



FIRST QUANTUM
MINERALS LTD.

ANNUAL INFORMATION FORM

AS AT DECEMBER 31, 2016
(unless otherwise noted)

DATED: MARCH 10, 2017

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DATE, CURRENCY AND OTHER INFORMATION

Unless otherwise indicated, the information in this annual information form (“AIF”) is given as of December 31, 2016. All amounts in this AIF are expressed in United States dollars, unless otherwise indicated. References to “Cdn\$” are to Canadian dollars, “A\$” are to Australian dollars, “£” are to Great British pounds and “€” are to Euros, where and if applicable. For reference, the following currency average exchange rates for 2016 and rates as at December 31, 2016 should be noted:

Currency	FX Rate - 2016 Year Average	FX Rate as at December 31, 2016
CAD-USD	0.75534	0.74410
GBP-USD	1.35535	1.23400
AUD-USD	0.74382	0.72080

Chart data per Bloomberg

“SEDAR” means the System for Electronic Document Analysis and Retrieval, the publicly accessible database used for the filing of public securities information as required by securities regulatory agencies in Canada. References herein to the “Company” or “First Quantum” may include, collectively or individually, one or more of the direct or indirect subsidiaries of First Quantum Minerals Ltd.

CAUTION WITH RESPECT TO FORWARD-LOOKING STATEMENTS AND INFORMATION

Certain of the information contained in this document constitutes “forward-looking statements” within the meaning of the *Private Securities Litigation Reform Act of 1995* and forward-looking information within the meaning of applicable Canadian securities legislation. Such forward-looking statements and information include statements regarding: targets for copper, gold and nickel production; cash operating costs and certain significant expenses; percentage increases and decreases in production from the Company’s principal mines; schedules for completion of detailed feasibility studies and initial feasibility studies and other reports; potential increases in reserves and production; the timing and scope of future commencement of mining or production and other plans and strategies; anticipated grades and recovery rates; asset retirement obligation estimates; the ability to secure financing; and potential acquisitions or increases in property interests. Often, but not always, forward-looking statements or information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate” or “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

With respect to forward-looking statements and information contained herein, we have made numerous assumptions including among other things, the price of copper, gold, nickel, zinc and other metals, economic and political conditions, continuity of operations and production-levels. Although the Company believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that forward-looking statements or information referenced 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 of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. These risks, uncertainties or other factors include, but are not limited to, the actual prices of copper, gold, nickel, zinc and sulphuric acid, unanticipated grade, geological, metallurgical, processing, access, transportation of supply or other problems, political, economic and operational risks of foreign operations, availability of materials and equipment, the timing of receipt of governmental permits, force majeure events, the failure of plant, equipment or processes to operate in accordance with specific expectations, accidents, labor relations and risks in start-up date delays, environmental costs and risks, the outcome of acquisition negotiations, impact of acquisitions, general domestic and international economic and political conditions, the factual results of current exploration, development and mining activities, results of pending and future feasibility studies, changes in project parameters as plans continue to be evaluated, competition, outcome of litigation and available smelter capacity, and those factors disclosed in documents filed by the Company from time to time

with the provincial securities regulators in Canada and the United Kingdom including, without limitation, those risks, uncertainties and other factors set out in this AIF. For resource and reserve figures appearing herein, varying cut-off grades have been used depending on the mine, method of extraction and type of ore contained in the orebody.

Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Also, many of the factors are beyond the control of the Company. Accordingly, readers should not place undue reliance on forward-looking statements or information. The Company undertakes no obligation to update forward-looking statements or information as a result of new information after the date of this AIF except as required by law. All forward-looking statements and information herein are qualified by this cautionary statement.

Presentation of Mineral Reserve and Resource Estimates

This AIF uses the terms “Mineral”, “Measured”, “Indicated” and “Inferred” in connection with its resource presentations, as defined in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 43-101”) under guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council. While the terms “Mineral”, “Measured”, “Indicated” and “Inferred” are recognized and required by Canadian regulations, they are not defined terms under standards of the SEC. As such, certain information contained in this AIF concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by U.S. companies subject to the reporting requirements of the SEC. “Inferred” resources have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an “Inferred” resource will ever be upgraded to a higher category. Under Canadian rules, estimates of “Inferred” resources may not form the basis of feasibility or other economic studies (except in limited circumstances – see 2.3(3) of NI 43-101). Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. United States shareholders are cautioned not to assume that all or any part of “Measured” or “Indicated” resources will ever be converted into “Mineral Reserves”. United States shareholders are also cautioned not to assume that all or part of an “Inferred” resource exists, or is economically or legally mineable. In addition, the definitions of “Proven” and “Probable” reserves under CIM standards differ in certain respects from the SEC standards.

Cautionary Note about Production Outlook, Guidance and Estimates

Readers are cautioned that production outlook, guidance and estimates are subject to a variety of factors that are likely to cause actual results to vary from our estimates, and such variations may be material. Forward-looking information generally involves risks and uncertainties as described above which are, in many instances, beyond our control, including: (i) global and local economic conditions; (ii) pricing and cost factors; (iii) unanticipated events or changes in current development plans, execution of development plans, future operating results, financial conditions or business over time; (iv) the temporary or permanent closure of uneconomic operations and (v) unfavorable regulatory developments, that could cause actual events and results to vary significantly from those included in or contemplated by such statements. The production outlook, guidance and estimates reflect certain assumptions by the Company, which assumptions may differ with respect to future events, economic, competitive and regulatory conditions, financial market conditions and future business decisions, including, without limitation, a continuation of existing business operations on substantially the same basis as currently exists all of which assumptions are difficult to predict and many of which are beyond our control. Accordingly, there is no assurance that the outlook, guidance and estimates are indicative of our future performance or that actual results would not differ materially from those in the outlook, guidance and estimates.

Kevitsa Discontinued Operation

Operating performance measures exclude Kevitsa. In accordance with the requirement of IFRS 5 – *Non-current assets Held for Sale and Discontinued Operations*, Kevitsa has been classified as a discontinued operation for the twelve months ended December 31, 2016; and accordingly.

CORPORATE STRUCTURE

Name and Incorporation

First Quantum Minerals Ltd. (the “Company”) was incorporated under the *Company Act* on December 21, 1983, under the name of Xenium Resources Ltd. The Company changed its name to Xenium Resources Inc. on January 25, 1984, to Zeal Capital Ltd. on November 29, 1989, and to First Quantum Ventures Ltd. on June 16, 1993. On July 18, 1996, the Company changed its name to its current name, First Quantum Minerals Ltd., and was continued into the Yukon Territory, pursuant to the provisions of the *Business Corporations Act* (Yukon). On June 7, 2002, the Company amalgamated with its wholly-owned subsidiary, First Quantum Minerals (Yukon) Ltd., pursuant to the provisions of the *Business Corporations Act* (Yukon). On August 11, 2003, the Company’s jurisdiction of incorporation was continued from the Yukon Territory to the federal jurisdiction under the *Canada Business Corporations Act*. The Company was continued to the Province of British Columbia under the *Business Corporations Act* (British Columbia) (the “BCA”) on June 3, 2005. On June 30, 2014, the Company amalgamated with its wholly-owned subsidiary, 1006197 B.C. Ltd. pursuant to the provisions of the *Business Corporations Act* (British Columbia).

The address for both the head office and the registered and records office of the Company is 14th Floor, 543 Granville Street, Vancouver, British Columbia, V6C 1X8. The Company also maintains corporate and administrative offices in London, Toronto, Perth and Johannesburg.

Intercorporate Relationships

The following table illustrates the inter-corporate relationships between the Company and its material and certain other subsidiaries (as determined by Item 3.2 of Form 51-102F2) and sets out the respective jurisdictions of incorporation of such subsidiaries and the percentage of their voting securities owned, controlled or directed, directly or indirectly, by the Company.

As at March 10, 2017

<u>Name of Subsidiary⁽¹⁾</u>	<u>Percentage of Voting Securities Beneficially Owned, Controlled or Directed by the Company</u>	<u>Jurisdiction of Incorporation/Continuance</u>
First Quantum Minerals (Australia) Pty Limited	100%	Australia
First Quantum Minerals (UK) Ltd.	100%	United Kingdom
Metal Corp Trading (UK) Ltd.	100%	United Kingdom
FQM Australia Holdings (BVI) Ltd.	100%	British Virgin Islands
FQM Aus Nickel (BVI) Ltd.	100%	British Virgin Islands
➤ <i>FQM Australia Holdings Pty Ltd.</i>	100%	Australia
○ <i>FQM Australia Nickel Pty Ltd.</i>	100%	Australia
▪ <i>Ravensthorpe Nickel Operations Pty Ltd.</i>	100%	Australia
FQM Exploration (Chile) S.A.	100%	Chile
FQM Exploration Holdings Ltd.	100%	British Virgin Islands
FQM Finance Ltd.	100%	British Virgin Islands
Black Bark Investments Ltd.	100%	British Virgin Islands
➤ <i>Kabitaka Hills Development Corporation Limited</i>	100%	Zambia
➤ <i>Kansanshi Holdings Limited</i>	100%	Ireland
○ <i>Kansanshi Mining Plc (“KMP”)</i>	80%	Zambia
➤ <i>Kansanshi Projects Limited</i>	100%	Zambia
➤ <i>Kipemba Urban Development Limited</i>	100%	Zambia
First Quantum Minerals SA (Proprietary) Ltd.	100%	South Africa
➤ <i>Metal Corp Trading Logistics SA (Proprietary) Limited</i>	100%	South Africa
Mauritanian Holdings Ltd.	100%	British Virgin Islands
➤ <i>Mauritanian Copper Mines S.A. (“MCM”)</i>	100%	Mauritania
Skyblue Enterprises Inc.	100%	British Virgin Islands
FQM Holdings Ltd.	100%	Canada (Federal)
FQM (Peru) Ltd.	100%	Canada (Alberta)
Minera Antares Peru S.A.C.	100%	Peru
FQM Kevitsa Sweden Holdings AB	100%	Sweden
Inmet Anatolia Limited	100%	Canada (Federal)
Inmet Mining (U.S.) Inc.	100%	Nevada
Inmet Karadeniz Limited	100%	Canada (Ontario)
Inmet Luxembourg (Branch)	100%	Luxembourg
Inmet Finance Company S.à.r.l.	100%	Luxembourg
Inmet Panama I S.à.r.l.	100%	Luxembourg
FQM Construction and Development, S.A. (FCD)	100%	Panama
Inmet Panama II S.A.	100%	Luxembourg
Punta Rincon Energy Company, S.A. (PRECSA)	100%	Panama
➤ <i>Minera Panama S.A.</i>	80%	Panama
○ <i>Exploraciones Geologicas, S. A.</i>	100%	Panama
Inmet Sweden Holdings AB	100%	Sweden
Inmet Cobre España, S.A.	100%	Spain
➤ <i>Çayeli Bakır İşletmeleri A.S.</i>	100%	Turkey

<u>Name of Subsidiary⁽¹⁾</u>	<u>Percentage of Voting Securities Beneficially Owned, Controlled or Directed by the Company</u>	<u>Jurisdiction of Incorporation/Continuance</u>
Inmet Finland Oy	100%	Finland
➤ <i>Pyhäsalmi Mine Oy</i>	100%	Finland
➤ <i>CLC Holdings Oy</i>	100%	Finland
○ <i>CLC Copper I B.V.</i>	100%	Netherlands
▪ <i>CLC Copper II B.V.</i>	100%	Netherlands
• <i>Cobre Las Cruces S.A.</i>	100%	Spain
Inmet Mining Sweden AB	100%	Sweden
Lumina Copper Corp.	100%	Canada (British Columbia)
Corriente Argentina SA	100%	Argentina
Metal Corp (Sweden) AB	100%	Sweden
Metal Corp Trading AG	100%	Switzerland
MNR Mining Inc.	100%	Canada (Federal)
Oryx Limited	100%	Barbados
Cover Investments Limited	100%	Ireland
➤ <i>First Quantum Mining and Operations Limited</i>	100%	Zambia
○ <i>FQM Frontier Limited</i>	100%	Zambia
○ <i>Quantum Home Loans Ltd.</i>	100%	Zambia
○ <i>Solitaire Copperbelt Housing Limited</i>	100%	Zambia
➤ <i>Kiwara Resources Ltd.</i>	100%	British Virgin Islands
○ <i>Kiwara Resources Zambia Limited</i>	100%	Zambia
▪ <i>Kalumbila Minerals Limited</i>	100%	Zambia
○ <i>Kalumbila Town Development Corp</i>	100%	Zambia
○ <i>Trident Projects Limited</i>	100%	Zambia
Kashime Africa (BVI) Ltd.	100%	British Virgin Islands
➤ <i>Kashime Africa Holdings Limited</i>	100%	Ireland
○ <i>Kashime Copper Limited</i>	100%	Zambia
Petaquilla Copper S.A.	100%	Panama
Skyfall Ltd.	100%	Canada (Ontario)

⁽¹⁾ Does not include certain immaterial subsidiaries whose total assets do not exceed 10% of the consolidated assets of the Company and whose revenue does not exceed 10% of the consolidated revenue of the Company.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

The Company is an international mining company which has grown through a combination of exploration, development, operation, and acquisition of mining projects or companies with interests in mining activity. The Company produces copper in concentrate, copper anode, copper cathode, nickel in concentrate, gold, zinc, and pyrite. The Company's principal activities include mineral exploration, mine engineering and construction, development and mining. At December 31, 2016, its operations and development projects were located in Zambia, Mauritania, Spain, Turkey, Finland, Australia, Panama, Peru and Argentina.

The common shares of the Company are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol "FM". The Company delisted its shares from the London Stock Exchange ("LSE") on May 31, 2016, which were trading under the symbol "FQM". Equity options of the Company are listed for trading and trade

on the Montreal Exchange under the root symbol “FM”. In July 2011, the Company also listed Depository Receipts in Zambia on the Lusaka Stock Exchange under the symbol “FQMZ”.

As at December 31, 2016, the Company employed approximately 16,950 employees (on a full or part-time basis), in addition to consultants and subcontractors.

Operations

The Company’s operations in Zambia include the 80% owned Kansanshi open-pit copper and gold mine (“Kansanshi”) and copper smelter (together the “Kansanshi Complex”), the 100% owned Sentinel copper mine (“Sentinel”) which was declared in commercial production on November 1, 2016 and the Enterprise nickel project (“Enterprise”). Kansanshi, Sentinel and Enterprise are located in North-Western Province.

Construction work on the process plant for Enterprise was completed in 2016, and some sections of the plant have been incorporated into the Sentinel process circuit to provide additional processing flexibility until the start-up of the project.

In Spain, the Company operates the 100% owned Las Cruces open pit copper mine (“Las Cruces”) located in southern Spain.

In Mauritania, the Company operates the 100% owned Guelb Moghrein copper and gold mine (“Guelb Moghrein”).

In Australia, the Company operates the 100% owned Ravensthorpe Nickel Operation (“Ravensthorpe”) located approximately 550 kilometers south-east of Perth.

In Finland, the Company operates the 100% owned Pyhäsalmi underground copper and zinc mine (“Pyhäsalmi”) located in central Finland. The sale of Kevitsa, the 100% owned nickel-copper-PGE mine in northern Finland (“Kevitsa”), was completed on 1 June 2016.

In Turkey, the Company operates the 100% owned Çayeli underground copper and zinc mine (“Çayeli”) located in close proximity to Madenli, Turkey.

Development and Exploration Projects

Cobre Panama

Cobre Panama is a large, advanced-stage copper, gold and molybdenum development project located in Panama. The Company currently has an 80% equity interest in Minera Panama S.A. (“MPSA”), the Panamanian corporation that holds the concession for Cobre Panama. The Company acquired Cobre Panama in March 2013 as part of its acquisition of Inmet Mining Corporation (“Inmet”).

Steady development progress continued at Cobre Panama throughout the year, and the overall project progress as at the end of 2016 was estimated to be just over 46% completed. The power station and associated infrastructure continued to receive priority for early completion, with pre-commissioning activities for the first 150MW generating unit commencing in the first quarter of 2017, start-up of the first 150MW unit planned in Q3, and unit 1 commissioned and operational in Q4. Operation of the second 150MW unit is expected to follow a similar pattern in Q1 and Q2 of 2018. These two units of the power station should provide a revenue stream prior to the start-up of the processing facility. Strong progress was achieved in other areas of the project, most notably pre-strip and the milling area of the process plant. The project remains scheduled for a phased commissioning during 2018, with continued ramp-up over 2019. On December 30, 2016 the Government of Panama signed and issued Resolution No. 128 by which it extended the Law 9 mining concession for Minera Panama SA (“MPSA”), the Panamanian company that holds the Cobre Panama concession, for a second 20-year term commencing March 1, 2017 up to February 28, 2037. The initial 20 year term of the Law 9 mining concession which started in February 1997 remained in effect in the interim period up to February 28, 2017. MPSA remains eligible for consideration of a third 20 year term of the Law 9 mining concession commencing March 1, 2037.

Haquira

On December 16, 2010, the Company acquired, through a wholly-owned subsidiary, 100% of Antares Minerals Inc. (“Antares”). Antares’ principal asset was the 100% owned Haquira project located in southern Peru adjacent to the Las Bambas copper-gold project. Haquira is one of the world’s major undeveloped copper deposits with excellent potential for the development of a large scale open pit copper mine with production from both near-surface secondary copper mineralization amenable to SX-EW leaching and from a larger, underlying body of higher grade primary porphyry copper-molybdenum-gold-silver mineralization to be processed by a conventional mill/concentrator operation. In 2016, the Company continued to focus on the community and environmental aspects of the project. The Environmental Impact Assessment (“EIA”) studies and environmental monitoring progressed as planned and required. EIA studies are planned to continue in 2017 and various access agreements with communities are expected to be negotiated for this purpose.

Taca Taca

In August 2014, the Company acquired the remaining 94% of the common shares of Lumina Copper Corporation (“Lumina”) that it did not previously own by way of a court approved plan of arrangement, in exchange for cash proceeds of Cdn\$206.9 million (US\$189.9 million) and equity of 9,669,153 ordinary shares, or total consideration of Cdn\$441.9 million (US\$405.5 million). Lumina’s primary asset was the Taca Taca project in Argentina, a copper-gold-molybdenum porphyry deposit in an advanced exploration phase. The EIA studies continued as planned with the collection of baseline data and the implementation of a communications and consultation plan in three local population centres. Initial engineering studies were carried out including the sounding of various salt lake sites that have been selected for potential infrastructure sites. Commercial and logistical aspects continue to be addressed. The EIA baseline studies are planned to be finished in second quarter of 2017 whilst further studies such as transport and electricity supply should be initiated in 2017.

Three Year History

The following is a summary of the general development of the Company’s business over the last three financial years:

2014

In the fourth quarter of 2013, Eurasian Natural Resources Corporation Plc (“ENRC”) delisted from the London Stock Exchange, triggering a mandatory repayment of the \$500 million promissory note receivable held by the Company. The Company waived the mandatory prepayment feature and renegotiated the terms of the promissory note with ENRC. Of the principal outstanding, \$70.0 million was repaid during the first quarter of 2014, as well as the payment of all outstanding interest at 3% then due. A new \$430.0 million promissory note was issued by a subsidiary of ENRC on March 20, 2014, with a term to final maturity of December 31, 2015. The interest rate on the \$430.0 million promissory was increased from 3% to 5%, and the interest due until the final maturity date of approximately \$40.0 million was prepaid. The \$430.0 million promissory was secured against the shares of a subsidiary holding ENRC’s Mozambique coal assets and guaranteed by ENRC Congo B.V., a wholly owned subsidiary of ENRC.

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

- Kevitsa \$250.0 million Facility – On February 11, 2014, the Company cancelled its \$250.0 million Kevitsa Facility.
- Consent Solicitation – On February 12, 2014, the Company completed a consent solicitation to make certain amendments to the note indenture dated October 10, 2012 governing the Company’s outstanding \$350.0 million Senior Notes due 2019 (the “2019 Notes”). The amendments, among other things, aligned the terms of the 2019 Notes with the new notes issued pursuant to the Exchange Offer (see below).

- Exchange Offer – On February 27, 2014, the Company completed an exchange offer whereby the 8.75% senior notes due 2020 and 7.50% senior notes due 2021 issued by Inmet prior to its acquisition by First Quantum were exchanged for 6.75% senior notes due 2020 (“2020 Notes”) and 7.00% senior notes due 2021 (“2021 Notes”), issued by First Quantum (the “Exchange Offer”).
- \$100.0 million equipment financing facility – On April 2, 2014, the Company completed a \$100.0 million equipment finance facility with Caterpillar Financial Services Corporation for Kalumbila Minerals Limited, which owns the Trident project in Zambia. This equipment financing facility was used to purchase mobile equipment for the Sentinel mine and Enterprise project and is guaranteed by the Company.
- Kansanshi \$1.0 billion facility – On April 3, 2014, Kansanshi Mining PLC, the owner of the Kansanshi copper and gold mine and the smelter in Zambia, cancelled its \$1.0 billion facility. This \$1.0 billion facility was replaced by an unsecured \$350.0 million facility from a syndicate led by Standard Chartered Bank, which was fully drawn in April 2014.
- Term Loan and Revolving Facilities – On April 15, 2014, the Company announced that it had signed and drawn down on its \$2.5 billion five-year Term Loan and Revolving Facility (the “Facility”). The Facility was syndicated during the second quarter of 2014, which resulted in an upsizing of the Facility to \$3.0 billion. The Facility comprised a \$1.2 billion term loan facility available to draw until April 8, 2016 with a margin of 2.75% - 3.00% and a \$1.8 billion revolving credit facility available to draw until March 8, 2019 also with a margin of 2.75% - 3.00% per annum. In connection with the Facility, the \$2.5 billion Akubra Facility was repaid and cancelled. On 27 May 2016, the Company completed a new Term Loan and Revolving Credit Facility for \$1.815 billion (the “New Facility”), comprised of equal parts Term Loan and Revolving Facility with its core relationship banks on May 27, 2016. The New Facility replaced the \$3 billion facility.)
- 7.25% Senior Notes Offering – On May 13, 2014, the Company issued \$850.0 million in senior notes due in 2022, bearing interest at an annual rate of 7.25% (“2022 Notes”).

The Company made significant progress in 2014 in advancing smelter construction activities and commissioning of the smelter at Kansanshi, which commenced with initial commissioning activities in July. During the fourth quarter, of 2014, sections of the smelter plant were brought online in a systematic manner and several areas of the plant were operationally tested. First anodes were poured on December 28, 2014.

On April 2, 2014 the Energy Regulation Board (“ERB”) of Zambia issued a press release unilaterally recommending Zambia’s state-run power company (“ZESCO”) charge its mining customers a minimum average tariff of 6.84 cents kWh for power provided. In May 2014, ZESCO subsequently invoiced Kansanshi for power at 6.84 cents kWh in breach of the terms of Kansanshi’s Power Supply Agreement with ZESCO. On June 30, 2014, Kansanshi issued arbitration proceedings against ZESCO challenging the increased tariff. This arbitration was settled by consent on April 18, 2016, with Kansanshi agreeing to pay the 6.84 cents kWh, subject to a Judicial Review, which is currently underway in Zambian Courts, challenging the ERB’s power to unilaterally recommend a minimum power tariff.

Construction activities at Sentinel were substantially completed by the end of 2014. Staged commissioning was advanced, with first ore introduced to crushing and stockpiling in October 2014 and first concentrate produced on December 31, 2014. Environmental approval was granted for Enterprise.

In August 2014, the Company acquired the remaining 94% of the common shares of Lumina that it did not previously own in exchange for cash proceeds of Cdn\$206.9 million (US\$189.9 million) and equity of 9,669,153 ordinary shares, or total consideration of Cdn\$441.9 million (US\$405.5 million). Lumina’s primary asset was the Taca Taca project in Argentina, a copper-gold-molybdenum porphyry deposit in an advanced exploration phase. A detailed review of geology, exploration and development options for the Taca Taca project was commenced.

2015

The Zambian government passed into law changes to the taxation regime that impacted the Company's 2015 financial results under two separate enactments. First, effective January 1, 2015, the corporate tax rate in Zambia was reduced to 0% and the mineral royalty rate was increased from 6% to 20% for open pit mines. As a result, no corporate tax was recognized in relation to the Company's Zambian operations in the first half of 2015 and the increase in royalty rate resulted in \$97 million in incremental royalty costs compared to the first half of 2014.

This change in the Zambian tax and royalty regime, combined with a significant fall in commodity prices, put at risk the Company's ability to meet the Net Debt to EBITDA covenant under the \$3.0 billion Facility, the \$350.0 million Kansanshi facility and the \$100.0 million equipment financing facility.

The Company's lead bankers responded favorably to the steps the Company had taken and agreed to change the affected covenant to reflect current circumstances and recommended such a change to the broader lending group who supported the recommendation. On March 19, 2015, the Company announced that the required threshold of syndicate banks in the lending group agreed to the requested changes to the Net Debt to EBITDA covenant under the Facility and the \$350 million Kansanshi facility and the \$100.0 million equipment financing facility. Pursuant to these changes the margin applicable to the Facility was amended from 2.75% to 3.75%.

On June 4, 2015, the Company completed an equity issuance, resulting in net proceeds of \$1,121 million which significantly strengthened its financial position. \$1.0 billion of net proceeds were used to repay senior debt facilities to reduce borrowing costs.

The Company's cash position was also improved following negotiations to amend the \$430 million promissory note due from ENRC in December 2015. A balance of \$64 million was outstanding at December 31, 2015 (December 31, 2014: \$426 million).

On July 25, 2015, reductions to the electricity supply at the Kansanshi Complex and Sentinel were imposed by ZESCO. Power was restored to the previous rate (although still short of the full requirement) on August 6, 2015. During the 12 days the power limitations were in place, the majority of electricity allocated to Sentinel was transferred to the Kansanshi mine and smelter to lessen the production impact. Prior to November 2016, the Company's Zambian operations were being consistently provided a total of 285MW, which allowed for normal operations at the Kansanshi complex except for operation of the High Pressure Leach ("HP" L) system and for Sentinel to achieve nameplate capacity throughput for periods, depending on the hardness of the ore. ZESCO commenced supplementary power imports from neighboring countries. Kansanshi and Sentinel were offered additional power at a premium for a portion of their total power requirements which are being met by ZESCO through additional power imports. In December 2015, Kansanshi and Sentinel were advised by ZESCO that power tariffs were to be increased to 10.35 cents kWh effective January 1, 2016. This further increase is being disputed through a Judicial Review in the Zambian courts and a Notice of Arbitration has been served on ZESCO. Discussions with ZESCO and the Government of Zambia on the matter are ongoing.

On August 14, 2015, the Zambian government passed into law further changes to the taxation regime that became effective from July 1, 2015. The changes resulted in a decrease in mineral royalties to 9% for open pit mines from the 20% royalty rate that was enacted effective January 1, 2015. The changes also included the reinstatement of corporate tax to 30% with variable profits tax of up to 15%. The reintroduction of corporation tax resulted in an income tax charge of \$514 million in the statement of earnings related to the revaluation of the Company's deferred tax balances in Zambia. This was effectively the re-instatement of deferred tax provisions released in 2014, when the Company revalued its Zambian net deferred tax liability as a result of the Zambian government's reduction of the corporate tax rate to 0%.

In September 2015, the Company received \$58 million in insurance proceeds in relation to the December 2014 atmospheric leach tank failure at Ravensthorpe. The insurance recovery was comprised of \$49 million in business interruption proceeds and \$9 million relating to assets that were written off as a result of the failure.

Production ramp-up at Sentinel continued throughout 2015 with progress toward achieving steady state operation within the process circuit. Construction of the power lines project was completed on September 22, 2015, and was partially energized from Lusaka West to Mumbwa substations. Although Sentinel was able to reach design capacity at times with the 120MW allocation, the full power requirement was expected to progressively increase with harder ore from the mine.

The Company's subsidiary, MPSA, finalized on October 5, 2015, the terms of a replacement agreement with Franco-Nevada for the purchase and sale of precious metals from the Cobre Panama project. Under the terms of the agreement a wholly-owned subsidiary of Franco-Nevada agreed to provide a \$1 billion deposit to be funded on a pro-rata basis of 1:3 with the Company's 80% share of the capital costs of Cobre Panama in excess of \$1 billion. The amount of gold and silver deliverable is indexed to the copper in concentrate produced from the Cobre Panama project. Beyond approximately the first 30 years of the current life of mine, the precious metals deliverable under the new agreement will be based on a fixed percentage of the precious metals in concentrate. Upon closing the agreement, a total of \$338 million was received from Franco-Nevada.

The Guelb Moghrein magnetite plant was impaired in full in the first quarter of 2015 following management's decision to pause commissioning of operations in the context of prevailing weak iron ore prices.

2016

On March 10, 2016, the Company announced that it and its wholly owned subsidiaries, FQM Kevitsa Holdings AB, FQM Finance Ltd. and FQM Projects Finance Ltd. (the "Relevant Subsidiaries"), had entered into a definitive agreement with Boliden Minerals AB (the "Buyer") pursuant to which it and the Relevant Subsidiaries would sell all of the issued and outstanding shares of FQM Kevitsa Mining Oy for cash consideration of US\$712,000,000 at closing subject to customary adjustments. FQM Kevitsa Mining Oy owns the Kevitsa nickel-copper-platinum group elements mine located approximately 142 kilometers north-northeast of Rovaniemi, the capital of Finnish Lapland and all of the shares of FQM Finnex Oy, a Finnish, wholly owned indirect subsidiary of the Company and a wholly owned direct subsidiary of FQM Kevitsa Mining Oy, which owns certain exploration rights. The transaction was completed on June 1, 2016.

The Company completed a new Term Loan and Revolving Credit Facility (the "New Facility") with its core relationship banks on May 27, 2016. The New Facility replaced the existing \$3 billion Facility. The \$1.815 billion New Facility comprised a \$907.5 million Term Loan Facility, and a \$907.5 million Revolving Credit Facility, maturing in December 2019. The New Facility includes revised financial covenants and an extended amortization schedule that starts in June 2017, which combined with the receipt of the Kevitsa asset sale proceeds, improves the financial flexibility of the Company without reducing liquidity, while further reducing net debt.

The New Facility includes revised financial covenants and an extended repayments schedule that commences in June 2017, which, combined with the full receipt of the Kevitsa asset sale proceeds, improves the financial flexibility of the company without reducing liquidity, while further reducing net debt. Under the new facility, the current Net Debt to EBITDA covenant ratio of 5.5x will now be maintained until June 2017. The ratio will then reduce to 5.0x until December 2017, then to 4.5x until June 2018, and to 3.5x until December 2018, when it will reduce to 3.25x timed to better match the Cobre Panama construction and commissioning schedule. The New Facility also incorporated an accordion feature to enable it to be increased to up to \$2.2 billion at the Company's discretion. The New Facility was increased to \$1.865 billion in 2016.

The remaining debt due under the ENRC amended Promissory note was repaid in full at the end of Q2 2016.

The power supply situation in Zambia stabilized in 2016 and the Company's local operations were being provided a total of 301MW, which is adequate for current operations at the Kansanshi mine and smelter complex and at Sentinel. In December 2015, Kansanshi and Sentinel were advised by ZESCO that power tariffs were to be increased to 10.35 cents per kWh effective January 1, 2016, and invoices for power supply under this new tariff have been received. These increases are being disputed and discussions with ZESCO and the Government of Zambia are ongoing.

The Government of Zambia implemented in 2016 a number of changes to the mining tax regime, including: the repeal the variable profits tax at up to 15% applicable to profits from mining; suspension of the 10% export duty on ores and concentrates applicable to nickel for which there are no processing facilities in Zambia; and reduction in the mining royalty rates for open pit mining from 9% to a sliding scale of 4% to 6% depending on the LME monthly average price and; retention of corporate tax on profits from mining at 30%. Agreements were reached in December 2016 with the Zambia Revenue Authority (“ZRA”) on tax matters relating to the Zambian operations.

In October 2016, the Company, through its subsidiary Kansanshi Holdings Ltd., received a Notice of Arbitration from ZCCM International Holdings PLC (“ZCCM”) under the Kansanshi Mining PLC (“KMP”) Shareholders Agreement. ZCCM is a 20% shareholder in KMP and filed the Notice of Arbitration against KMP and Kansanshi Holdings Limited, the 80% shareholder in KMP. KMP also received a Statement of Claim filed in the High Court for Zambia naming additional defendants, including First Quantum, its subsidiary FQM Finance Ltd. (“FQM Finance”), and a number of directors and an executive of the named corporate defendants.

This dispute arises out of the rate of interest paid on deposits made by KMP with the Company's financing entity, FQM Finance. The funds on deposits were retained for planned investment by KMP in Zambia. FQM Finance paid interest on the deposits to KMP based on an assessment of an arms-length fair market rate, which is supported by independent third party analysis. ZCCM disputes that interest rate paid to KMP on the deposits was sufficient. ZCCM commenced a further action in the High Court for Zambia, making allegations repeated from the Notice of Claim against certain First Quantum directors and an executive that are inflammatory, vexatious and untrue. Having carefully studied the claims made in both the Notice of Arbitration and Statement of Claim, the Company is firmly of the view that the claims are without merit, or indeed any foundation in facts. KMP deposits were used to fund a major investment program at Kansanshi, including the successful construction and commissioning of the Kansanshi smelter and expansion of the processing plant and mining operations.

Overall, the fourth quarter capped off a strong year for First Quantum. Amid some of the most challenging and volatile market conditions, the Company's employees remained focused and produced the highest production and sales in the Company's history, a much reduced unit cost of production and importantly, a sound balance sheet with the financial flexibility to support our operating and growth plans into 2017 and beyond. The transition of Sentinel into commercial operations and the progress at the Cobre Panama project were important milestones. While the sentiment for the industry improved markedly 2016, the Company is expecting continued volatility and will conduct its activities accordingly. However, it is expected that Cobre Panama will start production at an opportune time in late 2018. The Company believes copper has very compelling fundamentals and this will become more broadly apparent sooner than previously anticipated.

DESCRIPTION OF THE BUSINESS

Overview

Copper

The Company's primary product is copper. In 2016, the Company produced 539,458 tonnes of copper. Copper has a wide range of applications because of its many useful properties. It is malleable, durable, strong and resistant to heat. Copper is also one of the most efficient conductors of electricity and heat.

Copper is used to manufacture copper wire, copper products and copper alloy products. Wire and cable copper is used for or formed into general industrial cable, utility power cable, telecommunications cable, insulated wire and winding wire for electrical motors. Wire and copper cable is also used in heating and air conditioning systems, plumbing, roofing, and brass fittings. For electrical and electronic devices in common usage such as televisions, radios, lighting, computers and mobile phones, copper wiring is used for electrical leads, adapters, transformers and motors. Copper compounds and chemicals are used to protect plants and crops and to preserve wood.

Copper tubing for plumbing, heating systems, air conditioners and refrigerators accounts for a significant use of copper. Copper may also be used in alloy products which include copper sheet and strips and brass fixtures used for building fixtures and fittings.

The price of copper is primarily determined by changes in supply and demand, which are in turn affected and determined by global economic conditions. Copper consumption by Asian countries has increased demand for the metal and, in the last few years, has led to higher prices.

Nickel

The Company effectively became a nickel producer in December 2011 when Ravensthorpe achieved commercial production. In mid-2012, construction was completed at Kevitsa and the mine achieved commercial production in August. The sale of the Kevitsa mine was completed on June 1, 2016 for proceeds of \$712 million. In 2016, the Company produced a total of 23,624 tonnes of nickel.

Nickel is pre-eminently an alloy metal, and its chief use is in the nickel steels and nickel cast irons, of which there are many varieties. Nickel is used in many industrial and consumer products, including stainless steel, magnets, coinage, rechargeable batteries, electric guitar strings and special alloys. It is also used for plating and as a green tint in glass.

Gold

The Company produces gold primarily at Kansanshi and Guelb Moghrein. In 2016, the Company produced 214,012 ounces of gold.

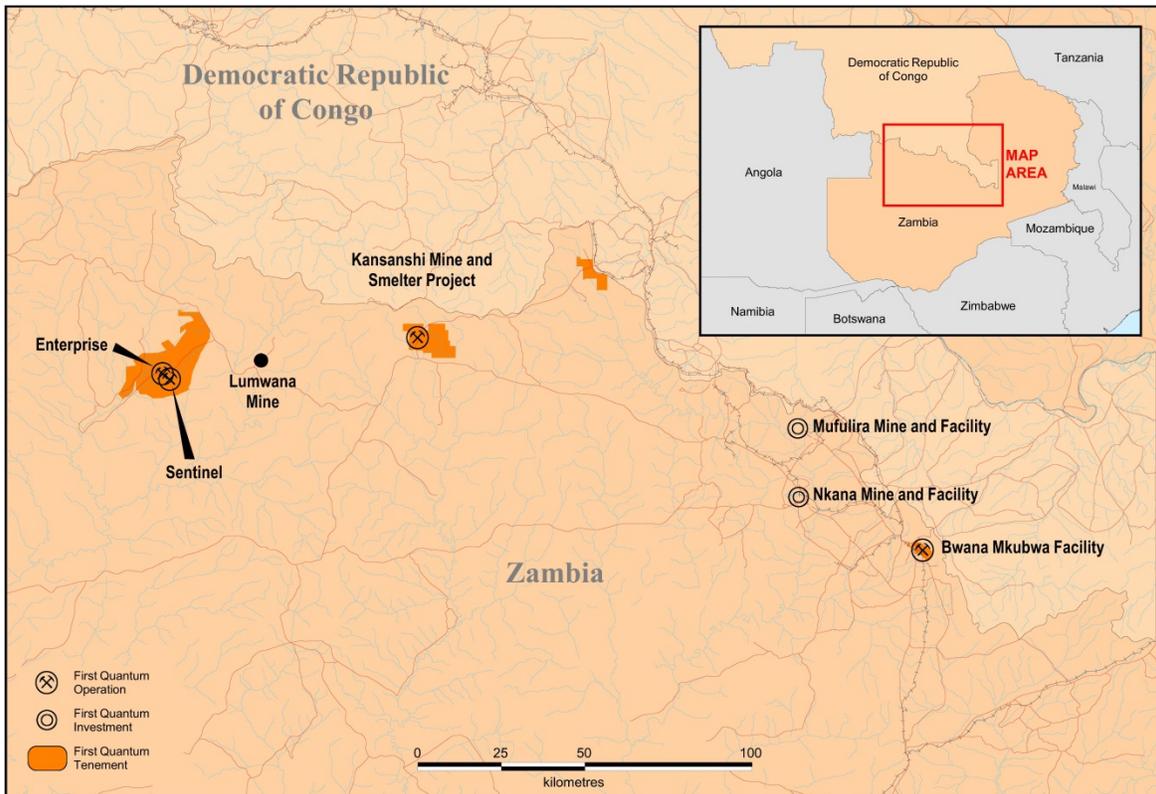
In addition to its common use in jewellery, gold has many other important uses. Gold plays an important role in modern health applications and research. It is used in medicines, lasers, thermometers and genetic research. Gold is the most ductile metal and is a good conductor of heat and electricity. It is used in computers, telecommunication, digital technology, and has important applications for space exploration.

Operations

Information on production forecasts for each of the Company's producing divisions (the Kansanshi Complex, Sentinel, Las Cruces, Guelb Moghrein, Ravensthorpe, Çayeli and Pyhäsalmi) is contained under "Outlook" in the Company's Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2016, which is available for review on SEDAR at www.sedar.com. Except as otherwise set out in this AIF, scientific and technical information in this AIF relating to the Company's properties and development projects has been reviewed, approved and verified on behalf of the Company by Mr. John Gregory, Group Consultant, Mining, of the Company. Mr. Gregory is a Qualified Person under National Instrument 43-101- Standards for Disclosure for Mineral Properties ("NI 43-101"). Reserves at Kansanshi are based on \$3.00/lb Cu and \$1,200/oz gold and reflect a 9% Zambian royalty. Reserves at Las Cruces are based on \$2.70/lb Cu. Reserves at Guelb Moghrein are based on \$3.00/lb Cu and \$1,200/oz gold. Reserves at Ravensthorpe are based on \$7.50/lb Ni. Reserves at Sentinel are based on \$3.00/lb Cu and a 9% Zambian royalty. Reserves at Pyhäsalmi are based on \$2.75/lb Cu and \$1.00/lb Zn. Reserves at Çayeli are based on \$2.75/lb Cu and \$1.00/lb Zn. Drill samples collected for use in geological modelling and mineral resource estimation are under the direct supervision of the geology department. Sample preparation and analyses are conducted by the Company and by independent laboratories. All drill hole collar, survey and assay information used in modelling and resource estimation are verified and approved by staff geologists prior to entry into the mine-wide database. The quality assurance procedures and assay protocols used in connection with drilling and sampling on the each property conform to industry accepted quality control methods.

Kansanshi

The information on Kansanshi contained in this AIF is based in part on a Technical: "Kansanshi Operations, North West Province, Zambia, NI 43-101 Technical Report" dated as of May 31, 2015 reviewed by J. Gregory (QP) BSc (Hons) Min.Eng., IMMM, CEng., MAusIMM, ARSM and prepared by David Gray (QP) BSc(Geology), MAusIMM, PrSciNat(SACNASP), Group Mine and Resource Geologist, FQM (Australia) Pty Ltd., Michael Lawlor (QP) BEng Hons (Mining), MEngSc, FAusIMM, Consultant Mining Engineer, FQM (Australia) Pty Ltd, Robert Stone (QP) BSc(Hons), CEng, ACSM, Technical Manager, FQM (Australia) Pty Ltd in accordance with the requirements of NI 43-101. All are Qualified Persons under NI 43-101 and have verified the data. The Technical Report is available for review on SEDAR under the Company's profile.



History

Kansanshi is the site of one of the oldest copper mines in Zambia and dates back to the fourth century A.D. It has been mined intermittently since that time by various parties including ZCCM which, in 1969, approved the development of an open pit mine to treat high grade oxide ore. Due to economic conditions at the time, the

processing project was halted and only mining was conducted at the site until April of 1986, when mining operations ceased due to economic conditions. In 1988, after a resumption of mining operations, ZCCM constructed a small sulphide flotation concentrator to treat ore which was transported offsite for smelting. In 1998, ZCCM formally ceased operations at Kansanshi and initiated closure and reclamation activities.

Subsequently, Cyprus Amax Minerals Corporation (“Cyprus Amax”) acquired a majority of the ownership of surface leases and selected assets associated with Kansanshi from ZCCM and the Government of the Republic of Zambia (“GRZ”). After completion of metallurgical test work and a feasibility study to determine the potential for a 124,000 tonne per annum copper production site, Cyprus Amax was acquired by Phelps Dodge Corporation in 1999.

The Company purchased its 80% interest in Kansanshi from Cyprus Amax in August of 2001. Payment by the Company consisted of an initial payment of \$2.5 million in cash, together with the issuance of 1.4 million common shares in the Company. The market value of the 1.4 million common shares was determined 30 days after the commencement of commercial production at Kansanshi and the difference between the value established and \$25 million was paid as an additional cash payment to Cyprus Amax. A further amount of \$2 million was paid to a subsidiary of ZCCM, which continues to hold a 20% interest in Kansanshi. The Company also agreed to pay a further \$4 million to ZCCM when a decision was reached to proceed with the project. Commercial production at Kansanshi was achieved in April of 2005.

Property and Ownership Interest

The Company has an 80% interest in Kansanshi which it holds through a subsidiary, Kansanshi Mining PLC. The remaining 20% is owned by a subsidiary of ZCCM. All surface rights necessary to develop and operate the project have been obtained and include four leases governing in excess of 7,000 hectares, which secure access to active mining areas. The right to mine is governed by a large scale mining license granted in March 1997, which has a term of 25 years. It allows for the exploration and mining of copper and various other minerals and applies to an area of approximately 24,865 hectares.

Location, Access and Infrastructure

Kansanshi is located approximately 10 kilometers north of the town of Solwezi, the capital of the Northwestern Province in Zambia, and 18 kilometers south of the border with the Democratic Republic of the Congo. The Solwezi district of Zambia has an estimated population of 200,000, the majority of whom live in rural areas surrounding Solwezi. Chingola, a town located in the Zambian portion of the Copperbelt, is approximately 180 kilometers to the southeast of Kansanshi.

Prior to commencing construction at Kansanshi, the infrastructure in the Solwezi area was poor. Power supplies were limited and inadequate for the development of the mine. Roads, airport, hospitals and schools were in need of significant upgrades. As a result, the Company undertook a number of measures to improve infrastructure including the signing of a connection agreement with ZESCO for the construction and supply of a new power line to service Kansanshi and the upgrading of the main road from Solwezi to Kansanshi. Both projects were completed in 2004. The main road from Chingola to Solwezi, a paved highway, was repaired in 2002 and is adequate for construction and on-going operational requirements. An existing airstrip near Solwezi is equipped with a full-time tower and radio control. The airport has been rehabilitated to accommodate increased usage by small charter aircraft. The climate at Kansanshi is temperate humid, with average annual precipitation of approximately 1,400 millimeters. Kansanshi is situated at an elevation of 1,460 meters above sea level. Vegetation includes a mixture of open savannah grassland, tropical dry forest, savannah and marsh.

As a result of the efforts of the Company and others, Kansanshi has access to infrastructure (such as power, water and waste disposal areas) for its operations.

Geological Setting and Mineralization

The deposit at Kansanshi occurs within a broad, northwest trending, north-west closing antiform, which can be traced for approximately 12 kilometers. Kansanshi is a vein deposit developed within a tectonised rock sequence

and, as such, constitutes a major mineralization control. The main veins and vein swarms dip sub-vertically, perpendicular to the fold axes, in the plane of maximum extension.

A major north-south trending and well mineralized zone of complicated faulting, abundant vein injection, breccia development and down-dropped rock units lie within the area delineated by Kansanshi's mining license. Copper mineralization at Kansanshi occurs as vein-specific mineralization within and immediately adjacent to mesoscopic veins; as stratiform or concordant mineralization in thin bands and veinlets parallel to bedding/foliation; and as disseminated mineralization associated with albite-carbonate alteration. Brecciated zones may also be mineralized, but usually only within oxidized and supergene enrichment horizons, which display a complicated spatial distribution of secondary copper minerals.

Primary copper sulphide mineralization is dominated by chalcopyrite, with very minor bornite, accompanied by relatively minor pyrite and pyrrhotite. Oxide mineralization is dominated by chrysocolla with malachite, limonite and cupriferous goethite. The mixed zone includes both oxide and primary mineralization but also carries significant chalcocite, minor native copper and tenorite. Some copper appears to be carried in clay and mica minerals, where it is essentially refractory.

Labour

At December 31, 2016, Kansanshi employed an operations workforce of 2,705 people directly and a further 4,874 contractors. An additional project workforce of 112 direct employees and 307 contractors were employed at the end of 2016. The local labor force is unionized.

Mining, Mineral Processing and Metallurgical Testing

Mining is carried out in two open pits, Main and Northwest ("NW"), using conventional open pit methods and employing hydraulic excavators and a fleet of haul trucks. Ore treatment is flexible to allow for variation in ore type either through an oxide circuit, a sulphide circuit and a transitional ore "mixed float" circuit with facilities to beneficiate flotation concentrate to final cathode via the High Pressure Leach ("HPL") circuit.

Sulphide ore is treated via crushing, milling and flotation to produce copper in concentrate. The expansion of the sulphide milling circuit (S2) was commissioned in fourth quarter of 2008, to maintain finished copper production as oxide ore is depleting and sulphide ore grades begin to fall as the mining horizon deepens. The successful achievement of production goals with the sulphide expansion circuit and successful completion of test work aimed at achieving economic recoveries from transitional mixed ores allowed a switch to mixed ore treatment through the original sulphide circuit (S1), with dedicated treatment of sulphide ore in the expansion circuit only. This positioned Kansanshi to economically process all significant in situ ore types and significantly reduced mining costs as transitional ores are no longer moved to stockpile and value is realized immediately. Additional flotation cleaning capacity, in conjunction with added capacity provided by in-circuit crushing for the new mill circuit, was added in first quarter of 2010, which further increased capacity, flexibility and efficiency.

Oxide ore is treated via crushing, milling, flotation, leaching and the SX/EW process to produce a sulphidic and gold bearing flotation concentrate as well as electro-won cathode copper. The construction of a fourth electro-winning facility commenced in 2007 and was commissioned early third quarter of 2008, and, alongside a third SX train, provides extra capacity to handle the additional copper input from the HPL circuit. The HPL is used to treat a portion of the increased copper concentrate by processing the concentrate in the autoclaves by oxidation and leaching.

In 2009, HPL switched from treating Kansanshi concentrate to Frontier concentrate on a toll treatment basis. The change in processing concentrate from Kansanshi avoided the loss of payable gold in the concentrate treated. After the closure of Frontier operations, test work indicated that gravity gold recovery was possible on HPL residues and an acid resistant gravity concentrator was installed.

Gold recovery by gravity was expanded by the addition of four new gravity concentrators in April 2010, thus providing two concentrators per milling train, and increasing gold recovery from all ore types. Gemini tables were installed to treat the gravity concentrates and produce a high grade concentrate for direct smelting to gold bullion.

Gold dore production from direct smelting is currently 50% of the total gold production.

The oxide treatment capacity was increased to 14.5 million tonnes per annum with the installation of equipment from Bwana Mkuba copper SX/EW plant in 2012 and the commissioning of additional leach, solvent extraction, electro winning and CCD thickeners during 2013 and 2014.

Kansanshi smelter commissioning commenced third quarter of 2014. During fourth quarter, sections of the plant were brought online in a systematic manner. The first anodes, from melted cathodes, were poured December 28, 2014. The first concentrate was smelted March 10, 2015. The smelter has ramped up quickly, achieving commercial production July 1, 2015.

The Kansanshi smelter has a nominal capacity of 1.2 million tonnes per annum of concentrate to produce over 300,000 tonnes of copper metal annually and more than 1.0 million tonnes per annum of sulphuric acid as a by-product. The main processing steps are smelting, converting, fire refining and casting.

The smelter produced in 2016 over 257,000 tonnes anode and 1.1 million tonnes sulphuric acid (0.1 million tonnes above design capacity). The acid production from the Kansanshi smelter permitted the process plant to process mixed cleaner tails through the leaching circuit and produce additional cathode.

Expansion plans for the construction of a new sulphide concentrator and expansion of the Kansanshi smelter are currently on hold due to changes in the Zambian tax and royalty regimes implemented in January 1, 2015.

Metallurgical test work programs have always been an important aspect of the Kansanshi optimization process due to the significant variability of ore types. This metallurgical test work includes:

- Upgrading of the final copper concentrate to reduce impurity levels which will subsequently enhance the Kansanshi smelter treatment (principally reduction of carbon and insolubles).
- Optimization of the leaching of mixed ore floatation tailings to enhance acid soluble copper recovery by utilising the sulphuric acid generated by the smelter.
- Optimization of oxide leach feed floatation to improve acid insoluble copper recovery.
- Evaluation of options to reduce iron levels in the electro-winning circuits to improve current efficiency and reduce power consumption.

The overall recovery of copper at Kansanshi has lifted by approximately 10% over the past 12 months due to leaching of additional Copper from mixed ore made possible through the increase in low cost acid available from primarily the Kansanshi smelter and the on-going extensive metallurgical improvement programs.

Capital and Operating Expenses

Kansanshi's estimated capital and operating costs for 2017 are set out in the following table:

	\$ million
Capital cost (1)	280
Operating Costs (2) (3)	
Labor, Contractors, Maintenance	310
Suppliers, Power, Fuel	330
Other	20
Total operating cost	660

(1) Total capital costs include project capital costs, capitalized stripping and sustainable capital.

(2) Total operating costs exclude royalties, TC/RC, freight and by-product credits.

(3) Operating cost includes costs associated with the Kansanshi smelter.

Mining Operations

Mining statistics for the years ended December 31, 2013 to December 31, 2016 are set out in the following table:

	Unit	2016	2015	2014	2013
Waste Mined	'000 Tonnes	74,935	70,729	54,965	84,199
Ore Mined	'000 Tonnes	31,679	30,105	26,945	35,993
Ore Grade Mined	%Cu	1.2	1.02	1.02	1.11
Strip Ratio		3.00	2.07	2.04	2.33

Production Review

Production statistics for the years ended December 31, 2013 to December 31, 2016 are set out in the following table:

	Unit	2016	2015	2014	2013
Sulphide Ore Processed	'000 Tonnes	11,988	8,296	7,944	11,089
Mixed Ore Processed	'000 Tonnes	7,953	10,949	9,413	7,677
Oxide Ore Processed	'000 Tonnes	7,076	6,795	7,977	6,662
Sulphide Copper Grade	%Cu	0.8	0.8	0.9	0.8
Mixed Copper Grade	%Cu	1.0	1.1	1.1	1.2
Oxide Copper Grade	%Cu	1.5	1.5	1.8	2.2
Copper in Concentrate Produced ⁽²⁾	Tonnes	173,824	160,384	157,365	106,214
Copper Cathode Production ⁽²⁾	Tonnes	79,448	66,290	102,362	99,834
Cash Cost Copper ⁽¹⁾	\$/lb	1.15	1.38	1.63	1.38
Total Cost Copper	\$/lb	1.78	2.28	2.16	1.83

(1) Cash cost copper amounts have been arrived at net of gold credits.

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

Smelter production statistics for the years ended December 31, 2015 and December 31, 2016 are set out in the following table:

	Unit	2016	2015
Concentrate Processed	'000 DMT	1,144	709
Copper Anode Produced	Tonnes	257,330	150,292
Acid Produced	'000 Tonnes	1,109	645

Permits

Kansanshi holds all necessary Zambian permits required to carry out its operations and operated in material compliance in 2016.

Sales

Sales from Kansanshi arise from the sale of copper anode and cathode produced on site and limited sale of concentrate to Zambian smelters. Copper cathode production is sold under off-take agreements with two parties, one governing the sale of approximately 75% of production and the other governing the sale of approximately 25% of production. Anodes are sold under a single off-take agreement.

A summary of the revenues for the past three years attributable to the Kansanshi division are as follows:

Year	Revenue (\$ million)
2016	\$1,449
2015	\$1,285
2014	\$1,678
2013	\$1,832

Mineral Resource and Reserves

Additional drilling and geological modelling culminated in the filing of an updated NI 43-101 Technical Report in May 2015. The Mineral Resource estimate reflects enhanced reconciliation data as well as an update of the geological interpretation plus the inclusion of additional drillhole data from in-pit RC drilling.

Delineation and near mine drilling has continued during 2016, and is planned to continue into 2017, targeting extensional opportunities from improved in-pit geology modelling. High quality in-pit RC drilling and sampling continues to provide accuracy in grade estimates and the relative position of oxidized and fresh sulphide mineralization. Ore control systems have been further enhanced and integrated into the mining systems during 2016.

Mineral Resources - Kansanshi

Combined Main, NW and SE Dome deposits – as at December 31, 2016, and reported using a 0.2% TCu cut-off grade.

Classification	Tonnes (Mt)	TCu (%)	ASCu (%)	Au (g/t)
Total Measured	76.5	0.65	0.14	0.11
Total Indicated	700.7	0.71	0.14	0.12
Total Measured and Indicated	777.2	0.70	0.14	0.12
Total Inferred	663.7	0.59	0.04	0.10

The current depleted Mineral Resource as at December 31, 2016, was estimated and verified by David Gray of the Company who is a qualified person and holds the following valid qualifications: BSc Hons(Geo), MAusIMM, Pr.Sci.Nat.

The 0.2% TCu cut-off grade for this estimate provides a Mineral Resource inventory which encloses the contemporary Mineral Reserve estimate, and is consistent with the cut-off grade adopted for the last reported estimate in the May 2015 NI 43-101 Technical Report.

Current surface stockpiles from the end of 2016 total 76.5 Mtonnes @ 0.46%TCu and 0.16%ASCu, as presented in the table below.

Kansanshi stockpiles - as at December 31, 2016

Classification / Stockpile	Leach (float/leach feed)				Mixed (float/leach feed)				Sulphide (float feed)			
	Ore (Mt)	TCu (%)	AsCu (%)	Au (g/t)	Ore (Mt)	TCu (%)	AsCu (%)	Au (g/t)	Ore (Mt)	TCu (%)	AsCu (%)	Au (g/t)
Total Measured	-	-	-	-	-	-	-	-	-	-	-	-
Total Indicated	-	-	-	-	63.4	0.48	0.19	0.10	13.1	0.38	0.01	0.10
Total Meas. Plus Ind.	-	-	-	-	63.4	0.48	0.19	0.10	13.1	0.38	0.01	0.10

The current depleted Mineral Resource inventory as at December 31, 2016, was estimated and verified by David Gray of the Company who is a qualified person and holds the following valid qualifications: BSc Hons(Geo), MAusIMM, Pr.Sci.Nat.

The classification of the Mineral Resource is based on drill grid spacing, estimate confidences and improved models of the copper mineralization. The increased quantity of the gold assays contained within the Kansanshi drillhole database, together with mine reconciliation data, allows for the classification of gold mineralization to be aligned with the copper mineralization.

Apart from mining depletions, there has been no change to the Mineral Resource inventory reported in the May 2015 NI 43-101 Technical Report.

Mineral Reserves – Kansanshi

The following Mineral Reserve estimate for the Main, NW and SE Dome open pits at Kansanshi existed as at December 31, 2016. This estimate is derived from conventional optimization processes, detailed stage and ultimate pit designs and life of mine production scheduling completed for the May 2015 NI 43-101 Technical Report, and subsequently adjusted to account for mining depletion and stockpile movements to date.

The mine operating cost inputs to the optimisation are based on depth incremented estimates provided by First Quantum Mining and Operations and account for indicative ore haul profiles to IPCC positions and waste hauls under trolley assist. Other operating costs and metal costs (eg, processing costs, transport charges, refining charges) are based on a review of actual costs, adjusted for future production levels and efficiencies.

The Mineral Reserves have been defined using the long-term consensus copper price of \$3.00/lb and a gold price of \$1,200/oz, and reflect a 9% Zambian Government royalty (applicable at the time of the estimate). By virtue of variable processing recovery relationships, the marginal cut-off grade applicable to the above metal prices varies throughout.

As presented in table below, the total in-pit Mineral Reserve inventory is 607.9 Mt at the average grades of 0.68%TCu, 0.14%ASCu (note the 0.71%ASCu grade for leach ore) and 0.12 g/tAu.

Combined Main, NW and SE Dome pits – as at December 31, 2016, and reported based on a \$3.00/lb long-term copper price

Classification / Pit	Leach Ore (float/leach feed)				Mixed Ore (float/leach feed)				Sulphide Ore (float feed)			
	Ore (Mt)	TCu (%)	ASCu (%)	Au (g/t)	Ore (Mt)	TCu (%)	ASCu (%)	Au (g/t)	Ore (Mt)	TCu (%)	ASCu (%)	Au (g/t)
Main & NW / Proven	12.0	1.06	0.65	0.11	8.6	0.53	0.13	0.09	61.7	0.49	0.01	0.11
Main & NW / Probable	77.1	1.18	0.73	0.13	62.6	0.72	0.16	0.12	329.8	0.57	0.02	0.12
Total Main & NW Pits	89.1	1.16	0.72	0.13	71.2	0.70	0.15	0.12	391.6	0.56	0.02	0.11
SE Dome / Proven	0.0	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.0	0.00	0.00	0.00
SE Dome / Probable	3.8	0.89	0.40	0.14	5.5	0.65	0.15	0.12	46.8	0.80	0.03	0.13
Total SE Dome Pit	3.8	0.89	0.40	0.14	5.5	0.65	0.15	0.12	46.8	0.80	0.03	0.13
Total Proven	12.0	1.06	0.65	0.11	8.6	0.53	0.13	0.09	61.7	0.49	0.01	0.11
Total Probable	80.9	1.17	0.72	0.13	68.1	0.71	0.16	0.12	376.6	0.60	0.02	0.12
Total Mineral Reserves	92.9	1.15	0.71	0.13	76.7	0.69	0.15	0.12	438.3	0.58	0.02	0.12

The current depleted Mineral Reserve as at December 31, 2016, has been estimated and verified by the Company personnel under the supervision of Michael Lawlor of the Company, who is a qualified person and holds the following valid qualifications: BEng (Mining)(Hons), MEngSc, FAusIMM.

Additional Mineral Reserve stockpile inventory, totalling 76.5 Mt at the average grades of 0.46%TCu and 0.16%ASCu as presented in the table below.

Kansanshi stockpiles - as at December 31, 2016

Classification / Stockpile	Leach Ore (float/leach feed)				Mixed Ore (float/leach feed)				Sulphide Ore (float feed)			
	Ore (Mt)	TCu (%)	AsCu (%)	Au (g/t)	Ore (Mt)	TCu (%)	AsCu (%)	Au (g/t)	Ore (Mt)	TCu (%)	AsCu (%)	Au (g/t)
Total Proven	-	-	-	-	-	-	-	-	-	-	-	-
Total Probable	-	-	-	-	63.4	0.48	0.19	0.10	13.1	0.38	0.01	0.10
Total Reserve	-	-	-	-	63.4	0.48	0.19	0.10	13.1	0.38	0.01	0.10

The current depleted Mineral Reserve inventory as at December 31, 2016, has been estimated and verified by the Company personnel under the supervision of Michael Lawlor of the Company, who is a qualified person and holds the following valid qualifications: BEng (Mining)(Hons), MEngSc, FAusIMM.

At \$3.00/lb copper price, the total Mineral Reserve at Kansanshi, including stockpiles, is 684.4 Mt at average grades of 0.66%TCu and 0.15%ASCu. The actual average float/leach feed and float feed economics in the shorter term, to at least 2018, can be sustained by a copper price of \$2.10/lb. Ore cut-off grades will be adjusted during periods of subdued copper pricing. Material stockpiled during the near term will be treated in future years when copper prices lift to +/- \$3.00/lb.

Mine Life

At the current production rates the remaining life of operations at Kansanshi is approximately 27 years. If the sulphide circuit was to be expanded in stages such that the total processing capacity was in the order of 54 Mtpa from 2020, then the remaining operational life would be approximately 16 years.

Taxes and Royalties

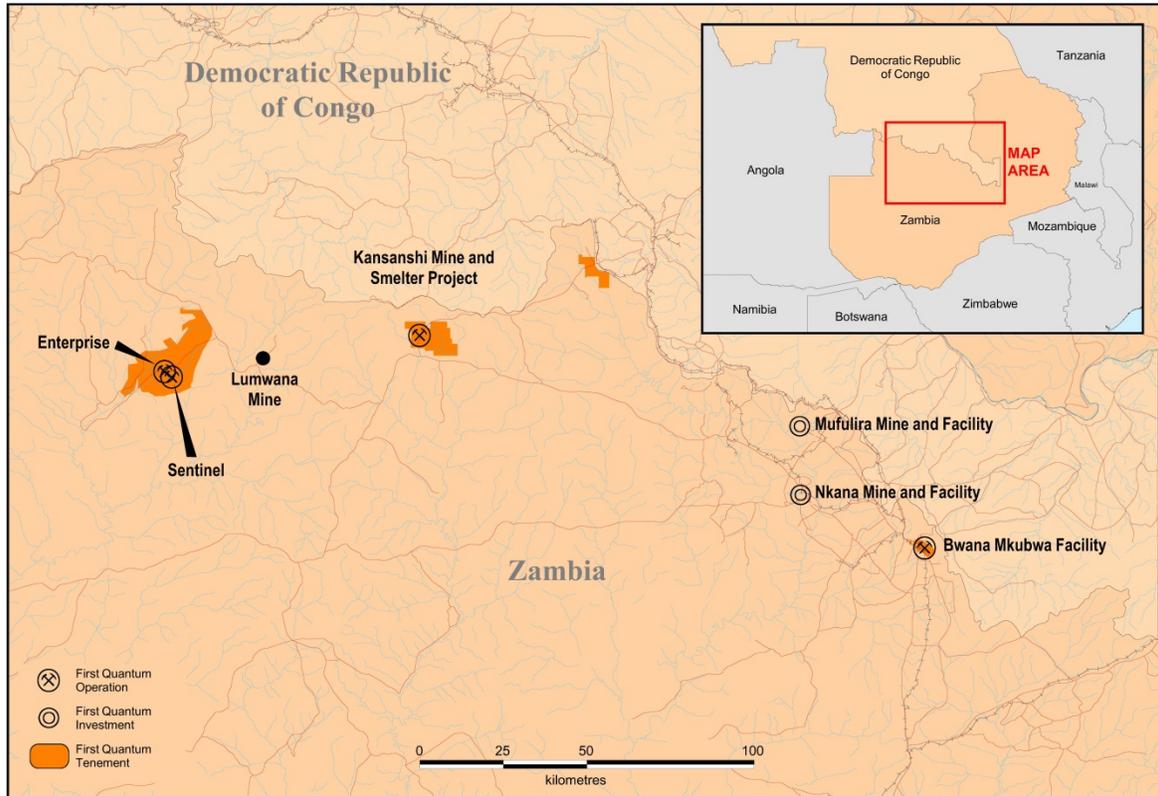
The Company has a Development Agreement with the Zambian government that provides for a corporate tax rate of 25% and a royalty of 0.6%. The Zambian government purported to unilaterally terminate the Development Agreement in 2008. Since the termination of the Development Agreement the mineral royalty and tax regime in Zambia has been unstable, with the following changes to date:

- Corporate income tax paid by the Company under Zambian legislation in 2014 was approximately 30% of Kansanshi earnings plus a variable profits tax of up to 15% and a mineral royalty of 6.0% of gross sales was paid by Kansanshi on a monthly basis to the government of Zambia under the Mining Act.
- The rate for the mineral royalty for copper increased from 3% to 6% of gross sales from April 2012 until December 31, 2014.
- Effective January 1, 2015, the corporate tax rate in Zambia was reduced to 0% and the mineral royalty rate was increased from 6% to 20% for open pit mines.
- On August 14, 2015, the Zambian government passed into law further changes to the taxation regime that became effective from July 1, 2015. The changes resulted in a decrease in mineral royalties to 9% for open pit mines from the 20% royalty rate that was enacted effective January 1, 2015. The changes also included the reinstatement of corporate tax to 30% with variable profits tax of up to 15%.
- In 2016, the Government of Zambia implemented more changes to the mining tax regime which became effective on June 1, 2016 and included: repeal of the variable profits tax at up to 15% applicable to profits from mining, retention of the 30% corporate tax on profits from mining reduction in the mining royalty rates for mining from 9% to a sliding scale of 4% to 6% depending on the LME monthly average copper price and suspension of the 10% export duty on ores and concentrates which there are no processing facilities in Zambia, which include for example nickel.
- The 2017 Zambian budget focused on changes in VAT regulations and increased import tariffs on a wide range of goods.
- Agreements were reached in December 2016 with the Zambia Revenue Authority (“ZRA”) on a number of historical tax matters relating to the Zambian operations.

In the Company’s view, the Company’s legal position and rights under the Development Agreement to compensation for taxes and royalties paid in excess of those provided for under the Development Agreement has not changed and remains to be resolved.

Sentinel

The information on Sentinel contained herein is based in part on a Technical Report: “Trident Project, North West Province, Zambia, NI 43-101 Technical Report” dated as of May 31, 2015 prepared by D. Gray (QP) BSc(Geology), MAusIMM, PrSciNat(SACNASP); M. Lawlor (QP) BEng Hons (Mining), MEngSc, FAusIMM; and Andrew Briggs (QP) BSc(Eng), ARSM, FSAIMM, PEng(NAPEG), of the Company in accordance with the requirements of NI 43-101. D. Gray, M Lawlor, and A. Briggs are Qualified Persons under NI 43-101 and have verified the data. The Technical Report is available for review on SEDAR under the Company’s profile.



History

The Trident project area was originally investigated by Roan Selection Trust (“RST”) in 1959-1961, Anglo American and Equinox in the 1980’s-1990’s and Kalumbila Minerals Limited (“KML”) in 2007-2009. Emphasis has varied from copper (RST) to nickel (Anglo American) and back to copper with KML over that period. RST completed 31 wide spaced core holes over the Sentinel area and encountered widespread but relatively low grade copper mineralization. Anglo American focussed on detailed drilling for nickel-copper mineralization around the Kalumbila Fault and generated a limited resource. Between 2007 and 2009, KML (then owned by Kiwara Resources Limited and LM Engineering) completed the first systematic drilling of the extensive copper mineralization over 8 kilometers of strike extent. Following the acquisition of KML by the Company, exploration was resumed across the Sentinel deposit area in 2010, resulting in the completion of 677 diamond drilled holes and 229,713 m of drilling by December 2013.

Property and Ownership Interest

On January 29, 2010, the Company acquired 100% of Kiwara PLC (“Kiwara”). Kiwara’s main asset was a controlling interest in the Trident Prospecting License Area, which included the Kalumbila project copper deposit. The entire project was renamed the Trident project in 2010. The License Area includes the Sentinel mine and Enterprise project.

Location, Access and Infrastructure

The Trident Project is situated approximately 150 kilometers west of the town of Solwezi in North Western Province of Zambia. Prior to commencing construction at Trident, the infrastructure in the area was poor. The Company undertook a number of measures to improve infrastructure including construction of a new town with related housing, roads, water and sewerage, electrical reticulation, schools, and medical clinic. Additionally, the Company signed a connection agreement with ZESCO for the construction of a new +600 kilometer power line to service Trident. The Company also constructed a new 34km bitumen sealed road to connect the site with the existing national trunk road linking Solwezi with Mwinilunga. An airstrip was built close to the Sentinel site and is suitable for daily commuter plane traffic. A new and substantial airstrip is under development closer to the Kalumbila town site.

The local climate is characterized by warm wet summers and cool dry winters, i.e., there is a distinct dry season (April to October) and a wet season (November to March). Rainfall typically occurs as heavy thunderstorms with each event producing between 10 and 40 mm of rainfall, and average total annual precipitation of approximately 1,400 millimeters. Trident is situated at an elevation of 1,230 meters above sea level. Vegetation includes a mixture of miombo woodland, open savannah grassland, and marsh.

Geological Setting and Mineralization

The Trident project area, including the Sentinel and Enterprise deposits, is located on the western end of the Lufilian Arc. The Lufilian Arc is a curvilinear structural belt formed during the Lufilian Orogeny (c.590-465Ma), and extends from northern Zambia, across the Katanga Province of the Democratic Republic of Congo, and into northeast Angola.

The Sentinel deposit is a stratabound, sedimentary hosted Cu-Ni-Co sulphide deposit located to the southeast of the Trident project area, with the deposit hosted within the structurally thickened, northwest dipping carbonaceous meta-pelitic rocks known as 'Kalumbila phyllite'. Copper mineralization at Sentinel is limited to the strongly deformed phyllite unit, with rare low-grade mineralization extending only 1-2 meters into the hanging and foot-wall from the contact. The ore-body strikes approximately east-west for 11 kilometers and mineralized horizons dip 20 to 30 degrees in a northerly direction, generally parallel to the dominant foliation. The dominant copper-bearing mineral is chalcopyrite and typically occurs within bedding/foliation parallel quartz-kyanite-carbonate mm-scale veinlets. The oxidized horizon, up to approximately 70 meters in depth, contains non-primary sulphide copper minerals, predominantly chalcocite, and tarnished chalcopyrite. The top 5-15 meters from surface is typically leached of copper, or contains mixed refractory copper and trace oxide minerals.

Nickel-cobalt mineralization exists predominantly in the form of cobalt-pentlandite, with trace amounts of vaesite. Apart from rare sporadic meter-scales lenses the nickel-cobalt mineralization occurs as a discrete horizon within the 'footwall' phyllite. 'Footwall' phyllite refers to the lowermost portion of phyllite that tends to be barren, or very low in copper mineralization. Nickel-cobalt mineralization is best developed in the NE extent of the deposit, proximal to the Kalumbila Fault.

Labour

At December 31, 2016, KML employed an operations workforce of 2,231 people directly and a further 2,165 contractors. An additional project construction workforce of 122 direct employees and 258 contractors were employed at end 2016. The local labor force is unionized.

Permits

KML is the holder of five large-scale Mining Licences, which current terms run to April 2036. 15868-HQ-LML covers the Sentinel deposit, processing plant and supporting infrastructure, whilst 15869-HQ-LML covers the Enterprise deposit. 15870-HQ-LML, 15871-HQ-LML and 15872-HQ-LML cover exploration areas, sites for project infrastructure and buffer zones to prevent encroachment of local settlements. These licences confer an exclusive right to mine copper, nickel, cobalt, gold, platinum group minerals, silver, iron and selenium. In October 2013, the Zambian Government and KML agreed upon a surface rights area of 383.36 square kilometers for conversion to

State land for the mining operations and infrastructure at both Sentinel and Enterprise. This land lies almost entirely within the five LMLs. Final approval by the President of Zambia and the issue of title deeds is awaited.

The Sentinel Environmental and Social Impact Assessment (ESIA) was approved by the Zambian Environmental Management Agency (“ZEMA”) in July 2011. A Sentinel Addendum ESIA, covering the original project infrastructure as well as amendments to the tailings storage facility, waste dump design and process water facilities, was approved by ZEMA in August 2013. The Enterprise ESIA was approved by ZEMA in September 2014. KML also hold water abstraction rights totalling 190,685m³/day from two dams constructed for the Trident project.

Mining, Mineral Processing and Metallurgical Testing

In May 2012, the Company’s Board approved construction of the Sentinel copper project. Development and construction activities for the Sentinel plant commenced in the second half of 2012. Construction of the copper processing circuit was substantially completed in late 2014, with commissioning and progressive production ramp-up through 2015. Beyond the commissioning period, the eventual rate of annual ore processing will reach 55 Mt with ultimate targeted production of 270,000 to 300,000 tonnes per annum of copper metal in concentrate.

Initial mine development commenced at Sentinel in 2013 to establish in-pit crushing and conveying infrastructure. Open pit mining is carried out using conventional methods, with electric face shovels and hydraulic excavators, and a fleet of 330tonne and 240 tonne capacity haul trucks. Mining capacity will eventually extend to around 65 Mbcm of ore and waste mined per annum. The ultimate 5.4 kilometer long, 1.5 kilometer wide and 375 meter deep pit will be mined in stages, with ore crushed in-pit and conveyed overland to the Sentinel process plant.

In addition to a network of surface haul roads and access roads, three in-pit crushers and overland ore conveyors have been installed from within a starter pit boxcut, with the conveyors extending across to the plant crushed ore stockpile via a surface transfer bin. The starter waste dump has been formed and a number of water control and management dams have been constructed around the site. Surface powerlines extend around the initial pit perimeter, connecting to a number of substations powering drills and shovels, and providing power to pit dewatering bores and in-pit sumps. A heavy vehicle workshop, incorporating refuelling and washdown facilities, is located on the south side of the pit, adjacent and to the east of the processing plant.

The processing plant design is based on a conventional sulphide ore flotation circuit designed to treat 55 million tonne per annum (“Mtpa”) of ore, with a separate 4 Mtpa circuit designed to process nickel ore feed from Enterprise or additional copper ore feed from Sentinel. The Sentinel ore is crushed in-pit and conveyed overland onto a crushed ore stockpile ahead of two milling trains, each comprising a SAG mill and a ball mill. Each train consists of two parallel banks of rougher flotation cells, each comprising seven cells operating in series. Three stages of cleaner flotation, as well as column flotation are operated in a common shared circuit. Final concentrate at a grade of approximately 24% copper was produced up to the end 2016. Progressive processing modification has currently resulted in an average grade of 27% copper. This concentrate is thickened and filtered in a dedicated concentrate handling facility. Based on testwork to date, the recommended metallurgical parameters for mine planning are 92% recovery for primary sulphide, and 70% recovery for the relatively smaller proportion of near-surface non-primary sulphide.

A tailings storage facility (“TSF”) has been designed for the life of the Trident project, with a capacity of over a 1,000 million tonnes, and to receive tailings from both of the Sentinel and Enterprise processing circuits. The circular TSF is 5.5 kilometer in diameter and is designed to reach a maximum height of around 40 meters. The tailings will be deposited from spigots along the top of the embankment. Over time, the TSF will be upstream raised with tailings.

The Musangezhi River, which previously flowed over top of the Sentinel deposit, has been diverted to allow the Sentinel pit to be developed. The river has been dammed upstream of the mine, providing a lake alongside the Kalumbila town site. Excess lake water can overflow to the northwest via a spillway system flowing into a channel and directing water in a westerly direction around the southern side of the TSF and into the upper catchment of the Kabombo River. An additional earthfill dam has been constructed on the Chisola River to the north of the Enterprise deposit, as a source of process water.

As the development of the open pit progresses, the fraction of secondary sulphides progressively reduced and, assisted by continuous improvement strategies both in terms of processing plant and ore feed blend modifications, has resulted in average recoveries between 44% and 88%. Current on-going optimisation work focuses on the following points:

- Evaluation of reagent suites to
 - reduce costs
 - enhance recovery through tailor-made collectors
 - stabilization of the froth structure in flotation cells
 - improve depression of final concentrate contaminants
- Optimization of milling circuits to reduce overgrinding
- Alternative techniques to promote ultrafines flotation.
- Inclusion of Jameson Cell to fast track fast floating copper particles.
- Continued external test work on processing of less favorable ore type.

Operational and metallurgical progresses have unlocked significant achievements in term of flotation quality, recovery and stability.

Capital and Operating Expenses

The estimated Sentinel capital and operating costs for 2017 are as follows:

	\$ million
Capital cost (1)	80
Operating Costs (2)	
Labor, Contractors, Maintenance	225
Suppliers, Power, Fuel	200
Other	130
Total operating cost	<u>555</u>

(1) Capital cost includes growth project costs, site capex and stripping costs.

(2) Operating costs exclude royalties, TCRCs and transport costs.

Mineral Resource and Reserves

The Trident project in northern Zambia comprises three significant exploration areas: Sentinel, Enterprise and Intrepid. Historically, the majority of geological evaluation work has focused on Sentinel and Enterprise. The Mineral Resources and Reserves at Sentinel reflect the May 2015 NI43-101 Technical Report estimates, depleted to December 2016.

Mineral Resources – Sentinel

Mineral Resource - as at December 31, 2016, and reported using a 0.2% TCu cut-off

Classification	Tonnes (Mt)	TCu (%)	ASCu (%)	Ni (%)
Total Measured	693.7	0.56	0.02	0.002
Total Indicated	273.7	0.46	0.01	0.002
Total Meas. plus Ind.	967.4	0.53	0.02	0.002
Total Inferred	135.9	0.37	0.01	0.004

The current depleted Mineral Resource was estimated and verified by David Gray of the Company who is a qualified person and holds the following valid qualifications: BSc Hons(Geo), MAusIMM, Pr.Sci.Nat.

Mineral Resource Statement for Sentinel Stockpiles - as at December 31, 2016

Classification / Stockpile	Tonnes (Mt)	TCu (%)	ASCu (%)
Total Measured	15.2	0.31	-
Total Indicated	-	-	-
Total Meas. plus Ind.	15.2	0.31	-

The current depleted Mineral Resource inventory was estimated and verified by David Gray of the Company who is a qualified person and holds the following valid qualifications: BSc Hons(Geo), MAusIMM, Pr.Sci.Nat.

Mineral Reserves - Sentinel

The Mineral Reserve estimate for the Sentinel project as listed in the table below has been based on conventional Whittle 4X optimization, followed by detailed life of mine design and planning accounting for staged pit cutbacks to suit in-pit ore crushing and conveying plus trolley assisted waste haulage, and comprehensive ore and waste mining/production scheduling.

The statement is consistent with depletion from the estimate produced for the 2015 NI 43-101 Technical Report (FQM, May 2015). The predicted plant recoveries are consistent with previous Mineral Reserve estimates, and the estimated marginal cut-off grade is based on the long-term consensus copper price of \$3.00/lb Cu and a 9% Zambian Government royalty (applicable at the time of the estimate).

The estimate has also been adjusted to reflect near-term consensus copper pricing for 2017, the impact of which is an elevated cut-off grade for that year.

Mineral Reserve - as at December 31, 2016, and reported based on a long-term \$3.00/lb Cu price

Classification	Ore (Mt)	TCu (%)	ASCu (%)
Non-primary sulphide			
Total Proven	56.6	0.44	0.08
Total Probable	12.7	0.44	0.07
Subtotal Prov. plus Prob.	69.3	0.44	0.08
Primary sulphide			
Total Proven	706.6	0.50	0.02
Total Probable	147.6	0.51	0.02
Subtotal Prov. plus Prob.	854.2	0.50	0.02
Total Mineral Reserve			
Total Proven	763.2	0.49	0.02
Total Probable	160.3	0.50	0.02
Total Prov. plus Prob.	923.5	0.49	0.02

The current depleted Mineral Reserve for Sentinel has been estimated and verified by the Company's personnel under the supervision of Michael Lawlor of the Company, who is a qualified person and holds the following valid qualifications: BEng (Mining)(Hons), MEngSc, FAusIMM. The total Measured Mineral Reserve is less than the corresponding total Proven Mineral Reserve for reasons of different cut-off grade criteria.

Mineral Reserve Statement for Sentinel Stockpiles - as at December 31, 2016

Classification / Stockpile	Ore (Mt)	TCu (%)	ASCu (%)
Total Proven	15.2	0.31	-
Total Probable	-	-	-
Total Prov. plus Prob.	15.2	0.31	-

The current depleted Mineral Reserve inventory for Sentinel has been estimated and verified by the Company's personnel under the supervision of Michael Lawlor of the Company, who is a qualified person and holds the following valid qualifications: BEng (Mining)(Hons), MEngSc, FAusIMM.

The total Mineral Reserve inventory inclusive of stockpiles is 938.7 Mt at an average grade of 0.49% TCu.

A cut-off grade optimization strategy was adopted for the Mineral Reserve estimation process, whereby an elevated 0.2% Cu cut-off grade was adopted for the first half of the project life, then followed by a period of marginal cut-off grade plant feed for the remainder of the project life. In addition to the near-term adjustment mentioned above, the impact of this strategy is that the initial production years are protected from copper price volatility which could otherwise impact on the economics of marginal grade plant feed at this time.

Mining Review

Certain mining statistics for the years ended December 31, 2016, are set out in the following table:

	Unit	2016
Waste Mined	'000 Tonnes	82,098
Ore Mined	'000 Tonnes	37,960
Ore Grade Mined	% Cu	0.49%

Production Review

Production statistics for the years ended December 31, 2016 are set out in the following table:

	Unit	2016
Ore Processed	'000 Tonnes	36,369
Ore Grade	% Cu	0.57%
Copper in Concentrate Produced	Tonnes	139,600

Mine Life

As at December 2016, Sentinel had an estimated mine life of 17 years.

Taxes and Royalties

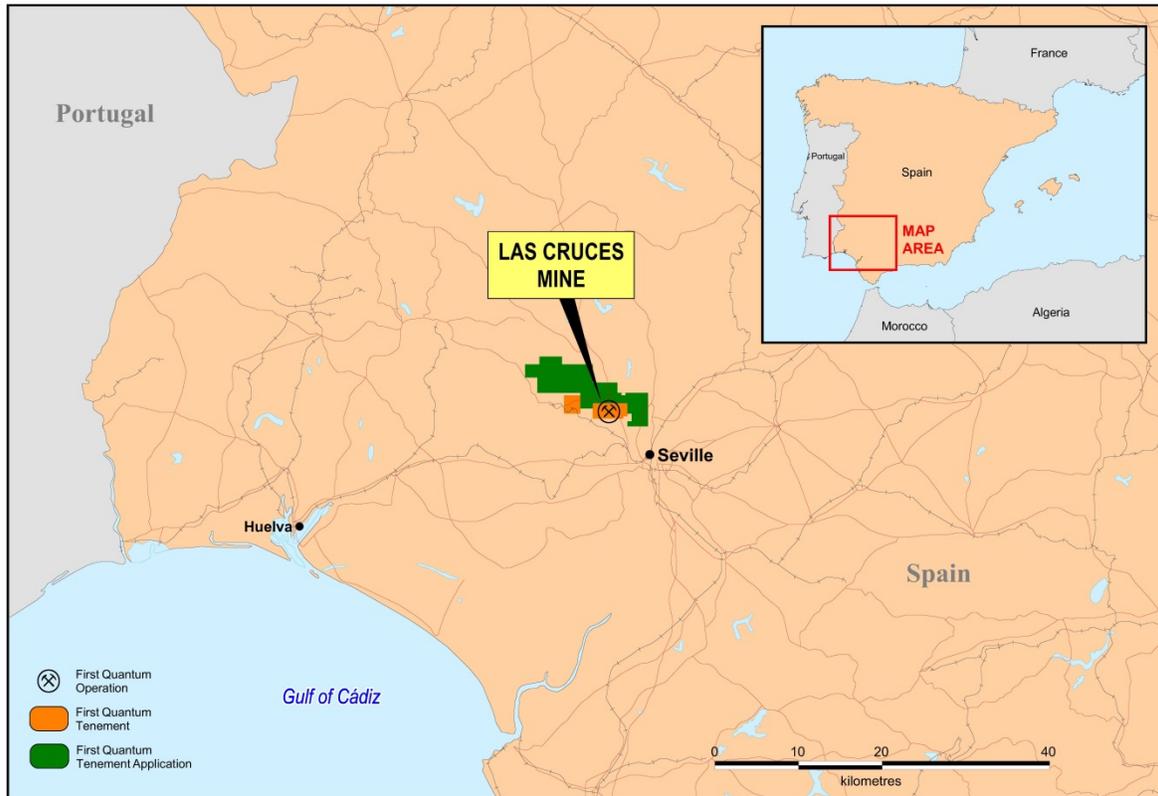
The rate of corporate income tax paid by the Company under *Zambian* legislation in 2014 was based on a fixed rate of 30% of earnings plus a variable profits tax of up to 15%, in addition to a mineral royalty of 6% of gross sales on a monthly basis. The mineral royalty rate for copper increased from 3% to 6% of gross sales from April 2012.

In January 2015, the *Zambian* government proposed an amendment to the corporate tax and mining royalty regime by increasing revenue based royalties from 6% to 20% and reducing corporate taxes to 0% for open pit mining operations. With effect from July 2015, the *Zambian* government revised the royalty increase to 9% and retained the income tax and profits taxes at the 2014 levels (see further details under *Kansanshi – Tax and Royalties*).

Effective on June 1, 2016 the *Zambian* Government introduced the following amendments to the corporate tax and mining royalty regime: repeal of the variable profits tax at up to 15% applicable to profits from mining, retention of 30% corporate tax on profits from mining; reduction in the mining royalty rates for mining from 9% to a sliding scale of 4% to 6% depending on the LME monthly average copper price and suspension of the 10% export duty on ores and concentrates which there are no processing facilities in *Zambia*, which include for example nickel. Profits from mining operations are subject to these corporate tax and royalty rates.

Las Cruces

The information on Cobre Las Cruces contained in this AIF is based in part on a Technical Report: “Cobre Las Cruces Operation, Andalucia, Spain, NI 43-101 Technical Report” dated effective as of June 30, 2015 prepared by David Gray (QP) BSc(Hons, Geology), MAusIMM, PrSciNat (SACNASP), Group Mine and Resource Geologist, FQM (Australia) Pty Ltd. and Anthony Cameron (QP) BEng(Min), Grad Dip Bus, M Comm Law, FAusIMM, Consultant Mining Engineer, Cameron Mining Consultants Ltd. and Robert Stone (QP) BSc(Hons), CEng, ACSM, Technical Manager, FQM (Australia) Pty Ltd. all Qualified Persons under NI 43-101 and have verified the data. This Technical Report is available for review on SEDAR under the Company’s profile.



History

Cobre Las Cruces S.A. (“CLC”) is the owner and operator of the Las Cruces mine in Spain. CLC is an indirect wholly-owned subsidiary of the Company and is incorporated under the laws of Spain. The Las Cruces deposit was originally discovered by a subsidiary of Rio Tinto plc in 1994. It carried on exploration activity until 1999 and sold the project in that year to MK Resources Company (MK Resources), which established CLC as its local Spanish subsidiary. CLC completed two feasibility studies and carried out environmental studies and permitting work prior to becoming an affiliate of Inmet. The Mining Concession was granted in August 2003, after a positive Declaration of Environmental Impact was issued by the Andalusian Regional Ministry of the Environment in May 2002.

On August 22, 2005, Inmet acquired a 70% indirect interest in CLC from MK Resources. At that time Leucadia National Corporation, through MK Resources, retained the other 30% interest in CLC.

CLC completed a revised feasibility study and basic engineering and commenced construction of the project in 2006. Construction of the mine was completed in 2008 and the process plant was completed in February, 2009. On December 15, 2010 Inmet purchased the remaining 30% interest in CLC from Leucadia National Corporation, to bring Inmet’s ownership to a 100% indirect interest. The Company indirectly acquired 100% of CLC as a result of its acquisition of Inmet in March, 2013.

Property and Ownership Interest

CLC was granted mining rights for subsurface minerals for an area of 1006 hectares, through Mining Concession No. 7532, by the Regional Ministry for Employment and Technological Development of the Province of Andalucía. Under this concession, CLC owns and operates the Las Cruces mine. The project is subject to a private royalty of 1.5% if the LME copper price is greater than or equal to US \$0.80 per pound of copper.

Location, Access and Infrastructure

Las Cruces is located in southern Spain, about 20 kilometers northwest of the city of Seville in the autonomous region known as Andalucía. The regional climate is characterized as Mediterranean and the topography is one of gently rolling hills. The project has all permits and approvals necessary to operate. The excellent location of the property provides access to all necessary infrastructure: well maintained, paved roads; an international airport in Seville with connections throughout Europe; and port facilities in Huelva, approximately 80 kilometers to the southwest and Seville itself. Power for Las Cruces is provided by the Spanish national grid, water for plant operations comes from both contact water extracted from the pit and from the San Jeronimo (Seville) municipal water treatment facility.

Geological Setting and Mineralization

The Las Cruces deposit occurs near the eastern end of the Iberian Pyrite Belt, a 250 kilometer long and 40 kilometer wide geologic belt that extends eastward from southern Portugal into southern Spain. The belt is host to more than 100 mineral deposits, some of which were exploited for metals as long ago as the start of the Bronze Age. Mineralization consists of syngenetic massive sulphides containing polymetallic mineralization, similar to most other Iberian Pyrite Belt deposits.

Las Cruces is a blind deposit with no outcroppings because of the 100 to 150 meters of marl on top of the deposit. No other deposits have been found in the immediate area but exploration is difficult because of the thickness of the overburden. The nearest deposits are Aznalcollar and Los Frailes, both approximately 10 kilometers to the west in the area where the host rock assemblage outcrops at the surface. The Aznalcollar and Los Frailes deposits consist of lead and zinc massive sulphides that were in production over the last 10 to 20 years.

The massive sulphide on the property is hosted by late Devonian to early Carboniferous Period volcanic and sedimentary rocks deposited in a submarine setting within a narrow and relatively shallow intra-continental sea and characterized by bimodal volcanism and sedimentation.

Post depositional secondary copper enrichment occurred in the upper part of the massive sulphide deposit, forming the mineralization of interest. The deposit was subsequently buried under 100 to 150 meters of sandstone and calcareous mudstone, called marl.

Labour

At December 31, 2016, CLC employed 281 persons directly and a further 453 contractors.

Mining, Mineral Processing and Metallurgical Testing

Las Cruces uses conventional open pit mining methods, based upon hydraulic shovels and trucks, with drilling and blasting in the lower marls and ore zones. The project has a relatively high stripping ratio supported by the high grade ore. Las Cruces uses contract miners for all mine production.

Ore at Las Cruces is mined from an open pit excavated into marl. Overall pit slopes are shallow (28 degrees) in accordance with requirements of the Mining Authority. Once exposed the marls weather quickly and pit slopes tend to conform to a natural rill slope.

The metallurgical plant relies on an atmospheric leaching process to recover copper from the rich Las Cruces chalcocite ore. A unique feature of the plant is the use of eight OKTOP agitated reactor tanks to dissolve the copper under conditions of high temperature and high acidity. Oxygen is also added into the reactors to complete the

reaction. The feed to the leaching reactor tanks is mine ore that has passed through three stages of crushing, a single stage of grinding and has then been thickened to eliminate as much process water as possible.

Once leached, the liquid is separated from the ground solids to become pregnant leach solution (“PLS”), the feed for the solvent extraction (SX) area. In the SX area, the copper is passed to an organic solution and then to the electrolyte that feeds the electrowinning cells. The electrowinning cells produce LME grade copper cathodes weighing approximately 50 kilograms each. An automated crane and stripping machine then harvests and packages the cathodes for shipment.

The plant was debottlenecked during 2013 and 2014 to accommodate lower feed grade material from the later stages of pit development. This included projects to enhance both throughput and recovery. In 2015, a new press filter was installed to reduce tailings moisture and to improve overall recoveries. As a result of this work, throughput and recovery capability are now well above design levels and cathode production is expected to be maintained at design levels across the remaining life of the mine. In 2016, CLC received LME brand certification for its cathodes.

In 2016, CLC completed construction of a pilot plant with the help of EU funding. The pilot plant was constructed to test the viability of processing primary sulphide ore. During 2016 and for part of 2017, testing will be carried out on bulk samples. The primary ore contains copper, zinc, lead and silver in a form that is not currently recoverable in the existing hydrometallurgical circuit.

Capital and Operating Expenses

The Las Cruces estimated capital and operating costs for 2017 are set out in the following table:

	\$ million
Capital cost (1)	30
Operating Costs (2)	
Labor, Contractors, Maintenance	75
Suppliers, Power, Fuel	40
Other	20
Total operating cost	135

(1) Capital costs include growth projects, site capex and capitalized stripping costs.

(2) Operating costs exclude royalties, TCRCs and transport costs.

Permits

Mining activities in Spain are subject to Spanish national, regional and local environmental laws and regulations, which regulate, among other things, air emissions, water discharges, soil contamination, waste management, management of hazardous substances, protection of natural resources, antiquities, endangered species and reclamation. Spain has harmonized European Union Directives pertaining to environmental matters into its domestic legislation. These rules impose strict environmental conditions on the management of, among other things, water, wastes and air emissions.

Under CLC's various licences, it is required to comply with a number of environmental commitments. Such commitments include receiving, and observing the terms of, several permits. The key permits for Las Cruces are:

- (i) *the Declaration of Environmental Impact (the “DEI”) - and its subsequent modifications- which is the formal statement from the regional authority that determines the environmental suitability of Las Cruces. The DEI also outlines the environmental conditions for the operation of Las Cruces regarding protective measures, mitigation and monitoring. The DEI is binding and is incorporated into the conditions of the mining concession;*
- (ii) *the Public Water Concession, issued by the Water Authority, which determines the volumes and different uses of water in CLC. This authorization is being modified to meet the updated operating needs and the administrative requirements on compensating the deficit of water that CLC extracts from the local aquifer.*
- (iii) *the Integrated Pollution Prevention and Control permit (the “IPPC”) - and its subsequent modifications, which provides for an integrated system of environmental permitting for all media and for the different relevant environmental regimes. Las Cruces’ IPPC has very low water discharge emission limits in some cases much lower than the receiving water quality in the nearby Guadalquivir River; and*
- (iv) *the DRS Authorization, issued by the Water Authority, which regulates the extraction and re-injection of ground water surrounding the Las Cruces open pit. The original DRS authorization was modified in October 2013. This document contains, among other things, the limit values pertaining to re-injected ground water and the artificial aquifer recharge to compensate the possible extraction deficit, currently in operation. CLC has requested a modification of this Authorization in order to eliminate the condition to compensate. The permit modification is being requested due to a revised Hydrological Plan which impacts the availability of water resources and volumes in the aquifer.*

Mineral Resources – Cobre Las Cruces

The Mineral Resource estimate for CLC, inclusive of the Mineral Reserve inventory, is presented in the table below and reflects the position as at December 31, 2016. The additional stockpile resource as at the same date is listed in the Cobre Las Cruces stockpile table below. This Mineral Resource estimate is a depletion of the estimated Mineral Resource submitted in last year’s AIF (December 2015).

Mineral Resource - as at December 31, 2016, and reported using a 1% Cu cut-off grade

Classification	Tonnes (Mt)	Cu (%)	Au (g/t)	Pb (%)	Ag (g/t)	Zn (%)
Secondary Sulphide						
Total Measured	4.9	5.54	-	-	-	-
Total Indicated	0.9	5.69	-	-	-	-
Subtotal Meas. plus Ind.	5.8	5.57	-	-	-	-
Total Inferred	-	-	-	-	-	-
Gossan						
Total Measured	-	-	-	-	-	-
Total Indicated	0.9	-	1.71	1.91	40.88	-
Subtotal Meas. plus Ind.	0.9	-	1.71	1.91	40.88	-
Total Inferred	-	-	-	-	-	-
Primary Sulphide						
Total Measured	-	-	-	-	-	-
Total Indicated	-	-	-	-	-	-
Subtotal Meas. plus Ind.	-	-	-	-	-	-
Total Inferred	36.0	1.11	-	1.25	28.94	2.64

The current depleted Mineral Resource as at December 31, 2016, was estimated and verified under the supervision of David Gray of the Company who is a qualified person and holds the following valid qualifications: BSc Hons(Geo), MAusIMM, Pr.Sci.Nat.

Cobre Las Cruces stockpiles - as at December 31, 2016

Classification	Tonnes (Mt)	Cu (%)	Au (g/t)	Pb (%)	Ag (g/t)	Zn (%)
Gossan						
Total Measured	-	-	-	-	-	-
Total Indicated	2.0	-	2.87	3.80	90.00	-
Total Meas. plus Ind.	2.0	-	2.87	3.80	90.00	-

The current depleted Mineral Resource inventory as at December 31, 2016, was estimated and verified under the supervision of David Gray of the Company who is a qualified person and holds the following valid qualifications: BSc Hons(Geo), MAusIMM, Pr.Sci.Nat.

Whilst the Primary Sulphide material is partly associated with the current open pit mining operations, any exploitation of this mineralization requires further evaluation of current geological exploration and technical programmes.

Mineral Reserves – Cobre Las Cruces

The Mineral Reserve estimate for Cobre Las Cruces is shown below and reflects the position as at December 31, 2016. The estimate is a depletion of the May 31, 2015, estimate reported in the Technical Report published in June 2015 (FQM, June 2015) and is based on a copper price of \$2.70/lb.

Cobre Las Cruces stockpiles - as at December 31, 2016, and reported using a 1% Cu cut-off grade

Classification	Ore (Mt)	TCu (%)
In-pit		
Total Proven	4.3	5.22
Total Probable	1.0	4.47
Subtotal Prov. plus Prob.	5.3	5.07
Stockpiles		
Total Proven	0.6	4.50
Total Probable		
Subtotal Prov. plus Prob.	0.6	4.50
In-pit plus stockpiles		
Total Proven	4.9	5.13
Total Probable	1.0	4.47
Total Prov. plus Prob.	5.9	5.01

This Mineral Reserve estimate as at December 31, 2016, has been estimated and verified under the supervision of independent consulting Mining Engineer, Anthony Cameron of Cameron Mining Consulting Ltd. Anthony Cameron is a qualified person and holds the following valid qualifications: BE (Mining), Grad Dip Bus, M Comm. Law, FAusIMM.

Mine Life

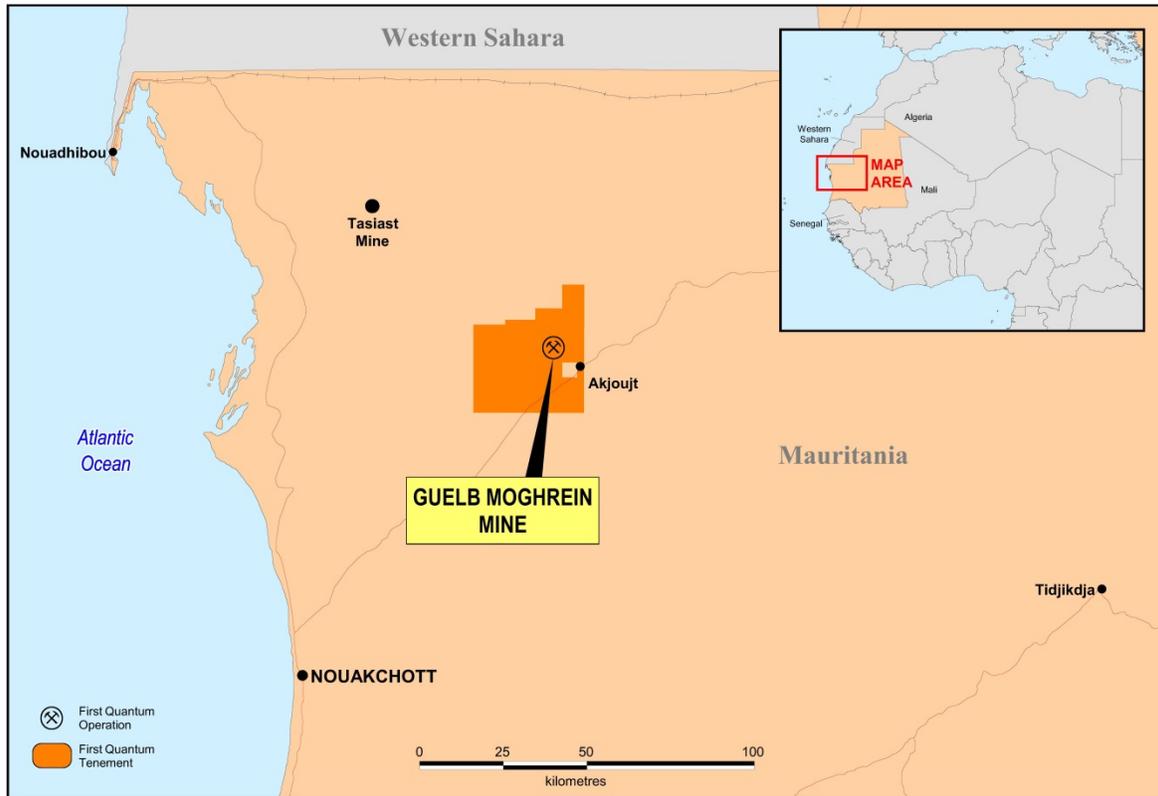
At current processing throughput rates the mine life is expected to be 3.7 years from December 31, 2016.

Taxes and Royalties

Under current Spanish legislation, corporate tax is paid on taxable earnings at a rate of 25%. The project is subject to a private mineral royalty of 1.5% of sales if the LME copper price is greater than or equal to \$0.80/lb

Guelb Moghrein

The information on Guelb Moghrein contained in this AIF is based in part on a Technical Report: “Guelb Moghrein Copper Gold Mine, Inchiri, Mauritania, NI 43-101 Technical Report” dated as of March 30, 2016 prepared by David Gray (QP) BSc(Hons, Geology), MAusIMM, PrSciNat (SACNASP), Group Mine and Resource Geologist, FQM (Australia) Pty Ltd. and Anthony Cameron (QP) BEng(Min), Grad Dip Bus, M Comm Law, FAusIMM, Consultant Mining Engineer in accordance with the requirements of NI 43-101 and both have verified the data. The Technical Report is available for review on SEDAR under the Company's profile.



History

Copper-made tools and arrowheads dating from approximately 4000 to 6000 BC have been found in the Akjoujt area of Mauritania where Guelb Moghrein is located. Although exploitable quantities of copper were recognized in the 1930s it was not until the 1950s when serious development plans were undertaken. After the nation's independence from France in 1960 companies such as Anglo American Corporation attempted development of the Guelb Moghrein deposit. In the early 1970s an open pit was developed and a TORCO (a high temperature oxide roast operation) commenced but had to close in 1977 due to technical difficulties and high fuel prices. The national mining corporation, SNIM, through its subsidiary MORAK attempted to recover gold. In 1999 after mining law reform a Mauritanian chartered company (GEMAK) attempted to develop Guelb Moghrein, but did not proceed beyond the production of a feasibility study in 1997.

In November 2004, the Company signed an asset sale agreement the terms of which included a series of payments totalling \$10 million. Site establishment and construction commenced in March 2005. Guelb Moghrein achieved commercial production in October 2006.

Property Ownership and Interest

The Company currently holds a 100% interest in Guelb Moghrein through its subsidiary, MCM SA. The Company held an 80% majority interest which it acquired in 2004 until the remaining 20% was acquired in February 2010 from GEMAK SA and General Gold Ltd. The right to mine is mandated by a large scale mining license covering the CM2 concession of 81 km² valid until December 2042. Additionally, the mining operations are regulated by a

Convention d'Establishment (the "Convention") with the Government of Mauritania. This Convention was established in 2006 and renegotiated in 2009 receiving approval from parliament in November 2009.

In addition to the Guelb Moghrein mining concession, the Company holds five exploration concessions in the area totalling 5,581 square kilometers either directly through MCM SA or since 2011 through Mauritania Exploration SARL, an entity wholly owned by the Company.

Location, Access and Infrastructure

Guelb Moghrein is located 250 kilometers northeast of the nation's capital, Nouakchott, near the town of Akjoujt, and is accessible by paved highway. Akjoujt has a population of approximately 11,000 people.

Guelb Moghrein consists of an open pit copper and gold deposit located 141 meters above sea level. The climate is classed as desert with an average annual precipitation of 106 millimeters.

The mine provides its own electric power with diesel power generation. It has developed reliable sources of fresh and saline water from a well field 120 km distant from the open pit. The operation has three tailings management facilities; two of which are still operational for magnetite and magnetite-free tailings.

Exploration, Geological Setting and Mineralization

The Occidental deposit at Guelb Moghrein is considered to be an example of the Iron Oxide Copper Gold ("IOCG") type deposit that, in terms of its structure and mineralogy, has common features with other IOCG deposits elsewhere in the world. The mineralization is predominantly hosted by Ferromagnesian Carbonates ("FMC"). The copper-gold mineralization is hosted primarily within chalcopyrite and pyrrhotite. Magnetite becomes abundant outside the sulphide rich zones of the FMC. The deposit extends approximately 600 meters along strike and dips to the southeast at 30° to 40°. The eastern and western flanks of the Occidental deposit are fault bounded and the deposit is open at depth.

The exploration of Oriental adjacent to the mine has failed to add additional sulphide resources.

Mining, Mineral Processing and Metallurgical Testing

Mining started in April 2006. Commissioning of the copper flotation plant commenced in July 2006 and commercial production began in October 2006. In October 2009, the mining rate was increased to 3.8 million tonnes of ore per annum at a strip ratio of 3:1. The processing plant was further upgraded during 2014 with the installation of 5.8MW SAG Mill. The planned processing rate for 2017 is 3.9 million tonnes of ore per annum.

On average, sufficient ore is exposed in the pit for two to three months feed to the plant; stockpiling and re-handling is minimized to maintain high efficiencies.

Mining at Guelb Moghrein is carried out in a single open pit using hydraulic excavators and mechanical drive haul trucks. Sulphide ore is treated in the processing plant producing a copper-gold concentrate.

The plant currently produces approximately 17,000 tonnes of concentrate per month at a grade of 22.5% copper with credits received for gold in the concentrate.

The magnetite plant was commissioned during first quarter of 2015. After successful commissioning, operation of the plant was suspended due to low iron (Fe) ore prices. The associated Tailings Storage Facility (TSF-3) planned for magnetite-free tailings was also successfully commissioned and put on hold.

Guelb Moghrein is a mature operating mine. However, successful automation of the flotation plant with the installation of the SGS Expert System during 2016 has led to improvements in copper recovery and concentrate grade even at lower feed grades.

- Optimization of gravity gold recovery circuit to improve fine gold recovery.
- Review of the Crushing-Milling circuit to optimize processing rates for hard ore.

Capital and Operating Expenses

The Guelb Moghrein capital and operating costs for 2017 are set out in the following table:

	\$ million
Capital cost (1)	20
Operating Costs (2)	
Labor, Contractors, Maintenance	60
Suppliers, Power, Fuel	40
Other	10
Total operating cost	110

(1) Capital cost includes growth project costs, site capex and stripping costs.

(2) Operating costs exclude royalties, TCRCs and transport costs.

Mineral Resource and Reserves

The Guelb Moghrein open pit operations located near Akjoujt in Mauritania mines and processes sulphide copper-bearing ore. The processing plant was commissioned during the third quarter of 2006 and in 2014/15 was expanded to the current 4 Mtpa capacity.

FQM has continued to build confidence and knowledge with respect to the Guelb Moghrein geology and Mineral Resource estimate, which was originally developed by Snowden Mining Consultants Ltd followed by CSA Global Pty Ltd. The estimate was more recently updated by in-house FQM specialists who improved the geology and mineralization models. These improvements, together with additional in-pit drillhole data, formed the basis of the Mineral Resource update published in the NI 43-101 Technical Report lodged in March 2016. FQM is currently in the process of updating the model using a new structural model in addition to data from diamond drill holes being drilled during Q1 2017.

Mineral Resources – Guelb Moghrein

Mineral Resources– as at December 31, 2016 and reported using 0.5% CuEq cut-off grade

Classification	Tonnes (Mt)	TCu (%)	Au (g/t)
Sulphide			
Total Measured	8.0	1.12	0.71
Total Indicated	13.4	1.06	0.72
Total Meas. plus Ind.	21.4	1.08	0.72
Total Inferred	0.6	0.94	0.57
Oxide			
Total Measured	0.1	1.61	2.01
Total Indicated	4.5	1.25	1.06
Total Meas. plus Ind.	4.6	1.25	1.07
Total Inferred	0.9	1.20	2.24
Sulphide + Oxide			
Total Measured	8.1	1.12	0.72
Total Indicated	17.9	1.11	0.81
Total Meas. plus Ind.	26.0	1.11	0.78
Total Inferred	1.4	1.10	1.57

The current depleted Mineral Resource was estimated and verified by David Gray of FQM who is a qualified person and holds the following valid qualifications: BSc Hons(Geo), MAusIMM, Pr.Sci.Nat.

Mineral Resource Statement for Guelb Moghrein stockpiles - as at December 31, 2016

Classification / Stockpile	Tonnes (Mt)	TCu (%)	Au (g/t)	As (ppm)
ROM Stockpile	0.8	1.09	0.97	-
Marginal Stockpile	7.8	0.42	0.55	-
Total Measured	8.6	0.48	0.59	-

The current depleted Mineral Resource inventory was estimated and verified by David Gray of FQM who is a qualified person and holds the following valid qualifications: BSc Hons(Geo), MAusIMM, Pr.Sci.Nat.

Mineral Reserves – Guelb Moghrein

The table below lists the Mineral Reserve estimate for Guelb Moghrein, inclusive of stockpiles, and as at 31st December 2016. The Mineral Reserves calculation is a depletion through mining of the Mineral Reserve reported in the NI 43-101 Technical Report lodged in March 2016.

Mineral Reserves - as at December 31, 2016 and reported based on a \$3.00/lb long-term copper price

Classification / Pit	Ore (Mt)	TCu (%)	Au (g/t)
Total Proven	8.0	0.81	0.71
Total Probable	8.6	0.87	0.78
Total Mineral Reserves	16.6	0.84	0.75

The December 2016 Mineral Reserve inventor has been estimated by independent consulting Mining Engineer, Anthony Cameron of Cameron Mining Consulting Ltd. Anthony Cameron is a qualified person and holds the following valid qualifications: BE (Mining), Grad Dip Bus, M Comm. Law, FAusIMM.

The Mineral Reserve estimate is based on a copper equivalent cut-off grade of 0.59% CuEq using the long term consensus price of \$3.00/lb for copper and a gold price of \$1200/oz. Low grade stockpiles are shown to be economic at the 0.59% CuEq cut-off grade. Hence these stockpiles continue to be considered as a part of the Mineral Reserve inventory.

Mineral Reserve Statement for Guelb Moghrein stockpiles - as at December 31, 2016

Classification / Stockpile	Ore (Mt)	TCu (%)	Au (g/t)
ROM Stockpile	0.8	1.09	0.97
Marginal Stockpile	7.8	0.42	0.55
Total Proven	8.6	0.48	0.59

The December 2016 Mineral Reserve inventory has been estimated by independent consulting Mining Engineer, Anthony Cameron of Cameron Mining Consulting Ltd. Anthony Cameron is a qualified person and holds the following valid qualifications: BE (Mining), Grad Dip Bus, M Comm. Law, FAusIMM

Mine Life

The remaining life of mine at a treatment rate of 4.0 Mtpa is therefore shown to be approximately 6 years when all high grade and low grade stockpiles are considered.

Labour

At December 31, 2016, Guelb Moghrein employed 1,124 persons directly and a further 332 contractors.

Permits

Guelb Moghrein’s mining operations under its mining concession are regulated by a Convention d’Establishment (the “Convention”) with the Government of Mauritania. This Convention was established in 2006 and renegotiated in 2009 receiving approval from parliament in November 2009.

In addition to the Guelb Moghrein mining concession, the Company holds five exploration concessions in the area totalling 5,581 square kilometers either directly through MCM SA or since 2011 through Mauritania Exploration SARL, an entity wholly owned by the Company.

Guelb Moghrein holds all necessary Mauritanian permits required to carry out its operations and operated in material compliance in 2016.

Sales

A summary of the revenues for the past three years attributable to the Guelb Moghrein division is as follows:

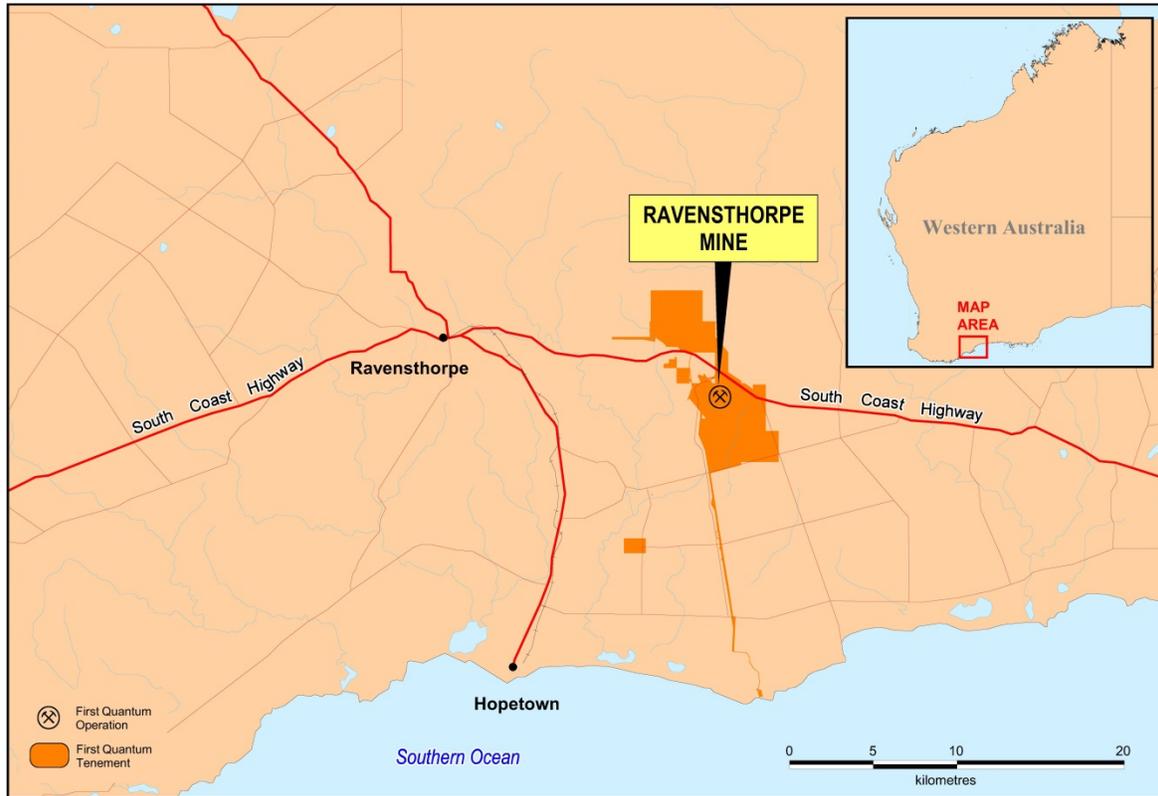
Year	Revenue (\$ million)
2016	213
2015	285
2014	230
2013	315

Taxes and Royalties

Pursuant to the Convention signed with the government of Mauritania, the Company enjoyed a 5 year corporate tax holiday which ended February 2012 after which corporate tax at a rate of 25% is payable on taxable earnings derived from mining at Guelb Moghrein. A mineral royalty of 3% on copper and 4% on gold of net sales is payable on a quarterly basis by Guelb Moghrein to the government of Mauritania.

Ravensthorpe

The information on Ravensthorpe contained in this AIF is based in part on a Technical Report: "Ravensthorpe Nickel Operations, Halleys, Hale-Bopp and Shoemaker-Levy Deposits, Ravensthorpe, Western Australia, Technical Report" dated September 2013 as of December 31, 2012 by Felicity Hughes and Anthony Cameron BE (Mining), GradDipBus, MComLawFAusIMM in accordance with the requirements of NI 43-101. Felicity Hughes and Anthony Cameron are Qualified Persons under NI 43-101 and have verified the data. The Technical Reports are available for review on SEDAR under the Company's profile.



History

Mining in the town of Ravensthorpe predates the current nickel mine, with gold discoveries dating back to 1898. The town experienced a downturn after the First World War but mining for copper continued up until the 1970s. A railway line connected Ravensthorpe with the port of Hopetoun from 1901 to 1925, when the line was closed.

BHP Billiton commenced a feasibility study for Ravensthorpe Nickel Operation in 2002 for opening a nickel and cobalt mine and processing plant. The project was approved in 2004 and construction commenced shortly afterward. The plant known as the Ravensthorpe Nickel Operation was commissioned in late 2007 with first production occurring in October and the first 5,000 tonnes being produced by December 2007. The plant was officially opened in 2008. Production was expected to total 50,000 tonnes of nickel per annum.

In January 2009, BHP Billiton announced that it was suspending production at the Ravensthorpe Nickel Operation mine indefinitely, due the reduction in world nickel prices caused by the global economic crisis when the LME nickel price dropped to as low as \$8,810.00 per tonne in late 2008.

On December 8, 2009, the Company announced it had entered into a binding agreement with BHP Billiton to acquire the Ravensthorpe Nickel Operation in Western Australia for \$340 million, conditional on receiving certain government approvals. The Company received the requisite approvals for the acquisition and the transaction was closed on February 10, 2010.

Following acquisition by the Company, Ravensthorpe achieved commercial production in December 2011.

Property and Ownership Interest

The Ravensthorpe Nickel Operation mineral rights are primarily held by the Company's wholly owned subsidiary, FQM Australia Nickel Pty Ltd. The Ravensthorpe Nickel Operation's assets, including most of the mineral rights, were previously owned by BHP Billiton, which was acquired through the Company's acquisition in 2010. The Ravensthorpe mining licenses held by the Company cover an area of 338 square kilometers.

Location, Access and Infrastructure

The Ravensthorpe Nickel Operation is located within the shire of Ravensthorpe, Western Australia, approximately 550 kilometers south-east of Perth. The facility is 35 kilometers east of the town of Ravensthorpe along the South Coast Highway and readily accessible by an all-weather road. The region features a flat to undulating sandplain, falling gradually to the coast 35 kilometers to the south. In the immediate vicinity of Ravensthorpe is Bandalup Hill, which forms a prominent rise above the surrounding sandplain. The Ravensthorpe operation falls within the native vegetation conservation corridor known as the Bandalup corridor and the Fitzgerald River National Park is located approximately 25 kilometers to the south west.

Land use in the area is primarily wheat, sheep and cattle farming. The nearest residence is a house located 4.4 kilometers away from the Ravensthorpe processing facility.

Operations involve the open pit mining and beneficiation of nickel laterite ore, pressure acid leaching ("PAL"), atmospheric leaching ("AL"), counter current decantation ("CCD"), precipitation and filtration to produce a Mixed Hydroxide Precipitate ("MHP") product, containing approximately 40% nickel and 1.4% cobalt on a dry basis. Sulphuric acid for the leaching process is produced on site in a 4,400 tonnes per day sulphur burning, double absorption, acid plant, with waste heat being recovered to produce steam via three 18MW steam turbines, for the generation of power and to provide heat for the leaching process. An additional 12MW of diesel generating capacity is installed. Final tailings from the CCD circuit is neutralized and pumped to the Tailings Storage Facility ("TSF"), which eventually will consist of three cells of approximately 460 hectares in plan area. Nickel in MHP is transported in sea containers from site, via the South Coast Highway, to the Port of Esperance (approximately 140 kilometers to the east) from where it is exported to world markets.

Ravensthorpe accommodates its Fly in Fly out ("FIFO") shift workers in an onsite camp and village, which has a capacity of 750 rooms, dry and wet mess with recreation facilities. Residential staff are housed in 165 company-owned houses and units in the towns of Hopetoun and Ravensthorpe.

Geological Setting and Mineralization

Ravensthorpe currently consists of Mineral Resources defined at the Halleys, Hale-Bopp and Shoemaker-Levy nickel laterite deposits. The deposits are developed over Archaean Ultramafic rocks on the eastern margin of the Ravensthorpe Greenstone Belt and extend over a strike distance of 17 kilometers. Nickel laterites have formed through prolonged deep weathering of the Bandalup Ultramafics, which comprise a north-northwest striking, serpentized komatiite complex. Nickel and cobalt, present in the serpentized komatiite, have been concentrated by weathering processes in the lateritic regolith. Residual and supergene accumulations of nickel, cobalt, silica, manganese and iron have developed within sub-horizontal tabular zones in association with the extensive leaching of mobile elements (principally magnesium and silica). The deposits display strong similarities in regolith geology and geochemistry, including textural and mineralogical attributes, a consequence of the fundamental link provided by the ultramafic sequence on which they are developed.

Recognized zones within the ultramafic derived profile include Saprolite, clay, goethite/Limonite, leached siliceous pedolith, lateritic residuum and surficial cover. Barren units, collectively referred to as 'caprock', overlie nickel-enriched zones and include the surficial cover, lateritic residuum and leached siliceous pedolith zones. The nickel-enriched zone forms a gently undulating blanket beneath the barren units, whilst cobalt mineralization occurs mainly in a narrow zone generally towards the top of the nickel-enrichment zone in association with manganese accumulation. The majority of nickel mineralization in the deposits is hosted in the goethite/Limonite zone, whilst

the upper levels of the Saprolite zone is also commonly well mineralized. Well-developed smectite clay zones are rare and tend to be associated with sheared and strongly serpentinized protolith units flanking the ore body.

Labour

At December 31, 2016, Ravensthorpe employed 258 persons directly and a further 282 contractors.

Sales

A summary of the revenues for the past three years attributable to the Ravensthorpe division is shown below.

Year	Revenue (\$ million)
2016	195
2015	246
2014	507

Mining, Mineral Processing and Metallurgical Testing

Ravensthorpe is an open cut mine and hydrometallurgical processing plant that uses proven technology to recover nickel and cobalt to produce a mixed nickel cobalt hydroxide intermediate product. The Company expects the project's average annual production of nickel metal to be approximately 25,000 tonnes for the next three years of operations with an average annual production of 28,000 tonnes of nickel metal over the expected life of mine of 22 years.

On December 14, 2014, Ravensthorpe suffered a structural failure to an atmospheric leach tank. After major refurbishment of Substation 1 the plant returned to partial operation with the limonite pressure leaching circuit starting on February 2, 2015. The preleaching of saprolite ore started on July 19, 2015 after extensive inspections and risk mitigation controls were implemented on the atmospheric leach tanks. The recovery from saprolite remains reduced with only half of the tanks in this area currently available while the other tanks are undergoing staged repairs and rebuilds.

The key aspect for Ravensthorpe in the current low price environment has been to maximize margins through the reduction in operation costs and maximising throughput. Key metallurgical testwork undertaken includes:

- Evaluation of options for increasing saprolite treatment within current plant constraints, which has directly lifted the treatment rate of saprolite
- Optimisation of solution evaporation to reduce evaporation pond requirements
- Optimisation of CCD circuit to reduce nickel losses

Production for 2017 is expected to be 25,000 tonnes of nickel.

Permits

The Company indirectly holds 27 granted Mining leases (13,288ha), 1 Exploration lease (1,681.25ha), 9 Miscellaneous leases (1,110.7ha) and 1 general purpose lease (6.76ha) and 1 prospecting lease (1.4ha) totalling 16088.11 ha. As well as 100% owned FQM Australia Nickel Pty Ltd has agreements in place with other companies for access to laterite nickel rights on a further 7 mining leases of 3,402.42ha 3 Exploration leases of 17,100 ha and 10 miscellaneous leases 1,126.41ha, for a total of 21,628.83ha.

Ravensthorpe holds all necessary Australian permits required to carry out its operations and operated in material compliance in 2016.

Mineral Resources – Ravensthorpe

The Ravensthorpe Nickel Operation (RNO) near Ravensthorpe in Western Australia mines and processes lateritic nickel. During 2016, RNO continued drilling activities to assist with the identification of the ore feed characteristics (geological, geochemical and metallurgical). This data will also be utilized to update the Mineral Resources and Reserves during 2017 using actual operational parameters derived from the current mining and processing activities.

For the purposes of reporting the status of the Mineral Resources and Reserves as at December 31, 2016, the 2015 estimates have been depleted to reflect actual mining activities that occurred during 2016.

Mineral Resource inclusive of stockpiles - as at December 31, 2016, cut-off grade 0.3% Ni

Deposit	Classification	Tonnes (Mt)	Ni (%)	Co (%)	Fe (%)	Al (%)	Mg (%)	Ca (%)	CO ₃ (%)	Cu (g/t)	Zn (g/t)
Halleys	Measured	13.6	0.62	0.02	8.20	0.94	11.80	2.00	20.00	19.00	56.00
	Indicated	4.0	0.54	0.02	9.50	1.50	10.90	0.80	7.00	20.00	63.00
	Total Meas. plus Ind.	17.6	0.60	0.02	8.50	1.08	11.60	1.80	17.00	19.00	57.00
	Inferred	5.6	0.37	0.01	6.35	0.43	15.76	1.07	12.00	14.00	46.50
Hale-Bopp	Measured	-	-	-	-	-	-	-	-	-	-
	Indicated	25.7	0.62	0.03	10.79	1.68	8.15	0.80	14.45	24.13	61.10
	Total Meas. plus Ind.	25.7	0.62	0.03	10.79	1.68	8.15	0.80	14.45	24.13	61.10
	Inferred	37.4	0.55	0.03	9.49	1.48	10.75	0.40	8.02	22.07	56.09
Shoemaker-Levy	Measured	63.1	0.62	0.03	13.90	1.90	4.60	1.20	10.50	33.00	93.00
	Indicated	113.8	0.57	0.03	11.30	1.40	5.30	1.60	13.10	35.00	84.00
	Total Meas. plus Ind.	176.9	0.59	0.03	12.23	1.58	5.05	1.46	12.17	34.29	87.21
	Inferred	15.0	0.44	0.02	7.80	1.50	11.30	1.70	11.00	24.00	59.00
Nindibilip	Inferred	31.4	0.55	0.02	11.30	2.20	4.70	0.80	8.60	74.00	109.00
Shoemaker-Levy North	Inferred	25.3	0.53	0.02	11.70	2.20	7.60	0.40	7.00	36.00	70.00
Total Resources	Total Measured	76.7	0.62	0.03	12.89	1.73	5.88	1.34	12.18	30.52	86.44
	Total Indicated	143.5	0.58	0.03	11.16	1.45	5.97	1.43	13.17	32.64	79.32
	Total Meas. plus Ind.	220.2	0.59	0.03	11.76	1.55	5.94	1.41	12.82	31.88	81.75
	Total Inferred	114.7	0.52	0.02	10.10	1.79	8.72	0.71	8.54	39.22	73.56
Stockpiled Resources	Measured	10.8	0.68	0.02	9.60	1.00	11.30	0.80	11.90	-	-

This December 31, 2016 Mineral Resource estimate has been prepared and verified by independent consultant and qualified person, Felicity Hughes (FJ Hughes & Associates) MAIG, MAusIMM.

Mineral Reserves – Ravensthorpe

The life of mine Mineral Reserves are defined using a long term nickel price of \$7.50/lb which is supported by consensus pricing forecasts. For 2017 and 2018 the Mineral Reserves associated with the current Halleys mine remain valid at near term consensus nickel pricing which ranges from \$5.00/lb to \$5.60/lb.

Mineral Reserves for RNO inclusive of stockpiles, as at December 31, 2016, are presented in the table below.

In addition to the stockpiles there is also an intermediate beneficiated product that is held within the processing surge (buffer) ponds. At the end of December 2016, the quantity of this material (considered as Proven Reserve) was 190,000 tonnes @ 1.7 %Ni.

Mineral Reserves - as at December 31, 2016, and reported based on \$7.50/lb long-term nickel price

Classification	Ore (Mt)	Ni (%)	Co (%)	Ca (%)	CO ₃ (%)	Mg (%)
Limonite Ore						
Total Proven	45.8	0.65	0.03	0.69	4.15	2.15
Total Probable	80.8	0.60	0.03	0.81	4.66	2.52
Subtotal Prov. plus Prob.	126.7	0.61	0.03	0.77	4.48	2.38
Saprolite Ore						
Total Proven	25.7	0.56	0.02	2.44	16.09	10.66
Total Probable	36.2	0.53	0.02	2.42	14.20	11.09
Subtotal Prov. plus Prob.	61.9	0.54	0.02	2.43	14.99	10.91
Total Ore in Pits						
Total Proven	71.6	0.62	0.03	1.32	8.44	5.21
Total Probable	117.0	0.58	0.03	1.31	7.61	5.17
Subtotal Prov. plus Prob.	188.6	0.59	0.03	1.31	7.93	5.18
Stockpile						
Total Proven	10.8	0.68	0.02	0.80	11.90	11.30
Total Probable	-	-	-	-	-	-
Subtotal Prov. plus Prob.	10.8	0.68	0.02	0.80	11.90	11.30
Total Reserve Including Stockpile						
Total Proven	82.4	0.62	0.03	1.25	8.90	6.01
Total Probable	117.0	0.58	0.03	1.31	7.61	5.17
Total Prov. plus Prob.	199.4	0.60	0.03	1.29	8.14	5.51

This Mineral Reserve estimate as at December 31, 2016, has been prepared and verified by independent consulting Mining Engineer, Anthony Cameron of Cameron Mining Consulting Ltd. Anthony Cameron is a qualified person and holds the following valid qualifications: BE (Mining), Grad Dip Bus, M Comm. Law, FAusIMM.

Mining Review

Mining statistics for the year ended December 31, 2016 are set out in the following table:

	Unit	2016	2015	2014
Waste Mined	'000 Tonnes	4,970	4,588	3,358
Saprolite Ore Mined	'000 Tonnes	6,150	4,324	3,529
Limonite Ore Mined	'000 Tonnes	3,010	3,948	5,669
Total Ore Mined	'000 Tonnes	9,160	8,272	9,198
Strip Ratio		0.54	0.55	0.37

Production Review

Production statistics for the year ended December 31, 2016 are set out in the following table:

	Unit	2016	2015	2014
Saprolite Ore Processed (Bene Feed)	'000 Tonnes	2,437	867	2,794
Limonite Ore Processed (Bene Feed)	'000 Tonnes	3,977	5,203	5,382
Saprolite Ni Grade	%Ni	0.76	0.77	0.83
Limonite Ni Grade	%Ni	0.75	0.80	0.86
MHP Produced	Tonnes	100,059	112,766	158,207
Ni in MHP Production	Tonnes	23,624	26,668	36,445

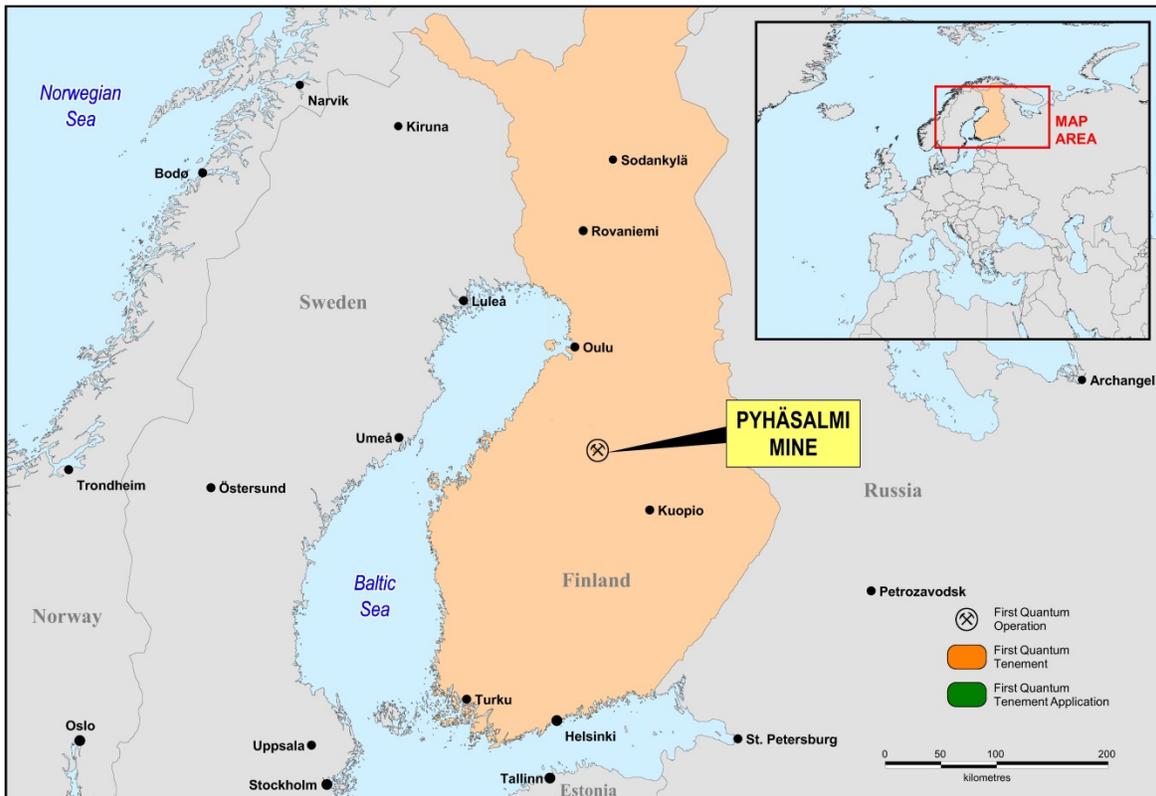
Mine Life

As at December 31, 2016, the current treatment rate of approximately 9.0 million tonnes per annum the life of mine based on the proved and probable Reserves is approximately 22 years.

Taxes and Royalties

The current rate of corporate income tax under Australian legislation is 30% of taxable earnings. A mineral royalty of 2.5% of sales less certain allowable deductions is paid on a quarterly basis to the State Government of Western Australia.

Pyhäsalmi



History

Pyhäsalmi Mine Oy (“PMO”) is an indirectly wholly-owned subsidiary of the Company and is incorporated under the laws of Finland. PMO's main asset is the Pyhäsalmi copper and zinc mine (“Pyhäsalmi”). Pyhäsalmi is one of the oldest and deepest underground mines in Europe and produces copper, zinc and pyrite. In 1962 it was initially developed as an open pit mine by Outokumpu Oy. Following the discovery of a new deep ore zone Outokumpu designed an underground development plan and in 2001 completed construction of a 1,450-meter deep automated hoisting shaft. Outokumpu started production from the new shaft in July 2001, and in March 2002, Inmet completed the acquisition of Pyhäsalmi and continued the underground production. The Company acquired Pyhäsalmi in March 2013 through its acquisition of Inmet.

Property and Ownership Interest

PMO's mining concession consists of two leases. The first lease is a mining lease of 59.2 hectares, covering all the surface expression of the ore body and Pyhäsalmi itself; the second is an auxiliary lease of 352.4 hectares, covering all other areas used for mining purposes.

Location, Access and Infrastructure

The Pyhäsalmi mine is in central Finland, four kilometers southeast of the town of Pyhäjärvi, on Lake Pyhäjärvi. It is within a two-hour drive from the cities of Oulu, Jyväskylä and Kuopio and their airports and a rail spur joins the mine to the national network. The rail spur also joins the mine to the port of Kokkola, 170 kilometers to the west on the Gulf of Bothnia. The mine accesses electrical power through two 110 kV national grid lines and draws its fresh water requirements from Lake Pyhäjärvi.

Geological Setting and Mineralization

The Pyhäsalmi deposit is a copper-zinc volcanogenic massive sulphide deposit of Proterozoic age. The mineralization is hosted by altered felsic and mafic volcanic rocks. The enveloping alteration zone is at least four kilometers long and one kilometer wide at its widest point. Alteration of the felsic volcanic rocks includes sericite and cordierite dominated mineralogy. Cordierite, anthophyllite and garnet dominate in the altered mafic volcanic rocks. The metamorphic grade is upper amphibolite facies.

The upper part of the Pyhäsalmi deposit was mined between 1962 and 2001 and is now depleted. Deep drilling in 1996 by Outokumpu Oy (the previous owner) led to the discovery of an extension to the deposit below the +1050 meter level. The newer deep deposit is located between the +1050 meter level (from surface) and the +1416 meter level. The inner part of the lens consists of massive pyrite with low copper and zinc values. This core is surrounded by massive chalcopyrite-pyrite and the outer rim consists of massive sphalerite-pyrite.

The main sulphide minerals are:

- pyrite (65%)
- chalcopyrite (3%)
- sphalerite (4%)
- pyrrhotite (3%).

Labour

At December 31, 2016, PMO employed 271 persons directly.

Mining and Mineral Processing

Pyhäsalmi uses non-entry, bulk open-stope mining methods in a primary-secondary sequence. On average, stope size varies from 50,000 tonnes for narrow primary stopes to over 100,000 tonnes for wider secondary stopes.

Milling includes crushing, 3-stage grinding, conventional flotation using three separate circuits, and dewatering to produce copper, zinc and pyrite concentrates.

Permits

Pyhäsalmi holds all necessary Finnish permits required to carry out its operations and operated in material compliance in 2016. Pyhäsalmi received its environmental permit in the fourth quarter of 2007. This permit reflects the European Union Integrated Pollution Prevention and Control environmental regulatory framework that has been incorporated into Finnish environmental legislation.

When the mine is closed, with decommissioning commencing in 2019, the main activity will be to rehabilitate the surface area. This includes covering and re-vegetating the tailings impoundments. The tailings management facility is managed effectively during operations. PMO intends to evaluate the need for long-term water treatment as the mine approaches closure.

Mineral Resources – Pyhäsalmi

The mineral resources, inclusive of the mineral reserves inventory is shown in the following table and reflect the position as at December 31, 2016

Mineral Resource – as at December 31, 2016 and reported using the geological limits of the massive sulphides

Classification	Tonnes (kt)	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)	S (%)
Total Measured	9,858.3	0.72	0.87	0.40	13.00	42.09
Total Indicated	-	-	-	-	-	-
Total Meas. plus Ind.	9,858.3	0.72	0.87	0.40	13.00	42.09
Total Inferred	-	-	-	-	-	-

This December 31, 2016, mineral resource has been prepared and verified by Timo Maki of the Company who is a qualified person and holds the following valid qualifications: EurGeol, FAMME, FAERI.

Mineral Reserves – Pyhäsalmi

The mineral reserve for PMO is shown below and reflects the position as at December 31, 2016. The mineral reserve estimate is based on a copper price of \$2.75/lb and \$1.00/lb for zinc.

Mineral Reserves – as at December 31, 2016, and reported based on a \$3.00/lb Cu price

Classification	Ore (kt)	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)	S (%)
Total Proven	3,381.3	0.99	1.74	0.40	13.00	41.09
Total Probable	-	-	-	-	-	-
Total Prov. plus Prob.	3,381.3	0.99	1.74	0.40	13.00	41.09

This Mineral Reserve estimated as at 31st December 2016 has been prepared and by the PMO site team under the supervision of, and verified by, Joseph Boaro of FQM. Joseph Boaro is a qualified person, a member of the Association of Engineers of Ontario, and holds the following valid qualifications: BE (Mining).

Mine Life

The life of mine is expected to be close to 2.4 years from 31st December, 2016.

Taxes and Royalties

Under Finnish legislation corporate tax are paid on taxable earnings at a rate of 20%.

Çayeli Bakir Isletmeleri



History

Çayeli Bakir Isletmeleri A.S. is an indirect wholly-owned subsidiary of First Quantum and is incorporated under the laws of the Republic of Turkey. Its main asset is the Çayeli copper and zinc mine. The Company acquired Çayeli in March 2013 through its acquisition of Inmet.

Property and Ownership Interest

Çayeli produced its first concentrate in 1994 and is expected to operate until at least 2021. Since 1994 Çayeli's design capacity of 600,000 tonnes per year has grown to a peak production capacity of 1,300,000 tonnes per year, production rates are declining as remaining reserves are exploited. ETİ Maden Isletmeleri General Directorate. ("ETİ Maden"), a wholly-owned by the Government of Turkey, holds the operating license for the mine and has leased it to Çayeli Bakir. The lease expires on July 29, 2044.

Taxes and Royalties

The current rate of corporate income tax under Turkish legislation is 20% of taxable earnings. ETİ Maden is entitled to a royalty based on 7% of Çayeli's net income. In addition, Çayeli pays a mine tax to the Government of Turkey which is calculated as a percentage of sales value of mine ore production with progressive rates as applicable to copper prices.. In the current copper price environment the Company expects a royalty rate of 2.2% will be applicable.

Location, Access and Infrastructure

Çayeli is located in the province of Rize on the Black Sea coast of north eastern Turkey. The plant site is at about 100 meters above sea level, on the western flood plain of the Büyükdere River and it is situated directly across from the town of Madenli, about seven kilometers from the coast. The town of Çayeli is located approximately

18 kilometers east of the city of Rize. The surface projection of the ore body covers an area of approximately 203 hectares. The mine accesses electrical power from the national grid and draws the water it uses for processing from a series of ground water wells and the adjacent Büyükdere River. Copper and zinc concentrates are shipped from the site in covered trucks to the Black Sea port at Rize.

Geological Setting and Mineralization

Çayeli is a Cretaceous-age volcanogenic massive sulphide deposit that has a known strike length of over 600 meters, extends to a depth of at least 600 meters and varies in thickness from a few meters to 80 meters, averaging about 20 meters. The average dip is 65 degrees to the north northwest.

The deposit is at the contact between altered footwall felsic volcanic flows and pyroclastic and hangingwall mafic volcanic rocks. It consists of massive and stockwork sulphides. The mineralization includes pyrite, chalcopyrite and sphalerite and smaller amounts of galena and tetrahedrite.

The massive sulphide ore is classified into:

- yellow ore, which is copper-rich and zinc-poor;
- black ore, which is zinc-rich and copper-poor; and
- clastic ore, which contains copper, zinc and precious metals. In this ore, the sphalerite contains intergrowths and inclusions of chalcopyrite and requires batch processing through the mill.

Ore types which either secondary copper minerals or bornite minerals are segregated and separately processed.

Stockwork ore, containing pyrite and chalcopyrite in veins, occurs stratigraphically below the massive sulphide ores.

Labour

At December 31, 2016, Çayeli employed 491 persons directly and a further 93 contractors.

Permits

In May 2016, Çayeli renewed its Integrated Environmental Permit, valid for 5 years, from the Turkish regulators that govern the environmental requirements at the site. In 2017 Çayeli will follow a similar process to renew the permit for operations at the Rize Port concentrate handling facility.

Çayeli received a “Leadership Award” from the Mining Association of Canada (MAC) regarding its performance in MAC’s Towards Sustainable Mining Initiative which governs safety, health, environment and community relations. Çayeli is the first Non-Canadian entity to be awarded this honor.

Turkey has published its Mine Waste Regulation in June 2015. Çayeli has continued engagement efforts with the authorities and Deep Sea Tailings Placement (“DSTP”) was listed as an accepted method in the new regulation. Çayeli does not anticipate any challenge to DSTP permitting given the long-standing acceptance of this practice, strong long-term environmental performance, the evidence indicating no change in water quality, and Çayeli’s robust monitoring program.

Çayeli is set to be closed and decommissioned in 2021. The “Decommissioning and Closure Plan” is updated periodically and ARO assessment is completed every year through third party as part of financial requirements. This plan was first issued in 1995 and then updated in 1999, 2008 and 2013 and 2016, further revisions and refinements of this plan prior to closure of the mine are anticipated.

The plan anticipates a decommissioning and closure period of approximately 12-24 months for the site infrastructure and underground mine, and five years for the site rehabilitation and environmental compliance monitoring. The updated decommissioning and closure cost estimate, excluding total asset sales, currently stands at US\$ 8.2 million which represents a decrease of US\$ 4.3 million (33%) from 2014 cost estimate. Part of this decline is attributed to the Turkish Lira losing value against the US Dollar and a reduction in the annual power use at the site.

Çayeli operates under Turkish environmental laws and regulations, many of which have been modified over the past several years to incorporate aspects of European Union directives, and corporate standards that incorporate effective environmental management practices into all of its business functions.

Çayeli holds the necessary permits required to carry out its operations and operated in material compliance in 2016.

Mining and Mineral Processing

Çayeli's mine design is based on underground bulk mining methods with the use of delayed backfill to extract ore in a sequential manner. The primary mining method is retreat transverse and longitudinal long hole stoping with paste backfill and loose or consolidated waste rock backfill. The stopes are mined in primary, secondary and tertiary sequencing.

Ore processing includes three stages of crushing, primary and secondary ball mill grinding, conventional flotation using either standard or column cells, and water removal by thickening and pressure filtering to produce copper and zinc concentrates.

Mineral Resources – Çayeli

The mineral resources estimate, inclusive of the mineral reserves inventory, is shown in the following table and reflects the position as at December 31, 2016.

Mineral Resource - as at December 31, 2016 and reported using a US\$55 NSR value cut-off

Classification	Tonnes (kt)	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Total Measured	7,066.0	2.93	1.84	0.42	15.3
Total Indicated	3,408.0	2.84	2.19	0.56	19.00
Total Meas. plus Ind.	10,475.0	2.90	1.95	0.47	16.50
Total Inferred	1,172.0	2.51	4.80	-	-

This December 31, 2016 mineral resource is a depletion of the December 31, 2015 Mineral Resource estimate, as a result of mining and processing carried out in 2016. This estimate has been produced by the CBI site geological team under the supervision of, and verified by, Joseph Boaro of the Company. Joseph Boaro is a qualified person, a member of the Association of Engineers of Ontario, and holds the following valid qualifications: BE (Mining).

Mineral Reserves – Çayeli

The mineral reserve estimate for CBI is presented below and reflects the position as at December 31, 2016. The mineral reserve estimate is based on a copper price of \$2.75/lb, \$1.00/lb for Zinc, \$1,100/oz for Gold, and \$15/oz for Silver.

Mineral Reserve - as at December 31, 2016 and reported using a US\$55 NSR value cut-off

Classification	Tonnes (kt)	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
Total Proven	3,300.7	2.83	1.97	0.39	17.7
Total Probable	1,453.8	2.50	1.23	0.28	12.0
Total Prov. plus Prob.	4,754.5	2.74	1.75	0.36	16.0

This mineral reserve estimate as at December 31, 2016 has been produced by the CBI site mining team under the supervision of, and verified by, Joseph Boaro of the Company. Joseph Boaro is a qualified person, a member of the Association of Engineers of Ontario, and holds the following valid qualifications: BE (Mining).

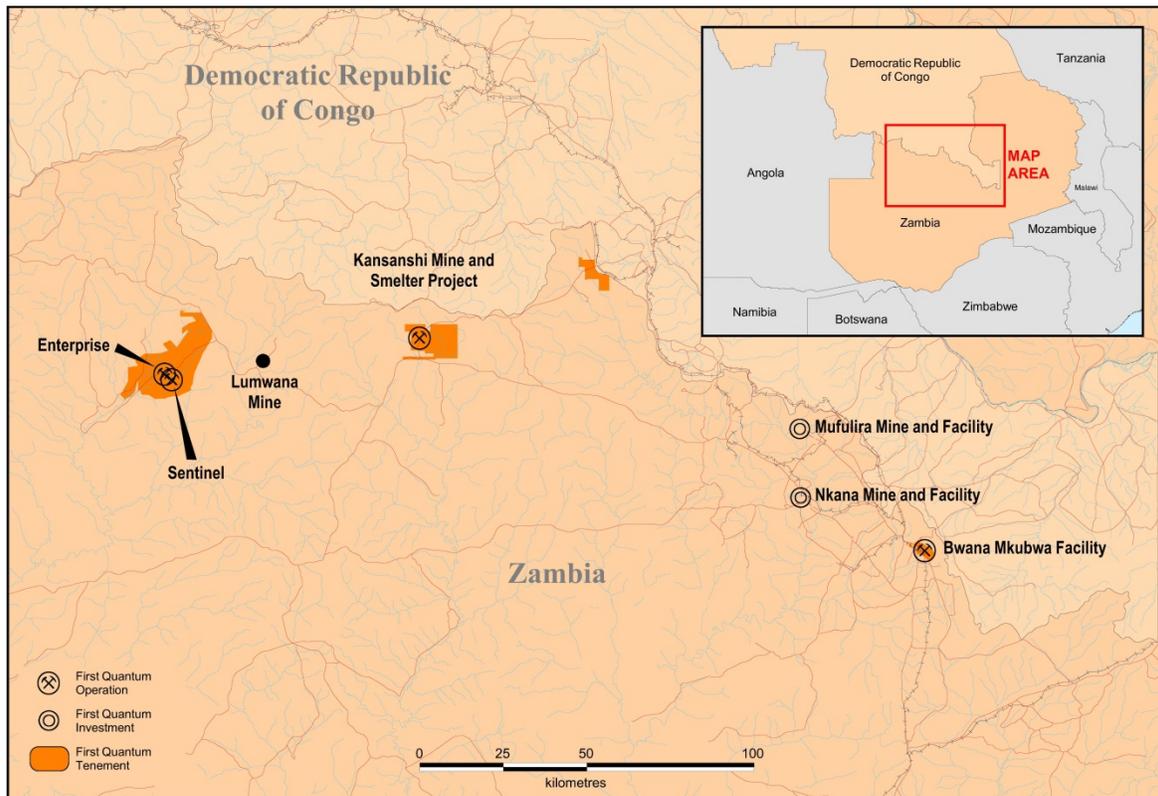
Mine Life

At current processing throughput rates, the life of mine is expected to be 4.5 years from December 31, 2016.

Development Projects

Enterprise Nickel Project

The information on Enterprise contained herein is based in part on a Technical Report: “Trident Project, North West Province, Zambia, NI 43-101 Technical Report” dated as of May 31, 2015 prepared by David Gray (QP) BSc(Geology), MAusIMM, PrSciNat(SACNASP), Group Mine and Resource Geologist, FQM (Australia) Ltd, Michael Lawlor (QP) BEng Hons (Mining), MEngSc, FAusIMM, Consultant Mining Engineer, FQM (Australia) Ltd, Andrew Briggs (QP) BSc(Eng), ARSM, FSAIMM, PEng(NAPEG), Group Consultant Metallurgist, FQM (Australia) Ltd. of the Company in accordance with the requirements of NI 43-101. Each is a Qualified Person under NI 43-101 and has verified the data. The Technical Report is available for review on SEDAR under the Company’s profile.



History

The Enterprise project was acquired as part of Trident. A history, property and ownership, location, access and infrastructure and geological setting is set out under Sentinel.

The development of the Enterprise nickel project will be the Company’s second nickel mine, designed for an average production of 38,000 tonnes of nickel in concentrate per annum with scope to increase to 60,000 tonnes per annum when market conditions are considered suitable. Given the operational and infrastructure synergies with the Sentinel copper project (located only 12 kilometers away), the Enterprise nickel project is expected to be a low cost producing mine.

Environmental approval has been granted for Enterprise nickel mine and preparatory works around the mine have been undertaken to allow pre-stripping to commence when market conditions improve, and nickel production is required to commence. Site construction of the process plant has been completed, and much of the Enterprise processing facilities can be used to augment Sentinel copper production, when not processing nickel ore.

Mineral Resource and Reserves

Enterprise is part of the Trident Project which includes the Sentinel copper deposit currently under development. The Project is located approximately 150 km from Solwezi in north-west Zambia. In April 2011, large-scale mining licenses for the development of the Trident Project were received from the Government of the Republic of Zambia.

Mineral Resource development drilling was completed at the Enterprise deposit towards the end of 2013. The December 2012 NI 43-101 Technical Report was updated and filed in May 2015 (and employs improved estimation techniques together with added drill data and an improved understanding of the structural framework at Enterprise) (*The Trident Project NI 43-101 Technical Report, although dated May 2015, was filed in September 2015*). This report documents the latest mineral resource estimate, benefiting from additional drilling and assaying data, an improved understanding of the geological/structural framework at Enterprise, and also improved estimation techniques.

Mineral Resources - Enterprise Nickel Project

The mineral resource estimate for Enterprise, inclusive of the mineral reserve inventory, is presented below and reflects the position as at December 31, 2016. This estimate is consistent with that reported in the May 2015 NI 43-101 Technical Report.

Mineral Resources - as at December 31, 2016, and reported using a 0.15% Ni cut-off grade

Classification	Tonnes (Mt)	Ni%
Non-primary sulphide		
Total Measured	-	-
Total Indicated	4.3	0.69
Subtotal Meas. plus Ind.	4.3	0.69
Total Inferred	5.3	0.47
Primary sulphide		
Total Measured	5.1	1.56
Total Indicated	30.3	0.96
Subtotal Meas. plus Ind.	35.4	1.05
Total Inferred	15.6	0.69
Total Mineral Resource		
Total Measured	5.1	1.56
Total Indicated	34.6	0.92
Total Meas. plus Ind.	39.8	1.01
Total Inferred	20.9	0.63

The current Mineral Resource inventory was estimated and verified by David Gray of the Company who is a qualified person and holds the following valid qualifications: BSc Hons(Geo), MAusIMM, Pr.Sci.Nat.

Mineral Reserves Estimate - Enterprise Nickel Project

The Enterprise reserve estimate is shown in the table below, reflecting the position at 31 December 2016. This estimate is consistent with that reported in the 2015 NI 43-101 Technical Report (FQM, May 2015).

Mineral Reserve - as at December 31, 2016, and reported based on a \$7.50/lb Ni price

Classification	Tonnes (Mt)	Ni (%)
Non-primary sulphide		
Total Proven	-	-
Total Probable	2.9	0.70
Subtotal Prov. Plus Prob.	2.9	0.70
Primary sulphide		
Total Proven	5.3	1.43
Total Probable	27.1	0.91
Subtotal Prov. Plus Prob.	32.5	1.00
Total Mineral Reserve		
Total Proven	5.3	1.43
Total Probable	30.1	0.89
Total Prov. Plus Prob.	35.4	0.97

The current mineral reserve inventory for Enterprise has been estimated and verified by the Company's personnel under the supervision of Michael Lawlor of the Company, who is a qualified person and holds the following valid qualifications: BEng (Mining)(Hons), MEngSc, FAusIMM.

The Trident Project processing facilities can process either copper ore from Sentinel or nickel ore from Enterprise. At current metal prices, the processing of Enterprise ore has been deferred indefinitely.

Mining and Processing

Ores from Enterprise will be transported to the Sentinel processing facility, where they will be treated in a SAG – ball milling circuit followed by flotation with a treatment rate of up to 4 million tonnes per annum, Enterprise is being designed to produce an average of 38,000 tonnes of nickel in concentrate per annum with scope to increase to 60,000 tonnes when nickel market conditions are considered suitable. The Enterprise circuit will also be able to process additional copper ore as part of Sentinel in the time periods when it is not being used to process nickel.

A dedicated primary crusher, crushed ore stockpile and conveying system will be provided for the Enterprise ores; crushed ore will be milled in a SAG and ball milling circuit, and the ground product floated in a circuit comprising talc pre-float, nickel rougher flotation, and two stages of cleaning. The talc pre-float will be operated without reagent addition to produce a talc concentrate containing very little nickel, which will be discarded to final tailings. Final concentrate at a grade of between 24 and 30% nickel, will be thickened and filtered in a dedicated concentrate handling facility.

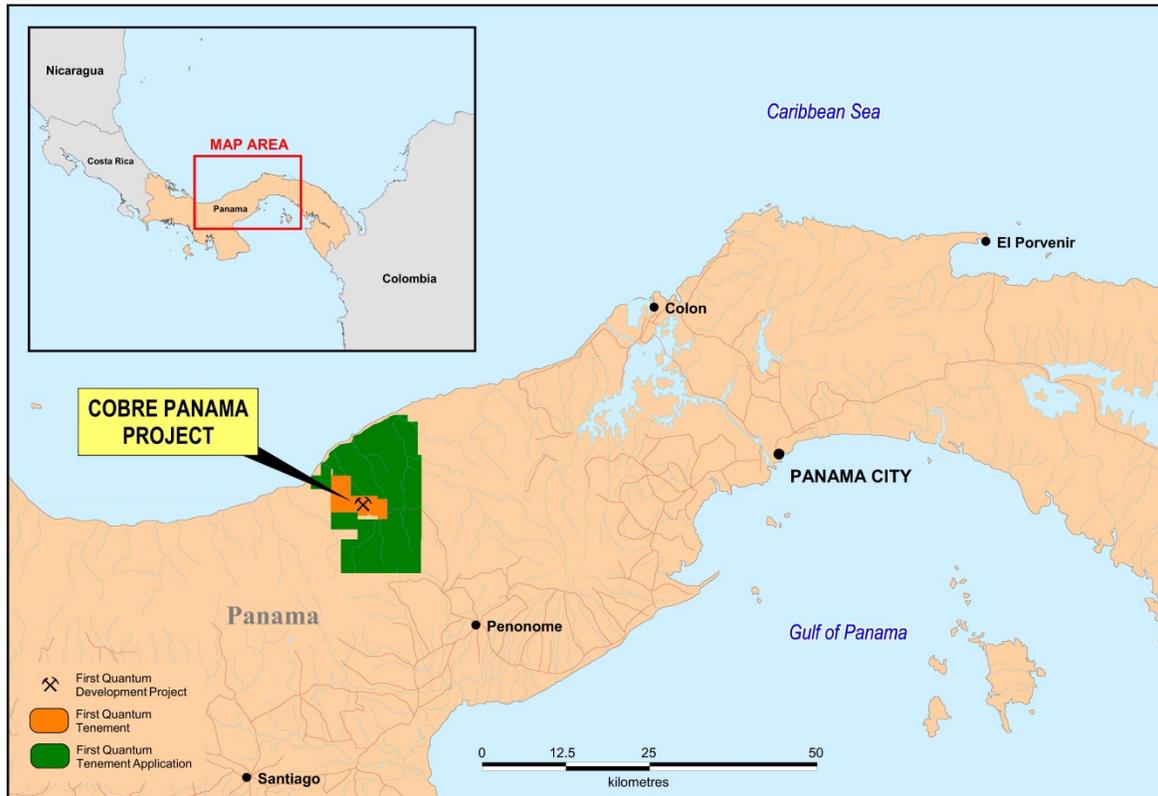
The Enterprise processing facility will share all the Sentinel infrastructure and tailings will be discharged to the Sentinel tailings thickeners and tailings storage facility.

Permits

During April 2011, five large-scale mining license applications were granted covering 950 kilometers, which include Sentinel, Enterprise and several other exploration targets. The granting of the Large-scale Mining Licenses was conditional upon approval by the Environmental Council of Zambia (“ECZ”) of the Environmental Impact Assessment which was submitted to the ECZ in early February and approved in July 2011. Various updates to the Sentinel EIA were submitted to ZEMA on July 26, 2012, principally for amendments to the tailing storage facility and process water facilities. The Environmental and Social Impact Assessment for the Enterprise open pit nickel mine was approved by the environmental authorities in September 2014.

Cobre Panama Project

The information on Cobre Panama contained in this AIF is based in part on a Technical Report: “Cobre Panamá Project, Colón Province, Republic of Panamá, NI 43-101 Technical Report” dated effective June 30, 2015 prepared by David Gray (QP) BSc(Geology), MAusIMM, PrSciNat(SACNASP), Group Mine and Resource Geologist, FQM (Australia) Pty Ltd, Michael Lawlor (QP) BEng Hons (Mining), MEngSc, FAusIMM, Consultant Mining Engineer, FQM (Australia) Pty Ltd, Robert Stone (QP) BSc(Hons), CEng, ACSM, Technical Manager, FQM (Australia) Pty Ltd, all of whom are qualified persons under NI 43-101. This Technical Report has been filed on SEDAR, under the Company’s profile.



History

Cobre Panama is a development property in Panama which is currently in construction (it is not currently an operating mine). The Company holds an indirect 80% interest in Minera Panama S.A. (“MPSA”), which holds the Cobre Panama concession. The remaining 20% interest in MPSA is held by Korea Panama Mining Corporation (“KPMC”), a 50/50 joint venture company whose ultimate shareholders are LS-Nikko Copper Inc. and Korean Resources Corporation.

In 2005 Inmet, Petaquilla Minerals Ltd. and Teck Cominco Limited (the shareholders of MPSA at that time) entered into an agreement to develop a copper project on the concession for the Cobre Panama property in phases, subject to approval by the Government of Panama. During the course of 2008 Inmet acquired sole ownership of MPSA. In October, 2009, Inmet entered into an agreement with KPMC that gave them the option to acquire a 20% or 30% interest in MPSA. During 2012, KPMC exercised its option and acquired a 20% interest in MPSA.

The Company acquired its indirect 80% interest in Cobre Panama through its acquisition of Inmet in 2013.

In August 2012, MPSA entered into a precious metals stream agreement with a subsidiary of Franco-Nevada Corporation for the delivery of precious metals based on production of the Cobre Panama project, the terms of which agreement were amended and restated on November 2, 2015 (“PSA”). Under the terms of the PSA, a subsidiary of Franco-Nevada provides a US\$1 billion deposit to MPSA to fund a portion of the capital costs of the

development of Cobre Panama. Funding by Franco-Nevada is pro-rata on a 1:3 ratio of First Quantum's funding contributions. A first instalment of the deposit was made by Franco-Nevada in November 2015.

The amount of precious metals deliverable to Franco-Nevada under the PSA is indexed to the copper in concentrate produced from the project and approximates 86% of the estimated payable precious metals attributable to the Company's 80% ownership based on the original Inmet 31 year mine plan. Beyond the contemplated mine life, the precious metals deliverable under the PSA will be based on a fixed percentage of the precious metals in concentrate.

Property and Ownership Interest

On February 9, 1997, MPSA was granted the mineral concession to explore and exploit Cobre Panama under Contract-Law No. 9 of February 26, 1997 ("Law 9"). Law 9 has an initial twenty-year term ending in 2017 and there are provisions for two consecutive twenty-year extensions. Such extensions are standard and are awarded in the year the concession comes up for renewal. The legal regime established by Law 9 for the development of the Cobre Panama concession is supplemented by the Mineral Resources Code of Panama (the "Panama Mining Code").

On 30 December 2016 the Government of Panama signed and issued Resolution No. 128 by which it extended the Law 9 mining concession for a second 20 year term commencing March 1, 2017 up to February 28, 2037. The initial 20 year term of the Law 9 mining concession which commenced on February 1997 remains in effect in the interim period up to February 28, 2017. MPSA remains eligible for consideration of a third 20 year term of the Law 9 mining concession commencing March 1, 2037.

Under Law 9, MPSA has the rights to explore for, extract, exploit, beneficiate, process, refine, transport, sell and market the gold, copper and other mineral deposits on the Cobre Panama concession. MPSA is required to pay a 2% royalty on "Negotiable Gross Production" which is defined as "the gross amount received from the buyer due to the sale (of concentrates) after deduction of all smelting costs, penalties and other deductions, and after deducting all transportation costs and insurance incurred in their transfer from the mine to the smelter" to the Government of Panama. Law 9 also grants to MPSA rights of way on state-owned lands and easements to use surface lands on concessions adjacent to the Cobre Panama concession; the right to build, maintain and use such lands; and easements for use to build, install, maintain and use facilities and installations that MPSA deems convenient for the development of the Cobre Panama concession.

Location, Access and Infrastructure

The Cobre Panama concession is 120 kilometers west of Panama City and 20 kilometers from the Caribbean Sea coast, in the District of Donoso, Colon Province, in the Republic of Panama. It includes four zones and covers an area of 12,955.1 hectares. There is no industrial development in the area of the concession and the region is sparsely populated. The primary occupation of the local residents is subsistence farming. The nearest community, the village of Coclecito (population 900), is 12 kilometers southeast of the proposed plant site. The city of Penonomé, which has a population of 25,000, is 49 kilometers southeast of Coclecito.

The topography in the concession area is rugged with considerable local relief covered by dense forest. The area to the north is a lowland with minimal relief extending to the Caribbean coast. Climatic conditions are tropical with high precipitation levels, high humidity and relatively high temperatures year-round of 25 to 30 degrees Celsius.

The project has two main development areas: the mine and plant site within the concession boundaries, and the port and power station at Punta Rincon, approximately 25 kilometers north of the plant site on the Caribbean coast. The Cobre Panama concession will be developed as a conventional truck and shovel open pit mine with a concentrator that uses proven technology (such as crushing, grinding or flotation) to produce copper-gold and molybdenum concentrates. The port and power plant site consists of a deep water berth for concentrate and coal shipments, a conventional ship landing site and a 300 MW coal fired power plant. An access road has been constructed between the mine and each of the power plant site and the port. From 2015 to date, the port has been operational, with a significant number of project equipment deliveries having been received directly. New access roads and improvements to the existing access roads from Penonome through La Pintada and Coclesito to the site have been

constructed to permit safe access to the mine and plant site from the Pan-American Highway via the existing road from Penomone.

Geological Setting and Mineralization

Mineralization at Cobre Panama consists of several disseminated copper – gold – molybdenum deposits. Known geologically as porphyry copper deposits, these are typical of the Western Cordillera of the Americas and other regions around the Pacific Ocean basin.

During a regional survey in 1968, a United Nations Development Program team discovered copper, gold and molybdenum porphyry mineralization in the Petaquilla River region of north-central Panama. A total of 1,805 diamond drill holes totalling 346,294 m have been drilled from discovery to August 2013. Exploration has outlined the several porphyry deposits, which developed around granodioritic stocks within and peripheral to the Oligocene Petaquilla batholith. Epithermal gold mineralization has also been identified in a more distal setting to the batholith.

The porphyry deposits occur at the southern margin of a large granodioritic batholith of mid-Oligocene age. The main deposits are Balboa, Botija, Colina and Valle Grande. There are also a number of smaller zones; the most significant being Brazo and Botija Abajo.

All of the porphyry style mineralization on the property is hosted in granodiorite, feldspar-quartz-hornblende porphyry and adjacent andesitic volcanic rocks. The porphyry at Balboa intruded passively toward the south from a source located northwest of the deposit and is also thought to be influenced by a high angle structure to the west of the deposit. At Botija, a number of north dipping feldspar-quartz-hornblende dikes cut the granodiorite. Two roof pendants of andesitic volcanic rock occur in the central and eastern parts of the deposit. At Colina, mineralization is associated with an east-southeasterly trending, shallow north dipping, 2.5 kilometer by 1 kilometer feldspar-quartz-hornblende porphyry sill and dike complex that intrudes granodiorite and andesitic volcanic rocks. The Valle Grande zone is associated with a southeast trending feldspar-quartz-hornblende porphyry lopolith that is bounded to the north and south by andesitic volcanics and minor granodioritic dikes. At Brazo and Botija Abajo the host rock is dominantly feldspar-quartz or feldspar-quartz-hornblende porphyry.

Hydrothermal alteration along the Cobre Panama mineral trend is primarily silica-chlorite which is interpreted to be a form of propylitic alteration. Potassic alteration, consisting of salmon colored potassium feldspar and secondary biotite is seen in the central parts of Botija. Argillic and phyllic alteration is patchy in the three main deposits with the latter variety being most prevalent near the tops of the deposits. At Brazo, pervasive sericite, clay and pyrite is associated with well-developed quartz stockworks.

Hypogene sulphides occur as disseminations, micro-veinlets, fracture fillings, and quartz-sulphide stockworks. Chalcopyrite is the dominant copper mineral with lesser bornite. Traces of molybdenite are commonly found in quartz veinlets. There is no significant zone of supergene enrichment at Botija, Colina and Valle Grande. At Brazo, supergene mineralization consisting of chalcocite-coated pyrite and rare native copper occurs to a depth of at least 150 meters.

Labour

At December 31 2016, the Company employed approximately 5,325 persons at Cobre Panama directly, in addition to approximately 2,200 contractors and subcontractors.

Environmental Permits

In December 2011, the Government of Panama, through Autoridad Nacional del Ambiente (the Panamanian national environmental authority), approved the project environmental and social impact assessment (“ESIA”) required for development of the Cobre Panama copper project, including the mining operations and related infrastructure, the port facility, and the coal-fired power plant.

Capital Cost Updates

The Company acquired its interest in Cobre Panama as part of its acquisition of Inmet in March, 2013. Since the Company's acquisition of Cobre Panama, the Company's prime focus was to critically review and stabilize all activities and focus on the key elements of the project development, the construction and contracting plan, and implementation of practical site infrastructure. On January 27, 2014, the Company announced an update on the development of its Cobre Panama copper project (the "Cobre Panama Update"). The Company estimated capital expenditure to develop Cobre Panama would be approximately \$6.4 billion, inclusive of \$913 million incurred prior to the acquisition of Inmet,

In 2015, the estimated capital cost were reviewed in detail and reappraised and on October 5, 2015 the Company announced its revised estimated total project cost at \$5.95 billion, approximately 7% below previous estimates. Capital costs were reduced due to better construction efficiency, continued optimization of detailed design and lower costs for equipment and bulk materials such as rebar and structural steel.

In early 2016, an additional detailed capex review was performed. It resulted in a revised capital cost estimate of \$5.48 billion from the previous estimate of \$5.95 billion, leading to a total reduction of 15% from the original estimate of \$6.4 billion. The savings result from efficiencies achieved to date in the critical earthworks, concrete and construction aspects of the project, better pricing on materials and equipment procurement, together with a number of smaller cumulative savings opportunities.

Development Plan Update

The port is fully operational having received numerous direct international shipments, and is also now permitted for importation of coal and exportation of copper concentrate.

Early priority is being given to the completion of the power station taking advantage of virtually all required materials being available on-site. Remedial repairs were required for some materials and equipment which had deteriorated after having been delivered early and stored outdoors, and with these remedial repairs essentially completed the overall installation works have progressed well.

The Company's capital expenditure for Cobre Panama in 2016 was \$764 million (First Quantum's share \$458 million), and the planned total net capital expenditure for 2017 is expected to be approximately \$1,060 million (First Quantum's share \$640 million). Project spending to the end of 2016 amounted to \$3.5 billion, including \$0.7 billion contributed by Korea Panama Mining Corporation ("KPMC"), which owns a 20% interest in the project. The estimated costs for completion of \$2.0 billion are expected to be met by an additional contribution from KPMC of \$0.4 billion, \$0.5 billion payable by Franco-Nevada under the precious metal stream agreement and \$1.0 billion by the Company.

The re-engineered project is now based on an ore feed ramp-up to 74 million tonnes per annum ("Mtpa") by 2019, followed by an increase to 90 Mtpa by 2023. The initial feed rate is approximately 23% higher than the Inmet plan. On the basis of the current Mineral Reserves estimate and the planned processing capacity, the life of operations is forty years. During the period when processing at the 90 Mtpa rate, average annual copper production is approximately 311,000 tonnes of recovered metal (reaching a maximum of approximately 397,000 tonnes of recovered metal). The annual average metal production rate when processing at 90 Mtpa is around 17% higher than the Inmet plan.

Over the life of operations, the average by-product production is expected to be 97,000 ounces of recovered gold, 1,570 thousand ounces of recovered silver and 2,570 tonnes of recovered molybdenum. The average copper feed grade is expected to be 0.42% total copper for the first 10 years and 0.35% total copper for the remaining operations life. The average life-of-mine strip ratio (tonnes) is 1:1.

The planning and readiness effort for the operations phase of Cobre Panama is underway. The operations readiness plan includes recruitment of staff, development of operating systems, and training of Panamanian employee skills across the port, power plant, mine and process plant.

Mining Operations

Mining at Cobre Panama will involve large scale and conventional open pit methods at up to approximately 80 Mbcm of ore and waste mined per annum. The multiple pits will be mined in an optimized sequence and in phases, with ore crushed in-pit and conveyed overland to the nearby processing plant.

The estimated pre-strip volume required for ore exposure, dewatering infrastructure and installation of in-pit crushing and conveying at Botija pit is currently forecast at 57Mbcm but remains under review. As at December 31, 2016 the completed prestrip volume was 27.1Mbcm representing 47% of the current forecast total. In December 2016 the evaluation of equipment bids for the mining fleet at the Cobre Panama operations was completed and the first ultra-sized truck orders were placed in January 2017.

Processing and Recovery

The processing plant design is based upon a conventional sulphide ore flotation circuit, with differential flotation to produce separate copper and molybdenum concentrate products. Plant tailings will be directed into areas of valley fill and into the depleted open pits.

The predominantly copper/molybdenum sulphide ore is amenable to conventional differential flotation processing, with lesser gold and silver recovered into the copper and gravity concentrate.

Various metallurgical test work programs have been undertaken on the Cobre Panamá Project since 1968, commensurate with the various levels of preliminary feasibility and prefeasibility studies that were completed up until 1998.

In 1997 an extensive programme of metallurgical testing was designed to confirm earlier studies on the metallurgical response of the Botija and Colina ores. Work included grinding, flotation, dewatering and mineralogical testing. Further testing was completed, including locked-cycle flotation testwork and modal analysis to assist in defining grind requirements for both rougher and cleaner flotation. Copper-molybdenum separation by means of differential flotation was also tested.

Confirmatory batch laboratory flotation testwork was conducted during 2014. Based on all of this testwork, variable processing recovery relationships were determined for copper and gold, whilst fixed recovery values were determined for molybdenum and silver. The design recoveries vary for each deposit, as summarized in the table below.

Deposit	Recovery			
	Cu (%)	Mo (%)	Au (%)	Ag (%)
Botija	$\text{MAX}(0, \text{MIN}(96, ((5.8287 * \text{LOG}(\% \text{Cu})) + 95.775)))$	55.0%	$\text{MIN}(80, \text{MAX}(0, (15.993 * \text{LOG}(\text{Auppm})) + 92.138))$	47.3%
Colina	$\text{MAX}(0, \text{MIN}(96, ((5.8287 * \text{LOG}(\% \text{Cu})) + 95.775)))$	55.0%	$\text{MIN}(80, \text{MAX}(0, (15.993 * \text{LOG}(\text{Auppm})) + 92.138))$	47.3%
Medio	$\text{MAX}(0, \text{MIN}(96, ((5.8287 * \text{LOG}(\% \text{Cu})) + 95.775)))$	55.0%	$\text{MIN}(80, \text{MAX}(0, (15.993 * \text{LOG}(\text{Auppm})) + 92.138))$	47.3%
Valle Grande	$\text{MAX}(0, \text{MIN}(96, ((5.8287 * \text{LOG}(\% \text{Cu})) + 95.775) - 4))$	52.0%	$\text{MIN}(80, \text{MAX}(0, (15.993 * \text{LOG}(\text{auppm})) + 92.138))$	47.3%
Balboa	$\text{MIN}(96, ((2.4142 * \text{LOG}(\text{cutpct})) + 92.655))$	55.0%	$\text{MAX}(0, \text{MIN}(80, (7.6009 * \text{LOG}(\text{auppm})) + 85.198))$	40.0%
Botija Abajo	$6.6135 * \text{Ln}(\text{Cu}\%) + 92.953$	55.0%	50.0%	30.0%
Brazo	$6.6135 * \text{Ln}(\text{Cu}\%) + 92.953$	55.0%	50.0%	30.0%

The copper concentrate product will be piped as a slurry to the port site on the northern side of the country (on the Caribbean Sea), from where it will be loaded onto vessels for shipping to world markets. The molybdenum concentrate will be delivered to port by road and shipped in bulk bags.

Project power will be generated by a coal-fired power station at the port site and transmitted to the mine site along a new access corridor, which also incorporates the concentrate pipeline.

Capital and Operating Expenses

The Cobre Panama capital and operating costs for 2017 are set out in the following table:

2017	Cobre Panama
Total Capital Cost (1) estimate (\$m)	1,060
Operating cost	N/A
Labor, contractors and maintenance	N/A
Supplies, power and fuel	N/A
Other	N/A

(1) Cobre Panama capex of \$1,060m includes \$640m of FQM share to spend with \$410m from third parties.

Capital Cost Estimate

	Incurred Pre- Acquisition	Incurred as at Dec 31, 2016	Total Capex
	(US\$m)	(US\$m)	(US\$m)
Mining	-	201	679
Process Plant	62	387	1,111
Power Plant	209	531	632
Port	-	304	383
Infrastructure	480	396	486
Indirects	162	1,661	2,193
Total Project	913	3,480	5,484

Development Timeframe

The re-engineered and larger project is scheduled for phased commissioning during 2018 and continued ramp up during 2019.

Activity	Target Timeframe
230KV overland power line complete	Q2 2017
Set 1 (150MW) power station commences output	Q4 2017
Set 2 (150MW) power station commences output	Q2 2018
Tailings management facility complete	2018
Process plant construction complete	Q3 2018
Process commissioning	H2 2018
Continued Ramp Up	2019

Mineral Resource and Reserves

The four main deposits are Balboa, Botija, Colina and Valle Grande. There are also a number of smaller zones; the most significant being Brazo and Botija Abajo. There has been significant exploration drilling in this region giving the project a life of mine of 40 years.

Mineral Resources and Reserves were updated by the Company in June 2015, by the filing of an NI 43-101 Technical Report, which replaced the previous NI 43-101 report dated May 2010.

Mineral Resources – Cobre Panama

The Mineral Resource estimate for Cobre Panama, inclusive of the Mineral Reserve inventory, is presented below and reflects the position as at December 31, 2016. This estimate is consistent with that reported in the recent NI 43-101 Technical Report dated June 2015.

Mineral Resource - as at December 31, 2016, and reported using a 0.15% Cu cut-off grade

Deposit	Category	Tonnes (Mt)	TCu (%)	Mo (%)	Au (g/t)	Ag (g/t)
Botija	Measured	336	0.46	0.008	0.10	1.35
Botija	Indicated	672	0.35	0.007	0.06	1.08
Colina	Indicated	1,032	0.39	0.007	0.06	1.58
Medio	Indicated	63	0.28	0.004	0.03	0.96
Valle Grande	Indicated	602	0.36	0.006	0.04	1.37
Balboa	Indicated	647	0.35	0.002	0.08	1.37
Botija Abajo	Indicated	114	0.31	0.004	0.06	0.93
Brazo	Indicated	228	0.36	0.004	0.05	0.81
Total Measured and Indicated		3,695	0.37	0.006	0.07	1.32
Botija	Inferred	152	0.23	0.004	0.03	0.78
Colina	Inferred	125	0.26	0.006	0.05	1.20
Medio	Inferred	189	0.25	0.005	0.03	1.25
Valle Grande	Inferred	363	0.29	0.005	0.03	1.14
Balboa	Inferred	79	0.23	0.003	0.04	0.96
Botija Abajo	Inferred	67	0.27	0.005	0.06	1.25
Brazo	Inferred	76	0.21	0.003	0.01	0.73
Total Inferred		1,051	0.26	0.005	0.04	1.08

The current Mineral Resource inventory for Cobre Panama was estimated and verified by David Gray of the Company who is a qualified person and holds the following valid qualifications: BSc Hons(Geo), MAusIMM, Pr.Sci.Nat.

Mineral Reserves – Cobre Panama

The Mineral Reserve estimate for Cobre Panama is entirely within the Measured and Indicated Mineral Resource estimate in the table above. It is consistent with the Mineral Reserve estimate reported in the last NI 43-101 Technical Report dated June 2015. The actual cut-off grade for the estimate varies due to variable processing recovery, but otherwise reflects a longer-term consensus copper price of \$3.00/lb, a molybdenum price of \$13.50/lb, a gold price of \$1,200/oz and a silver price of \$16.00/oz.

A cut-off grade optimisation strategy was adopted for the Mineral Reserve estimation process, whereby an elevated 0.2% Cu cut-off grade was adopted for the period up to 2040, then followed by a period of marginal cut-off grade plant feed for the remainder of the Project life. The impact of this strategy is that the initial production years are protected from copper price volatility which could otherwise impact on the economics of marginal grade plant feed at this time.

Mineral Reserve - as at December 31, 2016 and reported based on a \$3.00/lb Cu price

Classification	Tonnes (Mt)	TCu (%)	Mo (ppm)	Au (ppm)	Ag (ppm)
Botija					
Total Proven	345.6	0.45	74.88	0.10	1.33
Total Probable	603.5	0.35	70.79	0.07	1.10
Subtotal Prov. plus Prob.	949.1	0.39	72.28	0.08	1.19
Colina and Medio					
Total Proven	-	-	-	-	-
Total Probable	1,009.9	0.39	66.27	0.06	1.59
Subtotal Prov. plus Prob.	1,009.9	0.39	66.27	0.06	1.59
Valle Grande					
Total Proven	-	-	-	-	-
Total Probable	566.0	0.36	67.02	0.05	1.39
Subtotal Prov. plus Prob.	566.0	0.36	67.02	0.05	1.39
Balboa					
Total Proven	-	-	-	-	-
Total Probable	437.1	0.35	16.10	0.08	1.36
Subtotal Prov. plus Prob.	437.1	0.35	16.10	0.08	1.36
BABR					
Total Proven	-	-	-	-	-
Total Probable	220.5	0.40	41.25	0.07	0.87
Subtotal Prov. plus Prob.	220.5	0.40	41.25	0.07	0.87
Total Mineral Reserve					
Total Proven	345.6	0.45	74.88	0.10	1.33
Total Probable	2,836.9	0.37	57.71	0.06	1.36
Total Prov. plus Prob.	3,182.5	0.38	59.57	0.07	1.35

The current Mineral Reserve inventory for Cobre Panama has been estimated and verified by the Company personnel under the supervision of, and verified by, Michael Lawlor of the Company, who is a qualified person and holds the following valid qualifications: BEng (Mining)(Hons), MEngSc, FAusIMM

Economic analysis

An economic analysis in the form of an undiscounted cash-flow model to support the Mineral Reserve estimate is listed in Table 1-6 of the Technical Report dated effective June 30, 2015 prepared by David Gray (QP) BSc(Geology), MAusIMM, PrSciNat(SACNASP), Group Mine and Resource Geologist, FQM (Australia) Pty Ltd, Michael Lawlor (QP) BEng Hons (Mining), MEngSc, FAusIMM, Consultant Mining Engineer, FQM (Australia) Pty Ltd, Robert Stone (QP) BSc(Hons), CEng, ACSM, Technical Manager, FQM (Australia) Pty Ltd. This model shows the indicative cash-flow and does not replace a more comprehensive financial model that exists for the Project, from which an accurate NPV and IRR can be calculated.

The annual revenues are calculated from the same metal prices as used in the pit optimisation process:

- Copper = US\$3.00/lb (US\$6,615/t)
- Molybdenum = US\$13.50/lb (US\$29,762/t)
- Gold = US\$1,200/oz
- Silver = US\$16.00/oz

The payable metal factors are:

- Copper = 96.43%
- Molybdenum = 86.20%
- Gold = 86.00%
- Silver = 80.00%

All mining expenditure incurred prior to commercial production is included in the \$5,485M capital estimate.

Mine Life

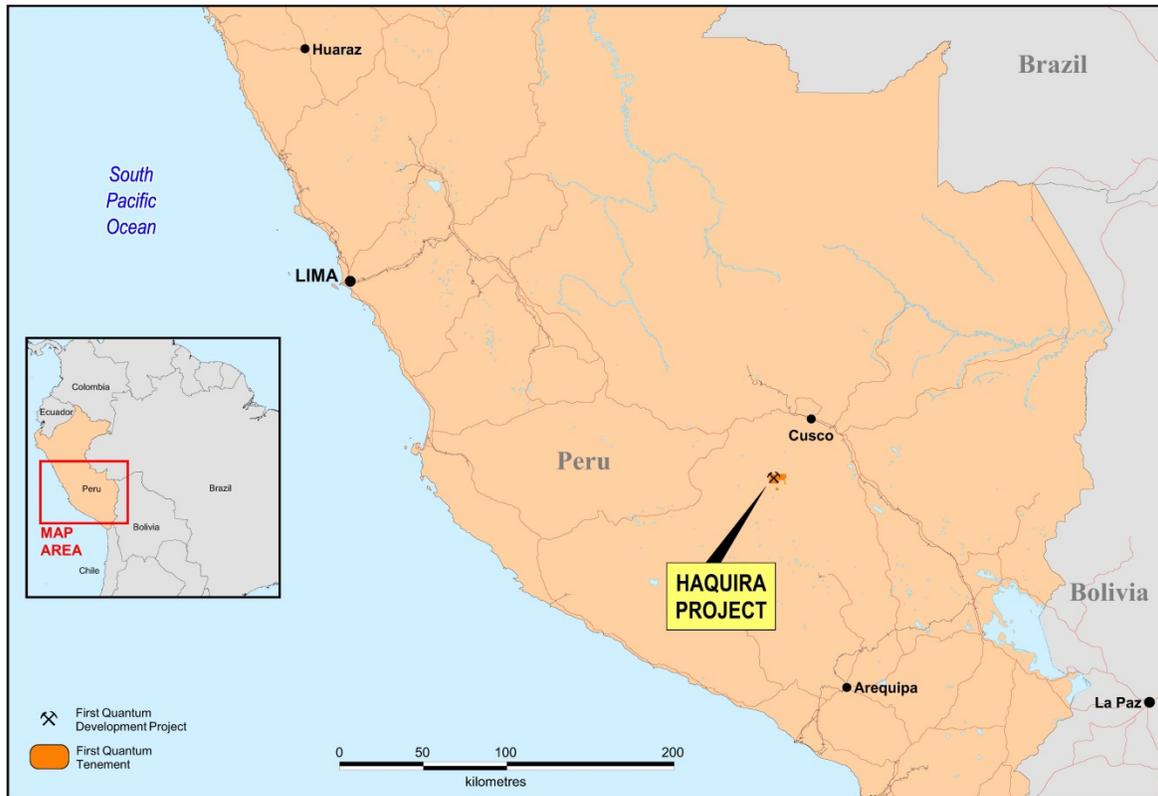
Commencing from the pre-strip phase, the project life is forty years to 2055.

Taxes and Royalties

Corporate income tax under Law 9 is payable at a rate of 25% on taxable earnings which is exempted for the period during which the Company has outstanding debt relating to the construction and development of the project.. Under Law 9 a mineral royalty of 2% is paid to the Government of Panama.

Advanced Exploration Projects

Haqira Project



History

The acquisition of Antares Minerals Inc. (“Antares”) and its principal asset, the Haqira copper deposit, was finalized by the Company in late 2010. The Company’s current priorities are to commence the environmental impact assessment on the project approach and obtain free access to the project footprint by negotiation with surface rights holders and other significant stakeholders. During 2011 an exploration program commenced including systematic detailed airborne magnetic and electromagnetic surveys covering the whole property as well as detailed soil geochemistry and mapping programs. A new 3D geological model of the porphyry system, alteration halo and regional architecture was completed in 2011 and has generated several high priority exploration targets.

Relevant environmental and other permits are in place to continue exploration. In December 2013, titles over 7 concessions (6,400 ha) adjacent to Haqira were purchased that comprised the “Cristo de los Andes” project. These concessions were formerly held and explored by the Company through a mining assignment with the previous owner Hochschild Mining. These concessions now form part of the Haqira project, and in addition to potential copper resources, these additional areas consolidate our position and will potentially accommodate infrastructure for Haqira. Antares entered into a recalibration of the project with local communities where the change from an exploration project to a development project was explained. The latter involves potential relocation of certain key communities. In the latter half of 2013, commissions were formed between the communities and Antares to create the framework for negotiations on resettlement in a participatory manner. The commissions worked throughout 2014 in three communities and agreement to participate was reached with a fourth community in late 2014. 2015 was characterized by poor socio-political conditions, including strikes and access problems related to the neighboring Las Bambas project, and negotiations were delayed until fourth quarter 2015. Negotiations were eventually postponed in November 2015 due to the need for the company to focus its resources on the Cobre Panama project. Contact was maintained throughout 2016 with all communities and access was available by community agreements to all areas to conduct the EIA studies and statutory monitoring of environmental parameters to sustain existing

permits. Exploration at Cristo de Los Andes and at Haqira will take place when the parameters for the project, particularly resettlement, have been established.

An Environmental Impact Assessment study (the “EIA Study”) was continued in 2016. This Study, once complete, would facilitate the granting of some key permits that would cater for mine construction activities. The EIA Study will take at least a further 12 months to complete and undergo approval.

Property and Ownership Interest

The Company owns 100% of the Haqira project located in southern Peru adjacent to MMG's Las Bambas copper-gold mine.

Location, Access and Infrastructure

The Haqira property is in the Andes at elevations of 3,500 to 4,400 meters, and consists of treeless, gently rolling hills with grassy vegetation and some rocky ridges. Rainfall is abundant between December and March (summer).

The property is located in the Apurimac Department of southern Peru, approximately 270 kilometers northwest of Arequipa or approximately 80 kilometers southwest of Cuzco. Access from Arequipa is by paved and unpaved roads, with a driving time of between 12 to 14 hours. Access from Cuzco is by recently improved paved and unpaved roads, with a driving time of approximately 6 hours.

Geological Setting and Mineralization

The Haqira project is located in the southeast part of the Andean cordillera in Peru, where parallel belts of Paleozoic and younger rocks are intruded by Tertiary (Oligocene) diorites and monzonites, including the Haqira porphyry. On the Haqira property, the Jurassic-Cretaceous sedimentary sequence consists of several formations containing arenites (quartzose sandstones), siltstones, and shales. The overlying Ferrobamba Limestone does not crop out in the immediate area of known mineralization, but has been identified elsewhere nearby on the property. The sedimentary rocks are folded into a series of major folds with wavelengths of 1 to 3 kilometers, with some thrusting. Oligocene intrusives occur as stocks and sinuous dikes, the latter spatially related to faults and/or fractures that strike north-northwest. Most of the intrusions are medium-grained to porphyritic diorites, quartz diorites, monzonites, and monzodiorites. The Oligocene intrusions silicified the arenites and converted some of the finer grained siltstones and shales into diopside, biotite, and epidote-bearing hornfels. The most important intrusive phase found to date is the Haqira monzonite porphyry, which is currently thought to be the main mineralizing intrusive body. It contains abundant disseminated chalcopyrite, pyrite, and molybdenite. The better primary (hypogene) copper grades tend to be associated with the Haqira porphyry. Pliocene and younger (post-mineral) tuffs and alluvium overlie the Oligocene and older rocks.

Mineralization at Haqira is related to porphyry-copper systems generated by the Oligocene intrusives, including the Haqira Porphyry. Mineralization occurs not only as copper oxide and secondary (supergene) chalcocite in the form of sub-parallel enriched secondary or supergene copper blanket, but also in the form of copper sulfide-bearing stockworks and sheeted-vein systems of interesting grades in underlying primary (hypogene) porphyry-copper style. In addition, there is some potential for skarns developed in carbonate rocks adjacent to the porphyry intrusives.

Labour

At December 31 2016, Haqira employed 55 persons directly and a further 28 contractors.

Mining and Processing

The Haqira project is one of the world's major undeveloped copper deposits with excellent potential for the development of a large-scale copper mine with production from both near-surface secondary copper mineralization amenable to SX-EW leaching and from a larger, underlying body of higher grade primary porphyry copper-molybdenum gold-silver mineralization to be processed by a conventional mill/concentrator operation.

Permits

Through its wholly-owned subsidiary Antares, the Company currently has rights to over 24 mining concessions covering 192 square kilometers around Haqira. This includes seven new concessions applied for since the Haqira acquisition in 2010. In addition, the Company has purchased the adjacent property to the south, Cristo de Los Andes, which includes seven concessions for 64 square kilometers.

Agrarian reform in Peru has resulted in the surface rights at Haqira being held by four Andean communities, and 12 more in the area of influence. Development of Haqira will require the purchase of certain surface rights.

During 2016, the necessary environmental permits for drilling at Haqira and Cristo de Los Andes have been obtained and/or maintained.

Mineral Resource and Reserves

The previously published Mineral Resource at Haqira includes 569 million tonnes at 0.56% copper (cut-off grade 0.26%Cu) in measured and indicated categories. This consists of 128 million tonnes at 0.58%Cu in the measured category; 441 million tonnes at 0.56 %Cu in the indicated category (and combined measured and indicated resources of 569 million tonnes at 0.56 %Cu). In addition, resources at Haqira 406 million tonnes at 0.52% copper in the inferred category.

Once community access agreements and relocation programs are finalized, the primary objectives for the project will include infill resource drilling particularly on the secondary (supergene) mineralization between the Haqira East and Haqira West as well as condemnation drilling and reconnaissance drilling of satellite targets. Further deeper holes will be targeted at extensions of sulphide mineralization particularly at Haqira West. The Company considers that there is excellent potential to expand the current resources through incremental additions at Haqira as well as potential for a buried cluster of porphyry targets within the property.

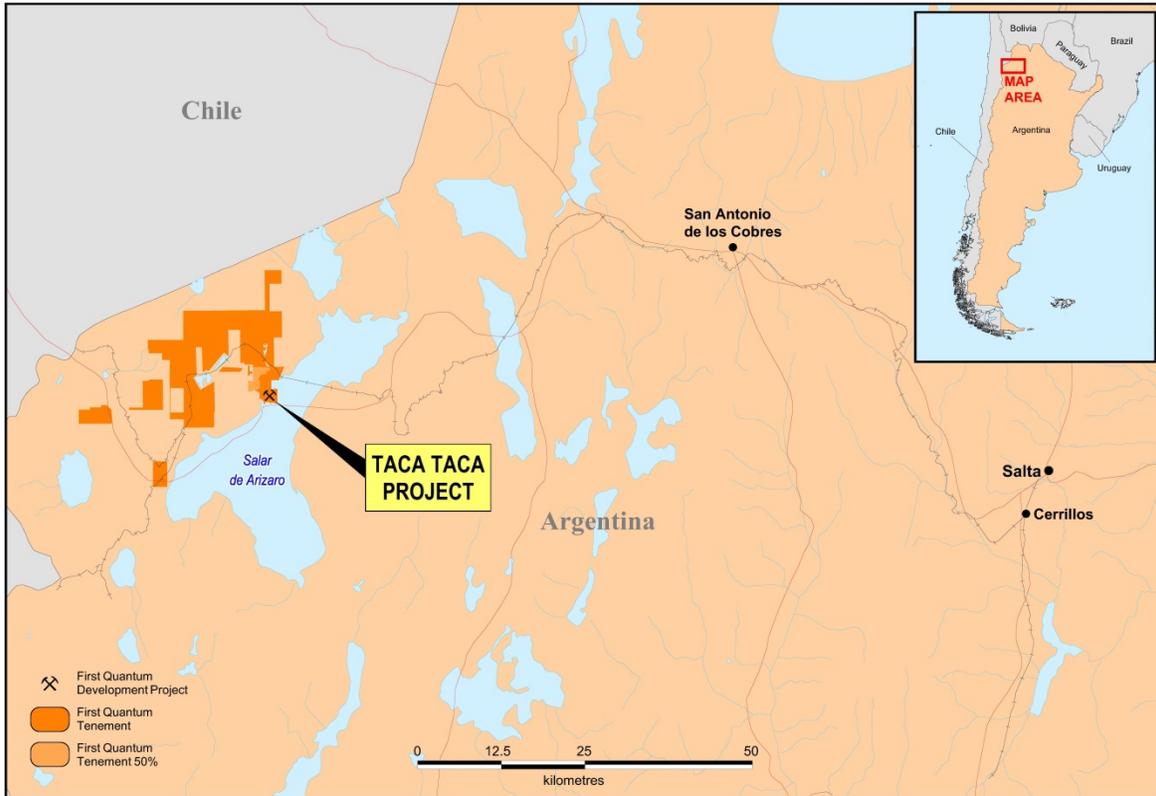
Information regarding Mineral Reserves and Mineral Resources in respect of Haqira is currently available in the updated NI 43-101 Technical Report (the "Haqira Technical Report") for the Haqira Project dated September 3, 2010. The Haqira Technical Report is not, and shall not be deemed to be, incorporated by reference in or otherwise included in this AIF. The Company has not verified, and makes no representation or warranty as to, the accuracy or completeness of any information, including information related to Mineral Reserves and Mineral Resources for the Haqira project, contained in the Haqira Technical Report.

Outlook

Additional work has commenced to progress the Haqira project towards a development decision, particularly with a thorough review and drafting of the process description for the project as part of a larger engineering study to complement the EIA Study. The ultimate development decision would require further drilling for engineering purposes (and potentially for resource definition in certain areas), mine planning, metallurgical testing, plant, tailings pond and waste rock dump design, infrastructure planning, closure plans, environmental and social impact studies.

The Company's current priorities are to complete community access and relocation agreements, complete the EIA Study and then initiate condemnation infill and expansion drilling. The Company aimed to continue the Engineering Study during 2015 but lack of access due to poor local socio-political conditions hampered the planned activities which have been delayed for a later date. Pre-operational studies for electricity supply scenarios have been completed, submitted to the regulatory authority and were approved. The EIA Study contract was awarded and work started during fourth quarter 2014. Due to the general reduction in the pace of the project related to the 2016 mining commodities slump, the Study is now expected to be submitted in 2018, with an approval and granting of key construction permits by during 2019. Recent changes in Peruvian legislation have streamlined the approval process of environmental impact assessments and allowed the approval of key permits to take place in parallel with that of the environmental impact assessment. Construction is expected to take 38 months.

Taca Taca Project



History

Copper-gold-molybdenum porphyry-style mineralization was discovered at the Taca Taca site in the late 1960's. Lumina Copper Corporation ("Lumina") first acquired an interest in the Taca Taca property when shareholders of Global Copper Corp. ("Global Copper") approved a corporate reorganization effective August 1, 2008, ultimately resulting in the acquisition by Lumina of 100% of the shares of Corriente Argentina S.A. ("CASA"), which holds 100% interest in the Taca Taca property.

In August 2014, the Company acquired Lumina in exchange for cash proceeds of C\$206.9 million (US\$189.9 million) and equity of 9,669,153 ordinary shares, or total consideration of C\$441.9 million (US\$405.5 million). Lumina's primary asset is the Taca Taca project in Argentina, a copper-gold-molybdenum porphyry deposit in an advanced exploration phase. A detailed review of geology, exploration and development options for the project has been completed. During 2015, preliminary drilling to identify more proximal fresh water sources was carried out. Initial results suggest that further drilling is warranted in targeted areas. The EIA Study for site construction and operation, including a preliminary Project Alternatives Study, was initiated. Baseline studies were carried out throughout 2016 and will be completed in early 2017. The Project Alternatives Study was completed and will be incorporated into the EIA Study.

Property and Ownership Interest

The Company, through its Argentinian subsidiary CASA, owns 100% of the Taca Taca project located in Salta Province in Argentina. The main Project area and areas of associated interest are held in a composite package of mining rights consisting of 68 concessions, 3 exploration permits, and one easement. 14 concessions have been added during 2016 as the company consolidated its landholdings to prepare for the project development stage. Two of the mining concessions have a 50% ownership with third party groups. The property is subject to a 1.5% net smelter returns royalty.

Location, Access and Infrastructure

Taca Taca is located in the remote Puna (Altiplano) region of Salta Province in northwest Argentina at an approximate elevation of 3,585 masl. It is located on the east side of the Sierra de Taca Taca and the western edge of the Salar de Arizaro. The topographic relief is low to moderate and has two prominent 3,700 m hills: Cerro de Cobre and Cerro Agua del Desierto. The Salar de Arizaro is at an elevation of 3,470 m. The property has many flat areas to accommodate a variety of site layouts.

Vegetation is sparse to non-existent in the Taca Taca area.

The climatic data for the area is limited and new meteorological stations at Quevar and Rio Grande have only been in operation for the last three to four years and are privately owned. Lumina installed a weather station at the Project in 2010.

Site data has been compared to historical data for the region to develop Taca Taca climatology. The climate for Taca Taca is typical for the region; very arid with a low average annual precipitation of approximately 110 mm/y and high annual potential evaporation rate of 2,500 mm/y (calculated). The average relative humidity is approximately 34% and temperatures ranging from -11C to 20C, with January being the warmest month and July being the coldest month. Wind speeds range from 3.8 to 23.2 m/s, predominantly from the northwest. Although westerly winds are generally strong, particularly during the winter months, exploration activities can be carried out year round and are not significantly hindered by local climatic conditions.

Taca Taca is located in a remote area of Argentina. A network of paved and gravel roads from Salta to the towns of San Antonio de los Cobres and Tolar Grande provide access to Taca Taca.

Taca Taca is located within 10 km of the railway line that connects Salta with Antofagasta, Chile.

Electrical power connection to the national power grid is available in the region at Olacapato to the north of the Project and a transmission line over a length of 144 km is expected to be required to provide electrical power to Taca Taca.

Geological Setting and Mineralization

The Taca Taca porphyry copper-gold-molybdenum deposit is hosted in the southern half of a 50 km long Ordovician batholith, which forms the Sierra de Taca Taca mountain range. The batholith consists of coarse-grained granite that is cut by several aplite dykes. This Early Paleozoic intrusion is intruded by Late Permian granites and aplites and overlain by Late Permian sediments and volcanoclastics. Narrow, north-south striking, steeply dipping rhyolitic dykes of Permo-Triassic age outcrop throughout the region. Oligocene rhyodacitic intrusions of the Santa Inés Formation are responsible for the porphyry copper mineralization and alteration at Taca Taca.

Late Tertiary red-bed sedimentary rocks are widely distributed in the region, but are most abundant east of Salar de Arizaro. These rocks possibly constitute the basal section of the sedimentary sequence that fills the salar basin. Lavas from recent (Pliocene to Pleistocene) volcanoes are exposed to the west and north of Taca Taca. Large evaporite deposits of alternating salts and sand were deposited in regional intermontane basins to form the present-day salars (Almandoz, 2008). There are three main styles of mineralization associated with the Taca Taca copper-gold-molybdenum porphyry: supergene/hypogene porphyry copper mineralization, remnant oxide copper-gold mineralization in the leach cap, and hematite-quartz copper-gold veins.

Labour

At December 31 2016, Taca Taca employed nine persons directly and one contractor.

Mining and Processing

The Taca Taca deposit is amenable to conventional, large-scale, open pit mining methods.

Mineral Resource and Reserves

The Mineral Resource at Taca Taca consists of an indicated resource of 2165 million tonnes at 0.44% copper, 0.013% Mo and 0.08 g/t Au (at a cutoff grade of 0.3% copper equivalent) and an inferred resource of 921 million tonnes at 0.37% copper, 0.012% Mo and 0.05 g/t Au (at a cutoff grade of 0.3% copper equivalent).

Information regarding Mineral Reserves and Mineral Resources in respect of Taca Taca is currently available in the updated NI 43-101 Technical Report (the “Taca Taca Technical Report”) for the Taca Taca Project dated May 24, 2013. The Taca Taca Technical Report is not, and shall not be deemed to be, incorporated by reference in or otherwise included in this AIF. The Company has not verified, and makes no representation or warranty as to, the accuracy or completeness of any information, including information related to Mineral Reserves and Mineral Resources for the Taca Taca project, contained in the Taca Taca Technical Report.

Outlook

Additional technical studies will be carried out in 2017 to complement the EIA Study. These include Electricity Supply Studies (placement of the interconnector and its environmental impact assessment), Transport Studies (various transport options and their impact assessment), and a Community Communications Program to inform the local communities about the nature of the project and its degree of advancement. The date for the submission of this more detailed EIA (including the added components listed above) is planned to be late 2017. Water exploration will continue in 2017.

Other Exploration

The Company has historically expanded its reserve base through a combination of carefully targeted acquisitions and district scale exploration. Following several years of successful resource development programs that have provided our major operations with long mine lives, the emphasis of the Company's exploration is migrating towards earlier stage projects. The Company is well situated to take advantage of the downturn in global competition to build a portfolio of high quality pipeline developments for the future. The major focus is divided between the identification of robust porphyry copper prospects and grassroots exploration for sediment hosted copper.

In 2016, the Company incurred \$16 million of expensed exploration, split fairly evenly between near mine exploration, primarily in Zambia, Finland and Turkey, and early stage exploration projects and joint ventures in a variety of prospective jurisdictions around the globe. Exploration expenditure was curtailed significantly during the period commensurate with rapidly falling commodity prices and economic conditions. This resulted in the Company withdrawing from a number of joint venture programs in Botswana, Namibia, Serbia and Alaska in order to focus on core projects primarily in Zambia, Peru and Chile.

In 2016, the Company's most intensive near mine exploration program was focussed around Kansanshi. A more modest program was in progress at Pyhäsalmi. The program at Kansanshi was centred on resource and metallurgical assessment of the South East Dome, incremental oxide targets around the Main and North West pits as well as well as early stage identification of new oxide ore sources in the district.

In recent years the Company has deliberately diversified from its strong African reserve base to establish a ground position and expertise in many of the other premier copper jurisdictions around the globe. This commenced in 2010 through the purchase of Haquira in Peru and expanded to include interests in Panama and Chile through the acquisition of Inmet's exploration portfolio in 2013, and Argentina with the acquisition of Taca Taca in 2014.

The Company's strategy on porphyry copper projects is carefully guided by pro-active selection of joint venture prospects in preferred segments of porphyry belts followed by swift but systematic evaluation of known porphyry occurrences during a limited 'option' period. In this way it is proving possible to rapidly turn over opportunities without major on-going commitments and to accelerate the discovery of our preferred large scale targets. In contrast, exploration for sediment-hosted copper deposits capitalizes on the Company's considerable experience in the African Copperbelt where detailed targeting models have been developed using innovative geochemistry and geophysical mapping techniques. Unlike porphyry copper, very few global mining groups have expertise in sediment-hosted copper exploration, resulting in less competition for these targets. The Company's experienced exploration team is actively engaged in applying our proprietary models and techniques into less well explored sediment hosted copper basins around the world. In 2016, this included low key grassroots programs in Australia and Europe.

Exploration expenditure in 2017 is expected to remain at similar levels to 2016, in line with prevailing market conditions. Focus will continue on Zambia, Peru and Chile with some low level reconnaissance actives in Argentina and elsewhere in Latin America. In-country teams will be involved in the appraisal and assessment of early stage exploration opportunities. Low cost reconnaissance programs are planned to continue combined with judicious drill testing of the highest priority targets.

Environmental

General

The Company operates in material compliance with all applicable environmental laws. This includes the preparation and filing of environmental and social impact assessment reports for each of its operations. In addition, the Company has environmental and social management plans and policies which apply to each of its operations. The Company's goals with respect to the environment are similar to those under ISO 14001:2015 management guidelines and the Company subscribes to the *Equator Principles*.

In 2016, the Company continued implementation of approved environmental management plans at each of its operations and development projects designed to protect the environment and minimize its potential environmental liability, including pollution prevention, legal compliance and continued environmental improvement. The Company's operations include Kansanshi and Trident (Zambia), Guelb Moghrein (Mauritania), Ravensthorpe (Australia), Pyhasalmi (Finland), Cobre Las Cruces (Spain) and Cayeli Bakir (Turkey). Development of the Cobre Panama Copper Project (Panama) continued through 2016 as did the environmental permitting process for the Haquira Copper Project (Peru). Baseline EIA studies for Taca Taca (Argentina) commenced in November 2015 and continued through 2016. The Company also has 6 closed properties in North America and the closed Bwana Mkubwa mine in Zambia, at various stages of rehabilitation.

At Kansanshi, slag deposition from start-up of the smelter in March 2015 to end of 2016 was 1.19 million tonnes. The existing dump has capacity to store 2 million tonnes of slag. It was designed to be a transitory dump with material expected to be reclaimed for the remaining copper credits in 2016. After 2016, the plan was to treat slag produced on a daily basis by sending it direct to the re-treatment facility while reclaiming the stored slag at a scheduled reclaim rate. However, the re-treatment facility is not yet available. In view of these developments, Kansanshi is in the process of conducting an environmental impact study for an expanded and permanent slag dump. However, once the treatment facility is available and it is economical, the dump will be progressively and continuously reclaimed for processing of residual copper.

At Trident, Acid Rock Drainage ("ARD") is an ongoing issue. The ARD risk is managed through an iterative process because ARD is influenced by various factors that depend on time and therefore the risk mitigation measures are constantly reviewed and optimized. Kinetic and static monitoring confirms minor seasonal variations and every season provides practical opportunities for improved ARD management.

An independent external review of Trident ARD risk and mitigation measures was conducted in 2016. The external review confirmed that Trident's ARD mitigation measures are appropriate. With annual improvements and adjustments, mitigation measures have shown significant improvements each year. Key management measures implemented to date include:

1. Installation of an effluent neutralisation plant with lime water storage capacity of 263 m³. Improvements planned in 2017 include an additional dosing point from the neutralisation plant, increased fresh water supply for mixing with lime and installation of a pipeline that will deliver tailings return water to the dosing point to ensure continuous and consistent operation;
2. Site drainage and dewatering plan developed and implemented in 2016. This involves water segregation, thereby reducing the volume of water exposed to Potential Acid Forming ("PAF") material and construction of sedimentation ponds; and
3. Waste Rock Dump ("WRD") management improved in 2016/17 rainy season. The WRDs are now shedding water into the Pit Water Collection ("PWC") ponds for transfer to the main PWC pond for treatment prior to discharge.

At Guelb Moghrein, the carbon in leach ("CIL") gold plant remains on care and maintenance. The magnetite recovery plant and the associated Tailings Storage Facility 3 ("TSF3") were commissioned but remain on care and maintenance pending a future decision to start production.

Restoration of the Morak Tailings Dam covering 10.8 hectares was also completed and more than 900 trees of local species planted in the tailing dam area. A drip feed irrigation system has been installed to accelerate the rehabilitation.

In 2016, the remaining historical waste hydrocarbon and steel drums were removed from site by an approved contractor. A new concrete surfaced area was constructed to manage current mine hydrocarbon waste. New piezometers were installed to monitor the ground water quality.

At Ravensthorpe, the Department of Environment Regulation (“DER”) approved an application to amend the environmental licence to increase the capacity of the Tailing Storage Facility (“TSF”) by raising the TSF embankments. The DER also approved an application to operate the existing lined Sand Reject Storage Facility (“SRSF”) for the purpose of evaporating water from saline decant liquor.

Mining operations commenced in Hale Bopp Ore-body during the year. An application was lodged with the Environmental Protection Authority (“EPA”) for an expansion at RNO including a revised corridor to the Shoemaker Levy Ore bodies. A public environmental assessment process will be conducted in 2017.

At Bwana, implementation of the mine closure plan continued with the focus on rehabilitation of the tailings storage facilities and demolition of the plant infrastructure.

In 2016, Çayeli received a “Leadership Award” from the Mining Association of Canada for its ongoing commitment to the Towards Sustainable Mining Initiative which governs safety, health, environment and community relations. Çayeli is the first Non-Canadian entity to receive this award.

At Cobre Las Cruces, site water management and compliance continues to be the main focus due to the considerable number of commitments and conditions in the various licenses. After several upgrade projects carried out in recent years, the reliability of the neutralization plant has increased markedly and currently the plant produces a very stable high-quality effluent with very few scattered and short periods of non-compliance. Therefore, limits for the discharge to the Guadalquivir River are being consistently met and the number of exceedances has reduced to a historical minimum.

Over the years, the continuous improvement applied to the on-going dumps restoration has led to an efficient operation in terms of resource use and environmental impact management. In 2016, the construction of “El Chamorro” marl dump has been carried out under the principle of minimizing the exposed marls areas and covering them with topsoil as soon as construction of the final slopes is complete. Consequently, a significant improvement was achieved in runoff management and erosion control. After applying topsoil, the slopes are sowed with pasture to further stabilize the soil and improve the soil nutrients content.

In 2016, two slurry cooling towers were installed in order to lower the temperature of the tailings sent to the press filters and improve the maintenance issues in relation to the combination of high temperature and acidity. As a result, the lifetime of critical parts of the equipment increased significantly and, therefore, the availability and productivity of the filters. At the end of 2016, more than 90% of the tailings were being filtered in the press filters.

In 2016, Pyhasalmi reviewed and updated its general mine closure plan and costs. The remaining life of mine is currently estimated to be 3 years. Pyhasalmi has signed a Five Year Agreement with Yara Suomi Oy to produce and deliver pyrite up to 2025. After 2019 the pyrite will be produced from pyrite rich tailings currently stored in tailings pond B.

Elsewhere, at Cobre Panama implementation of the mine environmental management plan (EMP) continued. The project is entering an 18 month transition phase from construction into operations. Accordingly, work has started on developing the environmental management system for operations. The project is subject to quarterly third party ESIA compliance audits as well as additional audits by the state environmental regulator. The first internal environmental compliance audit was carried out at Cobre Panama in February in 2016. An additional ESIA compliance audit was carried out by Lender’s appointed environmental and social consultants in September 2016. At Haquira, work continued on the project environmental impact assessment (EIA). At Taca Taca, project EIA baseline environmental studies continued.

The Company is pleased to announce that no material environmental incident was reported at any of its operations in 2016 and the Company had no known environmental liabilities and no penalties imposed arising as a result of water pollution or contamination of land beyond the boundaries of its respective operations. In addition, to the Company’s

knowledge, none of these operations were considered by any applicable environmental regulatory authority to be imminent threats to the environment.

In August 2015, Cobre las Cruces received a Notice of Violation (“NOV”) issued by the Public Water Body regarding insufficient Drainage Reinjection System (“DRS”) ground water compensation. Initially the fine was set at 1,336,000 euros. Several written statements were submitted by CLC against the sanction resulting in a reduced fine of 1,200,000 euros. CLC has appealed the reduced fine and is awaiting the definitive resolution. In another matter, the on-going judicial procedure initiated 2008 (pre FQM acquisition) concerning an alleged environmental offence against public domain and water alteration with hazardous substances was finalized in September 2016. Three ex-directors were found guilty but the proposed initial fine of 619,431 euros was reduced to 313,459 euros. The fine has been paid by CLC. Consequently, two disciplinary proceedings suspended by the environmental damage procedure were finalized and filed and no fines were imposed on CLC. A further judicial procedure initiated in 2014 concerning an environmental offence against public domain due to CLC activity (2010-2013 lost underground water - non-compensation) is still in the investigation stage.

Statutory and independent environmental audits are carried out periodically at the Company’s operating facilities as and when required by environmental regulatory authorities. No material environmental issues were identified in 2016. The Company conducted internal audits at 4 of its sites in 2016 as part of its corporate environmental assurance program. Four sites will be audited in 2017. The program aims to improve environmental performance by identifying exceptions to the regulatory requirements, license conditions, ESIA commitments and IFC Standards as well as non-conformances with FQM practice. Action plans are developed by sites to address issues of non-compliance and implementation of the plans is monitored.

The Company discloses an annual *Greenhouse Gas Report* for its activities and responds to the annual Investor Carbon Disclosure Project (CDP) and Water information requests.

Permits

As at December 31, 2016, the Company had all necessary environmental permits and licenses in place required to carry out its operations. At some sites, permits are in the process of renewal and at new sites permits are being applied for, for the first time.

In 2016, several substantial and non-substantial modifications of the CLC’s IPPC permit (Integrated Pollution, Prevention and Control) were granted by the Regional Environmental Administration regarding: the primary sulphide (PMS) pilot plant and updating of the storm water discharge limits as non-substantial modifications; and the modification of the emission limits to the atmosphere and the two new marl dumps “El Chamorro” and “El Esparragal” as substantial modifications of the IPPC permit. The modification of the emission limits stands out as a significant result with more consistent and reasonable limits.

In 2016, Çayeli renewed its Integrated Environmental Permit which is valid until May 2021 and will follow a similar process to renew the permit for its Rize Port Facility in 2017.

Asset Retirement Obligations

Closure plans have been prepared for each of the Company’s mines and operational sites and are regularly updated. Asset retirement obligations (“AROs”), which include the cost of dismantling and disposal of plant and equipment and the rehabilitation of areas disturbed by mining activity, are reviewed and calculated annually for each such site. The AROs are amended annually for potential or actual liabilities, such as plant expansions, additional land disturbances, pollution (if any) and fluctuations in currency exchange rates. In addition, progressive site rehabilitation is carried out to minimize work to be done at closure.

ARO liability as at December 31, 2016 is shown in the following table:

ARO as at December 31, 2016	
<u>Site</u>	<u>\$000's</u>
Ravensthorpe	124,427
Kansanshi	106,229
Cobre Las Cruces	90,398
Closed Properties	60,338
Trident	34,602
Cobre Panama	46,806
Pyhäsalmi	33,955
Guelb Moghrein	17,782
Çayeli Bakir	8,176
Bwana Mkubwa	7,352
Taca Taca	4
<u>Total AROs</u>	<u>\$530,069</u>

The Group ARO provision decreased from \$552 million in 2015 to \$530 million in 2016. This was mainly due to the sale of Kevitsa mine in Q2 2016 with an estimated closure cost of \$21 million.

Financial guarantees or bonds are in place in Zambia, Finland, Australia, Mauritania, Spain, Canada and Panama.

Environmental Expenditure

In 2016, the Company's aggregate expenditure relating to pollution control and environment was approximately \$26 million compared to \$27.9 million in 2015. The reduction is due to the sale of Kevitsa mine in Q1 2016, improved efficiencies and completion of some environmental projects. The breakdown of spend by operation/development project in 2016 is shown in the following Table.

2016 Environment Spend	
Kansanshi	\$5,161,984
Cobre Panama	\$4,839,277
Closed Properties	\$3,833,936
Cobre Las Cruces	\$3,158,938
Trident	\$2,468,355
Pyhäsalmi	\$1,829,870
Guelb Moghrein	\$1,299,832
Ravensthorpe	\$1,206,709
Haquira	\$794,042
Bwana Mkubwa	\$685,646
Çayeli Bakir	\$445,509
Taca Taca	\$328,153
<u>Total</u>	<u>\$26,052,251</u>

Historical Liabilities

Historical environmental liabilities existing at Bwana and Kansanshi, upon acquisition by the Company of its interests therein are provided for under the Bwana and Kansanshi closure plans, respectively.

The Company, which filed an environmental impact assessment with the government of Mauritania through a subsidiary, is not responsible for historical environmental liabilities existing at the Guelb Moghrein site on the date of acquisition by the Company of that asset.

Cobre Panama, Haquira and Taca Taca are essentially green field mine sites and Trident has recently been commissioned. With the exception of minor disturbance from exploration activities, no historical environmental liabilities were therefore present when the Company acquired its interests in these projects.

The Company is responsible for environmental liabilities at the Ravensthorpe Nickel Operation, except in relation to any existing or pending actions arising from unlawful acts or omissions by the previous owners, of which none are currently known by the Company.

The Company is responsible for all environmental liabilities at Cobre Las Cruces, Pyhasalmi and Cayeli Bakir.

As part of the Inmet Mining acquisition in 2013, the Company acquired 6 closed properties (five in Canada and one in the United States). These properties are currently progressing through the closure process. Activities range from the final stages of restoration, to long-term water treatment, to tailings impoundment closure. Two of the properties are currently in the process of being sold. The Copper Range Company White Pine Mine (Northern Michigan, United States) is in the process of being sold to Highland Copper. The Troilus mine site (Northern Quebec, Canada) is currently in the second year of a 3 year option with the potential of a sale in 2018. Both sites will continue to perform reclamation activities and environmental monitoring until the agreements are closed.

Tailings Storage Facilities

Bwana has three licensed tailings storage facilities (TSFs). These are known at Bwana as tailings dams TD4, TD5A and TD5B. The dams are contiguous, cover a surface area of 1.75 km² and are side-hill paddock type tailings storage facilities. TD4 originally contained six million tonnes of oxide tailings from operations prior to those of the Company which were hydro-mined and processed in the first five years of Company operations at Bwana. TD4 was subsequently used to store process water and site drainage which was recycled in the plant through a decant system and pump station. Vegetation is well-established on the outer walls of TD4. Reprocessed Bwana tailings are stored in TD5A. Tailings from processed Lonshi ore are stored in TD5A and in TD5B. The copper plant was closed in September 2010. TD5A and TD5B contain a total of 11.8 million tonnes of tailings. Progressive re-vegetation of the downstream slopes of these dams began in 2004 and continues. After decommissioning all operations in 2012, Bwana began implementing its Mine Closure Plan. Rehabilitation work in 2016 focused on the TSFs and dismantling and disposal of plant infrastructure. All external walls of TD5A and TD5B have been re-profiled, soil cover applied and re-vegetated. Storm water management structures have been installed at the tailings dams. The remaining supernatant is being neutralized using lime. No effluent is released from the dams to surface water. Groundwater quality around the TSFs is monitored in a number of boreholes. The tailings dams at Bwana are regularly inspected and subject to a bi-annual statutory inspection and reporting by independent engineers.

Kansanshi currently has two licensed operating TSFs. TSF1 is a cross-valley type dam sited at the head of a small tributary stream inside the mining license. This dam was originally designed to provide sufficient tailings storage capacity for the first 16 years of mine life at a production rate of between 6 and 8 million tonnes per annum and eventually cover an area of approximately 6.5 km². In 2016, TSF1 was consolidated into one facility by combining it with two adjacent paddock type oxide tailings storage cells A and B. The dam wall is raised upstream using cyclone tailings and indigenous grasses are being established on the tailings and waste rock clad walls. Supernatant is recycled in the process plant via a pump out decant and pipeline.

Due to a number of plant expansions at Kansanshi, mine production has continuously increased beyond the 6 to 8 million tonnes per annum envisaged in the original project feasibility study. In 2016, 27 million tonnes copper was milled compared to 26 million tonnes per annum in 2015.

TSF2, a second cross valley dam was commissioned in 2012. As yet no supernatant has been recovered from TSF2. No supernatant is released from TSF2 to surface water. At the end of 2016, approximately 173.72 million tonnes of tailings had been deposited in the combined TSF1 and 52.79 million tonnes of tailings in the new sulphide TSF2. Tailings production in 2016 was approximately 2.16 million tonnes per month. Groundwater quality around the tailings storage facilities is monitored in twenty boreholes. Several lines of piezometers have been installed in the main dam walls for on-going stability assessment. The TSF's at Kansanshi are regularly inspected and subject to bi-annual statutory inspections and reporting by independent engineers. Further, the dams are subject to quarterly inspections by an appointed independent tailings dam consulting engineer.

Trident has one TSF which is designed for the life of mine with potential tailings storage capacity of over 1,000 million tonnes. The circular TSF is 5.5 km diameter and will attain a maximum height of around 40m. Stage 2 earth fill which started in 2015 progressed well through 2016. The tailings are deposited from spigots along the top of the

embankments forming a beach and creating a pool towards the centre of the dam. Future embankment raises will be upstream using spigots, cyclone tailings or other suitable construction methods. Supernatant is recycled back to the plant using decant towers and a return water pipeline or discharged to the environment under permit conditions. Groundwater quality is currently monitored from six groundwater monitoring boreholes around the TSF. The TSF was also assessed in 2016 for ARD potential. All samples collected were potentially acid forming. However, the opinion of an independent ARD expert indicates that ARD will not be an issue for the TSF due to the tailings moisture content and particle size. The TSF is subject to bi-annual statutory inspections and reporting by independent engineers. Tailings deposition in 2016 was 36.5 million tonnes.

Guelb Moghrein has two active circular tailings storage facilities, TSF2 and TSF3. TSF2 was commissioned in September 2009 and TSF3 in February 2015, both are raised by upstream construction using tailings and deposition is done by using spigot discharge points. The dam supernatant is recycled to the process plant by means of a pumping system. Construction of the second TSF2 raise commenced in November 2012, however construction discontinued due to the minimal storage capacity required prior to the deposition of magnetite free tailings into a new TSF3 following commissioning of the magnetite processing plant in February 2015. The magnetite processing plant was however put on care and maintenance at the end of March 2015 and the TSF2 raise resumed. The raise of TSF 2 was completed and will continue to be used as the main TSF for storage of magnetite-rich tailings.

Prior to commissioning TSF2, sulphide tailings were stored in a circular side-hill paddock type dam covering 1.2 km² (TSF 1). The tailings in the old storage facility will be reclaimed and processed at the end of mine life to recover the contained gold, copper and magnetite. Tailings production in 2016 was approximately 3.75 million tonnes; approximately 5.5 million tonnes of tailings has been deposited in TSF1, 17.3 million tonnes in TSF2 and 0.16 million tonnes in the new TSF3.

The groundwater quality is monitored from a number of boreholes located close to the dams. Piezometers were installed at TSF2 in 2016 to monitor the phreatic surface. A borehole was drilled and equipped with a solar pump to return seepage water back to the tailings storage facility.

The tailings storage facilities at Guelb Moghrein are regularly inspected including annual third party review by an external consultant and subject to statutory reporting.

Ravensthorpe Nickel Operations (RNO) has two TSFs covering 432 hectares and comprising three adjacent cells which contain in total approximately 12.9 million tonnes of tailings. The tailings slurry is deposited using spigots with supernatant water recycled to the plant or decanted into evaporation ponds. During 2016, a total of 6.25 million cubic meters of tailings were deposited in the TSFs. No effluent is released from the tailings storage facility to surface waters. Groundwater quality is monitored in boreholes located around the facility. The TSFs at Ravensthorpe are regularly inspected and subject to annual statutory reporting. No rejects have been sent to the approved Sand and Reject Storage Facility.

At Cobre Las Cruces the TSF and waste rock storage facility are engineered structures constructed from compacted marl and synthetic liner. These facilities receive dewatered leach residue from the operation for permanent storage. Tailings deposition commenced in 2009. Tailings production in 2016 was 2.2 million tonnes and 11.03 million tonnes had been deposited in the TSF at the end of 2016. Planned tailings production in 2017 is 2.05 million tonnes. The TSF is subject to regular external audits.

At Pyhäsalmi the TSF pond area is divided into four parts: A, B, C and D ponds. 'A' pond (42 hectares) was decommissioned in 2001-2002 and re-vegetation is progressing well. Currently tailings are pumped into the B or D pond. The 'B' pond (31 hectares) was divided into two parts in 2014: the southern part is a storage pond for pyrite rich tailings from which the pyrite has not been concentrated and the northern part receives tailings from which pyrite has been largely removed. Also 'D' pond (31 hectares) receives tailings from which pyrite has been largely removed. Parts of pond 'B' and 'D' dam walls were raised in 2016 to increase the storage capacity. The 'C' pond (47 hectares) operates as a holding pond. The supernatant is conditioned prior to release to the environment. Tailings production in 2016 was 798,689 tonnes of which 552,329 tonnes was deposited in the TSF (of this 327,067 tonnes was high pyrite waste which was deposited in the southern part of B-pond) and 246,360 tonnes was used for underground backfill. 19.74 million tons of tailings had been deposited in the TSF at the end of 2016. The ponds meet all current Finnish regulations for design, construction and operation. The TSF is subject to regular external audits.

Çayeli is located in the Rize Province in north-eastern Turkey. The region is known for its high rainfall (in excess of 2.5 meters per year). Inland from the narrow coastal plain the terrain is steep and mountainous with deeply incised valleys. There is no tailings management facility at Çayeli, process plant tailings are disposed at a depth of 275 meters in the Black Sea (this method is referred to as Deep Sea Tailings Placement, or “DSTP”) with the permission of the Turkish environmental authorities. Due to the local terrain and rainfall, DSTP is considered the preferred tailings placement method. Below a depth of 150 meters in the Black Sea, the water is naturally rich in hydrogen sulphide and deficient in dissolved oxygen, an environment that does not support macro marine life. Turkey published its Mine Waste Regulations in June 2015. Çayeli continued engagement efforts with the authorities in 2015 and DSTP was included as an accepted method of mine tailings placement in the new regulation. We do not anticipate any challenge to DSTP given the long-standing acceptance of this practice, our strong long-term environmental performance, the evidence indicating no change in water quality, and Çayeli’s robust monitoring program. Tailings production in 2016 was 1.14 million tonnes, of which 457,771 tonnes was processed as DSTP, a further 684,387 tonnes was processed as cemented paste fill for use as backfill in the underground mine. Since operations began, a total of 11.8 million tonnes of tailings had been deposited as DSTP by the end of 2016. During the same period the total inflow of solids into the Black Sea from rivers and other sources is estimated to be 3,660 million tonnes.

Social Responsibility

Community support for mining operations is critical to ensure the future success of existing operations and development projects. While there is a level of public concern relating to the perceived effect of mining on the environment and on communities, First Quantum has implemented a comprehensive CSR strategy that balances best practice with site-specific needs. Our CSR activities and initiatives are carried out in a systematic manner across the Group, consistent with international best practice.

Community Relations

Each site has a community relations program to interact with stakeholders with respect to its activities and their impact on the local communities.

Grievance Mechanism

Securing and maintaining our social license to operate depends on our ability to listen actively and respond in a timely manner to issues of material importance to our key stakeholders. All communities where we operate have access to simple and culturally sensitive processes through which they can provide feedback and seek resolution to legitimate concerns.

Resettlement

When the Company’s activities involve the displacement of people, we establish resettlement processes that adhere to international standards of fairness and transparency. As part of the process, in-depth consultations and negotiations were conducted with Project Affected People (“PAP”), under the leadership of experienced experts.

In 2015, Kansanshi completed the Smelter Access Road resettlement program in accordance with the Resettlement Action Plan (“RAP”) as approved by the Zambian Environmental Management Agency (“ZEMA”). 114 people affected by the smelter road, 89 of them directly receiving 100% of agreed compensation. 50 formal meetings were held in 2015 with local stakeholders and traditional leadership and a livelihood restoration program, including casual employment and conservation farming has been fully implemented.

Resettlement of 579 families and 1427 subsistence farmers is nearing completion at Trident in accordance with requirements set out in the RAP approved by the Zambian Environmental Management Agency (“ZEMA”). In 2015, the resettlement program was audited by an independent consultant. Minor recommendations made have been accepted and are being implemented. The Company is working with the government to secure title deeds for those who were resettled. This process is on-going.

Voluntary resettlement is ongoing at Çayeli as part of the Near Mine Housing Project. For a number of years local residents have complained that blast vibrations from the mine have damaged their homes. Expert studies were commissioned in 2013 and while no causation was established, heavy precipitation and naturally-occurring ground movement led to Çayeli undertaking a voluntary resettlement process for people living in damaged houses. To-date 92 households have participated in the process: 58 have been resettled, 15 have received formal offers and 19 are having their homes monitored for damage.

The resettlement plan for the Cobre Panama Project was developed through extensive stakeholder consultations. The resulting agreement was the product of good-faith negotiations based on internationally accepted principles of free, prior and informed consent. As of January 2017, all from Petaquilla community moved voluntarily to Nuevo Eden as per their resettlement agreement. Previously resettled communities have adapted their new communities and are now successfully subsiding on their own farming outputs. The community schools will commence in March 2017 which will be their third school year under the Ministry of Education which affirms on-going government support for, and participation in the new settlements, a key to the long terms sustainability of these communities.

First Quantum has been engaging with communities influenced by the Haquira project in Peru since 2011. Through a highly participatory process, we have been working with the communities of Huanacopampa, Ccahuanhuire and Lahuanani and Pararani to gather socio-economic data needed to commence resettlement negotiations. However, detailed resettlement negotiations have been put on hold due to a change in the project's development timeline. Community engagement continues to enable access for the on-going Environmental Impact Assessment studies.

At Taca Taca in north-western Argentina, as part of an Environmental Impact assessment, a communications plan has been designed and information meetings held with the populations closest to the project. The area is sparsely populated with no resettlement necessary at all for the advancement of the project. Local small populations are being briefed on the project to address their queries about potential employment and service provision.

Security and Human Rights

The Company's security practices are guided by the Voluntary Principles on Security and Human Rights ("VPSHR") which set out rules for engagement with the police that provide external security and response assistance, and provide guidelines on contractual requirements, the use of force and human rights training.

All security personnel follow the Voluntary Principles on Security and Human Rights and have received human rights training and all security service providers are required to abide by the VPSHR code of conduct and they have to provide a quarterly certificate declaring that (1) they inducted and trained all new employees on these principles and (2) monitoring the adherence to these principles by their employees.

Social Investment

The positive economic impacts of mining operations are often more noticeable in emerging countries. In such countries, the Company implements development programs which can be sustained beyond the mine life, to assist in improving the quality of life for those residents impacted by the operations and projects.

In 2016, the Company contributed US\$19.8 million in community programs. The main categories of investment are infrastructure, training & education, agriculture & forestry, health, livelihoods, sports and arts.

Contributions and reductions were made according to legal requirements, community needs, business risks and sustainability criteria. We continue to refine our social investment strategy to best reflect community needs, local workforce development, local business development and the Company's infrastructure developed in a manner that creates community benefit as well as implementation in partnership with NGOs, community groups and government agencies.

HIV Program

The Company's HIV policy advocates a non-discriminatory approach to addressing the epidemic and provides for considerable support in terms of counselling, care and free medical (including treatment of opportunistic infections), and anti-retroviral therapy ("ART") for all employees and their families.

Since 2008, the Company has developed the HIV program as a part of a broader wellness program initially covering areas more specifically associated with HIV transmission and management (TB and STDs), then adding in communicable public health diseases (water borne and waste related), and finally, commencing in 2014, a program to address the non-communicable diseases (diabetes and hypertension).

The program to address non communicable diseases was started cognisant of the potential for non-communicable diseases among the employee population. A gradual increase in the number of employees presenting with high blood pressure has been recorded over time.

Education and screening services are offered to all employees at various health promotion forums such as the 'health pit stops' and at departmental meetings. The initial challenge has been for the local employees to recognize the seriousness of non-communicable diseases having come from a background of mainly communicable disease. This is slowly changing as awareness about communicable disease is rising.

In 2016 we continued to improve the collection, storage and analysis of data and adjust our programs to best suit each environment and focus on 'hot spots'. The Voluntary Counselling and Testing (VCT) uptake in the workplace has improved tremendously in recent years compared to the early years of the HIV program. The reason given by more than 80% of the employees for undergoing HIV testing between 2012 and 2016 was that they "just want to know" their status. This is a huge shift from previous attitudes when most of the employees only undertook an HIV test when they suspected that they were HIV positive. The attitude change shows increased confidence in the workplace programs.

At Trident, the Company started implementing the HIV program in 2010. The main focus was the local communities and anticipated increase in population, and associated public health challenges. The data reviewed as of 2016, shows that there is no significant increase in the HIV prevalence rate.

The HIV program is run under the First Quantum Mining & Operations Limited (FQMO) Health Projects and Programs Advisor and site Health Promotion Officers with specialist training in counselling and testing, ART administration, and the broad wellness program.

The Company's HIV program currently includes:

- An introductory HIV program and training session for all employees to explain Company policy and to educate and encourage all workers, their families and the community at large to undergo VCT. Supply of free condoms in the workplace;
- Provision of appropriate medication to employees of the Company who are HIV positive;
- Association with other mining companies in Zambia despite the recent waning interest from the international aid programs (it is important to note that where the aid companies stopped sponsoring, the Company continued and has even broadened its community support as infrastructure and capacity are maintained and supported);
- Mobile counselling, testing and antiretroviral treatment units serving the villages, compounds, and peri-urban areas in Solwezi, Ndola and Kalumbila which are under provided for by the Ministry of Health;
- 'Community Matters' road shows covering sexually transmitted infections including HIV, water hygiene and sanitation, and malaria;
- A workplace program targeting male employees called 'One Man Can'. The program targets the major drivers of HIV infections in Zambia such as multiple concurrent partnerships, mobility and alcohol;

- Annual campaigns against sexually transmitted infections (STI's) in the work place and in the community;
- Provision of information, education materials; and
- Development over the past 5 years of the Girls mentorship camp (Girls Leading Our World) initiated by Peace Corps. In 2016, 106 girls were mentored during the girl's mentorship camp. The highlight of the 2016 camp and inspiration to the girls was the presence of child mentors from the 2013-2014 mentorship camps who completed their secondary school education earlier in the year. A key objective of the mentorship program is to increase school completion rates among the girls within the target communities. This is part of the overall girl empowerment program that uses school settings for implementation. The program which targets both girls and boys includes raising awareness on sexual reproductive health in schools and motivating them to focus on education as the sustainable tool for empowerment. The program is being implemented in 21 schools in communities living close to the Trident mine and 8 schools in communities surrounding Kansanshi mine. In 2016, an education tour was undertaken to Lusaka for 20 girls in the company of traditional leaders; Senior Chief Musele (Trident) and Chief Mumena (Kansanshi). The education tour included career guidance, attending parliament in session and a meeting with the vice president Mrs Inonge Wina the first female Zambian Vice-President.

In 2012, following on the success achieved by the 'One Man Can' program in 2011, the Company formulated a similar program for female employees 'One Woman Can'. The program was based on a behavioural change model and addressed factors that predisposed women to HIV such as low social status, lack of negotiating skills and self-assertiveness. The program was well received among the female employees and was extended to spouses of male employees.

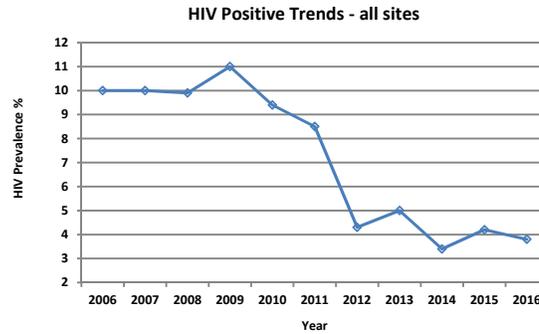
Also in 2012, the "One Family Can" fun fair program was launched with a focus on family values in the prevention of HIV. The program was a full day session characterized by a family information session followed by a couple session, games and edutainment. Health screening activities include checking of blood pressure and body mass index to testing for HIV and malaria. The program not only provides an opportunity for employees to access HIV information as couples but also undergo VCT.

The 'One Man Can', 'One Woman Can' and 'One Family Can' gender programs continue to be popular among employees as they resonate well with the day to day challenges that predispose employees and their spouses to HIV and other sexually transmitted infections. In 2016, workplace programs were conducted during workplace inductions, mandatory occupation health activities, campaigns against sexually transmitted infections and non-communicable diseases with a very good response and uptake of services.

The results of the HIV/AIDS program (all sites) from 2006 to 2016 are summarized in the following table and include employees, family members and members of the wider community.

<u>Year</u>	<u>Sensitization</u>	<u>VCT</u>	<u>HIV+ve</u>	<u>HIV-ve</u>	<u>Workers on ART</u>
2006	30,916	3,010	300	2,710	51
2007	23,841	3,275	328	2,947	79
2008	100,999	10,406	1,027	9,379	194
2009	33,342	6,377	702	5,675	192
2010	57,013	16,661	1,573	15,088	222
2011	41,173	12,398	1,059	11,339	265
2012	31,605	10,920	467	10,453	263
2013	56,744	18,659	927	17,732	320
2014	61,000	16,635	560	16,075	412
2015	80,000	21,253	913	20,340	495
2016	87,000	34,646	1,328	33,318	525

Since the start of the HIV program in 2006, HIV prevalence peaked at 11% in 2009 and dropped to 4.3% in 2012. In-migration from higher incidence areas to Trident during commissioning and ramp up of operations has caused the overall prevalence to fluctuate in recent years. However, the trend is downward. In 2016, the HIV point prevalence across site was at 3.8%.



In 2016, we further developed employee health services to improve overall health. The introduction of Patient Information Management Software has contributed to improved health administration, improving health outcomes for patients with chronic diseases and enabled the collection and analysis of useful health trends in the increasingly mobile mining populations. We continue to develop strategies for quality improvement and self-sustaining health services associated with our mines.

Malaria Control

Due to the large area coverage of our Zambian operations and well developed and very good relationship with the local health authorities, we have taken over the management of the day to day aspects of the community and in house malaria control programs in Solwezi, Kalumbila, and Ndola. We continue to support research and administration aspects of the malaria Public Private Partnership (PPP) being run through CHAMP. CHAMP is a not for profit agency representing the private sector in the national malaria control strategy and provides the necessary link with the National Malaria Control Centre and other national bodies, and assists with the development of innovative strategies in the educational arena.

Research continued through 2016 in areas of entomology and parasite prevalence in Ndola, Solwezi, and Kalumbila. Research is conducted using the skills and facilities developed within CHAMP and the Tropical Diseases Research Centre (TDRC) in Ndola through our sponsorship of the PPP.

A Baseline Health Study conducted by SHAPE health consultants in 2013 highlighted the benefits of an integrated malaria control program in the Solwezi area. Semi-rural areas beyond the reach of the District Health Management Team (DHMT) logistics and in-door residual spraying were found to suffer from dry season non symptomatic prevalence of up to 40%. Urban areas by comparison were as low as 2%. Similar trends have been noted in the wet season in the Kalumbila villages despite indoor residual spraying and provision of insecticide treated nets (ITNs), as they become more highly populated and continue to lack resources to deal with high levels of in-migration. In 2016, we continued working with the DHMT to assist with logistics to the affected rural health centres and the training and equipping of community malaria agents. As a result of this continued collaboration, the rates of malaria in the Kalumbila area are showing signs of reduction in both the workforce statistics and also the community 'seek and treat' statistics.

With FQM support, the TDRC has developed an entomological management program for Solwezi, Ndola, and Kalumbila areas and the implementation of these plans continues. We believe that malaria control programs need to be accountable to a national body and not just the Company sponsoring the spraying so that chemical effectiveness is preserved for as long as possible.

Regular meetings take place between the local DHMT and the Company's management to address the malaria concerns on a regional level but also on a more local pro-active level as the prevalence fluctuates during the seasons.

The most significant advance in 2014 was the introduction of Actellic 300CS for indoor residual spraying in the community and workplace. It is now the aim of the integrated malaria management program to further improve the reductions with additional activities in ITNs, 'seek and treat', education, and environmental management as described in the site program. This same program has been used at Kansanshi to review and update their program and increase the support and efforts within the community (holding the reservoir of malaria parasite).

Primary Care Support Unit

In an effort to provide systems strengthening to the Rural Health Centres, in 2014 FQM started a mobile Primary Care Support Unit (PCSU) program in collaboration with the Solwezi DHMT and CHAMP as the implementing partner. The mobile PCSU program involves two teams of a clinical officer, nurse and field assistant. The mobile PCSUs service 13 Rural Health Centres (RHC) around the Company's Kansanshi and Trident mines. Some RHC's lack qualified health care providers to service the communities. The PCSU's have been instrumental in providing the much needed support to the rural health care workers, logistics management and health care services. In 2016, the PCSU's offered services to more than 12,000 individuals with malaria being the highest cause of death.

In Zambia, like many low resource countries, inadequate staffing is a major challenge with rural areas being the worst affected. The Company is supporting a network of health care providers in the Kalumbila area with the aim of providing a peer support network group and encourage the exchange of knowledge and skills. In 2016, the key focus remains the attraction and retention of more health care providers in rural postings.

Health Care Spend

In 2016, the Company's total healthcare spend was US\$16.2 million. The break down was: Direct Health Care (being employees accessing healthcare services and products) US\$13 million; Health Development US\$1.4 million; Wellness Centre US\$0.5 million; and Health Promotions US\$1.3 million. Additionally, the Company commits sums annually for rebuilding community infrastructure and tackling logistical problems that impoverish local services.

Occupational Health and Safety

During 2016, the Company unfortunately reported one fatal accident at the Trident mine site in Zambia. The investigation for this accident was completed and the lessons learned from this tragic event have been shared within the Company in the hope of preventing a similar type accident.

Through 2016, the Company continued to implement internationally accepted occupational health and safety standards and procedures throughout its operations.

Health and safety statistics for the Company's operations for 2015 and 2016 are summarized in the following tables:

	Kansanshi		Bwana Mkubwa		Guelb Moghrein		Roads Division	
	2015	2016	2015	2016	2015	2016	2015	2016
# of Fatalities	2	0	0	0	0	0	0	0
Injury Rate ⁽¹⁾	0.05	0.04	0	0	0.24	0.17	0	0.06
Lost Day Rate ⁽²⁾	10.3	2.7	0	0	6.3	7.7	0	5.3
	Ravensthorpe		Exploration		Çayeli		Trident	
	2015	2016	2015	2016	2015	2016	2015	2016
# of Fatalities	0	0	0	0	0	0	1	1
Injury Rate ⁽¹⁾	0.16	0.81	0	0	0.36	0.19	0.09	0.05
Lost Day Rate ⁽²⁾	1.8	21	0	0	3.2	0.40	9.7	9.9
	Cobre Las Cruces		Minera Panama		Pyhäsalmi			
	2015	2016	2015	2016	2015	2016		
# of Fatalities	0	0	1	0	0	0		
Injury Rate ⁽¹⁾	0.1	0.22	0.04	0.10	0.39	3.6		
Lost Day Rate ⁽²⁾	1.9	3.3	11.6	1.2	1.5	71		

⁽¹⁾ The per annum injury rates have been calculated by using the number of lost time injuries and dividing that figure by the number of hours worked by employees; the result is then multiplied by 200,000 hours.

⁽²⁾ The per annum lost day rates have been calculated by using the number of lost days and dividing that figure by the number of hours worked by employees; the result is then multiplied by 200,000 hours.

Progress continues to be made on developing health and safety procedures and guidelines which support the Company's health and safety goals. The on-going implementation of a health and safety management system compatible with the OHSAS 18001 (2007) and the International Labour Organization health and safety guidelines has assisted in formalizing and standardizing critical processes across the Company. During 2016, external audits were conducted on this system at each operational site with an average compliance score of 70% (which is on target).

To support the Company's Health and Safety Policy during 2016 the five-year health and safety strategy was reviewed and expanded. The strategy is based around the concept of 'Sensible Health and Safety' and has been introduced to all operations to set longer term safety performance goals and focus on proactive (leading) safety performance indicators. Being "risk aware, not risk averse" has been built into the Company's whole approach to managing risk and improving overall health and safety performance in all aspects of its operational activities. Sensible Health and Safety awareness is key in ensuring that managers, front line supervisors and general employees work in a safe and efficient manner, whilst ensuring that risks are managed in a sensible, proportionate and legal way.

The goal of this strategy is to deliver sustainable health and safety improvements within the Company, enabling our employees to handle risk effectively within a performance management framework that facilitates the Company's measurement and quantification of improvements made in the management of health and safety across all operations. The six key objectives with specific performance outcomes that operational areas must achieve are:

Objective 1: *To build “Sensible Health and Safety” into the Company’s health and safety culture.*

- To raise the awareness of what sensible health and safety consists of.
- To develop a standardized methodology for evaluating occupational risk decisions that are appropriate, legal and balanced.
- To implement a safety management system at all levels of operational activity that will enable the Company to have the assurance that all areas of operation are adequately meeting their legal obligations and the corporate policies and standards.

Objective 2: *To improve the way health and safety incidents are recorded, investigated and how lessons learnt from internal and external incidents are communicated.*

- To provide the means to enable staff to report any safety related incidents to their manager, improve the number of near misses and incidents investigated and improve the quality of the investigations undertaken.
- To develop ways in which any useful lessons learnt either from other divisions or external companies are communicated to other managers within a department and to other departments and divisions so that maximum value is obtained and safety performance improved.
- To introduce programs to analyse and publish the information.

Objective 3: *To improve the way that health and safety performance is measured and monitored.*

- To measure the safety management system across the Company against the OHSAS 18001 requirements.
- To develop a consistent approach to auditing within and across divisions, focusing on those key areas that influence improvements in health and safety performance.
- To identify key areas of health and safety performance that will affect the overall performance.
- To identify the most effective and meaningful data, both reactive and proactive and use this to identify trends and as a performance measure of success.
- To use this information as part of the planning process to improve health and safety performance further.

Objective 4: *To develop leadership skills for managers and front line supervisors that improves health and safety performance.*

- To identify what good leadership in health and safety looks like, and, working with trainers and lead managers, communicate this to managers as part of the leadership competencies drive,
- To develop health and safety leadership skills senior managers who operate at a strategic and policy level, for middle managers who operate at a planning and objective setting level and managers who operate at the service delivery or implementation level.

Objective 5: *To provide that all employees of the Company have the appropriate levels of competency to address their health and safety responsibilities.*

- To ensure that all individuals, including elected members, senior managers, employees and contractors have the level of competency to complete their role safely without causing unnecessary risk to others who could be affected.
- To ensure that any training or development necessary to achieve this is identified, quantified, planned and resourced to ensure that success in this aim is delivered.

Objective 6: *To provide that, where the Company contracts out work to other companies, the occupational health and safety risks are properly and satisfactorily addressed.*

- Where the Company uses contractors, consideration of the adequacy of their health and safety arrangements will be part of the process in selecting which company is used.
- All work undertaken by contractors on behalf of the Company will be undertaken with appropriate levels of health and safety built in. The Company will require all contractors to adequately address health and safety performance and have suitable monitoring arrangements in place to measure this.

Throughout 2016, the safety staff have lead health and safety reviews and facilitated workgroups to map the way forward. A safety awareness program, which has been used extensively in the aviation industry since the 1970's, Crew Resource Management ("CRM"), was initially introduced to assist in developing the safety culture across the Company. From this, much in house work has continued on a behavioural based approach to safety which has resulted in the new 'THINK Safety' program which commenced a roll out across the Company's African operations in 2016.

The 'THINK Safety' program focuses on workplace behaviours and accident causation factors such as stress, poor communication, error chains and cultures of blame. Since human factors account for over 80% of all accidents the 'THINK Safety' program focuses on the how each employee can make a difference and contribute to a safer workplace and also on the interaction between multiple work teams, primarily to enable them to better focus their resources in a coordinated, safety-conscious environment. In this highly interactive, multi-disciplinary course, participants gain new skills in improving communication, identifying errors and in developing processes that contribute to mine safety.

Copper Market 2016

The London Metals Exchange (“LME”) cash settlement price increased from an average of \$4,463 per tonne in January 2016 to an average of \$5,666 per tonne in December 2016, whilst the year-end cash settlement price on December 31, 2016 was \$5,501 per tonne. Overall, the average cash settlement price for copper in 2016 was 12% lower than in 2015.

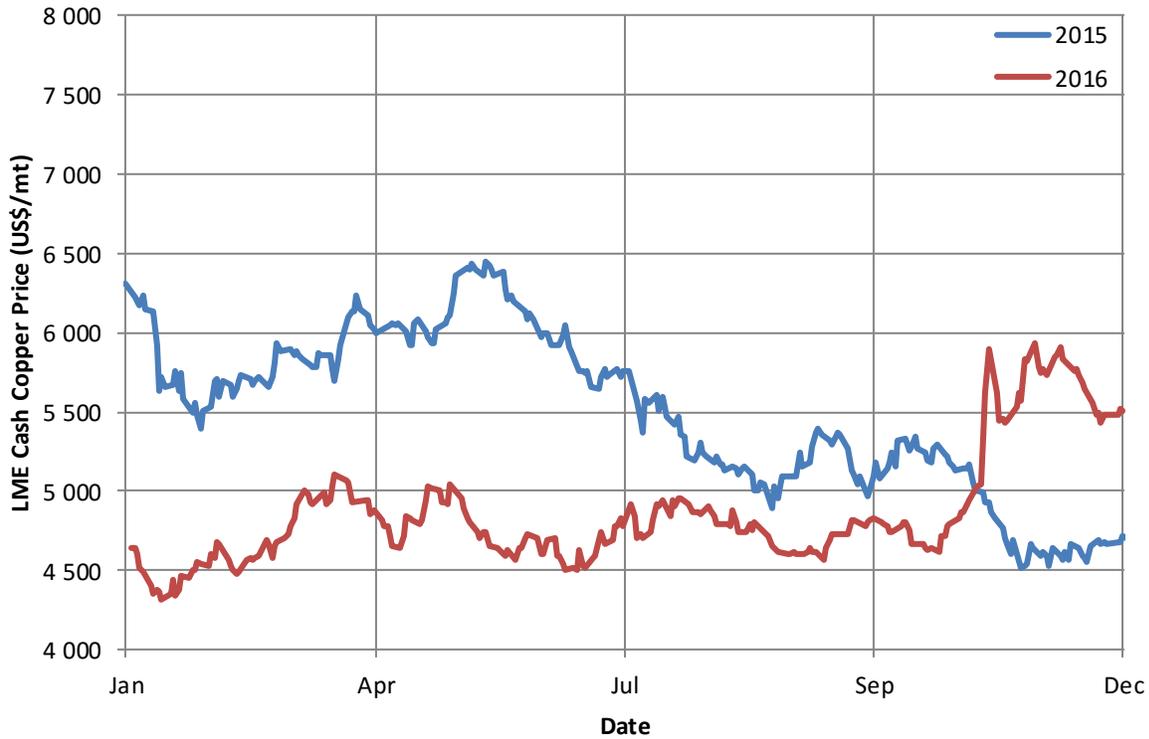
The following table compares the average quarterly cash settlement prices for copper in the years 2013 to 2016:

Average Cash Settlement Prices for Copper (US\$/mt)

	2013	2014	2015	2016
Q1	7,928	7,041	5,818	4,672
Q2	7,146	6,787	6,043	4,729
Q3	7,079	6,994	5,259	4,772
Q4	7,153	6,624	4,892	5,277
Average	7,326	6,862	5,494	4,862

Source: Data from www.londonmetalexchange.com

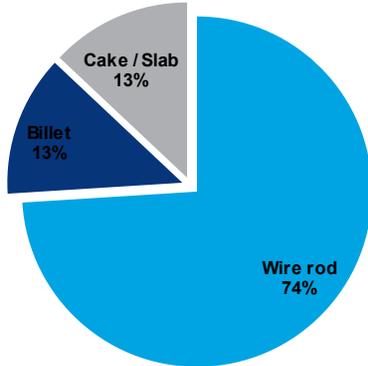
LME Cash Copper Prices (US\$/mt) in 2015 and 2016



Source: Data from www.londonmetalexchange.com

Copper first use by application (for 2015) ⁽¹⁾

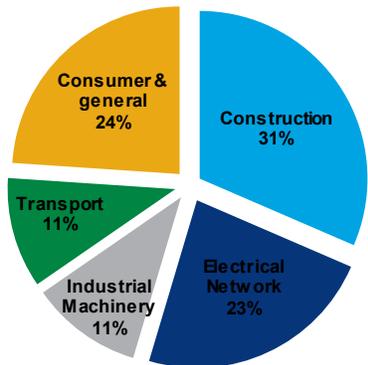
The majority of refined copper enters the market as wire rod. Wire rod (and billet, although to a lesser extent) is used in the manufacture of many different types of cables and wires (e.g. large capacity underground and submarine cables, ultra-high voltage cables, magnetic wires, building wires, etc.) Slab is used in the manufacture of sheet, plates, pipes and tubes.



Source: Wood Mackenzie Q4 LTO, Dec 2016
⁽¹⁾2016 data not available

Copper use by market sector (for 2015) ⁽²⁾

Refined copper is used in a wide variety of industrial applications, from construction to electrical and electronic products, transportation and industrial machinery. In construction, copper wiring and plumbing are essential for the operation of appliances, heating and cooling systems, and also telecommunication links in both residential and commercial properties. Copper is a vital component in the manufacture of automobiles, with an average sized car typically containing around 20-25 kilogrammes of copper. Luxury and hybrid cars would contain approximately double this amount.



Source: Wood Mackenzie Q4 LTO, Dec 2016
⁽²⁾2016 data not available

Copper Supply

Wood Mackenzie reports that global copper supply over the next few years will continue to be dominated by Chile, although the relative increases in supply are likely to be greater in Peru, Zambia and Indonesia. The global supply

of mined copper grew by an estimated 3.8% in 2016 (after taking into consideration all market adjustments), to 19,889 million tonnes. Wood Mackenzie projects that supply will decrease by 0.7% in 2017.

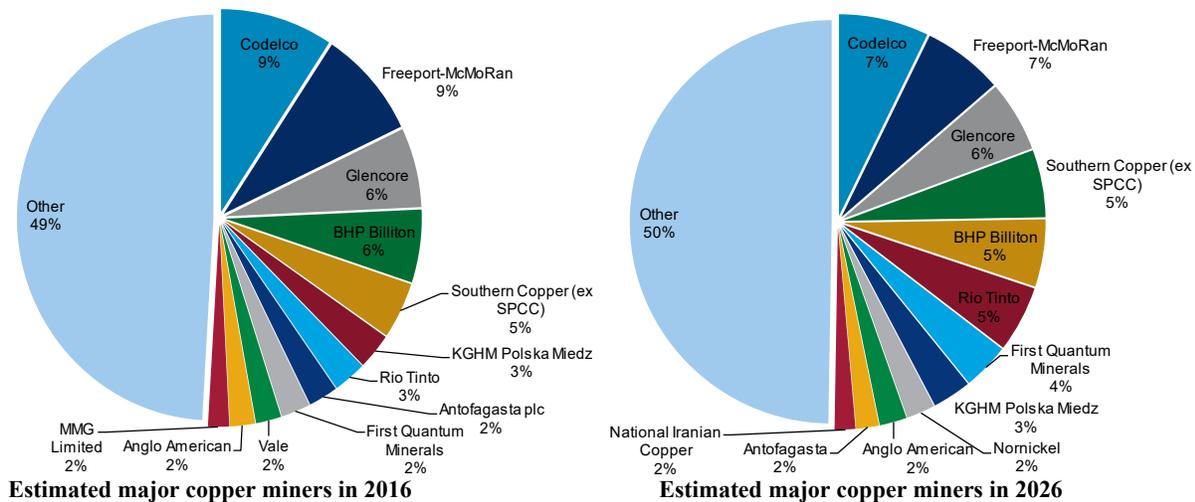
Projected and Estimated Copper Supply Capability and Production – by mine output

'000 tonnes (*Projected)	2015	2016	2017*	2018*	CAGR 2015–2018
Chile	5,818	5,733	5,940	6,069	1.4%
Peru	1,641	2,256	2,365	2,408	13.6%
China	1,546	1,476	1,552	1,599	1.1%
USA	1,445	1,463	1,383	1,437	-0.2%
Congo DR	1,101	1,053	1,075	1,301	5.7%
Australia	955	920	878	908	-1.7%
Zambia	723	757	861	948	9.4%
Canada	714	716	648	615	-4.8%
Indonesia	585	744	903	708	6.5%
Other	4,638	4,957	5,082	5,246	4.2%
World Total Capability	19,166	20,075	20,687	21,238	3.5%
Adjustment	n/a	-186	-935	-857	
Total World Production	19,166	19,889	19,752	20,380	
Change y-o-y	3.7%	3.8%	-0.7%	3.2%	

Source: Wood Mackenzie Q4 LTO, Dec 2016

The graphs below illustrate the contribution of global mined copper produced by the largest copper mining companies for 2016 and for 2026 (compared on mined copper output, for mine equity ownership). On a comparative basis, Wood Mackenzie projects that First Quantum Minerals’ proportion of global mined copper production will increase from 2% in 2016 to around 4% in 2026.

Major Producers of Copper – by equity ownership mine output



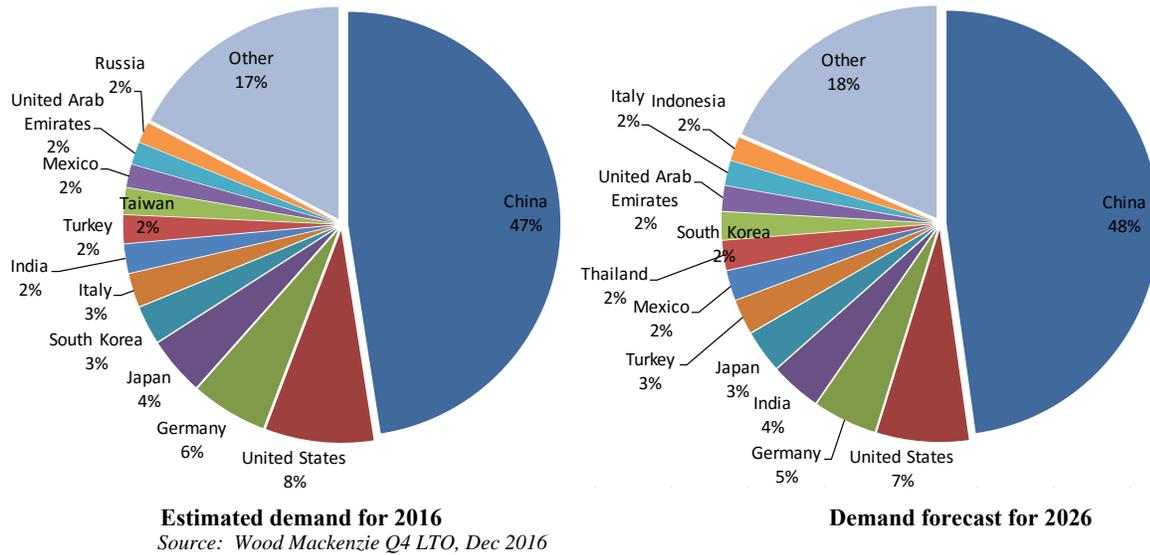
Refined Copper Demand

In 2016, the global consumption of refined copper increased by 2.0%. Absolute demand growth remains strongest in China, where, according to Wood Mackenzie, annual demand will increase from 10.6 million tonnes in 2016 to

12.5 million tonnes in 2026. Relative demand growth is expected to be strongest in emerging economies, particularly in Vietnam, Egypt and India.

Wood Mackenzie estimates that global refined copper consumption will grow by 2.1% in 2017, during which global consumption of refined copper is expected to rise to 22.8 million tonnes. The charts below illustrate the estimated change in relative demand, by country, between 2016 and 2026.

Global Refined Copper Demand by Country



Wood Mackenzie forecasts that global copper demand will continue to be driven primarily by China where the demand for refined copper currently accounts for 47% of global demand; this is expected to remain the case through to 2026, with the Chinese share of global refined copper demand increasing to 48% in that year. Strong demand growth is expected from Asian countries and Latin America.

Projected and Estimated Refined Copper Demand

'000 tonnes (*Projected)	2015	2016	2017*	2026*	CAGR* 2016-2026
China	10,196	10,610	10,875	12,501	1.7%
Japan	1,008	979	975	839	-1.5%
Other Asia	2,660	2,732	2,824	3,958	3.8%
Europe	3,720	3,772	3,810	3,793	0.1%
Latin America	506	445	450	617	3.3%
Middle East	774	765	776	997	2.7%
North America	2,372	2,380	2,429	2,549	0.7%
Others	657	637	654	673	3.6%
Global Total	21,892	22,320	22,792	26,155	1.6%
Change y-o-y	1.3%	2.0%	2.1%		

Source: Wood Mackenzie Q4 LTO, Dec 2015

World Refined Copper Supply and Demand balance

In 2016 global supply of refined copper marginally exceeded consumption, resulting in a net surplus in refined copper production of 170,000 tonnes. In 2016 the copper price averaged \$4,862 per tonne, 12% lower than the average price in 2015.

Wood Mackenzie projects that refined copper market will be in deficit in 2017, with consumption exceeding production by approximately 175,000 tonnes. Estimated global refined copper stocks at the end of 2016 equated to 73 days' equivalent consumption (up from 71 days at the end of 2015).

Global ('000 tonnes) (actual and projected*)	2015	2016	2017*	2018*
Refined copper production⁽¹⁾	21,942	22,489	22,616	23,112
Refined copper demand (consumption)	21,892	22,320	22,792	23,150
Balance	50	169	-176	-39
Stock days of Consumption	72	73	69	67
Prices				
LME cash price (\$/tonne)	5,494	4,862**	5,408	5,858

Source: Wood Mackenzie Q4 LTO, Dec 2016

*Refined copper production is based on Total World Production of copper by mine output, adjusted for changes in stocks, losses incurred in processing and refining, and processing of scrap inputs and market adjustments.

**2016 price updated to reflect annual average

Nickel Market 2016

The London Metals Exchange (“LME”) nickel cash settlement price increased from an average of \$8,481 per tonne in January 2016 to an average of \$11,011 per tonne in December 2016, whilst the year-end cash settlement price on December 31, 2016 was \$10,010 per tonne. Overall, the average cash settlement price for nickel in 2016 was 19% lower than in 2015.

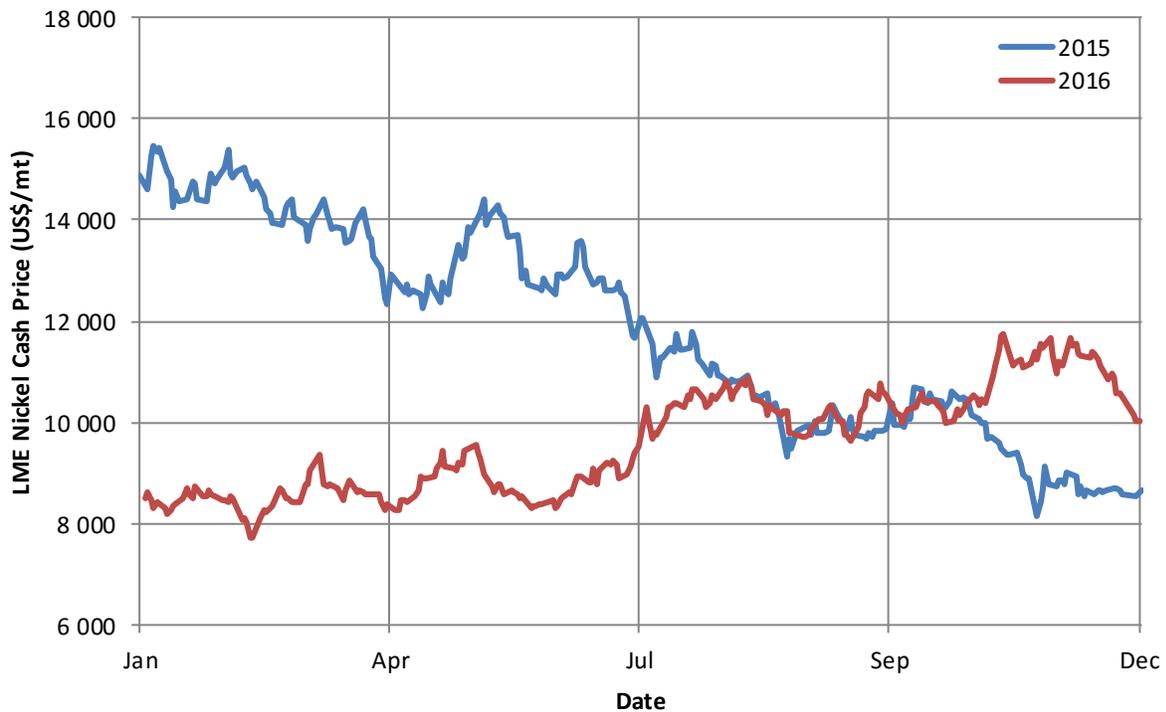
The following table compares the average quarterly cash settlement prices for nickel in the years 2013 to 2016:

Average Cash Prices for Nickel (US\$/mt)

	2013	2014	2015	2016
Q1	17,309	14,643	14,338	8,497
Q2	14,952	18,465	13,008	8,820
Q3	13,922	18,576	10,561	10,249
Q4	13,904	15,799	9,437	10,804
Average	15,018	16,867	11,807	9,608

Source: Data from www.londonmetalexchange.com

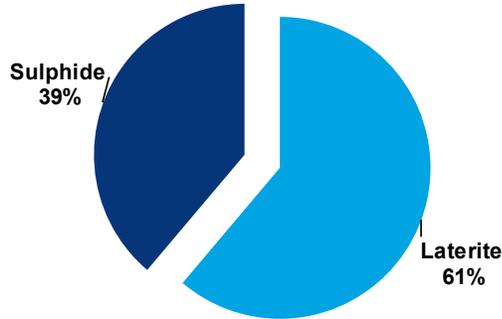
LME Nickel Cash Prices (US\$/mt) in 2015 and 2016



Source: Data from www.londonmetalexchange.com

Nickel supply by deposit type (estimated for 2016)

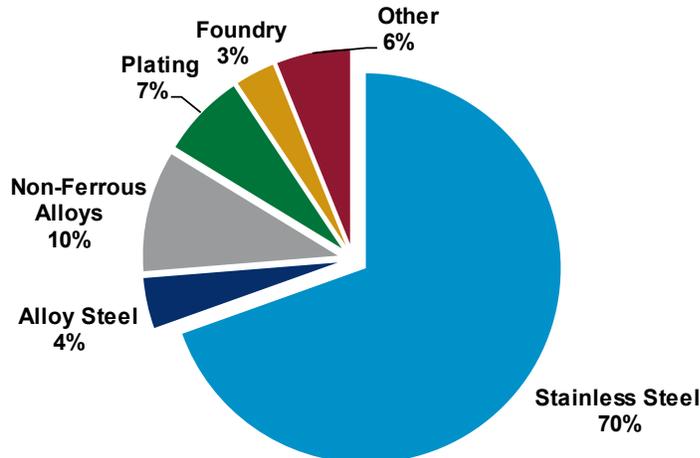
The supply of nickel in the medium and longer term is likely to become increasingly dependent on lateritic deposits as traditional sulphide deposits become depleted without being replaced at the same rate by new discoveries. Wood Mackenzie estimates that in 2016, 61% of mined nickel was produced from lateritic deposits.



Source: Wood Mackenzie STO, Dec 2016

Nickel use by market sector (estimated for 2016)

The vast majority of nickel produced is consumed in the stainless steel industry, as austenitic steel products.



Source: Wood Mackenzie STO, Dec 2016

Global Nickel Demand (2015 – 2018)

According to Wood Mackenzie, global demand for nickel continued to grow in 2016, at the relatively high rate of 8.6% (this high rate of increase follows 2 years of relatively low growth). Demand growth remains strongest in China and emerging economies, such as India. Looking into the future, Wood Mackenzie forecasts annualized global growth of 6.9% and 1.6% in 2017 and 2018 respectively.

Refined Nickel Consumption by country

'000 tonnes (actual and projected*)	2015	2016	2017*	2018*	CAGR 2015–2018
China	992	1092	1,184	1,215	7.0%
Japan	141	146	149	153	2.8%
South Korea	79	86	84	79	-0.1%
Europe	304	321	326	310	0.6%
USA	124	135	138	140	4.1%
Others	204	224	260	280	11.2%
Global Total	1,845	2,004	2,142	2,177	5.7%
Change y-o-y	1.5%	8.6%	6.9%	1.6%	

Source: Wood Mackenzie STO, Jan 2017

Global Nickel Supply (2015 – 2018)

Mine production of nickel decreased year-on-year in 2016 due mainly to reductions that were imposed by the Filipino government on domestic nickel mines. Wood Mackenzie expects that nickel mine output will increase in 2017, largely due to increased Indonesian output. The Indonesian government imposed certain restrictions on the exportation of nickel ores in 2014, in an attempt to encourage in-country investment in plants that would upgrade nickel ores. As a result, production of Indonesian nickel ores fell dramatically; Indonesian nickel mines produced 825,000 tonnes of nickel in 2013; this fell by 646,000 tonnes to 179,000 tonnes in 2014. Following the construction, commissioning of ramp-up of several nickel intermediate producing plants (especially nickel pig iron plants), production of Indonesian nickel increased in 2016 (Wood Mackenzie estimates that Indonesian mines production in 2016 was up by 56% year-on-year, with 226,000 tonnes of nickel being produced in 2016). This trend is expected to continue, with Wood Mackenzie estimating that Indonesian production to increase by 46% per annum over the period 2015 to 2018.

In contrast, nickel output from just about every other region is expected to decrease, as declining grades, exhausted deposits and the lower price regime forces other producers to cut back production.

Nickel Production (by mine location)

'000 tonnes (actual and projected*)	2015	2016	2017*	2018*	CAGR 2015–2018
Philippines	475	405	418	425	-3.7%
Canada	234	233	227	216	-2.6%
Indonesia	145	226	377	454	46.4%
Russia	227	225	196	200	-4.1%
Australia	192	172	170	164	-5.0%
New Caledonia	186	190	201	211	4.3%
Others	1,127	1,001	1,050	1,068	-1.8%
World Total Capability	2,110	2,048	2,222	2,313	3.1%
Adjustments	n/a	0	-44	15	
Total World Production	2,110	2,048	2,177	2,328	3.3%
change	3.5%	-2.9%	6.3%	6.9%	

Source: Wood Mackenzie STO, Jan 2017

World Refined Nickel Supply and Demand balance

Wood Mackenzie reports that, in 2016, the consumption of refined nickel exceeded global production of refined nickel (there was a deficit of 52,000 tonnes of refined nickel in 2016).

Wood Mackenzie projects that consumption of refined nickel will exceed production of refined nickel in both 2017 and 2018. As a result, prices are expected to increase slightly, with the average price for nickel in 2017 at \$10,336 per tonne.

Global ('000 tonnes) (actual and projected*)	2015	2016	2017*	2018*
Refined nickel production⁽¹⁾	1,972	1,952	2,023	2,126
Refined nickel demand (consumption)	1,845	2,004	2,142	2,177
Balance	128	-52	-119	-51
LME cash price (\$/tonne)				
	11,832	9,594	10,336	9,902

Source: Wood Mackenzie STO Jan 2017

⁽¹⁾ Refined nickel production is based on Total World Production of nickel by mine output, adjusted for changes in stocks, losses incurred in processing and refining, and processing of scrap inputs and market adjustments.

Zinc Market 2016

The London Metals Exchange (“LME”) cash settlement price increased marginally from an average of \$1,517 per tonne in January 2016 to an average of \$2,673 per tonne in December 2016, whilst the year-end cash settlement price on December 31, 2016 was \$2,563 per tonne. Overall, the average cash settlement price for zinc in 2016 was 9% higher than in 2015.

The following table compares the average quarterly cash settlement prices for zinc in the years 2013 to 2016:

Average Cash Settlement Prices for Zinc (US\$/mt)

	2013	2014	2015	2016
Q1	2,033	2,029	2,080	1,681
Q2	1,840	2,073	2,190	1,916
Q3	1,860	2,311	1,847	2,250
Q4	1,909	2,235	1,613	2,514
Average	1,910	2,164	1,928	2,094

Source: Data from www.londonmetalexchange.com

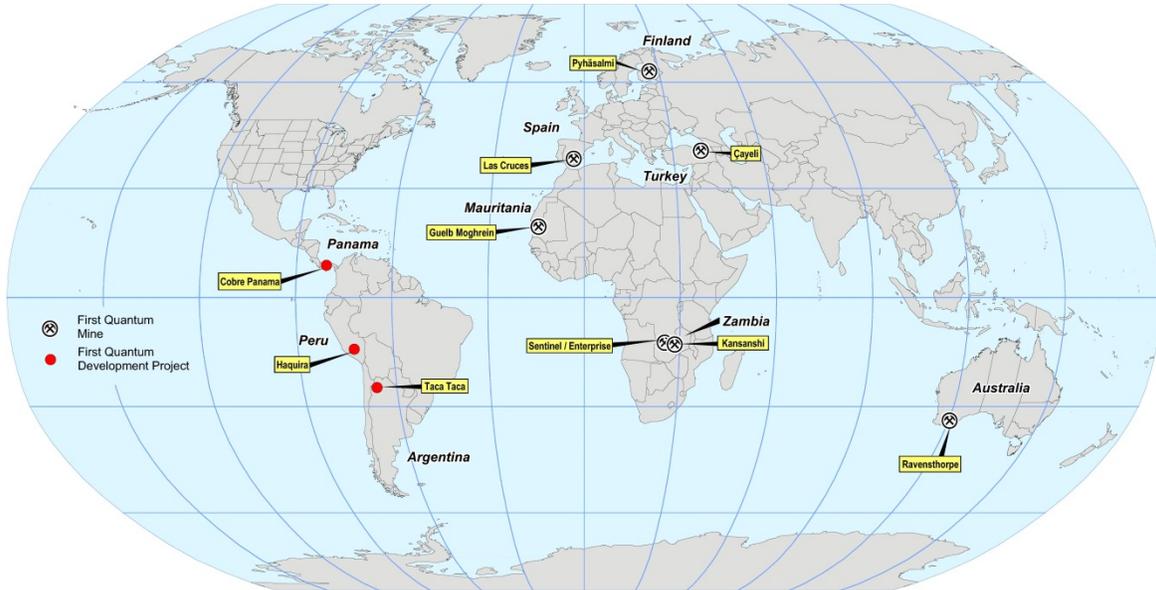
LME Cash Zinc Prices (US\$/mt) in 2015 and 2016



Source: Data from www.londonmetalexchange.com

Geographic Locations of Company Operations and Development Projects

The Company's operations are located entirely outside of Canada and are currently located in Zambia, Mauritania, Finland, Australia, Turkey and Spain (see "Description of the Business"). The Company also has development projects in Panama, Peru and Argentina.



Zambia

Zambia, formerly known as Northern Rhodesia and a colony of Great Britain, gained its independence in 1964. Zambia's economy is resource-based and the country has an area of approximately 752,618 square kilometers. The population of Zambia of approximately 15 million individuals is highly literate, having one of the lowest illiteracy rates in Africa. English is the primary language spoken by a large majority of the population, though other indigenous languages are also spoken.

Pluralistic democracy, stability and economic liberalism initiatives began in 1991, after several decades of industry nationalization. In 2000, the mining industry was privatized. In December 2001, a minority government was established which had among its mandates the goal of eliminating corruption. Worldwide copper demand has benefited Zambia in terms of economic performance and copper output increased steadily from 2004, due to higher copper prices and foreign investment, but weakened in 2014 when Zambia was overtaken by the Democratic Republic of Congo as Africa's largest copper producer. Zambia's dependency on copper makes it vulnerable to depressed commodity prices. In addition to copper, the country's natural resources include cobalt, zinc, lead, coal, emeralds, gold, silver, uranium and hydro-electric power.

An unstable corporate tax and mineral royalty regime has also impacted investor confidence. Since 1 January 2015 the Zambian government passed three rounds of changes to the taxation regime that impacted the mining industry. First, effective 1 January 2015, the corporate tax rate in Zambia was reduced to 0% and the mineral royalty rate was increased from 6% to 20% for open pit mines. Second, effective from 1 July 2015 mineral royalties changed to a flat rate of 9% for open pit mines accompanied by the reinstatement of Corporate Tax to 30% and a Variable Profits Tax of up to 15%. Most recently, a further change effective from 1 April 2016 introduced a sliding scale for copper royalties based on prevailing prices, varying between four and six percent and abolished the Variable Profits Tax.

At present, Zambia is a republic governed by a unicameral national assembly. The chief of state, who is also the head of government, is the President. From 2011 to 2014, Zambia's president had been Michael Chilufya Sata ("Sata"). On October 29, 2014, the acting President was Guy Scott following the death of Sata on October 28, 2014. The Vice President position had become vacant. Early presidential elections were held to elect a successor to

complete the remainder of Sata's five-year term. On January 25, 2015, it was announced that Edgar Changwa Lungu had won the Presidential by-election to complete Sata's term which expires in late 2016. President Lungu was re-elected in August 2016.

The highest court of law is the Supreme Court, which adheres to a combination of English common law and customary law and is the final court of appeal.

While Zambia's gross domestic product per capita is lower than that of industrialized nations, its gross domestic product growth rate attained an estimated level of 3% in 2016. Zambia uses the Kwacha ("ZMK") as its currency. In 2016, the average exchange rate was 10.8 ZMK for each United States dollar.

The Government of Canada maintains a High Commission in Lusaka, Zambia.

(Sources: Government of Canada, Department of Foreign Affairs; Central Intelligence Agency, Oanda.com)

Mauritania

Mauritania is a former colony of France and gained its independence in 1960. Mauritania's economy is primarily resource-based and the country has an area of just over 1 million square kilometers. The population of Mauritania, which numbers approximately 3.5 million individuals was essentially nomadic until the 1970s. Climate changes have forced large numbers of individuals into cities and towns, such that over 41% of the population now lives in urban communities. Arabic remains the main language spoken in Mauritania, though French and several indigenous languages are also spoken.

Until August 2008, Mauritania was a bicameral republic with a lower chamber, the National Assembly, and an upper chamber, the Senate. The chief of state is the President while the head of government is the Prime Minister. Gen. Mohamed Ould Abdel Aziz was elected on July 18, 2009 and assumed office as president on August 5, 2009. President Abdel Aziz gained another five-year term in June 2014 with almost 82% of the vote in the election boycotted by most of the opposition. According to the present constitution and confirmed by recent Presidential statements, this will be President Abdel Aziz's second and final term. The current Prime Minister is Yahya Ould Hademine, who was appointed in August 20, 2014.

The highest court of law is the Supreme Court, which adheres to a combination of Islamic and French civil law and is the final court of appeal.

The economy is largely dependent extractive industry, which makes up approximately 75% of total exports. Fishing is also a significant source of revenue, although over-fishing by foreign interests has threatened this in recent years. Oil and natural gas production is expected to contribute more to the economy in the future as the result of successful exploration and development by foreign interests of offshore oil deposits. The growth rate of its gross domestic product was approximately 3.2% in 2016. Mauritania uses the Ouguiya ("MRO") as its currency. In 2016, the average exchange rate was 341.6 MRO for each United States dollar.

The Government of Canada maintains a Consulate in Nouakchott, Mauritania.

(Sources: Government of Canada, Department of Foreign Affairs; Central Intelligence Agency, Oanda.com)

Finland

Between the 12th to the 19th centuries, Finland was a province and then a grand duchy under Sweden, and an autonomous grand duchy of Russia after 1809. The country won its complete independence in 1917. Since World War II, Finland has transformed from a farming and forestry economy to a diversified modern industrial economy with a per capita income now among the highest in Western Europe. Finland has been a member of the European Union since 1995 and was the only Nordic state to join the Euro system at its initiation in January 1999.

Finland is contained within an area of approximately 338,145 square kilometers and has a population of approximately 5.5 million individuals, of which 89% speak Finnish as the main language. The population is highly educated.

Finland operates as a Republic with six administrative divisions. The current chief of state is President Sauli Niinisto who was elected on March 1, 2012. The President appoints the Prime Minister. The current Prime Minister is Juha Sipil as of May 29, 2015. Finland has a unicameral Parliament elected by popular vote on a proportional basis to serve four-year terms. The last Parliamentary election was held in April 2015. The Finnish Constitution was introduced on March 1, 2000. The legal system is a civil law system based on the Swedish model headed by a Supreme Court.

Finland's economy has traditionally had a strong manufacturing sector, principally in the metals, wood, paper, engineering, telecommunications and electronics industries. Finland uses the Euro ("EUR") as its local currency. In 2016, the average exchange rate was 0.92 EUR for each United States dollar.

The Government of Canada maintains an Embassy in Helsinki, Finland.

(Sources: Government of Canada, Department of Foreign Affairs; Central Intelligence Agency, Oanda.com)

Australia

Aboriginal settlers arrived in Australia from Southeast Asia about 40,000 years before the first Europeans began exploration in the 17th century. In 1770, Capt. James Cook was the first European to make a formal territorial claim when he took possession in the name of Great Britain. In the late 18th and 19th centuries, six colonies were created. They were federated and subsequently became the Commonwealth of Australia in 1901. Australia rapidly developed agricultural and manufacturing industries which caused it to be a major contributor to the British effort in World Wars I and II. Australia has since, in recent decades, transformed itself into an internationally competitive, advanced market economy. It boasted one of the OECD's fastest growing economies during the 1990s, a performance due in large part to economic reforms adopted in the 1980s. Australia is contained within an area of approximately 7.7 million square kilometers and has a population of approximately 23 million individuals, of which 77% speak English as the main language.

Following two decades of continuous growth, low unemployment, contained inflation, very low public debt, and a strong and stable financial system, Australia entered 2015 facing a range of growth constraints, principally driven by a sharp fall in global demand for key export commodities. Although demand for resources and energy from Asia and especially China had grown rapidly, creating a channel for resources investments and growth on commodity exports. Australia has benefited from a dramatic surge in its terms of trade in recent years, although this trend could reverse or slow due to falling global commodity prices. Australia's abundant and diverse natural resources attract high levels of foreign investment and include extensive reserves of coal, iron, copper, gold, natural gas, uranium, and renewable energy sources.

The Australian Constitution took effect January 1, 1901. Australia is operated by a Federal Parliament which oversees the continent's six states and two territories. It is a bicameral legislature which consists of the Senate (higher) and the House of Representatives (lower). The Governor General is appointed by the monarch on the recommendation of the Prime Minister; following legislative elections, the leader of the majority party or leader of a majority coalition is sworn in as Prime Minister by the Governor General. The Chief of State (Queen of Australia Elizabeth II) is represented by Governor General Sir Peter Cosgrove, who was appointed on March 28, 2014. The current Prime Minister is Malcolm Turnbull who was appointed on September 15, 2015 after challenging the previous incumbent for leadership of the Liberal Party. He retained the Premiership following the July 2016 General Election.

Australia's legal system is based on English common law. The High Court of Australia is the Superior Court, as well as the final appellate jurisdiction, to all other Australian courts. Lower courts include Federal Court, Family Court and Federal Magistrates Court.

Australia has a strong economy, with emphasis on reforms, low inflation, and growing ties with China. Its economy fared relatively well during the global financial crisis, narrowly avoiding a technical recession because of monetary and fiscal stimulus, buoyant export demand and investment from China, and Australia's strong banking sector. The growth rate of its gross domestic product attained a level of approximately 2.9% in 2016. Australia uses the Australian dollar ("AUD") as its local currency. In 2016, the average exchange rate was 1.35 AUD for each United States dollar.

The Government of Canada maintains a High Commission in Canberra, Australia.

(Sources: Government of Canada, Department of Foreign Affairs; Central Intelligence Agency, Oanda.com)

Peru

Peru is in western South America on the South Pacific Ocean. Peru was first declared independent from Spain in 1821. Following a period of military rule, Peru settled into democratic leadership in 1980. The Peruvian Constitution took effect December 29, 1993. Peru's legal system is based on civil law. Presidential elections are held every five years. The country's current President (who is both the Chief of State and Head of Government) is Pedro Pablo Kuczynski, who was elected on July 28, 2016.

Peru is contained within an area of approximately 1.28 million square kilometers and has a population of almost 30 million individuals, of which 84% speak Spanish as the main language. The dominating ethnicities are Amerindian (at 45%) and Mestizo (mixed Amerindian and Caucasian – at 37%).

Peru has abundant mineral resources in the mountainous and coastal regions and its coastal waters provide for impressive fishing grounds. Since 2006, Peru has signed trade deals with the United States, Canada, Singapore, China, Korea, Mexico, Japan, the European Free Trade Association, Chile and four other countries, concluded negotiations with Venezuela, Costa Rica and Guatemala and began trade talks with two other Central American countries. Peru entered into a Trade Promotion Agreement with the United States on February 1, 2009, providing opportunity for greater trade and investment between the two economies. The growth rate of its gross domestic product attained a level of approximately 23.7% in 2016. Despite Peru's strong macroeconomic performance, dependence on minerals and metals exports make the economy vulnerable to fluctuations in world prices. Peru uses the Nuevo Sol ("PEN") as its local currency. In 2016, the average exchange rate was 3.36 PEN for each United States dollar.

The Government of Canada maintains an Embassy in Lima, Peru.

(Sources: Government of Canada, Department of Foreign Affairs; Central Intelligence Agency, Oanda.com)

Spain

Spain is located in South-western Europe, bordering the Mediterranean Sea, North Atlantic Ocean, Bay of Biscay, and Pyrenees Mountains; southwest of France. The country has an area of approximately 505,370 square kilometers. The capital of Spain is Madrid with the country having an increasing population of approximately 48 million people, of which 74% speak Castilian Spanish (the official language). The climate in Spain varies from clear, hot summers in interior and more moderate, cloudy weather along the coast and to cloudy, cold winters in interior, partly cloudy and cool weather along coast.

Spain achieved a successful transition to democracy following the death of dictator Francisco Franco in 1975, and rapid economic modernization gave Spain a dynamic and rapidly growing economy. More recently, the government has had to focus on measures to reverse a severe economic recession that began in mid-2008. The chief of state is King Felipe VI since June 19, 2014. Following the December 2015 General Election, no party was able to command a parliamentary majority. This resulted in a further dissolution and General Election in Jun 2016 and eventual formation of a minority administration under Prime Minister Mariano Rajoy, the previous incumbent, in October 2016.

After experiencing a prolonged recession in the wake of the global crisis that began in 2008, Spain returned to economic growth in 2014. In 2016, GDP growth had accelerated to 3.1%, widely attributed to successful economic reforms. However, unemployment and the public deficit remain high.

Spain uses the Euro ("EUR") as its local currency. In 2016, the average exchange rate was 0.92 EUR for each United States dollar.

The Government of Canada maintains an Embassy of Canada in Madrid, Spain.

(Sources: Government of Canada, Department of Foreign Affairs; Central Intelligence Agency, Oanda.com)

Turkey

Turkey is located in South-eastern Europe and South-western Asia, bordering the black sea, between Bulgaria and Georgia and bordering the Aegean Sea and the Mediterranean Sea, between Greece and Syria. The Capital of Turkey is Ankara. Turkey is contained within an area of 783,562 square kilometers and has a population of approximately 80.3 million individuals. The official language in Turkey is Turkish.

The chief of state and President of Turkey is Recep Tayyip Erdogan who came into office on August 10, 2014. He had previously served as Prime Minister from 2003 to 2014. Since May 22, 2016, the head of government is Prime Minister Binali Yildirim. In July 2016 a coup attempt associated with Islamist cleric Fethullah Gulen was defeated. A referendum is scheduled for April 2017 on a package of measures, including abolition of the post of Prime Minister and to allow President to serve two further terms.

Turkey is a rapidly developing country and has a dynamic economy which is a complex mix of modern industry and commerce along with a traditional agriculture sector that still accounts for about 25% of employment. It has a strong and rapidly growing private sector, yet the state remains a major participant in basic industry, banking, transport, and communication.

Turkey uses the Turkish Lira (“TRY”) as its local currency. In 2016, the average exchange rate was 2.976 TRY for each United States dollar. The second half of 2016 saw a worsening of the Turkish balance of payments and decline in the exchange rate 3.526 TRY on 31 Dec 2016.

The Government of Canada maintains an Embassy in Ankara, Turkey.

(Sources: Government of Canada, Department of Foreign Affairs; Central Intelligence Agency, Oanda.com)

Panama

Panama is located in Central America, bordering both the Caribbean Sea and the North Pacific Ocean, between Colombia and Costa Rica. Panama gained independence from Spain on November 28, 1821. The capital of Panama is Panama City. The country is contained within an area of 75,420 square kilometers and has a population of approximately 3.7 million individuals. Spanish is the official language of Panama while many Panamanians are bilingual.

The chief of state in Panama is President Juan Carlos Varela since July 1, 2014. The president is both the chief of state and head of government. Panama is one of the fastest growing countries in the Latin America. Its economy is greatly influenced by the famous canal connecting the Atlantic and Pacific Oceans and business-friendly regulations. Panama’s dollar-based economy rests primarily on a well-developed service sector that accounts for more than three-quarters of GDP. These services include operating of the Panama Canal, logistics, banking, the Colon Free Trade Zone, insurance, container ports, flagship registry and tourism. Economic growth has been bolstered by the Panama canal expansion project that was completed in 2016. United States and China are top users of the Canal.

GDP annual growth rate in Panama was estimated at 5.2% in 2016. Panama uses the Panamanian Balboa (“PAB”) as its local currency, which is pegged to the U.S. dollar at 1 PAB for each United States dollar.

The Government of Canada maintains an Embassy Commission in Panama City, Panama.

(Sources: Government of Canada, Department of Foreign Affairs; Central Intelligence Agency, Oanda.com)

Argentina

In 1816, the United Provinces of the Rio Plata declared their independence from Spain. After Bolivia, Paraguay, and Uruguay went their separate ways, the area that remained became Argentina. Argentina gained independence on July 9, 1816. The country's population and culture were heavily shaped by immigrants from throughout Europe, with Italy and Spain providing the largest percentage of newcomers from the 1860 to 1930. Argentina is located in the Southern South America, bordering the South Atlantic Ocean, between Chile and Uruguay. The country is contained within an area of 2,780,400 square kilometers and has a population of approximately 43.9 million people. The capital of Argentina is Buenos Aires and the official language of the country is Spanish.

The President of Argentina is Mauricio Macri and was appointed to office on December 10, 2015. The President is both the chief of state and head of government. Vice President Gabriela Michetti was also appointed to office on December 10, 2015.

Argentina benefits from rich natural resources, a highly literate population, an export-oriented agricultural sector and a diversified industrial base, but has had a turbulent economic history. In 2001 a severe recession culminated in bank runs, exchange rate devaluation and sovereign debt default. A sharp recovery was undermined by inflation and, in 2008, the global financial crisis. The economy in 2010 rebounded strongly from the 2009 recession, but has slowed since late 2011 even as the government continued to rely on expansionary fiscal and monetary policies and interventionist economic policies, which have kept inflation in the double digits. Since December 2015, the Macri administration has taken significant steps to liberalize the Argentine economy and has settled with 'holdout' creditors from the 2001 default.

Argentina uses the Argentine Peso ("ARS") as its local currency. In 2016, the average exchange rate was 14.92 ARS for each United States dollar.

The Government of Canada maintains an Embassy Commission in Buenos Aires, Argentina.

(Sources: Government of Canada, Department of Foreign Affairs; Central Intelligence Agency, Oanda.com)

RISK FACTORS

Any investment in the Company is subject to a number of risks. Accordingly, prospective investors should carefully consider the risks and uncertainties associated with any investment in the common shares, the Company's business and the industry in which it operates, described below, together with all other information contained in this document, prior to making an investment decision. Many of the risks below are beyond the Company's control and the occurrence of any of the following could have a material and adverse impact on the Company and its business, prospects, financial position, financial condition and/or results of operations.

Risks Relating to the Company's Business and Industry

The Company's operations across several different countries subject it to various political, economic, legal, regulatory and other risks and uncertainties that could negatively impact its operations and financial condition

The Company conducts exploration, development and production activity in several countries, including Zambia, Mauritania, Australia, Panama, Spain, Finland, Peru, Turkey and Argentina. These operations and activities are subject to a number of political, economic, legal, regulatory and other risks. In particular, many of the Company's mineral rights and interests are subject to government approvals, licenses and permits. Such approvals, licenses and permits are subject to the discretion of applicable governments or governmental officials. No assurance can be given that the Company will be successful in obtaining or maintaining any or all of the various approvals, licenses and permits required to operate its businesses in full force and effect or without modification or revocation.

The Company's business is subject to the risks normally associated with conducting business in foreign countries. Some of these risks are more prevalent in countries that are less developed or have emerging economies. In certain countries in which it has assets and operations, such assets and operations are subject to various political, economic and other uncertainties and changes arising therefrom, including, among other things: the risks of war and civil unrest or other risks that may limit or disrupt a project, restrict the movement of funds or product, or result in the deprivation of contract rights or the taking of property by nationalization or appropriation without fair compensation; expropriation; nationalization; renegotiation, nullification, termination or rescission of existing concessions or of licenses, permits, approvals and contracts; taxation policies; foreign exchange and repatriation restrictions; changing political conditions; changing fiscal regimes and uncertain regulatory environments; international monetary and market securities fluctuations; and currency controls and foreign governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

For example, in 2008 Zambia introduced changes to its tax regime relating to mining companies and unilaterally terminated development agreements, including Kansanshi's Development Agreement. The tax regime was revised again in 2009 and 2012. These changes remain the subject of a dispute between the Company and Zambia. In addition, on December 23, 2014 the Zambian government passed into law amendments which effectively eliminated corporate tax on profits from certain categories of mining activities by reducing the corporate tax rate to 0%, but increase the mineral royalty rate from 6% to 20% for open pit mines. These changes to Zambian tax law were effective from January 1, 2015. On August 14, 2015, the Zambian government passed into law further changes to the taxation regime that became effective from July 1, 2015. The changes resulted in a decrease in mineral royalties to 9% for open pit mines from the 20% royalty rate that was enacted effective January 1, 2015. The changes also included the reinstatement of corporate tax to 30% with variable profits tax of up to 15%. In 2016 the Government of Zambia implemented more changes to the mining tax regime, including: repealing the variable profits tax at up to 15% applicable to profits from mining; suspension of the 10% export duty on ores and concentrates applicable to nickel for which there are no processing facilities in Zambia; and reduction in the mining royalty rates for open pit mining from 9% to a sliding scale of 4% to 6% depending on the LME monthly average price and; retained corporate tax on profits from mining at 30%. In prior years the Zambian government has also put in place certain statutory instruments and administrative rules regulating the use of local currency, reporting of cash inflows and outflows from Zambia and additional export reporting for the purposes of zero-rating VAT on exports, which may add to the costs of doing business in Zambia and which have adversely affected the Company's ability to recover VAT on exports. On July 25, 2015, reductions to the electricity supply at Kansanshi mine and smelter and Sentinel were imposed by ZESCO, Zambia's state-run power company. Full power was restored on August 6, 2015. Currently, the Company's Zambian operations are being consistently provided a total of 301MW, which allows for

normal operations at the Kansanshi mine and smelter complex and for Sentinel to achieve nameplate capacity throughput for periods, depending on the hardness of the ore. ZESCO has commenced supplementary power imports from neighboring countries. Kansanshi and Sentinel have been offered additional power at a premium for a portion of their total power requirements which are being met by ZESCO through additional power imports. In December 2015, Kansanshi and Sentinel were advised by ZESCO that power tariffs were to be increased to 10.35c/kWh effective January 1, 2016. These increases are being disputed and discussions with ZESCO and the Government of Zambia are ongoing. These examples highlight the risks and inherent uncertainties of operating in Zambia, as well as other developing countries.

As Cobre Panama is developed, an increasing portion of the Company's assets are expected to be located in Panama. The Company's ability to develop Cobre Panama into a producing open pit mine is highly dependent on prevailing political conditions in Panama. Adverse changes in the Panamanian political environment could increase the Company's developmental costs, increase its exposure to legal and business risks and adversely affect its business, results of operations and future growth.

In Peru, the development of mineral properties requires significant community consultation. A failure to obtain community support could have a significant impact on the Company's development and operations there (*see Advanced Exploration Projects – Haquira Project*).

The Taca Taca Project is located in Salta Province in Argentina. There are risks relating to an uncertain or unpredictable political and economic environment in Argentina, especially as social opposition to mining operations in certain parts of the country and increasingly protectionist economic measures grow. Certain political and economic events such as: (i) the inability of the Taca Taca Project to obtain United States dollars in a lawful market of Argentina; (ii) acts or failures to act by a governmental authority in Argentina; (iii) acts of social and political violence in Argentina; and (iv) the devaluation of the peso, could have a material adverse effect on the Company's activities at the Taca Taca Project. The prior Argentinean government placed currency controls on the ability of companies and its citizens to obtain United States dollars, in each case requiring Central Bank approval (resulting in, at times, a limitation on the ability of multi-national companies to distribute dividends abroad in United States dollars) and revoked exemptions previously granted to companies in the oil and gas and mining sectors from the obligation to repatriate 100% of their export revenues to Argentina for conversion in the local foreign exchange markets, prior to transferring funds locally or overseas. Similarly, the government adopted a requirement that importers provide notice to the government and obtain approval for importation before placing orders for certain goods. While the Government of President Macri has taken steps to liberalize the Argentinian economy, including elimination of exchange controls, reductions in export taxes and the removal of energy subsidies, the prior government's history indicates that the Argentinean government could in the future alter or impose additional requirements or policies that may adversely affect the Company's activities in Argentina.

The Company expects to generate cash flow and profits at its foreign subsidiaries and may need to repatriate funds from those subsidiaries to service the Company's indebtedness or fulfil the Company's business plans, in particular in relation to ongoing expenditures at the Company's development assets. The Company may not be able to repatriate funds, or the Company may incur tax payments or other costs when doing so, as a result of a change in applicable law or tax requirements at local subsidiary levels or at the First Quantum Minerals Ltd. level, which costs could be material.

The Company may also face import and export regulations, including restrictions on the export of metals, disadvantages of competing against companies from countries that are not subject to Canadian, U.S. or European laws, including the Canadian Corruption of Foreign Public Officials Act (1990), the UK Bribery Act 2010 and the U.S. Foreign Corrupt Practices Act (1977), restrictions on the ability to pay dividends offshore, and risk of loss due to disease and other potential endemic health issues.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in the United States, Europe or Canada. It also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in law or policy or to what extent any such developments or changes may have a material adverse effect on its operations.

The above risks are beyond the Company's control and the occurrence of any of the foregoing could have a material and adverse impact on the Company and its business, prospects, financial position, financial condition and/or results of operations.

The majority of the Company's current production is in Zambia and Mauritania, which have underdeveloped physical, financial, political and institutional infrastructure

The Company currently has operations in Zambia and Mauritania, with 60% of its revenue being generated from Zambia and 8% from Mauritania in the twelve months ended December 31, 2016. These countries have a history of political instability, significant and unpredictable changes in government policies and laws, illegal mining activities, lack of law enforcement and labor unrest. Due to the fact that these countries are developing nations, with poor physical and institutional infrastructure, the Company's Zambian and Mauritanian operations are subject to various increased economic, political and other risks, including war, civil unrest, nationalization, expropriation, changing fiscal regimes and uncertain regulatory environments, changing tax and royalty regimes, and challenges to or reviews of the Company's legal and contractual rights, including under the Kansanshi Development Agreement which was unilaterally terminated by Zambia in 2008 and the MCM Mining Convention. These risks were reflected in the Company's experiences in the DRC, when the Government of the DRC arbitrarily terminated the Kolwezi tailings exploitation license and withdrew the Frontier and Lonshi mining licenses. These events resulted in the cessation of the Company's activities in the DRC. While the Company has recourse to international arbitration under the Kansanshi Development Agreement and MCM Mining Convention, there are risks associated with litigation and the enforceability of these contracts, the Company's mining titles, and any damages awards obtained through international arbitration.

Changes in the price of copper, gold, zinc, nickel and other metals in the world market, which are volatile and fluctuate widely, significantly affect the profitability of the Company's operations and its financial condition

The profitability of the Company's current operations is directly related and sensitive to the market price of copper and, to a lesser extent, that of nickel, gold and zinc. Copper, nickel, gold and zinc prices fluctuate widely and are affected by numerous factors beyond the Company's control, including global supply and demand, expectations with respect to the rate of inflation, the exchange rates of the U.S. dollar to other currencies, interest rates, forward selling by producers, central bank sales and purchases, production and cost levels in major producing regions, global or regional political, economic or financial situations and a number of other factors.

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 Company's exposure to 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. While such derivative contracts can protect the Company, it can also limit the metal prices that the Company can realize when the market price of the metal is high.

In addition to adversely affecting the reserve estimates and the financial condition of the Company, declining metal prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

The Company's financial results and exploration, development and mining activities may, in the future, be significantly and adversely affected by declines in the price of copper, gold, zinc, nickel or other minerals. Future production from the Company's mining properties is dependent upon the prices of copper, nickel, gold, zinc and other minerals being adequate to make these properties economic.

The Company derives a significant portion of its revenue from one asset

For the twelve months ended December 31, 2016, the Company derived 60% of its revenue from Zambia. Kansanshi is located in Zambia, which has a history of political instability, significant and unpredictable changes in government policies and laws, illegal mining activities, lack of law enforcement and labor unrest. The Company also commissioned Sentinel in Zambia, which completed construction activities in 2014 and declared Commercial Production from November 1, 2016. The Company's operations in Zambia are vulnerable to disruption due to government intervention, political, social and labor unrest, and other hazards more generally associated with the mining industry and open pit mining. In 2015 and 2016 reduced power supply to both Sentinel and Kansanshi due to drought conditions and resulting lower water levels for hydro power, as well as mismanagement of the resource by ZESCO impacted Sentinel commission and the operations of both plants. In addition, its ownership interest at Kansanshi is subject to third party risk arising from the Zambian authorities and the Company's partner on the project, ZCCM (see " — *The Company holds its principal asset in Zambia jointly with government of the Republic of Zambia, whose interests may conflict with those of the Company*"). It therefore faces risks related to its ability to repatriate profits from Kansanshi. The Company's results of operations have depended, and are expected to continue to depend significantly, on production at Kansanshi and then also Sentinel. Any suspension of operations or production for any reason, or third party intervention in the Company's corporate actions in Zambia, could have a material adverse effect on its business, prospects, financial condition and results of its operations.

The Company holds its principal asset in Zambia jointly with the Government of the Republic of Zambia, whose interests may conflict with those of the Company

The Company holds an 80% interest in the Kansanshi mine; the remaining 20% is held by ZCCM, controlled by the government of Zambia ("GRZ"). The Company's relationship with ZCCM is governed by a shareholders' agreement pursuant to which the GRZ is entitled to certain privileges, such as the right to appoint a "government director" to the board of the operating company, as well as weighted voting rights in respect of certain corporate actions. In particular, ZCCM has a veto right in respect of changes to Kansanshi's dividend policy, which could affect the ability to pay dividends from the operating company to the Company. The shareholders' agreement also imposes certain restrictions on the Company's ability to transfer its shares in the operating company or a controlling interest in its assets at Kansanshi unless the party to whom the Company's assets are transferred assumes certain undertakings pursuant to the shareholders' agreement. In the event that the Company becomes unable to pay its debts or commences liquidation or administration proceedings, ZCCM is entitled to a right of first refusal in relation to the Company's 80% interest in the Kansanshi mine. The shareholders' agreement also contains "free-carried" interest provisions which entitle ZCCM to maintain a 5% equity interest and "repayable carried" interest provisions for the benefit of ZCCM set at the 15% level. These provisions would entitle ZCCM to maintain the same percentage of equity interest in the event of capital increases. Restrictions such as those in the shareholders' agreement may interfere with the ability of the Company's subsidiaries to make distributions to it, which could adversely affect the Company's future cash flows and its ability to use its cash to fund further development and exploration projects and/or make payments in respect of its indebtedness. As explained under *Three Year History* in October 2016, the Company, through its subsidiary Kansanshi Holdings Ltd., received a Notice of Arbitration from ZCCM under the Kansanshi Mining PLC ("KMP") Shareholders Agreement. ZCCM is a 20% shareholder in KMP and filed the Notice of Arbitration against KMP and Kansanshi Holdings Limited, the 80% shareholder in KMP. KMP also received a Statement of Claim filed in the High Court for Zambia naming additional defendants, including First Quantum, its subsidiary FQM Finance Ltd. ("FQM Finance"), and a number of directors and an executive of the named corporate defendants. While the Company believes it has a good defense to the claims by ZCCM, the outcome of this dispute remains uncertain.

Current Global Financial Conditions

Current global financial conditions have been characterized by increased volatility and some financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Although there has been some recovery, there is no certainty that the disruptions and their effects have ended and will not continue to affect the markets. These factors may impact the ability of the Company to obtain equity or debt financing in the future on terms favorable to the Company or at all. In addition, general economic indicators, including employment levels, announced corporate earnings, economic growth and consumer confidence, deteriorated in the later part of 2008 and into 2009. Although there has been some recovery, economic events in Europe starting in mid-2011 have created further uncertainty in global financial and equity markets. Any or all of these economic factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the common shares may be adversely affected.

Securities of mining companies, including the Company's common shares, have experienced substantial volatility, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in the countries where the Company carries on business and globally, and market perceptions of the attractiveness of particular industries. Commodity prices are often directly correlated to the common share prices of publicly listed commodity producers. Since 2010, copper and nickel prices saw a slow decline through 2014. In 2015 commodity prices decreased significantly and remained low in the early part of 2016. Correspondingly, the Company's share price also declined significantly in the first part of 2016, though it recovered significantly in the latter half of 2016 along with increased copper prices. The price of the securities of the Company is also likely to be significantly affected by short-term movements in other commodity prices generally, precious metal prices or other mineral prices, currency exchange fluctuation and the political environment in the countries in which the Company does business and globally.

Mining operations are subject to extensive regulations, including environmental, health and safety and other regulations, as well as the need to manage relationships with local communities

The Company's mining operations and exploration activities are subject to extensive laws and regulations, which include laws and regulations governing, among other things: exploration; development; production; exports; taxes; labor standards; mining royalties; price controls; waste disposal; protection and remediation of the environment; reclamation; historic and cultural resource preservation; mine safety and occupational health; handling; storage and transportation of hazardous substances; and other matters. The costs of discovering, evaluating, planning, designing, developing, constructing, operating and closing the Company's mines and other facilities in compliance with such laws and regulations are significant. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the Company would not proceed with the development of, or continue to operate, a mine.

As part of its normal course of operating and development activities, the Company has expended significant resources, both financial and managerial, to comply with governmental and environmental regulations including permitting requirements, and will continue to do so in the future. Moreover, it is possible that future regulatory developments, such as increasingly strict environmental protection laws, regulations and enforcement policies, and claims for damages to property and persons resulting from the Company's operations, could result in additional substantial costs and liabilities, restrictions on or suspension of the Company's activities and delays in the exploration of and development of its properties.

The Company is required to obtain governmental permits to develop its reserves and for expansion or advanced exploration activities at its operating and exploration properties. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous agencies and other interested parties. There can be no certainty that these approvals will be granted to us in a timely manner, or at all. The duration and success of each permitting effort are contingent upon many variables not within the Company's control. Governmental approvals, licenses and permits are subject to the discretion of the applicable governments or governmental officials and potentially consideration of other parties' interests or rights. In the context of environmental protection permitting, including the approval of reclamation plans, the Company must comply with known standards, existing laws and regulations that may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the interpretation of the laws and regulations implemented by the permitting authority. No assurance can be

given that the Company will be successful in obtaining or maintaining any or all of the various approvals, licenses and permits required to operate its businesses in full force and effect or without modification or revocation. The failure to obtain or renew certain permits, or the imposition of extensive conditions upon certain permits, could have a material adverse effect on the Company's business, operations and financial condition.

Failure to comply with applicable environmental, health and safety laws can result in injunctions, damages, suspension or revocation of permits and imposition of penalties. There can be no assurance that the Company has been or will be at all times in complete compliance with such laws or permits, that its compliance will not be challenged or that the costs of complying with current and future environmental, health and safety laws and permits will not materially or adversely affect the Company's future cash flow, results of operations and financial condition.

As a consequence of public concern about the perceived ill effects of mining and land development, particularly in developing countries, mining companies such as the Company face increasing public scrutiny of their activities. Criticism of the Company's activities or negative publicity, whether accurate or not, could result in damage to the Company's reputation which could have an adverse effect on the Company's share price. The international standards on social responsibility, community relations and sustainability against which the Company benchmarks its operations are becoming increasingly stringent and extensive over time, and adherence to them is increasingly scrutinized by regulatory authorities, citizens groups and environmental groups, as well as by investors and financial institutions. In addition, the Company operates in several countries where ownership of rights in respect of land and resources is uncertain and where disputes in relation to ownership or other community matters may arise. These disputes are not always predictable and may cause disruption to its operations or development plans. The Company's operations can also have an impact on local communities, including the need, from time to time, to relocate or resettle communities or infrastructure networks such as railways and utility services. Failure to manage relationships with local communities, governments and non-government organizations may harm the Company's reputation as well as its ability to bring development projects into production. For example, in Peru the Company may be required to finance the relocation of a local community, and to the extent the Company is unable to negotiate an amicable solution to such relocation, it may face delays or other liabilities in relation to its development of Haquira in Peru. At Cobre Panama, while resettlement is substantially completed with the indigenous people and campesinos who were displaced by the project development, there remains the possibility that the development progress could be adversely impacted during the completion of the resettlement process. In addition, the costs and management time required to comply with standards of social responsibility, community relations and sustainability, including costs related to resettlement of communities or infrastructure, have increased substantially recently and are expected to further increase over time.

The Company's operations sometimes result in the release of hazardous materials into the environment and these releases, whether or not planned, could cause contamination. In addition, many of its mining sites have an extended history of industrial activity. The Company may be required to investigate and remediate contamination, including at properties it formerly operated, regardless of whether it caused the contamination or whether the activity causing the contamination was legal at the time it occurred. The Company also could be subject to claims by government authorities, individuals, employees or third parties seeking damages for alleged illness, personal injury or property damage resulting from hazardous material contamination or exposure caused by its operations or sites. The Company could be required to establish or substantially increase financial provisions for such obligations or liabilities and, if it fails to accurately predict the amount or timing of such costs, the related impact on its business, financial condition or results of operations could be material.

Certain non-governmental organizations ("NGOs"), some of which oppose globalization and resource development, are often vocal critics of the mining industry and its practices, including the use of hazardous substances in processing activities. Adverse publicity generated by such NGOs or others related to extractive industries generally, or the Company's operations specifically, could have an adverse effect on the Company's reputation and financial condition and may impact the relationship with the communities in which the Company operates. They may install road blockades, apply for injunctions for work stoppage, make criminal complaints to local authorities, or file lawsuits for damages. For example, on January 19, 2016 approximately 200 people affiliated with a Suntracs union forced their way into the Cobre Panama project site. They broke down the front gate, assaulted guards, and vandalized the property. Sixteen people were treated at the clinic for injuries relating to the event. Later the same day the Suntracs group left the site after intervention by the Panamanian police force and special riot-squad teams. These actions can relate not only to current activities but also historic mining activities by prior owners and could have a material, adverse effect on the Company's operations. They may also file complaints with regulators in

respect of the Company's, and the directors' and insiders', regulatory filings, either in respect of the Company or other companies. Such complaints, regardless of whether they have any substance or basis in fact or law, may have the effect of undermining the confidence of the public or a regulator in the Company or such directors or insiders and may adversely affect the price of the Company's securities or the Company's prospects of obtaining the regulatory approvals necessary for advancement of some or all of the exploration and development plans or operations.

The Company may be adversely affected by the availability and cost of key inputs

The Company's competitive position depends on its ability to control operating costs. The cost structure of each operation is based on the location, grade and nature of the ore body, and the management skills at each site as well as the costs of key inputs such as fuel, tires for mining equipment, and other supplies. If such supplies become unavailable or their cost increases significantly, the profitability of the Company's mines would be impacted and operations at its mines could be interrupted or halted resulting in a significant adverse impact on its financial condition. The Company's management prepares its cost and production guidance and other forecasts based on its review of current and estimated future costs, and management assumes that the materials and supplies required for operations will be available for purchase. Lack of supply or increased costs for any of these inputs would decrease productivity, reduce the profitability of the Company's mines, and potentially result in suspending operations at its mines.

Many of the Company's costs are driven by supply and market demand. For example, the cost of local materials, like cement, explosives and electricity, will vary based on demand. Wages can be affected by inflation and currency exchange rates and by the shortage of experienced human resources. The costs of fuel and steel are driven by global market supply and demand. The Company's main cost drivers include the cost of labor plus consumables such as electricity, fuel and steel. In recent years, the mining industry has been impacted by increased worldwide demand for critical resources such as input commodities, drilling equipment, tires and skilled labor, and these shortages may cause unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures and production schedules.

Concentrate treatment charges and transportation costs are also a significant component of operating costs. Concentrate treatment and refining charges have been volatile in recent years. The Company is dependent on third parties for rail, truck and maritime services to transport its products, and contract disputes, demurrage charges, rail and port capacity issues, availability of vessels, weather and climate and other factors can have a material adverse impact on its ability to transport its products according to schedules and contractual commitments.

The Company's operations, by their nature, use large amounts of electricity and energy. Energy prices can be affected by numerous factors beyond the Company's control, including global and regional supply and demand, political and economic conditions, and applicable regulatory regimes. The prices of various sources of energy may increase significantly from current levels. An increase in electricity and energy prices will negatively affect the Company's business, financial condition, liquidity and results of operations. Increases in these costs would have an adverse impact on the Company's results of operations and would adversely affect the its business, results of operations, financial condition and cash flows. On July 25, 2015, reductions to the electricity supply at Kansanshi mine and smelter and Sentinel were imposed by ZESCO, Zambia's state-run power company. Full power was restored on August 6, 2015. During the 12 days the power limitations were in place, the majority of electricity allocated to Sentinel was transferred to the Kansanshi mine and smelter to lessen the production impact. Currently, the Company's Zambian operations are being consistently provided a total of 301MW, which allows for Sentinel to achieve nameplate capacity throughput for periods, depending on the hardness of the ore, and for normal operations at the Kansanshi mine and smelter complex except for running the High Pressure Leach (HPL) system. ZESCO has commenced supplementary power imports from neighboring countries. Kansanshi and Sentinel have been offered, but did not take up, additional power at a premium for a portion of their total power requirements which are being met by ZESCO through additional power imports. In December 2015, Kansanshi and Sentinel were advised by ZESCO that power tariffs were to be increased to 10.35c/kWh effective January 1, 2016. Revised power tariffs were then proposed in December 2016. These increases are being disputed and discussions with ZESCO and the Government of Zambia are ongoing.

Mining is inherently dangerous and subject to conditions or events beyond the Company's control, which could have a material adverse effect on its business

The Company's business operations are subject to risks and hazards inherent in the mining industry that may result in damage to its property, delays in its business and possible legal liability. These risks and hazards include but are not limited to:

- environmental hazard and weather conditions;
- discharge of pollutants or hazardous chemicals;
- industrial accidents;
- failure of processing and mechanical equipment and other performance problems;
- labor force disruptions;
- the unavailability of materials and equipment;
- unanticipated transportation costs or disruption;
- changes in the regulatory environment;
- unanticipated variations in grade and other geological problems, water conditions, surface or underground conditions;
- unanticipated changes in metallurgical and other processing problems;
- encountering unanticipated ground or water conditions and unexpected or unusual rock formations;
- cave-ins, pit wall failures, flooding, rock bursts and fire;
- periodic interruptions due to inclement or hazardous weather conditions; and
- force majeure factors, other acts of God or unfavorable operating conditions and bullion losses.

Any of these can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures, and production commencement dates. Such risks could also result in damage to, or destruction of, mineral properties or processing facilities, personal injury or death, loss of key employees, environmental damage, delays in mining, monetary losses and possible legal liability. Satisfying such liabilities may be very costly and could have a material adverse effect on future cash flows, results of operations and financial condition.

The Company's processing facilities are dependent on continuous mine feed to remain in operation. Insofar as its mines may not maintain material stockpiles of ore or material in process, any significant disruption in either mine feed or processing throughput, whether due to equipment failures, adverse weather conditions, supply interruptions, export or import restrictions, labor force disruptions or other causes, may have an immediate adverse effect on the results from its operations. A significant reduction in mine feed or processing throughput at a particular mine could cause the unit cost of production to increase to a point where the Company could determine that some or all of its reserves are or could be uneconomic to exploit. For example, Cobre Panama experienced a temporary work stoppages in 2014 and 2016; Kansanshi experienced two illegal labor disruptions in 2012, which resulted in the cessation of production at the mine for a total of six days and the Company experienced illegal labor disruptions in December 2011 and July 2012 and September 2014 at Guelb Moghrein, which resulted in the cessation of production at the mine for a total of 10 days, 12 days, and 12 days respectively. Çayeli experienced a strike in late 2015, which resulted in two weeks lost production prior to resolution.

The Company periodically reviews mining schedules, production levels and asset lives in its life-of-mine planning for all of its operating and development properties. Significant changes in the life-of-mine plans can occur as a result of mining experience, new ore discoveries, changes in mining methods and rates, process changes, investment in new equipment and technology, precious metals price assumptions, and other factors. Based on this analysis, the Company reviews its accounting estimates and, in the event of impairment, may be required to write-down the carrying value of one or more mines. This complex process continues for the life of every mine.

As a result of the foregoing risks and, in particular, where a project is in a development stage, expenditures on any and all projects, actual production quantities and rates, and cash costs may be materially and adversely affected and may differ materially from anticipated expenditures, production quantities and rates, and costs. In addition, estimated production dates may be delayed materially, in each case especially to the extent development projects are involved. Any such events can materially and adversely affect the Company's business, financial condition, results of operations and cash flows.

The Company faces risks associated with its development projects

The Company's ability to maintain or increase its annual production of copper, nickel, gold and zinc will be dependent, in significant part, on its ability to bring new mines into production and to expand existing mines. Although the Company utilizes the operating history of its existing mines to derive estimates of future operating costs and capital requirements, such estimates may differ materially from actual operating results at new mines or at expansions of existing mines. The economic feasibility analysis with respect to any individual project is based upon, among other things: the interpretation of geological data obtained from drill holes and other sampling techniques; feasibility studies (which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed); precious and base metals price assumptions; the configuration of the ore body; expected recovery rates of metals from the ore; comparable facility and equipment costs; anticipated climatic conditions; and estimates of labor, productivity, royalty, tax rates, or other ownership burdens and other factors.

The Company's development projects including Cobre Panama, are also subject to the successful completion of construction and commissioning, the issuance of necessary permits and the receipt of adequate financing and the actual operating results of the Company's development projects may differ materially from those anticipated.

Uncertainties relating to operations are even greater in the case of development projects. Any of the following events, among others, could affect the profitability or economic feasibility of a project:

- the availability of funds to finance construction and development activities;
- the ability of key contractors to perform services in the manner contracted for;
- unanticipated changes in grade and tonnage of ore to be mined and processed;
- unanticipated adverse geotechnical conditions;
- incorrect data on which engineering assumptions are made;
- costs of constructing and operating a mine in a specific environment;
- availability and costs of processing and refining facilities;
- availability of economic sources of power on an uninterrupted basis;
- adequacy of water supply on an uninterrupted basis;
- adequate access to the site, including competing land uses (such as agriculture and illegal mining);
- unanticipated transportation costs or disruption;

- government regulations (including regulations to prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, as well as the costs of protection of the environment and agricultural lands);
- fluctuations in commodity prices and exchange rates; and
- accidents, labor actions and force majeure events.

It is not unusual in new mining operations to experience unexpected problems during the start-up phase, and delays can often occur at the start of production. In the past, the Company has adjusted estimates based on changes to assumptions and actual results. These and other factors may have the effect of increasing the expected capital expenditures for the Company's development projects.

The actual cost to develop Cobre Panama may differ materially from the Company's current estimates and involve unexpected problems or delays

The current estimate of the amount of capital expenditures that will be required to be incurred to complete Cobre Panama is based on certain assumptions and analyses made by the Company's management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. These estimates, however, and the assumptions upon which they are based, are subject to a variety of risks and uncertainties and other factors that could cause actual expenditures to differ materially from those estimated. If these estimates prove incorrect, the total capital expenditures required to complete Cobre Panama may increase. The Company cannot be assured that it will have access to sufficient financing or generate sufficient cash flows to fund any increase in required capital spending for the construction and development of Cobre Panama. As a result, any such increase in costs to develop Cobre Panama could have a materially adverse effect on the Company's business, results of operations, financial condition and cash flows.

The Company's ability to expand or replace depleted reserves and the possible recalculation or reduction of its reserves and resources could materially affect its results of operations and long-term viability

The Company's reported Mineral Reserves and Resources are only estimates. No assurance can be given that the estimated Mineral Reserves and Resources will be recovered or that they will be recovered at the rates estimated. Mineral Reserve and Resource estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative. Mineral Reserve and Resource estimates may require revision (either up or down) based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, changes in the mine plan or pit design, or increasing capital costs may render certain Mineral Reserves and Resources uneconomic and may ultimately result in a restatement of reserves and/or resources. Moreover, short-term operating factors relating to the Mineral Reserves and Resources, such as the need for sequential development of ore bodies and the processing of new or different ore grades, may adversely affect the Company's profitability in any particular accounting period.

As a Canadian company the Company uses CIM Standards (the Canadian Institute of Mining, Metallurgy and Petroleum on Mineral Resources and Reserve Definitions and Guidelines). For a discussion of the differences in resource and reserve reporting standards see "Presentation of Mineral Reserve and Mineral Resource Estimates."

There are uncertainties inherent in estimating proven and probable mineral reserves and measured, indicated and inferred mineral resources, including many factors beyond the Company's control. Estimating mineral reserves and resources is a subjective process. Accuracy depends on the quantity and quality of available data and assumptions and judgments used in engineering and geological interpretation, which may be unreliable. It is inherently impossible to have full knowledge of particular geological structures, faults, voids, intrusions, natural variations in and within rock types and other occurrences. Failure to identify and account for such occurrences in the Company's assessment of mineral reserves and resources may make mining more expensive and cost ineffective, which will have a material and adverse effect on the Company's future cash flow, results of operations and financial condition.

There is no assurance that the estimates are accurate, that Mineral Reserve and Resource figures are accurate, or that the Mineral Reserves or Resources can be mined or processed profitably. Mineral Resources that are not classified

as Mineral Reserves do not have demonstrated economic viability. You should not assume that all or any part of the measured Mineral Resources, indicated Mineral Resources, or an inferred Mineral Resource will ever be upgraded to a higher category or that any or all of an inferred Mineral Resource exists or is economically or legally feasible to mine.

Any material reductions in estimates of Mineral Reserves and/or Resources, or the Company's ability to extract those resources, could have a material adverse effect on the Company's results or financial condition.

Title claims may affect the Company's existing operations as well as its development projects and future acquisitions

Title to the Company's properties may be challenged or impugned and title insurance is generally not available. The Company's mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties. This may affect the Company's ability to acquire within a reasonable time frame effective mineral titles in the jurisdictions in which it operates and may affect the timetable and costs of development of mineral properties in these jurisdictions. The risk of unforeseen title claims could also affect existing operations as well as development projects and future acquisitions. These legal requirements may affect the Company's ability to expand or transfer existing operations or to develop new projects.

The estimation of asset carrying values for individual mines may affect the Company's results of operations

The Company annually undertakes a detailed review of the life-of-mine plans for its operating properties and an evaluation of the Company's portfolio of development projects, exploration projects and other assets. The recoverability of the Company's carrying values of its operating and development properties are assessed by comparing carrying values to estimated future net cash flows from each property.

Factors which may affect carrying values include, but are not limited to: copper, gold, nickel, zinc and sulphuric acid prices; capital cost estimates; mining, processing and other operating costs; grade and metallurgical characteristics of ore; and mine design and timing of production. In the event of a prolonged period of depressed copper, nickel, gold and zinc prices, the Company may be required to take additional material write-downs of its operating and development properties.

Mineral exploration is speculative and uncertain and the development from mines may be unsuccessful

Since mines have limited lives based on proven and probable Mineral Reserves, the Company continually seeks to replace and expand its reserves. Mineral exploration, at both newly acquired properties and existing mining operations, is highly speculative in nature, involves many risks and frequently does not result in the discovery of mineable reserves. There can be no assurance that the Company's exploration efforts will result in the discovery of significant mineralization or that any mineralization discovered will result in an increase of the Company's proven or probable reserves. If proven or probable reserves are developed, it may take a number of years and substantial expenditures from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. No assurance can be given that the Company's exploration programs will result in the replacement of current production with new reserves or that the Company's development program will be able to extend the life of the Company's existing mines. In the event that new reserves are not developed, the Company will not be able to sustain any mine's current level of reserves beyond the life of its existing reserve estimates. The combination of these factors may cause the Company to expend significant resources (financial and otherwise) on a property without receiving a return on investment.

The Company's insurance does not cover all potential losses, liabilities and damage related to its business and certain risks are uninsured or uninsurable

As noted above, the business of mining and mineral exploration is generally subject to a number of risks and hazards including: adverse environmental conditions; industrial accidents; contaminations; labor disputes; unusual or unexpected geological conditions; ground or slope failures; cave-ins; changes in the regulatory environment; and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in

damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability. The Company maintains insurance against certain risks that are typical in the mining industry and in amounts that the Company believes to be reasonable, but which may not provide adequate coverage in certain circumstances. However, insurance against certain risks (including certain liabilities for environmental pollution or other hazards as a result of exploration and production) is not generally available to the Company or to other companies in the industry on acceptable terms. The Company does not currently have political risk insurance. Losses resulting from such failure to obtain insurance may result in cost increases and decreased profitability.

HIV, malaria and other illnesses in Zambia may affect the Company's workforce and lead to a loss of workers and production in the Company's operations

HIV, malaria and other diseases are perceived as a serious threat to maintaining a skilled workforce in the Zambian Copperbelt. The per capita incidence of the HIV virus in Zambia is amongst the highest in the world. As such, HIV remains a major healthcare challenge faced by the Company's Zambian operations. There can be no assurance that the Company will not lose members of its workforce or lose workforce man-hours, which may have a material adverse effect on the Company's operations.

Fluctuations in foreign currency exchange rates could significantly affect the Company's operating results and liquidity

The Company's revenue from operations is received in U.S. dollars while a significant portion of its operating expenses are incurred in Zambian kwacha, Mauritanian Ouguiya, Australian dollars, Euro, Turkish Lira, Peruvian Nuevo Sol, South African Rand, Argentine Pesos and Canadian dollars. In certain circumstances, the Company engages in foreign currency hedging activities for operational purposes. There can be no assurance that these hedging activities will be successful in mitigating the impact of exchange rate fluctuations or that hedging activities will not cause us to experience less favorable economic outcomes than we would have experienced if we had no hedges in place. Accordingly, foreign currency fluctuations may adversely affect the Company's operating results and financial position.

The Company is subject to inflation risks, which might adversely affect its financial condition and results of operations

A significant portion of the Company's production is currently located in Zambia which has historically experienced relatively high rates of inflation. Since it is unable to control the market price at which it sells the minerals it produces (except to the extent that the Company enters into forward sales contracts), it is possible that significantly higher inflation in the future in Zambia, without a concurrent devaluation of the local currency against the U.S. dollar or an increase in the price of such minerals, could have a material adverse effect upon its results of operations and financial condition.

The Company is also subject to inflation in relation to production inputs. In particular the Company requires sulphur for the production of acid to process oxide ore, which it currently acquires from third parties, and the price of which is prone to volatility. Sulphur is a significant expense of the Company and has a direct impact on the Company's cost of production. Electricity is also a significant expense for mining and processing operations, which the Company acquires from third parties and the price for which the Company does not control. For Kansanshi, while it has a binding Power Supply Agreement with fixed prices, the Zambian government has taken steps to unilaterally increase tariffs significantly.

The Company depends on key management personnel and may not be able to attract and retain qualified personnel in the future

The Company's ability to manage its operations, exploration and development activities, and hence, its success, depends in large part on its ability to retain current key management personnel and to attract and retain new personnel, including management, technical and unskilled workforce. The loss of the services of one or more key employees could have a material adverse effect on its ability to manage and expand its business. The Company currently does not have key person insurance on these individuals.

Cobre Panama will be the first large scale mining project in Panama and the ability to construct, develop, and operate Cobre Panama will depend to a significant degree upon the Company's ability to attract highly skilled personnel to Panama, train local Panamanians and retain each of them. From time to time the mining industry experiences a shortage of skilled or experienced personnel, especially trades people, on a global, regional or local basis. Competition for such personnel in the mining industry is intense, and the Company may not be able to retain current personnel and attract and retain new personnel. An inability to do so would have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

Some of the Company's employees are unionized and work stoppages by unionized employees could materially and adversely affect its business, prospects, financial condition and results of operations

Current union agreements at the Company's operations in Zambia are typically one or two years in duration and are subject to expiration at various times in the future. If it is unable to renew union agreements as they become subject to renegotiations from time to time, this could result in work stoppages and other labor disturbances that could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

Certain of the Company's employees are employed under collective bargaining agreements. If unionized employees were to engage in a concerted strike or other work stoppage, or if other employees were to become unionized, the Company could experience a disruption of operations, higher labor costs or both. A lengthy strike or other labor disruption could have a material adverse effect on its business, financial condition, liquidity and results of operations.

At Kansanshi, the Company experienced two illegal labor disruptions in 2012, which resulted in the cessation of production at the mine for a total of six days. It also experienced an illegal labor disruption in late 2011 at Guelb Moghrein, which resulted in the cessation of production at the mine for a total of 10 days. Operations at Guelb Moghrein were temporarily suspended and 12 production days were lost following an illegal strike action by some unionized employees in July 2012. Operations at Guelb Moghrein were again temporarily suspended and 12 production days were lost following an illegal strike action by some unionized employees in September 2014. In addition, Cobre Panama experienced a temporary work stoppage in 2014. Çayeli experienced a strike in late 2015, which resulted in two weeks lost production prior to resolution.

An inability to obtain suitable financing might adversely affect the Company's results of operations

Mining companies need significant amounts of on-going capital to maintain and improve existing operations, invest in large scale capital projects with long lead times, and manage uncertain development and permitting timelines and the volatility associated with fluctuating metals and input prices. The Company has been successful at financing its projects and operations over the years. However, its ability to continue its exploration, assessment, development and operational activities will depend on the resource industry generally, which is cyclical in nature, and which may, in turn, affect its ability to attract financing, including joint venture financing, debt or bank financing, equity financing or production financing arrangements. Failure to obtain, or difficulty or delay in obtaining, requisite financing could result in delay of certain projects or postponement of further exploration, assessment or development of certain properties or projects. Financing through the issuance of equity will result in dilution of existing shareholders. Failure to obtain affordable financing could have a material adverse effect on the Company's business, result of operations and financial condition.

The Company is subject to litigation, the outcome of which may affect the Company's business, results of operations, financial condition and cash flows

The Company is subject from time to time to litigation and may be involved in disputes with other parties in the future, which may result in litigation. The Company cannot predict the outcome of any litigation. Defense and settlement costs may be substantial, even with respect to claims that have no merit. If the Company cannot resolve these disputes favorably, its business, financial condition, results of operations and future prospects may be materially adversely affected. See "Legal Proceedings", below, for more information.

The Company is subject to taxation risk

The Company has operations and conducts business in a number of jurisdictions and is subject to the taxation laws of these jurisdictions. These taxation laws are complex and subject to changes and revisions in the ordinary course.

The GRZ has enacted a number of changes to the tax regime relating to mining companies which do not comply with the tax stability guarantees set out in the Company's development agreements with the GRZ. The Company has complied with the tax regime without prejudice to its rights under the Kansanshi Development Agreement. On December 23, 2014, the GRZ passed into law amendments which effectively eliminated corporate tax on profits from certain categories of mining activities by reducing the corporate tax rate to 0%, but which increased the mineral royalty rate from 6% to 20% for open pit mines. The changes to Zambian tax law were substantively enacted in December 2014, effective from January 1, 2015. On August 14, 2015, the Zambian government passed into law further changes to the taxation regime that became effective from July 1, 2015. The changes resulted in a decrease in mineral royalties to 9% for open pit mines from the 20% royalty rate that was enacted effective January 1, 2015. The changes also included the reinstatement of corporate tax to 30% with variable profits tax of up to 15%. In 2016 the Government of Zambia implemented more changes to the mining tax regime, including: repealing the variable profits tax at up to 15% applicable to profits from mining; suspension of the 10% export duty on ores and concentrates applicable to nickel for which there are no processing facilities in Zambia; and reduction in the mining royalty rates for open pit mining from 9% to a sliding scale of 4% to 6% depending on the LME monthly average price and; retained corporate tax on profits from mining at 30%. In addition, during 2014, no Value Added Tax ("VAT") refunds were received from the Zambian Revenue Agency related to Kansanshi. While some refunds were made in 2015 and 2016, the Company continues to engage in regular discussions with the relevant government authorities in efforts to resolve the industry and country-wide dispute that has arisen with respect to exporters. More recently, the 2017 Zambian budget focused on changes in VAT regulations and increased import tariffs on a wide range of goods. Agreements were reached in December 2016 with the Zambia Revenue Authority ("ZRA") on corporate tax matters relating to the Zambian operations. Unfavorable resolution of such issues or changes in taxation law or reviews and assessments could result in higher taxes being payable by the Company which could adversely affect profitability and cash flows.

The Company's costs of reclamation are uncertain and higher than expected costs would negatively affect the Company's business, results of operations, financial condition and cash flows

The costs of reclamation of closed mine sites are uncertain and planned expenditures may differ from the actual expenditures required. As a result of the acquisition of Inmet, the Company acquired a number of additional closed properties. It is not possible to determine the exact amount that will be required to complete reclamation activities, and the amount that the Company is required to spend could be materially different than current estimates. Reclamation bonds or other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation over the life of a mine's operation. Although the Company includes estimated reclamation costs in its mining plans, it may be necessary to revise the planned expenditures and the operating plans for its operations in order to fund required reclamation activities. Any additional amounts required to be spent on reclamation would adversely affect the Company's business, results of operations, financial condition and cash flows. Current asset retirement obligations across the Company's activities are estimated at \$530,069 million.

The Company may not consummate or integrate acquisitions successfully, which could adversely affect its financial condition and future performance

The Company is always actively pursuing the acquisition of advanced exploration, development and production assets consistent with its acquisition and growth strategy. From time to time, it may also acquire securities of, or other interests in, companies with respect to which it may enter into acquisitions or other transactions. Acquisition transactions involve inherent risks, including:

- accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates;
- ability to achieve identified and anticipated operating and financial synergies;
- unanticipated costs;
- diversion of management attention from existing business;
- potential loss of its key employees or the key employees of any business that the Company acquires;
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and
- decline in the value of acquired properties, companies or securities.

Any one or more of these factors or other risks could cause the Company not to realize the benefits anticipated to result from the acquisition of properties or companies, and could have a material adverse effect on its ability to grow and on its financial condition.

Acquisitions by the Company, such as the acquisitions of Lumina, Inmet, SML, Kiwara, Ravensthorpe and Antares, involve the integration of companies that previously operated independently. An important factor in the success of an acquisition is the ability of the acquirer's management in managing the company's business and that of the acquired company and, if appropriate, integrating all or part of that company's business with that of the acquirer. The integration of two businesses can result in unanticipated operational problems and interruptions, expenses and liabilities, the diversion of management attention and the loss of key employees and their knowledge.

There can be no assurance that a business integration will be successful or that it will not adversely affect the business, results of operations, financial condition or operating results of the acquirer and, as a result, the price of the Company's publicly traded securities. In addition, the acquirer may incur charges related to the acquisition of the acquired company and related to integrating the two companies. There can be no assurance that the Company, in the case of its recent acquisitions, will not incur additional material charges in the future to reflect additional costs associated with the acquisition or that all of the benefits expected from the acquisitions will be realized.

While the Company continues to seek acquisition opportunities consistent with its acquisition and growth strategy, it cannot be certain that it will be able to identify additional suitable acquisition candidates available for sale at reasonable prices, to consummate any acquisition or to integrate any acquired business into its operations successfully. Acquisitions may involve a number of special risks, circumstances or legal liabilities. These and other risks related to acquiring and to operating acquired properties and companies could have a material adverse effect on results of operations and financial condition. In addition, to acquire properties and companies, the Company may need to use available cash, incur debt, and issue common shares or other securities, or a combination of any one or more of these. This could limit its flexibility to raise capital, to operate, explore and develop its properties and to make additional acquisitions, and could further dilute and decrease the trading price of the common shares. When evaluating an acquisition opportunity, the Company cannot be certain that it will have correctly identified and managed the risks and costs inherent in the business that it is acquiring.

While at the present time the Company has no binding agreements, it is always actively pursuing potential acquisitions. The Company can provide no assurance that any potential transaction will be successfully completed, and, if completed, that the business acquired will be successfully integrated into its operations. The Company also

cannot provide any assurance that if it issues shares in connection with an acquisition, such share issuance will not be dilutive. If the Company fails to manage its acquisition and growth strategy successfully, it could have a material adverse effect on its business, results of operations and financial condition.

The Company relies on a limited number of smelters and off-takers to produce and distribute the product of its operations

In the countries in which the Company operates, there are a limited number of smelters within range of its operations, which means that it may be unable to manage the increased costs of freight and export duties associated with transporting or exporting ore to smelters. In addition to the high cost to export copper concentrate, it has become obvious that the availability of in-country, third-party smelting capacity is declining to the extent that even with the completion of the Company's current smelter project in Zambia, there will be insufficient capacity to process all of the concentrate production from Sentinel and Kansanshi. As a result, the Company is considering an expansion to the 1.2 million tonnes-per-annum copper smelter, but it is currently on hold and is subject to improvement in the investment climate in Zambia. If the subsequent expansion does not proceed, the amount of concentrate production from Sentinel and Kansanshi that it is able to process may be reduced. Due to a lack of capacity at other Zambian smelters, the Company also sells copper concentrate to other third parties from time to time.

In addition, there are a limited number of off-takers. The inability of one or more of the smelters or off-takers with whom the Company has relationships to meet their obligations to it, or their insolvency or liquidation, may adversely affect its financial results. Traditionally, all of the Company's accounts receivable result from sales to third parties in the mining industry. This concentration of customers may impact its overall credit risk in that these entities may be similarly affected by various economic and other conditions, including the recent global economic and financial downturn.

The Company may be unable to compete successfully with other mining companies

The mining industry is competitive in all of its phases. The Company faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, metals. Many of these companies have greater financial resources and a longer operating history than the Company. It may also encounter increasing competition from other mining companies in its efforts to hire experienced mining professionals. In addition, competition for exploration resources at all levels is very intense. Increased competition could adversely affect the Company's ability to attract necessary capital funding, to acquire it on acceptable terms, or to acquire suitable producing properties or prospects for mineral exploration in the future. Increases in copper, nickel and gold prices have in the past, and could in the future, encourage increases in mining exploration, development and construction activities, which results in increased demand for and cost of contract exploration, development and construction services and equipment. Increased demand for and cost of services and equipment could cause project costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and increased potential for scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment. Any of these outcomes could materially increase project exploration, development or construction costs, result in project delays, or both. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties or attract better or more qualified employees.

Certain directors also serve as directors and/or officers of other companies involved in natural resource exploration and development. There is a possibility that such other companies may compete with us for the acquisition of assets. Consequently there exists the possibility for such directors to be in a position of conflict. If any such conflict of interest arises, then a director who has such a conflict must disclose the conflict to a meeting of the directors and must abstain from and will be unable to participate in discussion or decisions pertaining to the matter. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict.

The market price of the common shares may fluctuate significantly in response to a number of factors, many of which will be out of the Company's control.

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the company that has issued them. The market price of the common shares may fluctuate significantly in response to a number of factors, many of which are beyond the Company's control, including but not limited to variations in operating results in the Company's reporting period, changes in market conditions, changes in financial estimates by securities analysts, speculation about the Company in the press or investment community, changes in market valuation of similar companies, announcements by the Company of corporate events such as significant acquisitions or capital commitments, loss of any customers, additions or departures of key personnel, any shortfall in turnover or net profit or any increase in losses from levels expected by securities analysts, future issues or sales of common shares, strategic acquisitions by competitors and regulatory changes. Any or all of these events could result in a material decline in the price of the common shares.

The level of any dividends payable to holders of common shares may fluctuate

The ability of the Company to pay any dividends in respect of common shares will depend on the level of the earnings, reserves and any ongoing capital requirements of the Company as well as its cash position and the judgement of the directors. Accordingly, the amount of any dividends paid to holders of the common shares may fluctuate. Any change in tax or accounting treatment of any dividends may also affect the level of dividends received by holders of the common shares.

Exchange rate fluctuations may impact the price of the common shares

The common shares are quoted in Canadian dollars. An investment in the common shares by an investor in a jurisdiction whose principal currency is not Canadian dollars exposes the investor to foreign currency rate risk. Any depreciation of the Canadian dollar in relation to such foreign currency will reduce the value of the investment in the common shares in foreign currency terms.

The Company may not be able to generate sufficient cash to service all of its indebtedness and may be forced to take other actions to satisfy its obligations under such indebtedness, which may not be successful

The Company's ability to make scheduled payments on or refinance its debt obligations depends on its financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond its control. The Company may be unable to maintain a level of cash flows from operating activities sufficient to permit it to pay the principal, premium, if any, and interest on its indebtedness.

If the Company's cash flows and capital resources are insufficient to fund its debt service obligations, it could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance its indebtedness. The Company may not be able to effect any such alternative measures on commercially reasonable terms or at all, and, even if successful, those alternatives may not allow it to meet its scheduled debt service obligations. The terms of debt of the Company restricts in certain circumstances the Company's ability to dispose of assets and use the proceeds from those dispositions and may also restrict its ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. The Company may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

In addition, as the Company is a holding company, and as such conducts all of its operations through its subsidiaries, repayment of its indebtedness is dependent on the generation of cash flows by the Company's subsidiaries and their ability to make such cash available to the Company, by dividend, debt repayment or otherwise. The Company's subsidiaries may not be able to, or may not be permitted to, make distributions to enable it to make payments in respect of its indebtedness. Each subsidiary is a distinct legal entity, and, under certain circumstances, legal and contractual restrictions may limit the Company's ability to obtain cash from its subsidiaries. In the event that the Company does not receive distributions from its subsidiaries, it may be unable to make required principal and interest payments on its indebtedness.

The Company's inability to generate sufficient cash flows to satisfy its debt obligations, or to refinance its indebtedness on commercially reasonable terms or at all, would materially and adversely affect its results of operations and financial condition and its ability to satisfy its obligations under its indebtedness. For example, while the Company was in full compliance with all financial covenants, conditions in 2015 impacted the EBITDA generation of the Company, putting at risk the Company's ability to meet the Net Debt to EBITDA ratio covenant under the debt Financing Agreements (the \$3.0 billion facility, the \$350 million Kansanshi facility and the \$102 million Caterpillar facility, together, the "Financing Agreements"). Accordingly, disclosure of this material uncertainty was made in the notes to the fourth quarter 2015 consolidated financial statements.

Following actions taken by management during the first quarter of 2016, this uncertainty was significantly reduced and there was no longer a material uncertainty at the end of the first quarter of 2016. Actions taken by management by the end of the first quarter included: the agreement to sell the Kevitsa mine to Boliden for \$712 million; a revised capital cost estimate of \$5.48 billion for Cobre Panama, 15% lower than the original estimate; reductions and rephrasing of other capital programs across the organization; cost-saving initiatives at all operations resulting in significantly lower cash costs; reduction of working capital balances; as well as a copper and nickel sales hedging program.

If the Company cannot make scheduled payments on its debt, it could be in default and creditors could declare all outstanding principal and interest to be due and payable, causing a cross-acceleration or cross-default under certain of its other debt agreements, if any, and its other creditors could foreclose against the collateral securing its obligations and it could be forced into bankruptcy or liquidation.

The terms of the Company's credit facilities and the Note Indentures restrict its current and future operations, particularly its ability to respond to changes or to take certain actions

The Company's credit facilities, and the indentures governing the 2019 Notes, 2020 Notes, 2021 Notes and 2022 Notes (the "Notes Indentures") contain a number of restrictive covenants that will impose significant operating and financial restrictions on it and may limit its ability to engage in acts that may be in its long-term best interest, including restrictions on its ability to:

- incur additional indebtedness;
- pay dividends or make other distributions or repurchase or redeem capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- sell assets;
- incur liens;
- enter into transactions with affiliates;
- alter its businesses;
- enter into agreements restricting its subsidiaries' ability to pay dividends; and
- consolidate, amalgamate, merge or sell all or substantially all of its assets.

Any future indebtedness may include similar or other restrictive terms. These restrictions could materially and adversely affect the Company's ability to finance its future operations and capital needs or its ability to pursue acquisitions or other business activities that may be in its interest.

A breach of the covenants under the Company's credit facilities, the Notes Indentures or its other debt instruments from time to time could result in an event of default under the applicable indebtedness agreement. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a

cross-acceleration or cross-default provision applies. In the event holders of the 2019 Notes, 2020 Notes, 2021 Notes, or 2022 Notes or the Company's lenders accelerate the repayment of its borrowings, the Company and its subsidiaries may not have sufficient assets to repay that indebtedness.

Cobre Panama is subject to the many risks associated with joint venture projects

Cobre Panama is a significant project and the Company will require a significant amount of additional financing in order to bring it into production. KPMC holds an indirect 20% equity interest in Cobre Panama. There are a variety of risks associated with KPMC's ownership interest in Cobre Panama, including:

- disagreement with KPMC about how to develop, operate or finance the project;
- that KPMC may at any time have economic or business interests or goals that are, or become, inconsistent with the Company's business interests or goals;
- that KPMC may not comply with the agreements governing the Company's relationship with them;
- disagreement with KPMC over the exercise of KPMC's rights under the agreements governing its relationship;
- the possibility that KPMC may become insolvent and unable or unwilling to fund its share of development costs; and
- possible litigation with KPMC over matters related to Cobre Panama.

These risks could result in legal liability or affect the Company's ability to develop or operate Cobre Panama, either of which could have a material adverse effect on its business, results of operations, financial condition and cash flows.

The Company could be adversely affected by violations of applicable anti-corruption laws

The Company and certain of its subsidiaries and affiliated entities conduct business in countries where there is government corruption. The Company is committed to doing business in accordance with all applicable laws and its codes of ethics, but there is a risk that it, its subsidiaries or affiliated entities or their respective officers, directors, employees or agents may act in violation of its codes and applicable laws, including the Canadian Corruption of Foreign Public Officials Act of 1999, the UK Bribery Act 2010, the U.S. Foreign Corrupt Practices Act (1977) and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Any such violations could result in substantial civil and criminal penalties and might materially adversely affect the Company's business and results of operations or financial condition.

The Company's credit facilities contain financial covenants which it could fail to meet

Certain of the Company's existing credit facilities require, and its future credit facilities may require, certain of its operating subsidiaries to satisfy specified financial tests and maintain specified financial ratios and covenants regarding a minimum level of consolidated tangible net worth, consolidated total debt to consolidated tangible net worth ratio, EBITDA to interest payout ratio, leverage and cash available for debt service to debt service ratio, all as defined in such credit facilities (see *Risk Factor: The Company may not be able to generate sufficient cash to service all of its indebtedness and may be forced to take other actions to satisfy its obligations under such indebtedness, which may not be successful*).

The ability of such operating subsidiaries to comply with these ratios and to meet these tests may be affected by events beyond their control and the Company cannot assure you that they will continue to meet these tests. The failure of such operating subsidiaries to comply with these obligations could lead to a default under these credit facilities unless the Company can obtain waivers or consents in respect of any breaches of these obligations under these credit facilities. The Company cannot assure you that these waivers or consents will be granted. A breach of any of these covenants or the inability to comply with the required financial ratios could result in a default under these credit facilities. In the event of any default under these credit facilities, the lenders under these facilities will

not be required to lend any additional amounts to those operating subsidiaries and could elect to declare all outstanding borrowings, together with accrued interest, fees and other amounts due thereunder, to be immediately due and payable. In the event of a default, the relevant lenders could also require the Company to apply all available cash to repay the borrowings. If the debt under its credit facilities were to be accelerated, the Company cannot assure you that the Company's assets would be sufficient to repay such debt in full.

While the Company expects to have sufficient liquidity through 2017, the current conditions have impacted the EBITDA generation of the Company, putting at risk the Company's ability to meet the Net Debt to EBITDA ratio covenant under the debt Financing Agreements (the \$1.875 billion New Facility, the \$350 million Kansanshi facility and the \$100 million Caterpillar facility, together, the "Financing Agreements").

If the Company breaches a covenant in its financing agreements, this would be an event of default which, if un-addressed, would entitle the lenders to make the related borrowings immediately due and payable and if made immediately due and payable all other borrowings would also be due and payable.

The Company's information technology systems may be subject to disruption, damage or failure

The Company's operations depend, in part, upon information technology systems. Information technology systems are subject to disruption, damage or failure from a number of sources, including, but not limited to, hacking, computer viruses, security breaches, natural disasters, power loss, vandalism, theft and defects in design. Any of these and other events could result in information technology systems failures, operational delays, production downtimes, destruction or corruption of data, security breaches or other manipulation or improper use of our data, systems and networks, any of which could have adverse effects on the Company's reputation, results of operations and financial performance.

Although to date we have not experienced any material losses relating to cyber-attacks or other information security breaches, there is no assurance that we will not incur such losses in future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of common shares of which, as at December 31, 2016, 689,373,818 common shares were issued and outstanding. This figure includes common shares purchased and held by an independent trust under the Company's long term incentive plan, further details of which can be found in the Company's financial statements and its Annual MD&A for the financial year ended December 31, 2016, each of which is available for review on SEDAR at www.sedar.com. Each shareholder is entitled to one vote for each common share registered in his or her name, as the case may be, on the list of shareholders. All of the common shares of the Company rank equally as to participation in dividends and in the distribution of the Company's assets on a liquidation, dissolution or winding up, or other distribution of assets for the purpose of winding up the Company's affairs.

DIVIDENDS

The Company implemented its dividend policy in 2005. Under this policy, the Company expects to pay two dividends per year, the first an "interim" dividend declared after the release of second quarter results; the second, a "final" dividend based on year end results. Interim dividends are set at one-third of the total dividends (interim and final) declared on a per common share basis applicable in respect of the previous financial year. Final dividends are determined based on the financial performance of the Company during the previous applicable financial year.

Notwithstanding the dividend policy, the Board reserves the discretion to declare dividends in light of market conditions and the Company's balance sheet. In 2016 and 2017 the Board approved only nominal final dividends to preserve cash.

On February 20, 2014, the Company announced that it would pay a final dividend of Cdn\$0.0930 per common share to the shareholders of record as of April 14, 2014. The dividend was paid to such shareholders on May 6, 2014. On July 30, 2014 the Company announced that it would pay an interim dividend of Cdn\$0.0504 per common share to shareholders of record on August 28, 2014. The dividend was paid to shareholders on September 19, 2014.

On February 20, 2015, the Company announced that it would pay a final dividend of Cdn\$0.0487 per common share to shareholders of record as of April 15, 2015. The dividend was paid to shareholders on May 6, 2015. The Company also introduced on May 6, 2015, a Dividend Reinvestment and Share Purchase Plan (the "Plan") for its Canadian resident shareholders ("Eligible Shareholders"). The Plan will allow Eligible Shareholders to reinvest the cash dividends paid on all or a portion of their common shares into additional common shares, which will be issued at 97% of the Average Market Price (as defined in the Plan) and the opportunity to make optional cash purchases of additional common shares on a semi-annual basis, on dividend payment dates. On July 29, 2015, the Company announced that it would pay an interim dividend of Cdn\$0.0330 per common share to shareholders of record as of August 28, 2015. The dividend was paid to shareholders on September 21, 2015.

On February 18, 2016, the Company announced that it would pay a final dividend of Cdn\$0.01 per common share to shareholders of record as of April 13, 2016. The dividend was paid to shareholders on May 4, 2016. On July 27, 2016, the Company announced that it would pay an interim dividend of Cdn\$0.005 per common share to shareholders of record as of August 26, 2016. The dividend was paid to shareholders on September 19, 2016.

On February 16, 2017, the Company announced that it would pay a final dividend of Cdn\$0.005 per common share to shareholders of record as of April 17, 2017. The dividend is scheduled to be paid to shareholders on May 8, 2017.

LONG-TERM DEBT

Notes

As of December 31, 2016, our long-term debt is comprised of:

Senior notes	\$m
First Quantum Minerals Ltd. 8.75% due 2020 and 7.50% due 2021	32
First Quantum Minerals Ltd. 6.75% due 2020	1,091
First Quantum Minerals Ltd. 7.00% due 2021	1,087
First Quantum Minerals Ltd. 7.25% due 2019	345
First Quantum Minerals Ltd. 7.25% due 2022	841
Long Term Bank Debt	
Kansanshi senior terms loans	289
First Quantum Minerals Ltd. senior debt facility	1,116
Equipment Financing	63
Related Party Debt	
Amount owed to related party	596

First Quantum Minerals Ltd. 8.75% due June 2020 & 7.50% due June 2021

In May 2012, Inmet, a company subsequently acquired by First Quantum, issued \$1,500 million in unsecured senior notes due in June 2020, bearing interest at an annual rate of 8.75%. In December 2012, Inmet issued \$500 million in unsecured senior notes due in June 2021, bearing interest at an annual rate of 7.50%. These are referred to as “Inmet notes”.

The carrying value of the notes represents the valuation of those notes after the acquisition of Inmet by the Company which remain outstanding following an exchange offer which expired on February 24, 2014, and in the case of the notes expiring in June 2021 only, a subsequent note purchase by the Company.

The Company 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% 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.

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

First Quantum Minerals Ltd. 6.75% due February 2020

In February 2014, the Company issued \$1,115 million in senior notes due in 2020, bearing interest at an annual rate of 6.75%. The notes are guaranteed on a subordinated basis by certain subsidiaries of the Company.

In February 2014, the Company issued an additional \$6 million aggregate principal amount of new 6.75% senior notes due 2020 to eligible holders of Inmet notes who validly tendered their existing notes in the exchange offer after the early tender time in the exchange offer but prior to the expiration time.

The Company may redeem some or all of the notes at any time on or after February 15, 2017, at redemption prices ranging from 103.375% in the first year to 100% in the final year, plus accrued interest. Although part of this redemption feature indicates the existence of an embedded derivative, the value of this derivative is not significant. Prior to February 15, 2017, the notes may be redeemed at 100% plus a make-whole premium, and accrued interest.

Prior to February 15, 2017, the Company may redeem up to 35% of the aggregate principal amount of the notes (including any additional notes issued after the issue date) at a redemption price equal to 106.75% plus accrued interest, with all or a portion of the net proceeds of one or more equity offerings.

The Company may redeem some or all of the notes at any time, at redemption prices ranging from 105.438% to 100% dependent upon timing, plus accrued interest. Although part of this redemption feature indicates the existence of an embedded derivative, the value of this derivative is not significant.

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

First Quantum Minerals Ltd. 7.00% due February 2021

In February 2014, the Company issued \$1,115 million in senior notes due in 2021, bearing interest at an annual rate of 7.00%. The notes are guaranteed on a subordinated basis by certain subsidiaries of the Company.

In February 2014, the Company issued an additional \$6 million aggregate principal amount of new 7.00% senior notes due 2021 to eligible holders of Inmet notes who validly tendered their existing notes in the exchange offer after the early tender time in the exchange offer but prior to the expiration time.

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

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

First Quantum Minerals Ltd. 7.25% due October 2019

In October 2012, the Company issued \$350 million in senior notes due in 2019, bearing interest at an annual rate of 7.25%.

The Company is subject to certain restrictions on asset sales, payments, and incurrence of indebtedness and issuance of preferred stock. Under a consent solicitation dated January 27, 2014, the terms of these notes were subsequently aligned with those of the Company's notes issued in February 2014.

First Quantum Minerals Ltd. 7.25% due May 2022

In May 2014, the Company issued \$850 million in senior notes due in 2022, bearing interest at an annual rate of 7.25%.

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

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

Kansanshi senior term loan

In March 2014, Kansanshi entered into a \$350 million term loan which was available from April 3, 2014, and fully drawn at that date. The first of the six equal semi-annual repayment instalments was made on September 27, 2016. Interest is calculated at a rate equal to LIBOR plus a margin.

First Quantum Minerals Ltd. senior debt facility

In May 2016, the Company announced that it had entered into a new Term Loan and Revolving Credit Facility (“the new Facility”) to replace the previous \$3 billion Term Loan and Revolving Credit Facility (“the old Facility”). As the new Facility had similar terms to the old Facility, the changes in facility were determined to be a non-substantial modification under IAS 39 – Financial Instruments: Recognition and Measurement. The new \$1,815 million Facility comprises \$907.5 million Term Loan Facility and \$907.5 million Revolving Credit Facility, both maturing in December 2019 with interest at LIBOR plus a margin. This margin can change relative to certain financial ratios of the Company.

In November 2016, in accordance with the accordion feature included within the new Facility, the Facility was increased by \$60 million, increasing the Term Loan Facility to \$938m and the Revolving Credit Facility to \$938m.

Of the amount outstanding at December 31, 2016, \$167 million relating to the Term Loan (December 31, 2015: \$200 million) is due within twelve months of the balance sheet date.

Trading facilities

The Company’s metal marketing division has four uncommitted borrowing facilities totalling \$310 million. The facilities are used to finance purchases and the term hedging of copper, gold and other metals, undertaken by the metal marketing division. Interest on the facilities is calculated at the bank’s benchmark rate plus a margin. The loans are collateralized by physical inventories.

Equipment financing

In April 2014, Kalumbila Minerals Ltd., a subsidiary of the Company which owns Sentinel, entered into an agreement with Caterpillar Financial Services Corporation (“Caterpillar”) to finance equipment purchases up to \$102 million. The agreement is secured by equipment that is purchased from Caterpillar, incurs interest at LIBOR plus a margin and amounts are repayable over a period to 2021. Of the amount outstanding at December 31, 2016, \$20 million (December 31, 2015: \$20 million) is due within twelve months of the balance sheet date.

Amount owed to related party

In September 2013, MPSA, the 80% subsidiary of the Company which owns the Cobre Panama project, entered into a loan agreement with Korea Panama Mining Corp. (“KPMC”) who owns the remaining 20% interest in MPSA and is therefore a related party. Interest is due semi-annually at an annual rate of 9%. As of December 31, 2016, the accrual for interest payable is \$86 million (December 31, 2015: \$43 million) and is included in the carrying value of the debt as this has been deferred under the loan agreement.

Amounts due to KPMC are specifically excluded from the calculation of Net Debt banking ratios.

Ratings

The following table sets forth the current ratings that the Company has received from rating agencies in respect of its outstanding securities. Credit ratings are not recommendations to purchase hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. Credit ratings may not reflect the potential impact of all risks on the value of securities. In addition, real or anticipated changes in the rating assigned to a security will generally affect the market value of that security. The Company cannot assure you that a rating will remain in effect for any given period of time or that a rating will not be revised or withdrawn entirely by a rating agency in the future. The ratings for the Inmet Notes which had previously been rated by Moody's and Standard and Poor's were withdrawn on February 14, 2014 and February 18, 2014, respectively.

Company family rating	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch</u>
	<u>B3</u>	<u>B-</u>	<u>B</u>
	<u>Negative Outlook</u>	<u>Stable Outlook</u>	<u>Stable Outlook</u>
2019 Notes (Rating)	Caa2	B-	B
2020 Notes (Rating)	Caa2	B-	B
2021 Notes (Rating)	Caa2	B-	B
2022 Notes (Rating)	Caa2	B-	B

A description of the rating categories of each of the rating agencies is set out below.

Moody's Investor Service ("Moody's")

Moody's long-term credit ratings are on a scale from Aaa to C, highest to lowest. Moody's Caa1 rating assigned to our senior debt instruments is considered speculative grade (i.e. subject to high levels of credit risk). The numerical suffix, which ranges from 1 to 3, indicates where the obligation ranks within its category; 1 being the highest. Moody's has assigned a negative outlook to the rating, an assessment of the potential direction of the rating over the medium term.

Standard & Poor's ("S&P")

S&P's long-term credit ratings are on a scale from AAA to D, highest to lowest. S&P's B rating assigned to our senior debt instruments is considered speculative grade (i.e. more vulnerable to adverse business, financial and economic conditions). S&P uses a "+" or "-" suffix to indicate the relative standing of securities within a rating band: no such suffix has been applied. S&P has assigned a stable outlook to the rating.

Fitch

Fitch's long-term credit ratings are on a scale from AAA to D, highest to lowest. Fitch's B rating assigned to our senior debt instruments is considered speculative grade (i.e. subject to an elevated vulnerability of default risk). Fitch uses a "+" or "-" suffix to indicate the relative standing of securities within a rating band: no such suffix has been applied. Fitch has assigned a stable outlook to the rating, which is its assessment of the potential direction of the rating over a one to two year period.

MARKET FOR SECURITIES

Trading Price and Volume

The common shares of the Company are listed and posted for trading on the TSX under the symbol “FM”. On April 9, 2001, the common shares were listed for trading on AIM under the symbol “FQM”. On May 19, 2007, the Company’s securities were accepted for trading on the London Stock Exchange. On May 31, 2016 the Company’s securities were delisted from the London Stock Exchange. In July 2011, the Company also listed Depository Receipts in Zambia on the Lusaka Stock Exchange under the symbol “FQMZ”. The TSX is the principal exchange on which the common shares of the Company are traded.

The table shown below presents the high and low sale prices for the common shares and the average daily trading volumes, on a monthly basis, on the TSX and in aggregate on Canadian marketplaces for 2016.

<u>Month</u>	<u>High Cdn\$</u>	<u>Low Cdn\$</u>	<u>TSX Average Daily Volume</u>	<u>Total Average Daily Volume⁽¹⁾</u>
January	5.26	2.49	8,441,674	8,441,674
February	4.9	2.66	9,471,149	9,471,149
March	8.47	6.12	11,069,413	11,069,413
April	10.69	5.54	8,415,531	8,415,531
May	10.1	7.98	7,312,889	7,312,889
June	10.06	8.17	7,150,768	7,150,768
July	11.35	9.13	6,559,789	6,559,789
August	12.17	10.09	4,197,148	4,197,148
September	11.05	10.11	3,905,470	3,905,470
October	12.74	10.1	3,654,456	3,654,456
November	16.67	11.92	4,862,703	4,862,703
December	15.84	13.35	2,944,750	2,944,750

⁽¹⁾ Aggregate volume on all Canadian marketplaces

Chart data per Bloomberg

DIRECTORS AND EXECUTIVE OFFICERS

The names and provinces or states and countries of residence of the directors and executive officers of the Company, positions held by them with the Company, and their principal occupations as at March 10, 2017 are set forth below. Each director is elected to hold office until the next annual meeting of shareholders of the Company or until his successor is elected or appointed.

<u>Name, Residence and Office with the Company</u>	<u>Principal Occupation⁽⁶⁾</u>	<u>Commencement of Directorship</u>
Philip K. R. Pascall <i>Western Australia, Australia Chairman, Chief Executive Officer, Director</i>	Chairman and Chief Executive Officer of the Company	June 19, 1996
G. Clive Newall <i>West Sussex, England President, Director</i>	President of the Company and Non-Executive director of Gemfields Resources Plc and Baker Steel Resource Trust Limited	May 1, 1996
Martin R. Rowley⁽⁵⁾ <i>Western Australia, Australia Executive Director, Business Development, Director</i>	Executive Director of Business Development for the Company; Non-Executive Chairman and Director of Forsys Metals Corp. and Galaxy Resources Limited	March 25, 1997
Peter St. George⁽¹⁾⁽²⁾⁽³⁾ <i>New South Wales, Australia Director</i>	Non-Executive director of Dexus Property Group	October 20, 2003
Andrew B. Adams⁽¹⁾⁽²⁾⁽⁵⁾ <i>Ontario, Canada Director</i>	Non-Executive Director of Torex Gold Resources Inc. and TMAC Resources Inc.	June 6, 2005
Paul Brunner⁽²⁾⁽³⁾⁽⁴⁾ <i>Lima, Peru Director</i>	Nil	April 15, 2009
Robert Harding⁽¹⁾⁽³⁾⁽⁵⁾ <i>Ontario, Canada Director</i>	Director and former Chairman of Brookfield Asset Management, Inc.; former Director & Chairman of Norbord, Inc.	May 7, 2013
Martin Schady⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾ <i>Ontario, Canada Director</i>	Partner at Magris Resources; former VP Corporate Development at Barrick Gold Corporation;	September 28, 2015
Hannes Meyer <i>Johannesburg, South Africa Chief Financial Officer</i>	Chief Financial Officer of the Company since March 2012; previous Financial Director for Harmony Gold Mining Company Limited from 2009 to 2012	N/A
Christopher Lemon <i>Berkshire, England General Counsel and Corporate Secretary</i>	General Counsel and Corporate Secretary of the Company since August 2007	N/A

(1) Denotes member of Audit Committee.

(2) Denotes member of Compensation Committee.

(3) Denotes member of Nominating and Governance Committee.

(4) Denotes member of Environmental, Health, Safety & CSR Committee

(5) Denotes member of Funding Committee.

(6) Includes occupations for preceding five years.

(7) Each director is elected to hold office until the next annual general meeting of the shareholders of the Company or until his successor is elected or appointed. "N/A" means "not applicable", as the individual is not a director.

Aggregate Ownership of Securities

As at December 31, 2016, and to the best of the knowledge of the Company, the current directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 9,867,462 common shares constituting 1.43% of the issued and outstanding common shares of the Company. None of the directors or executive officers of the Company held shares of the Company's subsidiaries except shares required for qualification as a director of a subsidiary or where otherwise required under local law.

Corporate Cease Trade Orders and Bankruptcies

Except as set out below, and to the best of the knowledge of the Company, no current director or executive officer of the Company is at the date of the AIF, or within the ten years prior to the date of the AIF has been, a director or chief executive officer or chief financial officer of any issuer that was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued while that person was acting in that capacity or was issued after that person ceased to act in that capacity and resulted from an event that occurred while such person was acting in that capacity.

Except as set out below, and to the best of the knowledge of the Company, no current director, executive officer or shareholder holding a sufficient number of securities to materially affect control of the Company is at the date of the AIF, or within the ten years prior to the date of the AIF has been, a director or executive officer of any issuer that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

Andrew Adams was a director of Tahera Diamond Corporation ("Tahera") until his resignation from the board of Tahera on March 20, 2008. Tahera sought protection under the *Companies' Creditors Arrangement Act* (the "CCAA") in January, 2008 and, in February 2008, suspended operations. Tahera was delisted from the TSX in November 2009. Tahera subsequently sold its tax assets to Ag Growth International and certain properties, including the Jericho diamond mine, to Shear Minerals Ltd.

Robert Harding was a director of Fraser Papers Inc ("Fraser") until April 2009. Fraser voluntarily applied and obtained an order for creditor protection under the *Companies' Creditors Arrangement Act* (Canada) in June 2009, and on February 10, 2011, the Ontario Court sanctioned an amended plan of compromise and arrangement under that statute that provided for, among other things, the sale of most of Fraser's remaining property and the making of distributions to Fraser's creditors.

Penalties or Sanctions

To the best of the knowledge of the Company, no current director, executive officer or shareholder holding a sufficient number of securities to materially affect control of the Company had been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

As at the date hereof, and to the best of the knowledge of the Company, no current director, executive officer or shareholder holding a sufficient number of securities to materially affect control of the Company had, within the past ten years of the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or its assets.

Conflicts of Interest

Certain directors and officers of the Company are directors, officers and/or shareholders of other private and publicly listed companies, including companies that compete with the Company. To the extent that such other companies may participate in or be affected by ventures involving the Company, these directors and officers of the Company may have conflicting interests. While there is potential for such conflicts to arise, the Board has not received notice from any director or officer of the Company indicating that any material conflict currently exists. Conflicts of interest affecting the directors and officers of the Company will be governed by the *Business Corporations Act* (British Columbia) and other applicable laws. In the event that such a conflict of interest arises at a meeting of the Board, a director who has such a conflict must disclose the nature and extent of his interest and abstain from voting for or against matters concerning the venture. The Company maintains a *Register of Related Party Transactions* and *Register of Related Party Employees*, which is reviewed and updated on a quarterly basis. To the best of the knowledge of the Company, no director or executive officer had an existing or potential material conflict of interest with the Company or its material subsidiaries.

LEGAL PROCEEDINGS

Except as provided below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the prior fiscal year, a significant effect on the Company and/or the financial position or profitability of the Company.

Through the Company's Zambian subsidiary Kansanshi Mining PLC, it is party to a development agreement covering its Kansanshi operations (the "Kansanshi Development Agreement") with the Government of the Republic of Zambia ("GRZ"). This agreement 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 GRZ's failure to comply with the tax stability guarantees set out in the Kansanshi Development Agreement, which also provides rights of international arbitration in the event of any dispute. The GRZ announced in January 2008 a number of proposed changes to the tax regime in the country in relation to mining companies. The GRZ also passed legislation unilaterally cancelling the Kansanshi Development Agreement. The Company complied with the GRZ's demand and completed the payment of all back taxes, totaling \$224 million, on 27 June 2011, in addition to \$80 million paid in 2010, without prejudice to the Company's rights under the Kansanshi Development Agreement. Following the change of the GRZ government in 2011, the first budget of the new GRZ government introduced a further increase in the mineral royalty tax from 3% to 6%, effective April 2012, in breach of the Kansanshi Development Agreement. In 2013 the GRZ also decreased the rate of Capital Allowances from 100% per annum to 25% per annum. Effective January 1, 2015, Zambia amended the corporate tax and mining royalty regime by increasing revenue based royalties from 6% to 20% and reducing corporate taxes to 0% for open pit mining operations. On August 14, 2015, the Zambian government then passed into law further changes to the taxation and royalty regime that became effective from July 1, 2015. The changes resulted in a decrease in mineral royalties to 9% for open pit mines from the 20% royalty rate that was enacted effective January 1, 2015. The changes also included the reinstatement of corporate tax to 30% with variable profits tax of up to 15%. In 2016 the Government of Zambia implemented more changes to the tax and royalty regime, including: repealing the variable profits tax at up to 15% applicable to profits from mining; suspension of the 10% export duty on ores and concentrates applicable to nickel for which there are no processing facilities in Zambia; and reduction in the mining royalty rates for open pit mining from 9% to a sliding scale of 4% to 6% depending on the LME monthly average price and; retained corporate tax on profits from mining at 30%. The Company has continued to assert it has rights arising from the Kansanshi Development Agreement, which rights remain unresolved. As at the date of this document, and until resolved differently with the GRZ, the Company is recognizing and paying royalties in accordance with the law in excess of the Development Agreement on a without prejudice basis.

The Company, through Kansanshi, FQMO, and Sentinel also has a dispute with the Zambia Revenue Authority ("ZRA") in respect of Value Added Tax refunds. Since June 2013 VAT refunds have been withheld in Zambia as a result of the application of discretionary VAT rules established and applied by the Commissioner General relating to exports from Zambia. Kansanshi alone has historical VAT outstanding for the period July 2013 to February 2015 of \$176 million. The Company is in regular discussions with the relevant government authorities in efforts to resolve the industry and country-wide dispute that has arisen with respect to exporters.

On April 2, 2014 the Energy Regulation Board (“ERB”) of Zambia issued a press release unilaterally recommending ZESCO, Zambia’s state-run power company, charge a minimum average tariff of 6.84 cents kWh for its mining customers. In May 2014 ZESCO subsequently invoiced Kansanshi for power at 6.84 cents kWh in breach of the terms of Kansanshi’s Power Supply Agreement with ZESCO. On June 30, 2014 Kansanshi issued arbitration proceedings against ZESCO challenging the increased tariff. This arbitration was settled by consent on April 18, 2016, with Kansanshi agreeing to pay the 6.84 cents kWh, subject to a Judicial Review challenging the ERB’s power to unilaterally recommend a minimum power tariffs, which is currently underway in the Zambian Courts.

In December 2015, Kansanshi and Sentinel were advised by ZESCO that power tariffs were to be increased further to 10.35 cents kWh effective January 1, 2016. This further increase is being disputed through a Judicial Review in the Zambian courts. New tariffs for 2017 were also proposed by the Ministry of Energy in February 2017. Discussions with ZESCO and the Government of Zambia with respect to cost reflective and consistently applied tariffs cost are ongoing.

In October 2016, the Company, through its subsidiary Kansanshi Holdings Ltd., received a Notice of Arbitration from ZCCM International Holdings PLC (“ZCCM”) under the Kansanshi Mining PLC (“KMP”) Shareholders Agreement. ZCCM is a 20% shareholder in KMP and filed the Notice of Arbitration against KMP and Kansanshi Holdings Limited, the 80% shareholder in KMP. KMP also received a Statement of Claim filed in the High Court for Zambia naming additional defendants, including First Quantum, its subsidiary FQM Finance Ltd. (“FQM Finance”), and a number of directors and an executive of the named corporate defendants. This dispute arises out of the rate of interest paid on deposits made by KMP with the Company’s financing entity, FQM Finance. The funds on deposits were retained for planned investment by KMP in Zambia. FQM Finance paid interest on the deposits to KMP based on an assessment of an arms-length fair market rate, which is supported by independent third party analysis. ZCCM disputes that interest rate paid to KMP on the deposits was sufficient. ZCCM commenced a further action in the High Court for Zambia, making allegations repeated from the Notice of Claim against certain First Quantum subsidiaries and individual directors and an executive that are inflammatory, vexatious and untrue.

In 2012, Çayeli became the subject of an audit of its 2008 to 2011 taxation years. On 4 February 2013, Çayeli received an assessment from the Turkish tax authorities adjusting the amount of withholding taxes to be remitted on dividends paid by Çayeli to its direct shareholder. The shares of Çayeli are owned by an indirect wholly-owned Spanish subsidiary of the Company. The Turkish tax authorities have taken the position that the Company and not the Spanish subsidiary is the beneficial owner of the dividends. The Turkish tax authorities were therefore taking the position that the withholding tax on the dividends should be the 15% domestic rate and not the reduced rate of 5% under the Turkey-Spain tax treaty. The dividends paid during the period assessed were a total of Turkish Lira (“TL”) 628 million. The assessed tax liability was TL 63 million (US\$21.5 million) plus interest and penalties and the Company had recognized a provision of \$70 million following the acquisition of Inmet. A hearing was heard in Trabzon Tax Court in July 2014 and on September, 2014 the Court ruled in favour of Çayeli on all grounds. On October 16, 2014 the Turkish tax authority appealed the decision. In February 2016 the Appeal had been transferred from the 3rd division to 9th division of the Appeals Court due to the Court’s high case load. In an effort to collect revenues and, in recognition of the high case load of the courts, the Turkish Government introduced an amnesty program through the “Asset Peace” Act Law Nr. 6736 allowing taxpayers to settle legal disputes with reduction to taxes owing, deletion of penalties and reduction of interest. Given the reduction in overall risk presented by utilising the amnesty program, the Company took advantage of the Tax Amnesty and reduced its overall exposure through the settlement of 4 out of the 5 cases. The remaining case valued at US\$8.2 million is the one remaining ongoing test case.

Certain employees of CLC were the subject of a criminal investigation arising from a complaint made by a local non-governmental organization to the local public prosecutor. The complaint concerned the placement of certain wells in the open pit immediately prior to the suspension of the DRS permit that were intended to facilitate water management. The complaint alleged that the operation of the wells in question resulted in environmental damage, which was unequivocally denied. CLC and its employees cooperated fully with the investigating judge, however, the outcome of the investigation was the proposal by the investigator of a judicial summary procedure hearing to be held and led by the local public prosecutor, which proposal was then ratified by the Superior Court. As a result of

an agreed plea to the Court in September 2016 the defendants were given suspended sentences of 12 months, The Company also paid fines of Euro 6,750 and Euro 293,209 in water compensation.

Three proceedings have been brought in the Supreme Court of Panama against Law 9 claiming that it violates the Constitution of Panama. In one of the proceedings, the claimant alleges that Law 9 did not fulfil mandatory legal requirements at the time of its enactment in 1997 and would also cause harm to the environment and the health of citizens of Panama. In 2011, the Attorney General of Panama (Procuradora General de la Nación), issued a formal opinion that Law 9 was constitutional. The Panamanian Supreme Court is expected to issue a decision, although the timing of this is uncertain and may take years. In the second proceeding, the claimant alleges that Article 1 of Law 9 is unconstitutional because it violates the economic national interest and would cause harm to the environment. In 2013, the Attorney General of Panama (Procuraduría General de la Nación), issued a formal opinion that Article 1 of Law 9 was constitutional. The Panamanian Supreme Court is expected to issue a decision, although the timing of this is uncertain and may take years. MPSA has intervened in both proceedings and it is believed that the claims are without merit. A third and fourth unconstitutionality proceeding against Law 9 were filed in the Supreme Court of Panama in September 2015 and have been merged into one. Third party arguments in favour of the constitutionality of Law 9 have been admitted by the Supreme Court. These proceedings are pending a final ruling by the Supreme Court. In spite of the foregoing, on December 30, 2016 the Government of Panama signed and issued Resolution No. 128 by which it extended the Law 9 mining concession for MPSA, the Panamanian company that holds the Cobre Panama concession, for a second 20 year term commencing March 1, 2017 up to February 28, 2037. Also, at the date of this AIF, MPSA remains eligible for consideration of a third 20 year term of the Law 9 mining concession commencing March 1, 2037.

In March 2015 MPSA commenced arbitration against the former Inmet EPCM contractor Joint Venture Panama ("JVP"), led by SNC-Lavalin Group Inc. S.A. for breach of contract, and separately against three guarantors, at the ICC seeking US\$210 million. JVP also commenced a counterclaim against MPSA for US\$63 million plus interest in respect of invoices issued to MPSA. The three guarantor arbitrations have since been consolidated. MPSA filed its initial evidence and argument in support of its claim in the JVP arbitration on September 30, 2016. In the guarantor arbitration, the guarantors filed an application challenging the jurisdiction of the tribunal and claiming that MPSA's claims against the guarantors are premature. An oral hearing on these preliminary issues will take place in Spring 2017.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this AIF and as set out below, we are not aware of any material interest, direct or indirect, of (i) any of our directors or executive officers; (ii) any shareholder that is a direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the voting rights attached to the common shares; or (iii) any associate or affiliate of the foregoing in any transaction which has been entered into within our three most recent completed financial year or during the current financial year that has materially affected or will materially affect the Company.

Capital Group of Companies has declared ownership of 14.96% of the common shares of the Company.

MATERIAL CONTRACTS

The following are the material contracts of the Company entered into since January 1, 2016, and any other material contract entered into prior to 2016 that is still in effect as of the date of this AIF.

- First Supplemental Indenture dated February 12, 2014, between the Company and Citibank N.A., as trustee, and certain subsidiaries of the Company, as guarantors with respect to the 2019 Notes.
- Indenture dated February 12, 2014, between the Company and Citibank N.A., as trustee, and certain subsidiaries of the Company, as guarantors with respect to the 2020 Notes.

- Indenture dated February 12, 2014, between the Company and Citibank N.A., as trustee, and certain subsidiaries of the Company, as guarantors with respect to the 2021 Notes.
- Indenture dated May 13, 2014, between the Company and Citibank N.A., as trustee and certain subsidiaries of the Company, as guarantors with respect to the 2022 Notes.
- Purchase and Sale Agreement dated October 5, 2015 between Franco-Nevada (Barbados) Corporation as Purchaser and Minera Panama S.A. as Seller and Inmet Panama I, Inmet Panama II and Inmet Finance Company SARL, regarding a precious metals streaming agreement.
- Share Purchase Agreement dated March 10, 2016, between FQM Kevitsa Holdings AB, First Quantum Minerals Ltd, FQM Finance Ltd., FQM Projects Finance Ltd. collectively as Sellers, and Boliden Mineral AB as Buyer regarding the sale of the Kevitsa Mine in Finland. This sale closed June 1, 2016.
- Term Facility Agreement dated March 27, 2014, between Kansanshi Mining plc, as borrower, the Company, as guarantor, and Standard Chartered Bank.
- Term and Revolving Facilities Agreement dated May 27, 2016 between First Quantum Minerals Ltd. (the “Borrower” and Barclays Africa Group, BNP Paribas, Societe Generale London Branch, Standard Chartered Bank, and other Financial Investors.

All other contracts entered into by the Company during the course of 2016, were in the ordinary course of business for the Company, including for major construction projects at Kansanshi, Cobre Panama and Trident. Such contracts are not material when considered in the context of the Company’s business and the industry within which it operates. Certain contracts which have been entered into in the ordinary course of business and which relate to the operations of the Company are described earlier in this AIF.

INTERESTS OF EXPERTS

The following persons prepared or contributed to a report under NI 43-101, referenced earlier in this AIF, during the Company’s 2015 financial year: John Gregory, Group Consultant, Mining, of the Company (*Review of all Operations and Development Projects*);

- (i) David Gray, of the Company (see *Operations – Kansanshi; Operations – Las Cruces; Operations – Guelb Moghrein; Operations – Sentinel; Development Projects – Enterprise, Development Projects – Cobre Panama*);
- (ii) Michael Lawlor, of the Company (see *Operations – Kansanshi; Operations – Sentinel; Development Projects – Enterprise; Development Projects – Cobre Panama*);
- (iii) Robert Stone (see *Operations – Kansanshi; Operations – Las Cruces; Development Projects – Cobre Panama*);
- (iv) Anthony R. Cameron, of Cameron Mining Consulting Ltd. (see *Operations – Las Cruces; Operations – Guelb Moghrein; Operations – Ravensthorpe*);
- (v) Felicity Hughes, of FJ Hughes & Associates (see *Operations – Ravensthorpe*);
- (vi) Andrew Briggs, of the Company (see *Operations – Sentinel; Development Projects – Enterprise*);
- (vii) Timo Maki, of the Company (see *Operations – Pyhäsalmi*);
- (viii) Katja Sahala, of the Company (see *Operations – Pyhäsalmi*); and
- (ix) Joseph Boaro, of the Company (see *Operations – Çayeli; Operations – Pyhäsalmi*).

To the best of the knowledge of the Company, none of the individuals noted above owns in excess of 1% of the common shares or any interest in any other property of the Company.

The Company’s auditors are PricewaterhouseCoopers LLP (“PwC”), Chartered Accountants, who have prepared an independent auditor’s report dated February 16, 2017 in respect of the Company’s consolidated financial statements as at December 31, 2016 and for the year then ended. The Company’s consolidated financial statements for the year

ended December 31, 2015 were also audited by PwC, whose report dated February 18, 2016 expressed an unmodified opinion on those statements. PwC has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of CPA Canada and the Institute of Chartered Accountants of England and Wales.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent is Computershare Investor Services Inc., which is located at 3rd Floor, 510 Burrard Street, Vancouver, British Columbia, Canada, V6C 3C9. Our register of transfer is located in Vancouver.

AUDIT COMMITTEE DISCLOSURE

Audit Committee – General

The Audit Committee operates under the guidelines of the Audit Committee Charter which is reproduced later in this AIF. The Audit Committee, among other things, reviews the annual financial statements of the Company for recommendation to the Board, reviews and approves the quarterly financial statements, oversees the annual audit process, the Company's internal accounting controls and the resolution of issues identified by the Company's auditors, and recommends to the Board the firm of independent auditors to be nominated for appointment by the shareholders at the next annual general meeting. In addition, the Audit Committee meets annually with the Company's auditors both with and without the presence of any other members of the Company's management.

Composition of the Audit Committee

The Audit Committee is comprised of the following four independent directors who are financially literate as defined by National Instrument 52-110 – Audit Committee: Messrs. Adams, St. George, Harding and Schady. The Chairman of the Audit Committee is Mr. Adams.

Relevant Education and Experience of the Audit Committee

Mr. Adams obtained his B.Sc (Accounting and Statistics) from Southampton University and then qualified as a chartered accountant in the United Kingdom in 1981. He has over 25 years of financial experience in the mining industry, and served as Chief Financial Officer of Aber Diamond Corporation from 1999 to 2003. Mr. Adams worked for the Anglo American group of companies for 12 years, including Vice President and Chief Financial Officer of AngloGold North America. from 1995 to 1999. He is also currently an independent non-executive Director of Torex Gold Resources Inc. and TMAC Resources Inc.

Mr. St. George qualified as a chartered accountant in South Africa in 1970 and has more than thirty years of experience in senior positions in the investment banking industry in the United Kingdom and Australia.. He was CEO/CO-CEO of Salomon Smith Barney Australia and its predecessor, Natwest Markets Australia for a combined period of more than six years. Mr. St. George is a former director of the Sydney Futures Exchange. Mr. St. George obtained a Masters of Business Administration from the University of Cape Town in 1972. He is also currently a director of Dexus Property Group, a listed Australian property group, and a member of its Audit and Risk committees.

Mr. Harding graduated with a Bachelor of Mathematics from the University of Waterloo in 1980 and received his Chartered Accountant designation the following year. Mr. Harding began his career at a major accounting firm before joining Hees International (now Brookfield) where he served in progressively senior roles including Controller, Chief Financial Officer, Chief Operating Officer, and ultimately, Chief Executive Officer in 1992. He previously served on the Boards of Manulife Financial Corporation and NexJ Systems Inc.

Mr. Schady is a senior mining executive with considerable Finance and Business Development experience. He is currently a Partner in Magris Resources, a Canada-based private equity company. In the past 25 years of his career, which spanned the most challenging commodities market, Mr. Schady worked at some of the world's leading metals and mining companies including Noranda Inc., Falconbridge Limited, Xstrata, BHP Billiton and Barrick Gold Corporation. During this time, Martin was a key strategic player in several major acquisitions and divestitures. Mr. Schady is a Chartered Accountant with Bachelor of Commerce and Business Science degrees from the University of Cape Town.

Principal Accounting Firm Fees

From time to time, PwC also provides advisory and other non-audit services to the Company and certain of its subsidiaries, the details of which are summarized below. As a policy, the Company does not engage its auditors to provide services in connection with internal audit and financial information systems design and implementation. As a matter of policy, all non-audit related services are generally pre-approved by the Audit Committee.

The following table summarizes fees billed by PwC during the last two financial years:

	December 31, 2016	December 31, 2015
Audit Fees	1,904,247	1,793,000
Audit-Related Fees ⁽¹⁾	99,791	232,000
Tax Fees	-	-
All Other Fees ⁽²⁾	-	215,079
Total	2,004,038	2,240,079

(1) Fees are for services that are related to the performance of the audit, principally for quarterly reviews.

(2) 2015 fees include \$151,000 in relation to equity issuance.

The Audit Committee considered whether the provision of the above-captioned services was compatible with maintaining auditor independence and determined that such services were fully compatible with the maintenance of the auditor's independence.

Pre-Approval Policies

The Audit Committee has considered and adopted a pre-approval policy in respect of non-audit services performed by its auditors. The Audit Committee's charter provides that the Audit Committee must approve in advance the provision of non-audit services by the Company's auditors. This is done at the beginning of each financial year. Under the pre-approval policy of the Company, its auditors are required to prepare a quarterly statement regarding the assignments accepted by them including non-audit services. In addition, the auditors must notify the Chairman of the Audit Committee of any non-audit service the fees for which (i) exceed a pre-determined amount per assignment and (ii) which exceed pre-determined increments thereafter.

Audit Committee Charter

The actual text of the Audit Committee's charter is set out in Exhibit "A" to this AIF.

ADDITIONAL INFORMATION

Additional information about the Company may be found on SEDAR.

Further information, including particulars of directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans is contained in the Company's information circular for its most recent annual meeting of holders of the Company's common shares. Additional financial information is provided in the Company's most current consolidated financial statements and MD&A, copies of which have been filed with the securities commissions in each Canadian province in which the Company is a reporting issuer and which is available on SEDAR at www.sedar.com.

Contact information for the Company is as follows:

First Quantum Minerals Ltd., 14th Floor, 543 Granville Street, Vancouver, British Columbia, Canada, V6C 1X8, telephone: (604) 688-6577, fax: (604) 688-3818, e-mail: info@fqml.com, website: www.first-quantum.com.

**EXHIBIT “A”
TO
ANNUAL INFORMATION FORM
DATED MARCH 10, 2017**

TEXT OF AUDIT COMMITTEE CHARTER

AUDIT COMMITTEE CHARTER

1. OVERALL PURPOSE / OBJECTIVES

The audit committee (the “Audit Committee”) of the board of directors (the “Board”) will provide independent review and oversight of the Company’s financial reporting process, the system of internal control and management of financial risks, and the audit process, including the selection, oversight and compensation of the Company’s external auditors. The Audit Committee will also assist the Board in fulfilling its responsibilities in reviewing the Company’s process for monitoring compliance with laws and regulations and the Company’s Employee Code of Conduct. In performing its duties, the Audit Committee will maintain effective working relationships with the Board, management, internal audit and the Company’s external auditors and monitor the independence of the external auditors.

To perform his or her role effectively, each Audit Committee member will obtain an understanding of the responsibilities of Audit Committee membership as well as the Company’s business, operations and risks.

2. AUTHORITY

The Board authorizes the Audit Committee, within the scope of its responsibilities, to seek any information it requires from any employee and from external parties, to retain outside legal or professional counsel and other experts and to ensure the attendance of Company officers at meetings as appropriate. The Board has delegated the approval of the interim financial report to the Audit Committee.

3. ORGANIZATION

3.1 Membership

- a) The Audit Committee shall be comprised of at least three directors. Each Audit Committee member shall be an “unrelated director” in accordance with the Corporate Governance Guidelines of the Toronto Stock Exchange and shall be “independent” in accordance with the rules of the relevant Canadian Securities Administrators, as set out in Schedule “A” attached.
- b) All members shall, to the satisfaction of the Board, be financially literate.
- c) The chairman of the Audit Committee (the “Chairman”) will be appointed by the Board, and in his or her absence, nominated by the Audit Committee from time to time.
- d) A quorum for any meeting will be two members.
- e) The secretary of the Audit Committee will be appointed by the Chairman.

3.2 Attendance at Meetings

- a) The Audit Committee may invite such other persons to its meetings as it deems appropriate.
- b) The external auditors will be present at each quarterly Audit Committee meeting, unless otherwise requested by the Chairman, and are expected to provide comment on the financial statements and their work in relation to the financial statements and other disclosure documents in accordance with their

professional standards. The auditors will also have direct access to the Audit Committee without the need to use management as a conduit.

- c) Meetings shall be held not less than four times a year. Special meetings shall be convened as required. Either auditors or management may request that the Audit Committee convene a meeting if they consider that it is necessary.
- d) The proceedings of all meetings will be minuted.

3.3 Role of Chairman

- a) The Chairman of the Audit Committee shall preside over meetings of the Audit Committee, assist in coordination of the agenda and materials for Audit Committee meetings, co-ordinate the discharge of the Audit Committee's responsibilities under this Charter and provide reports of the Audit Committee to the Board.

4. ROLES AND RESPONSIBILITIES

The Audit Committee will:

- a) Review with the auditors and management the adequacy and effectiveness of the Company's controls over financial reporting;
- b) Make inquiries of management, internal audit and the auditors to gain an understanding of the current areas of greatest financial risk and whether management is managing these effectively;
- c) Review the confirmation of compliance with the Company's policies on controls over financial reporting;
- d) Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- e) Review any legal matters which could significantly impact the financial statements as reported on by the General Counsel and meet with external counsel whenever deemed appropriate;
- f) Meet with management and the external auditors to review the annual audited and quarterly interim financial statements, including management's discussion and analysis ("MD & A"), as well as earnings press releases, and determine whether they are complete and consistent with the information known to Audit Committee members. Determine whether the external auditors are satisfied the financial statements have been prepared in accordance with generally accepted accounting principles, and, if appropriate, recommend to the Board that the audited annual and quarterly interim financial statements, MD & A and earnings press releases, be included in the Company's securities filings;
- g) Pay particular attention to complex and/or unusual transactions such as those involving derivative instruments and consider the adequacy of disclosure thereof;
- h) Focus on judgmental areas, for example those involving valuation of assets and liabilities and other commitments and contingencies;
- i) Review audit issues related to the Company's material associated and affiliated companies that may have a significant impact on the Company's equity investment;
- j) Assess the fairness of the financial statements and disclosures, and obtain explanations from management on whether:
 - i. actual financial results for the period varied significantly from budgeted or projected results;

- ii. generally accepted accounting principles and International Financial Reporting Standards (“IFRS”) have been consistently applied;
 - iii. there are any actual or proposed changes in accounting or financial reporting practices; and
 - iv. there are any significant or unusual events or transactions which require disclosure and, if so, consider the adequacy of that disclosure;
- k) Oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;
 - l) Review the external auditors' proposed audit scope and approach and ensure no unjustifiable restriction or limitations have been placed on the scope;
 - m) Review the performance of the auditors;
 - n) Approve any permissible non-audit engagements of the external auditor in accordance with applicable laws and policies;
 - o) Consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Company. The Audit Committee will obtain from the external auditors, on an annual basis, a formal written statement delineating all relationships between the external auditors and the Company which could be seen to bear on the independence of the auditors;
 - p) Set clear hiring policies for employees or former employees of the external auditors;
 - q) Make recommendation to the Board regarding the selection, evaluation, and, if and when appropriate, replacement of the external auditors, subject to approval of shareholders if required by statute;
 - r) Approve the appropriate audit engagement fees for the external auditors;
 - s) Ensure that the external auditors report directly to the Audit Committee and are made accountable to the Board and the Audit Committee;
 - t) Meet separately with the external auditors to discuss any matters that the Audit Committee or external auditors believe should be discussed privately, including the results of the external auditors’ review of the adequacy and effectiveness of the company’s accounting and financial controls;
 - u) Endeavour to cause the receipt and discussion on a timely basis of any significant findings and recommendations made by the external auditors;
 - v) Obtain regular updates from management and the Company's legal counsel regarding compliance matters, as well as periodic certificates from the Chief Financial Officer as to required statutory payments and bank covenant compliance, and from senior management as to compliance with the Company’s Employee Code of Conduct when deemed necessary;
 - w) Ensure that the Board is aware of matters which may significantly impact the financial condition or affairs of the business;
 - x) Prepare and publish an annual Audit Committee report in the Company’s annual information form in accordance with the rules of the relevant Canadian Securities Administrators;
 - y) Perform other functions as requested by the Board;

- z) If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist the Audit Committee;
 - i. Review and update the Audit Committee Charter and receive approval of such changes from the Board;
 - ii. Work with the Board to determine an appropriate annual budget for the Audit Committee and its required activities, including but not limited to, the compensation of the external auditors and any outside counsel or other experts retained by the Audit Committee; and
 - iii. Create specific procedures for the receipt, retention and treatment of complaints regarding the Company's accounting, internal accounting controls and auditing matters. These procedures will include, among other things, provisions for the confidential treatment of complaints and anonymity for employees desiring to make submissions.

UPDATED: APRIL, 2015

