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**FOR IMMEDIATE RELEASE**

**July 31, 2007**

All amounts in Canadian dollars unless indicated otherwise

**Toronto, Canada – Inmet announces 2007 second quarter earnings of \$2.86 per share**

We regret that in the second quarter on June 25, 2007, a contractor employee at Çayeli suffered fatal injuries when he fell down a finger raise connecting to an ore pass. As a result, Çayeli commissioned an independent investigation to determine the cause of this tragic accident and to recommend and implement measures to minimize the potential for this kind of accident from happening again. Çayeli remains committed to pursuing all measures necessary to provide its workers and contractors with a safe working environment.

**Highlights**

- **Higher net income per share**  
Net income per share this quarter was \$2.86 compared to \$2.74 for the same period in 2006.
- **Higher operating cash flow per share**  
Operating cash flow before working capital increased to \$133 million or \$2.76 per common share compared to \$125 million or \$2.60 for the same period in 2006.
- **Update to our annual production estimates**  
We produced 19,100 tonnes of copper, 16,600 tonnes of zinc and 54,800 ounces of gold in the second quarter. Our updated annual production objectives are: copper 80,700 tonnes, zinc 82,800 tonnes and gold 238,000 ounces. The revised objectives reflect an updated mine plan at Ok Tedi to minimize the fluorine content in its concentrate, changes in the zinc mining plan at Çayeli and lower expected throughput at Troilus.
- **Ok Tedi concludes on the Community Mine Continuation Agreements (CMCAs)**  
On June 29, Ok Tedi signed a Memorandum of Agreement which concluded the scheduled mid-term review of the CMCAs that were first negotiated in 2002. Inmet's share of the CMCA payments will be US \$3 million per year for the next six years, compared to the approximately US \$1 million per year under the previous agreement.
- **Progress at Las Cruces continues**  
Plant construction is 30 percent completed and more than 50 percent of the required pre-strip material has been removed from the pit.

- **Cerattepe moving forward**

We continued to move the Cerattepe project forward after receiving the construction and operating permit, and have sent out the contracts for the ramp development and surface installations for tender.

- **Petaquilla work plan approved**

Teck Cominco, Petaquilla Copper and Inmet agreed to a work plan to pursue the accelerated development of the Petaquilla copper deposit in Panama.

- **Disposed of our interest in Wolfden Resources Inc.**

We disposed of our shares in Wolfden to Zinifex Canadian Enterprises Inc. for cash proceeds of \$51.4 million or \$3.81 per share, and recorded a gain of \$11.7 million.

## Key financial data

	three months ended June 30			six months ended June 30		
	2007	2006	change	2007	2006	change
<b>FINANCIAL HIGHLIGHTS</b>						
(thousands, except per share amounts)						
<b>Sales</b>						
Gross sales	\$320,018	\$317,624	+1%	\$606,632	\$527,858	+15%
<b>Net income</b>						
Net income	\$138,050	\$132,090	+5%	\$239,128	\$211,651	+13%
Net income per share	\$2.86	\$2.74	+4%	\$4.95	\$4.40	+13%
Adjusted net income (1)	\$126,320	\$132,090	-4%	\$227,398	\$187,746	+21%
Adjusted net income per share (1)	\$2.62	\$2.74	-4%	\$4.71	\$3.90	+21%
<b>Cash flow (1)</b>						
Cash flow provided by operating activities (before working capital)	\$133,443	\$125,452	+6%	\$243,337	\$190,977	+27%
<b>Capital spending</b>						
Cash flow provided by operating activities per share (before working capital)	\$2.76	\$2.60	+6%	\$5.04	\$3.97	+27%
<b>OPERATING HIGHLIGHTS</b>						
<b>Production (2)</b>						
Copper (tonnes)	19,100	20,700	-8%	38,600	40,200	-4%
Zinc (tonnes)	16,600	18,000	-8%	38,700	36,600	+6%
Gold (ounces)	54,800	62,300	-12%	110,800	124,900	-11%
<b>Cash costs</b>						
Copper (US \$ per pound) (1), (3)	\$0.15	\$0.28	-46%	\$0.12	\$0.34	-65%
Gold (US \$ per ounce) (1)	\$338	\$310	+9%	\$393	\$342	+15%
<b>FINANCIAL CONDITION</b>						
	As at June 30		As at December 31			
	2007		2006			
Current ratio	5.9 to 1		5.1 to 1			
Long-term debt to total capitalization	13%		10%			
Net working capital balance (millions)	\$841		\$666			
Cash balance (millions)	\$803		\$640			
Shareholders' equity (millions)	\$1,242		\$1,073			

(1) See reconciliation of non-GAAP measures on page 34 to see how these items are calculated.

(2) Inmet's share.

(3) Çayeli and Pyhäsalmi zinc production and Ok Tedi gold production are included as metal credits.

## The business environment

The following have a significant impact on our business.

	three months ended June 30		six months ended June 30	
	2007	2006	2007	2006
<b>Metal prices</b>				
Copper (per pound)	<b>US \$3.71</b>	US \$3.69	<b>US \$3.27</b>	US \$3.20
Zinc (per pound)	<b>US \$ 1.75</b>	US \$1.50	<b>US \$1.54</b>	US \$1.29
Gold (per ounce)	<b>US \$575</b>	US \$534	<b>US \$569</b>	US \$496
<b>Treatment charges (1)</b>				
Copper (per tonne)	<b>US \$63</b>	US \$94	<b>US \$66</b>	US \$90
Zinc (per tonne) (2)	<b>US \$224</b>	US \$104	<b>US \$222</b>	US \$105
<b>Freight charges (1)</b>				
Copper (per tonne)	<b>US \$55</b>	US \$45	<b>US \$43</b>	US \$41
Zinc (per tonne)	<b>US \$37</b>	US \$12	<b>US \$31</b>	US \$14
<b>Statutory tax rates</b>				
Çayeli	<b>27%</b>	20%	<b>27%</b>	20%
Pyhäsalmi	<b>26%</b>	26%	<b>26%</b>	26%
Ok Tedi	<b>37%</b>	37%	<b>37%</b>	37%
<b>Exchange rates</b>				
1 US \$ to C\$	<b>\$1.10</b>	\$1.12	<b>\$1.14</b>	\$1.14
1 euro to C\$	<b>\$1.46</b>	\$1.41	<b>\$1.50</b>	\$1.40

(1) Per dry metric tonne of concentrate.

(2) Zinc treatment charges are based on a zinc price of US \$3,700 per tonne in 2007 and US \$1,400 per tonne in 2006, and reflect provisional terms.

### Metal prices

Higher copper and zinc prices increased our gross sales this quarter by \$7 million and by \$30 million for the first six months of the year. Higher metal prices increased our earnings and cash flow, but also increased certain costs such as income taxes, the royalties we pay at Çayeli, and employee bonus compensation we pay at Ok Tedi.

### Treatment charges

Treatment charges are one component of smelter processing charges. We also pay smelters for content losses and price participation. Copper treatment charges are lower in 2007 compared to 2006 because we negotiated more favourable contract terms with smelters. Zinc treatment charges, as expected, are significantly higher in 2007 compared to 2006.

### Freight charges

The lack of available vessels increased shipping rates this quarter. Shipping rates, as measured by the Baltic Dry Index, increased 12 percent from the end of the first quarter 2007 and also hit a historical ten-year high. The zinc freight charges we realized this quarter were also significantly higher because shipments in the same period last year were made to destinations closer to our operations.

### Exchange rates

Revenue and earnings as expressed in Canadian dollars were negatively affected in the second quarter and year to date compared to the same periods last year because of the continued strengthening of the Canadian dollar relative to the US dollar. This lowered gross sales in the second quarter by \$8 million and year to date by \$1 million. It also lowered net income in the second quarter by \$4 million but did not impact our net income year to date.

## Second quarter report

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

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

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

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## Our financial results

(thousands, except per share amounts)						
	three months ended June 30			six months ended June 30		
	2007	2006	change	2007	2006	change
<b>EARNINGS FROM OPERATIONS<sup>(1)</sup></b>						
Çayeli	\$64,854	\$58,987	+10%	\$124,426	89,206	+39%
Pyhäsalmi	44,890	39,068	+15%	76,332	58,234	+31%
Troilus	3,718	3,627	+3%	6,530	2,690	+143%
Ok Tedi	65,391	66,092	-1%	105,406	103,649	+2%
Other	(355)	(468)	-24%	(843)	(954)	-12%
	<b>178,498</b>	167,306	+7%	<b>311,851</b>	252,825	+23%
<b>DEVELOPMENT AND EXPLORATION</b>						
Corporate development and exploration	(1,836)	(1,456)	+26%	(2,678)	(2,910)	-8%
<b>CORPORATE COSTS</b>						
General and administration	(2,162)	(2,624)		(5,002)	(4,994)	
Investment and other income	1,572	2,587		8,862	4,380	
Interest expense	(424)	(391)		(862)	(782)	
Income and capital taxes	(48,783)	(33,486)		(84,433)	(60,927)	
Non-controlling interest	(545)	154		(340)	154	
	<b>(50,342)</b>	(33,760)	+49%	<b>(81,775)</b>	(62,169)	+32%
<b>Net income before other items</b>	<b>\$126,320</b>	132,090	-4%	<b>\$227,398</b>	187,746	+21%
Gain on sale of Wolfden	11,730	-		11,730	-	
Gain on sale of Izok	-	-		-	23,905	
<b>Net income</b>	<b>\$138,050</b>	\$132,090	5%	<b>\$239,128</b>	\$211,651	+13%
<b>Basic net income per share</b>	<b>\$2.86</b>	\$2.74	+4%	<b>\$4.95</b>	\$4.40	+13%
<b>Diluted net income per share</b>	<b>\$2.86</b>	\$2.74	+4%	<b>\$4.95</b>	\$4.39	+13%
<b>Weighted average shares outstanding</b>	<b>48,278</b>	48,197		<b>48,278</b>	48,148	

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

## Key changes in 2007

(millions)	three months ended June 30	six months ended June 30	see page
<b>EARNINGS FROM OPERATIONS</b>			
<b>Sales</b>			
Higher metal prices denominated in Canadian dollars	\$9	\$44	8
Higher (lower) sales volumes	(6)	19	9
<b>Costs</b>			
Lower smelter processing charges and freight	10	9	11
Higher operating costs	(3)	(9)	11
Other	1	(4)	
<b>Increase in earnings from operations, compared to 2006</b>	<b>\$11</b>	<b>\$59</b>	
<b>CORPORATE COSTS</b>			
Higher taxes from higher income	-	(8)	13
Change in tax rates	(16)	(16)	13
Gain on sale of Wolfden	12	12	12
Gain on sale of Izok recorded in the previous year	-	(25)	12
Other	(1)	5	
<b>Increase in net income, compared to 2006</b>	<b>\$6</b>	<b>\$27</b>	

## Understanding our performance

### Metal prices and exchange rates

Copper prices increased this quarter, fluctuating closer to the record highs in the same quarter of last year. The average London Metal Exchange (LME) copper cash price this quarter was US \$3.47 per pound, compared to US \$3.27 per pound in 2006 — an increase of 6 percent.

The average LME zinc price this quarter was US \$1.66 per pound, compared to US \$1.49 per pound in 2006 — an increase of 11 percent. The price of gold continued to increase this quarter to an average LME price of US \$667 per ounce compared to US \$627 per ounce in 2006, mainly because of the decrease in value of the US dollar. The gold price we ultimately realized was slightly lower because we had hedged some production at Troilus and Ok Tedi.

The higher Canadian dollar relative to the US dollar reduced costs at our operations on a Canadian dollar basis, but also lowered gross sales. The net result was a decrease in gross sales this quarter of \$8 million relative to rates prevailing in the same period in 2006, and a decrease in net income of \$4 million. Year to date, sales were reduced by \$1 million and net income by nil compared to 2006.

The following table shows the metal prices, in US dollars and Canadian dollars, and exchange rates we realized this quarter (the prices we realize include finalization adjustments – see *Gross sales* on next page).

	three months ended June 30		three months ended June 30		C\$ change
	2007	2006	2007	2006	
Copper (per pound)	<b>US \$3.71</b>	US \$3.69	C\$ 4.08	C\$ 4.13	-1%
Zinc (per pound)	<b>US \$1.75</b>	US \$1.50	C \$1.92	C\$ 1.68	+14%
Gold (per ounce)	<b>US \$575</b>	US \$534	C \$632	C\$ 598	+6%
1 US\$ to C\$	<b>\$1.10</b>	\$1.12			
1 euro to C\$	<b>\$1.46</b>	\$1.41			

	six months ended June 30		six months ended June 30		C\$ change
	2007	2006	2007	2006	
Copper (per pound)	<b>US \$3.27</b>	US \$3.20	C\$ 3.73	C\$ 3.65	+2%
Zinc (per pound)	<b>US \$1.54</b>	US \$1.29	C\$ 1.76	C\$ 1.47	+19%
Gold (per ounce)	<b>US \$569</b>	US \$496	C\$ 649	C\$ 565	+14%
1 US\$ to C\$	<b>\$1.14</b>	\$1.14			
1 euro to C\$	<b>\$1.50</b>	\$1.40			

## EARNINGS FROM OPERATIONS

We calculate earnings from operations by taking the revenues generated from the sale of metals, less the costs associated with those sales, and then subtracting depreciation charges for capital investments and provisions for mine rehabilitation.

### 1. Gross sales were flat this quarter but 15 percent higher year to date...

(thousands)	three months ended June 30			six months ended June 30		
	2007	2006	change	2007	2006	change
<b>Gross sales by operation</b>						
Çayeli	\$112,208	\$105,563	+6%	\$229,942	\$176,778	+30%
Pyhäsalmi	75,807	72,133	+5%	141,147	121,242	+16%
Troilus	25,849	29,558	-13%	56,091	48,241	+16%
Ok Tedi <sup>(1)</sup>	106,154	110,370	-4%	179,452	181,597	-1%
	<b>\$320,018</b>	<b>\$317,624</b>	<b>+1%</b>	<b>\$606,632</b>	<b>\$527,858</b>	<b>+15%</b>
<b>Gross sales by metal</b>						
Copper	\$189,056	\$196,524	-4%	\$332,380	\$315,607	+5%
Zinc	82,702	71,655	+15%	172,483	125,059	+38%
Gold	36,816	39,014	-6%	77,873	68,263	+14%
Other	11,444	10,431	+10%	23,896	18,929	+26%
	<b>\$320,018</b>	<b>\$317,624</b>	<b>+1%</b>	<b>\$606,632</b>	<b>\$527,858</b>	<b>+15%</b>

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

### ... because of higher copper, zinc and gold prices for the year to date

(millions)	three months ended June 30	six months ended June 30
Higher (lower) copper prices, denominated in C\$	\$(4)	\$1
Higher zinc prices, denominated in C\$	11	29
Higher gold prices and other metal prices, denominated in C\$	2	10
Higher (lower) sales volumes	(6)	34
Other	(1)	5
<b>Increase in gross sales, compared to 2006</b>	<b>\$2</b>	<b>\$79</b>

We record sales using the metal price for sales settled during the reporting period. For sales that have not been settled, we use an estimate based on the month we expect the sale to settle and the metal's forward price 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 we settle the sale (finalization adjustment).

We made the following finalization adjustments for sales recorded in the first quarter of 2007 that were settled this quarter:

- we increased copper sales by US \$11 million
- we increased zinc sales by US \$4 million.

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

- 29 million pounds of copper provisionally priced at US \$3.44 per pound
- 9 million pounds of zinc provisionally priced at US \$1.54 per pound.

The finalization adjustment we record for these sales will depend on the actual price we receive on final settlement.

**...and because of lower gold sales volume during the second quarter**

	three months ended June 30			six months ended June 30		
	2007	2006	change	2007	2006	change
<b>Sales volumes</b>						
Copper (tonnes)	<b>20,900</b>	21,200	-1%	<b>40,900</b>	38,800	+5%
Zinc (tonnes)	<b>19,700</b>	19,500	+1%	<b>44,900</b>	38,900	+15%
Gold (ounces)	<b>59,000</b>	64,200	-8%	<b>120,800</b>	119,200	+1%

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

Sales volumes of gold this quarter were lower than the second quarter of last year because gold production was down at Troilus and Ok Tedi. Sales volumes of zinc year to date were higher than the same period in 2006 mainly because production was up and zinc shipments from Çayeli in late 2006 were deferred to 2007. Sales volumes of copper year to date were higher than 2006 because of the timing of shipments at Ok Tedi in the previous year.

**Production**

Inmet's share	three months ended June 30			six months ended June 30			<i>revised objective 2007</i>
	2007	2006	change	2007	2006	change	
<b>Copper (tonnes)</b>							
Ok Tedi	<b>6,700</b>	8,800		<b>14,900</b>	18,000		<b>31,300</b>
Çayeli	<b>8,100</b>	8,400		<b>15,600</b>	14,900		<b>33,200</b>
Pyhäsalmi	<b>3,600</b>	2,800		<b>6,900</b>	5,900		<b>12,900</b>
Troilus	<b>700</b>	700		<b>1,400</b>	1,400		<b>3,300</b>
	<b>19,100</b>	20,700	-8%	<b>38,600</b>	40,200	-4%	<b>80,700</b>
<b>Zinc (tonnes)</b>							
Çayeli	<b>8,300</b>	6,800		<b>20,200</b>	16,900		<b>44,400</b>
Pyhäsalmi	<b>8,300</b>	11,200		<b>18,500</b>	19,700		<b>38,400</b>
	<b>16,600</b>	18,000	-8%	<b>38,700</b>	36,600	+6%	<b>82,800</b>
<b>Gold (ounces)</b>							
Troilus	<b>35,100</b>	36,300		<b>68,300</b>	74,000		<b>149,800</b>
Ok Tedi	<b>19,700</b>	26,000		<b>42,500</b>	50,900		<b>88,200</b>
	<b>54,800</b>	62,300	-12%	<b>110,800</b>	124,900	-11%	<b>238,000</b>
<b>Pyrite (tonnes)</b>							
Pyhäsalmi	<b>98,400</b>	136,100	-28%	<b>258,900</b>	277,900	-7%	<b>537,000</b>

Compared to 2006, this quarter:

- copper production was lower because throughput at Ok Tedi was down. The impact of this was reduced to some extent by higher grades and throughput at Pyhäsalmi.
- zinc production was lower mainly because of lower grades and recoveries at Pyhäsalmi. The impact of this was partially reduced by higher grades and throughput at Çayeli.
- gold production was lower because throughput was down at both Troilus and Ok Tedi. The effect of this was partially reduced by higher grades at Troilus.

**2007 outlook for sales**

We expect sales of all metals this year to be consistent with our revised 2007 production estimates. We have revised our 2007 production estimates to reflect higher fluorine content in the ore at Ok Tedi, changes in the zinc mining plan at Çayeli and lower expected throughput at Troilus.

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

## 2. Copper cash costs this quarter were lower than 2006

We measure cost performance at our operations by tracking costs per pound of copper or ounce of gold in US dollars.

Cash costs include:

- direct production costs, such as labour, fuel, consumables and other costs directly related to the production of metals
- *plus* smelter processing charges and freight
- *less* revenue from the sale of by-product metals (metal credits).

The table below shows our cash cost by operation.

(US \$)	three months ended June 30			six months ended June 30			revised objective 2007
	2007	2006	change	2007	2006	change	
<b>Cash cost per pound of copper</b>							
Çayeli <sup>(1)</sup>	<b>\$0.33</b>	\$0.81	-59%	\$0.27	\$0.60	-55%	<b>\$0.00</b>
Pyhäsalmi <sup>(1,2)</sup>	<b>(1.87)</b>	(2.92)	-36%	(1.69)	(1.63)	+4%	<b>(2.02)</b>
Ok Tedi <sup>(3)</sup>	<b>1.00</b>	0.81	+23%	0.82	0.77	+6%	<b>0.68</b>
	<b>\$0.15</b>	\$0.28	-46%	\$0.12	\$0.34	-65%	<b>\$(0.04)</b>
<b>Cash cost per ounce of gold</b>							
Troilus <sup>(4,5)</sup>	<b>\$338</b>	\$310	+9%	\$393	\$342	+15%	<b>\$358</b>

To estimate the by-product credits for our 2007 objectives, we used:

- (1) a zinc price of US \$1.59 per pound
- (2) a euro to US dollar exchange rate of US \$1.30
- (3) a gold price of US \$650 per ounce
- (4) a copper price of US \$3.18 per pound
- (5) a US dollar to Canadian dollar exchange rate of \$1.10.

Our cash cost per pound of copper this quarter was 46 percent lower than the same period last year mainly because:

- zinc metal credits were higher because metal prices were higher
- smelter processing charges and freight were lower because copper and zinc price participation charges and copper treatment charges were lower.

The table below shows the breakdown in our cash cost per pound of copper this quarter, and in the first half of 2007:

(US \$)	three months ended June 30			six months ended June 30			revised objective 2007
	2007	2006	change	2007	2006	change	
<b>Cash cost per pound of copper</b>							
Direct production costs	<b>\$1.11</b>	\$0.89	+25%	<b>\$1.08</b>	\$0.92	+17%	<b>\$1.01</b>
Royalties and variable compensation	<b>0.14</b>	0.15	-7%	<b>0.09</b>	0.10	-10%	<b>0.10</b>
Smelter processing charges and freight	<b>1.02</b>	1.16	-12%	<b>0.98</b>	1.10	-11%	<b>1.01</b>
Metal credits	<b>(2.12)</b>	(1.92)	+10%	<b>(2.03)</b>	(1.78)	+14%	<b>(2.16)</b>
	<b>\$0.15</b>	\$0.28	-46%	<b>\$0.12</b>	\$0.34	-65%	<b>\$(0.04)</b>

Unit direct production costs for copper were higher because copper production was down and labour costs were up.

Our gold cash cost per ounce was higher this quarter compared to the same period in 2006 because of lower gold production and a stronger Canadian dollar.

### **Direct production costs and cost of sales**

**Our cost of sales this quarter was consistent with 2006...**

(thousands)	three months ended June 30			six months ended June 30		
	2007	2006	change	2007	2006	change
<b>Cost of sales by operation</b>						
Çayeli	\$21,181	\$19,308	+10%	\$45,478	\$37,058	+23%
Pyhäsalmi	13,384	12,253	+9%	26,307	24,864	+6%
Troilus	18,104	20,212	-10%	40,132	35,513	+13%
Ok Tedi <sup>(1)</sup>	25,044	26,184	-4%	44,548	45,824	-3%
Other	355	468	-24%	843	954	-12%
	<b>\$78,068</b>	<b>\$78,425</b>	<b>-%</b>	<b>\$157,308</b>	<b>\$144,213</b>	<b>+9%</b>

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

**...mainly because lower sales volumes offset higher labour costs**

(millions)	three months ended June 30	six months ended June 30
Higher (lower) sales volume	\$(2)	\$6
Labour costs	4	8
Other	(2)	(1)
<b>Increase in cost of sales, compared to 2006</b>	<b>\$-</b>	<b>\$13</b>

### **Smelter processing charges and freight**

(thousands)	three months ended June 30			six months ended June 30		
	2007	2006	change	2007	2006	change
<b>Smelter processing charges and freight by operation</b>						
Çayeli	\$24,302	\$25,214	-4%	\$55,470	\$46,790	+19%
Pyhäsalmi	15,100	18,853	-20%	33,714	34,196	-1%
Troilus	2,020	2,929	-31%	4,713	5,087	-7%
Ok Tedi <sup>(1)</sup>	13,991	16,672	-16%	26,122	29,257	-11%
	<b>\$55,413</b>	<b>\$63,668</b>	<b>-13%</b>	<b>\$120,019</b>	<b>\$115,330</b>	<b>+4%</b>
<b>Smelter processing charges and freight by metal</b>						
Copper	\$27,160	\$36,144	-25%	\$54,640	\$62,821	-13%
Zinc	25,071	24,826	+1%	58,786	47,521	+24%
Other	3,182	2,698	+18%	6,593	4,988	+32%
	<b>\$55,413</b>	<b>\$63,668</b>	<b>-13%</b>	<b>\$120,019</b>	<b>\$115,330</b>	<b>+4%</b>

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

Copper treatment charges were lower in the second quarter compared to 2006 because of more favourable contract terms with smelters. Zinc treatment charges were higher in the second quarter and year to date compared to 2006 because of higher zinc sales.

### 2007 outlook for costs

We have revised our 2007 copper cash cost objective to US \$(0.04) per pound from US \$(0.01) per pound because we expect zinc metal prices to increase, and copper and zinc production to be higher for the rest of the year.

### 3. Depreciation was lower this quarter

(thousands)	three months ended June 30			six months ended June 30		
	2007	2006	change	2007	2006	change
<b>Depreciation by operation</b>						
Çayeli	\$1,871	\$2,054	-9%	\$4,568	\$3,724	+23%
Pyhäsalmi	2,433	1,959	+24%	4,794	3,948	+21%
Troilus	2,007	2,790	-28%	4,716	4,951	-5%
Ok Tedi	1,728	1,422	+22%	3,376	2,867	+18%
	\$8,039	\$8,225	-2%	\$17,454	\$15,490	+13%

Depreciation this quarter was lower at Çayeli and Troilus compared to the second quarter of last year because sales volumes were lower. Depreciation was higher at Pyhäsalmi because sales were up. Depreciation at Ok Tedi was higher because of the depreciation of recent capital additions for mining operations.

### 2007 outlook for depreciation

We expect depreciation to be approximately \$34 million for 2007.

## CORPORATE COSTS

This includes general and administration costs, taxes and interest. We also record income from investments in this category, as well as income we receive from other transactions.

### 1. Investment income was higher because of the gain on the sale of Wolfden shares

(thousands)	three months ended June 30		six months ended June 30	
	2007	2006	2007	2006
Gain on sale of Izok	\$-	\$-	\$-	\$23,905
Gain on sale of Wolfden	11,730	-	11,730	-
Interest and dividend income	8,265	2,657	16,144	4,237
Foreign exchange loss	(9,400)	(138)	(9,545)	(220)
Other	2,707	68	2,263	363
	\$13,302	\$2,587	\$20,592	\$28,285

In 2006, we sold our interest in the Izok development property to Wolfden Resources Inc., and recorded a gain of \$23.9 million. In exchange, we received 13.5 million common shares of Wolfden and 9.5 million common shares of Premier Gold Mining Ltd. This quarter, we disposed of our shares in Wolfden to Zinifex Canadian Enterprises Inc. for cash proceeds of \$51.4 million or \$3.81 per share, and recorded a gain of \$11.7 million.

Interest income was higher this quarter compared to the same period last year because we had higher cash balances.

We recorded a foreign exchange loss of \$9.4 million during the quarter because of the revaluation of certain short-term foreign currency intercompany loans and foreign currency cash balances, and the recognition of deferred foreign exchange losses from dividends from Ok Tedi.

## 2007 outlook for investment and other income

Investment and other income will be affected by cash balances, interest rates and exchange rates. Rising cash balances at our foreign operations may lead us to continue to repatriate funds. This could result in foreign exchange losses or gains depending on the strength or weakness in the Canadian dollar relative to the other currencies compared to when we initially invested in the operations, or the foreign exchange rate at which funds were accumulated. Based on the distributions we expect from operations for the rest of the year, and assuming the funds are repatriated at a US dollar to Canadian dollar exchange rate of \$1.05, we expect an additional foreign exchange loss of about \$10 million.

## 2. Income tax expense was higher than 2006

(thousands)	three months ended June 30			six months ended June 30		
	2007	2006	change	2007	2006	change
Çayeli	\$13,763	\$(97)	+14,289%	\$27,434	\$9,302	+195%
Pyhäsalmi	10,379	9,012	+15%	17,286	13,029	+33%
Ok Tedi	23,291	24,372	-4%	37,908	38,105	-1%
Las Cruces	691	-	-	486	-	-
Corporate	659	199	+231%	1,319	491	+169%
	<b>\$48,783</b>	<b>\$33,486</b>	<b>+46%</b>	<b>\$84,433</b>	<b>\$60,927</b>	<b>+39%</b>

Taxes overall were higher compared to 2006 because of higher earnings. At Çayeli, the statutory tax rate is higher in 2007 because we started accruing for withholding taxes on net income again. The 2006 tax expense also takes into account the impact of a rate reduction. In June 2006, the Turkish government enacted tax legislation that reduced Çayeli's corporate tax rate to 20 percent from 30 percent effective January 1, 2006. The following table shows Cayeli's tax expense in more detail:

(millions)	three months ended June 30		six months ended June 30	
	2007	2006	2007	2006
Current and future income tax expense	\$11	\$13	\$21	\$19
Withholding tax expense	3	-	6	-
Reduction in tax rate - 2006	-	(13)	-	(10)
	<b>\$14</b>	<b>\$-</b>	<b>\$27</b>	<b>\$9</b>

## 2007 outlook for income tax expense

We are not expecting any further changes in statutory tax rates at our operations in 2007.

## Results of our operations

### ÇAYELI

		three months ended June 30			six months ended June 30			revised objective
		2007	2006	change	2007	2006	change	2007
Tonnes of ore milled (000's)		249	224	+11%	508	447	+14%	1,060
Tonnes of ore milled per day		2,800	2,500	+11%	2,900	2,500	+14%	3,000
Grades (percent)	copper	3.9	4.2	-7%	3.7	3.9	-5%	3.8
	zinc	5.3	4.3	+23%	5.7	5.3	+8%	6.0
Mill recoveries (percent)	copper	83	91	-9%	83	85	-2%	82
	zinc	63	72	-13%	70	72	-3%	71
Production (tonnes)	copper	8,100	8,400	-4%	15,600	14,900	+5%	33,200
	zinc	8,300	6,800	+22%	20,200	16,900	+20%	44,400

#### Fatality at Çayeli

On June 25, 2007, a contractor employee at Çayeli suffered fatal injuries when he fell down a finger raise connecting to an ore pass. As a result, Çayeli commissioned an independent investigation to determine the cause of this tragic accident and to recommend and implement measures to minimize the potential for this kind of accident from happening again. Çayeli remains committed to pursuing all measures necessary to provide its workers and contractors with a safe working environment.

#### Çayeli production up 11 percent in the quarter

Çayeli successfully commissioned the remaining two ore passes this quarter and the new ore handling system is now fully functional.

Ore containing bornite minerals, high grade clastic ore, and oxidized ore from an older mining area posed significant challenges to the process plant, resulting in lower metallurgical recoveries this quarter, particularly for zinc. As we expect to mine similar ores in the future, we are evaluating ways to ensure that we maximize metal recoveries. In the meantime, we will defer mining high grade zinc areas and have reflected this by revising Çayeli's annual objective for zinc production.

Despite lower zinc recoveries, zinc production was approximately 20 percent higher than in the second quarter of 2006 and year to date, because zinc grades and throughput were higher.

#### 2007 outlook for production

We expect ore production over the following months to be in line with the annual objective of 1.1 million tonnes. Daily mill throughput should increase over the remaining six months of 2007 now that the new ore pass system is in full operation. Zinc grades should be lower than planned with the deferral of mining high grade zinc areas, during which time we will focus on resolving the metallurgical problems. We have therefore adjusted our annual production objective for zinc to 44,400 tonnes from our initial objective of 48,600 tonnes.

## Cash costs were significantly lower

Cash costs were significantly lower than they were in the second quarter of 2006 and year to date because of higher zinc metal credits.

(US \$)	three months ended June 30			six months ended June 30			revised objective 2007
	2007	2006	change	2007	2006	change	
<b>Cash cost per pound of copper</b>							
Direct production costs	<b>\$0.93</b>	\$0.68	+37%	<b>\$0.95</b>	\$0.77	+23%	<b>\$0.90</b>
Royalty payments	<b>0.16</b>	0.20	-20%	<b>0.14</b>	0.14	-	<b>0.19</b>
Total direct production costs	<b>1.09</b>	0.88	+24%	<b>1.09</b>	0.91	+20%	<b>1.09</b>
Smelter processing charges and freight	<b>1.23</b>	1.21	+2%	<b>1.07</b>	1.25	-14%	<b>1.24</b>
Metal credits <sup>(1)</sup>	<b>(1.99)</b>	(1.28)	+55%	<b>(1.89)</b>	(1.56)	+21%	<b>(2.33)</b>
<b>Cash costs</b>	<b>\$0.33</b>	\$0.81	-59%	<b>\$0.27</b>	\$0.60	-55%	<b>\$0.00</b>
Depreciation and other non-cash costs	<b>0.11</b>	0.10	+10%	<b>0.14</b>	0.12	+17%	<b>0.13</b>
<b>Total costs</b>	<b>\$0.44</b>	\$0.91	-52%	<b>\$0.41</b>	\$0.72	-43%	<b>\$0.13</b>

(1) We used a zinc price of US \$1.59 per pound to estimate the metal credit in the 2007 objective for cash costs per pound of copper. For every US \$0.05 per pound change in the price of zinc, cash costs would change by US \$0.04 per pound.

## Direct production costs this quarter were US \$0.25 per pound higher than 2006

(US \$ per pound)	three months ended June 30	six months ended June 30
Impact of lower (higher) copper production	\$0.04	\$(0.04)
Higher labour costs	0.08	0.07
Higher consumable and energy costs	0.07	0.07
Higher consumable volumes	0.02	0.05
Other	0.04	0.03
<b>Increase in direct production costs, compared to 2006</b>	<b>\$0.25</b>	<b>\$0.18</b>

## 2007 outlook for costs

We have adjusted our unit cost objective for Çayeli to US \$0.00 per pound, from our initial objective of US (\$0.02) per pound, taking into consideration the impact of higher labour costs and higher zinc prices.

## Capital spending higher than 2006

(thousands of US\$)	three months ended June 30			six months ended June 30			objective 2007
	2007	2006	change	2007	2006	change	
<b>Capital spending</b>	<b>\$3,900</b>	\$3,100	+26%	<b>\$8,300</b>	\$6,500	+28%	<b>\$15,200</b>

We have spent US \$8.3 million to date in 2007. Of this, US \$4.5 million was for the shaft extension project (US \$1.8 million in the first quarter and US \$2.7 million in the second quarter).

## 2007 outlook for capital spending

Capital spending for the rest of 2007 is allocated to mine development, loaders and for sustaining and other capital.

## Operating earnings improved from 2006

	three months ended June 30			six months ended June 30		
	2007	2006	change	2007	2006	change
Sales (tonnes) copper	7,200	7,900	-9%	15,400	13,700	+12%
zinc	10,600	8,900	+19%	26,300	20,300	+30%
Operating earnings (millions)	\$64.9	\$59.0	+10%	\$124.4	\$89.2	+39%
Operating cash flows (millions)	\$62.7	\$58.2	+8%	\$122.3	\$85.2	+44%

...mainly because of higher metal prices and for the year to date also because of higher zinc sales volumes

(millions)	three months ended June 30	six months ended June 30
Higher metal prices, denominated in Canadian dollars	\$7	\$21
Higher (lower) sales volumes	(2)	17
Lower smelter processing charges	3	3
Higher operating costs	(3)	(5)
Other	1	(1)
<b>Increase in operating earnings, compared to 2006</b>	<b>\$6</b>	<b>\$35</b>
Higher tax expense from higher rates and higher taxable income	(3)	(8)
Changes in working capital	1	7
Other	1	3
<b>Increase in operating cash flow, compared to 2006</b>	<b>\$5</b>	<b>\$37</b>

The positive change in working capital for the year to date is from lower accounts receivable.

# PYHÄSALMI

		three months ended June 30			six months ended June 30			objective
		2007	2006	change	2007	2006	change	2007
Tonnes of ore milled (000's)		346	319	+8%	671	672	-	1,370
Tonnes of ore milled per day		3,800	3,500	+8%	3,700	3,700	-	3,750
Grades (percent)	copper	1.1	0.9	+22%	1.1	0.9	+22%	1.0
	zinc	2.6	3.7	-30%	3.0	3.1	-3%	3.1
	sulphur	41	37	+11%	40	39	+3%	41
Mill recoveries (percent)	copper	96	96	-	96	95	+1%	94
	zinc	90	95	-5%	92	95	-3%	92
Production (tonnes)	copper	3,600	2,800	+29%	6,900	5,900	+17%	12,900
	zinc	8,300	11,200	-26%	18,500	19,700	-6%	38,400
	pyrite	98,400	136,100	-28%	258,900	277,900	-7%	537,000

## Pyhäsalmi expects to meet its annual objectives

Mill throughput during the second quarter was eight percent higher than the same period last year when the mine had to deal with a rupture in the main ore feed belt.

A combination of higher throughput and copper grades increased copper production by 29 percent for the quarter and 17 percent for the year to date, compared to the same periods last year. Zinc production, on the other hand, was 26 percent lower in the second quarter and six percent lower year to date because of a change in mining sequence in the second quarter that delayed mining a higher zinc grade stope until the fourth quarter of this year.

### 2007 outlook for production

We expect Pyhäsalmi to meet its production objectives for 2007.

## Cash costs were higher because of lower metal credits

While zinc prices to date have been higher in 2007, zinc production has been down. The net effect increased cash costs in the second quarter and year to June compared to the same periods last year. The impact of this was reduced, however, by lower smelter costs. Pyhäsalmi finalized its zinc smelter contract terms in the second quarter and made a positive adjustment of \$2 million (US \$0.23 per pound) in the second quarter in relation to first quarter smelter processing charges.

(US \$)	three months ended June 30			six months ended June 30			revised objective
	2007	2006	change	2007	2006	change	2007
<b>Cash cost per pound of copper</b>							
Direct production costs	\$1.43	\$1.65	-13%	\$1.52	\$1.61	-6%	\$1.49
Smelter processing charges and freight	1.34	2.52	-47%	1.66	2.11	-21%	1.84
Metal credits <sup>(1)</sup>	(4.64)	(7.09)	-35%	(4.87)	(5.35)	-9%	(5.35)
<b>Cash costs</b>	<b>\$(1.87)</b>	<b>\$(2.92)</b>	<b>-36%</b>	<b>\$(1.69)</b>	<b>\$(1.63)</b>	<b>+4%</b>	<b>\$(2.02)</b>
Depreciation and other non-cash costs	0.29	0.31	-6%	0.30	0.29	+3%	0.30
<b>Total costs</b>	<b>\$(1.58)</b>	<b>\$(2.61)</b>	<b>-39%</b>	<b>\$(1.39)</b>	<b>\$(1.34)</b>	<b>+4%</b>	<b>\$(1.72)</b>

(1) We used a zinc price of US \$1.59 per pound to estimate the metal credit in the 2007 objective for cash costs per pound of copper, and a euro to US dollar exchange rate of US \$1.30. For every US \$0.05 per pound change in the price of zinc, cash costs would change by US \$0.11 per pound.

## Direct production costs this quarter were US \$0.22 per pound lower than 2006

This was mainly because of higher copper production, although the impact was reduced somewhat by a weaker US dollar.

(US \$ per pound)	three months ended		six months ended	
	June 30		June 30	
Weakened US dollar compared to the euro			\$0.09	\$0.11
Lower costs due to higher copper production			(0.43)	(0.25)
Higher labour costs			0.10	0.05
Other			0.02	-
<b>Decrease in direct production costs, compared to 2006</b>			<b>\$(0.22)</b>	<b>\$(0.09)</b>

## 2007 outlook for costs

We have adjusted our annual cash cost objective for Pyhäsalmi to US (\$2.02) per pound, from our initial objective of US (\$1.61) per pound. This adjustment takes into consideration the impact of higher zinc prices and a weaker US dollar relative to the euro.

## Minimum capital spending during the quarter

(thousands)	three months ended June 30			six months ended June 30			<i>revised</i>
	2007	2006	change	2007	2006	change	<i>objective</i>
<b>Capital spending</b>	<b>€300</b>	€1,000	-70%	<b>€500</b>	€1,200	-58%	<b>€ 5,000</b>

## 2007 outlook for capital spending

We expect the €5 million in capital to be spent on mill equipment, the replacement of mine mobile equipment, and on other sustaining capital.

## Operating earnings higher than last year

	three months ended June 30			six months ended June 30		
	2007	2006	change	2007	2006	change
Sales (tonnes) copper	3,400	2,800	+21%	6,800	6,000	+13%
zinc	9,100	10,700	-15%	18,600	18,700	-1%
pyrite	124,400	125,100	-1%	258,300	249,900	+3%
Operating earnings (millions)	<b>\$44.9</b>	\$39.1	+15%	<b>\$76.3</b>	\$58.2	+31%
Operating cash flows (millions)	<b>\$10.5</b>	\$17.8	-41%	<b>\$51.0</b>	\$41.3	+23%

## ...mainly because of higher metal prices

(millions)	three months ended		six months ended	
	June 30		June 30	
Higher metal prices, denominated in Canadian dollars			\$5	\$14
Lower smelter processing charges and freight			3	3
Higher (lower) sales volumes			(1)	4
Other			(1)	(3)
<b>Increase in operating earnings, compared to 2006</b>			<b>\$6</b>	<b>\$18</b>
Increased tax expense because of higher earnings			(2)	(4)
Changes in working capital			(11)	(4)
<b>Increase (decrease) in operating cash flow, compared to 2006</b>			<b>\$(7)</b>	<b>\$10</b>

The negative change in working capital is mainly from the payment of income taxes and an increase in accounts receivable. Zinc receivables for the year have not been paid because zinc smelter contracts for 2007 were only finalized in June. We expect collection for those to be made in the third quarter.

# TROILUS

		three months ended June 30			six months ended June 30			<i>revised objective</i>
		2007	2006	change	2007	2006	change	2007
Tonnes of ore milled (000's)		<b>1,487</b>	1,627	-9%	<b>3,122</b>	3,235	-3%	<b>6,500</b>
Tonnes of ore milled per day		<b>16,300</b>	17,900	-9%	<b>17,200</b>	17,900	-3%	<b>17,800</b>
Strip ratio		<b>1.0</b>	1.6	-38%	<b>1.0</b>	1.7	-41%	<b>1.1</b>
Grades	gold (grams/tonne)	<b>0.90</b>	0.83	+8%	<b>0.84</b>	0.86	-2%	<b>0.87</b>
	copper (percent)	<b>0.05</b>	0.05	-	<b>0.05</b>	0.05	-	<b>0.05</b>
Mill recoveries (percent)	gold	<b>81</b>	84	-4%	<b>81</b>	82	-1%	<b>81</b>
	copper	<b>88</b>	87	+1%	<b>86</b>	87	-1%	<b>87</b>
Production	gold (ounces)	<b>35,100</b>	36,300	-3%	<b>68,300</b>	74,000	-8%	<b>149,800</b>
	copper (tonnes)	<b>700</b>	700	-	<b>1,400</b>	1,400	-	<b>3,300</b>

## Mill throughput affected by production interruptions during the second quarter

The milling rate at Troilus this quarter was nine percent lower than the same period in 2006 because of restrictions in the ball mill circuit. Corrections to the ball mill circuit are underway and we expect mill throughput to pick up by the end of the year.

Higher gold grades this quarter reduced the impact of lower throughput and the net effect was a three percent decrease in gold production compared to the same period last year. Year to date, lower throughput combined with lower grades reduced gold production by eight percent compared to last year.

### 2007 outlook for production

We expect gold production at Troilus for 2007 to be 149,800 ounces compared to our original objective of 157,900 ounces because of the ball mill capacity restrictions experienced during the first half of the year.

Mining towards the end of 2007 and in 2008 should be exclusively from the 87 pit. The ore from this pit has higher copper grades. In anticipation, we plan to increase the copper cleaner capacity later in the year.

## Lower production increased the cost per ounce

Costs were higher this quarter compared to the same period last year mainly because metal credits were lower. Year to date, costs were higher compared to last year because of lower metal credits and lower gold production.

(US \$)	three months ended June 30			six months ended June 30			revised objective
	2007	2006	change	2007	2006	change	2007
<b>Cash cost per ounce of gold</b>							
Direct production costs	\$480	\$474	+1%	\$488	\$458	+7%	\$469
Smelter processing charges and freight	57	71	-20%	58	66	-12%	51
Metal credits <sup>(1)</sup>	(199)	(235)	-15%	(153)	(182)	-16%	(162)
<b>Cash cost</b>	<b>\$338</b>	<b>\$310</b>	<b>+9%</b>	<b>\$393</b>	<b>\$342</b>	<b>+15%</b>	<b>\$358</b>
Depreciation and other non-cash costs	56	70	-20%	56	67	-16%	62
<b>Total cost</b>	<b>\$394</b>	<b>\$380</b>	<b>+4%</b>	<b>\$449</b>	<b>\$409</b>	<b>+10%</b>	<b>\$420</b>

(1) We used a copper price of US \$3.18 per pound to estimate the metal credit in the 2007 objective for cash costs per ounce of gold and a US dollar to Canadian dollar exchange rate of \$1.10.

## Direct production costs this quarter were US \$6 per ounce higher than 2006

(US \$ per ounce)	three months ended June 30	six months ended June 30
Stronger Canadian dollar	\$10	\$1
Higher costs due to lower production	15	38
Lower consumable costs	(15)	(21)
Other	(4)	12
<b>Increase in direct production costs, compared to 2006</b>	<b>\$6</b>	<b>\$30</b>

## 2007 outlook for unit costs

We have adjusted our unit cost objective to US \$358 per ounce, from our original objective of US \$348 per ounce, because we expect gold production to be lower.

## Modest capital spending

(thousands)	three months ended June 30			six months ended June 30			revised objective
	2007	2006	change	2007	2006	change	2007
<b>Capital spending</b>	<b>\$200</b>	<b>\$200</b>	<b>-</b>	<b>\$400</b>	<b>\$600</b>	<b>-33%</b>	<b>\$2,000</b>

## 2007 outlook for capital spending

The mine will spend approximately \$2 million on copper cleaner cells in the mill, on the tailings dam lift and embankment enforcements, and on other sustaining capital.

## Operating earnings higher for the first six months of 2007 due to higher gold prices

		three months ended June 30			six months ended June 30		
		2007	2006	change	2007	2006	change
Sales	gold (ounces)	32,400	36,600	-11%	72,100	67,000	+8%
	copper (tonnes)	700	700	-	1,400	1,300	+8%
Operating earnings (millions)		\$3.7	\$3.6	+3%	\$6.5	\$2.7	+141%
Operating cash flows (millions)		\$4.2	\$2.0	+110%	\$4.7	\$(1.3)	+462%

(millions)	three months ended June 30	six months ended June 30
Higher metal prices denominated in Canadian dollars	\$-	\$5
Lower sales volumes	(1)	-
Lower (higher) operating costs and depreciation	1	(1)
<b>Increase in operating earnings, compared to 2006</b>	<b>\$-</b>	<b>\$4</b>
Changes in working capital	3	4
Other	(1)	(2)
<b>Increase in operating cash flow, compared to 2006</b>	<b>\$2</b>	<b>\$6</b>

# OK TEDI

(100 percent)	three months ended June 30			six months ended June 30			revised
	2007	2006	change	2007	2006	change	objective 2007
Tonnes of ore milled (000's)	<b>6,400</b>	7,400	-14%	<b>13,000</b>	14,100	-8%	<b>27,000</b>
Tonnes of ore milled per day	<b>70,500</b>	81,300	-14%	<b>71,900</b>	77,900	-8%	<b>74,000</b>
Strip ratio	<b>1.1</b>	1.4	-21%	<b>1.2</b>	1.7	-29%	<b>1.1</b>
Grades							
copper (percent)	<b>0.7</b>	0.7	-	<b>0.7</b>	0.8	-13%	<b>0.7</b>
gold (grams/tonne)	<b>0.7</b>	0.8	-13%	<b>0.8</b>	0.9	-11%	<b>0.8</b>
Mill recoveries (percent)							
copper	<b>87</b>	87	-	<b>86</b>	86	-	<b>87</b>
gold	<b>72</b>	73	-1%	<b>72</b>	70	+3%	<b>72</b>
Production							
copper (tonnes)	<b>37,200</b>	48,500	-23%	<b>82,500</b>	99,800	-17%	<b>174,000</b>
gold (ounces)	<b>109,300</b>	144,200	-24%	<b>236,500</b>	282,600	-16%	<b>490,000</b>

## High fluorine ore reduced throughput and copper and gold grades

During the quarter, Ok Tedi encountered skarn ores in the pit that contained unexpectedly high levels of fluorine. Smelters do not accept high fluorine concentrate because fluorine damages the brick lining of copper furnaces. Because of that, Ok Tedi reduced the amount of higher grade skarns it mined and added lower grade ores to the mill feed. This reduced the fluorine content in the concentrate to levels acceptable by smelters, but copper and gold head grades declined as a result, bringing copper and gold production well below last year's levels. It is expected that grades and throughput levels will return to normal levels by the end of the year when Ok Tedi opens up additional mining areas in the pit. In the meantime, Ok Tedi is evaluating technical methods to reduce fluorine levels in the concentrate. Ok Tedi's annual production targets have been adjusted to reflect the fluorine mitigation efforts.

### 2007 outlook for production

We expect Ok Tedi's production to be affected by the fluorine content in ore, and have reduced Ok Tedi's production objectives:

- We reduced the objective for copper production to 174,000 tonnes from the original objective of 188,000 tonnes.
- We reduced the objective for gold production to 490,000 ounces from the original objective of 507,000 ounces.

## Conclusion on the CMCAs

On June 29, Ok Tedi concluded the scheduled mid-term review of the Community Mine Continuation Agreements (CMCAs) and signed a memorandum of agreement with most of the affected communities. Under the agreement, approximately 60,000 people in the Western Province will receive more than one billion Kina (about US \$330 million) over the next six years.

Parties to the agreement are Ok Tedi, the PNG Sustainable Development Program Limited (PNG SDPL) and the Papua New Guinea National Government as well as 160 villages situated from near the mine to the delta at the mouth of the Fly River. The key elements of the agreement are:

- Under a regional development package, Ok Tedi has increased direct compensation funds to four times the previous level, a commitment of 324 million Kina (US \$110 million) over six and a half years.
- The PNG SDPL will fund development projects in the affected areas at a minimum of 21.5 million Kina (US \$7 million) each year or 129 million Kina (US \$42 million) over six years.

- The PNG National Government has committed one sixth of the 30 percent dividend it receives to development projects in the affected areas and has set up a new trust to manage these funds. The value of this commitment is estimated at 466 million Kina (US \$155 million), subject to future copper and gold prices.

Ok Tedi and PNG SDPL will also support the communities in setting up a new development foundation to implement the sustainable development projects negotiated as part of the CMCA review.

From the start of 2006, Inmet's share of the CMCA payments will be US \$3 million per year (18 percent of Ok Tedi's contribution) compared to the approximately US \$1 million per year under the prior agreement.

## Costs higher mainly due to lower production

(US \$)	three months ended June 30			six months ended June 30			revised objective 2007
	2007	2006	change	2007	2006	change	
<b>Cash cost per pound of copper</b>							
Direct production costs	\$1.14	\$0.85	+34%	\$1.02	\$0.80	+28%	\$0.98
Variable compensation	0.18	0.15	+20%	0.08	0.11	-27%	0.06
Smelter processing charges and freight	0.58	0.68	-15%	0.58	0.64	-9%	0.47
Metal credits <sup>(1)</sup>	(0.90)	(0.87)	+3%	(0.86)	(0.78)	+10%	(0.83)
<b>Cash cost</b>	<b>\$1.00</b>	<b>\$0.81</b>	<b>+23%</b>	<b>\$0.82</b>	<b>\$0.77</b>	<b>+6%</b>	<b>\$0.68</b>
Depreciation and other non-cash costs	0.14	0.07	+100%	0.12	0.07	+71%	0.08
<b>Total costs</b>	<b>\$1.14</b>	<b>\$0.88</b>	<b>+30%</b>	<b>\$0.94</b>	<b>\$0.84</b>	<b>+12%</b>	<b>\$0.76</b>

(1) We used a gold price of US \$650 per ounce to estimate the metal credit in the 2007 objective for cash costs per pound of copper.

## Direct production costs this quarter were US \$0.29 per pound higher than 2006

(US \$ per pound)	three months ended June 30	six months ended June 30
Increase in costs from lower production	\$0.27	\$0.18
Higher labour costs	0.01	0.01
Higher consumables cost	0.03	0.02
Other	(0.02)	0.01
<b>Increase in direct production costs, compared to 2006</b>	<b>\$0.29</b>	<b>\$0.22</b>

## 2007 outlook for costs

We revised the cash cost objective from our original objective for Ok Tedi of US \$0.61 per pound to US \$0.68 per pound of copper mainly because of the reduced copper production expectations.

## Capital spending was higher because of the mine waste management program

Ok Tedi's capital spending this quarter was mainly for the mine waste management program and also for the pressure filtration plant and the in-pit crusher.

(100 percent) (thousands of US\$)	three months ended June 30			six months ended June 30			objective 2007
	2007	2006	change	2007	2006	change	
<b>Capital spending</b>	<b>\$32,100</b>	\$4,500	+613%	<b>\$62,700</b>	\$16,800	+273%	<b>\$209,000</b>

### 2007 outlook for capital spending

Most of the capital spending at Ok Tedi, about US \$115 million, for the balance of the year will be related to the mine waste management program. The remaining amount will be spent on capital required for pit drainage, mine equipment and other sustaining capital.

## Operating earnings unchanged this quarter

Gold sales volumes this quarter were lower than in the second quarter of 2006, mainly because production was lower. Concentrate inventory was lowered by 57,000 tonnes this quarter, to 83,000 tonnes as at June 30, 2007.

(18 percent)		three months ended June 30			six months ended June 30		
		2007	2006	change	2007	2006	change
Sales	copper (tonnes)	<b>9,600</b>	9,800	-2%	<b>17,300</b>	17,800	-3%
	gold (ounces)	<b>26,500</b>	27,600	-4%	<b>48,700</b>	52,200	-7%
	Operating earnings (millions)	<b>\$65.4</b>	\$66.1	-1%	<b>\$105.4</b>	\$103.6	+2%
	Operating cash flows (millions)	<b>\$62.0</b>	\$57.4	+8%	<b>\$70.0</b>	\$91.8	-24%

### ...as a result of the following

(millions)	three months ended June 30	six months ended June 30
Higher (lower) metal prices, denominated in Canadian dollars	\$(2)	\$4
Lower sales volumes	(2)	(2)
Lower smelter processing charges	4	3
Higher operating costs	(1)	(3)
<b>Increase (decrease) in operating earnings, compared to 2006</b>	<b>\$(1)</b>	<b>\$2</b>
Decreased (increased) tax expense	1	-
Changes in net working capital	4	(21)
Other	1	(3)
<b>Increase in operating cash flow, compared to 2006</b>	<b>\$5</b>	<b>\$(22)</b>

The negative change in working capital for the year to date is mainly because of higher accounts receivable.

## Status of our development projects

### Las Cruces

#### Quarterly development update

##### Removal of overburden and pre-stripping

By the end of the second quarter 2007, we had excavated 17.1 million cubic metres of overburden material from the area of the future pit. 6.6 million cubic metres of this was excavated in the second quarter alone. The remaining 10.9 million cubic metres should be removed by the end of 2007.

##### Detailed engineering and procurement

About 90 percent complete.

##### Construction activities:

- Leach reactors have been erected and we have begun to install baffles, fittings and the reactor lining.
- The primary crusher building is complete and we are making progress on grinding foundations, thickeners, the SX area and the tank farm.
- Structural steel work is ongoing for the main process plant facilities, including the electrowinning area.
- Construction continues on the dry tailings storage system. The process involves constructing the berms required to encapsulate filtered tailings.
- The main office building and warehouse are complete.

##### Recruiting employees

At the end of this quarter, the project employed over 1,200 people, including 78 who are employees of Las Cruces.

**Capital spending and commitments** At the end of this quarter, we had spent and committed a total of €326 million (or 70 percent) of the total estimated capital costs of €463 million.

# CERATTEPE

## Quarterly development update

### Moving the project forward

We received workplace construction permits this quarter, and submitted the environmental impact assessment (EIA) for the aerial tramway and received final approval in July. We also conducted geotechnical investigations at the mine site and began drilling for the ventilation raise investigation. We continue to maintain an active campaign of community dialogue and engagement to reinforce support for the project.

### Updated capital and operating cost estimates

Following additional engineering and vendor quotations, we updated the capital and operating costs for Cerattepe as follows:

- Total capital costs – US \$87 million (includes US \$21 million for a mill expansion at Çayeli).
- Operating costs – US \$65 per tonne (includes transportation and processing).
- Unit cash costs – US \$0.72 per pound of copper.

### Key project statistics

- Production for the life of mine – 1.4 million tonnes at a grade of 8.7 percent copper.
- Annual production level – 290,000 tonnes.
- Expected production start – first quarter 2009.

### Legal

Since August 2006, Cerattepe has been affected by a local administrative court decision that governmental authorities had incorrectly exempted the project operating licences from environmental assessment regulations. In April of this year, the Danistay (Turkish Administrative Supreme Court) directed the lower court to review its decision and re-instated the validity of the licences on procedural grounds. In June, the local court confirmed its agreement with the Danistay's decision. The plaintiff has re-filed applications to have the licences cancelled, and has also applied for an injunction to stop work on the property. We intend to join in the proceedings and respond to the applications as we believe they are without merit.

Subject to the outcome of the legal proceedings, we will continue to move the project forward with a view to starting production by the end of the first quarter of 2009.

# PETAQUILLA

## Quarterly development update

### **Work plan approved by shareholders**

In May, Teck Cominco, Petaquilla Copper and Inmet agreed to a work plan to pursue the accelerated development of the Petaquilla copper deposit in Panama. The work under the plan will advance the project through to completion of front-end engineering and design (FEED). It also provides for an updated social environmental impact assessment and includes programs to advance dialogue with local communities and other affected stakeholders. The budget for the plan is US \$24 million, most of which will be funded by Teck Cominco.

### **Front-end Engineering and Design (FEED) program**

The FEED program started this quarter and will include a review of the metallurgy, transportation alternatives, and co-ordination of the Social Environmental Impact Assessment with Golder Associates.

### **Updated Social Environmental Impact Assessment**

Golder Associates will introduce programs that advance dialogue with local communities and other affected stakeholders.

### **2007 drill program**

We expect to receive approval on this program from the Panamanian Mining and Environmental authority in August.

## Managing our liquidity

(millions)	three months ended		six months ended	
	2007	June 30 2006	2007	June 30 2006
<b>CASH FROM OPERATING ACTIVITIES</b>				
Çayeli	\$62	\$58	\$122	\$85
Pyhäsalmi	11	18	51	41
Troilus	4	2	5	(1)
Ok Tedi	62	58	70	92
General and administration	(2)	(3)	(5)	(5)
Other	1	(2)	-	(6)
	<b>138</b>	<b>131</b>	<b>243</b>	<b>206</b>
<b>CASH FROM INVESTING AND FINANCING</b>				
Capital spending	(82)	(12)	(134)	(37)
Long-term borrowings	24	27	38	27
Funding from non-controlling shareholder	21	7	26	9
Financial assurance deposits	(7)	28	(17)	(2)
Subsidies received	-	-	-	5
Dividends paid on common shares	(5)	(5)	(5)	(5)
Disposition of portfolio investments	51	-	51	2
Foreign exchange on cash held in foreign currency	(32)	(5)	(34)	(2)
Other	(3)	(4)	(5)	(8)
	<b>(33)</b>	<b>36</b>	<b>(80)</b>	<b>(8)</b>
Increase in cash	<b>105</b>	<b>167</b>	<b>163</b>	<b>198</b>
Cash and short-term investments				
Beginning of period	<b>698</b>	<b>283</b>	<b>640</b>	<b>252</b>
End of period	<b>\$803</b>	<b>\$450</b>	<b>\$803</b>	<b>\$450</b>

### CASH FROM OPERATING ACTIVITIES

(millions)	three months ended		six months ended	
	June 30		June 30	
Increased earnings from operations (see page 6)		\$11		\$59
Non-cash changes in operating earnings:				
Increased tax expense		(4)		(13)
Changes in working capital		(2)		(16)
Other		2		7
<b>Increase in operating cash flow, compared to 2006</b>		<b>\$7</b>		<b>\$37</b>

Operating cash flows this quarter were higher than in the first quarter of 2006 because operating earnings were higher. The negative change in working capital is mainly because of lower accounts payable at Çayeli and Ok Tedi.

### 2007 outlook for operating activities

We expect high metal prices to continue to increase earnings and operating cash flows. The level of operating cash flows will depend on earnings and the accumulation or reduction of working capital.

## CASH FROM INVESTING AND FINANCING

### Capital spending

(millions)	three months ended June 30		six months ended June 30		revised objective 2007
	2007	2006	2007	2006	
Çayeli	\$4	\$3	\$9	\$7	\$17
Pyhäsalmi	1	1	1	2	7
Troilus	-	-	-	1	2
Ok Tedi	7	-	13	3	41
Las Cruces	69	8	107	22	492
Cerattepe	1	-	3	1	15
Accruals and other	-	-	1	1	-
	<b>\$82</b>	<b>\$12</b>	<b>\$134</b>	<b>\$37</b>	<b>\$574</b>

Refer to *Results of our operations* and *Status of our development projects* for a discussion of actual results and our 2007 objective.

Las Cruces borrowed an additional €25 million this quarter, bringing the total amount borrowed under its credit facility to €84 million. Las Cruces also provided an additional €5 million this quarter to secure future contractual obligations for the construction of the process plant.

Our restricted cash balance of \$51 million at June 30, 2007 includes:

- \$11 million in trust for future rehabilitation at Ok Tedi
- \$14 million of cash collateralized letters of credit for Inmet
- \$26 million related to issuing letters of credit to suppliers, the local townships and for dewatering at Las Cruces.

### 2007 outlook for investing and financing

We expect capital spending to be \$574 million in 2007. Of that amount, we expect to spend \$492 million for the continuing development of the Las Cruces mine based on its new cost estimate, and \$28 million for the mine waste management program at Ok Tedi. The remaining expenditures are mostly for sustaining capital.

## COMMON SHARES

Common shares outstanding as of June 30, 2007 and July 31, 2007	48,277,726
Deferred share units outstanding as of June 30 (redeemable on a one-for-one basis for common shares)	76,672

## OFF BALANCE SHEET TRANSACTIONS

As at June 30, 2007, we had no off balance sheet transactions.

The following table shows our Troilus gold hedging transactions, the Ok Tedi gold and copper hedging transactions, the currency and interest rate hedges related to Las Cruces, and the respective marked-to-market valuations which have been recorded on our balance sheet as at June 30, 2007.

To equalize future payments under the recently negotiated CMCA agreements, Ok Tedi hedged a small portion (less than 4 percent for copper and gold) of their life-of-mine production.

Type of contract	Expiry	Quantity	Price	C\$ marked-to-market gain (loss) at June 30 2007
<b>Copper forward sales</b>				
Ok Tedi	2007	1.6 million lbs	US \$3.03 per lb	
	2008	3.2 million lbs	US \$2.78 per lb	
	2009	3.2 million lbs	US \$2.41 per lb	
		8.0 million lbs	US \$2.68 per lb	\$(3.6 million) <sup>(1)</sup>
<b>Gold forward sales</b>				
Troilus	2007	29,100 ounces	US \$352 per oz.	
	2008	58,200 ounces	US \$352 per oz.	
		87,300 ounces	US \$352 per oz.	\$(30.4 million) <sup>(2)</sup>
Ok Tedi	2007	10,100 ounces	US \$370 per oz.	
	2008	6,750 ounces	US \$372 per oz.	
		16,900 ounces	US \$371 per oz.	\$(5.1 million) <sup>(3)</sup>
Ok Tedi	2010	3,600 ounces	US \$748 per oz.	
	2011	3,600 ounces	US \$775 per oz.	
	2012	3,600 ounces	US \$803 per oz.	
	2013	1,800 ounces	US \$825 per oz.	
		12,600 ounces	US \$783 per oz.	\$(0.3 million) <sup>(3)</sup>
<b>Currency forward sales</b>				
Las Cruces	2008	US \$215 million	€171.80 million	\$17.4 million
<b>Interest rate swaps</b>				
Las Cruces	2008 to 2014	US \$179 million (reducing in conjunction with debt repayment schedule)	5.2 percent	\$0.3 million

(1) At a copper price of US \$3.48 per pound.

(2) At a gold price of US \$651 per ounce.

(3) At a gold price of US \$647 per ounce.

## Accounting changes

We adopted several new CICA – Handbook sections.

### Section 3855 - Financial instruments – recognition and measurement

This section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and liabilities including derivatives be recognized on the balance sheet when we become a party to the contractual provisions of the financial instrument or a non-financial derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instruments have been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

Effective January 1, 2007, we classify cash and short-term investments, accounts receivable, investments, restricted cash, accounts payable and accrued liabilities as held-for-trading and record them on the balance sheet at fair value. We record long-term debt at amortized cost.

### 3865 - Hedges

This section specifies when and how we can use hedge accounting for hedging strategies: fair value hedges, cash flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation.

All of our hedges at January 1, 2007 qualified for cash flow hedge accounting. The contracts are reflected at fair value on the balance sheet.

### 1530 - Comprehensive income

This section calls for a statement of comprehensive income and its components. Other comprehensive income includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation amounts arising from self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments.

Effective January 1, 2007, we include unrealized fair value of our cash flow hedges, investments and foreign currency translation adjustment in accumulated other comprehensive income, net of tax. The change in fair value this quarter of the effective portion of our cash flow hedges, investments and foreign currency translation adjustments is included in other comprehensive income for the period, net of tax.

Turn to note 2 on page 45 in the Interim consolidated financial statements for more details about the transitional adjustments.

### The CICA has also recently issued new accounting pronouncements:

In December 2006, the CICA issued Handbook Section 3862, *Financial Instruments – Disclosure* and Section 3863, *Financial Instruments – Presentation* which will become effective for us beginning on January 1, 2008. Section 3862 replaces the disclosure portion of Section 3861. It places increased emphasis on disclosing the nature and extent of risks arising from both recognized and unrecognized financial instruments, and how these risks are managed. Section 3863 carries forward the presentation requirements from Section 3861.

In June 2007, the CICA issued Handbook Section 3031, *Inventories* which will become effective for us beginning on January 1, 2008. This section requires that inventory be recorded at the lower of cost or net realizable value, which is our current accounting policy. The section also clarifies the allocation of fixed production overhead, requires consistent use of either first-in, first-out or weighted average to measure inventories, and requires that any previous write-downs be reversed when the value of inventories increases. The amount of the reversal is limited to the amount of the original write-down.

We are reviewing the above standards, and have not yet determined the impact, if any, on our consolidated financial statements.

## **Managing risk**

The following is an update to the discussion, only where required, of the key risks associated with our business and the strategies we use to manage them. You can find the full discussion in the annual Management's discussion and analysis in Inmet's 2006 annual report.

### **Development at Las Cruces**

Las Cruces is a development project, and while we are confident that the project will add value as planned, there is still significant uncertainty. Risks associated with detailed engineering, construction of mine and processing facilities, cost increases due to inflation, permitting, legal proceedings and relations with local communities will continue to exist and could have a negative effect on the project.

A local non-governmental group has initiated several legal proceedings claiming that various governmental approvals for the project were not granted according to regulatory requirements. We believe these claims are without merit and are vigorously defending against them. Two of these proceedings were dismissed in 2006. The other two proceedings are outstanding.

### **Development at Cerattepe**

The Danistay (Turkish Administrative Supreme Court) directed the local court to review its decision to cancel our operating licences for the project. The Artvin based local non-governmental groups have re-filed their applications to cancel the operating licenses and have also applied for an interim injunction on all mining activities. We have resumed permitting and on-site work, but an adverse ruling in the future could have an impact or stop our progress. The Danistay's decision does not finally resolve the status of the licences but they remain valid pending a new decision from the local court. There remains a risk that the licences could yet again be cancelled, in which case we would have to suspend permitting and on-site work.

## Sensitivity analysis

The table below shows you the effect of key variables on our net income, based on our revised objectives for 2007.

	A change of:	Would change our 2007 net income by:	Would change our 2007 net income per share by:
<b>Metal prices</b>			
Copper (per pound)	US \$0.10	\$13 million	\$0.26
Zinc (per pound)	US \$0.05	\$5 million	\$0.11
Gold (per ounce) (1)	US \$10	\$2 million	\$0.03
<b>Exchange rates</b>			
Canadian dollar per US dollar	C\$0.05	\$18 million	\$0.37
Canadian dollar per euro	C\$0.05	\$4 million	\$0.08
<b>Treatment and refining charges</b>			
Copper treatment charge per tonne and copper refining charge per pound	US \$10		
	US \$0.10	\$4 million	\$0.08
Zinc treatment charge per tonne	US \$10	\$1 million	\$0.03
<b>Freight and energy costs</b>			
Concentrate freight per tonne	10%	\$3 million	\$0.06
Fuel price per litre	\$0.10	\$3 million	\$0.07
Electricity per kilowatt hour	\$0.01	\$2 million	\$0.05

(1) Calculations include hedging in place at December 31, 2006.

## About Inmet

Inmet is a Canadian-based global mining company that produces copper, zinc and gold. We have interests in four mining operations in locations around the world: Çayeli, Pyhäsalmi, Troilus and Ok Tedi. We also have interests in two development properties, Las Cruces and Cerattepe, and one pre-development property, Petaquilla.

### For more information

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This press release is also available at [www.inmetmining.com](http://www.inmetmining.com)

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## Second quarter conference call

Will be held on

- Wednesday, August 1, 2007
- 11:00 a.m. (ET)

webcast available at [www.newswire.ca/en/webcast/viewEvent.cgi?eventID=1929180](http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=1929180) or [www.inmetmining.com](http://www.inmetmining.com).

You can also dial in by calling

- Local or international: +1.416.644.3425
- Toll-free within North America: +1.800.732.1073

## INMET MINING CORPORATION

### Non-GAAP measures

#### Reconciliation of copper cash costs to statements of earnings

(millions of Canadian dollars, except where otherwise noted)	three months ended June 30		six months ended June 30	
	2007	2006	2007	2006
Cost of sales per financial statements	\$60	\$58	\$117	\$108
Smelter processing charges and freight per financial statements	53	61	115	110
Zinc, gold and other sales	(112)	(100)	(230)	(177)
Inventory and receivable changes	7	(3)	12	(5)
Less - non-cash items	(1)	(1)	(2)	(2)
<b>Operating costs net of metal credits</b>	<b>\$7</b>	<b>\$15</b>	<b>\$12</b>	<b>\$34</b>
US \$ to C\$ exchange rate	\$1.10	\$1.12	\$1.14	\$1.14
Inmet's share of copper production (000's pounds)	40,700	44,100	82,200	85,500
<b>Copper cash cost (per pound)</b>	<b>US \$0.15</b>	<b>US \$0.28</b>	<b>US \$0.13</b>	<b>US \$0.34</b>

#### Reconciliation of gold cash costs to statements of earnings

(millions of Canadian dollars, except where otherwise noted)	three months ended June 30		six months ended June 30	
	2007	2006	2007	2006
Cost of sales per financial statements	\$18	\$21	\$40	\$36
Smelter processing charges and freight per financial statements	2	3	5	5
Copper and other sales	(8)	(9)	(13)	(14)
Inventory and receivable changes	1	(2)	(2)	2
<b>Operating costs net of metal credits</b>	<b>\$13</b>	<b>\$13</b>	<b>\$30</b>	<b>\$29</b>
US \$ to C\$ exchange rate	\$1.10	\$1.12	\$1.14	\$1.14
Inmet's share of gold production (ounces)	35,100	36,300	68,300	74,000
<b>Gold cash cost (per ounce)</b>	<b>US \$338</b>	<b>US \$310</b>	<b>US \$393</b>	<b>US \$342</b>

#### Reconciliation of net income to adjusted net income

(thousands of Canadian dollars, except where otherwise noted)	three months ended June 30		six months ended June 30	
	2007	2006	2007	2006
Net income per financial statements	\$138,050	\$132,090	\$239,128	\$211,651
Deduct gain on sale of Wolfden	11,730	-	11,730	-
Deduct gain on sale of Izok	-	-	-	23,905
Adjusted net income	\$126,320	\$132,090	\$227,398	\$187,746
Weighted average shares outstanding	48,278	48,197	48,278	48,148
Adjusted net income per share	\$2.62	\$2.74	\$4.71	\$3.90

#### Reconciliation of operating cash flow to operating cash flow before working capital

(thousands of Canadian dollars, except where otherwise noted)	three months ended June 30		six months ended June 30	
	2007	2006	2007	2006
Operating cash flow per financial statements	\$137,731	\$131,324	\$242,711	\$205,884
Deduct: Net change in non-cash working capital per financial statements	4,288	5,872	(626)	14,907
Operating cash flow before working capital	\$133,443	\$125,452	\$243,337	\$190,977
Weighted average shares outstanding	48,278	48,197	48,278	48,148
Operating cash flow before working capital per share	\$2.76	\$2.60	\$5.04	\$3.97

# INMET MINING CORPORATION

## Quarterly review

(unaudited)

### Latest Four Quarters

	2007	2007	2006	2006
	Second	First	Fourth	Third
(thousands of Canadian dollars, except per share amounts)	quarter	quarter	quarter	quarter
<b>STATEMENTS OF EARNINGS</b>				
Gross sales	\$ 320,018	\$ 286,614	\$ 258,911	\$ 301,100
Smelter processing charges and freight	(55,413)	(64,606)	(65,005)	(60,270)
Cost of sales	(78,068)	(79,240)	(66,593)	(73,892)
Depreciation	(8,039)	(9,415)	(9,057)	(9,025)
	178,498	133,353	118,256	157,913
Corporate development and exploration	(1,836)	(842)	(4,136)	(2,708)
General and administration	(2,162)	(2,840)	(6,128)	(2,618)
Investment and other income	13,302	7,290	16,697	2,257
Interest expense	(424)	(438)	(425)	(412)
Capital tax (expense) recovery	(274)	(274)	-	41
Income tax expense	(48,509)	(35,376)	(26,679)	(42,902)
Non-controlling interest	(545)	205	(165)	11
Net income	\$ 138,050	\$ 101,078	\$ 97,420	\$ 111,582
Net income per common share	\$ 2.86	\$ 2.09	\$ 2.02	\$ 2.31
Diluted net income per common share	\$ 2.86	\$ 2.09	\$ 2.02	\$ 2.31

### Previous Four Quarters

	2006	2006	2005	2005
	Second	First	Fourth	Third
(thousands of Canadian dollars, except per share amounts)	quarter	quarter	quarter	quarter
<b>STATEMENTS OF EARNINGS</b>				
Gross sales	\$ 317,624	\$ 210,234	\$ 190,901	\$ 178,170
Smelter processing charges and freight	(63,668)	(51,662)	(46,131)	(42,184)
Cost of sales	(78,425)	(65,788)	(67,305)	(64,569)
Depreciation	(8,225)	(7,265)	(7,879)	(7,849)
	167,306	85,519	69,586	63,568
Corporate development and exploration	(1,456)	(1,454)	(2,893)	(1,888)
General and administration	(2,624)	(2,370)	(2,119)	(1,351)
Investment and other income (expense)	2,587	25,698	985	(3,401)
Interest expense	(391)	(391)	(392)	(409)
Capital tax expense	(246)	(245)	(499)	(198)
Income tax expense	(33,240)	(27,196)	(19,022)	(20,387)
Non-controlling interest	154	-	-	-
Net income	\$ 132,090	\$ 79,561	\$ 45,646	\$ 35,934
Net income per common share	\$ 2.74	\$ 1.65	\$ 0.95	\$ 0.80
Diluted net income per common share	\$ 2.74	\$ 1.64	\$ 0.95	\$ 0.80

# INMET MINING CORPORATION

## Consolidated balance sheets

(thousands of Canadian dollars)	<b>June 30 2007</b>	December 31 2006
	(unaudited)	
<b>Assets</b>		
<b>Current assets:</b>		
Cash and short-term investments	<b>\$803,004</b>	\$640,186
Restricted cash (note 5)	<b>15,216</b>	-
Accounts receivable	<b>133,017</b>	122,645
Inventories	<b>52,409</b>	58,323
Future income tax asset	<b>8,749</b>	7,567
	<b>1,012,395</b>	828,721
Restricted cash (note 5)	<b>36,213</b>	35,759
Property, plant and equipment	<b>657,415</b>	548,637
Investments (note 6)	<b>26,799</b>	53,002
Future income tax asset	<b>16,428</b>	21,750
Deferred charges	-	2,408
Derivatives (note 7)	<b>17,700</b>	-
Other assets	<b>28,584</b>	42,663
	<b>\$1,795,534</b>	\$1,532,940
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	<b>\$171,802</b>	\$163,106
Long-term debt (note 8)	<b>165,574</b>	109,080
Reclamation liabilities	<b>69,341</b>	65,812
Derivatives (note 7)	<b>39,372</b>	-
Other liabilities	<b>20,365</b>	30,617
Future income tax liabilities	<b>37,402</b>	42,366
Non-controlling interest	<b>49,873</b>	49,125
	<b>553,729</b>	460,106
Commitments (note 9)		
<b>Shareholders' equity</b>		
Share capital	<b>337,338</b>	337,338
Contributed surplus	<b>66,999</b>	66,999
Stock based compensation	<b>1,072</b>	915
Retained earnings	<b>903,305</b>	669,385
Accumulated other comprehensive loss (note 10)	<b>(66,909)</b>	(1,803)
	<b>1,241,805</b>	1,072,834
	<b>\$1,795,534</b>	\$1,532,940

(see accompanying notes)

# INMET MINING CORPORATION

## Segmented balance sheets

2007 As at June 30

(unaudited) (thousands of Canadian dollars)	CORPORATE	ÇAYELI (Turkey)	PYHÄSALMI (Finland)	TROILUS (Canada)	OK TEDI (Papua New Guinea)	LAS CRUCES (Spain)	TOTAL
<b>Assets</b>							
Cash and short-term investments	\$371,768	\$265,531	\$65,027	\$ -	\$67,332	\$33,346	\$803,004
Other current assets	11,390	30,110	69,978	22,806	41,067	34,040	209,391
Restricted cash	14,500	-	-	-	11,071	10,642	36,213
Property, plant and equipment	636	114,923	66,234	29,399	47,254	398,969	657,415
Investments	26,799	-	-	-	-	-	26,799
Derivatives	-	-	-	-	-	17,700	17,700
Other assets	29,936	466	-	6,290	3,537	4,783	45,012
	<b>\$455,029</b>	<b>\$411,030</b>	<b>\$201,239</b>	<b>\$58,495</b>	<b>\$170,261</b>	<b>\$499,480</b>	<b>\$1,795,534</b>
<b>Liabilities</b>							
Current liabilities	\$6,298	\$32,714	\$26,679	\$12,334	\$50,748	\$43,029	\$171,802
Long-term debt	15,979	-	-	-	-	149,595	165,574
Reclamation liabilities	25,610	3,267	12,729	4,374	16,302	7,059	69,341
Derivatives	-	-	-	30,360	9,012	-	39,372
Other liabilities	7,087	3,815	-	-	1,520	7,943	20,365
Future income tax liabilities	-	18,835	6,630	-	-	11,937	37,402
Non-controlling interest	-	-	-	-	-	49,873	49,873
	<b>\$54,974</b>	<b>\$58,631</b>	<b>\$46,038</b>	<b>\$47,068</b>	<b>\$77,582</b>	<b>\$269,436</b>	<b>\$553,729</b>

2006 As at December 31

(thousands of Canadian dollars)	CORPORATE	ÇAYELI (Turkey)	PYHÄSALMI (Finland)	TROILUS (Canada)	OK TEDI (Papua New Guinea)	LAS CRUCES (Spain)	TOTAL
<b>Assets</b>							
Cash and short-term investments	\$267,277	\$176,676	\$119,260	\$ -	\$44,689	\$32,284	\$640,186
Other current assets	9,690	55,776	68,897	18,104	26,157	9,911	188,535
Restricted cash	14,300	-	-	-	10,982	10,477	35,759
Property, plant and equipment	570	117,464	74,873	33,277	42,489	279,964	548,637
Investments	53,002	-	-	-	-	-	53,002
Deferred charges	-	-	-	2,408	-	-	2,408
Other assets	32,052	486	-	6,245	805	24,825	64,413
	<b>\$376,891</b>	<b>\$350,402</b>	<b>\$263,030</b>	<b>\$60,034</b>	<b>\$125,122</b>	<b>\$357,461</b>	<b>\$1,532,940</b>
<b>Liabilities</b>							
Current liabilities	\$11,698	\$37,879	\$35,130	\$19,780	\$37,391	\$21,228	\$163,106
Long-term debt	16,786	-	-	-	-	92,294	109,080
Reclamation liabilities	25,507	3,467	13,175	4,268	17,568	1,827	65,812
Other liabilities	8,035	3,891	-	8,657	1,572	8,462	30,617
Future income tax liabilities	-	20,433	7,025	-	2,186	12,722	42,366
Non-controlling interest	-	-	-	-	-	49,125	49,125
	<b>\$62,026</b>	<b>\$65,670</b>	<b>\$55,330</b>	<b>\$32,705</b>	<b>\$58,717</b>	<b>\$185,658</b>	<b>\$460,106</b>

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

(unaudited)

(thousands of Canadian dollars except per share amounts)	three months ended June 30		six months ended June 30	
	2007	2006	2007	2006
Gross sales	<b>\$320,018</b>	\$317,624	<b>\$606,632</b>	\$527,858
Smelter processing charges and freight	<b>(55,413)</b>	(63,668)	<b>(120,019)</b>	(115,330)
Cost of sales	<b>(78,068)</b>	(78,425)	<b>(157,308)</b>	(144,213)
Depreciation	<b>(8,039)</b>	(8,225)	<b>(17,454)</b>	(15,490)
	<b>178,498</b>	167,306	<b>311,851</b>	252,825
Corporate development and exploration	<b>(1,836)</b>	(1,456)	<b>(2,678)</b>	(2,910)
General and administration	<b>(2,162)</b>	(2,624)	<b>(5,002)</b>	(4,994)
Investment and other income (note 11)	<b>13,302</b>	2,587	<b>20,592</b>	28,285
Interest expense	<b>(424)</b>	(391)	<b>(862)</b>	(782)
Capital tax expense	<b>(274)</b>	(246)	<b>(548)</b>	(491)
Income tax expense (note 12)	<b>(48,509)</b>	(33,240)	<b>(83,885)</b>	(60,436)
Non-controlling interest	<b>(545)</b>	154	<b>(340)</b>	154
<b>Net income</b>	<b>\$138,050</b>	\$132,090	<b>\$239,128</b>	\$211,651
<b>Basic net income per common share (note 13)</b>	<b>\$2.86</b>	\$2.74	<b>\$4.95</b>	\$4.40
<b>Diluted net income per common share (note 13)</b>	<b>\$2.86</b>	\$2.74	<b>\$4.95</b>	\$4.39
<b>Weighted average shares outstanding (000's)</b>	<b>48,278</b>	48,197	<b>48,278</b>	48,148

(see accompanying notes)

# INMET MINING CORPORATION

## Segmented statements of earnings

(unaudited)

2007 For the six months ended June 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Gross sales	\$ -	\$229,942	\$141,147	\$56,091	\$179,452	\$ -	\$606,632
Smelter processing charges and freight	-	(55,470)	(33,714)	(4,713)	(26,122)	-	(120,019)
Cost of sales	(843)	(45,478)	(26,307)	(40,132)	(44,548)	-	(157,308)
Depreciation	-	(4,568)	(4,794)	(4,716)	(3,376)	-	(17,454)
	(843)	124,426	76,332	6,530	105,406	-	311,851
Corporate development and exploration	(1,268)	(860)	(1,019)	469	-	-	(2,678)
General and administration	(5,002)	-	-	-	-	-	(5,002)
Investment and other income (expense)	20,013	(1,831)	-	791	-	1,619	20,592
Interest expense	(862)	-	-	-	-	-	(862)
Capital tax expense	(548)	-	-	-	-	-	(548)
Income tax expense	(771)	(27,434)	(17,286)	-	(37,908)	(486)	(83,885)
Non-controlling interest	-	-	-	-	-	(340)	(340)
Net income	<b>\$10,719</b>	<b>\$94,301</b>	<b>\$58,027</b>	<b>\$7,790</b>	<b>\$67,498</b>	<b>\$793</b>	<b>\$239,128</b>

2006 For the six months ended June 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Gross sales	\$ -	\$176,778	\$121,242	\$48,241	\$181,597	\$ -	\$527,858
Smelter processing charges and freight	-	(46,790)	(34,196)	(5,087)	(29,257)	-	(115,330)
Cost of sales	(954)	(37,058)	(24,864)	(35,513)	(45,824)	-	(144,213)
Depreciation	-	(3,724)	(3,948)	(4,951)	(2,867)	-	(15,490)
	(954)	89,206	58,234	2,690	103,649	-	252,825
Corporate development and exploration	(857)	(372)	(1,000)	(169)	-	(512)	(2,910)
General and administration	(4,994)	-	-	-	-	-	(4,994)
Investment and other income	25,179	3,106	-	-	-	-	28,285
Interest expense	(782)	-	-	-	-	-	(782)
Capital tax expense	(491)	-	-	-	-	-	(491)
Income tax expense	-	(9,302)	(13,029)	-	(38,105)	-	(60,436)
Non-controlling interest	-	-	-	-	-	154	154
Net income (loss)	<b>\$17,101</b>	<b>\$82,638</b>	<b>\$44,205</b>	<b>\$2,521</b>	<b>\$65,544</b>	<b>(\$358)</b>	<b>\$211,651</b>

# INMET MINING CORPORATION

## Segmented statements of earnings

(unaudited)

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

	<b>CORPORATE</b>	<b>ÇAYELI</b>	<b>PYHÄSALMI</b>	<b>TROILUS</b>	<b>OK TEDI</b>	<b>LAS CRUCES</b>	<b>TOTAL</b>
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Gross sales	\$ -	\$112,208	\$75,807	\$25,849	\$106,154	\$ -	\$320,018
Smelter processing charges and freight	-	(24,302)	(15,100)	(2,020)	(13,991)	-	(55,413)
Cost of sales	(355)	(21,181)	(13,384)	(18,104)	(25,044)	-	(78,068)
Depreciation	-	(1,871)	(2,433)	(2,007)	(1,728)	-	(8,039)
	(355)	64,854	44,890	3,718	65,391	-	178,498
Corporate development and exploration	(521)	(651)	(558)	(106)	-	-	(1,836)
General and administration	(2,162)	-	-	-	-	-	(2,162)
Investment and other income (expense)	11,878	(1,379)	-	499	-	2,304	13,302
Interest expense	(424)	-	-	-	-	-	(424)
Capital tax expense	(274)	-	-	-	-	-	(274)
Income tax expense	(385)	(13,763)	(10,379)	-	(23,291)	(691)	(48,509)
Non-controlling interest	-	-	-	-	-	(545)	(545)
Net income	<b>\$7,757</b>	<b>\$49,061</b>	<b>\$33,953</b>	<b>\$4,111</b>	<b>\$42,100</b>	<b>\$1,068</b>	<b>\$138,050</b>

**2006** For the three months ended June 30

	<b>CORPORATE</b>	<b>ÇAYELI</b>	<b>PYHÄSALMI</b>	<b>TROILUS</b>	<b>OK TEDI</b>	<b>LAS CRUCES</b>	<b>TOTAL</b>
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
Gross sales	\$ -	\$ 105,563	\$72,133	\$29,558	\$110,370	\$ -	\$317,624
Smelter processing charges and freight	-	(25,214)	(18,853)	(2,929)	(16,672)	-	(63,668)
Cost of sales	(468)	(19,308)	(12,253)	(20,212)	(26,184)	-	(78,425)
Depreciation	-	(2,054)	(1,959)	(2,790)	(1,422)	-	(8,225)
	(468)	58,987	39,068	3,627	66,092	-	167,306
Corporate development and exploration	(275)	(59)	(487)	(123)	-	(512)	(1,456)
General and administration	(2,624)	-	-	-	-	-	(2,624)
Investment and other income (expense)	(519)	3,106	-	-	-	-	2,587
Interest expense	(391)	-	-	-	-	-	(391)
Capital tax expense	(246)	-	-	-	-	-	(246)
Income tax (expense) recovery	47	97	(9,012)	-	(24,372)	-	(33,240)
Non-controlling interest	-	-	-	-	-	154	154
Net income (loss)	<b>(\$4,476)</b>	<b>\$62,131</b>	<b>\$29,569</b>	<b>\$3,504</b>	<b>\$41,720</b>	<b>(\$358)</b>	<b>\$132,090</b>

# INMET MINING CORPORATION

## Consolidated statements of cash flows

(unaudited)

(thousands of Canadian dollars)	three months ended June 30		six months ended June 30	
	2007	2006	2007	2006
<b>Cash provided by (used in) operating activities <sup>(1)</sup></b>				
Net income	\$138,050	\$132,090	\$239,128	\$211,651
Add (deduct) items not affecting cash:				
Gain on disposition of investments (note 11)	(11,730)	-	(11,730)	(24,291)
Depreciation	8,039	8,225	17,454	15,490
Future income tax	(2,645)	(15,762)	(4,380)	(14,271)
Accretion expense on reclamation liabilities	879	866	1,803	1,751
Deferred charge (revenue)	-	782	-	1018
Non-controlling interest	545	(154)	340	(154)
Other	829	(49)	1,726	825
Reclamation costs	(524)	(546)	(1,004)	(1,042)
Net change in non-cash working capital (note 4)	4,288	5,872	(626)	14,907
	<u>137,731</u>	<u>131,324</u>	<u>242,711</u>	<u>205,884</u>
<b>Cash provided by (used in) investing activities</b>				
Capital spending	(82,079)	(12,215)	(134,014)	(37,104)
Acquisition and disposition of investments, net	50,726	-	50,726	1,629
Sale (purchase) of short-term investments	17,355	(31,392)	137,531	(81,195)
Other	-	(155)	(46)	(195)
	<u>(13,998)</u>	<u>(43,762)</u>	<u>54,197</u>	<u>(116,865)</u>
<b>Cash provided by (used in) financing activities</b>				
Long-term debt borrowings	24,169	27,124	38,009	27,124
Financial assurance deposits (note 5)	(7,485)	27,530	(17,415)	(2,167)
Funding by non-controlling shareholder	21,462	7,196	26,110	9,246
Loan repayment	(1,000)	-	(2,000)	-
Dividends on common shares	(4,827)	(4,827)	(4,827)	(4,827)
Subsidies received	62	-	199	4,850
Debt issue costs	-	(4,980)	-	(5,425)
Other	(435)	542	(770)	542
	<u>31,946</u>	<u>52,585</u>	<u>39,306</u>	<u>29,343</u>
<b>Foreign exchange change on cash held in foreign currency</b>	<u>(31,540)</u>	<u>(4,889)</u>	<u>(34,049)</u>	<u>(1,851)</u>
<b>Increase in cash</b>	<b>124,139</b>	<b>135,258</b>	<b>302,165</b>	<b>116,511</b>
<b>Cash:</b>				
Beginning of period	562,636	233,148	384,610	251,895
End of period	686,775	368,406	686,775	368,406
<b>Short-term investments</b>	<u>116,229</u>	<u>81,195</u>	<u>116,229</u>	<u>81,195</u>
<b>Cash and short-term investments</b>	<u>\$803,004</u>	<u>\$449,601</u>	<u>\$803,004</u>	<u>\$449,601</u>
(see accompanying notes)				
<sup>(1)</sup> Cash used in operations includes the following payments:				
Interest	\$1,100	-	\$2,381	\$579
Taxes	\$52,368	\$25,253	\$64,739	\$36,517

# INMET MINING CORPORATION

## Segmented statements of cash flows

(unaudited)

2007 For the six months ended June 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
<b>Cash provided by (used in) operating activities</b>							
Before net change in non-cash working capital	\$4,676	\$104,357	\$62,953	\$10,549	\$64,086	-	\$246,621
Net change in non-cash working capital	(6,696)	17,974	(11,960)	(5,834)	5,890	-	(626)
	(2,020)	122,331	50,993	4,715	69,976	-	245,995
<b>Cash provided by (used in) investing activities</b>							
Capital spending	(131)	(13,150)	(724)	(407)	(12,811)	(106,791)	(134,014)
Acquisition and disposition of investments, net	50,726	-	-	-	-	-	50,726
Sale (purchase) of short-term investments	127,701	17,027	-	-	(7,197)	-	137,531
Other	-	-	-	(46)	-	-	(46)
	178,296	3,877	(724)	(453)	(20,008)	(106,791)	54,197
<b>Cash provided by (used in) financing activities</b>	(5,799)	-	-	(2,000)	(850)	47,955	39,306
<b>Foreign exchange change on cash held in foreign currency</b>	-	(21,515)	(4,930)	-	(6,136)	(1,468)	(34,049)
<b>Intergroup funding (distributions)</b>	64,999	1,643	(99,572)	(2,262)	(26,174)	61,366	-
<b>Increase (decrease) in cash</b>	235,476	106,336	(54,233)	-	16,808	1,062	305,449
<b>Cash:</b>							
Beginning of period	39,899	159,195	119,260	-	33,972	32,284	384,610
End of period	275,375	265,531	65,027	-	50,780	33,346	690,059
<b>Short-term investments</b>	99,677	-	-	-	16,552	-	116,229
<b>Cash and short-term investments</b>	\$375,052	\$265,531	\$65,027	\$ -	\$67,332	\$33,346	\$806,288

2006 For the six months ended June 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
<b>Cash provided by (used in) operating activities</b>							
Before net change in non-cash working capital	(\$5,694)	\$74,054	\$49,546	\$8,562	\$65,021	(\$512)	\$190,977
Net change in non-cash working capital	(5,375)	11,109	(8,243)	(9,907)	26,811	512	14,907
	(11,069)	85,163	41,303	(1,345)	91,832	-	205,884
<b>Cash provided by (used in) investing activities</b>							
Capital spending	(73)	(9,024)	(1,869)	(1,126)	(3,438)	(21,574)	(37,104)
Purchase of short-term investments	(81,195)	-	-	-	-	-	(81,195)
Acquisition and disposition of investments, net	1,629	-	-	-	-	-	1,629
Other	-	-	-	(195)	-	-	(195)
	(79,639)	(9,024)	(1,869)	(1,321)	(3,438)	(21,574)	(116,865)
<b>Cash provided by (used in) financing activities</b>	(4,494)	-	-	-	(861)	34,698	29,343
<b>Foreign exchange change on cash held in foreign currency</b>	-	(2,990)	2,879	-	(2,555)	815	(1,851)
<b>Intergroup funding (distributions)</b>	30,310	717	(3,583)	2,666	(54,057)	23,947	-
<b>Increase (decrease) in cash</b>	(64,892)	73,866	38,730	-	30,921	37,886	116,511
<b>Cash:</b>							
Beginning of period	123,843	36,578	58,138	-	16,031	17,305	251,895
End of period	58,951	110,444	96,868	-	46,952	55,191	368,406
<b>Short-term investments</b>	81,195	-	-	-	-	-	81,195
<b>Cash and short-term investments</b>	\$140,146	\$110,444	\$96,868	\$ -	\$46,952	\$55,191	\$449,601

# INMET MINING CORPORATION

## Segmented statements of cash flows

(unaudited)

2007 For the three months ended June 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
<b>Cash provided by (used in) operating activities</b>							
Before net change in non-cash working capital	\$707	\$53,115	\$36,430	\$5,924	\$40,551	-	\$136,727
Net change in non-cash working capital	872	9,626	(25,933)	(1,694)	21,417	-	4,288
	<u>1,579</u>	<u>62,741</u>	<u>10,497</u>	<u>4,230</u>	<u>61,968</u>	<u>-</u>	<u>141,015</u>
<b>Cash provided by (used in) investing activities</b>							
Capital spending	(107)	(5,818)	(440)	(241)	(6,348)	(69,125)	(82,079)
Acquisition and disposition of investments, net	50,726	-	-	-	-	-	50,726
Sale (purchase) of short-term investments	35,876	(549)	-	-	(17,972)	-	17,355
	<u>86,495</u>	<u>(6,367)</u>	<u>(440)</u>	<u>(241)</u>	<u>(24,320)</u>	<u>(69,125)</u>	<u>(13,998)</u>
<b>Cash provided by (used in) financing activities</b>	<u>(5,464)</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>27</u>	<u>38,383</u>	<u>31,946</u>
<b>Foreign exchange change on cash held in foreign currency</b>	<u>-</u>	<u>(19,024)</u>	<u>(5,519)</u>	<u>-</u>	<u>(5,653)</u>	<u>(1,344)</u>	<u>(31,540)</u>
<b>Intergroup funding (distributions)</b>	<u>71,419</u>	<u>2,312</u>	<u>(94,874)</u>	<u>(2,989)</u>	<u>(26,174)</u>	<u>50,306</u>	<u>-</u>
<b>Increase (decrease) in cash</b>	<u>154,029</u>	<u>39,662</u>	<u>(90,336)</u>	<u>-</u>	<u>5,848</u>	<u>18,220</u>	<u>127,423</u>
<b>Cash:</b>							
Beginning of period	121,346	225,869	155,363	-	44,932	15,126	562,636
End of period	275,375	265,531	65,027	-	50,780	33,346	690,059
<b>Short-term investments</b>	<u>99,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,552</u>	<u>-</u>	<u>116,229</u>
<b>Cash and short-term investments</b>	<u>\$375,052</u>	<u>\$265,531</u>	<u>\$65,027</u>	<u>\$ -</u>	<u>\$67,332</u>	<u>\$33,346</u>	<u>\$806,288</u>

2006 For the three months ended June 30

	CORPORATE	ÇAYELI	PYHÄSALMI	TROILUS	OK TEDI	LAS CRUCES	TOTAL
(thousands of Canadian dollars)		(Turkey)	(Finland)	(Canada)	(Papua New Guinea)	(Spain)	
<b>Cash provided by (used in) operating activities</b>							
Before net change in non-cash working capital	(\$2,463)	\$49,174	\$32,287	\$7,095	\$39,871	(\$512)	\$125,452
Net change in non-cash working capital	(1,614)	9,005	(14,467)	(5,052)	17,488	512	5,872
	<u>(4,077)</u>	<u>58,179</u>	<u>17,820</u>	<u>2,043</u>	<u>57,359</u>	<u>-</u>	<u>131,324</u>
<b>Cash provided by (used in) investing activities</b>							
Capital spending	(5)	(2,251)	(1,324)	(226)	(888)	(7,521)	(12,215)
Purchase of short-term investments	(31,392)	-	-	-	-	-	(31,392)
Other	-	-	-	(155)	-	-	(155)
	<u>(31,397)</u>	<u>(2,251)</u>	<u>(1,324)</u>	<u>(381)</u>	<u>(888)</u>	<u>(7,521)</u>	<u>(43,762)</u>
<b>Cash used in financing activities</b>	<u>15,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,133</u>	<u>52,585</u>
<b>Foreign exchange change on cash held in foreign currency</b>	<u>-</u>	<u>(3,367)</u>	<u>836</u>	<u>-</u>	<u>(2,775)</u>	<u>417</u>	<u>(4,889)</u>
<b>Intergroup funding (distributions)</b>	<u>20,487</u>	<u>489</u>	<u>(1,791)</u>	<u>(1,662)</u>	<u>(35,719)</u>	<u>18,196</u>	<u>-</u>
<b>Increase in cash</b>	<u>465</u>	<u>53,050</u>	<u>15,541</u>	<u>-</u>	<u>17,977</u>	<u>48,225</u>	<u>135,258</u>
<b>Cash:</b>							
Beginning of period	58,486	57,394	81,327	-	28,975	6,966	233,148
End of period	58,951	110,444	96,868	-	46,952	55,191	368,406
<b>Short-term investments</b>	<u>81,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,195</u>
<b>Cash and short-term investments</b>	<u>\$140,146</u>	<u>\$110,444</u>	<u>\$96,868</u>	<u>\$ -</u>	<u>\$46,952</u>	<u>\$55,191</u>	<u>\$449,601</u>

**INMET MINING CORPORATION**  
**Consolidated statements of retained earnings**  
(unaudited)

(thousands of Canadian dollars)	three months ended June 30		six months ended June 30	
	2007	2006	2007	2006
Retained earnings, beginning of period, as previously reported	\$770,082	\$337,947	\$669,385	\$258,386
Adjustment for financial instruments (note 2)	-	-	(381)	-
Retained earnings, restated	770,082	337,947	669,004	258,386
Net income	138,050	132,090	239,128	211,651
Dividends on common shares	(4,827)	(4,827)	(4,827)	(4,827)
<b>Retained earnings, end of period</b> (see accompanying notes)	<b>\$903,305</b>	<b>\$465,210</b>	<b>\$903,305</b>	<b>\$465,210</b>

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

(thousands of Canadian dollars)	three months ended June 30		six months ended June 30	
	2007	2006	2007	2006
Net income	\$138,050	\$132,090	\$239,128	\$211,651
Other comprehensive income (loss) for the period <sup>(1)</sup> :				
Changes in fair value of gold and copper forward sales contracts	7,745	-	10,894	-
Changes in fair value of interest rate swap contracts	14	-	(120)	-
Changes in fair value of foreign exchange forward contracts	(530)	-	291	-
Changes in fair value of investments	2,408	-	19,308	-
Gain realized on sale of investment (note 11)	(11,730)	-	(11,730)	-
Currency translation adjustment	(54,960)	(5,004)	(58,203)	3,349
	(57,053)	(5,004)	(39,560)	3,349
<b>Comprehensive income</b> (see accompanying notes)	<b>\$80,997</b>	<b>\$127,086</b>	<b>\$199,568</b>	<b>\$215,000</b>

<sup>1</sup> Net of applicable income tax and non-controlling interest.

## **INMET MINING CORPORATION**

### **Notes to the consolidated financial statements**

#### **1. Significant accounting policies**

Our interim consolidated financial statements do not include all of the disclosure required for annual financial statements under generally accepted accounting principles (GAAP), and they have not been reviewed by our external auditors. These statements do, however, follow the same accounting policies and methods of application used in our most recent annual consolidated financial statements, except for the differences explained in note 2. You should read our interim statements in conjunction with our annual statements, which you can find in our 2006 annual report.

#### **2. Changes in accounting policies**

Effective January 1, 2007, we adopted the following new CICA Handbook sections:

##### **Section 1506 – Accounting changes**

This section specifies that a voluntary change in accounting principles:

- (a) can only be made if the change results in more reliable and relevant information
- (b) must be accompanied by restated amounts for prior periods and the reasons for the change
- (c) must describe the nature and amount of the change, if it is a change to an estimate.

We have not made any voluntary change in accounting principles since we adopted these standards.

The following three sections do not permit us to restate prior periods.

##### **Section 3855 - Financial instruments – recognition and measurement**

This section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires companies to recognize financial assets and liabilities, including derivatives, on the balance sheet when we become a party to the contractual provisions of a financial instrument or a non-financial derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Fair value is the amount at which an item could be exchanged between willing parties.

Measurement in subsequent periods depends on whether the financial instruments have been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. We have classified our financial instruments as follows, and applied the following accounting principles:

##### ***Cash and short-term investments, accounts receivable, restricted cash and accounts payable and accrued liabilities***

These are classified as held-for-trading and recorded at fair value. We record any changes in their fair value in net income. We calculate fair value using published price quotations in an active market, where there is one. Our December 31, 2006 carrying values for these assets and liabilities already approximated fair value, because of their short terms to maturity, and we did not make any adjustments to the opening values.

Most of our sales contracts set prices on a specified future date based upon market commodity prices. Variations between the prices recorded on the date of revenue recognition and the actual final price due to changes in market prices result in the existence of an embedded derivative in accounts receivable. We adjust accounts receivable every period to reflect the change in the value of the contract based on the market price in the period, and then record the change in fair value in revenue once the contract has settled.

### ***Investments***

These are classified as available-for-sale and recorded at fair value. We record changes in their fair value net of tax in other comprehensive income. The change in fair value of an investment appears in net income only when it is sold or impaired. We calculate fair value using the bid price of the investment as quoted in an active market. We capitalize transaction costs related to purchasing investments and include these costs in the initial carrying value. We have made adjustments to the opening values of our investments (note 6).

### ***Long-term debt***

All of our long-term debt is classified as other than held-for-trading. At December 31, 2006 our long-term debt approximated fair value, and we did not make any adjustments to the opening values (note 8).

We previously capitalized any costs spent to issue debt to *Other assets*. Effective January 1, 2007, we will record transaction costs related to issuing debt in net income or, for development properties, capitalize them to *Property, plant and equipment*.

### ***Derivative and other contracts***

Non-financial derivative contracts are recorded at fair value on the balance sheet. We include marked-to-market adjustments on these instruments in net income, unless the instruments are designated as part of a cash flow hedge relationship. We identify and separately account for embedded derivatives in contracts that were entered into or substantively modified on or after January 1, 2003. We use settlement date accounting for all contracts to buy or sell financial assets.

### **3865 - Hedges**

This section specifies when and how we can use hedge accounting for the following hedging strategies: fair value hedges, cash flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation.

We only have cash flow hedging relationships. We recognize the effective portion of a change in fair value in *Other comprehensive income*, and then classify the accumulated amount to net income as the gains or losses are realized. We recognize the ineffective portion of a change in fair value in net income.

On January 1, 2007, we designated our existing derivative contracts related to gold forward sales contracts at Troilus and Ok Tedi, the foreign exchange forward contract and the interest rate swap contract at Las Cruces, as part of a cash flow hedge relationship. The fair values of these contracts are recorded on the balance sheet (note 7).

### **1530 - Comprehensive income**

This section calls for a statement of comprehensive income and its components. *Other comprehensive income* (AOCI) includes unrealized gains and losses on our investments, unrealized foreign currency translation arising from self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments.

The table below shows you the effect of adopting these standards on our balance sheet as at January 1. We have not restated prior periods.

(thousands of Canadian dollars)	December 31 2006	January 1 2007		January 1 2007
	As reported	Adjustments on adoption of new standards	Ref	Restated opening balances
<b>Assets</b>				
<b>Current assets:</b>				
Cash and short-term investments	\$640,186	\$ -		\$640,186
Accounts receivable	122,645	-		122,645
Inventories	58,323	-		58,323
Future income tax asset	7,567	-		7,567
	<u>828,721</u>	-		<u>828,721</u>
Restricted cash	35,759	-		35,759
Property, plant and equipment	548,637	13,795	a	562,432
Investments (note 6)	53,002	3,677	b	56,679
Future income tax asset	21,750	(5,696)	d	16,054
Deferred charges	2,408	(2,408)	c	-
Derivatives (note 7)	-	17,965	c	17,965
Other assets	42,663	(13,795)	a	28,868
	<u>\$1,532,940</u>	<u>\$ 13,538</u>		<u>\$ 1,546,478</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$163,106	(5,444)	d	\$157,662
Long-term debt	109,080	-		109,080
Reclamation liabilities	65,812	-		65,812
Derivatives (note 7)	-	51,494	c	51,494
Other liabilities	30,617	(7,958)	c	22,659
Future income tax liabilities	42,366	(2,166)	d	40,200
Non-controlling interest	49,125	3,539	d	52,664
	<u>460,106</u>	<u>39,465</u>		<u>499,571</u>
<b>Shareholders' equity</b>				
Share capital	337,338	-		337,338
Contributed surplus	66,999	-		66,999
Stock based compensation	915	-		915
Retained earnings	669,385	(381)	d	669,004
Accumulated other comprehensive loss (note 10)	-	(27,349)	d	(27,349)
Foreign currency translation account	(1,803)	1,803	e	-
	<u>1,072,834</u>	<u>(25,927)</u>		<u>1,046,907</u>
	<u>\$1,532,940</u>	<u>\$ 13,538</u>		<u>\$ 1,546,478</u>

- (a) We have reclassified the cost of issuing debt for the Las Cruces credit facility to *Property, plant and equipment*. These costs were previously capitalized.
- (b) We have designated investments we previously accounted for at cost as available for sale, and recorded them at fair value.
- (c) We have reflected derivatives that were previously off balance sheet at fair value. We have recorded the accumulated ineffective portion of the hedges in opening retained earnings.
- (d) All adjustments are net of tax and non-controlling interest. The above amounts include an additional adjustment identified in the second quarter of 2007 with respect to deferred amounts existing on the adoption date which should have been allocated to AOCI instead of retained earnings in the amount of \$7 million.
- (e) We have reclassified the foreign currency translation account to AOCL.

### 3. Recently issued accounting pronouncements

- (a) In December 2006, the CICA issued Handbook Section 3862, *Financial Instruments – Disclosure* and Section 3863, *Financial Instruments – Presentation* which will become effective for us beginning on January 1, 2008. Section 3862 replaces the disclosure portion of Section 3861. It places increased emphasis on disclosing the nature and extent of risks arising from both recognized and unrecognized financial instruments, and how these risks are managed. Section 3863 carries forward the presentation requirements from Section 3861.
- (b) In June 2007, the CICA issued Handbook Section 3031, *Inventories* which will become effective for us beginning on January 1, 2008. This section requires that inventory be recorded at the lower of cost or net realizable value, which is our current accounting policy. The section also clarifies the allocation of fixed production overhead, requires consistent use of either first-in, first-out or weighted average to measure inventories, and requires that any previous write-downs be reversed when the value of inventories increases. The amount of the reversal is limited to the amount of the original write-down.

We are reviewing the above standards, and have not yet determined the impact, if any, on our consolidated financial statements.

### 4. Statement of cash flows

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

#### For the six months ended June 30, 2007

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

#### For the six months ended June 30, 2006

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Las Cruces	Total
Accounts receivable	\$14	\$(2,053)	\$(12,058)	\$(4,113)	\$(1,606)	\$ -	\$(19,816)
Inventories	-	870	626	(4,681)	2,456	-	(729)
Accounts payable and accrued liabilities	(2,262)	3,368	48	(1,113)	(259)	512	294
Taxes payable	(2,067)	8,912	3,141	-	26,048	-	36,034
Other	(1,060)	12	-	-	172	-	(876)
	\$(5,375)	\$11,109	\$(8,243)	\$(9,907)	\$26,811	\$512	\$14,907

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

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

### For the three months ended June 30, 2006

(thousands)	Corporate	Çayeli	Pyhäsalmi	Troilus	Ok Tedi	Las Cruces	Total
Accounts receivable	\$(177)	\$152	\$(18,585)	\$(5,134)	\$3,687	\$ -	\$(20,057)
Inventories	-	880	483	30	2,941	-	4,334
Accounts payable and accrued liabilities	183	2,049	2,803	52	(3,834)	512	1,765
Taxes payable	(617)	5,919	832	-	14,500	-	20,634
Other	(1,003)	5	-	-	194	-	(804)
	<b>\$(1,614)</b>	<b>\$9,005</b>	<b>\$(14,467)</b>	<b>\$(5,052)</b>	<b>\$17,488</b>	<b>\$512</b>	<b>\$5,872</b>

## 5. Restricted cash

The table below shows our restricted cash balances.

(thousands)	June 30 2007	December 31 2006
Cash collateralized for letters of credit – Las Cruces – current	<b>\$15,216</b>	-
Collateralized cash for letter of credit facility	<b>14,500</b>	14,300
In trust for Ok Tedi rehabilitation	<b>11,071</b>	10,982
Cash collateralized for letters of credit – Las Cruces – long-term	<b>10,642</b>	10,477
	<b>\$51,429</b>	<b>\$35,759</b>

The letters of credit Las Cruces issued are for the following:

- €10.2 million to secure payments that will ultimately be used for the construction of the plant
- €3.1 million to secure payments that will ultimately be for the use of an electrical substation
- €2.5 million to secure payments to local townships that it will owe once certain licences are granted
- €2.1 million for dewatering and other purposes.

## 6. Investments

The table below shows our investments.

(thousands)	June 30 2007 (fair value)	January 1 2007 (fair value - adjusted)	December 31 2006 (historical cost – as reported)
Wolfden Resources Inc. (note 11)	<b>\$-</b>	\$39,690	\$39,705
Premier Gold Mines Ltd.	<b>21,924</b>	13,041	10,920
Other	<b>4,875</b>	3,948	2,377
	<b>\$26,799</b>	<b>\$56,679</b>	<b>\$53,002</b>

## 7. Derivatives

The table below shows the fair value of our derivatives.

(thousands)	<b>June 30 2007 (fair value)</b>	January 1 2007 (fair value - adjusted)	December 31 2006 (historical cost – as reported)
<b>Derivative asset:</b>			
Las Cruces currency forward sale	<b>\$17,429</b>	\$17,965	\$-
Las Cruces interest rate swaps	<b>271</b>	-	-
	<b>\$17,700</b>	\$17,965	-
<b>Derivative liabilities:</b>			
Troilus gold forward sales	<b>30,360</b>	43,156	-
Ok Tedi gold and copper forward sales	<b>9,012</b>	7,220	-
Las Cruces interest rate swaps	-	1,118	-
	<b>\$39,372</b>	\$51,494	\$-

## 8. Long-term debt

(thousands)	<b>June 30 2007</b>	December 31 2006
Credit facility – Tranche A	<b>\$79,310</b>	\$53,792
– Tranche B	<b>28,840</b>	23,054
Promissory note	<b>15,979</b>	16,786
Loans from non-controlling shareholder	<b>41,445</b>	15,448
	<b>\$165,574</b>	\$109,080

### ***Credit facility***

This quarter, Las Cruces borrowed an additional €13 million (2007 year to date - €20 million) under Tranche A, the US \$240 million senior secured facility, and an additional €3 million (2007 year to date - €5 million) under Tranche B, the €69 million senior secured bridge financing facility. The credit facility loans approximate fair value because the loans accrue interest at prevailing market rates.

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

This quarter, Las Cruces received €49 million (2007 year to date - €59 million) in intercompany loan advances. These loans bear interest at EURIBOR plus 8.55 percent and are due to be repaid on February 25, 2020. The non-controlling portion of these loans, €28.7 million, is reflected in long-term debt at June 30, 2007. Loans from non-controlling shareholders approximate fair value because the loans accrue interest at prevailing market rates.

## 9. Commitments

Our operations had the following capital commitments as at June 30, 2007:

- Las Cruces has committed €167 million to engineering, procurement and construction management and additional construction work related to the pit and plant.
- Ok Tedi has committed approximately US \$14.2 million (our proportionate share is US \$2.6 million) to capital expenditures related to the mine waste management program.

## 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 \$2,166)	<b>\$(37,215)</b>
Unrealized gains on foreign exchange forward contract <sup>1</sup>	8,803
Unrealized losses on interest rate swap contracts <sup>2</sup>	(168)
Unrealized gains on investments (net of tax of \$643)	3,034
Currency translation adjustment	(1,803)
<b>AOCL, January 1, 2007</b>	<b>\$(27,349)</b>
Other comprehensive loss for the six months ending June 30, 2007	(39,560)
<b>AOCL, June 30, 2007</b>	<b>\$(66,909)</b>

AOCL June 30, 2007 comprises:

Unrealized losses on gold and copper forward sales contracts (net of tax of \$2,641)	<b>\$(26,321)</b>
Unrealized gains on foreign exchange forward contract <sup>3</sup>	9,094
Unrealized losses on interest rate swap contracts <sup>4</sup>	(288)
Unrealized gains on investments (net of tax of \$2,167)	10,612
Currency translation adjustment	(60,006)
<b>AOCL, June 30, 2007</b>	<b>\$(66,909)</b>

1. Net of tax of \$5,389 and non-controlling interest of \$3,773.
2. Net of tax of \$103 and non-controlling interest of \$72.
3. Net of tax of \$5,567 and non-controlling interest of \$3,899.
4. Net of tax of \$178 and non-controlling interest of \$124.

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

(thousands)	June 30 2007	December 31 2006
Pyhäsalmi (euro functional currency)	<b>\$(2,124)</b>	\$5,637
Las Cruces (euro functional currency)	<b>(4,331)</b>	8,095
Çayeli (US dollar functional currency)	<b>(39,619)</b>	(9,278)
Ok Tedi (US dollar functional currency)	<b>(13,932)</b>	(6,257)
	<b>\$(60,006)</b>	\$(1,803)

The Canadian dollar to US dollar exchange rate was \$1.07 at June 30, 2007, and \$1.17 at December 31, 2006. The Canadian dollar to euro exchange rate was \$1.44 at June 30, 2007, and \$1.54 at December 31, 2006.

## 11. Investment and other income

(thousands)	three months ended June 30		six months ended June 30	
	2007	2006	2007	2006
Gain on sale of Izok	\$-	\$-	\$-	\$23,905
Gain on sale of Wolfden	11,730	-	11,730	-
Interest and dividend income	8,265	2,657	16,144	4,237
Foreign exchange loss	(9,400)	(138)	(9,545)	(220)
Other	2,707	68	2,263	363
	<b>\$13,302</b>	<b>\$2,587</b>	<b>\$20,592</b>	<b>\$28,285</b>

### ***Gain on sale of investments***

In 2006, we sold our interest in the Izok development property to Wolfden Resources Inc., and recorded a gain of \$23.9 million. In exchange, we received 13.5 million common shares of Wolfden and 9.5 million common shares of Premier Gold Mines Ltd. This quarter, we sold our shares in Wolfden to Zinifex Canadian Enterprises Inc. for cash proceeds of \$51.4 million or \$3.81 per share, and recorded a gain of \$11.7 million.

### ***Interest and dividend income***

Interest income was higher this quarter and for the six months ended June 30, 2007, compared to the same periods in 2006, because of higher cash balances.

### ***Foreign exchange***

We recorded a foreign exchange loss of \$9.4 million during the quarter because of the revaluation of certain short-term foreign intercompany loans and foreign currency cash balances held by Corporate, and the recognition of deferred foreign exchange losses from dividends from Ok Tedi.

## 12. Income tax expense

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

### For the six months ended June 30, 2007

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

### For the six months ended June 30, 2006

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Las Cruces	Total
Current income taxes	\$-	\$19,793	\$12,921	\$41,993	\$-	\$74,707
Future income taxes	-	(10,491)	108	(3,888)	-	(14,271)
	\$-	\$9,302	\$13,029	\$38,105	\$-	\$60,436

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

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

### For the three months ended June 30, 2006

(thousands)	Corporate	Çayeli	Pyhäsalmi	Ok Tedi	Las Cruces	Total
Current income taxes	\$(47)	\$11,854	\$8,950	\$28,245	\$-	\$49,002
Future income taxes	-	(11,951)	62	(3,873)	-	(15,762)
	\$(47)	\$(97)	\$9,012	\$24,372	\$-	\$33,240

In June 2006, the Turkish government enacted tax legislation that reduced Çayeli's corporate tax rate to 20 percent, effective January 1, 2006. Çayeli recorded an income tax recovery of \$10 million for the six months ended June 30, 2006 from a reduction in its future income tax liability.

### 13. Net income per share

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

	three months ended June 30		six months ended June 30	
(thousands)	2007	2006	2007	2006
Net income available to common shareholders	<b>\$138,050</b>	\$132,090	<b>\$239,128</b>	\$211,651
 (thousands)				
Weighted average common shares outstanding	<b>48,278</b>	48,197	<b>48,278</b>	48,148
Plus incremental shares from assumed conversions deferred share units	<b>78</b>	78	<b>78</b>	78
Diluted weighted average common shares outstanding	<b>48,356</b>	48,275	<b>48,356</b>	48,226
 (Canadian dollars per share)				
Basic net income per common share	<b>\$2.86</b>	\$2.74	<b>\$4.95</b>	\$4.40
Dilutive effect from assumed conversions of deferred share units per common share	-	-	-	(0.01)
Diluted net income per common share	<b>\$2.86</b>	\$2.74	<b>\$4.95</b>	\$4.39