

# Management's Discussion and Analysis

First quarter ended March 31, 2017



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, 2017. 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 27, 2017.

## FIRST QUARTER 2017 HIGHLIGHTS<sup>1,2</sup>

- Comparative loss<sup>1</sup> of \$29 million (\$0.04 per share<sup>1</sup>) and cash flows from continuing operating activities of \$239 million (\$0.35 per share)<sup>1</sup> for the three months ended March 31, 2017. The comparative loss was incurred as no tax credit has been recognized with respect to losses realized under the sales hedge program. Net loss from continuing operations attributable to shareholders of the Company<sup>1</sup> amounted to \$114 million (\$0.17 per share) inclusive of losses under the sales hedge program and costs incurred for the early redemption of the 2019 and 2020 senior notes, for which no tax credit has been recognized.
- Copper production<sup>3</sup> increased 11% year-over-year to 132,356 tonnes:
  - Strong performances at the Kansanshi and Las Cruces mines.
  - Continued ramp-up of the Sentinel mine in its first full quarter of commercial operations.
- Previous quarterly records for concentrate throughput and anode production at the Kansanshi copper smelter were exceeded by 4% and 14%, respectively.
- Copper sales established a new Company high of 139,810 tonnes including 34,291 tonnes from the now commercial Sentinel mine.
- Copper production unit cost rose, as expected, reflecting mainly a full quarter of commercial operations at Sentinel and the effects of the rainy season in Zambia. These were partially offset by the strong performance at Las Cruces.
- Market guidance for total production, production cost and capital expenditures for the years 2017 to 2019 are unchanged from previously disclosed on January 26, 2017.
- The realized average price for copper of \$2.20 per pound was below the average LME price for the period on account of the Company's sales hedge program which reduced revenues, for the quarter, by \$128 million and lowered the net realized copper price by \$0.42 per pound.
  - Sales hedge positions outstanding as at April 27, 2017 totaled 361,700 tonnes of copper at an average price of \$2.31 per pound.
  - As at March 31, 2017, the Company had unsettled and unmarginated sales hedges for 402,000 tonnes with maturities to February 2018 at an average price of \$2.29 per pound. Additionally, the Company had zero cost collar unmarginated sales hedges for 16,000 tonnes at a price range of \$2.62 - \$2.83 per pound with maturities from July 2017 to February 2018.
- As part of its liability management initiative, the Company issued \$2.2 billion in new senior notes, upsized from a target of \$1.6 billion following strong demand and a significantly oversubscribed order book. Proceeds were used to redeem the 2019 and 2020 senior notes, partially repay the term debt, fully repay the revolving debt and pay fees associated with the offering. The remaining proceeds were added to cash and are being used for general corporate purposes.
  - Ended the quarter with \$938 million of committed undrawn facilities, \$449 million in net unrestricted cash and in full compliance with all financial covenants.

- Advanced the overall Cobre Panama project to over 50% completion. Pre-commissioning activities were started on the first 150 MW unit of the power station and associated infrastructure towards a planned start-up in the second half of 2017.

| Consolidated Operating Information – Continuing <sup>2</sup> | Q1 2017 | Q4 2016 | Q1 2016 |
|--------------------------------------------------------------|---------|---------|---------|
| Copper production (tonnes) <sup>3</sup>                      | 132,356 | 146,101 | 119,287 |
| Copper sales (tonnes)                                        | 139,810 | 136,265 | 131,267 |
| Cash cost of copper production (C1)(per lb) <sup>4</sup>     | \$1.26  | \$1.22  | \$1.03  |
| All-in sustaining cost (AISC)(per lb) <sup>4</sup>           | \$1.59  | \$1.71  | \$1.36  |
| Total cost of copper production (C3)(per lb) <sup>4</sup>    | \$2.05  | \$1.91  | \$1.86  |
| Realized copper price (per lb)                               | \$2.20  | \$2.18  | \$2.38  |
| Nickel production (contained tonnes)                         | 5,592   | 6,206   | 7,106   |
| Nickel sales (contained tonnes)                              | 5,197   | 6,073   | 8,940   |
| Cash cost of nickel production (C1)(per lb) <sup>4</sup>     | \$4.84  | \$4.46  | \$4.48  |
| All-in sustaining cost (AISC)(per lb) <sup>4</sup>           | \$5.81  | \$5.03  | \$4.93  |
| Total cost of nickel production (C3)(per lb) <sup>4</sup>    | \$6.57  | \$6.16  | \$6.00  |
| Realized nickel price (per payable lb)                       | \$4.93  | \$4.50  | \$3.88  |
| Gold production (ounces)                                     | 50,579  | 54,234  | 56,191  |
| Gold sales (ounces)                                          | 46,904  | 45,620  | 63,141  |

| Consolidated Financial Information <sup>2</sup>                                                      | Q1 2017  | Q4 2016 | Q1 2016  |
|------------------------------------------------------------------------------------------------------|----------|---------|----------|
| Sales revenues                                                                                       | 766      | 689     | 720      |
| Gross profit                                                                                         | 69       | 52      | 105      |
| Net earnings (loss) from continuing operations attributable to shareholders of the Company           | (114)    | 12      | 49       |
| Net loss from discontinued operations                                                                | -        | -       | (266)    |
| Net earnings (loss) per share from continuing operations attributable to shareholders of the Company | (\$0.17) | \$0.02  | \$0.07   |
| Net earnings (loss) per share <sup>5</sup>                                                           | (\$0.17) | \$0.02  | (\$0.32) |
| Basic and diluted earnings (loss) per share <sup>5</sup>                                             | (\$0.17) | \$0.02  | (\$0.32) |
| Comparative EBITDA <sup>1</sup>                                                                      | 265      | 218     | 269      |
| Comparative earnings (loss) <sup>1</sup>                                                             | (29)     | 27      | 63       |
| Comparative earnings (loss) per share <sup>1</sup>                                                   | (\$0.04) | \$0.04  | \$0.09   |

<sup>1</sup> Net earnings (loss) attributable to shareholders of the Company and Earnings before interest, tax, depreciation, amortization and impairment (“EBITDA”) have been adjusted to exclude items which are not reflective of underlying performance to arrive at comparative earnings (loss) and comparative EBITDA. EBITDA, comparative earnings (loss), comparative earnings (loss) per share, comparative EBITDA and cash flows per share 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.

<sup>2</sup> Operating performance measures exclude Kevitsa. On June 1, 2016 the sale of Kevitsa was completed. In accordance with the requirements of IFRS 5 - *Non-current assets Held for Sale and Discontinued Operations*, the financial information of 2016 was presented to exclude Kevitsa.

<sup>3</sup> Production is presented on a copper contained basis, and is presented prior to processing through the Kansanshi smelter.

<sup>4</sup> C1 cash cost, AISC, C3 total cost are not recognized under IFRS. See “Regulatory disclosures” for further information.

<sup>5</sup> 2016 figures include discontinued operations.

## OPERATIONS SUMMARY

### First quarter 2017 – continuing operations

#### Copper production 11% higher from production at Sentinel and Kansanshi

- Copper production of 132,356 tonnes was 11% higher than the same period in 2016 primarily as a result of increased production at Sentinel and Kansanshi.
- At Sentinel, copper production totaled 36,274 tonnes for the quarter compared to 20,902 tonnes for the same period in 2016.

- Copper production was lower compared to the fourth quarter of 2016 due principally to the rainy season in Zambia and the transition to a terrace mining plan at Sentinel.
- The Kansanshi smelter processed 327,095 tonnes (2016: 244,144 tonnes) of concentrate, produced 83,070 tonnes (2016: 52,506 tonnes) of copper anode and 307 thousand tonnes (2016: 239 thousand tonnes) of sulphuric acid and achieved an overall copper recovery of 97% (2016: 98%).

#### **Nickel production 21% lower**

- Equipment maintenance and flooding impacted operations at Ravensthorpe resulting in nickel production of 5,592 tonnes for the quarter compared with 7,106 tonnes for the comparable period in 2016.

#### **Gold production lower than 2016**

- Gold production of 50,579 ounces was 10% lower than the comparable period in 2016, driven by lower production at Guelb Moghrein as a result of gold feed grade and throughput.

#### **Copper sales volumes higher from Sentinel anode sales**

- Copper sales volumes of 139,810 tonnes were 7% higher than the comparable period in 2016, reflecting an almost doubling of sales volumes from Sentinel, attributable to sales of copper anode.

#### **Copper C1 cash cost increased to \$1.26 per lb, within guidance**

- Copper C1 cash cost of \$1.26 per lb increased by \$0.23 per lb compared to the same period in 2016 reflecting the first full quarter of commercial production at Sentinel. C1 cash cost at Sentinel was impacted by lower production attributable to the rainy season in Zambia and the transition to a terrace mining layout. Excluding Sentinel, C1 cash costs of \$1.12 per lb increased by \$0.09 per lb compared to the same period in 2016 reflecting mainly lower production, lower by-product credits at Kansanshi and higher maintenance activity at Guelb Moghrein.

#### **Nickel C1 cash cost increased to \$4.84 per lb**

- Nickel C1 cash cost of \$4.84 per lb was higher by \$0.36 per lb compared to the same period in 2016. Lower processing costs were more than offset by lower production attributable to maintenance interruptions and flooding during the quarter.

## **FINANCIAL AND CORPORATE DEVELOPMENTS SUMMARY**

#### **Corporate senior notes refinancing**

On March 22, 2017, the Company completed the offering of \$2.2 billion of senior notes comprising \$1.1 billion due 2023 (the “2023 Notes”) and \$1.1 billion due 2025 (the “2025 Notes”). Interest will accrue at the rate of 7.25% on the 2023 Notes and at the rate of 7.50% on the 2025 Notes, both payable semi-annually. The Notes will be senior obligations of the Company and will be guaranteed by certain of the Company’s subsidiaries. The proceeds of the offering have been used to purchase the Company’s senior notes due 2019, 2020 as well as notes issued by Inmet Mining Corporation due 2020 and 2021, which have now been cancelled, fully repay (without cancelling) the Company’s senior revolving debt, repay a portion of the Company’s senior term debt and pay fees associated with the offering, with the remainder of the proceeds being used for general corporate purposes.

#### **Power**

The power supply situation in Zambia has stabilized and the Company’s local operations are currently being provided a total of 306 MW, an increase of 5 MW since last quarter, which is adequate for current operations at the Kansanshi mine and smelter complex and at Sentinel. Kansanshi and Sentinel were advised by the state-run power company (“ZESCO”) and the Zambian Ministry of Energy and Water Development that power tariffs effective January 1, 2017 for all mining companies would be 9.30 cents per kWh. These tariffs have not been accepted by the Company or the ERB, and discussions with ZESCO and the Government of Zambia are ongoing.

#### **Litigation**

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

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

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

**Sales revenues increased due to higher copper sales volumes, partially offset by lower realized metal prices**

- Sales revenues of \$766 million for the first quarter of 2017 increased by \$46 million compared to the same period in 2016 due mostly to Sentinel being in commercial production since November 2016. This was offset, to some extent, by lower net realized copper prices attributable to the copper sales hedging program, and lower nickel sales volumes attributable to the impact of major area flooding at Ravensthorpe.

**Gross profit of \$69 million impacted by lower realized metal prices and higher depreciation, offset by higher sales volumes compared to the same period in 2016.**

|                                            | Continuing Operations |
|--------------------------------------------|-----------------------|
| Gross profit in Q1 2016                    | 105                   |
| Lower realized metal prices                | (72)                  |
| Higher sales volumes                       | 76                    |
| Increase in costs (excluding depreciation) | (10)                  |
| Foreign exchange                           | (1)                   |
| Increase in depreciation                   | (29)                  |
| Gross profit in Q1 2017 <sup>1</sup>       | 69                    |

<sup>1</sup> Gross profit is reconciled to comparative EBITDA by including: exploration costs of \$3 million, general, administrative and other costs of \$17 million, and adding back depreciation of \$213 million and other income of \$3 million.

**Comparative EBITDA on a continuing basis of \$265 million**

- Comparative EBITDA on a continuing basis of \$265 million excludes the impact of foreign exchange losses and revisions in estimates of closed site restoration provisions and is \$4 million lower than the same period last year.
- For the three months ended March 31, 2017, comparative loss was \$29 million compared to comparative earnings of \$63 million for the same period in 2016. Comparative loss of \$29 million excludes the loss on extinguishment relating to the now cancelled 2019 and 2020 senior notes (*a reconciliation of comparative metrics is on pages 26-30*).
- The net loss attributable to shareholders for the first quarter of 2017 of \$114 million compared with net earnings attributable to shareholders of \$49 million for the same period in 2016 is due to the \$84 million in costs relating to the early redemption of the senior notes, for which no tax credit is recognized, as well as the lack of tax relief on losses realized under the Company's sales hedge program. The \$84 million in early redemption costs have been excluded from the comparative loss.

## FINANCIAL POSITION AND OPERATING CASH FLOW

- The Company ended the period with \$449 million of net unrestricted cash and net cash equivalents in addition to \$938 million of committed undrawn facilities and was in compliance with all financial covenants. Taking into account forecast operating cash inflows, capital expenditure outflows and available committed facilities, the Company expects to have sufficient liquidity through 2017 to carry out its operating and capital expenditure plans.
- The total amount of value-added tax ("VAT") accrued by the Company's Zambian operations at March 31, 2017, is \$285 million, of which \$262 million relates to Kansanshi. Management of the Company continues to engage in regular discussions with the relevant government authorities and considers that the outstanding VAT claims are fully recoverable.

## DEVELOPMENT ACTIVITIES

### Cobre Panama Project, Panama

Steady progress was achieved at Cobre Panama, and the overall project progress as at the end of the quarter is estimated to be just over 50% completion. The power station and associated infrastructure has commenced pre-commissioning activities for the first 150 MW set, with first operation of Unit 1 targeted in the second half of 2017. Operation of the second 150 MW set is expected to follow in the first half of 2018. These should provide cash flows prior to start-up of the processing facility. Good progress continues to be achieved in other areas of the project, and construction of the process plant has expanded to almost all processing areas including secondary crushing, stockpile, milling, flotation, and thickening. The project remains scheduled for phased commissioning during 2018, with continued ramp-up over 2019.

Detailed engineering and design is 85% complete and continues to focus on completion of the process plant and secondary infrastructure.

Key progress milestones for the quarter include mining pre-strip works now at 55% completion, the Tailings Management Facility (“TMF”) earthworks now at 64% completion, and the process plant earthworks essentially completed. The 230kv transmission line construction has been completed with punchlisting and early testing now commencing. Efforts in the process plant are ramping up with good progress particularly in flotation and secondary crushing. Significant equipment and construction bulks were committed in the period.

The total capital expenditure for Cobre Panama to date in 2017 was \$243 million (First Quantum’s share \$146 million), while planned total expenditure for 2017 is expected to be approximately \$1,060 million (First Quantum’s share \$640 million). Project spending to date amounts to \$3.7 billion, including \$0.7 billion contributed by Korea Panama Mining Corporation (“KPMC”), which owns a 20% interest in the project.

The Cobre Panama project has now passed an overall 50% completion status, and is benefitting from the opportunity to incorporate a number of improvements, inclusive of learnings from Sentinel, to ensure a positive development outcome.

### **Enterprise Project, Zambia**

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

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

## **EXPLORATION**

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

At the Haquira project in Peru, the focus continues on the community and environmental aspects. The Environmental Impact Assessment (“EIA”) studies and environmental monitoring progressed as planned and required. Various access agreements with communities were negotiated for this purpose.

At Taca Taca, the EIA studies continue as planned with the collection of baseline data and the continuation of a communications and consultation plan in three local population centres. Testing of various water sources was carried out to confirm their suitability for the project. Commercial and logistical aspects continue to be addressed. The EIA baseline studies are planned to be finished in second quarter of 2017 whilst further studies such as transport and electricity supply are planned to be initiated during 2017.

During the first quarter of 2017, near-mine exploration activities were limited to Pyhäsalmi in Finland and Kansanshi in Zambia. At Kansanshi, a new resource definition program designed to upgrade near-mine oxide reserves was ongoing during the quarter. A series of targets extending laterally beyond the current mine reserve have been identified for drill testing based on detailed pit mapping and structural modelling. Elsewhere in the Kansanshi district, a number of opportunities for satellite oxide resources have been identified through surface geochemistry and reconnaissance drilling. More detailed follow up reverse circulation and diamond drill programs are planned during the dry season mid-year.

Early stage global exploration activities continue at a subdued level in 2017. Residual low-cost exploration data collection and reconnaissance work has been sustained in Peru, Chile and Zambia with several early stage targets now ready for drilling. Elsewhere, the focus continues on identifying longer term counter-cyclical opportunities through generative studies and grassroots prospecting, with several new porphyry targets currently being investigated around the world.

## **HEALTH & SAFETY**

The health and safety of all of our employees and contractors is our top priority and the Company is focused on the continual strengthening and improvement of the safety culture at all of our operations. Tragically, despite this, two fatal incidents occurred at the Company’s operations in the quarter, at Kansanshi and at Çayeli. All fatalities are subject to internal and external investigation, as well as Board review. These unfortunate incidents will be thoroughly analyzed and the Company is committed to learning from these findings and appropriate actions are being taken. The Lost Time Injury Frequency Rates (“LTIFR”) is an area of focus and a key performance metric for the Company, our rolling 12 month LTIFR has remained at 0.11 per 200,000 hours worked on average over the 12 month period to March 31, 2017.

## MARKET GUIDANCE

Group guidance is unchanged from previously provided on January 26, 2017 and incorporates a number of assumptions and estimates as of March 31, 2017, 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*

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

Guidance on precise production during the ramp up and commissioning phases at Cobre Panama and any expansion of the Kansanshi mine will depend on a number of factors which can only be properly assessed at a later stage. At this point, previously-published annual post commercial production levels for Cobre Panama remain unchanged.

### *Production guidance by operations*

#### **Copper**

| 000's tonnes           | 2017 | 2018 | 2019 |
|------------------------|------|------|------|
| Kansanshi              | 240  | 245  | 245  |
| Sentinel               | 195  | 215  | 235  |
| Las Cruces             | 70   | 70   | 70   |
| Guelb Moghrein         | 34   | 36   | 30   |
| Çayeli <sup>1</sup>    | 19   | 23   | 20   |
| Pyhäsalmi <sup>2</sup> | 12   | 11   | 5    |

#### **Nickel**

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

#### **Gold**

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

#### **Zinc**

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

(1) 2017 guidance has been decreased by 2 thousand tonnes.

(2) 2017 guidance has been increased by 2 thousand tonnes.

### Cash cost and all-in sustaining cost

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

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

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

### Capital expenditure<sup>1</sup>

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

<sup>1</sup> Excludes capitalization of any net pre-commercial production costs and capitalized interest.

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

## OPERATIONS

| Kansanshi                                           | Q1 2017 | Q4 2016 | Q1 2016 |
|-----------------------------------------------------|---------|---------|---------|
| Sulphide ore tonnes milled (000's)                  | 3,291   | 3,267   | 2,888   |
| Sulphide ore grade processed (%)                    | 0.7     | 0.8     | 0.7     |
| Sulphide copper recovery (%)                        | 93      | 93      | 88      |
| Mixed ore tonnes milled (000's)                     | 2,010   | 1,993   | 1,990   |
| Mixed ore grade processed (%)                       | 1.0     | 1.0     | 1.0     |
| Mixed copper recovery (%)                           | 87      | 79      | 88      |
| Oxide ore tonnes milled (000's)                     | 1,650   | 1,811   | 1,637   |
| Oxide ore grade processed (%)                       | 1.5     | 1.4     | 1.5     |
| Oxide copper recovery (%)                           | 93      | 95      | 92      |
| Copper production (tonnes) <sup>1</sup>             | 63,198  | 65,950  | 58,075  |
| Copper smelter                                      |         |         |         |
| Concentrate processed (DMT) <sup>2</sup>            | 327,095 | 314,399 | 244,144 |
| Copper anodes produced (tonnes) <sup>2</sup>        | 83,070  | 72,630  | 52,506  |
| Smelter copper recovery (%)                         | 97      | 95      | 98      |
| Acid tonnes produced (000's)                        | 307     | 295     | 239     |
| Copper sales (tonnes) <sup>3</sup>                  | 72,276  | 64,904  | 72,222  |
| Gold production (ounces)                            | 36,017  | 40,331  | 35,743  |
| Gold sales (ounces)                                 | 33,732  | 30,592  | 44,132  |
| Cash costs (C1) (per lb) <sup>4</sup>               | \$1.28  | \$1.30  | \$1.18  |
| All-in sustaining cost (AISC) (per lb) <sup>4</sup> | \$1.59  | \$1.76  | \$1.59  |
| Total costs (C3) (per lb) <sup>4</sup>              | \$1.89  | \$1.81  | \$1.94  |
| Sales revenues                                      | 440     | 369     | 373     |
| Gross profit before royalties                       | 132     | 117     | 49      |
| Gross profit                                        | 111     | 97      | 18      |
| Comparative EBITDA <sup>4</sup>                     | 195     | 146     | 109     |

<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, AISC, C3 total cost and comparative EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information.

### Kansanshi Mining Operations

Copper production for the first quarter of 2017 was 9% higher than the same period in 2016 due primarily to an increase of 7% in milling volumes, and higher plant recovery on the sulphide circuit. The improved plant performance reflects an increase of 20%, compared to the first quarter of 2016, in mixed final tails ("MFT") processed through the leaching circuit, implementation of controlled potential sulphidisation in the oxide and mixed circuits, debottlenecking the leaching circuit to allow increased treatment of MFT and changing to a more efficient collector in the sulphide circuit. No concentrate was processed through the high pressure leach unit due to power restrictions.

C1 cash cost for the first quarter of 2017 at \$1.28 per lb is \$0.10 per lb higher than the same period in 2016 due to lower gold by-product credit, one-off increase in fuel price due to lower rebates, annual wage increases partially offset by improved plant recovery and ore grade and increased deferred stripping capitalized. Quarterly mining cash costs within C1 cash costs are subject to variability and are typically at their highest in the first and fourth quarter of the year.

Sales volumes for the first quarter of 2017 remained at the same level as the comparable period in 2016 while revenue increased by 18% compared to the same period in 2016. The increase in revenue reflects higher commodity prices recorded in 2017. Gross profit for the first quarter of 2017 improved by \$93 million compared to the same period in 2016, reflecting this higher revenue.

### **Kansanshi Copper Smelter**

In the first quarter of 2017, the smelter treated 327,095 tonnes of concentrate, representing an increase of 34% from the first quarter of 2016 and produced 83,070 tonnes of copper in anode and 307,000 tonnes of sulphuric acid. The quality of concentrate treated improved significantly with over 26% copper in concentrate grade for the current quarter compared to 22% for the first quarter of 2016. The overall copper recovery rate achieved for the first quarter of 2017 was 97%.

### **Outlook**

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

It has been announced that ZESCO plans to amend electricity tariffs to a flat 9.30 cents per kWh, effective January 1, 2017 for all mining companies. The regulatory authorities in Zambia remain closely engaged with the Company and the industry, and affordability and stability remain ongoing central themes of these discussions.

| Sentinel <sup>1</sup>                               | Q1 2017 | Q4 2016<br>Post<br>commercial<br>production | Q4 2016<br>Pre<br>commercial<br>production | Q1 2016 |
|-----------------------------------------------------|---------|---------------------------------------------|--------------------------------------------|---------|
| Copper ore processed (000's tonnes)                 | 8,800   | 7,000                                       | 3,397                                      | 8,281   |
| Copper ore grade processed (%)                      | 0.5     | 0.6                                         | 0.5                                        | 0.6     |
| Copper recovery (%)                                 | 81      | 88                                          | 75                                         | 44      |
| Copper production (tonnes)                          | 36,274  | 35,133                                      | 12,652                                     | 20,902  |
| Copper sales (tonnes)                               | 34,291  | 30,328                                      | 9,166                                      | 18,796  |
| Cash cost (C1) (per lb) <sup>2</sup>                | \$1.67  | \$1.47                                      | -                                          | -       |
| All-in sustaining cost (AISC) (per lb) <sup>2</sup> | \$2.07  | \$2.13                                      | -                                          | -       |
| Total cost (C3) (per lb) <sup>2</sup>               | \$2.45  | \$2.16                                      | -                                          | -       |
| Sales revenues                                      | 189     | 153                                         | -                                          | -       |
| Gross profit                                        | 52      | 17                                          | -                                          | -       |
| Comparative EBITDA <sup>2</sup>                     | 90      | 46                                          | -                                          | -       |

<sup>1</sup> Sentinel was declared in commercial production effective November 1, 2016. Comparative financial information for periods prior to commercial production has not been presented as all pre-commercial production revenue and costs were capitalized.

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

Production was significantly higher than the comparative period in 2016 as operations ramped up significantly over the course of 2016. The rainy season in Zambia impacted mining activities in the current year's quarter resulting in copper production lower than the preceding period by 24%. The change in mine development geometry to a "terrace mining" layout also impacted operations; however, this change is expected to improve equipment optimization through increased access to larger benches in future periods. The secondary crushing circuit, commissioned during the quarter, is now operational and providing additional scope for efficient ore processing through the milling circuit.

Ore reporting to the plant was mainly primary sulphides which necessitated increased milling power requirements as a result of the harder ore encountered. Following the increased power allocation last quarter, the power drawn by operations increased from 126 MW to 136 MW in the period. Fresh ore mined from lower elevations of the pit coupled with improved plant operations, steady ore feed and ongoing optimization work on reagents, have resulted in an upward trend in copper recoveries despite lower throughput, particularly towards the end of the quarter. The commissioning of the Jameson cell, which is expected to be in the second quarter of 2017, should increase both copper recoveries and copper concentrate grades.

C1 cash cost of \$1.67 per lb for the mine's first full quarter of commercial production was higher compared to the \$1.47 per lb for the fourth quarter of 2016 (commercial production declared effective November 1, 2016). This increase was due to the lower production attributable to lower mining resulting from the rainy season and the transition to a terrace mining layout. Offsetting this were lower treatment costs associated with increased proportional sales of copper anode to copper concentrate in the period.

Sales revenues of \$189 million for the quarter comprised of both sales of concentrate and anode. Increased revenues were attributable to an 11% increase in the average LME copper price for the quarter, with an increase in the proportion of revenues generated from the sale of copper anode. Copper anode typically realizes a higher margin than the sale of copper concentrate.

## Outlook

Production in 2017 is expected to be approximately 195,000 tonnes of copper. Production in the second quarter is expected to be affected by the planned shutdown of both trains for maintenance and mill relining. The focus in the second quarter of 2017 will be the continued transition to the terrace mine layout with increased waste mining, targeted at improving access to the ore and maximizing equipment utilization and the optimization of crushing and milling operations through sustained operation of both secondary and pebble crushers.

Following discussions with ZESCO a further 5 MW has been allocated to operations at Sentinel from early April. It is expected that the power currently available, 141 MW, will allow operations to continue unconstrained for the second half of the year. It has been announced that ZESCO plans to amend electricity tariffs to a flat 9.30 cents per kWh, effective January 1, 2017 for all mining companies. The regulatory authorities in Zambia remain closely engaged with the Company and the industry, and affordability and stability remain ongoing central themes of these discussions.

| Las Cruces                                          | Q1 2017 | Q4 2016 | Q1 2016 |
|-----------------------------------------------------|---------|---------|---------|
| Ore tonnes processed (000's)                        | 398     | 362     | 378     |
| Copper ore grade processed (%)                      | 5.2     | 5.1     | 5.2     |
| Copper recovery (%)                                 | 91      | 93      | 92      |
| Copper cathode production (tonnes)                  | 18,793  | 17,156  | 18,045  |
| Copper cathode sales (tonnes)                       | 20,228  | 15,656  | 18,972  |
| Cash cost (C1) (per lb) <sup>1</sup>                | \$0.78  | \$0.94  | \$0.84  |
| All-in sustaining cost (AISC) (per lb) <sup>1</sup> | \$0.93  | \$1.20  | \$0.96  |
| Total cost (C3) (per lb) <sup>1</sup>               | \$1.89  | \$1.93  | \$1.82  |
| Sales revenues                                      | 119     | 82      | 89      |
| Gross profit                                        | 34      | 15      | 12      |
| Comparative EBITDA <sup>1</sup>                     | 81      | 49      | 53      |

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

Copper production increased by 4% compared to the same period in 2016 due to a 5% increase in throughput that offset lower overall recoveries caused by changes in mineral characteristics. Plant availability was higher than expected as a planned maintenance shutdown was delayed until later in the year.

C1 cash costs were \$0.06 per lb lower than the comparable period in 2016, due to a favourable impact of the US dollar against the Euro as well as an increase in copper production, partially offset by higher electricity costs.

Sales revenues increased by 34% compared to the same period in 2016 due to higher realized copper prices and sales volumes. The additional sales came from a drawdown in the year end cathode stockpile during the quarter. This revenue increase flowed through the gross profit and resulted in a \$22 million increase over the same period last year.

## Outlook

Copper production for 2017 is expected to be approximately 70,000 tonnes.

Managing stockpile blending to reduce primary sulphide contamination in the ore feed will be essential to maintaining high leach and overall recoveries.

With surface waste dump permits in place and in-pit waste dumping targets easily within reach this year, ore mining of successive phases is expected to proceed with little difficulty.

Cost optimization and capital expenditure management is planned to continue being a source of focus in 2017, as well as ongoing research on technical and economic feasibility of the Polymetallic Refinery project and the construction of an exploration ramp to increase knowledge of current resources.

| <b>Guelb Moghrein</b>                               | <b>Q1 2017</b> | <b>Q4 2016</b> | <b>Q1 2016</b> |
|-----------------------------------------------------|----------------|----------------|----------------|
| Sulphide ore tonnes milled (000's)                  | 863            | 927            | 1,014          |
| Sulphide ore grade processed (%)                    | 1.0            | 0.7            | 1.2            |
| Sulphide copper recovery (%)                        | 92             | 91             | 93             |
| Copper production (tonnes)                          | 7,533          | 6,078          | 11,062         |
| Copper sales (tonnes)                               | 6,122          | 5,840          | 9,622          |
| Gold production (ounces)                            | 12,133         | 11,140         | 17,240         |
| Gold sales (ounces)                                 | 10,293         | 11,959         | 15,573         |
| Cash costs (C1) (per lb) <sup>1</sup>               | \$1.14         | \$1.19         | \$0.68         |
| All-in sustaining cost (AISC) (per lb) <sup>1</sup> | \$1.67         | \$2.21         | \$1.13         |
| Total costs (C3) (per lb) <sup>1</sup>              | \$1.93         | \$2.18         | \$1.31         |
| Sales revenues                                      | 41             | 39             | 51             |
| Gross profit                                        | 7              | 2              | 15             |
| Comparative EBITDA <sup>1</sup>                     | 16             | 12             | 24             |

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

Copper production was 32% lower than the same period in 2016 impacted mainly by lower copper feed grade and a 15% decrease in tonnes milled which was mainly due to treatment of hard ore.

Gold in concentrate production was 30% lower than the same period in 2016 as a result of lower gold feed grade and lower tonnes milled.

C1 cash cost of \$1.14 per lb was an increase of \$0.46 per lb compared to the first quarter of 2016 due to the lower copper production and higher mining maintenance activity, partially offset by higher gold credits.

Sales revenue was 20% below the same period in 2016, influenced by the lower volumes of copper and gold produced, offset by improved metal price. Gross profit was \$7 million compared to \$15 million for the same period in 2016, driven by lower sales revenue.

## Outlook

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

The plan for 2017 is to continue the focus on improving mining rates to further open up working areas in Cut 3, so as to increase mining equipment efficiencies and overall productivity. The main cost saving initiatives will include improving the mining equipment parts and consumables value chain by collaborating with suppliers on technical support, strategic planning and major-component re-manufacture.

Due to the continued optimisation of the SAG mill and improvements in the manufacture of the steel liners used, only one major shutdown instead of two is required this year. This shutdown occurred in April and lasted for 130 hours. To address the increased hardness of ore from Cut 2 (at depth), installation of a pre-crushing plant was initiated during first quarter. Commissioning and optimization is planned during early the part of the second quarter of 2017.

| <b>Ravensthorpe</b>                                 | <b>Q1 2017</b> | <b>Q4 2016</b> | <b>Q1 2016</b> |
|-----------------------------------------------------|----------------|----------------|----------------|
| Beneficiated ore tonnes processed (000's)           | 619            | 700            | 709            |
| Beneficiated ore grade processed (%)                | 1.1            | 1.2            | 1.3            |
| Nickel recovery (%)                                 | 82             | 80             | 84             |
| Nickel production (contained tonnes)                | 5,592          | 6,206          | 7,106          |
| Nickel sales (contained tonnes)                     | 5,197          | 6,073          | 8,940          |
| Nickel production (payable tonnes)                  | 4,291          | 4,650          | 5,295          |
| Nickel sales (payable tonnes)                       | 3,981          | 4,539          | 6,813          |
| Cash costs (C1) (per lb) <sup>1</sup>               | \$4.84         | \$4.46         | \$4.48         |
| All-in sustaining cost (AISC) (per lb) <sup>1</sup> | \$5.81         | \$5.03         | \$4.93         |
| Total costs (C3) (per lb) <sup>1</sup>              | \$6.57         | \$6.16         | \$6.00         |
| Sales revenues                                      | 45             | 52             | 60             |
| Gross loss                                          | (18)           | (13)           | (26)           |
| Comparative EBITDA <sup>1</sup>                     | (8)            | (1)            | (11)           |

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

Nickel production was 21% lower than the comparable period in 2016 as beneficiated ore processed in the current quarter was lower by 13% compared to same period in 2016. Lower grade ore which is finer and more abrasive than Halley's feed is now being delivered from the Hale Bopp pit. Beneficiation was impacted by equipment performance issues during February and March. Major area flooding during the quarter also resulted in difficulties in crushing wet ore for beneficiation. An overall plant strategy is in place to increase beneficiation throughput to budget levels.

C1 cost of \$4.84 per lb was \$0.36 per lb higher than the comparable period in 2016 mainly reflecting lower nickel production as a result of higher maintenance requirements, as well as lower nickel grades and nickel recoveries. Mining activity has progressively moved to the lower grade Hale Bopp pit since the third quarter of 2016.

Sales revenues were lower than the comparable period in 2016. Lower sales volumes in the quarter were partially offset by higher realized nickel prices. Ravensthorpe incurred a gross loss of \$18 million. While the average LME nickel price rose 21% from an average of \$3.85 per lb in the first quarter of 2016 to \$4.66 per lb in the first quarter of 2017, low nickel production has negatively impacted revenue and gross profit in the first quarter of 2017.

## Outlook

As cost management continues as a primary focus, the acid plant shutdown originally planned for the first quarter of 2017 has been deferred until the third quarter of 2017. Programs have commenced to improve plant performance and works are continuing on the refurbishment of the atmospheric leach tanks. These initiatives are expected to result in improvements in plant performance and nickel recoveries in the near term. Further preliminary work and permit applications associated with the Shoemaker Levy deposit will remain a focus for the remainder of the year.

Production forecast for 2017 is approximately 25,000 tonnes of nickel.

The cost of operations is highly sensitive to the price of sulphur, which fluctuates with market factors. The sulphur price trended upward during the second half of 2016, but stabilized during the first quarter of 2017.

| Çayeli                                              | Q1 2017 | Q4 2016 | Q1 2016 |
|-----------------------------------------------------|---------|---------|---------|
| Ore tonnes milled (000's)                           | 204     | 320     | 326     |
| Copper ore grade processed (%)                      | 1.7     | 2.0     | 2.5     |
| Copper recovery (%)                                 | 89      | 89      | 86      |
| Zinc ore grade processed (%)                        | 1.1     | 1.3     | 1.7     |
| Zinc recovery (%)                                   | 39      | 39      | 39      |
| Copper production (tonnes)                          | 3,115   | 5,741   | 6,878   |
| Copper sales (tonnes)                               | 3,392   | 7,257   | 7,295   |
| Zinc production (tonnes)                            | 867     | 1,610   | 2,170   |
| Zinc sales (tonnes)                                 | 2,491   | 2,387   | 2,062   |
| Cash cost (C1) (per lb) <sup>1</sup>                | \$1.52  | \$1.25  | \$1.18  |
| All-in sustaining cost (AISC) (per lb) <sup>1</sup> | \$1.64  | \$1.42  | \$1.36  |
| Total cost (C3) (per lb) <sup>1</sup>               | \$2.53  | \$1.90  | \$1.83  |
| Sales revenues                                      | 20      | 33      | 29      |
| Gross profit                                        | 2       | 8       | 3       |
| Comparative EBITDA <sup>1</sup>                     | 8       | 17      | 12      |

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

A serious shaft hoisting incident, an underground fatality, ongoing poor ground conditions and a budgeted reduction in throughput were the root causes of the significant decline in metal production in the first quarter. Shaft hoisting was unavailable for a period and later limited to an upper mine loading point for the rest of the quarter, preventing access to higher grade copper and zinc tonnes in the lower extremities of the mine. A backlog of areas requiring renewed ground support necessitated the reallocation of limited resources.

C1 cash costs increased by \$0.34 per lb compared to same period in 2016 primarily due to the lower copper metal production which was partly offset by lower operating expenditures and higher by-product revenues as a result of high zinc price.

Sales revenues were 31% lower than the same period in 2016 due to lower copper production which was partly offset by higher zinc volumes and realized copper and zinc price. Gross profit was lower compared to the same period in 2016 due to the copper volume sold partly offset by low operating expenditures and higher metal prices.

## Outlook

Production in 2017 is expected to be approximately 19,000 tonnes of copper and approximately 5,000 tonnes of zinc.

The annual throughput was reduced by 6% in the 2017 budget compared to 2016, in line with a declining number of work areas as the mine reserves approach depletion. Annual throughput was further reduced by 11% during the quarter as a result of the shaft hoisting incident and the ongoing backlog of work areas needing rehabilitation. Production is expected to reach forecasted levels in June, when a rope coiling device is planned to be installed on the hoist, which would allow the resumption of ore hoisting from the lowest level in the mine.

| Pyhäsalmi                                           | Q1 2017  | Q4 2016  | Q1 2016 |
|-----------------------------------------------------|----------|----------|---------|
| Ore tonnes milled (000's)                           | 328      | 350      | 343     |
| Copper ore grade processed (%)                      | 1.1      | 1.0      | 1.3     |
| Copper recovery (%)                                 | 97       | 97       | 98      |
| Zinc ore grade processed (%)                        | 1.8      | 2.9      | 1.3     |
| Zinc recovery (%)                                   | 90       | 93       | 88      |
| Copper production (tonnes)                          | 3,443    | 3,392    | 4,325   |
| Copper sales (tonnes)                               | 3,500    | 3,114    | 4,361   |
| Zinc production (tonnes)                            | 5,385    | 9,474    | 4,053   |
| Zinc sales (tonnes)                                 | 5,466    | 9,584    | 3,935   |
| Pyrite production (tonnes)                          | 184,464  | 4,770    | 177,149 |
| Pyrite sales (tonnes)                               | 105,449  | 111,273  | 210,183 |
| Cash cost (C1) (per lb) <sup>1</sup>                | (\$0.59) | (\$1.14) | \$0.14  |
| All-in sustaining cost (AISC) (per lb) <sup>1</sup> | (\$0.59) | (\$1.18) | \$0.22  |
| Total cost (C3) (per lb) <sup>1</sup>               | \$1.57   | \$0.84   | \$2.04  |
| Sales revenues                                      | 36       | 38       | 32      |
| Gross profit                                        | 9        | 9        | 1       |
| Comparative EBITDA <sup>1</sup>                     | 24       | 23       | 19      |

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

Copper production decreased by 20% compared to the same period in 2016 due to lower throughput, grade and recovery. Zinc production was 33% above the same period in 2016, driven by higher recovery and grade. The reduced throughput was budgeted going forward as the mine nears depletion. The fluctuation in copper and zinc grades reflects the constraint on available work areas at this stage in the mine life.

C1 cash cost was \$0.73 per lb lower compared to the same period in 2016 driven by higher zinc credit due to the improved metal price, higher zinc sales volumes and the favourable impact of the US dollar against the Euro. This was partially offset by the impact of the reduction in copper production against the same period in 2016.

Sales revenues increased by 13% compared to the same period in 2016, reflecting higher zinc sales volumes and realized metal prices partially offset by lower copper sales volumes on reduced production and lower pyrite sales volumes.

## Outlook

Production in 2017 is expected to be approximately 12,000 tonnes of copper, 5,000 ounces of gold, 15,000 tonnes of zinc and 700,000 tonnes of pyrite.

Although somewhat reduced in the final few years of the mine life, throughput is expected to be consistent despite more challenging mining conditions in mostly secondary or remnant stoping areas. An emphasis on maintaining a low underground void ratio and higher volumes of tailings backfill will continue.

**SALES REVENUES**

|                        |                           | Q1 2017 | Q4 2016 | Q1 2016 |
|------------------------|---------------------------|---------|---------|---------|
| Kansanshi              | - copper                  | 400     | 336     | 323     |
|                        | - gold                    | 40      | 33      | 50      |
| Sentinel               | - copper                  | 189     | 153     | -       |
| Las Cruces             | - copper                  | 119     | 82      | 89      |
| Guelb Molghrein        | - copper                  | 30      | 25      | 35      |
|                        | - gold                    | 11      | 14      | 16      |
| Ravensthorpe           | - nickel                  | 41      | 50      | 57      |
|                        | - cobalt                  | 4       | 2       | 3       |
| Çayeli                 | - copper                  | 15      | 29      | 26      |
|                        | - zinc, gold and silver   | 5       | 4       | 3       |
| Pyhäsalmi              | - copper                  | 18      | 15      | 17      |
|                        | - zinc                    | 10      | 16      | 4       |
|                        | - pyrite, gold and silver | 8       | 7       | 11      |
| Corporate <sup>1</sup> |                           | (124)   | (77)    | 86      |
| Sales revenues         | - continuing operations   | 766     | 689     | 720     |

<sup>1</sup> Corporate sales include sales hedges (see “Hedging Programs” for further discussion).

Sales revenues from continuing operations were 6% higher than the comparable quarter of 2016 as a result of the contribution of sales revenues generated by the Sentinel mine subsequent to commercial production from November 1, 2016. Excluding the impact of Sentinel, copper sales revenues for the quarter were 21% below the comparable period in 2016 due to a 8% reduction in net realized copper price, attributable to the results in the quarter of the copper sales hedging program as well as a 6% reduction in copper sales volumes.

Nickel sales revenues from continuing operations were 25% lower than the comparable quarter of 2016 due to 42% lower sales volumes, partially mitigated by a 30% increase in net realized nickel price.

**REALIZED PRICES**

| Copper selling price (per lb) – continuing operations    | Q1 2017  | Q4 2016  | Q1 2016  |
|----------------------------------------------------------|----------|----------|----------|
| Average LME cash price                                   | \$2.65   | \$2.39   | \$2.11   |
| Realized copper price                                    | \$2.20   | \$2.18   | \$2.38   |
| Treatment/refining charges (“TC/RC”) and freight charges | (\$0.12) | (\$0.14) | (\$0.12) |
| Net realized copper price                                | \$2.08   | \$2.04   | \$2.26   |

The copper sales hedging program, initiated in 2015 to ensure stability of cash flows, reduced sales revenues for the quarter by \$128 million and decreased the net realized copper price by \$0.42 per lb.

As at March 31, 2017, the Company had unsettled and unmargined sales hedges for 402,000 tonnes with maturities to February 2018 at an average price of \$2.29 per lb. Further to the above unmargined sales hedges the Company had zero cost collar unmargined sales hedges for 16,000 tonnes at the price range of \$2.62 - \$2.83 per lb with maturities from July 2017 to February 2018.

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

| <b>Nickel selling price (per payable lb) – continuing operations</b> | <b>Q1 2017</b> | <b>Q4 2016</b> | <b>Q1 2016</b> |
|----------------------------------------------------------------------|----------------|----------------|----------------|
| Average LME cash price                                               | \$4.66         | \$4.90         | \$3.85         |
| Realized nickel price                                                | \$4.93         | \$4.50         | \$3.88         |
| TC/RC and freight charges                                            | -              | -              | (\$0.09)       |
| Net realized nickel price                                            | \$4.93         | \$4.50         | \$3.79         |

The impact on sales revenues of the nickel sales hedging program in the quarter was an increase of \$2 million and an increase to the net realized nickel price of \$0.28 per lb.

As at March 31, 2017, the Company did not have any open nickel sales hedges.

## SUMMARY FINANCIAL RESULTS

|                                                                                | <b>Q1 2017</b> | <b>Q4 2016</b> | <b>Q1 2016</b> |
|--------------------------------------------------------------------------------|----------------|----------------|----------------|
| Gross profit (loss)                                                            |                |                |                |
| Kansanshi                                                                      | 111            | 97             | 18             |
| Sentinel                                                                       | 52             | 17             | -              |
| Las Cruces                                                                     | 34             | 15             | 12             |
| Guelb Moghrein                                                                 | 7              | 2              | 15             |
| Ravensthorpe                                                                   | (18)           | (13)           | (26)           |
| Çayeli                                                                         | 2              | 8              | 3              |
| Pyhäsalmi                                                                      | 9              | 9              | 1              |
| Corporate <sup>1</sup>                                                         | (128)          | (83)           | 82             |
| Total gross profit – continuing operations                                     | 69             | 52             | 105            |
| Exploration                                                                    | (3)            | (6)            | (3)            |
| General and administrative                                                     | (17)           | (19)           | (17)           |
| Impairment and related charges                                                 | -              | (13)           | -              |
| Other income (expense)                                                         | 2              | 29             | (15)           |
| Net finance expense                                                            | (5)            | (3)            | (2)            |
| Loss on extinguishment of senior notes                                         | (84)           | -              | -              |
| Income tax expense                                                             | (56)           | (21)           | (20)           |
| Net earnings (loss) for the period                                             |                |                |                |
| – continuing operations                                                        | (94)           | 19             | 48             |
| – discontinued operations                                                      | -              | -              | (266)          |
| – including discontinued operations                                            | (94)           | 19             | (218)          |
| Net earnings (loss) for the period from continuing operations attributable to: |                |                |                |
| Non-controlling interests                                                      | 20             | 7              | (1)            |
| Shareholders of the Company                                                    | (114)          | 12             | 49             |
| Comparative earnings (loss)                                                    | (29)           | 27             | 63             |
| Earnings (loss) per share – continuing operations                              |                |                |                |
| Basic                                                                          | (\$0.17)       | \$0.02         | \$0.07         |
| Diluted                                                                        | (\$0.17)       | \$0.02         | \$0.07         |
| Comparative                                                                    | (\$0.04)       | \$0.04         | \$0.09         |
| Basic weighted average number of shares (in 000's)                             | 685,827        | 685,739        | 685,795        |

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

Despite a 7% increase in sales volumes, mostly attributable to Sentinel, gross profit was 34% lower compared with the same period in 2016 due to a 8% reduction in net realized copper price impacted by a \$128 million loss realized in the quarter on the copper sales hedge program. Following the commencement of commercial production at Sentinel on November 1, 2016, the first quarter of 2017 included an additional \$39 million and \$98 million in depreciation and costs of sales respectively, compared with the corresponding period in 2016.

Exploration and general and administrative expenses were in line with the first quarter of 2016.

A tax expense of \$56 million was recorded in the period, reflecting applicable statutory tax rates. The statutory tax rates for the Company's operations range from 20% to 35%. No tax credits have been recognized with respect to losses realized under the Company's sales hedge program and costs incurred for the early redemption of senior notes.

## LIQUIDITY AND CAPITAL RESOURCES

|                                                                        | Q1 2017 | Q4 2016 | Q1 2016 |
|------------------------------------------------------------------------|---------|---------|---------|
| Cash flows from continuing operating activities                        | 239     | 93      | 254     |
| Cash flows from (used in) investing activities                         |         |         |         |
| Payments and deposits for property, plant and equipment                | (311)   | (308)   | (259)   |
| Capitalized borrowing costs paid in cash                               | (124)   | (85)    | (113)   |
| Repayment and interest from ERG on promissory note                     | -       | -       | 32      |
| Proceeds from sale of Kevitsa, net of cash disposed                    | -       | 69      | -       |
| Other investing activities                                             | 10      | 7       | 3       |
| Cash flows from (used in) financing activities                         |         |         |         |
| Net movement in debt and trading facilities                            | 127     | (63)    | (7)     |
| Early senior notes redemption costs                                    | (54)    | -       | -       |
| Other financing activities                                             | (4)     | 43      | 36      |
| Exchange gains (losses) on cash and cash equivalents                   | 1       | (1)     | (14)    |
| Net cash flows – continuing operations                                 | (116)   | (245)   | (68)    |
| Net cash flows – discontinued operations                               | -       | -       | (22)    |
| Cash balance                                                           | 449     | 565     | 269     |
| Total assets                                                           | 19,723  | 19,483  | 19,207  |
| Total current liabilities                                              | 2,205   | 2,224   | 1,888   |
| Total long-term liabilities                                            | 7,348   | 6,974   | 6,955   |
| Net Debt                                                               | 4,661   | 4,381   | 4,795   |
| Cash flows from continuing operating activities per share <sup>1</sup> | \$0.35  | \$0.14  | \$0.37  |

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

Cash flows from continuing operating activities were \$15 million lower than the same period in 2016, despite \$50 million received under the Franco-Nevada streaming agreement, largely as a result of lower cash flows from operating activities before changes in working capital, in addition to a \$28 million increase in taxes paid by the Company in the quarter compared to the comparable period in 2016.

The total amount of VAT accrued by the Company's Zambian operations at March 31, 2017, is \$285 million, of which \$262 million relates to Kansanshi. In February 2015, the Government of Zambia implemented a change to the rules governing VAT. VAT claims totaling Zambian kwacha 1,742 million (currently equivalent to \$180 million) made by Kansanshi prior to this date remain outstanding. Amounts totaling \$90 million have been received for claims subsequent to February 2015. The balance of VAT refunds has not been received as a result of the application of discretionary rules established and applied by the Commissioner General relating to exports from Zambia. Management of the Company is in regular discussions with the relevant government authorities and continues to consider that the outstanding VAT claims are fully recoverable.

The power supply situation in Zambia has stabilized and the Company's local operations are currently being provided a total of 306 MW, an increase of 5 MW since last quarter, which is adequate for current operations at the Kansanshi mine and smelter complex and at Sentinel. Kansanshi and Sentinel were advised by ZESCO and the Zambian Ministry of Energy and Water Development that power tariffs effective January 1, 2017 for all mining companies would be 9.30 cents per kWh. These tariffs have not been accepted by the Company or the ERB and discussions with ZESCO and the Government of Zambia are ongoing.

Capital expenditure, excluding capitalized interest, totaled \$311 million compared to \$259 million for the same period in 2016 and comprised primarily of \$243 million for the development of the Cobre Panama project.

Cash flows from continuing financing activities of \$69 million includes the proceeds from the issuance of two corporate senior notes totalling \$2.2 billion. These proceeds were used to extinguish \$1.5 billion of the Company's existing senior notes and to repay, without cancelling, \$175 million of the senior revolving credit facility, \$296 million of the senior facility term loan with the remainder to fund associated transaction costs and for general corporate purposes. Also included are \$50 million contributions from KPMC for the development of the Cobre Panama project, as well as repayments on the trading and other debt facilities during the quarter. First Quantum may reduce outstanding debt from time to time, including through prepayments, redemptions, opportunistic market purchases and other means.

### Liquidity outlook

At March 31, 2017, the Company had \$938 million of committed undrawn facilities, \$449 million in net unrestricted cash, working capital of \$992 million, as well as future cash flows which support its ability to meet current obligations as they become due. The Company was also in full compliance with all its debt covenants.

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

At March 31, 2017, the Company had total commitments of \$833 million, of which approximately \$511 million relates to the twelve months following the year end 2016, and is comprised primarily of capital expenditure for property, plant and equipment related to the development of Cobre Panama. In addition, the Company's Board of Directors has approved, but has not yet committed to, further capital expenditure which is being carefully managed in line with available cash resources and debt facilities.

As at March 31, 2017, the Company had the following contractual obligations outstanding:

|                                         | Carrying Value | Contractual Cash flows | < 1 year     | 1 – 3 years  | 3 – 5 years  | Thereafter   |
|-----------------------------------------|----------------|------------------------|--------------|--------------|--------------|--------------|
| Debt – principal repayments             | 4,992          | 5,102                  | 207          | 716          | 1,129        | 3,050        |
| Debt – finance charges                  | -              | 1,919                  | 370          | 671          | 523          | 355          |
| Trading facilities                      | 118            | 118                    | 118          | -            | -            | -            |
| Trade and other payables                | 496            | 496                    | 496          | -            | -            | -            |
| Liability to related party <sup>1</sup> | 659            | 853                    | -            | 248          | 83           | 522          |
| Current taxes payable                   | 77             | 77                     | 77           | -            | -            | -            |
| Deferred payments                       | 48             | 48                     | 5            | 5            | 5            | 33           |
| Finance leases                          | 23             | 31                     | 5            | 7            | 7            | 12           |
| Commitments                             | -              | 833                    | 511          | 307          | 8            | 7            |
| Restoration provisions                  | 543            | 953                    | 7            | 10           | 13           | 923          |
| <b>Total</b>                            | <b>6,956</b>   | <b>10,430</b>          | <b>1,796</b> | <b>1,964</b> | <b>1,768</b> | <b>4,902</b> |

<sup>1</sup> Refers to distributions to shareholders of Cobre Panama of which KPMC, a related party, holds a 20% non controlling interest and not repayments.

### Hedging programs

The Company has hedging programs in respect of future copper and nickel 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.

|                             | March 31, 2017 | December 31, 2016 |
|-----------------------------|----------------|-------------------|
| <b>Commodity contracts:</b> |                |                   |
| Asset position              | 2              | 22                |
| Liability position          | (325)          | (302)             |

**Hedging of future copper sales**

The Company has entered into derivative contracts to ensure that the exposure to the price of copper and nickel on future sales is managed so as to ensure stability of cash flows in the current higher capital expenditure phase of the development of the Cobre Panama project. As at March 31, 2017, 402,000 tonnes of unmargined copper forward sales contracts at an average price of \$2.29 per lb are outstanding with periods of maturity to February 2018. Additionally, the Company had zero cost collar unmargined sales contracts for 16,000 tonnes at a price range \$2.62 to \$2.83 per lb, also with maturities to February 2018. 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.

Over 80% of forecast copper sales in the remainder of 2017 will be hedged to unmargined forward and zero cost collar sales contracts at an average price of \$2.28 per pound.

During the period ended March 31, 2017, a loss for settled hedges of \$126 million was realized. Fair value losses on outstanding contracts of \$318 million have been recognized in other comprehensive income and as a derivative liability at March 31, 2017.

| <b>Commodity contracts:</b> | Open Positions<br>(tonnes) | Average Contract<br>price | Closing Market<br>price | Maturities Through |
|-----------------------------|----------------------------|---------------------------|-------------------------|--------------------|
| Copper forward              | 402,000                    | \$2.29 /lb                | \$2.65 /lb              | February 2018      |
| Copper zero cost collar     | 16,000                     | \$2.62-\$2.83 /lb         | \$2.65 /lb              | February 2018      |

**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, 2017, 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                                                               | 59,092                            | \$2.64/lb                 | \$2.65/lb               | July 2017             |
| Nickel                                                               | 1,341                             | \$4.53/lb                 | \$4.48/lb               | April 2017            |
| Gold                                                                 | 17,794                            | \$1,251/oz                | \$1,243/oz              | May 2017              |
| Zinc                                                                 | 950                               | \$1.27/lb                 | \$1.26/lb               | May 2017              |
| <b>Commodity contracts:</b>                                          |                                   |                           |                         |                       |
| Copper                                                               | 59,817                            | \$2.64/lb                 | \$2.65/lb               | July 2017             |
| Nickel                                                               | 1,341                             | \$4.53/lb                 | \$4.48/lb               | April 2017            |
| Gold                                                                 | 17,851                            | \$1,251/oz                | \$1,243/oz              | May 2017              |
| Zinc                                                                 | 950                               | \$1.27/lb                 | \$1.26/lb               | May 2017              |

As at March 31, 2017, substantially all of the Company's metal sales contracts subject to pricing adjustments were hedged by offsetting derivative contracts.

**EQUITY**

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

## SUMMARY OF RESULTS

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

| Consolidated continuing operations                              | Q1 15    | Q2 15    | Q3 15    | Q4 15   | 2015            | Q1 16    | Q2 16   | Q3 16   | Q4 16   | 2016           | Q1 17    |
|-----------------------------------------------------------------|----------|----------|----------|---------|-----------------|----------|---------|---------|---------|----------------|----------|
| <i>Sales revenues</i>                                           |          |          |          |         |                 |          |         |         |         |                |          |
| Copper                                                          | \$482    | \$427    | \$481    | \$578   | <b>\$1,968</b>  | \$576    | \$519   | \$478   | \$565   | <b>\$2,138</b> | \$643    |
| Nickel                                                          | 41       | 67       | 65       | 61      | <b>234</b>      | 57       | 37      | 43      | 45      | <b>182</b>     | 43       |
| Gold                                                            | 50       | 50       | 64       | 61      | <b>225</b>      | 69       | 82      | 70      | 50      | <b>271</b>     | 54       |
| Zinc and other elements                                         | 29       | 14       | 22       | 19      | <b>84</b>       | 18       | 21      | 14      | 29      | <b>82</b>      | 26       |
| Total sales revenues                                            | 602      | 558      | 632      | 719     | <b>2,511</b>    | 720      | 659     | 605     | 689     | <b>2,673</b>   | 766      |
| Gross profit                                                    | 23       | 54       | 100      | 110     | <b>287</b>      | 105      | 102     | 80      | 52      | <b>339</b>     | 69       |
| EBITDA                                                          | 95       | 141      | 172      | 229     | <b>637</b>      | 254      | 276     | 233     | 216     | <b>979</b>     | 264      |
| Comparative EBITDA                                              | 106      | 148      | 254      | 224     | <b>732</b>      | 269      | 257     | 220     | 218     | <b>964</b>     | 265      |
| Net earnings (loss) attributable to shareholders of the Company | (78)     | (104)    | (430)    | 111     | <b>(501)</b>    | 49       | 125     | 36      | 12      | <b>222</b>     | (114)    |
| Comparative earnings (loss)                                     | (12)     | 20       | 66       | 182     | <b>256</b>      | 63       | 38      | 37      | 27      | <b>165</b>     | (29)     |
| Basic earnings (loss) per share                                 | (\$0.13) | (\$0.17) | (\$0.63) | \$0.16  | <b>(\$0.77)</b> | \$0.07   | \$0.18  | \$0.05  | \$0.02  | <b>\$0.32</b>  | (\$0.17) |
| Comparative earnings (loss) per share                           | (\$0.02) | \$0.03   | \$0.10   | \$0.27  | <b>\$0.40</b>   | \$0.09   | \$0.06  | \$0.05  | \$0.04  | <b>\$0.24</b>  | (\$0.04) |
| Diluted earnings (loss) per share                               | (\$0.13) | (\$0.17) | (\$0.63) | \$0.16  | <b>(\$0.77)</b> | \$0.07   | \$0.18  | \$0.05  | \$0.02  | <b>\$0.32</b>  | (\$0.17) |
| Dividends declared per common share (\$CDN per share)           | \$0.0487 | -        | \$0.0330 | -       | <b>\$0.0817</b> | \$0.0100 | -       | \$0.005 | -       | <b>\$0.015</b> | \$0.005  |
| Basic weighted average # shares (000's) <sup>1</sup>            | 595,986  | 621,686  | 684,513  | 684,652 | <b>646,823</b>  | 685,795  | 685,783 | 685,594 | 685,739 | <b>685,746</b> | 685,827  |
| <i>Cash flows per share from operating activities</i>           | \$0.22   | \$0.12   | \$0.21   | \$1.09  | <b>\$1.69</b>   | \$0.37   | \$0.44  | \$0.38  | \$0.14  | <b>\$1.33</b>  | \$0.35   |
| <i>Copper statistics</i>                                        |          |          |          |         |                 |          |         |         |         |                |          |
| Total copper production (tonnes)                                | 91,910   | 99,940   | 103,289  | 115,886 | <b>411,025</b>  | 119,287  | 131,349 | 142,721 | 146,101 | <b>539,458</b> | 132,356  |
| Total copper sales (tonnes)                                     | 91,082   | 79,678   | 101,359  | 119,534 | <b>391,653</b>  | 131,267  | 132,030 | 136,051 | 136,265 | <b>535,613</b> | 139,810  |
| Realized copper price (per lb)                                  | 2.58     | 2.67     | 2.36     | 2.40    | <b>2.49</b>     | 2.38     | 2.21    | 2.23    | 2.18    | <b>2.26</b>    | 2.20     |
| TC/RC (per lb)                                                  | (0.16)   | (0.17)   | (0.16)   | (0.10)  | <b>(0.15)</b>   | (0.11)   | (0.12)  | (0.10)  | (0.12)  | <b>(0.12)</b>  | (0.08)   |
| Freight charges (per lb)                                        | (0.13)   | (0.11)   | (0.02)   | (0.02)  | <b>(0.06)</b>   | (0.01)   | (0.01)  | (0.01)  | (0.02)  | <b>(0.01)</b>  | (0.04)   |
| Net realized copper price (per lb)                              | 2.29     | 2.39     | 2.18     | 2.28    | <b>2.28</b>     | 2.26     | 2.08    | 2.12    | 2.04    | <b>2.13</b>    | 2.08     |
| Cash cost – copper (C1) (per lb)                                | \$1.41   | \$1.22   | \$1.16   | \$1.06  | <b>\$1.21</b>   | \$1.03   | \$0.98  | \$0.97  | \$1.22  | <b>\$1.06</b>  | \$1.26   |
| All-in sustaining cost (AISC) (per lb)                          | \$2.22   | \$2.02   | \$1.72   | \$1.51  | <b>\$1.85</b>   | \$1.36   | \$1.32  | \$1.36  | \$1.71  | <b>\$1.46</b>  | \$1.59   |
| Total cost – copper (C3) (per lb)                               | \$2.39   | \$2.25   | \$2.10   | \$1.85  | <b>\$2.14</b>   | \$1.86   | \$1.80  | \$1.74  | \$1.91  | <b>\$1.83</b>  | \$2.05   |
| <i>Nickel statistics</i>                                        |          |          |          |         |                 |          |         |         |         |                |          |
| Nickel produced (contained tonnes)                              | 4,238    | 7,115    | 7,662    | 7,652   | <b>26,667</b>   | 7,106    | 4,982   | 5,330   | 6,206   | <b>23,624</b>  | 5,592    |
| Nickel sales (contained tonnes)                                 | 3,732    | 6,556    | 8,062    | 8,583   | <b>26,933</b>   | 8,940    | 5,415   | 5,454   | 6,073   | <b>25,882</b>  | 5,197    |
| Nickel produced (payable tonnes)                                | 3,274    | 5,513    | 5,893    | 5,887   | <b>20,567</b>   | 5,295    | 3,711   | 3,974   | 4,650   | <b>17,630</b>  | 4,291    |
| Nickel sales (payable tonnes)                                   | 2,962    | 5,125    | 6,270    | 6,716   | <b>21,073</b>   | 6,813    | 4,101   | 4,082   | 4,539   | <b>19,535</b>  | 3,981    |
| Realized nickel price (per payable lb)                          | 6.53     | 5.98     | 4.83     | 4.29    | <b>5.18</b>     | 3.88     | 4.15    | 4.68    | 4.50    | <b>4.25</b>    | 4.93     |
| TC/RC (per payable lb)                                          | (0.18)   | (0.14)   | (0.11)   | (0.15)  | <b>(0.14)</b>   | (0.09)   | -       | 0.01    | -       | <b>(0.03)</b>  | -        |
| Net realized nickel price (per payable lb)                      | 6.35     | 5.84     | 4.72     | 4.14    | <b>5.04</b>     | 3.79     | 4.15    | 4.69    | 4.50    | <b>4.22</b>    | 4.93     |
| Cash cost – nickel (C1) (per payable lb)                        | \$4.66   | \$4.70   | \$4.60   | \$4.49  | <b>\$4.60</b>   | \$4.48   | \$4.73  | \$5.01  | \$4.46  | <b>\$4.66</b>  | \$4.84   |
| Total cost – nickel (C3) (per payable lb)                       | \$6.28   | \$6.13   | \$5.93   | \$5.82  | <b>\$5.99</b>   | \$6.00   | \$6.63  | \$6.71  | \$6.16  | <b>\$6.34</b>  | \$6.57   |
| All-in sustaining cost (AISC) (per lb)                          | \$5.56   | \$5.56   | \$5.29   | \$4.95  | <b>\$5.30</b>   | \$4.93   | \$5.49  | \$5.90  | \$5.03  | <b>\$5.29</b>  | \$5.81   |
| <i>Gold statistics</i>                                          |          |          |          |         |                 |          |         |         |         |                |          |
| Total gold production (ounces)                                  | 49,780   | 53,835   | 53,563   | 53,889  | <b>211,067</b>  | 56,191   | 50,630  | 52,957  | 54,234  | <b>214,012</b> | 50,579   |
| Total gold sales (ounces)                                       | 47,269   | 47,421   | 61,279   | 57,958  | <b>213,927</b>  | 63,141   | 69,898  | 54,124  | 45,620  | <b>232,783</b> | 46,904   |
| Net realized gold price (per ounce)                             | 1,043    | 1,061    | 1,051    | 1,047   | <b>1,050</b>    | 1,097    | 1,180   | 1,282   | 1,097   | <b>1,165</b>   | 1,161    |
| <i>Zinc statistics</i>                                          |          |          |          |         |                 |          |         |         |         |                |          |
| Zinc production (tonnes)                                        | 12,975   | 8,220    | 10,339   | 9,605   | <b>41,139</b>   | 6,223    | 6,491   | 5,064   | 11,084  | <b>28,862</b>  | 6,253    |
| Zinc sales (tonnes)                                             | 13,054   | 7,411    | 10,117   | 11,036  | <b>41,618</b>   | 5,997    | 4,740   | 4,653   | 11,971  | <b>27,361</b>  | 7,956    |

<sup>1</sup> Fluctuations in average weighted shares between quarters reflects shares issued and changes in levels of treasury shares held for performance share units.

| Kansanshi statistics                         | Q1 15  | Q2 15  | Q3 15   | Q4 15   | 2015           | Q1 16   | Q2 16   | Q3 16   | Q4 16   | 2016             | Q1 17   |
|----------------------------------------------|--------|--------|---------|---------|----------------|---------|---------|---------|---------|------------------|---------|
| <i>Mining</i>                                |        |        |         |         |                |         |         |         |         |                  |         |
| Waste mined (000's tonnes)                   | 12,043 | 17,119 | 21,816  | 19,751  | <b>70,729</b>  | 15,957  | 22,210  | 21,710  | 15,058  | <b>74,935</b>    | 13,656  |
| Ore mined (000's tonnes)                     | 6,838  | 9,166  | 9,057   | 9,044   | <b>34,105</b>  | 7,940   | 7,790   | 8,318   | 7,631   | <b>31,679</b>    | 7,008   |
| <i>Processing</i>                            |        |        |         |         |                |         |         |         |         |                  |         |
| Sulphide ore processed (000's tonnes)        | 1,389  | 1,503  | 2,478   | 2,926   | <b>8,296</b>   | 2,888   | 2,860   | 2,973   | 3,267   | <b>11,988</b>    | 3,291   |
| Sulphide ore grade processed (%)             | 0.9    | 0.9    | 0.8     | 0.7     | <b>0.8</b>     | 0.7     | 0.9     | 0.8     | 0.8     | <b>0.8</b>       | 0.7     |
| Sulphide ore recovery (%)                    | 90     | 92     | 91      | 92      | <b>91</b>      | 88      | 92      | 93      | 93      | <b>92</b>        | 93      |
| Sulphide concentrate grade (%)               | 23.4   | 22.5   | 20.8    | 19.6    | <b>21.1</b>    | 19.9    | 22.6    | 20.6    | 22.3    | <b>21.4</b>      | 22.8    |
| Mixed ore processed (000's tonnes)           | 3,288  | 3,342  | 2,359   | 1,960   | <b>10,949</b>  | 1,990   | 1,984   | 1,986   | 1,993   | <b>7,953</b>     | 2,010   |
| Mixed ore grade processed (%)                | 1.1    | 1.0    | 1.0     | 1.1     | <b>1.1</b>     | 1.0     | 1.0     | 1.0     | 1.0     | <b>1.0</b>       | 1.0     |
| Mixed ore recovery (%)                       | 68     | 68     | 71      | 73      | <b>72</b>      | 88      | 83      | 80      | 79      | <b>84</b>        | 87      |
| Mixed concentrate grade (%)                  | 24.6   | 26.0   | 24.2    | 23.9    | <b>24.8</b>    | 23.4    | 26.0    | 24.6    | 27.2    | <b>25.2</b>      | 31.1    |
| Oxide ore processed (000's tonnes)           | 1,367  | 1,760  | 1,773   | 1,895   | <b>6,795</b>   | 1,637   | 1,747   | 1,881   | 1,811   | <b>7,076</b>     | 1,650   |
| Oxide ore grade processed (%)                | 1.5    | 1.6    | 1.3     | 1.7     | <b>1.5</b>     | 1.5     | 1.4     | 1.6     | 1.4     | <b>1.5</b>       | 1.5     |
| Oxide ore recovery (%)                       | 89     | 79     | 82      | 83      | <b>80</b>      | 92      | 89      | 94      | 95      | <b>94</b>        | 93      |
| Oxide concentrate grade (%)                  | 19.8   | 22.6   | 21.1    | 28.4    | <b>23.6</b>    | 25.5    | 26.7    | 32.0    | 29.2    | <b>28.6</b>      | 32.6    |
| Copper cathode produced (tonnes)             | 20,593 | 20,984 | 18,766  | 20,643  | <b>80,986</b>  | 19,394  | 19,213  | 20,194  | 20,867  | <b>79,668</b>    | 17,882  |
| Copper in concentrate produced (tonnes)      | 32,953 | 36,032 | 35,746  | 40,957  | <b>145,688</b> | 38,681  | 43,145  | 46,695  | 45,083  | <b>173,604</b>   | 45,316  |
| Total copper production (tonnes)             | 53,546 | 57,016 | 54,512  | 61,600  | <b>226,674</b> | 58,075  | 62,358  | 66,889  | 65,950  | <b>253,272</b>   | 63,198  |
| Gold produced (ounces)                       | 32,592 | 35,182 | 34,474  | 34,009  | <b>136,257</b> | 35,743  | 34,313  | 37,833  | 40,331  | <b>148,220</b>   | 36,017  |
| <i>Smelting<sup>1</sup></i>                  |        |        |         |         |                |         |         |         |         |                  |         |
| Concentrate processed (DMT) <sup>1</sup>     | -      | -      | 254,709 | 228,427 | <b>709,188</b> | 244,144 | 309,063 | 276,368 | 314,399 | <b>1,143,974</b> | 327,095 |
| Copper anodes produced (tonnes) <sup>1</sup> | -      | -      | 57,085  | 46,493  | <b>150,292</b> | 52,506  | 69,210  | 62,984  | 72,630  | <b>257,330</b>   | 83,070  |
| Smelter copper recovery (%)                  | -      | -      | 98      | 97      | <b>98</b>      | 98      | 97      | 97      | 95      | <b>97</b>        | 97      |
| Acid tonnes produced (000's)                 | -      | -      | 229     | 214     | <b>645</b>     | 239     | 309     | 266     | 295     | <b>1,109</b>     | 307     |
| <i>Cash Costs (per lb)</i>                   |        |        |         |         |                |         |         |         |         |                  |         |
| Mining                                       | \$0.67 | \$0.56 | \$0.67  | \$0.60  | <b>\$0.62</b>  | \$0.70  | \$0.67  | \$0.58  | \$0.68  | <b>\$0.65</b>    | \$0.66  |
| Processing                                   | 0.88   | 0.69   | 0.61    | 0.43    | <b>0.65</b>    | 0.52    | 0.49    | 0.49    | 0.46    | <b>0.49</b>      | 0.50    |
| Site administration                          | 0.09   | 0.06   | 0.06    | 0.04    | <b>0.06</b>    | 0.06    | 0.06    | 0.06    | 0.09    | <b>0.07</b>      | 0.07    |
| TC/RC and freight charges                    | 0.40   | 0.59   | 0.20    | 0.12    | <b>0.29</b>    | 0.07    | 0.06    | 0.14    | 0.15    | <b>0.11</b>      | 0.16    |
| Gold credit                                  | (0.27) | (0.33) | (0.28)  | (0.21)  | <b>(0.26)</b>  | (0.30)  | (0.34)  | (0.35)  | (0.22)  | <b>(0.30)</b>    | (0.25)  |
| Total smelter costs                          | -      | (0.20) | 0.08    | 0.11    | <b>0.02</b>    | 0.13    | 0.13    | 0.13    | 0.14    | <b>0.13</b>      | 0.14    |
| Cash cost (C1) (per lb)                      | \$1.77 | \$1.37 | \$1.34  | \$1.09  | <b>\$1.38</b>  | \$1.18  | \$1.07  | \$1.05  | \$1.30  | <b>\$1.15</b>    | \$1.28  |
| Total cost (C3) (per lb)                     | \$2.75 | \$2.38 | \$2.23  | \$1.82  | <b>\$2.28</b>  | \$1.94  | \$1.76  | \$1.68  | \$1.81  | <b>\$1.78</b>    | \$1.89  |
| <i>Revenues (\$ millions)</i>                |        |        |         |         |                |         |         |         |         |                  |         |
| Copper cathodes                              | \$137  | \$124  | \$108   | \$95    | <b>\$464</b>   | \$74    | \$91    | \$99    | \$110   | <b>\$374</b>     | \$101   |
| Copper anode                                 | 16     | -      | 139     | 248     | <b>403</b>     | 239     | 208     | 185     | 209     | <b>841</b>       | 285     |
| Copper in concentrates                       | 129    | 112    | 29      | 9       | <b>279</b>     | 10      | 12      | 9       | 17      | <b>48</b>        | 14      |
| Gold                                         | 32     | 32     | 34      | 41      | <b>139</b>     | 50      | 52      | 51      | 33      | <b>186</b>       | 40      |
| Total sales revenues                         | \$314  | \$268  | \$310   | \$393   | <b>\$1,285</b> | \$373   | \$363   | \$344   | \$369   | <b>\$1,449</b>   | \$440   |
| Copper cathode sales (tonnes)                | 20,202 | 19,372 | 20,036  | 22,238  | <b>81,848</b>  | 15,892  | 18,772  | 21,219  | 21,201  | <b>77,084</b>    | 17,903  |
| Copper anode sales (tonnes)                  | 2,922  | 127    | 27,338  | 52,635  | <b>83,022</b>  | 52,866  | 44,631  | 40,107  | 39,291  | <b>176,895</b>   | 51,299  |
| Copper in concentrate sales (tonnes)         | 30,380 | 24,789 | 7,182   | 2,972   | <b>65,323</b>  | 3,464   | 3,813   | 2,791   | 4,412   | <b>14,480</b>    | 3,074   |
| Gold sales (ounces)                          | 31,307 | 30,459 | 31,542  | 38,664  | <b>131,972</b> | 44,132  | 43,220  | 38,896  | 30,592  | <b>156,840</b>   | 33,732  |

<sup>1</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.

| Sentinel statistics                  | Q2 15  | Q3 15  | Q4 15  | 2015          | Q1 16  | Q2 16  | Q3 16  | Q4 16                     | Q4 16                      | 2016           | Q1 17  |
|--------------------------------------|--------|--------|--------|---------------|--------|--------|--------|---------------------------|----------------------------|----------------|--------|
|                                      |        |        |        |               |        |        |        | Pre-Commercial production | Post-Commercial production |                |        |
| <i>Mining</i>                        |        |        |        |               |        |        |        |                           |                            |                |        |
| Waste mined (000's tonnes)           | 25,160 | 31,267 | 25,492 | <b>95,181</b> | 18,530 | 20,617 | 23,022 | 7,864                     | 12,065                     | <b>82,098</b>  | 16,006 |
| Ore mined (000's tonnes)             | 2,285  | 4,569  | 5,936  | <b>13,907</b> | 8,635  | 9,352  | 9,185  | 3,519                     | 7,269                      | <b>37,960</b>  | 9,272  |
| <i>Processing</i>                    |        |        |        |               |        |        |        |                           |                            |                |        |
| Copper ore processed (000's tonnes)  | 3,048  | 4,179  | 5,329  | <b>14,016</b> | 8,281  | 8,860  | 8,831  | 3,397                     | 7,000                      | <b>36,369</b>  | 8,800  |
| Copper ore grade processed (%)       | 0.8    | 0.7    | 0.6    | <b>0.6</b>    | 0.6    | 0.6    | 0.6    | 0.5                       | 0.6                        | <b>0.6</b>     | 0.5    |
| Recovery (%)                         | 25     | 40     | 52     | <b>41</b>     | 44     | 64     | 76     | 75                        | 88                         | <b>68</b>      | 81     |
| Copper concentrate produced (tonnes) | 5,799  | 10,979 | 15,190 | <b>32,971</b> | 20,902 | 31,987 | 38,926 | 12,652                    | 35,133                     | <b>139,600</b> | 36,274 |
| Concentrate grade (%)                | -      | -      | -      | -             | -      | -      | -      | -                         | 26.4                       | <b>26.4</b>    | 26.4   |
| <i>Cash Costs (per lb)</i>           |        |        |        |               |        |        |        |                           |                            |                |        |
| Mining                               | -      | -      | -      | -             | -      | -      | -      | -                         | 0.51                       | <b>\$0.51</b>  | \$0.72 |
| Processing                           | -      | -      | -      | -             | -      | -      | -      | -                         | 0.45                       | <b>0.45</b>    | 0.70   |
| Site administration                  | -      | -      | -      | -             | -      | -      | -      | -                         | 0.13                       | <b>0.13</b>    | (0.09) |
| TC/RC and freight charges            | -      | -      | -      | -             | -      | -      | -      | -                         | 0.25                       | <b>0.25</b>    | 0.20   |
| Total smelter costs                  | -      | -      | -      | -             | -      | -      | -      | -                         | 0.13                       | <b>0.13</b>    | 0.14   |
| Cash cost (C1) (per lb)              | -      | -      | -      | -             | -      | -      | -      | -                         | 1.47                       | <b>\$1.47</b>  | \$1.67 |
| Total cost (C3) (per lb)             | -      | -      | -      | -             | -      | -      | -      | -                         | 2.16                       | <b>\$2.16</b>  | \$2.45 |
| <i>Revenues (\$ millions)</i>        |        |        |        |               |        |        |        |                           |                            |                |        |
| Copper anode                         | -      | -      | -      | -             | -      | -      | -      | -                         | 110                        | <b>\$110</b>   | \$170  |
| Copper in concentrates               | -      | -      | -      | -             | -      | -      | -      | -                         | 43                         | <b>\$43</b>    | \$19   |
| Total sales revenues                 | -      | -      | -      | -             | -      | -      | -      | -                         | \$153                      | <b>\$153</b>   | \$189  |
| Copper anode sales (tonnes)          | -      | -      | -      | -             | -      | -      | -      | -                         | 20,294                     | <b>20,294</b>  | 29,929 |
| Copper concentrate sales (tonnes)    | -      | -      | -      | -             | -      | -      | -      | -                         | 10,034                     | <b>10,034</b>  | 4,362  |

| Las Cruces statistics               | Q1 15  | Q2 15  | Q3 15  | Q4 15  | 2015          | Q1 16  | Q2 16  | Q3 16  | Q4 16  | 2016          | Q1 17  |
|-------------------------------------|--------|--------|--------|--------|---------------|--------|--------|--------|--------|---------------|--------|
| <i>Mining</i>                       |        |        |        |        |               |        |        |        |        |               |        |
| Waste mined (000's tonnes)          | 2,615  | 3,154  | 7,190  | 2,500  | <b>15,459</b> | 1,737  | 2,310  | 7,478  | 2,119  | <b>13,644</b> | 1,870  |
| Ore mined (000's tonnes)            | 298    | 566    | 476    | 197    | <b>1,537</b>  | 267    | 340    | 442    | 281    | <b>1,330</b>  | 371    |
| <i>Processing</i>                   |        |        |        |        |               |        |        |        |        |               |        |
| Copper ore processed (000's tonnes) | 362    | 388    | 370    | 380    | <b>1,500</b>  | 378    | 389    | 409    | 362    | <b>1,538</b>  | 398    |
| Copper ore grade processed (%)      | 5.1    | 5.1    | 5.2    | 5.3    | <b>5.2</b>    | 5.2    | 5.2    | 5.2    | 5.1    | <b>5.2</b>    | 5.2    |
| Recovery (%)                        | 91     | 88     | 90     | 93     | <b>90</b>     | 92     | 92     | 94     | 93     | <b>92</b>     | 91     |
| Copper cathode produced (tonnes)    | 16,694 | 17,362 | 17,365 | 18,608 | <b>70,029</b> | 18,045 | 18,426 | 20,016 | 17,156 | <b>73,643</b> | 18,793 |
| <i>Cash Costs (per lb)</i>          |        |        |        |        |               |        |        |        |        |               |        |
| Cash cost (C1) (per lb)             | \$0.97 | \$0.87 | \$0.73 | \$1.03 | <b>\$0.90</b> | \$0.84 | \$0.80 | \$0.67 | \$0.94 | <b>\$0.81</b> | \$0.78 |
| Total cost (C3) (per lb)            | \$1.90 | \$2.07 | \$1.84 | \$1.90 | <b>\$1.93</b> | \$1.82 | \$1.85 | \$1.72 | \$1.93 | <b>\$1.83</b> | \$1.89 |
| <i>Revenues (\$ millions)</i>       |        |        |        |        |               |        |        |        |        |               |        |
| Copper cathode                      | \$116  | \$101  | \$94   | \$83   | <b>\$394</b>  | \$89   | \$94   | \$93   | \$82   | <b>\$358</b>  | \$119  |
| Copper cathode sales (tonnes)       | 19,598 | 16,600 | 17,484 | 16,884 | <b>70,566</b> | 18,972 | 19,708 | 19,203 | 15,656 | <b>73,539</b> | 20,228 |

| Guelb Moghrein statistics               | Q1 15  | Q2 15  | Q3 15  | Q4 15  | 2015   | Q1 16  | Q2 16  | Q3 16  | Q4 16  | 2016   | Q1 17  |
|-----------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <i>Mining</i>                           |        |        |        |        |        |        |        |        |        |        |        |
| Waste mined (000's tonnes)              | 2,972  | 6,198  | 4,245  | 4,130  | 17,545 | 3,823  | 2,529  | 2,249  | 3,465  | 12,066 | 4,041  |
| Ore mined (000's tonnes)                | 829    | 840    | 751    | 498    | 2,918  | 693    | 731    | 559    | 717    | 2,700  | 810    |
| <i>Processing</i>                       |        |        |        |        |        |        |        |        |        |        |        |
| Sulphide ore processed (000's tonnes)   | 1,001  | 1,014  | 979    | 1,021  | 4,015  | 1,014  | 971    | 986    | 927    | 3,898  | 863    |
| Sulphide ore grade processed (%)        | 1.2    | 1.2    | 1.3    | 1.3    | 1.2    | 1.2    | 1.0    | 0.8    | 0.7    | 0.9    | 1.0    |
| Recovery (%)                            | 92     | 91     | 92     | 91     | 92     | 93     | 90     | 91     | 91     | 91     | 92     |
| Copper in concentrate produced (tonnes) | 10,642 | 11,141 | 11,373 | 11,845 | 45,001 | 11,062 | 8,522  | 7,156  | 6,078  | 32,818 | 7,533  |
| Gold produced (ounces)                  | 14,468 | 16,240 | 16,154 | 17,145 | 64,007 | 17,240 | 13,363 | 12,208 | 11,140 | 53,951 | 12,133 |
| <i>Cash Costs (per lb)</i>              |        |        |        |        |        |        |        |        |        |        |        |
| Mining                                  | \$0.43 | \$0.32 | \$0.38 | \$0.38 | \$0.38 | \$0.30 | \$0.41 | \$0.45 | \$0.70 | \$0.44 | \$0.57 |
| Processing                              | 0.68   | 0.67   | 0.68   | 0.60   | 0.67   | 0.60   | 0.78   | 0.92   | 1.05   | 0.80   | 0.80   |
| Site administration                     | 0.18   | 0.16   | 0.19   | 0.12   | 0.16   | 0.14   | 0.19   | 0.26   | 0.25   | 0.20   | 0.16   |
| TC/RC and freight charges               | 0.58   | 0.67   | 0.59   | 0.48   | 0.57   | 0.46   | 0.45   | 0.56   | 0.32   | 0.45   | 0.49   |
| Gold credit                             | (0.76) | (0.83) | (0.75) | (0.75) | (0.77) | (0.82) | (0.94) | (1.05) | (1.13) | (0.96) | (0.88) |
| Cash cost (C1) (per lb)                 | \$1.11 | \$0.99 | \$1.09 | \$0.83 | \$1.01 | \$0.68 | \$0.89 | \$1.14 | \$1.19 | \$0.93 | \$1.14 |
| Total cost (C3) (per lb)                | \$1.80 | \$1.70 | \$1.70 | \$1.49 | \$1.67 | \$1.31 | \$1.61 | \$1.96 | \$2.18 | \$1.68 | \$1.93 |
| <i>Revenues (\$ millions)</i>           |        |        |        |        |        |        |        |        |        |        |        |
| Copper in concentrates                  | \$44   | \$46   | \$74   | \$45   | \$209  | \$35   | \$53   | \$27   | \$25   | \$140  | \$30   |
| Gold                                    | 14     | 17     | 28     | 17     | 76     | 16     | 28     | 15     | 14     | 73     | 11     |
| Total sales revenues                    | \$58   | \$63   | \$102  | \$62   | \$285  | \$51   | \$81   | \$42   | \$39   | \$213  | \$41   |
| Copper in concentrate sales (tonnes)    | 9,010  | 9,470  | 17,614 | 11,228 | 47,322 | 9,622  | 13,998 | 6,870  | 5,840  | 36,330 | 6,122  |
| Gold sales (ounces)                     | 12,860 | 14,568 | 26,585 | 16,667 | 70,680 | 15,573 | 23,765 | 12,038 | 11,959 | 63,335 | 10,293 |

| Ravensthorpe statistics                         | Q1 15  | Q2 15  | Q3 15  | Q4 15  | 2015   | Q1 16  | Q2 16  | Q3 16  | Q4 16  | 2016   | Q1 17  |
|-------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <i>Processing</i>                               |        |        |        |        |        |        |        |        |        |        |        |
| Beneficiated ore (000's tonnes)                 | 369    | 528    | 687    | 750    | 2,334  | 709    | 538    | 563    | 700    | 2,510  | 619    |
| Beneficiated ore grade (%)                      | 1.4    | 1.5    | 1.4    | 1.4    | 1.4    | 1.3    | 1.2    | 1.2    | 1.2    | 1.3    | 1.1    |
| Nickel recovery – leach feed to NI produced (%) | 92     | 93     | 85     | 84     | 88     | 84     | 80     | 79     | 80     | 81     | 82     |
| Nickel produced (contained tonnes)              | 4,238  | 7,115  | 7,662  | 7,652  | 26,667 | 7,106  | 4,982  | 5,330  | 6,206  | 23,624 | 5,592  |
| Nickel produced (payable tonnes)                | 3,274  | 5,513  | 5,893  | 5,887  | 20,567 | 5,295  | 3,711  | 3,974  | 4,650  | 17,630 | 4,291  |
| <i>Cash Costs (per lb)</i>                      |        |        |        |        |        |        |        |        |        |        |        |
| Mining                                          | \$0.86 | \$0.81 | \$0.84 | \$0.96 | \$0.87 | \$0.99 | \$0.91 | \$1.06 | \$1.00 | \$0.99 | \$1.17 |
| Processing                                      | 3.24   | 3.12   | 3.25   | 2.94   | 3.12   | 2.97   | 3.32   | 3.56   | 3.10   | 3.21   | 3.41   |
| Site administration                             | 0.43   | 0.42   | 0.32   | 0.31   | 0.36   | 0.27   | 0.41   | 0.42   | 0.38   | 0.36   | 0.38   |
| TC/RC and freight charges                       | 0.39   | 0.60   | 0.46   | 0.53   | 0.51   | 0.46   | 0.30   | 0.22   | 0.24   | 0.33   | 0.34   |
| Cobalt credit                                   | (0.26) | (0.25) | (0.27) | (0.25) | (0.26) | (0.21) | (0.21) | (0.25) | (0.26) | (0.23) | (0.46) |
| Cash cost (C1) (per lb)                         | \$4.66 | \$4.70 | \$4.60 | \$4.49 | \$4.60 | \$4.48 | \$4.73 | \$5.01 | \$4.46 | \$4.66 | \$4.84 |
| Total cost (C3) (per lb)                        | \$6.28 | \$6.13 | \$5.93 | \$5.82 | \$5.99 | \$6.00 | \$6.63 | \$6.71 | \$6.16 | \$6.34 | \$6.57 |
| <i>Revenues (\$ millions)</i>                   |        |        |        |        |        |        |        |        |        |        |        |
| Nickel                                          | \$41   | \$67   | \$65   | \$61   | \$234  | \$57   | \$36   | \$42   | \$50   | \$185  | \$41   |
| Cobalt                                          | 2      | 2      | 4      | 4      | 12     | 3      | 2      | 3      | 2      | 10     | 4      |
| Total sales revenues                            | \$43   | \$69   | \$69   | \$65   | \$246  | \$60   | \$38   | \$45   | \$52   | \$195  | \$45   |
| Nickel sales (contained tonnes)                 | 3,732  | 6,556  | 8,062  | 8,583  | 26,933 | 8,940  | 5,415  | 5,454  | 6,073  | 25,882 | 5,197  |
| Nickel sales (payable tonnes)                   | 2,962  | 5,125  | 6,270  | 6,716  | 21,073 | 6,813  | 4,101  | 4,083  | 4,539  | 19,536 | 3,981  |

| Çayeli statistics                 | Q1 15  | Q2 15  | Q3 15  | Q4 15  | 2015   | Q1 16  | Q2 16  | Q3 16  | Q4 16  | 2016   | Q1 17  |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <i>Mining</i>                     |        |        |        |        |        |        |        |        |        |        |        |
| Ore mined (000's tonnes)          | 327    | 303    | 313    | 290    | 1,233  | 328    | 303    | 323    | 313    | 1,267  | 207    |
| <i>Processing</i>                 |        |        |        |        |        |        |        |        |        |        |        |
| Ore milled (000's tonnes)         | 332    | 315    | 312    | 270    | 1,229  | 326    | 326    | 313    | 320    | 1,285  | 204    |
| Copper ore grade processed (%)    | 2.6    | 2.2    | 2.4    | 2.6    | 2.5    | 2.5    | 2.2    | 2.3    | 2.0    | 2.3    | 1.7    |
| Copper ore recovery (%)           | 81     | 81     | 78     | 81     | 81     | 86     | 87     | 87     | 89     | 87     | 89     |
| Zinc ore grade processed (%)      | 3.3    | 2.7    | 3.2    | 2.8    | 3.0    | 1.7    | 1.6    | 1.8    | 1.3    | 1.6    | 1.1    |
| Zinc ore recovery (%)             | 55     | 55     | 54     | 51     | 54     | 39     | 37     | 41     | 39     | 39     | 39     |
| Copper produced (tonnes)          | 7,136  | 5,746  | 5,816  | 5,606  | 24,304 | 6,878  | 6,376  | 6,335  | 5,741  | 25,330 | 3,115  |
| Zinc produced (tonnes)            | 5,954  | 4,599  | 5,477  | 3,778  | 19,808 | 2,170  | 1,944  | 2,338  | 1,610  | 8,062  | 867    |
| <i>Cash Costs (per lb)</i>        |        |        |        |        |        |        |        |        |        |        |        |
| Cash cost – Copper (C1) (per lb)  | \$1.02 | \$1.34 | \$1.43 | \$1.41 | \$1.29 | \$1.18 | \$1.26 | \$1.11 | \$1.25 | \$1.20 | \$1.52 |
| Total cost – Copper (C3) (per lb) | \$2.04 | \$2.19 | \$2.53 | \$1.79 | \$2.15 | \$1.83 | \$1.95 | \$1.76 | \$1.90 | \$1.86 | \$2.53 |
| <i>Revenues (\$ millions)</i>     |        |        |        |        |        |        |        |        |        |        |        |
| Copper                            | \$24   | \$30   | \$22   | \$16   | \$92   | \$26   | \$18   | \$24   | \$29   | \$97   | \$15   |
| Zinc                              | 6      | 5      | 4      | 3      | 18     | 2      | -      | 3      | 3      | 8      | 4      |
| Other                             | 2      | 1      | 1      | 2      | 6      | 1      | 2      | 1      | 1      | 5      | 1      |
| Total sales revenues              | \$32   | \$36   | \$27   | \$21   | \$116  | \$29   | \$20   | \$28   | \$33   | \$110  | \$20   |
| Copper sales (tonnes)             | 5,720  | 6,747  | 5,672  | 4,262  | 22,401 | 7,295  | 5,733  | 6,510  | 7,257  | 26,795 | 3,392  |
| Zinc sales (tonnes)               | 5,166  | 4,967  | 4,499  | 4,847  | 19,479 | 2,062  | -      | 2,376  | 2,387  | 6,825  | 2,491  |

| Pyhäsalmi statistics              | Q1 15    | Q2 15   | Q3 15   | Q4 15   | 2015    | Q1 16   | Q2 16   | Q3 16   | Q4 16    | 2016    | Q1 17    |
|-----------------------------------|----------|---------|---------|---------|---------|---------|---------|---------|----------|---------|----------|
| <i>Mining</i>                     |          |         |         |         |         |         |         |         |          |         |          |
| Ore mined (000's tonnes)          | 341      | 341     | 350     | 352     | 1,384   | 320     | 349     | 379     | 382      | 1,430   | 345      |
| <i>Processing</i>                 |          |         |         |         |         |         |         |         |          |         |          |
| Ore milled (000's tonnes)         | 341      | 346     | 347     | 345     | 1,379   | 343     | 335     | 352     | 350      | 1,380   | 328      |
| Copper ore grade processed (%)    | 0.9      | 0.9     | 1.0     | 0.9     | 0.9     | 1.3     | 1.1     | 1.0     | 1.0      | 1.1     | 1.1      |
| Copper ore recovery (%)           | 97       | 97      | 96      | 97      | 97      | 98      | 97      | 95      | 97       | 97      | 97       |
| Zinc ore grade processed (%)      | 2.2      | 1.2     | 1.6     | 1.9     | 1.7     | 1.3     | 1.5     | 0.9     | 2.9      | 1.7     | 1.8      |
| Zinc ore recovery (%)             | 92       | 90      | 89      | 90      | 91      | 88      | 89      | 86      | 93       | 90      | 90       |
| Copper produced (tonnes)          | 2,889    | 2,877   | 3,245   | 3,035   | 12,046  | 4,325   | 3,680   | 3,398   | 3,392    | 14,795  | 3,443    |
| Zinc produced (tonnes)            | 7,021    | 3,621   | 4,862   | 5,827   | 21,331  | 4,053   | 4,547   | 2,726   | 9,474    | 20,800  | 5,385    |
| Pyrite produced (tonnes)          | 198,855  | 204,493 | 220,327 | 216,031 | 839,706 | 177,149 | 195,679 | 112,882 | 4,770    | 490,480 | 184,464  |
| <i>Cash Costs (per lb)</i>        |          |         |         |         |         |         |         |         |          |         |          |
| Cash cost – Copper (C1) (per lb)  | (\$0.52) | \$0.84  | \$0.55  | \$0.42  | \$0.30  | \$0.14  | \$0.33  | \$0.61  | (\$1.14) | \$0.04  | (\$0.59) |
| Total cost – Copper (C3) (per lb) | \$1.64   | \$2.96  | \$2.62  | \$2.53  | \$2.42  | \$2.04  | \$2.28  | \$2.59  | \$0.84   | \$1.99  | \$1.57   |
| <i>Revenues (\$ millions)</i>     |          |         |         |         |         |         |         |         |          |         |          |
| Copper                            | \$17     | \$13    | \$15    | \$11    | \$56    | \$17    | \$14    | \$15    | \$15     | \$61    | \$18     |
| Zinc                              | 11       | 3       | 6       | 5       | 25      | 4       | 7       | 3       | 16       | 30      | 10       |
| Pyrite                            | 8        | 2       | 5       | 6       | 21      | 7       | 3       | 3       | 3        | 16      | 4        |
| Other                             | 3        | 3       | 4       | 2       | 12      | 4       | 2       | 6       | 4        | 16      | 4        |
| Total sales revenues              | \$39     | \$21    | \$30    | \$24    | \$114   | \$32    | \$26    | \$27    | \$38     | \$123   | \$36     |
| Copper sales (tonnes)             | 3,250    | 2,573   | 3,561   | 2,892   | 12,276  | 4,361   | 3,435   | 3,798   | 3,114    | 14,708  | 3,500    |
| Zinc sales (tonnes)               | 7,888    | 2,444   | 5,619   | 6,188   | 22,139  | 3,935   | 4,740   | 2,277   | 9,584    | 20,536  | 5,466    |
| Pyrite sales (tonnes)             | 229,353  | 104,919 | 198,224 | 218,233 | 750,729 | 210,183 | 107,348 | 89,118  | 111,273  | 517,922 | 105,449  |

## 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.

### Accounting standards issued but not yet effective

Standards and interpretations issued but not yet effective are listed below.

#### *IFRS 15 – Revenue from contracts with customers*

The new standard provides a five step framework for application to customer contracts: identification of customer contract, identification of the contract performance obligations, determination of the contract price, allocation of the contract price to the contract performance obligations, and revenue recognition as performance obligations are satisfied. A new requirement where revenue is variable stipulates that revenue may only be recognized to the extent that it is highly probable that significant reversal of revenue will not occur. The new standard will be effective for annual periods beginning on or after January 1, 2018. The Company has not elected for early adoption. Upon application of the standard, an adjustment will be made to the opening balance of retained earnings. As at March 31, 2017, assessment has commenced to determine the impact IFRS 15 will have on the Company's financial statements and to highlight areas of focus.

#### *IFRS 9 – Financial instruments: Classification and Measurement.*

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the existing IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. The new standard will be effective for annual periods beginning on or after January 1, 2018. As at March 31, 2017, assessment has commenced to determine the impact IFRS 9 will have on the Company's financial statements and to highlight areas of focus.

#### *IFRS 16 – Leases.*

The new standard will replace *IAS 17 Leases* and eliminates the classification of leases as either operating or finance leases by the lessee. Classification of leases by the lessor under *IFRS 16* continues as either an operating or a finance lease, as was the treatment under *IAS 17 Leases*. The treatment of leases by the lessee will require capitalization of all leases resulting in accounting treatment similar to finance leases under *IAS 17 Leases*. Exemptions for leases of very low value or short-term leases will be applicable. The new standard will result in an increase in lease assets and liabilities for the lessee. Under the new standard the treatment of all lease expense is aligned in the statement of earnings with depreciation, and an interest expense component recognized for each lease, in line with finance lease accounting under *IAS 17 Leases*. IFRS 16 will be applied prospectively for annual periods beginning on or after January 1, 2019. The Company plans to evaluate the impact on the consolidated financial statements during 2017.

### Non-GAAP financial measures

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

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

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

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

C1 cash cost includes all mining and processing costs less any profits from by-products such as gold zinc, pyrite or cobalt. 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.

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

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

| For the three months ended<br>March 31, 2017            | Kansanshi    | Sentinel     | Las Cruces  | Guelb<br>Moghrein | Çayeli      | Pyhäsalmi   | Copper<br>Continuing | Corporate &<br>other | Ravensthorpe | Total        |
|---------------------------------------------------------|--------------|--------------|-------------|-------------------|-------------|-------------|----------------------|----------------------|--------------|--------------|
| Cost of sales                                           | (329)        | (137)        | (85)        | (34)              | (18)        | (27)        | (630)                | (4)                  | (63)         | (697)        |
| Adjustments:                                            |              |              |             |                   |             |             |                      |                      |              |              |
| Depreciation                                            | 86           | 39           | 47          | 9                 | 6           | 16          | 203                  | 1                    | 9            | 213          |
| By-product credits                                      | 40           | -            | -           | 11                | 4           | 19          | 74                   | -                    | 4            | 78           |
| Royalties                                               | 21           | 14           | 2           | 2                 | -           | -           | 39                   | -                    | 2            | 41           |
| Treatment and refining charges and freight costs        | (18)         | (9)          | 1           | (4)               | (3)         | (3)         | (36)                 | -                    | -            | (36)         |
| Finished goods                                          | 19           | (31)         | 3           | (4)               | -           | (1)         | (14)                 | -                    | 1            | (13)         |
| Other                                                   | 6            | (4)          | -           | -                 | 1           | 1           | 4                    | 3                    | 1            | 8            |
| <b>Cash cost (C1)</b>                                   | <b>(175)</b> | <b>(128)</b> | <b>(32)</b> | <b>(20)</b>       | <b>(10)</b> | <b>5</b>    | <b>(360)</b>         | <b>-</b>             | <b>(46)</b>  | <b>(406)</b> |
| Adjustments:                                            |              |              |             |                   |             |             |                      |                      |              |              |
| Depreciation (excluding depreciation in finished goods) | (65)         | (45)         | (44)        | (11)              | (6)         | (16)        | (187)                |                      | (13)         | (200)        |
| Royalties                                               | (21)         | (14)         | (2)         | (2)               | -           | -           | (39)                 |                      | (2)          | (41)         |
| Other                                                   | (1)          | -            | (1)         | 1                 | -           | -           | (1)                  |                      | (1)          | (2)          |
| <b>Total cost (C3)</b>                                  | <b>(262)</b> | <b>(187)</b> | <b>(79)</b> | <b>(32)</b>       | <b>(16)</b> | <b>(11)</b> | <b>(587)</b>         |                      | <b>(62)</b>  | <b>(649)</b> |
| <b>Cash cost (C1)</b>                                   | <b>(175)</b> | <b>(128)</b> | <b>(32)</b> | <b>(20)</b>       | <b>(10)</b> | <b>5</b>    | <b>(360)</b>         |                      | <b>(46)</b>  | <b>(406)</b> |
| Adjustments:                                            |              |              |             |                   |             |             |                      |                      |              |              |
| General and administrative expenses                     | (7)          | (6)          | (1)         | (1)               | -           | -           | (15)                 |                      | (2)          | (17)         |
| Sustaining capital expenditure and deferred stripping   | (17)         | (11)         | (3)         | (6)               | (1)         | -           | (38)                 |                      | (5)          | (43)         |
| Royalties                                               | (21)         | (14)         | (2)         | (2)               | -           | -           | (39)                 |                      | (2)          | (41)         |
| <b>AISC</b>                                             | <b>(220)</b> | <b>(159)</b> | <b>(38)</b> | <b>(29)</b>       | <b>(11)</b> | <b>5</b>    | <b>(452)</b>         |                      | <b>(55)</b>  | <b>(507)</b> |
| Cash cost – (C1) (per lb)                               | \$1.28       | \$1.67       | \$0.78      | \$1.14            | \$1.52      | (\$0.59)    | \$1.26               |                      | \$4.84       |              |
| AISC (per lb)                                           | \$1.59       | \$2.07       | \$0.93      | \$1.67            | \$1.64      | (\$0.59)    | \$1.59               |                      | \$5.81       |              |
| Total cost – (C3) (per lb)                              | \$1.89       | \$2.45       | \$1.89      | \$1.93            | \$2.53      | \$1.57      | \$2.05               |                      | \$6.57       |              |

| For the three months ended<br>March 31, 2016            | Kansanshi    | Sentinel | Las Cruces  | Guelb<br>Moghrein | Çayeli      | Pyhäsalmi   | Copper<br>Continuing | Corporate &<br>other | Ravensthorpe | Total        |
|---------------------------------------------------------|--------------|----------|-------------|-------------------|-------------|-------------|----------------------|----------------------|--------------|--------------|
| Cost of sales                                           | (355)        | -        | (77)        | (36)              | (26)        | (31)        | (525)                | (4)                  | (86)         | (615)        |
| Adjustments:                                            |              |          |             |                   |             |             |                      |                      |              |              |
| Depreciation                                            | 91           | -        | 41          | 10                | 9           | 17          | 168                  | 1                    | 15           | 184          |
| By-product credits                                      | 50           | -        | -           | 16                | 3           | 15          | 84                   | -                    | 3            | 87           |
| Royalties                                               | 31           | -        | 1           | 3                 | -           | -           | 35                   | -                    | 2            | 37           |
| Treatment and refining charges and freight costs        | (14)         | -        | 1           | (7)               | (7)         | (3)         | (30)                 | -                    | (1)          | (31)         |
| Finished goods                                          | 47           | -        | 1           | (3)               | 2           | -           | 47                   | -                    | 13           | 60           |
| Other                                                   | 6            | -        | -           | -                 | 1           | 1           | 8                    | 3                    | 1            | 12           |
| <b>Cash cost (C1)</b>                                   | <b>(144)</b> | <b>-</b> | <b>(33)</b> | <b>(17)</b>       | <b>(18)</b> | <b>(1)</b>  | <b>(213)</b>         | <b>-</b>             | <b>(53)</b>  | <b>(266)</b> |
| Adjustments:                                            |              |          |             |                   |             |             |                      |                      |              |              |
| Depreciation (excluding depreciation in finished goods) | (69)         | -        | (38)        | (12)              | (9)         | (17)        | (145)                |                      | (15)         | (160)        |
| Royalties                                               | (31)         | -        | (1)         | (3)               | -           | -           | (35)                 |                      | (2)          | (37)         |
| Other                                                   | (1)          | -        | -           | -                 | -           | -           | (1)                  |                      | (1)          | (2)          |
| <b>Total cost (C3)</b>                                  | <b>(245)</b> | <b>-</b> | <b>(72)</b> | <b>(32)</b>       | <b>(27)</b> | <b>(18)</b> | <b>(394)</b>         |                      | <b>(71)</b>  | <b>(465)</b> |
| <b>Cash cost (C1)</b>                                   | <b>(144)</b> | <b>-</b> | <b>(33)</b> | <b>(17)</b>       | <b>(18)</b> | <b>(1)</b>  | <b>(213)</b>         |                      | <b>(53)</b>  | <b>(266)</b> |
| Adjustments:                                            |              |          |             |                   |             |             |                      |                      |              |              |
| General and administrative expenses                     | (9)          | -        | (2)         | (1)               | (1)         | -           | (13)                 |                      | (4)          | (17)         |
| Sustaining capital expenditure and deferred stripping   | (17)         | -        | (1)         | (7)               | (1)         | (1)         | (27)                 |                      | -            | (27)         |
| Royalties                                               | (31)         | -        | (1)         | (3)               | -           | -           | (35)                 |                      | (2)          | (37)         |
| <b>AISC</b>                                             | <b>(201)</b> | <b>-</b> | <b>(37)</b> | <b>(28)</b>       | <b>(20)</b> | <b>(2)</b>  | <b>(288)</b>         |                      | <b>(59)</b>  | <b>(347)</b> |
| Cash cost – (C1) (per lb)                               | \$1.18       | -        | \$0.84      | \$0.68            | \$1.18      | \$0.14      | <b>\$1.03</b>        |                      | \$4.48       |              |
| AISC (per lb)                                           | \$1.59       | -        | \$0.96      | \$1.13            | \$1.36      | \$0.22      | <b>\$1.36</b>        |                      | \$4.93       |              |
| Total cost – (C3) (per lb)                              | \$1.94       | -        | \$1.82      | \$1.31            | \$1.83      | \$2.04      | <b>\$1.86</b>        |                      | \$6.00       |              |

**Calculation of operating cash flow per share, EBITDA, comparative 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, Comparative EBITDA, comparative earnings and comparative earnings per share are non-GAAP measures which measure the performance of the Company.

Comparative EBITDA, comparative earnings and comparative earnings per share exclude 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 2017    | Q4 2016    | Q1 2016    |
|------------------------------------------------------------------|------------|------------|------------|
| Operating profit (loss) from continuing operations               | 51         | 43         | 70         |
| Add back:                                                        |            |            |            |
| Depreciation                                                     | 213        | 160        | 184        |
| Impairment and related charges                                   | -          | 13         | -          |
| <b>EBITDA</b>                                                    | <b>264</b> | <b>216</b> | <b>254</b> |
| Adjustments:                                                     |            |            |            |
| Foreign exchange (gain) loss                                     | -          | 7          | 11         |
| Other income                                                     | -          | (3)        | -          |
| Revisions in estimates of restoration provisions at closed sites | 1          | (2)        | 4          |
| <b>Total adjustments to EBITDA</b>                               | <b>1</b>   | <b>2</b>   | <b>15</b>  |
| <b>Comparative EBITDA</b>                                        | <b>265</b> | <b>218</b> | <b>269</b> |

  

|                                                                                            | Q1 2017     | Q4 2016   | Q1 2016   |
|--------------------------------------------------------------------------------------------|-------------|-----------|-----------|
| Net earnings (loss) from continuing operations attributable to shareholders of the Company | (114)       | 12        | 49        |
| Adjustments attributable to shareholders of the Company:                                   |             |           |           |
| Loss on extinguishment of senior notes                                                     | 84          | -         | -         |
| Total adjustments to EBITDA including impairment                                           | 1           | 15        | 15        |
| Comparative tax adjustments                                                                | -           | -         | -         |
| Tax and Minority interest on comparative adjustments                                       | -           | -         | (1)       |
| <b>Comparative earnings (loss)</b>                                                         | <b>(29)</b> | <b>27</b> | <b>63</b> |
| Earnings (loss) per share as reported                                                      | (\$0.17)    | \$0.02    | \$0.07    |
| Comparative earnings (loss) per share                                                      | (\$0.04)    | \$0.04    | \$0.09    |

## Significant judgments, estimates and assumptions in applying accounting policies

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

### (i) Significant judgments

- Determination of ore reserves and resources

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

Changes in the judgments surrounding proven and probable reserves may impact the carrying value of property, plant and equipment, 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.

Commercial production was declared from November 1, 2016 for the Sentinel mine with management having concluded that the mine was operating in a manner intended by management.

- 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.

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

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

- Assessment of impairment indicators

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

(ii) Significant accounting estimates and assumptions

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

- Determination of ore reserves and life of mine plan

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

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

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

Changes in the proven and probable reserves estimates may impact the carrying value of property, plant and equipment, 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 mining operation and smelter is a cash-generating unit. Goodwill is not amortized, but rather the cash-generating-unit ("CGU") to which the goodwill has been allocated is tested for impairment on an annual basis to ensure that the recoverable amount exceeds the carrying value.

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

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

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

- 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.

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

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

- 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 "BBB-" 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 "BBB-" 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 "BBB-" are reported to, and approved by, the Audit Committee. As at March 31, 2017, the majority of cash was held with "AAA" money market funds and short-term deposits are with counterparties of investment grade.

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 and prepaid taxes.

#### *Liquidity risk*

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

In addition, the Company was obligated under its corporate revolving credit and term loan facility to maintain liquidity and satisfy various covenant ratio tests on an historical and prospective cash flow basis. These ratios were in compliance during the three months ended March 31, 2017, and the years ended December 31, 2016 and December 31, 2015. If the Company breaches a covenant in its Financing Agreements, this would be an event of default which, if un-addressed, would entitle the lenders to make the related borrowings immediately due and payable and if made immediately due and payable all other borrowings would also be due and payable.

#### *Market risks*

##### Commodity price risk

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

As part of the hedging program, the Company has elected to apply hedge accounting for a portion of copper and nickel sales. For the quarter ended March 31, 2017, a fair value loss of \$318 million has been recognized on derivatives designated as hedged instruments through accumulated other comprehensive income and a fair value loss of \$126 million has been recognized through sales revenues. As at March 31, 2017, 402,000 tonnes of unmargined copper forward sales contracts at a price of \$2.29 per pound remain outstanding with periods of maturity to February 2018. Additionally, the Company had zero cost collar unmargined sales contracts for 16,000 tonnes at a price range \$2.62 to \$2.83 per lb, also with maturities to February 2018.

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, 2017 and December 31, 2016, 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.

#### 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, 2017 and December 31 2016, the Company held no floating-to-fixed interest rate swaps.

#### Foreign exchange risk

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

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

#### Disclosure Controls and Procedures

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

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

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

#### Internal Control over Financial Reporting

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

- pertain to the maintenance of records that accurately and fairly reflect the transactions of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS;

- ensure the Company's receipts and expenditures are made only in accordance with authorization of management and the Company's directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized transactions that could have a material effect on the annual or interim financial statements.

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

There were no changes in the Company's business activities during the period ended March 31, 2017, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

### **Limitations of Controls and Procedures**

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

### **Cautionary statement on forward-looking information**

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

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

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