FIRST QUANTUM
MINERALS LTD.

Condensed Interim Consolidated Financial Statements

First Quarter – March 31, 2017

(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 March 31 2017	2016
Sales revenues	9	766	720
Cost of sales	10	(697)	(615)
Gross profit		69	105
Exploration		(3)	(3)
General and administrative		(17)	(17)
Other income (expense)		2	(15)
Operating profit		51	70
Finance income		1	2
Finance costs	11	(6)	(4)
Loss on extinguishment of senior notes		(84)	-
(Loss) earnings before income taxes		(38)	68
Income tax expense	12	(56)	(20)
Net (loss) earnings from continuing operations		(94)	48
Net loss from discontinued operations		-	(266)
Net loss		(94)	(218)
Net earnings (loss) from continuing operations attributable to:			
Non-controlling interests		20	(1)
Shareholders of the Company	8b	(114)	49
Net earnings (loss) attributable to:			
Non-controlling interests		20	(1)
Shareholders of the Company	8b	(114)	(217)
Earnings (loss) per common share attributable to the shareholders of the Company			
Net (loss) earnings from continuing operations ($ per share):			
Basic	8b	(0.17)	0.07
Diluted	8b	(0.17)	0.07
Net loss ($ per share)			
Basic	8b	(0.17)	(0.32)
Diluted	8b	(0.17)	(0.32)
Weighted average shares outstanding (000's)			
Basic	8b	685,827	685,795
Diluted	8b	685,827	685,795
Total shares issued and outstanding (000's)	8a	689,374	689,331

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 March 31	
	2017	**2016**
Net loss for the period	(94)	(218)
Other comprehensive income		
Items that have been/may be subsequently reclassified to net earnings:		
Cash flow hedges reclassified to net earnings	87	(72)
Gains (losses) on cash flow hedges arising during the period	(113)	19
Unrealized gain (loss) on available-for-sale investments	1	-
Total comprehensive loss for the period	(119)	(271)
Total comprehensive income (loss) for the year attributable to:		
Non-controlling interests	20	(1)
Shareholders of the Company	(139)	(270)
Total comprehensive loss for the period	(119)	(271)

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 March 31	
	2017	**2016**
Cash flows from operating activities		
Net earnings (loss) from operations	(94)	48
Adjustments for		
Depreciation	213	184
Income tax expense	56	20
Share-based compensation expense	6	6
Net finance expense	5	2
Loss on extinguishment of senior notes	84	-
Other	-	32
	270	292
Taxes paid	(45)	(17)
Franco-Nevada Corporation (“Franco-Nevada”) precious metal stream arrangement	50	-
Change in non-cash operating working capital		
Decrease (increase) in trade and other receivables and derivatives	20	(57)
Decrease (increase) in inventories	(20)	77
Decrease in trade and other payables	(36)	(41)
Net cash from operating activities of continuing operations	239	254
Net cash used by operating activities of discontinued operations	-	(13)
Cash flows used by investing activities		
Purchase and deposits on property, plant and equipment	(311)	(259)
Interest paid and capitalized to property, plant and equipment	(124)	(113)
Repayments and interest on ENRC Promissory note	-	32
Other	10	3
Net cash used by investing activities of continuing operations	(425)	(337)
Net cash used by investing activities of discontinued operations	-	(9)
Cash flows from financing activities		
Net movement in trading facility	36	(2)
Movement in restricted cash	(52)	(2)
Proceeds from debt	2,176	-
Repayments of debt	(2,085)	(5)
Early redemption costs on senior notes	(54)	
Proceeds from Korea-Panama Mining Corporation (“KPMC”)	50	38
Other	(2)	-
Net cash from financing activities of continuing operations	69	29
Decrease in cash and cash equivalents and bank overdrafts	(117)	(76)
Cash and cash equivalents and bank overdrafts – beginning of period	565	365
Exchange gains (losses) on cash and cash equivalents	1	(14)
Less: cash and cash equivalents held for sale	-	(6)
Cash and cash equivalents and bank overdrafts – end of period	449	269
Cash and cash equivalents and bank overdrafts comprising:		
Cash and cash equivalents	1,411	1,115
Bank overdrafts	(962)	(846)
	449	269

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

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

(expressed in millions of U.S. dollars)

	Note	March 31, 2017	December 31, 2016 (audited)
Assets			
Current assets			
Cash and cash equivalents		1,411	1,463
Trade and other receivables		388	402
Inventories	3	1,039	1,032
Current portion of other assets	5	146	176
		2,984	3,073
Cash and cash equivalents - restricted cash		122	70
Non-current VAT receivable		180	176
Property, plant and equipment	4	16,083	15,811
Goodwill		237	237
Other assets	5	117	116
Total assets		**19,723**	**19,483**
Liabilities			
Current liabilities			
Bank overdraft		962	898
Trade and other payables		496	531
Current taxes payable		77	90
Current debt	6	324	385
Current portion of provisions and other liabilities	7	346	320
		2,205	2,224
Debt	6	4,786	4,561
Provisions and other liabilities	7	1,299	1,212
Deferred revenue		512	462
Deferred income tax liabilities		751	739
Total liabilities		**9,553**	**9,198**
Equity			
Share capital	8a	5,560	5,553
Retained earnings		3,816	3,933
Accumulated other comprehensive (loss) income		(317)	(292)
Total equity attributable to shareholders of the Company		9,059	9,194
Non-controlling interests		1,111	1,091
Total equity		**10,170**	**10,285**
Total liabilities and equity		**19,723**	**19,483**
Commitments & contingencies	15		

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

First Quantum Minerals Ltd.

Condensed Interim Consolidated Statements of Changes in Equity

(unaudited)

(expressed in millions of U.S. dollars)

	Note	Three months ended March 31 2017	2016
Share capital			
Common shares			
Balance – beginning and end of period		5,642	5,642
Treasury shares			
Balance – beginning of period		(156)	(167)
Restricted and performance stock units vested		1	-
Balance – end of period		(155)	(167)
Contributed surplus			
Balance – beginning of period		67	56
Share-based compensation expense for the period (inclusive of capitalized amounts)		7	7
Restricted and performance stock units vested		(1)	-
Balance – end of period		73	63
Total share capital		5,560	5,538
Retained earnings			
Balance – beginning of period		3,933	3,985
Loss for the period attributable to shareholders of the Company		(114)	(217)
Dividends	8c	(3)	(5)
Balance – end of period		3,816	3,763
Accumulated other comprehensive (loss) income			
Balance – beginning of period		(292)	52
Other comprehensive (loss) for the period		(25)	(53)
Balance – end of period		(317)	(1)
Non-controlling interests			
Balance – beginning of period		1,091	1,065
Earnings (loss) attributable to non-controlling interests		20	(1)
Balance – end of period		1,111	1,064

The accompanying notes are an integral part of these unaudited condensed interim 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 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 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, 2016.

These condensed interim consolidated financial statements were approved for issue on April 27, 2017, by the Audit Committee on behalf of the Board of Directors.

3 Inventories

	March 31, 2017	December 31, 2016
Ore in stockpiles	199	200
Work-in-progress	39	38
Finished product	306	313
Total product inventory	544	551
Consumable stores	495	481
	1,039	1,032

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

4 Property, plant and equipment

			Mineral properties and mine development costs		
	Plant and equipment	Capital work-in-progress	Operating mines	Development projects	Total
Net book value, as at January 1, 2017	4,996	6,361	2,254	2,200	15,811
Additions	-	358	-	-	358
Disposals	(9)	-	-	-	(9)
Transfers between categories	47	(250)	188	15	-
Restoration provision	-	-	9	-	9
Capitalized interest	-	113	-	-	113
Depreciation charge	(145)	-	(54)	-	(199)
As at March 31, 2017	4,889	6,582	2,397	2,215	16,083
Cost	7,860	6,582	3,451	2,215	20,108
Accumulated depreciation	(2,971)	-	(1,054)	-	(4,025)

			Mineral properties and mine development costs		
	Plant and equipment	Capital work-in-progress	Operating mines	Development projects	Total
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)

During the three months ended March 31, 2017, $113 million of interest (three months ended March 31, 2016: $102 million) was capitalized relating to the development of qualifying assets. The amount capitalized to March 31, 2017 was determined by applying the weighted average cost of borrowings of 7.8% (three months ended March 31, 2016: 7.6%) to the accumulated qualifying expenditures.

Included within capital work-in-progress and mineral properties – operating mines at March 31, 2017, is an amount of $585 million related to capitalized deferred stripping costs (December 31, 2016: $585 million).

In September 2016 ownership of the powerline asset constructed by the Company was transferred to the state-run power company ("ZESCO"). An amount of $121 million has been transferred to prepayments with respect prepaid electricity costs.

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

5 Other assets

	March 31, 2017	December 31, 2016
Prepaid expenses	189	205
Investments	28	27
Deferred income tax assets	44	38
Derivative instruments (note 14)	2	22
Total other assets	263	292
Less: current portion of other assets	(146)	(176)
	117	116

Included within prepaid expenses is $82 million (December 31, 2016: $88 million) in relation to Sentinel which will be recovered through deductions on electricity invoices from ZESCO under the terms of the agreement to transfer powerline ownership.

6 Debt

		March 31, 2017	December 31, 2016
Drawn debt			
Senior notes:			
First Quantum Minerals Ltd. 7.25% due March 2023[1]	(a)	1,086	-
First Quantum Minerals Ltd. 7.50% due March 2025[1]	(b)	1,086	-
First Quantum Minerals Ltd. 8.75% due June 2020 & 7.50% due June 2021[1]	(c)	-	32
First Quantum Minerals Ltd. 6.75% due February 2020[1]	(d)	-	1,091
First Quantum Minerals Ltd. 7.00% due February 2021	(e)	1,089	1,087
First Quantum Minerals Ltd. 7.25% due October 2019[1]	(f)	-	345
First Quantum Minerals Ltd. 7.25% due May 2022	(g)	841	841
Kansanshi senior term loan	(h)	232	289
First Quantum Minerals Ltd. senior debt facility	(i)	600	1,116
Trading facilities	(j)	118	82
Equipment financing	(k)	58	63
Total debt		5,110	4,946
Less: Current maturities and short term debt		(324)	(385)
		4,786	4,561
Undrawn debt			
First Quantum Minerals Ltd. senior debt facility	(i)	938	713
Trading facilities	(j)	192	228

[1] In March 2017, the Company issued $1,100 million in senior notes due in March 2023 and $1,100 million in senior notes due in March 2025. The proceeds of the issuance were mostly used to discharge all obligations under the 8.75% Senior notes due June 2020 and 7.50% due June 2021, the 6.75% Senior notes due February 2020 and the 7.25% Senior notes due October 2019, pay fees associated with the transaction, including early senior notes redemption costs of $54 million and to repay a portion ($296 million of the Term Loan and fully repay, $175 million (without cancelling) the Revolving Credit Facility (together the First Quantum Minerals Ltd. Senior debt facility).

a) First Quantum Minerals Ltd. 7.25% due March 2023
In March 2017, the Company issued $1,100 million in senior notes due in 2023, bearing interest at an annual rate of 7.25%.

The notes are part of the senior obligations of the Company and are guaranteed by certain of the Company's subsidiaries. Interest is payable semi-annually.

The Company may redeem some or all of the notes at any time on or after September 15, 2019, at redemption prices ranging from 105.438% in the first six months 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 September 15, 2019, the notes may be redeemed at 100% plus a make-whole premium, and accrued interest. In addition, until September 15, 2019, 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 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. 7.50% due March 2025
In March 2017, the Company issued $1,100 million in senior notes due in 2025, bearing interest at an annual rate of 7.50%.

The notes are part of the senior obligations of the Company and are guaranteed by certain of the Company's subsidiaries. Interest is payable semi-annually.

The Company may redeem some or all of the notes at any time on or after March 15, 2020, at redemption prices ranging from 103.75% 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 March 15, 2020, the notes may be redeemed at 100% plus a make-whole premium, and accrued interest. In addition, until March 15, 2020, 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 107.50% plus accrued interest.

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

c) 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”.

In March 2017, the Company discharged all obligations under the Inmet notes, by payment to the Trustee, using proceeds from the newly issued senior notes. These notes were redeemed by the Trustee on April 12, 2017.

d) 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.

In March 2017, the Company issued a simultaneous tender offer on an any and all basis and a call notice to redeem any notes not tendered. On the March 22, 2017, the Company purchased approximately 74% of the notes tendered. On the same day the Company discharged all obligations for the notes not tendered, by payment to the Trustee, using proceeds from the newly issued senior notes. The notes not tendered were redeemed by the Trustee on April 12, 2017.

e) 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 part of the senior obligations of the Company and are guaranteed by certain of the Company's subsidiaries. Interest is payable semi-annually.

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.

f) 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%.

In March 2017, the Company issued a simultaneous tender offer on an any and all basis and a call notice to redeem any notes not tendered. On March 22, 2017 the Company purchased approximately 74% of the notes tendered, thereby discharging all obligations for the notes not tendered, by payment to the Trustee, using proceeds from the newly issued senior notes. The notes not tendered were redeemed by the Trustee on April 12, 2017.

g) 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 notes are part of the senior obligations of the Company and are guaranteed by certain of the Company's subsidiaries. Interest is payable semi-annually.

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.

h) 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.

i) 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 $938 million and the Revolving Credit Facility to $938 million.

In March 2017, the Company repaid $296 million of the Term Loan Facility and fully repaid, $175 million (without cancelling) the Revolving Credit Facility using proceeds from the senior notes issued in March 2017. Of the amount outstanding at March 31, 2017, $69 million relating to the Term Loan (December 31, 2016: $167 million) is due within twelve months of the balance sheet date.

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

j) 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.

k) 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 March 31, 2017, $20 million (December 31, 2016: $20 million) is due within twelve months of the balance sheet date.

7 Provisions and other liabilities

	March 31, 2017	December 31, 2016
Restoration provisions	543	530
Amount owed to related party	659	596
Derivative instruments (note 14)	325	302
Other	118	104
Total other liabilities	1,645	1,532
Less: current portion	(346)	(320)
	1,299	1,212

Amount owed to related party

In September 2013, the Company and KPMC entered into a shareholder loan agreement with Minera Panama S.A ("MPSA") for development of the Cobre Panama project, for which KPMC is a 20% shareholder. Interest is calculated semi-annually at an annual rate of 9%. As of March 31, 2017, the accrual for interest payable is $99 million (December 31, 2016: $86 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.

8 Share capital

a) Common shares

Authorized

Unlimited common shares without par value

Issued

	Number of shares (000's)
Balance as at December 31, 2016 and March 31, 2017	689,374

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

b) Earnings (loss) per share

	Three months ended March 31	
Continuing basis	**2017**	**2016**
Basic and diluted (loss) earnings attributable to shareholders of the Company	(114)	49
Basic weighted average number of shares outstanding (000's of shares)	685,827	685,795
Effect of dilutive securities:		
Treasury shares	3,547	3,536
Diluted weighted average number of shares outstanding (000's of shares)	685,827	689,331
(Loss) earnings per common share from continuing operations – basic (expressed in $ per share)	(0.17)	0.07
(Loss) earnings per common share from continuing operations – diluted (expressed in $ per share)	(0.17)	0.07

Including discontinued operations		
Basic and diluted (loss) attributable to shareholders of the Company	(114)	(217)
Basic weighted average number of shares outstanding (000's of shares)	685,827	685,795
Effect of dilutive securities:		
Treasury shares	3,547	3,536
Diluted weighted average number of shares outstanding (000's of shares)	685,827	685,795
Loss per common share – basic (expressed in $ per share)	(0.17)	(0.32)
Loss per common share – diluted (expressed in $ per share)	(0.17)	(0.32)

c) Dividends

On February 16, 2017, the Company declared a final dividend of CDN$0.005 per share, or $3 million, in respect of the financial year ended December 31, 2016 (February 18, 2016: CDN$0.01 per share or $5 million) to be paid to shareholders of record on May 8, 2017.

9 Sales revenues by nature

	Three months ended March 31	
	2017	**2016**
Copper[1]	643	576
Nickel	43	57
Gold	54	69
Zinc	15	6
Other	11	12
	766	720

[1] Copper revenues excludes $49 million of proceeds from pre-commercial production at Sentinel for the three months ended March 31, 2016. Commercial production was declared at Sentinel effective November 1, 2016.

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

10 Cost of sales

	Three months ended March 31	
	2017[1]	**2016**
Costs of production	(487)	(358)
Depreciation	(199)	(156)
Movement in inventory	3	(73)
Movement in depreciation in inventory	(14)	(28)
	(697)	(615)

[1] Commercial production was declared at Sentinel effective November 1, 2016.

11 Finance costs

	Three months ended March 31	
	2017	**2016**
Interest expense on financial liabilities measured at amortized cost	(116)	(104)
Accretion on restoration provision	(3)	(2)
Total finance costs	(119)	(106)
Less: interest capitalized (note 4)	113	102
	(6)	(4)

12 Income tax expense

A tax expense of $56 million was recorded in the period reflecting applicable statutory tax rates. The statutory tax rates for the Company's operations range from 20% to 35%. No tax credits have been recognized with respect to losses realized under the Company's sales hedge program and costs incurred for the early redemption of senior notes.

13 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.

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

Earnings by segment

For the three-month period ended March 31, 2017, 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
Kansanshi[3]	440	(243)	(86)	-	111	(37)
Sentinel	189	(98)	(39)	(1)	51	(10)
Las Cruces	119	(38)	(47)	-	34	(8)
Guelb Moghrein	41	(25)	(9)	-	7	(6)
Ravensthorpe	45	(54)	(9)	-	(18)	6
Çayeli	20	(12)	(6)	-	2	(1)
Pyhäsalmi	36	(11)	(16)	(1)	8	(3)
Corporate & other[4]	(124)	(3)	(1)	(16)	(144)	3
Total	766	(484)	(213)	(18)	51	(56)

[1] Excludes intersegment revenues of $8 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] Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.

[4] No segmented information for Cobre Panama is disclosed for the statement of earnings, as the project is under development. The development costs for this project are capitalized.

For the three-month period ended March 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
Kansanshi[3]	373	(264)	(91)	(5)	13	(13)
Las Cruces	89	(36)	(41)	(2)	10	(6)
Guelb Moghrein	51	(26)	(10)	-	15	(9)
Ravensthorpe	60	(71)	(15)	-	(26)	7
Çayeli	29	(17)	(9)	-	3	3
Pyhäsalmi	32	(14)	(17)	-	1	(1)
Corporate & other[4]	86	(3)	(1)	(28)	54	(1)
Total	720	(431)	(184)	(35)	70	(20)

[1] Excludes intersegment revenues of $5 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] Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.

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

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

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

Balance sheet by segment

Segmented information on balance sheet items is presented as follows:

	March 31, 2017			December 31, 2016		
	Non-current assets[1]	Total assets	Total liabilities	Non-current assets[1]	Total assets	Total liabilities
Kansanshi[2]	2,881	3,987	1,068	2,980	3,972	1,000
Sentinel	3,239	3,614	168	3,199	3,522	177
Las Cruces	778	1,197	333	817	1,203	322
Guelb Moghrein	189	320	61	199	318	58
Ravensthorpe	738	830	171	740	821	162
Çayeli	147	615	46	153	636	67
Pyhäsalmi	140	279	81	155	339	96
Cobre Panama[3]	6,878	7,162	1,386	6,485	6,767	1,237
Corporate & other[4]	1,139	1,719	6,239	1,134	1,905	6,079
Total	16,129	19,723	9,553	15,862	19,483	9,198

[1] Non-current assets include $16,083 million of property plant and equipment (December 31, 2016: $15,811 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 Haquira project, $668 million (December 31, 2016: $672 million), and to the Taca Taca project, $427 million (December 31, 2016: $428 million).

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:

	Three months ended March 31	
	2017	**2016**
Kansanshi	26	21
Sentinel	24	-
Las Cruces	3	1
Guelb Moghrein	6	7
Ravensthorpe	5	1
Kevitsa	-	71
Çayeli	1	1
Pyhäsalmi	-	1
Cobre Panama	243	154
Corporate & other	3	2
Total	311	259

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

14 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 March 31, 2017:

	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]	268	-	-	-	268	268
Other derivative instruments[2]	-	-	2	-	2	2
Investments						
At cost [3]	-	21	-	-	21	n/a
At fair value	-	7	-	-	7	7
Financial liabilities						
Trade and other payables	-	-	-	496	496	496
Derivative instruments in designated hedge relationships	-	-	318	-	318	318
Other derivative instruments[2]	-	-	7	-	7	7
Finance leases	-	-	-	23	23	23
Liability to related party	-	-	-	659	659	659
Debt	-	-	-	5,110	5,110	5,284

[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.

(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, 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						
At cost [3]	-	21	-	-	21	n/a
At fair value	-	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.

The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at March 31, 2017, in the fair value hierarchy as described in the annual consolidated financial statements for the year ended December 31, 2016:

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative instruments – LME contracts[1]	1	-	-	1
Derivative instruments – OTC contracts[2]	-	1	-	1
Investments[3]	7	-	-	7
Financial liabilities				
Derivative instruments – LME contracts[1]	7	-	-	7
Derivative instruments – OTC contracts[2]	-	318	-	318

[1] Futures for copper, nickel, gold and zinc 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.

(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 and zinc 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.

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 March 31, 2017, were as follows:

	Open Positions (tonnes/ounces)	Average Contract price	Closing Market price	Maturities Through
Commodity contracts:				
Copper forward	402,000	$2.29/lb	$2.65/lb	February 2018
Copper zero cost collar	16,000	$2.62-$2.83 /lb	$2.65/lb	February 2018

Other derivatives

As at March 31, 2017 and December 31, 2016, the Company had entered into the following derivative contracts for copper, gold, nickel and zinc 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 March 31, 2017, 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	59,092	$2.64/lb	$2.65/lb	July 2017
Nickel	1,341	$4.53/lb	$4.48/lb	April 2017
Gold	17,794	$1,251/oz	$1,243/oz	May 2017
Zinc	950	$1.27/lb	$1.26/lb	May 2017
Commodity contracts:				
Copper	59,817	$2.64/lb	$2.65/lb	July 2017
Nickel	1,341	$4.53/lb	$4.48/lb	April 2017
Gold	17,851	$1,251/oz	$1,243/oz	May 2017
Zinc	950	$1.27/lb	$1.26/lb	May 2017

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

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

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

	March 31, 2017	December 31, 2016
Commodity contracts:		
Asset position	2	22
Liability position	(325)	(302)

15 Commitments & contingencies

Capital commitments

In conjunction with the development of Cobre Panama, the Company has committed to $833 million (December 31, 2016: $564 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 the 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.