First Quantum Minerals Ltd.

Consolidated Financial Statements
December 31, 2010 and 2009
(In U.S. dollars, tabular amounts in millions, except where indicated)

Management's Responsibility for Financial Reporting

The consolidated financial statements of First Quantum Minerals Ltd. and the information contained in the annual report have been prepared by and are the responsibility of the Company's management. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada and, where appropriate, reflect management's best estimates and judgements based on currently available information.

Management has developed and is maintaining a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is reliable.

The Company's independent auditors, PricewaterhouseCoopers LLP, who are appointed by the shareholders, conduct an audit in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of their audit and gives their opinion on the consolidated financial statements.

The Audit Committee of the Board of Directors meets periodically with management and the independent auditors to review the scope and results of the annual audit, and to review the consolidated financial statements and related financial reporting matters prior to approval of the consolidated financial statements.

Philip K.R. Pascall
Chairman and Chief Executive Officer

Mark Bolton
Chief Financial Officer

March 15, 2011

PRICEWATERHOUSECOOPERS

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March 15, 2011

Independent Auditor's Report

To the Shareholders of First Quantum Minerals Ltd.

We have audited the accompanying consolidated financial statements of First Quantum Minerals Ltd. ("FQM", "First Quantum" or the "Company") and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of earnings (loss), changes in shareholders' equity, comprehensive income (loss) and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group and its subsidiaries as at December 31, 2010 and December 31, 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Signed "PricewaterhouseCoopers LLP"

Chartered Accountants

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

First Quantum Minerals Ltd.

Consolidated Statements of Earnings (Loss)

For the years ended December 31, 2010 and 2009

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

	Note	2010	2009
Sales revenues			
Copper		2,183.6	1,706.4
Gold		194.6	156.0
Acid		-	1.8
		2,378.2	1,864.2
Cost of sales		(1,050.7)	(733.4)
Depletion and amortization		(115.6)	(161.7)
Operating profit		1,211.9	969.1
Other income (expenses)			
Exploration		(47.5)	(25.9)
General and administrative		(44.6)	(25.3)
Asset impairments	5	(1,119.3)	-
Acquisition transaction costs	4a	(18.5)	-
Interest		(58.8)	(60.4)
Derivative instrument adjustments		1.1	(135.9)
Gain on sale of investments	7	510.8	18.6
Other income	18	5.1	7.6
		(771.7)	(221.3)
Earnings before income taxes		440.2	747.8
Income taxes	15	(494.6)	(200.3)
Net earnings (loss)		(54.4)	547.5
Earnings (loss) for the year attributable to:			
Non-controlling interests		69.0	84.1
Shareholders of the Company		(123.4)	463.4
Earnings (loss) per share	16b		
Basic		$(1.54)	$6.14
Diluted		$(1.54)	$5.92
Weighted average shares outstanding (000's)	16b		
Basic		80,264	75,508
Diluted		80,264	80,982
Total shares issued and outstanding (000's)	16a	86,176	78,590

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

First Quantum Minerals Ltd.

Consolidated Statements of Cash Flows

For the years ended December 31, 2010 and 2009

(expressed in millions of U.S. dollars)

	Note	2010	2009
Cash flows from operating activities			
Net earnings (loss) for the year		(54.4)	547.5
Items not affecting cash			
Depletion and amortization		115.6	161.7
Net assets impaired	5	1,238.6	-
Future income tax		40.8	(2.5)
Stock-based compensation expense	17a	6.3	5.8
Derivative instruments		40.3	(16.6)
Non-cash interest expense		18.1	21.2
Gain on disposal of investments	7	(510.8)	(18.6)
Other		5.3	(20.4)
		899.8	678.1
Change in non-cash operating working capital			
Increase in accounts receivable and other		(120.0)	(300.0)
Increase in inventory		(97.9)	(1.8)
Increase (decrease) in accounts payable and accrued liabilities		(25.3)	23.6
Increase in current taxes payable		119.8	174.4
Long-term incentive plan contributions		(15.1)	(11.7)
		761.3	562.6
Cash flows from financing activities			
Proceeds from debt		49.4	138.9
Repayments of debt		(86.0)	(347.2)
Proceeds from convertible bonds	11	-	488.0
Proceeds on issuance of common shares		4.8	279.1
Dividends paid		(55.7)	(5.8)
Dividends paid to non-controlling interests		(20.0)	(6.0)
Finance lease payments		(2.5)	-
		(110.0)	547.0
Cash flows from investing activities			
Payments for property, plant and equipment		(357.6)	(361.8)
Acquisitions, net of cash acquired	4	(511.2)	(34.0)
Acquisition of logistical expertise		(3.7)	-
Available-for-sale investments, net	7	646.9	29.2
		(225.6)	(366.6)
Increase in cash and cash equivalents		425.7	743.0
Cash and cash equivalents - beginning of year		919.2	176.2
Cash and cash equivalents - end of year	21	1,344.9	919.2

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

First Quantum Minerals Ltd.

Consolidated Balance Sheets

As at December 31, 2010 and 2009

(expressed in millions of U.S. dollars)

	Note	2010	2009
Assets			
Current assets			
Cash and cash equivalents	21	1,344.9	919.2
Restricted cash	10a	40.3	40.3
Accounts receivable		377.0	342.6
Inventory	6	390.9	346.7
Current portion of other assets	9	26.7	195.2
		2,179.8	1,844.0
Investments	7	18.0	460.4
Property, plant and equipment	8	3,035.9	2,157.9
Other assets	9	24.9	102.3
Total assets		5,258.6	4,564.6
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		362.2	323.0
Current taxes payable		414.0	320.8
Current portion of debt	10	140.8	84.5
Current portion of other liabilities	12	48.4	3.9
		965.4	732.2
Debt	10	20.2	107.1
Convertible bonds	11	452.1	438.4
Other liabilities	12	93.0	36.1
Future income tax liabilities	15	598.8	373.9
Total liabilities		2,129.5	1,687.7
Shareholders' equity			
Capital stock	16	1,491.9	750.4
Retained earnings		1,258.4	1,437.9
Accumulated other comprehensive income		1.0	297.2
Total equity attributable to shareholders holders of the Company		2,751.3	2,485.5
Non-controlling interests		377.8	391.4
Total equity		3,129.1	2,876.9
Total liabilities and equity		5,258.6	4,564.6
Commitments	22		
Contingencies	5,23		
Subsequent event	10e		

Approved by the Board of Directors

"Andrew Adams" *"Peter St. George"*

_____________________ Director _____________________ Director

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

First Quantum Minerals Ltd.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2010 and 2009

(expressed in millions of U.S. dollars)

	Note	2010	2009
Capital stock			
Common shares			
Balance – beginning of year		724.2	441.8
Acquisition of Kiwara PLC	4c	137.2	-
Acquisition of Antares Minerals Inc.	4b	603.9	-
Acquisition of logistical expertise		4.4	-
Stock options exercised	17b	6.4	12.9
Shares issued on equity financing	16a	-	269.5
Balance – end of year		1,476.1	724.2
Equity portion of convertible bonds			
Balance – beginning of year		56.9	-
Equity allocation of convertible bonds	11	-	56.9
Balance – end of year		56.9	56.9
Treasury shares			
Balance – beginning of year		(47.2)	(38.8)
Shares purchased	16c	(15.1)	(11.7)
Restricted and performance stock units vested	17a	5.3	3.3
Balance – end of year		(57.0)	(47.2)
Contributed surplus			
Balance – beginning of year		16.5	17.3
Stock-based compensation expense for the year	17a	6.3	5.8
Transfers upon exercise of stock options	17b	(1.6)	(3.3)
Restricted and performance stock units vested	17a	(5.3)	(3.3)
Balance – end of year		15.9	16.5
Total capital stock		1,491.9	750.4
Retained earnings			
Balance – beginning of year		1,437.9	980.3
Earnings (loss) attributable to shareholders of the Company		(123.4)	463.4
Acquisition	4d	(0.4)	-
Dividends		(55.7)	(5.8)
Balance – end of year		1,258.4	1,437.9
Accumulated other comprehensive income			
Balance – beginning of year		297.2	-
Other comprehensive income (loss) for the year		(296.2)	297.2
Balance – end of year		1.0	297.2
Non-controlling interests			
Balance – beginning of year		391.4	313.3
Earnings attributable to non-controlling interests		69.0	84.1
Dividends		(20.0)	(6.0)
Acquisition	4d	(62.6)	-
Balance – end of year		377.8	391.4

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

First Quantum Minerals Ltd.

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2010 and 2009

(expressed in millions of U.S. dollars)

	Note	2010	2009
Net earnings (loss)		(54.4)	547.5
Other comprehensive income (loss)			
Unrealized gain on available-for-sale investments, net of tax of $25.8 million (2009 - $10.3 million)		178.9	315.8
Realized gain on available-for-sale investments, net of tax of $35.7 million (2009 - nil)		(475.1)	(18.6)
		(296.2)	297.2
Comprehensive income (loss)		(350.6)	844.7
Total comprehensive income (loss) for the year attributable to:			
Non-controlling interests		69.0	84.1
Shareholders of the Company		(419.6)	760.6
		(350.6)	844.7

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

1 Nature of operations

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

2 Changes in accounting policies

Accounting Policy Changes Effective January 1, 2010

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations" ("Section 1582"), 1601 "Consolidated Financial Statements" ("Section 1601") and 1602 "Non-controlling Interests" ("Section 1602") which replace CICA Handbook Section 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes a standard for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). This new standard revises guidance on the determination of the carrying amount of assets acquired, liabilities assumed, goodwill and the accounting for non-controlling interest at the date of a business combination. Sections 1601 and 1602 establish standards for preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. Sections 1582, 1601 and 1602 are required for the Company's interim and annual financial statements for its fiscal year beginning January 1, 2011. Earlier adoption of these sections is permitted, which requires that all three sections be adopted at the same time. The Company has early adopted these sections effective January 1, 2010.

As a result of the Section 1582 definition of a business being an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing a return to its investors and owners, the acquisition of the Ravensthorpe project completed in January 2010, note 4(a), is accounted for as a business combination. The adoption of Section 1582 also has an impact on the treatment of transaction costs of $18.5 million relating to this business combination. Transaction costs accounted for under Section 1582 are expensed as incurred.

In accordance with Section 1602, non-controlling interests have been classified as a component of equity, and net earnings and total comprehensive income include the portion attributable to non-controlling interests. Adoption of these sections resulted in the reclassification of non-controlling interests of $391.4 million at December 31, 2009 to shareholders' equity.

3 Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Principles of consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries. The principal operating subsidiaries are First Quantum Mining and Operations Limited ("FQMO") which includes Bwana Mkubwa ("Bwana"), Compagnie Minière de Sakania SPRL ("Comisa"), Kansanshi Mining Plc ("Kansanshi"), Mauritanian Copper Mines SARL ("Guelb Moghrein"), Frontier SPRL ("Frontier"), Kingamyambo Musonoi Tailings SARL ("Kolwezi"), Kevitsa Mining ("Kevitsa") and Ravensthorpe Nickel Operations Pty Ltd. ("Ravensthorpe").

The Company also consolidates variable interest entities which are entities that are subject to control on a basis other than ownership of a majority of the voting interests. The Company established an independent trust to purchase the common shares necessary to satisfy the Company's long-term incentive plan. The Company consolidates the trust as it constitutes a variable interest entity.

Estimates, risks and uncertainties

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Measurement of the Company's assets and liabilities is subject to risks and uncertainties, including ones related to ownership rights, reserve and resource estimation; future copper, nickel, gold, PGE and sulphuric acid prices; estimated costs of future production; future costs of asset retirement obligations; changes in government legislation and regulations; estimated future income tax amounts; the availability of financing and various operational factors.

Foreign currency translation

The functional currency of the Company and all of the Company's operations is the United States dollar ("USD"). The Company's foreign currency transactions are translated into USD at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities are translated using period end exchange rates with any gains and losses included in the determination of operating results. Non-monetary assets and liabilities are translated using historical rates.

Inventory

Product inventories comprise ore in stockpiles; acid and metal work-in-progress; finished acid; and finished cathode and metal in concentrate and gold bullion. Product inventories are recorded at the lower of average cost and net realizable value. Cost includes materials, direct labour, other direct costs and production overheads and amortization of plant, equipment and mineral properties directly involved in the mining and production processes. Waste rock stripping costs related to production are inventoried as incurred.

When inventories have been written down to net realizable value, a new assessment of net realizable value is made in each subsequent period. When the circumstances that caused the write down no longer exist, the amount of the write down is reversed.

Consumable stores are valued at the lower of purchase cost and net realizable value and recorded as a current asset.

Inventories on hand that will not be processed within one year are classified as long-term.

Mineral properties and mine development costs

General exploration and associated costs are expensed in the period incurred. Significant property acquisition costs are capitalized. Development costs relating to specific properties are capitalized once management determines the property will be developed to produce commodities on a continuing basis. These capitalized costs are expensed once 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 increase future output by providing access to additional reserves, are deferred and depleted on a units-of-production basis over the reserves to which they relate.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depletion and amortization. Costs recorded for plants under construction include all expenditures incurred in connection with the development and construction of the plants. Interest and financing costs that relate to the project and are incurred during the construction period are capitalized. No amortization is recorded until the plants are substantially complete and ready for productive use. Where relevant, the Company has estimated residual values on certain plant and equipment.

Property, plant and equipment are amortized over the estimated lives of the assets on a units-of-production or straight-line basis as appropriate.

Asset impairment

The Company performs impairment tests on property, plant and equipment, mineral properties and mine development costs when events or changes in circumstances occur that indicate the assets may not be recoverable. Where information is available and conditions suggest impairment, estimated future net cash flows for a mine or development project are calculated using estimated future prices, mineral resources, and operating capital and reclamation costs on an undiscounted basis. Where appropriate, a probability weighted approach is applied to alternative cash flow scenarios. When estimated undiscounted future cash flows are less than the carrying value, the project is considered impaired. Reductions in the carrying value of a mine or development project are recorded to the extent the net book value exceeds the fair value, typically calculated using discounted estimated future cash flows.

Management estimates of mineral prices, recoverable reserves, and operating capital and reclamation costs are subject to certain risks and uncertainties that 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 future that could adversely affect management's estimate of the net cash flow to be generated from its projects.

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 related long-lived asset and amortized over the expected useful life of the asset.

Convertible bonds

Upon issue of convertible bonds, the fair value of the liability component is determined by discounting the contractual future cash flows using a market rate for a non-convertible instrument with similar terms. This value is carried as a liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds are allocated to a separate component of equity, net of issue costs, which remains constant in subsequent periods. Issue costs are apportioned between the liability and equity components based on their respective carrying amounts when the bonds were issued.

The finance costs recognized in respect of the convertible bonds includes the accretion of the liability component to the amount that will be payable on redemption.

Revenue recognition

The Company produces copper cathode, copper and gold in concentrate, gold bullion and acid. Copper and gold products are sold under pricing arrangements where final prices are set at a specified date based on market 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 prices recorded upon recognition of revenue and the final price due to fluctuations in copper and gold 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. Acid revenue is recorded when title has passed to the customer.

Income taxes

Current income taxes are recorded based on estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities using substantively enacted tax rates for the period in which the differences are expected to reverse. Future income tax assets and liabilities are monetary items; accordingly future tax balances denominated in other than USD are translated into USD using the current exchange rate at the balance sheet date. The amount of future tax assets recognized is limited to the amount that is more likely than not to be realized.

Stock-based compensation

The Company grants stock options under its stock option plan and performance stock units ("PSUs") and restricted stock units ("RSUs") under its long-term incentive plan to 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, 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.

Earnings per share

Earnings per share are calculated using the weighted average number of shares outstanding during the period. Shares acquired under the long-term incentive plan are treated as treasury shares and are deducted from the number of shares outstanding for the calculation of basic earnings per share. Diluted earnings per share are calculated using the treasury stock method whereby all "in the money" options, warrants and equivalents are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, investments, accounts payable and accrued liabilities, debt and derivative instruments.

a) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and other short-term investments with initial maturities of less than three months. It excludes cash subject to restrictions under debt facilities. Cash and cash equivalents and restricted cash have been classified as loans and receivables and are recorded at fair value.

b) Accounts receivable

Accounts receivable are classified as loans and receivables and accordingly are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

c) Investments

Investments are designated as available-for-sale. The Company's investment in Carlisa Investment Corp. ("Carlisa"), a privately held entity, is designated as available-for-sale but is measured at cost as the fair value is not readily determinable. Fair values for investments in marketable securities are determined by quoted market prices at the balance sheet date. Unrealized gains and losses on the marketable securities are recognized in other comprehensive income. If a decline in fair value is significant or prolonged it is deemed to be other-than-temporary and the loss is recognized in net earnings. Available-for-sale investments are recorded as non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

d) Derivatives and hedging

The Company periodically enters into derivative instruments to mitigate exposures to copper and gold commodity prices, foreign exchange rates, and interest rates. The Company does not apply hedge accounting. Derivative financial instruments, including embedded derivatives, are classified as held-for-trading and measured at fair value as determined by active market prices and valuation models, as appropriate. Valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining these assumptions, the Company uses readily observable market inputs where available or, where not available, inputs generated by the Company. Changes in the fair value of derivative instruments entered into in relation to foreign exchange risk, interest rate risk and general commodity price risk are recorded as derivative instrument adjustments in net earnings. Changes in the fair value of commodity derivative instruments embedded in accounts receivable and freestanding derivatives specifically matched to individual sales contracts are recorded in revenue.

e) Accounts payable and accrued liabilities and debt

Accounts payable and accrued liabilities and debt are classified as other financial liabilities and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in net earnings over the period to maturity using the effective interest rate method.

4 Acquisitions

a) Ravensthorpe

On February 10, 2010, the Company acquired the assets of BHP Billiton's Ravensthorpe nickel mine in Western Australia ("Ravensthorpe"). The Ravensthorpe assets consist of an open pit mine and hydrometallurgical process plant and related equipment which had been held on care and maintenance by BHP Billiton since January 2009.

The acquisition of Ravensthorpe has been accounted for as the purchase of a business. The total purchase cost was $338.8 million paid in cash, including a $34.0 million deposit paid in December 2009. Transaction costs of $18.5 million were expensed upon acquisition. As the acquisition of Ravensthorpe was the result of a competitive bid process no goodwill was recognized on the acquisition.

As at December 31, 2010, the preliminary fair values of the identifiable assets and liabilities of Ravensthorpe as at the date of acquisition are as follows:

	$
Assets	
Inventory	2.1
Plant and equipment	289.8
Mineral property	104.5
Liabilities	
Finance leases	(27.3)
Asset retirement obligation	(30.3)
Net assets acquired	338.8

i) The fair values of the assets and liabilities acquired are preliminary. The review of the fair value of the assets acquired and liabilities assumed will continue for up to 12 months from the acquisition date. The finalization of the fair values may change the preliminary estimates and those changes may be material.

ii) The Company's share of Ravensthorpe's income from the date of acquisition to December 31, 2010 was not significant.

iii) Had the business combination occurred at January 1, 2010 there would have been no significant impact on the profit of the Company.

b) Antares Minerals Inc.

On December 16, 2010, the Company acquired all of the outstanding common shares of Antares Minerals Inc. ("Antares"). Antares' principal asset is the 100% owned Haquira copper project in southern Peru. At the time of acquisition the Haquira property has an established resource; however, significant additional drilling and feasibility work will be required before any development decision can be made. The acquisition of Antares has been accounted for as an asset purchase. The total purchase price was $609.0 million comprising:

	$
Cash	2.6
Issuance of common shares	603.9
Transaction costs	2.5
Total	609.0

The Company issued 5,481,963 common shares at CAD $110.78 per share as part consideration for the acquisition of Antares. The measurement of the common share component of the consideration was based on the share price of the Company's common shares on the date of the acquisition.

The cash paid to acquire Antares including transaction costs less the cash acquired was $4.6 million.

The fair values of the identifiable assets and liabilities of Antares as at the date of acquisition are as follows:

	$
Assets	
Cash	0.5
Accounts receivable	1.4
Investments (i)	2.6
Plant and equipment	0.5
Mineral property	836.9
Long-term other assets	5.7
Liabilities	
Accounts payable and accrued liabilities	(1.9)
Future income tax liability	(236.7)
Net assets acquired	609.0

i) As part of the transaction, Antares's 50% interest in a project located in Salta Province, north western Argentina, was transferred into a new exploration company, Regulus Resources Inc. ("Regulus"). The Company owns 9.9% of Regulus.

c) Kiwara PLC

On January 28, 2010, the Company acquired all of the issued share capital of Kiwara PLC ("Kiwara") which owned 85% of Kalumbila Minerals Limited ("Kalumbila") which holds mineral property licences on the periphery of the Kabombo Dome in North Western Province, Zambia. At the time of acquisition, Kiwara had begun an in-fill drill program at Kalumbila to determine a mineral resource estimate for the properties. Under the terms of the Kiwara acquisition agreement, the Company acquired a further 10% interest in Kalumbila in February 2010 bringing its ownership interest to 95%. The acquisition of Kiwara has been accounted for as a single step asset purchase. In May and November 2010, the Company purchased the remaining 5% non-controlling interest in Kalumbila for $10.0 million.

The total purchase price was $279.0 million comprising:

	$
Cash	140.9
Issuance of common shares	137.2
Transaction costs	0.9
Total	279.0

The Company issued 1,864,960 common shares at CAD $77.55 per share for the acquisition of Kiwara and issued 20,400 common shares at CAD $74.40 per share for the additional 10% interest in Kalumbila. The measurement of the common share component of the consideration was based on the share price of the Company's common shares on the date of each acquisition.

The cash paid to acquire Kiwara and the non-controlling interest in Kalumbila including transaction costs less the cash acquired was $138.8 million.

The fair values of the identifiable assets and liabilities of Kiwara and the non-controlling interests in Kalumbila as at the date of acquisition are as follows:

	$
Assets	
Cash	3.0
Mineral property	387.9
Liabilities	
Accounts payable and accrued liabilities	(0.5)
Future income tax liability	(111.4)
Net assets acquired	279.0

d) Mauritanian Copper Mines SARL

On February 7, 2010, the Company purchased the non-controlling interest (20%) in Mauritanian Copper Mines SARL ("MCM"), owner of the Guelb Moghrein mine, for $63.0 million. The non-controlling interest in MCM at the date of the acquisition was $62.6 million. In accordance with Section 1602 this transaction has been accounted for as an equity transaction. The $0.4 million excess of the consideration paid over the carrying amount of the non-controlling interest has been recorded as an adjustment to retained earnings.

5 Asset impairments

a) Frontier

On March 8, 2010, the Company, and its République démocratique du Congo ("RDC") subsidiaries Compagnie Miniere De Sakania SPRL ("Comisa") and Frontier SPRL ("Frontier") were served notices of a case introduced by the Societe de Developpement Industriel et minier du Congo ("Sodimico"), an RDC state owned mining company, against the RDC before the RDC Supreme Court of Justice ("Supreme Court"). Sodimico requested the cancellation of a February 2000 letter from the Minister of Mines, which Sodimico alleged wrongfully withdrew mining titles belonging to Sodimico. These titles are further alleged to have been subsequently granted to Comisa and Frontier. A hearing was held by the Supreme Court on May 14, 2010 and on May 21, 2010 the Supreme Court delivered a judgment restoring certain mineral rights to Sodimico. These rights conflicted with mineral rights held by Frontier and Comisa. On August 24, 2010 Comisa received notification from the RDC Mining Registry ("CAMI") of the withdrawal of its mining and, the majority of, its exploration titles based on instructions from the Minister of Mines. On August 10, 2010 Frontier received notification from CAMI of the withdrawal of its mining and exploration titles based on instructions from the Minister of Mines.

On August 27, 2010, the Company announced the suspension of operations at the Frontier mine. This suspension followed the withdrawal of Frontier's exploitation permit by CAMI and a letter received from Sodimico, which has purportedly been granted Frontier's titles, demanding that Frontier stop all mining and exports and leave the mining title areas.

As a result of these actions the Company has fully impaired all of the RDC assets of Frontier including product and supplies inventories, mineral properties, plant and equipment. The carrying value of these assets, and associated liabilities was $254.0 million in property, plant and equipment, $52.1 million in inventories and $0.6 million of liabilities net of other assets. The impairment was recorded net of current and future tax recoveries of $62.9 million, severance and site closure costs of $7.3 million have been expensed following closure and $13.1 million of the impairment was attributed to non-controlling interests.

Frontier has declared force majeure under the DRC mining code; however, due to the circumstances surrounding the curtailment of operations, Frontier may be exposed to ongoing claims by the RDC government. The amount and likelihood of any such claims is not determinable. The Company's exposure to any such claims is limited to its assets in the RDC.

On October 1, 2011, Frontier commenced international arbitration under the facilities of the International Centre for Settlement of Investment Disputes ("ICSID") in Washington, D.C., United States of America. The timing of any decision and award in the arbitration proceedings is not known at this time, but could take years.

b) Kolwezi

During 2007, the Government of the RDC announced a review of over 60 mining agreements entered into over the last decade with foreign companies. The Kolwezi mining convention ("Contract of Association"), to which the Company's subsidiary Congo Mineral Developments Limited ("CMD") is a party, in partnership with Industrial Development Corporation of South Africa ("IDC") and the International Finance Corporation ("IFC"). At the conclusion of the "Revisitation" CMD received a letter from the RDC Prime Minister dated August 21, 2009, which reported on the outcome of an August 4, 2009 meeting of the RDC Council of Ministers with respect to

the Contract of Association. The letter notes the “impossibility to pursue the partnership” and directed that the exploitation permit held by KMT, the Company formed by the parties to pursue the KMT Project, be returned to La Générale des carrières et des mines (“Gécamines”) pursuant to the Contract of Association. Subsequently, on September 15, 2009 CMD received an order by the General Prosecutor of Katanga to seal KMT’s facilities. In January 2010, Gécamines purported to terminate the Contract of Association.

On February 1, 2010, CMD, the IFC and the IDC commenced international arbitration at the International Chamber of Commerce (ICC) in Paris. A Tribunal has been appointed and a final decision is expected in the latter part of 2012.

On February 22, 2010, without any prior notice KMT and CMD received a Notice of Hearing Date from Gécamines and CAMI setting the Local Appeal for hearing in less than 48 hours on February 24, 2010. Gécamines and CAMI requested the confirmation of the Local Court judgment and also made an unsupported request for up to US$12 billion in damages to be awarded to Gécamines and CAMI. KMT’s lawyers attended and objected to the proceedings. Following the hearing on February 24, 2010, the Company received official notification of the Local Appeal judgment on April 7, 2010 confirming the award of US$12 billion in damages against CMD and KMT. The Company filed for a “cassation” on June 19, 2010, the final venue of appeal in the RDC. However, despite the further right of appeal, the damages award is now enforceable against KMT and CMD in the RDC.

On July 16, 2010 KMT and CMD were summoned by the RDC, Gécamines and CAMI to appear before the Court of Appeal of Kinshasa in order to have a liquidator appointed to wind up KMT and value its assets as part of the enforcement of the judgement of the Appeal Court of Kinshasa. CMD and KMT requested a postponement, which was refused. On August 2, 2010 KMT received notice of a judgment of the Appeal Court of Kinshasa rendered on July 27, 2010. The judgment decided that KMT is in the process of being liquidated and a Congolese liquidator was appointed.

The Company believes there is no legal basis for the cancellation of KMT’s exploitation permit, the sealing of the KMT facilities, and Gécamines’ termination of the Contract of Association, and that CMD and the KMT Project’s other contributing partners, the IFC and the IDC, continue to have a valid and binding contract with the RDC and Gécamines.

Following developments and actions against KMT and CMD, the Company has determined there to be a complete impairment of the Kolwezi assets. The historical carrying value of the Kolwezi development project’s net assets was $791.2 million and was comprised of the initial acquisition cost and subsequent capital expenditures. A future tax liability of $109.5 million relating to the acquisition of Kolwezi was derecognized concurrent with the asset impairment.

The Company will continue to pursue all available avenues to recover the value of the project, including international arbitration. The timing of any negotiated or arbitrated settlement is not known at this time, but could take years.

c) Zambian Tax

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

Under the President elected in October 2008, the GRZ reviewed these tax changes and proposed that the windfall tax be removed, the deductibility of capital allowances be reinstated to 100% in the period of expenditure and to allow hedging income be part of mining income for tax purposes. These changes were passed by Parliament in March 2009 and the majority of changes took effect from April 1, 2009. These enacted changes were not retroactive to April 1, 2008. On May 18, 2009 the GRZ issued a temporary exemption of the concentrate export levy of 15% until December 31, 2009 in order to allow the export of copper in concentrate that cannot be treated in Zambia due to the lack of smelter capacity within the country at that time.

The Company, through its Zambian subsidiaries, is party to Development Agreements with GRZ for its existing operations which provide an express right to full and fair compensation for any loss, damages or costs (including interest) incurred by the Company by reason of the government's failure to comply with the tax stability guarantees set out in the Development Agreements, and rights of international arbitration in the event of any dispute. Based on legal advice on its rights under the Development Agreement, the Company recorded a receivable from the GRZ for an amount it regarded as reasonable expected ultimate repayment of taxes in excess of that permitted under the Development Agreements. However, in November 2010 the GRZ requested payment of all back taxes outstanding pursuant to the 2008 and 2009 legislation. The Company’s Zambian subsidiaries have agreed to pay the back taxes by June 2011 as requested, without prejudice. Given the changes in circumstances, the receivable has been assessed for impairment under the accounting standards until resolved otherwise. As at December 31, 2010, the Company recorded an impairment of the entire receivable amount of $299.0 million, of which $59.8 million was attributable to non-controlling interest. The impairment charge has been recorded as a component of income tax expense.

d) Other

Other assets impaired during the period include a fair value impairment relating to the Bwana copper plant and a write-down of other items of property, plant and equipment.

6 Inventory

	2010	2009
Ore in stockpiles	75.3	101.3
Work-in-progress	2.1	3.3
Finished product	137.3	65.0
Total product inventory	214.7	169.6
Less: non-current portion of ore in stockpiles (a) (note 9)	(12.4)	(12.5)
	202.3	157.1
Consumable stores	188.6	189.6
	390.9	346.7

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

b) During the year, $1,063.6 million (2009 - $873.3 million) of inventory was expensed in cost of sales and depletion and amortization.

c) During 2009, the Company recorded an adjustment of $25.4 million to reverse the writedowns previously incurred on the Kansanshi and Lonshi ore stockpiles at December 31, 2008 as the market and operational conditions causing the writedowns have improved. The reversal of the writedowns were recorded in net earnings.

7 Investments

	2010	2009
Carlisa Investment Corp. – at cost	9.5	9.5
Marketable securities (a)	4.1	443.3
Asset-backed commercial paper	4.4	7.6
	18.0	460.4

a) During 2010, the Company sold 114,132,300 shares of Equinox Minerals Limited and realized a gain of $510.8 million. Net proceeds from the sale were $646.5 million (CAD $653.2 million).

The following table summarizes the movements in the fair value of our investments:

	2010	2009
Balance – beginning of year	460.4	163.5
Additions	2.6	6.7
Disposals	(646.9)	(35.9)
Gain in fair market value	201.9	326.1
Balance - end of year	18.0	460.4

8 Property, plant and equipment

	2010			2009		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Plant and equipment	1,524.9	(456.8)	1,068.1	1,320.4	(428.1)	892.3
Capital work-in-progress	337.1	-	337.1	573.6	-	573.6
Mineral properties and mine development costs						
Depreciable	48.8	(36.1)	12.7	82.8	(41.0)	41.8
Non-depreciable (note 4)	1,618.0	-	1,618.0	650.2	-	650.2
	3,528.8	(492.9)	3,035.9	2,627.0	(469.1)	2,157.9

During 2010, the Company capitalized interest and financing costs of $1.4 million (2009 – nil) for finance leases acquired as part of the Ravensthorpe acquisition.

During 2010, the Company impaired $1,067.3 million of property, plant and equipment (note 5).

9 Other assets

	2010	2009
Recoverable taxes (note 5c)	-	181.3
Future recoverable variable profit tax (note 5c)	-	38.0
Ore in stockpiles (note 6)	12.4	12.5
Derivative instruments (note 20)	3.0	0.9
Future income tax asset (note 15)	-	12.4
Ravensthorpe deposit (note 4a)	-	34.0
Prepaid expenses and other	36.2	18.4
Total other assets	51.6	297.5
Less: current portion	(26.7)	(195.2)
	24.9	102.3
Current portion consists of:		
Recoverable taxes	-	181.3
Derivative instruments	3.0	0.9
Prepaid expenses and other	23.7	13.0
	26.7	195.2

10 Debt

	2010	2009
Drawn debt		
Corporate revolving credit and term loan facility (a)	80.2	159.5
Kansanshi subordinated debt facility (b)	24.9	31.9
Short-term borrowings (c)	55.7	-
Other	0.2	0.2
Total debt	161.0	191.6
Less: current portion of debt facilities and short-term debt	(140.8)	(84.5)
	20.2	107.1
Undrawn debt		
Corporate revolving credit and term loan facility (a)	50.0	50.0
Corporate revolving loan and short-term facilities (d)	-	250.0
Short-term borrowings (c)	54.3	-

The scheduled future minimum principal repayments are as follows:

	$
2011	140.8
2012	4.2
2013	4.0
2014	4.0
2015	4.0
Thereafter	4.0
	161.0

a) Corporate revolving credit and term loan facility

The Company entered into a $400.0 million corporate revolving credit and term loan facility in October 2006. The facility has three tranches, up to $225.0 million, $125.0 million, and $100.0 million. The total aggregate amount outstanding under the facility is 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 2.5%. Interest on tranche C is calculated at LIBOR plus 2.75%.

The corporate revolving credit and term loan facility has a principal amount outstanding of $80.7 million (December 31, 2009 - $161.4 million). The carrying amount shown above of $80.2 million is net of issue and transaction costs paid of $0.5 million, which are deferred and amortized over the term of the facility. The collateral includes an assignment of proceeds under various sales contracts from the sale of copper, copper in concentrate and gold at Kansanshi, Bwana, Guelb Moghrein, and Frontier. Cash is restricted to meet required instalments and $40.3 million was recorded as restricted cash at December 31, 2010 (December 31, 2009 - $40.3 million).

b) Kansanshi subordinated debt facility

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

The Kansanshi subordinated debt facility has a principal amount outstanding of 18.9 million Euros (December 31, 2009 – 22.7 million Euros). The carrying amount shown above of $24.9 million is net of issue and transaction costs of 0.3 million Euros. The interest rate on the facility is indexed to the price of copper resulting in the existence of an embedded derivative. This embedded derivative is recorded at fair value at each period with changes in fair value recorded as a component of net earnings.

c) Short-term borrowings

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

d) Corporate revolving loan and short-term facility

In January 2010, the Company renewed its $250.0 million facility for general corporate purposes. The Company paid issue and transaction costs of $6.3 million, which have been recorded as interest expense during 2010.

In November 2010, the Company cancelled the facility.

e) Project loan

Subsequent to year end, the Company signed a $250.0 million project loan collateralized by the assets and offtake agreements of the Kevitsa project. The facility is available in two tranches, tranche A for $175.0 million which is required to be repaid in instalments over four years starting March 31, 2013 and tranche B for $75.0 million which is required to be repaid on September 30, 2017, the termination date. The funds are to be used to finance the development of the Kevitsa mine. Interest on the project loan is to be calculated as LIBOR plus 3.5%.

11 Convertible bonds

In June 2009, the Company issued $500.0 million in 6% convertible bonds (the "Bonds") due June 19, 2014 for net proceeds of $488.0 million after payment of commissions and expenses related to the offering. The Bonds bear interest at 6% per annum, payable semi-annually in equal instalments.

The fair value of the debt portion of the Bonds at initial recognition was $431.1 million including finance fees and the equity component was $56.9 million including finance fees. The debt component of the Bonds is accreted over the expected life of 5 years using the effective interest rate method.

	2010	**2009**
Convertible bonds – debt component		
Opening balance	438.4	441.7
Issuance costs	-	(10.6)
Accretion expense	13.7	7.3
At December 31	452.1	438.4

12 Other liabilities

	2010	2009
Derivative liabilities (note 20)	47.3	8.9
Asset retirement obligations (note 13)	55.9	21.9
Finance leases (note 14)	30.5	-
Other	7.7	9.2
Total other liabilities	141.4	40.0
Less: current portion	(48.4)	(3.9)
	93.0	36.1
Current portion consists of:		
Derivative liabilities	44.8	3.4
Asset retirement obligations (note 13)	1.3	-
Finance leases (note 14)	1.8	-
Other	0.5	0.5
	48.4	3.9

13 Asset retirement obligations

The Company has restoration and remediation obligations associated with its operating mines and processing facilities. The following table summarizes the movements in the asset retirement obligation for the years ended December 31, 2010 and 2009:

	2010	2009
At January 1	21.9	18.8
Obligations acquired (note 4a)	30.3	-
Obligations derecognized (note 5)	(10.9)	-
Changes in estimate – active operations	9.3	1.7
Changes in estimate – closed operations	4.3	-
Accretion expense	1.0	1.4
At December 31	55.9	21.9
Less: current portion	(1.3)	-
	54.6	21.9

The asset retirement obligations have been recorded initially as a liability at fair value, using a credit adjusted risk-free discount rate between 5.5% and 7.1% and an inflation factor between 2.8% and 4.0%. The liability for retirement and remediation on an undiscounted basis before inflation is estimated to be approximately $164.0 million. Payments are expected to occur over a period of approximately 32 years.

In 2010, charges of $4.3 million (2009 – nil) were recorded in earnings for changes in cash flow estimates and accretion related to asset retirement obligations at closed mines.

14 Finance leases

As part of the Ravensthorpe acquisition (note 4a) the Company entered into two finance leases for plant and equipment. Future minimum lease payments as at December 31, 2010 are as follows:

	Undiscounted minimum payments December 31, 2010	Present value of minimum payments December 31, 2010
Within one year	3.7	1.8
After one year but not more than five years	14.9	8.6
More than five years	27.1	20.1
Total minimum lease payments	45.7	30.5
Less amounts representing finance lease charges	(15.2)	-
Present value of minimum lease payments	30.5	30.5

15 Income taxes

The income taxes shown in the consolidated statements of earnings differ from the amounts obtained by applying statutory rates to the earnings before provision for income taxes due to the following:

	2010		**2009**	
	Amount $	**%**	**Amount $**	**%**
Earnings before income taxes	440.2		747.8	
Income taxes at statutory rates	125.5	29	224.3	30
Difference in foreign tax rates (a)	125.2	28	51.5	7
Recoverable variable profit tax (a)	-	-	(47.8)	(7)
Impairment of Zambian taxes (a)	186.9	42	-	-
Foreign tax holiday (b)	(31.9)	(7)	(24.4)	(3)
Non-deductible expenses	(28.2)	(7)	1.8	-
Change in valuation allowance	117.1	27	(5.1)	-
Income tax expense	494.6	112	200.3	27
Income tax expense consists of:				
Current income taxes	563.7		202.8	
Future income taxes	(69.1)		(2.5)	
	494.6		200.3	

The significant components of the Company's future income tax liability are as follows:

	2010	**2009**
Property, plant and equipment	(656.5)	(394.8)
Long-term liabilities	26.0	3.2
Operating loss carry-forwards	10.6	10.6
Other	21.1	7.1
Net future income tax liability	(598.8)	(373.9)

The significant components of the Company's future income tax asset are as follows:

	2010	2009
Inventory	0.2	7.2
Property, plant and equipment	-	19.7
Loss carry-forwards	29.4	18.9
Other	(0.5)	(4.0)
Valuation allowance	(29.1)	(29.4)
Net future income tax asset	-	12.4

a) Included in the current and future tax expense are amounts relating to the variable profit tax ("VPT") introduced in Zambia in 2008. The VPT resulted in an increase in the effective tax rate from the 30% base income tax rate for the Company to 43%. The impact of this rate increase was recorded in current and future tax liabilities and a subsequent recovery of VPT was recorded on the balance sheet. In 2010, the Company impaired this recoverable variable profit tax asset with the total Zambian tax receivable impairment (note 5c).

b) Guelb Moghrein is subject to a five year tax holiday agreement with the Mauritanian government. Guelb Moghrein will be subject to Mauritanian income taxes on income earned subsequent to February 2012.

c) The Company has the following operating loss carry-forwards that may be available for tax purposes:

   i) Canada - $118.0 million (2009 – $55.9 million) expiring between 2014 and 2030;

   ii) Zambia - $32.4 million (2009 – $35.4 million) expiring in 2016;

d) The Company has capital losses available for deduction against future capital gains of $85.5 million (2009 – $57.5 million) that may be available for tax purposes in Canada. These capital losses have no expiry date.

e) The Company has non-Canadian resident subsidiaries that have undistributed earnings. For certain of these entities, undistributed earnings are not expected to be repatriated in the foreseeable future; therefore taxes that may apply on repatriation have not been provided for.

f) In the normal course of business the Company is subject to assessment by taxation authorities in various jurisdictions. These authorities may have different interpretations of tax legislation or tax agreements than those applied by the Company in computing current and future income taxes. These different interpretations may alter the timing or amounts of taxable income or deductions. The final amounts of taxes to be paid or recovered depends on a number of factors including the outcome of audits, appeals and negotiation. The Company provides for potential differences in interpretation based a best estimate of the probable outcome of these matters. Changes in these estimates could result in material adjustments to the Company's current and future income taxes

16 Capital stock

a) Shares

Authorized
Unlimited common shares without par value

Issued

	Number of Shares (000's)
Balance as at December 31, 2008	68,751
Stock options exercised (note 17b)	495
Share issuance (i)	9,344
Balance as at December 31, 2009	78,590
Stock options exercised (note 17b)	158
Share issuance on acquisition of Kiwara (note 4c)	1,885
Share issuance on acquisition of Antares (note 4b)	5,482
Share issuance on acquisition of logistical expertise	61
Balance as at December 31, 2010	86,176

i) On April 6, 2009, the Company issued 9,343,750 common shares at a share price of CAD $37.00 through a public offering for net proceeds of $269.5 million (CAD $334.6 million) after payment of commissions and expenses related to the issue.

b) Earnings (loss) per share

	2010	2009
Net earnings (loss) available to shareholders of the Company	(123.4)	463.4
Add interest on convertible bonds, net of tax	-	16.4
Net diluted earnings (loss) available to shareholders of the Company	(123.4)	479.8
Basic weighted average number of shares outstanding (000's of shares)	80,264	75,508
Effect of dilutive securities:		
Convertible bonds	-	4,761
Stock options	-	713
Diluted weighted average shares outstanding	80,264	80,982
Earnings (loss) per share – basic	$(1.54)	$6.14
Earnings (loss) per share – diluted	$(1.54)	$5.92

The effect of the convertible bonds of 8,866,820 and stock options of 1,765 were anti-dilutive for the year ended December 31, 2010 and therefore excluded from the computation of diluted earnings per share.

c) Treasury shares

The Company established an independent trust to purchase, on the open market, the common shares pursuant to the long-term incentive plan (note 17a). The Company consolidates the trust as it constitutes a variable interest entity. Consequently, shares purchased by the trust to satisfy obligations under the long-term incentive plan are recorded as treasury shares in shareholders' equity. Generally, dividends received on shares held in the trust will be paid to plan participants in cash as received.

	Number of Shares (000's)
Balance as at December 31, 2008	551
Shares purchased	158
Shares vested	(99)
Balance as at December 31, 2009	610
Shares purchased	250
Shares vested	(109)
Balance as at December 31, 2010	751

d) Capital management

The Company's capital management objective is to maintain a balance sheet which supports the commercial obligations of its business while taking into consideration the need to fund future growth and continue to provide returns for shareholders, comply with lending requirements and ensure the Company is able to meet its obligations as and when they fall due. The Company considers its capital to include both shareholders' equity and external debt.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

In addition to the commercial objective for the capital structure there are certain lending requirements that prescribe the suitable balance between debt and equity. Based on terms of the corporate revolving credit and term loan facility, the Company is required to maintain the following:

i) Tangible net worth greater than $400.0 million

ii) Tangible net worth ratio less than 150%

iii) Interest payable ratio greater than 300%

iv) Loan life cover ratio greater than 135%

v) Debt service cover ratio greater than 125%

As at the balance sheet date, the Company was in compliance with its lending requirements.

17 Stock based compensation

a) Long-term incentive plan

The Company has a long-term incentive plan (the "Plan"), which provides for the issuance of performance stock units ("PSUs") and restricted stock units ("RSUs") in such amounts as approved by the Company's Compensation Committee. Included in general and administrative expense is stock based compensation expense of $6.3 million (December 31, 2009 - $5.8 million) related to this Plan.

Under the Plan, each PSU entitles participants, which includes directors, officers, and employees, to receive one common share of the Company at the end of a three year period if certain performance and vesting criteria, which are based on the Company's performance relative to a representative group of other mining companies, have been met. The fair value of each PSU is recorded as compensation expense over the vesting period. The fair value of each PSU is estimated using a Monte Carlo Simulation approach. A Monte Carlo Simulation is a technique used to approximate the probability of certain outcomes, called simulations, based on normally distributed

random variables and highly subjective assumptions. This model generates potential outcomes for stock prices and allows for the simulation of multiple stocks in tandem resulting in an estimated probability of vesting.

Under the Plan, each RSU entitles the participant to receive one common share of the Company subject to vesting criteria. RSU grants in 2007 and earlier vest in equal tranches over a three year period. RSU grants after 2007 typically vest fully at the end of the three year period. The fair value of each RSU is recorded as compensation expense over the vesting period. The fair value of each RSU is estimated based on the market value of the company's shares at the grant date.

	2010	2009
	Number of shares (000's)	Number of shares (000's)
Performance stock units		
Outstanding - beginning of year	330	284
Granted	183	136
Vested	(45)	(56)
Forfeited	(90)	(34)
Outstanding - end of year	378	330
Restricted stock units		
Outstanding - beginning of year	277	211
Granted	154	136
Vested	(64)	(43)
Forfeited	(40)	(27)
Outstanding - end of year	327	277

The following assumptions were used in the Monte Carlo Simulation model to calculate compensation expense in respect of the PSUs granted:

	2010	2009
Risk-free interest rate	1.75%	1.84%
Vesting period	3 years	3 years
Expected volatility	78.3%	75.3%
Expected forfeiture per annum	4%	4%
Expected dividend	0%	0%
Weighted average probability of vesting	22.6%	22.6%

b) Share stock options

The Company has a stock option plan whereby it may grant up to 6.0 million options to directors and employees. At December 31, 2010, there were 3,400 options outstanding. These options have an exercise price of $37.41, have a remaining life of six months and are vested and exercisable. There was no stock based compensation expense recorded in either 2010 or 2009 related to share stock options.

18 Other income

	2010	2009
Foreign exchange gain	6.9	5.9
Interest and sundry income	2.5	1.7
Increase to existing asset retirement obligation – closed operations	(4.3)	-
	5.1	7.6

19 Segmented information

The Company's reportable operating segments are individual mine development projects or operations, being Kansanshi, Guelb Moghrein, Frontier, Bwana/Lonshi, Kolwezi, Kevitsa, Ravensthorpe and Corporate. Each mine and development project is managed and reports information separately to the chief operating decision maker. The corporate segment is responsible for the evaluation and acquisition of new mineral properties, regulatory reporting, treasury and finance and corporate administration. Included in the corporate segment is the Company's metal marketing division which purchases and sells third party material.

For the year ended December 31, 2010, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Projects under development	Corporate	Total
Segmented revenues	1,658.0	265.3	265.3	88.9	-	163.5	2,441.0
Less inter-segment revenues	-	-	-	(37.6)	-	(25.2)	(62.8)
Revenues (a)	1,658.0	265.3	265.3	51.3	-	138.3	2,378.2
Cost of sales (a)	(597.7)	(112.5)	(150.5)	(43.9)	(5.4)	(140.7)	(1,050.7)
Depletion and amortization	(62.5)	(34.5)	(13.8)	(4.5)	-	(0.3)	(115.6)
Operating profit (loss)	997.8	118.3	101.0	2.9	(5.4)	(2.7)	1,211.9
Interest	(2.6)	-	(2.0)	-	-	(54.2)	(58.8)
Other	(4.1)	(6.1)	(314.0)	(31.8)	(791.2)	434.3	(712.9)
Segmented profit (loss) before undernoted items	991.1	112.2	(215.0)	(28.9)	(796.6)	377.4	440.2
Income taxes	(592.4)	-	27.8	-	109.5	(39.5)	(494.6)
Non-controlling interests	(76.6)	(2.4)	10.0	-	-	-	(69.0)
Segmented profit (loss)	322.1	109.8	(177.2)	(28.9)	(687.1)	337.9	(123.4)
Property, plant and equipment	661.0	202.2	0.1	23.7	920.2	1,228.7	3,035.9
Total assets	1,209.4	306.6	6.2	39.9	956.2	2,740.3	5,258.6
Capital expenditures	147.8	36.3	13.1	-	159.5	0.9	357.6

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

	Kolwezi (note 5b)	Kevitsa	Ravensthorpe	Total
Property, plant and equipment	-	418.6	501.6	920.2
Total assets	-	436.0	520.2	956.2
Capital expenditures	16.9	75.2	67.4	159.5

a) Corporate revenues and cost of sales include copper purchased and sold by the Company's metal marketing division.

For the year ended December 31, 2009, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Projects under development	Corporate	Total
Segmented revenues	1,225.5	197.3	439.2	59.8	-	27.3	1,949.1
Less inter-segment revenues	-	-	-	(57.6)	-	(27.3)	(84.9)
Revenues	1,225.5	197.3	439.2	2.2	-	-	1,864.2
Cost of sales	(513.4)	(79.0)	(147.3)	(19.1)	-	-	(758.8)
Adjustment to net realizable value of inventory	9.9	-	-	15.5	-	-	25.4
Depletion and amortization	(111.6)	(23.7)	(21.9)	(4.5)	-	-	(161.7)
Operating profit (loss)	610.4	94.6	270.0	(5.9)	-	-	969.1
Interest	(4.8)	-	(9.8)	-	-	(45.8)	(60.4)
Other	(154.5)	(2.3)	(3.7)	(20.7)	-	20.3	(160.9)
Segmented profit (loss) before undernoted items	451.1	92.3	256.5	(26.6)	-	(25.5)	747.8
Income taxes	(139.1)	-	(76.8)	-	-	15.6	(200.3)
Non-controlling interests	(57.5)	(17.6)	(9.0)	-	-	-	(84.1)
Segmented profit (loss)	254.5	74.7	170.7	(26.6)	-	(9.9)	463.4
Property, plant and equipment	557.2	198.0	259.5	38.7	1,099.0	5.5	2,157.9
Total assets	1,237.2	291.6	387.8	79.6	1,103.9	1,464.5	4,564.6
Capital expenditures	53.0	73.6	17.0	-	159.1	1.5	304.2

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

	Kolwezi (note 5b)	Kevitsa	Total
Property, plant and equipment	786.8	312.2	1,099.0
Total assets	788.3	315.6	1,103.9
Capital expenditures	149.0	10.1	159.1

Capital assets and revenues by geographic segment

The Company's capital assets, including plant and equipment, capital work-in-progress, mineral properties and mine development costs, are located in Africa, Europe, South America and Australia. Specifically, the Company has capital assets of $1,074.6 million in Zambia (2009 - $595.9 million), nil in the RDC (2009 - $1,046.3 million), $202.2 million in Mauritania (2009 - $198.0 million), $502.5 million in Australia (2009 - $0.9 million), $418.6 million in Finland (2009 – $312.2 million), $837.4 million in Peru (2009 – nil) and $0.6 million in other corporate locations (2009 - $4.6 million).

The Company's revenues by country of origin, are $1,709.3 million from Zambia (2009 – $1,227.7 million), $265.3 million from the RDC (2009 – $439.2 million), $265.3 million from Mauritania (2009 – $197.3 million) and $138.3 million of copper sold by the Company's metal marketing division in the United Kingdom (2009 – nil).

20 Financial instruments

The Company's activities expose it to a variety of risks arising from financial instruments. These risks, and management's objectives, policies and procedures for managing these risks are disclosed as follows:

Fair values

The Company classifies its financial assets as held-for-trading, available-for-sale, or loans and receivables. Financial liabilities are classified as either held-for-trading, or other financial liabilities.

Held-for-trading financial assets and liabilities are recorded at fair value as determined by active market prices and valuation models, as appropriate. Changes in fair value of held-for-trading financial instruments are recorded in net earnings.

Available-for-sale financial assets are recorded at fair value as determined by active market prices. Unrealized gains and losses on available-for-sale investments are recognized in other comprehensive income. If a decline in fair value is deemed to be other-than-temporary, the unrealized loss is recognized in net earnings. Investments in equity instruments that do not have an active quoted market price are measured at cost.

Loans and receivables and other financial liabilities are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

The following provides a comparison of carrying and fair values of each classification of financial instrument as at December 31, 2010:

	Loans and receivables	Available-for-sale	Held-for-trading	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Cash and cash equivalents	1,344.9	-	-	-	1,344.9	1,344.9
Restricted cash	40.3	-	-	-	40.3	40.3
Accounts receivable (a)	377.0	-	-	-	377.0	377.0
Derivative instruments	-	-	3.0	-	3.0	3.0
Investments At cost (b)	-	9.5	-	-	9.5	-
At fair value	-	8.5	-	-	8.5	8.5
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	212.5	212.5	212.5
Derivative instruments	-	-	47.3	-	47.3	47.3
Convertible bonds (c)	-	-	-	452.1	452.1	1,022.5
Debt facilities	-	-	-	161.0	161.0	161.0

The following provides a comparison of carrying and fair values of each classification of financial instrument as at December 31, 2009:

	Loans and receivables	Available-for-sale	Held-for-trading	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Cash and cash equivalents	919.2	-	-	-	919.2	919.2
Restricted cash	40.3	-	-	-	40.3	40.3
Accounts receivable (a)	342.6	-	-	-	342.6	342.6
Recoverable taxes (note 5c)	181.3	-	-	-	181.3	181.3
Derivative instruments	-	-	0.9	-	0.9	0.9
Investments						
At cost (b)	-	9.5	-	-	9.5	-
At fair value	-	450.9	-	-	450.9	450.9
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	323.0	323.0	323.0
Derivative instruments	-	-	8.9	-	8.9	8.9
Convertible bonds (c)	-	-	-	438.4	438.4	672.6
Debt facilities	-	-	-	191.6	191.6	191.6

a) Accounts receivable

Copper products are sold under pricing arrangements where final prices are set at a specified future date based on market copper prices. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in copper market prices give rise to an embedded derivative in the accounts receivable. This derivative is classified as held-for-trading and recorded at fair value, with changes in fair value recognized as a component of revenue.

b) Investments – at cost

The Company's investment in Carlisa Investment Corp., a privately held entity, is measured at cost as the fair value is not readily determinable.

c) Convertible bonds

The fair value of the convertible bonds includes both the debt and equity components of the bonds.

Section 3862 "Financial Instruments – Disclosures" ("Section 3862") establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Section 3862 are described below:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 Inputs for the asset or liability that are not based on observable market data.

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at December 31, 2010.

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative instruments	-	3.0	-	3.0
Investments				
At fair value	4.1	-	4.4	8.5
Financial liabilities				
Derivative instruments	-	47.3	-	47.3

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at December 31, 2009.

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative instruments	-	0.9	-	0.9
Investments				
At fair value	443.3	-	7.6	450.9
Financial liabilities				
Derivative instruments	-	8.9	-	8.9

The Company's derivative instruments are valued using pricing models and the Company generally uses similar models to value similar instruments. Where possible, the Company verifies the values produced by comparing its pricing models to active market prices. Valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. The Company's derivatives trade in liquid markets, and as such, model inputs can generally be verified and do not involve significant management judgement. Such instruments are classified within Level 2 of the fair value hierarchy.

The Company's investments in marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable securities is calculated as the quoted market price of the marketable security multiplied by the quantity of shares held by the Company. The Company's investments classified as Level 3 include asset backed commercial paper. The Company reviews the fair value quarterly to determine whether the value is materially impaired.

Financial risk management

Credit risk

The Company's credit risk is primarily attributable to cash and bank balances, short-term deposits, derivative instruments and accounts receivable.

The Company limits its credit exposure on cash held in bank accounts by holding its key transactional bank accounts with banks of investment grade. As the Company has its operations in developing countries, it is unavoidable that some cash is held with regional banks in areas where the banking system does not operate as efficiently as in major financial centres. In these circumstances, the Company attempts to keep only minimal balances with such banks.

The Company manages its credit risk on short-term deposits by only investing with counterparties that carry investment grade ratings as assessed by external rating agencies and spreading the investments across these counterparties. Under the Company's risk management policy, allowable counterparty exposure limits are determined by the level of the rating unless exceptional circumstances apply. A rating of "A-" grade or equivalent is the minimum allowable rating required as assessed by international credit rating agencies. Likewise, it is the Company's policy to deal with banking counterparties for derivatives who are rated "A-" grade or above by international credit rating agencies and graduated counterparty limits are applied depending upon the rating.

Exceptions to the policy for dealing with relationship banks with ratings below "A-" are reported to, and approved by, the Audit Committee. As at December 31, 2010 substantially all cash and short-term deposits are with counterparties with ratings "A-" or higher.

The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. More than 65% the Company's product sales and trade accounts receivable are generated from three customers each representing greater than 10% of the total sales for the year. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and property, plant and equipment expenditures.

Significant credit risk exposures to any single counterparty or group of counterparty having similar characteristics are as follows:

	2010	**2009**
Accounts receivable		
Commodity traders and smelters	328.2	311.9
Government authorities – refundable VAT and GST	32.5	14.4
Other	16.3	16.3
Other assets		
Government of the Republic of Zambia – recoverable taxes (note 5c)	-	181.3

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Liquidity risk

The Company manages liquidity risk by maintaining cash and cash equivalent balances and available credit facilities to ensure that it is able to meet its short-term and long-term obligations as and when they fall due. Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by commodity price and exchange rate movements.

In addition, the Company is obligated under its corporate revolving credit and term loan facility to maintain liquidity and satisfy various ratio tests on an historical and prospective cash flow basis. These ratios were in compliance during the year ended December 31, 2010.

At December 31, 2010, the Company held cash and cash equivalents of $1,344.9 million (December 31, 2009 - $919.2 million) and had a working capital balance of $26.4 million (December 31, 2009 - $249.8 million). At December 31, 2010 the Company has undrawn debt facilities of $104.3 million (December 31, 2009 - $300.0 million).

Contractual obligations as at December 31, 2010 are as follows:

	Total	< 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Thereafter
Debt	161.0	140.8	4.2	4.0	4.0	4.0	4.0
Convertible bonds	500.0	-	-	-	500.0	-	-
Accounts payable	776.2	776.2	-	-	-	-	-
Deferred payments	7.7	0.5	0.3	0.3	-	-	6.6
Finance leases	30.5	1.8	2.0	2.1	2.2	2.3	20.1
Commitments	279.7	279.7	-	-	-	-	-
Asset retirement obligations	55.9	1.3	1.3	1.3	1.3	0.5	50.2
Total	1,811.0	1,200.3	7.8	7.7	507.5	6.8	80.9

Contractual obligations as at December 31, 2009 are as follows:

	Total	< 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Thereafter
Debt	191.6	84.5	85.9	5.3	5.3	5.3	5.3
Convertible bonds	500.0	-	-	-	-	500.0	-
Accounts payable	643.8	643.8	-	-	-	-	-
Deferred payments	9.2	0.5	0.4	0.4	0.4	-	7.5
Commitments	112.9	112.9	-	-	-	-	-
Asset retirement obligations	21.9	-	-	-	-	-	21.9
Total	1,479.4	841.7	86.3	5.7	5.7	505.3	34.7

<u>Market risks</u>

a) Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices of copper and gold. The Company is also exposed to commodity price risk on diesel fuel through its mining operations. The Company's risk management policy allows for the management of these exposures through the use of derivative financial instruments.

As at December 31, 2010, the Company had entered into derivative contracts for both copper and gold in order to reduce the effects of fluctuations in metal prices between the time of the shipment of metal from the mine site and the date agreed for pricing the final settlement.

As at December 31, 2010, the Company had not entered into any diesel derivative contracts.

The Company's commodity price risk related to accounts receivable concerns changes in fair value of embedded derivatives in accounts receivable reflecting copper and gold sales provisionally priced based on the forward price curve at the end of each quarter and the commodity price risk related to long-term debt concerns the embedded copper derivative in the Kansanshi subordinated debt facility.

The following table shows the impact on net earnings from changes in the fair values of financial instruments of a 10% change in the copper and gold commodity prices, based on December 31, 2010 prices. There is no impact of these changes on other comprehensive income except indirectly through the impact on the fair value of the available-for-sale investments. The impact of a 10% movement in commodity prices is as follows:

	December 31, 2010	Impact of price change on net earnings	
		10% increase	10% decrease
Accounts receivable			
Copper			
Provisional tonnes	9,284		
Average forward price ($/tonne)	$9,693	5.0	(5.0)
Gold			
Provisional ounces	2,613		
Average forward price ($/oz)	$1,421	0.2	(0.2)
Derivative instruments			
Copper			
Futures purchases contracts over quotation period (tonnes)	10,175	9.8	(9.8)
Average price ($/tonne)	$8,889		
Futures sales contracts over quotation period (tonnes)	29,000	(27.9)	27.9
Average price ($/tonne)	$8,351		
Gold			
Futures sales contracts over quotation period (ounces)	15,380		
Average price ($/oz)	$1,348	(2.2)	2.2

At year end no commodity hedging in respect of copper production had been undertaken.

b) Interest rate risk

The Company's interest rate risk arises from interest paid on floating rate borrowings and the interest received on cash and short-term deposits.

Deposits are invested on a short-term basis to ensure adequate liquidity for payment of operational and capital expenditures. To date no interest-rate management products, such as swaps, are used in relation to deposits.

The Company manages its interest rate risk on borrowings on a net basis after first recognizing the natural hedge arising from floating rate deposits. The Company has a policy allowing floating-to-fixed interest rate swaps targeting 50% of exposure over a five year period. As at December 31, 2010, the Company held a floating-to-fixed interest rate swap maturing in line with the corporate revolving loan and short-term facility which covered 18% of the Company's floating rate debt at a rate of 1.80% per annum.

The impact on a full year net earnings of a 100 basis point change in interest rate would be as follows:

	December 31, 2010	Impact of interest rate change on net earnings	
		100 basis point increase	100 basis point decrease
Interest-bearing deposits	1,290.7	9.0	(3.0)
Floating rate borrowings	135.9	(1.0)	1.0

c) Foreign exchange risk

The Company's functional and reporting currency is USD. As virtually all of the Company's revenues are derived in USD and the majority of its business is conducted in USD, foreign exchange risk arises from transactions denominated in currencies other than USD. Commodity sales are denominated in USD, the majority of borrowings are denominated in USD and the majority of operating expenses are denominated in USD. The Company's primary foreign exchange exposures are to the local currencies in the countries where the Company's operations are located, principally the Zambian kwacha ("ZMK"), Euro ("EUR") and Mauritanian ouguiya ("MRO"); and to the local currencies of suppliers who provide capital equipment for project development, principally the Australian dollar ("AUD"), the Japanese Yen ("JPY"), South African rand ("ZAR") and the EUR.

The Company's risk management policy allows for the management of exposure to local currencies through the use of financial instruments at a targeted amount of up to 100% for exposures within one year down to 50% for exposures in five years.

As at December 31, 2010, the Company did not have any derivative financial instruments managing future foreign exchange risk.

The Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than USD at December 31, 2010:

	Cash and cash equivalents	Investments	Financial liabilities
CAD	131.3	4.1	-
AUD	25.2	-	32.7
ZMK	12.2	-	2.5
EUR	47.7	-	31.4
ZAR	13.0	-	7.2
JPY	8.7	-	9.7
MRO	-	-	4.5
Total	238.1	4.1	88.0

Based on the above net exposures at December 31, 2010, a 10% change of the above currencies against the USD would result in an $11.4 million increase or decrease in the Company's net earnings and would result in a $0.4 million increase or decrease in the Company's other comprehensive income.

The Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than USD at December 31, 2009:

	Cash and cash equivalents	Investments	Financial liabilities
CAD	110.3	443.3	0.1
AUD	2.0	-	1.2
ZMK	6.1	-	8.1
EUR	22.8	-	44.4
ZAR	1.9	-	6.4
MRO	-	-	7.0
Total	143.1	443.3	67.2

Derivative financial instruments

As at December 31, 2010, the following derivative positions were outstanding:

	Maturity 2011	Maturity 2012	December 31, 2010		December 31, 2009	
			Asset	Liability	Asset	Liability
Foreign exchange						
Foreign exchange contracts	-	-	-	-	0.9	(0.6)
Interest rate						
Floating to fixed interest rate swap – principal	26.0	-	-	(0.4)	-	(0.7)
Average fixed interest rate	1.80%	-				
Copper						
Futures purchases contracts over quotation period (tonnes)	10,175	-	3.0	-	-	-
Average price ($/tonne)	$8,889	-				
Futures sales contracts over quotation period (tonnes)(a)	29,000	-	-	(42.3)	-	-
Average price ($/tonne)	$8,351	-				
Gold						
Futures sales contracts over quotation period (ounces)	15,380	-	-	(0.9)	-	-
Average price ($/ounce)	$1,348	-				
Other						
Embedded derivative (note 10b)			-	(3.7)	-	(7.6)
			3.0	(47.3)	0.9	(8.9)
Copper embedded derivative (tonnes)	9,284	-				
Average price ($/tonne)	$9,693	-				
Gold embedded derivative (ounces)	2,613	-				
Average price ($/ounce)	$1,421	-				
Copper embedded derivative hedged by future sales contracts (tonnes)(a)	11,000	-				

a) A portion of sales made by the metal marketing division are subject to final pricing adjustments which are directly offset by adjustments recognized on future sales contracts over the quotation period.

b) Derivative assets are presented in other assets and derivative liabilities are presented in other liabilities with the exception of copper and gold embedded derivatives which are included in accounts receivable.

21 Supplementary cash flow information

Cash and cash equivalents comprise the following:

	2010	2009
Cash on hand and balances in bank	259.1	214.6
Short-term investments	1,085.8	704.6
	1,344.9	919.2

During the year ended December 31, 2010, the Company paid interest of $69.4 million (2009 - $64.5 million) and taxes of $319.5 million (2009 - $78.4 million).

22 Commitments

In conjunction with the development of Kevitsa, and Ravensthorpe and other projects, the Company has committed to approximately $279.7 million (2009 - $112.9 million) in capital expenditures.

23 Contingency

Sodimico obtained a judgment against Comisa and the Company on March 12, 2010 from the Tribunal de Commerce of Lubumbashi and the Company was notified of the judgment on April 5, 2010. The judgment orders Comisa and the Company to pay to Sodimico $17.3 million for the value of studies made by Sodimico over the perimeters of titles now held by Comisa and a further $40.0 million as additional unknown damages. The court found, based on documents provided by Sodimico, that Comisa acquired the rights over the Lonshi deposits "at the operation stage" and "therefore there is no doubt that it must have used the results of the geological and mining studies made by Sodimico". Comisa filed an appeal of the judgment, which has not yet been heard. The Company believes that Sodimico could not enforce payment of the judgment amount against Comisa, and therefore no liability has been recorded as at December 31, 2010.

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

FIRST QUANTUM
MINERALS LTD.

Management's Discussion and Analysis
Fourth Quarter and Year Ended December 31, 2010

(expressed in United States dollars, unless otherwise noted)

March 15, 2011

EARNINGS AND COMPARATIVE EARNINGS

	Three months ended December 31		Year ended December 31	
(USD millions unless otherwise noted)	**2010**	**2009**	**2010**	**2009**
Earnings attributable to shareholders of the Company	455.3	227.2	(123.4)	463.4
Add (deduct):				
Asset impairments (net of tax and non controlling interests)	(0.7)	-	933.9	-
Impairment Zambian tax receivable (net of non controlling interests)	210.7	-	239.2	-
Acquisition transaction costs	-	-	18.5	-
Gain on sale of investments	(510.8)	(9.6)	(510.8)	(18.6)
Reversal of inventory impairment	-	(15.5)	-	(25.4)
Comparative earnings	154.5	202.1	557.4	419.4
Earnings (loss) per share as reported	$5.61	$2.91	$(1.54)	$6.14
Comparative earnings per share	$1.90	$2.58	$6.94	$5.55

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

SUMMARY OPERATING AND FINANCIAL DATA

	Three months ended December 31		Year ended December 31		
(USD millions unless otherwise noted)	**2010**	**2009**	**2010**	**2009**	**2008**
Production – copper (tonnes)	75,920	98,528	323,017	373,940	334,415
Production – gold (ounces)	48,564	62,679	191,395	193,288	116,177
Sales – copper (tonnes)	76,290	98,171	311,560	366,581	334,787
Realized copper price (per lb)	$3.51	$2.73	$2.98	$2.16	$2.22
Average copper unit cash cost of production (C1)[1] (per lb)	$1.06	$0.97	$1.18	$0.96	$1.23
Net sales	$700.8	$644.8	$2,378.2	$1,864.2	$1,740.4
Operating profit	$381.0	$383.3	$1,211.9	$969.1	$743.5
Net earnings (loss)	$455.3	$227.2	$(123.4)	$463.4	$45.9
Earnings (loss) per share	$5.61	$2.91	$(1.54)	$6.14	$0.67
Cash	$1,385.2	$959.5	$1,385.2	$959.5	$216.5

Unless otherwise indicated, all comparisons of performance throughout this report are to the comparative periods for 2009

Q4 HIGHLIGHTS AND SIGNIFICANT ITEMS

- Record quarterly copper production of 66,232 tonnes at Kansanshi as a result of ongoing circuit optimizations
- Investment in Equinox Minerals Limited (“Equinox”) shares sold for net proceeds of $646.5 million resulting in a gain of $510.8 million
- Advanced the development of Ravensthorpe and Kevitsa and exploration at Trident
- 23% decrease in total copper production resulting from the forced suspension of operations at Frontier and lower ore grades at Guelb Moghrein
- 23% decrease in total gold production resulting from lower gold grades at Guelb Moghrein and Kansanshi
- Acquisition of Antares Minerals Inc. (“Antares”) for $609.0 million. Antares’ principal asset is the 100% owned Haquira project in Peru, one of the world’s major undeveloped copper deposits
- Continued strong cash and working capital position notwithstanding significant cash investments in Ravensthorpe, Kevitsa and Trident

RECENT DEVELOPMENTS AND OUTLOOK

During Q4 the Company continued its growth strategy with significant exploration activities and continued optimization of output from operating mines. As recently announced, over the 2011 – 2015 timeframe, the Company expects to invest approximately $2 billion in continuing to advance its growth and diversification strategy. Assuming the growth projects currently underway and those contemplated achieve their targeted completion dates, First Quantum expects to be producing approximately 470,000 tonnes of copper and 55,000 tonnes of nickel annually in 2015. These estimates do not include assumptions for production from the Sentinel and Haquira deposits.

Kansanshi copper and gold operation, Zambia

- An expansion to the treatment capacity of the oxide circuit is currently underway with completion scheduled for Q4 2011. The project is expected to increase annual production capacity to 285,000 tonnes of copper and build in added operational flexibility.
- An evaluation of recent near mine drilling has indicated the strong potential to further increase the mineral resource. Intensive resource and reserve delineation drilling is now in progress and is planned to continue through to 2012. Results from this drill program will assist in the design for the expansion program to increase the operation's annual production capacity to 400,000 tonnes of copper.

[1] C1 cost is a non-GAAP measure. See “*Regulatory disclosures – non-GAAP measures*” for further information

- An evaluation study is underway on building a copper smelter close to Kansanshi to process the expected increase in production.

Guelb Moghrein copper and gold operation, Mauritania

- Ongoing optimization of the autogenous circuit, including mill feed control systems, pebble crushing, and high pressure grinding rolls to achieve design throughput was started in Q4 and will continue into 2011. Gold circuit optimization will continue through oxygen management and a recently commissioned falcon concentrator to maximize gold recovery.

Kevitsa nickel/copper/PGE project, Finland

- Construction works at Kevitsa have advanced well during Q4, with progress being achieved on the tailings dam and water reservoir. Site earthworks are substantially complete and concrete installation is on schedule. Key infrastructure has been completed including the access road and power supply line.
- Design works have been finalized and installation of mechanical equipment is in progress. The main mining equipment has been selected and supply contracts awarded during Q4 to allow deliveries by Q3 2011.

Ravensthorpe nickel project, Australia

- The refurbishment of the processing facilities at Ravensthorpe has advanced significantly during Q4 2010. The new crusher installations have progressed with completion expected in Q1 2011.
- The re-commissioning of various components of the fixed plant has commenced with certain sections being handed over to operations in February 2011.
- Grade control drilling has continued and detailed scheduling for the re-commencement of operations has started. The build up of the operational teams continues and site based activities are allowing for the planning of detailed re-commissioning work scheduled for Q2 2011.

Trident project, Zambia

- Significant exploration activities at the Sentinel copper deposit and Enterprise nickel target continued during Q4. A further internal update of the Sentinel geological model has identified a significant continuous zone of mineralization. An economic assessment including metallurgical test work, engineering and geotechnical studies is underway. Environmental studies were completed and the Environmental Impact Assessment ("EIA") was submitted in January 2011.
- Subject to results of the on-going resource and mine studies, securing all relevant permits and approval by the Company's Board of Directors, the Company expects that the initial design and construction phases could commence during 2011with commercial production from Sentinel in early 2014.

Haquira project, Peru

- In December 2010, the Company acquired all of the issued share capital of Antares for $609.0 million. Antares' principal asset is the 100% owned Haquira project located in southern Peru. Haquira is one of the world's major undeveloped copper deposits with excellent potential for the development of a large-scale copper mine. Haquira currently has reported measured and indicated resources of 3.7 million tonnes of contained copper equivalent and inferred resources of 2.4 million tonnes of contained copper equivalent.
- The Company commenced integration of the Haquira exploration project in Peru after the acquisition was completed. Drilling with four core rigs commenced in February 2011 and will be expanded later in the year. The initial focus will be on growing the secondary copper resources which are currently open in several areas.

Production Guidance

- The Company's 2011 production outlook is 300,000 tonnes of copper and 200,000 ounces of gold.
- Estimated average C1 cost for 2011 is $1.10 per pound of copper.
- The Company also expects nickel production to commence with the commissioning of the Ravensthorpe project in the second half of 2011.

REVENUES

NET SALES (after provisional pricing and realization charges)		Three months ended December 31		Year ended December 31	
(USD millions unless otherwise noted)		**2010**	**2009**	**2010**	**2009**
Kansanshi	- copper	462.9	380.3	1,542.5	1,151.1
	- gold	33.1	29.1	115.5	74.4
Guelb Moghrein	- copper	74.7	45.4	186.2	115.7
	- gold	21.3	24.2	79.1	81.6
Frontier	- copper	47.4	165.8	265.3	439.2
Bwana/Lonshi	- copper	3.5	-	51.3	0.4
	- acid	-	-	-	1.8
Corporate		57.9	-	138.3	-
Net sales		700.8	644.8	2,378.2	1,864.2
Copper provisional pricing adjustment included above		4.9	5.5	(4.8)	40.0
COPPER SELLING PRICE		**USD/lb**	**USD/lb**	**USD/lb**	**USD/lb**
Current period sales		3.93	3.00	3.35	2.35
Sales contract derivatives		(0.20)	-	(0.09)	-
Prior period provisional pricing adjustment		0.03	0.02	(0.01)	0.05
Treatment charges/refining charges (“TC/RC”) and freight parity charges		(0.25)	(0.29)	(0.27)	(0.24)
Realized copper price		3.51	2.73	2.98	2.16

The Q4 2010 average realized copper price was significantly higher than Q4 2009 due to an increase in the average LME copper price. The Company has a policy seeking to minimize the impact of copper price fluctuations on revenues by hedging quotational period price movements using derivative futures contracts. In Q4, the realized copper price was impacted by derivative adjustments of $34.4 million which partially offset the increase in LME copper price during the period.

Copper sales volumes for Q4 decreased 22% to 76,290 tonnes due to the forced suspension of operations at Frontier at the end of August 2010. Sales volumes from Kansanshi were lower than production reflecting the timing of recognition of sales through the Company’s metal marketing division. Sales volumes from Guelb Moghrein, Frontier and Bwana exceeded production due to the sale of copper held in inventory as at September 30, 2010.

The Q4 positive provisional pricing adjustment resulted from the finalization of contracts totalling 16,024 tonnes of copper at an average price of $3.79 per pound ($8,355 per tonne). These contracts were provisionally priced at $3.65 per pound ($8,054 per tonne) at September 30, 2010 and were finalized during October and November 2010.

At December 31, 2010, 9,284 tonnes of copper provisionally priced at $4.40 per pound ($9,693 per tonne) remain subject to final pricing in Q1 2011. Refer to the ‘Outlook’ section for further discussion.

Gold revenues increased by 2% over Q4 2009 to $54.4 million. The increase resulted from a higher realized gold price which offset lower sales volumes in Q4 2010. Sales volumes were impacted by lower production at Kansanshi and Guelb Moghrein in Q4 2010.

Metal marketing division

A metal marketing division was established in Q1 2010 to improve the management of copper and gold sales from the Company’s operations and manage the Company’s exposure to provisional pricing. Prior to the establishment of the division, revenues were recognized by operations when title transferred to third party buyers, usually at the mine gate. Copper and gold sales managed by the metal marketing division are now recognized when title has transferred to the final third party offtaker resulting in reduced sales volumes and higher inventory for the year. The impact on 2010 sales volumes is a reduction of total

copper sold by 9,197 tonnes. These tonnes remained in the finished copper inventory balance of the metal marketing division at December 31, 2010.

In addition to marketing the Company's production, the metal marketing division purchases and sells metal from external parties. During Q4, the division had revenues of $57.9 million and finished goods inventory of $26.0 million related to external purchases and sales.

SEGMENTED OPERATING RESULTS

Kansanshi Copper and Gold Operation	Three months ended December 31		Year ended December 31	
	2010	2009	2010	2009
Production (tonnes)				
Copper cathode	24,921	21,535	86,682	92,044
Copper in concentrate	14,925	16,017	46,941	65,920
Copper cathode tolled	26,386	24,901	97,501	87,015
Total copper production (tonnes)	66,232	62,453	231,124	244,979
Copper sales (tonnes)	58,704	62,417	225,189	239,578
Gold production (ounces)	28,982	32,476	109,629	99,936
Sulphide ore tonnes milled (000's)	2,699	2,777	10,382	11,994
Sulphide ore grade processed (%)	0.8	0.8	0.8	1.0
Sulphide copper recovery (%)	93	93	93	93
Mixed ore tonnes milled (000's)	1,636	1,566	5,462	3,588
Mixed ore grade processed (%)	1.3	1.4	1.3	1.4
Mixed copper recovery (%)	70	64	67	65
Oxide ore tonnes milled (000's)	1,521	1,478	5,674	5,661
Oxide ore grade processed (%)	2.4	2.2	2.2	2.2
Oxide copper recovery (%)	84	83	86	83
Cash costs (C1) (per lb)[1]	$1.07	$0.96	$1.10	$0.99
Total costs (C3) (per lb)[1]	$1.29	$1.28	$1.31	$1.27
Gross operating profit (USD M)	$326.2	$231.2	$997.8	$610.4

Kansanshi's Q4 copper production achieved a record 66,232 tonnes, surpassing the previous quarterly record of 62,453 tonnes from Q4 2009. The increased production resulted from strong throughput and recoveries across the circuits. Mine production also improved significantly from the prior year benefitting from new equipment commissioned in Q2 and Q3 2010.

Q4 sulphide circuit production was consistent with the comparative quarter as only minor variances were experienced in throughput, grade and recovery. The sulphide circuit improvements of 2010 are ongoing and some circuit downtime was experienced due to crusher optimization work conducted early in Q4 2010.

The mixed ore circuit achieved record quarterly production in Q4 2010 due to improved throughput and recovery of higher grade sulphide and oxide ore. Throughput benefitted from exceptional milling performance and minimal circuit downtime in Q4. The average recovery of 70% benefitted from ore mined from the northwest pit, which contains an optimal blend of sulphide and oxide ore for processing in the mixed ore circuit.

[1] C1 costs and C3 costs are non-GAAP measures. See "*Regulatory disclosures – non-GAAP measures*" for further information

Q4 oxide circuit production also achieved a quarterly record as a result of improved circuit throughput and high total copper recovery. The benefits from the circuit improvements conducted in 2010, aimed at achieving higher recoveries were seen in Q4 2010.

Gold circuit improvements have significantly increased recovery of gold contained in ore feed, however the gold grade was 35% lower in Q4 2010 resulting in lower total gold production compared to Q4 2009.

Kansanshi's cash unit cost of production (C1) increased from Q4 2009 due to higher ore costs and higher processing costs. This was partially offset by an increased gold credit. The cost of ore processed was 11% higher than Q4 2009, despite a decrease in total mining costs per tonne of mined material, due to the impact of higher waste stripping on the cost per ore tonne mined. Processing costs were higher as a result of increased consumable costs and maintenance expenses incurred on the sulphide circuit. The increased gold credit resulted from a higher realized gold price in Q4 2010.

Guelb Moghrein Copper and Gold Operation	**Three months ended December 31**		**Year ended December 31**	
	2010	**2009**	**2010**	**2009**
Production – copper in concentrate (tonnes)	9,687	11,816	36,969	36,608
Copper sales (tonnes)	10,700	9,330	32,932	35,436
Gold production (ounces)	19,582	30,203	81,766	93,352
Sulphide ore tonnes milled (000's)	748	769	2,796	2,287
Sulphide ore grade processed (%)	1.4	1.7	1.5	1.8
Sulphide copper recovery (%)	91	92	91	89
Cash costs (C1) (USD per lb)[1]	$1.03	$0.63	$0.90	$0.44
Total costs (C3) (USD per lb)[1]	$1.79	$1.02	$1.65	$0.83
Gross operating profit (USD M)	$40.8	$41.0	$118.3	$94.6

Guelb Moghrein's Q4 copper production was lower than Q4 2009 as a result of lower grade ore sources available. Tonnes milled were consistent with Q4 2009, however, throughput was negatively affected by downtime of the crusher and mill circuit for maintenance and circuit optimization work in Q4 2010.

Gold production was 35% lower than Q4 2009 due to lower gold grade processed, offset partially by increased recovery and throughput. Gold grades contained in ore mined are correlated with the decrease in copper ore grades available in Q4 2010.

Guelb Moghrein's average cash cost of production (C1) was higher compared to Q4 2009 due to increased ore costs and processing costs incurred on lower grade ore and circuit downtime. Fuel prices also increased in Q4 2010 impacting mine operations as well as power generation costs. The gold credit benefitted from a higher realized gold price in Q4 2010.

Guelb Moghrein's Q4 2010 operating profit was consistent with the comparative period as an increased copper price offset higher operating costs and depreciation expense incurred on plant expansions from 2010.

[1] C1 costs and C3 costs are non-GAAP measures. See "*Regulatory disclosures – non-GAAP measures*" for further information

Frontier Copper Operation	Three months ended December 31		Year ended December 31	
	2010	2009	2010	2009
Production – copper in concentrate (tonnes)	-	24,259	47,508	92,353
Copper sales (tonnes)	6,381	26,424	46,024	91,567
Sulphide ore tonnes milled (000's)	-	2,280	5,425	8,068
Sulphide ore grade processed (%)	-	1.2	1.0	1.2
Sulphide copper recovery (%)	-	91	90	92
Cash costs (C1) (USD per lb)[1]	-	$1.32	$1.77	$1.13
Total costs (C3) (USD per lb)[1]	-	$1.52	$2.10	$1.30
Gross operating profit (USD M)	$14.8	$104.1	$101.0	$270.0

There was no copper production in Q4 at Frontier following the forced shut down of operations on August 27, 2010 by the République Démocratique du Congo ("RDC") Government. Q4 copper sales and operating profit resulted from the sale of inventory held in the Company's metal marketing division at September 30, 2010. At present, the Company does not have physical access to the Frontier copper operation. See "Other items" for further discussion.

Bwana/Lonshi Copper Operation	Three months ended December 31		Year ended December 31	
	2010	2009	2010	2009
Production – copper cathode (tonnes)	-	-	7,415	-
Copper sales (tonnes)	505	-	7,415	-
Oxide ore tonnes milled (000's)	-	-	327	-
Oxide ore grade processed (%)	-	-	2.5	-
Oxide copper recovery (%)	-	-	91	-
Cash costs (C1) (USD per lb)[1]	-	-	$1.28	-
Total costs (C3) (USD per lb)[1]	-	-	$1.43	-
Gross operating profit (loss) (USD M)	$1.2	$7.0	$2.9	$(5.9)

The Bwana Mkubwa copper SX/EW plant was placed on care and maintenance in Q3 2010. During 2011 some of the plant and equipment will be relocated to Kansanshi as part of the oxide circuit expansion project currently underway. Bwana Mkubwa sold 505 tonnes of copper cathode in Q4 from the inventory held at September 30, 2010.

[1] C1 costs and C3 costs are non-GAAP measures. See "*Regulatory disclosures – non-GAAP measures*" for further information

COSTS AND EXPENSES

	Three months ended December 31		Year ended December 31	
(USD millions unless otherwise noted)	**2010**	**2009**	**2010**	**2009**
Gross operating profit	381.0	383.3	1,211.9	969.1
General and administrative	(18.4)	(5.3)	(44.6)	(25.3)
Acquisition transaction costs	-	-	(18.5)	-
Other income (loss)	(4.5)	(4.3)	5.1	7.6
Gain on sale of investments	510.8	9.6	510.8	18.6
Derivative instrument adjustments	(1.0)	3.6	1.1	(135.9)
Exploration	(15.6)	(10.3)	(47.5)	(25.9)
Assets impaired	0.7	-	(1,119.3)	-
Interest	(14.8)	(18.3)	(58.8)	(60.4)
Income taxes	(390.3)	(88.6)	(494.6)	(200.3)
Non-controlling interests	7.4	(42.5)	(69.0)	(84.1)
Net earnings (loss) attributable to shareholders of the Company	455.3	227.2	(123.4)	463.4
Earnings (loss) per share				
- basic (USD per share)	5.61	2.91	(1.54)	6.14
- diluted (USD per share)[1]	5.14	2.67	(1.54)	5.92
Weighted average shares outstanding				
- basic (number of shares – millions)	81.2	78.2	80.3	75.5
- diluted (number of shares – millions)[1]	90.1	87.9	80.3	81.0

General and administrative costs increased in Q4 2010 due to elevated legal costs related to the RDC impairments. Additionally, increased support of new global projects and acquisitions impacted Q4 2010 costs.

The derivative instrument adjustments in Q4 2010 relate to derivatives entered into to manage the Company's exposure to interest rate and currency risk. In 2010, the Company also entered into derivatives to manage the risk of copper price fluctuations on individual sales contracts over the specific quotational periods for copper sales. These gains and losses are recognized with the revenue to which the derivatives relate in accordance with the Company's accounting policy. In 2009, derivative instrument losses were incurred on copper derivative positions entered into to protect against the Company's general commodity price risk in the uncertain economic outlook of early 2009.

In Q4 2010, the Company sold its investment in Equinox for net proceeds of $646.5 million. The resulting gain on sale of investments was $510.8 million which was recorded in other income.

Exploration expenses in Q4 include $12.1 million incurred at the Trident project representing a significant increase in exploration activity. See "Development activities" for further discussion

Interest expense decreased from Q4 2009 due to a decrease in LIBOR and lower outstanding debt balances.

Q4 income taxes include a $263.4 million impairment of the Zambian taxes receivable. See "other items" for further discussion on Zambian taxes. Normalized income taxes increased from Q4 2009 due to increased profitability and a decrease in the proportionate earnings contribution from Guelb Moghrein, which is operating under a tax holiday.

[1] As the Company has incurred a loss, pursuant to Canadian GAAP, the convertible bonds and stock options are excluded from the computation of diluted loss per share.

Non-controlling interests decreased in Q4 2010 as 20% of the Zambian tax impairment was attributable to non-controlling interests, totalling $52.7 million. In February 2010, the Company acquired the remaining 20% ownership interest in Mauritanian Copper Mines SARL, which owns Guelb Moghrein, resulting in no further non-controlling interests in this operation.

FINANCIAL POSITION AND LIQUIDITY

	Three months ended December 31		Year ended December 31		
(USD millions unless otherwise noted)	**2010**	**2009**	**2010**	**2009**	**2008**
Cash flows from operating activities					
- before changes in working capital	326.6	269.9	899.8	678.1	636.6
- after changes in working capital	290.3	270.1	761.3	562.6	765.4
Cash flows from financing activities	(88.9)	(47.5)	(110.0)	547.0	(24.2)
Cash flows from investing activities	510.7	(111.1)	(225.6)	(366.6)	(765.0)
Net cash flows	712.1	111.5	425.7	743.0	(23.8)
Cash balance	1,344.9	919.2	1,344.9	919.2	176.2
Total assets	5,258.6	4,564.6	5,258.6	4,564.6	3,004.5
Total long-term liabilities	2,129.5	1,687.7	2,129.5	1,687.7	1,290.6
Available credit facilities					
- Corporate revolving credit and term loan facility	50.0	50.0	50.0	50.0	-
- Corporate revolving loan and short-term facility	-	250.0	-	250.0	200.0
- Short-term borrowings	54.3	-	54.3	-	-
Cash flows from operating activities per share (basic)					
- before working capital (USD per share)	$4.02	$3.45	$11.21	$8.98	$9.33
- after working capital (USD per share)	$3.58	$3.45	$9.49	$7.45	$11.23

Operating cash flows before changes in working capital were 21% higher than Q4 2009 due to significantly higher copper prices in the current period. This was offset partially by an increase in the average cash cost of production and the loss of Frontier's contribution in Q4 2010. Working capital movements during Q4 2010 include an increase in accounts receivable of $91.9 million as a result of a significant increase in copper price and an increase in accounts payable due to increasing project development activity at Ravensthorpe and Kevitsa.

Cash outflows from financing activities resulted in a reduction in short-term debt of $41.9 million which relates to the timing of financing by the metal marketing division in Q4 2010. Financing activities also include an increase in restricted cash of $40.3 million pursuant to the requirements of the Company's corporate revolving and term loan facility.

Cash flows from investing activities include $646.5 million in net proceeds on the sale of Equinox shares in Q4 2010. The Company invested $44.2 million on the plant at Ravensthorpe and $28.9 million at Kevitsa as development was advanced at both projects. Kansanshi invested $49.3 million on additional mining equipment and the secondary crusher during the period.

The Company undertook significant investing activities in 2010 including

- the acquisition of the Ravensthorpe nickel project for $338.8 million, of which $34.0 million was paid in 2009;
- the acquisition of Kiwara PLC for $133.2 million in net cash and $137.2 million in common shares of the Company;
- the acquisition of Antares for $4.6 million in net cash and $603.9 million in common shares of the Company; and
- the acquisition of the 20% non-controlling interest in Mauritanian Copper Mines for $63.0 million.

In addition to the Company's significant cash reserves, additional sources of funding available include $50.0 million under the corporate revolving credit and term loan facility and $54.3 million under short-term borrowings. Subsequent to year end, the Company signed a $250.0 million project loan secured over the assets and offtake agreements of the Kevitsa project.

As at December 31, 2010, the Company had the following contractual obligations outstanding:

(USD millions)	**Total**	**Less than 1 year**	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 – 5 years**	**Thereafter**
Term debt	161.0	140.8	4.2	4.0	4.0	4.0	4.0
Convertible bonds	500.0	-	-	-	500.0	-	-
Accounts payable	776.2	776.2	-	-	-	-	-
Deferred payments	7.7	0.5	0.3	0.3	-	-	6.6
Finance leases	30.5	1.8	2.0	2.1	2.2	2.3	20.1
Commitments	279.7	279.7	-	-	-	-	-
Asset retirement obligations	55.9	1.3	1.3	1.3	1.3	0.5	50.2

INVENTORY

	Copper (tonnes)	**Gold in dore (ounces)**
Kansanshi	28,023	3,813
Guelb Moghrein	7,079	2,037
Frontier	1,651	-
Total	36,753	5,850

The Company's finished copper inventory decreased by 289 tonnes in Q4 to 36,753 tonnes as at December 31, 2010 with an average cost of approximately $1.33 per pound ($2,936 per tonne). Frontier's inventory balance represents finished copper held in transit to final offtakers through the metal marketing division. Approximately 16,900 tonnes of Kansanshi copper in concentrate was in the process of being treated or stockpiled for treatment at the Mufulira smelter as at December 31, 2010. Included in the total finished goods inventory balance, but not in the table above, is 2,721 tonnes of third party material purchased for resale by the metal marketing division.

Contained gold in dore inventory increased to 5,851 ounces due to timing of shipments in Q4. Gold contained in copper in concentrate is not included in the inventory balances noted above.

COMPREHENSIVE INCOME

During Q4 2010, the Company sold its investment in Equinox, resulting in a gain of $510.8 million and a corresponding reclassification from other comprehensive income. A portion of the Equinox gain was recognized in other comprehensive income during 2009 and accordingly the full reclassification amount in Q4 2010 has resulted in a comprehensive loss of $350.6 million for the year ended December 31, 2010.

EQUITY

The Company issued 5,481,963 shares pursuant to the acquisition of Antares in Q4 2010. At the date of this report the Company has 86,179,019 shares outstanding.

DEVELOPMENT ACTIVITIES

During Q4, the Company continued its growth strategy with significant exploration activities and continued optimization of output from operating mines. Over the 2011 – 2015 timeframe, the Company expects to invest approximately $2 billion in continuing to advance its growth and diversification strategy. Assuming the growth projects currently underway and those contemplated achieve their targeted completion dates, First Quantum expects to be producing approximately 470,000 tonnes of copper and 55,000 tonnes of nickel annually in 2015. These estimates do not include assumptions for production from the Sentinel and Haquira deposits.

Ravensthorpe nickel project, Australia

In February 2010, the Company acquired the Ravensthorpe nickel project for $338.8 million.

Ravensthorpe is located in Western Australia, approximately 550 kilometres southeast of Perth. It is an open pit mine and hydrometallurgical process plant that uses proven technology to recover nickel and cobalt to produce a mixed nickel cobalt hydroxide intermediate product. Ravensthorpe's development was completed in 2007, however, operations were suspended in January 2009 after the LME nickel price dropped to as low as $8,810 per tonne in late 2008.

Multi-discipline engineering, design and procurement activities for the Ravensthorpe process plant are now nearing completion. Construction work is approaching peak levels for crushing, conveying, storage, reclaim and rejects plant areas. The environmental and project management approval processes continue to be managed with one outstanding approval for the sands impoundment facility expected in March 2011.

Re-commissioning of the existing plant continues with the first areas handed over to operations in February 2011. Major mechanical equipment deliveries have proceeded well, and more minor equipment deliveries are being prioritized to maintain target completion dates. Upgrade and modification work scheduling indicates that process plant areas will commence systematic pre–commissioning during Q2 2011, and this will be followed by approximately six months of plant commissioning and ramp-up.

The operations recruitment program is continuing and is on schedule. Ravensthorpe expects to produce an average of 39,000 tonnes of nickel annually for the first five years after recommencement of operations. The expected average annual production is 28,000 tonnes over the total life of mine of 32 years.

Kevitsa nickel/copper/PGE project, Finland

Detailed design activities are close to complete for specific engineering disciplines and overall the detailed design for the project is at 70% completion. Equipment deliveries to site have commenced and will increase during the first half of 2011.

There are approximately 300 construction workers on site, and this will gradually increase to a planned peak in excess of 400. Construction activities are focusing on earthworks, concrete and process plant buildings.

The process plant earthworks are largely complete. Approximately 50% of the project concrete has been poured and the milling and flotation buildings are in the process of being erected. Key infrastructure has been completed including the access road and power supply line. Mechanical erection commenced in Q1 2011.

Kevitsa has an initial production target of 10,000 tonnes of nickel and 20,000 tonnes of copper. Commercial production is targeted for mid 2012 with mine life estimated at more than twenty years. An expansion is proposed for 2014 subject to relevant approvals.

Trident project, Zambia

In January 2010, the Company acquired all of the issued share capital of Kiwara which owned 85% of Kalumbila Minerals Limited ("Kalumbila") and holds mineral property licences on the periphery of the Kabombo Dome in North Western Province, Zambia. Under the terms of the Kiwara acquisition agreement, the Company acquired a further 10% interest in Kalumbila in February 2010, 1% in May 2010, and the remaining 4% in November 2010 bringing its ownership interest to 100%.

The Trident project includes the Sentinel copper deposit and the Enterprise and Intrepid targets.

Environmental applications have been completed and submitted to the Environmental Council of Zambia and preliminary investigations for the infrastructure requirements at Trident were started.

Although a NI-43-101 compliant resource for the Sentinel deposit is not expected until mid-2011, based on drilling and other work to date, the Company's internal study has been updated since first reported in October 2010. The internal study now assumes a resource of at least 700 million tonnes, head grade in the range of 0.65% to 0.80% copper and annual throughput rate of 40 million tonnes of ore for annual production of approximately 250,000 tonnes of copper. Both mining and processing conditions continue to appear to be relatively straightforward supporting the assumption that the unit cash cost of production is

likely to be in the range of the Kansanshi mine. Results from the ongoing drill program may lead to an expansion of the resource base and allow the possibility of further production expansion.

Subject to results of the on-going resource and mine studies, securing all relevant permits and approval by the Company's Board of Directors, the Company expects that the initial design and construction phases could commence during 2011with commercial production in early 2014. See "Exploration" for further discussion on the Company's exploration program at the Trident project.

It should be noted that the potential quantities and grades and other technical parameters presented in this document in relation to the Sentinel deposit are conceptual in nature only. There has been insufficient exploration to define a NI-43-101 compliant resource and it is uncertain whether further exploration will result in the Sentinel deposit being delineated as a mineral resource and whether the Sentinel deposit will be developed into a mine.

Antares Minerals Inc.

In December 2010, the Company acquired all of the issued share capital of Antares for $609.0 million. Antares' principal asset is the 100% owned Haquira project located in southern Peru adjacent to Xstrata Copper's Las Bambas copper-gold project. It is one of the world's major undeveloped copper deposits with excellent potential for the development of a large-scale copper mine. Haquira currently has reported measured and indicated resources of 3.7 million tonnes of contained copper equivalent and inferred resources of 2.4 million tonnes of contained copper equivalent. See "Exploration" for further discussion on the Company's exploration program at the Haquira project.

Kansanshi copper/gold operation, Zambia

At the Kansanshi operation, an expansion project is underway to expand annual copper production capacity from the current 250,000 tonnes to 400,000 tonnes of copper in 2015. The project will be implemented in two phases. Phase 1, which is currently underway, is expected to increase annual production capacity to approximately 285,000 tonnes. It is focused on expanding the treatment capacity of the oxide circuit by about 20% to 8.5 million tonnes and building in flexibility to allow for the mixed and sulphide circuits to be switched as needed to suit mining activity. The expansion will include the use of relocated equipment from the recently closed Bwana Mkubwa copper SX/EW plant as well as new installations. This phase of the expansion project is scheduled for Q4 2011.

Construction of Phase 2 is expected to start in the second half of 2012 with commissioning targeted for the first half of 2014. This phase of the expansion will focus on the construction of a new concentrator with a planned annual throughput of 25 million tonnes of ore. As a result, Kansanshi's total annual production capacity is expected to increase to approximately 400,000 tonnes of copper. The capital budget for Phase 2 is expected to be in the range of $350 million.

Potential copper smelter, Zambia

Currently, Kansanshi's concentrate production is treated by smelters in Zambia, but from time to time, due to limited capacity, some copper concentrate is sold to third parties for export sale. Due to the substantial increase in production expected from the Kansanshi mine and together with anticipated new production in Zambia including from the Sentinel deposit, an evaluation is currently underway to determine the economics and options for building and operating a copper smelter nearby Kansanshi. The evaluation is expected to be completed in the second half of 2011.

Guelb Moghrein copper/gold operation, Mauritania

Ongoing optimization of the autogenous circuit, including mill feed control systems, pebble crushing, and high pressure grinding rolls to achieve design throughput will continue in 2011. Gold circuit optimization will continue with oxygen management and a recently commissioned falcon concentrator to maximize gold recovery.

Exploration

Exploration activities continued at a high rate during Q4 2010 with nearly 30 drill rigs active on the Company's projects despite seasonal rains in Zambia.

Sentinel

Up to 16 core drills are active on the Trident project. Over 100,000 metres of drilling has been completed in more than 300 holes on Sentinel since work commenced in April 2010. A pattern of 200-metre spaced lines has been concluded over approximately eight kilometres of strike and preliminary results suggest good continuity of mineralization. Reconnaissance drill lines further to the west have defined a thick sequence of mineralization although this appears to diminish as the target horizon extends southwards. Current emphasis has moved to infill drilling over the core of the Sentinel deposit where access roads have been constructed to allow operations to continue through the seasonal rains. At present drill rates of over 5,000 metres per week, it is planned to complete the resource drilling by mid 2011. Up to five drills are active on the Enterprise nickel target approximately 12 kilometres to the northwest of Sentinel. Over 20 core holes have now been completed on a series of sections over approximately 1,000 metres of strike. Preliminary results have returned some strong nickel intercepts however it is clear that mineralization is structurally controlled and continuity between sections is yet to be established.

Kansanshi

A major program of resource development and exploration drilling is planned at Kansanshi in 2011 and 2012. The program will include 140,000 metres of core drilling focused on extensions of the current Kansanshi resource around the Main Pit and Northwest Pit as well as resource definition on the Southeast Dome prospect and a series of systematic regional drill traverses over the entire Kansanshi Dome (approximately 10 x 6 kilometres). Drill tenders have been received to expand the current Kansanshi drilling capability from six to approximately 14 core rigs. An updated reserve and resources estimate incorporating results from the program is expected to be released in 2012.

Kevitsa

At Kevitsa, resource estimation and reserve optimization was completed incorporating all 2010 drilling results and has indicated a significant expansion of the resource compared to the prior model in 2009. Recent near mine drilling has included a deep hole to test electro-magnetic targets near the base of the Kevitsa intrusion and shallower holes on the eastern side of the intrusion where high grade chalcopyrite stringers have been encountered on the contact. The regional drilling program in Finland moved into a target testing phase with eight prospects in the Kevitsa North project tested by shallow base-of-till drilling. Initial geochemistry results are encouraging and two targets are currently subject to follow up core drilling.

Guelb Moghrein

Up to three exploration drill rigs have been active in Mauritania testing near mine and regional targets. Several extensive but low grade intercepts have been recorded in core holes near Guelb Moghrein and these appear to represent an anomalous halo to the main mineral system. Drilling has been in progress testing large geochemical targets recently defined through regional broad scale soil sampling.

Haquira

The Company commenced integration of the Haquira exploration project in Peru after the acquisition was completed in December 2010. Drilling with four core rigs commenced in February and will be expanded later in 2011. The initial focus will be on expanding the secondary copper resources which are currently open in several areas as well as modeling and testing extensions to the Haquira East and Haquira West porphyry hosted sulphide mineralization. A budget of over $30 million has been allocated to the drill programs. An updated reserves and resources estimate and the environmental impact assessment are expected in mid-2012 when detailed project design will commence.

Acquisition of the non-controlling interest in Mauritanian Copper Mines SARL

In February 2010, the Company completed the acquisition of the 20% non-controlling interest in Mauritanian Copper Mines SARL, which owns the Guelb Moghrein copper and gold operation, for $63.0 million.

OTHER ITEMS

RDC – Kolwezi dispute

During 2007, the Government of the RDC announced a review of over 60 mining agreements entered into over the last decade with foreign companies. The Kolwezi mining convention ("Contract of Association"), to which the Company's subsidiary Congo Mineral Developments Limited ("CMD") is a party, in partnership with Industrial Development Corporation of South Africa ("IDC") and the International Finance Corporation ("IFC"). At the conclusion of the "Revisitation", CMD received a letter from the RDC Prime Minister dated August 21, 2009, which reported on the outcome of an August 4, 2009 meeting of the RDC Council of Ministers with respect to the Contract of Association. The letter notes the "impossibility to pursue the partnership" and directed that the exploitation permit held by Kingamyambo Musonoi Tailings SARL ("KMT"), the Company formed by the parties to pursue the KMT project, be returned to La Générale des carrières et des mines ("Gécamines") pursuant to the Contract of Association. Subsequently, on September 15, 2009 CMD received an order by the General Prosecutor of Katanga to seal KMT's facilities. In January 2010, Gécamines terminated the Contract of Association.

On February 1, 2010, CMD, the IFC and the IDC commenced international arbitration at the International Chamber of Commerce (ICC) in Paris. A Tribunal has been appointed and a final decision is expected in the latter part of 2012.

On February 22, 2010, without any prior notice KMT and CMD received a Notice of Hearing Date from Gécamines and the RDC mining registry ("CAMI") setting the Local Appeal for hearing in less than 48 hours on February 24, 2010. Gécamines and CAMI requested the confirmation of the Local Court judgment and also made an unsupported request for up to US$12 billion in damages to be awarded to Gécamines and CAMI. KMT's lawyers attended and objected to the proceedings. Following the hearing on February 24, 2010, the Company received official notification of the Local Appeal judgment on April 7, 2010 confirming the award of US$12 billion in damages against CMD and KMT. The Company filed for a "cassation" on June 19, 2010, the final venue of appeal in the RDC. However, despite the further right of appeal, the damages award is now enforceable against KMT and CMD in the RDC.

On July 16, 2010 KMT and CMD were summoned by the RDC, Gécamines and CAMI to appear before the Court of Appeal of Kinshasa in order to have a liquidator appointed to wind up KMT and value its assets as part of the enforcement of the judgement of the Appeal Court of Kinshasa. CMD and KMT requested a postponement, which was refused. On August 2, 2010 KMT received notice of a judgment of the Appeal Court of Kinshasa rendered on July 27, 2010. The judgment decided that KMT is in the process of being liquidated and a Congolese liquidator was appointed.

The Company believes there is no legal basis for the cancellation of KMT's exploitation permit, the sealing of the KMT facilities, and Gécamines' termination of the Contract of Association, and that CMD and the KMT project's other contributing partners, the IFC and IDC, continue to have a valid and binding contract with the RDC and Gécamines.

Following developments and actions against KMT and CMD, the Company has determined there to be a complete impairment of the Kolwezi assets. The historical carrying value of the Kolwezi project's net assets was $791.2 million and was comprised of the initial acquisition cost and subsequent capital expenditures. A future tax liability of $109.5 million relating to the acquisition of Kolwezi was derecognized concurrent with the asset impairment.

The Company will continue to pursue all available avenues to recover the value of the project, including international arbitration. The timing of any negotiated or arbitrated settlement is not known at this time, but could take years.

Sodimico

The state-owned mining company, Société de Développement Industriel et Minier du Congo ("Sodimico") obtained a judgment against Compagnie Miniere De Sakania SPRL ("Comisa") and the Company on March 12, 2010 from the Tribunal de Commerce of Lubumbashi and the Company was notified of the judgment on April 5, 2010. The judgment orders Comisa and the Company to pay to Sodimico $17.3 million for the value of studies made by Sodimico over the perimeters of titles held by Comisa and a further $40.0 million as additional unknown damages. The court found, based on documents provided by Sodimico, that Comisa acquired the rights over the Lonshi deposits "at the operation stage" and "therefore there is no doubt that it must have used the results of the geological and mining studies made by Sodimico". Comisa filed an appeal of the judgment, which is set to be heard on July 15, 2011. The Company believes that Sodimico cannot enforce payment of the judgment amount against Comisa, and therefore no liability has been recorded as at December 31, 2010.

RDC – Frontier and Lonshi

On March 8, 2010, the Company, two of its RDC subsidiaries Comisa and Frontier SPRL ("Frontier") were served notices of a case introduced by Sodimico against the RDC before the RDC Supreme Court of Justice ("Supreme Court"). Sodimico requested the cancellation of a February 2000 letter from the Minister of Mines, which Sodimico alleged wrongfully withdrew mining titles belonging to Sodimico. These titles are further alleged to have been subsequently granted to Comisa and Frontier. A hearing was held by the Supreme Court on May 14, 2010 and on May 21, 2010 the Supreme Court delivered a judgment restoring certain mineral rights to Sodimico. These rights conflicted with mineral rights held by Frontier and Comisa. On August

24, 2010 Comisa received notification from CAMI of the withdrawal of its mining and, the majority of, its exploration titles based on instructions from the Minister of Mines. On August 10, 2010 Frontier received notification from CAMI of the withdrawal of its mining and exploration titles based on instructions from the Minister of Mines.

On August 27, 2010, the Company announced the suspension of operations at the Frontier mine. This suspension followed the withdrawal of Frontier's exploitation permit by CAMI and a letter received from Sodimico, which has purportedly been granted Frontier's titles, demanding that Frontier stop all mining and exports and leave the mining title areas.

As a result of these actions the Company has fully impaired the RDC assets of Frontier including product and supplies inventories, mineral properties, plant and equipment. The carrying value of these assets, and associated liabilities was $254.0 million in property, plant and equipment, $52.1 million in inventories and $0.6 million of liabilities net of other assets. The impairment was recorded net of current and future tax recoveries of $62.9 million, severance and site closure costs of $7.3 million have been expensed following closure and $13.1 million of the impairment was attributed to non-controlling interests.

Frontier has declared force majeure under the RDC mining code; however, due to the circumstances surrounding the curtailment of operations, Frontier may be exposed to ongoing claims by the RDC government. The amount and likelihood of any such claims is not determinable. The Company's exposure to any such claims is limited to its assets in the RDC.

On October 1, 2011, Frontier commenced international arbitration under the facilities of the International Centre for Settlement of Investment Disputes ("ICSID") in Washington, United States of America. The timing of any decision and award in the arbitration proceedings is not known at this time, but could take years.

Zambian taxation

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

Under the President elected in October 2008, the GRZ reviewed these tax changes and proposed that the windfall tax be removed, the deductibility of capital allowances be reinstated to 100% in the period of expenditure and to allow hedging income be part of mining income for tax purposes. These changes were passed by Parliament in March 2009 and the majority of changes took effect from April 1, 2009. These enacted changes were not retroactive to April 1, 2008. On May 18, 2009 the GRZ issued a temporary exemption of the concentrate export levy of 15% until December 31, 2009 in order to allow the export of copper in concentrate that cannot be treated in Zambia due to the lack of smelter capacity within the country at that time.

The Company, through its Zambian subsidiaries, is party to Development Agreements with GRZ for its existing operations which provide an express right to full and fair compensation for any loss, damages or costs (including interest) incurred by the Company by reason of the government's failure to comply with the tax stability guarantees set out in the Development Agreements, and rights of international arbitration in the event of any dispute. Based on legal advice on its rights under the Development agreement, the Company recorded a receivable from the GRZ for an amount it regarded as reasonable expected ultimate repayment of taxes in excess of that permitted under the Development Agreements. However, in November 2010, the GRZ required payment of all back taxes outstanding pursuant to the 2008 and 2009 legislation. The Company's Zambian subsidiaries have agreed to pay the back taxes by June 2011 as required, without prejudice. Given the changes in circumstances, the receivable has been assessed for impairment under the accounting standards. As at December 31, 2010, the Company recorded an impairment of the entire receivable amount of $299.0 million, of which $59.8 million was attributable to non-controlling interest. The impairment charge has been recorded as a component of income tax expense.

Until resolved differently with the GRZ, the Company will account for taxes in excess of the Development Agreement as a tax expense with no associated receivable.

OPERATIONAL OUTLOOK

The Company's 2011 production outlook is 300,000 tonnes of copper and 200,000 ounces of gold.

The estimated average C1 cost for 2011 is $1.10 per pound of copper.

The Company also expects nickel production to commence with the commissioning of the Ravensthorpe project in the second half of 2011.

Kansanshi

The expansion project currently underway is expected to increase annual production capacity to approximately 285,000 tonnes of copper. It is focused on expanding the treatment capacity of the oxide circuit by about 20% to 8.5 million tonnes and building in flexibility to allow for the mixed and sulphide circuits to be switched as needed to suit mining activity. The expansion will include the use of relocated equipment from the recently closed Bwana Mkubwa copper SX/EW plant as well as new installations. This phase of the expansion project is scheduled for the fourth quarter of 2011. Optimization of the sulphide circuit to derive the required throughput gains expected from the installation of secondary crushing capacity is ongoing.

A significant focus on delineation and near mine drilling will commence in early 2011 with the objective of further expanding the mineral resources and upgrading known mineralization to reserves for future mine planning purposes. The reserve definition program is expected to form the basis for a further expansion of the operation's production capacity. This expansion will focus on the construction of a new concentrator with a planned annual throughput of 25 million tonnes of ore. As a result, Kansanshi's total annual production capacity is expected to increase to approximately 400,000 tonnes of copper. The capital budget for Phase 2 is expected to be in the range of $350 million and is expected to be undertaken in 2012.

Mining production rates will increase with the new mining equipment in 2011. The increased capacity will allow for additional ore production, waste stripping and mine cutbacks, providing greater operational flexibility going forward.

Guelb Moghrein

Optimization of the 3.8 million tonne per annum expansion will continue during Q1 2011. Increased throughput and metal recoveries will remain the focus of the overall plant optimization. The blend of mine feed will be enhanced to ensure that the ore quality remains within practical operational limits.

Ravensthorpe

Key activities at Ravensthorpe will focus on the final upgrade of the crushing and beneficiation circuits. Successive sections of the fixed plant were handed over from projects to the operational teams commencing in February 2011. This will allow the necessary detailed planning to commence for the re-commissioning phase which is expected during late Q2 2011.

Hedging program

As at December 31, 2010, the following derivative positions were outstanding:

	Maturity 2011	Maturity 2012	December 31, 2010		December 31, 2009	
			Asset	Liability	Asset	Liability
Foreign exchange						
Foreign exchange contracts	-	-	-	-	0.9	(0.6)
Interest rate						
Floating to fixed interest rate swap – principal	26.0	-	-	(0.4)	-	(0.7)
Average fixed interest rate	1.80%	-				
Copper						
Futures purchases contracts over quotation period (tonnes)	10,175	-	3.0	-	-	-
Average price ($/tonne)	$8,889	-				
Futures sales contracts over quotation period (tonnes)(a)	29,000	-	-	(42.3)	-	-
Average price ($/tonne)	$8,351	-				
Gold						
Futures sales contracts over quotation period (ounces)	15,380	-	-	(0.9)	-	-
Average price ($/ounce)	$1,348	-				
Other						
Embedded derivative			-	(3.7)	-	(7.6)
			3.0	(47.3)	0.9	(8.9)
Copper embedded derivative (tonnes)	9,284	-				
Average price ($/tonne)	$9,693	-				
Gold embedded derivative (ounces)	2,613	-				
Average price ($/ounce)	$1,421	-				
Copper embedded derivative hedged by future sales contracts (tonnes)(a)	11,000	-				

a) Copper and gold derivative contracts

Part of the Company's metal production is sold directly to end buyers through its metal marketing division. As a consequence of these direct sales, there is an extended period between shipment of metal from the mine site and the timing of recognition of the final sale. In order to reduce the effects of movements in the metal price during this period, the Company enters into futures sales contracts.

b) Provisionally priced copper sales subject to final settlement prices in Q1 2011

At December 31, 2010, 9,284 tonnes of copper sales were provisionally priced at an average of $4.40 per pound ($9,693 per tonne). Of this total, 2,541 tonnes were priced in January, 5,269 tonnes were priced in February and 1,475 tonnes will be priced in March. The average LME cash price for January 2011 was $3.76 per pound ($8,292 per tonne) and for February 2011 $4.47 per pound ($9,858 per tonne). In line with the Company's policy of minimizing its exposure to fluctuations in the copper price between shipment and final pricing date, prior to year end the Company had entered into future sales derivative contracts which had the effect of partially offsetting these subsequent price movements.

Appendix A

SUMMARY OF QUARTERLY AND CURRENT YEAR RESULTS

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

Consolidated operating statistics	Q1 09	Q2 09	Q3 09	Q4 09	FY 09	Q1 10	Q2 10	Q3 10	Q4 10	FY 10
Revenues										
Copper	$231.8	$371.8	$511.3	$591.5	$1,706.4	$514.6	$496.3	$526.3	$646.4	$2,183.6
Gold	27.7	40.0	35.0	53.3	156.0	43.4	44.3	52.5	54.4	194.6
Other revenues	1.5	0.3	-	-	1.8	-	-	-	-	-
Total revenues	261.0	412.1	546.3	644.8	1,864.2	558.0	540.6	578.8	700.8	2,378.2
Cost of sales	138.3	153.5	207.7	233.9	733.4	225.0	269.5	267.2	289.0	1,050.7
Impairment charge	-	-	-	-	-	-	813.1	306.9	(0.7)	1,119.3
Net earnings (loss)	10.9	101.5	123.8	227.2	463.4	146.2	(588.2)	(136.7)	455.3	(123.4)
Basic earnings (loss) per share	$0.16	$1.31	$1.59	$2.91	$6.14	$1.81	$(7.33)	$(1.70)	$5.61	$(1.54)
Diluted earnings (loss) per share	$0.16	$1.30	$1.50	$2.67	$5.92	$1.70	$(7.33)	$(1.70)	$5.14	$(1.54)
Weighted average # shares (000's)	68,794	77,242	78,052	78,169	75,508	80,669	80,268	80,220	81,160	80,264
Cash flows from operating activities per share										
Before working capital movements	$1.24	$2.05	$2.11	$3.45	$8.98	$2.59	$2.12	$2.42	$4.02	$11.21
After working capital movements	$(0.86)	$2.01	$2.52	$3.45	$7.45	$1.90	$3.85	$0.10	$3.58	$9.49
Copper selling price										
Current period copper sales (per lb)	$1.54	$2.08	$2.44	$3.00	$2.35	$3.21	$2.98	$3.29	$3.93	$3.35
Sales contract derivatives	-	-	-	-	-	-	0.05	(0.22)	(0.20)	(0.09)
Prior period provisional adjustments (per lb)	0.26	0.02	0.06	0.03	0.05	(0.03)	(0.09)	0.04	0.03	(0.01)
Gross copper selling price (per lb)	1.80	2.10	2.50	3.03	2.40	3.18	2.94	3.11	3.76	3.24
Tolling and refining charges (per lb)	(0.06)	(0.09)	(0.08)	(0.08)	(0.08)	(0.10)	(0.06)	(0.03)	(0.02)	(0.06)
Freight parity charges (per lb)	(0.23)	(0.21)	(0.21)	(0.22)	(0.16)	(0.19)	(0.22)	(0.22)	(0.23)	(0.21)
Realized copper price (per lb)	1.51	1.80	2.21	2.73	2.16	2.89	2.66	2.86	3.51	2.98
Realized gold price (per oz)	$842	$850	$722	$926	$839	$886	$1,000	$1,169	$1,085	$1,033
Total copper produced (tonnes) [1]	89,440	92,486	93,486	98,528	373,940	85,062	85,402	76,633	75,920	323,017
Total copper sold (tonnes)[1]	69,774	93,482	105,154	98,171	366,581	81,441	74,421	79,408	76,290	311,560
Total gold produced (ounces) [1]	46,764	40,488	43,357	62,679	193,288	44,642	51,471	46,718	48,564	191,395
Total gold sold (ounces) [1]	32,827	47,055	48,454	57,571	185,907	48,995	44,300	44,934	50,139	188,368
Cash Costs (C1) (per lb) [2][3]	$0.97	$0.90	$0.98	$0.97	$0.96	$1.21	$1.21	$1.21	$1.06	$1.18
Total Costs (C3) (per lb) [2][3]	$1.19	$1.17	$1.27	$1.27	$1.22	$1.49	$1.49	$1.59	$1.35	$1.47
Copper Inventory (tonnes)										
Kansanshi	30,036	33,801	22,021	22,059	22,059	18,979	20,621	20,468	28,023	28,023
Guelb Moghrein	2,343	88	555	963	963	4,096	8,896	8,092	7,079	7,079
Frontier	5,296	2,574	3,128	3,041	3,041	6,228	10,648	8,032	1,651	1,651
Bwana	-	-	-	-	-	182	502	450	-	-
Total copper inventory	37,675	36,463	25,704	26,063	26,063	29,485	40,667	37,042	36,753	36,753

Kansanshi production statistics	**Q1 09**	**Q2 09**	**Q3 09**	**Q4 09**	**FY 09**	**Q1 10**	**Q2 10**	**Q3 10**	**Q4 10**	**FY 10**
Mining										
Waste mined (000's tonnes)	4,271	4,746	7,122	4,663	20,802	2,921	4,998	9,008	6,920	23,847
Ore mined (000's tonnes)	3,979	4,034	5,410	5,258	18,681	3,712	6,076	6,394	6,863	23,045
Ore grade (%)	1.4	1.4	1.4	1.3	1.4	1.4	1.2	1.2	1.5	1.3
Processing (1)										
Sulphide ore processed (000's tonnes)	3,260	3,381	2,576	2,777	11,994	2,449	2,791	2,443	2,699	10,382
Sulphide ore grade processed (%)	1.2	1.0	0.9	0.8	1.0	0.8	0.7	0.8	0.8	0.8
Sulphide ore recovery (%)	92	96	93	93	93	93	93	93	93	93
Mixed ore processed (000's tonnes)	-	545	1,477	1,566	3,588	1,249	1,288	1,289	1,636	5,462
Mixed ore grade processed (%)	-	1.6	1.3	1.4	1.4	1.4	1.3	1.2	1.3	1.3
Mixed ore recovery (%)	-	67	65	64	65	63	68	67	70	67
Oxide ore processed (000's tonnes)	1,343	1,300	1,540	1,478	5,661	1,250	1,408	1,495	1,521	5,674
Oxide ore grade processed (%)	2.2	2.2	2.3	2.2	2.2	2.1	2.2	2.4	2.4	2.2
Oxide ore recovery (%)	86	82	80	83	83	93	90	78	84	86
Copper cathode produced (tonnes)	23,836	21,237	25,436	21,535	92,044	19,180	20,667	21,914	24,921	86,682
Copper cathode tolled produced (tonnes)	15,402	20,368	26,344	24,901	87,015	27,201	20,350	23,564	26,386	97,501
Copper in concentrate produced (tonnes)	21,600	18,787	9,516	16,017	65,920	7,202	15,091	9,723	14,925	46,941
Total copper production	60,838	60,392	61,296	62,453	244,979	53,583	56,108	55,201	66,232	231,124
Concentrate grade (%)	28.1	27.5	27.9	27.6	27.8	27.3	27.3	24.7	24.0	24.9
Gold produced (ounces)	21,993	20,117	25,350	32,476	99,936	24,272	26,919	29,456	28,982	109,629
Combined Costs (per lb) (2)										
Mining	$0.27	$0.32	$0.35	$0.35	$0.32	$0.45	$0.45	$0.45	$0.39	$0.44
Processing	0.48	0.49	0.50	0.52	0.50	0.60	0.57	0.57	0.55	0.58
Site Administration	0.02	0.02	0.02	0.01	0.02	0.03	0.02	0.03	0.06	0.03
TC/RC and freight parity charges	0.28	0.30	0.28	0.29	0.29	0.29	0.26	0.29	0.30	0.28
Gold credit	(0.06)	(0.14)	(0.14)	(0.21)	(0.14)	(0.19)	(0.25)	(0.25)	(0.23)	(0.23)
Combined Total Cash Costs (C1)	$0.99	$0.99	$1.01	$0.96	$0.99	$1.18	$1.05	$1.09	$1.07	$1.10
Combined Total Costs (C3)	$1.22	$1.27	$1.31	$1.28	$1.27	$1.39	$1.26	$1.42	$1.29	$1.31
Revenues ($ millions)										
Copper cathodes	$131.9	$176.7	$282.1	$280.4	$871.1	$310.6	$266.8	$300.4	$366.3	$1,244.1
Copper in concentrates	23.9	58.6	97.6	99.9	280.0	65.0	64.9	71.9	96.6	298.4
Gold	8.0	18.6	18.7	29.1	74.4	22.4	30.5	29.5	33.1	115.5
Total revenues	$163.8	$253.9	$398.4	$409.4	$1,225.5	$398.0	$362.2	$401.8	$496.0	$1,658.0
Copper cathode sold (tonnes)	27,875	21,095	26,178	21,012	96,160	18,953	20,215	21,329	20,285	80,782
Copper tolled cathode sold (tonnes)	15,402	20,368	26,344	24,902	87,016	26,995	20,350	23,564	26,386	97,295
Copper in concentrate sold (tonnes)	3,414	15,022	21,463	16,503	56,402	10,516	14,101	10,462	12,033	47,112
Gold sold (ounces)	10,251	21,227	30,083	33,085	94,646	26,739	29,741	29,907	29,355	115,742

Guelb Moghrein production statistics	Q1 09	Q2 09	Q3 09	Q4 09	FY 09	Q1 10	Q2 10	Q3 10	Q4 10	FY 10
Mining										
Waste mined (000's tonnes)	2,048	2,333	2,177	2,246	8,804	2,803	2,609	2,491	1,924	9,827
Ore mined (000's tonnes)	789	603	525	827	2,744	690	812	823	720	3,045
Ore grade (%)	1.7	1.8	1.6	1.5	1.6	1.4	1.6	1.4	1.5	1.5
Processing (1)										
Sulphide ore processed (000's tonnes)	530	474	514	769	2,287	660	744	644	748	2,796
Sulphide ore grade processed (%)	1.9	2.0	1.7	1.7	1.8	1.4	1.6	1.4	1.4	1.5
Recovery (%)	92	86	84	92	89	90	87	92	91	91
Copper in concentrate produced (tonnes)	9,331	8,036	7,425	11,816	36,608	8,405	10,390	8,487	9,687	36,969
Gold produced (ounces)	24,771	20,371	18,007	30,203	93,352	20,370	24,552	17,262	19,582	81,766
Sulphide Circuit Costs (per lb) (2)										
Mining	$0.21	$0.19	$0.16	$0.29	$0.22	$0.31	$0.25	$0.36	$0.49	$0.35
Processing	0.46	0.46	0.73	0.53	0.54	0.68	0.64	0.88	0.87	0.77
Site Administration	0.09	0.12	0.16	0.18	0.14	0.16	0.16	0.28	0.40	0.25
TC/RC and freight parity charges	0.49	0.45	0.49	0.51	0.48	0.42	0.48	0.51	0.48	0.48
Gold credit	(0.90)	(1.16)	(0.87)	(0.88)	(0.94)	(0.98)	(0.45)	(1.24)	(1.21)	(0.95)
Sulphide Circuit Total Cash Costs (C1)	$0.35	$0.06	$0.67	$0.63	$0.44	$0.59	$1.08	$0.79	$1.03	$0.90
Sulphide Circuit Total Costs (C3)	$0.66	$0.46	$1.19	$1.02	$0.83	$1.40	$1.69	$1.85	$1.79	$1.65
Revenues ($ millions)										
Copper in concentrates	$20.5	$25.7	$24.1	$45.4	$115.7	$43.2	$25.9	$42.4	$74.7	$186.2
Gold	19.7	21.4	16.3	24.2	81.6	21.0	13.8	23.0	21.3	79.1
Total revenues	$40.2	$47.1	$40.4	$69.6	$197.3	$64.2	$39.7	$65.4	$96.0	$265.3
Copper in concentrate sold (tonnes)	8,857	10,291	6,958	9,330	35,436	7,350	5,591	9,291	10,700	32,932
Gold sold (ounces)	22,576	24,931	18,371	25,384	91,262	22,256	14,559	15,027	20,784	72,626

Frontier Production Statistics	Q1 09	Q2 09	Q3 09	Q4 09	FY 09	Q1 10	Q2 10	Q3 10	Q4 10	FY 10
Mining										
Waste mined (000's tonnes)	1,395	2,017	3,282	3,932	10,626	3,506	6,239	4,869	-	14,614
Ore mined (000's tonnes)	1,696	2,056	2,300	1,998	8,050	1,912	2,249	1,282	-	5,443
Ore grade (%)	1.2	1.3	1.2	1.2	1.2	1.2	0.9	0.9	-	1.0
Processing (1)										
Sulphide ore processed (000's tonnes)	1,570	2,035	2,183	2,280	8,068	1,932	2,147	1,346	-	5,425
Sulphide ore grade processed (%)	1.3	1.3	1.2	1.2	1.2	1.1	0.8	0.9	-	1.0
Recovery (%)	94	92	92	91	92	90	93	92	-	90
Copper in concentrate produced (tonnes)	19,271	24,058	24,765	24,259	92,353	20,786	16,181	10,541	-	47,508
Sulphide Circuit Costs (per lb) (2)										
Mining	$0.27	$0.23	$0.23	$0.41	$0.28	$0.49	$0.78	$0.95	-	$0.68
Processing	0.30	0.29	0.30	0.42	0.33	0.32	0.47	0.57	-	0.43
Site Administration	0.09	0.05	0.09	0.10	0.08	0.12	0.15	0.30	-	0.17
TC/RC and freight parity charges	0.57	0.41	0.40	0.39	0.44	0.61	0.42	0.40	-	0.49
Sulphide Circuit Total Cash Costs (C1) (3)	$1.23	$0.98	$1.02	$1.32	$1.13	$1.54	$1.82	$2.22	-	$1.77
Sulphide Circuit Total Costs (C3) (3)	$1.36	$1.12	$1.19	$1.52	$1.30	$1.80	$2.19	$2.55	-	$2.10
Revenues ($ millions)										
Copper in concentrates	$55.2	$110.7	$107.5	$165.8	$439.2	$86.6	$62.3	$69.0	$47.4	$265.3
Copper in concentrate sold (tonnes)	14,226	26,706	24,211	26,424	91,567	15,521	11,762	12,360	6,381	46,024

Bwana/Lonshi Production Statistics	Q1 09	Q2 09	Q3 09	Q4 09	FY 09	Q1 10	Q2 10	Q3 10	Q4 10	FY 10
Mining										
Waste mined (000's tonnes)	-	-	-	-	-	-	-	-	-	-
Ore mined (000's tonnes)	-	-	-	-	-	-	-	-	-	-
Ore grade (%)	-	-	-	-	-	-	-	-	-	-
Processing										
Oxide ore processed (000's tonnes)	-	-	-	-	-	101	114	112	-	327
Oxide ore grade processed (%)	-	-	-	-	-	2.8	2.6	2.2	-	2.5
Recovery (%)	-	-	-	-	-	90	90	92	-	91
Copper cathode produced (tonnes)	-	-	-	-	-	2,288	2,723	2,404	-	7,415
Acid produced (tonnes)	63,193	32,461	-	848	96,502	22,747	66,527	14,896	12,395	116,565
Surplus acid (tonnes)	7,768	1,819	-	-	9,587	-	-	-	-	-
Oxide Circuit Costs (per lb) (2)										
Mining	-	-	-	-	-	$0.16	$0.29	$0.27	-	$0.24
Processing	-	-	-	-	-	0.88	0.76	0.83	-	0.82
Site Administration	-	-	-	-	-	0.15	0.19	0.11	-	0.15
Gold / Acid credit	-	-	-	-	-	0.08	0.10	0.03	-	0.07
Oxide Circuit Total Cash Costs (C1)	-	-	-	-	-	$1.27	$1.34	$1.24	-	$1.28
Oxide Circuit Total Costs (C3)	-	-	-	-	-	$1.40	$1.34	$1.54	-	$1.43
Revenues ($ millions)										
Copper in cathodes	$0.4	-	-	-	$0.4	$14.0	$16.8	$17.0	$3.5	$51.3
Copper cathodes sold (tonnes)	-	-	-	-	-	2,106	2,402	2,402	505	7,415

(1) Copper sold or produced does not include tonnes sold or produced prior to achieving commercial production.
(2) For the definition of cash and total costs, reference should be made to the Regulatory Disclosures section.
(3) Concentrate handling costs incurred at Frontier site have been reclassified to C1 cost

Appendix B

REGULATORY DISCLOSURES

Seasonality

The Company's results as discussed in this MD&A are subject to seasonal aspects, in particular the rain season in the RDC and Zambia. The rain season in Zambia generally starts in November and continues through April, with the heaviest rainfall normally experienced in the months of January, February and March. As a result of the 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 higher.

Off-Balance Sheet Arrangements

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

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

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

Calculation of Operating Cash Flow per Share

The calculations of operating cash flow per share, before and after working capital movements, are 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.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the fiscal year immediately proceeding the year in which they first adopt IFRS. The Company's first mandatory filing under IFRS will be the Q1 2011 filing which will contain IFRS compliant financial statements on a comparative basis. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed.

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

Implementation

The Company has identified IFRS versus Canadian GAAP differences and various policy choices available under IFRS. The Company's unaudited condensed preliminary consolidated opening IFRS balance sheet as at January 1, 2010 is as follows:

January 1, 2010 (USD million)	**Canadian GAAP**	Property, plant and equipment[1]	Asset retirement obligation[2]	Income taxes[3]	**IFRS**
Current assets	1,844.0	-	-	-	1,844.0
Non-current assets	2,720.6	(399.8)	3.6	(181.3)	2,143.1
Total assets	4,564.6	(399.8)	3.6	(181.3)	3,987.1
Current liabilities	732.2	-	-	-	732.2
Non-current liabilities	955.5	-	4.8	(159.6)	800.7
Total liabilities	1,687.7	-	4.8	(159.6)	1,532.9
Shareholders' equity	2,485.5	(399.8)	(1.2)	(21.7)	2,062.8
Non-controlling interests	391.4	-	-	-	391.4
Total equity	2,876.9	(399.8)	(1.2)	(21.7)	2,454.2
Total liabilities and equity	4,564.6	(399.8)	3.6	(181.3)	3,987.1

1. Property, plant and equipment

a) Impairment

In accordance with Canadian GAAP, impairment testing is a two-step process. The first step, using undiscounted cash flows is undertaken to determine if impairment exists. If an impairment is identified, then the second step is undertaken to determine the impairment to be recorded. IAS 36 "Impairment of Assets" uses a one-step approach for both identifying and measuring impairments, which is based on comparing the carrying value to the recoverable amount. The recoverable amount is the higher of fair value less selling costs and value in use, which is based on discounted cash flows. Based on the Company's Canadian GAAP impairment assessment as at December 31, 2009, the use of a discounted cash flow model to test for impairment results in a material impairment to the Company's carrying value of the Kolwezi project under IFRS. Under both Canadian GAAP and IFRS a complete impairment of the Kolwezi project was recorded as at June 30, 2010.

Under IFRS, reverse impairment indicators must be reviewed periodically. To the extent that reverse impairment indicators exist, previously recognized impairments may be reversed.

In accordance with IFRS 1 transition provision, deemed cost of property, plant and equipment, the Company will elect to measure the Kolwezi project at January 1, 2010 at fair value and use that fair value as its deemed cost. The fair value of the Kolwezi project as at January 1, 2010 is $280.0 million resulting in a write down of $399.8 million.

b) Componentization

Under IFRS, the Company is required to separately account for the different components of an asset when the associated depreciation methods or rates are significantly different. While Canadian GAAP also refers to componentization of plant and equipment, the requirements in IFRS are more explicit. The Company has completed the process of identifying components and calculating the associated depreciation expense under IFRS. No adjustment for the purpose of the Company's opening consolidated IFRS balance sheet as at January 1, 2010 is required.

2. Asset retirement obligations ("ARO")

Consistent with IFRS, rehabilitation provisions have been measured under Canadian GAAP based on the estimated cost of rehabilitation, discounted to its net present value upon initial recognition. However, adjustments to the discount rate are not reflected in the provisions or the related assets under Canadian GAAP unless there was an upward revision of the future cost estimates. The Company elected to apply the exemption from full retrospective application as allowed under IFRS 1. As such, the Company has remeasured the rehabilitation liability as at January 1, 2010 under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" estimated the amount to be included in the related asset by discounting the liability to the date in which the liability arose, and recalculated the accumulated amortization under IFRS. The opening IFRS balance sheet adjustments

relating to ARO provision is an increase in the provision of $4.8 million, an increase in the mineral property asset of $3.6 million and an adjustment to opening retained earnings of $1.2 million.

3. Income tax

a) Asset acquisitions

Under Canadian GAAP the Company recognized a deferred income tax liability on temporary differences arising on the initial recognition of assets acquired where the fair value of the asset acquired exceeded its tax basis. IAS 21 "Income Taxes" does not permit the recognition of deferred taxes on such transactions. The opening IFRS balance sheet adjustment to reflect the impact of the derecognition of the deferred taxes is a reduction in the deferred tax liability of $175.9 million, a reduction of property, plant and equipment of $181.3 million and an adjustment to opening retained earnings of $5.4 million.

The Company recognized a deferred income tax liability for the Kiwara acquisition in Q1 2010 of $111.4 million and the Antares acquisition in Q4 2011 of $236.7 million which will be reversed against property, plant and equipment in the comparative interim IFRS balance sheets.

b) Issue of convertible bonds

Under IFRS the deferred tax consequences of a financial instrument containing both a liability and an equity component is recognized both in profit or loss and in equity in accordance with the component parts. The deferred income tax related to the equity component of the convertible bond under Canadian GAAP had not been recognized with equity. The opening IFRS balance sheet adjustment to reflect the reclassification of tax associated with the equity component of the convertible bonds is an increase in the deferred tax liability of $16.3 million, a decrease in capital stock of $18.5 million and an adjustment to opening retained earnings of $2.2 million.

c) Share issuance costs

IFRS requires current and deferred taxes be recognized in equity when they relate to transactions or events recognized in equity in either the same or a different period. The deferred income tax related to the share issuance costs under Canadian GAAP had not been net against share capital. The opening IFRS balance sheet adjustment to reflect the reclassification of tax associated with the share issuance costs is an increase in capital stock of $3.2 million and an adjustment to opening retained earnings of $3.2 million.

d) Foreign currency denominated non-monetary assets and liabilities

IFRS requires the recognition of deferred taxes in situations not required under Canadian GAAP. Specifically, a deferred tax liability or asset is recognized for exchange gains and losses on the tax basis of non-monetary assets and liabilities that are measured in the functional currency at historical exchange rates. This difference will have a significant impact as all of the Company's operations have a US dollar functional currency and most are required to file income taxes in local currencies. This difference will result in increased volatility in income in future periods. Additional temporary differences are also recognized for the difference in tax bases between jurisdictions as a result of the intra-group transfer of assets. This will impact upon the Company's inventory held by the metal marketing division. No adjustment for the purpose of the Company's opening consolidated IFRS balance sheet as at January 1, 2010 is required.

4. Other items

a) Borrowing Costs

Under IFRS, there are no policy choices available for the capitalization of borrowing costs. IFRS requires borrowing costs to be capitalized on qualifying assets which take a substantial period of time to get ready for their intended use. A weighted average capitalization rate based on the Company's outstanding debt will be used to calculate the amount of borrowing costs to capitalize on a qualifying asset. The Company's accounting policy under Canadian GAAP is to capitalize interest on projects where the Company incurred debt directly related to the project. As a result of the requirement to capitalize borrowing costs under IFRS, the Company expects that it will capitalize more borrowing costs in future periods.

There is an IFRS 1 exemption for first-time adoption that allows an entity to select any date on or before the IFRS transition date to adopt the IFRS requirements for borrowing costs. The Company will take this exemption and adopt this standard as at the IFRS transition date. No adjustment for the purpose of the Company's opening consolidated IFRS balance sheet as at January 1, 2010 is required.

b) Business combinations

Certain differences have been identified between IFRS and Canadian GAAP in accounting for business combinations.

An IFRS 1 election is available to apply IFRS 3R "Business Combinations" to business combination after the date of transition. The Company will apply this election to all business combinations completed prior to the date of transition.

In addition, the Company has elected to early adopt new standards under Canadian GAAP from January 1, 2010 which aligned the accounting for business combinations under Canadian GAAP to IFRS.

c) Financial statement presentation

In addition to the other changes noted in this section, a number of other reclassifications between line items on the financial statements are expected under IFRS.

Control activities

For all changes to policies and procedures that are identified, the effectiveness of internal controls over financial reporting and disclosure controls and procedures have been assessed and any changes implemented. The Company is applying the existing control framework to the IFRS changeover process and there were no significant changes. In 2010, all accounting policy changes and transitional financial position impacts have been reviewed by senior management and the Audit Committee of the Board of Directors. The Company is progressing with the changeover on schedule and is on track to project completion in 2011.

Financial Reporting Expertise

The Company has an IFRS implementation team in place and employees and consultants involved with the implementation have completed topic-specific training. The Company has provided more detailed training on the application of IFRS accounting policies and the potential impact on our consolidated financial statements to key finance employees. Additional training and policy documents will be developed for key finance employees, senior management and the Audit Committee of the Board of Directors in 2011.

Business Activities

The Company is currently assessing the impact of the IFRS transition project on our financial covenants and key ratios. The Company expects the transition to impact covenants and key ratios that have an equity component. There is no material impact of the IFRS transition project on our debt compliance.

Information Technology and Systems

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

Review

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

Changes in Accounting Policies

Business combinations

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations" ("Section 1582"), 1601 "Consolidated Financial Statements" ("Section 1601") and 1602 "Non-controlling Interests" ("Section 1602") which replace CICA Handbook Section 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes a standard for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). This new standard revises guidance on the determination of the carrying amount of assets acquired, liabilities assumed, goodwill and the accounting for non-controlling interest at the date of a business combination. Sections 1601 and 1602 establish standards for preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. Sections 1601 and 1602 are required for the Company's interim and annual financial statements for its fiscal year beginning January 1, 2011. Earlier adoption of these sections is permitted, which requires that all three sections be adopted at the same time. The Company has early adopted these sections effective January 1, 2010.

As a result of the Section 1582 definition of a business being an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing a return to its investors and owners, the acquisition of the Ravensthorpe project completed in January 2010, is accounted for as a business combination. The adoption of Section 1582 also has an impact on the treatment of transaction costs relating to this business combination. Transaction costs accounted for under Section 1582 are no longer capitalized but rather, expensed as incurred.

In accordance with Section 1602, non-controlling interests have been classified as a component of equity and net earnings and total comprehensive income include the portion attributable to non-controlling interests. Adoption of these sections resulted in the reclassification of non-controlling interests of $391.4 million at December 31, 2009 to shareholders' equity.

Critical Accounting Policies

Mineral properties and mine development costs

The Company expenses exploration and associated costs relating to non-specific projects/properties in the period they are 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 increase future output by providing access to additional reserves, are deferred and depleted on a units of production basis over the reserves to which they relate.

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.

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 Performance Stock Units ("PSUs") and Restricted Stock Units ("RSUs") under its 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, nickel, sulphuric acid and gold prices; foreign currency exchange rates; stock prices; estimated costs of future production; changes in government policy, 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.

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 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, 2010 under the supervision of the Company's Disclosure Committee and with the participation of management. Based on the results of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report in providing reasonable assurance that the information required to be disclosed in the Company's annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported in the securities legislation.

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

Internal Control over Financial Reporting

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

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

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

There were no changes in the Company's business activities during the period ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Controls and Procedures

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

Forward-Looking Statements

Certain statements and information herein, including all statements that are not historical facts, contain forward-looking statements and forward-looking information within the meaning of applicable US and Canadian securities laws. Such forward-looking statements or information include but are not limited to statements or information with respect to the future price of copper, gold, cobalt, nickel, PGE, and sulphuric acid, estimated future production, estimation of mineral reserves and mineral resources, our exploration and development program, estimated future expenses, exploration and development capital requirements, the Company's hedging policy, and our goals and strategies. Often, but not always, forward-looking statements or information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

With respect to forward-looking statements and information contained herein, we have made numerous assumptions including among other things, assumptions about the price of copper, gold, nickel, PGE, cobalt and sulphuric acid, anticipated costs and expenditures and our ability to achieve our goals. Although our management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward-looking statement or information herein will prove to be accurate. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information.

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