</u>	<u>-</u>	<u>-</u>	<u>30,992</u>
Cash provided by (used in) investing activities								
Acquisition of Cobre Panama Copper, net of cash acquired	(42,863)	-	-	-	-	-	-	(42,863)
Capital spending	7	(6,687)	(3,924)	(153)	(11,704)	(94,493)	(17,025)	(133,979)
Purchase of short-term investments	78,405	-	-	-	-	-	-	78,405
	<u>35,549</u>	<u>(6,687)</u>	<u>(3,924)</u>	<u>(153)</u>	<u>(11,704)</u>	<u>(94,493)</u>	<u>(17,025)</u>	<u>(98,437)</u>
Cash provided by (used in) financing activities								
Long-term debt borrowings	-	-	-	-	-	22,199	-	22,199
Funding by non-controlling shareholder	-	-	-	-	-	25,450	-	25,450
Other	(3,591)	-	(74)	(700)	(59)	(49)	-	(4,473)
	<u>(3,591)</u>	<u>-</u>	<u>(74)</u>	<u>(700)</u>	<u>(59)</u>	<u>47,600</u>	<u>-</u>	<u>43,176</u>
Foreign exchange change on cash held in foreign currency	-	20,553	9,432	-	3,911	3,889	(874)	36,911
Intergroup funding (distributions)	8,323	(1,366)	(37,627)	(18,809)	(18,863)	53,747	14,595	-
Increase (decrease) in cash	26,982	5,307	(11,129)	-	(15,957)	10,743	(3,304)	12,642
Cash:								
Beginning of period	178,582	187,574	77,105	-	53,504	23,238	4,414	524,417
End of period	205,564	192,881	65,976	-	37,547	33,981	1,110	537,059
Short-term investments	35,674	-	-	-	-	-	-	35,674
Cash and short-term investments	<u>\$241,238</u>	<u>\$192,881</u>	<u>\$65,976</u>	<u>\$ -</u>	<u>\$37,547</u>	<u>\$33,981</u>	<u>\$1,110</u>	<u>\$572,733</u>

INMET MINING CORPORATION
Consolidated statements of retained earnings
(unaudited)

(thousands of Canadian dollars)	Three Months Ended December 31		Year Ended December 31	
	2009	2008	2009	2008
Retained earnings, beginning of period	\$1,457,652	\$1,320,416	\$1,283,074	\$1,075,807
Net income	89,763	(32,514)	269,169	216,922
Dividends on common shares	(5,612)	(4,828)	(10,440)	(9,655)
Retained earnings, end of period (see accompanying notes)	\$1,541,803	\$1,283,074	\$1,541,803	\$1,283,074

Consolidated statements of comprehensive income
(unaudited)

(thousands of Canadian dollars)	Note reference	Three Months Ended December 31		Year Ended December 31	
		2009	2008	2009	2008
Net income		\$89,763	(\$32,514)	\$269,169	\$216,922
Other comprehensive income (loss) for the period :					
Changes in fair value of gold forward sales contracts		(1,404)	(5,132)	(3,284)	(7,860)
Changes in fair value of interest rate swap contract		-	(8,930)	3,903	(9,457)
Changes in fair value of foreign exchange forward contract		-	86	-	11,507
Changes in fair value of investments		14,214	(7,519)	24,601	(13,220)
Currency translation adjustments		(58,206)	195,945	(233,004)	236,401
Reclassification to net income of gains (losses) realized:					
Gain on sale of investment		-	-	-	(256)
Troilus gold hedge loss		-	7,440	-	31,812
Ok Tedi gold hedge loss		-	5,723	-	6,736
Amortization of deferred Troilus gold hedges		-	(1,361)	-	(5,444)
Amortization of gain on foreign exchange forward contract		-	43	(5,657)	(3,181)
Recognition of gain on foreign exchange forward contract	18	-	-	(28,158)	-
Recognition of loss on interest rate swap contract	18	-	-	11,711	-
Foreign exchange loss (gain) on reduction of net investment in self-sustaining foreign operations	18	3,649	(1,421)	1,176	18,963
Income tax recovery (expense) related to other comprehensive income	22	(1,960)	4,442	3,725	367
		(43,707)	189,316	(224,987)	266,368
Comprehensive income (see accompanying notes)		\$46,056	\$156,802	\$44,182	\$483,290

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). 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 2008 Annual Review.

2. Changes in accounting policies

Effective January 1, 2009, we adopted CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062 - *Goodwill and Other Intangible Assets* and Section 3450 - *Research and Development Costs*. This new standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. It provides guidance for recognizing 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. The adoption of this standard did not have an impact on our consolidated financial statements.

Emerging Issues Committee 173 – Credit Risk and the fair value of financial assets and financial liabilities

Effective January 1, 2009, we adopted EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* retroactively, without restatement. This EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of EIC 173 did not have a significant impact on our consolidated financial statements.

3. Statement of cash flows

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

For the year ended December 31, 2009

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Total
Accounts receivable ⁽¹⁾	\$(554)	\$(19,217)	\$(24,839)	\$(3,644)	\$(47,400)	\$(95,654)
Inventories	-	(75)	(604)	7,871	(9,531)	(2,339)
Accounts payable and accrued liabilities	(718)	(3,903)	10,948	(5,057)	5,401	6,671
Taxes	6,551	10,193	16,512	-	29,971	63,227
Other	(3,645)	156	-	-	989	(2,500)
	\$1,634	\$(12,846)	\$2,017	\$(830)	\$(20,570)	\$(30,595)

For the year ended December 31, 2008

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Total
Accounts receivable ⁽¹⁾	\$8,506	\$11,980	\$30,408	\$1,220	\$17,136	\$69,250
Inventories	-	(2,851)	(682)	1,241	(8,348)	(10,640)
Accounts payable and accrued liabilities	(10,594)	(2,453)	(5,114)	(3,096)	17,374	(3,883)
Taxes	(6,310)	(18,742)	(7,756)	-	(12,128)	(44,936)
Other	-	78	-	-	1,269	1,347
	\$(8,398)	\$(11,988)	\$16,856	\$(635)	\$15,303	\$11,138

For the three months ended December 31, 2009

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Total
Accounts receivable	\$(282)	\$(1,543)	\$(16,731)	\$(2,464)	\$5,908	\$(15,112)
Inventories	-	510	(229)	2,443	(10,680)	(7,956)
Accounts payable and accrued liabilities	601	(4,931)	8,323	1,686	6,200	11,879
Taxes	1,304	8,572	2,645	-	6,125	18,646
Other	(936)	158	-	-	1,781	1,003
	\$687	\$2,766	\$(5,992)	\$1,665	\$9,334	\$8,460

For the three months ended December 31, 2008

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Total
Accounts receivable ⁽¹⁾	\$(2,247)	\$13,168	\$18,421	\$687	\$(1,118)	\$28,911
Inventories	-	(1,859)	(591)	2,435	239	224
Accounts payable and accrued liabilities	(64)	(3,788)	(6,005)	366	18,782	9,291
Taxes	(4,557)	(6,024)	(1,030)	-	(12,503)	(24,114)
Other	(109)	46	-	-	1,364	1,301
	\$(6,977)	\$1,543	\$10,795	\$3,488	\$6,764	\$15,613

(1) Includes changes in accounts payable related to metal sales.

4. Cash and short-term investments

(thousands)	December 31 2009	December 31 2008
Cash:		
Liquidity funds	\$205,190	\$276,301
Bankers acceptances	92,200	64,293
Money market funds	19,951	38,683
Term deposits	40,140	78,041
Overnight deposits	54,435	14,684
Provincial short-term notes	-	12,628
Bank deposits	95,001	52,429
	506,917	537,059
Short-term investments:		
Corporate	26,996	-
Provincial short-term notes	-	35,674
	26,996	35,674
Total cash and short-term investments	\$533,913	\$572,733

5. Restricted cash

(thousands)	December 31 2009	December 31 2008
Collateralized cash for letter of credit facility - Inmet Mining	\$16,492	\$16,343
In trust for Ok Tedi reclamation	26,365	16,667
Collateralized cash for letters of credit - Las Cruces	72,008	26,090
Collateralized cash for Pyhäsalmi reclamation	1,854	2,104
	116,719	61,204
Less current portion:		
Collateralized cash for letters of credit – Las Cruces	(15,130)	(8,311)
	\$101,589	\$52,893

Las Cruces' restricted cash which secures a restoration bond increased by €5 million in the first quarter and €15 million in the third quarter. Also in the third quarter, Las Cruces' restricted cash securing subsidies advanced increased by €5 million. The increases in the third quarter result from repayment of its credit facility which also included a letter of credit facility (note 11). In the fourth quarter, Las Cruces provided a fully cash-collateralized letter of credit of €8 million to the local Spanish water authority related to the permanent water treatment plant.

During the third quarter, Ok Tedi paid US \$50 million in trust to fund future rehabilitation (our share was US \$9 million).

6. Accounts receivable

	December 31, 2009	December 31, 2008
Accounts receivable from sale of metal	\$86,661	\$39,232
Value-added and other taxes receivable	22,132	66,817
Advances and prepaid expenses	13,948	23,373
Other amounts receivable	7,246	6,320
	\$129,987	\$135,742

7. Investments in equity securities

(thousands)	December 31 2009	December 31 2008
Available-for-sale equity securities:		
Premier Gold Mines Ltd.	\$39,501	\$15,309
Other	2,910	2,205
	\$42,411	\$17,514

8. Held to maturity investments

In 2009, we purchased \$100 million of long-term Canadian government and corporate bonds with credit ratings of A to AAA. The bonds mature between December 2010 and June 2014 and have a weighted average annual yield to maturity of 2.6 percent. We have designated these bonds as held to maturity, measuring them initially at fair value and subsequently at amortized cost. Subsequent to our purchase, \$0.4 million of accrued interest was converted to cash.

9. Derivatives

(thousands)	December 31 2009	December 31 2008
Derivative asset:		
Ok Tedi copper forward sales contracts	\$-	\$4,327
Derivative liabilities:		
Ok Tedi gold forward sales contracts	4,499	1,670
Ok Tedi copper forward sales contracts	209	-
Las Cruces interest rate swap contracts	-	23,440
	\$4,708	\$25,110

In connection with the decision to repay the credit facility (note 11), Las Cruces paid \$16 million in July to terminate its interest rate swap contract. The \$15 million interest rate swap loss that was deferred in *accumulated other comprehensive income* was recognized in *investment and other income* (note 18).

10. Accounts payable and accrued liabilities

	December 31, 2009	December 31, 2008
Accounts payables and accrued liabilities	\$110,192	\$143,715
Amounts payable related to metal sales	103	47,639
Income taxes payable	61,350	17,173
Current portion of asset retirement obligations	13,500	4,000
	\$185,145	\$212,527

11. Long-term debt

	December 31, 2009	December 31, 2008
Credit facility:		
- Tranche A	\$-	\$262,504
- Tranche B	-	80,364
Promissory note	18,094	19,741
Loans from non-controlling shareholder	181,932	131,905
	200,026	494,514
Less current portion:		
Credit facility – Tranche A	-	(29,302)
– Tranche B	-	(80,364)
	\$200,026	\$384,848

Credit facility

In June 2009, Las Cruces made its first scheduled repayment of US \$12 million under Tranche A of its credit facility. It also repaid €42 million under Tranche B (an amount equal to the subsidies received).

On July 31, 2009, Las Cruces repaid the remaining US \$203 million under Tranche A, €5 million under Tranche B and cash collateralized \$32 million in letters of credit that had been secured under the credit facility. This eliminated the Las Cruces project credit facility. We funded 100 percent of the repayment through an intercompany loan. Leucadia guarantees 30 percent of this loan.

Loans from non-controlling shareholder

In 2009, Las Cruces received intercompany loan advances of €52.6 million. 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, €120.9 million, is reflected in long-term debt at December 31, 2009. Loans from non-controlling shareholders approximate fair value because the loans accrue interest at prevailing market rates.

12. Asset retirement obligations

Operating sites

In 2009, we recorded additional liabilities at Las Cruces of \$7.4 million as a result of development activities during the year. We recognized additional liabilities at Ok Tedi of \$17.2 million for river system monitoring, dredging and other closure activities and \$8.4 million at Troilus mainly for environmental monitoring and dismantling costs.

Closed sites

In 2009 we recorded incremental liabilities at closed properties of \$5.7 million for additional site monitoring and cost escalation, with a corresponding amount recorded in *cost of sales*.

13. Commitments

Option Agreement with LS Nikko – Cobre Panama

In October 2009, we entered into an agreement with LS-Nikko Copper Inc. (LS-Nikko), that gives it the option to acquire a 20 percent interest in Cobre Panama. LS-Nikko has the right to increase this interest to 30 percent prior to February 28, 2010 (formerly January 31, 2010). LS-Nikko is holding the option through a wholly-owned subsidiary, Korea Panama Mining Corp. (KPMC).

During the option period, we and KPMC will fund our proportionate share of Cobre Panama's development costs up to US \$150 million. We will fund 100% of development costs that exceed US \$150 million during this period.

After we publicly announce a decision to proceed with construction and development of the project, KPMC will have 60 days to exercise its option. If it chooses to exercise the option KPMC will invest in Cobre Panama its proportionate share of our US \$501 million investment in Cobre Panama, or approximately US \$125.5 million if the interest is 20 percent and US \$215 million if the interest is 30 percent.

We are recognizing KPMCs funding during the option period as a reduction of Cobre Panama's deferred development, and recognized US \$3 million in 2009.

Capital commitments

Our operations have the following capital commitments as at December 31, 2009:

- Ok Tedi committed approximately \$105.8 million (our proportionate share is \$19.0 million) to capital expenditures for the purchase of mobile equipment and the construction of underwater storage pits for sulphur concentrate produced by the mine waste tailings plant.
- Las Cruces committed \$24.2 million primarily for the purchase of a permanent water treatment plant.
- Cobre Panama committed \$142.8 million for the design and supply of two SAG mills, four ball mills and the related gearless drives.

14. Leases

Effective during 2009, Las Cruces has a contract for the supply of oxygen from a plant owned and operated by a third party and located at the mine site. This arrangement includes a capital lease with minimum lease payments of:

2010	2,724
2011	2,724
2012	2,724
2013	2,724
2014	2,545
Thereafter	23,423
<u>Total</u>	<u>\$36,864</u>

We recognized the oxygen plant in *deferred development* at \$23 million and associated capital lease obligations in *other liabilities* based on the total minimum future lease payments discounted at Las Cruces' incremental borrowing rate at contract inception of 8.2 percent.

15. Las Cruces subsidies

Las Cruces had applied for €53.1 million in subsidy grants under government assistance programs in the European Union. In 2009, it received the remaining €45.5 million. Las Cruces must meet certain minimum employment, investment and share capital requirements for a five year period, or it must repay the subsidies it has received. It expects to meet these conditions and has recognized the €53.1 million in subsidies as a reduction of the cost of the related *deferred development*.

16. Share capital

On June 25, 2009, we closed a bought deal offering of 7.8 million common shares at an offering price of \$44.50 per share, for gross proceeds of \$348 million (\$332 net of transaction costs).

17. Accumulated other comprehensive income (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 \$1,030)	\$(2,402)
Unrealized gains on foreign exchange forward contract ¹	21,023
Unrealized losses on interest rate swap contract ²	(9,962)
Unrealized gains on investments (net of tax of \$667)	3,314
Currency translation adjustment	170,659
AOCI, December 31, 2008	\$182,632
Impact on adoption of EIC 173 – January 1, 2009 (note 2)	279
Other comprehensive loss for the year ending December 31, 2009	(224,987)
AOCI, December 31, 2009	\$(42,076)
AOCI December 31, 2009 comprises:	
Unrealized losses on gold forward sales contracts (net of tax of \$2,015)	\$(4,701)
Unrealized gains on investments (net of tax of \$4,788)	23,794
Currency translation adjustment	(61,169)
AOCI, December 31, 2009	\$(42,076)

1. Net of tax of \$12,792 and non-controlling interest of \$8,956.

2. Net of tax of \$6,102 and non-controlling interest of \$4,270.

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

	2009	2008
Pyhäsalmi (euro functional currency)	\$(5,308)	\$17,480
Las Cruces (euro functional currency)	(8,793)	57,947
Çayeli (US dollar functional currency)	(20,901)	24,751
Ok Tedi (US dollar functional currency)	(13,751)	6,224
Cobre Panama (US dollar functional currency)	(12,416)	64,257
	\$(61,169)	\$170,659

The Canadian dollar to US dollar exchange rate was \$1.05 at December 31, 2009 and \$1.22 at December 31, 2008. The Canadian dollar to euro exchange rate was \$1.50 at December 31, 2009 and \$1.70 at December 31, 2008.

18. Investment and other income

Investment and other income are summarized as follows:

(thousands)	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Interest income	\$828	\$6,188	\$4,706	\$28,182
Foreign exchange loss	(4,836)	(5,607)	(14,155)	(33,875)
Loss on recognition of settlement of Las Cruces interest rate swap contract (note 11)	-	-	(14,823)	-
Gain on recognition of settlement of Las Cruces foreign exchange forward contract	-	-	35,615	-
Dividend and royalty income	350	1,825	1,335	4,979
Mark to market on Ok Tedi copper forward contracts	(125)	4,427	(3,353)	3,791
Other	4,063	1,224	(194)	2,909
	\$280	\$8,057	\$9,131	\$5,986

Foreign exchange

For transactions with foreign currencies we use the exchange rates in effect:

- at period-end for monetary assets and liabilities
- on the date of the transaction for non-monetary assets and liabilities
- on the date of the transaction for income and expenses

Foreign exchange loss is a result of:

	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Translation of Las Cruces' US dollar-denominated bank credit facility	\$-	\$(12,001)	\$2,460	\$(24,896)
Translation of US dollar – denominated cash held at corporate	(691)	(83)	(15,086)	(94)
Distribution of funds from subsidiaries	(3,649)	1,421	(1,176)	(18,963)
Translation of other-monetary assets and liabilities	(496)	5,056	(353)	10,078
	\$(4,836)	\$(5,607)	\$(14,155)	\$(33,875)

Gain on foreign exchange forward contract

When we converted the Las Cruces debt from euro to US dollars in 2008, Las Cruces settled a foreign exchange forward contract and received proceeds of \$52 million. We deferred the proceeds in accumulated other comprehensive income, and have been amortizing it to income over the term of the debt. When we repaid the debt, we realized the remaining deferred gain of \$36 million in investment and other income.

19. Income tax expense

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

For the year ended December 31, 2009

	Corporate	Çayeli (Turkey)	Pyhäsalmi (Finland)	Ok Tedi (Papua New Guinea)	Las Cruces (Spain)	Cobre Panama (Panama)	Total
Current income taxes	\$14,591	\$30,745	\$10,186	\$50,979	\$-	\$-	\$106,501
Future income taxes	12,451	(10,957)	1,830	5,434	5,595	-	14,353
	\$27,042	\$19,788	\$12,016	\$56,413	\$5,595	\$-	\$120,854

For the year ended December 31, 2008

	Corporate	Çayeli (Turkey)	Pyhäsalmi (Finland)	Ok Tedi (Papua New Guinea)	Las Cruces (Spain)	Cobre Panama (Panama)	Total
Current income taxes	\$9,930	\$32,965	\$18,995	\$49,779	\$-	\$-	\$111,669
Future income taxes	5,000	(749)	819	-	(11,050)	-	(5,980)
	\$14,930	\$32,216	\$19,814	\$49,779	\$(11,050)	\$-	\$105,689

For the three months ended December 31, 2009

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Las Cruces	Total
Current income taxes	\$2,371	\$13,091	\$4,072	\$21,527	\$ -	\$41,061
Future income taxes	2,283	(575)	1,300	(3,047)	(2,354)	(2,393)
	\$4,654	\$12,516	\$5,372	\$18,480	\$(2,354)	\$38,668

For the three months ended December 31, 2008

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Las Cruces	Total
Current income taxes	\$1,870	\$(3,600)	\$398	\$332	\$4,283	\$3,283
Future income taxes	5,000	1,609	550	(877)	(10,332)	(4,050)
	\$6,870	\$(1,991)	\$948	\$(545)	\$(6,049)	\$(767)

20. Net income per share

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

(thousands)	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Net income available to common shareholders	\$89,763	\$(32,514)	\$269,169	\$216,922
(thousands)				
Weighted average common shares outstanding	56,107	48,282	52,334	48,282
Plus incremental shares from assumed conversions:				
Deferred share units	91	83	91	83
Long term incentive plan units	43	43	43	43
Diluted weighted average common shares outstanding	56,241	48,408	52,468	48,408
(Canadian dollars per share)				
Basic net income per common share	\$1.60	\$(0.67)	\$5.14	\$4.49
Dilutive effect from assumed conversions of deferred share units and long term incentive plan units per common share	-	-	(0.01)	(0.01)
Diluted net income per common share	\$1.60	\$(0.67)	\$5.13	\$4.48

21. Asset impairment

We made a decision in 2008 not to proceed with the Cerattepe project and all work has ceased on the project. In 2009, we recognized an asset impairment charge of \$10 million, including \$3 million in the fourth quarter, to adjust to current fair value and an associated tax recovery of \$6 million.

22. Income taxes recovery (expense) included in other comprehensive income

(thousands)	Three months ended December 31		Twelve months ended December 31	
	2009	2008	2009	2008
Changes in fair value of gold forward sales contracts	\$421	\$(177)	\$985	\$(1,139)
Changes in fair value of interest rate swap contracts	-	3,392	(1,482)	3,592
Changes in fair value of foreign exchange forward contracts	-	(32)	-	(4,370)
Changes in fair value of investments	(2,381)	1,259	(4,121)	2,284
Amortization of gain on foreign exchange forward contract	-	-	2,140	-
Recognition of gain on foreign exchange forward contract	-	-	10,652	-
Recognition of loss on interest rate swap contract	-	-	(4,449)	-
	\$ (1,960)	\$4,442	\$3,725	\$367