MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FIRST QUARTER ENDED MARCH 31, 2014

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

	Three months ended March 31		
	2014	2013	Change
FINANCIAL HIGHLIGHTS			
Net revenues [(1)]	**148**	272	-46%
(Loss) income from mining operations	**(23)**	64	N/A
Adjusted EBITDA [(2)]	**2**	80	-98%
(Loss) income for the period	**(21)**	15	N/A
Cash	**156**	140 *	12%
Working capital	**345**	437 *	-21%

[(1)] Net of treatment and refining charges
[(2)] See "Non-IFRS Financial Measures"
**2013 comparatives are at December 31, 2013*

FIRST QUARTER AND RECENT ACTIVITIES:

- Company's results for Q1 2014 were significantly affected by lower production at the Robinson mine due to lower tonnage, grades and recoveries from the new Kimbley pit that could not be mitigated because of permitting delays. Additional stripping of waste material at the Kimbley pit increased operating costs. Subsequent to the quarter end, copper production at Robinson in the month of April was over 8 million pounds, almost half of the production of Q1 2014, as a result of blending to improve the quality of the ore and the amount of related production.
- Net revenues decreased by 46% to $148 million in the quarter compared to $272 million in 2013 due to the decrease in sales volume (lower production) by 29% and an 18% decline in average realized copper prices due to lower copper price and negative price adjustment on previously sold shipments. Increased concentrate inventory also reduced revenues
- The Company sold 35 million pounds of copper and 14 thousand ounces of total precious metals (TPMs) in Q1 2014 compared to 50 million pounds of copper and 23 thousand ounces of TPMs in Q1 2013 (see **"Review of Operations and Projects"**). The decrease in metal production is primarily due to the lower quality ores from the Kimbley pit at Robinson, impacting mill throughput, copper recovery, gold recovery and concentrate grade. C1 costs increased from $1.99/lb in Q1 2013 to $2.74/lb in Q1 2014 primarily due to the 33% decrease in by-product revenues (decline in metal price and TPM production) as well as lower production at Robinson. Cash costs at mines other than Robinson were in aggregate better in Q1 2014 than Q1 2013.
- Income from mining operations decreased $87 million from $64 million in Q1 2013 to a loss of $23 million in Q1 2014. The decrease is primarily due to the decrease in sales volumes as a result of decreased production at the Robinson mine and the decline of average realized copper prices from $3.53/lb in Q1 2013 to $2.88/lb in Q1 2014 (see "**Financial Performance**").
- Adjusted EBITDA decreased from $80 million in Q1 2013 to $2 million in Q1 2014 due to the decline in realized copper prices combined with the decrease in copper sold.
- Earnings decreased by $36 million from $15 million in Q1 2013 to a loss of $21 million in Q1 2014 mainly due to a decrease in operating income (see "**Financial Performance**").

*This Management Discussion and Analysis ("MD&A") of KGHM International Ltd. (formerly Quadra FNX Mining Ltd). and its subsidiaries ("KGHMI" or the "Company") has been prepared as at May 13, 2014 and is intended to be read in conjunction with the accompanying unaudited consolidated financial statements for the quarter ended March 31, 2014 and audited consolidated financial statements for the year ended December 31, 2013. This MD&A contains 'forward looking information' and reference to the cautionary statement at the end of this MD&A is advised. All financial information in this MD&A is prepared in accordance with the International Financial Reporting Standards ("IFRS") and **all dollar amounts are expressed in millions of United States dollars unless otherwise indicated.***

- The Company ended the first quarter of 2014 with $156 million of cash and cash equivalents. The increase in cash and cash equivalents compared to December 31, 2013 is primarily due to the repayment of the notes receivable for $105 million during the quarter (see **"Liquidity and Capital Resource"**).

FINANCIAL PERFORMANCE

Earnings

The Company recorded a loss of $21 million for Q1 2014 compared to earnings of $15 million for Q1 2013. Lower earnings in Q1 2014 were primarily due to a decrease in operating income from a decline in revenues as a result of lower production and realized copper prices (see "**Revenues**"). Other income and losses for Q1 2014 were in line with Q1 2013. Q1 2014 earnings were also impacted by a foreign exchange loss of $3 million, which was offset by an increase in finance income primarily generated by the subordinated loans to the Sierra Gorda JV and a reduction in general and administration expense (see "**General & administrative and other expenses**").

During Q1 2014, the Company sold 35.4 million pounds of copper at an average effective price of $2.88/lb and 13.9 thousand ounces of TPMs compared to 50.2 million pounds of copper in Q1 2013 at an average effective price of $3.53/lb and 22.9 thousand ounces of TPMs.

Revenues

	Three months ended March 31, 2014						
	Robinson	Morrison	Franke	Carlota	McCreedy West	DMC	Total
Copper sales (million lbs)	10.7	7.7	11.0	5.4	0.7	-	35.4
(in millions of U.S. dollars)							
Copper	25.8	22.7	34.8	16.7	1.9	-	101.9
Nickel	-	10.8	-	-	5.4	-	16.2
Other by product [1]	7.9	6.5	-	-	0.9	-	15.3
Contract mining	-	-	-	-	-	26.6	26.6
Treatment and refining charges	(3.1)	(8.7)	-	-	(0.5)	-	(12.3)
Total net revenues	30.6	31.3	34.8	16.7	7.7	26.6	147.7

	Three months ended March 31, 2013						
	Robinson	Morrison	Franke	Carlota	McCreedy West	DMC	Total
Copper sales (million lbs)	24.8	7.3	7.5	5.7	1.0	-	50.2
(in millions of U.S. dollars)							
Copper	86.5	25.5	27.5	20.2	3.4	-	177.4
Nickel	-	8.4	-	-	8.3	-	17.7
Other by product [1]	19.2	5.4	-	-	1.7	-	29.6
Contract mining	-	-	-	-	-	63.5	63.5
Treatment and refining charges	(6.2)	(6.2)	-	-	(0.5)	-	(16.2)
Total net revenues	99.5	33.1	27.5	20.2	12.9	63.5	272.0

[1] *Consists of precious metals (gold, platinum and palladium)*

Revenues, other than contract mining, are generated by the sale of copper concentrate, copper cathodes and copper and nickel ore. For the sale of copper concentrate and copper and nickel ore, revenues are generally recognized at the time of delivery to a customer based on metal prices at that time; however, under current sales contracts, final pricing for copper sold in concentrate and copper and nickel ore is generally fixed, up to six months after the time of arrival of a shipment at the customer's port of delivery. As a result, the Company's revenues include estimated prices for sales, based on forward copper prices at year end, as well as pricing adjustments for sales that occurred in the previous year based on the difference between the actual price received and the price at year end for sales from the previous years that were not settled in that year. The pricing of copper cathode sales is generally set in the month of shipment or one month after the time of shipment and therefore pricing adjustments in subsequent periods are minimal. Revenues from sales of Sudbury copper and nickel ores are recognized based on the payable metals that are estimates based on metallurgical testing and interim payment terms, neither of which is binding and, as such, final payment terms could differ from those reported. Contract mining revenues are generated from services performed.

Q1 2014 net revenues decreased by $124 million or 46% compared to 2013. The decrease in net revenues is due to decrease in production at Robinson, lower contract mining revenues from DMC, decline in realized copper price (19%), and the cessation of mining at Podolsky. Copper spot price at March 31, 2014 was $3.01/lb compared to $3.44/lb at March 31, 2013.

Revenues at Morrison and McCreedy West in Q1 2014 included non-cash revenue of $2.1 million representing the amortization of a deferred revenue liability related to the Company's obligation to sell 50% of the gold, platinum and palladium contained in ore mined and shipped from certain deposits to Franco-Nevada (formerly Gold Wheaton).

Mine operating expenses and operating income

	Three months ended March 31, 2014							
	Robinson	Morrison	Franke	Carlota	McCreedy West	DMC	Other	Total
Net revenues	30.6	31.3	34.8	16.7	7.7	26.6	-	147.7
Depreciation and amortization	13.0	13.4	5.2	-	1.6	1.1	-	34.3
Employee benefits expense	12.2	6.0	5.9	4.3	1.8	10.2	0.4	40.8
Raw materials, other consumables and energy	24.5	6.9	16.3	6.9	2.0	-	1.1	57.7
Office expenses	3.7	1.6	2.5	1.1	0.3	0.6	0.1	9.9
External services	5.7	4.8	3.5	1.2	1.8	13.9	0.2	31.1
Royalties	1.1	-	-	0.6	-	-	-	1.7
Changes in Inventories	(14.8)	0.2	0.3	1.3	0.3	-	-	(12.7)
Distribution costs	5.5	1.0	0.7	-	0.4	-	-	7.6
Cost of Sales	50.8	33.9	34.4	15.4	8.2	25.8	1.8	170.3
Operating income (loss)	(20.2)	(2.6)	0.4	1.3	(0.4)	0.8	(1.8)	(22.7)

	Three months ended March 31, 2013							
	Robinson	Morrison	Franke	Carlota	Podolsky	McCreedy West	DMC	Total
Net revenues	99.5	33.1	27.5	20.2	15.3	12.9	63.5	272.0
Depreciation and amortization	7.9	12.3	5.3	-	1.9	2.4	1.1	30.9
Employee benefits expense	17.6	5.8	7.5	4.3	2.3	3.2	11.3	52.0
Raw materials, other consumables and energy	40.6	6.9	18.6	9.8	2.0	2.7	-	80.6
Office expenses	3.2	1.3	2.6	0.8	0.5	0.2	0.6	9.2
External services	4.5	3.7	4.8	1.2	3.1	2.7	41.4	61.4
Royalties	3.0	-	-	1.0	-	-	-	4.0
Changes in Inventories	(32.4)	(1.6)	(7.2)	(2.6)	0.2	(0.1)	-	(43.7)
Distribution costs	10.5	0.9	0.3	-	1.2	0.8	-	13.7
Cost of Sales	54.9	29.3	31.9	14.5	11.2	11.9	54.4	208.1
Operating income (loss)	44.6	3.8	(4.4)	5.7	4.1	1.0	9.1	63.9

Cost of sales decreased by $38 million or 18% in Q1 2014 compared to Q1 2013 primarily due to the lower cost of sales at Robinson, DMC and Podolsky. Lower cost of sales at Robinson for Q1 2014 compared to Q1 2013 is primarily due to the decrease in distribution cost as a result of lower sales volume as well as cost savings initiatives implemented ("**Review of Operations and Projects**"). Cost of sales at DMC were lower during the current quarter as contract mining activities decreased compared to the same period in 2013 from the change in project phases and the completion of projects in 2013 that are non-recurring. Podolsky completed the mining of its economic resource at the end of Q1 2013.

General & administrative and other expenses

General and administrative expenses for Q1 2014 were $11.7 million compared to $17.7 million for the same period of 2013 primarily due to higher management consulting fees incurred in Q1 2013.

The Company recognized finance income of $20.5 million for Q1 2014 and $16.6 million for Q1 2013. The increase in 2014 was primarily due to the interest earned from the loans to Sierra Gorda JV.

Finance expenses for Q1 2014 of $13.9 million was higher than the same period in 2013 of $11.0 million mainly due to financing expense on the corporate facility entered into in Q2 2013.

The Company recorded a foreign exchange loss of $2.6 million for Q1 2014 compared to $0.4 million foreign exchange gain in Q1 2013. The loss in 2014 is primarily due to the depreciation of the Canadian dollar during the quarter. Foreign currencies are held to mitigate the risks related to costs incurred in those currencies. In Q1 2013 the Company recognized an impairment charge to marketable securities of $26.8 million due to the fair values being below cost for a prolonged period.

The Company recorded an income tax recovery of $3.8 million in Q1 2014 compared to income tax expense of $14.9 million in the same period of 2013. The tax recovery for the current quarter has been recorded based on an estimated annual effective tax rate of 18% (March 31, 2013 – 31%) excluding the effect of certain one-time accounting adjustments. The decrease in effective tax rate in Q1 2014 over Q1 2013 is mainly caused by the impairment charge on marketable securities in 2013.

REVIEW OF OPERATIONS AND PROJECTS

PRODUCTION SUMMARY

Production for the quarter ended March 31, 2014 and 2013 from the Company's operating mines is summarized as follows:

	Three months ended March 31	
	2014	2013
Copper production (Mlbs)		
Robinson [(2)]	**17.1**	36.5
Morrison deposit [(4)]	**7.7**	7.3
Franke [(3)]	**10.9**	10.6
Carlota [(3)]	**5.8**	5.6
Podolsky [(4)]	**0**	4.1
McCreedy West [(4)]	**0.7**	1.0
	42.2	65.1
Nickel production (Mlbs)		
Morrison deposit [(4)]	**1.5**	1.1
Podolsky [(4)]	**0**	0.1
McCreedy West [(4)]	**0.7**	1.1
	2.2	2.3
TPM [(1)] (kozs)		
Robinson [(2)]	**5.9**	15.4
Morrison deposit [(4)]	**9.3**	7.6
Podolsky [(4)]	**0.0**	3.9
McCreedy West [(4)]	**0.7**	1.4
	15.9	28.3
Total copper equivalent (Mlbs) [(5)]	**52.9**	82.0

[(1)] *Total precious metal, including gold, platinum and palladium*
[(2)] *Payable metals produced in concentrate*
[(3)] *Produced in cathode*
[(4)] *Shipped payable metal*
[(5)] *Copper equivalent amounts are based on average realized settlement commodity LME prices and excludes the impact of the Franco Nevada Agreement.*

Robinson (Nevada, U.S.)

	Three months ended March 31	
	2014	2013
Copper production payable (Mlbs)	**17.1**	36.5
Gold production payable (kozs)	**5.9**	15.4
Ore mined (Mt)	**2.9**	5.8
Waste mined (Mt)	**18.8**	11.8
Ore milled (Mt)	**3.3**	4.1
Copper grade (%)	**0.36**	0.47
Gold grade (g/t)	**0.16**	0.21
Copper recovery (%)	**69.8**	89.2
Gold recovery (%)	**34.6**	50.0
Cash cost per pound of copper sold ($/lb)	**$3.39**	$1.47
Capital expenditure	**$20.3**	$4.6
Cost of goods sold*	**$41.1**	$49.3
Operating income (loss)	**-$20.3**	$44.6

** Including royalties but excluding treatment and refining charges and depreciation, depletion and amortization*

Copper production in Q1 2014 was significantly lower than Q1 2013 due to lower tonnage, grades and recoveries from the new Kimbley pit that could not be mitigated because of permitting delays. Ores processed in Q1 2014 originated from the upper Kimbley pit; were lower grade, more oxidized and contained higher clays than planned, which negatively impacted Robinson's mill performance. In Q1 2013, ore was mined and processed from the Ruth East pit with higher quality ore (grade, recoveries and mill throughput) and resulted in record mill performance. In addition, a five day unscheduled SAG liner change-out to replace a set of defective SAG mill liners impacted mill throughput at Robinson in January 2014. Similarly, Gold production in Q1 2014 was lower than Q1 2013 due to a decline in grade, recovery and milling rates.

Total tonnes mined in Q1 2014 increased by 23% compared to Q1 2013 primarily due to development activities at the Kimbley and Ruth pits. The Kimbley pit required access to higher quality ores from the pit's lower elevations and the Ruth East pit required accelerated pushback development in order to access higher quality Ruth East ores for the second half of 2014. In addition, development of the remaining ore in the bottom of the Ruth West pit started in Q1 2014 and will be used as a positive ore blend option for Q2 2014. These development actions will improve the ore blend and production performance at Robinson for the remainder of 2014 and will position the mine for higher quality Ruth East ore delivery in 2015.

Robinson production costs and capital expenditures

Costs of goods sold for Q1 2014 were lower than the same period of 2013 primarily due to a decline in sales volume after the capitalization of waste removal costs related to future ore production. Copper sales decreased by 57% in Q1 2014 compared to the same period of 2013 due to the change in ore quality, decrease in copper production and increase in inventories. The effect of the capitalization of waste removal costs was partially offset by the adjustment on Robinson's stockpile and concentrate inventory as a result of the decline in copper grade and recovery.

The cash cost per pound of copper sold is a non-IFRS term and consists of onsite and offsite costs, less by-product revenue, divided by the pounds of payable copper sold in the period (see **"Non-IFRS Financial Measures"**). The cash cost per pound of copper sold for Q1 2014 was $3.39 compared to $1.47 in Q1 2013. The increased cash cost per pound of copper sold in the current quarter is primarily due to a 59% decrease in by-product revenue compared to the same period last year and the inventory adjustment recorded in Q1 2014.

Capital expenditures at Robinson in Q1 2014 primarily related to mine development stripping.

Robinson Outlook

In order to improve quarterly production levels from Robinson for the remainder of 2014, Robinson expects to mine and process an improved blend of ores from the Ruth West drop-cut and the Kimbley pit, while developing and mining a higher quality ore from the Ruth East pit in the second half of 2014. Robinson will apply new ore blending strategies to increase recoveries and prioritize stripping of Ruth East to accelerate the access of better quality ore. Subsequent to the quarter end, copper production at Robinson in month of April was over 8 million pounds, almost half of the production of Q1 2014 as a result of blending to improve the quality of the ore and the amount of related production. In addition, Robinson has initiated aggressive cost cutting measures to reduce operating cost. Non-critical capital expenditures have been reduced or deferred and capital spending for the remainder of the year will be primarily attributed to mine development.

Morrison deposit (Ontario, Canada)

	Three months ended March 31	
	2014	2013
Copper ore sold (kt)	**60.2**	48.5
Copper grade (%)	**6.7**	8.5
Copper sold - payable (Mlbs)	**7.7**	7.3
Nickel sold - payable (Mlbs)	**1.5**	1.1
Gold sold - payable (kozs)	**1.7**	1.6
Platinum sold - payable (kozs)	**2.1**	2.0
Palladium sold - payable (kozs)	**5.5**	4.1
Cash cost per pound of copper sold ($/lb)	**$1.78**	$1.74
Capital expenditure	**$8.0**	$7.5
Cost of goods sold*	**$20.4**	$18.3
Operating income (loss)	**-$2.6**	$3.8

**Excluding treatment and refining charges and depreciation, depletion and amortization*

Copper ore sold in Q1 2014 increased by 24% compared to Q1 2013 as the site experienced improved infrastructure reliability. Copper grades in Q1 2014 were lower than Q1 2013 due to increased long-hole production and decreased trunk vein mining as anticipated in the current mine plan. Overall, metal production for all metals was higher in Q1 2014 than Q1 2013 as a result of the increased throughput.

Morrison production costs and capital expenditures

Cost of goods sold for Q1 2014 was slightly higher compared to the same period last year mainly due to the incremental cost increase from the additional ore volume mined for the quarter.

The cash cost per pound of copper sold for Q1 2014 was $1.78 compared to $1.74 in Q1 2013, with the additional metal produced being offset by the higher cost of goods sold and slight decline in metal prices from by-product metals.

Capital spending in Q1 2014 comprised primarily of lateral and vertical development activities and waste haulage, similar to Q1 2013.

Morrison deposit outlook

Production volumes and grades are expected to increase slightly in Q2 2014, consistent with the plan for the year. Backfilling of current voids will be a priority for the site in order to achieve planned mining rates. Capital development in the access to the 5000’ elevation will continue at or above planned advance rates. Diamond drilling will continue from the 4580 and 4640 horizons to delineate 2015 production areas until the lower access development is completed.

Other Operations*

	Three months ended March 31	
	2014	2013
Copper production (Mlbs)	**17.4**	21.2
Nickel production (Mlbs)	**0.7**	1.2
TPM[(1)] (kozs)	**0.7**	5.3
Cash cost per pound of copper sold ($/lb)	**$2.76**	$2.81
Capital expenditure	**$4.6**	$0.0
Cost of goods sold[(2)]	**$52.6**	$60.4
Operating loss	**($0.3)**	$6.4

** Other Operations consist of Franke, Carlota, McCreedy West and Podolsky*
(1) Total precious metal, including gold, platinum and palladium
(2) Including royalties and excluding depreciation, depletion and amortization

Copper production for Q1 2014 decreased from the same period in 2013 primarily due to the completion of production at the Podolsky mine, partially offset by increased production from Franke. The economic resource was depleted at Podolsky and mine production came to a close at the end of Q1 2013.

Despite a decline in ore grade, Q1 2014 copper production at Franke slightly increased by 3% from 10.6 million pounds to 10.9 million pounds compared to the same period in 2013. Franke continues to blend ore from Franke and China pits, yielding a 23% increase in recoveries.

Copper production at Carlota slightly increased due to an increase in copper grade. Planned reduction in the overall mining rate, resulted in a decrease in ore mined, tonnes of ore placed on the pads and waste tonnes moved in Q1 2014 compared to the same period last year.

On January 17, 2014, the Company was given official notice from Glencore's Sudbury Integrated Nickel Operations to exercise a 30-day cancellation clause for the commercial agreement of McCreedy West's Nickel ores. The last shipment of nickel ore was made on February 16, 2014. Consequently, the McCreedy West operations has temporarily suspended nickel ore mining, while accelerating copper ore production in Q1 2014. Overall throughput at the operations has decreased as the mine has switched from nickel ore to copper ore mining.

Production costs and capital expenditures

Cost of goods sold for Q1 2014 decreased by 13% compared to 2013 due to a decline in costs at Podolsky due to the cessation of the mine in Q1 2013.

The decrease in cash cost per pound of copper sold in Q1 2014 compared to the same period 2013 is due to a reduction in cash cost per pound sold at Franke from $3.70/lb in Q1 2013 to $2.66/lb in Q1 2014. Franke recorded an overall decrease in costs and increase in production primarily due to the improved recoveries from the change in China:Franke ore blending ratio combined with a decrease in acid and labour costs.

Capital expenditures for Q1 2014 related to Franke and included improvements to the camp, process equipment replacement and exploration asset additions for the quarter. There were minimal capital expenditures for Q1 2014 at McCreedy and no capital expenditures at Carlota.

Other Operations Outlook

The successful blending of the 2:1 China:Franke pit ore will continue into the second quarter of 2014. Franke and Union One successfully negotiated a collective bargaining agreement in April 2014.

Carlota is implementing a mine-for-closure plan which optimizes cash flow while advancing activities related to the winding down of operations. Based on the current mine plan, the mining of ore is expected to continue through Q2 2014, followed by residual leaching for approximately two years. Concurrent reclamation activities will be implemented using existing manpower and equipment to minimize long term environmental risk of the property. Carlota will continue to mine oxide ore.

Remaining 2014 production at McCreedy West will be from the 700 Complex. The site is targeting 109 thousand tons for 2014; 41% of the production has been mined from the contact nickel ores and the remainder will be mined from the Copper ores from the 700 Complex.

PROJECTS UNDER DEVELOPMENT

Sierra Gorda Joint Venture

The following information is reported on a full 100% project basis. The Company is responsible for 55% of these amounts.

In Q1 2014 the Sierra Gorda project invested $455 million in capital expenditures, including progress payments for mining and plant equipment, camp, infrastructure and plant construction, and other project related payments. At March 31, 2014 the JV had cash of $230 million. Because the Company accounts for the JV using equity based accounting principles, the cash is not included in KGHMI's cash balance.

Sierra Gorda activities and outlook

As of March 31, 2014 the Sierra Gorda project's overall progress was 94.5% complete. During Q1 2014 the project completed the detailed engineering phase for the molybdenum plant and tailings storage facility. In addition, the majority of the major procurement was completed. At the end of Q1 2014, the mechanical construction of the seawater pipeline was completed, overall construction progress of the tailings storage facility was 93.1% complete and 87.9% of the overall plant construction progress was complete.

In March 2012, the pre-stripping commenced and a total of 192 million tonnes of waste, sulfide ore and oxide material were mined by the end of Q1 2014, representing the completion of pre-stripping phase in the mine with 700 thousand tonnes of sulfide ore in stockpile near the primary crusher. The project is expected to commence production in 2014.

During 2013, the JV entered into lease agreements to lease various mining equipment with minimum lease payments of $62 million. These lease agreements have been accounted for as finance leases with a term of 84 months, and the interest rate varies based on the specific lease agreement. Most of the leases are based on the 90-day Libor rate plus a margin. As announced in Q2 2013, the project continues to see cost pressures but is pursuing opportunities to reduce funding needs to compensate for those pressures.

As of March 2014, the Sierra Gorda JV had made gross contract commitments of approximately $4.0 billion including leased mining equipment, plant equipment, infrastructure and construction services. Approximately $3.7 billion of the committed amounts have been incurred.

The Community of Antofagasta, including several members of the municipal government, an Elected Deputy of the district, a local architect and doctor filed two constitutional actions before the Court of Appeals of Antofagasta against the Commission of Environment of the Second Region, Antofagasta Railway Company PLC, International Port of Antofagasta, and the Sierra Gorda JV to annul the environmental authorization permitting the transportation and storage of copper concentrate from the mine site to the port of Antofagasta. The plaintiff's claimed that the permits required a full environmental impact study and more public participation. The Sierra Gorda JV and its counsel and the co-defendants maintain that the environmental permitting were properly obtained, and prepared the defense that the claims are not legal or supported in practice and law. Both actions were combined by the Court of Appeals, and the request for injunction made by the plaintiffs to stop the construction of the storage warehouses where the copper concentrate is to be stored was ultimately granted. Construction actions at Sierra Gorda SCM were not impacted and development of the unit trains for transporting Sierra Gorda JV's concentrate was not affected. On February 26, 2014, the Court of Appeals of Antofagasta accepted the claims in the plaintiffs favor and nullified the DIA permits for ATI, FCAB and SG SCM. SG SCM's original 2011 EIA permit remains in full effect. The Company filed an appeal with the Chilean Supreme Court to reverse the lower Court's decision.

The Supreme Court agreed to hear oral arguments from Sierra Gorda JV, ATI, FCAB and SEA in April, which were presented. A ruling from the Supreme Court on this issue is expected in May 2014. The Company expects to receive a favorable ruling from the Supreme Court that upholds the company's 2012 DIA permit. However, alternative plans to transport and sale Sierra Gorda JV concentrates were developed and continue to advance as a contingency.

Sierra Gorda Oxide Ore

The Sierra Gorda Oxide deposit is part of the Sierra Gorda mineral property. The Company is evaluating the opportunity for copper production from Oxide ores mined at the Sierra Gorda project. In 2012, a Pre-Feasibility study indicated that processing of the oxide ores, which are being mined as part of the pre-stripping and normal mine development activities, was feasible. Heap leach and column leach testing of the oxide ores continued in Q1 2014 yielding excellent results. The Company is advancing a Feasibility Study for the development of the Oxide resource for the remainder of the year which will better define the opportunity. The Feasibility study and leach testing data will be presented to Sumitomo for review and consideration for participation in 2014 in the growth project. Under the terms and conditions of the JV agreement Sumitomo has the option to participate in the Oxide project, or the Company can develop the resource independently of the JV.

Victoria Project

During Q1 2014, the Company continued to advance the project management plan with the primary focus on engineering and site preparation required to facilitate the advanced exploration shaft and underground development. Engineering on hoisting systems are complete and fabrication is progressing. Site preparation continues to progress with substantial completion of overburden stripping and initiation of project site levelling.

The Company continued to advance discussions regarding the Impact Benefit Agreements with the Sagamok Anishnawbek and Atikameksheng Anishnawbek First Nations.

The Company has received preliminary drafts of all environmental permits and are working with the Ministry of Environment to finalize the permits. The closure plan and environmental permits are required by the Province of Ontario prior to commencement of site construction.

In addition to the execution engineering of the early works, a third party engineering team has been assembled to deliver a front-end-load study for the entire project by early Q4 2014.

Victoria Project Outlook

It is anticipated that all of the environmental permits required will be issued in the near future. These permits have to be obtained prior to initiating construction of the site facilities, which is currently scheduled at the end of Q2 2014.

The Company will continue engineering efforts and procurement of long lead items and in preparation for infrastructure construction and shaft development.

SNC performed a preliminary project status review and identified a number of areas for further review. The primary concern is a lack of a feasibility study. The project had a Preliminary Economic Assessment (PEA), which has not been updated to reflect the change in methodology from simultaneous sinking two shafts to sinking an exploration shaft followed by the sinking of a production shaft. An Independent Integrated Development Study (IIDS) had been commissioned to provide the necessary engineering and front end loading requirements in order to advance the project forward.

DMC Mining Services

In Q1 2014, DMC recorded revenue of $26.6 million compared to $63.5 million in the same period in 2013. The decline was mainly attributable to the progression of a large shaft sinking project in Canada and non-recurring 2013 contracts in the United States, which were completed and delivered successfully in 2013.

Operating income for Q1 2014 was $0.8 million compared to $9.1 million in the same period in 2013. In addition to the aforementioned contract in Canada and completion of projects in the United States, DMC's operating results were negatively impacted by the decline in gold prices, resulting in early suspension of work in Canada and the United States.

DMC Outlook

With lower near term commodity prices, DMC expects a reduction in new work being tendered in the market for the remainder of 2014. DMC carries out work for the Company and revenue and profit is eliminated from the financial results. DMC is in negotiations to be a major contract for the Victoria project. DMC continues to expect to outperform client expectations and to work closely with clients for cost savings measures for the remainder of 2014.

Over the next few years, DMC expects to invest in and expand the raise boring business, a niche market in which DMC has built a solid reputation and expertise.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2014, the Company had cash and cash equivalents of $156.2 million. These amounts are comprised of cash deposits and highly liquid investments that are readily convertible to cash. The counter parties include banks, governments and government agencies.

The Company used cash in operating activities of $2.5 million for the first three months of 2014 compared to $34.7 million of cash generated for the same period for 2013. Adjusting for non-cash impairment in Q1 2013, the decrease in operating cash flow Q1 2014 compared to Q1 2013 is largely driven by lower net income before tax, offset by the change in working capital (see "**Mine operating expenses and operating income**").

At March 31, 2014, the Company had working capital of $345.4 million as compared to $437.2 million at December 31, 2013. The decrease in working capital in the first three months of 2014 is primarily a result of the advances to Sierra Gorda JV and capital expenditures offset by draws on the Corporate Facility as explained below. At March 31, 2014, accounts receivable and revenues include approximately 24.6 million pounds of copper that has been provisionally valued at $3.01/lb. The final pricing for these provisionally priced sales is expected to occur between April and July 2014. Changes in the price of copper from the amounts used to calculate the provisional values will impact the Company's revenues and working capital position in the second and third quarters of 2014.

Capital spending in Q1 2014 was $45.1 million for operations and projects. In the first three months 2014, the Company advanced as subordinated debt $132.0 million to Sierra Gorda JV for the construction of the Sierra Gorda mine. Subject to the subordination conditions to the Senior Project Loans, interest and principal on the subordinated debt are payable on demand.

To provide funds for general corporate purposes the Company entered into a $200 million Corporate Facility dated for reference June 19, 2013. In Q1 2014, KGHM provided a letter of credit in the amount of $137.5 million on behalf of the Company for the Sierra Gorda joint venture power purchase agreement ("PPA obligation") thereby releasing $137.5 million of capacity in the Corporate Facility which was utilized at December 31, 2013. In Q1, 2014, the Company drew an additional $95.0 million in cash as well as utilized $11.1 million of financing for new letters of credit. Total draws under the facility at March 31, 2014 was $167.1 million

Liquidity Outlook

The Company's future profitability and cash position are highly dependent on the price of copper and to a lesser extent, precious metals and nickel. Future changes in the price of copper will also impact the final settlement price of provisionally priced sales. The Company expects to spend approximately $675 million on capital for operations and projects for the rest of 2014. At projected metal prices, the Company expects that it will be able to meet the operating cash requirements from existing resources and cash flow from operations. Project spending is expected to continue to be funded by the parent KGHM.

Commitments and contractual obligations

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
Reclamation liabilities	24.5	29.1	18.5	10.2	17.1	72.3	171.7
Franke Mine supply contracts	10.5	10.8	11.4	11.2	10.3	32.1	86.3
Senior Notes	38.8	38.8	38.8	38.8	38.8	519.4	713.4
Minimum lease payments	7.6	6.2	6.0	6.0	3.6	11.3	40.7
Corporate Facility	-	-	-	167.1	-	-	167.1
Total	81.4	84.9	74.7	233.3	69.8	635.1	1,179.2

As at March 31, 2014, the Company's proportionate 55% share of the contractual commitments for capital at Sierra Gorda totaled $204.5 million including purchase orders for mining equipment and infrastructure. Contractual commitments for commercial operations totaled $1,565.2 as at March 31, 2014.

Reclamation liabilities

The Company has estimated total future reclamation costs of $171.7 million as at March 31, 2014 (undiscounted nominal dollar), which are primarily related to the closure of the US, Canada and Chile operations. The accounting carrying value of this liability is $151.9 at March 31, 2014 based on the estimated discounted future payments.

To secure a portion of the closure costs related to Robinson, Carlota and Sudbury operations, the Company has posted environmental bonds and held cash in a reclamation trust totalling $47.8 as at March 31, 2014 ($48.1 million as at December 31, 2013). In the first three months of 2014, $11.1 million of new Letters of Credit for environmental bonding were issued under the Corporate Facility.

The Company revises the reclamation plan and cost estimate for Robinson annually as required by the US Bureau of Land Management and adjusts the amount of the bond accordingly. The reclamation plan and cost estimate for Carlota is updated every five years as required by the regulator and the amount of the bond is adjusted accordingly. There is currently no environmental bonding in place at Franke. A closure plan for Podolsky is finalized. Closure plans for the McCreedy West and Levack operations are governed by arrangements between the Ontario Government and Vale and between Vale and the Company.

Franke Mine supply contracts

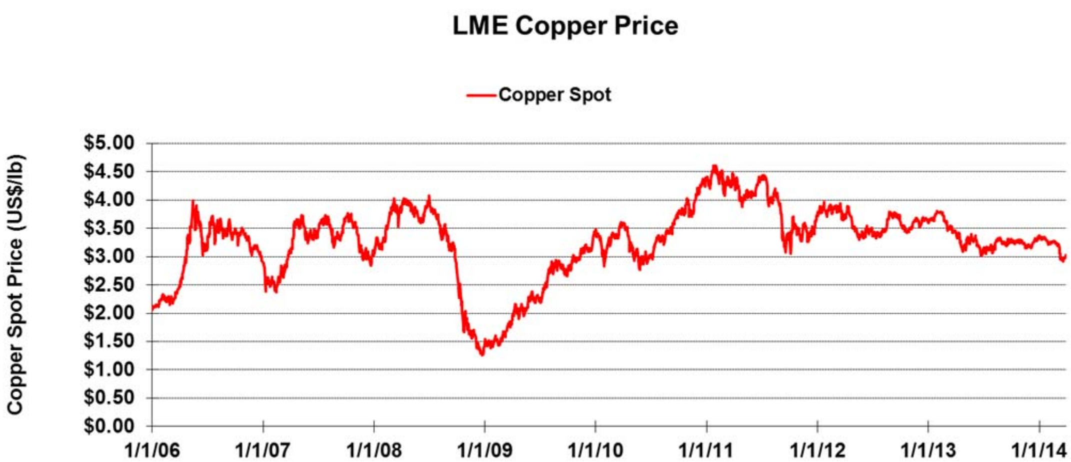
The Company has a long-term supply contract for sulphuric acid for use in the copper extraction process at Franke, which expires in 2022. The Company is committed to purchase 150,000 tonnes of sulfuric acid per annum at a base price of $27/tonne. The base price for acid in the contract is increased by $2.50/tonne for each $0.10/lb that the copper price exceeds $1.10/lb.

Franke also has a long-term supply contract for industrial water which expires in 2020. The copper price adjustment requires, on an annualized basis, that approximately an additional $120 be paid for each $0.15/lb that the copper price exceeds a base price of $1.50/lb. The Company has also entered into various supply and other contracts for operation and development of Franke.

MARKET TRENDS AND FUNDAMENTALS

Copper prices averaged $3.19/lb in Q1 2014. Despite worries of Chinese economic growth, the market continues to be supported by solid Chinese demand, tight scrap availability, smelter bottlenecks and improving economic circumstances in Europe. Looking forward, the company believes copper market fundamentals will remain strong over the long term. Long term supply will be challenged because of project delays due to CAPEX and OPEX overruns, environmental, political, sovereignty and taxation issues in many regions where proposed projects are being developed. Long term demand will continue to benefit from urbanization of emerging market countries such as China and an acceleration of growth in OECD economies will also provide a positive backdrop for copper demand.

The following graph shows the spot price of copper from 2006 to April 30, 2014 as published by the London Metal Exchange ("LME").



At March 31, 2014, the closing spot price was $3.01/lb. At April 30, 2014, the closing spot price was $3.05/lb. The reference price of copper metal is determined by trading on the LME, where the price is set in U.S. dollars at the end of each business day.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's revenues and cash flows are subject to fluctuations in the market price of copper and gold. In addition, there is a time lag between the time of initial payment on shipment and final pricing, and changes in the price of copper and gold during this period impact the Company's revenues and working capital position.

The following table summarizes the impact of the changes in copper price on the Company's after tax earnings for 2014:

Copper price	**Impact on the after tax earnings (excluding derivatives)**
+ $0.20/lb	30.0
- $0.20/lb	(30.0)

A proportion of the spending in the Sierra Gorda project ("the project") is denominated in Chilean Pesos ("CLP"). To manage this risk, the Company and the project purchased and held CLP investments which are being drawn down over the construction period. At March 31, 2014, the Company held $3.9 million (December 31, 2013 $4.1 million) and the project held $13.2 million (December 31, 2013 $215.1 million) in CLP denominated cash and cash equivalents. In addition in January 2014, the Company purchased puts for the equivalent of $200.0 million in CLP with a strike price of 525 which expired between January and March 2014 unexercised. The puts provided the Company with downside protection in the event of CLP strengthening against the USD while allowing upside participation.

CONTINGENCIES

(a) 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 Company has not made any payments under such indemnifications and no amounts have been accrued in the financial statements with respect to these indemnification commitments.

(b) The Company is subject to lawsuits from time to time. The existing lawsuits are not disclosed on the grounds that they are not believed to be material.

TRANSACTIONS WITH RELATED PARTIES

Upon formation of the Sierra Gorda JV, the joint venture became a related party with the Company. The amount due from the Sierra Gorda JV is $12.8 million at March 31, 2014 (December 31, 2013- $9.5 million) (Note 6). This amount is repayable in the normal course of business.

Management fees payable to the Company for the period ended March 31, 2014 was $6.3 million (March 31, 2013- $6.3 million) from the Sierra Gorda JV. In the third quarter of 2013, it was agreed that 50% of management fees and 100% of the letter of credit guarantee fees payable to the Company be deferred for the period from July 1, 2013 to January 1, 2015. As at March 31, 2014, $9.4 million (December 31, 2013- $6.3 million) of the management fee and $3.9 million (December 31, 2013- $2.9 million) of a letter of credit guarantee fee have been deferred (Note 7). The outstanding amounts bear an interest rate of 0.75% per annum.

On March 5, 2012, the Company loaned $110.9 million 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 Company. In Q1 2013, the maturity date was extended to March 5, 2014. 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. Bidco repaid $13.2 million of the above principal and interest on February 28, 2013. On March 10, 2014, Bidco repaid $105.6 million, being the remaining principal and interest.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing financial statements management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates and actual results may differ materially from results based on these estimates. These estimates and assumptions are also affected by management’s application of accounting policies. Critical accounting policies and estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management.

Mineral Properties

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. Such capitalized costs are then amortized over the remaining life of the mine based on proven and probable reserves. The determination of the extent of reserves is a complex task in which a number of estimates and assumptions are made. These involve the use of geological sampling and models as well as estimates of future costs. New knowledge derived from further exploration and development of the ore body may also affect reserve estimates. In addition the determination of economic reserves depends on assumptions on long-term commodity prices and in some cases exchange rates.

The carrying value of mineral properties is reviewed regularly and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized for a mineral property if its carrying value exceeds the higher of total discounted cash flows expected from its use and disposal ("value in use") or fair value less costs to sell. Discounted cash flows for mineral properties are estimated based on a number of assumptions including management's view of long-term commodity prices, proven and probable reserves, estimated value beyond proven and probable reserves, and estimates of future operating, capital, reclamation costs, residual values of assets and discount rate. Based on management's view of future metal prices and cost assumptions, the carrying value of the Company's mineral properties was not impaired at March 31, 2014.

Goodwill

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 Company 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.

Goodwill is not amortized; instead it is tested annually for impairment at year end. In addition, at each reporting period the Company assesses whether there is an indication that goodwill is impaired and, if there is such an indication, the Company 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.

Leach Pad Inventory

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 engineering 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 will be refined based on actual results over time.

Revenue Recognition

Sales are recognized and revenues are recorded at market prices when title transfers and the rights and obligations of ownership pass to the customer. The majority of the Company's product is sold under-pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. For sales of Robinson's concentrates and Sudbury's copper and nickel ores, final pricing is generally determined three to six months after the date of sale. For the sales of copper cathode, final pricing is generally determined in the month or the subsequent month after the date of sale. The Company estimates provisional pricing for its product 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. As a result, revenues include estimated prices for sales in that period as well as pricing adjustments for sales that occurred in the previous period. These types of adjustments can have a material impact on revenues.

Site Closure and Reclamation Provision

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. In previous years the Company has revised its estimate of the timing and amount of closure costs at its mines, which resulted in adjustments to the liability recorded in the Company's financial statements. The estimate of the total liability for future site restoration costs is subject to change based on risk free interest rates, amendments to laws and regulations and may also change as new information concerning the Company's operations becomes available. The Company 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.

Financial Instruments

Financial instruments are designated as loans and receivables, available for sale and "fair value through profit and loss". Financial instruments are recorded in the balance sheet as either an asset or liability with changes in fair value recognized in the consolidated comprehensive income. 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. The estimate of fair value of available for sale and "fair value through profit and loss" financial instruments is based on quoted market prices or, in their absence, third-party market indications and forecasts. The estimated fair value of financial assets and liabilities is subject to measurement uncertainty.

Deferred Stripping

The Company adopted IFRIC-20, Stripping cost in the production phase of a surface mine ("IFRIC 20"). 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. In Q1 2014, the Company capitalized $23.2 million in deferred stripping, of which, $1.1 related to capitalized amortization.

Deferred Income Tax Assets

Management believes that uncertainty exists regarding the realization of certain deferred tax assets and therefore a valuation allowance has been recorded as of March 31, 2014. At March 31, 2014 the Company had available U.S. Alternative Minimum Tax Credits of $36.6 million, which have not been recognized due to the uncertainty of realization. The Company also has not recognized the benefit of certain non-capital losses. However, the Company has recognized a net current deferred income tax asset for other temporary differences created between the tax and accounting basis of assets and liabilities in the United States and the Company's Sudbury operations. Management estimates that, using long term copper prices in line with its mine plan estimates, the future taxable income will be sufficient to utilize the deferred tax assets which have been recognized.

OUTSTANDING SHARE DATA

At March 31, 2014 the total number of issued and outstanding shares was 199,836,316. On April 24, the Company issued 83,805,200 shares to its shareholder KGHM to increase the total outstanding shares at May 13, 2014 to 283,641,516.

SUMMARY OF QUARTERLY OPERATING RESULTS

The following table summarizes the financial and operating results of the most recent eight quarters (unaudited):

SUMMARY OF QUARTERLY FINANCIAL RESULTS	2014	2013				2012		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net revenues *								
Robinson	30	85	72	151	100	162	151	120
Carlota	17	19	15	18	20	23	22	20
Franke	35	45	44	29	28	41	34	42
Morrison	31	58	40	36	33	53	44	32
Podolsky	0	0	2	0	15	13	15	20
McCreedy West	8	9	7	10	13	9	11	8
DMC	27	37	44	71	63	76	83	95
Net revenues - Total	**148**	**253**	**224**	**314**	**272**	**378**	**358**	**336**
Operating (loss) income	(22.7)	(25.0)	6.2	26.9	63.9	65.2	64.7	(1.1)
Earnings (loss) before income taxes	(24.4)	(44.9)	20.2	12.6	29.7	47.3	68.8	(14.9)
Earnings (loss)	(20.6)	(20.7)	13.6	1.7	14.8	44.3	54.5	(27.7)
Basic earnings (loss) per share	($0.10)	($0.10)	$0.07	$0.01	$0.07	$0.22	$0.27	($0.14)
Diluted earnings (loss) per share	($0.10)	($0.10)	$0.07	$0.01	$0.07	$0.22	$0.27	($0.14)

SUMMARY OF QUARTERLY OPERATING RESULTS								
	2014	**2013**				**2012**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Robinson								
Cu produced payable (Mlbs)	17.1	21.9	18.6	30.8	36.5	34.3	30.2	30.9
Ore milled (Mt)	3.3	3.4	3.4	3.9	4.1	4.0	3.4	3.7
Au production payable (kozs)	5.9	7.2	7.5	15.0	15.4	10.6	10.2	9.7
Cu grade (%)	0.36	0.39	0.37	0.45	0.47	0.49	0.56	0.53
Au grade (g/t)	0.16	0.16	0.20	0.24	0.21	0.22	0.29	0.25
Cu recovery (%)	69.8	76.9	71.4	81.9	89.2	83.5	75.4	74.6
Au recovery (%)	34.6	42.0	33.5	55.5	50.0	39.3	34.4	34.2
Cu sales (Mlbs)	10.7	22.1	17.8	43.4	24.8	41.2	36.9	32.5
Average realized price ($/lb)	$2.41	$3.39	$3.39	$3.05	$3.49	$3.49	$3.78	$3.34
Cash cost per pound of copper sold ($/lb)	$3.39	$1.68	$2.52	$1.84	$1.47	$2.00	$2.36	$2.69
Carlota								
Cu production (Mlbs)	5.8	5.5	4.5	5.8	5.6	5.8	6.1	5.5
Ore placed (Mt)	0.7	0.9	1.0	0.9	1.2	1.3	1.1	1.3
Total Cu grade (%)	0.68	0.58	0.57	0.58	0.61	0.61	0.66	0.60
Cu sales (Mlbs)	5.4	5.7	4.7	5.6	5.7	6.4	6.2	5.6
Average realized price ($/lb)	$3.11	$3.22	$3.22	$3.23	$3.57	$3.59	$3.48	$3.57
Cash cost per pound of copper sold ($/lb)	$2.83	$2.70	$2.55	$2.41	$2.46	$2.53	$2.58	$2.70
Franke								
Cu production (Mlbs)	10.9	11.8	12.7	8.8	10.6	10.7	10.5	8.8
Ore placed (Mt)	1.0	1.1	1.1	0.9	1.0	1.1	1.1	0.9
Total Cu grade (%)	0.66	0.70	0.71	0.72	0.67	0.72	0.68	0.78
Cu sales (Mlbs)	11.0	13.7	13.7	8.6	11.7	11.7	9.1	11.8
Average realized price ($/lb)	$3.17	$3.22	$3.22	$3.31	$3.74	$3.53	$3.60	$3.53
Cash cost per pound of copper sold ($/lb)	$2.66	$2.71	$2.70	$4.18	$3.70	$3.31	$3.30	$5.03
Morrison								
Cu ore sold (kt) (1)	60.2	78.6	63.0	70.7	48.5	70.3	55.8	53.0
Cu grade (%)	7.7	9.3	8.2	7.3	8.5	9.3	9.2	8.2
Payable Cu sold (Mlbs)	7.7	13.7	10.4	10.0	7.3	12.6	9.5	8.1
Payable Ni sold (Mlbs)	1.5	2.1	1.6	1.6	1.1	1.8	1.4	1.2
Payable TPM sold (kozs) (2)	9.3	15.8	12.9	8.1	7.6	10.0	9.3	7.7
Average realized price ($/lb)	$2.94	$3.18	$3.18	$3.02	$3.51	$3.51	$3.71	$3.23
Cash cost per pound of copper sold ($/lb)	$1.78	$1.08	$1.48	$1.91	$1.74	$1.19	$1.32	$1.43
Podolsky								
Cu ore sold (kt) (1)	0.0	0.0	1.5	0.0	88.0	88.8	76.8	98.7
Cu grade (%)	0.0	0.0	4.0	0.0	2.7	2.5	2.6	3.1
Payable Cu sold (Mlbs)	0.0	0.0	0.5	0.1	4.1	3.5	3.7	5.8
Payable Ni sold (Mlbs)	0.0	0.0	0.1	0.0	0.1	0.2	0.2	0.2
Payable TPM sold (kozs) (2)	0.0	0.0	0.5	0.3	3.9	6.1	1.6	5.4
Average realized price ($/lb)	N/A	N/A	N/A	N/A	$3.49	$3.52	$3.68	$3.28
Cash cost per pound of copper sold ($/lb)	N/A	N/A	N/A	N/A	$2.34	$2.91	$2.32	$2.00
McCreedy West								
Cu ore sold (kt) (1)	9.1	6.7	4.2	6.7	5.8	9.2	8.1	4.6
Cu grade (%)	3.3	5.0	3.6	4.8	3.6	3.7	5.3	3.6
Ni ore sold (kt) (1)	49.2	79.2	80.9	91.7	84.1	82.5	47.7	67.5
Ni grade (%)	1.2	1.0	1.0	1.2	1.3	1.3	1.2	1.3
Payable Cu sold (Mlbs)	0.7	0.8	0.3	0.9	1.0	0.8	1.0	0.5
Payable Ni sold (Mlbs)	0.7	0.9	0.6	1.1	1.1	0.8	0.8	0.9
Payable TPM sold (kozs) (2)	0.7	0.7	0.6	1.4	1.4	0.6	2.1	0.4
Average realized price ($/lb)	$2.91	$3.36	$5.50	$2.87	$3.57	$3.48	$3.73	$3.21
Cash cost per pound of copper sold ($/lb)(3)	$1.28	$5.18	$8.66	$2.84	($0.18)	$4.26	$0.40	$2.80

(1) Converted into metric tonne from original short ton

(2) Total precious metal, including gold, platinum and palladium

The quarterly performance of Robinson varies as a result of changes in head grade, metal recovery and waste stripping requirements. Due to the complex nature of the Robinson ore body, volatility in metal prices, and industry cost pressures the results have varied from quarter to quarter and this is expected to continue in the future.

NON-IFRS FINANCIAL MEASURES

The cash cost per pound of copper, and onsite costs and offsite costs are non-IFRS financial measures that do not have a standardized meaning under IFRS, and as a result may not be comparable to similar measures presented by other companies. Management uses these statistics to monitor operating costs and profitability. Onsite costs include mining costs, equipment operating lease costs, mill costs, mine site general and administration costs, environmental costs and royalties. Offsite costs include the costs of transportation, smelting and refining of concentrate, and treatment costs for ores. By-product revenues from the Sudbury Operations reflect the actual cash price earned from sales of precious metals to Gold Wheaton. The following table shows a reconciliation of these non-IFRS financial measures to the consolidated statements of operations:

	Three months ended March 31, 2014						
	Robinson	**Carlota**	**Franke**	**Morrison**	**McCreedy West**	**Other**	**Total**
Production costs of goods sold	**40.1**	**14.5**	**29.2**	**20.4**	**6.5**	**1.7**	**112.4**
Treatment and refining charges	**3.1**		**-**	**8.7**	**0.5**	**-**	**12.3**
Royalties	**1.1**	**0.6**	**-**	**-**	**-**	**-**	**1.7**
Total cash cost	**44.2**	**15.2**	**29.2**	**29.1**	**7.1**	**1.7**	**126.5**
By-product revenues	**(7.9)**	**-**	**-**	**(15.3)**	**(6.2)**		**(29.5)**
	36.3	**15.2**	**29.2**	**13.8**	**0.8**	**1.7**	**97.0**
Copper sold (million lbs)	**10.7**	**5.4**	**11.0**	**7.7**	**0.7**	**-**	**35.4**
Cash cost per pound of copper sold (US$/lb)	**$3.39**	**$2.83**	**$2.66**	**$1.78**	**$1.28**	**-**	**$2.74**

	Three months ended March 31, 2013						
	Robinson	**Carlota**	**Franke**	**Morrison**	**Podolsky**	**McCreedy West**	Total
Production costs of goods sold	46.4	13.0	27.6	18.3	9.3	9.5	124.1
Treatment and refining charges	6.2	-	-	6.2	3.3	0.5	16.2
Royalties	2.9	1.0	-	-	-	-	3.9
Total cash cost	55.5	14.0	27.6	24.5	12.6	9.9	144.2
By-product revenues	(19.2)	-	-	(11.8)	(3.1)	(10.1)	(44.1)
	36.4	14.0	27.6	12.7	9.6	(0.2)	100.0
Copper sold (million lbs)	24.8	5.7	7.5	7.3	4.1	1.0	50.2
Cash cost per pound of copper sold (US$/lb)	$1.47	$2.46	$3.70	$1.74	$2.34	($0.18)	$1.99

Cash flow from operating activities (before working capital changes) is also not a defined term under IFRS, and consists of cash provided from operating activities less net changes in non-cash working capital.

Adjusted EBITDA is a non-IFRS measure which is calculated as income from mining operations plus amortization, depreciation and depletion, inventory write down, impairment of non-current assets, and service fee from Sierra Gorda JV, minus general and administrative and other loss. Management believes that these measures provide investors with ability to better evaluate underlying performance. The following table provides a reconciliation of earnings to adjusted earnings for the periods presented:

(All amounts in millions of United States dollars except per share amounts)	Three months ended March 31, 2014	Three months ended March 31, 2013
Income from mining operations	**(22.7)**	63.9
Adjusting items:		
Amortization, depreciation and depletion	**32.0**	27.4
General and administrative	**(11.7)**	(17.7)
Service fee from Sierra Gorda JV	**3.8**	6.3
	24.1	16.0
Adjusted EBITDA	**1.5**	79.9

May 13, 2014

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" that is based on the Company's expectations, estimates and projections as of the dates as of which those statements were made. This forward-looking information includes, among other things, statements with respect to the Company's business strategy, plans, outlook, financing plans, long-term growth in cash flow, earnings per share and shareholder value, projections, targets and expectations as to reserves, resources, results of exploration (including targets) and related expenses, property acquisitions, mine development, mine operations, mine production costs, drilling activity, sampling and other data, estimating grade levels, future recovery levels, future production levels, capital costs, costs savings, cash and total costs of production of copper, gold and other minerals, expenditures for environmental matters, projected life of the Company's mines, reclamation and other post closure obligations and estimated future expenditures for those matters, completion dates for the various development stages of mines, availability of water for milling and mining, future copper, gold, molybdenum and other mineral prices (including the long-term estimated prices used in calculating the Company's mineral reserves), end-use demand for copper, currency exchange rates, debt reductions, use of future tax assets, timing of expected sales and final pricing of concentrate sales, the percentage of anticipated production covered by option contracts or agreements, and anticipated outcome of litigation. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as "outlook", "anticipate", "project", "target", "believe", "estimate", "expect", "intend", "should", "scheduled", "will", "plan" and similar expressions. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, and developed based on assumptions about such risks, uncertainties and other factors set out herein, including but not limited to:

- Global financial conditions including fluctuations in metal prices and demand;
- The ability to expand or replace depleted reserves and the possible recalculation or reduction of the reserves and resources;
- Actual capital costs, operating costs and expenditures, production schedules and economic returns from the Company's mining projects;
- The integration with KGHM Polska Miedź S.A.
- The need to attract and retain qualified personnel;
- The successful development of the Sierra Gorda Project, a large joint venture project with significant capital expenditure, permitting and infrastructure requirements;
- Inherent risks associated with joint ventures;
- Production estimates which may be materially different from actual mining performance and mineral recoveries;
- Underground mining at the Morrison deposit including reserves replacement, and risks associated with the use of the Craig shaft and other facilities;
- Geotechnical issues at all properties; specifically pit slope stability at open pit operations and structural issues at the underground mines;

- Dewatering at the Robinson Mine in 2014 and beyond;
- The mineralogy and block model assumptions at all mines and projects;
- The leaching rate and recoveries achievable at the Franke and Carlota Mines;
- Potential challenges to title to the properties;
- The dependence on transportation facilities and infrastructure;
- Labour relations;
- The potential need for a temporary shutdown of any of our operations, such as related to unplanned maintenance or extreme climatic conditions;
- The actual costs of reclamation;
- The impact of the availability and cost of key operating supplies and services;
- Energy prices;
- The acquisition and integration of businesses and assets;
- Inherent hazards and risks associated with mining operations;
- Inherent uncertainties associated with mineral exploration;
- The mining industry is competitive for resources and sales market;
- Being subject to government regulation, including changes in regulation;
- Being subject to extensive environmental laws and regulations, including change in possible regulation;
- Need for governmental licenses and permits;
- Derivative contracts and exposure to the credit risk of counter-parties;
- Failure to maintain the covenants under the Corporate Facility could result in the termination and repayment of the Corporate Facility;
- Taxation in multiple jurisdictions;
- Political and country risk;
- Conflicts of interest; and
- Fluctuations in foreign currency exchange rates.

A discussion of these and other factors that may affect the Company's actual results, performance, achievements or financial position is contained in the filings by the Company with the Canadian provincial securities regulatory authorities prior to the Company ceasing to be a reporting issuer, including the Company's Annual Information Form and the Annual Information Form filed by FNX prior to the merger between Quadra and FNX. Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to the continued operation of the Company's mining operations, no material adverse change in the market price of commodities, that the mining operations will operate in accordance with the Company's public statements and achieve its stated production outcomes, and such other assumptions and factors as set out herein. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking statements. The Company disclaims any intent or obligations to update or revise publicly any forward-looking statements whether as a result of new information, estimates or options, future events or results or otherwise, unless required to do so by law.