First Quantum Minerals Ltd.

Consolidated Financial Statements
Third Quarter – September 30, 2011
(unaudited)
(In U.S. dollars, tabular amounts in millions, except where indicated)

First Quantum Minerals Ltd.

Consolidated Statements of Earnings (Loss)

(unaudited)

(expressed in millions of U.S. dollars)

		Three months ended September 30		Nine months ended September 30	
	Note	**2011**	**2010**	**2011**	**2010**
Sales revenues	10	651.0	594.4	2,016.2	1,685.4
Cost of sales	11	(328.4)	(307.2)	(890.9)	(851.6)
Gross profit		322.6	287.2	1,125.3	833.8
Exploration		(18.5)	(12.5)	(53.3)	(31.8)
General and administrative		(24.8)	(13.3)	(58.0)	(26.2)
Acquisition transaction costs		-	-	-	(18.5)
Bond inducement costs	9a	(48.4)	-	(48.4)	-
Impairment of assets		-	(303.7)	-	(610.3)
Other income	12	18.1	4.5	11.1	6.4
Operating profit (loss)		249.0	(37.8)	976.7	153.4
Finance income		0.5	1.0	4.0	5.0
Finance costs	13	(1.9)	(5.8)	(8.5)	(19.8)
Earnings (loss) before income taxes		247.6	(42.6)	972.2	138.6
Income taxes		(127.1)	(62.3)	(411.2)	(211.1)
Net earnings (loss) for the period		120.5	(104.9)	561.0	(72.5)
Net earnings (loss) for the period attributable to:					
Non-controlling interests		29.6	12.3	108.1	76.4
Shareholders of the Company		90.9	(117.2)	452.9	(148.9)
Earnings (loss) per common share					
Basic and diluted	9b	0.20	(0.29)	1.03	(0.37)
Weighted average shares outstanding (000's)					
Basic and diluted	9b	456,865	401,100	438,145	399,630
Total shares issued and outstanding (000's)	9a	476,301	403,345	476,301	403,345

The accompanying notes are an integral part of these consolidated financial statements.

First Quantum Minerals Ltd.

Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

(expressed in millions of U.S. dollars)

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Net earnings (loss) for the period	120.5	(104.9)	561.0	(72.5)
Other comprehensive income (loss)				
Unrealized gain (loss) on available-for-sale investments	(0.5)	297.8	(0.8)	241.4
Tax on unrealized gain (loss) on available-for-sale investments	0.1	(89.3)	0.2	(72.4)
Comprehensive income for the period	120.1	103.6	560.4	96.5
Total comprehensive income for the period attributable to:				
Non-controlling interests	29.6	12.3	108.1	76.4
Shareholders of the Company	90.5	91.3	452.3	20.1
	120.1	103.6	560.4	96.5

The accompanying notes are an integral part of these consolidated financial statements.

First Quantum Minerals Ltd.

Consolidated Statements of Cash Flows

(unaudited)

(expressed in millions of U.S. dollars)

	Three months ended September 30		Nine months ended September 30	
	2011	**2010**	**2011**	**2010**
Cash flows from operating activities				
Net earnings (loss) for the period	120.5	(104.9)	561.0	(72.5)
Items not affecting cash				
Depletion and amortization	30.2	25.8	74.9	84.8
Assets impaired	-	234.2	-	540.8
Unrealized foreign exchange loss (gain)	(3.7)	3.3	(0.8)	(1.6)
Deferred income tax	51.6	13.8	31.8	6.9
Share-based compensation expense	2.5	1.8	6.4	4.7
Bond inducement costs	48.4	-	48.4	-
Finance costs	1.9	5.8	8.5	19.8
Other	0.1	3.5	5.7	13.6
	251.5	183.3	735.9	596.5
Change in non-cash operating working capital				
(Increase) decrease in trade, other receivables and derivatives	1.6	(61.3)	67.2	(10.6)
Increase in inventories	(19.7)	(40.6)	(144.8)	(112.3)
Increase (decrease) in trade and other payables	34.3	5.8	(96.0)	30.8
Increase (decrease) in current taxes payable	(149.1)	(64.2)	(124.0)	22.5
Long term incentive plan contributions	(20.8)	(15.1)	(20.8)	(15.1)
	97.8	7.9	417.5	511.8
Cash flows from financing activities				
Proceeds from debt	-	66.2	-	91.3
Repayments of debt	(17.1)	(40.3)	(99.4)	(80.7)
Proceeds on issuance of common shares	15.9	0.6	16.1	3.7
Cash paid on bond inducement	(48.4)	-	(48.4)	-
Restricted cash	20.2	40.3	40.3	40.3
Dividends paid	(25.8)	(15.2)	(79.3)	(55.7)
Dividends paid to non-controlling interests	(3.3)	(1.9)	(10.8)	(20.0)
Finance lease payments	(0.9)	-	(2.8)	-
Interest paid	(2.3)	(19.1)	(19.2)	(40.8)
	(61.7)	30.6	(203.5)	(61.9)
Cash flows from investing activities				
Purchase of property, plant and equipment	(321.4)	(93.3)	(754.8)	(231.8)
Deposits on property, plant and equipment	(59.5)	-	(59.5)	-
Acquisitions, net of cash acquired	-	(1.8)	-	(504.7)
Proceeds from disposal of property, plant and equipment and investments	-	0.1	9.9	0.2
	(380.9)	(95.0)	(804.4)	(736.3)
Decrease in cash and cash equivalents	(344.8)	(56.5)	(590.4)	(286.4)
Cash and cash equivalents - beginning of period	1,099.3	689.3	1,344.9	919.2
Cash and cash equivalents - end of period	754.5	632.8	754.5	632.8

The accompanying notes are an integral part of these consolidated financial statements.

First Quantum Minerals Ltd.

Consolidated Balance Sheets

(unaudited)

(expressed in millions of U.S. dollars)

	Note	September 30, 2011	December 31, 2010
Assets			
Current assets			
Cash and cash equivalents		754.5	1,344.9
Restricted cash		-	40.3
Trade and other receivables		155.5	377.0
Inventories	4	541.0	390.9
Current portion of other assets	6	143.1	26.7
		1,594.1	2,179.8
Investments		16.8	18.0
Property, plant and equipment	5	3,424.6	2,730.9
Deposits on property, plant and equipment		59.5	-
Other assets	6	29.5	29.2
Total assets		5,124.5	4,957.9
Liabilities			
Current liabilities			
Trade and other payables		264.6	362.2
Current taxes payable		290.0	414.0
Current portion of debt	7	41.9	140.8
Current portion of provisions and other liabilities		11.7	48.4
		608.2	965.4
Debt	7	20.6	20.2
Convertible bonds		0.1	452.1
Provisions and other liabilities		182.7	168.3
Deferred income tax liabilities		223.6	194.5
Total liabilities		1,035.2	1,800.5
Equity			
Share capital	9	1,948.1	1,486.5
Retained earnings		1,665.7	1,292.1
Accumulated other comprehensive income		0.4	1.0
Total equity attributable to shareholders of the Company		3,614.2	2,779.6
Non-controlling interests		475.1	377.8
Total equity		4,089.3	3,157.4
Total liabilities and equity		5,124.5	4,957.9
Commitments	16		

The accompanying notes are an integral part of these consolidated financial statements.

First Quantum Minerals Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

(expressed in millions of U.S. dollars)

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Share capital				
Common shares				
Balance – beginning of period	1,479.5	871.6	1,479.3	727.4
Shares issued and share options exercised	15.9	0.9	16.1	5.8
Acquisitions	-	2.3	-	141.6
Conversion of convertible bonds	508.3	-	508.3	-
Balance – end of period	2,003.7	874.8	2,003.7	874.8
Equity portion of convertible bonds				
Balance – beginning of period	48.3	48.3	48.3	48.3
Conversion of convertible bonds	(48.3)	-	(48.3)	-
Balance – end of period	-	48.3	-	48.3
Treasury shares				
Balance – beginning of period	(56.8)	(46.4)	(57.1)	(47.2)
Restricted and performance stock units vested	9.0	3.7	9.3	4.5
Shares purchased	(20.8)	(15.1)	(20.8)	(15.1)
Balance – end of period	(68.6)	(57.8)	(68.6)	(57.8)
Contributed surplus				
Balance – beginning of period	19.5	16.8	15.9	16.5
Share-based compensation expense for the period	2.5	1.8	6.4	4.7
Transfers upon exercise of share options	-	(0.3)	-	(2.1)
Restricted and performance stock units vested	(9.0)	(3.7)	(9.3)	(4.5)
Balance – end of period	13.0	14.6	13.0	14.6
Total share capital	1,948.1	879.9	1,948.1	879.9
Retained earnings				
Balance – beginning of period	1,600.6	951.9	1,292.1	1,024.5
Earnings (loss) for the period attributable to shareholders of the Company	90.9	(117.2)	452.9	(148.9)
Acquisition of Mauritanian Copper Mines SARL	-	-	-	(0.4)
Dividends	(25.8)	(15.2)	(79.3)	(55.7)
Balance – end of period	1,665.7	819.5	1,665.7	819.5
Accumulated other comprehensive income				
Balance – beginning of period	0.8	257.7	1.0	297.2
Other comprehensive income (loss) for the period	(0.4)	208.5	(0.6)	169.0
Balance – end of period	0.4	466.2	0.4	466.2
Non-controlling interests				
Balance – beginning of period	448.8	374.8	377.8	391.4
Earnings attributable to non-controlling interests	29.6	12.3	108.1	76.4
Dividends	(3.3)	(1.9)	(10.8)	(20.0)
Acquisition of Mauritanian Copper Mines SARL	-	-	-	(62.6)
Balance – end of period	475.1	385.2	475.1	385.2

The accompanying notes are an integral part of these consolidated financial statements.

1 Nature of operations

First Quantum Minerals Ltd. ("FQM" or the "Company") is engaged in the production of copper, gold and acid and related activities including exploration, development and processing. Currently operating mines are located in Zambia and Mauritania. The Company is also developing the Ravensthorpe nickel project in Australia, the Kevitsa nickel-copper-platinum project in Finland and the Sentinel copper project in Zambia, and exploring the Haquira copper deposit in Peru. Operations in the République démocratique du Congo ("RDC") are currently suspended and subject to international arbitration.

The Company has its primary listing on the Toronto Stock Exchange and a secondary listing on the London Stock Exchange. The Company's registered office is the 8th Floor – 543 Granville Street, Vancouver, BC, Canada, V6C 1X8.

2 Basis of presentation and adoption of International Financial Reporting Standards ("IFRS")

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has reported on this basis in these condensed interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in note 3, the Company has consistently applied the same accounting policies in its opening IFRS statements of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and current as of November 1, 2011, the date the Audit Committee approved the statements on behalf of the Board of Directors. Any subsequent changes to IFRS, that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010. The Company's IFRS accounting policies were disclosed in Note 3 of the condensed interim consolidated financial statements for the period ended March 31, 2011.

3 First time adoption of IFRS

The effect of the Company's transition to IFRS, described in note 2, is summarized in this note as follows:

a) Transition elections

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

i) **Business combinations** – IFRS 1 provides the option to apply IFRS 3R, *Business Combinations*, retrospectively or prospectively from January 1, 2010 ("Transition Date"). The retrospective basis would require the restatement of prior acquisitions that meet the definition of a business combination under IFRS 3R. The Company elected to adopt IFRS 3R effective January 1, 2010.

ii) **Share-based payments** – IFRS 1 permits the application of IFRS 2, *Share-based Payments*, to equity instruments granted on or before November 7, 2002, that had not vested by the Transition Date. The Company elected to apply IFRS 2 to equity instruments granted after November 7, 2002 that had not vested by the Transition Date.

iii) **Deemed cost of property, plant and equipment** – IFRS 1 provides the option to measure individual items of property, plant and equipment at the Transition Date at fair value and use that fair value as its deemed cost. The Company has elected to use the fair value of the Kolwezi project at the Transition Date as its deemed cost.

iv) **Borrowing costs** – The Company elected to capitalize borrowing costs related to all qualifying assets commencing from the Transition Date.

v) **Decommissioning liabilities included in the cost of property, plant and equipment** – IFRS 1 provides the option to measure the restoration provision at the Transition Date in accordance with the requirements of IAS 37. Accordingly the Company re-measured the provisions as at Transition Date under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and estimated the amount to be included in the cost of the related asset by discounting the liability to the date which the liability first arose. The Company did this using best estimates of the historical risk-free discount rates, and recalculated the accumulated amortization and depletion under IFRS up to the transition date.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

b) A reconciliation of assets, liabilities, equity, comprehensive income and cash flows of the Company from those reported under Canadian GAAP to IFRS at January 1, 2010, December 31, 2010 and March 31, 2010 were disclosed in Note 4 of the condensed interim consolidated financial statements for the period ended March 31, 2011. Reconciliation of assets, liabilities, equity, comprehensive income and cash flows of the Company at September 30, 2010 from those reported under Canadian GAAP to IFRS are presented below:

Assets

		September 30, 2010
Total assets under Canadian GAAP		4,318.8
Adjustments for differing accounting treatments		
Restoration provision	ii	19.7
Borrowing costs	iii	30.1
Deferred income tax		
Mineral property acquisitions	iv(a)	(183.2)
Intercompany inventory sales	iv(e)	2.9
Total assets under IFRS		4,188.3

Liabilities

		September 30, 2010
Total liabilities under Canadian GAAP		1,779.0
Adjustments for differing accounting treatments		
Restoration provision	ii	20.4
Deferred income tax		
Convertible bond issuance	iv(c)	12.6
Mineral property acquisitions	iv(a)	(174.4)
Total liabilities under IFRS		1,637.6

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

Equity

		September 30, 2010
Total equity under Canadian GAAP		2,539.8
Adjustments for differing accounting treatments		
Share capital		
Deferred income tax		
Share issuance costs	iv(b)	3.2
Convertible bond issuance	iv(c)	(8.6)
Retained earnings		
Kolwezi project fair value adjustment	i	-
Restoration provision	ii	(0.7)
Borrowing costs	iii	30.1
Deferred income tax		
Mineral property acquisitions	iv(a)	(8.8)
Share issuance costs	iv(b)	(3.2)
Convertible bond issuance	iv(c)	(4.0)
Intercompany inventory sales	iv(e)	2.9
Total equity under IFRS		2,550.7

Comprehensive income (loss)

		Three months ended September 30, 2010	Nine months ended September 30, 2010
Total comprehensive income (loss) under Canadian GAAP		84.1	(333.3)
Increase (decrease) in net income for:			
Kolwezi project fair value adjustment	i	-	399.8
Restoration provision	ii	3.4	0.5
Borrowing costs	iii	11.0	30.1
Deferred income tax			
Mineral property acquisitions	iv(a)	6.5	(3.2)
Convertible bond issuance	iv(c)	-	(0.3)
Intercompany inventory sales	iv(e)	(1.4)	2.9
Total comprehensive income under IFRS		103.6	96.5

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

In addition to the measurement differences impacting comprehensive income, there are also differences in the presentation of items included in comprehensive income. In addition to the reclassifications included in the notes below under Canadian GAAP derivative instruments were included in revenues and other income and now have been classified to cost of sales under IFRS.

Presentation differences in comprehensive income (loss)

	Three months ended September 30, 2010	Nine months ended September 30, 2010
Increase (decrease) in sales revenue	(8.2)	(8.6)
(Increase) decrease in cost of sales	(14.2)	(5.4)
Decrease in other income	22.4	14.0
Total	-	-

Cash flows

The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the statements of consolidated earnings and consolidated balance sheets have resulted in reclassification of various amounts on the statements of cash flows, however as there have been no changes to the net cash flows no reconciliations have been prepared.

Notes to the IFRS reconciliations above:

i) IAS 16 Property, plant and equipment

Impairment

In accordance with Canadian GAAP, impairment testing is a two step process. The first step, using undiscounted cash flows was undertaken to determine if impairment exists. If impairment was identified, the second step was undertaken to determine the amount of the impairment to be recorded. IAS 36 *Impairment of Assets* uses a one step approach for both identifying and measuring impairments, which is based on comparing the carrying value to the recoverable amount. The recoverable amount is the higher of fair value less selling costs and value in use, which is based on discounted cash flows. The use of an undiscounted cash flow model under Canadian GAAP did not result in any impairments at the Transition Date. The use of a discounted cash flow model to determine the recoverable amount indicated a material impairment to the Company's carrying value of the Kolwezi project under IFRS.

In accordance with IFRS 1, the Company elected to measure the Kolwezi project at January 1, 2010 at fair value and use that fair value as its deemed cost. The fair value of the Kolwezi project at January 1, 2010 was $280.0 million which resulted in a $399.8 million write down of property, plant and equipment and a corresponding adjustment to opening retained earnings.

By September 2010 under both Canadian GAAP and IFRS a complete impairment of the Kolwezi project had been recorded.

ii) IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Restoration provisions

Consistent with IFRS, restoration provisions have been previously measured based on the estimated cost of restoration, discounted to its net present value upon initial recognition. However, adjustments to the current discount rate were not reflected in the provisions or the related assets under Canadian GAAP unless there was an upward revision in the future cost estimates. The Company elected to apply the exemption from full retrospective application as allowed under IFRS 1. As such, the Company has remeasured the restoration liability as at the Transition Date under IAS 37, estimated the amount to be included in the related asset by discounting the liability to the date in which the liability arose, and recalculated the accumulated amortization under IFRS. At September 30, 2010 the increase in restoration provision was $20.4 million, the increase in mineral properties was $19.7 million and the adjustment to retained earnings was $0.7 million.

Under Canadian GAAP, the unwinding of the discount was included in cost of sales and has now been reclassified to finance cost as required under IFRS. The increase to finance costs was $0.6 million for the nine months ended September 30, 2010.

iii) IAS 23 Borrowing costs

Under IFRS, there are no policy choices available for the capitalization of borrowing costs. IFRS requires borrowing costs to be capitalized on qualifying assets which take a substantial period of time to prepare for their intended use. A weighted average capitalization rate based on the Company's outstanding debt was used to calculate the amount of borrowing costs to capitalize on the qualifying assets at January 1, 2010 and acquired during 2010. The increase in property, plant and equipment was $30.1 million at September 30, 2010 with a corresponding decrease in interest expense.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

iv) IAS 12 Deferred taxes

a. Mineral property acquisitions

Under Canadian GAAP the Company recognized a deferred income tax liability on temporary differences arising on the initial recognition of mineral properties acquired other than in business combinations. IAS 21, *Income Taxes* does not permit the recognition of deferred taxes on such transactions. At September 30, 2010 the impact of the derecognition was a reduction of deferred income taxes of $174.4 million, a reduction of property, plant and equipment of $183.2 million and foreign exchange loss of $3.2 million as a portion of the deferred tax liability was denominated in a foreign currency and accordingly had been revalued using the foreign exchange rate at the balance sheet dates.

b. Share issuance costs

IFRS requires current and deferred taxes be recognized in equity when they relate to transactions or events recognized in equity in either the same or a different period. The deferred income tax related to the share issuance costs under Canadian GAAP had not been net against share capital. At September 30, 2010 the impact of recognizing the deferred income taxes in share capital is an increase of $3.2 million in share capital and a $3.2 million reduction to retained earnings.

c. Convertible bond issue

Under IFRS the deferred tax consequences of a financial instrument containing both a liability and equity component is recognized both in profit or loss and in equity in accordance with the component parts under IFRS. The deferred income tax related to the liability component of the convertible bond was not recorded under Canadian GAAP. At September 30, 2010 the impact of recognizing the deferred income taxes in equity is a decrease of deferred income taxes of $12.6 million, a decrease in share capital of $8.6 million, an adjustment to retained earnings of $4.0 million and an increase in deferred income tax expense of $0.3 million.

d. Non monetary assets and liabilities

Under IAS 12, where the non-monetary assets and liabilities of an entity are measured in its functional currency but the taxable profit or tax loss and the tax base of its non-monetary assets and liabilities is determined in a different currency, deferred income tax is recognized. The review of non-monetary asset balances translated using the relevant closing exchange rates at September 30, 2010 did not result in an adjustment to our balance sheets or statements of comprehensive income under IFRS, but may have a material impact on our tax expense in future periods.

e. Tax on intercompany inventory sales

Under IAS 12, unrealized profits resulting from intercompany transactions are eliminated from the carrying amount of assets, such as inventory. The tax effect of the transaction is calculated with reference to the local tax rate of the company that holds the inventory at the period-end. Canadian GAAP prohibits the recognition of a deferred tax asset for the difference between the tax basis of the assets in the buyer's tax jurisdiction and the cost as reported in the historical consolidated financial statements and requires the deferral of the seller's tax expense incurred upon the intercompany sale. At September 30, 2010 the impact of recognizing the deferred income tax assets on the intercompany sales is an increase of $2.9 million of deferred tax asset and a decrease of deferred tax expense of $2.9 million.

4 Inventories

	September 30, 2011	**December 31, 2010**
Ore in stockpiles	88.7	75.3
Work-in-progress	5.0	2.1
Finished product	194.7	137.3
Total product inventory	288.4	214.7
Less: Non-current portion of ore in stockpiles (a)	(15.9)	(12.4)
	272.5	202.3
Consumable stores	268.5	188.6
	541.0	390.9

a) The non-current portion represents ore in stockpiles that the Company does not anticipate processing in the next 12 months.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

5 Property, plant and equipment

			Mineral properties and mine development costs		
	Plant and equipment	Capital work-in-progress	Depreciable	Non-depreciable	Total
Cost					
As at January 1, 2010	1,320.4	373.7	84.0	271.4	2,049.5
Additions	109.5	310.7	5.4	-	425.6
Acquisitions	290.3	-	-	981.2	1,271.5
Disposals	(2.3)	-	-	-	(2.3)
Transfers between categories	103.2	(103.2)	-	-	-
Restoration provision	14.6	-	0.1	68.2	82.9
Impairment	(297.6)	(244.1)	(40.8)	(63.4)	(645.9)
Capitalized interest	10.2	-	-	32.3	42.5
As at December 31, 2010	1,548.3	337.1	48.7	1,289.7	3,223.8
Additions	-	749.6	-	-	749.6
Disposals	(15.5)	-	-	-	(15.5)
Transfers between categories	100.5	(100.5)	-	-	-
Restoration provision	-	-	-	14.6	14.6
Capitalized interest	5.5	-	-	19.7	25.2
As at September 30, 2011	1,638.8	986.2	48.7	1,324.0	3,997.7
Accumulated depreciation					
As at January 1, 2010	(428.1)	-	(41.0)	-	(469.1)
Depreciation charge	(111.7)	-	(3.9)	-	(115.6)
Disposals	0.8	-	-	-	0.8
Impairment	77.2	-	8.8	-	86.0
Other	5.0	-	-	-	5.0
As at December 31, 2010	(456.8)	-	(36.1)	-	(492.9)
Depreciation charge	(72.8)	-	(2.1)	-	(74.9)
Disposals	2.9	-	-	-	2.9
Other	(8.2)	-	-	-	(8.2)
As at September 30, 2011	(534.9)	-	(38.2)	-	(573.1)
Net book value					
As at December 31, 2010	1,091.5	337.1	12.6	1,289.7	2,730.9
As at September 30, 2011	1,103.9	986.2	10.5	1,324.0	3,424.6

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

6 Other assets

	September 30, 2011	December 31, 2010
Ore in stockpiles (note 4)	15.9	12.4
Future income tax asset	1.8	4.3
Derivative instruments	114.6	3.0
Prepaid expenses	28.5	23.7
Other	11.8	12.5
Total other assets	172.6	55.9
Less: Current portion of other assets	(143.1)	(26.7)
	29.5	29.2
Current portion consists of:		
Derivative instruments	114.6	3.0
Prepaid expenses and other	28.5	23.7
	143.1	26.7

7 Debt

	September 30, 2011	December 31, 2010
Drawn debt		
Corporate revolving credit and term loan facility (a)	-	80.2
Kansanshi subordinated debt facility (b)	25.3	24.9
Short-term borrowings (c)	37.0	55.7
Other	0.2	0.2
Total debt	62.5	161.0
Less: Current portion of debt facilities and short-term debt	(41.9)	(140.8)
	20.6	20.2
Undrawn debt		
Corporate revolving credit and term loan facility (a)	-	50.0
Kevitsa facility (d)	250.0	-
Short-term borrowings (c)	73.0	54.3

a) Corporate revolving credit and term loan facility

The Company entered into a $400.0 million corporate revolving credit and term loan facility in October 2006 which is now fully repaid. The facility had three tranches, up to $225.0 million, $125.0 million, and $100.0 million. Tranche C was cancelled effective April 11, 2011. The Company paid the final $20.2 million owing under this facility on September 30, 2011. Interest on tranches A and B was calculated at LIBOR plus 2.5%.

Cash was restricted to meet required instalments and nil was recorded as restricted cash at September 30, 2011 (December 31, 2010 - $40.3 million).

b) Kansanshi subordinated debt facility

Kansanshi entered into a 34.0 million Euro subordinated debt facility in December 2003 to finance the Kansanshi project. This facility is repayable in nine equal annual payments commencing October 31, 2007. Interest is calculated annually, within a range of 3.2% to 13.2%, based on the average LME cash copper price for the preceding calendar year. The interest rate is at its lower limit at a realized copper price of less than $1,300 per tonne and increases incrementally until the copper price reaches its $2,200 per tonne upper limit.

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

The Kansanshi subordinated debt facility has a principal amount outstanding of 18.9 million Euros (December 31, 2010 – 18.9 million Euros). The carrying amount shown above of $25.3 million is net of issue and transaction costs of 0.3 million Euros. The interest rate on the facility is indexed to the price of copper resulting in the existence of an embedded derivative. This embedded derivative is recorded at fair value at each period with changes in fair value recorded as a component of net earnings disclosed within finance costs.

c) Short-term borrowings

In 2010, the Company's metal marketing division entered into two facilities totalling $110.0 million. The facilities are used to finance purchases and the term hedging of copper and gold undertaken by the metal marketing division. Interest on the facilities is calculated at the bank's benchmark rate plus 1.75%. The loans are collateralized by physical inventories.

d) Kevitsa facility

In March 2011 the Company entered into a $250.0 million project loan collateralized by the assets and offtake agreements of the Kevitsa project. The facility is available in two tranches. Tranche A of $175.0 million is required to be repaid in equal annual instalments over four years starting March 31, 2013; and tranche B of $75.0 million is required to be repaid on September 30, 2017. The funds are to be used to finance the development of the Kevitsa mine. Interest on the project loan is to be calculated at LIBOR plus 3.5%.

8 Restoration provisions

The Company has restoration and remediation obligations associated with its operating mines and processing facilities. During the nine months ended September 30, 2011 the provision increased by $17.9 million to $149.1 million (included in provisions and other liabilities on the balance sheet) primarily as a result of the development of Kevitsa and Ravensthorpe.

The restoration provisions have been recorded, using a discount rate between 2.0% and 3.9% and an inflation factor between 2.8% and 4.0%. The liability for retirement and remediation on an undiscounted basis before inflation is estimated to be approximately $193.9 million. Payments are expected to occur over a period of approximately 32 years.

9 Share capital

a) Common shares

Authorized
Unlimited common shares without par value

Issued

	Number of Shares (000's)
Balance as at December 31, 2010	430,878
Share options exercised	17
Conversion of convertible bonds (ii)	44,778
Shares issued (iii)	628
Balance as at September 30, 2011	476,301

i) Common share split

On July 29, 2011, shareholders of the Company approved a five-for-one share split of the Company's issued and outstanding common shares. The record date of the share split was August 11, 2011. The Company's common shares began trading on a split basis from August 9, 2011. All share and per share information included in the consolidated financial statements and accompanying notes has been adjusted to reflect this share split for all periods presented.

ii) Conversion of convertible bonds

On July 27, 2011 the Company announced a voluntary incentive payment offer in relation to its $500 million 6% convertible bonds. The offer included a cash payment of $8,088.91 per $100,000 in principal amount of the Bonds (the "Incentive Payment") and a cash payment of $1,410.68 per $100,000 in principal amount of the Bonds (the "Conversion Price Adjustment Payment") to convert any or all of the convertible bonds due 2014. The incentive offer period expired on July 28, 2011 with 99.98% of the bondholders accepting the conversion offer.

On conversion, the Company issued 8,955,547 common shares (44,777,735 common shares after the share split) and transferred the $460.0 million convertible debt liability and the $48.3 million equity component of the convertible debt to common shares. The incentive payment and other transactions costs of $48.4 million has been recognized in Other income (expense) on the Consolidated Statement of Earnings (Loss).

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

iii) Lusaka stock exchange listing

On July 20, 2011 the Company issued 125,679 common shares (628,395 common shares after the share split) in connection with a listing of depositary receipts by the Company on the Lusaka Stock Exchange in Zambia (the "LuSE"). These shares, together with 7,700 common shares in the capital of the Company purchased on the open market, will underlie the depositary receipts. The depositary receipts are held by local Zambian investors and employees and trade under the LuSE Symbol "FQM".

b) Earnings (loss) per share

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Basic and diluted earnings (loss) attributable to shareholders of the Company	90.9	(117.2)	452.9	(148.9)
Basic weighted average number of shares outstanding (000's of shares)	456,865	401,100	438,145	399,630
Effect of dilutive securities:				
Convertible bonds (i)	-	-	-	-
Diluted weighted average shares outstanding	456,865	401,100	438,145	399,630
Earnings (loss) per common share – basic and diluted	0.20	(0.29)	1.03	(0.37)

i) The effect of the convertible bonds and share options were anti-dilutive for the three and nine month periods ending September 30, 2010 and therefore excluded from the computation of diluted earnings per share.

c) Dividends

On March 15, 2011, the Company declared a dividend payment of $0.1206 CAD per share or $53.5 million in respect of the financial year ended December 31, 2010 (March 16, 2010 - $0.1034 CAD per share or $40.5 million).

On August 8, 2011, the Company declared an interim dividend of $0.0533 CAD per share or $25.8 million in respect of the financial year ended December 31, 2011 (August 10, 2010 - $0.0394 CAD per share or $15.2 million).

10 Sales revenues by nature

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Copper	585.2	543.8	1,843.7	1,547.2
Gold	65.8	50.6	172.5	138.2
	651.0	594.4	2,016.2	1,685.4

11 Cost of sales

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Direct operating costs	(306.7)	(267.0)	(821.1)	(760.9)
Derivative (loss) gain	8.5	(14.4)	5.1	(5.9)
Depletion and amortization	(30.2)	(25.8)	(74.9)	(84.8)
	(328.4)	(307.2)	(890.9)	(851.6)

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

12 Other income

	Three months ended September 30		Nine months ended September 30	
	2011	**2010**	**2011**	**2010**
Foreign exchange gain	18.5	4.0	12.3	5.3
Sundry (expense) income	(0.4)	0.5	(1.2)	1.1
	18.1	4.5	11.1	6.4

13 Finance costs

	Three months ended September 30		Nine months ended September 30	
	2011	**2010**	**2011**	**2010**
Interest expense on financial liabilities measured at amortized cost	(1.8)	(3.1)	(4.2)	(6.4)
Interest expense on convertible bonds	-	-	-	(2.5)
Interest expense other	-	-	(0.9)	(3.0)
Accretion on restoration provision	(0.1)	(0.2)	(3.4)	(0.8)
Other finance costs	-	(2.5)	-	(7.1)
	(1.9)	(5.8)	(8.5)	(19.8)

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

14 Segmented information

The Company's reportable operating segments are individual mine development projects or operations, being Kansanshi, Guelb Moghrein, Frontier, Bwana/Lonshi, Kevitsa, Ravensthorpe, Sentinel and Corporate. Each mine and development project is managed and reports information separately to the CEO, chief operating decision maker.

The corporate segment is responsible for the evaluation and acquisition of new mineral properties, regulatory reporting, treasury and finance and corporate administration. Included in the corporate segment is the Company's metal marketing division which purchases and sells third party material. Operations at the Frontier mine were suspended during 2010 as detailed in the Company's 2010 Annual Report. The segment results below include sales of material which at the date of suspension of operations was stockpiled at other sites.

The Company's operations are subject to seasonal aspects, in particular the rain season in Zambia. The rain season in Zambia generally starts in November and continues through April, with the heaviest rainfall normally experienced in the months of January, February and March. As a result of the rain season, mine pit access and the ability to mine ore is lower in the first quarter of the year than other quarters and the cost of mining is higher.

For the three month period ended September 30, 2011, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Projects under development	Corporate	Total
Segmented revenues	521.6	102.4	0.3	23.4	-	35.2	682.9
Less inter-segment revenues	-	-	-	(23.4)	-	(8.5)	(31.9)
Sales revenues	521.6	102.4	0.3	-	-	26.7	651.0
Cost of sales	(254.9)	(50.0)	(3.7)	3.0	-	(22.8)	(328.4)
Segmented gross profit (loss)	266.7	52.4	(3.4)	3.0	-	3.9	322.6
Net finance costs	(0.3)	-	-	-	-	(1.1)	(1.4)
Other	8.7	(2.0)	-	(0.2)	1.1	(81.2)	(73.6)
Segmented profit (loss) before undernoted items	275.1	50.4	(3.4)	2.8	1.1	(78.4)	247.6
Income taxes	(117.1)	-	-	-	-	(10.0)	(127.1)
Non-controlling interests	(29.7)	-	0.1	-	-	-	(29.6)
Segmented profit (loss)	128.3	50.4	(3.3)	2.8	1.1	(88.4)	90.9
Property, plant and equipment	785.7	203.7	-	20.1	1,810.4	604.7	3,424.6
Total assets	1,470.0	337.8	7.3	37.2	1,931.8	1,340.4	5,124.5
Total liabilities	638.7	24.1	8.4	62.6	230.8	70.6	1,035.2
Capital expenditures	104.8	8.3	-	0.4	206.6	1.3	321.4

Projects under development include Kevitsa, Ravensthorpe and Sentinel. The exploration and development costs related to these properties are capitalized. The segmented information for these projects is presented as follows:

	Kevitsa	Ravensthorpe	Sentinel	Total
Property, plant and equipment	631.7	875.8	302.9	1,810.4
Total assets	654.2	909.8	367.8	1,931.8
Total liabilities	49.1	169.3	12.4	230.8
Capital expenditures	97.7	101.2	7.7	206.6

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

For the three month period ended September 30, 2010, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Projects under development	Corporate	Total
Segmented revenues	394.6	77.4	74.4	24.5	-	37.6	608.5
Less inter-segment revenues	-	-	-	(7.1)	-	(7.0)	(14.1)
Sales revenues	394.6	77.4	74.4	17.4	-	30.6	594.4
Cost of sales	(152.8)	(47.7)	(51.1)	(10.3)	-	(45.3)	(307.2)
Segmented gross profit (loss)	241.8	29.7	23.3	7.1	-	(14.7)	287.2
Net finance costs	(0.8)	-	(0.2)	0.3	-	(4.1)	(4.8)
Other	(2.9)	(1.5)	(312.4)	(6.7)	7.2	(8.7)	(325.0)
Segmented profit (loss) before undernoted items	238.1	28.2	(289.3)	0.7	7.2	(27.5)	(42.6)
Income taxes	(107.0)	-	(9.6)	-	-	54.3	(62.3)
Non-controlling interests	(24.8)	-	12.5	-	-	-	(12.3)
Segmented profit (loss)	106.3	28.2	(286.4)	0.7	7.2	26.8	(117.2)
Property, plant and equipment	632.6	194.9	2.7	25.1	727.3	275.8	1,858.4
Total assets	1,355.5	285.3	29.9	52.1	742.6	1,722.9	4,188.3
Total liabilities	783.3	24.9	32.6	40.4	57.0	699.4	1,637.6
Capital expenditures	56.8	7.8	5.4	-	40.7	0.5	111.2

Projects under development at 30 September 2010 included Kolwezi, Kevitsa, and Ravensthorpe. The exploration and development costs related to these properties are capitalized. The segmented information for these projects is presented as follows:

	Kolwezi	Kevitsa	Ravensthorpe	Total
Property, plant and equipment	-	308.3	419.0	727.3
Total assets	-	319.2	423.4	742.6
Total liabilities	8.2	6.4	42.4	57.0
Capital expenditures	1.4	23.0	16.3	40.7

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

For the nine month period ended September 30, 2011, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Projects under development	Corporate	Total
Segmented revenues	1,642.6	249.0	13.5	53.1	-	133.2	2,091.4
Less inter-segment revenues	-	-	-	(52.4)	-	(22.8)	(75.2)
Sales revenues	1,642.6	249.0	13.5	0.7	-	110.4	2,016.2
Cost of sales	(641.7)	(124.7)	(14.4)	(0.2)	-	(109.9)	(890.9)
Segmented gross profit (loss)	1,000.9	124.3	(0.9)	0.5	-	0.5	1,125.3
Net finance costs	(4.8)	-	-	-	-	0.3	(4.5)
Other	5.0	(7.0)	-	(0.3)	(1.8)	(144.5)	(148.6)
Segmented profit (loss) before undernoted items	1,001.1	117.3	(0.9)	0.2	(1.8)	(143.7)	972.2
Income taxes	(426.4)	-	-	-	11.8	3.4	(411.2)
Non-controlling interests	(108.5)	-	0.4	-	-	-	(108.1)
Segmented profit (loss)	466.2	117.3	(0.5)	0.2	10.0	(140.3)	452.9
Property, plant and equipment	785.7	203.7	-	20.1	1,810.4	604.7	3,424.6
Total assets	1,470.0	337.8	7.3	37.2	1,931.8	1,340.4	5,124.5
Total liabilities	638.7	24.1	8.4	62.6	230.8	70.6	1,035.2
Capital expenditures	179.0	40.0	1.5	0.4	532.9	1.0	754.8

Projects under development include Kevitsa, Ravensthorpe and Sentinel. The exploration and development costs related to these properties are capitalized. The segmented information for these projects is presented as follows:

	Kevitsa	Ravensthorpe	Sentinel	Total
Property, plant and equipment	631.7	875.8	302.9	1,810.4
Total assets	654.2	909.8	367.8	1,931.8
Total liabilities	49.1	169.3	12.4	230.8
Capital expenditures	237.8	279.9	15.2	532.9

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

For the nine month period ended September 30, 2010, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Projects under development	Corporate	Total
Segmented revenues	1,157.6	179.3	218.8	73.1	-	100.0	1,728.8
Less inter-segment revenues	-	-	-	(25.1)	-	(18.3)	(43.4)
Sales revenues	1,157.6	179.3	218.8	48.0	-	81.7	1,685.4
Cost of sales	(483.8)	(101.7)	(132.5)	(46.0)	-	(87.6)	(851.6)
Segmented gross profit (loss)	673.8	77.6	86.3	2.0	-	(5.9)	833.8
Net finance costs	(2.0)	-	(2.0)	-	-	(10.8)	(14.8)
Other	(6.3)	(3.9)	(312.9)	(27.6)	(284.8)	(44.9)	(680.4)
Segmented profit (loss) before undernoted items	665.5	73.7	(228.6)	(25.6)	(284.8)	(61.6)	138.6
Income taxes	(235.2)	-	(27.8)	-	-	51.9	(211.1)
Non-controlling interests	(83.6)	(2.4)	9.6	-	-	-	(76.4)
Segmented profit (loss)	346.7	71.3	(246.8)	(25.6)	(284.8)	(9.7)	(148.9)
Property, plant and equipment	632.6	194.9	2.7	25.1	727.3	275.8	1,858.4
Total assets	1,355.5	285.3	29.9	52.1	742.6	1,722.9	4,188.3
Total liabilities	783.3	24.9	32.6	40.4	57.0	699.4	1,637.6
Capital expenditures	109.1	27.4	12.3	(0.4)	98.9	2.4	249.7

Projects under development at September 30, 2010 included Kolwezi, Kevitsa and Ravensthorpe. The exploration and development costs related to these properties are capitalized. The segmented information for these projects is presented as follows:

	Kolwezi	Kevitsa	Ravensthorpe	Total
Property, plant and equipment	-	308.3	419.0	727.3
Total assets	-	319.2	423.4	742.6
Total liabilities	8.2	6.4	42.4	57.0
Capital expenditures	10.6	52.2	36.1	98.9

(amounts expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

15 Derivative financial instruments

As at September 30, 2011, the following derivative positions were outstanding:

	Maturity 2011	September 30, 2011		December 31, 2010	
		Asset	Liability	Asset	Liability
Interest rate					
Floating to fixed interest rate swap – principal	26.0	-	-	-	(0.4)
Average fixed interest rate	1.80%				
Foreign currency					
USD/EUR extendible collar					
– principal	€30.0m	-	(0.1)	-	-
Strike price	1.290-1.347				
– principal	€10.0m	-	-	-	-
Strike price	1.376-1.416				
Copper					
Futures sales contracts over quotation period (tonnes)	45,275	111.8	(6.9)	3.0	(42.3)
Average price ($/tonne)	$8,830				
Embedded derivative hedged by future sales contracts (tonnes)	47,343	-	-	-	-
Average price ($/tonne)	$7,132				
Net provisional copper exposure (tonnes)	2,068				
Gold					
Futures sales contracts over quotation period (ounces)	15,350	2.9	(0.2)	-	(0.9)
Average price ($/ounce)	$1,728				
Embedded derivative hedged by future sales contracts (ounces)	16,023	-	-	-	-
Average price ($/ounce)	$1,625				
Net provisional gold exposure (ounces)	673				
Other					
Embedded derivative		-	(2.8)	-	(3.7)
		114.7	(10.4)	3.0	(47.3)

16 Commitments

In conjunction with the development of Kevitsa, Ravensthorpe and Sentinel, upgrades at Kansanshi, Guelb Moghrein and other projects, the Company has committed to approximately $275.0 million in capital expenditures.

Management's Discussion and Analysis
Third Quarter Ended September 30, 2011

(In United States dollars, tabular amounts in millions, except where noted)

November 8, 2011

SUMMARY OPERATING AND FINANCIAL DATA

	Three months ended September 30		Nine months ended September 30	
	2011	**2010**	**2011**	**2010**
Production – copper (tonnes)	58,785	76,633	198,260	247,097
Sales – copper (tonnes)	71,443	79,408	207,619	235,270
Production – gold (ounces)	41,468	46,718	131,701	142,831
Sales – gold (ounces)	47,458	44,934	131,233	138,229
Net realized copper price (per lb)	$3.54	$2.93	$3.78	$2.78
Average copper cash cost of production (C1)[1] (per lb)	$1.52	$1.21	$1.37	$1.21
Sales revenues	651.0	594.4	2,016.2	1,685.4
Gross profit	322.6	287.2	1,125.3	833.8
Net earnings attributable to shareholders of the Company	90.9	(117.2)	452.9	(148.9)
Comparative earnings[2]	139.3	139.2	501.3	432.6
Earnings (loss) per share as reported	$0.20	$(0.29)	$1.03	$(0.37)
Comparative earnings per share[2]	$0.30	$0.35	$1.14	$1.08
Cash	754.5	632.8	754.5	632.8

All comparisons of performance throughout this report are to the comparative periods for 2010 unless otherwise noted.

Q3 results benefit from a higher copper price offset by lower production and higher cash costs of production

- Q3 2011 net earnings attributable to shareholders of the Company of $90.9 million ($0.20 per share). Comparative earnings of $139.3 million ($0.30 per share) versus $139.2 million ($0.35 per share) in Q3 2010.
- 12% increase in gross profit over Q3 2010 due to a higher net realized copper price, offset partially by the loss of Frontier's contribution and higher costs in Q3 2011.
- Strengthened balance sheet following the induced conversion of the $500.0 million bonds into shares of the Company and the final instalment to repay the $400.0 million term loan facility.
- 8% decrease in copper production from Kansanshi and Guelb Moghrein. The lower production was due to lower sulphide ore availability as Kansanshi focused on mine pit development to enable access to increased ore to meet the future requirements of the expanded plant throughput.
- The Company's common shares were split on a five-for-one basis during Q3 2011. Depositary receipts were also listed on the Lusaka Stock Exchange ("LuSE") in Zambia making First Quantum Minerals the first mining company to list on the LuSE.

For further information on First Quantum Minerals Ltd. (the "Company"), reference should be made to its public filings (including its most recently filed AIF) which are available on SEDAR at www.sedar.com. Information is also available on the Company's website at www.first-quantum.com. Information on risks associated with investing in the Company's securities and technical and scientific information under National Instrument 43-101 concerning the Company's material properties, including information about mineral resources and reserves, are contained in the Company's most recently filed AIF. This interim information is prepared in accordance with IFRS.

Development projects advanced towards completion and commercial operation

- Ravensthorpe is performing well in the commissioning phase and ramping up as planned towards commercial operation before the end of 2011. The achievements to date confirm that the problem areas, identified prior to the acquisition of the project, have been successfully addressed.
- Construction of the Kevitsa project is over 90% complete and on schedule to begin pre-commissioning in December 2011. Commercial operation is expected to commence in mid 2012.
- Drilling at Sentinel is substantially complete and finalization of the resource estimation is expected in Q4 2011. Plant design is now well advanced and construction will start in Q4 2011. Production is expected to commence in 2014.
- Kansanshi's expansion of the oxide/leach processing circuit to 7.2 million tonnes per annum ("Mtpa") is progressing well and is scheduled for completion during Q1 2012.
- In anticipation of the establishment of a substantial nickel resource at Enterprise, the neighbouring Sentinel plant is being designed to incorporate a nickel concentrator facility with a capacity of between 40,000 and 70,000 tonnes of nickel per annum.
- An evaluation to construct a copper smelter at Kansanshi is nearing completion. The smelter is designed to process 1.2 million tonnes of copper in concentrate to produce over 300,000 tonnes of copper metal and 1.1 million tonnes of acid as a by-product.

Operational outlook for 2011

- Production of 265,000 tonnes of copper and 175,000 ounces of gold. A reduced outlook for 2011 reflects lower production to date as well as lower expected sulphide ore grades in the short-term at Kansanshi and lower acid availability in Zambia.
- Average cash cost of $1.35 per pound of copper. The revised forecast is a result of higher costs to date, lower production and higher input costs.
- Ravensthorpe commercial operation is planned before the end of 2011.

[1] Cash costs (C1) are not recognized under IFRS. See "*Regulatory Disclosures*" for further information.

[2] Earnings attributable to shareholders of the Company have been adjusted to remove the effect of unusual items to arrive at comparative earnings. Comparative earnings and comparative earnings per share are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. The Company has disclosed these measures to assist with the understanding of results and to provide further financial information about the results to investors. See "*Regulatory Disclosures*" for a reconciliation of Comparative earnings.

The Company's financial statements are now being prepared in accordance with International Financial Reporting Standards ("IFRS"). The changes in accounting policies have been applied consistently to the comparative period unless otherwise noted. See "*Regulatory Disclosures*" for further discussion.

Q3 2011 MD&A (in United States dollars, tabular amounts in millions, except where noted) www.first-quantum.com

REVENUES

Sales revenues (after realization charges)		Three months ended September 30		Nine months ended September 30	
		2011	2010	2011	2010
Kansanshi	- copper	485.9	365.1	1,540.9	1,075.2
	- gold	35.7	29.5	101.7	82.4
Guelb Moghrein	- copper	72.3	56.3	178.2	123.5
	- gold	30.1	21.1	70.8	55.8
Frontier	- copper	0.3	74.4	13.5	218.8
Bwana/Lonshi	- copper	-	17.4	0.7	48.0
Corporate		26.7	30.6	110.4	81.7
Sales revenues		651.0	594.4	2,016.2	1,685.4
COPPER SELLING PRICE		**USD/lb**	**USD/lb**	**USD/lb**	**USD/lb**
Gross payable realized copper price		4.02	3.31	4.12	3.19
Realized copper price		3.84	3.18	4.04	3.09
Treatment charges/refining charges (“TC/RC”) and freight charges		(0.30)	(0.25)	(0.26)	(0.27)
Net realized copper price		3.54	2.93	3.78	2.82

Sales revenues were up 10% from Q3 2010 as an increase in the net realized copper price exceeded the lower sales volumes. The primary basis for the decrease in sales volumes was the forced shut down of operations at Frontier at the end of August 2010. Gold revenues increased by 30% from Q3 2010 to $65.8 million due to the higher realized gold price and the timing of sales from Kansanshi and Guelb Moghrein. TC/RC and freight charges were higher in Q3 2011 reflecting an increase in off-take terms.

The Company’s revenues are recognized at provisional prices when title passes to the customer. Any subsequent adjustments for final pricing are materially offset by derivative adjustments and shown on a net basis in cost of sales (see *“Other Items – Hedging Program”* for further discussion). Accordingly, the gross payable realized copper price will approximate the average LME monthly cash price net of assay adjustments. Gross payable realized copper price is based on payable copper sales before off-take deductions.

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SEGMENTED OPERATING RESULTS

Kansanshi Copper and Gold Operation	**Three months ended September 30**		**Nine months ended September 30**	
	2011	**2010**	**2011**	**2010**
Copper production (tonnes)	50,179	55,201	171,132	164,892
Copper sales (tonnes)	61,102	55,355	181,796	166,485
Gold production (ounces)	26,677	29,456	82,706	80,647
Gold sales (ounces)	29,592	29,907	86,746	86,387
Sulphide ore tonnes milled (000's)	2,185	2,443	7,227	7,683
Sulphide ore grade processed (%)	0.4	0.8	0.7	0.8
Sulphide copper recovery (%)	88	93	93	92
Mixed ore tonnes milled (000's)	2,057	1,289	5,391	3,826
Mixed ore grade processed (%)	0.9	1.2	1.0	1.4
Mixed copper recovery (%)	61	67	64	66
Oxide ore tonnes milled (000's)	1,594	1,495	4,580	4,153
Oxide ore grade processed (%)	2.3	2.4	2.3	2.2
Oxide copper recovery (%)	84	78	86	86
Cash costs (C1) (per lb)[1]	$1.56	$1.09	$1.35	$1.11
Total costs (C3) (per lb)[1]	$1.90	$1.42	$1.67	$1.33
Gross profit (USD M)	$266.7	$241.8	$1,000.9	$673.8

[1] C1 and C3 costs are not recognized under IFRS. See "*Regulatory Disclosures*" for further information

In Q3 2011, Kansanshi's mine plan was amended to allow for the pit development required for the production expansion project to 400,000 tonnes per annum. The development work was required to establish wider pits which will enable access to increased ore to meet the future requirements of the expanded plant throughput. This work reduced mining of the sulphide ore body deeper in the pits resulting in a reduction in sulphide ore availability and tonnes milled in Q3 2011. The low sulphide ore availability from mining operations was supplemented by processing low grade ore stockpiles. A portion of this mine development work incurred has been capitalized during Q3 2011.

The sulphide and mixed ore circuits were reconfigured during the quarter to enable the current mined ore feed profile to better match the plant throughput capacity for mixed and sulphide ore. This has increased the circuit throughput capacity for mixed ore to 12 Mtpa and reduced the sulphide ore circuit capacity to 6.5 Mtpa. The new configuration is expected to remain in place until the end of 2012.

The mixed circuit throughput rate benefitted from increased capacity following the circuit reconfiguration later in Q3 2011. Mixed ore grades and recoveries were lower than Q3 2010 as a result of a less favourable blend of sulphide and oxide ore processed. Recent flotation cell capacity improvements have allowed for the mixed circuit to maintain targeted recoveries at significantly increased throughput rates.

Production from the oxide circuit increased from Q3 2010 due to strong milling rates and recoveries despite limited availability of acid in Q3 2011. Some high-grade, higher acid consuming oxide ore was stockpiled in Q3 2011 for processing when the acid supply improves in 2012.

Gold production was 9% lower than Q3 2010 as grades decreased proportionately with the decreased copper grades in Q3 2011.

Kansanshi's cash cost of production (C1) increased 43% over Q3 2010 due primarily to the impact of lower grades and recoveries in Q3 2011. Total processing costs were also higher as a result of increased input costs for acid, oil-based consumables and costs incurred during circuit reconfiguration. The gold credit in Q3 2011 benefitted from an increased realized gold price.

Kansanshi's gross profit was 10% higher than Q3 2010 as a result of higher sales volumes and realized prices in the current period, offset partially by higher production costs.

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Outlook for 2011

Efforts will continue to focus on pit development in Q4 2011 utilizing the increased mine fleet and an additional mine contractor. Available sulphide ore will remain low during Q4 2011 with grade increasing gradually towards the end of 2011. Cut backs in both pits are expected to open up access to higher grade sulphide ore in 2012 and allow for continued pit development as required for the plant expansion. The additional flotation capacity installed in the mixed circuit will allow for recovery rates to be maintained at significantly increased throughput volumes into 2012.

Oxide ore availability is expected to remain sound, however domestic acid supply will influence grade processed and total cathode produced into 2012. All four of the Company's acid plants are now operating and a fifth acid plant is planned for construction and commissioning by the end of Q2 2012 to reduce the impact of acid supply shortages on Kansanshi's operational flexibility and oxide circuit production.

The ongoing program of advanced grade control drilling will enhance the mine planning performance on the complex orebody, and with the increased mining fleet, will improve the flexibility of the mine to deliver the various ore-types to the plant.

Gold production is expected to improve as gravity gold extraction capacity has been amended to focus on potential gains from oxide ore versus the recently reduced sulphide treatment rate and ore grade.

Guelb Moghrein Copper and Gold Operation	**Three months ended September 30**		**Nine months ended September 30**	
	2011	**2010**	**2011**	**2010**
Production – copper in concentrate (tonnes)	8,606	8,487	27,126	27,282
Copper sales (tonnes)	10,332	9,291	24,173	22,232
Gold production (ounces)	14,791	17,262	48,995	62,184
Gold sales (ounces)	17,866	15,027	44,487	51,842
Sulphide ore tonnes milled (000's)	668	644	2,057	2,048
Sulphide ore grade processed (%)	1.4	1.4	1.4	1.5
Sulphide copper recovery (%)	91	92	91	91
Cash costs (C1) (USD per lb)[1]	$1.33	$0.79	$1.40	$0.85
Total costs (C3) (USD per lb)[1]	$1.89	$1.85	$2.14	$1.60
Gross profit (USD M)	$52.4	$29.7	$124.3	$77.6

[1] C1 and C3 costs are not recognized under IFRS. See "*Regulatory Disclosures*" for further information

Guelb Moghrein's Q3 2011 copper production was slightly ahead of Q3 2010 as improved throughput was offset partially by lower copper recovery. Engineering works continued in Q3 2011 with a view to further increase throughput to design capacity. Gold production was lower than Q3 2010 due to lower grades and recoveries.

Guelb Moghrein's cash cost of production (C1) was higher than Q3 2010 due to increased waste stripping and higher costs for personnel, diesel and heavy-fuel oil, and plant maintenance. The gold credit in Q3 2011 benefitted from an increased realized gold price.

Gross profit from Guelb Moghrein improved from Q3 2010 on increased copper and gold prices and higher sales volumes.

Outlook for 2011

At Guelb Moghrein the continued focus is on raising feed tonnages to design capacity. Progress was achieved in Q3 2011 improving pit working areas and overall mining performance. The plant circuit throughput is improving with modifications to equipment and additional depth of plant personnel. The metallurgical team is focused on recoveries, particularly in the gold circuit where opportunities exist for improvement.

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COSTS AND EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2011	**2010**	**2011**	**2010**
Gross profit	322.6	287.2	1,125.3	833.8
Exploration	(18.5)	(12.5)	(53.3)	(31.8)
General and administrative	(24.8)	(13.3)	(58.0)	(26.2)
Other income	18.1	4.5	11.1	6.4
Net finance costs	(1.4)	(4.8)	(4.5)	(14.8)
Acquisition transaction costs	-	-	-	(18.5)
Bond inducement costs	(48.4)	-	(48.4)	-
Impairment of assets	-	(303.7)	-	(610.3)
Income taxes	(127.1)	(62.3)	(411.2)	(211.1)
Net earnings (loss) for the period	120.5	(104.9)	561.0	(72.5)
Net earnings (loss) for the period attributable to:				
Non-controlling interests	29.6	12.3	108.1	76.4
Shareholders of the Company	90.9	(117.2)	452.9	(148.9)
Earnings (loss) per share				
basic and diluted (USD per share)	0.20	(0.29)	1.03	(0.37)
Weighted average shares outstanding				
basic and diluted (number of shares – millions)	456.9	401.1	438.1	399.6

Exploration expenses in Q3 2011 include $5.2 million incurred at the Enterprise and Intrepid targets in Zambia, $4.8 million at the Haquira project in Peru and $4.3 million for regional exploration in Finland. Exploration costs incurred in Q3 2010 consist primarily of Lonshi underground exploration costs and drilling at Sentinel. See *"Development Activities - Exploration"* for further discussion.

General and administrative costs increased from 2010 due primarily to higher personnel costs driven by an increased complement of skilled employees to develop and manage the significantly expanded pipeline of projects. Q3 2011 also includes legal and other costs related to the Democratic Republic of Congo ("RDC") matters. General and administrative costs are expected to remain at 2011 levels in the short-term.

During Q3 2011 the Company induced the conversion of its convertible bond which included transaction costs and an incentive payment totalling $48.4 million. See *"Equity"* for further discussion.

Income taxes in Q3 2010 are net of a $63.1 million recovery of income taxes related to the Frontier impairment. Normalized income taxes in Q3 2011 are consistent with Q3 2010 as a decrease in earnings before taxes was offset by higher tax rates. Kansanshi's effective tax rate increased from 30% in Q3 2010 to 43% in 2011. See *"Other Items"* for further discussion on Zambian taxes.

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FINANCIAL POSITION AND LIQUIDITY

	Three months ended September 30		Nine months ended September 30	
	2011	**2010**	**2011**	**2010**
Cash flows from operating activities				
before changes in working capital	251.5	183.3	735.9	596.5
after changes in working capital	97.8	7.9	417.5	511.8
Cash flows from financing activities	(61.7)	30.6	(203.5)	(61.9)
Cash flows from investing activities	(380.9)	(95.0)	(804.4)	(736.3)
Net cash flows	(344.8)	(56.5)	(590.4)	(286.4)
Cash balance	754.5	632.8	754.5	632.8
Cash flows from operating activities per share[1]				
before working capital (USD per share)	$0.55	$0.46	$1.68	$1.49
after working capital (USD per share)	$0.21	$0.02	$0.95	$1.28

[1] Cash flows per share is not recognized under IFRS. See "*Regulatory Disclosures*" for further information

Operating cash flows before changes in working capital increased from Q3 2010 due to the higher net earnings. Working capital movements during Q3 2011 resulted in a decrease in cash of $153.7 million. This was primarily due to the payment of $224.5 million in Zambian taxes in Q3 2011.

Cash flows from financing activities include dividend payments of $25.8 million made to common shareholders of the Company as well as dividends paid to non-controlling interests of $3.3 million. The bond inducement costs of $48.4 million and the final $20.2 million repayment of the $400 million term loan facility are also included in cash flows from financing activities.

Capital expenditures for property, plant and equipment were $380.9 million in Q3 2011 comprising primarily of;

- $104.3 million at Kansanshi for the oxide circuit expansion, mine fleet, and mine pit development costs,
- $101.2 million at Ravensthorpe related to final development and pre-commissioning costs,
- $86.6 million at Kevitsa for ongoing project development,
- $59.5 million at Sentinel for deposits on long-lead plant and mine equipment.

As at September 30, 2011, the Company had the following contractual obligations outstanding:

	Total	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Thereafter
Term debt	62.5	41.9	5.3	5.1	5.1	5.1	-
Trade, other and current taxes payable	554.6	554.6	-	-	-	-	-
Deferred payments	7.9	0.4	0.2	0.2	-	-	7.1
Finance leases	27.5	1.8	1.9	2.1	2.2	2.3	17.2
Commitments	275.0	275.0	-	-	-	-	-
Restoration provisions	149.1	1.3	1.3	1.3	1.3	1.3	142.6

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INVENTORY

	Copper (tonnes)
Kansanshi	16,301
Guelb Moghrein	10,032
Total	26,333

Finished copper inventory decreased by 12,927 tonnes to 26,333 tonnes as at September 30, 2011 carried at an average cost of $2.20 per pound ($4,855 per tonne). Approximately 9,000 tonnes of Kansanshi's copper in concentrate was in the process of being treated or stockpiled for treatment at the Mufulira smelter as at September 30, 2011. Included in the total finished goods inventory balance, but not in the table above, is 6,125 tonnes of third party material purchased for resale by the metal marketing division.

EQUITY

At the date of this report, the Company has 476,301,325 shares outstanding. Changes in common shares outstanding during Q3 2011 are as follows:

	'000 shares
Total shares outstanding as at June 30, 2011	86,179
a) Shares issued on conversion of convertible bonds	8,955
b) Lusaka stock exchange listing	126
c) Five-for-one common share split	381,041
Total shares outstanding as at September 30, 2011	476,301

a) Conversion of convertible bonds

On July 27, 2011, the Company announced a voluntary incentive payment offer in relation to its $500 million 6% convertible bonds. The offer included a cash payment of $8,088.91 per $100,000 in principal amount of the Bonds (the "Incentive Payment") and a cash payment of $1,410.68 per $100,000 in principal amount of the Bonds (the "Conversion Price Adjustment Payment") to convert any or all of the convertible bonds due 2014. The incentive offer period expired on July 28, 2011 with 99.98% of the bondholders accepting the conversion offer.

Of the $48.4 million paid, an estimated $35.7 million related to payments for interest and dividend adjustments that would have been incurred in future periods.

On August 4, 2011, the Company issued 8,955,547 common shares on conversion. The $460.0 million convertible debt liability and the $48.3 million equity component of the convertible debt have been transferred to common share capital. The incentive payment and other transactions costs have been recognized in profit and loss in Q3 2011.

b) Lusaka Stock Exchange listing

On July 20, 2011 the Company issued 125,679 common shares in connection with a listing of depositary receipts by the Company on the Lusaka Stock Exchange in Zambia (the "LuSE"). These shares, together with 7,700 common shares in the capital of the Company purchased on the open market, support the depositary receipts. First Quantum Minerals is the first mining company to list on the LuSE and these are the first depositary receipts issued in Africa. The depositary receipts are held by local Zambian investors and employees and trade under the LuSE Symbol "FQM".

c) Common share split

On July 29, 2011, shareholders of the Company approved a five-for-one share split of the Company's issued and outstanding common shares. The record date of the share split was August 11, 2011. The Company's common shares began trading on a split basis from August 9, 2011.

Earnings per share have been retroactively restated on a five-for-one basis for all comparative periods.

DEVELOPMENT ACTIVITIES

Ravensthorpe nickel project, Australia

Phased commissioning of the Ravensthorpe project began in Q1 2011 with the re-commissioning of existing elements. Commissioning of the new elements began in Q2 2011 with first ore feed into the crushing plant achieved in June. The reconstructed crushing plants are performing to expectations and are consistently achieving the design throughputs.

Both beneficiation plants have been re-commissioned, the surge ponds for beneficiated ore have been filled, and reject product from the new beneficiation plant has been successfully dewatered so that it can be readily conveyed and trucked. These achievements confirm that the problem areas, identified prior to the acquisition of the project, within the crushing, beneficiation and rejects plants, have been successfully addressed.

The atmospheric leach ("AL") plant was commissioned in September and operated at an average of over 90% of design during October 2011. Both pressure acid leach ("PAL") trains were also successfully brought on line during October and have operated at up to 70% of design during their start up campaigns which are shortened for routine precautionary inspections. Ramp up of the AL and PAL will continue and it is expected that commercial operations will start before the end of 2011.

Ravensthorpe is forecast to produce an average of 39,000 tonnes of nickel annually for the first five years after commencement of operations. The estimated average annual production is 28,000 tonnes over the total life of mine of over 30 years.

Kevitsa nickel/copper/PGE project, Finland

Construction of the Kevitsa project is over 90% complete and on schedule to begin pre-commissioning in December 2011. Commercial operation is expected to commence in mid 2012.

Approvals are being actively pursued through the relevant authorities to increase the throughput rate to 7.5 Mtpa. With the current estimated measured and indicated resources, this increased rate is expected to lift the annual production to approximately 15,000 tonnes of nickel and 28,000 to 30,000 tonnes copper while preserving a mine life in excess of 20 years.

Trident project, Zambia

In April 2011, large scale mining licenses for the development of the Trident project were received from the Government of the Republic of Zambia ("GRZ"). The licences give the Company the exclusive rights to carry out mining operations on the full area of interest at Trident for a period of 25 years. The environmental impact assessment was approved and a land use agreement was agreed to in July 2011 for the development of Sentinel project.

Resource drilling on the Sentinel project is essentially complete with approximately 170,000 metres of core drilling in nearly 500 holes completed during the past 14 months. Geological modelling, data analysis and reporting are currently in progress. Finalization of the resource estimation is nearly complete and a National Instrument 43-101 compliant resource statement for the Sentinel deposit is expected in Q4 2011. Based on an internally generated resource estimate, the project is expected to initially produce 150,000 tonnes of copper in concentrate annually, rising up to 300,000 tonnes of copper in concentrate.

Project design works continued during Q3 2011 and the Company entered into commitments for long-lead mining, crushing and milling equipment. Initial construction works at Sentinel are planned to commence in Q4 2011 targeting production in 2014. Plans for development of necessary infrastructure to service the project are underway.

Kansanshi copper/gold operation, Zambia

Works have commenced at Kansanshi which are expected to expand the annual copper production capacity from 250,000 tonnes to 400,000 tonnes by the end of 2014. The first phase of this increase relates to the expansion of the oxide/leach facilities which will be undertaken in two stages. Stage one is expected to increase annual production capacity to approximately 285,000 tonnes. It is focused on expanding the annual treatment capacity of the oxide circuit to approximately 7.2 Mtpa by Q1 2012. Stage two is planned to increase the oxide throughput further to 12 Mtpa by the end of 2012.

The oxide circuit expansion to 7.2 Mtpa is progressing well with the relocation of equipment from the mothballed Bwana copper processing plant on schedule. Construction of the second operating cell of the oxide tailings dam is largely complete and will be commissioned in Q4 2011. Construction of an additional acid plant at Kansanshi was initiated with completion of the 1,000 tonne per day plant due at the end of Q2 2012. The additional acid capacity is anticipated to reduce the reliance on the inconsistent supply of acid from local smelters and increase the amount of oxide ore that can be treated ahead of the expected construction of a smelter at Kansanshi in 2014.

The second phase of the increase is a proposed expansion of the sulphide treatment facilities by construction of a new section of plant capable of treating 16 Mtpa of sulphide ore. Subject to the completion of the resource drilling program, construction of this new plant will start in 2012 and continue until 2014, with all elements of the expansions to 400,000 tonnes per annum of copper expected to be complete by the end of 2014.

Copper smelter project, Zambia

Currently, Kansanshi’s concentrate production is treated at smelters in Zambia, but from time to time, due to limited capacity, copper concentrate is sold to third parties for export sale. Due to the substantial increase in production expected from the Kansanshi mine together with anticipated new production in Zambia including from the Sentinel project, an evaluation is currently nearing completion to construct a copper smelter at Kansanshi capable of processing 1.2 million tonnes of copper in concentrate to produce over 300,000 tonnes of copper metal. This evaluation is expected to be completed in Q4 2011.

The smelter is being planned to produce over 3,000 tonnes per day of acid as a by-product. This abundant supply of low cost acid will benefit Kansanshi's performance through the treatment of high acid-consuming oxide ores and the leaching of some mixed ores. This is also expected to reduce the cash costs for Kansanshi as a whole by lowering the cost of acid and increasing production capacity.

Exploration

Exploration activities continued at a high rate during Q3 2011 with ongoing drill programs in Zambia, Finland, Peru and Mauritania.

<u>Trident, Zambia</u>

At the Trident project in Zambia ten core drills are still active with most rigs focused on the Enterprise prospect and reconnaissance drilling on regional targets.

Eight drills are currently testing the Enterprise nickel target in a focused program that commenced in Q4 2010. 140 holes for 49,750 metres have been completed to an average depth of about 350 metres, over an area of approximately 2.2 kilometres by 1 kilometre. Drilling is largely completed on 100-metre spaced sections through the centre of the area and mineralization has been intercepted on most sections. Strong, thick intercepts of 2% to 3% nickel have been reported from the centre of the target while peripheral holes are generally thinner reporting intercepts of 0.5% to 1% nickel. An area covering 950 metres by 600 metres containing strong intercepts has been defined. This mineralized area is open to the south west.

Ground geophysical surveys have demonstrated a strong conductive anomaly coincident with the high grade sulphide mineralization and this method will provide a useful prospecting tool for further mineralization in the area.

<u>Finland</u>

Recent near mine exploration activities have been focused on geophysical targets on the fringe of the Kevitsa resource. A new zone of Kevitsa style mineralization has been identified in an area known as the “East Lobe”. It is unclear if this joins up with the main resource but it is possible that this area will provide some incremental tonnage to be included in the mine model.

An extensive program of base of till drilling is in progress to the south and east of Kevitsa. Some historical drilling in this area suggests mineralization is present however continuity and extent remains unknown. Regional exploration activities were focused on the Kuusamo schist belt south east of Rovaniemi where a series of geophysical targets have been prioritized for top of bedrock drill testing. Several hundred holes have been completed to date.

To the north of Kevitsa several high priority nickel, copper, platinum group elements targets await environmental approval for drilling and should be drilled once the ground freezes.

Haquira, Peru

The drill capacity at Haquira has been increased from four to six rigs. Drilling at Haquira West has reported some encouraging intercepts of hypogene mineralization in porphyry suggesting that good potential remains to establish a more substantial sulphide resource below the scattered supergene cap.

The results of electro-magnetic surveys completed over the entire Haquira tenure are now available. The magnetic survey in particular highlights the Haquira East and West porphyries very effectively. Several other potential porphyry signatures are clear in the data and provide targets for future drill testing. Geochemical sampling on a regular grid over the entire ground package has recently commenced. Several areas of new tenure have been applied for over vacant ground in the Haquira district. Airborne geophysical surveys and basic reconnaissance are planned to cover the tenure before the end of 2011.

Kansanshi, Zambia

The ramp up of the Kansanshi resource and exploration drill program continued during Q3 2011 with 16 rigs now operating and the new core shed and laboratory fully functioning. The new ALS-Chemex on site analytical lab has accelerated assay turn around improving drill planning and resource modeling. Encouraging assays continue to be reported from the resource development program with good vein intercepts around the North-west pit in particular.

Kansanshi exploration drilling currently has eight rigs operating at the South-east Dome and a series of broad regional traverses designed to define the architecture of the regional domes that appear to focus mineralization.

Mauritania & West Africa

In Mauritania, three drill rigs continue to test targets around Guelb Moghrein. Some limited mineralization has been defined on small targets immediately east of the mine. More substantial intercepts of low grade disseminated chalcopyrite have been reported from a gravity target called ‘Red Chris’ several kilometres to the north of the mine.

Reconnaissance exploration including ground geophysics, mapping and geochemical sampling continued on mafic hosted nickel, copper, platinum group elements targets in Mali and Burkina Faso. With the stabilizing political situation in Cote d‘Ivoire access to JV properties in the Man district is again possible.

OTHER ITEMS

Zambian taxation

The GRZ announced in January 2008 a number of proposed changes to the tax regime in the country in relation to mining companies. These changes included a windfall tax on copper sales revenue; a variable profit tax; a concentrate export levy of 15%; an increase in the royalty rate to 3%; an increase in the income tax rate to 30%; and other changes including changes in the timing of deductibility of capital allowances and streaming of hedging losses and gains. These changes were passed by Parliament in March 2008 and the majority of changes took effect from April 1, 2008.

Under the President elected in October 2008, the GRZ reviewed these tax changes and proposed that the windfall tax be removed, the deductibility of capital allowances be reinstated to 100% in the period of expenditure and to allow hedging income be part of mining income for tax purposes. These changes were passed by Parliament in March 2009 and the majority of changes took effect from April 1, 2009. These enacted changes were not retroactive to April 1, 2008.

The Company, through its Zambian subsidiaries, is party to Development Agreements with the GRZ for its existing operations which provide an express right to full and fair compensation for any loss, damages or costs (including interest) incurred by the Company by reason of the government's failure to comply with the tax stability guarantees set out in the Development Agreements and rights of international arbitration in the event of any dispute. Based on legal advice on its rights under the Development Agreements, the Company initially recorded a receivable from the GRZ for an amount it regarded as reasonable expected ultimate repayment of taxes in excess of that permitted under the Development Agreements. However, in November 2010, the GRZ required payment of all back taxes outstanding pursuant to the 2008 and 2009 legislation by June 30, 2011. The Company's Zambian subsidiaries complied with the GRZ's demand and completed the payment of all back taxes, totalling $224 million, on June 27, 2011, in addition to $80 million paid in 2010, without prejudice to its rights under the Development Agreement.

Until resolved differently with the GRZ, the Company is recognizing taxes in excess of the Development Agreement as a tax expense with no associated receivable, resulting in an effective tax rate of approximately 43% at Kansanshi.

RDC – Disputes

The Company has reported extensively through press releases and prior MD&A's on its disputes with the RDC government. As reported, the illegal actions taken by the RDC government resulted in the cessation of construction of the Company's Kolwezi project in September 2009, the suspension of operations at the Frontier mine in August 2010, and suspension of all of the Company's exploration activities in the RDC, including the Lonshi underground mine. As previously reported, in relation to the Kolwezi project, the RDC local courts have also rendered judgments against the Company's RDC subsidiaries Congo Mineral Developments Limited ("CMD") and Kingamyambo Musonoi Tailings SARL ("KMT") of US$12 billion in damages. The Company believes this judgment has no legal basis and in any event would not be enforceable against the Company outside of the RDC.

The Company has commenced international arbitrations in respect of the Kolwezi project and the Frontier and Lonshi mines and will continue to pursue all available avenues to recover the value of its RDC assets. The Company has also commenced legal action against Eurasian Natural Resources Corporation ("ENRC") subsidiaries in the British Virgin Islands. The timing of any judgments or negotiated or arbitrated settlements is not known at this time.

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Hedging program

As at September 30, 2011, the following derivative positions were outstanding:

	Maturity 2011	September 30, 2011		December 31, 2010	
		Asset	Liability	Asset	Liability
Interest rate					
Floating to fixed interest rate swap Principal	26.0	-	-	-	(0.4)
Average fixed interest rate	1.80%				
Foreign currency					
USD/EUR extendible collar - Principal	€30.0m	-	(0.1)	-	-
Strike price	1.290-1.347				
- Principal	€10.0m	-	-	-	-
Strike price	1.376-1.416				
Copper (a)					
Futures sales contracts over quotation period (tonnes)	45,275	111.8	(6.9)	3.0	(42.3)
Average price ($/tonne)	$8,830				
Embedded derivative hedged by future sales contracts (tonnes)	47,343	-	-	-	-
Average price ($/tonne)	$7,132				
Net provisional copper exposure (tonnes)	2,068				
Gold (a)					
Futures sales contracts over quotation period (ounces)	15,350	2.9	(0.2)	-	(0.9)
Average price ($/ounce)	$1,728				
Embedded derivative hedged by future sales contracts (ounces)	16,023	-	-	-	-
Average price ($/tonne)	$1,625				
Net provisional gold exposure (ounces)	673				
Other					
Embedded derivative		-	(2.8)	-	(3.7)
		114.7	(10.4)	3.0	(47.3)

a) Provisional pricing and derivative contracts

A portion of the Company's metal sales is sold on a provisional pricing basis whereby sales are recognized at prevailing metal prices when title transfers to the customer and final pricing is not determined until a subsequent date, typically two months later. The difference between final price and provisional invoice price is recognized in net income. In order to mitigate the impact of these adjustments on net income, the Company enters into derivative contracts to directly offset the pricing exposure on the provisionally priced contracts. The provisional pricing gains or losses and offsetting derivative gains or losses are both recognized as a component of cost of sales. Derivative assets are presented in other assets and derivative liabilities are presented in other liabilities with the exception of copper and gold embedded derivatives which are included with accounts receivable.

As at September 30, 2011, substantially all of the Company's metal sales contracts subject to pricing adjustments were hedged by offsetting derivative contracts.

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Appendix A

SUMMARY OF QUARTERLY RESULTS

The following unaudited tables set out a summary of the quarterly results for the Company for the last eight quarters:

Consolidated operating statistics	**Q4 09[1]**	**FY 09[1]**	**Q1 10**	**Q2 10**	**Q3 10**	**Q4 10**	**FY 10**	**Q1 11**	**Q2 11**	**Q3 11**	**YTD 11**
Revenues											
Copper	$591.5	$1,706.4	$507.9	$495.5	$541.8	$650.8	$2,196.0	$651.6	$606.9	$585.0	$1,843.5
Gold	53.3	156.0	43.3	44.3	52.6	57.0	197.2	53.6	53.1	66.0	172.7
Other revenues	-	1.8	-	-	-	-	-	-	-	-	-
Total sales revenues	644.8	1,864.2	551.2	539.8	594.4	707.8	2,393.2	705.2	660.0	651.0	2,016.2
Direct operating costs	233.9	733.4	224.8	269.1	267.0	288.9	1,049.8	244.1	270.3	306.7	821.1
Impairment charge	-	-	-	306.6	303.7	(1.2)	609.0	-	-	-	-
Net earnings (loss)	227.2	463.4	150.3	(182.0)	(117.2)	472.5	323.6	206.7	155.3	90.9	452.9
Basic earnings (loss) per share	$0.58	$1.23	$0.37	$(0.45)	$(0.29)	$1.16	$0.81	$0.48	$0.36	$0.20	$1.03
Diluted earnings (loss) per share	$0.58	$1.18	$0.34	$(0.45)	$(0.29)	$1.05	$0.73	$0.44	$0.33	$0.20	$1.03
Weighted average # shares (000's)	390,845	377,540	403,345	401,340	401,100	405,800	401,320	428,770	428,775	456,865	438,145
Cash flows from operating activities per share											
Before working capital movements	$0.69	$1.80	$0.54	$0.49	$0.46	$0.75	$2.25	$0.61	$0.52	$0.55	$1.68
After working capital movements	$0.69	$1.49	$0.41	$0.84	$0.02	$0.72	$2.00	$0.87	($0.13)	$0.21	$0.95
Copper selling price											
Gross copper selling price (per lb)	3.03	2.40	3.12	2.98	3.18	3.73	3.25	4.23	4.05	3.84	4.04
Tolling and refining charges (per lb)	(0.08)	(0.08)	(0.10)	(0.06)	(0.03)	(0.02)	(0.06)	(0.03)	(0.04)	(0.06)	(0.05)
Freight parity charges (per lb)	(0.22)	(0.16)	(0.19)	(0.22)	(0.22)	(0.23)	(0.21)	(0.19)	(0.20)	(0.24)	(0.21)
Net realized copper price (per lb)	2.73	2.16	2.83	2.70	2.93	3.48	2.98	4.01	3.81	3.54	3.78
Net realized gold price (per oz)	926	839	886	1,000	1,169	1,085	1,033	1,183	1,382	1,386	1,314
Total copper produced (tonnes)	98,528	373,940	85,062	85,402	76,633	75,920	323,017	74,888	64,587	58,785	198,260
Total copper sold (tonnes)	98,171	366,581	81,441	74,421	79,408	76,290	311,560	70,665	65,511	71,443	207,619
Total gold produced (ounces)	62,679	193,288	44,642	51,471	46,718	48,564	191,395	49,146	41,087	41,468	131,701
Total gold sold (ounces)	57,571	185,907	48,995	44,300	44,934	50,139	188,368	45,349	38,426	47,458	131,233
Cash Costs (C1) (per lb) [2]	$0.97	$0.96	$1.21	$1.21	$1.21	$1.06	$1.18	$1.15	$1.43	$1.52	$1.37
Total Costs (C3) (per lb) [2]	$1.27	$1.22	$1.49	$1.49	$1.59	$1.35	$1.47	$1.48	$1.78	$1.85	$1.70
Copper Inventory (tonnes)											
Kansanshi	22,059	22,059	18,979	20,621	20,468	28,023	28,023	28,892	27,439	16,301	16,301
Guelb Moghrein	3,041	3,041	4,096	8,896	8,092	7,079	7,079	11,140	11,759	10,032	10,032
Frontier	963	963	6,228	10,648	8,032	1,651	1,651	89	10	-	-
Bwana	-	-	182	502	450	-	-	-	-	-	-
Total copper inventory	26,063	26,063	29,485	40,667	37,042	36,753	36,753	40,121	39,208	26,333	26,333

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[2] For the definition of cash costs and total costs, reference should be made to the Regulatory Disclosures section.

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Kansanshi statistics	**Q4 09[1]**	**FY 09[1]**	**Q1 10**	**Q2 10**	**Q3 10**	**Q4 10**	**FY 10**	**Q1 11**	**Q2 11**	**Q3 11**	**YTD 11**
Mining											
Waste mined (000's tonnes)	4,663	20,802	2,921	4,998	9,008	6,920	23,847	6,700	13,087	16,133	35,920
Ore mined (000's tonnes)	5,258	18,681	3,712	6,076	6,394	6,863	23,045	6,152	6,025	5,761	17,938
Processing [1]											
Sulphide ore processed (000's tonnes)	2,777	11,994	2,449	2,791	2,443	2,699	10,382	2,318	2,724	2,185	7,227
Sulphide ore grade processed (%)	0.8	1.0	0.8	0.7	0.8	0.8	0.8	0.9	0.7	0.4	0.7
Sulphide ore recovery (%)	93	93	93	93	93	93	93	94	93	88	93
Mixed ore processed (000's tonnes)	1,566	3,588	1,249	1,288	1,289	1,636	5,462	1,638	1,696	2,057	5,391
Mixed ore grade processed (%)	1.4	1.4	1.4	1.3	1.2	1.3	1.3	1.2	1.0	0.9	1.0
Mixed ore recovery (%)	64	65	63	68	67	70	67	68	62	61	64
Oxide ore processed (000's tonnes)	1,478	5,661	1,250	1,408	1,495	1,521	5,674	1,517	1,469	1,594	4,580
Oxide ore grade processed (%)	2.2	2.2	2.1	2.2	2.4	2.4	2.2	2.4	2.1	2.3	2.3
Oxide ore recovery (%)	83	83	93	90	78	84	86	84	86	84	86
Copper cathode produced (tonnes)	21,535	92,044	19,180	20,667	21,914	24,921	86,682	25,445	21,037	25,173	71,655
Copper cathode tolled produced (tonnes)	24,901	87,015	27,201	20,350	23,564	26,386	97,501	26,655	23,478	22,782	72,915
Copper in concentrate produced (tonnes)	16,017	65,920	7,202	15,091	9,723	14,925	46,941	12,697	11,641	2,224	26,562
Total copper production	62,453	244,979	53,583	56,108	55,201	66,232	231,124	64,797	56,156	50,179	171,132
Concentrate grade (%)	27.6	27.8	27.3	27.3	24.7	24.0	24.9	23.0	22.1	18.8	21.8
Gold produced (ounces)	32,476	99,936	24,272	26,919	29,456	28,982	109,629	30,612	25,417	26,677	82,706
Cash Costs (per lb) [2]											
Mining	$0.35	$0.32	$0.45	$0.45	$0.45	$0.39	$0.44	$0.42	$0.55	$0.52	$0.49
Processing	0.52	0.50	0.60	0.57	0.57	0.55	0.58	0.62	0.76	0.97	0.77
Site administration	0.01	0.02	0.03	0.02	0.03	0.06	0.03	0.04	0.06	0.09	0.06
TC/RC and freight charges	0.29	0.29	0.29	0.26	0.29	0.30	0.28	0.30	0.30	0.31	0.30
Gold credit	(0.21)	(0.14)	(0.19)	(0.25)	(0.25)	(0.23)	(0.23)	(0.24)	(0.26)	(0.33)	(0.27)
Cash Costs (C1) (per lb)[2]	$0.96	$0.99	$1.18	$1.05	$1.09	$1.07	$1.10	$1.14	$1.41	$1.56	$1.35
Total Costs (C3) (per lb)[2]	$1.28	$1.27	$1.39	$1.26	$1.42	$1.29	$1.31	$1.39	$1.68	$1.87	$1.62
Revenues ($ millions)											
Copper cathodes	$280.4	$871.1	$308.5	$271.7	$293.2	$366.6	$1,240.0	$494.0	$444.2	$424.1	$1,362.3
Copper in concentrates	99.9	280.0	65.0	64.9	71.9	96.6	298.4	69.2	47.6	61.8	178.6
Gold	29.1	74.4	22.4	30.5	29.5	33.1	115.5	34.1	31.9	35.7	101.7
Total sales revenues	$409.4	$1,225.5	$395.9	$367.1	$394.6	$496.3	$1,653.9	$597.3	$523.7	$521.6	$1,642.6
Copper cathode sold (tonnes)	21,012	96,160	18,953	20,215	21,329	20,285	80,782	29,412	26,370	29,350	85,132
Copper tolled cathode sold(tonnes)	24,902	87,016	26,995	20,350	23,564	26,386	97,295	26,655	23,478	22,782	72,915
Copper in concentrate sold(tonnes)	16,503	56,402	10,516	14,101	10,462	12,033	47,112	7,006	7,773	8,970	23,749
Gold sold (ounces)	33,085	94,646	26,739	29,741	29,907	29,355	115,742	31,210	25,944	29,592	86,746

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Guelb Moghrein statistics	**Q4 09[1]**	**FY 09[1]**	**Q1 10**	**Q2 10**	**Q3 10**	**Q4 10**	**FY 10**	**Q1 11**	**Q2 11**	**Q3 11**	**YTD 11**
Mining											
Waste mined (000's tonnes)	2,246	8,804	2,803	2,609	2,491	1,924	9,827	2,267	3,114	3,696	9,077
Ore mined (000's tonnes)	827	2,744	690	812	823	720	3,045	931	661	878	2,470
Processing [1]											
Sulphide ore processed (000's tonnes)	769	2,287	660	744	644	748	2,796	758	631	668	2,057
Sulphide ore grade processed (%)	1.7	1.8	1.4	1.6	1.4	1.4	1.5	1.4	1.5	1.4	1.4
Recovery (%)	92	89	90	87	92	91	91	92	91	91	91
Copper in concentrate produced (tonnes)	11,816	36,608	8,405	10,390	8,487	9,687	36,969	10,091	8,429	8,606	27,126
Gold produced (ounces)	30,203	93,352	20,370	24,552	17,262	19,582	81,766	18,534	15,670	14,791	48,995
Cash Costs (per lb) [2]											
Mining	$0.29	$0.22	$0.31	$0.25	$0.36	$0.49	$0.35	$0.40	$0.46	$0.78	$0.54
Processing	0.53	0.54	0.68	0.64	0.88	0.87	0.77	0.82	1.20	1.28	1.08
Site administration	0.18	0.14	0.16	0.16	0.28	0.40	0.25	0.25	0.38	0.23	0.29
TC/RC and freight parity charges	0.51	0.48	0.42	0.48	0.51	0.48	0.48	0.47	0.62	0.49	0.53
Gold credit	(0.88)	(0.94)	(0.98)	(0.45)	(1.24)	(1.21)	(0.95)	(0.68)	(1.04)	(1.45)	(1.04)
Cash Costs (C1) (per lb) [2]	$0.63	$0.44	$0.59	$1.08	$0.79	$1.03	$0.90	$1.26	$1.62	$1.33	$1.40
Total Costs (C3) (per lb) [2]	$1.02	$0.83	$1.40	$1.69	$1.85	$1.79	$1.65	$2.03	$2.49	$1.89	$2.14
Revenues ($ millions)											
Copper in concentrates	$45.4	$115.7	$40.4	$26.8	$56.3	$69.2	$192.7	$49.1	$56.8	$72.3	$178.2
Gold	24.2	81.6	20.9	13.8	21.1	25.9	81.7	19.5	21.2	30.1	70.8
Total revenues	$69.6	$197.3	$61.3	$40.6	$77.4	$95.1	$274.4	$68.6	$78.0	$102.4	$249.0
Copper in concentrate sold (tonnes)	9,330	35,436	7,350	5,591	9,291	10,700	32,932	6,031	7,810	10,332	24,173
Gold sold (ounces)	25,384	91,262	22,256	14,559	15,027	20,784	72,626	14,139	12,482	17,866	44,487

Frontier statistics	**Q4 09[1]**	**FY 09[1]**	**Q1 10**	**Q2 10**	**Q3 10**	**Q4 10**	**FY 10**	**Q1 11**	**Q2 11**	**Q3 11**	**YTD 11**
Copper in concentrate produced (tonnes)	24,259	92,353	20,786	16,181	10,541	-	47,508	-	-	-	-
Cash Costs (C1) (per lb) [2]	$1.32	$1.13	$1.54	$1.82	$2.22	-	$1.77	-	-	-	-
Total Costs (C3) (per lb) [2]	$1.52	$1.30	$1.80	$2.19	$2.55	-	$2.10	-	-	-	-
Revenues ($ millions)											
Copper in concentrates	$165.8	$439.2	$80.0	$64.4	$74.4	$51.2	$270.0	$13.7	($0.5)	0.3	$13.5
Copper in concentrate sold (tonnes)	26,424	91,567	15,521	11,762	12,360	6,381	46,024	1,562	79	10	1,651

Bwana/Lonshi statistics	**Q4 09[1]**	**FY 09[1]**	**Q1 10**	**Q2 10**	**Q3 10**	**Q4 10**	**FY 10**	**Q1 11**	**Q2 11**	**Q3 11**	**YTD 11**
Copper cathode produced (tonnes)	-	-	2,288	2,723	2,404	-	7,415	-	-	-	-
Acid produced (tonnes)	848	96,502	22,747	66,527	14,896	12,395	116,565	34,131	67,103	81,890	183,124
Cash Costs (C1) (per lb) [2]	-	-	$1.27	$1.34	$1.24	-	$1.28	-	-	-	-
Total Costs (C3) (per lb) [2]	-	-	$1.40	$1.34	$1.54	-	$1.43	-	-	-	-
Revenues ($ millions)											
Copper in cathodes	-	$0.4	$14.0	$16.6	$17.4	$3.6	$51.6	$0.2	$0.5	-	$0.7
Copper cathodes sold (tonnes)	-	-	2,106	2,402	2,402	505	7,415	-	-	-	-
Copper cathode produced (tonnes)	-	-	2,288	2,723	2,404	-	7,415	-	-	-	-

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[2] For the definition of cash costs and total costs, reference should be made to the Regulatory Disclosures section

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Appendix B

REGULATORY DISCLOSURES

Seasonality

The Company's results as discussed in this MD&A are subject to seasonal aspects, in particular the rain season in Zambia. The rain season in Zambia generally starts in November and continues through April, with the heaviest rainfall normally experienced in the months of January, February and March. As a result of the rain season, pit access and the ability to mine ore is lower in the first quarter of the year than other quarters and the cost of mining is higher.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as of the date of this report.

Calculation of Cash Costs and Total Costs

The consolidated cash costs (C1) and total costs (C3) presented by the Company are measures that are prepared on a basis consistent with the industry standard Brook Hunt definitions but are not measures recognized under IFRS. In calculating the cash and total costs for each segment, the costs are prepared on the same basis as the segmented financial information that is contained in the financial statements.

For the purposes of calculating the cash costs at Kansanshi, TC/RC that are normally deducted from concentrate revenues are added to the cash costs to show the cash costs of producing finished copper. The revenues presented in the income statement for concentrates are shown net of these deductions and therefore the cost of sales in the financial statements does not include TC/RC.

Cash costs include all mining and processing costs less any profits from by-products such as gold or acid that is allocated to that segment. Treatment and refining revenue deductions on concentrates are added to cash costs to arrive at an approximate cost of finished copper. Total costs are cash costs plus depreciation, interest, royalties and realized foreign exchange costs.

Calculation of Operating Cash Flow per Share

The calculations of operating cash flow per share, before and after working capital movements, are measures that are not recognized under IFRS. In calculating the operating cash flow per share, before and after working capital movements, the operating cash flow calculated for IFRS purposes is divided by the basic weighted average common shares outstanding for the respective period.

Calculation of Comparative earnings

Comparative earnings and comparative earnings per share have been adjusted to remove the effect of asset impairments and acquisition transaction costs incurred in 2010 and bond inducement costs in 2011. These measures are not recognized under IFRS. The Company has disclosed these measures in order to provide assistance in understanding the results of our operations and are meant to provide additional information to investors. These measures may differ from those used by other issuers.

	Three months ended September 30		**Nine months ended September 30**	
	2011	**2010**	**2011**	**2010**
Net earnings attributable to shareholders of the Company	90.9	(117.2)	452.9	(148.9)
Add:				
Bond inducement costs	48.4	-	48.4	-
Asset impairments (net of tax and non controlling interests)	-	256.4	-	563.0
Acquisition transaction costs	-	-	-	18.5
Comparative earnings	139.3	139.2	501.3	432.6
Earnings (loss) per share as reported	$0.20	$(0.29)	$1.03	$(0.37)
Comparative earnings per share	$0.30	$0.35	$1.14	$1.08

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International Financial Reporting Standards

The Canadian Accounting Standards Board required all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's first filing under IFRS was the Q1 2011 filing which contains IFRS compliant financial statements on a comparative basis. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy.

The IFRS project team developed a conversion implementation plan comprising three major phases. These included a scoping and planning phase, a design and build phase, and an implement and review phase. The Company has completed the scoping and planning phase, design and build phase and implement phase. The review phase will continue in future periods. Throughout the transition, all stakeholder groups were consulted to ensure complete information. These internal stakeholders include senior management from finance, treasury, tax, the Company's regional business units, information technology, human resources and the Board of Directors through the Audit Committee, among others.

Note 3 to the consolidated interim financial statements includes additional detail on our key Canadian GAAP to IFRS differences, our accounting policy decisions and IFRS, First-Time Adoption of International Financial Reporting Standards, optional exemptions for significant or potentially significant areas that have had an impact on our financial statements on transition to IFRS or may have an impact in future periods.

Implementation

The Company has identified IFRS versus Canadian GAAP differences and various policy choices available under IFRS. Below is a reconciliation of assets, liabilities, equity, comprehensive income and cash flows of the Company from those reported under Canadian GAAP to IFRS.

Assets

		September 30, 2010
Total assets under Canadian GAAP		4,318.8
Adjustments for differing accounting treatments		
Restoration provision	ii	19.7
Borrowing costs	iii	30.1
Deferred income tax		
Mineral property acquisitions	iv(a)	(183.2)
Intercompany inventory sales	iv(e)	2.9
Total assets under IFRS		4,188.3

Liabilities

		September 30, 2010
Total liabilities under Canadian GAAP		1,779.0
Adjustments for differing accounting treatments		
Restoration provision	ii	20.4
Deferred income tax		
Convertible bond issuance	iv(c)	12.6
Mineral property acquisitions	iv(a)	(174.4)
Total liabilities under IFRS		1,637.6

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Equity

		September 30, 2010
Total equity under Canadian GAAP		2,539.8
Adjustments for differing accounting treatments		
Share capital		
Deferred income tax		
Share issuance costs	iv(b)	3.2
Convertible bond issuance	iv(c)	(8.6)
Retained earnings		
Kolwezi project fair value adjustment	i	-
Restoration provision	ii	(0.7)
Borrowing costs	iii	30.1
Deferred income tax		
Mineral property acquisitions	iv(a)	(8.8)
Share issuance costs	iv(b)	(3.2)
Convertible bond issuance	iv(c)	(4.0)
Intercompany inventory sales	iv(e)	2.9
Total equity under IFRS		2,550.7

Comprehensive loss

		Three months ended September 30, 2010	Nine months ended September 30, 2010
Total comprehensive income (loss) under Canadian GAAP		84.1	(333.3)
Increase (decrease) in net income for:			
Kolwezi project fair value adjustment	i	-	399.8
Restoration provision	ii	3.4	0.5
Borrowing costs	iii	11.0	30.1
Deferred income tax			
Mineral property acquisitions	iv(a)	6.5	(3.2)
Convertible bond issuance	iv(c)	-	(0.3)
Intercompany inventory sales	iv(e)	(1.4)	2.9
Total comprehensive income under IFRS		103.6	96.5

In addition to the measurement differences impacting comprehensive income, there are also differences in the presentation of items included in comprehensive income. In addition to the reclassifications included in the notes below under Canadian GAAP derivative instruments were included in revenues and other income and now have been classified to cost of sales under IFRS.

Presentation differences in comprehensive income (loss)

	Three months ended September 30, 2010	Nine months ended September 30, 2010
Increase (decrease) in sales revenue	(8.2)	(8.6)
(Increase) decrease in cost of sales	(14.2)	(5.4)
Decrease in other income	22.4	14.0
Total	-	-

Cash flows

The adoption of IFRS had no impact on the net cash flows of the Company. The changes made to the statements of consolidated earnings and consolidated balance sheets have resulted in reclassification of various amounts on the statements of cash flows, however there have been no changes to the net cash flows, and accordingly no reconciliations have been prepared.

Notes to the IFRS reconciliations above:

i) IAS 16 Property, plant and equipment

Impairment

In accordance with Canadian GAAP, impairment testing is a two step process. The first step, using undiscounted cash flows was undertaken to determine if impairment exists. If impairment was identified, the second step was undertaken to determine the amount of the impairment to be recorded. IAS 36 *Impairment of Assets* uses a one step approach for both identifying and measuring impairments, which is based on comparing the carrying value to the recoverable amount. The recoverable amount is the higher of fair value less selling costs and value in use, which is based on discounted cash flows. The use of an undiscounted cash flow model under Canadian GAAP did not result in any impairments at the Transition Date. The use of a discounted cash flow model to determine the recoverable amount indicated a material impairment to the Company's carrying value of the Kolwezi project under IFRS.

In accordance with IFRS 1, the Company elected to measure the Kolwezi project at January 1, 2010 at fair value and use that fair value as its deemed cost. The fair value of the Kolwezi project at January 1, 2010 was $280.0 million which resulted in a $399.8 million write down of property, plant and equipment and a corresponding adjustment to opening retained earnings.

By September 2010 under both Canadian GAAP and IFRS a complete impairment of the Kolwezi project had been recorded.

ii) IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Restoration provisions

Consistent with IFRS, restoration provisions have been previously measured based on the estimated cost of restoration, discounted to its net present value upon initial recognition. However, adjustments to the current discount rate were not reflected in the provisions or the related assets under Canadian GAAP unless there was an upward revision in the future cost estimates. The Company elected to apply the exemption from full retrospective application as allowed under IFRS 1. As such, the Company has remeasured the restoration liability as at the Transition Date under IAS 37, estimated the amount to be included in the related asset by discounting the liability to the date in which the liability arose, and recalculated the accumulated amortization under IFRS. At September 30, 2010 the increase in restoration provision was $20.4 million, the increase in mineral properties was $19.7 million and the adjustment to retained earnings was $0.7 million.

Under Canadian GAAP, the unwinding of the discount was included in cost of sales and has now been reclassified to finance cost as required under IFRS. The increase to finance costs was $0.6 million for the nine months ended September 30, 2010.

iii) IAS 23 Borrowing costs

Under IFRS, there are no policy choices available for the capitalization of borrowing costs. IFRS requires borrowing costs to be capitalized on qualifying assets which take a substantial period of time to prepare for their intended use. A weighted average capitalization rate based on the Company's outstanding debt was used to calculate the amount of borrowing costs to capitalize on the qualifying assets at January 1, 2010 and acquired during 2010. The increase in property, plant and equipment was $30.1 million at September 30, 2010 with a corresponding decrease in interest expense.

iv) IAS 12 Deferred taxes

a. Mineral property acquisitions

Under Canadian GAAP the Company recognized a deferred income tax liability on temporary differences arising on the initial recognition of mineral properties acquired other than in business combinations. IAS 21, *Income Taxes* does not permit the recognition of deferred taxes on such transactions. At September 30, 2010 the impact of the derecognition was a reduction of deferred income taxes of $174.4 million, a reduction of property, plant and equipment of $183.2 million and foreign exchange loss of $3.2 million as a portion of the deferred tax liability was denominated in a foreign currency and accordingly had been revalued using the foreign exchange rate at the balance sheet dates.

b. Share issuance costs

IFRS requires current and deferred taxes be recognized in equity when they relate to transactions or events recognized in equity in either the same or a different period. The deferred income tax related to the share issuance costs under Canadian GAAP had not been net against share capital. At September 30, 2010 the impact of recognizing the deferred income taxes in share capital is an increase of $3.2 million in share capital and a $3.2 million reduction to retained earnings.

c. Convertible bond issue

Under IFRS the deferred tax consequences of a financial instrument containing both a liability and equity component is recognized both in profit or loss and in equity in accordance with the component parts under IFRS. The deferred income tax related to the liability component of the convertible bond was not recorded under Canadian GAAP. At September 30, 2010 the impact of recognizing the deferred income taxes in equity is a decrease of deferred income taxes of $12.6 million, a decrease in share capital of $8.6 million, an adjustment to retained earnings of $4.0 million and an increase in deferred income tax expense of $0.3 million.

d. Non monetary assets and liabilities

Under IAS 12, where the non-monetary assets and liabilities of an entity are measured in its functional currency but the taxable profit or tax loss and the tax base of its non-monetary assets and liabilities is determined in a different currency, deferred income tax is recognized. The review of non-monetary asset balances translated using the relevant closing exchange rates at September 30, 2010 did not result in an adjustment to our balance sheets or statements of comprehensive income under IFRS, but may have a material impact on our tax expense in future periods.

e. Tax on intercompany inventory sales

Under IAS 12, unrealized profits resulting from intercompany transactions are eliminated from the carrying amount of assets, such as inventory. The tax effect of the transaction is calculated with reference to the local tax rate of the company that holds the inventory at the period-end. Canadian GAAP prohibits the recognition of a deferred tax asset for the difference between the tax basis of the assets in the buyer's tax jurisdiction and the cost as reported in the historical consolidated financial statements and requires the deferral of the seller's tax expense incurred upon the intercompany sale. At September 30, 2010 the impact of recognizing the deferred income tax assets on the intercompany sales is an increase of $2.9 million of deferred tax asset and a decrease of deferred tax expense of $2.9 million.

Control activities

For all changes to policies and procedures that were identified, the effectiveness of internal controls over financial reporting and disclosure controls and procedures was assessed and any changes implemented. The Company applied the existing control framework to the IFRS changeover process and there were no significant changes. In 2010, all accounting policy changes and transitional financial position impacts were reviewed by senior management and the Audit Committee of the Board of Directors.

Financial Reporting Expertise

The Company has an IFRS implementation team in place and employees involved with the implementation completed topic-specific training. The Company continues to provide more detailed training on the application of IFRS accounting policies and the potential impact on our consolidated financial statements to key finance employees.

Business Activities

The Company assessed the impact of the IFRS transition project on our financial covenants and key ratios. There is no material impact of the IFRS transition project on our debt compliance.

Information Technology and Systems

The Company has implemented accounting and consolidation systems in various parts of its business and changes in accounting policies, processes and collection of additional information for disclosure is incorporated in the implementation of these systems.

Review

The review phase involves continuous monitoring of changes in IFRS. As noted above IFRS accounting standards, and the interpretation thereof, are constantly evolving. As a result, the Company will continue to monitor and evaluate IFRS accounting developments. The review phase will continue in 2011.

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is communicated to senior management, to allow timely decisions regarding required disclosure.

An evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined under the rules of the Canadian Securities Administration, was conducted as of December 31, 2010 under the supervision of the Company's

Disclosure Committee and with the participation of management. Based on the results of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report in providing reasonable assurance that the information required to be disclosed in the Company's annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported in the securities legislation.

Since the December 31, 2010 evaluation, there have been no adverse changes to the Company's controls and procedures and they continue to remain effective.

Internal Control over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect the transactions of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS;
- ensure the Company's receipts and expenditures are made only in accordance with authorization of management and the Company's directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized transactions that could have a material effect on the annual or interim financial statements.

An evaluation of the effectiveness of the Company's internal control over financial reporting was conducted as of December 31, 2010 by the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on this evaluation, management has concluded that the Company's internal controls over financial reporting were effective.

There were no changes in the Company's business activities during the period ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. Further, the design of a control system reflects the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Cautionary statement on forward-looking information

Certain statements and information herein, including all statements that are not historical facts, contain forward-looking statements and forward-looking information within the meaning of applicable securities laws. These forward-looking statements are principally included in the Development activities section and are also disclosed in other sections of the document. The forward looking statements include estimates, forecasts and statements as to the Company's expectations of production and sales volumes, expected timing of completion of project development at Kansanshi, Ravensthorpe, Kevitsa and Sentinel, the impact of ore grades on future production, the potential of production disruptions, capital expenditure and mine production costs, the outcome of mine permitting, the outcome of legal proceedings which involve the Company in the RDC and other countries, information with respect to the future price of copper, gold, cobalt, nickel, PGE, and sulphuric acid, estimated mineral reserves and mineral resources, our exploration and development program, estimated future expenses, exploration and development capital requirements, the Company's hedging policy, and our goals and strategies. Often, but not always, forward-looking statements or information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

With respect to forward-looking statements and information contained herein, we have made numerous assumptions including among other things, assumptions about the price of copper, gold, nickel, PGE, cobalt and sulphuric acid, anticipated costs and expenditures and our ability to achieve our goals. Although our management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward-looking statement or information herein will prove to be accurate. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. These factors include, but are not limited to, future production volumes and costs, costs for inputs such as oil, power and sulphur, political stability in Zambia, Peru, Mauritania, Finland and Australia, adverse weather conditions in Zambia, Finland and Mauritania, labour disruptions, mechanical failures, water supply, procurement and delivery of parts and supplies to the operations, the production of off-spec material.

See our Annual Information Form for additional information on risks, uncertainties and other factors relating to the forward-looking statements and information. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of these factors are beyond our control. Accordingly, readers should not place undue reliance on forward-looking statements or information. We undertake no obligation to reissue or update forward-looking statements or information as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements and information made herein are qualified by this cautionary statement.