Delivering Growth

2018
Annual Report

FIRST QUANTUM
MINERALS LTD.

About FQM

First Quantum Minerals is a leading and fast growing copper company founded more than 20 years ago with a strong conviction in the long-term fundamentals for copper.

Beginning with the 1996 purchase of a mining licence in Zambia to reprocess tailings from past mining activities, our assets and operations now span nine countries and five continents. Today we are one of the world's top 10 copper producers.

In 2018 we recorded our seventh straight year of copper production growth with 605,853 tonnes of copper produced. In addition, we produced 185,414 ounces of gold.

Our rapid growth is set to continue with the ramp-up of Cobre Panama, which is underway and expected to continue over the next few years.

Financial Highlights

	2018	2017	2016
Production (t)[1]	**605,853**	573,963	539,458
Sales (t)[2]	**596,513**	580,130	535,613
All-in sustaining costs (per lb)[3]	**$ 1.74**	$ 1.65	$ 1.46
Average realized price (per lb)	**$ 2.84**	$ 2.33	$ 2.26
Sales revenues (millions)	**$ 3,966**	$ 3,310	$ 2,673
Net earnings (loss) attributable to shareholders of the Company (millions)[4]	**$ 441**	$ (316)	$ 222
Basic and diluted earnings (loss) per share	**$ 0.64**	$ (0.46)	$ (0.07)[5]
Comparative EBITDA (millions)[6]	**$ 1,737**	$ 1,154	$ 964
Comparative earnings (loss) (millions)[6]	**$ 487**	$ (111)	$ 165
Comparative earnings (loss) per share[6]	**$ 0.71**	$ (0.16)	$ 0.24
Cash flow from operating activities (millions)[7]	**$ 1,980**	$ 914	$ 914
Per share	**$ 2.88**	$ 1.33	$ 1.33

1 Production is presented on a copper contained basis and is presented prior to processing through the Kansanshi smelter.

2 Copper sales exclude the sale of copper anode produced from third-party concentrate purchased at Kansanshi.

3 All-in sustaining costs exclude third-party concentrate purchased and are not recognized under IFRS. See "Regulatory disclosures" on pages 46–48.

4 Net earnings (loss) attributable to shareholders of the Company has been adjusted to exclude items which are not reflective of underlying performance to arrive at comparative earnings (loss).

5 2016 figure excludes discontinued operations.

6 Comparative EBITDA and comparative earnings (loss) and comparative earnings (loss) per share are not measures recognized under IFRS. See "Regulatory disclosures" on page 49 for the reconciliation.

7 Cash flow from operating activities per share is not recognized under IFRS. See "Regulatory disclosures" for more information.

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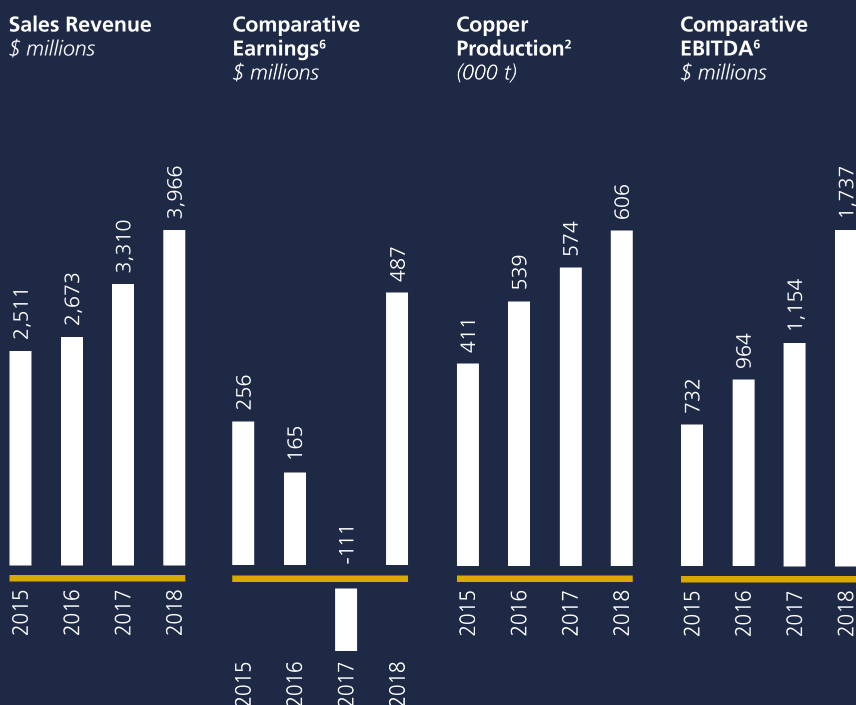
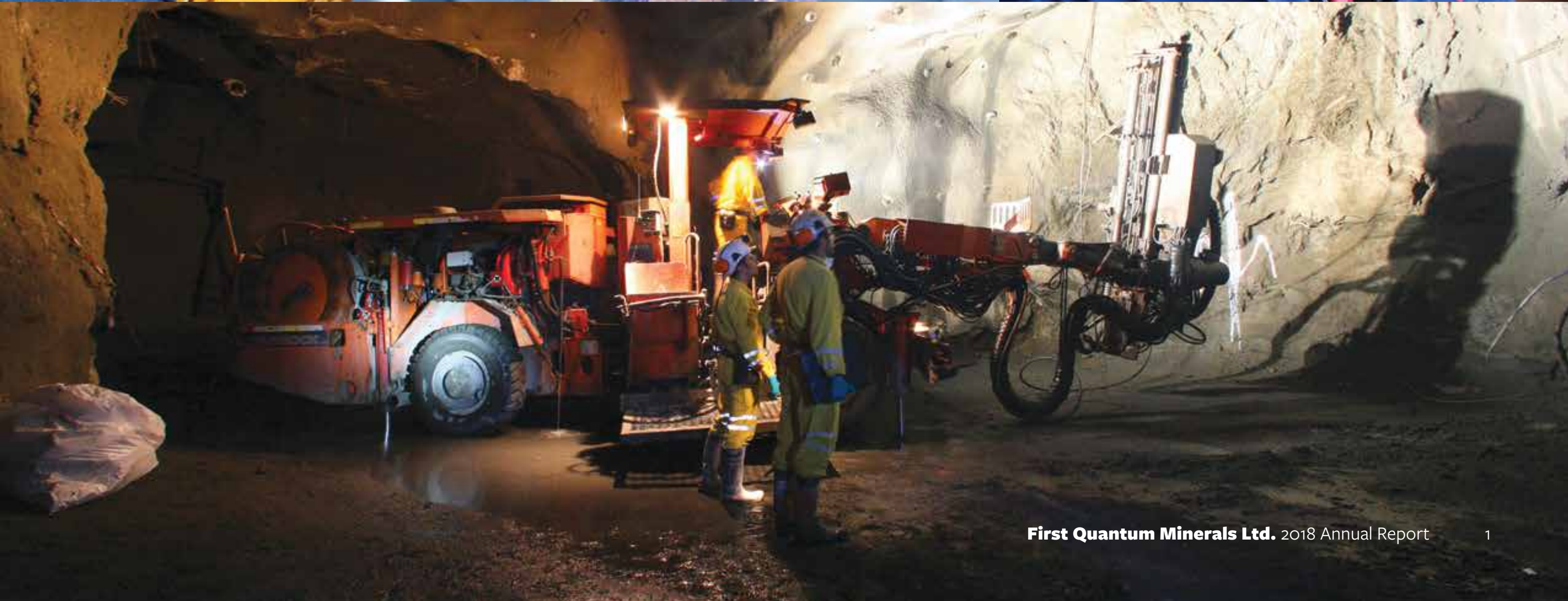
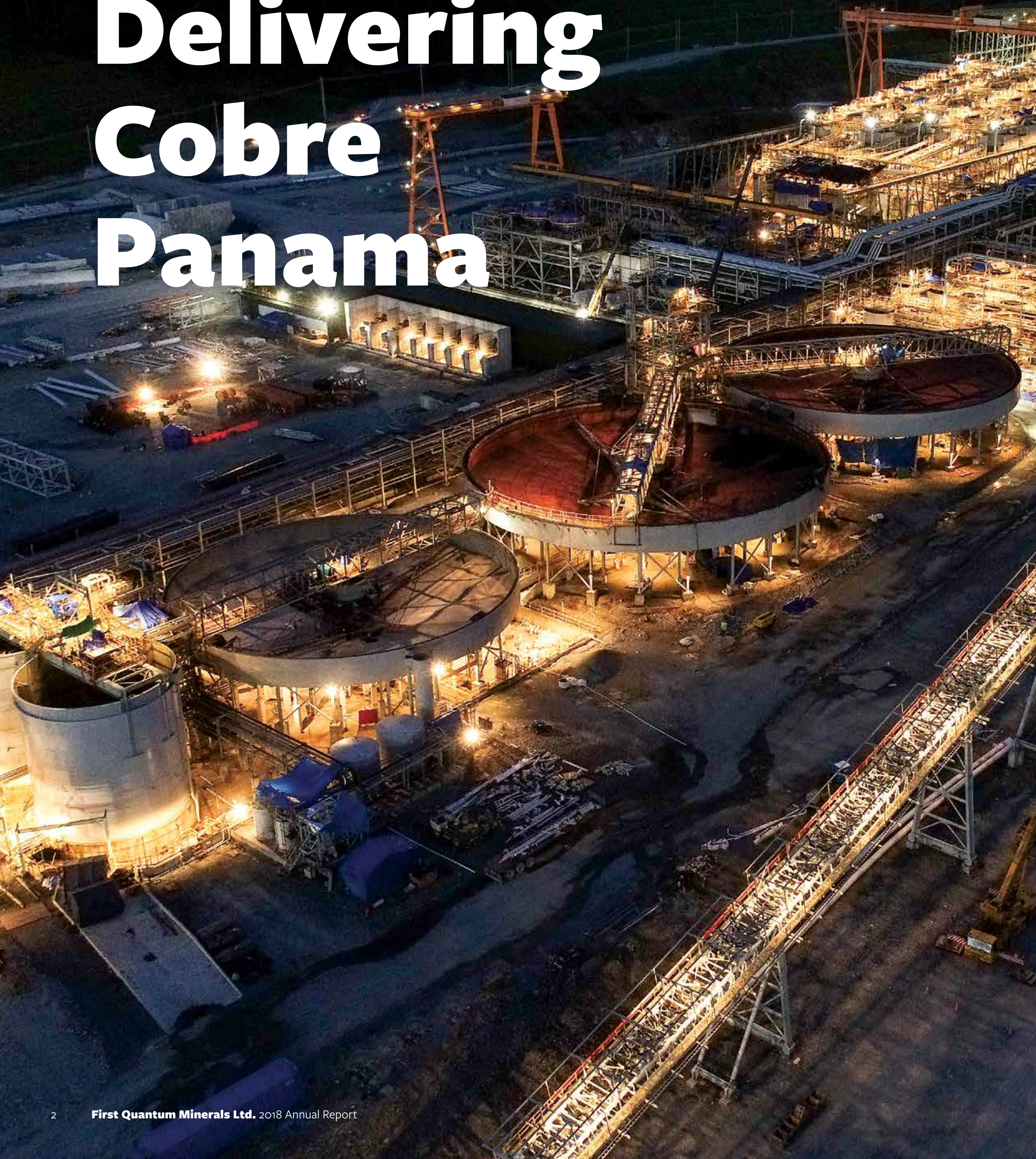


Studies show that demand for copper is soon poised to outstrip supply. With our portfolio of high-quality, low-cost copper mines and robust copper development projects, most notably Cobre Panama, First Quantum is well positioned to create lasting value and opportunity by Delivering Growth.



Delivering Cobre Panama



By the end of 2018, Cobre Panama construction was almost complete. First Quantum's mega project is scheduled to ramp up starting in 2019. Once operating at full capacity, Cobre Panama is expected to produce over 300,000 tonnes of copper a year, making it one of the world's largest copper mines.

40-year

estimated life of mine

85 million

tonnes per year processing capacity by 2021

2019

Ramp-up commences

2018 was an important year for First Quantum. The commodity markets improved and we saw an average LME copper price of $2.96/lb compared with $2.79/lb in 2017. Concurrently, our operations set an aggregate record for copper production, largely the result of improvements at Sentinel and reliable performance by our other mines. Consequently, we have been able to focus attention on advancing the huge Cobre Panama project towards practical completion. On February 18, 2019, the President of Panama, Juan Carlos Varela, presided at a ceremony to mark the first ore through the mills.

First Quantum now operates eight mines in seven countries. We are determined that each of our units should be a valued partner to the community within which it operates. At each unit, we prioritize local community engagement as we strive to minimize our impact on the environment, and to find practical ways to improve the lives of the people we work amongst and alongside. Our environmental and social programs are developed to meet the unique requirements at every site.

"We were founded on our belief in the fundamentals of copper, and remain steadfast in our commitment to the red metal."

In 2018, over 90% of our revenues were generated from copper, making First Quantum one of a handful of "pure play" copper companies. We were founded on our belief in the fundamentals of copper, and remain steadfast in our commitment to the red metal. Indeed, we expect demand for copper will continue to grow, on average, as it has for the past 110 years. We are confident that sustainable power initiatives and electrification of transport will combine with middle-class growth in places like China to create long-term demand growth. There are few new projects to meet that demand.

First Quantum's Cobre Panama project is one of those few. It is already one of the largest built as a single plant. During 2019, the ore throughput will be increased first to the original design of 72 Mtpa, and then after the installation of the eighth mill, to 85 Mtpa. We expect, by 2021, to be producing around 300,000 tonnes of copper per year. However, most of the existing installation is designed to achieve throughput of 100 Mtpa. The possible final step of a ninth mill and additional mining fleet would enable production of 400,000 tonnes of copper per year.

We have often stated our objective to reduce our debt and strengthen our balance sheet. Cobre Panama, whose capital cost has been the major cause of our debt, will, by the end of 2019, augment our means to reduce it. Given our expected growth, fuelled by the ramp-up of Cobre Panama, together with the strong economic fundamentals underlying copper, I am very positive about our outlook over the next few years.

Looking ahead, while we seek to consolidate and strengthen our Company, we will stay focused on delivering growth. We will continue to provide a stable and desirable work environment for all employees; and, importantly, take a leadership role in contributing to health, safety and environmental sustainability in the communities and countries in which we operate.

2018 Operational Highlights

We achieved record production in 2018 with close to 606,000 tonnes of copper produced, marking a seventh consecutive year of growth in copper output. This included a 17% increase in production at Sentinel, which we achieved by improving throughput and recoveries. Kansanshi continues to operate steadily and at a low cost. Throughout 2018, our overall unit costs remained at the low end of the industry cost curve and we expect this to continue through 2019.

Production of gold and zinc was within expectations for the year but remains a small part of our business. Our Ravensthorpe nickel/cobalt operation has been on care and maintenance since late 2017 while we have investigated ways to improve its economics. The restart of operations at Ravensthorpe during 2019 is being considered as the economic environment and prices for nickel improve.

At our Las Cruces mine, in conjunction with routine production, we continued the development of a proprietary technology for the recovery of copper, zinc, silver and lead from primary chalcopyrite ore. The performance of this technology is now well established, and the initial underground mining has confirmed continuation of the resource. We are now working to finalize the practical and commercial feasibility of a long-term underground mine.

In brief, 2018 was another year of efficient project development and the application of innovative thinking to solve technical problems.

Delivering Growth

COBRE PANAMA

By the end of 2018 our Cobre Panama project was nearing completion. Since its acquisition in 2013, this project has been a significant focus for the Company and our stakeholders. We began phased commissioning in the first quarter of 2019. By 2021, when we anticipate full throughput, we expect Cobre Panama will produce over 300,000 tonnes of copper per year from 85 million tonnes of ore.

As I noted above, much of the installation has excess capacity. We expect that we could achieve annual throughput of 100 million tonnes with additional mining equipment, an earlier move to the Colina pit and the possible addition of a ninth mill.

The location of Cobre Panama has posed some enormous challenges, not limited to annual rainfall of up to 7 metres, very difficult ground conditions, extreme topography and immense size. We have turned this challenging project into a major asset for our shareholders, unlocking value and demonstrating our uncommon expertise in complex projects.

Cobre Panama has delivered, and will continue to deliver, very real benefits to the region. These include direct and auxiliary local employment, education and training, regional infrastructure improvements, business opportunities, and a high level of environmental stewardship.

PROJECT PIPELINE

We have an attractive pipeline of advanced exploration projects in South America. The most advanced is Taca Taca located in the Puna region of the Salta province in Argentina. Work on the Environmental Impact Assessment and other studies, along with stakeholder engagement, continues to advance the project towards a construction decision. Next is Haquira, located in Apurimac in southern Peru, adjacent to the Las Bambas operation. Our current focus is resettlement of small local communities, which is being undertaken in close consultation with a broad range of local stakeholders and is critical to our pathway forward. We continue to work towards obtaining agreements that will allow us to complete evaluation of the deposit and advance towards a production decision.

These projects provide First Quantum with great long-term potential. As noted, our priority in the short- to medium-term is to deleverage our balance sheet while providing a reliable return to shareholders.

"2019 will see our copper production grow and our geographical diversity enhanced. With the reduction in capital investment, we will begin reducing our debt. 2019 is going to be a transformational year."

Our Focus on People

First Quantum strives to be a useful and valued partner to the people and communities near our operations. Wherever we do business, our goal is to have an impact that is beneficial over a longer term than the life of mine.

The health and safety of our workforce is always paramount. So, it is with great sadness that I must report that two workers died at our operations in 2018: William Mwanza, at the Sentinel mine in Zambia, and Nestor Perez Diaz, at the Cobre Panama project in Panama. We have investigated these accidents fully and undertake to continue doing all we can to avoid such accidents in the future.

In 2017, we launched the THINK! campaign, a part of our OHSAS 18001-based Health and Safety Management System (HSMS). It is a four-tiered approach intended to empower our workforce to take ownership of safety and create a "safety-first" culture throughout the Company. In 2018, THINK! training was rolled out across the Company. Overall, the group safety performance continued to show improvement in 2018, with a 0.06 rolling 12-month Lost Time Injury Frequency Rate per 200,000 man hours worked, down from 0.11 in 2017. Everywhere we operate, we will continue to do all we can to ensure that every employee gets home safely after every shift.

Managing the environmental impacts of our projects and operations, including biodiversity protection, is of critical importance to First Quantum. In 2018 we began, at each of our operations, deployment of a comprehensive Environmental Management System based on the ISO14001:2015 standard to better identify, reduce and mitigate environmental risks. Since 2015, we have recorded and reported site-level environmental incidents according to a proprietary five-level classification system. From 2015 to 2018, we have seen a steady and continuous reduction in environmental incidents and improvement of overall environmental compliance across the group. Alongside this, we arrange regular independent audits of our tailings dams. We prioritize biodiversity protection through bespoke biodiversity programs in each of the unique environments in which we operate.

We operate in diverse geographical regions, and we recognize that an equally diverse approach is required to meet the needs of local stakeholders. Our community enhancement, agricultural, medical, education, infrastructure and other projects are all undertaken, in part, to give back to those communities, and to help ensure they remain healthier, safer and more prosperous long after mining operations have stopped.

Over the past several years we have recognized the growing need to publicize information on our efforts in these areas. To meet this need, we have published several reports on our programs in the community, on the environment and our safety track record, which can all be found on our website. We are committed to enhancing disclosure to better qualify and quantify our sustainability programs and their results.

Board and Management

In 2018, we introduced KEYs, a new long-term share-based plan for key employees. Designed to reward and retain talent considered critical to our future, grants under the plan provide much longer-term potential benefits as they vest, subject to performance criteria, over an eight-year period. Employees selected to participate in KEYs have a track record of success and are considered critical to our

future. KEYs is intended to encourage a long-term strategic focus among these key employees and support our management succession plans by encouraging retention and loyalty. As KEYs is aimed at future leaders, the CEO and certain other Named Executive Officers of the Company are not considered for awards under the plan. Full details are set out in the Company's Management Information Circular.

Our Board of Directors plays a significant role in driving good governance practices and continually keeps under review the policies and practices throughout the organization. The composition of the Board needs to be refreshed as long-standing directors move on. In 2018, we welcomed Simon Scott as a new Board member with a skill set and expertise important through the next phase of growth. At the 2019 AGM, we will seek approval to appoint Joanne Warner, who brings with her many years of experience in the mining industry, our second female director.

Conclusion

With Cobre Panama's operation, 2019 will see our copper production grow and our geographical diversity enhanced. With the reduction in capital investment, we will begin reducing our debt. 2019 is going to be a transformational year.

In finishing, I express my thanks to our highly committed workforce – management and all employees – in many places around the world. At First Quantum we encourage our people to apply their minds and to keep improving. The benefit of this approach is exactly what I find whenever I visit one of our operating sites or offices.

Our team has put in a year of hard work and achieved significant successes at every site, overcome a range of challenges, and is responsible for launching one of the world's biggest copper projects. I value their continual efforts to go beyond what is expected of them and I thank them, and all of our stakeholders, for their continued support.

(signed)
Philip Pascall
Chairman and Chief Executive Officer

OPERATIONS AND PROJECTS

Zambia

Sentinel
North-Western Province
Ownership: 100%
Primary: Copper
2018 Production:
Copper: 224 kt

Kansanshi
North-Western Province
Ownership: 80%
Primary: Copper
Secondary: Gold
2018 Production:
Copper: 252 kt
Gold: 130 koz

Spain

Cobre Las Cruces
Sevilla Province
Ownership: 100%
Primary: Copper
2018 Production:
Copper: 71 kt

Mauritania

Guelb Moghrein
Akjoujt
Ownership: 100%
Primary: Copper
Secondary: Gold
2018 Production:
Copper: 28 kt
Gold: 46 koz

Turkey

Çayeli
Rize Province
Ownership: 100%
Primary: Copper
Secondary: Zinc
2018 Production:
Copper: 20 kt
Zinc: 4 kt

Finland

Pyhäsalmi
Pyhäjärvi
Ownership: 100%
Primary: Copper
Secondary: Pyrite, Zinc
2018 Production:
Copper: 12 kt
Pyrite: 646 kt
Zinc: 23 kt

Australia

Ravensthorpe
Western Australia
Ownership: 100%
Primary: Nickel
Secondary: Cobalt

Care and maintenance

By 2021, the combined output of our mines in Europe, South America and Africa will be more than 800,000 tonnes per year.

PANAMA

PERU

ARGENTINA

Panama

Cobre Panama
Colón Province
Ownership: 90%
Primary: Copper
Secondary: Gold, molybdenum, silver

Under construction

Argentina

Taca Taca
Salta Province
Ownership: 100%
Primary: Copper
Secondary: Gold, molybdenum

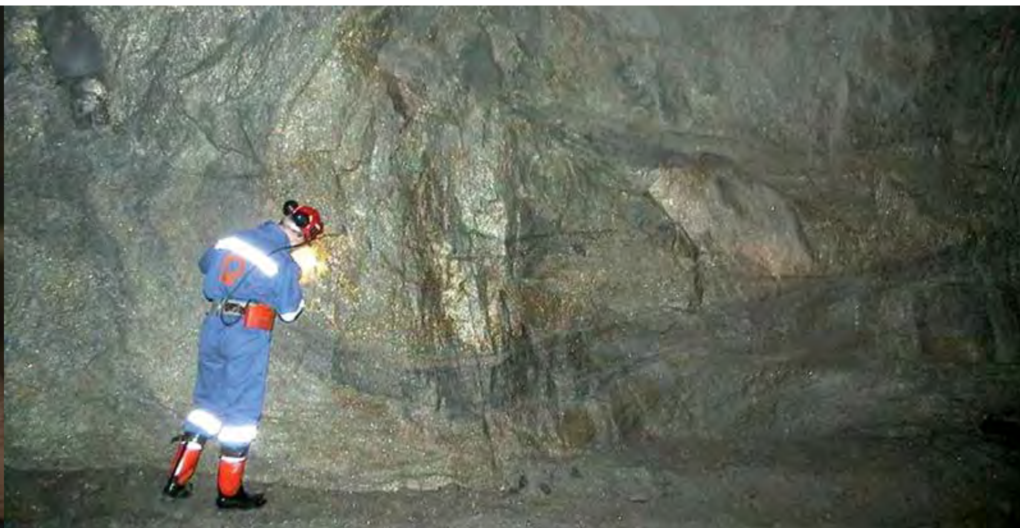
Advanced exploration

Peru

Haquira
Apurimac Region
Ownership: 100%
Primary: Copper
Secondary: Gold, molybdenum, silver

Advanced exploration

Our priorities for 2019 will be the ramp-up of Cobre Panama, and to begin deleveraging our balance sheet. Taca Taca and Haquira are both high-potential projects that will move toward development as our financial position is strengthened and demand for copper continues to grow.



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Cautionary statement on forward-looking information

Certain statements and information herein, including all statements that are not historical facts, contain forward-looking statements and forward-looking information within the meaning of applicable securities laws. The forward-looking statements include estimates, forecasts and statements as to the Company's expectations of production and sales volumes, and expected timing of completion of project development at Cobre Panama and Enterprise, and are subject to: the impact of ore grades on future production; the potential of production disruptions (including at Cobre Las Cruces as a result of the land slippage in January 2019); capital expenditure and mine production costs; the outcome of mine permitting; other required permitting; the outcome of legal proceedings which involve the Company; information with respect to the future price of copper, gold, nickel, zinc, pyrite, cobalt, iron and sulphuric acid; estimated mineral reserves and mineral resources; First Quantum's exploration and development program; estimated future expenses, exploration and development capital requirements; the Company's hedging policy; and goals and strategies. Often, but not always, forward-looking statements or information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

With respect to forward-looking statements and information contained herein, the Company has made numerous assumptions including, among other things, assumptions about: continuing production at all operating facilities; the price of copper, gold, nickel, zinc, pyrite, cobalt, iron and sulphuric acid; anticipated costs and expenditures and the ability to achieve the Company's goals. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. These factors include, but are not limited to: future production volumes and costs; the temporary or permanent closure of uneconomic operations; costs for inputs such as oil, power and sulphur; political stability in Zambia, Peru, Mauritania, Finland, Spain, Turkey, Panama, Argentina and Australia; adverse weather conditions in Zambia, Finland, Spain, Turkey, Mauritania and Panama; labour disruptions; potential social and environmental challenges; power supply; mechanical failures; water supply; procurement and delivery of parts and supplies to the operations; and the production of off-spec material.

See the Company's Annual Information Form for additional information on risks, uncertainties and other factors relating to the forward-looking statements and information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of these factors are beyond First Quantum's control. Accordingly, readers should not place undue reliance on forward-looking statements or information. The Company undertakes no obligation to reissue or update forward-looking statements or information as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements and information made herein are qualified by this cautionary statement.

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of First Quantum Minerals Ltd. ("First Quantum" or "the Company") for the year ended December 31, 2018. The Company's results have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are presented in United States dollars, with tabular amounts in millions, except where noted.

For further information on First Quantum, reference should be made to its public filings (including its most recently filed AIF) which are available on SEDAR at www.sedar.com. Information is also available on the Company's website at www.first-quantum.com. This MD&A contains forward-looking information that is subject to risk factors; see "Cautionary statement on forward-looking information" for further discussion. Information on risks associated with investing in the Company's securities and technical and scientific information under National Instrument 43-101 concerning the Company's material properties, including information about mineral resources and reserves, are contained in its most recently filed AIF. This MD&A has been prepared as of February 14, 2019.

Overview

The Company continued to deliver solid operational and financial results in 2018. The Company's continued focus on operational improvements resulted in strong production in the year, with a record 605,853 tonnes of copper produced in 2018. This was driven by Sentinel, which increased production by 17%, benefitting from improvements to the quality of the concentrate and process optimization, resulting in increased throughput and recoveries.

The Company issued $1.85 billion in senior notes in March 2018, repaid and cancelled the $175 million Kansanshi senior term loan in February 2018 and completed a $400 million term facility under the Kalumbila subsidiary, which owns the Sentinel mine, in March 2018.

The Company made considerable progress with the Cobre Panama development project during the year, largely completing construction, ahead of phased commissioning and expected first production in 2019. The Company's hedge program, which commenced in 2015 to support the capital-intensive phase of Cobre Panama's development, continued at a reduced level in 2018 and into 2019.

In February 2019, the Company announced first introduction of ore to the processing plant at Cobre Panama. On February 7, 2019, ore was introduced through primary crushing and onto the stockpile, and on February 11, ore was introduced through to the first milling circuit. Operation on ore continues and remains on an efficient ramp-up for Cobre Panama.

Reduced use of unmargined copper forward contracts and an increased use of zero cost collar unmargined sales contracts and forward copper purchase options saw the Company's realized copper price for 2018 increase to $2.84 per lb compared with $2.33 per lb in 2017. The average London Metal Exchange ("LME") copper price for the year was $2.96 per lb, 6% higher than 2017.

Changes were announced to the Zambian mining tax regime in September 2018 and took effect January 1, 2019. The new regime includes increased mineral royalties and removal of their tax deductibility and imposed export levies on precious metals. Furthermore, value-added tax ("VAT") is to be abolished and replaced with a non-refundable sales tax, which is expected to be implemented from April 1, 2019. Together, these changes are expected to result in increases to the Company's all-in sustaining cost ("AISC") and effective tax rate. The Company remains engaged with the Government of the Republic of Zambia ("GRZ") on the transition and implementation of the new regime.

Full Year Highlights

OPERATIONAL AND FINANCIAL

- The Company achieved record annual copper production of 605,853 tonnes, 6% higher than 2017 and ahead of guidance, reflecting higher output from Sentinel. Sentinel copper production of 223,656 tonnes was 17% higher than the prior year, driven by higher throughput and recoveries.

- The Kansanshi smelter achieved record annual production of 347,037 tonnes of copper anode and treated a record 1,381,637 dry metric tonnes ("DMT") of concentrate in the year.

- Gold production of 185,414 ounces was 7% lower than 2017, mainly reflecting reduced gold feed grade at Kansanshi and Guelb Moghrein.

- Gross profit of $978 million and comparative EBITDA of $1,737 million were 192% and 51% higher, respectively, than 2017, mainly reflecting higher sales revenues driven by higher copper sales volumes and realized copper prices achieved in the Company's corporate sales hedge program.

- Comparative earnings of $487 million ($0.71 per share), net earnings attributable to shareholders of the Company of $441 million ($0.64 per share), and cash flows from operating activities of $1,980 million ($2.88 per share) were achieved in 2018. These results were significantly higher than those achieved in 2017 and include a $110 million loss realized by the corporate sales hedge program.

- Copper all-in sustaining cost ("AISC") was $1.74 per lb and cash cost of copper production ("C1") was $1.28 per lb for the year. In 2017, cash cost and AISC benefitted from the impact of a review of previously recognized operational provisions. Excluding this impact, AISC in 2018 was $0.04 per lb higher than, and C1 cash cost was in line with, the prior year. The increase in underlying AISC reflects higher Zambian royalties and sustaining capital expenditure, while C1 cash cost reflects the impact of higher copper production and increased by-product credits.

- On February 6, 2019, the Company signed a new $2.7 billion term loan and revolving credit facility underwritten by three core relationship banks. This new facility replaces the existing $1.5 billion revolving credit facility. The new $2.7 billion facility (with an accordion feature to increase it up to $3.0 billion before the end of 2019) comprises a $1.5 billion term loan facility and a $1.2 billion revolving credit facility (which can be upsized to $1.5 billion if the accordion feature is activated), maturing on December 31, 2022. This financing includes revised financial covenants, extends the debt maturity profile of the business, demonstrates the Company's access to a diverse range of capital markets, and improves the financial flexibility of the Company through the added liquidity. The facility will be used for the redemption of the $1,121 million senior notes due February 2021 in full or in part and for general corporate purposes.

Cobre Panama Development

- At year-end, the focus for the Cobre Panama project was commissioning the 150MW set 2 of the power station, and commissioning of the process plant to be ready for introduction of first ore to the mill in the first quarter of 2019, which occurred on February 11, 2019. The process plant is in the water commissioning phase, and power station set 2 had successfully completed steam blows. Set 2 of the power station was successfully synchronized to the Panamanian grid in January 2019 and is now running.

Consolidated Operating Information

	Q4 2018	Q3 2018	Q4 2017	2018	2017
Copper production (tonnes)[1]	**158,304**	151,241	154,319	**605,853**	573,963
Copper sales (tonnes)[2]	**156,212**	149,877	151,905	**596,513**	580,130
Cash cost of copper production (C1) (per lb)[3, 4]	**$ 1.23**	$ 1.31	$ 1.30	**$ 1.28**	$ 1.23
Total cost of copper production (C3) (per lb)[3, 4]	**$ 2.04**	$ 2.11	$ 2.16	**$ 2.11**	$ 2.05
All-in sustaining cost (AISC) (per lb)[3, 4]	**$ 1.68**	$ 1.80	$ 1.76	**$ 1.74**	$ 1.65
Realized copper price (per lb)	**$ 2.83**	$ 2.84	$ 2.50	**$ 2.84**	$ 2.33
Gold production (ounces)	**48,039**	44,979	51,904	**185,414**	199,736
Gold sales (ounces)	**53,221**	42,864	50,723	**193,072**	201,376

Consolidated Financial Information

	Q4 2018	Q3 2018	Q4 2017	2018	2017
Sales revenues	**1,054**	978	885	**3,966**	3,310
Gross profit	**280**	246	117	**978**	335
Net earnings (loss) attributable to shareholders of the Company	**198**	61	(115)	**441**	(316)
Basic and diluted earnings (loss) per share	**$ 0.29**	$ 0.09	$ (0.17)	**$ 0.64**	$ (0.46)
Comparative EBITDA	**481**	427	318	**1,737**	1,154
Comparative earnings (loss)[5]	**182**	128	(36)	**487**	(111)
Comparative earnings (loss) per share[5]	**$ 0.26**	$ 0.19	$ (0.05)	**$ 0.71**	$ (0.16)

1 Production is presented on a copper contained basis, and is presented prior to processing through the Kansanshi smelter.

2 Copper sales exclude the sale of copper anode produced from third-party concentrate purchased at Kansanshi. Sales of copper anode attributable to third-party concentrate purchases were 5,884 tonnes and 7,349 tonnes for the three months and year ended December 31, 2018, respectively. Q3 2018 copper sales have been adjusted to exclude copper anode sales of 1,465 tonnes attributable to third-party concentrate purchased.

3 C1 cash cost, C3 total cost and AISC exclude third-party concentrate purchased at Kansanshi. C1 cash cost, C3 total cost and AISC for Q3 2018 have been revised from amounts previously disclosed to exclude the $0.03 per lb impact of third-party concentrate purchased.

4 C1 cash cost, C3 total cost and AISC are not recognized under IFRS. See "Regulatory disclosures" on page 46 for further information.

5 Net earnings (loss) attributable to shareholders of the Company has been adjusted to exclude items which are not reflective of underlying performance to arrive at comparative earnings (loss). Comparative earnings (loss), comparative earnings (loss) per share, comparative EBITDA and cash flows per share are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. The Company has disclosed these measures to assist with the understanding of results and to provide further financial information about the results to investors. See "Regulatory disclosures" on page 49 for a reconciliation of comparative EBITDA and comparative earnings. The use of comparative earnings and comparative EBITDA represents the Company's adjusted earnings metrics.

	2018	2017
Net earnings (loss) attributable to shareholders of the Company	**441**	(316)
Adjustments attributable to shareholders of the Company:		
Loss on extinguishment of debt	**–**	84
Finance expense on discounting of non-current VAT	**5**	20
Total adjustments to comparative EBITDA excluding depreciation[6]	**64**	77
Tax and minority interest relating to foreign exchange revaluation and comparative adjustments	**(23)**	24
Comparative earnings (loss)	**487**	(111)

6 Adjustments to comparative EBITDA relate principally to foreign exchange but also include gains and losses on disposal of assets and liabilities, other expenses, mine closure costs and movements in restoration provision estimates at closed sites.

Full Year Financial Summary

SALES REVENUES INCREASED DUE TO HIGHER COPPER SALES VOLUMES AND HIGHER REALIZED METAL PRICES

- Sales revenues of $3,966 million in the year increased by $656 million compared to 2017, due to an increase in copper revenues of $814 million reflecting higher realized copper prices and sales volumes, partially offset by the absence of nickel sales revenues and lower gold sales revenues. The increase in copper sales volumes was mainly from Sentinel, which contributed revenues of $1,454 million in the year. Lower gold sales revenues were driven by lower gold sales volumes, due principally to lower gold grades, compared to 2017.
- The realized price for copper of $2.84 per lb in 2018 was $0.51 per lb higher than the prior year, however below the average LME price of $2.96 per lb on account of the Company's copper sales hedge program, which reduced revenues by $110 million in the year and the net realized copper price by $0.08 per lb. In the prior year, revenues were reduced by a $570 million loss on the copper sales hedge program, which lowered the 2017 net realized copper price by $0.45 per lb. The average LME price of copper increased by 6% in the year compared to 2017 to $2.96 per lb.

COMPARATIVE EBITDA HIGHER THAN 2017

Comparative EBITDA was $1,737 million compared to $1,154 million in 2017. Comparative EBITDA excludes $64 million of foreign exchange losses, which includes a $75 million unrealized loss relating to the revaluation of Zambian kwacha–denominated VAT balances, a $6 million gain on disposal of assets and liabilities, $8 million relating to a retrenchment provision recognized at Las Cruces and a $2 million gain for closed site restoration provisions.

GROSS PROFIT HIGHER THAN 2017 FROM HIGHER REALIZED COPPER PRICES AND SALES VOLUMES

Gross profit in 2017	335
Higher realized metal prices (net of hedges)	665
Higher sales volumes	16
Higher by-product contribution	21
Higher cash costs (excluding Zambian royalties)	(21)
Decrease in depreciation	30
Movement in previously recognized operational provisions in 2017[1]	(56)
Increase in Zambian royalty rate and volume	(38)
Foreign exchange gain	26
Gross profit in 2018[2]	978

1 The movement in previously recognized operational provisions in 2017 resulted in a reduction in C1 of $0.05 per lb.

2 Gross profit is reconciled to comparative EBITDA by including exploration costs of $26 million, general and administrative costs of $74 million, other expense of $69 million and adding back depreciation of $864 million, and excluding a foreign exchange loss of $64 million, gain on disposal of assets and liabilities of $6 million, other expense of $8 million and revisions in estimates of restoration provisions at closed sites of $2 million (a reconciliation of comparative EBITDA is included on page 49).

INCREASE IN COMPARATIVE EARNINGS TO $487 MILLION

- Comparative earnings for the year ended December 31, 2018 of $487 million compares to comparative loss of $111 million in 2017. A reconciliation of comparative metrics is included on page 49.
- Net earnings attributable to shareholders of $441 million for the year compared to a net loss attributable to shareholders of $316 million in 2017. The 2018 result includes $110 million in sales hedge losses, $64 million in foreign exchange losses, a $6 million gain on disposal of assets and liabilities, $8 million relating to a retrenchment provision recognized at Las Cruces, $5 million with respect to the discounting of non-current VAT balances, a $2 million gain for closed site restoration provisions, and $23 million in tax credits and minority interest relating to foreign exchange revaluation and comparative adjustments.

Fourth Quarter Financial Summary

Sales revenues of $1,054 million were 19% higher than the same period in 2017, reflecting higher copper and gold sales volumes and higher realized metals prices, partially offset by the absence of nickel sales revenues at Ravensthorpe. Sentinel contributed $344 million in revenues, a $63 million increase over the same period in 2017. Revenues were higher by $25 million related to the corporate sales hedge program, which increased the net realized copper price by $0.07 per lb.

GROSS PROFIT HIGHER THAN 2017 FROM HIGHER REALIZED COPPER PRICES

Gross profit in Q4 2017	117
Higher realized metal prices (net of hedges)	123
Sales mix variance	(6)
Higher by-product contribution	15
Higher cash costs (excluding Zambian royalties)	(7)
Decrease in treatment/refining charges ("TC/RC")	4
Decrease in depreciation	4
Decrease in Zambian royalty	8
Foreign exchange gain	22
Gross profit in Q4 2018[1]	280

1 Gross profit is reconciled to comparative EBITDA by including exploration costs of $7 million, general and administrative costs of $19 million, other income of $6 million and adding back depreciation of $224 million, and excluding a foreign exchange gain of $13 million, other expense of $8 million and loss on disposal of assets of $2 million (a reconciliation of comparative EBITDA is included on page 49).

COMPARATIVE EARNINGS OF $182 MILLION

- Comparative EBITDA was $481 million compared to $318 million in the same period of 2017. Comparative earnings for the quarter of $182 million compares to a comparative loss of $36 million in 2017. A reconciliation of comparative metrics is included on page 49.

- Net earnings attributable to shareholders of $198 million compared with a net loss attributable to shareholders of $115 million for the same period in 2017. The fourth quarter includes $25 million in sales hedge gains, a $13 million foreign exchange gain, $2 million loss on disposal of assets, $8 million relating to a retrenchment provision recognized at Las Cruces, $5 million with respect to the discounting of non-current VAT balances, and $18 million in tax credits and minority interest relating to foreign exchange revaluation and comparative adjustments.

Financial Position and Operating Cash Flow

- On February 6, 2019, the Company signed a new $2.7 billion term loan and revolving credit facility underwritten by three core relationship banks. This new facility replaces the existing $1.5 billion revolving credit facility. The new $2.7 billion facility (with an accordion feature to increase it up to $3.0 billion before the end of 2019) comprises a $1.5 billion term loan facility and a $1.2 billion revolving credit facility (which can be upsized to $1.5 billion if the accordion feature is activated), maturing on December 31, 2022.

  This financing includes revised financial covenants, extends the debt maturity profile of the business, demonstrates the Company's access to a diverse range of capital markets, and improves the financial flexibility of the Company through the added liquidity. The net debt to EBITDA covenant ratio is 5.75x until December 2019. The ratio will then reduce to 5.25x until June 2020, then to 4.75x until December 2020, then to 4.0x until June 2021, and then to 3.5x until final maturity.

  The facility will be used for the redemption of the $1,121 million senior notes due February 2021 in full or in part and for general corporate purposes. The Company intends to issue a call notice to redeem $821 million of the February 2021 notes at a price of $101.75 plus accrued interest by the end of February. On February 12, 2019, the syndication was launched to a broad group of relationship banks. BNP Paribas, ING Bank and Société Générale are acting as underwriters and bookrunners on the facility.

- The Company ended the quarter with $788 million of net unrestricted cash and cash equivalents in addition to $700 million of committed undrawn facilities, and was in compliance with all financial covenants.

- At December 31, 2018, 30,000 tonnes of unmargined zero cost copper collar sales contracts at weighted average prices of $3.10 to $3.48 per lb were outstanding with maturities to June 2019.

- Taking into account forecast operating cash inflows, capital expenditure outflows and available committed facilities, the Company expects to have sufficient liquidity through the next 12 months to carry out its operating and capital expenditure plans and remain in full compliance with financial covenants. The Company continues to take action to manage operational and price risk and further strengthen the balance sheet.

Other Developments

LAND SLIPPAGE AT COBRE LAS CRUCES

On January 23, 2019, a land slippage occurred at the Cobre Las Cruces open pit mine. Prior to the incident, mine personnel identified a risk and immediately implemented safety protocols. Following the incident, the pit was evacuated and no injuries occurred. Production at the hydrometallurgical plant was suspended immediately following the incident and copper production resumed on February 1, 2019, with the processing of lower-grade stockpiled ore. The stockpiled ore is expected to provide feed for the next several months while the Company obtains the necessary regulatory approvals to begin mining of Phase 6, an area unaffected by the incident.

CHANGES TO THE ZAMBIAN TAX REGIME

Changes to the Zambian mining tax regime, announced by the GRZ in September 2018, were implemented from January 1, 2019.

- The sliding scale mineral royalty rate on copper has been increased by 1.5% to between 5.5% and 7.5% dependent on the LME monthly average price. New mineral royalty rates of 8.5% and 10% are applicable if the LME monthly average price exceeds $7,500 and $9,000 per tonne, respectively. Mineral royalties are no longer deductible for corporation tax.

- An export levy on precious metals, including gold, of 15%.

- An import duty of 5% on copper and cobalt concentrates.

Further to the above measures, the Minister of Finance of Zambia also announced the abolition of VAT and the proposed introduction of a non-refundable sales tax. A sales tax is expected to be effective April 1, 2019. The Minister reaffirmed that the GRZ remains committed to settling outstanding VAT claims.

The Company's Zambian operations have continued to accrue VAT receivable amounts during the quarter with minimal cash refunds received or offsets to other tax liabilities approved. The total amount of VAT accrued by the Company's Zambian operations at December 31, 2018 was $443 million, of which $282 million related to Kansanshi. Management of the Company continues to engage in regular discussions with the relevant government authorities and considers that the outstanding VAT claims are fully recoverable. See "Liquidity and capital resources" on page 37 for additional disclosure.

ASSESSMENT BY ZAMBIA REVENUE AUTHORITY

On March 19, 2018, Kalumbila Minerals Ltd. ("KML") (a subsidiary of the Company) received a letter of preliminary findings following an audit by the Zambia Revenue Authority ("ZRA") for ZMW 76.5 billion (approximately $7.6 billion at the date of receipt of the letter, comprising $5.5 billion in interest and $2.0 billion in penalties on the $150 million assessment claim on duties). The preliminary findings letter covers circa 22,700 import transactions relating to the import of capital items, consumables and spare parts for use at Sentinel from January 2013 to December 2017.

A process for provision of relevant documentation was agreed between KML and the ZRA. KML, together with an external international accounting firm and a shipping agent, completed a review of the documentation relating to the audited areas over the relevant period. KML's internal findings and relevant supporting documentation, which were voluminous, have been provided to the ZRA with discussions progressing on the documentation provided. KML continues to refute the preliminary assessment, and the Company's view on the final value of the claim remains unchanged from that disclosed in the first quarter. KML remains engaged with the ZRA and committed to ensuring transparency in all discussions between the parties to bring the matter to a just and prompt resolution.

DIVIDENDS

First Quantum has declared a final dividend of CDN$0.005 per share, in respect of the financial year ended December 31, 2018. The final dividend, together with the interim dividend of CDN$0.005 per share, is a total of CDN$0.01 per share for the 2018 financial year.

For the year ended December 31, 2018, 7,000 common shares (10,000 common shares for the year ended December 31, 2017) were issued through the Company's Dividend Reinvestment Plan.

Legal Proceedings

PANAMA CONSTITUTIONAL PROCEEDINGS

In February 1996, the Republic of Panama and Minera Panama SA ("MPSA"), a Panamanian subsidiary of the Company, entered into a mining concession contract in respect of the Cobre Panama project.

On February 26, 1997, Contract-Law No. 9 ("Law 9") was passed by the Panamanian National Assembly. Law 9 granted the status of national law to the mining concession contract, establishing a statutory legal and fiscal regime for the development of the Cobre Panama project. On December 30, 2016, the Government of Panama signed and issued Resolution No. 128 by which it extended the mining concession contract held by Minera Panama SA for a second 20-year term commencing March 1, 2017 up to February 28, 2037. The Company remains eligible for consideration of a third 20-year term of the MPSA mining concession contract commencing March 1, 2037.

In September 2018, the Company became aware of a ruling of the Supreme Court of Panama ("Supreme Court") in relation to the constitutionality of Law 9. The Company understands that the ruling of the Supreme Court with respect to the constitutionality of Law 9 relates to the enactment of Law 9 and does not affect the legality of the MPSA mining concession contract itself, which remains in effect, and allows continuation of the development and operation of the Cobre Panama project by MPSA.

In respect of the Supreme Court ruling on Law 9, which remains subject to various procedural processes, the Company notes the following:

- The ruling is not yet in effect.
- The Supreme Court decision was in respect of ongoing legal filings made since 2009 in regard to specific environmental petitions.
- In reviewing the process of approval of Law 9 of 1997, the Supreme Court found that the National Assembly had failed to consider whether Law 9 complied with applicable legislation at the time, namely Cabinet Decree 267 of 1969.
- The applicable Cabinet Decree of 1969, which was repealed in 1997 by Law 9, required the Ministry of Commerce and Industry ("MICI") to issue a request for proposals before awarding the Law 9 mining concession.
- The Attorney General of Panama has provided two formal opinions favourable to the constitutionality of Law 9 as required in this type of proceedings by Panamanian law.
- The Supreme Court ruling did not make a declaration as to the annulment of the MPSA mining concession contract.

Subsequently, MPSA has submitted filings to the Supreme Court for ruling, which it has accepted, prior to the ruling in relation to the constitutionality of Law 9 taking effect. On September 26, 2018, the Government of Panama issued a news release affirming support for the Cobre Panama project. The release confirmed that MICI considers that the MPSA mining concession contract, and its extension, remains in effect in all its parts. Construction and commissioning are continuing while the Company seeks to clarify the legal position. (The MICI release is available at www.mici.gob.pa/detalle.php?cid=16&sid=53&id=5347).

Based on support from the Government of Panama, the Chamber of Commerce and Industries of Panama, the Panamanian Mining Chamber, other Panamanian business and industry chambers and its legal advice, the Company is confident of resolving the Law 9 clarification in the near-medium term.

ZAMBIAN POWER

In June 2018, without any warning, the state-owned power company ("ZESCO") reduced power supply to the Kansanshi projects. The reduction was due to Kansanshi and Sentinel's rejection of ZESCO's demand for payment of higher tariffs, contrary to the existing contractual agreements between the parties.

On June 26, 2018, Kansanshi sought an injunction against ZESCO before the English courts, as the contracts on tariff are governed by English law. On June 28, 2018, ZESCO resisted the application and requested an extension to respond. On July 6, 2018, the Court awarded Kansanshi's request by way of a sanctioned consent order ("Order") which requires ZESCO to restore the full capacity as demanded by Kansanshi. In turn, Kansanshi is required to deposit the difference between the contractual tariff and the disputed higher tariff into a segregated account until an arbitration between Kansanshi and ZESCO on these facts is concluded. The Order continues to apply as ZESCO is restrained from making any reductions without incurring further sanction from the Court.

On August 22, 2018, Kansanshi served on ZESCO a Notice of Arbitration in respect of these facts. A procedural timetable of the arbitration has been agreed, with the merits hearing set for summer 2020.

Despite this dispute, our operations generally maintain a constructive relationship with ZESCO, particularly with regards to the management of technical and supply issues. Operational and technical dialogue between the parties is expected to continue in the normal course.

KANSANSHI MINORITY PARTNER

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 Kansanshi Holdings Limited, the 80% shareholder, and against KMP. The Company also received a Statement of Claim filed in the Lusaka High Court naming additional defendants, including FQM Finance Ltd. ("FQM Finance"), and certain directors and an executive of the named corporate defendants. Aside from the parties, the allegations made in the Notice of Arbitration and the High Court for Zambia were the same. The Company is firmly of the view that the allegations are in their nature inflammatory, vexatious and untrue.

The dispute was stated as a request for a derivative action, requiring ZCCM to obtain permission to proceed in each forum of the arbitration and the Lusaka High Court. The dispute arose from facts originating in 2007, and concerned the rate of interest paid on select deposits by KMP with the Company's treasury entity FQM Finance. The 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. The entirety of the deposit sums has been paid down from FQM Finance to KMP, with interest. The interest was based on an assessment of an arm's length fair market rate, which is supported by independent third-party analysis. ZCCM disputed that interest rate paid to KMP on the deposits was sufficient.

Several preliminary procedural applications to dismiss the High Court action were lodged on behalf of the Company, and other defendants, in the Lusaka High Court. By a decision dated January 25, 2018, the Lusaka High Court used its discretion to rectify ZCCM's procedural errors. The Court granted leave to the Company, FQM Finance and the individual defendants to appeal against this decision and the litigants have agreed to a stay pending the appeal. The appeal hearing took place on November 21, 2018, with submissions made by all parties. The Court of Appeal delivered judgment on January 11, 2019, dismissing the appeal, and an appeal to the Supreme Court of Zambia has been requested.

The arbitration required ZCCM to petition the Arbitral Tribunal for permission to maintain the derivative action. A three-day hearing on the arbitration on whether permission is granted or denied took place in January 2018. On February 22, 2018, the Arbitral Tribunal issued a ruling denying ZCCM permission to continue the proceedings. On March 21, 2018, ZCCM served an application seeking to challenge the Arbitral Tribunal's ruling through the English court. On June 1, 2018, despite being severely out of time, ZCCM sought to amend its application for additional grounds on which to challenge the Arbitral Tribunal's ruling, to which KMP objected. KMP's objection was heard in a hearing in July 2018 and deferred to a fuller hearing to take place in March 2019.

Cooperative discussions between the parties, including representatives of the Zambian government, took place in May 2017 and are expected to be repeated.

Development Activities

COBRE PANAMA PROJECT, PANAMA

The Cobre Panama project's focus remains on construction completion, commissioning of the process plant and commissioning and ramp-up of the power station. The first 150MW power station set underwent a reliability and ramp-up program, which was completed in January 2019. The second 150MW set has successfully completed steam blows and steam purity and has been run on coal, and full commissioning is well underway with synchronization to the grid having taken place in January 2019. The process plant is in the water commissioning phase, with the first ore circuits currently being tested on water.

Engineering and procurement were both essentially complete by year-end, with the only outstanding items being remaining spares and construction consumables. The focus is on delivering these final items to site.

Additional key milestones achieved through 2018 include: construction completion of the first in-pit primary crusher; mill commissioning commenced with rotation of semi-autogenous grinding ("SAG") mill 1 and ball mill 1 and the respective mill lining completed; water commissioning is underway in the areas of milling, rougher flotation, cleaner flotation, water services and tailings; air circuits are active; and demobilization of site labour commenced after achieving a peak of over 13,000 personnel in 2018.

Key status of the construction of the project includes the project pre-strip which is 100% complete, and the tailings management facility earthworks which are 87% complete. Construction of both of the 150MW power station sets was 100% complete, and sets 1 and 2 were 100% and 94% commissioned, respectively, at year-end. Extensive process plant commissioning and testing is underway. There are 2,133 designated operations personnel currently engaged, including all key management staff. The operations readiness plan includes establishment of operating systems, procedures, tooling and spares, and training of Panamanian employees. By December 2018, the mine, port and set 1 of the power station were running under operational employee control. The project remains scheduled for ramp-up over 2019 and 2020.

In February 2019, the Company announced first introduction of ore to the processing plant at Cobre Panama. On February 7, 2019, ore was introduced through primary crushing and onto the stockpile with initial feed rates between 4,000 and 5,000 tonnes per hour, and on February 11, ore was introduced through to the first milling circuit. Operation on ore continues and will move into all other sections of the processing plant, including the production of copper concentrate. Focus is now on an efficient ramp-up for Cobre Panama.

The total project capital expenditure in 2018 was $1,332 million (First Quantum's share $907 million). Project spending to date amounts to $6.1 billion, including $2.1 billion contributed by third parties. The Company's share of project capital expenditure increased following the acquisition from LS-Nikko of its 50% share in KPMC.

Further to the above capital expenditure, $653 million was capitalized to the Cobre Panama project with respect to interest costs incurred by the Company during 2018 (2017: $485 million).

ENTERPRISE PROJECT, ZAMBIA

The Enterprise nickel project is designed to produce approximately 38,000 tonnes of nickel in concentrate per annum with scope to increase to 60,000 tonnes per annum when market conditions are considered suitable. Given the operational and infrastructure synergies with the Sentinel copper mine, located 12 kilometres away, Enterprise is expected to be a low-cost mine. Environmental approval has been granted and preparatory works around the project have been undertaken to allow pre-stripping to commence when market conditions improve. Construction of the process plant was completed in 2016, and some sections of the plant were incorporated into the Sentinel process circuit to provide additional processing flexibility in the short-term should conditions permit. These areas are flotation, concentrate thickening and filtration and reagent composition. Enterprise continues to be on hold with pre-strip mining activities deferred.

Exploration

The Company's exploration strategy includes work at advanced stage exploration projects at Haquira in Peru and Taca Taca in Argentina, near-mine resource expansion around Las Cruces, Pyhäsalmi and Kansanshi, as well as an early stage exploration program concentrated on the search of high-quality porphyry deposits in the Andean and Tethyan Cordilleras and sediment-hosted copper deposits in the basins of Central Africa and Australia.

At the Haquira project in Peru, the focus continues on the community and environmental aspects. The Environmental Impact Assessment ("EIA") studies continued during the period. Various access agreements with communities to maintain activities have now been successfully renegotiated.

At Taca Taca, a detailed environmental and social baseline study is at an advanced stage of preparation, and communication with communities and relevant authorities is ongoing. Water supply studies are progressing well, including a field program which commenced in September 2018 to develop boreholes for pump testing sustainable groundwater resources in the area. It is anticipated that formal environmental and social impact assessments will be filed with the authorities in 2019 for potential development of a mine, processing plant and associated infrastructure for the Taca Taca project.

During 2018, near-mine exploration programs were active at Las Cruces in Spain and on satellite targets near Kansanshi in Zambia. In the fourth quarter, first stage drilling was completed on a small oxide target near Kansanshi with resource definition work proposed for 2019. At Las Cruces, further drilling is planned to test near-mine geophysical targets delineated from seismic and electromagnetic surveys.

A modest global exploration program continued through 2018 focused on identifying high-quality porphyry and sediment-hosted copper deposits around the world. In recent times this program has expanded to include reconnaissance exploration on properties throughout the Andean belt in Argentina, Chile, Peru, Ecuador and Colombia but has also included evaluation of high-priority targets in several other jurisdictions. In the fourth quarter of 2018, drill programs were active on targets in Chile, Peru and Zambia.

Health & Safety

The health and safety of all of our employees and contractors is our top priority and the Company is focused on the continual strengthening and improvement of the safety culture at all of our operations. Tragically, despite this, there have been two fatal incidents at the Company's operations in 2018, at Cobre Panama in August and at Sentinel in October. All fatalities are subject to internal and external investigation, as well as Board review. These unfortunate incidents are being thoroughly analyzed and the Company is committed to learning from the findings and taking appropriate actions. The Lost Time Injury Frequency Rate ("LTIFR") is an area of continued focus and a key performance metric for the Company. Our rolling 12-month LTIFR is 0.06 per 200,000 hours worked on average over the 12-month period to December 31, 2018, a 45% improvement from 2017.

Market Guidance

Guidance is based on a number of assumptions and estimates as of December 31, 2018, including, among other things, assumptions about metal prices and anticipated costs and expenditures. Market guidance involves known and unknown risks, uncertainties and other factors which may cause the actual results to be materially different.

COBRE PANAMA MILESTONES AND CONTINUED RAMP-UP EXPECTATIONS

The following milestones are expected in 2019:

- Successful completion of the inching and lining of both ball mills 1 and 2 in January 2019;
- First ore to SAG mills 1 and 2, startup of rougher trains 1 and 2 and first concentrate production to be completed within the first quarter of 2019. Train 3, the gold plant and completion of outstanding infrastructure will occur within the second and third quarters of 2019. Completion of the molybdenum plant is expected in the fourth quarter of 2019;
- Total 2019 copper production will vary according to the impact of known upsides, mitigated by as yet unknown ramp-up factors and final project completion. A range of 140,000 to 175,000 tonnes of copper production is considered achievable. Note that limited copper production is expected in the first half of 2019 whilst the process plant continues in commissioning and startup. The second half of 2019 is expected to provide approximately 80% of the total copper production for the full 2019 year;
- Commercial production will be declared in arrears at a date yet to be determined and according to a number of factors, including performance of key assets, achievement of steady state production at a material proportion of nameplate plant capacity, and factors which indicate the mine is operating as intended by management. At this stage, while difficult to predict exactly, it is assumed that commercial production will be declared in the final quarter of the year.

By the end of 2019 the Cobre Panama mine is expected to be running at an annualized throughput rate of 72 mpta and will reach the 85 mtpa throughput rate by 2020. Contained copper production is estimated at between 140,000 tonnes and 175,000 tonnes in 2019, between 270,000 tonnes and 300,000 tonnes in 2020, and approximately 300,000 tonnes in 2021 increasing to approximately 350,000 tonnes in 2022. In 2022, the C1 unit cost of production is estimated at $1.20 per lb and $1.50 per lb all-in sustaining. Both estimates are net of an assumed by-product credit (principally gold as well as some molybdenum and silver) of approximately $0.25 per lb. Gold production in 2020 and 2021 is estimated at approximately 100,000 ounces.

PRODUCTION GUIDANCE

000s	**2019**	2020	2021
Total copper (tonnes)	**700–735**	840–870	820
Copper (tonnes) – Cobre Panama	**140–175**	270–300	300
Copper (tonnes) – excluding Cobre Panama	**560**	570	520
Gold (ounces) – excluding Cobre Panama	**185**	180	170
Zinc (tonnes)	**12**	2	–

Production guidance for Las Cruces reflects the land slippage in January 2019, with lost production currently estimated at 25,000 tonnes in 2019. Production at Las Cruces for 2020 has also been reduced by a further 25,000 tonnes from amounts previously disclosed as certain high-grade ore is no longer expected to be mined as part of the open pit operation. The open pit mining operations are expected to be completed in the fourth quarter of 2020. (See page 30 for further detail included in the Las Cruces outlook.)

There has been some small reduction to Sentinel, Guelb Moghrein and Çayeli production guidance, largely reflecting lower grade.

In terms of quarterly phasing of annual production, it is expected production at Zambian operations will be at its lowest in the first quarter. The first and second quarters will also be impacted by lower production at Las Cruces following the land slippage.

SEASONALITY

The wet season in Zambia generally starts in November and continues through April, with the heaviest rainfall normally experienced in the months of December, January, February and March. As a result of the wet season, 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.

PRODUCTION GUIDANCE BY OPERATION (EXCLUDING COBRE PANAMA)

COPPER

000s tonnes	**2019**	2020	2021
Kansanshi	**235**	235	235
Sentinel	**230**	250	250
Las Cruces	**47**	45	–
Guelb Moghrein	**28**	25	20
Çayeli	**17**	15	15
Pyhäsalmi	**5**	–	–

GOLD

000s tonnes	**2019**	2020	2021
Kansanshi	**135**	135	135
Guelb Moghrein	**47**	45	45
Pyhäsalmi	**3**	–	–

ZINC

000s tonnes	**2019**	2020	2021
Çayeli	**2**	2	–
Pyhäsalmi	**10**	–	–

CASH COST AND ALL-IN SUSTAINING COST

Cash costs and AISC guidance in the tables below does not include any costs in respect of Cobre Panama.

COPPER

	2019	2020	2021
C1 (per lb) – excluding Zambian sales tax	**\$1.20–\$1.40**	\$1.20–\$1.40	\$1.20–\$1.40
AISC (per lb) – excluding Zambian sales tax	**\$1.70–\$1.85**	\$1.70–\$1.85	\$1.70–\$1.85

Increase in AISC guidance reflects higher Zambian royalty and gold sales levy rates effective January 1, 2019. This has increased AISC by \$0.05 per lb in all three years.

It is expected that a Zambian sales tax will be introduced from April 1, 2019, and that this will result in increased C1 and AISC unit costs. However, guidance given excludes the impact of sales tax as the rate to be introduced has not yet been confirmed by the GRZ.

CAPITAL EXPENDITURE[1]

	2019	2020	2021
Total Cobre Panama project[2]	**230**	–	–
Third-party contribution[3]	**(35)**	–	–
First Quantum's share of Cobre Panama project[4]	**195**	–	–
Capitalized stripping	**200**	250	250
Sustaining capital and other projects	**650**	600	600
Total net capital expenditure	**1,045**	850	850

1 Excludes capitalization of any net pre-commercial production costs, revenue and interest.

2 Reflects total capital expenditure estimate of $6.3 billion.

3 Third-party contributions are from KORES' 10% indirect interest in the project.

4 Based on the current 90% ownership.

Guidance on total Cobre Panama project capital expenditure is $6.3 billion.

Guidance for the Company's sustaining capital and other projects includes expenditure relating to Cobre Panama and also includes expenditure relating to other development projects. Underlying sustaining capital expenditure is expected to average approximately $250 million per annum from 2020.

INTEREST

Due to the current level of project capital expenditure, interest has largely been capitalized in 2018 and previous years. This is expected to continue until declaration of commercial production at Cobre Panama and, in the absence of any major project capital expenditure, interest would then be expensed.

TAX

Excluding the impact of the changes to the Zambian mining tax regime, which were effective January 1, 2019, the effective tax rate for 2019, excluding the sales hedge program, is expected to be in line with 2018, at approximately 31%. Including the impact of the changes to the Zambian mining tax regime, the expected effective rate, excluding the sales hedge program, is approximately 45%.

Operating Review

Production Summary[1]	Q4 2018	Q3 2018	Q4 2017	2018	2017
Copper production (tonnes)[2]					
Kansanshi	**61,780**	63,687	64,800	**251,522**	250,801
Sentinel	**60,840**	56,426	57,190	**223,656**	190,683
Las Cruces	**18,470**	15,181	18,700	**70,738**	73,664
Guelb Moghrein	**8,319**	7,902	7,155	**28,137**	28,791
Çayeli	**5,931**	5,056	3,284	**19,896**	16,523
Pyhäsalmi	**2,964**	2,989	3,190	**11,904**	13,501
Total copper production (tonnes)	**158,304**	151,241	154,319	**605,853**	573,963
Total gold production (ounces)	**48,039**	44,979	51,904	**185,414**	199,736
Total zinc production (tonnes)	**7,687**	7,348	3,556	**26,807**	20,723
Total nickel production (contained tonnes)	**–**	–	–	**–**	17,837

1 Operating performance measures for 2017 include Ravensthorpe. On October 1, 2017, Ravensthorpe was placed on care and maintenance.

2 Production is presented on a copper contained basis, and is presented prior to processing through the Kansanshi smelter.

FULL YEAR

The Company achieved record annual copper production of 605,853 tonnes in 2018, representing a 6% increase compared to 2017 and exceeding market guidance. This increase reflected higher production at Sentinel, which achieved record production of 223,656 tonnes of copper anode in 2018, an increase of 17% compared to 2017, and Çayeli where production was 20% higher than the prior year due to higher throughput and grades mined. This increase was partially offset by lower copper production at Las Cruces, where planned and unplanned shutdowns reduced equipment availability by 18 days in 2018, and Pyhäsalmi which was impacted by lower grades, throughput and recovery.

The Kansanshi smelter continued to perform well, having achieved record throughput of 1.38 million DMT of concentrate processed, reflecting a 15% increase over design capacity, and produced 1,255,000 tonnes of sulphuric acid in 2018. The smelter produced a record 347,037 tonnes of copper anode in the year, including 7,349 tonnes produced from copper concentrate purchased from third parties.

Gold production of 185,414 ounces was 7% lower than the prior year mainly due to reduced gold feed grade at Kansanshi and Guelb Moghrein.

Ravensthorpe remained on care and maintenance throughout 2018 following the suspension of operations at the mine in October 2017 due to the low nickel price.

FOURTH QUARTER

Copper production in the fourth quarter was 3% higher than the comparable period of 2017, reflecting higher production at Sentinel, Çayeli and Guelb Moghrein, attributable to increased throughput, higher grade at Çayeli and Guelb Moghrein and improved recoveries at Sentinel. The increase was partially offset by lower copper production at Kansanshi due to reduced throughput and grade on the oxide circuit, as well as lower recoveries on the sulphide and mixed ore circuits.

The Kansanshi smelter produced 89,894 tonnes of copper anode in the fourth quarter, including 5,884 tonnes of copper anode produced from copper concentrate purchased from third parties. The smelter processed 349,424 DMT of copper concentrate with a copper recovery of 97%. Sulphuric acid production for the quarter was 320,000 tonnes.

Gold production of 48,039 ounces was 7% lower than the same period of 2017, reflecting lower gold production at Kansanshi and Guelb Moghrein due to lower gold feed grade.

Sales Summary[1]	Q4 2018	Q3 2018	Q4 2017	2018	2017
Copper sales (tonnes)					
Kansanshi[2]	**56,330**	64,818	74,974	**229,832**	267,700
Sentinel	**60,257**	59,069	44,767	**238,211**	177,360
Las Cruces	**18,345**	15,138	17,903	**71,523**	74,664
Guelb Moghrein	**9,099**	5,108	6,811	**27,366**	28,999
Çayeli	**9,153**	2,753	4,266	**17,397**	17,716
Pyhäsalmi	**3,028**	2,991	3,184	**12,184**	13,691
Total copper sales (tonnes)[2]	**156,212**	149,877	151,905	**596,513**	580,130
Total gold sales (ounces)	**53,221**	42,864	50,723	**193,072**	201,376
Total zinc sales (tonnes)	**8,268**	6,178	3,282	**26,112**	21,851
Total nickel sales (contained tonnes)	**–**	–	865	**–**	18,683

1 Operating performance measures for 2017 include Ravensthorpe. On October 1, 2017, Ravensthorpe was placed on care and maintenance.

2 Copper sales exclude the sale of copper anode produced from third-party concentrate purchased at Kansanshi. Sales of copper anode attributable to third-party concentrate purchases were 5,884 tonnes and 7,349 tonnes for the three months and year ended December 31, 2018, respectively. Q3 2018 copper sales have been adjusted to exclude copper anode sales of 1,465 tonnes attributable to third-party concentrate purchased.

FULL YEAR

The Company achieved record copper sales for the year ended December 31, 2018, 3% higher than 2017, mainly reflecting higher sales volumes at Sentinel. Sentinel copper sales were 60,851 tonnes higher than 2017, offset by lower copper sales volumes at Kansanshi resulting from the timing of sales of copper anode. Sales of copper anode were 11% higher in the year, partially offset by 8% and 5% decreases to the volumes of copper cathode and copper concentrate sold, respectively.

FOURTH QUARTER

Copper sales volumes for the quarter of 156,212 tonnes were 3% higher than the comparable quarter of 2017. Increased sales volumes at Sentinel, Çayeli and Guelb Moghrein were offset by reduced sales volumes at Kansanshi in the period compared with 2017.

UNIT COST

Unit Cost Summary		**Q4 2018**		Q3 2018		Q4 2017		**2018**		2017
Copper C1 cash cost ($ per lb)										
Kansanshi[1]	**$**	**1.04**	$	1.06	$	1.16	**$**	**1.03**	$	1.05
Sentinel	**$**	**1.55**	$	1.72	$	1.67	**$**	**1.70**	$	1.70
Las Cruces	**$**	**0.94**	$	1.02	$	0.93	**$**	**0.90**	$	0.86
Other sites[2]	**$**	**1.23**	$	0.83	$	0.82	**$**	**0.96**	$	0.85
Total copper C1 cash cost ($ per lb)[1]	**$**	**1.23**	$	1.31	$	1.30	**$**	**1.28**	$	1.23
Copper AISC ($ per lb)										
Kansanshi[1]	**$**	**1.61**	$	1.59	$	1.55	**$**	**1.55**	$	1.54
Sentinel	**$**	**2.02**	$	2.25	$	2.36	**$**	**2.22**	$	2.19
Las Cruces	**$**	**1.16**	$	1.41	$	1.12	**$**	**1.16**	$	1.06
Other sites[2]	**$**	**1.40**	$	1.09	$	1.28	**$**	**1.26**	$	1.18
Total copper AISC ($ per lb)[1]	**$**	**1.68**	$	1.80	$	1.76	**$**	**1.74**	$	1.65

1 Copper C1 cash cost and AISC for Kansanshi and total Group exclude purchases of copper concentrate from third parties treated through the Kansanshi smelter. Kansanshi and total copper C1 cash cost and AISC for Q3 2018 have been revised from amounts previously disclosed to exclude the following impacts of third-party concentrate purchased: $0.06 per lb for Kansanshi C1 cash cost, $0.05 per lb for Kansanshi AISC and $0.03 per lb for total Group C1 cash cost and AISC.

2 Other sites include Guelb Moghrein, Çayeli and Pyhäsalmi.

FULL YEAR

Copper C1 cash cost for 2017 benefitted from the impact of a review of operational provisions at Kansanshi and Sentinel, which reduced site administration costs by $0.05 per lb. Excluding this impact, underlying C1 cash cost for 2018 was in line with 2017. Underlying C1 cash costs for Kansanshi and Sentinel were $0.10 per lb and $0.04 per lb lower, respectively, in the year compared with 2017. Higher by-product credits at Kansanshi from the sale of sulphuric acid as well as maintenance costs related to the smelter shutdown in 2017 that did not recur in 2018 contributed to the decrease in C1 cash cost. At Sentinel, C1 cash cost benefitted from the impact of higher copper production and lower consumable costs. These were partially offset by higher fuel costs at both Zambian operations along with the larger weighting of Sentinel's C1 cost, which resulted in a $0.05 per lb increase in the Group C1 cash cost.

Excluding the impact of the review of operational provisions at the Zambian operations, AISC for the year was $0.04 per lb higher than 2017 reflecting higher royalties in Zambia due to the increased LME average copper in the year as well as increased sustaining capital expenditure at Kansanshi and Sentinel.

FOURTH QUARTER

Copper C1 cash cost decreased by $0.07 per lb in the quarter compared with the same period of 2017. This was driven by the impact of higher copper production volumes and increased by-product credits at Kansanshi from the sale of sulphuric acid as well as zinc sales at Çayeli and Pyhäsalmi.

Copper AISC reflected the lower C1 cash cost and reduced royalties in Zambia, due to a lower average LME copper price in the quarter compared with the same period of 2017, partially offset by higher sustaining capital expenditure.

Operations

Kansanshi	Q4 2018	Q3 2018	Q4 2017	2018	2017
Sulphide ore tonnes milled (000s)	**3,301**	3,390	3,298	**12,978**	12,970
Sulphide ore grade processed (%)	**0.81**	0.72	0.76	**0.78**	0.75
Sulphide copper recovery (%)	**88**	95	94	**91**	91
Mixed ore tonnes milled (000s)	**2,165**	2,082	2,012	**8,186**	7,997
Mixed ore grade processed (%)	**1.08**	1.04	0.99	**1.06**	1.05
Mixed copper recovery (%)	**76**	86	88	**82**	85
Oxide ore tonnes milled (000s)	**1,668**	1,749	1,811	**6,916**	6,916
Oxide ore grade processed (%)	**1.33**	1.31	1.51	**1.44**	1.51
Oxide copper recovery (%)	**92**	95	89	**89**	87
Copper production (tonnes)[1]	**61,780**	63,687	64,800	**251,522**	250,801
Copper smelter					
Concentrate processed (DMT)[2]	**349,424**	355,435	348,283	**1,381,637**	1,211,740
Copper anodes produced (tonnes)[2]	**89,894**	90,269	83,281	**347,037**	297,553
Smelter copper recovery (%)	**97**	97	97	**97**	96
Acid tonnes produced (000s)	**320**	319	325	**1,255**	1,128
Copper sales (tonnes)[3, 4]	**56,330**	64,818	74,974	**229,832**	267,700
Gold production (ounces)	**33,465**	30,938	36,363	**130,019**	140,595
Gold sales (ounces)	**35,616**	32,706	35,910	**134,890**	139,735
All-in sustaining cost (AISC) (per lb)[5, 6]	**$ 1.61**	$ 1.59	$ 1.55	**$ 1.55**	$ 1.54
Cash costs (C1) (per lb)[5, 6]	**$ 1.04**	$ 1.06	$ 1.16	**$ 1.03**	$ 1.05
Total costs (C3) (per lb)[5, 6]	**$ 1.71**	$ 1.73	$ 1.86	**$ 1.74**	$ 1.71
Sales revenues	**417**	434	525	**1,672**	1,740
Gross profit	**140**	146	218	**623**	636
Comparative EBITDA[5]	**198**	210	294	**859**	915

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

2 Concentrate processed in smelter and copper anodes produced are disclosed on a 100% basis, inclusive of Sentinel and third-party concentrate processed. Concentrate processed is measured in dry metric tonnes ("DMT"). 11,682 DMT of third-party purchased copper concentrate was treated for the year ended December 31, 2018 and 9,402 DMT was treated for the fourth quarter.

3 Sales of copper anode attributable to anode produced from third-party purchased concentrate are excluded. For the year and quarter ended December 31, 2018, sales of copper anode produced from purchased concentrate were 7,349 tonnes and 5,884 tonnes, respectively. Q3 2018 copper sales have been adjusted to exclude copper anode sales of 1,465 tonnes attributable to third-party concentrate purchased.

4 Sales include third-party sales of concentrate, cathode and anode attributable to Kansanshi (excluding copper anode sales attributable to Sentinel).

5 AISC, C1 cash cost, and C3 total cost and comparative EBITDA are not recognized under IFRS. See "Regulatory disclosures" for further information.

6 Excluding purchases of copper concentrate from third parties treated through the Kansanshi smelter, C1 cash cost, C3 total cost and AISC for Q3 2018 have been revised from amounts previously disclosed to exclude the following impacts of third-party concentrate purchased: $0.06 per lb for C1 and C3 total cost and $0.05 per lb for AISC.

KANSANSHI MINING OPERATIONS

Full year

Copper production for the year was in line with the prior year, driven by higher throughput and grade on the sulphide and mixed ore circuits, as well as higher recoveries on the oxide circuit due to higher acid availability from the smelter compared to 2017, in which there was a smelter maintenance shutdown. This was partially offset by lower recoveries on the mixed ore circuit primarily due to the processing of tarnished sulphide material. No concentrate was processed through the high-pressure leach ("HPL") plant from the second quarter of 2018 due to sufficient internal and external smelting capacity. Major autoclave maintenance was performed during 2018 in preparation for future concentrate treatment.

Gold production of 130,019 ounces was 8% lower than the prior year resulting primarily from lower gold feed grades. Gold plant improvements, including new sorting tables, commenced during the fourth quarter and will continue during the first quarter of 2019.

Excluding the impact of a review of operational provisions which reduced C1 cash cost by $0.08 per lb in 2017, C1 cash cost excluding third-party concentrate purchases was $0.10 per lb lower than 2017. Cash costs were reduced due to acid sales and there being no major smelter shutdown in 2018, partially offset by higher fuel costs. On the same basis, AISC of $1.55 per lb was $0.07 per lb lower than the prior year, reflecting lower C1 cash cost and deferred stripping, partially offset by higher sustaining capital expenditures and royalty costs.

Sales revenues of $1,672 million were 4% lower than 2017, reflecting lower copper sales volumes partially offset by higher realized metal prices, excluding the impact of the corporate sales hedge program. Gross profit of $623 million was lower than the prior year, reflecting lower sales revenues.

Fourth quarter

Copper production in the fourth quarter was 5% lower than the comparable period in 2017 due primarily to lower throughput and grade on the oxide circuit, as well as lower recoveries on the sulphide and mixed ore circuits due to the processing of tarnished sulphide material. Partially offsetting this impact were higher sulphide and mixed ore grades, higher throughput on the mixed ore circuit and higher oxide circuit recoveries. No ore was processed through the HPL plant in the fourth quarter due to there being sufficient internal and external smelting capacity.

Gold production was 8% lower than the same period of 2017 resulting primarily from lower gold feed grades.

AISC of $1.61 per lb was $0.06 per lb higher than the same period in 2017, due to the impact of lower copper production volume and higher sustaining capital expenditures, partially offset by lower C1 cash cost, primarily reflecting higher by-product credits from the sale of sulphuric acid.

Sales revenues of $417 million were 21% lower compared to the same period in 2017, reflecting lower copper sales volumes and realized metal prices, excluding the impact of the corporate sales hedge program. Sales of copper anode attributable to anode produced from third-party purchased concentrate contributed revenues of $36 million. Gross profit of $140 million was 36% lower than the same period in 2017, reflecting the decrease in sales revenues.

KANSANSHI COPPER SMELTER

Full year

In 2018, the smelter achieved an annual record of 1,381,637 DMT of concentrate treated and produced 347,037 tonnes of copper in anode and 1,255,000 tonnes of sulphuric acid. Smelter throughput was 14% higher than the prior year, exceeding design capacity of 1.2 million DMT by 15%. Smelter throughput in 2017 was lower due to a major maintenance shutdown, which occurs every two to three years. During the year, the smelter processed 11,682 DMT of concentrate purchased from third parties to ensure the smelter maintains maximum feed rate and acid production levels during the wet season. The smelter achieved an overall copper recovery rate of 97%.

Fourth quarter

In the fourth quarter of 2018, the smelter treated 349,424 DMT of concentrate, including 9,402 DMT purchased externally, and produced 89,894 tonnes of copper in anode and 320,000 tonnes of sulphuric acid.

OUTLOOK

Production in 2019 is expected to be approximately 235,000 tonnes of copper and approximately 135,000 ounces of gold.

A two-week smelter shutdown is planned for the third quarter of 2019 to perform work on the acid plant catalyst screening.

Sentinel	Q4 2018	Q3 2018	Q4 2017	2018	2017
Copper ore processed (000s tonnes)	**12,434**	12,602	11,834	**48,750**	42,087
Copper ore grade processed (%)	**0.53**	0.49	0.54	**0.50**	0.52
Copper recovery (%)	**92**	91	90	**91**	87
Copper production (tonnes)	**60,840**	56,426	57,190	**223,656**	190,683
Copper sales (tonnes)	**60,257**	59,069	44,767	**238,211**	177,360
All-in sustaining cost (AISC) (per lb)[1]	**$ 2.02**	$ 2.25	$ 2.36	**$ 2.22**	$ 2.19
Cash cost (C1) (per lb)[1]	**$ 1.55**	$ 1.72	$ 1.67	**$ 1.70**	$ 1.70
Total cost (C3) (per lb)[1]	**$ 2.26**	$ 2.39	$ 2.49	**$ 2.42**	$ 2.45
Sales revenues	**344**	333	281	**1,454**	1,026
Gross profit	**72**	55	51	**288**	166
Comparative EBITDA[1]	**141**	116	110	**553**	385

1 AISC, C1 cash cost, C3 total cost and comparative EBITDA are not recognized under IFRS. See "Regulatory disclosures" for further information.

Full year

Sentinel achieved record throughput, recoveries and production in 2018. Copper production was 17% higher than 2017, reflecting further improvement in ore supply with higher mill throughput and recoveries, attributable to mining of fresher ore as well as continued optimization of the milling and flotation circuit, including grind size, reagent dosing and circuit control. Copper grades were slightly lower than 2017.

Excluding the impact of a review of operational provisions which reduced C1 cash cost by $0.04 per lb in 2017, C1 cash cost was $0.04 per lb lower than the same period in 2017 reflecting lower consumables and the impact of higher copper production volume, partially offset by higher fuel and contractor costs. On the same basis, AISC of $2.22 per lb was $0.01 per lb lower than the prior year, reflecting the decrease in C1 cash cost, partially offset by higher royalties and sustaining capital expenditures.

Sales revenues of $1,454 million were 42% higher than 2017 due to both higher sales volumes and realized copper prices, excluding the impact of the corporate sales hedge program. Sales revenues comprised sales of both concentrate and anode, with a higher proportion of revenue realized from copper anode. The increase in sales revenues flowed through to gross profit, which was 73% higher than 2017.

Fourth quarter

Sentinel achieved record quarterly copper production of 60,840 tonnes in the fourth quarter, reflecting continued improvement in ore supply contributing to higher mill throughput and record copper recoveries with continued optimization of the milling and flotation circuits. Copper production was 6% higher than the comparable period in 2017. The increases in throughput and recoveries were partially offset by lower copper grades.

AISC of $2.02 per lb was $0.34 per lb lower than the same period in 2017, reflecting the impact of higher copper production, as well as lower C1 cash cost, royalties and sustaining capital expenditures, partially offset by higher deferred stripping costs. The decrease in C1 cash cost was mainly due to lower mining, consumables and contractor costs. Royalties were lower as a result of the timing of sales by the mine in the quarter.

Sales revenues of $344 million were 22% higher than the comparable period in 2017 due to higher copper sales volumes, partially offset by lower realized copper prices excluding the impact of the corporate sales hedge program. A higher proportion of revenues were realized from copper anode in the quarter. Gross profit of $72 million was 41% higher than the comparable period in 2017, reflecting the increase in sales revenues.

OUTLOOK

Production in 2019 is expected to be approximately 230,000 tonnes of copper. In terms of quarterly phasing of annual production, it is expected that production will be at its lowest in the first quarter.

Copper production is expected to continue to benefit from consistent ore supply, higher feed grades and recoveries with continued optimization of the milling and flotation circuits. Mining is expected to continue to focus on optimization of drilling and blasting as well as loading and hauling practices, improved ore feed grades as well as the expansion of the trolley-assist program. Waste stripping in the east cutback is planned to continue throughout 2019.

Forthcoming projects at Sentinel in 2019 are expected to include additions to the secondary crusher and pebble conveying circuits to enhance operational flexibility and efficiency, as well as the start of construction of a fourth in-pit crusher.

Las Cruces	Q4 2018	Q3 2018	Q4 2017	2018	2017
Ore tonnes processed (000s)	**400**	338	420	**1,544**	1,619
Copper ore grade processed (%)	**5.00**	4.84	4.99	**4.95**	5.07
Copper recovery (%)	**93**	93	89	**93**	90
Copper cathode production (tonnes)	**18,470**	15,181	18,700	**70,738**	73,664
Copper cathode sales (tonnes)	**18,345**	15,138	17,903	**71,523**	74,664
All-in sustaining cost (AISC) (per lb)[1]	**$ 1.16**	$ 1.41	$ 1.12	**$ 1.16**	$ 1.06
Cash cost (C1) (per lb)[1]	**$ 0.94**	$ 1.02	$ 0.93	**$ 0.90**	$ 0.86
Total cost (C3) (per lb)[1]	**$ 2.28**	$ 2.50	$ 2.40	**$ 2.25**	$ 2.15
Sales revenues	**113**	93	122	**470**	461
Gross profit	**19**	11	26	**116**	106
Comparative EBITDA[1]	**76**	60	91	**326**	316

1 AISC, C1 cash cost, C3 total cost and comparative EBITDA are not recognized under IFRS. See "Regulatory disclosures" for further information.

Full year

Copper production for 2018 decreased by 4% compared to the prior year. The decrease was due to lower throughput caused by a major planned maintenance shutdown and unplanned shutdowns in the grinding thickener during the second half of the year, resulting in reduced equipment availability by 18 days, and lower ore grade of the mined mineral in the year. The decrease was partially offset by higher recoveries, which benefitted from lower levels of lead and zinc in the ore processed and improved performance of the pressure filters.

AISC of $1.16 per lb was higher compared to the prior year due to the impact of lower copper production, higher C1 cash cost, the depreciation of the U.S. dollar against the euro, and higher deferred stripping costs. Increased C1 cash cost was driven by higher processing costs relating to higher utility and reagent prices, labour costs and costs arising from higher water volumes treated, partially offset by lower mining costs.

Sales revenues of $470 million increased by 2% compared to the prior year due to higher realized copper prices, excluding the impact of the corporate sales hedge program, partially offset by lower copper sales volumes. The increase in revenues flowed through to gross profit, resulting in a 9% increase over the prior year.

Fourth quarter

Copper production in the fourth quarter decreased slightly compared to the same period in 2017, as a result of lower throughput due to an unplanned shutdown in November 2018 in the grinding thickener, which reduced equipment availability by four days. The impact of lower throughput was partially offset by higher ore grade processed and recoveries benefitting from lower primary ore dilution and favourable pressure filter performance.

AISC of $1.16 per lb was higher compared to the same period in 2017 due to higher C1 cash cost driven by the impact of lower copper production as well as higher utilities and reagents prices, partially offset by lower mining costs. Higher deferred stripping costs further increased AISC in the quarter.

Sales revenues of $113 million for the three months ended December 31, 2018 decreased by 7% compared with the same period in 2017 due to lower realized copper prices, excluding the impact of the corporate sales hedge program, partially offset by higher copper sales volumes. The decrease in revenues flowed through to gross profit, resulting in a 27% decrease compared with the same period in 2017.

OUTLOOK

On January 23, 2019, operations were temporarily suspended following a land slippage on the slope of the northern zone of the open pit mine. There were no injuries or impact on third-party facilities or land resulting from the land slippage. The suspension of operations is currently estimated to result in approximately 25,000 tonnes of lost copper production in 2019. Planned production for 2020 has also been reduced by a further 25,000 tonnes from amounts previously disclosed as certain high-grade ore is no longer expected to be mined as part of the open pit operation.

Copper production for 2019 is expected to be 45,000 tonnes. The hydrometallurgical plant resumed copper production on February 1, 2019, processing lower-grade ore stockpiles. This is expected to provide feed for the next several months while the Company obtains the necessary regulatory approvals for the commencement of mining of Phase 6, which was unaffected by the land slippage.

The open pit mining operations are expected to be completed in the second half of 2020.

Research on the technical and economic feasibility of the polymetallic refinery project is also expected to continue.

Guelb Moghrein	**Q4 2018**	Q3 2018	Q4 2017	**2018**	2017
Sulphide ore tonnes milled (000s)	**983**	902	874	**3,684**	3,389
Sulphide ore grade processed (%)	**0.93**	0.94	0.90	**0.85**	0.93
Sulphide copper recovery (%)	**91**	94	91	**90**	92
Copper production (tonnes)	**8,319**	7,902	7,155	**28,137**	28,791
Copper sales (tonnes)	**9,099**	5,108	6,811	**27,366**	28,999
Gold production (ounces)	**12,236**	11,644	13,270	**45,974**	49,213
Gold sales (ounces)	**14,224**	8,100	12,384	**48,195**	50,453
Magnetite concentrate production (WMT)[1]	**97,052**	111,765	–	**425,389**	–
Magnetite concentrate sales (WMT)[1]	**85,914**	61,315	–	**376,956**	–
All-in sustaining cost (AISC) (per lb)[2]	**$ 1.95**	$ 1.93	$ 1.60	**$ 1.93**	$ 1.65
Cash costs (C1) (per lb)[2]	**$ 1.73**	$ 1.57	$ 1.34	**$ 1.50**	$ 1.28
Total costs (C3) (per lb)[2]	**$ 2.79**	$ 2.42	$ 2.25	**$ 2.46**	$ 2.13
Sales revenues	**70**	41	59	**235**	217
Gross profit	**1**	1	12	**30**	41
Comparative EBITDA[2]	**13**	7	22	**66**	83

1 Magnetite concentrate production and sales volumes are measured in wet metric tonnes ("WMT").

2 AISC, C1 cash cost, C3 total cost and comparative EBITDA are not recognized under IFRS. See "Regulatory disclosures" for further information.

Full year

Copper production in 2018 decreased slightly compared to the prior year due to lower feed grade and copper recovery, partially offset by a 9% increase in mill throughput. The lower feed grade was due to processing low-grade ore from stockpiles during the first half of 2018 while waste mining progressed. Feed grade and recoveries improved in the second half of 2018 with the processing of softer ore, which had a positive impact on copper production.

Gold in concentrate production for the year ended December 31, 2018 decreased by 7% compared to the same period in 2017, due to lower feed grade and lower gold circuit recovery.

The magnetite plant produced 425,389 WMT of magnetite concentrate in 2018.

AISC of $1.93 per lb was $0.28 per lb higher than the prior year, reflecting an increase in C1 cash cost of $0.22 per lb as well as higher royalties and deferred stripping costs, partially offset by lower sustaining capital expenditure. The increase in C1 cash cost reflected the impact of lower copper production, increased fuel prices and consumption levels as well as higher mining costs driven by contractor and drilling services, partially offset by higher by-product credits.

Sales revenues of $235 million were 8% higher than the prior year due to higher realized metals prices, excluding the impact of the corporate sales hedge program, and magnetite revenue of $23 million, partially offset by lower copper and gold sales volumes. Gross profit of $30 million was lower than the same period in 2017, with the increase in sales revenues more than offset by higher operating costs.

Fourth quarter
Copper production was 16% higher than the same period in 2017, mainly due to a 12% increase in throughput and higher feed grade due to the processing of softer ore.

Gold in concentrate production was 8% lower than the same period in 2017, due to lower recovery resulting from lower performance of concentrators and lower gold feed grade.

The magnetite plant produced 97,052 WMT of magnetite concentrate this quarter.

AISC of $1.95 per lb was $0.35 per lb higher than the same period in 2017, reflecting a $0.39 per lb increase in C1 cash cost partially offset by lower royalty costs and sustaining capital expenditures. The increase in C1 cash cost reflected higher mining costs driven by contractor and outsourced drilling services, as well as increased fuel prices and consumption levels, maintenance and consumables costs, partially offset by higher by-product credits.

Sales revenues of $70 million were 19% higher than the same period of 2017 due to higher copper and gold sales volumes and magnetite revenue of $5 million, partially offset by lower realized metals prices excluding the impact of the corporate sales hedge program. Gross profit of $1 million was lower than the same period in 2017, with the increase in sales revenues more than offset by higher operating costs and depreciation.

OUTLOOK

Production in 2019 is expected to be approximately 28,000 tonnes of copper, 47,000 ounces of gold and 570,000 WMT of concentrate of magnetite. Magnetite concentrate sales of 320,000 WMT are expected in 2019.

The focus for 2019 will be on improving gold concentrator recoveries, cost reduction through the review of contractors and equipment contracts and increasing mining productivity.

A total of 16 days of shutdown time is planned throughout 2019 for the maintenance of crusher and SAG mill circuits.

Çayeli	**Q4 2018**	Q3 2018	Q4 2017	**2018**	2017
Ore tonnes milled (000s)	**252**	243	212	**1,007**	943
Copper ore grade processed (%)	**2.64**	2.39	1.72	**2.26**	1.96
Copper recovery (%)	**89**	87	90	**88**	89
Zinc ore grade processed (%)	**1.50**	1.69	0.78	**1.40**	1.05
Zinc recovery (%)	**27**	32	23	**29**	34
Copper production (tonnes)	**5,931**	5,056	3,284	**19,896**	16,523
Copper sales (tonnes)	**9,153**	2,753	4,266	**17,397**	17,716
Zinc production (tonnes)	**1,034**	1,305	379	**4,091**	3,326
Zinc sales (tonnes)	**2,154**	–	–	**4,313**	4,435
All-in sustaining cost (AISC) (per lb)[1]	**$ 1.28**	$ 1.45	$ 2.48	**$ 1.48**	$ 1.75
Cash cost (C1) (per lb)[1]	**$ 1.09**	$ 1.18	$ 2.05	**$ 1.21**	$ 1.50
Total cost (C3) (per lb)[1]	**$ 1.75**	$ 2.05	$ 2.06	**$ 2.03**	$ 2.37
Sales revenues	**52**	13	23	**100**	98
Gross profit (loss)	**19**	–	11	**23**	16
Comparative EBITDA[1]	**30**	5	10	**51**	43

1 AISC, C1 cash cost, C3 total cost and comparative EBITDA are not recognized under IFRS. See "Regulatory disclosures" for further information.

Full year and fourth quarter
Copper production for the year and quarter ended December 31, 2018 were 20% and 81% higher, respectively, than the same periods in 2017 due to higher throughput and copper grade, partially offset by lower recovery due to the mining sequence in which the processing of off-spec ore resulted in less separation of copper and zinc. Copper grade has been positively impacted by the opening of new work areas, which has increased mining flexibility in 2018, as well as ground stability in the areas mined.

Zinc production for the year and quarter ended December 31, 2018 was 23% and 173% higher, respectively, than the comparable periods in 2017, reflecting higher zinc grades and, for the quarter, higher zinc recovery. New higher-grade work areas were opened compared to the low-grade stockwork ore processed in the prior year. The processing of a higher volume of off-spec ore contributed to the decrease in zinc recoveries for the year compared to 2017.

AISC for the year and quarter ended December 31, 2018 decreased by $0.27 per lb and $1.20 per lb, respectively, compared to the same periods in 2017, mainly driven by the impact of higher copper production, decreases in C1 cash cost and, for the quarter, lower deferred development costs. C1 cash cost was lower by $0.29 per lb and $0.96 per lb, respectively, for the year and quarter ended December 31, 2018, compared to the same periods in 2017 mainly due to lower operating expenditures attributable to the appreciation of the U.S. dollar against the Turkish lira. The decrease in C1 cash cost was partially offset by higher royalties in the year and quarter ended December 31, 2018, as well as higher deferred development costs and sustaining capital expenditures for the year ended December 31, 2018, compared to the same periods in 2017.

Sales revenues of $100 million for the year ended December 31, 2018 and $52 million in the fourth quarter were 2% and 126% higher, respectively, than the comparable periods in 2017. For the year 2018, higher realized copper prices, excluding the impact of the corporate sales hedge program, were partially offset by slightly lower sales volumes and lower realized zinc prices. For the quarter, the impact of significantly higher copper and zinc sales volumes compared to the same period in 2017, reflecting eight of the year's 15 shipments including those that were delayed from the third quarter of 2018, was partially offset by lower realized metals prices, excluding the impact of the corporate sales hedge program. The higher sales revenues contributed to an increase in gross profit for the year and three months ended December 31, 2018.

OUTLOOK

Production for 2019 is expected to be 17,000 tonnes of copper and 2,000 tonnes of zinc, reflecting a declining number of work areas as the mine approaches reserve depletion in 2021.

Production is expected to be challenging due to poor ground conditions in the areas forecast to be mined; therefore, ground stabilization will be critical to achieving the expected production levels.

Pyhäsalmi	**Q4 2018**	Q3 2018	Q4 2017	**2018**	2017
Ore tonnes milled (000s)	**312**	320	306	**1,248**	1,260
Copper ore grade processed (%)	**0.98**	0.98	1.07	**0.99**	1.11
Copper recovery (%)	**97**	95	97	**96**	97
Zinc ore grade processed (%)	**2.35**	2.07	1.17	**2.01**	1.55
Zinc recovery (%)	**91**	91	89	**91**	89
Copper production (tonnes)	**2,964**	2,989	3,190	**11,904**	13,501
Copper sales (tonnes)	**3,028**	2,991	3,184	**12,184**	13,691
Zinc production (tonnes)	**6,653**	6,043	3,177	**22,716**	17,397
Zinc sales (tonnes)	**6,114**	6,178	3,282	**21,799**	17,416
Pyrite production (tonnes)	**168,881**	171,355	154,855	**645,885**	692,124
Pyrite sales (tonnes)	**124,109**	100,894	114,712	**445,181**	418,743
All-in sustaining cost (AISC) (per lb)[1]	**$ (0.59)**	$ (0.48)	$ (0.09)	**$ (0.46)**	$ (0.26)
Cash cost (C1) (per lb)[1]	**$ (0.59)**	$ (0.48)	$ (0.10)	**$ (0.46)**	$ (0.26)
Total cost (C3) (per lb)[1]	**$ 1.57**	$ 1.67	$ 2.35	**$ 1.70**	$ 2.06
Sales revenues	**34**	34	38	**144**	143
Gross profit	**9**	9	6	**40**	24
Comparative EBITDA[1]	**23**	22	22	**94**	89

1 AISC, C1 cash cost, C3 total cost and comparative EBITDA are not recognized under IFRS. See "Regulatory disclosures" for further information.

Full year and fourth quarter
2018 was the final full year of copper production at Pyhäsalmi. Copper production decreased by 12% and 7% in the year and quarter ended December 31, 2018, respectively, compared to the same periods in 2017, mainly due to lower copper grade. Lower throughput and copper recovery also contributed to the decrease for the full year in 2018. Zinc production was 31% and 109% higher in the year and quarter ended December 31, 2018, respectively, compared to the same periods in 2017 due to higher zinc grade and recovery. The lower throughput in 2018 and fluctuation in grades reflect the nearly depleted economic ore reserve and the constraint on available work areas at this stage of the mine life.

AISC of ($0.46) per lb and ($0.59) per lb for the year and quarter ended December 31, 2018, respectively, were lower than the comparable periods in 2017 mainly due to higher by-product credits, partially offset by the impact of lower copper production.

Sales revenues of $144 million and $34 million were slightly higher and 11% lower, respectively, than the same periods of 2017. For the year ended December 31, 2018, higher zinc sales volumes and realized copper prices, excluding the impact of the corporate sales hedge program, were offset by lower copper sales volumes and realized zinc prices. In the fourth quarter, higher zinc sales volumes were more than offset by lower copper sales volumes and realized metals prices, excluding the impact of the corporate copper sales hedge program. Gross profit of $40 million for the year 2018 and $9 million in the fourth quarter were 67% and 50% higher, respectively, than the same periods in 2017, mainly reflecting the flow-through of sales revenues and lower depreciation.

OUTLOOK

2019 is expected to be the operation's final year of production. Production is forecast at 5,000 tonnes of copper, 3,000 ounces of gold, 10,000 tonnes of zinc and 250,000 tonnes of pyrite.

Throughput is expected to be 800,000 tonnes in 2019 in line with the anticipated depletion of economic ore.

A total of 34 days of shutdown time is planned for 2019, including 11 days in the first quarter, 12 days in the second quarter and 11 days in the third quarter.

RAVENSTHORPE

Ravensthorpe remained on care and maintenance activities during the year, with the mine at a level ready for a resumption of operations should market conditions improve. Care and maintenance costs in the fourth quarter and full year were $3 million and $11 million, respectively. For the year, energy, contracting and maintenance costs were higher than expected due to increased activity on descaling tanks, evaporation of high salinity water and repair activities within the process plant. These activities, along with improvements to site drainage and roadways, are progressing well utilizing care and maintenance personnel.

Refurbishment of the leaching circuit's atmospheric reactors is well advanced with one reactor completed and the second due to be completed in the first quarter of 2019, with the anticipated capital cost remaining at $5 million.

OUTLOOK

A logical process of work including resource drilling of the Shoemaker Levy deposit and a capital works program for permitting, design and subsequent construction of the infrastructure requirements to bring Shoemaker Levy online is underway in anticipation of a higher sustained commodity pricing level. A sustained rise in the nickel price would initiate plans that have been developed for employee recruitment, contract mining arrangements, camp reinstatement as well as enhancements to identified process circuit opportunities. Restart costs, should favourable conditions prevail, are estimated at $10 million.

Sales Revenues

		Q4 2018	Q3 2018	Q4 2017	2018	2017
Kansanshi	– copper	**371**	392	488	**1,491**	1,574
	– gold	**41**	36	37	**160**	166
	– acid	**5**	6	–	**21**	–
Sentinel	– copper	**344**	333	281	**1,454**	1,026
Las Cruces	– copper	**113**	93	122	**470**	461
Guelb Moghrein	– copper	**48**	27	39	**154**	150
	– gold	**17**	9	13	**58**	60
	– magnetite	**5**	5	7	**23**	7
Çayeli	– copper	**44**	13	23	**87**	87
	– zinc, gold and silver	**8**	–	–	**13**	11
Pyhäsalmi	– copper	**17**	16	20	**70**	74
	– zinc	**11**	10	8	**45**	37
	– pyrite, gold and silver	**6**	8	10	**29**	32
Ravensthorpe	– nickel	**–**	–	8	**–**	146
	– cobalt	**–**	–	1	**–**	17
Corporate[1]		**24**	30	(172)	**(109)**	(538)
Sales revenues		**1,054**	978	885	**3,966**	3,310
	Copper	**963**	904	785	**3,616**	2,802
	Gold	**61**	47	53	**228**	236
	Zinc	**15**	10	8	**53**	46
	Other	**15**	17	31	**69**	78
	Nickel	**–**	–	8	**–**	148
		1,054	978	885	**3,966**	3,310

1 Corporate sales include sales hedges (see "Hedging programs" for further discussion).

FULL YEAR

Sales revenues increased by $656 million in the year to $3,966 million reflecting an increase to copper revenues of $814 million, offset by the absence of nickel sales revenues contributed by Ravensthorpe following the operation moving to care and maintenance in October 2017.

The increase in copper revenues was driven by a higher realized copper price for the year as well as increased revenues generated by Sentinel as a result of 34% higher sales volumes, partially offset by a 14% reduction to Kansanshi sales volumes. Sales of copper anode attributable to anode produced from third-party purchased concentrate contributed revenues of $45 million. The impact of the copper sales hedge program was a reduction in revenues of $110 million compared with reduced revenues of $570 million in 2017.

FOURTH QUARTER

Sales revenues of $1,054 million in the fourth quarter increased by $169 million compared to 2017, due to an increase in copper revenues of $178 million reflecting higher realized copper prices and sales volumes at Sentinel, Guelb Moghrein and Çayeli. Sales of copper anode attributable to anode produced from third-party purchased concentrate contributed revenues of $36 million. The impact of the sales hedge program was an increase to revenues of $25 million, compared with a reduction to revenues of $188 million in the comparable quarter of 2017. There were no nickel revenues in the quarter and reduced other revenues were offset by increased gold revenues at Kansanshi and increased zinc revenues generated by Pyhäsalmi and Çayeli.

Realized Prices

Copper selling price (per lb)	Q4 2018	Q3 2018	Q4 2017	2018	2017
Average LME cash price	**$ 2.80**	$ 2.77	$ 3.09	**$ 2.96**	$ 2.79
Realized copper price	**$ 2.83**	$ 2.84	$ 2.50	**$ 2.84**	$ 2.33
TC/RCs and freight charges	**$ (0.14)**	$ (0.13)	$ (0.16)	**$ (0.13)**	$ (0.14)
Net realized copper price	**$ 2.69**	$ 2.71	$ 2.34	**$ 2.71**	$ 2.19

Given the volatility in copper prices, significant variances can arise between average LME and net realized prices due to the timing of sales during the period.

The sales hedge program decreased sales revenues by $110 million and increased sales revenues by $25 million for the year ended and quarter ended December 31, 2018, respectively. The impact on the net realized copper price was an increase of $0.07 per lb for the quarter and a reduction of $0.08 per lb for the year, respectively.

Details of the Company's hedging program at December 31, 2018 are included on page 39.

Summary Financial Results

	Q4 2018	Q3 2018	Q4 2017	2018	2017
Gross profit (loss)					
Kansanshi	**140**	146	218	**623**	636
Sentinel	**72**	55	51	**288**	166
Las Cruces	**19**	11	26	**116**	106
Guelb Moghrein	**1**	1	12	**30**	41
Çayeli	**19**	–	11	**23**	16
Pyhäsalmi	**9**	9	6	**40**	24
Ravensthorpe	**(4)**	(5)	(5)	**(16)**	(57)
Corporate[1]	**24**	29	(202)	**(126)**	(597)
Total gross profit	**280**	246	117	**978**	335
Exploration	**(7)**	(6)	(8)	**(26)**	(18)
General and administrative	**(19)**	(20)	(19)	**(74)**	(74)
Impairment and related charges	**–**	–	(26)	**–**	(26)
Other income (expense)	**6**	(79)	(15)	**(69)**	(34)
Net finance expense	**(6)**	(5)	(24)	**(18)**	(39)
Loss on extinguishment of senior notes	**–**	–	–	**–**	(84)
Income tax expense	**(41)**	(66)	(118)	**(283)**	(299)
Net earnings (loss)	**213**	70	(93)	**508**	(239)
Net earnings (loss) attributable to:					
Non-controlling interests	**15**	9	22	**67**	77
Shareholders of the Company	**198**	61	(115)	**441**	(316)
Comparative earnings (loss)	**182**	128	(36)	**487**	(111)
Earnings (loss) per share – continuing operations:					
Basic	**$ 0.29**	$ 0.09	$ (0.17)	**$ 0.64**	$ (0.46)
Diluted	**$ 0.29**	$ 0.09	$ (0.17)	**$ 0.64**	$ (0.46)
Comparative	**$ 0.26**	$ 0.19	$ (0.05)	**$ 0.71**	$ (0.16)
Basic weighted average number of shares (in 000s)	**687,074**	687,108	686,402	**686,747**	685,936

1 Corporate gross profit (loss) relates primarily to sales hedge loss.

FULL YEAR

Gross profit was $643 million higher than the same period in 2017 due to higher realized prices achieved during the year from the sales hedge program together with increased Sentinel contribution of $288 million compared with $166 million in 2017, reflecting higher sales volumes. Furthermore, the gross loss attributable to Ravensthorpe was lower in the year compared to 2017 as a result of operations moving to care and maintenance in October 2017. A gross loss of $45 million was recognized in 2017 on the Ravensthorpe operations excluding care and maintenance costs.

Exploration expense was $8 million higher in 2018 compared with 2017, and included $2 million costs associated with work performed in relation to the Pebble agreement that was terminated in the year. Included within other expenses is a foreign exchange loss of $64 million, due principally to the devaluation of the Zambian kwacha and the impact on the VAT balances due to the Company's Zambian operations. Also included within other expense is a gain of $8 million realized on disposal of the asset retirement obligation associated with the Troilus closed property in April 2018.

An impairment charge of $26 million was recognized in 2017 relating to specific assets at Ravensthorpe, which was placed on care and maintenance in October 2017, and housing assets in Zambia.

Net earnings for 2017 included a loss on extinguishment of senior notes of $84 million as well as a $20 million charge included within net finance expense with respect to the discounting of non-current VAT due to Kansanshi. Included within the net finance expense for 2018 is a $5 million charge relating to the discounting of non-current VAT due to Kansanshi.

2018 net earnings of $508 million included a tax expense of $283 million reflecting applicable statutory tax rates, which range from 20% to 35% for the Company's operations. Tax credits with respect to losses realized under the Company's sales hedge program have not been applied. The effective tax rate for the year, excluding the sales hedge program, was 31%.

FOURTH QUARTER

Gross profit was $163 million higher than the comparable period of 2017, due to higher sales revenues as a result of improved realized prices achieved under the Company's corporate copper sales hedge program coupled with increased sales volumes.

Other income of $6 million includes a foreign exchange gain of $13 million recognized in the quarter following a strengthening of the Zambian kwacha, and an $8 million restructuring provision at Las Cruces. Other expense of $15 million in 2017 included a $10 million foreign exchange loss.

Net earnings for the quarter of $213 million included a tax expense of $41 million reflecting applicable statutory tax rates. The statutory tax rates for the Company's operations range from 20% to 35%. No tax charge has been recognized with respect to the $25 million gain realized on the Company's copper sales hedge program.

Liquidity and Capital Resources

	Q4 2018	Q3 2018	Q4 2017	2018	2017
Cash flows from operating activities	**338**	439	203	**1,980**	914
Cash flows from (used by) investing activities					
Purchase and deposits for property, plant and equipment	**(606)**	(523)	(498)	**(2,143)**	(1,652)
Investment in Pebble project early option price instalment	**–**	–	(38)	**–**	(38)
Capitalized borrowing costs paid in cash	**(49)**	(198)	(50)	**(441)**	(365)
Acquisition of KPMC	**(80)**	–	(179)	**(185)**	(179)
Other investing activities	**6**	6	8	**17**	21
Cash flows from (used by) financing activities					
Net movement in debt and trading facilities	**413**	318	733	**948**	1,269
Early redemption costs on senior notes	**–**	–	–	**–**	(54)
Other financing activities	**19**	31	42	**(68)**	186
Exchange gains (losses) on cash and cash equivalents	**(6)**	(2)	5	**(22)**	35
Net cash inflow (outflow)	**35**	71	226	**86**	137
Cash balance	**788**	753	702	**788**	702
Total assets	**23,537**	22,864	21,623	**23,537**	21,623
Total current liabilities	**1,644**	1,487	2,068	**1,644**	2,068
Total non-current liabilities	**11,171**	10,850	9,427	**11,171**	9,427
Net debt[1]	**6,497**	6,116	5,575	**6,497**	5,575
Cash flows from operating activities per share[1]	**$ 0.49**	$ 0.64	$ 0.30	**$ 2.88**	$ 1.33

1 Cash flows per share and net debt are not recognized under IFRS. See "Regulatory disclosures" for further information.

Cash flows from continuing operating activities were $1,066 million higher than 2017. Higher cash generated from operations, increased stream contributions and favourable working capital movements were partially offset by an increase in taxes paid.

The total VAT receivable accrued by the Company's Zambian operations at December 31, 2018 was $443 million, of which $282 million relates to Kansanshi. In February 2015, the Government of Zambia implemented a change in the Statutory Instrument regarding VAT. Claims totalling Zambian kwacha 1,585 million (currently equivalent to $134 million) made by Kansanshi prior to this date remain outstanding. A further $5 million charge was recognized in the year, in addition to the $20 million recognized in the year ended December 31, 2017, to reflect the impact of discounting the balance over the expected timeframe to repayment. Cash totalling $99 million has been received to date for claims subsequent to February 2015. The accrual for historical VAT receivables stems from the application of discretionary rules established and applied by the Commissioner General relating to exports from Zambia. The Company is in regular discussions with the relevant government authorities and continues to consider that the outstanding claims are fully recoverable.

Zambian VAT	**December 31, 2018**	December 31, 2017
Receivable at date of claim	**645**	435
Impact of depreciation of Zambian kwacha against US$	**(177)**	(102)
	468	333
Impact of discounting non-current portion	**(25)**	(20)
Total receivable	**443**	313
Comprising:		
Current portion, included within trade and other receivables	**334**	173
Non-current VAT receivable	**109**	140

Cash flows used by continuing investing activities in 2018 included capital expenditure of $2,143 million compared to $1,652 million for the same period in 2017 and is comprised primarily of $1,332 million of Cobre Panama project capital expenditure. Interest capitalized to property, plant and equipment paid in the year amounted to $441 million compared with $365 million in 2017. Two further instalments totalling $185 million were paid for the acquisition of LS-Nikko's 50% interest in KPMC.

Cash flows from continuing financing activities of $880 million included proceeds from trading and other debt facilities of $948 million, partially offset by net payments to KPMC of $26 million and dividends paid of $25 million.

LIQUIDITY OUTLOOK

At December 31, 2018, the Company had $700 million of committed undrawn facilities, $788 million in net unrestricted cash and working capital of $1,039 million. These, together with expected future cash flows, support the Company's belief in its ability to meet current obligations as they become due. The Company was also in full compliance with all its financial covenants at December 31, 2018 and expects to remain in compliance throughout the next 12 months.

At December 31, 2018, the Company had total commitments of $392 million, of which approximately $358 million related to the 12 months following the period-end.

Contractual and other obligations as at December 31, 2018 are as follows:

	Carrying value	Contractual cash flows	< 1 year	1–3 years	3–5 years	Thereafter
Debt – principal repayments	7,179	7,245	69	2,276	1,950	2,950
Debt – finance charges	–	2,299	516	897	563	323
Trading facilities	106	106	106	–	–	–
Trade and other payables	631	631	631	–	–	–
Derivative instruments	3	3	3	–	–	–
Liability to joint venture[1]	946	1,446	–	–	1,446	–
Joint venture consideration	264	300	100	200	–	–
Current taxes payable	125	125	125	–	–	–
Deferred payments	42	42	–	18	14	10
Finance leases	17	23	3	7	7	6
Operating leases	–	32	25	6	1	–
Commitments	–	392	358	29	5	–
Restoration provisions	585	1,048	5	68	80	895

1 Refers to distributions to KPMC, a joint venture that holds a 20% non-controlling interest in MPSA of which the Company has joint control, and not scheduled repayments.

HEDGING PROGRAMS

The Company has hedging programs in respect of future copper sales and provisionally priced sales contracts. Below is a summary of the fair values of unsettled derivative financial instruments for commodity contracts recorded on the consolidated balance sheet.

Commodity contracts:	**December 31, 2018**	December 31, 2017
Asset position	**43**	13
Liability position	**(3)**	(288)

The Company has entered into derivative contracts to ensure that the exposure to the price of copper on future sales is managed to ensure stability of cash flows in the current higher capital expenditure phase of the development of the Cobre Panama project while maintaining compliance with financial covenants.

At February 14, 2019, 7,500 tonnes of unmargined copper forward sales contracts at an average price of $2.81 per lb are outstanding with periods of maturity to June 2019. The Company has zero cost collar unmargined sales contracts for 52,500 tonnes at prices ranging from low side (or put) prices of $2.70 per lb to high side (or call) prices of $3.50 per lb with maturities to July 2019.

Approximately 20% of remaining expected copper sales in the first half of 2019 are hedged to unmargined forward and zero cost collar sales contracts, at an average floor price of $2.90 per lb.

During the year ended December 31, 2018, a loss for settled hedges of $110 million was realized through sales revenues. Fair value gains on outstanding contracts of $27 million have been recognized as a derivative asset at December 31, 2018.

Provisional pricing and derivative contracts

A portion of the Company's metal sales is sold on a provisional pricing basis whereby sales are recognized at prevailing metal prices when title transfers to the customer and final pricing is not determined until a subsequent date, typically two months later. The difference between final price and provisional invoice price is recognized in net earnings. In order to mitigate the impact of these adjustments on net earnings, the Company enters into derivative contracts to directly offset the pricing exposure on the provisionally priced contracts. The provisional pricing gains or losses and offsetting derivative gains or losses are both recognized as a component of cost of sales. Derivative assets are presented in other assets and derivative liabilities are presented in other liabilities with the exception of copper and gold embedded derivatives, which are included within accounts receivable.

As at December 31, 2018, the following derivative positions in provisionally priced sales and commodity contracts not designated as hedged instruments were outstanding:

	Open positions (tonnes/ounces)	Average contract price	Closing market price	Maturities through
Embedded derivatives in provisionally priced sales contracts:				
Copper	90,633	$2.78/lb	$2.71/lb	April 2019
Gold	16,069	$1,235/oz	$1,282/oz	April 2019
Zinc	2,175	$1.18/lb	$1.14/lb	January 2019
Commodity contracts:				
Copper	90,425	$2.78/lb	$2.71/lb	April 2019
Gold	16,069	$1,235/oz	$1,282/oz	April 2019
Zinc	2,175	$1.18/lb	$1.14/lb	January 2019

As at December 31, 2018, substantially all of the Company's metal sales contracts subject to pricing adjustments were hedged by offsetting derivative contracts.

Equity

At the date of this report, the Company had 689,390,565 shares outstanding.

Joint Venture

On November 8, 2017, the Company completed the purchase of a 50% interest in KPMC from LS-Nikko Copper Inc. KPMC is jointly owned and controlled with Korea Resources Corporation and holds a 20% interest in Cobre Panama. The purchase consideration was $664 million, of which the remaining $300 million has been discounted and is repayable in three instalments to November 2021.

The Company has recognized a $600 million investment in the joint venture, representing the discounted consideration value against which the Company's proportionate share of the profit or loss in KPMC is recognized. The assets and liabilities of KPMC are an investment in MPSA, a subsidiary of the Company, a loan receivable from MPSA, and loans due to shareholders. Interest income and expense earned on these loans is on the same terms.

Framework Agreement Relating to the Pebble Project

In May 2018, the Company and Northern Dynasty Minerals elected to terminate their framework agreement, announced on December 15, 2017, in accordance with its terms after being unable to reach agreement on the contemplated option and partnership transaction on the Pebble project. The $38 million early option price instalment was recognized as a fair value loss in other comprehensive income ("OCI") in the year. The Company has no further obligation in regard to this agreement.

Summary of Results

The following unaudited tables set out a summary of quarterly and annual results for the Company:

Consolidated operations	2016	Q1 17	Q2 17	Q3 17	Q4 17	2017	Q1 18	Q2 18	Q3 18	Q4 18	2018
Sales revenues											
Copper	$ 2,138	$ 643	$ 655	$ 719	$ 785	$ 2,802	$ 798	$ 951	$ 904	$ 963	$ 3,616
Nickel	182	43	39	58	8	148	–	–	–	–	–
Gold	271	54	66	63	53	236	61	59	47	61	228
Zinc and other elements	82	26	22	37	39	124	26	39	27	30	122
Total sales revenues	2,673	766	782	877	885	3,310	885	1,049	978	1,054	3,966
Gross profit	339	69	66	83	117	335	181	271	246	280	978
Comparative EBITDA	964	265	267	304	318	1,154	363	466	427	481	1,737
Net earnings (loss) attributable to shareholders of the Company	222	(114)	(35)	(52)	(115)	(316)	47	135	61	198	441
Comparative earnings (loss)	165	(29)	(18)	(28)	(36)	(111)	49	128	128	182	487
Basic earnings (loss) per share	$ 0.32	$ (0.17)	$ (0.05)	$ (0.08)	$ (0.17)	$ (0.46)	$ 0.07	$ 0.20	$ 0.09	$ 0.29	$ 0.64
Comparative earnings (loss) per share	$ 0.24	$ (0.04)	$ (0.03)	$ (0.04)	$ (0.05)	$ (0.16)	$ 0.07	$ 0.19	$ 0.19	$ 0.26	$ 0.71
Diluted earnings (loss) per share	$ 0.32	$ (0.17)	$ (0.05)	$ (0.08)	$ (0.17)	$ (0.46)	$ 0.07	$ 0.20	$ 0.09	$ 0.29	$ 0.64
Dividends declared per common share (CDN$ per share)	$ 0.015	$ 0.005	–	$ 0.005	–	$ 0.010	$ 0.005	–	$ 0.005	–	$ 0.010
Basic weighted average shares (000s)[1]	685,746	685,827	685,845	686,323	686,402	685,936	686,387	686,423	687,108	687,074	686,747
Cash flows per share from operating activities	$ 1.33	$ 0.35	$ 0.30	$ 0.39	$ 0.30	$ 1.33	$ 1.16	$ 0.59	$ 0.64	$ 0.49	$ 2.88
Copper statistics											
Total copper production (tonnes)	539,458	132,356	141,912	145,376	154,319	573,963	145,358	150,950	151,241	158,304	605,853
Total copper sales (tonnes)	535,613	139,810	139,521	148,894	151,905	580,130	138,021	152,403	149,877[2]	156,212[2]	596,513[2]
Realized copper price (per lb)	$ 2.26	$ 2.20	$ 2.24	$ 2.37	$ 2.50	$ 2.33	$ 2.74	$ 2.95	$ 2.84	$ 2.83	$ 2.84
TC/RC (per lb)	(0.12)	(0.08)	(0.09)	(0.12)	(0.08)	(0.09)	(0.07)	(0.08)	(0.09)	(0.09)	(0.08)
Freight charges (per lb)	(0.01)	(0.04)	(0.03)	(0.06)	(0.08)	(0.05)	(0.05)	(0.04)	(0.04)	(0.05)	(0.05)
Net realized copper price (per lb)	$ 2.13	$ 2.08	$ 2.12	$ 2.19	$ 2.34	$ 2.19	$ 2.62	$ 2.83	$ 2.71	$ 2.69	$ 2.71
Cash cost – copper (C1) (per lb)	$ 1.06	$ 1.26	$ 1.12	$ 1.21	$ 1.30	$ 1.23	$ 1.27	$ 1.28	$ 1.31[3]	$ 1.23	$ 1.28
All-in sustaining cost (AISC) (per lb)	$ 1.46	$ 1.59	$ 1.50	$ 1.75	$ 1.76	$ 1.65	$ 1.72	$ 1.76	$ 1.80[3]	$ 1.68	$ 1.74
Total cost – copper (C3) (per lb)	$ 1.83	$ 2.05	$ 1.95	$ 2.03	$ 2.19	$ 2.06	$ 2.16	$ 2.11	$ 2.11[3]	$ 2.04	$ 2.11
Nickel statistics											
Nickel produced (contained tonnes)	23,624	5,592	5,920	6,325	–	17,837	–	–	–	–	–
Nickel sales (contained tonnes)	25,882	5,197	5,522	7,099	865	18,683	–	–	–	–	–
Nickel produced (payable tonnes)	17,630	4,291	4,537	4,866	–	13,694	–	–	–	–	–
Nickel sales (payable tonnes)	19,535	3,981	4,228	5,455	674	14,338	–	–	–	–	–
Realized nickel price (per payable lb)	$ 4.25	$ 4.93	$ 4.17	$ 4.77	$ 5.37	$ 4.67	–	–	–	–	–
TC/RC (per payable lb)	(0.03)	–	–	–	–	–	–	–	–	–	–
Net realized price (per payable lb)	$ 4.22	$ 4.93	$ 4.17	$ 4.77	$ 5.37	$ 4.67	–	–	–	–	–
Cash cost – nickel (C1) (per lb)	$ 4.66	$ 4.84	$ 4.43	$ 4.16	$ (0.61)	$ 4.45	–	–	–	–	–
All-in sustaining cost (AISC) (per lb)	$ 5.29	$ 5.81	$ 5.60	$ 4.67	$ (0.51)	$ 5.29	–	–	–	–	–
Total cost – nickel (C3) (per lb)	$ 6.34	$ 6.57	$ 6.09	$ 5.77	$ (0.51)	$ 6.17	–	–	–	–	–
Gold statistics											
Total gold production (ounces)	214,012	50,579	50,040	47,213	51,904	199,736	45,929	46,467	44,979	48,039	185,414
Total gold sales (ounces)	232,783	46,904	52,020	51,729	50,723	201,376	48,815	48,172	42,864	53,221	193,072
Net realized gold price (per ounce)	$ 1,165	$ 1,161	$ 1,268	$ 1,209	$ 1,055	$ 1,174	$ 1,249	$ 1,227	$ 1,086	$ 1,151	$ 1,181
Zinc statistics											
Zinc production (tonnes)	28,862	6,253	6,538	4,376	3,556	20,723	5,227	6,545	7,348	7,687	26,807
Zinc sales (tonnes)	27,361	7,956	5,234	5,379	3,282	21,851	4,810	6,856	6,178	8,268	26,112

1 Fluctuations in average weighted shares between quarters reflects shares issued and changes in levels of treasury shares held for performance share units.

2 Sales of copper anode attributable to anode produced from third-party purchased concentrate are excluded.

3 C1 cash cost, C3 total cost and AISC for Q3 2018 have been revised from amounts previously disclosed to exclude the $0.03 per pound impact of third-party concentrate purchased.

Kansanshi statistics	2016	Q1 17	Q2 17	Q3 17	Q4 17	2017	Q1 18	Q2 18	Q3 18	Q4 18	2018
Mining											
Waste mined (000s tonnes)	**74,935**	13,656	17,028	15,864	8,707	**55,255**	10,941	14,692	13,175	9,911	**48,719**
Ore mined (000s tonnes)	**31,679**	7,008	10,078	9,039	10,478	**36,603**	9,846	10,082	9,631	8,922	**38,481**
Processing											
Sulphide ore processed (000s tonnes)	**11,988**	3,291	3,202	3,179	3,298	**12,970**	3,182	3,105	3,390	3,301	**12,978**
Sulphide ore grade processed (%)	**0.79**	0.74	0.76	0.74	0.76	**0.75**	0.79	0.81	0.72	0.81	**0.78**
Sulphide ore recovery (%)	**92**	93	90	88	94	**91**	88	91	95	88	**91**
Sulphide concentrate grade (%)	**21.4**	22.8	22.4	21.7	21.8	**22.2**	22.5	23.2	23.3	22.1	**22.8**
Mixed ore processed (000s tonnes)	**7,953**	2,010	1,992	1,983	2,012	**7,997**	2,009	1,930	2,082	2,165	**8,186**
Mixed ore grade processed (%)	**1.01**	1.05	1.08	1.09	0.99	**1.05**	1.16	0.93	1.04	1.08	**1.06**
Mixed ore recovery (%)	**84**	87	86	81	88	**85**	81	87	86	76	**82**
Mixed concentrate grade (%)	**25.2**	31.1	33.4	29.9	27.7	**30.4**	30.3	25.7	31.2	29.9	**29.3**
Oxide ore processed (000s tonnes)	**7,076**	1,650	1,750	1,705	1,811	**6,916**	1,791	1,708	1,749	1,668	**6,916**
Oxide ore grade processed (%)	**1.50**	1.46	1.57	1.49	1.51	**1.51**	1.59	1.53	1.31	1.33	**1.44**
Oxide ore recovery (%)	**94**	93	87	80	89	**87**	80	92	95	92	**89**
Oxide concentrate grade (%)	**28.6**	32.6	32.8	30.0	29.8	**31.3**	32.2	28.9	27.8	28.5	**29.4**
Copper cathode produced (tonnes)	**79,668**	17,882	19,858	17,128	23,874	**78,742**	22,514	18,528	16,303	15,049	**72,394**
Copper in concentrate produced (tonnes)	**173,604**	45,316	44,239	41,578	40,926	**172,059**	41,071	43,942	47,384	46,731	**179,128**
Total copper production (tonnes)	**253,272**	63,198	64,097	58,706	64,800	**250,801**	63,585	62,470	63,687	61,780	**251,522**
Gold produced (ounces)	**148,220**	36,017	34,918	33,297	36,363	**140,595**	32,080	33,536	30,938	33,465	**130,019**
Smelting[1]											
Concentrate processed (DMT)[1]	**1,143,974**	327,095	334,269	202,093	348,283	**1,211,740**	350,591	326,187	355,435	349,424	**1,381,637**
Copper anodes produced (tonnes)[1]	**257,330**	83,070	82,383	48,819	83,281	**297,553**	86,777	80,097	90,269	89,894	**347,037**
Smelter copper recovery (%)	**97**	97	95	94	97	**96**	97	97	97	97	**97**
Acid tonnes produced (000s)	**1,109**	307	307	189	325	**1,128**	325	291	319	320	**1,255**
Cash costs (per lb)											
Mining	**$ 0.65**	$ 0.66	$ 0.46	$ 0.55	$ 0.54	**$ 0.54**	$ 0.56	$ 0.58	$ 0.52	$ 0.53	**$ 0.55**
Processing	**0.49**	0.50	0.50	0.51	0.46	**0.49**	0.49	0.49	0.47	0.49	**0.49**
Site administration	**0.07**	0.07	(0.10)[2]	(0.06)[2]	0.07	**–**	0.08	0.09	0.10	0.11	**0.09**
TC/RC and freight charges	**0.11**	0.16	0.15	0.23	0.18	**0.18**	0.14	0.14	0.14	0.14	**0.14**
By-product credits	**(0.30)**	(0.25)	(0.34)	(0.32)	(0.21)	**(0.27)**	(0.36)	(0.38)	(0.27)	(0.33)	**(0.34)**
Total smelter costs	**0.13**	0.14	0.08	0.08	0.12	**0.11**	0.09	0.10	0.10	0.10	**0.10**
Cash cost (C1) (per lb)	**$ 1.15**	$ 1.28	$ 0.75	$ 0.99	$ 1.16	**$ 1.05**	$ 1.00	$ 1.02	$ 1.06[3]	$ 1.04	**$ 1.03**
All-in sustaining cost (AISC) (per lb)	**$ 1.57**	$ 1.59	$ 1.18	$ 1.79	$ 1.55	**$ 1.54**	$ 1.46	$ 1.55	$ 1.59[3]	$ 1.61	**$ 1.55**
Total cost (C3) (per lb)	**$ 1.78**	$ 1.89	$ 1.41	$ 1.64	$ 1.86	**$ 1.71**	$ 1.82	$ 1.70	$ 1.73[3]	$ 1.71	**$ 1.74**
Revenues ($ millions)											
Copper cathodes	**$ 374**	$ 101	$ 115	$ 101	$ 164	**$ 481**	$ 145	$ 128	$ 97	$ 82	**$ 452**
Copper anode	**841**	285	183	201	303	**972**	194	251	295	289	**1,029**
Copper in concentrates	**48**	14	9	77	21	**121**	10	–	–	–	**10**
Gold	**186**	40	43	46	37	**166**	42	41	36	41	**160**
Acid	**–**	–	–	–	–	**–**	2	8	6	5	**21**
Total sales revenues	**$ 1,449**	$ 440	$ 350	$ 425	$ 525	**$ 1,740**	$ 393	$ 428	$ 434	$ 417	**$ 1,672**
Copper cathode sales (tonnes)	**77,084**	17,903	20,661	16,511	24,660	**79,735**	21,334	19,172	16,461	13,698	**70,665**
Copper anode sales (tonnes)	**176,895**	51,299	33,250	32,531	46,480	**163,560**	28,846	37,828	48,357[4]	42,632[4]	**157,663[4]**
Copper in concentrate sales (tonnes)	**14,480**	3,074	2,228	15,269	3,834	**24,405**	1,504	–	–	–	**1,504**
Gold sales (ounces)	**156,840**	33,732	33,039	37,054	35,910	**139,735**	33,666	32,902	32,706	35,616	**134,890**

1 Concentrate processed in smelter and copper anodes produced are disclosed on a 100% basis, inclusive of Sentinel and third-party concentrate processed.

2 Includes movements in previously recognized operational provisions in the second and third quarters that are not expected to continue in future periods.

3 C1 cash cost, C3 total cost and AISC for Q3 2018 have been revised from amounts previously disclosed to exclude the following impacts of third-party concentrate purchased: $0.06 per lb for C1 and C3 total cost and $0.05 per lb for AISC.

4 Sales of copper anode attributable to anode produced from third-party purchased concentrate are excluded.

Sentinel statistics	2016	Q1 17	Q2 17	Q3 17	Q4 17	2017	Q1 18	Q2 18	Q3 18	Q4 18	2018
Mining											
Waste mined (000s tonnes)	**82,098**	16,006	24,382	26,254	21,853	**88,495**	21,611	23,744	25,931	24,321	**95,607**
Ore mined (000s tonnes)	**37,960**	9,272	10,641	12,692	12,039	**44,644**	10,172	11,996	11,334	12,016	**45,518**
Processing											
Copper ore processed (000s tonnes)	**36,369**	8,800	10,019	11,434	11,834	**42,087**	11,735	11,979	12,602	12,434	**48,750**
Copper ore grade processed (%)	**0.57**	0.51	0.52	0.53	0.54	**0.52**	0.47	0.51	0.49	0.53	**0.50**
Recovery (%)	**68**	81	84	89	90	**87**	91	92	91	92	**91**
Copper concentrate produced (tonnes)	**139,600**	36,274	43,686	53,533	57,190	**190,683**	50,310	56,080	56,426	60,840	**223,656**
Concentrate grade (%)	**26.4**	26.4	24.0	23.5	24.2	**24.4**	24.9	25.6	25.3	24.5	**25.0**
Cash costs (per lb)											
Mining	**$ 0.51**	$ 0.72	$ 0.72	$ 0.59	$ 0.66	**$ 0.67**	$ 0.71	$ 0.62	$ 0.61	$ 0.42	**$ 0.58**
Processing	**0.45**	0.70	0.66	0.60	0.57	**0.62**	0.68	0.66	0.65	0.68	**0.67**
Site administration	**0.13**	(0.09)[1]	0.12	0.09	0.03	**0.05**	0.10	0.10	0.10	0.10	**0.10**
TC/RC and freight charges	**0.25**	0.20	0.19	0.22	0.27	**0.22**	0.21	0.23	0.25	0.24	**0.23**
Total smelter costs	**0.13**	0.14	0.17	0.12	0.14	**0.14**	0.13	0.13	0.11	0.11	**0.12**
Cash cost (C1) (per lb)	**$ 1.47**	$ 1.67	$ 1.86	$ 1.62	$ 1.67	**$ 1.70**	$ 1.83	$ 1.74	$ 1.72	$ 1.55	**$ 1.70**
All-in sustaining cost (AISC) (per lb)	**$ 2.13**	$ 2.07	$ 2.29	$ 2.05	$ 2.36	**$ 2.19**	$ 2.36	$ 2.29	$ 2.25	$ 2.02	**$ 2.22**
Total cost (C3) (per lb)	**$ 2.16**	$ 2.45	$ 2.61	$ 2.30	$ 2.49	**$ 2.45**	$ 2.60	$ 2.46	$ 2.39	$ 2.26	**$ 2.42**
Revenues ($ millions)											
Copper anode	**$ 110**	$ 170	$ 239	$ 229	$ 213	**$ 851**	$ 328	$ 321	$ 254	$ 266	**$ 1,169**
Copper in concentrates	**$ 43**	$ 19	$ 17	$ 71	$ 68	**$ 175**	$ 57	$ 71	$ 79	$ 78	**$ 285**
Total sales revenues	**$ 153**	$ 189	$ 256	$ 300	$ 281	**$ 1,026**	$ 385	$ 392	$ 333	$ 344	**$ 1,454**
Copper anode sales (tonnes)	**20,294**	29,929	43,705	36,734	32,026	**142,394**	48,227	47,947	42,557	44,641	**183,372**
Copper concentrate sales (tonnes)	**10,034**	4,362	3,742	14,121	12,741	**34,966**	10,115	12,596	16,512	15,616	**54,839**

1 Includes movements in previously recognized operational provisions.

Las Cruces statistics	2016	Q1 17	Q2 17	Q3 17	Q4 17	2017	Q1 18	Q2 18	Q3 18	Q4 18	2018
Mining											
Waste mined (000s tonnes)	**13,644**	1,870	4,383	5,067	3,269	**14,589**	1,631	4,835	6,268	2,202	**14,936**
Ore mined (000s tonnes)	**1,330**	371	381	802	868	**2,422**	648	368	410	256	**1,682**
Processing											
Copper ore processed (000s tonnes)	**1,538**	398	409	392	420	**1,619**	390	416	338	400	**1,544**
Copper ore grade processed (%)	**5.18**	5.17	5.10	5.04	4.99	**5.07**	5.07	4.87	4.84	5.00	**4.95**
Recovery (%)	**92**	91	90	88	89	**90**	92	93	93	93	**93**
Copper cathode produced (tonnes)	**73,643**	18,793	18,683	17,488	18,700	**73,664**	18,238	18,849	15,181	18,470	**70,738**
Cash costs (per lb)											
Cash cost (C1) (per lb)	**$ 0.81**	$ 0.78	$ 0.79	$ 0.93	$ 0.93	**$ 0.86**	$ 0.86	$ 0.83	$ 1.02	$ 0.94	**$ 0.90**
All-in sustaining cost (AISC) (per lb)	**$ 1.01**	$ 0.93	$ 1.00	$ 1.20	$ 1.12	**$ 1.06**	$ 1.03	$ 1.09	$ 1.41	$ 1.16	**$ 1.16**
Total cost (C3) (per lb)	**$ 1.83**	$ 1.89	$ 2.09	$ 2.25	$ 2.40	**$ 2.15**	$ 2.15	$ 2.11	$ 2.50	$ 2.28	**$ 2.25**
Revenues ($ millions)											
Copper cathode	**$ 358**	$ 119	$ 111	$ 109	$ 122	**$ 461**	$ 131	$ 133	$ 93	$ 113	**$ 470**
Copper cathode sales (tonnes)	**73,539**	20,228	19,484	17,049	17,903	**74,664**	18,771	19,269	15,138	18,345	**71,523**

Guelb Moghrein statistics	2016	Q1 17	Q2 17	Q3 17	Q4 17	2017	Q1 18	Q2 18	Q3 18	Q4 18	2018
Mining											
Waste mined (000s tonnes)	**12,066**	4,041	3,349	3,055	3,607	**14,052**	3,961	2,737	4,277	4,087	**15,062**
Ore mined (000s tonnes)	**2,700**	810	983	792	519	**3,104**	97	296	445	752	**1,590**
Processing											
Sulphide ore processed (000s tonnes)	**3,898**	863	820	832	874	**3,389**	861	938	902	983	**3,684**
Sulphide ore grade processed (%)	**0.92**	0.95	0.97	0.88	0.90	**0.93**	0.79	0.73	0.94	0.93	**0.85**
Recovery (%)	**91**	92	92	92	91	**92**	90	85	94	91	**90**
Copper produced (tonnes)	**32,818**	7,533	7,347	6,756	7,155	**28,791**	6,135	5,781	7,902	8,319	**28,137**
Gold produced (ounces)	**53,951**	12,133	12,375	11,435	13,270	**49,213**	11,740	10,354	11,644	12,236	**45,974**
Magnetite concentrate produced (WMT)	**–**	–	–	–	–	**–**	93,472	123,100	111,765	97,052	**425,389**
Cash costs (per lb)											
Mining	**$ 0.44**	$ 0.57	$ 0.61	$ 0.70	$ 0.79	**$ 0.66**	$ 0.51	$ 1.11	$ 0.66	$ 1.02	**$ 0.82**
Processing	**0.80**	0.80	1.01	0.93	0.97	**0.93**	1.07	1.23	1.10	0.98	**1.09**
Site administration	**0.20**	0.16	0.17	0.20	0.19	**0.18**	0.19	0.24	0.17	0.17	**0.19**
TC/RC and freight charges	**0.45**	0.49	0.50	0.51	0.51	**0.51**	0.61	0.41	0.66	0.52	**0.54**
Gold and magnetite credit	**(0.96)**	(0.88)	(1.05)	(0.91)	(1.12)	**(1.00)**	(1.39)	(1.24)	(1.02)	(0.96)	**(1.14)**
Cash cost (C1) (per lb)	**$ 0.93**	$ 1.14	$ 1.24	$ 1.43	$ 1.34	**$ 1.28**	$ 0.99	$ 1.75	$ 1.57	$ 1.73	**$ 1.50**
All-in sustaining cost (AISC) (per lb)	**$ 1.51**	$ 1.67	$ 1.53	$ 1.86	$ 1.60	**$ 1.65**	$ 1.84	$ 2.16	$ 1.93	$ 1.95	**$ 1.93**
Total cost (C3) (per lb)	**$ 1.68**	$ 1.93	$ 2.08	$ 2.30	$ 2.25	**$ 2.13**	$ 1.86	$ 2.84	$ 2.42	$ 2.79	**$ 2.46**
Revenues ($ millions)											
Copper in concentrates	**$ 140**	$ 30	$ 44	$ 37	$ 39	**$ 150**	$ 39	$ 40	$ 27	$ 48	**$ 154**
Gold	**73**	11	23	13	13	**60**	16	16	9	17	**58**
Magnetite concentrate	**–**	–	–	–	7	**7**	5	8	5	5	**23**
Total sales revenues	**$ 213**	$ 41	$ 67	$ 50	$ 59	**$ 217**	$ 60	$ 64	$ 41	$ 70	**$ 235**
Copper sales (tonnes)	**36,330**	6,122	9,301	6,765	6,811	**28,999**	6,387	6,772	5,108	9,099	**27,366**
Gold sales (ounces)	**63,335**	10,293	16,160	11,616	12,384	**50,453**	13,008	12,863	8,100	14,224	**48,195**
Magnetite concentrate sold (WMT)	**–**	–	–	–	–	**–**	79,560	150,167	61,315	85,914	**376,956**

Çayeli statistics	2016	Q1 17	Q2 17	Q3 17	Q4 17	2017	Q1 18	Q2 18	Q3 18	Q4 18	2018
Mining											
Ore mined (000s tonnes)	**1,267**	207	253	279	202	**941**	259	250	242	249	**1,000**
Processing											
Ore milled (000s tonnes)	**1,285**	204	253	274	212	**943**	257	255	243	252	**1,007**
Copper ore grade processed (%)	**2.26**	1.70	2.07	2.24	1.72	**1.96**	1.88	2.13	2.39	2.64	**2.26**
Copper ore recovery (%)	**87**	89	88	90	90	**89**	88	86	87	89	**88**
Zinc ore grade processed (%)	**1.60**	1.09	1.41	0.90	0.78	**1.05**	1.05	1.37	1.69	1.50	**1.40**
Zinc ore recovery (%)	**39**	39	40	27	23	**34**	26	30	32	27	**29**
Copper produced (tonnes)	**25,330**	3,115	4,632	5,492	3,284	**16,523**	4,225	4,684	5,056	5,931	**19,896**
Zinc produced (tonnes)	**8,062**	867	1,427	653	379	**3,326**	701	1,051	1,305	1,034	**4,091**
Cash costs (per lb)											
Cash cost – copper (C1) (per lb)	**$ 1.20**	$ 1.52	$ 1.44	$ 1.21	$ 2.05	**$ 1.50**	$ 1.31	$ 1.29	$ 1.18	$ 1.09	**$ 1.21**
All-in sustaining cost (AISC) (per lb)	**$ 1.37**	$ 1.64	$ 1.73	$ 1.41	$ 2.48	**$ 1.75**	$ 1.56	$ 1.59	$ 1.45	$ 1.28	**$ 1.48**
Total cost – copper (C3) (per lb)	**$ 1.86**	$ 2.53	$ 2.34	$ 2.50	$ 2.06	**$ 2.37**	$ 2.14	$ 2.15	$ 2.05	$ 1.75	**$ 2.03**
Revenues ($ millions)											
Copper	**$ 97**	$ 15	$ 16	$ 33	$ 23	**$ 87**	$ (1)	$ 31	$ 13	$ 44	**$ 87**
Zinc	**8**	4	–	5	–	**9**	–	4	–	4	**8**
Other	**5**	1	–	1	–	**2**	–	1	–	4	**5**
Total sales revenues	**$ 110**	$ 20	$ 16	$ 39	$ 23	**$ 98**	$ (1)	$ 36	$ 13	$ 52	**$ 100**
Copper sales (tonnes)	**26,795**	3,392	3,596	6,462	4,266	**17,716**	–	5,491	2,753	9,153	**17,397**
Zinc sales (tonnes)	**6,825**	2,491	–	1,944	–	**4,435**	–	2,159	–	2,154	**4,313**

Pyhäsalmi statistics	2016	Q1 17	Q2 17	Q3 17	Q4 17	2017	Q1 18	Q2 18	Q3 18	Q4 18	2018
Mining											
Ore mined (000s tonnes)	**1,430**	345	335	319	316	**1,315**	323	299	318	297	**1,237**
Processing											
Ore milled (000s tonnes)	**1,380**	328	311	315	306	**1,260**	301	315	320	312	**1,248**
Copper ore grade processed (%)	**1.11**	1.08	1.15	1.13	1.07	**1.11**	0.98	1.02	0.98	0.98	**0.99**
Copper ore recovery (%)	**97**	97	97	96	97	**97**	97	96	95	97	**96**
Zinc ore grade processed (%)	**1.67**	1.82	1.83	1.34	1.17	**1.55**	1.66	1.94	2.07	2.35	**2.01**
Zinc ore recovery (%)	**90**	90	90	88	89	**89**	91	90	91	91	**91**
Copper produced (tonnes)	**14,795**	3,443	3,467	3,401	3,190	**13,501**	2,865	3,086	2,989	2,964	**11,904**
Zinc produced (tonnes)	**20,800**	5,386	5,111	3,723	3,177	**17,397**	4,526	5,494	6,043	6,653	**22,716**
Pyrite produced (tonnes)	**490,480**	184,464	168,319	184,486	154,855	**692,124**	145,975	159,674	171,355	168,881	**645,885**
Cash costs (per lb)											
Cash cost – copper (C1) (per lb)	**$ 0.04**	$ (0.59)	$ (0.39)	$ 0.03	$ (0.10)	**$ (0.26)**	$ (0.81)	$ (0.02)	$ (0.48)	$ (0.59)	**$ (0.46)**
All-in sustaining cost (AISC) (per lb)	**$ 0.07**	$ (0.59)	$ (0.39)	$ 0.03	$ (0.09)	**$ (0.26)**	$ (0.81)	$ (0.02)	$ (0.48)	$ (0.59)	**$ (0.46)**
Total cost – copper (C3) (per lb)	**$ 1.99**	$ 1.57	$ 1.92	$ 2.43	$ 2.35	**$ 2.06**	$ 1.24	$ 2.23	$ 1.67	$ 1.57	**$ 1.70**
Revenues ($ millions)											
Copper	**$ 61**	$ 18	$ 18	$ 18	$ 20	**$ 74**	$ 16	$ 21	$ 16	$ 17	**$ 70**
Zinc	**30**	10	12	7	8	**37**	12	12	10	11	**45**
Pyrite	**16**	4	3	3	6	**16**	6	3	4	4	**17**
Other	**16**	4	2	6	4	**16**	4	2	4	2	**12**
Total sales revenues	**$ 123**	$ 36	$ 35	$ 34	$ 38	**$ 143**	$ 38	$ 38	$ 34	$ 34	**$ 144**
Copper sales (tonnes)	**14,708**	3,501	3,554	3,452	3,184	**13,691**	2,837	3,328	2,991	3,028	**12,184**
Zinc sales (tonnes)	**20,536**	5,465	5,234	3,435	3,282	**17,416**	4,810	4,697	6,178	6,114	**21,799**
Pyrite sales (tonnes)	**517,922**	105,449	107,013	91,569	114,712	**418,743**	120,572	99,606	100,894	124,109	**445,181**

Ravensthorpe statistics	2016	Q1 17	Q2 17	Q3 17	Q4 17	2017	Q1 18	Q2 18	Q3 18	Q4 18	2018
Processing											
Beneficiated ore (000s tonnes)	**2,510**	619	800	792	–	**2,211**	–	–	–	–	**–**
Beneficiated ore grade (%)	**1.26**	1.13	1.10	1.10	–	**1.11**	–	–	–	–	**–**
Nickel recovery – leach feed to nickel produced (%)	**81**	82	79	76	–	**79**	–	–	–	–	**–**
Nickel produced (contained tonnes)	**23,624**	5,592	5,920	6,325	–	**17,837**	–	–	–	–	**–**
Nickel produced (payable tonnes)	**17,630**	4,291	4,537	4,866	–	**13,694**	–	–	–	–	**–**
Cash costs (per lb)											
Mining	**$ 0.99**	$ 1.17	$ 1.19	$ 1.01	–	**$ 1.12**	–	–	–	–	**–**
Processing	**3.21**	3.41	3.20	3.17	–	**3.25**	–	–	–	–	**–**
Site administration	**0.36**	0.38	0.36	0.34	–	**0.37**	–	–	–	–	**–**
TC/RC and freight charges	**0.33**	0.34	0.24	0.26	0.10	**0.27**	–	–	–	–	**–**
Cobalt credit	**(0.23)**	(0.46)	(0.56)	(0.62)	(0.71)	**(0.56)**	–	–	–	–	**–**
Cash cost (C1) (per lb)	**$ 4.66**	$ 4.84	$ 4.43	$ 4.16	$ (0.61)	**$ 4.45**	–	–	–	–	**–**
All-in sustaining cost (AISC) (per lb)	**$ 5.29**	$ 5.81	$ 5.60	$ 4.67	$ (0.51)	**$ 5.29**	–	–	–	–	**–**
Total cost (C3) (per lb)	**$ 6.34**	$ 6.57	$ 6.09	$ 5.77	$ (0.51)	**$ 6.17**	–	–	–	–	**–**
Revenues ($ millions)											
Nickel	**$ 185**	$ 41	$ 39	$ 58	$ 8	**$ 146**	–	–	–	–	**–**
Cobalt	**10**	4	5	7	1	**17**	–	–	–	–	**–**
Total sales revenues	**$ 195**	$ 45	$ 44	$ 65	$ 9	**$ 163**	–	–	–	–	**–**
Nickel sales (contained tonnes)	**25,882**	5,197	5,522	7,099	865	**18,683**	–	–	–	–	**–**
Nickel sales (payable tonnes)	**19,536**	3,981	4,228	5,455	674	**14,338**	–	–	–	–	**–**

Regulatory Disclosures

SEASONALITY

The Company's results as discussed in this MD&A are subject to seasonal aspects, in particular the wet season in Zambia. The wet season in Zambia generally starts in November and continues through April, with the heaviest rainfall normally experienced in the months of December, January, February and March. As a result of the wet season, 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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as of the date of this report.

NON-GAAP FINANCIAL MEASURES

This document refers to cash cost (C1), all-in sustaining cost (AISC) and total cost (C3) per unit of payable production, operating cash flow per share, comparative EBITDA, net debt and comparative earnings, which are not measures recognized under IFRS, do not have a standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other issuers. These measures are used internally by management and serve to provide additional information and should not be considered in isolation to measures prepared under IFRS.

The calculation of these measures is described below and may differ from those used by other issuers. The Company discloses these measures in order to provide assistance in understanding the results of the operations and to provide additional information to investors.

CALCULATION OF CASH COST, ALL-IN SUSTAINING COST, TOTAL COST, SUSTAINING CAPITAL EXPENDITURE AND DEFERRED STRIPPING COSTS CAPITALIZED

The consolidated cash cost (C1), all-in sustaining cost (AISC) and total cost (C3) presented by the Company are measures that are prepared on a basis consistent with the industry-standard definitions but are not measures recognized under IFRS. In calculating the C1 cash cost, AISC and C3 total cost for each segment, the costs are measured on the same basis as the segmented financial information that is contained in the financial statements.

C1 cash cost includes all mining and processing costs less any profits from by-products such as gold, zinc, pyrite, cobalt, sulphuric acid or iron magnetite and is used by management to evaluate operating performance. TC/RC and freight deductions on metal sales, which are typically recognized as a component of sales revenues, are added to C1 cash cost to arrive at an approximate cost of finished metal.

AISC is defined as cash cost (C1) plus general and administrative expenses, sustaining capital expenditure, deferred stripping and royalties and is used by management to evaluate performance inclusive of sustaining expenditure required to maintain current production levels.

C3 total cost is defined as AISC less sustaining capital expenditure, deferred stripping and general and administrative expenses net of insurance, plus depreciation and exploration. This metric is used by management to evaluate the operating performance inclusive of costs not classified as sustaining in nature such as exploration and depreciation.

Sustaining capital expenditure is defined as capital expenditure during the production phase, incurred to sustain and maintain the existing assets to achieve constant planned levels of production, from which future economic benefits will be derived. This includes expenditure for assets to retain their existing productive capacity, and to enhance assets to minimum reliability, environmental and safety standards.

Deferred stripping costs capitalized are defined as waste material stripping costs in excess of the strip ratio, for the production phase, and from which future economic benefits will be derived from future access to ore. Deferred stripping costs are capitalized to the mineral property and will be depreciated on a units-of-production basis.

	2018	2017
Purchase and deposits on property, plant and equipment	**2,143**	1,652
Sustaining capital expenditure and deferred stripping	**320**	302
Project capital expenditure – Panama development	**1,332**	1,256
Project capital expenditure – other	**384**	94
Pre-commercial costs	**107**	–
Total capital expenditure	**2,143**	1,652

The following tables provide a reconciliation of C1, C3 and AISC to the consolidated financial statements:

For the three months ended December 31, 2018[1]	Kansanshi	Sentinel	Las Cruces	Guelb Moghrein	Çayeli	Pyhäsalmi	**Copper**	Corporate & other	Ravensthorpe	**Total**
Cost of sales	(277)	(272)	(94)	(69)	(33)	(25)	**(770)**	–	(4)	**(774)**
Adjustments:										
Depreciation	60	69	53	16	11	13	**222**	1	1	**224**
By-product credits	46	–	–	22	8	19	**95**	–	–	**95**
Royalties	23	22	4	1	–	–	**50**	–	–	**50**
Treatment and refining charges	(6)	(15)	–	(5)	(6)	(2)	**(34)**	–	–	**(34)**
Freight costs	6	(8)	(2)	–	(3)	–	**(7)**	–	–	**(7)**
Finished goods	(19)	3	1	4	7	(2)	**(6)**	–	–	**(6)**
Other[1]	29	1	–	1	1	1	**33**	(1)	3	**35**
Cash cost (C1)	(138)	(200)	(38)	(30)	(15)	4	**(417)**	–	–	**(417)**
Adjustments:										
Depreciation (excluding depreciation in finished goods)	(62)	(68)	(52)	(17)	(8)	(13)	**(220)**	(1)	(1)	**(222)**
Royalties	(23)	(22)	(4)	(1)	–	–	**(50)**	–	–	**(50)**
Other	(2)	(2)	2	(1)	–	–	**(3)**	1	–	**(2)**
Total cost (C3)	(225)	(292)	(92)	(49)	(23)	(9)	**(690)**	–	(1)	**(691)**
Cash cost (C1)	(138)	(200)	(38)	(30)	(15)	4	**(417)**	–	–	**(417)**
Adjustments:										
General and administrative expenses	(7)	(9)	(1)	(1)	(1)	–	**(19)**	–	–	**(19)**
Sustaining capital expenditure and deferred stripping	(43)	(31)	(5)	(2)	(2)	–	**(83)**	–	–	**(83)**
Royalties	(23)	(22)	(4)	(1)	–	–	**(50)**	–	–	**(50)**
AISC	(211)	(262)	(48)	(34)	(18)	4	**(569)**	–	–	**(569)**
AISC (per lb)	$ 1.61	$ 2.02	$ 1.16	$ 1.95	$ 1.28	$ (0.59)	**$ 1.68**	–	–	
Cash cost (C1) (per lb)	$ 1.04	$ 1.55	$ 0.94	$ 1.73	$ 1.09	$ (0.59)	**$ 1.23**	–	–	
Total cost (C3) (per lb)	$ 1.71	$ 2.26	$ 2.28	$ 2.79	$ 1.75	$ 1.57	**$ 2.04**	–	–	

1 C1 cash cost, C3 total cost and AISC exclude third-party concentrate purchased at Kansanshi.

For the year ended December 31, 2018[1]	Kansanshi	Sentinel	Las Cruces	Guelb Moghrein	Çayeli	Pyhäsalmi	**Copper**	Corporate & other	Ravensthorpe	**Total**
Cost of sales	(1,049)	(1,166)	(354)	(205)	(77)	(104)	**(2,955)**	(17)	(16)	**(2,988)**
Adjustments:										
Depreciation	250	276	203	45	30	54	**858**	1	5	**864**
By-product credits	181	–	–	81	13	76	**351**	–	–	**351**
Royalties	105	88	9	6	2	–	**210**	–	–	**210**
Treatment and refining charges	(24)	(59)	–	(16)	(11)	(8)	**(118)**	–	–	**(118)**
Freight costs	(11)	(27)	(2)	–	(5)	(1)	**(46)**	–	–	**(46)**
Finished goods	(53)	61	1	(4)	(3)	(2)	**–**	–	–	**–**
Other[1]	40	4	2	2	1	(2)	**47**	16	11	**74**
Cash cost (C1)	(561)	(823)	(141)	(91)	(50)	13	**(1,653)**	–	–	**(1,653)**
Adjustments:										
Depreciation (excluding depreciation in finished goods)	(263)	(252)	(201)	(49)	(31)	(54)	**(850)**	(1)	(5)	**(856)**
Royalties	(105)	(88)	(9)	(6)	(2)	–	**(210)**	–	–	**(210)**
Other	(7)	(6)	1	(2)	–	–	**(14)**	1	–	**(13)**
Total cost (C3)	(936)	(1,169)	(350)	(148)	(83)	(41)	**(2,727)**	–	(5)	**(2,732)**
Cash cost (C1)	(561)	(823)	(141)	(91)	(50)	13	**(1,653)**	–	–	**(1,653)**
Adjustments:										
General and administrative expenses	(26)	(36)	(6)	(4)	(2)	–	**(74)**	–	–	**(74)**
Sustaining capital expenditure and deferred stripping	(141)	(130)	(27)	(15)	(7)	–	**(320)**	–	–	**(320)**
Royalties	(105)	(88)	(9)	(6)	(2)	–	**(210)**	–	–	**(210)**
AISC	(833)	(1,077)	(183)	(116)	(61)	13	**(2,257)**	–	–	**(2,257)**
AISC (per lb)	$ 1.55	$ 2.22	$ 1.16	$ 1.93	$ 1.48	$ (0.46)	**$ 1.74**	–	–	
Cash cost (C1) (per lb)	$ 1.03	$ 1.70	$ 0.90	$ 1.50	$ 1.21	$ (0.46)	**$ 1.28**	–	–	
Total cost (C3) (per lb)	$ 1.74	$ 2.42	$ 2.25	$ 2.46	$ 2.03	$ 1.70	**$ 2.11**	–	–	

1 C1 cash cost, C3 total cost and AISC exclude third-party concentrate purchased at Kansanshi.

For the three months ended December 31, 2017	Kansanshi	Sentinel	Las Cruces	Guelb Moghrein	Çayeli	Pyhäsalmi	**Copper continuing**	Corporate & other	Ravensthorpe	**Total**
Cost of sales	(307)	(230)	(96)	(47)	(12)	(32)	**(724)**	(30)	(14)	**(768)**
Adjustments:										
Depreciation	79	61	58	11	–	16	**225**	–	3	**228**
By-product credits	37	–	–	20	–	18	**75**	–	1	**76**
Royalties	30	23	2	1	1	–	**57**	–	–	**57**
Treatment and refining charges	(7)	(15)	–	(5)	(2)	(2)	**(31)**	–	–	**(31)**
Freight costs	(15)	(7)	–	–	(1)	–	**(23)**	–	–	**(23)**
Finished goods	11	(28)	(1)	(1)	1	–	**(18)**	–	5	**(13)**
Other	8	3	–	–	(1)	–	**10**	30	6	**46**
Cash cost (C1)	(164)	(193)	(37)	(21)	(14)	–	**(429)**	–	1	**(428)**
Adjustments:										
Depreciation (excluding depreciation in finished goods)	(69)	(68)	(60)	(12)	–	(16)	**(225)**	–	(1)	**(226)**
Royalties	(30)	(23)	(2)	(1)	(1)	–	**(57)**	–	–	**(57)**
Other	(2)	(2)	1	(1)	–	–	**(4)**	–	–	**(4)**
Total cost (C3)	(265)	(286)	(98)	(35)	(15)	(16)	**(715)**	–	–	**(715)**
Cash cost (C1)	(164)	(193)	(37)	(21)	(14)	–	**(429)**	–	1	**(428)**
Adjustments:										
General and administrative expenses	(8)	(8)	(1)	(1)	–	–	**(18)**	–	–	**(18)**
Sustaining capital expenditure and deferred stripping	(21)	(46)	(5)	(1)	(2)	–	**(75)**	–	–	**(75)**
Royalties	(30)	(23)	(2)	(1)	(1)	–	**(57)**	–	–	**(57)**
AISC	(223)	(270)	(45)	(24)	(17)	–	**(579)**	–	1	**(578)**
AISC (per lb)	$ 1.55	$ 2.36	$ 1.12	$ 1.60	$ 2.48	$ (0.09)	**$ 1.76**	–	$ (0.51)	
Cash cost (C1) (per lb)	$ 1.16	$ 1.67	$ 0.93	$ 1.34	$ 2.05	$ (0.10)	**$ 1.30**	–	$ (0.61)	
Total cost (C3) (per lb)	$ 1.86	$ 2.49	$ 2.40	$ 2.25	$ 2.06	$ 2.35	**$ 2.16**	–	$ (0.51)	

For the year ended December 31, 2017	Kansanshi	Sentinel	Las Cruces	Guelb Moghrein	Çayeli	Pyhäsalmi	**Copper continuing**	Corporate & other	Ravensthorpe	**Total**
Cost of sales	(1,104)	(860)	(355)	(176)	(82)	(119)	**(2,696)**	(59)	(220)	**(2,975)**
Adjustments:										
Depreciation	291	224	205	45	30	66	**861**	1	32	**894**
By-product credits	166	–	–	67	11	69	**313**	–	17	**330**
Royalties	92	63	7	6	2	–	**170**	–	8	**178**
Treatment and refining charges	(39)	(47)	–	(19)	(11)	(10)	**(126)**	–	–	**(126)**
Freight costs	(39)	(17)	–	–	(4)	(1)	**(61)**	–	–	**(61)**
Finished goods	50	(43)	2	(1)	3	(1)	**10**	–	14	**24**
Other	16	1	2	–	(1)	4	**22**	58	15	**95**
Cash cost (C1)	(567)	(679)	(139)	(78)	(52)	8	**(1,507)**	–	(134)	**(1,641)**
Adjustments:										
Depreciation (excluding depreciation in finished goods)	(261)	(231)	(205)	(45)	(29)	(66)	**(837)**	–	(41)	**(878)**
Royalties	(92)	(63)	(7)	(6)	(2)	–	**(170)**	–	(8)	**(178)**
Other	(7)	(5)	1	(1)	–	–	**(12)**	–	(3)	**(15)**
Total cost (C3)	(927)	(978)	(350)	(130)	(83)	(58)	**(2,526)**	–	(186)	**(2,712)**
Cash cost (C1)	(567)	(679)	(139)	(78)	(52)	8	**(1,507)**	–	(134)	**(1,641)**
Adjustments:										
General and administrative expenses	(26)	(30)	(6)	(4)	(2)	–	**(68)**	–	(6)	**(74)**
Sustaining capital expenditure and deferred stripping	(149)	(103)	(20)	(13)	(5)	–	**(290)**	–	(12)	**(302)**
Royalties	(92)	(63)	(7)	(6)	(2)	–	**(170)**	–	(8)	**(178)**
AISC	(834)	(875)	(172)	(101)	(61)	8	**(2,035)**	–	(160)	**(2,195)**
AISC (per lb)	$ 1.54	$ 2.19	$ 1.06	$ 1.65	$ 1.75	$ (0.26)	**$ 1.65**	–	$ 5.29	
Cash cost (C1) (per lb)	$ 1.05	$ 1.70	$ 0.86	$ 1.28	$ 1.50	$ (0.26)	**$ 1.23**	–	$ 4.45	
Total cost (C3) (per lb)	$ 1.71	$ 2.45	$ 2.15	$ 2.13	$ 2.37	$ 2.06	**$ 2.05**	–	$ 6.17	

COMPARATIVE EBITDA AND COMPARATIVE EARNINGS

Comparative EBITDA and comparative earnings are the Company's adjusted earnings metrics and are used by management to evaluate operating performance. The Company believes that the comparative metrics presented are useful as the adjusted items do not reflect the underlying operating performance of its current business and are not necessarily indicative of future operating results.

CALCULATION OF OPERATING CASH FLOW PER SHARE, NET DEBT, COMPARATIVE EBITDA AND COMPARATIVE EARNINGS

In calculating the operating cash flow per share, the operating cash flow calculated for IFRS purposes is divided by the basic weighted average common shares outstanding for the respective period.

Net debt comprises unrestricted cash and cash equivalents, bank overdrafts and total debt.

Comparative EBITDA, comparative earnings and comparative earnings per share are non-GAAP measures which measure the performance of the Company. Comparative EBITDA, comparative earnings and comparative earnings per share exclude certain impacts which the Company believes are not reflective of the Company's underlying performance for the reporting period. These include impairment and related charges, foreign exchange gains and losses, gains and losses on disposal of assets and liabilities, one-time costs related to acquisitions, dispositions, restructuring and other transactions, revisions in estimates of restoration provisions at closed sites, debt extinguishment loss and discounting of non-current VAT.

	Q4 18	Q3 18	Q4 17	**2018**	2017
Operating profit from continuing operations	**260**	141	49	**809**	183
Depreciation	**224**	211	228	**864**	894
Other adjustments:					
Impairment and related charges	**–**	–	26	**–**	26
Foreign exchange loss (gain) and changes in fair value relating to option time value[1]	**(13)**	74	11	**64**	35
(Gain) loss on disposal of assets and liabilities	**2**	–	4	**(6)**	5
Other expense	**8**	–	–	**8**	–
Costs associated with moving Ravensthorpe into care and maintenance	**–**	–	–	**–**	7
Revisions in estimates of restoration provisions at closed sites	**–**	1	–	**(2)**	4
Total adjustments excluding depreciation	**(3)**	75	41	**64**	77
Comparative EBITDA	**481**	427	318	**1,737**	1,154

1 Following the adoption of *IFRS 9* on January 1, 2018, the changes in fair value relating to option time value are recognized in OCI.

	Q4 18	Q3 18	Q4 17	**2018**	2017
Net earnings (loss) attributable to shareholders of the Company	**198**	61	(115)	**441**	(316)
Adjustments attributable to shareholders of the Company:					
Loss on extinguishment of senior notes	**–**	–	–	**–**	84
Finance expense on discounting non-current VAT	**5**	–	20	**5**	20
Total adjustments to comparative EBITDA excluding depreciation	**(3)**	75	41	**64**	77
Tax and minority interest relating to foreign exchange revaluation and comparative adjustments	**(18)**	(8)	18	**(23)**	24
Comparative earnings (loss)	**182**	128	(36)	**487**	(111)
Earnings (loss) per share as reported	**$ 0.29**	$ 0.09	$ (0.17)	**$ 0.64**	$ (0.46)
Comparative earnings (loss) per share	**$ 0.26**	$ 0.19	$ (0.05)	**$ 0.71**	$ (0.16)

ADOPTION OF NEW STANDARDS

IFRS 9 Financial Instruments

The Company has adopted *IFRS 9 Financial Instruments* as of January 1, 2018. The requirements of *IFRS 9* represent a significant change from *IAS 39 Financial Instruments: Recognition and Measurement*. Additionally, the Company adopted consequential amendments to *IFRS 7 Financial Instruments: Disclosures*.

The details and quantitative impact of the changes in accounting policies are disclosed below.

- *IFRS 9* contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The standard eliminates the previous *IAS 39* categories of held to maturity, loans and receivables and available for sale. Under *IFRS 9*, financial asset derivatives are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. Refer to the table below for a summary of the classification changes upon transition to *IFRS 9*.

- Non-substantial modifications of financial liabilities are required to have a modification gain or loss recognized. This has resulted in an increase in the carrying value of senior debt on transition of $44 million.

- The Company has elected to present all subsequent changes in the fair value of an investment in an equity instrument within other comprehensive income ("OCI"). These investments were previously held at cost or FVTPL. A fair value adjustment of $10 million was recognized within accumulated other comprehensive loss.

- *IFRS 9* replaces the "incurred loss" model in *IAS 39* with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI. Under *IFRS 9*, credit losses are recognized earlier than under *IAS 39*. An assessment was performed to determine the expected credit loss of financial assets. Given that the Company's trading contracts are established long-term contracts with international trading companies, a portion of which are backed by a letter of credit, we have determined the expected credit loss to be not material (December 31, 2017: no impairment recognized). The Company has also adopted consequential amendments to *IAS 1 Presentation of Financial Statements* which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include any impairment of trade receivables in other expenses.

- *IFRS 9* marks a revised approach to hedge accounting; however, this has not significantly impacted the hedge accounting applied by the Company. Under *IAS 39*, the change in fair value of the forward element of the forward exchange contracts ("forward points") was recognized immediately in profit and loss. However, under *IFRS 9* the forward points are separately accounted for as a cost of hedging and are recognized in OCI. On transition, $12 million has been reclassified between retained earnings and accumulated other comprehensive loss.

The following table shows the original measurement categories under *IAS 39* and the new measurement categories under *IFRS 9* for each class of the Group's financial assets as at January 1, 2018.

	Original classification under *IAS 39*	New classification under *IFRS 9*
Financial assets		
Trade and other receivables	Loans and receivables	Amortized cost
Provisionally priced sales included in trade and other receivables	FVTPL	FVTPL
Derivative instruments in designated hedge relationships	FVTPL	FVTPL
Other derivative instruments	FVTPL	FVTPL
Investments		
At cost	Available-for-sale	FVOCI
At fair value	Available-for-sale	FVOCI
Financial liabilities		
Trade and other payables	Other financial liabilities	Amortized cost
Derivative instruments in designated hedge relationships	FVTPL	FVTPL
Other derivative instruments	FVTPL	FVTPL
Finance leases	Other financial liabilities	Amortized cost
Liability to joint venture	Other financial liabilities	Amortized cost
Debt	Other financial liabilities	Amortized cost

IFRS 15 Revenue from Contracts with Customers

The Company has adopted *IFRS 15 Revenue from Contracts with Customers* as of January 1, 2018. In accordance with the transition provisions in *IFRS 15*, the Company has elected to apply the new rules retrospectively whereby the transitional adjustment is recognized in retained earnings with no adjustment of comparatives. Therefore, the comparative information continues to be reported under *IAS 18*. The changes have been applied only to contracts that remained in force at the transition date.

The details and quantitative impact of the changes in accounting policies are disclosed below.

- The Company recognizes deferred revenue in the event it receives payments from customers before a sale meets criteria for revenue recognition. Proceeds received from Franco-Nevada under the terms of the precious metal stream arrangements were previously accounted for and classified as deferred revenue. As the timing of the transfer of goods does not match the receipt of consideration, *IFRS 15* requires the transaction price to be adjusted to reflect the significant financing component. In accordance with the requirements of *IFRS 15*, deferred revenue has been adjusted for the financing component with an increase recognized in the carrying value of deferred revenue of $74 million on transition.

- The Company sells a significant proportion of its products on terms whereby the Company is responsible for providing shipping services after the date at which control of the goods passes to the customer. Under *IAS 18*, the Company recognizes such shipping and other freight revenue and accrues the associated costs in full on loading. The impact of treating freight, where applicable, as a separate performance obligation and therefore recognizing revenue over time would not have materially impacted revenue, costs or earnings as at December 31, 2018 or at December 31, 2017.

- The Company's sales are made under pricing arrangements where final prices are set at a specified date based on market prices. Under *IFRS 15*, variable consideration should be estimated by method of expected value or most likely amount, and included in the transaction price, to the extent that it is highly probable a significant reversal in the amount of cumulative revenue recognized will not occur. The changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in metal market prices is recognized as an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of cost of sales. The adoption of *IFRS 15* has not changed the assessment or treatment of the existence of embedded derivatives in these financial statements.

The Company has elected to make use of the following practical expedients:

- Completed contracts under *IAS 18* before the date of transition have not been reassessed.

- The Company applies the practical expedient in paragraph 121 of *IFRS 15* and does not disclose information about remaining performance obligations that have original expected duration of one year or less.

The following table summarizes the impacts of adopting *IFRS 9* and *IFRS 15* on the Company's consolidated financial statements on January 1, 2018.

	As reported December 31, 2017	Transition adjustments	At January 1, 2018
Balance sheet			
Other assets	353	(10)	343
Debt	(6,277)	(44)	(6,321)
Deferred revenue	(726)	(74)	(800)
Retained earnings	(3,612)	106	(3,506)
Accumulated other comprehensive loss	227	22	249

The following table summarizes the impacts of adopting *IFRS 9* and *IFRS 15* on the Company's consolidated financial statements for the year ended December 31, 2018, inclusive of the transition adjustments.

	December 31, 2018	*IFRS 9* application	*IFRS 15* application	As reported December 31, 2018
Balance sheet				
Property, plant and equipment	19,053	(15)	60	19,098
Other assets	316	(10)	–	306
Debt	(7,260)	(25)	–	(7,285)
Deferred revenue	(1,356)	–	(134)	(1,490)
Retained earnings	(4,048)	32	74	(3,942)
Accumulated other comprehensive loss	17	10	–	27
Income statement				
Cost of sales	2,976	12	–	2,988
Loss on extinguishment of term loan	4	(4)	–	–
Earnings (loss) per share	$ 0.65	$ (0.01)	$ 0.00	$ 0.64

NEW STANDARDS NOT YET ADOPTED

IFRS 16 Leases

Effective for annual periods commencing on or after January 1, 2019, *IFRS 16* will replace *IAS 17 Leases*. The new standard eliminates the classification of leases as either operating or finance leases by the lessee. Classification of leases by the lessor are either classified as operating or finance under *IFRS 16*, similar to 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 are applicable.

The Company has undertaken and completed a detailed review and evaluation exercise of existing contracts against the *IFRS 16* criteria as well as completing the calculation of lease liabilities for contracts that have been identified as containing right-of-use assets. It is expected that the lease liability of $23 million will be recognized on transition on January 1, 2019. The Company has elected to apply the modified transition approach whereby no restatement of comparative periods is required. Right-of-use assets will be recognized at the amount of the liability on transition. Leases with terms that end within 12 months of the mandatory transition date will be accounted for by the Company as short-term leases with payments made under the lease recognized as expenses.

The transition to *IFRS 16* will result in increases to assets and liabilities recognized in the balance sheet as well as increases to depreciation and finance costs in the Statements of Earnings and reductions in operating costs.

SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

(i) Significant judgments

- Determination of ore reserves and resources

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

  Changes in the judgments surrounding proven and probable reserves may impact the carrying value of property, plant and equipment (note 6), restoration provisions (note 12), recognition of deferred income tax amounts (note 14) and depreciation (note 6).

- Achievement of commercial production

  Once a mine or smelter reaches the operating levels intended by management, depreciation of capitalized costs begins. Significant judgment is required to determine when certain of the Company's assets reach this level.

  Management considers several factors, including, but not limited to the following:

  - completion of a reasonable period of commissioning;
  - consistent operating results achieved at a pre-determined level of design capacity and indications that this level will continue;
  - mineral recoveries at or near expected levels;
  - and the transfer of operations from development personnel to operational personnel has been completed.

- Taxes

  Judgment is required in determining the recognition and measurement of deferred income tax assets and liabilities on the balance sheet. In the normal course of business, the Company is subject to assessment by taxation authorities in various jurisdictions. These authorities may have different interpretations of tax legislation or tax agreements than those applied by the Company in computing current and deferred income taxes. These different judgments may alter the timing or amounts of taxable income or deductions. The final amount of taxes to be paid or recovered depends on a number of factors including the outcome of audits, appeals and negotiation. Amounts to be recovered with respect to indirect taxes, such as VAT, are subject to judgment which, in the instance of a change of circumstances, could result in material adjustments.

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

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

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

- Precious metal stream arrangement

  On October 5, 2015, the Company finalized an agreement with Franco-Nevada Corporation ("Franco-Nevada") for the delivery of precious metals from the Cobre Panama project. Franco-Nevada have provided a $1 billion deposit to the Cobre Panama project against future deliveries of gold and silver produced by the mine. A further stream was completed on March 26, 2018, with an additional $356 million received from Franco-Nevada.

  Management has determined that, under the terms of the agreement, the Company meets the "own-use" exemption criteria under *IFRS 9 Financial Instrument*s. The Company also retains significant business risk relating to the completion of the project and delivery of produced gold and silver and as such has accounted for the proceeds received as deferred revenue.

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

- Assessment of impairment indicators

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

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

  The carrying value of property, plant and equipment and goodwill at the balance sheet date is disclosed in note 6 and note 7, respectively, and by mine location in note 24.

- Derecognition of financial liabilities

  Judgment is required in determining if an exchange of issued listed tradeable bonds results in, amongst other factors, a change to the existing lender and, if so, whether that constitutes an extinguishment of an existing financial liability and recognition of a new financial liability. Judgment that an exchange of such instruments in 2017 was an extinguishment of the existing financial liability resulted in material impacts on the carrying value of debt and finance costs in the year ended December 31, 2017 (note 11).

(ii) Significant accounting estimates

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

- Determination of ore reserves and life of mine plan

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

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

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

  Changes in the proven and probable reserves estimates may impact the carrying value of property, plant and equipment (note 6), restoration provisions (note 12), recognition of deferred income tax amounts (note 14) and depreciation (note 6).

- Review of asset carrying values and impairment charges

  The Company reviews the carrying value of assets at each reporting period to determine whether there is any indication of impairment using both internal and external sources of information. The Company has determined that each mining operation and smelter is a cash-generating unit.

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

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

The Ravensthorpe mine was placed in care and maintenance in October 2017 and an impairment test was performed as at September 30, 2017. As disclosed in note 8, its value is sensitive to longer-term nickel price assumptions and the movements in the discount rate.

- Estimation of the amount and timing of restoration and remediation costs

  Accounting for restoration provisions requires management to make estimates of the future costs the Company will incur to complete the restoration and remediation work required to comply with existing laws, regulations and agreements in place at each mining operation and any environmental and social principles the Company is in compliance with. The calculation of the present value of these costs also includes assumptions regarding the timing of restoration and remediation work, applicable risk-free interest rate for discounting those future cash outflows, inflation and foreign exchange rates, and assumptions relating to probabilities of alternative estimates of future cash outflows. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of restoration work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for restoration. A 10% increase in costs would result in an increase to restoration provisions of $63 million at December 31, 2018.

  The provision represents management's best estimate of the present value of the future restoration and remediation costs. The actual future expenditures may differ from the amounts currently provided; any increase in future costs could materially impact the amounts included in the liability disclosed in the consolidated balance sheet. The carrying amount of the Company's restoration provision is disclosed in note 12c.

FINANCIAL INSTRUMENTS RISK EXPOSURE

The Company's activities expose it to a variety of risks arising from financial instruments. These risks, and management's objectives, policies and procedures for managing these risks, are disclosed as follows:

Credit risk

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

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

Exceptions to the policy for dealing with relationship banks with ratings below investment grade are reported to, and approved by, the Audit Committee. As at December 31, 2018, substantially all cash and short-term deposits are with counterparties of investment grade.

The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. More than 70% of the Company's trade receivables are generated from five customers together representing greater than 25% of the total sales for the year. A total balance of $36 million was past due from these customers at the balance sheet date and is classified as current receivable. The Company continues to trade with these customers. Revenues earned from these customers are included within the Kansanshi segment. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and property, plant and equipment expenditures and prepaid taxes.

Liquidity risk

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

In addition, the Company was obligated under its corporate revolving credit and term loan facility to maintain liquidity and satisfy various covenant ratio tests on an historical and prospective cash flow basis. These ratios were in compliance during the year ended December 31, 2018 and December 31, 2017. If the Company breaches a covenant in its financing agreements, this would be an event of default which, if unaddressed, would entitle the lenders to make the related borrowings immediately due and payable and, if made immediately due and payable, all other borrowings would also be due and payable.

Market risks

Commodity price risk

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

As part of the hedging program, the Company has elected to apply hedge accounting for a portion of copper and nickel sales. For the year ended December 31, 2018, a fair value loss of $27 million has been recognized on derivatives designated as hedged instruments through accumulated other comprehensive income and a fair value loss of $110 million has been recognized through sales revenues. The Company also had zero cost collar unmargined sales contracts for 30,000 tonnes at prices ranging from low side (or put) prices of $3.10 per lb to high side (or call) prices of $3.50 per lb with maturities to June 2019.

The Company is also exposed to commodity price risk on diesel fuel required for mining operations and sulphur required for acid production. The Company's risk management policy allows for the management of these exposures through the use of derivative financial instruments. As at December 31, 2018 and December 31, 2017, the Company had not entered into any diesel or sulphur derivatives.

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

Interest rate risk

The majority of the Company's interest expense is fixed; however, it is also exposed to an interest rate risk arising from interest paid on floating rate debt and the interest received on cash and short-term deposits. The Company currently capitalizes the majority of interest charges, and therefore the risk exposure is primarily on cash and net earnings in relation to the depreciation of capitalized interest charges.

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

The Company manages its interest rate risk on borrowings on a net basis. The Company has a policy allowing floating-to-fixed interest rate swaps targeting 50% of exposure over a five-year period. As at December 31, 2018 and December 31, 2017, the Company held no floating-to-fixed interest rate swaps.

Foreign exchange risk

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

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

DISCLOSURE CONTROLS AND PROCEDURES

The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is communicated to senior management, to allow timely decisions regarding required disclosure.

An evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined under the rules of the Canadian Securities Administration, was conducted as of December 31, 2018, under the supervision of the Company's Audit Committee and with the participation of management. Based on the results of the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report in providing reasonable assurance that the information required to be disclosed in the Company's annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported in accordance with the securities legislation.

Since the December 31, 2018 evaluation, there have been no adverse changes to the Company's controls and procedures and they continue to remain effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect the transactions of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS;
- ensure the Company's receipts and expenditures are made only in accordance with authorization of management and the Company's directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized transactions that could have a material effect on the annual or interim financial statements.

An evaluation of the effectiveness of the Company's internal control over financial reporting was conducted as of December 31, 2018 by the Company's management, including the Chief Executive Officer and Chief Financial Officer, based on the Internal Control – Integrated Framework (2013) established by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on this evaluation, management has concluded that the Company's internal controls over financial reporting were effective.

There were no changes in the Company's business activities during the period ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. Further, the design of a control system reflects the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

(signed)
Philip K.R. Pascall
Chairman and Chief Executive Officer
February 14, 2019

(signed)
Hannes Meyer
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of First Quantum Minerals Ltd.

Report on the audit of the consolidated financial statements

OUR OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of First Quantum Minerals Ltd. and its subsidiaries, (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the Consolidated Balance Sheets as at December 31, 2018 and 2017;
- the Consolidated Statements of Earnings (Loss) for the years then ended;
- the Consolidated Statements of Comprehensive Income (Loss) for the years then ended;
- the Consolidated Statements of Changes in Equity for the years then ended;
- the Consolidated Statements of Cash Flows for the years then ended; and
- the Notes to the Consolidated Financial Statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jason Burkitt.

(signed)
PricewaterhouseCoopers LLP

London, United Kingdom
February 14, 2019

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

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

	Note	**2018**	2017
Sales revenues	18	**3,966**	3,310
Cost of sales	19	**(2,988)**	(2,975)
Gross profit		**978**	335
Exploration		**(26)**	(18)
General and administrative		**(74)**	(74)
Impairments and related charges	21	**–**	(26)
Other expense	23	**(69)**	(34)
Operating profit		**809**	183
Finance income		**20**	6
Finance costs	22	**(38)**	(45)
Loss on extinguishment of senior notes	11	**–**	(84)
Earnings before income taxes		**791**	60
Income tax expense	14	**(283)**	(299)
Net earnings (loss)		**508**	(239)
Net earnings (loss) attributable to:			
Non-controlling interests		**67**	77
Shareholders of the Company	16	**441**	(316)
Earnings (loss) per common share attributable to the shareholders of the Company			
Net earnings (loss) ($ per share)			
Basic	16	**0.64**	(0.46)
Diluted	16	**0.64**	(0.46)
Weighted average shares outstanding (000's)			
Basic	16	**686,747**	685,936
Diluted	16	**689,387**	685,936
Total shares issued and outstanding (000's)	15a	**689,391**	689,384

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(expressed in millions of U.S. dollars)

	2018	2017
Net earnings (loss) for the year	**508**	(239)
Other comprehensive income (loss)		
Items that have been/may subsequently be reclassified to net earnings:		
Cash flow hedges reclassified to net earnings	**228**	291
Gains (losses) on cash flow hedges arising during the year	**27**	(228)
Items that will not subsequently be reclassified to net earnings:		
Loss on termination of Pebble framework agreement (note 9)	**(38)**	–
Unrealized gain (loss) on investments	**(7)**	2
Other	**12**	–
Total comprehensive income (loss) for the year	**730**	(174)
Total comprehensive income (loss) for the year attributable to:		
Non-controlling interests	**67**	77
Shareholders of the Company	**663**	(251)
Total comprehensive income (loss) for the year	**730**	(174)

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in millions of U.S. dollars)

	Note	**2018**	2017
Cash flows from operating activities			
Net earnings (loss) from operations		**508**	(239)
Adjustments for:			
Depreciation	19, 20	**864**	894
Income tax expense	14	**283**	299
Share-based compensation expense	17	**16**	21
Impairment and related charges	21	**–**	26
Net finance expense		**18**	39
Unrealized foreign exchange gain (loss)		**92**	(20)
Loss on extinguishment of senior notes		**–**	84
Other		**15**	4
		1,796	1,108
Taxes paid		**(285)**	(184)
Franco-Nevada Corporation precious metal stream arrangement	13	**630**	264
Movements in non-cash operating working capital		**(161)**	(274)
Net cash from operating activities		**1,980**	914
Cash flows from (used by) investing activities			
Purchase and deposits on property, plant and equipment	6, 24	**(2,143)**	(1,652)
Acquisition of KPMC	10	**(185)**	(179)
Investment in Pebble project early option price instalment	9	**–**	(38)
Interest paid and capitalized to property, plant and equipment	6	**(441)**	(365)
Other		**17**	21
Net cash used by investing activities		**(2,752)**	(2,213)
Cash flows from financing activities			
Net movement in trading facility		**(74)**	98
Movement in restricted cash		**10**	(15)
Proceeds from debt		**3,146**	3,330
Repayments of debt		**(2,124)**	(2,159)
Early redemption costs on senior notes	11	**–**	(54)
Proceeds from joint venture (KPMC shareholder loan)	10, 12b	**178**	264
Repayments to joint venture (KPMC shareholder loan)	10, 12b	**(152)**	(45)
Proceeds from joint venture (KPMC)	10, 12b	**304**	–
Repayments to joint venture (KPMC)	10, 12b	**(356)**	–
Dividends paid to shareholders of the Company		**(5)**	(5)
Dividends paid to non-controlling interest		**(20)**	–
Other		**(27)**	(13)
Net cash from financing activities		**880**	1,401
Increase (decrease) in cash and cash equivalents and bank overdrafts		**108**	102
Cash and cash equivalents and bank overdrafts – beginning of year		**702**	565
Exchange gains (losses) on cash and cash equivalents		**(22)**	35
Cash and cash equivalents and bank overdrafts – end of year		**788**	702
Cash and cash equivalents and bank overdrafts comprising:			
Cash and cash equivalents		**1,255**	1,296
Bank overdrafts		**(467)**	(594)

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

CONSOLIDATED BALANCE SHEETS

(expressed in millions of U.S. dollars)

	Note	**December 31, 2018**	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents		**1,255**	1,296
Trade and other receivables	4	**658**	652
Inventories	5	**1,196**	1,082
Current portion of other assets	9	**155**	159
		3,264	3,189
Non-current assets			
Cash and cash equivalents – restricted cash		**78**	90
Non-current VAT receivable		**109**	140
Property, plant and equipment	6	**19,098**	17,173
Goodwill	7	**237**	237
Investment in joint venture	10	**600**	600
Other assets	9	**151**	194
Total assets		**23,537**	21,623
Liabilities			
Current liabilities			
Bank overdraft		**467**	594
Trade and other payables		**731**	713
Current taxes payable		**125**	139
Current debt	11	**174**	316
Current portion of provisions and other liabilities	12	**147**	306
		1,644	2,068
Non-current liabilities			
Debt	11	**7,111**	5,961
Provisions and other liabilities	12	**1,818**	1,911
Deferred revenue	13	**1,452**	726
Deferred income tax liabilities		**790**	829
Total liabilities		**12,815**	11,495
Equity			
Share capital	15	**5,592**	5,575
Retained earnings		**3,942**	3,612
Accumulated other comprehensive loss		**(27)**	(227)
Total equity attributable to shareholders of the Company		**9,507**	8,960
Non-controlling interests		**1,215**	1,168
Total equity		**10,722**	10,128
Total liabilities and equity		**23,537**	21,623
Commitments & contingencies	26		

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

Approved by the Board of Directors and authorized for issue on February 14, 2019.

(signed)
Andrew Adams, Director

(signed)
Robert Harding, Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(expressed in millions of U.S. dollars)

	Share capital	**Retained earnings**	**Accumulated other comprehensive loss**	**Total equity attributable to shareholders of the Company**	**Non-controlling interests**	**Total equity**
Balance at December 31, 2017	**5,575**	**3,612**	**(227)**	**8,960**	**1,168**	**10,128**
IFRS 9 and *IFRS 15* transition adjustments (note 2)	**–**	**(106)**	**(22)**	**(128)**	**–**	**(128)**
Balance at January 1, 2018	**5,575**	**3,506**	**(249)**	**8,832**	**1,168**	**10,000**
Net earnings	**–**	**441**	**–**	**441**	**67**	**508**
Other comprehensive income	**–**	**–**	**222**	**222**	**–**	**222**
Total comprehensive income	**–**	**441**	**222**	**663**	**67**	**730**
Share-based compensation expense[1]	**17**	**–**	**–**	**17**	**–**	**17**
Dividends	**–**	**(5)**	**–**	**(5)**	**(20)**	**(25)**
Balance at December 31, 2018	**5,592**	**3,942**	**(27)**	**9,507**	**1,215**	**10,722**

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total equity attributable to shareholders of the Company	Non-controlling interests	Total equity
Balance at December 31, 2016	5,553	3,933	(292)	9,194	1,091	10,285
Net earnings (loss)	–	(316)	–	(316)	77	(239)
Other comprehensive income	–	–	65	65	–	65
Total comprehensive income (loss)	–	(316)	65	(251)	77	(174)
Share-based compensation expense[1]	22	–	–	22	–	22
Dividends	–	(5)	–	(5)	–	(5)
Balance at December 31, 2017	5,575	3,612	(227)	8,960	1,168	10,128

1 Inclusive of capitalized 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, Finland, Turkey, Spain and Mauritania. The Company's Ravensthorpe mine was placed under care and maintenance in October 2017. 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.

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

2 Significant Accounting Policies

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

A) BASIS OF PRESENTATION

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

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

These consolidated financial statements have been prepared on a going concern basis. In making the assessment that the Company is a going concern, management has taken into account all available information about the future, which is at least, but is not limited to, 12 months from December 31, 2018.

At December 31, 2018, the Company had $700 million of committed undrawn facilities and $788 million of net unrestricted cash (inclusive of overdrafts), as well as future cash flows in order to meet all current obligations as they become due. The Company was in compliance with all existing facility covenants as at December 31, 2018.

B) PRINCIPLES OF CONSOLIDATION

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

The principal operating subsidiaries are Kansanshi Mining PLC ("Kansanshi"), Kalumbila Minerals Limited ("Sentinel"), First Quantum Mining and Operations Limited ("FQMO"), Mauritanian Copper Mines SARL ("Guelb Moghrein"), Ravensthorpe Nickel Operations Pty Ltd. ("Ravensthorpe"), Cobre Las Cruces S.A. ("Las Cruces"), Çayeli Bakir Işletmeleri A.Ş. ("Çayeli"), Pyhäsalmi Mine Oy ("Pyhäsalmi") and Metal Corp Trading AG ("Metal Corp"). The exploration and development subsidiaries include Minera Panama S.A. ("MPSA" or "Cobre Panama"), Minera Antares Peru S.A.C. ("Haquira") and Corriente Argentina S.A. ("Taca Taca"). All the above operating subsidiaries are 100% owned, with the exception of Kansanshi (80%) and Cobre Panama, in which the Company holds a 90% interest and 10% is held indirectly through the joint venture Korea Panama Mining Corp ("KPMC"), a jointly controlled Canadian entity acquired in November 2017.

Non-controlling interests

At December 31, 2018, ZCCM Investments Holdings Plc ("ZCCM", a Zambian government controlled entity) owned 20% of Kansanshi and KPMC owned 20% of Cobre Panama. A non-controlling interest is held by African Energy Resources Ltd, a publicly listed entity, in the Company's consolidated subsidiary, African Energy Holdings SRL.

Through the operations in Zambia, there are a number of transactions with the Zambian government in the ordinary course of business, including taxes, royalties, utilities and power. The Company is limited in its ability to use the assets of Kansanshi and Cobre Panama as a result of the agreement with the other owners of these subsidiaries.

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

C) ACCOUNTING POLICIES

Foreign currency translation

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

Inventories

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

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

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

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

Property, plant and equipment

(i) Mineral properties and mine development costs

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

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

(ii) Property, plant and equipment

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

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

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

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

(iii) Borrowing costs

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

Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company. The results of businesses acquired during the year are included in the consolidated financial statements from the effective date of acquisition. The identifiable assets, liabilities and contingent liabilities of the business which can be measured reliably are recorded at provisional fair values at the date of acquisition. Provisional fair values are finalized within 12 months of the acquisition date. Acquisition-related costs are expensed as incurred.

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

Asset impairment

(i) Property, plant and equipment

The Company performs impairment tests on property, plant and equipment, mineral properties and mine development costs when events or changes in circumstances occur that indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset (for example, due to no distinctive cash flows), the Company estimates the recoverable amount of the cash-generating unit to which the assets belong. Cash-generating units are individual operating mines, smelters or exploration and development projects.

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

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

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

(ii) Goodwill

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

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

Restoration provisions

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

Revenue recognition

The Company produces copper, nickel, gold and zinc products which are sold under pricing arrangements where final prices are set at a specified date based on market prices.

The Company identifies contracts with customers, the performance obligations within them, the transaction prices and their allocation to the performance obligations.

Revenues are recognized when control of the product passes to the customer and are measured based on expected consideration. Control typically passes on transfer of key shipping documents which typically occurs around the shipment date. Shipping services provided are a separate performance obligation and the revenue for these services is recognized over time.

For provisionally priced sales, changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in metal market prices result in the existence of an embedded derivative in the accounts receivable. This is recorded at fair value, with changes in fair value classified as a component of cost of sales.

The Company recognizes deferred revenue in the event it receives payments from customers before a sale meets criteria for revenue recognition. The transaction price is adjusted to reflect any significant financing component at the rate that reflects the credit characteristics of the entity receiving the financing.

Current and deferred income taxes

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

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

Deferred income tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred income tax assets and liabilities are not recognized in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that temporary differences will not reverse in the foreseeable future.

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

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

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

Share-based compensation

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

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

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

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

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

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

KRSUs vest in tranches over a four- to eight-year period and the fair value of RSUs is determined by reference to the share price of the Company at the date of grant.

Earnings per share

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

Financial instruments

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

Financial assets are classified as measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). Financial liabilities are measured at amortized cost or FVTPL.

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

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

Cash and cash equivalents and restricted cash are measured at amortized cost. Cash pooling arrangements are presented on a gross basis unless physical cash settlement of balances has been made at the balance sheet date.

(ii) Trade receivables

Trade receivables are classified as amortized cost financial assets and are recorded at the transaction price, net of transaction costs incurred and expected credit losses.

(iii) Investments
Investments are designated as FVOCI. Fair value is determined in the manner described in note 25. Unrealized gains and losses are recognized in other comprehensive income. Dividends on equity investments are recognized in the income statement when the right to receive payment is established.

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

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the Statements of Earnings within "Other income (expense)". No ineffective hedges were recognized in the year ended December 31, 2018 (December 31, 2017: nil).

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

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

Exchanges of instruments and modifications to debt are assessed using quantitative and qualitative factors to consider whether the exchange or modification constitutes an extinguishment of the original financial liability and establishment of a new financial liability. In the case of extinguishment, any fees or costs incurred are recognized in the Statements of Earnings. Where the terms in an exchange or modification are not assessed to be substantially different, a modification gain or loss is recognized at an amount equal to the difference between the modified cash flows discounted at the original effective interest rate and the carrying value of the debt. The carrying value of the debt is adjusted for this modification gain or loss, directly attributable transaction costs, and any cash paid to or received from the debt holder.

(vi) Impairment of financial assets
Expected credit losses ("ECL") are recognized for financial assets held at amortized cost. This is based on credit losses that result from default events that are possible within a 12-month period, except for trade receivables, whose ECLs are on a simplified lifetime basis, and any financial assets for which there has been a significant increase in credit risk since initial recognition, for which ECLs over the lifetime are recognized.

Investments in joint ventures
Joint arrangements whereby joint control exists are accounted for using the equity method and presented separately in the balance sheet. The investment is initially recognized at cost and adjusted thereafter for the post-acquisition share of profit or loss.

D) ADOPTION OF NEW STANDARDS

IFRS 9 Financial Instruments
The Company has adopted *IFRS 9 Financial Instruments* as of January 1, 2018. The requirements of *IFRS 9* represent a significant change from *IAS 39 Financial Instruments*: *Recognition and Measurement*. Additionally, the Company adopted consequential amendments to *IFRS 7 Financial Instruments: Disclosures*.

The details and quantitative impact of the changes in accounting policies are disclosed below.

- *IFRS 9* contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and fair value through profit and loss ("FVTPL"). The standard eliminates the previous *IAS 39* categories of held to maturity, loans and receivables and available for sale. Under *IFRS 9*, financial asset derivatives are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. Refer to the table below for a summary of the classification changes upon transition to *IFRS 9*.
- Non-substantial modifications of financial liabilities are required to have a modification gain or loss recognized. This has resulted in an increase in the carrying value of senior debt on transition of $44 million.
- The Company has elected to present all subsequent changes in the fair value of an investment in an equity instrument within other comprehensive income ("OCI"). These investments were previously held at cost or FVTPL. A fair value adjustment of $10 million was recognized within accumulated other comprehensive loss.
- *IFRS 9* replaces the "incurred loss" model in *IAS 39* with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI. Under *IFRS 9*, credit losses are recognized earlier than under *IAS 39*. An assessment was performed to determine the expected credit loss of financial assets. Given that the Company's trading contracts are established long-term contracts with international trading companies, a portion of which are backed by a letter of credit, we have determined the expected credit loss to be not material (December 31, 2017: no impairment recognized). The Company has also adopted consequential amendments to *IAS 1 Presentation of Financial Statements* which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include any impairment of trade receivables in other expenses.
- *IFRS 9* marks a revised approach to hedge accounting; however, this has not significantly impacted the hedge accounting applied by the Company. Under *IAS 39*, the change in fair value of the forward element of the forward exchange contracts ("forward points") was recognized immediately in profit and loss. However, under *IFRS 9* the forward points are separately accounted for as a cost of hedging and are recognized in OCI. On transition, $12 million has been reclassified between retained earnings and accumulated other comprehensive loss.

The following table shows the original measurement categories under *IAS 39* and the new measurement categories under *IFRS 9* for each class of the Group's financial assets as at January 1, 2018.

	Original classification under *IAS 39*	New classification under *IFRS 9*
Financial assets		
Trade and other receivables	Loans and receivables	Amortized cost
Provisionally priced sales included in trade and other receivables	FVTPL	FVTPL
Derivative instruments in designated hedge relationships	FVTPL	FVTPL
Other derivative instruments	FVTPL	FVTPL
Investments		
At cost	Available-for-sale	FVOCI
At fair value	Available-for-sale	FVOCI
Financial liabilities		
Trade and other payables	Other financial liabilities	Amortized cost
Derivative instruments in designated hedge relationships	FVTPL	FVTPL
Other derivative instruments	FVTPL	FVTPL
Finance leases	Other financial liabilities	Amortized cost
Liability to joint venture	Other financial liabilities	Amortized cost
Debt	Other financial liabilities	Amortized cost

IFRS 15 Revenue from Contracts with Customers

The Company has adopted *IFRS 15 Revenue from Contracts with Customers* as of January 1, 2018. In accordance with the transition provisions in *IFRS 15*, the Company has elected to apply the new rules retrospectively whereby the transitional adjustment is recognized in retained earnings with no adjustment of comparatives. Therefore, the comparative information continues to be reported under *IAS 18*. The changes have only been applied to contracts that remained in force at the transition date.

The details and quantitative impact of the changes in accounting policies are disclosed below.

- The Company recognizes deferred revenue in the event it receives payments from customers before a sale meets criteria for revenue recognition. Proceeds received from Franco-Nevada under the terms of the precious metal stream arrangements were previously accounted for and classified as deferred revenue. As the timing of the transfer of goods does not match the receipt of consideration, *IFRS 15* requires the transaction price to be adjusted to reflect the significant financing component. In accordance with the requirements of *IFRS 15*, deferred revenue has been adjusted for the financing component with an increase recognized in the carrying value of deferred revenue of $74 million on transition.

- The Company sells a significant proportion of its products on terms whereby the Company is responsible for providing shipping services after the date at which control of the goods passes to the customer. Under *IAS 18*, the Company recognizes such shipping and other freight revenue and accrues the associated costs in full on loading. The impact of treating freight, where applicable, as a separate performance obligation and therefore recognizing revenue over time would not have materially impacted revenue, costs or earnings as at December 31, 2018 or at December 31, 2017.

- The Company's sales are made under pricing arrangements where final prices are set at a specified date based on market prices. Under *IFRS 15*, variable consideration should be estimated by method of expected value or most likely amount, and included in the transaction price, to the extent that it is highly probable a significant reversal in the amount of cumulative revenue recognized will not occur. The changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in metal market prices is recognized as an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of cost of sales. The adoption of *IFRS 15* has not changed the assessment or treatment of the existence of embedded derivatives in these financial statements.

The Company has elected to make use of the following practical expedients:

- Completed contracts under *IAS 18* before the date of transition have not been reassessed.

- The Company applies the practical expedient in paragraph 121 of *IFRS 15* and does not disclose information about remaining performance obligations that have original expected duration of one year or less.

The following table summarizes the impacts of adopting *IFRS 9* and *IFRS 15* on the Company's consolidated financial statements on January 1, 2018.

	As reported December 31, 2017	Transition adjustments	At January 1, 2018
Balance sheet			
Other assets	353	(10)	343
Debt	(6,277)	(44)	(6,321)
Deferred revenue	(726)	(74)	(800)
Retained earnings	(3,612)	106	(3,506)
Accumulated other comprehensive loss	227	22	249

The following table summarizes the impacts of adopting *IFRS 9* and *IFRS 15* on the Company's consolidated financial statements for the year ended December 31, 2018, inclusive of the transition adjustments.

	December 31, 2018	*IFRS 9* application	*IFRS 15* application	As reported December 31, 2018
Balance sheet				
Property, plant and equipment	19,053	(15)	60	19,098
Other assets	316	(10)	–	306
Debt	(7,260)	(25)	–	(7,285)
Deferred revenue	(1,356)	–	(134)	(1,490)
Retained earnings	(4,048)	32	74	(3,942)
Accumulated other comprehensive loss	17	10	–	27
Income statement				
Cost of sales	2,976	12	–	2,988
Loss on extinguishment of term loan	4	(4)	–	–
Earnings (loss) per share	$ 0.65	$ (0.01)	$ 0.00	$ 0.64

E) NEW STANDARDS NOT YET ADOPTED

IFRS 16 Leases

Effective for annual periods commencing on or after January 1, 2019, *IFRS 16* will replace *IAS 17 Leases*. The new standard eliminates the classification of leases as either operating or finance leases by the lessee. Classification of leases by the lessor are either classified as operating or finance under *IFRS 16*, similar to 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 are applicable.

The Company has undertaken and completed a detailed review and evaluation exercise of existing contracts against the *IFRS 16* criteria as well as completing the calculation of lease liabilities for contracts that have been identified as containing right-of-use assets. It is expected that the lease liability of $23 million will be recognized on transition on January 1, 2019. The Company has elected to apply the modified transition approach whereby no restatement of comparative periods is required. Right-of-use assets will be recognized at the amount of the liability on transition. Leases with terms that end within 12 months of the mandatory transition date will be accounted for by the Company as short-term leases with payments made under the lease recognized as expenses.

The transition to *IFRS 16* will result in increases to assets and liabilities recognized in the balance sheet as well as increases to depreciation and finance costs in the Statements of Earnings and reductions in operating costs.

3 Significant Judgments, Estimates and Assumptions

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

(i) SIGNIFICANT JUDGMENTS

- Determination of ore reserves and resources

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

  Changes in the judgments surrounding proven and probable reserves may impact the carrying value of property, plant and equipment (note 6), restoration provisions (note 12), recognition of deferred income tax amounts (note 14) and depreciation (note 6).

- Achievement of commercial production

  Once a mine or smelter reaches the operating levels intended by management, depreciation of capitalized costs begins. Significant judgment is required to determine when certain of the Company's assets reach this level.

  Management considers several factors, including, but not limited to the following:

  - completion of a reasonable period of commissioning;
  - consistent operating results achieved at a pre-determined level of design capacity and indications that this level will continue;
  - mineral recoveries at or near expected levels;
  - and the transfer of operations from development personnel to operational personnel has been completed.

- Taxes

  Judgment is required in determining the recognition and measurement of deferred income tax assets and liabilities on the balance sheet. In the normal course of business, the Company is subject to assessment by taxation authorities in various jurisdictions. These authorities may have different interpretations of tax legislation or tax agreements than those applied by the Company in computing current and deferred income taxes. These different judgments may alter the timing or amounts of taxable income or deductions. The final amount of taxes to be paid or recovered depends on a number of factors including the outcome of audits, appeals and negotiation. Amounts to be recovered with respect to indirect taxes, such as VAT, are subject to judgment which, in the instance of a change of circumstances, could result in material adjustments.

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

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

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

- Precious metal stream arrangement

  On October 5, 2015, the Company finalized an agreement with Franco-Nevada Corporation ("Franco-Nevada") for the delivery of precious metals from the Cobre Panama project. Franco-Nevada have provided a $1 billion deposit to the Cobre Panama project against future deliveries of gold and silver produced by the mine. A further stream was completed on March 26, 2018, with an additional $356 million received from Franco-Nevada.

  Management has determined that, under the terms of the agreement, the Company meets the "own-use" exemption criteria under *IFRS 9: Financial Instruments*. The Company also retains significant business risk relating to the completion of the project and delivery of produced gold and silver and as such has accounted for the proceeds received as deferred revenue.

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

- Assessment of impairment indicators

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

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

  The carrying value of property, plant and equipment and goodwill at the balance sheet date is disclosed in note 6 and note 7, respectively, and by mine location in note 24.

- Derecognition of financial liabilities

  Judgment is required in determining if an exchange of issued listed tradeable bonds results in, amongst other factors, a change to the existing lender and, if so, whether that constitutes an extinguishment of an existing financial liability and recognition of a new financial liability. Judgment that an exchange of such instruments in 2017 was an extinguishment of the existing financial liability resulted in material impacts on the carrying value of debt and finance costs in the year ended December 31, 2017 (note 11).

(ii) SIGNIFICANT ACCOUNTING ESTIMATES

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

- Determination of ore reserves and life of mine plan

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

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

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

  Changes in the proven and probable reserves estimates may impact the carrying value of property, plant and equipment (note 6), restoration provisions (note 12), recognition of deferred income tax amounts (note 14) and depreciation (note 6).

- Review of asset carrying values and impairment charges

  The Company reviews the carrying value of assets at each reporting period to determine whether there is any indication of impairment using both internal and external sources of information. The Company has determined that each mining operation and smelter is a cash-generating unit.

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

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

  The Ravensthorpe mine was placed in care and maintenance in October 2017 and an impairment test was performed as at September 30, 2017. As disclosed in note 8, its value is sensitive to longer-term nickel price assumptions and the movements in the discount rate.

- Estimation of the amount and timing of restoration and remediation costs

  Accounting for restoration provisions requires management to make estimates of the future costs the Company will incur to complete the restoration and remediation work required to comply with existing laws, regulations and agreements in place at each mining operation and any environmental and social principles the Company is in compliance with. The calculation of the present value of these costs also includes assumptions regarding the timing of restoration and remediation work, applicable risk-free interest rate for discounting those future cash outflows, inflation and foreign exchange rates and assumptions relating to probabilities of alternative estimates of future cash outflows. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of restoration work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for restoration. A 10% increase in costs would result in an increase to restoration provisions of $63 million at December 31, 2018.

  The provision represents management's best estimate of the present value of the future restoration and remediation costs. The actual future expenditures may differ from the amounts currently provided; any increase in future costs could materially impact the amounts included in the liability disclosed in the consolidated balance sheet. The carrying amount of the Company's restoration provision is disclosed in note 12c.

4 Trade Receivables

A) TRADE AND OTHER RECEIVABLES

	December 31, 2018	December 31, 2017
Trade receivables	**241**	328
VAT receivable (current)	**353**	191
Funding advances from joint venture partner	**–**	44
Other receivables	**64**	89
	658	652

B) VAT RECEIVABLE

	December 31, 2018	December 31, 2017
Kansanshi Mining PLC	**282**	240
Kalumbila Minerals Limited	**137**	54
First Quantum Mining and Operations (Zambia)	**24**	19
VAT receivable from the Company's Zambian operations	**443**	313
Cobre Las Cruces S.A.	**11**	10
Çayeli Bakır Işletmeleri A.Ş.	**5**	6
Other	**3**	2
Total VAT receivable	**462**	331
Less: current portion, included within trade and other receivables	**(353)**	(191)
Non-current VAT receivable	**109**	140

C) VAT RECEIVABLE BY THE COMPANY'S ZAMBIAN OPERATIONS

	December 31, 2018	December 31, 2017
Receivable at date of claim	**645**	435
Impact of depreciation of Zambian kwacha against U.S. dollar[1]	**(177)**	(102)
	468	333
Impact of discounting non-current portion	**(25)**	(20)
Total receivable	**443**	313
Consisting of:		
Current portion, included within trade and other receivables	**334**	173
Non-current VAT receivable	**109**	140

1 The impact of depreciation of the Zambian kwacha against the U.S. dollar in the year ended December 31, 2018 on the Company's Zambian operations VAT receivable of $75 million is included within other expense in the Statements of Earnings.

5 Inventories

	December 31, 2018	December 31, 2017
Ore in stockpiles	**250**	256
Work-in-progress	**26**	25
Finished product	**259**	270
Total product inventory	**535**	551
Consumable stores	**661**	531
	1,196	1,082

6 Property, Plant and Equipment

	Plant and equipment	Capital work-in-progress	Mineral properties and mine development costs: Operating mines	Mineral properties and mine development costs: Development projects	Total
Net book value, as at January 1, 2018	4,686	7,881	2,374	2,232	17,173
Additions	–	2,166	–	–	2,166
Disposals	(9)	–	–	–	(9)
Transfers between categories	538	(575)	42	(5)	–
Restoration provision	–	–	(50)	15	(35)
Capitalized interest	–	653	–	–	653
Depreciation charge	(581)	–	(269)	–	(850)
Net book value, as at December 31, 2018	4,634	10,125	2,097	2,242	19,098
Cost	8,638	10,125	3,672	2,242	24,677
Accumulated depreciation	(4,004)	–	(1,575)	–	(5,579)

	Plant and equipment	Capital work-in-progress	Mineral properties and mine development costs: Operating mines	Mineral properties and mine development costs: Development projects	Total
Net book value, as at January 1, 2017	4,996	6,361	2,254	2,200	15,811
Additions	–	1,745	–	–	1,745
Disposals	(17)	(1)	–	–	(18)
Impairments	(18)	(6)	–	–	(24)
Transfers between categories	365	(703)	319	19	–
Restoration provision	–	–	59	13	72
Capitalized interest	–	485	–	–	485
Depreciation charge	(640)	–	(258)	–	(898)
Net book value, as at December 31, 2017	4,686	7,881	2,374	2,232	17,173
Cost	8,058	7,881	3,662	2,232	21,833
Accumulated depreciation	(3,372)	–	(1,288)	–	(4,660)

During the year ended December 31, 2018, $653 million of interest (December 31, 2017: $485 million) was capitalized relating to the development of Cobre Panama. The amount capitalized to December 31, 2018 was determined by applying the weighted average cost of borrowings of 7.2% (December 31, 2017: 8.2%) to the accumulated qualifying expenditures.

Included within capital work-in-progress and mineral properties – operating mines at December 31, 2018 is an amount of $632 million related to capitalized deferred stripping costs (December 31, 2017: $638 million).

7 Goodwill

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

The carrying value of Cobre Panama at December 31, 2018 was $9,327 million, inclusive of deferred revenue (December 31, 2017: $7,782 million).

The annual impairment test has been performed at December 31, 2018. For the purposes of the goodwill impairment test, the recoverable amount of Cobre Panama has been determined using a fair value less costs of disposal calculation based on a discounted cash flow model over a period of 36 years, which uses a post-tax discount rate, taking account of assumptions that would be made by market participants. The future cash flows used in this model are inherently uncertain and could materially change over time as a result of changes to ore reserves and resources estimates, commodity prices, discount rates, future production costs and future capital expenditure to complete the construction of Cobre Panama. Reserves and resources are estimated based on the National Instrument 43-101 compliant report produced by qualified persons. The production profile used in the cash flow model is consistent with the reserves and resource volumes approved as part of the Company's process for the estimation of proven and probable reserves. Such production volumes are dependent on a number of variables, including the recovery of metal from the ore, production costs, duration of mining rights and the selling price of extracted minerals. Commodity prices are management's estimates of the views of market participants, including a long-term copper price of $3.00 per pound. The estimates are derived from the median of consensus forecasts. A nominal discount rate of 11% (December 31, 2017: 12%) has been applied to future cash flows, derived from Cobre Panama's weighted average cost of capital (in nominal terms), incorporating the risks specific to the cash-generating unit. Future production costs and future capital expenditure are based on the latest available engineering reports.

The calculated recoverable amount of the cash-generating unit exceeds the carrying value of Cobre Panama at December 31, 2018, and therefore no impairment charge has been recognized.

8 Ravensthorpe

In September 2017 the Company announced its intention to suspend operations at its Ravensthorpe nickel operation and place it on care and maintenance due to the prevailing market conditions. The Company considered this decision to be an indicator of impairment and an impairment test was performed at September 30, 2017. The recoverable value of the operation was measured based on fair value less costs of disposal. Economically recoverable reserves and resources, operating costs and future capital expenditure were used to determine the fair value and represent management's assessment at the time of completing the impairment testing. Based on the results of the discounted cash flow analysis, no impairment was recognized.

An updated assessment was performed at the reporting date and no impairment was noted.

As at December 31, 2018, based on an updated model, using a long-term nickel price of $7.50 per pound and a nominal post-tax rate of 10.5% (real post-tax rate of 8%), a sensitivity analysis was performed on the cash flow model used to determine the recoverable value of Ravensthorpe. A 10% decrease in the long-term nickel price would result in an impairment of approximately $55 million. Nickel prices used in the cash flow projections were within the range of current market consensus observed at December 31, 2018.

There will be regular review of market conditions to consider the potential restart of operations.

An impairment of $14 million was recognized in relation to specific assets as operations entered care and maintenance during the year ended December 31, 2017.

9 Other Assets

	December 31, 2018	December 31, 2017
Prepaid expenses	**171**	218
Other investments	**18**	68
Deferred income tax assets	**74**	54
Derivative instruments (note 25)	**43**	13
Total other assets	**306**	353
Less: current portion of other assets	**(155)**	(159)
	151	194

Included within prepaid expenses is $28 million (December 31, 2017: $48 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.

In May 2018, the Company and Northern Dynasty Minerals elected to terminate their framework agreement, announced on December 15, 2017, in accordance with its terms after being unable to reach agreement on the contemplated option and partnership transaction on the Pebble project. A $38 million fair value loss on the investment has been recognized in other comprehensive income.

10 Joint Venture

On November 8, 2017 the Company completed the purchase of a 50% interest in KPMC from LS-Nikko Copper Inc. KPMC is jointly owned and controlled with Korea Resources Corporation and holds a 20% interest in Cobre Panama. The purchase consideration of $664 million comprised the acquisition consideration of $635 million and the reimbursement of cash advances of $29 million. Consideration of $185 million has been made in the year ended December 31, 2018. The remaining consideration is payable in three instalments to November 2021. $100 million is included within other current liabilities and $164 million within other non-current liabilities.

A $600 million investment in joint venture representing the discounted consideration value has been recognized against which the Company's proportionate share of the profit or loss in KPMC is recognized. The principal assets and liabilities of KPMC are an investment in MPSA, a subsidiary of the Company, and shareholder loans. The notional purchase price allocation was finalized in the year ended December 31, 2018.

11 Debt

		December 31, 2018	December 31, 2017
Drawn debt			
Senior notes:			
First Quantum Minerals Ltd. 7.00% due February 2021	(a)	**1,105**	1,095
First Quantum Minerals Ltd. 7.25% due May 2022	(b)	**844**	843
First Quantum Minerals Ltd. 7.25% due April 2023	(c)	**1,090**	1,088
First Quantum Minerals Ltd. 6.50% due February 2024	(d)	**842**	–
First Quantum Minerals Ltd. 7.50% due April 2025	(e)	**1,089**	1,087
First Quantum Minerals Ltd. 6.875% due February 2026	(f)	**990**	–
Kansanshi senior term loan	(g)	**–**	174
First Quantum Minerals Ltd. senior debt facility	(h)	**800**	1,767
Kalumbila term loan	(i)	**397**	–
Trading facilities	(j)	**106**	180
Equipment financing	(k)	**22**	43
Total debt		**7,285**	6,277
Less: current maturities and short-term debt		**(174)**	(316)
		7,111	5,961
Undrawn debt			
First Quantum Minerals Ltd. senior debt facility	(h)	**700**	390
Trading facilities	(j)	**229**	140

The movement in total debt of $1,008 million is inclusive of non-cash transition adjustments (note 2) and deferred charges that are consequently not reflected in financing activities in the Consolidated Statement of Cash Flows.

A) 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 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.

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

B) 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 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% from 2020, plus accrued interest. Although part of this redemption feature indicates the existence of an embedded derivative, the value of this derivative is not significant.

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

C) FIRST QUANTUM MINERALS LTD. 7.25% DUE APRIL 2023

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.

D) FIRST QUANTUM MINERALS LTD. 6.50% DUE FEBRUARY 2024

In February 2018, the Company issued $850 million in senior notes due in 2024, bearing interest at an annual rate of 6.50%. These senior notes have certain restrictions on the Company and its subsidiaries. The Company and its subsidiaries are subject to certain restrictions on asset sales, payments, incurrence of indebtedness and issuance of preferred stock.

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

The Company may redeem some or all of the notes at any time on or after September 1, 2020, at redemption prices ranging from 103.25% in the first year to 100% from 2022, plus accrued interest. In addition, until September 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 106.50% plus accrued interest. Although part of this redemption feature indicates the existence of an embedded derivative, the value of this derivative is not significant.

E) FIRST QUANTUM MINERALS LTD. 7.50% DUE APRIL 2025

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% from 2023, 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.

F) FIRST QUANTUM MINERALS LTD. 6.875% DUE FEBRUARY 2026

In February 2018, the Company issued $1 billion in senior notes due in 2026, bearing interest at an annual rate of 6.875%. These senior notes have certain restrictions on the Company and its subsidiaries. The Company and its subsidiaries are subject to certain restrictions on asset sales, payments, incurrence of indebtedness and issuance of preferred stock.

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

The Company may redeem some or all of the notes at any time on or after March 1, 2021, at redemption prices ranging from 105.156% in the first year to 100% from 2024, plus accrued interest. In addition, until March 1, 2021, 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 106.875% plus accrued interest. Although part of this redemption feature indicates the existence of an embedded derivative, the value of this derivative is not significant.

G) KANSANSHI SENIOR TERM LOAN

In February 2018, the term loan was repaid and the facility cancelled.

H) FIRST QUANTUM MINERALS LTD. SENIOR DEBT FACILITY

In October 2017, the Company signed a term loan and revolving credit facility ("RCF") replacing the previous $1.875 billion term loan and RCF with its core relationship banks. The facility of $2.2 billion comprised of a $0.7 billion term loan facility and a $1.5 billion RCF maturing in December 2020, with repayment beginning in December 2019. Final maturity can be extended to December 2022 when certain criteria have been satisfied and at the option of the Company. Interest is charged at LIBOR plus a margin. This margin can change relative to certain financial ratios of the Company.

On February 27, 2018, the Company repaid and extinguished the $0.7 billion term loan and repaid the outstanding balance on the RCF. At December 31, 2018, $800 million has been drawn, leaving $700 million available for the Company to draw. On February 6, 2019, the Company signed an agreement for the refinancing of the senior debt facility with a new $2.7 billion facility (see note 27).

I) KALUMBILA TERM LOAN

On February 5, 2018, Kalumbila Minerals Limited, the owner of the Sentinel copper mine, signed a $230 million unsecured term loan facility (the "Kalumbila Facility") with an initial termination date of December 31, 2020 (with the right of Kalumbila Minerals Limited to request an extension of one or two years subject to lender consent). The facility was upsized to $400 million in March 2018 in accordance with the accordion feature of the facility agreement and is fully drawn. Repayments on the facility commence in December 2019.

J) TRADING FACILITIES

The Company's metal marketing division has four uncommitted borrowing facilities totalling $335 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, 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 was purchased from Caterpillar, incurs interest at LIBOR plus a margin and amounts are repayable over a period to 2020. Of the amount outstanding at December 31, 2018, $11 million (December 31, 2017: $20 million) is due within 12 months of the balance sheet date.

12 Provisions and Other Liabilities

A) PROVISIONS AND OTHER LIABILITIES

	December 31, 2018	December 31, 2017
Restoration provisions	**585**	618
Amount owed to joint venture	**946**	925
Derivative instruments (note 25)	**3**	288
Non-current consideration for acquisition of joint venture[1]	**164**	244
Other	**267**	142
Total other liabilities	**1,965**	2,217
Less: current portion	**(147)**	(306)
	1,818	1,911

1 The current portion of the consideration for acquisition of joint venture of $100 million (December 31, 2017: $176 million) has been included in trade and other payables.

B) AMOUNT OWED TO JOINT VENTURE

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	**925**	596
Repayment of shareholder loans	**(356)**	–
Cash calls paid to MPSA for the development of Cobre Panama	**304**	264
Interest accrued	**73**	65
Balance at end of year due to KPMC	**946**	925

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%. In November 2017, the Company acquired a 50% interest in KPMC from LS-Nikko Copper Inc. inclusive of the above shareholder loans. The assets and liabilities of KPMC are an investment in MPSA, a subsidiary of the Company, a loan receivable from MPSA, and loans due to shareholders. Interest income and expense earned on these loans are on the same terms.

Following completion of the additional precious metal streaming agreement with Franco-Nevada, the receipt of $356 million proceeds by MPSA was used entirely to repay shareholder loans by MPSA to KPMC. Of this $356 million shareholder loan repayment, $178 million was received by the Company.

As at December 31, 2018, the accrual for interest payable is $224 million (December 31, 2017: $151 million) and is included in the carrying value of the amount owed to joint venture, as this has been deferred under the loan agreement. Amounts due to KPMC are specifically excluded from the calculation of net debt as defined under the Company's banking covenant ratios.

C) RESTORATION PROVISIONS

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

	2018	2017
As at January 1	**618**	530
Changes in estimate – operating sites	**(27)**	71
Changes – closed sites (note 23)	**(10)**	4
Other adjustments	**(10)**	–
Accretion expense (note 22)	**14**	13
As at December 31	**585**	618
Less: current portion	**(5)**	(8)
	580	610

The Company has issued letters of credit which are guaranteed by cash deposits, classified as restricted cash on the balance sheet at December 31, 2018, totalling $71 million (December 31, 2017: $90 million).

The restoration provisions have been recorded initially as a liability based on management's best estimate of cash flows, using a risk-free discount rate between 2.4% and 3.1% and an inflation factor between 1.5% and 7.5%. Reclamation activity is expected to occur over the life of each of the operating mines, a period of up to 36 years, with the majority payable in the years following the cessation of mining operations.

13 Deferred Revenue

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	**726**	462
Change in accounting policy – *IFRS 15* (note 2)	**74**	–
Balance at the beginning of the year, as adjusted	**800**	462
Cash deposits received from Franco-Nevada – Tranche 1	**274**	264
Cash deposits received from Franco-Nevada – Tranche 2	**356**	–
Accretion of finance costs	**60**	–
Balance at the end of the year	**1,490**	726
Less: current portion	**(38)**	–
Non-current deferred revenue	**1,452**	726

On March 16, 2018, the Company completed an additional precious metal streaming agreement with a subsidiary of Franco-Nevada Corporation. $356 million was received on completion. Proceeds received from Franco-Nevada under the terms of the precious metals streaming agreement are accounted for as deferred revenue. An accretion of finance costs is recognized as the deferred revenue balance representing the significant timing component of the agreement.

FRANCO-NEVADA PRECIOUS METAL STREAM ARRANGEMENT

The Company, through its subsidiary, MPSA, has a precious metal streaming arrangement with Franco-Nevada Corporation ("Franco-Nevada"). The arrangement comprises two tranches, the first of which ("Tranche 1") was finalized on October 5, 2015. Under the terms of Tranche 1, Franco-Nevada, through a wholly owned subsidiary, agreed to provide a $1 billion deposit to be funded on a pro-rata basis of 1:3 with the Company's 80% share of the capital costs of Cobre Panama in excess of $1 billion. At December 31, 2018, the full Tranche 1 deposit amount had been fully funded to MPSA. The second ("Tranche 2") was finalized on March 16, 2018, and $356 million was received on completion. Proceeds received from Franco-Nevada under the terms of the precious metals streaming agreement are accounted for as deferred revenue.

The amount of precious metals deliverable under both tranches is indexed to total copper-in-concentrate sold by Cobre Panama. Under the terms of Tranche 1, the ongoing payment of the fixed payment stream is fixed per ounce payments of $418.27 per oz gold and $6.27 per oz silver subject to an annual inflation adjustment for the first 1,341,000 ounces of gold and 21,510,000 ounces of silver (approximately the first 20 years of expected deliveries). Thereafter, the price per ounce becomes the greater of $418.27 per oz for gold and $6.27 per oz for silver, subject to an adjustment for inflation, and one half of the then prevailing market price. Under Tranche 2, the ongoing price per ounce for deliveries is 20% of the spot price for the first 604,000 ounces of gold and 9,618,000 ounces of silver (approximately the first 25 years of production), and thereafter the price per ounce rises to 50% of the spot price of gold and silver.

Although the market price feature represents an embedded derivative, the value of this derivative is not material. In all cases, the amount paid is not to exceed the prevailing market price per ounce of gold and silver.

As at the year ended December 31, 2018, a total amount of $1,356 million (December 31, 2017: $726 million) had been received from Franco-Nevada with respect to capital expenditure in Cobre Panama and recognized as deferred revenue. This deferred revenue will be recognized as revenue over the life of the mine, which is expected to be 36 years.

14 Income Taxes

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

	2018	2017
Current income tax expense	**315**	244
Deferred income tax (credit) expense	**(32)**	55
	283	299

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

	2018		2017	
	Amount $	**%**	Amount $	%
Earnings before income taxes	**791**		60	
Income tax (credit) expense at Canadian statutory rates	**214**	**27**	15	26
Difference in foreign tax rates	**7**	**1**	11	19
Non-deductible expenses	**4**	**1**	40	66
Losses not recognized	**43**	**5**	184	306
Impact of foreign exchange and other	**15**	**2**	49	82
Income tax (credit) expense	**283**	**36**	299	499

Losses not recognized consists largely of hedge losses and financing costs incurred in Canada, where such losses cannot be used to offset operating income in other countries.

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

	December 31, 2018	December 31, 2017
Deferred income tax assets	**74**	54
Deferred income tax liabilities	**(790)**	(829)
	(716)	(775)

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

	2018	2017
Temporary differences relating to property, plant and equipment and finance leases	**(1,402)**	(1,377)
Unused operating losses	**518**	464
Temporary differences relating to non-current liabilities (including restoration provisions)	**97**	104
Temporary differences relating to inventory	**6**	10
Other	**65**	24
Net deferred income tax liabilities	**(716)**	(775)

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

The Company has unrecognized deductible temporary differences relating to operating loss carryforwards that may be available for tax purposes in Canada totalling $3,463 million (December 31, 2017: $2,765 million) expiring between 2025 and 2038, and in the United States of America totalling $37 million (December 31, 2017: $38 million) expiring between 2019 and 2037.

The Company also has unrecognized deductible temporary differences relating to restoration provisions of $47 million in Canada (December 31, 2017: $57 million) and $29 million in Finland (December 31, 2017: $35 million).

The Company has non-Canadian resident subsidiaries that have undistributed earnings of $3,676 million (December 31, 2017: $3,728 million). These undistributed earnings are not expected to be repatriated in the foreseeable future and the Company has control over the timing of such; therefore, taxes that may apply on repatriation have not been provided for.

15 Share Capital

A) COMMON SHARES

Authorized

Unlimited common shares without par value

Issued

	Number of shares (000's)
Balance as at December 31, 2017	689,384
Shares issued through Dividend Reinvestment Plan	7
Balance as at December 31, 2018	689,391

The balance of share capital at December 31, 2018 was $5,642 million (December 31, 2017: $5,642 million).

B) TREASURY SHARES

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

	Number of shares (000's)
Balance as at January 1, 2017	6,350
Shares purchased	–
Shares vested	(984)
Balance as at December 31, 2017	5,366
Shares purchased	–
Shares vested	(1,213)
Balance as at December 31, 2018	4,153

The balance of shares held in the trust as at December 31, 2018 was $125 million (December 31, 2017: $140 million).

C) DIVIDENDS

On July 30, 2018, the Company declared an interim dividend of CDN$0.005 per share, or $2 million, in respect of the financial year ended December 31, 2018 (July 27, 2017: CDN$0.005 per share or $3 million) to be paid on September 19, 2018 to shareholders of record on August 28, 2018.

On February 14, 2019, the Company declared a final dividend of CDN$0.005 per share, or $3 million, in respect of the financial year ended December 31, 2018 (February 12, 2018: CDN$0.005 per share or $3 million) to be paid on May 7, 2019 to shareholders of record on April 15, 2019.

16 Earnings (Loss) Per Share

	2018	2017
Basic and diluted (loss) earnings attributable to shareholders of the Company	**441**	(316)
Basic weighted average number of shares outstanding (000's of shares)	**686,747**	685,936
Potential dilutive securities	**2,640**	–
Diluted weighted average number of shares outstanding (000's of shares)	**689,387**	685,936
Earnings (loss) per common share – basic (expressed in $ per share)	**0.64**	(0.46)
Earnings (loss) per common share – diluted (expressed in $ per share)	**0.64**	(0.46)

17 Share-based Compensation and Related Party Transactions

A) LONG-TERM INCENTIVE PLAN

The Company has a long-term incentive plan (the "Plan"), which provides for the issuance of performance stock units ("PSUs") and restricted stock units ("RSUs") in such amounts as approved by the Company's Compensation Committee. Included in general and administrative expense is share-based compensation expense of $12 million (December 31, 2017: $17 million) related to this Plan in addition to which $1 million (December 31, 2017: $1 million) has been capitalized to capital work-in-progress.

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

Under the Plan, each RSU entitles the participant to receive one common share of the Company subject to vesting criteria. RSU grants typically vest fully at the end of the three-year period. The fair value of each RSU is recorded as compensation expense over the vesting period. The fair value of each RSU is estimated based on the market value of the Company's shares at the grant date and an estimated forfeiture rate of 11.5% (December 31, 2017: 11.5%).

The Company has introduced a new long-term compensation scheme for the next generation of operational business leaders (current directors will not participate in the scheme), KRSUs. The scheme allows for full vesting over eight years with partial vesting commencing in the fourth year. The objectives of the scheme are to promote a long-term strategic focus amongst participants and to facilitate the Company's management succession plans as the roles of the founding directors transition during the scheme period.

The Company will meet its obligations under the scheme through market purchases. Full details of the scheme will be contained in the 2019 Management Information Circular.

	2018 Number of units (000's)	2017 Number of units (000's)
Performance stock units		
Outstanding – beginning of year	**3,677**	3,986
Granted	**745**	1,280
Vested	**(460)**	(251)
Forfeited	**(883)**	(1,338)
Outstanding – end of year	**3,079**	3,677
Restricted stock units		
Outstanding – beginning of year	**3,231**	2,976
Granted	**690**	1,250
Vested	**(837)**	(773)
Forfeited	**(216)**	(222)
Outstanding – end of year	**2,868**	3,231
Key restricted stock units		
Granted	**4,400**	–
Outstanding – end of year	**4,400**	–

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

	2018	2017
Risk-free interest rate	**2.63%**	1.55%
Vesting period	**3 years**	3 years
Expected volatility	**81.6%**	83.1%
Expected forfeiture per annum	**4%**	4%
Weighted average probability of vesting	**33.4%**	33.7%

B) SHARE OPTION PLAN

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

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

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

	2018 Number of units (000's)	2017 Number of units (000's)
Share options		
Outstanding – beginning of year	**2,190**	1,113
Granted	**600**	1,086
Exercised	**(72)**	–
Forfeited	**(42)**	(9)
Outstanding – end of year	**2,676**	2,190
Exercisable – end of year	**1,156**	630

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

	2018	2017
Fair value of option	**9.96**	5.44
Exercise price (Canadian dollars)	**21.95**	12.18
Expected volatility	**67.0%**	67.5%
Expected life	**5 years**	5 years
Risk-free rate	**2.25%**	1.12%
Expected dividend yields	**0.1%**	0.1%

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

The Company recognized total expenses of $4 million (December 31, 2017: $4 million) related to equity-settled share-based payments on share options issued under the above plan for the year ended December 31, 2018.

C) KEY MANAGEMENT COMPENSATION

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

	2018	2017
Salaries, fees and other benefits	**4**	5
Bonus payments	**2**	2
Share-based compensation	**8**	5
Total compensation paid to key management	**14**	12

D) OTHER RELATED PARTY TRANSACTIONS

Amounts paid to related parties were incurred in the normal course of business and on an arm's length basis. During the year, $8 million (December 31, 2017: $6 million) was paid to parties related to key management for chartering aircraft, accommodation, machinery and services. As at December 31, 2018, nil (December 31, 2017: nil) was included in trade and other payables concerning related party amounts payable.

18 Sales Revenues by Nature

	2018	2017
Copper	**3,616**	2,802
Nickel	**–**	148
Gold	**228**	236
Zinc	**53**	46
Other	**69**	78
	3,966	3,310

19 Cost of Sales

	2018	2017
Costs of production	**(2,127)**	(2,071)
Depreciation	**(850)**	(898)
Movement in inventory	**3**	(10)
Movement in depreciation in inventory	**(14)**	4
	(2,988)	(2,975)

20 Expenses by Nature

	2018	2017
Depreciation	**(864)**	(894)
Employment costs, benefits and contractor	**(625)**	(676)
Raw materials and consumables	**(453)**	(579)
Repairs and maintenance	**(235)**	(232)
Utilities	**(211)**	(171)
Royalties	**(210)**	(178)
Fuel	**(202)**	(176)
Freight	**(114)**	(77)
Copper concentrate purchases	**(40)**	–
Travel	**(15)**	(14)
Change in inventories	**3**	(10)
Other	**(122)**	(60)
	(3,088)	(3,067)

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

21 Impairments

As at December 31, 2018, a detailed review of impairment indicators was performed by management across all operations, development projects and investments. This review did not result in the identification of impairment indicators as at December 31, 2018. Management continues to monitor commodity prices, discount rates, operating costs and capital expenditure, in addition to any other key factors that may result in an indicator of impairment.

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

A summary of impairment for the years ended December 31:

	2018	2017
Impairment of Ravensthorpe assets	**–**	14
Impairment of housing assets	**–**	12
	–	26

IMPAIRMENT OF RAVENSTHORPE ASSETS

An impairment of $14 million was recognized in December 31, 2017 in relation to specific assets at Ravensthorpe that have been identified for impairment following the mine being placed into care and maintenance in October 2017. There have been no further impairments in the year ended December 31, 2018 (see note 8).

IMPAIRMENT OF HOUSING ASSETS

An impairment of nil (December 31, 2017: $12 million) has been recognized in relation to specific housing assets constructed at the Kansanshi mine for its employees.

22 Finance Costs

	2018	2017
Interest expense on financial liabilities measured at amortized cost	**(677)**	(517)
Accretion on restoration provision	**(14)**	(13)
Total finance costs	**(691)**	(530)
Less: interest capitalized (note 6)	**653**	485
	(38)	(45)

Included within net finance expense for the year ended December 31, 2018 is $5 million (December 31, 2017: $20 million) relating to the discounting of non-current VAT held by Kansanshi over the expected repayment timeframe. Discussions with the relevant government authorities are ongoing and management continues to consider that the outstanding VAT claims are fully recoverable.

$653 million was capitalized to the Cobre Panama development project for the year ended December 31, 2018 (December 31, 2017: $485 million).

23 Other Income (Expenses)

	2018	2017
Foreign exchange gains (losses) – Zambian VAT receivable	**(75)**	1
Other foreign exchange gains (losses)	**11**	(24)
Change in restoration provision for closed properties (note 12c)	**(10)**	(4)
Other income (expenses)	**5**	(7)
	(69)	(34)

24 Segmented Information

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

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

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

EARNINGS BY SEGMENT

For the year ended December 31, 2018, segmented information for the Statements of Earnings (Loss) is presented as follows:

	Revenue	**Cost of sales (excluding depreciation)**	**Depreciation**	**Other**	**Operating profit (loss)[1]**	**Income tax (expense) credit**
Kansanshi[2]	**1,672**	**(799)**	**(250)**	**(68)**	**555**	**(145)**
Sentinel	**1,454**	**(890)**	**(276)**	**(28)**	**260**	**(63)**
Las Cruces	**470**	**(151)**	**(203)**	**4**	**120**	**(18)**
Guelb Moghrein	**235**	**(160)**	**(45)**	**(9)**	**21**	**(5)**
Çayeli	**100**	**(47)**	**(30)**	**1**	**24**	**(31)**
Pyhäsalmi	**144**	**(50)**	**(54)**	**7**	**47**	**(5)**
Ravensthorpe	**–**	**(11)**	**(5)**	**1**	**(15)**	**7**
Corporate & other[3, 4]	**(109)**	**(16)**	**(1)**	**(77)**	**(203)**	**(23)**
Total	**3,966**	**(2,124)**	**(864)**	**(169)**	**809**	**(283)**

1 Operating profit (loss) less net finance costs and taxes equals net earnings (loss) for the year on the Consolidated Statements of Earnings.

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

3 No segmented information for Cobre Panama is disclosed for the Statements of Earnings, as the project is under development. The development costs for this project are capitalized.

4 Relates to hedge losses recognized on forward copper sales and zero cost collar options.

For the year ended December 31, 2017, segmented information for the Statements of Earnings is presented as follows:

	Revenue	Cost of sales (excluding depreciation)	Depreciation	Other	Operating profit (loss)[1]	Income tax (expense) credit
Kansanshi[2]	1,740	(813)	(291)	(34)	602	(190)
Sentinel	1,026	(636)	(224)	(7)	159	(26)
Las Cruces	461	(150)	(205)	(4)	102	(34)
Guelb Moghrein	217	(131)	(45)	(2)	39	(20)
Çayeli	98	(52)	(30)	1	17	(31)
Pyhäsalmi	143	(53)	(66)	(10)	14	(5)
Ravensthorpe	163	(188)	(32)	(13)	(70)	21
Corporate & other[3, 4]	(538)	(58)	(1)	(83)	(680)	(14)
Total	3,310	(2,081)	(894)	(152)	183	(299)

1 Operating profit (loss) less net finance costs and taxes equals net earnings (loss) for the year on the Consolidated Statements of Earnings.

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

3 No segmented information for Cobre Panama is disclosed for the Statements of Earnings, as the project is under development. The development costs for this project are capitalized.

4 Relates to hedge losses recognized on forward copper sales and zero cost collar options.

BALANCE SHEET BY SEGMENT

Segmented information on balance sheet items is presented as follows:

	December 31, 2018			December 31, 2017		
	Non-current assets[1]	**Total assets**	**Total liabilities**	Non-current assets[1]	Total assets	Total liabilities
Kansanshi[2]	**2,706**	**4,490**	**944**	2,789	4,326	1,075
Sentinel	**3,150**	**3,673**	**711**	3,162	3,627	226
Las Cruces	**499**	**1,077**	**308**	668	1,186	369
Guelb Moghrein	**126**	**228**	**36**	160	297	75
Çayeli	**104**	**150**	**43**	129	386	68
Pyhäsalmi	**28**	**92**	**56**	90	208	70
Ravensthorpe	**689**	**776**	**142**	718	798	168
Cobre Panama[3]	**10,640**	**10,992**	**2,745**	8,322	8,619	1,881
Corporate & other[4]	**1,212**	**2,059**	**7,830**	1,193	2,176	7,563
Total	**19,154**	**23,537**	**12,815**	17,231	21,623	11,495

1 Non-current assets include $19,098 million of property, plant and equipment (December 31, 2017: $17,209 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 joint venture.

4 Included within the corporate segment are assets relating to the Haquira project of $683 million (December 31, 2017: $678 million) and to the Taca Taca project of $434 million (December 31, 2017: $430 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:

	2018	2017
Kansanshi	**194**	183
Sentinel	**236**	140
Las Cruces	**34**	22
Guelb Moghrein	**15**	13
Çayeli	**6**	5
Pyhäsalmi	**–**	–
Ravensthorpe	**4**	13
Cobre Panama	**1,640**	1,256
Corporate & other[1]	**14**	20
Total	**2,143**	1,652

1 Excludes $38 million paid with respect to the Pebble project in the year ended December 31, 2017.

GEOGRAPHICAL INFORMATION

	2018	2017
Revenue by destination[1]		
China	**1,476**	1,076
Singapore	**539**	641
South Africa	**504**	509
Spain	**472**	442
Zambia	**368**	307
Germany	**268**	243
India	**147**	279
Finland	**144**	138
Egypt	**36**	33
Taiwan	**36**	30
Sweden	**16**	24
Bulgaria	**16**	30
DR Congo	**15**	–
Mexico	**14**	–
Italy	**4**	22
Australia	**–**	56
South Korea	**–**	24
United Arab Emirates	**–**	3
Other	**21**	21
Hedge gains (losses)[2]	**(110)**	(568)
	3,966	3,310

1 Presented based on the ultimate destination of the product, if known. If the eventual destination of the product sold through traders is not known, then revenue is allocated to the location of the product at the time when control passes.

2 Relates to hedge gains (losses) recognized on forward sales and zero cost collar options.

	December 31, 2018	December 31, 2017
Non-current assets by location		
Zambia	**5,844**	5,690
Panama	**10,640**	8,322
Spain	**463**	632
Finland	**28**	90
Australia	**694**	722
Peru	**680**	673
Argentina	**432**	429
Mauritania	**126**	160
Turkey	**104**	129
Other	**143**	384
	19,154	17,231
Investments, deferred income tax assets, goodwill, restricted cash, other deposits and VAT receivable	**1,119**	1,203
	20,273	18,434

25 Financial Instruments

The Company classifies its financial assets as amortized cost, FVOCI or FVTPL. Financial liabilities are measured at amortized cost or FVTPL.

The following provides a comparison of carrying and fair values of each classification of financial instrument at December 31, 2018:

	Amortized cost	**Fair value through profit or loss**	**Fair value through OCI**	**Total**
Financial assets				
Trade and other receivables[1]	**64**	**241**	**–**	**305**
Derivative instruments in designated hedge relationships	**–**	**27**	**–**	**27**
Other derivative instruments[2]	**–**	**16**	**–**	**16**
Investments[3]	**–**	**–**	**18**	**18**
Financial liabilities				
Trade and other payables	**731**	**–**	**–**	**731**
Other derivative instruments[2]	**–**	**(3)**	**–**	**(3)**
Finance leases	**17**	**–**	**–**	**17**
Liability to joint venture	**946**	**–**	**–**	**946**
Debt	**7,285**	**–**	**–**	**7,285**

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 Investments held by the Company are held at fair value through other comprehensive income.

The following provides a comparison of carrying and fair values of each classification of financial instruments at December 31, 2017 on the same classification basis as above (original measurement categories under *IAS 39* are presented in note 2):

	Amortized cost	Fair value through profit or loss	Fair value through OCI	Total
Financial assets				
Trade and other receivables[1]	461	–	–	461
Other derivative instruments[2]	–	13	–	13
Investments[3]	–	–	68	68
Financial liabilities				
Trade and other payables	713	–	–	713
Derivative instruments in designated hedge relationships	–	228	–	228
Other derivative instruments[2]	–	60	–	60
Finance leases	22	–	–	22
Liability to joint venture	925	–	–	925
Debt	6,277	–	–	6,277

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 were measured at cost prior to the adoption of *IFRS 9* (note 2).

FAIR VALUES

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs for the asset or liability that are not based on observable market data.

The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at December 31, 2018:

	Level 1	**Level 2**	**Level 3**	**Total fair value**
Financial assets				
Derivative instruments – LME contracts[1]	**14**	**–**	**–**	**14**
Derivative instruments – OTC contracts[2]	**–**	**29**	**–**	**29**
Investments[3]	**18**	**–**	**–**	**18**
Financial liabilities				
Derivative instruments – LME contracts[1]	**2**	**–**	**–**	**2**
Derivative instruments – OTC contracts[2]	**–**	**1**	**–**	**1**

1 Futures for copper, 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.

The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at December 31, 2017, in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative instruments – LME contracts[1]	13	–	–	13
Derivative instruments – OTC contracts[2]	–	–	–	–
Investments[3]	9	–	–	9
Financial liabilities				
Derivative instruments – LME contracts[1]	45	–	–	45
Derivative instruments – OTC contracts[2]	–	243	–	243

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.

FINANCIAL RISK MANAGEMENT

Credit risk

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

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

Exceptions to the policy for dealing with relationship banks with ratings below investment grade are reported to, and approved by, the Audit Committee. As at December 31, 2018, substantially all cash and short-term deposits are with counterparties of investment grade.

The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. More than 70% of the Company's trade receivables are generated from five customers together representing greater than 25% of the total sales for the year. A total balance of $36 million was past due from these customers at the balance sheet date and is classified as current receivable. The Company continues to trade with these customers. Revenues earned from these customers are included within the Kansanshi segment. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and property, plant and equipment expenditures and prepaid taxes.

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

	December 31, 2018	December 31, 2017
Commodity traders and smelters (trade receivables and other receivables)	**305**	461
Government authorities (VAT receivable)	**462**	331
	767	792

The VAT receivable due from government authorities includes $109 million at December 31, 2018, which is past due (December 31, 2017: $140 million). See note 4c.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk. Expected credit losses on trade and other receivables at December 31, 2018 amount to nil.

Liquidity risk

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

In addition, the Company was obligated under its corporate revolving credit and term loan facility to maintain liquidity and satisfy various covenant ratio tests on an historical and prospective cash flow basis. These ratios were in compliance during the year ended December 31, 2018 and December 31, 2017. If the Company breaches a covenant in its Financing Agreements, this would be an event of default which, if unaddressed, would entitle the lenders to make the related borrowings immediately due and payable and, if made immediately due and payable, all other borrowings would also be due and payable.

The Company had the following balances and facilities available at the balance sheet dates:

	December 31, 2018	December 31, 2017
Cash and cash equivalents and bank overdrafts – unrestricted cash	**788**	702
Working capital balance	**1,039**	1,025
Undrawn debt facilities (note 11)	**929**	530

Contractual and other obligations as at December 31, 2018 are as follows:

	Carrying value	**Contractual cash flows**	**< 1 year**	**1–3 years**	**3–5 years**	**Thereafter**
Debt – principal repayments	**7,179**	**7,245**	**69**	**2,276**	**1,950**	**2,950**
Debt – finance charges	**–**	**2,299**	**516**	**897**	**563**	**323**
Trading facilities	**106**	**106**	**106**	**–**	**–**	**–**
Trade and other payables	**631**	**631**	**631**	**–**	**–**	**–**
Derivative instruments	**3**	**3**	**3**	**–**	**–**	**–**
Liability to joint venture[1]	**946**	**1,446**	**–**	**–**	**1,446**	**–**
Joint venture consideration	**264**	**300**	**100**	**200**	**–**	**–**
Current taxes payable	**125**	**125**	**125**	**–**	**–**	**–**
Deferred payments	**42**	**42**	**–**	**18**	**14**	**10**
Finance leases	**17**	**23**	**3**	**7**	**7**	**6**
Operating leases	**–**	**32**	**25**	**6**	**1**	**–**
Commitments	**–**	**392**	**358**	**29**	**5**	**–**
Restoration provisions	**585**	**1,048**	**5**	**68**	**80**	**895**

1 Refers to distributions to KPMC, a joint venture that holds a 20% non-controlling interest in MPSA of which the Company has joint control, and not scheduled repayments.

Contractual and other obligations as at December 31, 2017 are as follows:

	Carrying value	Contractual cash flows	< 1 year	1–3 years	3–5 years	Thereafter
Debt – principal repayments	6,097	6,198	137	1,891	1,970	2,200
Debt – finance charges	–	1,970	430	838	456	246
Trading facilities	180	180	180	–	–	–
Trade and other payables	533	533	533	–	–	–
Derivative instruments	288	288	288	–	–	–
Liability to joint venture[1]	925	1,679	–	388	182	1,109
Joint venture consideration	424	485	185	200	100	–
Current taxes payable	139	139	139	–	–	–
Deferred payments	51	51	5	10	10	26
Finance leases	22	29	5	9	7	8
Commitments	–	628	586	34	5	3
Restoration provisions	618	1,015	8	39	86	882

1 Refers to distributions to KPMC, a joint venture that holds a 20% non-controlling interest in MPSA of which the Company has joint control, and not scheduled repayments.

MARKET RISKS

a) Commodity price risk

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

As part of the hedging program, the Company has elected to apply hedge accounting for a portion of copper and nickel sales. For the year ended December 31, 2018, a fair value loss of $27 million has been recognized on derivatives designated as hedged instruments through accumulated other comprehensive income, and a fair value loss of $110 million has been recognized through sales revenues. The Company also had zero cost collar unmargined sales contracts for 30,000 tonnes at prices ranging from low side (or put) prices of $3.10 per lb to high side (or call) prices of $3.50 per lb with maturities to June 2019.

The Company is also exposed to commodity price risk on diesel fuel required for mining operations and sulphur required for acid production. The Company's risk management policy allows for the management of these exposures through the use of derivative financial instruments. As at December 31, 2018 and December 31, 2017, the Company had not entered into any diesel or sulphur derivatives.

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

Derivatives designated as hedged instruments

The Company has elected to apply hedge accounting with the following contracts, which is expected to be highly effective in offsetting changes in the cash flows of designated future sales. Commodity contracts outstanding as at December 31, 2018 were 30,000 copper zero cost collars at an average price between $3.10 per lb to $3.48 per lb with maturities through to June 2019. The closing copper market value as at December 31, 2018 was $2.71 per lb.

Other derivatives

As at December 31, 2018 and December 31, 2017, the Company had entered into the following derivative contracts for copper, gold 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 (when the sale is provisionally priced) and the date agreed for pricing the final settlement.

Excluding the copper contracts noted above, as at December 31, 2018, 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	**90,633**	**$ 2.78/lb**	**$ 2.71/lb**	**April 2019**
Gold	**16,069**	**$ 1,235/oz**	**$ 1,282/oz**	**April 2019**
Zinc	**2,175**	**$ 1.18/lb**	**$ 1.14/lb**	**January 2019**
Commodity contracts:				
Copper	**90,425**	**$ 2.78/lb**	**$ 2.71/lb**	**April 2019**
Gold	**16,069**	**$ 1,235/oz**	**$ 1,282/oz**	**April 2019**
Zinc	**2,175**	**$ 1.18/lb**	**$ 1.14/lb**	**January 2019**

As at December 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	81,785	$ 3.06/lb	$ 3.25/lb	April 2018
Gold	20,226	$ 1,274/oz	$ 1,294/oz	April 2018
Zinc	1,275	$ 1.45/lb	$ 1.50/lb	February 2018
Commodity contracts:				
Copper	82,703	$ 3.06/lb	$ 3.25/lb	April 2018
Gold	20,226	$ 1,274/oz	$ 1,294/oz	April 2018
Zinc	1,275	$ 1.45/lb	$ 1.50/lb	February 2018

The following is a summary of the fair values of unsettled derivative financial instruments for commodity contracts recorded on the consolidated balance sheet.

	December 31, 2018	December 31, 2017
Commodity contracts:		
Asset position	**43**	13
Liability position	**(3)**	(288)

The following table shows the impact on net earnings from changes in the fair values of financial instruments of a 10% change in the copper, gold and zinc commodity prices, based on prices at December 31, 2018. There is no impact of these changes on other comprehensive income except indirectly through the impact on the fair value of the available-for-sale investments. The impact of a 10% movement in commodity prices is as follows:

	Average contract price on December 31		Impact of price change on net earnings	
	2018	2017	**2018**	2017
Copper	**$ 2.78/lb**	$ 3.06/lb	**1**	7
Gold	**$ 1,235/oz**	$ 1,274/oz	**–**	–
Zinc	**$ 1.18/lb**	$ 1.45/lb	**–**	–

b) Interest rate risk

The majority of the Company's interest expense is fixed; however, it is also exposed to an interest rate risk arising from interest paid on floating rate debt and the interest received on cash and short-term deposits. The Company currently capitalizes the majority of interest charges, and therefore the risk exposure is primarily on cash and net earnings in relation to the depreciation of capitalized interest charges.

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

The Company manages its interest rate risk on borrowings on a net basis. The Company has a policy allowing floating-to-fixed interest rate swaps targeting 50% of exposure over a five-year period. As at December 31, 2018 and December 31 2017, the Company held no floating-to-fixed interest rate swaps.

At December 31, 2018, the impact on cash interest payable of a 100 basis point change in interest rate would be as follows:

		Impact of interest rate change on net earnings	
	December 31, 2018	100 basis point increase	100 basis point decrease
Interest-bearing deposits, cash at bank and bank overdrafts	**788**	8	(8)
Floating rate borrowings drawn	**1,223**	(12)	12

At December 31, 2017, the impact on cash interest payable of a 100 basis point change in interest rate would be as follows:

		Impact of interest rate change on net earnings	
	December 31, 2017	100 basis point increase	100 basis point decrease
Interest-bearing deposits and cash at bank	702	7	(7)
Floating rate borrowings drawn	2,208	(22)	22

c) Foreign exchange risk

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

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

As at December 31, 2018, the Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than USD:

	Cash and cash equivalents	**Trade and other receivables**	**Investments**	**Financial liabilities**
CAD	**13**	**–**	**4**	**–**
AUD	**12**	**–**	**1**	**22**
ZMW	**23**	**1**	**–**	**25**
EUR	**25**	**51**	**–**	**52**
TRY	**–**	**–**	**–**	**9**
ZAR	**4**	**–**	**–**	**22**
MRU	**–**	**1**	**–**	**16**
Other	**4**	**–**	**–**	**–**
Total	**81**	**53**	**5**	**146**

Based on the above net exposures as at December 31, 2018, a 10% change in all of the above currencies against the USD would result in a $1 million increase or decrease in the Company's net earnings and would result in a $1 million increase or decrease in the Company's other comprehensive income.

As at December 31, 2017, the Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than USD:

	Cash and cash equivalents	Trade and other receivables	Investments	Financial liabilities
CAD	14	1	7	1
AUD	6	–	3	2
ZMW	9	21	–	5
EUR	54	–	–	42
TRY	–	–	–	18
ZAR	7	–	–	–
MRU	–	–	–	5
Other	2	–	–	–
Total	92	22	10	73

Based on the above net exposures as at December 31, 2017, a 10% change in all of the above currencies against the USD would result in a $6 million increase or decrease in the Company's net earnings and would result in a $1 million increase or decrease in the Company's other comprehensive income.

Capital management

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

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

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

26 Commitments and Contingencies

CAPITAL COMMITMENTS

In conjunction with the development of Cobre Panama, the Company has committed to $392 million (December 31, 2017: $628 million) in capital expenditures.

OTHER COMMITMENTS AND 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.

In December 2018, Cobre Panama reached a full and final settlement for an outstanding claim from a third party which included closure of the counterclaim made by the Company.

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 Kansanshi Holdings Limited, the 80% shareholder, and against KMP. The Company also received a Statement of Claim filed in the Lusaka High Court naming additional defendants, including FQM Finance Ltd. ("FQM Finance"), and certain directors and an executive of the named corporate defendants. Aside from the parties, the allegations made in the Notice of Arbitration and the High Court for Zambia were the same. The Company is firmly of the view that the allegations are in their nature inflammatory, vexatious and untrue.

The dispute was stated as a request for a derivative action, requiring ZCCM to obtain permission to proceed in each forum of the arbitration and the Lusaka High Court. The dispute arose from facts originating in 2007 and concerned the rate of interest paid on select deposits by KMP with the Company's treasury entity FQM Finance. The 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. The entirety of the deposit sums has been paid down from FQM Finance to KMP, with interest. The interest was based on an assessment of an arm's length fair market rate, which is supported by independent third-party analysis. ZCCM disputed that interest rate paid to KMP on the deposits was sufficient.

Several preliminary procedural applications to dismiss the High Court action were lodged on behalf of the Company, and other defendants, in the Lusaka High Court. By a decision dated January 25, 2018, the Lusaka High Court used its discretion to rectify ZCCM's procedural errors. The Court granted leave to the Company, FQM Finance and the individual defendants to appeal against this decision, and the litigants have agreed to a stay pending the appeal. The appeal hearing took place on November 21, 2018, with submissions made by all parties. The Court of Appeal delivered judgment on January 11, 2019, dismissing the appeal, and an appeal to the Supreme Court of Zambia has been requested.

The arbitration required ZCCM to petition the Arbitral Tribunal for permission to maintain the derivative action. A three-day hearing on the arbitration on whether permission is granted or denied took place in January 2018. On February 22, 2018, the Arbitral Tribunal issued a ruling denying ZCCM permission to continue the proceedings. On March 21, 2018, ZCCM served an application seeking to challenge the Arbitral Tribunal's ruling through the English court. On June 1, 2018, despite being severely out of time, ZCCM sought to amend its application for additional grounds on which to challenge the Arbitral Tribunal's ruling, to which KMP objected. KMP's objection was heard in a hearing in July 2018 and deferred to a fuller hearing to take place in March 2019.

Cooperative discussions between the parties, including representatives of the Zambian government, took place in May 2017 and are expected to be repeated.

27 Post-Balance Sheet Events

DIVIDEND DECLARED

The Company has declared a final dividend of CAD$0.005 per share, in respect of the financial year ended December 31, 2018. The final dividend, together with the interim dividend of CAD$0.005 per share, is a total of CAD$0.01 per share for the 2018 financial year.

LAND SLIPPAGE AT LAS CRUCES

On January 23, 2019, a land slippage occurred at the Las Cruces open pit mine. Prior to the incident, mine personnel identified a risk and immediately implemented safety protocols. Following the incident, the pit was evacuated and no injuries occurred. Production at the hydrometallurgical plant was suspended immediately following the incident but copper production resumed on February 1, 2019, with the processing of lower-grade stockpiled ore. The stockpiled ore is expected to provide feed for the next several months while the Company obtains the necessary regulatory approvals to begin mining of Phase 6, an area unaffected by the incident.

REFINANCING

On February 6, 2019, the Company signed a new $2.7 billion term loan and revolving credit facility underwritten by three core relationship banks. This new facility replaces the existing $1.5 billion revolving credit facility. The new $2.7 billion facility (with an accordion feature to increase it up to $3.0 billion before the end of 2019) comprises a $1.5 billion term loan facility and a $1.2 billion revolving credit facility (which can be upsized to $1.5 billion if the accordion feature is activated), maturing on December 31, 2022.

This financing includes revised financial covenants, extends the debt maturity profile of the business, demonstrates the Company's access to a diverse range of capital markets, and improves the financial flexibility of the Company through the added liquidity. The facility will be used for the redemption of the $1,121 million senior notes due February 2021 in full or in part and for general corporate purposes.

DIRECTORS

Philip K.R. Pascall
Chairman of the Board and Chief Executive Officer
Mr. Pascall graduated from Sussex University in England with an honours degree in Control Engineering, and later completed an MBA at the University of Cape Town. He worked in general management positions in South Africa from 1973, and in the mining industry there from 1977 with RTZ, and E.L. Bateman, and from 1981, in Australia. He was the Project Manager of the Argyle Diamond project and then Executive Chairman and part owner of Nedpac Engineering between 1982 and 1990. During this time, Mr. Pascall was involved in a wide variety of mineral projects in Australia, New Zealand, S.E. Asia, Chile, the United States and Zimbabwe. After selling his share of Nedpac in 1990, Mr. Pascall was a consultant in the mining industry, including a period with Rio Tinto's Hamersley Iron, and with various projects in Zimbabwe and Zambia. He is a co-founder and has been Chairman and Chief Executive Officer of the Company since 1996.

Clive Newall
President and Director
Mr. Newall graduated from the Royal School of Mines, Imperial College, England in 1971 with an honours degree in Mining Geology, and was awarded an MBA from the Scottish Business School at Strathclyde University. He has worked in mining and exploration throughout his career, having held senior management positions with Amax Exploration Inc. and the Robertson Group PLC. Mr. Newall is a co-founder and has been President and Director of the Company since its startup in 1996. He is also a non-executive Director of Baker Steel Resource Trust Limited.

Robert Harding
Lead Independent Director [1, 3]
Mr. Harding is a Director of Brookfield Asset Management (Chairman from 1997–2010). He began his career at a major accounting firm before joining Hees International (now Brookfield) where he served in progressively senior roles including Controller, Chief Financial Officer, Chief Operating Officer, and ultimately, Chief Executive Officer in 1992. He graduated with a Bachelor of Mathematics from the University of Waterloo in 1980 and received his Chartered Accountant designation the following year. Mr. Harding previously served on the boards of Manulife Financial Corporation, Norbord Inc. and NexJ Systems Inc.

Andrew Adams
Independent Director [1,3]
Mr. Adams obtained his degree in Social Science from Southampton University and qualified as a Chartered Accountant in the United Kingdom in 1981. He worked for the Anglo American group of companies for 12 years up to 1999, his final position being Vice President and Chief Financial Officer of AngloGold North America based in Denver, Colorado. Mr. Adams worked for Aber Diamond Corporation as Vice President and Chief Financial Officer from 1999 to 2003. Currently he serves as a non-executive Director of Torex Gold Resources and TMAC Resources Inc.

1 Audit Committee
2 Compensation Committee
3 Nominating and Governance Committee
4 Environmental, Health and Safety Committee

Paul Brunner
Independent Director [2,3,4]
Mr. Brunner served as President and CEO of Boart Longyear Company (USA), a provider of drilling services, tools and equipment for the natural resource industry, the construction and quarrying industries and industrial markets worldwide, from 2004 to 2008. During his 21-year career with Boart Longyear, Mr. Brunner held several senior positions including Managing Director – Boart Longyear Limited (South Africa); Regional Director – Boart Longyear Limitada (Chile/Peru); and, President – Boart Canada Ltd. Prior to Boart Longyear, he spent most of his career working at mining operations in Northern Canada. Mr. Brunner holds an MBA from Harvard Graduate School of Business Administration and is a mining engineering graduate from the Colorado School of Mines. He also attended the British Columbia Institute of Technology with a focus on mining.

Kathleen Hogenson
Independent Director [2,4]
Ms. Hogenson is the Chief Executive Officer of Zone Oil and Gas, a company she founded in 2008. She is also an independent director at Verisk Analytics, a New Jersey based publicly traded data analytics and risk assessment firm and previously served on the board of Parallel Petroleum LLC and in an advisory role at Samsung Oil & Gas, LLC and Samsung C&T from 2008 to 2015. She also serves on the Advisory Board of The Women's Global Leadership Conference and was a speaker at the Harvard Business School Women's Conference. Ms. Hogenson earned a Bachelor of Science in Chemical Engineering from Ohio State University.

Simon Scott
Independent Director [1,4]
Mr. Scott has some 20 years of experience in the mining industry. Between 2010 and 2016, he was Chief Financial Officer of Lonmin PLC, a London Stock Exchange listed platinum mining company, and was acting CEO between 2012 and 2013. Prior to that, Mr. Scott was Chief Financial Officer of Aveng Limited, a Johannesburg Stock Exchange listed construction company providing products and services to the mining industry globally. Mr. Scott also held a variety of senior management positions in Anglo American Platinum Limited including as acting CFO. His early career was spent in various financial positions, including as CFO Southern Africa for JP Morgan Chase. Mr. Scott is a Chartered Accountant and holds degrees in both accounting and commerce from the University of the Witwatersrand in South Africa.

Peter St. George
Independent Director [1,2]
Mr. St. George worked in the investment banking industry for over 30 years, holding senior positions in the United Kingdom and Australia. He was Managing Director and Chief Executive/Co-Chief Executive Officer of Salomon Smith Barney Australia and its predecessor, Natwest Markets Australia, from January 1995 to mid-2001. Up to 1994, he was the Managing Director Corporate Finance Natwest Markets, having previously been a Director of Hill Samuel & Co. Limited, both London headquartered merchant and investment banks. He is currently a non-executive Director of Dexus Property Group, an ASx-listed Australian property group specializing in office, industrial and retail properties. He has also served on a number of other public and private company Boards in Australia. Mr. St. George qualified as a Chartered Accountant in South Africa and holds an MBA from the University of Cape Town.

SHAREHOLDER INFORMATION

MANAGEMENT AND OFFICERS OF THE COMPANY

Philip K.R. Pascall
Chairman of the Board,
Chief Executive Officer

Clive Newall
President

Wyatt Buck
Director, Operations

Hannes Meyer
Chief Financial Officer

Sarah Robertson
Corporate Secretary

Juliet Wall
General Manager, Finance

Zenon Wozniak
Director, Projects

TRANSFER AGENT & REGISTRAR

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EXCHANGE LISTINGS

Common Shares
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Symbol: FM

Depository Receipts
Lusaka Stock Exchange
Symbol: FQMZ

ANNUAL MEETING OF SHAREHOLDERS

Thursday May 9, 2019
At 10:00am EDT
TMX Broadcast Centre
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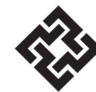

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