



## Quarterly Report Three and Nine Months Ended September 30, 2010

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*All amounts are in Canadian dollars, unless otherwise stated.*

### Management's Interim Discussion and Analysis

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

### Highlights

- **Strong earnings from operations**

Earnings from operations were \$148 million compared to \$112 million in the third quarter of last year – a result of higher metal prices and earnings from Las Cruces.

- **Operating earnings at Las Cruces**

Las Cruces began recognizing its results from operations in operating earnings and operating cash flows effective July 1, 2010. This increased consolidated operating earnings by \$21 million and operating cash flows by \$32 million.

- **Las Cruces progressing on commissioning plan**

We produced 8,400 tonnes of copper cathode this quarter, an increase of 27 percent compared to the second quarter of 2010. Overall, plant reliability has improved significantly and no substantial mechanical downtime was experienced in the third quarter. We are now in the process of ramping up throughput and production. Our ramp up pattern is typical of hydrometallurgical plants and other complex processes, and the critical next step to achieving full production is to maintain optimum recovery while increasing feed into the plant. We will continue to rigorously implement the ramp up plan to achieve our goal of full production, and are encouraged by the capability that the plant has demonstrated in recent months. Notwithstanding the significant improvements achieved during the third quarter, production fell short of our forecast. We have revised our copper production objective for 2010 to 20,000 tonnes for our 70 percent share to reflect the slower ramp up and the deferral of direct ore shipments.

- **Submission of Cobre Panama Environmental and Social Impact Assessment and selection process for the Engineering, Procurement and Construction Management contractor**

Minera Panama submitted its environmental and social impact assessment (ESIA) to the Autoridad Nacional del Ambiente (ANAM), the Panamanian environmental regulatory authority in September. In addition, we have completed our selection of an Engineering, Procurement and Construction Management (EP+CM) contractor and, subject to board approvals, will move into the basic engineering phase of the Cobre Panama project in the fourth quarter. These represent significant milestones in the development of the project.

## Key financial data

	2010	three months ended September 30		2010	nine months ended September 30	
		2009	change		2009	change
<b>FINANCIAL HIGHLIGHTS</b>						
(thousands, except per share amounts)						
<b>Sales</b>						
Gross sales	<b>\$313,349</b>	\$241,121	+30%	<b>\$779,959</b>	\$693,315	+12%
<b>Net income</b>						
Net income	<b>86,086</b>	\$61,551	+40%	<b>\$214,393</b>	\$179,406	+20%
Net income per share	<b>\$1.53</b>	\$1.10	+40%	<b>\$3.82</b>	\$3.51	+9%
<b>Cash flow</b>						
Cash flow provided by operating activities	<b>\$102,135</b>	\$89,277	+14%	<b>\$274,001</b>	\$196,970	+39%
Cash flow provided by operating activities per share <sup>(1)</sup>	<b>\$1.82</b>	\$1.59	+14%	<b>\$4.88</b>	\$3.86	+26%
<b>Capital spending</b> <sup>(2)</sup>	<b>\$47,785</b>	\$23,789	+101%	<b>\$80,620</b>	\$204,911	-61%
<b>OPERATING HIGHLIGHTS</b>						
<b>Production</b> <sup>(3)</sup>						
Copper (tonnes)	<b>24,800</b>	19,900	+25%	<b>68,500</b>	59,200	+16%
Zinc (tonnes)	<b>20,800</b>	21,700	-4%	<b>60,100</b>	54,500	+10%
Gold (ounces)	<b>24,900</b>	48,200	-48%	<b>101,800</b>	177,600	-43%
Pyrite (tonnes)	<b>62,000</b>	-	+100%	<b>397,000</b>	323,000	+23%
<b>Copper cash cost (US \$ per pound)</b> <sup>(4)</sup>	<b>\$0.49</b>	\$0.46	+7%	<b>\$0.46</b>	\$0.54	-15%

	as at September 30	as at December 31
	2010	2009
<b>FINANCIAL CONDITION</b>		
Current ratio	<b>3.9 to 1</b>	4.2 to 1
Gross debt to total equity <sup>(5)</sup>	<b>1%</b>	1%
Net working capital balance (millions)	<b>\$527</b>	\$609
Cash balance including long-term bonds (millions)	<b>\$823</b>	\$634
Gross debt (millions) <sup>(5)</sup>	<b>\$17</b>	\$18
Shareholders' equity (millions)	<b>\$2,393</b>	\$2,238

<sup>(1)</sup> Cash flow provided by operating activities divided by average shares outstanding for the period.

<sup>(2)</sup> For the nine months ended September 30, 2010, this includes capital spending of \$65 million at Cobre Panama and \$52 million at Las Cruces reduced by positive cash flow from pre-operating costs net of revenues and working capital changes at Las Cruces of \$60 million. For the nine months ended September 30, 2009 this includes \$108 million of capital spending at Las Cruces (mainly for construction) and \$70 million at Cobre Panama.

<sup>(3)</sup> Inmet's share.

<sup>(4)</sup> Copper cash cost per pound is a non-GAAP measure – see *Supplementary financial information* on pages 32 to 34.

<sup>(5)</sup> 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.

## Third quarter report

We prepared this report as of October 26, 2010.

In this report, *Inmet* means Inmet Mining Corporation and *we, us* and *our* mean Inmet and/or its subsidiaries and joint ventures. *Revised objective* is as of October 26, 2010.

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

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

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## Our financial results

(thousands, except per share amounts)	three months ended September 30			nine months ended September 30		
	2010	2009	change	2010	2009	change
<b>EARNINGS FROM OPERATIONS <sup>(1)</sup></b>						
Çayeli	\$49,131	\$28,789	+71%	\$110,699	\$65,875	+68%
Las Cruces	20,614	-	+100%	20,614	-	+100%
Pyhäsalmi	29,479	20,800	+42%	74,645	39,126	+91%
Troilus	5,087	14,096	-64%	22,386	84,612	-74%
Ok Tedi	44,329	48,974	-9%	119,202	102,089	+17%
Other	(512)	(409)	+25%	(1,523)	(1,401)	+9%
	<b>148,128</b>	<b>112,250</b>	<b>+32%</b>	<b>346,023</b>	<b>290,301</b>	<b>+19%</b>
<b>DEVELOPMENT AND EXPLORATION</b>						
Corporate development and exploration	(2,758)	(1,963)	+40%	(8,061)	(7,922)	+2%
<b>CORPORATE COSTS</b>						
General and administration	(4,073)	(5,147)	-21%	(15,871)	(14,056)	+13%
Investment and other income	3,533	3,588	-2%	(14,915)	8,851	-269%
Asset impairment	-	-	-	-	(6,419)	-100%
Stand-by costs	-	-	-	(6,753)	-	+100%
Interest expense	(3,480)	(496)	+602%	(4,353)	(1,481)	+194%
Income and capital taxes	(45,354)	(39,988)	+13%	(80,748)	(83,180)	-3%
Non-controlling interest	(9,910)	(6,693)	+48%	(929)	(6,688)	-86%
	<b>(59,284)</b>	<b>(48,736)</b>	<b>+22%</b>	<b>(123,569)</b>	<b>(102,973)</b>	<b>+20%</b>
<b>Net income</b>	<b>\$86,086</b>	<b>\$61,551</b>	<b>+40%</b>	<b>\$214,393</b>	<b>\$179,406</b>	<b>+20%</b>
<b>Basic net income per share</b>	<b>\$1.53</b>	<b>\$1.10</b>	<b>+40%</b>	<b>\$3.82</b>	<b>\$3.51</b>	<b>+9%</b>
<b>Diluted net income per share</b>	<b>\$1.53</b>	<b>\$1.09</b>	<b>+40%</b>	<b>\$3.81</b>	<b>\$3.50</b>	<b>+9%</b>
<b>Weighted average shares outstanding</b>	<b>56,107</b>	<b>56,107</b>	<b>-</b>	<b>56,107</b>	<b>51,062</b>	<b>+10%</b>

<sup>(1)</sup> 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 September 30	nine months ended September 30	see page
<b>EARNINGS FROM OPERATIONS</b>			
<b>Sales</b>			
Higher copper and zinc prices denominated in Canadian dollars	\$37	\$99	7
Higher (lower) sales volumes	(1)	3	7
<b>Costs</b>			
Higher freight charges	(9)	(12)	9
(Higher) lower operating costs, including costs that vary with income and cash flows	(4)	6	10
Operating earnings at Las Cruces	21	21	16
Lower operating earnings at Troilus	(9)	(62)	
Other	1	1	
<b>Higher earnings from operations compared to 2009</b>	<b>36</b>	<b>56</b>	
<b>CORPORATE COSTS</b>			
Foreign exchange changes	18	(13)	11
Settlement and realization of hedge contracts in 2009	(21)	(21)	11
Asset impairment in 2009	-	6	12
(Higher) lower income taxes	(5)	2	12
Non-controlling interest change	(3)	6	
Stand-by costs	-	(7)	12
Other	-	6	
<b>Higher net income compared to 2009</b>	<b>\$25</b>	<b>\$35</b>	

## Understanding our performance

### Metal prices

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

	three months ended September 30			nine months ended September 30		
	2010	2009	change	2010	2009	change
<b>US dollar metal prices</b>						
Copper (per pound)	<b>\$3.46</b>	\$2.83	+22%	<b>\$3.25</b>	\$2.39	+36%
Zinc (per pound)	<b>\$0.95</b>	\$0.83	+14%	<b>\$0.92</b>	\$0.68	+35%
Gold (per ounce)	<b>\$1,216</b>	\$957	+27%	<b>\$1,157</b>	\$945	+22%
<b>Canadian dollar metal prices</b>						
Copper (per pound)	<b>\$3.60</b>	\$3.11	+16%	<b>\$3.37</b>	\$2.80	+20%
Zinc (per pound)	<b>\$0.99</b>	\$0.91	+9%	<b>\$0.96</b>	\$0.80	+20%
Gold (per ounce)	<b>\$1,263</b>	\$1,050	+20%	<b>\$1,199</b>	\$1,105	+9%

### *Copper*

Copper prices increased from US \$2.88 per pound at the start of the quarter to US \$3.65 per pound on September 30. London Metals Exchange (LME) inventories continued to fall in the third quarter to below 400,000 tonnes for the first time since early November 2009.

### *Zinc*

Zinc prices increased 27 percent this quarter, from US \$0.78 per pound at the start of the quarter to US \$0.99 per pound on September 30. LME inventories of zinc have remained essentially consistent since May 2010, and were 617,000 tonnes at the end of the quarter.

### *Gold*

Gold prices rose 5 percent this quarter with eight consecutive quarters of price gains. In late September gold prices closed at US \$1,300 per ounce for the first time ever.

### *Pyrite*

Sulphur prices rose steadily this quarter, driven mainly by demand from China. Additional pyrite demand from China this year depends on the cost of freight, which is significant relative to sulphur prices.

## Exchange rates

Exchange rates affect our revenue and earnings. The table below shows the average exchange rates we realized this quarter and year to date compared to 2009.

	three months ended September 30			nine months ended September 30		
	2010	2009	change	2010	2009	change
<b>Exchange rates</b>						
1 US\$ to C\$	\$1.04	\$1.10	-5%	\$1.04	\$1.17	-11%
1 euro to C\$	\$1.34	\$1.57	-15%	\$1.36	\$1.59	-14%
1 euro to US\$	\$1.29	\$1.43	-10%	\$1.32	\$1.37	-4%

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 appreciated 5 percent relative to the US dollar, and 15 percent relative to the euro.

Our earnings are affected by changes in foreign currency exchange rates when we:

- translate the results of our operations from their functional currency (US dollars or euros) to Canadian dollars
- revalue US dollars and euros that we hold in cash in Canada.

## 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 and year to date. While treatment charges for zinc concentrates are higher than last year, price participation is lower.

(US\$)	three months ended September 30			nine months ended September 30		
	2010	2009	change	2010	2009	change
<b>Treatment charges</b>						
Copper (per dry metric tonne of concentrate)	\$48	\$66	-27%	\$53	\$66	-20%
Zinc (per dry metric tonne of concentrate)	\$244	\$186	+31%	\$245	\$189	+30%
<b>Price participation</b>						
Copper (per pound)	\$0.01	\$0.03	-67%	\$0.01	\$0.03	-67%
Zinc (per pound)	(\$0.01)	\$0.06	-117%	(\$0.01)	\$0.02	-150%
<b>Freight charges</b>						
Copper (per dry metric tonne of concentrate)	\$68	\$44	+55%	\$68	\$35	+94%
Zinc (per dry metric tonne of concentrate)	\$30	\$18	+67%	\$31	\$23	+35%

## Statutory tax rates remain consistent

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

	2010	2009	Change
<b>Statutory tax rates</b>			
Çayeli	24%	24%	-
Pyhäsalmi	26%	26%	-
Ok Tedi	37%	37%	-
Las Cruces	30%	30%	-

## Earnings from operations

(thousands)	three months ended September 30			nine months ended September 30		
	2010	2009	change	2010	2009	change
Gross sales	\$313,349	\$241,121	+30%	\$779,959	\$693,315	+12%
Smelter processing charges and freight	(47,191)	(41,607)	+13%	(128,314)	(122,736)	+5%
Cost of sales:						
Direct production costs	(88,045)	(69,698)	+26%	(227,104)	(218,547)	+4%
Inventory changes	(550)	179	-407%	(10,950)	(1,493)	+633%
Provisions for mine rehabilitation and other non-cash charges	(5,127)	(3,187)	+61%	(9,085)	(16,397)	-45%
Depreciation	(24,308)	(14,558)	+67%	(58,483)	(43,841)	+33%
<b>Earnings from operations</b>	<b>\$148,128</b>	<b>\$112,250</b>	<b>+32%</b>	<b>\$346,023</b>	<b>\$290,301</b>	<b>+19%</b>

### Gross sales were higher

(thousands)	three months ended September 30			nine months ended September 30		
	2010	2009	change	2010	2009	change
<b>Gross sales by operation</b>						
Çayeli	\$93,597	\$67,612	+38%	\$244,029	\$191,344	+28%
Las Cruces	61,849	-	+100%	61,849	-	+100%
Pyhäsalmi	65,255	48,262	+35%	160,701	125,244	+28%
Troilus	9,893	34,279	-71%	72,070	158,676	-55%
Ok Tedi <sup>(1)</sup>	82,755	90,968	-9%	241,310	218,051	+11%
	<b>\$313,349</b>	<b>\$241,121</b>	<b>+30%</b>	<b>\$779,959</b>	<b>\$693,315</b>	<b>+12%</b>
<b>Gross sales by metal</b>						
Copper	\$213,664	\$138,345	+54%	\$467,591	\$348,344	+34%
Zinc	39,951	35,237	+13%	126,222	95,289	+32%
Gold	33,716	54,099	-38%	133,576	202,824	-34%
Other	26,018	13,440	+94%	52,570	46,858	+12%
	<b>\$313,349</b>	<b>\$241,121</b>	<b>+30%</b>	<b>\$779,959</b>	<b>\$693,315</b>	<b>+12%</b>

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

### Key components of the change in sales: higher copper prices, new gross sales at Las Cruces, lower sales volumes at Troilus

(millions)	three months ended	nine months ended
	September 30	September 30
Higher copper prices, denominated in Canadian dollars	\$23	\$69
Higher zinc prices, denominated in Canadian dollars	3	22
Higher gold prices, denominated in Canadian dollars	2	7
Changes in other metal prices	9	(2)
Gross sales at Las Cruces	62	62
Lower gross sales from Troilus	(24)	(87)
Higher (lower) sales volumes at our other mines	(2)	13
Other	(1)	3
<b>Higher gross sales, compared to 2009</b>	<b>\$72</b>	<b>\$87</b>

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 third quarter, we recorded \$3 million in positive finalization adjustments from second quarter sales.

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

- 22 million pounds of copper provisionally priced at US \$3.64 per pound
- 13 million pounds of zinc provisionally priced at US \$0.99 per pound.

The finalization adjustment we record for these sales will depend on the actual price we receive when they settle, 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
October 2010	10	13
November 2010	8	-
December 2010	4	-
<b>Unsettled sales at September 30, 2010</b>	<b>22</b>	<b>13</b>

**Significantly higher copper and pyrite sales volumes, lower gold sales volumes**

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

Copper production and sales volumes are up this quarter and year to date mainly because of Las Cruces. Zinc production is flat this quarter but higher year to date because zinc grades at Pyhäsalmi were higher. Gold production and sales volumes are lower because Troilus stopped producing in June 2010. We realized significantly higher pyrite sales volumes this quarter because of higher demand from China.

	three months ended September 30			nine months ended September 30		
	2010	2009	change	2010	2009	change
<b>Sales volumes</b>						
Copper (tonnes)	<b>24,600</b>	20,800	+18%	<b>67,900</b>	57,700	+18%
Zinc (tonnes)	<b>18,400</b>	17,600	+5%	<b>59,700</b>	54,900	+9%
Gold (ounces)	<b>26,700</b>	51,100	-48%	<b>110,100</b>	183,100	-40%
Pyrite (tonnes)	<b>196,000</b>	98,600	+99%	<b>395,100</b>	295,600	+34%

**Production**

Inmet's share <sup>(1)</sup>	three months ended September 30			nine months ended September 30			revised objective 2010
	2010	2009	change	2010	2009	change	
<b>Copper (tonnes)</b>							
Çayeli	<b>7,300</b>	6,400	+14%	<b>21,500</b>	21,000	+2%	<b>29,200</b>
Las Cruces cathode	<b>5,800</b>	1,500	+287%	<b>13,600</b>	1,500	+807%	<b>20,000</b>
Las Cruces copper contained in ore	-	-	-	-	-	-	-
Pyhäsalmi	<b>3,900</b>	3,700	+5%	<b>10,800</b>	11,000	-2%	<b>13,400</b>
Troilus	-	1,000	-100%	<b>2,000</b>	4,900	-59%	<b>2,000</b>
Ok Tedi	<b>7,800</b>	7,300	+7%	<b>20,600</b>	20,800	-1%	<b>29,300<sup>(2)</sup></b>
	<b>24,800</b>	19,900	+25%	<b>68,500</b>	59,200	+16%	<b>93,900</b>
<b>Zinc (tonnes)</b>							
Çayeli	<b>11,700</b>	13,600	-14%	<b>38,200</b>	37,100	+3%	<b>51,700</b>
Pyhäsalmi	<b>9,100</b>	8,100	+12%	<b>21,900</b>	17,400	+26%	<b>31,300</b>
	<b>20,800</b>	21,700	-4%	<b>60,100</b>	54,500	+10%	<b>83,000</b>
<b>Gold (ounces)</b>							
Troilus	-	26,200	-100%	<b>37,900</b>	111,000	-66%	<b>37,900</b>
Ok Tedi	<b>24,900</b>	22,000	+13%	<b>63,900</b>	66,600	-4%	<b>93,600<sup>(2)</sup></b>
	<b>24,900</b>	48,200	-48%	<b>101,800</b>	177,600	-43%	<b>131,500</b>
<b>Pyrite (tonnes)</b>							
Pyhäsalmi	<b>62,000</b>	-	+100%	<b>397,000</b>	323,000	+23%	<b>500,000</b>

<sup>(1)</sup> Inmet's share: 100 percent for Çayeli, Pyhäsalmi and Troilus, 18 percent for Ok Tedi and 70 percent for Las Cruces.

<sup>(2)</sup> This production objective could change in the fourth quarter of 2010, if we exchange our 18 percent equity interest in Ok Tedi for a 5 percent net smelter return royalty.

### 2010 outlook for sales

We use our production objectives as the basis for our sales objectives.

We have decreased our copper production objective by 17,300 tonnes from our June 30, 2010 expectation because of slower ramp up than anticipated and the deferral of direct shipment of ore to smelters (see page 16).

Las Cruces has mined and stockpiled 100,000 tonnes of 12 percent grade ore to ship directly to smelters. We have applied for but not yet received the necessary permit to move the material offsite. The regulator has taken the position that shipping this ore is inconsistent with our mandate to process ore on-site. We believe there are substantial tax and employment benefits associated with shipping this high grade ore concurrently with operating the plant. We continue to pursue obtaining this permit on the basis of the substantial benefits the direct shipping would provide to the regional economy but cannot determine when it will occur.

We began recognizing Las Cruces' results in operating earnings as of July 1, 2010.

We expect our zinc production objective to be consistent with our original expectations and gold to be less. Lower gold grades have been mined at Ok Tedi through the year to reduce the quantity of sulphur to the mill feed. Higher pyrite production is expected at Pyhäsalmi to meet increased demand.

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 for the balance of 2010.

### Higher freight charges for the quarter

(thousands)	three months ended September 30			nine months ended September 30		
	2010	2009	change	2010	2009	change
<b>Smelter processing charges and freight by operation</b>						
Çayeli	\$18,522	\$17,580	+5%	\$57,217	\$55,094	+4%
Las Cruces	27	-	+100%	27	-	+100%
Pyhäsalmi	19,754	12,485	+58%	39,809	33,802	+18%
Troilus	205	2,272	-91%	4,526	10,990	-59%
Ok Tedi <sup>(1)</sup>	8,683	9,270	-6%	26,735	22,850	+17%
	<b>\$47,191</b>	<b>\$41,607</b>	<b>+13%</b>	<b>\$128,314</b>	<b>\$122,736</b>	<b>+5%</b>
<b>Smelter processing charges and freight by metal</b>						
Copper	\$18,899	\$21,483	-12%	\$53,644	\$59,826	-10%
Zinc	16,171	11,962	+35%	52,149	38,930	+34%
Other	12,121	8,162	+49%	22,521	23,980	-6%
	<b>\$47,191</b>	<b>\$41,607</b>	<b>+13%</b>	<b>\$128,314</b>	<b>\$122,736</b>	<b>+5%</b>
<b>Smelter processing charges by type and freight</b>						
Copper treatment and refining charges	\$6,353	\$8,657	-27%	\$18,730	\$27,290	-31%
Zinc treatment charges	9,089	7,016	+30%	29,952	24,065	+24%
Copper price participation	417	1,393	-70%	1,537	4,138	-63%
Zinc price participation	(508)	2,669	-119%	(1,946)	3,505	-156%
Content losses	13,616	12,217	+11%	40,552	33,741	+20%
Freight	16,721	7,228	+131%	35,280	23,663	+49%
Other	1,503	2,427	-38%	4,209	6,334	-34%
	<b>\$47,191</b>	<b>\$41,607</b>	<b>+13%</b>	<b>\$128,314</b>	<b>\$122,736</b>	<b>+5%</b>

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

Our copper treatment and refining charges were lower this quarter than they were in 2009 because we have more favourable terms with smelters. Zinc treatment charges were higher than last year because of our terms with smelters and higher sales volumes. Content losses were higher because metal prices are higher than they were last year. Freight rates were higher mainly because pyrite shipments were higher.

### 2010 outlook for smelter processing charges and freight

We sell approximately 90 percent of our copper concentrate under long-term contracts. We expect price participation to be minimal.

We expect total zinc smelter processing charges, including price participation, to be lower than they were in 2009.

Las Cruces sells its copper cathode production directly to buyers in the Spanish and Mediterranean markets and therefore does not incur smelting processing charges and has relatively low freight costs.

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 higher than last year

(thousands)	three months ended September 30			nine months ended September 30		
	2010	2009	change	2010	2009	change
<b>Direct production costs by operation</b>						
Çayeli	\$22,333	\$18,583	+20%	\$65,342	\$58,889	+11%
Las Cruces	30,797	-	+100%	30,797	-	+100%
Pyhäsalmi	12,225	14,026	-13%	40,056	45,391	-12%
Troilus	-	12,671	-100%	23,905	43,588	-45%
Ok Tedi <sup>(1)</sup>	22,690	24,418	-7%	67,004	70,679	-5%
Total direct production costs	88,045	69,698	+26%	227,104	218,547	+4%
Inventory changes	550	(179)	+407%	10,950	1,493	+633%
Reclamation, accretion and other non-cash expenses	5,127	3,187	+61%	9,085	16,397	-45%
<b>Total cost of sales</b>	<b>\$93,722</b>	<b>\$72,706</b>	<b>+29%</b>	<b>\$247,139</b>	<b>\$236,437</b>	<b>+5%</b>

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

Direct production costs are higher in the quarter and year to date than they were in 2009, mainly because we began recognizing operating results at Las Cruces in the income statement effective July 1, 2010 and because of higher labour and royalty costs at Çayeli. This was partly offset by the closure of Troilus and lower costs at Pyhäsalmi because of a stronger Canadian dollar relative to the euro. The closure of Troilus also resulted in higher inventory changes in the first half of the year.

### 2010 outlook for cost of sales

Consolidated direct production costs should be higher because of production costs at Las Cruces and higher labour and royalty costs at Çayeli, but will be reduced somewhat by lower Canadian dollar costs at Pyhäsalmi and due to the closure of Troilus.

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 higher this quarter

(thousands)	three months ended September 30			nine months ended September 30		
	2010	2009	change	2010	2009	change
<b>Depreciation by operation</b>						
Çayeli	\$3,691	\$2,980	+24%	\$10,161	\$9,826	+3%
Las Cruces	10,328	-	+100%	10,328	-	+100%
Pyhäsalmi	1,925	1,473	+31%	5,637	6,237	-10%
Troilus	820	3,401	-76%	10,822	10,121	+7%
Ok Tedi	7,544	6,704	+13%	21,535	17,657	+22%
	\$24,308	\$14,558	+67%	\$58,483	\$43,841	+33%

Depreciation was higher in 2010 mainly as Las Cruces began to depreciate its operating assets in the income statement in the third quarter. Depreciation at Ok Tedi was higher this quarter and year to date because it increased the assets related to asset retirement obligations at the end of 2009 and began amortizing the cost of storage pits it uses to store the sulphur concentrate the tailings management plant produces. Depreciation recognized at Troilus during the third quarter of 2010 represented the final remaining inventory being sold.

### 2010 outlook for depreciation

We expect depreciation to be higher in 2010 mainly because of the impact of Las Cruces.

## Corporate costs

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

### Investment and other income (expense)

(thousands)	three months ended		nine months ended	
	2010	September 30 2009	2010	September 30 2009
Interest income	\$1,990	\$1,135	\$5,347	\$3,878
Foreign exchange gain (loss)	1,012	(17,417)	(22,141)	(9,319)
Dividend and royalty income	650	300	2,539	985
Loss on settlement of interest rate swap contract	-	(14,823)	-	(14,823)
Gain on recognition of settlement of foreign currency forward contract	-	35,615	-	35,615
Mark to market on Ok Tedi copper forward contracts	-	(802)	-	(3,228)
Other	(119)	(420)	(660)	(4,257)
	<b>\$3,533</b>	<b>\$3,588</b>	<b>\$(14,915)</b>	<b>\$8,851</b>

#### Recognition of interest rate swap contract and foreign currency forward contract in 2009

In the third quarter of 2009, we repaid 100 percent of Las Cruces' US dollar denominated bank credit facility (see also *Long-term debt repayments and settlement of interest rate swap contract* on page 26), and replaced it with intergroup debt using the proceeds from our equity offering earlier that year. In conjunction with this, Las Cruces terminated its interest rate swap contracts paying out \$16 million for early termination. This had the following effects on investment and other income in the third quarter of 2009:

- when we converted the Las Cruces debt from euro to US dollars in 2008, Las Cruces settled a foreign exchange forward contract and received proceeds of \$52 million. We deferred the proceeds in *accumulated other comprehensive income*, and have been amortizing it to income over the term of the debt. When we repaid the debt, we realized the remaining deferred gain of \$36 million in *investment and other income*.
- when we repaid the debt, we recorded the \$15 million interest rate swap loss that we had deferred in *accumulated other comprehensive income* in *investment and other income*.

#### Foreign exchange gain (loss)

We have a foreign exchange gain or loss when we:

- revalue certain foreign denominated assets and liabilities
- 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.

Our foreign exchange gains (losses) are from:

(thousands)	three months ended		nine months ended	
	2010	September 30 2009	2010	September 30 2009
Translation of Las Cruces' US dollar-denominated bank credit facility	\$ -	\$(1,348)	\$ -	\$2,460
Translation of foreign denominated cash held at corporate	207	(16,314)	(362)	(17,760)
Translation of other monetary assets and liabilities	805	1,684	877	3,508
Reduction in our net investments	-	(1,439)	(22,656)	2,473
	<b>\$1,012</b>	<b>\$(17,417)</b>	<b>\$(22,141)</b>	<b>\$(9,319)</b>

We recognized foreign exchanges losses of \$21 million this year on the repatriation of cash from Çayeli and Pyhäsalmi. In 2009, we recognized foreign exchange losses of \$14 million from revaluing US dollar denominated cash we held at Corporate to repay Las Cruces' US dollar denominated debt under its credit facility.

#### 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 only expect to receive funds from Ok Tedi over the rest of the year. Because Ok Tedi distributes its earnings more frequently, the effect of repatriation is normally not significant.

### Stand-by costs

In the first quarter of 2010, we could not mine ore at Las Cruces 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 (recovery)

(thousands)	three months ended September 30			nine months ended September 30		
	2010	2009	change	2010	2009	change
Çayeli	\$9,327	\$5,641		\$21,733	\$7,272	
Las Cruces	10,828	7,682		(3,702)	7,949	
Pyhäsalmi	6,974	4,339		16,900	6,644	
Ok Tedi	17,338	18,924		44,927	37,933	
Troilus and corporate	805	2,658		644	22,388	
	\$45,272	\$39,244		\$80,502	\$82,186	
Consolidated effective tax rate	32%	37%	-5%	27%	31%	-4%

Our tax expense changes as our earnings change.

For the year to date, the consolidated effective tax rate went down by 4 percent compared to 2009 mainly because Las Cruces recognized a tax recovery on a foreign exchange loss from its intercompany US dollar denominated debt. The foreign exchange eliminates on consolidation, but the tax recovery does not as there is no corresponding tax expense on the foreign exchange gain. For the quarter, the consolidated effective tax rate decrease of 5 percent is mainly from lower mining taxes in Canada because of the closure of Troilus.

### 2010 outlook for income tax expense

For the remainder of the year, we expect statutory tax rates at our operations to remain the same 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 remaining three months of the year:

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Copper price	US \$3.60 per pound
Zinc price	US \$1.00 per pound
Gold price	US \$1,300 per ounce
Copper treatment cost	US \$50 per tonne for contracts and US \$29 per tonne for spot sales
Zinc treatment cost	US \$265 per tonne (basis US \$2,500 per tonne) and US \$135 per tonne for spot sales
US \$ to C\$ exchange rate	\$1.05
euro to C\$ exchange rate	\$1.29
Working capital	Assume no changes for the year except for Troilus

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# Çayeli

		three months ended			nine months ended			revised objective 2010
		2010	2009	change	2010	2009	change	
Tonnes of ore milled (000's)		<b>275</b>	290	-5%	<b>859</b>	851	+1%	<b>1,170</b>
Tonnes of ore milled per day		<b>3,000</b>	3,200	-5%	<b>3,100</b>	3,100	-	<b>3,300</b>
Grades (percent)	copper	<b>3.4</b>	3.1	+10%	<b>3.2</b>	3.2	-	<b>3.2</b>
	zinc	<b>6.2</b>	6.5	-5%	<b>6.3</b>	6.2	+2%	<b>6.3</b>
Mill recoveries (percent)	copper	<b>78</b>	72	+8%	<b>77</b>	76	+1%	<b>78</b>
	zinc	<b>68</b>	72	-6%	<b>71</b>	70	+1%	<b>70</b>
Production (tonnes)	copper	<b>7,300</b>	6,400	+14%	<b>21,500</b>	21,000	+2%	<b>29,200</b>
	zinc	<b>11,700</b>	13,600	-14%	<b>38,200</b>	37,100	+3%	<b>51,700</b>
Cost per tonne of ore milled (C\$)		<b>\$81</b>	\$64	+27%	<b>\$76</b>	\$69	+10%	<b>\$75</b>

## Production results on target

Mill production at Çayeli this quarter was lower than 2009 because mine production was down due to the significant amount of rehabilitation required in the lower part of the mine. This pushed production into upper level stopes that have higher grades and more difficult geotechnical conditions. The addition of a new bolting unit and increased targets for shotcrete application will permit our return to planned production levels in the lower part of the mine in the fourth quarter.

Year to date, however, we remain ahead of 2009 levels, which is a substantial accomplishment given 2009 was a record year, and we expect to come close to our original 1.2 million tonnes annual throughput objective. Çayeli set a new record this quarter for daily mill tonnage, processing 3,794 tonnes.

Copper production was higher this quarter compared to 2009 mainly due to higher grades from mining tertiary stopes in the upper part of the mine. Zinc grades and recoveries this quarter were lower than 2009 resulting in lower production. Year to date, copper and zinc production were consistent with 2009 levels.

We continue to focus on ground support and rehabilitation, and progress the ore pass rehabilitation and concrete delivery line extension projects to sustain production levels. We do not expect any long term impact from the increased support needs and we are improving our capabilities with the addition of new equipment and personnel.

Cost per tonne of ore milled was significantly higher than 2009 mainly because mill throughput was lower, royalties were higher due to higher realized metals prices, and labour costs increased.

## 2010 outlook for production

We expect to produce 29,200 tonnes of copper and 51,700 tonnes of zinc, consistent with our original projections.

We have increased our annual objective for cost per tonne of ore milled by \$3 to \$75 per tonne to reflect higher costs year to date.

## Financial review

### Higher earnings for the quarter because copper prices and volumes were higher

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended		nine months ended		<i>revised objective 2010</i>
	2010	September 30 2009	2010	September 30 2009	
<b>Sales analysis</b>					
Copper sales (tonnes)	8,500	6,800	20,600	20,100	29,200
Zinc sales (tonnes)	9,600	10,000	38,500	37,500	51,700
Gross copper sales	\$67	\$43	\$152	\$116	\$231
Gross zinc sales	21	19	80	63	111
Other metal sales	6	6	12	12	14
Gross sales	94	68	244	191	356
Smelter processing charges and freight	(19)	(18)	(57)	(55)	(81)
Net sales	\$75	\$50	\$187	\$136	\$275
<b>Cost analysis</b>					
Tonnes of ore milled (thousands)	275	290	859	851	1,200
Direct production costs (\$ per tonne)	\$81	\$64	\$76	\$69	\$75
Direct production costs	\$22	\$19	\$66	\$59	\$90
Change in inventory	(1)	(1)	(2)	(1)	-
Depreciation and other non-cash costs	5	3	12	12	19
Operating costs	\$26	\$21	\$76	\$70	\$109
<b>Operating earnings</b>	<b>\$49</b>	<b>\$29</b>	<b>\$111</b>	<b>\$66</b>	<b>\$166</b>
<b>Operating cash flow</b>	<b>\$21</b>	<b>\$30</b>	<b>\$74</b>	<b>\$45</b>	<b>\$141</b>

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 2010 and 2009.

<i>(millions)</i>	three months ended September 30	nine months ended September 30
Higher metal prices, denominated in Canadian dollars	\$16	\$48
Higher sales volumes	8	3
Higher operating costs	(4)	(6)
<b>Higher operating earnings, compared to 2009</b>	<b>20</b>	<b>45</b>
Change in tax expense because of change in taxable income	(2)	(6)
Changes in working capital (see note 2 on page 45)	(28)	(9)
Other	1	(1)
<b>Higher (lower) operating cash flow, compared to 2009</b>	<b>\$(9)</b>	<b>\$29</b>

### Capital spending expected to be lower due to timing

	three months ended			nine months ended			<i>revised objective 2010</i>
	2010	2009	change	2010	2009	change	
<b>Capital spending</b>	<b>\$3,300</b>	\$4,100	-20%	<b>\$8,200</b>	\$10,600	-23%	<b>\$16,000</b>

### 2010 outlook for capital spending

We expect to spend \$16 million in 2010 on mobile equipment, site water control, stope stability, additional mill upgrades and development. The second phase of the headframe realignment project is nearing completion and should be done in the fourth quarter. This will bring the headframe back to its design configuration. We have established a monitoring and correction program to ensure the facility remains stable for the remaining life of the mine. At the same time, we will implement several geotechnical recommendations to curtail surface instability.

# Las Cruces

	three months ended			nine months ended			revised objective 2010
	2010	2009	September 30 change	2010	2009	September 30 change	
(100 percent)							
Tonnes of ore processed (000's)	143	42	+240%	331	42	+688%	469
Tonnes of unprocessed ore (000's)	-	-	-	-	-	-	-
Copper grades (percent)							
cathode	7.5	6.4	+17%	7.2	6.4	+13%	7.2
unprocessed ore	-	-	-	-	-	-	-
Plant recoveries (percent)	77	82	-6%	81	82	-1%	85
Copper production (tonnes)							
cathode	8,400	2,200	+282%	19,500	2,200	+786%	28,600
unprocessed ore	-	-	-	-	-	-	-
Cost per tonne of ore processed (subsequent to July 1, 2010) (C\$)	\$215	not applicable	not applicable	\$215	not applicable	not applicable	\$171

## Progress update

Significant progress has been made to date with the production process. Initially, our efforts were directed at correcting equipment deficiencies and materials selection for the plant. During this "1<sup>st</sup> Phase" of commissioning, constant breakdowns prevented the ramp up and stable operation of the plant until April of this year. Plant reliability has since greatly improved and no substantial mechanical downtime was experienced in the third quarter. In a "2<sup>nd</sup> Phase", we addressed bottlenecks in the plant design and our main focus has now shifted to increasing throughput while working to balance plant runtime with the process chemistry. In July and August 2010, throughput rose to 50 percent of design capacity.

In mid-September, we entered the "3<sup>rd</sup> Phase" dedicated to metallurgical optimization. We made a strategic decision to lower plant throughput in order to implement measures to reach and maintain our design recovery rates (above 90 percent). This was a necessary step to achieve the proper leaching conditions before further increasing the copper feed and potentially sacrificing copper recoveries. In October, we have reached these recovery levels and we plan to continue to raise throughput in step with maintaining recovery levels. We are now focused on two key remaining issues:

- copper recovery through sulphide leaching is dependent on maintaining an adequate level of ferric iron in solution. Increasing throughput too rapidly and without the necessary ferric iron concentrations leads to a rapid decline in recovery; we will not sacrifice longer term recovery for short term increases in throughput. Total iron concentrations in the feed exceed the design specifications and we are working to ensure the optimum leaching conditions to increase and maintain ferric iron levels.
- to reach maximum throughput, Las Cruces must also operate the grinding thickener reliably at the design underflow density. Design work is underway to modify the thickener in 2011 while optimizing its near term performance. This modification will triple the available torque in the thickener and improve the rake geometry to prevent the temporary blockages that have hampered operating at high solids density.

We produced 8,400 tonnes of copper cathode this quarter. Although this was at the lower end of our expectations, it represents an increase of 27 percent compared to the second quarter of 2010.

Mining in the pit during the quarter went well and we are on track to stockpile 500,000 tonnes of ore for the plant in advance of the rainy season. This should ensure uninterrupted feed if access to the pit is restricted.

## 2010 outlook

We are continuing to focus on increasing plant capacity and reducing bottlenecks as they occur. We see the following measures as evolutionary as we continue to optimize the plant to reach its full potential:

- adding a large surge tank between leaching and filtration to further smooth out the leaching operation toward the end of this year
- adding a clarifier in December to remove solids from the leach solution greatly reducing maintenance requirements
- grinding thickener components will be redesigned and installed by mid-2011 to improve underflow density to the leaching process.

We are encouraged by our progress in recent months and our detailed understanding of the remaining issues. We will continue with our rigorous implementation of the ramp up plan that maintains high recovery levels and high cathode purity. We require a period of continuous operation to accurately predict the timing of achieving our overall design performance but believe production for 2010 of 28,600 tonnes of copper cathode (20,000 tonnes for our 70 percent share) is achievable.

Las Cruces has mined and stockpiled 100,000 tonnes of 12 percent grade ore to ship directly to smelters. We have applied for but not yet received the necessary permit to move the material offsite. The regulator has taken the position that shipping this ore is inconsistent with our mandate to process ore on-site. We believe there are substantial tax and employment benefits associated with shipping this high grade ore concurrently with operating the plant. We continue to pursue obtaining this permit on the basis of the substantial benefits the direct shipping would provide to the regional economy but cannot determine when it will occur.

## Financial review

### New operating earnings and operating cash flow at Las Cruces this quarter

<i>(millions of Canadian dollars unless otherwise stated)</i>	<b>three months ended September 30 2010</b>	<b>revised objective 2010</b>
<b>Sales analysis <sup>(1)</sup></b>		
Copper sales (tonnes)	<b>8,000</b>	<b>17,100</b>
Gross copper sales	<b>\$62</b>	<b>\$138</b>
Gross unprocessed ore sales	-	-
Gross sales	<b>62</b>	<b>138</b>
Smelter processing charges and freight	-	<b>(1)</b>
Net sales	<b>\$62</b>	<b>\$137</b>
<b>Cost analysis <sup>(1)</sup></b>		
Tonnes of ore milled (thousands)	<b>143</b>	<b>281</b>
Direct production costs (\$ per tonne)	<b>\$215</b>	<b>\$171</b>
Direct production costs	<b>\$31</b>	<b>\$48</b>
Change in inventory	<b>(1)</b>	-
Depreciation and other non-cash costs	<b>11</b>	<b>25</b>
Operating costs	<b>\$41</b>	<b>\$73</b>
<b>Operating earnings</b>	<b>\$21</b>	<b>\$64</b>
<b>Operating cash flow</b>	<b>\$32</b>	<b>\$79</b>

(1) Subsequent to July 1, 2010 and at 100 percent

### Capital spending

<i>(100 percent and millions of Canadian dollars)</i>	<b>three months ended September 30</b>			<b>nine months ended September 30</b>			<b>revised objective 2010</b>
	<b>2010</b>	2009	<b>change</b>	<b>2010</b>	2009	<b>change</b>	
Capital	<b>\$23</b>	\$12	+92%	<b>\$52</b>	\$110	-53%	<b>\$103</b>
Pre-operating costs capitalized, net of sales, working capital and other	<b>(7)</b>	(23)	-70%	<b>(60)</b>	(2)	<i>Not meaningful</i>	<b>(60)</b>
<b>Capital spending</b>	<b>\$16</b>	\$(11)	+245%	<b>\$(8)</b>	\$108	-107%	<b>\$43</b>

In 2010, capital spending was mainly for the permanent water treatment plant, plant improvements and mine development. In 2009 it was mainly for construction capital.

### 2010 outlook for capital spending

We expect to spend \$103 million on capital projects in 2010. This includes \$23 million on a water treatment plant and other water management projects, \$18 million for mine development and \$34 million for plant improvements.

# Pyhäsalmi

	three months ended			nine months ended			revised objective 2010
	2010	2009	change	2010	2009	change	
Tonnes of ore milled (000's)	<b>351</b>	344	+2%	<b>1,051</b>	1,048	-	<b>1,370</b>
Tonnes of ore milled per day	<b>3,800</b>	3,700	+2%	<b>3,800</b>	3,800	-	<b>3,750</b>
Grades (percent)							
copper	<b>1.2</b>	1.1	+9%	<b>1.1</b>	1.1	-	<b>1.0</b>
zinc	<b>2.9</b>	2.6	+12%	<b>2.3</b>	1.9	+21%	<b>2.5</b>
sulphur	<b>40.1</b>	-	+100%	<b>42.5</b>	41.6	+2%	<b>42</b>
Mill recoveries (percent)							
copper	<b>95</b>	96	-1%	<b>96</b>	96	-	<b>94</b>
zinc	<b>90</b>	90	-	<b>90</b>	89	+1%	<b>90</b>
Production (tonnes)							
copper	<b>3,900</b>	3,700	+5%	<b>10,800</b>	11,000	-2%	<b>13,400</b>
zinc	<b>9,100</b>	8,100	+12%	<b>21,900</b>	17,400	+26%	<b>31,300</b>
pyrite	<b>62,000</b>	-	+100%	<b>397,000</b>	323,000	+23%	<b>500,000</b>
Cost per tonne of ore milled (C\$)	<b>\$35</b>	\$41	-15%	<b>\$38</b>	\$43	-12%	<b>\$36</b>

## Higher zinc grades increase zinc production

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

Copper production this quarter and year to date was consistent with last year. Zinc grades and production were significantly higher than 2009 because we mined several zinc rich stopes on the periphery of the ore body in 2010. We have also produced significantly more pyrite to meet the demands of our customers.

We are making several technological improvements, using electronic detonators to improve blasting fragmentation and reduce wall damage, automated loading and dumping equipment and automating full fan longhole drilling to increase productivity.

Cost per tonne of ore milled was significantly lower than last year mainly because the value of the Canadian dollar increased relative to the euro.

### 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, to produce 13,400 tonnes of copper and 31,300 tonnes of zinc, consistent with our original projections. We have increased our pyrite production objective to 500,000 tonnes to meet current demand for the product.

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 higher metal prices and pyrite sales volumes

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended		nine months ended		<i>revised objective 2010</i>
	2010	September 30 2009	2010	September 30 2009	
<b>Sales analysis</b>					
Copper sales (tonnes)	3,600	3,800	10,400	10,900	13,400
Zinc sales (tonnes)	8,800	7,600	21,200	17,400	31,300
Pyrite sales (tonnes)	196,000	99,000	395,000	296,000	500,000
Gross copper sales	\$27	\$26	\$79	\$63	\$101
Gross zinc sales	19	16	46	33	70
Other metal sales	19	6	36	29	45
Gross sales	65	48	161	125	216
Smelter processing charges and freight	(20)	(12)	(40)	(34)	(52)
Net sales	\$45	\$36	\$121	\$91	\$164
<b>Cost analysis</b>					
Tonnes of ore milled (thousands)	351	344	1,051	1,048	1,370
Direct production costs (\$ per tonne)	\$35	\$41	\$38	\$43	\$36
Direct production costs	\$12	\$14	\$40	\$45	\$49
Change in inventory	1	-	(1)	(1)	-
Depreciation and other non-cash costs	3	1	7	8	11
Operating costs	\$16	\$15	\$46	\$52	\$60
<b>Operating earnings</b>	<b>\$29</b>	<b>\$21</b>	<b>\$75</b>	<b>\$39</b>	<b>\$104</b>
<b>Operating cash flow</b>	<b>\$26</b>	<b>\$25</b>	<b>\$53</b>	<b>\$46</b>	<b>\$86</b>

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 2010 and 2009.

<i>(millions)</i>	three months ended	nine months ended
	September 30	September 30
Higher metal prices, denominated in Canadian dollars	\$12	\$25
Higher sales volumes	4	8
Higher freight charges	(8)	(5)
Lower operating costs	2	5
Other	(2)	3
<b>Higher operating earnings, compared to 2009</b>	<b>8</b>	<b>36</b>
Change in tax expense because of change in earnings	(2)	(11)
Changes in working capital (see note 2 on page 45)	(1)	(16)
Other	(4)	(2)
<b>Higher operating cash flow, compared to 2009</b>	<b>\$1</b>	<b>\$7</b>

## Capital spending lower than expected due to timing

	three months ended			nine months ended			<i>revised objective 2010</i>
	2010	September 30 2009	change	2010	September 30 2009	change	
<b>Capital spending</b>	<b>\$700</b>	<b>\$2,000</b>	<b>-65%</b>	<b>\$3,300</b>	<b>\$5,800</b>	<b>-43%</b>	<b>\$4,000</b>

### 2010 outlook for capital spending

Capital spending in 2010 is mainly to replace mobile equipment and the secondary cone crusher.

# Ok Tedi

	three months ended			nine months ended			revised objective 2010
	2010	2009	change	2010	2009	change	
(100 percent)							
Tonnes of ore milled (000's)	<b>6,200</b>	5,800	+7%	<b>16,600</b>	16,400	+1%	<b>23,900</b>
Tonnes of ore milled per day	<b>67,200</b>	63,300	+7%	<b>60,900</b>	60,000	+1%	<b>65,000</b>
Strip ratio	<b>1.0</b>	2.0	-50%	<b>1.3</b>	1.8	-28%	<b>1.2</b>
Grades							
copper (percent)	<b>0.8</b>	0.8	-	<b>0.8</b>	0.8	-	<b>0.8</b>
gold (grams/tonne)	<b>1.0</b>	1.0	-	<b>1.0</b>	1.0	-	<b>1.0</b>
Mill recoveries (percent)							
copper	<b>84</b>	86	-2%	<b>85</b>	86	-1%	<b>85</b>
gold	<b>71</b>	66	+8%	<b>70</b>	67	+4%	<b>66</b>
Production							
copper (tonnes)	<b>43,400</b>	40,700	+7%	<b>114,400</b>	115,800	-1%	<b>163,000</b>
gold (ounces)	<b>138,400</b>	122,200	+13%	<b>355,400</b>	370,200	-4%	<b>520,000</b>
Cost per tonne of ore milled (C\$)	<b>\$20</b>	\$23	-13%	<b>\$22</b>	\$24	-8%	<b>\$22</b>

## Production higher due to improved mill throughput

Mill throughput was higher this quarter compared with the third quarter of 2009. Last year throughput was more constrained until the mine waste management plant was commissioned in the fourth quarter. Tonnes of ore milled is consistent with 2009 year to date, however, because of a 17 day illegal work stoppage by the Ok Tedi Mining and Allied Workers Union (OTMAWU) in April 2010. Copper production was therefore higher this quarter but consistent year to date compared to last year.

Gold grades and production in 2010 continued to be lower than plan because of deferrals made to the mine plan to avoid processing high sulphur, high gold areas of the mine. 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 after the mine waste management plant is performing to expectations. A dedicated team of in-house and consulting specialists are working on the plant's technical and operational issues. Ok Tedi is also exploring other alternatives for neutralizing the impact of sulphur.

Ok Tedi reached a new 5 year labour agreement with the OTMAWU at the end of the third quarter. While the agreement provides for certain pay increases, Ok Tedi believes that it will also allow for a reduction in workforce levels.

## 2010 outlook for production and costs

We have adjusted our gold objective at Ok Tedi for 2010 from 570,000 ounces to 520,000 ounces because of the sulphur grade restrictions. Copper production of 163,000 tonnes is consistent with our original projection.

## Financial review

### Lower earnings this quarter due to lower copper and gold sales volumes

<i>(millions of Canadian dollars unless otherwise stated)</i>	three months ended September 30		nine months ended September 30		<i>revised objective</i>
	2010	2009	2010	2009	2010
<b>Sales analysis at 18%</b>					
Copper sales (tonnes)	6,500	8,100	21,100	20,500	29,300
Gold sales (ounces)	19,900	25,700	64,000	69,400	93,600
Gross copper sales	\$57	\$62	\$159	\$138	\$222
Gross gold sales	25	28	79	77	114
Other metal sales	1	1	3	3	3
Gross sales	\$83	\$91	\$241	\$218	339
Smelter processing charges and freight	(9)	(9)	(27)	(23)	(37)
Net sales	\$74	\$82	\$214	\$195	\$302
<b>Cost analysis at 18%</b>					
Tonnes of ore milled (thousands)	1,113	1,050	2,988	2,950	4,300
Direct production costs (\$ per tonne)	\$20	\$23	\$22	\$24	\$22
Direct production costs	\$23	\$24	\$67	\$71	\$95
Change in inventory	(1)	2	6	2	-
Depreciation and other non-cash costs	8	7	22	20	35
Operating costs	\$30	\$33	\$95	\$93	\$130
<b>Operating earnings</b>	<b>\$44</b>	<b>\$49</b>	<b>\$119</b>	<b>\$102</b>	<b>\$172</b>
<b>Operating cash flow</b>	<b>\$23</b>	<b>\$47</b>	<b>\$110</b>	<b>\$61</b>	<b>\$135</b>

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 2010 and 2009.

<i>(millions)</i>	three months ended September 30	nine months ended September 30
Higher copper prices, denominated in Canadian dollars	\$7	\$17
Higher gold prices, denominated in Canadian dollars	2	8
Lower sales volumes	(13)	(8)
Higher smelter processing and freight charges	(1)	(3)
Lower operating costs	1	6
Higher depreciation	(1)	(4)
Other	-	1
<b>Higher (lower) operating earnings, compared to 2009</b>	<b>(5)</b>	<b>17</b>
Change in tax expense because of change in earnings	2	(20)
Changes in net working capital (see note 2 on page 45)	(23)	47
Change in depreciation	1	4
Other	1	1
<b>Higher (lower) operating cash flow, compared to 2009</b>	<b>\$(24)</b>	<b>\$49</b>

## Capital spending

In 2010, Ok Tedi spent \$66 million (our share is \$12 million), mainly on a mining fleet specifically designed for limestone mining and the construction of storage pits for sulphur concentrate produced by the tailings management plant. In 2009, spending was primarily for the pit drainage project.

	three months ended September 30			nine months ended September 30			<i>revised objective</i>
<i>(18 percent)</i>	2010	2009	change	2010	2009	change	2010
<b>Capital spending</b>	<b>\$3,500</b>	\$3,300	+6%	<b>\$11,900</b>	\$9,900	+20%	<b>\$16,000</b>

### 2010 outlook for capital spending

Spending in 2010 will be on a mining fleet specifically designed for limestone mining, the construction of storage pits for sulphur concentrate produced by the tailings management plant, and earthworks.

## Status of our development project

### Cobre Panama

#### **Environmental and community affairs**

This quarter, Minera Panama submitted the project environmental and social impact assessment (ESIA) to the Autoridad Nacional del Ambiente (ANAM), the Panamanian environmental regulatory authority. This is a significant milestone in the development of the project.

The ESIA describes the existing socio-environmental conditions in the project area, the likely impacts and benefits that will result from the project and the commitments that Minera Panama will undertake to minimize the impacts and enhance the benefits. It is one of the most intensive studies ever undertaken of the socio-environmental context of the Atlantic slope of Panama. Over the past 42 months, more than 40,000 person-hours of field time were recorded, more than 100 Panamanian and international experts were involved in preparing the document, and three rounds of public consultation were held in local communities.

The ESIA document consists of approximately 15,000 pages in 40 volumes. We are working closely with the Panamanian authorities to facilitate a timely review process. While the Panamanian authorities review the ESIA, we expect that it will also be reviewed by external financing agencies to ensure compliance with the International Finance Corporation Performance Standards and the Equator Principles. We are continuing our intensive on-going stakeholder engagement and community development activities to continue to build social license for the project.

#### **Engineering**

Engineering this quarter focused on obtaining additional geotechnical information in advance of basic engineering, improvement of existing site infrastructure and on the Engineering, Procurement and Construction Management (EP+CM) procurement process.

Geotechnical work, which includes rock and overburden characterization, site-specific seismic analysis and hydrology, is being undertaken at the plant and port sites, the tailings management facility, eastern infrastructure and along the coast road. It will also include seafloor investigations in the port area. The land based program is nearing completion. The offshore drilling is expected to start in late October and take one month to complete.

Permitting, engineering and construction related to improving site access progressed during the quarter.

We have put considerable effort into selecting an EP+CM contractor. After evaluation of proposals received and extensive due diligence, we shortlisted the most qualified bidders for further negotiations. These negotiations have continued into October and a final decision has now been made. Subject to board approvals, we expect to move into the basic engineering phase of the project in the fourth quarter of 2010.

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## **2010 outlook for development**

We plan to:

- continue our dialogue with stakeholders 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
- complete 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 EP+CM contractor and start basic engineering
- work with GDF Suez Energy Central America to select an EPC contractor for the development of a 300 megawatt thermal power plant to supply power for the project
- spend \$92 million to carry out the work described.

We estimate that approval for the ESIA and permitting to begin construction could take as long as 15 months from the time the ESIA report was submitted. After we receive the approvals, site capture, preparation and construction should take approximately 48 months.

We continue to engage with other companies as part of our overall partnering and financing strategy for the project, and are considering reducing our interest in the project as a result. We are also in discussions about other financing options for the project at this time.

## 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		nine months ended	
	September 30		September 30	
	2010	2009	2010	2009
<b>CASH FROM OPERATING ACTIVITIES</b>				
Çayeli	\$21	\$30	\$74	\$45
Las Cruces	32	-	26	-
Pyhäsalmi	26	25	53	46
Troilus	7	16	44	94
Ok Tedi	23	47	110	61
Corporate development and exploration not incurred by operations	(2)	(1)	(5)	(5)
General and administration	(4)	(5)	(16)	(14)
Corporate taxes	(3)	(2)	(17)	(12)
Foreign exchange losses on US dollar cash	-	(14)	-	(14)
Other	2	(7)	5	(4)
	<b>102</b>	<b>89</b>	<b>274</b>	<b>197</b>
<b>CASH FROM INVESTING AND FINANCING</b>				
Purchase of property, plant and equipment	(48)	(24)	(81)	(205)
Purchase of long-term investments	(77)	(100)	(296)	(100)
Proceeds from issuance of common shares, net of transaction costs	-	-	-	334
Long-term debt repayments	-	(232)	-	(315)
Financial assurance deposits	-	(43)	-	(52)
Funding by non-controlling shareholder	-	6	3	50
Subsidies received	-	5	-	71
Settlement of interest rate swap contract	-	(16)	-	(16)
Foreign exchange on cash held in foreign currency	1	(22)	(18)	(34)
Other	10	(1)	8	(6)
	<b>(114)</b>	<b>(427)</b>	<b>(384)</b>	<b>(273)</b>
Decrease in cash	<b>(12)</b>	<b>(338)</b>	<b>(110)</b>	<b>(76)</b>
Cash and short-term investments				
Beginning of period	<b>436</b>	835	<b>534</b>	573
End of period	<b>\$424</b>	\$497	<b>\$424</b>	\$497

## OPERATING ACTIVITIES

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

(millions)	three months ended September 30	nine months ended September 30
Higher earnings from operations (see page 4)	\$36	\$56
Higher depreciation	10	15
Higher tax expense	(3)	(30)
Stand-by and corporate costs	-	(9)
Changes in working capital (see note 2 on page 45)	(46)	27
Realized foreign exchange loss on cash held in 2009	17	17
Other	(1)	1
<b>Higher operating cash flow, compared to 2009</b>	<b>\$13</b>	<b>\$77</b>

Year to date, operating cash flows were higher than in 2009 because our operating earnings were higher, and in the first quarter of 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 because of the global financial crisis. This was partly offset by the payment of more taxes.

#### **2010 outlook for cash from operating activities**

The table below shows expected operating cash flow from 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	\$141
Las Cruces	79
Pyhäsalmi	86
Troilus	40
Ok Tedi	135
	<b>\$481</b>

## INVESTING AND FINANCING

### Capital spending

(millions)	three months ended September 30		nine months ended September 30		revised objective
	2010	2009	2010	2009	2010
Çayeli	\$3	\$4	\$8	\$11	\$16
Las Cruces	16	(10)	(8)	108	43
Pyhäsalmi	1	2	3	6	4
Ok Tedi	3	3	12	10	16
Cobre Panama	25	25	66	70	92
	\$48	\$24	\$81	205	\$171

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 2010 was mainly for work to advance Cobre Panama.

#### Acquisition of long-term investments

In 2010, we bought \$229 million (\$10 million in the second quarter) in medium-term Canadian government and corporate bonds with credit ratings of A to AAA. The bonds mature between December 2010 and August 2015 and have a weighted average annual yield of 1.8 percent. This will increase our return on the cash we have set aside for capital spending at Cobre Panama.

Additionally, Çayeli purchased \$67 million of US Treasury bonds with credit ratings of AAA to obtain a higher return on cash that we believe will not be repatriated within the next 5 years. The bonds mature in 2015 and have a weighted average annual yield to maturity of 1.24 percent.

#### Proceeds from public offering

In the second quarter of 2009, we completed a public offering of 7.825 million common shares of Inmet Mining, for aggregate gross proceeds of \$348 million (\$334 million net of transaction costs).

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

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

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

Las Cruces also paid \$16 million in July 2009 to terminate its interest rate swap contract, in connection with the decision to repay the credit facility.

#### Government subsidies

In 2009, Las Cruces received \$71 million of subsidy grants under government assistance programs in the European Union for the construction of the mine and process plant.

**2010 outlook for investing and financing**

We expect capital spending to be \$171 million in 2010. The more significant items include:

- \$103 million at Las Cruces, including \$23 million on a water treatment plant and other water management projects, \$18 million for mine development and \$34 million for plant improvements, reduced by working capital changes and pre-operating costs capitalized net of sales.
- \$92 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 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 December 31, 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 Cobre Panama's ability to use or exploit their rights under Cobre Panama's mining concession for the 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 September 30, 2010 was \$424 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 September 30, 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 46 in the consolidated financial statements for more details about where our cash is invested.

The bond portfolio (*Held to maturity investments*) totalling \$332 million, comprises 17 percent US Treasury bonds, 11 percent Government of Canada bonds, 63 percent Provincial Government bonds and 9 percent corporate bonds, and the bonds mature between December 2010 and August 2015.

Our restricted cash balance of \$114 million as at September 30, 2010 included:

- \$29 million in trust for future reclamation at Ok Tedi
- \$17 million of cash collateralized letters of credit for Inmet
- \$66 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 September 30, 2010 and October 26, 2010	56,106,645
Deferred share units outstanding as of September 30, 2010 (redeemable on a one-for-one basis for common shares)	104,682

### Dividend declaration

Inmet's board of directors has declared an eligible dividend of \$0.10 per common share payable on December 15, 2010 to common shareholders of record as of November 30, 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.

While the adoption of IFRS will not change our business activities, it will result in changes to our reported financial position and net income.

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 items. 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 have prepared a reconciliation of our historical Canadian GAAP balance sheet to IFRS balance sheet as at January 1, 2010 and for our financial statements for the first and second quarters of 2010. For the remainder of the year, we will continue to focus on preparing quarterly financial statements in accordance with our expected IFRS accounting policies.

We do not expect our key controls to change during and after our transition to IFRS. As a result of our training program and the preparation of reconciliations to IFRS, we believe that our applicable personnel have obtained an appropriate understanding of IFRS as it applies to our financial reporting.

We have noted below 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. We have also provided quantification for the most significant differences in our balance sheet as at January 1, 2010 and our statement of earnings for the six months ended June 30, 2010. We currently expect these changes will increase the equity attributable to common shareholders of Inmet Mining on our January 1, 2010 opening balance sheet under IFRS by approximately \$50 million, or \$0.90 per common share, compared to our December 31, 2009 balance sheet under Canadian GAAP. We may choose to adopt different IFRS accounting policies, or we may choose to apply them only to certain transactions or circumstances, so our conversion to IFRS may be different from what we are currently expecting.

The standard-setting bodies that determine IFRS also 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 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 necessary.

### *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.

We expect to increase January 1, 2010 property plant and equipment at Çayeli by approximately \$50 million to reverse an impairment charge we recognized for this operation in 1996. The increase is the IFRS carrying amount we would have calculated, net of depreciation, if we had not recognized the original impairment. This will result in a higher ongoing depreciation expense for Çayeli.

### *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. We expect to increase January 1, 2010 asset retirement obligations by approximately \$40 million on transition to IFRS.

### *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. We expect to increase January 1, 2010 accounts receivable by approximately \$25 million and decrease inventories by \$6 million on transition to IFRS.

### *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. For the six months ended June 30, 2010, we expect to reverse foreign exchange losses of \$23 million related to the repatriation of accumulated earnings from our operations as a result of our transition to IFRS.

### *Future income taxes*

We will need to recognize the corresponding tax asset or liability based on the resultant differences between the new carrying value of assets and liabilities under IFRS and their associated tax bases.

### *First time adoption of IFRS*

*First time adoption of International Financial Reporting Standards* (IFRS 1) 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 (unrealized losses of \$61 million) to zero on transition to IFRS with a corresponding reduction in retained earnings.
- *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 and anticipate an increase of approximately \$10 million to property, plant and equipment on transition to IFRS.

## Supplementary financial information

Pages 33 and 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.

Jochen Tilk  
*President and  
Chief Executive Officer*

Toronto, Canada  
October 26, 2010

# INMET MINING CORPORATION

## Supplementary financial information

### Cash costs

2010 For the nine months ended September 30

	per pound of copper				TOTAL COPPER
	ÇAYELI	LAS CRUCES <sup>(1)</sup>	PYHÄSALMI	OK TEDI	
(US dollars)					
Direct production costs	\$1.22	\$1.54	\$1.62	\$1.32	\$1.36
Royalties and variable compensation	0.11	0.06	-	0.11	0.09
Smelter processing charges and freight	1.36	-	1.06	0.55	0.89
Metal credits	(2.05)	-	(2.73)	(1.79)	(1.88)
<b>Cash cost</b>	<b>\$0.64</b>	<b>\$1.60</b>	<b>(\$0.05)</b>	<b>\$0.19</b>	<b>\$0.46</b>

2009 For the nine months ended September 30

	per pound of copper				TOTAL COPPER
	ÇAYELI	LAS CRUCES	PYHÄSALMI	OK TEDI	
(US dollars)					
Direct production costs	\$1.01	\$-	\$1.61	\$1.28	\$1.24
Royalties and variable compensation	0.08	-	-	0.04	0.05
Smelter processing charges and freight	1.15	-	0.89	0.41	0.80
Metal credits	(1.50)	-	(1.86)	(1.44)	(1.55)
<b>Cash cost</b>	<b>\$0.74</b>	<b>\$-</b>	<b>\$0.64</b>	<b>\$0.29</b>	<b>\$0.54</b>

### Reconciliation of cash costs to statements of earnings

2010 For the nine months ended September 30

	per pound of copper				TOTAL COPPER
	ÇAYELI	LAS CRUCES <sup>(1)</sup>	PYHÄSALMI	OK TEDI	
(millions of Canadian dollars, except w here otherwise noted)					
GAAP reference	page 15	page 17	page 19	page 21	
Direct production costs	\$65	\$31	\$40	\$67	\$203
Smelter processing charges and freight	57	-	40	27	124
By product sales	(92)	-	(82)	(82)	(256)
Adjust smelter processing and freight, and sales to production basis	2	-	1	(3)	-
<b>Operating costs net of metal credits</b>	<b>\$32</b>	<b>\$31</b>	<b>(\$1)</b>	<b>\$9</b>	<b>\$71</b>
US \$ to C\$ exchange rate	\$1.04	\$1.04	\$1.04	\$1.04	\$1.04
Inmet's share of production (000's)	47,500	18,400	23,900	45,400	135,200
<b>Cash cost</b>	<b>\$0.64</b>	<b>\$1.60</b>	<b>(\$0.05)</b>	<b>\$0.19</b>	<b>\$0.46</b>

2009 For the nine months ended September 30

	per pound of copper				TOTAL COPPER
	ÇAYELI	LAS CRUCES	PYHÄSALMI	OK TEDI	
(millions of Canadian dollars, except w here otherwise noted)					
GAAP reference	page 15	page 17	page 19	page 21	
Direct production costs	\$59	\$-	\$45	\$71	\$175
Smelter processing charges and freight	55	-	34	23	112
By product sales	(75)	-	(62)	(80)	(217)
Adjust smelter processing and freight, and sales to production basis	1	-	1	2	4
<b>Operating costs net of metal credits</b>	<b>\$40</b>	<b>\$-</b>	<b>\$18</b>	<b>\$16</b>	<b>\$74</b>
US \$ to C\$ exchange rate	\$1.17	\$-	\$1.17	\$1.17	\$1.17
Inmet's share of production (000's)	46,300	-	24,300	45,900	116,500
<b>Cash cost</b>	<b>\$0.74</b>	<b>\$-</b>	<b>\$0.64</b>	<b>\$0.29</b>	<b>\$0.54</b>

(1) Las Cruces' results are included from July 1, 2010

# INMET MINING CORPORATION

## Supplementary financial information

### Cash costs

**2010** For the three months ended September 30

	per pound of copper				TOTAL COPPER
	ÇAYELI	LAS CRUCES <sup>(1)</sup>	PYHÄSALMI	OK TEDI	
(US dollars)					
Direct production costs	\$1.20	\$1.54	\$1.45	\$1.24	\$1.33
Royalties and variable compensation	0.12	0.06	-	0.05	0.07
Smelter processing charges and freight	1.34	-	1.14	0.56	0.75
Metal credits	(2.04)	-	(3.05)	(1.86)	(1.66)
<b>Cash cost</b>	<b>\$0.62</b>	<b>\$1.60</b>	<b>(\$0.46)</b>	<b>(\$0.01)</b>	<b>\$0.49</b>

**2009** For the three months ended September 30

	per pound of copper				TOTAL COPPER
	ÇAYELI	LAS CRUCES	PYHÄSALMI	OK TEDI	
(US dollars)					
Direct production costs	\$1.09	\$ -	\$1.57	\$1.28	\$1.27
Royalties and variable compensation	0.11	-	-	0.09	0.08
Smelter processing charges and freight	1.38	-	1.21	0.45	0.95
Metal credits	(2.12)	-	(2.21)	(1.40)	(1.84)
<b>Cash cost</b>	<b>\$0.46</b>	<b>\$ -</b>	<b>\$0.57</b>	<b>\$0.42</b>	<b>\$0.46</b>

### Reconciliation of cash costs to statements of earnings

**2010** For the three months ended September 30

	per pound of copper				TOTAL COPPER
	ÇAYELI	LAS CRUCES <sup>(1)</sup>	PYHÄSALMI	OK TEDI	
(millions of Canadian dollars, except w here otherwise noted)					
GAAP reference	page 15	page 17	page 19	page 21	
Direct production costs	\$22	\$31	\$12	\$23	\$88
Smelter processing charges and freight	19	-	20	9	48
By product sales	(27)	-	(38)	(26)	(91)
Adjust smelter processing and freight, and sales to production basis	(4)	-	2	(6)	(8)
<b>Operating costs net of metal credits</b>	<b>\$10</b>	<b>\$31</b>	<b>(\$4)</b>	<b>\$-</b>	<b>\$37</b>
US \$ to C\$ exchange rate	\$1.04	\$1.04	\$1.04	\$1.04	\$1.04
Inmet's share of production (000's)	16,200	18,400	8,700	17,200	60,500
<b>Cash cost</b>	<b>\$0.62</b>	<b>\$1.60</b>	<b>(\$0.46)</b>	<b>(\$0.01)</b>	<b>\$0.49</b>

**2009** For the three months ended September 30

	per pound of copper				TOTAL COPPER
	ÇAYELI	LAS CRUCES	PYHÄSALMI	OK TEDI	
(millions of Canadian dollars, except w here otherwise note)					
GAAP reference	page 15	page 17	page 19	page 21	
Direct production costs	\$19	\$ -	\$14	\$24	\$57
Smelter processing charges and freight	18	-	12	9	39
By product sales	(25)	-	(22)	(29)	(76)
Adjust smelter processing and freight, and sales to production basis	(5)	-	1	3	(1)
<b>Operating costs net of metal credits</b>	<b>\$7</b>	<b>-</b>	<b>\$5</b>	<b>\$7</b>	<b>\$19</b>
US \$ to C\$ exchange rate	\$1.10	-	\$1.10	\$1.10	\$1.10
Inmet's share of production (000's)	14,100	-	8,200	16,100	38,400
<b>Cash cost</b>	<b>\$0.46</b>	<b>\$ -</b>	<b>\$0.57</b>	<b>\$0.42</b>	<b>\$0.46</b>

(1) Las Cruces' results are included from July 1, 2010

# INMET MINING CORPORATION

## Quarterly review

(unaudited)

### Latest Four Quarters

	2010 Third quarter	2010 Second quarter	2010 First quarter	2009 Fourth quarter
(thousands of Canadian dollars, except per share amounts)				
<b>STATEMENTS OF EARNINGS</b>				
Gross sales	\$313,349	\$215,051	\$251,559	\$290,570
Smelter processing charges and freight	(47,191)	(36,794)	(44,329)	(53,696)
Cost of sales	(93,722)	(72,437)	(80,980)	(74,995)
Depreciation	(24,308)	(18,951)	(15,224)	(17,911)
	148,128	86,869	111,026	143,968
Corporate development and exploration	(2,758)	(2,524)	(2,779)	(2,915)
General and administration	(4,073)	(6,288)	(5,510)	(9,836)
Investment and other income (expense)	3,533	(18,370)	(78)	280
Asset impairment	-	-	-	(3,496)
Stand-by costs	-	-	(6,753)	-
Interest expense	(3,480)	(421)	(452)	(496)
Capital tax expense	(82)	(82)	(82)	69
Income tax expense	(45,272)	(15,167)	(20,063)	(38,668)
Non-controlling interest	(9,910)	4,419	4,562	857
Net income	86,086	48,436	79,871	\$89,763
Net income per common share	\$1.53	\$0.86	\$1.42	\$1.60
Diluted net income per common share	\$1.53	\$0.86	\$1.42	\$1.60

### Previous Four Quarters

	2009 Third quarter	2009 Second quarter	2009 First quarter	2008 Fourth quarter
(thousands of Canadian dollars, except per share amounts)				
<b>STATEMENTS OF EARNINGS</b>				
Gross sales	\$241,121	\$213,042	\$239,152	\$139,626
Smelter processing charges and freight	(41,607)	(40,589)	(40,540)	(32,870)
Cost of sales	(72,706)	(73,827)	(89,904)	(91,715)
Depreciation	(14,558)	(13,604)	(15,679)	(14,844)
	112,250	85,022	93,029	197
Corporate development and exploration	(1,963)	(2,727)	(3,232)	(1,971)
General and administration	(5,147)	(4,785)	(4,124)	(3,289)
Investment and other income (expense)	3,588	16,466	(11,203)	8,057
Asset impairment	-	-	(6,419)	(36,275)
Interest expense	(496)	(493)	(492)	(490)
Capital tax expense	(744)	(125)	(125)	(1,304)
Income tax (expense) recovery	(39,244)	(24,052)	(18,890)	767
Non-controlling interest	(6,693)	(2,778)	2,783	1,794
Net income (loss)	\$61,551	\$66,528	\$51,327	(\$32,514)
Net income (loss) per common share	\$1.10	\$1.37	\$1.06	(\$0.67)
Diluted net income (loss) per common share	\$1.09	\$1.36	\$1.06	(\$0.67)

**Consolidated financial statements**  
**INMET MINING CORPORATION**  
**Consolidated balance sheets**

(thousands of Canadian dollars)	Note reference	September 30 2010 (unaudited)	December 31 2009
<b>Assets</b>			
<b>Current assets:</b>			
Cash and short-term investments	3	\$423,756	\$533,913
Restricted cash	4	12,435	15,130
Accounts receivable		115,722	129,987
Inventories		85,414	103,108
Current portion of held to maturity investments	6	64,449	9,993
Future income tax asset		7,956	8,466
Other		525	-
		<u>710,257</u>	800,597
Restricted cash	4	101,531	101,589
Property, plant and equipment		1,813,634	1,860,616
Investments in equity securities	5	55,725	42,411
Held to maturity investments	6	334,385	89,891
Future income tax asset		14,855	6,151
Other assets		4,745	2,894
		<u>\$3,035,132</u>	\$2,904,149
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities		\$178,282	\$185,145
Derivatives		2,012	1,543
Future income tax liabilities		3,330	4,612
		<u>183,624</u>	191,300
Long-term debt	7	198,713	200,026
Asset retirement obligations		141,358	145,038
Derivatives		3,357	3,165
Other liabilities		32,032	32,113
Future income tax liabilities		9,490	16,357
Non-controlling interest		73,597	78,005
		<u>642,171</u>	666,004
Commitments	8		
<b>Shareholders' equity</b>			
Share capital		669,952	669,952
Contributed surplus		64,551	63,296
Stock based compensation		6,295	5,170
Retained earnings		1,750,586	1,541,803
Accumulated other comprehensive loss	10	(98,423)	(42,076)
		<u>2,392,961</u>	2,238,145
		<u>\$3,035,132</u>	\$2,904,149

(see accompanying notes)

# INMET MINING CORPORATION

## Segmented balance sheets

2010 As at September 30

(unaudited)	CORPORATE	ÇAYELI	LAS CRUCES	PYHÄSALMI	TROILUS	OK TEDI (Papua New Guinea)	COBRE PANAMA (Panama)	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Spain)	(Finland)	(Canada)			
<b>Assets</b>								
Cash and short-term investments	\$146,981	\$75,079	\$50,312	\$78,830	\$ -	\$64,833	\$7,721	\$423,756
Other current assets	69,839	62,063	49,929	48,340	3,248	52,616	466	286,501
Restricted cash	16,853	-	54,267	1,719	-	28,692	-	101,531
Property, plant and equipment	742	114,866	969,172	59,448	-	91,180	578,226	1,813,634
Investments in equity securities	55,725	-	-	-	-	-	-	55,725
Held to maturity investments	267,484	66,901	-	-	-	-	-	334,385
Other non-current assets	1,862	3,628	7,118	-	-	6,992	-	19,600
	<b>\$559,486</b>	<b>\$322,537</b>	<b>\$1,130,798</b>	<b>\$188,337</b>	<b>\$3,248</b>	<b>\$244,313</b>	<b>\$586,413</b>	<b>\$3,035,132</b>
<b>Liabilities</b>								
Current liabilities	\$15,350	\$29,904	\$40,067	\$19,448	\$13,725	\$56,839	\$8,291	\$183,624
Long-term debt	17,340	-	181,373	-	-	-	-	198,713
Asset retirement obligations	28,309	8,990	48,120	14,875	1,506	39,558	-	141,358
Derivatives	-	-	-	-	-	3,357	-	3,357
Other liabilities	4,497	6,516	18,612	-	-	2,407	-	32,032
Future income tax liabilities	-	-	182	9,308	-	-	-	9,490
Non-controlling interest	-	-	73,597	-	-	-	-	73,597
	<b>\$65,496</b>	<b>\$45,410</b>	<b>\$361,951</b>	<b>\$43,631</b>	<b>\$15,231</b>	<b>\$102,161</b>	<b>\$8,291</b>	<b>\$642,171</b>

2009 As at December 31

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

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

(unaudited)

(thousands of Canadian dollars except per share amounts)	Note reference	Three Months Ended September 30		Nine Months Ended September 30	
		2010	2009	2010	2009
Gross sales		\$313,349	\$241,121	\$779,959	\$693,315
Smelter processing charges and freight		(47,191)	(41,607)	(128,314)	(122,736)
Cost of sales		(93,722)	(72,706)	(247,139)	(236,437)
Depreciation		(24,308)	(14,558)	(58,483)	(43,841)
		<b>148,128</b>	112,250	<b>346,023</b>	290,301
Corporate development and exploration		(2,758)	(1,963)	(8,061)	(7,922)
General and administration		(4,073)	(5,147)	(15,871)	(14,056)
Investment and other income	11	3,533	3,588	(14,915)	8,851
Asset impairment		-	-	-	(6,419)
Stand-by costs		-	-	(6,753)	-
Interest expense		(3,480)	(496)	(4,353)	(1,481)
Capital tax expense		(82)	(744)	(246)	(994)
Income tax expense	12	(45,272)	(39,244)	(80,502)	(82,186)
Non-controlling interest		(9,910)	(6,693)	(929)	(6,688)
<b>Net income</b>		<b>\$86,086</b>	\$61,551	<b>\$214,393</b>	\$179,406
<b>Basic net income per common share</b>	13	<b>\$1.53</b>	\$1.10	<b>\$3.82</b>	\$3.51
<b>Diluted net income per common share</b>	13	<b>\$1.53</b>	\$1.09	<b>\$3.81</b>	\$3.50
<b>Weighted average shares outstanding (000's)</b>		<b>56,107</b>	56,107	<b>56,107</b>	51,062

(see accompanying notes)

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

(unaudited)

**2010** For the nine months ended September 30

	<b>CORPORATE</b>	<b>ÇAYELI</b>	<b>LAS CRUCES</b>	<b>PYHÄSALMI</b>	<b>TROILUS</b>	<b>OK TEDI</b>	<b>COBRE PANAMA</b>	<b>TOTAL</b>
(thousands of Canadian dollars)		(Turkey)	(Spain)	(Finland)	(Canada)	(Papua New Guinea)	(Panama)	
Gross sales	\$ -	\$244,029	\$61,849	\$160,701	\$72,070	\$241,310	\$ -	\$779,959
Smelter processing charges and freight	-	(57,217)	(27)	(39,809)	(4,526)	(26,735)	-	(128,314)
Cost of sales	(1,523)	(65,952)	(30,880)	(40,610)	(34,336)	(73,838)	-	(247,139)
Depreciation	-	(10,161)	(10,328)	(5,637)	(10,822)	(21,535)	-	(58,483)
	(1,523)	110,699	20,614	74,645	22,386	119,202	-	346,023
Corporate development and exploration	(4,721)	(451)	-	(2,889)	-	-	-	(8,061)
General and administration	(15,871)	-	-	-	-	-	-	(15,871)
Investment and other income	(15,820)	950	469	-	(481)	(33)	-	(14,915)
Stand-by costs	-	-	(6,753)	-	-	-	-	(6,753)
Interest expense	(1,312)	-	(3,041)	-	-	-	-	(4,353)
Capital tax expense	(246)	-	-	-	-	-	-	(246)
Income tax (expense) recovery	(644)	(21,733)	3,702	(16,900)	-	(44,927)	-	(80,502)
Non-controlling interest	-	-	(929)	-	-	-	-	(929)
Net income (loss)	(\$40,137)	\$89,465	\$14,062	\$54,856	\$21,905	\$74,242	\$ -	\$214,393

**2009** For the nine months ended September 30

	<b>CORPORATE</b>	<b>ÇAYELI</b>	<b>LAS CRUCES</b>	<b>PYHÄSALMI</b>	<b>TROILUS</b>	<b>OK TEDI</b>	<b>COBRE PANAMA</b>	<b>TOTAL</b>
(thousands of Canadian dollars)		(Turkey)	(Spain)	(Finland)	(Canada)	(Papua New Guinea)	(Panama)	
Gross sales	\$ -	\$191,344	\$ -	\$125,244	\$158,676	\$218,051	\$ -	\$693,315
Smelter processing charges and freight	-	(55,094)	-	(33,802)	(10,990)	(22,850)	-	(122,736)
Cost of sales	(1,401)	(60,549)	-	(46,079)	(52,953)	(75,455)	-	(236,437)
Depreciation	-	(9,826)	-	(6,237)	(10,121)	(17,657)	-	(43,841)
	(1,401)	65,875	-	39,126	84,612	102,089	-	290,301
Corporate development and exploration	(4,581)	(971)	-	(2,370)	-	-	-	(7,922)
General and administration	(14,056)	-	-	-	-	-	-	(14,056)
Investment and other income	(10,798)	822	21,902	(421)	645	(3,299)	-	8,851
Asset impairment charges	-	(6,419)	-	-	-	-	-	(6,419)
Interest expense	(1,481)	-	-	-	-	-	-	(1,481)
Capital tax expense	(994)	-	-	-	-	-	-	(994)
Income tax expense	(22,388)	(7,272)	(7,949)	(6,644)	-	(37,933)	-	(82,186)
Non-controlling interest	-	-	(6,688)	-	-	-	-	(6,688)
Net income (loss)	(\$55,699)	\$52,035	\$7,265	\$29,691	\$85,257	\$60,857	\$ -	\$179,406

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

(unaudited)

**2010** For the three months ended September 30

	CORPORATE	ÇAYELI	LAS CRUCES	PYHÄSALMI	TROILUS	OK TEDI	COBRE PANAMA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Spain)	(Finland)	(Canada)	(Papua New Guinea)	(Panama)	
Gross sales	\$ -	\$93,597	\$61,849	\$65,255	\$9,893	\$82,755	\$ -	\$313,349
Smelter processing charges and freight	-	(18,522)	(27)	(19,754)	(205)	(8,683)	-	(47,191)
Cost of sales	(512)	(22,253)	(30,880)	(14,097)	(3,781)	(22,199)	-	(93,722)
Depreciation	-	(3,691)	(10,328)	(1,925)	(820)	(7,544)	-	(24,308)
	(512)	49,131	20,614	29,479	5,087	44,329	-	148,128
Corporate development and exploration	(1,474)	(373)	-	(911)	-	-	-	(2,758)
General and administration	(4,073)	-	-	-	-	-	-	(4,073)
Investment and other income	2,945	957	291	-	(645)	(15)	-	3,533
Interest expense	(439)	-	(3,041)	-	-	-	-	(3,480)
Capital tax expense	(82)	-	-	-	-	-	-	(82)
Income tax (expense) recovery	(805)	(9,327)	(10,828)	(6,974)	-	(17,338)	-	(45,272)
Non-controlling interest	-	-	(9,910)	-	-	-	-	(9,910)
Net income (loss)	(\$4,440)	\$40,388	(\$2,874)	\$21,594	\$4,442	\$26,976	\$ -	\$86,086

**2009** For the three months ended September 30

	CORPORATE	ÇAYELI	LAS CRUCES	PYHÄSALMI	TROILUS	OK TEDI	COBRE PANAMA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Spain)	(Finland)	(Canada)	(Papua New Guinea)	(Panama)	
Gross sales	\$ -	\$67,612	\$ -	\$48,262	\$34,279	\$90,968	\$ -	\$241,121
Smelter processing charges and freight	-	(17,580)	-	(12,485)	(2,272)	(9,270)	-	(41,607)
Cost of sales	(409)	(18,263)	-	(13,504)	(14,510)	(26,020)	-	(72,706)
Depreciation	-	(2,980)	-	(1,473)	(3,401)	(6,704)	-	(14,558)
	(409)	28,789	-	20,800	14,096	48,974	-	112,250
Corporate development and exploration	(1,207)	(70)	-	(686)	-	-	-	(1,963)
General and administration	(5,147)	-	-	-	-	-	-	(5,147)
Investment and other income	(17,218)	(248)	21,582	1	284	(813)	-	3,588
Interest expense	(496)	-	-	-	-	-	-	(496)
Capital tax expense	(744)	-	-	-	-	-	-	(744)
Income tax expense	(2,658)	(5,641)	(7,682)	(4,339)	-	(18,924)	-	(39,244)
Non-controlling interest	-	-	(6,693)	-	-	-	-	(6,693)
Net income (loss)	(\$27,879)	\$22,830	\$7,207	\$15,776	\$14,380	\$29,237	\$ -	\$61,551

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

(unaudited)

(thousands of Canadian dollars)	Note reference	Three Months Ended September 30		Nine Months Ended September 30	
		2010	2009	2010	2009
<b>Cash provided by (used in) operating activities <sup>(1)</sup></b>					
Net income		\$86,086	\$61,551	\$214,393	\$179,406
Add (deduct) items not affecting cash:					
Depreciation		24,308	14,558	58,483	43,841
Future income tax		8,825	5,427	(15,138)	16,746
Accretion expense on asset retirement obligations		2,300	1,180	4,827	3,655
Non-controlling interest		9,910	6,693	929	6,688
Asset impairment		-	-	-	6,419
Foreign exchange loss (gain)		(1,108)	2,951	21,853	(5,897)
Gain on recognition of foreign currency forward contract settlement		-	(35,615)	-	(35,615)
Loss on recognition of interest rate swap contract settlement		-	14,823	-	14,823
Other		5,382	3,198	6,628	10,808
Settlement of asset retirement obligations		(4,577)	(2,093)	(6,098)	(4,849)
Net change in non-cash working capital	2	(28,991)	16,604	(11,876)	(39,055)
		<u>102,135</u>	<u>89,277</u>	<u>274,001</u>	<u>196,970</u>
<b>Cash provided by (used in) investing activities</b>					
Purchase of property, plant and equipment		(47,785)	(23,789)	(80,620)	(204,911)
Purchase of long-term investments	6	(76,748)	(100,000)	(295,846)	(100,000)
Sale of short-term investments		-	53,958	26,996	8,707
Sale of assets - Troilus		5,502	-	5,502	-
Funding received under Cobre Panama option agreement		4,154	-	10,362	-
		<u>(114,877)</u>	<u>(69,831)</u>	<u>(333,606)</u>	<u>(296,204)</u>
<b>Cash provided by (used in) financing activities</b>					
Long-term debt repayments		-	(232,101)	-	(314,603)
Issuance of common shares		-	-	-	334,284
Funding by non-controlling shareholder		-	5,676	2,835	49,617
Financial assurance deposits		(868)	(43,078)	(1,222)	(51,818)
Dividends paid on common shares		-	-	(5,610)	(4,828)
Settlement of interest rate swap contract		-	(15,982)	-	(15,982)
Subsidies received		-	4,730	360	70,939
Other		(690)	(1,251)	(2,200)	(1,341)
		<u>(1,558)</u>	<u>(282,006)</u>	<u>(5,837)</u>	<u>66,268</u>
<b>Foreign exchange change on cash held in foreign currency</b>		<u>1,738</u>	<u>(21,535)</u>	<u>(17,719)</u>	<u>(34,435)</u>
<b>Decrease in cash</b>		<u>(12,562)</u>	<u>(284,095)</u>	<u>(83,161)</u>	<u>(67,401)</u>
<b>Cash:</b>					
Beginning of period		436,318	753,753	506,917	537,059
End of period		423,756	469,658	423,756	469,658
<b>Short-term investments</b>		<u>-</u>	<u>26,967</u>	<u>-</u>	<u>26,967</u>
<b>Cash and short-term investments</b>		<u>\$423,756</u>	<u>\$496,625</u>	<u>\$423,756</u>	<u>\$496,625</u>
(see accompanying notes)					
<b><sup>(1)</sup> Supplementary cash flow information:</b>					
Cash interest paid		\$546	\$972	\$1,146	\$10,867
Cash taxes paid		\$23,529	\$7,189	\$97,566	\$17,828

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

(unaudited)

2010 For the nine months ended September 30

	CORPORATE	ÇAYELI	LAS CRUCES	PYHÄSÄLMI	TROILUS	OK TEDI	COBRE PANAMA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Spain)	(Finland)	(Canada)	(Papua New Guinea)	(Panama)	
<b>Cash provided by (used in) operating activities</b>								
Before net change in non-cash working capital	(\$24,045)	\$98,939	\$25,495	\$61,582	\$31,469	\$92,437	\$ -	\$285,877
Net change in non-cash working capital	(8,818)	(24,479)	58	(8,090)	12,292	17,161	-	(11,876)
	<u>(32,863)</u>	<u>74,460</u>	<u>25,553</u>	<u>53,492</u>	<u>43,761</u>	<u>109,598</u>	<u>-</u>	<u>274,001</u>
<b>Cash provided by (used in) investing activities</b>								
Purchase of property, plant and equipment	(132)	(8,229)	7,834	(3,264)	-	(11,863)	(64,966)	(80,620)
Purchase of long-term investments	(228,500)	(67,346)	-	-	-	-	-	(295,846)
Sale of short-term investments	26,996	-	-	-	-	-	-	26,996
Sale of assets - Troilus	-	-	-	-	5,502	-	-	5,502
Funding received-Cobre Panama option agreement	-	-	-	-	-	-	10,362	10,362
	<u>(201,636)</u>	<u>(75,575)</u>	<u>7,834</u>	<u>(3,264)</u>	<u>5,502</u>	<u>(11,863)</u>	<u>(54,604)</u>	<u>(333,606)</u>
<b>Cash provided by (used in) financing activities</b>								
	<u>(6,109)</u>	<u>-</u>	<u>1,560</u>	<u>-</u>	<u>-</u>	<u>(1,288)</u>	<u>-</u>	<u>(5,837)</u>
<b>Foreign exchange change on cash held in foreign currency</b>								
	-	(6,556)	44	(9,728)	-	(1,491)	12	(17,719)
<b>Intergroup funding (distributions)</b>	163,015	(75,881)	5,282	(27,984)	(49,263)	(66,754)	51,585	-
<b>Increase (decrease) in cash</b>	(77,593)	(83,552)	40,273	12,516	-	28,202	(3,007)	(83,161)
<b>Cash:</b>								
Beginning of period	224,574	158,631	10,039	66,314	-	36,631	10,728	506,917
End of period	146,981	75,079	50,312	78,830	-	64,833	7,721	423,756
<b>Short-term investments</b>	-	-	-	-	-	-	-	-
<b>Cash and short-term investments</b>	<u>\$146,981</u>	<u>\$75,079</u>	<u>\$50,312</u>	<u>\$78,830</u>	<u>\$ -</u>	<u>\$64,833</u>	<u>\$7,721</u>	<u>\$423,756</u>

2009 For the nine months ended September 30

	CORPORATE	ÇAYELI	LAS CRUCES	PYHÄSÄLMI	TROILUS	OK TEDI	COBRE PANAMA	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Spain)	(Finland)	(Canada)	(Papua New Guinea)	(Panama)	
<b>Cash provided by (used in) operating activities</b>								
Before net change in non-cash working capital	(\$49,832)	\$60,713	\$ -	\$37,886	\$96,113	\$91,145	\$ -	\$236,025
Net change in non-cash working capital	947	(15,612)	-	8,009	(2,495)	(29,904)	-	(39,055)
	<u>(48,885)</u>	<u>45,101</u>	<u>-</u>	<u>45,895</u>	<u>93,618</u>	<u>61,241</u>	<u>-</u>	<u>196,970</u>
<b>Cash provided by (used in) investing activities</b>								
Purchase of property, plant and equipment	(278)	(10,631)	(108,147)	(5,823)	-	(9,907)	(70,125)	(204,911)
Purchase of long-term investments	(100,000)	-	-	-	-	-	-	(100,000)
Purchase of short-term investments	8,707	-	-	-	-	-	-	8,707
	<u>(91,571)</u>	<u>(10,631)</u>	<u>(108,147)</u>	<u>(5,823)</u>	<u>-</u>	<u>(9,907)</u>	<u>(70,125)</u>	<u>(296,204)</u>
<b>Cash provided by (used in) financing activities</b>								
	329,201	-	(250,968)	-	-	(11,965)	-	66,268
<b>Foreign exchange change on cash held in foreign currency</b>								
	-	(20,512)	(731)	(5,462)	-	(7,612)	(118)	(34,435)
<b>Intergroup funding (distributions)</b>	(241,372)	(89,340)	378,938	(9,923)	(93,618)	(18,224)	73,539	-
<b>Increase (decrease) in cash</b>	(52,627)	(75,382)	19,092	24,687	-	13,533	3,296	(67,401)
<b>Cash:</b>								
Beginning of period	205,564	192,881	33,981	65,976	-	37,547	1,110	537,059
End of period	152,937	117,499	53,073	90,663	-	51,080	4,406	469,658
<b>Short-term investments</b>	26,967	-	-	-	-	-	-	26,967
<b>Cash and short-term investments</b>	<u>\$179,904</u>	<u>\$117,499</u>	<u>\$53,073</u>	<u>\$90,663</u>	<u>\$ -</u>	<u>\$51,080</u>	<u>\$4,406</u>	<u>\$496,625</u>

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

(unaudited)

**2010** For the three months ended September 30

	CORPORATE	ÇAYELI	LAS		TROILUS	OK TEDI	COBRE PANAMA	TOTAL
		(Turkey)	CRUCES	PYHÄSALMI	(Canada)	(Papua New Guinea)	(Panama)	
(thousands of Canadian dollars)			(Spain)	(Finland)				
<b>Cash provided by (used in) operating activities</b>								
Before net change in non-cash working capital	(\$7,339)	\$44,849	\$32,248	\$23,869	\$2,773	\$34,726	\$ -	\$131,126
Net change in non-cash working capital	1,011	(23,833)	58	1,905	4,044	(12,176)	-	(28,991)
	<u>(6,328)</u>	<u>21,016</u>	<u>32,306</u>	<u>25,774</u>	<u>6,817</u>	<u>22,550</u>	<u>-</u>	<u>102,135</u>
<b>Cash provided by (used in) investing activities</b>								
Purchase of property, plant and equipment	(44)	(3,347)	(16,487)	(743)	-	(3,458)	(23,706)	(47,785)
Purchase of long-term investments	(9,402)	(67,346)	-	-	-	-	-	(76,748)
Sale of assets - Troilus	-	-	-	-	5,502	-	-	5,502
Funding received-Cobre Panama option agreement	-	-	-	-	-	-	4,154	4,154
	<u>(9,446)</u>	<u>(70,693)</u>	<u>(16,487)</u>	<u>(743)</u>	<u>5,502</u>	<u>(3,458)</u>	<u>(19,552)</u>	<u>(114,877)</u>
<b>Cash used in financing activities</b>								
	<u>(681)</u>	<u>-</u>	<u>(234)</u>	<u>-</u>	<u>-</u>	<u>(643)</u>	<u>-</u>	<u>(1,558)</u>
<b>Foreign exchange change on cash held in foreign currency</b>								
	<u>-</u>	<u>(3,966)</u>	<u>3,086</u>	<u>4,868</u>	<u>-</u>	<u>(1,883)</u>	<u>(367)</u>	<u>1,738</u>
<b>Intergroup funding (distributions)</b>								
	<u>941</u>	<u>130</u>	<u>1,563</u>	<u>(3,978)</u>	<u>(12,319)</u>	<u>(381)</u>	<u>14,044</u>	<u>-</u>
<b>Increase (decrease) in cash</b>								
	<u>(15,514)</u>	<u>(53,513)</u>	<u>20,234</u>	<u>25,921</u>	<u>-</u>	<u>16,185</u>	<u>(5,875)</u>	<u>(12,562)</u>
<b>Cash:</b>								
Beginning of period	162,495	128,592	30,078	52,909	-	48,648	13,596	436,318
End of period	146,981	75,079	50,312	78,830	-	64,833	7,721	423,756
<b>Short-term investments</b>								
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash and short-term investments</b>								
	<u>\$146,981</u>	<u>\$75,079</u>	<u>\$50,312</u>	<u>\$78,830</u>	<u>\$ -</u>	<u>\$64,833</u>	<u>\$7,721</u>	<u>\$423,756</u>

**2009** For the three months ended September 30

	CORPORATE	ÇAYELI	LAS		TROILUS	OK TEDI	COBRE PANAMA	TOTAL
		(Turkey)	CRUCES	PYHÄSALMI	(Canada)	(Papua New Guinea)	(Panama)	
(thousands of Canadian dollars)			(Spain)	(Finland)				
<b>Cash provided by (used in) operating activities</b>								
Before net change in non-cash working capital	(\$28,693)	\$25,746	\$ -	\$22,518	\$17,254	\$35,848	\$ -	\$72,673
Net change in non-cash working capital	868	4,174	-	2,136	(1,322)	10,748	-	16,604
	<u>(27,825)</u>	<u>29,920</u>	<u>-</u>	<u>24,654</u>	<u>15,932</u>	<u>46,596</u>	<u>-</u>	<u>89,277</u>
<b>Cash provided by (used in) investing activities</b>								
Purchase of property, plant and equipment	(17)	(4,076)	10,403	(2,045)	-	(3,317)	(24,737)	(23,789)
Purchase of long-term investments	(100,000)	-	-	-	-	-	-	(100,000)
Purchase of short-term investments	53,958	-	-	-	-	-	-	53,958
	<u>(46,059)</u>	<u>(4,076)</u>	<u>10,403</u>	<u>(2,045)</u>	<u>-</u>	<u>(3,317)</u>	<u>(24,737)</u>	<u>(69,831)</u>
<b>Cash used in financing activities</b>								
	<u>(63)</u>	<u>-</u>	<u>(270,727)</u>	<u>-</u>	<u>-</u>	<u>(11,216)</u>	<u>-</u>	<u>(282,006)</u>
<b>Foreign exchange change on cash held in foreign currency</b>								
	<u>-</u>	<u>(9,837)</u>	<u>(2,102)</u>	<u>(3,810)</u>	<u>-</u>	<u>(5,661)</u>	<u>(125)</u>	<u>(21,535)</u>
<b>Intergroup funding (distributions)</b>								
	<u>(248,439)</u>	<u>827</u>	<u>280,195</u>	<u>(22,878)</u>	<u>(15,932)</u>	<u>(18,119)</u>	<u>24,346</u>	<u>-</u>
<b>Increase (decrease) in cash</b>								
	<u>(322,386)</u>	<u>16,834</u>	<u>17,769</u>	<u>(4,079)</u>	<u>-</u>	<u>8,283</u>	<u>(516)</u>	<u>(284,095)</u>
<b>Cash:</b>								
Beginning of period	475,323	100,665	35,304	94,742	-	42,797	4,922	753,753
End of period	152,937	117,499	53,073	90,663	-	51,080	4,406	469,658
<b>Short-term investments</b>								
	<u>26,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,967</u>
<b>Cash and short-term investments</b>								
	<u>\$179,904</u>	<u>\$117,499</u>	<u>\$53,073</u>	<u>\$90,663</u>	<u>\$ -</u>	<u>\$51,080</u>	<u>\$4,406</u>	<u>\$496,625</u>

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

(unaudited)

(thousands of Canadian dollars)	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2010	2009	2010	2009
Retained earnings, beginning of period	\$1,664,500	\$1,396,101	\$1,541,803	\$1,283,074
Net income	86,086	61,551	214,393	179,406
Dividends on common shares	-	-	(5,610)	(4,828)
Retained earnings, end of period (see accompanying notes)	\$1,750,586	\$1,457,652	\$1,750,586	\$1,457,652

**Consolidated statements of comprehensive income (loss)**

(unaudited)

(thousands of Canadian dollars)	Note reference	Three Months Ended Sept 30		Nine Months Ended Sept 30	
		2010	2009	2010	2009
Net income		\$86,086	\$61,551	\$214,393	\$179,406
Other comprehensive income (loss) for the period :					
Changes in fair value of gold forward sales contracts		(136)	(775)	(937)	(1,880)
Changes in fair value of interest rate swap contracts		-	(1,081)	-	3,903
Changes in fair value of investments		6,013	986	13,313	10,387
Currency translation adjustments		32,469	(103,221)	(45,042)	(174,798)
Reclassification to net income of gains/losses realized:					
Amortization of gain on foreign exchange forward contracts		-	(2,626)	-	(5,657)
Recognition of gain on foreign exchange forward contract		-	(28,158)	-	(28,158)
Recognition of loss on interest rate swap contract		-	11,711	-	11,711
Foreign exchange loss on reduction of net investment in self-sustaining foreign operations	11	-	1,439	(22,656)	(2,473)
Income tax expense related to other comprehensive income	14	(833)	8,822	(1,025)	5,685
		37,513	(112,903)	(56,347)	(181,280)
<b>Comprehensive income (loss)</b>		<b>\$123,599</b>	<b>(\$51,352)</b>	<b>\$158,046</b>	<b>(\$1,874)</b>

(see accompanying notes)

## 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 nine months ended September 30, 2010

(thousands)	Corporate	Çayeli	Las Cruces	Pyhäsalmi	Troilus	Ok Tedi	Total
Accounts receivable	(\$1,475)	(\$17,394)	(\$677)	(\$525)	\$10,791	\$3,224	(\$6,056)
Inventories	-	(2,328)	(2,131)	(1,394)	9,792	5,493	9,432
Accounts payable and accrued liabilities	3,566	(3,007)	2,866	(5,241)	(8,291)	(177)	(10,284)
Taxes	(10,905)	(473)		(930)	-	10,586	(1,722)
Other	(4)	(1,277)		-	-	(1,965)	(3,246)
	(\$8,818)	(\$24,479)	\$58	(\$8,090)	\$12,292	\$17,161	(\$11,876)

##### For the nine months ended September 30, 2009

(thousands)	Corporate	Çayeli	Las Cruces	Pyhäsalmi	Troilus	Ok Tedi	Total
Accounts receivable	(\$272)	(\$17,674)	\$ -	(\$8,108)	(\$1,180)	(\$53,308)	(\$80,542)
Inventories	-	(585)	-	(375)	5,428	1,149	5,617
Accounts payable and accrued liabilities	(1,319)	1,028	-	2,625	(6,743)	(799)	(5,208)
Taxes	5,247	1,621	-	13,867	-	23,846	44,581
Other	(2,709)	(2)	-	-	-	(792)	(3,503)
	\$947	(\$15,612)	\$ -	\$8,009	(\$2,495)	(\$29,904)	(\$39,055)

### For the three months ended September 30, 2010

(thousands)	Corporate	Çayeli	Las Cruces	Pyhäsalmi	Troilus	Ok Tedi	Total
Accounts receivable	(\$797)	(\$25,661)	(\$677)	(\$1,675)	\$7,057	(\$10,677)	(\$32,430)
Inventories	-	(1,651)	(2,131)	155	3,190	(2,255)	(2,692)
Accounts payable and accrued liabilities	1,659	1,269	2,866	328	(6,203)	(2,331)	(2,412)
Taxes	150	3,553	-	3,097	-	4,407	11,207
Other	(1)	(1,343)	-	-	-	(1,320)	(2,664)
	<b>\$1,011</b>	<b>(\$23,833)</b>	<b>\$58</b>	<b>\$1,905</b>	<b>\$4,044</b>	<b>(\$12,176)</b>	<b>(\$28,991)</b>

### For the three months ended September 30, 2009

(thousands)	Corporate	Çayeli	Las Cruces	Pyhäsalmi	Troilus	Ok Tedi	Total
Accounts receivable	(\$338)	(\$1,996)	\$ -	(\$1,905)	(\$685)	(\$4,908)	(\$9,832)
Inventories	-	(804)	-	(765)	1,490	1,161	1,082
Accounts payable and accrued liabilities	1,552	6,550	-	1,368	(2,127)	(1,181)	6,162
Taxes	(95)	449	-	3,438	-	16,175	19,967
Other	(251)	(25)	-	-	-	(499)	(775)
	<b>\$868</b>	<b>\$4,174</b>	<b>\$ -</b>	<b>\$2,136</b>	<b>(\$1,322)</b>	<b>\$10,748</b>	<b>\$16,604</b>

### 3. Cash and short-term investments

(thousands)	September 30 2010	December 31 2009
Cash:		
Liquidity funds	\$140,751	\$205,190
Bankers' acceptances	34,106	92,200
Money market funds	56,691	19,951
Term deposits	88,777	40,140
Overnight deposits	4,153	54,435
Bank deposits	99,278	95,001
	<b>423,756</b>	<b>506,917</b>
Short-term investments:		
Corporate	-	26,996
Total cash and short-term investments	<b>423,756</b>	<b>\$533,913</b>

### 4. Restricted cash

(thousands)	September 30 2010	December 31 2009
Collateralized cash for letter of credit facility - Inmet Mining	\$16,853	\$16,492
In trust for Ok Tedi reclamation	28,692	26,365
Collateralized cash for letters of credit - Las Cruces	66,702	72,008
Collateralized cash for Pyhäsalmi reclamation	1,719	1,854
	<b>113,966</b>	<b>116,719</b>
Less current portion:		
Collateralized cash for letters of credit – Las Cruces	(12,435)	(15,130)
	<b>\$101,531</b>	<b>\$101,589</b>

## 5. Investments in equity securities

(thousands)	September 30 2010	December 31 2009
Available-for-sale equity securities:		
Premier Gold Mines Ltd (9.5 million shares)	\$53,582	\$39,501
Other	2,143	2,910
	<b>\$55,725</b>	<b>\$42,411</b>

## 6. Held to maturity investments

We invested an additional \$229 million in long-term Canadian and Provincial government bonds and Çayeli purchased \$67 million of US Treasury bonds. The bonds, with credit ratings of A to AAA, mature between December 2010 and August 2015 and have a weighted average annual yield to maturity of 1.7 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

	September 30, 2010	December 31, 2009
Promissory note	\$17,340	\$18,094
Loans from non-controlling shareholder	181,373	181,932
	<b>\$198,713</b>	<b>\$200,026</b>

## 8. Commitments

### **Capital commitments**

Our operations have the following capital commitments as at September 30, 2010:

- Ok Tedi committed approximately \$78.4 million (our proportionate share is \$14.1 million) mainly for mobile equipment and the construction of underwater storage pits for sulphur concentrate produced by the mine waste tailings plant.
- Las Cruces committed \$24.5 million primarily for the purchase of a permanent water treatment plant.
- Cobre Panama committed \$129.4 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 December 31, 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 Cobre Panama's ability to use or exploit their rights under Cobre Panama's mining concession for the 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)
<b>AOCL, December 31, 2009</b>	<b>(\$42,076)</b>
Other comprehensive loss for the nine months ending September 30, 2010	(56,347)
<b>AOCL, September 30, 2010</b>	<b>(\$98,423)</b>
AOCL September 30, 2010 comprises:	
Unrealized losses on gold forward sales contracts (net of tax \$2,296)	(\$5,357)
Unrealized gains on investments (net of tax of \$6,094)	35,801
Currency translation adjustment	(128,867)
<b>AOCL, September 30, 2010</b>	<b>(\$98,423)</b>

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

	September 30, 2010	December 31, 2009
Pyhäsalmi (euro functional currency)	(\$14,794)	(\$5,308)
Las Cruces (euro functional currency)	(60,616)	(8,793)
Çayeli (US dollar functional currency)	(13,957)	(20,901)
Ok Tedi (US dollar functional currency)	(16,178)	(13,751)
Cobre Panama (US dollar functional currency)	(23,322)	(12,416)
	<b>(\$128,867)</b>	(\$61,169)

The Canadian dollar to US dollar exchange rate was \$1.03 at September 30, 2010 and \$1.05 at December 31, 2009. The Canadian dollar to euro exchange rate was \$1.40 at September 30, 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 September 30		Nine months ended September 30	
	2010	2009	2010	2009
Interest income	\$1,990	\$1,135	\$5,347	\$3,878
Foreign exchange gain (loss)	1,012	(17,417)	(22,141)	(9,319)
Loss on recognition of settlement of Las Cruces interest rate swap contract	-	(14,823)	-	(14,823)
Gain on recognition of settlement of Las Cruces foreign exchange forward contract	-	35,615	-	35,615
Dividend and royalty income	650	300	2,539	985
Mark to market on Ok Tedi copper forward contracts	-	(802)	-	(3,228)
Other	(119)	(420)	(660)	(4,257)
	<b>\$3,533</b>	<b>\$3,588</b>	<b>(\$14,915)</b>	<b>\$8,851</b>

### 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 gain (loss) is a result of:

(thousands)	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Translation of Las Cruces' US dollar- denominated bank credit facility	\$ -	(\$1,348)	\$ -	\$2,460
Translation of foreign - denominated cash held at corporate	207	(16,314)	(362)	(17,760)
Translation of other monetary assets and liabilities	805	1,684	877	3,508
Reduction in our net investments	-	(1,439)	(22,656)	2,473
	<b>\$1,012</b>	<b>(\$17,417)</b>	<b>(\$22,141)</b>	<b>(\$9,319)</b>

## 12. Income tax expense

For the nine months ended September 30, 2010

(thousands)	Corporate	Çayeli	Las Cruces	Pyhäsalmi	Ok Tedi	Total
Current income taxes	\$5,596	\$23,877	\$ -	\$16,865	\$49,302	\$95,640
Future income taxes	(4,952)	(2,144)	(3,702)	35	(4,375)	(15,138)
	\$644	\$21,733	(\$3,702)	\$16,900	\$44,927	\$80,502

For the nine months ended September 30, 2009

(thousands)	Corporate	Çayeli	Las Cruces	Pyhäsalmi	Ok Tedi	Total
Current income taxes	\$12,220	\$17,654	\$ -	\$6,114	\$29,452	\$65,440
Future income taxes	10,168	(10,382)	7,949	530	8,481	16,746
	\$22,388	\$7,272	\$7,949	\$6,644	\$37,933	\$82,186

For the three months ended September 30, 2010

(thousands)	Corporate	Çayeli	Las Cruces	Pyhäsalmi	Ok Tedi	Total
Current income taxes	\$2,853	\$8,697	\$ -	\$6,978	\$17,919	\$36,447
Future income taxes	(2,048)	630	10,828	(4)	(581)	8,825
	\$805	\$9,327	\$10,828	\$6,974	\$17,338	\$45,272

For the three months ended September 30, 2009

(thousands)	Corporate	Çayeli	Las Cruces	Pyhäsalmi	Ok Tedi	Total
Current income taxes	\$2,056	\$7,048	\$ -	\$4,356	\$20,357	\$33,817
Future income taxes	602	(1,407)	7,682	(17)	(1,433)	5,427
	\$2,658	\$5,641	\$7,682	\$4,339	\$18,924	\$39,244

### 13. Net income per share

(thousands)	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Net income available to common shareholders	<b>\$86,086</b>	\$61,551	<b>\$214,393</b>	\$179,406
(thousands)				
Weighted average common shares outstanding	<b>56,107</b>	56,107	<b>56,107</b>	51,062
Plus incremental shares from assumed conversions:				
Deferred share units	<b>105</b>	89	<b>105</b>	89
Long term incentive plan units	<b>43</b>	43	<b>43</b>	43
Diluted weighted average common shares outstanding	<b>56,255</b>	56,239	<b>56,255</b>	51,194
(Canadian dollars per share)				
Basic net income per common share	<b>\$1.53</b>	\$1.10	<b>\$3.82</b>	\$3.51
Dilutive effect from assumed conversions of deferred share units and long term incentive plan units per common share	-	(\$0.01)	<b>(\$0.01)</b>	(\$0.01)
Diluted net income per common share	<b>\$1.53</b>	\$1.09	<b>\$3.81</b>	\$3.50

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

(thousands)	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Changes in fair value of gold forward sales contracts	<b>\$41</b>	\$233	<b>\$281</b>	\$564
Changes in fair value of interest rate swap contracts	-	411	-	(1,482)
Changes in fair value of investments	<b>(874)</b>	(165)	<b>(1,306)</b>	(1,740)
Recognition of gain on foreign exchange forward contract	-	12,792	-	12,792
Recognition of loss on interest rate swap contract	-	(4,449)	-	(4,449)
	<b>(\$833)</b>	\$8,822	<b>(\$1,025)</b>	\$5,685

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## Investor Relations

Financial information such as annual reports, interim reports and other information is available on Inmet's web site: [www.inmetmining.com](http://www.inmetmining.com).

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

- By mail directed to our Corporate Office
- By email at [investor@inmetmining.com](mailto:investor@inmetmining.com)
- By fax at + 1-416-368-4692
- 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  
Adelaide Street Postal Station  
Toronto, Ontario, Canada  
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Web site: [www.cibcmellon.ca](http://www.cibcmellon.ca)

## Common Shares

<i>(thousands)</i>	2010	2009
Outstanding as at September 30	<b>56,107</b>	56,107
Weighted average for the three months ended September 30	<b>56,107</b>	56,107

## Stock Exchange Listing

Toronto Stock Exchange

## Stock Symbol

IMN

## Common Shares

### Trading History

	High	Low
<b>2010</b>		
Third Quarter	\$59.10	\$42.40
Second Quarter	\$61.90	\$41.97
First Quarter	\$71.05	\$52.69
<b>2009</b>		
Fourth Quarter	\$68.78	\$37.89
Third Quarter	\$61.04	\$37.89
Second Quarter	\$50.30	\$32.77
First Quarter	\$36.63	\$19.46