



FQM (Akubra) Inc.

**Quarterly Report
Three and Nine Months Ended September 30, 2013**

All amounts in U.S. dollars unless indicated otherwise

Management's Interim Discussion and Analysis

FQM (Akubra) Inc. ("FQM Akubra" or "the Company") 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 nine months ended September 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 nine months ended September 30, 2012 have been included as an appendix to this interim report for information purposes only.

On March 22, 2013, 85.5% of the diluted shares of Inmet were acquired. A further 7.2% of the outstanding shares were acquired on April 1, 2013, and the remaining 7.3% 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% 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 financial results reported in this MD&A reflect those of FQM Akubra from January 1, 2013 to September 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.

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 November 15, 2013.

Key financial and operating data

	Three months ended September 30		Nine months ended September 30	
	2013	2012 ⁽²⁾	March 22 – September 30 2013 ⁽¹⁾	2012 ⁽²⁾
<i>(USD millions unless otherwise noted)</i>				
FINANCIAL HIGHLIGHTS				
Sales				
Sales revenues ⁽³⁾	242.9	297.2	456.6	776.3
Gross Profit				
Gross profit before Inmet acquisition accounting adjustments ⁽⁴⁾	125.1	168.4	211.6	424.0
Gross profit	92.7	168.4	104.0	424.0
Net earnings				
Net earnings	48.2	116.2	11.3	303.5
Net earnings attributable to FQM Akubra shareholder	49.2	116.5	12.2	304.1
Comparative earnings attributable to FQM Akubra shareholder ⁽⁵⁾	49.8	116.5	70.3	304.1
Cash flow				
Cash flow provided by operating activities	(15.0)	135.7	35.9	426.5
EBITDA ⁽⁶⁾	153.7	198.5	201.0	507.4
Capital spending⁽⁷⁾	165.0	168.6	474.0	443.3
OPERATING HIGHLIGHTS				
Production				
Copper (tonnes)	30,761	29,663	59,504	84,068
Zinc (tonnes)	17,331	15,777	34,540	45,747
Pyrite (tonnes)	221,734	243,261	454,365	552,787

⁽¹⁾ FQM Akubra's financial results for the nine months ended September 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 nine months ended September 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 nine months ended September 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 before the recurring and non-recurring acquisition accounting adjustments that resulted from the acquisition of Inmet. A reconciliation of gross profit is provided in the *Financial results* table on page 7 of the MD&A.

⁽⁵⁾ Net earnings attributable to FQM Akubra's shareholder for the three and nine months ended September 30, 2013 has been adjusted to remove the effect of unusual items to arrive at comparative earnings. Comparative earnings is not a measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. FQM Akubra has disclosed this measure 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 September 30, 2013 includes capital spending of \$154.9 million at Cobre Panama. The nine months ended September 30, 2013 includes capital spending of \$436.1 million at Cobre Panama.

Third quarter highlights

- **Strong production results this quarter**

Total copper production of 30,761 tonnes was 4% higher than the same quarter last year, as previously reported by Inmet. Increased copper production was experienced at all three operating sites. Total zinc production was 17,331 tonnes in the third quarter of 2013, which was 10% higher than the third quarter of 2012. Zinc production increased at both Çayeli and Pyhäsalmi.

- **Sales revenues negatively impacted by lower metal prices**

Sales revenues decreased by 18% to \$242.9 million, primarily reflecting lower average metal prices for both copper and zinc, and a decrease in copper sales volume of 8% compared to the same quarter last year. The average copper price realized in the quarter was \$3.12 per pound, a decrease of 13% compared to the third quarter of 2012. The average zinc price realized in the quarter was \$0.36 per pound, a decrease of 59% compared to the third quarter of 2012.

- **Gross profit negatively impacted by acquisition accounting adjustments, lower sales volumes and realized metal prices**

Gross profit for the third quarter of \$92.7 million was negatively impacted by \$0.8 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 \$31.6 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 Çayeli and Las Cruces, and lower realized metal prices at all operations, also contributed to the decrease in gross profit in the third quarter.

- **Net earnings of \$49.2 million in the third quarter of 2013**

FQM Akubra reported net earnings (attributable to the shareholder) of \$49.2 million in the third quarter of 2013. Excluding the impact of \$0.6 million (net of tax) in non-recurring acquisition accounting adjustments related to the take-over of Inmet, comparative earnings (attributable to the shareholder) were \$49.8 million for the quarter.

- **Comparative EBITDA**

The following table provides comparative EBITDA for the three and nine months ended September 30, 2013.

<i>(USD millions)</i>	Three months ended September 30		Nine months ended September 30	
	2013	2012	March 22- September 30 2013⁽¹⁾	2012⁽¹⁾
EBITDA ⁽²⁾ before comparative earnings adjustments	153.7	198.5	201.0	507.4
Add:				
Acquisition and other costs relating to Inmet (before tax)	-	-	29.5	-
Non-recurring acquisition accounting inventory adjustments (before tax)	0.8	-	44.7	-
Comparative EBITDA ⁽²⁾	154.5	198.5	275.2	507.4
Add:				
Inmet financial results from January 1, 2013 to March 22, 2013	-	-	73.6	-
Acquisition costs incurred by Inmet prior to the March 22 acquisition date	-	-	65.1	-
Pro-forma EBITDA	154.5	198.5	413.9	507.4

- (1) Financial results and results of operations for the three and nine months ended September 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.

Financing

- The Company ended the quarter with \$308.2 million of unrestricted cash and cash equivalents in addition to \$2,030.0 million of undrawn facilities.
- Operating cash flows before changes in working capital and taxes paid were \$140.7 million during the quarter.
- On October 30, 2013, the Company announced the signing of a Deed of Amendment and Restatement whereby its \$2.5 billion Revolving Debt Facility (“the Facility”), provided by Standard Chartered Bank, has been extended until June 30, 2014. As such, the reductions to the Facility of \$1.25 billion at December 31, 2013 and \$1.25 billion at March 26, 2014 are no longer required. All other terms of the Facility remain unchanged.
- Discussions continue with Standard Chartered Bank and other banks on the restructuring of the Company’s debt facilities to appropriately provide for long-term capital requirements.

Development

A detailed review of the Cobre Panama project has commenced, with a revised capital cost estimate and project timetable expected in Q4 2013. The Company’s assessment is continuing but has so far identified opportunities for a number of technical and logistical improvements. Corrective actions have either been implemented or identified and, as a result, good progress was made in several areas of the project including conceptual design work, location of the processing plant and establishment of site facilities.

Third quarter report

This report is prepared as of November 15, 2013.

In this report, “FQM Akubra” means FQM (Akubra) Inc. and “the Company” means FQM (Akubra) Inc. and/or its subsidiaries and joint ventures. “This quarter” refers to the three months ended September 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 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, exploration and development programs, estimated future expenses, exploration and development capital requirements, 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, numerous assumptions have been made, including among other things, assumptions about the price of copper, gold, zinc, and pyrite, anticipated costs and expenditures and the ability to achieve the Company’s 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 it has been 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 the Company’s control. Accordingly, readers should not place undue reliance on forward-looking statements or information. The Company undertakes no obligation to reissue or update forward-looking statements or information as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements and information made herein are qualified by this cautionary statement.

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Financial results

<i>(USD millions)</i>	Three months ended September 30		Nine months ended September 30	
	2013	2012 ⁽²⁾	March 22- September 30 2013 ⁽¹⁾	2012 ⁽²⁾
Gross profit before Inmet acquisition accounting adjustments	125.1	168.4	211.6	424.0
Acquisition accounting adjustments:				
Non-recurring: sale of inventory at acquired operations ⁽³⁾	(0.8)	-	(44.7)	-
Recurring: depreciation of acquired property, plant and equipment ⁽⁴⁾	(31.6)	-	(62.9)	-
Gross profit ⁽⁵⁾	92.7	168.4	104.0	424.0
Exploration	(1.9)	(7.9)	(8.4)	(27.0)
General and administrative	(8.0)	(13.0)	(18.5)	(38.6)
Acquisition transaction costs	-	-	(29.5)	-
Other income (expense)	(5.5)	13.3	2.1	52.1
Operating profit	77.3	160.8	49.7	410.5
Finance income	2.2	-	4.3	-
Finance costs	(6.2)	(2.5)	(11.1)	(7.4)
Earnings before income taxes	73.3	158.3	42.9	403.1
Income taxes	(25.1)	(42.1)	(31.6)	(99.6)
Net earnings for the period	48.2	116.2	11.3	303.5
Net earnings for the period attributable to:				
Shareholder of FQM Akubra	49.2	116.5	12.2	304.1
Non-controlling interest	(1.0)	(0.3)	(0.9)	(0.6)

⁽¹⁾ FQM Akubra's financial results for the nine months ended September 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 nine months ended September 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 the inventory was sold in the second quarter. This adjustment decreased gross profit by \$0.8 million and decreased net loss by \$0.6 million, net of tax, for the three months ended September 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 \$31.6 million and decreased net earnings by \$21.9 million, net of tax, for the three months ended September 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 performance

Metal prices

The table below shows the average metal prices realized this quarter and year to date. The prices realized, prior to July 2013, include finalization adjustments – see *Gross profit* on page 10.

	Three months ended September 30		Nine months ended September 30 ⁽¹⁾	
	2013	2012	2013	2012
Copper (per pound)	3.12	3.57	3.02	3.63
Zinc (per pound)	0.36	0.88	0.52	0.89

⁽¹⁾ FQM Akubra's financial results for the nine months ended September 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 prices on the London Metals Exchange (LME) averaged \$3.21 per pound this quarter, a decrease of 8% from the third quarter of 2012 and 1% lower than the second quarter of 2013. LME zinc prices averaged \$0.85 per pound this quarter, a decrease of 2% from the third quarter of 2012 and a 1% increase from the second quarter of 2013.

Exchange rates

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

	Three months ended September 30		Nine months ended September 30 ⁽¹⁾	
	2013	2012	March 22 – September 30 2013 ⁽¹⁾	2012
1 C\$ to US\$	\$0.96	\$1.02	\$0.98	\$1.00
1 euro to US\$	\$1.32	\$1.25	\$1.32	\$1.28
1 US\$ to Turkish lira	TL1.97	TL1.80	TL1.86	TL1.80

⁽¹⁾ FQM Akubra's financial results for the nine months ended September 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 6% relative to the euro. The value of the US dollar appreciated 9% relative to the Turkish lira, and depreciated 6% relative to the Canadian dollar, compared to the third 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, net earnings are affected by changes in foreign currency exchange rates when the euro-denominated operating expenses of Las Cruces and Pyhäsalmi and Çayeli's Turkish lira denominated costs are translated into their functional currency (US dollars). Historically, Inmet had the euro as functional currencies in Spain and Finland.

Statutory tax rates

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

	2013	2012	Change
Çayeli	24%	24%	-
Las Cruces	30%	30%	-
Pyhäsalmi	24.5%	24.5%	-

Gross profit

<i>(USD millions)</i>	Three months ended September 30		Nine months ended September 30	
	2013	2012 ⁽²⁾	March 22- September 30 2013 ⁽¹⁾	2012 ⁽²⁾
Sales revenues ⁽³⁾	242.9	297.2	456.6	776.3
Cost of sales excluding depreciation	(73.0)	(91.2)	(156.6)	(255.4)
Depreciation	(44.8)	(37.6)	(88.4)	(96.9)
Gross profit before Inmet acquisition accounting adjustments	125.1	168.4	211.6	424.0
Acquisition accounting adjustments:				
Non-recurring: sale of inventory at acquired operations ⁽³⁾	(0.8)	-	(44.7)	-
Recurring: depreciation of acquired property, plant and equipment ⁽⁴⁾	(31.6)	-	(62.9)	-
Gross profit ⁽⁵⁾	92.7	168.4	104.0	424.0

⁽¹⁾ FQM Akubra's financial results for the nine months ended September 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 nine months ended September 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 nine months ended September 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 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.

Sales revenues

	Three months ended September 30		Nine months ended September 30	
	2013	2012	March 22- September 30 2013 ⁽¹⁾	2012
<i>(USD millions)</i>				
Sales revenues by operation⁽²⁾				
Çayeli	64.4	91.7	125.7	245.7
Las Cruces	133.6	163.2	252.9	400.6
Pyhäsalmi	44.9	42.3	78.0	130.0
	242.9	297.2	456.6	776.3
Sales revenues by metal				
Copper	218.9	257.6	396.1	663.5
Zinc	11.8	19.0	36.4	56.0
Pyrite and other	12.2	20.6	24.1	56.8
	242.9	297.2	456.6	776.3

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

⁽²⁾ Smelter processing charges and freight as previously reported by Inmet for the three and nine months ended September 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 \$242.9 million in the third quarter of 2013, 18% lower than revenues reported by Inmet in the same quarter last year. The decrease in sales revenues primarily reflected lower copper sales volumes at Çayeli and Las Cruces, and lower realized metal prices generally. The decrease in sales revenues was partially offset by higher copper and zinc sales volumes at Pyhäsalmi.

Sales settled during the reporting period are recorded using the metal price on the day they settle. For sales that have not settled, an estimate is used based on the month that the sale is expected to settle and the forward price of the metal at the end of the reporting period. The difference between the estimate and the final price is recognized by adjusting gross sales in the period when the sale is settled (finalization adjustment).

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, the impact of price finalization adjustments will be materially offset by derivative adjustments.

Sales volumes

	Three months ended September 30		Nine months ended September 30	
	2013	2012	March 22- September 30 2013 ⁽¹⁾	2012
Copper contained in concentrate	13,162	13,687	24,018	38,297
Copper cathode (tonnes)	18,691	20,948	35,415	51,444
Copper (tonnes)	31,853	34,635	59,433	89,741
Zinc (tonnes)	15,876	15,474	34,059	46,053
Pyrite (tonnes)	89,999	213,442	211,729	552,787

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

Production

	Three months ended September 30		Nine months ended September 30		Outlook ⁽²⁾
	2013	2012	March 22 - September 30 2013 ⁽¹⁾	2012	2013
Copper (tonnes)					
Çayeli	8,010	7,777	17,008	24,372	<i>23,000 – 26,000</i>
Las Cruces	19,119	18,750	34,953	50,360	<i>53,000 – 55,000</i>
Pyhäsalmi	3,632	3,136	7,543	9,336	<i>9,000 – 11,000</i>
	30,761	29,663	59,504	84,068	<i>85,000 – 92,000</i>
Zinc (tonnes)					
Çayeli	11,346	10,727	24,118	29,630	<i>30,000 – 32,000</i>
Pyhäsalmi	5,985	5,050	10,422	15,977	<i>16,000 – 18,000</i>
	17,331	15,777	34,540	45,607	<i>46,000 – 50,000</i>
Pyrite (tonnes)					
Pyhäsalmi	221,734	243,261	454,365	669,194	-

⁽¹⁾ FQM Akubra's financial results for the nine months ended September 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 is 30,000 to 33,000 tonnes for Çayeli, 69,000 to 71,000 tonnes at Las Cruces and 14,000 to 15,000 tonnes at Pyhäsalmi. Pro-forma full year guidance for zinc production is 39,000 to 41,000 tonnes for Çayeli and 22,000 to 24,000 tonnes at Pyhäsalmi.

Sales volumes are directly affected by the amount of mine production and the ability to ship to customers.

- Copper sales volumes were lower this quarter compared to the same quarter last year, mainly reflecting lower copper cathode sales volumes at Las Cruces, partially offset by higher sales volumes at Pyhäsalmi. Copper sales volumes exceeded production volumes by a combined 1,092 tonnes in the third quarter of 2013 compared to 4,972 tonnes in the third quarter of 2012, due to the timing of shipments to customers.
- Zinc production volumes were higher this quarter than the third quarter of 2012 due to higher throughput at Çayeli, partially offset by lower grades and recoveries, and significantly higher grades and recoveries at

Pyhäsalmi. Zinc sales volumes were short of production volumes by 1,455 tonnes this quarter, mainly due to the timing of shipments at Çayeli.

Cost of sales excluding depreciation

(USD millions)	Three months ended September 30		Nine months ended September 30	
	2013	2012 ⁽²⁾	March 22- September 30 2013 ⁽¹⁾	2012 ⁽²⁾
Cost of sales by operation				
Çayeli	23.0	28.2	46.2	79.4
Las Cruces	31.2	46.4	80.0	125.0
Pyhäsalmi	18.6	13.5	29.9	43.8
Corporate	0.2	3.1	0.5	7.2
Total cost of sales (excluding depreciation)⁽³⁾	73.0	91.2	156.6	255.4

⁽¹⁾ FQM Akubra's financial results for the nine months ended September 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 nine months ended September 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⁾ Cost of sales (excluding depreciation) excludes fair value adjustments relating to inventory.

Depreciation

(USD millions)	Three months ended September 30		Nine months ended September 30	
	2013	2012 ⁽²⁾	March 22- September 30 2013 ⁽¹⁾	2012 ⁽²⁾
Depreciation by operation				
Çayeli	2.2	7.3	12.6	20.0
Las Cruces	41.4	27.7	70.3	69.7
Pyhäsalmi	1.2	2.6	5.5	7.2
Total depreciation⁽³⁾	44.8	37.6	88.4	96.9

⁽¹⁾ FQM Akubra's financial results for the nine months ended September 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 nine months ended September 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⁾ Depreciation excludes fair value adjustments relating to acquired property, plant and equipment.

Acquisition accounting adjustments

Cost of sales for Çayeli, Las Cruces and Pyhäsalmi this quarter was 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 nine months ended September 30, 2013.

	Three months ended September 30, 2013			Nine months ended September 30, 2013 ⁽¹⁾		
(USD millions)	Inventory	Depreciation	Total impact—cost of sales	Inventory	Depreciation	Total impact—cost of sales
Cost of sales before fair value adjustments	73.0	44.8	117.8	156.6	88.4	245.0
Çayeli	0.1	7.1	7.2	27.6	15.0	42.6
Las Cruces	(0.4)	11.6	11.2	11.6	21.4	33.0
Pyhäsalmi	1.1	12.9	14.0	5.5	26.5	32.0
Total fair value adjustments	0.8	31.6	32.4	44.7	62.9	107.6
Cost of sales after fair value adjustments	73.8	76.4	150.2	201.3	151.3	352.6

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

Substantially all of the fair value adjustments related to inventory have been fully unwound by the end of the third 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 third quarter of 2013 of \$1.9 million include spending on FQM Akubra's worldwide exploration program.

Near mine exploration activities continued around Pyhäsalmi in Finland and Çayeli in Turkey. Geophysical surveys support potential for a mineralized lens near the recent intercepts reported from underground drilling south west of the Pyhäsalmi mine; follow-up drilling is required. A program of mapping and systematic geochemical sampling has been initiated at Çayeli with exploration staff seconded to assist the mine team.

A geology campaign to integrate mapping, re-log core and build a geological framework for the Cobre Panama deposits in Panama has recently been completed. The campaign is designed to better understand the mineralization from a mining, resource modeling and future exploration perspective.

In Chile, a new Option was completed with Mirasol Resources over the Rubi Property near Codelco's El Salvador mining center.

A significant number of projects have been terminated, including a large proportion of lower priority projects in Chile and Peru. Emphasis has been re-focused on the identification of high potential copper porphyry projects and grassroots exploration for sediment-hosted copper. Opportunities in other metals are considered on a case-by-case basis as they arise.

General and administration costs

General and administration costs of \$8.0 million in the third 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 incurred \$29.5 million in legal and other transaction costs related to the acquisition of Inmet, during the nine months ended September 30, 2013.

Income tax expense

	Three months ended September 30		Nine months ended September 30	
	2013	2012 ⁽²⁾	March 22- September 30 2013 ⁽¹⁾	2012 ⁽²⁾
<i>(USD millions)</i>				
Çayeli	14.2	11.6	12.3	28.9
Las Cruces	11.6	25.7	17.7	54.1
Pyhäsalmi	(0.7)	5.0	(0.7)	15.9
Corporate and other	-	(0.2)	2.3	0.7
	25.1	42.1	31.6	99.6
Consolidated effective tax rate	34%	27%	74%	25%

⁽¹⁾ FQM Akubra's financial results for the nine months ended September 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 nine months ended September 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 higher this quarter and for the nine months ended September 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).

The overall income tax expense decreased this quarter and for the nine months ended September 30, 2013 mainly because 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.

Results of operations

Çayeli

	Three months to September 30		Nine months to September 30		
	2013	2012 ⁽¹⁾	March 22 – September 30 2013	Full nine months 2013 ⁽¹⁾	2012 ⁽¹⁾
Ore tonnes milled (000's)	335	305	705	991	899
Copper ore grade processed (%)	3.1	3.3	3.2	3.2	3.4
Copper recovery (%)	77	78	77	77	79
Zinc ore grade processed (%)	5.1	5.2	5.1	5.0	5.1
Zinc recovery (%)	66	67	67	67	65
Copper production (tonnes)	8,010	7,777	17,008	23,972	24,372
Copper sales (tonnes)	8,484	10,418	16,092	23,430	28,127
Zinc production (tonnes)	11,346	10,727	24,118	33,260	29,630
Zinc sales (tonnes)	9,897	9,860	24,001	31,175	29,936
Sales revenues	64.4	91.7	125.7	186.0	245.7
Gross profit ⁽²⁾ before fair value adjustments	39.2	56.1	66.9	98.2	146.3
Gross profit ⁽²⁾	32.0	56.1	24.3	55.6	146.3
EBITDA ⁽³⁾	41.4	29.2	54.9	92.0	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. Full nine month and 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⁾ Gross profit 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".

⁽³⁾ EBITDA is not recognized under IFRS. See *Supplementary financial information* for further information.

Copper production increased by 3% from Q3 2012 on account of higher throughput. Driving the higher throughput was improved mine planning and operational efficiencies, partially offset by lower grades and recoveries in line with expectations.

Zinc production increased by 6% over Q3 2012 due to significantly higher throughput, partially offset by lower grades and recoveries.

Sales revenues were 30% below Q3 2012 due to lower copper sales volumes as a result of timing and lower realized metal prices this quarter. Gross profit in Q3 2013 was impacted by the recognition in net earnings of fair value adjustments to the value of mineral property, plant and equipment which increased depreciation and reduced gross profit by \$7.1 million for the quarter. Additional fair value adjustments made to inventory held on the date of acquisition reduced gross profit by a further \$0.1 million during the quarter. Fair value adjustments were recognized on property, plant and equipment (including the value of mineral property) and on inventory on hand at the date of acquisition. These fair value adjustments at date of acquisition are recognized in earnings as the inventory is sold and on a systematic basis as the property, plant and equipment is utilized.

In early July 2013, Çayeli finalized a new three-year labour agreement effective June 1, 2012. The previous three-year labour agreement expired in May 2012 and negotiation of a new labour agreement commenced in early 2013 after initial delays due to changes to government labour regulations.

Outlook

Production in 2013 is expected to be between 30,000 and 33,000 tonnes of copper and between 39,000 and 41,000 tonnes of zinc. Copper recovery in 2013 is expected to be affected by a larger volume of metallurgically challenging ore types.

In 2013, total throughput is expected to increase from 1.2 million 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 Q2 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 any risks associated with achieving the production plan.

A study was started in mid-2012 to assess the potential to upgrade the substantial, primarily footwall, stockwork mineral resources into additional mineral reserves. The robustness of the geological block model was validated early in the quarter and options for mine designs are well underway in order to move some of those resources into reserve by the end of Q4 2013. This work is planned to continue in 2014.

Las Cruces

	Three months to September 30		Nine months to September 30		
	2013	2012 ⁽¹⁾	March 22 – September 30 2013	Full nine months 2013 ⁽¹⁾	2012 ⁽¹⁾
Ore tonnes processed (000's)	359	290	643	919	806
Copper ore grade processed (%)	6.1	7.2	6.1	6.3	7.2
Copper recovery (%)	88	88	88	88	87
Copper cathode production (tonnes)	19,119	18,750	34,953	50,958	50,360
Copper cathode sales (tonnes)	18,691	20,948	35,415	49,923	51,444
Sales revenues	133.6	163.2	252.9	369.3	400.6
Gross profit ⁽²⁾ before fair value adjustments	61.1	89.1	102.5	162.5	205.8
Gross profit ⁽²⁾	49.9	89.1	69.6	129.5	205.8
EBITDA ⁽³⁾	97.8	86.1	159.8	246.1	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. Full nine month and 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⁾ 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".

⁽³⁾ EBITDA is not recognized under IFRS. See *Supplementary financial information* for further information.

Copper cathode production increased by 2%, to a record quarterly production, compared to Q3 2012. This was due to an 18% increase in throughput partially offset by lower copper grade. Throughput was higher due to efforts to offset the negative impacts of the fire in early April in one of the plants leach reactors. Copper recovery was relatively consistent with Q3 2012.

Sales revenues and gross profit both decreased in comparison to Q3 2012 by 18% and 44%, respectively. The decrease in sales revenues was driven by 11% lower copper cathode sales volumes as well as lower realized copper prices. Operating costs were lower compared to Q3 2012, benefiting from improvements in plant processing. Gross profit in Q3 2013 was impacted by the recognition in net earnings of fair value adjustments to the value of mineral property, plant and equipment which increased depreciation and reduced gross profit by \$11.6 million for the quarter. Fair value adjustments were recognized on property, plant and equipment (including the value of mineral property). These fair value adjustments at date of acquisition are recognized in earnings on a systematic basis as the property, plant and equipment is utilized.

Outlook

Guidance on production of copper cathode in 2013 has been narrowed to between 69,000 and 71,000 tonnes. The plant is being tested with higher throughput rates and lower grades to assess the effects on all areas of plant performance before the start of mining lower grade areas of the mine, which is expected in late 2014. The installation of the leach feed surge tank, with oxygen injection has already improved leach and overall recovery by several percentage points. A second unit was commissioned during the quarter and is expected to further increase residence time, improve iron leaching and further improve recovery. In order to efficiently strip successive mine phases of the mine, a permit for a new waste dump must be obtained in 2013 for waste placement in 2014. The approval process has been underway for more than four years and is now making progress with the provisional approval of the Special Plan received. To improve filtering initially, two extra vacuum pumps have been sourced from the Company's Zambian operations. In addition, a project to install three new pressure filters has been committed. These initiatives, planned to be completed by the end of 2014, are expected to improve copper recovery by at least 3%.

Pyhäsalmi

	Three months to September 30		Nine months to September 30		
	2013	2012 ⁽¹⁾	March 22 – September 30 2013	Full nine months 2013 ⁽¹⁾	2012 ⁽¹⁾
Ore tonnes milled (000's)	348	347	727	1,034	1,033
Copper ore grade processed (%)	1.1	1.0	1.1	1.1	1.0
Copper recovery (%)	96	95	96	96	95
Zinc ore grade processed (%)	2.0	1.6	1.6	1.7	1.7
Zinc recovery (%)	92	90	91	91	92
Copper production (tonnes)	3,632	3,136	7,543	11,432	9,336
Copper sales (tonnes)	4,678	3,269	7,926	11,402	10,170
Zinc production (tonnes)	5,985	5,050	10,422	16,123	15,977
Zinc sales (tonnes)	5,979	5,614	10,058	16,652	16,117
Pyrite production (tonnes)	221,734	243,261	454,365	623,133	669,194
Pyrite sales (tonnes)	89,999	213,442	211,729	315,254	552,787
Sales revenues	44.9	42.3	78.0	122.9	130.0
Gross profit ⁽²⁾ before fair value adjustments	25.0	26.1	42.5	71.4	78.9
Gross profit ⁽²⁾	11.1	26.1	10.6	39.5	78.9
EBITDA ⁽³⁾	15.9	27.4	34.1	66.4	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. Full nine month and 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⁾ Gross profit 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".

⁽³⁾ EBITDA is not recognized under IFRS. See *Supplementary financial information* for further information.

Copper production increased by 16% in Q3 2013 compared to Q3 2012 due to higher copper grades and recoveries, with throughput in line with the prior year quarter. Zinc production was 19% higher than Q3 2012 due to significantly higher grades, which contributed to higher zinc recoveries. The significant increase in zinc grades was due to higher grade stopes in the areas mined during the quarter.

Sales revenues were 6% higher in Q3 2013 compared to Q3 2012, with higher copper and zinc sales volumes being partially offset by lower pyrite sales and lower realized prices. Gross profit in Q3 2013 was impacted by the recognition in net earnings of fair value adjustments to the value of mineral property, plant and equipment which increased depreciation and reduced gross profit by \$12.9 million for the quarter. In addition, fair value adjustments to the value of inventory held on the balance sheet at acquisition reduced gross profit by a further \$1.1 million during the quarter. Fair value adjustments were recognized on property, plant and equipment (including the value of mineral property) and on inventory on hand at the date of acquisition. These fair value adjustments at date of acquisition are recognized in earnings as the inventory is sold and on a systematic basis as the property, plant and equipment is utilized. Gross profit excluding fair value adjustments was 4% lower than Q3 2012, primarily due to lower metal prices.

Outlook

Production in 2013 is expected to be between 14,000 and 15,000 tonnes of copper and 22,000 and 24,000 tonnes of zinc. Zinc production in 2013 expected to be lower than 2012 due to a decrease in zinc grades. Pyrite production is expected to be approximately 820,000 tonnes.

Status of development project

Cobre Panama

A detailed review of the Cobre Panama project was commenced following the acquisition of Inmet. The objective is to re-establish the project on a more “self-perform” basis to maximize the benefit of core project development and project management skills and to rationalize designs wherever possible. This is expected to greatly improve fiscal management and manage capital spending. The assessment is continuing but has so far identified opportunities for a number of technical and logistical improvements and 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, flowsheet and project timetable during Q4 2013. Conceptual design work is underway for a processing plant and the location of the process plant has been changed to reduce earthworks volumes associated with the project. On-site works continue for improved roads access, improved rock availability from quarries, construction camps availability.

Financing

The Company's financing strategy is developed by looking at long-term capital requirements and deciding on the optimal mix of cash, future operating cash flow, credit facilities and project financing.

<i>(USD millions)</i>	Three months ended September 30		Nine months ended September 30	
	2013	2012 ⁽²⁾	2013 ⁽¹⁾	2012 ⁽²⁾
Cash flows from operating activities				
- before changes in working capital and tax paid	140.7	168.6	185.4	468.0
- after changes in working capital and tax paid	(9.8)	135.7	41.1	426.5
Cash flows from investing activities				
Purchase and deposits on property plant & equipment (including interest paid on qualifying assets)	(175.4)	(168.6)	(537.4)	(443.3)
Acquisition of Inmet	-	-	(963.8)	-
Proceeds from sale of investments	-	-	1,949.9	-
Acquisition of bonds and other securities	-	(1,700.1)	-	(1,754.2)
Sale of 20% interest in Cobre Panama	-	-	-	161.0
Other investing activities	0.1	132.5	2.3	516.7
Cash flows from financing activities	50.5	39.4	(101.1)	1,475.2
Foreign exchange on cash held in foreign currencies ⁽³⁾	-	9.7	-	9.8
Net cash flows	(134.6)	(1,551.4)	391.0	391.7
Cash balance	391.0	1,181.7	391.0	1,181.7
Total assets	6,856.3	5,915.7	6,856.3	5,915.7
Total liabilities	3,901.7	2,044.0	3,901.7	2,044.0
Total long-term liabilities	3,074.5	1,748.7	3,074.5	1,748.7

⁽¹⁾ FQM Akubra's financial results for the nine months ended September 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 nine months ended September 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.

⁽³⁾ 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, net earnings are affected by changes in foreign currency exchange rates when the euro-denominated operating expenses of Las Cruces and Pyhäsalmi and Çayeli's Turkish lira denominated costs are translated into their functional currency (US dollars). Historically, Inmet had the euro as the functional currency in Spain and Finland.

OPERATING ACTIVITIES

In the third quarter of 2013, FQM Akubra generated operating cash flows before working capital and tax paid of \$140.7 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. Changes in working capital and taxes paid during the third quarter of 2013 resulted in a decrease to operating cash flows of \$150.5 million mainly due to a decrease in accounts payable due to settlement at Cobre Panama, an increase in inventories due to the timing of shipments, and an increase in accounts receivable due to the timing of collections from customers.

INVESTING AND FINANCING

Capital spending

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

Acquisition of Inmet

On March 22, 2013, FQM Akubra acquired 85.5% of the issued and outstanding common shares of Inmet, and on April 1, 2013, it acquired a further 7.3%. 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 total amount of net cash paid to acquire Inmet was \$963.8 million.

Cash flows from financing activities

Cash inflows from financing activities of \$50.5 million in the third quarter of 2013 consisted primarily of debt proceeds of \$391.9 million offset partially by a loan to a related party of \$332.7 million.

Extension of Revolving Debt Facility

On October 30, 2013, the Company announced the signing of a Deed of Amendment and Restatement whereby its \$2.5 billion Revolving Debt Facility provided by Standard Chartered Bank, has been extended until June 30, 2014. As such, the reductions to the Facility of \$1.25 billion at December 31, 2013 and \$1.25 billion at March 26, 2014 are no longer required. All other terms of the Facility remain unchanged. Discussions continue with Standard Chartered Bank and other banks on the restructuring of the Company's debt facilities to appropriately provide for long-term capital requirements.

Other Matters

The Company has also been engaged in discussions with certain holders of Inmet notes who have alleged that the Inmet Offer to Purchase as part of the Acquisition, including the merger of FQM Akubra and Inmet, resulted in a breach of the Inmet note indentures. The Company firmly believes there has been no breach of the Inmet note indentures and, if necessary, it will defend any such allegations. In the context of the discussions with these noteholders, the Company made a proposal to optimize the long-term bond financing structure, which has since expired.

Common shares

As at September 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 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 the Company's operations and to provide additional information to investors.

Calculation of EBITDA and comparative earnings

EBITDA is calculated as operating profit before depreciation. Comparative EBITDA and comparative earnings 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 earnings to comparative net earnings attributable to FQM Akubra shareholder

<i>(USD millions)</i>	Three months ended September 30, 2013	Nine months ended September 30, 2013
Net earnings attributable to FQM Akubra shareholder per financial statements	49.2	12.2
Add:		
Acquisition and other costs relating to Inmet (net of tax)	-	29.5
Non-recurring acquisition accounting inventory adjustments (net of tax)	0.6	28.6
Comparative earnings attributable to FQM Akubra shareholder	49.8	70.3

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 nine months ended September 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 (Akubra) Inc.
Quarterly review
(unaudited)

<i>(USD millions)</i>	2013 Third Quarter	2013 Second Quarter	2013 First Quarter
STATEMENTS OF EARNINGS			
Sales revenues	242.9	183.9	29.8
Cost of sales	(150.2)	(176.1)	(26.3)
Gross Profit	92.7	7.8	3.5
Exploration	(1.9)	(6.5)	-
General and administrative	(8.0)	(7.1)	(3.4)
Acquisition transaction costs	-	-	(29.5)
Other income (expenses)	(5.5)	1.2	6.4
Operating profit (loss)	77.3	(4.6)	(23.0)
Finance income	2.2	0.9	1.2
Finance costs	(6.2)	(3.4)	(1.5)
Earnings (loss) before income taxes	73.3	(7.1)	(23.3)
Income taxes	(25.1)	(7.5)	1.0
Net earnings (loss) for the period	48.2	(14.6)	(22.3)
Net earnings (loss) for the period attributable to:			
Non-controlling interests	(1.0)	(1.3)	1.4
Shareholder of the Company	49.2	(13.3)	(23.7)

FQM (Akubra) Inc.
Consolidated statement of financial position
(unaudited)

<i>(USD millions)</i>	Note	September 30, 2013 ⁽¹⁾
Assets		
Current assets		
Cash and cash equivalents		308.2
Trade and other receivables		179.2
Inventories	5	106.7
Short term investments	6	103.1
		697.2
Cash and cash equivalents - restricted cash		82.8
Investments	6	1.9
Property, plant and equipment	7	4,944.9
Loan receivable from related party	8	616.1
Deferred income taxes		0.2
Other assets	9	513.2
Total assets		6,856.3
Liabilities		
Current liabilities		
Trade and other payables		285.6
Current taxes payable		46.5
Current portion of long-term debt	10	475.7
Current portion of provisions and other liabilities		19.4
		827.2
Long-term debt	10	2,251.9
Provisions and other liabilities		274.2
Deferred income tax liabilities		548.4
Total liabilities		3,901.7
Equity		
Share capital		2,453.4
Retained earnings		12.2
Accumulated other comprehensive loss		(1.9)
Total equity attributable to shareholder of the Company		2,463.7
Non-controlling interests		490.9
Total equity		2,954.6
Total liabilities and equity		6,856.3

⁽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 (Akubra) Inc.
Consolidated changes in equity
(unaudited)

<i>(USD millions)</i>	September 30, 2013
Share capital	
Balance – beginning of period	-
Shares issued on acquisition of Inmet, net of issue costs	2,453.4
Balance – end of period	2,453.4
Retained earnings	
Balance – beginning of period	-
Loss for the period attributable to shareholders of the Company	12.2
Balance – end of period	12.2
Accumulated other comprehensive loss	
Balance – beginning of period	-
Other comprehensive loss for the period	(1.9)
Balance – end of period	(1.9)
Non-controlling interests	
Balance – beginning of period	-
Acquisition of Inmet	491.8
Loss attributable to non-controlling interests	(0.9)
Balance – end of period	490.9

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

<i>(USD millions)</i>	Note	Three months ended September 30, 2013	Nine months ended September 30, 2013
Sales revenues	13	242.9	456.6
Cost of sales	14	(150.2)	(352.6)
Gross profit		92.7	104.0
Exploration		(1.9)	(8.4)
General and administrative		(8.0)	(18.5)
Acquisition transaction costs	4	-	(29.5)
Other income		(5.5)	2.1
Operating profit		77.3	49.7
Finance income		2.2	4.3
Finance costs	12	(6.2)	(11.1)
Earnings before income taxes		73.3	42.9
Income taxes		(25.1)	(31.6)
Net earnings for the period		48.2	11.3
Net earnings for the period attributable to:			
Non-controlling interests		(1.0)	(0.9)
Shareholder of the Company		49.2	12.2

FQM (Akubra) Inc.
Consolidated statements of comprehensive income
(unaudited)

<i>(USD millions)</i>	Three months ended September 30, 2013	Nine months ended September 30, 2013
Net earnings for the period	48.2	11.3
Other comprehensive income (loss)		
<i>Items that may be reclassified subsequently to net earnings:</i>		
Unrealized gain (loss) on available-for-sale investments and other	(0.1)	(1.4)
Income tax expense	-	(0.3)
Comprehensive income for the period	48.1	9.6
Total comprehensive income (loss) for the period attributable to:		
Non-controlling interests	(1.0)	(0.9)
Shareholder of the Company	49.1	10.5

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

<i>(USD millions)</i>	Note	Three months ended September 30, 2013	Nine months ended September 30, 2013
Cash flows from (used by) operating activities			
Net earnings for the period		48.2	11.3
Items not affecting cash:			
Depreciation		76.4	151.3
Unrealized foreign exchange income		(3.6)	(5.7)
Deferred income tax expense		33.6	5.0
Current income tax (recovery) expense		(7.0)	27.9
Net finance expense		3.8	6.8
Other		(10.7)	(11.2)
		140.7	185.4
Taxes paid		(9.7)	(27.3)
Change in non-cash operating working capital:			
Increase in trade, other receivables and derivatives		(31.7)	(41.9)
(Increase) decrease in inventories		(17.5)	16.1
Decrease in trade and other payables		(91.6)	(91.2)
		(9.8)	41.1
Cash flows from (used by) investing activities			
Purchase and deposits on property, plant and equipment		(165.0)	(474.0)
Interest paid and capitalized to property, plant and equipment		(10.4)	(63.4)
Acquisition of Inmet		-	(963.8)
Proceeds from sale of investments		-	1,949.9
Interest received		0.1	2.3
		(175.3)	451.0
Cash flows from (used by) financing activities			
Proceeds from debt		391.9	532.6
Loan to related party	8	(332.7)	(582.9)
Finance lease payments		(1.2)	(1.2)
Interest paid		(7.5)	(49.6)
		50.5	(101.1)
Increase (decrease) in cash and cash equivalents		(134.6)	391.0
Cash and cash equivalents - beginning of period		525.6	-
Cash and cash equivalents - end of period		391.0	391.0

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 MPSA.

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 the 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 ("Inmet") thus obtaining control. The remaining common shares were acquired in two transactions, on April 1, 2013 and April 9, 2013 after which the Company had completed its overall plan to acquire 100% of the common shares of Inmet.

Under the terms of the Acquisition, former Inmet shareholders received either C\$72.00 in cash; 3.2967 common shares of First Quantum; or C\$36.00 and 1.6484 common shares, subject to pro-rata based on take-up. First Quantum Minerals Limited issued 114,526,277 common shares pursuant to the Acquisition, in exchange for which the Company issued 114,526,261 shares. 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 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 principal subsidiaries are Çayeli Bakır İşletmeleri 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 purchase of Inmet was achieved in three stages. These stages are considered as a single transaction as they were completed in contemplation of each other to achieve the overall commercial effect of acquiring and controlling 100% of the outstanding common shares of Inmet. 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 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.	2,577.0 ⁽¹⁾
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.	1,938.3 ⁽¹⁾
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

⁽¹⁾ As part of the continuing review of the purchase price allocation, the fair value of property, plant and equipment has been reallocated between categories. There has been no change to the total value of property, plant and equipment acquired as part of the Inmet acquisition.

Transaction costs of \$29.5 million were expensed in relation to the Acquisition during the nine months ended September 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 September 30, 2013 resulting in additional revenue in the nine months of \$456.6 million and operating profit of \$49.8 million. This includes the effect of \$107.5 million of pre-tax fair value adjustments. Had the business combination occurred on January 1, 2013, sales revenues for the nine months would have been \$678.2 million, operating profit \$26.5 million and net earnings \$44.8 million, subject to final allocation of fair value on the Acquisition. This includes the effect of \$135.7 million of pre-tax 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

	September 30, 2013
Ore in stockpiles	47.9
Work-in-progress	6.6
Finished product	22.6
Total product inventory	77.1
Consumable stores	29.6
	106.7

6. Investments

	September 30, 2013
Equity securities – at cost	1.9
Government securities	103.1
	105.0
Short term investments consists of:	
Government securities	103.1

7. Property, plant and equipment

	Plant and equipment	Capital work-in- progress	Mineral properties and mine development costs		Total
			Operating mines	Development projects	
Cost					
As at December 31, 2012	-	-	-	-	-
Acquisition of Inmet ⁽¹⁾	1,800.0	138.3	856.7	1,720.3	4,515.3
Additions	-	472.2	-	-	472.2
Disposals	(1.6)	-	-	-	(1.6)
Transfers between categories	14.9	(61.5)	46.6	-	-
Restoration provision	-	-	3.8	(6.4)	(2.6)
Capitalized interest	-	103.2	-	-	103.2
As at September 30, 2013	1,813.3	652.2	907.1	1,713.9	5,086.5
Accumulated depreciation					
As at December 31, 2012	-	-	-	-	-
Depreciation on Disposals	1.0	-	-	-	1.0
Depreciation charge	(59.4)	-	(83.2)	-	(142.6)
As at September 30, 2013	(58.4)	-	(83.2)	-	(141.6)
Net book value					
As at December 31, 2012	-	-	-	-	-
As at September 30, 2013	1,754.9	652.2	823.9	1,713.9	4,944.9

⁽¹⁾ As part of the continuing review of the purchase price allocation, the fair value of property, plant and equipment has been reallocated between categories. There has been no change to the total value of property, plant and equipment acquired as part of the Inmet acquisition.

During the nine months ended September 30, 2013, \$103.2 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 September 30, 2013 is \$9.2 million related to capitalized deferred stripping costs.

8. Loan receivable from related party

The Company has a loan receivable of \$616.1 million from a wholly-owned subsidiary of First Quantum.

9. Other assets

	September 30, 2013
Goodwill	512.8
Other	0.4
	513.2

10. Debt

	September 30, 2013
Drawn debt	
Senior notes	
8.75% issued May 18, 2012 (a)	1,640.7
7.5% issued December 18, 2012 (b)	538.0
Revolving debt facility (c)	456.7
Debt due to related party - KPMC	73.3
Promissory note – Pyhäsalmi	18.9
Total debt	2,727.6
Less: Current maturities and short term debt	(475.7)
	2,251.9
Undrawn debt	
Revolving debt facility (c)	2,030.0

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 \$500.0 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 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 debt facility (the "Facility"). According to the terms of the arrangement, the minimum facility repayment was 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. On October 30, 2013, the Company announced the signing of a Deed of Amendment and Restatement to the Facility whereby the Facility has been extended to June 30, 2014. As such, the reductions to the Facility of \$1.25 billion at December 31, 2013 and \$1.25 billion at March 26, 2014 are no longer required. All other terms of the Facility remain unchanged.

Interest is payable monthly in arrears and calculated at a rate equal to LIBOR plus 2.75%. Cash drawn down under the facility since the initiation of \$470.0 million is net of issue and transaction costs of \$13.3 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 September 30, 2013	114,526,261

12. Finance costs

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Interest expense on financial liabilities measured at amortized cost	(53.1)	(109.3)
Accretion on restoration provision	(3.3)	(5.0)
Total finance costs	(56.4)	(114.3)
Less: interest capitalized	50.2	103.2
	(6.2)	(11.1)

13. Sales revenues by nature

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Copper	218.9	396.1
Gold	4.8	8.5
Zinc	11.8	36.4
PGE and other elements	7.4	15.6
	242.9	456.6

14. Cost of sales

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Cost of production	(83.5)	(184.2)
Movement in inventory	9.7	(17.1)
Depletion and amortization	(76.4)	(151.3)
	(150.2)	(352.6)

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 September 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	64.4	(23.1)	(9.3)	-	32.0	(14.2)
Las Cruces	133.6	(30.8)	(53.0)	(5.1)	44.7	(11.6)
Pyhäsalmi	44.9	(19.7)	(14.1)	(9.4)	1.7	0.7
Corporate & other	-	(0.2)	-	(0.9)	(1.1)	-
	242.9	(73.8)	(76.4)	(15.4)	77.3	(25.1)

⁽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 September 30, 2013, segmented information of balance sheet items is presented as follows:

	Property, plant and equipment	Total assets	Total liabilities	Capital expenditures
Çayeli	255.1	467.2	108.1	2.2
Las Cruces	1,126.7	1,391.5	403.6	7.9
Pyhäsalmi	338.1	432.0	150.2	-
Cobre Panama	3,179.1	3,297.1	411.0	154.9
Corporate & other	45.9	1,268.5	2,828.6	-
	4,944.9	6,856.3	3,901.5	165.0

For the nine month period ended September 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	125.7	(73.8)	(27.6)	3.0	27.3	(12.3)
Las Cruces	252.9	(91.6)	(91.7)	(1.5)	68.1	(17.7)
Pyhäsalmi	78.0	(35.4)	(32.0)	(8.6)	2.0	0.7
Corporate & other	-	(0.5)	-	(47.2)	(47.7)	(2.3)
	456.6	(201.3)	(151.3)	(54.3)	49.7	(31.6)

⁽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 nine month period ended September 30, 2013, segmented information of balance sheet items is presented as follows:

	Property, plant and equipment	Total assets	Total liabilities	Capital expenditures
Çayeli	255.1	467.2	108.1	7.0
Las Cruces	1,126.7	1,391.5	403.6	26.8
Pyhäsalmi	338.1	432.0	150.2	3.6
Cobre Panama	3,179.1	3,297.1	411.0	436.1
Corporate & other	45.9	1,268.5	2,828.6	0.5
	4,944.9	6,856.3	3,901.5	474.0

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 September 30, 2013:

	Loans and receivables	Available -for-sale	Other financial liabilities	Total carrying amount	Total fair value
Financial assets					
Cash and cash equivalents	308.2	-	-	308.2	308.2
Cash and cash equivalents - restricted cash	82.7	-	-	82.7	82.8
Investments					
At cost ⁽¹⁾	-	1.9	-	1.9	-
At fair value	-	103.1	-	103.1	103.1
Trade receivables and other prepayments ⁽²⁾	179.2	-	-	179.2	179.2
Financial liabilities					
Trade and other payables	-	-	285.6	285.6	285.6
Debt	-	-	2,727.6	2,727.6	2,703.3

⁽¹⁾ The Company holds investments in privately-held entities which are measured at cost as the fair value cannot be reliably measured.

⁽²⁾ 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 September 30, 2013, in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Investments ⁽¹⁾	103.1	-	-	103.1

⁽¹⁾ 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 \$1,720.4 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. Q3 2013 Interim Report

Inmet Mining Corporation
Condensed Interim Consolidated Financial Statements
September 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	September 30, 2012	December 31, 2011 ⁽¹⁾	December 31, 2010 ⁽¹⁾
Assets				
Current assets:				
Cash and short term investments	4	\$1,181,665	\$1,048,457	\$316,045
Restricted cash	5	1,050	784	597
Accounts receivable		148,996	101,867	115,628
Inventories		83,749	87,654	69,860
Current portion of bonds and other securities	6	1,028,322	175,921	52,201
Assets held for sale		-	-	308,935
		2,443,782	1,414,683	863,266
Restricted cash	5	75,686	69,538	67,831
Property, plant and equipment		2,298,330	1,772,766	1,680,858
Bonds and other securities	6	1,096,327	430,787	311,091
Deferred income tax assets		-	317	8,444
Other assets		1,613	1,380	2,261
Total assets		\$5,915,738	\$3,689,471	\$2,933,751
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities		\$280,439	\$138,596	\$132,009
Provisions		14,874	13,087	17,106
Liabilities associated with assets held for sale		-	-	108,338
		295,313	151,683	257,453
Long-term debt	7	1,452,106	16,581	16,091
Provisions		195,831	170,025	157,235
Other liabilities		17,252	17,156	17,541
Deferred income tax liabilities		83,504	28,351	12,127
Total liabilities		2,044,006	383,796	460,447
Commitments and contingencies	16			
Equity				
Share capital		1,541,773	1,541,324	1,054,927
Contributed surplus		64,774	64,629	64,028
Share based compensation	8	19,366	8,256	6,334
Retained earnings		2,155,910	1,851,010	1,527,342
Accumulated other comprehensive loss	9	(123,163)	(159,544)	(179,327)
Total equity attributable to Inmet equity holders		3,658,660	3,305,675	2,473,304
Non-controlling interest	10	213,072	-	-
Total equity		3,871,732	3,305,675	2,473,304
Total liabilities and equity		\$5,915,738	\$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 September 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	\$802,173	\$91,637	\$127,312	\$30,653	\$129,890	\$ -	\$1,181,665
Other current assets	1,038,508	73,674	97,461	50,034	2,440	-	1,262,117
Restricted cash	19,937	-	54,175	1,574	-	-	75,686
Property, plant and equipment	3,310	130,466	832,284	65,319	1,266,951	-	2,298,330
Bonds and other securities	995,590	100,737	-	-	-	-	1,096,327
Other non-current assets	1,428	185	-	-	-	-	1,613
	\$2,860,946	\$396,699	\$1,111,232	\$147,580	\$1,399,281	\$ -	\$5,915,738
Liabilities							
Current liabilities	\$69,187	\$39,727	\$54,516	\$17,433	\$114,450	\$ -	\$295,313
Long-term debt	1,452,106	-	-	-	-	-	1,452,106
Provisions	73,536	19,426	64,020	30,633	8,216	-	195,831
Other liabilities	688	-	16,564	-	-	-	17,252
Deferred income tax liabilities	4	959	71,458	11,083	-	-	83,504
	\$1,595,521	\$60,112	\$206,558	\$59,149	\$122,666	\$ -	\$2,044,006

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
Bonds and other securities	351,082	79,705	-	-	-	-	430,787
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
Bonds and other securities	248,288	62,803	-	-	-	-	311,091
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		-	290,556	-	-	124,096	414,652	-	414,652
Equity settled share-based compensation plans		-	-	455	512	-	967	-	967
Dividends		-	(6,713)	-	-	-	(6,713)	-	(6,713)
Issuance of share capital		486,199	-	-	-	-	486,199	-	486,199
Balance as at September 30, 2011⁽¹⁾		\$1,541,126	\$1,811,185	\$64,483	\$6,846	(\$55,231)	\$3,368,409	\$ -	\$3,368,409
Comprehensive income (loss)		-	46,544	-	-	(104,313)	(57,769)	-	(57,769)
Equity settled share-based compensation plans		198	-	146	1,410	-	1,754	-	1,754
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		-	304,067	-	-	30,608	334,675	5,413	340,088
Equity settled share-based compensation plans		449	-	145	11,110	-	11,704	-	11,704
Dividends on common shares		-	(6,759)	-	-	-	(6,759)	-	(6,759)
Equity funding from non-controlling shareholder		-	-	-	-	-	-	60,000	60,000
Sale of 20 percent interest in Cobre Panama	10	-	7,592	-	-	5,773	13,365	147,659	161,024
Balance as at September 30, 2012		\$1,541,773	\$2,155,910	\$64,774	\$19,366	(\$123,163)	\$3,658,660	\$213,072	\$3,871,732

(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 September 30		Nine Months Ended September 30	
		2012	2011 ⁽¹⁾	2012	2011 ⁽¹⁾
Gross sales		\$327,187	\$253,432	\$864,109	\$714,517
Smelter processing charges and freight		(30,023)	(35,865)	(87,841)	(99,239)
Cost of sales (excluding depreciation)		(91,096)	(78,563)	(255,354)	(226,498)
Depreciation		(37,633)	(26,452)	(96,893)	(78,434)
Earnings from operations		168,435	112,552	424,021	310,346
Corporate development and exploration		(7,905)	(4,539)	(26,996)	(21,940)
General and administration		(12,982)	(9,669)	(38,626)	(25,819)
Investment and other income	11	13,276	34,640	52,116	33,631
Finance costs	12	(2,463)	(2,301)	(7,438)	(6,868)
Income before taxation		158,361	130,683	403,077	289,350
Income tax expense	13	(42,135)	(32,696)	(99,591)	(79,580)
Income from continuing operations		\$116,226	\$97,987	\$303,486	\$209,770
Income from discontinued operation (net of taxes)		-	-	-	80,786
Net income		\$116,226	\$97,987	\$303,486	\$290,556
Net income attributable to:					
Inmet equity holders		\$116,528	\$97,987	\$304,067	\$290,556
Non-controlling interest		(302)	-	(581)	-
		\$116,226	\$97,987	\$303,486	\$290,556
Earnings per common share	14				
Income from continuing operations					
Basic		\$1.68	\$1.41	\$4.38	\$3.20
Diluted		\$1.67	\$1.41	\$4.36	\$3.20
Income from discontinued operation					
Basic		-	-	-	\$1.23
Diluted		-	-	-	\$1.23
Net income					
Basic		\$1.68	\$1.41	\$4.38	\$4.43
Diluted		\$1.67	\$1.41	\$4.36	\$4.43

(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 nine months ended September 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	\$ -	\$300,222	\$402,072	\$161,815	\$ -	\$ -	\$864,109
Smelter processing charges and freight	-	(54,492)	(1,513)	(31,836)	-	-	(87,841)
Cost of sales (excluding depreciation)	(7,180)	(79,354)	(125,000)	(43,820)	-	-	(255,354)
Depreciation	-	(19,990)	(69,706)	(7,197)	-	-	(96,893)
Earnings from operations	(7,180)	146,386	205,853	78,962	-	-	424,021
Corporate development and exploration	(16,811)	(992)	(1,605)	(3,340)	(4,248)	-	(26,996)
General and administration	(38,626)	-	-	-	-	-	(38,626)
Investment and other income	49,842	(900)	3,818	(774)	130	-	52,116
Finance costs	(2,473)	(862)	(3,563)	(540)	-	-	(7,438)
Income tax expense	(589)	(28,940)	(54,124)	(15,938)	-	-	(99,591)
Net income (loss)	(\$15,837)	\$114,692	\$150,379	\$58,370	(\$4,118)	\$ -	\$303,486

2011 For the nine months ended September 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	\$ -	\$265,334	\$247,837	\$201,346	\$ -	\$ -	\$714,517
Smelter processing charges and freight	-	(55,051)	(837)	(43,351)	-	-	(99,239)
Cost of sales (excluding depreciation)	-	(74,387)	(109,209)	(42,902)	-	-	(226,498)
Depreciation	-	(15,946)	(55,802)	(6,686)	-	-	(78,434)
Earnings from operations	-	119,950	81,989	108,407	-	-	310,346
Corporate development and exploration	(16,124)	(1,235)	(6)	(2,417)	(2,158)	-	(21,940)
General and administration	(25,819)	-	-	-	-	-	(25,819)
Investment and other income	25,618	7,041	776	291	(95)	-	33,631
Finance costs	(2,779)	(422)	(3,018)	(649)	-	-	(6,868)
Income tax expense	712	(41,503)	(14,691)	(24,098)	-	-	(79,580)
Net income (loss) from continuing operations	(\$18,392)	\$83,831	\$65,050	\$81,534	(\$2,253)	\$ -	\$209,770
Income from discontinued operation (net of taxes)	-	-	-	-	-	80,786	80,786
Net income (loss)	(\$18,392)	\$83,831	\$65,050	\$81,534	(\$2,253)	\$80,786	\$290,556

INMET MINING CORPORATION
Segmented statements of earnings

(unaudited)

2012 For the three months ended September 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	TOTAL
(thousands of US dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	
Gross sales	\$ -	\$110,689	\$163,827	\$52,671	\$ -	\$327,187
Smelter processing charges and freight	-	(18,948)	(668)	(10,407)	-	(30,023)
Cost of sales (excluding depreciation)	(3,032)	(28,197)	(46,347)	(13,520)	-	(91,096)
Depreciation	-	(7,362)	(27,681)	(2,590)	-	(37,633)
Earnings from operations	(3,032)	56,182	89,131	26,154	-	168,435
Corporate development and exploration	(5,922)	(223)	(45)	(1,058)	(657)	(7,905)
General and administration	(12,982)	-	-	-	-	(12,982)
Investment and other income	12,915	133	1,735	(1,530)	23	13,276
Finance costs	(839)	(292)	(1,153)	(179)	-	(2,463)
Income tax expense	133	(11,572)	(25,673)	(5,023)	-	(42,135)
Net income (loss)	(\$9,727)	\$44,228	\$63,995	\$18,364	(\$634)	\$116,226

2011 For the three months ended September 30	CORPORATE & OTHER	ÇAYELI	LAS CRUCES	PYHÄSALMI	COBRE PANAMA	TOTAL
(thousands of US dollars)		(Turkey)	(Spain)	(Finland)	(Panama)	
Gross sales	\$ -	\$90,204	\$83,618	\$79,610	\$ -	\$253,432
Smelter processing charges and freight	-	(19,959)	(376)	(15,530)	-	(35,865)
Cost of sales (excluding depreciation)	-	(28,262)	(33,450)	(16,851)	-	(78,563)
Depreciation	-	(6,018)	(18,198)	(2,236)	-	(26,452)
Earnings from operations	-	35,965	31,594	44,993	-	112,552
Corporate development and exploration	(3,399)	(334)	(1)	(805)	-	(4,539)
General and administration	(9,669)	-	-	-	-	(9,669)
Investment and other income	29,060	4,779	689	97	15	34,640
Finance costs	(936)	(141)	(1,007)	(217)	-	(2,301)
Income tax expense	1,196	(18,661)	(5,073)	(10,158)	-	(32,696)
Net income (loss)	\$16,252	\$21,608	\$26,202	\$33,910	\$15	\$97,987

INMET MINING CORPORATION
Consolidated statements of comprehensive income

(unaudited)

(thousands of US dollars)	Note reference	Three Months Ended September 30		Nine Months Ended September 30	
		2012	2011 ⁽¹⁾	2012	2011 ⁽¹⁾
Net income		<u>\$116,226</u>	<u>\$97,987</u>	<u>\$303,486</u>	<u>\$290,556</u>
Other comprehensive income for the period:					
Continuing operations					
Changes in fair value of bonds and other securities		1,880	(351)	1,471	(2,903)
Currency translation adjustments		21,860	82,642	34,910	111,130
Income tax recovery related to investments - other comprehensive income		(4)	12	-	15
		<u>23,736</u>	<u>82,303</u>	<u>36,381</u>	<u>108,242</u>
Other comprehensive income from discontinued operation (net of taxes)		<u>-</u>	<u>-</u>	<u>-</u>	<u>15,854</u>
Comprehensive income		<u>\$139,962</u>	<u>\$180,290</u>	<u>\$339,867</u>	<u>\$414,652</u>
Comprehensive income (loss) attributable to:					
Inmet equity holders		\$140,264	\$180,290	\$334,454	\$414,652
Non-controlling interests		(302)	-	5,413	-
		<u>\$139,962</u>	<u>\$180,290</u>	<u>\$339,867</u>	<u>\$414,652</u>

(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 September 30		Nine Months Ended September 30	
		2012	2011 ⁽¹⁾	2012	2011 ⁽¹⁾
Cash provided by (used in) operating activities⁽¹⁾					
Net income from continuing operations		\$116,226	\$97,987	\$303,486	\$209,770
Add (deduct) items not affecting cash:					
Depreciation		37,633	26,452	96,893	78,434
Deferred income taxes		27,080	5,843	54,138	16,271
Accretion expense on provisions and capital leases		2,021	1,847	6,126	5,538
Change in asset retirement obligations at closed sites		3,032	-	7,180	-
Foreign exchange loss (gain)		(7,355)	(31,029)	2,305	(26,415)
Gain on embedded option on high yield bond		(11,631)	-	(11,631)	-
Other		3,032	406	14,068	(2,511)
Settlement of asset retirement obligations		(1,397)	(2,959)	(3,534)	(6,300)
Net change in non-cash working capital	15	(32,945)	18,266	(42,490)	46,421
		<u>135,696</u>	<u>116,813</u>	<u>426,541</u>	<u>321,208</u>
Cash provided by (used in) investing activities					
Purchase of property, plant and equipment		(168,636)	(55,220)	(443,294)	(144,809)
Acquisition of bonds and other securities	6	(1,700,074)	(1,255)	(1,754,168)	(293,893)
Maturity of bonds and other securities		132,533	8,036	258,185	50,895
Funding received under Cobre Panama option agreement		-	3,798	-	12,310
Sale of 20 percent interest in Cobre Panama	10	-	-	160,952	-
Sale (purchase) of short-term investments, net		-	(314,608)	258,459	(331,687)
Other		-	1,248	-	3,985
		<u>(1,736,177)</u>	<u>(358,001)</u>	<u>(1,519,866)</u>	<u>(703,199)</u>
Cash provided by (used in) financing activities					
Issuance of common shares		-	-	-	486,199
Long-term debt borrowing, net of transaction costs	7	-	-	1,429,031	-
Dividends on common shares		-	-	(6,759)	(6,713)
Financial assurance payments		(167)	-	(5,226)	-
Funding by non-controlling shareholder		40,000	-	60,000	-
Other		(482)	(944)	(1,812)	(4,536)
		<u>39,351</u>	<u>(944)</u>	<u>1,475,234</u>	<u>474,950</u>
Foreign exchange on cash held in foreign currencies					
		<u>9,732</u>	<u>13,822</u>	<u>9,758</u>	<u>17,592</u>
Cash provided by discontinued operation					
		<u>-</u>	<u>-</u>	<u>-</u>	<u>297,220</u>
Increase in cash:					
Cash:		(1,551,398)	(228,310)	391,667	407,771
Beginning of period		2,733,063	945,062	789,998	308,981
End of period		<u>\$1,181,665</u>	<u>\$716,752</u>	<u>\$1,181,665</u>	<u>\$716,752</u>
Short term investments		-	338,588	-	338,588
Cash and short-term investments		\$1,181,665	\$1,055,340	\$1,181,665	\$1,055,340

(See accompanying notes)

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

Cash interest paid	\$529	\$574	\$1,061	\$1,118
Cash taxes paid	\$14,226	\$21,894	\$51,985	\$63,064

(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 nine months ended September 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	(\$11,862)	\$141,292	\$277,339	\$66,380	(\$4,118)	\$469,031
Net change in non-cash working capital	(3,278)	(34,965)	(7,364)	3,117	-	(42,490)
	(15,140)	106,327	269,975	69,497	(4,118)	426,541
Cash provided by (used in) investing activities						
Purchase of property, plant and equipment	(2,840)	(9,188)	(25,190)	(6,030)	(400,046)	(443,294)
Acquisition of bonds and other securities	(1,734,580)	(19,588)	-	-	-	(1,754,168)
Maturing of bonds and other securities	258,185	-	-	-	-	258,185
Funding received under Cobre Panama option agreement	-	-	-	-	160,952	160,952
Sale of short-term investments	258,459	-	-	-	-	258,459
	(1,220,776)	(28,776)	(25,190)	(6,030)	(239,094)	(1,519,866)
Cash provided by (used in) financing activities	1,419,308	-	(4,074)	-	60,000	1,475,234
Foreign exchange on cash held in foreign currencies	9,065	(1,042)	(2,054)	(783)	4,572	9,758
Intergroup funding (distributions)	156,748	(118,087)	(243,144)	(78,140)	282,623	-
Increase (decrease) in cash	349,205	(41,578)	(4,487)	(15,456)	103,983	391,667
Cash:						
Beginning of year	452,968	133,215	131,799	46,109	25,907	789,998
End of period	802,173	91,637	127,312	30,653	129,890	1,181,665
Short term investments	-	-	-	-	-	-
Cash and short-term investments	\$802,173	\$91,637	\$127,312	\$30,653	\$129,890	\$1,181,665

2011 For the nine months ended September 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	(\$48,981)	\$98,410	\$138,586	\$89,025	(\$2,253)	\$274,787
Net change in non-cash working capital	(6,012)	45,230	5,782	1,421	-	46,421
	(54,993)	143,640	144,368	90,446	(2,253)	321,208
Cash provided by (used in) investing activities						
Purchase of property, plant and equipment	(710)	(9,271)	(42,269)	(5,110)	(87,449)	(144,809)
Acquisition of bonds and other securities	(275,017)	(14,870)	-	-	-	(289,887)
Maturing of bonds and other securities	50,895	-	-	-	-	50,895
Funding received under Cobre Panama option agreement	-	-	-	-	12,310	12,310
Sale (purchase) of short-term investments, net	(338,734)	-	7,047	-	-	(331,687)
Other	(961)	940	-	-	-	(21)
	(564,527)	(23,201)	(35,222)	(5,110)	(75,139)	(703,199)
Cash provided by (used in) financing activities	479,376	-	(4,426)	-	-	474,950
Foreign exchange on cash held in foreign currencies	-	6,064	4,886	4,616	2,026	17,592
Cash provided by discontinued operation	297,220	-	-	-	-	297,220
Intergroup funding (distributions)	115,865	(95,624)	(39,173)	(76,091)	95,023	-
Increase (decrease) in cash	272,941	30,879	70,433	13,861	19,657	407,771
Cash:						
Beginning of year	51,492	104,324	50,898	93,970	8,297	308,981
End of period	324,433	135,203	121,331	107,831	27,954	716,752
Short term investments	338,588	-	-	-	-	338,588
Cash and short-term investments	\$663,021	\$135,203	\$121,331	\$107,831	\$27,954	\$1,055,340

INMET MINING CORPORATION
Segmented statements of cash flows

(unaudited)

2012 For the three months ended September 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	(\$24,460)	\$55,629	\$118,044	\$21,220	(\$1,792)	\$168,641
Net change in non-cash working capital	(3,871)	(11,419)	(13,119)	(4,536)	-	(32,945)
	<u>(28,331)</u>	<u>44,210</u>	<u>104,925</u>	<u>16,684</u>	<u>(1,792)</u>	<u>135,696</u>
Cash provided by (used in) investing activities						
Purchase of property, plant and equipment	(1,349)	(3,949)	(11,990)	(1,455)	(149,893)	(168,636)
Acquisition of bonds and other securities	(1,699,438)	(636)	-	-	-	(1,700,074)
Maturing of bonds and other securities	132,533	-	-	-	-	132,533
	<u>(1,568,254)</u>	<u>(4,585)</u>	<u>(11,990)</u>	<u>(1,455)</u>	<u>(149,893)</u>	<u>(1,736,177)</u>
Cash provided by (used in) financing activities	(102)	-	(547)	-	40,000	39,351
Foreign exchange on cash held in foreign currencies	10,132	54	(1,596)	1,142	-	9,732
Intergroup funding (distributions)	(1,622)	136	(129,360)	(29,076)	159,922	-
Increase (decrease) in cash	(1,588,177)	39,815	(38,568)	(12,705)	48,237	(1,551,398)
Cash:						
Beginning of period	2,390,350	51,822	165,880	43,358	81,653	2,733,063
End of period	802,173	91,637	127,312	30,653	129,890	1,181,665
Short term investments	-	-	-	-	-	-
Cash and short-term investments	<u>\$802,173</u>	<u>\$91,637</u>	<u>\$127,312</u>	<u>\$30,653</u>	<u>\$129,890</u>	<u>\$1,181,665</u>

2011 For the three months ended September 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	(\$10,527)	\$24,869	\$47,785	\$36,405	\$15	\$98,547
Net change in non-cash working capital	570	30,228	954	(13,486)	-	18,266
	<u>(9,957)</u>	<u>55,097</u>	<u>48,739</u>	<u>22,919</u>	<u>15</u>	<u>116,813</u>
Cash provided by (used in) investing activities						
Purchase of property, plant and equipment	(346)	(1,853)	(9,295)	(2,412)	(41,314)	(55,220)
Acquisition of bonds and other securities	(780)	(475)	-	-	-	(1,255)
Maturing of bonds and other securities	8,036	-	-	-	-	8,036
Funding received under Cobre Panama option agreement	-	-	-	-	3,798	3,798
Purchase of short-term investments	(314,608)	-	-	-	-	(314,608)
Other	787	461	-	-	-	1,248
	<u>(306,911)</u>	<u>(1,867)</u>	<u>(9,295)</u>	<u>(2,412)</u>	<u>(37,516)</u>	<u>(358,001)</u>
Cash provided by (used in) financing activities	(116)	-	(828)	-	-	(944)
Foreign exchange on cash held in foreign currencies	-	9,896	1,049	553	2,324	13,822
Intergroup funding (distributions)	(32,129)	(74)	(11,017)	(5,120)	48,340	-
Increase (decrease) in cash	(349,113)	63,052	28,648	15,940	13,163	(228,310)
Cash:						
Beginning of period	673,546	72,151	92,683	91,891	14,791	945,062
End of period	324,433	135,203	121,331	107,831	27,954	716,752
Short term investments	338,588	-	-	-	-	338,588
Cash and short-term investments	<u>\$663,021</u>	<u>\$135,203</u>	<u>\$121,331</u>	<u>\$107,831</u>	<u>\$27,954</u>	<u>\$1,055,340</u>

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 1100, 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. 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

	September 30, 2012	December 31, 2011	December 31, 2010
Cash and cash equivalents:			
Liquidity funds	\$849,799	\$375,523	\$188,415
Term deposits	45,331	6,548	51,306
Overnight deposits	16,683	70,389	4,182
Bankers acceptances	45,168	891	-
Money market funds	24,839	126,336	38,774
Corporate	19,188	11,593	-
Bank deposits	179,157	31,722	26,304
Provincial	1,500	166,996	-
	1,181,665	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	\$1,181,665	\$1,048,457	\$316,045

5. Restricted cash

	September 30, 2012	December 31, 2011	December 31, 2010
Collateralized cash for letter of credit facility – Inmet Mining	\$19,937	\$16,306	\$16,368
Collateralized cash for letters of credit – Las Cruces	55,225	52,451	50,480
Collateralized cash for Pyhäsalmi reclamation	1,574	1,565	1,580
	76,736	70,322	68,428
Less current portion:			
Collateralized cash for letters of credit – Las Cruces	(1,050)	(784)	(597)
	\$75,686	\$69,538	\$67,831

6. Bonds and other securities

The table below provides a breakdown of our bonds and other securities as at the balance sheet date by financial instrument classification.

	September 30, 2012	December 31, 2011	December 31, 2010
Current available for sale securities (a)	\$895,462	\$-	\$-
Current held to maturity securities	132,860	175,921	52,201
	\$1,028,322	\$175,921	\$52,201
Available for sale securities (a)	\$672,001	\$-	\$-
Held to maturity securities	421,294	427,727	308,483
Other	3,032	3,060	2,608
	\$1,096,327	\$430,787	\$311,091

(a) In August 2012, we invested US cash of \$1.7 billion in US dollar-denominated bonds and other securities with credit ratings of A- to AAA. These securities mature between October 2012 and March 2018 and have a weighted average yield to maturity of 0.3 percent. We designated these securities as *available for sale* and recognized them at fair value.

7. Long-term debt

	September 30, 2012	December 31, 2011	December 31, 2010
Senior unsecured notes (a):			
Principal	\$1,500,000	\$-	\$-
Transaction costs and discount, net of accretion	(52,299)	-	-
Prepayment options derivatives at fair value	(55,458)	-	-
Basis Adjustment, net of accretion	42,649	-	-
	1,434,892	-	-
Promissory note	17,214	16,581	16,091
Total long-term debt	\$1,452,106	\$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. 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 Inmet and certain subsidiaries. The notes contain certain customary covenants and restrictions for a financing instrument of this type.

We may redeem, prior to June 1, 2016, 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 a premium that effectively compensates the holder fully for lost interest between the redemption date and June 1, 2016. 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

The prepayment options on the Notes represent embedded derivatives that must be bifurcated for measurement and reporting purposes. The initial fair value as at May 18, 2012 of \$43.8 million was included in the carrying amount of the notes (Basis Adjustment). This Basis Adjustment is amortized over the term of the Notes using the effective interest rate method. The prepayment option derivatives are recognized at fair value, with changes in their fair value being recognized in *investment and other income* as they occur. As at September 30, 2012, the fair value of the prepayment option derivatives was \$55.5 million and is recognized as a component of the Notes. The increase in the fair value of the prepayment option derivatives of \$11.6 million was recognized as an unrealized gain in *investment and other income*.

8. 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 September 30, 2012 fair value per PSU of Cdn \$40.23.

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

	three months ended		nine months ended	
	2012	September 30 2011	2012	September 30 2011
Stock option plan	\$1,082	\$1,382	\$4,023	\$2,304
Performance share unit plan	385	112	447	295
Long-term incentive plan (LTIP) (a)	-	-	6,759	735
Deferred share unit plan	320	217	792	773
Share award plan	50	163	145	455
	\$1,837	\$1,874	\$12,166	\$4,562

(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 in the second quarter of 2012 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.

9. Accumulated other comprehensive loss

Accumulated other comprehensive loss includes:

	September 30, 2012	December 31, 2011	December 31, 2010
Unrealized losses on gold forward contract sales	\$-	\$-	(\$5,481)
Unrealized gains (losses) on bonds and other securities (net of tax of \$91) (December 31, 2011 - \$94, December 31, 2010 - \$76)	937	(534)	(438)
Currency translation adjustment	(124,100)	(159,010)	(173,408)
Accumulated other comprehensive income loss	(\$123,163)	(\$159,544)	(\$179,327)

Currency translation adjustments

	September 30, 2012	December 31, 2011	December 31, 2010
Pyhäsalmi (euro functional currency)	(\$25,751)	(\$27,378)	(\$23,580)
Las Cruces (euro functional currency)	(94,842)	(103,071)	(90,456)
Çayeli (US dollar functional currency)	(12,214)	(15,068)	(20,243)
Cobre Panama (US dollar functional currency)	8,707	(13,493)	(28,757)
Ok Tedi (US dollar functional currency)	-	-	(10,372)
	(\$124,100)	(\$159,010)	(\$173,408)

10. 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.

11. Investment and other income

	three months ended September 30		nine months ended September 30	
	2012	2011	2012	2011
Interest income	\$3,143	\$4,676	\$11,326	\$11,431
Unrealized gain on prepayment option derivative – senior unsecured notes	11,631	-	11,631	-
Dividend and royalty income	769	451	2,229	1,484
Foreign exchange gain (loss)	(2,366)	29,513	25,878	18,773
Other	99	-	1,052	1,943
	\$13,276	\$34,640	\$52,116	\$33,631

Foreign exchange gain (loss) is a result of:

	three months ended September 30		nine months ended September 30	
	2012	2011	2012	2011
Translation of US dollar cash held in euro based entities	(\$11,626)	\$ -	(\$1,227)	\$ -
Translation of US dollar cash held by Corporate prior to June 2012	-	(79)	27,338	(8,006)
Translation of US dollar senior unsecured notes prior to June 2012	-	-	(16,884)	-
Translation of US dollar bonds and other securities prior to June 2012	-	22,313	4,330	19,553
Translation of Cdn dollar cash held by Corporate subsequent to May 2012	1,611	-	2,588	-
Translation of Cdn dollar bonds and other securities subsequent to May 2012	6,937	-	9,979	-
Translation of other monetary assets and liabilities	712	7,279	(246)	7,226
	(\$2,366)	\$29,513	\$25,878	\$18,773

12. Finance costs

	three months ended September 30		nine months ended September 30	
	2012	2011	2012	2011
Interest on note payable	\$264	\$283	\$792	\$837
Accretion on note payable	178	172	520	494
Accretion on provisions and capital lease obligations	2,021	1,846	6,126	5,537
	\$2,463	\$2,301	\$7,438	\$6,868

13. Income tax

For the three months ended September 30, 2012:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Current income taxes	(\$200)	\$9,101	\$1,050	\$5,104	\$15,055
Deferred income taxes	67	2,471	24,623	(81)	27,080
Income tax expense	(\$133)	\$11,572	\$25,673	\$5,023	\$42,135

For the three months ended September 30, 2011:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Current income taxes	(\$1,150)	\$17,650	\$63	\$10,290	\$26,853
Deferred income taxes	(46)	1,011	5,010	(132)	5,843
Income tax expense	(\$1,196)	\$18,661	\$5,073	\$10,158	\$32,696

For the nine months ended September 30, 2012:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Current income taxes	\$528	\$27,698	\$1,050	\$16,177	\$45,453
Deferred income taxes	61	1,242	53,074	(239)	54,138
Income tax expense	\$589	\$28,940	\$54,124	\$15,938	\$99,591

For the nine months ended September 30, 2011:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Current income taxes	(\$594)	\$38,933	\$525	\$24,445	\$63,309
Deferred income taxes	(118)	2,570	14,166	(347)	16,271
Income tax expense	(\$712)	\$41,503	\$14,691	\$24,098	\$79,580

14. Net income per share

(thousands)	three months ended September 30		nine months ended September 30	
	2012	2011	2012	2011
Income from continuing operations available to common shareholders	\$116,528	\$97,987	\$304,067	\$209,770
Income from discontinued operations available to common shareholders	-	-	-	80,786
Net income available to common shareholders	\$116,528	\$97,987	\$304,067	\$290,556

(thousands)	three months ended September 30		nine months ended September 30	
	2012	2011	2012	2011
Weighted average common shares outstanding	69,366	69,331	69,360	65,454
Plus incremental shares from assumed conversions:				
Deferred share units	105	117	105	117
Long term incentive plan units	312	-	312	25
Diluted weighted average common shares outstanding	69,783	69,448	69,777	65,596

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

(US dollars per share)	three months ended September 30			
	2012		2011	
	Basic	Diluted	Basic	Diluted
Net income from continuing operations per share	\$1.68	\$1.67	\$1.41	\$1.41
Income from discontinued operations per share	-	-	-	-
Net income per share	\$1.68	\$1.67	\$1.41	\$1.41

The table below shows our earnings per common share for the nine months ended September 30.

(US dollars per share)	nine months ended September 30			
	2012		2011	
	Basic	Diluted	Basic	Diluted
Net income from continuing operations per share	\$4.38	\$4.36	\$3.20	\$3.20
Income from discontinued operations per share	-	-	1.23	1.23
Net income per share	\$4.38	\$4.36	\$4.43	\$4.43

15. Statements of cash flows

For the three months ended September 30, 2012:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Accounts receivable	(\$2,014)	(\$21,723)	(\$10,161)	(\$2,043)	(\$35,941)
Inventories	-	4,265	4,063	(725)	7,603
Accounts payable and accrued liabilities	(1,972)	5,541	(8,096)	(1,412)	(5,939)
Taxes payable	116	408	1,075	(356)	1,243
Other	(1)	90	-	-	89
	(\$3,871)	(\$11,419)	(\$13,119)	(\$4,536)	(\$32,945)

For the three months ended September 30, 2011:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Accounts receivable	\$577	\$10,064	\$2,894	(\$11,508)	\$2,027
Inventories	-	2,744	(5,808)	2,835	(229)
Accounts payable and accrued liabilities	1,925	7,498	4,496	(67)	13,852
Taxes payable	(1,812)	9,784	(628)	(4,746)	2,598
Provisions	(120)	-	-	-	(120)
Other	-	138	-	-	138
	\$570	\$30,228	\$954	(\$13,486)	\$18,266

For the nine months ended September 30, 2012:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Accounts receivable	(\$2,825)	(\$36,702)	\$(8,865)	\$4,598	(\$43,794)
Inventories	-	6,252	(416)	520	6,356
Accounts payable and accrued liabilities	(2,027)	(3,185)	917	915	(3,380)
Taxes payable	1,858	(1,336)	1,000	(2,914)	(1,392)
Other	(284)	6	-	(2)	(280)
	(\$3,278)	(\$34,965)	(\$7,364)	\$3,117	(\$42,490)

For the nine months ended September 30, 2011:

	Corporate and other	Çayeli (Turkey)	Las Cruces (Spain)	Pyhäsalmi (Finland)	Total
Accounts receivable	(\$522)	\$30,537	(\$4,155)	\$9,561	\$35,421
Inventories	-	1,888	(2,729)	(42)	(883)
Accounts payable and accrued liabilities	(1,111)	6,799	12,832	(1,720)	16,800
Taxes payable	(3,741)	5,790	(166)	(6,378)	(4,495)
Provisions	(638)	-	-	-	(638)
Other	-	216	-	-	216
	(\$6,012)	\$45,230	\$5,782	\$1,421	\$46,421

16. Commitments

Capital commitments

As at September 30, 2012, Cobre Panama had committed \$1,167 million (net of spending to that date) on a 100 percent basis for the design and supply of a coal-fired power plant, two SAG mills, four ball mills, and the related gearless drive, engineering and other construction activities.

In October 2012, Cobre Panama committed a further \$921 million for mass earthworks and quarry development at both the mine and port sites, the tailings management facility, the coastal road joining the mine to the port, permanent and temporary camp construction and the port causeway and commodity berth.

Sale of precious metal stream to Franco-Nevada Corporation (Franco-Nevada)

In August 2012, we announced the completion of a precious metals stream agreement with Franco-Nevada. Under the terms of the agreement, a wholly-owned subsidiary of Franco-Nevada will provide a \$1 billion deposit which will be used to fund a portion of Cobre Panama project capital costs. The deposit will become available after Inmet's funding since issuing a Full Notice to Proceed reaches \$1 billion (expected by Q1 2013) and will be provided pro-rata on a 1:3 ratio with Inmet's subsequent funding contributions.

The amount of precious metals deliverable under the stream is indexed to the copper in concentrate produced from the entire project and approximates 86 percent of the estimated payable precious metals attributable to Inmet's 80 percent ownership based on the current 31 year mine plan. Beyond the currently contemplated mine life, the precious metals deliverable under the stream 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.