



Quarterly Report Three Months Ended March 31, 2010

All amounts are in Canadian dollars, unless otherwise stated.

Management's Interim Discussion and Analysis

The following is management's interim discussion and analysis of operations and consolidated financial condition and should be read in conjunction with the consolidated audited financial statements and management's discussion and analysis included in Inmet's 2009 Annual Report.

Highlights

- **Higher metal prices**

Higher copper and zinc prices increased sales by \$55 million compared to the same quarter of 2009. In 2009, prices were negatively impacted by the global financial crisis.

- **Improvement in operating cash flow**

Operating earnings were higher this quarter compared to the first quarter of 2009, and outflows of working capital were lower. In the first quarter of 2009, we had to return \$48 million to smelters for finalization adjustments for shipments made in 2008.

- **Higher zinc production and lower gold production**

Zinc production was higher because grades at Pyhäsalmi were higher. Production of gold was significantly less as Troilus continued to wind down operations, drawing all of its feed from its low grade stockpile. Troilus is expected to process the last ore from stockpiles in June.

- **Higher earnings from operations**

Earnings from our operations were \$111 million compared to \$93 million last year. This was a 19 percent increase despite Troilus contributing \$43 million less.

- **Las Cruces progressing on commissioning plan**

Las Cruces produced 4,500 tonnes of copper in the quarter, which was less than our targets for cathode production in the first quarter. Metal recoveries and cathode quality have been excellent. We successfully completed a planned 15 day shut down on March 30 to improve plant reliability, however, exceptional rainfalls in Andalucia meant we could not access the open pit for ore until April 22, which was about one month later than we had originally planned. In the mean time the plant had been processing low quality ore with high sand and clay content that had been stockpiled in the early stages of mining. With ore haulage from the pit now resumed, we will proceed with our commissioning plan. Although we are encouraged by the improvements in the plant and confident that we are on the right track, we require a period of continuous operation with representative ore from the pit to accurately predict the timing of achieving our performance targets.

- **Significantly increased mineral reserves and resources at Cobre Panama**

On March 31, 2010, we announced the results of the front end engineering and design (FEED) study for Cobre Panama. The study showed a significant increase in mineral reserves and resources making

Cobre Panama one of the largest undeveloped copper porphyry deposits in the world. Design parameters of the project have also improved considerably due to extensive environmental, social and engineering work and, the project's output and size have been expanded by 25 percent. Substantial progress has also been made in advancing our financing strategy. LS-Nikko confirmed it would retain its 20 percent equity option interest and we continue meeting with other potential partners for the project.

- **We issued 9.3 million subscription receipts for gross proceeds of \$500 million**

On March 31, 2010, we entered into a subscription agreement with a subsidiary of Temasek Holdings (Private) Limited (Temasek), under which Temasek has agreed to buy 9.26 million subscription receipts, exchangeable on a one-for-one basis for Inmet common shares, for total proceeds of \$500 million. We issued the subscription receipts on April 23, 2010 and the proceeds are being held in escrow until certain conditions relating to the share exchange are met.

Key financial data

| | three months ended March 31 | | |
|---|-----------------------------|-------------------|--------|
| | 2010 | 2009 | change |
| FINANCIAL HIGHLIGHTS | | | |
| (thousands, except per share amounts) | | | |
| Sales | | | |
| Gross sales | \$251,559 | \$239,152 | +5% |
| Net income | | | |
| Net income | \$79,871 | \$51,327 | +56% |
| Net income per share | \$1.42 | \$1.06 | +34% |
| Cash flow | | | |
| Cash flow provided by operating activities | \$91,577 | \$17,097 | +436% |
| Cash flow provided by operating activities per share ⁽¹⁾ | \$1.63 | \$0.35 | +366% |
| Capital spending ⁽²⁾ | \$21,821 | \$94,859 | -77% |
| OPERATING HIGHLIGHTS | | | |
| Production ⁽³⁾ | | | |
| Copper (tonnes) | 21,200 | 20,000 | +6% |
| Zinc (tonnes) | 18,700 | 15,300 | +22% |
| Gold (ounces) | 40,200 | 78,800 | -49% |
| Pyrite (tonnes) | 197,500 | 190,800 | +4% |
| Copper cash cost (US \$ per pound) ⁽⁴⁾ | \$0.39 | \$0.56 | -30% |
| FINANCIAL CONDITION | | | |
| | as at March 31 | as at December 31 | |
| | 2010 | 2009 | |
| Current ratio | 4.0 to 1 | 4.2 to 1 | |
| Gross debt to total equity ⁽⁵⁾ | 1% | 1% | |
| Net working capital balance (millions) | \$558 | \$609 | |
| Cash balance including long and short-term bonds (millions) | \$693 | \$634 | |
| Shareholders' equity (millions) | \$2,207 | \$2,238 | |

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

⁽²⁾ Includes \$18 million of capital spending at Cobre Panama for the quarter ended March 31, 2010 and \$65 million of capital spending at Las Cruces (mainly for construction) for the quarter ended March 31, 2009.

⁽³⁾ Inmet's share.

⁽⁴⁾ Copper cash cost per pound is a non-GAAP measure – see *Supplementary financial information* on pages 33 and 34.

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

First quarter report

We prepared this report as of April 27, 2010.

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

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

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

Where to find it

| | |
|--|----|
| Our financial results | 4 |
| Key changes in 2010..... | 4 |
| Understanding our performance | 5 |
| Earnings from operations..... | 7 |
| Corporate costs..... | 11 |
| Results of our operations | 13 |
| Çayeli | 14 |
| Las Cruces | 16 |
| Pyhäsalmi | 18 |
| Troilus | 20 |
| Ok Tedi | 22 |
| Status of our development project | 24 |
| Cobre Panama..... | 24 |
| Managing our liquidity | 27 |
| Financial condition | 30 |
| Accounting changes..... | 31 |
| Supplementary financial information..... | 33 |
| Quarterly review | 35 |
| Consolidated financial statements | 36 |

Our financial results

| | three months ended March 31 | | |
|--|-----------------------------|----------|--------|
| (thousands, except per share amounts) | 2010 | 2009 | change |
| EARNINGS FROM OPERATIONS ⁽¹⁾ | | | |
| Çayeli | \$37,096 | \$14,901 | +149% |
| Pyhäsalmi | 22,857 | 6,543 | +249% |
| Troilus | 11,047 | 54,484 | -80% |
| Ok Tedi | 40,968 | 17,585 | +133% |
| Other | (942) | (484) | +95% |
| | 111,026 | 93,029 | +19% |
| DEVELOPMENT AND EXPLORATION | | | |
| Corporate development and exploration | (2,779) | (3,232) | -14% |
| CORPORATE COSTS | | | |
| General and administration | (5,510) | (4,124) | +34% |
| Investment and other income | (78) | (11,203) | -99% |
| Asset impairment | - | (6,419) | -100% |
| Stand-by costs | (6,753) | - | +100% |
| Interest expense | (452) | (492) | -8% |
| Income and capital taxes | (20,145) | (19,015) | +6% |
| Non-controlling interest | 4,562 | 2,783 | +64% |
| | (28,376) | (38,470) | -26% |
| Net income | \$79,871 | \$51,327 | +56% |
| Basic and diluted net income per share | \$1.42 | \$1.06 | +34% |
| Weighted average shares outstanding | 56,107 | 48,282 | +16% |

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

Key changes in 2010

| (millions) | three months ended March 31 | see page |
|--|--------------------------------|-------------|
| EARNINGS FROM OPERATIONS | | |
| Sales | | |
| Higher copper and zinc prices denominated in Canadian dollars | \$55 | 7 |
| Higher gold and other prices | 6 | 7 |
| Costs | | |
| Higher smelter processing charges and freight | (4) | 9 |
| Lower operating costs, including costs that vary with income and cash flows | 5 | 10 |
| Lower operating earnings at Troilus | (43) | 8 |
| Other | (1) | |
| Higher earnings from operations, compared to 2009 | 18 | |
| CORPORATE COSTS | | |
| Foreign exchange changes | 8 | 11 |
| Asset impairment in 2009 | 6 | 11 |
| Stand-by costs | (7) | 11 |
| Other | 4 | |
| Higher net income, compared to 2009 | \$29 | |

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 March 31 | | |
|-------------------------------------|-----------------------------|-----------|--------|
| | 2010 | 2009 | change |
| US dollar metal prices | | | |
| Copper (per pound) | US \$3.38 | US \$2.01 | +68% |
| Zinc (per pound) | US \$1.03 | US \$0.52 | +98% |
| Gold (per ounce) | US \$1,076 | US \$922 | +17% |
| Canadian dollar metal prices | | | |
| Copper (per pound) | C \$3.52 | C \$2.50 | +41% |
| Zinc (per pound) | C \$1.07 | C \$0.65 | +65% |
| Gold (per ounce) | C \$1,120 | C \$1,147 | -2% |

Copper

Copper prices rose 9 percent this quarter, to US \$3.39 per pound, while stocks at London Metals Exchange (LME) warehouses went down and Chinese copper imports were strong.

Copper prices were volatile during the quarter as large hedge funds moved in and out of the market. Copper had a remarkable rebound at the LME in March, after a sharp fall in the first week of February in response to the weakening of the euro against the US dollar. Over the rest of the quarter, as macro and copper market news improved market sentiment, LME prices regained the ground they had lost.

Zinc

The price of zinc followed other commodities in January and February, responding to uncertainties in the financial markets. After falling 22 percent in February to a low of US \$0.91 per pound, LME prices recovered to US \$1.07 per pound. In the past 12 months, LME zinc stocks have climbed by 60 percent and, at 550,000 tonnes at the end of the quarter, were at their highest level since August 2005.

Gold

The price of gold moved with fluctuations in the value of the US dollar during the quarter, ranging in price from US \$1,055 to US \$1,155 an ounce – indicating a fair degree of volatility. While gold price movements over the first two months highlighted a continuing connection to movements in real interest rates, much of the more recent fall was in response to a stronger US dollar, which rose more than 6 percent relative to the euro.

Pyrite

Sulphur and pyrite markets have picked up and prices have been rising. By the end of the quarter, spot sulphur prices were up threefold from the beginning of 2010. This could have a significant positive impact on pyrite prices in the second half of the year.

Exchange rates

Exchange rates affect our revenue and earnings. The table below shows the average exchange rates we realized this quarter and in the first quarter of 2009.

| Exchange rates | three months ended March 31 | | |
|----------------|-----------------------------|--------|--------|
| | 2010 | 2009 | change |
| 1 US\$ to C\$ | \$1.04 | \$1.24 | -16% |
| 1 euro to C\$ | \$1.44 | \$1.62 | -11% |
| 1 euro to US\$ | \$1.39 | \$1.31 | +6% |

Our sales are affected by the conversion of US dollar revenue to Canadian dollars. Compared to the same quarter last year, the value of the Canadian dollar increased by 16 percent relative to the US dollar, and 11 percent relative to the euro.

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.

Treatment charges down for copper

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. Zinc contracts for 2010 and 2009 were not finalized in the first quarter of the respective years and therefore the average charges represent the contract prices from each prior year. Adjustments to contracts will be reflected in the second quarter.

| (US\$) | three months ended March 31 | | |
|--|-----------------------------|-------------|--------|
| | 2010 | 2009 | change |
| Treatment charges | | | |
| Copper (per dry metric tonne of concentrate) | US \$57 | US \$68 | -16% |
| Zinc (per dry metric tonne of concentrate) | US \$203 | US \$248 | -18% |
| Price participation | | | |
| Copper (per pound) | US \$0.02 | US \$0.02 | - |
| Zinc (per pound) | US \$0.09 | (US \$0.03) | +400% |
| Freight charges | | | |
| Copper (per dry metric tonne of concentrate) | US \$66 | US \$26 | +154% |
| Zinc (per dry metric tonne of concentrate) | US \$29 | US \$23 | +26% |

Statutory tax rates remain consistent

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

| | 2010 | 2009 | 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:

| (thousands) | three months ended March 31 | | |
|---|-----------------------------|-----------|--------|
| | 2010 | 2009 | change |
| Gross sales | \$251,559 | \$239,152 | +5% |
| Smelter processing charges and freight | (44,329) | (40,540) | +9% |
| Cost of sales: | | | |
| Direct production costs | (71,552) | (78,419) | -9% |
| Inventory changes | (7,575) | (3,895) | +94% |
| Provisions for mine rehabilitation and other non-cash charges | (1,853) | (7,590) | -76% |
| Depreciation | (15,224) | (15,679) | -3% |
| Earnings from operations | \$111,026 | \$93,029 | +19% |

Gross sales were marginally higher

| (thousands) | three months ended March 31 | | |
|---------------------------------|-----------------------------|-----------|--------|
| | 2010 | 2009 | change |
| Gross sales by operation | | | |
| Çayeli | \$82,406 | \$60,021 | +37% |
| Pyhäsalmi | 51,440 | 33,981 | +51% |
| Troilus | 34,454 | 86,990 | -60% |
| Ok Tedi ⁽¹⁾ | 83,259 | 58,160 | +43% |
| | \$251,559 | \$239,152 | +5% |
| Gross sales by metal | | | |
| Copper | \$142,597 | \$104,739 | +36% |
| Zinc | 46,673 | 27,024 | +73% |
| Gold | 49,340 | 93,014 | -47% |
| Other | 12,949 | 14,375 | -10% |
| | \$251,559 | \$239,152 | +5% |

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

Key components of the change in sales: copper and zinc prices up, Troilus sales volumes down

| (millions) | three months ended March 31 |
|---|-----------------------------|
| Higher copper prices, denominated in Canadian dollars | \$37 |
| Higher zinc prices, denominated in Canadian dollars | 18 |
| Higher gold prices, denominated in Canadian dollars | 6 |
| Changes in other metal prices | (4) |
| Lower gross sales from Troilus | (52) |
| Higher sales volumes at our other mines | 7 |
| Higher gross sales, compared to 2009 | \$12 |

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 first quarter, we recorded \$3 million in negative finalization adjustments from fourth quarter sales.

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

- 25 million pounds of copper provisionally priced at US \$3.53 per pound
- 17 million pounds of zinc provisionally priced at US \$1.07 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 |
|--|-----------|-----------|
| April 2010 | 12 | 11 |
| May 2010 | 7 | 6 |
| June 2010 | 6 | - |
| Unsettled sales at March 31, 2010 | 25 | 17 |

Lower gold sales volumes – Troilus processing low-grade stockpiled ore

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 March 31 | | |
|----------------------|-----------------------------|--------|--------|
| | 2010 | 2009 | change |
| Sales volumes | | | |
| Copper (tonnes) | 21,500 | 19,000 | +13% |
| Zinc (tonnes) | 19,700 | 18,700 | +5% |
| Gold (ounces) | 43,400 | 83,900 | -48% |
| Pyrite (tonnes) | 90,800 | 76,000 | +19% |

Production

| | three months ended March 31 | | | <i>revised objective</i> |
|------------------------------------|-----------------------------|---------------|-------------|--------------------------|
| Inmet's share ⁽¹⁾ | 2010 | 2009 | change | <i>2010</i> |
| Copper (tonnes) | | | | |
| Çayeli | 7,100 | 7,000 | +1% | 30,500 |
| Las Cruces cathode | 3,200 | - | +100% | 36,400 |
| Las Cruces copper contained in ore | - | - | - | 12,300 |
| Pyhäsalmi | 2,900 | 3,600 | -19% | 13,400 |
| Troilus | 1,300 | 2,800 | -54% | 2,100 |
| Ok Tedi | 6,700 | 6,600 | +2% | 29,300 |
| | 21,200 | 20,000 | +6% | 124,000 |
| Zinc (tonnes) | | | | |
| Çayeli | 11,500 | 11,800 | -3% | 51,700 |
| Pyhäsalmi | 7,200 | 3,500 | +106% | 31,300 |
| | 18,700 | 15,300 | +22% | 83,000 |
| Gold (ounces) | | | | |
| Troilus | 19,300 | 58,100 | -67% | 36,400 |
| Ok Tedi | 20,900 | 20,700 | +1% | 102,600 |
| | 40,200 | 78,800 | -49% | 139,000 |
| Pyrite (tonnes) | | | | |
| Pyhäsalmi | 197,500 | 190,800 | +4% | 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.

Copper production this quarter was higher than the same quarter in 2009, because of new production at Las Cruces. This was partly offset by the impact of lower grades at Troilus and Pyhäsalmi.

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 mining has ceased and production was drawn from its low grade stockpiles).

2010 outlook for sales

We use our production objectives to estimate our sales target. Compared to 2009, 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 than 2009 because of the incremental production at Las Cruces. Estimated production for our 70 percent share of Las Cruces includes 36,400 tonnes of copper cathode and 12,300 tonnes of copper contained in ore we intend to ship directly to smelters. While we have not received the necessary permitting requirements to ship the ore, we will mine and stockpile it in anticipation of receiving the necessary permits and shipping. 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 the recovery of global demand gathers momentum in 2010.

Higher smelter processing charges and freight for the quarter

| (thousands) | 2010 | three months ended March 31 2009 | change |
|--|-----------------|-------------------------------------|------------|
| Smelter processing charges and freight by operation | | | |
| Çayeli | \$20,105 | \$19,076 | +5% |
| Pyhäsalmi | 11,505 | 8,991 | +28% |
| Troilus | 2,758 | 6,260 | -56% |
| Ok Tedi ⁽¹⁾ | 9,961 | 6,213 | +60% |
| | \$44,329 | \$40,540 | +9% |
| Smelter processing charges and freight by metal | | | |
| Copper | \$21,349 | \$18,516 | +15% |
| Zinc | 20,475 | 15,188 | +35% |
| Other | 2,505 | 6,836 | -63% |
| | \$44,329 | \$40,540 | +9% |
| Smelter processing charges by type and freight | | | |
| Copper treatment and refining charges | \$6,845 | \$9,693 | -29% |
| Zinc treatment charges | 8,069 | 11,679 | -31% |
| Copper price participation | 710 | 1,463 | -51% |
| Zinc price participation | 3,913 | (1,668) | +335% |
| Content losses | 14,634 | 10,743 | +36% |
| Freight | 8,464 | 6,662 | +27% |
| Other | 1,694 | 1,968 | -14% |
| | \$44,329 | \$40,540 | +9% |

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

Copper and zinc treatment and refining charges were lower in 2010 compared to 2009 because of more favourable terms with smelters. Higher price participation charges and content losses, however, increased total zinc charges to above 2009 levels due to higher zinc prices. The 2010 terms for zinc have not yet been finalized.

2010 outlook for smelter processing charges and freight

We expect costs for copper treatment and refining to be lower in 2010 based on recently signed agreements with our customers. We sell approximately 90 percent of our copper concentrate under long-term contracts. We are estimating annual treatment costs of US \$50 per dry metric tonne in 2010. We also expect price participation to be minimal.

We expect that the zinc concentrate market will be dictated by the sustainability of current zinc price levels, and additional production will be limited by the extent to which Chinese demand rises in 2010. We therefore expect zinc processing charges to decrease below 2009 levels.

In 2010, Las Cruces may sell high grade crushed ore to smelters and incur smelter processing charges. We expect the costs for smelting and refining the ore to be higher than at our other operations because copper grades in crushed ore are lower than they are in concentrates, and the level of impurities is higher.

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 and associated shipping demand.

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

| (thousands) | three months ended March 31 | | |
|--|-----------------------------|-----------------|-------------|
| | 2010 | 2009 | change |
| Direct production costs by operation | | | |
| Çayeli | \$21,736 | \$20,472 | +6% |
| Pyhäsalmi | 14,978 | 15,654 | -4% |
| Troilus | 12,091 | 18,606 | -35% |
| Ok Tedi ⁽¹⁾ | 22,747 | 23,687 | -4% |
| Total direct production costs | 71,552 | 78,419 | -9% |
| Inventory changes | 7,575 | 3,895 | +95% |
| Reclamation, accretion and other non-cash expenses | 1,853 | 7,590 | -76% |
| Total cost of sales | \$80,980 | \$89,904 | -10% |

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

Direct production costs were lower in 2010 than they were in 2009 mainly because we finished mining at Troilus and began to process stockpiled ore in April 2009.

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 costs at Las Cruces will stop being capitalized when it reaches commercial production.

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 in line with first quarter of 2009

| (thousands) | three months ended March 31 | | |
|----------------------------------|-----------------------------|-----------------|------------|
| | 2010 | 2009 | change |
| Depreciation by operation | | | |
| Çayeli | \$3,224 | \$3,473 | -7% |
| Pyhäsalmi | 1,809 | 2,602 | -30% |
| Troilus | 4,379 | 3,419 | +28% |
| Ok Tedi | 5,812 | 6,185 | -6% |
| | \$15,224 | \$15,679 | -3% |

Depreciation at Troilus was significantly higher for the quarter, because we recorded an increase in the asset related to retirement obligations at the end of 2009. Depreciation at Pyhäsalmi is lower this quarter because of foreign exchange translation and lower copper production.

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.

Investment and other income (expense)

| thousands) | three months ended March 31 | |
|--|-----------------------------|-------------------|
| | 2010 | 2009 |
| Interest income | \$1,597 | \$2,042 |
| Foreign exchange loss | (2,415) | (10,098) |
| Mark to market on Ok Tedi copper forward contracts | - | (1,419) |
| Other | 740 | (1,728) |
| | \$(78) | \$(11,203) |

Interest income is lower than last year because market yields were lower.

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.

Foreign exchange losses were a result of the following:

| (millions) | three months ended March 31 | |
|---|-----------------------------|---------------|
| | 2010 | 2009 |
| Revaluation of US dollar denominated debt at Las Cruces | \$- | \$(11) |
| Distribution of funds from subsidiaries | (1) | - |
| Revaluation of short-term foreign intergroup loans, cash and other monetary items | (1) | 1 |
| | \$(2) | \$(10) |

2010 outlook for investment and other income

Investment and other income is affected by our cash and held to maturity investment balances, and by 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 \$80 million in cash from Çayeli and €17 million from Pyhäsalmi in the second quarter of 2010. We accumulated this cash 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.

Stand-by costs

We could not mine ore at Las Cruces this quarter because of the water levels in the pit. We expensed \$6.8 million in water plant operating and maintenance costs because they did not relate to production activities.

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 the first quarter of 2009, we took an additional impairment charge of \$6 million, as well as a \$6 million tax recovery (reflected in income taxes), to adjust to current net realizable value.

Income tax expense

| (thousands) | three months ended March 31 | | |
|---------------------------------|-----------------------------|----------|--------|
| | 2010 | 2009 | change |
| Çayeli | \$7,453 | \$(581) | |
| Pyhäsalmi | 5,015 | 435 | |
| Ok Tedi | 16,535 | 6,540 | |
| Las Cruces | (7,463) | (4,035) | |
| Troilus and corporate | (1,395) | 16,656 | |
| | \$20,145 | \$19,015 | |
| Consolidated effective tax rate | 21% | 28% | -7% |

Our tax expense changes as our earnings change.

The consolidated effective tax rate went down by 7 percent compared to 2009 mainly because Las Cruces recognized a \$5 million tax recovery on a foreign exchange loss from its intercompany US dollar denominated debt. On consolidation the foreign exchange eliminates, but the tax recovery does not as there is no corresponding tax expense on the foreign exchange gain.

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 March 31 | | | <i>objective</i> 2010 |
|------------------------------------|--------|-----------------------------|--------|--------|--------------------------|
| | | 2010 | 2009 | change | |
| Tonnes of ore milled (000's) | | 289 | 264 | +9% | 1,200 |
| Tonnes of ore milled per day | | 3,200 | 2,900 | +9% | 3,300 |
| Grades (percent) | copper | 3.1 | 3.4 | -9% | 3.3 |
| | zinc | 5.6 | 6.2 | -10% | 6.1 |
| Mill recoveries (percent) | copper | 79 | 78 | +1% | 78 |
| | zinc | 72 | 72 | - | 70 |
| Production (tonnes) | copper | 7,100 | 7,000 | +1% | 30,500 |
| | zinc | 11,500 | 11,800 | -3% | 51,700 |
| Cost per tonne of ore milled (C\$) | | \$75 | \$77 | -3% | \$72 |

Production results on target

Production at Çayeli was strong this quarter, in line with its annual 1.2 million tonne objective.

Copper and zinc production were consistent with the first quarter of 2009. Copper and zinc grades this quarter were lower than last year, but higher mill throughput compensated for the difference. There were three falls of ground in the quarter, some of which required us to replace higher grade mining areas with lower grade areas, reducing Çayeli's grades this quarter.

We have added additional resources to focus on ground support and rehabilitation, and expect this will increase the productivity of the backfilling process and reduce the risk of further falls of ground. We expect grades to increase in the second quarter as we return to our planned mining sequence.

2010 outlook for production and costs

Production levels should remain at 1.2 million tonnes in 2010, and we expect copper and zinc grades should be 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. On April 21, 2010 we were notified that a new five year permit will be issued effective immediately and will be amended to reflect the new legislation once it is passed.

Financial review

Higher earnings because copper and zinc prices were significantly higher

| <i>(millions of Canadian dollars unless otherwise stated)</i> | three months ended March 31 | | objective |
|---|------------------------------------|--------|------------------|
| | 2010 | 2009 | 2010 |
| Sales analysis | | | |
| Copper sales (tonnes) | 6,500 | 6,500 | 30,500 |
| Zinc sales (tonnes) | 12,300 | 14,800 | 51,700 |
| Gross copper sales | \$50 | \$37 | \$212 |
| Gross zinc sales | 29 | 21 | 120 |
| Other metal sales | 3 | 2 | 18 |
| Gross sales | 82 | 60 | 350 |
| Smelter processing charges and freight | (20) | (19) | (97) |
| Net sales | \$62 | \$41 | \$253 |
| Cost analysis | | | |
| Tonnes of ore milled (thousands) | 289 | 264 | 1,200 |
| Direct production costs (\$ per tonne) | \$75 | \$77 | \$72 |
| Direct production costs | \$22 | \$20 | \$86 |
| Change in inventory | - | 2 | - |
| Depreciation and other non-cash costs | 3 | 4 | 18 |
| Operating costs | \$25 | \$26 | \$104 |
| Operating earnings | \$37 | \$15 | \$149 |
| Operating cash flow | \$30 | (\$9) | \$132 |

The objective for 2010 uses the assumptions listed on page 13.

The table below shows what contributed to the change in operating earnings and operating cash flow between the first quarter of 2010 and 2009.

| <i>(millions)</i> | three months ended March 31 |
|---|------------------------------------|
| Higher metal prices, denominated in Canadian dollars | \$26 |
| Lower sales volumes | (1) |
| Higher smelter processing charges | (3) |
| Higher operating earnings, compared to 2009 | 22 |
| Change in tax expense because of change in taxable income | (2) |
| Changes in working capital (see note 2 on page 43) | 20 |
| Other | (1) |
| Higher operating cash flow, compared to 2009 | \$39 |

Spending lower in the first quarter due to timing

| | three months ended March 31 | | | objective |
|-------------------------|------------------------------------|---------|---------------|------------------|
| | 2010 | 2009 | change | 2010 |
| Capital spending | \$1,800 | \$3,600 | -50% | \$21,000 |

2010 outlook for capital spending

We expect to spend \$21 million on capital in 2010 for mobile equipment, site water control, stope 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

| (100 percent) | three months ended March 31 | | | revised |
|--|-----------------------------|------|--------|-------------------|
| | 2010 | 2009 | change | objective 2010 |
| Tonnes of ore processed (000's) | 77,000 | - | +100% | 774,000 |
| Tonnes of unprocessed ore (000's) | - | - | - | 128,000 |
| Copper grades (percent) | | | | |
| cathode | 6.9 | - | +100% | 7.4 |
| unprocessed ore | - | - | - | 13.7 |
| Plant recoveries (percent) | 85 | - | +100% | 91 |
| Copper production (tonnes) | | | | |
| cathode | 4,500 | - | +100% | 52,000 |
| unprocessed ore | - | - | - | 17,600 |
| Cost per tonne of ore processed (subsequent to commercial production) (C\$) | - | - | - | \$145 |

First quarter update

Las Cruces produced 4,500 tonnes of copper this quarter.

We used a 15-day shut down in March to improve plant reliability and throughput. We were able to address several technical issues during the shut-down, reducing down-time and inefficiencies, and improving plant reliability.

In the weeks leading up to the shut down we demonstrated meaningful progress where we leached on average 1,500 tonnes per day (representing about 50 percent capacity) using ore from a surface stockpile. Extraordinary rains in Andalucia delayed our re-entry into the pit by about one month and in early April we depleted our regular grade surface stockpile. The bottom of the stockpile had an unusually high sand and clay content, which caused problems for the grinding thickener and tailings belt filters.

We did not meet our targets for cathode production in the first quarter although metal recoveries and cathode quality have been excellent. We are now back mining in the pit and have started hauling ore. It will take a few weeks of production with newly mined ore for us to fully determine how quickly the plant will be able to move to full production capability.

2010 outlook

On April 22 the process plant started to receive regular feed from the pit. The newly mined ore from the pit should be more consistent with the average material from the ore body, and plant performance to be more representative. We expect to build up a significant stockpile over the coming months, so that we have at least four months of ore supply to the plant in stockpile inventory by the end of the year. This should allow us to manage the consistency of the mill feed and the reliability and predictability of plant performance.

In May we plan on mining high grade ore and stockpiling it in preparation for shipping to smelters in June, but we have not yet received the necessary permit from the regulators to move the ore off-site. If we do not receive the permit in time, we would have to delay shipping. We cannot quantify the impact this could have on 2010 production at this time.

We are encouraged by the improvements in the plant, and are confident that we are on the right track. We require a period of continuous operation with representative ore from the pit to accurately predict the timing of achieving our performance targets. We remain focussed on our production target and have not revised our forecast at this time (except to reduce for the shortfall in the first quarter).

The table below shows estimated earnings and cash flow for 100 percent of Las Cruces using production estimates and the estimates on page 13.

| <i>(millions of Canadian dollars unless otherwise stated)</i> | objective 2010 |
|---|---------------------------|
| Sales analysis | |
| Copper sales during commercial production (tonnes) | 43,800 |
| Gross copper sales | \$433 |
| Smelter processing charges and freight | (33) |
| Net sales | \$400 |
| Cost analysis | |
| Tonnes of ore processed during commercial production (thousands) | 639 |
| Direct production costs (\$ per tonne) | \$145 |
| Direct production costs | \$93 |
| Other production costs | 3 |
| Depreciation and other non-cash costs | 51 |
| Operating costs | \$147 |
| Operating earnings | \$253 |
| Operating cash flow | \$300 |

Capital spending

| <i>(100 percent and millions of Canadian dollars)</i> | three months ended March 31 | | | <i>revised objective 2010</i> |
|---|------------------------------------|-------------|---------------|---------------------------------------|
| | 2010 | 2009 | change | |
| Capital | \$10 | \$53 | -81% | \$106 |
| Pre-operating costs capitalized, net of sales, working capital and other | (13) | 12 | -208% | (26) |
| Capital spending | \$(3) | \$65 | -105% | \$80 |

Capital spending in the quarter was mainly for the permanent water treatment plant. In 2009 it was mainly for construction capital.

2010 outlook for capital spending

We expect to spend \$106 million on capital in 2010. This includes \$37 million on a water treatment plant and other water management projects, \$20 million for mine development and \$23 million for plant improvements.

Pyhäsalmi

| | | three months ended March 31 | | | objective |
|------------------------------------|---------|-----------------------------|---------|--------|----------------|
| | | 2010 | 2009 | change | 2010 |
| Tonnes of ore milled (000's) | | 345 | 349 | -1% | 1,370 |
| Tonnes of ore milled per day | | 3,800 | 3,900 | -1% | 3,750 |
| Grades (percent) | copper | 0.9 | 1.1 | -18% | 1.0 |
| | zinc | 2.3 | 1.2 | +92% | 2.5 |
| | sulphur | 43 | 44 | -2% | 42 |
| Mill recoveries (percent) | copper | 96 | 95 | +1% | 94 |
| | zinc | 91 | 85 | +7% | 90 |
| Production (tonnes) | copper | 2,900 | 3,600 | -19% | 13,400 |
| | zinc | 7,200 | 3,500 | +106% | 31,300 |
| | pyrite | 197,500 | 190,800 | +4% | 420,000 |
| Cost per tonne of ore milled (C\$) | | \$43 | \$45 | -4% | \$43 |

Higher zinc grades resulted in zinc production doubling

Pyhäsalmi processed at an annualized rate of 1.4 million tonnes this quarter, maintaining its strong production record.

Copper production was lower than last year because grades were lower. Zinc production in the first quarter was significantly higher than the first quarter of 2009 because grades were higher and recoveries improved. Grades were higher because we mined several zinc rich stopes on the periphery of the ore body.

Zinc recoveries for the quarter were higher because of improved grades and the new zinc rougher and scavenger cells we installed late in 2009. We need to test the new cells with lower grade ore to confirm their performance capability.

The backfill raise system has functioned well, and underground open voids are now less than half of what they were a year ago.

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.

Pyrite sales enhance Pyhäsalmi's financial performance and we have been in discussions with companies in Finland and China to secure sales of over 500,000 tonnes of pyrite per year.

Financial review

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

| <i>(millions of Canadian dollars unless otherwise stated)</i> | three months ended March 31 | | objective |
|---|------------------------------------|--------------|------------------|
| | 2010 | 2009 | 2010 |
| Sales analysis | | | |
| Copper sales (tonnes) | 3,300 | 3,700 | 13,400 |
| Zinc sales (tonnes) | 7,400 | 4,000 | 31,300 |
| Pyrite sales (tonnes) | 90,800 | 76,000 | 420,000 |
| Gross copper sales | \$26 | \$17 | \$93 |
| Gross zinc sales | 18 | 6 | 72 |
| Other metal sales | 8 | 11 | 26 |
| Gross sales | 52 | 34 | 191 |
| Smelter processing charges and freight | (12) | (9) | (48) |
| Net sales | \$40 | \$25 | \$143 |
| Cost analysis | | | |
| Tonnes of ore milled (thousands) | 345 | 349 | 1,370 |
| Direct production costs (\$ per tonne) | \$43 | \$45 | \$43 |
| Direct production costs | \$15 | \$16 | \$59 |
| Change in inventory | - | (1) | - |
| Depreciation and other non-cash costs | 2 | 3 | 11 |
| Operating costs | \$17 | \$18 | \$70 |
| Operating earnings | \$23 | \$7 | \$73 |
| Operating cash flow | \$15 | (\$2) | \$64 |

The objective for 2010 uses the assumptions listed on page 13.

The table below shows what contributed to the change in operating earnings and operating cash flow between the first quarter of 2010 and 2009.

| <i>(millions)</i> | three months ended |
|--|---------------------------|
| | March 31 |
| Higher metal prices, denominated in Canadian dollars | \$13 |
| Higher sales volumes | 2 |
| Other | 1 |
| Higher operating earnings, compared to 2009 | 16 |
| Change in tax expense because of change in earnings | (4) |
| Changes in working capital | 3 |
| Other | 2 |
| Higher operating cash flow, compared to 2009 | \$17 |

Capital spending

| | three months ended March 31 | | | objective |
|-------------------------|------------------------------------|-------|---------------|------------------|
| | 2010 | 2009 | change | 2010 |
| Capital spending | \$500 | \$800 | -38% | \$9,000 |

2010 outlook for capital spending

Capital spending in 2010 is mainly to replace equipment. We are making several technological improvements, including automating loading and dumping equipment, using electronic detonators to improve blasting fragmentation and reduce wall damage, and automating full fan longhole drilling to increase productivity.

Troilus

| | | three months ended March 31 | | | objective |
|------------------------------------|--------------------|-----------------------------|--------|--------|-----------|
| | | 2010 | 2009 | change | 2010 |
| Tonnes of ore milled (000's) | | 1,400 | 1,500 | -7% | 3,000 |
| Tonnes of ore milled per day | | 15,600 | 16,700 | -7% | 16,700 |
| Strip ratio | | - | 0.1 | -100% | - |
| Grades | gold (grams/tonne) | 0.52 | 1.44 | -64% | 0.49 |
| | copper (percent) | 0.10 | 0.20 | -50% | 0.08 |
| Mill recoveries (percent) | gold | 81 | 85 | -5% | 77 |
| | copper | 90 | 95 | -5% | 91 |
| Production | gold (ounces) | 19,300 | 58,100 | -67% | 36,400 |
| | copper (tonnes) | 1,300 | 2,800 | -54% | 2,100 |
| Cost per tonne of ore milled (C\$) | | \$9 | \$13 | -31% | \$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 2009. This lowered gold grades and production compared to the first quarter of 2009. It has also lowered cost per tonne of ore milled. In 2009, Troilus had record production in the first two months of the year because of the high grade of the ore it mined from the bottom of the main 87 pit.

Tonnage throughput this quarter was marginally lower than the first quarter of 2009 because the ore was frozen in certain stockpiles. We introduced drill and blast operations to facilitate ongoing production from the frozen stockpiles.

2010 outlook for production and costs

We expect to mill 3 million tonnes of stockpiled ore in 2010, at an average grade of 0.5 grams per tonne gold and 0.08 percent copper. This should produce 36,400 ounces of gold and 2,100 tonnes of copper during the first half of the year.

Because the stockpiles contain frozen ore, it will be a challenge to deplete all of them at the rate required to keep productivity at an acceptable level. We will finish milling the surface stockpiles by the end of June. A small group of workers will remain after that to oversee closure activities.

Financial review

Lower volumes sold reduces earnings

| <i>(millions of Canadian dollars unless otherwise stated)</i> | three months ended March 31 | | objective |
|---|------------------------------------|--------|------------------|
| | 2010 | 2009 | 2010 |
| Sales analysis | | | |
| Gold sales (ounces) | 21,200 | 60,100 | 43,700 |
| Copper sales (tonnes) | 1,400 | 2,800 | 2,200 |
| Gross gold sales | \$23 | \$70 | \$46 |
| Gross copper sales | 10 | 16 | 15 |
| Other metal sales | 1 | 1 | 1 |
| Gross sales | 35 | 87 | 62 |
| Smelter processing charges and freight | (3) | (6) | (5) |
| Net sales | \$32 | \$81 | \$57 |
| Cost analysis | | | |
| Tonnes of ore milled (thousands) | 1,400 | 1,500 | 3,000 |
| Direct production costs (\$ per tonne) | \$9 | \$13 | \$9 |
| Direct production costs | \$12 | \$19 | \$27 |
| Change in inventory | 4 | 3 | 9 |
| Depreciation and other non-cash costs | 5 | 4 | 11 |
| Operating costs | \$21 | \$26 | \$47 |
| Operating earnings | \$11 | \$55 | \$10 |
| Operating cash flow | \$19 | \$49 | \$10 |

The objective for 2010 uses the assumptions listed on page 13.

The table below shows what contributed to the change in operating earnings and operating cash flow between the first quarter of 2010 and 2009

| <i>(millions)</i> | three months ended March 31 |
|---|------------------------------------|
| Lower gold price denominated in Canadian dollars | \$(2) |
| Higher copper price denominated in Canadian dollars | 3 |
| Lower sales volumes | (52) |
| Lower smelter processing charges | 1 |
| Lower operating costs | 7 |
| Other | (1) |
| Lower operating earnings, compared to 2009 | (44) |
| Changes in working capital (see note 2 on page 43) | 14 |
| Lower operating cash flow, compared to 2009 | \$(30) |

Ok Tedi

| (100 percent) | | three months ended March 31 | | | <i>revised</i> |
|------------------------------------|--------------------|-----------------------------|---------|--------|------------------|
| | | 2010 | 2009 | change | <i>objective</i> |
| Tonnes of ore milled (000's) | | 5,600 | 5,200 | +8% | 23,900 |
| Tonnes of ore milled per day | | 62,200 | 57,800 | +8% | 65,000 |
| Strip ratio | | 1.5 | 1.6 | -6% | 1.2 |
| Grades | copper (percent) | 0.8 | 0.8 | - | 0.8 |
| | gold (grams/tonne) | 0.9 | 1.1 | -18% | 1.1 |
| Mill recoveries (percent) | copper | 87 | 86 | +1% | 85 |
| | gold | 71 | 66 | +8% | 66 |
| Production | copper (tonnes) | 37,100 | 36,900 | +1% | 163,000 |
| | gold (ounces) | 116,400 | 115,100 | +1% | 570,000 |
| Cost per tonne of ore milled (C\$) | | \$23 | \$25 | -8% | \$23 |

Gold production impacted by the performance of mine waste management plant

Mill throughput was higher than the first quarter of 2009, but lower than planned because of the need to control sulphur feed grades to the mill. Sulphur is removed from the mill tailing in the mine waste management plant.

Despite the significant redesign and modification of the mine waste management plant, its performance continues to be challenged, requiring control of sulphur by blending the ore in the mine before it goes to the mill. This is being accomplished by mining lower benches that contain more copper and less sulphur and gold. The higher grade gold ore is available to be mined but will not be processed until the mine waste management plant is performing to expectations. The lower bench ore is harder than the ore in the planned mining areas, which has lowered the mill's throughput rate.

As a result, copper grades and production were in line with 2009 and plan, while gold grades and production were significantly lower than planned.

The mine drainage tunnel completed in late 2009 is operating well, and mining conditions on the bottom benches are excellent. This has given Ok Tedi the opportunity to address the performance of the mine waste management plant, and the lower gold production, without reducing copper output. A dedicated team of in-house and consulting specialists are working on the plant's technical and operational issues.

2010 outlook for production and costs

On April 1, members of the Ok Tedi Mining and Allied Workers Union (OTMAWU) began an illegal work action over concerns about distributions under an employee retention bonus arrangement that is not part of Ok Tedi's industrial agreement with the OTMAWU. As part of the collective bargaining talks that are currently underway to renew the labour agreements, Ok Tedi management has offered to discuss this concern and others that are not covered under the agreement. The action ended and employees returned to work on April 17, 2010. Ok Tedi was able to complete significant scheduled maintenance work planned for later in the year during the strike action. This, along with other productivity improvements, should allow Ok Tedi to make up most of the lost production.

Ok Tedi expects to process 23.9 million tonnes of ore in 2010, at a grade of 0.8 percent copper and containing 1.1 grams per tonne of gold. This should produce 163,000 tonnes of copper and 570,000 ounces of gold. Successful operation of the mine waste management plant will be required for Ok Tedi to meet its gold production forecast for the year.

Financial review

Higher earnings due to higher copper and gold prices

| <i>(millions of Canadian dollars unless otherwise stated)</i> | three months ended March 31 | | objective |
|---|------------------------------------|---------------|------------------|
| | 2010 | 2009 | 2010 |
| Sales analysis at 18% | | | |
| Copper sales (tonnes) | 7,300 | 6,000 | 29,300 |
| Gold sales (ounces) | 22,200 | 23,800 | 102,600 |
| Gross copper sales | \$56 | \$34 | \$203 |
| Gross gold sales | 26 | 23 | 108 |
| Other metal sales | 1 | 1 | 3 |
| Gross sales | 83 | 58 | 314 |
| Smelter processing charges and freight | (10) | (6) | (31) |
| Net sales | \$73 | \$52 | \$283 |
| Cost analysis at 18% | | | |
| Tonnes of ore milled (thousands) | 1,000 | 932 | 4,300 |
| Direct production costs (\$ per tonne) | \$23 | \$25 | \$23 |
| Direct production costs | \$23 | \$24 | \$99 |
| Change in inventory | 4 | 1 | - |
| Depreciation and other non-cash costs | 5 | 9 | 30 |
| Operating costs | \$32 | \$34 | \$129 |
| Operating earnings | \$41 | \$18 | \$154 |
| Operating cash flow | \$46 | (\$14) | \$118 |

The objective for 2010 uses the assumptions listed on page 13.

The table below shows what contributed to the change in operating earnings and operating cash flow between the first quarter of 2010 and 2009.

| <i>(millions)</i> | three months ended March 31 |
|--|--|
| Higher copper prices, denominated in Canadian dollars | \$14 |
| Higher gold prices, denominated in Canadian dollars | 5 |
| Lower sales volumes | (1) |
| Higher smelter processing and freight charges | (1) |
| Lower operating costs | 6 |
| Higher operating earnings, compared to 2009 | 23 |
| Change in tax expense because of change in earnings | (16) |
| Changes in net working capital (see note 2 on page 43) | 54 |
| Other | (1) |
| Higher operating cash flow, compared to 2009 | \$60 |

Capital spending

In 2010, Ok Tedi spent \$24 million (our share is \$4 million), mainly on a mining fleet specifically designed for limestone mining and the construction of underwater storage pits for sulphur concentrate produced by the tailings management plant. In the first quarter of 2009, spending was primarily for the pit drainage project.

| <i>(18 percent)</i> | three months ended March 31 | | objective |
|-------------------------|------------------------------------|---------|------------------|
| | 2010 | 2009 | change |
| Capital spending | \$4,300 | \$3,300 | +30% |
| | | | \$21,000 |

2010 outlook for capital spending

Capital spending in 2010 will be on a mining fleet specifically designed for 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

On March 31, 2010, we announced the results of the front end engineering and design (FEED) study for Cobre Panama, including updated capital cost estimates, operating cost estimates, mineral reserves, and other information.

This has resulted in a significant increase in mineral reserves and resources. The table below outlines the mineral reserves and resources by classification:

Mineral reserves ⁽¹⁾

| | million tonnes | Cu (%) | Au (grams/tonne) | Ag (grams/tonne) | Mo (%) |
|----------------------------|----------------|-------------|------------------|------------------|--------------|
| Proven | 246 | 0.59 | 0.14 | 1.61 | 0.010 |
| Probable | 1,897 | 0.39 | 0.06 | 1.41 | 0.007 |
| Proven and probable | 2,143 | 0.41 | 0.07 | 1.43 | 0.008 |

Mineral resources ⁽¹⁾

| | million tonnes | Cu (%) | Au (grams/tonne) | Ag (grams/tonne) | Mo (%) |
|-------------------------------|----------------|-------------|------------------|------------------|--------------|
| Measured | 261 | 0.56 | 0.13 | 1.5 | 0.009 |
| Indicated | 3,010 | 0.34 | 0.06 | 1.2 | 0.006 |
| Measured and indicated | 3,271 | 0.36 | 0.06 | 1.3 | 0.007 |
| Inferred | 3,194 | 0.24 | 0.04 | 1.0 | 0.005 |

⁽¹⁾ Refer to Mineral reserves and resources footnote on page 26.

Reserve estimates are based on the following assumptions:

Metal prices

Copper (Cu): US \$2.00 per pound

Gold (Au): US \$750 per ounce

Silver (Ag): US \$12.50 per ounce

combined

Molybdenum (Mo): US \$12 per pound

Mining costs

US \$1.33 per tonne of material mined

Milling and general and administrative costs

US \$5.37 per tonne of ore milled

The current mine plan defines mining operations until 2045, or for 30 years after production begins, and has expanded the project's output and size by 25 percent. Because of the size of the mineral resource, there is potential to extend the mine life beyond 2045. The table below provides a production and cost summary:

| | annual average: years 2-16 | annual average: life of mine | total: life of mine |
|--|-------------------------------|---------------------------------|------------------------|
| Metal production (in thousands): | | | |
| Copper (tonnes) | 289 | 255 | 7,641 |
| Gold (ounces) | 108 | 90 | 2,690 |
| Silver (ounces) | 1,544 | 1,508 | 45,228 |
| Molybdenum (tonnes) | 3.6 | 3.2 | 96.5 |
| Grades: | | | |
| Copper (%) | 0.47 | 0.41 | |
| Gold (grams/tonne) | 0.09 | 0.07 | |
| Silver (grams/tonne) | 1.48 | 1.43 | |
| Molybdenum (%) | 0.008 | 0.008 | |
| Mill recoveries: | | | |
| Copper (%) | 88.6 | 85.9 | |
| Gold (%) | 57.5 | 54.3 | |
| Silver (%) | 47.3 | 45.8 | |
| Molybdenum (%) | 61.9 | 59.0 | |
| Copper cash cost (US\$ per pound) | 0.78 | 0.90 | |

The total capital cost is estimated to be US \$4.3 billion, not including escalation, interest, and working capital.

Copper cash cost is a non-GAAP measure. It is the sum of operating costs, concentrate freight, treatment and refining charges, net smelter return royalty, non-income taxes, net of by-product credits per pound of recovered copper.

Environmental and community affairs

We made significant progress to move our environmental and social impact assessment (ESIA) study to completion. Our ESIA will cover all environmental and social interactions associated with the project, comply with Panamanian requirements, and with the requirements of the International Finance Corporation (IFC) Performance Standards (PS) on social and environmental sustainability. We expect to submit the ESIA to the Panamanian regulatory authorities in the second quarter for their review, comment and approval. We are working closely with the Panamanian authorities to ensure there is coordination to facilitate a timely review process. At the same time as the Panamanian authorities are reviewing the documents, we expect the ESIA will be rigorously reviewed by external financing agencies to ensure compliance with the IFC PS and the Equator Principles. We continue our on-going community engagement and community development activities to build social license for the project.

Option on 20 percent of Cobre Panama

On March 15, 2010, LS-Nikko confirmed it would retain its 20 percent option to acquire an equity interest in Minera Panamá, S.A., owner of Cobre Panama. The option agreement, as amended, provided LS-Nikko with the ability to increase its option interest before March 15, 2010 to 30 percent, to allow for an additional Korean investor. While the results of the technical and business due diligence were positive, LS-Nikko was not able to settle on a satisfactory governance structure by the March 15 deadline. We decided not to provide a further extension to the option timeline because of other available financing alternatives.

2010 outlook for development

In 2010 we plan to:

- complete and file an updated National Instrument 43-101 compliant technical report on mineral reserves and resources for the project in May
- submit the ESIA to the Panamanian environmental authorities before the end of the second quarter
- continue our dialogue at the community, regional and national levels, to enhance understanding of the project and its benefits to Panama
- continue to pursue the amendment to Panama's Mineral Resources Code to permit entities in which foreign governmental bodies or authorities have an interest, to hold direct or indirect interests in mining concessions in Panama
- continue to improve site access and infrastructure
- carry out additional drilling for geotechnical and hydrological purposes and to 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 and start basic engineering
- work with GDF 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.

We are estimating that approval for the ESIA and permitting to begin construction will take approximately 15 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 engage other companies as part of our overall partnering and financing strategy for the project, and will consider reducing our interest in the project. We are also in discussions about other financing options for the project at this time.

Footnote on mineral reserves and resources

Mineral resources include mineral reserves. Grades are estimated using ordinary kriging with a nominal block size of 25x25x15 metres. Resources are limited inside a pit shell defined by a copper price of US \$2.30 per pound, the same operating costs used for reserves, and are tabulated at a cut-off grade of 0.15 percent copper. Mineral resources do not have demonstrated economic viability.

Mineral reserves and resources have been prepared in accordance with the definitions and guidelines adopted by the Canadian Institute of Mining, Metallurgy and Petroleum (called the CIM definitions and guidelines), and according to National Instrument 43-101 of the Canadian Securities Administrators.

Mineral resources were estimated by Robert Sim, P. Geo., of SIM Geological Inc. and Bruce Davis, Ph.D., Fellow of the AusIMM (FAusIMM), BD Resource Consulting Inc., both qualified persons under National Instrument 43-101.

Mineral reserves were estimated by William Rose, P.E., of WLR Consulting, Inc., a qualified person under National Instrument 43-101.

Managing our liquidity

We develop our financing strategy by looking at our long-term capital requirements, 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.

| (millions) | three months ended March 31 | |
|---|------------------------------------|-------------|
| | 2010 | 2009 |
| CASH FROM OPERATING ACTIVITIES | | |
| Çayeli | \$30 | \$(9) |
| Pyhäsalmi | 15 | (2) |
| Troilus | 19 | 49 |
| Ok Tedi | 46 | (14) |
| Las Cruces | (7) | - |
| Corporate development and exploration not incurred by operations | (2) | (2) |
| General and administration | (6) | (4) |
| Other | (3) | (1) |
| | 92 | 17 |
| CASH FROM INVESTING AND FINANCING | | |
| Purchase of property, plant and equipment | (22) | (95) |
| Purchase of long-term investments | (102) | - |
| Long-term debt repayments | - | (8) |
| Funding by non-controlling shareholder | 3 | 16 |
| Foreign exchange on cash held in foreign currency | (16) | 6 |
| Other | - | (2) |
| | (137) | (83) |
| Decrease in cash | (45) | (66) |
| Cash and short-term investments | | |
| Beginning of period | 534 | 573 |
| End of period | \$489 | \$507 |

OPERATING ACTIVITIES

Key components of the change in operating cash flows

| (millions) | three months ended March 31 |
|---|-----------------------------|
| Higher earnings from operations (see page 4) | \$18 |
| Higher tax expense | (16) |
| Stand-by costs | (7) |
| Changes in working capital | 81 |
| Other | (1) |
| Higher operating cash flow, compared to 2009 | \$75 |

Operating cash flows were higher this quarter than they were in the first quarter of 2009 because our operating earnings were higher, and in 2009 there was a large outflow of cash related to working capital, which included \$48 million to repay smelters for the excess provisional payments they made in 2008, before copper prices dropped as a result of the global financial crisis.

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 13, and the assumptions in *Results of our operations*, which starts on page 13.

2010 estimated operating cash flow by operation

| (millions) | |
|------------|--------------|
| Çayeli | \$132 |
| Las Cruces | 300 |
| Pyhäsalmi | 64 |
| Troilus | 10 |
| Ok Tedi | 118 |
| | \$624 |

INVESTING AND FINANCING

Capital spending

| (millions) | three months ended March 31 | | objective |
|--------------|-----------------------------|------|-----------|
| | 2010 | 2009 | 2010 |
| Çayeli | \$2 | \$3 | \$21 |
| Las Cruces | (3) | 65 | 80 |
| Pyhäsalmi | 1 | 1 | 9 |
| Ok Tedi | 4 | 3 | 21 |
| Cobre Panama | 18 | 23 | 122 |
| | \$22 | \$95 | \$253 |

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 the first quarter of 2010 was mainly for work to advance Cobre Panama.

Acquisition of long-term investments

In 2010, we bought \$102 million in medium-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 of 2.3 percent. This will increase our return on the cash we have set aside for capital spending at Cobre Panama.

2010 outlook for investing and financing

We expect capital spending to be \$253 million in 2010. The more significant items include:

- \$80 million at Las Cruces, including \$37 million on a water treatment plant and other water management projects, \$20 million for mine development and \$23 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.

On March 31, 2010, we entered into a subscription agreement with a subsidiary of Temasek Holdings (Private) Limited (Temasek), under which Temasek has agreed to buy 9.26 million subscription receipts for total proceeds of \$500 million. We issued the subscription receipts on April 23, 2010 and the proceeds are being held in escrow. The subscription receipts are exchangeable for an equivalent number of Inmet common shares as long as certain conditions are met on or before September 30, 2010, including:

- The coming into effect of legislation passed by the legislative assembly of the Republic of Panama to amend Panama's Mineral Resources Code to permit entities in which foreign governmental bodies or authorities have an interest, to hold direct or indirect interests in mining concessions in Panama.
- Inmet's or Minera Panamá's ability to use or exploit their rights under Minera Panamá's mining concession for the Cobre Panama mining project are not impaired in any material way.

If the conditions are met, the subscription receipts will be exchanged for Inmet common shares equal to approximately 14 percent of our outstanding common shares. The proceeds will then be released from escrow and we will use them to fund the development of Cobre Panama and for general corporate purposes. If the conditions are not met, the subscription receipts will automatically terminate and the escrowed funds will be returned to Temasek.

Financial condition

CASH

Our cash and cash equivalents balance at March 31, 2010 was \$489 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 downturn. We have moved some of our government funds to prime funds and have created a bond portfolio that should provide better yields with little change to our investment risk. At March 31, 2010, we held cash and short-term investments in the following:

- AAA rated treasury funds and money market funds managed by leading international fund managers, who are 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 that are benefiting directly and indirectly from support programs by various governments and central banks.

See note 3 on page 44 in the consolidated financial statements for more details about where our cash is invested.

The bond portfolio (*Held to maturity investments*) totalling \$204 million, comprises 20 percent Government of Canada bonds, 60 percent Provincial Government bonds and 20 percent corporate bonds, and the bonds mature between December 2010 and June 2014.

Our restricted cash balance of \$110 million as at March 31, 2010 included:

- \$26 million in trust for future reclamation at Ok Tedi
- \$17 million of cash collateralized letters of credit for Inmet
- \$65 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.

COMMON SHARES

| | |
|--|------------|
| Common shares outstanding as of March 31, 2010 | 56,106,759 |
| Deferred share units outstanding as of March 31, 2010 (redeemable on a one-for-one basis for common shares) | 95,625 |

Dividend declaration

The board of directors has declared an eligible dividend of \$0.10 per common share payable on June 15, 2010 to common shareholders of record as at May 31, 2010.

Accounting changes

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

The Accounting Standards Board has 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.

The adoption of IFRS 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 of all of our significant accounting policies, prepared sample financial statements and assessed the impacts on our systems and processes. We have identified and put in place a dual reporting solution to maintain our accounting records according to Canadian GAAP and IFRS for our 2010 dual reporting year. We have been working alongside our auditors while 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. Concurrently with documenting our new policies, we have documented the related internal controls. We do not expect our key controls to change during and after our transition to IFRS. We have made significant progress towards determining our January 1, 2010 balance sheet under IFRS and plan to present it to our board of directors in July 2010.

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 approach will lead to write-downs when carrying values of assets supported under Canadian GAAP on an undiscounted basis are not supported on a discounted basis under IFRS. IFRS also requires a full or partial reversal of previous impairment losses when circumstances have changed and the impairments have been reduced. Impairment losses cannot be reversed under Canadian GAAP.

Business combinations

Under Canadian GAAP, mining companies that are acquired in the early development stage 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, only the ownership percentage acquired is recorded. 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 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.

Under IFRS, we will recognize revenue when all significant risks and rewards of ownership of our products are transferred to the purchaser.

Foreign exchange gains and 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.

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.

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 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 the previous amount to retained earnings. We expect to use this exemption and reset our cumulative translation adjustment to zero on transition to IFRS.
- *Property, plant and equipment associated with asset retirement obligations* – IFRS and Canadian GAAP both require us to recognize a corresponding change in asset retirement obligations in the carrying value of the related property, plant and equipment (where we identify an asset) and depreciate this amount prospectively. The amount under IFRS will be different from the amount determined under Canadian GAAP because of the different way IFRS determines asset retirement obligations.

We can use an optional transitional calculation to determine the property, plant and equipment associated with our provision for asset retirement obligations. Under the transitional calculation, we measure the provision at the transition date and discount it to the date the liability first arose. The result becomes the initial asset value. Depreciation is applied to this value. We expect to apply this exemption for certain mines and not determine property, plant and equipment associated with asset retirement obligations retrospectively.

Supplementary financial information

Page 34 includes 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.

A handwritten signature in black ink that reads "Jochen Tilk". The signature is written in a cursive, flowing style.

Toronto, Canada
April 27, 2010

Jochen Tilk
*President and
Chief Executive Officer*

INMET MINING CORPORATION

Supplementary financial information

Cash costs

2010 For the three months ended March 31

| | per pound of copper | | | TOTAL COPPER |
|--|---------------------|-----------------|---------------|-----------------|
| | ÇAYELI | PYHÄSALMI | OK TEDI | |
| (US dollars) | | | | |
| Direct production costs | \$1.19 | \$2.21 | \$1.30 | \$1.41 |
| Royalties and variable compensation | 0.13 | - | 0.15 | 0.12 |
| Smelter processing charges and freight | 1.35 | 1.44 | 0.55 | 1.05 |
| Metal credits | (2.04) | (3.79) | (1.66) | (2.19) |
| Cash cost | \$0.63 | (\$0.14) | \$0.34 | \$0.39 |

2009 For the three months ended March 31

| | per pound of copper | | | TOTAL COPPER |
|--|---------------------|---------------|---------------|-----------------|
| | ÇAYELI | PYHÄSALMI | OK TEDI | |
| (US dollars) | | | | |
| Direct production costs | \$0.97 | \$1.60 | \$1.32 | \$1.24 |
| Royalties and variable compensation | 0.09 | - | (0.05) | 0.02 |
| Smelter processing charges and freight | 1.02 | 0.68 | 0.39 | 0.71 |
| Metal credits | (1.10) | (2.04) | (1.40) | (1.41) |
| Cash cost | \$0.98 | \$0.24 | \$0.26 | \$0.56 |

Reconciliation of cash costs to statements of earnings

2010 For the three months ended March 31

| | per pound of copper | | | TOTAL COPPER |
|--|---------------------|-----------------|---------------|-----------------|
| | ÇAYELI | PYHÄSALMI | OK TEDI | |
| (millions of Canadian dollars, except where otherwise noted) | | | | |
| GAAP reference | page 15 | page 19 | page 23 | |
| Direct production costs | \$22 | \$15 | \$23 | \$60 |
| Smelter processing charges and freight | 20 | 12 | 10 | 42 |
| By product sales | (33) | (26) | (27) | (86) |
| Adjust smelter processing and freight, and sales to production basis | 1 | (2) | (1) | (2) |
| Operating costs net of metal credits | \$10 | (\$1) | \$5 | \$14 |
| US \$ to C\$ exchange rate | \$1.04 | \$1.04 | \$1.04 | \$1.04 |
| Inmet's share of production (000's) | 15,700 | 6,400 | 14,700 | 36,800 |
| Cash cost | \$0.63 | (\$0.14) | \$0.34 | \$0.39 |

2009 For the three months ended March 31

| | per pound of copper | | | TOTAL COPPER |
|--|---------------------|---------------|---------------|-----------------|
| | ÇAYELI | PYHÄSALMI | OK TEDI | |
| (millions of Canadian dollars, except where otherwise noted) | | | | |
| GAAP reference | page 15 | page 19 | page 23 | |
| Direct production costs | \$20 | \$16 | \$23 | \$59 |
| Smelter processing charges and freight | 19 | 9 | 6 | 34 |
| By product sales | (23) | (17) | (24) | (64) |
| Adjust smelter processing and freight, and sales to production basis | 3 | (6) | - | (3) |
| Operating costs net of metal credits | \$19 | \$2 | \$5 | \$26 |
| US \$ to C\$ exchange rate | \$1.24 | \$1.24 | \$1.24 | \$1.24 |
| Inmet's share of production (000's) | 15,500 | 7,900 | 14,600 | 38,000 |
| Cash cost | \$0.98 | \$0.24 | \$0.26 | \$0.56 |

INMET MINING CORPORATION

Quarterly review

(unaudited)

Latest Four Quarters

| | 2010 | 2009 | 2009 | 2009 |
|---|-----------|-----------|-----------|-----------|
| | First | Fourth | Third | Second |
| (thousands of Canadian dollars, except per share amounts) | quarter | quarter | quarter | quarter |
| STATEMENTS OF EARNINGS | | | | |
| Gross sales | \$251,559 | \$290,570 | \$241,121 | \$213,042 |
| Smelter processing charges and freight | (44,329) | (53,696) | (41,607) | (40,589) |
| Cost of sales | (80,980) | (74,995) | (72,706) | (73,827) |
| Depreciation | (15,224) | (17,911) | (14,558) | (13,604) |
| | 111,026 | 143,968 | 112,250 | 85,022 |
| Corporate development and exploration | (2,779) | (2,915) | (1,963) | (2,727) |
| General and administration | (5,510) | (9,836) | (5,147) | (4,785) |
| Investment and other income (expense) | (78) | 280 | 3,588 | 16,466 |
| Asset impairment | - | (3,496) | - | - |
| Stand-by costs | (6,753) | - | - | - |
| Interest expense | (452) | (496) | (496) | (493) |
| Capital tax expense | (82) | 69 | (744) | (125) |
| Income tax expense | (20,063) | (38,668) | (39,244) | (24,052) |
| Non-controlling interest | 4,562 | 857 | (6,693) | (2,778) |
| Net income | 79,871 | \$89,763 | \$61,551 | \$66,528 |
| Net income per common share | \$1.42 | \$1.60 | \$1.10 | \$1.37 |
| Diluted net income per common share | \$1.42 | \$1.60 | \$1.09 | \$1.36 |

Previous Four Quarters

| | 2009 | 2008 | 2008 | 2008 |
|---|-----------|------------|-----------|-----------|
| | First | Fourth | Third | Second |
| (thousands of Canadian dollars, except per share amounts) | quarter | quarter | quarter | quarter |
| STATEMENTS OF EARNINGS | | | | |
| Gross sales | \$239,152 | \$139,626 | \$247,495 | \$281,463 |
| Smelter processing charges and freight | (40,540) | (32,870) | (49,502) | (53,209) |
| Cost of sales | (89,904) | (91,715) | (84,948) | (89,893) |
| Depreciation | (15,679) | (14,844) | (11,395) | (9,195) |
| | 93,029 | 197 | 101,650 | 129,166 |
| Corporate development and exploration | (3,232) | (1,971) | (3,548) | (2,483) |
| General and administration | (4,124) | (3,289) | (3,411) | (2,790) |
| Investment and other income (expense) | (11,203) | 8,057 | (5,467) | (11,358) |
| Asset impairment | (6,419) | (36,275) | - | - |
| Interest expense | (492) | (490) | (476) | (471) |
| Capital tax expense | (125) | (1,304) | (125) | (124) |
| Income tax expense | (18,890) | 767 | (17,379) | (44,333) |
| Non-controlling interest | 2,783 | 1,794 | 3,813 | 98 |
| Net income (loss) | \$51,327 | (\$32,514) | \$75,057 | \$67,705 |
| Net income (loss) per common share | \$1.06 | (\$0.67) | \$1.55 | \$1.40 |
| Diluted net income (loss) per common share | \$1.06 | (\$0.67) | \$1.55 | \$1.40 |

Consolidated financial statements
INMET MINING CORPORATION
Consolidated balance sheets

| (thousands of Canadian dollars) | Note reference | March 31 2010 (unaudited) | December 31 2009 |
|---|----------------|---------------------------------|---------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and short-term investments | 3 | \$489,280 | \$533,913 |
| Restricted cash | 4 | 12,225 | 15,130 |
| Accounts receivable | | 125,386 | 129,987 |
| Inventories | | 80,879 | 103,108 |
| Current portion of held to maturity investments | 6 | 25,952 | 9,993 |
| Future income tax asset | | 9,325 | 8,466 |
| | | <u>743,047</u> | 800,597 |
| Restricted cash | 4 | 97,975 | 101,589 |
| Property, plant and equipment | | 1,750,566 | 1,860,616 |
| Investments in equity securities | 5 | 42,583 | 42,411 |
| Held to maturity investments | 6 | 177,812 | 89,891 |
| Future income tax asset | | 13,961 | 6,151 |
| Other assets | | 2,801 | 2,894 |
| | | <u>\$2,828,745</u> | \$2,904,149 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | | \$182,770 | \$185,145 |
| Derivatives | | 1,300 | 1,543 |
| Future income tax liabilities | | 1,281 | 4,612 |
| | | <u>185,351</u> | 191,300 |
| Long-term debt | 7 | 187,986 | 200,026 |
| Asset retirement obligations | | 139,611 | 145,038 |
| Derivatives | | 2,766 | 3,165 |
| Other liabilities | | 30,128 | 32,113 |
| Future income tax liabilities | | 9,316 | 16,357 |
| Non-controlling interest | | 66,758 | 78,005 |
| | | <u>621,916</u> | 666,004 |
| Commitments | 8 | | |
| Shareholders' equity | | | |
| Share capital | | 669,952 | 669,952 |
| Contributed surplus | | 63,709 | 63,296 |
| Stock based compensation | | 5,828 | 5,170 |
| Retained earnings | | 1,621,674 | 1,541,803 |
| Accumulated other comprehensive loss | 10 | (154,334) | (42,076) |
| | | <u>2,206,829</u> | 2,238,145 |
| | | <u>\$2,828,745</u> | \$2,904,149 |

(see accompanying notes)

INMET MINING CORPORATION

Segmented balance sheets

2010 As at March 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 | \$172,229 | \$180,511 | \$70,360 | \$ - | \$42,807 | \$11,470 | \$11,903 | \$489,280 |
| Other current assets | 30,740 | 43,156 | 44,002 | 19,771 | 57,687 | 58,034 | 377 | 253,767 |
| Restricted cash | 16,503 | - | 1,681 | - | 26,332 | 53,459 | - | 97,975 |
| Property, plant and equipment | 843 | 114,136 | 59,074 | 14,852 | 97,733 | 933,951 | 529,977 | 1,750,566 |
| Investments in equity securities | 42,583 | - | - | - | - | - | - | 42,583 |
| Held to maturity investments | 177,812 | - | - | - | - | - | - | 177,812 |
| Other non-current assets | 1,770 | 349 | - | - | 4,269 | 10,374 | - | 16,762 |
| | \$442,480 | \$338,152 | \$175,117 | \$34,623 | \$228,828 | \$1,067,288 | \$542,257 | \$2,828,745 |
| Liabilities | | | | | | | | |
| Current liabilities | \$20,641 | \$32,124 | \$19,724 | \$18,535 | \$60,590 | \$28,514 | \$5,223 | \$185,351 |
| Long-term debt | 16,647 | - | - | - | - | 171,339 | - | 187,986 |
| Asset retirement obligations | 28,636 | 8,631 | 14,154 | 8,575 | 38,498 | 41,117 | - | 139,611 |
| Derivatives | - | - | - | - | 2,766 | - | - | 2,766 |
| Other liabilities | 4,664 | 5,585 | - | - | 1,813 | 18,066 | - | 30,128 |
| Future income tax liabilities | - | - | 9,138 | - | - | 178 | - | 9,316 |
| Non-controlling interest | - | - | - | - | - | 66,758 | - | 66,758 |
| | \$70,588 | \$46,340 | \$43,016 | \$27,110 | \$103,667 | \$325,972 | \$5,223 | \$621,916 |

2009 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 | \$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 |

INMET MINING CORPORATION

Consolidated statements of earnings

(unaudited)

| (thousands of Canadian dollars except per share amounts) | Note reference | Three Months Ended March 31 | |
|--|----------------|-----------------------------|-----------|
| | | 2010 | 2009 |
| Gross sales | | \$251,559 | \$239,152 |
| Smelter processing charges and freight | | (44,329) | (40,540) |
| Cost of sales | | (80,980) | (89,904) |
| Depreciation | | (15,224) | (15,679) |
| | | 111,026 | 93,029 |
| Corporate development and exploration | | (2,779) | (3,232) |
| General and administration | | (5,510) | (4,124) |
| Investment and other income (expense) | 11 | (78) | (11,203) |
| Asset impairment | | - | (6,419) |
| Stand-by costs | 15 | (6,753) | - |
| Interest expense | | (452) | (492) |
| Capital tax expense | | (82) | (125) |
| Income tax expense | 12 | (20,063) | (18,890) |
| Non-controlling interest | | 4,562 | 2,783 |
| Net income | | \$79,871 | \$51,327 |
| Basic and diluted net income per common share | 13 | \$1.42 | \$1.06 |
| Weighted average shares outstanding (000's) | | 56,107 | 48,282 |
| (see accompanying notes) | | | |

INMET MINING CORPORATION
Segmented statements of earnings

(unaudited)

2010 For the three months ended March 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 | \$ - | \$82,406 | \$51,440 | \$34,454 | \$83,259 | \$ - | \$ - | \$251,559 |
| Smelter processing charges and freight | - | (20,105) | (11,505) | (2,758) | (9,961) | - | - | (44,329) |
| Cost of sales | (942) | (21,981) | (15,269) | (16,270) | (26,518) | - | - | (80,980) |
| Depreciation | - | (3,224) | (1,809) | (4,379) | (5,812) | - | - | (15,224) |
| | (942) | 37,096 | 22,857 | 11,047 | 40,968 | - | - | 111,026 |
| Corporate development and exploration | (1,878) | (66) | (835) | - | - | - | - | (2,779) |
| General and administration | (5,510) | - | - | - | - | - | - | (5,510) |
| Investment and other income (expense) | (75) | 99 | - | (130) | 72 | (44) | - | (78) |
| Stand-by costs | - | - | - | - | - | (6,753) | - | (6,753) |
| Interest expense | (452) | - | - | - | - | - | - | (452) |
| Capital tax expense | (82) | - | - | - | - | - | - | (82) |
| Income tax (expense) recovery | 1,477 | (7,453) | (5,015) | - | (16,535) | 7,463 | - | (20,063) |
| Non-controlling interest | - | - | - | - | - | 4,562 | - | 4,562 |
| Net income | (\$7,462) | \$29,676 | \$17,007 | \$10,917 | \$24,505 | \$5,228 | \$ - | \$79,871 |

2009 For the three months ended March 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 | \$ - | \$60,021 | \$33,981 | \$86,990 | \$58,160 | \$ - | \$ - | \$239,152 |
| Smelter processing charges and freight | - | (19,076) | (8,991) | (6,260) | (6,213) | - | - | (40,540) |
| Cost of sales | (484) | (22,571) | (15,845) | (22,827) | (28,177) | - | - | (89,904) |
| Depreciation | - | (3,473) | (2,602) | (3,419) | (6,185) | - | - | (15,679) |
| | (484) | 14,901 | 6,543 | 54,484 | 17,585 | - | - | 93,029 |
| Corporate development and exploration | (1,848) | (494) | (890) | - | - | - | - | (3,232) |
| General and administration | (4,124) | - | - | - | - | - | - | (4,124) |
| Investment and other income (expense) | 451 | 2,867 | - | 284 | (1,372) | (13,433) | - | (11,203) |
| Asset impairment charges | - | (6,419) | - | - | - | - | - | (6,419) |
| Interest expense | (492) | - | - | - | - | - | - | (492) |
| Capital tax expense | (125) | - | - | - | - | - | - | (125) |
| Income tax (expense) recovery | (16,531) | 581 | (435) | - | (6,540) | 4,035 | - | (18,890) |
| Non-controlling interest | - | - | - | - | - | 2,783 | - | 2,783 |
| Net income | (\$23,153) | \$11,436 | \$5,218 | \$54,768 | \$9,673 | (\$6,615) | \$ - | \$51,327 |

INMET MINING CORPORATION

Consolidated statements of cash flows

(unaudited)

| (thousands of Canadian dollars) | Note reference | Three Months Ended March 31 | |
|---|----------------|-----------------------------|------------------|
| | | 2010 | 2009 |
| Cash provided by (used in) operating activities ⁽¹⁾ | | | |
| Net income | | \$79,871 | \$51,327 |
| Add (deduct) items not affecting cash: | | | |
| Depreciation | | 15,224 | 15,679 |
| Future income tax | | (17,385) | (2,233) |
| Accretion expense on asset retirement obligations | | 1,305 | 1,267 |
| Non-controlling interest | | (4,622) | (2,783) |
| Asset impairment | | - | 6,419 |
| Foreign exchange loss | | 2,034 | 10,940 |
| Other | | 735 | 2,496 |
| Settlement of asset retirement obligations | | (573) | (447) |
| Net change in non-cash working capital | 2 | 14,988 | (65,568) |
| | | <u>91,577</u> | <u>17,097</u> |
| Cash provided by (used in) investing activities | | | |
| Purchase of property, plant and equipment | | (21,821) | (94,859) |
| Purchase of long-term investments | 6 | (102,380) | - |
| Sale of short-term investments | | 26,996 | 2,431 |
| Funding received under Cobre Panama option agreement | | 2,139 | - |
| | | <u>(95,066)</u> | <u>(92,428)</u> |
| Cash provided by (used in) financing activities | | | |
| Long-term debt repayments | | - | (8,328) |
| Funding by non-controlling shareholder | | 2,795 | 15,672 |
| Financial assurance deposits | | (679) | (9,440) |
| Subsidies received | | 360 | 8,609 |
| Other | | (487) | (45) |
| | | <u>1,989</u> | <u>6,468</u> |
| Foreign exchange change on cash held in foreign currency | | <u>(16,137)</u> | 5,500 |
| Decrease in cash | | (17,637) | (63,363) |
| Cash: | | | |
| Beginning of period | | 506,917 | 537,059 |
| End of period | | <u>489,280</u> | <u>473,696</u> |
| Short-term investments | | <u>-</u> | 33,243 |
| Cash and short-term investments | | <u>\$489,280</u> | <u>\$506,939</u> |
| (see accompanying notes) | | | |
| ⁽¹⁾ Supplementary cash flow information: | | | |
| Cash interest paid | | \$600 | \$4,725 |
| Cash taxes paid | | <u>\$19,831</u> | <u>\$5,848</u> |

INMET MINING CORPORATION
Segmented statements of cash flows

(unaudited)

2010 For the three months ended March 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 | (\$8,154) | \$30,733 | \$19,283 | \$15,797 | \$25,683 | (\$6,753) | \$ - | \$76,589 |
| Net change in non-cash working capital | (3,254) | (989) | (4,266) | 2,730 | 20,767 | - | - | 14,988 |
| | <u>(11,408)</u> | <u>29,744</u> | <u>15,017</u> | <u>18,527</u> | <u>46,450</u> | <u>(6,753)</u> | <u>-</u> | <u>91,577</u> |
| Cash provided by (used in) investing activities | | | | | | | | |
| Purchase of property, plant and equipment | (8) | (1,819) | (457) | - | (4,280) | 2,652 | (17,909) | (21,821) |
| Purchase of long-term investments | (102,380) | - | - | - | - | - | - | (102,380) |
| Sale of short-term investments | 26,996 | - | - | - | - | - | - | 26,996 |
| Funding received-Cobre Panama option agreement | - | - | - | - | - | - | 2,139 | 2,139 |
| | <u>(75,392)</u> | <u>(1,819)</u> | <u>(457)</u> | <u>-</u> | <u>(4,280)</u> | <u>2,652</u> | <u>(15,770)</u> | <u>(95,066)</u> |
| Cash provided by (used in) financing activities | | | | | | | | |
| Foreign exchange change on cash held in foreign currency | - | (6,026) | (6,392) | - | (2,180) | (1,335) | (204) | (16,137) |
| Intergroup funding (distributions) | 34,510 | (19) | (4,122) | (18,527) | (33,166) | 4,175 | 17,149 | - |
| Increase (decrease) in cash | (52,345) | 21,880 | 4,046 | - | 6,176 | 1,431 | 1,175 | (17,637) |
| Cash: | | | | | | | | |
| Beginning of period | 224,574 | 158,631 | 66,314 | - | 36,631 | 10,039 | 10,728 | 506,917 |
| End of period | 172,229 | 180,511 | 70,360 | - | 42,807 | 11,470 | 11,903 | 489,280 |
| Short-term investments | - | - | - | - | - | - | - | - |
| Cash and short-term investments | <u>\$172,229</u> | <u>\$180,511</u> | <u>\$70,360</u> | <u>\$ -</u> | <u>\$42,807</u> | <u>\$11,470</u> | <u>\$11,903</u> | <u>\$489,280</u> |

2009 For the three months ended March 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 | (\$13,532) | \$11,597 | \$5,660 | \$59,716 | \$19,224 | \$ - | \$ - | \$82,665 |
| Net change in non-cash working capital | 6,979 | (20,543) | (7,446) | (10,990) | (33,568) | - | - | (65,568) |
| | <u>(6,553)</u> | <u>(8,946)</u> | <u>(1,786)</u> | <u>48,726</u> | <u>(14,344)</u> | <u>-</u> | <u>-</u> | <u>17,097</u> |
| Cash provided by (used in) investing activities | | | | | | | | |
| Purchase of property, plant and equipment | 184 | (3,567) | (772) | - | (3,321) | (64,551) | (22,832) | (94,859) |
| Sale of short-term investments | 2,431 | - | - | - | - | - | - | 2,431 |
| | <u>2,615</u> | <u>(3,567)</u> | <u>(772)</u> | <u>-</u> | <u>(3,321)</u> | <u>(64,551)</u> | <u>(22,832)</u> | <u>(92,428)</u> |
| Cash provided by (used in) financing activities | | | | | | | | |
| Foreign exchange change on cash held in foreign currency | - | 6,681 | (1,143) | - | 1,086 | (1,668) | 544 | 5,500 |
| Intergroup funding (distributions) | (7,629) | 395 | (4,152) | (48,726) | 194 | 34,594 | 25,324 | - |
| Increase (decrease) in cash | (11,677) | (5,437) | (7,853) | - | (17,158) | (24,274) | 3,036 | (63,363) |
| Cash: | | | | | | | | |
| Beginning of period | 205,564 | 192,881 | 65,976 | - | 37,547 | 33,981 | 1,110 | 537,059 |
| End of period | 193,887 | 187,444 | 58,123 | - | 20,389 | 9,707 | 4,146 | 473,696 |
| Short-term investments | 33,243 | - | - | - | - | - | - | 33,243 |
| Cash and short-term investments | <u>\$227,130</u> | <u>\$187,444</u> | <u>\$58,123</u> | <u>\$ -</u> | <u>\$20,389</u> | <u>\$9,707</u> | <u>\$4,146</u> | <u>\$506,939</u> |

INMET MINING CORPORATION

Consolidated statements of retained earnings

(unaudited)

| (thousands of Canadian dollars) | Three Months Ended March 31 | |
|--|-----------------------------|-------------|
| | 2010 | 2009 |
| Retained earnings, beginning of period | \$1,541,803 | \$1,283,074 |
| Net income | 79,871 | 51,327 |
| Retained earnings, end of period (see accompanying notes) | \$1,621,674 | \$1,334,401 |

Consolidated statements of comprehensive income (loss)

(unaudited)

| (thousands of Canadian dollars) | Note reference | Three Months Ended March 31 | |
|---|----------------|-----------------------------|-----------------|
| | | 2010 | 2009 |
| Net income | | \$79,871 | \$51,327 |
| Other comprehensive income (loss) for the period : | | | |
| Changes in fair value of gold forward sales contracts | | 218 | (761) |
| Changes in fair value of interest rate swap contracts | | - | 1,740 |
| Changes in fair value of investments | | 172 | 3,620 |
| Currency translation adjustments | | (113,188) | 27,045 |
| Reclassification to net income of gains/losses realized: | | | |
| Amortization of gain on foreign exchange forward contracts | | - | (1,508) |
| Income tax (expense) recovery related to other comprehensive income | 14 | 540 | (1,039) |
| | | (112,258) | 29,097 |
| Comprehensive income (loss) (see accompanying notes) | | (\$32,387) | \$80,424 |

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. You should read our interim statements in conjunction with our annual statements, which you can find in our 2009 Annual Report.

These statements have been approved by Inmet's board of directors and have been reviewed by our external auditors.

2. Statement of cash flows

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

For the three months ended March 31, 2010

| (thousands) | Corporate | Çayeli | Pyhäsalmi | Troilus | Ok Tedi | Total |
|--|-----------|---------|-----------|---------|----------|----------|
| Accounts receivable | (\$595) | (\$396) | \$925 | \$258 | (\$262) | (\$70) |
| Inventories | - | (164) | 582 | 4,152 | 3,387 | 7,957 |
| Accounts payable and accrued liabilities | (3,231) | 942 | (6,539) | (1,680) | 1,719 | (8,789) |
| Taxes | 576 | (1,448) | 766 | - | 15,982 | 15,876 |
| Other | (4) | 77 | - | - | (59) | 14 |
| | (\$3,254) | (\$989) | (\$4,266) | \$2,730 | \$20,767 | \$14,988 |

For the three months ended March 31, 2009

| (thousands) | Corporate | Çayeli | Pyhäsalmi | Troilus | Ok Tedi | Total |
|--|-----------|------------|-----------|------------|------------|------------|
| Accounts receivable | (\$148) | (\$24,517) | \$1,120 | (\$13,785) | (\$39,433) | (\$76,763) |
| Inventories | - | 1,218 | (407) | 2,940 | 1,388 | 5,139 |
| Accounts payable and accrued liabilities | (734) | (1,851) | (221) | 1,546 | (1,419) | (2,679) |
| Taxes | 7,872 | 4,553 | (7,938) | - | 5,204 | 9,691 |
| Other | (11) | 54 | - | (1,691) | 692 | (956) |
| | \$6,979 | (\$20,543) | (\$7,446) | (\$10,990) | (\$33,568) | (\$65,568) |

In the first quarter of 2009, Çayeli and Ok Tedi paid approximately \$48 million to smelters for finalization adjustments for shipments made in 2008.

3. Cash and short-term investments

| (thousands) | March 31 2010 | December 31 2009 |
|---------------------------------------|------------------|---------------------|
| Cash: | | |
| Liquidity funds | \$225,933 | \$205,190 |
| Bankers' acceptances | 34,206 | 92,200 |
| Money market funds | 190 | 19,951 |
| Term deposits | 48,344 | 40,140 |
| Overnight deposits | 61,018 | 54,435 |
| Bank deposits | 119,589 | 95,001 |
| | 489,280 | 506,917 |
| Short-term investments: | | |
| Corporate | - | 26,996 |
| Total cash and short-term investments | \$489,280 | \$533,913 |

4. Restricted cash

| (thousands) | March 31 2010 | December 31 2009 |
|--|------------------|---------------------|
| Collateralized cash for letter of credit facility - Inmet Mining | \$16,503 | \$16,492 |
| In trust for Ok Tedi reclamation | 26,332 | 26,365 |
| Collateralized cash for letters of credit - Las Cruces | 65,684 | 72,008 |
| Collateralized cash for Pyhäsalmi reclamation | 1,681 | 1,854 |
| | 110,200 | 116,719 |
| Less current portion: | | |
| Collateralized cash for letters of credit - Las Cruces | (12,225) | (15,130) |
| | \$97,975 | \$101,589 |

5. Investments in equity securities

| (thousands) | March 31 2010 | December 31 2009 |
|---|------------------|---------------------|
| Available-for-sale equity securities: | | |
| Premier Gold Mines Ltd (9.5 million shares) | \$40,068 | \$39,501 |
| Other | 2,515 | 2,910 |
| | \$42,583 | \$42,411 |

6. Held to maturity investments

In the first quarter, we purchased \$102 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 2.3 percent. We have designated these bonds as held to maturity, measuring them initially at fair value and subsequently at amortized cost.

7. Long-term debt

| | March 31 2010 | December 31 2009 |
|--|------------------|---------------------|
| Promissory note | \$16,647 | \$18,094 |
| Loans from non-controlling shareholder | 171,339 | 181,932 |
| | \$187,986 | \$200,026 |

Loans from non-controlling shareholder

Las Cruces received intercompany loan advances of €6.3 million in 2010 and €32 million in the first quarter of 2009. 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, €124.9 million, is reflected in long-term debt at March 31, 2010. Loans from non-controlling shareholders approximate fair value because the loans accrue interest at prevailing market rates.

8. Commitments

Capital commitments

Our operations have the following capital commitments as at March 31, 2010:

- Ok Tedi committed approximately \$86.0 million (our proportionate share is \$15.5 million) to capital expenditures mainly 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 \$30.8 million primarily for the purchase of a permanent water treatment plant.
- Cobre Panama committed \$133.7 million for the design and supply of two SAG mills, four ball mills and the related gearless drives.

9. Subscription agreement with Temasek Holdings

On March 31, 2010, we entered into a subscription agreement with a subsidiary of Temasek Holdings (Private) Limited (Temasek), under which Temasek has agreed to buy 9.26 million subscription receipts for total proceeds of \$500 million. We issued the subscription receipts on April 23, 2010 and the proceeds are being held in escrow. The subscription receipts are exchangeable for an equivalent number of Inmet common shares as long as certain conditions are met on or before September 30, 2010, including:

- The coming into effect of legislation passed by the legislative assembly of the Republic of Panama to amend Panama's Mineral Resources Code to permit entities in which foreign governmental bodies or authorities have an interest, to hold direct or indirect interests in mining concessions in Panama.
- Inmet's or Minera Panamá's ability to use or exploit their rights under Minera Panamá's mining concession for the Cobre Panama mining project are not impaired in any material way.

If the conditions are met, the subscription receipts will be exchanged for Inmet common shares equal to approximately 14 percent of our outstanding common shares. The proceeds will then be released from escrow and we will use them to fund the development of Cobre Panama and for general corporate purposes. If the conditions are not met, the subscription receipts will automatically terminate and the escrowed funds will be returned to Temasek.

10. Accumulated other comprehensive loss (AOCL)

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

| (thousands) | |
|---|--------------------|
| 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) |
| AOCL, December 31, 2009 | (\$42,076) |
| Other comprehensive loss for the three months ending March 31, 2010 | (\$112,258) |
| AOCL, March 31, 2010 | (\$154,334) |
| AOCL March 31, 2010 comprises: | |
| Unrealized losses on gold forward sales contracts (net of tax \$1,950) | (\$4,548) |
| Unrealized gains on investments (net of tax of \$4,183) | 24,571 |
| Currency translation adjustment | (174,357) |
| AOCL, March 31, 2010 | (\$154,334) |

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

| | March 31 2010 | December 31 2009 |
|--|--------------------|---------------------|
| Pyhäsalmi (euro functional currency) | (\$19,186) | (\$5,308) |
| Las Cruces (euro functional currency) | (77,239) | (8,793) |
| Çayeli (US dollar functional currency) | (30,460) | (20,901) |
| Ok Tedi (US dollar functional currency) | (17,531) | (13,751) |
| Cobre Panama (US dollar functional currency) | (29,941) | (12,416) |
| | (\$174,357) | (\$61,169) |

The Canadian dollar to US dollar exchange rate was \$1.02 at March 31, 2010 and \$1.05 at December 31, 2009. The Canadian dollar to euro exchange rate was \$1.37 at March 31, 2010 and \$1.50 at December 31, 2009.

11. Investment and other income

Investment and other income are summarized as follows:

| (thousands) | Three months ended March 31 | |
|--|-----------------------------|-------------------|
| | 2010 | 2009 |
| Interest income | \$1,597 | \$2,042 |
| Foreign exchange loss | (2,415) | (10,098) |
| Dividend and royalty income | 714 | - |
| Mark to market on Ok Tedi copper forward contracts | - | (1,419) |
| Other | 26 | (1,728) |
| | (\$78) | (\$11,203) |

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 March 31 | |
|---|-----------------------------|-------------------|
| | 2010 | 2009 |
| Translation of Las Cruces' US dollar-denominated bank credit facility | \$ - | (\$11,465) |
| Translation of foreign – denominated cash held at corporate | (771) | (1,595) |
| Distribution of funds from subsidiaries | (1,335) | - |
| Translation of other-monetary assets and liabilities | (309) | 2,962 |
| | (\$2,415) | (\$10,098) |

12. Income tax expense

For the three months ended March 31, 2010

| (thousands) | Corporate | Çayeli | Pyhäsalmi | Ok Tedi | Las Cruces | Cobre | |
|----------------------|------------------|----------------|----------------|-----------------|------------------|-------------|-----------------|
| | | | | | | Panama | Total |
| Current income taxes | \$1,160 | \$9,806 | \$4,942 | \$21,539 | \$ - | \$ - | \$37,447 |
| Future income taxes | (2,637) | (2,353) | 73 | (5,004) | (7,463) | - | (17,384) |
| | (\$1,477) | \$7,453 | \$5,015 | \$16,535 | (\$7,463) | \$ - | \$20,063 |

For the three months ended March 31, 2009

| (thousands) | Corporate | Çayeli | Pyhäsalmi | Ok Tedi | Las Cruces | Cobre | |
|----------------------|-----------------|----------------|--------------|----------------|------------------|-------------|-----------------|
| | | | | | | Panama | Total |
| Current income taxes | \$7,655 | \$7,806 | \$428 | \$5,234 | \$ - | \$ - | \$21,123 |
| Future income taxes | 8,876 | (8,387) | 7 | 1,306 | (4,035) | - | (2,233) |
| | \$16,531 | (\$581) | \$435 | \$6,540 | (\$4,035) | \$ - | \$18,890 |

13. Net income per share

| (thousands) | three months ended March 31 | |
|---|-----------------------------|----------|
| | 2010 | 2009 |
| Net income available to common shareholders | \$79,871 | \$51,327 |

| (thousands) | three months ended March 31 | |
|--|-----------------------------|--------|
| | 2010 | 2009 |
| Weighted average common shares outstanding | 56,107 | 48,282 |
| Plus incremental shares from assumed conversions: | | |
| Deferred share units | 96 | 86 |
| Long term incentive plan units | 43 | 43 |
| Diluted weighted average common shares outstanding | 56,246 | 48,411 |

| (Canadian dollars per share) | three months ended March 31 | |
|---|-----------------------------|--------|
| | 2010 | 2009 |
| Basic and diluted net income per common share | \$1.42 | \$1.06 |

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

| (thousands) | Three months ended March 31 | |
|---|-----------------------------|-----------|
| | 2010 | 2009 |
| Changes in fair value of gold forward sales contracts | (\$65) | \$227 |
| Changes in fair value of interest rate swap contracts | - | (660) |
| Changes in fair value of investments | 605 | (606) |
| | \$540 | (\$1,039) |

15. Stand-by costs

We could not mine ore at Las Cruces this quarter because of the water levels in the pit. We expensed \$6.8 million in water plant operating and maintenance costs because they did not relate to production activities.

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Investor Relations

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

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

- By mail directed to our Corporate Office
- By email at investor@inmetmining.com
- By fax at + 1-416-368-4692
- By telephone at + 1-416-860-3965

Shareholder Inquiries

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

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P.O. Box 7010
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Fax: + 1-416-643-5501
Email: inquiries@cibcmellon.com
Web site: www.cibcmellon.ca

Common Shares

| <i>(thousands)</i> | 2010 | 2009 |
|--|--------|--------|
| Outstanding as at March 31 | 56,107 | 48,282 |
| Weighted average for the three months ended March 31 | 56,107 | 48,282 |

Stock Exchange Listing

Toronto Stock Exchange

Stock Symbol

IMN

Common Shares

Trading History

| | High | Low |
|----------------|---------|---------|
| 2010 | | |
| First Quarter | \$71.05 | \$52.69 |
| 2009 | | |
| Fourth Quarter | \$68.78 | \$37.89 |
| Third Quarter | \$61.04 | \$37.89 |
| Second Quarter | \$50.30 | \$32.77 |
| First Quarter | \$36.63 | \$19.46 |