

**TURNING VISION INTO REALITY**

**FEBRUARY 2015**

TSX: FM; LSE: FQM



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## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENT**

**Some of the statements contained in the following material are forward-looking statements and not statement of facts. Such statements are based on the current beliefs of management, as well as assumptions based on management information currently available.**

**Forward-looking statements are subject to various risks, uncertainties and other factors that could cause actual results to differ materially from expected results.**

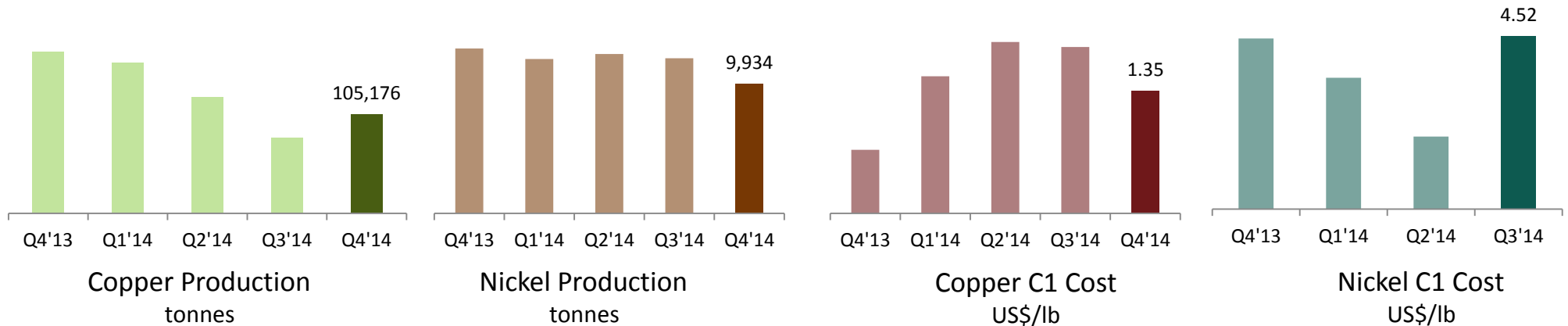
**Readers must rely on their own evaluation of these uncertainties.**

**Note: all dollar amounts in US dollars unless otherwise indicated**



## 2014 - A GOOD YEAR WITH HIGHEST COPPER PRODUCTION IN OUR HISTORY

- **Production within guidance**
  - Copper up 4% to 427,655 tonnes
  - Nickel down 3% to 45,879 tonnes
  - Gold down 7% to 229,813 ounces
- **Low cash cost maintained**
  - Copper C1 of \$1.41 per pound
  - Nickel C1 of \$4.40 per pound
- **Realized metal prices**
  - Copper down 6%
  - Nickel up 11%
- **Comparative earnings of \$474.5M or \$0.80 per share**
- **Cash flows from operations of \$1,361.4M<sup>(1)</sup>**



<sup>(1)</sup> Before working capital and tax paid



## ZAMBIAN DEVELOPMENTS

- Amended Zambian tax regime
  - Effective January 1, 2015
  - Reduced corporate tax to 0%
  - Increased royalties from 6% to 20%
  - Decreased EBITDA at Zambian operations
- VAT refunds outstanding
  - \$246M claims at end of December
  - Classified as non-current
- On-going dialogue with government authorities to resolve
- Newly-elected President directed authorities to expedite talks and reach prompt resolution



## ENSURING ABILITY TO WITHSTAND PROLONGED LOW METAL PRICE ENVIRONMENT

- Reduced capital expenditure program
  - From \$2.9B in 2014 to between \$1.2B and \$1.4B in 2015
  - Reflects completion of Sentinel, the smelter and other smaller projects
  - Workplan unchanged at Cobre Panama; \$600M capex estimate for 2015; project's progress intact
- Lowered common share dividend to 10% of comparative earnings
- Identifying opportunities to further reduce operating costs and cash outflows
- Continual engagement with bankers
  - Lead bankers agreed to change Net Debt/EBITDA covenant and will recommend change to broader lending group



**ONE OF THE  
FEW MINING  
COMPANIES  
*INVESTING* IN  
BUILDING CAPACITY**



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## BUILDING A LEADING COPPER-FOCUSED COMPANY SENTINEL

- \$2B capital investment
- >15 years mine life
- 55 Mtpa copper throughput
- Production of up to 300 Ktpa copper
- 3 semi-mobile in pit crushers and assembly of large scale mining equipment
- Large operating SAG/Ball mill trains (100MW milling power)
- 690 staff houses plus 590 houses in resettlement
- Development of a new town, airport, clinic, school etc....





# SENTINEL - OVERVIEW



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## SENTINEL: CONCENTRATE IN PRODUCTION





# Sentinel



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## BUILDING A LEADING COPPER-FOCUSED COMPANY

### COPPER SMELTER

- Processing capacity of 1.2 Mtpa
- Combination of concentrate from Kansanshi & Sentinel
- Average copper grade 26%
- Production 300,000 Tpa copper; 1.0 Mtpa sulphuric acid
- Commissioning underway





## **SMEILTER: FIRST ANODES DEC 28, 2014**





## **SMELTER: FIRST ANODES DEC 28, 2014**





## BUILDING A LEADING COPPER-FOCUSED COMPANY

### Cobre Panama – A Tier 1 Copper Project

- A large, robust project
  - Installed capacity Yrs 1-10 = ~70 Mtpa
  - Expansion up to 100 Mtpa beyond Yr 10
  - Average annual LOM\* copper production of 320,000 tonnes
  - Average annual LOM by-product production
    - ✓ 100,000 ounces gold; 1,800,000 ounces silver and 3,500 tonnes molybdenum
- Mine life of 34 years
- 100% capex = \$6.4B
- Commissioning & 1<sup>st</sup> concentrate production – Q4 '17



\* On the basis of the current Resource estimate and the planned installed capacity of about 70 Mtpa



## COBRE PANAMA – MILL AREA CIVILS





## COBRE PANAMA: MILLING AREA SAG MILL AND MILL BUILDING FOUNDATIONS





## COBRE PANAMA PORT AREA MATERIAL OFFLOADING FACILITY WHARF





## COBRE PANAMA: 300MW POWER STATION BOILER ISLAND AND PULVERIZER FOUNDATIONS





# **STRONG LONG-TERM FUNDAMENTALS FOR COPPER INTACT**





**Forces at work in the copper market suggest a near-term price range between \$2.80 and \$3.50 shifting to \$3.50 to \$4.00 within 2 years**

\$4.00/lb

**2017-2021 Price Range**

\$3.50/lb

**2015-2016 Price Range**

For what it's worth...  
Consensus for 2015  
(January forecasts) is  
\$2.85/lb

Analyst LT Consensus Price

\$3.00/lb

Price floor on an annual basis

90th percentile  
Total Cash Cost +  
Sussex

\$2.80 /lb

2015 C1 adjusted for

- Updated WoodMac cost curve
- Forex
- Oil \$50/bbl
- Spot by-product prices

\$2.05/lb

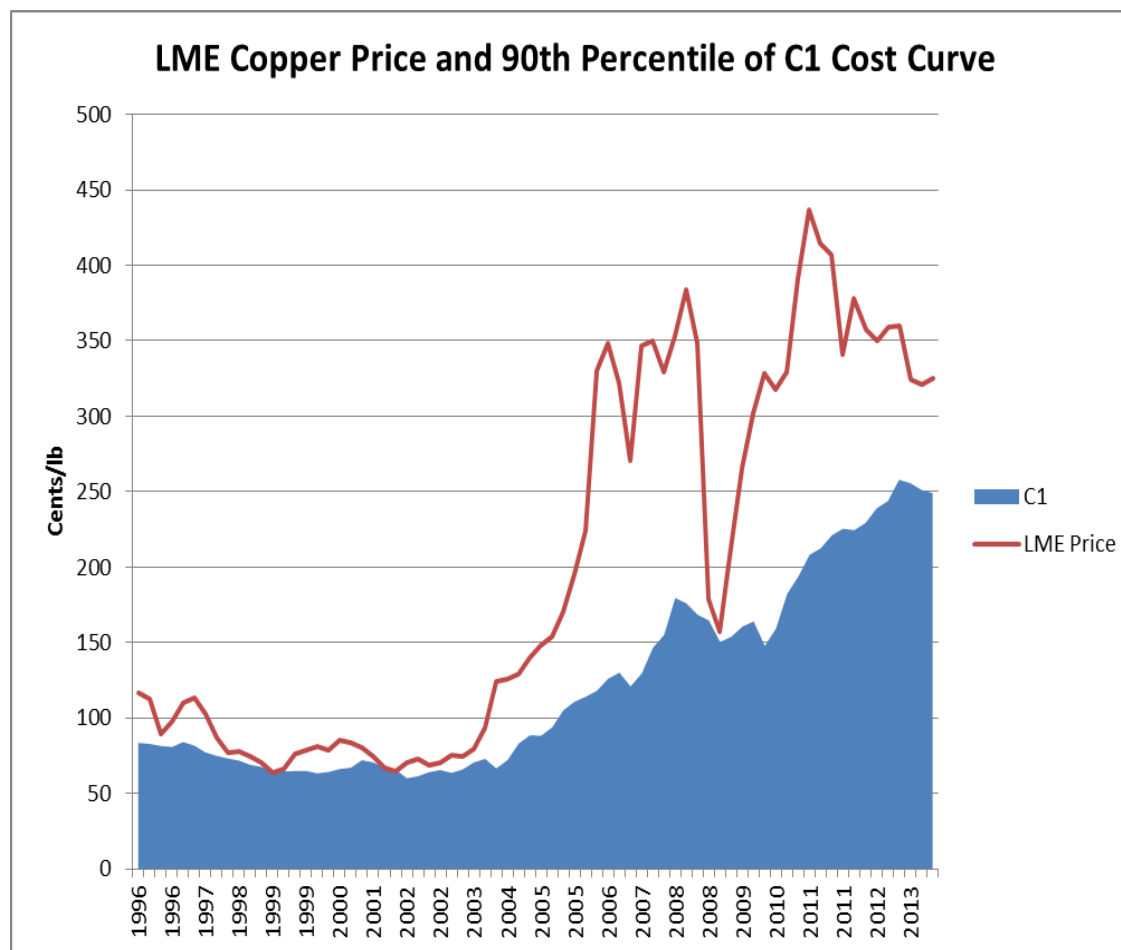
Price floor on a quarterly basis

90th percentile C1





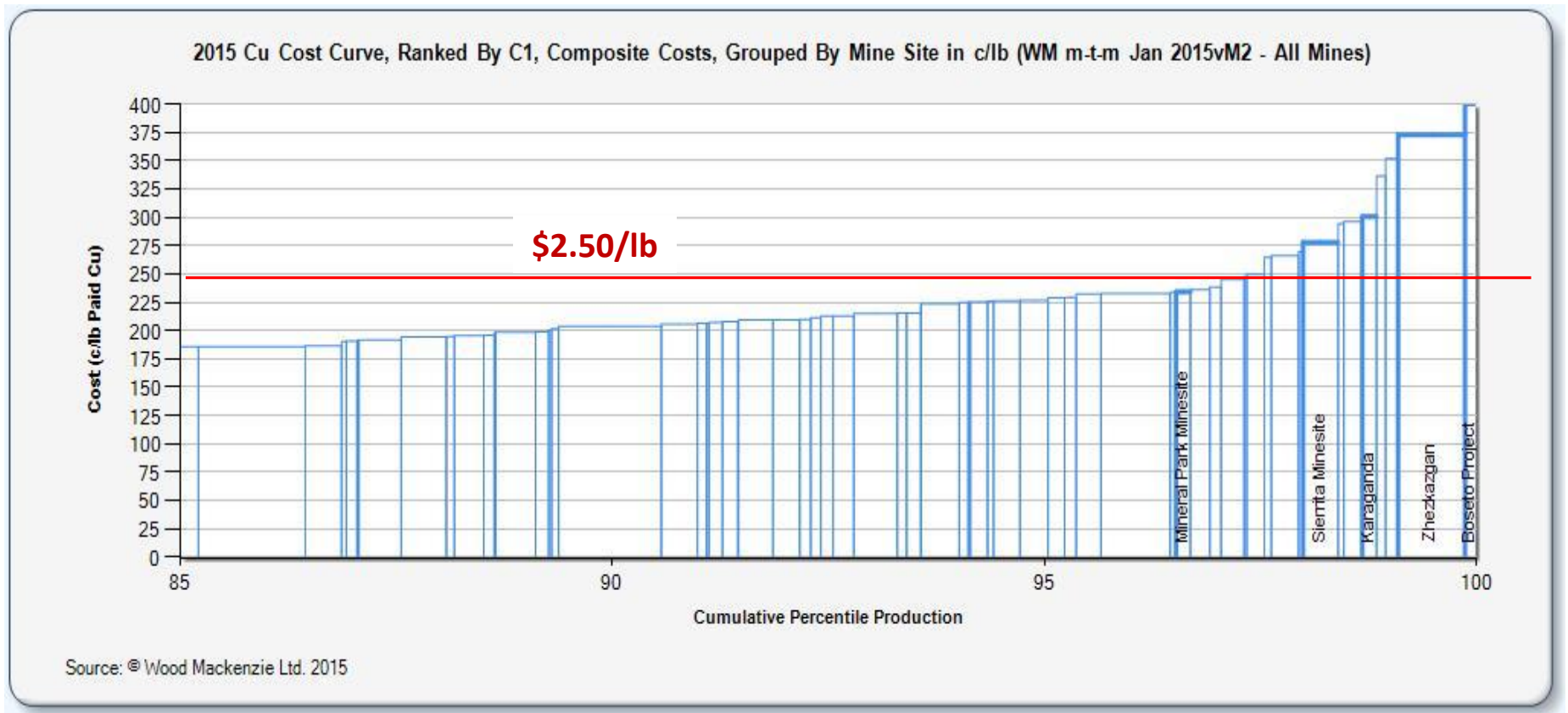
## C1 90<sup>th</sup> Percentile historically provided solid floor on quarterly basis



Over 72 quarters, price only breached 90<sup>th</sup> percentile 3 times – and by no more than 1¢/lb.



## What production is likely to fall out if \$2.50 Cu is sustained?



- Reuters Poll in late January put consensus copper market surplus at 220 kt.
- Will China's State Reserve Bureau return as a buyer?

- Of 1.8 Mt above the 90<sup>th</sup> percentile,
- 300 kt very vulnerable
  - 300 kt somewhat vulnerable
  - 1200 kt unlikely to close

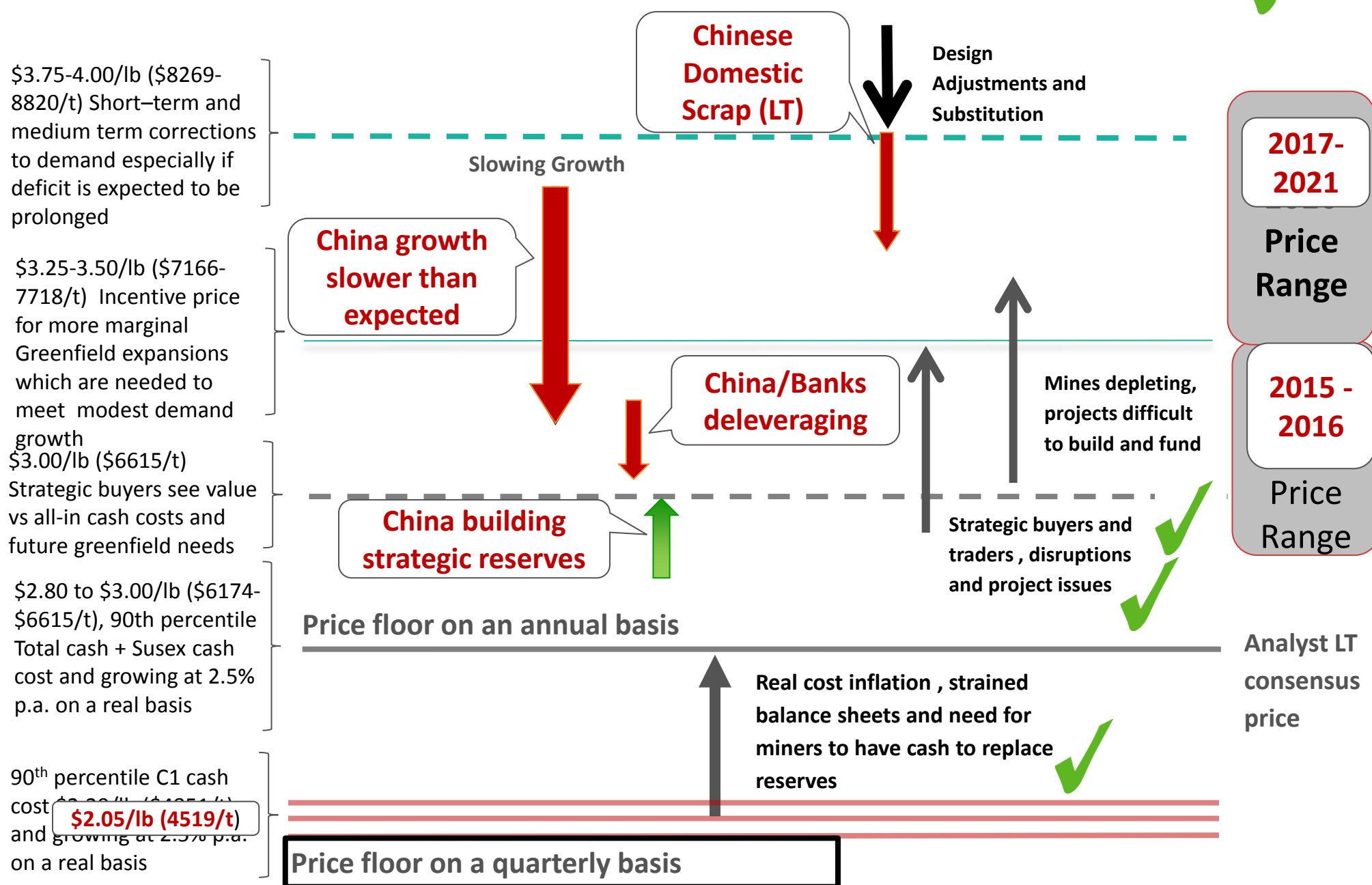




## **No reason for this cyclical dip to behave significantly differently from previous ones**

- 90th percentile C1 (\$2.05/lb) should provide floor on a quarterly basis
- Relative to 23 Mt copper market, the currently forecast surplus is small
  - As miners cut costs there will be disruptions until operations become accustomed to new environment
  - At \$2.50 copper, scrap collection will be slow

# Forces at work in the copper market suggest a near-term price range between \$2.80 and \$3.50 shifting to \$3.50 to \$4.00 within 2 years ✓





# **GROWTH SUPPORTED BY SEVEN OPERATING MINES**





## FULL YEAR 2015 GUIDANCE

- **Production ranges**
  - Copper 410,000 - 440,000 tonnes
  - Nickel 32,000 - 40,000 tonnes
  - Gold 218,000 - 247,000 ounces
  - Zinc 40,000 - 45,000 tonnes
  - Platinum 26,000 - 29,000 ounces
  - Palladium between 25,000 – 35,000 ounces
- **C1 cash cost ranges**
  - Copper \$1.30 - \$1.55/lb.
  - Nickel \$4.80 - \$5.30/lb.
- **Capital expenditures**
  - \$1.2B to \$1.4B

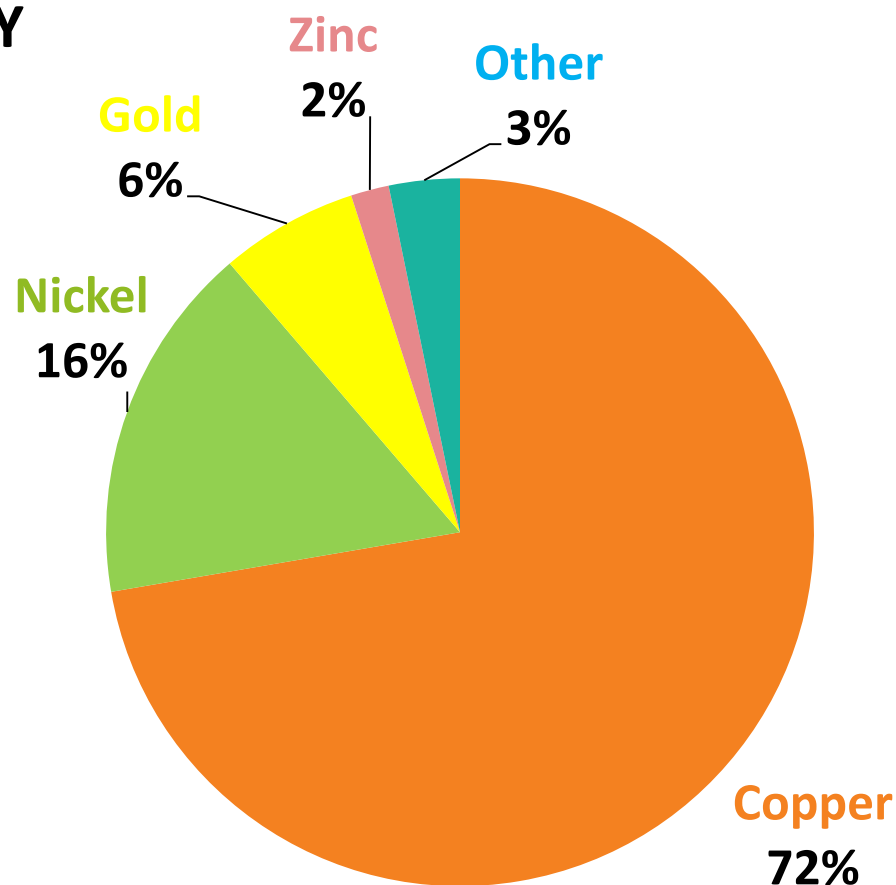


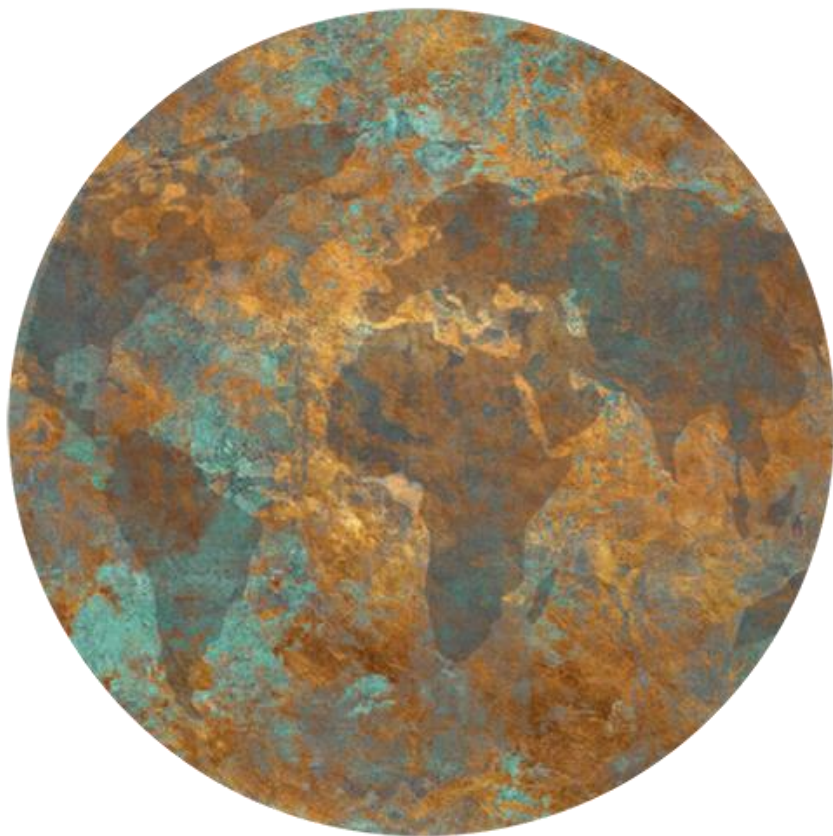


## Revenues

### A COPPER-FOCUSED, GLOBAL COMPANY

- ✓ Significant Nickel and Gold Production
- ✓ Operations and Projects in 9 countries
- ✓ High-Quality, Stable, Efficient Operations
- ✓ Industry-Leading Growth
- ✓ Unique Core Strength of In-House Project Development
- ✓ Strong Track Record of Project Development and Shareholder Returns





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February 2015

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