FQM (Akubra) Inc.

Quarterly Report
Three and Six Months Ended June 30, 2013

All amounts in U.S. dollars unless indicated otherwise

Management's Interim Discussion and Analysis

FQM (Akubra) Inc. ("FQM Akubra" or "we") was incorporated under the laws of Canada on December 14, 2012 for nominal consideration and is a direct wholly-owned subsidiary of First Quantum Minerals Ltd. ("First Quantum"). FQM Akubra was organized solely for the purpose of acquiring Inmet Mining Corporation ("Inmet") and therefore conducted no business transactions during 2012. Consequently, there are no comparative figures for the six months ended June 30, 2012. In this Management's Discussion and Analysis ("MD&A"), the prior period results for Inmet 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, 2012. Inmet's previously reported condensed interim consolidated financial statements for the three and six months ended June 30, 2012 have been included as an appendix to this interim report for information purposes only.

On March 22, 2013, we acquired 85.5 percent of the diluted shares of Inmet. We acquired a further 7.2 percent of the outstanding shares on April 1, 2013, and the remaining 7.3 percent on April 9, 2013. Total cash and share consideration for the acquisition of Inmet amounted to $5.0 billion. Inmet's principal assets are the Çayeli copper-zinc mine in Turkey, the Las Cruces copper mine in Spain, the Pyhäsalmi copper-zinc mine in Finland, and an 80 percent interest in the Cobre Panama copper project in Panama, which is currently under development.

On April 22, 2013 Inmet was amalgamated with FQM Akubra, with FQM Akubra as the successor entity. As the amalgamated company, FQM Akubra has succeeded all of the obligations of Inmet, including obligations under the Inmet Senior Notes.

The following is management's interim discussion and analysis of operations and consolidated financial condition and should be read in conjunction with Inmet's and First Quantum's 2012 annual consolidated audited financial statements and MD&A. This MD&A has been prepared as of August 15, 2013.

Second quarter highlights

- **FQM Akubra completes acquisition of and amalgamates with Inmet**
  On March 22, 2013 FQM (Akubra) Inc., a wholly owned subsidiary of First Quantum Minerals Ltd., acquired 85.5 percent of the issued and outstanding common shares of Inmet, and on April 1, 2013, it acquired a further 7.3 percent. On April 9, 2013, FQM Akubra acquired the remaining common shares of Inmet it did not already own through a compulsory acquisition, and Inmet ceased to be a publicly traded company. On April 22, 2013, FQM Akubra amalgamated with Inmet, with FQM Akubra carrying on as the successor entity. The acquisition of Inmet was funded through a $2.5 billion syndicated debt facility arrangement, incurring interest at LIBOR plus 2.75%.

  The financial results reported in this MD&A reflect those of FQM Akubra from January 1, 2013 to June 30, 2013, including the impact of Inmet's financial results from the acquisition date of March 22, 2013. Financial results of the amalgamated entity are reflected from the date of the amalgamation, April 22, 2013. Prior period results reflect those previously reported by Inmet and are presented for informational purposes only.
- **Strong zinc production results this quarter**
  Total copper production was 25,439 tonnes and total zinc production was 15,619 tonnes in the second quarter of 2013. Zinc production this quarter was 6 percent higher than the second quarter of 2012 as previously reported by Inmet, while copper production was 14 percent lower than the same quarter last year. A fire occurred in early April in one of the Las Cruces' plant's eight leach reactors, resulting in over 3,300 tonnes of lost copper production this quarter.

- **Gross profit of $7.8 million negatively impacted by acquisition accounting adjustments, lower sales volumes and realized metal prices**
  Gross profit for the second quarter of $7.8 million was negatively impacted by $35.6 million in non-recurring acquisition accounting adjustments relating to the sale of inventory that was acquired at fair value at the date of the Inmet acquisition and subsequently sold during the quarter and $27.6 million in recurring accounting adjustments relating to depreciation of the fair value uplift to acquired mineral property, plant and equipment that was recognized at the date of acquisition. Lower sales volumes at Las Cruces and Pyhäsalmi, and lower realized metal prices at all operations, also contributed to the decrease in gross profit in the second quarter.

- **Net loss of $13.3 million incurred in the second quarter of 2013**
  FQM Akubra incurred a net loss (attributable to the shareholder) of $13.3 million in the second quarter of 2013. Excluding the impact of $21.8 million (net of tax) in non-recurring acquisition accounting adjustments related to the take-over of Inmet, comparative earnings were $8.5 million for the quarter.

- **Comparative EBITDA**
  The following table provides comparative EBITDA for the three and six months ended June 30, 2013.

Reconciliation of EBITDA to comparative EBITDA

(millions of US dollars, except where otherwise noted)	three months ended June 30 **2013**	2012[1]	six months ended June 30 **2013**	2012[1]
EBITDA[2] before comparative earnings adjustments	**$62.0**	$112.1	**$47.3**	$270.1
Add:				
Acqusition and other costs relating to Inmet (before tax)	**$0.0**	$0.0	**$29.5**	$0.0
Non-recurring acquisition accounting inventory adjustments (before tax)	**$35.6**	$0.0	**$43.9**	$0.0
Comparative EBITDA[2]	**$97.6**	$112.1	**$120.7**	$270.1
Add:				
Inmet financial results from Jan 1, 2013 to Mar 22, 2013	**$0.0**	$0.0	**$73.6**	$0.0
Acquisition costs incurred by Inmet prior to the Mar 22 acquisition date	**$0.0**	$0.0	**$65.1**	$0.0
Proforma EBITDA[3]	**$97.6**	$112.1	**$259.4**	$270.1

(1) Financial results for the three and six months ended June 30, 2012 reflect historical results as previously reported by Inmet and are shown for comparative purposes only. These prior period results do not include any financial adjustments that would be required had the acquisition of Inmet taken place on January 1, 2012.

(2) Earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP measure defined as net income before finance costs, income tax expense and depreciation. See *Supplementary financial information* for further information on EBITDA and comparative EBITDA.

(3) Proforma EBITDA for the six months ended June 30, 2013 reflects Inmet's previously reported results for the first quarter of 2013, adjusted for the impact of the acquisition for the period of March 22, 2013 to March 31, 2013, and FQM Akubra's consolidated financial results from the date of the acquisition. Proforma EBITDA is also adjusted for the $65.1 million in acquisition costs incurred by Inmet related to and incurred prior to the take-over.

Key financial data

(millions, except per share amounts)	three months ended June 30 2013	three months ended June 30 2012(2)	six months ended June 30 March 22 – June 30 2013(1)	six months ended June 30 2012(2)
FINANCIAL HIGHLIGHTS				
Sales				
Sales revenues(3)	**$183.9**	$222.9	**$213.7**	$479.1
Gross profit				
Gross profit before Inmet acquisition accounting adjustments(4)	**$71.0**	$109.0	**$86.5**	$255.6
Gross profit	**$7.8**	$109.0	**$11.3**	$255.6
Net earnings (loss)				
Net earnings (loss)	**($14.6)**	$94.2	**($36.9)**	$187.2
Net earnings (loss) attributable to FQM Akubra shareholder	**($13.3)**	$94.5	**($37.0)**	$187.5
Comparative earnings attributable to FQM Akubra shareholder(5)	**$8.5**	$94.5	**$23.0**	$187.5
Cash flow				
Cash flow provided by operating activities	**($28.3)**	$176.6	**$50.9**	$290.8
EBITDA(6)	**$62.0**	$112.1	**$47.3**	$270.1
Capital spending(7)	**$335.9**	$192.1	**$362.0**	$274.7
OPERATING HIGHLIGHTS				
Production				
Copper (tonnes)	**25,439**	29,599	**28,744**	54,405
Zinc (tonnes)	**15,619**	14,712	**17,209**	29,830
Pyrite (tonnes)	**211,444**	214,658	**232,631**	425,933

(1) FQM Akubra's financial results for the six months ended June 30, 2013 include the results of the acquired Inmet operations from the date of acquisition, March 22, 2013.

(2) Financial results and results of operations for the three and six months ended June 30, 2012 reflect historical results as previously reported by Inmet and are shown for comparative purposes only. These prior period results do not include any financial adjustments that would be required had the acquisition of Inmet taken place on January 1, 2012.

(3) Smelter processing charges and freight as previously reported by Inmet for the three and six months ended June 30, 2012 have been reclassified as a deduction from Sales revenues for consistency with the presentation of Sales revenues by FQM Akubra.

(4) Gross profit before Inmet acquisition accounting adjustments is not a measure recognized under International Financial Reporting Standards ("IFRS"). Gross profit before Inmet acquisition accounting adjustments is calculated as gross profit plus the recurring and non-recurring acquisition accounting adjustments that resulted from the acquisition of Inmet. A reconciliation of gross profit is provided in the *Our financial results* table on page 7 of the MD&A.

(5) Net loss attributable to FQM Akubra's shareholder for the three and six months ended June 30, 2013 has 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. FQM Akubra has disclosed these measures to assist with the understanding of results and to provide further financial information about the results to investors. See *Supplementary financial information* for a reconciliation of comparative earnings.

(6) Earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP measure defined as net income before finance costs, income tax expense and depreciation. See *Supplementary financial information* for further information.

(7) Includes interest paid on qualifying assets. The three months ended June 30, 2013 includes capital spending of $256.1 million at Cobre Panama. The six months ended June 30, 2013 includes capital spending of $281.2 million at Cobre Panama.

Second quarter report

We prepared this report as of August [14], 2013.

In this report, *FQM Akubra* means FQM (Akubra) Inc. and *we*, *us* and *our* mean FQM (Akubra) Inc. and/or its subsidiaries and joint ventures. *This quarter* refers to the three months ended June 30, 2013.

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 our expectations of production and sales volumes, expected timing of completion of project development at 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 FQM Akubra, information with respect to the future price of copper, gold, zinc and pyrite, estimated mineral reserves and mineral resources, our exploration and development program, estimated future expenses, exploration and development capital requirements, our 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, we have made numerous assumptions including among other things, assumptions about the price of copper, gold, zinc, and pyrite, anticipated costs and expenditures and the ability to achieve our goals. 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 power, political stability in Finland, Spain, Turkey and Panama, adverse weather conditions in Finland, Spain, Turkey and Panama, labour disruptions, mechanical failures, water supply, procurement and delivery of parts and supplies to the operations, the production of off-spec material.

See First Quantum’s and Inmet’s Annual Information Form for the year ended December 31, 2012 (available on www.sedar.com) for additional information on risks, uncertainties and other factors relating to the forward-looking statements and information. Although we have 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 our control. Accordingly, readers should not place undue reliance on forward-looking statements or information. We 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.

Where to find it

Our financial results

(millions, except per share amounts)	three months ended June 30 2013	2012[2]	six months ended June 30 March 22 – June 30 2013[1]	2012[2]
Gross profit before Inmet acquisition accounting adjustments	**$71.0**	109.0	**$86.5**	255.6
Acquisition accounting adjustments:				
Non-recurring: sale of inventory at acquired operations[3]	**(35.6)**	-	**(43.9)**	-
Recurring: depreciation of acquired property, plant and equipment[4]	**(27.6)**	-	**(31.3)**	-
Gross profit[5]	**7.8**	109.0	**11.3**	255.6
Exploration	**(6.5)**	(10.3)	**(6.5)**	(19.1)
General and administrative	**(7.1)**	(16.1)	**(10.5)**	(25.6)
Acquisition transaction costs	**-**	-	**(29.5)**	-
Other income	**1.2**	-	**7.6**	-
Operating profit (loss)	**(4.6)**	82.6	**(27.6)**	210.9
Finance income	**0.9**	45.1	**2.1**	38.8
Finance costs	**(3.4)**	(2.1)	**(4.9)**	(5.0)
Earnings (Loss) before income taxes	**(7.1)**	125.6	**(30.4)**	244.7
Income taxes	**(7.5)**	(31.4)	**(6.5)**	(57.5)
Net earnings (loss) for the period	**(14.6)**	94.2	**(36.9)**	187.2
Net earnings (loss) for the period attributable to:				
Shareholder of FQM Akubra	**(13.3)**	94.5	**(37.0)**	187.5
Non-controlling interest	**(1.3)**	(0.3)	**0.1**	(0.3)

(1) FQM Akubra's financial results for the six months ended June 30, 2013 include the results of the acquired Inmet operations from the date of acquisition, March 22, 2013.

(2) Financial results for the three and six months ended June 30, 2012 reflect historical results as previously reported by Inmet and are shown for comparative purposes only. These prior period results do not include any financial adjustments that would be required had the acquisition of Inmet taken place on January 1, 2012.

(3) The non-recurring acquisition accounting adjustment is the sale of inventory fair valued on the balance sheet of the acquired operations at the date of acquisition. This adjustment is non-recurring as substantially all of the inventory was sold in the second quarter. This adjustment decreased gross profit by $35.6 million and increased net loss by $21.8 million net of tax for the three months ended June 30, 2013.

(4) The recurring acquisition accounting adjustment is the unwinding to earnings of the uplift to fair value from book values, as at the date of acquisition, of acquired mineral property, plant and equipment. This adjustment will continue on a systematic basis over the remaining lives of the mines. This adjustment decreased gross profit by $27.6 million and increased net loss by $19.5 million net of tax for the three months ended June 30, 2013.

(5) Gross profit is defined as sales revenues less cost of sales. Disclosure in Inmet's historical financial reporting defined sales revenues less cost of sales as "operating earnings".

Understanding our performance

Metal prices

The table below shows the average metal prices we realized this quarter and year to date. The prices we realize include finalization adjustments – see *Gross profit* on page 10.

	three months ended June 30		six months ended June 30	
			March 22 – June 30	
	2013	**2012**	**2013**(1)	**2012**
Copper (per pound)	**$3.13**	$3.42	$3.18	$3.65
Zinc (per pound)	**$0.83**	$0.86	$0.83	$0.89

(1) FQM Akubra's financial results for the six months ended June 30, 2013 include the results of the acquired Inmet operations from the date of acquisition, March 22, 2013. Average realized metal prices are therefore reported for the same period.

Copper
Copper prices on the London Metals Exchange (LME) averaged $3.24 per pound this quarter, a decrease of 9 percent from the second quarter of 2012 and 10 percent lower than the first quarter of 2013.

Zinc
LME zinc prices averaged $0.83 per pound this quarter, a decrease of 5 percent from the second quarter of 2012 and a 10 percent decrease from the first quarter of 2013.

Exchange rates

Exchange rates affect our revenue and earnings. The table below shows the average exchange rates we realized this quarter and year to date compared to 2012.

	three months ended June 30		six months ended June 30	
			March 22 – June 30	
	2013	**2012**	**2013**(1)	**2012**
Exchange rates				
1 C$ to US$	**$0.98**	$0.99	**$0.99**	$0.99
1 euro to US$	**$1.31**	$1.28	**$1.32**	$1.30
1 US$ to Turkish lira	**TL 1.84**	TL 1.80	**TL 1.81**	TL 1.79

(1) FQM Akubra's financial results for the six months ended June 30, 2013 include the results of the acquired Inmet operations from the date of acquisition, March 22, 2013. Average exchange rates are therefore reported for the same period.

Compared to the same quarter last year, the value of the US dollar appreciated 1 percent relative to the Canadian dollar, and depreciated 2 percent relative to the euro. The value of the US dollar appreciated 2 percent relative to the Turkish lira compared to the second quarter of 2012.

On acquisition of the Inmet operations, the functional currency for each entity was assessed and concluded to be the US dollar for all entities. As a result, our net earnings are affected by changes in foreign currency exchange rates when we translate the euro-denominated operating expenses of Las Cruces and Pyhäsalmi and Çayeli's Turkish lira denominated costs into their functional currency (US dollars). Historically, Inmet had local currency functional currencies in Spain and Finland.

Statutory tax rates

The table below shows the statutory tax rates for each of our taxable operating mines.

	2013	2012	**change**
Statutory tax rates			
Çayeli	**24%**	24%	-
Las Cruces	**30%**	30%	-
Pyhäsalmi	**24.5%**	24.5%	-

Gross profit

(millions)	three months ended June 30 2013	2012[2]	six months ended June 30 March 22 – June 30 2013[1]	2012[2]
Sales revenues[3]	**$183.9**	$222.9	**$213.7**	$479.1
Cost of sales excluding depreciation	**(73.9)**	(84.7)	**(83.6)**	(164.3)
Depreciation	**(39.0)**	(29.2)	**(43.6)**	(59.2)
Gross profit before Inmet acquisition accounting adjustments	**71.0**	109.0	**86.5**	255.6
Acquisition accounting adjustments:				
Non-recurring: sale of inventory at acquired operations[4]	**(35.6)**	-	**(43.9)**	-
Recurring: depreciation of acquired property, plant and equipment[5]	**(27.6)**	-	**(31.3)**	-
Gross profit	**$7.8**	$109.0	**$11.3**	$255.6

(1) FQM Akubra's financial results for the six months ended June 30, 2013 include the results of the acquired Inmet operations from the date of acquisition, March 22, 2013.

(2) Financial results for the three and six months ended June 30, 2012 reflect historical results as previously reported by Inmet and are shown for comparative purposes only. These prior period results do not include any financial adjustments that would be required had the acquisition of Inmet taken place on January 1, 2012.

(3) Smelter processing charges and freight as previously reported by Inmet for the three and six months ended June 30, 2012 have been reclassified as a deduction from Sales revenues for consistency with the presentation of Sales revenues by FQM Akubra.

(4) The non-recurring acquisition accounting adjustment is the sale of inventory fair valued on the balance sheet of the acquired operations at the date of acquisition. This adjustment is non-recurring as substantially all of the inventory was sold in the second quarter.

(5) The recurring acquisition accounting adjustment is the unwinding to earnings of the uplift to fair value from book values, as at the date of acquisition, of acquired mineral property, plant and equipment. This adjustment will continue on a systematic basis over the remaining lives of the mines.

Lower sales revenues

(millions)	three months ended June 30 2013	2012[2],[3]	six months ended June 30 March 22 – June 30 2013[1]	2012[2],[3]
Sales revenues by operation				
Çayeli	**$56.3**	$52.1	**$61.3**	$154.0
Las Cruces	**97.2**	127.4	**119.3**	237.4
Pyhäsalmi	**30.4**	43.4	**33.1**	87.7
	$183.9	$222.9	**$213.7**	$479.1
Sales revenues by metal				
Copper	**$147.5**	$186.2	**$177.3**	$406.0
Zinc	**24.7**	19.4	**24.7**	37.0
Other	**11.7**	17.3	**11.7**	36.1
	$183.9	$222.9	**$213.7**	$479.1

(1) FQM Akubra's financial results for the six months ended June 30, 2013 include the results of the acquired Inmet operations from the date of acquisition, March 22, 2013.

(2) Financial results for the three and six months ended June 30, 2012 reflect historical results as previously reported by Inmet and are shown for comparative purposes only. These prior period results do not include any financial adjustments that would be required had the acquisition of Inmet taken place on January 1, 2012.

(3) Smelter processing charges and freight as previously reported by Inmet for the three and six months ended June 30, 2012 have been reclassified as a deduction from Sales revenues for consistency with the presentation of Sales revenues by FQM Akubra.

Sales revenues were $183.9 million in the second quarter of 2013, 17 percent lower than revenues reported by Inmet in the same quarter last year. The decrease in sales revenues reflects lower sales volumes at Las Cruces due to the reactor fire that occurred in April (see *Las Cruces* section of the MD&A for further details relating to the impact of the fire), lower zinc sales volumes at Pyhäsalmi and lower realized metal prices. The decrease in sales revenues was partially offset by higher copper and zinc sales volumes at Çayeli and the timing of shipments to customers.

We record sales that settle during the reporting period using the metal price on the day they settle. For sales that have not settled, we use an estimate based on the month we expect the sale to settle and the forward price of the metal at the end of the reporting period. We recognize the difference between our estimate and the final price by adjusting our gross sales in the period when we settle the sale (finalization adjustment).

This quarter, we recorded $2.6 million in negative finalization adjustments from first quarter shipments.

At the end of this quarter, the following sales had not been settled:

- 14.6 million pounds of copper provisionally priced at US $3.06 per pound
- 6.6 million pounds of zinc provisionally priced at US $0.83 per pound.

The finalization adjustment we record for these sales will depend on the actual price we receive when they settle, which can be up to five months from the time we initially record the sales.

In July 2013, FQM Akubra began to apply its risk management policy to the acquired Inmet operations, which allows for the management of commodity price risk exposure during the provisional pricing period from the fluctuations in metals prices through the use of derivative financial instruments. FQM Akubra will 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 a result of applying this risk management policy to the acquired operations, we expect that the impact of price finalization adjustments will be materially offset by derivative adjustments beginning in the third quarter.

Sales volumes

	three months ended June 30		**six months ended June 30**	
	2013	2012	**March 22 – June 30 2013**(1)	2012
Copper contained in concentrate	**9,843**	9,565	**10,856**	24,610
Copper cathode (tonnes)	**13,872**	16,935	**16,724**	30,496
Total copper (tonnes)	**23,715**	26,500	**27,580**	55,106
Zinc (tonnes)	**18,040**	16,127	**18,184**	30,579
Pyrite (tonnes)	**110,777**	227,047	**121,730**	339,345

(1) FQM Akubra's financial results for the six months ended June 30, 2013 include the results of the acquired Inmet operations from the date of acquisition, March 22, 2013.

Production

	three months ended June 30		Six months ended June 30 March 22 – June 30		*Outlook*[2]
	2013	2012	**2013**[1]	2012	***2013***
Copper (tonnes)					
Çayeli	**8,089**	8,513	**8,998**	16,595	***21,000 – 24,000***
Las Cruces	**13,912**	18,267	**15,835**	31,610	***53,000 – 56,000***
Pyhäsalmi	**3,438**	2,819	**3,911**	6,200	***8,000 – 9,000***
	25,439	29,599	**28,744**	54,405	***82,000 – 89,000***
Zinc (tonnes)					
Çayeli	**11,665**	8,405	**12,772**	18,903	***27,000 – 31,000***
Pyhäsalmi	**3,954**	6,307	**4,437**	10,927	***14,000 – 17,000***
	15,619	14,712	**17,209**	29,830	***41,000 – 48,000***
Pyrite (tonnes)					
Pyhäsalmi	**211,444**	214,658	**232,631**	425,933	

(1) FQM Akubra's financial results for the six months ended June 30, 2013 include the results of the acquired Inmet operations from the date of acquisition, March 22, 2013.

(2) The production guidance shown above represents guidance from acquisition date of March 22, 2013 until the end of the year. Pro-forma full year guidance for copper production remains at 28,000 to 31,000 for Çayeli, 69,000 to 72,000 tonnes at Las Cruces and 12,000 to 13,000 tonnes at Pyhäsalmi. Pro-forma full year guidance for zinc production remains at 36,000 to 40,000 tonnes for Çayeli and 20,000 to 23,000 tonnes at Pyhäsalmi.

Our sales volumes are directly affected by the amount of production from our mines and our ability to ship to our customers.

- Copper sales volumes were lower this quarter compared to the same quarter last year, mainly reflecting lower copper production volumes at Las Cruces. The reactor fire sustained in April 2013 resulted in over 3,300 tonnes of lost production at Las Cruces this quarter. Copper sales volumes lagged production volumes by a combined 1,700 tonnes in the second quarter of 2013 compared to 3,000 tonnes in the second quarter of 2012 due to the timing of shipments to customers.
- Zinc production volumes were higher this quarter than the second quarter of 2012 due to higher zinc grades and recovery at Çayeli, partially offset by lower zinc production volumes at Pyhäsalmi due to lower zinc grades and recovery. Zinc sales volumes exceeded production volumes by 2,400 tonnes this quarter, mainly due to the timing of shipments at Çayeli.

Lower cost of sales excluding depreciation

	three months ended June 30		six months ended June 30 March 22 – June 30	
(millions)	**2013**	2012[2]	**2013**[1]	2012[2]
Cost of sales by operation				
Çayeli	**$21.2**	$22.5	**$23.2**	$51.2
Las Cruces	**41.7**	40.7	**48.8**	78.6
Pyhäsalmi	**10.6**	14.6	**11.3**	30.3
Cobre Panama & other	**0.4**	6.9	**0.3**	4.2
Total cost of sales (excluding depreciation)	**$73.9**	$84.7	**$83.6**	$164.3

(1) FQM Akubra's financial results for the six months ended June 30, 2013 include the results of the acquired Inmet operations from the date of acquisition, March 22, 2013.

(2) Financial results for the three and six months ended June 30, 2012 reflect historical results as previously reported by Inmet and are shown for comparative purposes only. These prior period results do not include any financial adjustments that would be required had the acquisition of Inmet taken place on January 1, 2012.

Higher depreciation

(millions)	three months ended June 30 2013	2012[(2)]	six months ended June 30 March 22 – June 30 2013[(1)]	2012[(2)]
Depreciation by operation				
Çayeli	**$9.9**	$5.4	**$10.4**	$12.6
Las Cruces	**24.9**	21.5	**28.9**	42.0
Pyhäsalmi	**4.2**	2.3	**4.3**	4.6
Total depreciation	**$39.0**	$29.2	**$43.6**	$59.2

(1) FQM Akubra's financial results for the six months ended June 30, 2013 include the results of the acquired Inmet operations from the date of acquisition, March 22, 2013.

(2) Financial results for the three and six months ended June 30, 2012 reflect historical results as previously reported by Inmet and are shown for comparative purposes only. These prior period results do not include any financial adjustments that would be required had the acquisition of Inmet taken place on January 1, 2012.

Acquisition accounting adjustments

Cost of sales for Çayeli, Las Cruces and Pyhäsalmi this quarter were negatively impacted by fair value adjustments recognized at the date of the Inmet acquisition that are recorded through net earnings in subsequent periods. Fair value adjustments were recognized on acquired inventory on hand at the date of acquisition and on property, plant and equipment (including the value of mineral property). These fair value adjustments are unwound to cost of sales as the acquired inventory is sold and on a systematic basis as the property, plant and equipment is used. The following table shows the impact of the fair value adjustments on cost of sales for the three and six months ended June 30, 2013.

(millions)	three months ended June 30			six months ended June 30		
Fair value adjustments	**Inventory**	**Depreciation**	**Total impact - Cost of sales**	**Inventory**	**Depreciation**	**Total impact - Cost of sales**
Cost of sales before fair value adjustments	$73.9	$39.0	$112.9	$83.6	$43.6	$127.2
Çayeli	24.1	7.1	31.2	27.5	7.9	35.4
Las Cruces	8.6	8.3	16.9	12.0	9.8	21.8
Pyhäsalmi	2.9	12.2	15.1	4.4	13.6	18.0
Total fair value adjustments	35.6	27.6	63.2	43.9	31.3	75.2
Cost of sales after fair value adjustments	$109.5	$66.6	$176.1	$127.5	$74.9	$202.4

Substantially all of the fair value adjustments related to inventory have been fully unwound during the second quarter of 2013. As a non-recurring event, the impact of the fair value adjustments on inventory has been excluded from comparative earnings (see *Supplementary financial information* for a reconciliation of comparative earnings).

Other activities

Other activities include exploration, general and administration costs, taxes, interest and other income.

Exploration

Exploration costs in the second quarter of 2013 of $6.5 million include spending on FQM Akubra's worldwide exploration program. A review of the acquired exploration projects in Chile, Mexico and the U.S.A. is ongoing by First Quantum. Exploration drilling on the Cobre Panama project has been scaled back to focus on condemnation for infrastructure.

General and administration costs

General and administration costs of $7.1 million in the second quarter of 2013 include costs of the corporate offices acquired in the acquisition of Inmet, reflecting mainly personnel, consulting and office administration costs.

Acquisition transaction costs

FQM Akubra has incurred $29.5 million in legal and other transaction costs related to the acquisition of Inmet since March 22, 2013.

Income tax expense

	three months ended June 30		six months ended June 30	
(millions)	**2013**	2012[(2)]	**March 22 – June 30 2013**[(1)]	2012[(2)]
Çayeli	**($2.6)**	$7.9	**($1.9)**	$17.4
Las Cruces	**1.9**	17.2	**6.1**	28.5
Pyhäsalmi	**(0.4)**	5.7	**-**	10.9
Corporate and other	**8.6**	0.6	**2.3**	0.7
	$7.5	$31.4	**$6.5**	$57.5
Consolidated effective tax rate	**(104%)**	25%	**(21%)**	23%

(1) FQM Akubra's financial results for the six months ended June 30, 2013 include the results of the acquired Inmet operations from the date of acquisition, March 22, 2013.

(2) Financial results for the three and six months ended June 30, 2012 reflect historical results as previously reported by Inmet and are shown for comparative purposes only. These prior period results do not include any financial adjustments that would be required had the acquisition of Inmet taken place on January 1, 2012.

The consolidated effective tax rate was negative this quarter and for the six months ended June 30, 2013 mainly because:

- There was no expected tax recovery in FQM Akubra relating to the costs associated with the acquisition of Inmet and costs relating to other non-operating activities based on current expectation of future taxable income in Canada.
- Excluding the impact of the acquisition accounting adjustments, Çayeli's taxes were higher this quarter as it recognized a foreign exchange gain from its US dollar denominated cash (Çayeli's income taxes are denominated in Turkish lira).
- In addition, a deferred tax recovery was recognized by Çayeli, Las Cruces and Pyhäsalmi relating to the non-deductible acquisition accounting adjustments that resulted in a significant decrease to operating earnings at each site. These deferred tax recoveries resulted in a lower income tax expense (recovery) at each of the acquired operations.

Results of our operations

Çayeli

	Three months to June 30		Six months to June 30		
	2013	**2012**(1)	**March 22 – June 30 2013**	**Full six months 2013**(1)	**2012**(1)
Ore tonnes milled (000's)	**333**	295	**370**	**656**	594
Copper ore grade processed (%)	**3.2**	3.6	**3.2**	**3.2**	3.5
Copper recovery (%)	**76**	81	**76**	**77**	80
Zinc ore grade processed (%)	**5.1**	4.5	**5.1**	**4.9**	5.0
Zinc recovery (%)	**68**	63	**68**	**68**	64
Copper production (tonnes)	**8,089**	8,513	**8,998**	**15,962**	16,595
Copper sales (tonnes)	**6,866**	6,573	**7,608**	**14,946**	17,709
Zinc production (tonnes)	**11,665**	8,405	**12,772**	**21,914**	18,903
Zinc sales (tonnes)	**14,105**	9,778	**14,105**	**21,278**	20,076
Sales revenues	**56.3**	52.1	**61.3**	**121.6**	154.0
Gross profit(3) before fair value adjustments	**25.3**	24.2	**27.8**	**59.1**	90.2
Gross profit (loss) (3)	**(6.0)**	24.2	**(7.7)**	**23.6**	90.2
EBITDA(2)	**14.0**	29.2	**13.6**	**48.0**	102.1

(1) Results from the Çayeli mine are only included in FQM Akubra'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, 2012.

(2) EBITDA is not recognized under IFRS. See *Supplementary financial information* for further information.

(3) Gross profit (loss) is defined as sales revenues less cost of sales; disclosure regarding the Çayeli mine in Inmet's historical financial reporting defined sales revenues less cost of sales as "operating earnings".

Copper production decreased by 5% from Q2 2012 due to lower copper grades and recovery. The negative impact was partially offset by higher mine production and throughput, with Çayeli having benefited from improved mine planning and operational efficiencies from improved utilization of labour and equipment during Q2 2013.

Zinc production increased by 39% over Q2 2012 due to higher zinc grades and recovery as well as higher throughput. The increase in zinc grade was consistent with expectations.

Sales revenues were 8% higher while gross profit decreased by 125% in Q2 2013 compared to Q2 2012. The increase in sales revenues reflects higher copper and zinc sales volumes, partially offset by lower realized metal prices this quarter. Gross profit in Q2 2013 is impacted by the recognition in net earnings of fair value adjustments made to inventory on the date of acquisition. These adjustments impact the results as a portion of the inventory held on the balance sheet at the acquisition date has been sold. This inventory adjustment reduced gross profit in Q2 2013 by $24.1 million. In addition, fair value adjustments to the value of mineral property, plant and equipment increased depreciation and further reduced gross profit by $7.1 million for the quarter.

In early July 2013, Çayeli finalized a new three-year labour agreement effective June 1, 2012. The previous three-year labour agreement had expired in May 2012 and the negotiation of a new labour agreement commenced in early 2013 after initial delays due to changes to government labour regulations. The new labour agreement includes an inflation adjustment and reflects terms that are not expected to have a significant impact on the operation's future costs.

Outlook

Production is expected to be between 28,000 tonnes and 31,000 tonnes of copper and between 36,000 tonnes and 40,000 tonnes of zinc in 2013. Copper recovery is expected to be lower in 2013, reflecting the increased proportions of metallurgically challenging ore types.

In 2013, throughput is expected to increase from 1.2 million tonnes to 1.3 million tonnes. The mine should benefit from the commissioning of two new ore passes, the first having been commissioned near the end of Q2 2013 and the second expected to be commissioned in early 2014. The extension of a shotcrete slickline to the lower levels of the mine commissioned during Q2 2013, improved lower mine infrastructure and the addition of stope production from a new mining block should ease pressure on existing production areas. Çayeli's ground conditions require constant monitoring and reinforcement, including the need to minimize any underground void areas. Continued progress in meeting the challenges of poor ground conditions and planned operational efficiencies is aimed at reducing the risks associated with achieving the production plan.

Las Cruces

	Three months to June 30		Six months to June 30		
	2013	2012(1)	**March 22 – June 30 2013**	**Full six months 2013**(1)	2012(1)
Ore tonnes processed (000's)	**255**	269	**285**	**560**	516
Copper ore grade processed (%)	**6.3**	7.7	**6.4**	**6.5**	7.2
Copper recovery (%)	**88**	86	**88**	**88**	86
Copper cathode production (tonnes)	**13,912**	18,267	**15,835**	**31,839**	31,610
Copper cathode sales (tonnes)	**13,872**	16,935	**16,724**	**31,232**	30,496
Sales revenues	**97.2**	127.3	**119.3**	**233.2**	237.4
Gross profit(3) before fair value adjustments	**29.9**	65.1	**41.4**	**104.7**	116.7
Gross profit(3)	**13.7**	65.1	**19.8**	**83.2**	116.7
EBITDA(2)	**50.6**	86.1	**62.1**	**138.7**	157.2

(1) Results from the Las Cruces mine are only included in FQM Akubra'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, 2012.

(2) EBITDA is not recognized under IFRS. See *Supplementary financial information* for further information.

(3) Gross profit is defined as sales revenues less cost of sales; disclosure regarding the Las Cruces mine in Inmet's historical financial reporting defined sales revenues less cost of sales as "operating earnings".

Copper cathode production was 24% lower in Q2 2013 compared to Q2 2012 due primarily to the impact of a fire in early April in one of the plant's eight leach reactors. All eight reactors were shut down following the fire to allow for a thorough assessment of damages and to investigate the cause of the fire. As of April 23, seven of the eight reactors were re-commissioned and the final reactor was brought back online in early July. The fire and related re-commissioning period resulted in over 3,300 tonnes of lost copper cathode production in Q2 2013. Plans are in place to recover some or all of the lost production. The remaining decrease in production in Q2 2013 was due to lower copper grades, partially offset by slightly higher recoveries.

Sales revenues and gross profit both decreased in comparison to Q2 2012 by 24% and 79%, respectively. The decrease in sales revenues reflects the impact of the reactor fire as well as lower realized copper prices. The decrease in sales revenues combined with higher operating costs, mainly relating to plant maintenance costs associated with the reactor fire and increased mining activities, accounted for approximately half of the decrease in gross profit.

Gross profit in Q2 2013 was also impacted by the recognition in net earnings of the fair value adjustments made to inventory on the date of acquisition. These adjustments impact the results as a portion of the inventory held on the balance sheet at acquisition date has been sold. This inventory adjustment reduced gross profit in the quarter by $8.6 million. A small further adjustment is expected in Q3 2013. In addition, fair value adjustments to the value of mineral property, plant and equipment increased depreciation and reduced gross profit by $8.3 million for the quarter.

Outlook

Production is expected to be between 69,000 tonnes and 72,000 tonnes of copper cathode in 2013. The plant will be tested at higher ore throughput and lower grade to assess the effects on plant performance before Las Cruces enters into lower copper grade areas of the mine, which is expected in 2014. Various areas of the plant will be reviewed as part of a study in order to optimize the plant for the lower average feed grades.

In 2013, process plant improvements will focus on reducing recovery losses downstream of the leaching reactors that have increased with the rise in copper cathode production and as a result of operating with process solutions that contain more copper.

Pyhäsalmi

	Three months to June 30		Six months to June 30		
	2013	2012[1]	**March 22 – June 30 2013**	**Full six months 2013[1]**	2012[1]
Ore tonnes milled (000's)	**340**	344	**379**	**686**	686
Copper ore grade processed (%)	**1.1**	0.9	**1.1**	**1.1**	0.9
Copper recovery (%)	**95**	96	**96**	**96**	96
Zinc ore grade processed (%)	**1.3**	2.0	**1.3**	**1.6**	1.7
Zinc recovery (%)	**90**	93	**90**	**91**	92
Copper production (tonnes)	**3,438**	2,819	**3,911**	**7,800**	6,200
Copper sales (tonnes)	**2,977**	2,992	**3,248**	**6,724**	6,901
Zinc production (tonnes)	**3,954**	6,307	**4,437**	**10,138**	10,927
Zinc sales (tonnes)	**3,935**	6,349	**4,079**	**10,673**	10,503
Pyrite production (tonnes)	**211,444**	214,658	**232,631**	**401,399**	425,933
Pyrite sales (tonnes)	**110,777**	227,047	**121,730**	**225,255**	339,345
Sales revenues	**30.4**	43.5	**33.1**	**78.0**	87.7
Gross profit[3] before fair value adjustments	**15.8**	26.7	**17.5**	**50.6**	52.8
Gross profit (loss)[3]	**0.5**	26.7	**(0.5)**	**32.6**	52.8
EBITDA[2]	**17.8**	27.4	**18.2**	**49.0**	55.1

(1) Results from the Pyhäsalmi mine are only included in FQM Akubra'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, 2012.

(2) EBITDA is not recognized under IFRS. See *Supplementary financial information* for further information.

(3) Gross profit (loss) is defined as sales revenues less cost of sales; disclosure regarding the Pyhäsalmi mine in Inmet's historical financial reporting defined sales revenues less cost of sales as "operating earnings".

Copper production increased by 22% in Q2 2013 compared to Q2 2012 due to higher copper grades, partly offset by slightly lower recovery and throughput.

Zinc production was 37% lower than Q2 2012 due to significantly lower zinc grades, which resulted in lower zinc recovery. The significant decrease in zinc grades in Q2 was due to lower grade stopes in the areas mined in Q2 2013.

Sales revenues decreased by 30% and gross profit decreased by 98% in Q2 2013 compared to Q2 2012. The decrease in sales revenues and gross profit reflect a 38% reduction in zinc sales volumes, consistent with zinc production in the quarter and lower realized metal prices. Gross profit in Q2 2013 is also affected by the recognition in net earnings of fair value adjustments made to inventory on the date of acquisition. These adjustments impact the results as a portion of the inventory held on the balance sheet at acquisition date has been sold. This inventory adjustment reduced gross profit in the quarter by $2.9 million. A small further adjustment is expected in Q3 2013. In addition, fair value adjustments to the value of mineral property, plant and equipment increased depreciation and further reduced gross profit by $12.2 million for Q2 2013.

Outlook

Production is expected to be between 12,000 tonnes and 13,000 tonnes of copper and 20,000 tonnes and 23,000 tonnes of zinc. Zinc production should be lower than it was in 2012 due to a decrease in zinc grades in 2013. Pyrite production is expected to be approximately 820,000 tonnes.

Improved procedures for mucking and backfilling stopes will be developed in deteriorated ore access drifts in support of Pyhäsalmi's ground control rehabilitation program, and underground voids will be reduced.

Status of our development project

Cobre Panama

Following the successful acquisition of Inmet, First Quantum commenced a detailed review of the Cobre Panama project. The objective is to re-establish the project on a more ‘self-perform’ basis to maximize the benefit of First Quantum’s core project development skills and to rationalize designs wherever possible. To this end a number of key contracts, including the main engineering, procurement and construction management contract, have been modified or cancelled and a rationalization of the site work force undertaken.

The detailed review of the project continues with the aim of providing a revised capital cost estimate and project timetable during Q4 2013.

Managing our liquidity

We develop our financing strategy by looking at our long-term capital requirements and deciding on the optimal mix of cash, future operating cash flow, credit facilities and project financing.

(millions unless otherwise stated)	**three months ended June 30**		**six months ended June 30**	
			March 22 – June 30	
	2013	2012(2)	**2013**(1)	2012(2)
Cash flows from operating activities				
- before changes in working capital	**58.5**	157.4	**44.7**	300.4
- after changes in working capital	**(28.3)**	176.3	**50.9**	290.8
Cash flows from investing activities				
Payments for property, plant and equipment (including interest paid on qualifying assets)	**(335.9)**	(192.1)	**(362.0)**	(274.7)
Acquisition of Inmet, net of cash acquired	**(343.6)**	-	**(963.6)**	-
Proceeds on sale of Investments	**1,949.9**	161.0	**1,949.9**	258.5
Sale of 20 percent interest in Cobre Panama	**-**	-	**-**	161.0
Other investing activities	**2.1**	25.3	**2.0**	71.6
Cash flows from financing activities	**(2,268.0)**	1,440.0	**(151.6)**	1,435.9
Net cash flows	**(1,023.8)**	1,610.5	**525.6**	1,943.1
Cash balance	**525.6**	2,733.1	**525.6**	2,733.1
Total assets	**6,433.2**	5,657.6	**6,433.2**	5,657.6
Total current liabilities	**542.7**	251.5	**542.7**	251.5
Total long-term liabilities	**2,983.8**	1,715.8	**2,983.8**	1,715.8

(1) FQM Akubra's financial results for the six months ended June 30, 2013 include the results of the acquired Inmet operations from the date of acquisition, March 22, 2013.

(2) Financial results and results of operations for the three and six months ended June 30, 2012 reflect historical results as previously reported by Inmet and are shown for comparative purposes only. These prior period results do not include any financial adjustments that would be required had the acquisition of Inmet taken place on January 1, 2012. Certain amounts in the 2012 prior period cash flow comparatives have been reclassified to conform to the presentation of FQM Akubra's cash flow statement.

OPERATING ACTIVITIES

In the second quarter of 2013, FQM Akubra generated operating cash flows before working capital of $58.5 million. Operating cash flow before working capital was negatively impacted by the effect of lower sales volumes at Las Cruces and Pyhäsalmi and lower realized metal prices, partially offset by non-cash depreciation which included the unwinding of the fair value acquisition accounting adjustment on property, plant and equipment. Changes in working capital during the second quarter of 2013 resulted in a decrease to operating cash flows of $86.8 million mainly due to a decrease in accounts payable relating to $88.8 million in interest paid on the senior unsecured notes during the quarter. This decrease was partially offset by a decrease in inventories due to the timing of shipments and unwinding of the fair value adjustment made to inventory at the date of the Inmet acquisition, as well as a decrease in accounts receivable due to the decrease in metal pricing and timing of collections from customers.

INVESTING AND FINANCING

Capital spending

Capital spending this quarter was mainly for Cobre Panama. Please see *Results of our operations* and *Status of our development project* for a discussion of actual results.

Acquisition of Inmet

On March 22, 2013, FQM Akubra acquired 85.5 percent of the issued and outstanding common shares of Inmet, and on April 1, 2013, it acquired a further 7.3 percent. On April 9, 2013, FQM Akubra acquired the remaining common shares of Inmet it did not already own through a compulsory acquisition, and Inmet ceased to be a publicly traded company. On April 22, 2013, FQM Akubra amalgamated with Inmet, with FQM Akubra carrying on as the successor entity.

Cash flows from investing activities in the second quarter of 2013 include $343.6 million in cash paid to acquire the remaining shares of Inmet that FQM Akubra did not yet own at March 31, 2013. The total amount of cash paid to acquire Inmet was $963.6 million.

Sale of investments

During the second quarter of 2013, FQM Akubra sold 100 percent of the bond portfolios acquired in the acquisition of Inmet, yielding cash proceeds of $1,949.9 million. The proceeds of disposition were used to repay the $2,500.0 million debt facility entered into and drawn on during the first quarter of 2013 to finance the acquisition of Inmet.

Cash flows from financing activities

Cash outflows from financing activities of $2,268.0 million in the second quarter of 2013 consist primarily of the repayment of the $2,500.0 million debt facility entered into to finance the acquisition of Inmet. The facility was repaid and replaced by a new revolving facility on the same terms from which a drawdown of $150.0 million was made during the second quarter.

Common shares

As at June 30, 2013 and the date of this report, FQM Akubra has 114,526,261 common shares outstanding.

Supplementary financial information

This section includes supplementary financial information about certain non-GAAP financial measures disclosed in this MD&A. This document refers to operating cash flow per share, EBITDA, comparative EBITDA and comparative earnings, which are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS.

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

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 EBITDA, comparative earnings and comparative earnings per share have been adjusted to remove the effect of acquisition and other costs as well as fair value adjustments relating to the acquisition of Inmet. These may differ from those used by other issuers.

Reconciliation of net loss to comparative net earnings (millions of US dollars, except where otherwise noted)	**three months ended June 30, 2013**	**six months ended June 30, 2013**
Net loss attributable to FQM Akubra shareholder per financial statements	($13.3)	($37.0)
Add:		
Acqusition and other costs relating to Inmet (net of tax)	$0.0	$29.5
Non-recurring acquisition accounting inventory adjustments (net of tax)	$21.8	$30.5
Comparative earnings	$8.5	$23.0

Regulatory Disclosures

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. For the six months ended June 30, 2013, significant judgment has been used with respect to the valuation and fair value allocation of the assets acquired and liabilities assumed in FQM Akubra's acquisition of Inmet. The fair value allocation is subject to final adjustments until such time as the valuation is finalized. FQM Akubra has 12 months from the date of acquisition to finalize the purchase price allocation. Fair values have been estimated using a variety of methods, with the method for key items listed below.

Asset Acquired or Liability Assumed	**Method of determining preliminary fair value estimate**
Mineral properties – identified reserves, and value beyond proven and probable reserves (included in property, plant and equipment on the balance sheet)	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.
Senior notes	Trading value of the notes on the date of acquisition.
Plant and equipment	Estimated primarily using the cost approach based on fixed asset records.
Government and corporate securities (included in investments)	Estimated using market trading prices on the date of acquisition.
Inventories – finished goods (included in inventories)	Estimated recoverable value of contained metal, less estimated selling, shipping, treatment and refining costs.

FQM (Akruba) Inc.
Quarterly review
(unaudited)

Latest two Quarters

(millions of US dollars)	2013 Second Quarter	2013 First Quarter
STATEMENTS OF EARNINGS		
Sales revenues	$ 183.9	$ 29.8
Cost of sales	(176.1)	(26.3)
Gross profit	7.8	3.5
Exploration	(6.5)	-
General and administrative	(7.1)	(3.4)
Acquisition transaction costs	-	(29.5)
Other income	1.2	6.4
Operating profit	(4.6)	(23.0)
Finance income	0.9	1.2
Finance costs	(3.4)	(1.5)
Earnings before income taxes	(7.1)	(23.3)
Income taxes	(7.5)	1.0
Net earnings for the period	$ (14.6)	$ (22.3)
Net earnings for the period attributable to:		
Non-controlling interests	(1.3)	1.4
Shareholders of the Company	$ (13.3)	$ (23.7)

FQM (Akruba) Inc.
Consolidated statements of financial position

(Unaudited)

(millions of US dollars)	Note	June 30, 2013[1]
Assets		
Current assets		
Cash and cash equivalents		445.5
Trade and other receivables		125.8
Inventories	5	94.9
Short term investments	6	103.0
		769.2
Cash and cash equivalents - restricted cash		80.1
Investments	6	1.9
Property, plant and equipment	7	4,793.8
Loan receivable from related party	8	275.2
Other assets	9	513.0
Total assets		6,433.2
Liabilities		
Current liabilities		
Trade and other payables		347.4
Current taxes payable		24.8
Current portion of long-term debt	10	147.9
Current portion of provisions and other liabilities		22.6
		542.7
Long-term debt	10	2,188.0
Provisions and other liabilities		258.5
Deferred income tax liabilities		537.3
Total liabilities		3,526.5
Equity		
Share capital		2,453.4
Retained deficit		(37.0)
Accumulated other comprehensive loss		(1.6)
Total equity attributable to shareholder of the Company		2,414.8
Non-controlling interests		491.9
Total equity		2,906.7
Total liabilities and equity		6,433.2

(1) FQM (Akubra) Inc. was incorporated on December 14, 2012 for consideration of $1.00. The balance sheet at December 31, 2012 includes only share capital held by FQM (Akubra) Inc.'s parent company, First Quantum Minerals Ltd, of $1.00.

FQM (Akruba) Inc.
Consolidated statements of changes in equity

(unaudited)

(millions of US dollars)	June 30, 2013
Share capital	
Balance – beginning of period	-
Shares issued in relation to the acquisition of Inmet	2,453.4
Balance – end of period	2,453.4
Retained deficit	
Balance – beginning of period	-
Loss for the period attributable to shareholder of the Company	(37.0)
Balance – end of period	(37.0)
Accumulated other comprehensive loss	
Balance – beginning of period	-
Other comprehensive loss for the period	(1.6)
Balance – end of period	(1.6)
Non-controlling interests	
Balance – beginning of period	-
Acquisition of Inmet	491.8
Earnings attributable to non-controlling interests	0.1
Balance – end of period	491.9

FQM (Akruba) Inc.
Consolidated statements of earnings
(unaudited)

(millions of US dollars)	Note	three months ended June 30, 2013	six months ended June 30, 2013
Sales revenues	13	183.9	213.7
Cost of sales	14	(176.1)	(202.4)
Gross profit		7.8	11.3
Exploration		(6.5)	(6.5)
General and administrative		(7.1)	(10.5)
Acquisition transaction costs	4	-	(29.5)
Other income		1.2	7.6
Operating loss		(4.6)	(27.6)
Finance income		0.9	2.1
Finance costs	12	(3.4)	(4.9)
Loss before income taxes		(7.1)	(30.4)
Income taxes		(7.5)	(6.5)
Net loss for the period		(14.6)	(36.9)
Net earnings (loss) for the period attributable to:			
Non-controlling interests		(1.3)	0.1
Shareholder of the Company		(13.3)	(37.0)

FQM (Akruba) Inc.
Consolidated statements of comprehensive income

(Unaudited)

(millions of US dollars)	three months ended June 30, 2013	six months ended June 30, 2013
Net loss for the period	(14.6)	(36.9)
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Unrealized loss on available-for-sale investments and other	(1.3)	(1.3)
Income tax expense	(0.3)	(0.3)
Comprehensive loss for the period	(16.2)	(38.5)
Total comprehensive income (loss) for the period attributable to:		
Non-controlling interests	(1.3)	0.1
Shareholder of the Company	(14.9)	(38.6)

FQM (Akruba) Inc.
Consolidated statements of cash flows
(unaudited)

(millions of US dollars)	Note	three months ended June 30, 2013	six months ended June 30, 2013
Cash flows from operating activities			
Net earnings for the period		(14.6)	(36.9)
Items not affecting cash			
Depreciation		66.6	74.9
Unrealized foreign exchange income		(2.1)	(2.1)
Deferred income tax recovery		(28.6)	(28.6)
Current income tax expense		34.9	34.9
Net finance expense		2.7	3.0
Other		(0.4)	(0.5)
		58.5	44.7
Taxes paid		(16.6)	(17.6)
Change in non-cash operating working capital			
(Increase) decrease in trade and other receivables		19.5	(10.2)
Decrease in inventories		24.9	33.6
Increase (decrease) in trade and other payables		(114.6)	0.4
Cash flows from operating activities		(28.3)	50.9
Cash flows from investing activities			
Purchase and deposits on property, plant and equipment		(286.6)	(309.0)
Interest paid and capitalized to property, plant and equipment		(49.3)	(53.0)
Acquisition of Inmet		(343.6)	(963.6)
Proceeds from sale of investments		1,949.9	1,949.9
Interest received		2.1	2.0
		1,272.5	626.3
Cash flows from financing activities			
Proceeds from (repayments of) debt		(1,975.7)	140.7
Loan to related party	8	(250.2)	(250.2)
Interest paid		(42.1)	(42.1)
		(2,268.0)	(151.6)
Increase (decrease) in cash and cash equivalents		(1,023.8)	525.6
Cash and cash equivalents - beginning of period		1,549.4	-
Cash and cash equivalents - end of period		525.6	525.6

Notes to the consolidated financial statements

1. Nature of operations

FQM (Akubra) Inc. (“FQM Akubra” or “the Company”) is engaged in the production of copper, nickel, zinc, gold, cobalt, platinum-group elements (“PGE”) and acid, and related activities including exploration and development. The Company has operating mines located in Finland, Turkey and Spain. The Company is developing the Cobre Panama copper project in Panama.

On March 22, 2013, the Company acquired 85.5% of the common shares of Inmet Mining Corporation (“Inmet”) thus obtaining control (the “Acquisition”), and subsequently acquired the remaining common shares of Inmet. In conjunction with the Acquisition, on April 22, 2013, Inmet amalgamated with FQM Akubra. The amalgamated company has succeeded all of the obligations of Inmet. Refer to Note 4 for details related to the Acquisition.

The Company is directly and wholly owned by First Quantum Minerals Ltd. (“First Quantum”) which is a publicly traded entity. The Company is registered and domiciled in Canada, and its registered office is 333 Bay Street, Suite 2400, Toronto, Ontario, Canada, M5H 2T6.

2. Basis of presentation and statement of compliance

These condensed interim consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”), including IAS 34 – Interim Financial Reporting. 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”).

3. Summary of significant accounting policies

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

a) Basis of measurement

These interim consolidated financial statements have been prepared under the historical cost convention, with the exception of 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 power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 Çayeli Bakir Isletmeleri A.S. (“Çayeli”), Cobre Las Cruces S.A. (“Las Cruces”), Pyhäsalmi Mine Oy (“Pyhäsalmi”) and Minera Panama S.A. (“MPSA”). Çayeli, Las Cruces and Pyhäsalmi are 100% owned. The Company holds an 80% interest in Cobre Panama.

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

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

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

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

  Once a mine 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.

- Determination of useful lives of assets for depreciation purposes – (accounting policy note 3f)

  Significant judgment is involved in the determination of useful life and residual values for long-lived assets that drive the calculation of depreciation charges. Changes in the judgment of useful lives and residual values may impact the depreciation charge shown in the consolidated statements of earnings and in note 7.

- Taxes – (accounting policy note 3k)

  Judgment is required in determining whether deferred income tax assets and liabilities are recognized 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.

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 resources 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 7), restoration provisions, recognition of deferred income tax amounts and depreciation (note 7).

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

  The Company reviews the carrying value of property, plant and equipment 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 the consolidated statement of earnings.

  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 at the balance sheet date is disclosed in note 7 and by mine location in note 15.

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

  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 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.

- Deferred income taxes – (accounting policy note 3k)

  The Company recognizes deferred income tax assets arising from unutilized tax losses which requires 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.

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 rock 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. 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.

Inventories on hand that will not be processed within one year are classified as long-term.

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 the 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, 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. The major asset categories of depreciable assets and their estimated useful lives are as follows:

Computer equipment and software	30-33%
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 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) 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.

h) Asset impairment

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 to sell and value in use. Fair value less costs to sell 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 the consolidated statement of 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.

i) 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 passage of time 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. For the Company’s closed properties, changes to estimated costs are immediately recognized in net earnings.

j) Revenue recognition

The Company produces copper cathode, copper, nickel, gold, cobalt and PGE in concentrate and gold bullion. Copper, nickel, gold, cobalt and PGE products 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 recognized in net earnings.

k) Current and deferred income taxes

Current tax expense is calculated using income tax rates that have been enacted or substantively enacted at the balance sheet date.

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.

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.

l) Financial instruments

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

i) Cash and cash equivalents

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

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

iii) Investments

Investments are recognized initially at fair value on the trade date, plus, in the case of investments that are not at fair value through profit or loss, directly attributable transaction costs. 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 16. 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 consolidated statement of 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 is 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 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 the consolidated statement of 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 the consolidated statement of 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 the consolidated statement of 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 the consolidated statement of earnings are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

m) Changes in accounting policies

The Company adopted the following new and amended standards for these condensed interim consolidated financial statements, none of which had a material impact on our consolidated interim financial statements:

- IAS 1 - Financial statement presentation – Presentation of Items of Other Comprehensive Income
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interest in Other Entities
- IFRS 13 - Fair Value Measurement
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

4. Acquisition of Inmet

On March 22, 2013, the Company acquired 85.5% of the common shares of Inmet Mining Corporation thus obtaining control. The remaining common shares were acquired in two steps, 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 C$72.00 in cash; 3.2967 common shares of First Quantum; or C$36.00 and 1.6484 common shares, subject to pro-ration 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 owns the Çayeli copper-zinc mine in Turkey, the 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 are consolidated with the results of the other operations.

Inmet's principle subsidiaries are Çayeli Bakır Isletmeleri A.S. (Turkey), Cobre Las Cruces S.A. (Spain), Pyhäsalmi Mine Oy (Finland), and Minera Panama, S.A. (Panama).

A preliminary allocation of fair value, which is subject to final adjustments, is as follows:

	$
Preliminary purchase price:	
114,526,277 common shares of First Quantum at C$21.84/share	2,453.4
Cash consideration	2,451.9
Panama capital gains tax paid on behalf of Inmet shareholders	66.9
Total Consideration	**4,972.2**

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 arises when shares are 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 US$2.5 billion acquisition facility provided by Standard Chartered Bank. The cash outflow on the Acquisition was $963.8 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 $1,555.0 million.

	$
Net assets acquired:	
Cash	1,474.8
Restricted cash	80.2
Trade and other receivables	115.1
Inventories	131.9
Investments	2,053.0
Property, plant and equipment	4,515.3
Goodwill	512.8
Other assets	0.5
Trade and other payables	(354.2)
Current taxes payable	(20.8)
Debt	(2,222.9)
Provisions and other liabilities	(272.0)
Deferred tax liabilities	(549.7)
Total identifiable net assets	**5,464.0**
Non-controlling interest in MPSA	(491.8)
Total	**4,972.2**

This fair value allocation is subject to final adjustments until the valuation work is finalized. The completion of the Acquisition in April 2013 resulted in the recognition of additional goodwill of $68.6 million in the second quarter. Certain preliminary asset and liability values have been updated during the second quarter as valuation work has progressed, which are not considered significant.

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

Asset Acquired or Liability Assumed	Method of determining preliminary fair value estimate	Preliminary Fair Value $
Mineral properties – identified reserves, and value beyond proven and probable reserves (included in property, plant and equipment on the balance sheet)	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.	2,690.8
Senior notes	Trading value of the notes on the date of acquisition.	(2,205.0)
Plant and equipment	Estimated primarily using a cost approach based on fixed asset records.	1,811.7
Government and corporate securities (included in investments)	Estimated using market trading prices on the date of acquisition.	503.6
Inventories – finished goods (included in inventories)	Estimated based on recoverable value of contained metal, less estimated selling, shipping, treatment and refining costs.	62.2

Transaction costs of $29.5 million were expensed in relation to the Acquisition during the six months ended June 30, 2013.

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

The Company has consolidated Inmet's operating results from the date of acquisition to June 30, 2013 resulting in additional revenue in the six months of $213.7 million and operating profit of $27.6 million. This includes the effect of $75.2 million of fair value adjustments. Had the business combination occurred on January 1, 2013, sales revenues for the six months would have been $1,992.1 million, operating profit $449.2 and net earnings $303.8 million, subject to final allocation of fair value on the Acquisition. This includes the effect of $155.7 million of fair value adjustments.

In conjunction with the Acquisition, on April 22, 2013, Inmet amalgamated with FQM Akubra. The amalgamated company has succeeded all of the obligations of Inmet, including obligations under the Inmet Senior Notes (refer to note 10).

5. Inventories

	June 30, 2013
Ore in stockpiles	35.5
Work-in-progress	5.2
Finished product	24.0
Total product inventory	64.7
Consumable stores	30.2
	94.9

6. Investments

	June 30, 2013
Equity securities – at cost	1.9
Government securities	103.0
	104.9
Short term investments consists of:	
Government securities	103.0

7. Property, plant and equipment

			Mineral properties and mine development costs		
	Plant and equipment	Capital work-in-progress	Operating mines	Development projects	Total
Cost					
As at December 31, 2012	-	-	-	-	-
Acquisition of Inmet	1,811.7	-	856.6	1,847.0	4,515.3
Additions	-	275.2	-	-	275.2
Transfers between categories	10.5	(26.4)	15.9	-	-
Restoration provision	-	-	36.6	(11.9)	24.7
Capitalized interest	-	53.0	-	-	53.0
As at June 30, 2013	1,822.2	301.8	909.1	1,835.1	4,868.2
Accumulated depreciation					
As at December 31, 2012	-	-	-	-	-
Depreciation charge	(34.4)	-	(40.0)	-	(74.4)
As at June 30, 2013	(34.4)	-	(40.0)	-	(74.4)
Net book value					
As at December 31, 2012	-	-	-	-	-
As at June 30, 2013	1,787.8	301.8	869.1	1,835.1	4,793.8

During the six months ended June 30, 2013, $53.0 million of interest was capitalized relating to the development of qualifying assets. The amount capitalized to date in 2013 was determined by identifying borrowing costs specifically related to qualifying assets.

Included within mineral properties – operating mines at June 30, 2013 is $6.5 million related to capitalized deferred stripping costs.

8. Loan receivable from related party

The Company has a loan receivable of $275.2 million from a wholly-owned subsidiary of First Quantum.

9. Other assets

	June 30, 2013
Goodwill	512.8
Other	0.2
Total Other assets	513.0

10. Debt

	June 30, 2013
Drawn debt	
Senior notes	
8.75% issued May 18, 2012 (a)	1,648.4
7.5% issued December 18, 2012 (b)	539.5
Revolving debt facility (c)	129.8
Promissory note – Pyhäsalmi	18.2
Total debt	2,335.9
Less: Current maturities and short term debt	(147.9)
	2,188.0
Undrawn debt	
Revolving debt facility (c)	2,350.0

a) Senior Notes – 8.75%

On May 18, 2012, Inmet issued $1,500 million in unsecured senior notes due in June 2020, bearing interest at an annual rate of 8.75%. The acquisition of Inmet by the Company triggered the change of control clause in the notes' indenture which required an offer to repurchase the notes. On April 19, 2013, a mandatory offer was issued to purchase these notes in cash at a price equal to 101% of the aggregate principal plus accrued and unpaid interest up to, but not including, the date of purchase. The offer ended on May 20, 2013 and a portion of the bonds were purchased totalling $10.6 million including $0.4 million of accrued interest.

FQM (Akubra) may redeem some or all of the notes at any time on or after June 1, 2016 at redemption prices ranging from 104.375% in the first year to 100% 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, FQM (Akubra) 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.

FQM (Akubra) and its subsidiaries are subject to certain restrictions on asset sales, payments, incurrence of indebtedness and issuance of preferred stock.

The notes were recorded at a fair value of $1,664.1 million on the date of acquisition of Inmet by the Company and will be amortized down to face value over the remaining term of the notes

b) Senior Notes – 7.5%

On December 18, 2012, Inmet Mining Corporation issued $500 million in unsecured senior notes due in June 2021, bearing interest at an annual rate of 7.5%. The acquisition of Inmet by the Company triggered the change of control clauses in the notes' indentures which required an offer to repurchase the notes to be made. On April 19, 2013, a mandatory offer was issued to purchase these notes in cash at a price equal to 101% of the aggregate principal plus accrued and unpaid interest up to, but not including, the date of purchase. The offer ended on May 20, 2013 and none of the bonds were purchased.

FQM (Akubra) may redeem some or all of the 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.

FQM (Akubra) and its subsidiaries are subject to certain restrictions on asset sales, payments, and incurrence of indebtedness and issuance of preferred stock.

The notes were recorded at a fair value of $540.9 million on the date of acquisition of Inmet by the Company and will be amortized down to face value over the remaining term of the notes.

c) Revolving debt facility

FQM (Akubra) Inc. entered into a $2,500.0 million debt arrangement in order to finance the Acquisition of Inmet. In May 2013, following repayment of amounts owing, this facility was amended and restated as a revolving credit facility. The minimum facility repayment is the greater of 50% of the outstanding debt or $1,000.0 million on December 31, 2013, with the remainder being due on March 26, 2014. Interest is payable monthly in arrears and calculated at a rate equal to LIBOR plus 2.75%. Cash drawn down under facility in the quarter of $150.0 million is net of issue and transaction costs of $20.2 million.

11. Share capital

(a) Common shares

Authorized

Unlimited common shares without par value

Issued

	Number of shares
Balance as at December 31, 2012	1
Shares issued in relation to the acquisition of Inmet (note 4)	114,526,260
Balance as at June 30, 2013	114,526,261

12. Finance costs

	Three months ended June 30, 2013	Six months ended June 30, 2013
Interest expense on financial liabilities measured at amortized cost	(51.0)	(56.2)
Accretion on restoration provision	(1.7)	(1.7)
Total finance costs	(52.7)	(57.9)
Less: interest capitalized	49.3	53.0
	(3.4)	(4.9)

13. Sales revenues by nature

	Three months ended June 30, 2013	Six months ended June 30, 2013
Copper	147.5	177.3
Gold	3.7	3.7
Zinc	24.7	24.7
PGE and other elements	8.0	8.0
	183.9	213.7

14. Cost of sales

	Three months ended June 30. 2013	Six months ended June 30, 2013
Cost of production	(91.4)	(100.7)
Movement in inventory	(18.1)	(26.8)
Depletion and amortization	(66.6)	(74.9)
	(176.1)	(202.4)

15. 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 segment is responsible for the evaluation and acquisition of new mineral properties, regulatory reporting, treasury and finance and corporate administration. Included in the corporate segment is the Company’s head office and closed properties.

For the three month period ended June 30, 2013, segmented information for the statement of earnings is presented as follows:

	Revenue	Cost of sales (excluding depreciation)	Depreciation[2]	Other	Operating (loss) profit[1]	Income taxes
Çayeli	56.3	(45.3)	(17.0)	3.0	(3.0)	2.6
Las Cruces	97.2	(50.3)	(33.2)	3.7	17.4	(1.9)
Pyhäsalmi	30.4	(13.5)	(16.4)	0.9	1.4	0.4
Corporate & other	-	(0.4)	-	(20.0)	(20.4)	(8.6)
	183.9	(109.5)	(66.6)	(12.4)	(4.6)	(7.5)

[1] Operating profit less net finance costs and taxes equals net earnings for the period on the consolidated statement of earnings.

[2] Depreciation includes group depreciation on fair value increase on acquisition.

For the three month period ended June 30, 2013, segmented information of balance sheet items is presented as follows:

	Property, plant and equipment	Total assets	Total liabilities	Capital expenditures
Çayeli	261.0	461.6	111.3	4.4
Las Cruces	1,195.9	1,654.4	403.6	18.4
Pyhäsalmi	345.5	437.2	118.7	3.4
Cobre Panama	2,971.9	2,971.0	447.1	256.1
Corporate & other	19.5	909.0	2,445.8	4.3
	4,793.8	6,433.2	3,526.5	286.6

For the six month period ended June 30, 2013, segmented information for the statement of earnings is presented as follows:

	Revenue	Cost of sales (excluding depreciation)	Depreciation[2]	Other	Operating (loss) profit[1]	Income taxes
Çayeli	61.3	(50.7)	(18.3)	3.0	(4.7)	1.9
Las Cruces	119.3	(60.8)	(38.7)	3.6	23.4	(6.1)
Pyhäsalmi	33.1	(15.7)	(17.9)	0.8	0.3	-
Corporate & other	-	(0.3)	-	(46.3)	(46.6)	(2.3)
	213.7	(127.5)	(74.9)	(38.9)	(27.6)	(6.5)

[1] Operating profit less net finance costs and taxes equals net earnings for the period on the consolidated statement of earnings.

[2] Depreciation includes group depreciation on fair value increase on acquisition.

For the six month period ended June 30, 2013, segmented information of balance sheet items is presented as follows:

	Property, plant and equipment	Total assets	Total liabilities	Capital expenditures
Çayeli	261.0	461.6	111.3	4.8
Las Cruces	1,195.9	1,654.4	403.6	18.9
Pyhäsalmi	345.5	437.2	118.7	3.6
Cobre Panama	2,971.9	2,971.0	447.1	281.2
Corporate & other	19.5	909.0	2,445.8	0.5
	4,793.8	6,433.2	3,526.5	309.0

16. 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 June 30, 2013:

	Loans and receivables	Available-for-sale	Other financial liabilities	Total carrying amount	Total fair value
Financial assets					
Cash and cash equivalents	445.5	-	-	445.5	445.5
Cash and cash equivalents - restricted cash	80.1	-	-	80.1	80.1
Investments					
At cost	-	1.9	-	1.9	-
At fair value	-	103.0	-	103.0	103.0
Trade receivables and other prepayments (a)	125.8	-	-	125.8	125.8
Financial liabilities					
Trade and other payables	-	-	347.4	347.4	347.4
Debt	-	-	2,335.9	2,335.9	2,413.1

a) Trade receivables and other prepayments

Copper products are sold under pricing arrangements where final prices are set at a specified future date based on market copper prices. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in copper market prices give rise to an embedded derivative in the accounts receivable. This derivative is classified as fair value through profit or loss and recorded at fair value, with changes in fair value recognized in net earnings.

The following table sets forth the Company's assets measured at fair value on the balance sheet at June 30, 2013, in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Investments (a)	103.0	-	-	103.0

a) Investments

The Company's investments in marketable equity and government 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 marketable equity securities is calculated as the quoted market price of the marketable security multiplied by the quantity of shares held by the Company.

17. Commitments

Capital commitments

In conjunction with the development of Cobre Panama and other projects the Company has committed to approximately $1,781.1 million in capital expenditures.

Revenue stream commitment

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 billion 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 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 to 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.

Appendix to the FQM (Akubra) Inc. Q2 2013 Interim Report

Inmet Mining Corporation
Condensed Interim Consolidated Financial Statements
June 30, 2012
(as previously reported by Inmet Mining Corporation)

(In US dollars, tabular amounts in thousands, except where indicated)

Consolidated financial statements

INMET MINING CORPORATION
Consolidated statements of financial position
(Unaudited)

(thousands of US dollars)	Note reference	**June 30, 2012**	**December 31, 2011[(1)]**	December 31, 2010[(1)]
Assets				
Current assets:				
Cash and short term investments	4	**$2,733,063**	$1,048,457	$316,045
Restricted cash	5	**920**	784	597
Accounts receivable		**114,071**	101,867	115,628
Inventories		**91,562**	87,654	69,860
Current portion of held to maturity investments		**94,919**	175,921	52,201
Assets held for sale		**-**	-	308,935
		3,034,535	1,414,683	863,266
Restricted cash	5	**74,205**	69,538	67,831
Property, plant and equipment		**2,095,075**	1,772,766	1,680,858
Investments in equity securities		**2,706**	3,060	2,608
Held to maturity investments		**448,025**	427,727	308,483
Deferred income tax assets		**1,574**	317	8,444
Other assets		**1,511**	1,380	2,261
Total assets		**$5,657,631**	$3,689,471	$2,933,751
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities		**$237,618**	$138,596	$132,009
Provisions		**13,894**	13,087	17,106
Liabilities associated with assets held for sale		**-**	-	108,338
		251,512	151,683	257,453
Long-term debt	6	**1,463,268**	16,581	16,091
Provisions		**178,803**	170,025	157,235
Other liabilities		**17,242**	17,156	17,541
Deferred income tax liabilities		**56,487**	28,351	12,127
Total liabilities		**1,967,312**	383,796	460,447
Commitments and contingencies	15			
Equity				
Share capital		**1,541,773**	1,541,324	1,054,927
Contributed surplus		**64,725**	64,629	64,028
Share based compensation	7	**17,964**	8,256	6,334
Retained earnings		**2,039,382**	1,851,010	1,527,342
Accumulated other comprehensive loss	8	**(146,899)**	(159,544)	(179,327)
Total equity attributable to Inmet equity holders		**3,516,945**	3,305,675	2,473,304
Non-controlling interest	9	**173,374**	-	-
Total equity		**3,690,319**	3,305,675	2,473,304
Total liabilities and equity		**$5,657,631**	3,689,471	$2,933,751

(1) refer to note 3 for effect of change in presentation currency to the US dollar.
(See accompanying notes)

INMET MINING CORPORATION

Segmented statements of financial position

(Unaudited)

2012 As at June 30	**CORPORATE & OTHER**	**ÇAYELI**	**LAS CRUCES**	**PYHÄSALMI**	**COBRE PANAMA**	**DISCONTINUED OPERATIONS - OK TEDI**	**TOTAL**
(thousands of US dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	(Papua New Guinea)	
Assets							
Cash and short-term investments	**$2,390,279**	**$51,822**	**$165,880**	**$43,358**	**$81,724**	**$ -**	**$2,733,063**
Other current assets	**102,860**	**60,496**	**89,847**	**46,115**	**2,154**	**-**	**301,472**
Restricted cash	**19,312**	**-**	**53,343**	**1,550**	**-**	**-**	**74,205**
Property, plant and equipment	**2,284**	**132,631**	**833,601**	**65,468**	**1,061,091**	**-**	**2,095,075**
Investments in equity securities	**2,706**	**-**	**-**	**-**	**-**	**-**	**2,706**
Held to maturity investments	**347,583**	**100,442**	**-**	**-**	**-**	**-**	**448,025**
Other non-current assets	**1,387**	**1,698**	**-**	**-**	**-**	**-**	**3,085**
	$2,866,411	**$347,089**	**$1,142,671**	**$156,491**	**$1,144,969**	**$ -**	**$5,657,631**
Liabilities							
Current liabilities	**$37,506**	**$36,257**	**$60,693**	**$18,593**	**$98,463**	**$ -**	**$251,512**
Long-term debt	**1,463,268**	**-**	**-**	**-**	**-**	**-**	**1,463,268**
Provisions	**70,181**	**18,878**	**59,760**	**29,984**	**-**	**-**	**178,803**
Other liabilities	**664**	**-**	**16,578**	**-**	**-**	**-**	**17,242**
Deferred income tax liabilities	**-**	**-**	**45,491**	**10,996**	**-**	**-**	**56,487**
	$1,571,619	**$55,135**	**$182,522**	**$59,573**	**$98,463**	**$ -**	**$1,967,312**

2011 As at December 31	**CORPORATE & OTHER**	**ÇAYELI**	**LAS CRUCES**	**PYHÄSALMI**	**COBRE PANAMA**	**DISCONTINUED OPERATIONS - OK TEDI**	**TOTAL**
(thousands of US dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	(Papua New Guinea)	
Assets							
Cash and short-term investments	$711,427	$133,215	$131,799	$46,109	$25,907	$ -	$1,048,457
Other current assets	183,715	44,728	83,926	51,893	1,964	-	366,226
Restricted cash	16,306	-	51,667	1,565	-	-	69,538
Property, plant and equipment	1,196	137,736	869,308	66,103	698,423	-	1,772,766
Investments in equity securities	3,060	-	-	-	-	-	3,060
Held to maturity investments	348,022	79,705	-	-	-	-	427,727
Other non-current assets	1,262	435	-	-	-	-	1,697
	$1,264,988	$395,819	$1,136,700	$165,670	$726,294	$ -	$3,689,471
Liabilities							
Current liabilities	$21,305	$41,460	$53,152	$16,418	$19,348	$ -	$151,683
Long-term debt	16,581	-	-	-	-	-	16,581
Provisions	68,823	17,450	53,857	29,895	-	-	170,025
Other liabilities	655	-	16,501	-	-	-	17,156
Deferred income tax liabilities	-	-	17,095	11,256	-	-	28,351
	$107,364	$58,910	$140,605	$57,569	$19,348	$ -	$383,796

2010 As at December 31	**CORPORATE & OTHER**	**ÇAYELI**	**LAS CRUCES**	**PYHÄSALMI**	**COBRE PANAMA**	**DISCONTINUED OPERATIONS - OK TEDI**	**TOTAL**
(thousands of US dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	(Papua New Guinea)	
Assets							
Cash and short-term investments	$51,493	$104,324	$57,961	$93,970	$8,297	$ -	$316,045
Other current assets	58,851	57,084	57,708	64,088	664	308,826	547,221
Restricted cash	16,368	-	49,883	1,580	-	-	67,831
Property, plant and equipment	754	147,799	911,496	64,854	555,955	-	1,680,858
Investments in equity securities	2,608	-	-	-	-	-	2,608
Held to maturity investments	245,680	62,803	-	-	-	-	308,483
Other non-current assets	922	5,571	4,212	-	-	-	10,705
	$376,676	$377,581	$1,081,260	$224,492	$564,916	$308,826	$2,933,751
Liabilities							
Current liabilities	$29,322	$38,393	$45,718	$27,994	$7,688	$108,338	$257,453
Long-term debt	16,091	-	-	-	-	-	16,091
Provisions	55,707	20,920	54,644	25,964	-	-	157,235
Other liabilities	655	-	16,886	-	-	-	17,541
Deferred income tax liabilities	171	-	-	11,956	-	-	12,127
	$101,946	$59,313	$117,248	$65,914	$7,688	$108,338	$460,447

INMET MINING CORPORATION

Consolidated statements of changes in equity

(unaudited)

		Attributable to Inmet equity holders							
(thousands of US dollars)	Note Reference	Share Capital	Retained earnings	Contributed surplus	Share based compensation	Accumulated other comprehensive income (loss) (note 7)	Total	Non-controlling interest	Total equity
Balance as at December 31, 2010[1]		$1,054,927	$1,527,342	$64,028	$6,334	($179,327)	$2,473,304	-	$2,473,304
Comprehensive income		-	192,569	-	-	41,793	234,362	-	234,362
Equity settled share-based compensation plans		-	-	292	(1,087)	-	(795)	-	(795)
Dividends		-	(6,713)	-	-	-	(6,713)	-	(6,713)
Issuance of share capital		486,199	-	-	-	-	486,199	-	486,199
Balance as at June 30, 2011[1]		**$1,541,126**	**$1,713,198**	**$64,320**	**$5,247**	**($137,534)**	**$3,186,357**	**$ -**	**$3,186,357**
Comprehensive income		-	144,531	-	-	(22,010)	122,521	-	122,521
Equity settled share-based compensation plans		198	-	309	3,009	-	3,516	-	3,516
Dividends		-	(6,719)	-	-	-	(6,719)	-	(6,719)
Balance as at December 31, 2011[1]		**$1,541,324**	**$1,851,010**	**$64,629**	**$8,256**	**($159,544)**	**$3,305,675**	**$ -**	**$3,305,675**
Comprehensive income (loss)		-	187,539	-	-	6,872	194,411	5,715	200,126
Equity settled share-based compensation plans		449	-	96	9,708	-	10,253	-	10,253
Dividends on common shares		-	(6,759)	-	-	-	(6,759)	-	(6,759)
Equity funding from non-controlling shareholder		-	-	-	-	-	-	20,000	20,000
Sale of 20 percent interest in Cobre Panama	9	-	7,592	-	-	5,773	13,365	147,659	161,024
Balance as at June 30, 2012		**$1,541,773**	**$2,039,382**	**$64,725**	**$17,964**	**($146,899)**	**$3,516,945**	**$173,374**	**$3,690,319**

(1) refer to note 3 for effect of change in presentation currency to the US dollar.

(See accompanying notes)

INMET MINING CORPORATION
Consolidated statements of earnings

(unaudited)

(thousands of US dollars except per share amounts)	Note reference	Three Months Ended June 30 2012	Three Months Ended June 30 2011(1)	Six Months Ended June 30 2012	Six Months Ended June 30 2011(1)
Gross sales		**$251,395**	$214,894	**$536,922**	$461,085
Smelter processing charges and freight		**(28,480)**	(32,793)	**(57,818)**	(63,374)
Cost of sales (excluding depreciation)		**(84,634)**	(71,302)	**(164,258)**	(147,935)
Depreciation		**(29,193)**	(25,802)	**(59,260)**	(51,982)
Earnings from operations		**109,088**	84,997	**255,586**	197,794
Corporate development and exploration		**(10,290)**	(4,417)	**(19,091)**	(17,401)
General and administration		**(15,899)**	(7,995)	**(25,644)**	(16,150)
Investment and other income	10	**45,103**	4,581	**38,840**	(1,009)
Finance costs	11	**(2,379)**	(2,310)	**(4,975)**	(4,567)
Income before taxation		**125,623**	74,856	**244,716**	158,667
Income tax expense	12	**(31,444)**	(20,588)	**(57,456)**	(46,884)
Income from continuing operations		**$94,179**	$54,268	**$187,260**	$111,783
Income from discontinued operation (net of taxes)		**-**	-	**-**	80,786
Net income		**$94,179**	$54,268	**$187,260**	$192,569
Net income attributable to:					
Inmet equity holders		**$94,458**	$54,268	**$187,539**	$192,569
Non-controlling interest		**(279)**	-	**(279)**	-
		$94,179	$54,268	**$187,260**	$192,569
Earnings per common share	13				
Income from continuing operations					
Basic		**$1.36**	$0.83	**$2.70**	$1.76
Diluted		**$1.35**	$0.83	**$2.69**	$1.75
Income from discontinued operation					
Basic		-	-	-	$1.27
Diluted		-	-	-	$1.27
Net income					
Basic		**$1.36**	$0.83	**$2.70**	$3.03
Diluted		**$1.35**	$0.83	**$2.69**	$3.02

(1) refer to note 3 for effect of change in presentation currency to the US dollar.

(See accompanying notes)

INMET MINING CORPORATION
Segmented statements of earnings
(unaudited)

2012 For the six months ended June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	DISCONTINUED OPERATIONS - OK TEDI	TOTAL
(thousands of US dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	(Papua New Guinea)	
Gross sales	$ -	$189,533	$238,245	$109,144	$ -	$ -	$536,922
Smelter processing charges and freight	-	(35,544)	(845)	(21,429)	-	-	(57,818)
Cost of sales (excluding depreciation)	(4,148)	(51,157)	(78,653)	(30,300)	-	-	(164,258)
Depreciation	-	(12,628)	(42,025)	(4,607)	-	-	(59,260)
Earnings from operations	(4,148)	90,204	116,722	52,808	-	-	255,586
Corporate development and exploration	(10,889)	(769)	(1,560)	(2,282)	(3,591)	-	(19,091)
General and administration	(25,644)	-	-	-	-	-	(25,644)
Investment and other income	36,927	(1,033)	2,083	756	107	-	38,840
Finance costs	(1,634)	(570)	(2,410)	(361)	-	-	(4,975)
Income tax expense	(722)	(17,368)	(28,451)	(10,915)	-	-	(57,456)
Net income (loss)	($6,110)	$70,464	$86,384	$40,006	($3,484)	$ -	$187,260

2011 For the six months ended June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	DISCONTINUED OPERATIONS - OK TEDI	TOTAL
(thousands of US dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	(Papua New Guinea)	
Gross sales	$ -	$175,130	$164,219	$121,736	$ -	$ -	$461,085
Smelter processing charges and freight	-	(35,092)	(461)	(27,821)	-	-	(63,374)
Cost of sales (excluding depreciation)	-	(46,125)	(75,759)	(26,051)	-	-	(147,935)
Depreciation	-	(9,928)	(37,604)	(4,450)	-	-	(51,982)
Earnings from operations	-	83,985	50,395	63,414	-	-	197,794
Corporate development and exploration	(12,725)	(901)	(5)	(1,612)	(2,158)	-	(17,401)
General and administration	(16,150)	-	-	-	-	-	(16,150)
Investment and other income	(3,443)	2,263	87	194	(110)	-	(1,009)
Finance costs	(1,843)	(281)	(2,011)	(432)	-	-	(4,567)
Income tax expense	(484)	(22,842)	(9,618)	(13,940)	-	-	(46,884)
Net income (loss) from continuing operations	($34,645)	$62,224	$38,848	$47,624	($2,268)	$ -	$111,783
Income from discontinued operation (net of taxes)	-	-	-	-	-	80,786	80,786
Net income (loss)	($34,645)	$62,224	$38,848	$47,624	($2,268)	$80,786	$192,569

INMET MINING CORPORATION

Segmented statements of earnings

(unaudited)

2012 For the three months ended June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	TOTAL
(thousands of US dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	
Gross sales	**$ -**	**$66,162**	**$127,863**	**$57,370**	**$ -**	**$251,395**
Smelter processing charges and freight	**-**	**(14,075)**	**(550)**	**(13,855)**	**-**	**(28,480)**
Cost of sales (excluding depreciation)	**(6,895)**	**(22,519)**	**(40,653)**	**(14,567)**	**-**	**(84,634)**
Depreciation	**-**	**(5,366)**	**(21,557)**	**(2,270)**	**-**	**(29,193)**
Earnings from operations	**(6,895)**	**24,202**	**65,103**	**26,678**	**-**	**109,088**
Corporate development and exploration	**(5,368)**	**(388)**	**(642)**	**(1,507)**	**(2,385)**	**(10,290)**
General and administration	**(15,899)**	**-**	**-**	**-**	**-**	**(15,899)**
Investment and other income	**41,066**	**820**	**2,191**	**919**	**107**	**45,103**
Finance costs	**(820)**	**(233)**	**(1,147)**	**(179)**	**-**	**(2,379)**
Income tax expense	**(586)**	**(7,888)**	**(17,238)**	**(5,732)**	**-**	**(31,444)**
Net income (loss)	**$11,498**	**$16,513**	**$48,267**	**$20,179**	**($2,278)**	**$94,179**

2011 For the three months ended June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	TOTAL
(thousands of US dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	
Gross sales	$ -	$79,226	$76,282	$59,386	$ -	$214,894
Smelter processing charges and freight	-	(17,767)	(201)	(14,825)	-	(32,793)
Cost of sales (excluding depreciation)	-	(22,443)	(36,618)	(12,241)	-	(71,302)
Depreciation	-	(4,868)	(18,670)	(2,264)	-	(25,802)
Earnings from operations	-	34,148	20,793	30,056	-	84,997
Corporate development and exploration	(3,073)	(439)	-	(905)	-	(4,417)
General and administration	(7,995)	-	-	-	-	(7,995)
Investment and other income	3,331	1,439	(153)	74	(110)	4,581
Finance costs	(932)	(138)	(1,020)	(220)	-	(2,310)
Income tax expense	(287)	(11,556)	(2,360)	(6,385)	-	(20,588)
Net income (loss)	($8,956)	$23,454	$17,260	$22,620	($110)	$54,268

INMET MINING CORPORATION
Consolidated statements of comprehensive income
(unaudited)

(thousands of US dollars)	Note reference	Three Months Ended June 30 2012	Three Months Ended June 30 2011(1)	Six Months Ended June 30 2012	Six Months Ended June 30 2011(1)
Net income		**$94,179**	$54,268	**$187,260**	$192,569
Other comprehensive income for the period:					
Continuing operations					
Changes in fair value of investments		**(509)**	(2,029)	**(409)**	(2,552)
Currency translation adjustments		**19,978**	11,103	**13,271**	28,488
Income tax recovery related to investments - other comprehensive income		**2**	(72)	**4**	3
		19,471	9,002	**12,866**	25,939
Other comprehensive income from discontinued operation (net of		**-**	-	**-**	15,854
Comprehensive income		**$113,650**	$63,270	**$200,126**	$234,362
Comprehensive income (loss) attributable to:					
Inmet equity holders		**$107,935**	$63,270	**$194,411**	$234,362
Non-controlling interests		**5,715**	-	**5,715**	-
		$113,650	$63,270	**$200,126**	$234,362

(1) refer to note 3 for effect of change in presentation currency to the US dollar.

(See accompanying notes)

INMET MINING CORPORATION
Consolidated statements of cash flows
(unaudited)

(thousands of US dollars)	Note reference	Three Months Ended June 30 2012	Three Months Ended June 30 2011 (1)	Six Months Ended June 30 2012	Six Months Ended June 30 2011 (1)
Cash provided by (used in) operating activities (1)					
Net income from continuing operations		**$94,179**	$54,268	**$187,260**	$111,783
Add (deduct) items not affecting cash:					
Depreciation		**29,193**	25,802	**59,260**	51,982
Deferred income taxes		**15,105**	2,305	**27,058**	10,428
Accretion expense on provisions and capital leases		**1,942**	1,860	**4,105**	3,691
Change in asset retirement obligations at closed sites		**6,895**	-	**4,148**	-
Foreign exchange loss		**2,260**	524	**9,660**	4,614
Other		**9,125**	(2,513)	**11,036**	(2,917)
Settlement of asset retirement obligations		**(1,255)**	(1,728)	**(2,137)**	(3,341)
Net change in non-cash working capital	14	**18,889**	9,459	**(9,545)**	28,155
		176,333	89,977	**290,845**	204,395
Cash provided by (used in) investing activities					
Purchase of property, plant and equipment		**(192,050)**	(50,154)	**(274,658)**	(89,589)
Acquisition of held to maturity investments		**(52,970)**	(21,936)	**(54,094)**	(288,632)
Maturing of held to maturity investments		**78,276**	35,114	**125,652**	42,859
Funding received under Cobre Panama option agreement		**-**	4,694	**-**	8,512
Sale of 20 percent interest in Cobre Panama	9	**160,952**	-	**160,952**	-
Purchase of equity securities		**-**	(624)	**-**	(4,006)
Sale (purchase) of short-term investments, net		**-**	(24,126)	**258,459**	(17,079)
Other		**-**	2,615	**-**	2,737
		(5,792)	(54,417)	**216,311**	(345,198)
Cash provided by (used in) financing activities					
Issuance of common shares		**-**	486,199	**-**	486,199
Long-term debt borrowing, net of transaction costs	6	**1,429,031**	-	**1,429,031**	-
Dividends on common shares		**(6,759)**	(6,713)	**(6,759)**	(6,713)
Financial assurance payments		**(150)**	-	**(5,059)**	-
Funding by non-controlling shareholder		**20,000**	-	**20,000**	-
Other		**(853)**	(846)	**(1,330)**	(3,592)
		1,441,269	478,640	**1,435,883**	475,894
Foreign exchange on cash held in foreign currencies		**(1,263)**	730	**26**	3,770
Cash provided by discontinued operation		**-**	-	**-**	297,220
Increase in cash:		**1,610,547**	**514,930**	**1,943,065**	636,081
Cash:					
Beginning of period		**1,122,516**	430,132	**789,998**	308,981
End of period		**$2,733,063**	$945,062	**$2,733,063**	$945,062
Short term investments		**-**	24,126	**-**	24,126
Cash and short-term investments		**$2,733,063**	$969,188	**$2,733,063**	$969,188

(See accompanying notes)

(1) **Supplementary cash flow information:**

Cash interest paid	**$ -**	$ -	**$532**	$544
Cash taxes paid	**$24,432**	$24,218	**$37,759**	$41,170

(1) refer to note 3 for effect of change in presentation currency to the US dollar.

(See accompanying notes)

INMET MINING CORPORATION
Segmented statements of cash flows
(unaudited)

2012 For the six months ended June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	TOTAL
(thousands of US dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	
Cash provided by (used in) operating activities						
Before net change in non-cash working capital	$12,598	$85,663	$159,295	$45,160	($2,326)	$300,390
Net change in non-cash working capital	593	(23,546)	5,755	7,653	-	(9,545)
	13,191	62,117	165,050	52,813	(2,326)	290,845
Cash provided by (used in) investing activities						
Purchase of property, plant and equipment	(1,491)	(5,239)	(13,200)	(4,575)	(250,153)	(274,658)
Acquisition of held to maturity investments	(35,142)	(18,952)	-	-	-	(54,094)
Maturing of held to maturity investments	125,652	-	-	-	-	125,652
Funding received under Cobre Panama option agreement	-	-	-	-	160,952	160,952
Sale of short-term investments	258,459	-	-	-	-	258,459
	347,478	(24,191)	(13,200)	(4,575)	(89,201)	216,311
Cash provided by (used in) financing activities	1,419,339	-	(3,527)	-	20,071	1,435,883
Foreign exchange on cash held in foreign currencies	(1,067)	(1,096)	(458)	(1,925)	4,572	26
Intergroup funding (distributions)	158,370	(118,223)	(113,784)	(49,064)	122,701	-
Increase (decrease) in cash	1,937,311	(81,393)	34,081	(2,751)	55,817	1,943,065
Cash:						
Beginning of year	452,968	133,215	131,799	46,109	25,907	789,998
End of period	2,390,279	51,822	165,880	43,358	81,724	2,733,063
Short term investments	-	-	-	-	-	-
Cash and short-term investments	$2,390,279	$51,822	$165,880	$43,358	$81,724	$2,733,063

2011 For the six months ended June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	TOTAL
(thousands of US dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	
Cash provided by (used in) operating activities						
Before net change in non-cash working capital	($38,454)	$73,541	$90,801	$52,620	($2,268)	$176,240
Net change in non-cash working capital	(6,582)	15,002	4,828	14,907	-	28,155
	(45,036)	88,543	95,629	67,527	(2,268)	204,395
Cash provided by (used in) investing activities						
Purchase of property, plant and equipment	(364)	(7,418)	(32,974)	(2,698)	(46,135)	(89,589)
Acquisition of held to maturity investments	(274,237)	(14,395)	-	-	-	(288,632)
Maturing of held to maturity investments	42,859	-	-	-	-	42,859
Funding received under Cobre Panama option agreement	-	-	-	-	8,512	8,512
Purchase of equity investments	(4,006)	-	-	-	-	(4,006)
Sale (purchase) of short-term investments, net	(24,126)	-	7,047	-	-	(17,079)
Other	2,258	479	-	-	-	2,737
	(257,616)	(21,334)	(25,927)	(2,698)	(37,623)	(345,198)
Cash provided by (used in) financing activities	479,492	-	(3,598)	-	-	475,894
Foreign exchange on cash held in foreign currencies	-	(3,832)	3,837	4,063	(298)	3,770
Cash provided by discontinued operation	297,220	-	-	-	-	297,220
Intergroup funding (distributions)	147,992	(95,550)	(28,156)	(70,970)	46,684	-
Increase (decrease) in cash	622,052	(32,173)	41,785	(2,078)	6,495	636,081
Cash:						
Beginning of year	51,493	104,324	50,897	93,970	8,297	308,981
End of period	673,545	72,151	92,682	91,892	14,792	945,062
Short term investments	24,126	-	-	-	-	24,126
Cash and short-term investments	$697,671	$72,151	$92,682	$91,892	$14,792	$969,188

INMET MINING CORPORATION
Segmented statements of cash flows
(unaudited)

2012 For the three months ended June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	TOTAL
(thousands of US dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	
Cash provided by (used in) operating activities						
Before net change in non-cash working capital	$25,990	$20,603	$87,989	$22,732	$130	$157,444
Net change in non-cash working capital	3,651	11,670	(428)	3,996	-	18,889
	29,641	32,273	87,561	26,728	130	176,333
Cash provided by (used in) investing activities						
Purchase of property, plant and equipment	(922)	(2,989)	(7,215)	(2,191)	(178,733)	(192,050)
Acquisition of held to maturity investments	(34,462)	(18,508)	-	-	-	(52,970)
Maturing of held to maturity investments	78,276	-	-	-	-	78,276
Sale of 20 percent interest in Cobre Panama	-	-	-	-	160,952	160,952
	42,892	(21,497)	(7,215)	(2,191)	(17,781)	(5,792)
Cash provided by (used in) financing activities	1,422,003	-	(805)	-	20,071	1,441,269
Foreign exchange on cash held in foreign currencies	(3,236)	1,283	(1,128)	(2,627)	4,445	(1,263)
Intergroup funding (distributions)	161,662	(118,336)	(11,864)	(45,102)	13,640	-
Increase (decrease) in cash	1,652,962	(106,277)	66,549	(23,192)	20,505	1,610,547
Cash:						
Beginning of period	737,317	158,099	99,331	66,550	61,219	1,122,516
End of period	2,390,279	51,822	165,880	43,358	81,724	2,733,063
Short term investments	-	-	-	-	-	-
Cash and short-term investments	$2,390,279	$51,822	$165,880	$43,358	$81,724	$2,733,063

2011 For the three months ended June 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	TOTAL
(thousands of US dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	
Cash provided by (used in) operating activities						
Before net change in non-cash working capital	($12,913)	$28,150	$40,199	$25,192	($110)	$80,518
Net change in non-cash working capital	(1,895)	8,112	(425)	3,667	-	9,459
	(14,808)	36,262	39,774	28,859	(110)	89,977
Cash provided by (used in) investing activities						
Purchase of property, plant and equipment	(188)	(5,078)	(18,612)	(2,383)	(23,893)	(50,154)
Acquisition of held to maturity investments	(8,002)	(13,934)	-	-	-	(21,936)
Maturing of held to maturity investments	35,114	-	-	-	-	35,114
Funding received under Cobre Panama option agreement	-	-	-	-	4,694	4,694
Purchase of equity investments	(624)	-	-	-	-	(624)
Purchase of short-term investments	(24,126)	-	-	-	-	(24,126)
Other	2,136	479	-	-	-	2,615
	4,310	(18,533)	(18,612)	(2,383)	(19,199)	(54,417)
Cash provided by (used in) financing activities	479,358	-	(718)	-	-	478,640
Foreign exchange on cash held in foreign currencies	-	(423)	1,481	(120)	(208)	730
Intergroup funding (distributions)	152,237	(95,474)	(14,030)	(72,819)	30,086	-
Increase (decrease) in cash	621,097	(78,168)	7,895	(46,463)	10,569	514,930
Cash:						
Beginning of period	52,449	150,318	84,787	138,355	4,223	430,132
End of period	673,546	72,150	92,682	91,892	14,792	945,062
Short term investments	24,126	-	-	-	-	24,126
Cash and short-term investments	$697,672	$72,150	$92,682	$91,892	$14,792	$969,188

Notes to the consolidated financial statements

1. *Corporate information*

Inmet Mining Corporation is a publicly traded corporation listed on the Toronto stock exchange. Our registered and head office is 330 Bay Street, Suite 1000, Toronto Canada. Our principal activities are the exploration, development and mining of base metals.

2. *Basis of presentation and statement of compliance*

We prepared these interim consolidated financial statements using the same accounting policies and methods as those described in our consolidated financial statements for the year ended December 31, 2011, except as described in note 3. These interim financial statements are in compliance with International Accounting Standard 34, *Interim Financial Reporting* (IAS 34). Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires us to use certain critical accounting estimates and requires us to exercise judgement in applying our accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, have been set out in note 4 to our consolidated financial statements for the year ended December 31, 2011. These interim financial statements should be read in conjunction with our consolidated financial statements for the year ended December 31, 2011, which are included in our 2011 annual report.

3. *Change in functional and presentation currencies to the US dollar*

Prior to June 1, 2012, Inmet's functional and presentation currencies were the Canadian dollar. The decision to proceed with full scale development of Cobre Panama has significantly increased Inmet's exposure to the US dollar considering:

- Inmet's share of the development costs for the project, the vast majority of which are denominated in US dollars; and
- our issuance of US $1.5 billion of senior unsecured notes

Consequently, effective June 1, 2012, the US dollar was adopted as Inmet's functional currency. IFRS requires a change in functional currency to be accounted for prospectively. We therefore translated Inmet's May 31, 2012 financial statement items from Canadian dollars to US dollars using the May 31, 2012 exchange rate US $0.97 per Canadian dollar (Transition Rate). The resulting translated amounts for non-monetary items are treated as their historical cost. Our operating entities continue to measure the items in their financial statements using their functional currencies; Çayeli and Cobre Panama use the US dollar, and Pyhäsalmi and Las Cruces use the euro.

Following the change in Inmet's functional currency, we elected to change our presentation currency from Canadian dollars to US dollars as we believe that changing the presentation currency to US dollars will provide shareholders with a more accurate reflection of our underlying financial performance and position. We therefore began to report our consolidated financial statements in US dollars with our June 30, 2012 interim financial statements. The change in presentation currency represents a voluntary change in accounting policy. We have restated all comparative financial statements from previously reported Canadian dollar amounts to US dollars using the Transition Rate.

4. *Cash and short-term investments*

	June 30, 2012	December 31, 2011	December 31, 2010
Cash and cash equivalents:			
Liquidity funds	**$2,505,158**	$375,523	$188,415
Term deposits	**8,626**	6,548	51,306
Overnight deposits	**99,414**	70,389	4,182
Bankers acceptances	**-**	891	-
Money market funds	**33,910**	126,336	38,774
Corporate	**-**	11,593	-
Bank deposits	**85,955**	31,722	26,304
Provincial short-term notes	**-**	166,996	-
	2,733,063	789,998	308,981
Short-term investments:			
Corporate	**-**	48,588	-
Term deposits	**-**	-	7,064
Provincial short term notes	**-**	187,191	-
Bankers acceptances	**-**	22,680	-
	-	258,459	7,064
Total cash and short-term instruments	**$2,733,063**	$1,048,457	$316,045

5. *Restricted cash*

	June 30, 2012	December 31, 2011	December 31, 2010
Collateralized cash for letter of credit facility – Inmet Mining	**$19,312**	$16,306	$16,368
Collateralized cash for letters of credit – Las Cruces	**54,263**	52,451	50,480
Collateralized cash for Pyhäsalmi reclamation	**1,550**	1,565	1,580
	75,125	70,322	68,428
Less current portion:			
Collateralized cash for letters of credit – Las Cruces	**(920)**	(784)	(597)
	$74,205	$69,538	$67,831

6. *Long-term debt*

	June 30, 2012	December 31, 2011	December 31, 2010
Senior unsecured notes(a):			
Principal	**$1,500,000**	$-	$-
Transaction costs	**(54,085)**	-	-
Cumulative accretion of transaction costs	**581**	-	-
	1,446,496	-	-
Promissory note	**16,772**	16,581	16,091
Total long-term debt	**$1,463,268**	$16,581	$16,091

(a) On May 18, 2012, we issued $1,500 million aggregate principal amount of 8.75 percent senior unsecured notes (Notes) due 2020. The Notes were priced at 98.584 percent of their face value, yielding proceeds of $1,445 million net of the discount and directly attributable transaction costs. The Notes have been designated as *Other liabilities* and accounted for initially at fair value and subsequently at amortized cost using the effective interest rate method with a yield to maturity of 9.4 percent. Interest is payable on the notes semi-annually on December 1 and June 1 of each year. As the proceeds will be used to fund the development of Cobre Panama, interest costs will be capitalized to project assets during the construction period of this project.

These notes are unconditionally guaranteed on a senior unsecured basis by certain Inmet subsidiaries. The notes contain certain customary covenants and restrictions for a financing instrument of this type.

We may redeem, prior to June 1, 2015, up to 35 percent of the Notes with the net proceeds of certain equity offerings at a redemption price equal to 108.75 percent of the principal amount plus accrued interest. Prior to June 1, 2016, we may redeem the Notes in whole or in part at 100 percent of their principal amount, plus accrued interest, plus an amount equal to the greater of 1.0 percent of the principal amount of the note to be redeemed and the excess, if any, of the present value of the June 1, 2016 redemption price plus required interest payments through June 1, 2016 over the principal amount of the note. We may redeem the Notes at any time on or after June 1, 2016 at the redemption prices and periods set forth below, plus accrued and unpaid interest:

June 1, 2016	104.375 percent
June 1, 2017	102.188 percent
June 1, 2018 and thereafter	100.000 percent

7. *Stock-based compensation*

During 2012, the following issuances were made under our equity-based compensation plans:

Stock option plan
On February 22, 2012, a grant of 83,084 options was made to senior management, with an exercise price of Cdn $64.17, graded vesting and an expiry date of February 21, 2019. We calculated the compensation expense for these options using the Black Scholes valuation model and assuming the following weighted average parameters, resulting in a weighted average fair value per option of Cdn $29.23 per option: 5 year expected life, 50 percent expected volatility, expected dividend rate of 0.3 percent annually and a risk free interest rate of 1.5 percent.

Performance share unit (PSU) plan
On February 21, 2012, the Board granted 36,580 PSUs to senior executives based on a 5 day Volume Weighted Average Price prior to the grant date of Cdn $64.17 and a 3 year vesting period from January 1, 2012 to December 31, 2014.

We used a Monte Carlo simulation model to calculate the compensation expense for the PSUs assuming no forfeitures, 3 year historical average volatilities and a 3-year risk free interest rate of 1.0%, resulting in a June 30, 2012 fair value per PSU of Cdn $41.73.

We recognized the following share-based compensation expense in *general and administration* relating to all outstanding equity-based awards:

	three months ended June 30		six months ended June 30	
	2012	2011	**2012**	2011
Stock option plan	**$1,252**	$922	**$2,941**	$922
Performance share unit plan	**(182)**	183	**63**	183
Long-term incentive plan (LTIP) 0	**6,759**	-	**6,759**	735
Deferred share unit plan	**255**	217	**471**	556
Share award plan	**48**	147	**95**	292
	$8,132	$1,469	**10,329**	$2,688

(a) As a result of the decision to proceed with full construction of Cobre Panama, we recognized a stock based compensation expense of $ 7 million this quarter on the LTIP units issued in previous years that relate to the project. This expense represents the cumulative impact from the units' grant dates to June 30, 2012 on a 100 percent award basis as no value was attributed to these units prior to a positive construction decision for Cobre Panama.

8. *Accumulated other comprehensive loss*

Accumulated other comprehensive loss includes:

	June 30, 2012	December 31, 2011	December 31, 2010
Unrealized losses on gold forward contract sales	**$-**	$-	($5,481)
Unrealized losses on investments (net of tax of $95) (December 31, 2011 - $94, December 31, 2010 - $76)	**(939)**	(534)	(438)
Currency translation adjustment	**(145,960)**	(159,010)	(173,408)
Accumulated other comprehensive income loss	**($146,899)**	($159,544)	($179,327)

Currency translation adjustments

The table below is breakdown of our currency translation adjustments.

	June 30, 2012	December 31, 2011	December 31, 2010
Pyhäsalmi (euro functional currency)	**($29,612)**	($27,378)	($23,580)
Las Cruces (euro functional currency)	**(112,711)**	(103,071)	(90,456)
Çayeli (US dollar functional currency)	**(12,344)**	(15,068)	(20,243)
Cobre Panama (US dollar functional currency)	**8,707**	(13,493)	(28,757)
Ok Tedi (US dollar functional currency)	**-**	-	(10,372)
	($145,960)	($159,010)	($173,408)

9. *Sale of 20 percent interest in Cobre Panama*

On April 25, 2012, Korea Panama Mining Corporation (KPMC) completed its acquisition of a 20 percent interest in Minera Panama, owner and developer of Cobre Panama. KPMC acquired its interest for $161 million in cash, representing, together with US $30 million it already paid, its 20 percent share of development costs to that date. As we continued to control Minera Panama after the closing of this transaction, it is treated as a capital transaction with the $8 million difference between 20 percent of our book value of Cobre Panama and the consideration received recognized in retained earnings.

10. *Investment and other income*

	three months ended June 30		**six months ended June 30**	
	2012	2011	**2012**	2011
Interest income	**$3,931**	$4,071	**$8,183**	$6,755
Dividend and royalty income	**976**	452	**1,460**	1,033
Foreign exchange gain (loss)	**40,315**	(259)	**28,244**	(10,740)
Other	**(119)**	317	**953**	1,943
	$45,103	$4,581	**$38,840**	($1,009)

Foreign exchange loss is a result of:

	three months ended June 30		**six months ended June 30**	
	2012	2011	**2012**	2011
Translation of US dollar cash held in euro based entities	**$14,791**	$-	**$10,399**	$-
Translation of US dollar cash held by Corporate prior to June 2012	**27,457**	48	**27,338**	($7,927)
Translation of US dollar senior unsecured notes prior to June 2012	**(16,884)**	-	**(16,884)**	-
Translation of US dollar held-to-maturity investments prior to June 2012	**9,262**	-	**4,330**	(2,760)
Translation of Cdn dollar cash held by Corporate subsequent to May 2012	**977**	(1,354)	**977**	-
Translation of Cdn dollar held-to-maturity investments subsequent to May 2012	**3,042**	-	**3,042**	-
Translation of other monetary assets and liabilities	**1,670**	1,047	**(958)**	(53)
	$40,315	($259)	**$28,244**	($10,740)

11. *Finance costs*

	three months ended June 30		six months ended June 30	
	2012	2011	**2012**	2011
Interest on note payable	**$263**	$284	**$528**	$554
Accretion on note payable	**174**	167	**342**	322
Accretion on provisions and capital lease obligations	**1,942**	1,859	**4,105**	3,691
	$2,379	$2,310	**$4,975**	$4,567

12. *Income tax*

For the three months ended June 30, 2012:

	Corporate and other	**Çayeli (Turkey)**	**Las Cruces (Spain)**	**Pyhäsalmi (Finland)**	**Total**
Current income taxes	**$586**	**$9,948**	**$-**	**$5,805**	**$16,339**
Deferred income taxes	**-**	**(2,060)**	**17,238**	**(73)**	**15,105**
Income tax expense	**$586**	**$7,888**	**$17,238**	**$5,732**	**$31,444**

For the three months ended June 30, 2011:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Current income taxes	$316	$11,030	$462	$6,475	$18,283
Deferred income taxes	(29)	526	1,898	(90)	2,305
Income tax expense	$287	$11,556	$2,360	$6,385	$20,588

For the six months ended June 30, 2012:

	Corporate and other	**Çayeli (Turkey)**	**Las Cruces (Spain)**	**Pyhäsalmi (Finland)**	**Total**
Current income taxes	**$728**	**$18,597**	**$-**	**$11,073**	**$30,398**
Deferred income taxes	**(6)**	**(1,229)**	**28,451**	**(158)**	**27,058**
Income tax expense	**$722**	**$17,368**	**$28,451**	**$10,915**	**$57,456**

For the six months ended June 30, 2011:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Current income taxes	$556	$21,283	$462	$14,155	$36,456
Deferred income taxes	(72)	1,559	9,156	(215)	10,428
Income tax expense	$484	$22,842	$9,618	$13,940	$46,884

13. ***Net income per share***

(thousands)	three months ended June 30 **2012**	2011	six months ended June 30 **2012**	2011
Income from continuing operations available to common shareholders	**$94,458**	$54,268	**$187,539**	$111,783
Income from discontinued operations available to common shareholders	**-**	-	**-**	80,786
Net income available to common shareholders	**$94,458**	$54,268	**$187,539**	$192,569

(thousands)	three months ended June 30 **2012**	2011	six months ended June 30 **2012**	2011
Weighted average common shares outstanding	**69,366**	65,393	**69,358**	63,483
Plus incremental shares from assumed conversions:				
Deferred share units	**98**	117	**98**	117
Long term incentive plan units	**312**	22	**312**	37
Stock options	**-**	1	**-**	-
Diluted weighted average common shares outstanding	**69,776**	65,533	**69,768**	63,637

The table below shows our earnings per common share for the three months ended June 30.

(US dollars per share)	**three months ended June 30** **2012**		2011	
	Basic	**Diluted**	Basic	Diluted
Net income from continuing operations per share	**$1.36**	**$1.35**	$0.83	$0.83
Income from discontinued operations per share	**-**	**-**	-	-
Net income per share	**$1.36**	**$1.35**	$0.83	$0.83

The table below shows our earnings per common share for the six months ended June 30.

(US dollars per share)	**six months ended June 30** **2012**		2011	
	Basic	**Diluted**	Basic	Diluted
Net income from continuing operations per share	**$2.70**	**$2.69**	$1.76	$1.75
Income from discontinued operations per share	**-**	**-**	1.27	1.27
Net income per share	**$2.70**	**$2.69**	$3.03	$3.02

14. ***Statements of cash flows***

The tables below show the components of our net change in non-cash working capital by segment.

For the three months ended June 30, 2012:

	Corporate and other	**Çayeli (Turkey)**	**Las Cruces (Spain)**	**Pyhäsalmi (Finland)**	**Total**
Accounts receivable	**($1,914)**	**$19,563**	**($4,464)**	**$3,139**	**$16,324**
Inventories	**-**	**(2,335)**	**(2,536)**	**21**	**(4,850)**
Accounts payable and accrued liabilities	**4,485**	**(2,023)**	**6,647**	**2,681**	**11,790**
Taxes payable	**1,078**	**(3,453)**	**(75)**	**(1,843)**	**(4,293)**
Other	**2**	**(82)**	**-**	**(2)**	**(82)**
	$3,651	**$11,670**	**($428)**	**$3,996**	**$18,889**

For the three months ended June 30, 2011:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Accounts receivable	($364)	$13,127	($1,970)	$12,281	$23,074
Inventories	-	(1,544)	(2,702)	(2,813)	(7,059)
Accounts payable and accrued liabilities	(936)	(1,485)	3,785	671	2,035
Taxes payable	(571)	(2,067)	462	(6,472)	(8,648)
Other	(24)	81	-	-	57
	($1,895)	$8,112	($425)	$3,667	$9,459

For the six months ended June 30, 2012:

	Corporate and other	**Çayeli (Turkey)**	**Las Cruces (Spain)**	**Pyhäsalmi (Finland)**	**Total**
Accounts receivable	**($811)**	**($14,979)**	**$1,296**	**$6,641**	**($7,853)**
Inventories	**-**	**1,987**	**(4,479)**	**1,245**	**(1,247)**
Accounts payable and accrued liabilities	**(55)**	**(8,726)**	**9,013**	**2,327**	**2,559**
Taxes payable	**1,742**	**(1,744)**	**(75)**	**(2,558)**	**(2,635)**
Other	**(283)**	**(84)**	**-**	**(2)**	**(369)**
	$593	**($23,546)**	**$5,755**	**$7,653**	**($9,545)**

For the six months ended June 30, 2011:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Accounts receivable	($1,099)	$20,473	($7,049)	$21,069	$33,394
Inventories	-	(856)	3,079	(2,877)	(654)
Accounts payable and accrued liabilities	(3,036)	(699)	8,336	(1,653)	2,948
Taxes payable	(1,929)	(3,994)	462	(1,632)	(7,093)
Other	(518)	78	-	-	(440)
	($6,582)	$15,002	$4,828	$14,907	$28,155

15. *Capital commitments*

As at June 30, 2012, Cobre Panama had committed $1,226 million on a 100 percent basis for the design and supply of the coal-fired power plant, two SAG mills, four ball mills and the related gearless drives, engineering, and other construction activities.