



FIRST QUANTUM
MINERALS LTD.

Condensed Interim Consolidated Financial Statements

Second Quarter – June 30, 2017

(unaudited)

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

First Quantum Minerals Ltd.

Condensed Interim Consolidated Statements of Earnings (Loss)

(unaudited)

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

		Three months ended June 30		Six months ended June 30	
	Note	2017	2016	2017	2016
Sales revenues	9	782	659	1,548	1,379
Cost of sales	10	(716)	(557)	(1,413)	(1,172)
Gross profit		66	102	135	207
Exploration		(3)	(3)	(6)	(6)
General and administrative		(18)	(17)	(35)	(34)
Other income (expense)		1	12	3	(3)
Operating profit		46	94	97	164
Finance income		1	-	2	2
Finance costs	11	(6)	(4)	(12)	(8)
Loss on extinguishment of senior notes		-	-	(84)	-
Earnings before income taxes		41	90	3	158
Income tax credit (expense)	12	(56)	52	(112)	32
Net earnings (loss) from continuing operations		(15)	142	(109)	190
Net loss from discontinued operations		-	(1)	-	(267)
Net profit (loss)		(15)	141	(109)	(77)
Net earnings (loss) from continuing operations					
Non-controlling interests		20	17	40	16
Shareholders of the Company	8b	(35)	125	(149)	174
Net earnings (loss) attributable to:					
Non-controlling interests		20	17	40	16
Shareholders of the Company	8b	(35)	124	(149)	(93)
Earnings (loss) per common share attributable to the shareholders of the Company					
Net earnings (loss) from continuing operations (\$ per share):					
Basic	8b	(0.05)	0.18	(0.22)	0.25
Diluted	8b	(0.05)	0.18	(0.22)	0.25
Net earnings (loss) (\$ per share)					
Basic	8b	(0.05)	0.18	(0.22)	(0.14)
Diluted	8b	(0.05)	0.18	(0.22)	(0.14)
Weighted average shares outstanding (000's)					
Basic	8b	685,845	685,783	685,844	685,774
Diluted	8b	685,845	689,348	685,844	689,325
Total shares issued and outstanding (000's)	8a	689,380	689,358	689,380	689,358

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 (Loss)**

(unaudited)

(expressed in millions of U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Net earnings (loss) for the period	(15)	141	(109)	(77)
Other comprehensive income (loss)				
<i>Items that have been/may be subsequently reclassified to net earnings:</i>				
Cash flow hedges reclassified to net earnings	83	-	170	(72)
Gains (losses) on cash flow hedges arising during the period	7	(15)	(106)	4
Unrealized gain (loss) on available-for-sale investments	-	2	1	2
Total comprehensive income (loss) for the period	75	128	(44)	(143)
Total comprehensive income (loss) for the year attributable to:				
Non-controlling interests	20	17	40	16
Shareholders of the Company	55	111	(84)	(159)
Total comprehensive income (loss) for the period	75	128	(44)	(143)

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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	
	2017	2016	2017	2016
Cash flows from continuing operating activities				
Net earnings (loss) from operations	(15)	142	(109)	190
Adjustments for				
Depreciation	219	182	432	366
Income tax expense (credit)	56	(52)	112	(32)
Share-based compensation expense	5	5	11	11
Net finance expense	5	4	10	6
Loss on extinguishment of senior notes	-	-	84	-
Other	(3)	(16)	(3)	16
	267	265	537	557
Taxes paid	(85)	(22)	(130)	(39)
Franco-Nevada Corporation ("Franco-Nevada") precious metal stream arrangement	53	38	103	38
Change in non-cash operating working capital				
Decrease (increase) in trade and other receivables and derivatives	(24)	22	(4)	(35)
Decrease (increase) in inventories	(35)	11	(55)	88
Increase (decrease) in trade and other payables	29	(10)	(7)	(51)
Net cash from operating activities of continuing operations	205	304	444	558
Net cash from operating activities of discontinued operations	-	22	-	9
Cash flows from (used by) investing activities				
Purchase and deposits on property, plant and equipment	(363)	(305)	(674)	(564)
Interest paid and capitalized to property, plant and equipment	(46)	(75)	(170)	(188)
Initial proceeds from sale of Kevitsa	-	663	-	663
Repayments and interest on ENRC Promissory note	-	32	-	64
Other	-	(4)	10	(1)
Net cash from (used by) investing activities of continuing operations	(409)	311	(834)	(26)
Net cash used by investing activities of discontinued operations	-	(4)	-	(13)
Cash flows from (used by) financing activities				
Net movement in trading facility	8	(58)	44	(60)
Movement in restricted cash	38	-	(14)	-
Proceeds from debt	100	23	2,276	23
Repayments of debt	(5)	(5)	(2,090)	(10)
Dividends paid to the shareholders of the Company	(3)	(5)	(3)	(5)
Early redemption costs on senior notes	-	-	(54)	-
Proceeds from Korea-Panama Mining Corporation ("KPMC")	53	38	103	76
Other	(4)	(2)	(6)	(4)
Net cash from (used by) financing activities of continuing operations	187	(9)	256	20
Increase (decrease) in cash and cash equivalents and bank overdrafts	(17)	624	(134)	548
Cash and cash equivalents and bank overdrafts – beginning of period	449	275	565	365
Exchange gains (losses) on cash and cash equivalents	18	-	19	(14)
Less: cash and cash equivalents held for sale	-	(4)	-	(4)
Cash and cash equivalents and bank overdrafts – end of period	450	895	450	895
Cash and cash equivalents and bank overdrafts comprising:				
Cash and cash equivalents	1,407	1,756	1,407	1,756
Bank overdrafts	(957)	(861)	(957)	(861)
	450	895	450	895

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

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

(expressed in millions of U.S. dollars)

	Note	June 30, 2017	December 31, 2016 (audited)
Assets			
Current assets			
Cash and cash equivalents		1,407	1,463
Trade and other receivables		417	402
Inventories	3	1,076	1,032
Current portion of other assets	5	163	176
		3,063	3,073
Cash and cash equivalents - restricted cash		89	70
Non-current VAT receivable		182	176
Property, plant and equipment	4	16,364	15,811
Goodwill		237	237
Other assets	5	118	116
Total assets		20,053	19,483
Liabilities			
Current liabilities			
Bank overdraft		957	898
Trade and other payables		594	531
Current taxes payable		59	90
Current debt	6	472	385
Current portion of provisions and other liabilities	7	262	320
		2,344	2,224
Debt	6	4,749	4,561
Provisions and other liabilities	7	1,381	1,212
Deferred revenue		565	462
Deferred income tax liabilities		764	739
Total liabilities		9,803	9,198
Equity			
Share capital	8	5,565	5,553
Retained earnings		3,781	3,933
Accumulated other comprehensive loss		(227)	(292)
Total equity attributable to shareholders of the Company		9,119	9,194
Non-controlling interests		1,131	1,091
Total equity		10,250	10,285
Total liabilities and equity		20,053	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)

		Three months ended June 30		Six months ended June 30	
	Note	2017	2016	2017	2016
Share capital					
Common shares					
Balance – beginning and end of period		5,642	5,642	5,642	5,642
Treasury shares					
Balance – beginning of period		(155)	(167)	(156)	(167)
Restricted and performance stock units vested		1	1	2	1
Balance – end of period		(154)	(166)	(154)	(166)
Contributed surplus					
Balance – beginning of period		73	63	67	56
Share-based compensation expense for the period (inclusive of capitalized amounts)		5	6	12	13
Restricted and performance stock units vested		(1)	(1)	(2)	(1)
Balance – end of period		77	68	77	68
Total share capital		5,565	5,544	5,565	5,544
Retained earnings					
Balance – beginning of period		3,816	3,763	3,933	3,985
Net earnings (loss) for the period attributable to shareholders of the Company		(35)	124	(149)	(93)
Dividends	8c	-	-	(3)	(5)
Balance – end of period		3,781	3,887	3,781	3,887
Accumulated other comprehensive loss					
Balance – beginning of period		(317)	(1)	(292)	52
Other comprehensive income (loss) for the period		90	(13)	65	(66)
Balance – end of period		(227)	(14)	(227)	(14)
Non-controlling interests					
Balance – beginning of period		1,111	1,064	1,091	1,065
Net earnings (loss) attributable to non-controlling interests		20	17	40	16
Balance – end of period		1,131	1,081	1,131	1,081

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

First Quantum Minerals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

(unaudited)

(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 Depository Receipts are 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.

Accounting standards issued but not yet effective

Standards and interpretations issued but not yet effective are listed below.

IFRS 15 – Revenue from contracts with customers

The new standard provides a five step framework for application to customer contracts: identification of customer contract, identification of the contract performance obligations, determination of the contract price, allocation of the contract price to the contract performance obligations, and revenue recognition as performance obligations are satisfied. A new requirement where revenue is variable stipulates that revenue may only be recognized to the extent that it is highly probable that significant reversal of revenue will not occur. The new standard will be effective for annual periods beginning on or after January 1, 2018. The Company has not elected for early adoption. Upon application of the standard, an adjustment will be made to the opening balance of retained earnings. Items identified as being impacted by IFRS 15 include:

- The timing of recognition of revenue may be affected by the existence of performance obligations not currently recognized separately, such as freight and insurance under some shipping contracts that may be entered into by the Company.
- Disclosure around the timing, nature, quantum and certainty of revenue from contracts with customers will be required.
- Deferred revenue recognized relating to proceeds received from Franco-Nevada under the terms of the precious metal streaming agreement for Cobre Panama is expected to be adjusted to reflect a significant financing component.

The Company continues to analyse the impact and implement the changes required by the introduction of IFRS 15.

IFRS 9 – Financial instruments: Classification and Measurement.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the existing IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings, unless this creates an accounting mismatch. The new standard will be effective for annual periods beginning on or after January 1, 2018. Items identified as being impacted by IFRS 9 include:

- Equity investments currently held by the Company at cost will be fair valued through either profit or loss or upon an irrevocable election, at fair value through other comprehensive income.
- An expected credit loss model is to be introduced under IFRS 9 for the purpose of calculating impairment of financial assets. Furthermore, IFRS 9 will require additional disclosure of credit risk and expected credit losses.
- IFRS 9 marks a revised approach to hedge accounting though this is not expected to significantly impact hedge accounting applied by the Company.

First Quantum Minerals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

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

The Company continues to analyse the impact and implement the changes required by the introduction of IFRS 9.

IFRS 16 – Leases.

The new standard will replace *IAS 17 Leases* and eliminates the classification of leases as either operating or finance leases by the lessee. Classification of leases by the lessor under *IFRS 16* continues as either an operating or a finance lease, as was the treatment under *IAS 17 Leases*. The treatment of leases by the lessee will require capitalization of all leases resulting in accounting treatment similar to finance leases under *IAS 17 Leases*. Exemptions for leases of very low value or short-term leases will be applicable. The new standard will result in an increase in lease assets and liabilities for the lessee. Under the new standard the treatment of all lease expense is aligned in the statement of earnings with depreciation, and an interest expense component recognized for each lease, in line with finance lease accounting under *IAS 17 Leases*. IFRS 16 will be applied prospectively for annual periods beginning on or after January 1, 2019. The Company will continue to evaluate the impact on the consolidated financial statements of IFRS 16 during 2017. It is expected that the introduction of IFRS 16 will result in an increase in assets and liabilities recognized together with an increase in depreciation and finance costs as fewer leases will qualify for expensing to the income statement, as is the case with operating leases under the current standard.

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

3 Inventories

	June 30, 2017	December 31, 2016
Ore in stockpiles	213	200
Work-in-progress	34	38
Finished product	310	313
Total product inventory	557	551
Consumable stores	519	481
	1,076	1,032

4 Property, plant and equipment

	Plant and equipment	Capital work- in-progress	Mineral properties and mine development costs		Total
			Operating mines	Development projects	
Net book value, as at January 1, 2017	4,996	6,361	2,254	2,200	15,811
Additions	-	741	-	-	741
Disposals	(13)	-	-	-	(13)
Transfers between categories	133	(344)	196	15	-
Restoration provision	-	-	18	1	19
Capitalized interest	-	228	-	-	228
Depreciation charge	(302)	-	(120)	-	(422)
As at June 30, 2017	4,814	6,986	2,348	2,216	16,364
Cost	7,923	6,986	3,478	2,216	20,603
Accumulated depreciation	(3,109)	-	(1,130)	-	(4,239)

First Quantum Minerals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

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

	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 six months ended June 30, 2017, \$228 million of interest (six months ended June 30, 2016: \$208 million) was capitalized relating to the development of qualifying assets. The amount capitalized to June 30, 2017 was determined by applying the weighted average cost of borrowings of 7.6% (six months ended June 30, 2016: 7.6%) to the accumulated qualifying expenditures.

Included within capital work-in-progress and mineral properties – operating mines at June 30, 2017, is an amount of \$616 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.

5 Other assets

	June 30, 2017	December 31, 2016
Prepaid expenses	211	205
Investments	28	27
Deferred income tax assets	40	38
Derivative instruments (note 14)	2	22
Total other assets	281	292
Less: current portion of other assets	(163)	(176)
	118	116

Included within prepaid expenses is \$74 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.

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Notes to the Condensed Interim Consolidated Financial Statements

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

6 Debt

		June 30, 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)	1,092	1,087
First Quantum Minerals Ltd. 7.25% due October 2019 ¹	(f)	-	345
First Quantum Minerals Ltd. 7.25% due May 2022	(g)	842	841
Kansanshi senior term loan		232	289
First Quantum Minerals Ltd. senior debt facility	(h)	704	1,116
Trading facilities		126	82
Equipment financing		53	63
Total debt		5,221	4,946
Less: Current maturities and short term debt		(472)	(385)
		4,749	4,561
Undrawn debt			
First Quantum Minerals Ltd. senior debt facility	(i)	838	713
Trading facilities	(j)	184	228

¹ In March 2017, the Company issued \$1,100 million in senior notes due in April 2023 and \$1,100 million in senior notes due in April 2025. The proceeds of the issuance were primarily 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 October 1, 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 October 1, 2019, the notes may be redeemed at 100% plus a make-whole premium, and accrued interest. In addition, until October 1, 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.

First Quantum Minerals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

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

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 April 1, 2020, at redemption prices ranging from 105.625% 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 April 1, 2020, the notes may be redeemed at 100% plus a make-whole premium, and accrued interest. In addition, until April 1, 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 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 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

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 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 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

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

h) 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"). The \$1,815 million Facility was upsized to \$1,875 million in November 2016, increasing the Term Loan Facility to \$838 million and the Revolving Credit Facility to \$838 million, 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 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 June 30, 2017, \$209 million relating to the Term Loan (December 31, 2016: \$167 million) is due within twelve months of the balance sheet date.

First Quantum Minerals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

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

7 Provisions and other liabilities

	June 30, 2017	December 31, 2016
Restoration provisions	560	530
Amount owed to related party	727	596
Derivative instruments (note 14)	244	302
Other	112	104
Total other liabilities	1,643	1,532
Less: current portion	(262)	(320)
	1,381	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, in which KPMC is a 20% shareholder. Interest is calculated semi-annually at an annual rate of 9%. As of June 30, 2017, the accrual for interest payable is \$114 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	689,374
Shares issued through Dividend Reinvestment Plan	6
Balance as at June 30, 2017	689,380

b) Earnings (loss) per share

	Three months ended June 30		Six months ended June 30	
Continuing basis	2017	2016	2017	2016
Basic and diluted (loss) earnings attributable to shareholders of the Company	(35)	125	(149)	174
Basic weighted average number of shares outstanding (000's of shares)	685,845	685,783	685,844	685,774
Effect of potential dilutive securities:				
Treasury shares	3,532	3,565	3,540	3,551
Diluted weighted average number of shares outstanding	685,845	689,348	685,844	689,325
(Loss) earnings per common share from continuing operations – basic (expressed in \$ per share)	(0.05)	0.18	(0.22)	0.25
(Loss) earnings per common share from continuing operations – diluted (expressed in \$ per share)	(0.05)	0.18	(0.22)	0.25

First Quantum Minerals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

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

Including discontinued operations

Basic and diluted (loss) attributable to shareholders of the Company	(35)	124	(149)	(93)
Basic weighted average number of shares outstanding (000's of shares)	685,845	685,783	685,844	685,774
Effect of dilutive securities:				
Treasury shares	3,532	3,565	3,540	3,551
Diluted weighted average number of shares outstanding	685,845	689,348	685,844	685,774
Loss per common share – basic (expressed in \$ per share)	(0.05)	0.18	(0.22)	(0.14)
Loss per common share – diluted (expressed in \$ per share)	(0.05)	0.18	(0.22)	(0.14)

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.

On July 27, 2017, the Company declared an interim dividend of CDN\$0.005 per share in respect of the financial year ended December 31, 2017 (July 27, 2016: CDN\$0.005 per share or \$3 million). The dividend will be paid on September 19, 2017 to shareholders of record on August 28, 2017. The ex-dividend date is August 24, 2017.

9 Sales revenues by nature

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Copper	655	519	1,298	1,095
Nickel	39	37	82	94
Gold	66	82	120	151
Zinc	11	6	26	12
Other	11	15	22	27
	782	659	1,548	1,379

Copper revenues excludes \$108 million of proceeds from pre-commercial production at Sentinel for the six months ended June 30, 2016. Commercial production was declared at Sentinel effective November 1, 2016.

10 Cost of sales

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Costs of production	(504)	(335)	(991)	(693)
Depreciation	(223)	(152)	(422)	(308)
Movement in inventory	7	(40)	10	(113)
Movement in depreciation in inventory	4	(30)	(10)	(58)
	(716)	(557)	(1,413)	(1,172)

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

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11 Finance costs

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Interest expense on financial liabilities measured at amortized cost	(118)	(107)	(234)	(211)
Accretion on restoration provision	(3)	(3)	(6)	(5)
Total finance costs	(121)	(110)	(240)	(216)
Less: interest capitalized (note 4)	115	106	228	208
	(6)	(4)	(12)	(8)

12 Income tax expense

A tax expense of \$112 million was recorded for the six months ended June 30, 2017, (six months ended June 30, 2016: \$32 million income tax credit) 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.

Earnings by segment

For the three-month period ended June 30, 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	350	(152)	(57)	7	148	(54)
Sentinel	256	(182)	(62)	(3)	9	-
Las Cruces	111	(36)	(53)	(4)	18	1
Guelb Moghrein	67	(41)	(15)	(1)	10	2
Ravensthorpe	44	(58)	(7)	-	(21)	6
Çayeli	16	(9)	(8)	-	(1)	-
Pyhäsalmi	35	(13)	(17)	(3)	2	-
Corporate & other ⁴	(97)	(6)	-	(16)	(119)	(11)
Total	782	(497)	(219)	(20)	46	(56)

¹ Excludes intersegment revenues of \$7 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.

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

For the three-month period ended June 30, 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	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 ⁴	37	(12)	-	(18)	7	(20)
Total	659	(375)	(182)	(8)	94	52

¹ Excludes intersegment revenues of \$11 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 June 30, 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.

For the six-month period ended June 30, 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	790	(395)	(143)	7	259	(91)
Sentinel	445	(280)	(101)	(4)	60	(10)
Las Cruces	230	(74)	(100)	(4)	52	(7)
Guelb Moghrein	108	(66)	(24)	(1)	17	(4)
Ravensthorpe	89	(112)	(16)	-	(39)	12
Çayeli	36	(21)	(14)	-	1	(1)
Pyhäsalmi	71	(24)	(33)	(4)	10	(3)
Corporate & other ⁴	(221)	(9)	(1)	(32)	(263)	(8)
Total	1,548	(981)	(432)	(38)	97	(112)

¹ Excludes intersegment revenues of \$15 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.

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For the six-month period ended June 30, 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	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 ⁴	123	(15)	(1)	(46)	61	(21)
Total	1,379	(806)	(366)	(43)	164	32

¹ Excludes intersegment revenues of \$16 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 June 30, 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.

Balance sheet by segment

Segmented information on balance sheet items is presented as follows:

	June 30, 2017			December 31, 2016		
	Non-current assets ¹	Total assets	Total liabilities	Non-current assets ¹	Total assets	Total liabilities
Kansanshi ²	2,855	4,176	1,096	2,980	3,972	1,000
Sentinel	3,203	3,576	175	3,199	3,522	177
Las Cruces	744	1,228	337	817	1,203	322
Guelb Moghrein	179	304	54	199	318	58
Ravensthorpe	734	830	172	740	821	162
Çayeli	140	609	42	153	636	67
Pyhäsalmi	125	277	75	155	339	96
Cobre Panama ³	7,279	7,553	1,522	6,485	6,767	1,237
Corporate & other ⁴	1,140	1,500	6,330	1,134	1,905	6,079
Total	16,399	20,053	9,803	15,862	19,483	9,198

¹ Non-current assets include \$16,364 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, \$676 million (December 31, 2016: \$672 million), and to the Taca Taca project, \$429 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:

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	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Kansanshi	43	34	69	55
Sentinel	32	-	56	-
Las Cruces	6	2	9	3
Guelb Moghrein	2	6	8	13
Ravensthorpe	7	2	12	3
Kevitsa	-	70	-	141
Çayeli	1	2	2	3
Pyhäsalmi	-	-	-	1
Cobre Panama	272	187	515	341
Corporate & other	-	2	3	4
Total	363	305	674	564

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 June 30, 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	291	-	-	-	291	291
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	-	-	-	594	594	594
Derivative instruments in designated hedge relationships	-	-	227	-	227	227
Other derivative instruments ²	-	-	17	-	17	17
Finance leases	-	-	-	23	23	23
Liability to related party	-	-	-	727	727	727
Debt	-	-	-	5,221	5,221	5,309

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.

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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 June 30, 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	2	-	-	2
Derivative instruments – OTC contracts ²	-	-	-	-
Investments ³	7	-	-	7
Financial liabilities				
Derivative instruments – LME contracts ¹	14	-	-	14
Derivative instruments – OTC contracts ²	-	230	-	230

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.

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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 designated future sales. Commodity contracts outstanding as at June 30, 2017, were as follows:

	Open Positions (tonnes/ounces)	Average Contract price	Closing Market price	Maturities Through
Commodity contracts:				
Copper forward	285,000	\$2.34/lb	\$2.68/lb	February 2018
Copper zero cost collar	61,000	\$2.54 - \$2.78/lb	\$2.68/lb	June 2018

Other derivatives

As at June 30, 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 June 30, 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	61,305	\$2.70/lb	\$2.68/lb	October 2017
Nickel	862	\$4.24/lb	\$4.21/lb	August 2017
Gold	21,786	\$1,243/oz	\$1,243/oz	August 2017
Zinc	1,325	\$1.18/lb	\$1.25/lb	August 2017
Commodity contracts:				
Copper	60,439	\$2.70/lb	\$2.68/lb	October 2017
Nickel	862	\$4.24/lb	\$4.21/lb	August 2017
Gold	21,786	\$1,243/oz	\$1,243/oz	August 2017
Zinc	1,325	\$1.18/lb	\$1.25/lb	August 2017

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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.

	June 30, 2017	December 31, 2016
Commodity contracts:		
Asset position	2	22
Liability position	(244)	(302)

15 Commitments & contingencies

Capital commitments

In conjunction with the development of Cobre Panama, the Company has committed to \$865 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 Limited., 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 from the group companies including First Quantum, its subsidiary FQM Finance Ltd. ("FQM Finance"), and certain directors and an executive of the named corporate defendants. Aside from the parties, the allegations repeated from the Notice of Arbitration and are in their nature inflammatory, vexatious and untrue.

This dispute is stated as a request for a derivative action, which will require ZCCM to obtain permission to proceed. The dispute arises from facts originating in 2007, and concern the rate of interest paid on select deposits made by KMP with the Company's financing entity, FQM Finance. The funds on deposits were primarily retained for planned investment by KMP in Zambia. In particular, 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.

FQM Finance paid interest on the deposits to KMP based on an assessment of an arm's-length fair market rate, which is supported by independent third party analysis. ZCCM disputes that interest rate paid to KMP on the deposits was sufficient.