# First Quantum Minerals Ltd.

Consolidated Financial Statements
**First Quarter – March 31, 2007**
(unaudited)
(expressed in millions of U.S. dollars, except where indicated)

# First Quantum Minerals Ltd.

Consolidated Balance Sheets

**As at March 31, 2007 and December 31, 2006**

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

| | **2007** **$** | **2006** **$** *restated – note 2* |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 196.3 | 249.5 |
| Restricted cash | - | 15.0 |
| Accounts receivable (note 11) | 152.6 | 142.8 |
| Inventory (note 3) | 190.1 | 167.3 |
| Current portion of other assets (note 6) | 7.0 | 10.1 |
| | 546.0 | 584.7 |
| **Investments** (note 4) | 121.5 | 45.2 |
| **Property, plant and equipment** (note 5) | 1,116.3 | 1,068.1 |
| **Other assets** (note 6) | 13.3 | 21.7 |
| | 1,797.1 | 1,719.7 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 71.9 | 84.8 |
| Current taxes payable | 119.4 | 110.0 |
| Dividend payable | 36.4 | - |
| Current portion of long-term debt (note 7) | 53.7 | 57.7 |
| Current portion of other liabilities (note 8) | 17.9 | 19.4 |
| | 299.3 | 271.9 |
| **Long-term debt** (note 7) | 207.2 | 237.2 |
| **Other liabilities** (note 8) | 46.3 | 38.3 |
| **Future income tax liabilities** | 169.4 | 167.3 |
| | 722.2 | 714.7 |
| **Minority interests** | 105.4 | 85.2 |
| | 827.6 | 799.9 |
| **Shareholders' equity** | | |
| **Capital stock** (note 9) | 396.5 | 396.0 |
| **Retained earnings** | 560.7 | 523.8 |
| **Accumulated other comprehensive income** | 12.3 | - |
| | 969.5 | 919.8 |
| | 1,797.1 | 1,719.7 |

**Commitments** (note 15)

## 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, 2007 and 2006**

(unaudited)

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

| | Three months ended | |
|---|---|---|
| | **March 31, 2007** | **March 31, 2006** |
| | **$** | **$** |
| | | *restated – note 2* |
| **Sales revenues** | | |
| Copper (note 11) | 248.1 | 182.5 |
| Gold | 7.9 | 4.5 |
| Acid | 0.1 | 0.2 |
| | 256.1 | 187.2 |
| **Cost of sales** | (96.7) | (53.2) |
| **Depletion and amortization** | (13.6) | (12.0) |
| **Operating profit** | 145.8 | 122.0 |
| **Other expenses/income** | | |
| Exploration | (2.6) | (2.1) |
| General and administrative | (5.7) | (3.8) |
| Interest | (7.6) | (6.2) |
| Other expenses/income (note 12) | 1.5 | (18.8) |
| | (14.4) | (30.9) |
| **Earnings before income taxes and minority interests** | 131.4 | 91.1 |
| Income taxes | (31.7) | (25.0) |
| Minority interests | (21.4) | (10.3) |
| **Net earnings for the period** | 78.3 | 55.8 |
| **Retained earnings** | | |
| **Balance - beginning of period as previously reported** | 539.1 | 144.8 |
| Changes in accounting policies | | |
| Deferred stripping (note 2a) | (15.3) | (0.3) |
| Financial instruments (note 2b) | (5.0) | - |
| **Dividends** | (36.4) | - |
| **Balance - end of period** | 560.7 | 200.3 |
| | | |
| **Earnings per common share** | | |
| Basic | $1.16 | $0.90 |
| Diluted | $1.14 | $0.88 |
| **Weighted average shares outstanding (millions)** | | |
| Basic | 67.3 | 61.8 |
| Diluted | 68.6 | 63.4 |

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

# First Quantum Minerals Ltd.

Consolidated Statements of Other Comprehensive Income and Accumulated Other Comprehensive Income

**As at March 31, 2007 and 2006**

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

| | **March 31, 2007** |
|---|---|
| | **$** |
| **Net earnings for the period** | 78.3 |
| **Other comprehensive income** | |
| Unrealized gain on available-for-sale securities arising in the period, net of tax of $3.0 million | 14.8 |
| **Comprehensive income** | 93.1 |
| | |
| **Accumulated other comprehensive income** | |
| **Balance - beginning of period** | - |
| Change in accounting policy, net of tax of $0.5 million (note 2b) | (2.5) |
| Available-for-sale securities, net of tax of $3.0 million | 14.8 |
| **Balance – end of period** | 12.3 |

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, 2007 and 2006**

(unaudited)

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

| | Three months ended | |
|---|---|---|
| | **March 31, 2007 $** | **March 31, 2006 $** *restated – note 2* |
| **Cash flows from operating activities** | | |
| Net earnings for the year | 78.3 | 55.8 |
| Items not affecting cash | | |
| Depletion and amortization | 13.6 | 12.0 |
| Minority interests | 21.4 | 10.3 |
| Unrealized foreign exchange loss | 0.9 | 0.7 |
| Future income tax expense | 1.7 | 7.1 |
| Stock-based compensation expense | 2.3 | 1.0 |
| Unrealized derivative instruments (gain) loss | (1.3) | 16.0 |
| Other | 2.0 | 0.9 |
| | 118.9 | 103.8 |
| Change in non-cash operating working capital | | |
| Increase in accounts receivable | (7.2) | (20.9) |
| Increase in inventory | (22.7) | (14.9) |
| (Decrease) increase in accounts payable and accrued liabilities | (10.2) | 15.8 |
| Long term incentive plan contribution | (4.0) | - |
| | 74.8 | 83.8 |
| **Cash flows from financing activities** | | |
| Repayments of long-term debt | (25.6) | (12.3) |
| Proceeds on issuance of common shares | 2.2 | 1.5 |
| Deferred premium obligation | (2.4) | (2.4) |
| | (25.8) | (13.2) |
| **Cash flows from investing activities** | | |
| Restricted cash | 15.0 | (4.5) |
| Property, plant and equipment | (55.4) | (40.0) |
| Net investments | (61.6) | (1.6) |
| | (102.0) | (46.1) |
| **Effect of exchange rate changes on cash** | (0.2) | 0.1 |
| **(Decrease) increase in cash and cash equivalents** | (53.2) | 24.6 |
| **Cash and cash equivalents - beginning of period** | 249.5 | 82.9 |
| **Cash and cash equivalents - end of period** | 196.3 | 107.5 |

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

(unaudited)
(tabular amounts expressed in millions of U.S. dollars, except where indicated)

## 1 Basis of presentation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("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 2006 audited financial statements.

## 2 Changes in accounting policies

### a) Deferred stripping

Effective January 1, 2007, the Company adopted CICA Emerging Issues Committee Abstract 160 (EIC–160) "Stripping Costs Incurred in the Production Phase of a Mining Operation." The Company elected to apply the standard on a retroactive basis with restatement of prior period balances. EIC–160 requires stripping costs incurred in the production phase to be accounted for as variable production costs to be included in the costs of inventory produced, unless the stripping activity can be shown to be a betterment of the mineral property, in which case stripping costs will be capitalized. Betterment occurs when stripping activity increases future output of the mine by providing access to additional sources of reserves. Effective January 1, 2007, as a result of the adoption of EIC-160, the Company recorded a cumulative adjustment to decrease retained earnings of $15.3 million, an increase in inventory of $19.9 million, a reduction of future income tax liabilities by $9.4 million, and a reduction of other assets of $44.6 million.

### b) Financial instruments

Effective January 1, 2007, the Company adopted the new CICA accounting standards on financial instruments along with other amendments to the CICA handbook. As prescribed, prior periods have not been restated.

Section 3855, Financial Instruments – Recognition and Measurement, specifies whether fair values or cost based measures are used to determine the recorded amounts for financial assets, financial liabilities and non-financial derivatives, and when such amounts should be recognized. The standard also specifies the presentation of gains and losses on the financial instruments.

Effective January 1, 2007, the Company's marketable securities have been designated as available-for-sale and recorded at fair value on the balance sheet. Changes in fair value of these instruments are reflected in other comprehensive income. The recognition of these instruments at fair value resulted in a decrease in investments of $3.0 million and accumulated other comprehensive income of $2.5 million (net of tax of $0.5 million) at January 1, 2007.

All derivatives, including embedded derivatives, are now recorded on the balance sheet at fair value. Changes in fair value of derivatives are recorded in net income or comprehensive income. As the Company did not apply hedge accounting and recorded all changes in the fair value of derivatives in operating income, the impact of adoption was limited to the recognition of certain embedded derivatives. The recognition of these embedded derivatives resulted in an increase in other liabilities and a decrease in retained earnings of $5.0 million at January 1, 2007. For the purposes of identifying embedded derivatives, the Company elected a transition date of January 1, 2003.

All other financial instruments are recorded at cost or amortized cost. The Company has elected to include costs incurred to acquire financial instruments in the underlying balance. This resulted in the reclassification of debt issue costs of $10.0 million from other assets to long-term debt effective January 1, 2007.

(tabular amounts expressed in millions of U.S. dollars, except where indicated)

Section 3865, Hedges, applies when a company chooses to designate a hedging relationship for accounting purposes. The Company has chosen not to apply hedge accounting to its current portfolio of derivatives and therefore there is no current impact of adoption of this standard.

Section 1530, Comprehensive income, requires the presentation of comprehensive earnings and its components. Comprehensive earnings comprise net income and other comprehensive income (“OCI”). OCI includes unrealized gains and losses on financial assets classified as available-for-sale. The cumulative amount of OCI, (“accumulated other comprehensive income” or “AOCI”) is presented as a new category of shareholder’s equity in the consolidated balance sheets.

### c) Accounting changes

Effective January 1, 2007, the Company adopted the revised CICA Section 1506, accounting changes. This section requires that voluntary accounting policy changes can only be made if they are preferable to the Company’s pre-existing policy; such changes where material must be accompanied by disclosures of prior period amounts and justification for the change.

## 3 Inventory

| | **March 31, 2007 $** | **December 31, 2006 $** *restated – note 2* |
|---|---|---|
| Ore in stockpiles | 52.3 | 50.7 |
| Work-in-progress | 8.9 | 4.9 |
| Finished product | 44.0 | 41.0 |
| Total product inventory | 105.2 | 96.6 |
| Consumable stores and spares | 84.9 | 70.7 |
| Total inventory | 190.1 | 167.3 |

## 4 Investments

| | **March 31, 2007 $** | **December 31, 2006 $** |
|---|---|---|
| Carlisa Investment Corp. (a) – at cost | 9.5 | 9.5 |
| Available-for-sale securities (b) – at fair value (2006: at cost) | 112.0 | 35.7 |
| | 121.5 | 45.2 |

a) The Company has an 18.8% interest in Carlisa, a privately owned company, which holds a 90% interest in Mopani Copper Mines Ltd (“Mopani”). Mopani operates the Nkana mine and the Mufulira mine and smelter. As Carlisa is a privately held entity, the fair value of this investment is not readily determinable.

b) The available-for-sale marketable securities had a quoted market value of $32.7 million at December 31, 2006.

(unaudited)
(tabular amounts expressed in millions of U.S. dollars, except where indicated)

## 5 Property, plant and equipment

| | March 31, 2007 | | | December 31, 2006 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortization | Net $ | Cost | Accumulated amortization | Net $ |
| Plant and Equipment | 530.1 | (149.4) | 380.7 | 520.9 | (133.4) | 387.5 |
| Capital work-in-progress | 318.8 | - | 318.8 | 264.2 | - | 264.2 |
| Mineral properties and mine development costs | 441.7 | (24.9) | 416.8 | 441.0 | (24.6) | 416.4 |
| Total | 1,290.6 | (174.3) | 1,116.3 | 1,226.1 | (158.0) | 1,068.1 |

## 6 Other assets

| | March 31, 2007 $ | December 31, 2006 $ *restated – note 2* |
|---|---|---|
| Prepaid power | 9.5 | 9.9 |
| Deferred finance fees - net of amortization | - | 10.0 |
| Fair value of derivative instruments (note 14) | 3.7 | 2.6 |
| Future income tax asset | 2.4 | 2.5 |
| Other | 4.7 | 6.8 |
| Total other assets | 20.3 | 31.8 |
| Less: Current portion | (7.0) | (10.1) |
| | 13.3 | 21.7 |

## 7 Long-term debt

| | March 31, 2007 $ | December 31, 2006 $ |
|---|---|---|
| **Drawn debt facilities** | | |
| Corporate revolving credit and term loan facility (a) | 193.9 | 225.0 |
| Kansanshi subordinated debt facility (b) | 44.3 | 44.7 |
| Kansanshi project completion facility (c) | 22.5 | 25.0 |
| Other | 0.2 | 0.2 |
| Total long-term debt | 260.9 | 294.9 |
| Less: Current portion | (53.7) | (57.7) |
| | 207.2 | 237.2 |

### a) Corporate revolving credit and term loan facility

The Company entered into the $400.0 million corporate revolving credit and term loan facility in October 2006 to restructure the Company's existing project debt, provide financing for development of the Frontier project and to provide a revolving facility to be used for general corporate purposes.

The facility is comprised of three tranches, up to $225.0 million, $125.0 million, and $100.0 million. The total aggregate outstandings under the facility are not to exceed $400.0 million. Tranche A is repayable in ten equal semi-annual instalments commencing on March 31, 2007; tranche B is repayable in seven semi-annual instalments commencing on September 30, 2008; and tranche C is to be repaid on September 30, 2011. Interest on tranches A and B is calculated at LIBOR plus 2.50%. Interest on tranche C is calculated at LIBOR plus 2.75%. At March 31, 2007, $197.5 million of this facility remains available to be drawn (tranche A - $22.5 million, tranche B - $125.0 million, tranche C - $50.0 million).

The corporate revolving credit and term loan facility has a principal amount outstanding of $202.5 million. The carrying amount is net of issue and transaction costs of $8.6 million. The security includes an assignment of proceeds under various sales contracts from the sale of copper, copper concentrate and gold at Kansanshi, Bwana, Guelb Moghrein, and Frontier. A sinking fund was established in 2006 to meet required instalments and is recorded as restricted cash.

Subsequent to March 31, 2007, an additional $75.0 million was drawn from tranche B.

**b) Kansanshi subordinated debt facility**

The Company entered into the 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. 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 (note 14).

The Kansanshi subordinated debt facility has a principal amount outstanding of 34.0 million euros. The carrying amount is net of issue and transaction costs of 0.8 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 (note 14), with changes in fair value recorded as a component of other expenses.

**c) Kansanshi project completion facility**

Kansanshi entered into the $25.0 million project completion facility in March 2004, which was amended and restated in 2006. This facility was drawn down in 2005 and is repayable in 9 semi-annual instalments commencing December 31, 2006. Interest is calculated at LIBOR plus 3.5%.

The Kansanshi project completion facility has a principal amount outstanding of $22.5 million, which is equal to its carrying amount.

(tabular amounts expressed in millions of U.S. dollars, except where indicated)

## 8 Other liabilities

| | March 31, 2007 $ | December 31, 2006 $ |
|---|---|---|
| Unrealized fair value of derivative liability (note 14) | 34.7 | 26.6 |
| Deferred premium obligation (note 14) | 6.3 | 8.5 |
| Kolwezi deferred payment | 8.0 | 8.0 |
| Zesco Limited | 2.7 | 2.9 |
| ZCCM deferred payment | 3.3 | 3.3 |
| Asset retirement obligations | 5.1 | 5.0 |
| Other | 4.1 | 3.4 |
| Total other liabilities | 64.2 | 57.7 |
| Less: Current portion | (17.9) | (19.4) |
| | 46.3 | 38.3 |

## 9 Capital stock

| | March 31, 2007 $ | December 31, 2006 $ |
|---|---|---|
| Common shares | 402.6 | 399.6 |
| Treasury shares | (19.6) | (15.6) |
| Contributed surplus | 13.5 | 12.0 |
| | 396.5 | 396.0 |
| Number of shares issued and outstanding (millions) | 67.5 | 67.3 |
| Weighted average number of shares (millions) | 67.3 | 65.1 |

## 10 Stock based compensation

Included in general and administrative expense was stock based compensation expense as follows:

| | March 31, 2007 $ | March 31, 2006 $ |
|---|---|---|
| Share stock option expense | 1.0 | 1.0 |
| Long term incentive plan expense | 1.3 | - |
| | 2.3 | 1.0 |

## 11 Revenue contracts

Copper products are sold under pricing arrangements where final prices are set at a specified future date based on market copper prices. Revenues are recognized when title and risk pass to the customer using forward prices for the expected date of final settlement. Changes between the price recorded upon recognition of revenue and the final price due to fluctuations in copper market prices result in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of revenue. At March 31, 2007, the Company had 29,116 tonnes (December 31, 2006 – 43,440 tonnes) of contained copper that have been provisionally priced at an average LME copper price of $3.13 per pound (December 31, 2006 - $2.87 per pound).

(tabular amounts expressed in millions of U.S. dollars, except where indicated)

## 12 Other expenses/income

| | March 31, 2007 $ | March 31, 2006 $ |
|---|---|---|
| Derivative instrument losses | (1.1) | (18.6) |
| Foreign exchange losses/gains | (0.5) | (1.3) |
| Interest and sundry income | 3.1 | 1.1 |
| | 1.5 | (18.8) |

## 13 Segmented information

The Company's reportable operating segments are strategic business units that produce different but related products or services. Each business unit is managed separately because each requires different technology and marketing strategies.

For the three months ended March 31, 2007, segmented information is presented as follows:

| | | | | | | March 31, 2007 |
|---|---|---|---|---|---|---|
| | Kansanshi $ | Bwana/ Lonshi $ | Guelb Moghrein $ | Frontier $ | Corporate $ | Total $ |
| Segmented revenues | 218.0 | 30.4 | 16.0 | - | 3.4 | 267.8 |
| Less inter-segment revenues | - | (8.3) | - | - | (3.4) | (11.7) |
| Revenues | 218.0 | 22.1 | 16.0 | - | - | 256.1 |
| Cost of sales | (63.7) | (28.8) | (4.2) | - | - | (96.7) |
| Depletion and amortization | (9.3) | (2.9) | (1.4) | - | - | (13.6) |
| Operating profit (loss) | 145.0 | (9.6) | 10.4 | - | - | 145.8 |
| Interest on long-term debt | (4.3) | (0.1) | (1.4) | - | (1.8) | (7.6) |
| Other | (2.0) | (0.4) | (0.1) | - | (4.3) | (6.8) |
| Segmented profit (loss) before undernoted items | 138.7 | (10.1) | 8.9 | - | (6.1) | 131.4 |
| Income taxes | (34.9) | 2.1 | - | - | 1.1 | (31.7) |
| Minority interests | (19.7) | - | (1.7) | - | - | (21.4) |
| Segmented profit | 84.1 | (8.0) | 7.2 | - | (5.0) | 78.3 |
| Property, plant and equipment | 424.1 | 46.8 | 104.2 | 149.5 | 391.7 | 1,116.3 |
| Total assets | 691.2 | 133.6 | 161.2 | 150.9 | 660.2 | 1,797.1 |
| Capital expenditures | 21.7 | 0.7 | 1.6 | 33.1 | 7.3 | 64.4 |

(tabular amounts expressed in millions of U.S. dollars, except where indicated)

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

| | | | | | | March 31, 2006 *restated – note 2* |
|---|---|---|---|---|---|---|
| | Kansanshi $ | Bwana/ Lonshi $ | Guelb Moghrein $ | Frontier $ | Corporate $ | Total $ |
| Segmented revenues | 124.9 | 68.1 | - | - | 2.3 | 195.3 |
| Less inter-segment revenues | - | (5.8) | - | - | (2.3) | (8.1) |
| Revenues | 124.9 | 62.3 | - | - | - | 187.2 |
| Cost of sales | (32.1) | (21.1) | - | - | - | (53.2) |
| Depletion and amortization | (6.2) | (5.8) | - | - | - | (12.0) |
| Operating profit (loss) | 86.6 | 35.4 | - | - | - | 122.0 |
| Interest on long-term debt | (5.6) | (0.4) | - | - | (0.2) | (6.2) |
| Other | (8.1) | (1.9) | - | - | (14.7) | (24.7) |
| Segmented profit before undernoted items | 72.9 | 33.1 | - | - | (14.9) | 91.1 |
| Income taxes | (12.3) | (8.7) | - | - | (4.0) | (25.0) |
| Minority interests | (10.3) | - | - | - | - | (10.3) |
| Segmented profit | 50.3 | 24.4 | - | - | (18.9) | 55.8 |
| Property, plant and equipment | 340.7 | 66.8 | 77.7 | 16.0 | 2.0 | 503.2 |
| Total assets | 561.7 | 122.8 | 79.6 | 16.0 | 59.3 | 839.4 |
| Capital expenditures | 23.6 | 1.0 | 11.7 | 6.1 | - | 42.4 |

(tabular amounts expressed in millions of U.S. dollars, except where indicated)

## 14 Derivative instruments

The Company periodically enters into derivative instruments to mitigate the exposures to copper and gold commodity prices, foreign exchange rates, and interest rates. The Company does not currently apply hedge accounting and all derivatives are recorded at fair value with changes in fair value recorded as a component of other expenses.

As at March 31, 2007, the following derivative positions were outstanding:

| | 2007 | 2008 | 2009 | Total | Fair Value March 31, 2007 | Fair Value December 31, 2006 |
|---|---|---|---|---|---|---|
| **Copper (i)** | | | | | | |
| Put options (tonnes) | 64,512 | - | - | 64,512 | $0 | $0 |
| Price ($/tonne) | $1,800 | - | - | $1,800 | | |
| **Gold** | | | | | | |
| Put options (oz) | 28,035 | 24,060 | 32,028 | 90,123 | $0 | $0 |
| Price ($/oz) | $350 | $350 | $350 | $350 | | |
| Forward contracts (oz) | 28,035 | 24,060 | 32,028 | 90,123 | $(26.8) | $(26.6) |
| Price ($/oz) | $400 | $400 | $400 | $400 | | |
| **Other** | | | | | | |
| Interest rate swaps – floating to fixed | | | | | $2.9 | $0.2 |
| Cross currency swaps – EUR to USD | | | | | $0.8 | $2.4 |
| Embedded Derivative | | | | | $(7.9) | - |

i) Copper

As at March 31, 2007, there were put option contracts for 64,512 tonnes of copper outstanding with a deferred premium obligation of $6.3 million payable by December 2007.

## 15 Commitments

In conjunction with the development of Frontier, upgrades at Kansanshi and other projects, the Company has committed to approximately $88.3 million in capital expenditures as at March 31, 2007.

# Management Discussion and Analysis

# First Quarter Ended March 31, 2007

(expressed in US Dollars)

**May 14, 2007**

## Key features for the quarter

- Net sales increase 37% compared to the first quarter of 2006 on higher volumes and prices
- Net earnings increase 40% compared to the first quarter of 2006 due to higher sales and lower derivative losses
- Copper production well down at Bwana/Lonshi due to low ore availability as a result of heavy rainfall and temporary border closure
- Contained copper in concentrate inventory at Kansanshi reduced by approximately 2,000 tonnes due to higher shipments
- Guelb Moghrein's first full quarter of production, but concentrate offtake restricted
- Operating cashflow before working capital increases 15% compared to the first quarter of 2006 on higher sales
- Dividends of $36.4 million declared to Company shareholders during the quarter

## Outlook

- Expected copper production for 2007 confirmed as 240,000 tonnes
- Bwana/Lonshi expected to partially recover lost first quarter production from May 2007 onwards
- The Company expects to sell a large part of its stockpiled copper in concentrate during the second quarter of 2007
- Admission to the Main Market of the London Stock Exchange scheduled for mid-May

## Key Group results

| **First quarter** | | **Q1 2007** | | **Q1 2006 (Restated)** | | **Q1 2005 (Restated)** | |
|---|---|---|---|---|---|---|---|
| | | | **% of sales** | | **% of sales** | | **% of sales** |
| Production | t Cu | 46,403 | 105 | 42,086 | 115 | 12,028 | 100 |
| Sales | t Cu | 44,315 | 100 | 36,635 | 100 | 12,000 | 100 |
| Net sales | USDM | 256.1 | 100 | 187.2 | 100 | 38.2 | 100 |
| Operating profit | USDM | 145.8 | 57 | 122.0 | 65 | 17.6 | 46 |
| Net profit | USDM | 78.3 | 31 | 55.8 | 30 | 26.9 | 70 |
| Basic EPS | USD | $1.16 | | $0.90 | | $0.44 | |

*For further information on 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 Canadian GAAP and denominated in United States dollars, unless otherwise noted.*

## Q1 2007 net sales

| | | | Q1 2007 | Q1 2006 | Q1 2005 |
|---|---|---|---|---|---|
| **(After TC/RC charges)** | | | **USD M** | **USD M** | **USD M** |
| Kansanshi | - | copper | 213.2 | 120.4 | - |
| | - | gold | 4.8 | 4.5 | - |
| Bwana/Lonshi | - | copper | 22.0 | 62.1 | 38.2 |
| | - | acid | 0.1 | 0.2 | - |
| Guelb Moghrein | - | copper | 12.9 | - | - |
| | - | gold | 3.1 | - | - |
| Net sales | | | 256.1 | 187.2 | 38.2 |
| Provisional pricing adjustment included above | | | (17.5) | 16.9 | - |
| **Copper selling price** | | | **USD/lb** | **USD/lb** | **USD/lb** |
| Current period sales | | | 2.96 | 2.32 | 1.45 |
| Prior period provisional pricing adjustment | | | (0.18) | 0.21 | - |
| TC/RC and freight parity charges | | | (0.24) | (0.27) | - |
| Realized copper price | | | 2.54 | 2.26 | 1.45 |

**Group net sales rise 37% to $256.1 million on higher copper production and copper price**

Sales increased (up 21% to 44,315 tonnes of copper) as a result of higher copper production (up 10% to 46,403 tonnes of copper) and a decrease in the copper in concentrate stockpiles at Kansanshi by approximately 2,000 tonnes of contained copper compared to the same period in 2006, bringing overall copper in concentrate tonnes to 17,300. Net sales were also impacted by the higher average copper price for the quarter of $2.96/lb compared to $2.32/lb in the same period in 2006 and the lower tolling and refining charges (TC RCs) under renegotiated contracts. However, provisional pricing adjustments of prior period sales had a negative impact in the current quarter due to the final settlement of copper sold in 2006 at prices lower than the December 31, 2006 forward price.

The increase in copper production was the result of Kansanshi's increased copper cathode output and increased copper in concentrate shipments to the Mufulira smelter as well as the achievement of commercial production at Guelb Moghrein in October 2006. These increases were offset by a decrease in production at Bwana/Lonshi due to problems associated with the availability of high grade ore for processing.

**Kansanshi net sales increase 75% to $218.0 million despite record wet season rainfalls**

Net sales, compared to the same period in 2006, rose as a result of increased copper cathode production and a reduction of the copper in concentrate stockpile from December 31, 2006, which was shipped and processed at the upgraded Mufulira smelter. Increased production (up 17% to 35,400 tonnes) was the result of a 44% increase in copper cathode production offset by a 14% decrease in copper in concentrate production. The increase in copper cathode production was the result of a 21% increase in ore throughput and the commissioning of the new SX/EW facility during the third quarter of 2006, while the decrease in copper in concentrate production was due to the processing of lower grade ore. Sales volume increased 50% to 37,319 tonnes, with the balance of increased sales revenue coming from the higher average price received.

**Bwana/Lonshi net sales decrease 64% to $22.1 million due to low ore availability from Lonshi**

Net sales fell as a result of the low availability of ore from the Lonshi pit and the exhaustion of run-of-mine grade ore in stockpiles at the Bwana treatment plant. The heavy rains during the wet season resulted in mining delays at the Lonshi pit as the Lonshi resources were used to reconstruct pit walls and rebuild roads that were damaged from the excessive water. This resulted in a decrease in ore production of 89% compared to the same period of 2006 and a decrease in copper production (down 61% to 4,557 tonnes) at the Bwana SX/EW facility. In addition, the DRC government temporarily closed the border to ore exports from March 8 to April 3 resulting in further shortages of ore. These problems required the Bwana processing facility to fully utilize its low grade ore stockpiles and purchase low grade ore from external vendors to maintain processing, resulting in the low copper cathode output during the quarter. Sales volume decreased 60% to 4,664, with the balance of the decreased revenue coming from the final settlement of copper sold in 2006 at prices lower than the December 31, 2006 forward price.

**Guelb Moghrein net sales of $16.0 million constrained by offtake restrictions**

Production increased 28% over the fourth quarter of 2006 as the operation continued to bed down following commencement in October 2006. By the end of the first quarter, Guelb Moghrein had both mills operating as compared to one operational mill in the prior quarter. Sales volumes were considerably lower than production, which was due to the failure of the contracted offtaker to accept delivery of concentrate shipments, necessitating the company to enter into alternate arrangements which were not finalised until late in the quarter.

**Provisional pricing adjustment negative following decrease in copper price during final settlement periods**

Included in the above net sales numbers was a total of $17.5 million or $0.18/lb for negative provisional pricing adjustments related to prior period sales as final copper settlements in January and February were subject to average LME prices of $2.57/lb for each month compared to the December 31, 2006 forward average LME price of $2.87/lb.

As at March 31, 2007, there were 29,116 tonnes of contained copper that were provisionally priced at an average LME copper price of $3.13/lb. This revenue will be subject to future adjustments as a result of movements in the copper price. Of this amount, 10,995 tonnes had the final price determined in April 2007 at $3.52/lb, 13,986 tonnes will be determined in May 2007, 1,342 tonnes in June 2007, and 2,793 tonnes thereafter.

## Q1 2007 operating profit

| | Q1 2007 | | Q1 2006 (Restated) | | Q1 2005 (Restated) | |
|---|---|---|---|---|---|---|
| | USD M | % of sales | USD M | % of sales | USD M | % of sales |
| Kansanshi | 145.0 | 57 | 86.6 | 46 | - | - |
| Bwana/Lonshi | (9.6) | (4) | 35.4 | 19 | 17.6 | 46 |
| Guelb Moghrein | 10.4 | 4 | - | - | - | - |
| Total operating profit | 145.8 | 57 | 122.0 | 65 | 17.6 | 46 |
| **Unit costs** | **USD/lb** | **% of sales[1]** | **USD/lb** | **% of sales[1]** | **USD/lb** | **% of sales[1]** |
| Cash costs (C1) | 1.06 | 36 | 0.81 | 35 | 0.58 | 40 |
| Total costs (C3) | 1.30 | 44 | 1.01 | 44 | 0.75 | 52 |

[1] Calculated as the % of current period selling price

**Group operating profit rises 20% to $145.8 million despite increase in cash costs**

Operating profit rose more slowly than net sales as a result of an increase in average cash unit cost of production by 30% to $1.06/lb compared with the same period in 2006. This resulted in average profit margins per pound copper of $1.49, which decreased from the prior period (2006: $1.51/lb) due, mainly, to negative provisional pricing adjustments in the current quarter and the poor results at Bwana/Lonshi.

**Kansanshi operating profit increases 67% to $145.0 million despite the processing of lower grade ore**

The average cash unit cost of production increased by 9% to $0.85/lb and the average total unit cost of production increased by 13% to $1.05/lb compared to the same period in 2006. This increase in cost per unit was due, mainly, to the processing of lower grade ore and increased oil based consumables, electricity, sulphur and wage costs. The processing of lower grade ore resulted in less copper output per tonne of ore input. This also increased the maintenance costs and processing costs associated with the increase in the volume of ore throughput and an increase in the acid consumption. The increase in ore throughput coupled with increased waste stripping and processing costs resulted in an increase in mining costs of 100% and an increase in processing costs of 32% compared to the same period in 2006. However, TC RC and Freight Parity charges decreased by 55% as Kansanshi renegotiated its TC RC terms for the majority of its concentrate off-take agreements and increased its shipments to the Mufulira smelter, which has more favourable processing terms.

**Bwana/Lonshi operating loss of $9.6 million due to extreme wet season and DRC border closure**

Bwana copper production was significantly affected by the lack of available high grade ore for processing due to the heavy rain season and the temporary closure of the DRC border to ore exports. This resulted in an increase of the average cash unit cost of production by 177% to $2.50/lb and the average total unit cost of production by 143% to $2.92/lb as compared to the same period in 2006. Mining unit costs were significantly impacted by these current quarter problems resulting in a 192% increase.

**Guelb Moghrein operating profit of $10.4 million despite restricted concentrate shipments**

The first full quarter of activity yielded a small profit from Guelb Moghrein due to the high copper prices and positive provisional adjustments of prior period sales. Current quarter costs of sales were related to prior period production as all of the copper sold in the current quarter was taken from the copper in concentrate stockpile that existed at December 31, 2006. Current quarter production costs continue to improve over the fourth quarter of 2006 as both the average cash unit cost of production and the average total unit cost decreased by 24% to $1.29/lb and $1.66/lb, respectively. This improvement was driven by an increase in copper output, an increase in the gold credit and improved production processes.

## Q1 2007 net profit

| | Q1 2007 | | Q1 2006 (Restated) | | Q1 2005 (Restated) | |
|---|---|---|---|---|---|---|
| | USD M | % of sales | USD M | % of sales | USD M | % of sales |
| Operating profit | 145.8 | 57 | 122.0 | 65 | 17.6 | 46 |
| Corporate costs | (7.3) | (3) | (23.5) | (13) | (1.8) | (5) |
| Exploration | (2.6) | (1) | (2.1) | (1) | (1.0) | (3) |
| Interest (net) | (4.5) | (2) | (5.3) | (2) | (0.5) | (1) |
| Tax expense | (31.7) | (12) | (25.0) | (13) | (3.5) | (9) |
| Minority interests | (21.4) | (8) | (10.3) | (6) | - | - |
| Gain on sale of investment | - | - | - | - | 16.1 | 42 |
| Net profit | 78.3 | 31 | 55.8 | 30 | 26.9 | 70 |
| Earnings per share | | | | | | |
| - basic | $1.16 | | $0.90 | | $0.44 | |
| - diluted | $1.14 | | $0.88 | | $0.43 | |
| Weighted average shares outstanding | | | | | | |
| - basic | 67.3 | | 61.8 | | 61.3 | |
| - diluted | 68.6 | | 63.4 | | 62.7 | |

**Group net profit rises 40% to $78.3 million due to the increased operating profit and lower corporate costs**

The healthy increase in operating profit as compared to the same period in 2006 together with a significant reduction in derivative losses, which were included as corporate costs, both contributed to an increased net profit for the quarter. This was offset by increases in tax expense and minority interests due, primarily, to the strong performance from Kansanshi.

**Corporate costs decrease 69% to $7.3 million due to lower derivative losses**

Following the close-out of a large number of derivatives in 2006, the Company was less exposed to derivative losses following increases in commodity prices. In the prior comparative period a loss of $18.6 million was recognized for derivative losses compared to only $1.1 million in the first quarter. After allowing for derivative losses, corporate costs for Vancouver and Perth functions increased steadily as the company has expanded, with a number of group functions established to support the portfolio of operating sites.

**Exploration costs increase 24% to $2.6 million due to the Company's commitment to exploration activities**

The Company continues to invest in exploration programs to expand current mineral reserves or discover new reserves that can be exploited for future production.

**Interest expense, net of interest income, decreased 15% to $4.5 million due to increased cash position**

The positive cash flow from operating activities resulted in a lower net interest costs as compared to the same period in 2006. Interest expense increased by 23%, however, interest income on the Company's outstanding cash balance also increased by $2.0 million over the same period, which resulted in lower net interest expense.

## Q1 2007 balance sheet

| | Q1 2007 | Q4 2006 (Restated) | Q4 2005 (Restated) |
|---|---|---|---|
| | USD M | USD M | USD M |
| Cash | 196.3 | 249.5 | 82.9 |
| Property, plant and equipment | 1,116.3 | 1,068.1 | 471.3 |
| Total assets | 1,797.1 | 1,719.7 | 745.8 |
| Long term debt | 260.9 | 294.9 | 235.0 |
| Total liabilities | 827.6 | 799.9 | 434.7 |
| Shareholders' equity | 969.5 | 919.8 | 311.1 |
| Net working capital | 246.7 | 312.8 | 81.2 |
| Net debt to net debt plus equity | 6% | 5% | 33% |

**Group assets rise 4% to $1,797.1 million**

The Company's positive operating cash flow enabled continued expenditure and investment in Company assets. Payments were made to increase inventory by $22.8 million, increase investments by $76.3 million, and increase property, plant and equipment by $61.8 million.

Inventory balances increased due, mainly, to an additional $14.2 million in consumable stores and an increase in finished product inventory of $5.9 million. As at March 31, 2007, the Company had stockpiled approximately 17,300 tonnes of copper in concentrate. The increase in this stockpile was related to Guelb Moghrein and delays in the shipment to off-takers. The stockpiles at Kansanshi were reduced by approximately 2,000 tonnes during the quarter as the Mufulira smelter continued to improve its treatment capacity of Kansanshi's surplus copper in concentrate.

The Company continued expenditure on capital investment and its strategy of making investments in publicly traded companies by acquiring an additional $61.6 million of marketable securities at cost. The Company recognized an additional $14.8 million of appreciation on the fair value of the investments at March 31, to a carrying value of $121.5 million. Property, plant and equipment balances increased by $48.2 million, net of depreciation, as the Company continued developing the Frontier project in the DRC and the high pressure leach project at Kansanshi.

**Group liabilities increase 3% to $827.6 million**

Accounts payable increased by $32.9 million due, primarily, to the accrual of dividend payments and current income tax payable increased by $9.4 million due to positive operating results. In addition, minority interest payable increased by $20.2 million due, primarily, to the positive operating results at Kansanshi.

These increases were offset by a reduction in long-term debt of $34.0 million, which was the result of payments of $25.0 million on debt facilities and the adoption of the new financial instruments accounting guidelines, which netted deferred finance fees with the related debt (refer to 'Changes in accounting policies').

**Shareholders' equity increases 5% to $969.5 million**

Positive earnings of $78.3 million were offset by the declaration of dividends in the amount of $36.4 million. In addition, with the adoption of the new accounting policy on financial instruments, the Company recognized $12.3 million of accumulated other comprehensive income, which was directly related to the appreciation of the investments in publicly traded securities.

## Q1 2007 cash flow

| | Q1 2007 | Q1 2006 (Restated) | Q1 2005 (Restated) |
|---|---|---|---|
| | USD M | USD M | USD M |
| Cash flow from operating activities | | | |
| - before working capital | 118.9 | 103.8 | 15.3 |
| - after working capital | 74.8 | 83.8 | 20.1 |
| Cash flow from financing activities | (25.8) | (13.2) | 24.8 |
| Cash flow from investing activities | (102.0) | (46.1) | (16.2) |
| Net cash flow | (53.0) | 24.5 | 28.7 |
| Cash flow per share | | | |
| - before working capital | $1.77 | $1.68 | $0.25 |
| - after working capital | $1.11 | $1.36 | $0.33 |

**Cash inflow from operating activities decreases 11% to $74.8 million due to working capital movements**

Operating cash flow before working capital movements continues to be driven by the Company's operating results; however, the increase in operating cash flow was lower than the increase in net profit as compared to the same period in 2006 as the prior period net profit included a large non-cash item for unrealized derivative losses.

Operating cash flow after working capital movements was impacted by payments for inventory and current payables, as well as, increases in accounts receivable, which all contributed to the decrease as compared to the same period in 2006.

**Cash outflow from financing activities increases 95% to $25.8 million due to long-term debt repayments**

Financing activities included long-term debt repayments of $22.5 million on the corporate revolving credit and term loan facility and $2.5 million on the Kansanshi project completion facility. These payments were higher than debt repayments incurred in the same period in 2006 resulting in the increase in cash outflow.

**Cash outflow from investing activities increases 121% to $102.0 million following investment in listed companies**

Investing activities included the purchase of $61.6 million in shares of publicly listed companies held for investment purposes and $55.4 million in continued capital expansion primarily related to the Frontier project and the Kansanshi high pressure leach project.

## Growth activities

**Frontier development in DRC progresses**

At Frontier, construction continues on the metallurgical facilities with civil infrastructure and structural work nearing effective completion. Most equipment has been received and the electrical/instrumentation contractor has been mobilised. The plant is on schedule for start of commissioning in July. The wet season is nearing completion with rainfall 50% higher than the long term average. This combined with the clay-like nature of the overlying saprolites has made the pre-strip process difficult. It has as a result fallen behind plan

**Board approves $36.3 million capital for commencement of Kolwezi development in DRC**

The Company has continued to progress the early phases of the Kolwezi Project. An award was made for the Engineering Services on the project, and this will allow further development of the flow sheet and development of detailed designs which will form the basis of the project capital cost estimate. In parallel with the development of design and capital cost estimate preparation, the Company will be proceeding with some specific infrastructure works during the course of this year. These include construction of an access road to the site, establishment of site communications, construction camp and similar, which will enable the project to target a process plant construction start from the commencement of the dry season in 2008. IFC’s and IDC’s share of funding is awaiting their internal approval procedures.

**Kansanshi high pressure leach (“HPL”) facility commences commissioning**

The first autoclave of the High Pressure Leach Project commenced initial operation at the end of March after the return of refurbished valves. The initial weeks of operation have confirmed that the process design is sound, with the circuit reporting approximately 91% sulphur conversion and 97% copper recovery. The autoclave has run at or above its design throughput rate almost immediately (design rate is 52,500 tpa concentrate), however some short periods of downtime have been required to repair specific problems. The second autoclave is awaiting the return of additional refurbished valves which exhibited some leakage during testing, following which the second autoclave will be able to be put into operation.

**Kansanshi sulphide project initiated**

The Company is undertaking an expansion to the sulphide circuit at its Kansanshi operation, aimed at taking the sulphide circuit throughput to a nominal 12Mtpa. The project has progressed significantly in terms of design and procurement, and initial deliveries of equipment to site will occur from Q2 onwards. All long lead items have been ordered. The physical commencement of site works is underway, and this was timed to coincide with the conclusion of the Zambian wet season, and the relocation of specific construction equipment from Frontier Project to Kansanshi. A critical path for the project is the concrete works, which will be able to be undertaken during the dry season; however the progress of the concrete work will impact directly on the overall project completion. It is expected that the project will be completed in Q1 2008.

## Other

**LSE main board listing application progresses**

It was announced on 15 March 2007 that the Company intended to move from AIM to the Official List of the United Kingdom Listing Authority. It is expected that admission of the Company's common shares will be cancelled on AIM and simultaneously admitted to the Official List of the UKLA and to trading on the London Stock Exchange's market for listed securities during the week commencing 14 May 2007, subject to the receipt of the necessary approvals from the UKLA.

**Dividend of CDN 62.5 cents declared during the quarter**

Consistent with the Company’s dividend policy, the Company declared a final dividend of CA$0.625 per share in respect of the December 31, 2006 year end results. The dividend will be paid on May 10, 2007 to shareholders on record at April 19, 2007.

## Outlook

**Group copper production revised to 240,000 tonnes**

Based on first quarter production figures, on a group basis, the Company expects to produce approximately 240,000 tonnes of copper in 2007, which is an increase of 32% over 2006 copper production. This expected production includes approximately 145,000 tonnes from Kansanshi, approximately 35,000 tonnes from Bwana/Lonshi, approximately 30,000 tonnes from Guelb Moghrein, and approximately 30,000 tonnes from Frontier.

During the next quarter it is anticipated, with improved Bwana/Lonshi production, to reverse the trend of rising C1 costs, and group cash costs are expected to be in the range of $0.90 to $0.95 per pound of copper for 2007 before considering the impact of the accounting change for the removal of deferred stripping. The majority of the copper in concentrate inventories held at Kansanshi and Guelb Moghrein are expected to be recognized as revenues in the second quarter.

During April Kansanshi produced 12,570 tonnes of copper, 7,373 tonnes as cathode and 5,197 tonnes as copper in concentrate. Bwana/Lonshi produced 1,319 tonnes of copper cathode and Guelb Moghrein produced 2,454 tonnes of copper in concentrate.

**Kansanshi focused on HPL and sulphide expansion**

Operational performance at Kansanshi continues to improve. During the second quarter attention will focus both on the HPL facility, targeting steady state production from autoclave #1 and start up of autoclave #2, and on construction activities for the sulphide circuit expansion now that the wet season has finished. Continuing build-up of the mining fleet is expected to increase production in the third and fourth quarters.

**Bwana/Lonshi copper production estimate revised to 35,000 tonnes**

After a difficult first quarter, the supply of ore from the Lonshi operation is expected to return to normal during the second quarter, and it is anticipated that some of the production lost in the first quarter will be recovered over the remainder of 2007.

Looking forward the Lonshi oxide reserve should be exhausted by the middle of 2008. It is anticipated that 35,000 tonnes of cathode will be produced at Bwana during 2007 with the operation continuing at a rate of 3,000 tonnes of cathode copper per month for the first half of 2008. The Company continues to assess the alternative and most beneficial uses for the Bwana processing plant after the Lonshi ore has been depleted.

**Guelb Moghrein continues to improve**

The focus during the first quarter was attaining steady operations at the plant and the optimization of the flotation circuit. SAG Mill No.1 was successfully commissioned in March and progress was achieved on the optimization of both the grinding and flotation circuits. Sales of copper concentrates to smelters have increased and shipments are expected to improve in the second quarter.

The carbon in leach (CIL) circuit was taken off line at the beginning of January due to CIL tailings storage facility (TSF) constraints. The design of a new CIL TSF is in progress and construction is expected to be completed in the fourth quarter. The CIL feed is being stored in a temporary impoundment for future treatment. As a result gold production at Guelb Moghrein is expected to be 65,000 ounces in 2007.

Further improvements in copper and gold recovery and increased milling rates are anticipated for the remainder of 2007. The CIL plant is due to come back on stream in the fourth quarter, and stockpiled concentrate is expected to be reduced by year-end to less than a month’s production inventory.

Given the large inventories of concentrate held on site at Guelb Moghrein, the Company believes that it is still premature to forecast unit cost guidance for the mine.

**Appendix A**

## Summary of quarterly results

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

| Summary of Quarterly Results (unaudited) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Statement of Operations and Retained Earnings** | **2005 Q2** | **2005 Q3** | **2005 Q4** | **2006 Q1** | **2006 Q2** | **2006 Q3** | **2006 Q4** | **2007 Q1** |
| (millions, except where indicated) | | | | | | | | |
| *Revenues* | | | | | | | | |
| Current period copper sales [1] | $84.5 | $131.2 | $168.2 | $165.6 | $295.9 | $311.5 | $243.7 | $265.6 |
| Prior period provisional copper adjustments [2] | (1.1) | 7.2 | 6.0 | 16.9 | 60.4 | 11.7 | (31.7) | (17.5) |
| Other revenues | 3.1 | 4.6 | 2.7 | 4.7 | 6.2 | 5.2 | 4.4 | 8.0 |
| Total revenues | 86.5 | 143.0 | 176.9 | 187.2 | 362.5 | 328.4 | 216.4 | 256.1 |
| Cost of sales (restated) | 34.4 | 50.8 | 47.8 | 53.2 | 65.2 | 81.7 | 88.5 | 96.7 |
| Net earnings (restated) | 29.4 | 41.5 | 56.7 | 55.7 | 149.5 | 133.2 | 60.9 | 78.3 |
| Basic earnings per share (restated) | $0.48 | $0.67 | $0.92 | $0.90 | $2.32 | $2.00 | $0.93 | $1.16 |
| Diluted earnings per share (restated) | $0.47 | $0.66 | $0.89 | $0.88 | $2.27 | $1.96 | $0.91 | $1.14 |
| *Copper selling price* | | | | | | | | |
| Current period copper sales (per lb) | $1.55 | $1.69 | $2.02 | $2.32 | $3.14 | $3.37 | $2.89 | $2.96 |
| Prior period provisional adjustments (per lb) | (0.02) | 0.08 | 0.07 | 0.21 | 0.57 | 0.11 | (0.35) | (0.18) |
| Gross copper selling price (per lb) | 1.53 | 1.77 | 2.09 | 2.53 | 3.71 | 3.48 | 2.54 | 2.78 |
| Tolling and refining charges (per lb) | (0.08) | (0.11) | (0.08) | (0.12) | (0.19) | (0.19) | (0.08) | (0.12) |
| Freight parity charges (per lb) | (0.03) | (0.08) | (0.04) | (0.15) | (0.16) | (0.12) | (0.14) | (0.12) |
| Realized copper price (per lb) | 1.42 | 1.58 | 1.97 | 2.26 | 3.36 | 3.17 | 2.32 | 2.54 |
| Average LME cash copper price (per lb) | 1.54 | 1.71 | 1.95 | 2.24 | 3.29 | 3.48 | 3.21 | 2.69 |
| Realized gold price (per oz) | $427 | $482 | $467 | $563 | $631 | $581 | $628 | $661 |
| Average gold price (per oz) | $427 | $440 | $485 | $554 | $627 | $622 | $614 | $650 |
| Total copper sold (tonnes)[3] | 26,535 | 39,864 | 40,203 | 36,635 | 48,171 | 46,227 | 41,454 | 44,315 |
| Total copper produced (tonnes) [3] | 28,673 | 36,196 | 42,220 | 42,086 | 49,180 | 45,480 | 46,531 | 46,403 |
| Total gold sold (ounces) [3] | 1,370 | 7,130 | 5,766 | 8,079 | 9,611 | 8,864 | 6,944 | 12,004 |
| Cash Costs (C1) (per lb) [4] | $0.60 | $0.64 | $0.71 | $0.81 | $0.87 | $0.90 | $1.00 | $1.06 |
| Total Costs (C3) (per lb) [4] | $0.80 | $0.87 | $0.89 | $1.01 | $1.07 | $1.13 | $1.24 | $1.30 |
| **Financial Position** | | | | | | | | |
| Working capital (restated) | $43.9 | $32.9 | $81.2 | $106.9 | $245.6 | $308.0 | $312.8 | $246.7 |
| Total assets (restated) | $559.1 | $641.7 | $745.8 | $839.5 | $1,398.1 | $1,574.0 | $1,719.7 | $1,797.1 |
| Weighted average # shares (000's) | 61,499 | 61,583 | 61,639 | 61,808 | 64,564 | 66,615 | 67,287 | 67,318 |
| **Cash Flows from** | | | | | | | | |
| *Operating activities* | | | | | | | | |
| Before working capital movements (restated) | $43.2 | $78.2 | $100.1 | $103.8 | $213.5 | $176.3 | $70.6 | $118.9 |
| After working capital movements (restated) | 1.3 | 64.2 | 109.2 | 83.8 | 142.8 | 118.2 | 129.4 | 74.8 |
| Financing activities (restated) | (20.3) | (5.9) | 15.1 | (13.2) | 32.1 | (58.6) | 53.1 | (25.8) |
| Investing activities (restated) | (3.8) | (51.4) | (104.7) | (46.1) | (91.8) | (60.1) | (122.7) | (102.0) |
| **Cash Flows from Operating activities per share** | | | | | | | | |
| Before working capital movements (restated) | $0.70 | $1.27 | $1.62 | $1.68 | $3.31 | $2.65 | $1.05 | $1.77 |
| After working capital movements (restated) | $0.02 | $1.04 | $1.77 | $1.36 | $2.21 | $1.77 | $1.92 | $1.11 |

**Summary of Quarterly Results (unaudited) (continued)**

| | 2005 Q2 | 2005 Q3 | 2005 Q4 | 2006 Q1 | 2006 Q2 | 2006 Q3 | 2006 Q4 | 2007 Q1 |
|---|---|---|---|---|---|---|---|---|
| **Kansanshi Production Statistics** | | | | | | | | |
| *Mining* | | | | | | | | |
| Waste mined (000's tonnes) | 3,185 | 6,064 | 5,240 | 2,588 | 5,516 | 6,683 | 7,123 | 5,316 |
| Ore mined (000's tonnes) | 2,050 | 1,621 | 1,499 | 1,382 | 2,552 | 3,220 | 2,380 | 2,600 |
| Ore grade (%) | 2.0 | 2.0 | 1.9 | 1.7 | 1.4 | 1.4 | 1.4 | 1.5 |
| *Processing* (3) | | | | | | | | |
| Sulphide Ore processed (000's tonnes) | 434 | 507 | 580 | 782 | 1,140 | 1,277 | 1,212 | 1,171 |
| Oxide Ore processed (000's tonnes) | 696 | 955 | 1,039 | 1,044 | 1,246 | 1,401 | 1,080 | 1,263 |
| Contained copper (tonnes) | 19,917 | 27,510 | 30,934 | 32,213 | 36,981 | 32,882 | 31,545 | 38,231 |
| Sulphide ore grade processed (%) | 2.0 | 2.0 | 2.0 | 1.9 | 1.6 | 1.2 | 0.9 | 0.8 |
| Oxide ore grade processed (%) | 1.8 | 1.8 | 1.9 | 1.7 | 1.5 | 1.2 | 1.6 | 1.8 |
| Recovery (%) | 86 | 84 | 96 | 92 | 94 | 95 | 92 | 93 |
| Copper cathode produced (tonnes) | 8,802 | 14,395 | 18,324 | 15,796 | 18,687 | 20,194 | 19,006 | 22,823 |
| Copper in concentrate produced (tonnes) | 8,154 | 8,670 | 11,234 | 14,572 | 16,924 | 11,984 | 10,015 | 12,577 |
| Concentrate grade (%) | 28.9 | 29.5 | 28.7 | 29.3 | 25.8 | 26.4 | 26.9 | 25.2 |
| *Combined Costs (per lb)* (4) | | | | | | | | |
| Mining | $0.09 | $0.08 | $0.06 | $0.10 | $0.12 | $0.17 | $0.14 | $0.20 |
| Processing | 0.33 | 0.36 | 0.38 | 0.41 | 0.44 | 0.50 | 0.62 | 0.54 |
| Site Administration | 0.04 | 0.04 | 0.04 | 0.03 | 0.04 | 0.04 | 0.04 | 0.03 |
| TC RCs and freight parity charges | 0.18 | 0.18 | 0.21 | 0.31 | 0.42 | 0.31 | 0.27 | 0.14 |
| Gold / Acid credit | (0.01) | (0.07) | (0.04) | (0.07) | (0.08) | (0.07) | (0.05) | (0.06) |
| Combined Total Cash Costs (C1) | $0.63 | $0.59 | $0.65 | $0.78 | $0.94 | $0.95 | $1.02 | $0.85 |
| Combined Total Costs (C3) | $0.80 | $0.80 | $0.76 | $0.93 | $1.11 | $1.17 | $1.21 | $1.05 |
| *Cathode Costs (per lb)* (4) | | | | | | | | |
| Mining | $0.11 | $0.08 | $0.06 | $0.10 | $0.13 | $0.16 | $0.12 | $0.19 |
| Processing | 0.46 | 0.40 | 0.42 | 0.51 | 0.51 | 0.51 | 0.68 | 0.54 |
| Site Administration | 0.04 | 0.04 | 0.04 | 0.03 | 0.04 | 0.04 | 0.04 | 0.03 |
| TC RCs and freight parity charges | - | - | - | - | 0.03 | 0.10 | 0.08 | 0.08 |
| Gold / Acid credit | - | - | | - | (0.01) | (0.02) | (0.02) | (0.03) |
| Cathode Total Cash Costs (C1) | $0.61 | $0.52 | $0.52 | $0.64 | $0.70 | $0.79 | $0.90 | $0.81 |
| Cathode Total Costs (C3) | $0.80 | $0.73 | $0.63 | $0.80 | $0.87 | $1.00 | $1.08 | $1.00 |
| *Concentrate Costs (per lb)* (4) | | | | | | | | |
| Mining | $0.07 | $0.08 | $0.06 | $0.09 | $0.12 | $0.18 | $0.18 | $0.27 |
| Processing | 0.19 | 0.29 | 0.30 | 0.28 | 0.35 | 0.46 | 0.51 | 0.49 |
| Site Administration | 0.04 | 0.05 | 0.05 | 0.04 | 0.04 | 0.04 | 0.04 | 0.03 |
| TC RCs and freight parity charges | 0.38 | 0.48 | 0.57 | 0.68 | 0.89 | 0.73 | 0.63 | 0.43 |
| Gold / Acid credit | (0.03) | (0.19) | (0.11) | (0.16) | (0.17) | (0.16) | (0.11) | (0.20) |
| Concentrate Total Cash Costs (C1) | $0.65 | $0.71 | $0.87 | $0.93 | $1.23 | $1.25 | $1.25 | $1.02 |
| Concentrate Total Costs (C3) | $0.81 | $0.90 | $0.98 | $1.08 | $1.40 | $1.49 | $1.47 | $1.26 |
| *Revenues* (3) | | | | | | | | |
| Copper cathodes | $29.2 | $54.1 | $87.6 | $84.8 | $142.3 | $158.6 | $110.9 | $141.2 |
| Copper in concentrates | 15.3 | 34.7 | 31.9 | 35.6 | 109.5 | 65.3 | 20.1 | 72.0 |
| Gold | 0.6 | 3.4 | 2.7 | 4.5 | 6.1 | 5.1 | 2.7 | 4.8 |
| Total revenues | $45.1 | $92.2 | $122.2 | $124.9 | $257.9 | $229.0 | $133.8 | $218.0 |
| Copper cathode sold (tonnes) | 8,919 | 14,227 | 18,505 | 15,556 | 18,754 | 20,217 | 19,165 | 22,798 |
| Copper in concentrate sold (tonnes) | 6,024 | 12,243 | 9,260 | 9,282 | 15,692 | 13,131 | 8,215 | 14,521 |
| Gold sold (ounces) | 1,370 | 7,130 | 5,766 | 8,079 | 9,611 | 8,864 | 4,427 | 7,764 |

**Summary of Quarterly Results (unaudited) (continued)**

| | 2005 Q2 | 2005 Q3 | 2005 Q4 | 2006 Q1 | 2006 Q2 | 2006 Q3 | 2006 Q4 | 2007 Q1 |
|---|---|---|---|---|---|---|---|---|
| **Bwana/Lonshi Production Statistics** | | | | | | | | |
| *Mining* | | | | | | | | |
| Waste mined (000's tonnes) | 4,025 | 4,707 | 5,918 | 3,241 | 5,607 | 5,915 | 4,081 | 2,105 |
| Ore mined (000's tonnes) | 319 | 300 | 209 | 147 | 183 | 110 | 80 | 16 |
| Ore grade (%) | 5.5 | 3.9 | 6.1 | 8.4 | 10.7 | 11.9 | 10.4 | 7.5 |
| *Processing* | | | | | | | | |
| Oxide Ore processed (000's tonnes) | 328 | 363 | 397 | 335 | 314 | 322 | 294 | 242 |
| Contained copper (tonnes) | 13,354 | 15,003 | 14,262 | 13,401 | 15,625 | 15,011 | 13,037 | 5,007 |
| Oxide ore grade processed (%) | 4.1 | 4.1 | 3.6 | 4.0 | 5.0 | 4.7 | 4.3 | 2.1 |
| Recovery (%) | 88 | 88 | 89 | 87 | 87 | 89 | 96 | 91 |
| Copper cathode produced (tonnes) | 11,717 | 13,131 | 12,662 | 11,718 | 13,569 | 13,302 | 12,479 | 4,557 |
| Acid produced (tonnes) | 69,218 | 64,263 | 72,040 | 68,195 | 71,421 | 63,830 | 73,901 | 67,227 |
| Surplus acid (tonnes) | 14,939 | 7,120 | 219 | 937 | 910 | 508 | 8 | 586 |
| *Cathode Costs (per lb)* [(4)] | | | | | | | | |
| Mining | $0.29 | $0.43 | $0.49 | $0.51 | $0.32 | $0.32 | $0.34 | $1.49 |
| Processing | 0.31 | 0.30 | 0.34 | 0.38 | 0.35 | 0.38 | 0.43 | 1.05 |
| Site Administration | 0.06 | 0.06 | 0.09 | 0.10 | 0.10 | 0.10 | 0.07 | 0.20 |
| Gold / Acid credit | (0.09) | (0.05) | (0.08) | (0.09) | (0.08) | (0.06) | (0.09) | (0.24) |
| Cathode Total Cash Costs (C1) | $0.57 | $0.74 | $0.84 | $0.90 | $0.69 | $0.74 | $0.75 | $2.50 |
| Cathode Total Costs (C3) | $0.79 | $1.01 | $1.16 | $1.20 | $0.98 | $1.00 | $1.00 | $2.92 |
| *Revenues* | | | | | | | | |
| Copper cathodes | $38.9 | $49.6 | $54.7 | $62.1 | $104.5 | $99.3 | $75.4 | $22.0 |
| Copper cathodes sold (tonnes) | 11,592 | 13,394 | 12,438 | 11,797 | 13,648 | 12,954 | 12,766 | 4,664 |
| **Guelb Production Statistics** | | | | | | | | |
| *Mining* | | | | | | | | |
| Waste mined (000's tonnes) | - | - | - | 1,156 | 1,721 | 1,660 | 1,719 | 1,610 |
| Ore mined (000's tonnes) | - | - | - | 41 | 144 | 179 | 400 | 462 |
| Ore grade (%) | - | - | - | 1.9 | 1.9 | 1.8 | 1.5 | 1.4 |
| *Processing* [(3)] | | | | | | | | |
| Sulphide Ore processed (000's tonnes) | - | - | - | - | - | - | 334 | 410 |
| Contained copper (tonnes) | - | - | - | - | - | - | 6,552 | 7,791 |
| Sulphide ore grade processed (%) | - | - | - | - | - | - | 2.0 | 1.9 |
| Recovery (%) | - | - | - | - | - | - | 78 | 83 |
| Copper concentrate produced (tonnes) | - | - | - | - | - | - | 5,031 | 6,446 |
| *Concentrate Costs (per lb)* [(4)] | | | | | | | | |
| Mining | - | - | - | - | - | - | $0.13 | 0.21 |
| Processing | - | - | - | - | - | - | 0.77 | 0.56 |
| Site Administration | - | - | - | - | - | - | 0.08 | 0.07 |
| TC RCs and freight parity charges | - | - | - | - | - | - | 0.86 | 0.66 |
| Gold / Acid credit | - | - | - | - | - | - | (0.15) | (0.21) |
| Concentrate Total Cash Costs (C1) | - | - | - | - | - | - | $1.69 | $1.29 |
| Concentrate Total Costs (C3) | - | - | - | - | - | - | $2.18 | $1.66 |
| *Revenues* [(3)] | | | | | | | | |
| Copper in concentrates | - | - | - | - | - | - | $5.6 | $12.9 |
| Gold | - | - | - | - | - | - | 1.6 | 3.1 |
| Total revenues | - | - | - | - | - | - | $7.2 | $16.0 |
| Copper concentrates sold (tonnes) | - | - | - | - | - | - | 1,308 | 2,332 |
| Gold sold (ounces) | - | - | - | - | - | - | 2,516 | 4,240 |

(1) Recognized at the settlement price or the LME copper price at the end of the respective period
(2) The provisional adjustment reflects the settlement or provisional price adjustment of prior period copper sales
(3) Copper sold or produced does not include tonnes sold or produced prior to achieving commercial production
(4) For the definition of cash and total costs, reference should be made to section 10

**Appendix B**

# Regulatory disclosures

### Seasonality

The Company's results as discussed in this MD&A are subject to 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.

### Contractual obligations

| | Total | Less than 1 year | 1 – 2 years | 2 – 3 years | 3 – 4 years | 4 – 5 years | Thereafter |
|---|---|---|---|---|---|---|---|
| | USD M | USD M | USD M | USD M | USD M | USD M | USD M |
| Term debt | 269.5 | 56.0 | 55.5 | 55.5 | 55.5 | 27.4 | 19.6 |
| Deferred payments | 15.1 | 12.8 | 0.4 | 0.4 | 0.4 | 0.4 | 0.7 |
| Commitments | 88.3 | 88.3 | - | - | - | - | - |
| Asset retirement obligations | 5.1 | 0.6 | 2.0 | - | - | - | 2.5 |

### Derivatives

The Company periodically enters into derivative instruments to mitigate the exposures to copper and gold commodity prices, foreign exchange rates, and interest rates. The Company does not currently apply hedge accounting and all derivatives are recorded at fair value with changes in fair value recorded as a component of other expenses.

As at March 31, 2007, the following derivative positions were outstanding:

| | 2007 | 2008 | 2009 | Total | Fair Value March 31, 2007 |
|---|---|---|---|---|---|
| | | | | | USD M |
| **Copper** | | | | | |
| Put options (tonnes) | 64,512 | - | - | 64,512 | $0 |
| Price ($/tonne) | $1,800 | - | - | $1,800 | |
| **Gold** | | | | | |
| Put options (oz) | 28,035 | 24,060 | 32,028 | 90,123 | $0 |
| Price ($/oz) | $350 | $350 | $350 | $350 | |
| Forward contracts (oz) | 28,035 | 24,060 | 32,028 | 90,123 | $(26.8) |
| Price ($/oz) | $400 | $400 | $400 | $400 | |
| **Other** | | | | | |
| Interest rate swaps – floating to fixed | | | | | $2.9 |
| Cross currency swaps – EUR to USD | | | | | $0.8 |
| Embedded Derivative | | | | | $(7.9) |

**Non-GAAP Measures**

Calculation of Cash and Total Costs

The consolidated cash (C1) and total (C3) costs presented for the Company are non-GAAP measures that are prepared on a basis consistent with the industry standard Brook 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.

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 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 is 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 and realized foreign exchange 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 except for capitalized costs, which are depreciated and included in total cost per pound.

Calculation of Operating Cash Flow per Share

The calculations of operating cash flow per share, before and after working capital movements, are non-GAAP measures that are prepared for analysts' use to measure the Company's cash flows from operations on a per share basis.

In calculating the operating cash flow per share, before and after working capital movements, the operating cash flow calculated for GAAP purposes is divided by the weighted average common shares outstanding for the respective period.

**Changes in Accounting Policies**

Deferred Stripping

Effective January 1, 2007, the Company adopted CICA Emerging Issues Committee Abstract 160 (EIC–160) "Stripping Costs Incurred in the Production Phase of a Mining Operation." The Company elected to apply the standard on a retroactive basis with restatement of prior period balances. EIC–160 requires stripping costs incurred in the production phase to be accounted for as variable production costs to be included in the costs of inventory produced, unless the stripping activity can be shown to be a betterment of the mineral property, in which case stripping costs will be capitalized. Betterment occurs when stripping activity increases future output of the mine by providing access to additional sources of reserves. Effective January 1, 2007, as a result of the adoption of EIC-160, the Company recorded a cumulative adjustment to retained earnings of $15.3 million, an increase in inventory of $19.9 million, and a reduction of other assets of $44.6 million.

Financial Instruments

Effective January 1, 2007, the Company adopted the new CICA accounting standards on financial instruments along with other amendments to the CICA handbook. As prescribed, prior periods have not been restated.

Section 3855, Financial Instruments – Recognition and Measurement, specifies whether fair values or cost based measures are used to determine the recorded amounts for financial assets, financial liabilities and non-financial derivatives, and when such amounts should be recognized. The standard also specifies the presentation of gains and losses on financial instruments.

Effective January 1, 2007, the Company's marketable securities have been designated as available-for-sale and recorded at fair value on the balance sheet. Changes in fair value of these instruments are reflected in other comprehensive income. The recognition of these instruments at fair value resulted in a decrease in investments of $3.0 million and accumulated other comprehensive income of $2.5 million (net of tax of $0.5 million) at January 1, 2007.

All derivatives, including embedded derivatives, are now recorded on the balance sheet at fair value. Changes in fair value of derivatives are recorded in net income or comprehensive income. As the Company did not apply hedge accounting and recorded all changes in the fair value of derivatives in operating income, the impact of adoption was limited to the recognition of certain embedded derivatives. The recognition of these embedded derivatives resulted in an increase in other liabilities and a decrease in retained earnings of $5.0 million at January 1, 2007. For the purposes of identifying embedded derivatives, the Company elected a transition date of January 1, 2003.

All other financial instruments are recorded at cost or amortized cost. The Company has elected to include costs incurred to acquire financial instruments in the underlying balance. This resulted in the reclassification of debt issue costs of $10.0 million from other assets to long-term debt effective January 1, 2007.

Section 3865, Hedges, applies when a company chooses to designate a hedging relationship for accounting purposes. The Company has chosen not to apply hedge accounting to its current portfolio of derivatives and therefore there is no current impact of adoption of this standard.

Section 1530, Comprehensive income, requires the presentation of comprehensive earnings and its components. Comprehensive earnings comprise net income and other comprehensive income (“OCI”). OCI includes unrealized gains and losses on financial assets classified as available-for-sale. The cumulative amount of OCI, (“accumulated other comprehensive income” or “AOCI”) is presented as a new category of shareholder’s equity in the consolidated balance sheets.

Accounting Changes

Effective January 1, 2007, the Company adopted the revised CICA Section 1506, accounting changes. This section requires that voluntary accounting policy changes can only be made if they are preferable to the Company’s pre-existing policy, such changes must be accompanied by disclosures of prior period amounts and justification for the change.

**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 their reserves.

Management’s estimates of mineral prices, recoverable 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, mineral resources, and operating, capital and reclamation costs on an undiscounted basis. When these 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.

Stock Based Compensation

The Company grants stock options under its stock option plan and PSUs and RSUs under its new long-term incentive plan to its directors and employees. The Company expenses the fair value of stock options, PSUs and RSUs granted over the vesting period.

The fair value of stock options is determined using an option pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock, staff turnover, and the risk-free interest rate over the expected life of the option. Cash consideration received from employees when they exercise the options is credited to capital stock.

The fair value of PSUs is determined using a valuation model that takes into account, as of the grant date, the expected life of the PSU, expected volatility, expected dividend yield, and the risk free interest rate over the life of the PSU, to generate potential outcomes for stock prices, which are used to estimate the probability of the PSUs vesting at the end of the performance measurement period.

The fair value of RSUs is determined by reference to the share price of the Company at the date of grant.

Asset retirement obligations

The Company records asset retirement obligations at fair value in the period in which the liability is incurred. Fair value is determined based on the estimated future cash flows required to settle the liability discounted at the Company's credit adjusted risk free interest rate. The liability is adjusted for changes in the expected amounts and timing of cash flows required to discharge the liability and accreted over time to its full value. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and amortized over the expected useful life of the asset.

**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.

As is common in the mining industry, a number of the Company's sales agreements require final prices to be determined in a future period. For this purpose, it is necessary for management to estimate the final price received based on current prices for both copper and gold. As a result of the significant volatility in current metal prices, actual results may materially differ from those initially recorded when final prices are determined. Management follows the industry practice of re-pricing any provisional priced sales at the end of each reporting period and any differences / adjustments are recorded in the current period's earnings.

**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, 2006 under the supervision of the Company's Disclosure Committee and with the participation of management. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective. Since the December 31, 2006 evaluation, there have been no changes to the Company's controls and procedures and they continue to remain effective.

**Internal Controls over Financial Reporting**

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with Canadian generally accepted accounting principles.

An evaluation of the design effectiveness of the Company's internal controls over financial reporting was conducted as of December 31, 2006 by the Company¹s management, including the Chief Executive Officer and Chief Financial Officer. Based on this evaluation, management has concluded that the design of the Company's internal controls over financial reporting was effective.

There were no changes in the Company's internal controls over financial reporting during the quarter ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

**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.