



FIRST QUANTUM

MINERALS LTD.

Consolidated Financial Statements

December 31, 2014

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

Management's Responsibility for Financial Reporting

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

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

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

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

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

Signed by
Hannes Meyer
Chief Financial Officer

February 19, 2015



Independent Auditor's Report

To the Shareholders of First Quantum Minerals Ltd.

We have audited the accompanying consolidated financial statements of First Quantum Minerals Ltd., which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013 and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of First Quantum Minerals Ltd. as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Signed by

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

February 19, 2015

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

	Note	2014	2013
Sales revenues	20	3,542.0	3,552.9
Cost of sales	21, 22	(2,544.2)	(2,419.1)
Gross profit		997.8	1,133.8
Exploration	22	(60.1)	(51.6)
General and administrative	22	(116.1)	(122.7)
Acquisition transaction costs	4	-	(29.5)
Other income (expense)	23	19.4	(35.2)
Operating profit		841.0	894.8
Finance income		33.1	27.8
Finance costs	24	(21.7)	(23.3)
Earnings before income taxes		852.4	899.3
Income tax credit (expense)	16	140.9	(369.6)
Net earnings for the year		993.3	529.7
Net earnings for the year attributable to:			
Non-controlling interests		158.5	71.1
Shareholders of the Company	18	834.8	458.6
Earnings per common share (expressed in \$ per share)			
Basic	18	1.40	0.82
Diluted	18	1.39	0.81
Weighted average shares outstanding (000's)			
Basic	18	595,994	560,009
Diluted	18	599,978	563,389
Total shares issued and outstanding (000's)	17	600,506	590,836

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

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

	Note	2014	2013
Net earnings for the year		993.3	529.7
Other comprehensive income			
<i>Items that may be reclassified subsequently to net earnings:</i>			
Unrealized gain (loss) on available-for-sale investments	7	10.2	(17.2)
Reclassification to net earnings of net loss on available-for-sale investments (net of taxes of \$1.9 million)	7	-	20.6
Tax on unrealized gain on available-for-sale investments	7	(1.1)	-
Capitalization of gains on investments previously classified as available-for-sale (net of taxes of \$1.1 million)	7	(9.0)	-
Total comprehensive income for the year		993.4	533.1
Total comprehensive income for the year attributable to:			
Non-controlling interests		158.5	71.1
Shareholders of the Company		834.9	462.0
Total comprehensive income for the year		993.4	533.1

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

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

	Note	2014	2013
Cash flows from operating activities			
Net earnings for the year		993.3	529.7
Items not affecting cash			
Depreciation	21	571.8	457.1
Unrealized foreign exchange (income) loss		(97.3)	17.4
Income tax (credit) expense	16	(140.9)	369.6
Share-based compensation expense	19	22.0	22.0
Net finance income		(11.4)	(4.5)
Loss recognised on investments	7	16.0	20.6
Other		8.1	28.0
		1,361.6	1,439.9
Taxes paid		(258.8)	(212.6)
Change in non-cash operating working capital			
Increase in trade and other receivables and derivatives		(94.5)	(72.6)
Increase in inventories		(55.5)	(84.5)
Decrease in trade and other payables		(155.7)	(157.2)
Long term incentive plan contributions ¹		(53.5)	(44.2)
		743.6	868.8
Cash flows used by investing activities			
Acquisition of Inmet Mining Corporation (“Inmet”), net of cash acquired	4	-	(1,044.0)
Purchase and deposits on property, plant and equipment	8	(2,647.0)	(2,601.0)
Interest paid and capitalized to property, plant and equipment	8	(245.9)	(161.6)
Proceeds from sale of property, plant and equipment		2.6	0.6
Acquisition of investments		(9.1)	(18.5)
Proceeds from sale of investments		9.2	2,054.8
Partial repayment of ENRC promissory note		70.0	-
Prepaid interest received on ENRC promissory note		40.0	-
Interest received		22.0	19.5
		(2,758.2)	(1,750.2)
Cash flows from financing activities			
Net movement in trading facility		(20.9)	12.3
Proceeds from debt		3,306.5	3,960.5
Repayments of debt		(1,430.7)	(2,519.9)
Dividends paid to the shareholders of the Company	17	(77.9)	(99.1)
Dividends paid to non-controlling interest		(103.6)	(28.0)
Finance lease payments		(3.4)	(4.1)
Interest paid		(8.6)	(54.8)
Movement in restricted cash		(2.6)	-
		1,658.8	1,266.9
Increase (decrease) in cash and cash equivalents		(355.8)	385.5
Cash and cash equivalents – beginning of year		694.5	309.0
Exchange gains on cash and cash equivalents		18.7	-
Cash and cash equivalents – end of year	26	357.4	694.5

¹ Treasury shares are purchased via a trust which is consolidated in the results of the Company. The purchases are made to fund future long term incentive plan contributions. Refer to note 19.

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

First Quantum Minerals Ltd.

Consolidated Balance Sheets

(amounts expressed in millions of U.S. dollars)

	Note	December 31, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents		357.4	694.5
Trade and other receivables	5	343.9	548.1
Inventories	6	1,197.3	1,123.6
Promissory note receivable	11	425.5	25.0
Current portion of other assets	10	137.0	151.8
		2,461.1	2,543.0
Cash and cash equivalents - restricted cash		78.5	84.0
Non-current VAT receivable		245.9	-
Investments	7	33.3	58.4
Property, plant and equipment	8	14,719.4	11,986.2
Promissory note receivable	11	-	465.1
Goodwill	9	236.7	236.7
Other assets	10	49.4	97.8
Total assets		17,824.3	15,471.2
Liabilities			
Current liabilities			
Trade and other payables		552.5	667.8
Current taxes payable		69.0	55.3
Current debt	12	53.3	1,046.1
Current portion of provisions and other liabilities	13	22.3	35.7
		697.1	1,804.9
Debt	12	5,928.8	3,027.3
Provisions and other liabilities	13	711.1	619.5
Deferred income tax liabilities	16	399.3	930.9
Total liabilities		7,736.3	6,382.6
Equity			
Share capital	17	4,391.5	4,204.0
Retained earnings		4,522.1	3,765.2
Accumulated other comprehensive loss		(0.8)	(0.9)
Total equity attributable to shareholders of the Company		8,912.8	7,968.3
Non-controlling interests		1,175.2	1,120.3
Total equity		10,088.0	9,088.6
Total liabilities and equity		17,824.3	15,471.2
Commitments & contingencies	27		

Approved by the Board of Directors and authorized for issue on February 19, 2015.

Signed by
Andrew Adams, Director

Signed by
Peter St. George, Director

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

First Quantum Minerals Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(amounts expressed in millions of U.S. dollars)

	Note	2014	2013
Share capital			
Common shares			
Balance – beginning of year		4,302.8	2,003.8
Shares issued on acquisition of Inmet, net of issuance costs	4	-	2,299.0
Shares issued on acquisition of Lumina Copper Corporation (“Lumina”), net of issuance costs	8	215.6	-
Balance – end of year		4,518.4	4,302.8
Treasury shares			
Balance – beginning of year		(137.5)	(98.9)
Restricted and performance stock units vested		17.1	8.0
Shares purchased	17b	(53.7)	(46.6)
Balance – end of year		(174.1)	(137.5)
Contributed surplus			
Balance – beginning of year		38.7	24.7
Share-based compensation expense for the year	19a	25.6	22.0
Restricted and performance stock units vested	19a	(17.1)	(8.0)
Balance – end of year		47.2	38.7
Total share capital		4,391.5	4,204.0
Retained earnings			
Balance – beginning of year		3,765.2	3,405.7
Earnings for the year attributable to shareholders of the Company		834.8	458.6
Dividends		(77.9)	(99.1)
Balance – end of year		4,522.1	3,765.2
Accumulated other comprehensive loss			
Balance – beginning of year		(0.9)	(4.3)
Other comprehensive income for the year		0.1	3.4
Balance – end of year		(0.8)	(0.9)
Non-controlling interests			
Balance – beginning of year		1,120.3	550.4
Earnings attributable to non-controlling interests		158.5	71.1
Acquisition of Inmet	4	-	526.8
Dividends		(103.6)	(28.0)
Balance – end of year		1,175.2	1,120.3

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

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

1 Nature of operations

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

The Company has its primary listing on the Toronto Stock Exchange and secondary listings on the London Stock Exchange and the Lusaka Stock Exchange. The Company is registered and domiciled in Canada, and its registered office is the 8th Floor – 543 Granville Street, Vancouver, BC, Canada, V6C 1X8.

2 Basis of presentation

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

These consolidated financial statements have also been prepared on a going concern basis, and in making the assessment that the Company is a going concern, management have taken into account all available information about the future, which is at least, but is not limited to, twelve months from December 31, 2014.

Effective January 1, 2015, Zambia amended the corporate tax and mining royalty regime, under which the Company operates, by increasing revenue based royalties from 6% to 20% and reducing corporate taxes to 0% for open pit mining operations. As royalty costs are accounted for within cost of sales, the increase in royalties will adversely impact reported EBITDA. This change in the Zambian tax and royalty regime, combined with the recent significant fall in commodity prices, puts at risk the Company’s ability to meet the Net Debt to EBITDA covenant under the \$3.0 billion term loan and revolving facility, the \$350.0 million Kansanshi facility and the \$100.0 million equipment financing facility (together, the “Financing Agreements”). Other covenants remain robust. In response to these factors, the Company has undertaken a number of actions to reduce cash outflows and costs, manage its working capital and proactively engaged with its bankers.

Actions taken include re-phasing capital expenditure plans with a reduction in 2015 to between \$1.2 billion and \$1.4 billion, including \$0.6 billion planned for Cobre Panama. Management are also finalizing opportunities for reducing operating costs and cash outflows over and above the reductions expected to flow from lower fuel and other input costs. These actions are not expected to materially impact the Company’s long term development and growth plans. The Company has also decided to conserve cash further by lowering the dividend payout ratio from 15% of comparative earnings to 10% and to introduce a Dividend Reinvestment Plan for eligible shareholders. The Company remains vigilant for other opportunities to improve net cash generation. It is expected that the second half of 2015 will see a substantial improvement in performance, compared to the first half of 2015, as the benefits of the Sentinel mine and Kansanshi smelter are realized.

The Initial Mandated Lead Arrangers on the Company’s \$3.0 billion senior debt facility have responded favourably to the steps the Company has taken. They have agreed to change the affected covenant to reflect current circumstances and provided confirmation that they will recommend such a change to the Company’s broader lending group who remain supportive of the Company. As at December 31, 2014 the Company was in full compliance with all the terms of the Financing Agreements and expects to remain so under current circumstances after the change to the financial covenant is implemented.

At December 31, 2014, the Company has \$1,042.7 million of committed undrawn facilities and \$357.4 million of unrestricted cash, as well as expected future cash flows in order to meet current obligations as they become due.

3 Summary of significant accounting policies

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

a) Basis of measurement

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

b) Principles of consolidation

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

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

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

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

Non-controlling interests

At December 31, 2014 and throughout the two year period then ended, ZCCM Investments Holdings Plc (“ZCCM”, a government owned entity) owned 20% of Kansanshi and Korea Panama Mining Corp (“KPMC”) owned 20% of Cobre Panama.

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company’s equity therein.

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest’s share of changes in equity since the date of the combination.

c) 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 best knowledge of the relevant facts and circumstances at the time, having regard to prior experience, and are continually evaluated.

(i) Significant judgments

- **Determination of ore reserves and resources**

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

Changes in the judgments surrounding proven and probable reserves may impact the carrying value of property, plant and equipment (note 8), restoration provisions (note 14), recognition of deferred income tax amounts (note 16) and depreciation (note 8).

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

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

- **Taxes – (accounting policy note 3m)**

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

- **Functional currency – (accounting policy note 3d)**

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.

- **Business combination – (accounting policy note 3g)**

Significant judgement is required when establishing whether assets and liabilities acquired by the Company constitute a business combination. Accounting treatment of a business combination differs from asset acquisition in the recognition of goodwill, deferred tax balances and the requirement to expense all associated transaction costs.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

(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.

Changes in the proven and probable reserves estimates may impact the carrying value of property, plant and equipment (note 8), restoration provisions (note 14), recognition of deferred income tax amounts (note 16) and depreciation (note 8).

- Purchase price allocation

The Company's acquisition of Inmet shares on March 22, 2013 required each identifiable asset and liability to be measured at its acquisition-date fair value. The excess, if any, of the fair value of consideration over the fair value of the identifiable net assets acquired was recognized in goodwill. The determination of the acquisition-date fair values often requires management to make assumptions and estimates about future events. The assumptions and estimates relating to determining the fair value of property, plant and equipment acquired generally require a high degree of judgment, and include estimates of mineral reserves and resources acquired, future metal prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of the acquired assets and liabilities could affect the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

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

The Company reviews the carrying value of assets each reporting period to determine whether there is any indication of impairment using both internal and external sources of information. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net earnings. The Company has determined that each 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.

The carrying value of property, plant and equipment and goodwill at the balance sheet date is disclosed in note 8 and note 9 respectively, and by mine location in note 25.

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

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

The provision represents management's best estimate of the present value of the future restoration and remediation costs. The actual future expenditures may differ from the amounts currently provided; any increase in future costs could materially impact the amounts included in the liability disclosed in the consolidated balance sheet. The carrying amount of the Company's restoration provision is disclosed in note 14.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

- **Taxes – (accounting policy note 3m)**

The Company operates in a specialized industry and in several 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. Deferred income tax assets are disclosed in note 16.

- d) Foreign currency translation**

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

- e) Inventories**

Product inventories comprise ore in stockpiles; acid and metal work-in-progress; finished acid; finished cathode and metal in concentrate; and gold bullion. Product inventories are recorded at the lower of average cost and net realizable value. Cost includes materials, direct labour, other direct costs and production overheads and depreciation of plant, equipment and mineral properties directly involved in the mining and production processes. Waste material stripping costs related to production are inventoried as incurred.

When inventories have been written down to net realizable value, a new assessment of net realizable value is made in each subsequent period that the inventory is still held. When the circumstances that caused the write down no longer exist, or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write down is reversed.

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

- f) Property, plant and equipment**

- (i) Mineral properties and mine development costs**

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

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

- ii) Property, plant and equipment**

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

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

Computer equipment and software	33%
Office equipment	33%
Furniture and fittings	15%
Buildings	2%-5%
Motor vehicles	20-25%

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

- (iii) Borrowing costs**

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset until such time as the asset is substantially complete and ready for its intended use or sale. Where funds have been borrowed specifically to finance an asset, the amount capitalized is the actual borrowing costs incurred. Where the funds used to

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finance an asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

g) Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company. The results of businesses acquired during the year are included in the consolidated financial statements from the effective date of acquisition. The identifiable assets, liabilities and contingent liabilities of the business which can be measured reliably are recorded at provisional fair values at the date of acquisition. Provisional fair values are finalized within 12 months of the acquisition date. Acquisition-related costs are expensed as incurred.

Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

h) Joint arrangements

The existence of joint control in a contractual arrangement represents a joint arrangement. Classification of the arrangement is dependent on an assessment of the Company’s rights and obligations when determining whether the arrangement should be accounted for as a joint operation or a joint venture.

i) Finance leases

Finance leases which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item are capitalized at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance charges are reflected in net earnings. The depreciation policy for leased assets is consistent with that for similar assets owned.

j) Asset impairment

(i) Property, plant and equipment

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

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

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

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

(ii) Goodwill

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

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

k) Restoration provisions

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

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l) Revenue recognition

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

m) Current and deferred income taxes

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

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

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

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

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

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

n) Share-based compensation

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

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

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

o) Earnings per share

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

p) Financial instruments

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

(i) Cash and cash equivalents and restricted cash

Cash and cash equivalents comprise cash at banks and on hand and other short-term investments with initial maturities of less than three months. It excludes cash subject to restrictions under debt facilities. Cash and cash equivalents and restricted cash have been classified as loans and receivables.

(ii) Trade receivables and promissory note receivable

Trade receivables and promissory note receivable are classified as loans and receivables and accordingly are recorded initially at fair value, net of transaction costs incurred. The promissory note receivable is recorded subsequently at amortized cost using the effective interest rate method.

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(iii) Investments

Investments are designated as available-for-sale and are normally measured at the reporting date at fair value. Fair value is determined in the manner described in note 26. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Unrealized gains and losses on the marketable securities are recognized in other comprehensive income, until the security is disposed of or is determined to be impaired at which time the cumulative gain or loss previously recognized is included in the net earnings. Dividends on available-for-sale equity investments are recognized in the income statement when the right to receive payment is established.

(iv) Derivatives and hedging

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

(v) Trade and other payables and debt

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

(vi) Impairment of financial assets

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

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

q) New and amended standards

The following standard has been adopted by the Company for the first time for the financial year beginning on January 1, 2014. The adoption of this new standard did not have a significant impact on the Company's balance sheet or net earnings, nor did it result in a restatement of prior period results:

- *IFRIC 21 – Levies.* This interpretation provides guidance on the appropriate accounting treatment for an obligation to pay a levy that is not an income tax. The guidance addresses the accounting for a liability to pay a levy recognized in accordance with IAS 37 - Provisions, and the liability to pay a levy whose timing and amount is certain.

r) Accounting standards issued but not yet effective

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

- *IFRS 15 – Revenue from contracts with customers* The new standard replaces *IAS 18 Revenue* and *IAS 11 Construction Contracts* and provides a five step framework for application to customer contracts; identification of customer contract, identification of the contract performance obligations, determination of the contract price, allocation of the contract price to the contract performance obligations, and revenue recognition as performance obligations are satisfied. A new requirement where revenue is variable stipulates that revenue may only be recognised to the extent that it is highly probable that significant reversal of revenue will not occur. The new standard will be effective for annual periods beginning on or after January 1, 2017.
- *IFRS 9 – Financial instruments: Classification and Measurement.* IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. Amendments to this standard replace parts of *IAS 39 – Financial Instruments: Recognition and Measurement* that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. The new standard will be effective for annual periods beginning on or after January 1, 2018.

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- IFRS 11 – Joint Arrangements. An amendment to IFRS 11 was issued in May 2014 addressing guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The standard now specifies the appropriate accounting treatment for such acquisitions and requires an investor to apply the principles of business combination accounting, as defined in *IFRS 3 - Business combinations*, when acquiring an interest in a joint operation that constitutes a business. The amendment requires an investor to measure identifiable assets and liabilities at fair value; expense acquisition related costs; recognise deferred tax, and; recognise the residual as goodwill. The amendment is applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not to be re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control. The amendment to IFRS 11 will be applied prospectively for annual periods beginning on or after January 1, 2016.

4 Acquisition of Inmet

On March 22, 2013, the Company acquired 85.5% of the common shares of Inmet Mining Corporation (“Inmet”) thus obtaining control (the “Acquisition”). The remaining common shares were acquired in two transactions, on April 1, 2013 and April 9, 2013 after which the Company had completed its overall plan to acquire 100% of the common shares of Inmet.

Under the terms of the Acquisition former Inmet shareholders received either \$72.00 CAD (“C\$”) in cash; 3,2967 common shares of First Quantum; or C\$36.00 and 1.6484 common shares, subject to pro-ratio based on take-up. The Company issued 114,526,277 common shares pursuant to the Acquisition. The Company acquired Inmet in order to create a globally diversified base metals company. Inmet owned the Çayeli copper-zinc mine in Turkey, Las Cruces copper mine in Spain, the Pyhäsalmi copper-zinc mine in Finland, and an 80% interest in the Cobre Panama copper-gold-zinc project in Panama, which is currently under development. Cobre Panama was controlled by Inmet and therefore the operating results were consolidated with the results of the other operations.

Inmet’s principal subsidiaries were Çayeli Bakır İşletmeleri A.S. (Turkey), Cobre Las Cruces S.A. (Spain), Pyhäsalmi Mine Oy (Finland), and Minera Panama S.A. (“MPSA”) (Panama).

The final allocation of fair value was as follows:

Final purchase price:	
114,526,277 common shares of the Company at C\$20.60/share	2,299.0
Cash consideration	2,451.9
Panama capital gains tax paid on behalf of Inmet shareholders	66.9
Total consideration	4,817.8

The Panama capital gains tax included in the consideration above relates to tax paid to the Panamanian government on behalf of Inmet shareholders, as a result of an obligation which arose when shares were sold which have value in Panamanian assets. This is an expense of the shareholder, and the Company has acted only in an agent capacity.

Cash consideration for the Acquisition was financed through a \$2,500.0 million acquisition facility provided by Standard Chartered Bank. The cash outflow on the Acquisition was \$1,044.0 million (including restricted cash of \$80.2 million); the net of cash consideration paid of \$2,518.8 million (including the Panama capital gains tax payment) less the acquired cash balance of \$1,474.8 million (excluding restricted cash).

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	\$
Net assets acquired:	
Cash	1,474.8
Restricted cash	115.1
Trade and other receivables	131.9
Inventories	80.2
Investments	2,053.0
Property, plant and equipment	4,553.9
Goodwill	236.7
Other assets	0.5
Trade and other payables	(354.2)
Current taxes payable	(20.8)
Debt	(2,222.9)
Provisions and other liabilities	(342.0)
Deferred tax liabilities	(361.6)
Total identifiable net assets	5,344.6
Non-controlling interest in MPSA	(526.8)
Total	4,817.8

The purchase of Inmet was achieved in three stages. These stages were considered together as a single acquisition transaction as they were completed in contemplation of each other to achieve the overall commercial effect of acquiring and controlling 100% of the outstanding common shares of Inmet.

Fair values were estimated using a variety of methods, as listed below for significant balances.

Asset Acquired and Liabilities Assumed	Method of determining fair value	Fair Value
Inventories – finished goods	Estimate based on recoverable value of contained metal, less estimated selling, shipping, treatment and refining costs.	62.2
Investments – Government and corporate securities	Estimated using market trading prices on the date of acquisition.	503.6
Property, plant and equipment ¹ – Mineral properties	Fair value of identified reserves determined through estimated discounted cash flows, incorporating existing life of mine plans, and median analyst consensus metal price forecasts discounted at the weighted average cost of capital for each mine or development project. Fair value of beyond proven and probable reserves estimated using a market approach based on the acquisition prices of precedent transactions.	2,067.1
Property, plant & equipment ¹ – Plant and equipment	Estimated primarily using a cost approach based on fixed asset records.	1,420.7
Debt - Senior notes	Trading value of the notes on the date of acquisition.	(2,205.0)
Non-controlling interest in MPSA	Proportion of fair value of MPSA	(526.8)

¹ As part of finalizing the purchase price allocation, the fair value of property, plant and equipment account was reallocated between categories. There has been no change to the fair value of property, plant and equipment acquired as part of the Inmet Acquisition.

Transaction costs of \$29.5 million were expensed in relation to the Acquisition during the quarter ended March 31, 2013.

Goodwill arose after the application of *IAS 12 - Income taxes*, due to the requirement to recognize a deferred tax liability calculated as the difference between the tax effect of the fair value of the assets acquired and their respective tax bases. Goodwill is not expected to be deductible for tax purposes.

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Subsequent to March 31, 2013, the Company acquired the remaining outstanding shares of Inmet. On April 1, 2013, the Company acquired 7.2% of Inmet shares for \$175.4 million cash and 8,615,493 common shares of the Company, a total purchase price of \$360.4 million. The remaining 7.3% of shares were purchased by compulsory acquisition on April 30, 2013 for \$210.7 million cash and 7,042,867 common shares of the Company, a total purchase price of \$362.4 million. The related capital gains tax paid in Panama relating to the purchase of the remaining shares was approximately \$10.5 million.

On April 22, 2013, Inmet amalgamated with FQM (Akubra) Inc., a wholly owned subsidiary of the Company. The amalgamated company succeeded all of the obligations of Inmet, including obligations under the Inmet senior notes.

On June 30, 2014, FQM (Akubra) Inc. amalgamated with First Quantum Minerals Ltd., the parent company. The amalgamated company succeeded all of the obligations of FQM (Akubra) Inc., including obligations under the FQM (Akubra) Inc. senior notes (refer to note 12).

5 Trade and other receivables

	December 31, 2014	December 31, 2013
Trade receivables and other receivables	267.5	299.5
VAT receivable (current)	76.4	248.6
	343.9	548.1

VAT receivable is deemed to be recoverable and no provision has been made. At December 31, 2014 the Company had classified \$245.9 million (December 31, 2013: nil) as non-current VAT receivable.

6 Inventories

	December 31, 2014	December 31, 2013
Ore in stockpiles	272.6	294.6
Work-in-progress	29.9	27.8
Finished product ¹	397.3	338.3
Total product inventory	699.8	660.7
Consumable stores	497.5	462.9
	1,197.3	1,123.6

¹ Included in finished product inventory is \$255.6 million relating to finished product owned by Kansanshi (December 31, 2013: \$184.0 million), of which \$241.9 million is copper concentrate (December 31, 2013: \$152.1 million) and \$13.7 million is copper cathode (December 31, 2013: \$31.9 million).

7 Investments

	December 31, 2014	December 31, 2013
Available for sale equity securities held at cost	23.5	36.3
Available for sale equity securities held at fair value	9.8	19.0
Asset-backed commercial paper	-	3.1
	33.3	58.4

During the year ended December 31, 2014, the Company recorded an impairment of \$16.0 million relating to equity securities held at cost (December 31, 2013: nil).

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The following table summarizes the movements in the investments held at fair value:

	2014	2013
Balance – beginning of year	19.0	28.7
Additions	4.9	28.1
Impairment ²	-	(20.6)
Capitalization of investment previously classified as available-for-sale ¹	(24.3)	-
Gain (loss) in fair value	10.2	(17.2)
Balance – end of year	9.8	19.0

¹ Prior the acquisition of Lumina (note 8) the Company held an investment representing 6% of the outstanding shares of Lumina, which was capitalized at fair value upon completion of the acquisition and achievement of control.

² During the year ended December 31, 2013, the Company recorded an other than temporary impairment of \$20.6 million (net of tax) relating to certain investments in equity securities, reclassifying \$20.6 million from other comprehensive income to other expense in net earnings.

8 Property, plant and equipment

	Plant and equipment	Capital work-in-progress	Mineral properties and mine development costs		Total
			Operating mines	Development projects	
Cost					
As at January 1, 2013	2,790.6	1,303.9	772.2	886.9	5,753.6
Acquisition of Inmet	1,420.7	1,722.5	991.7	1,075.4	5,210.3
Additions	-	2,716.0	-	-	2,716.0
Disposals	(36.3)	-	-	-	(36.3)
Transfers between categories	450.9	(572.4)	106.2	15.3	-
Restoration provision	-	-	26.3	8.4	34.7
Capitalized interest	-	219.1	-	-	219.1
As at December 31, 2013	4,625.9	5,389.1	1,896.4	1,986.0	13,897.4
Additions	-	2,471.6	-	423.3	2,894.9
Disposals	(20.9)	-	-	-	(20.9)
Transfers between categories	1,226.5	(1,425.0)	184.9	13.6	-
Restoration provision	-	-	51.9	31.0	82.9
Capitalized interest	-	362.0	-	-	362.0
Ravensthorpe asset write offs	(5.3)	-	-	-	(5.3)
As at December 31, 2014	5,826.2	6,797.7	2,133.2	2,453.9	17,211.0
Accumulated depreciation					
As at January 1, 2013	(724.7)	-	(75.3)	-	(800.0)
Acquisition of Inmet	(511.7)	-	(144.7)	-	(656.4)
Depreciation charge	(325.0)	-	(151.9)	-	(476.9)
Disposals	22.1	-	-	-	22.1
As at December 31, 2013	(1,539.3)	-	(371.9)	-	(1,911.2)
Depreciation charge	(380.4)	-	(213.6)	-	(594.0)
Disposals	13.6	-	-	-	13.6
As at December 31, 2014	(1,906.1)	-	(585.5)	-	(2,491.6)
Net book value					
As at December 31, 2013	3,086.6	5,389.1	1,524.5	1,986.0	11,986.2
As at December 31, 2014	3,920.1	6,797.7	1,547.7	2,453.9	14,719.4

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During the year \$362.0 million of interest (December 31, 2013: \$219.1 million) was capitalized relating to the development of qualifying assets. The amount capitalized in 2014 was determined by applying the weighted average cost of borrowings of 4.8% (2013: 4.1%) to the accumulated qualifying expenditures.

Included within capital work-in-progress and mineral properties – operating mines at December 31, 2014 is \$99.5 million and \$322.5 million respectively related to capitalized deferred stripping costs (December 31, 2013: \$122.5 million and \$206.6 million respectively).

On August 19, 2014 the Company acquired the remaining 94% of the shares of Lumina for a total consideration of C\$441.9 million (or \$405.5 million) including a cash component of C\$206.9 million (or \$189.9 million) and equity in the Company of C\$235.0 million, 9,669,153 ordinary shares (or \$215.6 million). The transaction has been accounted for as asset acquisition with the principal asset acquired, the Taca Taca project, recorded as an addition to mineral properties in the period. On completion of the transaction, net gains of \$9.0 million previously recognized through comprehensive income on the available-for-sale investment in Lumina were reversed against the carrying value of the acquired asset.

9 Goodwill

Goodwill of \$236.7 million arose through the acquisition of Inmet in 2013 after the application of IAS 12 – *Income taxes*, due to the requirement to recognize a deferred tax liability calculated as the tax effect of the difference between the fair value of the assets acquired and their respective tax bases. Goodwill is not deductible for tax purposes. The goodwill was assigned to the Cobre Panama cash-generating unit.

The carrying value of Cobre Panama at December 31, 2014 was \$4,415.6 million (December 31, 2013: \$3,468.7 million).

The annual impairment test has been performed at December 31, 2014. For the purposes of the goodwill impairment test, the recoverable amount of Cobre Panama has been determined using a fair value less costs of disposal calculation based on a discounted cash flow model taking account of assumptions that would be made by market participants. The future cash flows used in this model are inherently uncertain and could materially change over time as a result of changes to ore reserves and resources estimates, commodity prices, discount rates, future production costs and future capital expenditure to build Cobre Panama. Reserves and resources are estimated based on the National Instrument 43-101 compliant report produced by qualified persons. The production profile used in the cash flow model is consistent with the reserves and resource volumes approved as part of the Company's process for the estimation of proven and probable reserves. Such production volumes are dependent on a number of variables, including the recovery of metal from the ore, production costs, duration of mining rights, and the selling price of extracted minerals. Commodity prices are management's estimates of the views of market participants, including a long-term copper price of \$3.00. The estimates are derived from the median of consensus forecasts and long-term views of global supply and demand. A discount rate of 12% (December 31, 2013: 13%) has been applied to future cash flows, derived from Cobre Panama's weighted average cost of capital (in nominal terms), incorporating the risks specific to the cash-generating unit. Future production costs and future capital expenditure are based on the latest available engineering reports.

The calculated recoverable amount of the cash-generating unit significantly exceeds the carrying value of Cobre Panama at December 31, 2014 and therefore no impairment charge has been recorded.

10 Other assets

	December 31, 2014	December 31, 2013
Deposits on property, plant and equipment	17.8	25.9
Deferred income tax assets (note 16)	23.0	64.8
Derivative instruments (note 26)	21.8	2.5
Prepaid expenses	115.4	140.7
Prepaid income taxes	8.3	8.6
Other	0.1	7.1
Total other assets	186.4	249.6
Less: current portion of other assets	(137.0)	(151.8)
	49.4	97.8
Current portion consists of:		
Derivative instruments (note 26)	21.8	2.5
Prepaid income taxes	8.3	8.6
Prepaid expenses	106.9	140.7
	137.0	151.8

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11 Promissory note receivable

The promissory note receivable due from Eurasian Natural Resources Corporation PLC (“ENRC”) outstanding at December 31, 2013 included a mandatory prepayment feature that was triggered by ENRC’s delisting from the London Stock Exchange in 2013. The Company waived the mandatory prepayment feature and renegotiated the terms of the promissory note. Of the principal outstanding, \$70.0 million was repaid during the first quarter of 2014, as well as the payment of all outstanding interest at 3% then due. A new \$430.0 million promissory note was issued by a subsidiary of ENRC on March 20, 2014, with a term to final maturity of December 31, 2015. The interest rate on the \$430.0 million promissory note has been increased from 3% to 5%, and the interest due until the final maturity date has been prepaid, approximately \$40.0 million. The \$430.0 million promissory note is secured against the shares in a subsidiary holding ENRC’s Mozambique coal assets and is guaranteed by ENRC Congo B.V., a wholly owned subsidiary of ENRC.

12 Debt

		December 31, 2014	December 31, 2013
Drawn debt			
Senior notes:			
First Quantum Minerals Ltd. (formerly FQM Akubra) 8.75% due 2020	a)	33.1	1,634.6
First Quantum Minerals Ltd. (formerly FQM Akubra) 7.50% due 2021	b)	0.2	536.7
First Quantum Minerals Ltd. 6.75% due 2020	c)	1,067.9	-
First Quantum Minerals Ltd. 7.00% due 2021	d)	1,066.7	-
First Quantum Minerals Ltd. 7.25% due 2019	e)	342.3	340.7
First Quantum Minerals Ltd. 7.25% due 2022	f)	837.9	-
FQM (Akubra) revolving debt facility	g)	-	990.6
Kansanshi senior term loans and revolving facility	h)	350.0	420.0
First Quantum Minerals Ltd. senior debt facility	i)	1,898.6	-
Amount owed to related party	j)	253.1	95.1
Trading facilities	k)	34.6	55.5
Equipment financing	m)	97.3	-
Other		0.4	0.2
Total debt		5,982.1	4,073.4
Less: Current maturities and short term debt		(53.3)	(1,046.1)
		5,928.8	3,027.3
Undrawn debt			
FQM (Akubra) revolving debt facility	g)	-	1,495.0
Kansanshi senior term loans and revolving facility	h)	-	580.0
First Quantum Minerals Ltd. senior debt facility	i)	1,040.0	-
Trading facilities	k)	220.4	74.5
Kevitsa facility	l)	-	215.0
Equipment financing	m)	2.7	-

a) First Quantum Minerals Ltd. (formerly FQM Akubra) senior notes – 8.75%

On May 18, 2012, Inmet issued \$1,500.0 million in unsecured senior notes due in June 2020, bearing interest at an annual rate of 8.75%. The notes were recorded at a fair value of \$1,664.1 million on the date of acquisition of Inmet by the Company, to be amortized down to face value over the remaining term of the notes.

On January 27, 2014, the Company commenced an offer to exchange these notes for new notes to be issued by the Company as part of funding restructuring arrangements. Upon expiry of the offer on February 24, 2014, 97.9% were exchanged for the new notes. The carrying value of the remaining notes includes the fair value uplift recognized on acquisition of Inmet by the Company.

The Company may redeem some or all of the remaining notes at any time on or after June 1, 2016 at redemption prices ranging from 104.375% in the first year to 100% after June 1, 2018, plus accrued interest. Prior to June 1, 2016, the notes may be redeemed at 100% plus a make-whole premium, and accrued interest. In addition, until June 1, 2016, the Company may redeem up to 35% of the principal amount of notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 108.75% plus accrued interest.

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

On June 30, 2014, FQM (Akubra) Inc. amalgamated with First Quantum Minerals Ltd., the parent company. The amalgamated company succeeded all of the obligations of FQM (Akubra) Inc., including obligations under the FQM (Akubra) Inc. senior notes.

b) First Quantum Minerals Ltd. (formerly FQM Akubra) senior notes – 7.50%

On December 18, 2012, Inmet issued \$500.0 million in unsecured senior notes due in June 2021, bearing interest at an annual rate of 7.50%. The notes were recorded at a fair value of \$540.9 million on the date of acquisition of Inmet by the Company, to be amortized down to face value over the remaining term of the notes.

On January 27, 2014, the Company commenced an offer to exchange these notes for new notes to be issued by the Company as part of funding restructuring arrangements. Upon expiry of the offer on February 24, 2014, 99.8% were exchanged for the new notes. Subsequently on August 11, 2014 the Company bought back and cancelled a further \$700,000 of these notes at a price of \$108. The carrying value of the remaining notes includes the fair value uplift recognized on acquisition of Inmet by the Company.

The Company may redeem some or all of the remaining notes at any time on or after December 1, 2016 at redemption prices ranging from 103.75% in the first year to 100% after December 1, 2018, plus accrued interest. Prior to December 1, 2016, the notes may be redeemed at 100% plus a make-whole premium, and accrued interest. In addition, until December 1, 2016, Inmet may redeem up to 35% of the principal amount of notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 107.5% plus accrued interest.

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

On June 30, 2014, FQM (Akubra) Inc. amalgamated with First Quantum Minerals Ltd., the parent company. The amalgamated company succeeded all of the obligations of FQM (Akubra) Inc., including obligations under the FQM (Akubra) Inc. senior notes.

c) First Quantum Minerals Ltd. senior notes – 6.75%

On February 12, 2014, the Company issued \$1,114.9 million in senior notes due in 2020, bearing interest at an annual rate of 6.75%. The notes are guaranteed on a subordinated basis by certain subsidiaries of the Company.

On February 27, 2014, the Company issued an additional \$5.6 million aggregate principal amount of new 6.75% senior notes due 2020 to eligible holders of Inmet notes who validly tendered their existing notes in the exchange offer after the early tender time in the exchange offer but prior to the expiration time.

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

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

d) First Quantum Minerals Ltd. senior notes – 7.00%

On February 12, 2014, the Company issued \$1,114.9 million in senior notes due in 2021, bearing interest at an annual rate of 7.00%. The notes are guaranteed on a subordinated basis by certain subsidiaries of the Company.

On February 27, 2014, the Company issued an additional \$5.6 million aggregate principal amount of new 7.00% senior notes due 2021 to eligible holders of Inmet notes who validly tendered their existing notes in the exchange offer after the early tender time in the exchange offer but prior to the expiration time.

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

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

e) First Quantum Minerals Ltd. senior notes – 7.25%

On October 10, 2012, the Company issued \$350.0 million in senior notes due in 2019, bearing interest at an annual rate of 7.25%.

The Company may redeem some or all of the notes at any time on or after October 15, 2015 at redemption prices ranging from 105.438% in the first year to 100% in the final year, plus accrued interest. Although part of this redemption feature indicates the existence of an embedded derivative, the value of this derivative is not significant. Prior to October 15, 2015, the notes may be redeemed at 100% plus a make-whole premium, and accrued interest. In addition, until October 15, 2015, the Company may

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redeem up to 35% of the principal amount of notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 107.25% plus accrued interest.

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

On January 27, 2014, the Company announced a solicitation of consent relating to proposed amendments to the indentures of these senior notes as part of the funding restructuring. These changes to the indentures bring the terms of the notes in line with the senior notes issued by the Company in February 2014. On February 10, 2014, the Company received validly delivered consents in the solicitation from holders of a majority in aggregate principal amount of notes outstanding, and the proposed amendments to the indenture governing the notes were therefore approved.

f) First Quantum Minerals Ltd. senior notes – 7.25%

On May 13, 2014, the Company issued \$850.0 million in senior notes due in 2022, bearing interest at an annual rate of 7.25%.

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

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

g) FQM (Akubra) revolving debt facility

FQM (Akubra) entered into a \$2,500.0 million debt arrangement in order to finance the Acquisition of Inmet which was subsequently amended and restated as a revolving debt facility. On April 11, 2014, the revolving debt facility was repaid and terminated as part of the funding restructuring.

h) Kansanshi senior term loans and revolving facility

In March 2012, Kansanshi entered into a \$300.0 million senior term loan and a \$700.0 million revolving credit facility to finance the Kansanshi expansion projects and the copper smelter project collateralized by the assets and offtake agreements of Kansanshi. On March 27, 2014, notice was issued to cancel the term loan and the revolving facility. On April 3, 2014, the Kansanshi revolving credit facility and term loan were repaid and terminated.

On March 27, 2014, Kansanshi entered into a \$350.0 million term loan which was available from April 3, 2014 and fully drawn at that date. The loan is repayable in six equal semi-annual instalments commencing on September 27, 2016 and interest is calculated at a rate equal to LIBOR plus 2.75%.

i) First Quantum Minerals Ltd. senior debt facility

On April 15, 2014, the Company announced that it had signed and drawn down on its \$2,500.0 million Five-Year Term Loan and Revolving Facility (“the Facility”). The Facility was syndicated during Q2 2014, which resulted in an upsizing of the Facility to \$3,000.0 million. The Facility comprises a \$1,200.0 million term loan facility available to draw until April 8, 2016 with interest at LIBOR plus a margin of 2.75%-3.00% and a \$1,800.0 million revolving credit facility available to draw until March 8, 2019 also with interest at LIBOR plus a margin of 2.75%-3.00% per annum. All outstanding loans on these facilities must be repaid no later than April 8, 2019.

j) Amount owed to related party

In September 2013, the Company entered into a loan agreement with Korea Panama Mining Corp. (“KPMC”) who own a 20% interest in Minera Panama S.A. (“MPSA”) and is therefore a related party. Interest is due semi-annually at an annual rate of 9%. As of December 30, 2014, the accrual for interest payable is \$14.9 million (December 31, 2013: \$2.1 million) and is included in the carrying value of the debt as this has been deferred under the loan agreement.

k) Trading facilities

The Company’s metal marketing division has four uncommitted borrowing facilities totalling \$255.0 million. The facilities are used to finance purchases and the term hedging of copper, gold and other metals, undertaken by the metal marketing division. Interest on the facilities is calculated at the bank’s benchmark rate plus approximately 1.75%. The loans are collateralized by physical inventories.

l) Kevitsa facility

On February 10, 2014, this facility was terminated as part of the funding restructuring.

m) Equipment financing

On April 2, 2014, Kalumbila Minerals Ltd., a subsidiary of the Company which owns the Trident project, entered into an agreement with Caterpillar Financial Services Corporation (“Caterpillar”) to finance equipment purchases up to \$100.0 million. The agreement is secured by equipment that is purchased from Caterpillar, incurs interest at LIBOR plus 3% and amounts are

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repayable over a period to 2021. Of the amount outstanding at December 31, 2014, \$18.7 million is due within 12 months of the balance sheet date.

13 Provisions and other liabilities

	December 31, 2014	December 31, 2013
Restoration provisions (note 14)	583.7	484.2
Derivative instruments (note 26)	2.3	10.5
Finance leases (note 15)	31.3	39.7
Other	116.1	120.8
Total other liabilities	733.4	655.2
Less: current portion	(22.3)	(35.7)
	711.1	619.5
Current portion consists of:		
Restoration provisions (note 14)	8.4	11.1
Derivative instruments (note 26)	2.3	10.5
Finance leases (note 15)	3.8	4.5
Other	7.8	9.6
	22.3	35.7

14 Restoration provisions

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

	2014	2013
As at January 1	484.2	269.9
Acquisition of Inmet	-	230.9
Changes in estimate – operating sites	82.9	(16.1)
Changes in estimate – closed sites (note 23)	6.2	(9.3)
Other adjustments	(3.1)	(0.3)
Accretion expense (note 24)	13.5	9.1
As at December 31	583.7	484.2
Less: current portion	(8.4)	(11.1)
	575.3	473.1

The effect of changes in the restoration provision for closed properties is recorded through net earnings.

The Company has issued letters of credit which are guaranteed by cash deposits, classified as restricted cash on the balance sheet at December 31, 2014, totalling \$78.5 million (December 31, 2013: \$83.4 million).

The restoration provisions have been recorded initially as a liability based on management's best estimate of cash flows, using a risk-free discount rate between 1.4% and 4.2% and an inflation factor between 1.7% and 3.2%. Payments are expected to occur over the life of each of the operating mines, a period of approximately 42 years, with the majority payable in the years following the cessation of mining operations.

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15 Finance leases

The Company has finance leases for plant and equipment. The carrying value of the leased assets as of the balance sheet date was as follows:

	December 31, 2014	December 31, 2013
Cost	48.1	51.2
Less: accumulated depreciation	(19.3)	(15.4)
Net carrying value of finance lease agreements	28.8	35.8

The present value of future minimum lease payments under non-cancellable finance lease agreements was as follows:

	December 31, 2014		December 31, 2013	
	Discounted	Undiscounted	Discounted	Undiscounted
Within one year	3.8	5.1	4.5	6.0
After one year but not more than five years	12.4	18.7	15.7	22.7
More than five years	15.1	20.9	19.5	28.3
Total minimum lease payments	31.3	44.7	39.7	57.0

16 Income taxes

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

	2014	2013
Current income tax expense	279.1	377.3
Deferred income tax (credit)	(420.0)	(7.7)
	(140.9)	369.6

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

	2014		2013	
	Amount \$	%	Amount \$	%
Earnings before income taxes	852.4		899.3	
Income taxes at Canadian statutory rates	221.6	26	231.6	26
Impact of foreign exchange and other	60.4	7	(22.3)	(3)
Losses not recognized	33.8	4	55.1	6
Difference in foreign tax rates	29.2	3	(5.2)	-
Non-deductible expenses	35.2	4	51.7	5
Effect of Zambian variable tax ¹	22.6	3	83.1	9
Impact of rate reduction	(44.9)	(5)	(13.4)	(1)
Recognition of previously unrecognized losses	(0.2)	-	(11.0)	(1)
Income taxes before Zambian tax policy changes	357.7	42	369.6	41
Effect of Zambian tax policy changes	(498.6)	(58)	-	-
Income tax (credit) expense	(140.9)	(17)	369.6	41

¹Included in the current and deferred income tax expense are amounts relating to the variable profit tax ("VPT") in Zambia up to 15%.

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

	2014	2013
Deferred income tax assets (note 10)	23.0	64.8
Deferred income tax liabilities	(399.3)	(930.9)
	(376.3)	(866.1)

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

	2014	2013
Temporary differences relating to property, plant and equipment and finance leases	(416.1)	(1,203.1)
Unused operating losses	34.8	275.8
Temporary differences relating to non-current liabilities (including restoration provisions)	47.3	50.8
Temporary differences relating to inventory	4.3	3.6
Other	(46.6)	6.8
Net deferred income tax liabilities	(376.3)	(866.1)

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

The Company has unrecognized deductible temporary differences relating to operating loss carry-forwards that may be available for tax purposes in Canada totalling \$1,329.4 million (December 31, 2013: \$935.4 million) expiring between 2025 and 2034, and in the United States of America totalling \$38.3 million (December 31, 2013: \$30.4 million) expiring between 2018 and 2034.

The Company has recognized deductible temporary differences relating to net operating losses of Australian-resident subsidiaries totalling \$62.3 million which can be carried forward indefinitely.

The Company also has unrecognized deductible temporary differences relating to restoration provisions of \$62.5 million in Canada (December 31, 2013: \$60.0 million) and \$31.7 million in Finland (December 31, 2013: \$33.2 million).

The Company has non-Canadian resident subsidiaries that have undistributed earnings of \$4,761.5 million (December 31, 2013: \$4,583.1 million). These undistributed earnings are not expected to be repatriated in the foreseeable future and the Company has control over the timing of such, therefore taxes that may apply on repatriation have not been provided for.

On December 23, 2014, the Zambian Governments passed into law amendments to the Income Tax and Mine and Minerals Development Act which effectively eliminates corporate tax on profits from certain categories of mining activities by reducing the corporate tax rate to 0%, but increasing the mineral royalty rate from 6% to 8% for underground operations and to 20% for open pit mines. The changes to Zambian tax law were substantively enacted in December 2014 and effective from January 1, 2015. The Company's 2014 tax expense includes a net tax credit of \$498.6 million, reflecting the revaluation of deferred tax liabilities and assets previously recognized by the Company's Zambian entities which are attributable to mining activities that are now subject to the 0% corporate tax rate.

17 Share capital

a) Common shares

Authorized

Unlimited common shares without par value

Issued

	Number of shares (000's)
Balance as at December 31, 2013	590,836
Share issuance on acquisition of Lumina (note 8)	9,670
Balance as at December 31, 2014	600,506

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b) Treasury shares

The Company established an independent trust to purchase, on the open market, the common shares pursuant to the long-term incentive plan (note 19). The Company consolidates the trust as it is subject to control by the Company. Consequently, shares purchased by the trust to satisfy obligations under the long-term incentive plan are recorded as treasury shares in shareholders' equity. Generally, dividends received on shares held in the trust will be paid to plan participants in cash as received.

	Number of shares (000's)
Balance as at January 1, 2013	4,667
Shares purchased	2,420
Shares vested	(1,177)
Balance as at December 31, 2013	5,910
Shares purchased	2,694
Shares vested	(1,234)
Balance as at December 31, 2014	7,370

c) Dividends

On February 20, 2014, the Company declared a final dividend payment of \$0.0930 CAD per share, or \$50.0 million, in respect of the financial year ended December 31, 2013 (March 5, 2013: \$0.1147 CAD per share, or \$66.4 million) paid to shareholders of record on April 14, 2014.

On July 30, 2014, the Company declared an interim dividend payment of \$0.0504 CAD per share, or \$27.9 million, in respect of the financial year ended December 31, 2014 (July 31, 2013: \$0.0583 CAD per share) paid to shareholders of record on August 28, 2014.

18 Earnings per share

	2014	2013
Basic and diluted earnings attributable to shareholders of the Company	834.8	458.6
Basic weighted average number of shares outstanding (000's of shares)	595,994	560,009
Effect of dilutive securities:		
Treasury shares	3,984	3,380
Diluted weighted average number of shares outstanding (000's of shares)	599,978	563,389
Earnings per common share – basic	1.40	0.82
Earnings per common share – diluted	1.39	0.81

19 Share-based compensation

a) Long-term incentive plan

The Company has a long-term incentive plan (the "Plan"), which provides for the issuance of performance stock units ("PSUs"), restricted stock units ("RSUs") in such amounts as approved by the Company's Compensation Committee. Included in general and administrative expense is share-based compensation expense of \$25.6 million (December 31, 2013: \$22.0 million) related to this Plan of which \$3.6 million (December 31, 2013: nil) has been capitalized.

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

Under the Plan, each RSU entitles the participant to receive one common share of the Company subject to vesting criteria. RSU grants typically vest fully at the end of the three year period. The fair value of each RSU is recorded as compensation expense over the vesting period. The fair value of each RSU is estimated based on the market value of the Company's shares at the grant date and an estimated forfeiture rate of 11.5% (December 31, 2013: 11.5%).

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	2014	2013
	Number of units (000's)	Number of units (000's)
Performance stock units		
Outstanding - beginning of year	3,352	2,519
Granted	1,734	1,602
Vested	(344)	(607)
Forfeited	(323)	(162)
Outstanding - end of year	4,419	3,352
Restricted stock units		
Outstanding - beginning of year	2,540	2,094
Granted	961	1,112
Vested	(535)	(570)
Forfeited	(270)	(96)
Outstanding - end of year	2,696	2,540

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

	2014	2013
Risk-free interest rate	0.82%	0.64%
Vesting period	3 years	3 years
Expected volatility	54.4%	60.3%
Expected forfeiture per annum	4%	4%
Weighted average probability of vesting	44.3%	46.2%

b) Key management compensation

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

	2014	2013
Salaries, fees and other benefits	4.7	4.9
Bonus payments	3.0	2.9
Share-based compensation	2.7	3.2
Total compensation paid to key management	10.4	11.0

20 Sales revenues by nature

	2014	2013
Copper	2,539.7	2,589.7
Nickel	596.9	531.4
Gold	229.2	281.8
Zinc	73.7	57.2
Other	102.5	92.8
	3,542.0	3,552.9

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21 Cost of sales

	2014	2013
Costs of production	(1,978.8)	(2,006.1)
Depreciation	(594.0)	(476.9)
Movement in inventory	6.4	44.1
Movement in depreciation in inventory	22.2	19.8
	(2,544.2)	(2,419.1)

22 Expenses by nature

	2014	2013
Raw materials and consumables	(858.9)	(812.0)
Employment costs, benefits and contractors	(682.6)	(662.3)
Repairs and maintenance	(221.2)	(208.3)
Depreciation	(571.8)	(457.1)
Freight	(80.8)	(92.7)
Royalties	(154.7)	(158.8)
Utilities	(107.3)	(100.5)
Travel	(20.6)	(14.5)
Other	(28.9)	(131.3)
Increase in inventories	6.4	44.1
	(2,720.4)	(2,593.4)

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

23 Other income (expense)

	2014	2013
Foreign exchange gain (loss)	37.0	(18.2)
Loss on disposal of assets	(3.9)	(2.5)
Gain (loss) on sale of investments	2.7	(1.9)
Impairment of investments (note 7)	(16.0)	(20.6)
Change in restoration provision for closed properties (note 14)	(6.2)	9.3
Ravensthorpe atmospheric leach tank failure asset impairments and costs	(8.5)	-
Other income (expense)	14.3	(1.3)
	19.4	(35.2)

24 Finance costs

	2014	2013
Interest expense on financial liabilities measured at amortized cost	(368.0)	(232.8)
Interest expense other	(2.2)	(0.5)
Accretion on restoration provision (note 14)	(13.5)	(9.1)
Total finance costs	(383.7)	(242.4)
Less: interest capitalized (note 8)	362.0	219.1
	(21.7)	(23.3)

First Quantum Minerals Ltd.

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

25 Segmented information

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

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

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

Earnings by segment

For the year ended December 31, 2014, segmented information for the statement of earnings is presented as follows:

	Revenue ¹	Cost of sales (excluding depreciation)	Depreciation ³	Other	Operating profit ²	Income taxes ⁶
Kansanshi ⁵	1,677.5	(1,019.6)	(145.5)	(46.4)	466.0	327.8
Las Cruces	491.2	(156.8)	(154.8)	128.9	308.5	(49.1)
Guelb Moghrein	229.8	(162.2)	(33.7)	(4.2)	29.7	(24.2)
Ravensthorpe	507.2	(322.2)	(64.4)	(3.3)	117.3	(7.3)
Kevitsa	271.4	(166.0)	(57.6)	(12.9)	34.9	(23.6)
Çayeli	211.9	(95.6)	(46.1)	(2.9)	67.3	(23.6)
Pyhäsalmi	152.8	(58.3)	(59.6)	36.7	71.6	(19.4)
Corporate & other	0.2	8.3	(10.1)	(252.7)	(254.3)	(39.7)
Total	3,542.0	(1,972.4)	(571.8)	(156.8)	841.0	140.9

¹ Excludes intersegment revenues of \$116.5 million

² Operating profit less net finance costs and taxes equals net earnings for the period on the consolidated statement of earnings

³ Depreciation includes group depreciation on the fair value increase on acquisition

⁴ No segmented information for Trident or Cobre Panama is disclosed for the statement of earnings as these projects were under development at December 31, 2014. The exploration and development costs for these properties are capitalized.

⁵ Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.

⁶ Following the substantive enactment of the change to Zambian tax law, the deferred tax liabilities previously recognized by Kansanshi's mining activities were revalued at 0%, causing a tax credit (note 16).

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

For the year ended December 31, 2013, segmented information for the statement of earnings is presented as follows:

	Revenue ¹	Cost of sales (excluding depreciation)	Depreciation ³	Other	Operating profit ²	Income taxes
Kansanshi ⁵	1,832.3	(923.3)	(109.5)	(10.1)	789.4	(358.5)
Las Cruces	373.8	(140.6)	(127.1)	(20.6)	85.5	2.7
Guelb Moghrein	314.8	(186.5)	(31.8)	(4.2)	92.3	(20.6)
Ravensthorpe	474.4	(393.2)	(52.1)	3.7	32.8	(17.0)
Kevitsa	197.6	(135.3)	(41.1)	(6.2)	15.0	25.2
Çayeli	188.0	(100.8)	(40.8)	8.3	54.7	(5.7)
Pyhäsalmi	129.0	(56.4)	(49.1)	(12.4)	11.1	12.0
Corporate & other	43.0	(25.9)	(5.6)	(197.5)	(186.0)	(7.7)
Total	3,552.9	(1,962.0)	(457.1)	(239.0)	894.8	(369.6)

¹ Excludes intersegment revenues of \$110.0 million

² Operating profit less net finance costs and taxes equals net earnings for the period on the consolidated statement of earnings

³ Depreciation includes group depreciation on the fair value increase on acquisition

⁴ No segmented information for Trident or Cobre Panama is disclosed for the statement of earnings as these projects were under development at December 31, 2014. The exploration and development costs for these properties are capitalized.

⁵ Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.

Balance sheet by segment

Segmented information on balance sheet items is presented as follows:

	December 31, 2014			December 31, 2013		
	Non-current assets ¹	Total assets	Total liabilities	Non-current assets ¹	Total assets	Total liabilities
Kansanshi ²	3,289.4	4,299.0	665.6	2,609.0	3,687.7	1,334.4
Las Cruces	1,081.6	1,321.9	388.0	1,174.2	1,583.3	418.9
Guelb Moghrein	286.8	455.1	56.8	233.8	407.7	39.9
Ravensthorpe	849.9	977.3	202.0	882.0	1,007.3	179.4
Kevitsa	903.6	928.1	43.0	847.9	918.9	37.3
Trident	2,294.2	2,380.6	174.0	1,553.3	1,476.3	52.2
Çayeli	209.9	660.0	136.8	244.6	430.7	148.6
Pyhäsalmi	261.2	411.1	99.5	315.1	418.0	116.9
Cobre Panama ³	4,461.0	4,727.8	405.5	3,508.2	3,792.9	304.9
Corporate & other ⁴	1,090.4	1,663.4	5,565.1	639.4	1,748.4	3,750.1
Total	14,728.0	17,824.3	7,736.3	12,007.5	15,471.2	6,382.6

¹ Non-current assets include property plant and equipment \$14,719.4 million of property plant and equipment (December 31, 2013: \$11,986.2 million) and exclude financial instruments, deferred tax assets, VAT receivable and goodwill.

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

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

⁴ Included within the corporate segment are assets relating to the Haquira project, \$660.7 million, and to the Taca Taca project, \$423.7 million.

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

Capital expenditure by segment

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

	Year ended December 31	
	2014	2013
Kansanshi	697.2	989.5
Las Cruces	57.2	33.1
Guelb Moghrein	90.8	59.4
Ravensthorpe	16.0	44.6
Kevitsa	108.4	72.2
Trident	840.8	796.6
Çayeli	9.7	9.4
Pyhäsalmi	3.8	5.8
Cobre Panama	616.9	578.3
Corporate & other ¹	16.3	12.1
Total	2,457.1	2,601.0

¹ Not included is \$189.9 million representing the cash consideration paid for Lumina.

Geographical information

	December 31, 2014	December 31, 2013
Revenue by destination¹		
Zambia	1,153.0	1,480.0
China	693.8	859.5
Spain	419.9	259.8
United Arab Emirates	284.9	155.6
Finland	158.9	128.1
Canada	120.0	73.5
Sweden	117.2	60.2
South Africa	114.3	131.3
Egypt	66.1	42.4
Australia	56.4	26.3
Bulgaria	54.0	34.5
Germany	44.7	41.0
Italy	41.2	60.0
Turkey	41.0	55.8
Brazil	40.6	45.5
India	30.2	36.1
Other	105.8	63.3
	3,542.0	3,552.9

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

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	December 31, 2014	December 31, 2013
Non-current assets by location		
Zambia	5,583.6	4,163.1
Panama	4,461.0	3,507.4
Spain	1,081.6	1,174.2
Finland	1,164.8	1,165.9
Australia	849.9	876.2
Peru	647.5	630.5
Argentina	423.3	-
Mauritania	286.8	233.8
Turkey	209.9	244.5
Other	19.6	11.9
	14,728.0	12,007.5
Investments, deferred income tax assets, goodwill, restricted cash and other deposits and VAT receivable	635.2	920.7
	15,363.2	12,928.2

26 Financial instruments

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

The following provides a comparison of carrying and fair values of each classification of financial instrument at December 31, 2014:

	Loans and receivables	Available-for-sale	Fair value through profit or loss	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Cash and cash equivalents	357.4	-	-	-	357.4	357.4
Cash and cash equivalents - restricted cash	78.5	-	-	-	78.5	78.5
Trade and other receivables ¹	267.5	-	-	-	267.5	267.5
Derivative instruments ²	-	-	21.8	-	21.8	21.8
Investments						
At cost ³	-	23.0	-	-	23.0	n/a
At fair value	-	9.8	-	-	9.8	9.8
Promissory note receivable ⁴	425.5	-	-	-	425.5	403.4
Financial liabilities						
Trade and other payables	-	-	-	552.5	552.5	552.5
Derivative instruments	-	-	2.3	-	2.3	2.3
Finance leases	-	-	-	31.3	31.3	31.3
Debt	-	-	-	5,982.1	5,982.1	5,768.1

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

2 This derivative is classified as fair value through profit or loss and recorded at fair value, with changes in fair value recognized as a component of cost of sales.

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

4 The promissory note from a subsidiary of ENRC is classified as loans and receivables and carried at amortized cost. The fair value is calculated by reference to the principal value as the interest due on the note has been pre-paid.

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

The following provides a comparison of carrying and fair values of each classification of financial instrument at December 31, 2013:

	Loans and receivables	Available- for-sale	Fair value through profit or loss	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Cash and cash equivalents	694.5	-	-	-	694.5	694.5
Cash and cash equivalents - restricted cash	84.0	-	-	-	84.0	84.0
Trade and other receivables ¹	299.5	-	-	-	299.5	299.5
Derivative instruments ²	-	-	2.5	-	2.5	2.5
Investments						
At cost ³	-	27.3	-	-	27.3	-
At fair value	-	31.1	-	-	31.1	31.1
Promissory note receivable ⁴	490.1	-	-	-	490.1	480.5
Financial liabilities						
Trade and other payables	-	-	-	667.8	667.8	667.8
Derivative instruments	-	-	10.5	-	10.5	10.5
Finance leases	-	-	-	39.7	39.7	39.7
Debt	-	-	-	4,073.4	4,073.4	4,057.2

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

2 This derivative is classified as fair value through profit or loss and recorded at fair value, with changes in fair value recognized as a component of cost of sales.

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

4 The promissory note from a subsidiary of ENRC is classified as loans and receivables and carried at amortized cost. The fair value is calculated by reference to the principal value as the interest due on the note has been pre-paid.

Fair Values

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs for the asset or liability that are not based on observable market data.

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The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at December 31, 2014, in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative instruments – LME contracts ¹	21.4	-	-	21.4
Derivative instruments – OTC contracts ²	-	0.4	-	0.4
Investments ³	9.8	-	-	9.8
Financial liabilities				
Derivative instruments – LME contracts ¹	1.0	-	-	1.0
Derivative instruments – OTC contracts ²	-	1.3	-	1.3

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

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

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

The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at December 31, 2013, in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative instruments – LME contracts ¹	1.8	-	-	1.8
Derivative instruments – OTC contracts ²	-	0.7	-	0.7
Investments ³	28.0	-	3.1	31.1
Financial liabilities				
Derivative instruments – LME contracts ¹	1.1	-	-	1.1
Derivative instruments – OTC contracts ²	-	9.4	-	9.4

Financial risk management

Credit risk

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

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

Exceptions to the policy for dealing with relationship banks with ratings below "A-" are reported to, and approved by, the Audit Committee. As at December 31, 2014, substantially all cash and short-term deposits are with counterparties with ratings "A-" or higher.

The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. More than 65% of the Company's trade receivables are generated from five customers together representing greater than 42% of the total sales for the year. Of these five customers, the revenues generated by one customer exceeded 10% of the total revenue earned in the period. Revenues earned from this customer are included within the Kansanshi, Las Cruces and Çayeli segments. 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.

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As noted in note 11, the promissory note receivable due from ENRC was renegotiated and the revised promissory note is secured against the shares in a subsidiary holding ENRC's Mozambique coal assets and guaranteed by ENRC Congo B.V., a wholly owned subsidiary of ENRC.

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

	December 31, 2014	December 31, 2013
Commodity traders and smelters (Trade receivables and other receivables)	267.5	299.5
Government authorities (Prepaid taxes and VAT receivable)	330.6	257.2
Promissory note due from ENRC (note 11)	425.5	490.1
	1,023.6	1,046.8

The VAT receivable due from government authorities includes \$245.9 million at December 31, 2014 which is past due (December 31, 2013: \$91.6 million). No provision has been made against this amount as it is deemed recoverable in full. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Liquidity risk

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

In addition, the Company was obligated under its corporate revolving credit and term loan facility to maintain liquidity and satisfy various covenant ratio tests on an historical and prospective cash flow basis. These ratios were in compliance during the year ended December 31, 2014 and December 31, 2013. The Company has also made certain assumptions with respect to securing amendments to its Financing Agreements. If these amendments are not effected and the Company breaches a covenant in its Financing Agreements, this would be an event of default which, if un-addressed, would entitle the lenders to make the related borrowings immediately due and payable and if made immediately due and payable all other borrowings would also be due and payable. Refer to note 2 for further discussion of the Company's liquidity risk.

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

	December 31, 2014	December 31, 2013
Cash and cash equivalents – unrestricted cash	357.4	694.5
Working capital balance ¹	1,454.9	1,133.7
Undrawn debt facilities (note 12)	1,263.1	2,364.5

1 Working capital is defined as the net total of accounts receivable, inventory, prepayments, accounts payable, accruals, and current taxes payable or receivable. Included within the balance at December 31, 2014 is \$425.5 million due from ENRC (December 31, 2013: \$25.0 million).

Contractual and other obligations as at December 31, 2014 are as follows:

	Carrying Value	Contractual Cashflows	< 1 year	1 – 3 years	3 – 5 years	Thereafter
Debt	5,982.1	8,165.1	391.5	926.4	3,121.0	3,726.2
Trade and other payables	552.5	552.5	552.5	-	-	-
Current taxes payable	69.0	69.0	69.0	-	-	-
Deferred payments	34.9	34.9	3.5	3.5	3.5	24.4
Finance leases	31.3	44.7	5.1	10.3	8.4	20.9
Commitments	-	1,092.1	450.5	622.0	5.9	13.7
Restoration provisions	583.7	1,001.8	9.5	5.4	8.9	978.0
Total	7,253.5	10,960.1	1,481.6	1,567.6	3,147.7	4,763.2

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Contractual and other obligations as at December 31, 2013 were as follows:

	Carrying Value	Contractual Cashflows	< 1 year	1 – 3 years	3 – 5 years	Thereafter
Debt	4,073.4	5,455.7	1,294.0	462.7	825.7	2,873.3
Trade and other payables	667.8	667.8	667.8	-	-	-
Current taxes payable	55.3	55.3	55.3	-	-	-
Deferred payments	30.2	30.2	3.0	3.0	3.0	21.2
Finance leases	39.7	57.0	5.9	11.6	11.1	28.4
Commitments	-	2,308.5	1,292.4	988.1	9.7	18.3
Restoration provisions	484.2	744.8	13.4	12.6	8.5	710.3
Total	5,350.6	9,319.3	3,331.8	1,478.0	858.0	3,651.5

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. 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.

The Company does not purchase, hold or sell derivative financial instruments unless there is an outstanding contract resulting in exposure to market risks that it intends to mitigate. As at December 31, 2014 and December 31, 2013, the Company had entered into derivative contracts for copper, gold, nickel, zinc, platinum and palladium in order to reduce the effects of fluctuations in metal prices between the time of the shipment of metal from the mine site and the date agreed for pricing the final settlement.

As at December 31, 2014 and December 31, 2013, 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.

The following table shows the impact on net earnings from changes in the fair values of financial instruments of a 10% change in the copper, nickel, gold and zinc commodity prices, based on December 31, 2014 prices. There is no impact of these changes on other comprehensive income except indirectly through the impact on the fair value of the available-for-sale investments. The impact of a 10% movement in commodity prices is as follows:

	Average contract price on December 31		Impact of price change on net earnings	
	2014	2013	2014	2013
Copper	\$2.97/lb	\$3.26/lb	2.8	1.7
Nickel	\$7.28/lb	\$6.40/lb	5.1	9.2
Gold	\$1,195/oz	\$1,245/oz	0.4	3.4
Zinc	\$1.01/lb	\$0.88/lb	0.0	0.5
Platinum	\$1,038/oz	\$1,361/oz	0.0	1.9
Palladium	\$803/oz	\$715/oz	0.0	0.5

b) Interest rate risk

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

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

The Company manages its interest rate risk on borrowings on a net basis. The Company has a policy allowing floating-to-fixed interest rate swaps targeting 50% of exposure over a five-year period. As at December 31, 2014 and December 31, 2013, the Company held no floating-to-fixed interest rate swaps.

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At December 31, 2014, the impact on cash interest payable of a 100 basis point change in interest rate would be as follows:

	December 31, 2014	Impact of interest rate change on net earnings	
		100 basis point increase	100 basis point decrease
Interest-bearing deposits and cash at bank	357.4	2.2	(1.2)
Floating rate borrowings drawn	2,442.2	(15.0)	7.7

At December 31, 2013, the impact on a full year net earnings of a 100 basis point change in interest rate would be as follows:

	December 31, 2013	Impact of interest rate change on net earnings	
		100 basis point increase	100 basis point decrease
Interest-bearing deposits and cash at bank	694.5	4.9	(2.1)
Floating rate borrowings	3,820.5	(10.4)	5.1

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.

As at December 31, 2014, the Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than USD:

	Cash and cash equivalents	Trade and other receivables	Investments	Financial liabilities	Net deferred tax liabilities
CAD	22.6	5.4	4.8	2.0	-
AUD	24.4	2.7	4.9	32.2	-
ZMW	29.3	6.8	-	29.2	-
EUR	127.0	5.4	0.5	68.2	277.8
TRY	-	0.9	-	15.5	22.8
ZAR	12.3	0.1	-	10.1	-
MRO	1.5	15.7	-	11.7	6.3
Other	4.2	-	-	0.5	-
Total	221.3	37.0	10.2	169.4	306.9

Based on the above net exposures as at December 31, 2014, a 10% change in all of the above currencies against the USD would result in a \$32.1 million increase or decrease in the Company's net earnings and would result in a \$0.9 million increase or decrease in the Company's other comprehensive income.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

As at December 31, 2013, the Company was exposed to currency risk through the following assets and liabilities denominated in currencies other than USD:

	Cash and cash equivalents	Trade and other receivables	Investments	Financial liabilities	Net deferred tax liabilities
CAD	24.3	6.7	55.2	5.4	1.0
AUD	45.4	12.3	-	71.3	-
ZMW	83.6	163.1	-	117.8	-
EUR	126.3	27.7	-	99.0	278.4
TRY	-	0.4	-	18.1	26.8
ZAR	31.2	0.2	-	34.3	-
MRO	0.5	10.6	-	6.4	-
Other	8.1	0.9	-	12.2	-
Total	319.4	221.9	55.2	364.5	306.2

Based on the above net exposures as at December 31, 2013, a 10% change in all of the above currencies against the USD would result in a \$39.0 million increase or decrease in the Company's net earnings and would result in a \$5.0 million increase or decrease in the Company's other comprehensive income.

Capital management

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

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

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

Derivatives not designated as hedged instruments

The Company is subject to commodity price risk from fluctuations in the market prices of copper, gold, nickel, zinc, PGE and other elements. The Company's risk management policy allows for the management of these exposures through the use of derivative financial instruments.

As noted above, the Company does not purchase, hold or sell derivative financial instruments unless there is an outstanding contract resulting in exposure to market risks that it intends to mitigate. As at December 31, 2014 and December 31, 2013, the Company had entered into derivative contracts for copper, gold, nickel, zinc, platinum and palladium in order to reduce the effects of fluctuations in metal prices between the time of the shipment of metal from the mine site and the date agreed for pricing the final settlement.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

As at December 31, 2014, the following derivative positions were outstanding:

	Open Positions (tonnes/ounces)	Average Contract price	Closing Market price	Maturities Through
Embedded derivatives in provisionally priced sales contracts:				
Copper	53,866	\$2.97/lb	\$2.88/lb	April 2015
Nickel	2,293	\$7.28/lb	\$6.77/lb	January 2015
Gold	13,664	\$1,195/oz	\$1,199/oz	April 2015
Zinc	3,100	\$1.01/lb	\$0.98/lb	February 2015
Platinum	5,096	\$1,038/oz	\$1,210/oz	January 2015
Palladium	4,088	\$803/oz	\$798/oz	January 2015
Commodity contracts:				
Copper	53,475	\$2.97/lb	\$2.88/lb	April 2015
Nickel	2,580	\$7.28/lb	\$6.77/lb	January 2015
Gold	13,327	\$1,195/oz	\$1,199/oz	April 2015
Zinc	3,100	\$1.01/lb	\$0.98/lb	February 2015
Platinum	5,115	\$1,038/oz	\$1,210/oz	January 2015
Palladium	4,109	\$803/oz	\$798/oz	January 2015

As at December 31, 2013, the following derivative positions were outstanding:

	Open Positions (tonnes/ounces)	Average Contract price	Closing Market price	Maturities Through
Embedded derivatives in provisionally priced sales contracts:				
Copper	43,786	\$3.26/lb	\$3.27/lb	April 2014
Nickel	3,972	6.40/lb	6.31/lb	March 2014
Gold	11,358	1,245/oz	1,223/oz	April 2014
Zinc	2,900	0.88/lb	0.90/lb	February 2014
Platinum	14,024	1,361/oz	1,358/oz	January 2014
Palladium	11,087	715/oz	718/oz	January 2014
Commodity contracts:				
Copper	43,997	\$3.26/lb	\$3.27/lb	April 2014
Nickel	3,379	6.40/lb	6.31/lb	March 2014
Gold	13,846	1,245/oz	1,223/oz	April 2014
Zinc	3,125	0.88/lb	0.90/lb	February 2014
Platinum	15,284	1,361/oz	1,358/oz	January 2014
Palladium	11,742	715/oz	718/oz	January 2014

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

	December 31, 2014	December 31, 2013
Commodity contracts:		
Asset position (note 10)	21.8	2.5
Liability position (note 13)	(2.3)	(10.5)

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

27 Commitments & contingencies

Capital commitments

In conjunction with the development of Trident and Cobre Panama, and other projects including the copper smelter project at Kansanshi, the Company has committed to \$1,092.1 million (December 31, 2013: \$2,347.8 million) in capital expenditures.

Revenue stream arrangement

The Company's subsidiary MPSA has an agreement with Franco-Nevada Corporation ("Franco-Nevada") for the delivery of precious metals from the Cobre Panama project. Under the terms of the agreement a wholly-owned subsidiary of Franco-Nevada has agreed to provide a \$1,000.0 million deposit to be funded on a pro-rata of 1:3 with certain of the Company's funding contributions to MPSA.

The amount of precious metals deliverable is indexed to the copper in concentrate produced from the Cobre Panama project and based on the mine plan at the time the agreement was entered into approximates 86% of the estimated payable precious metals attributable to the Company's 80% ownership during the first 31 years of mine life. Beyond the first 31 years of the currently contemplated mine life, the precious metals deliverable will be based on a fixed percentage of the precious metals in concentrate.

Franco-Nevada will pay MPSA an amount for each ounce of precious metals delivered equal to \$400 per ounce for gold and \$6 per ounce for silver (subject to an annual adjustment for inflation) for the first 1,341,000 ounces of gold and 21,510,000 ounces of silver (approximately the first 20 years of expected deliveries) and thereafter the greater of \$400 per ounce for gold and \$6 per ounce for silver (subject to an adjustment for inflation) or one half of the then prevailing market price. In all cases the amount paid is not to exceed the prevailing market price per ounce of gold and silver.

On January 27, 2014, the Company announced that discussions are underway to effect changes to the existing security and reporting requirements of this agreement. No funds have been drawn on this agreement.

Other commitments & contingencies

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

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

28 Post balance sheet events

(a) Dividend declared

The Company has declared a final dividend of C\$0.0487 per share, in respect of the financial year ended December 31, 2014. The final dividend of C\$0.0487, together with the interim dividend of \$0.0504 CAD per share, is a total of C\$0.0991 per share for the 2014 financial year.

(b) Acquisition of African Energy Holdings

In January 2015, the Company purchased from African Energy Resource Limited ("AFR") a 51% stake in African Energy Holdings SRL ("AFRH") for A\$8 million, or \$6.5 million thereby becoming manager of the Sese coal project in Botswana. Under the terms of the agreement the Company is committed to invest a further A\$12 million, or \$9.7 million within 18 months in exchange for a further 24% stake.

At December 31, 2014, the Company held 11.19% of the share capital of AFR following the purchase of 69,000,000 ordinary shares in the company on October 20, 2014.

Management's Discussion and Analysis

For the year ended December 31, 2014

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of First Quantum Minerals Ltd. ("First Quantum" or "the Company") for the year ended December 31, 2014. The Company's results have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in United States dollars, tabular amounts in millions, except where noted. Changes in accounting policies have been applied consistently to comparative periods unless otherwise noted.

For further information on First Quantum, reference should be made to its public filings (including its most recently filed AIF) which are available on SEDAR at www.sedar.com. Information is also available on the Company's website at www.first-quantum.com. This MD&A contains forward-looking information that is subject to risk factors, see "Regulatory Disclosures" for further discussion. Information on risks associated with investing in the Company's securities and technical and scientific information under National Instrument 43-101 concerning the Company's material properties, including information about mineral resources and reserves, are contained in its most recently filed AIF. This MD&A has been prepared as of February 19, 2015.

SUMMARIZED OPERATING AND FINANCIAL RESULTS¹

<i>(USD millions unless otherwise noted)</i>	Q4 2014	Q3 2014	Q4 2013	2014	2013
Copper production (tonnes)	105,176	101,553	114,791	427,655	412,281
Copper sales (tonnes)	94,836	99,132	95,598	411,203	386,057
Cash cost of copper production (C1) ² (per lb)	\$1.35	\$1.44	\$1.23	\$1.41	\$1.30
Realized copper price (per lb)	\$2.91	\$3.11	\$3.26	\$3.03	\$3.22
Nickel production (contained tonnes)	9,934	11,884	12,634	45,879	47,066
Nickel sales (contained tonnes)	12,189	10,812	13,795	47,749	49,105
Cash cost of nickel production (C1) ² (per lb)	\$4.49	\$4.52	\$4.51	\$4.40	\$5.02
Realized nickel price (per payable lb)	\$7.20	\$8.47	\$6.37	\$7.58	\$6.82
Gold production (ounces)	57,480	51,446	63,199	229,813	248,078
Gold sales (ounces)	48,608	52,235	50,399	214,104	228,962
Sales revenues	821.2	885.2	897.0	3,542.0	3,552.9
Gross profit	183.2	240.4	319.4	997.8	1,133.8
EBITDA ²	301.0	366.7	364.2	1,412.8	1,351.9
Net earnings attributable to shareholders of the Company	453.2	121.2	131.3	834.8	458.6
Earnings per share	\$0.76	\$0.21	\$0.22	\$1.40	\$0.82
Diluted earnings per share	\$0.75	\$0.20	\$0.22	\$1.39	\$0.81
Comparative earnings ³	76.9	137.2	133.8	474.5	539.4
Comparative earnings per share ³	\$0.13	\$0.23	\$0.23	\$0.80	\$0.96

¹ Results of operations and financial results for the year ended December 31, 2013 in this section include the results of the Las Cruces mine (100%), the Çayeli mine (100%), and the Pyhäsalmi mine (100%) (together "the acquired operations") from March 22, 2013, the date of acquisition. The operational review section following also includes historical results for the full twelve months for the acquired operations without adjustment for acquisition accounting.

² Cash costs (C1) and earnings before interest, tax, depreciation and amortization ("EBITDA") are not recognized under IFRS. See "Regulatory Disclosures" for further information.

³ Earnings attributable to shareholders of the Company have been adjusted to remove the effect of unusual items to arrive at comparative earnings. Comparative earnings and comparative earnings per share are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. The Company has disclosed these measures to assist with the understanding of results and to provide further financial information about the results to investors. See "Regulatory Disclosures" on page 34 of the MD&A for a reconciliation of comparative earnings.

Full year highlights

Copper, nickel, gold and zinc production all within guidance range, and platinum and palladium exceeded guidance.

Copper production 4% higher reflecting a full year of production at the acquired operations offset by lower grades

- Copper production of 427,655 tonnes in 2014 increased by 15,374 tonnes over 2013, mainly reflecting an additional 25,943 tonnes from a full year of production at Las Cruces, Çayeli and Pyhäsalmi. The contribution from the acquired operations was partly offset by lower copper production at Kansanshi and Guelb Moghrein, reflecting lower sulphide ore volumes processed at Kansanshi and lower grades and recoveries at both operations.

Nickel production decreased 3% on account of operational shutdown at Ravensthorpe

- Nickel production of 45,879 tonnes in 2014 decreased by 3%, or 1,187 tonnes, from 2013, attributable to a shutdown at Ravensthorpe resulting from the atmospheric leach tank failure in mid-December 2014. The decrease in nickel production at Ravensthorpe was partly offset by an increase in production at Kevitsa, reflecting higher throughput than 2013.

Gold production decreased 7% from lower production at Kansanshi and Guelb Moghrein

- Gold production of 229,813 ounces in 2014 was 7%, or 18,265 ounces, lower than 2013 due to lower gold production at Kansanshi and Guelb Moghrein resulting from lower grades. The decrease from 2013 was partly offset by higher gold production at Kevitsa of 1,121 ounces due to higher throughput.

Copper sales volumes increased and nickel sales volumes decreased

- Copper sales volumes increased by 7% to 411,203 tonnes, primarily reflecting an additional 26,181 tonnes from a full year of sales by the acquired operations. Copper sales volumes at Kansanshi were broadly in line with the prior year, and higher sales volumes at Kevitsa more than offset lower sales volumes at Guelb Moghrein.
- Nickel sales volumes of 47,749 tonnes decreased by 3% from 2013, with lower nickel sales volumes at Ravensthorpe partly offset by higher sales volume at Kevitsa.

Sales revenues relatively stable despite lower realized copper price

- Sales revenues of \$3,542.0 million were relatively stable compared to \$3,552.9 million recorded in 2013. Higher copper sales volumes, a higher average realized nickel price and the additional \$165.1 million contribution from a full year of sales by the acquired operations were offset by a 6% lower average realized copper price and lower nickel sales volumes in 2014. The average LME cash prices for copper and nickel were 6% lower and 13% higher, respectively, in 2014 compared to 2013.

Copper production cash costs 8% higher

- Average copper production cash cost of \$1.41 per lb was higher than \$1.30 per lb in 2013. The increase is due primarily to higher mining and processing costs, a lower gold credit, and lower copper production at Kansanshi. Mining and processing costs were higher due to a higher strip ratio, increased ore processed from stockpiles and reduced mine development, as well as higher leaching costs. The increase in copper production cash cost at Guelb Moghrein also contributed to the increase, reflecting reduced mine development, a lower gold credit and lower copper production.

Nickel production cash costs 12% lower

- Average nickel production cash cost of \$4.40 per lb decreased from \$5.02 per lb in 2013 due primarily to lower processing, site administration and freight costs and a higher cobalt credit at Ravensthorpe, as well as lower mining costs and lower treatment and refining charges at Kevitsa.

Gross profit 12% lower in 2014

- Gross profit in 2014 was impacted by lower sales revenues and higher depreciation.

(USD millions unless otherwise noted)

Gross profit in 2013	\$1,133.8
Lower realized metal prices	(144.2)
Lower sales volumes	(40.8)
Increase in depreciation	(54.3)
Increase in costs excluding depreciation	(5.5)
Additional contribution from Inmet acquisition ¹	64.0
Non-recurring acquisition accounting adjustment in 2013 ²	44.8
Gross profit in 2014 ³	\$997.8

¹ Gross profit contribution from January 1, 2014 – March 22, 2014 (prior year gross profit reflects acquisition from March 22, 2013).

² The non-recurring acquisition accounting adjustment is the unwinding to earnings of the uplift to fair value from book value, as at the date of acquisition, of acquired inventory.

³ Gross profit is reconciled to EBITDA by including: exploration costs of \$60.1 million, general, administrative and other costs of \$96.7 million, and adding back depreciation of \$571.8 million.

EBITDA 5% higher than 2013

- EBITDA of \$1,412.8 million was \$60.9 million higher than 2013, primarily reflecting foreign exchange gains relating to the weakening of the euro against the US dollar, and the absence of acquisition-related costs and adjustments in 2014.

Financial position and operating cash flow

- The Company ended the year with \$357.4 million of unrestricted cash and cash equivalents in addition to \$1,042.7 million of committed undrawn facilities.
- Operating cash inflows before changes in working capital and taxes paid of \$1,361.6 million compares to \$1,439.9 million in 2013.
- In the first quarter of 2014, the Company negotiated a \$70.0 million principal reduction and payment of all outstanding interest then due of the Promissory Note from ENRC, which was issued to the Company as a result of the settlement of its dispute with ENRC relating to the Company's former assets in the Democratic Republic of Congo. A new \$430.0 million Promissory Note was issued by a subsidiary of ENRC at an increased interest rate of 5% (previously 3%) with all interest of approximately \$40.0 million prepaid to final maturity of December 31, 2015.

Reorganized financial structure

- In 2014, the Company completed the major elements of the reorganization of its financing structure following the acquisition of Inmet Mining Corporation ("Inmet"), enhancing the capital structure of the group and replacing short-term debt with longer term financing. The reorganization included the exchange of the 8.75% Senior Notes due 2020 and 7.50% Senior Notes due 2021 issued by Inmet prior to the acquisition, for 6.75% Senior Notes due 2020 and 7.00% Senior Notes due 2021, issued by First Quantum. The Company also completed the signing, draw down and syndication on its \$1.2 billion Term Loan Facility and \$1.8 billion Revolving Credit Facility (together, the "Facility") which are available to draw until April 8, 2016 and March 8, 2019, respectively, each with an interest rate of LIBOR plus 2.75%-3.00% per annum. The Company cancelled the \$2.5 billion FQM (Akubra) revolving debt facility in the year. Additional details are outlined in "Liquidity and Capital Resources" section on page 25 of the MD&A.

Development projects advanced

- Efforts focused on advancing construction activities during 2014 and commissioning of the smelter, which commenced with initial commissioning activities in July. During Q4 2014, sections of the plant were brought online in a systematic manner. Several areas of the plant were operationally tested during the fourth quarter, and first anodes were poured on December 28, 2014.
- Construction activities at Sentinel were completed by the end of 2014. Staged commissioning is well advanced, with first ore introduced to crushing and stockpiling in October 2014 and first concentrate produced on December 31, 2014. The powerline from the Lumwana mine to Sentinel has been completed and connected to the national power grid. The Company understands that the powerline from Mumbwa to Lusaka, which is being constructed by ZESCO's subcontractor, is targeted to be completed by July 2015. Environmental approval has been granted for the Enterprise nickel mine and work continues towards pre-stripping. Site construction work for the Enterprise process plant are in progress and construction will continue to ramp up as resources are released from Sentinel, in line with the Company's plans to commission and run the Enterprise

process plant initially on Sentinel copper ore, and change to processing of nickel from the Enterprise mine under favourable market conditions.

- Detailed design work progressed at Cobre Panama during the year and stands approximately 60% complete overall at the end of 2014. Earthworks construction in the port/powerstation area and process plant are approximately 90% and 45% complete, respectively. Earthworks on the tailings dam was 18% complete at the end of 2014, following the ramp up of tailings dam earthworks during the fourth quarter. The Company has reduced its planned capital expenditures for Cobre Panama in 2015 to \$600 million, reflecting a substantial reduction in keeping with the Company's overall plans to ensure ongoing compliance with its financial covenants. The planned reduction in capital expenditure is not expected to compromise the project's progress.

Zambian developments

- On December 23, 2014, the Zambian Governments passed into law amendments to the Income Tax and Mine and Minerals Development Act which effectively eliminates corporate tax on profits from certain categories of mining activities by reducing the corporate tax rate to 0%, but increasing the mineral royalty rate from 6% to 8% for underground operations and to 20% for open pit mines. The changes to Zambian tax law were substantively enacted in December 2014 and effective from January 1, 2015. The Company's 2014 tax expense includes a net tax credit of \$498.6 million, reflecting the revaluation of deferred tax liabilities and assets previously recognized by the Company's Zambian entities which are attributable to mining activities that are now subject to the 0% corporate tax rate. Effective January 1, 2015, the increase in the mineral royalty rate from 6% to 20% will result in an increase to the Company's royalty costs, included in costs of sales, relating to sales by Kansanshi, and decrease to operating cash flows.
- During the year, no Value Added Tax ("VAT") refunds were received from the Zambian Revenue Agency related to Kansanshi. The amounts due have increased to \$245.9 million at the end of 2014, compared to \$91.6 million at the end of 2013, and have been re-classified on the balance sheet at December 31, 2014 as non-current. On February 3, 2015, His Excellency, Mr Edgar Chagwa Lungu, President of the Republic of Zambia, announced in a media statement that His Excellency had issued a directive to expedite dialogue with the mine owners and promptly resolve the impasse over the new mining tax regime and the VAT refunds. In the same media release the Minister of Finance and the Commissioner General of the ZRA reported that a statutory instrument dealing with future VAT refunds was due for imminent release. The Company continues to engage in regular discussions with the relevant government authorities in efforts to resolve the industry and country-wide dispute that has arisen with respect to exporters.

Corporate developments

- In August 2014, the Company acquired Lumina Copper Corporation ("Lumina") in exchange for cash proceeds of C\$206.9 million (US\$189.9 million) and equity of 9,669,153 ordinary shares, or total consideration of C\$441.9 million (US\$405.5 million). Lumina's primary asset was the Taca Taca project in Argentina, a copper-gold-molybdenum porphyry deposit in an advanced exploration phase. A detailed review of geology, exploration and development options for the project has now commenced.
- The Company has declared a final dividend of C\$0.0487 per share in respect of the financial year ended December 31, 2014. The final dividend together with the interim dividend of C\$0.0504 is a total of C\$0.0991 for the 2014 financial year. This total dividend paid for the 2014 financial year is 10% of comparative earnings compared to the 15% of comparative earnings in 2014. The Company is intending to establish a Dividend Reinvestment Plan, which will allow eligible shareholders a convenient means to acquire additional common shares through the reinvestment of cash dividends paid by the Company.

Funding

- The adverse impacts that the new Zambian tax and royalty regime and the recent significant fall in commodity prices are expected to have on the Company's reported EBITDA puts at risk the Company's ability to meet the Net Debt to EBITDA covenant under its \$3.0 billion Facility, \$350.0 million Kansanshi facility, and \$100.0 million equipment finance facility with Caterpillar Financial Services Corporation (together, the "Financing Agreements"). Other covenants remain robust.
- To ensure ongoing compliance with its financial covenants, the Company has taken the following actions:
 - Re-phased planned capital expenditures with a reduction in 2015 to between \$1.2 billion and \$1.4 billion, including \$600.0 million planned for Cobre Panama;
 - Finalizing opportunities for reducing operating costs and cash outflows over and above the reductions expected to flow from lower fuel and other input costs;
 - Lowered the corporate dividend to 10% of comparative earnings; and
 - Proactively engaged in discussions with the Initial Mandated Lead Arrangers (the "Lead Bankers") on the Company's \$3.0 billion Facility, who have agreed to change the affected covenant to reflect current circumstances, provided confirmation that they will recommend such a change to the Company's broader lending group, and have responded favourably to the steps the Company has taken.

Fourth quarter highlights

Copper production 8% lower in Q4 2014

- Copper production of 105,176 tonnes decreased by 9,615 tonnes over Q4 2013, reflecting lower copper production at Kansanshi attributable to lower oxide grades and plant recoveries on the oxide circuit, and lower sulphide throughput.

Nickel production decreased on account of operational shutdown at Ravensthorpe

- Nickel production of 9,934 tonnes decreased by 2,700 tonnes, or 21%, over Q4 2013 due primarily to the atmospheric leach tank failure at Ravensthorpe in mid-December 2014, which resulted in half a month of lost production (approximately 1,780 tonnes).

Gold production decreased 9% from lower production at Kansanshi

- Gold production of 57,480 ounces in the quarter was impacted by lower gold production at Kansanshi due to lower grade and recoveries, partly offset by higher gold production at Guelb Moghrein.

Copper sales volumes on par while nickel sales volumes decreased

- Copper sales volumes were broadly in line with Q4 2013.
- Nickel sales volumes decreased by 12% to 12,189 tonnes from Q4 2013, reflecting lower nickel sales volumes at Kevitsa and Ravensthorpe.

Sales revenues decreased by 8% due to lower metal prices

- Sales revenues of \$821.2 million decreased by \$75.8 million due to lower sales volumes, and a lower average realized copper price in Q4 2014, partly offset by a higher average realized nickel price. The average LME cash prices for copper and nickel were 7% lower and 15% higher, respectively, in Q4 2014 compared to Q4 2013.

Copper production cash costs higher by 10%

- Average copper production cash cost of \$1.35 per lb increased from \$1.23 per lb in Q4 2013, due primarily to higher mining and processing costs related to a higher strip ratio, reduced mine development, increased ore processed from stockpiles and higher acid costs at Kansanshi, combined with a lower gold credit and lower copper production. The overall increase was partly offset by higher copper production and gold sales volumes at other operations.

Nickel production cash costs broadly in line

- Average nickel production cash cost of \$4.49 per lb decreased slightly from \$4.51 per lb in Q4 2013. An increase in nickel production cash costs at Ravensthorpe in Q4 2014, on account of higher processing costs per lb due to lower production, was more than offset by a decrease in nickel cash costs at Kevitsa due to lower mining costs and lower treatment and refining charges.

Gross profit 43% lower in Q4 2014

- Gross profit in Q4 2014 was impacted by lower sales revenue, higher production costs and higher depreciation.

(USD millions unless otherwise noted)

Gross profit in Q4 2013	\$319.4
Lower realized metal prices	(62.2)
Lower sales volumes	(16.9)
Increase in depreciation	(19.2)
Increase in costs excluding depreciation	(37.9)
Gross profit in Q4 2014 ¹	\$183.2

¹ Gross profit is reconciled to EBITDA by including: exploration costs of \$20.6 million; general, administrative and other costs of \$0.5 million; and adding back depreciation of \$138.8 million.

EBITDA 17% lower than Q4 2013

- EBITDA of \$301.0 million was \$63.2 million lower than Q4 2013, reflecting the decrease in gross profit, partially offset by a foreign exchange gain and lower administrative expenses. EBITDA in Q4 2014 was also negatively impacted by asset write offs and costs of \$8.5 million expensed in relation to the atmospheric leach tank failure at Ravensthorpe in mid-December.

OPERATIONAL OUTLOOK FOR 2015

	Copper (000's tonnes)	Nickel (000's contained tonnes)	Gold (000's ounces)	Zinc (000's tonnes)	Platinum (000's ounces)	Palladium (000's ounces)
Group (excluding Sentinel)	410-440	32-40	218-247	40-45	25-35	26-29
Kansanshi	250-265	-	150-170	-	-	-
Las Cruces	69-72	-	-	-	-	-
Guelb Moghrein	40-45	-	52-57	-	-	-
Ravensthorpe	-	24-30	-	-	-	-
Kevitsa	16-18	8-10	11-13	-	25-35	26-29
Çayeli	24-27	-	-	22-25	-	-
Pyhäsalmi	11-13	-	5-7	18-20	-	-

Guidance

Production:

- In terms of quarterly phasing of annual production, it is expected that Kansanshi's production will be at its lowest in the first quarter. Current oxide ore is expected to be processed more economically with acid produced from the smelter. Smelter capacity constraints in Zambia are also expected to impact sales in the first quarter.
- In addition to production in the above table, total physical production at Sentinel in 2015 is expected to be between 150,000 and 200,000 tonnes of copper. First physical production at Sentinel is expected at the end of February. Timing of commercial production will be fully assessed at the relevant time, but is anticipated towards the beginning of Q3 2015.

Cash operating cost:

- Expected average cash cost of approximately \$1.30 to \$1.55 per pound of copper.
- Expected average cash cost of approximately \$4.80 to \$5.30 per pound of nickel.

Capital expenditures:

- Total capital expenditure, excluding capitalization of any pre-commercial production costs and capitalized interest, is estimated to be between \$1.2 billion to \$1.4 billion, including \$600 million for the Cobre Panama project.

OPERATIONS

Kansanshi Copper and Gold Operation	Q4 2014	Q3 2014	Q4 2013	2014	2013
Sulphide ore tonnes milled (000's)	1,531	1,366	2,790	7,944	11,089
Sulphide ore grade processed (%)	1.0	1.0	0.9	0.9	0.8
Sulphide copper recovery (%)	89	91	92	91	92
Mixed ore tonnes milled (000's)	3,262	3,064	1,997	9,413	7,677
Mixed ore grade processed (%)	1.1	1.2	1.2	1.1	1.2
Mixed copper recovery (%)	70	74	71	73	71
Oxide ore tonnes milled (000's)	1,753	1,853	1,660	7,977	6,662
Oxide ore grade processed (%)	1.6	1.6	2.4	1.8	2.2
Oxide copper recovery (%)	81	85	87	83	86
Copper production (tonnes)	61,924	63,518	72,602	262,287	270,724
Copper sales (tonnes)	52,721	58,313	57,691	247,312	248,745
Gold production (ounces)	36,705	36,232	43,508	154,431	167,395
Gold sales (ounces)	27,731	33,366	36,844	142,609	152,632
Cash costs (C1) (per lb) ¹	\$1.68	\$1.57	\$1.28	\$1.63	\$1.38
Total costs (C3) (per lb) ¹	\$2.17	\$2.21	\$1.70	\$2.16	\$1.83
Sales revenues	361.6	408.9	437.5	1,677.5	1,832.3
Gross profit	80.8	110.0	207.9	512.4	799.5
EBITDA ¹	86.7	163.6	227.5	611.5	899.0

¹ C1 and C3 costs and EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information.

Full year operating results

Overall copper production at Kansanshi was 3% lower than 2013, due to a lower volume of sulphide ore processed, lower oxide ore grades and lower plant recoveries on the oxide circuit. The lower oxide ore grade and plant recoveries were partially offset by increased oxide ore milling volumes. Copper cathode production for the year was 3% higher than 2013.

Gold doré production was 8% lower than 2013 due to lower head grades in both the processed ore and stockpiled gravity tailings treated through the regrind circuit.

Cash costs were \$0.25 per lb higher than 2013, mainly as a result of higher mining and processing costs and a lower gold credit. Mining costs increased by \$0.12 per lb due to a higher strip ratio, increased ore processed from stockpiles and reduced mine development. Processing costs increased by \$0.07 per lb due to higher leaching costs attributable to treatment of high-acid consuming oxide material and increased reagent usage in the mixed ore circuit. Lower copper production further contributed to the increase in cash costs.

Sales revenues decreased by 8% from 2013 reflecting lower realized copper and gold prices, and lower sales volumes. Total copper sales volumes were broadly in line with 2013. Gross profit decreased by 36% from 2013 reflecting the decrease in sales revenues, higher operating costs and higher depreciation of mineral property.

Q4 operating results

Copper production in Q4 2014 was 15% lower than Q4 2013, due primarily to reduced sulphide throughput, lower oxide grades and lower plant recoveries on the oxide circuit. As a result of the reduced oxide grades and recoveries, the volume of copper cathode produced in Q4 2014 decreased by 29% from Q4 2013.

Gold production was 16% lower than Q4 2013 as a result of lower head grade and recoveries related to lower grade processed.

Cash costs increased by \$0.40 per lb compared to Q4 2013. Mining and processing costs were \$0.15 per lb and \$0.16 per lb higher respectively than in Q4 2013, due to a higher strip ratio, reduced mine development, increased ore processed from stockpiles and higher acid costs. A reduction in the gold credit of \$0.11 per lb, due to lower gold sales and realized gold price, and lower copper production further contributed to the increase in cash costs.

Sales revenues decreased by 17% from Q4 2013 reflecting lower copper and gold sales volumes combined with the impact of lower realized copper and gold prices. Copper cathode sales volumes were 26% lower than Q4 2013, partly offset by a 42% increase in copper concentrate sales volumes, in line with Kansanshi's goal to decrease the copper concentrate inventory. Gross profit was 61% lower than Q4 2013 due to the decrease in sales revenues, higher operating costs and higher depreciation of mineral property. Included in Kansanshi's finished product inventory at December 31, 2014 is \$241.9 million relating to copper concentrate.

Outlook

Production in 2015 is expected to be between 250,000 and 265,000 tonnes of copper, and 150,000 and 170,000 ounces of gold. In terms of quarterly phasing of annual production, it is expected that Kansanshi's production will be at its lowest in the first quarter. Smelter capacity constraints in Zambia are also expected to impact sales in the first quarter.

The focus during the first part of 2015 is planned to remain on development of the mine to expose oxide ore, commissioning of the copper smelter and cost reduction to optimize cash flow.

Consideration will be given to changing treatment rates (by again swapping circuits) on all three ore types in line with ore availability and cost drivers, including smelter acid availability. Current oxide ore available in the pit has higher acid-consuming characteristics and is therefore expected to be processed more economically with the acid produced from the smelter.

Las Cruces Copper Operation	Q4 2014	Q3 2014	Q4 2013	2014	March 22 – December 31 2013¹	2013¹
Ore tonnes processed (000's)	379	413	334	1,539	977	1,253
Copper ore grade processed (%)	5.2	4.8	6.0	5.1	6.1	6.2
Copper recovery (%)	89	89	91	90	89	89
Copper cathode production (tonnes)	17,525	17,693	18,346	71,090	53,300	69,304
Copper cathode sales (tonnes)	15,594	18,002	16,883	71,120	52,298	66,806
Cash costs (C1) (per lb) ²	\$0.95	\$1.03	\$1.24	\$0.96	\$1.11	\$1.14
Total costs (C3) (per lb) ²	\$1.94	\$2.04	\$2.15	\$1.97	\$2.21	\$2.13
Sales revenues	103.9	126.6	120.9	491.2	373.8	490.2
Gross profit	35.4	46.1	36.5	179.6	106.1	174.1
EBITDA ²	119.3	155.6	66.1	463.3	212.6	337.4

¹ Results from the Las Cruces mine are only included in First Quantum's financial results for the period subsequent to the date of acquisition on March 22, 2013. Prior period results are shown for comparative purposes only and do not include any financial adjustments that would be required had the acquisition taken place on January 1, 2013.

² C1 and C3 costs and EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information. C3 costs from the date of acquisition include the acquisition accounting adjustments relating to the uplift to fair value from book value of acquired mineral property, plant and equipment and inventory.

Full year operating results

Copper production increased by 3% compared to 2013. A 23% increase in throughput and slight increase in copper recovery more than offset the decline in copper grade, in keeping with the life of mine reserve grade. Improved ball mill performance over the year and the commissioning of a fines bypass system that provided frontend flexibility to the plant facilitated the transition to higher throughput to address the anticipated lower copper grade.

Cash costs in 2014 were \$0.18 per lb lower than in 2013, with mining and processing costs per lb benefitting from both lower operating costs and higher production volumes.

Sales revenues and gross profit were both slightly higher than 2013, with increases of 0.2% and 3%, respectively. The increase in copper cathode sales volumes in 2014 was mostly offset by lower realized copper prices. Gross profit increased by 3% compared to 2013, reflecting higher sales revenues and lower operating costs compared to the prior year.

Q4 operating results

Copper production decreased by 4% compared to Q4 2013. Higher throughput in the quarter was more than offset by a slight decrease in recovery and lower copper grades. Overall water balance and excess solids in neutralization were issues for a period in the fourth quarter of 2014, contributing to the decrease in recovery, due to high pond levels, excess water from the new pressure filters, and primary massive sulphide ore feed contamination. These issues, which are caused by higher rainfall in the winter season, have largely been resolved.

Cash costs in Q4 2014 were \$0.29 per lb lower than Q4 2013, primarily due to favourable operating costs reflecting processing efficiencies from various debottlenecking initiatives implemented in 2014.

Sales revenues decreased by 14% in comparison to Q4 2013 due to lower copper cathode sales volumes and lower realized copper prices. This decrease flowed through to gross profit, which was 3% lower than Q4 2013. The decrease in gross profit in the fourth quarter was partially offset by lower operating costs.

Outlook

The guidance on copper production in 2015 is between 69,000 and 72,000 tonnes. The plant performed well in 2014 and is expected to process similar throughput and copper grade in 2015.

The commissioning of three new pressure filters late in 2014 to replace the problematic tailings belt filters are expected to improve copper recovery going forward. Various debottlenecking initiatives implemented in 2014, including increasing the ball mill throughput and introducing a fines bypass circuit to ease the load on the primary crusher, will facilitate increased throughput at lower grades to sustain the nameplate copper production.

Permitting issues, particularly with regard to required surface waste dump space, will continue to be an area of focus in 2015. Permit approval will allow for efficient stripping of successive phases of the mine.

Guelb Moghrein Copper and Gold Operation	Q4 2014	Q3 2014	Q4 2013	2014	2013
Sulphide ore tonnes milled (000's)	969	621	714	3,057	2,847
Sulphide ore grade processed (%)	1.1	1.1	1.3	1.2	1.4
Sulphide copper recovery (%)	91	92	93	92	94
Copper production (tonnes)	9,768	6,395	8,866	33,079	37,970
Copper sales (tonnes)	8,519	9,152	6,327	30,095	36,585
Gold production (ounces)	13,901	8,942	13,336	48,948	58,191
Gold sales (ounces)	13,421	13,917	8,281	45,901	56,040
Cash costs (C1) (per lb) ¹	\$1.31	\$2.11	\$1.86	\$1.67	\$1.58
Total costs (C3) (per lb) ¹	\$2.07	\$2.94	\$2.11	\$2.41	\$2.11
Sales revenues	63.1	71.0	50.9	229.8	314.8
Gross profit	1.9	12.0	20.5	33.9	96.4
EBITDA ¹	12.8	23.1	23.3	63.4	124.1

¹ C1 and C3 costs and EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information.

Full year operating results

Copper production in 2014 was 13% lower compared to 2013, impacted by lower feed grade and recovery, and a 21-day suspension of operations during the third quarter caused by industrial action. The commissioning of a new Semi Autogenous Grinding ("SAG") mill in July 2014 contributed to a 7% increase in throughput in 2014 despite the industrial action and plant maintenance down time.

Gold production in 2014 was 16% lower than in 2013 mainly due to lower feed grade, which was 22% below 2013 grade.

Cash costs increased by \$0.09 per lb in comparison to 2013, due primarily to a lower copper production volume and lower gold credit reflecting lower gold sales volume and lower realized gold prices. Higher mining costs due to reduced mine development also contributed to the increase. Operating costs excluding mining costs were lower in 2014 compared to 2013 due to lower fuel costs and the commissioning of the new SAG mill, which replaced older and less efficient equipment.

Sales revenues decreased by 27% in 2014 due to lower copper and gold sales volumes and lower average realized copper and gold prices. Gross profit was 65% lower than 2013, reflecting the decrease in sales revenues partially offset by the reduction in operating costs resulting from ongoing plant and maintenance optimization.

Q4 operating results

Copper production in Q4 2014 was 10% higher than Q4 2013 as a result of a 36% increase in throughput achieved with the new SAG mill commissioned in the second quarter of 2014. The increase in throughput more than offset the lower feed grade and recovery in the quarter.

Gold production was 4% higher than Q4 2013 as a result of the increase in throughput, partly offset by lower feed grade and recovery. Gold recovery is under review and installation of a third gravity concentrator during Q1 2015 is expected to improve overall gold recovery.

Cash costs in Q4 2014 were \$0.55 per lb lower in comparison to Q4 2013, due primarily to a \$0.12 per lb decrease in mining costs and a \$0.36 per lb decrease in processing costs on account of higher copper production, partially offset by the impact of reduced mine development. Cash costs in Q4 2014 also benefited from a higher gold credit due to significantly higher gold sales volumes.

Sales revenues increased by 24% compared to Q4 2013 due to higher copper and gold sales volumes, partially offset by lower realized copper and gold prices. Gross profit decreased by 91% in comparison to Q4 2013, reflecting higher operating costs and depreciation compared to Q4 2013, as well as the sale of more expensive concentrate that was produced in the third quarter during the industrial action.

Outlook

Copper production in 2015 is expected to be between 40,000 and 45,000 tonnes. Gold in copper concentrate production is expected to be between 52,000 and 57,000 ounces. 2015 production is expected to benefit from the new SAG mill and the optimization of open flotation circuit.

Production of iron concentrate is scheduled to commence in Q1 2015 and will bring diversification in the commodities produced. The levels of operation of the magnetite plant is expected to be in response to the ongoing fluctuations in the iron ore markets, and the response of potential customers as the initial concentrate is produced. Production is expected to be between 500,000 to 700,000 tonnes of iron concentrate in 2015.

There will also be a focus on reducing mining costs in 2015. The major areas of cost reduction are reviewing mine consumables, changing consumables where this adds value and optimizing current mining procedures to increase production with the existing mining fleet.

Ravensthorpe Nickel Operation	Q4 2014	Q3 2014	Q4 2013	2014	2013
Beneficiated ore tonnes processed (000's)	710	829	845	3,128	3,119
Beneficiated ore grade processed (%)	1.4	1.5	1.6	1.5	1.6
Nickel recovery (%)	82	84	77	84	76
Nickel production (contained tonnes)	7,736	9,728	10,244	36,445	38,103
Nickel sales (contained tonnes)	9,912	8,824	10,142	37,981	40,612
Nickel production (payable tonnes)	6,059	7,619	7,808	28,472	29,137
Nickel sales (payable tonnes)	7,688	6,937	8,021	29,546	30,972
Cash costs (C1) (per lb) ¹	\$5.04	\$4.79	\$4.23	\$4.50	\$4.99
Total costs (C3) (per lb) ¹	\$6.57	\$6.44	\$5.39	\$5.98	\$6.18
Sales revenues	125.4	131.3	113.7	507.2	474.4
Gross profit	17.8	34.9	10.0	120.6	29.0
EBITDA	27.3	56.5	25.1	181.7	84.8

¹ C1 and C3 costs and EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information.

Full year operating results

Nickel production for 2014 decreased by 4% compared to 2013 following a structural failure to the atmospheric leach tank in December 2014, which resulted in the loss of half a month of production in December (approximately 1,780 tonnes). Prior to the failure, throughput, grades and recoveries remained in-line with 2013 levels.

Asset write-offs and costs totaling \$8.5 million were recognized in relation to the atmospheric leach tank failure. The plant resumed partial operations on February 2, 2015 and investigations to determine the cause of the failure are being undertaken while a total recovery plan is implemented.

Cash costs in 2014 were \$0.49 per lb lower in comparison to 2013 due to a \$0.29 per lb decrease in processing costs in addition to lower site administration expenses, freight costs and a higher cobalt credit. Processing efficiencies were achieved mainly from overall maintenance and operational improvements and a lower cost of sulphur, while site administration expenses benefited from the strengthening of the US dollar against the Australian dollar compared to 2013.

Sales revenues increased by 7% in comparison to 2013 driven by a higher realized nickel price, partially offset by lower sales volumes. Gross profit was \$91.6 million or 316% higher in comparison to 2013 reflecting higher sales revenues, lower operating costs and the depreciation of the Australian dollar.

Q4 operating results

Production in Q4 2014 was 24% lower than Q4 2013 primarily due to the atmospheric leach tank failure, which resulted in the loss of half a month of production in December. Production in Q4 2014 was also impacted by lower grade, partly offset by higher recoveries.

Cash costs in Q4 2014 were \$0.81 per lb higher in comparison to Q4 2013 primarily due to lower nickel production volumes and the allocation of fixed costs, which more than offset the impact of lower processing costs, site administration expense and freight charges. Continued strengthening of the US dollar against the Australian dollar provided additional cost savings.

Sales revenues for Q4 2014 increased by 10% compared to Q4 2013, reflecting a higher realized nickel price partially offset by lower sales volumes. The increase in sales revenues, combined with processing cost savings, resulted in a 78% increase in gross profit in Q4 2014.

Outlook

Initial production started again on February 2, 2015. Production for 2015 is expected to be between 24,000 and 30,000 tonnes of nickel.

A major rebuild and repair project is being carried out on the damaged atmospheric leach tank 9 as well as the adjacent leach tank 7 that were affected by the tank failure. Contractors have been engaged to tender on the construction of a new evaporation pond cell with works to commence in Q2 2015.

The planned remedial work on the pre-leach and atmospheric leach tanks, to address the damage caused by the failure, will likely constrain production during the first half of the year as the saprolite circuits will not be operational. The preparation work to dry out the tailings material along the inside of tailing storage facility 1 embankment for the downstream lift will continue during the year. New control logic based on mass throughput in the counter current decant circuit was implemented late in 2014. This proved to be successful in improving the density control and thereby reducing the nickel losses to tailings.

The cost of operations is highly sensitive to the price of sulphur, which can fluctuate with market factors. Cost saving opportunities continue to be implemented site-wide and will remain a critical focus for the operation in 2015.

Kevitsa Nickel-Copper-PGE¹ Operation	Q4 2014	Q3 2014	Q4 2013	2014	2013
Ore tonnes milled (000's)	1,709	1,666	1,670	6,711	6,314
Nickel ore grade processed (%)	0.2	0.2	0.2	0.2	0.2
Nickel recovery (%)	63	56	64	61	63
Nickel production (tonnes)	2,197	2,156	2,390	9,433	8,963
Nickel sales (tonnes)	2,277	1,989	3,652	9,768	8,493
Copper ore grade processed (%)	0.3	0.3	0.3	0.3	0.3
Copper recovery (%)	84	87	84	87	83
Copper production (tonnes)	4,101	4,798	4,015	17,535	14,775
Copper sales (tonnes)	5,545	2,973	2,938	19,542	12,652
Gold production (ounces)	3,093	3,208	3,008	12,844	11,723
Platinum production (ounces)	9,311	6,712	7,993	34,090	30,403
Palladium production (ounces)	7,234	5,271	6,600	25,990	24,639
Nickel cash costs (C1) (per lb) ²	\$2.66	\$3.24	\$5.15	\$4.07	\$5.24
Nickel total costs (C3) (per lb) ²	\$4.31	\$4.41	\$5.35	\$5.29	\$6.41
Copper cash costs (C1) (per lb) ²	\$1.11	\$2.19	\$1.49	\$1.42	\$1.68
Copper total costs (C3) (per lb) ²	\$2.24	\$3.01	\$1.78	\$2.27	\$2.44
Sales revenues	66.5	52.9	60.4	271.4	197.6
Gross profit (loss)	14.6	10.1	(4.2)	47.8	21.3
EBITDA	28.0	14.2	5.4	92.5	56.1

¹ Platinum-group elements ("PGE")

² C1 and C3 costs and EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information

Full year operating results

Higher nickel, copper and PGE production in 2014 resulted from higher plant availability, throughput and copper recovery. Average nickel and copper ore grades were in line with 2013. Nickel production increased by 5%, with the increase in throughput partially offset by lower recoveries, and copper production increased by 19% reflecting higher recoveries and the higher throughput, in comparison to the prior year.

Lower nickel recoveries reflect the impact of the conversion of the secondary mill from pebble to ball milling in Q2 2014. While the conversion to ball milling increased throughput by 10% to 15%, it resulted in an unexpected decrease in nickel recovery. The secondary mill was reverted to pebble milling at the start of Q4 2014, which served to improve recoveries and will allow time to further study the process effects of ball milling.

Nickel cash costs decreased by \$1.17 per lb compared to 2013 primarily due to a \$0.59 per lb reduction in mining costs reflecting an increase in capitalized mine development costs, lower treatment and refining charges and energy costs, and the benefit of higher nickel production volumes, partially offset by lower by-product credits.

Copper cash costs decreased by \$0.26 per lb compared to 2013 due to lower mining and energy costs, higher copper production volumes and higher by-product credits.

Sales revenues increased by 37% compared to 2013, primarily due to higher sales volumes of copper and nickel and higher realized nickel prices, partially offset by lower realized copper prices. The higher sales revenues flowed through to gross profit, which increased by 124% in comparison to 2013, partially offset by higher processing costs and a higher depreciation charge in line with increases in metal sales volumes during the year.

Q4 operating results

Nickel production decreased by 8% compared to Q4 2013, primarily due to lower nickel recovery, while copper production increased by 2% as a result of higher throughput.

Nickel cash costs decreased by \$2.49 per lb compared to Q4 2013, primarily due to a \$1.71 per lb decrease in mining costs reflecting an increase in capitalized mine development costs, a \$1.69 per lb decrease in treatment and refining charges, partially offset by a \$0.95 per lb reduction in by-product credits and the impact of lower nickel production volumes.

Copper cash costs decreased by \$0.38 per lb compared to Q4 2013, primarily due to lower mining costs reflecting an increase in capitalized waste stripping and the impact of higher copper production.

Sales revenue increased 10% compared to Q4 2013, mainly reflecting higher copper sales volumes and higher realized nickel prices, partially offset by lower nickel sales volumes and lower realized copper prices. The higher sales revenues flowed through to gross profit, which increased by \$18.8 million compared to Q4 2013, partially offset by a higher depreciation charge in line with an increase in copper sales volumes during the fourth quarter.

Outlook

Production in 2015 is expected to be between 16,000 and 18,000 tonnes of copper, 8,000 and 10,000 tonnes of nickel, 11,000 and 13,000 ounces of gold, 25,000 and 35,000 ounces of platinum and between 26,000 and 29,000 ounces of palladium.

The plant operated at 120% of its nameplate capacity in 2014, processing approximately 6.7 million tonnes (“Mt”) of ore and this performance is expected to be maintained in 2015. With the completion of flotation debottlenecking projects in 2014, work on metal recoveries in 2015 is planned to focus on ore characterization and circuit reconfiguration with respect to optimization of flotation operations. Additionally, the installation of a regrind mill in Q1 2015 in the copper cleaning circuit for improved mineral liberation and copper/nickel separation is expected to result in an incremental improvement in nickel recovery, as less nickel should be lost to the copper concentrate.

On the mining side, the main focus in 2015 is planned to be on increased utilization of the Komatsu PC5500 and PC8000 face shovels and contractors to optimize medium-term strip ratios. This is also expected to increase ore source options and benefit the work on ore characterization and optimizing metallurgy outcomes.

Çayeli Copper and Zinc Operation	Q4 2014	Q3 2014	Q4 2013	2014	March 22 – December 31 2013 ¹	2013 ¹
Ore tonnes processed (000's)	348	324	342	1,341	1,047	1,333
Copper ore grade processed (%)	2.8	2.5	2.8	2.7	3.1	3.1
Copper recovery (%)	81	77	78	80	77	77
Zinc ore grade processed (%)	4.1	4.7	4.5	4.3	4.9	4.9
Zinc recovery (%)	60	65	63	63	66	66
Copper production (tonnes)	7,820	6,169	7,538	29,360	24,546	31,510
Copper sales (tonnes)	8,419	7,847	7,940	29,241	24,031	31,370
Zinc production (tonnes)	8,513	10,016	9,837	36,218	33,955	43,097
Zinc sales (tonnes)	9,362	10,228	12,179	37,298	36,180	43,354
Cash costs (C1) (per lb) ²	\$1.02	\$1.04	\$0.87	\$0.90	\$0.72	\$0.76
Total costs (C3) (per lb) ²	\$1.66	\$2.43	\$1.89	\$1.83	\$1.67	\$1.64
Sales revenues	57.3	59.5	62.3	211.9	188.0	248.3
Gross profit	22.7	18.8	22.1	70.2	46.4	79.4
EBITDA ²	30.3	34.6	38.0	113.4	95.5	131.6

¹ Results from the Çayeli mine are only included in First Quantum's financial results for the period subsequent to the date of acquisition on March 22, 2013. Prior period results are shown for comparative purposes only and do not include any financial adjustments that would be required had the acquisition taken place on January 1, 2013.

² C1 and C3 costs and EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information. C3 costs from the date of acquisition include the acquisition accounting adjustments relating to the uplift to fair value from book value of acquired mineral property, plant and equipment and inventory.

Full year operating results

Copper and zinc production decreased by 7% and 16%, respectively, compared to 2013 primarily due to reduced copper and zinc grades and lower zinc recovery. Higher copper recovery compared to 2013 resulting from the processing of more stockwork ore helped to offset the lower grade. Throughput was slightly higher than 2013 with the commissioning of a new ore pass mid-year, which compensated for lower throughput early in the year due to ore pass blockages and hoisting issues related to surface ground movement.

Cash costs in 2014 increased by \$0.14 per lb from 2013, primarily due to higher treatment and refining charges, lower copper production and lower by-product credits reflecting reduced zinc sales, partially offset by lower operating costs.

Sales revenues were 15% lower than 2013 due to lower copper and zinc sales volumes, and lower realized copper prices. The decrease in sales revenues flowed through to gross profit, which decreased by 12% compared to 2013.

Q4 operating results

Both the mine and the plant set weekly production records in Q4 2014. Copper production increased by 4% compared to Q4 2013 due to higher recovery and slightly higher throughput. The processing of more stockwork ore with better metallurgical characteristics resulted in the improved recovery in Q4 2014. Zinc production was 13% lower than Q4 2013 due to lower grade and recovery. The plant was unable to optimize ore blending opportunities due to a congested run-of-mine pad for most of the fourth quarter, which resulted in reduced zinc recovery.

Cash costs in Q4 2014 increased by \$0.15 per lb compared to Q4 2013, primarily due to a decrease in by-product credits resulting from lower zinc sales, partially offset by lower processing costs and higher copper production.

Sales revenues were 8% lower than Q4 2013 due to lower zinc sales volumes and lower realized copper prices, partially offset by higher copper sales volumes. Gross profit in Q4 2014 was 3% higher than Q4 2013, with the decrease in sales revenues more than offset by lower operating costs and depreciation.

Outlook

Production in 2015 is expected to be between 24,000 and 27,000 tonnes of copper and between 22,000 and 25,000 tonnes of zinc. Throughput is expected to decline slightly in 2015, in line with a decreasing number of work areas and an increased amount of waste rock to be mined as the mine reserves are depleted. The mine is expected to see a slight drop in copper grade and a significant drop in zinc grade and associated decline in zinc recovery as a larger proportion of zinc poor stockwork ore is planned to be mined. The processing of stockwork ore generally results in higher copper recoveries.

An ongoing series of proactive measures planned for 2015, aimed at reducing the impact of surface ground movement on the functionality of the hoisting facilities, are expected to ensure reliability of the mine's materials handling system. These improvements, along with the availability of the additional ore pass commissioned mid-2014, should help improve productivity as the mine's mineral reserves and number of active work places declines going forward.

Pyhäsalmi Copper and Zinc Operation	Q4 2014	Q3 2014	Q4 2013	2014	March 22 – December 31 2013¹	2013¹
Ore tonnes processed (000's)	343	345	348	1,377	1,075	1,382
Copper ore grade processed (%)	1.2	0.9	1.0	1.1	1.1	1.1
Copper recovery (%)	97	95	98	96	97	97
Zinc ore grade processed (%)	1.3	1.5	1.7	1.6	1.6	1.7
Zinc recovery (%)	89	90	92	90	92	92
Copper production (tonnes)	4,038	2,980	3,422	14,304	10,965	14,854
Copper sales (tonnes)	4,038	2,847	3,819	13,894	11,745	15,221
Zinc production (tonnes)	4,043	4,780	5,556	19,762	15,978	21,679
Zinc sales (tonnes)	3,300	5,100	5,687	18,970	15,745	22,339
Pyrite production (tonnes)	200,433	219,224	202,688	840,929	657,053	825,821
Pyrite sales (tonnes)	320,849	211,949	454,665	940,843	666,394	769,919
Cash costs (C1) (per lb) ²	(\$0.49)	\$0.09	\$0.03	\$0.06	\$0.36	\$0.14
Total costs (C3) (per lb) ²	\$1.49	\$2.24	\$2.51	\$2.11	\$2.51	\$1.82
Sales revenues	43.4	34.6	51.0	152.8	129.0	173.9
Gross profit	14.7	7.3	12.9	34.9	23.5	54.9
EBITDA ²	41.2	45.3	26.4	131.2	60.1	94.3

¹ Results from the Pyhäsalmi mine are only included in First Quantum's financial results for the period subsequent to the date of acquisition on March 22, 2013. Prior period results are shown for comparative purposes only and do not include any financial adjustments that would be required had the acquisition taken place on January 1, 2013.

² C1 and C3 costs and EBITDA are not recognized under IFRS. See "Regulatory Disclosures" for further information. C3 costs from the date of acquisition include the acquisition accounting adjustments relating to the uplift to fair value from book value of acquired mineral property, plant and equipment and inventory.

Full year operating results

Copper production decreased by 4% in 2014 compared to 2013 due to slightly lower throughput and recovery, with the copper grade in line with the previous year. Zinc production decreased by 9% due primarily to lower zinc grade and recovery. Poor ground conditions encountered in mid-2014 resulted in lower levels of ore extracted from the mine and forced an increase in the lateral development program to ensure adequate production for the remainder of the year. Pyrite production increased slightly over 2013.

Cash costs in 2014 decreased by \$0.08 per lb compared to 2013 primarily due to higher by-product credits relating to higher pyrite sales and lower processing and site administration costs, partially offset by lower copper production volumes.

Sales revenues decreased by 12% compared to 2013, reflecting lower copper and zinc sales volumes and lower realized copper prices. The decrease was partially offset by higher pyrite sales volumes. Gross profit was 36% lower in 2014 in comparison to 2013, reflecting the decline in sales revenues, partially offset by lower operating costs.

Q4 operating results

Copper production for Q4 2014 increased by 18% compared to Q4 2013 driven by higher copper grades. Zinc production was 27% lower than Q4 2013 due to lower grade stopes being mined in the quarter, resulting in lower zinc grade and recovery. Throughput was slightly lower than Q4 2013.

Cash costs in Q4 2014 decreased by \$0.52 per lb primarily due to lower processing costs and higher copper production volumes, partially offset by lower by-product credits.

Sales revenues decreased by 15% in Q4 2014 compared to Q4 2013, reflecting lower zinc sales volumes and lower realized copper prices, partially offset by higher copper sales volumes. Gross profit increased by 14% in comparison to Q4 2013, reflecting lower operating costs in the quarter, which more than offset the decrease in sales revenues.

Outlook

Production in 2015 is expected to be between 11,000 and 13,000 tonnes of copper and 18,000 and 20,000 tonnes of zinc. Pyrite production is expected to be approximately 830,000 tonnes.

Deteriorating ground conditions and the reduced number of available stopes as the mine ages presented some challenges in 2014 and are expected to continue in 2015. Efforts are underway to increase the volume of tailings backfill sent underground. This is expected to reduce dilution and further stabilize active work areas.

DEVELOPMENT ACTIVITIES

Copper Smelter Project, Zambia

The Kansanshi copper smelter is designed to process 1.2 Mtpa of concentrate to produce over 300,000 tonnes of copper metal annually. It is also expected to produce 1.0 Mtpa of sulphuric acid as a by-product which will benefit Kansanshi by allowing the treatment of high acid-consuming oxide ores and the leaching of some mixed ores. The additional acid is expected to optimize the expansion of the oxide leach facilities and allow improved recoveries of leachable minerals in material now classified and treated as mixed ore.

The Company previously undertook a detailed study of local copper smelter capacity in light of its growing copper production in Zambia. The study identified additional expansion opportunities, including options to expand the Kansanshi smelter capacity to 2 Mtpa or 2.4 Mtpa of copper concentrate. These options will be further evaluated in the future.

The focus during 2014 was the advancement of construction activities and commissioning of the smelter, which commenced with initial commissioning activities in July. During Q4 2014, sections of the plant were brought online in a systematic manner. Numerous areas of the plant were operationally tested during Q4, including first production of anodes on December 28, 2014 through the anode furnace/anode casting section of plant.

Trident Project, Zambia

In October 2014, first ore was introduced to crushing and stockpiling at the Sentinel mine, followed by first ore introduction to Train 1 mills in November. Commissioning of the process plant continued and is well advanced, with full Train 1 commissioning from crusher to concentrate. First wet copper concentrate was produced on December 31, 2014. Other highlights during the fourth quarter included completion of mining equipment assembly, and both mining and plant operations moving onto 24-hour operational shifts as part of the operational ramp up. Total physical production at Sentinel in 2015 is expected to be between 150,000 and 200,000 tonnes of copper.

The 68-kilometre single-circuit 330kV power line from the Lumwana mine to Sentinel was completed during 2014 and is providing power for Train 1 operation. Significant progress has been made on the construction of the 400-kilometre power line section from Sentinel to Mumbwa with more than 450 of the total 871 towers installed, and over 100 kilometres of power line strung. The Company is managing its contractors for this section of the project on behalf of ZESCO and expects work to be completed by April 2015. On October 9, 2014, a replacement contract was executed between ZESCO and KEC International Limited for the final 136-kilometre power line section, and with Contracting Company India Ltd for the substations, from Mumbwa to Lusaka to be financed by a bank syndicate led by African Development Bank. The Company understands that the accelerated completion date for work is July 2015. As provided under the signed Connection Agreement with ZESCO, the Company will take a direct role in the project implementation team and, where necessary, become actively involved in construction activity to further accelerate the works towards the Sentinel to Mumbwa schedule.

Environmental approval has been granted for the Enterprise nickel mine, located approximately 12 kilometres north-west of Sentinel, and work continues towards pre-stripping. Site construction works for the process plant are in progress with concrete essentially complete, SAG and ball mills installed, and structural and tank works underway. Construction will continue to ramp up as workforce personnel are released from Sentinel. The processing plant area under construction for future Enterprise ore will be initially commissioned and run on Sentinel copper ore, and changed onto Enterprise nickel ore when market conditions are favourable.

Cobre Panama Project, Panama

Detailed design and engineering continued in accordance with the schedule during 2014. Overall detailed design for the project is approximately 60% complete. Completion of concept design reviews for all areas of the process plant and other major facilities has enabled detailed design to progress well, and 'Approved for Construction' drawings to be issued for major concrete and structural areas, ahead of construction requirements.

Tender and evaluation of major contracts progressed, in particular for the power station chimney and the coal/concentrate export jetty. A 'Limited Notice to Proceed' was issued for the main 230kv transmission line. The tender for the decant tunnel in the tailings dam was issued, and bids close early 2015.

Bulk earthworks on site during the fourth quarter resulted in the port area/power station being approximately 90% complete and the process plant being approximately 45% complete. In the process plant, the bulk earthworks for the milling area were completed and the area handed over for concrete works. SAG mill and mill building concrete works are in progress. The power station earthworks were also completed and handed over for concrete works, with the boiler and pulverisor foundations commenced.

Tailings dam earthworks ramped up in progress, including the establishment of a quarry, and with earthworks progressing on both the eastern and northern embankments. Overall the tailings dam reached 18% completion.

Major infrastructure work progressed with the final coast road alignment and coast road bridges nearing completion, whilst the main construction camp central facilities made good progress.

The average annual life of mine by-product production is estimated to be 100,000 ounces gold, 1,800,000 ounces silver and 3,500 tonnes molybdenum. The Company's streaming agreement remains in place with Franco-Nevada Corporation for the delivery of approximately 86% of the estimated payable precious metals attributable to the Company's 80% ownership during the first 31 years of mine life. Discussions are underway to effect changes to the existing security and reporting requirements of this agreement. At the end of 2014, no funds have been drawn on this agreement, however based on funding that the Company contributed to Cobre Panama up to December 31, 2014, Franco-Nevada is responsible for funding \$256.0 million of the purchase deposit, which is expected to be advanced upon conclusion of the on-going discussions.

The Company has reduced its planned capital expenditures for Cobre Panama in 2015 to \$600 million, reflecting a substantial reduction in keeping with the Company's overall plans to ensure ongoing compliance with its financial covenants. The planned reduction in capital expenditure is not expected to compromise the project's progress.

EXPLORATION

In 2014, The Company carried out exploration activities around the world, with efforts primarily focused on the Haquira project in Peru, the Taca Taca project in Argentina, and in other jurisdictions in Europe, Africa and South America with the focus divided between the identification of high-potential copper porphyry prospects and grassroots exploration for sediment-hosted copper.

The Company is currently focused on the community and environmental aspects of the Haquira project in Peru. Resettlement negotiations with each of the local communities are in progress, with negotiations for land acquisition targeted for completion by the end of Q1 2015. Further negotiations will be necessary once the final position of the tailings dam is decided and an area of low population is being targeted for this purpose. Once completed, the negotiated resettlement will enable exploration to be prioritized in areas of interest both within and proximal to the Haquira deposits. The contract for the development of the Environmental Impact Assessment ("EIA") for construction purposes was awarded and work has commenced. A pre-operating study was commissioned and is underway for the electricity supply to the project. Process description work has started and basic engineering concepts are being established to augment the EIA.

The Company acquired the Taca Taca copper-gold-molybdenum porphyry deposit in Argentina in Q3 2014 through the acquisition of Lumina Copper Corporation. Details of the Lumina acquisition are provided below under Corporate Developments. A detailed review of geology, exploration and development options for the project is now in progress. Early works include addressing the terms of reference for the EIA for construction permitting, securing existing electricity supply and rail network infrastructure, establishing protocols under the Chile-Argentina Mining treaty for the export of concentrates via Chile, and sourcing more proximal water supplies. The Company completed an airborne survey over the Taca Taca project area in 2014 to assist geological interpretation on the structure of the district and enable targeting of fresh water aquifers. A ground gravity survey is planned in Q1 2015 which will allow detailed modeling of the gravel basins in the areas targeted for water exploration.

The Company is pursuing other exploration programs globally, most significantly in Finland, Turkey, Zambia, Botswana, Peru and Chile. Near mine exploration activities are being pursued at Kevitsa and Pyhäsalmi in Finland, including diamond and scout drilling programs, and underground drilling activities of the ore body at Çayeli in Turkey. In Zambia, the Company is pursuing extensive programs of multi-element soil sampling and geophysics around Kansanshi, including several under option agreements; resource drilling at Kansanshi in the dry season; and reconnaissance mapping and systematic geochemical sampling programs in Northern Zambia under option-JV agreements. The Company has a grassroots program in progress on the Tsodilo Resources Ltd. joint venture in Botswana, focused on sediment-hosted copper with some extensive but low tenor copper anomalies identified and planned for follow up in 2015. In Southern Peru, reconnaissance activities completed on a recently identified copper porphyry prospect returned encouraging results, with permitting and community access for a proposed drill program expected to be completed in 2015. Exploration efforts in Chile in 2014 included reconnaissance drilling on the Rubi project (a joint venture option with Mirasol Resources) and the Caldera project, and detailed mapping and surveys completed over several other prospects in central Chile with drilling planned for Q1 2015.

CORPORATE DEVELOPMENTS

In August 2014, the Company completed the acquisition of Lumina Copper Corporation. Based upon the consideration, the total value of 100% of the fully-diluted common shares of Lumina was approximately C\$470.0 million (US\$432.9 million). As First Quantum owned 2.5 million shares, or approximately 6%, of Lumina's outstanding common shares prior to the transaction, the value of cash and shares exchanged for the remaining 94% of Lumina shares was C\$441.9 million (US\$405.5 million) including a cash component of C\$206.9 million (US\$189.9 million) and equity of 9,669,153 ordinary shares.

In January 2015, the Company invested A\$8.0 million (US\$6.5 million) to acquire a 51% interest in African Energy Holdings SRL (“AFRH”), thereby becoming manager of the Sese coal project in Botswana. The Company is committed to invest an additional A\$12.0 million (US\$9.7 million) within 18 months of the initial investment, which will increase the Company’s ownership in AFRH to 75%.

The Company has declared a final dividend of C\$0.0487 per share in respect of the financial year ended December 31, 2014. The final dividend together with the interim dividend of C\$0.0504 is a total of C\$0.0991 for the 2014 financial year. This total dividend paid for the 2014 financial year is 10% of comparative earnings. The Company is intending to establish a Dividend Reinvestment Plan, which will allow eligible shareholders a convenient means to acquire additional common shares through the reinvestment of cash dividends paid by the Company.

SALES REVENUES

		Q4 2014	Q3 2014	Q4 2013	2014	2013 ¹
Kansanshi	- copper	335.3	370.9	395.6	1,525.3	1,646.7
	- gold	26.3	37.9	41.9	152.2	185.6
Las Cruces	- copper	103.9	126.6	120.9	491.2	373.8
Guelb Moghrein	- copper	48.0	54.4	40.5	176.2	238.5
	- gold	15.1	16.6	10.4	53.6	76.3
Ravensthorpe	- nickel	121.3	127.9	111.5	492.4	465.2
	- cobalt	4.1	3.4	2.2	14.8	9.2
Kevitsa	- nickel	25.1	28.6	26.8	104.5	66.2
	- copper	29.0	16.2	16.6	108.7	78.2
	- gold, PGE and cobalt	12.4	8.1	17.0	58.2	53.2
Çayeli	- copper	42.6	42.4	45.8	154.7	137.8
	- zinc, gold and silver	14.7	17.1	16.5	57.2	50.2
Pyhäsalmi	- copper	23.5	17.9	24.7	83.6	76.0
	- zinc	4.7	8.2	7.0	26.7	18.0
	- pyrite, gold and silver	15.2	8.5	19.3	42.5	35.0
Corporate and other		-	0.5	0.3	0.2	43.0
		821.2	885.2	897.0	3,542.0	3,552.9

¹ Results included for Las Cruces, Çayeli and Pyhäsalmi for the period subsequent to the date of acquisition on March 22, 2013.

Full year 2014 sales revenues were consistent with 2013. The positive impact of including a full year of revenues from the acquired operations, as well as a higher realized nickel price, was offset by a lower realized copper price and lower nickel sales volumes.

Q4 2014 total sales revenues were 8% lower than the same quarter in the prior year, as a result of lower sales and a lower realized copper price, partly offset by a higher realized nickel price.

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).

Copper selling price (per lb)	Q4 2014	Q3 2014	Q4 2013	2014	2013
Average LME cash price	3.00	3.17	3.24	3.11	3.32
Realized copper price	2.91	3.11	3.26	3.03	3.22
Treatment/refining charges (“TC/RC”) and freight charges	(0.24)	(0.24)	(0.20)	(0.25)	(0.23)
Net realized copper price	2.67	2.87	3.06	2.78	2.99

Nickel selling price (per lb)	Q4 2014	Q3 2014	Q4 2013	2014	2013
Average LME cash price	7.17	8.42	6.26	7.65	6.80
Realized nickel price per payable lb	7.20	8.47	6.37	7.58	6.82
TC/RC charges	(0.12)	(0.03)	(0.67)	(0.31)	(0.54)
Net realized nickel price per payable pound	7.08	8.44	5.70	7.27	6.28

SUMMARY FINANCIAL RESULTS

	Q4 2014	Q3 2014	Q4 2013	2014	2013¹
Gross profit (loss)					
Kansanshi	80.8	110.0	207.9	512.4	799.5
Las Cruces	35.4	46.1	36.5	179.6	106.1
Guelb Moghrein	1.9	12.0	20.5	33.9	96.4
Ravensthorpe	17.8	34.9	10.0	120.6	29.0
Kevitsa	14.6	10.1	(4.2)	47.8	21.3
Çayeli	22.7	18.8	22.1	70.2	46.4
Pyhäsalmi	14.7	7.3	12.9	34.9	23.5
Other	(4.7)	1.2	13.7	(1.6)	11.6
Total gross profit	183.2	240.4	319.4	997.8	1,133.8
Exploration	(20.6)	(16.1)	(16.8)	(60.1)	(51.6)
General and administrative	(26.7)	(31.1)	(33.7)	(116.1)	(122.7)
Acquisition transaction costs	-	-	-	-	(29.5)
Other income (expense)	26.2	16.6	(24.2)	19.4	(35.2)
Net finance income	2.6	2.7	9.0	11.4	4.5
Income taxes	409.1	(82.8)	(107.2)	140.9	(369.6)
Net earnings for the period	573.8	129.7	146.5	993.3	529.7
Net earnings for the period attributable to:					
Non-controlling interests	120.6	8.5	15.2	158.5	71.1
Shareholders of the Company	453.2	121.2	131.3	834.8	458.6
Comparative earnings	76.9	137.2	133.8	474.5	539.4
Earnings per share					
Basic	\$0.76	\$0.21	\$0.22	\$1.40	\$0.82
Diluted	\$0.75	\$0.20	\$0.22	\$1.39	\$0.81
Comparative	\$0.13	\$0.23	\$0.23	\$0.80	\$0.96
Basic weighted average number of shares (in '000s)	595,994	591,244	587,456	595,994	560,009

¹ Results included for Las Cruces, Çayeli and Pyhäsalmi for the period subsequent to the date of acquisition on March 22, 2013.

Gross profit for the year was 12% lower than 2013, as a result of the year-over-year higher costs at Kansanshi and Guelb Moghrein, despite relatively consistent sales revenues. Costs were also higher at Çayeli and Pyhäsalmi in 2014 compared to 2013, however the inclusion of a full year of sales revenues in 2014 more than offsets the negative impact.

Full year exploration costs include expenses from the Company's exploration program and investments in option agreements. Exploration costs are higher than in 2013 as the current year includes a full year of expenditure on the expanded exploration portfolio following the acquisition of Inmet in March 2013. Following the Inmet acquisition, a review of the acquired projects took place to ensure they were in line with the goals of the Company's exploration portfolio, and several have been discontinued as a result.

General and administrative costs were lower in 2014 than in 2013 despite the inclusion of a full year of oversight costs for the operations acquired in March 2013, reflecting the elimination of redundancies over the course of the year.

Other income was \$19.4 million in 2014 compared to other expense in 2013 of \$35.2 million, a change of \$54.6 million. This was primarily the result of foreign exchange gain in 2014. In 2014, the euro depreciated against the US dollar, contributing to a non-cash foreign exchange gain of \$37.0 million, primarily as a result of the revaluation of the Company's deferred tax liabilities. In comparison, there was a foreign exchange loss in 2013; the euro depreciated against the US dollar but not to the same degree as in 2014, and the impact was offset by the depreciation of the Zambian kwacha. Offsetting the foreign exchange gain in 2014 were the one-off costs relating to the atmospheric leach tank failure at Ravensthorpe in December 2014 totaling \$8.5 million.

Income taxes for the full year of \$140.9 million include a net tax recovery of \$498.6 million arising from the substantive enactment of amendments to the Zambian tax regime in December 2014, effective from January 1, 2015. The enacted amendments include the effective elimination of corporate tax on profits from certain categories of mining activities by a reduction in the corporate and variable profits tax rate to 0% while increasing the mineral royalty rate to 8% for underground operations and to 20% for open pit mines. This compares to a royalty rate of 6%, corporate tax rate of 30% and variable profit tax of up to 15% which were applicable in 2014. On recognizing the substantive enactment of this change to tax law, the deferred tax balances relating to temporary differences on account of mining activities that will be taxed at the 0% corporate tax rate from January 1, 2015 have been revalued at December 31, 2014, with the difference recorded as a net income tax credit in 2014. Effective January 1, 2015, the increase in the mineral royalty rate from 6% to 20% will result in an increase to the Company's royalty costs, included in costs of sales, relating to sales by Kansanshi, and decrease to operating cash flows.

Excluding these recoveries, the effective tax rate for 2014 would have been unchanged from the prior year.

Following significant capital investment in major new projects in Zambia, the Company had expected to benefit from tax relief over the next three years. However with the adjustments to the mining income tax regime, this is no longer the case.

In future, the effective tax rate is expected to be between 5% and 15% as a result of the change to the mining tax regime in Zambia. The comparative blended rate of royalties and income taxation in 2014 was 50%. However, this blended rate is difficult to predict, as royalties payable are dependent on commodity prices with lower commodity prices driving a higher blended rate.

LIQUIDITY AND CAPITAL RESOURCES

	Q4 2014	Q4 2013¹	2014	2013	2012
Cash flows from operating activities					
- before changes in working capital and tax paid	263.1	423.3	1,361.6	1,439.9	1,165.2
- after changes in working capital and tax paid	217.3	197.7	743.6	868.8	342.5
Cash flows (used by)/from investing activities					
Payments and deposits for property, plant and equipment	(653.7)	(787.9)	(2,457.1)	(2,601.0)	(1,373.3)
Asset acquisition of Lumina	-	-	(189.9)	-	-
Capitalized borrowing costs	(65.2)	(89.2)	(245.9)	(161.6)	-
Acquisition of Inmet, net of cash acquired	-	-	-	(963.8)	-
Partial repayment and prepaid interest from ENRC	-	-	110.0	-	-
Proceeds from settlement of RDC claims and sale of assets	-	-	-	-	736.5
Other investing activities	(1.3)	105.2	24.7	2,060.2	(41.0)
Cash flows from financing activities	397.8	653.0	1,658.8	1,266.9	192.2
Exchange gains on cash and cash equivalents	10.9	-	18.7	-	-
Net cash flows	(94.2)	78.8	(337.1)	469.5	(143.1)
Cash balance	357.4	694.5	357.4	694.5	309.0
Cash balance including restricted cash	435.9	778.5	435.9	778.5	-
Total assets	17,824.3	15,471.2	17,824.3	15,471.2	7,536.4
Total current liabilities	697.1	1,804.9	697.1	1,804.9	443.6
Total long-term liabilities	7,039.2	4,577.7	7,039.2	4,577.7	1,211.4
Cash flows from operating activities per share ¹					
before working capital (per share)	\$0.41	\$0.72	\$2.28	\$2.57	\$2.46
after working capital (per share)	\$0.36	\$0.34	\$1.25	\$1.55	\$0.72

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

2014 operating cash flows before changes in working capital and taxes paid are lower than 2013 due to lower net earnings before tax and lower non-cash expenses in 2014. Higher costs incurred during the period, as noted above, contributed to the lower operating cash flows for 2014. Changes in working capital during 2014 resulted in a reduction of cash of \$618.0 million, which includes \$258.8 million in taxes that the Company paid during the year. Ongoing constraints in smelter capacity in Zambia have led to higher copper concentrate held at Kansanshi, which was slightly offset by lower inventory held at other sites leading to a total build-up of inventory of \$55.5 million during 2014.

Since June 2013, no VAT refunds have been received in Zambia related to Kansanshi. VAT refunds have not been received as a result of the application of discretionary rules established and applied by the Commissioner General relating to exports from Zambia. The Company is in regular discussions with the relevant government authorities in efforts to resolve the industry and country-wide dispute that has arisen with respect to exporters. On November 15, 2013, Kansanshi commenced a judicial review action in the High Court of Zambia challenging the application of rules established by the Commissioner General to deny VAT refunds. On November 18, 2013, the High Court granted a stay against the implementation of these rules. A hearing date for the judicial review has not been set by the Court. On February 3, 2015, His Excellency, Mr Edgar Chagwa Lungu, President of the Republic of Zambia, announced in a media statement that His Excellency had issued a directive to expedite dialogue with the mine owners and promptly resolve the impasse over the new mining tax regime and the VAT refunds. In the same media release the Minister of Finance and the Commissioner General of the ZRA reported that a statutory instrument dealing with future VAT refunds was due for imminent release. The VAT amount accrued by the Company’s Zambian operations at December 31, 2014 is \$273.3 million, of which \$245.9 million relates to Kansanshi. The Company continues to consider the VAT refunds as fully recoverable. It is the Company’s view that as the timing of the receipt of the VAT refund remains uncertain; the Kansanshi VAT refund of \$245.9 million has been classified on the balance sheet as non-current at December 31, 2014.

Capital expenditure, excluding capitalized interest, on the Company's key development projects totalled \$2,457.1 million (excluding the acquisition of Lumina) for the year (compared to \$2,601.0 million in 2013) and comprised primarily:

- \$799.4 million at Kansanshi for the smelter project and mine pit development costs
- \$738.6 million at Trident, including deposits for site development and long-lead plant and mine equipment
- \$616.9 million at Cobre Panama for project development, including \$33.8 million for the settlement of a third party claim following termination of the party's contract in the second half of 2013

In Q1 2014, the Company agreed to revise the terms of the \$500.0 million Promissory Note from ENRC ("the Promissory Note") which was issued to the Company as a result of the settlement of its dispute with ENRC relating to the Company's former assets in the Democratic Republic of Congo. ENRC delisted from the London Stock Exchange in Q4 2013, triggering the mandatory prepayment of the Promissory Note. The Company negotiated with ENRC a \$70.0 million principal reduction of the Promissory Note as well as the payment of all outstanding interest at 3% then due. These amounts were received by the Company in Q1 2014. A new \$430.0 million Promissory Note was issued by a subsidiary of ENRC on March 20, 2014 with a term to final maturity of December 31, 2015. The interest rate on the \$430.0 million Promissory Note was increased from 3% to 5% with all interest prepaid until the final maturity date. The \$430.0 million Promissory Note is secured against the shares in a subsidiary holding ENRC's Mozambique coal assets and is guaranteed by ENRC Congo B.V, a wholly owned subsidiary of ENRC. This note is classified as current on the balance sheet at December 31, 2014.

Cash flows from financing activities in 2014 include draw downs on debt facilities during the period, offset by dividend payments to shareholders of the Company of \$77.9 million and dividends to ZCCM Investments Holdings Plc ("ZCCM", a government owned entity), who hold a non-controlling interest in Kansanshi, of \$103.6 million.

Effective January 1, 2015, Zambia amended the corporate tax and mining royalty regime, under which the Company operates, by increasing revenue based royalties from 6% to 20% and reducing corporate taxes to 0% for open pit mining operations. As royalty costs are accounted for within cost of sales, the increase in royalties will adversely impact reported EBITDA. This change in the Zambian tax and royalty regime, combined with the recent significant fall in commodity prices, puts at risk the Company's ability to meet the Net Debt to EBITDA covenant under its Financing Agreements; other covenants remain robust. In response to these factors, the Company has undertaken a number of actions to reduce cash outflows and costs, manage its working capital and proactively engaged with its principal bankers.

Actions taken include re-phasing capital expenditure plans with a reduction in 2015 to between \$1.2 billion and \$1.4 billion, including \$0.6 billion planned for Cobre Panama. Management are also finalizing opportunities for reducing operating costs and cash outflows over and above the reductions expected to flow from lower fuel and other input costs. These actions are not expected to materially impact the Company's long term development and growth plans. The Company has also decided to conserve cash further by lowering the dividend payout ratio from 15% of comparative earnings to 10% and to introduce a Dividend Reinvestment Plan for eligible shareholders. The Company remains vigilant for other opportunities to improve net cash generation. It is expected that the second half of 2015 will see a substantial improvement in performance, compared to the first half of 2015, as the benefits of the Sentinel mine and Kansanshi smelter are realized.

The Lead Bankers have responded favourably to the steps the Company has taken. They have agreed to change the affected covenant to reflect current circumstances and provided confirmation that they will recommend such a change to the Company's broader lending group who remain supportive of the Company. As at December 31, 2014 the Company was in full compliance with all the terms of the Financing Agreements and expects to remain so under current circumstances after the change to the financial covenant is implemented.

The financial position of the Company at December 31, 2014 compared to December 31, 2013 remains positive. The Company's debt position has increased by \$1,908.7 million during the year, with a corresponding increase of \$2,733.2 million in property, plant and equipment as the Company continues to invest heavily in the expansion of its production capacity.

As at December 31, 2014, the Company had the following contractual obligations outstanding:

	Carrying Value	Contractual Cashflows	< 1 year	1 – 3 years	3 – 5 years	Thereafter
Debt	5,982.1	8,165.1	391.5	926.4	3,121.0	3,726.2
Trade and other payables	552.5	552.5	552.5	-	-	-
Current taxes payable	69.0	69.0	69.0	-	-	-
Deferred payments	34.9	34.9	3.5	3.5	3.5	24.4
Finance leases	31.3	44.7	5.1	10.3	8.4	20.9
Commitments	-	1,092.1	450.5	622.0	5.9	13.7
Restoration provisions	583.7	1,001.8	9.5	5.4	8.9	978.0
Total	7,253.5	10,960.1	1,481.6	1,567.6	3,147.7	4,763.2

During the first half of 2014, the Company advanced a financing plan to support the significant capital expansion and development program underway. The developments included:

- Kevitsa \$250.0 million Facility – On February 11, 2014 the Company cancelled its \$250.0 million Kevitsa Facility.
- Consent Solicitation – On February 12, 2014 the Company completed a consent solicitation to make certain amendments to the \$350.0 million indenture dated October 10, 2012 governing the Company's outstanding 7.25% senior notes due 2019 (the "FQM Notes"). The amendments, among other things, aligned the terms of the FQM Notes with the FQM New Notes (see below).
- Exchange Offer – On February 27, 2014 the Company completed an exchange offer whereby the 8.75% senior notes due 2020 and 7.50% senior notes due 2021 issued by Inmet prior to the acquisition were exchanged for 6.75% senior notes due 2020 and 7.00% senior notes due 2021, issued by First Quantum (together, the "FQM New Notes").
- \$100.0 million equipment financing facility – On April 2, 2014 the Company completed a \$100.0 million equipment finance facility with Caterpillar Financial Services Corporation for Kalumbila Minerals Limited, which owns the Trident project in Zambia. This equipment financing facility was used to purchase mobile equipment for the Sentinel and Enterprise mines and is guaranteed by the Company.
- Kansanshi \$1.0 billion facility – On April 3, 2014 the Company cancelled its \$1.0 billion facility for Kansanshi Mining PLC, the owner of the Kansanshi copper and gold mine in Zambia. This \$1.0 billion facility was replaced by an unsecured \$350.0 million facility from a syndicate led by Standard Chartered Bank, which was fully drawn in April 2014.
- New \$3.0 billion Facility – On April 15, 2014, the Company announced that it had signed and drawn down on its \$2.5 billion Five-Year Term Loan and Revolving Facility ("the Facility"). The Facility was syndicated during Q2 2014, which resulted in an upsizing of the Facility to \$3.0 billion. The Facility comprises a \$1.2 billion term loan facility available to draw until April 8, 2016 with a margin of 2.75% - 3.00% and a \$1.8 billion revolving credit facility available to draw until March 8, 2019 also with a margin of 2.75% - 3.00% per annum. All outstanding loans on these facilities must be repaid no later than April 8, 2019. The \$2.5 billion FQM (Akubra) revolving debt facility with Standard Chartered Bank arranged for the Inmet acquisition, which was completed in April 2013, has been repaid and cancelled.
- FQM Ltd. 7.25% senior notes – On May 13, 2014, the Company issued \$850.0 million in senior notes due in 2022, bearing interest at an annual rate of 7.25%, which will be paid semi-annually in arrears on May 15 and November 15 of each year. Interest will accrue from and including May 13, 2014, and the first interest payment date will be November 15, 2014. The notes will mature on May 15, 2022.

The Company had total commitments of \$1,092.1 million, of which approximately \$450.5 million relates to the 12 months until December 31, 2015, and is comprised primarily of capital expenditure for property, plant and equipment related to the development of Cobre Panama, Sentinel, Enterprise, upgrades at Kansanshi and the copper smelter construction. In addition, the Company's Board of Directors has approved, but has not yet committed to, further capital expenditure which is being carefully managed in line with available cash resources and debt facilities.

The Company's revenue stream agreement with Franco-Nevada Corporation for the delivery of precious metals from the Cobre Panama project remains in place. Under the terms of the agreement, Franco-Nevada has agreed to provide a \$1,000.0 million deposit against future deliveries of precious metals. This deposit will to be funded on a pro-rata basis of 1:3 with the Company's share of the capital costs in excess of \$1,000.0 million. On January 27, 2014, the Company announced that discussions are underway to effect changes to the existing security and reporting requirements of this agreement. No funds have been drawn on this agreement, however based on funding that the Company contributed to Cobre Panama up to December 31, 2014, Franco-Nevada is responsible for funding \$256.0 million of the purchase deposit, which is expected to be advanced upon conclusion of the on-going discussions.

The significant capital expansion and development program is expected to be funded using available committed undrawn facilities totaling \$1,042.7 million and unrestricted cash of \$357.4 million as at December 31, 2014, plus future cash flows.

Hedging program

As at December 31, 2014, the following derivative positions were outstanding:

	Open Positions (tonnes/ounces)	Average Contract price	Closing Market price	Maturities Through
Embedded derivatives in provisionally priced sales contracts:				
Copper	53,866	\$2.97/lb	\$2.88/lb	April 2015
Nickel	2,293	\$7.28/lb	\$6.77/lb	January 2015
Gold	13,664	\$1,195/oz	\$1,199/oz	April 2015
Zinc	3,100	\$1.01/lb	\$0.98/lb	February 2015
Platinum	5,096	\$1,038/oz	\$1,210/oz	January 2015
Palladium	4,088	\$803/oz	\$798/oz	January 2015

Commodity contracts:				
Copper	53,475	\$2.97/lb	\$2.88/lb	April 2015
Nickel	2,580	\$7.28/lb	\$6.77/lb	January 2015
Gold	13,327	\$1,195/oz	\$1,199/oz	April 2015
Zinc	3,100	\$1.01/lb	\$0.98/lb	February 2015
Platinum	5,115	\$1,038/oz	\$1,210/oz	January 2015
Palladium	4,109	\$803/oz	\$798/oz	January 2015

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

	December 31, 2014	December 31, 2013
Commodity contracts:		
Asset position	\$21.8	\$2.5
Liability position	(2.3)	(10.5)

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 December 31, 2014, 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 600,505,712 shares outstanding. The increase in common shares since the date of the last annual report resulted from the issuance of shares to Lumina Copper Corp. shareholders as part of the acquisition consideration.

SUMMARY OF RESULTS

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

Consolidated operating statistics	2012	Q1 13	Q2 13	Q3 13	Q4 13	2013	Q1 14	Q2 14	Q3 14	Q4 14	2014
<i>Sales revenues</i>											
Copper	\$2,232.2	\$663.2	\$618.8	\$663.6	\$644.1	\$2,589.7	\$643.9	\$685.1	\$628.2	\$582.5	\$2,539.7
Nickel	396.5	140.7	129.2	123.2	138.3	531.4	146.2	147.7	157.2	145.8	596.9
Gold	296.4	84.1	74.2	66.9	56.6	281.8	56.1	66.3	58.8	48.0	229.2
PGE and other elements	25.3	13.2	47.1	31.7	58.0	150.0	44.3	46.0	41.6	44.3	176.2
Total sales revenues	2,950.4	901.2	869.3	885.4	897.0	3,552.9	890.5	945.1	885.2	821.2	3,542.0
Gross profit	1,101.0	310.2	201.1	303.1	319.4	1,133.8	281.6	292.6	240.4	183.2	997.8
EBITDA ¹	2,361.2	310.4	284.2	393.1	364.2	1,351.9	363.6	381.5	366.7	301.0	1,412.8
Net earnings attributable to shareholders of the Company	1,772.9	112.4	71.9	143.0	131.3	458.6	126.8	133.6	121.2	453.2	834.8
Comparative earnings ²	555.0	153.8	103.6	143.6	133.8	539.4	126.8	133.6	137.2	76.9	474.5
Basic earnings per share	\$3.74	\$0.23	\$0.12	\$0.24	\$0.22	\$0.82	\$0.22	\$0.23	\$0.21	\$0.76	\$1.40
Comparative earnings per share	\$1.17	\$0.32	\$0.18	\$0.24	\$0.23	\$0.96	\$0.22	\$0.23	\$0.23	\$0.13	\$0.80
Diluted earnings per share	\$3.72	\$0.23	\$0.12	\$0.24	\$0.22	\$0.81	\$0.21	\$0.23	\$0.20	\$0.75	\$1.39
Dividends declared per common share (\$CDN per share)	\$0.1880	\$0.1147	-	\$0.0583	-	\$0.1730	\$0.0930	-	\$0.0504	-	\$0.1434
Basic weighted average # shares ('000's) ³	473,893	478,056	587,070	587,625	587,456	560,009	587,191	587,164	591,244	595,994	595,994
<i>Cash flows per share from operating activities</i>											
Before working capital movements	\$2.46	\$0.68	\$0.48	\$0.70	\$0.72	\$2.57	\$0.63	\$0.67	\$0.57	\$0.41	\$2.28
After working capital movements	\$0.72	\$0.87	\$0.35	\$0.08	\$0.34	\$1.55	\$0.15	\$0.32	\$0.42	\$0.36	\$1.25
<i>Copper statistics</i>											
Total copper production (tonnes)	307,115	79,308	103,694	114,488	114,791	412,281	113,118	107,808	101,553	105,176	427,655
Total copper sales (tonnes)	295,466	89,109	95,491	105,859	95,598	386,057	102,786	114,449	99,132	94,836	411,203
Realized copper price (per lb)	3.51	3.48	3.10	3.10	3.26	3.22	3.10	2.97	3.11	2.91	3.03
TC/RC (per lb)	(0.08)	(0.08)	(0.09)	(0.10)	(0.08)	(0.09)	(0.14)	(0.15)	(0.14)	(0.15)	(0.14)
Freight charges (per lb)	(0.17)	(0.17)	(0.14)	(0.12)	(0.12)	(0.14)	(0.12)	(0.11)	(0.10)	(0.09)	(0.11)
Net realized copper price (per lb)	3.26	3.23	2.87	2.88	3.06	2.99	2.84	2.71	2.87	2.67	2.78
Cash costs – copper (C1) (per lb) ¹	\$1.49	\$1.52	\$1.34	\$1.16	\$1.23	\$1.30	\$1.38	\$1.45	\$1.44	\$1.35	\$1.41
Total costs – copper (C3) (per lb) ¹	\$1.91	\$2.06	\$1.99	\$1.84	\$1.81	\$1.92	\$2.03	\$2.16	\$2.26	\$2.06	\$2.12
<i>Nickel statistics</i>											
Nickel production (contained tonnes)	36,759	11,072	10,875	12,485	12,634	47,066	11,838	12,223	11,884	9,934	45,879
Nickel sales (contained tonnes)	30,379	11,048	11,927	12,335	13,795	49,105	14,097	10,651	10,812	12,189	47,749
Nickel production (payable tonnes)	27,792	8,812	8,575	9,873	9,964	37,224	9,503	9,900	9,316	7,767	36,486
Nickel sales (payable tonnes)	23,320	8,539	9,347	9,482	11,008	38,376	11,113	8,344	8,417	9,374	37,248
Realized nickel price (per payable lb)	7.96	7.80	6.82	6.45	6.37	6.82	6.57	8.45	8.47	7.20	7.58
TC/RC (per payable lb)	(0.25)	(0.33)	(0.55)	(0.56)	(0.67)	(0.54)	(0.60)	(0.41)	(0.03)	(0.12)	(0.31)
Net realized nickel price (per payable lb)	7.71	7.47	6.27	5.89	5.70	6.28	5.97	8.04	8.44	7.08	7.27
Cash costs – nickel (C1) (per payable lb) ¹	\$5.92	\$5.34	\$5.45	\$4.90	\$4.51	\$5.02	\$4.37	\$4.16	\$4.52	\$4.49	\$4.40
Total costs – nickel (C3) (per payable lb) ¹	\$7.19	\$6.59	\$6.82	\$6.09	\$5.46	\$6.20	\$5.65	\$5.51	\$5.77	\$6.06	\$5.82
<i>Gold statistics</i>											
Total gold production (ounces)	201,942	55,944	63,567	65,368	63,199	248,078	60,164	60,723	51,446	57,480	229,813
Total gold sales (ounces)	202,303	58,791	59,381	60,391	50,399	228,962	53,126	60,135	52,235	48,608	214,104
Net realized gold price (per ounce)	1,465	1,431	1,272	1,084	1,124	1,231	1,056	1,102	1,124	989	1,071
<i>Platinum statistics</i>											
Platinum production (ounces)	13,808	6,833	6,161	9,416	7,993	30,403	8,857	9,210	6,712	9,311	34,090
Platinum sales (ounces)	7,775	4,392	6,730	6,433	11,375	28,930	9,931	10,558	5,079	8,330	33,898
<i>Palladium statistics</i>											
Palladium production (ounces)	12,183	5,732	4,903	7,404	6,600	24,639	6,485	7,000	5,271	7,234	25,990
Palladium sales (ounces)	7,181	4,228	5,485	5,540	8,167	23,420	7,769	7,285	4,536	6,256	25,846
<i>Zinc statistics</i>											
Zinc production (tonnes)	-	1,590	15,619	17,331	15,393	49,933	14,841	13,787	14,795	12,557	55,980
Zinc sales (tonnes)	-	143	18,040	15,876	17,866	51,925	12,858	15,420	15,327	12,663	56,268

¹ Cash costs, total costs and EBITDA are not recognized under IFRS. See “Regulatory Disclosures” for further information.

² Comparative earnings for the year ending December 31, 2013 do not equal the sum of the comparative earnings reported in each quarter in 2013, due to the impact of changes to tax rates in Q4 2013 which are applied on a year-to-date basis.

³ Fluctuations in average weighted shares between quarters reflect changes in levels of treasury shares held for performance share units.

Kansanshi statistics	2012	Q1 13	Q2 13	Q3 13	Q4 13	2013	Q1 14	Q2 14	Q3 14	Q4 14	2014
Mining											
Waste mined (000's tonnes)	81,138	15,779	21,427	28,332	18,850	84,388	9,343	11,927	17,725	15,970	54,966
Ore mined (000's tonnes)	30,447	8,419	9,623	8,365	9,868	36,275	5,688	6,563	7,859	6,835	26,945
Processing											
Sulphide ore processed (000's tonnes)	9,254	2,521	2,921	2,857	2,790	11,089	2,701	2,347	1,366	1,531	7,944
Sulphide ore grade processed (%)	1.0	0.7	0.7	0.9	0.9	0.8	1.0	0.8	1.0	1.0	0.9
Sulphide ore recovery (%)	93	91	93	93	92	92	92	91	91	89	91
Mixed ore processed (000's tonnes)	8,561	1,928	1,866	1,886	1,997	7,677	1,316	1,770	3,064	3,262	9,413
Mixed ore grade processed (%)	1.1	1.1	1.2	1.2	1.2	1.2	1.1	1.1	1.2	1.1	1.1
Mixed ore recovery (%)	69	75	72	68	71	71	72	75	74	70	73
Oxide ore processed (000's tonnes)	6,210	1,594	1,739	1,669	1,660	6,662	1,923	2,448	1,853	1,753	7,977
Oxide ore grade processed (%)	2.2	2.2	2.1	2.2	2.4	2.2	2.2	1.7	1.6	1.6	1.8
Oxide ore recovery (%)	86	86	83	88	87	86	82	83	85	81	83
Copper cathode produced (tonnes)	96,747	23,122	23,995	25,599	27,118	99,834	28,022	29,813	25,162	19,365	102,362
Copper cathode tolled produced (tonnes)	72,455	17,270	19,628	13,288	14,489	64,675	2,560	-	-	-	2,560
Copper in concentrate produced (tonnes)	92,149	22,731	20,339	32,150	30,994	106,214	39,967	36,483	38,356	42,559	157,365
Total copper production	261,351	63,123	63,962	71,037	72,602	270,724	70,549	66,296	63,518	61,924	262,287
Concentrate grade (%)	25.0	24.7	25.0	25.6	23.2	24.6	24.2	22.5	23.9	22.2	23.3
Gold produced (ounces)	136,056	36,866	43,117	43,904	43,508	167,395	39,734	41,760	36,232	36,705	154,431
Cash Costs (per lb)¹											
Mining	\$0.54	\$0.60	\$0.60	\$0.42	\$0.46	\$0.52	\$0.64	\$0.73	\$0.57	\$0.61	\$0.64
Processing	0.86	0.87	0.81	0.73	0.77	0.79	0.78	0.84	0.91	0.93	0.86
Site administration	0.06	0.07	0.07	0.07	0.08	0.07	0.07	0.09	0.08	0.05	0.07
TC/RC and freight charges	0.35	0.35	0.37	0.36	0.30	0.34	0.37	0.34	0.30	0.31	0.33
Gold credit	(0.32)	(0.32)	(0.37)	(0.33)	(0.33)	(0.34)	(0.29)	(0.30)	(0.29)	(0.22)	(0.27)
Cash costs (C1) (per lb) ¹	\$1.49	\$1.55	\$1.48	\$1.25	\$1.28	\$1.38	\$1.57	\$1.70	\$1.57	\$1.68	\$1.63
Total costs (C3) (per lb) ¹	\$1.88	\$2.02	\$1.94	\$1.68	\$1.70	\$1.83	\$2.04	\$2.22	\$2.21	\$2.17	\$2.16
Revenues (\$ millions)											
Copper cathodes	\$1,363.0	\$382.5	\$309.2	\$286.7	\$266.8	\$1,245.2	\$206.4	\$244.7	\$229.2	\$227.9	\$907.7
Copper in concentrates	434.3	127.6	64.4	80.7	128.8	401.5	183.2	184.8	141.7	107.9	617.6
Gold	182.6	52.8	47.0	43.9	41.9	185.6	40.1	47.9	37.9	26.3	152.2
Total sales revenues	\$1,979.9	\$562.9	\$420.6	\$411.3	\$437.5	\$1,832.3	\$429.7	\$477.3	\$408.9	\$361.6	\$1,677.5
Copper cathode sales (tonnes)	102,450	32,460	24,726	30,393	28,199	115,778	27,153	36,580	32,921	31,386	128,040
Copper tolled cathode sales (tonnes)	72,455	17,270	19,628	13,288	14,489	64,675	2,560	-	-	-	2,560
Copper in concentrate sales (tonnes)	74,979	21,792	13,812	17,685	15,003	68,292	33,357	36,629	25,391	21,335	116,712
Gold sales (ounces)	131,159	37,518	38,991	39,279	36,844	152,632	37,728	43,784	33,366	27,731	142,609

¹ Cash costs and total costs are not recognized under IFRS. See "Regulatory Disclosures" for further information.

Las Cruces statistics	2012	Q1 13	Q2 13	Q3 13	Q4 13	2013	Q1 14	Q2 14	Q3 14	Q4 14	2014
Mining											
Waste mined (000's tonnes) ¹	14,464	1,825	6,323	5,645	3,273	17,066	852	4,476	7,096	6,629	19,053
Ore mined (000's tonnes)	1,054	189	208	627	149	1,173	362	558	422	350	1,692
Processing											
Copper ore processed (000's tonnes)	1,082	305	255	359	334	1,253	375	372	413	379	1,539
Copper ore grade processed (%)	7.1	6.7	6.3	6.1	6.0	6.2	5.5	5.1	4.8	5.2	5.1
Recovery (%)	88	88	88	88	91	89	91	90	89	89	90
Copper cathode produced (tonnes)	67,662	17,927	13,912	19,119	18,346	69,304	18,675	17,197	17,693	17,525	71,090
Cash Costs (per lb)^{2,3}											
Cash costs (C1) (per lb) ²	\$1.10	\$1.00	\$1.44	\$0.69	\$1.24	\$1.14	\$0.98	\$0.89	\$1.03	\$0.95	\$0.96
Total costs (C3) (per lb) ²	\$1.79	\$1.53	\$2.36	\$2.07	\$2.15	\$2.13	\$1.92	\$2.00	\$2.04	\$1.94	\$1.97
Revenues (\$ millions)											
Copper cathode	\$536.6	\$138.5	\$97.2	\$133.6	\$120.9	\$490.2	\$131.2	\$129.5	\$126.6	\$103.9	\$491.2
Copper cathode sales (tonnes)	68,838	17,360	13,872	18,691	16,883	66,806	18,657	18,867	18,002	15,594	71,120

¹ Waste mined has been restated to include development tonnes, not previously included, in order to align with other sites' mine statistics.

² Cash costs and total costs are not recognized under IFRS. See "Regulatory Disclosures" for further information.

³ Cash costs and total costs from Q3 2012 have been recalculated from those disclosed by Inmet using methodology consistent with the Company.

Guelb Moghrein statistics	2012	Q1 13	Q2 13	Q3 13	Q4 13	2013	Q1 14	Q2 14	Q3 14	Q4 14	2014
<i>Mining</i>											
Waste mined (000's tonnes)	19,577	5,707	5,724	5,229	5,653	22,313	4,390	4,755	3,394	4,601	17,140
Ore mined (000's tonnes)	3,570	637	753	766	735	2,891	682	730	703	971	3,086
<i>Processing</i>											
Sulphide ore processed (000's tonnes)	3,062	696	743	694	714	2,847	738	729	621	969	3,057
Sulphide ore grade processed (%)	1.3	1.5	1.5	1.4	1.3	1.4	1.3	1.2	1.1	1.1	1.2
Recovery (%)	91	95	95	92	93	94	93	92	92	91	92
Copper in concentrate produced (tonnes)	37,670	9,700	10,734	8,670	8,866	37,970	8,847	8,069	6,395	9,768	33,079
Gold produced (ounces)	60,519	16,190	15,572	13,093	13,336	58,191	13,849	12,256	8,942	13,901	48,948
<i>Cash Costs (per lb)¹</i>											
Mining	\$0.66	\$0.58	\$0.38	\$0.53	\$0.55	\$0.50	\$0.56	\$0.78	\$0.67	\$0.43	\$0.60
Processing	1.16	1.23	1.03	1.20	1.30	1.18	1.06	1.14	1.32	0.94	1.09
Site administration	0.32	0.32	0.28	0.41	0.24	0.32	0.21	0.24	0.37	0.21	0.25
TC/RC and freight charges	0.58	0.54	0.62	0.54	0.54	0.57	0.52	0.57	0.61	0.57	0.57
Gold credit	(1.24)	(1.25)	(0.96)	(0.84)	(0.77)	(0.99)	(0.79)	(0.86)	(0.86)	(0.84)	(0.84)
Cash costs (C1) (per lb) ¹	\$1.48	\$1.43	\$1.36	\$1.83	\$1.86	\$1.58	\$1.56	\$1.87	\$2.11	\$1.31	\$1.67
Total costs (C3) (per lb) ¹	\$2.04	\$2.05	\$1.92	\$2.45	\$2.11	\$2.11	\$2.20	\$2.62	\$2.94	\$2.07	\$2.41
<i>Revenues (\$ millions)</i>											
Copper in concentrates	\$286.7	\$77.8	\$67.3	\$52.9	\$40.5	\$238.5	\$38.7	\$35.1	\$54.4	\$48.0	\$176.2
Gold	107.7	29.0	21.5	15.4	10.4	76.3	10.6	11.3	16.6	15.1	53.6
Total sales revenues	\$394.4	\$106.8	\$88.8	\$68.3	\$50.9	\$314.8	49.3	46.4	71.0	63.1	229.8
Copper in concentrate sales (tonnes)	40,174	10,988	10,706	8,564	6,327	36,585	6,360	6,064	9,152	8,519	30,095
Gold sales (ounces)	67,089	19,462	15,712	12,585	8,281	56,040	9,075	9,488	13,917	13,421	45,901

¹ Cash costs and total costs are not recognized under IFRS. See "Regulatory Disclosures" for further information.

Ravensthorpe statistics	2012	Q1 13	Q2 13	Q3 13	Q4 13	2013	Q1 14	Q2 14	Q3 14	Q4 14	2014
<i>Processing</i>											
Beneficiated ore processed (000's tonnes)	2,811	690	754	830	845	3,119	761	828	829	710	3,128
Beneficiated ore grade processed (%)	1.5	1.7	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.4	1.5
Nickel recovery – leach feed to NI produced (%) ¹	81	85	81	79	81	82	85	83	84	82	84
Nickel produced (contained tonnes)	32,884	9,023	8,919	9,917	10,244	38,103	9,370	9,611	9,728	7,736	36,445
Nickel produced (payable tonnes)	25,347	6,951	6,818	7,560	7,808	29,137	7,266	7,528	7,619	6,059	28,472
<i>Cash Costs (per lb)¹</i>											
Mining	\$0.80	\$0.71	\$0.84	\$0.68	\$0.85	\$0.77	\$0.74	\$0.74	\$0.80	\$0.94	\$0.80
Processing	4.14	3.86	4.00	3.41	2.72	3.47	2.76	2.99	3.39	3.64	3.18
Site administration	0.51	0.40	0.36	0.35	0.27	0.34	0.26	0.28	0.32	0.29	0.29
TC/RC and freight charges	0.64	0.52	0.59	0.56	0.51	0.54	0.48	0.48	0.49	0.41	0.46
Cobalt credit	(0.12)	(0.12)	(0.14)	(0.15)	(0.12)	(0.13)	(0.22)	(0.23)	(0.22)	(0.24)	(0.23)
Cash costs (C1) (per lb) ¹	\$5.97	\$5.36	\$5.65	\$4.85	\$4.23	\$4.99	\$4.02	\$4.26	\$4.79	\$5.04	\$4.50
Total costs (C3) (per lb) ¹	\$7.25	\$6.59	\$6.90	\$5.94	\$5.39	\$6.18	\$5.38	\$5.66	\$6.44	\$6.57	\$5.98
<i>Revenues (\$ millions)</i>											
Nickel	\$380.8	\$130.5	\$113.5	\$109.7	\$111.5	\$465.2	\$115.5	\$127.7	\$127.9	\$121.3	\$492.4
Cobalt	6.9	2.1	2.3	2.6	2.2	9.2	3.8	3.5	3.4	4.1	14.8
Total sales revenues	\$387.7	\$132.6	\$115.8	\$112.3	\$113.7	\$474.4	\$119.3	\$131.2	\$131.3	\$125.4	\$507.2
Nickel sales (contained tonnes)	28,738	10,033	9,902	10,535	10,142	40,612	10,420	8,825	8,824	9,912	37,981
Nickel sales (payable tonnes)	21,857	7,613	7,496	7,842	8,021	30,972	8,042	6,879	6,937	7,688	29,546

¹ The Company has retrospectively changed how nickel recovery is calculated and disclosed to better reflect the mine process.

² Cash costs and total costs are not recognized under IFRS. See "Regulatory Disclosures" for further information.

Kevitsa statistics	2012	Q1 13	Q2 13	Q3 13	Q4 13	2013	Q1 14	Q2 14	Q3 14	Q4 14	2014
<i>Mining</i>											
Total tonnes mined (000's tonnes)	7,460	3,790	5,119	6,624	6,071	21,604	5,626	7,357	6,880	8,302	28,165
<i>Processing</i>											
Ore tonnes milled (000's tonnes)	3,138	1,512	1,456	1,676	1,670	6,314	1,527	1,809	1,666	1,709	6,711
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	64	61	65	64	63	65	61	56	63	61
Nickel production (tonnes)	3,875	2,049	1,956	2,568	2,390	8,963	2,469	2,611	2,156	2,197	9,433
Copper ore grade processed	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Copper recovery (%)	83	80	83	84	84	83	88	89	87	84	87
Copper production (tonnes)	8,094	3,181	3,559	4,020	4,015	14,775	3,988	4,648	4,798	4,101	17,535
Gold production (ounces)	5,367	2,619	2,714	3,382	3,008	11,723	3,029	3,514	3,208	3,093	12,844
Platinum production (ounces)	13,808	6,833	6,161	9,416	7,993	30,403	8,857	9,210	6,712	9,311	34,090
Palladium production (ounces)	12,183	5,732	4,903	7,404	6,600	24,639	6,485	7,000	5,271	7,234	25,990
Cash costs – Nickel (C1) (per lb) ^{1,2}	\$5.47	\$5.29	\$4.71	\$5.51	\$5.15	\$5.24	\$5.19	\$4.02	\$3.24	\$2.66	\$4.07
Total costs – Nickel (C3) (per lb) ^{1,2}	\$6.54	\$6.57	\$6.50	\$7.03	\$5.35	\$6.41	\$6.23	\$5.13	\$4.41	\$4.31	\$5.29
Cash costs – Copper (C1) (per lb) ^{1,2}	\$1.28	\$1.94	\$1.78	\$1.56	\$1.49	\$1.68	\$1.52	\$0.97	\$2.19	\$1.11	\$1.42
Total costs – Copper (C3) (per lb) ^{1,2}	\$2.61	\$2.75	\$2.59	\$2.70	\$1.78	\$2.44	\$2.30	\$1.66	\$3.01	\$2.24	\$2.27
<i>Revenues (\$ millions)</i>											
Nickel	\$15.7	\$10.2	\$15.7	\$13.5	\$26.8	\$66.2	\$30.7	\$20.1	\$28.6	\$25.1	\$104.5
Copper	39.3	19.3	17.1	25.2	16.6	78.2	30.7	32.8	16.2	29.0	108.7
Gold	6.2	2.4	1.9	2.8	1.2	8.3	2.8	4.1	1.6	3.0	11.5
PGE and other	10.9	7.9	11.4	9.8	15.8	44.9	16.4	14.4	6.5	9.4	46.7
Total sales revenues	\$72.1	\$39.8	\$46.1	\$51.3	\$60.4	\$197.6	\$80.6	\$71.4	\$52.9	\$66.5	\$271.4
Nickel sales (tonnes)	1,640	1,015	2,025	1,801	3,652	8,493	3,677	1,825	1,989	2,277	9,768
Copper sales (tonnes)	6,448	2,734	2,905	4,075	2,938	12,652	5,237	5,787	2,973	5,545	19,542
Gold sales (ounces)	4,757	1,811	1,710	2,655	1,182	7,358	2,749	3,485	1,413	3,229	10,876
Platinum sales (ounces)	7,775	4,392	6,730	6,433	11,375	28,930	9,931	10,558	5,079	8,330	33,898
Palladium sales (ounces)	7,181	4,228	5,485	5,540	8,167	23,420	7,769	7,285	4,536	6,256	25,846

¹ Cash costs and total costs are not recognized under IFRS. See “Regulatory Disclosures” for further information.

² Cash costs and total costs 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.

Çayeli statistics	2012	Q1 13	Q2 13	Q3 13	Q4 13	2013	Q1 14	Q2 14	Q3 14	Q4 14	2014
<i>Mining</i>											
Ore mined (000's tonnes)	1,210	328	340	322	340	1,330	332	337	321	366	1,356
<i>Processing</i>											
Ore milled (000's tonnes)	1,218	323	333	335	342	1,333	337	332	324	348	1,341
Copper ore grade processed (%)	3.3	3.2	3.2	3.1	2.8	3.1	2.7	3.0	2.5	2.8	2.7
Copper ore recovery (%)	78	77	76	77	78	77	80	83	77	81	80
Zinc ore grade processed (%)	5.0	4.6	5.1	5.1	4.5	4.9	4.4	3.8	4.7	4.1	4.3
Zinc ore recovery (%)	66	68	68	66	63	66	66	62	65	60	63
Copper produced (tonnes)	31,396	7,873	8,089	8,010	7,538	31,510	7,142	8,229	6,169	7,820	29,360
Zinc produced (tonnes)	40,692	10,249	11,665	11,346	9,837	43,097	9,791	7,898	10,016	8,513	36,218
<i>Cash Costs (per lb)^{1,2}</i>											
Cash costs – Copper (C1) (per lb) ¹	\$0.65	\$0.93	\$0.11	\$0.98	\$0.87	\$0.76	\$0.76	\$0.80	\$1.04	\$1.02	\$0.90
Total costs – Copper (C3) (per lb) ¹	\$1.14	\$1.51	\$1.13	\$1.76	\$1.89	\$1.64	\$1.72	\$1.63	\$2.43	\$1.66	\$1.83
<i>Revenues (\$ millions)</i>											
Copper	\$221.1	\$52.8	\$33.3	\$53.6	\$45.8	\$185.5	\$31.4	\$38.3	\$42.4	\$42.6	\$154.7
Zinc	46.6	8.4	19.4	6.1	13.7	47.6	10.1	10.5	14.5	11.9	47.0
Other	23.9	4.1	3.6	4.7	2.8	15.2	1.5	3.3	2.6	2.8	10.2
Total sales revenues	\$291.6	\$65.3	\$56.3	\$64.4	\$62.3	\$248.3	\$43.0	\$52.1	\$59.5	\$57.3	\$211.9
Copper sales (tonnes)	33,215	8,080	6,866	8,484	7,940	31,370	5,711	7,264	7,847	8,419	29,241
Zinc sales (tonnes)	39,955	7,173	14,105	9,897	12,179	43,354	8,639	9,069	10,228	9,362	37,298

¹ Cash costs and total costs are not recognized under IFRS. See “Regulatory Disclosures” for further information.

² Cash costs and total costs for 2011 are as reported by Inmet. Cash costs and total costs from Q1 2012 have been recalculated using methodology consistent with the Company.

Pyhäsalmi statistics	2012	Q1 13	Q2 13	Q3 13	Q4 13	2013	Q1 14	Q2 14	Q3 14	Q4 14	2014
<i>Mining</i>											
Ore mined (000's tonnes)	1,384	346	340	348	348	1,382	342	360	340	360	1,402
<i>Processing</i>											
Ore milled (000's tonnes)	1,384	346	340	348	348	1,382	342	347	345	343	1,377
Copper ore grade processed (%)	1.0	1.3	1.1	1.1	1.0	1.1	1.2	1.0	0.9	1.2	1.1
Copper ore recovery (%)	96	97	95	96	98	97	97	96	95	97	96
Zinc ore grade processed (%)	2.0	2.0	1.3	2.0	1.7	1.7	1.6	1.9	1.5	1.3	1.6
Zinc ore recovery (%)	92	92	90	92	92	92	90	91	90	89	90
Copper produced (tonnes)	12,610	4,362	3,438	3,632	3,422	14,854	3,917	3,369	2,980	4,038	14,304
Zinc produced (tonnes)	25,637	6,184	3,954	5,985	5,556	21,679	5,050	5,889	4,780	4,043	19,762
Pyrite produced (tonnes)	891,728	189,955	211,444	221,734	202,688	825,821	196,884	224,388	219,224	200,433	840,929
<i>Cash Costs (per lb)¹</i>											
Cash costs – Copper (C1) (per lb) ¹	(\$0.53)	(\$0.55)	\$0.30	\$0.65	\$0.03	\$0.14	\$0.52	\$0.18	\$0.09	(\$0.49)	\$0.06
Total costs – Copper (C3) (per lb) ¹	(\$0.14)	(\$0.10)	\$2.53	\$2.48	\$2.51	\$1.82	\$2.54	\$2.24	\$2.24	\$1.49	\$2.11
<i>Revenues (\$ millions)</i>											
Copper	\$95.7	\$27.3	\$17.0	\$31.6	\$24.7	\$100.6	\$22.3	\$19.9	\$17.9	\$23.5	\$83.6
Zinc	32.1	9.1	5.3	5.7	7.0	27.1	5.4	8.4	8.2	4.7	26.7
Pyrite	32.1	4.9	6.8	5.8	15.2	32.7	5.0	5.6	5.8	11.2	27.6
Other	21.9	6.3	1.3	1.8	4.1	13.5	4.6	3.6	2.7	4.0	14.9
Total sales revenues	\$181.8	\$47.6	\$30.4	\$44.9	\$51.0	\$173.9	\$37.3	\$37.5	\$34.6	\$43.4	\$152.8
Copper sales (tonnes)	13,407	3,747	2,977	4,678	3,819	15,221	3,750	3,259	2,847	4,038	13,894
Zinc sales (tonnes)	25,101	6,738	3,935	5,979	5,687	22,339	4,219	6,351	5,100	3,300	18,970
Pyrite sales (tonnes)	852,463	114,478	110,777	89,999	454,665	769,919	191,801	216,244	211,949	320,849	940,843

¹ Cash costs and total costs are not recognized under IFRS. See “Regulatory Disclosures” for further information.

² Cash costs and total costs from Q3 2012 have been recalculated from those disclosed by Inmet using methodology consistent with the Company.

REGULATORY DISCLOSURES

Seasonality

The Company's results as discussed in this MD&A are subject to seasonal aspects, in particular the rain season in Zambia. The rain season in Zambia generally starts in November and continues through April, with the heaviest rainfall normally experienced in the months of January, February and March. As a result of the rain season, 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 costs (C1) and total costs (C3) 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 costs and total costs

The consolidated cash costs (C1) and total costs (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 cash and total costs for each segment, the costs are prepared on the same basis as the segmented financial information that is contained in the financial statements.

Cash costs include 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 cash costs to arrive at an approximate cost of finished metal. Total costs are cash costs plus depreciation, exploration, interest, royalties.

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

In calculating the operating cash flow per share, before and after working capital movements, 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. Comparative earnings and comparative earnings per share have been adjusted to remove the effect of the revaluation of deferred tax assets and liabilities in Zambia as a result of the substantive enactment of the change in tax law for mining companies in December 2014, the costs relating to the leach tank failure at Ravensthorpe, the impairment of investments, acquisition accounting adjustments relating to the acquisition of Inmet and the reclassification of an impairment of an investment to net earnings. These measures may differ from those used by other issuers.

	Q4 2014	Q3 2014	Q4 2013	2014	2013
Net earnings attributable to shareholders of the Company	453.2	121.2	131.3	834.8	458.6
Add:					
Revaluation of Zambian deferred taxes	(382.2)	-	-	(382.2)	-
Costs relating to leach tank failure at Ravensthorpe	5.9	-	-	5.9	-
Impairment of earn-in investment	-	7.5	-	7.5	-
Equity share of impairment loss on associate	-	8.5	-	8.5	-
Acquisition and other costs relating to Inmet	-	-	-	-	27.0
Non-recurring acquisition accounting inventory adjustments	-	-	-	-	33.2
Reclassification of impairment of an investment to net earnings	-	-	2.5	-	20.6
Comparative earnings	76.9	137.2	133.8	474.5	539.4
Earnings per share as reported	\$0.76	\$0.21	\$0.22	\$1.40	\$0.82
Comparative earnings per share	\$0.13	\$0.23	\$0.23	\$0.80	\$0.96

a) 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 best 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 are being achieved at a pre-determined level of design capacity and indications exist that this level will continue; mineral recoveries are at or near expected production level; 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.

- **Business combination**

Significant judgement is required when establishing whether assets and liabilities acquired by the Company constitute a business combination. Accounting treatment of a business combination differs from asset acquisition in the recognition of goodwill, deferred tax balances and the requirement to expense all associated transaction costs.

(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.

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.

- **Purchase price allocation**

The Company's acquisition of Inmet shares on March 22, 2013 required each identifiable asset and liability to be measured at its acquisition-date fair value. The excess, if any, of the fair value of consideration over the fair value of the identifiable net assets acquired was recognized in goodwill. The determination of the acquisition-date fair values often requires management to make assumptions and estimates about future events. The assumptions and estimates relating to determining the fair value of property, plant and equipment acquired generally require a high degree of judgment, and include estimates of mineral reserves and resources acquired, future metal prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of the acquired assets and liabilities could affect the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

- **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 several 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.

Financial instruments risk exposure

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

Credit risk

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

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

Exceptions to the policy for dealing with relationship banks with ratings below "A-" are reported to, and approved by, the Audit Committee. As at December 31, 2014, substantially all cash and short-term deposits are with counterparties with ratings "A-" or higher.

The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. More than 65% of the Company's trade receivables are generated from five customers together representing greater than 42% of the total sales for the year. Of these five customers, the revenues generated by one customer exceeded 10% of the total revenue earned in the period. Revenues earned from this customer are included within the Kansanshi, Las Cruces and Çayeli segments. 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.

The Promissory Note receivable from ENRC included mandatory prepayment features triggered by the counterparty's circumstances: delisting from the London Stock Exchange; the counterparty's long-term unsecured, unsubordinated debt being downgraded to a rating lower than "B-" by Moody's Investor Services Limited; a material portion of the counterparty's assets are nationalized and/or expropriated by any government entities; or it becomes unlawful for the counterparty to perform any of their obligations under the promissory note. The Company waived this mandatory prepayment by ENRC's delisting from the London Stock Exchange in 2013, and renegotiated the terms of the Promissory Note. Of the principal outstanding, \$70.0 million has been repaid during the first quarter of 2014, as well as all outstanding interest at 3% then due. A new \$430.0 million Promissory Note was issued by a subsidiary of ENRC on March 20, 2014, with a term to final maturity of December 31, 2015. The interest rate on the \$430.0 million Promissory Note has been increased from 3% to 5% with all interest at 5% of approximately \$40.0 million prepaid until the final maturity date. The \$430.0 million Promissory Note is secured against the shares in a subsidiary holding ENRC's Mozambique coal assets and is guaranteed by ENRC Congo B.V., a wholly owned subsidiary of ENRC.

Liquidity risk

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

In addition, the Company was obligated under its corporate revolving credit and term loan facility to maintain liquidity and satisfy various covenant ratio tests on an historical and prospective cash flow basis. These ratios were in compliance during the year ended December 31, 2014 and December 31, 2013. Refer to "*Liquidity and Capital Resources*" section on page 25 for further discussion of the Company's liquidity risk.

Market risks

a) Commodity price risk

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

The Company does not purchase, hold or sell derivative financial instruments unless there is an outstanding contract resulting in exposure to market risks that it intends to mitigate. As at December 31, 2014 and December 31, 2013, the Company had entered into derivative contracts for copper, gold, nickel, zinc, platinum and palladium in order to reduce the effects of fluctuations in metal prices between the time of the shipment of metal from the mine site and the date agreed for pricing the final settlement.

As at December 31, 2014 and December 31, 2013, the Company had not entered into any diesel or sulphur derivatives.

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

b) Interest rate risk

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

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

The Company manages its interest rate risk on borrowings on a net basis. The Company has a policy allowing floating-to-fixed interest rate swaps targeting 50% of exposure over a five-year period. As at December 31, 2014 and December 31, 2013, 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").

New and amended standards

The following standards have been adopted by the Company for the first time for the financial year beginning on January 1, 2014 and have an impact on the Company's disclosure. The adoption of these new standards did not have a significant impact on the Company's balance sheet or net earnings, nor did they result in a restatement of prior period results:

- *IFRIC 21 – Levies.* This interpretation provides guidance on the appropriate accounting treatment for an obligation to pay a levy that is not an income tax. The guidance addresses the accounting for a liability to pay a levy recognized in accordance with IAS 37 - Provisions, and the liability to pay a levy whose timing and amount is certain.

Accounting standards issued but not yet effective

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

- *IFRS 15 – Revenue from contracts with customers* The new standard replaces *IAS 18 Revenue* and *IAS 11 Construction Contracts* and provides a five step framework for application to customer contracts; identification of customer contract, identification of the contract performance obligations, determination of the contract price, allocation of the contract price to the contract performance obligations, and revenue recognition as performance obligations are satisfied. A new requirement where revenue is variable stipulates that revenue may only be recognised to the extent that it is highly probable that significant reversal of revenue will not occur. The new standard will be effective for annual periods beginning on or after January 1, 2017.
- *IFRS 9 – Financial instruments: Classification and Measurement.* IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. Amendments to this standard replace parts of *IAS 39 – Financial Instruments: Recognition and Measurement* that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. The new standard will be effective for annual periods beginning on or after January 1, 2018.
- *IFRS 11 – Joint Arrangements.* An amendment to IFRS 11 was issued in May 2014 addressing guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The standard now specifies the appropriate accounting treatment for such acquisitions and requires an investor to apply the principles of business combination accounting, as defined in *IFRS 3 - Business combinations*, when acquiring an interest in a joint operation that constitutes a business. The amendment requires an investor to measure identifiable assets and liabilities at fair value; expense acquisition related costs; recognise deferred tax, and; recognise the residual as goodwill. The amendment is applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not to be re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control. The amendment to IFRS 11 will be applied prospectively for annual periods beginning on or after January 1, 2016.

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, 2014 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, 2014 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, 2014 by the Company's management, including the Chief Executive Officer and Chief Financial Officer based on the framework and criteria established in Internal Control – Integrated Framework (1992) as issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on this evaluation, management has concluded that the Company's internal controls over financial reporting were effective.

There were no changes in the Company's business activities during the period ended December 31, 2014 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, expected timing of completion of project development at Kansanshi, Sentinel, Enterprise and Cobre Panama, 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 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. The Company has also made certain assumptions with respect to securing amendments to its Financing Agreements. If these amendments are not effected and the Company breaches a covenant in its Financing Agreements, this would be an event of default which, if un-addressed, would entitle the lenders to make the related borrowings immediately due and payable and if made immediately due and payable all other borrowings would also be due and payable. Although management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward-looking statement or information herein will prove to be accurate. 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, 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, 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 undertake 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.