FIRST QUANTUM
MINERALS LTD.

Condensed Interim Consolidated Financial Statements

Second Quarter – June 30, 2016

(unaudited)

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

First Quantum Minerals Ltd.
Condensed Interim Consolidated Statements of Earnings
(unaudited)

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

	Note	Three months ended June 30 2016	Three months ended June 30 2015	Six months ended June 30 2016	Six months ended June 30 2015
Sales revenues	12	659	558	1,379	1,160
Cost of sales	13	(557)	(504)	(1,172)	(1,083)
Gross profit		102	54	207	77
Exploration		(3)	(9)	(6)	(17)
General and administrative		(17)	(22)	(34)	(45)
Impairment and related charges		-	-	-	(72)
Impairment to Promissory Note	7	-	(117)	-	(117)
Other income (expense)		12	(3)	(3)	(26)
Operating profit (loss)		94	(97)	164	(200)
Finance income		-	9	2	16
Finance costs	14	(4)	(3)	(8)	(8)
Earnings (loss) before income taxes		90	(91)	158	(192)
Income tax credit (expense)		52	(6)	32	5
Net earnings (loss) from continuing operations		142	(97)	190	(187)
Net earnings (loss) from discontinued operations		(1)	3	(267)	(1)
Net earnings (loss)		141	(94)	(77)	(188)
Net earnings (loss) from continuing operations attributable to:					
Non-controlling interests		17	7	16	(5)
Shareholders of the Company		125	(104)	174	(182)
Net earnings (loss) attributable to:					
Non-controlling interests		17	7	16	(5)
Shareholders of the Company		124	(101)	(93)	(183)
Earnings (loss) per common share attributable to the shareholders of the Company					
Net earnings (loss) from continuing operations ($ per share)					
Basic	11b)	0.18	(0.17)	0.25	(0.30)
Diluted	11b)	0.18	(0.17)	0.25	(0.30)
Net earnings (loss) ($ per share)					
Basic	11b)	0.18	(0.16)	(0.14)	(0.30)
Diluted	11b)	0.18	(0.16)	(0.14)	(0.30)
Weighted average shares outstanding (000's)					
Basic	11b)	685,783	621,686	685,774	609,118
Diluted	11b)	689,348	621,686	689,325	609,118
Total shares issued and outstanding (000's)	11a)	689,358	688,967	689,358	688,967

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

First Quantum Minerals Ltd.

Condensed Interim Consolidated Statements of Comprehensive Income

(unaudited)

(expressed in millions of U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2016	**2015**	**2016**	**2015**
Net earnings (loss) for the period	141	(94)	(77)	(188)
Other comprehensive income (loss)				
Net gain on cash flow hedges transferred from prior year equity to net earnings	-	-	(72)	-
Items that may be reclassified subsequently to net earnings:				
Net gain (loss) on cash flow hedges recognized in equity	(15)	-	4	-
Unrealized gain on available-for-sale investments	2	1	2	-
Total comprehensive income (loss) for the period	128	(93)	(143)	(188)
Total comprehensive income (loss) for the period attributable to:				
Non-controlling interests	17	7	16	(5)
Shareholders of the Company	111	(100)	(159)	(183)
Total comprehensive income (loss) for the period	128	(93)	(143)	(188)

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

First Quantum Minerals Ltd.

Condensed Interim Consolidated Statements of Cash Flows

(unaudited)

(expressed in millions of U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2016	**2015**	**2016**	**2015**
Cash flows from operating activities				
Net earnings (loss) for the period	142	(97)	190	(187)
Items not affecting cash				
Depreciation	182	120	366	246
Income tax (credit) expense	(52)	6	(32)	(5)
Share-based compensation expense	5	6	11	13
Impairment and related charges	-	117	-	189
Net finance income	4	(6)	6	(8)
Other	(16)	(8)	16	13
	265	138	557	261
Taxes paid	(22)	(41)	(39)	(61)
Franco-Nevada precious metal stream arrangement	38	-	38	-
Change in non-cash operating working capital				
(Increase) decrease in trade, other receivables and derivatives	22	(9)	(35)	(39)
(Increase) decrease in inventories	11	(61)	88	(34)
Increase (decrease) in trade and other payables	(10)	49	(51)	83
Net cash from operating activities of continuing operations	304	76	558	210
Net cash from (used by) operating activities of discontinued operations	22	28	9	46
Cash flows from (used by) investing activities				
Purchase and deposits on property, plant and equipment	(305)	(377)	(564)	(757)
Interest paid and capitalized to property, plant and equipment	(75)	(68)	(188)	(168)
Initial proceeds from sale of Kevitsa (Note 4)	663	-	663	-
Repayments and interest on Promissory Note	32	-	64	-
Other	(4)	(3)	(1)	(11)
Net cash from (used by) investing activities of continuing operations	311	(448)	(26)	(936)
Net cash used by investing activities of discontinued operations	(4)	(16)	(13)	(34)
Cash flows from financing activities				
Net movement in trading facilities	(58)	26	(60)	12
Proceeds from Korea-Panama Mining Corporation (“KPMC”)	38	30	76	52
Proceeds from debt	23	304	23	754
Repayments of debt	(5)	(1,105)	(10)	(1,260)
Dividends paid to the shareholders of the Company	(5)	(23)	(5)	(23)
Dividends paid to non-controlling interest	-	(2)	-	(2)
Proceeds on issuance of common shares	-	1,121	-	1,121
Other	(2)	-	(4)	(2)
Net cash from (used by) financing activities of continuing operations	(9)	351	20	652
Increase (decrease) in cash and cash equivalents	624	(9)	548	(62)
Cash and cash equivalents – beginning of period	275	302	365	357
Exchange losses on cash and cash equivalents	-	(4)	(14)	(6)
Cash and cash equivalents – end of period	899	289	899	289
Less cash disposed during the period	(4)	-	(4)	-
Cash and cash equivalents– end of period	895	289	895	289

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

First Quantum Minerals Ltd.
Condensed Interim Consolidated Balance Sheets
(unaudited)

(expressed in millions of U.S. dollars)

	Note	June 30, 2016	December 31, 2015 *(audited)*
Assets			
Current assets			
Cash and cash equivalents		895	365
Trade and other receivables		304	303
Inventories	3	982	1,184
Promissory Note receivable	7	-	64
Receivable relating to Kevitsa sale	4	69	-
Current portion of other assets	6	139	241
		2,389	2,157
Cash and cash equivalents – restricted cash		75	93
Non-current VAT receivable		171	158
Property, plant and equipment	5	15,513	15,923
Goodwill		237	237
Other assets	6	61	50
Total assets		18,446	18,618
Liabilities			
Current liabilities			
Trade and other payables		509	568
Current taxes payable		115	108
Current debt	8	272	386
Current provisions and other liabilities		45	32
		941	1,094
Debt	8	4,746	4,675
Provisions and other liabilities	9	1,158	1,065
Deferred revenue		376	338
Deferred income tax liabilities		727	813
Total liabilities		7,948	7,985
Equity			
Share capital		5,544	5,531
Retained earnings		3,887	3,985
Accumulated other comprehensive income (loss)		(14)	52
Total equity attributable to shareholders of the Company		9,417	9,568
Non-controlling interests		1,081	1,065
Total equity		10,498	10,633
Total liabilities and equity		18,446	18,618
Commitments and contingencies	17		

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

First Quantum Minerals Ltd.

Condensed Interim Consolidated Statements of Changes in Equity

(unaudited)

(expressed in millions of U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2016	**2015**	**2016**	**2015**
Share capital				
Common shares				
Balance – beginning of period	5,642	4,519	5,642	4,519
Shares issued	-	1,121	-	1,121
Balance – end of period	5,642	5,640	5,642	5,640
Treasury shares				
Balance – beginning of period	(167)	(174)	(167)	(174)
Restricted and performance stock units vested	1	3	1	3
Balance – end of period	(166)	(171)	(166)	(171)
Contributed surplus				
Balance – beginning of period	63	54	56	47
Share-based compensation expense for the period	6	6	13	13
Restricted and performance stock units vested	(1)	(3)	(1)	(3)
Balance – end of period	68	57	68	57
Total share capital	5,544	5,526	5,544	5,526
Retained earnings				
Balance – beginning of period	3,763	4,417	3,985	4,522
Earnings (loss) for the period attributable to shareholders of the Company	124	(101)	(93)	(183)
Dividends	-	-	(5)	(23)
Balance – end of period	3,887	4,316	3,887	4,316
Accumulated other comprehensive income (loss)				
Balance – beginning of period	(1)	(2)	52	(1)
Other comprehensive income (loss) for the period	(13)	1	(66)	-
Balance – end of period	(14)	(1)	(14)	(1)
Non-controlling interests				
Balance – beginning of period	1,064	1,163	1,065	1,175
Earnings (loss) attributable to non-controlling interests	17	7	16	(5)
Dividends	-	(2)	-	(2)
Acquisition of African Energy	-	7	-	7
Balance – end of period	1,081	1,175	1,081	1,175

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

(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 Trident project in Zambia, the Cobre Panama copper project in Panama, exploring the Haquira copper deposit in Peru and the Taca Taca copper-gold-molybdenum porphyry 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 Significant Accounting Policies

Basis of presentation

These condensed interim consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”), including *IAS 34 – Interim Financial Reporting*. For these purposes, IFRS comprise the standards issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the IFRS Interpretations Committee (“IFRICs”) and the former Standing Interpretations Committee (“SICs”). The accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied in the preparation of, and disclosed in, the consolidated annual financial statements for the year ended December 31, 2015.

These condensed interim consolidated financial statements were approved for issue on July 27, 2016, by the Audit Committee on behalf of the Board of Directors.

3 Inventories

	June 30, 2016	December 31, 2015
Ore in stockpiles	208	238
Work-in-progress	27	51
Finished product	287	383
Total product inventory	522	672
Consumable stores	460	512
	982	1,184

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

4 Kevitsa sale

On March 10, 2016, the Company entered into a share purchase agreement with Boliden AB to sell the Kevitsa nickel-copper-platinum group elements mine ("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 received. The remaining consideration is expected to be received in the third quarter of 2016. The Company has recognized a net loss on disposal of $237 million, calculated as follows:

Sales price	712
Adjustments for restricted cash and estimated 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)
Loss on disposal	(237)

The transaction is one element of the Company's strategy to further strengthen its financial position amid the weak commodities market while developing the Cobre Panama project.

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.

	Three months ended June 30		Six months ended June 30	
	2016	**2015**	**2016**	**2015**
Sales revenues	24	52	49	100
Cost of sales	(22)	(52)	(61)	(97)
Other expense	(2)	(1)	(4)	(4)
Loss from discontinued operation before income taxes	-	(1)	(16)	(1)
Income tax recovery (expense)	-	4	(14)	-
Net earnings (loss) from discontinued operations	-	3	(30)	(1)
Net loss on disposal	(1)	-	(237)	-
Net earnings (loss) from discontinued operations	(1)	3	(267)	(1)

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

5 Property, plant and equipment

	Plant and equipment	Capital work-in-progress	Mineral properties and mine development costs – Operating mines	Mineral properties and mine development costs – Development projects	Total
Net book value, as at January 1, 2016	4,845	7,047	1,526	2,505	15,923
Additions	-	623	-	-	623
Disposals	(8)	(1)	-	-	(9)
Transfers between categories	29	(84)	55	-	-
Transfer to assets held for sale	(365)	(13)	(314)	-	(692)
Restoration provisions	-	-	5	-	5
Capitalized interest	-	208	-	-	208
Depreciation charge	(212)	-	(96)	-	(308)
Revaluation of assets held for sale	(190)	(6)	(41)	-	(237)
As at June 30, 2016	4,099	7,774	1,135	2,505	15,513
Cost	6,545	7,774	1,973	2,505	18,797
Accumulated depreciation	(2,446)	-	(838)	-	(3,284)

	Plant and equipment	Capital work-in-progress	Mineral properties and mine development costs – Operating mines	Mineral properties and mine development costs – Development projects	Total
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 provisions	-	-	(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 six months ended June 30, 2016, $208 million of interest (six months ended June 30, 2015: $195 million) was capitalized relating to qualifying assets. The amount capitalized to June 30, 2016, was determined by applying the weighted average cost of borrowings of 7.6% (six months ended June 30, 2015: 6.1 %) to the accumulated qualifying expenditures.

Included within capital work-in-progress and mineral properties – operating mines at June 30, 2016, is $419 million related to capitalized deferred stripping costs (December 31, 2015: $526 million).

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

6 Other assets

	June 30, 2016	December 31, 2015
Prepaid expenses	135	162
Derivative instruments	4	81
Deferred income tax assets	29	25
Investments	32	23
Total other assets	200	291
Less: current portion of other assets	(139)	(241)
	61	50

During the six months ended June 30, 2016, the Company recorded no impairment relating to equity securities held at cost (six months ended June 30, 2015: $10 million).

7 Promissory Note receivable

In March 2014, a subsidiary of Eurasian Natural Resources Corporation PLC ("ENRC" and now Eurasian Resources Group "ERG") issued a $430 million Promissory Note (the "Promissory Note") secured against the shares in a subsidiary holding ENRC's Mozambique coal assets and a guarantee by ENRC Congo B.V., a wholly owned subsidiary of ERG.

In July 2015, the Company agreed an amendment with ERG in respect of the $430 million Promissory Note, which had a term to final maturity of December 31, 2015. Under the revised terms, the Promissory Note was reduced from $430 million to $300 million and an impairment of $117 million was recorded in the second quarter of 2015. A cash payment of $215 million was received in July 2015 and a further payment of $21 million was received in November 2015 when the repayment terms were renegotiated. As at June 30, 2016, the Promissory Note has been fully paid following receipt of three monthly instalments totalling $32 million during the quarter.

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

8 Debt

		June 30, 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)	1,085	1,079
First Quantum Minerals Ltd. 7.00% due February 2021	(c)	1,082	1,078
First Quantum Minerals Ltd. 7.25% due October 2019	(d)	345	344
First Quantum Minerals Ltd. 7.25% due May 2022	(e)	840	839
Kansanshi senior term loan	(f)	347	346
First Quantum Minerals Ltd. senior debt facility	(g)	1,167	1,152
Trading facilities	(h)	47	108
Equipment financing	(i)	73	82
Total debt		5,018	5,061
Less: Current maturities and short term debt		(272)	(386)
		4,746	4,675
Undrawn debt			
First Quantum Minerals Ltd. senior debt facility	(g)	593	1,800
Trading facilities	(h)	263	202

a) First Quantum Minerals Ltd. 8.75% due June 2020 & 7.50% due June 2021

In May 2012, Inmet Mining Corporation ("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 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 is subject to certain restrictions on asset sales, payments, and incurrence of indebtedness and issuance of preferred stock.

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 loan is repayable in six equal semi-annual instalments commencing on September 27, 2016, and 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.

Of the amount outstanding at June 30, 2016, $91 million relating to the Term Loan (December 31, 2015: $200 million) is due within 12 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.

i) Equipment financing
In April 2014, Kalumbila Minerals Ltd., a subsidiary of the Company which owns the Trident project, 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 June 30, 2016, $20 million (December 31, 2015: $20 million) is due within 12 months of the balance sheet date.

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

9 Provisions and other liabilities

	June 30, 2016	December 31, 2015
Restoration provisions	546	552
Amount owed to related party	485	390
Derivative instruments (note 16)	22	4
Other	150	151
Total other liabilities	1,203	1,097
Less: current portion	(45)	(32)
	1,158	1,065

Restoration provisions

During the six months ended June 30, 2016, the restoration provision decreased to $546 million on derecognition of $21 million restoration obligation following the sale of Kevitsa. Periodic changes in the provision represent movement in the foreign exchange rate (where the estimate of the liability is not in U.S. dollars), accretion of the liability and additional disturbance incurred during the period.

The restoration provisions have been recorded initially as a liability based on management's best estimate of cash flows, using a risk-free discount rate between 1.4% and 4.2% and an inflation factor between 1.7% and 3.2%. Payments are expected to occur over the life of each of the operating mines, with the majority payable in the years following the cessation of mining operations.

Amount owed to related party

In September 2013, the Company and KPMC entered into a shareholder loan agreement with the Company's subsidiary, Minera Panama S.A. ("MPSA"). Interest is due semi-annually at an annual rate of 9%. As of June 30, 2016, the accrued interest is $62 million (December 31, 2015: $43 million) and is included in the carrying value of the debt as this has been deferred under the loan agreement. Amounts due to KPMC are specifically excluded from the calculation of Net Debt covenant ratios.

10 Income taxes

During the three months ended June 30, 2016, 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 in the period.

11 Share capital

a) Common shares

Authorized
Unlimited common shares without par value

Issued

	Number of shares (000's)
Balance as at December 31, 2015	689,331
Shares issued through Dividend Reinvestment Plan	27
Balance as at June 30, 2016	689,358

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

b) Earnings per share

	Three months ended June 30		Six months ended June 30	
Continuing basis	**2016**	**2015**	**2016**	**2015**
Basic and diluted earnings (loss) from continuing operations attributable to shareholders of the Company	125	(104)	174	(182)
Basic weighted average number of shares outstanding (000s of shares)	685,783	621,686	685,774	609,118
Effect of dilutive securities:				
Treasury shares	3,565	4,094	3,551	4,307
Diluted weighted average shares outstanding	689,348	621,686	689,325	609,118
Earnings (loss) per common share from continuing operations – basic (expressed in $ per share)	0.18	(0.17)	0.25	(0.30)
Earnings (loss) per common share from continuing operations – diluted (expressed in $ per share)	0.18	(0.17)	0.25	(0.30)

	Three months ended June 30		Six months ended June 30	
Including discontinued operations	**2016**	**2015**	**2016**	**2015**
Basic and diluted earnings (loss) attributable to shareholders of the Company	124	(101)	(93)	(183)
Basic weighted average number of shares outstanding (000s of shares)	685,783	621,686	685,774	609,118
Effect of dilutive securities:				
Treasury shares	3,565	4,094	3,551	4,307
Diluted weighted average shares outstanding	689,348	621,686	685,774	609,118
Earnings (loss) per common share – basic	0.18	(0.16)	(0.14)	(0.30)
Earnings (loss) per common share – diluted	0.18	(0.16)	(0.14)	(0.30)

c) Equity issue
On June 4, 2015, the Company completed a public offering of common shares. Inclusive of an overallotment option 88.5 million shares were issued at a price of CDN$16.25. Gross proceeds were $1,156 million, with net proceeds after related fees of $1,121 million. Upon receipt of proceeds $1,000 million was used to repay the senior debt facility.

d) 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) to be paid to shareholders of record on April 13, 2016.

Subsequent to the quarter, on July 27, 2016, the Company declared an interim dividend payment of CDN$0.005 per share, or $3 million, in respect of the financial year ended December 31, 2016 (July 29, 2015: CDN$0.0330 per share or $18 million) to be paid to shareholders of record on August 26, 2016.

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

12 Sales revenues by nature

	Three months ended June 30		Six months ended June 30	
	2016	**2015**	**2016**	**2015**
Copper	519	426	1,095	909
Nickel	37	65	94	107
Gold	82	50	151	100
Zinc	6	8	12	25
Other	15	9	27	19
	659	558	1,379	1,160

[1] Copper revenues exclude $108 million of proceeds from pre-commercial production at Trident for the six months ended June 30, 2016 (six months ended June 30, 2015: nil).

13 Cost of sales

	Three months ended June 30		Six months ended June 30	
	2016	**2015**	**2016**	**2015**
Costs of production	(335)	(417)	(693)	(824)
Depreciation	(152)	(140)	(308)	(261)
Movement in inventory	(40)	33	(113)	(13)
Movement in depreciation in inventory	(30)	20	(58)	15
	(557)	(504)	(1,172)	(1,083)

14 Finance costs

	Three months ended June 30		Six months ended June 30	
	2016	**2015**	**2016**	**2015**
Interest expense	(107)	(101)	(211)	(197)
Accretion on restoration provision	(3)	(3)	(5)	(6)
Total finance costs	(110)	(104)	(216)	(203)
Less: interest capitalized (note 5)	106	101	208	195
	(4)	(3)	(8)	(8)

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

15 Segmented information

The Company's reportable operating segments are individual mine operations or mine development projects. 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 enters into sales hedge contracts, as well as the cost of exploration projects that are not eligible to be capitalized.

The Company's operations are subject to seasonal aspects, in particular the rainy season in Zambia. The rainy season in Zambia generally starts in November and continues through April, with the heaviest rainfall normally experienced in the months from January to March. As a result of the rainy 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.

Statement of earnings – segmented information for the three months ended June 30, 2016:

	Revenue[1]	Cost of sales (excluding depreciation)	Depreciation	Other	Operating profit[2]	Income taxes
Kansanshi	363	(212)	(90)	7	68	66
Las Cruces	94	(38)	(42)	5	19	-
Guelb Moghrein	81	(41)	(16)	(2)	22	3
Ravensthorpe	38	(49)	(10)	-	(21)	6
Çayeli	20	(12)	(8)	(1)	(1)	(5)
Pyhäsalmi	26	(11)	(16)	1	-	2
Corporate & other	37	(12)	-	(18)	7	(20)
Total	659	(375)	(182)	(8)	94	52

[1] Excludes intersegment revenues of $11 million
[2] Operating profit less net finance costs and taxes equals net earnings for the period on the consolidated statement of earnings
[3] No segmented information for Trident and Cobre Panama is disclosed for the statement of earnings as these projects were under development at June 30, 2016. The exploration and development costs for these properties are capitalized.
[4] Earnings relating to the Kevitsa segment have been presented as discontinued operations (note 4).

Statement of earnings – segmented information for the three months ended June 30, 2015:

	Revenue[1]	Cost of sales (excluding depreciation)	Depreciation	Other[3]	Operating profit[2]	Income taxes
Kansanshi	268	(222)	(32)	-	14	(8)
Las Cruces	101	(36)	(42)	(11)	12	3
Guelb Moghrein	63	(32)	(13)	3	21	(5)
Ravensthorpe	69	(66)	(11)	2	(6)	1
Çayeli	36	(18)	(9)	-	9	(10)
Pyhäsalmi	21	(10)	(13)	(3)	(5)	2
Corporate & other	-	-	-	(142)	(142)	11
Total	558	(384)	(120)	(151)	(97)	(6)

[1] Excludes intersegment revenues of $18 million
[2] Operating profit less net finance costs and taxes equals net earnings for the period on the consolidated statement of earnings
[3] No segmented information for Trident and Cobre Panama is disclosed for the statement of earnings as these projects were under development at June 30, 2015. The exploration and development costs for these properties are capitalized.
[4] Earnings relating to the Kevitsa segment have been presented as discontinued operations (note 4).

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

Statement of earnings – segmented information for the six month period ended June 30, 2016:

	Revenue[1]	Cost of sales (excluding depreciation)	Depreciation	Other	Operating profit[2]	Income taxes
Kansanshi	736	(476)	(181)	2	81	53
Las Cruces	183	(74)	(83)	3	29	(6)
Guelb Moghrein	132	(67)	(26)	(2)	37	(6)
Ravensthorpe	98	(120)	(25)	-	(47)	13
Çayeli	49	(29)	(17)	(1)	2	(2)
Pyhäsalmi	58	(25)	(33)	1	1	1
Corporate & other	123	(15)	(1)	(46)	61	(21)
Total	1,379	(806)	(366)	(43)	164	32

[1] Excludes intersegment revenues of $16 million
[2] Operating profit less net finance costs and taxes equals net earnings for the period on the consolidated statement of earnings
[3] No segmented information for Trident and Cobre Panama is disclosed for the statement of earnings as these projects were under development at June 30, 2016. The exploration and development costs for these properties are capitalized.
[4] Earnings relating to the Kevitsa segment have been presented as discontinued operations (note 4).

Statement of earnings – segmented information for the six month period ended June 30, 2015:

	Revenue[1]	Cost of sales (excluding depreciation)	Depreciation	Other	Operating profit[2]	Income taxes
Kansanshi	582	(524)	(78)	(39)	(59)	(9)
Las Cruces	217	(79)	(80)	14	72	(26)
Guelb Moghrein	121	(72)	(24)	(58)	(33)	9
Ravensthorpe	112	(100)	(20)	(16)	(24)	9
Çayeli	68	(38)	(18)	(2)	10	(12)
Pyhäsalmi	60	(24)	(26)	3	13	(3)
Corporate & other	-	-	-	(179)	(179)	37
Total	1,160	(837)	(246)	(277)	(200)	5

[1] Excludes intersegment revenues of $35 million
[2] Operating profit less net finance costs and taxes equals net earnings for the period on the consolidated statement of earnings
[3] No segmented information for Trident and Cobre Panama is disclosed for the statement of earnings as these projects were under development at June 30, 2015. The exploration and development costs for these properties are capitalized.
[4] Earnings relating to the Kevitsa segment have been presented as discontinued operations (note 4).

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

Balance sheet – segmented information:

	June 30, 2016			December 31, 2015		
	Non-current assets[1]	Total assets	Total liabilities	Non-current assets[1]	Total assets	Total liabilities
Kansanshi[2]	3,099	4,085	1,023	3,305	4,220	1,150
Las Cruces	885	1,242	372	965	1,300	368
Guelb Moghrein	206	326	53	216	351	58
Ravensthorpe	768	847	167	786	890	167
Kevitsa	-	69	-	756	845	44
Trident	3,209	3,390	196	2,874	2,996	223
Çayeli	167	630	115	183	654	140
Pyhäsalmi	179	337	81	211	407	77
Cobre Panama[3]	5,868	6,145	1,033	5,326	5,604	860
Corporate & other[4]	1,136	1,375	4,908	1,303	1,351	4,898
Total	15,517	18,446	7,948	15,925	18,618	7,985

[1] Non-current assets include $15,513 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 and other segment are assets relating to the Haquira project, $666 million, (December 31, 2015: $661 million) and the Taca Taca project, $427 million (December 31, 2015: $426 million).

Capital expenditure – segmented information for the three month period ended June 30, 2016:

Additions to non-current assets other than financial instruments, deferred tax assets and goodwill represent additions to property, plant and equipment:

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Kansanshi	34	103	55	236
Las Cruces	2	-	3	13
Guelb Moghrein	6	15	13	25
Ravensthorpe	2	8	3	11
Trident	70	104	141	203
Çayeli	2	2	3	4
Pyhäsalmi	-	-	1	4
Cobre Panama	187	145	341	254
Corporate & other[1]	2	-	4	7
Total	305	377	564	757

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

16 Financial Instruments

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

The following provides a comparison of carrying and fair values of each classification of financial instrument at June 30, 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]	213	-	-	-	213	213
Derivative instruments in designated hedge relationships	-	-	4	-	4	4
Other derivative instruments[2]	-	-	-	-	-	-
Investments						
At cost [3]	-	23	-	-	23	n/a
At fair value	-	9	-	-	9	9
Financial liabilities						
Trade and other payables	-	-	-	509	509	509
Other derivative instruments	-	-	22	-	22	22
Finance leases	-	-	-	25	25	25
Liability to related party	-	-	-	485	485	485
Debt[4]	-	-	-	5,018	5,018	4,466

[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.
[2] This derivative is classified as fair value through profit or loss and recorded at fair value, with changes in fair value recognized as a component of cost of sales.
[3] The Company holds investments in privately held entities which are measured at cost as the fair value cannot be reliably measured.
[4] The fair value of debt is determined using market values, if available, and discounted cash flows based on management's estimated future cost of borrowing where market values are not available.

(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						
At cost [3]	-	13	-	-	13	n/a
At fair value	-	10	-	-	10	10
Promissory Note receivable [4]	64	-	-	-	64	64
Financial liabilities						
Trade and other payables	-	-	-	568	568	568
Other derivative instruments	-	-	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.
[2] This derivative is classified as fair value through profit or loss and recorded at fair value, with changes in fair value recognized as a component of cost of sales.
[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, as described in note 7, is classified as a loan or receivable and carried at amortized cost. The fair value was calculated by reference to the principal value.

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

Fair Values

The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at June 30, 2016, in the fair value hierarchy as described in the annual consolidated financial statements for the year ended December 31, 2015:

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative instruments – LME contracts [1]	-	-	-	-
Derivative instruments – OTC contracts [2]	-	4	-	4
Investments [3]	9	-	-	9
Financial liabilities				
Derivative instruments – LME contracts [1]	16	-	-	16
Derivative instruments – OTC contracts [2]	-	6	-	6

[1] Forward contracts 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 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] Forward contracts 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 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.

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. Commodity contracts outstanding as at June 30, 2016, were as follows:

	Open Positions (tonnes/ozs)	Average Contract price	Closing Market price	Maturities Through
Commodity contracts:				
Copper	288,250	$2.21/lb	$2.19/lb	January 2017
Nickel	None outstanding	n/a	n/a	n/a

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

Other derivatives
As at June 30, 2016, the following derivative positions were outstanding:

	Open Positions (tonnes/ozs)	Average Contract price	Closing Market price	Maturities Through
Embedded derivatives in provisionally priced sales contracts:				
Copper	86,755	$2.12/lb	$2.19/lb	December 2016
Nickel	1,769	$4.01/lb	$4.27/lb	July 2016
Gold	28,474	$1,228/oz	$1,319/oz	August 2016
Zinc	1,375	$0.90/lb	$0.95/lb	August 2016
Platinum	4,091	$969/oz	$1,002/oz	July 2016
Palladium	3,071	$537/oz	$588/oz	July 2016
Commodity contracts:				
Copper	86,230	$2.12/lb	$2.19/lb	December 2016
Nickel	1,769	$4.01/lb	$4.27/lb	July 2016
Gold	28,474	$1,228oz	$1,319/oz	August 2016
Zinc	1,375	$0.90/lb	$0.95/lb	August 2016
Platinum	4,091	$969/oz	$1,002/oz	July 2016
Palladium	3,071	$537/oz	$588/oz	July 2016

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

	Open Positions (tonnes/ozs)	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

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

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

	June 30, 2016	December 31, 2015
Commodity contracts:		
Asset position	4	81
Liability position	(22)	(4)

17 Commitments and contingencies

Capital commitments
In conjunction with the development of Trident, Cobre Panama and other projects, the Company has committed to $683 million (December 31, 2015: $714 million) in capital expenditures.

Precious metal revenue stream arrangement
MPSA has an agreement with Franco-Nevada Corporation ("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 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.

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.

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