FIRST QUANTUM MINERALS LTD.

Management's Discussion and Analysis

For the year ended December 31, 2016

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of First Quantum Minerals Ltd. ("First Quantum" or "the Company") for the year ended December 31, 2016. The Company's results have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in United States dollars, tabular amounts in millions, except where noted.

For further information on First Quantum, reference should be made to its public filings (including its most recently filed AIF) which are available on SEDAR at www.sedar.com. Information is also available on the Company's website at www.first-quantum.com. This MD&A contains forward-looking information that is subject to risk factors, see *"Regulatory Disclosures"* for further discussion. Information on risks associated with investing in the Company's securities and technical and scientific information under National Instrument 43-101 concerning the Company's material properties, including information about mineral resources and reserves, are contained in its most recently filed AIF. This MD&A has been prepared as of February 16, 2017.

Consolidated Operating Information – Continuing[1,2]	**Q4 2016**	**Q3 2016**	**Q4 2015**	**2016**	**2015**
Copper production (tonnes)[3,4]	146,101	142,721	115,886	539,458	411,025
Copper sales (tonnes)[3]	136,265	136,051	119,534	535,613	391,653
Cash cost of copper production (C1)[5] (per lb)	$1.22	$0.97	$1.06	$1.06	$1.21
All-in sustaining cost (AISC)[5] (per lb)	$1.71	$1.36	$1.51	$1.46	$1.85
Total cost of copper production (C3)[5] (per lb)	$1.91	$1.74	$1.85	$1.83	$2.14
Realized copper price (per lb)	$2.18	$2.23	$2.40	$2.26	$2.49
Nickel production (contained tonnes)	6,206	5,330	7,652	23,624	26,667
Nickel sales (contained tonnes)	6,073	5,454	8,583	25,882	26,933
Cash cost of nickel production (C1)[5] (per lb)	$4.46	$5.01	$4.49	$4.66	$4.60
All-in sustaining cost (AISC)[5] (per lb)	$5.03	$5.90	$4.95	$5.29	$5.30
Total cost of nickel production (C3)[5] (per lb)	$6.16	$6.71	$5.82	$6.34	$5.99
Realized nickel price (per payable lb)	$4.50	$4.68	$4.29	$4.25	$5.18
Gold production (ounces)	54,234	52,957	53,889	214,012	211,067
Gold sales (ounces)	45,620	54,124	57,958	232,783	213,927

Consolidated Financial Information	**Q4 2016**	**Q3 2016**	**Q4 2015**	**2016**	**2015**
Sales revenues	689	605	719	2,673	2,511
Gross profit	52	80	110	339	287
Net earnings (loss) from continuing operations attributable to Shareholders of the Company	12	36	111	222	(501)
Net earnings (loss) from discontinued operations	-	-	3	(267)	5
Net earnings (loss) per share from continuing operations attributable to shareholders of the Company	$0.02	$0.05	$0.16	$0.32	($0.77)
Basic earnings (loss) per share	$0.02	$0.05	$0.17	($0.07)	($0.77)
Diluted earnings (loss) per share	$0.02	$0.05	$0.17	($0.07)	($0.77)
Comparative EBITDA[2]	218	220	224	964	732
Comparative earnings[2]	27	37	182	165	256
Comparative earnings per share[2]	$0.04	$0.05	$0.27	$0.24	$0.40

in United States dollars, tabular amounts in millions, except where noted

[1] Operating performance measures exclude Kevitsa. In accordance with the requirement of IFRS 5 - *Non-current assets Held for Sale and Discontinued Operations*, Kevitsa has been classified as a discontinued operation for the three and twelve months ended December 31, 2016; and accordingly, comparative 2015 financial information has been re-presented. For further discussion on Kevitsa, please see "Kevitsa Discontinued Operation" below.
[2] Net earnings (loss) attributable to shareholders of the Company and Earnings before interest, tax, depreciation, amortization and impairment ("EBITDA") have been adjusted to exclude items which are not reflective of underlying performance to arrive at comparative earnings and comparative EBITDA, EBITDA, comparative earnings, comparative earnings per share and comparative EBITDA are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. The Company has disclosed these measures to assist with the understanding of results and to provide further financial information about the results to investors. See "*Regulatory Disclosures*" for a reconciliation of comparative EBITDA and comparative earnings and quarterly figures.

	2016	2015
Net earnings (loss) from continuing operations attributable to shareholders of the Company	222	(501)
Adjustments attributable to shareholders of the Company:		
Total adjustments to EBITDA including impairment:	(2)	285
Comparative tax adjustments	(78)	537
Tax and Minority interest on comparative adjustments	23	(65)
Comparative earnings	165	256

[3] Total copper production includes production at Sentinel of 47,785 tonnes and 139,600 tonnes for the three and twelve months ended December 31, 2016, respectively (15,190 tonnes and 32,971 tonnes for three and twelve months ended December 31, 2015, respectively). Total copper sales include sales at Sentinel of 39,494 tonnes and 115,782 tonnes for the three and twelve months ended December 31, 2016, respectively (6,422 tonnes and 8,896 for three and twelve months ended December 31, 2015). The Company determined that commercial production at Sentinel commenced effective November 1, 2016; therefore, revenue and operating costs at Sentinel have been recorded for the period from November 1, 2016 to December 31, 2016 in the Statement of Earnings (loss). Consequently, production and sales at Sentinel that is pre-commercial production is excluded from earnings, C1 cash cost, AISC & C3 total cost. Please see "Sentinel" operation below for further discussion.
[4] Production is presented on a copper contained basis, and is presented prior to processing through the Kansanshi smelter.
[5] C1 cash cost, AISC, C3 total cost are not recognized under IFRS. See "*Regulatory disclosures*" for further information.

	Q4 2016	Q3 2016	Q4 2015	2016	2015
Cash cost of copper production (C1) (per lb) (excluding Sentinel)	$1.16	$0.97	$1.06	$1.03	$1.21
Cash cost of copper production (C1) (per lb) (including Sentinel)	$1.22	$0.97	$1.06	$1.06	$1.21
All-in sustaining cost (AISC) (per lb) (excluding Sentinel)	$1.61	$1.36	$1.51	$1.41	$1.85
All-in sustaining cost (AISC) (per lb) (including Sentinel)	$1.71	$1.36	$1.51	$1.46	$1.85

Quarterly mining cash costs within C1 cash costs and AISC can vary quarter on quarter depending on variables such as the impact of the rain season in Zambia, and the timing of maintenance programs, and are typically at their highest in the first and fourth quarter of the year. Total C1 cash costs can also be impacted by other variables such as maintenance programs and by-product credits. A review of quarterly C1 cash costs is given under *Fourth Quarter Highlights* on page 6.

Business overview

Challenging conditions continued in 2016 for the natural resource industry. Market prices for metals remained low for most of the year which put the financial position of many producers under pressure. For the Company's main metal, copper, the LME cash price for the year ranged from a low of $1.96 per lb to a high of $2.69 per lb. The year's average of $2.20 per lb compared to $2.49 per lb for the previous year.

In 2015, First Quantum introduced a number of measures to further strengthen its financial position in light of the market conditions. The execution of these measures was successfully carried into 2016 with the sale of the non-core Kevitsa operation, completion of a refinancing, continuation of the sales hedge programs and maintenance of the company-wide margin improvement programs. At year-end 2016, First Quantum had $713 million of committed undrawn facilities, $565 million in net unrestricted cash, $964 million of working capital, as well as future cash flows which support its operating and growth plans. The Company was in full compliance with all its debt covenants. At February 16, 2017 the Company had 432,500 tonnes of unsettled unmargined copper sales hedges at an average $2.27 per lb with maturities to December 2017.

Operations were strong in 2016. New Company records for annual copper production and sales were set as the Sentinel operation ramped up over the course of the year and the Las Cruces mine achieved its highest operating levels. As a result, the Company's gross profit exceeded that of 2015 despite the much lower copper price.

In 2016, 60% of the Company's revenues were generated from our operations in Zambia. In June 2016, a new mining tax regime came into effect which reduced the mining royalty rates for open pit mining from 9% to a sliding scale of 4% to 6% depending on the LME monthly average price, retained the 30% corporate tax, eliminated the variable profits tax and suspended the 10% export duty on ores and concentrates applicable to nickel for which there are no processing facilities in country.

In July 2015, power generation and supply in Zambia was impacted by low water levels in the Kariba dam which provided the majority of the country's electricity. This directly impacted the ramp-up of First Quantum's Sentinel operation. Over the course of 2016, power supply was augmented by imports from other southern African countries and a critical power line connecting Sentinel to the national grid was completed and energized. With stable and increasingly higher power supply, Sentinel was declared in commercial production effective November 1, 2016.

Development of the Cobre Panama project continues on track for a phased commissioning in 2018 and continued ramp-up in 2019. The project is owned 80% by First Quantum and 20% by Korea Panama Mining Corporation. Its development capital is being funded on the same percentage basis with First Quantum's share inclusive of a $1 billion contribution from Franco-Nevada under a precious metals stream agreement.

When Cobre Panama is completed and fully operational, it is expected to add over 300,000 tonnes of copper to First Quantum's total annual production.

Full year highlights

Operational highlights

Annual production for all metals exceeded guidance

- Copper production (excluding Sentinel) of 399,858 tonnes exceeded annual production guidance of 385,000 tonnes.

Commercial production achieved at Sentinel

- At Sentinel, copper production of 139,600 tonnes and commercial production in November 2016.

Copper production 31% higher than 2015

- Copper production of 539,458 tonnes was higher than 2015 by 128,433 tonnes, resulting from the increased contribution of 106,629 tonnes from Sentinel and an increase in copper production at Kansanshi reflecting increase in milling volumes and overall plant recovery. These increases were partially offset by lower production at Guelb Moghrein due to a drop of 25% in copper grade and decrease in tonnes milled.
- The Sentinel mine produced a total of 139,600 tonnes of copper of which 104,467 tonnes is pre-commercial production.
- The Kansanshi smelter, which declared commercial production on July 1, 2015, processed 1,143,974 dry metric tonnes ("DMT") of concentrate in 2016, compared to 709,188 DMT in 2015. The smelter produced 257,330 tonnes of copper anode and 1,109,000 tonnes of sulphuric acid, and achieved an overall copper recovery of 97% in 2016.

Nickel production lower due to maintenance and repair shutdowns throughout 2016

- Nickel production of 23,624 tonnes in 2016 was lower compared to 2015 by 3,043 tonnes, primarily due to maintenance and repairs to the high pressure acid leaching ("HPAL") circuits throughout 2016 at Ravensthorpe.

Gold production slightly higher than 2015

- Gold production of 214,012 ounces in 2016 was 2,945 ounces higher than 2015 primarily due to higher gold production at Kansanshi, reflective of increased concentrate production and improved concentrate grade. This was offset by lower gold production at Guelb Moghrein due to lower gold feed grade.

Copper sales volumes 37% higher while nickel sales volumes on par with 2015

- Copper sales volumes of 535,613 tonnes were 37% higher than 2015, reflecting higher sales volumes at Sentinel and at Kansanshi, partially offset by lower sales volumes at Guelb Moghrein.
- Nickel sales volumes of 25,882 tonnes decreased slightly by 4% compared to 2015 at Ravensthorpe.

Copper C1 cash cost at $1.03 per pound (excluding Sentinel), lower by 15% from 2015

- The average copper production C1 cash cost of $1.03 per lb (excluding Sentinel) was significantly lower than C1 cash cost of $1.21 per lb in 2015, reflecting impact of acid consumed from the smelter, lower fuel costs, lower treatment charges associated with external smelters, reduced freight charges at Kansanshi and improvement in operating costs from cost savings initiatives implemented at all operations.
- The average copper production C1 cash cost, inclusive of Sentinel following declaration of commercial production on November 1, 2016, was $1.06 per lb.

Nickel C1 cash cost at $4.66 per pound on par with 2015

- The average nickel production C1 cash cost at $4.66 per lb in 2016 compared to $4.60 per lb in 2015.

in United States dollars, tabular amounts in millions, except where noted

Financial highlights

Sales revenues increased by 6% in 2016 due to start of commercial production at Sentinel

- Sales revenues of $2,673 million increased by $162 million compared to 2015 principally due to revenues generated by Sentinel subsequent to commencement of commercial production effective November 1, 2016. Excluding the impact of Sentinel, sales revenues for 2016 were $9 million higher than 2015 as a 10% increase in copper sales volumes offset the lower net realized copper and nickel prices, and lower nickel sales volumes.
- Compared to 2015, the realized copper price fell 9%. However, due to a full year of operations at the Kansanshi smelter, the impact on the net realized copper price was only 7% as a result of lower treatment and refining charges ("TC/RC"). The realized copper price for the year was 3% above the average LME price, due principally to the impact of the Company's sales hedging program.

Gross profit in 2016 higher on lower operating costs and Zambian royalty costs, partially offset by lower metal prices and higher depreciation

	Continuing Operations
Gross profit in 2015	$287
Lower realized metal prices	(240)
Higher sales volumes	116
Lower costs (excluding depreciation and change in royalty)	183
Decrease in royalty rate	107
Foreign exchange	51
Increase in depreciation	(165)
Gross profit in 2016[1]	$339

[1] Gross profit is reconciled to comparative EBITDA by including: exploration costs of $16 million, general, administrative and other costs of $70 million, and adding back depreciation of $686 million, and other income of $25 million.

- Cost savings achieved in 2016 reflect the continuation of the company-wide cost reduction initiative.
- Exploration and general and administrative costs were $27 million lower in 2016 compared to 2015.

Comparative EBITDA on a continuing basis of $964 million

- Comparative EBITDA on a continuing basis of $964 million excludes the impact of foreign exchange losses and revisions in estimates of closed site restoration provisions and is $232 million higher than the same period last year.
- Comparative earnings of $165 million is net of a tax charge of $19 million, finance charges of $13 million and general, administrative and exploration costs of $86 million.
- Net earnings from continuing operations attributable to shareholders totalled $222 million. Net loss attributable to shareholders of the Company of $45 million (including discontinued operations) includes a post-tax loss of $237 million on re-measurement to fair value less costs to sell for Kevitsa.

Financial position and operating cash flow

- The Company ended the year with $565 million of net unrestricted cash and net cash equivalents in addition to $713 million of committed undrawn facilities and was in compliance with all financial covenants. Taking into account forecast operating cash inflows, capital expenditure outflows and available committed facilities, the Company expects to have sufficient liquidity through 2017 to carry out its operating and capital expenditure plans.

- The total amount of value-added tax ("VAT") accrued by the Company's Zambian operations at December 31, 2016, is $275 million, of which $263 million relates to Kansanshi. In February 2015, the Government of Zambia implemented a change to the rules governing VAT. VAT claims totaling Zambian kwacha 1,742 million (currently equivalent to $176 million) made by Kansanshi prior to this date remain outstanding. Amounts totaling $77 million have been received for claims subsequent to February 2015. The balance of VAT refunds has not been received as a result of the application of discretionary rules established and applied by the Commissioner General relating to exports from Zambia. Management of the Company is in regular discussions with the relevant government authorities and continues to consider that the outstanding VAT claims are fully recoverable.

Development projects

- Steady development progress continued at Cobre Panama throughout the year, and overall project progress as at the end of 2016 is estimated to be just over 46% complete overall. The power station and associated infrastructure continued to receive priority for early completion, and pre-commissioning activities for the first 150MW set expected to start in the first quarter of 2017, with first operation of Unit 1 targeted in the second half of 2017. Operation of the second 150MW set is expected to follow in the first half of 2018. These should provide a revenue stream prior to start up of the processing facility. Strong progress was achieved in other areas of the project, most notably in the pre-strip and in the milling area of the process plant. The project remains scheduled for a phased commissioning during 2018, with continued ramp-up over 2019.

Zambian developments

- The power supply situation in Zambia has stabilized and the Company's local operations are currently being provided a total of 301 MW, an increase of 10MW since last quarter, which is adequate for current operations at the Kansanshi mine and smelter complex and at Sentinel. In December 2015, Kansanshi and Sentinel were advised by the state-run power company ("ZESCO") that power tariffs were to be increased to 10.35 cents per kWh effective January 1, 2016, and invoices for power supply under this new tariff have been received. These increases are being disputed and discussions with ZESCO and the Government of Zambia are ongoing.

- The Government of Zambia implemented in 2016 a number of changes to the mining tax regime, including: the repeal the variable profits tax at up to 15% applicable to profits from mining; suspension of the 10% export duty on ores and concentrates applicable to nickel for which there are no processing facilities in Zambia; and reduction in the mining royalty rates for open pit mining from 9% to a sliding scale of 4% to 6% depending on the LME monthly average price and; retention of corporate tax on profits from mining at 30%. The 2017 Zambian budget focused on changes in VAT regulations and increased import tariffs on a wide range of goods. Agreements were reached in December 2016 with the Zambia Revenue Authority ("ZRA") on tax matters relating to the Zambian operations.

- In October 2016, the Company, through its subsidiary Kansanshi Holdings Ltd., received a Notice of Arbitration from ZCCM International Holdings PLC ("ZCCM") under the Kansanshi Mining PLC ("KMP") Shareholders Agreement. ZCCM is a 20% shareholder in KMP and filed the Notice of Arbitration against KMP and Kansanshi Holdings Limited, the 80% shareholder in KMP. KMP also received a Statement of Claim filed in the High Court for Zambia naming additional defendants, including First Quantum, its subsidiary FQM Finance Ltd. ("FQM Finance"), and a number of directors and an executive of the named corporate defendants.

  This dispute arises out of the rate of interest paid on deposits made by KMP with the Company's financing entity, FQM Finance. The funds on deposits were retained for planned investment by KMP in Zambia. FQM Finance paid interest on the deposits to KMP based on an assessment of an arms-length fair market rate, which is supported by independent third party analysis. ZCCM disputes that interest rate paid to KMP on the deposits was sufficient. ZCCM commenced a further action in the High Court for Zambia, making allegations repeated from the Notice of Claim against certain First Quantum directors and an executive that are inflammatory, vexatious and untrue. Having carefully studied the claims made in both the Notice of Arbitration and Statement of Claim, the Company is firmly of the view that the claims are without merit, or indeed any foundation in facts.

  KMP deposits were used to fund a major investment program at Kansanshi, including the successful construction and commissioning of the Kansanshi smelter and expansion of the processing plant and mining operations.

CORPORATE DEVELOPMENTS

Sale of Kevitsa

In March 2016, the Company entered into a share purchase agreement with Boliden AB ("Boliden") to sell its Kevitsa nickel-copper-platinum group elements mine. The sale was completed on June 1 for a total cash consideration of $732 million.

Completion of a new Term Loan and Revolving Credit Facility

In May 2016, the Company completed a new Term Loan and Revolving Credit Facility with its core relationship banks. This new Facility replaced an existing $3 billion facility. The new $1,815 million Facility comprises of a $907.5 million Term Loan Facility, and a $907.5 million Revolving Credit Facility, maturing in December 2019. In November 2016, in accordance with the accordion feature included within the new Facility, the Facility was augmented by $60 million, increasing the Term Loan Facility to $937.5 million and the Revolving Credit Facility to $937.5 million.

The new Facility includes revised financial covenants and an extended repayment schedule that commences in June 2017, which, combined with the full receipt of the Kevitsa asset sale proceeds, improves the financial flexibility of the Company without reducing liquidity, while further reducing net debt. Under the new Facility, the current Net Debt to EBITDA covenant ratio of 5.5x will now be maintained until June 2017. The ratio will then reduce to 5.0x until December 2017, then to 4.5x until June 2018, and to 3.5x until December 2018, when it will reduce to 3.25x timed to better match the Cobre Panama construction and commissioning schedule.

Dividends

First Quantum has declared a final dividend of CDN$0.005 per share, in respect of the financial year ended December 31, 2016. The final dividend together with the interim dividend of CDN$0.005 per share is a total of CDN$0.01 per share for the 2016 financial year.

First Quantum established a Dividend Reinvestment Plan in 2015, which allows eligible shareholders a convenient means to acquire additional common shares through the reinvestment of cash dividends paid by the Company. For the year ended December 31, 2016, 43,000 of common shares (364,000 common shares for the year ended December 31, 2015) were issued through the Dividend Reinvestment Plan.

Delisting from the London Stock Exchange

The Company requested the cancellation of admission of its shares to the standard segment of the UK Listing Authority's Official List and of trading in its shares on the London Stock Exchange's main market for listed securities. Pursuant to UK Listing Rule 5.2.8, the cancellation notice period took effect on May 31, 2016.

FOURTH QUARTER HIGHLIGHTS

Operational highlights

- Copper production of 146,101 tonnes was 26% higher compared to the same period in 2015, primarily reflecting 47,785 tonnes of copper contributed by Sentinel.
- Nickel production of 6,206 tonnes was 19% lower compared to the same period in 2015, primarily due to the anticipated reduction in the beneficiated grade and reduced throughput. Throughput was affected by unplanned maintenance of the beneficiation circuit during the quarter and the repair to one HPAL circuit in December.
- Gold production of 54,234 ounces was on par with the same period in 2015, with higher gold production at Kansanshi from increased concentrate production, offset by lower production from decrease in gold feed grade at Guelb Moghrein.
- Copper sales of 136,265 tonnes were 14% higher compared to the same period in 2015. This increase primarily reflects 39,494 tonnes of concentrate and anode sales at Sentinel, partially offset by lower sales volumes at Kansanshi and Guelb Moghrein. Nickel sales of 6,073 tonnes were 29% lower compared to the same period in 2015 reflecting lower sales volumes.
- Average copper production C1 cash cost for the fourth quarter of 2016 was $1.22 per lb. Excluding Sentinel, which was declared in commercial production on November 1, 2016, average copper production C1 cash cost of $1.16 per lb was higher than previous quarters due to lower gold by-product credit in particular at Kansanshi, higher maintenance and mining costs at Kansanshi as well as planned maintenance shut-down and seasonal increase in electricity price at Las Cruces. Quarterly mining cash costs within C1 cash costs in Zambia are subject to variability and are typically at their highest in the first and fourth quarter of the year as a result of the rain season. C1 cash costs may also be impacted as a result of scheduled maintenance programs. The Company believes that the full year copper production C1 cash cost at Kansanshi better reflects the expected ongoing annual C1 cash cost at that operation assuming consistent by-product prices and exchange rates. At Sentinel, the average copper production C1 cash cost for the fourth quarter of 2016 was $1.47 per lb.

in United States dollars, tabular amounts in millions, except where noted

- Average nickel production C1 cash cost for the fourth quarter of 2016 was $4.46 per lb, in line with $4.49 per lb for the comparable period in 2015.

Financial highlights

Sales revenues of $689 million were 4% lower compared to the same period in 2015 due to a 11% reduction in net realized copper prices, attributable to the results in the quarter of the copper sales hedging program, as well as a 26% reduction in nickel revenues. These decreases in revenue are partially offset by revenues generated by Sentinel subsequent to commencement of commercial production effective November 1, 2016.

Gross profit of $52 million compared to $110 million in the same period in 2015, as lower costs and royalties were offset by lower realized metal prices and sales volumes.

	Continuing Operations
Gross profit in Q4 2015	$110
Lower realized metal prices	(88)
Higher sales volumes	9
Lower costs (excluding depreciation and change in royalty)	30
Decrease in royalty	9
Foreign exchange	3
Increase in depreciation	(21)
Gross profit in Q4 2016[1]	$52

[1] Gross profit is reconciled to comparative EBITDA by including: exploration costs of $6 million, general, administrative and other costs of $19 million, and adding back depreciation of $160 million, and other income of $31 million.

- Exploration and general and administrative costs were $3 million higher in the fourth quarter of 2016 compared to the same period in 2015.

Comparative EBITDA on a continuing basis of $218 million

- Comparative EBITDA on a continuing basis of $218 million excludes the impact of foreign exchange losses and revisions in estimates of closed site restoration provisions and is $6 million lower than the same period last year.
- Comparative earnings of $27 million is net of a tax charges of $21 million, finance charges of $3 million and general, administrative and exploration costs of $25 million.
- Net earnings from continuing operations attributable to shareholders totalled $12 million.

in United States dollars, tabular amounts in millions, except where noted

MARKET GUIDANCE

Guidance is based on a number of assumptions and estimates as of December 31, 2016, including among other things, assumptions about metal prices and anticipated costs and expenditures, and involve known and unknown risks, uncertainties and other factors which may cause the actual results to be materially different. There have been no changes to the guidance released to the market on January 26, 2017.

Production guidance

000's	2017	2018	2019
Copper (tonnes)	570	600	605
Nickel (contained tonnes)	25	25	25
Gold (ounces)	200	200	200
Zinc (tonnes)	20	20	15

Guidance on precise production during the ramp up and commissioning phases at Cobre Panama and any expansion of the Kansanshi mine will depend on a number of factors which can only be properly assessed at a later stage. At this point, there is no reason to vary from previously-published annual post commercial production levels for Cobre Panama.

Production guidance by operations

Copper

000's tonnes	2017	2018	2019
Kansanshi	240	245	245
Sentinel	195	215	235
Las Cruces	70	70	70
Guelb Moghrein	34	36	30
Çayeli	21	23	20
Pyhäsalmi	10	11	5

Nickel

000's tonnes (contained tonnes)	2017	2018	2019
Ravensthorpe	25	25	25

Gold

000's ounces	2017	2018	2019
Kansanshi	145	145	145
Guelb Moghrein	50	50	50
Pyhäsalmi	5	5	5

Zinc

000's tonnes	2017	2018	2019
Çayeli	5	5	5
Pyhäsalmi	15	15	10

in United States dollars, tabular amounts in millions, except where noted

Capital expenditure[1]

	2017	2018	2019
Total Cobre Panama	1,060	830	110
Third-party contribution	(420)	(330)	(200)
First Quantum's share of Cobre Panama	640	500	(90)
Capitalized stripping	200	200	200
Sustaining capital and other projects	230	150	150
Total net capital expenditure	1,070	850	260

[1] Excludes capitalization of any net pre-commercial production costs and capitalized interest.

Cash cost and all-in sustaining cost

Cash costs and AISC guidance below includes estimates for Sentinel for all years however does not include any costs in respect of Cobre Panama.

	2017	2018	2019
Cash operating cost (C1) (per lb):			
Copper	\$1.20 - \$1.40	\$1.20 - \$1.40	\$1.20 - \$1.40
Nickel	\$4.60 - \$4.80	\$4.60 - \$4.80	\$4.60 - \$4.80
All-In Sustaining Cost ('AISC') (per lb):			
Copper	\$1.65 - \$1.80	\$1.65 - \$1.80	\$1.65 - \$1.80
Nickel	\$5.10 - \$5.40	\$5.10 - \$5.40	\$5.10 - \$5.40

Quarterly mining cash costs within C1 cash costs and AISC are subject to seasonal and other variability and are typically at their highest in the first and fourth quarter of the year.

See *Liquidity and Capital Resources* on page 29 for further disclosure of the Company's unmargined hedged sales positions.

in United States dollars, tabular amounts in millions, except where noted

OPERATIONS

Kansanshi	Q4 2016	Q3 2016	Q4 2015	2016	2015
Sulphide ore tonnes milled (000's)	3,267	2,973	2,926	11,988	8,296
Sulphide ore grade processed (%)	0.8	0.8	0.7	0.8	0.8
Sulphide copper recovery (%)	93	93	92	92	91
Mixed ore tonnes milled (000's)	1,993	1,986	1,960	7,953	10,949
Mixed ore grade processed (%)	1.0	1.0	1.1	1.0	1.1
Mixed copper recovery (%)	79	80	73	84	72
Oxide ore tonnes milled (000's)	1,811	1,881	1,895	7,076	6,795
Oxide ore grade processed (%)	1.4	1.6	1.7	1.5	1.5
Oxide copper recovery (%)	95	94	83	94	80
Copper production (tonnes)[1]	65,950	66,889	61,600	253,272	226,674
Copper smelter					
Concentrate processed (DMT)[2]	314,399	276,368	228,427	1,143,974	709,188
Copper anodes produced (tonnes)[2]	72,630	62,984	46,493	257,330	150,292
Smelter copper recovery (%)	95	97	97	97	98
Acid tonnes produced (000's)	295	266	214	1,109	645
Copper sales (tonnes)[3]	64,904	64,117	77,845	268,459	230,193
Gold production (ounces)	40,331	37,883	34,009	148,220	136,257
Gold sales (ounces)	30,592	38,896	38,664	156,840	131,972
Cash costs (C1) (per lb)[4]	$1.30	$1.05	$1.09	$1.15	$1.38
Total costs (C3) (per lb)[4]	$1.81	$1.68	$1.82	$1.78	$2.28
All-in sustaining cost (AISC) (per lb)[4]	$1.76	$1.48	$1.57	$1.57	$2.22
Sales revenues	369	344	393	1,449	1,285
Gross profit before royalties	117	62	100	318	329
Gross profit	97	44	62	220	112
Comparative EBITDA[4]	146	115	108	514	266

[1] Production is presented on a copper contained basis, and is presented prior to processing though the Kansanshi smelter.
[2] Concentrate processed in smelter and copper anodes produced are disclosed on a 100% basis, inclusive of Sentinel concentrate processed. Concentrate processed is measured in dry metric tonnes ("DMT").
[3] Sales include third-party sales of concentrate, cathode and anode attributable to Kansanshi (excluding copper cathode and anode sales attributable to Sentinel).
[4] C1 cash cost, C3 total cost, AISC and comparative EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information.

Kansanshi Mining Operations

Copper production for the fourth quarter of 2016 was 7% higher than the same period in 2015 due primarily to an increase in overall plant recovery from 82% to 92% and a 4% increase in throughput partially offset by the decline in grade by 8%. The improved plant performance reflects processing mixed final tails ("MFT") through the leaching circuit, implementation of controlled potential sulphidisation in the oxide and mixed circuits, debottlenecking the leaching circuit to allow increased treatment of MFT and changing to a more efficient collector in the sulphide circuit. No concentrate was processed through the HPL unit due to power restrictions.

Copper production for 2016 was 12% higher than the same period in 2015 reflecting similar increase in milling volumes and an increase in overall plant recovery from 79% to 89%. Process volumes in 2016 reflect sulphide ore processed through the 12 million tonnes per annum milling circuit and acid soluble tails from the mixed ore circuit processed through the leaching circuit.

Gold production for the fourth quarter of 2016 was 19% higher than the same period in 2015 due to increased concentrate production and improved quality concentrate. Similarly, gold production for year 2016 was 9% higher as a result of increased concentrate production and improved concentrate grade.

C1 cash cost for year 2016 decreased by $0.23 per lb compared to 2015. The reduction in the full year cash cost confirms the impact of acid consumed from the smelter, lower fuel costs, lower treatment charges associated with the Kansanshi smelter, reduced freight charges and additional cost savings achieved through the review of service contracts, plant efficiencies and labour productivity.

C1 cash cost for the fourth quarter of 2016 at $1.30 per lb was at its highest during the year and is $0.25 per lb higher than the third quarter of 2016 due to lower gold by-product credit as well as higher road maintenance costs and higher mining and freight costs. Quarterly mining cash costs within C1 cash costs are subject to variability and are typically at their highest in the first and fourth quarter of the year. The Company believes that the full year 2016 C1 cash costs better reflects the expected annual performance of Kansanshi going forward.

Compared to the same quarter in 2015, C1 cash cost for the fourth quarter of 2016 increased by $0.21 per lb reflecting increased mining costs, higher electricity charges, cost incurred on road maintenance and additional freight parity costs incurred in the quarter.

Sales volumes and revenue for the fourth quarter of 2016 reduced by 17% and 6% respectively compared to the same period in 2015. Sales volumes for year 2016 were 17% higher than the same period in 2015, resulting in an increase of 13% in sales revenue. Lower sales volumes during the fourth quarter of 2016 reflect lower anode sales at higher realized commodity prices. Gross profit of $97 million for the fourth quarter of 2016 is 56% higher than the same period in 2015.

Kansanshi copper smelter

The smelter treated 1,143,974 tonnes of concentrate and produced 257,330 tonnes copper in anode in year 2016. Concentrate volume treated for the fourth quarter of 2016 was 314,399 tonnes, with 55% from Kansanshi and the balance from Sentinel. The smelter achieved an average recovery rate of 97% for year 2016.

Outlook

Production in 2017 is expected to be approximately 240,000 tonnes of copper, and approximately 145,000 ounces of gold. The decrease from 2016 production is primarily due to lower grades expected during the course of 2017.

The power tariff was increased to 10.35 cents per kWh effective January 1, 2016. These increases are being disputed and discussions with ZESCO and the Government of Zambia are ongoing. The regulatory authorities in Zambia remain closely engaged with the Company and the industry, and affordability and stability remain central themes of these discussions.

in United States dollars, tabular amounts in millions, except where noted

Sentinel	Q4 2016 Post-Commercial production	Q4 2016 Pre-Commercial production	Q3 2016	Q4 2015	2016	2015
Waste mined (000's tonnes)	12,065	7,864	23,022	25,492	82,098	95,181
Ore mined (000's tonnes)	7,269	3,519	9,185	5,936	37,960	13,907
Copper ore processed (000's tonnes)	7,000	3,397	8,831	5,329	36,369	14,016
Copper ore grade processed (%)	0.6	0.5	0.6	0.6	0.6	0.6
Copper recovery (%)	88	75	76	52	68	41
Copper production (tonnes)	35,133	12,652	38,926	15,190	139,600	32,971
Copper sales (tonnes)	30,328	9,166	35,552	6,422	115,782	8,896
Cash cost (C1) (per lb)[1]	$1.47	-	-	-	$1.47	-
Total cost (C3) (per lb)[1]	$2.16	-	-	-	$2.16	-
All-in sustaining cost (AISC) (per lb)[1]	$2.13	-	-	-	$2.13	-
Sales revenues	153	-	-	-	153	-
Gross profit	17	-	-	-	17	-
Comparative EBITDA[1]	46	-	-	-	46	-

[1] C1 cash cost, C3 total cost, AISC and comparative EBITDA are not recognized under IFRS. See "*Regulatory Disclosures*" for further information.

Sentinel was declared on commercial production effective November 1, 2016. Revenue and operating costs have been recorded for the period from November 1, 2016 to December 31, 2016 in the statement of earnings. Comparative financial information has not been presented as all pre-commercial production revenue and costs have been capitalized.

Production ramp-up continued during 2016 with steady state operation achieved. The third primary crusher received its first ore in April 2016, and improved crusher and conveyor availability resulted in a more stable operation and a steady increase in throughput from about 2 million tonnes per month in Dec 2015 to 3.5 million tonnes per month in the fourth quarter of 2016. Cumulative copper production for 2016 was 139,600 tonnes, with 47,785 tonnes being produced in the current quarter.

Copper production for the fourth quarter of 2016 increased by 215% compared to the same period in 2015, reflecting higher throughput due to improved crusher and conveyor availability and higher recoveries with stabilization of the plant operations and increasing primary sulphide ore.

Ore reporting to the plant has shown an increase in primary sulphide content during the year, and reduced levels of the more challenging transitional material. Along with the increase in primary sulphides in the feed, milling power requirements have increased due to the harder ore. Recoveries have progressively improved throughout the year with the stabilization of the plant operations, steady ore feed, optimization of reagents additions, and introduction of flexibility in process circuit routes providing additional optionality for treatment of various ores. These enhancements and improvements in operational control have facilitated improved flotation performance, with copper recoveries increasing throughout the year to monthly averages in excess of 80% in November and December. Addition of a Jameson flotation cell in the first quarter of 2017, and continued work on reagent selection and optimization are expected to result in further improvements in recovery and concentrate grades.

Sales increased in-line with the ramp in production. Sales revenue of $153 million for 2016 consisted of both sales of concentrate and anode. Revenues were assisted by the strengthening of the copper price in the latter part of 2016 which flowed through gross profit.

Initial post-commercial production C1 and C3 costs were $1.47 per lb and $2.16 per lb respectively.

The power line between Lusaka West and Sentinel substations were partially energized by ZESCO on November 26, 2015. The 400 kilometre section of the power line between Mumbwa and Sentinel was energized in September 2016. ZESCO has progressively increased power supply to Sentinel from 90MW in 2015 to 136MW in the fourth quarter.

Outlook

Production in 2017 is expected to be approximately 195,000 tonnes of copper. In terms of quarterly phasing of annual production it is expected that production will be at its lowest in the first quarter. This is due to a change in the mine development geometry to a “terrace mining” lay-out and major maintenance work that has been undertaken together with production disruptions normal for the rain season. The terrace lay-out will result in increased mining efficiencies and improved water management capabilities.

The focus in the earlier part of 2017 will be on further processing enhancements including the commissioning of the secondary crushing circuit to increase throughput, testing of a flat cone cyclone to reduce ultrafines, installation of a flotation cell and the continued sourcing of high performing and cost effective reagent suites.

Sentinel has been offered additional power at a premium for a portion of their total power requirements which are being met by ZESCO through imported power. In December 2015, Kansanshi and Sentinel were advised by ZESCO that power tariffs were to be increased to 10.35c/kWh effective January 1, 2016. The regulatory authorities in Zambia remain closely engaged with the Company and the industry, and affordability and stability remain central themes of these discussions.

in United States dollars, tabular amounts in millions, except where noted

Las Cruces	Q4 2016	Q3 2016	Q4 2015	2016	2015
Ore tonnes processed (000's)	362	409	380	1,538	1,500
Copper ore grade processed (%)	5.1	5.2	5.3	5.2	5.2
Copper recovery (%)	93	94	93	92	90
Copper cathode production (tonnes)	17,156	20,016	18,608	73,643	70,029
Copper cathode sales (tonnes)	15,656	19,203	16,884	73,359	70,566
Cash cost (C1)(per lb)[1]	$0.94	$0.67	$1.03	$0.81	$0.90
Total cost (C3)(per lb)[1]	$1.93	$1.72	$1.90	$1.83	$1.93
All-in sustaining cost (AISC) (per lb)[1]	$1.20	$0.98	$1.36	$1.01	$1.18
Sales revenues	82	93	83	358	394
Gross profit	15	18	10	59	91
Comparative EBITDA[1]	49	58	50	216	243

[1] C1 cash cost, C3 total cost, AISC and comparative EBITDA are not recognized under IFRS. See "*Regulatory Disclosures*" for further information.

Copper production for the fourth quarter of 2016 decreased by 8% compared to the same period in 2015, reflecting a lower copper grade and lower throughput due to a longer than planned maintenance shutdown. Good pressure filter performance helped sustain the high overall recovery.

Copper production for year 2016 increased by 5% compared to 2015, setting a new annual record. Higher throughput and increased overall recovery, primarily due to high pressure filter availability and improved plant water balance, contributed to the record performance.

C1 cash cost of $0.94 per lb for the fourth quarter of 2016 was $0.09 per lb lower than same period in 2015, partially due to the benefit of the appreciation in the US dollar against the euro in the last quarter of the year, but also due to various savings initiatives that reduced operating costs and favorable change in inventory in mine stocks.

C1 cash cost for year 2016 of $0.81 per lb was $0.09 per lb lower than 2015, due to improvement in operating costs from cost cutting initiatives, higher volume of production and lower electricity cost that offset the negative impact of some reagent consumption rates and prices.

Sales revenue for the fourth quarter of 2016 was slightly below the same period in 2015 as a result of lower tonnes sold. Sales revenues for 2016 decreased by 9% in comparison with 2015 due to lower realized copper prices, partially offset by higher volume sold. Gross profit decreased for year 2016 compared to 2015 as a consequenece of lower sales revenues, mitigated in part by cost reductions.

Outlook

Production in 2017 is expected to be approximately 70,000 tonnes.

The necessary permit approvals for the El Chamorro surface waste dump were received in mid-2016 allowing for continued efficient stripping of successive mine phases.

Cost optimization and capital expenditure management continues to be an area of focus in 2017; as well as ongoing research on the technical and economic feasibility of the Primary Massive Sulphide project and construction of an exploration ramp to increase knowledge of current resources.

in United States dollars, tabular amounts in millions, except where noted

Guelb Moghrein	Q4 2016	Q3 2016	Q4 2015	2016	2015
Sulphide ore tonnes milled (000’s)	927	986	1,021	3,898	4,015
Sulphide ore grade processed (%)	0.7	0.8	1.3	0.9	1.2
Sulphide copper recovery (%)	91	91	91	91	92
Copper production (tonnes)	6,078	7,156	11,845	32,818	45,001
Copper sales (tonnes)	5,840	6,870	11,228	36,330	47,322
Gold production (ounces)	11,140	12,208	17,145	53,951	64,007
Gold sales (ounces)	11,959	12,038	16,667	63,335	70,680
Cash costs (C1)(per lb)[1]	$1.19	$1.14	$0.83	$0.93	$1.01
Total costs (C3)(per lb)[1]	$2.18	$1.96	$1.49	$1.68	$1.67
All-in sustaining cost (AISC) (per lb)[1]	$2.21	$1.72	$1.28	$1.51	$1.45
Sales revenues	39	42	62	213	285
Gross profit	2	4	17	45	67
Comparative EBITDA[1]	12	12	26	87	120

[1] C1 cash cost, C3 total cost, AISC and comparative EBITDA are not recognized under IFRS. See “*Regulatory Disclosures*” for further information.

Copper production for the fourth quarter of 2016 was 49% lower than the same period in 2015 impacted mainly by a 46% reduction in copper grade and a 9% decrease in tonnes milled. Copper production for 2016 decreased by 27%, compared to 2015 as a result of 25% drop in copper grade, and 3% decrease in tonnes milled.

Gold in concentrate production for the fourth quarter of 2016 was 35% lower than the same period in 2015 as a result of 24% decrease in gold feed grade. Gold recovery of 59% for the fourth quarter of 2016 was 5% lower than same period in 2015 at 62%, impacted by reduced gold recovery in flotation due to the lower copper feed grades.

Gold in concentrate production for year 2016 was 16% lower compared to 2015 as a result of 18% decrease in gold feed grade. Gold recovery of 62% for 2016 was 5% higher than 2015 at 59% due to installation of an additional gold concentrator.

C1 cash cost for the fourth quarter of 2016 of $1.19 per lb was an increase of $0.36 per lb compared to the fourth quarter of 2015 due to lower copper production, partially offset by lower cost, and higher gold credit. C1 cash cost for year 2016 of $0.93 per lb decreased by $0.08 per lb compared to 2015 due to higher gold credit driven by higher gold price and lower costs. Costs benefited from lower fuel prices (a benefit of fuel import), lower consumables due to lower volume mined and continued optimization of supply chain.

Sales revenue for the fourth quarter of 2016 was 37% below the same period in 2015 as a result of lower volumes sold reflecting the plant feed grades, partially offset by improved metal prices. Gross profit was $2 million for the fourth quarter of 2016 against $17 million for the same period in 2015 driven by reduced revenue.

Sales revenues for year 2016 decreased by 25% compared to 2015 due to lower copper and gold sales volumes, partially offset by higher average realized gold prices. Gross profit of $45 million for 2016 was 33% lower than 2015, reflecting the decrease in sales revenues, partially offset by cost savings in particular fuel costs due to lower prices.

Outlook

Copper production in 2017 is expected to be approximately 34,000 tonnes. Gold in copper concentrate production is expected to be 50,000 ounces.

In 2017, the plan is to focus on improving the mining plan and productivity as well as cost saving initiatives. The availability and reliability of mining equipment will be tracked following improvement interventions in resources and additional equipment to the fleet during the fourth quarter of 2016 to ensure mining at planned rates and ore grades. Cost-savings will focus on in-house performance of mobile equipment maintenance and managing the impact of fuel price fluctuations on power costs.

The operation of the magnetite plant has been on hold due to low iron ore prices. Efforts to find an outlet for magnetite in the dense media separation (DMS) and iron ore markets are ongoing, with plant trials and other tests, in collaboration with potential off takers.

in United States dollars, tabular amounts in millions, except where noted

Ravensthorpe	Q4 2016	Q3 2016	Q4 2015	2016	2015
Beneficiated ore tonnes (000's)	700	563	750	2,510	2,334
Beneficiated ore grade (%)	1.2	1.2	1.4	1.3	1.4
Nickel recovery (%)	80	79	84	81	88
Nickel production (contained tonnes)	6,206	5,330	7,652	23,624	26,667
Nickel sales (contained tonnes)	6,073	5,454	8,583	25,882	26,933
Nickel production (payable tonnes)	4,650	3,974	5,887	17,630	20,567
Nickel sales (payable tonnes)	4,539	4,083	6,716	19,536	21,073
Cash costs (C1) (per lb)[1]	$4.46	$5.01	$4.49	$4.66	$4.60
Total costs (C3) (per lb)[1]	$6.16	$6.71	$5.82	$6.34	$5.99
All-in sustaining cost (AISC) (per lb)[1]	$5.03	$5.90	$4.95	$5.29	$5.30
Sales revenues	52	45	65	195	246
Gross loss	(13)	(17)	(24)	(77)	(51)
Comparative EBITDA[1]	(1)	(4)	(8)	(27)	42

[1] C1 cash cost, C3 total cost, AISC and comparative EBITDA are not recognized under IFRS. See "*Regulatory Disclosures*" for further information.

Nickel production for the fourth quarter of 2016 was lower than the same period in 2015 primarily due to the anticipated reduction in the beneficiated grade and reduced throughput. Throughput was affected by unplanned maintenance of the beneficiation circuit throughout the quarter and the repair to one HPAL circuit in December. The average nickel recovery for the quarter was also impacted by the HPAL circuit repairs as a result of the higher proportion of material being processed through the less efficient Atmospheric Leach ("AL") circuit. Production and nickel recovery for 2016 were below the comparable period in 2015 on account of two successive quarters of downtime in the HPAL circuits.

C1 cash costs of $4.46 per lb for the fourth quarter of 2016 was lower than the comparable period in 2015 despite lower production payable tonnes reflecting the lower cost profile in 2016. The improved cost profile in 2016 is primarily attributable to the downward trend in sulphur price and the execution of numerous cost saving initiatives. C1 cash costs of $4.66 per lb for 2016 is on par with comparable period in 2015.

Sales revenues for the fourth quarter of 2016 were lower than the same period in 2015, primarily reflecting lower sales volumes, partially offset by higher realized nickel price. The average LME nickel price was $4.90 per lb for the fourth quarter of 2016 compared to $4.28 per lb for the same period in 2015. Sales revenues for year 2016 were lower than 2015 due to the lower average LME nickel price for 2016 of $4.36 per lb compared to $5.34 per lb for 2015 and the lower sales volume.

Gross loss of $13 million for the fourth quarter of 2016 was better compared to the same period in 2015 due to lower operating costs. Comparative EBITDA for year 2016 is lower than the same period in 2015 which benefitted from the $58 million of insurance proceeds received from the AL tank failure in December 2014.

Outlook

Production for 2017 is expected to be approximately 25,000 tonnes of nickel.

Year 2017 is expected to see beneficiated nickel grade reduce to approximately 1.1% as the higher grade Halleys reserve is depleted and the focus shifts to ore production from the lower grade Hale-Bopp reserve. The commencement of the first stage of resource definition drilling in the Shoemaker-Levy deposit is anticipated to start during the first quarter of 2017.

For the most part, the processing plant is expected to run uninterrupted in the first quarter of 2017. The beneficiation circuit downtime is expected to be significantly reduced as maintenance activities focus on ensuring reliability. Following the re-commissioning of the remaining AL tanks, expected in the second quarter of 2017, production capacity and overall recoveries should improve. In order to maximize production in the first quarter of 2017, the acid plant shutdown that was scheduled for February 2017 has been deferred until the third quarter of 2017 to coincide with the major HPAL shutdown.

in United States dollars, tabular amounts in millions, except where noted

Çayeli	Q4 2016	Q3 2016	Q4 2015	2016	2015
Ore tonnes milled (000's)	320	313	270	1,285	1,229
Copper ore grade processed (%)	2.0	2.3	2.6	2.3	2.5
Copper recovery (%)	89	87	81	87	81
Zinc ore grade processed (%)	1.3	1.8	2.8	1.6	3.0
Zinc recovery (%)	39	41	51	39	54
Copper production (tonnes)	5,741	6,335	5,606	25,330	24,304
Copper sales (tonnes)	7,257	6,510	4,262	26,795	22,401
Zinc production (tonnes)	1,610	2,338	3,778	8,062	19,808
Zinc sales (tonnes)	2,387	2,376	4,847	6,825	19,479
Cash cost (C1) (per lb)[1]	$1.25	$1.11	$1.41	$1.20	$1.29
Total cost (C3) (per lb)[1]	$1.90	$1.76	$1.79	$1.86	$2.15
All-in sustaining cost (AISC) (per lb)[1]	$1.42	$1.24	$1.65	$1.37	$1.70
Sales revenues	33	28	21	110	116
Gross profit	8	5	-	16	12
Comparative EBITDA[1]	17	13	2	49	39

[1] C1 cash cost, C3 total cost, AISC and comparative EBITDA are not recognized under IFRS. See "*Regulatory Disclosures*" for further information.

Copper production for the fourth quarter of 2016 increased by 2% compared to same period in 2015 due to higher throughput and copper recovery despite the much lower grades attributable to the processing of more stockwork ore that has lower grade than the massive sulphide zone. The lower zinc grade and associated decrease in recovery reflected the continued processing of zinc-poor stockwork ore in the quarter.

Copper production for year 2016 increased by 4% compared to 2015 primarily due to higher throughput and recoveries despite the lower grades. Throughput was lower in 2015 primarily due to a blasting injunction imposed by the Turkish courts in the second quarter and a ten-day strike action implemented by Çayeli's mining workers' union in the fourth quarter of 2015. The processing of more zinc-poor stockwork ore in the year resulted in lower zinc grades and an associated decrease in zinc recovery and 59% decrease in zinc production. The zinc circuit was shut down for certain periods during the year due to unfavourable economics.

C1 cash cost for the fourth quarter of 2016 decreased by $0.16 per lb compared to same period in 2015, primarily due to combined effects of higher copper metal production, lower site operating costs as a result of cost cutting projects and appreciation of the U.S dollar against Turkish lira, partly offset by decrease in by-product credits resulting from lower zinc sales.

C1 cash cost for year 2016 decreased by $0.09 per lb compared to 2015, primarily due to combined effects of higher copper metal production and lower site operating costs as a result of cost cutting projects and appreciation of the U.S dollar against the Turkish lira, partly offset by decrease in by-product credits resulting from lower zinc sales.

Sales revenues for the fourth quarter of 2016 were 57% higher than the same period in 2015 due to higher copper sales volumes, partly offset by lower realized metals prices and zinc sales volumes. Gross profit was higher in the fourth quarter of 2016 compared to the same period in 2015, reflecting the combined effect of increase in sales revenues and lower operating costs.

Sales revenues for year 2016 were 5% lower than 2015 due to lower zinc sales volumes and lower realized copper and zinc prices partly offset by higher copper sales volumes.

Outlook

Production in 2017 is expected to be approximately 21,000 tonnes of copper and approximately 5,000 tonnes of zinc.

Throughput is expected to decline in 2017, in line with a decreasing number of work areas and an increased amount of waste rock to be mined to access peripheral ore reserves. The mine is expected to see a slight rise in copper grade and a significant drop in zinc grade and associated decline in zinc recovery as much of the remaining ore reserve is stockwork material low in zinc. The processing of stockwork ore generally results in higher copper recoveries.

Falls of ground in the higher grade massive sulphide zones, although well managed, are expected to continue to influence productivity in 2017. A hoisting facility failure occurred in January 2017. The mines currnet full year production guidance could be impacted by the length of time required to put a solution in place.

in United States dollars, tabular amounts in millions, except where noted

Pyhäsalmi	Q4 2016	Q3 2016	Q4 2015	2016	2015
Ore tonnes milled (000's)	350	352	345	1,380	1,379
Copper ore grade processed (%)	1.0	1.0	0.9	1.1	0.9
Copper recovery (%)	97	95	97	97	97
Zinc ore grade processed (%)	2.9	0.9	1.9	1.7	1.7
Zinc recovery (%)	93	86	90	90	91
Copper production (tonnes)	3,392	3,398	3,035	14,795	12,046
Copper sales (tonnes)	3,114	3,798	2,892	14,708	12,276
Zinc production (tonnes)	9,474	2,726	5,827	20,800	21,331
Zinc sales (tonnes)	9,584	2,277	6,188	20,536	22,139
Pyrite production (tonnes)	4,770	112,882	216,031	490,480	839,706
Pyrite sales (tonnes)	111,273	89,118	218,233	517,922	750,729
Cash cost (C1) (per lb)[1]	($1.14)	$0.61	$0.42	$0.04	$0.30
Total cost (C3) (per lb)[1]	$0.84	$2.59	$2.53	$1.99	$2.42
All-in sustaining cost (AISC) (per lb)[1]	($1.18)	$0.64	$0.75	$0.07	$0.48
Sales revenues	38	27	24	123	114
Gross profit	9	-	(3)	9	8
Comparative EBITDA[1]	23	14	11	69	61

[1] C1 cash cost, C3 total cost, AISC and comparative EBITDA are not recognized under IFRS. See "*Regulatory Disclosures*" for further information.

Copper production for the fourth quarter of 2016 increased by 12% compared to the same period in 2015 due to a higher copper grade in the areas mined. Zinc production for the fourth quarter of 2016 was 63% higher than the same period in 2015 due to a higher zinc grade and recovery, reflecting higher zinc grade stopes mined in the quarter.

Copper production for year 2016 increased by 23% compared to 2015 due to a higher copper grade. Zinc production in 2016 was 2% lower than 2015 due to a slightly lower zinc recovery. Higher amounts of consolidating backfill slurry were placed to reduce backfill dilution and stope failures, and stabilize active work areas. Pyrite production for 2016 dropped 42% compared to 2015 due to by-pass of the pyrite circuit due to reduced sales to China.

C1 cash costs for the fourth quarter of 2016 were lower compared to the same period in 2015 due primarily to higher by-product sales and metal prices. C1 cash costs for the full year 2016 were lower than 2015 due to the impact of higher production.

Sales revenues for the fourth quarter of 2016 and for year 2016 were higher compared to the same periods in 2015, reflecting higher copper and zinc sales volumes and higher metal prices for the quarter, and higher copper sales volumes and metal prices for the year. Gross profit was higher in the fourth quarter of 2016 compared to the same period in 2015, reflecting the higher sales revenue.

Outlook

Production in 2017 is expected to be approximately 10,000 tonnes of copper and approximately 15,000 tonnes of zinc. Pyrite production is expected to be approximately 700,000 tonnes. Copper and zinc production should be lower than 2016 due to an anticipated 10% reduction in annual throughput given the depleting reserves.

Deteriorating ground conditions and the reduced number of available stopes in the final years of mine life presented some challenges in 2016 and which are expected to continue in 2017. Greater volumes of tailings backfill are expected to be sent underground as a mitigating measure to reduce dilution and provide stability. A reduced open void volume is also expected to be maintained to further support mine stability.

in United States dollars, tabular amounts in millions, except where noted

Kevitsa Discontinued Operation[1,2]	Q4 2016	Q3 2016	Q4 2015	2016	2015
Ore tonnes milled (000's)	-	-	1,791	2,874	6,665
Nickel ore grade processed (%)	-	-	0.2	0.2	0.2
Nickel recovery (%)	-	-	69	67	67
Nickel production (tonnes)	-	-	2,538	3,657	8,805
Nickel sales (tonnes)	-	-	2,611	2,954	9,421
Copper ore grade processed (%)	-	-	0.3	0.3	0.3
Copper recovery (%)	-	-	89	88	89
Copper production (tonnes)	-	-	4,307	6,353	17,204
Copper sales (tonnes)	-	-	5,020	5,874	17,081
Gold production (ounces)	-	-	3,631	5,068	12,847
Platinum production (ounces)	-	-	10,185	12,991	31,899
Palladium production (ounces)	-	-	8,062	10,426	25,196
Nickel cash costs (C1) (per lb)[3]	-	-	$3.78	$4.73	$4.16
Nickel total costs (C3) (per lb)[3]	-	-	$5.03	$5.25	$5.54
Copper cash costs (C1) (per lb)[3]	-	-	$1.46	$1.98	$1.38
Copper total costs (C3) (per lb)[3]	-	-	$1.67	$2.32	$1.90
Sales revenues	-	-	48	49	189
Gross profit (loss)	-	-	2	(12)	8
Net earnings (loss) for the period - discontinued operations	-	-	3	(267)	5
Comparative EBITDA[3]	-	-	7	(8)	42

[1] As noted earlier, Kevitsa has been classified as a discontinued operation and accordingly, comparative 2015 financial information contained in the condensed interim Consolidated Statements of Earnings and of Cash Flows has been re-presented.
[2] For 2015, the period presented is for the twelve months ended December 31, 2015.
[3] C1 cash cost, C3 total cost and comparative EBITDA are not recognized under IFRS. See "*Regulatory Disclosures*" for further information.

The sale of Kevitsa was completed on June 1, 2016 and therefore no results for the operation are presented for the fourth quarter of 2016. For year 2016, only the period from January 1 to the date of disposition of May 31, 2016 is presented. Consequently, production and sales volumes for the twelve months ended December 31, 2016 were expectedly lower than the comparative period in 2015 due to absence of seven months of operations.

DEVELOPMENT ACTIVITIES

Cobre Panama Project, Panama

Steady development progress continued at Cobre Panama throughout the year, and the overall project progress as at the end of 2016 is estimated to be just over 46% completion. The power station and associated infrastructure continued to receive priority for early completion, and pre-commissioning activities for the first 150MW set expected to start in the first quarter of 2017, with first operation of Unit 1 targeted in the second half of 2017. Operation of the second 150MW set is expected to follow in the first half of 2018. These should provide a revenue stream prior to start up of the processing facility. Strong progress was achieved in other areas of the project, most notably pre-strip and the milling area of the process plant. The project remains scheduled for a phased commissioning during 2018, with continued ramp-up over 2019.

Detailed engineering and design is focusing on completion of the process plant and secondary infrastructure. The timing of the engineering enabled very valuable learning experiences from other recently completed Company projects, in particular the Kansanshi smelter and Sentinel, which are being incorporated into the Cobre Panama design and execution methodology.

Some key progress milestones for the year include the mining pre-strip works now at 47% completion, the Tailings Management Facility ("TMF") earthworks now at 61% completion, and the process plant earthworks essentially completed. International permitting was obtained for the port, which was operational during the year for delivery direct to site of major mechanical equipment and materials. The concentrate/coal export/import jetty marine works were completed and conveyor installation has commenced. The 230kv transmission lines progressed well and conductor stringing is underway. The TMF decant tunnel excavation works were completed and the decant structure works have commenced. At the process plant, six of the seven mills have been installed, along with three of the gearless mill drives.

The Company's capital expenditure for Cobre Panama in 2016 was $764 million (First Quantum's share $458 million), and the planned total net capital expenditure for 2017 is expected to be approximately $1,060 million (First Quantum's share $640 million). A detailed review of the Cobre Panama capital budget was performed in the third quarter of 2015, and again in early 2016, which resulted in a revised capital cost estimate of $5.48 billion from the previous estimate of $5.95 billion, leading to a total reduction of 15% from the original estimate of $6.42 billon. The savings result from efficiencies achieved to date in the critical earthworks, concrete and construction aspects of the project, better pricing on materials and equipment procurement, together with a number of smaller cumulative savings opportunities. Project spending to date amount to $3.5 billion, including $0.7 billion contributed by Korea Panama Mining Corporation ("KPMC"), which owns a 20% interest in the project. The estimated costs for completion of $2.0 billion are expected to be met by an additional contribution from KPMC of $0.4 billion, $0.5 billion payable by Franco-Nevada under the precious metal stream agreement and $1.0 billion by the Company.

On December 30, 2016 the Government of Panama signed and issued Resolution No. 128 by which it extended the Law 9 mining concession for Minera Panama SA ("MPSA"), the Panamanian company that holds the Cobre Panama concession, for a second 20 year term commencing March 1, 2017 up to February 28, 2037. The initial 20 year term of the Law 9 mining concession which started in February 1997 remains in effect in the interim period up to February 28, 2017. MPSA remains eligible for consideration of a third 20 year term of the Law 9 mining concession commencing March 1, 2037.

Enterprise Project, Zambia

The development of the Enterprise nickel project is designed for an average production of 38,000 tonnes of nickel in concentrate per annum with scope to increase to 60,000 tonnes per annum when market conditions are considered suitable. Given the operational and infrastructure synergies with the Sentinel copper project (located 12 kilometres away), the Enterprise nickel project is expected to be a low cost mine. Environmental approval has been granted for Enterprise nickel mine and preparatory works around the mine have been undertaken to allow pre-stripping to commence when market conditions improve.

Construction work on the process plant was completed in 2016, and some sections of the plant have been incorporated into the Sentinel process circuit to provide additional processing flexibility in the short term. These areas are flotation, concentrate thickening and filtration and reagent composition. As the nickel price continues to remain depressed the Enterprise Project remains on hold and pre-strip mining activities remain deferred.

EXPLORATION

The Company's exploration strategy encompasses: advanced stage exploration projects at Haquira in Peru and Taca Taca in Argentina; near-mine resource expansion around Pyhäsalmi, Kansanshi and Çayeli; and an early stage exploration program concentrated on the search of high quality porphyry and sediment-hosted copper deposits.

In 2016, the Company continued to focus on the community and environmental aspects of the Haquira project in Peru. The Environmental Impact Assessment ("EIA") studies and environmental monitoring progressed as planned and required. EIA studies are planned to continue in 2017 and various access agreements with communities are expected to be negotiated for this purpose.

At Taca Taca, the EIA studies continued as planned with the collection of baseline data and the implementation of a communications and consultation plan in three local population centres. Initial engineering studies were carried out including the sounding of various salt lake sites that have been selected for potential infrastructure sites. Commercial and logistical aspects continue to be addressed. The EIA baseline studies are planned to be finished in second quarter of 2017 whilst further studies such as transport and electricity supply should be initiated in 2017.

During the fourth quarter of 2016, near-mine exploration activities were limited to Pyhäsalmi in Finland and Kansanshi in Zambia. At Kansanshi, a new resource definition program designed to upgrade near-mine oxide reserves was ongoing during the quarter. A series of targets extending laterally beyond the current mine reserve have been identified for drill testing based on detailed pit mapping and structural modelling. Elsewhere in the Kansanshi district, a number of opportunities for satellite oxide resources have been identified though surface geochemistry. Three targets were subject to reconnaissance drilling during the quarter with each target returning encouraging results of oxide or oxide plus sulphide drill intercepts. Further analysis is required to establish if the targets have sufficient scale and continuity that would justify follow-up resource development drilling.

Early stage global exploration activities were scaled back considerably in 2016, commensurate with the economic climate. However, residual low-cost exploration data collection and reconnaissance work continued in Peru, Chile and Zambia. Limited drill programs were completed on prospects in Chile, Peru and Alaska. In Chile diamond drilling located a large scale but low grade gold system possibly developed above a deeply buried porphyry. Targets tested in Peru and Alaska demonstrated porphyry style mineralization but results were generally of a low grade. Elsewhere, the focus continues on identifying longer term counter-cyclical opportunities through generative studies and grassroots prospecting.

in United States dollars, tabular amounts in millions, except where noted

SALES REVENUES

		Q4 2016	Q3 2016	Q4 2015	2016	2015
Kansanshi	- copper	336	293	352	1,263	1,146
	- gold	33	51	41	186	139
Sentinel	- copper	153	-	-	153	-
Las Cruces	- copper	82	93	83	358	394
Guelb Moghrein	- copper	25	27	45	140	209
	- gold	14	15	17	73	76
Ravensthorpe	- nickel	50	42	61	185	234
	- cobalt	2	3	4	10	12
Çayeli	- copper	29	24	16	97	92
	- zinc, gold and silver	4	4	5	13	24
Pyhäsalmi	- copper	15	15	11	61	56
	- zinc	16	3	5	30	25
	- pyrite, gold and silver	7	9	8	32	33
Corporate[1]		(77)	26	71	72	71
Sales revenues	- continuing operations	689	605	719	2,673	2,511

[1] Corporate sales include sales hedges

Full year review of sales revenues

Total sales revenues from continuing operations were 6% higher than 2015 as a result of revenues generated by the Sentinel mine subsequent to commercial production from November 1, 2016.

On a continuing basis, and excluding the impact of Sentinel, total revenues for 2016 were in line with 2015. A 10% increase in copper sales volumes offset the 7% lower net realized copper. A 22% reduction in nickel sales revenues was due to lower sales volumes and a 16% lower net realized nickel price.
Treatment and refining charges were lower due mainly to the change in sales mix as a result of increased anode sales with the ramp-up of the Kansanshi smelter.

Fourth quarter review of sales revenues

Sentinel contributed revenue for the first time in Q4 2016 following commercial production from November 1, 2016. However, overall there was a 4% decrease in total sales revenues for Q4 2016 compared with Q4 2015 due to a 11% reduction in net realized copper prices, attributable to the results in the quarter of the copper sales hedging program, as well as a 26% reduction in nickel revenues.

The decrease in nickel sales revenues is mainly attributable to a 29% reduction in nickel sales volumes despite a 9% improvement in the net realized nickel price.

in United States dollars, tabular amounts in millions, except where noted

REALIZED PRICES

Copper selling price (per lb) - continuing operations	Q4 2016	Q3 2016	Q4 2015	2016	2015
Average LME cash price	$2.39	$2.16	$2.22	$2.20	$2.49
Realized copper price	$2.18	$2.23	$2.40	$2.26	$2.49
Treatment/refining charges (“TC/RC”) and freight charges	($0.14)	($0.11)	($0.12)	($0.13)	($0.21)
Net realized copper price	$2.04	$2.12	$2.28	$2.13	$2.28

In September 2015, the Company established a copper sales hedging program. These hedges have positively impacted sales revenues by $60 million for the full year, or $0.05 per lb. However, for the three months ended December 31, 2016 there was a negative impact on sales revenues of $74 million and a reduction to the realized copper price of $0.25 per lb.

As at December 31, 2016, the Company had unsettled and unmargined sales hedges for 510,075 tonnes with maturities to December 2017 at an average price of $2.25 per lb.

Given the volatility in copper prices, significant variances can arise between average LME and net realized prices due to the timing of sales during the period.

Nickel selling price (per lb) - continuing operations	Q4 2016	Q3 2016	Q4 2015	2016	2015
Average LME cash price	$4.90	$4.66	$4.28	$4.36	$5.34
Realized nickel price per payable lb	$4.50	$4.68	$4.29	$4.25	$5.18
TC/RC and freight charges	-	$0.01	($0.15)	($0.03)	($0.14)
Net realized nickel price per payable lb	$4.50	$4.69	$4.14	$4.22	$5.04

In March 2016, the Company established a nickel sales hedging program. As a result of the volatility in the nickel price during the quarter ended December 31, 2016 the impact on the realized price achieved by the Company for the three and twelve month period ended December 31, 2016 was a reduction of $0.49 per lb and $0.08 per lb, respectively.

As at December 31, 2016, the Company had unsettled and unmargined sales hedges for 2,562 tonnes with maturities to January 2017 at an average price of $5.07 per lb.

in United States dollars, tabular amounts in millions, except where noted

SUMMARY FINANCIAL RESULTS

	Q4 2016	Q3 2016	Q4 2015	2016	2015
Gross profit (loss)					
Kansanshi	97	44	62	220	112
Sentinel	17	-	-	17	-
Las Cruces	15	18	10	59	91
Guelb Moghrein	2	4	17	45	67
Ravensthorpe	(13)	(17)	(24)	(77)	(51)
Çayeli	8	5	-	16	12
Pyhäsalmi	9	-	(3)	9	8
Corporate[1]	(83)	26	48	50	48
Total gross profit – continuing operations	52	80	110	339	287
Exploration	(6)	(4)	(5)	(16)	(30)
General and administrative	(19)	(17)	(17)	(70)	(83)
Impairment and related charges	(13)	-	(1)	(13)	(73)
Impairment to Promissory Note	-	-	-	-	(117)
Other income (expense)	29	14	-	40	(60)
Net finance expense	(3)	(4)	(7)	(13)	(8)
Income tax credit (expense)	(21)	(30)	31	(19)	(531)
Net earnings (loss) for the period					
– continuing operations	19	39	111	248	(615)
– discontinued operations	-	-	3	(267)	5
– including discontinued operations	19	39	114	(19)	(610)
Net earnings (loss) for the period from continuing operations attributable to:					
Non-controlling interests	7	3	-	26	(114)
Shareholders of the Company	12	36	111	222	(501)
Comparative earnings	27	37	182	165	256
Earnings (loss) per share – continuing operations					
Basic	$0.02	$0.05	$0.16	$0.32	($0.77)
Diluted	$0.02	$0.05	$0.16	$0.32	($0.77)
Comparative	$0.04	$0.05	$0.27	$0.24	$0.40
Basic weighted average number of shares (in 000's)	685,739	685,594	684,652	685,746	646,823

[1] Corporate gross profit relates primarily to sales hedge revenue

Full year review of financial results

The increase in revenue in 2016 was due to Sentinel which contributed $153 million after commercial production was declared, November 1 2016. Excluding Sentinel, revenue was marginally higher than 2015, with increase in sales volumes at other operations offset by lower realized metal prices, inclusive of the impact of sales hedges.

Gross profit for 2016 was $52 million higher than 2015 with $17 million contribution from Sentinel following commercial production. In addition, increased sales volumes at other operations together with reduced Zambian royalties and lower sulphur and other costs more than offset the impact of lower realized market prices and the impact of a full year depreciation of the Kansanshi smelter which was declared in commercial production from July 1, 2015.

There was a 24% reduction in exploration and general and administrative expenditure in the year as a result of continued cost saving initiatives that were implemented by the Company in 2015.

The depreciation of the Zambian kwacha in 2015 resulted in a foreign exchange loss of $106 million. In 2016, a foreign exchange gain of $14 million was recognized in other income, relating largely to the gains on revaluation of the Zambian kwacha denominated VAT balance, and realized gains on euro and Turkish lira denominated transactions.

Also included in other income is the partial release of provisions made following the acquisition of Inmet Mining Corporation ("Inmet") in 2013 and related to which settlements were made in November 2016. A $13 million impairment charge was recorded relating mainly to exploration assets located in Chile and Peru and the write down of consumable stores balances across operating sites.

The Company recorded a tax expense for the year of $19 million. A tax credit of $78 million was recognized in relation to operations at Kansanshi following the repeal of the variable profits tax and subsequent revaluation of the deferred tax liability. The statutory tax rates for the Company's operations range from 20% to 35%.

The Company recognised a net loss on discontinued operations for the year of $267 million. This related to the disposal of the Kevitsa operation and is inclusive of a $237 million loss on remeasurement to fair value less costs to sell.

Fourth quarter review of financial results

Gross profit was 53% lower in the fourth quarter of 2016 compared with the same period in 2015. This is principally due to lower copper and nickel sales revenues combined with increased cost of sales driven by higher depreciation charges following the declaration of commercial production of operations at Sentinel. Copper sales revenues in the fourth quarter of 2016 decreased slightly compared with the same period in 2015 despite an increase in sales volumes, this being due to a reduction in net realized price attributable to the copper hedge program.

Exploration and general and administrative expenses were 14% higher in the fourth quarter of 2016 compared with the same period in 2015 reflecting phasing of annual expenditure.

Also included in other income is the partial release of provisions made following the acquisition of Inmet in 2013 and related to which settlements were made in November 2016. A $13 million impairment charge related mainly to exploration assets located in Chile and Peru and the write down of consumable stores balances across operating sites.

A foreign exchange gain of $15 million was recognized in the quarter relating to realized gains on euro and Turkish lira denominated transactions offset by foreign exchange losses recognized on settlement of Zambian kwacha denominated liability balances.

A tax expense of $21 million was recorded in the quarter, inclusive of a tax credit of $4 million resulting from the recognition of a deferred tax asset related to operations at the Sentinel mine.

in United States dollars, tabular amounts in millions, except where noted

LIQUIDITY AND CAPITAL RESOURCES

	Q4 2016	Q4 2015	2016	2015	2014
Cash flows from continuing operating activities	93	743	914	1,094	642
Cash flows from (used in) investing activities					
Payments and deposits for property, plant and equipment	(308)	(385)	(1,141)	(1,508)	(2,542)
Capitalized borrowing costs paid in cash	(85)	(51)	(356)	(312)	(246)
Repayment and interest from ERG on promissory note	-	23	64	238	238
Proceeds from sale of Kevitsa, net of cash disposed	69	-	728	-	-
Other investing activities	7	2	6	-	(103)
Cash flows from (used in) financing activities					
Net movement in debt and trading facilities	(63)	(274)	(141)	(703)	1,712
Issuance of common shares	-	-	-	1,121	-
Dividends paid	-	-	(7)	(41)	(182)
Other financing activities	43	16	153	96	129
Exchange losses on cash and cash equivalents	(1)	11	(16)	5	18
Net cash flows – continuing operations	(245)	85	204	(10)	(334)
Net cash flows – discontinued operations	-	4	(4)	18	(4)
Cash balance	565	365	565	365	357
Total assets	19,483	18,618	19,483	19,431	18,315
Total current liabilities	2,224	1,094	2,224	1,907	1,188
Total long-term liabilities	6,974	6,891	6,974	6,891	7,039
Cash flows from continuing operating activities per share[1]	$0.14	$1.09	$1.33	$1.69	$1.08

[1] Cash flows per share is not recognized under IFRS. See "*Regulatory Disclosures*" for further information.

Cash flows from continuing operating activities in 2016 are lower than 2015 despite a higher EBITDA contribution. Excluding contributions received from the Franco-Nevada streaming agreement, operating cashflows for 2016 are slightly higher. Other changes in operating cash flow during 2016 include $127 million of taxes paid during the year.

The total VAT amount accrued by the Company's Zambian operations at December 31, 2016, is $275 million, of which $263 million relates to Kansanshi. In February 2015, the Government of Zambia implemented a change to the rules governing VAT. VAT claims totaling Zambian kwacha 1,742 million (currently equivalent to $176 million) made by Kansanshi prior to this date remain outstanding. Cash totaling $77 million has been received for claims subsequent to February 2015. The balance of the refunds has not been received as a result of the application of discretionary rules established and applied by the Commissioner General relating to exports from Zambia. The Company's management is in regular discussions with the relevant government authorities and continues to consider that the outstanding VAT claims are fully recoverable.

In April 2014, the Energy Regulation Board ("ERB") of Zambia issued a press release unilaterally recommending ZESCO, charge a minimum average tariff of 6.84 cents per kWh for its mining customers. In May 2014, ZESCO subsequently invoiced Kansanshi for power at 6.84 cents per kWh in breach of the agreed tariff within Kansanshi's Power Supply Agreement with ZESCO. In September 2014, Kansanshi issued arbitration proceedings against ZESCO challenging this increased tariff. In December 2015, ZESCO notified Kansanshi that from January 1, 2016, power would be charged at a further increased tariff of 10.35 cents per kWh and invoices have since been received using this higher tariff. The Company believes that the prevailing Power Supply Agreements remain in force, and discussions with ZESCO continue. On April 18, 2016, the Company withdrew its claims in the arbitration proceedings in light of these announced changes to the tariffs applicable to mining companies and the discussions underway between the mining companies and ZESCO. ZESCO also withdrew its related claims in the arbitration. Judicial Review proceedings continue in Zambia against the ERB but there is no hearing date set. The regulatory authorities in Zambia remain closely engaged with the Company and the industry, with affordability and stability the central themes of these discussions.

Cash flows from continuing investing activities includes $728 million proceeds on the sale of Kevitsa to Boliden, net of cash disposed. Preliminary consideration of $663 million was received on June 1, 2016, with the remaining consideration of $69 million received on October 3, 2016.

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Capital expenditure, excluding capitalized interest, totalled $1,141 million for the year (compared to $1,508 million in 2015) and comprised primarily of:

- $764 million at Cobre Panama for project development
- $182 million at Trident
- $121 million at Kansanshi

Cash flows from continuing financing activities of $5 million includes $163 million contributions to Cobre Panama from KPMC during the year and net repayments on the trading and debt facilities during the period. From time to time, First Quantum may reduce outstanding debt, including through prepayments, redemptions, opportunistic market purchases and other means.

Liquidity outlook

At December 31, 2016, the Company had $713 million of committed undrawn facilities, $565 million in net unrestricted cash, working capital of $964 million, as well as future cash flows which support its ability to meet current obligations as they become due. The Company was also in full compliance with all its debt covenants.

The Company initiated, in 2016, the process to put in place project financing for the Cobre Panama project following the finalization of the precious metals stream agreement in November 2015. Total project financing is targeted to be completed during the second half of 2017.

At December 31, 2016, the Company had total commitments of $564 million, of which approximately $460 million relates to the 12 months following the year end, and is comprised primarily of capital expenditure for property, plant and equipment related to the development of Cobre Panama. In addition, the Company's Board of Directors has approved, but has not yet committed to, further capital expenditure which is being carefully managed in line with available cash resources and debt facilities.

As at December 31, 2016, the Company had the following contractual obligations outstanding[1]:

	Carrying Value	Contractual Cashflows	< 1 year	1 – 3 years	3 – 5 years	Thereafter
Debt – principal	4,864	4,990	325	1,530	2,285	850
Debt – finance charges	-	1,234	354	634	223	23
Trading facilities	82	82	82	-	-	-
Trade and other payables	531	531	531	-	-	-
Liability to related party[2]	596	790	-	175	83	532
Current taxes payable	90	90	90	-	-	-
Deferred payments	39	39	4	4	4	27
Finance leases	23	31	5	8	6	12
Commitments	-	564	460	90	9	5
Restoration provisions	530	953	8	17	77	851
Total	6,755	9,304	1,859	2,458	2,687	2,300

[1] Excluded from the above table is the derivative liability with respect the Company's sales hedge program. At December 31, 2016 the unrealized loss on the unmargined copper sales hedge positions maturing to December 2017 was $287 million (December 31, 2015 an unrealized gain of $72 million).

[2] Refers to distributions to shareholders of Cobre Panama of which KPMC, a related party, holds a 20% non controlling interest and not repayments.

The consolidated annual financial statements for the year ended December 31, 2015, were prepared on a going concern basis but indicated a material uncertainty that cast significant doubt over the Company's ability to continue as a going concern. The uncertainty arose in relation to the Company's ability to meet the Net Debt to EBITDA ratio covenant under the senior debt facility. Following actions taken by management during the first quarter of 2016, this uncertainty was significantly reduced and there was no longer a material uncertainty at the end of the first quarter of 2016. Actions taken by management by the end of the first quarter included: the agreement to sell the Kevitsa mine to Boliden for $712 million; a revised capital cost estimate of $5.48 billion for Cobre Panama, 15% lower than the original estimate; reductions and rephrasing of other capital programs across the organization; cost-saving initiatives at all operations resulting in significantly lower cash costs; reduction of working capital balances; as well as a copper and nickel sales hedging program. Additional actions have been taken during 2016 to further reduce risk, including the refinancing of the senior debt facility with revised financial covenants, the hedging of future copper sales to the end of 2017, as well as ongoing cost savings implemented across the Company.

Impairment review

As part of the preparation of the Company's consolidated financial statements, management reviewed each Cash-Generating Unit ("CGU") and its assets for the existence of any indicators of impairment, both internal and external. In the current low metal price environment, spot prices have been particularly depressed, while longer term consensus pricing has proved more resilient at the balance sheet date. The Company's most significant CGUs are longer-term assets, inclusive of Kansanshi, Sentinel and Ravensthorpe, and therefore their value is assessed on the basis of longer-term pricing assumptions.

in United States dollars, tabular amounts in millions, except where noted

In performing its review of indicators of impairment, management has considered any changes to ore reserves and resources estimates made during the year, changes in relevant commodity prices, volatility in the debt and mining markets, future production costs and revised future capital expenditure estimates. Commodity prices were derived from the median of consensus forecasts, including a long-term copper price of $2.95 per lb and long-term nickel price of $7.50 per lb. In assessing each CGU's value, management has considered the current country risk profile and various possible future scenarios including, where relevant, potential temporary suspension of operations if such action is considered necessary by management. In reviewing the shorter-term assets, short and medium term consensus copper prices are used which averaged $2.50 per lb.

For the Company's development projects, these are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. As management plans to continue to invest in these projects, and eventually develop them, there is no change in this assessment.

Given all of the information available to management at the balance sheet date, with the exception of a $13 million impairment charge which included the writedown of exploration assets in Peru and Chile, no indicators of impairment were identified for the Company's assets.

Hedging program

The Company has hedging programs in respect of future copper sales and provisionally priced sales contracts. Below is a summary of the fair values of unsettled derivative financial instruments for commodity contracts recorded on the consolidated balance sheet.

Commodity contracts:	December 31, 2016	December 31, 2015
Asset position	22	81
Liability position	(302)	(4)

Hedging of future copper and nickel sales

The Company has entered into derivative contracts to ensure that the exposure to the price of copper and nickel on future sales is managed so as to ensure stability of cashflows in the current higher capital expenditure phase of the development of the Cobre Panama project. As at December 31, 2016, 510,075 tonnes of unmargined copper forward sales contracts at an average price of $2.25 per pound remain outstanding with periods of maturity to December 2017 and 2,562 tonnes of unmargined nickel forward sales contracts at an average price of $5.07 per pound remain outstanding with periods of maturity to January 2017. The Company has elected to apply hedge accounting, with the hedges expected to be highly effective in offsetting changes in cash flows of future sales.

It is expected that over 90% of copper sales in the first half of 2017 will be hedged to unmargined forward sales contracts at an average price of $2.20 per pound.

During the year ended December 31, 2016, $56 million of revenue for settled hedges was realized. Fair value losses on outstanding contracts of $291 million have been recognized in other comprehensive income and as a derivative liability at December 31, 2016.

Commodity contracts:	Open Positions (tonnes)	Average Contract price	Closing Market price	Maturities Through
Copper	510,075	$2.25/lb	$2.50/lb	December 2017
Nickel	2,562	$5.07/lb	$4.54/lb	January 2017

Provisional pricing and derivative contracts

A portion of the Company's metal sales is sold on a provisional pricing basis whereby sales are recognized at prevailing metal prices when title transfers to the customer and final pricing is not determined until a subsequent date, typically two months later. The difference between final price and provisional invoice price is recognized in net earnings. In order to mitigate the impact of these adjustments on net earnings, the Company enters into derivative contracts to directly offset the pricing exposure on the provisionally priced contracts. The provisional pricing gains or losses and offsetting derivative gains or losses are both recognized as a component of cost of sales. Derivative assets are presented in other assets and derivative liabilities are presented in other liabilities with the exception of copper, gold and nickel embedded derivatives which are included within accounts receivable.

in United States dollars, tabular amounts in millions, except where noted

As at December 31, 2016, the following derivative positions in provisionally priced sales and commodity contracts not designated as hedged instruments were outstanding:

	Open Positions (tonnes/ounces)	Average Contract price	Closing Market price	Maturities Through
Embedded derivatives in provisionally priced sales contracts:				
Copper	79,388	$2.45/lb	$2.50/lb	May 2017
Nickel	1,222	$4.52/lb	$4.54/lb	April 2017
Gold	22,500	$1,195/oz	$1,159/oz	May 2017
Zinc	3,150	$1.20/lb	$1.16/lb	February 2017
Commodity contracts:				
Copper	80,113	$2.45/lb	$2.50/lb	May 2017
Nickel	1,222	$4.52/lb	$4.54/lb	April 2017
Gold	22,557	$1,195/oz	$1,159/oz	May 2017
Zinc	3,150	$1.20/lb	$1.16/lb	February 2017

As at December 31, 2016, substantially all of the Company's metal sales contracts subject to pricing adjustments were hedged by offsetting derivative contracts.

EQUITY

At the date of this report, the Company has 689,373,818 shares outstanding.

in United States dollars, tabular amounts in millions, except where noted

SUMMARY OF RESULTS

The following unaudited tables set out a summary of quarterly and annual results for the Company:

Consolidated continuing operations	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	Q3 16	Q4 16	2016
Sales revenues											
Copper	**$2,431**	$482	$427	$481	$578	**$1,968**	$576	$519	$478	$565	**$2,138**
Nickel	**492**	41	67	65	61	**234**	57	37	43	45	**182**
Gold	**218**	50	50	64	61	**225**	69	82	70	50	**271**
Zinc and other elements	**130**	29	14	22	19	**84**	18	21	14	29	**82**
Total sales revenues	**3,271**	602	558	632	719	**2,511**	720	659	605	689	**2,673**
Gross profit	**951**	23	54	100	110	**287**	105	102	80	52	**339**
EBITDA	**1,345**	95	141	172	229	**637**	254	276	233	216	**979**
Comparative EBITDA	**1,319**	106	148	254	224	**732**	269	257	220	218	**964**
Net earnings (loss) attributable to shareholders of the Company	**825**	(78)	(104)	(430)	111	**(501)**	49	125	36	12	**222**
Comparative earnings (loss)	**474**	(12)	20	66	182	**256**	63	38	37	27	**165**
Basic earnings (loss) per share	**$1.38**	($0.13)	($0.17)	($0.63)	$0.16	**($0.77)**	$0.07	$0.18	$0.05	$0.02	**$0.32**
Comparative earnings (loss) per share	**$0.80**	($0.02)	$0.03	$0.10	$0.27	**$0.40**	$0.09	$0.06	$0.05	$0.04	**$0.24**
Diluted earnings (loss) per share	**$1.38**	($0.13)	($0.17)	($0.63)	$0.16	**($0.77)**	$0.07	$0.18	$0.05	$0.02	**$0.32**
Dividends declared per common share ($CDN per share)	**$0.1434**	$0.0487	-	$0.0330	-	**$0.0817**	$0.0100	-	$0.005	-	**$0.015**
Basic weighted average # shares (000's)[1]	**595,994**	595,986	621,686	684,513	684,652	**646,823**	685,795	685,783	685,594	685,739	**685,746**
Cash flows per share from operating activities	**$1.08**	$0.22	$0.12	$0.21	$1.09	**$1.69**	$0.37	$0.44	$0.38	$0.14	**$1.33**
Copper statistics											
Total copper production (tonnes)	**410,120**	91,910	99,940	103,289	115,886	**411,025**	119,287	131,349	142,721	146,101	**539,458**
Total copper sales (tonnes)	**391,661**	91,082	79,678	101,359	119,534	**391,653**	131,267	132,030	136,051	136,265	**535,613**
Realized copper price (per lb)	**3.04**	2.58	2.67	2.36	2.40	**2.49**	2.38	2.21	2.23	2.18	**2.26**
TC/RC (per lb)	**(0.14)**	(0.16)	(0.17)	(0.16)	(0.10)	**(0.15)**	(0.11)	(0.12)	(0.10)	(0.12)	**(0.12)**
Freight charges (per lb)	**(0.11)**	(0.13)	(0.11)	(0.02)	(0.02)	**(0.06)**	(0.01)	(0.01)	(0.01)	(0.02)	**(0.01)**
Net realized copper price (per lb)	**2.79**	2.29	2.39	2.18	2.28	**2.28**	2.26	2.08	2.12	2.04	**2.13**
Cash cost – copper (C1) (per lb)	**$1.41**	$1.41	$1.22	$1.16	$1.06	**$1.21**	$1.03	$0.98	$0.97	$1.22	**$1.06**
Total cost – copper (C3) (per lb)	**$2.12**	$2.39	$2.25	$2.10	$1.85	**$2.14**	$1.86	$1.80	$1.74	$1.91	**$1.83**
All-in sustaining cost (AISC) (per lb)	**$2.02**	$2.22	$2.02	$1.72	$1.51	**$1.85**	$1.36	$1.32	$1.36	$1.71	**$1.46**
Nickel statistics											
Nickel produced (contained tonnes)	**36,445**	4,238	7,115	7,662	7,652	**26,667**	7,106	4,982	5,330	6,206	**23,624**
Nickel sales (contained tonnes)	**37,981**	3,732	6,556	8,062	8,583	**26,933**	8,940	5,415	5,454	6,073	**25,882**
Nickel produced (payable tonnes)	**28,472**	3,274	5,513	5,893	5,887	**20,567**	5,295	3,711	3,974	4,650	**17,630**
Nickel sales (payable tonnes)	**29,546**	2,962	5,125	6,270	6,716	**21,073**	6,813	4,101	4,082	4,539	**19,535**
Realized nickel price (per payable lb)	**7.62**	6.53	5.98	4.83	4.29	**5.18**	3.88	4.15	4.68	4.50	**4.25**
TC/RC (per payable lb)	**(0.06)**	(0.18)	(0.14)	(0.11)	(0.15)	**(0.14)**	(0.09)	-	0.01	-	**(0.03)**
Net realized nickel price (per payable lb)	**7.56**	6.35	5.84	4.72	4.14	**5.04**	3.79	4.15	4.69	4.50	**4.22**
Cash cost – nickel (C1) (per payable lb)	**$4.50**	$4.66	$4.70	$4.60	$4.49	**$4.60**	$4.48	$4.73	$5.01	$4.46	**$4.66**
Total cost – nickel (C3) (per payable lb)	**$5.98**	$6.28	$6.13	$5.93	$5.82	**$5.99**	$6.00	$6.63	$6.71	$6.16	**$6.34**
All-in sustaining cost (AISC) (per lb)	**$5.42**	$5.56	$5.56	$5.29	$4.95	**$5.30**	$4.93	$5.49	$5.90	$5.03	**$5.29**
Gold statistics											
Total gold production (ounces)	**216,969**	49,780	53,835	53,563	53,889	**211,067**	56,191	50,630	52,957	54,234	**214,012**
Total gold sales (ounces)	**203,228**	47,269	47,421	61,279	57,958	**213,927**	63,141	69,898	54,124	45,620	**232,783**
Net realized gold price (per ounce)	**1,071**	1,043	1,061	1,051	1,047	**1,050**	1,097	1,180	1,282	1,097	**1,165**
Zinc statistics											
Zinc production (tonnes)	**55,980**	12,975	8,220	10,339	9,605	**41,139**	6,223	6,491	5,064	11,084	**28,862**
Zinc sales (tonnes)	**56,268**	13,054	7,411	10,117	11,036	**41,618**	5,997	4,740	4,653	11,971	**27,361**

[1] Fluctuations in average weighted shares between quarters reflects shares issued and changes in levels of treasury shares held for performance share units.

in United States dollars, tabular amounts in millions, except where noted

Kansanshi statistics	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	Q3 16	Q4 16	2016
Mining											
Waste mined (000's tonnes)	**54,966**	12,043	17,119	21,816	19,751	**70,729**	15,957	22,210	21,710	15,058	**74,935**
Ore mined (000's tonnes)	**26,945**	6,838	9,166	9,057	9,044	**34,105**	7,940	7,790	8,318	7,631	**31,679**
Processing											
Sulphide ore processed (000's tonnes)	**7,944**	1,389	1,503	2,478	2,926	**8,296**	2,888	2,860	2,973	3,267	**11,988**
Sulphide ore grade processed (%)	**0.9**	0.9	0.9	0.8	0.7	**0.8**	0.7	0.9	0.8	0.8	**0.8**
Sulphide ore recovery (%)	**91**	90	92	91	92	**91**	88	92	93	93	**92**
Mixed ore processed (000's tonnes)	**9,413**	3,288	3,342	2,359	1,960	**10,949**	1,990	1,984	1,986	1,993	**7,953**
Mixed ore grade processed (%)	**1.1**	1.1	1.0	1.0	1.1	**1.1**	1.0	1.0	1.0	1.0	**1.0**
Mixed ore recovery (%)	**73**	68	68	71	73	**72**	88	83	80	79	**84**
Oxide ore processed (000's tonnes)	**7,977**	1,367	1,760	1,773	1,895	**6,795**	1,637	1,747	1,881	1,811	**7,076**
Oxide ore grade processed (%)	**1.8**	1.5	1.6	1.3	1.7	**1.5**	1.5	1.4	1.6	1.4	**1.5**
Oxide ore recovery (%)	**83**	89	79	82	83	**80**	92	89	94	95	**94**
Copper cathode produced (tonnes)	**102,362**	20,593	20,984	18,766	20,643	**80,986**	19,394	19,213	20,194	20,867	**79,668**
Copper cathode tolled produced (tonnes)	**2,560**	-	-	-	-	**-**	-	-	-	-	**-**
Copper in concentrate produced (tonnes)	**157,365**	32,953	36,032	35,746	40,957	**145,688**	38,681	43,145	46,695	45,083	**173,604**
Total copper production (tonnes)	**262,287**	53,546	57,016	54,512	61,600	**226,674**	58,075	62,358	66,889	65,950	**253,272**
Concentrate grade (%)	**23.3**	23.4	22.5	20.8	19.6	**21.1**	19.9	22.6	20.6	22.3	**21.4**
Smelting[2]											
Concentrate processed (DMT) [1]	**-**	-	-	254,709	228,427	**709,188**	244,144	309,063	276,368	314,399	**1,143,974**
Copper anodes produced (tonnes) [1]	**-**	-	-	57,085	46,493	**150,292**	52,506	69,210	62,984	72,630	**257,330**
Smelter copper recovery (%)	**-**	-	-	98	97	**98**	98	97	97	95	**97**
Acid tonnes produced (000's)	**-**	-	-	229	214	**645**	239	309	266	295	**1,109**
Gold produced (ounces)	**154,431**	32,592	35,182	34,474	34,009	**136,257**	35,743	34,313	37,833	40,331	**148,220**
Cash Costs (per lb)											
Mining	**$0.64**	$0.67	$0.56	$0.67	$0.60	**$0.62**	$0.70	$0.67	$0.58	$0.68	**$0.65**
Processing	**0.86**	0.88	0.69	0.61	0.43	**0.65**	0.52	0.49	0.49	0.46	**0.49**
Site administration	**0.07**	0.09	0.06	0.06	0.04	**0.06**	0.06	0.06	0.06	0.09	**0.07**
TC/RC and freight charges	**0.33**	0.40	0.59	0.20	0.12	**0.29**	0.07	0.06	0.14	0.15	**0.11**
Gold credit	**(0.27)**	(0.27)	(0.33)	(0.28)	(0.21)	**(0.26)**	(0.30)	(0.34)	(0.35)	(0.22)	**(0.30)**
Total smelter costs	**-**	-	(0.20)	0.08	0.11	**0.02**	0.13	0.13	0.13	0.14	**0.13**
Cash cost (C1) (per lb)	**$1.63**	$1.77	$1.37	$1.34	$1.09	**$1.38**	$1.18	$1.07	$1.05	$1.30	**$1.15**
Total cost (C3) (per lb)	**$2.16**	$2.75	$2.38	$2.23	$1.82	**$2.28**	$1.94	$1.76	$1.68	$1.81	**$1.78**
Revenues ($ millions)											
Copper cathodes	**$908**	$137	$124	$108	$95	**$464**	$74	$91	$99	$110	**$374**
Copper anode	**-**	16	-	139	248	**403**	239	208	185	209	**841**
Copper in concentrates	**618**	129	112	29	9	**279**	10	12	9	17	**48**
Gold	**152**	32	32	34	41	**139**	50	52	51	33	**186**
Total sales revenues	**$1,678**	$314	$268	$310	$393	**$1,285**	$373	$363	$344	$369	**$1,449**
Copper cathode sales (tonnes)	**128,040**	20,202	19,372	20,036	22,238	**81,848**	15,892	18,772	21,219	21,201	**77,084**
Copper tolled cathode sales (tonnes)	**2,560**	-	-	-	-	**-**	-	-	-	-	**-**
Copper anode sales (tonnes)	**-**	2,922	127	27,338	52,635	**83,022**	52,866	44,631	40,107	39,291	**176,895**
Copper in concentrate sales (tonnes)	**116,712**	30,380	24,789	7,182	2,972	**65,323**	3,464	3,813	2,791	4,412	**14,480**
Gold sales (ounces)	**142,609**	31,307	30,459	31,542	38,664	**131,972**	44,132	43,220	38,896	30,592	**156,840**

[1] Quarterly statistics are presented from the date of commercial production. Annual statistics are inclusive of pre-commercial production. Concentrate processed in smelter and copper anodes produced are disclosed on a 100% basis, inclusive of Sentinel concentrate processed.

in United States dollars, tabular amounts in millions, except where noted

Sentinel statistics	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	Q3 16	Q4 16	Q4 16	2016
									Pre-Commercial production	Post-Commercial production	
Mining											
Waste mined (000's tonnes)	-	25,160	31,267	25,492	**95,181**	18,530	20,617	23,022	7,864	12,065	**82,098**
Ore mined (000's tonnes)	-	2,285	4,569	5,936	**13,907**	8,635	9,352	9,185	3,519	7,269	**37,960**
Processing											
Copper ore processed (000's tonnes)	1,460	3,048	4,179	5,329	**14,016**	8,281	8,860	8,831	3,397	7,000	**36,369**
Copper ore grade processed (%)	-	0.8	0.7	0.6	**0.6**	0.6	0.6	0.6	0.5	0.6	**0.6**
Recovery (%)	-	25	40	52	**41**	44	64	76	75	88	**68**
Copper concentrate produced (tonnes)	1,003	5,799	10,979	15,190	**32,971**	20,902	31,987	38,926	12,652	35,133	**139,600**
Cash Costs (per lb)											
Mining	-	-	-	-	-	-	-	-	-	0.51	**0.51**
Processing	-	-	-	-	-	-	-	-	-	0.45	**0.45**
Site administration	-	-	-	-	-	-	-	-	-	0.13	**0.13**
TC/RC and freight charges	-	-	-	-	-	-	-	-	-	0.25	**0.25**
Total smelter costs	-	-	-	-	-	-	-	-	-	0.13	**0.13**
Cash cost (C1) (per lb)	-	-	-	-	-	-	-	-	-	1.47	**1.47**
Total cost (C3) (per lb)	-	-	-	-	-	-	-	-	-	2.16	**2.16**
Revenues ($ millions)											
Copper anode	-	-	-	-	-	-	-	-	-	110	**110**
Copper in concentrates	-	-	-	-	-	-	-	-	-	43	**43**
Copper anode sales (tonnes)	-	-	-	-	-	-	-	-	-	20,294	**20,294**
Copper concentrate sales (tonnes)	-	-	-	-	-	-	-	-	-	10,034	**10,034**

Las Cruces statistics	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	Q3 16	Q4 16	2016
Mining											
Waste mined (000's tonnes)	**19,053**	2,615	3,154	7,190	2,500	**15,459**	1,737	2,310	7,478	2,119	**13,644**
Ore mined (000's tonnes)	**1,692**	298	566	476	197	**1,537**	267	340	442	281	**1,330**
Processing											
Copper ore processed (000's tonnes)	**1,539**	362	388	370	380	**1,500**	378	389	409	362	**1,538**
Copper ore grade processed (%)	**5.1**	5.1	5.1	5.2	5.3	**5.2**	5.2	5.2	5.2	5.1	**5.2**
Recovery (%)	**90**	91	88	90	93	**90**	92	92	94	93	**92**
Copper cathode produced (tonnes)	**71,090**	16,694	17,362	17,365	18,608	**70,029**	18,045	18,426	20,016	17,156	**73,643**
Cash Costs (per lb)											
Cash cost (C1) (per lb)	**$0.96**	$0.97	$0.87	$0.73	$1.03	**$0.90**	$0.84	$0.80	$0.67	$0.94	**$0.81**
Total cost (C3) (per lb)	**$1.97**	$1.90	$2.07	$1.84	$1.90	**$1.93**	$1.82	$1.85	$1.72	$1.93	**$1.83**
Revenues ($ millions)											
Copper cathode	**$491**	$116	$101	$94	$83	**$394**	$89	$94	$93	$82	**$358**
Copper cathode sales (tonnes)	**71,120**	19,598	16,600	17,484	16,884	**70,566**	18,972	19,708	19,203	15,656	**73,539**

in United States dollars, tabular amounts in millions, except where noted

Guelb Moghrein statistics	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	Q3 16	Q4 16	2016
Mining											
Waste mined (000's tonnes)	**17,140**	2,972	6,198	4,245	4,130	**17,545**	3,823	2,529	2,249	3,465	**12,066**
Ore mined (000's tonnes)	**3,086**	829	840	751	498	**2,918**	693	731	559	717	**2,700**
Processing											
Sulphide ore processed (000's tonnes)	**3,057**	1,001	1,014	979	1,021	**4,015**	1,014	971	986	927	**3,898**
Sulphide ore grade processed (%)	**1.2**	1.2	1.2	1.3	1.3	**1.2**	1.2	1.0	0.8	0.7	**0.9**
Recovery (%)	**92**	92	91	92	91	**92**	93	90	91	91	**91**
Copper in concentrate produced (tonnes)	**33,079**	10,642	11,141	11,373	11,845	**45,001**	11,062	8,522	7,156	6,078	**32,818**
Gold produced (ounces)	**48,948**	14,468	16,240	16,154	17,145	**64,007**	17,240	13,363	12,208	11,140	**53,951**
Cash Costs (per lb)											
Mining	**$0.60**	$0.43	$0.32	$0.38	$0.38	**$0.38**	$0.30	$0.41	$0.45	$0.70	**$0.44**
Processing	**1.09**	0.68	0.67	0.68	0.60	**0.67**	0.60	0.78	0.92	1.05	**0.80**
Site administration	**0.25**	0.18	0.16	0.19	0.12	**0.16**	0.14	0.19	0.26	0.25	**0.20**
TC/RC and freight charges	**0.57**	0.58	0.67	0.59	0.48	**0.57**	0.46	0.45	0.56	0.32	**0.45**
Gold credit	**(0.84)**	(0.76)	(0.83)	(0.75)	(0.75)	**(0.77)**	(0.82)	(0.94)	(1.05)	(1.13)	**(0.96)**
Cash cost (C1) (per lb)	**$1.67**	$1.11	$0.99	$1.09	$0.83	**$1.01**	$0.68	$0.89	$1.14	$1.19	**$0.93**
Total cost (C3) (per lb)	**$2.41**	$1.80	$1.70	$1.70	$1.49	**$1.67**	$1.31	$1.61	$1.96	$2.18	**$1.68**
Revenues ($ millions)											
Copper in concentrates	**$176**	$44	$46	$74	$45	**$209**	$35	$53	$27	$25	**$140**
Gold	**54**	14	17	28	17	**76**	16	28	15	14	**73**
Total sales revenues	**$230**	$58	$63	$102	$62	**$285**	$51	$81	$42	$39	**$213**
Copper in concentrate sales (tonnes)	**30,095**	9,010	9,470	17,614	11,228	**47,322**	9,622	13,998	6,870	5,840	**36,330**
Gold sales (ounces)	**45,901**	12,860	14,568	26,585	16,667	**70,680**	15,573	23,765	12,038	11,959	**63,335**

Ravensthorpe statistics	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	Q3 16	Q4 16	2016
Processing											
Beneficiated ore (000's tonnes)	**3,128**	369	528	687	750	**2,334**	709	538	563	700	**2,510**
Beneficiated ore grade (%)	**1.5**	1.4	1.5	1.4	1.4	**1.4**	1.3	1.2	1.2	1.2	**1.3**
Nickel recovery – leach feed to NI produced (%)	**84**	92	93	85	84	**88**	84	80	79	80	**81**
Nickel produced (contained tonnes)	**36,445**	4,238	7,115	7,662	7,652	**26,667**	7,106	4,982	5,330	6,206	**23,624**
Nickel produced (payable tonnes)	**28,472**	3,274	5,513	5,893	5,887	**20,567**	5,295	3,711	3,974	4,650	**17,630**
Cash Costs (per lb)											
Mining	**$0.80**	$0.86	$0.81	$0.84	$0.96	**$0.87**	$0.99	$0.91	$1.06	$1.00	**$0.99**
Processing	**3.18**	3.24	3.12	3.25	2.94	**3.12**	2.97	3.32	3.56	3.10	**3.21**
Site administration	**0.29**	0.43	0.42	0.32	0.31	**0.36**	0.27	0.41	0.42	0.38	**0.36**
TC/RC and freight charges	**0.46**	0.39	0.60	0.46	0.53	**0.51**	0.46	0.30	0.22	0.24	**0.33**
Cobalt credit	**(0.23)**	(0.26)	(0.25)	(0.27)	(0.25)	**(0.26)**	(0.21)	(0.21)	(0.25)	(0.26)	**(0.23)**
Cash cost (C1) (per lb)	**$4.50**	$4.66	$4.70	$4.60	$4.49	**$4.60**	$4.48	$4.73	$5.01	$4.46	**$4.66**
Total cost (C3) (per lb)	**$5.98**	$6.28	$6.13	$5.93	$5.82	**$5.99**	$6.00	$6.63	$6.71	$6.16	**$6.34**
Revenues ($ millions)											
Nickel	**$492**	$41	$67	$65	$61	**$234**	$57	$36	$42	$50	**$185**
Cobalt	**15**	2	2	4	4	**12**	3	2	3	2	**10**
Total sales revenues	**$507**	$43	$69	$69	$65	**$246**	$60	$38	$45	$52	**$195**
Nickel sales (contained tonnes)	**37,981**	3,732	6,556	8,062	8,583	**26,933**	8,940	5,415	5,454	6,073	**25,882**
Nickel sales (payable tonnes)	**29,546**	2,962	5,125	6,270	6,716	**21,073**	6,813	4,101	4,083	4,539	**19,536**

in United States dollars, tabular amounts in millions, except where noted

Çayeli statistics	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	Q3 16	Q4 16	2016
Mining											
Ore mined (000's tonnes)	**1,356**	327	303	313	290	**1,233**	328	303	323	313	**1,267**
Processing											
Ore milled (000's tonnes)	**1,341**	332	315	312	270	**1,229**	326	326	313	320	**1,285**
Copper ore grade processed (%)	**2.7**	2.6	2.2	2.4	2.6	**2.5**	2.5	2.2	2.3	2.0	**2.3**
Copper ore recovery (%)	**80**	81	81	78	81	**81**	86	87	87	89	**87**
Zinc ore grade processed (%)	**4.3**	3.3	2.7	3.2	2.8	**3.0**	1.7	1.6	1.8	1.3	**1.6**
Zinc ore recovery (%)	**63**	55	55	54	51	**54**	39	37	41	39	**39**
Copper produced (tonnes)	**29,360**	7,136	5,746	5,816	5,606	**24,304**	6,878	6,376	6,335	5,741	**25,330**
Zinc produced (tonnes)	**36,218**	5,954	4,599	5,477	3,778	**19,808**	2,170	1,944	2,338	1,610	**8,062**
Cash Costs (per lb)											
Cash cost – Copper (C1) (per lb)	**$0.90**	$1.02	$1.34	$1.43	$1.41	**$1.29**	$1.18	$1.26	$1.11	$1.25	**$1.20**
Total cost – Copper (C3) (per lb)	**$1.83**	$2.04	$2.19	$2.53	$1.79	**$2.15**	$1.83	$1.95	$1.76	$1.90	**$1.86**
Revenues ($ millions)											
Copper	**$155**	$24	$30	$22	$16	**$92**	$26	$18	$24	$29	**$97**
Zinc	**47**	6	5	4	3	**18**	2	-	3	3	**8**
Other	**10**	2	1	1	2	**6**	1	2	1	1	**5**
Total sales revenues	**$212**	$32	$36	$27	$21	**$116**	$29	$20	$28	$33	**$110**
Copper sales (tonnes)	**29,241**	5,720	6,747	5,672	4,262	**22,401**	7,295	5,733	6,510	7,257	**26,795**
Zinc sales (tonnes)	**37,298**	5,166	4,967	4,499	4,847	**19,479**	2,062	-	2,376	2,387	**6,825**

Pyhäsalmi statistics	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	Q3 16	Q4 16	2016
Mining											
Ore mined (000's tonnes)	**1,402**	341	341	350	352	**1,384**	320	349	379	382	**1,430**
Processing											
Ore milled (000's tonnes)	**1,377**	341	346	347	345	**1,379**	343	335	352	350	**1,380**
Copper ore grade processed (%)	**1.1**	0.9	0.9	1.0	0.9	**0.9**	1.3	1.1	1.0	1.0	**1.1**
Copper ore recovery (%)	**96**	97	97	96	97	**97**	98	97	95	97	**97**
Zinc ore grade processed (%)	**1.6**	2.2	1.2	1.6	1.9	**1.7**	1.3	1.5	0.9	2.9	**1.7**
Zinc ore recovery (%)	**90**	92	90	89	90	**91**	88	89	86	93	**90**
Copper produced (tonnes)	**14,304**	2,889	2,877	3,245	3,035	**12,046**	4,325	3,680	3,398	3,392	**14,795**
Zinc produced (tonnes)	**19,762**	7,021	3,621	4,862	5,827	**21,331**	4,053	4,547	2,726	9,474	**20,800**
Pyrite produced (tonnes)	**840,929**	198,855	204,493	220,327	216,031	**839,706**	177,149	195,679	112,882	4,770	**490,480**
Cash Costs (per lb)											
Cash cost – Copper (C1) (per lb)	**$0.06**	($0.52)	$0.84	$0.55	$0.42	**$0.30**	$0.14	$0.33	$0.61	($1.14)	**$0.04**
Total cost – Copper (C3) (per lb)	**$2.11**	$1.64	$2.96	$2.62	$2.53	**$2.42**	$2.04	$2.28	$2.59	$0.84	**$1.99**
Revenues ($ millions)											
Copper	**$84**	$17	$13	$15	$11	**$56**	$17	$14	$15	$15	**$61**
Zinc	**26**	11	3	6	5	**25**	4	7	3	16	**30**
Pyrite	**28**	8	2	5	6	**21**	7	3	3	3	**16**
Other	**15**	3	3	4	2	**12**	4	2	6	4	**16**
Total sales revenues	**$153**	$39	$21	$30	$24	**$114**	$32	$26	$27	$38	**$123**
Copper sales (tonnes)	**13,894**	3,250	2,573	3,561	2,892	**12,276**	4,361	3,435	3,798	3,114	**14,708**
Zinc sales (tonnes)	**18,970**	7,888	2,444	5,619	6,188	**22,139**	3,935	4,740	2,277	9,584	**20,536**
Pyrite sales (tonnes)	**940,843**	229,353	104,919	198,224	218,233	**750,729**	210,183	107,348	89,118	111,273	**517,922**

in United States dollars, tabular amounts in millions, except where noted

Discontinued operations (to May 31, 2016)

Kevitsa statistics	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	Q3 16	Q4 16	2016
Mining											
Total tonnes mined (000's tonnes)	**28,165**	8,514	10,072	9,029	9,322	**36,937**	8,900	6,077	-	-	14,977
Processing											
Ore tonnes milled (000's tonnes)	**6,711**	1,504	1,559	1,811	1,791	**6,665**	1,640	1,234	-	-	2,874
Nickel ore grade processed (%)	**0.2**	0.2	0.2	0.2	0.2	**0.2**	0.2	0.2	-	-	0.2
Nickel recovery (%)	**61**	64	66	67	69	**67**	65	70	-	-	67
Nickel production (tonnes)	**9,433**	2,030	1,944	2,293	2,538	**8,805**	1,725	1,932	-	-	3,657
Copper ore grade processed (%)	**0.3**	0.3	0.3	0.3	0.3	**0.3**	0.2	0.3	-	-	0.3
Copper recovery (%)	**87**	89	89	90	89	**89**	88	88	-	-	88
Copper production (tonnes)	**17,535**	4,408	4,293	4,196	4,307	**17,204**	3,398	2,955	-	-	6,353
Gold production (ounces)	**12,844**	3,002	2,890	3,324	3,631	**12,847**	2,525	2,543	-	-	5,068
Platinum production (ounces)	**34,090**	6,468	6,104	9,142	10,185	**31,899**	6,094	6,897	-	-	12,991
Palladium production (ounces)	**25,990**	4,977	4,731	7,426	8,062	**25,196**	4,899	5,527	-	-	10,426
Cash cost – Nickel (C1) (per lb)[1]	**$4.07**	$3.87	$4.61	$4.41	$3.78	**$4.16**	$5.27	$4.21	-	-	$4.73
Total cost – Nickel (C3) (per lb)[1,2]	**$5.29**	$5.49	$7.32	$4.54	$5.03	**$5.54**	$6.33	$4.23	-	-	$5.25
Cash cost – Copper (C1) (per lb)[1]	**$1.42**	$1.32	$1.22	$1.56	$1.46	**$1.38**	$2.04	$1.92	-	-	$1.98
Total cost – Copper (C3) (per lb)[1,2]	**$2.27**	$2.04	$2.23	$1.68	$1.67	**$1.90**	$2.64	$1.94	-	-	$2.32
Revenues ($ millions)											
Nickel	**$104**	$20	$21	$19	$15	**$75**	$7	$8	-	-	$15
Copper	**109**	19	22	13	18	**72**	11	10	-	-	21
Gold	**11**	2	3	2	3	**10**	2	1	-	-	3
PGE and other	**47**	7	6	7	10	**30**	5	5	-	-	10
Total sales revenues	**$271**	$48	$52	$41	$46	**$187**	$25	$24	-	-	$49
Nickel sales (tonnes)	**9,768**	1,974	2,165	2,671	2,611	**9,421**	1,509	1,445	-	-	2,954
Copper sales (tonnes)	**19,542**	4,103	4,704	3,254	5,020	**17,081**	3,128	2,746	-	-	5,874
Gold sales (ounces)	**10,876**	2,611	3,383	2,132	3,413	**11,539**	1,918	1,840	-	-	3,758
Platinum sales (ounces)	**33,898**	7,310	7,223	8,486	11,847	**34,866**	6,207	5,288	-	-	11,495
Palladium sales (ounces)	**25,846**	5,342	5,431	6,447	9,231	**26,451**	4,706	3,860	-	-	8,566

[1] C1 cash cost and C3 total cost are calculated on a co-product basis for nickel and copper. Common costs are allocated to each product based on the ratio of production volumes multiplied by budget metal prices. By-product credits are allocated based on the finished product concentrate in which they are produced.
[2] Depreciation ceased on classification as held for sale.

REGULATORY DISCLOSURES

Seasonality

The Company's results as discussed in this MD&A are subject to seasonal aspects, in particular the wet season in Zambia. The rainy season in Zambia generally starts in November and continues through April, with the heaviest rainfall normally experienced in the months of January, February and March. As a result of the rainy season, pit access and the ability to mine ore is lower in the first quarter of the year than other quarters and the cost of mining is higher.

Off-balance sheet arrangements

The Company had no off-balance sheet arrangements as of the date of this report.

Non-GAAP financial measures

This document refers to cash cost (C1), total cost (C3) and all-in sustaining cost (AISC) per unit of payable production, operating cash flow per share, comparative EBITDA and comparative earnings, which are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS.

The calculation of these measures is described below, and may differ from those used by other issuers. The Company discloses these measures in order to provide assistance in understanding the results of the operations and to provide additional information to investors.

Calculation of cash cost, total cost and all-in sustaining cost

The consolidated cash cost (C1) and total cost (C3) presented by the Company are measures that are prepared on a basis consistent with the industry standard definitions but are not measures recognized under IFRS. In calculating the C1 cash cost, C3 total cost and all-in sustaining cost for each segment, the costs are measured on the same basis as the segmented financial information that is contained in the financial statements.

C1 cash cost includes all mining and processing costs less any profits from by-products such as gold, cobalt or platinum group elements. TC/RC and freight deductions on metal sales, which are typically recognized as a component of sales revenues, are added to C1 cash cost to arrive at an approximate cost of finished metal. C3 total cost is C1 cash cost plus depreciation, exploration, insurance and royalties.

All-in sustaining cost (AISC) is defined as cash cost (C1) plus general and administrative expenses, sustaining capital expenditure, deferred stripping and royalties.

in United States dollars, tabular amounts in millions, except where noted

The following tables provide a reconciliation of C1, C3 and AISC to the consolidated financial statements:

For the three months ended December 31, 2016	**Kansanshi**	**Sentinel**	**Las Cruces**	**Guelb Moghrein**	**Çayeli**	**Pyhäsalmi**	**Copper Continuing**	**Corporate & other**	**Ravensthorpe**	**Total**
Cost of sales	(272)	(136)	(67)	(37)	(25)	(29)	**(566)**	(6)	(65)	**(637)**
Adjustments:										
Depreciation	51	29	36	11	9	14	**150**	-	10	**160**
By-product credits	34	-	-	14	3	21	**72**	-	3	**75**
Royalties	20	8	1	1	1	-	**31**	-	3	**34**
Treatment and refining charges and freight costs	5	(13)	1	(4)	(6)	(3)	**(20)**	-	-	**(20)**
Finished goods	(26)	7	(5)	(1)	3	1	**(21)**	-	1	**(20)**
Other	4	(1)	(2)	1	(1)	2	**3**	6	2	**11**
Cash cost (C1)	(184)	(106)	(36)	(15)	(16)	6	**(351)**	-	(46)	**(397)**
Adjustments:										
Depreciation (excluding depreciation in finished goods)	(53)	(43)	(36)	(14)	(8)	(14)	**(168)**		(16)	**(184)**
Royalties	(20)	(8)	(1)	(1)	(1)	-	**(31)**		(3)	**(34)**
Other	-	-	-	1	1	-	**2**		2	**4**
Total cost (C3)	(257)	(157)	(73)	(29)	(24)	(8)	**(548)**		(63)	**(611)**
Cash cost (C1)	(184)	(106)	(36)	(15)	(16)	6	**(351)**		(46)	**(397)**
Adjustments:										
General and administrative expenses	(8)	(6)	(2)	(1)	(1)	1	**(17)**		(2)	**(19)**
Sustaining capital expenditure and deferred stripping	(34)	(36)	(9)	(12)	(1)	-	**(92)**		(1)	**(93)**
Royalties	(20)	(8)	(1)	(1)	(1)	-	**(31)**		(3)	**(34)**
AISC	(246)	(156)	(48)	(29)	(19)	7	**(491)**		(52)	**(543)**
Cash cost – (C1) (per lb)	$1.30	$1.47	$0.94	$1.19	$1.25	$(1.14)	**$1.22**		$4.46	
Total cost – (C3) (per lb)	$1.81	$2.16	$1.93	$2.18	$1.90	$0.84	**$1.91**		$6.16	
AISC (per lb)	$1.76	$2.13	$1.20	$2.21	$1.42	$(1.18)	**$1.71**		$5.03	

in United States dollars, tabular amounts in millions, except where noted

For the year ended December 31, 2016	**Kansanshi**	**Sentinel**	**Las Cruces**	**Guelb Moghrein**	**Çayeli**	**Pyhäsalmi**	**Copper Continuing**	**Corporate & other**	**Ravensthorpe**	**Total**
Cost of sales	(1,229)	(136)	(299)	(168)	(94)	(114)	**(2,040)**	(22)	(272)	**(2,334)**
Adjustments:										
Depreciation	305	29	160	47	35	61	**637**	-	49	**686**
By-product credits	186	-	-	73	14	62	**335**	-	10	**345**
Royalties	98	8	5	7	1	-	**119**	-	9	**128**
Treatment and refining charges and freight costs	(52)	(13)	3	(26)	(24)	(12)	**(124)**	-	(1)	**(125)**
Finished goods	54	7	-	4	3	(1)	**67**	-	20	**87**
Other	17	(1)	-	2	1	2	**21**	22	3	**46**
Cash cost (C1)	(621)	(106)	(131)	(61)	(64)	(2)	**(985)**	-	(182)	**(1,167)**
Adjustments:										
Depreciation (excluding depreciation in finished goods)	(256)	(43)	(160)	(45)	(34)	(61)	**(599)**		(54)	**(653)**
Royalties	(98)	(8)	(5)	(7)	(1)	-	**(119)**		(9)	**(128)**
Other	(8)	-	-	(2)	-	-	**(10)**		(3)	**(13)**
Total cost (C3)	(983)	(157)	(296)	(115)	(99)	(63)	**(1,713)**		(248)	**(1,961)**
Cash cost (C1)	(621)	(106)	(131)	(61)	(64)	(2)	**(985)**		(182)	**(1,167)**
Adjustments:										
General and administrative expenses	(37)	(6)	(8)	(4)	(4)	-	**(59)**		(11)	**(70)**
Sustaining capital expenditure and deferred stripping	(111)	(36)	(20)	(30)	(5)	(1)	**(203)**		(6)	**(209)**
Royalties	(98)	(8)	(5)	(7)	(1)	-	**(119)**		(9)	**(128)**
AISC	(867)	(156)	(164)	(102)	(74)	(3)	**(1,366)**		(208)	**(1,574)**
Cash cost – (C1) (per lb)	$1.15	$1.47	$0.81	$0.93	$1.20	$0.04	**$1.06**		$4.66	
Total cost – (C3) (per lb)	$1.78	$2.16	$1.83	$1.68	$1.86	$1.99	**$1.83**		$6.34	
AISC (per lb)	$1.57	$2.13	$1.01	$1.51	$1.37	$0.07	**$1.46**		$5.29	

in United States dollars, tabular amounts in millions, except where noted

For the three months ended December 31, 2015	Kansanshi	Las Cruces	Guelb Moghrein	Çayeli	Pyhäsalmi	Copper Continuing	Corporate & other	Ravensthorpe	Total
Cost of sales	(331)	(73)	(45)	(21)	(27)	**(497)**	(23)	(89)	**(609)**
Adjustments:									
Depreciation	57	37	12	6	14	**126**	2	14	**142**
By-product credits	34	-	17	4	13	**68**	-	4	**72**
Royalties	39	1	3	(2)	-	**41**	-	3	**44**
Treatment and refining charges and freight costs	(37)	1	(10)	(4)	(4)	**(54)**	-	(2)	**(56)**
Finished goods	106	(8)	-	(1)	-	**97**	-	9	**106**
Other	(12)	-	1	2	1	**(8)**	21	2	**15**
Cash cost (C1)	(144)	(42)	(22)	(16)	(3)	**(227)**	-	(59)	**(286)**
Adjustments:									
Depreciation (excluding depreciation in finished goods)	(65)	(35)	(13)	(6)	(14)	**(133)**		(14)	**(147)**
Royalties	(39)	(1)	(3)	2	-	**(41)**		(3)	**(44)**
Other	(2)	-	-	(1)	-	**(3)**		-	**(3)**
Total cost (C3)	(250)	(78)	(38)	(21)	(17)	**(404)**		(76)	**(480)**
Cash cost (C1)	(144)	(42)	(22)	(16)	(3)	**(227)**		(59)	**(286)**
Adjustments:									
General and administrative expenses	(7)	(3)	(1)	(1)	-	**(12)**		(5)	**(17)**
Sustaining capital expenditure and deferred stripping	(25)	(10)	(7)	(4)	(2)	**(48)**		-	**(48)**
Royalties	(39)	(1)	(3)	2	-	**(41)**		(3)	**(44)**
AISC	(215)	(56)	(33)	(19)	(5)	**(328)**		(67)	**(395)**
Cash cost – (C1) (per lb)	$1.09	$1.03	$0.83	$1.41	$0.42	**$1.06**		$4.49	
Total cost – (C3) (per lb)	$1.82	$1.90	$1.49	$1.79	$2.53	**$1.85**		$5.82	
AISC (per lb)	$1.57	$1.36	$1.28	$1.65	$0.75	**$1.51**		$4.95	

in United States dollars, tabular amounts in millions, except where noted

For the year ended December 31, 2015	Kansanshi	Las Cruces	Guelb Moghrein	Çayeli	Pyhäsalmi	Copper Continuing	Corporate & other	Ravensthorpe	Total
Cost of sales	(1,173)	(303)	(218)	(104)	(106)	**(1,904)**	(23)	(297)	**(2,224)**
Adjustments:									
Depreciation	177	153	56	33	54	**473**	2	48	**523**
By-product credits	132	-	76	24	58	**290**	-	12	**302**
Royalties	217	6	11	6	-	**240**	-	11	**251**
Treatment and refining charges and freight costs	(105)	5	(38)	(22)	(12)	**(172)**	-	(6)	**(178)**
Finished goods	65	-	16	(4)	1	**78**	-	19	**97**
Other	14	-	1	2	(2)	**15**	21	4	**40**
Cash cost (C1)	(673)	(139)	(96)	(65)	(7)	**(980)**	-	(209)	**(1,189)**
Adjustments:									
Depreciation (excluding depreciation in finished goods)	(219)	(153)	(51)	(34)	(54)	**(511)**		(49)	**(560)**
Royalties	(217)	(6)	(11)	(6)	-	**(240)**		(11)	**(251)**
Other	(7)	-	(2)	(3)	-	**(12)**		(3)	**(15)**
Total cost (C3)	(1,116)	(298)	(160)	(108)	(61)	**(1,743)**		(272)	**(2,015)**
Cash cost (C1)	(673)	(139)	(96)	(65)	(7)	**(980)**		(209)	**(1,189)**
Adjustments:									
General and administrative expenses	(46)	(10)	(7)	(5)	-	**(68)**		(15)	**(83)**
Sustaining capital expenditure and deferred stripping	(149)	(27)	(25)	(10)	(4)	**(215)**		(7)	**(222)**
Royalties	(217)	(6)	(11)	(6)	-	**(240)**		(11)	**(251)**
AISC	(1,085)	(182)	(139)	(86)	(11)	**(1,503)**		(242)	**(1,745)**
Cash cost – (C1) (per lb)	$1.38	$0.90	$1.01	$1.29	$0.30	**$1.21**		$4.60	
Total cost – (C3) (per lb)	$2.28	$1.93	$1.67	$2.15	$2.42	**$2.14**		$5.99	
AISC (per lb)	$2.22	$1.18	$1.45	$1.70	$0.48	**$1.85**		$5.30	

in United States dollars, tabular amounts in millions, except where noted

Calculation of operating cash flow per share, EBITDA and comparative earnings

In calculating the operating cash flow per share, the operating cash flow calculated for IFRS purposes is divided by the basic weighted average common shares outstanding for the respective period. EBITDA is calculated as operating profit before depreciation and impairment charges.

Comparative EBITDA, comparative earnings and comparative earnings per share are non-GAAP measures which measure the performance of the Company, excluding certain impacts which the Company believes are not reflective of the Company's underlying performance for the reporting period. These include foreign exchange gains and losses, gains and losses on disposal of assets, one-time costs related to acquisitions, dispositions, restructuring and other transactions and revisions in estimates of restoration provisions at closed sites.

	Q4 2016	Q3 2016	Q4 2015	2016	2015
Operating profit (loss) from continuing operations	43	73	87	280	(76)
Add back:					
Depreciation	160	160	142	686	523
Impairment and related charges	13	-	-	13	190
EBITDA	216	233	229	979	637
Adjustments:					
Foreign exchange (gain) loss	7	(12)	(5)	(13)	100
Other (income) expense	(3)	-	1	(3)	5
Revisions in estimates of restoration provisions at closed sites	(2)	(1)	(1)	1	(10)
Total adjustments to EBITDA	2	(13)	(5)	(15)	95
Comparative EBITDA	218	220	224	964	732

	Q4 2016	Q3 2016	Q4 2015	2016	2015
Net earnings (loss) from continuing operations attributable to shareholders of the Company	12	36	111	222	(501)
Adjustments attributable to shareholders of the Company:					
Total adjustments to EBITDA including impairment	15	(13)	(5)	(2)	285
Comparative tax adjustments	-	-	-	(78)	537
Tax and Minority interest on comparative adjustments	-	14	76	23	(65)
Comparative earnings	27	37	182	165	256
Earnings (loss) per share as reported	$0.02	$0.05	$0.16	$0.32	($0.77)
Comparative earnings per share	$0.04	$0.05	$0.27	$0.24	$0.40

Significant judgments, estimates and assumptions in applying accounting policies

Many of the amounts disclosed in the financial statements involve the use of judgments, estimates and assumptions. These judgments and estimates are based on management's knowledge of the relevant facts and circumstances at the time, having regard to prior experience, and are continually evaluated. References to notes in the text below refer to the notes to the consolidated financial statements.

(i) Significant judgments

- Determination of ore reserves and resources

  Judgments about the amount of product that can be economically and legally extracted from the Company's properties are made by management using a range of geological, technical and economic factors, history of conversion of mineral deposits to proven and probable reserves as well as data regarding quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. This process may require complex and difficult geological judgments to interpret the data. The Company uses qualified persons (as defined by the Canadian Securities Administrators' National Instrument 43-101) to compile this data.

  Changes in the judgments surrounding proven and probable reserves may impact the carrying value of property, plant and equipment (note 7), restoration provisions (note 13), recognition of deferred income tax amounts (note 14) and depreciation (note 7).

- Achievement of commercial production – (accounting policy note 3g(i))

  Once a mine or smelter reaches the operating levels intended by management, depreciation of capitalized costs begins. Significant judgment is required to determine when certain of the Company's assets reach this level; management consider several factors including: completion of a reasonable period of commissioning; consistent operating results achieved at a pre-determined level of design capacity and indications exist that this level will continue; mineral recoveries at or near expected levels; and the transfer of operations from development personnel to operational personnel has been completed.

  During the year ended December 31, 2016, the Company concluded that the Sentinel mine in north-west Zambia, was operating in a manner intended by management and commercial production was effective from November 1, 2016.

- Taxes – (accounting policy note 3m)

  Judgment is required in determining the recognition and measurement of deferred income tax assets and liabilities on the balance sheet. In the normal course of business, the Company is subject to assessment by taxation authorities in various jurisdictions. These authorities may have different interpretations of tax legislation or tax agreements than those applied by the Company in computing current and deferred income taxes. These different interpretations may alter the timing or amounts of taxable income or deductions. The final amount of taxes to be paid or recovered depends on a number of factors including the outcome of audits, appeals and negotiation. The Company provides for potential differences in interpretation based a best estimate of the probable outcome of these matters. Changes in these estimates could result in material adjustments to the Company's current and deferred income taxes.

- Precious metal stream arrangement - (accounting policy note 3l)

  On October 5, 2015, the Company finalized an agreement with Franco-Nevada Corporation ("Franco-Nevada") for the delivery of precious metals from the Cobre Panama project. Franco-Nevada will provide $1 billion deposit to the Cobre Panama project against future deliveries of gold and silver produced by the mine.

  Management has determined that the under the terms of the agreement the Company meets the 'own-use' exemption criteria under *IAS 39: Financial Instruments*. The Company also retains significant business risk relating to the completion of the project and delivery of produced gold and silver and as such has accounted for the proceeds received as deferred revenue.

  Management has exercised judgement in determining the appropriate accounting treatment for the Franco-Nevada streaming agreement. Management has determined, with reference to the agreed contractual terms in conjunction with the Cobre Panama reserves and mine plan, that the Franco-Nevada contribution to capital expenditure constitutes a prepayment of revenues deliverable from future Cobre Panama production.

- Assessment of impairment indicators – (accounting policy note 3j)

  Management applies significant judgement in assessing each cash generating units and assets for the existence of indicators of impairment at the reporting date. Internal and external factors are considered in assessing whether indicators of impairment are present that would necessitate impairment testing. Significant assumptions regarding commodity prices, operating costs, capital expenditures and discount rates are used in determining whether there are any indicators of impairment. These assumptions are reviewed regularly by senior management and compared, where applicable, to relevant market consensus views.

(ii) Significant accounting estimates and assumptions

Estimates are inherently uncertain and therefore actual results may differ from the amounts included in the financial statements, potentially having a material future effect on the Company's consolidated financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

- Determination of ore reserves and life of mine plan

  Reserves are estimates of the amount of product that can be economically and legally extracted from the Company's properties. Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analyzing geological data such as drilling samples. Following this, the quantity of ore that can be extracted in an economical manner is calculated using data regarding the life of mine plans and forecast sales prices (based on current and long-term historical average price trends).

  The majority of the Company's property, plant and equipment are depreciated over the estimated lives of the assets on a units-of-production basis. The calculation of the units-of-production rate, and therefore the annual depreciation expense could be materially affected by changes in the underlying estimates which are driven by the life of mine plans. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in the commodity prices used in the estimation of mineral reserves.

  Management made significant estimates of the strip ratio for each production phase. Waste material stripping costs in excess of this ratio, and from which future economic benefit will be derived from future access to ore, will be capitalized to mineral property and depreciated on a units-of-production basis.

  Changes in the proven and probable reserves estimates may impact the carrying value of property, plant and equipment (note 7), restoration provisions (note 13), recognition of deferred income tax amounts (note 14) and depreciation (note 7).

- Review of asset carrying values and impairment charges – (accounting policy note 3j)

  The Company reviews the carrying value of assets each reporting period to determine whether there is any indication of impairment using both internal and external sources of information. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net earnings. The Company has determined that each mining operation and smelter is a cash-generating unit. Goodwill is not amortized, but rather the cash-generating-unit ("CGU") to which the goodwill has been allocated is tested for impairment on an annual basis to ensure that the recoverable amount exceeds the carrying value.

  External sources of information regarding indications of impairment include considering the changes in market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of, or the timing of economic benefits from mining assets. Internal sources of information include changes to the life of mine plans and economic performance of the assets.

  Management's determination of recoverable amounts includes estimates of mineral prices, recoverable reserves, and operating, capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of mineral property costs. The calculation of the recoverable amount can also include assumptions regarding the appropriate discount rate and inflation and exchange rates. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

  The Company's most significant CGUs are longer-term assets and therefore their value is assessed on the basis of longer-term pricing assumptions. Shorter-term assets are more sensitive to short term commodity prices assumptions that are used in the review of impairment indicators.

  The carrying value of property, plant and equipment and goodwill at the balance sheet date is disclosed in note 7 and note 8 respectively, and by mine location in note 24.

- Estimation of the amount and timing of restoration and remediation costs – (accounting policy note 3k)

  Accounting for restoration provisions requires management to make estimates of the future costs the Company will incur to complete the restoration and remediation work required to comply with existing laws, regulations and agreements in place at each mining operation and any environmental and social principles the Company is in compliance with. The calculation of the present value of these costs also includes assumptions regarding the timing of restoration and remediation work, applicable risk-free interest rate for discounting those future cash outflows, inflation and foreign exchange rates and assumptions relating to probabilities of alternative estimates of future cash outflows. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of restoration work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for restoration.

  The provision represents management's best estimate of the present value of the future restoration and remediation costs. The actual future expenditures may differ from the amounts currently provided; any increase in future costs could materially impact the amounts included in the liability disclosed in the consolidated balance sheet. The carrying amount of the Company's restoration provision is disclosed in note 13.

- Taxes – (accounting policy note 3m)

  The Company operates in a specialized industry and in a number of tax jurisdictions. As a result, its income is subject to various rates of taxation. The breadth of its operations and the global complexity and interpretation of tax regulations require assessments of uncertainties and estimates of the taxes that the Company will ultimately pay. Final taxes payable and receivable are dependent on many factors, including negotiations with tax authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes. The resolution of these uncertainties may result in adjustments to the Company's tax assets and liabilities.

  Management assesses the likelihood and timing of taxable earnings in future periods in recognising deferred income tax assets on unutilized tax losses. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. Forecast cash flows are based on life of mine projections.

  To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded at the balance sheet date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income tax assets. Deferred income tax assets are disclosed in note 14.

- Inventory

  In valuing inventories at the lower of cost and net realizable value, the Company makes estimates in determining the net realizable price and in quantifying the contained metal in stockpiled ore and work in progress.

Financial instruments risk exposure

The Company's activities expose it to a variety of risks arising from financial instruments. These risks, and management's objectives, policies and procedures for managing these risks are disclosed as follows:

Credit risk

The Company's credit risk is primarily attributable to cash and bank balances, short-term deposits, derivative instruments, trade and other receivables and promissory note receivable. The Company's exposure to credit risk is represented by the carrying amount of each class of financial assets, including commodity contracts, recorded in the consolidated balance sheet.

The Company limits its credit exposure on cash held in bank accounts by holding its key transactional bank accounts with highly rated financial institutions. The Company manages its credit risk on short-term deposits by only investing with counterparties that carry investment grade ratings as assessed by external rating agencies and spreading the investments across these counterparties. Under the Company's risk management policy, allowable counterparty exposure limits are determined by the level of the rating unless exceptional circumstances apply. A rating of "A-" grade or equivalent is the minimum allowable rating required as assessed by international credit rating agencies. Likewise, it is the Company's policy to deal with banking counterparties for derivatives who are rated "A-" grade or above by international credit rating agencies and graduated counterparty limits are applied depending upon the rating.

Exceptions to the policy for dealing with relationship banks with ratings below "A-" are reported to, and approved by, the Audit Committee. As at December 31, 2016, substantially all cash and short-term deposits are with counterparties with ratings "A-" or higher.

The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. More than 65% of the Company's trade receivables are generated from five customers together representing greater than 36% of the total sales for the year. A total balance of $35 million was past due from one of these customers at the balance sheet date and is classified as current receivable. The Company continues to trade with this customer. Revenues earned from this customer are included within the Kansanshi segment. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and property, plant and equipment expenditures and prepaid taxes.

Liquidity risk

The Company manages liquidity risk by maintaining cash and cash equivalent balances and available credit facilities to ensure that it is able to meet its short-term and long-term obligations as and when they fall due. Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by commodity price and exchange rate movements.

In addition, the Company was obligated under its corporate revolving credit and term loan facility to maintain liquidity and satisfy various covenant ratio tests on an historical and prospective cash flow basis. These ratios were in compliance during the year ended December 31, 2016, and December 31, 2015. If the Company breaches a covenant in its Financing Agreements, this would be an event of default which, if un-addressed, would entitle the lenders to make the related borrowings immediately due and payable and if made immediately due and payable all other borrowings would also be due and payable.

Market risks

a) Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices of copper, gold, nickel, zinc and other elements.

As part of the hedging program, the Company has elected to apply hedge accounting for a portion of copper and nickel sales. For the year ended December 31, 2016, a fair value loss of $363 million has been recognized on derivatives designated as hedged instruments through accumulated other comprehensive income and a fair value gain of $56 million has been recognized through sales revenues. As at December 31, 2016, 510,075 tonnes of copper forward sales contracts at a price of $2.25 per lb and 2,562 tonnes of nickel forward sales contracts at a price of $5.07 per lb remain outstanding with periods of maturity to December 2017 and January 2017 respectively. A deferred tax charge has been recognized in other comprehensive income with a corresponding tax credit recognized in the statement of earnings.

The Company is also exposed to commodity price risk on diesel fuel required for mining operations and sulphur required for acid production. The Company's risk management policy allows for the management of these exposures through the use of derivative financial instruments. As at December 31, 2016 and 2015, the Company had not entered into any diesel or sulphur derivatives.

The Company's commodity price risk related to changes in fair value of embedded derivatives in accounts receivable reflecting copper, nickel, gold and zinc sales provisionally priced based on the forward price curve at the end of each quarter.

b) Interest rate risk

The Company's interest rate risk arises from interest paid on floating rate debt and the interest received on cash and short-term deposits. The Company currently capitalizes the majority of interest charges, and therefore the risk exposure is primarily on cash, and net earnings in relation to the depreciation of capitalized interest charges.

Deposits are invested on a short-term basis to ensure adequate liquidity for payment of operational and capital expenditures. To date no interest rate management products, such as swaps, are used in relation to deposits.

The Company manages its interest rate risk on borrowings on a net basis. The Company has a policy allowing floating-to-fixed interest rate swaps targeting 50% of exposure over a five-year period. As at December 31, 2016 and 2015, the Company held no floating-to-fixed interest rate swaps.

c) Foreign exchange risk

The Company's functional and reporting currency is USD. As virtually all of the Company's revenues are derived in USD and the majority of its business is conducted in USD, foreign exchange risk arises from transactions denominated in currencies other than USD. Commodity sales are denominated in USD, the majority of borrowings are denominated in USD and the majority of operating expenses are denominated in USD. The Company's primary foreign exchange exposures are to the local currencies in the countries where the Company's operations are located, principally the Zambian kwacha, Australian dollar ("A$") Mauritanian ouguiya ("MRO"), the euro ("EUR"), the Turkish lira ("TRY") and the Argentine peso ("ARS"); and to the local currencies of suppliers who provide capital equipment for project development, principally the A$, EUR and the South African rand ("ZAR").

The Company's risk management policy allows for the management of exposure to local currencies through the use of financial instruments at a targeted amount of up to 100% for exposures within one year down to 50% for exposures in five years.

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is communicated to senior management, to allow timely decisions regarding required disclosure.

An evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined under the rules of the Canadian Securities Administration, was conducted as of December 31, 2016, under the supervision of the Company's Disclosure Committee and with the participation of management. Based on the results of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report in providing reasonable assurance that the information required to be disclosed in the Company's annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported in the securities legislation.

Since the December 31, 2016 evaluation, there have been no adverse changes to the Company's controls and procedures and they continue to remain effective.

Internal Control over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect the transactions of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS;
- ensure the Company's receipts and expenditures are made only in accordance with authorization of management and the Company's directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized transactions that could have a material effect on the annual or interim financial statements.

An evaluation of the effectiveness of the Company's internal control over financial reporting was conducted as of December 31, 2016, by the Company's management, including the Chief Executive Officer and Chief Financial Officer based on the Control - Integrated Framework (2013) established by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on this evaluation, management has concluded that the Company's internal controls over financial reporting were effective.

There were no changes in the Company's business activities during the period ended December 31, 2016, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. Further, the design of a control system reflects the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Cautionary statement on forward-looking information

Certain statements and information herein, including all statements that are not historical facts, contain forward-looking statements and forward-looking information within the meaning of applicable securities laws. These forward-looking statements are principally included in the Development activities section and are also disclosed in other sections of the document. The forward-looking statements include estimates, forecasts and statements as to the Company's expectations of production and sales volumes, and expected timing of completion of project development at Enterprise and Cobre Panama and are subject to the impact of ore grades on future production, the potential of production disruptions, capital expenditure and mine production costs, the outcome of mine permitting, the outcome of legal proceedings which involve the Company, information with respect to the future price of copper, gold, cobalt, nickel, zinc, pyrite, and sulphuric acid, estimated mineral reserves and mineral resources, First Quantum's exploration and development program, estimated future expenses, exploration and development capital requirements, the Company's hedging policy, and goals and strategies. Often, but not always, forward-looking statements or information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

With respect to forward-looking statements and information contained herein, the Company has made numerous assumptions including among other things, assumptions about continuing production at all operating facilities, the price of copper, gold, nickel, zinc, pyrite, cobalt and sulphuric acid, anticipated costs and expenditures and the ability to achieve the Company's goals. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. These factors include, but are not limited to, future production volumes and costs, the temporary or permanent closure of uneconomic operations, costs for inputs such as oil, power and sulphur, political stability in Zambia, Peru, Mauritania, Finland, Spain, Turkey, Panama, Argentina and Australia, adverse weather conditions in Zambia, Finland, Spain, Turkey and Mauritania, labour disruptions, power supply, mechanical failures, water supply, procurement and delivery of parts and supplies to the operations, and the production of off-spec material.

See the Company's Annual Information Form for additional information on risks, uncertainties and other factors relating to the forward-looking statements and information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of these factors are beyond First Quantum's control. Accordingly, readers should not place undue reliance on forward-looking statements or information. The Company undertakes no obligation to reissue or update forward-looking statements or information as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements and information made herein are qualified by this cautionary statement.

FIRST QUANTUM
MINERALS LTD.

Consolidated Financial Statements

December 31, 2016

(In U.S. dollars, tabular amounts in millions, except where indicated)

Management's Responsibility for Financial Reporting

The consolidated financial statements of First Quantum Minerals Ltd. and the information contained in the annual report have been prepared by and are the responsibility of the Company's management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and, where appropriate, reflect management's best estimates and judgments based on currently available information.

Management has developed and is maintaining a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is reliable.

The Company's independent auditors, PricewaterhouseCoopers LLP, who are appointed by the shareholders, conduct an audit in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of their audit and gives their opinion on the consolidated financial statements.

The Audit Committee of the Board of Directors meets periodically with management and the independent auditors to review the scope and results of the annual audit, and to review the consolidated financial statements and related financial reporting matters prior to approval of the consolidated financial statements.

Signed by
Philip K.R. Pascall
Chairman and Chief Executive Officer

Signed by
Hannes Meyer
Chief Financial Officer

February 16, 2017

February 16, 2017

Independent Auditor's Report

To the Shareholders of First Quantum Minerals Ltd.

We have audited the accompanying consolidated financial statements of First Quantum Minerals Ltd. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015 and the consolidated statements of earnings (loss), comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of First Quantum Minerals Ltd. and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Signed by

PricewaterhouseCoopers LLP
London

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First Quantum Minerals Ltd.

Consolidated Statements of Earnings (Loss)

(expressed in millions of U.S. dollars)

	Note	2016	2015
Sales revenues	18	2,673	2,511
Cost of sales	19, 20	(2,334)	(2,224)
Gross profit		339	287
Exploration	20	(16)	(30)
General and administrative	20	(70)	(83)
Impairments and related charges	21	(13)	(190)
Other income (expense)	22	40	(60)
Operating profit (loss)		280	(76)
Finance income		5	15
Finance costs	23	(18)	(23)
Earnings (loss) before income taxes		267	(84)
Income tax expense	14	(19)	(531)
Net earnings (loss) from continuing operations		248	(615)
Net earnings (loss) from discontinued operations	6	(267)	5
Net loss		(19)	(610)
Net earnings (loss) from continuing operations attributable to:			
Non-controlling interests		26	(114)
Shareholders of the Company	16	222	(501)
Net earnings (loss) attributable to:			
Non-controlling interests		26	(114)
Shareholders of the Company	16	(45)	(496)
Earnings (loss) per common share attributable to the shareholders of the Company			
Net earnings (loss) from continuing operations ($ per share):			
Basic	16	0.32	(0.77)
Diluted	16	0.32	(0.77)
Net earnings (loss) ($ per share)			
Basic	16	(0.07)	(0.77)
Diluted	16	(0.07)	(0.77)
Weighted average shares outstanding (000's)			
Basic	16	685,746	646,823
Diluted	16	689,353	646,823
Total shares issued and outstanding (000's)	15a	689,374	689,331

The accompanying notes are an integral part of these consolidated financial statements.

First Quantum Minerals Ltd.

Consolidated Statements of Comprehensive Income (Loss)

(expressed in millions of U.S. dollars)

	2016	2015
Net loss for the year	(19)	(610)
Other comprehensive income		
Items that have been/may be subsequently reclassified to net earnings:		
Cash flow hedges reclassified to net earnings	(72)	-
Gains (losses) on cash flow hedges arising during the period (note 25)	(291)	72
Deferred tax on unrealized gain (loss) on cash flow hedge	19	(19)
Unrealized gain (loss) on available-for-sale investments	2	(1)
Reclassification to net earnings of net loss on available-for-sale investments	-	1
Other items	(2)	-
Total comprehensive loss for the year	(363)	(557)
Total comprehensive income (loss) for the year attributable to:		
Non-controlling interests	26	(114)
Shareholders of the Company	(389)	(443)
Total comprehensive loss for the year	(363)	(557)

The accompanying notes are an integral part of these consolidated financial statements.

First Quantum Minerals Ltd.
Consolidated Statements of Cash Flows
(expressed in millions of U.S. dollars)

	Note	2016	2015
Cash flows from operating activities			
Net earnings (loss) from continuing operations		248	(615)
Items not affecting cash			
Depreciation	19, 20	686	523
Income tax expense	14	19	531
Share-based compensation expense	17	20	23
Impairments and related charges		13	190
Net finance expense		13	8
Movement in provisions		(35)	-
Unrealized foreign exchange (gain) loss		(16)	73
Other		4	10
		952	743
Taxes paid		(127)	(99)
Franco-Nevada Corporation (“Franco-Nevada”) precious metal stream arrangement	12	124	338
Change in non-cash operating working capital			
Increase in trade and other receivables and derivatives		(65)	(8)
Decrease in inventories		52	24
(Decrease) increase in trade and other payables		(22)	107
Long-term incentive plan contributions[1]	17	-	(11)
Net cash from operating activities of continuing operations		914	1,094
Net cash from operating activities of discontinued operations		9	97
Cash flows used by investing activities			
Purchase and deposits on property, plant and equipment	7	(1,141)	(1,508)
Interest paid and capitalized to property, plant and equipment	7	(356)	(312)
Proceeds from sale of Kevitsa, net of cash disposed	6	728	-
Partial repayment and prepaid interest on ENRC Promissory note		64	238
Interest received		5	2
Other		1	(2)
Net cash used by investing activities of continuing operations		(699)	(1,582)
Net cash used by investing activities of discontinued operations		(13)	(57)
Cash flows from financing activities			
Net movement in trading facility		(26)	73
Movement in restricted cash		(23)	1
Proceeds from debt		93	954
Repayments of debt		(208)	(1,730)
Proceeds from Korea-Panama Mining Corporation (“KPMC”)	11	163	109
Dividends paid to the shareholders of the Company	15	(7)	(39)
Dividends paid to non-controlling interest		-	(2)
Proceeds on issuance of common shares		-	1,121
Other		13	(14)
Net cash from financing activities of continuing operations		5	473
Net cash used by financing activities of discontinued operations		-	(22)
Increase in cash and cash equivalents and bank overdrafts		216	3
Cash and cash equivalents and bank overdrafts – beginning of year		365	357
Exchange (losses) gains on cash and cash equivalents		(16)	5
Cash and cash equivalents and bank overdrafts – end of year		565	365
Cash and cash equivalents and bank overdrafts comprising:			
Cash and cash equivalents		1,463	1,178
Bank overdrafts		(898)	(813)
		565	365

[1] Treasury shares are purchased via a trust which is consolidated in the results of the Company. The purchases are made to fund future long-term incentive plan contributions. Refer to note 17.

The accompanying notes are an integral part of these consolidated financial statements.

First Quantum Minerals Ltd.

Consolidated Balance Sheets

(expressed in millions of U.S. dollars)

	Note	December 31, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents	3c	1,463	1,178
Trade and other receivables	4	402	303
Inventories	5	1,032	1,184
Promissory note receivable	21	-	64
Current portion of other assets	9	176	241
		3,073	2,970
Cash and cash equivalents - restricted cash	13	70	93
Non-current VAT receivable	4	176	158
Property, plant and equipment	7	15,811	15,923
Goodwill	8	237	237
Other assets	9	116	50
Total assets		**19,483**	**19,431**
Liabilities			
Current liabilities			
Bank overdraft	3c	898	813
Trade and other payables		531	568
Current taxes payable		90	108
Current debt	10	385	386
Current portion of provisions and other liabilities	11	320	32
		2,224	1,907
Debt	10	4,561	4,675
Provisions and other liabilities	11	1,212	1,065
Deferred revenue	12	462	338
Deferred income tax liabilities	14	739	813
Total liabilities		**9,198**	**8,798**
Equity			
Share capital	15	5,553	5,531
Retained earnings		3,933	3,985
Accumulated other comprehensive (loss) income		(292)	52
Total equity attributable to shareholders of the Company		9,194	9,568
Non-controlling interests		1,091	1,065
Total equity		**10,285**	**10,633**
Total liabilities and equity		**19,483**	**19,431**
Commitments & contingencies	26		

Approved by the Board of Directors and authorized for issue on February 16, 2017.

Signed by
Andrew Adams, Director

Signed by
Peter St. George, Director

The accompanying notes are an integral part of these consolidated financial statements.

First Quantum Minerals Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(expressed in millions of U.S. dollars)

	Note	2016	2015
Share capital			
Common shares			
Balance – beginning of year		5,642	4,519
Shares issued on issuance of equity	15a	-	1,121
Shares issued through Dividend Reinvestment Plan		-	2
Balance – end of year		5,642	5,642
Treasury shares			
Balance – beginning of year		(167)	(174)
Restricted and performance stock units vested		11	19
Shares purchased	15b	-	(12)
Balance – end of year		(156)	(167)
Contributed surplus			
Balance – beginning of year		56	47
Share-based compensation expense for the year (inclusive of capitalized amounts)	17a	22	28
Restricted and performance stock units vested	17a	(11)	(19)
Balance – end of year		67	56
Total share capital		5,553	5,531
Retained earnings			
Balance – beginning of year		3,985	4,522
Loss for the year attributable to shareholders of the Company		(45)	(496)
Dividends		(7)	(41)
Balance – end of year		3,933	3,985
Accumulated other comprehensive income (loss)			
Balance – beginning of year		52	(1)
Other comprehensive income (loss) for the year		(344)	53
Balance – end of year		(292)	52
Non-controlling interests			
Balance – beginning of year		1,065	1,175
Earnings (loss) attributable to non-controlling interests		26	(114)
Dividends		-	(2)
Acquisition of African Energy Holdings SRL ("African Energy")		-	6
Balance – end of year		1,091	1,065

The accompanying notes are an integral part of these consolidated financial statements.

1 Nature of operations

First Quantum Minerals Ltd. ("First Quantum" or "the Company") is engaged in the production of copper, nickel, gold, zinc, and acid, and related activities including exploration and development. The Company has operating mines located in Zambia, Australia, Finland, Turkey, Spain and Mauritania. The Company is developing the Cobre Panama copper project in Panama, exploring the Haquira copper deposit in Peru and the Taca Taca copper-gold-molybdenum deposit in Argentina.

The Company's shares are publicly listed for trading on the Toronto Stock Exchange and has Depository Receipts listed on the Lusaka Stock Exchange. On May 31, 2016, following a request by the Company, confirmation was received of the cancellation of admission of the Company's shares to the standard segment of the UK Listing Authority's Official List and to trading in the Company's shares on the London Stock Exchange's main market for listed securities. The Company's shares no longer trade on the London Stock Exchange.

The Company is registered and domiciled in Canada, and its registered office is the 14th Floor – 543 Granville Street, Vancouver, BC, Canada, V6C 1X8.

2 Basis of presentation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"). For these purposes, IFRS comprise the standards issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the IFRS Interpretations Committee ("IFRICs").

These consolidated financial statements have been prepared on a going concern basis. In making the assessment that the Company is a going concern, management have taken into account all available information about the future, which is at least, but is not limited to, twelve months from December 31, 2016.

At December 31, 2016, the Company had $713 million of committed undrawn facilities and $565 million of net unrestricted cash (inclusive of overdrafts), as well as future cash flows in order to meet all current obligations as they become due. The Company was in compliance with all existing facility covenants as at December 31, 2016.

3 Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

a) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, with the exception of derivative assets and liabilities, and available-for-sale financial assets which are measured at fair value.

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its "subsidiaries"). Control is achieved where the Company has the right to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of earnings from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The principal operating subsidiaries are Kansanshi Mining Plc ("Kansanshi"), Kalumbila Minerals Limited ("Sentinel"), First Quantum Mining and Operations Limited ("FQMO"), Mauritanian Copper Mines SARL ("Guelb Moghrein"), Ravensthorpe Nickel Operations Pty Ltd. ("Ravensthorpe"), Cobre Las Cruces S.A. ("Las Cruces"), Çayeli Bakir Isletmeleri A.S. ("Çayeli"), Pyhäsalmi Mine Oy ("Pyhäsalmi") and Metal Corp Trading AG ("Metal Corp"). The exploration and development subsidiaries include Minera Panama S.A. ("MPSA" or "Cobre Panama"), Minera Antares Peru S.A.C. ("Haquira") and Corriente Argentina S.A. ("Taca Taca"). All the above operating subsidiaries are 100% owned, with the exception of Kansanshi and Cobre Panama in which the Company holds an 80% interest in each.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests

At December 31, 2016, ZCCM Investments Holdings Plc ("ZCCM", a Zambian government controlled entity) owned 20% of Kansanshi and Korea Panama Mining Corporation ("KPMC") owned 20% of Cobre Panama. A non-controlling interest is held by African Energy Resources Ltd, a publicly listed entity, in the Company's consolidated subsidiary, African Energy Holdings SRL.

Through the operations in Zambia, there are a number of transactions with the Zambian government in the ordinary course of business, including taxes, utilities and power. The dividends paid to non-controlling interest are the only significant transactions with ZCCM during the year. The Company is limited in its ability to use the assets of Kansanshi and Cobre Panama as a result of the agreement with the other owners of these subsidiaries.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

c) Change in accounting policy

In April 2016, an agenda decision was issued by the IFRS Interpretations Committee ("IFRIC") on cash pooling arrangements accounted for in accordance with *IAS 32 "Financials Instruments: Presentation"*. IFRIC clarified that for cash pooling arrangements to be accounted for on a net basis, physical cash settlement of balances would be required at the balance sheet date.

As a result, the Company has changed its accounting policy with regards its notional cash pooling arrangement and restated cash and cash equivalents and cash indebtedness in the Consolidated Balance Sheets.

The impact to the Consolidated Balance Sheets was to increase cash and cash equivalents by $491 million, $813 million and $898 million with an equal and offsetting increase in bank overdrafts for the years ended December 31, 2014, 2015 and 2016, respectively.

d) Significant judgments, estimates and assumptions in applying accounting policies

Many of the amounts disclosed in the financial statements involve the use of judgments, estimates and assumptions. These judgments and estimates are based on management's knowledge of the relevant facts and circumstances at the time, having regard to prior experience, and are continually evaluated.

(i) Significant judgments

- Determination of ore reserves and resources

  Judgments about the amount of product that can be economically and legally extracted from the Company's properties are made by management using a range of geological, technical and economic factors, history of conversion of mineral deposits to proven and probable reserves as well as data regarding quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. This process may require complex and difficult geological judgments to interpret the data. The Company uses qualified persons (as defined by the Canadian Securities Administrators' National Instrument 43-101) to compile this data.

  Changes in the judgments surrounding proven and probable reserves may impact the carrying value of property, plant and equipment (note 7), restoration provisions (note 13), recognition of deferred income tax amounts (note 14) and depreciation (note 7).

- Achievement of commercial production – (accounting policy note 3g(i))

  Once a mine or smelter reaches the operating levels intended by management, depreciation of capitalized costs begins. Significant judgment is required to determine when certain of the Company's assets reach this level. Management considers several factors including: completion of a reasonable period of commissioning; consistent operating results achieved at a pre-determined level of design capacity and indications exist that this level will continue; mineral recoveries at or near expected levels; and the transfer of operations from development personnel to operational personnel has been completed.

  During the year ended December 31, 2016, the Company concluded that the Sentinel mine in north-west Zambia, was operating in a manner intended by management and commercial production was effective from November 1, 2016.

- Taxes – (accounting policy note 3m)

  Judgment is required in determining the recognition and measurement of deferred income tax assets and liabilities on the balance sheet. In the normal course of business, the Company is subject to assessment by taxation authorities in various jurisdictions. These authorities may have different interpretations of tax legislation or tax agreements than those applied by the Company in computing current and deferred income taxes. These different interpretations may alter the timing or amounts of taxable income or deductions. The final amount of taxes to be paid or recovered depends on a number of factors including the outcome of audits, appeals and negotiation. The Company provides for potential differences in interpretation based a best estimate of the probable outcome of these matters. Changes in these estimates could result in material adjustments to the Company's current and deferred income taxes.

- Precious metal stream arrangement - (accounting policy note 3l)

  On October 5, 2015, the Company finalized an agreement with Franco-Nevada Corporation ("Franco-Nevada") for the delivery of precious metals from the Cobre Panama project. Franco-Nevada will provide $1 billion deposit to the Cobre Panama project against future deliveries of gold and silver produced by the mine.

  Management has determined that the under the terms of the agreement the Company meets the 'own-use' exemption criteria under *IAS 39: Financial Instruments*. The Company also retains significant business risk relating to the completion of the project and delivery of produced gold and silver and as such has accounted for the proceeds received as deferred revenue.

Management has exercised judgement in determining the appropriate accounting treatment for the Franco-Nevada streaming agreement. Management has determined, with reference to the agreed contractual terms in conjunction with the Cobre Panama reserves and mine plan, that the Franco-Nevada contribution to capital expenditure constitutes a prepayment of revenues deliverable from future Cobre Panama production.

- Assessment of impairment indicators – (accounting policy note 3j)

  Management applies significant judgement in assessing each cash-generating units and assets for the existence of indicators of impairment at the reporting date. Internal and external factors are considered in assessing whether indicators of impairment are present that would necessitate impairment testing. Significant assumptions regarding commodity prices, operating costs, capital expenditures and discount rates are used in determining whether there are any indicators of impairment. These assumptions are reviewed regularly by senior management and compared, where applicable, to relevant market consensus views.

(ii) Significant accounting estimates and assumptions

Estimates are inherently uncertain and therefore actual results may differ from the amounts included in the financial statements, potentially having a material future effect on the Company's consolidated financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

- Determination of ore reserves and life of mine plan

  Reserves are estimates of the amount of product that can be economically and legally extracted from the Company's properties. Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analyzing geological data such as drilling samples. Following this, the quantity of ore that can be extracted in an economical manner is calculated using data regarding the life of mine plans and forecast sales prices (based on current and long-term historical average price trends).

  The majority of the Company's property, plant and equipment are depreciated over the estimated lives of the assets on a units-of-production basis. The calculation of the units-of-production rate, and therefore the annual depreciation expense could be materially affected by changes in the underlying estimates which are driven by the life of mine plans. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in the commodity prices used in the estimation of mineral reserves.

  Management made significant estimates of the strip ratio for each production phase. Waste material stripping costs in excess of this ratio, and from which future economic benefit will be derived from future access to ore, will be capitalized to mineral property and depreciated on a units-of-production basis.

  Changes in the proven and probable reserves estimates may impact the carrying value of property, plant and equipment (note 7), restoration provisions (note 13), recognition of deferred income tax amounts (note 14) and depreciation (note 7).

- Review of asset carrying values and impairment charges – (accounting policy note 3j)

  The Company reviews the carrying value of assets each reporting period to determine whether there is any indication of impairment using both internal and external sources of information. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net earnings. The Company has determined that each mining operation and smelter is a cash-generating unit. Goodwill is not amortized, but rather the cash-generating-unit ("CGU") to which the goodwill has been allocated is tested for impairment on an annual basis to ensure that the recoverable amount exceeds the carrying value.

  External sources of information regarding indications of impairment include considering the changes in market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of, or the timing of economic benefits from mining assets. Internal sources of information include changes to the life of mine plans and economic performance of the assets.

  Management's determination of recoverable amounts includes estimates of mineral prices, recoverable reserves, and operating, capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of mineral property costs. The calculation of the recoverable amount can also include assumptions regarding the appropriate discount rate and inflation and exchange rates. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

  The Company's most significant CGUs are longer-term assets and therefore their value is assessed on the basis of longer-term pricing assumptions. Shorter-term assets are more sensitive to short term commodity prices assumptions that are used in the review of impairment indicators.

  The carrying value of property, plant and equipment and goodwill at the balance sheet date is disclosed in note 7 and note 8 respectively, and by mine location in note 24.

- Estimation of the amount and timing of restoration and remediation costs – (accounting policy note 3k)

  Accounting for restoration provisions requires management to make estimates of the future costs the Company will incur to complete the restoration and remediation work required to comply with existing laws, regulations and agreements in place at each mining operation and any environmental and social principles the Company is in compliance with. The calculation of the present value of these costs also includes assumptions regarding the timing of restoration and remediation work, applicable risk-free interest rate for discounting those future cash outflows, inflation and foreign exchange rates and assumptions relating to probabilities of alternative estimates of future cash outflows. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of restoration work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for restoration.

The provision represents management's best estimate of the present value of the future restoration and remediation costs. The actual future expenditures may differ from the amounts currently provided; any increase in future costs could materially impact the amounts included in the liability disclosed in the consolidated balance sheet. The carrying amount of the Company's restoration provision is disclosed in note 13.

- Taxes – (accounting policy note 3m)

  The Company operates in a specialized industry and in a number of tax jurisdictions. As a result, its income is subject to various rates of taxation. The breadth of its operations and the global complexity and interpretation of tax regulations require assessments of uncertainties and estimates of the taxes that the Company will ultimately pay. Final taxes payable and receivable are dependent on many factors, including negotiations with tax authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes. The resolution of these uncertainties may result in adjustments to the Company's tax assets and liabilities.

  Management assesses the likelihood and timing of taxable earnings in future periods in recognising deferred income tax assets on unutilized tax losses. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. Forecast cash flows are based on life of mine projections.

  To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded at the balance sheet date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income tax assets. Deferred income tax assets are disclosed in note 14.

- Inventory

  In valuing inventories at the lower of cost and net realizable value, the Company makes estimates in determining the net realizable price and in quantifying the contained metal in stockpiled ore and work in progress.

Accounting policies

e) Foreign currency translation

The presentation currency and the functional currency of the Company and all of the Company's operations is the USD. The Company's foreign currency transactions are translated into USD at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities are translated using period end exchange rates with any gains and losses included in the determination of net earnings. Non-monetary assets and liabilities are translated using historical rates.

f) Inventories

Product inventories comprise ore in stockpiles; work-in-progress and finished goods. Product inventories are recorded at the lower of average cost and net realizable value. Cost includes materials, direct labour, other direct costs and production overheads and depreciation of plant, equipment and mineral properties directly involved in the mining and production processes. Costs are determined primarily on the basis of average costs for ore in stockpiles and on a first-in first-out basis for work-in-progress and finished goods.

Waste material stripping costs related to production at, or below, the strip ratio are inventoried as incurred, with the excess capitalized to mineral property and depreciated in future periods.

When inventories have been written down to net realizable value, a new assessment of net realizable value is made at each subsequent reporting date that the inventory is still held.

Consumable stores are valued at the lower of purchase cost and net realizable value and recorded as a current asset.

g) Property, plant and equipment

(i) Mineral properties and mine development costs

Exploration and evaluation costs are expensed in the period incurred. Property acquisition costs are capitalized. Development costs relating to specific properties are capitalized once management determines a property will be developed. A development decision is made based upon consideration of project economics, including future metal prices, reserves and resources, and estimated operating and capital costs. Capitalization of costs incurred and proceeds received during the development phase ceases when the property is capable of operating at levels intended by management.

Property acquisition and mine development costs, including costs incurred during the production phase to increase future output by providing access to additional reserves (deferred stripping costs), are deferred and depreciated on a units-of-production basis over the component of the reserves to which they relate.

ii) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Costs recorded for assets under construction include all expenditures incurred in connection with the development and construction of the assets. No depreciation is recorded until the assets are substantially complete and ready for productive use. Where relevant, the Company has estimated residual values on certain plant and equipment.

Property, plant and equipment are depreciated using either the straight-line or units-of-production basis over the shorter of the estimated useful life of the asset or the life of mine. Depreciation calculated on a straight-line basis is as follows for major asset categories:

Office equipment	33%
Furniture and fittings	15%
Infrastructure and buildings	2%-5%
Motor vehicles	20%-25%

Depreciation on equipment utilized in the development of assets, including open pit and underground mine development, is depreciated and recapitalized as development costs attributable to the related asset.

(iii) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset until such time as the asset is substantially complete and ready for its intended use or sale. Where funds have been borrowed specifically to finance an asset, the amount capitalized is the actual borrowing costs incurred. Where the funds used to finance an asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

h) Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company. The results of businesses acquired during the year are included in the consolidated financial statements from the effective date of acquisition. The identifiable assets, liabilities and contingent liabilities of the business which can be measured reliably are recorded at provisional fair values at the date of acquisition. Provisional fair values are finalized within twelve months of the acquisition date. Acquisition-related costs are expensed as incurred.

Goodwill arising in a business combination is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interest over the net identifiable assets acquired and liabilities assumed.

i) Discontinued operation

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which: represents a separate major line of business or geographic area of operations; is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of earnings, statement of comprehensive income and statement of cash flows is re-presented as if the operation had been discontinued from the start of the comparative year.

The Company completed the sale of Kevitsa nickel-copper-platinum group elements mine ("Kevitsa") during the year ended December 31, 2016.

j) Asset impairment

(i) Property, plant and equipment

The Company performs impairment tests on property, plant and equipment, mineral properties and mine development costs when events or changes in circumstances occur that indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong. Cash-generating units are individual operating mines, smelters or exploration and development projects.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to present value, assumptions used are those that an independent market participant would consider appropriate. Value in use is the estimated future cash flows expected to arise from the continuing use of the assets in their present form and from their disposal discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net earnings.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in net earnings immediately.

(ii) Goodwill

Goodwill arising on business combinations is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. Goodwill is allocated to the lowest level at which the goodwill is monitored by the Company's board of directors for internal management purposes. The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment at the same time every year.

Any impairment loss is recognized in net earnings immediately. Impairment of goodwill is not subsequently reversed.

k) Restoration provisions

The Company recognizes liabilities for constructive or legal obligations, including those associated with the reclamation of mineral properties and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of assets. Provisions are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability. The liability is increased for accretion expense, representing the unwinding of the discount applied to the provision, and adjusted for changes to the current market-based risk-free discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation. The associated restoration costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the expected useful life of the asset or expensed in the period for closed sites.

l) Revenue recognition

The Company produces copper, nickel, gold and zinc products which are sold under pricing arrangements where final prices are set at a specified date based on market prices. Revenues are recognized when title and risk pass to the customer. For provisionally priced sales, changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in metal market prices result in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of cost of sales.

The Company recognizes deferred revenue in the event it receives payments from customers before a sale meets criteria for revenue recognition.

Proceeds received from Franco-Nevada under the terms of the precious metal stream arrangement are accounted for as deferred revenue and included within long term liabilities. Revenue will be recognized once the precious metals have been delivered to the contractually agreed location.

m) Current and deferred income taxes

Tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax expense is calculated using income tax rates that have been enacted or substantively enacted at the balance sheet date. Periodically, the positions taken by the Company with respect to situations in which applicable tax regulation is subject to interpretation are evaluated to establish provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred income tax assets and liabilities are not recognized in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on income tax rates and income tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

n) Share-based compensation

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the options. The amount recognized as an expense is adjusted to reflect the number of options for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of options that meet the related service and non-market performance conditions at the vesting date.

For share-based payment options with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The Company grants stock options under its stock option plan and performance stock units (“PSUs”) and restricted stock units (“RSUs”) under its long-term incentive plan to directors and employees. The Company expenses the fair value of stock options, PSUs and RSUs granted over the vesting period.

The fair value of stock options is determined using an option pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock, and the risk-free interest rate over the expected life of the option. Cash consideration received from employees when they exercise the options is credited to capital stock.

PSUs typically vest at the end of a three year period if certain performance and vesting criteria, based on the Company’s share price performance relative to a representative group of other mining companies, have been met. The fair value of PSUs is determined using a valuation model that takes into account, as of the grant date, the expected life of the PSU, expected volatility, expected dividend yield, and the risk-free interest rate over the life of the PSU to generate potential outcomes for share prices, which are used to estimate the probability of the PSUs vesting at the end of the performance measurement period.

RSUs typically vest at the end of a three year period and the fair value of RSUs is determined by reference to the share price of the Company at the date of grant.

o) Earnings per share

Earnings per share are calculated using the weighted average number of shares outstanding during the period. Shares acquired under the long-term incentive plan are treated as treasury shares and are deducted from the number of shares outstanding for the calculation of basic earnings per share. Diluted earnings per share are calculated using the treasury share method whereby all “in the money” share based arrangements are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

p) Financial instruments

The Company's financial instruments consist of cash and cash equivalents and bank overdrafts, restricted cash, trade receivables, investments, promissory note receivable, trade payables, debt and derivative instruments.

(i) Cash and cash equivalents, bank overdrafts and restricted cash

Cash and cash equivalents and bank overdrafts comprise cash at banks and on hand and other short-term investments with initial maturities of less than three months. Restricted cash comprises cash deposits used to guarantee letters of credit issued by the Company.

Cash and cash equivalents and restricted cash have been classified as loans and receivables.

(ii) Trade receivables

Trade receivables are classified as loans and receivables and accordingly are recorded initially at fair value, net of transaction costs incurred.

(iii) Investments

Investments are designated as available-for-sale and are normally measured at the reporting date at fair value. Fair value is determined in the manner described in note 25. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Unrealized gains and losses on the marketable securities are recognized in other comprehensive income, until the security is disposed of or is determined to be impaired at which time the cumulative gain or loss previously recognized is included in net earnings. Dividends on available-for-sale equity investments are recognized in the income statement when the right to receive payment is established.

(iv) Derivatives and hedging

A portion of the Company's metal sales are sold on a provisional basis whereby sales are recognized at prevailing metal prices when title transfers to the customer and final pricing is not determined until a subsequent date, typically two months later. The Company enters into derivative contracts to directly offset the exposure to final pricing adjustments on the provisionally priced sales contracts. The Company also periodically enters into derivative instruments to mitigate cash flow exposure to commodity prices, foreign exchange rates and interest rates. Derivative financial instruments, including embedded derivatives, are classified as fair value through profit or loss and measured at fair value as determined by active market prices and valuation models, as appropriate. Valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining these assumptions, the Company uses readily observable market inputs where available or, where not available, inputs generated by the Company. Changes in the fair value of derivative instruments are recorded in net earnings.

At the inception of a designated hedging relationship, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the Statements of Earnings within 'Other income (expense)'. No ineffective hedges were recognized in the year ended December 31, 2016 (December 31, 2015: nil)

Amounts accumulated in equity are reclassified to the Statements of Earnings in the periods when the hedged item affects net earnings.

(v) Trade and other payables, debt and amounts due to related parties

Trade payables, debt and amounts due to related parties are classified as other financial liabilities and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. For debt, any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in net earnings over the period to maturity using the effective interest rate method.

Exchanges of instruments and modifications to debt are assessed using quantitative and qualitative factors to consider whether the exchange or modification constitutes an extinguishment of the original financial liability and establishment of a new financial liability. In the case of extinguishment, any fees or costs incurred are recognized in the Statement of Earnings. Where the terms in an exchange or modification are not assessed to be substantially different, any fees or costs incurred are adjusted against the carrying amount and amortized over the life of the new or modified financial liability.

(vi) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For loans and receivables, the amount of impairment is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. Any impairment loss is recognized in net earnings immediately.

With the exception of available-for-sale investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of earnings to the extent that the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized in net earnings are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

q) Accounting standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

- *IFRS 15 – Revenue from contracts with customers* The new standard replaces *IAS 18 Revenue* and *IAS 11 Construction Contracts* and provides a five step framework for application to customer contracts: identification of customer contract, identification of the contract performance obligations, determination of the contract price, allocation of the contract price to the contract performance obligations, and revenue recognition as performance obligations are satisfied. A new requirement where revenue is variable stipulates that revenue may only be recognized to the extent that it is highly probable that significant reversal of revenue will not occur. The new standard will be effective for annual periods beginning on or after January 1, 2018. The Company has not elected for early adoption. Upon application of the standard, an adjustment will be made to the opening balance of retained earnings. The Company is evaluating the impact on the consolidated financial statements.

- *IFRS 9 – Financial instruments: Classification and Measurement.* IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. This standard replaces parts of *IAS 39 – Financial Instruments: Recognition and Measurement*. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. The new standard will be effective for annual periods beginning on or after January 1, 2018. The Company is evaluating the impact on the consolidated financial statements.

- *IFRS 16 – Leases*. The new standard will replace *IAS 17 Leases* and eliminates the classification of leases as either operating or finance leases by the lessee. Classification of leases by the lessor under *IFRS 16* continues as either an operating or a finance lease, as was the treatment under *IAS 17 Leases.* The treatment of leases by the lessee will require capitalization of all leases resulting in accounting treatment similar to finance leases under *IAS 17 Leases*. Exemptions for leases of very low value or short-term leases will be applicable. The new standard will result in an increase in lease assets and liabilities for the lessee. Under the new standard the treatment of all lease expense is aligned in the statement of earnings with depreciation, and an interest expense component recognized for each lease, in line with finance lease accounting under *IAS 17 Leases*. IFRS 16 will be applied prospectively for annual periods beginning on or after January 1, 2019. The Company is evaluating the impact on the consolidated financial statements.

4 Trade and other receivables

	December 31, 2016	December 31, 2015
Trade receivables and other receivables	283	213
VAT receivable (current)	119	90
	402	303

VAT receivable is considered to be recoverable and no provision has been made. Included within current VAT receivable is $99 million (December 31, 2015: $66 million) relating to Zambian operations. At December 31, 2016, the Company had classified $176 million (December 31, 2015: $158 million) as non-current VAT receivable in relation to Zambian claims.

5 Inventories

	December 31, 2016	December 31, 2015
Ore in stockpiles	200	238
Work-in-progress	38	51
Finished product	313	383
Total product inventory	551	672
Consumable stores	481	512
	1,032	1,184

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

6 Kevitsa sale

On March 10, 2016, the Company entered into a share purchase agreement with Boliden AB to sell Kevitsa, for cash consideration of $712 million before normal closing adjustments. On June 1, 2016, the sale was completed and preliminary consideration of $663 million was received. The remaining consideration of $69 million was received on October 3, 2016. The Company recognized a net loss on disposal of $237 million, as follows:

Sales price	712
Adjustments for restricted cash and working capital	20
	732
Net assets sold:	
Cash and cash equivalents	4
Restricted cash	21
Trade and other receivables	14
Inventories	40
Property, plant and equipment	929
Trade and other payables	(18)
Other non-current liabilities	(21)
Loss on disposal	(237)

The results from operations for Kevitsa have, together with restated comparatives, been presented as discontinued operations within the Consolidated Statements of Earnings and the Consolidated Statements of Cash Flows.

	December 31, 2016	December 31, 2015
Sales revenues	49	187
Cost of sales	(61)	(181)
Other expense	(4)	(14)
Profit (loss) from discontinued operation before income taxes	(16)	(8)
Income tax recovery (expense)	(14)	13
Net earnings (loss) from discontinued operations	(30)	5
Net loss on disposal	(237)	-
Net earnings (loss) from discontinued operations	(267)	5

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

7 Property, plant and equipment

	Plant and equipment	Capital work-in-progress	Mineral properties and mine development costs: Operating mines	Mineral properties and mine development costs: Development projects	Total
Net book value, as at January 1, 2016	4,845	7,047	1,526	2,505	15,923
Additions	-	1,186	-	-	1,186
Disposals	(12)	(1)	-	-	(13)
Transfers between categories	1,150	(2,277)	1,319	(313)	(121)
Disposal of Kevitsa	(555)	(19)	(355)	-	(929)
Restoration provision	-	-	(22)	8	(14)
Capitalized interest	-	425	-	-	425
Depreciation charge	(432)	-	(214)	-	(646)
As at December 31, 2016	4,996	6,361	2,254	2,200	15,811
Cost	7,836	6,361	3,247	2,200	19,644
Accumulated depreciation	(2,840)	-	(993)	-	(3,833)

	Plant and equipment	Capital work-in-progress	Mineral properties and mine development costs: Operating mines	Mineral properties and mine development costs: Development projects	Total
Net book value, as at January 1, 2015	3,920	6,798	1,547	2,454	14,719
Additions	-	1,532	-	-	1,532
Disposals	(13)	-	-	-	(13)
Transfers between categories	1,433	(1,663)	192	38	-
Restoration provision	-	-	(55)	13	(42)
Capitalized interest	-	380	-	-	380
Depreciation charge	(438)	-	(158)	-	(596)
Impairment	(57)	-	-	-	(57)
As at December 31, 2015	4,845	7,047	1,526	2,505	15,923
Cost	7,225	7,047	2,307	2,505	19,084
Accumulated depreciation	(2,380)	-	(781)	-	(3,161)

During the year, $425 million of interest (December 31, 2015: $380 million) was capitalized relating to the development of qualifying assets. The amount capitalized in 2016 was determined by applying the weighted average cost of borrowings of 7.7% (2015: 6.3%) to the accumulated qualifying expenditures.

Included within capital work-in-progress and mineral properties – operating mines at December 31, 2016, is an amount of $585 million related to capitalized deferred stripping costs (December 31, 2015: $526 million).

In September 2016 ownership of the powerline asset constructed by the Company was transferred to ZESCO. An amount of $121 million has been transferred to prepayments with respect prepaid electricity costs.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

8 Goodwill

Goodwill of $237 million arose through the acquisition of Inmet Mining Corporation ("Inmet") in 2013 after the application of *IAS 12 – Income taxes*, due to the requirement to recognize a deferred tax liability calculated as the tax effect of the difference between the fair value of the assets acquired and their respective tax bases. Goodwill is not deductible for tax purposes. The goodwill was assigned to the Cobre Panama cash-generating unit.

The carrying value of Cobre Panama at December 31, 2016, was $6,679 million (December 31, 2015: $5,527 million).

The annual impairment test has been performed at December 31, 2016. For the purposes of the goodwill impairment test, the recoverable amount of Cobre Panama has been determined using a fair value less costs of disposal calculation based on a discounted cash flow model which uses a post tax discount rate, taking account of assumptions that would be made by market participants. The future cash flows used in this model are inherently uncertain and could materially change over time as a result of changes to ore reserves and resources estimates, commodity prices, discount rates, future production costs and future capital expenditure to complete the construction of Cobre Panama. Reserves and resources are estimated based on the National Instrument 43-101 compliant report produced by qualified persons. The production profile used in the cash flow model is consistent with the reserves and resource volumes approved as part of the Company's process for the estimation of proven and probable reserves. Such production volumes are dependent on a number of variables, including the recovery of metal from the ore, production costs, duration of mining rights, and the selling price of extracted minerals. Commodity prices are management's estimates of the views of market participants, including a long-term copper price of $2.95 per pound. The estimates are derived from the median of consensus forecasts. A nominal discount rate of 11.5% (December 31, 2015: 12.5%) has been applied to future cash flows, derived from Cobre Panama's weighted average cost of capital (in nominal terms), incorporating the risks specific to the cash-generating unit. Future production costs and future capital expenditure are based on the latest available engineering reports.

The calculated recoverable amount of the cash-generating unit exceeds the carrying value of Cobre Panama at December 31, 2016, and therefore no impairment charge has been recognized.

9 Other assets

	December 31, 2016	December 31, 2015
Prepaid expenses	205	162
Investments	27	23
Deferred income tax assets (note 14)	38	25
Derivative instruments (note 25)	22	81
Total other assets	292	291
Less: current portion of other assets	(176)	(241)
	116	50

Included within prepaid expenses is $88 million (December 31, 2015: nil) in relation to Sentinel which will be recovered through deductions on electricity invoices from the Zambian state power company under the terms of the agreement to transfer powerline ownership.

During the year ended December 31, 2016, the Company recorded an impairment of $2 million relating to equity investments (December 31, 2015: $11 million).

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

10 Debt

		December 31, 2016	December 31, 2015
Drawn debt			
Senior notes:			
First Quantum Minerals Ltd. 8.75% due June 2020 & 7.50% due June 2021	(a)	32	33
First Quantum Minerals Ltd. 6.75% due February 2020	(b)	1,091	1,079
First Quantum Minerals Ltd. 7.00% due February 2021	(c)	1,087	1,078
First Quantum Minerals Ltd. 7.25% due October 2019	(d)	345	344
First Quantum Minerals Ltd. 7.25% due May 2022	(e)	841	839
Kansanshi senior term loan	(f)	289	346
First Quantum Minerals Ltd. senior debt facility	(g)	1,116	1,152
Trading facilities	(h)	82	108
Equipment financing	(i)	63	82
Total debt		4,946	5,061
Less: Current maturities and short term debt		(385)	(386)
		4,561	4,675
Undrawn debt			
First Quantum Minerals Ltd. senior debt facility	(g)	713	1,800
Trading facilities	(h)	228	202

a) First Quantum Minerals Ltd. 8.75% due June 2020 & 7.50% due June 2021
In May 2012, Inmet, a company subsequently acquired by First Quantum, issued $1,500 million in unsecured senior notes due in June 2020, bearing interest at an annual rate of 8.75%. In December 2012, Inmet issued $500 million in unsecured senior notes due in June 2021, bearing interest at an annual rate of 7.50%. These are referred to as “Inmet notes”.

The carrying value of the notes represents the valuation of those notes after the acquisition of Inmet by the Company which remain outstanding following an exchange offer which expired on February 24, 2014, and in the case of the notes expiring in June 2021 only, a subsequent note purchase by the Company.

The Company may redeem some or all of the notes at any time on or after June 1, 2016, at redemption prices ranging from 104.375% in the first year to 100% in the final year, plus accrued interest. Although part of this redemption feature indicates the existence of an embedded derivative, the value of this derivative is not significant.

The Company and its subsidiaries are subject to certain restrictions on asset sales, payments, incurrence of indebtedness and issuance of preferred stock.

b) First Quantum Minerals Ltd. 6.75% due February 2020
In February 2014, the Company issued $1,115 million in senior notes due in 2020, bearing interest at an annual rate of 6.75%. The notes are guaranteed on a subordinated basis by certain subsidiaries of the Company.

In February 2014, the Company issued an additional $6 million aggregate principal amount of new 6.75% senior notes due 2020 to eligible holders of Inmet notes who validly tendered their existing notes in the exchange offer after the early tender time in the exchange offer but prior to the expiration time.

The Company may redeem some or all of the notes at any time on or after February 15, 2017, at redemption prices ranging from 103.375% in the first year to 100% in the final year, plus accrued interest. Although part of this redemption feature indicates the existence of an embedded derivative, the value of this derivative is not significant. Prior to February 15, 2017, the notes may be redeemed at 100% plus a make-whole premium, and accrued interest. Prior to February 15, 2017, the Company may redeem up to 35% of the aggregate principal amount of the notes (including any additional notes issued after the issue date) at a redemption price equal to 106.75% plus accrued interest, with all or a portion of the net proceeds of one or more equity offerings.

The Company may redeem some or all of the notes at any time, at redemption prices ranging from 105.438% to 100% dependent upon timing, plus accrued interest. Although part of this redemption feature indicates the existence of an embedded derivative, the value of this derivative is not significant.

The Company is subject to certain restrictions on asset sales, payments, and incurrence of indebtedness and issuance of preferred stock.

c) First Quantum Minerals Ltd. 7.00% due February 2021
In February 2014, the Company issued $1,115 million in senior notes due in 2021, bearing interest at an annual rate of 7.00%. The notes are guaranteed on a subordinated basis by certain subsidiaries of the Company.

In February 2014, the Company issued an additional $6 million aggregate principal amount of new 7.00% senior notes due 2021 to eligible holders of Inmet notes who validly tendered their existing notes in the exchange offer after the early tender time in the exchange offer but prior to the expiration time.

The Company may redeem some or all of the notes at any time on or after February 15, 2018, at redemption prices ranging from 103.5% in the first year to 100% in the final year, plus accrued interest. Although part of this redemption feature indicates the existence of an embedded derivative, the value of this derivative is not significant. Prior to February 15, 2018, the notes may be redeemed at 100% plus a make-whole premium, and accrued interest. Prior to February 15, 2018, the Company may redeem up to 35% of the aggregate principal amount of the notes (including any additional notes issued after the issue date) at a redemption price equal to 107% plus accrued interest, with all or a portion of the net proceeds of one or more equity offerings.

The Company is subject to certain restrictions on asset sales, payments, and incurrence of indebtedness and issuance of preferred stock.

d) First Quantum Minerals Ltd. 7.25% due October 2019
In October 2012, the Company issued $350 million in senior notes due in 2019, bearing interest at an annual rate of 7.25%.

The Company is subject to certain restrictions on asset sales, payments, and incurrence of indebtedness and issuance of preferred stock. Under a consent solicitation dated January 27, 2014, the terms of these notes were subsequently aligned with those of the Company's notes issued in February 2014.

e) First Quantum Minerals Ltd. 7.25% due May 2022
In May 2014, the Company issued $850 million in senior notes due in 2022, bearing interest at an annual rate of 7.25%.

The Company may redeem some or all of the notes at any time on or after May 15, 2017, at redemption prices ranging from 105.438% in the first year to 100% in the final year, plus accrued interest. Although part of this redemption feature indicates the existence of an embedded derivative, the value of this derivative is not significant. Prior to May 15, 2017, the notes may be redeemed at 100% plus a make-whole premium, and accrued interest. In addition, until May 15, 2017, the Company may redeem up to 35% of the principal amount of notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 107.25% plus accrued interest.

The Company is subject to certain restrictions on asset sales, payments, and incurrence of indebtedness and issuance of preferred stock.

f) Kansanshi senior term loan
In March 2014, Kansanshi entered into a $350 million term loan which was available from April 3, 2014, and fully drawn at that date. The first of the six equal semi-annual repayment installments was made on September 27, 2016. Interest is calculated at a rate equal to LIBOR plus a margin.

g) First Quantum Minerals Ltd. senior debt facility
In May 2016, the Company announced that it had entered into a new Term Loan and Revolving Credit Facility ("the new Facility") to replace the previous $3 billion Term Loan and Revolving Credit Facility ("the old Facility"). As the new Facility had similar terms to the old Facility, the changes in facility were determined to be a non-substantial modification under IAS 39 – Financial Instruments: Recognition and Measurement. The new $1,815 million Facility comprises $907.5 million Term Loan Facility and $907.5 million Revolving Credit Facility, both maturing in December 2019 with interest at LIBOR plus a margin. This margin can change relative to certain financial ratios of the Company.

In November 2016, in accordance with the accordion feature included within the new Facility, the Facility was increased by $60 million, increasing the Term Loan Facility to $938m and the Revolving Credit Facility to $938m.

Of the amount outstanding at December 31, 2016, $167 million relating to the Term Loan (December 31, 2015: $200 million) is due within twelve months of the balance sheet date.

h) Trading facilities
The Company's metal marketing division has four uncommitted borrowing facilities totalling $310 million. The facilities are used to finance purchases and the term hedging of copper, gold and other metals, undertaken by the metal marketing division. Interest on the facilities is calculated at the bank's benchmark rate plus a margin. The loans are collateralized by physical inventories.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

i) Equipment financing

In April 2014, Kalumbila Minerals Ltd., a subsidiary of the Company which owns Sentinel, entered into an agreement with Caterpillar Financial Services Corporation ("Caterpillar") to finance equipment purchases up to $102 million. The agreement is secured by equipment that is purchased from Caterpillar, incurs interest at LIBOR plus a margin and amounts are repayable over a period to 2021. Of the amount outstanding at December 31, 2016, $20 million (December 31, 2015: $20 million) is due within twelve months of the balance sheet date.

11 Provisions and other liabilities

	December 31, 2016	December 31, 2015
Restoration provisions (note 13)	530	552
Amount owed to related party	596	390
Derivative instruments (note 25)	302	4
Other	104	151
Total other liabilities	1,532	1,097
Less: current portion	(320)	(32)
	1,212	1,065

Amount owed to related party

In September 2013, the Company and KPMC entered into a shareholder loan agreement with MPSA for development of the Cobra Panama project, for which KPMC is a 20% shareholder. Interest is calculated semi-annually at an annual rate of 9%. As of December 31, 2016, the accrual for interest payable is $86 million (December 31, 2015: $43 million) and is included in the carrying value of the amount owed to related party, as this has been deferred under the loan agreement.

Amounts due to KPMC are specifically excluded from the calculation of Net Debt banking covenant ratios.

12 Franco-Nevada precious metal stream arrangement

The Company's subsidiary, MPSA, finalized on October 5, 2015, the terms of a replacement agreement with Franco-Nevada for the purchase and sale of precious metals from the Cobre Panama project. Under the terms of the agreement a wholly-owned subsidiary of Franco-Nevada has agreed to provide a $1 billion deposit to be funded on a pro-rata basis of 1:3 with the Company's 80% share of the capital costs of Cobre Panama in excess of $1 billion.

The amount of gold and silver deliverable is indexed to the copper in concentrate produced from the Cobre Panama project. Beyond approximately the first 30 years of the current life of mine, the precious metals deliverable under the new agreement will be based on a fixed percentage of the precious metals in concentrate.

Franco-Nevada will pay MPSA an amount for each ounce of gold and silver delivered equal to $406 per ounce for gold and $6.09 per ounce for silver, subject to an annual adjustment for inflation, for the first 1,341,000 ounces of gold and 21,510,000 ounces of silver (approximately the first 20 years of expected deliveries) and thereafter the greater of $406 per ounce for gold and $6.09 per ounce for silver, subject to an adjustment for inflation, and one half of the then prevailing market price. Although the market price feature represents an embedded derivative, the value of this derivative is not material. In all cases the amount paid is not to exceed the prevailing market price per ounce of gold and silver.

As at the year ended December 31, 2016, a total amount of $462 million (December 31, 2015: $338 million) had been received from Franco-Nevada with respect to capital expenditure in Cobre Panama, and recognized as deferred revenue.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

13 Restoration provisions

The Company has restoration and remediation obligations associated with its operating mines, processing facilities, closed sites and development projects. The following table summarizes the movements in the restoration provisions:

	2016	2015
As at January 1	552	584
Changes in estimate – operating sites	(14)	(42)
Changes in estimate – closed sites (note 22)	1	10
Kevitsa disposal	(21)	-
Other adjustments	1	(11)
Accretion expense (note 23)	11	11
As at December 31	530	552
Less: current portion	(8)	(6)
	522	546

The Company has issued letters of credit which are guaranteed by cash deposits, classified as restricted cash on the balance sheet at December 31, 2016, totalling $70 million (December 31, 2015: $93 million).

The restoration provisions have been recorded initially as a liability based on management's best estimate of cash flows, using a risk-free discount rate between 1.2% and 3.0% and an inflation factor between 1.5% and 6.5%. Reclamation activity is expected to occur over the life of each of the operating mines, a period of up to 40 years, with the majority payable in the years following the cessation of mining operations.

14 Income taxes

The significant components of the Company's income tax expense are as follows:

	2016	2015
Current income tax expense	102	127
Deferred income tax (credit) expense	(83)	404
	19	531

The income taxes shown in the consolidated statements of earnings differ from the amounts obtained by applying statutory rates to the earnings before income taxes due to the following:

	2016		2015	
	Amount $	%	Amount $	%
Earnings (loss) before income taxes	267		(84)	
Income tax (credit) expense at Canadian statutory rates	69	26	(21)	(25)
Difference in foreign tax rates	(16)	(6)	33	40
Non-deductible expenses	12	5	27	32
Impact of rate reduction	-	-	(2)	(2)
Losses not recognized	25	9	18	21
Recognition of previously unrecognized losses	(4)	(2)	(19)	(23)
Impact of foreign exchange and other	11	4	(19)	(23)
Income tax (credit) expense before Zambian tax policy changes	97	36	17	20
Effect of Zambian tax policy changes	(78)	(29)	514	612
Income tax (credit) expense	19	7	531	632

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

The Government of the Republic of Zambia passed through parliament changes, effective from June 1, 2016, which reduced mineral royalties for open pit and underground mines from 9% to a variable rate of between 4% and 6% and abolished the variable profits tax. This amendment to taxation has required a revaluation of the Company's deferred tax balances in Zambia resulting in a tax credit of $78 million for the year ended December 31, 2016.

During the year ended December 31, 2015, the Government of the Republic of Zambia passed through parliament changes, effective from July 1, 2015, which reduced mineral royalties to 9% for open pit and underground mines and reinstated corporate tax of 30% and variable profits tax up to 15%. The reintroduction of corporation tax required a revaluation to the Company's deferred tax balances in Zambia resulting in a tax charge of $514 million for the year ended December 31, 2015.

The deferred income tax assets and liabilities included on the balance sheet are as follows:

	2016	2015
Deferred income tax assets (note 9)	38	25
Deferred income tax liabilities	(739)	(813)
	(701)	(788)

The significant components of the Company's deferred income taxes are as follows:

	2016	2015
Temporary differences relating to property, plant and equipment and finance leases	(931)	(1,054)
Unused operating losses	113	116
Temporary differences relating to non-current liabilities (including restoration provisions)	80	104
Temporary differences relating to inventory	12	(2)
Other	25	48
Net deferred income tax liabilities	(701)	(788)

The Company believes that it is probable that the results of future operations will generate sufficient taxable income to realize the above noted deferred income tax assets.

The Company has unrecognized deductible temporary differences relating to operating loss carry-forwards that may be available for tax purposes in Canada totaling $1,969 million (December 31, 2015: $1,290 million) expiring between 2025 and 2036 and in the United States of America totaling $38 million (December 31, 2015: $38 million) expiring between 2018 and 2036.

The Company also has unrecognized deductible temporary differences relating to restoration provisions of $55 million in Canada (December 31, 2015: $52 million) and $34 million in Finland (December 31, 2015: $28 million).

The Company has non-Canadian resident subsidiaries that have undistributed earnings of $3,775 million (December 31, 2015: $3,679 million). These undistributed earnings are not expected to be repatriated in the foreseeable future and the Company has control over the timing of such, therefore taxes that may apply on repatriation have not been provided for.

15 Share capital

a) Common shares

Authorized

Unlimited common shares without par value

Issued

	Number of shares (000's)
Balance as at January 1, 2016	689,331
Shares issued through Dividend Reinvestment Plan	43
Balance as at December 31, 2016	689,374

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

b) Treasury shares

The Company established an independent trust to purchase, on the open market, the common shares pursuant to the long-term incentive plan (note 17). The Company consolidates the trust as it is subject to control by the Company. Consequently, shares purchased by the trust to satisfy obligations under the long-term incentive plan are recorded as treasury shares in shareholders' equity. Generally, dividends received on shares held in the trust will be paid to plan participants in cash as received.

	Number of shares (000's)
Balance as at January 1, 2015	7,370
Shares purchased	1,875
Shares vested	(1,811)
Balance as at December 31, 2015	7,434
Shares purchased	-
Shares vested	(1,084)
Balance as at December 31, 2016	6,350

c) Dividends

On February 18, 2016, the Company declared a final dividend payment of CDN$0.01 per share, or $5 million, in respect of the financial year ended December 31, 2015 (February 20, 2015: CDN$0.0487 per share or $23 million) paid to shareholders of record on May 4, 2016.

The Company established a Dividend Reinvestment Plan ("the Plan") effective March 25, 2015. The Plan permits eligible shareholders to acquire additional common shares through the reinvestment of cash dividends by the Company. For the year ended December 31, 2016, 43,000 shares were issued under the Plan.

On July 27, 2016, the Company declared an interim dividend payment of CDN$0.005 per share, or $2 million, in respect of the financial year ended December 31, 2016 (July 29, 2015: CDN$0.0330 per share or $16 million) paid to shareholders of record on September 19, 2016.

16 Earnings (loss) per share

Continuing basis	2016	2015
Basic and diluted earnings (loss) attributable to shareholders of the Company	222	(501)
Basic weighted average number of shares outstanding (000's of shares)	685,746	646,823
Effect of dilutive securities:		
Treasury shares	3,607	-
Diluted weighted average number of shares outstanding (000's of shares)	689,353	646,823
Earnings (loss) per common share from continuing operations – basic (expressed in $ per share)	0.32	(0.77)
Earnings (loss) per common share from continuing operations – diluted (expressed in $ per share)	0.32	(0.77)

Including discontinued operations		
Basic and diluted (loss) attributable to shareholders of the Company	(45)	(496)
Basic weighted average number of shares outstanding (000's of shares)	685,746	646,823
Effect of dilutive securities:		
Treasury shares	-	-
Diluted weighted average number of shares outstanding (000's of shares)	685,746	646,823
Loss per common share – basic (expressed in $ per share)	(0.07)	(0.77)
Loss per common share – diluted (expressed in $ per share)	(0.07)	(0.77)

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

17 Share-based compensation and related party transactions

a) Long-term incentive plan

The Company has a long-term incentive plan (the "Plan"), which provides for the issuance of performance stock units ("PSUs"), restricted stock units ("RSUs") in such amounts as approved by the Company's Compensation Committee. Included in general and administrative expense is share-based compensation expense of $20 million (December 31, 2015: $23 million) related to this Plan in addition to which $2 million (December 31, 2015: $5 million) has been capitalized to capital work-in-progress.

Under the Plan, each PSU entitles participants, which includes directors, officers, and employees, to receive up to one-and-a-half common shares of the Company at the end of a three year period if certain performance and vesting criteria, which are based on the Company's performance relative to a representative group of other mining companies, have been met. The fair value of each PSU is recorded as compensation expense over the vesting period. The fair value of each PSU is estimated using a Monte Carlo Simulation approach. A Monte Carlo Simulation is a technique used to approximate the probability of certain outcomes, called simulations, based on normally distributed random variables and highly subjective assumptions. This model generates potential outcomes for stock prices and allows for the simulation of multiple stocks in tandem resulting in an estimated probability of vesting.

Under the Plan, each RSU entitles the participant to receive one common share of the Company subject to vesting criteria. RSU grants typically vest fully at the end of the three year period. The fair value of each RSU is recorded as compensation expense over the vesting period. The fair value of each RSU is estimated based on the market value of the Company's shares at the grant date and an estimated forfeiture rate of 11.5% (December 31, 2015: 11.5%).

	2016 Number of units (000's)	2015 Number of units (000's)
Performance stock units		
Outstanding - beginning of year	4,357	4,419
Granted	1,562	1,468
Vested	(18)	(898)
Forfeited	(1,915)	(632)
Outstanding - end of year	3,986	4,357
Restricted stock units		
Outstanding - beginning of year	2,565	2,696
Granted	1,440	1,221
Vested	(714)	(987)
Forfeited	(315)	(365)
Outstanding - end of year	2,976	2,565

The following assumptions were used in the Monte Carlo Simulation model to calculate compensation expense in respect of the PSUs granted in the following years:

	2016	2015
Risk-free interest rate	0.69%	1.08%
Vesting period	3 years	3 years
Expected volatility	79.4%	46.4%
Expected forfeiture per annum	4%	4%
Weighted average probability of vesting	33.3%	48.8%

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

b) Share option plan

Share options for Common Shares in the Company are granted to certain key management. Options are exercisable at a price equal to the closing quoted price of the Company's shares on the date of grant. The vesting period varies from one to three years. Options are forfeited if the employee leaves the Company before the options vest. If the options remain unexercised after a period of five years from the grant date the options expire.

Each share option converts into one Common Share on exercise. An amount equal to the share price at the date of grant is payable by the recipient on the exercise of each option. The options carry neither rights to dividends nor voting rights.

Options may be exercised at any time from the date of vesting to the date of their expiry.

	2016 Number of options (000's)	2015 Number of options (000's)
Share options		
Outstanding - beginning of year	-	-
Granted	1,113	-
Vested	-	-
Forfeited	-	-
Outstanding - end of year	1,113	-

Share options grants have been measured using the binomial pricing model. The weighted average inputs of options granted in the year are as follows:

	2016	2015
Fair value of option	6.33	-
Exercise price	11.47	-
Expected volatility	67.4%	-
Expected life	5 years	-
Risk-free rate	0.64%	-
Expected dividend yields	0.1%	-

Volatility was calculated with reference to the Company's historical share price volatility up to the grant date to reflect a term approximate to the expected life of the option.

The Company recognized total expenses of $1 million related to equity-settled share-based payments on share options issued under the above plan for the year ended December 31, 2016.

c) Key management compensation

Key management personnel include the members of the senior management team and directors.

	2016	2015
Salaries, fees and other benefits	4	4
Bonus payments	1	2
Share-based compensation	4	2
Total compensation paid to key management	9	8

d) Other related party transactions

Amounts paid to related parties were incurred in the normal course of business and on an arm's length basis. During the year, $6 million (December 31, 2015: $6 million) was paid to parties related to key management for chartering aircraft, accommodation and machinery services. As at December 31, 2016, $2 million was included in trade and other payables concerning related party amounts payable (December 31, 2015: $1 million).

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

18 Sales revenues by nature

	2016	2015
Copper[1]	2,139	1,968
Nickel	182	234
Gold	271	225
Zinc	38	43
Other	43	41
	2,673	2,511

[1] Copper excludes $296 million of proceeds from pre-commercial production at Sentinel for the period to October 31, 2016, commercial production was declared at the Sentinel mine effective November 1, 2016 (December 31, 2015: $36 million).

19 Cost of sales

	2016	2015
Costs of production	(1,517)	(1,597)
Depreciation	(646)	(559)
Movement in inventory	(131)	(104)
Movement in depreciation in inventory	(40)	36
	(2,334)	(2,224)

20 Expenses by nature

	2016	2015
Depreciation	(686)	(523)
Employment costs, benefits and contractors	(531)	(445)
Raw materials and consumables	(393)	(568)
Utilities	(159)	(85)
Repairs and maintenance	(147)	(118)
Royalties	(128)	(223)
Fuel	(101)	(144)
Change in inventories	(131)	(104)
Freight	(43)	(55)
Travel	(10)	(14)
Other	(91)	(58)
	(2,420)	(2,337)

Expenses presented above include cost of sales, general and administrative and exploration expenses.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

21 Impairments

As at December 31, 2016, a detailed review of impairment indicators was performed by management across all operations, development projects and investments. This review did not result in the identification of impairment indicators as at December 31, 2016. Management continues to monitor commodity prices, discount rates, operating costs, capital expenditure, in addition to any other key factors that may result in an indicator of impairment.

It should be noted that, particularly given the current volatility in commodity markets, the Company's longer life assets and operations are more likely to be impacted by changes in long-term commodity prices.

A summary of impairment for the years ended December 31:

	2016	2015
Impairment of Guelb Moghrein magnetite plant	-	62
Impairment of ENRC Promissory note	-	117
Impairment of exploration assets and investments	7	-
Impairment of investments	-	11
Other impairments	6	-
	13	190

Impairment of exploration assets

An impairment of $7 million has been recognized in relation to exploration activities in Peru and Chile separate from the Company's development projects.

Magnetite plant

The Guelb Moghrein magnetite plant was impaired in full in 2015 following management's decision to pause commissioning of operations in the context of weak iron ore prices. Included within the above amount is a $57 million impairment charge on property, plant and equipment together with $5 million in impairment related costs.

Promissory note

On March 20, 2014, a subsidiary of Eurasian Natural Resources Corporation PLC ("ENRC" and now Eurasian Resources Group "ERG") issued a $430 million Promissory note. On July 7, 2015 the Company agreed to a revision of the terms of the promissory note from $430 million to $300 million. The final repayment under the revised terms of the Promissory Note was received in 2016.

An impairment of $117 million (after amortization of prepaid interest) was recorded for the year ended December 31, 2015.

22 Other income (expense)

	2016	2015
Ravensthorpe insurance recoveries	-	58
Foreign exchange gains (losses) – Kansanshi VAT receivable	26	(102)
Other foreign exchange losses	(12)	(7)
Change in restoration provision for closed properties (note 13)	(1)	(10)
Other income	27	1
	40	(60)

Included in other income is the partial release of provisions made following the acquisition of Inmet Mining Corporation ("Inmet") in 2013 and related to which, settlements were made in November 2016.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

23 Finance costs

	2016	2015
Interest expense on financial liabilities measured at amortized cost	(432)	(392)
Accretion on restoration provision (note 13)	(11)	(11)
Total finance costs	(443)	(403)
Less: interest capitalized (note 7)	425	380
	(18)	(23)

24 Segmented information

The Company's reportable operating segments are individual mine development projects or mine operations. Each of the mines and development projects report information separately to the CEO, the chief operating decision maker.

The Corporate & other segment is responsible for the evaluation and acquisition of new mineral properties, regulatory reporting, treasury and finance and corporate administration. Included in the Corporate & other segment is the Company's metal marketing division which purchases and sells third party material and the exploration projects.

The Company's operations are subject to seasonal aspects, in particular the rain season in Zambia. The rain season in Zambia generally starts in November and continues through April, with the heaviest rainfall normally experienced in the months of January, February and March. As a result of the rain season, mine pit access and the ability to mine ore is lower in the first quarter of the year than other quarters and the cost of mining is higher.

Earnings by segment

For the year ended December 31, 2016, segmented information for the statement of earnings is presented as follows:

	Revenue[1]	Cost of sales (excluding depreciation)	Depreciation	Other	Operating profit (loss)[2]	Income tax (expense) credit[3]
Kansanshi[4]	1,449	(924)	(305)	(3)	217	40
Sentinel[5]	153	(107)	(29)	1	18	4
Las Cruces	358	(139)	(160)	10	69	(12)
Guelb Moghrein	213	(121)	(47)	(9)	36	(12)
Ravensthorpe	195	(223)	(49)	-	(77)	15
Çayeli	110	(59)	(35)	61	77	(26)
Pyhäsalmi	123	(53)	(61)	3	12	(13)
Corporate & other[6]	72	(22)	-	(123)	(73)	(15)
Total	2,673	(1,648)	(686)	(60)	279	(19)

[1] Excludes intersegment revenues of $40 million

[2] Operating profit (loss) less net finance costs and taxes equals net earnings (loss) for the period on the consolidated statement of earnings

[3] Following the substantive enactment of the change to Zambian tax law to reintroduce corporation tax, a revaluation to the Company's deferred tax balances in Zambia was required resulting in a tax credit (note 14).

[4] Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.

[5] Segmented information for the two months ending December 31, 2016. Commercial production was declared at the Sentinel mine, effective November 1, 2016.

[6] No segmented information for Sentinel for the period to October 31, 2016 or Cobre Panama for the period to December 31, 2016 is disclosed for the statement of earnings, as these projects were under development. The development costs for these properties are capitalized.

[7] Earnings relating to the Kevitsa segment have been presented as discontinued operations (note 6) and excluded from the above information.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

For the year ended December 31, 2015, segmented information for the statement of earnings is presented as follows:

	Revenue[1]	Cost of sales (excluding depreciation)	Depreciation	Other	Operating profit (loss)[2]	Income tax (expense) credit[3]
Kansanshi[4]	1,285	(996)	(177)	(128)	(16)	(509)
Las Cruces	394	(150)	(153)	15	106	(35)
Guelb Moghrein	285	(162)	(56)	(61)	6	(9)
Ravensthorpe	246	(249)	(48)	44	(7)	15
Çayeli	116	(71)	(33)	(9)	3	(16)
Pyhäsalmi	114	(52)	(54)	4	12	8
Corporate & other[5]	71	(21)	(2)	(228)	(180)	15
Total	2,511	(1,701)	(523)	(363)	(76)	(531)

[1] Excludes intersegment revenues of $70 million

[2] Operating profit (loss) less net finance costs and taxes equals net earnings (loss) for the period on the consolidated statement of earnings

[3] Following the substantive enactment of the change to Zambian tax law to reintroduce corporation tax, a revaluation to the Company's deferred tax balances in Zambia was required resulting in a tax charge (note 14).

[4] Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.

[5] No segmented information for Sentinel or Cobre Panama is disclosed for the statement of earnings as these projects were under development at December 31, 2015. The development costs for these properties are capitalized. Commercial production was declared at the Sentinel mine effective November 1, 2016.

[6] Earnings relating to the Kevitsa segment have been presented as discontinued operations (note 6) and excluded from the above information.

Balance sheet by segment

Segmented information on balance sheet items is presented as follows:

	December 31, 2016			December 31, 2015		
	Non-current assets[1]	Total assets	Total liabilities	Non-current assets[1]	Total assets	Total liabilities
Kansanshi[2]	2,980	3,972	1,000	3,305	4,220	1,150
Sentinel	3,199	3,522	177	2,874	2,996	223
Las Cruces	817	1,203	322	965	1,300	368
Guelb Moghrein	199	318	58	216	351	58
Ravensthorpe	740	821	162	786	890	167
Kevitsa	-	-	-	756	845	44
Çayeli	153	636	67	183	654	140
Pyhäsalmi	155	339	96	211	407	77
Cobre Panama[3]	6,485	6,767	1,237	5,326	5,604	860
Corporate & other[4]	1,134	1,905	6,079	1,303	2,164	5,711
Total	15,862	19,483	9,198	15,925	19,431	8,798

[1] Non-current assets include property plant and equipment $15,811 million of property plant and equipment (December 31, 2015: $15,923 million) and exclude financial instruments, deferred tax assets, VAT receivable and goodwill.

[2] Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity. This segment includes the Kansanshi smelter.

[3] Cobre Panama is 20% owned by KPMC, a related party.

[4] Included within the corporate segment are assets relating to the Haquira project, $672 million, and to the Taca Taca project, $428 million.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

Capital expenditure by segment
Additions to non-current assets other than financial instruments, deferred tax assets and goodwill represent additions to property, plant and equipment, for which capital expenditure is presented as follows:

	2016	2015
Kansanshi	121	324
Sentinel	182	450
Las Cruces	20	33
Guelb Moghrein	30	39
Ravensthorpe	9	20
Kevitsa	-	57
Çayeli	4	9
Pyhäsalmi	1	4
Cobre Panama	764	610
Corporate & other[1]	10	19
Total	1,141	1,565

Geographical information

	2016	2015
Revenue by destination[1]		
China	679	524
Singapore	330	16
Spain	316	396
South Africa	285	81
Germany	221	4
India	172	117
Finland	141	96
South Korea	130	54
Zambia	98	787
France	53	18
Australia	52	37
Bulgaria	42	27
Sweden	40	47
Italy	38	-
Egypt	15	27
Brazil	6	41
Belgium	4	106
United Arab Emirates	4	47
Other	47	86
	2,673	2,511

[1] Presented based on the ultimate destination of the product if known. If the eventual destination of the product sold through traders is not known, then revenue is allocated to the location of the product at the time when the risks and rewards of ownership are passed.

[2] Earnings relating to the Kevitsa segment have been presented as discontinued operations (note 6) and excluded from the above information.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

	December 31, 2016	December 31, 2015
Non-current assets by location		
Zambia	5,918	6,179
Panama	6,485	5,326
Spain	781	965
Finland	155	967
Australia	744	791
Peru	667	663
Argentina	427	425
Mauritania	199	216
Turkey	153	183
Other	333	210
	15,862	15,925
Investments, deferred income tax assets, goodwill, restricted cash and other deposits and VAT receivable	548	536
	16,410	16,461

25 Financial instruments

The Company classifies its financial assets as fair value through profit or loss, available-for-sale, or loans and receivables. Financial liabilities are classified as either fair value through profit or loss, or other financial liabilities.

The following provides a comparison of carrying and fair values of each classification of financial instrument at December 31, 2016:

	Loans and receivables	Available-for-sale	Fair value through profit or loss	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Trade and other receivables[1]	283	-	-	-	283	283
Derivative instruments in designated hedge relationships	-	-	3	-	3	3
Other derivative instruments[2]	-	-	19	-	19	19
Investments						
At cost [3]	-	21	-	-	21	n/a
At fair value	-	6	-	-	6	6
Financial liabilities						
Trade and other payables	-	-	-	531	531	531
Derivative instruments in designated hedge relationships	-	-	294	-	294	294
Other derivative instruments[2]	-	-	8	-	8	8
Finance leases	-	-	-	23	23	23
Liability to related party	-	-	-	596	596	596
Debt	-	-	-	4,946	4,946	5,017

[1] Commodity products are sold under pricing arrangements where final prices are set at a specified future date based on market commodity prices. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in commodity market prices give rise to an embedded derivative in the accounts receivable related to the provisionally priced sales contracts.

[2] Other derivative instruments related to provisionally priced sales contracts are classified as fair value through profit or loss and recorded at fair value, with changes in fair value recognized as a component of cost of sales.

[3] The Company holds investments in privately held entities which are measured at cost as the fair value cannot be reliably measured.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

The following provides a comparison of carrying and fair values of each classification of financial instrument at December 31, 2015:

	Loans and receivables	Available-for-sale	Fair value through profit or loss	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Trade and other receivables[1]	213	-	-	-	213	213
Derivative instruments in designated hedge relationships	-	-	72	-	72	72
Other derivative instruments[2]	-	-	9	-	9	9
Investments						
At cost [3]	-	13	-	-	13	n/a
At fair value	-	10	-	-	10	10
Promissory note receivable[4]	64	-	-	-	64	64
Financial liabilities						
Trade and other payables	-	-	-	568	568	568
Other derivative instruments[2]	-	-	4	-	4	4
Finance leases	-	-	-	26	26	26
Liability to related party	-	-	-	390	390	390
Debt	-	-	-	5,061	5,061	3,904

[1] Commodity products are sold under pricing arrangements where final prices are set at a specified future date based on market commodity prices. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in commodity market prices give rise to an embedded derivative in the accounts receivable related to the provisionally priced sales contracts.

[2] Other derivative instruments related to provisionally priced sales contracts are classified as fair value through profit or loss and recorded at fair value, with changes in fair value recognized as a component of cost of sales.

[3] The Company holds investments in privately held entities which are measured at cost as the fair value cannot be reliably measured.

[4] The Promissory note from a subsidiary of ENRC is classified as a loan or receivable and carried at amortized cost (see Note 21).

Fair Values

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 Inputs for the asset or liability that are not based on observable market data.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at December 31, 2016, in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative instruments – LME contracts[1]	10	-	-	10
Derivative instruments – OTC contracts[2]	-	12	-	12
Investments[3]	6	-	-	6
Financial liabilities				
Derivative instruments – LME contracts[1]	6	-	-	6
Derivative instruments – OTC contracts[2]	-	296	-	296

[1] Futures for copper, nickel, gold, zinc, platinum and palladium were purchased on the London Metal Exchange ("LME") and London Bullion Market and have direct quoted prices, therefore these contracts are classified within Level 1 of the fair value hierarchy.

[2] The Company's derivative instruments are valued by the Company's brokers using pricing models based on active market prices. All forward swap contracts held by the Company are OTC and therefore the valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates using inputs which can generally be verified and do not involve significant management judgment. Such instruments are classified within Level 2 of the fair value hierarchy. Derivative assets are included within other assets on the balance sheet and derivative liabilities are included within provisions and other liabilities on the balance sheet.

[3] The Company's investments in marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities is calculated as the quoted market price of the marketable security multiplied by the quantity of shares held by the Company.

The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at December 31, 2015, in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative instruments – LME contracts[1]	9	-	-	9
Derivative instruments – OTC contracts[2]	-	72	-	72
Investments[3]	10	-	-	10
Financial liabilities				
Derivative instruments – LME contracts[1]	2	-	-	2
Derivative instruments – OTC contracts[2]	-	2	-	2

[1] Futures for copper, nickel, gold, zinc, platinum and palladium were purchased on the London Metal Exchange ("LME") and London Bullion Market and have direct quoted prices, therefore these contracts are classified within Level 1 of the fair value hierarchy.

[2] The Company's derivative instruments are valued by the Company's brokers using pricing models based on active market prices. All forward swap contracts held by the Company are OTC and therefore the valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates using inputs which can generally be verified and do not involve significant management judgment. Such instruments are classified within Level 2 of the fair value hierarchy. Derivative assets are included within other assets on the balance sheet and derivative liabilities are included within provisions and other liabilities on the balance sheet.

[3] The Company's investments in marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities is calculated as the quoted market price of the marketable security multiplied by the quantity of shares held by the Company.

Financial risk management

Credit risk

The Company's credit risk is primarily attributable to cash and bank balances, short-term deposits, derivative instruments, trade and other receivables and promissory note receivable. The Company's exposure to credit risk is represented by the carrying amount of each class of financial assets, including commodity contracts, recorded in the consolidated balance sheet.

The Company limits its credit exposure on cash held in bank accounts by holding its key transactional bank accounts with highly rated financial institutions. The Company manages its credit risk on short-term deposits by only investing with counterparties that carry investment grade ratings as assessed by external rating agencies and spreading the investments across these counterparties. Under the Company's risk management policy, allowable counterparty exposure limits are determined by the level of the rating unless exceptional circumstances apply. A rating of "A-" grade or equivalent is the minimum allowable rating required as assessed by international credit rating agencies. Likewise, it is the Company's policy to deal with banking counterparties for derivatives who are rated "A-" grade or above by international credit rating agencies and graduated counterparty limits are applied depending upon the rating.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

Exceptions to the policy for dealing with relationship banks with ratings below “A-” are reported to, and approved by, the Audit Committee. As at December 31, 2016, substantially all cash and short-term deposits are with counterparties with ratings “A-” or higher.

The Company’s credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. More than 65% of the Company’s trade receivables are generated from five customers together representing greater than 36% of the total sales for the year. A total balance of $35 million was past due from one of these customers at the balance sheet date and is classified as current receivable. The Company continues to trade with this customer. Revenues earned from this customer are included within the Kansanshi segment. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and property, plant and equipment expenditures and prepaid taxes.

Significant credit risk exposures to any single counterparty or group of counterparties having similar characteristics are as follows:

	December 31, 2016	December 31, 2015
Commodity traders and smelters (Trade receivables and other receivables)	283	213
Government authorities (VAT receivable)	294	248
Promissory note due from ENRC (note 21)	-	64
	577	525

The VAT receivable due from government authorities includes $176 million at December 31, 2016, which is past due (December 31, 2015: $180 million). No provision has been made against this amount as it is deemed recoverable in full. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company’s maximum exposure to credit risk.

Liquidity risk

The Company manages liquidity risk by maintaining cash and cash equivalent balances and available credit facilities to ensure that it is able to meet its short-term and long-term obligations as and when they fall due. Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by commodity price and exchange rate movements.

In addition, the Company was obligated under its corporate revolving credit and term loan facility to maintain liquidity and satisfy various covenant ratio tests on an historical and prospective cash flow basis. These ratios were in compliance during the year ended December 31, 2016, and December 31, 2015. If the Company breaches a covenant in its Financing Agreements, this would be an event of default which, if un-addressed, would entitle the lenders to make the related borrowings immediately due and payable and if made immediately due and payable all other borrowings would also be due and payable.

The Company had the following balances and facilities available to them at the balance sheet dates:

	December 31, 2016	December 31, 2015
Cash and cash equivalents and bank overdrafts – unrestricted cash	565	365
Working capital balance[1]	964	1,018
Undrawn debt facilities (note 10)	941	2,002

1 Working capital is defined as the net total of accounts receivable, inventory, prepayments, accounts payable, accruals, and current taxes payable or receivable. The amount due from ENRC at 31 December 2016 is nil (December 31, 2015: $64 million).

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

Contractual and other obligations as at December 31, 2016 are as follows:

	Carrying Value	Contractual Cashflows	< 1 year	1 – 3 years	3 – 5 years	Thereafter
Debt – principal	4,864	4,990	325	1,530	2,285	850
Debt – finance charges	-	1,234	354	634	223	23
Trading facilities	82	82	82	-	-	-
Trade and other payables	531	531	531	-	-	-
Liability to related party	596	790	-	175	83	532
Current taxes payable	90	90	90	-	-	-
Deferred payments	39	39	4	4	4	27
Finance leases	23	31	5	8	6	12
Commitments	-	564	460	90	9	5
Restoration provisions	530	953	8	17	77	851
Total	6,755	9,304	1,859	2,458	2,687	2,300

Contractual and other obligations as at December 31, 2015 are as follows:

	Carrying Value	Contractual Cashflows	< 1 year	1 – 3 years	3 – 5 years	Thereafter
Debt – principal	4,953	5,106	278	1,073	1,783	1,972
Debt – finance charges	-	1,486	327	602	433	124
Trading facilities	108	108	108	-	-	-
Trade and other payables	568	568	568	-	-	-
Liability to related party	390	632	-	137	62	433
Current taxes payable	108	108	108	-	-	-
Deferred payments	33	33	3	3	3	24
Finance leases	26	37	5	9	7	16
Commitments	-	714	318	383	5	8
Restoration provisions	552	929	7	13	26	883
Total	6,738	9,721	1,722	2,220	2,319	3,460

Market risks

a) Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices of copper, gold, nickel, zinc and other elements.

As part of the hedging program, the Company has elected to apply hedge accounting for a portion of copper and nickel sales. For the year ended December 31, 2016, a fair value loss of $363 million has been recognized on derivatives designated as hedged instruments through accumulated other comprehensive income and a fair value gain of $56 million has been recognized through sales revenues. As at December 31, 2016, 510,075 tonnes of copper forward sales contracts at a price of $2.25 per lb and 2,562 tonnes of nickel forward sales contracts at a price of $5.07 per lb remain outstanding with periods of maturity to December 2017 and January 2017 respectively. A deferred tax charge has been recognized in other comprehensive income with a corresponding tax credit recognized in the statement of earnings.

The Company is also exposed to commodity price risk on diesel fuel required for mining operations and sulphur required for acid production. The Company's risk management policy allows for the management of these exposures through the use of derivative financial instruments. As at December 31, 2016 and 2015, the Company had not entered into any diesel or sulphur derivatives.

The Company's commodity price risk related to changes in fair value of embedded derivatives in accounts receivable reflecting copper, nickel, gold and zinc sales provisionally priced based on the forward price curve at the end of each quarter.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

Derivatives designated as hedged instruments

The Company has elected to apply hedge accounting with the following contracts expected to be highly effective in offsetting changes in the cash flows of future sales:

	Open Positions (tonnes/ounces)	Average Contract price	Closing Market price	Maturities Through
Commodity contracts:				
Copper	510,075	$2.25/lb	$2.50/lb	December 2017
Nickel	2,562	$5.07/lb	$4.54/lb	January 2017

Other derivatives

As at December 31, 2016 and 2015, the Company had entered into the following derivative contracts for copper, gold, nickel, zinc, platinum and palladium in order to reduce the effects of fluctuations in metal prices between the time of the shipment of metal from the mine site and the date agreed for pricing the final settlement.

Excluding the copper contracts noted above, as at December 31, 2016, the following derivative positions were outstanding:

	Open Positions (tonnes/ounces)	Average Contract price	Closing Market price	Maturities Through
Embedded derivatives in provisionally priced sales contracts:				
Copper	79,388	$2.45/lb	$2.50/lb	May 2017
Nickel	1,222	$4.52/lb	$4.54/lb	April 2017
Gold	22,500	$1,195/oz	$1,159/oz	May 2017
Zinc	3,150	$1.20/lb	$1.16/lb	February 2017
Commodity contracts:				
Copper	80,113	$2.45/lb	$2.50/lb	May 2017
Nickel	1,222	$4.52/lb	$4.54/lb	April 2017
Gold	22,557	$1,195/oz	$1,159/oz	May 2017
Zinc	3,150	$1.20/lb	$1.16/lb	February 2017

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

As at December 31, 2015, the following derivative positions were outstanding:

	Open Positions (tonnes/ounces)	Average Contract price	Closing Market price	Maturities Through
Embedded derivatives in provisionally priced sales contracts:				
Copper	72,078	$2.13/lb	$2.13/lb	June 2016
Nickel	3,061	$3.94/lb	$3.93/lb	January 2016
Gold	25,307	$1,069/oz	$1,062/oz	June 2016
Zinc	3,300	$0.70/lb	$0.73/lb	March 2016
Platinum	6,240	$849/oz	$872/oz	January 2016
Palladium	4,869	$549/oz	$547/oz	January 2016
Commodity contracts:				
Copper	74,103	$2.13/lb	$2.13/lb	June 2016
Nickel	3,061	$3.94/lb	$3.93/lb	January 2016
Gold	25,352	$1,069/oz	$1,062/oz	June 2016
Zinc	3,300	$0.70/lb	$0.73/lb	March 2016
Platinum	6,240	$849/oz	$872/oz	January 2016
Palladium	4,869	$549/oz	$547/oz	January 2016

A summary of the fair values of unsettled derivative financial instruments for commodity contracts recorded on the consolidated balance sheet.

	December 31, 2016	December 31, 2015
Commodity contracts:		
Asset position (note 9)	22	81
Liability position (note 11)	(302)	(4)

The following table shows the impact on net earnings from changes in the fair values of financial instruments of a 10% change in the copper, nickel, gold and zinc commodity prices, based on prices at December 31, 2016. There is no impact of these changes on other comprehensive income except indirectly through the impact on the fair value of the available-for-sale investments. The impact of a 10% movement in commodity prices is as follows:

	Average contract price on December 31		Impact of price change on net earnings	
	2016	2015	2016	2015
Copper	$2.45/lb	$2.13/lb	4	10
Nickel	$4.52/lb	$3.94/lb	-	-
Gold	$1,195/oz	$1,069/oz	-	-
Zinc	$1.20/lb	$0.70/lb	-	-
Platinum	-	$849/oz	-	-
Palladium	-	$549/oz	-	-

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

b) Interest rate risk

The Company's interest rate risk arises from interest paid on floating rate debt and the interest received on cash and short-term deposits. The Company currently capitalizes the majority of interest charges, and therefore the risk exposure is primarily on cash, and net earnings in relation to the depreciation of capitalized interest charges.

Deposits are invested on a short-term basis to ensure adequate liquidity for payment of operational and capital expenditures. To date no interest rate management products, such as swaps, are used in relation to deposits.

The Company manages its interest rate risk on borrowings on a net basis. The Company has a policy allowing floating-to-fixed interest rate swaps targeting 50% of exposure over a five-year period. As at December 31, 2016 and 2015, the Company held no floating-to-fixed interest rate swaps.

At December 31, 2016, the impact on cash interest payable of a 100 basis point change in interest rate would be as follows:

	December 31, 2016	Impact of interest rate change on net earnings	
		100 basis point increase	100 basis point decrease
Interest-bearing deposits, cash at bank and bank overdrafts	565	6	(6)
Floating rate borrowings drawn	1,695	(17)	17

At December 31, 2015, the impact on cash interest payable of a 100 basis point change in interest rate would be as follows:

	December 31, 2015	Impact of interest rate change on net earnings	
		100 basis point increase	100 basis point decrease
Interest-bearing deposits and cash at bank	365	2	(1)
Floating rate borrowings drawn	1,740	(17)	17

c) Foreign exchange risk

The Company's functional and reporting currency is USD. As virtually all of the Company's revenues are derived in USD and the majority of its business is conducted in USD, foreign exchange risk arises from transactions denominated in currencies other than USD. Commodity sales are denominated in USD, the majority of borrowings are denominated in USD and the majority of operating expenses are denominated in USD. The Company's primary foreign exchange exposures are to the local currencies in the countries where the Company's operations are located, principally the Zambian kwacha ("ZMW"), Australian dollar ("A$") Mauritanian ouguiya ("MRO"), the euro ("EUR"), the Turkish lira ("TRY") and the Argentine peso ("ARS"); and to the local currencies of suppliers who provide capital equipment for project development, principally the A$, EUR and the South African rand ("ZAR").

The Company's risk management policy allows for the management of exposure to local currencies through the use of financial instruments at a targeted amount of up to 100% for exposures within one year down to 50% for exposures in five years.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

As at December 31, 2016, the Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than USD:

	Cash and cash equivalents	Trade and other receivables	Investments	Financial liabilities
CAD	15	-	15	1
AUD	14	6	2	35
ZMW	5	3	-	22
EUR	81	10	-	39
TRY	-	1	-	5
ZAR	5	-	-	2
MRO	-	29	-	4
Other	3	1	-	-
Total	123	50	17	108

Based on the above net exposures as at December 31, 2016, a 10% change in all of the above currencies against the USD would result in a $5 million increase or decrease in the Company's net earnings and would result in a $2 million increase or decrease in the Company's other comprehensive income.

As at December 31, 2015, the Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than USD:

	Cash and cash equivalents	Trade and other receivables	Investments	Financial liabilities
CAD	15	4	7	1
AUD	14	2	4	37
ZMW	19	1	-	50
EUR	101	21	-	71
TRY	-	-	-	12
ZAR	3	-	-	4
MRO	-	26	-	12
Other	2	-	-	-
Total	154	54	11	187

Based on the above net exposures as at December 31, 2015, a 10% change in all of the above currencies against the USD would result in a $2 million increase or decrease in the Company's net earnings and would result in a $1 million increase or decrease in the Company's other comprehensive income.

Capital management

The Company's objectives when managing capital are to continue to provide returns for shareholders, and comply with lending requirements while safeguarding the Company's ability to continue as a going concern. The Company considers the items included in equity to be capital.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company uses a combination of short-term and long-term debt to finance its operations and development projects. Typically, floating rates of interest are attached to short-term debt, and fixed rates on senior notes.

26 Commitments & contingencies

Capital commitments

In conjunction with the development of Cobre Panama, the Company has committed to $564 million (December 31, 2015: $714 million) in capital expenditures.

Other commitments & contingencies

Due to the size, complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. The Company is routinely subject to audit by tax authorities in the countries in which it operates and has received a number of tax assessments in various locations, including Zambia, which are currently at various stages of progress with the relevant authorities. The outcome of these audits and assessments are uncertain however the Company is confident of its position on the various matters under review.

Cobre Panama is subject to a claim from a third-party but has made a counterclaim greater than the amount claimed and no loss is expected.

In October 2016, the Company, through its subsidiary Kansanshi Holdings Ltd., received a Notice of Arbitration from ZCCM International Holdings PLC ("ZCCM") under the Kansanshi Mining PLC ("KMP") Shareholders Agreement. ZCCM is a 20% shareholder in KMP and filed the Notice of Arbitration against KMP and Kansanshi Holdings Limited, the 80% shareholder in KMP. KMP also received a Statement of Claim filed in the High Court for Zambia naming additional defendants, including First Quantum, its subsidiary FQM Finance Ltd., and a number of directors and an executive of the named corporate defendants.

This dispute arises out of the rate of interest paid on deposits made by KMP with the Company's financing entity, FQM Finance Ltd. ("FQM Finance"). The funds on deposits were retained for planned investment by KMP in Zambia. FQM Finance paid interest on the deposits to KMP based on an assessment of an arms-length fair market rate, which is supported by independent third party analysis. ZCCM disputes that interest rate paid to KMP on the deposits was sufficient. ZCCM commenced a further action in the High Court for Zambia. Having carefully studied the claims made in both the Notice of Arbitration and Statement of Claim, the Company is firmly of the view that the claims are without merit.

KMP deposits were used to fund a major investment program at Kansanshi, including the successful construction and commissioning of the Kansanshi smelter and expansion of the processing plant and mining operations.

27 Post balance sheet events

Dividend declared

The Company has declared a final dividend of CDN$0.005 per share, in respect of the financial year ended December 31, 2016. The final dividend together with the interim dividend of CDN$0.005 per share is a total of CDN$0.01 per share for the 2016 financial year.