MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FIRST QUARTER ENDED MARCH 31, 2015

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

	Three months ended March 31		
	2015	2014	Change
FINANCIAL HIGHLIGHTS			
Net revenues (1)	**162**	148	9%
(Loss) from mining operations	**(39)**	(23)	-70%
Adjusted EBITDA (2)	**13**	2	780%
(Loss) for the period	**(25)**	(21)	-20%
Cash	**44**	62 *	-29%
Working capital	**125**	140 *	-11%

FIRST QUARTER AND OUTLOOK:

- During Q1 2015, in the build up to commercial operations, the Sierra Gorda mine produced 38 million pounds of copper and 10 thousand ounces of total precious metals (TPMs). In Q1 2015 the Sierra Gorda mill achieved an average 66% of design throughput of 110 thousand tonnes per day (ktpd). In April, the mine made its first shipment of molybdenum concentrate.
- The Victoria Project is performing optimization studies and will conclude the advanced engineering study by the second half of 2015. During the quarter, preparation for construction continued at the site and the interim water treatment plan was successfully commissioned to manage spring run-off.
- The Sierra Gorda Oxide Project is expected to complete the advanced engineering study at the end of the first half of 2015 and detailed engineering by the end of 2015 in order to prepare for the start of construction in 2016. Column and leach testing continues to yield excellent results.
- The Robinson mine performed exceptionally in Q1 2015. A total of 6.0 million tonnes of ore were mined during the quarter or an average of 66 ktpd. The Robinson mill also achieved record average mill throughput rate for February 2015 of 49 ktpd (see **"Review of Operations and Projects"**). As a result of the exceptional performance of the mine, a significant 3.7 million tonne stockpile of ore has been built up allowing for future mining flexibility and blending opportunities, later in 2015, when the mine is expecting to transition into its next pushback. C1 cash costs were $1.91/lb. for the quarter and the best level since 2013.
- Copper production in Q1 2015 increased by 13% to 48 million pounds compared to 42 million pounds in Q1 2014. The increase is largely due to the 57% or 10 million pound improvement at Robinson from increases in ore grades, mill throughput and recoveries. In Q1 2015, Robinson ore deliveries originated from the high grade area in the Ruth pit compared to lower quality ore from the Kimbley pit in Q1 2014.
- Despite the decline in copper price, adjusted EBITDA increased to $13 million in Q1 2015, from $2 million in Q1 2014, due to increased production and sales volumes partially offset by a 12% decline in realized copper price compared with the same period in Q1 2014 (see **"Revenues"**).
- C1 cash costs improved from $2.74/lb. in Q1 2014 to $2.21/lb. in Q1 2015 primarily due to the increased production at Robinson.
- Net revenues for the quarter increased by 9% compared to the same period in 2014 due to the increase in copper sales (increased production and reduction in concentrate inventories) by 44%.
- Losses from mining operations increased from $23 million in Q1 2014 to $39 million. The increase is primarily due to the decline in average realized copper prices from $2.88/lb in Q1 2014 to $2.52/lb in Q1 2015, which affected revenue by $18 million (see ñ**Financial Performance**ò) and a $24 million increase in depreciation,

This Management Discussion and Analysis ("MD&A") of KGHM International Ltd. (formerly Quadra FNX Mining Ltd.) and its subsidiaries ("KGHMI" or the "Company") has been prepared as at May 7, 2015 and is intended to be read in conjunction with the accompanying unaudited consolidated financial statements for the quarter ended March 31, 2015 and audited consolidated financial statements for the year ended December 31, 2014. 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.***

depletion and amortization in cost of sales due to higher volume of ore mined from Ruth 2 East part of the pit at Robinson, which has higher capitalized stripping costs (see **"Review of Operations and Projects"**).

- On April 24, 2015 the Company gave notice to the holders of the Companyôs $500 million Notes of the intention to redeem all the Notes at 103.875% plus accrued and unpaid interest on June 15, 2015, subject to the Companyôs parent providing by that date the funds for redemption (see ñ**Liquidity and Capital Resources"**).

FINANCIAL PERFORMANCE

Earnings

The Company recorded a loss of $25 million for Q1 2015 compared to a loss of $21 million for Q1 2014. The increase in loss for the period is due to an increase in loss from mining operations of $15.9 million. The loss from mining operations mainly from an increase in depreciation, depletion and amortization and a decline in copper prices offset by a significant increase in production and sales volumes. The increase in production in Q1 2015 is due to an increase in grade, mill throughput and recovery rate at Robinson compared to Q1 2014 (see ñ**Mine operating expense and operating income"**). During Q1 2015, The Company sold 51.0 million pounds of copper at an average effective price of $2.52/lb and 20.8 thousand ounces of TPMs compared to 35.4 million pounds of copper in Q1 2014 at an average effective price of $2.88/lb and 13.9 thousand ounces of TPMs. The Company recorded a negative price adjustment of $7 million on 2014 shipments settled in Q1 2015, resulting in a lower average effective price realized in Q1 2015 of $2.52/lb compared to the London Metal Exchange (LME) average of $2.64/lb.

The Company reduced general and administrative expenses from $12 million in Q1 2014 to $8 million in Q1 2015 as a result of a reduction in spending and the depreciation of Canadian dollar (see **"General and Administrative and Other Expenses**ò). The Company recognized an income tax recovery of $14 million as a result of the operating losses recorded in Q1 2015, compared to a $4 million recovery in Q1 2014. A foreign exchange loss of $4 million was recorded for Q1 2015 on foreign cash held, compared to $3 million in Q1 2014.

Revenues

	Three months ended March 31, 2015						
	Robinson	Morrison	Franke	Carlota	McCreedy West	DMC	Total
Copper sales (million lbs)	29.1	5.9	10.2	5.1	0.6	-	51.0
(in millions of U.S. dollars)							
Copper	72.6	14.4	27.0	12.9	1.6	-	128.5
Nickel	-	5.9	-	-	0.4	-	6.3
Other by product [(1)]	15.1	6.8	-	-	1.0	-	22.9
Contract mining	-	-	-	-	-	20.5	20.5
Treatment and refining charges	(10.4)	(5.7)	-	-	(0.6)	-	(16.7)
Total net revenues	77.3	21.4	27.0	12.9	2.4	20.5	161.5

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

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

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

Q1 2015 net revenues increased by $14 million or 9% compared to Q1 2014. The increase in net revenues is due to the increased production and inventory sales at Robinson, partially offset by a decline in realized copper price (13%). Despite the increase in TPM production from 16 thousand ounces in Q1 2014 to 20 thousand ounces in Q1 2015, by-product revenues decreased by $4 million or 14% due to a decline in metal price. The effective copper price for Q1 2015 was $2.52/lb. as compared to $2.88/lb. in Q1 2014.

Revenues at Morrison and McCreedy West included non-cash revenue of $3.5 million representing the amortization of a deferred revenue liability related to the Companyôs obligation to sell to Franco-Nevada 50% of the gold, platinum and palladium contained in ore mined and shipped from certain deposits.

Mine operating expenses and operating income

	Three Months Ended March 31, 2015							
					McCreedy			
	Robinson	Morrison	Franke	Carlota	West	DMC	Other	Total
Net revenues	77.3	21.4	27.0	12.9	2.4	20.5	-	161.5
Depreciation and amortization	49.7	18.1	2.2	-	0.6	1.2	-	71.8
Employee benefits expense	11.2	5.6	6.3	2.1	0.8	10.2	-	36.2
Raw materials, other consumables and energy	23.4	5.1	14.5	3.4	0.7	-	0.1	47.2
Office expenses	3.9	1.4	2.1	0.7	0.2	0.9	0.1	9.3
External services	7.3	3.9	3.5	0.3	0.9	11.2	0.1	27.2
Royalties	2.0	-	0.2	0.5	-	-	-	2.7
Changes in Inventories	(10.4)	-	3.5	4.9	-	-	(0.3)	(2.3)
Distribution costs	6.5	0.8	0.5	-	0.2	-	-	8.0
Cost of Sales	93.6	34.9	32.8	11.9	3.4	23.5	0.0	200.1
Operating income (loss)	(16.3)	(13.5)	(5.8)	1.0	(1.0)	(3.0)	(0.0)	(38.6)

	Three Months Ended March 31, 2014							
					McCreedy			
	Robinson	Morrison	Franke	Carlota	West	DMC	Other	Total
Net revenues	30.6	31.3	34.8	16.7	7.7	26.6	-	147.7
Depreciation and amortization	13.0	13.4	5.2	-	1.6	1.1	-	34.3
Employee benefits expense	12.2	6.0	5.9	4.3	1.8	10.2	0.4	40.8
Raw materials, other consumables and energy	24.5	6.9	16.3	6.9	2.0	-	1.1	57.7
Office expenses	3.7	1.6	2.5	1.1	0.3	0.6	0.1	9.9
External services	5.7	4.8	3.5	1.2	1.8	13.9	0.2	31.1
Royalties	1.1	-	-	0.6	-	-	-	1.7
Changes in Inventories	(14.8)	0.2	0.3	1.3	0.3	-	-	(12.7)
Distribution costs	5.5	1.0	0.7	-	0.4	-	-	7.6
Cost of Sales	50.8	33.9	34.4	15.4	8.2	25.8	1.8	170.3
Operating income (loss)	(20.3)	(2.6)	0.4	1.3	(0.4)	0.8	(1.8)	(22.7)

Cost of sales increased by $30 million or 18% in Q1 2015 compared to the same period in 2014 primarily due to the increase in sales volume at Robinson and increase in depreciation, depletion and amortization due to higher volumes of ore mined from Ruth 2East side of the pit, which has higher capitalized stripping cost **("Review of Operations and Projects")**. Cost of sales decreased at Franke primarily due to a reduction in operating costs from a favourable foreign exchange rate and a slight decrease in sales volume.

General & administrative and other expenses

General and administrative expenses for Q1 2015 were $8.4 million compared to $11.7 million for Q1 2014. Lower general and administrative expenses during the quarter were primarily due to cost saving initiatives and the depreciation of the Canadian dollar.

The Company recognized finance income of $23.2 million for Q1 2015 compared to $20.5 million for the same period in 2014. The increase in finance income during the quarter was primarily due to the interest earned from the increase in loans to the Sierra Gorda JV.

Finance expenses during Q1 2015 of $17.4 million increased compared to $13.9 million in Q1 2014 mainly due to expensing of deferred financing cost for the corporate facility, which was repaid in Q1 2015.

Other income of $8.3 million for Q1 2015 was slightly higher than the $7.5 million recognized in Q1 2014 due to a gain on derivatives on the Franke acid and water supply contracts as a result of the decline in copper price.

The Company recorded a foreign exchange loss of $3.7 million in Q1 2015 compared to $2.6 million for Q1 2014. The foreign exchange loss was derived from foreign cash held to mitigate the risks related to costs incurred in those currencies. The Company currently no longer plans to hold large foreign currency balances for this purpose.

The Company recorded an income tax recovery of $13.8 million in Q1 2015 compared to $3.8 million in Q1 2014. The tax recovery is mainly due to the recognition of timing differences arising from the US assets.

REVIEW OF OPERATIONS AND PROJECTS

PRODUCTION SUMMARY

Production for the quarter ended March 31, 2015 and 2014 from the Companyǿs operating mines is summarized as follows:

	Three months ended March 31	
	2015	2014
Copper production (Mlbs)		
Robinson [2]	**26.8**	17.1
Morrison deposit [4]	**5.9**	7.7
Franke [3]	**9.3**	10.9
Carlota [3]	**4.9**	5.8
McCreedy West [4]	**0.6**	0.7
	47.5	42.2
Nickel production (Mlbs)		
Morrison deposit [4]	**1**	1.5
McCreedy West [4]	**0.1**	0.7
	1.1	2.2
TPM [1] (kozs)		
Robinson [2]	**10.2**	5.9
Morrison deposit [4]	**8.9**	9.3
McCreedy West [4]	**1.1**	0.7
	20.2	15.9
Total copper equivalent (Mlbs) [5]	**59.4**	52.9

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

Robinson (Nevada, U.S.)

	Three months ended March 31	
	2015	2014
Copper production payable (Mlbs)	**26.8**	17.1
Gold production payable (kozs)	**10.2**	5.9
Ore mined (Mt)	**6.0**	2.9
Waste mined (Mt)	**16.6**	18.8
Ore milled (Mt)	**3.8**	3.3
Copper grade (%)	**0.41**	0.36
Gold grade (g/t)	**0.19**	0.16
Copper recovery (%)	**82.8**	69.8
Gold recovery (%)	**41.8**	34.6
Cash cost per pound of copper sold ($/lb)	**1.91**	3.39
Capital expenditure	**28.6**	20.3
Cost of goods sold*	**60.3**	41.1
Operating (loss)	**(16.3)**	(20.3)

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

Copper production in Q1 2015 was significantly higher than in Q1 2014 due to increased grades and recoveries. In Q1 2015, ore deliveries originated from the Ruth pit compared to Q1 2014 ore deliveries from the lower grade Kimbley pit. Ores processed from the Ruth pit were significantly higher quality than the ores processed from the Kimbley pit. Gold production in Q1 2015 was higher than in Q1 2014 due to the improvement in ore quality. Robinson achieved a record average mill throughput rate for the month of February of 49 thousand tonnes per day.

Total tonnes mined in Q1 2015 increased compared to Q1 2014 due to additional fleet capacity and improved haulage profile. During Q1 2015, 6.0 million tonnes of ore were mined largely from the east side of the Ruth pit, of which 2.2 million tonnes went to the stockpile for the process in Q4 2015. A total of 16.6 million tonnes of waste was mined during the quarter, primarily focusing on the development of the west side of the Ruth pit in order to expose ore for 2016 and beyond. At the end of Q1 2015, 3.7 million tonnes of ore were stockpiled, allowing for future mining flexibility and blending opportunities later in 2015 when the mine is expecting to transition into its next pushback.

Robinson production costs and capital expenditures

Cost of goods sold for Q1 2015 was higher than for the same period in 2014 due to an increase in sales volumes and depreciation, depletion and amortization. Copper sales increased by 18.4 million pounds in Q1 2015 compared to the same period of 2014 due to the improvement in ore quality, increase in copper production and sales from the increased concentrate inventory at the beginning of the year. During Q1 2015, ore mined increased from 2.9 million tonnes in Q1 2014 to 6.0 million tonnes. As a result of the significant increase in ore mined and the amount of capitalized stripping cost on the Ruth East pit, the overall gross depreciation increased from $13 million in Q1 2014 to $49 million in Q1 2015, of which $15 million was capitalized in stockpile inventory as 2.2 million tonnes of ore went to the stockpile.

The cash cost per pound of copper sold is a non-IFRS term and consists of onsite and offsite costs, less by-product revenue, divided by the pounds of payable copper sold in the period (see ñ**Non-IFRS Financial Measures”**). The cash cost per pound of copper sold for Q1 2015 was $1.91/lb compared to $3.39/lb in Q1 2014. The improved cash cost per pound of copper sold is primarily due to a 56% increase in copper pounds produced and a significant increase in by-product revenue as a result of the higher quality ore mined during the quarter.

Capital expenditures at Robinson in Q1 2015 primarily related to mine development stripping of the Ruth pit.

Robinson outlook

Robinson plans to continue ore deliveries from the lower elevations of the east side of the Ruth pit for the second and third quarter of 2015. The development of the west side of the Ruth pit is expected to continue in order to access the associated ore in 2016 and beyond. Robinson expects ore quality for the second and third quarter to be consistent with the first quarter of 2015. In Q4 2015, ore deliveries will primarily come from the lower grade stockpiled ores.

Morrison deposit (Ontario, Canada)

	Three months ended March 31	
	2015	2014
Copper ore sold (kt)	**52.8**	60.2
Copper grade (%)	**5.8**	6.7
Copper sold - payable (Mlbs)	**5.9**	7.7
Nickel sold - payable (Mlbs)	**1.0**	1.5
Gold sold - payable (kozs)	**1.6**	1.7
Platinum sold - payable (kozs)	**2.0**	2.1
Palladium sold - payable (kozs)	**5.4**	5.5
Cash cost per pound of copper sold ($/lb)	**2.17**	1.78
Capital expenditure	**7.9**	8.0
Cost of goods sold*	**16.8**	20.4
Operating (loss)	**(13.5)**	(2.6)

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

Copper ore sold in Q1 2015 decreased by 12% compared to Q1 2014 due to limited production as a result of geotechnical restrictions and the decrease in drilled long-hole inventory in January. Metal grades in Q1 2015 were lower than Q1 2014 due to increased long-hole production, and the mining of narrow veins as consistent with the mine plan. As a result, metal production for all metals was lower in Q1 2015 than Q1 2014.

Morrison production costs and capital expenditures

Cost of goods sold for Q1 2015 was 18% lower than the same period last year due to efficiencies gained in utilities consumption and the depreciation of the Canadian dollar.

The cash cost per pound of copper sold for Q1 2015 increased to $2.17/lb compared to $1.78/lb in Q1 2014, due to the decrease in by-product revenue as a result of the lower by-product grades and decline in nickel price, partially offset by a favorable Canadian dollar exchange rate.

Capital spending in Q1 2015 was comparable to Q1 2014, and comprised primarily of lateral and vertical development activities and diamond drilling of the Morrison down-dip extension.

Morrison deposit outlook

Production volumes and grades for the remainder of 2015 are expected to increase compared to Q1 2015. Long-hole drilling productivity has successfully increased to expected levels. Long-hole recovery rates are currently being analyzed for potential improvements opportunities. Operating and capital costs are expected to remain consistent with Q1 2015 results.

Diamond drilling of the Morrison down-dip extension will continue through Q4 2015.

<u>Other Mining Operations</u>*

	Three months ended March 31	
	2015	2014
Copper production (Mlbs)	**14.8**	17.4
Nickel production (Mlbs)	**0.1**	0.7
TPM[(1)] (kozs)	**1.1**	0.7
Cash cost per pound of copper sold ($/lb)	**2.79**	2.76
Capital expenditure	**0.5**	4.6
Cost of goods sold[(2)]	**44.8**	52.6
Operating (loss)	**(5.8)**	(0.3)

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

Copper production for Q1 2015 decreased from the same period in 2014 primarily due to the completion of mining at the Carlota mine (and thus stacking fresh ore on the leach pad) and lower grade ore placed on the leach pad at the Franke mine.

Q1 2015 copper production at Franke decreased by 15% from 10.9 million pounds to 9.3 million pounds compared to the same period in 2014. During Q1 2015, Franke's ore grade and quality were slightly lower from blending a 1:1 ratio from the China:Franke open pits. The mine also experienced low equipment loading availability impacting the China pit development.

Copper production at Carlota decreased by 16% from 5.8 million pounds produced in Q1 2014 to 4.9 million pounds produced in Q1 2015. There were no tonnes mined or ore placement in Q1 2015 due to the planned completion of ore mining. Carlota completed excavation of ore from the pit at the end of 2014.

Production costs and capital expenditures

Cost of goods sold for Q1 2015 decreased by 15% compared to Q1 2014 primarily due to the planned completion of Carlota mining activities and the lower average cost of inventory as a result of the planned introduction of the sub-surface leaching program.

Cash cost per pound of copper sold in Q1 2015 slightly increased compared to Q1 2014 from $2.76/lb to $2.79/lb. The increase in cash cost per pound of copper sold was due to reduced copper production at Franke and nickel production at McCreedy West, offset by the unit cost effects of the leach pad inventory impairment reversal recorded in Q2 2014 at Carlota. Capital expenditures for Q1 2015 were minimal and were comprised mainly of sustaining capital projects at Franke. There were no capital expenditures for Q1 2015 for Carlota and limited activity at McCreedy West.

Other Operations Outlook

Franke expects to return to the 2:1 China:Franke ore blending ratio for the remainder of 2015. Production in Q2 2015 is expected to be impacted by planned maintenance of the primary crusher and by the consequence of the major storm that affected northern Chile at the end of Q1 2015. On March 25, 2015, a historical heavy rain storm struck the Atacama Desert causing flash floods and power losses across the region. Water supplies to Franke were temporarily suspended as damage to the system required several weeks to repair. Access to the Franke mine was cutoff and multiple power interruptions occurred, and the disruptions resulting from the storm will affect the results for part of Q2 2015. A slight reduction in Q2 2015 cathode production is forecasted but Franke is expected to recover the lost production in the second half of 2015.

Carlota is focusing on optimizing cash flow from the leach pad using the newly implemented sub-surface leaching initiative. During Q1 2015, mine equipment re-sloped stacked ore on the leach pad to further stabilize the pad for ultimate closure post-leaching. Based on the 2015 mine plan, surface and sub-surface leaching will continue in 2015, followed by residual sub-surface leaching in future years. The remaining closure activities including final earthwork and demolition of facilities are being deferred pending completion of residual leaching.

McCreedy West 2015 production is expected to continue from the 700 Copper zone. Current expectations are to continue producing at a rate similar with Q1 2015 results, while further reducing operating expenditures to remain cash flow positive.

DMC Mining Services

During Q1 2015, DMC recorded revenue of $20.5 million compared to $26.6 million in the same period in 2014. Lower revenue generated in the first quarter of 2015 was mainly due to the completion of a number of projects in 2014 which were not replaced by new projects. An operating loss of $3.0 million was recorded in Q1 2015 compared to a gain of $0.8 million in Q1 2014. The decline was mainly due to project revenue generated that did not reoccur during the period and a change in project phases.

DMC Outlook

With continued lower commodity prices, DMC expects a continuation of the slow pace of new work being tendered in the market for the remainder of 2015. Subsequent to the end of Q1 2015, DMC has been awarded new contracts and their expected commencement dates are expected in the second quarter. In the future, DMC expects to invest and expand into the raise boring business.

JOINT VENTURE OPERATIONS AND 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.

The following table summarizes selected production information of the Sierra Gorda JV. The mine has not achieved commercial operations as of March 31, 2015 so this data is for information purposes:

	Three months ended March 31	
	2015	2014
Copper production payable (Mlbs)	**38.0**	-
Gold production payable (kozs)	**9.7**	-

[1] *Total precious metal, including gold and silver*

Sierra Gorda activities and outlook

By the end of Q4 2014 the Sierra Gorda project construction was substantially completed. The operational ramp up continued throughout Q1 2015. During Q1 2015, Sierra Gorda mine achieved an average of 66% of the designed throughput of 110 ktpd.

During Q1 2015, 36.2 million tonnes of material was mined and 6.5 million tonnes of ore was milled. By the end of Q1 2015, the Sierra Gorda mine produced 38 million pounds of payable copper.

During Q1 2015, the molybdenum plant began commissioning. In April 2015, Sierra Gorda mine made its first shipment of molybdenum concentrate for conversion to molybdenum oxide.

The Antofagasta International Terminal (ATI) project is near completion at the end of Q1 2015, with the expectation of being able to receive concentrate by the end of Q2 2015. The JV continues to use the public port facilities in Antofagasta and Arica to ship concentrates.

In January 2015, the JV and the representatives of SG Employee`s Union No. 2 concluded collective bargaining according to Chilean law and have signed a new 48-month period agreement regarding different types of benefits for 433 employees. Negotiations with Union No. 1 are in progress.

On March 25 2015, a historical heavy rain storm struck the Atacama Desert causing flash flooding and regional power outages on the power grids. The weather conditions resulted in temporary plant curtailments. As a result, the mine temporarily suspended operations until March 26 2015, when operations were returned to normal levels. The storm resulted in a 3-day production suspension at the mine and plant.

Concentrate shipments were not impacted as concentrates were shipped from the Sierra Gorda filter plant before the storm.

Sierra Gorda Oxide Ore Project

The Sierra Gorda Oxide deposit is part of the Sierra Gorda mineral property. The Company is evaluating the opportunity for copper production from Oxide ore mined at the Sierra Gorda project. In 2012, a Pre-Feasibility study indicated that processing of the Oxide ore, which are being mined as part of the pre-stripping and normal mine development activities, was feasible.

Column leach and heap leach testing continues to yield excellent results.

Under the terms and conditions of the JV agreement Sumitomo has the option to participate in the Oxide project, or the Company can develop the resource independently of the JV. The Basic Engineering Report is currently under review by KGHM. This report and leach testing data will be presented to the JV partner for review and consideration for participation.

Sierra Gorda Oxide Ore Project Outlook

The Sierra Gorda Oxide Project is expected to complete the advanced engineering study at the end of first half of 2015 and detailed engineering by the end of 2015 in order to prepare for the start of construction in 2016.

Victoria Project

Detailed engineering continued to progress on critical path infrastructure such as the 230kV Substation, waste rock storage pad, headframe and hoist plant. Procurement focused on delivery of the long led items for the power infrastructure and hoisting plant. Work continued on preparation of tendering packages for the critical path items that are planned for the 2015 construction season.

Preparation for 2015 construction continued at the site but non-critical activities were deferred to minimize expenditures prior to project approval. The interim water treatment plant was successfully commissioned and operable in time to manage spring run-off.

The Impact Benefit Agreement Implementation Committees met monthly starting in January to progress the relationship between the Company and the First Nations. The Company received support from Atikameksheng Anishnawbek, Sagamok Anishnawbek and Metis Nation of Ontario for amendment to the Closure Plan and environmental permits.

The Ministry of Northern Development and Mines granted the amendment to the Closure Plan. The Ministry of Environment granted amendments to the associated environmental permits. All permits are now in place for planned construction in 2015.

Victoria Project Outlook

During Q2 2015, the Project will focus on advancing engineering study and revisit the trade-off studies related to mine access, optimum shaft location and construction sequence. The Company expects to conclude the advanced engineering study by the end of second half of 2015.

Supply Chain efforts will focus on finalizing the procurement strategy and contract packaging for the project. Site activities will centre on initiating construction for remaining earthworks, power infrastructure and waste rock management infrastructure. Detailed engineering efforts will concentrate on the preparation for critical path infrastructure, construction and shaft development.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2015, the Company held cash and cash equivalents of $44.2 million. These amounts are comprised of cash deposits and highly liquid investments that are readily convertible to cash. The counter parties include banks, governments and government agencies.

The Company generated cash from operating activities of $8.8 million for the first three months of 2015 compared to using $2.5 million in cash for operations in the same period in 2014. The increase in operating cash flow is largely driven by increased income from operations before amortization; partially offset by changes in working capital (see ñ**Mine operating expenses and operating income**ò).

At March 31, 2015, the Company had working capital of $125.3 million as compared to $140.1 million at December 31, 2014. The decrease in working capital in the first three months of 2015 is a result of a reduction in cash due to cash pooling arrangement with the parent company. At March 31, 2015, accounts receivable and revenues include approximately 34.0 million pounds of copper that has been provisionally valued at $2.70/lb. The final pricing for these provisionally priced sales is expected to occur between April and August 2015. Changes in the price of copper from the amounts used to calculate the provisional values will impact the Companyôs revenues and working capital position in the second and third quarters of 2015.

Capital spending in Q1 2015 was $51.7 million for operations and projects primarily consisting of capital development at Robinson and project development at Victoria and Sierra Gorda Oxide.

In June 2011, the Company issued $500.0 million aggregate principal amount of 7.75% senior unsecured notes (the Notes) due 2019 in a private placement. The Company may redeem the Notes prior to June 15, 2015 in whole or in part at 100.0% of their principal amount, plus accrued interest plus 3.875% premium. On April 24 2015, the Company gave notice to the bondholders of the intention to redeem all the Notes at 103.875% plus accrued and unpaid interest on June 15, 2015, subject to the Companyôs parent providing by that date, directly or indirectly to the Company, the funds for redemption.

As at December 31, 2014 the Company has drawn $200.0 million in cash under the companyôs Corporate Facility. On January 28, 2015, the Corporate Facility was refinanced by a $200.0 million term loan due December 31, 2019 from its immediate parent company. During Q1 2015, the Company replaced $6.2 million of cash backed letters of credit with letters of credit that were supported by its ultimate parent KGHM SA (KGHM). At March 31, 2015, KGHM held $224.2 of letters of credit on behalf of the Company.

During 2014, the Company entered into a $150 million cash pooling arrangement with KGHM (ñCash Poolingò). The Cash Pooling bears interest at LIBOR plus a margin and is unsecured with no fixed terms of repayment. At March 31, 2015 the Company had drawn $61 million under the Cash Pooling facility, compared to $70 million as at December 31, 2014. During the first quarter of 2015, the Group issued 107,195,980 common shares to its shareholder Bidco for total proceeds of $84.8 million.

Liquidity Outlook

The Companyôs 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. For the remainder of 2015, the Company expects to spend approximately $390 million on operations and projects, including the development of its Victoria and the Sierra Gorda Oxide projects and the ramp up of the Sierra Gorda JV project. At projected metal prices, the Company expects that it will be able to meet these capital requirements from a combination of direct funding from the parent KGHM, available facilities and internally generated funds.

Commitments and contractual obligations

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
Reclamation liabilities	14.8	3.1	3.4	7.0	23.9	144.9	197.1
Franke mine supply contracts	9.1	9.5	11.1	11.3	10.2	21.3	72.5
Purchase contracts	31.6	7.3	6.9	6.8	0.2	-	52.8
Senior notes	38.8	38.8	38.8	38.8	519.4	-	674.6
Minimum lease payments	11.3	6.2	6.2	3.9	3.9	8.9	40.4
Total	105.6	64.9	66.4	67.8	557.6	175.1	1,037.4

As at March 31 2015, the Company's proportionate 55% share of the contractual commitments at Sierra Gorda for capital expenditures and commercial operations totalled $1,087.2 million.

Reclamation liabilities

The Company has estimated total future reclamation costs of $197.1 million as at March 31, 2015 compared to $200.9 million at December 31, 2014 (undiscounted nominal dollars), which primarily relate to the US, Canada and Chile operations. The accounting carrying value of this liability is $159.7 million at March 31, 2015 based on estimated discounted future payments.

To secure a portion of the closure costs related to Robinson, Carlota and Sudbury operations, the Company has posted cash backed environmental bonds and held cash in a reclamation trust totaling $36.0 million as well as issued $83.7 million letters of credit as at March 31, 2015. During the first quarter of 2015, the Company redeemed environmental bonds for $6.2 million and restricted cash for $3.0 million at FNX with letters of credit supported by KGHM, thus reducing the environmental bond balance from $43.0 million at December 31, 2014. 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. In Q1 2015, Nevada Division of Environmental Protection – Bureau of Mining Regulation and Reclamation ("NDEP-MRR") approved the proposal for the Robinson mine to modify the potentially acid generating material and non-potential acid generating period cut-off ratio from 1.2 to 0.3, contributing significant tonnage to the non-potential acid generating inventory. This change in the cut-off ratio is expected to decrease the closure cost of the mine in the future. The reclamation plan and cost estimate for Carlota is updated every five years as required by the regulator and the amount of the bond is adjusted accordingly. There is currently no environmental bonding in place at Franke. A closure plan for Podolsky is finalized. Closure plans for the McCreedy West and Levack operations are governed by arrangements between the Ontario Government and Vale and between Vale and the Company.

Franke Mine supply contracts

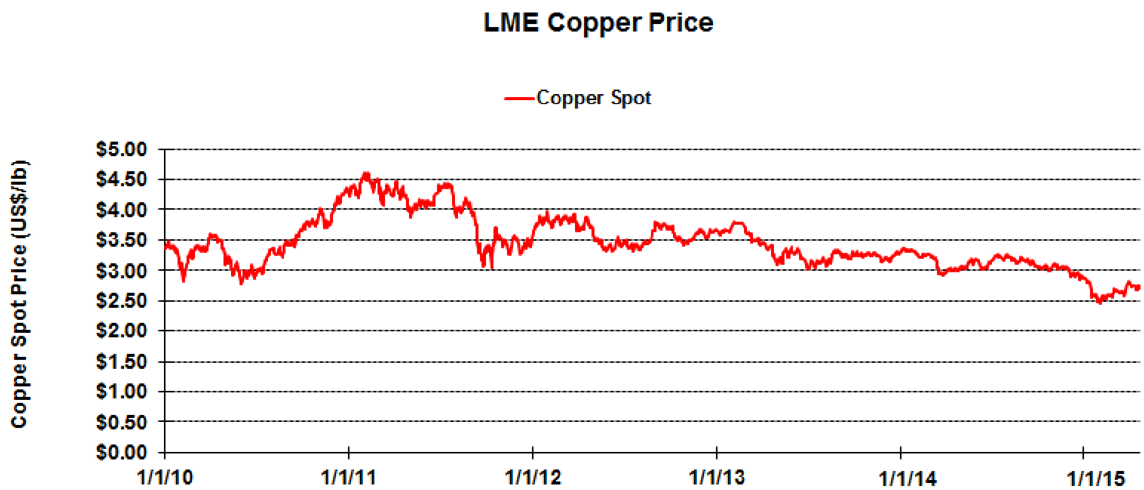
The Company has a long-term supply contract for sulphuric acid for use in the copper extraction process at Franke, which expires in 2022. The Company is committed to purchase 150,000 tonnes of sulfuric acid per annum at a base price of $27/tonne. The base price for acid in the contract is increased by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

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

MARKET TRENDS AND FUNDAMENTALS

LME copper prices averaged $2.64/lb in Q1 2015. Copper prices remained under selling pressure in the quarter, due in large part to weak global physical demand, particularly in China and an appreciating USD. Increasing mine supply disruptions and economic policy support in China caused a bearish position taking by both western and Chinese funds to moderate; however, bearish investor sentiment has not abated to any considerable extent. Looking forward, the company believes copper market fundamentals will remain strong over the long term. Long term supply will be challenged because of declining head grades at existing mines and new project delays due to capital expenditure and operating expenditure 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 growth in Organisation for Economic Co-operation and Development (ñOECDò) economies will also provide a positive backdrop for copper demand.

The following graph shows the spot price of copper from 2010 to March 31, 2015 as published by the LME.



At March 31, 2015, the closing spot price was $2.74/lb. At April 30, 2015, the closing spot price was $2.83/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 Companyôs 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 Companyôs revenues and working capital position.

The following table summarizes the impact of the changes in copper price on the Companyôs after tax earnings for 2015:

Copper price	Impact on the after tax earnings (excluding derivatives)
+ $0.20/lb	35.9
- $0.20/lb	(35.9)

CONTINGENCIES AND COMMITMENTS

(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 consolidated financial statements with respect to these indemnification commitments.

(b) DMC is involved in a dispute about certain design issues around the shaft sinking for one of its customers. The Company has been advised by counsel that it has a reasonably strong case but the issue is technically complex and there can be no certainty that a liability may not materialize in the future.

(c) The Company is subject to lawsuits from time to time, existing litigation is not considered to be likely to have a material impact on the financial statements.

TRANSACTIONS WITH RELATED PARTIES

Upon formation of the Sierra Gorda JV, the joint venture became a related party with the Company. The net amount due from the Sierra Gorda JV is $3.3 million at March 31, 2015 (December 31, 2014 - $7.9 million) and is repayable in the normal course of business. Service fee currently payable to the Company at March 31, 2015 is $Nil (December 31, 2014 - $3.1 million). It was agreed that 50% of the payment of the service fees earned from July 1 to December 31, 2013, 100% of the service fees earned from January 1, 2014 onwards and 100% of the letter of credit guarantee fees payable to the Company be deferred until financial completion. As at March 31, 2015, $37.5 million (December 31, 2014 - $31.3 million) of the service fee and $8.1 million (December 31, 2014 - $7.1 million) of a letter of credit guarantee fee have been deferred. The outstanding amounts bear an interest rate of 0.75% per annum.

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 managementŒs application of accounting policies. Critical accounting policies and estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management.

Mineral Properties

Mineral property acquisition and development costs, including exploration and evaluation assets transferred, mine construction costs, and overburden and waste removal costs, are capitalized until production is achieved, or the property is sold, abandoned or impaired. Such capitalized costs are then amortized over the remaining life of the mine based on proven and probable reserves. The determination of the extent of reserves is a complex task in which a number of estimates and assumptions are made. These involve the use of geological sampling and models as well as estimates of future costs. New knowledge derived from further exploration and development of the ore body may also affect reserve estimates. In addition the determination of economic reserves depends on assumptions on long-term commodity prices and in some cases exchange rates.

The carrying value of mineral properties is reviewed regularly and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized for a mineral property if its carrying value exceeds the higher of total discounted cash flows expected from its use and disposal (ñvalue in useò) or fair value less costs to sell. Discounted cash flows for mineral properties are estimated based on a number of assumptions including managementŒs 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 managementŒs view of future metal prices and cost assumptions, the carrying value of the CompanyŒs mineral properties was not impaired at March 31, 2015.

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 acquireeŒs 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 (ñCGUò).

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 Robinsonôs concentrates and Sudburyôs 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 Companyôs 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 Companyôs 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 ñfair value through profit and lossò. 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 ñfair value through profit and lossò 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 (ñIFRIC 20ò). 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. For the three month ended March 31, 2015, the Company capitalized $28.1 million in deferred stripping, of which, $1.1 million related to capitalized amortization.

Deferred Income Tax Assets

Management believes that uncertainty exists regarding the realization of certain deferred tax assets and therefore a valuation allowance has been recorded as of March 31, 2015. At March 31, 2015 the Company had available U.S. Alternative Minimum Tax Credits of $27.0 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 Companyǿs Sudbury operations. Management estimates that, using long term copper prices in line with its 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. As at March 31, 2015, there were 706,918,196 shares issued and outstanding. As at May 7, 2015, the total number of issued and outstanding shares of the Company was 706,918,196.

SUMMARY OF QUARTERLY OPERATING RESULTS

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

SUMMARY OF QUARTERLY OPERATING RESULTS	2015			2014		2013		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Robinson								
Cu produced payable (Mlbs)	26.8	23.0	21.9	24.6	17.1	21.9	18.6	30.8
Ore milled (Mt)	3.8	3.3	3.1	4.0	3.3	3.4	3.4	3.9
Au production payable (kozs)	10.2	7.4	5.5	6.2	5.9	7.2	7.5	15.0
Cu grade (%)	0.41	0.45	0.44	0.40	0.36	0.39	0.37	0.45
Au grade (g/t)	0.19	0.16	0.16	0.13	0.16	0.16	0.20	0.24
Cu recovery (%)	82.8	73.7	75.7	74.9	69.8	76.9	71.4	81.9
Au recovery (%)	41.8	39.6	33.2	35.4	34.6	42.0	33.5	55.5
Cu sales (Mlbs)	29.1	19.3	26.1	19.1	10.7	22.1	17.8	43.4
Average realized price ($/lb)	$2.50	$2.73	$3.08	$3.22	$2.41	$3.39	$3.39	$3.05
Cash cost per pound of copper sold ($/lb)	$1.91	$2.24	$2.37	$2.50	$3.39	$1.68	$2.52	$1.84
Carlota								
Cu production (Mlbs)	4.9	5.8	5.8	5.7	5.8	5.5	4.5	5.8
Ore placed (Mt)	0.0	0.7	0.7	0.9	0.7	0.9	1.0	0.9
Total Cu grade (%)	0.00	0.47	0.75	0.62	0.68	0.58	0.57	0.58
Cu sales (Mlbs)	5.1	5.9	5.8	5.8	5.4	5.7	4.7	5.6
Average realized price ($/lb)	$2.52	$2.86	$3.08	$3.20	$3.11	$3.22	$3.22	$3.23
Cash cost per pound of copper sold ($/lb)	$2.33	$2.17	$2.28	$0.69	$2.83	$2.70	$2.55	$2.41
Franke								
Cu production (Mlbs)	9.3	10.4	11.7	9.5	10.9	11.8	12.7	8.8
Ore placed (Mt)	1.0	1.1	1.1	1.0	1.0	1.1	1.1	0.9
Total Cu grade (%)	0.60	0.65	0.68	0.65	0.66	0.70	0.71	0.72
Cu sales (Mlbs)	10.2	9.3	13.3	7.7	11.0	13.7	13.7	8.6
Average realized price ($/lb)	$2.64	2.96	$3.20	$3.16	$3.17	$3.22	$3.22	$3.31
Cash cost per pound of copper sold ($/lb)	$2.96	$2.69	$2.60	$2.78	$2.66	$2.71	$2.70	$4.18
Morrison								
Cu ore sold (kt) (1)	52.8	64.7	53.9	59.0	60.2	78.6	63.0	70.7
Cu grade (%)	5.8	7.5	8.3	7.7	6.7	9.3	8.2	7.3
Payable Cu sold (Mlbs)	5.9	9.4	8.7	8.7	7.7	13.7	10.4	10.0
Payable Ni sold (Mlbs)	1.0	1.7	1.5	1.4	1.5	2.1	1.6	1.6
Payable TPM sold (kozs) (2)	8.9	10.6	10.6	10.5	9.3	15.8	12.9	8.1
Average realized price ($/lb)	$2.42	$2.86	$3.11	$3.17	$2.94	$3.18	$3.18	$3.02
Cash cost per pound of copper sold ($/lb)	$2.17	$1.15	$1.15	$1.13	$1.78	$1.08	$1.48	$1.91
McCreedy West								
Cu ore sold (kt) (1)	11.4	12.7	12.1	11.6	9.1	6.7	4.2	6.7
Cu grade (%)	3.1	3.0	3.5	3.5	3.3	5.0	3.6	4.8
Ni ore sold (kt) (1)	-	-	(4.8)	0.0	49.2	79.2	80.9	91.7
Ni grade (%)	0.0	-	2.9	0.0	1.2	1.0	1.0	1.2
Payable Cu sold (Mlbs)	0.6	0.7	0.8	0.7	0.7	0.8	0.3	0.9
Payable Ni sold (Mlbs)	0.1	0.2	0.0	0.1	0.7	0.9	0.6	1.1
Payable TPM sold (kozs) (2)	1.1	1.2	1.1	1.1	0.7	0.7	0.6	1.4
Average realized price ($/lb)	$2.51	$2.94	$2.99	$3.23	$2.91	$3.36	$5.50	$2.87
Cash cost per pound of copper sold ($/lb)(3)	$3.59	$2.70	$3.85	$2.24	$1.28	$5.18	$8.66	$2.84

(1) Converted into metric tonne from original short ton
(2) Total precious metal, including gold, platinum and palladium

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

NON-IFRS FINANCIAL MEASURES

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

	Three months ended March 31, 2015					
	Robinson	**Carlota**	**Franke**	**Morrison**	**McCreedy West**	**Total**
Production costs of goods sold	**58.3**	**11.4**	**30.1**	**16.8**	**2.7**	**119.3**
Treatment and refining charges	**10.4**	**-**	**-**	**5.7**	**0.6**	**16.7**
Royalties	**2.0**	**0.5**	**0.2**	**-**	**-**	**2.7**
Total cash cost	**70.7**	**11.9**	**30.2**	**22.5**	**3.3**	**138.7**
By-product revenues	**(15.1)**	**-**	**-**	**(9.7)**	**(1.0)**	**(25.8)**
	55.6	**11.9**	**30.2**	**12.8**	**2.3**	**113.0**
Copper sold (million lbs)	**29.1**	**5.1**	**10.2**	**5.9**	**0.6**	**51.0**
Cash cost per pound of copper sold (US$/lb)	**$1.91**	**$2.33**	**$2.96**	**$2.17**	**$3.59**	**$2.21**

	Three months ended March 31, 2014						
	Robinson	**Carlota**	**Franke**	**Morrison**	**McCreedy West**	**Other**	**Total**
Production costs of goods sold	40.1	14.5	29.2	20.4	6.5	1.7	112.4
Treatment and refining charges	3.1	-	-	8.7	0.5	-	12.3
Royalties	1.1	0.6	-	-	-	-	1.7
Total cash cost	44.2	15.2	29.2	29.1	7.1	1.7	126.6
By-product revenues	(7.9)	-	-	(15.3)	(6.2)	-	(29.5)
	36.3	15.2	29.2	13.8	0.8	1.7	97.1
Copper sold (million lbs)	10.7	5.4	11.0	7.7	0.7	-	35.4
Cash cost per pound of copper sold (US$/lb)	$3.39	$2.83	$2.66	$1.78	$1.28	-	$2.74

[1)] *Carlota cash cost per pound of copper sold does not include the impairment of the reclamation asset.*

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

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

	Three months ended March 31, 2015	Three months ended March 31, 2014
(Loss) from mining operations	**(38.6)**	(22.7)
Adjusting items:		
Amortization, depreciation and depletion	**56.2**	32.0
General and administrative	**(8.4)**	(11.7)
Service fee from Sierra Gorda JV	**4.0**	3.8
Impairment of non-current assets	**0.1**	-
	51.9	24.1
Adjusted EBITDA	**13.3**	1.5

May 7, 2015

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" that is based on the Companyôs expectations, estimates and projections as of the dates of the information. This forward-looking information may include, among other things, statements with respect to the Company's business, strategy, plans, outlook, financial stability, financing plans, cash flow, earnings per share, 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, and drilling activity; as well as statements concerning sampling and other data, estimates of grade levels, future recovery levels, future production levels, capital costs, costs savings, cash and total costs of production of copper, gold and other metals, expenditures for environmental matters, the projected life spans 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 metals 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; and statements concerning the percentage of anticipated production covered by option contracts or agreements, and the anticipated outcomes 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 cash flows, results, performance, achievements or financial position to be materially different from those expressed or implied by such forward-looking information. These risks, uncertainties and other factors about which the Company has made numerous assumptions, which may prove inaccurate, include, without limitation, those concerning:

- 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 Companyôs mining projects;
- The Companyôs integration with KGHM Polska MiedŦ S.A.
- The need to attract and retain qualified personnel;
- The successful operation and continued development of the Sierra Gorda Project, a large joint venture project with significant capital expenditure, permitting and infrastructure requirements;
- 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;
- Construction contract issues at DMC;

- The development of the Victoria Project and our other projects;
- 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 Companyös properties;
- The dependence on transportation facilities and infrastructure;
- Labour relations;
- The potential need for a temporary shutdown of any of our operations, such as for unplanned maintenance or extreme climatic conditions;
- The availability and cost of key operating supplies and services;
- Energy and water prices and availability;
- Accuracy of the closure and reclamation cost estimates specific to Robinson, Carlota and Podolsky;
- Inherent hazards and risks associated with mining operations;
- Inherent uncertainties associated with mineral exploration;
- Being subject to government regulation, including changes in regulation;
- Being subject to extensive environmental laws and regulations, including possible changes in regulation;
- The need for governmental licenses and permits;
- First Nations and community relations;
- Derivative contracts and exposure to the credit risk of counter-parties;
- Taxation in multiple jurisdictions;
- Political and country risk;
- Conflicts of interest; and
- Fluctuations in foreign currency exchange rates.

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 changes occurring in the market prices of commodities, that the mining operations will operate in accordance with the Company's public statements and achieve their stated production outcomes, and such other assumptions and factors as are described above or set out elsewhere 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 obligation to update or revise 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.