FIRST QUANTUM
MINERALS LTD.

Management's Discussion and Analysis

For the year ended December 31, 2013

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of First Quantum Minerals Ltd. ("First Quantum" or "the Company") for the year ended December 31, 2013. The Company's results have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in United States dollars, tabular amounts in millions, except where noted. Changes in accounting policies have been applied consistently to comparative periods unless otherwise noted.

For further information on First Quantum, reference should be made to its public filings (including its most recently filed AIF) which are available on SEDAR at www.sedar.com. Information is also available on the Company's website at www.first-quantum.com. This MD&A contains forward-looking information that is subject to risk factors, see *"Regulatory Disclosures"* for further discussion. Information on risks associated with investing in the Company's securities and technical and scientific information under National Instrument 43-101 concerning the Company's material properties, including information about mineral resources and reserves, are contained in its most recently filed AIF. This MD&A has been prepared as of February 20, 2014.

SUMMARIZED OPERATING AND FINANCIAL RESULTS[1]

(USD millions unless otherwise noted)	Q4 2013	Q3 2013	Q4 2012	2013	2012
Copper production (tonnes)	114,791	114,488	84,918	412,281	307,115
Copper sales (tonnes)	95,598	105,859	77,570	386,057	295,466
Cash cost of copper production (C1)[2] (per lb)	$1.23	$1.16	$1.42	$1.30	$1.49
Realized copper price (per lb)	$3.26	$3.10	$3.46	$3.22	$3.51
Nickel production (contained tonnes)	12,634	12,485	10,096	47,066	36,759
Nickel sales (contained tonnes)	13,795	12,335	8,081	49,105	30,379
Cash cost of nickel production (C1)[2] (per lb)	$4.51	$4.90	$6.12	$5.02	$5.92
Realized nickel price (per payable lb)	$6.37	$6.45	$7.74	$6.82	$7.96
Gold production (ounces)	63,199	65,368	64,383	248,078	201,942
Gold sales (ounces)	50,399	60,391	61,350	228,962	202,303
Sales revenues	897.0	885.4	774.6	3,552.9	2,950.4
Gross profit before Inmet acquisition accounting adjustments[3]	350.3	335.5	295.0	1,272.3	1,101.0
Gross profit	319.4	303.1	295.0	1,133.8	1,101.0
EBITDA[2]	364.2	393.1	309.7	1,351.9	2,361.2
Net earnings attributable to shareholders of the Company[4]	131.3	143.0	186.7	458.6	1,772.9
Earnings per share	$0.22	$0.24	$0.39	$0.82	$3.74
Diluted earnings per share	$0.22	$0.24	$0.39	$0.81	$3.72
Comparative earnings[4]	133.8	143.6	186.7	539.4	555.0
Comparative earnings per share[4]	$0.23	$0.24	$0.39	$0.96	$1.17

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

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

[3] Gross profit before Inmet acquisition accounting adjustments is not recognized under IFRS. A reconciliation to gross profit is provided on page 3 of the MD&A.

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

Full year highlights

Net earnings and earnings per share reconciliation

(USD millions unless otherwise noted)	**Year ended December 31, 2013**				
	Pre-acquisition operations[1]	Acquired operations[2]	Acquisition accounting (recurring)[3]	Acquisition accounting (non-recurring)[4]	Total group
Net earnings attributable to shareholders of the Company	359.4	201.4	(69.0)	(33.2)	458.6
Comparative earnings	379.9	228.5	(69.0)	0.0	539.4
Earnings per share	0.64	0.36	(0.12)	(0.06)	0.82
Comparative earnings per share	0.68	0.41	(0.13)	0.00	0.96

[1] Pre-acquisition operations include Kansanshi, Guelb Moghrein, Ravensthorpe and Kevitsa.
[2] Acquired operations include Las Cruces, Çayeli and Pyhäsalmi.
[3] 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. The adjustment of $69.0 million is net of tax of $24.7 million. The adjustment before tax is $93.7 million.
[4] The non-recurring acquisition accounting adjustment is the sale of inventory fair valued on the balance sheet of the acquired operations at date of acquisition. This adjustment is non-recurring with substantially all the inventory being sold in 2013. The adjustment of $33.2 million is net of tax of $11.6 million. The adjustment before tax is $44.8 million.

Production

Copper production 34% higher reflecting record production at Kansanshi and the contribution from the acquired operations

- Copper production of 412,281 tonnes in 2013 increased by 105,166 tonnes over 2012, reflecting a contribution of 88,811 tonnes from Las Cruces, Çayeli and Pyhäsalmi, the three operating mines acquired (together the "acquired operations") through First Quantum's acquisition of Inmet Mining Corporation ("Inmet") in March 2013, record production at Kansanshi and Guelb Moghrein and a full year contribution from Kevitsa.

Nickel production increased 28% after record production from Ravensthorpe

- Nickel production of 47,066 tonnes in 2013 increased by 10,307 tonnes over 2012, attributable to record production at Ravensthorpe, reflecting higher grades and throughput than 2012, and a first full year of production at Kevitsa.

Gold production increased 23% from higher production at Kansanshi and Kevitsa

- Gold production increased to 248,078 ounces in the year from a 23% higher gold production at Kansanshi due to gold circuit enhancements and reprocessing of gold in tailings and a full year of production at Kevitsa, offset by lower production at Guelb Moghrein.

Significantly higher sales volumes in all major commodities

- Overall increase of 31% to 386,057 tonnes of copper, although constrained smelting capacity in Zambia impacted Kansanshi's sales volumes of copper concentrate and gold in concentrate.

Sales revenues rose 20% despite lower metal prices

- Sales revenues rose to $3,552.9 million and included $690.8 million contributed by the acquired operations and $197.6 million from the first full year of commercial operations at Kevitsa, which outweighed the impact of lower year-on-year average LME cash prices for copper and nickel of 8% and 14%, respectively.

Copper production cash costs lowered by 13%

- Average copper production cash cost of $1.30 per lb was lower than $1.49 per lb in 2012. This reflected the addition of the acquired operations in 2013, lower mining and processing costs and an increased gold credit at Kansanshi, partially offset by a higher unit cash cost at Guelb Moghrein.

Gross profit before acquisition accounting adjustments 16% higher than 2012

- Reconciliation of gross profit in 2012 to gross profit in 2013

(USD millions unless otherwise noted)	
Gross profit in 2012	$1,101
Lower realized metal prices	(313)
Higher sales volumes	143
Increase in depreciation at pre-acquisition operations	(65)
Decrease in costs excluding depreciation at pre-acquisition operations	92
Gross profit contribution from acquired operations	314
Gross profit before Inmet acquisition accounting adjustments	1,272
Acquisition accounting adjustments:	
Recurring: depreciation of acquired property, plant and equipment[1]	(93)
Non-recurring: sale of inventory at acquired operations[2]	(45)
Gross profit in 2013	$1,134

[1] 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. The adjustment before tax is $93.7 million. The adjustment net of tax is $69.0 million.
[2] The non-recurring acquisition accounting adjustment is the sale of inventory fair valued on the balance sheet of the acquired operations at date of acquisition. The adjustment before tax is $44.8 million. The adjustment net of tax is $33.2 million.

- Gross profit is reconciled to EBITDA by including: exploration costs of $51.6 million, general, administrative and other costs of $187.4 million, and adding back depreciation of $457.1 million.

Fourth quarter highlights

Production

Copper production 35% higher after record production at Kansanshi and the contribution from the acquired operations

- Copper production of 114,791 increased by 29,873 tonnes over 2012, reflecting a contribution of 29,306 tonnes from the acquired operations and record quarter production of 72,602 at Kansanshi.

Nickel production increased 25% after record production from Ravensthorpe

- Nickel production of 12,634 tonnes increased by 2,538 tonnes over Q4 2012, attributable to record production of 10,244 tonnes at Ravensthorpe and a contribution of 2,390 tonnes from Kevitsa.

Gold production decreased 2% from lower production at Kansanshi and Guelb Moghrein

- Gold production of 63,199 ounces in the quarter was impacted by lower gold production at Kansanshi and Guelb Moghrein, offset in part by increased production at Kevitsa.

Significantly higher sales volumes

- Overall increase of 23% to 95,598 tonnes of copper over Q4 2012, although constrained smelting capacity in Zambia did continue to impact Kansanshi's sales volumes of copper concentrate and gold in concentrate with reductions of 16% and 3%, respectively, compared to Q4 2012.

Sales revenues rose 16% despite lower metal prices

- Sales revenues rose to $897.0 million and included $234.2 million contributed by the acquired operations, which outweighed the impact of lower year-on-year average LME cash prices for copper and nickel of 10% and 19%, respectively, and lower copper sales from Kansanshi.

Copper production cash costs lowered by 13%

- Average copper production cash cost of $1.23 per lb was lower than the $1.42 per lb of Q4 2012. This reflected the addition of the acquired operations in 2013, lower mining and processing costs at Kansanshi, partially offset by higher unit cash cost at Guelb Moghrein.

Gross profit before acquisition accounting adjustments 19% higher than Q4 2012

- Reconciliation of gross profit in Q4 2012 to gross profit in Q4 2013

(USD millions unless otherwise noted)	
Gross profit in Q4 2012	$295
Lower realized metal prices	(76)
Lower sales volumes	(23)
Decrease in depreciation at pre-acquisition operations	1
Decrease in costs excluding depreciation at pre-acquisition operations	52
Gross profit contribution from acquired operations	101
Gross profit before Inmet acquisition accounting adjustments	350
Acquisition accounting adjustments:	
Recurring: depreciation of acquired property, plant and equipment[1]	(31)
Non-recurring: sale of inventory at acquired operations[2]	-
Gross profit in Q4 2013	$319

[1] 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. The adjustment before tax is $30.8 million. The adjustment net of tax is $22.6 million.
[2] The non-recurring acquisition accounting adjustment is the sale of inventory fair valued on the balance sheet of the acquired operations at date of acquisition. This adjustment is non-recurring with substantially all of the inventory being sold in 2013. The adjustment before tax is $0.1 million. The adjustment net of tax is $0.0 million.

- Gross profit is reconciled to EBITDA by including: exploration costs of $16.8 million; general, administrative and other costs of $57.9 million; and adding back depreciation of $119.6 million.

Strong liquidity and cash flow

- The Company ended the year with $694.5 million of unrestricted cash and cash equivalents in addition to $2,290.0 million of undrawn facilities.
- Operating cash flows before changes in working capital and taxes paid of $1,439.9 million compared to $1,165.2 million in 2012.
- As part of the Company's plan to optimize its capital structure and financial flexibility following the acquisition of Inmet, the Company concluded a number of initiatives in the first quarter of 2014 that included:
  - on January 24, 2014 the signing of a mandate letter for a $2.5 billion Five-Year Term Loan and Revolving Facility (the "Facilities"). The Facilities comprise of a $1.0 billion Term Loan Facility and a $1.5 billion Revolving Credit Facility. The Facilities will be used to support the Company's extensive capital program and for general corporate purposes.
  - on January 27, 2014 an exchange offer and consent solicitation was launched with respect to the 8.75% Senior Notes due 2020 and 7.50% Senior Notes due 2021 (together the "Existing Notes") issued by Inmet Mining Corporation (now FQM (Akubra) Inc.) ("FQM Akubra").
  - 97.3% of the 8.75% Senior Notes due 2020 and 99.8% of the 7.50% Senior Notes due 2021 accepted before the early acceptance deadline which expired on February 7, 2014 and on February 12, 2014 the Company issued $1.1 billion aggregate principal amount of new 6.75% Senior Notes due 2020 and $1.1 billion aggregate principal amount of new 7.00% Senior Notes due 2021 to eligible holders who tendered their Existing Notes. The offer is open until February 24, 2014.
  - the completion of a consent solicitation with respect to its 7.25% Senior Notes due 2019 and execution of a supplemental indenture which, among other things, increased in certain circumstances the amount of investments that the Company can make, and the amount of secured and unsecured debt that the Company can incur.

Development projects remain on track

- On January 27, 2014, the Company announced the results of the Cobra Panama project review, which commenced following the acquisition of Inmet. Due to a number of technical and logistical improvements, the revised project will have installed capacity of about 70 million tonnes per annum ("Mtpa") for the first 10 years; approximately 17% higher than the Inmet plan. Provision has been made for up to 100 Mtpa beyond Year 10. The project is expected to produce an average of approximately 320,000 tonnes of copper annually on a life of mine basis; approximately 20% higher than the Inmet plan. The revised capital estimate is $6.4 billion and the re-engineered and larger project is scheduled for construction completion and commissioning in the second half of 2017.
- The first phase of the Kansanshi smelter project remains on schedule for construction completion in the second half of 2014 followed by commissioning and ramp-up. Detailed design work, manufacture of major equipment and earthworks have been completed. Concrete works are 85% complete and all other construction activities are proceeding well.

- The major elements of the Kansanshi oxide circuit expansions have been completed. Construction has commenced on the sulphide circuit expansions with environmental approvals having been granted; completion will be coordinated with the Company's availability of the necessary expanded smelting capacity in 2017.
- Sentinel project costs are unchanged and estimated at $1.9 billion. The target completion also remains unchanged with staged commissioning to commence in Q3 2014. Construction activities at Sentinel reached a peak in Q4 2013 with 75% overall completion achieved by year-end. Power transmission line works continue with partners ZESCO Limited and the Company's construction contractors. The powerline connecting to the Lumwana mine is the most progressed with completion expected by the end of Q2 2014. The Kalumbila to Lusaka West powerline is expected to be completed and operational by the end of 2014.
- The majority of equipment and all long-lead items for the Enterprise process plant (co-located with the Sentinel process plant) have been ordered. Engineering design progresses well, with concrete and structural drawings issued for construction. Environmental approval for the Enterprise mine remains under application. Commissioning of the Enterprise concentrator circuit will commence with the Sentinel copper ore. Target completion for the Enterprise project is Q1 2015.

Operational outlook for 2014

	Copper (000's tonnes)	Nickel (000's contained tonnes)	Gold (000's ounces)	Zinc (000's tonnes)
Group	**418-444**	**42-47**	**221-246**	**59-65**
Kansanshi	255-270	-	145-160	-
Guelb Moghrein	36-39	-	55-60	-
Kevitsa	17-19	9-10	12-13	-
Ravensthorpe	-	33-37	-	-
Çayeli	27-29	-	3-5	38-42
Las Cruces	69-72	-	-	-
Pyhäsalmi	14-15	-	6-8	21-23

Guidance

Production:

- Production is set out in the above table. Palladium and platinum production is expected to be between 22,000 and 24,000 ounces each.

Cash operating cost:

- Expected average cash cost of approximately $1.32 to $1.48 per pound of copper.
- Expected average cash cost of approximately $4.40 to $4.90 per pound of nickel.

Capital expenditures:

- Expected total 2014 capital expenditure is approximately $2.1 billion, with approximately $600.0 million at each of Cobre Panama and Sentinel. Sentinel capital expenditure excludes capitalization of any pre-commercial production costs.

Other corporate developments

- The Company has declared a final dividend of C$0.0930 per share in respect of the financial year ended December 31, 2013. The final dividend of C$0.0930, together with the interim dividend of C$0.0583, is a total of C$0.1513 for the 2013 financial year. This total dividend paid for the 2013 financial year is 14.3% of comparative net earnings which is in line with the 15% of comparative net earnings used as guidance in 2013.

OPERATIONS

Kansanshi Copper and Gold Operation	Q4 2013	Q3 2013	Q4 2012	2013	2012
Sulphide ore tonnes milled (000's)	2,790	2,857	2,679	11,089	9,254
Sulphide ore grade processed (%)	0.9	0.9	1.0	0.8	1.0
Sulphide copper recovery (%)	92	93	92	92	93
Mixed ore tonnes milled (000's)	1,997	1,886	1,951	7,677	8,561
Mixed ore grade processed (%)	1.2	1.2	1.1	1.2	1.1
Mixed copper recovery (%)	71	68	74	71	69
Oxide ore tonnes milled (000's)	1,660	1,669	1,738	6,662	6,210
Oxide ore grade processed (%)	2.4	2.2	2.0	2.2	2.2
Oxide copper recovery (%)	87	88	90	86	86
Copper production (tonnes)	72,602	71,037	70,431	270,724	261,351
Copper sales (tonnes)	57,691	61,366	61,758	248,745	249,884
Gold production (ounces)	43,508	43,904	45,410	167,395	136,056
Gold sales (ounces)	36,844	39,279	38,179	152,632	131,159
Cash costs (C1) (per lb)[1]	$1.28	$1.25	$1.45	$1.38	$1.49
Total costs (C3) (per lb)[1]	$1.70	$1.68	$1.90	$1.83	$1.88
Sales revenues	437.5	411.3	494.3	1,832.3	1,979.9
Gross profit	207.9	178.7	238.0	799.5	929.4
EBITDA[1]	227.5	209.3	251.1	899.0	995.9

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

Full year operating results

Overall copper production at Kansanshi increased by 4% compared to 2012. Higher throughput realized on the recent plant expansions and higher mixed ore grade processed was partly offset by lower sulphide ore grade. Ongoing mine pit development work continues to improve access to various ore types, specifically oxide, to coincide with the current plant expansions.

Sulphide ore production decreased by 2% in 2013 compared to 2012, primarily as a result of lower feed grade, partly offset by higher throughput. Throughput was higher in 2013 as a result of circuit reconfiguration in 2012 which temporarily decreased the sulphide circuit capacity. Kansanshi continues to process sulphide from the main pit which is a lower grade area.

Mixed ore production was in line with 2012 as lower throughput was offset by higher ore grade and recoveries. Throughput exceeded the 6.5 Mtpa design capacity but was lower compared to 2012, when a temporary circuit reconfiguration increased the capacity of the mixed circuit.

Copper production from the oxide circuit was 9% higher than 2012. Throughput increased reflecting ore characteristics with incremental increases facilitated by the incorporation of components of the 14.5 Mtpa expansion. Grade and recoveries were in line with 2012.

Gold production was 23% higher than 2012 as a result of gold circuit enhancements and the re-processing of stockpiled gold plant tailings.

Cash costs were $0.11 per lb lower compared to 2012 as a result of lower mining and processing costs. These reductions were mainly attributable to increased gold credit, lower acid costs, savings in solvent extraction and electrowinning combined with record copper production.

Sales revenues decreased by 7% from 2012 reflecting lower realized copper and gold prices, and a build-up of concentrate inventory. This decrease flowed into gross profit which was also negatively impacted by higher depreciation charges relating to plant and mine pit expansions, partially offset by a reduction in cash costs during the year.

Q4 operating results

Overall copper production at Kansanshi was 3% higher compared to Q4 2012, due primarily to higher oxide and mixed ore grade processed.

Sulphide ore production decreased by 8% in Q4 2013 compared to Q4 2012, primarily as a result of lower feed grade, partly offset by higher throughput.

Mixed ore production increased by 8% compared to Q4 2012 due to higher ore grade, offset partly by lower recoveries.

Copper production from the oxide circuit was 9% higher than Q4 2012 due to higher ore grade, partly offset by lower throughput, reflecting ore characteristics.

Gold production was 4% lower than Q4 2012 as a result of significantly lower recoveries, offset partly by enhancements in the gold circuit and the re-processing of stockpiled gold plant tailings.

Unit cash costs were $0.17 per lb lower compared to Q4 2012 as a result of lower mining and processing costs. These reductions were mainly attributable to lower acid costs and an increase in copper production.

Sales revenues decreased by 11% from Q4 2012 reflecting lower realized copper and gold prices, 13% lower sales of copper concentrate and a significant build-up of concentrate inventory due to particularly low local Zambian smelter off-take during the quarter. This decrease flowed into gross profit which was also negatively impacted by higher depreciation charges relating to plant and mine pit expansions, partially offset by a reduction in cash costs for the quarter.

Outlook

Production in 2014 is expected to be between 255,000 and 270,000 tonnes of copper, and 145,000 and 160,000 ounces of gold.

A strong start to the year is expected, despite the unfavourably wet weather, due to significant gains in mining flexibility and stockpiles of ore made during 2013.

Acid Plant 5 has attained nameplate production rates after upgrades to the process water treatment system. Trials of technological enhancements to the water treatment system using non-chemical means will be carried out, with a view to reducing operating cost and to increase overall effectiveness of water treatment.

The recent commissioning of the leach, solvent extraction and CCD thickener systems of the oxide circuit 14.5 Mtpa expansion project allows for increased treatment of oxide ore, providing an avenue to flex treatment plans in response to continuing concentrate smelting constraints locally. Mining plans and schedules are being adapted and the process plant treatment regime is likely to be changed to allow for increased oxide treatment. The goal of the revision is to facilitate a reduction in concentrate stockpiled on site and increase production of copper in cathode. Acid constraints remain, however and, as such, full projected oxide treatment rate is not expected until 2015 when sufficient acid becomes available from the new smelter.

Efforts to reduce concentrate stockpile levels this year will focus on grade improvements, mainly through additional flotation cleaning capacity, maximized treatment of concentrate through our high pressure leach facility, and changes to the plant feed composition to favour the production of cathode.

Work on improvements in process control on the oxide treatment route is being expanded, with the goal of improving recovery and containing costs.

Power supply stability is expected to remain a challenge throughout the year, though some long-awaited ZESCO infrastructure projects, which will assist in this regard, are expected to come on line during the first half of the year.

Guelb Moghrein Copper and Gold Operation	Q4 2013	Q3 2013	Q4 2012	2013	2012
Sulphide ore tonnes milled (000's)	714	694	825	2,847	3,062
Sulphide ore grade processed (%)	1.3	1.4	1.4	1.4	1.3
Sulphide copper recovery (%)	93	92	93	94	91
Copper production (tonnes)	8,866	8,670	11,038	37,970	37,670
Copper sales (tonnes)	6,327	8,564	13,007	36,585	40,174
Gold production (ounces)	13,336	13,093	16,802	58,191	60,519
Gold sales (ounces)	8,281	12,585	20,864	56,040	67,089
Cash costs (C1) (per lb)[1]	$1.86	$1.83	$1.13	$1.58	$1.48
Total costs (C3) (per lb)[1]	$2.11	$2.45	$1.69	$2.11	$2.04
Sales revenues	50.9	68.3	127.3	314.8	394.4
Gross profit	20.5	12.9	47.5	96.4	117.7
EBITDA[1]	23.3	20.4	54.2	124.1	142.4

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

Full year operating results

Copper production in 2013 was in line with 2012. Lower throughput, due to harder ore characteristics, was offset by higher grade and recovery.

Gold production in 2013 was 4% lower than in 2012 as a result of 7% lower throughput, partly offset by a higher processed head grade. The CIL circuit was also suspended from operation for the duration of the year.

Cash costs in 2013 were $0.10 cents per lb higher than 2012, primarily as a result of a lower gold credit being offset by capitalization of development work to expose additional ore reserves in the pit. Mining costs were 23% lower than last year with significant development work to expose future ore reserves capitalized throughout the year. Processing costs were $0.02 cents per lb higher than 2012 with a reduction in crushing and milling costs in line with lower throughput, partially offset by an increase in flotation costs and the cost to elevate the tailings dam. The gold credit per lb was 29% below last year, impacted by both a reduction in gold in concentrate sales volumes and lower average net realized prices, combined with no sales of gold dore in the year while the CIL circuit was suspended. A slight increase in concentrate treatment charges was offset by a reduction in the year's freight parity charge.

Sales revenues decreased in 2013 by 20% compared to 2012 due in part to unfavourable timing of shipments later in the year and the suspension of the CIL circuit resulting in gold dore not being sold for the duration of 2013. Lower copper and gold sales volumes were also compounded by a decrease in average realized prices for both copper and gold. Gross profit and EBITDA both decreased compared to 2012, reflecting the lower sales revenues partially offset by a reduction in load and haul mining costs, and a lower depreciation charge in line with the year's lower sales volumes.

Q4 operating results

Copper production in Q4 2013 was 20% below Q4 2012 due to lower throughput and grade. Gold production was 21% below Q4 2012 as a result of lower throughput and lower grade.

Cash costs in Q4 2013 were $0.73 cents per lb higher than Q4 2012 primarily as a result of higher processing costs and a lower gold credit. Total mining costs were $0.18 cents per lb below Q4 2012 with increases in explosives, ground engaging and fuel costs offset by capitalization of costs used to expose additional ore reserves in two cutbacks of the pit. Processing costs were $0.29 cents per lb higher, primarily a result of lower quarterly copper production in conjunction with some fixed cost labour components and the planned maintenance program. The gold credit per lb was 43% lower in the quarter reflecting both the lower gold sales volumes and a decline in the average realized gold price. The reduction included an increase in freight parity charges in the quarter.

Sales revenues decreased in Q4 2013 by 60% compared to Q4 2012. Lower copper and gold sales volumes, the former caused by a build-up of inventory as sales terms were negotiated with customers in China, were compounded by a decrease in average realized prices for both copper and gold. Gross profit and EBITDA both decreased compared to Q4 2012, reflecting the lower sales revenues partly offset by lower costs associated with lower copper sales volumes.

Outlook

Copper production in 2014 is expected to be between 36,000 and 39,000 tonnes. Gold in copper concentrate production is expected to be between 55,000 and 60,000 ounces.

Production of magnetite concentrate is scheduled to commence in Q3 2014 and will bring diversification in the products stream. Cutback 1 will be mined out in Q1 2014. As waste stripping expands into Cutback 3 in 2014, mine operations will continue to focus on exposing ore in Cutback 2 to meet increasing demand throughout the year. The two major capital projects, to reconfigure the grinding circuit to a conventional Semi-Autonomous Grinding ("SAG") mill and the magnetite recovery project, remain on schedule. Materials for mechanical and structural installation for the SAG mill have been delivered on site. Earth and civil works for the magnetite project are in progress.

Ravensthorpe Nickel Operation	Q4 2013	Q3 2013	Q4 2012	2013	2012
Beneficiated ore tonnes processed (000's)	845	830	687	3,119	2,811
Beneficiated ore grade processed (%)	1.6	1.6	1.5	1.6	1.5
Nickel recovery (%)	77	77	78	76	77
Nickel production (contained tonnes)	10,244	9,917	8,227	38,103	32,884
Nickel sales (contained tonnes)	10,142	10,535	7,288	40,612	28,738
Nickel production (payable tonnes)	7,808	7,560	6,338	29,137	25,347
Nickel sales (payable tonnes)	8,021	7,842	5,425	30.972	21,857
Cash costs (C1) (per lb)[1]	$4.23	$4.85	$6.05	$4.99	$5.97
Total costs (C3) (per lb)[1]	$5.39	$5.94	$7.33	$6.18	$7.25
Sales revenues	113.7	112.3	94.3	474.4	387.7
Gross profit	10.0	7.5	2.8	29.0	42.5
EBITDA	25.1	20.1	14.6	84.8	82.3

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

Full year operating results

Strong operations continued in 2013 with record production increasing 16% compared to 2012, primarily as a result of increased throughput and higher grade. The increased throughput has been achieved as plant operations mature, providing opportunities to identify and implement improvements.

Cash costs in 2013 were $0.98 per lb lower in comparison to 2012 due primarily to lower processing costs, site administration expense and freight charges. Processing efficiencies were achieved mainly from overall maintenance and operational improvements, while lower cost sulphur positively impacted overall costs. Site administration expenses were lower, having benefited from the depreciation of the Australian dollar against the U.S. dollar, combined with higher production, particularly in the second half of the year.

Sales revenues for 2013 increased by 22% to $474.4 million compared to $387.7 million in 2012, reflecting higher sales volumes offset partially by a 19% lower average net realized nickel price.

Gross profit was 32% lower than 2012, as the lower average net realized price impacted the gross margin despite higher sales volumes and lower unit cash costs.

Q4 operating results

Strong operations continued in the quarter with production increasing 25% compared to Q4 2012, primarily as a result of increased throughput and higher grade.

Cash costs in Q4 2013 were $1.82 lower in comparison to Q4 2012 primarily due to lower processing costs, site administration expense and freight charges. Processing efficiencies were achieved mainly from overall maintenance and operational improvements, and the use of lower cost sulphur in the production process. Site administration expenses decreased year-on-year due to the benefit of higher production combined with depreciation of the Australian dollar against the U.S. dollar.

Sales revenues for Q4 2013 increased by 21% to $113.7 million compared to $94.3 million in Q4 2012, reflecting increased sales volumes offset partially by a 19% lower average net realized nickel price. This increase in revenues, along with processing cost savings, resulted in a higher gross profit for the quarter.

Outlook

Production for 2014 is expected to be between 33,000 and 37,000 tonnes of nickel.

Crushing and beneficiation plants have operated well during Q4 2013. Beneficiation and atmospheric leach circuit developments and enhancements remain a major focus and have resulted in higher throughputs and utilization as screening, cyclone efficiencies and reduced flocculent consumptions continue to be optimized. High pressure acid leach circuits have operated within design specifications with ongoing trials on increased tonnage throughputs. Statutory compliance checks on the desalination units and compressor pressure safety valves were successfully completed.

Cost saving opportunities are currently being implemented site-wide and will remain a critical focus for Ravensthorpe in 2014. The cost of operations remains highly dependent on the price of sulphur. Construction work on the new tailings facility was completed in Q4 2013 and was successfully commissioned.

Kevitsa Nickel-Copper-PGE[1] Operation	Q4 2013	Q3 2013	Q4 2012	2013	2012
Ore tonnes milled (000's)	1,670	1,676	1,413	6,314	3,138
Nickel ore grade processed (%)	0.2	0.2	0.2	0.2	0.2
Nickel recovery (%)	64	65	59	63	56
Nickel production (tonnes)	2,390	2,568	1,870	8,963	3,875
Nickel sales (tonnes)	3,652	1,801	792	8,493	1,640
Copper ore grade processed (%)	0.3	0.3	0.3	0.3	0.3
Copper recovery (%)	84	84	84	83	83
Copper production (tonnes)	4,015	4,020	3,448	14,775	8,094
Copper sales (tonnes)	2,938	4,075	2,805	12,652	6,448
Gold production (ounces)	3,008	3,382	2,172	11,723	5,367
Platinum production (ounces)	7,993	9,416	6,123	30,403	13,808
Palladium production (ounces)	6,600	7,404	5,419	24,639	12,183
Nickel cash costs (C1) (per lb)[2]	$5.15	$5.51	$6.37	$5.24	$5.47
Nickel total costs (C3) (per lb)[2]	$5.35	$7.03	$7.19	$6.41	$6.54
Copper cash costs (C1) (per lb)[2]	$1.49	$1.56	$1.75	$1.68	$1.28
Copper total costs (C3) (per lb)[2]	$1.78	$2.70	$3.06	$2.44	$2.61
Sales revenues	60.4	51.3	36.5	197.6	72.1
Gross profit (loss)	(4.2)	5.4	6.4	21.3	23.9
EBITDA	5.4	16.3	11.2	56.1	34.8

[1] Platinum-group elements ("PGE")

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

Full year operating results

The significant increase in both nickel and copper production in 2013 reflected the first full year of commercial operations and an increase in ore availability, with production benefiting from the higher throughput.

Efforts to improve nickel recoveries continued with a focus on grind and pulp chemistry optimization. This resulted in an improved recovery rate in 2013 compared to 2012. Nickel ore grade in 2013 was in line with 2012. Copper recovery rates and grade in 2013 were comparable to 2012.

Nickel cash costs decreased by $0.23 per lb compared to 2012 due to higher cobalt, platinum and palladium by-product credits offset partly by higher mining costs.

Copper cash costs increased by $0.40 per lb compared to 2012 due primarily to increased mining costs and lower by-product credits.

The impact of a full year of commercial operations on sales revenue was partly offset by lower average net copper and nickel realized sales prices, which were 8% and 19% lower than 2012, respectively. The higher sales revenues flowed through to gross profit and were partially offset by a higher depreciation charge on mineral properties in line with an increase in both copper and nickel production in 2013 compared to 2012.

Q4 operating results

Nickel production increased by 28% in Q4 2013 compared to Q4 2012 with production benefiting from the higher throughput, due to an increase in ore availability and an improved recovery rate. Ore grade in Q4 2013 was in line with Q4 2012.

Copper production increased by 16% compared to Q4 2012 as a result of higher throughput.

Nickel cash costs decreased by $1.22 per lb compared to Q4 2012 due primarily to higher cobalt, platinum and palladium by-product credits arising from higher sales volumes and lower processing costs.

Copper cash costs decreased by $0.26 per lb compared to Q4 2012 due to an increase in by-product credits and lower processing costs, offset partly by increased mining costs.

Sales revenue increased 65% compared to Q4 2012, due to a higher nickel sales volume, offset partly by a 23% lower average net realized nickel sales price compared to Q4 2012. The higher sales revenues flowed through to gross profit but were more than offset by a higher depreciation charge on mineral properties in line with an increase in both copper and nickel production in Q4 2013 compared to Q4 2012.

Outlook

Production is expected to be between 17,000 and 19,000 tonnes of copper, 9,000 and 10,000 tonnes of nickel, 12,000 and 13,000 ounces of gold, and between 22,000 and 24,000 ounces each of platinum and palladium.

The plant operated at full capacity in 2013, processing approximately 6.3 million tonnes (“Mt”) of ore and is expected to reach 120% of nameplate capacity in 2014 with further investments in mill grinding. Flotation debottlenecking, which commenced in Q4 2013, should be finalized in stages throughout the year and is expected to result in incremental improvements in recoveries, particularly around the nickel circuit.

The only Komatsu PC8000 face shovel in Europe was commissioned in Q4 2013, and will assist in the removal of approximately 28 Mt of ore and waste during 2014.

Approval of the environmental expansion permit up to 10 Mtpa is expected during Q1 2014, with all outstanding documentation, statements and responses to authorities’ queries submitted.

The following sections review the results of the Las Cruces mine (100%), the Çayeli mine (100%) and the Pyhäsalmi mine (100%). The tables include the post-acquisition results of the mines from March 22, 2013 to December 31, 2013, and historical results for the full year without adjustment as well as the results for 2012 as previously reported by Inmet.

Las Cruces Copper Operation	Q4 2013	Q3 2013	Q4 2012[1]	March 22 – December 31 2013	2013[1]	2012[1]
Ore tonnes processed (000's)	334	359	276	977	1,253	1,082
Copper ore grade processed (%)	6.0	6.1	6.9	6.1	6.2	7.1
Copper recovery (%)	91	88	90	89	89	88
Copper cathode production (tonnes)	18,346	19,119	17,302	53,300	69,304	67,662
Copper cathode sales (tonnes)	16,883	18,691	17,394	52,298	66,806	68,838
Cash costs (C1) (per lb)[2]	$1.24	$0.69	$1.14	$1.11	$1.14	$1.10
Total costs (C3) (per lb)[2,3]	$2.15	$2.07	$1.76	$2.21	$2.13	$1.79
Sales revenues	120.9	133.6	136.0	373.8	490.2	536.6
Gross profit before fair value adjustments[4]	50.2	61.1	73.4	152.8	220.9	279.3
Gross profit[4]	36.5	49.9	73.4	106.1	174.1	279.3
EBITDA[2]	66.1	97.8	93.5	212.6	337.4	371.3

[1] Results from the Las Cruces mine are only included in First Quantum's financial results for the period subsequent to the date of acquisition on March 22, 2013. Prior period results are shown for comparative purposes only and do not include any financial adjustments that would be required had the acquisition taken place on January 1, 2012.

[2] C1 and C3 costs and EBITDA are not recognized under IFRS. See "*Regulatory Disclosures*" for further information. C1 and C3 costs have been recalculated using First Quantum's methodology and may be different to that previously disclosed by Inmet.

[3] C3 costs from the date of acquisition include the acquisition accounting adjustments relating to the uplift to fair value from book value of acquired mineral property, plant and equipment and inventory.

[4] 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".

Full year operating results

Copper production increased by 2% compared to 2012. A 16% increase in throughput was achieved due to a number of projects developed during the year, despite a fire in early April in one of the plant's leach reactors which reduced copper output for the month to 1,000 tonnes.

Copper recovery increased slightly due to commissioning of the second leach pre-reactor and a pregnant leach solution recycling system later in the year, in addition to improved belt filter performance. Cash costs in 2013 were in line with 2012.

Sales revenues and gross profit both decreased in comparison to 2012 by 9% and 38%, respectively. The decrease in sales revenues was driven by lower realized copper prices as well as 3% lower copper cathode sales volumes.

Gross profit in 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 $34.1 million for the year. Additional fair value adjustments made to inventory held on the date of acquisition reduced gross profit by a further $12.6 million during the year. 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 21% lower than 2012, primarily due to lower metal prices and sales volumes.

Q4 operating results

Copper production increased by 6% compared to Q4 2012. This was due to a 21% increase in throughput, due to a number of projects developed during the year, partially offset by lower copper grade. Copper recovery was relatively consistent with Q4 2012.

Cash costs in Q4 2013 were $0.10 per lb higher than Q4 2012 due primarily to higher mining costs.

Sales revenues and gross profit both decreased in comparison to Q4 2012 by 11% and 50%, respectively. The decrease in sales revenues was driven by lower realized copper prices as well as a 3% decrease in copper cathode sales volumes. Operating costs were lower compared to Q4 2012, benefiting from improvements in plant processing.

Gross profit in Q4 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 $12.7 million for the quarter. Additional fair value adjustments made to inventory held on the date of acquisition reduced gross profit by a further $1.0 million during the quarter.

Gross profit excluding fair value adjustments was 32% lower than 2012, primarily due to lower metal prices, increased cash costs and lower sales volumes.

Outlook

Guidance on production of copper in 2014 is between 69,000 and 72,000 tonnes. Efforts have been underway, and will continue for some time, to test and debottleneck the plant for higher throughput rates as a result of lower grades, which are expected in late 2014.

Two completed projects in particular, replacement of the classification cyclones and PLS recycling, have increased ball mill capacity and increased flows through the reactors, respectively.

A permitting process for a new surface waste dump, underway for more than four years, was finally approved in late 2013. This will allow efficient stripping of the successive phases of the mine, commencing in 2014.

The installation of the first leach pre-reactor in 2012, with oxygen injection, has already improved leach and overall recovery by several percentage points. A second unit was commissioned in mid-2013 and is expected to further increase residence time, improve iron leaching and further improve recovery going forward.

To improve tailings 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 is underway. These initiatives, planned to be completed by the end of 2014, are expected to improve copper recovery by at least 3%.

Çayeli Copper and Zinc Operation	Q4 2013	Q3 2013	Q4 2012[1]	March 22 – December 31 2013	2013[1]	2012[1]
Ore tonnes processed (000's)	342	335	319	1,047	1,333	1,218
Copper ore grade processed (%)	2.8	3.1	3.0	3.1	3.1	3.3
Copper recovery (%)	78	77	74	77	77	78
Zinc ore grade processed (%)	4.5	5.1	5.0	4.9	4.9	5.0
Zinc recovery (%)	63	66	69	66	66	66
Copper production (tonnes)	7,538	8,010	7,024	24,546	31,510	31,396
Copper sales (tonnes)	7,940	8,484	5,088	24,031	31,370	33,215
Zinc production (tonnes)	9,837	11,346	11,062	33,955	43,097	40,692
Zinc sales (tonnes)	12,179	9,897	10,019	36,180	43,354	39,955
Cash costs (C1) (per lb)[2]	$0.87	$0.98	$0.57	$0.72	$0.76	$0.65
Total costs (C3) (per lb)[2,3]	$1.89	$1.76	$1.08	$1.67	$1.64	$1.14
Sales revenues	62.3	64.4	45.9	188.0	248.3	291.6
Gross profit before fair value adjustments[4]	27.3	39.2	16.5	94.2	127.2	162.9
Gross profit[4]	22.1	32.0	16.5	46.4	79.4	162.9
EBITDA[2]	38.0	41.4	21.2	95.5	131.6	185.7

[1] Results from the Çayeli mine are only included in First Quantum's financial results for the period subsequent to the date of acquisition on March 22, 2013. Prior period results are shown for comparative purposes only and do not include any financial adjustments that would be required had the acquisition taken place on January 1, 2012.

[2] C1 and C3 costs and EBITDA are not recognized under IFRS. See "*Regulatory Disclosures*" for further information. C1 and C3 costs have been recalculated using First Quantum's methodology and may be different to that previously disclosed by Inmet.

[3] C3 costs from the date of acquisition include the acquisition accounting adjustments relating to the uplift to fair value from book value of acquired mineral property, plant and equipment and inventory.

[4] 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".

Full year operating results

Despite lower grades, copper production remained in line with 2012 due to significantly higher throughput. Zinc production increased by 6% over 2012 due to significantly higher throughput, partially offset by lower grades. Recoveries were similar to the previous year and in line with expectations. Driving the higher throughput was improved mine planning and operational efficiencies, captured through a formal performance improvement initiative.

Cash costs in 2013 increased by $0.11 per lb from 2012 due to a decrease in the by-product credit, resulting from the lower realized metal prices.

Sales revenues were 15% below 2012 due to lower copper sales volumes as a result of timing and lower realized metal prices.

Gross profit in 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 $21.4 million for the year. Additional fair value adjustments made to inventory held on the date of acquisition reduced gross profit by a further $26.4 million during the year. 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 22% below 2012, primarily due to lower metal prices and lower sales volumes.

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

Q4 operating results

Copper production increased by 7% from Q4 2012 due to higher throughput and recovery. Sustained improvements in mine planning and operational efficiencies accounted for the higher throughput. Zinc production decreased by 12% over Q4 2012 due to lower grades and recovery. Higher throughput helped mitigate the decrease in grades.

Cash costs in Q4 2013 increased by $0.30 per lb from Q4 2012 due primarily to a decrease in by-product credit due to lower prices.

Sales revenues were 36% above Q4 2012 due to higher copper sales volumes as a result of timing, partly offset by lower realized metal prices this quarter.

Gross profit in Q4 2013 was impacted by the recognition in net earnings of fair value adjustments to the value of mineral property, plant and equipment and inventory which increased depreciation and reduced gross profit by $5.2 million for the quarter. Gross profit excluding fair value adjustments was 65% higher than 2012, primarily due to increased sales volumes.

Outlook

Production in 2014 is expected to be between 27,000 and 29,000 tonnes of copper and between 38,000 and 42,000 tonnes of zinc. Throughput is expected to remain at 2013 levels but grades are expected to decline slightly as more low-grade ore from the footwall areas is mined.

The mine should benefit from the commissioning of a second new ore pass by mid-2014, the first having been commissioned in mid-2013. The extension of a shotcrete slickline to the lower levels of the mine, commissioned in mid-2013, will facilitate the development of lower mine infrastructure and stoping blocks. 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.

Progress was made in 2013 in upgrading some of the substantial, footwall, stockwork mineral resources into additional mineral reserves. Additional infill drilling and mine design work is expected to be completed in 2014 in an effort to continue advancing this work.

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 Q4 2013 and options for mine designs are well underway in order to move some of those resources into reserve in 2014.

Pyhäsalmi Copper and Zinc Operation	Q4 2013	Q3 2013	Q4 2012[1]	March 22 – December 31 2013	2013[1]	2012[1]
Ore tonnes processed (000's)	348	348	351	1,075	1,382	1.384
Copper ore grade processed (%)	1.0	1.1	1.0	1.1	1.1	1.0
Copper recovery (%)	98	96	97	97	97	96
Zinc ore grade processed (%)	1.7	2.0	3.0	1.6	1.7	2.0
Zinc recovery (%)	92	92	93	92	92	92
Copper production (tonnes)	3,422	3,632	3,273	10,965	14,854	12,610
Copper sales (tonnes)	3,819	4,678	3,237	11,745	15,221	13,407
Zinc production (tonnes)	5,556	5,895	9,660	15,978	21,679	25,637
Zinc sales (tonnes)	5,687	5,979	8,984	15,745	22,339	25,101
Pyrite production (tonnes)	202,688	221,734	222,534	657,053	825,821	891,728
Pyrite sales (tonnes)	454,665	89,999	299,676	666,394	769,919	852,463
Cash costs (C1) (per lb)[2]	$0.03	$0.65	$(1.62)	$0.36	$0.14	$(0.53)
Total costs (C3) (per lb)[2,3]	$2.51	$2.48	$(1.19)	$2.51	$1.82	$(0.14)
Sales revenues	51.0	44.9	51.8	129.0	173.9	181.8
Gross profit before fair value adjustments[4]	24.9	25.0	32.4	67.5	98.9	111.4
Gross profit[4]	12.9	11.1	32.4	23.5	54.9	111.4
EBITDA[2]	26.4	15.9	85.2	60.1	94.3	115.5

[1] Results from the Pyhäsalmi mine are only included in First Quantum's financial results for the period subsequent to the date of acquisition on March 22, 2013. Prior period results are shown for comparative purposes only and do not include any financial adjustments that would be required had the acquisition taken place on January 1, 2012.

[2] C1 and C3 costs and EBITDA are not recognized under IFRS. See "*Regulatory Disclosures*" for further information. C1 and C3 costs have been recalculated using First Quantum's methodology and may be different to that previously disclosed by Inmet.

[3] C3 costs from the date of acquisition include the acquisition accounting adjustments relating to the uplift to fair value from book value of acquired mineral property, plant and equipment and inventory.

[4] 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".

Full year operating results

Copper production increased by 18% in 2013 compared to 2012 due to higher copper grades and recoveries, with throughput in line with the prior year. Zinc production was 15% lower than 2012 due to an absence of higher grade zinc stopes in the production plan. Pyrite production was 7% lower compared to 2012 with no pyrite reclaimed from B pond in 2013 due to the uncertainty in the pyrite markets.

Cash costs in 2013 increased by $0.67 per lb compared to 2012 primarily due to lower by-product credits caused by unfavourable realized prices.

Sales revenues were 4% lower in 2013 compared to 2012, with higher copper volumes being partially offset by lower zinc and pyrite sales and lower realized prices.

Gross profit in 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 $38.2 million for the year. In addition, fair value adjustments to the value of inventory held on the balance sheet at acquisition reduced gross profit by a further $5.8 million during the year. 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 11% below 2012, primarily due to lower metal prices, offset partly by higher volumes.

Q4 operating results

Copper production for Q4 2013 increased slightly compared to Q4 2012 due to higher copper grades, with throughput in line with the prior year quarter.

Zinc production was 42% below Q4 2012 due to lower grade stopes being mined in the quarter, resulting in lower zinc grade and recovery.

Cash costs in Q4 2013 increased by $1.65 per lb compared to Q4 2012 primarily due to lower by-product credits and higher production costs in the milling area.

Sales revenues for the quarter were in line with Q4 2012, with higher copper and pyrite sales volumes being partially offset by lower zinc sales volumes and lower realized prices. Higher pyrite sales were achieved via additional shipments made in advance of the icy season.

Gross profit in Q4 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 $11.7 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 $0.3 million during the quarter.

Gross profit excluding fair value adjustments was 23% below Q4 2012, primarily due to lower metal prices, offset partly by higher sales volumes.

Outlook

Production in 2014 is expected to be between 14,000 and 15,000 tonnes of copper and 21,000 and 23,000 tonnes of zinc. Pyrite production is expected to be approximately 860,000 tonnes, in line with the previous year.

DEVELOPMENT ACTIVITIES

Kansanshi expansions, Zambia
The multi-stage Kansanshi plant upgrade to an annual production capacity of 400,000 tonnes of copper continued in 2013. The Stage 1 oxide circuit expansion to 7.2 Mtpa was completed in Q2 2012 and optimized during Q3 2012 with the benefits being seen in the oxide throughput rates. The major elements of the Stage 2 oxide capacity expansion to 14.5 Mtpa were commissioned during Q4 2013 and are operational. The Stage 2 expansion encompasses additional crushing, flotation, leach tanks, CCD thickeners, solvent extraction, electrowinning and associated ancillary systems and equipment. Acid supply and economics will dictate the rate of oxide treatment until the smelter is commissioned later in 2014.

The second phase of the 400,000 tonne annual production capacity expansion project is a new sulphide treatment plant capable of treating up to 25 Mtpa of sulphide ore. Essentially, this expansion is half the size of the plant being built at Sentinel. Some work has commenced on this project, and completion will be matched to the construction of a second smelting furnace and other expanded smelting facilities.

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

Detailed design work on the smelter is complete, manufacture of the major equipment has been completed, and on site construction is well underway and reaching peak activity levels. The Isasmelt tower is erected and the Isasmelt furnace has been installed, along with other major equipment including the waste heat boiler. Earthworks are complete, concrete is approximately 85% complete and the other construction disciplines of structural erection, mechanical installation, piping and electrical works are well-progressed. The targeted commencement of commissioning remains the second half of 2014.

During 2013, a detailed examination of Zambian smelting capacity identified technical, operational and economic benefits of expanding the Company's smelting facilities and approval in principle was given to the addition of a second Isasmelt furnace, and expanding the Company's smelting capacity to about 2 Mtpa of concentrate. While planning of the smelter expansion is at early stages, it is proposed, other than the installation of an Isaconvert convertor, that this follow-on project will not start in earnest until the first smelter is commissioned. Its completion is being targeted for late 2017, with commissioning and ramp-up continuing through 2018.

Sentinel project, Zambia
A mineral resource and reserve estimate for the Sentinel copper project was released in March 2012. An estimated measured and indicated resource of 1,027 Mt at 0.51% copper grade, containing 5.2 Mt of copper has been delineated, inclusive of an estimated recoverable proven and probable mineral reserve of 774 Mt at 0.50% copper grade, containing 3.9 Mt of copper. The life of mine strip ratio is anticipated to be 2.2:1 and the estimated mine life is in excess of 15 years. An infill drilling program has been completed and a mineral resource update will commence shortly. This will identify further detail of the geological resources that will be encountered during the initial years of operation and over the life of the Sentinel mine. The project is expected to produce between 270,000 and 300,000 tonnes of copper metal in concentrate annually.

The project remains on schedule and on budget. During Q4 2013, construction activities reached peak pace and at the end of December 2013 the project passed 13 million man hours worked and achieved 75% overall completion. Project milestones to the end of 2013 include detailed design engineering complete, 96,000 cubic metres of concrete poured on site (including over 90% of process plant concrete), 85% of project steel on site, with 65% of the site steel erected; all four mills are erected along with motors installed and drive transformers assembled, all site gantry cranes being used for construction are operational. The Chisola raw water coffer dam and inlet water pipelines have been completed and the raw water line to the plant site is currently 80% complete. Construction of the tailings dam has progressed well. All construction disciplines are fully engaged on site, including civil, piping, mechanical and electrical disciplines. Housing and infrastructure works are well on track according to schedule, with significant infrastructure completed. Mining fleet assembly is progressing well, with numerous items of fleet completed and commissioning scheduled to support operations.

Power transmission line works continue with partners ZESCO Limited and the Company's construction contractors. Completion of powerlines remains on schedule for the staged commissioning of the project. The powerline to the Lumwana mine is the most progressed with completion expected by Q2 2014, which will allow continuous operation of the first milling train. Construction works are in progress on the longer powerline to Lusaka West and Mumbwa for the supply of the full electrical demand at Sentinel, with completion expected before the end of Q4 2014.

Project capital costs are unchanged and estimated at $1.9 billion. The target completion date for Sentinel remains unchanged with staged commissioning scheduled to commence in Q3 2014 and completion expected during the second half of 2014.

Enterprise project, Zambia
The maiden mineral resource estimate for the Enterprise nickel deposit has been identified at 40.1 Mt at 1.07% nickel. This supports proven and probable mineral reserves of 32.7 Mt at 1.10% nickel. Based on a 4 Mtpa operation, the mine life would be approximately eight years and production between 38,000 and 40,000 tonnes of nickel per annum. There is further potential to increase both the mineral resource and reserve as drilling continues in the adjacent Enterprise South West Zone. The Enterprise deposit is located approximately 12 kilometres north-west of the Sentinel project. Environmental approval for the Enterprise mine remains under application.

The majority of equipment and all long-lead items for the Enterprise process plant (co-located with the Sentinel process plant) have been ordered. Engineering design progresses well, with concrete and structural drawings issued for construction. Target completion for the Enterprise project is Q1 2015. Commissioning of the Enterprise concentrator circuit will commence with Sentinel copper ore.

Cobre Panama, Panama
Since the Company's acquisition of Inmet in March 2013, the prime focus has been to critically review and stabilize all activities and focus on the key elements of the Cobre Panama project development, construction and contracting plan, and implementation of practical site infrastructure.

Since that time, the project has transformed from an out-sourced approach to a complete in-house, self-perform arrangement where third-party engineers and contractors are now utilized only for identified specific tasks, and work within the Company's preferred project execution model.

The earthworks have been the subject of critical review, as has the methodology of subsequent excavation and construction. Significant quantities of on site equipment have been purchased by the Company from contractors whose contracts have been either cancelled or modified. This enables First Quantum to fully control all site development activities which provides for greater flexibility and significantly reduced risk. Site accommodation, road access, communications and management are now all fully functional and allowing the major activities to advance efficiently.

The locations of key site infrastructure including the processing facilities have been reviewed and an alternate, more practical plant site has been selected which should be more cost effective to construct and allow for better access to the proposed in-pit crushing and conveyor systems for life of mine pits, and to the main access road.

The Company announced the results of a project review on January 27, 2014, which used the Measured and Indicated Resources estimate of 3,271 Mt, inclusive of Reserves and on a 100% basis as reported and filed in May, 2010 by Inmet. The revised project will have installed capacity of about 70 Mtpa for the first 10 years; approximately 17% higher than the Inmet plan. Provision has been made for further expansion up to 100 Mtpa beyond Year 10. On the basis of the current Resource estimate and the planned installed capacity of about 70 Mtpa, the project would produce an average of approximately 320,000 tonnes of copper annually on a life of mine basis; approximately 20% higher than the Inmet plan.

The average annual life of mine by-product production will be 100,000 ounces gold, 1,800,000 ounces silver and 3,500 tonnes molybdenum. The average copper grade is 0.5% total copper for first 10 years and 0.37% for remaining mine life, with an average life of mine strip ratio of 0.7:1 and a mine life of 34 years.

The revised capital estimate is $6.4 billion, inclusive of $913.0 million incurred prior to acquisition. The Capital per installed tonne of capacity is approximately $17,125.

The re-engineered and larger project is scheduled for construction completion and commissioning in the second half of 2017.

Exploration

After several years of successful resource development programs, the emphasis of the Company's exploration activities has migrated to earlier stage projects taking advantage of the downturn in global exploration to build a portfolio of high-quality pipeline developments for the future. The major focus is divided between the identification of high-potential copper porphyry prospects and grassroots exploration for sediment-hosted copper.

Africa
Exploration drill programs continued at Trident and Kansanshi in Zambia. At Kansanshi, following the completion of resource definition drilling at Rocky Hill, new programs have commenced targeting extensions of mineralization to the south and west of main pit and the eastern end of the South East Dome resource. In-pit resource drilling is focused on defining the depth extent of the North East pit mineralization. Acquisition of a large extension of tenure immediately to the east of Kansanshi has been finalized and a program of geochemical sampling is now underway on this area.

At Trident, resource definition drilling on Enterprise and Enterprise South West was concluded last quarter and a resource update is now in progress. Drilling during the period was focused on three regional targets and two of these targets have now encountered Enterprise style vaesite (NiS_2) mineralization. A large scale AMT (Magneto Telluric) survey has been completed over the entire Enterprise syncline which has highlighted several anomalies with a similar response to Enterprise mineralization.

Exploration on a new Zambian regional target, just south of the Democratic Republic of Congo border near Kipushi, commenced during Q4 2013.

In Botswana, a major grassroots program focused on sediment-hosted copper continued on the Tsodilo Resources Ltd. joint venture area. Reverse circulation and diamond core drilling are in progress to derive geochemical data and regional architecture, respectively. Extensive airborne geophysical surveys commenced during the quarter. Integration of these datasets will provide the targeting platform for more detailed prospect testing in 2014.

On the Dablo Nickel-Copper project in Burkina Faso airborne and ground geophysical surveys are in progress and diamond drilling is planned.

Eurasia

Near mine exploration activities continued around Kevitsa and Pyhäsalmi in Finland and Çayeli in Turkey. Near mine drilling on geophysical targets to the west of Kevitsa has returned encouraging intercepts of disseminated and locally semi-massive sulphides near the basal contact of the Kevitsa intrusion. Surface drilling on an electro-magnetic anomaly approximately 5 kilometres south east of Pyhäsalmi has encountered a new sulphide body with a narrow intercept of moderate-grade zinc. Further drilling is required. At Çayeli, a systematic program of geochemical sampling and mapping is progressing well and a ground geophysical program has commenced over near mine targets.

Regional exploration in Fenoscandia continues to be focused on high-grade nickel targets around Kevitsa and some greenfields regional copper targets in Finland and Sweden. Several high priority targets in the Kevitsa district have been granted as exploration claims (after up to 2 years) allowing exploration to commence.

The porphyry copper target generation program in the Tethyan belt continues with early stage testing of targets in Serbia and Turkey as part of an exploration alliance with Columbus Copper Corporation.

The Americas

In Peru, activities have been restricted to reconnaissance exploration on regional joint ventures with Zincore Metals Inc. and Verde Resources Inc (“Verde”). During the quarter, Verde completed drill testing and induced polarization geophysical survey over several targets on the Antabamba project. Analytical results from the drilling are pending.

In Chile, the Mirasol Resources Ltd. option/joint venture commenced ground activities over the Rubi Property. The Company has committed to a $1.5 million program of airborne magnetics, geochemistry and 3,000 metres of drilling to assess a cluster of apparent porphyry targets largely under gravel cover. Several other prospective ground packages are currently being evaluated in Chile.

SALES REVENUES

		Q4 2013	Q3 2013	Q4 2012	2013	2012
Kansanshi	- copper	395.6	367.4	437.9	1,646.7	1,797.3
	- gold	41.9	43.9	56.4	185.6	182.6
Guelb Moghrein	- copper	40.5	52.9	92.5	238.5	286.7
	- gold	10.4	15.4	34.8	76.3	107.7
Kevitsa	- nickel	26.8	13.5	6.9	66.2	15.7
	- copper	16.6	25.1	20.6	78.2	39.3
	- gold, PGE and cobalt	17.0	12.7	9.0	53.2	17.1
Ravensthorpe	- nickel	111.5	109.7	93.0	465.2	380.8
	- cobalt	2.2	2.6	1.3	9.2	6.9
Las Cruces	- copper	120.9	133.6	-	373.8	-
Çayeli	- copper	45.8	53.6	-	137.8	-
	- zinc, gold and silver	16.5	10.8	-	50.2	-
Pyhäsalmi	- copper	24.7	31.6	-	76.0	-
	- zinc	7.0	5.7	-	18.0	-
	- pyrite, gold and silver	19.3	7.6	-	35.0	-
Corporate and other		0.3	(0.7)	22.2	43.0	116.3
		897.0	885.4	774.6	3,552.9	2,950.4

Full year 2013 sales revenues were 20% higher than 2012. Revenue in 2013 included revenue from the acquired operations, contributing $690.8 million and the first full year of production at Kevitsa, contributing $197.6 million. Excluding the acquired operations, sales revenues decreased by 3% year-on-year. Slightly higher copper sales volumes and higher gold and nickel sales volumes, were offset by lower net realized prices. Net realized copper price fell by 8% and net realized nickel price fell by 19%. Gold revenues, excluding the acquired operations, decreased by 9% to $270.2 million in 2013. 7% higher gold sales volumes were offset by lower realized prices.

Q4 2013 total sales revenues were 16% higher than the prior year quarter with the contribution of the acquired operations increasing revenues by $234.2 million. Excluding the acquired operations, sales revenues decreased by $111.8 million from Q4 2012. The higher contribution from Kevitsa of $23.9 million was offset by a combination of lower realized copper and gold prices and lower sales volumes of copper and gold.

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

Copper selling price (per lb)	Q4 2013	Q3 2013	Q4 2012	2013	2012
Average LME cash price	3.24	3.21	3.59	3.32	3.61
Realized copper price	3.26	3.10	3.46	3.22	3.51
Treatment/refining charges ("TC/RC") and freight charges	(0.20)	(0.22)	(0.23)	(0.23)	(0.25)
Net realized copper price	3.06	2.88	3.23	2.99	3.26

Nickel selling price (per lb)	**Q4 2013**	**Q3 2013**	**Q4 2012**	**2013**	**2012**
Average LME cash price	6.26	6.32	7.70	6.80	7.95
Realized nickel price per payable pound	6.37	6.45	7.74	6.82	7.96
TC/RC charges	(0.67)	(0.56)	(0.35)	(0.54)	(0.25)
Net realized nickel price per payable pound	5.70	5.89	7.39	6.28	7.71

SUMMARY FINANCIAL RESULTS

	Q4 2013	**Q3 2013**	**Q4 2012**	**2013[1]**	**2012**
Gross profit (loss)					
Kansanshi	207.9	178.7	238.0	799.5	929.4
Guelb Moghrein	20.5	12.9	47.5	96.4	117.7
Kevitsa	(4.2)	5.4	6.4	21.3	23.9
Ravensthorpe	10.0	7.5	2.8	29.0	42.5
Las Cruces	36.5	49.9	-	106.1	-
Çayeli	22.1	32.0	-	46.4	-
Pyhäsalmi	12.9	11.1	-	23.5	-
Other	13.7	5.6	0.3	11.6	(12.5)
Total gross profit	319.4	303.1	295.0	1,133.8	1,101.0
Exploration	(16.8)	(10.0)	(13.4)	(51.6)	(49.7)
General and administrative	(33.7)	(39.5)	(20.4)	(122.7)	(76.0)
Acquisition transaction costs	-	-	-	(29.5)	-
Other expenses	(24.2)	(0.7)	(5.0)	(35.2)	(4.3)
Net finance income (costs)	9.0	(1.5)	1.0	4.5	8.3
Settlement of RDC claims and sale of assets	-	-	-	-	1,217.9
Income taxes	(107.2)	(93.3)	(50.5)	(369.6)	(327.8)
Net earnings for the period	146.5	158.1	206.7	529.7	1,869.4
Net earnings for the period attributable to:					
Non-controlling interests	15.2	15.1	20.0	71.1	96.5
Shareholders of the Company	131.3	143.0	186.7	458.6	1,772.9
Comparative earnings	133.8	143.6	186.7	539.4	555.0
Earnings per share					
Basic	$0.22	$0.24	$0.39	$0.82	$3.74
Diluted	$0.22	$0.24	$0.39	$0.81	$3.72
Comparative	$0.23	$0.24	$0.39	$0.96	$1.17
Basic weighted average number of shares (in '000s)	587,456	587,625	473,718	560,009	473,893

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

Gross profit from Las Cruces, Çayeli and Pyhäsalmi has been impacted by fair value adjustments recognized at the date of acquisition that subsequently are recorded through net earnings. 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. In Q4 2013 these fair value adjustments recognized in earnings relate mainly to an increased depreciation charge.

The effect of the fair value adjustments for the three months ended December 31, 2013 was as follows:

			2013	**2012**
Group gross profit before fair value adjustments			350.3	295.0
Fair value adjustments	Depreciation	Inventory		
Las Cruces	12.7	1.0	13.7	-
Çayeli	6.4	(1.2)	5.2	-
Pyhäsalmi	11.7	0.3	12.0	-
Group gross profit after fair value adjustments	30.8	0.1	319.4	295.0

The effect of the fair value adjustments for the year ended December 31, 2013 was as follows:

			2013	**2012**
Group gross profit before fair value adjustments			1,272.3	1,101.0
Fair value adjustments	Depreciation	Inventory		
Las Cruces	34.1	12.6	46.7	
Çayeli	21.4	26.4	47.8	
Pyhäsalmi	38.2	5.8	44.0	
Group gross profit after fair value adjustments	93.7	44.8	1,133.8	1,101.0

Substantially all of the fair value adjustment related to finished goods inventory was unwound during Q2 2013, the first quarter after the acquisition of Inmet, with only $0.1 million being recognized in net earnings in Q4 2013 and $0.8 million recognized in Q3 2013. The adjustment in Q4 2013 to Las Cruces was related to the ore stockpile held on acquisition which was valued lower than book value. As a non-recurring event, the impact of the fair value adjustments on inventory has been excluded from comparative earnings for the quarter ($0.0 million after tax) and the full year ($33.2 million after tax). A reconciliation of comparative earnings is included in the *"Regulatory Disclosures"* section below.

Full year exploration costs include expenses from the Company's exploration program and investments in option agreements. Exploration costs are higher than in 2012 as the current year includes exploration expenses in the expanded exploration portfolio as described in the *Exploration* section above. The amount includes payments of approximately $9.0 million made on projects, largely acquired as part of the Acquisition, that have now been discontinued as part of the rationalization of the expanded exploration project pipeline. Full year exploration expenses comprise primarily;

- $4.0 million in Peru
- $5.4 million at Trident
- $6.8 million at Kansanshi
- $10.2 million in Finland and Sweden
- $1.8 million at Guelb Moghrein

General and administrative costs were higher than in 2012 reflecting the additional costs of the corporate offices acquired in the acquisition of Inmet and an increased complement of permanent and temporary personnel and associated costs for the Company's expanded asset base.

In Q1 2012, the Company reached an agreement with Eurasian Natural Resources Corporation PLC ("ENRC") to dispose of its residual claims and assets in respect of the Kolwezi Tailings project and the Frontier and Lonshi mines and related exploration interests, all located in the Katanga Province of the Republique Democratique du Congo ("RDC") and to settle all current legal matters relating to these interests for a total consideration of $1.25 billion. The $1,217.9 million gain recognized on the disposal includes the fair value of proceeds received, net of transaction costs and the underlying net liabilities of subsidiaries disposed of. The $1,217.9 million gain recognized on the disposal includes the fair value of proceeds received, net of transaction costs and the underlying net liabilities of subsidiaries disposed of.

Income taxes for the full year of $369.6 million amount to an effective income tax rate of approximately 41% of earnings compared to 33% (based on comparative earnings) in the prior year. The tax rate was lower in 2012 due to a number of non-recurring factors that include the recognition of previously unrecognized tax losses. The effective tax rate in 2013 of 41% is due to increased earnings in lower tax jurisdictions and the impact of foreign exchange on deferred income taxes offset by the provision for settlement of a tax appeal in one tax jurisdiction and Canadian losses not currently recognized.

In future, the effective tax rate is expected to be between 40% and 43%.

Shares issued for the acquisition of Inmet accounts for the increase in the basic weighted average number of shares in Q4 2013 compared to Q4 2012, and for the year. The Company issued 114,526,277 shares related to the Inmet acquisition, bringing the number of outstanding shares at December 31, 2013 to 590,836,559.

LIQUIDITY AND CAPITAL RESOURCES

	Q4 2013	Q4 2012[1]	2013	2012	2011
Cash flows from operating activities					
- before changes in working capital and tax paid	423.3	319.1	1,439.9	1,165.2	1,299.3
- after changes in working capital and tax paid	197.7	70.2	868.8	342.5	412.3
Cash flows from investing activities					
Payments for property, plant and equipment	(787.9)	(420.0)	(2,601.0)	(1,373.3)	(1,108.7)
Capitalized borrowing costs	(89.2)		(161.6)	-	-
Acquisition of Inmet, net of cash acquired	-	-	(963.8)	-	-
Proceeds from settlement of RDC claims and sale of assets	-	-	-	736.5	-
Other investing activities	105.2	(27.3)	2,060.2	(41.0)	14.0
Cash flows from financing activities	653.0	311.2	1,266.9	192.2	(210.4)
Net cash flows	78.8	(65.9)	469.5	(143.1)	(892.8)
Cash balance[1]	778.5	309.0	778.5	309.0	452.1
Total assets	15,471.2	7,536.4	15,471.2	7,536.4	5,298.0
Total current liabilities	1,804.9	443.6	1,804.9	443.6	621.9
Total long-term liabilities[2]	4,577.7	1,211.4	4,577.7	1,211.4	507.6
Cash flows from operating activities per share[3]					
before working capital (per share)	$0.72	$0.67	$2.57	$2.46	$2.91
after working capital (per share)	$0.34	$0.15	$1.55	$0.72	$0.92

[1] Cash balance includes $84.0 million of restricted cash at December 31, 2013. There was no restricted cash at December 31, 2012 or December 31, 2011.

[2] These long-term liabilities in 2013 include FQM Akubra (formerly Inmet) 8.75% Senior Notes Due 2020 and FQM Akubra (formerly Inmet) 7.5% Senior Notes Due 2021 (together the "Inmet notes").

[3] Cash flows per share is not recognized under IFRS. See "*Regulatory Disclosures*" for further information.

2013 operating cash flows before changes in working capital and taxes paid are higher than 2012 due to higher non-cash expenses in 2013. Depreciation expense, including the depreciation on fair value adjustments at the three new operating sites, was higher in 2013 compared to 2012 as well as higher income taxes. Changes in working capital during 2013 resulted in a reduction of cash of $571.1 million which includes $212.6 million in taxes that the Company paid during the year. Constraints in smelter capacity at Kansanshi have led to higher concentrate inventory which was slightly offset by lower inventory held at other sites leading to an outflow of $84.5 million related to inventory during 2013. The Company is still experiencing irregular VAT refunds in Zambia.

Capital expenditure, excluding capitalized interest, on the Company's key development projects totalled $2,601.0 million for the year. Capital expenditure comprised primarily;

- $989.5 million at Kansanshi for the oxide circuit expansions, smelter project and mine pit development costs
- $796.6 million at Sentinel, including deposits, for site development and long-lead plant and mine equipment
- $578.3 million at Cobre Panama, since acquisition on March 22, 2013, for project development

Proceeds from settlement of RDC claims and sale of assets represents the net cash proceeds received during Q1 2012. The remainder of the proceeds is in the form of a $500.0 million promissory note payable by ENRC on March 2, 2015. ENRC

delisted from the London Stock Exchange in Q4 2013 which triggered the mandatory prepayment of the promissory note. The Company is currently in discussions with ENRC to revise the terms of the promissory note and waived this mandatory prepayment until February 28, 2014. $25.0 million of this principal was repaid early in Q1 2014, while these discussions continue. If the Company does not reach an agreement with ENRC on the terms of a revised promissory note by February 28, 2014 the Company retains the right to repayment of the principal sum outstanding.

Cash flows from financing activities for the year included dividend payments made to shareholders of the Company of $99.1 million as well as dividends paid to non-controlling interest of $28.0 million. Cash flows from financing activities in 2012 include dividend payments of $91.0 million and $39.0 million made to shareholders of the Company and non-controlling interest respectively.

Cash flows from financing activities in the year and in Q4 2013 comprise draw downs of the FQM Akubra and Kansanshi facilities.

As at December 31, 2013, the Company had the following contractual obligations outstanding:

	Carrying Value	Contractual Cashflows	< 1 year	1 – 3 years	3 – 5 years	Thereafter
Debt	4,073.4	5,455.7	1,294.0	462.7	825.7	2,873.3
Trade and other payables	667.8	667.8	667.8	-	-	-
Current taxes payable	55.3	55.3	55.3	-	-	-
Deferred payments	30.2	30.2	3.0	3.0	3.0	21.2
Finance leases	39.7	57.0	5.9	11.6	11.1	28.4
Commitments	-	2,308.5	1,292.4	988.1	9.7	18.3
Restoration provisions	484.2	565.2	10.3	7.7	9.0	538.2
Total	5,350.6	9,139.7	3,328.7	1,473.1	858.5	3,479.4

The significant capital expansion and development program is expected to be funded using available unrestricted cash of $694.5 million at December 31, 2013, future cash flows from operations and debt facilities. As at December 31, 2013 the Company had total commitments of $2,308.5 million, of which approximately $1,292.4 million relates to the next 12 months, comprising primarily capital expenditure for property, plant and equipment related to the development of Cobre Panama, Sentinel, Enterprise, upgrades at Kansanshi and the Kansanshi smelter construction. In addition, the Board of the Company has approved, but has not yet committed to, further capital expenditure which is being carefully managed in line with available cash resources and debt facilities.

At December 31, 2013, the undrawn facilities that were available were $1,495.0 million of the FQM Akubra revolving debt facility, $580.0 million of the Kansanshi senior term and revolving facility and the $215.0 million Kevitsa debt facility. However, subsequent to year-end a number of proposed changes to the debt and financing structure have been announced.

On January 27, 2014 the Company announced the signing of a mandate letter for a $2.5 billion Five-Year Term Loan and Revolving Facility (the "Facilities"). The Facilities comprise of a $1.0 billion Term Loan Facility with a margin of 2.75% available to draw for a period of 24 months from the date of signing of the Facilities Agreement and a $1.5 billion Revolving Credit Facility with a margin of 2.75% available to draw for a period of 59 months from the date of signing of the Facilities Agreement. This replaces the current FQM Akubra facility which was due for repayment in June 2014. The Kevitsa debt facility was cancelled on February 7, 2014 and the existing Kansanshi $1.0 billion facility is being replaced with a $350.0 million unsecured facility at the Kansanshi level.

On January 27, 2014 the Company also announced the commencement of an exchange offer and consent solicitation (the "Exchange Offer") to exchange any and all 8.75% Senior Notes due 2020 and 7.50% Senior Notes due 2021 (together the "Existing Notes") issued by Inmet (now FQM Akubra) for 6.75% Senior Notes due 2020 and 7.00% Senior Notes due 2021, to be issued by First Quantum. The Exchange Offer was made in furtherance of the Company's objective to achieve *pari passu* ranking and credit support among all classes of its capital markets indebtedness, and as part of the Company's plan to streamline its capital and financing structure following the acquisition of Inmet. As part of the consideration for the exchange, FQM Akubra sought customary exit terms from the holders of the Existing Notes to remove substantially all negative covenants from the existing notes.

An early tender expired on February 7, 2014 by which time holders of approximately 97.3% of the 8.75% Senior Notes due 2020 and 99.8% of 7.00% Senior Notes due 2021 had validly tendered their Existing Notes in the Exchange Offer. On February 12, 2014 the Company issued approximately $1.1 billion of new 6.75% Senior Notes due 2020 and $1.1 billion of new 7.00% Senior Notes due 2021 to eligible holders of Existing Notes who validly tendered their Existing Notes by February 7, 2014.
In addition, following receipt of consents from holders of at least a majority in aggregate principal amount outstanding of the Existing Notes, FQM Akubra executed supplemental indentures to give effect to the proposed amendments (the "Proposed

Amendments") to the indentures governing the Existing Notes (the "Indentures"). The Proposed Amendments are customary exit consents to amend the terms of the Indentures to, among other things, remove substantially all of the negative covenants and certain events of default. The Exchange Offer remains open until 11:59 p.m. New York City time on February 24, 2014, unless extended or terminated.

On January 27, 2014 the Company also announced the commencement of a consent solicitation with respect to certain proposed amendments to the indenture governing the Company's outstanding 7.25% Senior Notes due 2019, in order to improve the Company's financial flexibility given the larger size and scale of the Company subsequent to the Inmet acquisition. In return, the Company offered additional guarantees from its subsidiaries and a cash payment of $10.00 per $1,000 in principal amount of Notes to each holder that validly delivered a duly executed consent. The consent solicitation expired on February 7, 2014. The Company received validly delivered consents in the solicitation from 84% of holders and the proposed amendments to the indenture governing the Notes were therefore approved. On February 12, 2014 the Company executed a supplemental indenture to give effect to the proposed amendments. The proposed amendments, among other things, increased in certain circumstances the amount of investments that the Company can make, and the amount of secured and unsecured debt that the Company can incur under the indenture.

Hedging program

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

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

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

	December 31, 2013	**December 31, 2012**
Commodity contracts:		
Asset position	$2.5	$5.0
Liability position	(10.5)	(2.4)

Provisional pricing and derivative contracts

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

As at December 31, 2013, substantially all of the Company's metal sales contracts subject to pricing adjustments were hedged by offsetting derivative contracts.

EQUITY

At the date of this report, the Company has 590,836,559 shares outstanding. The increase in common shares since the date of the last annual report resulted from the issuance of shares to Inmet shareholders as part of the acquisition consideration.

OTHER ITEMS

Zambian taxation

The Government of the Republic of Zambia ("GRZ") announced in January 2008 a number of proposed changes to the tax regime in the country in relation to mining companies. Following a change of government in 2011, the first Budget of the new government introduced a further increase in the copper mineral royalty tax from 3% to 6%, effective April 2012. In 2013 the GRZ also decreased the rate of Capital Allowances from 100% per annum to 25% per annum.

The Company, through Kansanshi Mining PLC is party to a Development Agreement with the GRZ for its existing operations which provides an express right to full and fair compensation for any loss, damages or costs (including interest) incurred by the Company by reason of the government's failure to comply with the tax stability guarantees set out in the Development Agreement and rights of international arbitration in the event of any dispute. Kansanshi has complied with the GRZ's tax regime and in December 2013 agreed with the GRZ to defer commencing arbitration without prejudice to its rights under the Development Agreement. Until resolved differently with the GRZ, the Company is recognizing and paying taxes in excess of the Development Agreement, resulting in an effective tax rate of approximately 43%. In December 2013 a settlement was also reached between the GRZ and First Quantum Mining and Operations Ltd. with respect to the Bwana Development Agreement.

SUMMARY OF RESULTS

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

Consolidated operating statistics	2011	Q1 12	Q2 12	Q3 12	Q4 12	2012	Q1 13	Q2 13	Q3 13	Q4 13	2013
Sales revenues											
Copper	$2,317.9	$573.3	$528.1	$559.1	$571.7	$2,232.2	$663.2	$618.8	$663.6	$644.1	$2,589.7
Nickel	-	80.1	128.1	88.3	100.0	396.5	140.7	129.2	123.2	138.3	531.4
Gold	240.9	68.5	64.3	68.8	94.8	296.4	84.1	74.2	66.9	56.6	281.8
PGE and other elements	24.7	6.8	1.8	8.6	8.1	25.3	13.2	47.1	31.7	58.0	150.0
Total sales revenues	2,583.5	728.7	722.3	724.8	774.6	2,950.4	901.2	869.3	885.4	897.0	3,552.9
Gross profit	1,308.0	270.3	274.7	261.0	295.0	1,101.0	310.2	201.1	303.1	319.4	1,133.8
EBITDA[1]	1,232.1	1,498.9	276.4	276.2	309.7	2,361.2	310.4	284.2	393.1	364.2	1,351.9
Net earnings attributable to shareholders of the Company	528.9	1,336.9	142.0	107.3	186.7	1,772.9	112.4	71.9	143.0	131.3	458.6
Comparative earnings[2]	580.5	119.0	142.0	107.3	186.7	555.0	153.8	103.6	143.6	133.8	539.4
Basic earnings per share	$1.18	$2.82	$0.30	$0.23	$0.39	$3.74	$0.23	$0.12	$0.24	$0.22	$0.82
Comparative earnings per share	$1.30	$0.25	$0.30	$0.23	$0.39	$1.17	$0.32	$0.18	$0.24	$0.23	$0.96
Diluted earnings per share	$1.18	$2.81	$0.30	$0.23	$0.39	$3.72	$0.23	$0.12	$0.24	$0.22	$0.81
Dividends declared per common share ($CDN per share)	$0.174	$0.1277	-	$0.0603	-	$0.1880	$0.1147	-	$0.0583	-	$0.1730
Basic weighted average # shares (000's)[3]	447,224	474,069	474,035	473,776	473,718	473,893	478,056	587,070	587,625	587,456	560,009
Cash flows from operating activities											
Before working capital movements	$2.91	$0.41	$0.78	$0.60	$0.67	$2.46	$0.68	$0.48	$0.70	$0.72	$2.57
After working capital movements	$0.92	$0.29	$0.49	($0.21)	$0.15	$0.72	$0.87	$0.35	$0.08	$0.34	$1.55
Copper statistics											
Total copper production (tonnes)	265,576	65,869	72,184	84,144	84,918	307,115	79,308	103,694	114,488	114,791	412,281
Total copper sales (tonnes)	273,257	67,789	72,711	77,396	77,570	295,466	89,109	95,491	105,859	95,598	386,057
Realized copper price (per lb)	3.87	3.67	3.48	3.45	3.46	3.51	3.48	3.10	3.10	3.26	3.22
TC/RC (per lb)	(0.05)	(0.07)	(0.08)	(0.09)	(0.08)	(0.08)	(0.08)	(0.09)	(0.10)	(0.08)	(0.09)
Freight charges (per lb)	(0.22)	(0.18)	(0.19)	(0.18)	(0.15)	(0.17)	(0.17)	(0.14)	(0.12)	(0.12)	(0.14)
Net realized copper price (per lb)	3.60	3.42	3.21	3.19	3.23	3.26	3.23	2.87	2.88	3.06	2.99
Cash costs – copper (C1) (per lb)[1]	$1.41	$1.59	$1.53	$1.44	$1.42	$1.49	$1.52	$1.34	$1.16	$1.23	$1.30
Total costs – copper (C3) (per lb)[1]	$1.76	$1.89	$1.96	$1.86	$1.91	$1.91	$2.06	$1.99	$1.84	$1.81	$1.92
Nickel statistics											
Nickel production (contained tonnes)	5,666	8,573	8,174	9,916	10,096	36,759	11,072	10,875	12,485	12,634	47,066
Nickel sales (contained tonnes)	1,388	5,332	9,846	7,120	8,081	30,379	11,048	11,927	12,335	13,795	49,105
Nickel production (payable tonnes)	4,189	6,617	6,204	6,932	8,039	27,792	8,812	8,575	9,873	9,964	37,224
Nickel sales (payable tonnes)	1,110	4,199	7,443	5,554	6,124	23,320	8,539	9,347	9,482	11,008	38,376
Realized nickel price (per payable lb)	-	8.85	7.84	7.69	7.74	7.96	7.80	6.82	6.45	6.37	6.82
TC/RC (per payable lb)	-	(0.20)	(0.05)	(0.44)	(0.35)	(0.25)	(0.33)	(0.55)	(0.56)	(0.67)	(0.54)
Net realized nickel price (per payable lb)	-	8.65	7.79	7.25	7.39	7.71	7.47	6.27	5.89	5.70	6.28
Cash costs – nickel (C1) (per payable lb)[1]	-	$5.69	$5.70	$6.24	$6.12	$5.92	$5.34	$5.45	$4.90	$4.51	$5.02
Total costs – nickel (C3) (per payable lb)[1]	-	$6.93	$6.95	$7.64	$7.30	$7.19	$6.59	$6.82	$6.09	$5.46	$6.20
Gold statistics											
Total gold production (ounces)	175,225	42,495	44,280	50,784	64,383	201,942	55,944	63,567	65,368	63,199	248,078
Total gold sales (ounces)	180,442	45,619	46,445	48,889	61,350	202,303	58,791	59,381	60,391	50,399	228,962
Net realized gold price (per ounce)	1,335	1,502	1,384	1,408	1,546	1,465	1,431	1,272	1,084	1,124	1,231
Platinum statistics											
Platinum production (ounces)	-	-	585	7,100	6,123	13,808	6,833	6,161	9,416	7,993	30,403
Platinum sales (ounces)	-	-	-	4,066	3,709	7,775	4,392	6,730	6,433	11,375	28,930
Palladium statistics											
Palladium production (ounces)	-	-	564	6,200	5,419	12,183	5,732	4,903	7,404	6,600	24,639
Palladium sales (ounces)	-	-	-	3,681	3,500	7,181	4,228	5,485	5,540	8,167	23,420
Zinc statistics											
Zinc production (tonnes)	-	-	-	-	-	-	1,590	15,619	17,331	15,393	49,933
Zinc sales (tonnes)	-	-	-	-	-	-	143	18,040	15,876	17,866	51,925

1 Cash costs, total costs and EBITDA are not recognized under IFRS. See "*Regulatory Disclosures*" for further information.
2 Comparative earnings for the year ending December 31, 2013 do not equal the sum of the comparative earnings reported in each quarter in 2013, due to the impact of changes to tax rates in Q4 2013 which are applied on a year-to-date basis.
3 Fluctuations in average weighted shares between quarters reflects changes in levels of treasury shares held for performance stock units.

Kansanshi statistics	**2011**	**Q1 12**	**Q2 12**	**Q3 12**	**Q4 12**	**2012**	**Q1 13**	**Q2 13**	**Q3 13**	**Q4 13**	**2013**
Mining											
Waste mined (000's tonnes)	51,768	16,062	18,217	24,494	22,365	81,138	15,779	21,427	28,332	18,850	84,388
Ore mined (000's tonnes)	24,506	5,882	6,150	8,463	9,952	30,447	8,419	9,623	8,365	9,868	36,275
Processing											
Sulphide ore processed (000's tonnes)	8,855	1,433	2,379	2,763	2,679	9,254	2,521	2,921	2,857	2,790	11,089
Sulphide ore grade processed (%)	0.7	1.0	1.0	0.9	1.0	1.0	0.7	0.7	0.9	0.9	0.8
Sulphide ore recovery (%)	91	95	94	92	92	93	91	93	93	92	92
Mixed ore processed (000's tonnes)	8,377	2,562	2,093	1,955	1,951	8,561	1,928	1,866	1,886	1,997	7,677
Mixed ore grade processed (%)	1.0	1.1	1.1	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.2
Mixed ore recovery (%)	63	64	64	77	74	69	75	72	68	71	71
Oxide ore processed (000's tonnes)	6,072	1,424	1,548	1,500	1,738	6,210	1,594	1,739	1,669	1,660	6,662
Oxide ore grade processed (%)	2.3	2.0	2.0	2.6	2.0	2.2	2.2	2.1	2.2	2.4	2.2
Oxide ore recovery (%)	86	85	84	84	90	86	86	83	88	87	86
Copper cathode produced (tonnes)	96,493	21,274	22,938	27,194	25,341	96,747	23,122	23,995	25,599	27,118	99,834
Copper cathode tolled produced (tonnes)	91,430	21,085	18,757	16,701	15,912	72,455	17,270	19,628	13,288	14,489	64,675
Copper in concentrate produced (tonnes)	42,372	14,252	21,130	27,589	29,178	92,149	22,731	20,339	32,150	30,994	106,214
Total copper production	230,295	56,611	62,825	71,484	70,431	261,351	63,123	63,962	71,037	72,602	270,724
Concentrate grade (%)	22.3	28.2	26.3	23.9	23.5	25.0	24.7	25.0	25.6	23.2	24.6
Gold produced (ounces)	112,286	27,158	28,244	35,245	45,410	136,056	36,866	43,117	43,904	43,508	167,395
Cash Costs (per lb) [1]											
Mining	$0.53	$0.58	$0.55	$0.50	$0.52	$0.54	$0.60	$0.60	$0.42	$0.46	$0.52
Processing	0.79	0.90	0.82	0.83	0.91	0.86	0.87	0.81	0.73	0.77	0.79
Site administration	0.06	0.05	0.07	0.05	0.06	0.06	0.07	0.07	0.07	0.08	0.07
TC/RC and freight charges	0.31	0.37	0.35	0.37	0.33	0.35	0.35	0.37	0.36	0.30	0.34
Gold credit	(0.28)	(0.36)	(0.27)	(0.29)	(0.37)	(0.32)	(0.34)	(0.37)	(0.33)	(0.33)	(0.34)
Cash costs (C1) (per lb)[1]	$1.41	$1.54	$1.52	$1.46	$1.45	$1.49	$1.55	$1.48	$1.25	$1.28	$1.38
Total costs (C3) (per lb)[1]	$1.70	$1.82	$1.93	$1.86	$1.90	$1.88	$2.02	$1.94	$1.68	$1.70	$1.83
Revenues ($ millions)											
Copper cathodes	$1,664.9	$355.0	$338.9	$334.5	$334.6	$1,363.0	$382.5	$309.2	$286.7	$266.8	$1,245.2
Copper in concentrates	244.4	90.7	112.5	127.8	103.3	434.3	127.6	64.4	80.7	128.8	401.5
Gold	139.0	44.8	36.6	44.8	56.4	182.6	52.8	47.0	43.9	41.9	185.6
Total sales revenues	$2,048.3	$490.5	$488.0	$507.1	$494.3	$1,979.9	$562.9	$420.6	$411.3	$437.5	$1,832.3
Copper cathode sales (tonnes)	109,654	24,128	23,238	27,138	27,946	102,450	32,460	24,726	30,393	28,199	115,778
Copper tolled cathode sales (tonnes)	91,429	21,085	18,758	16,700	15,912	72,455	17,270	19,628	13,288	14,489	64,675
Copper in concentrate sales (tonnes)	34,749	13,332	21,755	21,992	17,900	74,979	21,792	13,812	17,685	15,003	68,292
Gold sales (ounces)	114,488	30,308	29,162	33,510	38,179	131,159	37,518	38,991	39,279	36,844	152,632

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

Guelb Moghrein statistics	2011	Q1 12	Q2 12	Q3 12	Q4 12	2012	Q1 13	Q2 13	Q3 13	Q4 13	2013
Mining											
Waste mined (000's tonnes)	13,239	4,532	4,673	4,720	5,652	19,577	5,707	5,724	5,229	5,653	22,313
Ore mined (000's tonnes)	3,610	994	1,046	807	723	3,570	637	753	766	735	2,891
Processing											
Sulphide ore processed (000's tonnes)	2,691	797	753	687	825	3,062	696	743	694	714	2,847
Sulphide ore grade processed (%)	1.4	1.3	1.3	1.3	1.4	1.3	1.5	1.5	1.4	1.3	1.4
Recovery (%)	91	92	88	94	93	91	95	95	92	93	94
Copper in concentrate produced (tonnes)	35,281	9,258	8,718	8,656	11,038	37,670	9,700	10,734	8,670	8,866	37,970
Gold produced (ounces)	62,938	15,337	15,554	12,827	16,802	60,519	16,190	15,572	13,093	13,336	58,191
Cash Costs (per lb)[1]											
Mining	$0.57	$0.65	$0.67	$0.55	$0.73	$0.66	$0.58	$0.38	$0.53	$0.55	$0.50
Processing	1.17	1.23	1.31	1.13	1.01	1.16	1.23	1.03	1.20	1.30	1.18
Site administration	0.31	0.33	0.31	0.34	0.31	0.32	0.32	0.28	0.41	0.24	0.32
TC/RC and freight charges	0.57	0.76	0.58	0.57	0.44	0.58	0.54	0.62	0.54	0.54	0.57
Gold credit	(1.16)	(1.13)	(1.26)	(1.17)	(1.36)	(1.24)	(1.25)	(0.96)	(0.84)	(0.77)	(0.99)
Cash costs (C1) (per lb)[1]	$1.46	$1.84	$1.61	$1.43	$1.13	$1.48	$1.43	$1.36	$1.83	$1.86	$1.58
Total costs (C3) (per lb)[1]	$2.20	$2.41	$2.20	$1.93	$1.69	$2.04	$2.05	$1.92	$2.45	$2.11	$2.11
Revenues ($ millions)											
Copper in concentrates	$244.4	$66.6	$63.5	$64.1	$92.5	$286.7	$77.8	$67.3	$52.9	$40.5	$238.5
Gold	101.8	23.7	27.7	21.5	34.8	107.7	29.0	21.5	15.4	10.4	76.3
Total sales revenues	$346.2	$90.3	$91.2	$85.6	$127.3	$394.4	$106.8	$88.8	$68.3	$50.9	$314.8
Copper in concentrate sales (tonnes)	35,774	9,244	8,961	8,962	13,007	40,174	10,988	10,706	8,564	6,327	36,585
Gold sales (ounces)	65,954	15,311	17,283	13,631	20,864	67,089	19,462	15,712	12,585	8,281	56,040

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

Ravensthorpe statistics	2011	Q1 12	Q2 12	Q3 12	Q4 12	2012	Q1 13	Q2 13	Q3 13	Q4 13	2013
Processing											
Beneficiated ore processed (000's tonnes)	645	724	667	733	687	2,811	690	754	830	845	3,119
Beneficiated ore grade processed (%)	1.3	1.5	1.6	1.4	1.5	1.5	1.7	1.6	1.6	1.6	1.6
Recovery (%)	68	78	77	77	78	77	78	72	77	77	76
Nickel produced (contained tonnes)	5,666	8,573	8,053	8,032	8,227	32,884	9,023	8,919	9,917	10,244	38,103
Nickel produced (payable tonnes)	4,189	6,617	6,204	6,188	6,338	25,347	6,951	6,818	7,560	7,808	29,137
Cash Costs (per lb)[1]											
Mining	-	$0.57	$0.69	$0.93	$1.00	$0.80	$0.71	$0.84	$0.68	$0.85	$0.77
Processing	-	3.73	4.10	4.45	4.16	4.14	3.86	4.00	3.41	2.72	3.47
Site administration	-	0.61	0.50	0.51	0.41	0.51	0.40	0.36	0.35	0.27	0.34
TC/RC and freight charges	-	1.03	0.45	0.65	0.57	0.64	0.52	0.59	0.56	0.51	0.54
Cobalt credit	-	(0.25)	(0.04)	(0.11)	(0.09)	(0.12)	(0.12)	(0.14)	(0.15)	(0.12)	(0.13)
Cash costs (C1) (per lb)[1]	-	$5.69	$5.70	$6.43	$6.05	$5.97	$5.36	$5.65	$4.85	$4.23	$4.99
Total costs (C3) (per lb)[1]	-	$6.93	$6.95	$7.84	$7.33	$7.25	$6.59	$6.90	$5.94	$5.39	$6.18
Revenues ($ millions)											
Nickel	-	$80.1	$128.1	$79.6	$93.0	$380.8	$130.5	$113.5	$109.7	$111.5	$465.2
Cobalt	-	2.1	1.8	1.7	1.3	6.9	2.1	2.3	2.6	2.2	9.2
Total sales revenues	-	$82.2	$129.9	$81.3	$94.3	$387.7	$132.6	$115.8	$112.3	$113.7	$474.4
Nickel sales (contained tonnes)	1,388	5,332	9,846	6,272	7,288	28,738	10,033	9,902	10,535	10,142	40,612
Nickel sales (payable tonnes)	1,110	4,199	7,443	4,790	5,425	21,857	7,613	7,496	7,842	8,021	30,972

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

Kevitsa statistics	Q2 12	Q3 12 Pre-commercial production	Q3 12 Post-commercial production	Q4 12	2012	Q1 13	Q2 13	Q3 13	Q4 13	2013
Mining										
Total tonnes mined (000's tonnes)	500	558	1,164	5,238	7,460	3,790	5,119	6,624	6,071	21,604
Processing										
Ore tonnes milled (000's tonnes)	318	720	687	1,413	3,138	1,512	1,456	1,676	1,670	6,314
Nickel ore grade processed (%)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Nickel recovery (%)	24	54	60	59	56	64	61	65	64	63
Nickel production (tonnes)	121	843	1,041	1,870	3,875	2,049	1,956	2,568	2,390	8,963
Copper ore grade processed (%)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Copper recovery (%)	64	87	84	84	83	80	83	84	84	83
Copper production (tonnes)	642	2,130	1,874	3,448	8,094	3,181	3,559	4,020	4,015	14,775
Gold production (ounces)	482	1,282	1,431	2,172	5,367	2,619	2,714	3,382	3,008	11,723
Platinum production (ounces)	585	3,174	3,926	6,123	13,808	6,833	6,161	9,416	7,993	30,403
Palladium production (ounces)	564	2,827	3,373	5,419	12,183	5,732	4,903	7,404	6,600	24,639
Cash costs – Nickel (C1) (per lb)[1, 2]	-	-	3.79	6.37	5.47	5.29	4.71	5.51	5.15	5.24
Total costs – Nickel (C3) (per lb)[1, 2]	-	-	5.35	7.19	6.54	6.57	6.50	7.03	5.35	6.41
Cash costs – Copper (C1) (per lb)[1, 2]	-	-	0.11	1.75	1.28	1.94	1.78	1.56	1.49	1.68
Total costs – Copper (C3) (per lb)[1, 2]	-	-	1.49	3.06	2.61	2.75	2.59	2.70	1.78	2.44
Revenues ($ millions)										
Nickel	-	-	$8.8	$6.9	$15.7	$10.2	$15.7	$13.5	$26.8	$66.2
Copper	-	-	18.7	20.6	39.3	19.3	17.1	25.2	16.6	78.2
Gold	-	-	2.5	3.7	6.2	2.4	1.9	2.8	1.2	8.3
PGE and other	-	-	5.6	5.3	10.9	7.9	11.4	9.8	15.8	44.9
Total sales revenues	-	-	$35.6	$36.5	$72.1	$39.8	$46.1	$51.3	$60.4	$197.6
Nickel sales (tonnes)	-	-	848	792	1,640	1,015	2,025	1,801	3,652	8,493
Copper sales (tonnes)	-	1,040	2,604	2,805	6,448	2,734	2,905	4,075	2,938	12,652
Gold sales (ounces)	-	702	1,749	2,306	4,757	1,811	1,710	2,655	1,182	7,358
Platinum sales (ounces)	-	775	3,291	3,709	7,775	4,392	6,730	6,433	11,375	28,930
Palladium sales (ounces)	-	697	2,984	3,500	7,181	4,228	5,485	5,540	8,167	23,420

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

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

Las Cruces statistics	2011	Q1 12	Q2 12	Q3 12	Q4 12	2012	Q1 13	Q2 13	Q3 13	Q4 13	2013
Mining											
Waste mined (000's tonnes)[1]	15,699	2,620	2,841	4,585	4,418	14,464	1,825	6,323	5,645	3,273	17,066
Ore mined (000's tonnes)	1,111	141	297	343	273	1,054	189	208	627	149	1,173
Processing											
Copper ore processed (000's tonnes)	776	246	269	291	276	1,082	305	255	359	334	1,253
Copper ore grade processed (%)	6.5	6.7	7.7	7.2	6.9	7.1	6.7	6.3	6.1	6.0	6.2
Recovery (%)	84	85	86	88	90	88	88	88	88	91	89
Copper cathode produced (tonnes)	42,140	13,343	18,267	18,750	17,302	67,662	17,927	13,912	19,119	18,346	69,304
Cash Costs (per lb)[2, 3]											
Cash costs (C1) (per lb)[2]	1.57	1.38	1.00	0.95	1.14	1.10	1.00	1.44	0.69	1.24	1.14
Total costs (C3) (per lb)[2]	2.59	2.03	1.74	1.70	1.76	1.79	1.53	2.36	2.07	2.15	2.13
Revenues ($ millions)[4]											
Copper cathode	$344.4	$110.1	$127.3	$163.2	$136.0	$536.6	$138.5	$97.2	$133.6	$120.9	$490.2
Copper cathode sales (tonnes)	41,959	13,561	16,935	20,948	17,394	68,838	17,360	13,872	18,691	16,883	66,806

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

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

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

4 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.

Çayeli statistics	2011	Q1 12	Q2 12	Q3 12	Q4 12	2012	Q1 13	Q2 13	Q3 13	Q4 13	2013
Mining											
Ore mined (000's tonnes)	1,203	310	284	295	321	1,210	328	340	322	340	1,330
Processing											
Ore milled (000's tonnes)	1,195	299	295	305	319	1,218	323	333	335	342	1,333
Copper ore grade processed (%)	3.2	3.4	3.6	3.3	3.0	3.3	3.2	3.2	3.1	2.8	3.1
Copper ore recovery (%)	75	79	81	78	74	78	77	76	77	78	77
Zinc ore grade processed (%)	6.0	5.4	4.5	5.2	5.0	5.0	4.6	5.1	5.1	4.5	4.9
Zinc ore recovery (%)	68	65	63	67	69	66	68	68	66	63	66
Copper produced (tonnes)	28,733	8,082	8,513	7,777	7,024	31,396	7,873	8,089	8,010	7,538	31,510
Zinc produced (tonnes)	48,126	10,498	8,405	10,727	11,062	40,692	10,249	11,665	11,346	9,837	43,097
Cash Costs (per lb)[1, 2]											
Cash costs – Copper (C1) (per lb)[1]	0.64	0.76	0.46	0.64	0.57	0.65	0.93	0.11	0.98	0.87	0.76
Total costs – Copper (C3) (per lb)[1]	1.18	1.22	0.99	1.12	1.08	1.14	1.51	1.13	1.76	1.89	1.64
Revenues ($ millions)[3]											
Copper	$184.2	$80.8	$37.8	$71.3	$31.2	$221.1	$52.8	$33.3	$53.6	$45.8	$185.5
Zinc	62.1	12.2	11.3	12.1	11.0	46.6	8.4	19.4	6.1	13.7	47.6
Other	26.7	8.9	3.0	8.3	3.7	23.9	4.1	3.6	4.7	2.8	15.2
Total sales revenues	$273.0	$101.9	$52.1	$91.7	$45.9	$291.6	$65.3	$56.3	$64.4	$62.3	$248.3
Copper sales (tonnes)	27,507	11,136	6,573	10,418	5,088	33,215	8,080	6,866	8,484	7,940	31,370
Zinc sales (tonnes)	49,974	10,298	9,778	9,860	10,019	39,955	7,173	14,105	9,897	12,179	43,354

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

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

3 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.

Pyhäsalmi statistics	**2011**	**Q1 12**	**Q2 12**	**Q3 12**	**Q4 12**	**2012**	**Q1 13**	**Q2 13**	**Q3 13**	**Q4 13**	**2013**
Mining											
Ore mined (000's tonnes)	1,386	342	344	347	351	1,384	346	340	348	348	1,382
Processing											
Ore milled (000's tonnes)	1,386	342	344	347	351	1,384	346	340	348	348	1,382
Copper ore grade processed (%)	1.1	1.0	0.9	1.0	1.0	1.0	1.3	1.1	1.1	1.0	1.1
Copper ore recovery (%)	96	96	96	95	97	96	97	95	96	98	97
Zinc ore grade processed (%)	2.6	1.5	2.0	1.6	3.0	2.0	2.0	1.3	2.0	1.7	1.7
Zinc ore recovery (%)	91	90	93	90	93	92	92	90	92	92	92
Copper produced (tonnes)	13,975	3,381	2,820	3,136	3,273	12,610	4,362	3,438	3,632	3,422	14,854
Zinc produced (tonnes)	32,254	4,620	6,307	5,050	9,660	25,637	6,184	3,954	5,985	5,556	21,679
Pyrite produced (tonnes)	804,884	211,275	214,658	243,261	222,534	891,728	189,955	211,444	221,734	202,688	825,821
Cash Costs (per lb)[1]											
Cash costs – Copper (C1) (per lb)[1]	(1.14)	0.51	(0.81)	(0.44)	(1.62)	(0.53)	(0.55)	0.30	0.65	0.03	0.14
Total costs – Copper (C3) (per lb)[1]	(0.82)	0.84	(0.42)	(0.05)	(1.19)	(0.14)	(0.10)	2.53	2.48	2.51	1.82
Revenues ($ millions)											
Copper	$103.3	$28.9	$21.1	$23.0	$22.7	$95.7	$27.3	$17.0	$31.6	$24.7	$100.6
Zinc	45.9	5.4	8.0	6.9	11.8	32.1	9.1	5.3	5.7	7.0	27.1
Pyrite	32.5	3.7	8.3	7.5	12.6	32.1	4.9	6.8	5.8	15.2	32.7
Other	22.2	6.2	6.1	4.9	4.7	21.9	6.3	1.3	1.8	4.1	13.5
Total sales revenues	$203.9	$44.2	$43.5	$42.3	$51.8	$181.8	$47.6	$30.4	$44.9	$51.0	$173.9
Copper sales (tonnes)	13,706	3,909	2,992	3,269	3,237	13,407	3,747	2,977	4,678	3,819	15,221
Zinc sales (tonnes)	34,387	4,154	6,349	5,614	8,984	25,101	6,738	3,935	5,979	5,687	22,339
Pyrite sales (tonnes)	809,187	112,298	227,047	213,442	299,676	852,463	114,478	110,777	89,999	454,665	769,919

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

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

3 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.

REGULATORY DISCLOSURES

Seasonality

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

Off-balance sheet arrangements

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

Non-GAAP financial measures

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

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

Calculation of cash costs and total costs

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

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

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

In calculating the operating cash flow per share, before and after working capital movements, the operating cash flow calculated for IFRS purposes is divided by the basic weighted average common shares outstanding for the respective period. EBITDA is calculated as operating profit before depreciation. Comparative earnings and comparative earnings per share have been adjusted to remove the effect of acquisition and other costs including acquisition accounting adjustments relating to the acquisition of Inmet, the recycling of impairment of an investment and the settlement of claims and sale of RDC assets in 2012. These measures may differ from those used by other issuers.

	Q4 2013	Q3 2013	Q4 2012	2013	2012
Net earnings attributable to shareholders of the Company	131.3	143.0	186.7	458.6	1,772.9
Add:					
Acquisition and other costs relating to Inmet (net of tax)	-	-	-	27.0	-
Non-recurring acquisition accounting inventory adjustments (net of tax)	0.0	0.6	-	33.2	-
Reclassification of impairment of an investment to net earnings	2.5	-	-	20.6	-
Deduct:					
Settlement of RDC claims and sale of assets	-	-	-	-	(1,217.9)
Comparative earnings	133.8	143.6	186.7	539.4	555.0
Earnings per share as reported	$0.22	$0.24	$0.39	$0.82	$3.74
Comparative earnings per share	$0.23	$0.24	$0.39	$0.96	$1.17

a) Significant judgments, estimates and assumptions in applying accounting policies

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

i. Significant judgments

Acquisition of Inmet

For the year ended December 31, 2013, significant judgment has been used with respect to the valuation and fair value allocation of the assets acquired and liabilities assumed on the Company's acquisition of Inmet. The fair value allocation is subject to final adjustments until such time as the valuation is finalized. The Company has up to 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 and Liabilities Assumed	Method of determining fair value
Inventories – finished goods	Estimated based on recoverable value of contained metal, less estimated selling, shipping, treatment and refining costs.
Investments - Government and corporate securities	Estimated using market trading prices on the date of acquisition.
Property, Plant & Equipment - Mineral properties	Fair value of identified reserves determined through estimated discounted cash flows, incorporating existing life of mine plans, and median analyst consensus metal price forecasts discounted at the weighted average cost of capital for each mine or development project. Fair value of beyond proven and probable reserves estimated using a market approach based on the acquisition prices of precedent transactions.
Property, Plant & Equipment - Plant and equipment	Estimated primarily using a cost approach based on fixed asset records.
Debt - Senior notes	Trading value of the notes on the date of acquisition.
Non-controlling interest in Minera Panama S.A.	Proportion of fair value of Minera Panama S.A.

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.

Achievement of commercial production

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

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.

Taxes

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

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, restoration provisions, recognition of deferred income tax amounts and depreciation.

Review of asset carrying values and impairment charges

The Company reviews the carrying value of 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.

Estimation of the amount and timing of restoration and remediation costs

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

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

Taxes

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

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

Financial instruments risk exposure

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

Credit risk

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

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

Exceptions to the policy for dealing with relationship banks with ratings below "A-" are reported to, and approved by, the Audit Committee. As at December 31, 2013 substantially all cash and short-term deposits are with counterparties with ratings "A-" or higher.

The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. More than 20% of the Company's trade receivables are generated from two customers together representing greater than 40% of the total sales for the year. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and property, plant and equipment expenditures.

The promissory note receivable from ENRC includes mandatory prepayment features triggered by the counterparty's circumstances: delisting from the London Stock Exchange; the counterparty's long-term unsecured, unsubordinated debt being downgraded to a rating lower than "B-" by Moody's Investor Services Limited; a material portion of the counterparty's assets are nationalized and/or expropriated by any government entities; or it becomes unlawful for the counterparty to perform any of their obligations under the promissory note. The Company has waived this mandatory prepayment by ENRC's delisting from the London Stock Exchange until February 28, 2014 and is currently in discussions with ENRC to revise the terms of the promissory note; $25.0 million of the principal outstanding was repaid early in February 2014, while these discussions continue.

Liquidity risk

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

In addition, the Company was obligated under its corporate revolving credit and term loan facility to maintain liquidity and satisfy various ratio tests on an historical and prospective cash flow basis. These ratios were in compliance during the year ended December 31, 2013 and December 31, 2012.

Market risks

a) Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices of copper, gold, nickel and PGE and other elements. The Company is also exposed to commodity price risk on diesel fuel required for mining operations and sulphur required for acid production. The Company's risk management policy allows for the management of these exposures through the use of derivative financial instruments.

The Company does not purchase, hold or sell derivative financial instruments unless there is an outstanding contract resulting in exposure to market risks that it intends to mitigate. As at December 31, 2013 and December 31, 2012, the Company had entered into derivative contracts for copper, gold, nickel and PGE in order to reduce the effects of fluctuations in metal prices between the time of the shipment of metal from the mine site and the date agreed for pricing the final settlement.

As at December 31, 2013 and December 31, 2012, the Company had not entered into any diesel or sulphur derivatives.

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

b) Interest rate risk

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

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

The Company manages its interest rate risk on borrowings on a net basis after first recognizing the natural hedge arising from floating rate deposits. The Company has a policy allowing floating-to-fixed interest rate swaps targeting 50% of exposure over a five-year period. As at December 31, 2013, and December 31, 2012 the Company held no floating-to-fixed interest rate swaps.

c) Foreign exchange risk

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

New and amended standards

The following standards have been adopted by the Company for the first time for the financial year beginning on January 1, 2013 and have an impact on the Company's disclosure. The adoption of these new standards did not have a significant impact on the Company's balance sheet or net earnings, nor did they result in a restatement of prior period results:

- Amendment to *IAS 1 - Financial statement presentation* regarding other comprehensive income. The main change resulting from this amendment is a requirement for entities to group items presented in other comprehensive income on the basis of whether they have the potential to be reclassified to profit or loss subsequently (reclassification adjustments).
- Amendment to *IFRS 7 - Financial instruments: Disclosures* regarding asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.
- *IFRS 10 - Consolidated financial statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- *IFRS 12 - Disclosures of interests in other entities* includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.
- *IFRS 13 - Fair value measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.
- *IFRIC 20 - Stripping costs in the production phase of a surface mine*. This interpretation sets out the accounting for overburden waste removal ("stripping") costs in the production phase of a mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. No adjustment arose on the adoption of this IFRIC.

Accounting standards issued but not yet effective

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

IFRS 9 - Financial instruments: Classification and Measurement

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and amended in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the

entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. The standard becomes effective for annual periods beginning on or after January 1, 2015. The Company does not anticipate the adoption of IFRS 9 to have a significant impact on its consolidated financial statements.

IFRIC 21 - Levies

IFRIC 21 addresses the accounting for an obligation to pay a levy that is not an income tax. The Company is assessing the impact of adopting this interpretation guidance on the consolidated financial statements.

Disclosure Controls and Procedures

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

An evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined under the rules of the Canadian Securities Administration, was conducted as of December 31, 2013 under the supervision of the Company's Disclosure Committee and with the participation of management. Based on the results of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report in providing reasonable assurance that the information required to be disclosed in the Company's annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported in the securities legislation.

Since the December 31, 2013 evaluation, there have been no adverse changes to the Company's controls and procedures and they continue to remain effective.

Internal Control over Financial Reporting

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

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

An evaluation of the effectiveness of the Company's internal control over financial reporting was conducted as of December 31, 2013 by the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on this evaluation, management has concluded that the Company's internal controls over financial reporting were effective.

There were no changes in the Company's business activities during the period ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Controls and Procedures

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

Cautionary statement on forward-looking information

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

With respect to forward-looking statements and information contained herein, the Company has made numerous assumptions including among other things, assumptions about the price of copper, gold, nickel, zinc, pyrite, PGE, cobalt and sulphuric acid, anticipated costs and expenditures and the ability to achieve the Company's goals. Although management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward-looking statement or information herein will prove to be accurate. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. These factors include, but are not limited to, future production volumes and costs, costs for inputs such as oil, power and sulphur, political stability in Zambia, Peru, Mauritania, Finland, Spain, Turkey, Panama and Australia, adverse weather conditions in Zambia, Finland, Spain, Turkey and Mauritania, labour disruptions, mechanical failures, water supply, procurement and delivery of parts and supplies to the operations, the production of off-spec material.

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

FIRST QUANTUM
MINERALS LTD.

Consolidated Financial Statements

December 31, 2013

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

Management's Responsibility for Financial Reporting

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

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

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

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

Signed by

Philip K.R. Pascall
Chairman and Chief Executive Officer

Signed by

Hannes Meyer
Chief Financial Officer

February 20, 2014

Independent Auditor's Report

To the Shareholders of First Quantum Minerals Ltd.

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

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

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

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

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

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

Other matter
The consolidated financial statements of First Quantum Minerals Ltd. for the year ended December 31, 2012 were audited by PricewaterhouseCoopers LLP (Canada) whose report, dated March 5, 2013, expressed an unmodified opinion on those statements. Our opinion is not qualified in respect of this matter.

Signed by
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
February 20, 2014

First Quantum Minerals Ltd.

Consolidated Statements of Earnings

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

	Note	2013	2012
Sales revenues	19	3,552.9	2,950.4
Cost of sales	20, 21	(2,419.1)	(1,849.4)
Gross profit		1,133.8	1,101.0
Exploration	21	(51.6)	(49.7)
General and administrative	21	(122.7)	(76.0)
Acquisition transaction costs	4	(29.5)	-
Settlement of RDC claims and sale of assets	22	-	1,217.9
Other expenses	23	(35.2)	(4.3)
Operating profit		894.8	2,188.9
Finance income		27.8	23.6
Finance costs	24	(23.3)	(15.3)
Earnings before income taxes		899.3	2,197.2
Income taxes	15	(369.6)	(327.8)
Net earnings for the year		529.7	1,869.4
Net earnings for the year attributable to:			
Non-controlling interests		71.1	96.5
Shareholders of the Company	17	458.6	1,772.9
Earnings per common share (expressed in $ per share)			
Basic	17	0.82	3.74
Diluted	17	0.81	3.72
Weighted average shares outstanding (000's)			
Basic	17	560,009	473,893
Diluted	17	563,389	476,310
Total shares issued and outstanding (000's)	16	590,836	476,310

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

First Quantum Minerals Ltd.

Consolidated Statements of Comprehensive Income

(expressed in millions of U.S. dollars)

	Note	2013	2012
Net earnings for the year		529.7	1,869.4
Other comprehensive income (loss)			
Items that may be reclassified subsequently to net earnings:			
Unrealized loss on available-for-sale investments (net of taxes of $1.8 million)	7	(17.2)	(5.5)
Reclassification to net earnings of net loss on available-for-sale investments (net of taxes of $1.9 million)	7	20.6	-
Total comprehensive income for the year		533.1	1,863.9
Total comprehensive income for the year attributable to:			
Non-controlling interests		71.1	96.5
Shareholders of the Company		462.0	1,767.4
Total comprehensive income for the year		533.1	1,863.9

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

First Quantum Minerals Ltd.

Consolidated Statements of Cash Flows

(expressed in millions of U.S. dollars)

	Note	2013	2012
Cash flows from operating activities			
Net earnings for the year		529.7	1,869.4
Items not affecting cash			
Depreciation	20	457.1	172.3
Unrealized foreign exchange loss		17.4	1.9
Tax expense	15	369.6	327.8
Share-based compensation expense	18	22.0	15.9
Net finance income		(4.5)	(8.3)
Settlement of RDC claims and sale of assets	22	-	(1,217.9)
Reclassification to net earnings of net loss on available-for-sale investments	7	20.6	-
Other		28.0	4.1
		1,439.9	1,165.2
Taxes paid		(212.6)	(458.8)
Change in non-cash operating working capital			
Increase in trade, other receivables and derivatives		(72.6)	(183.0)
Increase in inventories		(84.5)	(224.4)
(Increase) decrease in trade and other payables		(157.2)	80.4
Long term incentive plan contributions[1]		(44.2)	(36.9)
		868.8	342.5
Cash flows from (used by) investing activities			
Acquisition of Inmet Mining Corporation, net of unrestricted cash acquired	4	(1,044.0)	-
Purchases of and deposits on property, plant and equipment		(2,601.0)	(1,373.3)
Interest paid and capitalized to property, plant and equipment		(161.6)	-
Proceeds from sale of property, plant and equipment		0.6	1.6
Acquisitions of investments		(18.5)	(46.1)
Proceeds from sale of investments		2,054.8	-
Interest received		19.5	3.5
Proceeds from settlement of RDC claims and sale of assets		-	736.5
		(1,750.2)	(677.8)
Cash flows from (used by) financing activities			
Net movement in short term borrowing facility		12.3	0.7
Proceeds from debt		3,960.5	338.8
Repayments of debt		(2,519.9)	(5.1)
Dividends paid to shareholders of the Company	16	(99.1)	(91.0)
Dividends paid to non-controlling interest		(28.0)	(39.0)
Finance lease payments		(4.1)	(3.8)
Interest paid		(54.8)	(8.4)
		1,266.9	192.2
Increase (decrease) in cash and cash equivalents		385.5	(143.1)
Cash and cash equivalents – beginning of year		309.0	452.1
Cash and cash equivalents – end of year	26	694.5	309.0

[1] Treasury shares are purchased via a trust which is consolidated in the results of the Company. The purchases are made to fund future long term incentive plan contributions. Refer to note 18.

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

First Quantum Minerals Ltd.

Consolidated Balance Sheets

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

	Note	December 31, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents		694.5	309.0
Trade and other receivables	5	548.1	390.2
Inventories	6	1,123.6	903.7
Promissory note receivable – current portion	22	25.0	-
Current portion of other assets	10	151.8	230.1
		2,543.0	1,833.0
Restricted cash		84.0	-
Investments	7	58.4	55.6
Promissory note receivable	22	465.1	481.8
Property, plant and equipment	8	11,986.2	4,953.6
Goodwill	9	236.7	-
Other assets	10	97.8	212.4
Total assets		15,471.2	7,536.4
Liabilities			
Current liabilities			
Trade and other payables		667.8	355.5
Current taxes payable		55.3	32.5
Current debt	11	1,046.1	49.1
Current provisions and other liabilities	12	35.7	6.5
		1,804.9	443.6
Debt	11	3,027.3	347.7
Provisions and other liabilities	12	619.5	299.2
Deferred income tax liabilities	15	930.9	564.5
Total liabilities		6,382.6	1,655.0
Equity			
Share capital	16	4,204.0	1,929.6
Retained earnings		3,765.2	3,405.7
Accumulated other comprehensive loss		(0.9)	(4.3)
Total equity attributable to shareholders of the Company		7,968.3	5,331.0
Non-controlling interests		1,120.3	550.4
Total equity		9,088.6	5,881.4
Total liabilities and equity		15,471.2	7,536.4
Commitments & contingencies	27		

Approved by the Board of Directors and authorized for issue on February 20, 2014.

Signed by
Andrew Adams, Director

Signed by
Peter St. George, Director

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

First Quantum Minerals Ltd.

Consolidated Statements of Changes in Shareholders' Equity

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

	Note	2013	2012
Share capital			
Common shares			
Balance – beginning of year		2,003.8	2,003.8
Shares issued on acquisition of Inmet	4	2,299.0	-
Balance – end of year		4,302.8	2,003.8
Treasury shares			
Balance – beginning of year		(98.9)	(68.0)
Restricted and performance stock units vested		8.0	6.0
Shares purchased	16b	(46.6)	(36.9)
Balance – end of year		(137.5)	(98.9)
Contributed surplus			
Balance – beginning of year		24.7	14.8
Share-based compensation expense for the year	18a	22.0	15.9
Restricted and performance stock units vested	18a	(8.0)	(6.0)
Balance – end of year		38.7	24.7
Total share capital		4,204.0	1,929.6
Retained earnings			
Balance – beginning of year		3,405.7	1,723.8
Earnings for the year attributable to shareholders of the Company		458.6	1,772.9
Dividends		(99.1)	(91.0)
Balance – end of year		3,765.2	3,405.7
Accumulated other comprehensive income (loss)			
Balance – beginning of year		(4.3)	1.2
Other comprehensive income (loss) for the year		3.4	(5.5)
Balance – end of year		(0.9)	(4.3)
Non-controlling interests			
Balance – beginning of year		550.4	492.9
Earnings attributable to non-controlling interests		71.1	96.5
Acquisition of Inmet	4	526.8	-
Dividends		(28.0)	(39.0)
Balance – end of year		1,120.3	550.4

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

1 Nature of operations

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

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

2 Basis of presentation

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

3 Summary of significant accounting policies

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

a) Basis of measurement

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

b) Principles of consolidation

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

The principal operating subsidiaries are Kansanshi Mining Plc ("Kansanshi"), First Quantum Mining and Operations Limited ("FQMO"), Mauritanian Copper Mines SARL ("Guelb Moghrein"), FQM Kevitsa Mining OY ("Kevitsa"), Ravensthorpe Nickel Operations Pty Ltd. ("Ravensthorpe"), Cobre Las Cruces S.A. ("Las Cruces"), Çayeli Bakir Isletmeleri A.S. ("Çayeli"), Pyhäsalmi Mine Oy ("Pyhäsalmi") and Metal Corp Trading AG ("Metal Corp"). The exploration and development subsidiaries include Minera Panama S.A. ("Cobre Panama"), Antares Minerals Inc. ("Antares"), and Kalumbila Minerals Limited ("Kalumbila"). All the above operating subsidiaries are 100% owned, with the exception of Kansanshi and Cobre Panama in which the Company holds an 80% interest in each. ZCCM Investments Holdings Plc ("ZCCM", a government owned entity) own 20% of Kansanshi and Korea Panama Mining Corp own 20% of Cobre Panama. Through the operations in Zambia, there are a number of transactions with the Zambian government in the ordinary course of business, including taxes, utilities and power. The dividends paid to non-controlling interest are the only significant transactions with the ZCCM during the year. The Company is restricted in its ability to use the assets of Kansanshi and Cobre Panama as a result of the agreement with the other owners of these subsidiaries.

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 8), restoration provisions (note 13), recognition of deferred income tax amounts (note 15) and depreciation (note 8).

- 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.

  On August 18, 2012, the Company determined that the Kevitsa mine was capable of operating at the levels intended by management and a declaration of commercial production was made.

- 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 8.

- Taxes – (accounting policy note 3l)

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

- Functional currency – (accounting policy note 3d)

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

(ii) Significant accounting estimates and assumptions

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

- Determination of ore reserves and life of mine plan

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

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

  Changes in the proven and probable reserves estimates may impact the carrying value of property, plant and equipment (note 8), restoration provisions (note 13), recognition of deferred income tax amounts (note 15) and depreciation (note 8).

- Purchase price allocation

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

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

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

impairment loss is recognized immediately in the consolidated statement of earnings. The Company has determined that each mine location is a cash-generating unit.

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

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

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

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

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

  The provision represents management's best estimate of the present value of the future restoration and remediation costs. The actual future expenditures may differ from the amounts currently provided; any increase in future costs could materially impact the amounts included in the liability disclosed in the consolidated balance sheet. The carrying amount of the Company's restoration provision is disclosed in note 13.

- Taxes – (accounting policy note 3l)

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

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

  To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded at the balance sheet date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income tax assets. Deferred income tax assets are disclosed in note 15.

d) Foreign currency translation

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

e) Inventories

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

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

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

f) Property, plant and equipment

(i) Mineral properties and mine development costs

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

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

(ii) Property, plant and equipment

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

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

Computer equipment and software	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) Business combinations and goodwill

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

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

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

h) 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.

i) Asset impairment

(i) Property, plant and equipment

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties.

For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to present value, assumptions used are those that an independent market participant would consider appropriate. Value in use is the estimated future cash flows expected to arise from the continuing use of the assets in their present form and from their disposal discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

(ii) Goodwill

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

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

j) 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 or expensed in the period for closed sites.

k) Revenue recognition

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

l) Current and deferred income taxes

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

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

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

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

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

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

m) Share-based compensation

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

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

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

n) Earnings per share

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

o) Financial instruments

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

(i) Cash and cash equivalents and restricted cash

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

(ii) Trade receivables and promissory note receivable

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

(iii) Investments

Investments are designated as available-for-sale and are normally measured at the reporting date at fair value. Fair value is determined in the manner described in note 26. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Unrealized gains and losses on the marketable securities are recognized in other comprehensive income, until the security is disposed of or is determined to be impaired at which time the cumulative gain or loss previously recognized is included in the 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 are sold on a provisional basis whereby sales are recognized at prevailing metal prices when title transfers to the customer and final pricing is not determined until a subsequent date, typically two months later. The Company enters into derivative contracts to directly offset the exposure to final pricing adjustments on the provisionally priced sales contracts. The Company also periodically enters into derivative instruments to mitigate exposure to foreign exchange rates and interest rates. The Company does not apply hedge accounting. Derivative financial instruments, including embedded derivatives, are classified as fair value through profit or loss and measured at fair value as determined by active market prices and valuation models, as appropriate. Valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining these assumptions, the Company uses readily observable market inputs where available or, where not available, inputs generated by the Company. Changes in the fair value of derivative instruments are recorded in cost of sales in the 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.

p) New and amended standards

The following standards have been adopted by the Company for the first time for the financial year beginning on January 1, 2013 and have an impact on the Company's disclosure. The adoption of these new standards did not have a significant impact on the Company's balance sheet or net earnings, nor did they result in a restatement of prior period results:

- Amendment to *IAS 1 - Financial statement presentation* regarding other comprehensive income. The main change resulting from this amendment is a requirement for entities to group items presented in other comprehensive income on the basis of whether they have the potential to be reclassified to profit or loss subsequently (reclassification adjustments).
- Amendment to *IFRS 7 - Financial instruments: Disclosures* regarding asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.
- *IFRS 10 - Consolidated financial statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- *IFRS 12 - Disclosures of interests in other entities* includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.
- *IFRS 13 - Fair value measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.
- *IFRIC 20 - Stripping costs in the production phase of a surface mine*. This interpretation sets out the accounting for overburden waste removal ("stripping") costs in the production phase of a mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. No adjustment arose on the adoption of this IFRIC.

q) Accounting standards issued but not yet effective

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

- *IFRS 9 - Financial instruments: Classification and Measurement*

  IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and amended in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. The effective date of this standard has not yet been established by the IASB.

- *IFRIC 21 - Levies*

  IFRIC 21 addresses the accounting for an obligation to pay a levy that is not an income tax. The Company is assessing the impact of adopting this interpretation guidance on the consolidated financial statements.

4 Acquisition of Inmet

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

Under the terms of the Acquisition, former Inmet shareholders received either C$72.00 in cash; 3.2967 common shares of First Quantum; or C$36.00 and 1.6484 common shares, subject to pro-ration based on take-up. The Company issued 114,526,277 common shares pursuant to the Acquisition. The Company acquired Inmet in order to create a globally diversified base metals company. Inmet owned 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 Isletmeleri A.S. (Turkey), Cobre Las Cruces S.A. (Spain), Pyhäsalmi Mine Oy (Finland), and Minera Panama, S.A. ("MPSA") (Panama).

The purchase price allocation is as follows:

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

The Panama capital gains tax included in the consideration above relates to tax paid to the Panamanian government on behalf of Inmet shareholders, as a result of an obligation which 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 $2,500.0 million acquisition facility provided by Standard Chartered Bank. The cash outflow on the Acquisition was $1,044.0 million; the net of cash consideration paid of $2,518.8 million (including the Panama capital gains tax payment) less the acquired cash balance of $1,474.8 million (excluding restricted cash).

The value of the purchase price has been re-assessed during the fourth quarter and the assessment of the value of the shares at the date of control of Inmet updated. The allocation of fair value to the Inmet assets and liabilities has changed during the fourth quarter to reflect the determination of the assigned values of the assets and liabilities acquired. An adjustment has been made to reflect a change in deferred tax liabilities on the fair value allocation to Panama following an evaluation of the temporary differences. This was offset by a corresponding change in goodwill with no impact to net income. The fair value allocation is subject to adjustment until the valuation work is finalized.

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

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

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

Asset Acquired and Liabilities Assumed	Method of determining fair value	Fair Value $
Inventories – finished goods	Estimated based on recoverable value of contained metal, less estimated selling, shipping, treatment and refining costs.	62.2
Investments - Government and corporate securities	Estimated using market trading prices on the date of acquisition.	503.6
Property, Plant & Equipment[1] - Mineral properties	Fair value of identified reserves determined through estimated discounted cash flows, incorporating existing life of mine plans, and median analyst consensus metal price forecasts discounted at the weighted average cost of capital for each mine or development project. Fair value of beyond proven and probable reserves estimated using a market approach based on the acquisition prices of precedent transactions.	2,067.1
Property, Plant & Equipment[1] - Plant and equipment	Estimated primarily using a cost approach based on fixed asset records.	1,420.7
Debt - Senior notes	Trading value of the notes on the date of acquisition.	(2,205.0)
Non-controlling interest in MPSA	Proportion of fair value of MPSA	565.2

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

Transaction costs of $29.5 million were expensed in relation to the Acquisition during the year ended December 31, 2013.

The Company has consolidated Inmet's operating results from the date of acquisition to December 31, 2013 resulting in additional revenue in the year of $691.1 million and operating profit of $93.9 million. Fair value uplift adjustments relating to property, plant and equipment and inventory totalled $1,625.2 of which $137.9 million have been depreciated during the year.

Had the business combination occurred on January 1, 2013, sales revenues for the Company for the year would have been $3,774.5 million, operating profit $783.9 and net earnings $392.9 million. Fair value uplift adjustments relating to property, plant and equipment and inventory totalled $1,625.2 of which $165.5 million would have been depreciated during the year.

Subsequent to the Acquisition, Inmet was amalgamated with FQM (Akubra) Inc. ("FQM (Akubra)"), a wholly owned subsidiary of the Company. The amalgamated company has assumed all of the obligations of Inmet, including obligations under the Inmet Senior Notes (refer to note 11).

5 Trade and other receivables

	December 31, 2013	**December 31, 2012**
Trade receivables and other receivables	299.5	319.9
VAT receivables	248.6	70.3
	548.1	390.2

VAT receivable is deemed to be recoverable within one year and no provision has been made.

6 Inventories

	December 31, 2013	**December 31, 2012**
Ore in stockpiles	294.6	158.1
Work-in-progress	27.8	27.2
Finished product	338.3	324.8
Total product inventory	660.7	510.1
Consumable stores	462.9	393.6
	1,123.6	903.7

7 Investments

	December 31, 2013	December 31, 2012
Available for sale equity securities held at cost	27.3	16.0
Available for sale equity securities held at fair value	28.0	35.6
Asset-backed commercial paper	3.1	4.0
	58.4	55.6

The following table summarizes the movements in the fair value of investments:

	2013	2012
Balance – beginning of year	55.6	18.0
Acquisition of Inmet	2,053.0	-
Additions	18.5	46.1
Disposals	(2,051.5)	-
Loss in fair value	(17.2)	(8.5)
Balance – end of year	58.4	55.6

During the year the loss in fair value of available-for-sale investments was $17.2 million (December 31, 2012: loss of $7.3 million), which is included in the above gain (loss) in fair value of investments.

During the year, the Company recorded an other than temporary impairment of $20.6 million (net of tax) relating to certain investments in equity securities, reclassifying $20.6 million (December 31, 2012 - nil) from other comprehensive income to other expense in net earnings.

8 Property, plant and equipment

			Mineral properties and mine development costs		
	Plant and equipment	Capital work-in-progress	Operating mines	Development projects	Total
Cost					
As at January 1, 2012	2,014.0	922.2	373.4	1,132.2	4,441.8
Additions	-	1,314.8	-	-	1,314.8
Disposals	(16.0)	-	-	-	(16.0)
Transfers between categories	792.6	(934.7)	390.6	(248.5)	-
Restoration provision	-	-	8.2	3.2	11.4
Capitalized interest	-	1.6	-	-	1.6
As at December 31, 2012	2,790.6	1,303.9	772.2	886.9	5,753.6
Acquisition of Inmet	1,420.7	1,722.5	991.7	1,075.4	5,210.3
Additions	-	2,716.0	-	-	2,716.0
Disposals	(36.3)	-	-	-	(36.3)
Transfers between categories	450.9	(572.4)	106.2	15.3	-
Restoration provision	-	-	26.3	8.4	34.7
Capitalized interest	-	219.1	-	-	219.1
As at December 31, 2013	4,625.9	5,389.1	1,896.4	1,986.0	13,897.4
Accumulated depreciation					
As at January 1, 2012	(576.6)	-	(40.8)	-	(617.4)
Depreciation charge	(137.8)	-	(34.5)	-	(172.3)
Disposals	12.3	-	-	-	12.3
Other	(22.6)	-	-	-	(22.6)
As at December 31, 2012	(724.7)	-	(75.3)	-	(800.0)
Acquisition of Inmet	(511.7)	-	(144.7)	-	(656.4)
Depreciation charge	(325.0)	-	(151.9)	-	(476.9)
Disposals	22.1	-	-	-	22.1
As at December 31, 2013	(1,539.3)	-	(371.9)	-	(1,911.2)
Net book value					
As at December 31, 2012	2,065.9	1,303.9	696.9	886.9	4,953.6
As at December 31, 2013	3,086.6	5,389.1	1,524.5	1,986.0	11,986.2

During the year $219.1 million of interest (December 31, 2012 – $1.6 million) was capitalized relating to the development of qualifying assets. The amount capitalized in 2013 was determined by applying the weighted average cost of borrowings of 4.1% to the accumulated qualifying expenditures on mining interests. The amount capitalized in 2012 related to interest costs directly attributable to the qualifying assets under development with the cost of borrowing rate of 7.7%.

Deferred stripping costs capitalized and included within capital work-in-progress and mineral properties at December 31, 2013 are $122.5 million and $206.6 million respectively (December 31, 2012 - $95.3 million and $80.7 million respectively).

9 Goodwill

The purchase price allocation for the acquisition of Inmet has resulted in the recognition of $236.7 million of goodwill during the year (note 4).

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 of the difference between the fair value of the assets acquired and their respective tax bases. Goodwill is not deductible for tax purposes.

As at December 31, 2013, the goodwill has been assigned to the Cobre Panama cash-generating unit. The carrying value of Cobre Panama at December 31, 2013 was $3,468.7 million.

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

The calculated recoverable amount of the cash-generating unit significantly exceeds the carrying value of Cobre Panama at December 31, 2013 and therefore no impairment charge has been recorded.

10 Other assets

	December 31, 2013	December 31, 2012
Deposits on property, plant and equipment	25.9	115.8
Deferred income tax assets (note 15)	64.8	81.1
Derivative instruments (note 26)	2.5	5.0
Prepaid expenses	134.2	60.7
Prepaid income taxes	8.6	164.4
Other	13.6	15.5
Total other assets	249.6	442.5
Less: current portion of other assets	(151.8)	(230.1)
	97.8	212.4
Current portion consists of:		
Derivative instruments (note 26)	2.5	5.0
Prepaid income taxes	8.6	164.4
Prepaid expenses	140.7	60.7
	151.8	230.1

11 Debt

	December 31, 2013	December 31, 2012
Drawn debt		
Senior notes:		
FQM (Akubra) (formerly Inmet) 8.75% issued May 18, 2012 (a)	1,634.6	-
First Quantum Minerals Ltd. 7.25% issued October 10, 2012 (b)	340.7	339.1
FQM (Akubra) (formerly Inmet) 7.5% issued December 18, 2012 (c)	536.7	-
FQM (Akubra) revolving debt facility (d)	990.6	-
Kansanshi revolving facility (e)	420.0	-
Amount owed to related party (f)	95.1	-
Kansanshi subordinated debt facility	-	14.8
Short-term borrowings (g)	55.5	42.6
Other	0.2	0.3
Total debt	4,073.4	396.8
Less: Current maturities and short term debt	(1,046.1)	(49.1)
	3,027.3	347.7
Undrawn debt (i)		
FQM (Akubra) revolving debt facility (d)	1,495.0	-
Kevitsa facility (h)	215.0	250.0
Short-term borrowings (g)	74.5	67.4
Kansanshi senior term and revolving facility (e)	580.0	1,000.0

a) FQM (Akubra) (formerly Inmet) senior notes – 8.75%

On May 18, 2012, Inmet issued $1,500.0 million in unsecured senior notes due in June 2020, bearing interest at an annual rate of 8.75%. The 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 totaling $10.6 million including $0.4 million of accrued interest. The notes that remain outstanding after the expiry of the mandatory repurchase offer have been classified as a non-current liability.

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, and 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.

On January 27, 2014, the Company commenced an offer to exchange these notes for new notes to be issued by the Company as part of funding restructuring arrangements (the "Funding Restructuring" refer to note 28 for further information). On February 12, 2014, 97.3% were exchanged for the new notes; the offer to exchange the remainder of the notes remains outstanding at the date of these financial statements.

b) First Quantum Minerals Ltd senior notes – 7.25%

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

The notes are guaranteed on a subordinated basis by certain subsidiaries of the Company. The Company may redeem some or all of the notes at any time on or after October 15, 2015 at redemption prices ranging from 105.438% in the first year to 100% in the final year, plus accrued interest. Although part of this redemption feature indicates the existence of an embedded derivative, the value of this derivative is not significant. Prior to October 15, 2015, the notes may be redeemed at 100% plus a make-whole premium, and accrued interest. In addition, until October 15, 2015, the Company may redeem up to 35% of the principal amount of notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 107.25% plus accrued interest.

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

On January 27, 2014, the Company announced a solicitation of consent relating to proposed amendments to the indentures of these senior notes as part of the Funding Restructuring. On February 12, 2014, the consent was received and the indentures were amended.

c) FQM (Akubra) (formerly Inmet) 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. The notes have been classified as a non-current liability.

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.

On January 27, 2014, the Company commenced an offer to exchange these notes for new notes to be issued by the Company as part of the Funding Restructuring. On February 12, 2014, 99.8% were exchanged for the new notes; the offer to exchange the remainder of the notes remains outstanding at the date of these financial statements.

d) FQM (Akubra) revolving debt facility

FQM (Akubra) Inc. entered into a $2,500.0 million debt arrangement in order to finance the Acquisition of Inmet which was subsequently amended and restated as a revolving debt facility. 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 $1,005.0 million is net of issue and transaction costs of $14.4 million. The facility having been extended on October 30, 2013, is available to the Company until June 30, 2014.

On January 27, 2014, the Company announced that it had signed a term sheet to replace this facility with a $1,000.0 million term loan and a $1,500.0 revolving credit financing with interest calculated on both facilities at a rate equal to LIBOR plus 2.75%. This is part of a funding restructuring for the Company.

e) Kansanshi senior term and revolving facility

In March 2012, Kansanshi entered into a $300.0 million senior term loan (the "term loan") and a $700.0 million revolving credit facility (the "facility") to finance the Kansanshi expansion projects and the copper smelter project collateralized by the assets and offtake agreements of Kansanshi. The term loan is repayable in six equal semi-annual instalments commencing on July 25, 2014 and interest is calculated at a rate equal to LIBOR plus 3%. The revolving facility is required to be repaid by January 24, 2017 and interest is calculated at a rate of either three or six month LIBOR plus 3%, and a utilization fee ranging from 0.25% to 0.5% of the drawn amount.

On January 27, 2014, the Company announced that Kansanshi will replace this facility with a $350.0 million unsecured facility, as part of the Funding Restructuring.

f) Amount owed to related party

In September 2013, a subsidiary of the Company entered into a loan agreement with Korea Panama Mining Corp. ("KPMC") who own a 20% interest in Cobre Panama and is therefore a related party. Interest is due semi-annually at an annual rate of 9%. As at December 31, 2013, the accrual for interest payable was $2.1 million.

g) Short-term borrowings

In 2010, the Company's metal marketing division entered into two uncommitted borrowing facilities totalling $130.0 million. The facilities are used to finance purchases and the term hedging of copper and gold undertaken by the metal marketing division. Interest on the facilities is calculated at the bank's benchmark rate plus 1.75%. The loans are collateralized by physical inventories.

h) Kevitsa facility

In March 2011, a subsidiary of the Company entered into a $250.0 million project loan collateralized by the assets and offtake agreements of the Kevitsa project. No amounts were drawn under this facility. The facility is available in two tranches. Tranche A of $175.0 million is required to be repaid in ten equal semi-annual instalments starting March 31, 2013, and therefore $140.0 million is available to be drawn at the end of the period. Tranche B of $75.0 million is required to be repaid on September 30, 2017, and therefore $75.0 million is available to be drawn at the end of the period. The funds are to be used to finance the development of the Kevitsa mine. Interest on the Kevitsa facility is to be calculated at LIBOR plus 3%, and a utilization fee ranging from 0.25% to 0.5% of the drawn amount.

On January 27, 2014, the Company disclosed that this facility will be terminated as part of the Funding Restructuring, and on February 7, 2014, this facility was cancelled.

i) New term loan and revolving facility

On January 27, 2014, the Company disclosed that a new term loan and revolving facility is to be established as part of the Funding Restructuring. Refer to note 28.

12 Provisions and other liabilities

	December 31, 2013	December 31, 2012
Restoration provisions (note 13)	484.2	270.5
Derivative instruments (note 26)	10.5	3.9
Finance leases (note 14)	39.7	27.2
Other	120.8	4.1
Total other liabilities	655.2	305.7
Less: current portion	(35.7)	(6.5)
	619.5	299.2
Current portion consists of:		
Restoration provisions (note 13)	11.1	0.6
Derivative instruments (note 26)	10.5	3.4
Finance leases (note 14)	4.5	2.1
Other	9.6	0.4
	35.7	6.5

13 Restoration provisions

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

	2013	2012
As at January 1	269.9	252.5
Acquisition of Inmet	230.9	-
Changes in estimate – operating sites	(34.7)	11.4
Changes in estimate – closed sites (note 23)	9.3	-
Other adjustments	(0.3)	-
Accretion expense (note 24)	9.1	6.6
As at December 31	484.2	270.5
Less: current portion	(11.1)	(0.6)
	473.1	269.9

As part of the Acquisition of Inmet, the Company acquired several closed properties in Canada and the United States of America for which restoration provisions are now included in the Company's consolidated restoration provision. The effect of changes in the restoration provision for closed properties is recorded through the consolidated statement of earnings.

Also as part of the Acquisition of Inmet, the Company acquired letters of credit which are guaranteed by cash deposits, classified as restricted cash on the balance sheet at December 31, 2013, totalling $83.4 million (December 31, 2012 – nil).

The restoration provisions have been recorded initially as a liability based on management's best estimate of cash flows, using a risk-free discount rate between 1.4% and 4.2% and an inflation factor between 1.7% and 4.0%. Payments are expected to occur over the life of each of the operating mines, a period of approximately 34 years, with the majority payable in the years following the cessation of mining operations.

14 Finance leases

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

	December 31, 2013	December 31, 2012
Cost	51.2	30.0
Less: accumulated depreciation	(15.4)	(6.4)
Net carrying value of finance lease agreements	35.8	23.6

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

	December 31, 2013		December 31, 2012	
	Discounted	Undiscounted	Discounted	Undiscounted
Within one year	4.5	6.0	2.1	3.8
After one year but not more than five years	15.7	22.7	10.0	15.2
More than five years	19.5	28.3	15.1	19.9
Total minimum lease payments	39.7	57.0	27.2	38.9

15 Income taxes

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

	2013	2012
Current income tax expense	377.3	37.4
Deferred income expense (recovery)	(7.7)	290.4
	369.6	327.8

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

	2013		2012	
	Amount $	%	Amount $	%
Earnings before income taxes	899.3		2,197.2	
Income taxes at Canadian statutory rates	231.6	26	549.3	25
Effect of Zambian variable tax[1]	83.1	9	95.9	4
Losses not recognized	55.1	6	(5.5)	-
Non-deductible expenses	51.7	5	37.7	2
Impact of foreign exchange and other	(22.3)	(3)	-	-
Impact of rate reduction	(13.4)	(1)	-	-
Recognition of previously unrecognized losses	(11.0)	(1)	(81.8)	(4)
Difference in foreign tax rates	(5.2)	-	38.6	2
Settlement of RDC claims and sale of assets[2]	-	-	(304.5)	(14)
Foreign tax holiday[3]	-	-	(1.9)	-
Income tax expense	369.6	41	327.8	15

[1]Included in the current and deferred income tax expense are amounts relating to the variable profit tax ("VPT") introduced in Zambia in 2008. The VPT causes an increase in the effective tax rate from the 30% base income tax rate for the Company to 41%.

[2]Settlement of the RDC claims (note 22) has no associated tax liability.

[3]Guelb Moghrein was subject to a five year tax holiday with the Mauritanian government. Guelb Moghrein has been subject to Mauritanian income taxes on income earned subsequent to February 2012.

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

	2013	2012
Deferred income tax assets (note 10)	64.8	81.1
Deferred income tax liabilities	(930.9)	(564.5)
	(866.1)	(483.4)

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

	2013	2012
Temporary differences relating to property, plant and equipment and finance leases	(1,203.1)	(807.0)
Unused operating losses	275.8	272.4
Temporary differences relating to non-current liabilities (including restoration provisions)	50.8	36.7
Temporary differences relating to inventory	3.6	5.2
Other	6.8	9.3
Net deferred income tax liabilities	(866.1)	(483.4)

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

The Company has operating loss carry-forwards that may be available for tax purposes in Canada totalling $935.4 million (December 31, 2012 – $146.1 million) expiring between 2025 and 2033, and in the United States of America totalling $30.4 million (December 31, 2012 – nil) expiring between 2018 and 2033.

The Company also has unrecognized deductible temporary differences relating to restoration provisions of $60.0 million in Canada and $33.2 million in Finland.

The Company has non-Canadian resident subsidiaries that have undistributed earnings of $4,583.1 million (December 31, 2012 - $3,982.5 million). These undistributed earnings are not expected to be repatriated in the foreseeable future and the Company has control over the timing of such, therefore taxes that may apply on repatriation have not been provided for.

16 Share capital

a) Common shares

Authorized
Unlimited common shares without par value

Issued

	Number of shares (000's)
Balance as at December 31, 2012	476,310
Share issuance on acquisition of Inmet (note 4)	114,526
Balance as at December 31, 2013	590,836

b) Treasury shares

The Company established an independent trust to purchase, on the open market, the common shares pursuant to the long-term incentive plan (note 18). The Company consolidates the trust as it is subject to control by the Company. Consequently, shares purchased by the trust to satisfy obligations under the long-term incentive plan are recorded as treasury shares in shareholders' equity. Generally, dividends received on shares held in the trust will be paid to plan participants in cash as received.

	Number of shares (000's)
Balance as at January 1, 2012	3,957
Shares purchased	1,734
Shares vested	(1,024)
Balance as at December 31, 2012	4,667
Shares purchased	2,420
Shares vested	(1,177)
Balance as at December 31, 2013	5,910

Dividends

On March 5, 2013, the Company declared a final dividend payment of $0.1147 CAD per share, in respect of the financial year ended December 31, 2012 (March 6, 2012 - $0.1277 CAD per share) paid to shareholders of record on April 16, 2013.

On July 31, 2013, the Company declared an interim dividend payment of $0.0583 CAD per share, in respect of the financial year ended December 31, 2013 (August 1, 2012 - $0.0603 CAD per share) paid to shareholders of record on August 28, 2013.

17 Earnings per share

	2013	2012
Basic and diluted earnings attributable to shareholders of the Company	458.6	1,772.9
Basic weighted average number of shares outstanding (000's of shares)	560,009	473,893
Effect of dilutive securities:		
Treasury shares	3,380	2,417
Diluted weighted average number of shares outstanding (000's of shares)	563,389	476,310
Earnings per common share – basic	0.82	3.74
Earnings per common share – diluted	0.81	3.72

18 Share-based compensation

a) Long-term incentive plan

The Company has a long-term incentive plan (the "Plan"), which provides for the issuance of performance stock units ("PSUs") and restricted stock units ("RSUs") in such amounts as approved by the Company's Compensation Committee. Included in general and administrative expense is share-based compensation expense of $22.0 million (December 31, 2012 - $15.9 million) related to this Plan.

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

Under the Plan, each RSU entitles the participant to receive one common share of the Company subject to vesting criteria. RSU grants typically vest fully at the end of the three year period. The fair value of each RSU is recorded as compensation expense over the vesting period. The fair value of each RSU is estimated based on the market value of the Company's shares at the grant date and an estimated forfeiture rate of 11.5% (December 31, 2012 – 11.5%).

	2013	2012
	Number of units (000's)	**Number of units (000's)**
Performance stock units		
Outstanding - beginning of year	2,519	2,106
Granted	1,602	1,064
Vested	(607)	(522)
Forfeited	(162)	(129)
Outstanding - end of year	3,352	2,519
Restricted stock units		
Outstanding - beginning of year	2,094	1,699
Granted	1,112	1,107
Vested	(570)	(502)
Forfeited	(96)	(210)
Outstanding - end of year	2,540	2,094

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

	2013	2012
Risk-free interest rate	0.64%	1.08%
Vesting period	3 years	3 years
Expected volatility	60.3%	59.2%
Expected forfeiture per annum	4%	4%
Weighted average probability of vesting	46.2%	47.1%

b) Key management compensation

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

	2013	2012
Salaries, fees and other benefits	4.9	4.5
Bonus payments	2.9	2.0
Share-based compensation	3.2	2.4
Total compensation paid to key management	11.0	8.9

19 Sales revenues by nature

	2013	2012
Copper	2,589.7	2,232.2
Nickel	531.4	396.5
Gold	281.8	296.4
Zinc	57.2	-
Other	92.8	25.3
	3,552.9	2,950.4

20 Cost of sales

	2013	2012
Costs of production	(2,006.1)	(1,797.1)
Depreciation	(476.9)	(188.0)
Movement in inventory	44.1	120.0
Movement in depreciation in inventory	19.8	15.7
	(2,419.1)	(1,849.4)

21 Expenses by nature

	2013	2012
Raw materials and consumables	(812.0)	(822.7)
Employment costs, benefits and contractors	(662.3)	(481.2)
Repairs and maintenance	(208.3)	(185.6)
Depreciation	(457.1)	(172.3)
Freight	(109.2)	(120.8)
Royalties	(158.8)	(146.4)
Utilities	(100.5)	(58.4)
Travel	(14.5)	(14.6)
Other	(114.8)	(93.1)
Increase in inventories	44.1	120.0
	(2,593.4)	(1,975.1)

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

22 Settlement of RDC claims and sale of assets

On January 5, 2012 the Company reached an agreement with Eurasian Natural Resources Corporation PLC ("ENRC") to dispose of its residual RDC assets for $1,250.0 million. The transaction closed on March 2, 2012.

The Company received consideration of $750.0 million in cash and a three-year $500.0 million promissory note. The promissory note is payable on March 2, 2015 and bears interest at a rate of 3% per annum payable annually in arrears. As part of the transaction, First Quantum, ENRC, the RDC Government, International Finance Corporation ("IFC") and Industrial Development Corporation ("IDC") have also settled all disputes relating to the companies being sold and their assets and operations in the RDC.

The net settlement amount received did not give rise to a tax liability and accordingly reduced the Company's overall effective tax rate in 2012.

A reconciliation of the proceeds of the settlement is as follows:

	March 2, 2012
Received in cash	750.0
Fair value of three-year promissory note	475.0
	1,225.0
Payments made to IFC and IDC	(14.0)
Transaction costs	(4.6)
Net liabilities disposed of	11.5
Settlement of RDC claims and sale of assets	1,217.9

The promissory note receivable from ENRC is measured at amortized cost using the effective interest rate method and is accreted to face value over the original term using an annual effective interest rate of 1.72%. Interest income on the note for the year ended December 31, 2013 was $23.3 million, net of $8.3 million of accretion (year ended December 31, 2012 - $19.3 million net of $6.8 million of accretion). The accrued interest receivable at December 31, 2013 of $12.5 million is included within other assets (December 31, 2012 - $12.5 million).

In the fourth quarter of 2013, ENRC delisted from the London Stock Exchange, triggering a mandatory repayment feature of the promissory note. The Company waived the right to demand payment on the note, and a repayment of $25.0 million of the principal was made on January 23, 2014. This repayment is included as a current receivable on the balance sheet at December 31, 2013. The terms of repayment of the remainder of the note is under re-negotiation with ENRC and classified as non-current at December 31, 2013. The carrying value of the note is $490.1 million at December 31, 2013.

23 Other income (expense)

	2013	2012
Foreign exchange loss	(18.2)	(7.3)
Loss on sale of assets	(2.5)	(2.1)
Loss on sale of investments	(1.9)	-
Impairment of investments (note 7)	(20.6)	-
Change in restoration provision for closed properties (note 13)	9.3	-
Other income (expense)	(1.3)	5.1
	(35.2)	(4.3)

24 Finance costs

	2013	2012
Interest expense on financial liabilities measured at amortized cost	(232.8)	(9.5)
Interest expense other	(0.5)	(0.8)
Accretion on restoration provision (note 13)	(9.1)	(6.6)
Other finance costs	-	-
Total finance costs	(242.4)	(16.9)
Less: interest capitalized (note 8)	219.1	1.6
	(23.3)	(15.3)

25 Segmented information

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

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

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

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

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

[1] Excludes intersegment revenues of $110.0 million

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

[3] Depreciation includes depreciation on the fair value uplift on acquisition

For the year ended December 31, 2013, segmented information of balance sheet items is presented as follows:

	Property, plant and equipment	Total assets	Total liabilities	Capital expenditures
Kansanshi	2,550.5	3,687.7	1,334.4	989.5
Guelb Moghrein	233.8	407.7	39.9	59.4
Ravensthorpe	876.2	1,007.3	179.4	44.6
Kevitsa	842.6	918.9	37.3	72.2
Sentinel	1,593.8	1,476.3	52.2	796.6
Çayeli	244.5	430.7	148.6	9.4
Las Cruces	1,174.2	1,583.3	418.9	33.1
Pyhäsalmi	315.2	418.0	116.9	5.8
Cobre Panama	3,485.9	3,792.9	304.9	578.3
Corporate & other	669.5	1,748.4	3,750.1	12.1
Total	11,986.2	15,471.2	6,382.6	2,601.0

The Sentinel project was under development at December 31, 2013. The exploration and development costs related to this property are capitalized.

For the year ended December 31, 2012, segmented information for the statement of earnings is presented as follows:

	Revenue[1]	Cost of sales (excluding depreciation)	Depreciation	Other	Operating profit[2]	Income taxes
Kansanshi	1,979.9	(969.9)	(80.6)	(14.1)	915.3	(380.7)
Guelb Moghrein	394.4	(242.0)	(34.7)	(10.0)	107.7	6.1
Ravensthorpe	387.7	(308.2)	(37.0)	2.8	45.3	13.1
Kevitsa	72.1	(30.9)	(17.3)	(6.4)	17.5	9.0
Corporate & other	116.3	(126.1)	(2.7)	1,115.6	1,103.1	24.7
Total	2,950.4	(1,677.1)	(172.3)	1,087.9	2,188.9	(327.8)

[1] Excludes intersegment revenues of $102.9 million

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

For the year ended December 31, 2012, segmented information of balance sheet items is presented as follows:

	Property, plant and equipment	Total assets	Total liabilities	Capital expenditures
Kansanshi	1,670.6	2,685.3	798.0	755.2
Guelb Moghrein	208.6	378.9	52.7	32.5
Ravensthorpe	939.3	1,155.1	226.9	59.8
Kevitsa	810.0	914.5	36.3	171.4
Sentinel	692.3	851.7	71.4	271.6
Corporate & other	632.8	1,550.9	469.7	26.2
Total	4,953.6	7,536.4	1,655.0	1,316.7

The Sentinel project was under development at December 31, 2012. The exploration and development costs related to this property are capitalized.

Geographical information

	December 31, 2013	**December 31, 2012**
Revenue by destination[1]		
Zambia	1,480.0	1,618.6
China	859.5	793.9
Spain	259.8	-
United Arab Emirates	155.6	89.5
South Africa	131.3	118.2
Finland	128.1	-
Canada	73.5	25.8
Sweden	60.2	44.1
Italy	60.0	-
Turkey	55.8	-
Brazil	45.5	37.7
Egypt	42.4	43.7
Germany	41.0	-
India	36.1	45.9
Other	124.1	133.0
	3,552.9	2,950.4

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

	December 31, 2013	December 31, 2012
Non-current assets by location		
Zambia	4,163.1	2,497.9
Panama	3,507.4	-
Spain	1,174.2	-
Finland	1,165.9	817.7
Australia	876.2	939.3
Peru	630.5	615.2
Turkey	244.5	-
Mauritania	233.8	208.6
Other	11.9	6.2
	12,007.5	5,084.9
Investments, deferred income tax assets, goodwill and promissory note receivable	920.7	618.5
	12,928.2	5,703.4

26 Financial instruments

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

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

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

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

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

[3]The promissory note from Eurasian Natural Resources Corporation PLC (note 22) is classified as loan and receivables and carried at amortized cost. Management estimates that the fair value of the note receivable at December 31, 2013 is $480.5 million compared to the carrying value of $490.1 million which excludes accrued interest of $12.5 million at December 31, 2013.

The following provides a comparison of carrying and fair values of each classification of financial instrument at December 31, 2012:

	Loans and receivables	Available-for-sale	Fair value through profit or loss	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Cash and cash equivalents	309.0	-	-	-	309.0	309.0
Trade receivables and other prepayments[1]	319.9	-	-	-	319.9	319.9
Derivative instruments	-	-	5.0	-	5.0	5.0
Investments						
At cost[2]	-	16.0	-	-	16.0	-
At fair value	-	39.6	-	-	39.6	39.6
Promissory note receivable[3]	481.8	-	-	-	481.8	481.8
Financial liabilities						
Trade and other payables	-	-	-	355.5	355.5	355.5
Derivative instruments	-	-	3.9	-	3.9	3.9
Finance leases	-	-	-	27.2	27.2	27.2
Debt	-	-	-	396.8	396.8	396.8

Fair Values

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 Inputs for the asset or liability that are not based on observable market data.

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

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

[1]The Company's derivative instruments are valued by the Company's brokers using pricing models based on active market prices. Forward contracts for copper, nickel, gold, zinc, platinum and palladium are purchased on the London Metal Exchange ("LME") and London Bullion Market and have direct quoted prices, therefore these contracts are classified within Level 1 of the fair value hierarchy. Other forward contracts held by the Company for copper and gold are Over The Counter ("OTC") and therefore the valuation models

require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates using inputs which can generally be verified and do not involve significant management judgment. Such instruments are classified within Level 2 of the fair value hierarchy.

Derivative assets are included within other assets on the balance sheet and derivative liabilities are included within provisions and other liabilities on the balance sheet. The movement in these assets and liabilities during 2013 materially offsets the gains and losses realized on provisionally priced sales contracts.

[2]The Company's investments in marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities is calculated as the quoted market price of the marketable security multiplied by the quantity of shares held by the Company. The Company's investments classified as Level 3 include asset backed commercial paper. The Company reviews the fair value periodically to determine whether the value is materially impaired.

The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at December 31, 2012, in the fair value hierarchy (as described in the notes to the annual consolidated financial statements):

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative instruments – LME contracts[1]	4.6	-	-	4.6
Derivative instruments – OTC contracts[1]	-	0.4	-	0.4
Investments[2]	35.6	-	4.0	39.6
Financial liabilities				
Derivative instruments – LME contracts[1]	1.1	-	-	1.1
Derivative instruments – OTC contracts[1]	-	1.3	-	1.3
Embedded derivative in subordinated debt facility	-	1.5	-	1.5

Financial risk management

Credit risk

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

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

Exceptions to the policy for dealing with relationship banks with ratings below "A-" are reported to, and approved by, the Audit Committee. As at December 31, 2013, substantially all cash and short-term deposits are with counterparties with ratings "A-" or higher.

The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. More than 32% of the Company's trade receivables are generated from five customers together representing greater than 48% of the total sales for the year. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and property, plant and equipment expenditures.

The promissory note receivable from ENRC includes mandatory prepayment features triggered by the counterparty's circumstances: delisting from the London Stock Exchange; the counterparty's long-term unsecured, unsubordinated debt being downgraded to a rating lower than "B-" by Moody's Investor Services Limited; a material portion of the counterparty's assets are nationalized and/or expropriated by any government entities; or it becomes unlawful for the counterparty to perform any of their obligations under the promissory note. As noted in note 22, in the fourth quarter of 2013, ENRC delisted from the London Stock Exchange and the Company waived its right to demand payment on the promissory note. On January 23, 2014, the Company received a payment from ENRC against the principal of the note of $25.0 million. The remainder of the note is under re-negotiation with ENRC.

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

	December 31, 2013	December 31, 2012
Commodity traders and smelters (Trade receivables and other receivables)	299.4	319.9
Government authorities (Prepaid taxes and VAT receivable)	257.2	234.7
Promissory note due from ENRC (note 22)	490.1	481.8
	1,046.7	1,036.4

The VAT receivable due from government authorities includes $118.1 million at December 31, 2013 which is past due (December 31, 2012 – nil). No provision has been made against this amount as it is deemed recoverable in full. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Liquidity risk

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

In addition, the Company was obligated under its corporate revolving credit and term loan facility to maintain liquidity and satisfy various ratio tests on an historical and prospective cash flow basis. These ratios were in compliance during the year ended December 31, 2013 and December 31, 2012.

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

	December 31, 2013	December 31, 2012
Cash and cash equivalents – unrestricted cash	694.5	309.0
Working capital balance[1]	1,133.7	1,131.0
Undrawn debt facilities (note 11)	2,364.5	1,317.4

[1] Working capital is defined as the net total of accounts receivable, inventory, prepayments, accounts payable, accruals, and current taxes payable or receivable.

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

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

Contractual and other obligations as at December 31, 2012 are as follows:

	Carrying Value	Contractual Cashflows	< 1 year	1 – 3 years	3 – 5 years	Thereafter
Debt	396.8	584.9	73.3	60.0	50.8	400.8
Trade and other payables	355.5	355.5	355.5	-	-	-
Current taxes payable	32.5	32.5	32.5	-	-	-
Deferred payments	4.2	4.2	4.2	-	-	-
Finance leases	27.2	38.9	3.8	7.6	7.6	19.9
Commitments	-	897.2	897.2	-	-	-
Restoration provisions	270.5	519.0	0.6	5.6	1.0	511.8
Total	1,086.7	2,432.2	1,367.1	73.2	59.4	932.5

Market risks

a) Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices of copper, gold, nickel, zinc and PGE and other elements. The Company is also exposed to commodity price risk on diesel fuel required for mining operations and sulphur required for acid production. The Company's risk management policy allows for the management of these exposures through the use of derivative financial instruments.

The Company does not purchase, hold or sell derivative financial instruments unless there is an outstanding contract resulting in exposure to market risks that it intends to mitigate. As at December 31, 2013 and December 31, 2012, the Company had entered into derivative contracts for copper, gold, nickel, zinc, platinum and palladium in order to reduce the effects of fluctuations in metal prices between the time of the shipment of metal from the mine site and the date agreed for pricing the final settlement.

As at December 31, 2013 and December 31, 2012, the Company had not entered into any diesel or sulphur derivatives.

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

The following table shows the impact on net earnings from changes in the fair values of financial instruments of a 10% change in the copper, nickel, gold and zinc commodity prices, based on December 31, 2013 prices. There is no impact of these changes on other comprehensive income except indirectly through the impact on the fair value of the available-for-sale investments. The impact of a 10% movement in commodity prices is as follows:

	Average contract price on December 31		**Impact of price change on net earnings**	
	2013	**2012**	**2013**	**2012**
Copper	$3.26/lb	$3.61/lb	1.7	1.9
Nickel	$6.40/lb	$7.81/lb	9.2	0.8
Gold	$1,245/oz	$1,705/oz	3.4	0.3
Zinc	$0.88/lb	-	0.5	-
Platinum	$1,361/oz	-	1.9	-
Palladium	$715/oz	-	0.5	-

b) Interest rate risk

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

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

The Company manages its interest rate risk on borrowings on a net basis after first recognizing the natural hedge arising from floating rate deposits. The Company has a policy allowing floating-to-fixed interest rate swaps targeting 50% of exposure over a five-year period. As at December 31, 2013 and December 31, 2012, the Company held no floating-to-fixed interest rate swaps.

At December 31, 2013, the impact on cash interest payable of a 100 basis point change in interest rate would be as follows:

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

At December 31, 2012, the impact on a full year net earnings of a 100 basis point change in interest rate would be as follows:

	December 31, 2012	Impact of interest rate change on net earnings	
		100 basis point increase	100 basis point decrease
Interest-bearing deposits and cash at bank	309.0	2.2	(1.0)
Floating rate borrowings	42.6	(0.3)	0.1

c) Foreign exchange risk

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

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

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

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

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

As at December 31, 2012, the Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than USD:

	Cash and cash equivalents	Trade and other receivables	Investments	Financial liabilities	Net deferred tax liabilities
CAD	0.2	2.8	42.2	2.8	-
AUD	13.6	2.1	-	2.7	-
ZMK	5.4	232.3	-	38.6	-
EUR	44.8	4.5	-	21.3	13.6
ZAR	14.8	0.2	-	0.4	-
MRO	0.8	9.2	-	1.0	-
Other	0.5	0.3	-	0.8	-
Total	80.1	251.4	42.2	67.6	13.6

Based on the above net exposures as at December 31, 2012, a 10% change of the above currencies against the USD would result in a $7.2 million increase or decrease in the Company's net earnings and would result in a $3.8 million increase or decrease in the Company's other comprehensive income.

Capital management

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

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

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

Derivatives not designated as hedged instruments

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

As noted above, the Company does not purchase, hold or sell derivative financial instruments unless there is an outstanding contract resulting in exposure to market risks that it intends to mitigate. As at December 31, 2013 and December 31, 2012, the Company had

entered into derivative contracts for copper, gold, nickel, zinc, platinum and palladium in order to reduce the effects of fluctuations in metal prices between the time of the shipment of metal from the mine site and the date agreed for pricing the final settlement.

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

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

As at December 31, 2012, the following derivative positions were outstanding:

		Average price		
	Open Positions (tonnes/ounces)	**Contract**	**Market**	**Maturities Through**
Embedded derivatives in provisionally priced sales contracts:				
Copper	50,191	$3.61/lb	$3.59/lb	March 2013
Nickel	3,996	7.81/lb	7.70/lb	February 2013
Gold	19,462	1,705/oz	1,676/oz	March 2013
Commodity contracts:				
Copper	53,453	$3.61/lb	$3.59/lb	March 2013
Nickel	3,315	7.81/lb	7.70/lb	February 2013
Gold	21,253	1,705/oz	1,676/oz	March 2013

A summary of the fair values of unsettled derivative financial instruments for commodity contracts recorded on the consolidated balance sheet. In December 31, 2012 this included the embedded derivative relating to the Kansanshi subordinated debt facility which has since been repaid:

	December 31, 2013	**December 31, 2012**
Commodity contracts:		
Asset position (note 10)	2.5	5.0
Liability position (note 12)	(10.5)	(2.4)

27 Commitments & contingencies

Capital commitments

In conjunction with the development of Sentinel and Cobre Panama, and other projects including the copper smelter project at Kansanshi, the Company has committed to $2,347.8 million (December 31, 2012 - $897.2 million) in capital expenditures.

Revenue stream arrangement

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

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

Franco-Nevada will pay 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.

At December 31, 2013, no funds had been received by the Company. On January 27, 2014, the Company announced that discussions are underway to effect changes to the existing security and reporting requirements of this agreement.

Other commitments & contingencies

Due to the size, complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time.

Cobre Panama is in dispute with a third party which has made a "without prejudice" demand of approximately $80.0 million for amounts claimed to be owing following termination of their contract in the second half of 2013. The parties are in discussions regarding potential resolution of the dispute and have agreed to mediate later in 2014 (date to be determined). If the case does not resolve at mediation, and a claim is commenced, the contract requires arbitration in accordance with the International Arbitration Rules of the International Chamber of Commerce in Toronto, Canada.

Cobre Panama is subject to a claim from another third party of approximately $35.0 million but has made a counterclaim greater than this amount.

28 Post balance sheet events

(a) ENRC promissory note

In January 2014, ENRC repaid $25.0 million of the $500.0 million promissory note receivable. The remainder of the promissory note is under re-negotiation with ENRC.

(b) Funding restructuring

On January 27, 2014, the Company announced funding restructuring arrangements, undertaken to optimize the Company's capital structure and financial flexibility, including the following:

- An offer to exchange any and all of the outstanding 8.75% Senior notes due 2020 and 7.50% Senior notes due 2021 issued by Inmet, for 6.75% senior notes due 2020 and 7.00% senior notes due 2021, to be issued by the Company. This offer expires on February 24, 2014. On February 12, 2014, 97.3% of the notes due 2020 and 99.8% of the notes due 2021 were exchanged for the new notes; the offer to exchange the remainder of the notes remains outstanding at the date of these financial statements.
- On January 27, 2014, the Company announced a solicitation of consent relating to proposed amendments to the indentures of these senior notes as part of the Funding Restructuring. On February 12, 2014, the consent was received and the indentures were amended.
- A mandate letter is in place for a $2,500.0 million five-year term loan and revolving facility. The facility comprises of a $1,000.0 million term loan facility available to draw for a period of 24 months from the date of signing of the Facilities Agreement ("Facilities Agreement") with a margin of 2.75% and a $1,500.0 million revolving credit facility available to draw for a period of 59 months from the date of signing of the Facilities Agreement with a margin of 2.75% per annum. All outstanding loans must be repaid on the date five years from the date of signing of the Facilities Agreement.

(c) Dividend declared

The Company has declared a final dividend of C$0.0930 per share in respect of the financial year ended December 31, 2013. The final dividend of C$0.0930, together with the interim dividend of $0.0583 CAD, is a total of C$0.1513 for the 2013 financial year.