

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2013**

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

| | Three months ended September 30 | | | Nine months ended September 30 | | |
|-----------------------------------|---------------------------------|-------|--------|--------------------------------|-------|--------|
| | 2013 | 2012 | Change | 2013 | 2012 | Change |
| FINANCIAL HIGHLIGHTS | | | | | | |
| Net revenues ⁽¹⁾ | 224 | 358 | -38% | 810 | 1,008 | -20% |
| Income from mining operations | 6 | 65 | -90% | 97 | 120 | -19% |
| Adjusted EBITDA ⁽²⁾ | 45 | 96 | -53% | 190 | 243 | -22% |
| Adjusted EBITDA per share (basic) | 0.22 | 0.48 | -53% | 0.95 | 1.22 | -22% |
| Earnings for the period | 14 | 55 | -75% | 30 | 60 | -50% |
| Earnings per share (basic) | 0.07 | 0.27 | -75% | 0.15 | 0.30 | -50% |
| Cash | 276 | 537 * | -49% | 276 | 537 * | -49% |
| Working capital | 478 | 870 * | -45% | 478 | 870 * | -45% |

⁽¹⁾ Net of treatment and refining charges

⁽²⁾ See "Non-IFRS Financial Measures"

*2012 comparatives are at December 31, 2012

THIRD QUARTER AND RECENT HIGHLIGHTS:

- Net revenues decreased by 38% to \$224 million in the quarter compared to \$358 million in the same quarter of 2012 due to the decrease in sales volume resulting from lower copper production and timing of shipments, and a decline in realized copper prices.
- Copper production in Q3 2013 decreased by 23% to 47 million pounds (C1 costs of \$2.41/lb) compared to 61 million pounds (C1 costs \$2.33/lb) in Q3 2012 (see "Review of Operations and Projects").
- The fall in copper production is due mainly to the temporary processing of low grade ore at Robinson during transition between pits, and the cessation of mining at Podolsky at the end of Q1 2013.
- The Franke mine had an exceptional quarter achieving an all-time record cathode production of 12.7 million pounds (see "Review of Operations and Projects").
- Income from mining operations decreased by \$59 million to \$6 million in Q3 2013 from \$65 million in the same period last year primarily due to a decrease in net revenues.
- Adjusted EBITDA decreased 53% to \$45 million primarily due to the decrease in production and the decline in copper prices.
- As a result of lower realized copper price and copper production, Q3 2013 posted earnings of \$14 million compared to earnings of \$55 million in Q3 2012.
- The Company ended the third quarter of 2013 with \$276 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 of \$460 million to the Sierra Gorda JV for the construction of the Sierra Gorda mine (see "Liquidity and Capital Resources").
- At the end of Q3 2013, the Sierra Gorda project's overall progress was 70% complete. The project remains on schedule to commence production in 2014.
- Cash generated from operating activities for the nine months ended September 30, 2013 was \$187 million compared with \$91 million in 2012.

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 November 14, 2013 and is intended to be read in conjunction with the accompanying unaudited consolidated financial statements for the quarter ended September 30, 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.

- On August 1, 2013, the Company signed an agreement with Vale and obtained the right to build and operate the Victoria project as the sole owner. The agreement also finalized processing and payable metal terms on the Company's ores, including from the future Victoria mine, processed in Vale's facilities. The new off-take arrangement is effective from January 1, 2013 and retroactive adjustments are expected to be agreed by the end of 2013. The new accountabilities under the agreement were recognized during the quarter.

FINANCIAL PERFORMANCE

Earnings

The Company recorded earnings of \$14 million or \$0.07 per share (basic) for Q3 2013 compared to earnings of \$55 million or \$0.27 per share (basic) for the same period of 2012. The decline in earnings is due to a decrease in income from mining operations of \$59 million as a result of a decrease in production and a decline in copper prices. The decrease in production in Q3 2013 is primarily due to a decline in milled grades and recovery rate at Robinson compared to Q3 2012 (see "Mine operating expense and operating income"). During Q3 2013, the Company sold 47 million pounds of copper at an average effective price of \$3.29/lb and 23 thousand ounces of total precious metals (TPMs) compared to 66 million pounds of copper in Q3 2012 at an average effective price of \$3.73/lb and 22 thousand ounces of TPMs.

The Company recognized \$25 million in finance income in Q3 2013 compared to \$10 million in the same period of 2012 primarily due to the interest on the loan to Sierra Gorda JV. The increase in finance income is offset by the decrease in foreign exchange gain recorded in Q3 2013 compared to Q3 2012 due to the depreciation of the Canadian dollar and Chilean peso during the period (see "General and Administrative and Other Expenses").

Revenues

| | Three months ended September 30, 2013 | | | | | | | Total |
|---------------------------------|---------------------------------------|----------|--------|---------|----------|-------|------|--------|
| | Robinson | Morrison | Franke | Carlota | Podolsky | West | DMC | |
| Copper sales (million lbs) | 17.8 | 10.4 | 13.7 | 4.7 | 0.5 | 0.3 | - | 47.4 |
| (in millions of U.S. dollars) | | | | | | | | |
| Copper | 60.4 | 33.0 | 44.2 | 15.0 | 1.8 | 1.8 | - | 156.2 |
| Nickel | - | 10.0 | - | - | 0.9 | 4.2 | - | 15.1 |
| Other by product ⁽¹⁾ | 16.0 | 9.1 | - | - | 0.1 | 1.3 | - | 26.5 |
| Contract mining | - | - | - | - | - | - | 43.6 | 43.6 |
| Treatment and refining charges | (4.4) | (11.8) | - | - | (1.2) | (0.3) | - | (17.7) |
| Total net revenues | 72.0 | 40.3 | 44.2 | 15.0 | 1.6 | 7.0 | 43.6 | 223.7 |

| | Three months ended September 30, 2012 | | | | | | | Total |
|---------------------------------|---------------------------------------|----------|--------|---------|----------|-------|------|--------|
| | Robinson | Morrison | Franke | Carlota | Podolsky | West | DMC | |
| Copper sales (million lbs) | 36.9 | 9.5 | 9.1 | 6.2 | 3.7 | 1.0 | - | 66.4 |
| (in millions of U.S. dollars) | | | | | | | | |
| Copper | 139.6 | 35.1 | 33.7 | 21.5 | 13.8 | 3.7 | - | 247.4 |
| Nickel | - | 11.3 | - | - | 1.8 | 6.9 | - | 20.0 |
| Other by product ⁽¹⁾ | 18.4 | 5.0 | - | - | 2.5 | 1.2 | - | 27.1 |
| Contract mining | - | - | - | - | - | - | 82.5 | 82.5 |
| Treatment and refining charges | (7.2) | (7.9) | - | - | (2.8) | (0.7) | - | (18.6) |
| Total net revenues | 150.8 | 43.5 | 33.7 | 21.5 | 15.3 | 11.1 | 82.5 | 358.4 |

| Nine months ended September 30, 2013 | | | | | | | | |
|--------------------------------------|----------|----------|--------|---------|----------|----------|-------|--------|
| | Robinson | Morrison | Franke | Carlota | Podolsky | McCreedy | | Total |
| | | | | | | West | DMC | |
| Copper sales (million lbs) | 86.0 | 27.7 | 29.8 | 15.9 | 4.7 | 2.2 | | 166.3 |
| (in millions of U.S. dollars) | | | | | | | | |
| Copper | 279.4 | 88.7 | 100.3 | 53.3 | 15.8 | 7.9 | - | 545.4 |
| Nickel | - | 28.0 | - | - | 1.9 | 18.0 | - | 47.9 |
| Other by product ⁽¹⁾ | 62.7 | 19.9 | - | - | 3.6 | 5.1 | - | 91.3 |
| Contract mining | - | - | - | - | - | - | 178.1 | 178.1 |
| Treatment and refining charges | (20.1) | (26.7) | - | - | (4.6) | (1.3) | - | (52.7) |
| Total net revenues | 322.0 | 109.9 | 100.3 | 53.3 | 16.7 | 29.7 | 178.1 | 810.0 |

| Nine months ended September 30, 2012 | | | | | | | | |
|--------------------------------------|----------|----------|--------|---------|----------|----------|-------|---------|
| | Robinson | Morrison | Franke | Carlota | Podolsky | McCreedy | | Total |
| | | | | | | West | DMC | |
| Copper sales (million lbs) | 93.2 | 28.1 | 30.3 | 16.9 | 14.7 | 2.1 | | 185.3 |
| (in millions of U.S. dollars) | | | | | | | | |
| Copper | 340.8 | 103.4 | 111.1 | 61.0 | 53.8 | 7.6 | - | 677.7 |
| Nickel | - | 34.5 | - | - | 5.4 | 19.9 | - | 59.8 |
| Other by product ⁽¹⁾ | 48.6 | 14.2 | - | - | 9.8 | 1.7 | - | 74.3 |
| Contract mining | - | - | - | - | - | - | 249.8 | 249.8 |
| Treatment and refining charges | (18.2) | (23.7) | - | - | (10.8) | (1.2) | - | (53.9) |
| Total net revenues | 371.2 | 128.4 | 111.1 | 61.0 | 58.2 | 28.0 | 249.8 | 1,007.7 |

⁽¹⁾ Primarily 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. 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 Q3 2013 decreased by \$134 million or 37% compared to the same quarter of 2012. The decrease in net revenues is due to the decrease in production at Robinson, the decline in copper price, lower contract mining revenues from DMC, and the cessation of mining at Podolsky. The copper spot price at September 30, 2013 was \$3.31/lb compared to \$3.72/lb at September 30, 2012. The overall decrease in copper sales volumes for Q3 2013 is due to a decrease in copper production at Robinson compared to the same period last year (see "Review of Operations and Projects").

Revenues at Morrison and McCreedy West in Q3 2013 include non-cash revenue of \$2.5 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 September 30, 2013

| | McCreeedy | | | | | | | Total |
|---|-----------|----------|--------|---------|----------|-------|------|--------|
| | Robinson | Morrison | Franke | Carlota | Podolsky | West | DMC | |
| Net revenues | 72.0 | 40.3 | 44.2 | 15.0 | 1.6 | 7.0 | 43.6 | 223.7 |
| Depreciation and amortization | 20.0 | 17.0 | 6.7 | - | - | 3.5 | 1.1 | 48.3 |
| Employee benefits expense | 18.0 | 5.7 | 6.8 | 3.9 | 0.6 | 2.7 | 7.3 | 45.0 |
| Raw materials, other consumables and energy | 44.0 | 6.6 | 19.0 | 9.3 | 0.8 | 2.9 | - | 82.6 |
| Office expenses | 4.5 | 1.7 | 1.9 | 1.0 | 0.1 | 0.4 | 0.8 | 10.4 |
| External services | 12.9 | 6.0 | 4.0 | 2.3 | 0.8 | 2.3 | 31.2 | 59.5 |
| Royalties | 1.7 | - | - | 0.5 | - | - | - | 2.2 |
| Changes in Inventories | (15.0) | (1.8) | 4.7 | (4.7) | - | (1.7) | - | (18.5) |
| Distribution costs | 7.5 | 1.0 | 0.4 | - | 0.1 | 0.9 | - | 9.9 |
| Cost of Sales | 71.7 | 36.2 | 43.5 | 12.3 | 2.4 | 11.0 | 40.4 | 217.5 |
| Operating income (loss) | 0.3 | 4.1 | 0.7 | 2.7 | (0.8) | (4.0) | 3.2 | 6.2 |

Three months ended September 30, 2012

| | McCreeedy | | | | | | | Total |
|---|-----------|----------|--------|---------|----------|-------|------|-------|
| | Robinson | Morrison | Franke | Carlota | Podolsky | West | DMC | |
| Net revenues | 150.8 | 43.5 | 33.7 | 21.5 | 15.3 | 11.1 | 82.5 | 358.4 |
| Depreciation and amortization | 11.5 | 12.2 | 4.7 | - | 5.0 | 3.9 | 1.6 | 38.9 |
| Employee benefits expense | 18.3 | 6.8 | 7.2 | 4.5 | 2.8 | 2.7 | 9.2 | 51.5 |
| Raw materials, other consumables and energy | 43.8 | 8.1 | 20.2 | 9.3 | 2.3 | 2.3 | 0.1 | 86.1 |
| Office expenses | 2.3 | (1.5) | 1.3 | 1.3 | 0.4 | - | 0.4 | 4.2 |
| External services | 6.7 | 4.5 | 5.2 | 1.1 | 3.1 | 2.5 | 63.1 | 86.2 |
| Royalties | 4.0 | - | - | 1.1 | - | - | - | 5.1 |
| Changes in Inventories | 11.6 | 0.4 | (6.3) | (0.2) | (0.4) | (1.4) | - | 3.7 |
| Distribution costs | 13.6 | 1.1 | 1.4 | - | 1.2 | 0.7 | - | 18.0 |
| Cost of Sales | 111.8 | 31.6 | 33.7 | 17.1 | 14.4 | 10.7 | 74.4 | 293.7 |
| Operating income (loss) | 39.0 | 11.9 | - | 4.4 | 0.9 | 0.4 | 8.1 | 64.7 |

Nine months ended September 30, 2013

| | McCreeedy | | | | | | | Total |
|---|-----------|----------|--------|---------|----------|-------|-------|--------|
| | Robinson | Morrison | Franke | Carlota | Podolsky | West | DMC | |
| Net revenues | 322.0 | 109.9 | 100.3 | 53.3 | 16.7 | 29.7 | 178.1 | 810.0 |
| Depreciation and amortization | 37.2 | 48.7 | 16.4 | - | 1.9 | 8.4 | 3.3 | 115.9 |
| Employee benefits expense | 53.3 | 18.8 | 20.9 | 12.4 | 3.4 | 9.1 | 29.0 | 146.9 |
| Raw materials, other consumables and energy | 127.8 | 20.8 | 56.9 | 28.1 | 3.3 | 8.3 | 0.8 | 246.0 |
| Office expenses | 14.0 | 5.4 | 6.4 | 2.5 | 0.8 | 1.1 | 2.0 | 32.2 |
| External services | 22.1 | 14.7 | 13.1 | 4.8 | 4.1 | 6.9 | 125.7 | 191.4 |
| Royalties | 9.5 | - | - | 2.1 | - | - | - | 11.6 |
| Changes in Inventories | (11.0) | (2.1) | 1.8 | (9.4) | 0.2 | (1.8) | - | (22.3) |
| Distribution costs | 28.3 | 3.2 | 1.1 | - | 1.4 | 2.6 | - | 36.6 |
| Deferred Stripping | (45.3) | - | - | - | - | - | - | (45.3) |
| Cost of Sales | 235.9 | 109.5 | 116.6 | 40.5 | 15.1 | 34.6 | 160.8 | 713.0 |
| Operating income (loss) | 86.1 | 0.4 | (16.3) | 12.8 | 1.6 | (4.9) | 17.3 | 97.0 |

Nine months ended September 30, 2012

| | McCreedy | | | | | | | Total |
|---|----------|----------|--------|---------|----------|-------|-------|---------|
| | Robinson | Morrison | Franke | Carlota | Podolsky | West | DMC | |
| Net revenues | 371.2 | 128.4 | 111.1 | 61.0 | 58.2 | 28.0 | 249.8 | 1,007.7 |
| Depreciation and amortization | 29.8 | 37.2 | 12.8 | - | 17.2 | 8.5 | 3.7 | 109.2 |
| Employee benefits expense | 51.9 | 21.7 | 18.9 | 13.7 | 9.5 | 8.9 | 26.2 | 150.8 |
| Raw materials, other consumables and energy | 129.4 | 20.0 | 61.3 | 29.5 | 8.6 | 7.6 | 0.2 | 256.6 |
| Office expenses | 8.3 | (2.1) | 5.2 | 3.8 | 1.6 | (0.5) | 1.7 | 18.0 |
| External services | 17.9 | 12.1 | 13.8 | 3.2 | 11.0 | 6.8 | 196.3 | 261.1 |
| Royalties | 10.5 | - | - | 3.0 | - | - | - | 13.5 |
| Inventory write down | | | 26.0 | | | | | 26.0 |
| Changes in Inventories | 22.7 | (0.4) | (12.5) | (2.5) | (0.6) | (1.4) | - | 5.3 |
| Distribution costs | 33.6 | 3.3 | 3.4 | 0.1 | 4.4 | 2.6 | - | 47.4 |
| Cost of Sales | 304.1 | 91.8 | 128.9 | 50.8 | 51.7 | 32.5 | 228.1 | 887.9 |
| Operating income (loss) | 67.1 | 36.6 | (17.8) | 10.2 | 6.5 | (4.5) | 21.7 | 119.8 |

Cost of sales decreased by \$76 million or 26% in Q3 2013 compared to the same period last year due to lower cost of sales at Robinson, DMC and Podolsky. Lower cost of sales at Robinson compared to Q3 2012 is primarily due to the decrease in sales volume at Robinson from the timing of shipments, capitalized waste stripping costs, and a decrease in distribution costs for the period. Cost of sales at DMC were lower during the quarter as contract mining activities decreased in Q3 2013 compared to Q3 2012 due to the change in project phases. Podolsky completed the mining of its economic resource at the end of Q1 2013. Cost incurred at Podolsky for Q3 2013 relate to scalping the mine floor, while the site undergoes care and maintenance (see **Review of Operations and Projects**).

Cost of sales for the nine months of 2013 decreased by \$175 million or 20% from the same period in 2012 due to a decrease in cost of sales at Robinson, DMC and Podolsky. The decrease in cost of sales at Robinson is largely due to the deferral of waste stripping costs, benefiting future ore production without an increase to overall costs (see **Review of Operations and Projects**).

General & administrative and other expenses

General and administrative expenses for Q3 2013 of \$9.9 million and nine months ended September 30, 2013 of \$36.6 million were lower than the same periods in 2012 of \$16.7 million and \$43.2 million respectively. The higher costs in 2012 relate to higher expensed exploration costs as well as consulting fees incurred related to a business improvement project.

The Company recognized \$24.5 million in finance income in Q3 2013 compared to \$9.6 million in the same period of 2012 and \$60.6 million for the nine months ended September 30, 2013 and \$18.4 million for the same period in 2012. These increases were primarily driven by the interest on the increased amount of loan to Sierra Gorda JV as the loan amount increased by \$638 million from September 30, 2012 to September 30, 2013. Finance expenses for Q3 2013 and the nine months ended September 30, 2013 were slightly higher than the same periods in 2012 primarily due to the interest on the Company's \$200 million corporate facility (**Facility**) which was entered into in Q2 2013.

Other income for Q3 2013 was \$12.7 million compared to \$4.7 million in Q3 2012 primarily due to \$5.8 million realized gain on marketable securities in 2013. Other expense for Q3 2013 and nine months ended September 30, 2013 was lower than in the same periods in 2012 due to a closure provision at Carlota of \$3.3 million in 2012. In the nine months ended September 30, 2013 the Company recognized impairment of marketable securities of \$35.1 million due to declining prices of securities held during the year.

The Company recorded a foreign exchange gain of \$1.4 million in Q3 2013 compared to \$21.8 million in Q3 2012 as well as a loss for the nine months ended September 30, 2013 of \$14 million and gain of \$22 million for the same period of 2012. The increase in foreign exchange loss during the nine months ended September 30, 2013 and the decrease in foreign exchange gain in Q3 2013 compared to the same periods in 2012 is due to the depreciation of the Canadian dollar and Chilean peso during the period. The Company also incurred \$27.6 million of transaction costs in the first nine months of 2012 in connection with the acquisition of the Company by KGHM.

The Company recorded income tax expenses of \$32.4 million in the first nine months of 2013 compared to \$24.4 million tax expense 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 30% (2012 ó 24%) excluding certain one-time tax events. The increase in effective tax rate in 2013 is caused by the usage as well as expiry of certain tax credits and increase in some non-deductible expenses in the period.

REVIEW OF OPERATIONS AND PROJECTS

PRODUCTION SUMMARY

Production for the quarter and nine months ended September 30, 2013 and 2012 from the Company's operating mines is summarized as follows:

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---------------------------------|------|--------------------------------|-------|
| | 2013 | 2012 | 2013 | 2012 |
| Copper production (Mlbs) | | | | |
| Robinson ⁽²⁾ | 18.6 | 30.2 | 85.9 | 85.2 |
| Morrison deposit ⁽⁴⁾ | 10.4 | 9.5 | 27.7 | 28.1 |
| Franke ⁽³⁾ | 12.7 | 10.5 | 32.1 | 28.7 |
| Carlota ⁽³⁾ | 4.5 | 6.1 | 15.9 | 17.1 |
| Podolsky ⁽⁴⁾ | 0.5 | 3.7 | 4.7 | 14.7 |
| McCreedy West ⁽⁴⁾ | 0.3 | 1.0 | 2.2 | 2.1 |
| | 47.0 | 61.0 | 168.5 | 175.9 |
| Nickel production (Mlbs) | | | | |
| Morrison deposit ⁽⁴⁾ | 1.6 | 1.4 | 4.2 | 4.3 |
| Podolsky ⁽⁴⁾ | 0.1 | 0.2 | 0.2 | 0.6 |
| McCreedy West ⁽⁴⁾ | 0.6 | 0.8 | 2.8 | 2.8 |
| | 2.3 | 2.4 | 7.3 | 7.7 |
| TPM ⁽¹⁾ (kozs) | | | | |
| Robinson ⁽²⁾ | 7.5 | 10.2 | 37.9 | 27.3 |
| Morrison deposit ⁽⁴⁾ | 12.9 | 9.3 | 28.7 | 27.2 |
| Podolsky ⁽⁴⁾ | 0.5 | 1.6 | 4.7 | 11.9 |
| McCreedy West ⁽⁴⁾ | 0.6 | 2.1 | 3.3 | 1.9 |
| | 21.5 | 23.2 | 74.6 | 68.3 |
| Total copper equivalent (Mlbs) ⁽⁵⁾ | 62.1 | 74.7 | 219.6 | 221.4 |

⁽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 life-of-mine (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 Sept 30 | | Nine months ended Sept 30 | |
|--|----------------------------|--------|---------------------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| Copper production payable (Mlbs) | 18.6 | 30.2 | 85.9 | 85.2 |
| Gold production payable (kozs) | 7.5 | 10.2 | 37.9 | 27.3 |
| Ore mined (Mt) | 3.9 | 3.7 | 12.1 | 10.4 |
| Waste mined (Mt) | 20.2 | 14.4 | 50.3 | 50.8 |
| Ore milled (Mt) | 3.4 | 3.4 | 11.4 | 10.1 |
| Copper grade (%) | 0.37 | 0.56 | 0.44 | 0.55 |
| Gold grade (g/t) | 0.20 | 0.29 | 0.22 | 0.26 |
| Copper recovery (%) | 71.4 | 75.4 | 82.1 | 73.1 |
| Gold recovery (%) | 33.5 | 34.4 | 47.3 | 34.7 |
| Cash cost per pound of copper sold (\$/lb) | \$2.52 | \$2.36 | \$1.87 | \$2.58 |
| Capital expenditure | \$26.0 | \$7.6 | \$59.0 | \$18.4 |
| Cost of goods sold* | \$56.4 | \$99.4 | \$203.6 | \$271.6 |
| Operating income | \$0.3 | \$39.0 | \$86.1 | \$67.1 |

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

Copper and gold production in Q3 2013 was 38% lower than Q3 2012, despite slightly higher volumes of ore mined and same volumes of ore milled, due primarily to the 34% decrease in milled grade during transition between pits. For Q3 2013, ore feed originated primarily from the Liberty pit, which yielded lower head grades than the ore generated from the Ruth West and Ruth East pits in Q3 2012. In addition, the drawdown of coarse ore stockpile for feeder maintenance yielded a lower recovery rate in Q3 2013. Ore tonne milled in Q3 2013 was 15% lower than Q2 2013. For the first nine months of 2013, the increase in gold production is due to higher gold recoveries from cleaner ore delivery to the mill in the first half of the year. Operating income in Q3 2013 was significantly lower than the same quarter of 2012 due primarily to lower sales volumes but also affected by the lower copper price.

Robinson production costs and capital expenditures

Cost of goods sold for Q3 and the first nine months of 2013 were lower than in the same periods of 2012 mainly due to lower sales volumes and lower production costs after the capitalization of waste removal costs related to 2014 ore production. The effect of the capitalization of waste removal costs was partially offset by contract mining costs. In August 2013, Robinson hired a contractor to mine ore from the Liberty pit as part of the accelerated stripping plan.

The cash cost per pound of copper sold is a non-IFRS term and consists of cost of goods sold, less by-product revenue, divided by copper pounds sold in the period (see “**Non-IFRS Financial Measures**”). The cash cost per pound of copper sold for Q3 2013 was \$2.52 compared to \$2.36 in Q3 2012. The increased unit cost in the current quarter was mainly due to lower volumes. The cash cost per pound of copper sold for the first nine months of 2013 was \$1.87/lb compared to \$2.58/lb for the same period of 2012. The decreased cash cost for the current year was affected by lower site operating costs due to the deferral of mining costs from capitalized stripping.

Capital expenditures at Robinson increased in Q3 2013 compared to Q3 2012. Expenditures incurred for the first nine months of 2013 related to the capitalization of stripping and pit dewatering costs.

Robinson Outlook

For the remainder of 2013 the main ore supply will be from the Liberty pit which is currently being contract mined through the end of the year. Supplemental ore feed will be coming from the Kimbley pit. Higher grade ore from Ruth pit is expected to deliver to the mill in the second half of 2014. Waste mining will focus on Ruth West and Ruth East laybacks. Capital expenditures for the remainder of 2013 are mainly for capital waste stripping, dispatch system, and the B-pad move.

Morrison deposit (Ontario, Canada)

| | Three months ended Sept 30 | | Nine months ended Sept 30 | |
|--|----------------------------|--------|---------------------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| Copper ore sold (kt) | 63.0 | 55.8 | 182.2 | 165.8 |
| Copper grade (%) | 8.2 | 9.2 | 7.9 | 9.2 |
| Copper sold - payable (Mlbs) | 10.4 | 9.5 | 27.7 | 28.1 |
| Nickel sold - payable (Mlbs) | 1.6 | 1.4 | 4.2 | 4.3 |
| Gold sold - payable (kozs) | 1.1 | 1.6 | 4.3 | 5.0 |
| Platinum sold - payable (kozs) | 2.4 | 2.5 | 6.7 | 7.3 |
| Palladium sold - payable (kozs) | 9.4 | 5.3 | 17.7 | 15.0 |
| Cash cost per pound of copper sold (\$/lb) | \$1.48 | \$1.32 | \$1.71 | \$1.23 |
| Capital expenditure | \$8.1 | \$6.7 | \$24.0 | \$16.8 |
| Cost of goods sold* | \$20.3 | \$19.4 | \$62.1 | \$55.3 |
| Operating income | \$4.1 | \$11.9 | \$0.4 | \$36.6 |

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

Ore produced and sold for Q3 2013 was higher than Q3 2012 due to increase throughput. The increase in throughput was partially offset by reduced copper grades compared to Q3 2012. The difference in grade is a function of normal variation in workplaces as well as the impacts from geotechnical challenges in higher grade workplaces. Development in the 5040 access drift to allow for diamond drilling continued during the quarter. The Morrison down ramp development continued to an elevation of 4580 ft.

Morrison production costs and capital expenditures

Operating cost of goods sold increased in Q3 2013 due to additional costs for remediation work in the Levack shaft and additional costs associated with the five day planned maintenance period outage in September. Direct mining costs are in line with the previous year. The cash cost per pound of copper sold increased due to an increase in additional costs not incurred in the same period of 2012.

Capital spending in Q3 2013 comprised primarily of lateral development activities, diamond drilling and waste haulage. Expenditure in 2013 increased over 2012 due to additional capital development in the 5040 access drift.

Morrison deposit outlook

The operation continues to focus on reducing production variability and improving the knowledge of the orebody. The operation is improving the ability to predict and react to geotechnical challenges. Recent planning efforts have been focused on delivering the Craig pillar stoving area in Q4 2013 which is expected to increase copper output compared to Q3 2013. Diamond drilling from the lower portion of the Morrison ramp is expected to improve knowledge above the 4700 horizon in anticipation of 2014 mining. The 5040 access drift is expected to be completed in Q3 2014.

Other Operations*

| | Three months ended Sept 30 | | Nine months ended Sept 30 | |
|--|----------------------------|--------|---------------------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| Copper production (Mlbs) | 18.0 | 21.3 | 54.9 | 57.9 |
| Nickel production (Mlbs) | 0.7 | 1.0 | 3.1 | 0.6 |
| TPM ⁽¹⁾ (kcozs) | 1.1 | 3.6 | 8.0 | 12.5 |
| Cash cost per pound of copper sold (\$/lb) | \$2.76 | \$2.75 | \$3.02 | \$3.07 |
| Capital expenditure | \$2.1 | \$3.8 | \$5.5 | \$17.2 |
| Cost of goods sold ⁽²⁾ | \$59.4 | \$65.2 | \$177.7 | \$195.7 |
| Operating (loss) income | -\$1.4 | \$5.7 | -\$6.8 | -\$5.6 |

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

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

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

Copper production for Q3 2013 decreased compared to Q3 2012 due primarily to the completion of production at the Podolsky mine offset partially by increased production from Franke. The economic resource was depleted at Podolsky and mine production came to a close at the end of Q1 2013.

Franke achieved the highest quarterly production levels since the start of the mine by producing 12.7 million lbs of copper. At the end of June, Franke changed the China:Franke pit ore blend ratio from 1:1 to a 2:1, yielding higher leach recoveries and a decrease in acid consumption.

Copper production at Carlota decreased in Q3 2013 compared to Q3 2012 by 1.6 million lbs primarily due to the conveyor stacked sulfide ore placed in the current quarter. Total tonnes mined in Q3 2013 were slightly lower than the same period of 2012 mainly due to a planned reduction in the overall mining rate, thereby decreasing ore placed on the pads.

Following the waiver by Vale of its right to process magnesium oxide Contact Nickel ores, McCreedy West continued mining contact nickel and delivered a total of 81 thousand tonnes of nickel ore to Xstrata's mill in Q3 2013 compared to 48 thousand tonnes delivered in Q3 2012.

Production costs and capital expenditures

Cost of goods sold for Q3 2013 decreased compared to Q3 2012 mainly due to a decline in costs at Podolsky and Carlota. Cost of goods sold at Podolsky decreased by \$7.2 million in Q3 2013 compared to Q3 2012 due to the mine production closure at the end of Q1 2013, with costs incurred during the quarter relating to ongoing care and maintenance.

The cash cost per pound of copper sold for other operations in Q3 2013 was \$2.76 compared to \$2.75 in Q3 2012. The slight increase in cash cost per pound of copper sold is mainly driven by a decrease in bi-product revenue.

Capital expenditures in Q3 2013 primarily relate to Franke and decreased compared to Q3 2012 due to the delay in capital projects in recognition of the decline in copper price.

Overall other operations experienced an operating loss of \$1.4 million for the current quarter primarily due a decline in metal prices for Q3 2013 compared to Q3 2012.

Operations Outlook

The blending of the 2:1 China:Franke pit ore will continue in Q4 2013. The ore grade in both the China and Franke pits is expected to be lower than the current quarter. Capital programs for the remainder of 2013 remain substantially curtailed. There are no major capital expenditures planned for the remainder of the year.

Carlota is implementing a mine-for-closure plan which optimizes cash flow while advancing activities related to the winding down of operations. The closure plan is currently under review and the closure costs are expected to increase once the plan is finalized in Q4 2013. Mining is expected to continue through Q2 2014, followed by residual leaching for approximately two and a half years. Carlota completed mining in the Stage 1 Cactus Pit at the end of the quarter, while continuing to mine ore from the Stage 2 Carlota pit.

Ongoing Care and maintenance of the Podolsky mine infrastructure continues and is forecasted to be complete at the end of 2013.

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.

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 September 30, 2013, the Sierra Gorda project had incurred \$2,946 million capital expenditures, including progress payments for mining and plant equipment, camp, infrastructure and plant construction, and other project related payments. At September 30, 2013 the JV had cash of \$589 million. Because the Company accounts for the JV using the equity method, the cash is not included in KGHM's cash balance.

On March 8, 2012 the JV signed a \$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 September 30, 2013, the JV had drawn down the entire \$1 billion on the project loan. The loan is guaranteed 100% by Sumitomo and is non-recourse to the Company.

Sierra Gorda activities and outlook

During Q3 2013, the project completed the detailed engineering phase for the concentrate plant and tailings storage facility. In addition, the majority of the major procurement has moved into the main construction phase. At the end of Q3 2013, construction of the seawater pipeline is over 3/4 complete, tailing storage facility is over 1/2 complete and over 1/2 of the plant construction is complete. During the quarter, there was significant progress on concrete and steel foundations. Twenty nine haul trucks, four shovels, seven drills and support equipment were turned over to the operation team as of Q3 2013. In March 2012, the pre-stripping commenced and a total of 124.1 million tonnes of waste material were mined by September 2013, representing approximately 63% 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. In Q2 2013, the JV entered into lease agreements to lease various mining equipment minimum lease payments of \$26 million. These leases are accounted for as finance leases with a term of 84 months and bearing an interest rate of 90-day LIBOR plus a margin. As announced in Q2 2013 the project continues to see cost pressures but is pursuing opportunities to reduce funding needs to compensate for those pressures.

As of September 30, 2013 the Sierra Gorda JV had signed contract and purchase order commitments of approximately 90% 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 \$2.9 billion of the committed amount has been incurred.

Victoria Project

During Q3 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. Exploration shaft sinking hoisting system has been ordered in Q3 2014. Site preparation has been initiated with timber clearing activity progressing at the project site.

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

The closure plan and financial assurance bond was submitted to the Ministry of Northern Development and Mines. Technical reviews of all environmental permit applications are either complete or in the final stages. The closure plan and environmental permits are required by the Province of Ontario prior to commencement of site construction.

The Company and Vale Canada Limited (Vale), a wholly owned subsidiary of Vale S.A., signed an agreement on August 1, 2013 that provided the Company with the right to develop and operate the Victoria project as the sole owner. The property and associated off-take agreements reduced the overall project risk and improved the financial outlook for the Victoria project.

Victoria Project Outlook

It is expected that the closure plan will be approved and all of the environmental permits will be issued in Q4 2013. On receipt of the permits and approval by the Company's board of directors, the earthworks portion of site preparation will begin, with the completion goal of the end of Q1 2014, and the Company will continue procurement of long lead items and engineering work in preparation for infrastructure construction and shaft development.

DMC Mining Services

During Q3 2013, DMC recorded revenue of \$43.6 million compared to \$82.5 million in the same period in 2012. The decline was mainly attributable to the timing of Canadian shaft sinking contract business. In 2012, the Company incurred significant effort and cost to build shaft sinking infrastructure and install shaft sinking equipment for a specific contract. Early in 2013, this project moved to the next phase, the shaft excavation portion of the work, in which the Company anticipated lower revenue.

Operating income for Q3 2013 was \$3.2 million compared to \$8.1 million in the same period in 2012. In addition to the aforementioned contract in Canada, the decline in operating income was also attributable to project suspension by clients in the United States as a result of the decline in gold prices.

DMC Outlook

On a year-to-date basis, DMC revenues and operating income are ahead of budget. In anticipation of the scheduled advancement on the shaft sinking contract mentioned above, DMC's 2013 budget was lower than the previous year's actual results. With the softening commodity prices, we anticipate a change in new work being tendered in the market for the remainder of 2013.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2013, the Company had cash and cash equivalents of \$276 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 \$7 million. Subsequent to Q3 2013 a majority of marketable securities held at September 30, 2013 were sold for proceeds of \$6.3 million.

The Company generated cash from operating activities of \$188.5 million for the first nine months of 2013 compared to \$91 million for the same period of 2012. The increase in operating cash flow is largely driven by the decrease in working capital and reduction in taxes paid over the periods.

At September 30, 2013, the Company had working capital of \$478 million as compared to \$870 million at December 31, 2012. The decrease in working capital in the first nine months of 2013 is primarily a result of the decreased cash position at September 30, 2013 and decrease in accounts receivable, due to lower sales as well as collection of payments, at the end of Q3 2013 compared to the end of Q4 2012. At September 30, 2013, accounts receivable and revenues include approximately 16.4 million pounds of copper that has been provisionally valued at \$3.31/lb. The final pricing for these provisionally priced sales is expected to occur between October 2013 and January 2014. Changes in the price of copper from the amounts used to calculate the provisional values will impact the Company's revenues and working capital position in Q4 2013.

Capital spending in the first nine months of 2013 was \$101.9 million for operations and projects. In the first nine months of 2013, the Company advanced \$459.8 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.

To provide funds for general corporate purposes the Company entered into a \$200 million corporate Facility dated for reference June 19, 2013. In Q2 2013 the Company utilized the corporate Facility to secure a \$137.5 million letter of credit in connection with the Company's obligations under the Sierra Gorda joint venture power purchase agreement thereby releasing \$137.5 million of cash previously held as security. In Q3 the Company has utilized the Facility to free up \$61 million in cash that was previously securing other letters of credit.

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 \$71 million on capital expenditures for its operating mines. These obligations are expected to be met by cash on hand and cash flows for operations.

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 | 4.9 | 1.4 | 3.3 | 8.2 | 7.4 | 88.8 | 114.0 |
| Franke Mine supply contracts | 12.1 | 12.2 | 11.6 | 10.5 | 10.3 | 37.2 | 93.8 |
| Senior Notes | 38.8 | 38.8 | 38.8 | 38.8 | 38.8 | 538.8 | 732.8 |
| Minimum lease payments | 9.7 | 7.3 | 6.3 | 6.1 | 5.1 | 13.6 | 48.1 |
| Total | 65.5 | 59.8 | 60.0 | 63.5 | 61.6 | 678.4 | 988.8 |

Under the Sierra Gorda JV agreement, the Company expects to fund approximately \$150 million, representing the Company's share of the funding requirement, of the construction budget in the remaining three months of 2013. The actual amount may vary dependent on the usage of the \$589 million of funds within the JV at September 30, 2013.

As at September 30, 2013, the Company's proportionate 55% share of the contractual commitments at Sierra Gorda totaled \$1,857 million including purchase orders for mining equipment, infrastructure and mine operating commitments after commencement of production. A portion of each of these amounts is expected to be funded from cash on hand in the JV and subordinated loans from JV partners.

Reclamation liabilities

The Company has estimated total future reclamation costs of \$114.0 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 \$95.7 million at September 30, 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 \$45.8 million as at September 30, 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 under review and the amount of reclamation liabilities is expected to increase once the plan is finalized in Q4 2013. 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. The Victoria closure plan is currently being reviewed by the Ontario Government.

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.

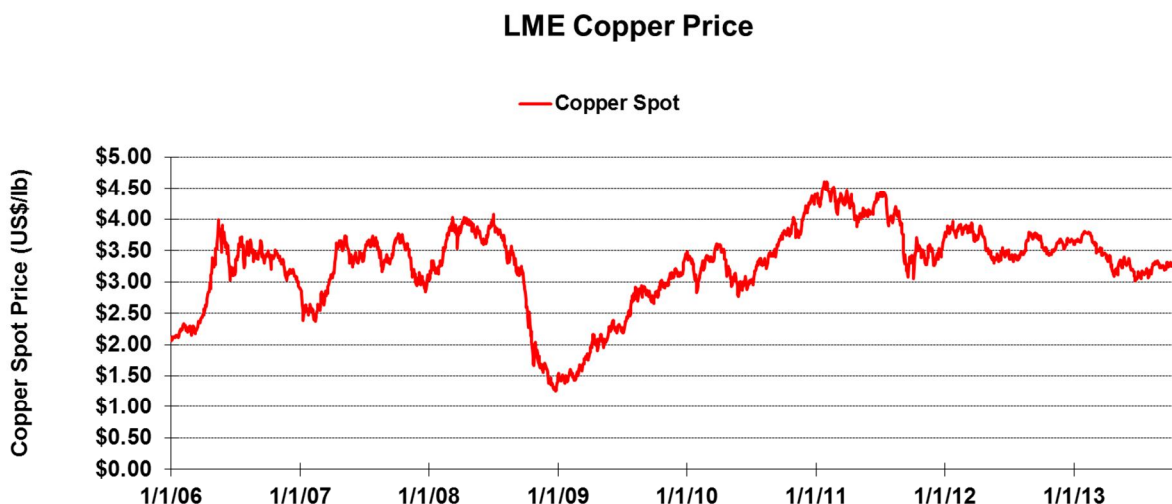
Robinson Mine power supply contract

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

MARKET TRENDS AND FUNDAMENTALS

Copper prices averaged \$3.21/lb in Q3 2013. The market continues to be supported by solid Chinese demand, tight scrap availability and improving economic circumstances in Europe. Looking forward, the company believes copper market fundamentals will remain strong over the long term. Long term supply will be challenged because of project delays due to CAPEX and OPEX overruns, environmental, political, sovereignty and taxation issues in many regions where proposed projects are being developed. Long term demand will continue to benefit from urbanization of emerging market countries such as China and an acceleration of growth in OECD economies will also provide a positive backdrop for copper demand.

The following graph shows the spot price of copper from 2006 to September 30, 2013 as published by the London Metal Exchange (LME).



At September 30, 2013, the closing spot price was \$3.31/lb. At October 31, 2013, the closing spot price was \$3.28/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.

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 | 9.9 |
| - \$0.20/lb | (9.9) |

The Company has been required to fund significant amount of capital asset investment in Chilean Pesos (CLP). To manage its CLP risk, the Company has invested in CLP denominated short term investments. These amounts during the year have been drawn down as advances have been made to Sierra Gorda. The Company as at September 30, 2013 has \$16 million in CLP denominated short term investments, the CLP risk management is primarily being done in CLP denominated investments held by Sierra Gorda.

CONTINGENCIES

- (a) In the normal course of business DMC enters into agreements that contain indemnification commitments and may contain features that meet the expanded definition of guarantees. The terms of these indemnification agreements will vary based on the contract and typically do not provide for a limit on the maximum potential liability. The Company has not made any payments under such indemnifications and no amounts have been accrued in the financial statements with respect to these indemnification commitments.
- (b) The Company is subject to lawsuits from time to time. The existing lawsuits are not disclosed on the grounds that they are not believed to be material.

TRANSACTIONS WITH RELATED PARTIES

Upon formation of the Sierra Gorda JV, the joint venture became a related party with the Company. The amount due from the Sierra Gorda JV which is repayable in the normal course of business is \$3.9 million at September 30, 2013 (December 31, 2012 - \$3.5 million).

The Company earned management fees of \$18.8 million, and guarantee fees of \$2.1 million related to the letter of credit the Company provided in the year (see "**Liquidity & Capital Resources**"), from the Sierra Gorda JV during the nine months ended September 30, 2013, which were included in other income. In July 2013, the Company and Sumitomo agreed to defer payment of 50% of the management fees to the Company and 100% of the guarantee fees related to the period July 1, 2013 to January 1, 2015. As at September 30, 2013 \$3.2 million of the management fee has been deferred and \$2.1 million of the guarantee fees are outstanding. These outstanding amounts bear an interest rate of 0.75% per annum.

On March 5, 2012, the Company loaned \$110.9 million to Bidco evidenced by a promissory note payable to the Company. In Q1 2013, the maturity date was extended to March 5, 2014. Interest on the outstanding principal is calculated at 3.75% per annum payable in arrears on the maturity date, or on the date which the principal amount is paid by Bidco. For the nine months ended September 30, 2013, \$2.8 million (nine months ended September 30, 2012 - \$2.3 million) of related interest income was recorded. Bidco repaid \$13.2 million 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 September 30, 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 Stripping

The Company adopted IFRIC-20, Stripping cost in the production phase of a surface mine (IFRIC 20). IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity: useable ore and improved access to other ore bodies that can be mined in future periods.

The adoption of IFRIC 20 resulted in an increase in the capitalization of stripping activity assets on the Company's consolidated balance sheet and an increase in earnings. These items were partially offset by the amortization of stripping activity assets on a units-of-production basis. The Company capitalized \$43.7 and recorded a depreciation expense of \$1.6 during the nine months ended September 30, 2013.

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 September 30, 2013. At September 30, 2013 the Company had available U.S. Alternative Minimum Tax Credits of \$33.4 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 September 30, 2013 and November 14, 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 | |
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| Net revenues * | | | | | | | | | |
| Robinson | 72 | 151 | 100 | 162 | 151 | 120 | 100 | 89 | 112 |
| Carlota | 15 | 18 | 20 | 23 | 22 | 20 | 20 | 25 | 26 |
| Franke | 44 | 29 | 28 | 41 | 34 | 42 | 36 | 29 | 42 |
| Morrison | 40 | 36 | 33 | 53 | 44 | 32 | 53 | 39 | 42 |
| Podolsky | 2 | 0 | 15 | 13 | 15 | 20 | 23 | 22 | 23 |
| McCreedy West | 7 | 10 | 13 | 9 | 11 | 8 | 9 | 13 | 12 |
| DMC | 44 | 71 | 63 | 76 | 83 | 95 | 72 | 54 | 49 |
| Net revenues - Total | 224 | 314 | 272 | 378 | 358 | 336 | 312 | 271 | 305 |
| Operating (loss) income | 6.2 | 26.9 | 63.9 | 65.2 | 64.7 | (1.1) | 56.2 | (85.9) | (187.0) |
| Earnings (loss) before income taxes | 20.2 | 12.6 | 29.7 | 47.3 | 68.8 | (14.9) | 30.0 | (135.1) | 119.2 |
| Earnings (loss) | 13.6 | 1.7 | 14.8 | 44.3 | 54.5 | (27.7) | 32.7 | (107.8) | 142.8 |
| Basic earnings (loss) per share | \$0.07 | \$0.01 | \$0.07 | \$0.22 | \$0.27 | (\$0.14) | \$0.17 | (\$0.56) | \$0.75 |
| Diluted earnings (loss) per share | \$0.07 | \$0.01 | \$0.07 | \$0.22 | \$0.27 | (\$0.14) | \$0.17 | (\$0.56) | \$0.71 |

* 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 | |
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| Robinson | | | | | | | | | |
| Cu produced payable (Mlbs) | 18.6 | 30.8 | 36.5 | 34.3 | 30.2 | 30.9 | 24.1 | 27.2 | 26.7 |
| Ore milled (Mt) | 3.4 | 3.9 | 4.1 | 4.0 | 3.4 | 3.7 | 3.0 | 3.5 | 3.9 |
| Au production payable (kozs) | 7.5 | 15.0 | 15.4 | 10.6 | 10.2 | 9.7 | 7.3 | 7.9 | 9.2 |
| Cu grade (%) | 0.37 | 0.45 | 0.47 | 0.49 | 0.56 | 0.53 | 0.56 | 0.49 | 0.43 |
| Au grade (g/t) | 0.20 | 0.24 | 0.21 | 0.22 | 0.29 | 0.25 | 0.23 | 0.22 | 0.21 |
| Cu recovery (%) | 71.4 | 81.9 | 89.2 | 83.5 | 75.4 | 74.6 | 68.6 | 75.0 | 77.4 |
| Au recovery (%) | 33.5 | 55.5 | 50 | 39.3 | 34.4 | 34.2 | 34.9 | 33.7 | 38.8 |
| Cu sales (Mlbs) | 17.8 | 43.4 | 24.8 | 41.2 | 36.9 | 32.5 | 23.8 | 21.1 | 27.9 |
| Average realized price (\$/lb) | \$3.39 | \$3.05 | \$3.49 | \$3.49 | \$3.78 | \$3.34 | \$3.89 | \$3.66 | \$3.48 |
| Cash cost per pound of copper sold (\$/lb) | \$2.52 | \$1.84 | \$1.47 | \$2.00 | \$2.36 | \$2.69 | \$2.75 | \$2.19 | \$2.19 |
| Carlota | | | | | | | | | |
| Cu production (Mlbs) | 4.5 | 5.8 | 5.6 | 5.8 | 6.1 | 5.5 | 5.5 | 7.0 | 6.6 |
| Ore placed (Mt) | 1.0 | 0.9 | 1.2 | 1.3 | 1.1 | 1.3 | 1.2 | 1.2 | 1.3 |
| Total Cu grade (%) | 0.57 | 0.58 | 0.61 | 0.61 | 0.66 | 0.60 | 0.39 | 0.36 | 0.32 |
| Cu sales (Mlbs) | 4.7 | 5.6 | 5.7 | 6.4 | 6.2 | 5.6 | 5.1 | 7.4 | 6.6 |
| Average realized price (\$/lb) | \$3.22 | \$3.23 | \$3.57 | \$3.59 | \$3.48 | \$3.57 | \$3.85 | \$3.32 | \$3.99 |
| Cash cost per pound of copper sold (\$/lb) | \$2.55 | \$2.41 | \$2.46 | \$2.53 | \$2.58 | \$2.70 | \$2.96 | \$2.80 | \$3.12 |
| Franke | | | | | | | | | |
| Cu production (Mlbs) | 12.7 | 8.8 | 10.6 | 10.7 | 10.5 | 8.8 | 9.4 | 8.7 | 9.0 |
| Ore placed (Mt) | 1.1 | 0.9 | 1.0 | 1.1 | 1.1 | 0.9 | 1.0 | 0.9 | 0.8 |
| Total Cu grade (%) | 0.71 | 0.72 | 0.67 | 0.72 | 0.68 | 0.78 | 0.83 | 0.78 | 0.80 |
| Cu sales (Mlbs) | 13.7 | 8.6 | 11.7 | 11.7 | 9.1 | 11.8 | 9.4 | 8.4 | 10.5 |
| Average realized price (\$/lb) | \$3.22 | \$3.31 | \$3.74 | \$3.53 | \$3.60 | \$3.53 | \$3.79 | \$3.41 | \$3.96 |
| Cash cost per pound of copper sold (\$/lb) | \$2.70 | \$4.18 | \$3.70 | \$3.31 | \$3.30 | \$5.03 | \$2.54 | \$2.39 | \$3.33 |
| Morrison | | | | | | | | | |
| Cu ore sold (kt) ⁽¹⁾ | 63.0 | 70.7 | 48.5 | 70.3 | 55.8 | 53.0 | 57.0 | 57.1 | 53.3 |
| Cu grade (%) | 8.2 | 7.3 | 8.5 | 9.3 | 9.2 | 8.2 | 10.0 | 8.6 | 9.6 |
| Payable Cu sold (Mlbs) | 10.4 | 10.0 | 7.3 | 12.6 | 9.5 | 8.1 | 10.5 | 9.2 | 10.1 |
| Payable Ni sold (Mlbs) | 1.6 | 1.6 | 1.1 | 1.8 | 1.4 | 1.2 | 1.7 | 1.3 | 1.4 |
| Payable TPM sold (kozs) ⁽²⁾ | 12.9 | 8.1 | 7.6 | 10.0 | 9.3 | 7.7 | 10.2 | 8.1 | 8.4 |
| Average realized price (\$/lb) | \$3.18 | \$3.02 | \$3.51 | \$3.51 | \$3.71 | \$3.23 | \$4.02 | \$3.52 | \$3.47 |
| Cash cost per pound of copper sold (\$/lb) | \$1.48 | \$1.91 | \$1.74 | \$1.19 | \$1.32 | \$1.43 | \$0.99 | \$0.86 | \$0.59 |
| Podolsky | | | | | | | | | |
| Cu ore sold (kt) ⁽¹⁾ | 1.5 | 0.0 | 88.0 | 88.8 | 76.8 | 98.7 | 92.3 | 93.4 | 112.2 |
| Cu grade (%) | 4.0 | 0.0 | 2.7 | 2.5 | 2.6 | 3.1 | 3.1 | 3.4 | 3.0 |
| Payable Cu sold (Mlbs) | 0.5 | 0.1 | 4.1 | 3.5 | 3.7 | 5.8 | 5.2 | 5.7 | 6.0 |
| Payable Ni sold (Mlbs) | 0.1 | 0.0 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 |
| Payable TPM sold (kozs) ⁽²⁾ | 0.5 | 0.3 | 3.9 | 6.1 | 1.6 | 5.4 | 4.8 | 5.9 | 7.2 |
| Average realized price (\$/lb) | N/A | N/A | \$3.49 | \$3.52 | \$3.68 | \$3.28 | \$4.06 | \$3.53 | \$3.42 |
| Cash cost per pound of copper sold (\$/lb) | N/A | N/A | \$2.34 | \$2.91 | \$2.32 | \$2.00 | \$2.42 | \$1.91 | \$1.89 |
| McCreedy West | | | | | | | | | |
| Cu ore sold (kt) ⁽¹⁾ | 4.2 | 6.7 | 5.8 | 9.2 | 8.1 | 4.6 | 4.9 | 9.0 | 15.6 |
| Cu grade (%) | 3.6 | 4.8 | 3.6 | 3.7 | 5.3 | 3.6 | 3.5 | 3.0 | 1.6 |
| Ni ore sold (kt) ⁽¹⁾ | 80.9 | 91.7 | 84.1 | 82.5 | 47.7 | 67.5 | 88.0 | 85.1 | 53.6 |
| Ni grade (%) | 1.2 | 1.2 | 1.3 | 1.3 | 1.2 | 1.3 | 1.3 | 1.2 | 1.6 |
| Payable Cu sold (Mlbs) | 0.3 | 0.9 | 1.0 | 0.8 | 1 | 0.5 | 0.6 | 0.8 | 0.9 |
| Payable Ni sold (Mlbs) | 0.6 | 1.1 | 1.1 | 0.8 | 0.8 | 0.9 | 1.1 | 1.0 | 1.3 |
| Payable TPM sold (kozs) ⁽²⁾ | 0.6 | 1.4 | 1.4 | 0.6 | 2.1 | 0.4 | 0.0 | 2.2 | 1.9 |
| Average realized price (\$/lb) | \$5.50 | \$2.87 | \$3.57 | \$3.48 | \$3.73 | \$3.21 | \$4.29 | \$3.56 | \$3.74 |
| Cash cost per pound of copper sold (\$/lb) ⁽³⁾ | \$8.66 | \$2.84 | (\$0.18) | \$4.26 | \$0.40 | \$2.80 | \$4.68 | \$0.63 | (\$0.38) |

⁽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 September 30, 2013 | | | | | | |
|--|---------------------------------------|-------------|-------------|-------------|----------|------------------|--------------|
| | Robinson | Carlota | Franke | Morrison | Podolsky | McCreedy West | Total |
| Production costs of goods sold | 54.7 | 11.4 | 37.0 | 20.3 | - | 8.1 | 133.8 |
| Treatment and refining charges | 4.4 | - | - | 11.9 | - | 0.3 | 17.8 |
| Royalties | 1.7 | 0.5 | - | - | - | - | 2.2 |
| Total cash cost | 60.8 | 11.9 | 37.0 | 32.1 | - | 8.4 | 153.8 |
| By-product revenues | (16.1) | - | - | (16.8) | - | (5.6) | (39.4) |
| | 44.7 | 11.9 | 37.0 | 15.4 | - | 2.8 | 114.4 |
| Copper sold (million lbs) | 17.8 | 4.7 | 13.7 | 10.4 | - | 0.3 | 47.4 |
| Cash cost per pound of copper sold (US\$/lb) | \$ 2.52 | \$ 2.55 | \$ 2.70 | \$ 1.48 | \$ - | \$ 8.66 | \$ 2.41 |

| | Three months ended September 30, 2012 | | | | | | |
|--|---------------------------------------|-------------|-------------|-------------|-------------|------------------|--------------|
| | Robinson | Carlota | Franke | Morrison | Podolsky | McCreedy West | Total |
| Production costs of goods sold | 95.4 | 14.9 | 30.0 | 19.4 | 9.6 | 7.7 | 177.0 |
| Supplies inventory writeoff | (1.0) | - | - | - | - | - | (1.0) |
| Treatment and refining charges | 7.2 | - | - | 7.9 | 2.8 | 0.7 | 18.6 |
| Royalties | 4.0 | 1.1 | - | - | - | - | 5.1 |
| Total cash cost | 105.6 | 16.0 | 30.0 | 27.3 | 12.4 | 8.4 | 199.7 |
| By-product revenues | (18.4) | - | - | (14.8) | (3.8) | (8.0) | (45.0) |
| | 87.2 | 16.0 | 30.0 | 12.5 | 8.6 | 0.4 | 154.7 |
| Copper sold (million lbs) | 36.9 | 6.2 | 9.1 | 9.5 | 3.7 | 1.0 | 66.4 |
| Cash cost per pound of copper sold (US\$/lb) | \$ 2.36 | \$ 2.58 | \$ 3.30 | \$ 1.32 | \$ 2.32 | \$ 0.40 | \$ 2.33 |

| | Nine months ended September 30, 2013 | | | | | | |
|--|--------------------------------------|-------------|--------------|-------------|-------------|------------------|--------------|
| | Robinson | Carlota | Franke | Morrison | Podolsky | McCreedy West | Total |
| Production costs of goods sold | 194.1 | 37.2 | 100.8 | 62.1 | 13.3 | 26.7 | 434.1 |
| Treatment and refining charges | 20.1 | - | - | 26.7 | 4.6 | 1.3 | 52.7 |
| Royalties | 9.5 | 2.1 | - | - | - | - | 11.6 |
| Total cash cost | 223.8 | 39.3 | 100.8 | 88.8 | 17.8 | 28.1 | 498.5 |
| By-product revenues | (62.7) | - | - | (41.6) | (4.2) | (22.8) | (131.4) |
| | 161.0 | 39.3 | 100.8 | 47.1 | 13.6 | 5.3 | 367.1 |
| Copper sold (million lbs) | 86.0 | 15.9 | 29.8 | 27.6 | 4.7 | 2.2 | 166.3 |
| Cash cost per pound of copper sold (US\$/lb) | \$ 1.87 | \$ 2.47 | \$ 3.38 | \$ 1.71 | \$ 2.88 | \$ 2.40 | \$ 2.21 |

Nine months ended September 30, 2012

| | Robinson | Carlota | Franke | Morrion | Podolsky | McCreedy West | Total |
|---|----------------|----------------|----------------|----------------|----------------|------------------|----------------|
| Production costs of goods sold | 261.1 | 43.2 | 113.2 | 55.3 | 34.7 | 24.9 | 532.4 |
| Supplies inventory writeoff | (1.0) | - | - | - | - | - | |
| Treatment and refining charges | 18.2 | - | - | 23.7 | 10.8 | 1.2 | 53.9 |
| Royalties | 10.5 | 3.0 | - | - | - | - | 13.5 |
| Total cash cost | 288.8 | 46.2 | 113.2 | 79.0 | 45.5 | 26.1 | 598.8 |
| By-product revenues | (48.6) | - | - | (44.5) | (12.7) | (21.7) | (127.5) |
| | 240.2 | 46.2 | 113.2 | 34.5 | 32.8 | 4.4 | 471.3 |
| Copper sold (million lbs) | 93.2 | 16.9 | 30.3 | 28.1 | 14.7 | 2.1 | 185.3 |
| Cash cost per pound of copper sold (US\$/lb) | \$ 2.58 | \$ 2.73 | \$ 3.74 | \$ 1.23 | \$ 2.23 | \$ 2.14 | \$ 2.54 |

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 September 30, 2013 | Three months ended September 30, 2012 | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 |
|---|--|--|---|---|
| (All amounts in millions of United States dollars except per share amounts) | | | | |
| Income from mining operations | 6.2 | 64.7 | 97.0 | 119.8 |
| Adjusting items: | | | | |
| Amortization, depreciation and depletion | 42.6 | 40.7 | 111.1 | 120.2 |
| Stock-based compensation | - | 3.9 | - | 4.6 |
| General and administrative | (9.9) | (16.7) | (36.6) | (43.2) |
| Other loss | (0.2) | (3.3) | (0.5) | (3.3) |
| Service fee from Sierra Gorda JV | 6.3 | 6.3 | 18.8 | 18.8 |
| Inventory write down | - | - | - | 26.0 |
| Adjusted EBITDA | 44.9 | 95.5 | 189.7 | 242.9 |
| Weighted-average number of shares outstanding -basic | 199.8 | 199.8 | 199.8 | 198.9 |
| Adjusted EBITDA per share | \$0.22 | \$0.48 | \$0.95 | \$1.22 |

November 14, 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, and anticipated outcome of litigation. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as "outlook", "anticipate", "project", "target", "believe", "estimate", "expect", "intend", "should", "scheduled", "will", "plan" and similar expressions. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, and developed based on assumptions about such risks, uncertainties and other factors set out herein, including but not limited to:

- ❖ Global financial conditions including fluctuations in metal prices and demand;
- ❖ The ability to expand or replace depleted reserves and the possible recalculation or reduction of the reserves and resources;
- ❖ Actual capital costs, operating costs and expenditures, production schedules and economic returns from the Company's mining projects;
- ❖ The integration with KGHM Polska Miedź S.A.
- ❖ The need to attract and retain qualified personnel;
- ❖ Dewatering at the Robinson Mine in 2013 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 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 Franke and Carlota Mines;
- ❖ Potential challenges to title to the properties;
- ❖ The dependence on transportation facilities and infrastructure;
- ❖ Labour relations;
- ❖ The potential need for a temporary shutdown of any of our operations, such as related to unplanned maintenance or extreme climatic conditions;
- ❖ The actual costs of reclamation;
- ❖ The impact of the availability and cost of key operating supplies and services;
- ❖ Energy prices;
- ❖ The acquisition and integration of businesses and assets;
- ❖ Inherent hazards and risks associated with mining operations;
- ❖ Inherent uncertainties associated with mineral exploration;
- ❖ The mining industry is competitive for resources and sales market;
- ❖ Being subject to government regulation, including changes in regulation;
- ❖ Being subject to extensive environmental laws and regulations, including change in possible regulation;
- ❖ Need for governmental licenses and permits;
- ❖ Derivative contracts and exposure to the credit risk of counter-parties;
- ❖ Failure to maintain the covenants under the Corporate Facility could result in the termination and repayment of the Corporate Facility;
- ❖ Taxation in multiple jurisdictions;
- ❖ Political and country risk;
- ❖ Conflicts of interest; and
- ❖ Fluctuations in foreign currency exchange rates.

A discussion of these and other factors that may affect the Company's actual results, performance, achievements or financial position is contained in the filings by the Company with the Canadian provincial securities regulatory authorities prior to the Company ceasing to be a reporting issuer, including the Company's Annual Information Form and the Annual Information Form filed by FNX prior to the merger between Quadra and FNX. Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to the continued operation of the Company's mining operations, no material adverse change in the market price of

commodities, that the mining operations will operate in accordance with the Company's public statements and achieve its stated production outcomes, and such other assumptions and factors as set out herein. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate. Accordingly, readers should not place undue reliance on forward-looking statements. The Company disclaims any intent or obligations to update or revise publicly any forward-looking statements whether as a result of new information, estimates or options, future events or results or otherwise, unless required to do so by law.