KGHM INTERNATIONAL

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FIRST QUARTER ENDED MARCH 31, 2012

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

	Three months ended March 31		
	2012	2011	Change
FINANCIAL HIGHLIGHTS			
Revenues	330	269	23%
Income from mining operations	56	63	-11%
Adjusted EBITDA [(1)]	80	99	-20%
Adjusted EBITDA per share (basic)	0.41	0.52	-22%
Earnings for the period	33	168	-81%
Earnings per share (basic)	0.17	0.88	-81%
Cash	898	577	56%
Working capital	1,317	899	46%

[(1)] *See "Non-IFRS Financial Measures"*

FIRST QUARTER AND RECENT HIGHLIGHTS:

- On March 5, 2012, KGHM Polska Miedź S.A ("KGHM") completed the Plan of Arrangement and acquired 100% of the issued and outstanding shares of the Company.
- The Company ceased to be publicly-traded shortly thereafter and on March 12, 2012, the Company changed its name to KGHM International Ltd. ("KGHMI").
- Total revenues increased 23% to $330 million in the quarter compared to $269 million in the same quarter of 2011.
- Adjusted EBITDA decreased 20% to $80 million from $99 million in 2011.
- Earnings decreased $135 to $33 million compared to $168 million in the same quarter of 2011. In Q1 2011, the company realized $134 million pre-tax gain on sale of an investment.
- Total production for the quarter was 55.3 million pounds of copper and 22.3 thousand ounces of total precious metals (TPMs) compared to 46 million pounds of copper and 25.1 thousand of TPMs in Q1 2011. Cash costs were $2.50 per pound of copper compared to $2.19 per pound of copper in Q1 2011.
- On March 8, 2012 the Sierra Gorda joint venture ("Sierra Gorda JV") signed a $1 billion project loan agreement with a group of syndicated lenders led by Japan Bank for International Corporation. The project loan has a 9.5 year term with an interest rate of LIBOR plus a margin.
- The Company ended the first quarter of 2012 with $898 million of cash.

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 10, 2012 and is intended to be read in conjunction with the accompanying unaudited consolidated financial statements for the quarter ended March 31, 2012 and audited consolidated financial statements for the year ended December 31, 2011. 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.***

FINANCIAL PERFORMANCE

Earnings

The Company recorded earnings of $32.7 million or $0.17 per share (basic) for Q1 2012 compared to $168 million or $0.88 per share (basic) for the same period of 2011. In Q1 2011 the company realized a $133.9 million gain on the disposition of Gold Wheaton shares. The decrease in earnings for the current quarter were also affected by $26.3 of costs arising from the Plan of Arrangement with KGHM. During Q1 2012, the Company sold 54.6 million pounds of copper at an average price of $3.91/lb and 20.4 thousand ounces of TPMs compared to 43.9 million pounds of copper in Q1 2011 at an average price of $4.23/lb and 30 thousand ounces of TPMs.

Revenues

	Three months ended March 31, 2012							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Copper sales (million lbs)	23.8	5.1	9.4	10.5	5.2	0.6		54.6
(in millions of U.S. dollars)								
Copper	92.6	19.5	35.6	42.3	21.2	2.3	-	213.5
Nickel	-	-	-	14.4	2.1	6.7	-	23.2
Other by product [1]	11.2	-	-	5.5	3.8	-	-	20.5
Contract mining	-	-	-	-	-	-	72.4	72.4
Total	103.8	19.5	35.6	62.2	27.1	9.0	72.4	329.6

	Three months ended March 31, 2011							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Copper sales (million lbs)	18.2	4.1	6.9	8.2	5.4	1.1	-	43.9
(in millions of U.S. dollars)								
Copper	77.4	17.9	30.2	33.5	22.2	4.4	-	185.6
Nickel	-	-	-	20.5	3.3	2.3	-	26.1
Other by product [1]	17.9	-	-	4.3	6.2	6.2	-	34.6
Contract mining	-	-	-	-	-	-	22.5	22.5
Total	95.3	17.9	30.2	58.3	31.7	12.9	22.5	268.8

[1] *Mainly from 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. Copper sales volumes are reported based on the volume of pounds actually paid for by the customer (payable pounds). Payable pounds at Robinson are generally 3-5% lower than the metal volume actually delivered, and the amount of the deduction varies depending on concentrate grade. 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.

Revenues in Q1 2012 were higher than the same quarter of 2011 due to higher copper sales volumes partially offset by lower copper price and $17 million lower by-product revenues driven by lower by-product sales volumes. Copper spot price at March 31, 2012 was $3.84/lb compared to $4.27/lb at March 31, 2011. Higher contract revenues had a positive impact on current quarter revenues (see **"Review operations and projects"**).

Revenues at Morrison, McCreedy West and Podolsky in Q2 2012 include non-cash revenue of $2.6 million for 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.

Mine operating expenses and operating income

	Three months ended March 31, 2012							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Revenues	103.8	19.5	35.6	62.2	27.1	9.0	72.4	329.6
Production costs	(73.9)	(14.2)	(23.9)	(28.4)	(17.5)	(9.0)	(66.6)	(233.5)
AD&D [1]	(9.3)	(2.4)	(3.4)	(12.4)	(5.7)	(2.1)	(0.9)	(36.2)
Royalties	(2.8)	(0.9)	-	-	-	-	-	(3.7)
Operating expense	(86.0)	(17.5)	(27.3)	(40.8)	(23.2)	(11.1)	(67.5)	(273.4)
Operating income (loss)	17.8	2.0	8.3	21.4	3.9	(2.1)	4.9	56.2

	Three months ended March 31, 2011							
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	DMC	Total
Revenues	95.3	17.9	30.2	58.3	31.7	12.9	22.5	268.8
Production costs	(54.6)	(12.9)	(24.6)	(20.1)	(17.0)	(11.2)	(18.2)	(158.6)
Inventory adjustment	-	(11.0)	-	-	-	-	-	(11.0)
AD&D [1]	(4.6)	(3.7)	(3.6)	(9.3)	(7.6)	(2.4)	(0.8)	(32.0)
Royalties	(3.1)	(0.9)	-	-	-	-	-	(4.0)
Operating expense	(62.3)	(28.5)	(28.2)	(29.4)	(24.6)	(13.6)	(19.0)	(205.6)
Operating income (loss)	33.0	(10.6)	2.0	28.9	7.1	(0.7)	3.5	63.2

[1] *Amortization, depletion and depreciation*

Production costs of goods sold in Q1 2012 were higher than Q1 2011 mainly due to higher production costs of good sold at Robinson and DMC. Higher production costs of goods sold at Robinson were due to higher concentrate sales volumes. Production costs of goods sold at DMC were significantly higher in the current quarter as contract mining activities increased in Q1 2012 compared to Q1 2011,.

Amortization, depletion and depreciation ("AD&D") were higher in Q1 2012 than the same quarter of 2011, mainly due to higher AD&D expenses at Robinson as a result of higher concentrate sales volumes. Royalties decreased in Q1 2012 compared to Q1 2011 as a result of lower copper prices in the current quarter.

Operating income decreased in Q1 2012 compared to the same quarter of 2011 primarily due to higher operating expenses at Robinson.

General & administrative and other expenses

General and administrative expenses for Q1 2012 were $13 million compared to $8.4 million for the same quarter of 2011. The general and administrative expenses in the current quarter reflect the Company's increased activity level and payroll as a result of the formation of the Sierra Gorda JV. The increase in general and administrative expenses was entirely offset by the $6.3 million Q1 2012 service fee for operational, financial and technical support for the Sierra Gorda project, which was included in other income.

In Q1 2012, the Company recognized a gain of $9.6 million on derivatives compared to $13.3 million in Q1 2011. The gain in the current quarter was due to the exercise of the Company's issued and outstanding warrants, which were treated as derivative liabilities under IFRS. All of the warrants were exercised during Q1 2012.

Finance and other income in Q1 2012 were primarily comprised of the service fee from the Sierra Gorda JV and interest income on short term investments. Finance and other income in Q1 2011 primarily resulted from the unrealized gain from the increase in fair value of held for trading marketable securities. Finance expense in Q1 2012 was interest expense on the Senior Notes. During Q1 2011 the Company sold all of its 56,464,126 of common shares of Gold Wheaton to Franco-Nevada for total cash proceeds of $295 million or C$5.20 per share for a total pre-tax gain of $133.9 million.

The Company recorded a foreign exchange gain of $10.6 million in Q1 2012 due to the appreciation of the Canadian dollar and the Chilean Peso. The Company incurred $26.3 million transaction costs in Q1 2012 in connection with the Plan of Arrangement.

The Company recorded income tax recovery of $2.7 million in Q1 2012 compared to an expense of $45.3 million in the same quarter of 2011. The tax expense for the current quarter has been recorded based on an estimated annual effective tax rate of 9% (2011 – 21%). The decrease in effective tax rate in 2012 is due to the utilization of tax losses previously recorded in valuation allowance and the reversal of deferred tax liability previously recognized.

REVIEW OF OPERATIONS AND PROJECTS

PRODUCTION SUMMARY

Production for the quarter ended March 31, 2012 and 2011 from the Company's operating mines is summarized as follows:

	Three months ended March 31, 2012	Three months ended March 31, 2011
Copper production (Mlbs)		
Robinson [2]	**24.1**	**19.9**
Carlota [3]	**5.5**	**4.2**
Franke [3]	**9.4**	**7.2**
Morrison deposit [4]	**10.5**	**8.2**
Podolsky [4]	**5.2**	**5.4**
McCreedy West [4]	**0.6**	**1.1**
	55.3	**46.0**
Nickel production (Mlbs)		
Morrison deposit [4]	**1.7**	**1.6**
Podolsky [4]	**0.2**	**0.2**
McCreedy West [4]	**1.1**	**0.2**
	3.0	**2.0**
TPM [1] (kozs)		
Robinson [2]	**7.3**	**5.5**
Morrison deposit [4]	**10.2**	**5.8**
Podolsky [4]	**4.8**	**6.6**
McCreedy West [4]	**-**	**7.2**
	22.3	**25.1**
Total copper equivalent (Mlbs) [5]	**72.0**	**61.5**

[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 previously announced LOM commodity prices: Cu at $2.50/lb, Ni at $7/lb, Pt at $1500/oz, Pd at US$400/oz, Au at $1000/oz and Mo at $12/lb and excludes the impact of the Franco Nevada Agreement.*

Robinson (Nevada, U.S.)

	Three months ended March 31	
	2012	2011
Copper production payable (Mlbs)	**24.1**	19.9
Gold production payable (kozs)	**7.3**	5.5
Ore mined (Mt)	**3.0**	3.2
Waste mined (Mt)	**20.0**	10.7
Ore milled (Mt)	**3.0**	3.4
Copper grade (%)	**0.56**	0.41
Gold grade (g/t)	**0.23**	0.18
Copper recovery (%)	**68.6**	69.5
Gold recovery (%)	**34.9**	30.4
Cash cost per pound of copper produced ($/lb)	**$3.03**	$2.49
Capital expenditure	**$6.9**	$20.9
Production costs of goods sold	**$73.9**	$54.6
Operating income	**$17.8**	$33.0

Copper production in Q1 2012 was higher than Q1 2011 due to higher head grade in the area mined. Gold production in Q1 2012 was slightly higher than Q1 2011 due to higher head grade and recovery. Higher mining rates continued in Q1 2012 due to an increase in the haulage fleet and a decreased haul distances. However, the build up of concentrate inventory, lower grade concentrate inventory sold in the quarter negatively impacted operating income.

Robinson production costs and capital expenditures

Production costs of goods sold for Q1 2012 were higher than Q1 2011 mainly due to higher concentrate sales volume and higher operating costs as a result of increase waste tonnage mined. Operating costs are comprised of onsite and offsite costs. Onsite costs are primarily driven by the volume of waste and ore mined, payroll costs, supplies, equipment maintenance costs and royalties. Onsite costs in Q1 2012 were higher than Q1 2011 primarily due to accelerate waste stripping, higher mining equipment maintenance costs and an increase in diesel fuel costs. Total material mined in the quarter almost double to 23 million tonnes compared to 13.9 million tonnes in Q1 2011. Offsite costs are primarily driven by smelting and refining charges, the volume of concentrate transported, and rail and ocean freight rates. Offsite costs for Q1 2012 were higher than the same quarter of 2011 due to an increase in concentrate production.

The cash cost per pound of copper produced is a non-IFRS term and consists of onsite and offsite costs, less by-product revenue, divided by the pounds of payable copper produced in the period (see **"Non-IFRS Financial Measures"**). The cash cost per pound of copper produced for Q1 2012 was $3.03 compared to $2.49 in Q1 2011. The increased unit cost in the current quarter is mainly due to lower by-product revenues and higher stripping costs.

Capital expenditures at Robinson in Q1 2012 were related to the buyouts of the remaining leased haul trucks, construction of the Liberty Pit Access Road and geotechnical drilling.

Robinson Outlook

In Q4 2011 Robinson experienced a structural failure of the North wall and mining in this area of the pit was suspended. The mine plan was changed and will focus on Ruth second west and Ruth east for the balance of the year. Alternative plans for Ruth and Liberty are being developed that consider options for the North wall, as well as sequencing of the Liberty pit.

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Morrison deposit (Ontario, Canada)

	Three months ended March 31	
	2012	2011
Copper ore sold (kt)	**57.0**	50.0
Copper grade (%)	**10.0**	8.4
Nickel ore sold (kt)	**-**	4.8
Nickel grade (%)	**-**	3.1
Copper sold - payable (Mlbs)	**10.5**	8.2
Nickel sold - payable (Mlbs)	**1.7**	1.6
Gold sold - payable (kozs)	**1.7**	1.2
Platinum sold - payable (kozs)	**2.9**	1.3
Palladium sold - payable (kozs)	**5.7**	3.2
Cash cost per pound of copper sold ($/lb)	**$0.96**	-$0.33
Capital expenditure	**$6.0**	$6.1
Production costs of goods sold	**$28.4**	$20.1
Operating income	**$21.4**	$28.9

The reactivation of Xstrata Nickel's Craig Mine infrastructure continued in Q1 2012, focusing on the establishment and excavation of a development face to serve as a drill platform in Q2 2012, and the commissioning of the hoisting systems. The Company expects that the use of Craig infrastructure will significantly improve the operational flexibility of the Morrison and provide additional mining and drill access in the lower portions of the deposit.

Operating performance in Q1 2012 benefited from higher grades and higher volume output compared to Q1 2011 as mining transitioned to the lower sections of the Morrison deposit (i.e., MD3), which is dominated by thicker and more continuous trunk veins. Lateral development focused on the single face advance of the access between Craig and Morrison infrastructure.

Morrison production costs and capital expenditures

Production costs of goods sold were higher in Q1 2012 compared to Q1 2011 as a result of backfilling costs, increased ore volumes and additional costs incurred for the Craig lease and services. The cash cost per pound of payable copper was $0.96/lb in Q1 2012 compared to negative $0.33/lb in Q1 2011 mainly due to lower by-product credits and higher production costs as explained above.

Capital spending in Q1 2012 comprised lateral development activities and Craig reactivation costs, waste haulage and commissioning of the 3900 dewatering infrastructure.

Morrison deposit outlook

Work on the re-activation of the Craig infrastructure is near and the Company expects the transition to the Craig Mine to be completed in Q2 2012. Development activities from the Craig infrastructure are expected to be complete in late Q2 2012 allowing for the commencement of diamond drilling in order to complete the definition of the lower portion of the Morrison ore body and provide a lower point of access to the deposit.

Franke (Chile)

	Three months ended March 31	
	2012	2011
Copper cathode production (Mlbs)	**9.4**	7.2
Ore mined (Mt)	**1.0**	0.5
Waste mined (Mt)	**1.2**	0.4
Ore placed (Mt)	**1.0**	0.5
Copper grade (%)	**0.83**	0.75
Cash cost per pound of copper sold ($/lb)	**$2.54**	$3.57
Capital expenditure	**$2.8**	$13.6
Production costs of goods sold	**$23.9**	$24.6
Operating income	**$8.3**	$2.0

Franke reported the best safety milestone ever to the end of Q1 2012 (more than 6 months), with more than one million hours without having recorded a Lost Time Accident. In the spirit of the "Best Mines are the Safest Mines", Franke also achieved the highest average daily mining rate in its history in Q1 2012. Copper production in Q1 2012 was higher than the same quarter in 2011 primarily due to the higher mining and pad loading rates as well as higher grade. Q1 2011 production was impacted by the transition to owner mining. Pre-stripping of waste material from the China orebody also commenced during the quarter.

Franke production costs and capital expenditures

Production costs of goods sold at Franke are mainly driven by onsite costs and sales volumes. Despite higher sales volumes, production costs of goods sold for Q1 2012 were slightly lower than Q1 2011 due to higher production volumes.

The cash cost per pound of copper sold decreased from $3.57/lb in 2011 to $2.54/lb in 2012 mainly due to higher copper production and sales volumes.

Capital expenditures were primarily related to China pit pre-stripping activities as well as additional costs associated with the cathode lab, Granulometry online system and infill drilling.

Franke Operations Outlook

Pre-stripping of waste material from the China orebody commenced in March and production from the new China pit is expected to commence in Q3 2012. China ore will be blended with ore from the Franke pit (50% from each). The combination of Franke and China ore is expected to produce higher recovery on Franke material, reduce overall acid consumption and increase the mine life.

Capital spending in 2012 at Franke is primarily related to the pre-stripping of the China orebody and additional dust control installations on the crushing circuit.

McCreedy West (Ontario, Canada)

	Three months ended March 31	
	2012	2011
Copper ore sold (kt)	**4.9**	74.9
Copper grade (%)	**3.5**	1.0
Nickel ore sold (kt)	**88.0**	-
Nickel grade (%)	**1.3**	-
Copper sold - payable (Mlbs)	**0.6**	1.1
Nickel sold - payable (Mlbs)	**1.1**	0.2
Gold sold - payable (kozs)	**-**	0.6
Platinum sold - payable (kozs)	**-**	2.8
Palladium sold - payable (kozs)	**-**	3.8
Cash cost per pound of copper sold ($/lb)	**$3.78**	$4.55
Capital expenditure	**$1.8**	$3.7
Production costs of goods sold	**$9.0**	$11.2
Operating Income (loss)	**-$2.1**	-$0.7

Following the waiver by Vale of its right to the magnesium oxide Contact Nickel ores, in Q1 2012 McCreedy West continued mining contact nickel ores and delivered a total of 88,000 tonnes of nickel ores to the Xstrata mill during the quarter.

McCreedy West production costs and capital expenditures

Production costs of goods sold for Q1 2012 were lower than Q1 2011 due mainly to lower processing costs as a result of lower sales volumes.

Capital expenditures for Q1 21012 are related to footwall ramp development and capitalized diamond drilling.

McCreedy West outlook

2012 production at McCreedy West is expected to be mainly from the Contact Nickel zone.

Carlota (Arizona, U.S.)

	Three months ended March 31	
	2012	2011
Copper cathode production (Mlbs)	**5.5**	4.2
Ore mined (Mt)	**1.2**	0.8
Waste mined (Mt)	**2.7**	5.3
Ore placed (Mt)	**1.2**	0.8
Total copper grade (%)	**0.39**	0.39
Cash cost per pound of copper sold ($/lb)	**$2.96**	$3.37
Capital expenditure	**(0.1)**	$4.4
Production costs of goods sold	**$14.2**	$12.9
Operating (loss) income	**$2.0**	-$10.6

Total tonnes mined in Q1 2012 were lower than the same period of 2011 mainly due to a planned reduction in the overall mining rate, resulting in a decrease in the amount of waste stripped, and an increase in the tonnes of ore placed on the pads. Q1 2012 copper production benefited from improvement in recoveries in the conveyor stacked oxide ore placed in the prior quarters.

Carlota production cost and capital expenditures

Production costs of goods sold for Q1 2012 increased compared to Q1 2011 reflecting increased costs of fuel and slightly higher acid consumption, and adjustments for pad inventory.

The cash cost per pound of payable copper decreased from $3.37/lb. in 2011 to $2.96/lb. in 2012 mainly due to the increased copper production and sales volumes.

Capital expenditures for Q1 2012 and future quarters have been suspended with respect to the write-down taken on 2011.

Carlota Outlook

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 2013, 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 continues to evaluate various methods to improve sulphide recoveries, the mining of the Eder deposit, as well as other strategic options.

Podolsky (Ontario, Canada)

	Three months ended March 31	
	2012	2011
Copper ore sold (kt)	**92.3**	99.2
Copper grade (%)	**3.1**	3.1
Copper sold - payable (Mlbs)	**5.2**	5.4
Nickel sold - payable (Mlbs)	**0.2**	0.2
Gold sold - payable (kozs)	**0.7**	1.0
Platinum sold - payable (kozs)	**1.9**	2.7
Palladium sold - payable (kozs)	**2.3**	2.9
Cash cost per pound of copper sold ($/lb)	**$2.42**	$1.80
Capital expenditure	**$0.1**	$4.0
Production costs of goods sold	**$17.5**	$17.0
Operating income	**$3.9**	$7.1

Ore production in Q1 2012 was slightly less than Q1 2011 as a result of slightly lower copper production. The ratio of nickel and precious metals to copper also declined, as a result of mining activities transitioning to the upper portion of the mine. The $3.2 million reduction in operating income and the increase in cash cost per pound were mainly due to the $2.4 million reduction in by product revenues.

Podolsky production costs and capital expenditures

Production costs of goods sold in Q1 2012 were marginally higher than in Q1 2011. Mine operating costs were higher in Q1 2012 due to increased operating development and backfill activities offset by lower processing costs due to reduced throughput. Capital expenditures in Q1 2012 were associated with diamond drilling and analysis.

Podolsky outlook

Production at Podolsky is expected to cease when the 2000 Deposit is mined out. No additional capital projects are planned for 2012.

PROJECTS UNDER DEVELOPMENT

Sierra Gorda Joint Venture (55% interest)

In January 2012, Sumitomo completed its initial contribution of $724 million to the JV, which covered 100% of costs from May 2011 until January 2012. Commencing February 2012, the Company and Sumitomo funded, proportionally, those JV costs not covered by borrowing.

In Q1 2012 the Sierra Gorda project had incurred $265 million capital expenditures, including progress payments for mining and plant equipment, camp and infrastructure construction, and other project related payments. At March 31, 2012 the JV had cash of $310 million. Because the Company accounts for the JV using equity based accounting principles, the cash is not included in KGHMI's cash balance.

Sumitomo took the lead in efforts to arrange, and guarantee, project financing in the amount of $1.0 billion and, during the quarter, the JV retained Sumitomo Mitsui Bank Corporation (SMBC) as the financial advisor for the project financing. On March 8, 2012 the JV signed the $1 billion Senior Project Loan agreement with a group of lenders led by Japan Bank for International Corporation. The project loan has a 9.5 year term with an interest rate of LIBOR plus a margin.

Sierra Gorda activities and outlook

At the end of Q1 2012 over 275 engineering, construction and service contracts have been awarded while 13 additional contracts are under bidding and evaluation process. Orders for key plant and process equipment continued, with all anticipated deliveries meeting project schedule requirements. The JV has also continued to successfully recruit key management positions and recruiting of operating personnel will continue throughout the construction phase.

Plant earthworks activities are also in progress. Some facilities have had significant progress such as: camp facilities, mine electrical loop, temporary truck shop and equipment laydown and assembly areas. The first four haul trucks and support equipment were turned over to the operation team during Q1 2012 and pre-stripping activities commenced in March 2012. Three Bucyrus shovels and eight haul trucks were delivered to site and assembly is ongoing. Commencement of plant construction is on schedule to begin in Q2 2012.

The JV has been negotiating several of the major key outsourced operation contracts including the water supply, railway transportation, transmission lines, port facilities and power purchase agreement. The terms of the majority of these contracts are expected to be finalized during Q2 2012.

The project remains on schedule to commence production in 2014. The total approved construction capital cost including contingency for Sierra Gorda was $2,877 million, and with working capital and interest during construction the total was estimated at approximately $3.0 billion. A definitive cost estimate will be developed in Q4 2012, once the detailed engineering is 75% complete. This will take into account all aspects of the project, including cost inflation and the scope changes required to meet project objectives.

As of March 31, 2012 the Sierra Gorda JV has made contract commitments of $382 million. In addition, purchase orders for mining equipment (including shovels, drills and trucks) and infrastructure of $647 million have been made.

Victoria Project

During Q1 2012, the drilling program at the Victoria property focused on down plunge drilling. The exploration team also focused on the down dip extension of the mineralization at the historical No. 4 ore body mined by Vale.

The Company completed a "Preliminary Economic Analysis" and continues to advance the detailed engineering design for the Victoria project.

During Q1 2012 the Company also initiated negotiations on Impact Benefit Agreements with the Sagamok Anishnawbek and Atikameksheng Anishnawbek First Nations following a Memorandum of Understanding in Q4 2011. The Company continues the preparation and submission for the necessary permits and agreements to commence construction.

Victoria Project Outlook

The permits required for the project will be progressing through the approval process Detailed engineering is expected to continue to advance, focusing on schedule and capital expenditure estimates and constructability. The Company has chosen a hoist manufacturer and committed to long-lead items required for the main hoisting system.

The Company continues to discuss with Vale, who has the offtake agreement for the production from Victoria and a back-in right. Resolution of these items are required before a decision can be made to proceed with the project.

DMC MINING SERVICES

Safety performance continues to be very good on all projects and manpower at work is ramping up. Work volume continues to grow in Canada and the United States with the total contract work to be completed now exceeding $500 million.

Revenue for Q1 2012 was $72.4 million compared to $22.5 million in Q1 2011. Operating income for Q1 2012 was $4.9 million compared to $3.5 million for Q1 2011. DMC is on target to meet or exceed all budget expectations for the year.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2012, the Company had cash and cash equivalents of $898 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 also held marketable securities with a total fair value of $55.7 million. During Q1 2012 the Company sold a portion of its available-for-sale marketable securities for total cash proceeds of $0.3 million.

The Company generated cash flow from operating activities of $25.9 million for the first three months of 2012 compared to $37.5 million for the same period of 2011. The decrease in operating cash flow is largely driven by the lower operating income in Q1 2012.

At March 31, 2012, the Company had working capital of $1,316.9 million as compared to $1,288.7 million at December 31, 2011. The increase in working capital in Q1 2012 is primarily a result of increase in receivables and inventory. At March 31, 2012, accounts receivable and revenues include approximately 22.9 million pounds of copper that has been provisionally valued at $3.84/lb. The final pricing for these provisionally priced sales is expected to occur between April and May 2012. 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 Q2 2012.

Capital spending in the first three months of 2012 was $29.5 million for operations and projects. In Q1 2012, the Company advanced $74.3 million to Sierra Gorda JV to complete the construction of the Sierra Gorda mine. Subject to the subordination conditions to the Senior Project Loans interest and principal are payable on demand. In addition, the Company advanced $110.9 million to 0929260 BC Unlimited Liability Company, a wholly owned subsidiary of KGHM in connection with the Plan of Arrangement.

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. In 2012 the Company expects to spend approximately $80 million on capital expenditures and $20 million on environmental bond at its six operating mines. At current metal prices, the Company expects that it will be able to fund the 2012 capital requirements for all of its mines and projects from existing cash on hand and internally generated funds.

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	$ 0.8	$ 3.2	$ 2.1	$ 0.6	$ 5.2	$ 91.4	$ 103.3
Franke Mine supply contracts	10.6	14.2	14.2	12.8	10.5	49.7	112.0
Robinson Mine power supply contract	6.9		-	-	-	-	6.9
Senior note	38.8	38.8	38.8	38.8	38.8	596.6	790.6
Minimum lease payments (capital and operating)	6.5	7.5	4.5	2.7	2.1	12.3	35.6
Total	$ 63.6	$ 63.7	$ 59.6	$ 54.9	$ 56.6	$ 750.0	$1,048.4

Under the Sierra Gorda JV agreement, the Company expects to fund approximately $695 million of the construction budget in the next three years.

Reclamation liabilities

The Company has estimated total future reclamation costs of $103.3 million (undiscounted), which are primarily related to the closure of the Robinson, Carlota and Franke mines and the Sudbury operations. The accounting carrying value of this liability is $87.7 million at March 31, 2012 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 $82.6 million as at March 31, 2012. 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 has been submitted to the Ontario Government. 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. The minimum commitment under the contract is estimated to be $4.1 million per annum subject to adjustment based on the prevailing copper prices over the term of the contract 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. The minimum commitment under the contract is estimated to be approximately $1.1 million per annum subject to adjustment based on the prevailing copper prices over the term of the contract 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.

Robinson Mine power supply contract

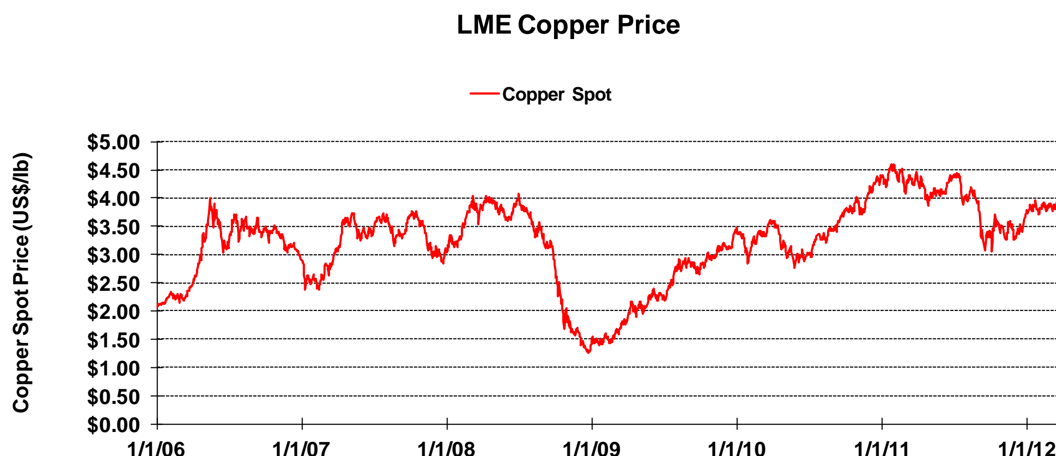
Robinson has a three year supply contract for electricity. The minimum commitment under the contract is estimated to be $8.8 million plus service charges per annum over the term of the contact which expires in 2012.

MARKET TRENDS AND FUNDAMENTALS

Copper prices averaged $3.77/lb in Q1 2010, increased approximately 10% over the average price in Q4 2011. An easing of bank funding stress and declining sovereign bond yields in Europe, softening inflation and indications of easing monetary policy in China coupled with continued mine supply underperformance propelled bullish gains. At the same time, swollen copper inventories in exchange and bonded warehouses and softer end demand in China capped price gains. Looking forward, the company believes the copper market fundamentals will remain strong:

supported by continued underperformance in copper supply resulting from falling ore grades, aging large mines, project delays due in part to political, sovereignty and taxation issues and continued difficulties in funding large high cost technically challenging projects. In the short term, from a demand perspective, the Company recognizes headwinds due to the economic environment in Europe and slowing economic activity in parts of China. Longer term, continued urbanization of emerging market countries such as China and continued gradual growth in OECD economies will provide a positive backdrop for copper demand.

The following graph shows the spot price of copper from 2006 to April 30, 2012 as published by the London Metal Exchange ("LME").



At March 30, 2012, the closing spot price was $3.84/lb. At April 30, 2012, the closing spot price was $3.87/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 2012, excluding the impact of changes in fair value of copper put options:

Copper price	Impact on the after tax earnings (excluding derivatives)
+ $0.20/lb	32.9
- $0.20/lb	(32.9)

In January 2012, the remaining 18 million pounds of copper puts purchased in 2011 expired unexercised. As at March 31, 2012, no copper put options were outstanding.

The Company is required to fund significant amount of capital asset investment in Chilean Pesos ("CLP"). The Company entered into a number of currency forwards to sell $200.0 million in exchange for 101,150 million CLP on various dates. If the CLP weakens against the U.S. dollar, the Company would have to pay the counterparty the difference between the hedged rate and the market rate. If the CLP strengthens against the U.S. dollar the counterparty would have to pay the Company the difference between the hedged rate and the market rate. In Q1 2012, all of the currency forwards were settled and the Company received $3.5 million from the counterparty. To manage its CLP risk, the Company invested $200 million in CLP denominated short term investments.

CONTINGENCIES

(a) The Company sells all the ore produced from its Sudbury operations to a single 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. This varies depending 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 Company'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 company is currently discussing 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 Company 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 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.

(c) The Company is subject to lawsuits from time to time which 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 $6.5 million at March 31, 2012 (December 31, 2011 - $10.8 million). This amount is repayable in the normal course of business. The Company earned management fees of $6.3 from the Sierra Gorda JV in Q1 2012.

On March 5, 2012, the Company advanced $110.9 million to 0929260 B.C. Unlimited Liability Company ("Bidco"), a wholly owned subsidiary of KGHM for the purchase and exercise of warrants in conjunction with the Plan of Arrangement. The obligation with respect to the loan is evidenced by a promissory note payable to KGHM 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 the Bidco. For the three months March 31, 2012, $0.3 interest income was recognized in Statement of Comprehensive Income.

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 development costs, including exploration, mine construction, and stripping costs, are capitalized until production is achieved, and 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 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, 2012.

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 2011 and 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 cost inflation, 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. The estimate of fair value of all 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 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, 2012. At March 31, 2012 the Company had additional available U.S. Alternative Minimum Tax Credits of $18.7 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

On March 5, 2012, KGHM acquired 100% of the issued and outstanding shares of the Company (193,334,154) and exercised 6,502,162 warrants. At March 31, 2012 and May 15, 2012, the total number of issued and outstanding shares of the Company was 199,836,316.

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

	2012	2011				2010		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues *								
Robinson	104	92	116	106	95	132	130	95
Carlota	20	25	26	22	18	30	22	24
Franke	36	29	42	26	30	41	41	25
Podolsky	27	27	28	32	32	48	28	15
Levack Complex [1]	71	61	66	84	71	63	26	5
DMC	72	54	49	28	23	18	12	5
Revenues - Total	**330**	**287**	**326**	**298**	**269**	**332**	**259**	**169**
Operating (loss) income	56.2	46.2	(24.9)	63.5	63.2	114.2	69.6	32.6
Earnings (loss) before income taxes	30.0	(132.4)	119.3	71.3	213.0	(90.3)	40.7	40.2
Earnings (loss)	32.7	(107.7)	142.8	63.8	167.7	(31.5)	19.5	36.5
Basic earnings (loss) per share	$0.17	-$0.56	$0.75	$0.33	$0.88	-$0.17	$0.10	$0.26
Diluted earnings (loss) per share	$0.17	-$0.56	$0.71	$0.33	$0.85	-$0.17	$0.10	$0.21

[1] *Including Morrison deposit commercial production revenues*
* See "**Financial Performance - Revenues**" section for description of payments process.

SUMMARY OF QUARTERLY OPERATING RESULTS								
	2012	2011				2010		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Robinson								
Cu produced payable (Mlbs)	24.1	27.2	26.7	21.2	19.9	25.4	25.4	22.7
Ore milled (Mt)	3.0	3.5	3.9	3.2	3.4	3.5	3.3	3.6
Au production payable (kozs)	7.3	7.9	9.2	7.1	5.5	14.9	14.5	14.7
Cu grade (%)	0.56	0.49	0.43	0.43	0.41	0.46	0.49	0.40
Au grade (g/t)	0.23	0.22	0.21	0.17	0.18	0.26	0.25	0.20
Cu recovery (%)	68.6	75.0	77.4	73.0	69.5	75.4	75.3	73.5
Au recovery (%)	34.9	33.7	38.8	44.2	30.4	53.3	58.2	66.3
Cu sales (Mlbs)	23.8	21.1	27.9	22.3	18.2	24.7	28.6	26.6
Average final settlement price ($/lb)	$3.73	$3.40	$4.07	$4.13	$4.39	$3.79	$3.19	$3.19
Cash cost per pound of payable copper produced ($/lb)	$3.03	$2.21	$2.13	$2.78	$2.49	$1.89	$1.66	$1.67
Carlota								
Cu production (Mlbs)	5.5	7.0	6.6	6.2	4.2	6.6	7.3	7.4
Ore placed (Mt)	1.2	1.2	1.3	1.5	0.8	1.5	2.3	1.6
Total Cu grade (%)	0.39	0.36	0.32	0.44	0.39	0.7	0.77	0.39
Cu sales (Mlbs)	5.1	7.4	6.6	5.4	4.1	7.7	6.6	7.7
Average realized price ($/lb)	$3.85	$3.32	$3.99	$4.06	$4.37	$3.88	$3.29	$3.13
Cash cost per pound of copper sold ($/lb)	$2.96	$2.80	$3.12	$3.24	$3.37	$1.84	$1.74	$1.89
Franke								
Cu production (Mlbs)	9.4	8.7	9.0	8.3	7.2	7.8	10.1	10.4
Ore placed (Mt)	0.99	0.9	0.8	0.8	0.5	0.7	1.0	0.8
Total Cu grade (%)	0.83	0.78	0.80	0.82	0.75	0.86	0.77	0.86
Cu sales (Mlbs)	9.4	8.4	10.5	6.1	6.9	10.3	12.8	7.8
Average realized price ($/lb)	$3.79	$3.41	$3.96	$4.15	$4.38	$3.97	$3.23	$3.24
Cash cost per pound of copper sold ($/lb)	$2.54	$2.39	$3.33	$4.49	$3.57	$2.60	$2.60	$2.60
Morrison								
Cu ore sold (kt) [1]	57.0	57.1	53.3	52.2	50.0	39.7	29.3	20.0
Cu grade (%)	10.0	8.6	9.6	10.1	8.4	9.5	11.2	9.1
Payable Cu sold (Mlbs)	10.5	9.2	10.1	10.3	8.2	7.1	6.3	3.5
Payable Ni sold (Mlbs)	1.7	1.3	1.4	1.7	1.6	1.5	1.2	0.9
Payable TPM sold (kozs) [2]	10.2	8.1	8.4	8.2	5.8	4.1	3.1	1.9
Average realized price ($/lb)	$4.02	$3.52	$3.47	$4.14	$4.27	$4.37	$3.67	$2.89
Cash cost per pound of copper sold ($/lb)	$0.96	$0.86	$0.59	$0.23	-$0.33	-$0.34	-$0.04	-$2.70
Podolsky								
Cu ore sold (kt) [1]	92.3	93.4	112.2	91.0	99.2	118.0	97.2	128.9
Cu grade (%)	3.1	3.4	3.0	3.6	3.1	3.7	3.2	3.7
Payable Cu sold (Mlbs)	5.2	5.7	6.0	6.4	5.4	8.1	5.4	8.6
Payable Ni sold (Mlbs)	0.2	0.3	0.3	0.3	0.2	0.4	0.3	0.6
Payable TPM sold (kozs) [2]	4.8	5.9	7.2	5.9	6.6	10.6	5.4	11.5
Average realized price ($/lb)	$4.06	$3.53	$3.42	$4.14	$4.28	$4.36	$3.82	$2.88
Cash cost per pound of copper sold ($/lb)	$2.42	$1.91	$1.89	$1.67	$1.80	$0.74	$1.67	$1.07
McCreedy West								
Cu ore sold (kt) [1]	4.9	9.0	15.6	78.0	74.9	76.1	72.6	67.5
Cu grade (%)	3.5	3.0	1.6	1.6	1.0	0.8	0.9	1.1
Ni ore sold (kt) [1]	88.0	85.1	53.6	-	-	-	-	-
Ni grade (%)	1.3	1.2	1.6	-	-	-	-	-
Payable Cu sold (Mlbs)	0.6	0.8	0.9	2.3	1.1	1.1	1.2	1.2
Payable Ni sold (Mlbs)	1.1	1.0	1.3	0.4	0.2	0.2	0.2	0.2
Payable TPM sold (kozs) [2]	-	2.2	1.9	6.4	7.2	8.3	8.1	8.3
Average realized price ($/lb)	$4.29	$3.56	$3.74	$4.12	$4.27	$4.46	$3.69	$2.84
Cash cost per pound of copper sold ($/lb)	$3.78	$0.63	-$0.38	$1.39	$4.55	$1.55	$2.83	$3.15

(1) *Converted into metric tonne from original short ton*
(2) *Total precious metal, including gold, platinum and palladium*
(3) *Production and operating statistics in this table are reported for historical periods for all of the Company's mines, including periods prior to the merger of Quadra and FNX on May 20, 2010*

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, 2012						
	Robinson	**Carlota [2]**	**Franke**	**Morrison**	**Podolsky**	**McCreedy West**	**Total**
Production costs of goods sold	**73.9**	**14.2**	**23.9**	**28.4**	**17.5**	**9.0**	**166.9**
Adjustment for change in inventory	**7.6**	**-**	**-**	**-**	**-**	**-**	**7.6**
Royalties	**2.8**	**0.9**	**-**	**-**	**-**	**-**	**3.7**
Total cash cost	**84.3**	**15.1**	**23.9**	**28.4**	**17.5**	**9.0**	**178.2**
By-product revenues	**(11.2)**	**-**	**-**	**(18.3)**	**(4.9)**	**(6.9)**	**(41.3)**
	73.1	**15.1**	**23.9**	**10.1**	**12.6**	**2.1**	**136.9**
Copper produced/sold (million lbs)	**24.1**	**5.1**	**9.4**	**10.5**	**5.2**	**0.6**	**54.9**
Cash cost per pound of copper (US$/lb)[1]	**$ 3.03**	**$ 2.96**	**$ 2.54**	**$ 0.96**	**$ 2.42**	**$ 3.78**	**$ 2.50**

	Three months ended March 31, 2011						
	Robinson	**Carlota**	**Franke**	**Morrison [3]**	**Podolsky [3]**	**McCreedy West [3]**	**Total**
Production costs of goods sold	54.6	12.9	24.6	20.1	17.0	11.2	140.4
Adjustment for change in inventory	9.9	-	-	-	-	-	9.9
Royalties	3.1	0.9	-	-	-	-	4.0
Total cash cost	67.6	13.8	24.6	20.1	17.0	11.2	154.3
By-product revenues	(17.9)	-	-	(22.8)	(7.3)	(6.2)	(54.2)
	49.7	13.8	24.6	(2.7)	9.7	5.0	100.1
Copper produced/sold (million lbs)	19.9	4.1	6.9	8.2	5.4	1.1	45.6
Cash cost per pound of copper (US$/lb)[1]	$ 2.49	$ 3.37	$ 3.57	$ (0.33)	$ 1.80	$ 4.55	$ 2.19

12) Robinson cash cost per pound of copper produced is based on payable copper
21) Carlota cash cost per pound of copper sold does not include the amount of inventory write down.
(3) For the period after May 20, 2010, the day after the merger with FNX.

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 and adjusted EBITDA per share are non-IFRS measures which are calculated as income from mining operations plus amortization, depreciation and depletion, inventory write down, stock-based compensation and service fee from Sierra Gorda JV, minus general and administrative and exploration and evaluation costs. 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:

	Three months ended Mar 31, 2012	Three months ended Mar 31, 2011
(All amounts in millions of United States dollars except per share amounts)		
Income from mining operations	**56.2**	63.2
Adjusting items:		
Amortization, depreciation and depletion	**36.2**	**32.0**
Inventory write down	**-**	**11.0**
Stock-based compensation	**0.7**	**1.6**
General and administrative	**(13.0)**	**(8.4)**
Exploration and evaluation	**(6.6)**	-
Service fee from Sierra Gorda JV	**6.3**	-
	23.6	36.2
Adjusted EBITDA	**79.8**	99.4
Weighted-average number of shares outstanding -basic	**194.9**	190.6
Adjusted EBITDA per share	**$0.41**	$0.52

May 10, 2012

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, anticipated outcome of litigation and anticipated impact of converting to IFRS,. 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:

- Fluctuations in metal prices;
- 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;
- Risks associated with the acquisition by and integration with KGHM Polska Miedź S.A.

- The need to attract and retain qualified personnel;
- Dewatering at the Robinson Mine in 2012 and beyond;
- 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 Levack Mine including reserves replacement, and risks associated with the transition to 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;
- The mineralogy and block model assumptions at all mines and projects;
- The leaching rate and recoveries achievable at the Carlota Mine due to the high content of fines within the ore and other processing factors;
- The leaching rate and recoveries at the Franke and China deposits at the Franke Mine;
- The Vale offtake agreement, including the risk of potential adjustment to final payable metal and processing cost terms;
- The Vale buy back right, including Vale's right to acquire an interest in the Victoria Project;
- 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;
- Increased 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;
- Being subject to government regulation, including changes in regulation;
- Being subject to extensive environmental laws and regulations, including change in regulation;
- Need for governmental licenses and permits;
- Derivative contracts and exposure to the credit risk of counter-parties;
- Taxation;
- Political and country risk;
- Conflicts of interest;
- Fluctuations in foreign currency exchange rates; and
- Global financial conditions.

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.