

## Management's Discussion and Analysis

### For the quarter ended March 31, 2016

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements of First Quantum Minerals Ltd. ("First Quantum" or "the Company") for the three months ended March 31, 2016. The Company's results have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") 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](http://www.sedar.com). Information is also available on the Company's website at [www.first-quantum.com](http://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 April 28, 2016.

### FIRST QUARTER 2016 HIGHLIGHTS<sup>1</sup>

- Achieved the highest quarterly copper production and sales for our continuing operations of 119,287 tonnes and 131,267 tonnes, respectively:
  - Progressively higher production at Sentinel each quarter since start-up in Q1 2015 combined with continued strong operations at all the mines.
  - Increased throughput at the Kansanshi smelter by 7% over Q4 2015 and achieved an average copper recovery of 98%.
- C1, All-in sustaining ("AISC") and C3 cost per pound<sup>2</sup> for both copper and nickel all substantially below Q1 2015:
  - Copper Q1 2016: C1 cash cost = \$1.03; AISC = \$1.36; C3 total cost = \$1.86
  - Nickel Q1 2016: C1 cash cost = \$4.48; AISC = \$4.93; C3 total cost = \$6.00
- Realized average price for copper of \$2.38 per pound exceeded the average LME price of \$2.11 primarily on account of the Company's copper sales hedge program.
- As previously disclosed on March 10, 2016, the Company and Boliden entered into a share purchase agreement for the Kevitsa mine for cash consideration of \$712 million subject to requisite competition approvals and other typical closing conditions. As of today's date all required competition authority approvals have been received and the transaction is expected to close on or before June 1, 2016.
- Advanced other strategic initiatives aimed at further strengthening the balance sheet and improving the capital structure. Among these initiatives is the process to put in place up to \$2.5 billion of project financing for Cobre Panama.
- The Company has 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 has now commenced and cancellation is expected to take effect from 8:00 am (BST) on May 31, 2016.
- At quarter end, the Company was in full compliance with all financial covenants with unrestricted cash and cash equivalents of \$269 million in addition to \$1,800 million of committed undrawn facilities.
- The material uncertainty regarding the Company's ability to meet the Net Debt to EBITDA ratio covenant under the debt financing agreements, previously noted in the year-end 2015 financial statements, has been removed as current forecasts do not indicate a breach of the covenant over the next 12 months. This development reflects the agreed sale of Kevitsa, the advanced stages in the project financing and other strategic initiatives processes and ongoing effectiveness of cost improvement and copper sales hedge programs.
- The development of Cobre Panama continues with priority given to the power station and associated infrastructure and expenditures being managed to suit market conditions.
- Changes to the Zambian mining tax regime, including the reduction of the royalty rate for open pit mines from 9% to a sliding scale of between 4% to 6%, based on the copper LME price and the repeal of the variable profits tax, have been presented to the country's Parliament with the intention of having them passed in the current sitting.
- Updates to guidance for year 2016 are reductions for C1 and AISC cost per pound for copper to reflect the sustainable cost improvements achieved and an increase to the gold production estimate.

| <b>Continuing operations<sup>1</sup></b>                                                             | <b>Q1 2016</b> | <b>Q4 2015</b> | <b>Q1 2015</b> |
|------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|
| Copper production (tonnes) <sup>3,4</sup>                                                            | 119,287        | 115,886        | 91,910         |
| Copper sales (tonnes) <sup>3</sup>                                                                   | 131,267        | 119,534        | 91,082         |
| Cash cost of copper production (C1)(per lb) <sup>2</sup>                                             | \$1.03         | \$1.06         | \$1.41         |
| All-in sustaining cost (AISC)(per lb) <sup>2</sup>                                                   | \$1.36         | \$1.51         | \$2.22         |
| Total cost of copper production (C3)(per lb) <sup>2</sup>                                            | \$1.86         | \$1.85         | \$2.39         |
| Realized copper price (per lb)                                                                       | \$2.38         | \$2.40         | \$2.58         |
| Nickel production (contained tonnes)                                                                 | 7,106          | 7,653          | 4,238          |
| Nickel sales (contained tonnes)                                                                      | 8,940          | 8,583          | 3,732          |
| Cash cost of nickel production (C1)(per lb) <sup>2</sup>                                             | \$4.48         | \$4.49         | \$4.66         |
| All-in sustaining cost (AISC)(per lb) <sup>2</sup>                                                   | \$4.93         | \$4.94         | \$5.56         |
| Total cost of nickel production (C3)(per lb) <sup>2</sup>                                            | \$6.00         | \$5.82         | \$6.28         |
| Realized nickel price (per payable lb)                                                               | \$3.88         | \$4.29         | \$6.53         |
| Gold production (ounces)                                                                             | 56,191         | 53,889         | 49,780         |
| Gold sales (ounces)                                                                                  | 63,141         | 57,958         | 47,269         |
| <b>Consolidated Financial Information</b>                                                            | <b>Q1 2016</b> | <b>Q4 2015</b> | <b>Q1 2015</b> |
| Sales revenues                                                                                       | 720            | 719            | 602            |
| Gross profit <sup>5</sup>                                                                            | 105            | 110            | 23             |
| Net earnings (loss) from continuing operations                                                       | 48             | 111            | (90)           |
| Net earnings (loss) from discontinued operations                                                     | (266)          | 3              | (4)            |
| Net earnings (loss) per share from continuing operations attributable to shareholders of the Company | \$0.07         | \$0.16         | (\$0.13)       |
| Net earnings (loss) per share                                                                        | (\$0.32)       | \$0.17         | (\$0.14)       |
| Basic and diluted earnings (loss) per share                                                          | (\$0.32)       | \$0.17         | (\$0.14)       |
| Comparative earnings (loss) <sup>6</sup>                                                             | 63             | 182            | (12)           |
| Comparative earnings (loss) per share <sup>6</sup>                                                   | \$0.09         | \$0.27         | (\$0.02)       |
| Comparative EBITDA <sup>2,6</sup>                                                                    | 269            | 224            | 106            |

<sup>1</sup> 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 quarter ended March 31, 2016 and accordingly, comparative 2015 financial information has been re-presented. For further discussion on Kevitsa, please see “Kevitsa Nickel-Copper-PGE Discontinued Operation” below and note 4 “Kevitsa Sale” of the condensed interim consolidated financial statements for the three months ended March 31, 2016.

<sup>2</sup> C1 cash cost, AISC, C3 total cost and earnings before interest, tax, depreciation, amortization and impairment (“EBITDA”) are not recognized under IFRS. See “Regulatory disclosures” for further information.

<sup>3</sup> Total copper production includes production at Sentinel of 20,902 tonnes for Q1 2016. Total copper sales include sales at Sentinel of 18,796 tonnes for Q1 2016. Production and sales at Sentinel are pre-commercial production and therefore excluded from earnings.

<sup>4</sup> Production is presented on a copper concentrate basis, i.e. mine production only, and does not include output from the Kansanshi smelter.

<sup>5</sup> While gross profit in Q1 2016 of \$105 million is at a similar level to Q4 2015 of \$110 million, Q1 2016 net earnings are lower as Q1 2016 has a tax charge of \$20 million (compared to a tax credit in Q4 2015 of \$31 million) and foreign exchange losses and other revisions in estimates of \$15 million, which are excluded from comparative earnings.

|                                                | <b>Q1 2016</b> | <b>Q4 2015</b> | <b>Q1 2015</b> |
|------------------------------------------------|----------------|----------------|----------------|
| Gross profit                                   | 105            | 110            | 23             |
| Exploration and General and administrative     | (20)           | (22)           | (32)           |
| Impairment and other expenses                  | (15)           | (1)            | (94)           |
| Income tax and finance costs                   | (22)           | 24             | 13             |
| Net earnings (loss) from continuing operations | 48             | 111            | (90)           |

<sup>6</sup> Net earnings (loss) attributable to shareholders of the Company and EBITDA have been adjusted to exclude items which are not reflective of underlying performance to arrive at comparative earnings and comparative 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.

## Operational

### Copper production from continuing operations 30% higher from production at Sentinel

- Copper production from continuing operations of 119,287 tonnes was 30% higher than Q1 2015 by 27,377 tonnes as a result of the continued ramp-up at Sentinel. Copper production at Sentinel totalled 20,902 tonnes for Q1 2016 compared to 15,190 tonnes for Q4 2015 and 1,003 tonnes for Q1 2015. First filtered concentrate was produced at Sentinel in January 2015 and production ramped up over the course of 2015, with higher copper production achieved in each successive quarter of 2015.
- For Q1 2016, the Kansanshi smelter processed 244,144 tonnes of concentrate, produced 52,506 tonnes of copper anode and 239,000 tonnes of sulphuric acid and achieved an overall copper recovery of 98%.

### Nickel production higher in Q1 2016 due to resumption of production at Ravensthorpe

- Nickel production from continuing operations of 7,106 tonnes was 68% higher over Q1 2015 which was impacted by the atmospheric leach tank structural failure at Ravensthorpe that occurred in December 2014 and resulted in reduced production in Q1 2015.

### Gold production 13% higher in Q1 2016 from higher grade and recoveries

- Gold production from continuing operations of 56,191 ounces for Q1 2016 was 6,411 ounces higher than Q1 2015 primarily due to higher head grade at Kansanshi and higher recoveries at Guelb Moghrein.

### Copper and nickel sales volumes significantly higher

- Copper sales volumes from continuing operations of 131,267 tonnes for Q1 2016 were significantly higher than Q1 2015, reflecting higher copper sales volumes at Kansanshi primarily due to reduction of throughput and lower feed grades on the sulphide and oxide circuits in Q1 2015. The throughput on the oxide circuit was intentionally reduced in Q1 2015 to limit consumption of costly third-party acid purchases prior to the commissioning of the smelter.
- Nickel sales volumes from continuing operations of 8,940 tonnes for Q1 2016 was higher by 5,208 tonnes compared to Q1 2015 due to recommencement of production at Ravensthorpe in February 2015 at reduced capacity.

### Copper C1 cash cost lowered to \$1.03 per lb and full year guidance reduced

- The average copper production C1 cash cost from continuing operations of \$1.03 per lb was 27% lower than C1 cash cost of \$1.41 per lb in Q1 2015, reflecting the benefits of the Company's ongoing focus on cost reduction and efficiencies, sulphuric acid production from the Kansanshi smelter, lower fuel costs and the appreciation in the US dollar.
- Full year 2016 guidance (excluding Sentinel) reduced to approximately \$1.10 to \$1.25 per lb (including Sentinel reduced to approximately \$1.20 to \$1.35 per lb).

### Nickel C1 cash cost lowered to \$4.48 per lb

- The average nickel production C1 cash cost from continuing operations of \$4.48 per lb was consistent with C1 cash cost for Q4 2015. Compared to Q1 2015, C1 cash cost for Q1 2016 was lower as Ravensthorpe experienced lower nickel production volumes in Q1 2015.

## Financial and corporate developments

### Sale of Kevitsa

- As announced on March 10, 2016, the Company entered into a share purchase agreement with Boliden to sell its Kevitsa nickel-copper-platinum group elements mine. Under the terms of the sale, Boliden will acquire Kevitsa for a cash consideration of \$712 million subject to requisite competition approvals and other typical closing conditions. All required competition authority approvals have been received and the transaction is expected to close on or before June 1, 2016.

### Action plan progressing

- For fiscal year 2015, the financial statements were prepared on a going concern basis but the Company indicated a material uncertainty relating to its ability to meet the Net Debt to EBITDA ratio covenant under the debt financing agreements (the \$3.0 billion facility, the \$350 million Kansanshi facility and the \$102 million Caterpillar facility, together the "Financing Agreements"). Actions taken during Q1 2016, including the agreed sale of Kevitsa as well as embedded additional cost savings and sales hedges, have removed the material uncertainty such that the Company's current forecasts for 2016 do not indicate a potential breach of financial covenants over the next 12 months. There are risks outside management's control such as commodity prices and so uncertainty remains and this is noted in the financial statements for Q1 2016. However there are number of options available to management to further mitigate these risks, including additional reductions to uncommitted capital expenditure, renegotiation of covenants with the Company's principal bankers and further asset sales.

- Strategic initiatives have been advancing to further strengthen the balance sheet and improve the capital structure of the Company. During Q1 2016, the Company initiated the process to put in place project financing for the Cobre Panama project following the finalization of the related precious metals stream agreement. Total financing of up to \$2.5 billion is targeted to be completed by the end of the 2016 calendar year. Positive discussions continue with the Company's wider banking group in relation to existing facilities. Other initiatives also include delisting from the London Stock Exchange as part of the overall cost saving strategy.

#### Sales revenues increased due to higher sales volumes offset by lower metal prices

- Sales revenues of \$720 million increased by \$118 million compared to Q1 2015 principally due to higher sales volumes offset by lower copper and nickel prices. The average LME cash prices for copper and nickel were 20% and 41% lower, respectively, in Q1 2016 compared to Q1 2015. The impact of lower copper prices was partially mitigated through hedging 119,500 tonnes of copper sales at \$2.41 per lb, which settled in the current quarter generating \$82 million in additional revenue. At as March 31, 2016, the Company had 171,250 tonnes of unsettled hedged copper sales priced at an average price of \$2.24 per lb and had 4,992 tonnes of unsettled hedged nickel sales priced at an average price of \$4.10 per lb.

#### Higher gross profit as cost savings and higher sales volumes offset significantly lower metal prices

- The higher gross profit of \$105 million for Q1 2016 compared to gross profit of \$23 million for Q1 2015 was primarily from higher sales volumes, lower operating costs, favourable foreign exchange resulting from the appreciation in the US dollar, and lower Zambian royalty costs, offset by lower metal prices. Sales volumes were higher for Q1 2016 compared to Q1 2015 with increased copper and gold production at Kansanshi as well as higher production at Ravensthorpe as Q1 2015 was impacted by the atmospheric leach tank failure.

|                                      | Continuing operations |
|--------------------------------------|-----------------------|
| Gross profit in Q1 2015              | \$23                  |
| Lower realized metal prices          | (101)                 |
| Lower costs                          | 106                   |
| Higher sales volumes                 | 71                    |
| Decrease in royalty rate             | 38                    |
| Foreign exchange                     | 26                    |
| Increase in depreciation             | (58)                  |
| Gross profit in Q1 2016 <sup>1</sup> | \$105                 |

<sup>1</sup> Gross profit is reconciled to comparative EBITDA by including: exploration costs of \$3 million, general, administrative and other costs of \$32 million, and adding back depreciation of \$184 million, foreign exchange loss of \$11 million and other costs of \$4 million.

- Excluding the impact of foreign exchange, exploration and general and administrative costs were \$10 million lower in Q1 2016 compared to Q1 2015.
- Cost savings of \$116 million, excluding the impact of foreign exchange, achieved in Q1 2016 compared to the same period in 2015.

#### Comparative EBITDA on a continuing basis of \$269 million in Q1 2016

- Comparative EBITDA on a continuing basis of \$269 million excludes the impact of foreign exchange losses, impairment charges and revisions in estimates of closed site restoration provisions and is \$163 million higher than the same period last year.
- Comparative earnings of \$63 million are after tax and finance charges of \$22 million, and general and administrative and exploration costs of \$20 million. Comparative earnings in the previous quarter, Q4 2015, benefited from tax credits largely relating to realization of losses previously incurred.
- Net loss attributable to shareholders of the Company of \$217 million (including discontinued operations) includes a post-tax loss of \$236 million on re-measurement to fair value less costs to sell for Kevitsa as well as foreign exchange and other revaluation losses of \$15 million.

## Financial position and operating cash flow

- The Company ended the quarter with \$269 million of unrestricted cash and cash equivalents in addition to \$1,800 million of committed undrawn facilities and was in full 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 2016 to carry out its operating and growth plans.
- In Q1 2016, the Company received \$32 million in principal repayments on the Promissory Note from Eurasian Resources Group (“ERG”). The remaining principal balance of \$32 million, plus interest at 10%, is expected to be received in Q2 2016.
- The amount of VAT accrued by the Company’s Zambian operations at March 31, 2016 was \$236 million, of which \$220 million related to Kansanshi. During the period March 2015 to March 2016, Kansanshi made VAT claims and accruals of \$102 million of which \$29 million has been received and \$73 million remains outstanding at March 31, 2016. Management is in regular discussions with the relevant government authorities and continues to consider that the outstanding VAT claims are fully recoverable.

## Development projects

### *Sentinel project, Zambia*

- Production ramp-up continued in Q1 2016 with positive progress toward achieving steady-state operation within the process circuit. Both Train 1 and Train 2 milling circuits are now in continuous operation with periods of above nameplate throughput being achieved separately, and in combined operation. Construction of the power lines project was completed in September 2015, and is partially energized from Lusaka West to Mumbwa substations. ZESCO, Zambia’s state-run power company, has advised that full energization of the power lines has been delayed to the second quarter of 2016. Although Sentinel has been able to reach design capacity at times with the current 120MW allocation, the full power requirement is progressively increasing with harder ore from the mine. Sentinel is expected to reach commercial production levels in the second quarter of 2016. A declaration of commercial production will be made when the operation attains a sustained level of operating performance.

### *Cobre Panama project, Panama*

- The power station and associated infrastructure continues to receive priority, with mechanical and piping disciplines ramping up in the period. Commercial power from the power station is planned during the second half of 2017, which will then initiate a revenue stream from the project. Key management appointments for port and powerstation operations have been made, and will be on site starting Q2 2016. The balance of the project is scheduled for a phased commissioning and ramp-up beginning in the first half of 2018, with commercial production throughput levels expected by the end of 2018.

## Zambian developments

- The Company’s Zambian operations are currently being provided a total of 285MW, which allows for normal operations at the Kansanshi mine and smelter complex, and for Sentinel to achieve nameplate capacity throughput for periods. ZESCO imports supplementary power and power supplied to the mines includes imported power at an increased tariff. In December 2015, Kansanshi and Sentinel were advised by 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 in Q1 2016. These increases are being disputed and discussions with ZESCO and the Government of Zambia are ongoing. There has been some recent uncertainty across the mining sector with respect to electricity tariff increases. The regulatory authorities in Zambia remain closely engaged with the Company and the industry, and affordability and stability remain central themes of these discussions.
- On February 18, 2016, the Government of Zambia announced that the Cabinet had approved changes to the mining tax regime, including: retaining corporate tax on profits from mining at 30%; repealing 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; 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. On April 13, 2016, the Government of Zambia introduced a Bill into Parliament (“Bill”) detailing the above changes. The Bill indicates that the proposed changes will take effect on April 1, 2016.

## GUIDANCE SUMMARY

Guidance is based on a number of assumptions and estimates as of March 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.

### Production guidance – continuing operations

Production guidance is shown for continuing operations and therefore excludes Kevitsa. Copper and zinc production guidance on a continuing basis for 2016 to 2018 is unchanged from guidance given in February 2016. Gold production for 2016 on a continuing basis has been increased from February 2016 guidance and is unchanged for 2017 and 2018. Nickel production guidance for 2016 has been decreased to 23,000 tonnes from February 2016 guidance of 28,000 tonnes to reflect revised operational plans given current market prices.

| 000's                                | 2016    | 2017    | 2018    |
|--------------------------------------|---------|---------|---------|
| Copper – tonnes – excluding Sentinel | 380     | 380     | 385     |
| Nickel – contained tonnes            | 23      | 28      | 28      |
| Gold – ounces                        | 210     | 208     | 208     |
| Zinc – tonnes                        | 26      | 20      | 20      |
| Sentinel – copper - tonnes           | 135-155 | 210-240 | 230-260 |

Guidance on precise production during the ramp-up and commissioning phases at the Cobre Panama project will depend on a number of factors which can only be properly assessed closer to the time but at this stage there is no reason to vary from published production estimates of 320,000 tonnes per annum when fully commissioned.

### Indicative production guidance by continuing operations

| Copper – 000's tonnes | 2016    | 2017    | 2018    |
|-----------------------|---------|---------|---------|
| Kansanshi             | 235     | 235     | 240     |
| Las Cruces            | 70      | 70      | 70      |
| Guelb Moghrein        | 40      | 40      | 40      |
| Çayeli                | 22      | 22      | 22      |
| Pyhäsalmi             | 12      | 11      | 11      |
| Sentinel              | 135-155 | 210-240 | 230-260 |

  

| Nickel – 000's contained tonnes | 2016 | 2017 | 2018 |
|---------------------------------|------|------|------|
| Ravensthorpe                    | 23   | 28   | 28   |

  

| Gold – 000's ounces | 2016 | 2017 | 2018 |
|---------------------|------|------|------|
| Kansanshi           | 150  | 150  | 150  |
| Guelb Moghrein      | 50   | 50   | 50   |
| Pyhäsalmi           | 7    | 7    | 6    |
| Çayeli              | 2    | -    | -    |

  

| Zinc – 000's tonnes | 2016 | 2017 | 2018 |
|---------------------|------|------|------|
| Çayeli              | 6    | 6    | 5    |
| Pyhäsalmi           | 20   | 14   | 15   |

## Capital expenditure guidance

- Guidance on total capital expenditure for 2016 to 2018 is unchanged.
- 2016 net capital expenditure, after contributions from third-parties, is expected to be approximately \$710 million, inclusive of net capital expenditure of \$390 million for the Cobre Panama project, \$200 million for capitalized stripping and \$120 million for other projects and sustaining capital. This excludes capitalization of any net pre-commercial production costs and capitalized interest but includes capital expenditure at Kevitsa to assumed date of sale.
- 2017 and 2018 net capital expenditure, after contributions from third-parties, is estimated at approximately \$820 million per annum, with Cobre Panama net capital expenditure of approximately \$480 million per annum, excluding capitalization of any net pre-commercial production costs and capitalized interest.

## Cash cost and all-in sustaining cost guidance

Both C1 and AISC for copper have been reduced from previous guidance to reflect embedded cost savings throughout the Company.

### *Cash operating cost (C1):*

- Expected average cash cost of copper in 2016 (excluding Sentinel) reduced to approximately \$1.10 to \$1.25 per lb (including Sentinel reduced to approximately \$1.20 to \$1.35 per lb). Guidance is the same on a continuing operations or including discontinued operations basis.
- Expected average cash cost of copper in 2017 and 2018 remains at approximately \$1.20 to \$1.40 per lb, including Sentinel.
- Expected average cash cost of nickel remains at approximately \$4.00 to \$4.40 per lb for 2016, 2017 and 2018.

### *All-In Sustaining Cost ('AISC'):*

- Expected average AISC of copper reduced to approximately \$1.50 to \$1.70 per lb for 2016 (excluding Sentinel) on a continuing basis, and reduced to approximately \$1.65 to \$1.85 per lb (including Sentinel) on a continuing basis. Guidance is the same on a continuing operations or including discontinued operations basis.
- Expected average AISC of copper of approximately \$1.70 to \$1.90 per lb for 2017 and 2018 (including Sentinel).
- Expected average AISC of nickel remains at approximately \$4.80 to \$5.10 per lb for 2016, 2017 and 2018.

AISC is not recognized under IFRS – see “Regulatory disclosures” for further information.

## OPERATIONS

| <b>Kansanshi Copper and Gold Operation</b>          | <b>Q1 2016</b> | <b>Q4 2015</b> | <b>Q1 2015</b> |
|-----------------------------------------------------|----------------|----------------|----------------|
| Sulphide ore tonnes milled (000's)                  | 2,888          | 2,926          | 1,389          |
| Sulphide ore grade processed (%)                    | 0.7            | 0.7            | 0.9            |
| Sulphide copper recovery (%)                        | 88             | 92             | 90             |
| Mixed ore tonnes milled (000's)                     | 1,990          | 1,960          | 3,288          |
| Mixed ore grade processed (%)                       | 1.0            | 1.1            | 1.1            |
| Mixed copper recovery (%)                           | 88             | 73             | 68             |
| Oxide ore tonnes milled (000's)                     | 1,637          | 1,895          | 1,367          |
| Oxide ore grade processed (%)                       | 1.5            | 1.7            | 1.5            |
| Oxide copper recovery (%)                           | 92             | 83             | 89             |
| Copper production (tonnes) <sup>1</sup>             | 58,075         | 61,600         | 53,546         |
| Copper smelter                                      |                |                |                |
| Concentrate processed (DMT) <sup>2</sup>            | 244,144        | 228,427        | -              |
| Copper anodes produced (tonnes) <sup>2</sup>        | 52,506         | 46,493         | -              |
| Smelter copper recovery (%)                         | 98             | 97             | -              |
| Acid tonnes produced (000's)                        | 239            | 214            | -              |
| Copper sales (tonnes) <sup>3</sup>                  | 72,222         | 77,845         | 53,504         |
| Gold production (ounces)                            | 35,743         | 34,009         | 32,592         |
| Gold sales (ounces)                                 | 44,132         | 38,664         | 31,307         |
| Cash costs (C1) (per lb) <sup>4</sup>               | \$1.18         | \$1.09         | \$1.77         |
| Total costs (C3) (per lb) <sup>4</sup>              | \$1.94         | \$1.82         | \$2.75         |
| All-in sustaining cost (AISC) (per lb) <sup>4</sup> | \$1.59         | \$1.57         | \$2.91         |
| Sales revenues                                      | 373            | 393            | 314            |
| Gross profit before royalties                       | 49             | 100            | 33             |
| Gross profit (loss)                                 | 18             | 62             | (34)           |
| Comparative EBITDA <sup>4</sup>                     | 109            | 107            | 8              |

<sup>1</sup> Production presented on a copper concentrate basis, i.e. mine production only. Production does not include output from the smelter.

<sup>2</sup> 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").

<sup>3</sup> Sales include third-party sales of concentrate, cathode and anode attributable to Kansanshi (excluding copper cathode and anode sales attributable to Sentinel).

<sup>4</sup> 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 in Q1 2016 was 8% higher than Q1 2015 reflecting an 8% increase in milling volumes and higher plant recoveries on the oxide and mixed ore circuits. Production for Q1 2016 reflects sulphide ore processed through the 12 mtpa milling circuit and acid soluble tails from the mixed ore circuit processed through the leaching circuit. Total plant recovery increased from 77% for Q1 2015 to 89% for Q1 2016. The increase in overall plant recovery is mainly attributable to the higher volumes of sulphide ore processed at higher recovery rates and acid soluble tails processed through the leaching circuit.

Gold production was 10% higher compared to Q1 2015 as a result of higher head grade.

C1 cash cost decreased by \$0.59 per lb compared to Q1 2015 primarily due to reduced processing costs reflecting the impact of acid consumed from the smelter, lower fuel costs, lower treatment charges associated with external smelters, reduced freight charges and additional cost savings achieved through the review of service contracts, plant efficiencies and labour productivity. Cash cost includes electricity accrued at the new power tariff rate of 10.35 cents per kWh announced in 2015 effective for January 1, 2016.

Total C3 cash cost including royalties and depreciation was \$0.81 per lb lower compared to Q1 2015, primarily due to the decrease in C1 cash cost and lower royalty costs and depreciation. Royalty charges were lower than Q1 2015 due to the changes in the mineral royalty regime in Zambia effective July 1, 2015, decreasing from 20% for Q1 2015 to 9% for Q1 2016.

Sales revenues increased by 19% compared to Q1 2015 reflecting higher copper and gold sales volumes, partially offset by lower realized metals prices. Gross profit of \$18 million reflects a \$52 million change from the \$34 million loss recorded in Q1 2015.

#### *Kansanshi Copper Smelter*

In Q1 2016, the smelter treated 244,144 tonnes of concentrate, representing an increase of 7% from Q4 2015 and produced 52,506 tonnes of copper anode and 239,000 tonnes of sulphuric acid. The overall copper recovery rate achieved for Q1 2016 was 98%.

#### Outlook

Production in 2016 is expected to be approximately 235,000 tonnes of copper, and approximately 150,000 ounces of gold. In terms of quarterly phasing of annual production, it is expected that Kansanshi's production will be at its lowest in the first quarter.

ZESCO increased the power tariff 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.

| <b>Las Cruces Operation</b>                         | <b>Q1 2016</b> | <b>Q4 2015</b> | <b>Q1 2015</b> |
|-----------------------------------------------------|----------------|----------------|----------------|
| Ore tonnes processed (000's)                        | 378            | 380            | 362            |
| Copper ore grade processed (%)                      | 5.2            | 5.3            | 5.1            |
| Copper recovery (%)                                 | 92             | 93             | 91             |
| Copper cathode production (tonnes)                  | 18,045         | 18,608         | 16,694         |
| Copper cathode sales (tonnes)                       | 18,972         | 16,884         | 19,598         |
| Cash cost (C1)(per lb) <sup>1</sup>                 | \$0.84         | \$1.03         | \$0.97         |
| Total cost (C3)(per lb) <sup>1</sup>                | \$1.82         | \$1.90         | \$1.90         |
| All-in sustaining cost (AISC) (per lb) <sup>1</sup> | \$0.96         | \$1.36         | \$1.16         |
| Sales revenues                                      | 89             | 83             | 116            |
| Gross profit                                        | 12             | 10             | 35             |
| Comparative EBITDA <sup>1</sup>                     | 53             | 51             | 72             |

<sup>1</sup> C1 cash cost, C3 total cost, AISC and comparative EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information.

Copper production increased by 8% compared to Q1 2015 as a result of a 4% increase in throughput and a slight increase in overall copper recovery. Higher plant availability and improved dewatering pressure filter performance with the commissioning of the pulp cooling towers in Q1 2016 contributed to the higher throughput and recovery.

C1 cash cost in Q1 2016 was \$0.13 per lb lower than in Q1 2015, due to higher copper production and lower mining and processing costs. Lower costs of electricity were achieved by directly purchasing from the market and cost reduction initiatives resulted in lower mining cost due to favorable escalation and change in preventive maintenance in new press filters.

Sales revenues in Q1 2016 decreased by \$27 million or 23% compared to Q1 2015 due to lower realized copper prices and lower copper cathode sales volumes due to timing of deliveries. Despite the improvements in operating costs, the fall in sale revenues in Q1 2016 lowered gross profit by \$23 million compared to Q1 2015.

### Outlook

The guidance on copper production for 2016 is approximately 70,000 tonnes.

The commissioning of the pulp cooling towers in Q1 2016 is expected to enhance the performance of the pressure filters and further increase copper recovery. Improvements to the overall plant water balance, primarily due to low grinding thickener underflow densities, are planned to be targeted in 2016 to improve throughput.

Cost optimization and capital expenditure deferral is expected to continue for the balance of 2016.

Obtaining the necessary permit approvals related to accessing additional surface waste dump space is expected to continue to be a focus in 2016 in order to ensure timely and efficient pit waste stripping of successive phases of the mine.

| <b>Guelb Moghrein Copper and Gold Operation</b>     | <b>Q1 2016</b> | <b>Q4 2015</b> | <b>Q1 2015</b> |
|-----------------------------------------------------|----------------|----------------|----------------|
| Sulphide ore tonnes milled (000's)                  | 1,014          | 1,021          | 1,001          |
| Sulphide ore grade processed (%)                    | 1.2            | 1.3            | 1.2            |
| Sulphide copper recovery (%)                        | 93             | 91             | 92             |
| Copper production (tonnes)                          | 11,062         | 11,845         | 10,642         |
| Copper sales (tonnes)                               | 9,622          | 11,228         | 9,010          |
| Gold production (ounces)                            | 17,240         | 17,145         | 14,468         |
| Gold sales (ounces)                                 | 15,573         | 16,667         | 12,860         |
| Cash costs (C1)(per lb) <sup>1</sup>                | \$0.68         | \$0.83         | \$1.11         |
| Total costs (C3)(per lb) <sup>1</sup>               | \$1.31         | \$1.49         | \$1.80         |
| All-in sustaining cost (AISC) (per lb) <sup>1</sup> | \$1.13         | \$1.28         | \$1.55         |
| Sales revenues                                      | 51             | 62             | 58             |
| Gross profit                                        | 15             | 17             | 7              |
| Comparative EBITDA <sup>1</sup>                     | 24             | 26             | 18             |

<sup>1</sup> C1 cash cost, C3 total cost, AISC and comparative EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information.

Copper production in Q1 2016 was 4% higher than Q1 2015 as a result of a 1% increase in throughput, higher feed grade, and an improved plant recovery of 93% compared to 92% in the comparative period. Gold production was 19% higher than Q1 2015, as a result of higher gold recovery due to the increased availability of gravity concentrators.

C1 cash costs in Q1 2016 of \$0.68 per lb decreased by 39% compared to Q1 2015, mainly as a result of higher gold credit, lower processing costs and improved copper production. The lower cash cost was driven by lower fuel cost, optimization of the supply chain, resulting in a reduction in buying prices, and a favourable exchange rate of the US dollar versus local currency.

Sales revenues for Q1 2016 were lower than Q1 2015 by 12% due to lower realized metal prices partially offset by higher sales volumes for both copper and gold. Gross profit in Q1 2016 improved considerably, benefiting from lower costs.

### Outlook

Copper production in 2016 is expected to be approximately 40,000 tonnes. Gold in copper concentrate production is expected to be approximately 50,000 ounces.

In 2016, cost reduction initiatives are planned to continue by sourcing of generic consumables and spares. Optimization of operations is ongoing with a focus on increasing availability of equipment and retiring aged, inefficient equipment. Guelb Moghrein's fuel supply contract with a third-party will expire in April 2016 and thereafter move to a self-perform arrangement which is expected to significantly reduce fuel costs.

Reagent tests aimed at increasing the concentrate grade were completed during Q1 2016 with plant trials planned to follow. An additional Knelson concentrator to increase the gold recovery by 2% to 3% has been approved with commissioning expected in Q2 2016.

| <b>Ravensthorpe Nickel Operation</b>                | <b>Q1 2016</b> | <b>Q4 2015</b> | <b>Q1 2015</b> |
|-----------------------------------------------------|----------------|----------------|----------------|
| Beneficiated ore tonnes processed (000's)           | 709            | 750            | 369            |
| Beneficiated ore grade processed (%)                | 1.3            | 1.4            | 1.4            |
| Nickel recovery (%)                                 | 84             | 84             | 92             |
| Nickel production (contained tonnes)                | 7,106          | 7,653          | 4,238          |
| Nickel sales (contained tonnes)                     | 8,940          | 8,583          | 3,732          |
| Nickel production (payable tonnes)                  | 5,295          | 5,887          | 3,274          |
| Nickel sales (payable tonnes)                       | 6,813          | 6,716          | 2,962          |
| Cash costs (C1) (per lb) <sup>1</sup>               | \$4.48         | \$4.49         | \$4.66         |
| Total costs (C3) (per lb) <sup>1</sup>              | \$6.00         | \$5.82         | \$6.28         |
| All-in sustaining cost (AISC) (per lb) <sup>1</sup> | \$4.93         | \$4.94         | \$5.56         |
| Sales revenues                                      | 60             | 65             | 43             |
| Gross loss                                          | (26)           | (24)           | -              |
| Comparative EBITDA <sup>1</sup>                     | (11)           | (8)            | 1              |

<sup>1</sup> C1 cash cost, C3 total cost, AISC and comparative EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information.

Production in Q1 2016 was 68% higher than Q1 2015. Production for Q1 2015 was impacted by the atmospheric leach tank failure in December 2014. Production recommenced in February 2015 at reduced capacity using only the autoclaves while refurbishment of the atmospheric leach circuit continued in the first half of 2015. Production for Q1 2016 was primarily processed through the two high pressure acid leaching circuits, including optimizing the limonite and saprolite ore blending. The atmospheric leach circuit, which was re-commissioned in July 2015, was used at approximately 50% capacity.

C1 cost for Q1 2016 of \$4.48 per lb was \$0.18 per lb lower than Q1 2015 mainly reflecting higher nickel production in Q1 2016 partially offset by the sole use of the more efficient autoclaves in Q1 2015. This is reflected by the higher nickel recovery of 92% in Q1 2015 compared to 84% in Q1 2016 with the less efficient atmospheric leach circuit also operating at reduced rates during Q1 2016.

Sales revenues for Q1 2016 increased by 40% compared to Q1 2015, reflecting higher sales volumes offset by lower realized nickel prices. Ravensthorpe incurred a gross loss of \$26 million in Q1 2016 driven primarily by the lower realized nickel prices. Despite production and sales being higher in Q1 2016 than Q1 2015, the significant reduction in the nickel price has severely impacted revenue and gross profit in Q1 2016. The average LME nickel price has fallen 41% from an average of \$6.51 per lb in Q1 2015 to \$3.85 per lb in Q1 2016.

### Outlook

Given the low nickel prices currently being achieved, strategic initiatives have been implemented in order to reduce and defer significant cash outflows expected for the remainder of the year. The mining operation's move into the Hale Bopp resource has been deferred until Q3 2016. The atmospheric leach circuit is planned to continue to operate at 50% of production capacity with the refurbishment of the remaining out-of-service atmospheric leach tanks deferred until 2017. With the significant maintenance costs involved in cleaning the high pressure acid leaching trains, the shutdown time of both circuits has been extended. Until Q4 2016, only one high pressure acid leaching train is planned to operate while the other train undergoes shutdown maintenance. Both trains are expected to be back operating at full capacity in Q4 2016.

As such production forecast for 2016 has been reduced to approximately 23,000 tonnes of nickel.

The cost of operations is highly sensitive to the price of sulphur, which fluctuates with market factors. The sulphur price has softened in Q1 2016, however whilst the nickel price remains low, minimizing cash outflow remains the critical focus for the operation and as such, capital projects have been put on hold and further cost saving initiatives continue to be explored.

Cost saving opportunities continue to be implemented site-wide and are expected to remain a critical focus for the operation in 2016.

| <b>Çayeli Copper and Zinc Operation</b>             | <b>Q1 2016</b> | <b>Q4 2015</b> | <b>Q1 2015</b> |
|-----------------------------------------------------|----------------|----------------|----------------|
| Ore tonnes milled (000's)                           | 326            | 270            | 332            |
| Copper ore grade processed (%)                      | 2.5            | 2.6            | 2.6            |
| Copper recovery (%)                                 | 86             | 81             | 81             |
| Zinc ore grade processed (%)                        | 1.7            | 2.8            | 3.3            |
| Zinc recovery (%)                                   | 39             | 51             | 55             |
| Copper production (tonnes)                          | 6,878          | 5,606          | 7,136          |
| Copper sales (tonnes)                               | 7,295          | 4,262          | 5,720          |
| Zinc production (tonnes)                            | 2,170          | 3,778          | 5,954          |
| Zinc sales (tonnes)                                 | 2,062          | 4,847          | 5,166          |
| Cash cost (C1) (per lb) <sup>1</sup>                | \$1.18         | \$1.41         | \$1.02         |
| Total cost (C3) (per lb) <sup>1</sup>               | \$1.83         | \$1.79         | \$2.04         |
| All-in sustaining cost (AISC) (per lb) <sup>1</sup> | \$1.36         | \$1.65         | \$1.53         |
| Sales revenues                                      | 29             | 21             | 32             |
| Gross profit                                        | 3              | -              | 3              |
| Comparative EBITDA <sup>1</sup>                     | 12             | 2              | 12             |

<sup>1</sup> C1 cash cost, C3 total cost, AISC and comparative EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information.

Copper production in Q1 2016 was 4% lower than in Q1 2015 due to a 2% drop in throughput and a 4% decrease in copper grade. A 6% increase in the copper recovery helped mitigate the decreased throughput and grade. Zinc production in Q1 2016 was 64% lower than in Q1 2015, reflecting a 48% decrease in the zinc grade and 29% decrease in the zinc recovery. The lower zinc production was a result of the processing of more zinc-poor stockwork zone ore. In many cases, the zinc circuit was bypassed, contributing to the decline in zinc recovery. Difficult ground conditions in several high grade work areas also impacted mine throughput and grades.

Cash costs in Q1 2016 increased by \$0.16 per lb compared to Q1 2015, primarily due to a decrease in by-product credits, partly offset by lower site operating costs as a result of cost cutting projects in operations.

Sales revenues were 9% lower than Q1 2015 due to lower zinc sales volumes and realized copper and zinc prices, partially offset by an increase in copper sales volumes. Gross profit in Q1 2016 was consistent with Q1 2015.

### Outlook

Production in 2016 is expected to be approximately 22,000 tonnes of copper and approximately 6,000 tonnes of zinc.

Throughput is expected to decline slightly in 2016, in line with a declining number of work areas and an increased amount of waste rock to be mined to access these areas as the mine reserves are depleted, which is typical of a mature operation. Copper and zinc grades are forecast to remain consistent with Q1 2016 for the balance of 2016.

A reconfigured hoisting facility on the intermediate level of the mine is expected to be commissioned in Q2 2016 and to improve productivity from the upper levels of the mine, where the majority of the future ore reserves are located. Management of the impact of surface ground movement on the functionality of the mine's hoisting facilities remains critical to maintaining the mine's production levels.

| <b>Pyhäsalmi Copper and Zinc Operation</b>          | <b>Q1 2016</b> | <b>Q4 2015</b> | <b>Q1 2015</b> |
|-----------------------------------------------------|----------------|----------------|----------------|
| Ore tonnes milled (000's)                           | 343            | 345            | 341            |
| Copper ore grade processed (%)                      | 1.3            | 0.9            | 0.9            |
| Copper recovery (%)                                 | 98             | 97             | 97             |
| Zinc ore grade processed (%)                        | 1.3            | 1.9            | 2.2            |
| Zinc recovery (%)                                   | 88             | 90             | 92             |
| Copper production (tonnes)                          | 4,325          | 3,035          | 2,889          |
| Copper sales (tonnes)                               | 4,361          | 2,892          | 3,250          |
| Zinc production (tonnes)                            | 4,053          | 5,827          | 7,021          |
| Zinc sales (tonnes)                                 | 3,935          | 6,188          | 7,888          |
| Pyrite production (tonnes)                          | 177,149        | 216,031        | 198,855        |
| Pyrite sales (tonnes)                               | 210,183        | 218,233        | 229,353        |
| Cash cost (C1) (per lb) <sup>1</sup>                | \$0.14         | \$0.42         | (\$0.52)       |
| Total cost (C3) (per lb) <sup>1</sup>               | \$2.04         | \$2.53         | \$1.64         |
| All-in sustaining cost (AISC) (per lb) <sup>1</sup> | \$0.22         | \$0.75         | \$0.06         |
| Sales revenues                                      | 32             | 24             | 39             |
| Gross profit (loss)                                 | 1              | (3)            | 12             |
| Comparative EBITDA <sup>1</sup>                     | 19             | 11             | 25             |

<sup>1</sup> C1 cash cost, C3 total cost, AISC and comparative EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information.

Copper production for Q1 2016 increased by 50% compared to Q1 2015 due to higher copper grades. Zinc production was 42% lower than Q1 2015 driven by lower zinc grades and recoveries. The fluctuation in copper and zinc grades reflects the constraint on available work areas at the mine.

C1 cash cost in Q1 2016 was \$0.66 per lb higher compared to Q1 2015 primarily due to lower by-product credits reflecting lower pyrite and zinc sales volumes, partially offset by the impact of higher copper production.

Sales revenues in Q1 2016 decreased by 18% compared to Q1 2015, reflecting lower realized copper and zinc prices and zinc sales volumes partially offset by higher copper sales volumes. Gross profit was lower in Q1 2016 compared to Q1 2015, reflecting the decline in sales revenues and higher depreciation, partially offset by lower operating costs.

### Outlook

Production in 2016 is expected to be approximately 12,000 tonnes of copper and 20,000 tonnes of zinc. Pyrite production is expected to be approximately 800,000 tonnes.

Mining conditions are expected to remain challenging in the final few years of the mine life as remnant boundary and sill pillar stopes form a larger part of the throughput. A continuing emphasis on maintaining a low underground void ratio and sustaining higher volumes of tailings backfill will be paramount. A focus on dilution reduction and control remains a priority.

| <b>Kevitsa Nickel-Copper-PGE<sup>1</sup> Discontinued Operation</b> | <b>Q1 2016</b> | <b>Q4 2015</b> | <b>Q1 2015</b> |
|---------------------------------------------------------------------|----------------|----------------|----------------|
| Ore tonnes milled (000's)                                           | 1,640          | 1,791          | 1,504          |
| Nickel ore grade processed (%)                                      | 0.2            | 0.2            | 0.2            |
| Nickel recovery (%)                                                 | 65             | 69             | 64             |
| Nickel production (tonnes)                                          | 1,725          | 2,538          | 2,030          |
| Nickel sales (tonnes)                                               | 1,509          | 2,611          | 1,974          |
| Copper ore grade processed (%)                                      | 0.2            | 0.3            | 0.3            |
| Copper recovery (%)                                                 | 88             | 89             | 89             |
| Copper production (tonnes)                                          | 3,398          | 4,307          | 4,408          |
| Copper sales (tonnes)                                               | 3,128          | 5,020          | 4,103          |
| Gold production (ounces)                                            | 2,525          | 3,631          | 3,002          |
| Platinum production (ounces)                                        | 6,094          | 10,185         | 6,468          |
| Palladium production (ounces)                                       | 4,899          | 8,062          | 4,977          |
| Nickel cash costs (C1) (per lb) <sup>2</sup>                        | \$5.27         | \$3.78         | \$3.87         |
| Nickel total costs (C3) (per lb) <sup>2</sup>                       | \$6.33         | \$5.03         | \$5.49         |
| Copper cash costs (C1) (per lb) <sup>2</sup>                        | \$2.04         | \$1.46         | \$1.32         |
| Copper total costs (C3) (per lb) <sup>2</sup>                       | \$2.64         | \$1.67         | \$2.04         |
| Sales revenues                                                      | 25             | 46             | 48             |
| Gross profit (loss)                                                 | (14)           | -              | 3              |
| Net earnings (loss) for the period - discontinued operations        | (266)          | 3              | (4)            |
| Comparative EBITDA <sup>2</sup>                                     | (8)            | 5              | 11             |

<sup>1</sup> Platinum-group elements ("PGE")

<sup>2</sup> C1 cash cost, C3 total cost and comparative EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information.

As noted above, 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.

Nickel production decreased by 15% in Q1 2016 compared to Q1 2015, primarily due to lower feed grades, offset by higher throughput. Despite the lower feed grades in Q1 2016, nickel recovery maintained owing to improved metallurgical efficiencies. Copper production was similarly affected resulting in a 23% decrease compared to Q1 2015. The reduction in feed grade is characteristic of the transition between pit stages one and two which progressed through the period. Additionally, planning for the quarter was focussed on the progression of the stripping program to provide access to higher ore volumes and grades for subsequent quarters.

Nickel C1 cash cost increased by \$1.40 per lb compared to Q1 2015, primarily due to significantly lower nickel production and sales volumes driven by the transition between pit stages. The increase in nickel C1 cash cost was partially offset by lower freight charges and a reduction in processing costs.

Copper C1 cash cost increased by \$0.72 per lb compared to Q1 2015, primarily due to significantly lower copper production and sales volumes driven by the transition between pit stages. The increase in Copper C1 cash cost was partially offset by lower processing costs and higher by-product credits.

Sales revenues decreased by \$23 million compared to Q1 2015, mainly reflecting lower realized metal prices and sales volumes across all metals. Gross loss of \$14 million in Q1 2016 was \$17 million lower than gross profit achieved in Q1 2015, driven principally by the decrease in sales revenues and partially offset by lower underlying operating costs.

## Outlook

Progress made with pit development in Q1 2016 provides flexibility in terms of access to material type and mineable grade, and in turn facilitates improved metallurgical performance and metal outputs from Q2 2016 onwards.

The mine-to-mill program will continue, with a particular focus on optimizing blast fragmentation of harder ore zones. This is to be supplemented by other planned modifications to the comminution circuit, aiming to increase utilization of crushing power for improved milling efficiency. As well, focus will be put on maximizing mill power utilization through development and optimization of higher level automation.

Focus will remain on increasing the recovery of nickel currently lost in the fines fraction. The impact of trials initiated in Q1 2016 will be measured throughout the remainder of 2016. The outlook on feed grades throughout 2016 is to improve as Stage 2 development continues to deeper and higher grade ore.

Subject to completing the closing conditions, the sale of Kevitsa is expected to close on or before June 1, 2016.

## **DEVELOPMENT ACTIVITIES**

### **Sentinel Project, Zambia**

Production ramp-up continued in Q1 2016 with positive progress toward achieving steady state operation within the process circuit. Both Train 1 and Train 2 milling circuits are now in continuous operation with periods of above nameplate throughput being achieved separately, and in combined operation. Cumulative copper production for Q1 2016 was 20,902 tonnes, with full year 2016 production guidance ranging from 135,000 to 155,000 tonnes.

Ore reporting to the plant during 2015 and Q1 2016 includes softer and more transitional material which demonstrates higher throughputs but poorer flotation performance. Despite the challenging ore, recoveries have progressively improved in line with the stabilization of plant operations, optimization of reagents for transitional ore, and introduction of new flexibility in the process circuit flowsheet providing additional optionality for treatment of transitional ores. These enhancements and improvements in operational control facilitated improved flotation performance with copper recoveries of up to 70% and 80%, which were in line with laboratory test work for the ore being treated. This is expected to progressively improve toward design recoveries throughout 2016 as the mine works through the remaining transitional ore zones and begins to access higher proportions of fresh primary sulphide ore from Q2 2016 onwards. Flotation test work has confirmed anticipated recoveries of above 90% from the primary sulphide ore.

Construction of the power lines project was completed on September 22, 2015. The power line between Lusaka West and Sentinel substations was partially energized by ZESCO on November 26, 2015. The energized section is between Lusaka West and Mumbwa substation. The 400 kilometers section of the power line between Mumbwa and Sentinel has not yet been energized and ZESCO have advised that full energization will be delayed to Q2 2016 when equipment installation at Mumbwa substation is completed, as a result of unexpected voltage concerns relating to the lower than normal hydro-electric generation in the country. ZESCO has progressively increased power supply to Sentinel on the single active 330kV power line, with increments from 90MW to 112MW on November 24, 2015, and to 120MW on January 9, 2016. Once the second power line is energized, Sentinel is expected to receive its full power requirement of 160MW. In Q2 2016, Sentinel is expected to be able to run at or near design throughput capacity with the current 120MW allocation, as a result of lower power requirements for the early transitional ore.

Kansanshi and Sentinel have 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 10.35 cent per kWh effective January 1, 2016. These increases are being disputed and discussions with ZESCO and the Government of Zambia are ongoing.

The Enterprise nickel mine is located approximately 12 kilometers north-west of Sentinel. Commissioning is underway for the process plant sections of Enterprise that can be incorporated into the Sentinel copper processing plant, offering additional processing flexibility in the short term. This includes the Enterprise flotation, thickening and concentrate filtration circuits. Other areas of the Enterprise plant such as milling, crushing and conveying are well advanced and are being worked as a lower priority, although full completion of these other areas along with the pre-strip mining activities remains deferred.

### **Cobre Panama Project, Panama**

The development of Cobre Panama continued in Q1 2016. The power station and associated infrastructure continues to receive priority, with mechanical and piping disciplines ramping up in the period. Commercial power from the power station is planned during the second half of 2017, with Unit 1 commissioning scheduled ahead of Unit 2, which is planned to then initiate a revenue

stream from the project from the sale of power. Key management appointments for port and powerstation operations have been made, and are expected to be on site starting Q2 2016. The balance of the project is scheduled for a phased commissioning and ramp-up beginning in the first half of 2018, achieving commercial production throughput levels by the end of 2018.

Detailed engineering and design exceeds 80% completion. Engineering is now focused on completion of the process plant and secondary infrastructure.

Procurement activities are taking advantage of the current subdued market environment with shorter equipment deliveries and reduced pricing opportunities being realized for equipment and bulk commodities. The remaining key outstanding contract award for the power station cooling water intake structure is planned for Q2 2016.

Bulk earthworks at the process plant are on track for completion in Q2 2016. Mine pre-strip earthworks during Q1 2016 totalled 4.7 million bank cubic meters ("BCM"), including a record monthly volume of 1.64 million BCM in March 2016. The total pre-strip volume completed to end of Q1 2016 is 9.6 million BCM out of the estimated total of approximately 55 million BCM.

Total project earthworks carried out to date is 77 million m<sup>3</sup>. Total concrete placement was 157,700 m<sup>3</sup>, which represents approximately 65% of the project total. Structural steel erection is progressing well at both the port and plant site, with a total of 13,800 tonnes of structural steel erected, representing 30% of the project total. Two of the seven mill shells are installed, installation of the third mill is commencing, and mechanical works have commenced in the flotation area with overhead crane installation. During the quarter, construction also commenced in the main process plant switchyard.

Tailings management facility earthworks, including starter dams, quarry and waste dump reached 51% completion.

A revised precious metal stream agreement with Franco-Nevada was signed on November 2, 2015, and total payment of \$338 million has been received from Franco-Nevada up to the end of Q1 2016.

The Company's planned expenditure for 2016 is expected to be approximately \$650 million (First Quantum's share \$390 million). A detailed review of the Cobre Panama capital budget was performed early in the current quarter, which resulted in a revised capital cost estimate of \$5.48 billion down from the previous estimate of \$5.95 billion, leading to a total reduction of 15% from the original estimate of \$6.42 billion. 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 the end of Q1 2016 amounts to \$2.9 billion, including \$0.5 billion contributed by Korea Panama Mining Corporation ("KPMC"), which owns a 20% interest in the project. For the year to date the spending is \$154 million and is on track against the 2016 expenditure plan of \$650 million. The estimated costs for completion of \$2.6 billion are expected to be met by an additional contribution from KPMC of \$0.5 billion, \$0.6 billion payable by Franco-Nevada under the precious metal stream agreement and \$1.5 billion by the Company.

## 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 continues to focus on the community and environmental aspects of the Haquira project in Peru. The Environmental Impact Assessment studies and Environmental Monitoring progressed despite underlying unfavourable socio-political conditions related to a neighbouring mine and the electoral process in Peru.

At Taca Taca, the Environmental Impact Studies continued as planned with the completion of an Alternatives study (for siting of infrastructure) and collection of baseline data. Engineering studies for purposes of the EIA are being planned for implementation in Q2 or Q3 2016. Various commercial and logistical aspects of the Taca Taca project are being examined.

During Q1 2016, near-mine exploration activities were limited to Pyhäsalmi in Finland. At Kansanshi in Zambia, a new resource definition program designed to upgrade near mine oxide reserves is planned to commence in Q2 2016. 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 and are to be investigated with surface geochemistry and reconnaissance drilling during the coming dry season.

Early stage exploration activities have been scaled back considerably in 2016 to commensurate with the continuing tougher economic climate. Exploration budgets and personnel have been reduced to support the Company's management of cash outflows. Some geoscience staff from the exploration group are currently involved in a number of mine-geology related

initiatives designed to improve the Company's ore-control and recovery efficiency at operational and development sites. Elsewhere, the focus has moved onto identifying longer term counter-cyclical opportunities through generative studies and grassroots prospecting. Residual low-cost data collection and reconnaissance work continues in Peru, Chile and Zambia. The Company is currently funding a drill program on a copper target at Calingiri in Western Australia as part of a joint venture with Caravel Resources.

**SALES REVENUES**

|                                          |                           | <b>Q1 2016</b> | <b>Q4 2015</b> | <b>Q1 2015</b> |
|------------------------------------------|---------------------------|----------------|----------------|----------------|
| Kansanshi                                | - copper                  | 323            | 352            | 282            |
|                                          | - gold                    | 50             | 41             | 32             |
| Las Cruces                               | - copper                  | 89             | 83             | 116            |
| Guelb Moghrein                           | - copper                  | 35             | 45             | 44             |
|                                          | - gold                    | 16             | 17             | 14             |
| Ravensthorpe                             | - nickel                  | 57             | 61             | 41             |
|                                          | - cobalt                  | 3              | 4              | 2              |
| Çayeli                                   | - copper                  | 26             | 16             | 24             |
|                                          | - zinc, gold and silver   | 3              | 5              | 8              |
| Pyhäsalmi                                | - copper                  | 17             | 11             | 17             |
|                                          | - zinc                    | 4              | 5              | 11             |
|                                          | - pyrite, gold and silver | 11             | 8              | 11             |
| Corporate <sup>1</sup>                   |                           | 86             | 71             | -              |
| Sales revenues – continuing operations   |                           | 720            | 719            | 602            |
| Kevitsa                                  | - nickel                  | 7              | 15             | 20             |
|                                          | - copper                  | 11             | 18             | 19             |
|                                          | - gold, PGE and cobalt    | 7              | 13             | 9              |
| Sales revenues – discontinued operations |                           | 25             | 46             | 48             |

<sup>1</sup> Corporate sales relate to sales hedges

Q1 2016 sales revenues from continuing operations were 20% higher than Q1 2015 due to a 44% increase in copper sales volumes, principally driven by Kansanshi, and a 140% increase in nickel sales volumes. This is offset by the impact of a 20% and 41% drop in the average LME copper and nickel prices, respectively.

The Company's revenues are recognized at provisional prices when title passes to the customer. Subsequent adjustments for final pricing are materially offset by derivative adjustments and shown on a net basis in cost of sales (see "*Hedging Program*" for further discussion).

| <b>Copper selling price (per lb) - continuing operations</b> | <b>Q1 2016</b> | <b>Q4 2015</b> | <b>Q1 2015</b> |
|--------------------------------------------------------------|----------------|----------------|----------------|
| Average LME cash price                                       | 2.11           | 2.22           | 2.64           |
| Realized copper price                                        | 2.38           | 2.40           | 2.58           |
| Treatment/refining charges ("TC/RC") and freight charges     | (0.12)         | (0.12)         | (0.29)         |
| Net realized copper price                                    | 2.26           | 2.28           | 2.29           |

In September 2015, the Company established a sales hedging program at an average price of \$2.41. These hedges positively impacted sales revenues between November 2015 and March 2016. The impact on the average realized price for the three months ended March 31, 2016 was \$0.28 per pound (three months ended December 2015: \$0.20 per pound).

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

| <b>Nickel selling price (per lb) – continuing operations</b> | <b>Q1 2016</b> | <b>Q4 2015</b> | <b>Q1 2015</b> |
|--------------------------------------------------------------|----------------|----------------|----------------|
| Average LME cash price                                       | 3.85           | 4.28           | 6.51           |
| Realized nickel price per payable lb                         | 3.88           | 4.29           | 6.53           |
| TC/RC and freight charges                                    | (0.09)         | (0.15)         | (0.18)         |
| Net realized nickel price per payable pound                  | 3.79           | 4.14           | 6.35           |

**SUMMARY FINANCIAL RESULTS**

|                                                                                | Q1 2016 | Q4 2015 | Q1 2015  |
|--------------------------------------------------------------------------------|---------|---------|----------|
| Gross profit (loss)                                                            |         |         |          |
| Kansanshi                                                                      | 18      | 62      | (34)     |
| Las Cruces                                                                     | 12      | 10      | 35       |
| Guelb Moghrein                                                                 | 15      | 17      | 7        |
| Ravensthorpe                                                                   | (26)    | (24)    | -        |
| Çayeli                                                                         | 3       | -       | 3        |
| Pyhäsalmi                                                                      | 1       | (3)     | 12       |
| Corporate <sup>1</sup>                                                         | 82      | 48      | -        |
| Total gross profit – continuing operations                                     | 105     | 110     | 23       |
| Exploration                                                                    | (3)     | (5)     | (8)      |
| General and administrative                                                     | (17)    | (17)    | (24)     |
| Impairment and related charges                                                 | -       | (1)     | (72)     |
| Other expense                                                                  | (15)    | -       | (22)     |
| Net finance income (expense)                                                   | (2)     | (7)     | 2        |
| Income tax credit (expense)                                                    | (20)    | 31      | 11       |
| Net earnings (loss) for the period – continuing operations                     | 48      | 111     | (90)     |
| Net earnings (loss) for the period – discontinued operations                   | (266)   | 3       | (4)      |
| Net earnings (loss) for the period – including discontinued operations         | (218)   | 114     | (94)     |
| Net earnings (loss) for the period from continuing operations attributable to: |         |         |          |
| Non-controlling interests                                                      | (1)     | -       | (12)     |
| Shareholders of the Company                                                    | 49      | 111     | (78)     |
| Comparative earnings (loss)                                                    | 63      | 182     | (12)     |
| Earnings (loss) per share – continuing operations                              |         |         |          |
| Basic                                                                          | \$0.07  | \$0.16  | (\$0.13) |
| Diluted                                                                        | \$0.07  | \$0.16  | (\$0.13) |
| Comparative                                                                    | \$0.09  | \$0.27  | (\$0.02) |
| Basic weighted average number of shares (in 000's)                             | 685,795 | 684,652 | 595,986  |

<sup>1</sup> Corporate gross profit relates primarily to sales hedge revenue

Gross profit was 357% higher in Q1 2016 compared to Q1 2015. This is principally due to higher copper and nickel sales revenues driven by increased sales volumes, offset by lower realized average copper and nickel prices, as well as cost-saving initiatives across the organization. Gross profit for the corporate segment is driven by copper sales hedge contracts realized during the period.

Also impacting gross profit in the current quarter compared to the corresponding prior year quarter is the lower Zambian mineral royalty rate. In Q1 2015 a mineral royalty rate of 20% was paid on Kansanshi copper sales, compared with 9% in the current quarter. Depreciation costs were \$58 million higher in Q1 2016 in comparison with Q1 2015 partly as the Kansanshi smelter commenced commercial production from July 1, 2015, and depreciation of the associated assets is now charged to costs of sales. More than offsetting the increase in depreciation are the substantial cost savings realized in the current quarter compared with Q1 2015.

Due principally to the current economic climate, exploration expenditure is 63% lower in Q1 2016 compared with Q1 2015. Other expense in Q1 2016 relates to foreign exchange losses which are driven by the revaluation of non-U.S. dollar denominated

assets and liabilities. Included in Q1 2015 other expense were costs relating to the recommencement of operations at Ravensthorpe and restructuring costs which are non-recurring.

The tax charge recognized in the quarter relates to trading results.

## LIQUIDITY AND CAPITAL RESOURCES

|                                                                        | Q1 2016 | Q4 2015 | Q1 2015 |
|------------------------------------------------------------------------|---------|---------|---------|
| Cash flows from continuing operating activities                        | 254     | 743     | 134     |
| Cash flows from (used in) investing activities                         |         |         |         |
| Payments and deposits for property, plant and equipment                | (259)   | (385)   | (380)   |
| Capitalized borrowing costs paid in cash                               | (113)   | (51)    | (100)   |
| Repayment and interest from ERG on promissory note                     | 32      | 23      | -       |
| Other investing activities                                             | 3       | 2       | (8)     |
| Cash flows from financing activities                                   |         |         |         |
| Net movement in debt and trading facilities                            | (7)     | (274)   | 281     |
| Other financing activities                                             | 36      | 16      | 20      |
| Exchange gains (losses) on cash and cash equivalents                   | (14)    | 11      | (2)     |
| Net cash flows – continuing operations                                 | (68)    | 85      | (55)    |
| Net cash flows – discontinued operations                               | (22)    | 4       | -       |
| Cash balance                                                           | 269     | 365     | 302     |
| Cash included within assets held for sale                              | 6       | -       | -       |
| Total assets                                                           | 18,361  | 18,618  | 18,029  |
| Total current liabilities                                              | 1,042   | 1,094   | 759     |
| Total long-term liabilities                                            | 6,955   | 6,891   | 7,294   |
| Cash flows from continuing operating activities per share <sup>1</sup> | \$0.37  | \$1.09  | \$0.22  |

<sup>1</sup> Cash flows per share is not recognized under IFRS. See “Regulatory Disclosures” for further information.

Operating cash flows in Q1 2016 are higher than Q1 2015 due to higher net earnings from continuing operations. The carrying value of inventory decreased during Q1 2016, partly due to the selling down of anode inventory at Kansanshi; this balance will continue be reduced in Q2 2016 as it is sold. Other operating cash flows during Q1 2016 include \$17 million in taxes paid during the quarter.

The total VAT amount accrued by the Company’s Zambian operations at March 31, 2016, is \$236 million, of which \$220 million relates to Kansanshi. In February 2015, the Government of Zambia implemented a change in the Statutory Instrument regarding VAT. VAT refund claims submitted by Kansanshi subsequent to the Statutory Instrument change have begun to be recovered. During the period March 2015 to March 2016, Kansanshi made VAT claims and accruals of \$102 million of which \$29 million has been received and \$73 million remains outstanding at March 31, 2016. VAT claims totaling \$147 million made by Kansanshi prior to February 2015 remain outstanding. 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 is in regular discussions with the relevant government authorities in efforts to resolve the industry and country-wide dispute that has arisen and expects to come to a resolution in the near future. The Company continues to consider the outstanding VAT refunds to be fully recoverable. It is the Company’s view that as the timing of the receipt of the VAT refund remains uncertain, the Kansanshi VAT receivable of \$147 million has been classified on the balance sheet as non-current at March 31, 2016.

On February 18, 2016, the Zambian Government announced that the Cabinet had approved changes to the mining tax regime, including: retaining corporation tax on profits from mining at 30%; repealing the variable profits tax which was applicable to profits from mining at up to 15%; suspension of the 10% export duty on ores and concentrates applicable to nickel for which there are no processing facilities in Zambia; reduction in the mining royalty rates for open pit mining from 9% to a sliding scale of 4% to 6% depending on LME monthly average price. On April 13, 2016, the Zambian Government introduced a Bill into Parliament detailing the above changes. The Bill indicates that the proposed changes will take effect on April 1, 2016.

Included within other assets on the balance sheet is \$40 million relating to amounts paid by Kansanshi to ZESCO for electricity above contracted rates per the prevailing power supply agreement. 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 kWh for its mining customers. In May 2014 ZESCO subsequently invoiced Kansanshi for power at 6.84 cents kWh in breach of the terms of Kansanshi’s Power Supply Agreement with ZESCO. In June 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 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 developments, including the further announced changes to the tariffs applicable to mining companies and the discussions underway in Zambia between the mining companies and ZESCO. ZESCO also withdrew its related claims in the arbitration. Until resolved, the Company will pay a minimum tariff of 6.84 cents kWh for power at Kansanshi. 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, and affordability and stability remain central themes of these discussions. Management considers the asset to be recoverable.

Capital expenditure, excluding capitalized interest, on the Company’s key development projects totalled \$259 million for the three months ended March 31, 2016 (compared to \$398 million for the same period in 2015) and comprised primarily:

- \$154 million at Cobre Panama for project development
- \$71 million at Sentinel for project development and commissioning tasks

At March 31, 2016, the Company held a current receivable balance of \$32 million in respect of the amended ENRC Promissory Note, due from ERG. Three remaining monthly payments of \$10.625 million are to be received from ERG in the second quarter of 2016, the first has been received at the date of this document. Annual interest of 10% is payable on the outstanding balance until paid. All existing security remains in place until the final payment due in June 2016 has been received.

Cash flows from continuing financing activities of \$29 million includes \$38 million contributions to Cobre Panama from KPMC during the quarter, partially offset by \$5 million repayment on the equipment financing and net payments on trading 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**

The Company’s liquidity position at March 31, 2016, remained positive. At March 31, 2016, the Company had \$1,800 million of committed undrawn facilities, \$269 million in unrestricted cash, working capital of \$581 million, as well as future cash flows which support the Company’s ability to meet current obligations as they become due, and the Company was in full compliance with all covenants.

During Q1 2016, the Company initiated the process to put in place project financing for the Cobre Panama project following the finalization of the related precious metals stream agreement. Total project financing of up to \$2.5 billion is targeted to be completed by the end of the 2016 calendar year. Positive discussions continue with the Company’s wider banking group in relation to existing facilities.

At March 31, 2016, the Company had total commitments of \$745 million, of which approximately \$311 million relates to the twelve months following the period 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 approved debt facilities.

As at March 31, 2016, the Company had the following contractual obligations outstanding:

|                            | Carrying Value | Contractual Cashflows | < 1 year | 1 – 3 years | 3 – 5 years | Thereafter |
|----------------------------|----------------|-----------------------|----------|-------------|-------------|------------|
| Debt                       | 4,958          | 6,443                 | 661      | 1,655       | 3,197       | 930        |
| Trading facilities         | 106            | 106                   | 106      | -           | -           | -          |
| Trade and other payables   | 502            | 502                   | 502      | -           | -           | -          |
| Liability to related party | 437            | 645                   | -        | 104         | 69          | 472        |
| Current taxes payable      | 103            | 103                   | 103      | -           | -           | -          |
| Deferred payments          | 34             | 34                    | 3        | 3           | 3           | 25         |
| Finance leases             | 27             | 36                    | 5        | 9           | 7           | 15         |
| Commitments                | -              | 745                   | 311      | 421         | 5           | 8          |
| Restoration provisions     | 553            | 929                   | 6        | 17          | 23          | 883        |
| Total                      | 6,720          | 9,543                 | 1,697    | 2,209       | 3,304       | 2,333      |

The Company continues to be impacted by market volatility and falls in commodity prices, along with power restrictions in Zambia. As previously announced, the Company has taken a number of actions to reduce cash outflows, and manage its debt and working capital. These actions are as follows, including related impacts as at March 31, 2016:

- Agreed the sale of the Kevitsa mine to Boliden for \$712 million, expected to close on or before June 1, 2016;
- A detailed review of the Cobre Panama capital budget, which resulted in a revised capital cost estimate of \$5.48 billion, 15% below the original estimate of \$6.42 billion.
- Reductions or re-phasing of other capital programs by approximately \$800 million. These savings primarily related to the Kanshanshi S2.5 deferral and associated deferral of capitalized stripping, deferral of other smaller projects and overall reduction of sustaining capital across all the other sites;
- Work force and salary reductions, which, when combined with a detailed review of all operating costs, have led to cost savings of approximately \$116 million (excluding foreign exchange) in Q1 2016, and are expected to continue to benefit results in 2016 as further cost savings initiatives are realized;
- Hedging of copper sales at an average price of \$2.41 per pound during Q4 2015 and Q1 2016, with hedge contracts for 171,250 tonnes at average price of \$2.24 per pound outstanding at the end of Q1 2016; and
- Plans to realize up to \$150 million through the reduction of working capital.

The annual financial statements for the year ended December 31, 2015 were prepared on a going concern basis, but the Company indicated a material uncertainty that cast a significant doubt about 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 debt Financing Agreements. However the uncertainty has since reduced following actions taken by management during Q1 2016, including the agreed sale of Kevitsa as well as embedded additional cost savings and sales hedges. The Company's current forecasts for 2016 do not indicate a potential breach of financial covenants over the next 12 months. The definitions of both Net Debt and EBITDA used in computing the ratio under the covenant are defined in the Financing Agreements and are not the same as those used by management for the purposes of this document in discussing the Company's results.

There are risks outside management control such as commodity prices and so uncertainty does remain and this is reported in the financial statements for Q1 2016. However there are various options available to management to further mitigate this risk, including additional reductions to uncommitted capital expenditure, renegotiation of financial covenants with the Company's principal bankers and further asset sales. These options are necessarily based on the agreement of other parties and, although believed to be reasonable, are nevertheless outside the Company's direct control.

**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.

|                      | <b>March 31,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|----------------------|---------------------------|------------------------------|
| Commodity contracts: |                           |                              |
| Asset position       | 26                        | 81                           |
| Liability position   | (4)                       | (4)                          |

***Hedging of future copper and nickel sales***

The Company has entered into derivative contracts to ensure that the its exposure to the price of copper and nickel on future sales is managed so as to limit the impact of price volatility on the Company's results. As at March 31, 2016, the Company had entered into forward contracts to hedge copper at an average price of \$2.24/lb with maturities from May 2016 to August 2016, and to hedge nickel at an average price of \$4.10/lb with maturities in June 2016. 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. During the three months ended March 31, 2016, \$82 million of revenue for settled hedges was realized, and a fair value gain of \$19 million was recognized on the remaining hedged positions of 171,250 tonnes of copper and 4,992 tonnes of nickel through other comprehensive income.

|                             | <b>Open Positions<br/>(tonnes/ounces)</b> | <b>Average<br/>Contract price</b> | <b>Closing Market<br/>price</b> | <b>Maturities<br/>Through</b> |
|-----------------------------|-------------------------------------------|-----------------------------------|---------------------------------|-------------------------------|
| <b>Commodity contracts:</b> |                                           |                                   |                                 |                               |
| Copper                      | 171,250                                   | \$2.24/lb                         | \$2.20/lb                       | August 2016                   |
| Nickel                      | 4,992                                     | \$4.10/lb                         | \$3.76/lb                       | June 2016                     |

As at the date of this document, the Company has sales hedge positions outstanding of 200,000 tonnes of copper at an average price of \$2.26/lb and 2,400 tonnes of nickel at an average price of \$4.20/lb.

***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.

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

|                                                                      | Open Positions<br>(tonnes/ounces) | Average<br>Contract price | Closing Market<br>price | Maturities<br>Through |
|----------------------------------------------------------------------|-----------------------------------|---------------------------|-------------------------|-----------------------|
| <b>Embedded derivatives in provisionally priced sales contracts:</b> |                                   |                           |                         |                       |
| Copper                                                               | 87,755                            | \$2.20/lb                 | \$2.20/lb               | July 2016             |
| Nickel                                                               | 2,188                             | \$3.84/lb                 | \$3.76/lb               | May 2016              |
| Gold                                                                 | 27,428                            | \$1,231/oz                | \$1,235/oz              | June 2016             |
| Zinc                                                                 | 1,600                             | \$0.80/lb                 | \$0.81/lb               | May 2016              |
| Platinum                                                             | 4,952                             | \$976/oz                  | \$973/oz                | April 2016            |
| Palladium                                                            | 3,844                             | \$564/oz                  | \$570/oz                | April 2016            |
| <b>Commodity contracts:</b>                                          |                                   |                           |                         |                       |
| Copper                                                               | 89,130                            | \$2.20/lb                 | \$2.20/lb               | July 2016             |
| Nickel                                                               | 2,188                             | \$3.84/lb                 | \$3.76/lb               | May 2016              |
| Gold                                                                 | 27,473                            | \$1,231/oz                | \$1,235/oz              | June 2016             |
| Zinc                                                                 | 1,600                             | \$0.80/lb                 | \$0.81/lb               | May 2016              |
| Platinum                                                             | 4,952                             | \$976/oz                  | \$973/oz                | April 2016            |
| Palladium                                                            | 3,844                             | \$564/oz                  | \$570/oz                | April 2016            |

As at March 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 689,331,082 shares outstanding.

At the date of this report, the Company has requested 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. Pursuant to UK Listing Rule 5.2.8, the cancellation notice period has now commenced and cancellation is expected to take effect from 8:00 am on May 31, 2016.

First Quantum listed its shares on the London Alternative Investment Market (AIM) in 2001 as a secondary listing. In 2007 this secondary listing was moved to the main market of the London Stock Exchange (LSE). The Company had hoped this LSE listing would provide additional liquidity for First Quantum shares. However, while shares have traded for 15 years on the London Stock Exchange, trading volumes remain very low as the Company's shareholders have chosen to continue trading through the main listing on the Toronto Stock Exchange, as well as more recently through alternative trading systems in the US and Canada. The Company has therefore decided to delist from the London Stock Exchange given the costs and administration of maintaining this secondary listing.

## SUMMARY OF RESULTS

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

### Continuing operations

| Consolidated operating statistics                               | Q1 14    | Q2 14   | Q3 14    | Q4 14   | 2014     | Q1 15    | Q2 15    | Q3 15    | Q4 15   | 2015     | Q1 16    |
|-----------------------------------------------------------------|----------|---------|----------|---------|----------|----------|----------|----------|---------|----------|----------|
| <i>Sales revenues</i>                                           |          |         |          |         |          |          |          |          |         |          |          |
| Copper                                                          | \$613    | \$652   | \$612    | \$554   | \$2,431  | \$482    | \$427    | \$481    | \$578   | \$1,968  | \$573    |
| Nickel                                                          | 115      | 127     | 129      | 121     | 492      | 41       | 67       | 65       | 61      | 234      | 57       |
| Gold                                                            | 53       | 62      | 58       | 45      | 218      | 50       | 50       | 64       | 61      | 225      | 69       |
| PGE and other elements                                          | 29       | 33      | 33       | 35      | 130      | 29       | 14       | 22       | 19      | 84       | 21       |
| Total sales revenues                                            | 810      | 874     | 832      | 755     | 3,271    | 602      | 558      | 632      | 719     | 2,511    | 720      |
| Gross profit                                                    | 270      | 281     | 231      | 169     | 951      | 23       | 54       | 100      | 110     | 287      | 105      |
| EBITDA <sup>1</sup>                                             | 337      | 362     | 369      | 277     | 1,345    | 95       | 141      | 172      | 229     | 637      | 254      |
| Comparative EBITDA <sup>1</sup>                                 | 348      | 381     | 335      | 255     | 1,319    | 106      | 148      | 254      | 224     | 732      | 269      |
| Net earnings (loss) attributable to shareholders of the Company | 119      | 129     | 129      | 448     | 825      | (78)     | (104)    | (430)    | 111     | (501)    | 49       |
| Comparative earnings (loss)                                     | 123      | 151     | 144      | 56      | 474      | (12)     | 20       | 66       | 182     | 256      | 63       |
| Basic earnings (loss) per share                                 | \$0.20   | \$0.22  | \$0.21   | \$0.75  | \$1.38   | (\$0.13) | (\$0.17) | (\$0.63) | \$0.16  | (\$0.77) | \$0.07   |
| Comparative earnings (loss) per share                           | \$0.21   | \$0.26  | \$0.24   | \$0.09  | \$0.80   | (\$0.02) | \$0.03   | \$0.10   | \$0.27  | \$0.40   | \$0.09   |
| Diluted earnings (loss) per share                               | \$0.20   | \$0.22  | \$0.21   | \$0.75  | \$1.38   | (\$0.13) | (\$0.17) | (\$0.63) | \$0.16  | (\$0.77) | \$0.07   |
| Dividends declared per common share (\$CDN per share)           | \$0.0930 | -       | \$0.0504 | -       | \$0.1434 | \$0.0487 | -        | \$0.0330 | -       | \$0.0817 | \$0.0100 |
| Basic weighted average # shares (000's) <sup>2</sup>            | 587,191  | 587,164 | 591,244  | 595,994 | 595,994  | 595,986  | 621,686  | 684,513  | 684,652 | 646,823  | 685,795  |
| <i>Cash flows per share from operating activities</i>           | \$0.13   | \$0.28  | \$0.36   | \$0.29  | \$1.08   | \$0.22   | \$0.12   | \$0.21   | \$1.09  | \$1.69   | \$0.37   |
| <i>Copper statistics</i>                                        |          |         |          |         |          |          |          |          |         |          |          |
| Total copper production (tonnes)                                | 109,130  | 103,160 | 96,755   | 101,075 | 410,120  | 91,910   | 99,940   | 103,289  | 115,886 | 411,025  | 119,287  |
| Total copper sales (tonnes)                                     | 97,549   | 108,662 | 96,159   | 89,291  | 391,661  | 91,082   | 79,678   | 101,359  | 119,534 | 391,653  | 131,267  |
| Realized copper price (per lb)                                  | 3.12     | 2.98    | 3.13     | 2.93    | 3.04     | 2.58     | 2.67     | 2.36     | 2.40    | 2.49     | 2.38     |
| TC/RC (per lb)                                                  | (0.14)   | (0.14)  | (0.14)   | (0.15)  | (0.14)   | (0.16)   | (0.17)   | (0.16)   | (0.10)  | (0.15)   | (0.11)   |
| Freight charges (per lb)                                        | (0.12)   | (0.12)  | (0.10)   | (0.09)  | (0.11)   | (0.13)   | (0.11)   | (0.02)   | (0.02)  | (0.06)   | (0.01)   |
| Net realized copper price (per lb)                              | 2.86     | 2.72    | 2.89     | 2.69    | 2.79     | 2.29     | 2.39     | 2.18     | 2.28    | 2.28     | 2.26     |
| Cash cost – copper (C1) (per lb) <sup>1</sup>                   | \$1.38   | \$1.47  | \$1.41   | \$1.36  | \$1.41   | \$1.41   | \$1.22   | \$1.16   | \$1.06  | \$1.21   | \$1.03   |
| Total cost – copper (C3) (per lb) <sup>1</sup>                  | \$2.03   | \$2.19  | \$2.23   | \$2.03  | \$2.12   | \$2.39   | \$2.25   | \$2.10   | \$1.85  | \$2.14   | \$1.86   |
| All-in sustaining cost (AISC) (per lb)                          | \$2.00   | \$1.96  | \$2.04   | \$2.11  | \$2.02   | \$2.22   | \$2.02   | \$1.72   | \$1.51  | \$1.85   | \$1.36   |
| <i>Nickel statistics</i>                                        |          |         |          |         |          |          |          |          |         |          |          |
| Nickel produced (contained tonnes)                              | 9,370    | 9,611   | 9,728    | 7,736   | 36,445   | 4,238    | 7,115    | 7,662    | 7,653   | 26,668   | 7,106    |
| Nickel sales (contained tonnes)                                 | 10,420   | 8,825   | 8,824    | 9,912   | 37,981   | 3,732    | 6,556    | 8,062    | 8,583   | 26,933   | 8,940    |
| Nickel produced (payable tonnes)                                | 7,266    | 7,528   | 7,619    | 6,059   | 28,472   | 3,274    | 5,513    | 5,893    | 5,887   | 20,567   | 5,295    |
| Nickel sales (payable tonnes)                                   | 8,042    | 6,879   | 6,937    | 7,688   | 29,546   | 2,962    | 5,125    | 6,270    | 6,716   | 21,073   | 6,813    |
| Realized nickel price (per payable lb)                          | 6.59     | 8.48    | 8.46     | 7.18    | 7.62     | 6.53     | 5.98     | 4.83     | 4.29    | 5.18     | 3.88     |
| TC/RC (per payable lb)                                          | (0.08)   | (0.06)  | (0.09)   | (0.03)  | (0.06)   | (0.18)   | (0.14)   | (0.11)   | (0.15)  | (0.14)   | (0.09)   |
| Net realized nickel price (per payable lb)                      | 6.51     | 8.42    | 8.37     | 7.15    | 7.56     | 6.35     | 5.84     | 4.72     | 4.14    | 5.04     | 3.79     |
| Cash cost – nickel (C1) (per payable lb) <sup>1</sup>           | \$4.02   | \$4.26  | \$4.79   | \$5.04  | \$4.50   | \$4.66   | \$4.70   | \$4.60   | \$4.49  | \$4.60   | \$4.48   |
| Total cost – nickel (C3) (per payable lb) <sup>1</sup>          | \$5.38   | \$5.66  | \$6.44   | \$6.57  | \$5.98   | \$6.28   | \$6.13   | \$5.93   | \$5.82  | \$5.99   | \$6.00   |
| All-in sustaining cost (AISC) (per lb)                          | \$4.75   | \$5.06  | \$5.61   | \$6.49  | \$5.42   | \$5.56   | \$5.55   | \$5.28   | \$4.94  | \$5.29   | \$4.93   |
| <i>Gold statistics</i>                                          |          |         |          |         |          |          |          |          |         |          |          |
| Total gold production (ounces)                                  | 57,135   | 57,209  | 48,238   | 54,387  | 216,969  | 49,780   | 53,835   | 53,563   | 53,889  | 211,067  | 56,191   |
| Total gold sales (ounces)                                       | 50,377   | 56,650  | 50,822   | 45,379  | 203,228  | 47,269   | 47,421   | 61,279   | 57,958  | 213,927  | 63,141   |
| Net realized gold price (per ounce)                             | 1,059    | 1,097   | 1,126    | 991     | 1,071    | 1,043    | 1,061    | 1,051    | 1,047   | 1,050    | 1,097    |
| <i>Zinc statistics</i>                                          |          |         |          |         |          |          |          |          |         |          |          |
| Zinc production (tonnes)                                        | 14,841   | 13,787  | 14,795   | 12,557  | 55,980   | 12,975   | 8,220    | 10,339   | 9,605   | 41,139   | 6,223    |
| Zinc sales (tonnes)                                             | 12,858   | 15,420  | 15,327   | 12,663  | 56,268   | 13,054   | 7,411    | 10,117   | 11,036  | 41,618   | 5,997    |

<sup>1</sup> Cash cost (C1), total cost (C3) and EBITDA are not recognized under IFRS. See “Regulatory Disclosures” for further information. Total cost (C3) is defined as C1 cash cost plus depreciation, exploration, insurance and royalties.

<sup>2</sup> Fluctuations in average weighted shares between quarters reflects shares issued and changes in levels of treasury shares held for performance share units.

**Including discontinued operations**

| <b>Consolidated operating statistics</b>               | <b>Q1 14</b> | <b>Q2 14</b> | <b>Q3 14</b> | <b>Q4 14</b> | <b>2014</b> | <b>Q1 15</b> | <b>Q2 15</b> | <b>Q3 15</b> | <b>Q4 15</b> | <b>2015</b> | <b>Q1 16</b> |
|--------------------------------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|-------------|--------------|
| Total copper production (tonnes)                       | 113,118      | 107,808      | 101,553      | 105,176      | 427,655     | 96,318       | 104,233      | 107,485      | 120,193      | 428,229     | 122,685      |
| Total copper sales (tonnes)                            | 102,786      | 114,449      | 99,132       | 94,836       | 411,203     | 95,185       | 84,382       | 104,613      | 124,554      | 408,734     | 134,395      |
| Realized copper price (per lb)                         | 3.10         | 2.97         | 3.11         | 2.91         | 3.03        | 2.56         | 2.65         | 2.28         | 2.28         | 2.43        | 2.38         |
| TC/RC (per lb)                                         | (0.14)       | (0.15)       | (0.14)       | (0.15)       | (0.14)      | (0.16)       | (0.18)       | (0.14)       | (0.11)       | (0.15)      | (0.12)       |
| Freight charges (per lb)                               | (0.12)       | (0.11)       | (0.10)       | (0.09)       | (0.11)      | (0.12)       | (0.10)       | (0.02)       | (0.02)       | (0.06)      | (0.01)       |
| Net realized copper price (per lb)                     | 2.84         | 2.71         | 2.87         | 2.67         | 2.78        | 2.28         | 2.37         | 2.12         | 2.15         | 2.22        | 2.25         |
| Cash cost – copper (C1) (per lb) <sup>1</sup>          | \$1.38       | \$1.45       | \$1.44       | \$1.35       | \$1.41      | \$1.39       | \$1.22       | \$1.18       | \$1.07       | \$1.21      | \$1.09       |
| Total cost – copper (C3) (per lb) <sup>1</sup>         | \$2.03       | \$2.16       | \$2.26       | \$2.06       | \$2.12      | \$2.35       | \$2.24       | \$2.09       | \$1.82       | \$2.13      | \$1.94       |
| <i>Nickel statistics</i>                               |              |              |              |              |             |              |              |              |              |             |              |
| Nickel production (contained tonnes)                   | 11,838       | 12,223       | 11,884       | 9,934        | 45,879      | 6,268        | 9,059        | 9,955        | 10,190       | 35,472      | 8,831        |
| Nickel sales (contained tonnes)                        | 14,097       | 10,651       | 10,812       | 12,189       | 47,749      | 5,706        | 8,721        | 10,733       | 11,195       | 36,355      | 10,448       |
| Nickel production (payable tonnes)                     | 9,503        | 9,900        | 9,316        | 7,767        | 36,486      | 4,851        | 7,026        | 7,608        | 7,890        | 27,375      | 6,645        |
| Nickel sales (payable tonnes)                          | 11,113       | 8,344        | 8,417        | 9,374        | 37,248      | 4,360        | 6,662        | 8,299        | 8,706        | 28,027      | 7,985        |
| Realized nickel price (per payable lb)                 | 6.57         | 8.45         | 8.47         | 7.20         | 7.58        | 6.56         | 5.98         | 4.81         | 4.24         | 5.18        | 3.86         |
| TC/RC (per payable lb)                                 | (0.60)       | (0.41)       | (0.03)       | (0.12)       | (0.31)      | (0.13)       | (0.08)       | (0.18)       | (0.27)       | (0.18)      | (0.22)       |
| Net realized nickel price (per payable lb)             | 5.97         | 8.04         | 8.44         | 7.08         | 7.27        | 6.43         | 5.90         | 4.63         | 3.97         | 5.00        | 3.64         |
| Cash cost – nickel (C1) (per payable lb) <sup>1</sup>  | \$4.37       | \$4.16       | \$4.52       | \$4.49       | \$4.40      | \$4.40       | \$4.68       | \$4.56       | \$4.31       | \$4.50      | \$5.73       |
| Total cost – nickel (C3) (per payable lb) <sup>1</sup> | \$5.65       | \$5.51       | \$5.77       | \$6.06       | \$5.82      | \$5.99       | \$6.39       | \$5.62       | \$5.62       | \$5.88      | \$7.52       |
| <i>Gold statistics</i>                                 |              |              |              |              |             |              |              |              |              |             |              |
| Total gold production (ounces)                         | 60,164       | 60,723       | 51,446       | 57,480       | 229,813     | 52,782       | 56,725       | 56,887       | 57,520       | 223,914     | 58,717       |
| Total gold sales (ounces)                              | 53,126       | 60,135       | 52,235       | 48,608       | 214,104     | 49,880       | 50,804       | 63,411       | 61,371       | 225,466     | 65,059       |
| Net realized gold price (per ounce)                    | 1,056        | 1,102        | 1,124        | 989          | 1,071       | 1,036        | 1,044        | 1,042        | 1,024        | 1,037       | 1,067        |
| <i>Platinum statistics</i>                             |              |              |              |              |             |              |              |              |              |             |              |
| Platinum production (ounces)                           | 8,857        | 9,210        | 6,712        | 9,311        | 34,090      | 6,468        | 6,104        | 9,142        | 10,185       | 31,899      | 6,094        |
| Platinum sales (ounces)                                | 9,931        | 10,558       | 5,079        | 8,330        | 33,898      | 7,310        | 7,223        | 8,486        | 11,847       | 34,866      | 6,207        |
| <i>Palladium statistics</i>                            |              |              |              |              |             |              |              |              |              |             |              |
| Palladium production (ounces)                          | 6,485        | 7,000        | 5,271        | 7,234        | 25,990      | 4,977        | 4,731        | 7,426        | 8,062        | 25,196      | 4,899        |
| Palladium sales (ounces)                               | 7,769        | 7,285        | 4,536        | 6,256        | 25,846      | 5,342        | 5,431        | 6,447        | 9,231        | 26,451      | 4,706        |
| <i>Zinc statistics</i>                                 |              |              |              |              |             |              |              |              |              |             |              |
| Zinc production (tonnes)                               | 14,841       | 13,787       | 14,795       | 12,557       | 55,980      | 12,975       | 8,220        | 10,339       | 9,605        | 41,139      | 6,223        |
| Zinc sales (tonnes)                                    | 12,858       | 15,420       | 15,327       | 12,663       | 56,268      | 13,054       | 7,411        | 10,117       | 11,036       | 41,618      | 5,997        |

<sup>1</sup> Cash cost (C1), total cost (C3) and EBITDA are not recognized under IFRS. See “Regulatory Disclosures” for further information. Total cost (C3) is defined as C1 cash cost plus depreciation, exploration, insurance and royalties.

<sup>2</sup> Fluctuations in average weighted shares between quarters reflects shares issued and changes in levels of treasury shares held for performance share units.

| <b>Kansanshi statistics</b>                  | <b>Q1 14</b> | <b>Q2 14</b> | <b>Q3 14</b> | <b>Q4 14</b> | <b>2014</b> | <b>Q1 15</b> | <b>Q2 15</b> | <b>Q3 15</b> | <b>Q4 15</b> | <b>2015</b> | <b>Q1 16</b> |
|----------------------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|-------------|--------------|
| <i>Mining</i>                                |              |              |              |              |             |              |              |              |              |             |              |
| Waste mined (000's tonnes)                   | 9,343        | 11,927       | 17,725       | 15,971       | 54,966      | 12,043       | 17,119       | 21,816       | 19,751       | 70,729      | 15,957       |
| Ore mined (000's tonnes)                     | 5,688        | 6,563        | 7,859        | 6,835        | 26,945      | 6,838        | 9,166        | 9,057        | 9,044        | 34,105      | 7,940        |
| <i>Processing</i>                            |              |              |              |              |             |              |              |              |              |             |              |
| Sulphide ore processed (000's)               | 2,701        | 2,347        | 1,366        | 1,530        | 7,944       | 1,389        | 1,503        | 2,478        | 2,926        | 8,296       | 2,888        |
| Sulphide ore grade processed (%)             | 1.0          | 0.8          | 1.0          | 1.0          | 0.9         | 0.9          | 0.9          | 0.8          | 0.7          | 0.8         | 0.7          |
| Sulphide ore recovery (%)                    | 92           | 91           | 91           | 89           | 91          | 90           | 92           | 91           | 92           | 91          | 88           |
| Mixed ore processed (000's tonnes)           | 1,316        | 1,770        | 3,064        | 3,263        | 9,413       | 3,288        | 3,342        | 2,359        | 1,960        | 10,949      | 1,990        |
| Mixed ore grade processed (%)                | 1.1          | 1.1          | 1.2          | 1.1          | 1.1         | 1.1          | 1.0          | 1.0          | 1.1          | 1.1         | 1.0          |
| Mixed ore recovery (%)                       | 72           | 75           | 74           | 70           | 73          | 68           | 68           | 71           | 73           | 72          | 88           |
| Oxide ore processed (000's tonnes)           | 1,923        | 2,448        | 1,853        | 1,753        | 7,977       | 1,367        | 1,760        | 1,773        | 1,895        | 6,795       | 1,637        |
| Oxide ore grade processed (%)                | 2.2          | 1.7          | 1.6          | 1.6          | 1.8         | 1.5          | 1.6          | 1.3          | 1.7          | 1.5         | 1.5          |
| Oxide ore recovery (%)                       | 82           | 83           | 85           | 81           | 83          | 89           | 79           | 82           | 83           | 80          | 92           |
| Copper cathode produced (tonnes)             | 28,022       | 29,813       | 25,162       | 19,365       | 102,362     | 14,915       | 18,750       | 18,434       | 14,191       | 66,290      | 15,329       |
| Copper cathode tolled produced (tonnes)      | 2,560        | -            | -            | -            | 2,560       | -            | -            | -            | -            | -           | -            |
| Copper in concentrate produced (tonnes)      | 39,967       | 36,483       | 38,356       | 42,559       | 157,365     | 38,631       | 38,266       | 36,078       | 47,409       | 160,384     | 42,746       |
| Total copper production                      | 70,549       | 66,296       | 63,518       | 61,924       | 262,287     | 53,546       | 57,016       | 54,512       | 61,600       | 226,674     | 58,075       |
| Concentrate grade (%)                        | 24.2         | 22.5         | 23.9         | 22.2         | 23.3        | 23.4         | 22.5         | 20.8         | 19.6         | 21.1        | 19.9         |
| <i>Smelting<sup>2</sup></i>                  |              |              |              |              |             |              |              |              |              |             |              |
| Concentrate processed (DMT) <sup>2</sup>     | -            | -            | -            | -            | -           | -            | -            | 254,709      | 228,427      | 709,188     | 244,144      |
| Copper anodes produced (tonnes) <sup>2</sup> | -            | -            | -            | -            | -           | -            | -            | 57,085       | 46,493       | 150,292     | 52,506       |
| Smelter copper recovery (%)                  | -            | -            | -            | -            | -           | -            | -            | 98           | 97           | 98          | 98           |
| Acid tonnes produced (000's)                 | -            | -            | -            | -            | -           | -            | -            | 229          | 214          | 645         | 239          |
| Gold produced (ounces)                       | 39,734       | 41,760       | 36,232       | 36,705       | 154,431     | 32,592       | 35,182       | 34,474       | 34,009       | 136,257     | 35,743       |
| <i>Cash Costs (per lb)<sup>1</sup></i>       |              |              |              |              |             |              |              |              |              |             |              |
| Mining                                       | \$0.64       | \$0.73       | \$0.57       | \$0.61       | \$0.64      | \$0.67       | \$0.56       | \$0.67       | \$0.60       | \$0.62      | \$0.70       |
| Processing                                   | 0.78         | 0.84         | 0.91         | 0.93         | 0.86        | 0.88         | 0.69         | 0.61         | 0.43         | 0.65        | 0.52         |
| Site administration                          | 0.07         | 0.09         | 0.08         | 0.05         | 0.07        | 0.09         | 0.06         | 0.06         | 0.04         | 0.06        | 0.06         |
| TC/RC and freight charges                    | 0.37         | 0.34         | 0.30         | 0.31         | 0.33        | 0.40         | 0.59         | 0.20         | 0.12         | 0.29        | 0.07         |
| Gold credit                                  | (0.29)       | (0.30)       | (0.29)       | (0.22)       | (0.27)      | (0.27)       | (0.33)       | (0.28)       | (0.21)       | (0.26)      | (0.30)       |
| Total smelter costs                          | -            | -            | -            | -            | -           | -            | (0.20)       | 0.08         | 0.11         | 0.02        | 0.13         |
| Cash cost (C1) (per lb) <sup>1</sup>         | \$1.57       | \$1.70       | \$1.57       | \$1.68       | \$1.63      | \$1.77       | \$1.37       | \$1.34       | \$1.09       | \$1.38      | \$1.18       |
| Total cost (C3) (per lb) <sup>1</sup>        | \$2.04       | \$2.22       | \$2.21       | \$2.17       | \$2.16      | \$2.75       | \$2.38       | \$2.23       | \$1.82       | \$2.28      | \$1.94       |
| <i>Revenues (\$ millions)</i>                |              |              |              |              |             |              |              |              |              |             |              |
| Copper cathodes                              | \$207        | \$244        | \$229        | \$228        | \$908       | \$137        | \$124        | \$108        | \$95         | \$464       | \$74         |
| Copper anode                                 | -            | -            | -            | -            | -           | 16           | -            | 139          | 248          | 403         | 239          |
| Copper in concentrates                       | 183          | 185          | 142          | 108          | 618         | 129          | 112          | 29           | 9            | 279         | 10           |
| Gold                                         | 40           | 48           | 38           | 26           | 152         | 32           | 32           | 34           | 41           | 139         | 50           |
| Total sales revenues                         | \$430        | \$477        | \$409        | \$362        | \$1,678     | \$314        | \$268        | \$310        | \$393        | \$1,285     | \$373        |
| Copper cathode sales (tonnes)                | 27,153       | 36,580       | 32,921       | 31,386       | 128,040     | 20,202       | 19,372       | 20,036       | 22,238       | 81,848      | 15,892       |
| Copper tolled cathode sales (tonnes)         | 2,560        | -            | -            | -            | 2,560       | -            | -            | -            | -            | -           | -            |
| Copper anode sales (tonnes)                  | -            | -            | -            | -            | -           | 2,922        | 127          | 27,338       | 52,635       | 83,022      | 52,866       |
| Copper in concentrate sales (tonnes)         | 33,357       | 36,629       | 25,391       | 21,335       | 116,712     | 30,380       | 24,789       | 7,182        | 2,972        | 65,323      | 3,464        |
| Gold sales (ounces)                          | 37,728       | 43,784       | 33,366       | 27,731       | 142,609     | 31,307       | 30,459       | 31,542       | 38,664       | 131,972     | 44,132       |

<sup>1</sup> Cash cost (C1) and total cost (C3) are not recognized under IFRS. See "Regulatory Disclosures" for further information. Total cost (C3) is defined as C1 cash cost plus depreciation, exploration, insurance and royalties.

<sup>2</sup> 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.

| <b>Las Cruces statistics</b>           | <b>Q1 14</b> | <b>Q2 14</b> | <b>Q3 14</b> | <b>Q4 14</b> | <b>2014</b> | <b>Q1 15</b> | <b>Q2 15</b> | <b>Q3 15</b> | <b>Q4 15</b> | <b>2015</b> | <b>Q1 16</b> |
|----------------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|-------------|--------------|
| <i>Mining</i>                          |              |              |              |              |             |              |              |              |              |             |              |
| Waste mined (000's tonnes)             | 852          | 4,476        | 7,096        | 6,629        | 19,053      | 2,615        | 3,154        | 7,190        | 2,500        | 15,459      | 1,737        |
| Ore mined (000's tonnes)               | 362          | 558          | 422          | 350          | 1,692       | 298          | 566          | 476          | 197          | 1,537       | 267          |
| <i>Processing</i>                      |              |              |              |              |             |              |              |              |              |             |              |
| Copper ore processed (000's tonnes)    | 375          | 372          | 413          | 379          | 1,539       | 362          | 388          | 370          | 380          | 1,500       | 378          |
| Copper ore grade processed (%)         | 5.5          | 5.1          | 4.8          | 5.2          | 5.1         | 5.1          | 5.1          | 5.2          | 5.3          | 5.2         | 5.2          |
| Recovery (%)                           | 91           | 90           | 89           | 89           | 90          | 91           | 88           | 90           | 93           | 90          | 92           |
| Copper cathode produced (tonnes)       | 18,675       | 17,197       | 17,693       | 17,525       | 71,090      | 16,694       | 17,362       | 17,365       | 18,608       | 70,029      | 18,045       |
| <i>Cash Costs (per lb)<sup>1</sup></i> |              |              |              |              |             |              |              |              |              |             |              |
| Cash cost (C1) (per lb) <sup>1</sup>   | \$0.98       | \$0.89       | \$1.03       | \$0.95       | \$0.96      | \$0.97       | \$0.87       | \$0.73       | \$1.03       | \$0.90      | \$0.84       |
| Total cost (C3) (per lb) <sup>1</sup>  | \$1.92       | \$2.00       | \$2.04       | \$1.94       | \$1.97      | \$1.90       | \$2.07       | \$1.84       | \$1.90       | \$1.93      | \$1.82       |
| <i>Revenues (\$ millions)</i>          |              |              |              |              |             |              |              |              |              |             |              |
| Copper cathode                         | \$132        | \$129        | \$126        | \$104        | \$491       | \$116        | \$101        | \$94         | \$83         | \$394       | \$89         |
| Copper cathode sales (tonnes)          | 18,657       | 18,867       | 18,002       | 15,594       | 71,120      | 19,598       | 16,600       | 17,484       | 16,884       | 70,566      | 18,972       |

<sup>1</sup> Cash cost (C1) and total cost (C3) are not recognized under IFRS. See "Regulatory Disclosures" for further information. Total cost (C3) is defined as C1 cash cost plus depreciation, exploration, insurance and royalties.

| <b>Guelb Moghrein statistics</b>       | <b>Q1 14</b> | <b>Q2 14</b> | <b>Q3 14</b> | <b>Q4 14</b> | <b>2014</b> | <b>Q1 15</b> | <b>Q2 15</b> | <b>Q3 15</b> | <b>Q4 15</b> | <b>2015</b> | <b>Q1 16</b> |
|----------------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|-------------|--------------|
| <i>Mining</i>                          |              |              |              |              |             |              |              |              |              |             |              |
| Waste mined (000's tonnes)             | 4,390        | 4,755        | 3,394        | 4,601        | 17,140      | 2,972        | 6,198        | 4,245        | 4,130        | 17,545      | 3,283        |
| Ore mined (000's tonnes)               | 682          | 730          | 703          | 971          | 3,086       | 829          | 840          | 751          | 498          | 2,918       | 693          |
| <i>Processing</i>                      |              |              |              |              |             |              |              |              |              |             |              |
| Sulphide ore processed (000's tonnes)  | 738          | 729          | 621          | 969          | 3,057       | 1,001        | 1,014        | 979          | 1,021        | 4,015       | 1,014        |
| Sulphide ore grade processed (%)       | 1.3          | 1.2          | 1.1          | 1.1          | 1.2         | 1.2          | 1.2          | 1.3          | 1.3          | 1.2         | 1.2          |
| Recovery (%)                           | 93           | 92           | 92           | 91           | 92          | 92           | 91           | 92           | 91           | 92          | 93           |
| Copper in concentrate produced         | 8,847        | 8,069        | 6,395        | 9,768        | 33,079      | 10,642       | 11,141       | 11,373       | 11,845       | 45,001      | 11,062       |
| Gold produced (ounces)                 | 13,849       | 12,256       | 8,942        | 13,901       | 48,948      | 14,468       | 16,240       | 16,154       | 17,145       | 64,007      | 17,240       |
| <i>Cash Costs (per lb)<sup>1</sup></i> |              |              |              |              |             |              |              |              |              |             |              |
| Mining                                 | \$0.56       | \$0.78       | \$0.67       | \$0.43       | \$0.60      | \$0.43       | \$0.32       | \$0.38       | \$0.38       | \$0.38      | \$0.30       |
| Processing                             | 1.06         | 1.14         | 1.32         | 0.94         | 1.09        | 0.68         | 0.67         | 0.68         | 0.60         | 0.67        | 0.60         |
| Site administration                    | 0.21         | 0.24         | 0.37         | 0.21         | 0.25        | 0.18         | 0.16         | 0.19         | 0.12         | 0.16        | 0.14         |
| TC/RC and freight charges              | 0.52         | 0.57         | 0.61         | 0.57         | 0.57        | 0.58         | 0.67         | 0.59         | 0.48         | 0.57        | 0.46         |
| Gold credit                            | (0.79)       | (0.86)       | (0.86)       | (0.84)       | (0.84)      | (0.76)       | (0.83)       | (0.75)       | (0.75)       | (0.77)      | (0.82)       |
| Cash cost (C1) (per lb) <sup>1</sup>   | \$1.56       | \$1.87       | \$2.11       | \$1.31       | \$1.67      | \$1.11       | \$0.99       | \$1.09       | \$0.83       | \$1.01      | \$0.68       |
| Total cost (C3) (per lb) <sup>1</sup>  | \$2.20       | \$2.62       | \$2.94       | \$2.07       | \$2.41      | \$1.80       | \$1.70       | \$1.70       | \$1.49       | \$1.67      | \$1.31       |
| <i>Revenues (\$ millions)</i>          |              |              |              |              |             |              |              |              |              |             |              |
| Copper in concentrates                 | \$39         | \$35         | \$54         | \$48         | \$176       | \$44         | \$46         | \$74         | \$45         | \$209       | \$35         |
| Gold                                   | 10           | 12           | 17           | 15           | 54          | 14           | 17           | 28           | 17           | 76          | 16           |
| Total sales revenues                   | \$49         | \$47         | \$71         | \$63         | \$230       | \$58         | \$63         | \$102        | \$62         | \$285       | \$51         |
| Copper in concentrate sales (tonnes)   | 6,360        | 6,064        | 9,152        | 8,519        | 30,095      | 9,010        | 9,470        | 17,614       | 11,228       | 47,322      | 9,622        |
| Gold sales (ounces)                    | 9,075        | 9,488        | 13,917       | 13,421       | 45,901      | 12,860       | 14,568       | 26,585       | 16,667       | 70,680      | 15,573       |

<sup>1</sup> Cash cost (C1) and total cost (C3) are not recognized under IFRS. See "Regulatory Disclosures" for further information. Total cost (C3) is defined as C1 cash cost plus depreciation, exploration, insurance and royalties.

| <b>Ravensthorpe statistics</b>                  | <b>Q1 14</b> | <b>Q2 14</b> | <b>Q3 14</b> | <b>Q4 14</b> | <b>2014</b> | <b>Q1 15</b> | <b>Q2 15</b> | <b>Q3 15</b> | <b>Q4 15</b> | <b>2015</b> | <b>Q1 16</b> |
|-------------------------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|-------------|--------------|
| <i>Processing</i>                               |              |              |              |              |             |              |              |              |              |             |              |
| Beneficiated ore processed (000's tonnes)       | 761          | 828          | 829          | 710          | 3,128       | 369          | 528          | 687          | 750          | 2,334       | 709          |
| Beneficiated ore grade processed (%)            | 1.6          | 1.5          | 1.5          | 1.4          | 1.5         | 1.4          | 1.5          | 1.4          | 1.4          | 1.4         | 1.3          |
| Nickel recovery – leach feed to NI produced (%) | 85           | 83           | 84           | 82           | 84          | 92           | 93           | 85           | 84           | 88          | 84           |
| Nickel produced (contained tonnes)              | 9,370        | 9,611        | 9,728        | 7,736        | 36,445      | 4,238        | 7,115        | 7,662        | 7,653        | 26,668      | 7,106        |
| Nickel produced (payable tonnes)                | 7,266        | 7,528        | 7,619        | 6,059        | 28,472      | 3,274        | 5,513        | 5,893        | 5,887        | 20,567      | 5,295        |
| <i>Cash Costs (per lb)<sup>1</sup></i>          |              |              |              |              |             |              |              |              |              |             |              |
| Mining                                          | \$0.74       | \$0.74       | \$0.80       | \$0.94       | \$0.80      | \$0.86       | \$0.81       | \$0.84       | \$0.96       | \$0.87      | \$0.99       |
| Processing                                      | 2.76         | 2.99         | 3.39         | 3.64         | 3.18        | 3.24         | 3.12         | 3.25         | 2.94         | 3.12        | 2.97         |
| Site administration                             | 0.26         | 0.28         | 0.32         | 0.29         | 0.29        | 0.43         | 0.42         | 0.32         | 0.31         | 0.36        | 0.27         |
| TC/RC and freight charges                       | 0.48         | 0.48         | 0.49         | 0.41         | 0.46        | 0.39         | 0.60         | 0.46         | 0.53         | 0.51        | 0.46         |
| Cobalt credit                                   | (0.22)       | (0.23)       | (0.22)       | (0.24)       | (0.23)      | (0.26)       | (0.25)       | (0.27)       | (0.25)       | (0.26)      | (0.21)       |
| Cash cost (C1) (per lb) <sup>1</sup>            | \$4.02       | \$4.26       | \$4.79       | \$5.04       | \$4.50      | \$4.66       | \$4.70       | \$4.60       | \$4.49       | \$4.60      | \$4.48       |
| Total cost (C3) (per lb) <sup>1</sup>           | \$5.38       | \$5.66       | \$6.44       | \$6.57       | \$5.98      | \$6.28       | \$6.13       | \$5.93       | \$5.82       | \$5.99      | \$6.00       |
| <i>Revenues (\$ millions)</i>                   |              |              |              |              |             |              |              |              |              |             |              |
| Nickel                                          | \$115        | \$127        | \$129        | \$121        | \$492       | \$41         | \$67         | \$65         | \$61         | \$234       | \$57         |
| Cobalt                                          | 4            | 4            | 3            | 4            | 15          | 2            | 2            | 4            | 4            | 12          | 3            |
| Total sales revenues                            | \$119        | \$131        | \$132        | \$125        | \$507       | \$43         | \$69         | \$69         | \$65         | \$246       | \$60         |
| Nickel sales (contained tonnes)                 | 10,420       | 8,825        | 8,824        | 9,912        | 37,981      | 3,732        | 6,556        | 8,062        | 8,583        | 26,933      | 8,940        |
| Nickel sales (payable tonnes)                   | 8,042        | 6,879        | 6,937        | 7,688        | 29,546      | 2,962        | 5,125        | 6,270        | 6,716        | 21,073      | 6,813        |

<sup>1</sup> Cash cost (C1) and total cost (C3) are not recognized under IFRS. See “Regulatory Disclosures” for further information. Total cost (C3) is defined as C1 cash cost plus depreciation, exploration, insurance and royalties.

| <b>Çayeli statistics</b>                       | <b>Q1 14</b> | <b>Q2 14</b> | <b>Q3 14</b> | <b>Q4 14</b> | <b>2014</b> | <b>Q1 15</b> | <b>Q2 15</b> | <b>Q3 15</b> | <b>Q4 15</b> | <b>2015</b> | <b>Q1 16</b> |
|------------------------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|-------------|--------------|
| <i>Mining</i>                                  |              |              |              |              |             |              |              |              |              |             |              |
| Ore mined (000's tonnes)                       | 332          | 337          | 321          | 366          | 1,356       | 327          | 303          | 313          | 290          | 1,233       | 328          |
| <i>Processing</i>                              |              |              |              |              |             |              |              |              |              |             |              |
| Ore milled (000's tonnes)                      | 337          | 332          | 324          | 348          | 1,341       | 332          | 315          | 312          | 270          | 1,229       | 326          |
| Copper ore grade processed (%)                 | 2.7          | 3.0          | 2.5          | 2.8          | 2.7         | 2.6          | 2.2          | 2.4          | 2.6          | 2.5         | 2.5          |
| Copper ore recovery (%)                        | 80           | 83           | 77           | 81           | 80          | 81           | 81           | 78           | 81           | 81          | 86           |
| Zinc ore grade processed (%)                   | 4.4          | 3.8          | 4.7          | 4.1          | 4.3         | 3.3          | 2.7          | 3.2          | 2.8          | 3.0         | 1.7          |
| Zinc ore recovery (%)                          | 66           | 62           | 65           | 60           | 63          | 55           | 55           | 54           | 51           | 54          | 39           |
| Copper produced (tonnes)                       | 7,142        | 8,229        | 6,169        | 7,820        | 29,360      | 7,136        | 5,746        | 5,816        | 5,606        | 24,304      | 6,878        |
| Zinc produced (tonnes)                         | 9,791        | 7,898        | 10,016       | 8,513        | 36,218      | 5,954        | 4,599        | 5,477        | 3,778        | 19,808      | 2,170        |
| <i>Cash Costs (per lb)<sup>1, 2</sup></i>      |              |              |              |              |             |              |              |              |              |             |              |
| Cash cost – Copper (C1) (per lb) <sup>1</sup>  | \$0.76       | \$0.80       | \$1.04       | \$1.02       | \$0.90      | \$1.02       | \$1.34       | \$1.43       | \$1.41       | \$1.29      | \$1.18       |
| Total cost – Copper (C3) (per lb) <sup>1</sup> | \$1.72       | \$1.63       | \$2.43       | \$1.66       | \$1.83      | \$2.04       | \$2.19       | \$2.53       | \$1.79       | \$2.15      | \$1.83       |
| <i>Revenues (\$ millions)</i>                  |              |              |              |              |             |              |              |              |              |             |              |
| Copper                                         | \$32         | \$38         | \$42         | \$43         | \$155       | \$24         | \$30         | \$22         | \$16         | \$92        | \$26         |
| Zinc                                           | 10           | 11           | 15           | 11           | 47          | 6            | 5            | 4            | 3            | 18          | 2            |
| Other                                          | 1            | 3            | 3            | 3            | 10          | 2            | 1            | 1            | 2            | 6           | 1            |
| Total sales revenues                           | \$43         | \$52         | \$60         | \$57         | \$212       | \$32         | \$36         | \$27         | \$21         | \$116       | \$29         |
| Copper sales (tonnes)                          | 5,711        | 7,264        | 7,847        | 8,419        | 29,241      | 5,720        | 6,747        | 5,672        | 4,262        | 22,401      | 7,295        |
| Zinc sales (tonnes)                            | 8,639        | 9,069        | 10,228       | 9,362        | 37,298      | 5,166        | 4,967        | 4,499        | 4,847        | 19,479      | 2,062        |

<sup>1</sup> Cash cost (C1) and total cost (C3) are not recognized under IFRS. See “Regulatory Disclosures” for further information. Total cost (C3) is defined as C1 cash cost plus depreciation, exploration, insurance and royalties.

| <b>Pyhäsalmi statistics</b>                    | <b>Q1 14</b> | <b>Q2 14</b> | <b>Q3 14</b> | <b>Q4 14</b> | <b>2014</b> | <b>Q1 15</b> | <b>Q2 15</b> | <b>Q3 15</b> | <b>Q4 15</b> | <b>2015</b> | <b>Q1 16</b> |
|------------------------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|-------------|--------------|
| <i>Mining</i>                                  |              |              |              |              |             |              |              |              |              |             |              |
| Ore mined (000's tonnes)                       | 342          | 360          | 340          | 360          | 1,402       | 341          | 341          | 350          | 352          | 1,384       | 320          |
| <i>Processing</i>                              |              |              |              |              |             |              |              |              |              |             |              |
| Ore milled (000's tonnes)                      | 342          | 347          | 345          | 343          | 1,377       | 341          | 346          | 347          | 345          | 1,379       | 343          |
| Copper ore grade processed (%)                 | 1.2          | 1.0          | 0.9          | 1.2          | 1.1         | 0.9          | 0.9          | 1.0          | 0.9          | 0.9         | 1.3          |
| Copper ore recovery (%)                        | 97           | 96           | 95           | 97           | 96          | 97           | 97           | 96           | 97           | 97          | 98           |
| Zinc ore grade processed (%)                   | 1.6          | 1.9          | 1.5          | 1.3          | 1.6         | 2.2          | 1.2          | 1.6          | 1.9          | 1.7         | 1.3          |
| Zinc ore recovery (%)                          | 90           | 91           | 90           | 89           | 90          | 92           | 90           | 89           | 90           | 91          | 88           |
| Copper produced (tonnes)                       | 3,917        | 3,369        | 2,980        | 4,038        | 14,304      | 2,889        | 2,877        | 3,245        | 3,035        | 12,046      | 4,325        |
| Zinc produced (tonnes)                         | 5,050        | 5,889        | 4,780        | 4,043        | 19,762      | 7,021        | 3,621        | 4,862        | 5,827        | 21,331      | 4,053        |
| Pyrite produced (tonnes)                       | 196,884      | 224,388      | 219,224      | 200,433      | 840,929     | 198,855      | 204,493      | 220,327      | 216,031      | 839,706     | 177,149      |
| <i>Cash Costs (per lb)<sup>1</sup></i>         |              |              |              |              |             |              |              |              |              |             |              |
| Cash cost – Copper (C1) (per lb) <sup>1</sup>  | \$0.52       | \$0.18       | \$0.09       | (\$0.49)     | \$0.06      | (\$0.52)     | \$0.84       | \$0.55       | \$0.42       | \$0.30      | \$0.14       |
| Total cost – Copper (C3) (per lb) <sup>1</sup> | \$2.54       | \$2.24       | \$2.24       | \$1.49       | \$2.11      | \$1.64       | \$2.96       | \$2.62       | \$2.53       | \$2.42      | \$2.04       |
| <i>Revenues (\$ millions)</i>                  |              |              |              |              |             |              |              |              |              |             |              |
| Copper                                         | \$22         | \$20         | \$18         | \$24         | \$84        | \$17         | \$13         | \$15         | \$11         | \$56        | \$17         |
| Zinc                                           | 5            | 8            | 8            | 5            | 26          | 11           | 3            | 6            | 5            | 25          | 4            |
| Pyrite                                         | 5            | 6            | 6            | 11           | 28          | 8            | 2            | 5            | 6            | 21          | 7            |
| Other                                          | 5            | 4            | 2            | 4            | 15          | 3            | 3            | 4            | 2            | 12          | 4            |
| Total sales revenues                           | \$37         | \$38         | \$34         | \$44         | \$153       | \$39         | \$21         | \$30         | \$24         | \$114       | \$32         |
| Copper sales (tonnes)                          | 3,750        | 3,259        | 2,847        | 4,038        | 13,894      | 3,250        | 2,573        | 3,561        | 2,892        | 12,276      | 4,361        |
| Zinc sales (tonnes)                            | 4,219        | 6,351        | 5,100        | 3,300        | 18,970      | 7,888        | 2,444        | 5,619        | 6,188        | 22,139      | 3,935        |
| Pyrite sales (tonnes)                          | 191,801      | 216,244      | 211,949      | 320,849      | 940,843     | 229,353      | 104,919      | 198,224      | 218,233      | 750,729     | 210,183      |

<sup>1</sup> Cash cost (C1) and total cost (C3) are not recognized under IFRS. See “Regulatory Disclosures” for further information. Total cost (C3) is defined as C1 cash cost plus depreciation, exploration, insurance and royalties.

Production of copper during Sentinel's commissioning phase is shown below for information purposes.

| <b>Sentinel statistics</b> | <b>Q1 14</b> | <b>Q2 14</b> | <b>Q3 14</b> | <b>Q4 14</b> | <b>2014</b> | <b>Q1 15</b> | <b>Q2 15</b> | <b>Q3 15</b> | <b>Q4 15</b> | <b>2015</b> | <b>Q1 16</b> |
|----------------------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|-------------|--------------|
| <i>Processing</i>          |              |              |              |              |             |              |              |              |              |             |              |
| Copper produced (tonnes)   | -            | -            | -            | -            | -           | 1,003        | 5,799        | 10,979       | 15,190       | 32,971      | 20,902       |

## Discontinued operations

| <b>Kevitsa statistics</b>                        | <b>Q1 14</b> | <b>Q2 14</b> | <b>Q3 14</b> | <b>Q4 14</b> | <b>2014</b> | <b>Q1 15</b> | <b>Q2 15</b> | <b>Q3 15</b> | <b>Q4 15</b> | <b>2015</b> | <b>Q1 16</b> |
|--------------------------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|-------------|--------------|
| <i>Mining</i>                                    |              |              |              |              |             |              |              |              |              |             |              |
| Total tonnes mined (000's tonnes)                | 5,626        | 7,357        | 6,880        | 8,302        | 28,165      | 8,514        | 10,072       | 9,029        | 9,322        | 36,937      | 8,900        |
| <i>Processing</i>                                |              |              |              |              |             |              |              |              |              |             |              |
| Ore tonnes milled (000's tonnes)                 | 1,527        | 1,809        | 1,666        | 1,709        | 6,711       | 1,504        | 1,559        | 1,811        | 1,791        | 6,665       | 1,640        |
| Nickel ore grade processed (%)                   | 0.2          | 0.2          | 0.2          | 0.2          | 0.2         | 0.2          | 0.2          | 0.2          | 0.2          | 0.2         | 0.2          |
| Nickel recovery (%)                              | 65           | 61           | 56           | 63           | 61          | 64           | 66           | 67           | 69           | 67          | 65           |
| Nickel production (tonnes)                       | 2,469        | 2,611        | 2,156        | 2,197        | 9,433       | 2,030        | 1,944        | 2,293        | 2,538        | 8,805       | 1,725        |
| Copper ore grade processed (%)                   | 0.3          | 0.3          | 0.3          | 0.3          | 0.3         | 0.3          | 0.3          | 0.3          | 0.3          | 0.3         | 0.2          |
| Copper recovery (%)                              | 88           | 89           | 87           | 84           | 87          | 89           | 89           | 90           | 89           | 89          | 88           |
| Copper production (tonnes)                       | 3,988        | 4,648        | 4,798        | 4,101        | 17,535      | 4,408        | 4,293        | 4,196        | 4,307        | 17,204      | 3,398        |
| Gold production (ounces)                         | 3,029        | 3,514        | 3,208        | 3,093        | 12,844      | 3,002        | 2,890        | 3,324        | 3,631        | 12,847      | 2,525        |
| Platinum production (ounces)                     | 8,857        | 9,210        | 6,712        | 9,311        | 34,090      | 6,468        | 6,104        | 9,142        | 10,185       | 31,899      | 6,094        |
| Palladium production (ounces)                    | 6,485        | 7,000        | 5,271        | 7,234        | 25,990      | 4,977        | 4,731        | 7,426        | 8,062        | 25,196      | 4,899        |
| Cash cost – Nickel (C1) (per lb) <sup>1,2</sup>  | \$5.19       | \$4.02       | \$3.24       | \$2.66       | \$4.07      | \$3.87       | \$4.61       | \$4.41       | \$3.78       | \$4.16      | \$5.27       |
| Total cost – Nickel (C3) (per lb) <sup>1,2</sup> | \$6.23       | \$5.13       | \$4.41       | \$4.31       | \$5.29      | \$5.49       | \$7.32       | \$4.54       | \$5.03       | \$5.54      | \$6.33       |
| Cash cost – Copper (C1) (per lb) <sup>1,2</sup>  | \$1.52       | \$0.97       | \$2.19       | \$1.11       | \$1.42      | \$1.32       | \$1.22       | \$1.56       | \$1.46       | \$1.38      | \$2.04       |
| Total cost – Copper (C3) (per lb) <sup>1,2</sup> | \$2.30       | \$1.66       | \$3.01       | \$2.24       | \$2.27      | \$2.04       | \$2.23       | \$1.68       | \$1.67       | \$1.90      | \$2.64       |
| <i>Revenues (\$ millions)</i>                    |              |              |              |              |             |              |              |              |              |             |              |
| Nickel                                           | \$31         | \$20         | \$28         | \$25         | \$104       | \$20         | \$21         | \$19         | \$15         | \$75        | \$7          |
| Copper                                           | 31           | 33           | 16           | 29           | 109         | 19           | 22           | 13           | 18           | 72          | 11           |
| Gold                                             | 3            | 4            | 1            | 3            | 11          | 2            | 3            | 2            | 3            | 10          | 2            |
| PGE and other                                    | 16           | 14           | 8            | 9            | 47          | 7            | 6            | 7            | 10           | 30          | 5            |
| Total sales revenues                             | \$81         | \$71         | \$53         | \$66         | \$271       | \$48         | \$52         | \$41         | \$46         | \$187       | \$25         |
| Nickel sales (tonnes)                            | 3,677        | 1,825        | 1,989        | 2,277        | 9,768       | 1,974        | 2,165        | 2,671        | 2,611        | 9,421       | 1,509        |
| Copper sales (tonnes)                            | 5,237        | 5,787        | 2,973        | 5,545        | 19,542      | 4,103        | 4,704        | 3,254        | 5,020        | 17,081      | 3,128        |
| Gold sales (ounces)                              | 2,749        | 3,485        | 1,413        | 3,229        | 10,876      | 2,611        | 3,383        | 2,132        | 3,413        | 11,539      | 1,918        |
| Platinum sales (ounces)                          | 9,931        | 10,558       | 5,079        | 8,330        | 33,898      | 7,310        | 7,223        | 8,486        | 11,847       | 34,866      | 6,207        |
| Palladium sales (ounces)                         | 7,769        | 7,285        | 4,536        | 6,256        | 25,846      | 5,342        | 5,431        | 6,447        | 9,231        | 26,451      | 4,706        |

<sup>1</sup> Cash cost (C1) and total cost (C3) are not recognized under IFRS. See “Regulatory Disclosures” for further information. Total cost (C3) is defined as C1 cash cost plus depreciation, exploration, insurance and royalties.

<sup>2</sup> 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.

## 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, 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 and C3 total cost for each segment, the costs are prepared 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, capitalized stripping, sustaining capital expenditures and royalties.

| <b>Group Cost of Sales – continuing operations</b> | <b>Q1 2016</b> | <b>Q4 2015</b> | <b>Q1 2015</b> |
|----------------------------------------------------|----------------|----------------|----------------|
| Copper                                             | (524)          | (513)          | (515)          |
| Nickel                                             | (86)           | (89)           | (43)           |
| Other                                              | (5)            | (7)            | (21)           |
| <b>Total cost of sales</b>                         | <b>(615)</b>   | <b>(609)</b>   | <b>(579)</b>   |

| <b>Copper Operations - continuing</b>                   | <b>Q1 2016</b> | <b>Q4 2015</b> | <b>Q1 2015</b> |
|---------------------------------------------------------|----------------|----------------|----------------|
| Cost of sales                                           | (524)          | (513)          | (515)          |
| Adjustments:                                            |                |                |                |
| Depreciation                                            | 169            | 125            | 117            |
| By-product credits                                      | 83             | 71             | 75             |
| Royalties                                               | 35             | 41             | 76             |
| Treatment and refining charges and freight costs        | (30)           | (30)           | (57)           |
| Finished goods                                          | 51             | 66             | 24             |
| Other                                                   | 3              | 12             | 5              |
| <b>Cash cost (C1)</b>                                   | <b>(213)</b>   | <b>(228)</b>   | <b>(275)</b>   |
| Adjustments:                                            |                |                |                |
| Depreciation (excluding depreciation in finished goods) | (145)          | (133)          | (111)          |
| Royalties                                               | (35)           | (41)           | (76)           |
| Other                                                   | (1)            | (2)            | (4)            |
| <b>Total cost (C3)</b>                                  | <b>(394)</b>   | <b>(404)</b>   | <b>(466)</b>   |
| <b>Cash cost (C1)</b>                                   | <b>(213)</b>   | <b>(228)</b>   | <b>(275)</b>   |
| Adjustments:                                            |                |                |                |
| General and administration costs                        | (14)           | (14)           | (22)           |
| Sustaining capital expenditure and deferred stripping   | (27)           | (48)           | (58)           |
| Royalties                                               | (35)           | (41)           | (76)           |
| <b>AISC</b>                                             | <b>(289)</b>   | <b>(331)</b>   | <b>(431)</b>   |
| Cash cost – copper (C1) (per lb) <sup>2</sup>           | \$1.03         | \$1.06         | \$1.41         |
| Total cost – copper (C3) (per lb) <sup>2</sup>          | \$1.86         | \$1.85         | \$2.39         |
| Total cost – copper AISC (per lb) <sup>2</sup>          | \$1.36         | \$1.51         | \$2.22         |

<sup>1</sup> Total copper production includes initial production at Sentinel of 20,902 tonnes for the three months ended March 31, 2016. Total copper sales includes initial sales at Sentinel of 18,796 tonnes for the three months ended March 31, 2016.

<sup>2</sup> C1 cash cost, C3 and AISC total cost are calculated by applying either copper sales or production payable tonnages to the relevant associated cost.

| <b>Nickel Operations - continuing</b>                    | <b>Q1 2016</b> | <b>Q4 2015</b> | <b>Q1 2015</b> |
|----------------------------------------------------------|----------------|----------------|----------------|
| Cost of sales                                            | (86)           | (89)           | (43)           |
| Adjustments:                                             |                |                |                |
| Depreciation                                             | 15             | 15             | 9              |
| By-product credits                                       | 3              | 4              | 2              |
| Royalties                                                | 2              | 3              | 1              |
| Treatment and refining charges and freight costs         | (1)            | (2)            | (1)            |
| Finished goods                                           | 14             | 9              | (1)            |
| Other                                                    | -              | 1              | (1)            |
| <b>Cash cost (C1)</b>                                    | <b>(53)</b>    | <b>(59)</b>    | <b>(34)</b>    |
| Adjustments:                                             |                |                |                |
| Depreciation (excluding depreciation in finished goods)  | (15)           | (14)           | (9)            |
| Royalties                                                | (2)            | (3)            | (1)            |
| Other                                                    | (1)            | -              | -              |
| <b>Total cost (C3)</b>                                   | <b>(71)</b>    | <b>(76)</b>    | <b>(44)</b>    |
| <b>Cash cost (C1)</b>                                    | <b>(53)</b>    | <b>(59)</b>    | <b>(34)</b>    |
| Adjustments:                                             |                |                |                |
| General and administration costs                         | (3)            | (3)            | (2)            |
| Sustaining capital expenditure and capitalized stripping | -              | -              | (2)            |
| Royalties                                                | (2)            | (3)            | (2)            |
| <b>AISC</b>                                              | <b>(58)</b>    | <b>(65)</b>    | <b>(40)</b>    |
| Cash cost – nickel (C1) (per lb) <sup>1</sup>            | \$4.48         | \$4.49         | \$4.66         |
| Total cost – nickel (C3) (per lb) <sup>1</sup>           | \$6.00         | \$5.82         | \$6.28         |
| Total cost – nickel (AISC) (per lb) <sup>1</sup>         | \$4.93         | \$4.94         | \$5.56         |

<sup>1</sup> C1 cash cost, C3 and AISC total cost are calculated by applying either nickel sales or production payable tonnages to the relevant associated cost.

### 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.

|                                                                  | Q1 2016    | Q4 2015    | Q1 2015    |
|------------------------------------------------------------------|------------|------------|------------|
| Operating profit (loss) from continuing operations               | 70         | 87         | (103)      |
| Add back:                                                        |            |            |            |
| Depreciation                                                     | 184        | 141        | 126        |
| Impairment and related charges                                   | -          | 1          | 72         |
| EBITDA                                                           | 254        | 229        | 95         |
| Adjustments:                                                     |            |            |            |
| Foreign exchange (gain) loss                                     | 11         | (4)        | 5          |
| Leach tank failure at Ravensthorpe                               | -          | -          | 8          |
| Restructuring costs                                              | -          | -          | 2          |
| Loss on disposal of assets                                       | -          | -          | 2          |
| Revisions in estimates of restoration provisions on closed sites | 4          | (1)        | (6)        |
| <b>Total adjustments to EBITDA</b>                               | <b>15</b>  | <b>(5)</b> | <b>11</b>  |
| <b>Comparative EBITDA</b>                                        | <b>269</b> | <b>224</b> | <b>106</b> |

|                                                                                            | Q1 2016   | Q4 2015    | Q1 2015     |
|--------------------------------------------------------------------------------------------|-----------|------------|-------------|
| Net earnings (loss) from continuing operations attributable to shareholders of the Company | 49        | 111        | (78)        |
| Adjustments attributable to shareholders of the Company:                                   |           |            |             |
| Total adjustments to EBITDA including impairment                                           | 15        | (4)        | 83          |
| Tax on adjustments                                                                         | (2)       | 29         | (10)        |
| Minority interest share of adjustments                                                     | 1         | 46         | (7)         |
| <b>Comparative earnings</b>                                                                | <b>63</b> | <b>182</b> | <b>(12)</b> |
| Earnings (loss) per share from continuing operations as reported                           | \$0.07    | \$0.16     | (\$0.13)    |
| Comparative earnings per share                                                             | \$0.09    | \$0.27     | (\$0.02)    |

### 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, restoration provisions, recognition of deferred income tax amounts and depreciation.

- Achievement of commercial production

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, 2015, the Company concluded that the Kansanshi smelter was operating in a manner intended by management and commercial production was effective from July 1, 2015.

- Taxes

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.

- Functional currency

The functional currency of the Company and for each of the Company's subsidiaries is the United States dollar ("USD"), which is the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and this is re-evaluated for each new entity, or if conditions change.

- Precious metal stream arrangement

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 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 judgment 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

Management applies significant judgment 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 by senior management.

- (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, restoration provisions, recognition of deferred income tax amounts and depreciation.

- Review of asset carrying values and impairment charges

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 mine location 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 carrying value exceeds the recoverable amount.

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 or timing of mining interests. Internal sources of information include changes to the life of mine plans and economic performance of the assets.

Management's determination of recoverable amounts include 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.

- Estimation of the amount and timing of restoration and remediation costs

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.

- Taxes

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.

The Company recognizes deferred income tax assets arising from unutilized tax losses which require management to assess the likelihood that the Company will generate taxable earnings in future periods in order to utilize those losses, and the timing of this. 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.

- 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 March 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. 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.

#### *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 three months ended March 31, 2016, the years ended December 31, 2015, and December 31, 2014. If the Company breaches a covenant in its Financing Agreements, this would be an event of default which, if unaddressed, 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. Refer to note 2 in the financial statements for further discussion of the Company's liquidity risk.

#### *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 PGE and other elements.

During 2015, the Company commenced a new hedging program and elected to apply hedge accounting for a portion of copper sales with the contracts expected to be highly effective in offsetting changes in the cash flows of future sales. For the three months ended March 31, 2016, a fair value gain of \$19 million has been recognized on derivatives designated as hedged instruments through accumulated other comprehensive income and a fair value gain of \$82 million has been recognized through sales revenues. As at March 31, 2016, 171,250 tonnes of copper forward sales contracts at an average price of \$2.24 remain outstanding with periods of maturity to August 2016, and 4,992 tonnes of nickel forward sales contracts at an average price of \$4.10 remain outstanding with periods of maturity to June 2016.

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 March 31, 2016 and December 31, 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 March 31, 2016 and December 31, 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 ("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.

#### **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, 2015, 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, 2015 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, 2015, 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 March 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, commissioning and reaching commercial production at Sentinel 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, PGE, 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, PGE, 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.