



FIRST QUANTUM
MINERALS LTD.

Consolidated Financial Statements

December 31, 2016

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

Management's Responsibility for Financial Reporting

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

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

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

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

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

Signed by
Hannes Meyer
Chief Financial Officer

February 16, 2017



February 16, 2017

Independent Auditor's Report

To the Shareholders of First Quantum Minerals Ltd.

We have audited the accompanying consolidated financial statements of First Quantum Minerals Ltd. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015 and the consolidated statements of earnings (loss), comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business and by the Solicitors Regulation Authority for regulated legal activities.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of First Quantum Minerals Ltd. and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Signed by

PricewaterhouseCoopers LLP
London

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

	Note	2016	2015
Sales revenues	18	2,673	2,511
Cost of sales	19, 20	(2,334)	(2,224)
Gross profit		339	287
Exploration	20	(16)	(30)
General and administrative	20	(70)	(83)
Impairments and related charges	21	(13)	(190)
Other income (expense)	22	40	(60)
Operating profit (loss)		280	(76)
Finance income		5	15
Finance costs	23	(18)	(23)
Earnings (loss) before income taxes		267	(84)
Income tax expense	14	(19)	(531)
Net earnings (loss) from continuing operations		248	(615)
Net earnings (loss) from discontinued operations	6	(267)	5
Net loss		(19)	(610)
Net earnings (loss) from continuing operations attributable to:			
Non-controlling interests		26	(114)
Shareholders of the Company	16	222	(501)
Net earnings (loss) attributable to:			
Non-controlling interests		26	(114)
Shareholders of the Company	16	(45)	(496)
Earnings (loss) per common share attributable to the shareholders of the Company			
Net earnings (loss) from continuing operations (\$ per share):			
Basic	16	0.32	(0.77)
Diluted	16	0.32	(0.77)
Net earnings (loss) (\$ per share)			
Basic	16	(0.07)	(0.77)
Diluted	16	(0.07)	(0.77)
Weighted average shares outstanding (000's)			
Basic	16	685,746	646,823
Diluted	16	689,353	646,823
Total shares issued and outstanding (000's)	15a	689,374	689,331

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

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

	2016	2015
Net loss for the year	(19)	(610)
Other comprehensive income		
<i>Items that have been/may be subsequently reclassified to net earnings:</i>		
Cash flow hedges reclassified to net earnings	(72)	-
Gains (losses) on cash flow hedges arising during the period (note 25)	(291)	72
Deferred tax on unrealized gain (loss) on cash flow hedge	19	(19)
Unrealized gain (loss) on available-for-sale investments	2	(1)
Reclassification to net earnings of net loss on available-for-sale investments	-	1
Other items	(2)	-
Total comprehensive loss for the year	(363)	(557)
Total comprehensive income (loss) for the year attributable to:		
Non-controlling interests	26	(114)
Shareholders of the Company	(389)	(443)
Total comprehensive loss for the year	(363)	(557)

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

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

	Note	2016	2015
Cash flows from operating activities			
Net earnings (loss) from continuing operations		248	(615)
Items not affecting cash			
Depreciation	19, 20	686	523
Income tax expense	14	19	531
Share-based compensation expense	17	20	23
Impairments and related charges		13	190
Net finance expense		13	8
Movement in provisions		(35)	-
Unrealized foreign exchange (gain) loss		(16)	73
Other		4	10
		952	743
Taxes paid		(127)	(99)
Franco-Nevada Corporation (“Franco-Nevada”) precious metal stream arrangement	12	124	338
Change in non-cash operating working capital			
Increase in trade and other receivables and derivatives		(65)	(8)
Decrease in inventories		52	24
(Decrease) increase in trade and other payables		(22)	107
Long-term incentive plan contributions ¹	17	-	(11)
Net cash from operating activities of continuing operations		914	1,094
Net cash from operating activities of discontinued operations		9	97
Cash flows used by investing activities			
Purchase and deposits on property, plant and equipment	7	(1,141)	(1,508)
Interest paid and capitalized to property, plant and equipment	7	(356)	(312)
Proceeds from sale of Kevitsa, net of cash disposed	6	728	-
Partial repayment and prepaid interest on ENRC Promissory note		64	238
Interest received		5	2
Other		1	(2)
Net cash used by investing activities of continuing operations		(699)	(1,582)
Net cash used by investing activities of discontinued operations		(13)	(57)
Cash flows from financing activities			
Net movement in trading facility		(26)	73
Movement in restricted cash		(23)	1
Proceeds from debt		93	954
Repayments of debt		(208)	(1,730)
Proceeds from Korea-Panama Mining Corporation (“KPMC”)	11	163	109
Dividends paid to the shareholders of the Company	15	(7)	(39)
Dividends paid to non-controlling interest		-	(2)
Proceeds on issuance of common shares		-	1,121
Other		13	(14)
Net cash from financing activities of continuing operations		5	473
Net cash used by financing activities of discontinued operations		-	(22)
Increase in cash and cash equivalents and bank overdrafts		216	3
Cash and cash equivalents and bank overdrafts – beginning of year		365	357
Exchange (losses) gains on cash and cash equivalents		(16)	5
Cash and cash equivalents and bank overdrafts – end of year		565	365
Cash and cash equivalents and bank overdrafts comprising:			
Cash and cash equivalents		1,463	1,178
Bank overdrafts		(898)	(813)
		565	365

¹ Treasury shares are purchased via a trust which is consolidated in the results of the Company. The purchases are made to fund future long-term incentive plan contributions. Refer to note 17.

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

First Quantum Minerals Ltd.

Consolidated Balance Sheets

(expressed in millions of U.S. dollars)

	Note	December 31, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents	3c	1,463	1,178
Trade and other receivables	4	402	303
Inventories	5	1,032	1,184
Promissory note receivable	21	-	64
Current portion of other assets	9	176	241
		3,073	2,970
Cash and cash equivalents - restricted cash	13	70	93
Non-current VAT receivable	4	176	158
Property, plant and equipment	7	15,811	15,923
Goodwill	8	237	237
Other assets	9	116	50
Total assets		19,483	19,431
Liabilities			
Current liabilities			
Bank overdraft	3c	898	813
Trade and other payables		531	568
Current taxes payable		90	108
Current debt	10	385	386
Current portion of provisions and other liabilities	11	320	32
		2,224	1,907
Debt	10	4,561	4,675
Provisions and other liabilities	11	1,212	1,065
Deferred revenue	12	462	338
Deferred income tax liabilities	14	739	813
Total liabilities		9,198	8,798
Equity			
Share capital	15	5,553	5,531
Retained earnings		3,933	3,985
Accumulated other comprehensive (loss) income		(292)	52
Total equity attributable to shareholders of the Company		9,194	9,568
Non-controlling interests		1,091	1,065
Total equity		10,285	10,633
Total liabilities and equity		19,483	19,431
Commitments & contingencies	26		

Approved by the Board of Directors and authorized for issue on February 16, 2017.

Signed by
Andrew Adams, Director

Signed by
Peter St. George, Director

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

First Quantum Minerals Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(expressed in millions of U.S. dollars)

	Note	2016	2015
Share capital			
Common shares			
Balance – beginning of year		5,642	4,519
Shares issued on issuance of equity	15a	-	1,121
Shares issued through Dividend Reinvestment Plan		-	2
Balance – end of year		5,642	5,642
Treasury shares			
Balance – beginning of year		(167)	(174)
Restricted and performance stock units vested		11	19
Shares purchased	15b	-	(12)
Balance – end of year		(156)	(167)
Contributed surplus			
Balance – beginning of year		56	47
Share-based compensation expense for the year (inclusive of capitalized amounts)	17a	22	28
Restricted and performance stock units vested	17a	(11)	(19)
Balance – end of year		67	56
Total share capital		5,553	5,531
Retained earnings			
Balance – beginning of year		3,985	4,522
Loss for the year attributable to shareholders of the Company		(45)	(496)
Dividends		(7)	(41)
Balance – end of year		3,933	3,985
Accumulated other comprehensive income (loss)			
Balance – beginning of year		52	(1)
Other comprehensive income (loss) for the year		(344)	53
Balance – end of year		(292)	52
Non-controlling interests			
Balance – beginning of year		1,065	1,175
Earnings (loss) attributable to non-controlling interests		26	(114)
Dividends		-	(2)
Acquisition of African Energy Holdings SRL (“African Energy”)		-	6
Balance – end of year		1,091	1,065

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

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

1 Nature of operations

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

The Company’s shares are publicly listed for trading on the Toronto Stock Exchange and has Depository Receipts listed on the Lusaka Stock Exchange. On May 31, 2016, following a request by the Company, confirmation was received of the cancellation of admission of the Company’s shares to the standard segment of the UK Listing Authority’s Official List and to trading in the Company’s shares on the London Stock Exchange’s main market for listed securities. The Company’s shares no longer trade on the London Stock Exchange.

The Company is registered and domiciled in Canada, and its registered office is the 14th Floor – 543 Granville Street, Vancouver, BC, Canada, V6C 1X8.

2 Basis of presentation

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

These consolidated financial statements have been prepared on a going concern basis. In making the assessment that the Company is a going concern, management have taken into account all available information about the future, which is at least, but is not limited to, twelve months from December 31, 2016.

At December 31, 2016, the Company had \$713 million of committed undrawn facilities and \$565 million of net unrestricted cash (inclusive of overdrafts), as well as future cash flows in order to meet all current obligations as they become due. The Company was in compliance with all existing facility covenants as at December 31, 2016.

3 Summary of significant accounting policies

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

a) Basis of measurement

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

b) Principles of consolidation

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

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

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

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

Non-controlling interests

At December 31, 2016, ZCCM Investments Holdings Plc (“ZCCM”, a Zambian government controlled entity) owned 20% of Kansanshi and Korea Panama Mining Corporation (“KPMC”) owned 20% of Cobre Panama. A non-controlling interest is held by African Energy Resources Ltd, a publicly listed entity, in the Company’s consolidated subsidiary, African Energy Holdings SRL.

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company’s equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest’s share of changes in equity since the date of the combination.

c) Change in accounting policy

In April 2016, an agenda decision was issued by the IFRS Interpretations Committee (“IFRIC”) on cash pooling arrangements accounted for in accordance with *IAS 32 “Financial Instruments: Presentation”*. IFRIC clarified that for cash pooling arrangements to be accounted for on a net basis, physical cash settlement of balances would be required at the balance sheet date.

As a result, the Company has changed its accounting policy with regards its notional cash pooling arrangement and restated cash and cash equivalents and cash indebtedness in the Consolidated Balance Sheets.

The impact to the Consolidated Balance Sheets was to increase cash and cash equivalents by \$491 million, \$813 million and \$898 million with an equal and offsetting increase in bank overdrafts for the years ended December 31, 2014, 2015 and 2016, respectively.

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

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

(i) Significant judgments

- **Determination of ore reserves and resources**

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

Changes in the judgments surrounding proven and probable reserves may impact the carrying value of property, plant and equipment (note 7), restoration provisions (note 13), recognition of deferred income tax amounts (note 14) and depreciation (note 7).

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

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

During the year ended December 31, 2016, the Company concluded that the Sentinel mine in north-west Zambia, was operating in a manner intended by management and commercial production was effective from November 1, 2016.

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

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

- **Precious metal stream arrangement - (accounting policy note 3l)**

On October 5, 2015, the Company finalized an agreement with Franco-Nevada Corporation (“Franco-Nevada”) for the delivery of precious metals from the Cobre Panama project. Franco-Nevada will provide \$1 billion deposit to the Cobre Panama project against future deliveries of gold and silver produced by the mine.

Management has determined that the under the terms of the agreement the Company meets the ‘own-use’ exemption criteria under *IAS 39: Financial Instruments*. The Company also retains significant business risk relating to the completion of the project and delivery of produced gold and silver and as such has accounted for the proceeds received as deferred revenue.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

Management has exercised judgement in determining the appropriate accounting treatment for the Franco-Nevada streaming agreement. Management has determined, with reference to the agreed contractual terms in conjunction with the Cobre Panama reserves and mine plan, that the Franco-Nevada contribution to capital expenditure constitutes a prepayment of revenues deliverable from future Cobre Panama production.

- Assessment of impairment indicators – (accounting policy note 3j)

Management applies significant judgement in assessing each cash-generating units and assets for the existence of indicators of impairment at the reporting date. Internal and external factors are considered in assessing whether indicators of impairment are present that would necessitate impairment testing. Significant assumptions regarding commodity prices, operating costs, capital expenditures and discount rates are used in determining whether there are any indicators of impairment. These assumptions are reviewed regularly by senior management and compared, where applicable, to relevant market consensus views.

(ii) Significant accounting estimates and assumptions

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

- Determination of ore reserves and life of mine plan

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

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

Management made significant estimates of the strip ratio for each production phase. Waste material stripping costs in excess of this ratio, and from which future economic benefit will be derived from future access to ore, will be capitalized to mineral property and depreciated on a units-of-production basis.

Changes in the proven and probable reserves estimates may impact the carrying value of property, plant and equipment (note 7), restoration provisions (note 13), recognition of deferred income tax amounts (note 14) and depreciation (note 7).

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

The Company reviews the carrying value of assets each reporting period to determine whether there is any indication of impairment using both internal and external sources of information. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net earnings. The Company has determined that each mining operation and smelter is a cash-generating unit. Goodwill is not amortized, but rather the cash-generating-unit ("CGU") to which the goodwill has been allocated is tested for impairment on an annual basis to ensure that the recoverable amount exceeds the carrying value.

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

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

The Company's most significant CGUs are longer-term assets and therefore their value is assessed on the basis of longer-term pricing assumptions. Shorter-term assets are more sensitive to short term commodity prices assumptions that are used in the review of impairment indicators.

The carrying value of property, plant and equipment and goodwill at the balance sheet date is disclosed in note 7 and note 8 respectively, and by mine location in note 24.

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

Accounting for restoration provisions requires management to make estimates of the future costs the Company will incur to complete the restoration and remediation work required to comply with existing laws, regulations and agreements in place at each mining operation and any environmental and social principles the Company is in compliance with. The calculation of the present value of these costs also includes assumptions regarding the timing of restoration and remediation work, applicable

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

risk-free interest rate for discounting those future cash outflows, inflation and foreign exchange rates and assumptions relating to probabilities of alternative estimates of future cash outflows. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of restoration work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for restoration.

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

- Taxes – (accounting policy note 3m)

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

Management assesses the likelihood and timing of taxable earnings in future periods in recognising deferred income tax assets on unutilized tax losses. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. Forecast cash flows are based on life of mine projections.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded at the balance sheet date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income tax assets. Deferred income tax assets are disclosed in note 14.

- Inventory

In valuing inventories at the lower of cost and net realizable value, the Company makes estimates in determining the net realizable price and in quantifying the contained metal in stockpiled ore and work in progress.

Accounting policies

e) Foreign currency translation

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

f) Inventories

Product inventories comprise ore in stockpiles; work-in-progress and finished goods. Product inventories are recorded at the lower of average cost and net realizable value. Cost includes materials, direct labour, other direct costs and production overheads and depreciation of plant, equipment and mineral properties directly involved in the mining and production processes. Costs are determined primarily on the basis of average costs for ore in stockpiles and on a first-in first-out basis for work-in-progress and finished goods.

Waste material stripping costs related to production at, or below, the strip ratio are inventoried as incurred, with the excess capitalized to mineral property and depreciated in future periods.

When inventories have been written down to net realizable value, a new assessment of net realizable value is made at each subsequent reporting date that the inventory is still held.

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

g) Property, plant and equipment

(i) Mineral properties and mine development costs

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

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

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

ii) Property, plant and equipment

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

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

Office equipment	33%
Furniture and fittings	15%
Infrastructure and buildings	2%-5%
Motor vehicles	20%-25%

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

(iii) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset until such time as the asset is substantially complete and ready for its intended use or sale. Where funds have been borrowed specifically to finance an asset, the amount capitalized is the actual borrowing costs incurred. Where the funds used to finance an asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

h) Business combinations and goodwill

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

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

i) Discontinued operation

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which: represents a separate major line of business or geographic area of operations; is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of earnings, statement of comprehensive income and statement of cash flows is re-presented as if the operation had been discontinued from the start of the comparative year.

The Company completed the sale of Kevitsa nickel-copper-platinum group elements mine ("Kevitsa") during the year ended December 31, 2016.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

j) Asset impairment

(i) Property, plant and equipment

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

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

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

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

(ii) Goodwill

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

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

k) Restoration provisions

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

l) Revenue recognition

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

The Company recognizes deferred revenue in the event it receives payments from customers before a sale meets criteria for revenue recognition.

Proceeds received from Franco-Nevada under the terms of the precious metal stream arrangement are accounted for as deferred revenue and included within long term liabilities. Revenue will be recognized once the precious metals have been delivered to the contractually agreed location.

m) Current and deferred income taxes

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

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

Deferred income tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred income tax assets and liabilities are not recognized in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that temporary differences will not reverse in the foreseeable future.

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

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

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

n) Share-based compensation

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the options. The amount recognized as an expense is adjusted to reflect the number of options for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of options that meet the related service and non-market performance conditions at the vesting date.

For share-based payment options with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

The fair value of stock options is determined using an option pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock, and the risk-free interest rate over the expected life of the option. Cash consideration received from employees when they exercise the options is credited to capital stock.

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

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

o) Earnings per share

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

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

p) Financial instruments

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

(i) Cash and cash equivalents, bank overdrafts and restricted cash

Cash and cash equivalents and bank overdrafts comprise cash at banks and on hand and other short-term investments with initial maturities of less than three months. Restricted cash comprises cash deposits used to guarantee letters of credit issued by the Company.

Cash and cash equivalents and restricted cash have been classified as loans and receivables.

(ii) Trade receivables

Trade receivables are classified as loans and receivables and accordingly are recorded initially at fair value, net of transaction costs incurred.

(iii) Investments

Investments are designated as available-for-sale and are normally measured at the reporting date at fair value. Fair value is determined in the manner described in note 25. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Unrealized gains and losses on the marketable securities are recognized in other comprehensive income, until the security is disposed of or is determined to be impaired at which time the cumulative gain or loss previously recognized is included in net earnings. Dividends on available-for-sale equity investments are recognized in the income statement when the right to receive payment is established.

(iv) Derivatives and hedging

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

At the inception of a designated hedging relationship, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the Statements of Earnings within 'Other income (expense)'. No ineffective hedges were recognized in the year ended December 31, 2016 (December 31, 2015: nil)

Amounts accumulated in equity are reclassified to the Statements of Earnings in the periods when the hedged item affects net earnings.

(v) Trade and other payables, debt and amounts due to related parties

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

Exchanges of instruments and modifications to debt are assessed using quantitative and qualitative factors to consider whether the exchange or modification constitutes an extinguishment of the original financial liability and establishment of a new financial liability. In the case of extinguishment, any fees or costs incurred are recognized in the Statement of Earnings. Where the terms in an exchange or modification are not assessed to be substantially different, any fees or costs incurred are adjusted against the carrying amount and amortized over the life of the new or modified financial liability.

(vi) Impairment of financial assets

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

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

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

q) Accounting standards issued but not yet effective

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

- *IFRS 15 – Revenue from contracts with customers* The new standard replaces *IAS 18 Revenue* and *IAS 11 Construction Contracts* and provides a five step framework for application to customer contracts: identification of customer contract, identification of the contract performance obligations, determination of the contract price, allocation of the contract price to the contract performance obligations, and revenue recognition as performance obligations are satisfied. A new requirement where revenue is variable stipulates that revenue may only be recognized to the extent that it is highly probable that significant reversal of revenue will not occur. The new standard will be effective for annual periods beginning on or after January 1, 2018. The Company has not elected for early adoption. Upon application of the standard, an adjustment will be made to the opening balance of retained earnings. The Company is evaluating the impact on the consolidated financial statements.
- *IFRS 9 – Financial instruments: Classification and Measurement.* IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. This standard replaces parts of *IAS 39 – Financial Instruments: Recognition and Measurement.* IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the *IAS 39* requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. The new standard will be effective for annual periods beginning on or after January 1, 2018. The Company is evaluating the impact on the consolidated financial statements.
- *IFRS 16 – Leases.* The new standard will replace *IAS 17 Leases* and eliminates the classification of leases as either operating or finance leases by the lessee. Classification of leases by the lessor under *IFRS 16* continues as either an operating or a finance lease, as was the treatment under *IAS 17 Leases*. The treatment of leases by the lessee will require capitalization of all leases resulting in accounting treatment similar to finance leases under *IAS 17 Leases*. Exemptions for leases of very low value or short-term leases will be applicable. The new standard will result in an increase in lease assets and liabilities for the lessee. Under the new standard the treatment of all lease expense is aligned in the statement of earnings with depreciation, and an interest expense component recognized for each lease, in line with finance lease accounting under *IAS 17 Leases*. IFRS 16 will be applied prospectively for annual periods beginning on or after January 1, 2019. The Company is evaluating the impact on the consolidated financial statements.

4 Trade and other receivables

	December 31, 2016	December 31, 2015
Trade receivables and other receivables	283	213
VAT receivable (current)	119	90
	402	303

VAT receivable is considered to be recoverable and no provision has been made. Included within current VAT receivable is \$99 million (December 31, 2015: \$66 million) relating to Zambian operations. At December 31, 2016, the Company had classified \$176 million (December 31, 2015: \$158 million) as non-current VAT receivable in relation to Zambian claims.

5 Inventories

	December 31, 2016	December 31, 2015
Ore in stockpiles	200	238
Work-in-progress	38	51
Finished product	313	383
Total product inventory	551	672
Consumable stores	481	512
	1,032	1,184

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

6 Kevitsa sale

On March 10, 2016, the Company entered into a share purchase agreement with Boliden AB to sell Kevitsa, for cash consideration of \$712 million before normal closing adjustments. On June 1, 2016, the sale was completed and preliminary consideration of \$663 million was received. The remaining consideration of \$69 million was received on October 3, 2016. The Company recognized a net loss on disposal of \$237 million, as follows:

Sales price	712
Adjustments for restricted cash and working capital	20
	732
Net assets sold:	
Cash and cash equivalents	4
Restricted cash	21
Trade and other receivables	14
Inventories	40
Property, plant and equipment	929
Trade and other payables	(18)
Other non-current liabilities	(21)
	(237)

The results from operations for Kevitsa have, together with restated comparatives, been presented as discontinued operations within the Consolidated Statements of Earnings and the Consolidated Statements of Cash Flows.

	December 31, 2016	December 31, 2015
Sales revenues	49	187
Cost of sales	(61)	(181)
Other expense	(4)	(14)
	(16)	(8)
Profit (loss) from discontinued operation before income taxes	(16)	(8)
Income tax recovery (expense)	(14)	13
	(30)	5
Net earnings (loss) from discontinued operations	(30)	5
Net loss on disposal	(237)	-
	(267)	5
Net earnings (loss) from discontinued operations	(267)	5

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

7 Property, plant and equipment

	Plant and equipment	Capital work-in-progress	Mineral properties and mine development costs		Total
			Operating mines	Development projects	
Net book value, as at January 1, 2016	4,845	7,047	1,526	2,505	15,923
Additions	-	1,186	-	-	1,186
Disposals	(12)	(1)	-	-	(13)
Transfers between categories	1,150	(2,277)	1,319	(313)	(121)
Disposal of Kevitsa	(555)	(19)	(355)	-	(929)
Restoration provision	-	-	(22)	8	(14)
Capitalized interest	-	425	-	-	425
Depreciation charge	(432)	-	(214)	-	(646)
As at December 31, 2016	4,996	6,361	2,254	2,200	15,811
Cost	7,836	6,361	3,247	2,200	19,644
Accumulated depreciation	(2,840)	-	(993)	-	(3,833)

	Plant and equipment	Capital work-in-progress	Mineral properties and mine development costs		Total
			Operating mines	Development projects	
Net book value, as at January 1, 2015	3,920	6,798	1,547	2,454	14,719
Additions	-	1,532	-	-	1,532
Disposals	(13)	-	-	-	(13)
Transfers between categories	1,433	(1,663)	192	38	-
Restoration provision	-	-	(55)	13	(42)
Capitalized interest	-	380	-	-	380
Depreciation charge	(438)	-	(158)	-	(596)
Impairment	(57)	-	-	-	(57)
As at December 31, 2015	4,845	7,047	1,526	2,505	15,923
Cost	7,225	7,047	2,307	2,505	19,084
Accumulated depreciation	(2,380)	-	(781)	-	(3,161)

During the year, \$425 million of interest (December 31, 2015: \$380 million) was capitalized relating to the development of qualifying assets. The amount capitalized in 2016 was determined by applying the weighted average cost of borrowings of 7.7% (2015: 6.3%) to the accumulated qualifying expenditures.

Included within capital work-in-progress and mineral properties – operating mines at December 31, 2016, is an amount of \$585 million related to capitalized deferred stripping costs (December 31, 2015: \$526 million).

In September 2016 ownership of the powerline asset constructed by the Company was transferred to ZESCO. An amount of \$121 million has been transferred to prepayments with respect prepaid electricity costs.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

8 Goodwill

Goodwill of \$237 million arose through the acquisition of Inmet Mining Corporation (“Inmet”) in 2013 after the application of IAS 12 – *Income taxes*, due to the requirement to recognize a deferred tax liability calculated as the tax effect of the difference between the fair value of the assets acquired and their respective tax bases. Goodwill is not deductible for tax purposes. The goodwill was assigned to the Cobre Panama cash-generating unit.

The carrying value of Cobre Panama at December 31, 2016, was \$6,679 million (December 31, 2015: \$5,527 million).

The annual impairment test has been performed at December 31, 2016. For the purposes of the goodwill impairment test, the recoverable amount of Cobre Panama has been determined using a fair value less costs of disposal calculation based on a discounted cash flow model which uses a post tax discount rate, taking account of assumptions that would be made by market participants. The future cash flows used in this model are inherently uncertain and could materially change over time as a result of changes to ore reserves and resources estimates, commodity prices, discount rates, future production costs and future capital expenditure to complete the construction of Cobre Panama. Reserves and resources are estimated based on the National Instrument 43-101 compliant report produced by qualified persons. The production profile used in the cash flow model is consistent with the reserves and resource volumes approved as part of the Company’s process for the estimation of proven and probable reserves. Such production volumes are dependent on a number of variables, including the recovery of metal from the ore, production costs, duration of mining rights, and the selling price of extracted minerals. Commodity prices are management’s estimates of the views of market participants, including a long-term copper price of \$2.95 per pound. The estimates are derived from the median of consensus forecasts. A nominal discount rate of 11.5% (December 31, 2015: 12.5%) has been applied to future cash flows, derived from Cobre Panama’s weighted average cost of capital (in nominal terms), incorporating the risks specific to the cash-generating unit. Future production costs and future capital expenditure are based on the latest available engineering reports.

The calculated recoverable amount of the cash-generating unit exceeds the carrying value of Cobre Panama at December 31, 2016, and therefore no impairment charge has been recognized.

9 Other assets

	December 31, 2016	December 31, 2015
Prepaid expenses	205	162
Investments	27	23
Deferred income tax assets (note 14)	38	25
Derivative instruments (note 25)	22	81
Total other assets	292	291
Less: current portion of other assets	(176)	(241)
	116	50

Included within prepaid expenses is \$88 million (December 31, 2015: nil) in relation to Sentinel which will be recovered through deductions on electricity invoices from the Zambian state power company under the terms of the agreement to transfer powerline ownership.

During the year ended December 31, 2016, the Company recorded an impairment of \$2 million relating to equity investments (December 31, 2015: \$11 million).

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

10 Debt

		December 31, 2016	December 31, 2015
Drawn debt			
Senior notes:			
First Quantum Minerals Ltd. 8.75% due June 2020 & 7.50% due June 2021	(a)	32	33
First Quantum Minerals Ltd. 6.75% due February 2020	(b)	1,091	1,079
First Quantum Minerals Ltd. 7.00% due February 2021	(c)	1,087	1,078
First Quantum Minerals Ltd. 7.25% due October 2019	(d)	345	344
First Quantum Minerals Ltd. 7.25% due May 2022	(e)	841	839
Kansanshi senior term loan	(f)	289	346
First Quantum Minerals Ltd. senior debt facility	(g)	1,116	1,152
Trading facilities	(h)	82	108
Equipment financing	(i)	63	82
Total debt		4,946	5,061
Less: Current maturities and short term debt		(385)	(386)
		4,561	4,675
Undrawn debt			
First Quantum Minerals Ltd. senior debt facility	(g)	713	1,800
Trading facilities	(h)	228	202

a) 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.

b) 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.

Notes to Consolidated Financial Statements

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

c) **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.

d) **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.

e) **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.

f) **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 installments was made on September 27, 2016. Interest is calculated at a rate equal to LIBOR plus a margin.

g) **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.

h) **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.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

i) 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.

11 Provisions and other liabilities

	December 31, 2016	December 31, 2015
Restoration provisions (note 13)	530	552
Amount owed to related party	596	390
Derivative instruments (note 25)	302	4
Other	104	151
Total other liabilities	1,532	1,097
Less: current portion	(320)	(32)
	1,212	1,065

Amount owed to related party

In September 2013, the Company and KPMC entered into a shareholder loan agreement with MPSA for development of the Cobra Panama project, for which KPMC is a 20% shareholder. Interest is calculated 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 amount owed to related party, as this has been deferred under the loan agreement.

Amounts due to KPMC are specifically excluded from the calculation of Net Debt banking covenant ratios.

12 Franco-Nevada precious metal stream arrangement

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 has 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.

Franco-Nevada will pay MPSA an amount for each ounce of gold and silver delivered equal to \$406 per ounce for gold and \$6.09 per ounce for silver, subject to an annual adjustment for inflation, for the first 1,341,000 ounces of gold and 21,510,000 ounces of silver (approximately the first 20 years of expected deliveries) and thereafter the greater of \$406 per ounce for gold and \$6.09 per ounce for silver, subject to an adjustment for inflation, and one half of the then prevailing market price. Although the market price feature represents an embedded derivative, the value of this derivative is not material. In all cases the amount paid is not to exceed the prevailing market price per ounce of gold and silver.

As at the year ended December 31, 2016, a total amount of \$462 million (December 31, 2015: \$338 million) had been received from Franco-Nevada with respect to capital expenditure in Cobre Panama, and recognized as deferred revenue.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

13 Restoration provisions

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

	2016	2015
As at January 1	552	584
Changes in estimate – operating sites	(14)	(42)
Changes in estimate – closed sites (note 22)	1	10
Kevitsa disposal	(21)	-
Other adjustments	1	(11)
Accretion expense (note 23)	11	11
As at December 31	530	552
Less: current portion	(8)	(6)
	522	546

The Company has issued letters of credit which are guaranteed by cash deposits, classified as restricted cash on the balance sheet at December 31, 2016, totalling \$70 million (December 31, 2015: \$93 million).

The restoration provisions have been recorded initially as a liability based on management's best estimate of cash flows, using a risk-free discount rate between 1.2% and 3.0% and an inflation factor between 1.5% and 6.5%. Reclamation activity is expected to occur over the life of each of the operating mines, a period of up to 40 years, with the majority payable in the years following the cessation of mining operations.

14 Income taxes

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

	2016	2015
Current income tax expense	102	127
Deferred income tax (credit) expense	(83)	404
	19	531

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

	2016		2015	
	Amount \$	%	Amount \$	%
Earnings (loss) before income taxes	267		(84)	
Income tax (credit) expense at Canadian statutory rates	69	26	(21)	(25)
Difference in foreign tax rates	(16)	(6)	33	40
Non-deductible expenses	12	5	27	32
Impact of rate reduction	-	-	(2)	(2)
Losses not recognized	25	9	18	21
Recognition of previously unrecognized losses	(4)	(2)	(19)	(23)
Impact of foreign exchange and other	11	4	(19)	(23)
Income tax (credit) expense before Zambian tax policy changes	97	36	17	20
Effect of Zambian tax policy changes	(78)	(29)	514	612
Income tax (credit) expense	19	7	531	632

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

The Government of the Republic of Zambia passed through parliament changes, effective from June 1, 2016, which reduced mineral royalties for open pit and underground mines from 9% to a variable rate of between 4% and 6% and abolished the variable profits tax. This amendment to taxation has required a revaluation of the Company's deferred tax balances in Zambia resulting in a tax credit of \$78 million for the year ended December 31, 2016.

During the year ended December 31, 2015, the Government of the Republic of Zambia passed through parliament changes, effective from July 1, 2015, which reduced mineral royalties to 9% for open pit and underground mines and reinstated corporate tax of 30% and variable profits tax up to 15%. The reintroduction of corporation tax required a revaluation to the Company's deferred tax balances in Zambia resulting in a tax charge of \$514 million for the year ended December 31, 2015.

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

	2016	2015
Deferred income tax assets (note 9)	38	25
Deferred income tax liabilities	(739)	(813)
	(701)	(788)

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

	2016	2015
Temporary differences relating to property, plant and equipment and finance leases	(931)	(1,054)
Unused operating losses	113	116
Temporary differences relating to non-current liabilities (including restoration provisions)	80	104
Temporary differences relating to inventory	12	(2)
Other	25	48
Net deferred income tax liabilities	(701)	(788)

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

The Company has unrecognized deductible temporary differences relating to operating loss carry-forwards that may be available for tax purposes in Canada totaling \$1,969 million (December 31, 2015: \$1,290 million) expiring between 2025 and 2036 and in the United States of America totaling \$38 million (December 31, 2015: \$38 million) expiring between 2018 and 2036.

The Company also has unrecognized deductible temporary differences relating to restoration provisions of \$55 million in Canada (December 31, 2015: \$52 million) and \$34 million in Finland (December 31, 2015: \$28 million).

The Company has non-Canadian resident subsidiaries that have undistributed earnings of \$3,775 million (December 31, 2015: \$3,679 million). These undistributed earnings are not expected to be repatriated in the foreseeable future and the Company has control over the timing of such, therefore taxes that may apply on repatriation have not been provided for.

15 Share capital

a) Common shares

Authorized

Unlimited common shares without par value

Issued

	Number of shares (000's)
Balance as at January 1, 2016	689,331
Shares issued through Dividend Reinvestment Plan	43
Balance as at December 31, 2016	689,374

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

b) Treasury shares

The Company established an independent trust to purchase, on the open market, the common shares pursuant to the long-term incentive plan (note 17). The Company consolidates the trust as it is subject to control by the Company. Consequently, shares purchased by the trust to satisfy obligations under the long-term incentive plan are recorded as treasury shares in shareholders' equity. Generally, dividends received on shares held in the trust will be paid to plan participants in cash as received.

	Number of shares (000's)
Balance as at January 1, 2015	7,370
Shares purchased	1,875
Shares vested	(1,811)
Balance as at December 31, 2015	7,434
Shares purchased	-
Shares vested	(1,084)
Balance as at December 31, 2016	6,350

c) Dividends

On February 18, 2016, the Company declared a final dividend payment of CDN\$0.01 per share, or \$5 million, in respect of the financial year ended December 31, 2015 (February 20, 2015: CDN\$0.0487 per share or \$23 million) paid to shareholders of record on May 4, 2016.

The Company established a Dividend Reinvestment Plan ("the Plan") effective March 25, 2015. The Plan permits eligible shareholders to acquire additional common shares through the reinvestment of cash dividends by the Company. For the year ended December 31, 2016, 43,000 shares were issued under the Plan.

On July 27, 2016, the Company declared an interim dividend payment of CDN\$0.005 per share, or \$2 million, in respect of the financial year ended December 31, 2016 (July 29, 2015: CDN\$0.0330 per share or \$16 million) paid to shareholders of record on September 19, 2016.

16 Earnings (loss) per share

	2016	2015
Continuing basis		
Basic and diluted earnings (loss) attributable to shareholders of the Company	222	(501)
Basic weighted average number of shares outstanding (000's of shares)	685,746	646,823
Effect of dilutive securities:		
Treasury shares	3,607	-
Diluted weighted average number of shares outstanding (000's of shares)	689,353	646,823
Earnings (loss) per common share from continuing operations – basic (expressed in \$ per share)	0.32	(0.77)
Earnings (loss) per common share from continuing operations – diluted (expressed in \$ per share)	0.32	(0.77)
Including discontinued operations		
Basic and diluted (loss) attributable to shareholders of the Company	(45)	(496)
Basic weighted average number of shares outstanding (000's of shares)	685,746	646,823
Effect of dilutive securities:		
Treasury shares	-	-
Diluted weighted average number of shares outstanding (000's of shares)	685,746	646,823
Loss per common share – basic (expressed in \$ per share)	(0.07)	(0.77)
Loss per common share – diluted (expressed in \$ per share)	(0.07)	(0.77)

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

17 Share-based compensation and related party transactions

a) Long-term incentive plan

The Company has a long-term incentive plan (the “Plan”), which provides for the issuance of performance stock units (“PSUs”), restricted stock units (“RSUs”) in such amounts as approved by the Company’s Compensation Committee. Included in general and administrative expense is share-based compensation expense of \$20 million (December 31, 2015: \$23 million) related to this Plan in addition to which \$2 million (December 31, 2015: \$5 million) has been capitalized to capital work-in-progress.

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

Under the Plan, each RSU entitles the participant to receive one common share of the Company subject to vesting criteria. RSU grants typically vest fully at the end of the three year period. The fair value of each RSU is recorded as compensation expense over the vesting period. The fair value of each RSU is estimated based on the market value of the Company’s shares at the grant date and an estimated forfeiture rate of 11.5% (December 31, 2015: 11.5%).

	2016	2015
	Number of units (000’s)	Number of units (000’s)
Performance stock units		
Outstanding - beginning of year	4,357	4,419
Granted	1,562	1,468
Vested	(18)	(898)
Forfeited	(1,915)	(632)
Outstanding - end of year	3,986	4,357
Restricted stock units		
Outstanding - beginning of year	2,565	2,696
Granted	1,440	1,221
Vested	(714)	(987)
Forfeited	(315)	(365)
Outstanding - end of year	2,976	2,565

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

	2016	2015
Risk-free interest rate	0.69%	1.08%
Vesting period	3 years	3 years
Expected volatility	79.4%	46.4%
Expected forfeiture per annum	4%	4%
Weighted average probability of vesting	33.3%	48.8%

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

b) Share option plan

Share options for Common Shares in the Company are granted to certain key management. Options are exercisable at a price equal to the closing quoted price of the Company's shares on the date of grant. The vesting period varies from one to three years. Options are forfeited if the employee leaves the Company before the options vest. If the options remain unexercised after a period of five years from the grant date the options expire.

Each share option converts into one Common Share on exercise. An amount equal to the share price at the date of grant is payable by the recipient on the exercise of each option. The options carry neither rights to dividends nor voting rights.

Options may be exercised at any time from the date of vesting to the date of their expiry.

	2016	2015
	Number of options (000's)	Number of options (000's)
Share options		
Outstanding - beginning of year	-	-
Granted	1,113	-
Vested	-	-
Forfeited	-	-
Outstanding - end of year	1,113	-

Share options grants have been measured using the binomial pricing model. The weighted average inputs of options granted in the year are as follows:

	2016	2015
Fair value of option	6.33	-
Exercise price	11.47	-
Expected volatility	67.4%	-
Expected life	5 years	-
Risk-free rate	0.64%	-
Expected dividend yields	0.1%	-

Volatility was calculated with reference to the Company's historical share price volatility up to the grant date to reflect a term approximate to the expected life of the option.

The Company recognized total expenses of \$1 million related to equity-settled share-based payments on share options issued under the above plan for the year ended December 31, 2016.

c) Key management compensation

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

	2016	2015
Salaries, fees and other benefits	4	4
Bonus payments	1	2
Share-based compensation	4	2
Total compensation paid to key management	9	8

d) Other related party transactions

Amounts paid to related parties were incurred in the normal course of business and on an arm's length basis. During the year, \$6 million (December 31, 2015: \$6 million) was paid to parties related to key management for chartering aircraft, accommodation and machinery services. As at December 31, 2016, \$2 million was included in trade and other payables concerning related party amounts payable (December 31, 2015: \$1 million).

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

18 Sales revenues by nature

	2016	2015
Copper ¹	2,139	1,968
Nickel	182	234
Gold	271	225
Zinc	38	43
Other	43	41
	2,673	2,511

¹ Copper excludes \$296 million of proceeds from pre-commercial production at Sentinel for the period to October 31, 2016, commercial production was declared at the Sentinel mine effective November 1, 2016 (December 31, 2015: \$36 million).

19 Cost of sales

	2016	2015
Costs of production	(1,517)	(1,597)
Depreciation	(646)	(559)
Movement in inventory	(131)	(104)
Movement in depreciation in inventory	(40)	36
	(2,334)	(2,224)

20 Expenses by nature

	2016	2015
Depreciation	(686)	(523)
Employment costs, benefits and contractors	(531)	(445)
Raw materials and consumables	(393)	(568)
Utilities	(159)	(85)
Repairs and maintenance	(147)	(118)
Royalties	(128)	(223)
Fuel	(101)	(144)
Change in inventories	(131)	(104)
Freight	(43)	(55)
Travel	(10)	(14)
Other	(91)	(58)
	(2,420)	(2,337)

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

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

21 Impairments

As at December 31, 2016, a detailed review of impairment indicators was performed by management across all operations, development projects and investments. This review did not result in the identification of impairment indicators as at December 31, 2016. Management continues to monitor commodity prices, discount rates, operating costs, capital expenditure, in addition to any other key factors that may result in an indicator of impairment.

It should be noted that, particularly given the current volatility in commodity markets, the Company's longer life assets and operations are more likely to be impacted by changes in long-term commodity prices.

A summary of impairment for the years ended December 31:

	2016	2015
Impairment of Guelb Moghrein magnetite plant	-	62
Impairment of ENRC Promissory note	-	117
Impairment of exploration assets and investments	7	-
Impairment of investments	-	11
Other impairments	6	-
	13	190

Impairment of exploration assets

An impairment of \$7 million has been recognized in relation to exploration activities in Peru and Chile separate from the Company's development projects.

Magnetite plant

The Guelb Moghrein magnetite plant was impaired in full in 2015 following management's decision to pause commissioning of operations in the context of weak iron ore prices. Included within the above amount is a \$57 million impairment charge on property, plant and equipment together with \$5 million in impairment related costs.

Promissory note

On March 20, 2014, a subsidiary of Eurasian Natural Resources Corporation PLC ("ENRC" and now Eurasian Resources Group "ERG") issued a \$430 million Promissory note. On July 7, 2015 the Company agreed to a revision of the terms of the promissory note from \$430 million to \$300 million. The final repayment under the revised terms of the Promissory Note was received in 2016.

An impairment of \$117 million (after amortization of prepaid interest) was recorded for the year ended December 31, 2015.

22 Other income (expense)

	2016	2015
Ravensthorpe insurance recoveries	-	58
Foreign exchange gains (losses) – Kansanshi VAT receivable	26	(102)
Other foreign exchange losses	(12)	(7)
Change in restoration provision for closed properties (note 13)	(1)	(10)
Other income	27	1
	40	(60)

Included in other income is the partial release of provisions made following the acquisition of Inmet Mining Corporation ("Inmet") in 2013 and related to which, settlements were made in November 2016.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

23 Finance costs

	2016	2015
Interest expense on financial liabilities measured at amortized cost	(432)	(392)
Accretion on restoration provision (note 13)	(11)	(11)
Total finance costs	(443)	(403)
Less: interest capitalized (note 7)	425	380
	(18)	(23)

24 Segmented information

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

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

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

Earnings by segment

For the year ended December 31, 2016, segmented information for the statement of earnings is presented as follows:

	Revenue ¹	Cost of sales (excluding depreciation)	Depreciation	Other	Operating profit (loss) ²	Income tax (expense) credit ³
Kansanshi ⁴	1,449	(924)	(305)	(3)	217	40
Sentinel ⁵	153	(107)	(29)	1	18	4
Las Cruces	358	(139)	(160)	10	69	(12)
Guelb Moghrein	213	(121)	(47)	(9)	36	(12)
Ravensthorpe	195	(223)	(49)	-	(77)	15
Çayeli	110	(59)	(35)	61	77	(26)
Pyhäsalmi	123	(53)	(61)	3	12	(13)
Corporate & other ⁶	72	(22)	-	(123)	(73)	(15)
Total	2,673	(1,648)	(686)	(60)	279	(19)

¹ Excludes intersegment revenues of \$40 million

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

³ Following the substantive enactment of the change to Zambian tax law to reintroduce corporation tax, a revaluation to the Company's deferred tax balances in Zambia was required resulting in a tax credit (note 14).

⁴ Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.

⁵ Segmented information for the two months ending December 31, 2016. Commercial production was declared at the Sentinel mine, effective November 1, 2016.

⁶ No segmented information for Sentinel for the period to October 31, 2016 or Cobre Panama for the period to December 31, 2016 is disclosed for the statement of earnings, as these projects were under development. The development costs for these properties are capitalized.

⁷ Earnings relating to the Kevitsa segment have been presented as discontinued operations (note 6) and excluded from the above information.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

For the year ended December 31, 2015, segmented information for the statement of earnings is presented as follows:

	Revenue ¹	Cost of sales (excluding depreciation)	Depreciation	Other	Operating profit (loss) ²	Income tax (expense) credit ³
Kansanshi ⁴	1,285	(996)	(177)	(128)	(16)	(509)
Las Cruces	394	(150)	(153)	15	106	(35)
Guelb Moghrein	285	(162)	(56)	(61)	6	(9)
Ravensthorpe	246	(249)	(48)	44	(7)	15
Çayeli	116	(71)	(33)	(9)	3	(16)
Pyhäsalmi	114	(52)	(54)	4	12	8
Corporate & other ⁵	71	(21)	(2)	(228)	(180)	15
Total	2,511	(1,701)	(523)	(363)	(76)	(531)

¹ Excludes intersegment revenues of \$70 million

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

³ Following the substantive enactment of the change to Zambian tax law to reintroduce corporation tax, a revaluation to the Company's deferred tax balances in Zambia was required resulting in a tax charge (note 14).

⁴ Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.

⁵ No segmented information for Sentinel or Cobre Panama is disclosed for the statement of earnings as these projects were under development at December 31, 2015. The development costs for these properties are capitalized. Commercial production was declared at the Sentinel mine effective November 1, 2016.

⁶ Earnings relating to the Kevitsa segment have been presented as discontinued operations (note 6) and excluded from the above information.

Balance sheet by segment

Segmented information on balance sheet items is presented as follows:

	December 31, 2016			December 31, 2015		
	Non-current assets ¹	Total assets	Total liabilities	Non-current assets ¹	Total assets	Total liabilities
Kansanshi ²	2,980	3,972	1,000	3,305	4,220	1,150
Sentinel	3,199	3,522	177	2,874	2,996	223
Las Cruces	817	1,203	322	965	1,300	368
Guelb Moghrein	199	318	58	216	351	58
Ravensthorpe	740	821	162	786	890	167
Kevitsa	-	-	-	756	845	44
Çayeli	153	636	67	183	654	140
Pyhäsalmi	155	339	96	211	407	77
Cobre Panama ³	6,485	6,767	1,237	5,326	5,604	860
Corporate & other ⁴	1,134	1,905	6,079	1,303	2,164	5,711
Total	15,862	19,483	9,198	15,925	19,431	8,798

¹ Non-current assets include property plant and equipment \$15,811 million of property plant and equipment (December 31, 2015: \$15,923 million) and exclude financial instruments, deferred tax assets, VAT receivable and goodwill.

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

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

⁴ Included within the corporate segment are assets relating to the Haqira project, \$672 million, and to the Taca Taca project, \$428 million.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

Capital expenditure by segment

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

	2016	2015
Kansanshi	121	324
Sentinel	182	450
Las Cruces	20	33
Guelb Moghrein	30	39
Ravensthorpe	9	20
Kevitsa	-	57
Çayeli	4	9
Pyhäsalmi	1	4
Cobre Panama	764	610
Corporate & other ¹	10	19
Total	1,141	1,565

Geographical information

	2016	2015
Revenue by destination¹		
China	679	524
Singapore	330	16
Spain	316	396
South Africa	285	81
Germany	221	4
India	172	117
Finland	141	96
South Korea	130	54
Zambia	98	787
France	53	18
Australia	52	37
Bulgaria	42	27
Sweden	40	47
Italy	38	-
Egypt	15	27
Brazil	6	41
Belgium	4	106
United Arab Emirates	4	47
Other	47	86
	2,673	2,511

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

² Earnings relating to the Kevitsa segment have been presented as discontinued operations (note 6) and excluded from the above information.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

	December 31, 2016	December 31, 2015
Non-current assets by location		
Zambia	5,918	6,179
Panama	6,485	5,326
Spain	781	965
Finland	155	967
Australia	744	791
Peru	667	663
Argentina	427	425
Mauritania	199	216
Turkey	153	183
Other	333	210
	15,862	15,925
Investments, deferred income tax assets, goodwill, restricted cash and other deposits and VAT receivable	548	536
	16,410	16,461

25 Financial instruments

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

The following provides a comparison of carrying and fair values of each classification of financial instrument at December 31, 2016:

	Loans and receivables	Available- for-sale	Fair value through profit or loss	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Trade and other receivables ¹	283	-	-	-	283	283
Derivative instruments in designated hedge relationships	-	-	3	-	3	3
Other derivative instruments ²	-	-	19	-	19	19
Investments						
<i>At cost</i> ³	-	21	-	-	21	n/a
<i>At fair value</i>	-	6	-	-	6	6
Financial liabilities						
Trade and other payables	-	-	-	531	531	531
Derivative instruments in designated hedge relationships	-	-	294	-	294	294
Other derivative instruments ²	-	-	8	-	8	8
Finance leases	-	-	-	23	23	23
Liability to related party	-	-	-	596	596	596
Debt	-	-	-	4,946	4,946	5,017

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

² Other derivative instruments related to provisionally priced sales contracts are classified as fair value through profit or loss and recorded at fair value, with changes in fair value recognized as a component of cost of sales.

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

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

The following provides a comparison of carrying and fair values of each classification of financial instrument at December 31, 2015:

	Loans and receivables	Available- for-sale	Fair value through profit or loss	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Trade and other receivables ¹	213	-	-	-	213	213
Derivative instruments in designated hedge relationships	-	-	72	-	72	72
Other derivative instruments ²	-	-	9	-	9	9
Investments						
<i>At cost</i> ³	-	13	-	-	13	n/a
<i>At fair value</i>	-	10	-	-	10	10
Promissory note receivable ⁴	64	-	-	-	64	64
Financial liabilities						
Trade and other payables	-	-	-	568	568	568
Other derivative instruments ²	-	-	4	-	4	4
Finance leases	-	-	-	26	26	26
Liability to related party	-	-	-	390	390	390
Debt	-	-	-	5,061	5,061	3,904

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

² Other derivative instruments related to provisionally priced sales contracts are classified as fair value through profit or loss and recorded at fair value, with changes in fair value recognized as a component of cost of sales.

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

⁴ The Promissory note from a subsidiary of ENRC is classified as a loan or receivable and carried at amortized cost (see Note 21).

Fair Values

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

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

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at December 31, 2016, in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative instruments – LME contracts ¹	10	-	-	10
Derivative instruments – OTC contracts ²	-	12	-	12
Investments ³	6	-	-	6
Financial liabilities				
Derivative instruments – LME contracts ¹	6	-	-	6
Derivative instruments – OTC contracts ²	-	296	-	296

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

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

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

The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at December 31, 2015, in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative instruments – LME contracts ¹	9	-	-	9
Derivative instruments – OTC contracts ²	-	72	-	72
Investments ³	10	-	-	10
Financial liabilities				
Derivative instruments – LME contracts ¹	2	-	-	2
Derivative instruments – OTC contracts ²	-	2	-	2

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

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

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

Financial risk management

Credit risk

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

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

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

Exceptions to the policy for dealing with relationship banks with ratings below “A-” are reported to, and approved by, the Audit Committee. As at December 31, 2016, substantially all cash and short-term deposits are with counterparties with ratings “A-” or higher.

The Company’s credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. More than 65% of the Company’s trade receivables are generated from five customers together representing greater than 36% of the total sales for the year. A total balance of \$35 million was past due from one of these customers at the balance sheet date and is classified as current receivable. The Company continues to trade with this customer. Revenues earned from this customer are included within the Kansanshi segment. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and property, plant and equipment expenditures and prepaid taxes.

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

	December 31, 2016	December 31, 2015
Commodity traders and smelters (Trade receivables and other receivables)	283	213
Government authorities (VAT receivable)	294	248
Promissory note due from ENRC (note 21)	-	64
	577	525

The VAT receivable due from government authorities includes \$176 million at December 31, 2016, which is past due (December 31, 2015: \$180 million). No provision has been made against this amount as it is deemed recoverable in full. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company’s maximum exposure to credit risk.

Liquidity risk

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

In addition, the Company was obligated under its corporate revolving credit and term loan facility to maintain liquidity and satisfy various covenant ratio tests on an historical and prospective cash flow basis. These ratios were in compliance during the year ended December 31, 2016, and December 31, 2015. 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 had the following balances and facilities available to them at the balance sheet dates:

	December 31, 2016	December 31, 2015
Cash and cash equivalents and bank overdrafts – unrestricted cash	565	365
Working capital balance ¹	964	1,018
Undrawn debt facilities (note 10)	941	2,002

¹ Working capital is defined as the net total of accounts receivable, inventory, prepayments, accounts payable, accruals, and current taxes payable or receivable. The amount due from ENRC at 31 December 2016 is nil (December 31, 2015: \$64 million).

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

Contractual and other obligations as at December 31, 2016 are as follows:

	Carrying Value	Contractual Cashflows	< 1 year	1 – 3 years	3 – 5 years	Thereafter
Debt – principal	4,864	4,990	325	1,530	2,285	850
Debt – finance charges	-	1,234	354	634	223	23
Trading facilities	82	82	82	-	-	-
Trade and other payables	531	531	531	-	-	-
Liability to related party	596	790	-	175	83	532
Current taxes payable	90	90	90	-	-	-
Deferred payments	39	39	4	4	4	27
Finance leases	23	31	5	8	6	12
Commitments	-	564	460	90	9	5
Restoration provisions	530	953	8	17	77	851
Total	6,755	9,304	1,859	2,458	2,687	2,300

Contractual and other obligations as at December 31, 2015 are as follows:

	Carrying Value	Contractual Cashflows	< 1 year	1 – 3 years	3 – 5 years	Thereafter
Debt – principal	4,953	5,106	278	1,073	1,783	1,972
Debt – finance charges	-	1,486	327	602	433	124
Trading facilities	108	108	108	-	-	-
Trade and other payables	568	568	568	-	-	-
Liability to related party	390	632	-	137	62	433
Current taxes payable	108	108	108	-	-	-
Deferred payments	33	33	3	3	3	24
Finance leases	26	37	5	9	7	16
Commitments	-	714	318	383	5	8
Restoration provisions	552	929	7	13	26	883
Total	6,738	9,721	1,722	2,220	2,319	3,460

Market risks

a) Commodity price risk

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

As part of the hedging program, the Company has elected to apply hedge accounting for a portion of copper and nickel sales. For the year ended December 31, 2016, a fair value loss of \$363 million has been recognized on derivatives designated as hedged instruments through accumulated other comprehensive income and a fair value gain of \$56 million has been recognized through sales revenues. As at December 31, 2016, 510,075 tonnes of copper forward sales contracts at a price of \$2.25 per lb and 2,562 tonnes of nickel forward sales contracts at a price of \$5.07 per lb remain outstanding with periods of maturity to December 2017 and January 2017 respectively. A deferred tax charge has been recognized in other comprehensive income with a corresponding tax credit recognized in the statement of earnings.

The Company is also exposed to commodity price risk on diesel fuel required for mining operations and sulphur required for acid production. The Company's risk management policy allows for the management of these exposures through the use of derivative financial instruments. As at December 31, 2016 and 2015, the Company had not entered into any diesel or sulphur derivatives.

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

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

Derivatives designated as hedged instruments

The Company has elected to apply hedge accounting with the following contracts expected to be highly effective in offsetting changes in the cash flows of future sales:

	Open Positions (tonnes/ounces)	Average Contract price	Closing Market price	Maturities Through
Commodity contracts:				
Copper	510,075	\$2.25/lb	\$2.50/lb	December 2017
Nickel	2,562	\$5.07/lb	\$4.54/lb	January 2017

Other derivatives

As at December 31, 2016 and 2015, the Company had entered into the following derivative contracts for copper, gold, nickel, zinc, platinum and palladium in order to reduce the effects of fluctuations in metal prices between the time of the shipment of metal from the mine site and the date agreed for pricing the final settlement.

Excluding the copper contracts noted above, as at December 31, 2016, the following derivative positions were outstanding:

	Open Positions (tonnes/ounces)	Average Contract price	Closing Market price	Maturities Through
Embedded derivatives in provisionally priced sales contracts:				
Copper	79,388	\$2.45/lb	\$2.50/lb	May 2017
Nickel	1,222	\$4.52/lb	\$4.54/lb	April 2017
Gold	22,500	\$1,195/oz	\$1,159/oz	May 2017
Zinc	3,150	\$1.20/lb	\$1.16/lb	February 2017
Commodity contracts:				
Copper	80,113	\$2.45/lb	\$2.50/lb	May 2017
Nickel	1,222	\$4.52/lb	\$4.54/lb	April 2017
Gold	22,557	\$1,195/oz	\$1,159/oz	May 2017
Zinc	3,150	\$1.20/lb	\$1.16/lb	February 2017

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

As at December 31, 2015, the following derivative positions were outstanding:

	Open Positions (tonnes/ounces)	Average Contract price	Closing Market price	Maturities Through
Embedded derivatives in provisionally priced sales contracts:				
Copper	72,078	\$2.13/lb	\$2.13/lb	June 2016
Nickel	3,061	\$3.94/lb	\$3.93/lb	January 2016
Gold	25,307	\$1,069/oz	\$1,062/oz	June 2016
Zinc	3,300	\$0.70/lb	\$0.73/lb	March 2016
Platinum	6,240	\$849/oz	\$872/oz	January 2016
Palladium	4,869	\$549/oz	\$547/oz	January 2016
Commodity contracts:				
Copper	74,103	\$2.13/lb	\$2.13/lb	June 2016
Nickel	3,061	\$3.94/lb	\$3.93/lb	January 2016
Gold	25,352	\$1,069/oz	\$1,062/oz	June 2016
Zinc	3,300	\$0.70/lb	\$0.73/lb	March 2016
Platinum	6,240	\$849/oz	\$872/oz	January 2016
Palladium	4,869	\$549/oz	\$547/oz	January 2016

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

	December 31, 2016	December 31, 2015
Commodity contracts:		
Asset position (note 9)	22	81
Liability position (note 11)	(302)	(4)

The following table shows the impact on net earnings from changes in the fair values of financial instruments of a 10% change in the copper, nickel, gold and zinc commodity prices, based on prices at December 31, 2016. There is no impact of these changes on other comprehensive income except indirectly through the impact on the fair value of the available-for-sale investments. The impact of a 10% movement in commodity prices is as follows:

	Average contract price on December 31		Impact of price change on net earnings	
	2016	2015	2016	2015
Copper	\$2.45/lb	\$2.13/lb	4	10
Nickel	\$4.52/lb	\$3.94/lb	-	-
Gold	\$1,195/oz	\$1,069/oz	-	-
Zinc	\$1.20/lb	\$0.70/lb	-	-
Platinum	-	\$849/oz	-	-
Palladium	-	\$549/oz	-	-

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

b) Interest rate risk

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

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

The Company manages its interest rate risk on borrowings on a net basis. The Company has a policy allowing floating-to-fixed interest rate swaps targeting 50% of exposure over a five-year period. As at December 31, 2016 and 2015, the Company held no floating-to-fixed interest rate swaps.

At December 31, 2016, the impact on cash interest payable of a 100 basis point change in interest rate would be as follows:

	December 31, 2016	Impact of interest rate change on net earnings	
		100 basis point increase	100 basis point decrease
Interest-bearing deposits, cash at bank and bank overdrafts	565	6	(6)
Floating rate borrowings drawn	1,695	(17)	17

At December 31, 2015, the impact on cash interest payable of a 100 basis point change in interest rate would be as follows:

	December 31, 2015	Impact of interest rate change on net earnings	
		100 basis point increase	100 basis point decrease
Interest-bearing deposits and cash at bank	365	2	(1)
Floating rate borrowings drawn	1,740	(17)	17

c) Foreign exchange risk

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

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

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

As at December 31, 2016, the Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than USD:

	Cash and cash equivalents	Trade and other receivables	Investments	Financial liabilities
CAD	15	-	15	1
AUD	14	6	2	35
ZMW	5	3	-	22
EUR	81	10	-	39
TRY	-	1	-	5
ZAR	5	-	-	2
MRO	-	29	-	4
Other	3	1	-	-
Total	123	50	17	108

Based on the above net exposures as at December 31, 2016, a 10% change in all of the above currencies against the USD would result in a \$5 million increase or decrease in the Company's net earnings and would result in a \$2 million increase or decrease in the Company's other comprehensive income.

As at December 31, 2015, the Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than USD:

	Cash and cash equivalents	Trade and other receivables	Investments	Financial liabilities
CAD	15	4	7	1
AUD	14	2	4	37
ZMW	19	1	-	50
EUR	101	21	-	71
TRY	-	-	-	12
ZAR	3	-	-	4
MRO	-	26	-	12
Other	2	-	-	-
Total	154	54	11	187

Based on the above net exposures as at December 31, 2015, a 10% change in all of the above currencies against the USD would result in a \$2 million increase or decrease in the Company's net earnings and would result in a \$1 million increase or decrease in the Company's other comprehensive income.

Capital management

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

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

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

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

26 Commitments & contingencies

Capital commitments

In conjunction with the development of Cobre Panama, the Company has committed to \$564 million (December 31, 2015: \$714 million) in capital expenditures.

Other commitments & contingencies

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

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

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., 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 Ltd. ("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. 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.

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.

27 Post balance sheet events

Dividend declared

The Company has declared a final dividend of CDN\$0.005 per share, in respect of the financial year ended December 31, 2016. The final dividend together with the interim dividend of CDN\$0.005 per share is a total of CDN\$0.01 per share for the 2016 financial year.