

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR AND FOURTH QUARTER ENDED DECEMBER 31, 2012**

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

	Three months ended December 31			Year ended December 31		
	2012	2011	Change	2012	2011	Change
FINANCIAL HIGHLIGHTS						
Net revenues ⁽¹⁾	378	271	39%	1,385	1,107	25%
Income (loss) from mining operations	65	(86)	176%	185	(145)	227%
Adjusted EBITDA ⁽²⁾	90	62	46%	333	330	1%
Earnings (loss) for the period	44	(108)	141%	104	267	-61%
Earnings (loss) per share (basic)	0.22	(0.56)	140%	0.52	1.39	-63%
Cash and cash equivalents	537	1,006	-47%	537	1,006	-47%
Working capital	870	1,289	-33%	870	1,289	-33%

⁽¹⁾ Net of treatment and refining charges

⁽²⁾ See "Non-IFRS Financial Measures"

HIGHLIGHTS:

On March 5, 2012, KGHM Polska Miedź S.A ("KGHM") completed the Plan of Arrangement and acquired 100% of the issued and outstanding shares of the Company. The Company ceased to be publicly-traded shortly thereafter and on March 12, 2012, the Company changed its name to KGHM International Ltd. ("KGHMI").

2012 Annual and recent activities

- Total Net revenues increased 25% to \$1,385 million in the year compared to \$1,107 million in 2011.
- Income from mining operations increased \$330 million from a loss of \$145 million in 2011 to an income of \$185 million. The loss in 2011 was due to impairment of non-current asset and inventory of \$376 million, primarily at Carlota and Franke.
- Adjusted EBITDA increased slightly to \$333 million from \$330 million in 2011.
- Earnings decreased by \$163 million to \$104 million compared to \$267 million in 2011. In 2011, the Company realized a \$293 dilution gain from the formation of Sierra Gorda Joint Venture (JV) with Sumitomo and a realized gain of \$133.9 million on the disposition of Gold Wheaton shares. Partially offsetting the gains were the \$289 million in impairment losses on the Carlota, Franke and Podolsky mines (see "**Review of Operations and Projects**").
- Total production for the year was 244 million pounds of copper and 95 thousand ounces of total precious metals (TPMs) compared to 218 million pounds of copper and 103 thousand ounces of TPMs in 2011. Cash costs for the year were \$2.43 per pound of copper sold compared to \$2.14 per pound of copper sold in 2011
- The Sierra Gorda joint venture ("Sierra Gorda JV") signed a \$1 billion project loan agreement with a group of syndicated lenders led by Japan Bank for International Cooperation. The project loan has a 9.5 year term with an interest rate of LIBOR plus a margin.
- Subsequent to the year end, KGHM announced the definitive cost estimates ("DCE") and scheduled startup 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.

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 March 28, 2013 and is intended to be read in conjunction with the accompanying 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.

Fourth Quarter

- Net revenues increased 39% to \$378 million in the current quarter compared to \$271 million in 2011 due to higher sales volume and higher copper price.
- Income from mining operations increased \$151 million from a loss of \$86 million in 2011 to an income of \$65 million. The loss in 2011 was due to impairment of non-current asset and inventory of \$126.5 million, primarily at Franke.
- Adjusted EBITDA increased 41% to \$90 million from \$64 million in 2011 mainly due to higher sales volumes and copper price year (see “**Review of Operations and Projects**”). Q4 2012 also saw a decrease in spending for exploration and evaluation compared to the same period of 2011.
- Earnings increased by \$152 million to \$44 million compared to a loss of \$108 million in 2011.
- Total production for the quarter was 68 million pounds of copper and 27 thousand ounces of TPMs compared to 59 million pounds of copper and 24 thousand ounces of TPMs in the same period of 2011. Copper cash costs were \$2.18 per pound in Q4 2012 compared with \$2.02 for Q4 2011.
- The Company ended Q4 2012 with \$537 million of cash.

ACQUISITION BY KGHM

On November 28, 2011 KGHM advised the Company of their intention to make an unsolicited bid for all the outstanding shares of Quadra FNX. A formal offer was submitted to Quadra FNX shareholders on December 6, 2011. The directors of Quadra FNX formed a special advisory committee comprised of those members of the board who were independent and retained special legal counsel and independent financial advisors to evaluate the offer. The takeover was structured as a court-approved plan of arrangement. Under the terms of the arrangement, Quadra FNX shareholders would receive C\$15 for each common share of Quadra FNX. The transaction was contingent on Quadra FNX shareholders and Investment Canada approvals, which were received subsequent to year-end. On March 5, 2012, the transaction closed and the Company ceased to be a publicly-traded company shortly thereafter. On March 12, 2012, the Company changed its name to KGHM International Ltd.

FINANCIAL PERFORMANCE

Earnings

The Company recorded earnings of \$104 million or \$0.52 per share (basic) for 2012 compared to \$267 million or \$1.39 per share (basic) for 2011. Despite higher revenues in 2012, earnings were lower than 2011. Higher earnings in 2011 were primarily driven by a \$293 million dilution gain from the formation of the JV with Sumitomo, an unrealized gain on derivatives of \$33.2 million and a \$133.9 gain on sale of Gold Wheaton Shares. 2011 earnings were partially offset by impairment of non-current asset and inventory of \$289 million primarily at Carlota and Franke.

In 2012, the Company sold 261.5 million pounds of copper at an average effective price of \$3.62/lb and 92.7 thousand ounces of TPMs compared to 211.6 million pounds of copper in 2011 at an average effective price of \$3.85/lb and 107 thousand ounces of TPMs.

Revenues

	Year ended December 31, 2012							Total
	Robinson	Morrison	Franke	Carlota	Podolsky	McCreedy West	DMC	
Copper sales (million lbs)	134.4	40.7	42.0	23.3	18.2	2.9		261.5
(in millions of U.S. dollars)								
Copper	484.6	147.8	152.5	84.1	66.1	10.6	-	945.7
Nickel	-	48.1	-	-	6.6	26.0	-	80.7
Other by product ⁽¹⁾	73.8	19.5	-	-	12.5	2.4	-	108.2
Contract mining	-	-	-	-	-	-	325.9	325.9
Treatment and refining charges	(25.5)	(34.3)	-	-	(13.6)	(1.7)	-	(75.1)
Total net revenues	532.9	181.1	152.5	84.1	71.6	37.3	325.9	1,385.4

	Year ended December 31, 2011							Total
	Robinson	Morrison	Franke	Carlota	Podolsky	McCreedy West	DMC	
Copper sales (million lbs)	89.5	37.8	31.9	23.8	23.5	5.1	-	211.6
(in millions of U.S. dollars)								
Copper	342.8	145.5	125.8	90.8	89.9	20.0	-	814.8
Nickel	-	61.1	-	-	11.3	25.7	-	98.1
Other by product ⁽¹⁾	66.8	15.2	-	-	16.8	13.8	-	112.6
Contract mining	-	-	-	-	-	-	153.5	153.5
Treatment and refining charges	(15.0)	(32.7)	-	-	(17.2)	(7.2)	-	(72.1)
Total net revenues ⁽²⁾	394.6	189.1	125.8	90.8	100.8	52.3	153.5	1,106.9

⁽¹⁾ Mainly from precious metals (gold, platinum and palladium)

⁽²⁾ Treatment and refining charges are presented as a reduction in revenues in total net revenues

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 2012 were higher than 2011 due to higher contract mining revenues from DMC as a result of increased contract mining activities as well as higher copper revenues at Robinson resulting from higher sales volumes. Higher copper revenue in 2012 was partially offset by lower nickel and total precious metal revenues driven by lower sales volumes. Copper spot price at December 31, 2012 was \$3.60/lb compared to \$3.43/lb at December 31, 2011.

2012 revenues at Morrison, McCreedy West and Podolsky included non-cash revenue of \$9.2 million representing the amortization of a deferred revenue liability related to the Company's obligation to sell 50% of the gold, platinum and palladium contained in ore mined and shipped from certain deposits to Franco-Nevada (formerly Gold Wheaton).

Mine operating expenses and operating income

	Year Ended December 31, 2012							
	McCreedy							Total
	Robinson	Morrison	Franke	Carlota	Podolsky	West	DMC	
Net revenues	532.9	181.1	152.5	84.1	71.6	37.3	325.9	1,385.4
Depreciation and amortization	36.0	52.7	17.7	-	20.3	10.2	4.8	141.7
Employee benefits expense	68.8	28.9	26.1	17.7	12.0	11.9	37.3	202.7
Raw materials, other consumables and energy	175.7	30.5	82.1	40.0	10.9	10.1	0.2	349.5
Office expenses	12.4	(4.9)	7.5	4.8	2.1	(0.5)	2.3	23.7
External services	23.3	17.3	19.6	3.7	14.8	9.7	253.1	341.5
Royalties	15.6	-	-	4.0	-	-	-	19.6
Inventory write down	-	-	27.3	-	-	-	-	27.3
Changes in Inventories	43.6	-	(7.0)	(2.4)	(0.1)	(0.1)	-	34.0
Distribution costs	44.9	4.8	2.0	-	5.4	3.3	-	60.4
Cost of Sales	420.3	129.3	175.3	67.8	65.4	44.6	297.7	1,200.4
Operating income (loss)	112.6	51.8	(22.8)	16.3	6.2	(7.3)	28.2	185.0

	Year Ended December 31, 2011							
	McCreedy							Total
	Robinson	Morrison	Franke	Carlota	Podolsky	West	DMC	
Net revenues	394.6	189.1	125.8	90.8	100.8	52.3	153.5	1,106.9
Depreciation and amortization	29.9	42.5	15.5	13.3	34.4	15.4	3.8	154.8
Employee benefits expense	61.9	24.4	18.9	21.1	14.4	11.0	24.3	176.0
Raw materials, other consumables and energy	144.9	12.0	76.0	53.1	12.5	9.2	0.1	307.8
Office expenses	10.9	1.4	8.5	5.2	1.1	0.4	1.9	29.4
External services	18.3	11.8	23.4	6.7	16.1	13.1	109.7	199.1
Impairment of non-current assets	-	-	126.5	121.5	40.5	-	-	288.5
Royalties	12.3	-	-	4.6	-	-	-	16.9
Inventory write down	-	-	9.3	77.7	-	-	-	87.0
Changes in Inventories	(15.9)	-	(24.4)	(15.6)	(0.1)	-	-	(56.0)
Distribution costs	29.8	3.1	4.8	0.1	6.5	4.3	-	48.6
Cost of Sales	292.1	95.2	258.5	287.7	125.4	53.4	139.8	1,252.1
Operating income (loss)	102.5	93.9	(132.7)	(196.9)	(24.6)	(1.1)	13.7	(145.2)

Cost of sales in 2012 was \$51.7 million lower than 2011. In 2011, the Company recorded an impairment of non-current assets and inventory write down of \$376 million mainly at Franke and Carlota. Excluding the impairment and inventory write down, cost of sales in 2012 would have been significantly higher than 2011 mainly due to higher cost at Robinson, Morrison and DMC. Higher cost of sales at Robinson were mainly the result of additional stripping costs due to a change in mine plan as well as higher concentrate sales volumes. Higher cost of sales at Morrison was a result of higher operating costs related to Craig infrastructure. Costs of sales at DMC were significantly higher during the year as contract mining activities increased in 2012 compared to 2011 (see “**Review of Operations and Projects**”).

General & administrative and other expenses

General and administrative expenses for 2012 were in line with 2011. Consulting fees on a business improvement project implemented in 2012 were offset by lower expensed exploration and evaluation cost as there was a larger exploration program in 2011 compared to 2012.

The Company recognized \$32.2 million in finance income on short term investments and loans in 2012, compared to \$1.7 million in 2011. Higher finance income in 2012 was a result of interest earned from the loans to Sierra Gorda JV and higher interest rate on Chilean Peso short term investments. These Chilean Peso investments are held as part of the Company’s program to mitigate the effect of exchange rates on Sierra Gorda construction costs.

Finance expenses for 2012 were \$43.8 million compared to \$13.4 million for 2011. Finance expenses for the current year were mainly interest expenses on the Senior Notes that were issued in June 2011.

Other income of \$40.8 million in 2012 was primarily comprised of \$25 million service fee from the Sierra Gorda JV as well as the \$7.6 million realized gain on the retirement of the warrant liability and \$7.4 million on the settlement of foreign currency contracts. In 2011 other income of \$204.3 million primarily resulted from \$133.9 million pre-tax gain from the disposition of Gold Wheaton shares, \$8 million service fee from the Sierra Gorda JV, \$27 million gain due to the decrease in the fair value of the Company's issued and outstanding warrants, which are treated as derivative liabilities under IFRS, \$8 million gain from the copper price linked long-term acid and water contracts at the Franke mine as a result of the decrease in copper prices as well as the realized gain on marketable securities of \$29 million. .

Other expense of \$5.4 million in 2012 was mainly the provision for severance benefits at the Carlota mine (see "Review of Operations and Projects").

On September 14, 2011, the Company formed a JV with Sumitomo to develop the Sierra Gorda project in Chile. The Company retained 55% beneficial interest in the JV. As a result of the reduction in ownership in the subsidiary the Company recorded a gain of \$292.5 million.

The Company recorded a foreign exchange gain of \$16.5 million in 2012 due to the appreciation of the Canadian dollar and the Chilean Peso. These currencies are held to mitigate the risks related to costs incurred in those currencies. The Company incurred \$29.1 million transaction costs in 2012 in connection with the Plan of Arrangement.

The Company recorded income tax expenses of \$27.4 million in 2012 compared to \$2.9 million in 2011. The tax expense for the current year has been recorded based on an estimated annual effective tax rate of 26.9% (2011 – 11%) excluding the effect of certain onetime tax events. The increase in effective tax rate in 2012 is largely caused by the reduction in the amount of provincial tax credits available to offset the income tax expenses in Canada.

FOURTH QUARTER FINANCIAL PERFORMANCE

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

SUMMARY OF QUARTERLY FINANCIAL RESULTS									
		2012				2011			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Robinson								
Net revenues *									
Robinson		162	151	120	100	89	112	102	91
Carlota		23	22	20	20	25	26	22	18
Franke		41	34	42	36	29	42	26	30
Morrison		53	44	32	53	39	42	57	51
Podolsky		13	15	20	23	22	23	28	28
McCreedy West		9	11	8	9	13	12	16	12
DMC		76	83	95	72	54	49	28	23
Net revenues - Total		378	358	336	312	271	305	278	253
Operating (loss) income		65.2	64.7	(1.1)	56.2	(85.9)	(187.0)	64.4	63.2
Earnings (loss) before income taxes		47.3	68.8	(14.9)	30.0	(135.1)	119.2	72.2	213.0
Earnings (loss)		44.3	54.5	(27.7)	32.7	(107.8)	142.8	63.8	167.7
Basic earnings (loss) per share	\$	0.22	\$0.27	-\$0.14	\$0.17	-\$0.56	\$0.75	\$0.33	\$0.88
Diluted earnings (loss) per share	\$	0.22	\$0.27	-\$0.14	\$0.17	-\$0.56	\$0.71	\$0.33	\$0.85

⁽¹⁾ Including Morrison deposit commercial production revenues

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

Earnings

The Company recorded earnings of \$65.2 million or \$0.22 per share (basic) for Q4 2012, compared to a loss of \$85.9 million or \$0.56 per share (basic) for Q4 2011. Current quarter earnings were positively impacted by higher revenues due to higher sales volumes. The loss in Q4 2011 was mainly due to the impairment loss of \$126.5 million on the Franke mine.

Net revenues

Net revenues in Q4 2012 were higher than the same quarter of 2011 mainly due to higher sales volumes (timing of shipments) and copper prices. Copper prices slightly decreased from \$3.75/lb at September 30, 2012 to \$3.60/lbs at December 31, 2012 but the increase in volumes during the quarter resulted in an overall increase in net revenues compared to Q4 2011. Q4 2012 revenues at Morrison, Podolsky and McCreedy West also included non-cash revenue of \$2.4 million for the amortization of a deferred revenue liability related to Franco Nevada.

At December 31, 2012, receivables at the Robinson mine and Sudbury operations include 38.5 million of copper which has been provisionally valued at \$3.60/lb.

Cost of sales and operating income

Cost of sales in Q4 2012 were \$313 million compared to \$357 in the same period of 2011 due primarily to the fixed asset impairment at Franke in Q4 2011. Excluding the Franke impairment, Cost of sales in Q4 2012 would have increased by \$82 million compared to Q4 2011 due to higher production costs, increased distribution costs (see “**Review of Operations and Projects**”) and increased contract mining activities at DMC. Operating income increased to \$65 million in Q4 2012 from an operating loss of \$86 million in the same period of 2011. Excluding the Franke impairment, operating income would have increased by \$25 million compared to the same quarter of 2011. The increase in operating income is attributed to a combination of higher sales volumes due to timing of shipments and higher average copper prices.

General & administrative and other expenses

General and administrative expenses for Q4 2012 were \$21.8 million compared with \$24.5 million the same quarter of 2011 which was a result of a larger expensed exploration program in 2011 compared to 2012 as well as an increase in costs in 2012 related to a business improvement project implemented in the current year.

The Company recognized a loss on derivatives of \$0.8 million in Q4 2012 compared to \$21.7 million in Q4 2011. The loss in Q4 2012 was mainly as a result from the change in fair value of the Franke long-term supply contracts. The loss in Q4 2011 was mainly as a result from the change in fair value of the copper put options, Franke long-term supply contracts and warrants.

In Q4 2011 the Company reviewed the carrying value of the Franke mine due to a significant reduction in reserves and a write down of \$126.5 million was required to reduce the Franke mine’s carrying value to its recoverable amount.

Finance and other income in Q4 2012 was mainly due to the service fee earned from providing support to the Sierra Gorda JV as well as interest on loans to Sierra Gorda and Bidco. Finance expense in Q4 2012 and 2011 was primarily related to the interest expense on the senior note.

REVIEW OF OPERATIONS AND PROJECTS

PRODUCTION SUMMARY

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

	Three months ended December 31		Year ended December 31	
	2012	2011	2012	2011
Copper production (Mlbs)				
Robinson ⁽²⁾	34.3	27.2	119.5	95.1
Morrison deposit ⁽⁴⁾	12.6	9.2	40.745	37.8
Franke ⁽³⁾	10.7	8.7	39.4	33.2
Carlota ⁽³⁾	5.8	7.0	22.9	23.6
Podolsky ⁽⁴⁾	3.5	5.7	18.2	23.5
McCreedy West ⁽⁴⁾	0.8	0.8	2.9	5.1
	67.8	58.6	243.6	218.3
Nickel production (Mlbs)				
Morrison deposit ⁽⁴⁾	1.8	1.3	6.1	6.0
Podolsky ⁽⁴⁾	0.2	0.3	0.8	1.1
McCreedy West ⁽⁴⁾	0.8	1.0	3.64	2.9
	2.8	2.6	10.5	10.0
TPM ⁽¹⁾ (kcozs)				
Robinson ⁽²⁾	10.6	7.9	37.9	29.7
Morrison deposit ⁽⁴⁾	10.0	8.1	37.3	30.4
Podolsky ⁽⁴⁾	6.1	5.9	18.0	25.6
McCreedy West ⁽⁴⁾	-	2.2	2.0	17.7
	26.8	24.1	95.2	103.4
Total copper equivalent (Mlbs) ⁽⁵⁾				
	87.0	75.0	307.7	288.0

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

⁽²⁾ Payable metals produced in concentrate

⁽³⁾ Produced in cathode

⁽⁴⁾ Shipped payable metal

⁽⁵⁾ 2012 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 December 31		Year ended December 31	
	2012	2011	2012	2011
Copper production payable (Mlbs)	34.3	27.2	119.5	95.1
Gold production payable (kozs)	10.6	7.9	37.9	29.7
Ore mined (Mt)	4.3	3.5	14.7	13.7
Waste mined (Mt)	15.1	19.0	65.9	53.4
Ore milled (Mt)	4.0	3.5	14.1	14.0
Copper grade (%)	0.49	0.49	0.53	0.44
Gold grade (g/t)	0.22	0.22	0.25	0.19
Copper recovery (%)	83.5	75.0	75.8	73.8
Gold recovery (%)	39.3	33.7	35.9	36.2
Cash cost per pound of copper sold (\$/lb)	\$2.00	\$2.19	\$2.39	\$2.34
Capital expenditure	\$11.0	\$11.5	\$29.4	\$86.1
Cost of goods sold*	\$103.6	\$58.0	\$374.2	\$261.5
Operating income	\$45.5	\$21.7	\$112.6	\$102.5

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

Copper production in 2012 was more than 26% higher than in 2011 due primarily to higher head grade from the positioning in the Ruth pit in 2012 and increased copper recovery rates in 2012. Total tonnes mined increased in 2012 as a result of increase in the haulage fleet and decrease in haulage distances resulted from business improvement initiatives. During July, Robinson recorded its highest production day on record at 1.7 million pounds produced. In October, Robinson recorded its highest tonnage day on record at 53 thousand tonnes (59 thousand tons) processed in a twenty-four hour period. Gold production in 2012 is also higher than 2011 due to higher gold grade partially offset by slightly lower recovery.

Production in Q4 2012 was higher than Q4 2011 due to increased milling rates and increased copper and gold recoveries, which were driven by clean ore characteristics in combination with business improvement initiatives.

Robinson production costs and capital expenditures

Costs of goods sold in Q4 and in 2012 were higher than the same periods of 2011 mainly due to higher operating costs resulting from higher input costs, higher mining volumes, and an increase in sales volumes. Operating costs are comprised of onsite and offsite costs. Onsite costs are primarily driven by the volume of waste and ore mined, payroll costs, supplies, equipment maintenance costs and royalties. Onsite costs in 2012 were higher than in 2011, primarily due to an increase in mining rates in 2012 and the increased operating and maintenance costs related to the increase in haulage fleet. Offsite costs are primarily driven by the volume of concentrate transported, and rail and ocean freight rates. Offsite costs for Q4 and in 2012 were higher than the periods of 2011 due to an increase in concentrate transported and increased rates.

The cash cost per pound of copper sold is a non-IFRS term and consists of cash portion of cost of sales, 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 was \$2.39 for 2012 compared to \$2.34 in 2011. The increased unit cost in 2012 is due to increased onsite and offsite costs, which were partially offset by higher by-product revenues and an increase to payable pounds sold in 2012.

Capital expenditures at Robinson in 2012 were primarily related to construction of the Liberty pit access road, exploration in the Liberty pit, geotechnical and dewatering activities in the Ruth pit, buying out equipment leases and general site improvements.

Robinson Outlook

Mining in 2013 is planned for the Ruth, Kimbley and Liberty pits, with 2013 ore deliveries coming from the Ruth and Liberty pits. Any delays in governmental permitting could result in the resequencing of mining activities and

impact 2013 production. Capital expenditures for 2013 are primarily attributed to capital stripping of waste and Ruth pit development.

Morrison deposit (Ontario, Canada)

	Three months ended December 31		Year ended December 31	
	2012	2011	2012	2011
Copper ore sold (kt)	70.3	57.1	236.1	212.6
Copper grade (%)	9.3	8.6	9.3	9.2
Nickel ore sold (kt)	-	2.4	-	14.7
Nickel grade (%)	-	2.1	-	2.9
Copper sold - payable (Mlbs)	12.6	9.2	40.7	37.8
Nickel sold - payable (Mlbs)	1.8	1.3	6.1	6.0
Gold sold - payable (kozs)	1.6	1.5	6.6	5.6
Platinum sold - payable (kozs)	2.8	2.1	10.1	7.9
Palladium sold - payable (kozs)	5.6	4.5	20.6	17.0
Cash cost per pound of copper sold (\$/lb)	\$1.19	\$0.86	\$1.21	\$0.35
Capital expenditure	\$8.3	\$6.0	\$25.1	\$28.1
Cost of goods sold*	\$21.7	\$14.0	\$76.6	\$52.7
Operating income	\$15.2	\$13.2	\$51.8	\$93.9

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

Copper ore produced and sold in 2012 was higher than 2011 mainly due to the utilization of Craig Shaft. Full transition to the Craig Mine infrastructure was completed early in Q2 2012. Payable copper produced and sold in 2012 was higher than 2011 due to higher ore production and slightly higher grade. Development of the 43-1 access between Craig and Morrison was completed during Q4 2012. This lower access improves the efficiency and flexibility of the Morrison Deposit. As a result, Morrison produced a record high payable copper in Q4 2012, improving by 37% over Q4 2011. Both copper and TPMs sold in Q4 2012 were higher than Q4 2011 due primarily to higher grades.

Morrison production costs and capital expenditures

Cost of goods sold in 2012 was higher than in 2011 due to higher production cost experienced in Q2 and Q3 of 2012 driven in part by higher than expected fixed costs associated with the Craig infrastructure and additional costs due to the concurrent use of both the Levack and Craig shafts up to the end of August, following a transformer fire in Q2 2012. Cost of goods sold in Q4 2012 was also higher than the same period in 2011 due to higher mining volumes and the increase in volume of copper and total precious metal sold.

The cash cost per pound of copper sold was \$1.19 for Q4 2012 compared to \$0.86 for the same period of 2011 as a result of higher production costs associated with the Craig infrastructure lease. The cash cost per pound for 2012 increased from \$0.35 in 2011 to \$1.21 as a result of the higher production costs in Q2 and Q3 2012 and by-product revenues driven by lower nickel price.

Capital spending in 2012 comprised primarily of lateral development activities, diamond drilling and waste haulage. Development advance continued good performance in Q4 2012 advancing the Morrison down ramp below 4300 level excavating ventilation infrastructure.

Morrison deposit outlook

Diamond drilling on the MD4 portion of the Morrison ore body will continue through Q1 2013. Development of an additional access from the Craig infrastructure to the Morrison ore body at the 4900 foot horizon commenced before the end of 2012 is expected to continue in 2013. Production volumes are expected to be higher than 2012 with improved infrastructure reliability at Craig and the completion of the 43-1 Craig-Morrison connection,.

Franke (Chile)

	Three months ended December 31		Year ended December 31	
	2012	2011	2012	2011
Copper cathode production (Mlbs)	10.7	8.7	39.4	33.2
Ore mined (Mt)	1.1	0.9	4.1	3.0
Waste mined (Mt)	1.8	1.3	6.0	3.8
Ore placed (Mt)	1.1	0.9	4.1	2.9
Copper grade (%)	0.72	0.78	0.75	0.79
Cash cost per pound of copper sold (\$/lb)	\$3.31	\$2.39	\$3.63	\$3.36
Capital expenditure	\$4.7	\$10.4	\$17.8	\$38.4
Cost of goods sold*	\$38.9	\$20.1	\$152.3	\$107.2
Operating loss	(5.1)	(121.0)	(22.8)	(132.7)

**Excluding depreciation, depletion and amortization*

Despite lower ore grade, copper cathode production in 2012 was 19% higher than 2011. This was primarily due to higher mining and pad loading rates as well as improved recoveries resulting from blending of Franke and China pit ores. The blending strategy commenced in July, and also had the added benefit of reducing turbidity in leach solution, which resulted in improved SX performance. Copper production in Q4 2012 was also significantly higher than the same quarter in 2011 due to the improved recovery and high pad loading rates.

Franke production costs and capital expenditures

Cost of goods sold at Franke is mainly driven by onsite costs, sales volumes and projected recoveries from the leach pads. Cost of goods sold in 2012 was significantly higher than 2011 due mainly to a \$26 million leach pad inventory adjustment in Q2 to reflect actual recovery on the copper placed on the pads as well as higher power cost and mining equipment overhauls. Cost of goods sold for Q4 2012 was higher than 2011 due to higher cathode production and sales.

The cash cost per pound increased from \$3.36/lb in 2011 to \$3.63/lb in 2012 mainly due to higher production costs and inventory write-down. The cash cost of copper sold for Q4 2012 increased from \$2.39 in Q4 2011 to \$3.31 due to higher production cost in the current period.

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

Franke Operations Outlook

The blend of 50% of the ore from the China pit and 50% of the ore from the Franke pit will continue in the first quarter of 2013. This has led to significantly improved leaching recovery of copper to cathode and this is expected to continue.

McCreedy West (Ontario, Canada)

	Three months ended December 31		Year ended December 31	
	2012	2011	2012	2011
Copper ore sold (kt)	9.2	9.0	26.7	177.5
Copper grade (%)	3.7	3.0	4.1	1.4
Nickel ore sold (kt)	82.5	85.1	285.6	138.8
Nickel grade (%)	1.3	1.2	1.3	1.3
Copper sold - payable (Mlbs)	0.8	0.8	2.9	5.1
Nickel sold - payable (Mlbs)	0.8	1.0	3.6	2.9
Gold sold - payable (kozs)	-	0.4	0.4	2.4
Platinum sold - payable (kozs)	0.2	0.8	0.6	6.7
Palladium sold - payable (kozs)	0.3	1.0	1.0	8.6
Cash cost per pound of copper sold (\$/lb)**	\$4.26	\$0.63	\$2.62	\$1.65
Capital expenditure	\$1.3	\$1.3	\$6.6	\$11.2
Cost of goods sold*	\$10.0	\$10.6	\$34.4	\$38.0
Operating loss	(\$2.8)	(\$4.2)	(\$7.3)	(\$1.1)

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

**Nickel ore primarily sold yet cash costs calculated based on copper produced.

McCreedy West focused on mining Contact Nickel in 2012 following the waiver by Vale of its right to the magnesium oxide Contact Nickel ores and delivered a total of 285,600 tonnes of nickel ores to the Xstrata mill during the year. As a result, payable copper and TPM production for 2012 were lower than 2011. McCreedy delivered a total of 138,800 tonnes of nickel ore to the Xstrata mill in 2011.

McCreedy West production costs and capital expenditures

Cost of goods sold for 2012 were lower than 2011 due mainly to the change in processing agreements with Xstrata. Processing charges for the contact nickel ore are shared in a GMV (Gross Metal Value) exchange based on grades of the ore shipped. Copper ores shipped to Vale continue to be charged a milling and refining rate based on tonnage and grade shipped.

Cash cost per pound of copper sold increased from \$1.65 in 2011 to \$2.62 in 2012. The cash cost per pound of copper sold increased from \$0.63 in Q4 2011 to \$4.26 in Q4 2012. Higher cash cost in 2012 and Q4 2012 was due to a decrease in by-product revenues as a result of lower nickel price in 2012..

Capital expenditures for 2012 were related to waste rock removal, development and step-out diamond drilling. No capital was spent on equipment replacement in 2012.

McCreedy West outlook

2013 production is expected to continue to focus on Contact Nickel. Nickel ores will be sent to Xstrata for processing and copper ores will be sent to Vale for processing. The Company continues to evaluate potential options for additional economic production for Contact Nickel ores at both the McCreedy West and Levack mines.

Carlota (Arizona, U.S.)

	Three months ended December 31		Year ended December 31	
	2012	2011	2012	2011
Copper cathode production (Mlbs)	5.8	7.0	22.9	23.6
Ore mined (Mt)	1.3	1.2	4.9	5.1
Waste mined (Mt)	1.9	2.7	9.6	17.8
Ore placed (Mt)	1.3	1.2	4.9	5.1
Total copper grade (%)	0.61	0.36	0.56	0.38
Cash cost per pound of copper sold (\$/lb)	\$2.53	\$2.80	\$2.70	\$3.04
Capital expenditure	-	\$0.0	-	\$4.2
Cost of goods sold*	\$16.3	\$20.7	\$62.7	\$72.3
Operating income (loss)	\$6.1	\$0.1	\$16.3	(\$196.9)

*Including royalties and excluding depreciation, depletion and amortization

Carlota continues to design and implement a mine-for-closure plan which uses current mining operations to optimize cash flow while advancing activities related to the winding down of operations. Normal operations continue utilizing mining to advance concurrent reclamation activities using existing manpower and equipment to minimize long term environmental impact. Total tonnes mined in Q4 and the entire 2012 were lower than the same periods of 2011 mainly due to a planned reduction in the overall mining rate, resulting in a decrease in the amount of waste stripped and tonnes of ore placed on the pad. Q4 2012 copper production was impacted by the slower leaching of sulfide ore placed on the leach pad by conveyor stacking.

Carlota production cost and capital expenditures

Cost of goods sold for Q4 and for 2012 decreased compared to the same periods of 2011 reflecting decreased costs of manpower, fuel price and consumption, mine equipment maintenance and lower acid consumption.

Cash cost per pound of copper sold decreased from \$3.04 in 2011 to \$2.70/lb 2012 due to overall cash cost reductions and the increase in recoverable pounds associated with the sulfide ore placed. Q4 2012 cash cost per pound of copper sold decreased from \$2.80/lb in Q4 2011 to \$2.53/lb mainly due to the increased recoverable copper pounds placed and the previously mentioned cost reductions.

There were no Capital expenditures for Q4 and the year 2012.

Carlota Outlook

The stacking of higher grade sulphide ore continued with mainly sulphide ore mined for the remainder of Q1 2013. As expected, the rate of leaching of the sulphide ores is slower than the rate of leaching of oxide ores.

Carlota continues its mine-for-closure plan in 2013 with waste material to be placed as capping on the Grizzly waste stockpile. Third party engineering studies of various closure components continue with plans in place to commence the pit backfill upon completion of mining of the sulfide ores by mid-year, using inert material extracted from the Phase 2 pushback.

Podolsky (Ontario, Canada)

	Three months ended December 31		Year ended December 31	
	2012	2011	2012	2011
Copper ore sold (kt)	88.8	93.4	356.6	395.8
Copper grade (%)	2.5	3.4	2.8	3.3
Copper sold - payable (Mlbs)	3.5	5.7	18.2	23.5
Nickel sold - payable (Mlbs)	0.2	0.3	0.8	1.1
Gold sold - payable (kozs)	0.7	1.1	3.0	4.2
Platinum sold - payable (kozs)	3.5	2.1	6.6	9.9
Palladium sold - payable (kozs)	2.0	2.7	8.4	11.5
Cash cost per pound of copper sold (\$/lb)	\$2.91	\$1.91	\$2.35	\$1.82
Capital expenditure	\$0.0	-\$1.2	\$0.4	\$9.4
Cost of goods sold*	\$10.4	\$12.1	\$45.1	\$50.5
Operating income (loss)	(\$0.3)	\$2.0	\$6.2	(\$24.6)

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

Copper production for the year and Q4 2012 were lower than the same periods of 2011 due to the lower grade of the material being mined and lower ore volume mined. The average grade of the material shipped in Q4 2012 was 26% lower than Q4 2011, as expected when an extension plan was put in place during Q3 of 2012, which extended the mine life by 6 months from end of September 2012 to end of March 2013.

Podolsky production costs and capital expenditures

Cost of goods sold in Q4 2012 was 14% lower than Q4 2011 and 11% lower over the entire year. Mining costs declined throughout the year as the scope of work decreased with the completion of cemented rock-filling and development during 2012. Milling and transportation costs, although constant on a unit basis, also decreased due to the reduced throughput.

Cash cost per pound of copper sold increased from \$1.82 in 2011 to \$2.35 in 2012. Similarly, the cash cost per pound of copper sold increased from \$1.91 in Q4 of 2011 to \$2.91 in Q4 2012. Higher cash cost per pound of copper sold in the year and Q4 2012 was due to a reduction in copper sold and by-product revenues. The extension of the mine life resulted in lower copper grades mined thereby impacting the copper and by-product revenue sold for the quarter and for the last half of 2012.

There was no capital spending during Q4 2012. Capital spending for 2012 was related to capital diamond drilling and associated costs.

Podolsky outlook

Production at Podolsky is expected to cease at the end of Q1 2013, with the completion of mining of the economic resource. Care and maintenance of the site is planned for the remainder of the year.

PROJECTS UNDER DEVELOPMENT

Sierra Gorda Joint Venture

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

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

In 2012 the Sierra Gorda project incurred \$1,234 million capital expenditures, including progress payments for mining and plant equipment, camp and infrastructure construction, and other project related payments. At December 31, 2012 the JV had cash of \$707 million. Because the Company accounts for the JV using equity based accounting principles, the cash is not included in KGHMI's cash balance.

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

Sierra Gorda activities and outlook

At the end of 2012, over 393 engineering, construction and service contracts have been awarded while 16 additional contracts are under bidding and evaluation process. Orders for key plant and process equipment continued during Q4 2012, with all anticipated deliveries meeting project schedule requirements. The JV has also continued to successfully recruit key management positions and recruiting of operating personnel will continue throughout the construction phase.

Commencement of plant construction began in Q3 2012. During the year there has been significant progress on plant construction, infrastructure construction including: camp facilities, water supply, temporary power line, truck shop and equipment laydown and assembly areas. Twelve haul trucks, three shovels and support equipment were turned over to the operation team during the year 2012. In March 2012, the pre-stripping commenced and a total of 54.1 million tonnes of waste was mined as of mid March 2013, representing 27% of the planned pre-stripping waste tonnes.

During 2012, the JV negotiated most of the major key outsourced operating contracts including the water supply, railway transportation, transmission lines, port facilities and power purchase agreement. Minimum commitments under these contracts totalled approximately \$2.8 billion for a period of 20 to 22 years subject to certain escalations. Under the terms of these contracts, guarantees of up to \$330 million are required.

Subsequent to the year end, KGHM announced the DCE and scheduled startup for the Sierra Gorda project. The total initial capital is projected at approximately \$3.9 billion compared with previously announced \$2.9 billion. The cost increase is mainly due to change in government regulations, increase in labour cost and input materials, strengthened of CLP, scope change and other improvements. 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 December 31, 2012 the Sierra Gorda JV had made contract commitments of approximately \$3 billion or 77% of the \$3.9 billion of capital; including purchase orders for mining/plant equipment, infrastructure and construction services for mine, plant and infrastructure areas. Approximately \$1.65 billion of the committed amount has been incurred.

The following table summarizes the financial information of the Sierra Gorda JV:

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

Victoria Project

During Q4 2012, the drilling activity at the Victoria property continued to focus on down plunge drilling of Zone 4 and the completion of the 2012 drilling program.

The Company continues to advance the project execution plan and engineering 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 was also successful in renewing the Memoranda of Understanding with the Atikameksheng Anishnawbek First Nations.

The Company continues the preparation and submission for the closure plan, permits and agreements necessary to commence construction.

Victoria Project Outlook

Surface exploration activities are complete. The next stage of exploration will commence when underground access is accomplished. The underground drilling program will focus on upgrading the inferred resources of Zone 4 to measured and indicated resources.

The Company continues to progress towards approval and granting of the required permits and prepare for shaft development.

The Company continues to discuss with Vale, who has the off take agreement for the production from Victoria and a back-in right to acquire 51% of the project by bringing Victoria into production.

DMC MINING SERVICES

2012 was one of the most successful years in DMC's recent history. Revenue increased to \$326 million which was more than 100% higher than 2011 due mainly to the increased activities at BHP Jansen project. The increase in jobs obtained in the United States also had a positive impact on revenues and operating income. The profitability of DMC was also at record levels with operating income of \$28 million in 2012 compared to \$14 million in 2011.

Revenue in Q4 2012 was \$76 million compared to \$54 million for the same period of 2011. Operating income for Q4 2012 was \$7 million compared to \$3 million in the same quarter of 2011.

DMC Outlook

DMC projects slightly lower revenues in 2013 with activities at BHP Jansen project normalized.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2012, the Company had cash and cash equivalents of \$537 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 fair value of \$46.9 million.

The Company generated cash from operating activities of \$157.9 million for the current year compared to \$200.1 for 2011. Adjusting for non-cash impairments in cost of sales in 2011, the decrease in operating cash flow is largely driven by the lower operating income in 2012 (see "Mine operating expenses and operating income").

At December 31, 2012, the Company had working capital of \$870 million as compared to \$1,289 million at December 31, 2011. The decrease in working capital in 2012 is primarily a result of the decreased cash position at December 31, 2012. At December 31, 2012, accounts receivable and revenues include approximately 38.5 million pounds of copper that has been provisionally valued at \$3.60/lb. The final pricing for these provisionally priced sales is expected to occur between January and April 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 the first quarter of 2013.

Capital spending in 2012 was \$123.9 million for operations and projects. An additional \$20.3 million was paid to increase environmental bonding for Robinson. In 2012, the Company advanced \$456.4 million to Sierra Gorda JV for the construction of the Sierra Gorda mine. Subject to the subordination conditions to the Senior Project Loans, interest and principal are payable on demand. In addition, the Company advanced \$131.6 million to 0929260 BC Unlimited Liability Company, a wholly owned subsidiary of KGHM in connection with the Plan of Arrangement.

Liquidity Outlook

The Company's future profitability and cash position are highly dependent on the price of copper and to a lesser extent, precious metals and nickel. Future changes in the price of copper will also impact the final settlement price of provisionally priced sales. The Company expects to spend approximately \$165 million on capital for operations and \$7 million on environmental bonding at its six operating mines in 2013. In addition, the Company is expecting to fund \$518 million to Sierra Gorda JV in 2013 for Sierra Gorda project construction. At current metal prices, the Company expects that it will be able to fund the 2013 capital requirements for all of its mines and projects from existing cash on hand and internally generated funds.

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 plans to arrange a corporate facility or make other similar arrangements to meet its commitments under the agreement.

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	5.5	0.5	1.7	3.9	8.1	90.0	109.7
Franke Mine supply contracts	13.3	13.4	12.8	10.5	9.2	40.5	99.7
Senior note including interest	38.8	38.8	38.8	38.8	38.8	557.8	751.8
Minimum lease payments (capital and operating)	10.2	5.7	3.8	3.2	3.2	13.3	39.4
Total	67.8	58.4	57.1	56.4	59.3	701.6	1000.6

As at December 31, 2012, the Group's proportionate 55% share of the contractual commitments at Sierra Gorda totaled \$744.3 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.

During the ended December 31, 2012, Sierra Gorda JV signed some key contracts for the construction and commercial operations from 2014, including construction of power line, supply of electricity, port and rail services. The following table summarizes the Group's 55% proportionate share of these commitments and guarantees until 2036.

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

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

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

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

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 \$96 million at December 31, 2012 based on the estimated discounted future payments. To secure a portion of the closure costs related to Robinson, Carlota and Sudbury operations, the Company has posted environmental bonds and held cash in a reclamation trust totalling \$103 million as at December 31, 2012. The Company revises the Reclamation plan and cost estimate for Robinson annually as required by the US Bureau of Land Management and adjusts the amount of the bond accordingly. The reclamation plan and cost estimate for Carlota is updated every five years as required by the regulator and the amount of the bond is adjusted accordingly. There is currently no environmental bonding in place at Franke. A closure plan for Podolsky 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

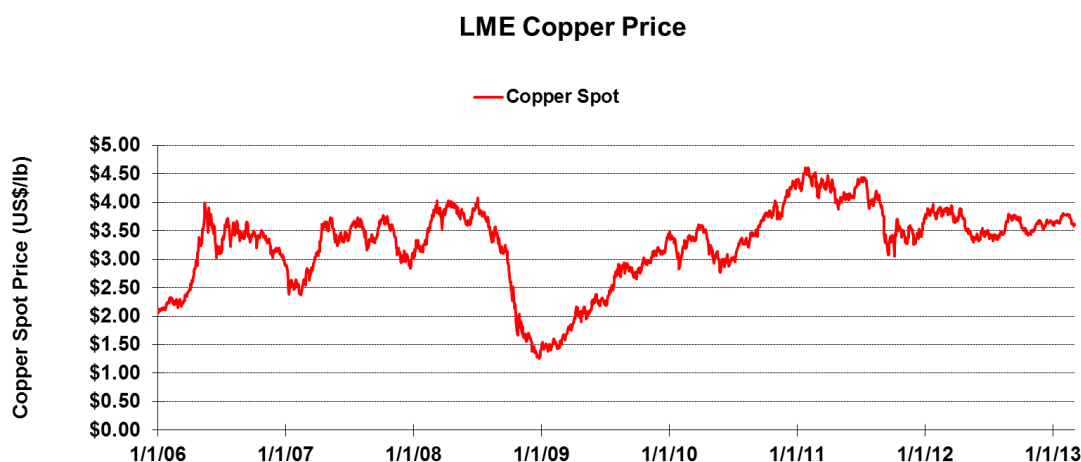
The Company has a long-term supply contract for sulphuric acid for use in the copper extraction process at Franke. The minimum commitment under the contract is estimated to be \$4.1 million per annum subject to adjustment based on the prevailing copper prices over the term of the contract which expires 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.

MARKET TRENDS AND FUNDAMENTALS

Copper prices averaged \$3.59/lb in Q4 2012, an increase of approximately 2.6% over the average price in Q3 2012. For the year, copper prices averaged \$3.61/lb down 10% from average prices in 2011. In Q4 2012, the abatement of macro-economic uncertainties in Europe and a bottoming of economic growth in China were bullish price drivers. 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 rebound in economic growth in China due to an acceleration of government spending on infrastructure projects. 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 February 28, 2013 as published by the London Metal Exchange (“LME”).



At December 31, 2012, the closing spot price was \$3.60/lb. At February 28, 2013, the closing spot price was \$3.61/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 2013:

Copper price	Impact on the after tax earnings (excluding derivatives)
+\$0.20/lb	35.2
-\$0.20/lb	(35.2)

The Company is required to fund significant amount of capital asset investment in Chilean Pesos (“CLP”). The Company entered into a number of currency forwards to sell \$200.0 million in exchange for 101,150 million CLP on various dates. If the CLP weakens against the U.S. dollar, the Company would have to pay the counterparty the difference between the hedged rate and the market rate. If the CLP strengthens against the U.S. dollar the counterparty would have to pay the Company the difference between the hedged rate and the market rate. At

December 31, 2012, all of the currency forwards were settled and the Company received \$3.5 million from the counterparty during the year. To manage its CLP risk, the Company invested \$200 million in Unidad de Fomento denominated short term investments.

CONTINGENCIES

(a) The Company sells ore produced from its Sudbury operations to a principle long-term processor. That processor is required to pay for ore shipped and sold based on the metals which the processor is able to recover from the various ores delivered. 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 \$3.5 million at December 31, 2012 (December 31, 2011 - \$10.8 million). This amount is repayable in the normal course of business. The Company earned management fees of \$25 million from the Sierra Gorda JV during the year ended December 31, 2012, which were included in other income.

On March 5, 2012, the Company loaned \$110.9 to Bidco for the purchase and exercise of FNX Warrants in conjunction with the Plan of Arrangement. The obligation with respect to the loan is evidenced by a promissory note payable to the Group due March 5, 2013. Interest on the outstanding principal is calculated at 3.75% per annum payable in arrears on the maturity date, or on the date which the principal amount is paid by Bidco. For the year ended December 31, 2012, \$3.4 million of related interest income was recorded.

In Q3 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.

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 December 31, 2012.

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 2012 and in previous years the Company has revised its estimate of the timing and amount of closure costs at its mines, which resulted in adjustments to the liability recorded in the Company's financial statements. The estimate of the total liability for future site restoration costs is subject to change based on cost inflation, 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 December 31, 2012. At December 31, 2012 the Company had additional available U.S. Alternative Minimum Tax Credits of \$29.7 million, which have not been recognized due to the uncertainty of realization. The Company also has not recognized the benefit of certain non-capital losses. However, the Company has recognized a net current deferred income tax asset for other temporary differences created between the tax and accounting basis of assets and liabilities in the United States and the Company's Sudbury operations. Management estimates that, using long term copper prices in line with its mine plan estimates, the future taxable income will be sufficient to utilize the deferred tax assets which have been recognized.

OUTSTANDING SHARE DATA

On March 5, 2012, KGHM acquired 100% of the issued and outstanding shares of the Company (193,334,154) and exercised 6,502,162 warrants. At December 31, 2012 and March 28, 2012, the total number of issued and outstanding shares of the Company was 199,836,316.

SUMMARY OF QUARTERLY OPERATING RESULTS

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

SUMMARY OF QUARTERLY OPERATING RESULTS								
	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Robinson								
Cu produced payable (Mlbs)	34.3	30.2	30.9	24.1	27.2	26.7	21.2	19.9
Ore milled (Mt)	4.0	3.4	3.7	3.0	3.5	3.9	3.1	3.4
Au production payable (koz)	10.6	10.2	9.7	7.3	7.9	9.2	7.1	5.5
Cu grade (%)	0.49	0.56	0.53	0.56	0.49	0.43	0.43	0.41
Au grade (g/t)	0.22	0.29	0.25	0.23	0.22	0.21	0.17	0.18
Cu recovery (%)	83.5	75.4	74.6	68.6	75.0	77.4	73.0	69.5
Au recovery (%)	39.3	34.4	34.2	34.9	33.7	38.8	44.2	30.4
Cu sales (Mlbs)	41.2	36.9	32.5	23.8	21.1	27.9	22.3	18.2
Average final settlement price (\$/lb)	\$3.65	\$3.55	\$3.65	\$3.73	\$3.40	\$4.07	\$4.13	\$4.39
Cash cost per pound of payable copper sold (\$/lb)	\$2.00	\$2.36	\$2.69	\$2.75	\$2.19	\$2.19	\$2.80	\$2.19
Carlota								
Cu production (Mlbs)	5.8	6.1	5.5	5.5	7.0	6.6	6.2	4.2
Ore placed (Mt)	1.3	1.1	1.3	1.2	1.2	1.3	1.5	0.8
Total Cu grade (%)	0.61	0.66	0.60	0.39	0.36	0.32	0.44	0.39
Cu sales (Mlbs)	6.4	6.2	5.6	5.1	7.4	6.6	5.4	4.1
Average realized price (\$/lb)	\$3.59	\$3.48	\$3.57	\$3.85	\$3.32	\$3.99	\$4.06	\$4.37
Cash cost per pound of copper sold (\$/lb)	\$2.53	\$2.58	\$2.70	\$2.96	\$2.80	\$3.12	\$3.24	\$3.37
Frankie								
Cu production (Mlbs)	10.7	10.5	8.8	9.4	8.7	9.0	8.3	7.2
Ore placed (Mt)	1.1	1.1	0.9	1.0	0.9	0.8	0.8	0.5
Total Cu grade (%)	0.72	0.68	0.78	0.83	0.78	0.80	0.82	0.75
Cu sales (Mlbs)	11.7	9.1	11.8	9.4	8.4	10.5	6.1	6.9
Average realized price (\$/lb)	\$3.53	\$3.60	\$3.53	\$3.79	\$3.41	\$3.96	\$4.15	\$4.38
Cash cost per pound of copper sold (\$/lb)	\$3.31	\$3.30	\$5.03	\$2.54	\$2.39	\$3.33	\$4.49	\$3.57
Morrison								
Cu ore sold (kt) ⁽¹⁾	70.3	55.8	53.0	57.0	57.1	53.3	52.2	50.0
Cu grade (%)	9.3	9.2	8.2	10.0	8.6	9.6	10.1	8.4
Payable Cu sold (Mlbs)	12.6	9.5	8.1	10.5	9.2	10.1	10.3	8.2
Payable Ni sold (Mlbs)	1.8	1.4	1.2	1.7	1.3	1.4	1.7	1.6
Payable TPM sold (koz) ⁽²⁾	10.0	9.3	7.7	10.2	8.1	8.4	8.2	5.8
Average realized price (\$/lb)	\$3.51	\$3.71	\$3.23	\$4.02	\$3.52	\$3.47	\$4.14	\$4.27
Cash cost per pound of copper sold (\$/lb)	\$1.19	\$1.32	\$1.43	\$0.96	\$0.86	\$0.59	\$0.23	-\$0.33
Podolsky								
Cu ore sold (kt) ⁽¹⁾	88.8	76.8	98.7	92.3	93.4	112.2	91.0	99.2
Cu grade (%)	2.5	2.6	3.1	3.1	3.4	3.0	3.6	3.1
Payable Cu sold (Mlbs)	3.5	3.7	5.8	5.2	5.7	6.0	6.4	5.4
Payable Ni sold (Mlbs)	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.2
Payable TPM sold (koz) ⁽²⁾	6.1	1.6	5.4	4.8	5.9	7.2	6.0	6.6
Average realized price (\$/lb)	\$3.52	\$3.68	\$3.28	\$4.06	\$3.53	\$3.42	\$4.14	\$4.28
Cash cost per pound of copper sold (\$/lb)	\$2.91	\$2.32	\$2.00	\$2.42	\$1.91	\$1.89	\$1.67	\$1.80
McCreedy West								
Cu ore sold (kt) ⁽¹⁾	9.2	8.1	4.6	4.9	9.0	15.6	78.0	74.9
Cu grade (%)	3.7	5.3	3.6	3.5	3.0	1.6	1.6	1.0
Ni ore sold (kt) ⁽¹⁾	82.5	47.7	67.5	88.0	85.1	53.6	-	-
Ni grade (%)	1.3	1.2	1.3	1.3	1.2	1.6	-	-
Payable Cu sold (Mlbs)	0.8	1	0.5	0.6	0.8	0.9	2.3	1.1
Payable Ni sold (Mlbs)	0.8	0.8	0.9	1.1	1.0	1.3	0.4	0.2
Payable TPM sold (koz) ⁽²⁾	0.6	2.1	0.4	0.0	2.2	1.9	6.4	7.2
Average realized price (\$/lb)	\$3.48	\$3.73	\$3.21	\$4.29	\$3.56	\$3.74	\$4.12	\$4.27
Cash cost per pound of copper sold (\$/lb)	\$4.26	\$0.40	\$2.80	\$3.78	\$0.63	-\$0.38	\$1.39	\$4.55

⁽¹⁾ Converted into metric tonne from original short ton

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

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

SELECTED ANNUAL INFORMATION

	2012	2011	2010
Statement of operations			
Net Revenues	1385.4	1,107	915
Earnings	103.8	266.5	79.5
Basic earnings per share	\$0.52	\$1.39	\$0.51
Diluted earnings per share	\$0.52	\$1.36	\$0.51
Financial positions			
Total assets	3,690	3,529	2,759
Total long-term financial liabilities	1,009	1,049	550
Dividends	n/a	n/a	n/a

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 December 31, 2012						Total
	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	
Production costs of goods sold	98.6	15.2	38.9	21.7	10.4	10.0	194.8
Supplies inventory writeoff	(3.1)	-	-	-	-	-	(3.1)
Treatment and refining charges	7.2	-	-	10.6	2.8	0.5	21.1
Royalties	5.0	1.1	-	-	-	-	6.1
Total cash cost	107.7	16.3	38.9	32.2	13.3	10.5	218.9
By-product revenues	(25.3)	-	-	(17.1)	(3.1)	(6.9)	(52.4)
	82.4	16.3	38.9	15.1	10.2	3.6	166.5
Copper sold (million lbs)	41.2	6.4	11.7	12.6	3.5	0.8	76.4
Cash cost per pound of copper sold (US\$/lb)⁽¹⁾	\$ 2.00	\$ 2.53	\$ 3.31	\$ 1.19	\$ 2.91	\$ 4.26	\$ 2.18

Three months ended December 31, 2011

	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	Total
Production costs of goods sold	55.9	19.4	20.1	14.0	12.1	10.6	132.1
Treatment and refining charges	2.9	-	-	7.7	4.2	0.5	15.3
Royalties	2.1	1.3	-	-	-	-	3.4
Total cash cost	60.9	20.7	20.1	21.7	16.3	11.1	150.8
By-product revenues	(14.7)	-	-	(13.8)	(5.4)	(10.6)	(44.5)
	46.2	20.7	20.1	7.9	10.9	0.5	106.3
Copper sold (million lbs)	21.1	7.4	8.4	9.2	5.7	0.8	52.6
Cash cost per pound of copper sold (US\$/lb)⁽¹⁾	\$ 2.19	\$ 2.80	\$ 2.39	\$ 0.86	\$ 1.91	\$ 0.63	\$ 2.02

Year ended December 31, 2012

	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	Total
Production costs of goods sold	358.6	58.7	152.3	76.6	45.1	34.4	725.7
Supplies inventory writeoff	(4.1)	-	-	-	-	-	(4.1)
Treatment and refining charges	25.5	-	-	34.3	13.6	1.7	75.1
Royalties	15.6	4.0	-	-	-	-	19.6
Total cash cost	395.6	62.7	152.3	110.9	58.7	36.1	816.3
By-product revenues	(73.8)	-	-	(61.6)	(15.8)	(28.5)	(179.7)
	321.8	62.7	152.3	49.3	42.9	7.6	636.6
Copper sold (million lbs)	134.4	23.2	42.0	40.7	18.2	2.9	261.5
Cash cost per pound of copper sold (US\$/lb)⁽¹⁾	\$ 2.39	\$ 2.70	\$ 3.63	\$ 1.21	\$ 2.35	\$ 2.62	\$ 2.43

Year ended December 31, 2011

	Robinson	Carlota	Franke	Morrison	Podolsky	McCreedy West	Total
Production costs of goods sold	249.2	67.7	107.2	52.7	50.5	38.0	565.3
Treatment and refining charges	15.0	-	-	32.7	17.2	7.2	72.1
Royalties	12.3	4.6	-	-	-	-	16.9
Total cash cost	276.5	72.3	107.2	85.4	67.7	45.2	654.3
By-product revenues	(66.8)	-	-	(72.0)	(25.0)	(36.8)	(200.6)
	209.7	72.3	107.2	13.4	42.7	8.4	453.7
Copper sold (million lbs)	89.5	23.8	31.9	37.8	23.5	5.1	211.6
Cash cost per pound of copper sold (US\$/lb)⁽¹⁾	\$ 2.34	\$ 3.04	\$ 3.36	\$ 0.35	\$ 1.82	\$ 1.65	\$ 2.14

⁽¹⁾ Robinson cash cost per pound of copper produced is based on payable copper sold

¹⁾ Carlota cash cost per pound of copper sold does not include the amount of inventory write down.

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

Adjusted EBITDA is a non-IFRS measure which is calculated as income from mining operations plus amortization, depreciation and depletion, inventory write down, impairment of non-current assets, 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 December 31, 2012	Three months ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2011
(All amounts in millions of United States dollars except per share amounts)				
Income from mining operations	65.2	(85.9)	185.0	(145.2)
Adjusting items:				
Amortization, depreciation and depletion	39.0	44.3	159.2	158.4
Stock-based compensation	-	1.1	4.6	5.4
General and administrative	(21.8)	(24.5)	(65.0)	(64.6)
Other loss	-	-	(3.3)	-
Service fee from Sierra Gorda JV	6.3	-	25.0	-
Inventory write down	1.3	-	27.3	87.0
Impairment of non-current assets	-	126.5	-	288.5
	24.7	147.4	147.8	474.7
Adjusted EBITDA	89.9	61.5	332.8	329.5

March 28, 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. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as "outlook", "anticipate", "project", "target", "believe", "estimate", "expect", "intend", "should", "scheduled", "will", "plan" and similar expressions. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, and developed based on assumptions about such risks, uncertainties and other factors set out herein, including but not limited to:

- ❖ Fluctuations in metal prices;
- ❖ The ability to expand or replace depleted reserves and the possible recalculation or reduction of the reserves and resources;
- ❖ Availability of financing and short term liquidity;
- ❖ 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 and permitting 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 transition to the use of the Craig shaft and other facilities;
- ❖ Risk associated with 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 and availability;
- ❖ The acquisition and integration of businesses and assets;
- ❖ Inherent hazards and risks associated with mining operations;
- ❖ Inherent uncertainties associated with mineral exploration;
- ❖ The mining industry is competitive;
- ❖ Being subject to government regulation, including changes in regulation;
- ❖ Being subject to extensive environmental laws and regulations, including change in regulation;
- ❖ Need for governmental licenses and permits;
- ❖ Derivative contracts and exposure to the risk of counter-parties;
- ❖ Taxation;
- ❖ Political and country risk;
- ❖ Conflicts of interest;
- ❖ Fluctuations in foreign currency exchange rates; and
- ❖ Global financial conditions.

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