

Management's Discussion and Analysis

Second quarter ended June 30, 2016



This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements of First Quantum Minerals Ltd. ("First Quantum" or "the Company") for the three and six months ended June 30, 2016. The Company's results have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are presented in United States dollars, tabular amounts in millions, except where noted.

For further information on First Quantum, reference should be made to its public filings (including its most recently filed AIF) which are available on SEDAR at www.sedar.com. Information is also available on the Company's website at www.first-quantum.com. This MD&A contains forward-looking information that is subject to risk factors, see "Regulatory Disclosures" for further discussion. Information on risks associated with investing in the Company's securities and technical and scientific information under National Instrument 43-101 concerning the Company's material properties, including information about mineral resources and reserves, are contained in its most recently filed AIF. This MD&A has been prepared as of July 27, 2016.

SECOND QUARTER 2016 HIGHLIGHTS¹

- Set new quarterly records for copper production and sales of 131,349 tonnes and 132,030 tonnes, respectively, surpassing previous records set in the first quarter of the year:
 - 53% increase in copper production at Sentinel over Q1 2016 reflective of steady operational and power supply improvements;
 - Highest quarterly production since Q3 2014 achieved at Kansanshi due to the increased smelter availability and sulphuric acid supply from the operation of the Kansanshi smelter;
 - Higher sales volume compared to Q1 2016 was mostly due to Sentinel's increased production.
- Fifth consecutive quarter of lower copper cash cost ("C1"), All-in sustaining ("AISC") and total cost ("C3") per pound²: Copper Q2 2016: C1 = \$0.98; AISC = \$1.32; C3 = \$1.80.
- Realized average price for copper of \$2.21 per lb exceeded the average LME price of \$2.15 per lb, primarily on account of the Company's copper sales hedge program.
- Completed two main initiatives in the strategy to protect the Company in volatile market conditions and sustained lower commodity prices:
 - Put in place a new \$1.815 billion debt Facility, comprised of equal amounts Term Loan and Revolving Credit Facility. This new Facility has improved financial covenants and amortization schedule, matures in December 2019 and replaces the previous \$3.0 billion Facility;
 - Completed the sale of the Kevitsa mine to Boliden AB ("Boliden") for \$712 million in cash plus restricted cash and working capital adjustments of which \$663 million was received on June 1, 2016. The remaining amount is due to be received in the third quarter of 2016.
- Received the remaining \$32 million owed on the amended ENRC Promissory Note.
- Ended the quarter with \$895 million in unrestricted cash, \$593 million in committed, undrawn facilities, working capital of \$553 million and in full compliance with all financial covenants.
- Development of Cobre Panama continues on track for a phased commissioning and ramp-up over 2018. The process to put in place up to \$2.5 billion of project financing is advancing.
- Changes to the Zambian mining tax regime, effective June 1, include the reduction of the royalty rate for open pit mines from 9% to a sliding scale of between 4% to 6%, based on the copper LME price and the repeal of the variable profits tax. As a result, a \$78 million credit relating to the revaluation of deferred tax balances in Zambia was recognized in the quarter.
- Further reduced copper C1 cash cost and AISC guidance for the year 2016 while C1 cash cost for nickel has been increased for years 2016, 2017 and 2018 based on performance to date.

- Delisting and cancellation of First Quantum's common shares from the London Stock Exchange, as requested by the Company, became effective on May 31, 2016.
- Declared an interim dividend of CDN \$0.005 per share in respect of the financial year ended December 31, 2016. The dividend will be paid on September 19, 2016 to shareholders of record on August 26, 2016. The ex-dividend date is August 24, 2016.

Consolidated Operating Information - Continuing ¹	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Copper production (tonnes) ^{3,4}	131,349	99,940	250,636	191,850
Copper sales (tonnes) ³	132,030	79,678	263,297	170,760
Cash cost of copper production (C1)(per lb) ²	\$0.98	\$1.22	\$1.00	\$1.32
All-in sustaining cost (AISC)(per lb) ²	\$1.32	\$2.02	\$1.33	\$2.10
Total cost of copper production (C3)(per lb) ²	\$1.80	\$2.25	\$1.83	\$2.37
Realized copper price (per lb)	\$2.21	\$2.67	\$2.29	\$2.63
Nickel production (contained tonnes)	4,982	7,115	12,088	11,353
Nickel sales (contained tonnes)	5,415	6,556	14,355	10,288
Cash cost of nickel production (C1)(per lb) ²	\$4.73	\$4.70	\$4.59	\$4.69
All-in sustaining cost (AISC)(per lb) ²	\$5.49	\$5.56	\$5.17	\$5.57
Total cost of nickel production (C3)(per lb) ²	\$6.63	\$6.13	\$6.26	\$6.19
Realized nickel price (per payable lb)	\$4.15	\$5.98	\$3.98	\$6.18
Gold production (ounces)	50,630	53,835	106,821	103,615
Gold sales (ounces)	69,898	47,421	133,039	94,690

¹ Operating performance measures exclude Kevitsa. In accordance with the requirement of IFRS 5 - *Non-current assets Held for Sale and Discontinued Operations*, Kevitsa has been classified as a discontinued operation for the three and six months ended June 30, 2016 and accordingly, comparative 2015 financial information has been re-presented. For further discussion on Kevitsa, please see "Kevitsa Nickel-Copper-PGE Discontinued Operation" below and note 4 "Kevitsa Sale" of the condensed interim consolidated financial statements for the three and six months ended June 30, 2016.

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

³ Total copper production includes production at Sentinel of 31,987 tonnes and 52,889 tonnes for the three and six months ended June 30, 2016, respectively (2015: 5,799 tonnes and 6,802 tonnes respectively). Total copper sales include sales at Sentinel of 21,940 tonnes and 40,736 tonnes for the three and six months ended June 30, 2016, respectively (2015: nil sales to June 30, 2015). Production and sales at Sentinel are pre-commercial production and therefore excluded from earnings.

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

Consolidated Financial Information	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Sales revenues	659	558	1,379	1,160
Gross profit	102	54	207	77
Net earnings (loss) from continuing operations	142	(97)	190	(187)
Net earnings (loss) from discontinued operations	(1)	3	(267)	(1)
Net earnings (loss) per share from continuing operations attributable to shareholders of the Company	\$0.18	(\$0.17)	\$0.25	(\$0.30)
Net earnings (loss) per share	\$0.18	(\$0.16)	(\$0.14)	(\$0.30)
Basic and diluted earnings (loss) per share	\$0.18	(\$0.16)	(\$0.14)	(\$0.30)
Comparative EBITDA ¹	257	148	526	254
Comparative earnings ²	38	20	101	8
Comparative earnings per share ²	\$0.06	\$0.03	\$0.15	\$0.01

¹ C1 cash cost, AISC, C3 total cost and earnings before interest, tax, depreciation, amortization and impairment ("EBITDA") are not recognized under IFRS. See "Regulatory disclosures" for further information.

² Net earnings (loss) attributable to shareholders of the Company and EBITDA have been adjusted to exclude items which are not reflective of underlying performance to arrive at comparative earnings and comparative EBITDA. Comparative earnings, comparative earnings per share and comparative EBITDA are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. The Company has disclosed these measures to assist with the understanding of results and to provide further financial information about the results to investors. See "Regulatory Disclosures" for a reconciliation of comparative EBITDA and comparative earnings.

OPERATIONS SUMMARY

Second quarter 2016 – continuing operations

Copper production 31% higher from production at Sentinel and Kansanshi

- Copper production of 131,349 tonnes for the quarter was 31% higher than the same period in 2015 as a result of the continued ramp-up at Sentinel as well as increased production at Kansanshi.
- Copper production at Sentinel totalled 31,987 tonnes for the quarter compared to 5,799 tonnes for the same period in 2015. First filtered concentrate was produced at Sentinel in January 2015 and production has ramped up with higher copper production achieved in each successive quarter. Production at Kansanshi was 7% higher for the quarter compared to the same period in 2015.
- The Kansanshi smelter processed 309,063 tonnes of concentrate, produced 69,210 tonnes of copper anode and 309,000 tonnes of sulphuric acid and achieved an overall copper recovery of 97%.

Nickel production affected by lower grades and recoveries

- Nickel production from Ravensthorpe of 4,982 tonnes for the quarter was 30% lower than the comparable period in 2015 as a result of lower grade as anticipated in the mining plan. Nickel recovery was also lower as a maintenance shutdown required one high pressure acid leaching circuit to be offline for an extended period.

Gold production 6% lower due to grades and throughput

- Gold production of 50,630 ounces was 3,205 ounces lower than the comparable period in 2015 primarily due to a drop in grade of ore treated and lower throughput at Guelb Moghrein.

Copper and gold sales volumes significantly higher from increased recoveries and milling throughput

- Copper sales volumes of 132,030 tonnes were significantly higher than the comparable period in 2015, reflecting higher copper sales volumes at Kansanshi, on higher production due to improved recovery rates achieved on the mixed and oxide circuit and higher volumes of sulphide ore milled.
- Gold sales volumes of 69,898 ounces were 47% higher than the comparable period in 2015. At Kansanshi, the increased gold sales volumes reflect the change from copper concentrate sales to anode sales. The gold in anode is not subject to standard smelter deductions applicable to gold in copper concentrate contracts. At Guelb Moghrein, the main impact on gold sales volumes relates to the increase in gold recovery as a result of improved performance of the gold concentrators.

Copper C1 cash cost lowered to \$0.98 per lb and full year guidance reduced

- Copper C1 cash cost of \$0.98 per lb was significantly lower by 20% compared to the same period in 2015, reflecting the benefits of the Company's ongoing focus on cost reduction and efficiencies, sulphuric acid production from the Kansanshi smelter and lower fuel costs.
- Full year 2016 guidance (excluding Sentinel) reduced to approximately \$1.05 to \$1.15 per lb (including Sentinel reduced to approximately \$1.15 to \$1.30 per lb).

Nickel C1 cash cost increased to \$4.73 per lb

- Nickel C1 cash cost of \$4.73 per lb was higher by \$0.03 per lb compared to the same period in 2015 as lower costs were offset by lower production in 2016.

First half of 2016 – continuing operations

- Copper production of 250,636 tonnes was 31% higher than the same period in 2015 as a result of the continued ramp-up at Sentinel at 52,889 tonnes compared to 6,802 tonnes for the same period in 2015 and a 9% increase in production at Kansanshi at 120,433 tonnes compared to 110,562 tonnes for the same period in 2015. For the first half of 2016, the Kansanshi smelter processed 553,207 tonnes of concentrate, produced 121,716 tonnes of copper anode and 548,000 tonnes of sulphuric acid and achieved an overall copper recovery of 98%.

Copper sales volumes of 263,297 tonnes were significantly higher than the comparable period in 2015. At Kansanshi, products sold in 2016 shifted significantly from concentrate sales (60% of total volume in the first half of 2015) to the sale of anode (70% of total volume sold in the first half of 2016).

Copper C1 cash cost of \$1.00 per lb was significantly lower by 24% compared to the same period in 2015 reflecting mostly the benefits of the Kansanshi smelter in commercial production.

- Nickel production and sales were both higher than the same period in 2015 as the atmospheric leach tank structural failure that occurred at Ravensthorpe in December 2014 lowered the operating level for that period.

Nickel C1 cash cost of \$4.59 per lb was however lower by \$0.10 per lb compared to the nickel C1 cash cost for the same period in 2015 due to lower sulphur prices and the impact of cost saving initiatives undertaken at Ravensthorpe.

- Gold production of 106,821 ounces was 3,206 ounces higher than the comparable period in 2015 due to higher copper concentrate production in 2016 resulting in increased gold in concentrate at Kansanshi.

Gold sales volumes of 133,039 ounces were 40% higher than the comparable period in 2015. At Kansanshi, the increased gold sales volumes in 2016 reflect the change from copper concentrate sales to anode sales. The gold in anode is not subject to standard smelter deductions applicable to gold in copper concentrate contracts. At Guelb Moghrein, the main impact on gold sales volumes relates to the increase in gold recovery as a result of improved performance of gold concentrators.

FINANCIAL AND CORPORATE DEVELOPMENTS SUMMARY

Completion of a new Term Loan and Revolving Credit Facility

- As announced on May 27, 2016, the Company completed a new Term Loan and Revolving Credit Facility with its core relationship banks. This new Facility replaced the existing \$3 billion facility. The new Facility of \$1.815 billion comprises of a \$907.5 million Term Loan Facility, and a \$907.5 million Revolving Credit Facility, maturing in December 2019. The new Facility includes revised financial covenants and an extended repayment schedule that only commences in June 2017, which combined with the receipt of the Kevitsa asset sale proceeds, improves the financial flexibility of the Company without reducing liquidity, while further reducing net debt. The Facility leaves the Company with approximately the same liquidity within the next 12 months, when compared to the existing \$3 billion facility. Under the new Facility, the current Net Debt to EBITDA covenant ratio of 5.5x will now be maintained until Q3 2017. The ratio will then reduce to 5.0x until Q1 2018, then to 4.5x until Q3 2018, and to 3.5x until 2019, when it will reduce to 3.25x timed to better match the Cobre Panama construction and commissioning schedule. The new Facility also incorporates an accordion feature to enable it to be increased up to \$2.2 billion at the Company's discretion. This feature provides added flexibility for the Company.

Completion of the sale of Kevitsa

- As announced on June 1, 2016, the Company completed the sale of the Kevitsa nickel-copper-platinum group elements mine to Boliden. Total proceeds from the sale, excluding working capital adjustments, amounts to \$712 million in cash.

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

- Sales revenues of \$659 million for the three months ended June 30, 2016 million increased by \$101 million compared to the same period in 2015 principally due to higher copper sales volumes offset by lower copper and nickel prices.
- The average LME cash prices for copper of \$2.15 per lb and nickel of \$4.00 per lb were 22% and 32% lower, respectively, for the three months ended June 30, 2016 compared to the same period in 2015.
- The impact of lower copper prices was partially mitigated through hedging 126,750 tonnes of copper sales at \$2.23 per lb, which settled in the current quarter generating \$23 million in additional revenue.
- At as June 30, 2016, the Company had 288,250 tonnes of unsettled hedged copper sales priced at an average price of \$2.21 per lb.

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

- The higher gross profit of \$102 million for the three months ended June 30, 2016 compared to gross profit of \$54 million for the same period in 2015 was primarily from higher sales volumes, lower Zambian royalty rate for the month of June 2016 and lower operating costs from operating efficiencies initiatives across the organization, offset by lower metal prices.

	Continuing Operations
Gross profit in Q2 2015	54
Lower realized metal prices	(152)
Lower costs	109
Higher sales volumes	103
Decrease in royalty rate	38
Foreign exchange	11
Increase in depreciation	(61)
Gross profit in Q2 2016 ¹	102

¹ 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 \$182 million, foreign exchange gain of \$19 million and other costs of \$12 million.

- Excluding the impact of foreign exchange, exploration and general and administrative costs were \$10 million lower in Q2 2016 compared to Q2 2015.
- Cost savings of \$119 million, excluding the impact of foreign exchange, achieved in Q2 2016 compared to the same period in 2015

Comparative EBITDA on a continuing basis of \$257 million in Q2 2016

- Comparative EBITDA on a continuing basis of \$257 million excludes the impact of foreign exchange losses, impairment charges and revisions in estimates of closed site restoration provisions and is \$109 million higher than the same period last year.
- Comparative earnings of \$38 million are after a tax charge of \$13 million and finance charges of \$4 million and general and administrative and exploration costs of \$20 million.
- For the three months ended June 30, 2016, net earnings attributable to shareholders totalled \$124 million. For the six months ended June 30, 2016, the net loss attributable to shareholders of the Company of \$93 million (including discontinued operations) includes a post-tax loss of \$244 million on re-measurement to fair value less costs to sell for Kevitsa as well as foreign exchange gains of \$19 million.

FINANCIAL POSITION AND OPERATING CASH FLOW

- The Company ended the quarter with \$895 million of unrestricted cash and cash equivalents in addition to \$593 million of committed undrawn facilities and was in full compliance with all financial covenants. Taking into account forecast operating cash inflows, capital expenditure outflows and available committed facilities, the Company expects to have sufficient liquidity through 2016 to carry out its operating and capital expenditure plans.
- In Q2 2016, the Company received \$663 million of the total expected proceeds of \$712 million from the sale of Kevitsa, with the remaining consideration, which includes restricted cash and working capital adjustments, to be received in the third quarter of 2016, and also received the final installment of \$32 million on the Promissory Note from Eurasian Resources Group.

- The amount of VAT accrued by the Company's Zambian operations at June 30, 2016 was \$241 million, of which \$217 million related to Kansanshi. During the period March 2015 to June 2016, Kansanshi made VAT claims and accruals of \$120 million of which \$72 million has been received and \$48 million remains outstanding at June 30, 2016. VAT claims totaling ZMW 1,742 million (currently equivalent to \$171 million) made by Kansanshi prior to February 2015 remain outstanding. The balance of VAT refunds has not been received as a result of the application of discretionary rules established and applied by the Commissioner General relating to exports from Zambia. Management is in regular discussions with the relevant government authorities and continues to consider that the outstanding VAT claims are fully recoverable.

DEVELOPMENT PROJECTS

Sentinel project, Zambia

- Ore was introduced to the third and final in-pit crusher in May 2016, allowing the complete processing plant facilities to achieve periods of steady state operation. Plant stability, along with a more consistent ore supply and a reduction in transitional ore has benefitted copper recoveries which improved through the quarter. ZESCO full energization of the second powerline remains pending, although power supply allocation to Sentinel on the single active 330kV power line was increased from 120MW to 126MW in June 2016.
- Sentinel is expected to reach commercial production levels in the third quarter of 2016. A declaration of commercial production will be made when the operation attains a sustained level of operating performance.
- Commissioning was completed for process plant sections of Enterprise that have been incorporated into the Sentinel copper processing plant, including flotation, thickening and concentrate filtration circuits. These Enterprise plant sections add flexibility during the treatment of transitional ores, assisting Sentinel copper recovery and concentrate grade.

Cobre Panama project, Panama

- Project progress continues on track for a phased commissioning and ramp-up over 2018. In the power station area, electrical and instrumentation disciplines commenced work and operation of Unit 1 is targeted for start-up in the second half of 2017, with Unit 2 following in the first half of 2018. Bulk earthworks are substantially complete in the process plant area, while those associated with the mine strip and tailings storage facility are at 30% and 55% completion respectively, and both are on track to support the 2018 commissioning schedule. Milling erection is progressing on plan for the first of three semi-autogenous grinding ("SAG") mills and two of four ball mills, resulting in six mills planned to be erected during 2016, with the single remaining SAG mill to be erected in the first part of 2017.

ZAMBIAN DEVELOPMENTS

- The Company's Zambian operations are currently being provided a total of 285MW, which allows for normal operations at the Kansanshi mine and smelter complex, and for Sentinel to achieve nameplate capacity throughput for periods. ZESCO imports supplementary power which is supplied to the mines at an increased tariff. In December 2015, Kansanshi and Sentinel were advised by ZESCO that power tariffs were to be increased to 10.35 cents per kWh effective January 1, 2016, and invoices for power supply under this new tariff have been received. These increases are being disputed and discussions with ZESCO and the Government of Zambia are ongoing.
- On February 18, 2016, the Government of Zambia announced that the Cabinet had approved changes to the mining tax regime, including: retaining corporate tax on profits from mining at 30%; repealing the variable profits tax at up to 15% applicable to profits from mining; suspension of the 10% export duty on ores and concentrates applicable to nickel for which there are no processing facilities in Zambia; and reduction in the mining royalty rates for open pit mining from 9% to a sliding scale of 4% to 6% depending on the LME monthly average price. On April 13, 2016, a Bill was introduced into Parliament detailing the above changes. On June 6, 2016, the amendments to Zambia's Mines and Minerals Development Act and to the Income Tax Act to effect the changes to the mining tax regime were given Presidential assent with an effective date of June 1, 2016.
- On August 11, 2016, Zambia will hold its first Presidential and Parliamentary election under its new constitution. A constitutional referendum will be held alongside the elections, with proposals to amend the Zambian Bill of Rights.

GUIDANCE SUMMARY

Guidance is based on a number of assumptions and estimates as of June 30, 2016, including among other things, assumptions about metal prices and anticipated costs and expenditures, and involve known and unknown risks, uncertainties and other factors which may cause the actual results to be materially different.

Production – continuing operations

Production guidance is shown for continuing operations and therefore excludes Kevitsa. Production guidance on a continuing basis for 2016 to 2018 for all metals is unchanged from guidance given in April 2016.

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

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

Indicative production - continuing operations

Copper

000's tonnes	2016	2017	2018
Kansanshi	235	235	240
Las Cruces	70	70	70
Guelb Moghrein	36	40	40
Çayeli	24	22	22
Pyhäsalmi	14	11	11
Sentinel	135-155	210-240	230-260

Nickel

000's tonnes (contained tonnes)	2016	2017	2018
Ravensthorpe	23	28	28

Gold

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

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

Capital expenditure

- Guidance on total capital expenditure for 2016 to 2018 is unchanged.
- 2016 net capital expenditure, after contributions from third-parties, is expected to be approximately \$710 million, inclusive of net capital expenditure of \$390 million for the Cobre Panama project, \$160 million for capitalized stripping and \$160 million for other projects and sustaining capital. This excludes capitalization of any net pre-commercial production costs and capitalized interest but includes capital expenditure at Kevitsa to the date of sale.
- 2017 and 2018 net capital expenditure, after contributions from third-parties, is estimated at approximately \$820 million per annum, with Cobre Panama net capital expenditure of approximately \$480 million per annum, excluding capitalization of any net pre-commercial production costs and capitalized interest.

Cash cost and all-in sustaining cost

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

Cash operating cost (C1):

- Expected average cash cost of copper in 2016 (excluding Sentinel) reduced to approximately \$1.05 to \$1.15 per lb (including Sentinel reduced to approximately \$1.15 to \$1.30 per lb). Guidance is the same on a continuing operations or including discontinued operations basis.
- Expected average cash cost of copper in 2017 and 2018 remains at approximately \$1.20 to \$1.40 per lb, including Sentinel.
- Expected average cash cost of nickel on a continuing basis excluding Kevitsa is approximately \$4.50 to \$4.70 per lb for 2016, 2017 and 2018.

All-In Sustaining Cost ('AISC'):

- Expected average AISC of copper reduced to approximately \$1.40 to \$1.60 per lb for 2016 (excluding Sentinel) on a continuing basis, and reduced to approximately \$1.55 to \$1.75 per lb (including Sentinel) on a continuing basis. Guidance is the same on a continuing operations or including discontinued operations basis.
- Expected average AISC of copper of approximately \$1.70 to \$1.90 per lb for 2017 and 2018 (including Sentinel).
- Expected average AISC of nickel is approximately \$5.00 to \$5.30 per lb for 2016, 2017 and 2018.

OPERATIONS

Kansanshi	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Sulphide ore tonnes milled (000's)	2,860	1,503	5,748	2,892
Sulphide ore grade processed (%)	0.9	0.9	0.8	0.9
Sulphide copper recovery (%)	92	92	90	91
Mixed ore tonnes milled (000's)	1,984	3,342	3,974	6,630
Mixed ore grade processed (%)	1.0	1.0	1.0	1.1
Mixed copper recovery (%)	83	68	85	68
Oxide ore tonnes milled (000's)	1,747	1,760	3,384	3,127
Oxide ore grade processed (%)	1.4	1.6	1.5	1.6
Oxide copper recovery (%)	89	79	91	83
Copper production (tonnes) ¹	62,358	57,016	120,433	110,562
Copper smelter				
Concentrate processed (DMT) ²	309,063	-	553,207	-
Copper anodes produced (tonnes) ²	69,210	-	121,716	-
Smelter copper recovery (%)	97	-	98	-
Acid tonnes produced (000's)	309	-	548	-
Copper sales (tonnes) ³	67,216	44,288	139,438	97,792
Gold production (ounces)	34,313	35,182	70,056	67,774
Gold sales (ounces)	43,220	30,459	87,352	61,766
Cash costs (C1) (per lb) ⁴	\$1.07	\$1.37	\$1.13	\$1.58
Total costs (C3) (per lb) ⁴	\$1.76	\$2.38	\$1.83	\$2.58
All-in sustaining cost (AISC) (per lb) ⁴	\$1.49	\$2.47	\$1.52	\$2.69
Sales revenues	363	268	736	582
Gross profit before royalties	90	84	139	117
Gross profit (loss)	61	14	79	(20)
Comparative EBITDA ⁴	144	41	253	49

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

² Concentrate processed in smelter and copper anodes produced are disclosed on a 100% basis, inclusive of Sentinel concentrate processed. Concentrate processed is measured in dry metric tonnes ("DMT").

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

⁴ C1 cash cost, C3 total cost, AISC and comparative EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information.

Kansanshi Mining Operations

Copper production for the three months ended June 30, 2016 was 9% higher than the same period in 2015, due primarily to improved recovery rates recorded on the mixed and oxide circuit and higher volumes of sulphide ore milled. The increased acid production from the Kansanshi smelter permitted the process plant to increase the volumes of mixed cleaner tails processed through the leaching circuit. The cathode production from the mixed cleaner tails comprised 14% of the total cathode production for the quarter. Cathode production for the three months ended June 30, 2016 was 8% lower than the same period in 2015 as no concentrate was processed through the High Pressure Leach ("HPL") unit due to power restrictions imposed by ZESCO resulting in the temporary closure of the HPL.

Copper production for the six months ended June 30, 2016 was 9% higher than the same period in 2015 reflecting an increase in milling volumes and overall plant recovery. Process volumes in 2016 reflect sulphide ore processed through the 12 million tonnes per annum milling circuit and acid soluble tails from the mixed ore circuit processed through the leaching circuit. Total plant recovery increased from 79% to 89%. The increase in overall plant recovery is mainly attributable to the higher volumes of sulphide ore processed at higher recovery rates and acid soluble tails processed through the leaching circuit.

Gold production for the three months ended June 30, 2016 was 2% lower than the same period in 2015 as a result of lower head grade.

C1 cash cost for the three months ended June 30, 2016 decreased by 22% compared to the same period in 2015 due to improved plant recovery rate, reduced mining and processing costs reflective of improved efficiencies in mining, limited third party acid purchases, continued low fuel prices and cost reduction measures implemented during the past twelve months. Treatment, refinery and net smelter charges reduced by 50% from the second quarter of 2015 and reflect the smelter operations during second quarter of 2016.

C1 cash cost for the six months ended June 30, 2016 decreased by \$0.45 per lb compared to the same period in 2015 primarily due to reduced processing costs reflecting the impact of acid consumed from the smelter, lower fuel costs, lower treatment charges associated with external smelters, reduced freight charges and additional cost savings achieved through the review of service contracts, plant efficiencies and labour productivity.

Sales revenues for the three and six months ended June 30, 2016 increased by 35% and 26% compared with the same period in 2015 due to increased copper and gold sales volumes, mainly anode sales, which offset a lower realized copper price. Anode sales for the three months ended June 30, 2016 comprised over 60% of total sales and sale of concentrate was limited to approximately 5% of total volumes recorded during the quarter. Copper sales volumes for the six months ended June 30, 2016 increased by 43% compared to the same period in 2015. The products sold in 2016 shifted significantly from concentrate sales (60% of total volume in the first half of 2015) to the sale of anode (70% of total volume sold in the first half of 2016).

Gross profit of \$61 million for the three months ended June 30, 2016 increased by \$47 million compared to the same period in 2015, driven by the increased sales revenues, lower cash costs and mineral royalty costs at lower rates from June 2016 onwards. Gross profit for the first half of 2016 of \$79 million reflects a \$99 million change from the \$20 million loss recorded in the first half of 2015.

Kansanshi Copper Smelter

The smelter achieved design capacity during the current quarter with an average smelter recovery rate of 97.2%. Concentrate feed for the quarter comprised 57% from Kansanshi and the balance from Sentinel. The smelter successfully commissioned anode production for targeted refineries during the quarter. The acid production was 309,000 tonnes at an average daily rate of over 3,300 tonnes.

Outlook

Production in 2016 is expected to be approximately 235,000 tonnes of copper, and approximately 150,000 ounces of gold.

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

Las Cruces	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Ore tonnes processed (000's)	389	388	767	750
Copper ore grade processed (%)	5.2	5.1	5.2	5.1
Copper recovery (%)	92	88	92	90
Copper cathode production (tonnes)	18,426	17,362	36,471	34,056
Copper cathode sales (tonnes)	19,708	16,600	38,680	36,198
Cash cost (C1)(per lb) ¹	\$0.80	\$0.87	\$0.82	\$0.92
Total cost (C3)(per lb) ¹	\$1.85	\$2.07	\$1.84	\$1.99
All-in sustaining cost (AISC) (per lb) ¹	\$0.94	\$1.05	\$0.95	\$1.11
Sales revenues	94	101	183	217
Gross profit	14	23	26	58
Comparative EBITDA ¹	56	64	109	136

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

Copper production for the three months ended June 30, 2016 increased by 6% compared to the same period in 2015, primarily due to an increase in overall recovery and in copper grade. The commissioning of the cooling towers in Q1 2016, installed to improve the pressure filter performance, also had the added benefit of greatly enhancing the plant water balance and therefore recoveries. Copper losses were also reduced with the use of more filter wash water.

Copper production for the six months ended June 30, 2016 was also higher than the comparable period in 2015 by 7%, as a result of higher grade feed, recovery improvement by 2% and throughput by 2%. The recovery improvement was due to better pressure filter availability and the commissioning of the cooling towers.

Cash cost of \$0.80 per lb and \$0.82 per lb for the three and six months ended June 30, 2016 were lower compared to the comparable periods in 2015 due to both cathode production being above plan and favourable operating costs reflecting various saving initiatives.

Sales revenues decreased by 7% and 16% for the three and six months ended June 30, 2016 compared to the same periods in 2015 due to lower realized copper prices, partially offset by higher volume due to additional available production. Despite lower operating costs, the fall in sales revenue reduced gross profit by 39% and 55% for the three and six months ended June 30, 2016 respectively, compared to the same periods in 2015.

Outlook

The guidance on copper production in 2016 is unchanged at approximately 70,000 tonnes.

The plant has performed well thus far in 2016 and is expected to process similar throughput with similar grade for the balance of the year. The commissioning of a third reactor in pre-neutralization is expected to further reduce copper losses.

Permitting of the El Chamorro surface waste dump late in the current quarter and compliance with pit backfilling obligations will allow the mine to achieve the waste stripping plans for 2016.

Guelb Moghrein	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Sulphide ore tonnes milled (000's)	971	1,014	1,985	2,015
Sulphide ore grade processed (%)	1.0	1.2	1.1	1.2
Sulphide copper recovery (%)	90	91	92	92
Copper production (tonnes)	8,522	11,141	19,584	21,783
Copper sales (tonnes)	13,998	9,470	23,620	18,480
Gold production (ounces)	13,362	16,240	30,603	30,708
Gold sales (ounces)	23,765	14,568	39,338	27,428
Cash costs (C1)(per lb) ¹	\$0.89	\$0.99	\$0.75	\$1.05
Total costs (C3)(per lb) ¹	\$1.61	\$1.70	\$1.41	\$1.75
All-in sustaining cost (AISC) (per lb) ¹	\$1.34	\$1.44	\$1.19	\$1.49
Sales revenues	81	63	132	121
Gross profit	24	18	39	25
Comparative EBITDA ¹	39	33	63	51

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

Copper production for the three months ended June 30, 2016 decreased by 24% compared to the same period in 2015 due to a reduction in copper grade of ore treated and lower tonnes milled. Copper recovery was also lower for the three months ended June 30, 2016 compared to the same period in 2015 due to lower feed grade and treating old oxidized stockpile material. The decrease in copper grade and tonnes milled also contributed to the decrease of 10% in copper production for the six months ended June 30, 2016 compared to same period in 2015.

Gold in concentrate production for the three months ended June 30, 2016 was 18% lower compared to the same period in 2015 as a result of a decrease in gold feed grade (0.68 g/t for the three months ended June 30, 2016 compared to 0.83g/t for the three months ended June 30, 2015). Gold recovery improved to 62.8% from 59.7%, mainly due to improved performance of the Knelson concentrators. Gold production for the six months ended June 30, 2016 was in line with the comparable period in 2015.

C1 cash cost of \$0.89 per lb for the three months ended June 30, 2016 decreased by 10% compared to the same period in 2015 mainly due to decrease in processing and mining costs. C1 cash cost of \$0.75 per lb for the six months ended June 30, 2016 improved by 29% compared to the same period in 2015 as a result of lower costs and freight charges. Cash costs benefited from: lower fuel cost due to resourcing of fuel from different markets resulting in savings on mark-up and taxes, and the general drop in fuel prices; optimization of the supply chain, resulting in a reduction in buying prices; and a favourable exchange rate of the US dollar versus local currency.

Sales revenue for the three months ended June 30, 2016 was 29% higher than the same period in 2015 as a result of higher volumes sold, partially offset by lower copper prices. Higher revenue along with cost reduction measures and low fuel prices contributed to the increase in gross profit by 33% compared to the same period in 2015. With higher sales revenue and lower costs, gross profit for the six months ended June 30, 2016 increased by 56%.

Outlook

Copper production in 2016 is expected to be approximately 36,000 tonnes. Gold in copper concentrate production is expected to be approximately 50,000 ounces.

Guelb Moghrein's fuel supply contract with a third-party expired in April 2016 and thereafter moved to a self-perform arrangement which significantly reduced fuel costs. The move to self-perform fuel supply arrangement came in effect May 1, 2016. A review of other contracts is progressing, using the same approach, with a view for further savings and improved service levels. Cost reduction initiatives are focused on lowering the costs of consumables and mechanical spares.

Optimization of operations is ongoing with a focus on increasing availability of equipment and retiring aged, inefficient equipment. This process is 75% complete for loading and drilling equipment and is expected to be completed by end of 2016. Also, the installation of an additional Knelson concentrator to increase gravity gold recovery in the circuit is expected to be completed during Q3 2016, with an expected increase in gold recovery of 2-3%.

Ravensthorpe	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Beneficiated ore tonnes processed (000's)	538	528	1,247	897
Beneficiated ore grade processed (%)	1.2	1.5	1.3	1.5
Nickel recovery (%)	80	93	83	93
Nickel production (contained tonnes)	4,982	7,115	12,088	11,353
Nickel sales (contained tonnes)	5,415	6,556	14,355	10,288
Nickel production (payable tonnes)	3,711	5,513	9,006	8,787
Nickel sales (payable tonnes)	4,101	5,125	10,914	8,087
Cash costs (C1) (per lb) ¹	\$4.73	\$4.70	\$4.59	\$4.69
Total costs (C3) (per lb) ¹	\$6.63	\$6.13	\$6.26	\$6.19
All-in sustaining cost (AISC) (per lb) ¹	\$5.49	\$5.56	\$5.17	\$5.57
Sales revenues	38	69	98	112
Gross loss	(21)	(8)	(47)	(8)
Comparative EBITDA ¹	(11)	4	(22)	5

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

Nickel production for the three months ended June 30, 2016 was lower than the same period in 2015 as a result of lower grade as anticipated in the mining plan. Additionally, nickel recovery was lower as a maintenance shutdown required one high pressure acid leaching ("HPAL") circuit to be offline for an extended period. Nickel production for the six months ended June 30, 2016 was higher than the same period in 2015 as the production in 2015 was negatively impacted by the atmospheric leach tank failure that occurred in December 2014.

C1 cash cost of \$4.73 per lb for the three months ended June 30, 2016 slightly increased from the comparable period in 2015. The reduced cost profile in the first half of 2016 compared to the first half of 2015 was primarily attributable to lower sulphur prices and the implementation of cost saving initiatives.

Sales revenues for the three months ended June 30, 2016 were lower than the comparable period in 2015, reflecting lower sales volumes and lower realized nickel prices. The average LME nickel price has fallen from an average of \$5.90 per lb for the three months ended June 30, 2015 to an average of \$4.00 per lb for the three months ended June 30, 2016. Sales revenues were lower than the first half of 2015 primarily due to the significant reduction in the realized nickel price.

The higher gross loss of \$21 million for the three months ended June 30, 2016 compared to the same period in 2015 was driven primarily by lower sales volumes and the falling realized nickel price, partially offset by lower costs in the current quarter. The gross loss of \$47 million for the six months ended June 30, 2016 compared to same period for 2015 was higher primarily due to the lower sales revenues as a result of the lower realized nickel price, partially offset by higher sales volume.

Outlook

Production for 2016 is expected to be approximately 23,000 tonnes of nickel.

Reviews of strategic initiatives undertaken at the beginning of the quarter indicated that despite the depressed nickel price, cost management initiatives allowed mining operations to move into the Hale Bopp resource and that both HPAL circuits should therefore continue to operate while the atmospheric leach circuit should remain operating to balance acid consumption with electricity production. As such, mining operations will ramp up during the third quarter of 2016 with pre-strip and blasting activities having already commenced in the Hale Bopp resource. The previously deferred shutdown of the HPAL 1 circuit has now been completed during the current quarter. To further increase efficiencies, the major shutdown of the HPAL 2 circuit previously scheduled for the third quarter of 2016 has now been deferred to coincide with the major acid plant shutdown scheduled for the fourth quarter of 2016.

The cost of operations is highly sensitive to the price of sulphur, which fluctuates with market factors. The sulphur price has further softened in the current quarter, however whilst the nickel price remains low, minimizing cash outflow remains the critical focus for the operation.

Çayeli	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Ore tonnes milled (000's)	326	315	652	647
Copper ore grade processed (%)	2.2	2.2	2.3	2.5
Copper recovery (%)	87	81	87	81
Zinc ore grade processed (%)	1.6	2.7	1.7	3.0
Zinc recovery (%)	37	55	38	55
Copper production (tonnes)	6,376	5,746	13,254	12,882
Copper sales (tonnes)	5,733	6,747	13,028	12,467
Zinc production (tonnes)	1,944	4,599	4,114	10,553
Zinc sales (tonnes)	-	4,967	2,062	10,133
Cash cost (C1) (per lb) ¹	\$1.26	\$1.34	\$1.22	\$1.18
Total cost (C3) (per lb) ¹	\$1.95	\$2.19	\$1.88	\$2.10
All-in sustaining cost (AISC) (per lb) ¹	\$1.48	\$1.64	\$1.42	\$1.57
Sales revenues	20	36	49	68
Gross profit	-	9	3	12
Comparative EBITDA ¹	7	18	19	29

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

Copper production for the three months ended June 30, 2016 increased by 11% compared to the same period in 2015 primarily due to an increase in copper recovery. A greater proportion of stockwork ore, with better metallurgical characteristics, was mined to offset poor ground conditions in the higher grade massive sulphide work areas. Zinc production for the three months ended June 30, 2016 was 58% lower than the comparable period in 2015 due to a much lower grade and recovery. The zinc circuit was often shut down due to unfavourable economics.

Copper production for the six months ended June 30, 2016 was slightly higher than comparable period in 2015 due to better recovery despite the lower grade. As planned, zinc production for the six months ended June 30, 2016 was lower than comparable period in 2015 due to a lower grade and recovery. This was a consequence of more production coming from the stockwork ore, with very little contained zinc and more favourable copper metallurgy.

C1 cash cost for the three months ended June 30, 2016 decreased by \$0.08 per lb compared to the same period in 2015, primarily due to lower site operating costs as a result of cost cutting projects in operation, partly offset by decrease in by-product credits resulting from lower zinc sales. C1 cash cost for the six months ended June 30, 2016 of \$1.22 per lb increased by \$0.04 per lb compared to the same period in 2015 mainly as a result of less by-product credits as a result of the decrease in zinc production in 2016, partially offset by lower operating costs.

Sales revenues for the three and six months ended June 30, 2016 were 44% and 28% lower than the comparable periods in 2015, respectively due to lower zinc sales volumes and realized copper prices. Gross profit for the three and six months ended June 30, 2016 were lower compared to the same periods in 2015 due to decrease in sales revenues.

Outlook

Production in 2016 is expected to be approximately 24,000 tonnes of copper and approximately 6,000 tonnes of zinc, with production in the second half of the year similar to the first half. Copper production is expected to exceed the output from 2015 but the zinc production should be lower due to the declining grade and associated reduced recovery.

Falls of ground in the higher grade massive sulphide zones, although well managed, impacted first half production and is expected to continue to influence productivity for the balance of the year. Sustaining high availability on an aging mobile equipment fleet will also be a challenge. Management of the surface ground movement's impact on the ore hoisting facilities remains critical. Increased maintenance of the shaft and associated infrastructure will be necessary to sustain the current productivity levels.

Pyhäsalmi	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Ore tonnes milled (000's)	335	346	678	687
Copper ore grade processed (%)	1.1	0.9	1.2	0.9
Copper recovery (%)	97	97	97	97
Zinc ore grade processed (%)	1.5	1.2	1.4	1.7
Zinc recovery (%)	89	90	89	92
Copper production (tonnes)	3,680	2,877	8,005	5,766
Copper sales (tonnes)	3,435	2,573	7,796	5,823
Zinc production (tonnes)	4,547	3,621	8,600	10,642
Zinc sales (tonnes)	4,740	2,444	8,675	10,332
Pyrite production (tonnes)	195,679	204,493	372,828	403,348
Pyrite sales (tonnes)	107,348	104,919	317,531	334,272
Cash cost (C1) (per lb) ¹	\$0.33	\$0.84	\$0.23	\$0.09
Total cost (C3) (per lb) ¹	\$2.28	\$2.96	\$2.16	\$2.23
All-in sustaining cost (AISC) (per lb) ¹	\$0.41	\$0.58	\$0.31	\$0.25
Sales revenues	26	21	58	60
Gross profit (loss)	(1)	(2)	-	10
Comparative EBITDA ¹	13	10	32	35

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

Copper production for the three and six months ended June 30, 2016 increased by 28% and by 39% compared to the same periods in 2015 due to higher copper grades. Zinc production for the three months ended June 30, 2016 was 26% higher than the same period in 2015 due to higher zinc grades while zinc production was 19% lower for the six months ended June 30, 2016 compared to the same period in 2015 due to lower zinc grades. Fluctuating copper and zinc grades are a function of the limited number and reduced availability of work areas at this stage in the mine life.

C1 cash cost for the three months ended June 30, 2016 were \$0.51 per lb lower compared to the same period in 2015 primarily due to higher copper production. C1 cash cost for the six months ended June 30, 2016 was higher by \$0.14 per lb due to lower by-product credits relating to decrease in pyrite and zinc sales volumes and lower net realized zinc price partially offset by the impact of higher copper production.

Sales revenues for the three months ended June 30, 2016 increased by 24% compared to the same period in 2015, reflecting higher copper and zinc sales volumes and higher realized zinc price, offset in part by lower realized copper price. Sales revenues for the six months ended June 30, 2016 slightly lower by 3% compared to the same period in 2015. Gross loss for the three months ended June 30, 2016 was comparable to the same period in 2015.

Outlook

Production in 2016 is expected to be approximately 14,000 tonnes of copper and 20,000 tonnes of zinc. Pyrite production is expected to be approximately 550,000 tonnes, considerably less than previous forecasts due to anticipated reduction in sales to China.

Mining conditions in the final few years of the mine life continue to be challenging. The focus continues to be on maintaining a low voids volume and ensuring good quality backfill is placed to reduce and control dilution. In the plant, sustaining aging infrastructure remains a priority.

Kevitsa Discontinued Operation	Period ¹ ended June 30		Period ^{1,2} ended June 30	
	2016	2015	2016	2015
Ore tonnes milled (000's)	1,234	1,559	2,874	3,063
Nickel ore grade processed (%)	0.2	0.2	0.2	0.2
Nickel recovery (%)	70	66	67	65
Nickel production (tonnes)	1,932	1,944	3,657	3,974
Nickel sales (tonnes)	1,445	2,165	2,954	4,139
Copper ore grade processed (%)	0.3	0.3	0.3	0.3
Copper recovery (%)	88	89	88	89
Copper production (tonnes)	2,955	4,293	6,353	8,701
Copper sales (tonnes)	2,746	4,704	5,874	8,807
Gold production (ounces)	2,543	2,890	5,068	5,892
Platinum production (ounces)	6,897	6,104	12,991	12,572
Palladium production (ounces)	5,527	4,731	10,426	9,708
Nickel cash costs (C1) (per lb) ³	\$4.21	\$4.61	\$4.73	\$4.24
Nickel total costs (C3) (per lb) ³	\$4.23	\$7.32	\$5.25	\$6.39
Copper cash costs (C1) (per lb) ³	\$1.92	\$1.22	\$1.98	\$1.27
Copper total costs (C3) (per lb) ³	\$1.94	\$2.23	\$2.32	\$2.13
Sales revenues	24	52	49	100
Gross profit (loss)	2	-	(12)	3
Net earnings (loss) for the period - discontinued operations	(1)	3	(267)	(1)
Comparative EBITDA ²	-	18	(8)	29

¹ As noted earlier, Kevitsa has been classified as a discontinued operation and accordingly, comparative 2015 financial information contained in the condensed interim Consolidated Statements of Earnings and of Cash Flows has been re-presented. The sale of Kevitsa was completed on June 1, 2016 and therefore the operational results of Kevitsa only include the period from April 1 to the date of disposition of May 31, 2016 for the second quarter of 2016; and the period from January 1 to May 31, 2016 for the period ended June 30, 2016. For 2015, the period presented is for the three months ended June 30, 2015.

² For 2015, the period presented is for the six months ended June 30, 2015.

³ C1 cash cost, C3 total cost and comparative EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information.

Despite the shorter period of results in the second quarter, and correspondingly lower plant throughput, nickel production for the second quarter of 2016 was slightly lower than the same period in 2015, benefitting from 19% higher feed grade and correspondingly higher recovery. Nickel production for the first half of 2016 was only 8% lower than the comparative period in 2015, with improved milling and flotation efficiencies partially making up for the absence of production in the month of June 2016.

Copper production was 31% lower for the three months ended June 30, 2016 compared to the same period in 2015, with 12% lower head grade adding to the throughput shortfall. Similarly, copper production for the six months ended June 30, 2016 was lower by 27% than the comparative period in 2015 period with 21% lower head grade as the principal contributor.

Nickel cash cost for the three months ended June 30, 2016 decreased by \$0.40 per lb compared to the same period in 2015, primarily due to relatively higher production for the two-month period to May 31, 2016 and a significant reduction in freight charges for the period.

Copper cash cost for the three months ended June 30, 2016 increased by \$0.70 per lb compared to the same period in 2015, primarily to lower production due to lower grade.

Sales revenues for the three months ended June 30, 2016 were 54% lower compared to the same period in 2015 as a result of the shorter relative period of two months for the second quarter of 2016 compared to three months for the second quarter of 2015 and further impacted by lower realized metal prices. Despite the lower sales revenues, gross profit for the three months ended June 30, 2016 was higher compared to the same period in 2015 as a result of lower underlying costs and cessation of depreciation in the current quarter due to the assets and liabilities of Kevitsa being classified as held for sale.

DEVELOPMENT ACTIVITIES

Sentinel Project, Zambia

Production levels were consolidated in the current quarter with steady state operation within the process circuit continuing to improve. Ore was introduced to the third and final in-pit crusher in May 2016, allowing the plant to achieve extended periods of nameplate capacity throughput and stronger copper production. Train 1 and Train 2 milling circuits, combined with all three in pit crushers are now in continuous operation. Consistent ore supply and plant stability has also benefitted copper recoveries which improved through Q2 2016. Cumulative copper production to date for 2016 was 52,889 tonnes, which remains in line with the 2016 production guidance ranging from 135,000 to 155,000 tonnes of copper for the year.

The second quarter of 2016 has seen a reduction in transitional ore reporting to the plant with primary sulphide ore becoming more exposed and available for processing. Flotation performance has improved markedly, resulting in higher recoveries and optimization of reagent usage, and an overall increase in plant performance for challenging and transitional ores. Completion of improved flow sheet modification in the process circuit has also enabled recoveries to average 80% in June, which is aligned with the laboratory test work for the ores being treated. Recoveries of close to 90%, confirmed by flotation test work, are expected to be achieved as higher proportions of fresh primary sulphide ores are introduced into the plant.

Construction of the power lines project was completed on September 22, 2015. The power line between Lusaka West and Sentinel substations were partially energized by ZESCO on November 26, 2015. The energized section is between Lusaka West and Mumbwa substation. The remaining 400 kilometers section of the power line between Mumbwa and Sentinel is ready for energization once final works at Mumbwa substation under ZESCO control are completed. ZESCO have advised that full energization is expected during the third quarter of 2016. As a result of unexpected concerns relating to the lower than normal hydro-electric power generation in the country, ZESCO has progressively increased power supply to Sentinel on the single active 330kV power line, with increments from 90MW to 112MW on November 24, 2015, to 120MW on January 9, 2016 then to 126MW in late June 2016. Once the second power line is energized, Sentinel is expected to receive its full power requirement of 160MW. In the meanwhile, treatment of softer transitional ore has reduced the impact of this lower than planned power supply.

Kansanshi and Sentinel have been offered additional power at a premium for a portion of their total power requirements which are being met by ZESCO through imported power. In December 2015, Kansanshi and Sentinel were advised by ZESCO that power tariffs were to be increased to 10.35 cents per kWh effective January 1, 2016. These increases are being disputed and discussions with ZESCO and the Government of Zambia are ongoing.

The Enterprise nickel mine is located approximately 12 kilometers north-west of Sentinel. Commissioning is complete for the process plant sections of Enterprise that can be incorporated into the Sentinel copper processing plant. This includes the Enterprise flotation, thickening and concentrate filtration circuits. These Enterprise plant sections have been in operation to assist the Sentinel processing plant reach copper recovery and concentrate grade targets during the second quarter of 2016 and will continue to offer additional processing flexibility in the short term while the Sentinel process plant receives some transitional ores. Other areas of the Enterprise plant are essentially complete such as milling, crushing and conveying. Pre-strip mining activities continue to remain deferred.

Cobre Panama Project, Panama

The development of Cobre Panama continued in the second quarter of 2016. The first 150MW unit of the power station remains a priority with commissioning activities targeted for the first half of 2017 and operation in the second half of 2017, with a revenue stream expected prior to startup of the processing facility. During the second half of 2016, it is expected that the skilled labour required for construction of the powerstation will ramp up to peak levels. The second 150MW unit is targeted to follow into operation in the first half of 2018. The balance of the project is scheduled for a phased commissioning and ramp-up over 2018.

Detailed engineering and design is progressing and is now focused on completion of the process plant and secondary infrastructure.

Procurement activities continue to realize benefits of the current market conditions, whilst meeting the construction schedule requirements. Key orders placed in the quarter include process equipment (flotation cells, cyclones, agitators, mine dewatering pumps), high voltage switchgear as well as marine structures and powerstation cooling water intake structure. Planned commitments in the third quarter include additional process equipment (reclaimers, secondary crushers, regrind mills, primary crushers), and medium voltage variable speed drives.

Bulk earthworks at the process plant were substantially completed this quarter, with remaining work being limited to detailed earthworks. Mine pre-strip earthworks during the second quarter of 2016 totalled 7.3 million bulk cubic meters ("BCM"). The total pre-strip volume completed to end of second quarter of 2016 is 17 million BCM out of the estimated total of approximately 57 million BCM. Total project earthworks carried out to date is 92 million m³. Total concrete placement was 186,500 m³, which

represents approximately 69% of the project total. Structural steel erection was 18,400 tonnes, representing 37% of the project structural total. In the third quarter of 2016, civil workfronts is planned to open on the secondary crushers and stockpile conveyors and steel workfronts is slated to open on the main process pipe rack as planned.

Tailings management facility earthworks, including starter dams, quarry and waste dump reached 55% completion.

A total payment of \$376 million has been received up to the end of the second quarter of 2016 from the precious metal stream agreement with Franco-Nevada.

Planned expenditure at Cobre Panama for 2016 is expected to be approximately \$650 million (First Quantum's share \$390 million).

Project spending to the end of Q2 2016 amounts to \$3.1 billion, including \$0.5 billion contributed by Korea Panama Mining Corporation ("KPMC"), which owns a 20% interest in the project. For the year to date the project spending is \$341 million and is on track against the 2016 expenditure plan of \$650 million. The estimated costs for completion of \$2.4 billion are expected to be met by an additional contribution from KPMC of \$0.5 billion, \$0.6 billion payable by Franco-Nevada under the precious metal stream agreement and \$1.3 billion by the Company.

EXPLORATION

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

In the first half of 2016, the Company has continued to focus on the community and environmental aspects of the Haquira project in Peru. The Environmental Impact Assessment ("EIA") studies and Environmental Monitoring continued whilst good access was maintained on community lands.

At Taca Taca in Argentina, the EIA studies continued as planned with the collection of baseline data. Planning for engineering studies for purposes of the EIA was advanced with the first review meeting scheduled in the third quarter of 2016. Various commercial and logistical aspects of the project are being examined through high level cooperation with the Argentinian mining authorities and other agencies.

During the second quarter of 2016, near-mine exploration activities were limited to Pyhäsalmi in Finland and Kansanshi in Zambia. At Kansanshi, a new resource definition program designed to upgrade near mine oxide reserves commenced 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 are to be investigated by reconnaissance drilling during the current dry season.

Early stage exploration activities have been scaled back considerably in 2016, commensurate with the economic climate. Some geoscience staff from the exploration group are currently involved in a number of mine-geology related initiatives designed to improve the company's ore-control and recovery efficiency at operational and development sites. Elsewhere, the focus has moved onto identifying longer term counter-cyclical opportunities through generative studies and grassroots prospecting. Residual low-cost data collection and reconnaissance work continued in Peru, Chile and Zambia. Limited scale drill programs are currently planned in Chile, Peru, Zambia and Alaska during the coming quarter.

SALES REVENUES

		Three months ended June 30		Six months ended June 30	
		2016	2015	2016	2015
Kansanshi	- copper	311	236	634	518
	- gold	52	32	102	64
Las Cruces	- copper	94	101	183	217
Guelb Molghrein	- copper	53	46	88	90
	- gold	28	17	44	31
Ravensthorpe	- nickel	36	67	93	108
	- cobalt	2	2	5	4
Çayeli	- copper	18	30	44	54
	- zinc, gold and silver	2	6	5	14
Pyhäsalmi	- copper	14	13	31	30
	- zinc	7	3	11	14
	- pyrite, gold and silver	5	5	16	16
Corporate ¹		37	-	123	-
Sales revenues	- continuing operations	659	558	1,379	1,160
Kevitsa	- nickel	14	21	21	41
	- copper	4	22	15	41
	- gold, PGE and cobalt	6	9	13	18
Sales revenues	- discontinued operations	24	52	49	100

¹ Corporate sales include sales hedges

Three month review of sales revenues

Q2 2016 sales revenues from continuing operations were 18% higher than Q2 2015 due to a 66% increase in copper sales volumes, principally driven by Kansanshi. This is offset by the impact of a 13% and 29% drop in the net realized copper and nickel prices, respectively. Due to sales hedges utilized during the period, the impact of depressed metal prices was reduced.

Six month review of sales revenues

Sales revenues from continuing operations in the first half of the year were 19% higher than the first half of 2015 due to a 54% increase in copper sales volumes and a 40% increase in nickel sales volumes, principally driven by Kansanshi copper sales and Ravensthorpe nickel sales. This was offset by the impact of a 8% and 35% drop in the net realized copper and nickel prices, respectively. Due to sales hedges utilized during the period, the impact of depressed commodity prices was reduced.

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

REALIZED PRICES

Copper selling price (per lb) - continuing operations	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Average LME cash price	\$2.15	\$2.74	\$2.13	\$2.69
Realized copper price	\$2.21	\$2.67	\$2.29	\$2.63
Treatment/refining charges ("TC/RC") and freight charges	(\$0.13)	(\$0.28)	(\$0.13)	(\$0.29)
Net realized copper price	\$2.08	\$2.39	\$2.16	\$2.34

In September 2015, the Company established a sales hedging program for copper. These hedges positively impacted sales revenues from November 2015. The positive impact on the average realized price for the three months ended June 30, 2016 was \$0.08 per lb and for the three months ended March 31, 2016 was \$0.28 per lb.

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

Nickel selling price (per lb) – continuing operations	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Average LME cash price	\$4.00	\$5.90	\$3.93	\$6.21
Realized nickel price per payable lb	\$4.15	\$5.98	\$3.98	\$6.18
TC/RC and freight charges	-	(\$0.14)	(\$0.05)	(\$0.15)
Net realized nickel price per payable lb	\$4.15	\$5.84	\$3.93	\$6.03

In March 2016, the Company established a sales hedging program for nickel at an average price of \$4.10. These hedges positively impacted sales revenues between April 2016 and June 2016. As at June 30, 2016, there were no nickel sales hedges outstanding. The impact on the average realized price for the three months ended June 30, 2016 was \$0.13 per lb.

SUMMARY FINANCIAL RESULTS

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Gross profit (loss)				
Kansanshi	61	14	79	(20)
Las Cruces	14	23	26	58
Guelb Moghrein	24	18	39	25
Ravensthorpe	(21)	(8)	(47)	(8)
Çayeli	-	9	3	12
Pyhäsalmi	(1)	(2)	-	10
Corporate ¹	25	-	107	-
Total gross profit – continuing operations	102	54	207	77
Exploration	(3)	(9)	(6)	(17)
General and administrative	(17)	(22)	(34)	(45)
Impairment and related charges	-	(117)	-	(189)
Other income (expense)	12	(3)	(3)	(26)
Net finance income (expense)	(4)	6	(6)	8
Income tax credit (expense)	52	(6)	32	5
Net earnings (loss) for the period				
– continuing operations	142	(97)	190	(187)
– discontinued operations	(1)	3	(267)	(1)
– including discontinued operations	141	(94)	(77)	(188)
Net earnings (loss) for the period from continuing operations attributable to:				
Non-controlling interests	17	7	16	(5)
Shareholders of the Company	125	(104)	174	(182)
Comparative earnings (loss)	38	20	101	8
Earnings (loss) per share – continuing operations				
Basic	\$0.18	(\$0.17)	\$0.25	(\$0.30)
Diluted	\$0.18	(\$0.17)	\$0.25	(\$0.30)
Comparative	\$0.06	\$0.03	\$0.15	\$0.01
Basic weighted average number of shares (in 000's)	685,783	621,686	685,774	609,118

¹ Corporate gross profit relates primarily to sales hedge revenue

Three month review of financial results

Gross profit was 89% higher in Q2 2016 compared to Q2 2015 due to increased sales volumes, a lower Zambian royalty rate, cost-saving and operating efficiencies initiatives across the organization and benefits from copper and nickel sale hedge contracts realized during the period. These were partially offset by lower realized average copper and nickel prices and lower nickel sales as well as an increase in depreciation following the declaration of commercial production at the Kansanshi smelter on July 1, 2015.

In Q2 2015 a mineral royalty rate of 20% was paid on Kansanshi copper sales. This compares to 9% paid in Q2 2016 to May 31. Effective June 1, 2016, an amendment was passed that modified the royalty rate to a sliding scale between 4% to 6% dependent upon the copper price. During June, 2016, the royalty rate applied was 5%. The changes in legislation also abolished the variable

profit tax, which created a deferred income tax credit of \$78 million in Q2 2016 following the revaluation of deferred tax balances.

Lower year-over-year exploration expenditure reflects a reduction in the program as part of the cost saving initiatives. General and administrative costs were also 22% lower as cost-saving initiatives initiated in the latter part of 2015 are realized.

The Zambian kwacha strengthened in the second quarter of 2016, creating a foreign exchange gain within other income due to the outstanding kwacha denominated Zambian VAT receivable.

The majority of finance costs are capitalized in relation to the development projects. Finance costs remaining within net earnings primarily relate to accretion costs on restoration obligations.

As noted above, the income tax credit recognized in the second quarter includes a \$78 million credit relating to the revaluation of deferred tax balances in Zambia following the removal of the variable profit tax.

Six month review of financial results

Gross profit was 169% higher in the first half of 2016 compared to the same period in 2015 on increased copper and nickel sales volumes, a lower Zambian royalty rate, cost-saving and operating efficiencies initiatives across the organization and benefits from the copper and nickel sales hedge programs. These were partially offset by lower realized average copper and nickel prices.

Exploration and general and administrative costs are lower in the first six months of 2016 compared with the same period 2015, reflecting reductions in workforce and salaries and other cost-saving initiatives initiated in the latter part of 2015.

Other expense was lower in the first six months of 2016 compared to the same period in 2015 primarily due to a foreign exchange gain of \$8 million realized in the first half of 2016 compared to a foreign exchange loss of \$11 million in the first half of 2015. This change is the impact of a stronger Zambian kwacha on the Company's kwacha denominated receivables in the first half of 2016 compared to the prior year period.

The majority of finance costs are capitalized in relation to the development projects. Finance costs included in net earnings largely relate to accretion costs on restoration obligations.

Excluding the \$78 million income tax credit and other non-comparable tax adjustments, the effective tax rate for the first half of the year was 23%. This is in line with the expected effective tax rate of 20% to 30% for the full year.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Cash flows from continuing operating activities	304	76	558	210
Cash flows from (used in) investing activities				
Payments and deposits for property, plant and equipment	(305)	(377)	(564)	(757)
Capitalized borrowing costs paid in cash	(75)	(68)	(188)	(168)
Repayment and interest from ERG on promissory note	32	-	64	-
Initial proceeds from sale of Kevitsa	663	-	663	-
Other investing activities	(4)	(3)	(1)	(11)
Cash flows from (used in) financing activities				
Net movement in debt and trading facilities	(40)	(775)	(47)	(494)
Issuance of common shares	-	1,121	-	1,121
Other financing activities	31	5	67	25
Exchange losses on cash and cash equivalents	-	(4)	(14)	(6)
Net cash flows – continuing operations	606	(25)	538	(80)
Net cash flows – discontinued operations	18	12	(4)	12
Cash balance	895	289	895	289
Total assets	18,446	18,264	18,446	18,264
Total current liabilities	(941)	(687)	(941)	(687)
Total long-term liabilities	(7,007)	(6,561)	(7,007)	(6,561)
Cash flows from continuing operating activities per share ¹	\$0.44	\$0.12	\$0.81	\$0.34

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

Operating cash flows in Q2 2016 were higher than Q2 2015 due to higher EBITDA from continuing operations, corporate hedging activity and receipts from the precious metal streaming arrangement with Franco-Nevada. Reductions mostly in product inventory in Q2 2016 compared with increases in Q2 2015, particularly in anodes produced at the Kansanshi smelter, contributed \$84 million to cash flow.

The total VAT amount accrued by the Company’s Zambian operations at June 30, 2016, is \$241 million, of which \$217 million relates to Kansanshi. In February 2015, the Government of Zambia implemented a change in the Statutory Instrument regarding VAT. VAT refund claims submitted by Kansanshi subsequent to the Statutory Instrument change have begun to be recovered. During the period March 2015 to June 2016, Kansanshi made VAT claims and accruals of \$120 million of which \$72 million has been received and \$48 million remains outstanding at June 30, 2016. VAT claims totaling kwacha 1,742 million (currently equivalent to \$171 million) made by Kansanshi prior to February 2015 remain outstanding. The balance of VAT refunds has not been received as a result of the application of discretionary rules established and applied by the Commissioner General relating to exports from Zambia. Management is in regular discussions with the relevant government authorities in efforts to resolve the industry and country-wide dispute that has arisen and expects to come to a resolution in the near future. The Company continues to consider the outstanding VAT refunds to be fully recoverable. It is the Company’s view that as the timing of the receipt of the VAT refund remains uncertain, the Kansanshi VAT receivable of \$171 million has been classified on the balance sheet as non-current at June 30, 2016.

On February 18, 2016, the Zambian Government announced that the Cabinet had approved changes to the mining tax regime, including: retaining corporation tax on profits from mining at 30%; repealing the variable profits tax which was applicable to profits from mining at up to 15%; suspension of the 10% export duty on ores and concentrates applicable to nickel for which there are no processing facilities in Zambia; reduction in the mining royalty rates for open pit mining from 9% to a sliding scale of 4% to 6% depending on LME monthly average price. These changes became effective on June 1, 2016.

In April 2014 the Energy Regulation Board (“ERB”) of Zambia issued a press release unilaterally recommending ZESCO, charge a minimum average tariff of 6.84 cents per kWh for its mining customers. In May 2014, ZESCO subsequently invoiced Kansanshi for power at 6.84 cents per kWh in breach of the agreed tariff within Kansanshi’s Power Supply Agreement with ZESCO. In June 2014, Kansanshi issued arbitration proceedings against ZESCO challenging this increased tariff. In December

2015 ZESCO notified Kansanshi that from January 1, 2016, power would be charged at a further increased tariff of 10.35 cents per kWh and invoices have since been received using this higher tariff. The Company believes that the prevailing Power Supply Agreements remain in force, and discussions with ZESCO continue. On April 18, 2016, the Company withdrew its claims in the arbitration proceedings in light of these developments, including the further announced changes to the tariffs applicable to mining companies and the discussions underway between the mining companies and ZESCO. ZESCO also withdrew its related claims in the arbitration. Judicial Review proceedings continue in Zambia against the ERB but there is no hearing date set. The regulatory authorities in Zambia remain closely engaged with the Company and the industry, with affordability and stability the central themes of these discussions.

Capital expenditure, excluding capitalized interest, on the Company's key development projects totalled \$305 million for the three months ended June 30, 2016 (compared to \$377 million for the same period in 2015) and comprised primarily:

- \$187 million at Cobre Panama for project development
- \$70 million at Sentinel for project development and commissioning

At June 30, 2016, the Company no longer held a receivable balance in respect of the amended ENRC Promissory Note, due from ERG. Final payment was received in June 2016, as scheduled in the latest agreement.

Cash flows used in continuing financing activities of \$9 million includes \$58 million net payments on trading facilities and \$38 million of receipts from KPMC regarding Cobre Panama during the quarter. From time to time, First Quantum may reduce outstanding debt, including through prepayments, redemptions, opportunistic market purchases and other means.

Liquidity outlook

The Company's liquidity position at June 30, 2016, was positive. At June 30, 2016, the Company had \$593 million of committed undrawn facilities, \$895 million in unrestricted cash, working capital of \$553 million, as well as future cash flows which support the Company's ability to meet current obligations as they become due. The Company was in full compliance with all its debt covenants.

During Q1 2016, the Company initiated the process to put in place project financing for the Cobre Panama project following the finalization of the related precious metals stream agreement. During Q2 2016, the Company continued the process to put in place project financing for the Cobre Panama project. Total project financing of up to \$2.5 billion is targeted to be completed within the next 12 months.

At June 30, 2016, the Company had total commitments of \$683 million, of which approximately \$231 million relates to the twelve months following the period end, and is comprised primarily of capital expenditure for property, plant and equipment related to the development of Cobre Panama. In addition, the Company's Board of Directors has approved, but has not yet committed to, further capital expenditure which is being carefully managed in line with available cash resources and approved debt facilities.

The Company remains compliant with all financial covenants under its facility agreements.

As at June 30, 2016, the Company had the following contractual obligations outstanding:

	Carrying Value	Contractual Cashflows	< 1 year	1 – 3 years	3 – 5 years	Thereafter
Debt	4,971	6,517	577	1,564	3,471	905
Trading facilities	47	47	47	-	-	-
Trade and other payables	509	509	509	-	-	-
Liability to related party	485	649	-	117	69	463
Current taxes payable	115	115	115	-	-	-
Deferred payments	39	39	4	4	4	27
Finance leases	25	35	5	9	7	14
Commitments	-	683	231	429	14	9
Restoration provisions	546	929	6	19	22	882
Total	6,737	9,523	1,494	2,142	3,587	2,300

The consolidated annual financial statements for the year ended December 31, 2015, were prepared on a going concern basis but indicated a material uncertainty that cast significant doubt over the Company's ability to continue as a going concern. The uncertainty arose in relation to the Company's ability to meet the Net Debt to EBITDA ratio covenant under the senior debt facility. Following actions taken by management during the first quarter of 2016, this uncertainty was significantly reduced and there was no longer a material uncertainty at the end of the first quarter of 2016. Actions taken by management by the end of the first quarter included: the agreement to sell the Kevitsa mine to Boliden for \$712 million; a revised capital cost estimate of \$5.48 billion for Cobre Panama, 15% lower than the original estimate; reductions and rephrasing of other capital programs across the organization; cost-saving initiatives at all operations resulting in significantly lower cash costs; reduction of working capital balances; as well as a copper sales hedging program at an average price of \$2.41 per lb, well above the Q1 average price of \$2.11 per lb. Additional actions have been taken during the second quarter of 2016 to further reduce risk, including the refinancing of the senior debt facility with revised financial covenants, the hedging of future copper sales to the end of 2016, as well as ongoing cost savings implemented across the Company.

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.

Commodity contracts:	June 30, 2016	December 31, 2015
Asset position	4	81
Liability position	(22)	(4)

Hedging of future copper and nickel sales

The Company has entered into derivative contracts to ensure that the exposure to the price of copper and nickel on future sales is managed so as to limit the impact of price volatility on the Company's results. As at June 30, 2016, the Company had entered into forward contracts to hedge copper at an average price of \$2.21/lb with maturities from July 2016 to January 2017. No nickel sales hedges were outstanding as at June 30, 2016. The Company has elected to apply hedge accounting, with the hedges expected to be highly effective in offsetting changes in cash flows of future sales. During the three months ended June 30, 2016, \$24 million of revenue for settled hedges was realized, and a fair value gain of \$4 million was recognized on the remaining hedged positions of 288,250 tonnes of copper through other comprehensive income.

Commodity contracts:	Open Positions (tonnes / ounces)	Average Contract price	Closing Market price	Maturities Through
Copper	288,250	\$2.21/lb	\$2.19/lb	January 2017
Nickel	None outstanding	n/a	n/a	n/a

As at the date of this document, the Company has sales hedge positions outstanding of 309,650 tonnes of copper at an average price of \$2.20/lb and 11,004 tonnes of nickel at an average price of \$4.68/lb.

Provisional pricing and derivative contracts

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

As at June 30, 2016, the following derivative positions in provisionally priced sales and commodity contracts not designated as hedged instruments were outstanding:

	Open Positions (tonnes/ounces)	Average Contract price	Closing Market price	Maturities Through
Embedded derivatives in provisionally priced sales contracts:				
Copper	86,755	\$2.12/lb	\$2.19/lb	December 2016
Nickel	1,769	\$4.01/lb	\$4.27/lb	July 2016
Gold	28,474	\$1,228/oz	\$1,319/oz	August 2016
Zinc	1,375	\$0.90/lb	\$0.95/lb	August 2016
Platinum	4,091	\$969/oz	\$1,002/oz	July 2016
Palladium	3,071	\$537/oz	\$588/oz	July 2016
Commodity contracts:				
Copper	86,230	\$2.12/lb	\$2.19/lb	December 2016
Nickel	1,769	\$4.01/lb	\$4.27/lb	July 2016
Gold	28,474	\$1,228oz	\$1,319/oz	August 2016
Zinc	1,375	\$0.90/lb	\$0.95/lb	August 2016
Platinum	4,091	\$969/oz	\$1,002/oz	July 2016
Palladium	3,071	\$537/oz	\$588/oz	July 2016

As at June 30, 2016, substantially all of the Company's metal sales contracts subject to pricing adjustments were hedged by offsetting derivative contracts.

EQUITY

At the date of this report, the Company has 689,357,971 shares outstanding.

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

During the second quarter, the Company requested and received confirmation of the cancellation of admission of its shares to the standard segment of the UK Listing Authority's Official List and to trading on the London Stock Exchange's main market for listed securities. Cancellation was effective from May 31, 2016.

SUMMARY OF RESULTS

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

Consolidated continuing operations	Q3 14	Q4 14	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	2016
<i>Sales revenues</i>											
Copper	\$612	\$554	\$2,431	\$482	\$427	\$481	\$578	\$1,968	\$576	\$519	\$1,095
Nickel	129	121	492	41	67	65	61	234	57	37	94
Gold	58	45	218	50	50	64	61	225	69	82	151
PGE and other elements	33	35	130	29	14	22	19	84	18	21	39
Total sales revenues	832	755	3,271	602	558	632	719	2,511	720	659	1,379
Gross profit	231	169	951	23	54	100	110	287	105	102	207
EBITDA ¹	369	277	1,345	95	141	172	229	637	254	276	530
Comparative EBITDA ¹	335	255	1,319	106	148	254	224	732	269	257	526
Net earnings (loss) attributable to shareholders of the Company	129	448	825	(78)	(104)	(430)	111	(501)	49	125	174
Comparative earnings (loss)	144	56	474	(12)	20	66	182	256	63	38	101
Basic earnings (loss) per share	\$0.21	\$0.75	\$1.38	(\$0.13)	(\$0.17)	(\$0.63)	\$0.16	(\$0.77)	\$0.07	\$0.18	\$0.25
Comparative earnings (loss) per share	\$0.24	\$0.09	\$0.80	(\$0.02)	\$0.03	\$0.10	\$0.27	\$0.40	\$0.09	\$0.06	\$0.15
Diluted earnings (loss) per share	\$0.21	\$0.75	\$1.38	(\$0.13)	(\$0.17)	(\$0.63)	\$0.16	(\$0.77)	\$0.07	\$0.18	\$0.25
Dividends declared per common share (\$CDN per share)	\$0.0504	-	\$0.1434	\$0.0487	-	\$0.0330	-	\$0.0817	\$0.0100	-	\$0.0100
Basic weighted average # shares (000's) ²	591,244	595,994	595,994	595,986	621,686	684,513	684,652	646,823	685,795	685,783	685,774
<i>Cash flows per share from operating activities</i>	\$0.36	\$0.29	\$1.08	\$0.22	\$0.12	\$0.21	\$1.09	\$1.69	\$0.37	\$0.44	\$0.81
<i>Copper statistics</i>											
Total copper production (tonnes)	96,755	101,075	410,120	91,910	99,940	103,289	115,886	411,025	119,287	131,349	250,636
Total copper sales (tonnes)	96,159	89,291	391,661	91,082	79,678	101,359	119,534	391,653	131,267	132,030	263,297
Realized copper price (per lb)	3.13	2.93	3.04	2.58	2.67	2.36	2.40	2.49	2.38	2.21	2.29
TC/RC (per lb)	(0.14)	(0.15)	(0.14)	(0.16)	(0.17)	(0.16)	(0.10)	(0.15)	(0.11)	(0.12)	(0.12)
Freight charges (per lb)	(0.10)	(0.09)	(0.11)	(0.13)	(0.11)	(0.02)	(0.02)	(0.06)	(0.01)	(0.01)	(0.01)
Net realized copper price (per lb)	2.89	2.69	2.79	2.29	2.39	2.18	2.28	2.28	2.26	2.08	2.16
Cash cost – copper (C1) (per lb) ¹	\$1.41	\$1.36	\$1.41	\$1.41	\$1.22	\$1.16	\$1.06	\$1.21	\$1.03	\$0.98	\$1.00
Total cost – copper (C3) (per lb) ¹	\$2.23	\$2.03	\$2.12	\$2.39	\$2.25	\$2.10	\$1.85	\$2.14	\$1.86	\$1.80	\$1.83
All-in sustaining cost (AISC) (per lb)	\$2.04	\$2.11	\$2.02	\$2.22	\$2.02	\$1.72	\$1.51	\$1.85	\$1.36	\$1.32	\$1.33
<i>Nickel statistics</i>											
Nickel produced (contained tonnes)	9,728	7,736	36,445	4,238	7,115	7,662	7,653	26,668	7,106	4,982	12,088
Nickel sales (contained tonnes)	8,824	9,912	37,981	3,732	6,556	8,062	8,583	26,933	8,940	5,415	14,355
Nickel produced (payable tonnes)	7,619	6,059	28,472	3,274	5,513	5,893	5,887	20,567	5,295	3,711	9,006
Nickel sales (payable tonnes)	6,937	7,688	29,546	2,962	5,125	6,270	6,716	21,073	6,813	4,101	10,914
Realized nickel price (per payable lb)	8.46	7.18	7.62	6.53	5.98	4.83	4.29	5.18	3.88	4.15	3.98
TC/RC (per payable lb)	(0.09)	(0.03)	(0.06)	(0.18)	(0.14)	(0.11)	(0.15)	(0.14)	(0.09)	-	(0.05)
Net realized nickel price (per payable lb)	8.37	7.15	7.56	6.35	5.84	4.72	4.14	5.04	3.79	4.15	3.93
Cash cost – nickel (C1) (per payable lb) ¹	\$4.79	\$5.04	\$4.50	\$4.66	\$4.70	\$4.60	\$4.49	\$4.60	\$4.48	\$4.73	\$4.59
Total cost – nickel (C3) (per payable lb) ¹	\$6.44	\$6.57	\$5.98	\$6.28	\$6.13	\$5.93	\$5.82	\$5.99	\$6.00	\$6.63	\$6.26
All-in sustaining cost (AISC) (per lb)	\$5.61	\$6.49	\$5.42	\$5.56	\$5.56	\$5.29	\$4.95	\$5.30	\$4.93	\$5.49	\$5.17
<i>Gold statistics</i>											
Total gold production (ounces)	48,238	54,387	216,969	49,780	53,835	53,563	53,889	211,067	56,191	50,630	106,821
Total gold sales (ounces)	50,822	45,379	203,228	47,269	47,421	61,279	57,958	213,927	63,141	69,898	133,039
Net realized gold price (per ounce)	1,126	991	1,071	1,043	1,061	1,051	1,047	1,050	1,097	1,180	1,140
<i>Zinc statistics</i>											
Zinc production (tonnes)	14,795	12,557	55,980	12,975	8,220	10,339	9,605	41,139	6,223	6,491	12,714
Zinc sales (tonnes)	15,327	12,663	56,268	13,054	7,411	10,117	11,036	41,618	5,997	4,740	10,737

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

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

Kansanshi statistics	Q3 14	Q4 14	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	2016
<i>Mining</i>											
Waste mined (000's tonnes)	17,725	15,971	54,966	12,043	17,119	21,816	19,751	70,729	15,957	22,210	38,167
Ore mined (000's tonnes)	7,859	6,835	26,945	6,838	9,166	9,057	9,044	34,105	7,940	7,790	15,730
<i>Processing</i>											
Sulphide ore processed (000's tonnes)	1,366	1,530	7,944	1,389	1,503	2,478	2,926	8,296	2,888	2,860	5,748
Sulphide ore grade processed (%)	1.0	1.0	0.9	0.9	0.9	0.8	0.7	0.8	0.7	0.9	0.8
Sulphide ore recovery (%)	91	89	91	90	92	91	92	91	88	92	90
Mixed ore processed (000's tonnes)	3,064	3,263	9,413	3,288	3,342	2,359	1,960	10,949	1,990	1,984	3,974
Mixed ore grade processed (%)	1.2	1.1	1.1	1.1	1.0	1.0	1.1	1.1	1.0	1.0	1.0
Mixed ore recovery (%)	74	70	73	68	68	71	73	72	88	83	85
Oxide ore processed (000's tonnes)	1,853	1,753	7,977	1,367	1,760	1,773	1,895	6,795	1,637	1,747	3,384
Oxide ore grade processed (%)	1.6	1.6	1.8	1.5	1.6	1.3	1.7	1.5	1.5	1.4	1.5
Oxide ore recovery (%)	85	81	83	89	79	82	83	80	92	89	91
Copper cathode produced (tonnes)	25,162	19,365	102,362	14,915	18,750	18,434	14,191	66,290	15,329	16,610	31,939
Copper cathode tolled produced (tonnes)	-	-	2,560	-	-	-	-	-	-	-	-
Copper in concentrate produced (tonnes)	38,356	42,559	157,365	38,631	38,266	36,078	47,409	160,384	42,746	45,748	88,494
Total copper production (tonnes)	63,518	61,924	262,287	53,546	57,016	54,512	61,600	226,674	58,075	62,358	120,433
Concentrate grade (%)	23.9	22.2	23.3	23.4	22.5	20.8	19.6	21.1	19.9	22.6	21.4
<i>Smelting²</i>											
Concentrate processed (DMT) ²	-	-	-	-	-	254,709	228,427	709,188	244,144	309,063	553,207
Copper anodes produced (tonnes) ²	-	-	-	-	-	57,085	46,493	150,292	52,506	69,210	121,716
Smelter copper recovery (%)	-	-	-	-	-	98	97	98	98	97	98
Acid tonnes produced (000's)	-	-	-	-	-	229	214	645	239	309	548
Gold produced (ounces)	36,232	36,705	154,431	32,592	35,182	34,474	34,009	136,257	35,743	34,313	70,056
<i>Cash Costs (per lb)¹</i>											
Mining	\$0.57	\$0.61	\$0.64	\$0.67	\$0.56	\$0.67	\$0.60	\$0.62	\$0.70	\$0.67	\$0.69
Processing	0.91	0.93	0.86	0.88	0.69	0.61	0.43	0.65	0.52	0.49	0.50
Site administration	0.08	0.05	0.07	0.09	0.06	0.06	0.04	0.06	0.06	0.06	0.06
TC/RC and freight charges	0.30	0.31	0.33	0.40	0.59	0.20	0.12	0.29	0.07	0.06	0.07
Gold credit	(0.29)	(0.22)	(0.27)	(0.27)	(0.33)	(0.28)	(0.21)	(0.26)	(0.30)	(0.34)	(0.32)
Total smelter costs	-	-	-	-	(0.20)	0.08	0.11	0.02	0.13	0.13	0.13
Cash cost (C1) (per lb) ¹	\$1.57	\$1.68	\$1.63	\$1.77	\$1.37	\$1.34	\$1.09	\$1.38	\$1.18	\$1.07	\$1.13
Total cost (C3) (per lb) ¹	\$2.21	\$2.17	\$2.16	\$2.75	\$2.38	\$2.23	\$1.82	\$2.28	\$1.94	\$1.76	\$1.83
<i>Revenues (\$ millions)</i>											
Copper cathodes	\$229	\$228	\$908	\$137	\$124	\$108	\$95	\$464	\$74	\$91	\$165
Copper anode	-	-	-	16	-	139	248	403	239	208	447
Copper in concentrates	142	108	618	129	112	29	9	279	10	12	22
Gold	38	26	152	32	32	34	41	139	50	52	102
Total sales revenues	\$409	\$362	\$1,678	\$314	\$268	\$310	\$393	\$1,285	\$373	\$363	\$736
Copper cathode sales (tonnes)	32,921	31,386	128,040	20,202	19,372	20,036	22,238	81,848	15,892	18,772	34,664
Copper tolled cathode sales (tonnes)	-	-	2,560	-	-	-	-	-	-	-	-
Copper anode sales (tonnes)	-	-	-	2,922	127	27,338	52,635	83,022	52,866	44,631	97,497
Copper in concentrate sales (tonnes)	25,391	21,335	116,712	30,380	24,789	7,182	2,972	65,323	3,464	3,813	7,277
Gold sales (ounces)	33,366	27,731	142,609	31,307	30,459	31,542	38,664	131,972	44,132	43,220	87,352

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

² 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.

Las Cruces statistics	Q3 14	Q4 14	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	2016
<i>Mining</i>											
Waste mined (000's tonnes)	7,096	6,629	19,053	2,615	3,154	7,190	2,500	15,459	1,737	2,310	4,047
Ore mined (000's tonnes)	422	350	1,692	298	566	476	197	1,537	267	340	607
<i>Processing</i>											
Copper ore processed (000's tonnes)	413	379	1,539	362	388	370	380	1,500	378	389	767
Copper ore grade processed (%)	4.8	5.2	5.1	5.1	5.1	5.2	5.3	5.2	5.2	5.2	5.2
Recovery (%)	89	89	90	91	88	90	93	90	92	92	92
Copper cathode produced (tonnes)	17,693	17,525	71,090	16,694	17,362	17,365	18,608	70,029	18,045	18,426	36,471
<i>Cash Costs (per lb)¹</i>											
Cash cost (C1) (per lb) ¹	\$1.03	\$0.95	\$0.96	\$0.97	\$0.87	\$0.73	\$1.03	\$0.90	\$0.84	\$0.80	\$0.82
Total cost (C3) (per lb) ¹	\$2.04	\$1.94	\$1.97	\$1.90	\$2.07	\$1.84	\$1.90	\$1.93	\$1.82	\$1.85	\$1.84
<i>Revenues (\$ millions)</i>											
Copper cathode	\$126	\$104	\$491	\$116	\$101	\$94	\$83	\$394	\$89	\$94	\$183
Copper cathode sales (tonnes)	18,002	15,594	71,120	19,598	16,600	17,484	16,884	70,566	18,972	19,708	38,680

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

Guelb Moghrein statistics	Q3 14	Q4 14	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	2016
<i>Mining</i>											
Waste mined (000's tonnes)	3,394	4,601	17,140	2,972	6,198	4,245	4,130	17,545	3,823	2,529	6,352
Ore mined (000's tonnes)	703	971	3,086	829	840	751	498	2,918	693	731	1,424
<i>Processing</i>											
Sulphide ore processed (000's tonnes)	621	969	3,057	1,001	1,014	979	1,021	4,015	1,014	971	1,985
Sulphide ore grade processed (%)	1.1	1.1	1.2	1.2	1.2	1.3	1.3	1.2	1.2	1.0	1.1
Recovery (%)	92	91	92	92	91	92	91	92	93	90	92
Copper in concentrate produced (tonnes)	6,395	9,768	33,079	10,642	11,141	11,373	11,845	45,001	11,062	8,522	19,584
Gold produced (ounces)	8,942	13,901	48,948	14,468	16,240	16,154	17,145	64,007	17,240	13,363	30,603
<i>Cash Costs (per lb)¹</i>											
Mining	\$0.67	\$0.43	\$0.60	\$0.43	\$0.32	\$0.38	\$0.38	\$0.38	\$0.30	\$0.41	\$0.35
Processing	1.32	0.94	1.09	0.68	0.67	0.68	0.60	0.67	0.60	0.78	0.68
Site administration	0.37	0.21	0.25	0.18	0.16	0.19	0.12	0.16	0.14	0.19	0.16
TC/RC and freight charges	0.61	0.57	0.57	0.58	0.67	0.59	0.48	0.57	0.46	0.45	0.45
Gold credit	(0.86)	(0.84)	(0.84)	(0.76)	(0.83)	(0.75)	(0.75)	(0.77)	(0.82)	(0.94)	(0.89)
Cash cost (C1) (per lb) ¹	\$2.11	\$1.31	\$1.67	\$1.11	\$0.99	\$1.09	\$0.83	\$1.01	\$0.68	\$0.89	\$0.75
Total cost (C3) (per lb) ¹	\$2.94	\$2.07	\$2.41	\$1.80	\$1.70	\$1.70	\$1.49	\$1.67	\$1.31	\$1.61	\$1.41
<i>Revenues (\$ millions)</i>											
Copper in concentrates	\$54	\$48	\$176	\$44	\$46	\$74	\$45	\$209	\$35	\$53	\$88
Gold	17	15	54	14	17	28	17	76	16	28	44
Total sales revenues	\$71	\$63	\$230	\$58	\$63	\$102	\$62	\$285	\$51	\$81	\$132
Copper in concentrate sales (tonnes)	9,152	8,519	30,095	9,010	9,470	17,614	11,228	47,322	9,622	13,998	23,620
Gold sales (ounces)	13,917	13,421	45,901	12,860	14,568	26,585	16,667	70,680	15,573	23,765	39,338

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

Ravensthorpe statistics	Q3 14	Q4 14	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	2016
<i>Processing</i>											
Beneficiated ore processed (000's tonnes)	829	710	3,128	369	528	687	750	2,334	709	538	1,247
Beneficiated ore grade processed (%)	1.5	1.4	1.5	1.4	1.5	1.4	1.4	1.4	1.3	1.2	1.3
Nickel recovery – leach feed to NI produced (%)	84	82	84	92	93	85	84	88	84	80	83
Nickel produced (contained tonnes)	9,728	7,736	36,445	4,238	7,115	7,662	7,653	26,668	7,106	4,982	12,088
Nickel produced (payable tonnes)	7,619	6,059	28,472	3,274	5,513	5,893	5,887	20,567	5,295	3,711	9,006
<i>Cash Costs (per lb)¹</i>											
Mining	\$0.80	\$0.94	\$0.80	\$0.86	\$0.81	\$0.84	\$0.96	\$0.87	\$0.99	\$0.91	\$0.96
Processing	3.39	3.64	3.18	3.24	3.12	3.25	2.94	3.12	2.97	3.32	3.11
Site administration	0.32	0.29	0.29	0.43	0.42	0.32	0.31	0.36	0.27	0.41	0.33
TC/RC and freight charges	0.49	0.41	0.46	0.39	0.60	0.46	0.53	0.51	0.46	0.30	0.40
Cobalt credit	(0.22)	(0.24)	(0.23)	(0.26)	(0.25)	(0.27)	(0.25)	(0.26)	(0.21)	(0.21)	(0.21)
Cash cost (C1) (per lb) ¹	\$4.79	\$5.04	\$4.50	\$4.66	\$4.70	\$4.60	\$4.49	\$4.60	\$4.48	\$4.73	\$4.59
Total cost (C3) (per lb) ¹	\$6.44	\$6.57	\$5.98	\$6.28	\$6.13	\$5.93	\$5.82	\$5.99	\$6.00	\$6.63	\$6.26
<i>Revenues (\$ millions)</i>											
Nickel	\$129	\$121	\$492	\$41	\$67	\$65	\$61	\$234	\$57	\$36	\$93
Cobalt	3	4	15	2	2	4	4	12	3	2	5
Total sales revenues	\$132	\$125	\$507	\$43	\$69	\$69	\$65	\$246	\$60	\$38	\$98
Nickel sales (contained tonnes)	8,824	9,912	37,981	3,732	6,556	8,062	8,583	26,933	8,940	5,415	14,355
Nickel sales (payable tonnes)	6,937	7,688	29,546	2,962	5,125	6,270	6,716	21,073	6,813	4,101	10,914

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

Çayeli statistics	Q3 14	Q4 14	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	2016
<i>Mining</i>											
Ore mined (000's tonnes)	321	366	1,356	327	303	313	290	1,233	328	303	631
<i>Processing</i>											
Ore milled (000's tonnes)	324	348	1,341	332	315	312	270	1,229	326	326	652
Copper ore grade processed (%)	2.5	2.8	2.7	2.6	2.2	2.4	2.6	2.5	2.5	2.2	2.3
Copper ore recovery (%)	77	81	80	81	81	78	81	81	86	87	87
Zinc ore grade processed (%)	4.7	4.1	4.3	3.3	2.7	3.2	2.8	3.0	1.7	1.6	1.7
Zinc ore recovery (%)	65	60	63	55	55	54	51	54	39	37	38
Copper produced (tonnes)	6,169	7,820	29,360	7,136	5,746	5,816	5,606	24,304	6,878	6,376	13,254
Zinc produced (tonnes)	10,016	8,513	36,218	5,954	4,599	5,477	3,778	19,808	2,170	1,944	4,114
<i>Cash Costs (per lb)^{1,2}</i>											
Cash cost – Copper (C1) (per lb) ¹	\$1.04	\$1.02	\$0.90	\$1.02	\$1.34	\$1.43	\$1.41	\$1.29	\$1.18	\$1.26	\$1.22
Total cost – Copper (C3) (per lb) ¹	\$2.43	\$1.66	\$1.83	\$2.04	\$2.19	\$2.53	\$1.79	\$2.15	\$1.83	\$1.95	\$1.88
<i>Revenues (\$ millions)</i>											
Copper	\$42	\$43	\$155	\$24	\$30	\$22	\$16	\$92	\$26	\$18	\$44
Zinc	15	11	47	6	5	4	3	18	2	-	2
Other	3	3	10	2	1	1	2	6	1	2	3
Total sales revenues	\$60	\$57	\$212	\$32	\$36	\$27	\$21	\$116	\$29	\$20	\$49
Copper sales (tonnes)	7,847	8,419	29,241	5,720	6,747	5,672	4,262	22,401	7,295	5,733	13,028
Zinc sales (tonnes)	10,228	9,362	37,298	5,166	4,967	4,499	4,847	19,479	2,062	-	2,062

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

Pyhäsalmi statistics	Q3 14	Q4 14	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	2016
<i>Mining</i>											
Ore mined (000's tonnes)	340	360	1,402	341	341	350	352	1,384	320	349	669
<i>Processing</i>											
Ore milled (000's tonnes)	345	343	1,377	341	346	347	345	1,379	343	335	678
Copper ore grade processed (%)	0.9	1.2	1.1	0.9	0.9	1.0	0.9	0.9	1.3	1.1	1.2
Copper ore recovery (%)	95	97	96	97	97	96	97	97	98	97	97
Zinc ore grade processed (%)	1.5	1.3	1.6	2.2	1.2	1.6	1.9	1.7	1.3	1.5	1.4
Zinc ore recovery (%)	90	89	90	92	90	89	90	91	88	89	89
Copper produced (tonnes)	2,980	4,038	14,304	2,889	2,877	3,245	3,035	12,046	4,325	3,680	8,005
Zinc produced (tonnes)	4,780	4,043	19,762	7,021	3,621	4,862	5,827	21,331	4,053	4,547	8,600
Pyrite produced (tonnes)	219,224	200,433	840,929	198,855	204,493	220,327	216,031	839,706	177,149	195,679	372,828
<i>Cash Costs (per lb)¹</i>											
Cash cost – Copper (C1) (per lb) ¹	\$0.09	(\$0.49)	\$0.06	(\$0.52)	\$0.84	\$0.55	\$0.42	\$0.30	\$0.14	\$0.33	\$0.23
Total cost – Copper (C3) (per lb) ¹	\$2.24	\$1.49	\$2.11	\$1.64	\$2.96	\$2.62	\$2.53	\$2.42	\$2.04	\$2.28	\$2.16
<i>Revenues (\$ millions)</i>											
Copper	\$18	\$24	\$84	\$17	\$13	\$15	\$11	\$56	\$17	\$14	\$31
Zinc	8	5	26	11	3	6	5	25	4	7	11
Pyrite	6	11	28	8	2	5	6	21	7	3	10
Other	2	4	15	3	3	4	2	12	4	2	6
Total sales revenues	\$34	\$44	\$153	\$39	\$21	\$30	\$24	\$114	\$32	\$26	\$58
Copper sales (tonnes)	2,847	4,038	13,894	3,250	2,573	3,561	2,892	12,276	4,361	3,435	7,796
Zinc sales (tonnes)	5,100	3,300	18,970	7,888	2,444	5,619	6,188	22,139	3,935	4,740	8,675
Pyrite sales (tonnes)	211,949	320,849	940,843	229,353	104,919	198,224	218,233	750,729	210,183	107,348	317,531

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

Production of copper during Sentinel’s pre-commercial production phase is shown below for information purposes.

Sentinel statistics	Q3 14	Q4 14	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	2016
<i>Processing</i>											
Copper produced (tonnes)	-	-	-	1,003	5,799	10,979	15,190	32,971	20,902	31,987	52,889

Discontinued operations (to May 31, 2016)

Kevitsa statistics	Q3 14	Q4 14	2014	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	2016
<i>Mining</i>											
Total tonnes mined (000's tonnes)	6,880	8,302	28,165	8,514	10,072	9,029	9,322	36,937	8,900	6,077	14,977
<i>Processing</i>											
Ore tonnes milled (000's tonnes)	1,666	1,709	6,711	1,504	1,559	1,811	1,791	6,665	1,640	1,234	2,874
Nickel ore grade processed (%)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Nickel recovery (%)	56	63	61	64	66	67	69	67	65	70	67
Nickel production (tonnes)	2,156	2,197	9,433	2,030	1,944	2,293	2,538	8,805	1,725	1,932	3,657
Copper ore grade processed (%)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.3	0.3
Copper recovery (%)	87	84	87	89	89	90	89	89	88	88	88
Copper production (tonnes)	4,798	4,101	17,535	4,408	4,293	4,196	4,307	17,204	3,398	2,955	6,353
Gold production (ounces)	3,208	3,093	12,844	3,002	2,890	3,324	3,631	12,847	2,525	2,543	5,068
Platinum production (ounces)	6,712	9,311	34,090	6,468	6,104	9,142	10,185	31,899	6,094	6,897	12,991
Palladium production (ounces)	5,271	7,234	25,990	4,977	4,731	7,426	8,062	25,196	4,899	5,527	10,426
Cash cost – Nickel (C1) (per lb) ^{1,2}	\$3.24	\$2.66	\$4.07	\$3.87	\$4.61	\$4.41	\$3.78	\$4.16	\$5.27	\$4.21	\$4.73
Total cost – Nickel (C3) (per lb) ^{1,2,3}	\$4.41	\$4.31	\$5.29	\$5.49	\$7.32	\$4.54	\$5.03	\$5.54	\$6.33	\$4.23	\$5.25
Cash cost – Copper (C1) (per lb) ^{1,2}	\$2.19	\$1.11	\$1.42	\$1.32	\$1.22	\$1.56	\$1.46	\$1.38	\$2.04	\$1.92	\$1.98
Total cost – Copper (C3) (per lb) ^{1,2,3}	\$3.01	\$2.24	\$2.27	\$2.04	\$2.23	\$1.68	\$1.67	\$1.90	\$2.64	\$1.94	\$2.32
<i>Revenues (\$ millions)</i>											
Nickel	\$28	\$25	\$104	\$20	\$21	\$19	\$15	\$75	\$7	\$8	\$15
Copper	16	29	109	19	22	13	18	72	11	10	21
Gold	1	3	11	2	3	2	3	10	2	1	3
PGE and other	8	9	47	7	6	7	10	30	5	5	10
Total sales revenues	\$53	\$66	\$271	\$48	\$52	\$41	\$46	\$187	\$25	\$24	\$49
Nickel sales (tonnes)	1,989	2,277	9,768	1,974	2,165	2,671	2,611	9,421	1,509	1,445	2,954
Copper sales (tonnes)	2,973	5,545	19,542	4,103	4,704	3,254	5,020	17,081	3,128	2,746	5,874
Gold sales (ounces)	1,413	3,229	10,876	2,611	3,383	2,132	3,413	11,539	1,918	1,840	3,758
Platinum sales (ounces)	5,079	8,330	33,898	7,310	7,223	8,486	11,847	34,866	6,207	5,288	11,495
Palladium sales (ounces)	4,536	6,256	25,846	5,342	5,431	6,447	9,231	26,451	4,706	3,860	8,566

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

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

³ Depreciation ceased on classification as held for sale.

REGULATORY DISCLOSURES

Seasonality

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

Off-balance sheet arrangements

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

Non-GAAP financial measures

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

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

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

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

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

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Cost of Sales – continuing operations				
Copper	(488)	(418)	(1,012)	(933)
Nickel	(59)	(77)	(145)	(120)
Other	(10)	(9)	(15)	(30)
Total cost of sales	(557)	(504)	(1,172)	(1,083)

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Copper Operations - continuing				
Cost of sales	(488)	(418)	(1,012)	(933)
Adjustments:				
Depreciation	172	109	341	226
By-product credits	95	64	178	139
Royalties	33	75	68	151
Treatment and refining charges and freight costs	(31)	(49)	(61)	(106)
Finished goods	22	(17)	73	7
Other	(6)	(13)	(3)	(8)
Cash cost (C1)	(203)	(249)	(416)	(524)
Adjustments:				
Depreciation (excluding depreciation in finished goods)	(142)	(127)	(287)	(238)
Royalties	(33)	(75)	(68)	(151)
Other	(5)	(3)	(6)	(7)
Total cost (C3)	(383)	(454)	(777)	(920)
Cash cost (C1)	(203)	(249)	(416)	(524)
Adjustments:				
General and administrative expenses	(14)	(17)	(28)	(39)
Sustaining capital expenditure and deferred stripping	(32)	(58)	(59)	(116)
Royalties	(33)	(75)	(68)	(151)
AISC	(282)	(399)	(571)	(830)
Cash cost – copper (C1) (per lb) ¹	\$0.98	\$1.22	\$1.00	\$1.32
Total cost – copper (C3) (per lb) ¹	\$1.80	\$2.29	\$1.83	\$2.37
Total cost – copper AISC (per lb) ¹	\$1.32	\$2.02	\$1.33	\$2.10

¹ C1 cash cost, C3 and AISC total cost are calculated by applying either copper sales or production payable tonnages to the relevant associated cost. Total copper production includes initial production at Sentinel of 31,987 tonnes for the three months ended June 30, 2016. Total copper sales used in the calculation includes initial sales at Sentinel of 21,940 tonnes for the three months ended June 30, 2016.

Nickel Operations - continuing	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Cost of sales	(59)	(77)	(145)	(120)
Adjustments:				
Depreciation	10	11	25	20
By-product credits	2	3	5	5
Royalties	2	4	4	5
Treatment and refining charges and freight costs	-	(2)	(1)	(3)
Finished goods	5	3	19	2
Other	1	2	1	-
Cash cost (C1)	(39)	(56)	(92)	(90)
Adjustments:				
Depreciation (excluding depreciation in finished goods)	(13)	(13)	(28)	(22)
Royalties	(2)	(4)	(4)	(5)
Other	(1)	(2)	(2)	(2)
Total cost (C3)	(55)	(75)	(126)	(119)
Cash cost (C1)	(39)	(56)	(92)	(90)
Adjustments:				
General and administrative expenses	(3)	(4)	(6)	(7)
Sustaining capital expenditure and deferred stripping	(2)	(3)	(2)	(6)
Royalties	(2)	(4)	(4)	(5)
AISC	(46)	(67)	(104)	(108)
Cash cost – nickel (C1) (per lb) ¹	\$4.73	\$4.70	\$4.59	\$4.69
Total cost – nickel (C3) (per lb) ¹	\$6.63	\$6.13	\$6.26	\$6.19
Total cost – nickel AISC (per lb) ¹	\$5.49	\$5.56	\$5.17	\$5.57

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

Calculation of operating cash flow per share, EBITDA, 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 is calculated as operating profit before depreciation and impairment charges.

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Operating profit (loss) from continuing operations	94	(97)	164	(200)
Add back:				
Depreciation	182	120	366	246
Impairment and related charges	-	118	-	190
EBITDA	276	141	530	236
Adjustments:				
Foreign exchange (gain) loss	(19)	6	(8)	11
Leach tank failure at Ravensthorpe	-	-	-	8
Restructuring costs	-	-	-	2
Loss on disposal of assets	-	-	-	2
Revisions in estimates of restoration provisions at closed sites	-	1	4	(5)
Total adjustments to EBITDA	(19)	7	(4)	18
Comparative EBITDA	257	148	526	254

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Net earnings (loss) from continuing operations attributable to shareholders of the Company	125	(104)	174	(182)
Adjustments attributable to shareholders of the Company:				
Total adjustments to EBITDA including impairment	(19)	125	(4)	208
Comparative tax adjustments and tax on comparative adjustments	(65)	(2)	(67)	(12)
Minority interest share of adjustments	(3)	1	(2)	(6)
Comparative earnings	38	20	101	8
Earnings (loss) per share as reported	\$0.18	(\$0.17)	\$0.25	(\$0.30)
Comparative earnings per share	\$0.06	\$0.03	\$0.15	\$0.01

Significant judgments, estimates and assumptions in applying accounting policies

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

(i) Significant judgments

- Determination of ore reserves and resources

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

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

- Achievement of commercial production

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

- Taxes

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

- Functional currency

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

- Precious metal stream arrangement

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

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

- Assessment of impairment indicators

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

(ii) Significant accounting estimates and assumptions

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

- Determination of ore reserves and life of mine plan

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

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

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

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

- Review of asset carrying values and impairment charges

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

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

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

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

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

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

- Taxes

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

The Company recognizes deferred income tax assets arising from unutilized tax losses which require management to assess the likelihood that the Company will generate taxable earnings in future periods in order to utilize those losses, and the timing of this. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. Forecast cash flows are based on life of mine projections.

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

- Inventory

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

Financial instruments risk exposure

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

Credit risk

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

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

Exceptions to the policy for dealing with relationship banks with ratings below "A-" are reported to, and approved by, the Audit Committee. As at June 30, 2016, substantially all cash and short-term deposits are with counterparties with ratings "A-" or higher.

The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and property, plant and equipment expenditures.

Liquidity risk

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

In addition, the Company was obligated under its corporate revolving credit and term loan facility to maintain liquidity and satisfy various covenant ratio tests on an historical and prospective cash flow basis. These ratios were in compliance during the three and six months ended June 30, 2016, the years ended December 31, 2015, and December 31, 2014. If the Company breaches a covenant in its Financing Agreements, this would be an event of default which, if unaddressed, would entitle the lenders to make the related borrowings immediately due and payable and if made immediately due and payable all other borrowings would also be due and payable.

Market risks

a) Commodity price risk

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

During 2015, the Company commenced a short-term hedging program and elected to apply hedge accounting for a portion of copper sales with the contracts expected to be highly effective in offsetting changes in the cash flows of future sales. For the three- and six-months ended June 30, 2016 these contracts realized \$24 million and \$106 million in sales revenues. Fair value gains on outstanding contracts of \$4 million have been recognized in other comprehensive income and as a derivative asset at June 30, 2016. As at June 30, 2016, 288,250 tonnes of copper forward sales contracts at an average price of \$2.21 remain outstanding with periods of maturity with periods of maturity to January 2017. No nickel sales hedge contracts were held at June 30, 2016.

The Company is also exposed to commodity price risk on diesel fuel required for mining operations and sulphur required for acid production. The Company's risk management policy allows for the management of these exposures through the use of derivative financial instruments. As at June 30, 2016 and December 31, 2015, the Company had not entered into any diesel or sulphur derivatives.

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

b) Interest rate risk

The Company's interest rate risk arises from interest paid on floating rate debt and the interest received on cash and short-term deposits. Certain debt instruments held by the Company have an interest rate margin that can change relative to financial ratios of the Company. 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 June 30, 2016 and December 31, 2015, the Company held no floating-to-fixed interest rate swaps.

c) Foreign exchange risk

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

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

Disclosure Controls and Procedures

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

An evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined under the rules of the Canadian Securities Administration, was conducted as of December 31, 2015, under the supervision of the Company's Disclosure Committee and with the participation of management. Based on the results of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report in providing reasonable assurance that the information required to be disclosed in the Company's annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported in the securities legislation.

Since the December 31, 2015 evaluation, there have been no adverse changes to the Company's controls and procedures and they continue to remain effective.

Internal Control over Financial Reporting

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

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

An evaluation of the effectiveness of the Company's internal control over financial reporting was conducted as of December 31, 2015, by the Company's management, including the Chief Executive Officer and Chief Financial Officer based on the Control - Integrated Framework (2013) established by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on this evaluation, management has concluded that the Company's internal controls over financial reporting were effective.

There were no changes in the Company's business activities during the period ended June 30, 2016, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Controls and Procedures

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

Cautionary statement on forward-looking information

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

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

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