

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FIRST QUARTER ENDED MARCH 31, 2013**

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

	Three months ended March 31		
	2013	2012	Change
FINANCIAL HIGHLIGHTS			
Net revenues ⁽¹⁾	272	312	-13%
Income from mining operations	64	56	14%
Adjusted EBITDA ⁽²⁾	80	80	0%
Earnings for the period	15	33	-55%
Earnings per share (basic)	0.07	0.17	-56%
Cash and cash equivalents	318	537 *	-41%
Working capital	658	870 *	-24%

⁽¹⁾ Net of treatment and refining charges

⁽²⁾ See "Non-IFRS Financial Measures"

*2012 comparatives are at December 31, 2012

FIRST QUARTER AND RECENT HIGHLIGHTS:

- Copper production in Q1 2013 increased 18% to 65 million pounds compared with 55 million pounds in Q1 2012. However due to sales and inventory timing, copper sales were lower at 50 million pounds in Q1 2013 compared with 55 million pounds in Q1 2012.
- The Robinson mine had an exceptional quarter with cash costs of \$1.47 per pound and the Company's overall cash costs were \$1.99 per pound of copper sales. In March 2013, the Robinson mine achieved an all-time record high recovery rate of 91.6% (see "**Review of Operations and Projects**").
- Total net revenue decreased 13% to \$272 million in the quarter compared to \$312 million in the same quarter of 2012 due to a decline in realized copper prices and the lower sales volume in Q1 2013.
- Despite lower net revenues, income from mining operations increased 14% from \$56 million in 2012 to an income of \$64 million due to increased production at Robinson as a result of improved performance and a \$21 million increase in stockpile inventory (see "**Review of Operations and Projects**").
- Adjusted EBITDA is in line with Q1 2012.
- Earnings decreased by \$18 million to \$15 million compared to \$33 million in the same quarter of 2012. In Q1 2013 the company recorded impairment on marketable securities of \$27 million. These securities were received on a transaction that gave rise to a \$29 million gain in 2011 (see "**General and Administrative and Other Expenses**").
- The Company ended the first quarter of 2013 with \$318 million of cash and cash equivalents. The decrease in cash and cash equivalents compared to December 31, 2012 is due to the increase in loans and a \$137.5 million cash collateralized letter of credit to the Sierra Gorda project (see "**Liquidity and Capital Resources**").
- On March 1, 2013 KGHM announced the definitive cost estimates ("DCE") and schedule start-up for the Sierra Gorda project. The total initial capital is projected at approximately \$3.9 billion. The sponsors also agreed to pursue further saving plans to reduce the capital cost including adoption of a leasing program for mining equipment.
- Production at Podolsky ceased at the end of March 2013, with the completion of mining of the economic resource. The mine is now under care and maintenance.

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 7, 2013 and is intended to be read in conjunction with the accompanying unaudited consolidated financial statements for the quarter ended March 31, 2013 and audited consolidated financial statements for the year ended December 31, 2012. 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 \$15 million or \$0.07 per share (basic) for Q1 2013 compared to \$33 million or \$0.17 per share (basic) for the same period of 2012. Lower earnings in Q1 2013 compared to Q1 2012 was attributed to a \$27 million impairment charge on available for sale marketable securities and a \$18 million increase in income tax expense (see “**General & administrative and other expenses**”) partially offset by a \$8 million increase in operating income (see “**Mine operating expense and operating income**”) and a \$26 million decrease in transaction costs in Q1 2012 in connection with the Plan of Arrangement.

During Q1 2013, the Company sold 50.2 million pounds of copper at an average effective price of \$3.53/lb and 22.9 thousand ounces of total precious metals (“TPMs”) compared to 54.6 million pounds of copper in Q1 2012 at an average effective price of \$3.91/lb and 20.4 thousand ounces of TPMs.

Revenues

	Three months ended March 31, 2013							
	Robinson	Morrison	Franke	Carlota	Podolsky	McCreedy West	DMC	Total
Copper sales (million lbs)	24.8	7.3	7.5	5.7	4.1	1.0		50.2
(in millions of U.S. dollars)								
Copper	86.5	25.5	27.5	20.2	14.3	3.4	-	177.4
Nickel	-	8.4	-	-	1.0	8.3	-	17.7
Other by product ⁽¹⁾	19.2	5.4	-	-	3.3	1.7	-	29.6
Contract mining	-	-	-	-	-	-	63.5	63.5
Treatment and refining charges	(6.2)	(6.2)	-	-	(3.3)	(0.5)	-	(16.2)
Total net revenues	99.5	33.1	27.5	20.2	15.3	12.9	63.5	272.0

	Three months ended March 31, 2012							
	Robinson	Morrison	Franke	Carlota	Podolsky	McCreedy West	DMC	Total
Copper sales (million lbs)	23.8	10.5	9.4	5.1	5.2	0.6	-	54.6
(in millions of U.S. dollars)								
Copper	92.7	42.3	35.7	19.5	21.1	2.2	-	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
Treatment and refining charges	(4.1)	(9.0)	-	-	(3.8)	(0.3)	-	(17.2)
Total net revenues	99.8	53.2	35.7	19.5	23.2	8.6	72.4	312.4

⁽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.

Total net revenues in Q1 2013 were lower than the same quarter of 2012 due to lower copper revenues resulting from lower sales volumes and copper price as well as lower contract mining revenues from DMC due the timing of contract mining activities. The copper spot price at March 31, 2013 was \$3.44/lb compared to \$3.84/lb at March 31, 2012. The decrease in sales volumes is due to a decrease in copper production at Morrison due to the Craig Shaft remediation as well as a decrease in copper cathode sold at Franke resulting from a port strike in March.

Revenues at Morrison, McCreedy West and Podolsky in Q1 2013 include non-cash revenue of \$3.1 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, 2013							
	McCreedy							Total
	Robinson	Morrison	Franke	Carlota	Podolsky	West	DMC	
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	0.0	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

	Three months ended March 31, 2012							
	McCreedy							Total
	Robinson	Morrison	Franke	Carlota	Podolsky	West	DMC	
Net revenues	99.8	53.2	35.7	19.5	23.2	8.6	72.4	312.4
Depreciation and amortization	9.5	12.7	2.3	-	5.6	2.0	0.9	33.0
Employee benefits expense	16.8	8.2	5.9	4.8	3.5	3.3	7.6	50.1
Raw materials, other consumables and energy	43.6	5.3	20.2	10.5	4.2	2.6	-	86.4
Office expenses	2.6	1.4	2.1	1.1	0.4	0.2	0.6	8.4
External services	6.1	3.3	3.8	1.1	3.9	2.2	58.4	78.8
Royalties	2.8	-	-	0.9	-	-	-	3.7
Changes in Inventories	(8.0)	-	(7.7)	(1.2)	(0.2)	-	-	(17.1)
Distribution costs	8.2	1.4	0.9	-	1.5	0.9	-	12.9
Cost of Sales	81.6	32.3	27.5	17.2	18.9	11.2	67.5	256.2
Operating income (loss)	18.2	20.9	8.2	2.3	4.3	(2.6)	4.9	56.2

Cost of sales in Q1 2013 was lower than Q1 2012 mainly due to lower costs at Robinson, Podolsky and DMC. Lower cost of sales at Robinson was due to the increase in ore production resulting in an increase in stockpile inventory value and increase in recovery rate and mill throughput (see "Review of Operations and Projects"). Lower cost of sales at Podolsky in Q1 2013 was due to the completion of mining the economic resource at the end of the quarter resulting in reduced scope of work at the mine and decreased processing costs. Cost of sales at DMC were lower in the current quarter as contract mining activities decreased in Q1 2013 compared to Q1 2012 (see "Review of Operations and Projects").

General & administrative and other expenses

General and administrative expenses for Q1 2013 were \$17.7 million compared to \$19.6 million for the same period of 2012. Lower general and administrative expenses in 2013 was mainly driven by a \$5 million decrease in expensed exploration expenditures partially offset by an increase in management consulting fees on a business improvement project implemented in the second half of 2012.

The Company recognized \$16.6 million in finance income in Q1 2013 compared to \$2.6 million in the same period of 2012. This increase was primarily driven by the increase in the interest on the loan to Sierra Gorda JV as the loan amount increased by \$590 million from the end of Q1, 2012 to the end of Q1 2013. Finance expenses for Q1 2013 were in line with the same period in 2012.

Other income of \$6.4 million in Q1 2013 decreased compared to \$16.9 million in Q1 2012 primarily due to \$10 million of derivative gain in Q1 2012 primarily from the exercise of all the Company's issued and outstanding warrants as well as a gain on Chilean peso currency forward contracts. Other expense of \$28.9 million in Q1 2013 was mainly the impairment of available for sale marketable securities in which the fair value was below cost over a prolonged period of time.

The Company recorded a foreign exchange gain of \$0.4 million in Q1 2013 compared to \$10.6 million in Q1 2012. The decrease is due to the decrease in foreign currency cash balances and depreciation of the Canadian dollar at the beginning of 2013. These currencies are held to mitigate the risks related to costs incurred in those currencies. The Company incurred \$26.3 million transaction costs in the first three months of 2012 in connection with the Plan of Arrangement.

The Company recorded income tax expenses of \$14.9 million in Q1 2013 compared to \$2.7 million tax recovery in the same period of 2012. The tax expense for the current year has been recorded based on an estimated annual effective tax rate of 31% (2012 – 29%) excluding certain one-time tax events. The increase in effective tax rate in 2013 is largely caused by the accounting losses in certain Canadian legal entities not being deductible against taxable profits of another operating entity in Canada.

REVIEW OF OPERATIONS AND PROJECTS

PRODUCTION SUMMARY

Production for the quarter ended March 31, 2013 and 2012 from the Company's operating mines is summarized as follows:

	Three months ended March 31	
	2013	2012
Copper production (Mlbs)		
Robinson ⁽²⁾	36.5	24.1
Morrison deposit ⁽⁴⁾	7.3	10.5
Franke ⁽³⁾	10.6	9.4
Carlota ⁽³⁾	5.6	5.5
Podolsky ⁽⁴⁾	4.1	5.2
McCreedy West ⁽⁴⁾	1	0.6
	65.1	55.3
Nickel production (Mlbs)		
Morrison deposit ⁽⁴⁾	1.1	1.7
Podolsky ⁽⁴⁾	0.1	0.2
McCreedy West ⁽⁴⁾	1.1	1.1
	2.3	3.0
TPM ⁽¹⁾ (kcozs)		
Robinson ⁽²⁾	15.4	7.3
Morrison deposit ⁽⁴⁾	7.6	10.2
Podolsky ⁽⁴⁾	3.9	4.8
McCreedy West ⁽⁴⁾	1.4	-
	28.3	22.3
Total copper equivalent (Mlbs) ⁽⁵⁾	83.0	72.0

⁽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 previously announced LOM commodity prices: Cu at \$2.75/lb, Ni at \$8/lb, Pt at \$1600/oz, Pd at US\$500/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	
	2013	2012
Copper production payable (Mlbs)	36.5	24.1
Gold production payable (kozs)	15.4	7.3
Ore mined (Mt)	5.8	3.0
Waste mined (Mt)	11.8	20.0
Ore milled (Mt)	4.1	3.0
Copper grade (%)	0.47	0.56
Gold grade (g/t)	0.21	0.23
Copper recovery (%)	89.2	68.6
Gold recovery (%)	50.0	34.9
Cash cost per pound of copper sold (\$/lb)	\$1.47	\$2.75
Capital expenditure	\$4.6	\$6.9
Cost of goods sold*	\$49.3	\$72.6
Operating income	\$44.6	\$18.2

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

Despite lower copper grade, copper production in Q1 2013 was significantly higher than Q1 2012 due to increased recovery rates and mill throughput from improved mill operating practices and clean ore deliveries in Q1 2013. Gold production in Q1 2013 was higher than Q1 2012 due to higher recovery rates. In March 2013, Robinson achieved an all-time high recovery rate of 91.6%. Robinson achieved an average mill throughput of 45.6 thousand tonnes per day in Q1 2013 compared to 33.3 thousand tonnes per day in Q1 2012. Mining rates were lower in Q1 2013 compared to Q1 2012 due to longer haul distances. Ore mined in Q1 was significantly higher than Q1 2012 due to a change in mining sequence.

Robinson production costs and capital expenditures

Costs of goods sold for Q1 2013 were lower than Q1 2012 mainly due to a lower unit production cost which was a result of significantly higher production volumes and the increase in value of the ore stockpile. Operating cost in Q1 2013 were comparable to Q1 2012. Total material mined in the quarter decreased due to longer haul distances, but the ratio of ore mined in Q1 2013 was significantly higher, which resulted in lower per unit operating costs.

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 2013 was \$1.47 compared to \$2.75 in Q1 2012. The decreased cash cost per pound of copper sold in the current quarter is mainly due to lower stripping costs, increased production and increased bi-product revenue in the period. In addition, the increase in coarse ore stockpile inventory value positively impacted cash cost per pound of copper sold.

Capital expenditures at Robinson in Q1 2013 were primarily related to the buyout of a loader and dewatering activities.

Operating income was higher in Q1 2013 compared to Q1 2012 as a result of the decrease in unit operating costs and a higher grade of concentrate being sold in the period.

Robinson Outlook

Robinson’s mining activities will be transitioning to include the Kimbley and Liberty pits for the remainder of 2013, and its increased productivity due to operating efficiencies is expected to continue. Three additional haulage units will begin operation in second half of the year to allow for accelerated stripping in the Kimbley and Ruth pits. Capital expenditures for the remainder of the year will be primarily attributed to capital stripping of waste and mine development.

Morrison deposit (Ontario, Canada)

	Three months ended March 31	
	2013	2012
Copper ore sold (kt)	48.5	57.0
Copper grade (%)	8.6	10.0
Copper sold - payable (Mlbs)	7.3	10.5
Nickel sold - payable (Mlbs)	1.1	1.7
Gold sold - payable (kozs)	1.6	1.7
Platinum sold - payable (kozs)	2.0	2.9
Palladium sold - payable (kozs)	4.1	5.7
Cash cost per pound of copper sold (\$/lb)	\$1.74	\$0.99
Capital expenditure	\$7.5	\$6.0
Cost of goods sold*	\$18.3	\$19.7
Operating income	\$3.8	\$20.9

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

Copper ore produced and sold in Q1 2013 was lower than Q1 2012 primarily due to substantial remedial work in the Craig shaft due to safety concern, which impacted the ability to hoist ore. Hoisting resumed late February, with the remaining work planned for completion in mid-May. In addition, ore grades in Q1 2013 were lower than Q1 2012 as anticipated in the current mine plan. TPMs sold in Q1 2013 were also lower than Q1 2012 due to the remedial work required in the Craig shaft for the month of February.

Preparation work continued for the start of development on a deeper access from Craig, down to the 5000' elevation at Morrison. Development at this face is expected to start at the end of April. Diamond drilling for all of Q1 was focused on delineation of Q2-3 mining areas.

Morrison production costs and capital expenditures

Cost of goods sold for Q1 2013 was slightly lower than Q1 2012 mainly due to a decrease in payable metal produced for the quarter as a result of the Craig shaft remediation during the month of February.

The cash cost per pound of copper sold for Q1 2013 was \$1.74 compared to \$0.99 in Q1 2012. Cash costs per pound of copper in Q1 2013 were significantly higher than Q1 2012 due to lower metal production. By-product revenue and copper sold decreased by 36% and 30% respectively, negatively impacting the cash cost for Q1 2013 compared to Q1 2012. Lower nickel price and TPM prices in Q1 2013 also negatively impacted by-production revenues.

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

Operating income was lower in Q1 2013 compared to Q1 2012 as a result of the decrease in net revenues primarily from lower metal production during the quarter.

Morrison deposit outlook

Diamond drilling on the lower MD4 portion of the Morrison ore body will re-commence in Q2 2013. Drilling in the Morrison down ramp is targeted to start at the end of April. Production volumes are expected to increase in Q2 2013 compared to Q1 2013 as the site focuses on maintaining a critical number of production faces available, while improving the reliability of the infrastructure.

Other Operations*

	Three months ended March 31	
	2013	2012
Copper production (Mlbs)	21.2	20.7
Nickel production (Mlbs)	1.2	1.3
TPM ⁽¹⁾ (kozs)	5.3	4.9
Cash cost per pound of copper sold (\$/lb)	\$2.81	\$2.68
Capital expenditure	\$0.0	\$4.8
Cost of goods sold ⁽²⁾	\$60.4	\$61.8
Operating (loss) income	\$6.4	\$12.2

⁽¹⁾ Total precious metal, including gold, platinum and palladium

⁽²⁾ Including royalties and excluding depreciation, depletion and amortization

*Other operations consist of Franke, Carlota, McCreedy West and Podolsky

Copper production for Q1 2013 increased by 1.2 million lbs over Q1 2012 at Franke primarily due to higher mining and pad loading rates and improved recoveries resulting from blending of Franke and China pit ores for January and March. Copper production at Podolsky in Q1 2013 decreased by 1.1 million lbs compared to Q1 2012 as the economic resource was depleted and mine production came to a close towards the end of the quarter. Carlota continued its mine for closure plan with copper production in Q1 2013 in line with Q1 2012 producing 5.6 million pounds of copper. McCreedy West continued to mine from Contact nickel with 89,000 tonnes of nickel ore delivered to Xstrata's mill in Q1 2013.

Production costs and capital expenditures

Cost of goods sold for Q1 2013 decreased compared to Q1 2012 mainly due to a decrease at Carlota and Podolsky. The decrease in cost of goods sold at Carlota is due to decreased costs of fuel consumption and lower acid consumption. Cost of goods sold at Podolsky were significantly lower in Q1 2013 compared to the same period in 2012 due to the reduced scope of work at the mine and decreased milling throughput. Production at Podolsky was achieved with a smaller workforce, no development and limited backfill placed. The decrease was partially offset by a higher cost of goods sold experienced at Franke in Q1 2013 compared to Q1 2012 due to higher production volume and higher operating costs. Higher operating costs are attributed to a net realizable value adjustment on leach pad inventory combined with higher acid prices compared to the same period in 2012.

The cash cost per pound of copper sold for other operations in Q1 2013 was \$2.81 compared to \$2.68 in Q1 2012. The increase in cash cost per pound of copper sold is mainly driven by a significant decrease in sales volume at Franke for the quarter, increasing the cash cost per pound of copper sold by \$0.27 compared to the same period in 2012. The low sales volumes at Franke were due to a port strike in March. Carlota and Podolsky experienced lower cash cost per pound of copper sold in the current quarter due to the increase in pad loading and reduction in overall operating costs respectively. McCreedy experienced a lower cash cost per copper sold in Q1 2013 compared to Q1 2012 as it continues to focus on nickel production.

Operating income for other operations decreased primarily due to lower sales volumes realized at Franke combined with lower average realized copper prices in Q1 2013 compared to Q1 2012.

Other Operations Outlook

Production at Podolsky is now complete. Care and maintenance of the mine infrastructure is ongoing while development waste is sent underground and backfilled. This work is forecasted to be complete at the end of 2013, after which time complete decommissioning and rehabilitation of the site can begin. Carlota is implementing a mine-for-closure plan which optimizes cash flow while advancing activities related to the winding down of operations. Ore production is expected to continue through Q2 2013 based on the current mine plan, followed by residual leach for approximately two years. 2013 production at McCreedy West is expected to focus on the Contact Nickel zone

with 95% of the production expected from contact Nickel ores and the remainder production from the Copper ores from the 700 Complex.

Franke is preparing the China pit for the China-weighted production to be ready in the third quarter of 2013. A second labor union formed at Franke in Q1 2013, where collective bargaining is scheduled to occur in Q2 2013. There is a possibility of a strike in Q2 if the negotiations are not successful. The outcome is not known at this point in time.

PROJECTS UNDER DEVELOPMENT

Sierra Gorda Joint Venture (the “JV”)

The following information is reported on a full 100% project basis. The Company owns a 55% interest in the JV.

As of March 31, 2013, the Sierra Gorda project had incurred \$1,993 million capital expenditures, including progress payments for mining and plant equipment, camp and infrastructure construction, and other project related payments. At March 31, 2013 the JV had cash of \$707 million. Because the Company accounts for the JV using the equity method, the cash is not included in KGHMI’s cash balance.

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 Cooperation. The project loan has a 9.5 year term with an interest rate of LIBOR plus a margin. As of March 31, 2013, the JV received an \$800 million drawdown on the project loan. The loan is guaranteed 100% by Sumitomo and non-recourse to the Company.

Sierra Gorda activities and outlook

During Q1 2013, the project has largely completed the detailed engineering phase and the majority of the major procurement and has moved into the main construction phase. At the end of Q1 2013, construction of the seawater pipeline and tailing storage facility began in Q1 2013 and approximately 1/4 of the plant construction is complete. During the quarter, there was significant progress on concrete and steel foundations. Twenty one haul trucks, four shovels, six drills and support equipment were turned over to the operation team in March 2013. In March 2012, the pre-stripping commenced and a total of 61.1 million tonnes of waste material were mined by March 2013, representing approximately 1/3 of the amount required before commissioning. The project remains on schedule to commence production in 2014.

On March 1, 2013 KGHM announced the definitive cost estimates (“DCE”) and schedule start-up for the Sierra Gorda project. The total initial capital is projected at approximately \$3.9 billion. The sponsors also agreed to pursue further saving plans to reduce the capital cost including adoption of a leasing program for mining equipment.

As of March 31, 2013 the Sierra Gorda JV had signed contract and purchase order commitments of approximately \$3.1 billion or 79% of the \$3.9 billion of capital; including purchase orders for mining/plant equipment, materials, infrastructure and construction services for the mine, plant and infrastructure areas. Approximately \$1.99 billion of the committed amount has been incurred.

Victoria Project

During Q1 2013, the Company continued to advance the project management plan with the primary focus on the advanced exploration shaft to establish underground drilling platforms and construction of the infrastructure required to achieve a bulk sample.

The Company also continued discussions on Impact Benefit Agreements with the Sagamok Anishnawbek and Atikameksheng Anishnawbek First Nations. The Company re-initiated discussions with the Métis Nation of Ontario on a Memorandum of Understanding.

The Company continued preparation of the closure plan and advancement of the environmental permit applications required by the Province of Ontario to commence construction.

Negotiations with Vale on back-in rights, commercial terms and surface rights access are progressing.

Victoria Project Outlook

Surface drilling activities are complete. The next stage of exploration will commence when underground access is accomplished.

The Company will continue to progress towards approval and granting of the required permits, and prepare for infrastructure construction and shaft development as well as the negotiations with Vale to achieve the necessary agreements that will allow construction of the project to proceed.

DMC MINING SERVICES

Revenue for Q1 2013 was \$63.5 million compared to \$72.4 million in Q1 2012. Operating income for Q1 2013 was \$9.1 million compared to \$4.9 million for Q1 2012. The decrease in revenue relates to the Canadian shaft sinking contract that had the vast majority of its shaft sinking infrastructure and shaft sinking equipment installed during 2012. Q1 2013 operations focus on the shaft excavation and revenues were anticipated to be lower compared to the same period in 2012. Additional earned performance fees realized during in Q1 2013 were reflected in the improved operating income.

DMC Outlook

In anticipation of the advancement on the shaft sinking contract, projected revenues are expected to be lower than 2012 but on target with the 2013 budget. With contracts in hand and new tenders submitted DMC expects to meet or exceed its targets for the year.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2013, the Company had cash and cash equivalents of \$318.4 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 \$42.3 million.

The Company generated cash from operating activities of \$34.7 million for the first three months of 2013 compared to \$25.9 million for the same period of 2012. The increase in operating cash flow is largely driven by the higher operating income in 2013.

At March 31, 2012, the Company had working capital of \$658.3 million as compared to \$869.6 million at December 31, 2012. The decrease in working capital in the first three months of 2013 is primarily a result of the decreased cash position at March 31, 2013. At March 31, 2013, accounts receivable and revenues include approximately 32 million pounds of copper that has been provisionally valued at \$3.45/lb. The final pricing for these provisionally priced sales is expected to occur between April 2013 and June 2013. 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 2013.

Capital spending in the first three months of 2013 was \$14.5 million for operations and projects. In Q1 2013, the Company advanced \$133.6 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 on these loans are payable on demand.

Under the terms of the Power Purchase Agreement at Sierra Gorda JV, the sponsors are required to provide support to the power provider. The Company issued a letter of credit in Q1 2013 for \$137.5 million which will be released upon commencement of commercial operations as defined. The letter of credit is currently cash collateralized. The company is in process of negotiating a line of credit which if completed would enable the release of the \$137.5 million of cash for other corporate purposes.

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 the remainder of 2013 the Company expects to spend approximately \$159 million on capital expenditures for its six operating mines. At current metal prices, the Company plans to arrange a corporate facility or make other similar arrangements to be able to fund its planned operational and project capital expenditures.

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	1.4	4.5	1.7	3.9	8.1	90.1	109.7
Franke Mine supply contracts	9.3	13.2	13.2	11.6	9.9	43.8	101.1
Senior note including interest	29.1	38.8	38.8	38.8	38.8	557.8	742.1
Minimum lease payments	7.7	5.6	3.8	3.2	3.2	13.2	36.7
Total	47.5	62.1	57.5	57.5	60.0	704.9	989.6

Under the Sierra Gorda JV agreement, the Company expects to fund approximately \$452 million of the construction budget in the remaining nine months of 2013.

As at March 31, 2013, the Company's proportionate 55% share of the contractual commitments at Sierra Gorda totaled \$2,072 million including purchase orders for mining equipment and infrastructure. A portion of each of these amounts is expected to be funded from the \$1.0 billion Senior Project loan and subordinated loans from JV partners.

Reclamation liabilities

The Company has estimated total future reclamation costs of \$110 million (undiscounted nominal dollar), 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 \$95 million at March 31, 2013 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 \$103 million as at March 31, 2013. 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 being 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. 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.

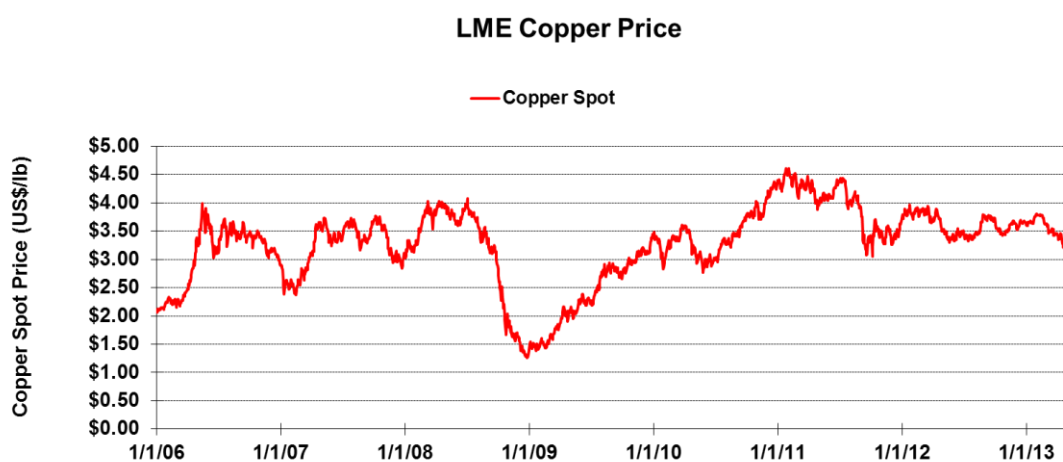
Robinson Mine power supply contract

Effective April 1, 2013, Robinson signed a one year supply contract for electricity which expires in 2014.

MARKET TRENDS AND FUNDAMENTALS

Copper prices averaged \$3.59/lb in Q1 13, the same price average as Q4 12. In Q1 13, physical demand remained lackluster in many regions, including China, which some had hoped would increase meaningfully post Lunar New Year. Looking forward, the company believes copper market fundamentals will remain strong over the long term: supported by a dearth of supply stemming from project delays due to CAPEX and OPEX overruns, environmental, political, sovereignty and taxation issues in many regions where proposed projects are being developed. In the short term, from a demand perspective, the Company recognizes headwinds due to the economic environment in Europe but continues to expect a modest rebound in economic growth in China. Longer term, continued urbanization of emerging market countries such as China and an acceleration of 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, 2013 as published by the London Metal Exchange (“LME”).



At March 31, 2013, the closing spot price was \$3.44/lb. At April 30, 2013, the closing spot price was \$3.20/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 the remainder of 2013:

Copper price	Impact on the after tax earnings (excluding derivatives)
+ \$0.20/lb	27.2
- \$0.20/lb	(27.2)

The Company is required to fund significant amount of capital asset investment in Chilean Pesos (“CLP”). To manage its CLP risk, the Company has invested \$169 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. 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 \$8.4 million at March 31, 2013 (December 31, 2012 - \$3.5 million). This amount is repayable in the normal course of business. The Company earned management fees of \$6.3 million from the Sierra Gorda JV during the three months ended March 31, 2013, which were included in other income.

On March 5, 2012, the Group loaned \$110.9 to Bidco evidenced by a promissory note payable to the Group. 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. For the quarter ended March 31, 2013, \$1.0 (March 31, 2012 - \$0.3) of related interest income was recorded. Bidco repaid \$13.2 of the above principal and interest on February 28, 2013. The remaining principal and interest is not expected to be received in the next year.

In 2012, the Company loaned \$20.7 million in the form of a Canadian dollar promissory note to Bidco to fund its capital investment. The note is non-interest bearing and is payable on demand. The note was repaid in entirety in Q1 2013.

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, 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, 2013.

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 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, 2013. At March 31, 2013 the Company had available U.S. Alternative Minimum Tax Credits of \$31.3 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, 2013 and May 7, 2013, 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								
	2013		2012			2011		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net revenues *								
Robinson	100	162	151	120	100	89	112	102
Carlota	20	23	22	20	20	25	26	22
Franke	28	41	34	42	36	29	42	26
Morrison	33	53	44	32	53	39	42	57
Podolsky	15	13	15	20	23	22	23	28
McCreedy West	13	9	11	8	9	13	12	16
DMC	63	76	83	95	72	54	49	28
Net revenues - Total	272	378	358	336	312	271	305	278
Operating (loss) income	63.9	65.2	64.7	(1.1)	56.2	(85.9)	(187.0)	64.4
Earnings (loss) before income taxes	29.7	47.3	68.8	(14.9)	30.0	(135.1)	119.2	72.2
Earnings (loss)	14.8	44.3	54.5	(27.7)	32.7	(107.8)	142.8	63.8
Basic earnings (loss) per share	\$0.07	\$0.22	\$0.27	-\$0.14	\$0.17	-\$0.56	\$0.75	\$0.33
Diluted earnings (loss) per share	\$0.07	\$0.22	\$0.27	-\$0.14	\$0.17	-\$0.56	\$0.71	\$0.33

* See “**Financial Performance - Revenues**” section for description of payments process. Net revenues are net of treatment and refining charges.

SUMMARY OF QUARTERLY OPERATING RESULTS

	2013		2012				2011	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Robinson								
Cu produced payable (Mlbs)	36.5	34.3	30.2	30.9	24.1	27.2	26.7	21.2
Ore milled (Mt)	4.1	4.0	3.4	3.7	3.0	3.5	3.9	3.1
Au production payable (kozs)	15.4	10.6	10.2	9.7	7.3	7.9	9.2	7.1
Cu grade (%)	0.47	0.49	0.56	0.53	0.56	0.49	0.43	0.43
Au grade (g/t)	0.21	0.22	0.29	0.25	0.23	0.22	0.21	0.17
Cu recovery (%)	89.2	83.5	75.4	74.6	68.6	75.0	77.4	73.0
Au recovery (%)	50.0	39.3	34.4	34.2	34.9	33.7	38.8	44.2
Cu sales (Mlbs)	24.8	41.2	36.9	32.5	23.8	21.1	27.9	22.3
Average realized price (\$/lb)	\$3.49	\$3.49	\$3.78	\$3.34	\$3.89	\$3.66	\$3.48	\$4.08
Cash cost per pound of payable copper sold (\$/lb)	\$1.47	\$2.00	\$2.36	\$2.69	\$2.75	\$2.19	\$2.19	\$2.80
Carlota								
Cu production (Mlbs)	5.6	5.8	6.1	5.5	5.5	7.0	6.6	6.2
Ore placed (Mt)	1.2	1.3	1.1	1.3	1.2	1.2	1.3	1.5
Total Cu grade (%)	0.61	0.61	0.66	0.60	0.39	0.36	0.32	0.44
Cu sales (Mlbs)	5.664	6.4	6.2	5.6	5.1	7.4	6.6	5.4
Average realized price (\$/lb)	\$3.57	\$3.59	\$3.48	\$3.57	\$3.85	\$3.32	\$3.99	\$4.06
Cash cost per pound of copper sold (\$/lb)	\$2.46	\$2.53	\$2.58	\$2.70	\$2.96	\$2.80	\$3.12	\$3.24
Franke								
Cu production (Mlbs)	10.6	10.7	10.5	8.8	9.4	8.7	9.0	8.3
Ore placed (Mt)	1.0	1.1	1.1	0.9	1.0	0.9	0.8	0.8
Total Cu grade (%)	0.67	0.72	0.68	0.78	0.83	0.78	0.80	0.82
Cu sales (Mlbs)	11.74	11.7	9.1	11.8	9.4	8.4	10.5	6.1
Average realized price (\$/lb)	\$3.74	\$3.53	\$3.60	\$3.53	\$3.79	\$3.41	\$3.96	\$4.15
Cash cost per pound of copper sold (\$/lb)	\$3.70	\$3.31	\$3.30	\$5.03	\$2.54	\$2.39	\$3.33	\$4.49
Morrison								
Cu ore sold (kt) ⁽¹⁾	48.5	70.3	55.8	53.0	57.0	57.1	53.3	52.2
Cu grade (%)	8.5	9.3	9.2	8.2	10.0	8.6	9.6	10.1
Payable Cu sold (Mlbs)	7.3	12.6	9.5	8.1	10.5	9.2	10.1	10.3
Payable Ni sold (Mlbs)	1.1	1.8	1.4	1.2	1.7	1.3	1.4	1.7
Payable TPM sold (kozs) ⁽²⁾	7.6	10.0	9.3	7.7	10.2	8.1	8.4	8.2
Average realized price (\$/lb)	\$3.51	\$3.51	\$3.71	\$3.23	\$4.02	\$3.52	\$3.47	\$4.14
Cash cost per pound of copper sold (\$/lb)	\$1.74	\$1.19	\$1.32	\$1.43	\$0.99	\$0.86	\$0.59	\$0.23
Podolsky								
Cu ore sold (kt) ⁽¹⁾	88.0	88.8	76.8	98.7	92.3	93.4	112.2	91.0
Cu grade (%)	2.7	2.5	2.6	3.1	3.1	3.4	3.0	3.6
Payable Cu sold (Mlbs)	4.1	3.5	3.7	5.8	5.2	5.7	6.0	6.4
Payable Ni sold (Mlbs)	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Payable TPM sold (kozs) ⁽²⁾	3.9	6.1	1.6	5.4	4.8	5.9	7.2	6.0
Average realized price (\$/lb)	\$3.49	\$3.52	\$3.68	\$3.28	\$4.06	\$3.53	\$3.42	\$4.14
Cash cost per pound of copper sold (\$/lb)	\$2.34	\$2.91	\$2.32	\$2.00	\$2.42	\$1.91	\$1.89	\$1.67
McCreedy West								
Cu ore sold (kt) ⁽¹⁾	5.8	9.2	8.1	4.6	4.9	9.0	15.6	78.0
Cu grade (%)	3.6	3.7	5.3	3.6	3.5	3.0	1.6	1.6
Ni ore sold (kt) ⁽¹⁾	84.1	82.5	47.7	67.5	88.0	85.1	53.6	-
Ni grade (%)	1.3	1.3	1.2	1.3	1.3	1.2	1.6	-
Payable Cu sold (Mlbs)	1.0	0.8	1	0.5	0.6	0.8	0.9	2.3
Payable Ni sold (Mlbs)	1.1	0.8	0.8	0.9	1.1	1.0	1.3	0.4
Payable TPM sold (kozs) ⁽²⁾	1.4	0.6	2.1	0.4	0.0	2.2	1.9	6.4
Average realized price (\$/lb)	\$3.57	\$3.48	\$3.73	\$3.21	\$4.29	\$3.56	\$3.74	\$4.12
Cash cost per pound of copper sold (\$/lb) ⁽³⁾	(\$0.18)	\$4.26	\$0.40	\$2.80	\$4.68	\$0.63	(\$0.38)	\$1.39

⁽¹⁾ Converted into metric tonne from original short ton

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

⁽³⁾ Nickel ore primarily sold yet cash costs calculated based on copper produced.

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, 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

	Three months ended March 31, 2012						
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	Total
Production costs of goods sold	69.8	14.2	23.9	19.7	13.6	9.2	150.4
Treatment and refining charges	4.1	-	-	9.0	3.9	0.3	17.3
Royalties	2.8	0.9	-	-	-	-	3.7
Total cash cost	76.7	15.1	23.9	28.7	17.5	9.5	171.4
By-product revenues	(11.2)	-	-	(18.3)	(4.9)	(6.9)	(41.3)
	65.5	15.1	23.9	10.4	12.6	2.6	130.1
Copper sold (million lbs)	23.8	5.1	9.4	10.5	5.2	0.6	54.6
Cash cost per pound of copper sold (US\$/lb)	\$ 2.75	\$ 2.96	\$ 2.54	\$ 0.99	\$ 2.42	\$ 4.68	\$ 2.38

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, stock-based compensation 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:

	Three months ended March 31, 2013	Three months ended March 31, 2012
(All amounts in millions of United States dollars except per share amounts)		
Income from mining operations	63.9	56.2
Adjusting items:		
Amortization, depreciation and depletion	27.4	36.2
Stock-based compensation	-	0.7
General and administrative	(17.7)	(19.6)
Service fee from Sierra Gorda JV	6.3	6.3
	<u>16.0</u>	<u>23.6</u>
Adjusted EBITDA	<u>79.9</u>	<u>79.8</u>
Weighted-average number of shares outstanding -basic	199.8	194.7
Adjusted EBITDA per share	\$0.40	\$0.41

May 7, 2013

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:

- ❖ Global financial conditions including 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 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 Morrison deposit 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 possible regulation;
- ❖ Need for governmental licenses and permits;
- ❖ Derivative contracts and exposure to the credit risk of counter-parties;
- ❖ Taxation in multiple jurisdictions;
- ❖ Political and country risk;
- ❖ Conflicts of interest;
- ❖ Fluctuations in foreign currency exchange rates; and

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.