KGHM INTERNATIONAL LTD.

Consolidated Annual Financial Statements

For the years ended December 31, 2012 and 2011

(Expressed in millions of U.S. dollars, except where indicated)

March 28, 2013

Independent Auditor's Report

To the Board of Directors of KGHM International Ltd.

We have audited the accompanying consolidated financial statements of KGHM International Ltd., which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of KGHM International Ltd. as at December 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters
The consolidated financial statements of KGHM International Ltd. for the year ended December 31, 2011, were audited by another auditor who expressed an unmodified opinion on those statements on March 29, 2012.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

KGHM International Ltd.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US Dollars in Millions)

	Notes	December 31, 2012	December 31, 2011
ASSETS			
Current			
Cash and cash equivalents		537.4	1,005.5
Trade and other receivables	*7*	306.0	197.4
Inventory	*6*	140.8	198.7
Marketable securities	*9*	46.9	54.4
Current corporate tax receivables		22.5	21.9
Total Current Assets		1,053.6	1,477.9
Mineral properties, property, plant and equipment	*10*	938.5	982.8
Intangible assets	*11*	366.9	339.5
Sierra Gorda JV- Investment	*5(a)*	521.1	521.1
Sierra Gorda JV- Subordinated loans	*5(b)*	474.2	-
Notes receivable	*24*	101.2	-
Environmental trust and bond	*12*	102.9	82.4
Other non-current assets	*8*	41.3	31.7
Deferred income tax assets	*21*	90.7	93.6
Total Non-Current Assets		2,636.8	2,051.1
Total Assets		3,690.4	3,529.0
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	*13*	139.6	123.6
Current provisions	*14*	6.6	7.0
Other current liabilities		1.6	1.6
Derivative liabilities	*18*	10.7	13.5
Current portion of deferred revenue	*15*	15.9	17.9
Current corporate tax liabilities		9.6	25.6
Total Current Liabilities		184.0	189.2
Senior Notes	*16*	489.5	488.2
Deferred revenue	*15*	162.7	169.9
Provisions	*17*	93.4	88.6
Derivative liabilities	*18*	46.0	64.9
Deferred income tax liabilities	*21*	217.4	236.9
Total Non-Current Liabilities		1,009.0	1,048.5
Total Liabilities		1,193.0	1,237.7
Shareholders' Equity			
Share capital	*19(a)*	1,851.5	1,706.3
Contributed surplus		-	35.9
Accumulated other comprehensive loss		(22.2)	(15.2)
Retained earnings		668.1	564.3
Total Shareholders' Equity		2,497.4	2,291.3
Total Liabilities and Shareholders' Equity		3,690.4	3,529.0

Commitments (Note 26), Contingencies (Note 27), Subsequent event (Note 30)

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

Approved by the Board of Directors:

(Signed) *(Signed)*

Derek White, Director **Adam Sawicki, Director**

KGHM International Ltd.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(US Dollars in Millions)

	Notes	Year ended December 31, 2012	Year ended December 31, 2011
Net revenues	*20*	1,385.4	1,106.9
Cost of sales	*20*	1,200.4	1,252.1
Income from mining operations		185.0	(145.2)
General and administrative	*22*	65.0	64.6
Gain from joint venture formation	*5(a)*	-	(292.5)
Finance income	*23(a)*	(32.2)	(1.7)
Finance expense	*23(b)*	43.8	13.4
Other income	*23(c)*	(40.8)	(204.3)
Other expense		5.4	1.8
Foreign exchange gain		(16.5)	(0.9)
Transaction costs for merger and acquisition		29.1	5.0
Earnings before income taxes		131.2	269.4
Income tax expense	*21*	(27.4)	(2.9)
Earnings for the year		103.8	266.5
Other comprehensive loss			
Unrealized loss on marketable securities	*9*	(7.5)	(12.9)
Reversal of unrealized gain on marketable securities		0.5	(24.2)
Total comprehensive income		96.8	229.4
Earnings per share			
Basic	*19(c)*	$ 0.52	$ 1.39
Diluted	*19(c)*	$ 0.52	$ 1.36
Weighted average shares outstanding - basic	*19(c)*	199.4	191.1
Weighted average shares outstanding - diluted	*19(c)*	199.4	192.6

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

KGHM International Ltd.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(US Dollars in Millions)
(Unaudited)

	Notes	Share capital	Contrib. surplus	Accu. other comp. income	Retained earnings	Total
Balances, January 1, 2011		**1,690.0**	**32.4**	**21.9**	**297.8**	**2,042.1**
Stock options exercised		14.3	-	-	-	14.3
Stock-based compensation		-	5.5	-	-	5.5
Transfer to share capital for stock options exercised		2.0	(2.0)	-	-	-
Realized gain on marketable securities		-	-	(24.2)	-	(24.2)
Unrealized gain on marketable securities		-	-	(12.9)	-	(12.9)
Earnings for the year		-	-	-	266.5	266.5
Balances, January 1, 2012		1,706.3	35.9	(15.2)	564.3	2,291.3
Stock options exercised		2.9	-	-	-	2.9
Warrants exercised		107.9	-		-	107.9
Stock-based compensation		-	(14.3)	-	-	(14.3)
Exercise of converted FNX warrants		-	12.8	-	-	12.8
Transfer to share capital for stock options and warrants exercised		34.4	(34.4)	-	-	-
Reversal of realized gain on marketable securities		-	-	0.5	-	0.5
Unrealized loss on marketable securities	*9*	-	-	(7.5)	-	(7.5)
Earnings for the year		-	-	-	103.8	103.8
Balances, December 31, 2012		**1,851.5**	**-**	**(22.2)**	**668.1**	**2,497.4**

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

KGHM International Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(US Dollars in Millions)

	Notes	Year ended December 31, 2012	Year ended December 31, 2011
OPERATING ACTIVITIES			
Earnings for the year		103.8	266.5
Adjustment for:			
Stock-based compensation		4.6	5.4
Amortization, depletion and depreciation		142.5	154.8
Inventory writedown	*6*	27.3	87.0
Impairment of non-current assets	*10*	-	288.5
Gain from joint venture formation	*5(a)*	-	(292.5)
Gain on derivatives	*18*	(12.4)	(23.7)
Amortization of deferred revenue	*15*	(9.2)	(10.1)
Foreign exchange (gain) loss		(16.5)	4.5
Income tax expense		27.4	2.9
Finance income	*23(a)*	(21.2)	-
Finance expense	*23(b)*	43.9	13.4
Other income	*23(c)*	(3.3)	(177.7)
Other expense		0.6	1.8
		287.5	320.8
Net changes in non-cash working capital	*25*	(33.0)	(86.6)
Interest paid		(38.8)	(19.2)
Income taxes paid		(57.8)	(14.9)
Cash provided from operating activities		**157.9**	**200.1**
INVESTING ACTIVITIES			
Additions to mineral properties, plant and equipment		(120.2)	(349.0)
Increase in other assets		(7.9)	(10.2)
Increase in restricted cash		(1.8)	(12.7)
Payments on exercising marketable security warrants		-	(14.9)
Payments for environmental bond and trust		(20.3)	(10.6)
Proceeds from sale of marketable securities		0.3	11.4
Sierra Gorda JV- Subordinated loans	*5*	(456.4)	-
Notes receivable	*24*	(131.6)	-
Payment from related party		-	84.6
Proceeds from sale of Gold Wheaton shares		-	295.0
Receipts (payments) for purchasing and settling derivatives		3.4	(4.5)
Cash used in from investing activities		**(734.5)**	**(10.9)**
FINANCING ACTIVITIES			
Proceeds from issue of common shares		110.8	14.3
Payments for settlement of stock options		(18.8)	-
Proceeds from issue of senior note net of issue costs		-	487.7
Cash provided from financing activities		**92.0**	**502.0**
Effect of foreign exchange rate changes on cash and cash equivalents		**16.5**	**(4.5)**
Net (decrease) increase in cash and cash equivalents during the year		**(468.1)**	**686.7**
Cash and cash equivalents, beginning of year		**1,005.5**	**318.8**
Cash and cash equivalents, end of year		**537.4**	**1,005.5**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Years ended December 31, 2012 and 2011

1. NATURE OF OPERATIONS

KGHM International Ltd. ("KGHMI" or the "Group") (formerly Quadra FNX Mining Ltd) ("Quadra FNX") was incorporated in Canada on May 15, 2002 under the British Columbia Company Act. KGHMI is a subsidiary of KGHM Polska Miedź S.A. ("KGHM") a company based in Poland that operates three mines and two smelter/refineries in Poland. KGHM acquired the Group through a court-approved Plan of Arrangement that closed on March 5, 2012.

The Group is in the business of developing and operating mines, with a focus on base metals, particularly copper. The Group's principal place of business is Canada. KGHMI's head office is located at Suite 500-200 Burrard Street, Vancouver, British Columbia, V6C 3L6. The Group has six operating mines: the Robinson mine in Nevada; the Levack mine, including the Morrison deposit, in Ontario; the Franke mine in Chile; the Carlota mine in Arizona; and the Podolsky and McCreedy West mines in Ontario. On September 14, 2011, the Group formed a joint venture ("Sierra Gorda JV") with Sumitomo Metal Mining Co. Ltd. and Sumitomo Corporation (collectively "Sumitomo") to develop the Sierra Gorda copper-molybdenum project in Chile (Note 5). The Group also owns an advanced exploration project ("Victoria") in Sudbury, Ontario.

The Robinson, Franke and Carlota mines are open pit copper mines, with some byproduct gold and molybdenum at Robinson, and the Levack/Morrison, Podolsky and McCreedy West (collectively "the Sudbury Operations") are underground mines producing copper with byproduct nickel, platinum, palladium and gold. The Sudbury Operations, the Victoria project and a mining services business ("DMC"), were acquired on May 20, 2010, when the Group completed a merger with FNX Mining Company Ltd. ("FNX").

2. BASIS OF PRESENTATION

a) Basis of presentation and measurement

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements are based on IFRS issued and effective as at December 31, 2012.

The Board of Directors ("BoD") approved these financial statements for issue on March 28, 2013.

b) Basis of consolidation

These consolidated financial statements include the accounts of the Group and its controlled subsidiaries. Control is achieved when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All subsidiaries are wholly-owned. Sierra Gorda JV of which the Group owns 55%, is accounted for as a joint venture using the equity method. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statements of Comprehensive Income from the effective date of acquisition or to the date of disposal.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Intergroup balances and transactions are eliminated on consolidation.

c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions, and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, along with reported amounts of revenues and expenses during the period. Actual results may differ from these estimates, and as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

The accounting for the Franco Nevada (formerly "Gold Wheaton") metal sales contract (Notes 3(g) and 15) involves judgements in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements.

Significant areas requiring the use of estimates relate to the determination of the fair value of assets and liabilities acquired in business combinations, determination of mineral reserves, impairment of long-lived assets, determination of site closure and reclamation provisions, valuation of derivative instruments, and valuation of concentrate, cathode and leach pad inventories. For the annual goodwill impairment test are made for estimate future production levels and operating and capital costs, future commodity prices, and discount rates. Key judgements and estimates made by management with respect to these areas have been disclosed in the notes to these consolidated financial statements as appropriate.

The determination of mineral reserves requires the use of estimates and these reserve estimates are used in calculating depreciation, assessing impairment and forecasting timing of payments of mine closure and reclamation costs. The estimate of these reserves requires forecasts of commodity price, exchange rates, production costs and recovery rates, and these forecasts may change significantly when new information comes available.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Years ended December 31, 2012 and 2011

d) Comparative figures

Certain prior year balances have been reclassified to comply with KGHM presentation requirements. Reconciliation for mineral property, intangible assets and property, plant and equipment is presented below. Other reclassifications are presented in the relevant notes.

	Exploration and evaluation assets	Mineral property acquisition and development	Machinery and equipment	Site closure and reclamation asset	Goodwill	Land and buildings	Water Rights	Software	Total
At December 31, 2011									
Cost	90.7	1,182.1	693.4	77.3	180.6	-	-	-	2,224.1
Accumulated depletion, depreciation and amortization	-	(264.1)	(159.7)	(37.0)	-	-	-	-	(460.8)
Accumulated impairment	-	(328.8)	(91.8)	(20.4)	-	-	-	-	(441.0)
Net book value	90.7	589.2	441.9	19.9	180.6	-	-	-	1,322.3
Reclassifications to new categories:									
Cost	-	19.5	(64.4)	(77.3)	-	57.7	57.8	6.7	-
Accumulated depletion, depreciation and amortization	-	(37.0)	26.9	37.0	-	(24.0)	-	(2.9)	-
Accumulated impairment	-	(20.4)	-	20.4	-		-		-
Other reclassifications:									-
Cost	6.6	54.4	(61.0)	-	-	-	-	-	-
Reclassifications to impairment from accumulated amortization	-	105.1	(9.4)	-	-	-	-	-	95.7
Reclassifications to amortization from accumulated impairment	-	(17.0)	(78.7)	-	-	-	-	-	(95.7)
Accumulated impairment	-	-	20.8	-	-	(20.8)	-	-	-
Accumulated amortization	-	-	(5.8)	-	-	5.8	-	-	-
	6.6	104.6	(171.6)	(19.9)	-	18.7	57.8	3.8	-
At December 31, 2011									
Cost	97.3	1,256.0	568.0	-	180.6	57.7	57.8	6.7	2,224.1
Accumulated depletion, depreciation and amortization	-	(196.0)	(148.0)	-	-	(18.20)	-	(2.9)	(365.1)
Accumulated impairment	-	(366.2)	(149.7)	-	-	(20.8)	-	-	(536.7)
	97.3	693.8	270.3	-	180.6	18.7	57.8	3.8	1,322.3

3. SIGNIFICANT ACCOUNTING POLICIES

a) Business combinations

The acquisition method is applied to all business combinations whereby the identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. The fair value of the consideration transferred for the acquisition of a business is the fair value of the assets transferred, the liabilities assumed, and the equity interests issued by the Group at the date of exchange. Goodwill is initially measured at fair value being the excess of the fair value of the consideration transferred over the fair value of the acquiree's net identifiable assets acquired. When the consideration transferred is less than the fair value of the net identifiable assets, a gain is recognized immediately in profit or loss.

Transaction costs such as finder's fees, legal fees, other professional and consulting fees, and due diligence fees are expensed as incurred unless they are costs related to the issue of debt or equity instruments.

b) Interest in a joint venture

The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognizes its interest in the joint venture using the equity method. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group. The investment is presented as a non-current asset on the statement of financial position. The Group's aggregate share of profit or loss from the jointly controlled entity is recognized in profit or loss.

c) Exploration and evaluation expenditures

Exploration and evaluation expenditures relate to costs incurred on the exploration for and evaluation of potential mineral reserves.

Recognition and measurement

Exploration and evaluation expenditures include costs of conducting geological surveys, and exploratory drilling and sampling. Expenditures on mineral exploration or evaluation incurred in respect of a property before the acquisition of a license to explore are expensed as incurred.

Costs related to the acquisition for an exploration asset are capitalized. Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration assets and are classified as an intangible asset. The Group capitalizes the cost of acquiring, maintaining its interest, exploring and developing mineral properties as exploration assets when future inflow of economic benefits from the properties is probable and until such time as the properties are placed into development, abandoned, sold or considered to be impaired in value.

Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to and classified as mineral property. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined the property has no future economic value.

Exploration costs that do not relate to any specific property are expensed as incurred.

Impairment

Management tests for impairment when facts and circumstances indicate the carrying value of exploration and evaluation assets might exceed recorded amounts or when the technical feasibility and commercial viability of mineral resources is demonstrable.

d) Mineral properties, property, plant and equipment

Mineral properties, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

Recognition and measurement

Mineral property acquisition and development costs, including exploration and evaluation assets transferred, mine construction costs, and overburden and waste removal costs, are capitalized until production is achieved, or the property is sold, abandoned or impaired. Development costs are net of proceeds from the sale of metal extracted during the development phase prior to the date mining assets are operating in the way intended by management.

When the Group incurs debt directly related to the construction of a new operation or major expansion, the related financing costs are capitalized during the construction period.

The cost of removing overburden to access ore is capitalized during the development phase. Mineral properties, plant and equipment costs include the fair value of the consideration given to acquire assets at the time of acquisition or construction and include expenditures that are directly attributable to bringing the asset to the location and condition necessary for their intended use. Also, these costs include an initial estimate of the costs of dismantling and removing the assets and restoring the site on which they are located, and for qualifying assets, borrowing costs.

When parts of an item of mineral properties, plant and equipment have different useful lives, they are accounted for separately as major components.

Mineral properties, plant and equipment are derecognized upon disposal or when no future economic benefits are expected. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

Major spare parts and stand-by equipment with a significant initial cost, whose anticipated useful life is longer than one year, are recognized as an item of property, plant and equipment.

Deferred Stripping

During the production phase of a mine (or pit) stripping costs are capitalized to the related component to the extent they give rise to a future benefit. Where a mine operates several open pits, the mine plan will determine if the pit is regarded as separate component or if a pit will have several separate components. Stripping costs are accounted for separately by reference to ore from each component.

The mine's strip ratio represents the ratio of the estimated total volume of waste, to the estimated total quantity of economically recoverable ore, over the life of the mine. Stripping costs are deferred where the actual stripping ratios are higher than the average life of mine strip ratio or when that the material mined is primarily waste. The costs charged to the income statement are based on application of the mine's strip ratio to the quantity of ore mined in the period. Where the ore is expected to be evenly distributed or future strip ratios for the component are expected to be lower, waste removal is expensed as incurred

Deferred stripping costs that are capitalized are depleted using the units of production method and are classified as a tangible asset under mineral property.

Subsequent costs

The cost of replacing a part of an item of mineral properties, plant and equipment is recorded in the carrying amount of the item provided that there are future economic benefits, and the costs can be measured. The carrying amount of the part being replaced is then derecognized. The costs of day-to-day servicing of mineral properties, plant and equipment are recognized in profit or loss.

During the production phase, exploration and evaluation costs are capitalized provided that there is an expectation that the costs will be recoverable on exploitation or sale.

Depreciation

The carrying values of mineral properties, plant and equipment are depreciated to their estimated residual values over their estimated useful lives or the estimated useful life of the associated mine, if shorter.

Mineral property acquisition and development costs and certain plant and equipment are depreciated on a unit-of-production basis based on the expected tonnes of proven and probable reserves to be mined or, for heap leach operations, the expected tonnes of copper cathode to be produced. Other equipment is amortized on a straight line basis over their estimated useful lives, generally three to seven years. Depreciation related to production activities is initially recorded in inventory when ore is extracted from the mine. Depreciation is recognized in cost of sales in the Consolidated Statements of Comprehensive Income in the same period as the revenue from the sale of the inventory.

The Group's management conducts an annual assessment of the estimated residual values, useful lives, and depreciation methods used for mineral property acquisition and development costs, and property, plant and equipment. Any material changes in estimates are applied prospectively.

Goodwill

Goodwill is not amortized; instead it is tested annually for impairment at year end. In addition, at each reporting period the Group assesses whether there is an indication that goodwill is impaired and, if there is such an indication, the Group would test for goodwill impairment at that time. Goodwill is allocated to an individual cash generating unit ("CGU").

The recoverable amount of the CGU is the higher of value-in-use and fair value less costs to sell. Goodwill impairment is recognized for any excess of the carrying amount of the segment over its recoverable amount. Any goodwill impairment is recognized in income in the reporting period in which it occurs. Goodwill impairment charges are not reversed.

e) Impairment of non-current assets

The carrying value of non-current assets, which consist primarily of mineral properties, plant, and equipment and goodwill, is reviewed regularly for events or changes in circumstances which indicate that the carrying value of an asset may not be recoverable. The carrying value of goodwill is reviewed at least annually, while other non-current assets are reviewed when certain triggering events occur. An impairment loss is recognized if the carrying value of an asset exceeds the estimated recoverable amount. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. Fair value less cost to sell is the amount obtainable from the sale of the asset or cash generating unit in an arm's length transaction between knowledgeable and willing parties less the cost of disposal. Value in use is the estimated future cash flows expected to be received through continued use and subsequent disposal of the asset 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. An impairment loss is recognized in profit or loss based on the amount by which the carrying amount of the asset exceeds the recoverable amount.

Estimated future cash flows are based on estimates of future metal prices, proven and probable reserves, estimated value beyond proven and probable reserves, and future operating cost assumptions.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets ("Cash Generating Units" or CGU's). This generally results in the Group evaluating its non-financial assets on a mine-specific basis. For the purposes of impairment testing, exploration and evaluation assets are allocated to the Cash Generating Unit to which the exploration activities relate. Goodwill acquired in a business combination is allocated to the cash generating unit that is expected to benefit from the synergies of the combination.

An impairment loss for goodwill is not reversed. Impairment losses for other assets or CGU's recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. If so, an impairment loss is reversed only to the extent that the related asset or CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

f) Revenue recognition

Revenue is recognized when the rights and obligations of ownership pass to the customer and the price is reasonably determinable. The majority of the Group's products are sold under pricing arrangements where final prices are determined based on quoted market prices for the refined product in a period subsequent to the date of sale.

For sales of concentrate, final pricing is generally determined three to four months after the date of sale. For sales of ore, final pricing is generally determined three to six months after the date of sale. For sales of copper cathode, final pricing is generally determined in the same month as, or the month subsequent to, the date of sale. Revenue is recorded provisionally at the time of sale based on preliminary assays and forward prices for the expected date of the final settlement. Subsequent variations in price and volumes are recognized as revenue adjustments as they occur until the price is finalized.

Contract mining revenues are earned on a fixed price contract basis, on a cost reimbursement basis or on a unit-of-production basis such as metres drilled, metres of advance on underground development, tonnes of ore mined and hourly charges for work performed, and are recognized at the time that the service has been performed.

g) Deferred revenue

Pursuant to an agreement dated July 15, 2008, and assumed by the Group upon the merger with FNX, the Group is obligated to sell to Franco Nevada 50% of the ounces of gold, platinum and palladium (“gold equivalent ounces”) contained in ore mined and shipped from the Morrison deposit and certain deposits at the Levack Complex and Podolsky mine over the remaining life of these deposits. In 2008, FNX received an up-front payment of C$400 million from Franco Nevada as consideration for the sale of these gold equivalent ounces. In addition, the Group receives a cash payment equal to the lower of $400 per gold equivalent ounce (subject to a 1.0% annual inflationary adjustment commencing July 1, 2011) and the prevailing market price per ounce of gold as the gold equivalent ounces are delivered to Franco Nevada.

The up-front payment has been deferred and will be recognized as an adjustment to revenues as the related gold equivalent ounces are sold to Franco Nevada. The adjustment is determined on the basis of the proportion that the gold equivalent ounces sold to Franco Nevada is to the total estimated gold equivalent ounces in the life of mine plans for the deposits subject to the agreement. In the event that, at the end of the 40 year term of the agreement, the Group has not delivered gold equivalent ounces with a value of C$400 million in excess of $400 per gold equivalent ounce, the Group will be required to pay the deficiency in cash.

h) Inventory

Inventories are comprised of final concentrate products and copper cathodes, leach pad inventory, ore stock piles, and supplies. All inventories are carried at the lower of cost and net realizable value. The cost of concentrate products, copper cathodes, leach pad inventory, and ore inventory includes all direct costs incurred in production including mining, processing, mine site administration, freight, overburden and waste removal costs and depreciation charges relating to the production of inventory. Net realizable value is the estimated selling price for inventories less costs of completion and estimated distribution and other selling costs. The cost of inventories is determined using the average cost method. Write-downs of inventory to net realizable value are recorded as a cost of sales. If there is a subsequent increase in the value of inventories, the previous write-downs to net realizable value may be reversed to the extent that the related inventory has not been sold.

Leach pad inventory is comprised of ore that has been extracted from the mine and placed on the heap leach pad for further processing. Costs are removed from leach pad inventory as cathode copper is produced based on the average cost per recoverable pound of copper in process. The quantity of recoverable copper in process is an

estimate which is based on the expected grade and recovery of copper from the ore placed on the leach pad. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. However, the estimate of recoverable copper placed on the leach pad is reconciled to actual copper production, and the engineering estimates are refined based on actual results over time.

i) Financial instruments

The Group designates its financial assets, other than derivative assets, as loans and receivables, available for sale and "fair value through profit and loss". Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Financial assets designated as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are comprised of cash and cash equivalents, restricted cash, environmental bonds, and trade and other receivables, except for provisionally priced receivables which are designated as derivatives, and are initially measured at fair value and subsequently at amortized cost less any impairment losses. When these assets are impaired, the carrying amount of the financial asset is reduced by the impairment loss directly, except for receivables. The carrying amount of receivables is reduced through the use of an allowance account and changes to the carrying amount of this account are recognized in profit or loss.

Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income, unless such assets are determined to be impaired in which case the impairment loss is reclassified out of other comprehensive income and recognized in profit or loss for the period. The reversal of previously recognized impairment losses are recognized directly in equity and not reversed through profit or loss. Available for sale financial assets are comprised of marketable securities, except for investments in warrants.

Financial assets designated as "fair value through profit and loss" are comprised of investments in warrants and are measured at fair value with unrealized gains and losses recognized in profit or loss.

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. These liabilities include trade accounts payable, other liabilities, loans and borrowings.

Transaction costs on financial assets and liabilities other than those classified as "fair value through profit and loss" are treated as part of the carrying value of the asset or liability. Transaction costs for asset and liabilities at "fair value through profit and loss" are expensed as incurred.

The Group may, from time to time, use derivative instruments to manage its exposure to commodity prices and foreign exchange movements creating derivative financial assets and liabilities. These derivative instruments, including provisionally priced receivables and embedded derivatives, are recorded at fair value. Changes in the fair value of derivatives are recognized in the profit or loss. Derivatives embedded in non-derivative contracts are recognized separately unless closely related to the host contract.

j) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that these taxes relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not

recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Foreign currency translation

The United States dollar is considered to be the functional currency of the Group and all of its subsidiaries.

Transactions denominated in currencies other than the United States dollars are translated using the exchange rate in effect on the transaction date or at an average rate. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the balance sheet dates. All differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items are translated at the historical rate. Exchange gains or losses on translation are recorded in profit or loss.

l) Provisions

When the Group has a present legal or constructive obligation as a result of a past event, a provision is recognized only when the obligation can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the obligation due to the passage of time is recognized as finance expense.

m) Site closure and reclamation provision

The Group recognizes a provision for statutory, contractual, legal or constructive obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit of production or straight line method depending on the asset to which the obligation relates.

The obligation is increased for the unwinding of the discount and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future

cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in profit or loss.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Group of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Group's closure and reclamation obligations becomes available.

n) Earnings per share

Basic earnings or loss per share is calculated by dividing the earnings or loss for the period by the weighted average number of shares outstanding during the same period.

Diluted earnings or loss per share is calculated by dividing the earnings or loss for the period by the weighted average number of shares outstanding during the same period adjusted for the effects of all dilutive potential common shares, which comprise options granted to employees and warrants. The dilutive effect of options and warrants is determined using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings or loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. When a loss has been incurred, basic and diluted loss per share is the same because the exercise of options and warrants would be anti-dilutive.

o) Share-based payments

The Group accounts for share-based payments, including stock options, at their fair value on the grant date and recognize the cost as an employee expense over the period that the employees become entitled to the award. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. A corresponding increase is recognized in shareholders' equity for these costs.

Share-based payments expense relating to restricted stock units and performance share units are accrued over the vesting period of the units based on the quoted market value of the Group's common shares with a corresponding increase in liabilities. As these awards will be settled in cash, the liability is re-measured at each reporting period and at the settlement date. Changes in the fair value of the liability are recognized as employee benefit expense in the Consolidated Statements of Comprehensive Income.

p) Leases

Leases are classified as finance or operating depending on the terms and conditions of the lease agreements. Payments under operating leases are expensed in the period in which they are incurred. Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition of an asset related to a finance lease, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Leased assets are amortized on a straight line basis over the period of expected use. Obligations under capital lease are reduced by lease payments, net of computed interest.

q) Cash equivalents

Cash equivalents consist of cash at banks and highly liquid investments, which are readily convertible into cash with maturities of three months or less from the date of purchase.

r) Share capital

The Group records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares was concluded.

s) Employee benefits

Employee benefits include base salary, health and disability benefits and annual bonuses. Annual bonuses are paid based on participation in the Group's Short-Term Incentive Plan ("STIP"), which provides the opportunity for employees to earn a cash incentive on the achievement of specific key performance indicators established during the annual performance, planning and review process. In addition to annual bonuses, and at the discretion of the BoD, payment of extraordinary bonuses may be paid to recognize exceptional performance and results for the Group. Employee benefits are recognized as the related services are provided.

The Group also contributes to employee Registered Retirement Savings Plans or similar plans. These costs are expensed as incurred.

t) Finance income and expense

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and realized and unrealized gains on investment in warrants. Interest income is recognized as it accrues using the effective interest method. Dividend income is recognized on the date that the Group's right to receive payment is established. Finance income is considered an operating activity for cash flow purposes.

Finance expense comprises of interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized using the effective interest method. Finance costs are considered an operating activity for cash flow purposes.

u) New standards and interpretations not yet adopted

A number of new standards, amendment to standards, and interpretation are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these consolidated financial statements.

IFRS 10 Consolidated Financial Statements

On January 1, 2013, the Group will be required to adopt IFRS 10, Consolidated Financial Statements, which applies to accounting for which applies to accounting for interest in investees where the company has control. The Group does not anticipate that IFRS 10 will material impact on its consolidated financial statements.

IFRS 11 Joint Arrangements

On January 1, 2013, the Group will be required to adopt IFRS 11, Joint Arrangements, which applies to accounting for interests in joint arrangements where there is joint control. The Group does not anticipate that IFRS 11 will material impact on its consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

On January 1, 2013, the Group will be required to adopt IFRS 12, Disclosure of Interests in Other Entities, which includes disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. The Group does not anticipate that IFRS 12 will material impact on its consolidated financial statements.

IFRS 13 Fair Value Measurement

On January 1, 2013, the Group will be required to adopt IFRS 13, Fair Value Measurement. Upon adoption, the Group will utilize a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied. IFRS 13 is required to be applied for accounting periods beginning on or after January 1, 2013. The Group does not anticipate that IFRS 13 will material impact on its consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures

On January 1, 2013, the Group will be required to adopt IAS 28 (2011), Investments in Associates. As a consequence of the issuance of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will further provide the accounting and will set out the requirements for the application of the equity method. This standard will be applied by the Group when there is joint control or significant influence over an investee. The Group does not anticipate that IAS 28 (Amended) will material impact on its consolidated financial statements.

IFRIC-20 Stripping Costs in the Production Phase of a Surface Mine

In October 2011, the IASB issued IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity: useable ore and improved access to other ore bodies that can be mined in future periods. IFRIC 20 must be applied commencing January 1, 2013 with early adoption permitted. The Group accounting policy is in compliance with IFRIC-20 and no change will be required.

IFRS 9 Financial Instruments - Classification and Measurement

On January 1, 2015, the Group will be required to adopt IFRS 9, Financial Instruments, which addresses classification and measurement of financial instruments and replaces the multiple category and measurement models in IAS 39, Financial Instruments - Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss (“FVTPL”). IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at FVTPL or at fair value through other comprehensive income. The Group has not assessed the impact of adopting the standard or determined whether it will adopt the standard early.

4. ACQUISITION BY KGHM POLSKA MIEDŹ S.A.

On March 5, 2012 KGHM, through its wholly owned subsidiary 0929260 BC Unlimited Liability Company ("Bidco"), acquired all of the issued and outstanding shares (193,334,154) of the Group for C$2.9 billion. The transaction was structured as a court-approved Plan of Arrangement. Under the terms of the arrangement, Quadra FNX shareholders received C$15.00 for each common share of Quadra FNX. All Quadra FNX trading warrants were acquired from warrant holders and exercised for common shares of Quadra FNX for C$110.0 million. The purchase and exercise of these warrants was financed by a loan from Quadra FNX to Bidco in return of a promissory note with principal amount of $110.9 bearing interest at 3.75% per annum (Note 24).

On March 12, 2012, Quadra FNX changed its name to KGHM International Ltd., and ceased to be a publicly-traded company on March 29, 2012.

5. SIERRA GORDA JV

(a) Sierra Gorda JV- Investment

The Group and Sumitomo formed a joint venture on September 14, 2011 to develop the Sierra Gorda copper-molybdenum project in Chile. The joint venture operates through a jointly-controlled entity owned 55% by the Group and 45% by Sumitomo and is being accounted for using the equity method.

Pursuant to the joint venture agreement, Sumitomo made an initial contribution of $724.2 in exchange for a 45% interest in the Group's subsidiary. As a result of the loss of control in the subsidiary the Group recorded a gain of $292.5 in 2011. Commencing February 2012, the Group and Sumitomo fund proportionally those JV costs not covered by JV borrowings.

Sumitomo took the lead in efforts to arrange and guarantee project financing in the amount of $1.0 billion. The JV retained Sumitomo Mitsui Bank Corporation (SMBC) as the financial advisor for the project financing and on March 8, 2012, the JV signed the $1.0 billion Senior Project Loan agreement with a group of lenders led by Japan Bank for International Cooperation. The project loans have a 9.5 year term with an interest rate of LIBOR plus a margin. Drawings under the Senior Project Loans have been received amounting to $720.0 as at December 31, 2012.

The Group's investment in the shares of the Sierra Gorda JV at December 31, 2012 is $521.1 (December 31, 2011 - $521.1).

(b) Sierra Gorda JV- Subordinated loan

As of December 31, 2012 the Group had funded $456.4 to Sierra Gorda JV through a subordinated loan agreement. The balance as at December 31, 2012 includes accrued interest of $17.8 (Note 23(a)) and the total loan amounted to $474.2. Subject to the subordinated conditions to the Senior Project loans, interest and principal of the subordinated loan are payable on demand. The subordinate loan forms part of the security arrangement under the Senior Project loans.

(c) Contractual Commitments

As at December 31, 2012, the Group's proportionate 55% share of the contractual commitments at Sierra Gorda totaled $744.3 including purchase orders for mining equipment and infrastructure. A portion of each of these amounts is expected to be funded from the $1.0 billion Senior Project loan and cash in Sierra Gorda JV. The Sierra Gorda JV at December 31, 2012 had cash and cash equivalents of $707.0.

During the ended December 31, 2012, Sierra Gorda JV signed some key contracts for the construction and commercial operations from 2014, including construction of power line, supply of electricity, port and rail services. The following table summarizes the Group's 55% proportionate share of these commitments and guarantees.

Services	Commitments	Period	Guarantees
Construction, operation and maintenance of power and transmission line	106.2	2014-2033	29.8
Port services and related operating cost	73.2	2014-2033	-
Electric power supply	877.8	2014-2034	137.5
Rail services for concentrate transportation	110.0	2014-2034	-
Other support infrastructure	376.8	-	-
Total commitments	**1,544.0**	**-**	**167.3**

The majority of the above commitments will be paid over a period of 20 years or longer.

The guarantees stated above are payable in the future as follows:

i) $29.8 will be paid by Sierra Gorda JV and will be released upon mechanical completion.
ii) $137.5 will be paid by the Group and will be released upon commencement of commercial operations as defined.

(d) Summary financial information

	December 31, 2012	December 31, 2011
	100%	100%
Current assets	755.1	299.1
Non-current assets	1,995.6	536.0
Total assets	2,750.7	835.1
Current liabilities	230.5	32.0
Non-current liabilities	1,583.0	-
Total liabilities	1,813.5	32.0

(e) Contingent liabilities

The Sierra Gorda JV was originally served with six lawsuits that were filed in Chilean Courts. These lawsuits and some additional suits sought to invalidate certain of the option agreements under which the Sierra Gorda JV acquired mining tenements that comprise a significant part of the Sierra Gorda project. The plaintiffs in the

lawsuits are or were shareholders in the "Sociedades Legales Mineras" ("SLM") or mining companies that owned certain of the mining tenements that were optioned to the Sierra Gorda JV in 2004. Most of the cases have been won and one was settled for a minimal sum.

The Sierra Gorda JV has prevailed in all the significant judicial proceedings. The plaintiffs could still put certain cases into arbitration but have not done so. The Sierra Gorda JV has prevailed in the one case that was the subject of arbitration.

Although the Sierra Gorda JV believes, based on advice from Chilean counsel, that the disputed option agreements are valid and that the legal claims are without merit, the outcome is uncertain, these lawsuits are subject to the procedural and substantive laws of Chile and the allegations are based on the actions of SLM management.

6. INVENTORY

	December 31, 2012	December 31, 2011
Robinson copper concentrate	12.0	57.8
Carlota leach pad inventory	49.8	45.8
Franke leach pad inventory	22.7	37.5
Copper cathode	7.4	14.5
Supplies	43.4	39.8
Robinson ore stockpile	5.2	3.2
Sudbury crushed ore inventory	0.3	0.1
	140.8	198.7

For the year ended December 31, 2012, cost of sales includes $26.0 of inventory write down at Franke in the second quarter due to a change in estimate in respect of the expected recovery from the leach pad and $1.3 in the fourth quarter to reduce the inventory to net realizable value.

In 2011, due to a decline in copper prices, an adjustment of $9.3 was required to reduce Franke's inventory to its net realizable value. In addition, due to a decline in copper prices and prolonged lower than expected recovery rates, the Group recognized inventory impairment charges of $77.7 during the year ended December 31, 2011 to reduce Carlota's inventory to its net realizable value.

7. TRADE AND OTHER RECEIVABLES

	December 31, 2012	December 31, 2011
Trade receivables	252.0	162.3
Receivable from Sierra Gorda JV (Note 24)	3.5	10.8
Receivable from Bidco (Note 24) (Note 30)	34.6	-
Prepaid expenses and advances to suppliers	11.2	20.0
Other receivables	4.7	4.3
	306.0	197.4

The net carrying value of trade and other receivables approximates fair value. These receivables are neither collateralized nor secured.

The Group has multiple terms of payment with its customers depending on type of product shipped. As at December 31, 2012, trade and other receivables are due to be settled and paid as follows:

	December 31, 2012	December 31, 2011
Less than 1 month	135.5	70.5
1 to 2 months	89.0	63.1
Greater than 2 months	81.5	63.8
	306.0	197.4

The Group's allowance for doubtful accounts is $nil for 2012 and 2011.

For the year ended December 31, 2011 taxes receivable of $21.9 have been reclassified from trade and other receivables to current corporate tax receivables and other current assets of $19.8 have been reclassified to trade and other receivables

8. OTHER NON-CURRENT ASSETS

	December 31, 2012	December 31, 2011
Security deposits for equipment	1.8	4.4
Prepaid on long term contracts	7.7	-
Restricted cash	28.0	23.2
Other	3.8	4.1
	41.3	31.7

Restricted cash relates to cash backing various letters of credit including a letter of credit to BHP Billiton Canada Inc. for the work being performed by DMC Mining Services.

For the year ended December 31, 2011 marketable securities of $54.4 and prepaid and other assets of $19.8 have been reclassified from other current assets to marketable securities and trade and other receivables respectively.

9. MARKETABLE SECURITIES

As at December 31, 2012, the Group held available for sale securities with an original cost of $69.0 (December 31, 2011 - $69.2) and a fair value, based on their quoted market price, of $46.9 (December 31, 2011 - $54.4). For the year ended December 31, 2012, the decline in fair value of available for sale securities totaled $7.5, which has been recorded in shareholders' equity as a component of comprehensive income (December 31, 2011 – decrease in fair value of $12.9).

10. MINERAL PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Mineral property acquisition and development	Machinery and equipment	Total
At January 1, 2011				
Cost	57.7	1,256.0	568.0	1,881.7
Accumulated depletion, depreciation and amortization	(18.2)	(196.0)	(148.0)	(362.2)
Accumulated impairment	(20.8)	(366.2)	(149.7)	(536.7)
Net book value	**18.7**	**693.8**	**270.3**	**982.8**
Year ended December 31, 2012				
Change in Cost				
Additions	1.4	28.3	62.6	92.3
Disposal	-	(5.0)	(4.6)	(9.6)
Increase in site closure and reclamation asset	-	9.0	-	9.0
Transfers	1.1	15.8	(16.9)	-
Subtotal	2.5	48.1	41.1	91.7
Change in Accumulated Amortization				
Reversal of accumulated depletion, depreciation and amortization on disposal	-	3.9	1.3	5.2
Depletion, depreciation and amortization charge	(2.7)	(78.4)	(60.1)	(141.2)
Subtotal	(2.7)	(74.5)	(58.8)	(136.0)
At December 31, 2012				
Cost	60.2	1,304.1	609.1	1,973.4
Accumulated depletion, depreciation and amortization	(20.9)	(270.5)	(206.8)	(498.2)
Accumulated impairment	(20.8)	(366.2)	(149.7)	(536.7)
Net book value	**18.5**	**667.4**	**252.6**	**938.5**

Prior year balances have been reclassified in accordance with Note 2(d).

There was no impairment on the Group's Mineral Properties, Plant and Equipment ("MPPE) in 2012. During 2011, the Group reviewed the carrying value of Carlota's MPPE" due to a major revision of Carlota's mine plan with a significant reduction in mine life. As a result of the review, it was determined that Carlota's MPPE were impaired and an impairment charge of $121.5 was recognized to reduce the carrying value to its recoverable amount. The recoverable amount was determined based on value in use by discounting estimated future cash flows using a discount rate of 12%. The future cash flows were estimated using future copper prices with a range of $3.25-$3.85.

In the fourth quarter of 2011, the Group reviewed the carrying value of Franke's MPPE due to a significant reduction in mineral reserves. As a result of the review, it was determined that Franke's MPPE were impaired and an impairment charge of $126.5 was recognized to reduce the carrying value to its recoverable amount, which was

determined based on value in use by discounting estimated future cash flows using a discount rate of 12%. The future cash flows were estimated using future copper prices with a range of $2.75-$3.85.

In 2011, the Podolsky mine plan was reviewed for viability. It was determined that the life of the mineral deposit could only be extended if the inferred reserves could be economically mined. After extensive testing it was determined that the inferred reserves for the Podolsky mine were not viable to mine and as a result, an impairment charge of $40.5, which represents the carrying value of the inferred reserves, was recognized.

11. INTANGIBLE ASSETS

	Exploration and evaluation assets	**Water Rights**	**Software**	**Goodwill**	**Total**
At January 1, 2011					
Cost	97.3	57.8	6.7	180.6	342.4
Accumulated depletion, depreciation and amortization	-	-	(2.9)	-	(2.9)
Net book value	**97.3**	**57.8**	**3.8**	**180.6**	**339.5**
Year ended December 31, 2012					
Change in Cost					
Additions	29.6	0.2	1.8	-	31.6
Disposal	(2.9)	-	-	-	(2.9)
Subtotal	26.7	0.2	1.8	-	28.7
Change in Accumulatied Amortization					
Depletion, depreciation and amortization charge	-	-	(1.3)	-	(1.3)
Subtotal	-	-	(1.3)	-	(1.3)
At December 31, 2012					
Cost	124.0	58.0	8.5	180.6	371.1
Accumulated depletion, depreciation and amortization	-	-	(4.2)	-	(4.2)
Net book value	**124.0**	**58.0**	**4.3**	**180.6**	**366.9**

Prior year balances have been reclassified in accordance with Note 2(d).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(US Dollars in Millions)
Years ended December 31, 2012 and 2011

12. ENVIRONMENTAL TRUST AND BOND

	December 31, 2012	December 31, 2011
Environmental bonds (a)	86.7	66.2
Held in trust for Robinson reclamation (b)	16.2	16.2
	102.9	82.4

(a) The Group posted environmental bonds for their mines in Canada and the US. The Group revises the reclamation plan and cost estimate for their mines annually and adjusts the amount of the bonds accordingly. During the year ended December 31, 2012, the value of the bonds increased by $20.3 (2011: $10.4) to $86.7 (2011: $66.2).

(b) Under the terms of the Kennecott Royalty Agreement that the Group assumed on the acquisition of the Robinson Mine, a 3% net smelter return royalty is payable to Royal Gold Inc. (formerly to Kennecott). The agreement required that the first royalty payments be paid into a trust until such time that $20.0, with accumulated interest, was available to pay for qualified rehabilitation expenditures on the Robinson mine. The trust account was fully funded in 2006. As of December 31, 2012, net trust funds available were $16.2 (2011: $16.2).

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2012	December 31, 2011
Liabilities from deliveries and services	65.3	56.8
Liabilities from employee taxes and social security	3.6	2.3
Liabilities for wages	1.9	1.0
Other financial liabilities	2.9	1.6
Accrued expenses	65.9	61.9
	139.6	123.6

For the year ended December 31, 2011, $1.6 of accrued interest was reclassified from accounts payable and accrued liabilities to borrowings and financial liabilities; as well $0.2 of current corporate tax liabilities was reclassified to accounts payable and accrued liabilities.

14. CURRENT PROVISIONS

	December 31, 2012	December 31, 2011
Tax provision	-	6.0
Site closure and reclamation provision (Note 17)	5.4	-
Other	1.2	1.0
	6.6	7.0

15. DEFERRED REVENUE

The Group has recognized, as deferred revenue, a prepayment received previously by FNX from Franco Nevada for the delivery of 50% of the contained gold, platinum and palladium in ore mined and shipped from the existing Sudbury Operations.

Balance - December 31, 2011	187.8
Recognized into revenue	(9.2)
Balance - December 31, 2012	178.6
Current	(15.9)
Non-current	162.7

16. SENIOR NOTES

	December 31, 2012	**December 31, 2011**
Senior notes	500.0	500.0
Senior note issue costs	(12.3)	(12.3)
Cumulative amortization of senior note issue costs	1.8	0.5
	489.5	488.2

During June 2011, the Group issued $500.0 aggregate principal amount of 7.75% senior unsecured notes ("Notes") due 2019 in a private placement which is carried at amortized cost. The fair market value of the notes at December 31, 2012 is $522.0 (2011 - $565.0) based on a trading price of 104.3 (2011-113.0) per 100.

These Notes contain certain covenants that limit the Group's ability and the ability of certain subsidiaries to, incur additional indebtedness and issue preferred stock, create liens, make restricted payments, create or permit to exist restrictions on the ability of the Group or certain subsidiaries to make certain payments and distributions, engage in amalgamations, mergers or consolidations, make certain dispositions and transfers of assets, or engage in transactions with affiliates.

The Group may redeem, prior to June 15, 2014, up to 35% of the Notes with the net proceeds of certain equity offerings at a redemption price equal to 107.75% of the principal amount plus accrued interest. Prior to June 15, 2015, the Group may redeem the Notes in whole or in part at 100.0% of their principal amount, plus accrued interest plus the greater of 1.0% of the principal amount of the note to be redeemed and the excess, if any, of the present value of the June 15, 2015 redemption price plus required interest payments through June 15, 2015 over the principal amount of the note.

The group may redeem the Notes at any time on or after June 15, 2015 at the redemption prices and periods set forth below, plus accrued and unpaid interest:

June 15, 2015 .... 103.875%
June 15, 2016 .... 101.938%
June 15, 2017 and thereafter 100.000%

Upon specified change of control events, each holder of a note will have the right to require the Group to purchase all or a portion of the Notes at a purchase price in cash equal to 101% of the principal amount, plus accrued interest to the date of purchase. Subsequent to the acquisition of Quadra FNX by KGHM, on March 5, 2012, the Group issued Notices of Change of Control and Offer to Purchase to bondholders. The Offer to Purchase expired on May 3, 2012 at 12:00 am Eastern Standard Time. No senior notes were tendered under the Offer to Purchase.

At December 31, 2012, no mandatory principal repayments are required in the next five years.

17. PROVISIONS

	December 31, 2012	December 31, 2011
Site closure and reclamation provision	90.6	88.6
Carlota termination benefits	2.8	-
	93.4	88.6

Site closure and reclamation provisions are as follows:

Balance at December 31, 2010	68.5
Change in estimated timing and amount of closure costs	8.2
Increase in provision due to change in discount rate	10.7
Reclamation work done to reduce liability	(0.9)
Unwinding of discount	2.1
Balance at December 31, 2011	88.6
Change in estimated timing and amount of closure costs	24.7
Decrease in provision due to change in discount rate	(17.9)
Reclamation work done to reduce liability	(1.3)
Unwinding of discount	1.9
Balance at December 31, 2012	96.0
Current	(5.4)
Non-Current	90.6

Site closure and reclamation provisions by mineral property are as follows:

	December 31, 2012	December 31, 2011
Robinson mine	59.6	50.1
Carlota mine	19.1	21.7
Franke mine	9.6	8.5
Sudbury operations	6.7	7.5
Exploration properties	1.0	0.8
	96.0	88.6

Undiscounted site closure and reclamation cost estimates required to satisfy the obligations by mineral property are as follows:

	December 31, 2012	**December 31, 2011**
Robinson mine	70.0	48.0
Carlota mine	20.2	21.0
Franke mine	11.4	8.1
Sudbury operations	7.3	7.3
Exploration properties	1.0	0.8
	109.9	85.2

The reclamation cost estimates are discounted at a pre-tax risk free rate specific to each liability.

During the year ended December 31, 2012, the Robinson mine revised its reclamation plan and cost estimates as required by the United States Bureau of Land Management. As a result, an increase in the provision of $9.5 was recorded and environmental bond deposits were increased by $20.3.

During the year ended December 31, 2011, as a result of changes to the mine plan of Carlota (note 10) it was determined that an increase in the provision of $11.3 was required as a result of the change in the timing of the cash flows and additional estimated costs.

The closure cost estimates are subject to change based on amendments to laws and regulations. The Group is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future.

Key assumptions used to estimate site closure and reclamation provisions are as follows:

	December 31, 2012	**December 31, 2011**
Discount rates		
United States	1.2% - 1.8%	1.9%
Chile	2.6%	2.6%
Canada	1.8%	1.3%
Expected completion of reclamation	2013 - 2024	2013 - 2020

18. DERIVATIVE INSTRUMENTS

Derivative instruments are carried in the Consolidated Statements of Financial Position at fair value and are comprised of the following:

	December 31, 2012	December 31, 2011
Long-term supply contracts (a)	(56.7)	(54.3)
Warrants (b)	-	(20.3)
Foreign currency forward contracts (c)	-	(3.9)
Copper put options (d)	-	0.1
	(56.7)	(78.4)

Derivative instruments are presented in the Consolidated Statements of Financial Position as follows:

	December 31, 2012	December 31, 2011
Derivative assets - current	-	0.1
Derivative liabilities - current	(10.7)	(13.6)
Derivative liabilities - non-current	(46.0)	(64.9)
	(56.7)	(78.4)

The gain on derivatives is comprised of the following and is included in other income (Note 23 (c)):

	December 31, 2012	December 31, 2011
Long-term supply contracts (a)	2.4	(8.2)
Warrants (b)	(7.6)	(26.8)
Foreign currency forward contracts (c)	(7.4)	4.7
Copper put options (d)	0.2	4.1
Fuel contracts	-	2.5
	(12.4)	(23.7)

(a) Long-term supply contracts

The Group has long-term supply contracts for sulphuric acid and water with contracted prices that are subject to adjustment based on the prevailing copper prices. The acid contract has a low base price, but requires an additional $2.50/tonne to be paid for each $0.10/lb that the copper price exceeds $1.10/lb. Similarly, the water contract requires that an additional $0.08/cubic metre be paid for each $0.15/lb that copper price exceeds $1.50/lb. The minimum commitment under the contracts is estimated to be $4.1 per annum for acid and $1.1 per annum for water.

These copper price escalation clauses create embedded derivatives in the acid and water supply contracts. As of December 31, 2012, the fair value of the embedded derivative liabilities was determined to be $56.7, based on the following significant assumptions:

- Copper price of $2.80/lb to $3.64/lb for 2013 to 2022. Copper prices used are determined based on the forward prices obtained from the London Metal Exchange, to the extent they are available and thereafter analyst consensus forward prices are used.
- Discount rate: 11%

(b) Warrants

The Group's warrants were accounted for as a derivative financial liability. Although the exercise price of the warrants is fixed in Canadian dollars, the functional currency of the Group is the US dollar. Accordingly, the foreign exchange effect results in the warrants being classified as a derivative financial liability as the Group will report a variable amount of cash in US dollars.

In connection with the FNX merger a warrant liability (FNX Warrants) was assumed. As at December 31, 2011, Lender Warrants were valued using the quoted market price at December 31, 2011 of C$1.90 as these warrants are publically traded. Lender warrants were valued using the Black Scholes pricing model.

In connection with the Plan of Arrangement with KGHM, the FNX Warrants were purchased by the Bidco from all warrant holders for C$12.6 million (7,473,749 FNX Warrants at C$1.68 per warrant). All FNX Warrants were then immediately exercised by the Bidco in the amount of C$97.1 million into common shares of former Quadra FNX.

During the year ended December 31, 2012, 1,055,888 Lender Warrants were exercised for proceeds of C$9.8 million, resulting in a gain of $7.6 from the retirement of the warrant derivative liability. The remaining 40,556 Lender Warrants expired unexercised. As of December 31, 2012 no warrants remain outstanding.

(c) Foreign currency forward contracts

The Group is required to fund significant amounts of capital asset investment for Sierra Gorda in Chilean Pesos. The Group entered into a number of foreign currency contracts to sell $200.0 in exchange for 101,150 million Chilean Pesos on various dates.

The foreign currency contracts were recognized at fair value and recorded on the consolidated balance sheet. During the year ended December 31, 2012, the Group settled all of the foreign currency contracts and received $3.5 from the counterparty resulting in a gain of $7.4 (December 31 2011-$4.7 Loss). As of December 31, 2012 no foreign currency forward contracts were outstanding.

(d) Copper put options

The Group's risk management strategy included a floor price protection program for a portion of its anticipated copper sales. During the year ended December 31, 2011, the Group purchased additional copper put options for 124.4 million pounds of copper at an average strike price of $2.74/lb at a cost of $3.7. A total of 201.0 million pounds of copper put options expired unexercised during the year. At December 31, 2011, the Group had 18.0 million pounds of copper puts outstanding with an average strike price of $3.00/lb. These options expired at various dates through January 2012.

During the year ended December 31, 2012, the remaining 18 million pounds of copper puts purchased in 2011 expired unexercised. As at December 31, 2012, no copper put options were outstanding.

19. SHARE CAPITAL

(a) Common Shares

The Group has authorized share capital of 1,000,000,000 common shares ("Shares") with no par value.

	Number of Shares	Amount
Balance at January 1, 2011	190,415,494	1,690.0
Capital stock issued:		
Stock options and warrants exercised	1,573,761	14.3
Transfer from contributed surplus:		
Stock options exercised		2.0
Balance at December 31, 2011	191,989,255	1,706.3
Capital stock issued:		
Stock options exercised	289,011	2.9
Lender warrants exercised	1,055,888	9.7
Warrants exercised in connection with Plan of Arrangement	6,502,162	98.2
Transfer from contributed surplus:		
Transactions in connection with Plan of Arrangement		34.4
Balance at December 31, 2012	199,836,316	1,851.5

(b) Stock Options and Share-Based Payments

In accordance with the Plan of Arrangement, holders of stock options, performance share units (PSUs), and restricted share units (RSUs) received cash consideration to which they were entitled pursuant to the terms of the relevant plans. On March 5, 2012, all in the money stock options, PSUs, and RSUs were vested or earned by relevant holders resulting in the Group paying out respective cash considerations. Any remaining "out-of-the-money" stock options and share-base payments not paid were cancelled immediately thereafter.

(i) Options

The Group's stock option plan was cancelled March 5, 2012 in connection with the Plan of Arrangements. The purpose of the plan was to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Group by offering them an opportunity to participate in the Group's future performance through awards of options. The stock option plan was administered by the Compensation Committee, all of whom were members of the BoD. The total number of shares reserved and available for issuance shall not exceed in the aggregate a number of shares equal to 10% of the issued and outstanding shares of the Group at any time. The exercise price per option shall be determined by the Compensation Committee, but such price shall not be less than the closing price of the shares listed on the TSX on the trading day immediately preceding the day on which the option is granted. The options granted vest over a three year period and expire after five years from date of grant.

The following table summarizes the stock option activity for the years ended December 31, 2012 and 2011 (in Canadian dollars):

	Options	Weighted-average exercise price (C$)
Outstanding at December 31, 2010	8,783,891	15.16
Granted	772,449	13.16
Cancelled/ Forfeited	(872,332)	18.93
Exercised	(1,372,428)	9.05
Expired	(247,753)	15.00
Outstanding at December 31, 2011	7,063,827	15.67
Forfeited	(37,994)	26.75
Exercised	(289,011)	10.10
Expired	(8,700)	20.34
Paid out and cancelled in connection with Plan of Arrangement	(4,365,811)	11.06
Cancelled in connection with the Plan of Arrangement	(2,362,311)	25.40
Outstanding at December 31, 2012	-	-

On March 5, 2012, $18.8 was paid to settle 4,365,881 “in-the-money” stock options with the remaining 2,362,311 “out-of-the-money” stock options cancelled immediately thereafter.

The total fair value of the stock options granted is estimated at the date of grant using the Black-Scholes option-pricing model and is amortized over their vesting periods, and adjusted to reflect the actual number of stock options that are expected to vest. The following weighted average assumptions were used:

	2012	2011
Share Price	n/a	C$ 13.3
Expected Volatility	n/a	63%
Risk-free interest rate	n/a	1%
Expected life	n/a	3.2 years
Dividend yield	n/a	Nil
Forfeiture rate	n/a	7%

The weighted average grant-date fair value of the options granted for the year ended December 31, 2012 was $Nil (2011- $6.47). The weighted average share price at the date of exercise for options that were exercised in the year ended December 31, 2012 was $15.51 (2011 - $14.67).

The stock-based compensation expense for the year ended December 31, 2012 was $4.6 (2011 - $5.5) of which $Nil was capitalized to inventory (2011 - $0.1).

Option pricing models require the input of subjective assumptions including the expected price volatility and expected life of the options. Changes in these assumptions can materially affect the estimated fair value of options granted.

(ii) Restricted Stock Units ("RSU")

The Group's RSU plan was cancelled March 5, 2012 in connection with the Plan of Arrangement. During 2009, the Group implemented a RSU plan as a long term incentive to directors and certain employees in an effort to foster a responsible balance between short-term and long-term results. RSU's are granted to participants in such numbers as the Group may determine as a bonus or similar payment in respect of services rendered during the year. RSU's were granted to employees and non-management members of the Board. Each RSU entitles the participant to receive, once vested, a cash payment equal to the fair market value of one share on the applicable vesting date. Fair market value is defined as the volume-weighted average closing price of the Group's shares on the TSX for the calendar month immediately preceding the vesting date. RSU's vest on the third anniversary of the grant date and are paid out within 60 days after vesting. The Group may determine other terms or a condition of any RSU's, including, without limitation, any additional conditions.

The following table summarizes the RSU liability activity for the years ended December 31, 2012 and 2011:

	2012	2011
Outstanding at January 1	415,189	408,630
Granted	-	222,035
Settled	-	(215,476)
Paid out and cancelled in connection with Plan of Arrangement	(415,189)	-
Outstanding at December 31	-	415,189

The weighted average grant-date fair value of the RSU's granted was $Nil for the year ended December 31, 2012 (2011 $13.54 CDN). RSU's are measured at their fair market value on an ongoing basis and the settlement obligations accrued over the vesting period. For the year ended December 31, 2012, the RSU expense was $3.2 (2011 - 2.4) of which, $0.9 was capitalized to inventory (2011 - $0.6) and $1.9 was grouped in transaction costs (2011 – Nil).

The fair value of each RSU was determined by the product of the closing share price of the Group as at the financial reporting date, number of units granted, and a probability which adjusts the liability for attrition, and participant's performance in meeting objectives and goals as per Group's short-term incentive plan. For 2012, this factor was 2% (2011 - 2%).

On March 5, 2012, $6.2 was paid to settle all 415,189 RSUs outstanding.

(iii) Performance Share Units ("PSU")

The Group's PSU plan was cancelled March 5, 2012 in connection with the Plan of Arrangements. Under this plan, the Group credits a PSU to an eligible participant and the right to receive a cash payment equal to the fair market value of one share of the Group upon achievement of certain PSU vesting criteria. The Board approves the granting of PSU's to certain employees and their numbers based on recommendations from the Compensation Committee. PSU's can vest based on one or more of the following factors: the market price of the Group's shares at specified times and/or return to shareholders; achievement of corporate or individual performance objectives; and other discretionary terms and conditions the Group may determine. The Compensation Committee has focused on relative return to shareholders over a two year period in assessing the vesting of the PSU grants. Similar to RSU's, once vested; a participant is entitled to a cash payment equal to the fair market value of one share on the applicable vesting date. Fair market value is defined as the volume-weighted average closing price of the Group's shares on the TSX for 60 days immediately preceding the vesting date.

The following table summarizes the PSU liability activity for the years ended December 31, 2012 and 2011:

	2012	**2011**
Outstanding at January 1	102,155	98,882
Granted	-	103,724
Forfeited	-	(1,569)
Expired	-	(98,882)
Paid out and cancelled in connection with Plan of Arrangement	(102,155)	-
Outstanding at December 31	-	102,155

The weighted average fair value of the PSU's granted was $Nil for the year ended December 31, 2012 (2011 – CDN $9.48). For accounting purposes, PSU's are measured at their fair market value on an ongoing basis and the settlement obligations accrued over the vesting period. For the year ended December 31, 2012, the PSU recovery was $0.1 (2011 – recovery of $0.2).

On March 5, 2012, $1.5 was paid to settle all 102,155 PSUs outstanding.

(c) Earnings per Share

(in Millions of shares and US Dollars except per share data)	**December 31, 2012**	**December 31, 2011**
Earnings for the period for basic earnings per share	103.8	266.5
Gain on warrants	-	(4.7)
Earnings for the period adjusted for the efffect of dilution	103.8	261.8
Basic weighted average shares outstanding	199.4	191.1
Share options	-	1.2
Lender warrants	-	0.3
Diluted weighted average shares outstanding	199.4	192.6
Basic EPS	**0.52**	**1.39**
Diluted EPS	**0.52**	**1.36**

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20. SEGMENTED INFORMATION

The Group's reportable operating segments are individual mine operations and development projects, being Robinson, Carlota, Franke, Sudbury Operations, DMC, other mineral properties and Corporate. The corporate segment is responsible for the oversight of the Group's mineral properties and corporate administration. The Sudbury operations of the Group holds the goodwill established during the merger with FNX Mining Ltd. on May 20, 2010.

For the year ended December 31, 2012

	Robinson (USA) [(a)]	Carlota (USA)	Franke (Chile)	Sudbury Operations (Cda) [(a)]	DMC	Corporate & Other	Total
Copper revenues	484.6	84.1	152.5	224.5	-	-	945.7
Nickel revenues	-	-	-	80.7	-	-	80.7
Other by - product revenues	73.8	-	-	34.4	-	-	108.2
Contract mining revenues	-	-	-	-	325.9	-	325.9
Treatment Charges	(25.5)	-	-	(49.6)	-	-	(75.1)
Net revenues	**532.9**	**84.1**	**152.5**	**290.0**	**325.9**	**-**	**1,385.4**
Depreciation and amortization	36.0	-	17.7	83.2	4.8	-	141.7
Employee benefits expense	68.8	17.7	26.1	52.8	37.3	-	202.7
Raw materials, other consumables and energy	175.7	40.0	82.1	51.5	0.2	-	349.5
Office expenses	12.4	4.8	7.5	(3.3)	2.3	-	23.7
External services	23.3	3.7	19.6	41.8	253.1	-	341.5
Royalties and mineral taxes	15.6	4.0	-	-	-	-	19.6
Inventory write-off	-	-	27.3	-	-	-	27.3
Changes in Inventories	43.6	(2.4)	(7.0)	(0.2)	-	-	34.0
Distribution costs	44.9	-	2.0	13.5	-	-	60.4
Income (loss) from operations	**112.6**	**16.3**	**(22.8)**	**50.7**	**28.2**	**-**	**185.0**
General and administrative	-	-	-	-	-	65.0	65.0
Finance income	-	-	-	-	-	(32.2)	(32.2)
Finance expense	-	-	-	-	-	43.8	43.8
Other income	-	-	-	-	-	(40.8)	(40.8)
Other expense	-	-	-	-	-	5.4	5.4
Foreign exchange loss	-	-	-	-	-	(16.5)	(16.5)
Transaction costs for merger and acquisition	-	-	-	-	-	29.1	29.1
Segment earnings (loss) before tax	**112.6**	**16.3**	**(22.8)**	**50.7**	**28.2**	**(53.8)**	**131.2**
Capital expenditures	29.4	-	17.8	32.1	11.9	32.7	123.9
Segment non-current assets as at December 31, 2012	293.0	87.2	134.2	788.3	43.6	1,290.5	2,636.8
Segment assets as at December 31, 2012	556.0	162.5	205.2	1,006.9	130.0	1,629.8	3,690.4

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For the year ended December 31, 2011

	Robinson (USA) [(a)]	Carlota (USA)	Franke (Chile)	Sudbury Operations (Cda) [(a)]	DMC	Corporate & Other	Total
Copper revenues	342.8	90.8	125.8	255.4	-	-	814.8
Nickel revenues	-	-	-	98.1	-	-	98.1
Other by - product revenues	66.8	-	-	45.8	-	-	112.6
Contract mining revenues	-	-	-	-	153.5	-	153.5
Treatment Charges [(1)]	(15.0)	-	-	(57.1)	-	-	(72.1)
Net revenues	**394.6**	**90.8**	**125.8**	**342.2**	**153.5**	**-**	**1,106.9**
Depreciation and amortization	29.9	13.3	15.5	92.3	3.8	-	154.8
Employee benefits expense	61.9	21.1	18.9	49.8	24.3	-	176.0
Raw materials, other consumables and energy	144.9	53.1	76.0	33.7	0.1	-	307.8
Office expenses	10.9	5.2	8.5	2.9	1.9	-	29.4
External services	18.3	6.7	23.4	41.0	109.7	-	199.1
Impairment of non-current assets	-	121.5	126.5	40.5	-	-	288.5
Royalties and mineral taxes	12.3	4.6	-	-	-	-	16.9
Inventory write-off	-	77.7	9.3	-	-	-	87.0
Changes in Inventories	(15.9)	(15.6)	(24.4)	(0.1)	-	-	(56.0)
Distribution costs	29.8	0.1	4.8	13.9	-	-	48.6
Income from operations	**102.5**	**(196.9)**	**(132.7)**	**68.2**	**13.7**	**-**	**(145.2)**
General and administrative [(2)]	-	-	-	-	-	64.6	64.6
Gain from joint venture formation	-	-	-	-	-	(292.5)	(292.5)
Finance income	-	-	-	-	-	(1.7)	(1.7)
Finance expense	-	-	-	-	-	13.4	13.4
Other income [(3)]	-	-	-	-	-	(204.3)	(204.3)
Other expense [(4)]	-	-	-	-	-	1.8	1.8
Foreign exchange loss	-	-	-	-	-	(0.9)	(0.9)
Transaction costs for merger and acquisition	-	-	-	-	-	5.0	5.0
Segment earnings before incomes taxes	**102.5**	**(196.9)**	**(132.7)**	**68.2**	**13.7**	**414.6**	**269.4**
Capital expenditures	86.1	4.2	38.4	48.7	7.5	159.8	344.7
Segment non-current assets as at December 31, 2011	263.8	140.7	132.8	830.3	36.1	647.4	2,051.1
Segment assets as at December 31, 2011	495.4	203.7	205.2	1,293.3	92.6	1,238.8	3,529.0

(a) Revenues at Robinson and Sudbury Operations are from concentrate and ore sales are recorded provisionally at the time of sale based on forward prices for the expected date of the final settlement. Subsequent variations in price are recognized as revenue adjustments as they occur until the price is finalized. At December 31, 2012, 38.5 million pounds of copper have been provisionally valued at an average price of $3.60 per pound. The final pricing for these provisionally priced sales is expected to occur between January 2013 and April 2013.

(1) Treatment charges and refining charges (TCRC) totaling to $72.1 were reclassified from cost of sales to revenue.
(2) Exploration and evaluation costs are included in general and administrative expenses.
(3) Gain on derivatives $23.7, finance income of 43.8, $ 2.9 gain on site closure provision included in depreciation and gain on sale of Gold Wheaton shares $ 133.9 has been reclassified to other income.
(4) Finance expense of $1.8 has been reclassified to other expense

21. INCOME TAXES

Income tax expense included in the consolidated Statements of Comprehensive Income is as follows:

	2012	2011
Current tax expense		
Current income tax expense	(42.9)	(24.6)
Withholding taxes, State income tax and others	(0.5)	(0.5)
	(43.4)	(25.1)
Deferred tax (expense) recovery		
Change in deferred income tax assets and liabilities	16.6	25.4
Reversal of deferred income tax expense from other comprehensive income	(0.6)	(3.2)
	16.0	22.2
Income tax expense	(27.4)	(2.9)

The reconciliation of the income taxes calculated at the statutory rates to the Group's effective income tax provision is as follows:

	2012	2011
Earnings before income taxes	131.2	269.4
Income tax rate	25.00%	26.50%
Income tax expense calculated using statutory rate	(32.8)	(71.4)
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	(0.5)	(1.5)
Non-taxable portion of capital gain	3.9	115.4
Ontario mining tax and other tax credits	8.6	(8.2)
Different tax rates in foreign jurisdictions	(19.1)	6.0
Depletion allowance	16.2	13.4
Others,net	5.0	(11.4)
Benefits of deferred tax assets not recognized in the current year	(8.7)	(45.2)
Income tax expense	(27.4)	(2.9)

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Recognized deferred tax assets and liabilities are attributable to the following items:

Deferred tax assets	**2012**	**2011**
Mineral properties, plant and equipment	63.7	86.9
Reclamation liabilities	2.2	1.7
Inventory	9.3	-
Others	15.5	5.0
	90.7	93.6
Deferred tax liabilities		
Mineral properties, plant and equipment	(132.9)	(149.6)
Ontario Mining Tax	(67.4)	(59.4)
Reclamation assets	(0.6)	(1.6)
Deferred revenue	(1.5)	(14.3)
Other	(15.0)	(12.0)
	(217.4)	(236.9)
Recognized deferred tax assets (liabilities), net	(126.7)	(143.3)

Unrecognized deferred tax assets

	2012	**2011**
Deferred tax assets have not been recognized in respect of the following items:		
Tax losses	57.5	25.4
Alternative Minimum Tax Credits	29.7	21.4
Ontario Corporate Minimimum Tax and Transitional Tax Credits	0.6	10.4
Derivative liabilities	11.3	9.7
Mineral properties, property, plant and equipment	(0.9)	9.2
Other deferred tax assets	6.4	16.2
	104.6	92.3

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits.

As of December 31, 2012, the Group has loss carry-forwards in the following jurisdictions for deduction against future years' taxable income as follows:

Country	**Amount**	**Expiry**
Canada	26.7	2027-2032
Chile	254.0	indefinite

The Group has available Alternative Minimum Tax credits of $29.7 (2011: $21.4) which can be carried forward indefinitely and applied to reduce regular taxes payable in the United States.

The Group has foreign subsidiaries that have undistributed earnings of $955.5 (2011: $833.8). The Group can control the timing of the repatriation of undistributed earnings, and it is probable that these earnings will not be repatriated in the foreseeable future. Therefore, deferred income taxes have not been provided in respect of these earnings.

The Group has an estimated aggregate amount of $69.3 temporary difference associated with investments in subsidiaries, branches, and associates and interest in joint venture for which deferred tax liabilities have not been recognized.

22. GENERAL AND ADMINISTRATIVE

	Year ended December 31, 2012	**Year ended December 31, 2011**
Employee benefits expenses	35.6	43.7
Legal and professional services	17.0	7.3
Office and communication expenses	11.5	12.6
Insurance expenses and property taxes	0.9	1.0
	65.0	64.6

23. FINANCE INCOME AND EXPENSE

(a) Finance Income

Finance income for the year ended December 31, 2012 of $32.2 (December 31, 2011 - $1.7) is primarily related to interest earned on short-term investments of $10.9, interest on subordinate loans to Sierra Gorda JV of $17.8 (Note 5) and notes receivable of $3.5 (Note 24).

(b) Finance Expenses

Finance expense for the year ended December 31, 2012 of $43.8 (December 31, 2011 - $13.4) is primarily comprised of $38.8 interest expense related to senior notes (Note 16).

(c) Other Income

Other Income for the year ended December 31, 2012 of 40.8 (December 31, 2011 - $204.3) is primarily comprised of gain on derivatives of $12.4 (December 31, 2011 - $23.7) (Note 18) and management fees from Sierra Gorda JV of $25.0 (December 31, 2011 - $8.3) (Note 24). For year ended December 31, 2011, other income includes a $133.9 gain from disposal of Gold Wheaton shares, $28.7 realized gain on sale of marketable securities and $5.5 realized gain on warrants.

24. RELATED PARTY TRANSACTIONS AND BALANCES

One of the former directors of the Group is a partner of an affiliate of the Group's primary legal counsel. During the year due to the acquisition by KGHM the director was no longer a related party after March 5, 2012. The Group incurred legal fees of $4.4 (2011 - $2.1), all of which were at normal business terms. The balance owing to this related party was $0.5 (2011 - $1.0).

Upon formation of the Sierra Gorda JV, the joint venture became a related party with the Group. The amount due from the Sierra Gorda JV is $3.5 at December 31, 2012 (December 31, 2011 - $10.8) (Note 7). This amount is repayable in the normal course of business. The Group earned management fees of $25.0 (December 31, 2011 - $8.3) from the Sierra Gorda JV during the year ended December 31, 2012, which were included in other income (Note 23(c)).

On March 5, 2012, the Group loaned $110.9 to Bidco for the purchase and exercise of FNX Warrants in conjunction with the Plan of Arrangement. The obligation with respect to the loan is evidenced by a promissory note payable to the Group due March 5, 2013. Interest on the outstanding principal is calculated at 3.75% per annum payable in arrears on the maturity date, or on the date which the principal amount is paid by Bidco. For the year ended December 31, 2012, $3.5 (December 31, 2011 - $Nil) of related interest income was recorded. Bidco repaid $13.2 of the above principal and interest on February 28, 2013 (Note 30) and hence this amount has been recorded as current (Note 7). The remaining principal and interest is not expected to be received in the next year.

In the second quarter of 2012, the Group loaned $20.7 in the form of a Canadian dollar promissory note to Bidco to fund its capital investment. The note is non-interest bearing and is payable on demand. The balance as at December 31, 2012 includes a foreign exchange revaluation of $0.7. Bidco repaid the entire $21.4 on February 28, 2013 hence this amount has been recorded as current (Note 7) (Note 30).

The consolidated financial statements include those of KGHM International and its subsidiaries. Related parties include relationships involving direct or indirect control, including common control; it also includes joint control and significant influence. These relationships are not restricted to entities, but also include individuals and key management personnel.

(a) Relationships with subsidiaries

The group ownership interest represents the portion directly or indirectly held through various entities and corporate structures. The group’s material subsidiaries are as follows:

Subsidiary	**Country of incorporation**	**Ownership interest**
Robinson Nevada Mining Company	United States	100%
Carlota Copper Company	United States	100%
Sociedad Contractual Minera Centenario Copper Chile	Chile	100%
FNX Mining Company Inc.	Canada	100%
DMC Mining Services Corporation	United States	100%
Sierra Gorda SCM	Chile	55%

(b) Transactions with key management personnel

Key management personnel comprise of the Group's BoD and Executive Officers. Compensation programs include base salary, annual bonuses, long-term incentives, and benefits. These are categorized as follows:

	2012	2011
Short-term employee benefits	5.2	5.6
Termination benefits	7.7	-
Share-based payment transactions	11.0	4.2
	23.9	9.8

Key management personnel transactions and balances

The Group is not aware of any key management personnel during the period that was indebted to the Group or its subsidiaries, or whose indebtedness to another entity is the subject of a guarantee, support agreement, letter of credit or other similar arrangement.

Some members of the key management personnel group, or their related parties, hold positions, or own shares in other entities that result in them having control or significant influence over the financial or operating policies of these entities. These entities may transact with the Group in the future.

Short-term employee benefits

This includes base salary, health and disability benefits, and annual bonus for each executive. Annual bonuses are paid based on participation in the Group's Short-Term Incentive Plan ("STIP"), which provides the opportunity for executives to earn a cash incentive on the achievement of specific KPI's established during the annual Performance, Planning and Review Process. In addition to annual bonuses, and at the discretion of the BoD, payments of extraordinary bonuses are allowed to recognize exceptional performance and results for the Group.
Directors of the Group receive various directors' fees such as retainers, lead director role, and travel for their advisory services.

Post-employment benefits

The Group does not have a defined benefit or defined contribution plan for post-employment benefits. Contributions are paid by the Group to employee RRSP's or similar plans in other jurisdictions to the maximum of 8% of annual base salary, or the maximum contribution as permitted by law.

A director during the year had an Individual Pension Plan ("IPP") sponsored by the Group, and a portion of his fees earned was contributed to the IPP by the Group. Due to the acquisition by KGHM the director is no longer a related party as of December 31, 2012.

Termination benefits

Executive Officers have employment agreements that provide a range of termination and change of control benefits. Where there is a change of control in the Group and employment is terminated without cause, or is terminated by the executive within first 12 months, they are entitled up to 36 months of base salary, incentive compensation, Group paid benefits, and immediate vested of options granted depending on the number of years completed as an Executive Officer and contribution to the Group. In the case where termination is other than a change of control, the range is from no contractual arrangements to 36 months of compensation as described for change of control.

Other long-term benefits

The Group does not have a deferred compensation plan or other long-term benefits program.

Share-based payments

Directors and Executive Officers participate in the Group's stock option plan. Options are granted based on recommendations of the Compensation Committee.

PSUs are granted to key management personnel. RSUs were granted to employees and non-management members of the board. Under this plan, the participant may receive as a bonus or similar payment an amount equal to the fair market value of one share of the Group on the applicable vesting date. RSU's vest on the third anniversary of the grant date, and are paid one month following the vesting date.

There were no grants for stock options and RSU's during the period for key management personnel.

The Group's stock options, RSU, PSU plans were cancelled on March 5, 2012 in connection with the Plan of Arrangement.

25. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in non-cash working capital consisted of the following:

	Year ended December 31, 2012	Year ended December 31, 2011
Increase in receivables	(79.0)	(42.3)
Decrease (Increase) in inventory	30.6	(69.8)
Increase in accounts payable and accrued liabilities	12.4	30.5
Increase (decrease) in provisions	3.0	(5.0)
	(33.0)	(86.6)
Non-cash investing and financing activities:		
Mineral properties, plant and equipment purchases in accruals	0.2	4.3

26. COMMITMENTS

(a) The Group has entered into commercial leases. These leases have an average life of between three and five years with no renewal option included in the contracts.

Future minimum leases payable under non-cancellable operating leases as at December 31 are as follows:

	December 31, 2012	December 31, 2011
Within one year	10.2	19.1
After one year but not more than five years	15.9	16.8
More than five years	13.3	12.3
	39.4	48.2

(b) The Group has purchase contracts as follows:

	December 31, 2012	December 31, 2011
Within one year	14.8	23.1
After one year but not more than five years	47.8	56.8
More than five years	40.5	49.7
	103.1	129.6

Commitments that pertain to Sierra Gorda JV are disclosed in Note 5(c).

27. CONTINGENCIES

(a) The Group sells ore produced from its Sudbury operations to a principal long-term processor. That processor is required to pay for ore shipped and sold based on the metals which the processor is able to recover from the various ores delivered. The payments vary on the metallurgical and mineralogical composition as well as mining grades of nickel, copper, cobalt, platinum, palladium, gold and silver for each ore. This is determined by the processor via metallurgical and mineralogical testing of the various ores. There are several different payable metals terms with the processor for the various ores from the Groups's Sudbury mines in order to reflect the differences in the metal recoveries.

Interim processing terms (i.e. treatment and refining charges) and interim payable metals terms have been established by the processor for the Sudbury Operations. The Group is negotiating final commercial terms with the processor. There is a possibility that once final terms have been agreed that revised terms may be applied to ore shipped in prior periods. The Group cannot, at this time, determine the amount, if any, of such adjustment. Depending on the outcome of the negotiations of final payable metals and processing terms, a material increase or decrease in payable metals and/or processing costs may need to be recorded.

(b) In the normal course of business DMC enters into agreements that contain indemnification commitments and may contain features that meet the expanded definition of guarantees. The terms of these indemnification agreements will vary based on the contract and typically do not provide for a limit on the maximum potential liability. The Group has not made any payments under such indemnifications and no amounts have been accrued in the consolidated financial statements with respect to these indemnification commitments.

(c) The Group is subject to lawsuits from time to time, existing litigations are not considered to be likely to have a material impact on the financial statements.

28. MANAGEMENT OF CAPITAL RISK

The Group's objectives when managing capital risk are to safeguard the Group's ability to continue as a going concern in order to pursue the operation and development of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Group includes the components of shareholders' equity and long term debt in the management of capital. The capital structure is managed in conjunction structure of KGHM. To maintain or adjust the capital structure, the Group may issue new common shares, issue new debt, repay debt, and acquire or dispose of assets or investments.

In order to facilitate the management of its capital requirements, the Group prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the BoD and KGHM.

To maximize ongoing development efforts, the Group does not pay out dividends. The investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of three months or less when acquired, and are selected with regards to the expected timing of expenditures from continuing operations.

29. FINANCIAL INSTRUMENTS

Financial instruments are classified as held for trading, loans and receivables, available for sales or other financial liabilities. Financial instruments carried at fair value on the consolidated balance sheet are classified within a fair value hierarchy that prioritizes the inputs to fair value measurements. The three levels of the fair value hierarchy are:

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

At December 31, 2012 and 2011, the carrying value of financial instruments were approximately their fair value except for senior note with a carrying value of $489.4 (2011 - $488.2) and a fair value of $522.0 (2011 - $565) (Note 16). The fair value hierarchy for the Group's financial instruments at December 31, 2012 and 2011 was as follows:

- Level 1: Marketable securities.
- Level 2: Receivable for provisionally priced metal sales, lender warrants, derivative assets, derivatives and embedded derivatives liabilities

The Group and in particular the Group's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and commodity price risk. These risks are assessed regularly and when appropriate the Group takes steps to mitigate these risks.

(a) Currency risk

The Group's revenues from the sale of copper, nickel, gold, molybdenum and other precious metals are contracted and denominated in US dollars. A significant portion of the Group's operating expenses and the majority of its assets and liabilities are transacted and denominated in US dollars. There are certain operations of the Group that have transactions denominated in a currency other than US dollar, therefore, creating some currency risk. The Franke mine has some operating expenses and accounts payable denominated in Chilean pesos. The corporate office and its Sudbury mines are located in Canada, as such, most general and administrative expenses are paid in Canadian dollars, marketable securities are held are denominated in Canadian dollars, and some operating expenses and accounts payable are denominated in Canadian dollars.

KGHMI is also exposed to Chilean currency through the capital expenditures on the Sierra Gorda JV. To partly manage this risk the Group purchased Chilean peso and invested them in UF denominated short term investments. These investments are inflation indexed and partly mitigate inflation risk and currency risk in Chile.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at December 31, 2012 and December 31, 2011 are as follows:

	December 31, 2012	December 31, 2011
Financial Assets		
Canadian dollar	199.1	248.6
Chilean peso	192.0	4.2
	391.1	252.8

	December 31, 2012	December 31, 2011
Financial Liabilities		
Canadian dollar	22.3	86.0
Chilean peso	15.0	25.7
	37.3	111.7

In the following table, financial instruments are only considered sensitive to foreign exchange rates where they are not in US dollars of the entity that holds them. A positive number indicates an increase in income for the period where the foreign currencies strengthen against the US dollar. The same percentage depreciation of the stated currencies would have an equal and opposite effect.

	December 31, 2012	December 31, 2011
Increase (decrease) in earnings		
10% appreciation of the Canadian dollar	17.7	16.3
10% appreciation of the Chilean peso	17.7	(2.2)
	35.4	14.1

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Group's significant counterparty exposures are as follows:

- The payment terms of the trade receivables are defined in the contracts and subject to a range of dates and settlement terms as per normal mining industry practices. The Group manages the credit risk for trade and other receivables through established credit monitoring activities and long term business relationships with most customers having stable and large international operations.
- Cash and cash equivalents; the counterparties primarily consist of banks, governments and government agencies with a minimum Standard & Poor's credit rating of A+ or higher.

The carrying values of these assets represent the Group's maximum exposure to credit risk. The Group's investment policy has pre-defined expenditure, and requires monitoring of the concentration of exposure and where possible, takes steps to limit exposures to any one counterparty to reduce our risk concentration. The Group does not believe that it is exposed to any material concentration of credit risks at the current time.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk through regular forecasting and the management of its capital structure and financial leverage to ensure adequate sources of funding are available to finance operations and projects.

The following table details the Group's expected remaining contractual maturities for its financial liabilities as at December 31, 2012. The amounts presented are undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to satisfy the liabilities.

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
Franke Mine supply contracts	13.3	13.4	12.8	10.5	9.2	40.5	99.7
Accounts payable	139.6	-	-	-	-	-	139.6
Senior Notes	38.8	38.8	38.8	38.8	38.8	557.8	751.8
Minimum lease payments	10.2	5.7	3.8	3.2	3.2	13.3	39.4
Total	201.9	57.9	55.4	52.5	51.2	611.6	1,030.5

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate risk is not considered material for the Group given its fixed rate debt and marginal returns on interest bearing assets.

(e) Commodity price risk

The value of the Group's mineral resource properties is related to both the current and future outlook price of copper, gold, molybdenum, and other precious metals. Historically, these prices have fluctuated widely and are affected by numerous factors outside of the Group's control, including industrial and retail demand, global economic growth, levels of worldwide mine production, short-term changes in supply and demand related to speculative activities, and forward sales by producers and speculators.

The profitability of the Group's operations is highly correlated to the market price of copper and gold. The Group's main source of revenues is from the sale of copper and gold. If metal prices decline significantly, or for a prolonged period, the Group's operations and development projects may not be economically feasible.

In addition, changes in commodity prices can have a significant impact on accounts receivable, which includes sales that have been provisionally valued, and not yet subject to final pricing. At December 31, 2012, accounts receivable and revenues include approximately 38.5 million pounds of copper provisionally valued at $3.60 per pound. The final pricing of these provisionally priced sales is expected to occur between January 2013 and February 2013. Changes in the price of copper from the amounts used to calculate the provisional values will impact the Group's revenues and working capital position for the remainder of 2013.

The following table summarizes the impact of the change in commodity price on the Group's financial instruments at December 31, 2012 with all other variables held constant:

	A change of :	**2012 Increase (decrease) in carrying value of assets**	**2012 Increase (decrease) in earnings for the period**
Change in copper price (per pound)	$ 0.50		
Receivables		19.3	14.1
Franke long-term supply contracts		11.0	8.0

(f) Equity price risk

Equity price risk is defined as the potential adverse impact on the Group's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Group closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Group.

The Group holds marketable securities and is exposed to risk from changes in the share price of the marketable securities. A simultaneous 10% fluctuation in the share price would affect short-term investments for the year by approximately $4.7 with a corresponding change to accumulated other comprehensive income.

30. SUBSEQUENT EVENT

On February 28, 2013, the Group received $34.6 (Note 24) in the repayment of promissory notes and related interest outstanding from Bidco.