First Quantum Minerals Ltd.

Consolidated Financial Statements
First Quarter – March 31, 2006
(expressed in thousands of U.S. dollars, except where indicated)

First Quantum Minerals Ltd.

Consolidated Balance Sheet

As at March 31, 2006 and December 31, 2005

(expressed in thousands of U.S. dollars, except where indicated)

	2006 $	2005 $
Assets		
Current assets		
Cash and cash equivalents	107,521	82,910
Restricted cash (note 7)	24,615	20,162
Accounts receivable and prepaid expenses	90,671	70,444
Inventory (note 3)	77,144	60,854
	299,951	234,370
Investments	9,790	9,522
Property, plant and equipment (note 4)	503,216	471,294
Other assets (note 5)	29,430	31,325
	842,387	746,511
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	54,451	63,492
Current taxes payable	28,143	16,055
Current portion of long-term debt (note 6)	69,955	58,255
Other current liabilities (note 7)	45,390	20,377
	197,939	158,179
Long-term debt (note 6)	153,730	176,767
Other liabilities (note 7)	39,950	34,340
Future income tax liability	49,081	43,330
	440,700	412,616
Minority interest	32,965	22,454
	473,665	435,070
Shareholders' Equity		
Equity accounts (note 8)	169,090	166,592
Retained earnings	199,632	144,849
	368,722	311,441
	842,387	746,511

Commitments (note 12)

Subsequent events (note 13)

Approved by the Board of Directors

_______________________ Director _______________________ Director

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

First Quantum Minerals Ltd.

Consolidated Statements of Earnings and Retained Earnings

For the three months ended March 31, 2006 and 2005

(expressed in thousands of U.S. dollars, except where indicated)

	Three months ended	
	March 31, 2006 $	**March 31, 2005 $**
Revenues		
Copper	182,441	38,172
Gold	4,545	-
Acid	167	10
	187,153	38,182
Cost of sales	54,457	16,166
Depletion and amortization	12,007	3,905
Operating profit	120,689	18,111
Other expenses		
Exploration	2,134	1,012
General and administrative	3,662	2,106
Interest on long-term debt	6,224	849
Other expenses (income) (note 9)	18,795	(641)
Gain on disposal of investment	-	(16,127)
	30,815	(12,801)
Earnings before income taxes and minority interests	89,874	30,912
Income taxes	24,580	3,736
Minority interest	10,511	-
Net earnings	54,783	27,176
Retained earnings (deficit) – beginning of period	144,849	(3,936)
Dividends	-	(3,000)
Retained earnings – end of period	199,632	20,240
Earnings per common share		
Basic	$0.89	$0.44
Diluted	$0.86	$0.43
Weighted average number of shares (000’s)	61,808	61,267

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

First Quantum Minerals Ltd.

Consolidated Statements of Cash Flows

For the three months ended March 31, 2006 and 2005

(expressed in thousands of U.S. dollars, except where indicated)

	Three months ended	
	March 31, 2006 $	**March 31, 2005 $**
Cash flows from operating activities		
Net earnings for the period	54,783	27,176
Items not affecting cash		
Depletion and amortization	12,007	3,905
Minority interest	10,511	-
Provision for deferred stripping	3,151	3,903
Unrealized foreign exchange gain	674	(126)
Future income tax expense	6,666	(186)
Stock-based compensation expense	1,020	654
Unrealized derivative instruments loss	16,012	-
Other	892	543
Gain on disposal of investment	-	(16,127)
	105,716	19,742
Change in non-cash operating working capital		
(Increase) decrease in accounts receivable and prepaid expenses	(20,851)	8,590
Increase in inventory	(16,107)	(7,732)
Increase in accounts payable and accrued liabilities	15,836	2,330
	84,594	22,930
Cash flows from financing activities		
Restricted cash	(4,453)	176
Proceeds from long-term debt	-	31,523
Repayments of long-term debt	(12,336)	(5,308)
Issuance of common shares and warrants	1,478	849
Deferred premium obligation and finance fees	(2,378)	(2,401)
	(17,689)	24,839
Cash flows from investing activities		
Property, plant and equipment	(40,022)	(38,865)
Investments	(268)	21,944
Deferred exploration and stripping costs and other	(2,123)	(2,104)
	(42,413)	(19,025)
Effect of exchange rate changes on cash	119	(111)
Increase in cash and cash equivalents	24,492	28,744
Cash and cash equivalents - Beginning of period	82,910	50,356
Cash and cash equivalents - End of period	107,521	78,989

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

(expressed in thousands of U.S. dollars, except where indicated)

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. These activities are conducted principally in Zambia, the Democratic Republic of Congo ("DRC"), and Mauritania.

2 Basis of presentation

These interim consolidated financial statements have been prepared in accordance with Canadian GAAP disclosure requirements for interim financial statements and do not contain all the information that is required of annual financial statements. Accordingly, they should be read in conjunction with the December 2005 audited financial statements.

3 Inventory

	March 31, 2006 $	**December 31, 2005 $**
Ore in stockpiles	27,597	23,480
Work-in-progress	3,994	3,744
Finished product	10,342	5,130
Total product inventory	41,933	32,354
Consumable stores	35,211	28,500
Total inventory	77,144	60,854

4 Property, plant and equipment

		March 31, 2006			**December 31, 2005**	
	Cost	Accumulated amortization	Net $	Cost	Accumulated amortization	Net $
Processing facilities and ancillary equipment	386,141	96,067	290,074	383,404	84,980	298,424
Capital work-in-progress	181,850	-	181,850	140,919	-	140,919
Mineral properties	52,498	21,206	31,292	52,420	20,469	31,951
Total	620,489	117,273	503,216	576,743	105,449	471,294

5 Other assets

	March 31, 2006 $	**December 31, 2005 $**
Prepaid power	8,919	9,258
Deferred finance fees - net of amortization	10,940	11,596
Deferred stripping asset	7,826	7,811
Fair value of derivative instruments (note 11)	-	932
Future income tax asset	1,745	2,660
	29,430	32,257
Less: Current portion	-	(932)
	29,430	31,325

(expressed in thousands of U.S. dollars, except where indicated)

6 Long-term debt

	March 31, 2006 $	December 31, 2005 $
Drawn debt facilities		
Standard Bank Group and WestLB AG facility (a)	110,000	117,000
Kansanshi EIB facility (b)	41,054	40,265
Glencore International AG facility (c)	25,000	25,000
Banque Belgolaise and Export Development Bank of Canada facility (d)	22,500	25,000
Bwana Standard Chartered Bank facility (e)	11,381	13,007
Standard Chartered Bank facility (f)	11,500	11,500
Banque Belgolaise facility (g)	2,000	3,000
Other	250	250
Total long-term debt	223,685	235,022
Less: Current portion	(69,955)	(58,255)
	153,730	176,767
Available for drawdown		
Fortis Bank facility (h)	22,000	
	22,000	

a) Standard Bank Group and WestLB AG facility

In 2003, Kansanshi entered into a secured $120,000 senior debt facility agreement arranged and underwritten by Standard Bank Group and WestLB to finance the design, construction, operation and maintenance of the Kansanshi project.

The facility comprises two tranches of $60,000. Tranche A is repayable in 11 semi-annual instalments commencing on January 31, 2006; Tranche B is repayable in 22 quarterly payments commencing on October 31, 2005. Interest on Tranche A is calculated at a fixed rate of 6%. Interest on Tranche B is calculated at LIBOR plus 3% during construction and LIBOR plus 2.5% during the repayment period. A sinking fund has been established to meet these quarterly payments and is recorded as restricted cash.

The Company has pledged as security the assets and undertakings of Kansanshi, a mortgage over the shares of Kansanshi Holdings Limited and a guarantee of repayment by FQM.

b) Kansanshi European Investment Bank facility

In 2003, Kansanshi entered into a subordinated debt facility agreement with European Investment Bank (EIB), for 34 million Euros, to finance the design, construction, operation and maintenance of the Kansanshi project.

This facility is repayable in nine equal annual payments commencing October 31, 2007. Interest was at 7.2% until April 30, 2005 and thereafter is calculated annually, with 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 then increases incrementally until the copper price reaches its $2,200 per tonne upper limit.

As this facility is in Euros, the Company has entered into cross-currency principal and interest rate swaps to mitigate the effects of movements in the Euro.

(expressed in thousands of U.S. dollars, except where indicated)

c) Glencore International AG facility

In 2004, Kansanshi entered into a $25,000 cost facility with Glencore International AG. This facility is repayable in 10 semi-annual instalments commencing eighteen months after the project completion date and bears interest at LIBOR plus 3.5%.

d) Banque Belgolaise and Export Development Bank of Canada facility

In 2004, the Company entered into a $30,000 facility with Banque Belgolaise and Export Development Bank of Canada.

This facility comprised two tranches repayable in 12 quarterly instalments commencing on July 31, 2005. Tranche A was for $25,000 and bore interest at LIBOR plus 3% during the availability period and LIBOR plus 2.5% thereafter. Tranche B was for $5,000 and 90% of this tranche bore interest at LIBOR plus 1%, while the remainder bore interest at the same rate as tranche A.

The Company had pledged as security the assets and undertakings of FQM Zambia Ltd., which included the Kansanshi mining fleet.

Subsequent to March 31, 2006, the Company repaid this facility from the proceeds of a bridge facility with Fortis Bank (note 13b).

e) Bwana Standard Chartered Bank facility

In 2003, Bwana entered into a long-term debt facility with Standard Chartered Bank of $30,000 to re-finance an existing facility and provides additional funding for capital projects and general working capital purposes.

This facility is repayable in 13 equal quarterly instalments, which commenced in October 2004, and bears interest at a rate of LIBOR plus 2.5%. A sinking fund has been established to meet the quarterly instalments and is recorded as restricted cash.

The Company has pledged as security the assets and undertakings of Bwana.

f) Standard Chartered Bank facility

In 2005, the Company entered into a facility with Standard Chartered Bank for $11,500, which was used to repay the Bwana EIB facility.

This facility is due and payable in June 2006 and bears interest at LIBOR plus 2.5%. It is the Company's intention to re-finance this loan with a new long-term facility.

g) Banque Belgolaise facility

In 2003, the Company entered into a long-term debt facility with Banque Belgolaise for $6,000 to assist with financing the Comisa mining fleet. This facility was extended to $10,000 to provide additional financing for Comisa's larger mining fleet. On March 15, 2005, the facility was reduced to $6,000 as a result of the Anvil disposition.

This facility was repayable in six quarterly instalments of $1,000 and bore interest at LIBOR plus 3%. A sinking fund had been established to meet these quarterly instalments and was recorded as restricted cash, as at March 31, 2006.

The Company had pledged as security the mining fleet of Comisa.

(expressed in thousands of U.S. dollars, except where indicated)

Subsequent to March 31, 2006, the Company repaid this facility from the proceeds of a bridge facility with Fortis Bank (note 13b).

h) Fortis Bank facility

In March 2006, the Company entered into a bridge facility with Fortis Bank SA/NV for $22,000, which was used to repay the Banque Belgolaise and Export Development Bank of Canada facility and the Banque Belgolaise facility in April 2006.

The facility bears interest at LIBOR plus 2.5%. It is the Company's intention to re-finance this loan with a new long-term facility.

Subsequent to March 31, 2006, the Company fully drew on this facility (note 13b).

7 Other liabilities

	March 31, 2006 $	**December 31, 2005 $**
Unrealized fair value of derivative liability (note 11)	34,262	20,417
Deferred premium obligation (note 11)	14,544	15,714
Prepaid sales	15,561	-
Zesco Limited	3,158	3,368
ZCCM deferred payment	3,333	3,333
Guelb Moghrein deferred payment	4,922	4,845
Deferred stripping liability	3,382	1,009
Asset retirement obligations	4,235	4,195
Other	1,943	1,836
	85,340	54,717
Less: Current portion	(45,390)	(20,377)
	39,950	34,340

8 Equity accounts

	March 31, 2006 $	**December 31, 2005 $**
Common shares	162,211	160,733
Contributed surplus	6,879	5,859
	169,090	166,592
Number of shares issued and outstanding	62,120	61,674
Weighted average number of shares (000's)	61,808	61,498

(expressed in thousands of U.S. dollars, except where indicated)

9 Other expenses (income)

	March 31, 2006 $	March 31, 2005 $
Derivative instrument losses	18,582	-
Foreign exchange losses (gains)	1,271	(379)
Interest and sundry income	(1,058)	(262)
	18,795	(641)

10 Segmented information

The Company's reportable operating segments are strategic business units that produce different but related products or services.

Kansanshi copper / gold operation ("KCO")

The Kansanshi operation is located in the northwest province of Zambia, approximately 15 kilometres north of Solwezi. The project reached commercial production in April 2005 and produces grade A copper cathodes and copper in concentrate with a gold credit.

Bwana / Lonshi division ("BLD")

The Bwana plant and the Lonshi mine are owned by separate legal entities but from a management perspective are viewed as an integrated operation, with the Bwana plant, located in Zambia, processing the ore mined at Lonshi, which is located in the DRC. The BLD produces grade A copper cathode and operates three acid plants that manufacture sulphuric acid. Two of these plants are located at Bwana, while the third plant is located at the KCO site.

Guelb Moghrein project ("GMP")

The Guelb Moghrein project is located near Akjoujt in Mauritania. Project construction commenced in early 2005 and commercial production is expected to commence in the third quarter of 2006.

Frontier project ("FRO")

The Frontier project is located in the Haut Katanga province in the DRC and is currently under development.

Corporate development, administration and other ("CDA")

The corporate development, administration and other segment is responsible for the evaluation and acquisition of new mineral properties, regulatory reporting, and corporate administration. It also holds the Connemara gold mine in Zimbabwe which is currently on a care and maintenance basis and the investment in Carlisa which holds a 90% interest in Mopani Copper Mines Ltd.

(expressed in thousands of U.S. dollars, except where indicated)

For the year ended March 31, 2006, segmented information is presented as follows:

							2006
	KCO **$**	**BLD** **$**	**GMP** **$**	**FRO** **$**	**CDA** **$**	**Inter-segment** **$**	**Total** **$**
Revenues	124,901	68,141	-	-	2,299	(8,188)	187,153
Cost of sales	30,801	23,656	-	-	-	-	54,457
Depletion and amortization	6,244	5,743	-	-	20	-	12,007
Operating profit (loss)	87,856	38,742	-	-	2,279	(8,188)	120,689
Interest on long-term debt	5,605	357	-	-	262	-	6,224
Other	8,114	1,865	-	-	14,612	-	24,591
Segmented profit before undernoted items	74,137	36,520	-	-	(12,595)	(8,188)	89,874
Income taxes	12,594	7,925	-	-	4,061	-	24,580
Minority interest	10,511	-	-	-	-	-	10,511
Segmented profit	51,032	28,595	-	-	(16,656)	(8,188)	54,783
Property, plant and equipment	340,682	66,767	77,696	15,976	2,095	-	503,216
Total assets	563,220	124,348	79,563	15,976	59,280	-	842,387
Capital expenditures	23,618	955	11,704	6,108	30	-	42,415

For the year ended March 31, 2005, segmented information is presented as follows:

							2005
	KCO **$**	**BLD** **$**	**GMP** **$**	**FRO** **$**	**CDA** **$**	**Inter-segment** **$**	**Total** **$**
Revenues	-	40,452	-	-	1,627	(3,897)	38,182
Cost of sales	-	16,166	-	-	-	-	16,166
Depletion and amortization	-	3,859	-	-	46	-	3,905
Operating profit (loss)	-	20,427	-	-	1,581	(3,897)	18,111
Interest on long-term debt	-	849	-	-	-	-	849
Gain on disposal of investment	-	-	-	-	(16,127)	-	(16,127)
Other	-	(13)	-	-	2,490	-	2,477
Segmented profit before undernoted items	-	19,591	-	-	15,218	(3,897)	30,912
Income taxes	-	3,736	-	-	-	-	3,736
Segmented profit	-	15,855	-	-	15,218	(3,897)	27,176
Property, plant and equipment	269,114	57,069	13,762	3,691	946	-	344,582
Total assets	347,085	123,003	14,793	3,691	34,537	-	523,109
Capital expenditures	20,671	2,047	3,489	-	(62)	-	26,145

(expressed in thousands of U.S. dollars, except where indicated)

11 Financial instruments

Derivative instruments

As at March 31, 2006, the Company has entered into a number of derivative instruments to mitigate the Company's exposure to copper and gold prices, foreign exchange rates, and interest rates. The Company does not apply hedge accounting and all derivatives are marked-to-market.

As at March 31, 2006, the following derivative positions were outstanding:

	2006	2007	2008	2009	Total	Fair Value
Copper (i)						
Put options (tonnes)	38,583	86,016	-	-	124,599	-
Price ($/tonne)	$1,800	$1,800	-	-		
Copper (Collar) (tonnes)	22,500	-	-	-	22,500	$(6,788)
Average upper limit ($/tonne)	$5,233	-	-	-		
Average lower limit ($/tonne)	$4,150	-	-	-		
Gold (ii)						
Put options (oz)	18,738	37,380	24,060	38,028	118,206	$67
Price ($/oz)	$350	$350	$350	$350		
Forward Contracts (oz)	18,738	37,380	24,060	38,028	118,206	$(25,991)
Price ($/oz)	$400	$400	$400	$400		
Other (iii)						
Interest rate swaps						$260
Cross currency swaps						$(1,810)

i) Copper

In 2004, the Company was required to enter into copper put option contracts related to its expected copper production at Kansanshi, to satisfy lending requirements. Upon entering into these contracts, the Company assumed a premium obligation of $21,024, which is due and payable between January 2005 and December 2007. As at March 31, 2006, there were put option contracts for 124,599 tonnes of copper outstanding with a premium obligation of $13,098.

In 2005 and 2006, the Company entered into copper collar contracts related to its expected copper production at Kansanshi and Bwana. Upon entering into these contracts, the Company assumed a premium obligation of $2,142, which is due and payable between January 2006 and December 2006.

As at March 31, 2006, there were copper collar contracts for 22,500 tonnes of copper outstanding with a premium obligation of $1,446.

ii) Gold

In 2004, the Company was required to enter into put option contracts related to its gold production at Kansanshi, to satisfy lending requirements. To cover the cost of these put option contracts, the Company has also entered into contingent gold forward contracts of the same volume.

iii) Other

The company has entered into cross-currency principal and interest rate swaps to hedge the Euro interest and principal payments on the Kansanshi EIB facility.

(expressed in thousands of U.S. dollars, except where indicated)

12 Commitments

In conjunction with the development of Guelb Moghrein and other projects, the Company has committed to approximately $43,000 in capital expenditures as at March 31, 2006.

13 Subsequent events

a) In May 2006, the Company announced that it had successfully acquired control of Adastra Minerals Inc. (Adastra), by acquiring 71% of Adastra's fully diluted common shares. In exchange for Adastra's common shares, the Company paid approximately $29,300 in cash and issued approximately 3.5 million common shares of the Company.

   The Company will immediately begin taking steps to acquire the remaining common shares of Adastra pursuant to a second stage transaction, which is expected to be completed by July 2006.

b) In April 2006, the Company used the proceeds of the Fortis Bank facility and repaid the Banque Belgolaise and Export Development Bank of Canada facility and the Banque Belgolaise facility.

Management Discussion and Analysis and Financial Review

for the

Three Months ended March 31, 2006

(expressed in US Dollars)

May 11, 2006

1. Highlights: First Quarter 2006

- Net earnings of $54.8 million or $0.89 per share in the first quarter, an increase of 101% compared to the first quarter of 2005.
- Cash flow from operating activities of $84.6 million ($1.37 per share) in the first quarter, an increase of 269% compared with the first quarter of 2005.
- Copper production in the first quarter of 41,265 tonnes (90.9 million pounds), an increase of 243% compared with the first quarter of 2005.
- Acquisition of 71% of Adastra Minerals Inc. ("Adastra")
- Gross copper selling price of $2.50 versus LME average of $2.24, and a realized copper price of $2.26.
- Construction at Guelb Moghrein is nearing completion with commissioning to begin in the second quarter.
- Kansanshi's four million tonne sulphide circuit expansion is now complete.
- A doubling of concentrate stockpiles from year end to 8,272 tonnes of contained copper.

For further information on the Company, reference should be made to Section 2 or its public filings (including its most recently filed AIF) which are available on SEDAR at www.sedar.com. Information is also available at the Company's website at www.first-quantum.com. In addition, reference should be made to the Risk Factors section contained in the Company's most recently filed AIF. The following interim information is prepared in accordance with Canadian GAAP and denominated in United States dollars, unless otherwise noted.

2. Company Overview

First Quantum Minerals Ltd. (the "Company") is a Canadian mining company whose principal activities include mineral exploration, development, mining, and the production of London Metal Exchange (LME) grade "A" copper cathode, copper in concentrate, gold and sulphuric acid. The discussion and analysis contained in this MD&A follows the reporting segments as described in the Company's most recent annual financial statements.

The 80% owned Kansanshi operation is located near Solwezi, in Zambia and produces grade "A" copper cathode and copper in concentrate. The concentrate produced also includes a gold credit. The Kansanshi operation consumes acid from the Bwana/Lonshi operation's Solwezi acid plant located on the same site. The wholly owned Bwana/Lonshi operation includes the open pit mine at Lonshi located in the Democratic Republic of Congo (DRC) and the Bwana processing plants located in Zambia. The Bwana/Lonshi operation produces grade "A" copper cathode and also includes three acid plants that manufacture sulphuric acid. Two of these plants are located at Bwana while the other plant is located at the Kansanshi site near Solwezi.

Also in Zambia, the Company owns the Kashime Copper Prospect and also has an effective 16.9% interest in Mopani Copper Mines Plc (Mopani).

In the DRC, the Company is currently developing its Frontier project. In addition, its wholly owned subsidiary, Comisa, has the exclusive exploration rights over 37 exploration permits with a total surface area of 11,000 square kilometers in the DRC. The Company is also in the process of completing construction of its Guelb Moghrein Copper-Gold Project in Mauritania in which it has an 80% interest.

In May 2006 the Company acquired 71% of Adastra, an international mining company that has interests in several mineral assets in Central Africa including the Kolwezi Tailings project in the DRC.

3. 2006 First Quarter Discussion

Consolidated Revenue

First quarter revenues were $187.2 million, which included copper revenues of $182.4 million ($120.4m Kansanshi and $62.0m Bwana/Lonshi) and gold revenues of $4.6 million. Copper revenues at Kansanshi comprised $84.8 million from copper cathodes and $35.6 million from copper concentrates. Copper revenues increased from the comparative period in 2005 due to an increase in both the market price for copper and a 243% increase in copper production.

Table 1: Q1 Revenue Statistics

	2004	2005	2006
Revenues (millions)			
Copper	$22.1	$38.2	$182.4
Gold	-	-	4.6
Acid	3.2	-	0.2
Total Revenue	$25.3	$38.2	$187.2
Gross copper selling price (per lb)	$1.06	$1.47	$2.50
Realized copper price (per lb)	$1.03	$1.44	$2.26
Average LME cash copper price (per lb)	$1.24	$1.44	$2.24
Realized gold price (per oz)	-	-	$563
Average gold price (per oz)	$408	$428	$554
Sales Statistics [1]			
Copper (tonnes)	9,693	12,000	36,635
Gold (ounces)	-	-	8,079
Acid (tonnes)	20,763	49	937

(1) Copper sales and production volumes refer to contained copper in either concentrate or cathode.

Copper revenues would have been approximately $17.4 million higher were it not for the requirement to stockpile an additional 4,469 tonnes of copper in concentrate at Kansanshi due to a continued lack of treatment capacity on the Zambian copperbelt until the smelter rebuild at Mufulira is completed. It is currently anticipated that the rebuild will be completed in the second half of this year, which will reduce concentrate stockpiles to normal operational levels by the end of 2006. This concentrate inventory is carried at cost as at March 31, 2006.

The realized copper price was $2.26 per pound for the quarter. The significant increase from 2005 is principally due to the increased market price for copper. The average LME cash copper price for the first quarter was $2.24 versus $1.44 for the first quarter of 2005. The realized copper price is calculated by deducting TC/RCs and freight parity charges from the selling price achieved before realization charges. The gross copper selling price achieved, before realization charges, for the quarter was $2.50 per pound, which was higher than the average LME cash price due to favourable contract pricing terms.

During the first quarter, the Company sold 27,353 tonnes of copper cathode and 9,282 tonnes of contained copper in the form of concentrates.

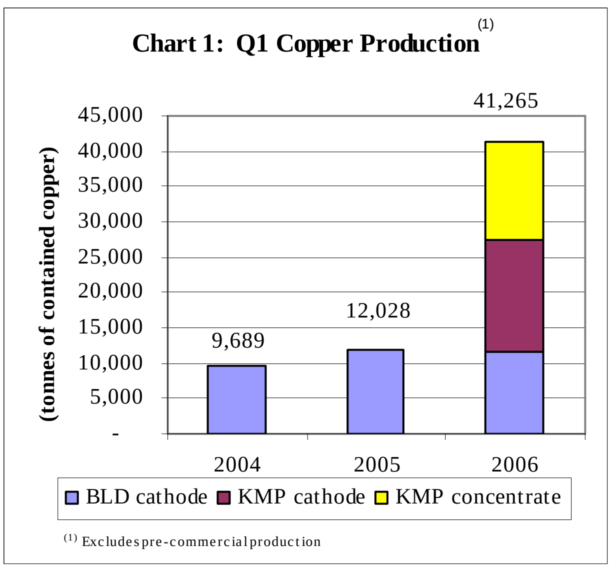
Certain copper sales agreements entered into by the Company call for "provisional pricing" based on the average applicable cash copper price for a specified future monthly period. Included within copper revenue as at March 31, 2006 was 31,506 tonnes of contained copper that has been provisionally priced using a provisional average LME copper price of $2.48 per pound. This equates to approximately $172.3 million worth of total revenue included that may be subject to adjustment as a result of copper price fluctuations between April 2006 and October 2006. The average LME cash price for April 2006 was $2.90 per pound.

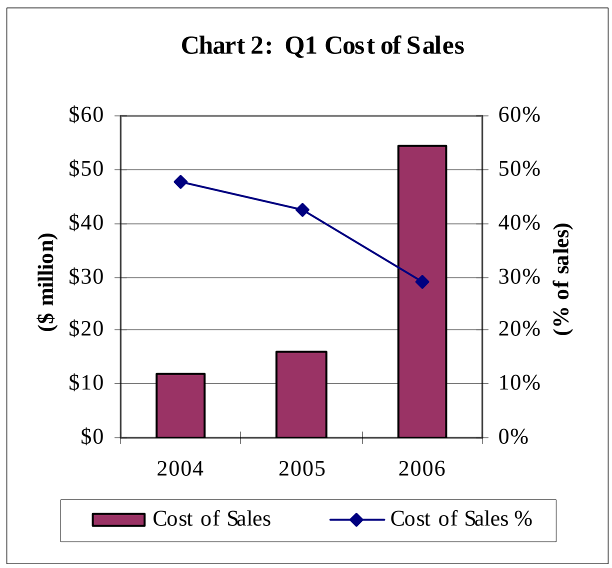
Gold revenues arise from the sale of gold contained in copper concentrates at Kansanshi. Each tonne of concentrate generally contains between 3 and 10 grams of gold for which a net credit is received by the Company after the deduction of the gold realization charges. For the first quarter, gold revenues totalled $4.6 million for 8,079 ounces of gold. The high average realized gold price of $563 per ounce compared to the average gold price of $554 per ounce for the quarter is a result of higher final gold assays being achieved which has resulted in positive revenue adjustments.

In addition, the Company is now using a Falcon concentrator at Kansanshi to allow it to recovery gold from the oxide circuit. At the end of March, 28 tonnes, with a grade of approximately 3,600 grams per tonne gold, of this enriched gold concentrate had been stockpiled, which, at the quarter's average gold prices, has a value of approximately $1.7 million.

Consolidated Cost of Sales and Cash Costs

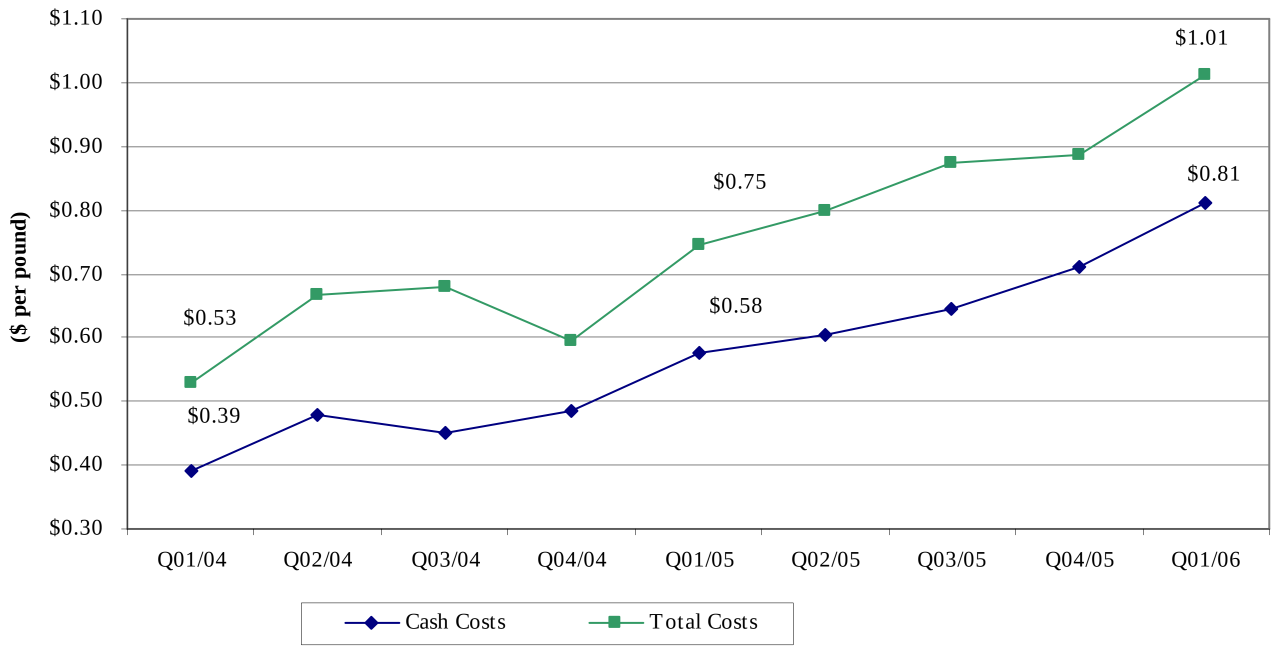
Cost of sales as a percentage of revenue decreased to 29% in the first quarter of 2006. Although unit costs have risen from 2005, the cost of sales has decreased as a percentage of revenue as a result of the rising copper price and the increased proportion of copper concentrate in sales. From an accounting perspective, the further processing costs (TC/RC's) associated with the copper in concentrate are recorded as revenue deductions resulting in the cost of sales for concentrates being significantly lower than that of copper cathode, which is a finished product when sold. A detailed analysis on the cash cost movements is provided in the segmented information that follows the Group discussion.





Copper production was 41,265 tonnes which included 29,547 tonnes from Kansanshi (15,796 tonnes of cathode; 13,751 tonnes of concentrate) and 11,718 tonnes from Bwana/Lonshi. The Company also produced 68,195 tonnes of acid, which represents a 23% increase over the first quarter of 2005 as a result of the inclusion of the Solwezi Acid Plant.

Chart 3: Group Cash Costs



Group cash costs for the first quarter of 2006 have increased from the first quarter of 2005 as a result of higher cash costs at Bwana/Lonshi and the inclusion of production at Kansanshi. The increased costs at Bwana/Lonshi result from the increased mining costs (including the increase in strip ratio in July 2005) and an increase in the cost of oil based consumables. The costs are higher at Kansanshi due to the production of copper in concentrate that requires additional processing by third parties. These processing costs are included in the cash costs. The increase in cash costs for the Group from the fourth quarter of 2005 has occurred as a result of the higher costs associated with mining in the wet season coupled with an increase in processing costs particularly in respect of TC/RC's on concentrate sales at Kansanshi. The appreciation of the Kwacha has also had a negative impact on the Group's cash costs. The Kwacha has appreciated 39% against the US dollar from the first quarter average of 2005 and appreciated 17% from the average of the fourth quarter of 2005. For example, at Bwana/Lonshi, the Kwacha appreciation has caused a rise in cash costs of approximately $0.05 per pound compared with the first quarter of 2005.

Other Expenses and Consolidated Earnings

Depletion and amortization expenses in the first quarter were $12.0 million (2005: $3.9m; 2004: $2.3m). The increase was principally due to Kansanshi achieving commercial production in the second quarter of 2005.

Table 2: Q1 Other Expenses and Earnings

	2004	2005	2006
Other Expenses ($ millions)			
Depreciation and amortization	$2.3	$3.9	$12.0
Exploration	0.4	1.0	2.1
General and administrative	1.1	2.1	3.7
Interest	0.6	0.8	6.2
Other expenses (income)	(0.1)	(0.6)	18.8
Earnings			
Net earnings (millions)	$6.7	$27.2	$54.8
Basic earnings per share	$0.11	$0.44	$0.89
Diluted earnings per share	$0.11	$0.43	$0.86

(1) Copper sales and production volumes refer to contained copper in either concentrate or cathode.

Interest for the quarter was $6.2 million (2005: $0.8m; 2004: $0.6m). The significant increase in interest is due to the previous capitalization of interest costs associated with Kansanshi before commercial production was reached. The interest expense is less than the fourth quarter of 2005 due to loan repayments and a reallocation that occurred in the fourth quarter.

The increase in other expenses to $18.8 million is associated with derivative mark to market losses. As a requirement of the Kansanshi project financing, the Company entered into downside protection on both the copper and gold production. As a result of holding these contracts and other copper options the Company recorded mark to market losses of $18.7 million due to the appreciation of both the copper and gold price. The accounting requirement is to mark to market all open positions to market even if they relate to future periods. Actual cash payments relating to premiums and settlements made during the period were $3.8 million. Reference should be made to section 5 of this MD&A for a full description of derivative instruments.

Net earnings for the quarter increased to $54.8 million or $0.89 per share compared with the first quarter of 2005 net earnings of $27.2 million or $0.44 per share, but were down from the fourth quarter by $2.3 million, part of which can be attributed to the increased derivatives losses mentioned above.

At quarter end, 8,272 tonnes of contained copper in concentrate were recorded as inventory. Based on the official forward copper prices as at March 31 and total cash costs, this inventory would be worth approximately $18.5 million in additional net earnings when sold.

Consolidated Cash Flow

The operating cash inflow for the quarter, before working capital movements, was $105.7 million or $1.71 per share.

Table 3: Q1 Cash Flow Information

	2004	2005	2006
Cash Flows from ($ millions)			
Operating activities			
Before working capital movements	$12.1	$19.7	$105.7
After working capital movements	6.7	22.9	84.6
Financing activities	57.4	24.8	(17.7)
Investing activities	(36.2)	(19.0)	(42.4)
Operating Cash Flow (per share)			
Before working capital movements	$0.21	$0.32	$1.71
After working capital movements	$0.11	$0.37	$1.37

The operating cash inflow after working capital movements was $84.6 million or $1.37 per share. The difference between the before and after non-cash working capital movements can be principally attributed to the increase in accounts receivables due principally to provisional pricing adjustments where final price will be determined at a future date. Consumable stores, ore stockpiles and copper in concentrate all increased, which led to a $16.1 million increase in inventory. Included within the increase of accounts payable was $15.6 million associated with a prepayment for concentrate revenues at Kansanshi. The movement in other payables was offset by an increase in taxes payable.

The cash outflow from financing activities for the quarter was $17.7 million, which included the repayment of $12.3 million in debt in accordance with contracted repayment terms.

The cash outflow from investing activities was $42.4 million as the Company continued its capital investments at Kansanshi, Guelb Moghrein and Frontier.

First Quarter Segmented Information

Table 4: Q1 Selected Segmented Operating and Financial Information

	Kansanshi		Bwana/Lonshi			Guelb
	2005	2006	2004	2005	2006	2006
Costs						
Cost of sales ($ millions)	*N/A*	$30.8	$12.1	$16.2	$23.7	*N/A*
Cost of sales %[1]	-	25	48	42	35	-
Cash Costs (per lb) [2]	-	$0.77	$0.39	$0.58	$0.90	-
Total Costs (per lb) [2]	-	$0.93	$0.53	$0.75	$1.20	-
Production Statistics						
Waste mined (000's tonnes)	1,651	2,588	1,036	2,596	3,241	1,156
Ore mined (000's tonnes)	2,119	1,382	66	152	147	41
Ore grade %	1.7	1.7	5.4	5.3	8.4	0.6
Sulphide ore processed (000's tonnes)	-	782				-
Oxide ore processed (000's tonnes)	-	1,044	209	264	335	-
Sulphide ore grade % processed	-	1.9				-
Oxide ore grade % processed	-	1.7	5.2	5.2	4.0	-
Copper cathode produced (tonnes)	-	15,796	9,689	12,028	11,718	-
Copper in concentrate produced (tonnes)	-	13,751				-
Concentrate grade %[3]	-	29.3				-
Acid produced (tonnes)	-	*N/A*	34,344	55,275	68,195	-

[1] Calculated as a percentage of total revenue. [2] For the definition of cash and total costs, reference should be made to section 7. [3] Refers to contained copper in concentrate.

Kansanshi

During the quarter, 1,382,000 tonnes of ore and 2,588,000 tonnes of waste were mined. In the first quarter, the total material mined declined from the fourth quarter of 2005 from a total of 6,739,000 tonnes to 3,970,000 tonnes. The 41% decrease can be attributed to one of the heaviest wet seasons on record. Although the material mined from the pit was significantly less than the previous quarter, the use of the stockpiles at Kansanshi minimized any disruption to ore feed to the mill. For the first quarter, contained copper production of 29,547 tonnes was comparable to the fourth quarter of 2005. In February, commissioning of the four million tonne sulphide circuit expansion began. The continuing ore hardness also resulted in the mills not achieving full design throughput.

During the quarter, Kansanshi produced 15,796 tonnes of copper cathode at a cash cost of $0.64 per pound and a total cost of $0.80 per pound. Cathode cash costs were up $0.12 per pound principally due to increased ore costs associated with rehandling during the wet season and higher crushing and milling costs with additional mill ball requirement due to the hardness of the ore, higher loads of balls in the mills and higher cost high chrome mill balls. In addition, the unit costs for ore, crushing and milling and leaching costs were up due to a lower processed ore grade, higher acid consumption and the appreciation of the Kwacha. During the quarter, Kansanshi produced 13,751 tonnes of contained copper in the form of concentrates at a cash cost of $0.93 per pound and a total cost of $1.08 per pound. Concentrate cash costs were up $0.06 per pound from the fourth quarter of 2005 as a result of increased ore costs due to rehandling requirements in the wet and lower ore grades ($0.04) and higher TC/RC's ($0.06) and freight charges ($0.05). These were partially offset by an improved gold credit. The increased TC/RC's stem principally from a benchmark 10% price participation clause above a copper price of $0.90 per pound which is added to the refining charges (RC). With the rising LME price of copper, the RC has therefore increased quarter on quarter. This charge is really a reduction against revenue but to comply with industry standards for measurement of cash costs, it is added to unit costs. The additional cost from price participation was $2.5 million in the quarter. The higher freight charge, as discussed in the fourth quarter, arises from the need to use international smelters as an interim measure until the Mufulira smelter upgrade is completed in the second half of this year. The combined cash cost for both concentrate and cathode was $0.77 per pound with a total cash cost of $0.93 per pound.

Bwana/Lonshi

During the first quarter, approximately 147,000 tonnes of ore and approximately 3,241,000 tonnes of waste were mined from Lonshi. The strip ratio for the quarter was 22:1. Lonshi experienced one of the wettest quarters in its history with over 500mm of rain falling in January alone. The ore grade was significantly higher than both Q1 and Q4 of 2005 and was 8.4% for the quarter. The improvement in material mined from the first quarter of 2005 can be principally attributed to the larger mining fleet that was built up during the course of 2005.

During the first quarter, copper production was 11,718 tonnes. Cash costs were $0.90 per pound and total costs were $1.20 per pound of copper. Cash costs at Bwana/Lonshi have risen $0.06 per pound from the previous quarter due to increases in both ore costs and processing costs. Ore costs are up $0.02 per pound from quarter four 2005 and have been impacted by the increasing price of fuel, the appreciation of the Kwacha and lower mining fleet utilization as a result of mining during the wet season. These costs have been partially offset by the higher ore grade being processed as a result of the improved ore grades out of the pit. Processing costs have increased by $0.03 per pound from quarter four 2005 as a result of the appreciation in the Kwacha and an increase in oil based consumables and sulphur. The improved ore grade processed and reduction in gangue acid consumption have helped offset these increases.

Overall the appreciation of the Kwacha has added approximately $0.05 per pound to the cash costs since the first quarter of 2005 and approximately $0.03 per pound to the cash costs since the fourth quarter.

Acid production increased to 68,195 tonnes, of which 31,769 tonnes were produced at Ndola and 36,426 tonnes at Solwezi. Of the total acid produced, 937 tonnes were sold externally, 36,504 tonnes consumed at Kansanshi with the balance consumed at Bwana/Lonshi.

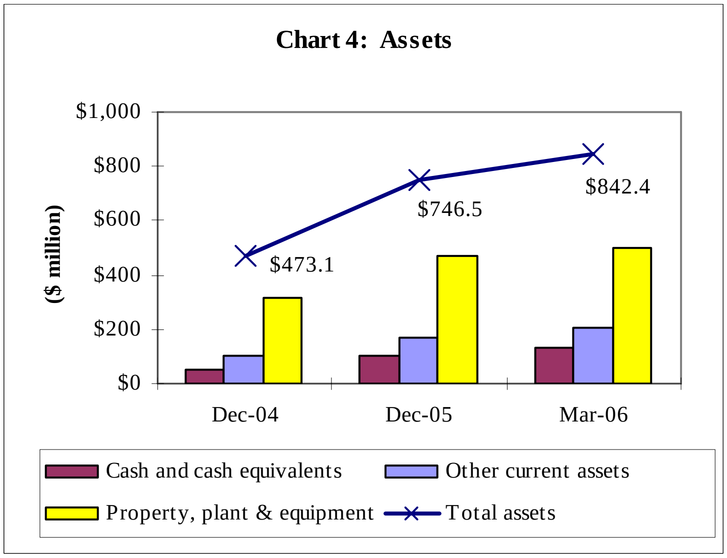
Guelb Moghrein

Guelb Moghrein is located 250 kilometres northeast of the nation's capital, Nouakchott, near the town of Akjoujt, in Mauritania. It consists of an open pit mineable copper/gold deposit. In January 2005, the detailed design and engineering contract was awarded with site establishment commencing in March 2005. Logistical and supply difficulties in Mauritania have delayed the commissioning from the first quarter of 2006 until the second quarter of 2006, with commercial production now expected in the third quarter of 2006. Production will be initially targeted at approximately 30,000 tonnes of copper in concentrate and 70,000 ounces of gold per year.

Detailed design is now complete. Site civil works and structural steel erection are complete and final equipment installation is now in progress. During the fourth quarter of 2005, the Environmental and Social Impact Assessment ("ESIA") report was reviewed by the Ministry of Mines and Industry in Nouakchott and was found to contain no serious flaws. A provisional mining license was issued in late-December, with final approval of the ESIA and a final mining license to be granted once a reclamation plan is submitted and bonding put in place.

During the quarter, 41,000 tonnes of sulphide ore and 1,156,000 tonnes of waste were mined. As at March 31, 2006, the Company had capitalized acquisition and development costs totalling $77.7 million (2005: $66.0m). Included within this figure are acquisition costs of $9.9 million.

4. Balance Sheet Discussion



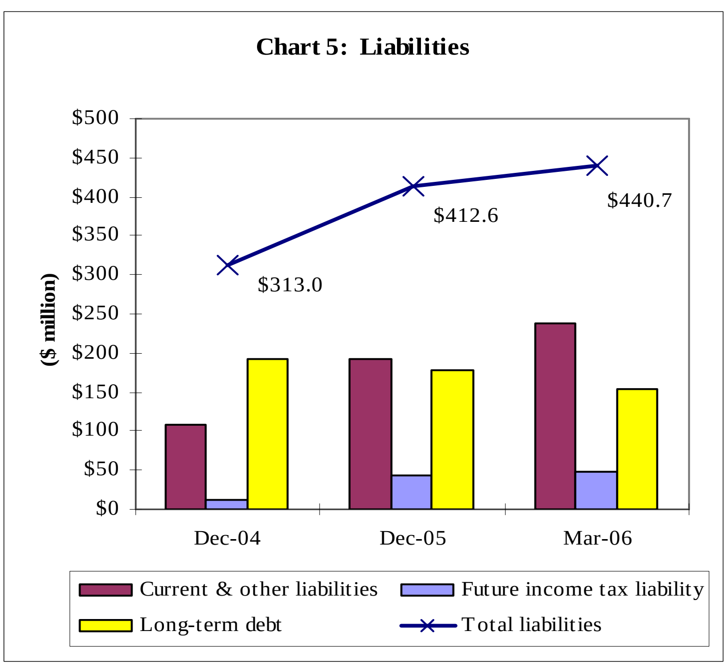
Assets

At March 31, 2006, the Company had cash and cash equivalents of $107.5 million. The strong cash flow from operations of $84.6 million has been partially utilized by the Company's continuing investment in its capital projects. In addition, the Company had $24.6 million in restricted cash that is being held for sinking fund requirements on debt repayment. The increase in other current assets of $65.6 million was principally due to the increase in accounts receivable and inventory. Inventory increased 27% from December 31, 2005 as a result of higher levels of consumable stores, ore in stockpiles and finished inventory. As at March 31, 2006 the Company had approximately 8,272 tonnes of contained copper in concentrate, an increase of 4,469 tonnes from 2005 year end. Based on the forward copper prices as at the end of the quarter and contract terms this would have an approximate sales value of $32.2 million.

The net increase in property, plant and equipment of $31.9 million is due to the Company's continuing investment in projects such as Guelb Moghrein, Frontier and the upgrades at Kansanshi including the High Pressure Leach project less the depreciation charge for the quarter.

Total other assets and deferred charges were $29.4 million, which is principally composed of deferred financing fees of $10.9 million (2005: $11.6m; 2004: $7.5m), long-term prepayment to Zesco of $8.9 million (2005: $9.3m; 2004: $10.6m), deferred stripping asset of $7.8 million (2005: $7.8m; 2004: $1.9m), and a future income tax asset of $1.8 million (2005: $2.6m; 2004: $0.0m). For a complete explanation of the fair value of derivatives, reference should be made to section 5 of this MD&A.

Liabilities



The increase in current liabilities from December 31, 2005 can be attributed to the recognition of $15.6 million, a prepayment against future sales, and an increase in the current portion of long-term debt, coupled with an increase in current taxes payable. These movements have partially been offset by a reduction in accounts payable. Included with current liabilities is $28.1 million in current taxes payable arising from taxable profits at both the Kansanshi and Bwana/Lonshi operations. At current copper prices it is expected that Kansanshi will commence paying income taxes in 2006. The Bwana/Lonshi operation commenced paying income taxes in 2005.

The total long-term debt decreased by $11.3 million as a result of debt repayments of $12.1 million less a slight increase due to movements in currency rates on translation of the Kansanshi EIB facility.

Table 5: Total Long-term Debt			
($ millions)	2004	2005	2006
Debt	**Dec 31**	**Dec 31**	**Mar 31**
Kansanshi	$164.9	$207.3	$198.6
Bwana/Lonshi	49.4	27.5	24.9
Other	0.2	0.2	0.2
Total	214.5	235.0	223.7
Less restricted cash	1.9	20.2	24.6
Net long-term debt	212.6	214.8	199.1

Other liabilities consisted of the long-term portions of unrealized fair value of derivatives ($21.3 million), deferred premium obligations associated with copper derivatives ($6.3 million), and other deferred payments/obligations ($12.4 million).

The Company is currently documenting a commercial revolving term debt facility for $400.0 million that will be used to restructure the Company's existing project based debt, provide debt finance for the Frontier project and provide a revolving facility to be used for general corporate purposes. Integral to this new facility the Company entered into a $22.0 million bridge facility with Fortis Bank which was used to repay the Banque Belgolaise and Export Development Bank of Canada facility and the Banque Belgolaise facility in April 2006.

Shareholders' Equity

As at March 31, 2006, the Company had $169.1 million in common shares and contributed surplus. During the period, there was only minimal activity through the equity accounts, generally limited to the exercising and expensing of stock options.

As at March 31, 2006, the Company had 62,119,628 common shares outstanding and 2,650,000 options outstanding.

Table 6: Financial Position – Equity			
	2004 Dec 31	**2005 Dec 31**	**2006 Mar 31**
Equity accounts ($ millions)	$161.8	$166.6	$169.1
Retained earnings ($ millions)	$(4.0)	$144.8	$199.6
Shareholders' equity ($ millions)	**$157.8**	**$311.4**	**$368.7**
Weighted average # shares (000's)	60,123	61,498	61,808
Diluted weighted average # shares (000's)	61,235	63,011	63,400
Outstanding # shares (000's)	61,239	61,674	62,120
Cash dividends declared per share (CA$)	-	0.08	-
Working capital ($ millions)	33.9	76.2	102.0

Dividends

In December 2005, the Company declared that the 2006 dividend would be no less than 10% of after tax profits. Consistent with this policy, the Company has declared a final dividend of CA$0.265 per share (26.5 Canadian cents) payable to shareholders as of April 19, 2006 (the record date). This payment was made on May 10, 2006.

Working capital

As at March 31, 2006, the working capital of the Company was $102.0 million (2005: $76.2m; 2004: $33.9m).

Contractual Obligations

Table 7: Payments Due by Period							
($ millions)	**Total**	**Less than 1 year**	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 – 5 years**	**Thereafter**
Term debt	223.7	70.0	31.2	27.1	35.0	24.9	35.5
Deferred payments	11.4	8.7	0.4	0.4	0.4	0.4	1.1
Commitments							
Asset retirement obligations	4.2	0.2	0.2	1.6	-	-	2.2

Under the terms of the Guelb Moghrein development agreement announced on July 14, 2004, the Company has already paid $5.0 million to Guelb Moghrein Mines D'Akjouit PLC and General Gold Limited and conditionally agreed to pay a further $5.0 million, 24 months after the earlier of the completion date or upon achieving commercial production. The completion date was November 2004 and the final payment has been recorded at a discounted value as there is no interest payable on these amounts. As at March 31, 2006 the discounted value was $4.9 million (2005: $4.8m). Contractual obligations above for term debt are based on the current debt facilities and are likely to change under the proposed $400.0 million facility.

5. Other Matters

Frontier Copper Deposit, DRC

In May 2004, the Company announced the results of an independent copper-cobalt resource estimate completed at Frontier project located in Haut Katanga Province, DRC.

As at March 31, 2006, the Company had capitalized $16.0 million (2005: $9.9m) on this project. The current scoping study envisages an average annual production of 80,000 tonnes of contained copper. In January 2006, the Frontier Environmental Impact Assessment and Environmental Management Plan were formally approved by the Congolese Ministry of Mines and the Exploitation Permit was granted in February 2006.

At Frontier, the scoping study is almost complete and will then be published.

Kashime Copper Prospect, Zambia

A preliminary inferred oxide resource has been completed by independent consultants, Digital Mining Services, and in February 2006, a program of combined reverse circulation and diamond drilling was initiated to improve definition. A programme of induced polarization is now underway which will be carried out over the eastern and central portion of the target where significant copper sulphides have been intersected at depth in some holes.

During the first quarter ended March 31, 2006, the Company expensed $2.1 million (2005: $1.0m; 2003: $0.4m) on other exploration targets that were predominantly located within the DRC and Zambia. Of this amount, $0.2 million was related to the Kashime Copper Prospect. As at March 31, 2006, no costs associated with this exploration property have been deferred.

Kibamba Copper Prospect, DRC

On March 27, 2006, the Company announced a new discovery at its Kibamba copper prospect in the DRC. A total of the 25 reverse circulation drill holes totalling 2,430 meters and 9 diamond drill holes totalling 1,863 meters were drilled between October and December 2005. Highlights from the 25 hole drill program included 80 meters grading 2.20% copper and 0.25% cobalt. Results for the diamond drill holes will be announced in due course.

Investments – Carlisa

The Company holds an 18.8% interest in Carlisa Investment Corp. (Carlisa), which holds a 90% interest in Mopani. The carrying value of this investment as at March 31, 2006 is $9.5 million. There has been no movement in this investment since 2002. In the first quarter of 2006, Mopani produced approximately 38,000 tonnes of finished copper and 400 tonnes of cobalt. In a recent, Reuters dispatch, Tim Henderson, Mopani's CEO forecasted "copper production to rise to 200,000 tonnes in 2006." The increase in forecasted copper production can be attributed to capital upgrades at the mine including the construction of a new smelter at Mufulira, which will increase its handling capacity from 420,000 tonnes to 650,000 tonnes of copper concentrate per year. The smelter is expected to be completed and operating during the middle of 2006. As at December 31, 2005, Mopani had total assets over $700.0 million. As the majority owner of Mopani is a private company not registered in Zambia, only limited public information is available.

Adastra Offer

On May 1st, 2006 the Company announced that it had successfully acquired control of Adastra through the acquisition of 71% of Adastra's fully diluted common shares for cash consideration of approximately $29.3 million and the issuance of approximately 3.5 million common shares of the Company. The Company will immediately begin taking steps to acquire the remaining common shares of Adastra pursuant to a second stage transaction, which is expected to be completed as soon as practicable and, in any event, by early July 2006.

Adastra is an international mining company that is currently developing several mineral assets in Central Africa including the Kolwezi tailings project in the DRC. Effective May 2006, the Company will consolidate its investment in Adastra, which will result in the addition of a minority interest (from the remaining Adastra shareholders) on the balance sheet of the Company until such time as the second stage transaction is completed.

Seasonality

The Company's results as discussed in this MD&A are subject to the seasonal aspects in particular the wet season in DRC and Zambia. The wet season in the DRC and Zambia generally starts in November and continues through until April, with the heaviest rainfall normally experienced in the months of January, February and March. As a result of the wet 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 also higher. In addition, the Company's exploration program is generally curtailed during the wet season due to site access issues.

Financial Instruments

From time to time, to satisfy the requirements of its lending institutions, the Company enters into derivative instruments to reduce the risk exposure to copper and gold prices, foreign currency, and interest rate movements. These instruments consist of forward and option contracts, interest rate protection contracts, and foreign currency protection contracts.

For copper and gold forward put option contracts, fair values were calculated using spot and forward prices and volatilities. For interest rate protection contracts, fair values were determined using market interest rates. For foreign currency protection contracts, fair values were determined using the exchange rate at quarter-end. All changes in fair value of derivatives related to Kansanshi were capitalized as preproduction costs up to April 19, 2005. Any changes in fair value subsequent to April 19, 2005 have been recorded as other expenses.

The put options offer downside protection while allowing the Company to participate in 100% of the copper and gold price appreciation above the put option strike prices up to the level of any call options that have been sold.

As at March 31, 2006, the following derivative positions were outstanding:

Table 8: Derivative Positions

	2006	2007	2008	2009	Total	Fair Value
Copper (i)						($000's)
Put options (tonnes)	38,583	86,016	-	-	124,599	$0
Price ($/tonne)	$1,800	$1,800	-	-		
Options (collar) (tonnes)	22,500	-	-	-	22,500	$(6,788)
Average upper price ($/tonne)	5,233	-	-	-		
Average lower price ($/tonne)	4,150	-	-	-		
Gold (ii)						
Put options (oz)	18,738	37,380	24,060	38,028	118,206	$67
Price ($/oz)	$350	$350	$350	$350		
Forward Contracts (oz)	18,738	37,380	24,060	38,028	118,206	$(25,991)
Price ($/oz)	$400	$400	$400	$400		
Other (iii)						
Interest rate swaps						$260
Cross currency swaps						$(1,810)

Overview

The first quarter of 2006 saw significant movements in both the LME copper price and gold, with copper up $0.43 per pound from December to close at $2.51 per pound and gold up $69 per ounce from December to close at $582 per ounce. This significant price appreciation has resulted in mark to market losses being recorded on the Company's open copper and gold positions of $18.7 million. Included within these losses are actual cash payments of $3.8 million.

Copper Financial Instruments

In 2004, the Company was required to enter into copper put option contracts related to its expected copper production at Kansanshi, to satisfy lending requirements. Upon entering into these contracts, the Company assumed a premium obligation of $21.0 million which is due and payable between January 2005 and December 2007. As at March 31, 2006, there were put option contracts for 124,599 tonnes of copper outstanding with a premium obligation of $13.1 million.

In 2005 and 2006, the Company entered into copper collar contracts. Upon entering into these contracts, the Company assumed a premium obligation of $2.1 million, which is due and payable between January 2006 and December 2006.

As at March 31, 2006, there were copper collar contracts for 22,500 tonnes of copper outstanding with a premium obligation of $1.4 million.

Gold Financial Instruments

In 2004, the Company was also required to enter into put option contracts related to its gold production at Kansanshi, to satisfy lending requirements. To cover the cost of these put option contracts, the Company has also entered into contingent gold forward contracts of the same volume.

Other Financial Instruments

The Company has entered into cross-currency principal and interest rate swaps to hedge the Euro interest and principal payments on the Kansanshi EIB facility.

6. Outlook

As of March 31, 2006, due to the continued lack of smelter capacity on the Zambian Copperbelt the Company had stockpiled approximately 8,272 tonnes of contained copper in concentrates. Stockpiling of a portion of Kansanshi concentrates will continue during the second quarter of 2006. Upon completion of Mopani's Mufulira smelter expansion in the second half of 2006, the stockpiled concentrates will begin to be treated. All stockpiled concentrates are expected to be treated by the end of 2006. As a result, the Company's copper production, revenues, cash flow and earnings should be higher in the second half of 2006 compared to the first half.

During the first quarter cash costs at both Kansanshi and Bwana/Lonshi were higher than forecast. Typically cash costs are higher during this period due to seasonal factors in particular the impact of operating in the wet season. Furthermore, Kansanshi unit costs have been impacted by higher spot TC/RC's and freight charges. If copper prices remain at current levels unit cash costs will continue to be impacted from price participation contained in the refining charges (RC) which rise and fall based on the price of copper. Cash costs are expected to improve when the Mufulira smelter begins processing all Kansanshi's concentrate as TC/RC terms are based on longer term benchmarks and the freight credit will be substantially reduced.

For the full year of 2006, the Company still expects to produce about 200,000 tonnes of copper (a 68% increase over 2005 copper production) which includes 140,000 to 145,000 tonnes from Kansanshi, 45,000 to 50,000 tonnes from Bwana/Lonshi and 15,000 tonnes from Guelb Moghrein. In addition, the Company expects to produce 75,000 ounces of gold which includes 40,000 ounces from Kansanshi and 35,000 ounces from Guelb Moghrein. Group cash costs are expected to be in the range of $0.72 to $0.77 before any effect of price participation on refining costs.

During April, Kansanshi produced 12,734 tonnes of copper which included 5,503 tonnes of copper cathode and 7,231 tonnes of copper in concentrate. The four million tonne sulphide circuit expansion is complete. Name plate treatment capacity at Kansanshi now stands at eight million tonnes of sulphide ore per year, while oxide treatment capacity remains four million tonnes per year. Design throughputs are expected to be an average of 12,300 tonnes of copper per month which includes 6,000 tonnes of copper cathode and 6,300 tonnes of copper in concentrate. Cash costs for 2006 are forecast in the range of $0.71 to $0.77 per pound of copper before any effect of price participation on refining costs.

At Kansanshi the Company is investing in a High Pressure Leach (HPL) facility to treat a portion of the increased copper concentrate production. The main components of HPL project are two autoclaves, an oxygen plant and an additional 35,000 tonne per annum solvent extraction and electrowinning (SX/EW) facility. The main equipment for the autoclave and oxygen plants has been successfully relocated from Turquoise Ridge in Nevada, USA and all of the equipment is now either on site or undergoing refurbishment in South Africa. Two autoclave vessels have been installed on their foundations at Kansanshi. Detailed design work for the HPL project has been completed, and construction is well underway. Site civil works for the project are complete. All identified project materials have been ordered and the majority of these have arrived on site.

The SX/EW plant areas are close to completion, and pre commissioning of these areas will commence in June.

The structural, plate work and mechanical installation associated with the autoclave and oxygen plant areas are advanced. Piping and electrical installation works are underway. Construction of the HPL project is expected to be completed such that pre-commissioning and commissioning will begin in September / October 2006. The total capital cost is budgeted at $89 million including an upgrade to the Zesco power supply and increased working capital.

During April 2006, Bwana/Lonshi produced 4,505 tonnes of copper cathode. Cash costs for 2006 are forecast in the range of $0.76 to $0.83 per pound of copper. The Company is currently assessing the alternative and most beneficial uses for the Bwana processing plant after the Lonshi ore has been exhausted. In 2006, the Company also anticipates that it will process external ore purchased from third parties, to exploit the full production capacity at Bwana. This occurs for example during periods of heavy rain, and increases the ore costs.

At Guelb Moghrein, with completion of the detailed design and construction nearing completion, commissioning is expected to begin in the second quarter. Commercial production is then expected to begin in the third quarter. The Company remains unable to release an engineering report as the Company is not treating the current resource statement as compliant with National Instrument 43-101.

At Frontier, the scoping study is almost complete and will then be published.

A large exploration program will begin in May with several drilling programs targeting prospects identified in 2005 including Kashime and Kibamba.

7. Non-GAAP Measures, Critical Accounting Policies and Other

Non-GAAP Measures

Calculation of Cash and Total Costs

The consolidated cash (C1) and total (C3) costs presented for the Company are a non-GAAP measure that is prepared on a basis consistent with the industry standard Brooke Hunt definitions. However, the segmented cash and total costs were prepared on a basis which differs from the Brooke Hunt definitions. 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. This means that the cash costs at the Bwana/Lonshi division include a credit for acid produced from the Solwezi acid plant. The calculation of the cash costs therefore include credits for both acid plants located at Ndola and the acid plant located at Solwezi.

For the purposes of calculating the cash costs at Kansanshi, TC/RCs that are normally deducted from concentrate revenues are added to the cash costs in an attempt 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 treatment and refining charges.

Cash costs therefore include all mining and processing costs less any profits from by-products such as gold or acid, that are allocated to that segment. In addition, 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, realized foreign exchange and site administration costs.

The cash and total costs per pound presented in this MD&A have only been calculated post commercial production, therefore any costs and production prior to commercial production have not been considered in determining the cash and total costs of the consolidated group or segments.

Reconciliation of Cash Costs to Cost of Sales

The following describes the relationship between the cost of sales per the statement of earnings and deficit to the cash costs described in section 2. By multiplying group cash costs ($0.81 per pound / $1,785 per tonne) by the units sold (36,635 tonnes), a cash cost of sales can be determined based on unit costs. From this figure, realization charges (TC/RCs and freight credits on concentrate) are deducted. The realization charges are approximated by deducting the net realizable copper price ($2.26 per pound) from the gross copper selling price ($2.50 per pound). This equates to realization charges of approximately $0.24 per pound, by subtracting approximately $0.07 per pound to estimate freight credits on cathode (not a cash cost), this arrives at $0.17 per pound. This multiplied by the units sold approximates the dollar realization charges. The dollar realization charges plus the gold and acid credits can then be deducted from the cash cost of sales to arrive at the reconciled cost of sales figure per the statement of earnings and deficit.

Critical Accounting Estimates

In preparing the financial statements, management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Specifically, estimates and assumptions are made in regards to reserve and resource estimation; future copper, cobalt, sulphuric acid and gold prices; foreign currency exchange rates; stock prices; estimated costs of future production; changes in government legislation and regulations; estimated future income tax amounts; and the availability of financing and various operational factors.

Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management. The following section outlines those critical accounting policies that have changed since the filing of the Company's 2005 Audited Financial Statements or that are particularly relevant to the current year.

Critical Accounting Policies

Mineral properties and deferred exploration costs

The Company expenses exploration and associated costs relating to non-specific projects/properties in the period they are in incurred. For specific properties or projects any acquisition, exploration, or development costs are deferred until the project to which they relate is sold, abandoned, impaired or placed into production. Property acquisition and mine development costs, including costs incurred during production to expand ore reserves within existing mine operations, are deferred and depleted on a units-of-production basis over proven and probable reserves.

Management's estimates of mineral prices, recoverable proven and probable reserves, and operating, capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

The Company performs impairment tests on property, plant and equipment and mineral properties when events or circumstances occur which indicate the assets may not be recoverable. Where information is available and conditions suggest impairment, estimated future net cash flows for each project are calculated using estimated future prices, proven and probable reserves, and operating, capital and reclamation costs on an undiscounted basis where estimated future cash flows are less than the carrying value, the project is considered impaired. Reductions in the carrying value of each project would be recorded to the extent the net book value of the investment exceeds the discounted estimated future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered.

Pre-production costs

Determination of the start of commercial production is an important consideration as during the development phase costs will continue to be capitalized / deferred while during the production phase these costs would be treated as operating expenses. As noted in the Company's financial statements, the Company defers all production costs and revenues until such a time that the project achieves commercial production.

The exercise of assessing when commercial production levels are achieved is not straight-forward and requires consideration of many factors including, but not limited to, when: a nominated percentage of design capacity for the mine and mill has been achieved; mineral recoveries reaching or exceeding expected levels; and the achievement of continuous production. The Company, when evaluating whether or not commercial production has been achieved, will generally consider that commercial production has been achieved when between 65% and 70% of design capacity has been achieved continuously for a period of at least a week and recoveries are approaching expected levels. Notwithstanding, each project is also viewed in isolation and specific circumstances may exist that alter the above general framework on any individual project.

Income taxes

The Company uses the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years. The amount of future tax assets recognized is limited to the amount that is more likely than not to be realized.

The determination of the Company's tax expense for the year and its future tax liabilities and assets involves significant management estimation and judgement involving a number of assumptions. In determining these amounts management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of future tax assets and liabilities. Management also makes estimates of the future earnings which affect the extent to which potential future tax benefits may be used. The Company is subject to assessment by various taxation authorities which may interpret tax legislation in a manner different from the Company. These differences may affect the final amount or the timing of the payment of taxes. When such differences arise the Company makes provision for such items based on management's best estimate of the final outcome of these matters.

Future Changes in Accounting Policies

Deferred Stripping Accounting

The Emerging Issues Committee (EIC) of the CICA has issued EIC – 160 Stripping Costs Incurred in the Production Phase of a Mining Operation, on deferred stripping. The conclusion is that the nature of stripping costs should be assessed and certain costs arising from the expansion of ore reserves at a mine due to a change in mine plan may be considered a "betterment" of existing mine assets, resulting in capital asset treatment. All costs of an operating nature must be included in inventory as incurred. This will increase the volatility of the Company's operating costs and financial performance, which will be commented on as appropriate in future periods.

In March 2006, the EIC finalized the deferred stripping abstract. The Company will be required to adopt the provisions of this EIC on either a retroactive or prospective basis effective July 1, 2006. Management is currently considering the impact of this change in accounting practice and will adopt it as required in the first quarter of 2007.

Financial Instruments

The CICA has introduced new financial instrument standards, which will more comprehensively address when to recognize financial instruments on the balance sheet, how to measure them, how to account for gains and losses, and when and how to apply hedge accounting. The new standards are Section 1530, Comprehensive Income, Section 3855, Financial Instruments – Recognition and Measurement, and Section 3865, Hedges. The mandatory effective date for Sections 1530, 3855 and 3865 will be for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Management is currently considering the impact of these new standards and will evaluate their impact prior to the 2006 year end.

Forward Looking Statements

Certain information contained in the Management's Discussion and Analysis constitutes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and forward-looking information under applicable Canadian securities legislation. Such forward-looking statements or information, including but not limited to those with respect to the prices of gold, copper, cobalt and sulphuric acid, estimated future production, estimated costs of future production, the Company's hedging policy and permitting time lines, involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Such factors include, among others, the actual prices of copper, gold, cobalt and sulphuric acid, the factual results of current exploration, development and mining activities, changes in project parameters as plans continue to be evaluated, as well as those factors disclosed in the Company's documents filed from time to time with the Alberta, British Columbia, and Ontario Securities Commissions, the Autorité des marchés financiers in Quebec, the United States Securities and Exchange Commission and the Alternative Investment Market operated by the London Stock Exchange.

8. Summary of Quarterly Results

The following table sets out a summary of the Quarterly for the Company for the last eight quarters:

Table 9: Summary of Quarterly Results (unaudited)

Statement of Operations and Deficit	2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Q1
(millions, except where indicated)								
Total revenues	$26.3	$31.2	$30.7	$38.2	$86.5	$143.0	$176.9	$187.2
Cost of sales	13.1	14.1	14.5	16.2	35.0	53.8	46.9	54.5
Depreciation and amortization	3.0	2.6	3.0	3.9	6.9	12.5	13.2	12.0
Exploration	0.6	1.1	1.0	1.0	1.1	1.5	3.8	2.1
General and administrative	1.5	1.4	2.2	2.1	2.2	2.5	2.9	3.7
Interest	0.9	0.8	0.7	0.8	3.4	5.8	9.3	6.2
Other expenses (income)	0.6	(0.3)	(0.9)	(0.6)	(1.7)	5.9	13.5	18.8
Income taxes	2.6	3.7	2.0	3.7	7.2	14.8	19.9	24.6
Minority interests	-	-	-	-	3.3	6.8	10.2	10.5
Equity earnings	0.2	0.1	1.0	-	-	-	-	-
Net earnings	4.1	7.9	9.3	27.2	29.0	39.5	57.1	54.8
Basic earnings per share	$0.07	$0.13	$0.16	$0.44	$0.47	$0.64	$0.93	$0.89
Diluted earnings per share	$0.07	$0.13	$0.15	$0.43	$0.46	$0.63	$0.90	$0.86
Gross copper selling price (per lb)	$1.14	$1.19	$1.23	$1.47	$1.53	$1.77	$2.09	$2.50
Realized copper price (per lb)	$1.11	$1.16	$1.20	$1.44	$1.42	$1.58	$1.97	$2.26
Average LME cash copper price (per lb)	$1.26	$1.24	$1.40	$1.44	$1.54	$1.71	$1.95	$2.24
Realized gold price (per oz)	-	-	-	-	$427	$482	$467	$563
Average gold price (per oz)	$393	$401	$434	$427	$427	$440	$485	$554
Total copper sold (tonnes)(2)	19,299	1,674	10,872	12,000	26,535	39,864	40,203	36,635
Total copper produced (tonnes) (3)	9,585	11,330	10,942	12,028	28,673	36,196	42,220	41,265
Total gold sold (ounces)	-	-	-	-	1,370	7,130	5,766	8,079
Total acid sold (tonnes)	19,149	16,884	9,664	49	14,939	7,120	219	937
Cash Costs (C1) (per lb) (1)	$0.48	$0.45	$0.48	$0.58	$0.60	$0.64	$0.71	$0.81
Total Costs (C3) (per lb) (1)	$0.67	$0.68	$0.59	$0.75	$0.80	$0.87	$0.89	$1.01
Financial Position (millions)								
Working capital	$28.0	$51.8	$33.9	$61.4	$47.1	$32.2	$76.2	$102.0
Total assets	$276.4	$385.0	$473.1	$523.1	$561.9	$641.5	$746.5	$842.4
Weighted average # shares (000's)	59,434	60,668	60,942	61,267	61,499	61,583	61,639	61,808
Cash Flows from (millions)								
Operating activities								
Before working capital movements	$11.5	$12.9	$9.8	$19.7	$43.0	$81.1	$101.0	$105.7
After working capital movements	10.8	10.4	2.9	22.9	2.3	69.8	115.5	84.6
Financing activities	16.5	76.6	49.0	24.8	(22.8)	(5.1)	(1.6)	(17.7)
Investing activities	(47.7)	(69.7)	(52.5)	(19.0)	(2.3)	(57.8)	(94.4)	(42.4)
Cash Flows from Operating activities per share(3)								
Before working capital movements	0.19	0.21	0.16	0.32	0.70	1.32	1.64	1.71
After working capital movements	0.18	0.17	0.05	0.37	0.04	1.13	1.87	1.37
Kansanshi Production Statistics								
Mining:								
Waste mined (000's tonnes)	-	1,175	2,857	1,651	3,185	6,064	5,240	2,588
Ore mined (000's tonnes)	-	-	1,346	2,119	2,050	1,621	1,499	1,382
Ore grade %	-	-	2.4	1.7	2.0	2.0	1.9	1.7
Processing:								
Sulphide Ore processed (000's tonnes) (3)	-	-	-	-	434	507	580	782
Oxide Ore processed (000's tonnes) (3)	-	-	-	-	696	955	1,039	1,044
Contained copper (tonnes) (3)	-	-	-	-	19,917	27,510	30,934	32,213
Sulphide ore grade % processed	-	-	-	-	2.0	2.0	2.0	1.9
Oxide ore grade % processed	-	-	-	-	1.8	1.8	1.9	1.7
Recovery % (3)	-	-	-	-	86	84	96	92
Copper cathode produced (tonnes) (3)	-	-	-	-	8,802	14,395	18,324	15,796
Copper in concentrate produced (tonnes) (3)	-	-	-	-	8,154	8,670	11,234	13,751
Concentrate grade %	-	-	-	-	28.9	29.5	28.7	29.3
Costs:								
Cost of sales (millions)	-	-	-	-	$16.8	$25.6	$18.9	$30.8
Cost of sales %	-	-	-	-	37	29	15	25

Table 9: Summary of Quarterly Results (unaudited) (continued)

	2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Q1
Kansanshi Production Statistics (continued)								
Combined Cash Costs:								
Cash Costs (per lb) (1)	-	-	-	-	$0.63	$0.59	$0.65	$0.77
Total Costs (per lb) (1)	-	-	-	-	$0.80	$0.80	$0.76	$0.93
Cathode Cash Costs:								
Cash Costs (per lb) (1)	-	-	-	-	$0.61	$0.52	$0.52	$0.64
Total Costs (per lb) (1)	-	-	-	-	$0.80	$0.73	$0.63	$0.80
Concentrate Cash Costs:								
Cash Costs (per lb) (1)	-	-	-	-	$0.65	$0.71	$0.87	$0.93
Total Costs (per lb) (1)	-	-	-	-	$0.81	$0.90	$0.98	$1.08
Revenue ($000's)								
Copper cathodes	-	-	-	-	29,165	54,116	87,624	84,745
Copper in concentrates	-	-	-	-	15,309	34,668	31,850	35,611
Gold	-	-	-	-	585	3,438	2,692	4,545
Total revenues	-	-	-	-	45,059	92,222	122,166	124,901
Copper cathode sold (tonnes)	-	-	-	-	8,919	14,227	18,505	15,556
Copper in concentrate sold (tonnes)	-	-	-	-	6,024	12,243	9,260	9,282
Gold sold (ounces)	-	-	-	-	1,370	7,130	5,766	8,079
Bwana/Lonshi Production Statistics								
Mining:								
Waste mined (000's tonnes)	2,854	4,213	2,926	2,596	4,025	4,707	5,918	3,241
Ore mined (000's tonnes)	85	257	261	152	319	300	209	147
Ore grade %	5.2	4.7	6.4	5.3	5.5	3.9	6.1	8.4
Processing:								
Ore processed (000's tonnes)	237	278	256	264	328	363	397	335
Contained copper (tonnes)	10,813	12,908	12,824	13,804	13,354	15,003	14,262	13,401
Grade %	4.6	4.6	5.0	5.2	4.1	4.1	3.6	4.0
Recovery %	89	88	85	87	88	88	89	87
Copper cathode produced (tonnes)	9,585	11,330	10,942	12,028	11,717	13,131	12,662	11,718
Acid produced (tonnes)	34,265	35,920	35,671	55,275	69,218	64,263	72,040	68,195
Surplus acid (tonnes)	19,149	16,884	9,664	49	14,939	7,120	219	937
Costs:								
Cost of sales (millions)	$13.1	$14.1	$14.5	$16.2	$17.1	$29.8	$31.8	$23.7
Cost of sales %	50	44	47	42	39	54	53	35
Cash Costs (per lb) (1)	$0.48	$0.45	$0.48	$0.58	$0.57	$0.74	$0.84	$0.90
Total Costs (per lb) (1)	$0.67	$0.68	$0.59	$0.75	$0.79	$1.01	$1.16	$1.20
Revenues ($000's)								
Copper cathodes	23,398	28,624	29,249	38,172	38,899	49,602	54,694	62,085
Copper cathodes sold (tonnes)	9,553	11,233	11,060	12,000	11,592	13,394	12,438	11,797
Guelb Production Statistics								
Mining:								
Waste mined (000's tonnes)	-	-	-	-	-	-	-	1,156
Ore mined (000's tonnes)	-	-	-	-	-	-	-	41
Ore grade %	-	-	-	-	-	-	-	0.6

(1) For the definition of cash and total costs, reference should be made to section 7. (2) Copper sold does not include tonnes sold prior to pre-commercial production.
(3) Copper produced does not include tonnes produced prior to pre-commercial production.

Significant Quarterly Milestones

In the second quarter of 2005, the Company commenced commercial production at Kansanshi operation which significantly increased copper production in Q2 2005 and continued to increase as production ramped up through the remaining quarters of 2005.

In the first quarter of 2005, the Company sold its investment in Anvil for a profit of $16.1 million.