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Thompson Creek Metals Co Inc.

Form 10-Q

August 05, 2014

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the quarterly period ended June 30, 2014

Or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-33783

THOMPSON CREEK METALS COMPANY INC.

(Exact name of registrant as specified in its charter)

British Columbia, Canada

(State or other jurisdiction of

incorporation or organization)

26 West Dry Creek Circle, Suite 810, Littleton, CO

(Address of principal executive offices)

(303) 761-8801

(Registrant's telephone number, including area code)

98-0583591

(I.R.S. Employer

Identification No.)

80120

(Zip code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
<input checked="" type="checkbox"/>		(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes ☐ No ☒  
As of August 4, 2014, there were 213,887,744 shares of the registrant's common stock, no par value, outstanding.

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## PART I — FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## THOMPSON CREEK METALS COMPANY INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	Note	June 30, 2014	December 31, 2013
(US dollars in millions, except share amounts)			
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		\$216.1	\$233.9
Accounts receivable, net	2	76.1	47.8
Accounts receivable-joint venture partner	15	10.0	6.3
Product inventory	3	98.0	122.1
Materials and supplies inventory		57.0	65.8
Prepaid expenses and other current assets		10.5	13.2
Income and mining taxes receivable	13	3.8	4.4
Restricted cash		2.4	2.5
		473.9	496.0
Property, plant, equipment and development, net	4	2,509.2	2,538.0
Restricted cash		5.7	5.7
Reclamation deposits		17.4	7.4
Other assets		28.9	24.2
Deferred income tax assets	13	23.0	14.2
		\$3,058.1	\$3,085.5
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$87.0	\$104.9
Income, mining and other taxes payable		3.5	0.7
Current portion of Gold Stream deferred revenue	10	24.5	21.3
Current portion of long-term debt	8 & 9	5.1	15.4
Current portion of long-term lease obligations	7	22.3	21.8
Deferred income tax liabilities	13	13.0	14.4
Other current liabilities		0.1	2.1
		155.5	180.6
Gold Stream deferred revenue	10	746.6	759.4
Long-term debt	8 & 9	899.0	906.9
Long-term lease obligations	7	57.4	68.7
Other liabilities		4.3	6.5
Asset retirement obligations		45.5	43.8
Deferred income tax liabilities	13	13.4	13.4
		1,921.7	1,979.3
Commitments and contingencies	12		
Shareholders' equity			
Common stock, no-par, 213,887,744 and 171,452,069 shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively		1,185.4	1,028.9
Additional paid-in capital		85.5	230.7
Retained earnings (deficit)		(100.2	) (122.7 )

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Accumulated other comprehensive loss	(34.3	) (30.7	)
	1,136.4	1,106.2	
	\$3,058.1	\$3,085.5	

See accompanying notes to condensed consolidated financial statements.

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## THOMPSON CREEK METALS COMPANY INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS and COMPREHENSIVE INCOME (LOSS)  
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(US dollars in millions, except per share amounts)	2014	2013	2014	2013
REVENUES				
Copper sales	\$64.8	\$—	\$94.6	\$—
Gold sales	54.1	—	78.5	—
Molybdenum sales	126.3	112.7	229.2	217.4
Tolling, calcining and other	3.2	5.1	7.1	9.1
Total revenues	248.4	117.8	409.4	226.5
COSTS AND EXPENSES				
Cost of sales				
Operating expenses	148.2	77.1	261.8	145.8
Depreciation, depletion and amortization	33.0	14.2	55.6	26.9
Total cost of sales	181.2	91.3	317.4	172.7
Selling and marketing	3.6	2.7	7.7	5.0
Accretion expense	0.9	0.6	1.8	1.4
General and administrative	5.2	5.5	11.8	12.6
Exploration	0.2	0.5	0.3	0.6
Total costs and expenses	191.1	100.6	339.0	192.3
OPERATING INCOME	57.3	17.2	70.4	34.2
OTHER (INCOME) EXPENSE				
(Gains) losses on foreign exchange, net	(42.3	) 34.8	4.2	54.2
Interest and finance fees	23.3	0.1	46.9	0.2
Interest income	(0.1	) (0.3	) (0.2	) (0.5
Loss from debt extinguishment	0.5	—	0.5	—
Other	(0.2	) (0.2	) (3.0	) (0.2
Total other (income) expense	(18.8	) 34.4	48.4	53.7
Income (loss) before income and mining taxes	76.1	(17.2	) 22.0	(19.5
Total income and mining tax expense (benefit)	14.5	2.0	(0.5	) (1.2
NET INCOME (LOSS)	\$61.6	\$(19.2	) \$22.5	\$(18.3
COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation	42.0	(47.8	) (3.6	) (73.9
Total other comprehensive income (loss)	42.0	(47.8	) (3.6	) (73.9
Total comprehensive income (loss)	\$103.6	\$(67.0	) \$18.9	\$(92.2
NET INCOME (LOSS) PER SHARE				
Basic	\$0.35	\$(0.11	) \$0.13	\$(0.11
Diluted	\$0.28	\$(0.11	) \$0.10	\$(0.11
Weighted-average number of common shares				
Basic	174.5	171.1	173.1	170.4
Diluted	220.3	171.1	217.3	170.4
See accompanying notes to condensed consolidated financial statements.				

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THOMPSON CREEK METALS COMPANY INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(US dollars in millions)	2014	2013	2014	2013
<b>OPERATING ACTIVITIES</b>				
Net income (loss)	\$61.6	\$(19.2 )	\$22.5	\$(18.3 )
Items not affecting cash:				
Depreciation, depletion and amortization	33.0	14.2	55.6	26.9
Recognition of deferred revenue	(7.9 )	—	(9.6 )	—
Accretion expense	0.9	0.6	1.8	1.4
Amortization of finance fees	1.3	—	2.6	—
Stock-based compensation	1.5	1.9	2.6	3.3
Materials and supplies inventory write downs	0.1	—	0.2	—
Product inventory write downs	1.1	7.0	6.6	11.7
Deferred income tax benefit	7.8	(3.6 )	(9.3 )	(10.3 )
Unrealized gain on financial instruments and mark-to-market adjustments	(2.8 )	—	(3.2 )	—
Unrealized foreign exchange (gain) loss	(44.0 )	34.7	3.6	54.3
Debt extinguishment	(0.1 )	—	(0.1 )	—
Change in working capital accounts (Note 16)	(1.8 )	9.6	(6.4 )	(8.5 )
Cash generated by operating activities	50.7	45.2	66.9	60.5
<b>INVESTING ACTIVITIES</b>				
Capital expenditures	(26.7 )	(119.5 )	(48.5 )	(274.6 )
Capitalized interest payments	(0.6 )	(27.5 )	(6.9 )	(35.4 )
Restricted cash	(0.6 )	(0.2 )	—	11.2
Disposition of assets	—	0.2	—	0.2
Reclamation deposit	—	0.2	(10.0 )	—
Cash used in investing activities	(27.9 )	(146.8 )	(65.4 )	(298.6 )
<b>FINANCING ACTIVITIES</b>				
Proceeds from the Gold Stream Arrangement	—	37.0	—	99.0
Proceeds from equipment financings	—	10.5	—	37.8
Repayments of equipment financings	(5.5 )	(6.5 )	(10.8 )	(12.7 )
Repayment of long-term debt	(5.1 )	(4.3 )	(8.8 )	(8.2 )
Proceeds (costs) from issuance of common shares, net	—	(0.2 )	—	0.2
Cash generated by (used in) financing activities	(10.6 )	36.5	(19.6 )	116.1
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	1.2	(1.4 )	0.3	(2.0 )
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	13.4	(66.5 )	(17.8 )	(124.0 )
Cash and cash equivalents, beginning of period	202.7	469.3	233.9	526.8
Cash and cash equivalents, end of period	\$216.1	\$402.8	\$216.1	\$402.8
Supplementary cash flow information (Note 16)				
See accompanying notes to condensed consolidated financial statements.				

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THOMPSON CREEK METALS COMPANY INC.  
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
(UNAUDITED)

(US dollars in millions, share data in thousands)	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balances at December 31, 2013	171,452	\$1,028.9	\$230.7	\$(122.7 )	\$ (30.7 )	\$1,106.2
Amortization of stock-based compensation	—	—	2.5	—	—	2.5
Shares issued under stock-based compensation	306	1.7	(2.0 )	—	—	(0.3 )
Settlement of tangible equity units exchange offer	42,130	154.8	(145.7 )	—	—	9.1
Comprehensive income (loss):						
Net income (loss)	—	—	—	22.5	—	22.5
Foreign currency translation	—	—	—	—	(3.6 )	(3.6 )
Total comprehensive income (loss)						18.9
Balances at June 30, 2014	213,888	\$1,185.4	\$85.5	\$(100.2 )	\$ (34.3 )	\$1,136.4
See accompanying notes to condensed consolidated financial statements.						

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THOMPSON CREEK METALS COMPANY INC.

Notes to the Condensed Consolidated Financial Statements- Unaudited

(US dollars in millions, except per share amounts)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q. In compliance with those instructions, certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States ("US GAAP") have been condensed or omitted. This report should be read in conjunction with Thompson Creek Metals Company Inc.'s ("TCM," "Company," "we," "us" or "our") consolidated financial statements and notes contained in its Annual Report on Form 10-K for the year ended December 31, 2013 (the "2013 Form 10-K") filed with the Securities and Exchange Commission ("SEC"). The information reflects all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods reported. Operating results for the three and six months ended June 30, 2014 are not necessarily indicative of the results that may be expected for any other period or for the year ending December 31, 2014.

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. TCM bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

Certain prior year amounts in the financial statements have been reclassified to conform to the current year presentation. The condensed consolidated financial statements include the accounts of TCM and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. Financial amounts are presented in United States ("US") dollars unless otherwise stated. References to C\$ are Canadian dollars.

As used herein, "Mt. Milligan Mine" refers to our conventional truck-shovel open-pit copper and gold mine and concentrator with a copper-gold flotation processing plant in British Columbia, Canada; "TC Mine" refers to Thompson Creek Mine, our open-pit molybdenum mine and concentrator in Idaho, USA; "Endako Mine" refers to the open-pit molybdenum mine, concentrator and roaster in British Columbia, Canada in which we own a 75% joint venture interest; and "Langeloth Facility" refers to our Langeloth Metallurgical Facility in Pennsylvania, USA.

Change in Estimate

On January 1, 2014, the Life of Mine Plan ("LOM") for the Endako Mine, in which TCM owns a 75% joint venture interest, was revised to reflect long term molybdenum pricing expectations. As a result, Endako Mine's estimated mine life was reduced to approximately 3.5 years from 15 years. During the second quarter of 2014, in light of the reduced mine life and to better reflect the economic utilization of property, plant and equipment assets at the Endako Mine, TCM reduced the depreciable lives of Endako Mine's property, plant and equipment assets using the straight line and declining balance depreciation convention (the depreciable lives of assets using the units-of-production depreciation convention had been reduced in the first quarter of 2014) and began considering the salvage values of these assets when recognizing its share of depreciation, depletion and amortization expense. This change in estimate, effective as of April 1, 2014, was accounted for prospectively in accordance with ASC 205, Accounting Changes and Error Corrections. This change lowered depreciation expense and increased net income by \$2.1 million, or approximately \$0.01 per diluted share, for each of the three and six months ended June 30, 2014.

2. Accounts Receivable, Net

Accounts receivable are carried at their estimated collectible amounts. Accounts receivable included net trade receivables of \$66.1 million, and other receivables of \$10.0 million at June 30, 2014, and trade receivables of \$41.6 million and other receivables of \$6.2 million at December 31, 2013. Other receivables at June 30, 2014 consisted of \$3.5 million of Goods and Services Tax refunds and \$3.1 million of mark-to-market adjustments relating to provisional invoices for Mt. Milligan Mine copper and gold concentrate sales. Other receivables at December 31, 2013 consisted of \$3.3 million of Goods and Services Tax refunds and \$0.3 million of mark-to-market adjustments relating to provisional invoices for Mt. Milligan Mine copper and gold concentrate sales.





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## THOMPSON CREEK METALS COMPANY INC.

### Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited

(US dollars in millions, except per share amounts)

#### 3. Inventory

The carrying value of product inventory was as follows:

(US\$ in millions)	June 30, 2014	December 31, 2013
Copper and Gold Inventory:		
Concentrate	\$22.8	\$39.8
Stockpiled ore	4.0	5.4
	\$26.8	\$45.2
Molybdenum Inventory:		
Finished product	\$30.8	\$27.5
Work-in-process	27.7	28.0
Stockpiled ore	12.7	21.4
	\$71.2	\$76.9
	\$98.0	\$122.1

As of June 30, 2014 and June 30, 2013, the carrying value of TCM's molybdenum inventory exceeded the market value, resulting in lower-of-cost-or-market write downs of \$1.2 million and \$8.0 million, respectively, for the three and six months ended June 30, 2014, and lower-of-cost-or-market write downs of \$8.2 million and \$14.1 million, respectively, for the three and six months ended June 30, 2013.

The following table sets forth the inventory write downs in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the periods presented:

(US\$ in millions)	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Canadian Operations Molybdenum				
Operating expense	\$1.1	\$7.0	\$6.6	\$11.7
Depreciation, depletion and amortization	0.1	1.2	1.4	2.4
	\$1.2	\$8.2	\$8.0	\$14.1

#### 4. Property, Plant, Equipment and Development, Net

Property, plant, equipment and development, net, was comprised of the following:

(US\$ in millions)	June 30, 2014	December 31, 2013
Mining properties and mineral reserves	\$798.3	\$768.6
Mining and milling equipment and facilities	1,644.0	1,661.2
Processing facilities	169.3	168.5
Construction-in-progress	67.1	42.7
Other	16.2	18.3
	2,694.9	2,659.3
Less: Accumulated depreciation, depletion and amortization	(185.7)	(121.3)
	\$2,509.2	\$2,538.0

The construction-in-progress balance included \$57.3 million and \$33.2 million related to Mt. Milligan Mine as of June 30, 2014 and December 31, 2013, respectively. For Mt. Milligan Mine the construction-in-progress balance at June 30, 2014 consisted of \$39.2 million related to construction of a permanent operations residence, \$7.1 million for construction



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## THOMPSON CREEK METALS COMPANY INC.

## Notes to the Condensed Consolidated Financial Statements- Unaudited

(US dollars in millions, except per share amounts)

related to the tailings facility system's dam, \$6.3 million for Phase 2 of the tailings facility system and \$4.7 million for other items for Mt. Milligan Mine.

## 5. Derivative Financial Instruments

TCM enters into various derivative financial instruments in the normal course of operations to manage exposure to the market prices for its products, including copper, gold and molybdenum. TCM does not apply hedge accounting to its derivative instruments. Accordingly, changes in fair value of derivative instruments are recorded in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), except those contracts for which TCM has elected to apply the normal purchases and normal sales scope exception.

The following table provides details about the fair values of TCM's derivative assets and liabilities:

(US\$ in millions)	Fair Value as of	
	June 30, 2014	December 31, 2013
Assets <sup>(1)</sup>		
Commodity contracts	\$0.1	\$0.2
Total	\$0.1	\$0.2

(1) TCM's derivative assets are included in prepaid expenses and other current assets, and derivative liabilities are included in other current liabilities. Certain derivative instruments, such as provisionally-priced contracts and forward currency contracts, have an immaterial fair value as of the balance sheet dates, while the changes in the fair value during the three and six months ended June 30, 2014 and 2013 are disclosed below. TCM is exposed to credit risk when counterparties with which it has entered into derivative transactions are unable to pay. To reduce counterparty credit exposure, TCM deals primarily with large, credit-worthy financial institutions and companies and limits credit exposure to each. TCM believes the counterparties to the contracts to be credit-worthy entities and, therefore, TCM believes credit risk of counterparty non-performance is relatively low, and, as such, the fair value of the derivatives has not been adjusted.

The following table sets forth the gains (losses) on derivative instruments for periods presented:

(US\$ in millions)		Three Months Ended		Six Months Ended	
Derivative Type	Statement of Operations Classification	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Gold hedges related to Gold Stream Arrangement	Gold sales	\$0.1	\$—	\$0.3	\$—
Other commodity contracts	Operating expenses	\$—	\$—	\$0.1	\$—
Copper and Gold hedges	Other	\$(0.1)	) \$—	\$(0.1)	) \$—
Forward currency contracts	Gain (loss) on foreign exchange, net	\$0.2	\$—	\$0.7	\$—

## Gold Hedges Related to Gold Stream Arrangement and Other Commodity Contracts

TCM must satisfy its obligation under the Gold Stream Arrangement (discussed in Note 10) by delivering gold to Royal Gold after TCM receives payment from third-party purchasers, including offtakers and traders, that purchase concentrate from Mt. Milligan Mine ("MTM Customers"). In connection with TCM's first 12 shipments of concentrate from Mt. Milligan Mine, TCM must deliver gold to Royal Gold based on a percentage of the gold ounces included in each provisional sale of gold to MTM Customers within two days of receiving a provisional payment, as discussed further in Note 10.

TCM receives payment from MTM Customers in cash, thus requiring the purchase of gold in order to satisfy the obligation to pay Royal Gold in gold. In order to hedge its gold price risk that arises when physical purchase and concentrate sales pricing periods do not match, TCM has entered into certain forward gold purchase and sales

contracts pursuant to which it purchases gold at an average price during a quotational period and sells gold at a spot price. TCM records its commodity contracts at fair value using a market approach based on observable quote market prices and contracted prices.

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## THOMPSON CREEK METALS COMPANY INC.

Notes to the Condensed Consolidated Financial Statements (Continued) -Unaudited

(US dollars in millions, except per share amounts)

In connection with the sale of concentrate from Mt. Milligan Mine, TCM is exposed to price fluctuations between the concentrate shipment, provisional payment and final payment. In order to hedge the price risk for the metals contained in concentrate, TCM has entered into certain forward copper and gold purchase and sale contracts pursuant to which it purchases copper or gold at an average price during a quotational period and sells copper or gold at a spot price.

Additionally, TCM has entered into zero cost collars pursuant to which it agrees with a counterparty to a floor and ceiling relative to future prices of gold. If the gold price is below the floor, the counterparty pays TCM the difference between the price and the floor. If the gold price is above the ceiling, TCM pays the counterparty the difference between the ceiling and the price. TCM records its commodity contracts at fair value using a market approach based on observable quote market prices and contracted prices. These activities are intended to protect against the price risk related to the MTM Customer purchase contracts.

Additionally, TCM has entered into a natural gas contract at the Langeloth Facility to fix the prices paid for natural gas used in operations.

The following table provides details of TCM's commodity contracts as of June 30, 2014:

	Quantity	Sell Price	Buy Price	Maturities Through
Gold Hedge Sales related to Gold Stream Arrangement (oz)	9,808	\$1,269-\$1,320	TBD	July 2014-September 2014
Gold Hedge Purchases related to Gold Stream Arrangement (oz)	9,060	TBD	TBD	August 2014-November 2014
Forward Gold Sales (oz)	4,000	\$1,292-\$1,318	TBD	July 2014-November 2014
Forward Copper Sales (lb)	5,510,000	\$3.16-\$3.18	TBD	September 2014
Natural Gas Purchase (Dt)	45,375	n/a	\$3.59-\$3.60	July 2014-September 2014
	Quantity	Put Price	Call Price	Maturities Through
Gold Collars (oz)	4,000	\$1,200-\$1,225	\$1,368 - \$1,395	July 2014-November 2014

## Forward Currency Contracts

TCM transacts business in various currencies in the normal course of its operations and for capital expenditures. In addition, with all of its revenues denominated in US dollars, TCM has an ongoing foreign exchange risk with respect to its Canadian operations. To help mitigate this risk, TCM has entered into foreign currency forward contracts pursuant to which it has agreed to buy Canadian dollars at an agreed-upon rate. TCM records its currency contracts at fair value using a market approach based on observable quoted exchange rates and contracted notional amounts. As of June 30, 2014, TCM had no open foreign currency option contracts.

## Fixed-Priced Contracts

TCM has entered into certain sales contracts pursuant to which it sells future molybdenum production at fixed prices. These fixed prices may be different than the quoted market prices at the date of sale. TCM treats these contracts as normal purchase and normal sale contracts. While the Gold Stream Arrangement contains an agreement to sell gold at a fixed price, it does not meet the definition of a derivative instrument.

The following table sets forth TCM's outstanding fixed-priced sales contracts as of June 30, 2014:

	Quantity (000's lb)	Sell price	Maturities Through
Molybdenum fixed price sales	241	\$13.68	September 2015

## 6. Fair Value Measurement

US GAAP includes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). TCM's policy is to recognize transfers into and out of Level 3 as of the actual date of the event or change in circumstances. There were no transfers into or

out of Level 1 or 2 during

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## THOMPSON CREEK METALS COMPANY INC.

Notes to the Condensed Consolidated Financial Statements (Continued) -Unaudited

(US dollars in millions, except per share amounts)

### 6. Fair Value Measurement (Continued)

the six months ended June 30, 2014. The following table sets forth a reconciliation of activity related to Level 3 financial assets and liabilities for the six months ended June 30, 2014:

(US\$ in millions)	Total	Fixed-Priced Contracts	Debt
Balance at December 31, 2013	\$ 12.7	\$ —	\$ 12.7
Level 3 transfers	—	—	—
Settlement of tMEDS	(10.9	) —	(10.9 )
Balance at June 30, 2014	\$ 1.8	\$ —	\$ 1.8

The following tables set forth TCM's financial assets and liabilities measured at fair value by level within the US GAAP fair value hierarchy. As required, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement, as discussed in Note 2 to the 2013 Form 10-K.

(US\$ in millions)	Fair Value at June 30, 2014			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Senior secured notes	\$428.0	\$—	\$428.0	\$—
Senior unsecured notes	585.1	—	585.1	—
tMEDS	1.8	—	—	1.8
	\$1,014.9	\$—	\$1,013.1	\$1.8

(US\$ in millions)	Fair Value at December 31, 2013			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Senior secured notes	\$397.2	\$—	\$397.2	\$—
Senior unsecured notes	492.4	—	492.4	—
tMEDS	12.7	—	—	12.7
	\$902.3	\$—	\$889.6	\$12.7

TCM classified its senior secured and unsecured notes within Level 2 because they are valued using a mix of inputs, including a risk-free interest rate input that is quoted in an active market, and credit spread inputs that are observable but are not quoted market prices for identical liabilities. Both inputs are negatively correlated to the fair value measure; an increase (decrease) in the input will decrease (increase) the fair value measure.

TCM classified its Tangible Equity Units ("tMEDS") within Level 3 because they are valued using significant unobservable inputs. TCM determined the fair value of the debt component of tMEDS using a discounted cash flow model by obtaining yields for comparably-rated issuers trading in the market, considering the market yield of existing TCM debt and the credit rating of TCM.

As of June 30, 2014, the carrying values of the 9.75% senior secured notes and the 12.5% senior unsecured notes were lower than the fair values of approximately \$428.0 million and \$238.6 million, respectively, while the carrying value of the 7.375% senior unsecured notes and tMEDS were higher than the fair value of \$346.5 million and \$1.8 million, respectively. TCM determined the fair value of the notes using a discounted cash flow valuation model, consisting of inputs such as risk-free interest rates and credit spreads.

### 7. Leases





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## THOMPSON CREEK METALS COMPANY INC.

## Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited

(US dollars in millions, except per share amounts)

TCM's total capital lease obligations consisted of the following:

(US\$ in millions)	June 30, 2014	December 31, 2013
Equipment facility capital leases	\$23.8	\$27.2
Equipment facility sale leaseback	52.9	59.8
Endako Mine sale leaseback	3.0	3.5
Total lease obligations	79.7	90.5
Less: Current portion	(22.3)	(21.8)
Total long-term lease obligations	\$57.4	\$68.7

Interest pertaining to the equipment financing facility with Caterpillar Financial Services Ltd. (the "Equipment Facility"), is allocable to the cost of developing mining properties and to constructing new facilities and is capitalized until assets are ready for their intended use. Beginning in September 2013, in conjunction with the start-up phase of Mt. Milligan Mine, TCM ceased capitalizing the interest and debt issuance costs associated with the leases under the Equipment Facility for Mt. Milligan Mine as the related assets were placed in service. During the three and six months ended June 30, 2014, TCM repaid \$5.3 million and \$10.8 million, respectively, in principal.

Interest and debt issuance costs on the equipment financings consisted of the following:

(US\$ in millions)	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Interest paid	\$1.3	\$1.2	\$2.5	\$2.1
Interest and debt issuance costs capitalized	\$—	\$1.5	\$—	\$2.8
Interest and debt issuance costs expensed	\$1.3	\$0.1	\$2.7	\$0.2

## 8. Debt

TCM's secured and unsecured notes, tMEDS, equipment loans and other credit facilities consisted of the following:

	June 30, 2014	December 31, 2013
9.75% Senior secured notes due 2017, net of discount	\$347.6	\$347.3
7.375% Senior unsecured notes due 2018	350.0	350.0
12.5% Senior unsecured notes due 2019	200.0	200.0
tMEDS	2.4	19.4
Equipment loans	4.1	5.4
Other	—	0.2
Total debt	904.1	922.3
Less: Current portion	(5.1)	(15.4)
Total long-term debt	\$899.0	\$906.9

Interest and debt issuance costs paid, capitalized and expensed were as follows:

(US\$ in millions)	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Interest paid	\$26.1	\$26.2	\$43.7	\$33.2
Interest and debt issuance costs capitalized	\$1.0	\$23.4	\$1.9	\$46.8
Interest and debt issuance costs expensed	\$22.0	\$—	\$44.2	\$—

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THOMPSON CREEK METALS COMPANY INC.

Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited

(US dollars in millions, except per share amounts)

8. Debt (Continued)

9.75% Senior Secured Notes

On November 27, 2012, TCM issued \$350.0 million of 9.75% senior secured notes (the "2017 Notes"). The proceeds received in the offering were \$336.8 million, net of financing fees of \$10.0 million and a discount of \$3.2 million. The net proceeds from the 2017 Notes offering were used to fund the completion of Mt. Milligan Mine and for general working capital purposes. The 2017 Notes are guaranteed on a senior basis by substantially all of TCM's subsidiaries and are secured by a first priority lien subject to permitted liens on substantially all of TCM's and the guarantors' property and assets.

The 2017 Notes mature on December 1, 2017 and accrue interest from November 27, 2012 until maturity at a fixed rate of 9.75% per year. Interest on the 2017 Notes is payable on February 1 and August 1 of each year, commencing February 1, 2013, to the holders of record at the close of business on the January 15 and July 15 prior to each interest payment date.

The 2017 Notes are governed by a base indenture, dated May 11, 2012, supplemented by the first supplemental indenture, dated May 11, 2012, and the fifth supplemental indenture, dated November 27, 2012 (the "2017 Notes Indenture"). There are no maintenance covenants with respect to TCM's financial performance. However, the 2017 Notes Indenture does contain transaction-based restrictive covenants that restrict TCM's ability and the ability of certain of TCM's subsidiaries to incur additional indebtedness; pay dividends or make other distributions or repurchase or redeem capital stock; prepay, redeem or repurchase certain debt; make loans and investments; sell assets; incur liens; enter into transactions with affiliates; and enter into agreements restricting our subsidiaries' ability to pay dividends and consolidate, merge or sell all or substantially all of our assets, in each case subject to certain exceptions.

The 2017 Notes are redeemable at TCM's option at any time prior to December 1, 2015 at a price equal to 100% of the principal amount of the 2017 Notes, plus accrued and unpaid interest and a make-whole premium. Under the terms of the 2017 Notes Indenture, TCM may also redeem up to 35% of the original principal amount of the 2017 Notes at any time prior to December 1, 2015 with the proceeds of certain equity offerings at a redemption price of 109.75% of the principal amount of the 2017 Notes, together with accrued and unpaid interest to, but not including, the date of redemption. TCM may also redeem the 2017 Notes at any time on or after December 1, 2015 at the redemption prices specified in the 2017 Notes Indenture together with accrued and unpaid interest to, but not including, the date of redemption. Finally, TCM may redeem the 2017 Notes at any time upon the occurrence of specified events relating to Canadian tax law at a redemption price of 100% of the principal amount of the 2017 Notes plus accrued and unpaid interest to, but not including, the date of redemption.

The 2017 Notes Indenture contains customary events of default. If an event of default occurs and is continuing under the 2017 Notes Indenture, the trustee or holders of at least 25% in principal of the outstanding 2017 Notes may declare the principal, premium, if any, and accrued and unpaid interest on all the 2017 Notes to be due and payable immediately. Certain events of bankruptcy or insolvency are events of default that would result in the 2017 Notes being due and payable immediately upon the occurrence of such events of default.

12.5% Senior Unsecured Notes

On May 11, 2012, TCM issued \$200.0 million of 12.5% senior unsecured notes (the “2019 Notes”). The proceeds received in the offering were \$193.1 million, net of financing fees of \$6.9 million. The net proceeds from the 2019 Notes offering were used to fund the completion of Mt. Milligan Mine and for general working capital purposes. The 2019 Notes are guaranteed on a senior basis by substantially all of TCM's subsidiaries.

The 2019 Notes mature on May 1, 2019 and accrue interest from May 11, 2012 until maturity at a fixed rate of 12.5% per year. Interest on the 2019 Notes is payable on May 1 and November 1 of each year, commencing November 1, 2012, to the holders of record at the close of business on the April 15 and October 15 prior to each interest payment date.

The 2019 Notes are governed by a base indenture as supplemented by the first supplemental indenture and the second supplemental indenture thereto, each dated May 11, 2012 (the “2019 Notes Indenture”). There are no maintenance covenants with respect to our financial performance. However, the 2019 Notes Indenture does contain transaction-based restrictive covenants that restrict our ability and the ability of certain of our subsidiaries to incur additional indebtedness; pay dividends or make other distributions or repurchase or redeem capital stock; prepay, redeem or repurchase certain debt; make loans and

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THOMPSON CREEK METALS COMPANY INC.

Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited

(US dollars in millions, except per share amounts)

8. Debt (Continued)

investments; sell assets; incur liens; enter into transactions with affiliates; and enter into agreements restricting our subsidiaries' ability to pay dividends and consolidate, merge or sell all or substantially all of our assets, in each case subject to certain exceptions.

The 2019 Notes are redeemable at TCM's option at any time prior to May 1, 2016 at a price equal to 100% of the principal amount of the 2019 Notes, plus accrued and unpaid interest and a make-whole premium. Under the terms of the 2019 Notes Indenture, TCM may also redeem up to 35% of the original principal amount of the 2019 Notes at any time prior to May 1, 2015 with the proceeds of certain equity offerings at a redemption price of 112.5% of the principal amount of the 2019 Notes, together with accrued and unpaid interest to, but not including, the date of redemption. TCM may also redeem the 2019 Notes at any time on or after May 1, 2016 at the redemption prices specified in the 2019 Notes Indenture together with accrued and unpaid interest to, but not including, the date of redemption. Finally, TCM may redeem the 2019 Notes at any time upon the occurrence of specified events relating to Canadian tax law at a redemption price of 100% of the principal amount of the 2019 Notes plus accrued and unpaid interest to, but not including, the date of redemption.

The 2019 Notes Indenture contains customary events of default. If an event of default occurs and is continuing under the 2019 Notes Indenture, the trustee or holders of at least 25% in principal of the outstanding 2019 Notes may declare the principal, premium, if any, and accrued and unpaid interest on all the 2019 Notes to be due and payable immediately. Certain events of bankruptcy or insolvency are events of default that would result in the 2019 Notes being due and payable immediately upon the occurrence of such events of default.

7.375% Senior Unsecured Notes

On May 20, 2011, TCM issued \$350.0 million of 7.375% senior unsecured notes (the "2018 Notes"). The proceeds received in the offering were \$339.9 million, net of financing fees of \$10.1 million. The net proceeds from the 2018 Notes offering were used to fund the development of Mt. Milligan and for general working capital purposes. The 2018 Notes are guaranteed on a senior basis by substantially all of our subsidiaries.

The 2018 Notes mature on June 1, 2018 and accrue interest from May 20, 2011 until maturity at a fixed rate of 7.375% per year. Interest is payable on June 1 and December 1 of each year, and the first interest payment occurred on December 1, 2011. Interest is payable to the holders of record at the close of business on the May 15 and November 15 prior to each interest payment date.

The 2018 Notes are governed by an indenture, dated May 20, 2011 (the "2018 Notes Indenture"). There are no maintenance covenants with respect to our financial performance. However, the 2018 Notes Indenture does contain transaction-based restrictive covenants that restrict our ability and the ability of certain of our subsidiaries to incur additional indebtedness; pay dividends or make other distributions or repurchase or redeem capital stock; prepay, redeem or repurchase certain debt; make loans and investments; sell assets; incur liens; enter into transactions with affiliates; enter into agreements restricting our subsidiaries' ability to pay dividends and consolidate, merge or sell all or substantially all of our assets, in each case subject to certain exceptions.

The 2018 Notes are redeemable at our option at any time prior to June 1, 2014 at a price equal to 100% of the principal amount of the 2018 Notes, plus accrued and unpaid interest and a make-whole premium. Under the terms of the 2018 Notes Indenture, TCM may also redeem up to 35% of the original principal amount of the 2018 Notes at any time prior to June 1, 2014 with the proceeds of certain equity offerings at a redemption price of 107.375% of the

principal amount of the 2018 Notes, together with accrued and unpaid interest to, but not including, the date of redemption. We may also redeem the 2018 Notes at any time on or after June 1, 2014 at the redemption prices specified in the 2018 Notes Indenture, together with accrued and unpaid interest to, but not including, the date of redemption. Finally, we may redeem the 2018 Notes at any time upon the occurrence of specified events relating to Canadian tax law at a redemption price of 100% of the principal amount of the 2018 Notes plus accrued and unpaid interest to, but not including, the date of redemption.

The 2018 Notes Indenture contains customary events of default. If an event of default occurs and is continuing under the 2018 Notes Indenture, the trustee or holders of at least 25% in principal of the outstanding 2018 Notes may declare the principal, premium, if any, and accrued and unpaid interest on all the 2018 Notes to be due and payable immediately. Certain events of bankruptcy or insolvency are events of default that would result in the 2018 Notes being due and payable immediately

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THOMPSON CREEK METALS COMPANY INC.

Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited

(US dollars in millions, except per share amounts)

8. Debt (Continued)

upon the occurrence of such events of default. In connection with the issuance of the 2018 Notes, we as guarantors, and the initial purchasers, entered into an agreement obligating us to file a registration statement with the SEC so that the holders of the 2018 Notes can exchange the 2018 Notes for registered notes and related guarantees evidencing the same indebtedness as the 2018 Notes. In December 2011, we completed the exchange offer of the original 2018 Notes for a like principal amount of exchange notes registered under the Securities Act of 1933.

Mobile Mining Equipment Loans

On December 8, 2010, TCM executed an equipment financing agreement with Caterpillar in the amount of \$12.8 million secured by six units of mobile mining equipment purchased by TCM during 2010. This fixed-rate loan bears interest at 3.6%, and is scheduled to mature no later than December 8, 2015.

9. tMEDS

On May 11, 2012, TCM completed a public offering of 8,800,000 tMEDS with a stated value of \$25.00. Each tMEDS unit consists of a prepaid common stock purchase contract and a senior amortizing note due May 15, 2015. During the three and six months ended June 30, 2013, holders early settled 100,000 and 460,000 common stock purchase contracts, respectively, for which TCM issued 458,550 and 2,109,330 shares of common stock, respectively. For more information, please see Note 11 within Item 8 of our 2013 Form 10-K.

On May 21, 2014, TCM commenced an offer ("Exchange Offer") to exchange any and all of the 8,340,000 then outstanding units of tMEDS for a number of shares of TCM's common stock. Pursuant to the terms of the Exchange Offer, as amended, each holder of tMEDS could tender all or a portion of such holder's tMEDS in exchange for (i) 5.3879 shares of common stock plus (ii) a number of shares of common stock equal to \$1.25 divided by \$2.73, which is the five day arithmetic daily volume-weighted average price of the TCM common stock over the trading period beginning on June 16, 2014 and ending on June 20, 2014. The Exchange Offer expired on June 24, 2014, and 7,206,862 units, or 86.4%, of the tMEDS were tendered for exchange, and accepted by TCM. In exchange for the tendered tMEDS, TCM issued 42,129,829 shares of its common stock.

As of June 30, 2014, 1,133,138 tMEDS remain outstanding. Such tMEDS will continue to be held pursuant to their original terms and conditions, including mandatory conversion on May 15, 2015. On July 8, 2014, TCM filed an application to notify the SEC of its delisting of any and all units of tMEDS which remained outstanding following settlement of the Exchange Offer, and the delisting became effective 10 days after such filing. TCM does not intend to re-list its tMEDS on another securities exchange, but expects that the tMEDS will be quoted on one or more over-the-counter markets.

Although each outstanding unit of tMEDS was treated as one unit for purposes of the Exchange Offer, the accounting treatment considers each component of each unit of tMEDS, a prepaid common stock purchase contract and a senior amortizing note, separately. As of June 30, 2014, in connection with shares of common stock issued in exchange for the prepaid common stock purchase contract components of the tendered tMEDS, TCM recorded a \$145.5 million increase to common stock and a \$145.5 million decrease to additional paid-in capital equal to the value of the shares issued in exchange for the prepaid common stock purchase contract components of the tendered tMEDS. In connection with the settlement of \$10.9 million of the senior amortizing notes component of the tendered tMEDS, TCM issued \$9.3 million in TCM common stock and made a principal payment of \$1.2 million to the senior amortizing note holders. As a result of the consummation of the Exchange Offer, TCM recorded a \$10.9 million decrease to debt, a \$9.3 million increase to common stock and a \$0.2 million decrease to additional paid-in capital for issuance costs incurred by TCM in connection with the Exchange Offer. Additionally, TCM recorded \$0.5 million in

debt extinguishment losses due to the difference between consideration offered for extinguished debt net of \$0.5 million of fees and expenses incurred by TCM in connection with the Exchange Offer, and the write off of \$0.3 million of unamortized debt issuance costs.

The senior amortizing note component of the tMEDS that remained outstanding as of June 30, 2014 was \$2.4 million, which is included in the current portion of long-term debt on the Condensed Consolidated Balance Sheets. The unamortized deferred financing costs related to the remaining tMEDS were \$0.1 million as of June 30, 2014. See Note 8 for interest and debt issuance costs paid, capitalized and expensed for TCM's outstanding debt, including tMEDS.

10. Gold Stream Arrangement



## THOMPSON CREEK METALS COMPANY INC.

Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited

(US dollars in millions, except per share amounts)

## 10. Gold Stream Arrangement (Continued)

Pursuant to an agreement dated October 2010, as subsequently amended in December 2011 and August 2012, with a subsidiary of Royal Gold, Inc. ("Royal Gold") (referred to as the "Gold Stream Arrangement"), TCM agreed to sell to Royal Gold 52.25% of the refined gold production from Mt. Milligan Mine for a total upfront payment of \$781.5 million, plus \$435 per ounce, or the prevailing market rate if lower than \$435 per ounce, when the gold is delivered. The upfront cash payments received under the Gold Stream Arrangement were recorded as deferred revenue and classified as a liability on our Condensed Consolidated Balance Sheets.

TCM sells copper and gold concentrate from Mt. Milligan Mine to MTM Customers, and then purchases gold ounces in the market for delivery to Royal Gold, in an amount based on a portion of the gold ounces in the copper and gold concentrate sold to MTM Customers as determined in accordance with the terms of the Gold Stream Arrangement. Mt. Milligan Mine began selling copper and gold concentrate to MTM Customers and delivering gold ounces to Royal Gold in the fourth quarter of 2013, at which time TCM began to recognize an amount of the deferred revenue as gold ounces are delivered to Royal Gold, as explained further below. In connection with TCM's first 12 shipments of copper and gold concentrate from Mt. Milligan Mine to MTM Customers, TCM must deliver gold ounces to Royal Gold based on a percentage of gold ounces in each provisional sale of gold to MTM Customers within two days of receiving a provisional payment for the sale of the copper and gold concentrate. Under the Gold Stream Arrangement, for shipments 1 through 4, 75% of the gold ounces to be delivered to Royal Gold are based on the gold ounces under each provision payment, and 25% of the gold ounces are delivered upon final settlement under each MTM Customer contract. For shipments 5 through 8, those percentages are 50% and 50%, respectively, and for shipments 9 through 12, the percentages are 25% and 75%, respectively. Thereafter, all deliveries of gold to Royal Gold will be based solely on the final settlement of provisional sales of concentrate to MTM Customers. The gold ounces delivered to Royal Gold under the Gold Stream Arrangement are based on the contained gold ounces in the provisional payments and final settlements multiplied by a 97% payable factor.

Revenues from the Gold Stream Arrangement are recognized upon the provisional sale of the copper and gold concentrate delivered to MTM Customers based on the amount of the provisional gold ounces in such sale, with adjustments made for the \$435 per ounce price, the per ounce price for the deferred revenue that was received upfront and certain adjustments pursuant to the terms of the Gold Stream Arrangement.

The components of revenue under the Gold Stream Arrangement are as follows:

- recognition of an amount of deferred revenue based on the amount of gold ounces delivered to Royal Gold in the applicable period compared to total expected gold deliveries over the life of the mine;

- receipt of \$435 per ounce, or the prevailing market rate if lower than \$435 per ounce, when the gold ounces are delivered;

- recognition of any unrealized losses resulting from the difference between the \$435 per ounce plus the deferred revenue per ounce price and the prevailing spot price at the end of any period, net of purchase costs for the gold ounces delivered to Royal Gold; and

- gains or losses related to TCM's commodity gold contracts used to hedge TCM's price exposure between the purchase price for the gold delivered to Royal Gold under the Gold Stream Arrangement and the final gold settlement price from the MTM Customers.

The following table presents the revenue recognized under the Gold Stream Arrangement for the three and six months ended June 30, 2014 in connection with (i) ounces of gold actually delivered to Royal Gold based on provisional sales of concentrate during the applicable period and (ii) ounces of gold to be delivered to Royal Gold upon final settlement of the provisional sales:

(US\$ in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Gold Stream revenue for ounces delivered <sup>(1)</sup>	\$ 17.4	\$ —	\$ 21.2	\$ —

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Gold Stream revenue for ounces to be delivered <sup>(2)</sup>	4.0	—	10.1	—
Total Gold Stream revenue <sup>(1) (2)</sup>	\$21.4	\$—	\$31.3	\$—

(1) Included \$7.9 million and \$9.6 million of revenue which was previously deferred, for the three and six months ended June 30, 2014, respectively.

(2) Recognized revenue amount may be subject to adjustment upon final settlement.

THOMPSON CREEK METALS COMPANY INC.

Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited

(US dollars in millions, except per share amounts)

10. Gold Stream Arrangement (Continued)

In the event of any default under the Gold Stream Arrangement, Royal Gold could require TCM to repay the deposits received from Royal Gold, which amounts totaled \$756.6 million at June 30, 2014.

11. Stock-Based Compensation

As of June 30, 2014, TCM has granted stock options, PSUs and RSUs, as discussed below.

Stock Options

The following table summarizes stock option activity during the six months ended June 30, 2014:

	Options (000's)	Weighted-Average Exercise Price (1)
Stock options outstanding at January 1, 2014	2,580	\$8.86
Granted	312	2.75
Exercised	11	2.70
Canceled/expired/surrendered	312	9.48
Stock options outstanding at June 30, 2014	2,569	\$8.07

The weighted-average exercise price of options outstanding is shown in US dollars. Options with a Canadian dollar (1) strike price have been converted to US dollars for disclosure purposes using the exchange rates on the respective date of grant.

The expiration date and vesting provisions of stock options granted are established at the time an award is made. Stock options generally vest in three tranches over two or three years and are exercisable over a period of time not to exceed 10 years from the grant date but generally expire five years from the grant date. When an option is exercised, TCM issues the requisite shares from authorized but unissued common stock. The exercise price of options granted prior to March 1, 2011 is equal to the greater of: (i) the volume weighted-average trading price of the underlying shares on the Toronto Stock Exchange over the five consecutive trading days immediately before the grant date and (ii) if the award date occurs in a trading black-out period, the weighted-average trading price over the five consecutive trading days immediately after the black-out period has been lifted. The exercise price of options granted after March 1, 2011 is equal to the volume weighted-average trading price of the underlying shares over the five consecutive trading days immediately before the grant date.

For the three and six months ended June 30, 2014, TCM recorded compensation expense related to stock options of \$0.1 million and \$0.2 million, respectively.

For the three and six months ended June 30, 2013, TCM recorded compensation expense related to stock options of \$0.2 million and \$0.4 million, respectively.

As of June 30, 2014, approximately 0.7 million outstanding options had not vested and were not exercisable. The total unrecognized compensation cost related to these options was \$0.9 million and is expected to be recognized over a weighted-average period of 2.05 years.

As of June 30, 2014, approximately 1.8 million options had vested, were exercisable and had an aggregate intrinsic value of nil.

Performance Share Units (PSUs)

The following table summarizes PSU activity during the six months ended June 30, 2014:

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## THOMPSON CREEK METALS COMPANY INC.

## Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited

(US dollars in millions, except per share amounts)

## 11. Stock-Based Compensation (Continued)

	Units (000's)	Weighted-Average Fair Value
Outstanding at January 1, 2014	1,225	\$ 7.88
PSUs granted	1,422	3.37
Canceled/expired/forfeited	379	11.96
Outstanding at June 30, 2014	2,268	\$ 4.45

The vesting of the PSUs granted prior to January 1, 2012 is contingent upon employee service and the performance of TCM's share price relative to the established award price. At each anniversary date during the vesting period, if the per share closing price of TCM's common stock on such date is at or higher than the award price, then the awards will vest one-third on each anniversary date, and the requisite shares will be issued from authorized but unissued common stock. If the closing price is less than the award price, and therefore, the market condition is not achieved, then those PSUs do not vest and are carried forward to the following anniversary date. Any PSUs not vested at the end of the three-year vesting period will expire.

The vesting of the PSUs granted subsequent to January 1, 2012 and prior to January 1, 2014 is contingent upon two performance metrics: 1) TCM's Total Shareholder Return (TSR) relative to the Russell 2000 Index during the three-year performance period and 2) the proven and probable mine reserves replaced by TCM during the three-year performance period as measured by the replacement reserves percentage determined by the plan administrator. The PSUs cliff vest three years from the date of issuance upon achievement of the above metrics. Any PSUs not vested at such time will expire.

The vesting of the PSUs granted subsequent to January 1, 2014 is contingent upon two performance metrics: 1) TCM's Total Shareholder Return (TSR) relative to the S&P TSX Global Base Metals Index during the three-year performance period and 2) cash flow from operations, defined as TCM's aggregate "cash generated by (used in) operating activities" less aggregate "capital expenditures" as reported for the calendar years 2014, 2015 and 2016 in the Statements of Cash Flows in the Company's Annual Report on Form 10-K. The PSUs cliff vest approximately three years from the date of issuance, or on the date in the first quarter of 2017 that the plan administrator determines and certifies the achievement of the above metrics. Any PSUs not vested at such time will expire.

For the three and six months ended June 30, 2014, TCM recorded compensation expense related to PSUs of \$0.7 million and \$1.4 million, respectively.

For the three and six months ended June 30, 2013, TCM recorded compensation expense related to PSUs of \$0.7 million and \$1.3 million, respectively.

As of June 30, 2014, unrecognized compensation expense related to PSUs totaled \$6.9 million that will be recognized on a straight-line basis over a weighted-average period of 2.35 years.

## Restricted Stock Units (RSUs)

The following table summarizes RSU activity during the six months ended June 30, 2014:

	Units (000's)	Weighted-Average Fair Value
Outstanding at January 1, 2014	1,346	\$ 4.23
RSUs granted	930	2.76
RSUs vested and common shares issued	419	5.25
Canceled/expired/forfeited	136	4.60
Outstanding at June 30, 2014	1,721	\$ 3.16

For the three and six months ended June 30, 2014, TCM recorded \$0.7 million and \$1.0 million of compensation expense related to its RSUs, respectively, net of impact of canceled RSUs.

For the three and six months ended June 30, 2013, TCM recorded \$0.7 million and \$1.3 million of compensation expense related to its RSUs, respectively, net of impact of canceled RSUs.

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THOMPSON CREEK METALS COMPANY INC.

Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited

(US dollars in millions, except per share amounts)

11. Stock-Based Compensation (Continued)

As of June 30, 2014, unrecognized compensation expense related to restricted stock and RSUs totaled \$4.6 million that will be recognized on a straight-line basis over a weighted-average period of 2.30 years.

12. Commitments and Contingencies

Legal Matters

TCM is from time to time involved in or subject to legal proceedings related to its business. While it is not feasible to predict or determine the outcome of these proceedings, it is the opinion of management that the resolution of these proceedings is not expected to have a material adverse effect on TCM's consolidated financial position, results of operations or cash flows.

Concentrate Sales Agreements

TCM is party to three concentrate sales agreements for the sale of concentrate produced at Mt. Milligan Mine. Pursuant to these agreements, TCM has agreed to sell an aggregate of approximately 85% of the copper and gold concentrate produced at Mt. Milligan Mine during 2014 and an aggregate of approximately 120,000 dry tonnes in each of the two calendar years thereafter. Under one of the agreements, TCM has the option to sell to the counterparty and the counterparty has the obligation to purchase from TCM additional concentrate up to an amount equal to 40,000 dry tonnes per year during each of 2015 and 2016. Pricing under these concentrate sales agreements will be determined by reference to specified published reference prices during the applicable quotation periods. Payment for the concentrate will be based on the price for the agreed copper and gold content of the parcels delivered, less smelting and refining charges and certain other deductions, if applicable. The copper smelting and refining charges will be negotiated in good faith and agreed by the parties for each contract year based on terms generally acknowledged as industry benchmark terms. The gold refining charges are as specified in the agreements.

Molybdenum Purchases

As of June 30, 2014, we have commitments to purchase approximately 8.0 million pounds of molybdenum as unroasted molybdenum concentrate from 2014 to 2016 primarily priced at the time of purchase at a set discount to the market price for roasted molybdenum concentrate. In addition, we have purchase agreements to buy approximately 0.9 million pounds of molybdenum as roasted molybdenum concentrate during the remainder of 2014 to be priced at market at the time of delivery.

Molybdenum Sales

In the normal course of operations, TCM enters into certain molybdenum sales contracts pursuant to which it sells future production at fixed prices. As of June 30, 2014, TCM had commitments to sell approximately 241 thousand pounds of molybdenum oxide in 2014 and 2015 at an average price of \$13.68 per pound.

Capital Purchase Commitments

As of June 30, 2014, TCM had open purchase orders, contracts and capital purchase commitments of \$7.0 million related to the Mt. Milligan permanent operations residence.

13. Income and Mining Tax Expense (Benefit)

Income and mining taxes for the three months ended June 30, 2014 and 2013 were an expense of \$14.5 million and \$2.0 million, respectively. Income and mining taxes for the six months ended June 30, 2014 and 2013 were a benefit of \$0.5 million and \$1.2 million, respectively.

The tax expense and benefit for each of the three and six months ended June 30, 2014 differs from the tax that would result from applying the Canadian federal and provincial income tax rates primarily due to the following items: the US percentage depletion benefit; the pre-tax Endako Mine book loss, which has no tax benefit as a result of a valuation allowance recognized; and an increased amount of our deferred tax assets that will be realized due to higher taxable

income as compared to previous forecasts. The tax expense for the three months ended June 30, 2014 included \$0.4 million loss on foreign exchange. The tax benefit for the six months ended June 30, 2014 included a successful conclusion to a tax appeal.

The tax expense and benefit for each of the three and six months ended June 30, 2013 differs from the tax that would

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## THOMPSON CREEK METALS COMPANY INC.

Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited

(US dollars in millions, except per share amounts)

## 13. Income and Mining Tax Expense (Benefit) (Continued)

result from applying the Canadian federal and provincial income tax rates primarily due to the following items: the US percentage depletion benefit; the pre-tax Endako Mine book loss, which has no tax benefit as a result of a valuation allowance recognized; and the reduction of a valuation allowance, in part, as a result of the tax treatment of interest expense.

Our current and noncurrent deferred income tax assets and liabilities changed at June 30, 2014 as compared to December 31, 2013 from a net liability of \$13.6 million to a net liability of \$3.4 million, or a change of \$10.2 million. This is primarily due to a \$9.3 million deferred tax benefit in the first half of 2014, a component of our total tax benefit of \$0.5 million. Most of the deferred tax benefit is reflected as an increase to the noncurrent deferred tax asset on our balance sheet. The remaining \$0.9 million is primarily due to currency translation adjustments as a result of change in foreign exchange rates.

## 14. Net Income (Loss) per Share

The following is a reconciliation of net income (loss) and weighted-average common shares outstanding for purposes of calculating diluted net income (loss) per share for the three and six months ended June 30, 2014 and 2013:

	Three Months Ended		Six Months Ended	
(US\$ in millions, except per share amounts)	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Net income (loss)	\$61.6	\$(19.2)	\$22.5	\$(18.3)
Basic weighted-average number of shares outstanding	174.5	171.1	173.1	170.4
Effect of dilutive securities				
Share-based awards	0.3	—	0.1	—
tMEDS	45.5	—	44.1	—
Diluted weighted-average number of shares outstanding	220.3	171.1	217.3	170.4
Net income (loss) per share				
Basic	\$0.35	\$(0.11)	\$0.13	\$(0.11)
Diluted	\$0.28	\$(0.11)	\$0.10	\$(0.11)

For each of the three and six months ended June 30, 2014, approximately 2.4 million of stock options were excluded from the computation of diluted weighted-average shares as the exercise prices exceeded the price of the common stock. For each of the three and six months ended June 30, 2014, approximately 2.3 million of PSUs were excluded from the computation of diluted weighted-average shares.

For the three and six months ended June 30, 2013, approximately 2.6 million and 2.3 million, respectively, of stock options were excluded from the computation of diluted weighted-average shares as the exercise prices exceeded the price of the common stock. For each of the three and six months ended June 30, 2013, 1.5 million PSUs were excluded from the computation of diluted weighted-average shares as the effect would have been anti-dilutive under the treasury stock method. For the three and six months ended June 30, 2013, approximately 1.2 million and 0.2 million, respectively, of RSUs were excluded from the computation of diluted weighted-average shares as the effect would have been anti-dilutive under the treasury stock method. For each of the three and six months ended June 30, 2013, the assumed issuance of 44.9 million shares upon a conversion of the stock purchase contract component of the then outstanding tMEDS units were considered in the calculation of diluted weighted-average shares; however due to the net loss position of the Company for such periods, they have not been reflected above as they would be anti-dilutive.

## 15. Transactions with our Endako Mine Joint Venture Partner

Total sales by TCM to Sojitz, TCM's Endako Mine joint venture partner, were \$30.3 million and \$54.3 million for the three and six months ended June 30, 2014, respectively. This represented 12.2% and 13.3% of TCM's total revenues



for these respective periods.

Total sales by TCM to Sojitz were \$20.0 million and \$35.3 million for the three and six months ended June 30, 2013, respectively. This represented 17.0% and 15.6% of TCM's total revenues for these respective periods.

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## THOMPSON CREEK METALS COMPANY INC.

Notes to the Condensed Consolidated Financial Statements (Continued)- Unaudited

(US dollars in millions, except per share amounts)

## 15. Transactions with our Endako Mine Joint Venture Partner (Continued)

For the three and six months ended June 30, 2014, TCM recorded management fee income of \$0.1 million and \$0.2 million, respectively, and selling and marketing costs of \$0.2 million and \$0.4 million, respectively, from Sojitz.

For the three and six months ended June 30, 2013, TCM recorded management fee income of \$0.0 million and \$0.1 million, respectively, and selling and marketing costs of \$0.1 million and \$0.3 million, respectively, from Sojitz.

At June 30, 2014 and December 31, 2013, TCM's related accounts receivable owing from Sojitz were \$10.0 million and \$6.3 million, respectively.

## 16. Supplementary Cash Flow Information

(US\$ in millions)	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Change in working capital accounts:				
Accounts receivable	\$(25.9)	) \$3.0	\$(34.8)	) \$(2.9)
Product inventory	15.7	7.0	13.6	7.7
Materials and supplies inventory	3.9	(3.5)	) 0.7	(6.1)
Prepaid expenses and other current assets	0.7	(1.4)	) 3.6	(9.2)
Income and mining taxes receivable	—	3.8	0.6	8.4
Accounts payable and accrued liabilities	2.3	1.1	7.8	(6.0)
Income and mining taxes payable	1.5	(0.4)	) 2.1	(0.4)
	\$(1.8)	) \$9.6	\$(6.4)	) \$(8.5)
Cash interest paid <sup>(1)</sup>	\$27.4	\$27.5	\$46.2	\$35.4
Income and mining taxes paid, net of refunds <sup>(2)</sup>	\$5.0	\$1.4	\$5.5	\$0.3

<sup>(1)</sup> For the three and six months ended June 30, 2014, cash interest paid of \$0.6 million and \$6.9 million, respectively, had been previously capitalized related to the Company's debt. For the three and six months ended June 30, 2013, cash interest paid of \$27.5 million and \$35.4 million, respectively, had been previously capitalized related to the Company's debt.

<sup>(2)</sup> For the three and six months ended June 30, 2014, TCM received nil and \$0.9 million, respectively, in refunds of US and Canadian income taxes related to prior year tax returns. For the three and six months ended June 30, 2013, TCM received \$1.9 million and \$3.1 million, respectively, in refunds of US and Canadian income taxes related to prior year tax returns.

## Non-cash Investing and Financing Activities

(US\$ in millions)	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Investing activities				
Increase in capital expenditure accrual	\$—	\$14.0	\$—	\$—
Financing activities				
Capitalized interest and financing costs <sup>(1)</sup>	\$1.0	\$25.8	\$1.9	\$49.5
Settlement of tMEDS	\$(9.3)	) \$—	\$(9.3)	) \$—

<sup>(1)</sup> Includes capitalized interest not paid in cash, amortization of deferred financing costs and debt discounts.

## 17. Concentration of Credit Risk

TCM is exposed to counterparty risk from its cash and cash equivalent balances and its reclamation deposits held by financial institutions and governmental entities. TCM monitors its positions with, and the credit quality of, the financial

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THOMPSON CREEK METALS COMPANY INC.

Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited

(US dollars in millions, except per share amounts)

17. Concentration of Credit Risk (Continued)

institutions and companies in which it invests its cash, cash equivalents and that hold its reclamation deposits.

Counterparties to cash balances and its reclamation deposits, other than balances maintained in various bank operating accounts, are US and Canadian institutions and the US and Canadian governments.

TCM manages its credit risk from its accounts receivable through its collection activities. As of June 30, 2014, TCM had nine customers who owed TCM more than \$3.0 million and accounted for approximately 49.6% of total accounts and other receivables outstanding. Another twelve customers had balances greater than \$1.0 million but less than \$3.0 million that accounted for approximately 21.8% of total accounts and other receivables. As of June 30, 2014, all of these customers were compliant with credit terms and scheduled payment dates.

TCM's maximum counterparty and credit risk exposure is the carrying value of its cash and cash equivalents and accounts receivable. The carrying amounts of accounts receivable, accounts payable, accrued liabilities and fixed-rate debt, excluding the senior secured and unsecured notes and tMEDS, as discussed in Note 6, approximate fair value as of June 30, 2014.

18. Segment Information

TCM has three reportable segments, based on products and geography: Copper-Gold, US Operations Molybdenum and Canadian Operations Molybdenum. The Copper-Gold segment includes all expenditures, including all mining, milling, mine site administration, transportation, shipping, concentrate selling and refining costs, and sale of concentrate from Mt. Milligan Mine. The US Operations Molybdenum segment includes all mining, milling, mine site administration, transportation, roasting (at the Langeloth Facility) and sale of molybdenum products from TC Mine, as well as all roasting and sales of third-party purchased material from the Langeloth Facility. The Canadian Operations Molybdenum segment includes all mining, milling, mine site administration, transportation, roasting (at the Langeloth Facility) and sale of molybdenum products from the 75% owned Endako Mine. The Inter-segment represents the elimination of management fee income, revenue and cost of sales of product transported from the Canadian Operations to the US Operations for processing.

TCM's chief operating decision makers (Chief Executive Officer and Chief Operating Officer) evaluate segment performance based on segment revenue less costs and expenses. TCM attributes other income and expenses to the reporting segments if the income or expense is directly related to segment operations, as described above. TCM does not allocate corporate expenditures such as general and administrative, exploration and interest income and expense items to its reporting segments, unless such expenditures are directly related to segment operations. Gains and losses on foreign exchange are calculated on transactions denominated in a different currency than the segment's functional currency; the Copper-Gold segment's unrealized foreign exchange balance is primarily comprised of its intercompany notes.

Segment information for the three and six months ended June 30, 2014 and 2013 was as follows:

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## THOMPSON CREEK METALS COMPANY INC.

## Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited

(US dollars in millions, except per share amounts)

## 18. Segment Information (Continued)

For the three months ended June 30, 2014:

(US\$ in millions)	Copper-Gold	US Operations Molybdenum	Canadian Operations Molybdenum	Inter- segment	Total
Revenues					
Copper sales	\$64.8	\$—	\$—	\$—	\$64.8
Gold sales	54.1	—	—	—	54.1
Molybdenum sales	—	100.7	25.6	—	126.3
Tolling, calcining and other	—	4.3	—	(1.1)	3.2
	118.9	105.0	25.6	(1.1)	248.4
Cost and expenses					
Operating expenses	69.7	60.0	19.6	(1.1)	148.2
Depreciation, depletion and amortization	23.4	5.2	4.2	—	32.8
Cost of sales	93.1	65.2	23.8	(1.1)	181.0
Selling and marketing	1.5	1.7	0.8	(0.4)	3.6
Accretion expense	0.1	0.3	0.5	—	0.9
	94.7	67.2	25.1	(1.5)	185.5
Segment revenue less costs and expenses	24.2	37.8	0.5	0.4	62.9
Other segment expenses (income)					
(Gains) losses on foreign exchange, net	(5.8)	) —	0.9	—	(4.9)
Segment income (loss) before income and mining taxes	\$30.0	\$37.8	\$(0.4)	) \$0.4	\$67.8

For the three months ended June 30, 2013:

(US\$ in millions)	Copper-Gold (Development)	US Operations Molybdenum	Canadian Operations Molybdenum	Inter- segment	Total
Revenues					
Molybdenum sales	\$—	\$89.3	\$23.4	\$—	\$112.7
Tolling, calcining and other	—	5.1	—	—	5.1
	—	94.4	23.4	—	117.8
Cost and expenses					
Operating expenses <sup>(1)</sup>	—	51.9	25.2	—	77.1
Depreciation, depletion and amortization <sup>(1)</sup>	—	9.2	4.6	—	13.8
Cost of sales	—	61.1	29.8	—	90.9
Selling and marketing	—	1.8	1.2	(0.3)	2.7
Accretion expense	0.1	0.4	0.1	—	0.6
	0.1	63.3	31.1	(0.3)	94.2
Segment revenue less costs and expenses	(0.1)	) 31.1	(7.7)	) 0.3	23.6
Other segment expenses (income)					
(Gains) losses on foreign exchange, net	6.3	(0.3)	) (1.1)	) —	4.9
Segment income (loss) before income and mining taxes	\$(6.4)	) \$31.4	\$(6.6)	) \$0.3	\$18.7



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## THOMPSON CREEK METALS COMPANY INC.

Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited

(US dollars in millions, except per share amounts)

## 18. Segment Information (Continued)

(1) Certain prior year reclassifications were made to conform with current year presentation. This resulted in an increase in operating expenses and a decrease in depreciation, depletion and amortization of \$3.3 million.

For the six months ended June 30, 2014:

(US\$ in millions)	Copper-Gold	US Operations Molybdenum	Canadian Operations Molybdenum	Inter- segment	Total
Revenues					
Copper sales	\$94.6	\$—	\$—	\$—	\$94.6
Gold sales	78.5	—	—	—	78.5
Molybdenum sales	—	176.3	57.6	(4.7)	) 229.2
Tolling, calcining and other	—	9.8	—	(2.7)	) 7.1
	173.1	186.1	57.6	(7.4)	) 409.4
Cost and expenses					
Operating expenses	112.5	107.3	49.3	(7.3)	) 261.8
Depreciation, depletion and amortization	33.1	12.2	9.7	—	55.0
Cost of sales	145.6	119.5	59.0	(7.3)	) 316.8
Selling and marketing	3.5	3.3	1.7	(0.8)	) 7.7
Accretion expense	0.2	0.7	0.9	—	1.8
	149.3	123.5	61.6	(8.1)	) 326.3
Segment revenue less costs and expenses	23.8	62.6	(4.0)	) 0.7	83.1
Other segment expenses (income)					
(Gains) losses on foreign exchange, net	1.3	—	0.2	—	1.5
Segment income (loss) before income and mining taxes	\$22.5	\$62.6	\$(4.2)	) \$0.7	\$81.6

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## THOMPSON CREEK METALS COMPANY INC.

## Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited

(US dollars in millions, except per share amounts)

## 18. Segment Information (Continued)

For the six months ended June 30, 2013:

(US\$ in millions)	Copper-Gold (Development)	US Operations Molybdenum	Canadian Operations Molybdenum	Inter- segment	Total
Revenues					
Molybdenum sales	\$—	\$ 179.1	\$ 38.3	\$—	\$ 217.4
Tolling, calcining and other	—	9.1	—	—	9.1
	—	188.2	38.3	—	226.5
Cost and expenses					
Operating expenses <sup>(1)</sup>	—	105.3	40.5	—	145.8
Depreciation, depletion and amortization <sup>(1)</sup>	—	16.7	9.3	—	26.0
Cost of sales	—	122.0	49.8	—	171.8
Selling and marketing	—	3.5	2.0	(0.5)	5.0
Accretion expense	0.2	0.7	0.5	—	1.4
	0.2	126.2	52.3	(0.5)	178.2
Segment revenue less costs and expenses	(0.2)	62.0	(14.0)	0.5	48.3
Other segment expenses (income)					
(Gains) losses on foreign exchange, net	10.1	0.4	0.5	—	11.0
Segment income (loss) before income and mining taxes	\$(10.3)	\$ 61.6	\$(14.5)	\$ 0.5	\$ 37.3

(1) Certain prior year reclassifications were made to conform with current year presentation. This resulted in an increase in operating expenses and a decrease in depreciation, depletion and amortization of \$3.4 million.

## Reconciliation of Segment Income to Net Income (Loss)

(US\$ in millions)	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Segment income (loss)	\$ 67.8	\$ 18.7	\$ 81.6	\$ 37.3
Less:				
Corporate depreciation	0.2	0.4	0.6	0.9
General and administrative	5.2	5.5	11.8	12.6
Exploration	0.2	0.5	0.3	0.6
(Gain) loss on foreign exchange	(37.4)	29.9	2.7	43.2
Interest expense (income), net	23.2	(0.2)	46.7	(0.3)
Loss from debt extinguishment	0.5	—	0.5	—
Other	(0.2)	(0.2)	(3.0)	(0.2)
Income (loss) before income and mining taxes	76.1	(17.2)	22.0	(19.5)
Income and mining tax expense (benefit)	14.5	2.0	(0.5)	(1.2)
Net income (loss)	\$ 61.6	\$(19.2)	\$ 22.5	\$(18.3)

Other segment information regarding capital expenditures, assets and liabilities, including the assets and liabilities attributed to corporate operations, was as follows:

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## THOMPSON CREEK METALS COMPANY INC.

### Notes to the Condensed Consolidated Financial Statements (Continued) - Unaudited

(US dollars in millions, except per share amounts)

#### 18. Segment Information (Continued)

As of June 30, 2014 (US\$ in millions)	Copper-Gold (1)	US Operations Molybdenum	Canadian Operations Molybdenum	Inter-segment	Total
Capital expenditures <sup>(2)</sup>	\$46.8	\$ 0.9	\$ 0.8	\$ —	\$48.5
Property, plant, equipment and development	\$2,280.1	\$ 122.2	\$ 105.8	\$ 1.1	\$2,509.2
Assets	\$2,422.0	\$ 434.7	\$ 171.1	\$ 30.3	\$3,058.1
Liabilities	\$816.9	\$ 49.5	\$ 31.3	\$ 1,024.0	\$1,921.7

  

As of December 31, 2013 (US\$ in millions)	Copper-Gold (3)	US Operations Molybdenum	Canadian Operations Molybdenum	Inter-segment	Total
Capital expenditures <sup>(4)</sup>	\$419.1	\$ 5.3	\$ 4.3	\$ 0.2	\$428.9
Property, plant, equipment and development	\$2,290.4	\$ 129.2	\$ 115.6	\$ 2.8	\$2,538.0
Assets	\$2,402.9	\$ 395.1	\$ 170.9	\$ 116.6	\$3,085.5
Liabilities	\$851.8	\$ 49.5	\$ 30.9	\$ 1,047.1	\$1,979.3

(1) Included \$18.0 million in permanent operations residence capital expenditure and \$13.8 million in operations capital expenditure at Mt. Milligan Mine. Excluded \$1.3 million of remaining prepaid deposits already made to one vendor.

(2) Capital expenditures were for the six months ended June 30, 2014.

(3) Included \$18.1 million in permanent operations residence capital expenditure and \$12.0 million in operations capital expenditure at Mt. Milligan Mine. Excluded \$2.3 million of remaining prepaid deposits already made to one vendor.

(4) Capital expenditures were for the year ended December 31, 2013.

#### 19. Guarantor Financial Information

TCM has not presented separate combined financial statements of subsidiary guarantors that guarantee the 2017 Notes, the 2018 Notes and the 2019 Notes, because (1) each of the subsidiary guarantors is wholly owned by TCM; (2) the guarantees are full and unconditional; (3) the guarantees are joint and several and (4) TCM has no independent assets and operations, and all subsidiaries of TCM other than the subsidiary guarantors are immaterial.

Pursuant to the indentures governing the 2017 Notes, the 2018 Notes and the 2019 Notes, a guarantor may be released from its guarantee obligations only under certain customary circumstances specified in the indentures, namely upon (1) the sale or other disposition (including by way of merger, amalgamation or consolidation) of such guarantor, (2) the designation of such guarantor as an unrestricted subsidiary in accordance with the terms of the indentures, (3) upon a legal defeasance or covenant defeasance or (4) upon the full satisfaction of our obligations under the respective indenture.



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### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") provides information that management believes is relevant to an assessment and understanding of the condensed consolidated financial condition and results of operations of Thompson Creek Metals Company Inc. and its subsidiaries (collectively, "Thompson Creek," "TCM," "we," "us" or "our") for the three and six months ended June 30, 2014, and should be read in conjunction with TCM's condensed consolidated financial statements and the notes thereto included in Item 1 herein and the discussion of Risk Factors included in Part II, Item 1A herein. Additionally, the following discussion should be read in conjunction with the consolidated financial statements, the related "Management's Discussion and Analysis of Financial Condition and Results of Operations," the discussion of "Risk Factors" and the discussion of TCM's "Business and Properties" in our 2013 Form 10-K.

The results of operations reported and summarized below are not necessarily indicative of future operating results. Throughout this MD&A, all references to earnings or losses per share are on a diluted basis, unless otherwise noted. The condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("US GAAP"). All dollar amounts are expressed in United States dollars ("US\$") unless otherwise indicated. References to C\$ refers to Canadian dollars.

#### Forward-Looking Statements

Certain statements in this report, other than purely historical information are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and applicable Canadian securities legislation and are intended to be covered by the safe harbor provided by these regulations. These forward-looking statements can, in some cases, be identified by the use of such terms as "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Our forward-looking statements may include, without limitation, statements with respect to: future financial or operating performance of the Company or its subsidiaries and its projects; access to existing or future financing arrangements; future inventory, production, sales, payments from customers, cash costs, capital expenditures and exploration expenditures; future earnings and operating results; expected concentrate and recovery grades; estimates of mineral reserves and resources, including estimated mine life and annual production; statements as to the projected completion of the permanent operations residence and projected ramp-up at Mt. Milligan Mine, including expected achievement of design capacities; future operating plans and goals; and future molybdenum, copper, gold and silver prices.

Where we express an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, our forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which may cause actual results to differ materially from future results expressed, projected or implied by those forward-looking statements. Important factors that could cause actual results and events to differ from those described in such forward-looking statements can be found in the section entitled "Risk Factors" in our 2013 Form 10-K, Quarterly Reports on Form 10-Q and other documents filed on EDGAR at [www.sec.gov](http://www.sec.gov) and on SEDAR at [www.sedar.com](http://www.sedar.com). Although we have attempted to identify those material factors that could cause actual results or events to differ from those described in such forward-looking statements, there may be other factors, currently unknown to us or deemed immaterial at the present time that could cause results or events to differ from those anticipated, estimated or intended. Many of these factors are beyond our ability to control or predict. Given these uncertainties, the reader is cautioned not to place undue reliance on our forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

#### Highlights for the Second Quarter 2014

• Total cash and ca