First Quantum Minerals Ltd.

Consolidated Financial Statements
Third Quarter – September 30, 2010
(unaudited)
(expressed in millions of U.S. dollars, except where indicated)

First Quantum Minerals Ltd.

Consolidated Statements of Earnings (Loss)

(unaudited)

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

	Note	Three months ended September 30		Nine months ended September 30	
		2010	2009	2010	2009
Sales revenues					
Copper		550.1	511.3	1,553.9	1,114.9
Gold		52.5	35.0	140.2	102.7
Acid		-	-	-	1.8
		602.6	546.3	1,694.1	1,219.4
Cost of sales		(242.8)	(201.4)	(697.7)	(483.1)
Depletion and amortization		(25.8)	(43.2)	(84.8)	(113.6)
Royalties, windfall taxes and export levies	17b	(24.4)	(16.9)	(64.0)	(36.9)
Operating profit		309.6	284.8	847.6	585.8
Other income (expenses)					
Exploration		(12.6)	(4.4)	(31.9)	(15.6)
General and administrative		(13.3)	(8.7)	(26.2)	(20.0)
Net assets impaired and closure costs	4	(306.9)	-	(1,120.0)	-
Acquisition transaction costs	3a	-	-	(18.5)	-
Interest		(15.5)	(19.5)	(44.0)	(42.1)
Derivative instrument adjustments		(22.6)	(40.4)	(14.6)	(139.5)
Other income (expense)	13	(2.0)	10.0	9.6	20.9
		(372.9)	(63.0)	(1,245.6)	(196.3)
Earnings (loss) before income taxes		(63.3)	221.8	(398.0)	389.5
Income taxes		(61.1)	(73.2)	(104.3)	(111.7)
Net earnings (loss)		(124.4)	148.6	(502.3)	277.8
Earnings (loss) for the period attributable to:					
Non-controlling interests		12.3	24.8	76.4	41.6
Equity holders of the parent		(136.7)	123.8	(578.7)	236.2
Earnings (loss) per common share					
Basic	12b	$(1.70)	$1.59	$(7.24)	$3.17
Diluted	12b	$(1.70)	$1.50	$(7.24)	$3.11
Weighted average shares outstanding (000's)					
Basic	12b	80,220	78,052	79,976	74,611
Diluted	12b	80,220	87,729	79,976	78,645
Total shares issued and outstanding (000's)	12a	80,669	78,536	80,669	78,536

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

First Quantum Minerals Ltd.

Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

(expressed in millions of U.S. dollars)

	Note	Three months ended September 30		Nine months ended September 30	
		2010	**2009**	**2010**	**2009**
Net earnings (loss)		(124.4)	148.6	(502.3)	277.8
Other comprehensive income (loss)					
Unrealized gain on available-for-sale investments, net of tax		208.5	104.1	169.0	244.6
Realized gain on available-for-sale investments, net of tax		-	(7.7)	-	(9.0)
		208.5	96.4	169.0	235.6
Comprehensive income (loss)		84.1	245.0	(333.3)	513.4
Total comprehensive income (loss) for the period attributable to:					
Non-controlling interests		12.3	24.8	76.4	41.6
Equity holders of the parent		71.8	220.2	(409.7)	471.8
		84.1	245.0	(333.3)	513.4

First Quantum Minerals Ltd.

Consolidated Balance Sheets

(unaudited)

(expressed in millions of U.S. dollars)

	Note	September 30, 2010	December 31, 2009
Assets			
Current assets			
Cash and cash equivalents		632.8	919.2
Restricted cash	9a	-	40.3
Accounts receivable		307.9	342.6
Inventory	5	408.6	346.7
Current portion of other assets	8	254.9	195.2
		1,604.2	1,844.0
Investments	6	654.3	460.4
Property, plant and equipment	7	1,991.7	2,157.9
Other assets	8	68.6	102.3
Total assets		4,318.8	4,564.6
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		370.1	323.0
Current taxes payable		316.7	320.8
Current portion of debt	9	182.6	84.5
Current portion of other liabilities	11	24.4	3.9
		893.8	732.2
Debt	9	25.7	107.1
Convertible bonds	10	448.6	438.4
Other liabilities	11	38.8	36.1
Future income tax liabilities		372.1	373.9
Total liabilities		1,779.0	1,687.7
Equity			
Capital stock		885.3	750.4
Retained earnings		803.1	1,437.9
Accumulated other comprehensive income		466.2	297.2
Total equity attributable to equity holders of the parent		2,154.6	2,485.5
Non-controlling interests		385.2	391.4
Total equity		2,539.8	2,876.9
Total liabilities and equity		4,318.8	4,564.6
Commitments	16		
Contingencies and measurement uncertainty	4, 17		

Approved by the Board of Directors

"Andrew Adams" Director *"Peter St George"* Director

First Quantum Minerals Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

(expressed in millions of U.S. dollars)

	Note	Three months ended September 30		Nine months ended September 30	
		2010	2009	2010	2009
Capital stock					
Common shares					
Balance – beginning of period		868.4	713.7	724.2	441.8
Acquisition of Kiwara PLC	3b	-	-	137.2	-
Acquisition of logistical expertise		2.3	-	4.4	-
Stock options exercised		0.9	8.8	5.8	11.2
Stock issued on equity financing		-	-	-	269.5
Balance – end of period		871.6	722.5	871.6	722.5
Equity portion of convertible bonds					
Balance – beginning of period		56.9	56.9	56.9	-
Equity allocation of convertible bonds	10	-	-	-	56.9
Balance – end of period		56.9	56.9	56.9	56.9
Treasury shares					
Balance – beginning of period		(46.4)	(38.8)	(47.2)	(38.8)
Shares purchased		(15.1)	-	(15.1)	-
Restricted and performance stock units vested		3.7	5.0	4.5	5.0
Balance – end of period		(57.8)	(33.8)	(57.8)	(33.8)
Contributed surplus					
Balance – beginning of period		16.8	20.1	16.5	17.3
Stock-based compensation expense for the period		1.8	1.7	4.7	5.2
Transfers upon exercise of stock options		(0.3)	(2.2)	(2.1)	(2.9)
Restricted and performance stock units vested		(3.7)	(5.0)	(4.5)	(5.0)
Balance – end of period		14.6	14.6	14.6	14.6
Total capital stock		885.3	760.2	885.3	760.2
Retained earnings					
Balance – beginning of period		955.0	1,092.7	1,437.9	980.3
Earnings (loss) attributable to equity holders of the parent		(136.7)	123.8	(578.7)	236.2
Acquisition	3c	-	-	(0.4)	-
Dividends		(15.2)	(5.8)	(55.7)	(5.8)
Balance – end of period		803.1	1,210.7	803.1	1,210.7
Accumulated other comprehensive income					
Balance – beginning of period		257.7	139.2	297.2	-
Other comprehensive income for the period		208.5	96.4	169.0	235.6
Balance – end of period		466.2	235.6	466.2	235.6
Non-controlling interests					
Balance – beginning of period		374.8	330.1	391.4	313.3
Earnings attributable to non-controlling interests		12.3	24.8	76.4	41.6
Dividends		(1.9)	(3.0)	(20.0)	(3.0)
Acquisition	3c	-	-	(62.6)	-
Balance – end of period		385.2	351.9	385.2	351.9

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

First Quantum Minerals Ltd.

Consolidated Statements of Cash Flows

(unaudited)

(expressed in millions of U.S. dollars)

	Note	Three months ended September 30		Nine months ended September 30	
		2010	2009	2010	2009
Cash flows from operating activities					
Net earnings (loss) for the period		(124.4)	148.6	(502.3)	277.8
Items not affecting cash					
Depletion and amortization		25.8	43.2	84.8	113.6
Assets impaired, net of tax	4	237.4	-	941.0	-
Adjustment to net realizable value of inventory		-	-	-	(10.7)
Unrealized foreign exchange loss (gain)		9.8	3.9	(4.8)	4.7
Future income tax		12.5	11.3	9.6	(0.7)
Stock-based compensation expense		1.8	1.7	4.7	5.2
Unrealized derivative instruments loss (gain)		24.9	(43.7)	17.5	11.8
Other		6.0	(0.4)	22.7	6.5
		193.8	164.6	573.2	408.2
Change in non-cash operating working capital					
Increase in accounts receivable and other		(86.4)	(101.8)	(28.1)	(222.8)
Decrease (increase) in inventory		(40.6)	23.4	(112.3)	(1.1)
Increase in accounts payable and accrued liabilities		20.8	38.3	30.8	6.1
Increase (decrease) in current taxes payable		(64.2)	72.2	22.5	102.1
Long-term incentive plan contributions		(15.1)	-	(15.1)	-
		8.3	196.7	471.0	292.5
Cash flows from financing activities					
Proceeds from debt		66.2	-	91.3	139.0
Repayments of debt		(40.3)	(90.3)	(80.7)	(341.8)
Proceeds from convertible bonds		-	-	-	488.0
Proceeds on issuance of common shares		0.6	6.6	3.7	277.8
Restricted cash		40.3	40.3	40.3	40.3
Dividends paid		(15.2)	(5.8)	(55.7)	(5.8)
Dividends paid to non-controlling interests		(1.9)	(3.0)	(20.0)	(3.0)
		49.7	(52.2)	(21.1)	594.5
Cash flows from investing activities					
Payments for property, plant and equipment		(112.5)	(97.6)	(231.8)	(270.8)
Acquisitions, net of cash acquired	3	-	-	(501.0)	-
Acquisition of logistical expertise		(2.1)	-	(3.7)	-
Disposal of available-for-sale investments, net		0.1	11.5	0.2	15.3
		(114.5)	(86.1)	(736.3)	(255.5)
Increase (decrease) in cash and cash equivalents		(56.5)	58.4	(286.4)	631.5
Cash and cash equivalents - beginning of period		689.3	749.3	919.2	176.2
Cash and cash equivalents - end of period		632.8	807.7	632.8	807.7

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

1 Basis of presentation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") disclosure requirements for interim financial statements and do not contain all the information that is required of annual financial statements. Accordingly, they should be read in conjunction with the December 2009 audited consolidated financial statements.

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 3(a), 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 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 Acquisitions

a) Ravensthorpe

In February 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 a 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.

As at September 30, 2010, the preliminary fair values of the identifiable assets and liabilities of Ravensthorpe as at the date of acquisition are as follows:

	$
Assets	
Plant and equipment	260.9
Mineral property	88.2
Liabilities	
Asset retirement obligation	(10.3)
Net assets acquired	338.8

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

i) The fair values of the plant and equipment, mineral property and asset retirement obligation 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 September 30, 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) Kiwara PLC

In January 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. The total purchase price was $269.0 million comprising:

	$
Cash	130.9
Issuance of common shares	137.2
Transaction costs	0.9
Total	269.0

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 including transaction costs less the cash acquired was $128.8 million.

As at September 30, 2010, the fair values of the identifiable assets and liabilities of Kiwara as at the date of acquisition are as follows:

	$
Assets	
Cash	3.0
Mineral property	377.9
Liabilities	
Accounts payable and accrued liabilities	(0.5)
Future income tax liability	(111.4)
Net assets acquired	269.0

In May 2010, the Company purchased 1% of the non-controlling interest in Kalumbila for $4.4 million bringing its ownership interest to 96%. This acquisition has been accounted for as an asset purchase. The Company holds an option to acquire the remaining 4% interest in Kalumbila for GBP 3.5 million.

c) Mauritanian Copper Mines SARL

In February 2010, the Company purchased the 20% non-controlling interest 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.

4 Assets Impaired

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, exploration titles based on instructions from the Minister of Mines and 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 determined there to be a complete impairment of the RDC assets of Frontier including product and supplies inventories, mineral properties, plant and equipment. The historical carrying value of these assets, and associated liabilities was $252.8 million in property, plant and equipment, $51.9 million in inventories and $1.2 million of other assets and associated liabilities. The impairment was recorded net of current and future tax recoveries of $62.8 million and includes closure costs of $6.7 million.

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 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 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 a 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 as previously noted, 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 in accordance with GAAP. The historical carrying value of the Kolwezi development project's net assets was $791.1 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 concurrently with the asset impairment.

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

The Company believes that the value of the Kolwezi assets substantially exceeds the historical carrying value and 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 it could possibly take years.

c) Other

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

5 Inventory

	September 30, 2010	December 31, 2009
Ore in stockpiles	70.7	101.3
Work-in-progress	2.6	3.3
Finished product (a)	168.9	65.0
Total product inventory	242.2	169.6
Less: Non-current portion of ore in stockpiles (b)	(12.4)	(12.5)
	229.8	157.1
Consumable stores	178.8	189.6
	408.6	346.7

a) Included in finished product inventory is $44.5 million of copper purchased from external parties for resale by the Company's metal marketing division.

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

c) In September 2010, the Company wrote off $51.9 million of inventory associated with the Frontier impairment (note 4a)

6 Investments

	September 30, 2010	December 31, 2009
Carlisa Investment Corp. – at cost	9.5	9.5
Marketable securities	640.4	443.3
Asset-backed commercial paper	4.4	7.6
	654.3	460.4

The following table summarizes the movements in the fair value of available-for-sale financial investments:

	Nine months ended September 30, 2010	Year ended December 31, 2009
Balance – beginning of period	460.4	163.5
Additions	-	6.7
Disposals	(0.2)	(35.9)
Gain in fair market value	194.1	326.1
Balance - end of period	654.3	460.4

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

7 Property, plant and equipment

	September 30, 2010			December 31, 2009		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Plant and equipment	1,454.6	(433.6)	1,021.0	1,320.4	(428.1)	892.3
Capital work-in-progress (note 4)	210.9	-	210.9	573.6	-	573.6
Mineral properties and mine development costs						
Depreciable	48.8	(35.2)	13.6	82.8	(41.0)	41.8
Non-depreciable (note 3,4)	746.2	-	746.2	650.2	-	650.2
	2,460.5	(468.8)	1,991.7	2,627.0	(469.1)	2,157.9

8 Other assets

	September 30, 2010	December 31, 2009
Recoverable taxes (note 17b)	221.4	181.3
Future recoverable variable profit tax (b)	48.6	38.0
Ore in stockpiles (note 5b)	12.4	12.5
Derivative instruments (note 15)	1.3	0.9
Future income tax asset	-	12.4
Logistical expertise (a)	6.6	-
Ravensthorpe deposit (note 3a)	-	34.0
Prepaid expenses and other	33.2	18.4
Total other assets	323.5	297.5
Less: current portion	(254.9)	(195.2)
	68.6	102.3
Current portion consists of:		
Recoverable taxes	221.4	181.3
Derivative instruments	1.3	0.9
Prepaid expenses and other	32.2	13.0
	254.9	195.2

a) In March 2010, the Company acquired logistical expertise in the form of employment contracts. These intangible assets will be amortized over the three year term of the contracts.

b) Included in future income tax liabilities is an amount relating to variable profit tax ("VPT") introduced in Zambia in 2008, which has resulted in an increase in the future effective tax rate from the 30% base income tax rate for mining companies to 43%. The Company recorded a future recovery on this VPT under its Development Agreements and offset this against the income tax charge in net earnings as it maintains that these taxes are in excess of those permitted under its Development Agreement.

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

9 Debt

	September 30, 2010	December 31, 2009
Drawn debt		
Corporate revolving credit and term loan facility (a)	80.0	159.5
Kansanshi subordinated debt facility (c)	30.4	31.9
Short-term borrowings (d)	97.6	-
Other	0.3	0.2
Total debt	208.3	191.6
Less: Current portion debt	(182.6)	(84.5)
	25.7	107.1
Undrawn debt		
Corporate revolving credit and term loan facility (a)	50.0	50.0
Corporate revolving loan and short-term facility (b)	250.0	250.0
Short-term borrowings (d)	9.9	-

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 $80.0 million is net of issue and transaction costs paid of $0.7 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 nil was recorded as restricted cash at September 30, 2010 (December 31, 2009 - $40.3 million).

b) Corporate revolving loan and short-term facility

The Company renewed its $250.0 million facility in January 2010 for general corporate purposes. Any principal amount drawn under the new facility is due in January 2011. Interest is calculated at LIBOR plus 4.5%. The loan is collateralized by a first ranking mortgage over the marketable security investments and the shares of Carlisa owned by the Company.

The corporate revolving loan and short-term facility was undrawn at September 30, 2010 and December 31, 2009. The Company paid issue and transaction costs of $6.3 million, which have been recorded as a prepaid expense and amortized over the term of the facility.

In November 2010, the Company cancelled the corporate revolving loan and short-term facility.

c) 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 22.7 million Euros (December 31, 2009 – 22.7 million Euros). The carrying amount is net of issue and transaction costs of 0.4 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.

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

d) Short-term borrowings

In 2010, the Company's metal marketing division entered into two facilities totalling $85.0 million. The facilities are used to finance material purchases and the short-term hedging of copper and gold. Interest on the facilities is calculated at the bank's benchmark rate plus 1.75%. The loans are collateralized by physical metal purchased to fulfill metal sales contracts. At September 30, 2010, the Company's metal marketing division had been given permission by one of the banks to exceed the maximum facility amount by $22.5 million until November 30, 2010.

10 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.

	Nine months ended	Year ended
	September 30, 2010	**December 31, 2009**
Convertible bonds – debt component		
Opening balance	438.4	441.7
Issuance costs	-	(10.6)
Accretion expense	10.2	7.3
	448.6	438.4

11 Other liabilities

	September 30, 2010	**December 31, 2009**
Derivative liabilities (note 15)	26.8	8.9
Asset retirement obligations	27.1	21.9
Other	9.3	9.2
Total other liabilities	63.2	40.0
Less: current portion	(24.4)	(3.9)
	38.8	36.1
Current portion consists of:		
Derivative liabilities	24.0	3.4
Other	0.4	0.5
	24.4	3.9

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

12 Common shares

a) Common shares

Authorized
Unlimited common shares without par value

Issued

	Number of Shares (000's)
Balance as at December 31, 2009	78,590
Stock options exercised	133
Share issuance on acquisition of Kiwara (note 3b)	1,885
Share issuance on acquisition of logistical expertise	61
Balance as at September 30, 2010	80,669

b) Earnings (loss) per share

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Basic earnings (loss) attributable to equity holders of the parent	(136.7)	123.8	(578.7)	236.2
Add interest on convertible bonds, net of tax	-	7.7	-	8.7
Net diluted earnings (loss) available to common shareholders	(136.7)	131.5	(578.7)	244.9
Basic weighted average number of shares outstanding (000's of shares)	80,220	78,052	79,976	74,611
Effect of dilutive securities:				
Convertible bonds	-	8,867	-	3,377
Stock options	-	810	-	657
Diluted weighted average shares outstanding	80,220	87,729	79,976	78,645
Earnings (loss) per common share - basic	(1.70)	1.59	(7.24)	3.17
Earnings (loss) per common share - diluted	(1.70)	1.50	(7.24)	3.11

The effect of the convertible bonds and stock options were anti-dilutive for the three and nine months ended September 30, 2010 and therefore excluded from the computation of diluted earnings per share.

13 Other income (expense)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Foreign exchange gain (loss)	(2.5)	1.2	8.5	10.4
Interest and sundry income	0.5	1.1	1.1	1.5
Gain on sale of investments	-	7.7	-	9.0
	(2.0)	10.0	9.6	20.9

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

14 Segmented information

The Company's reportable operating segments are individual mine development projects or operations, being Kansanshi, Guelb Moghrein, Frontier, Bwana/Lonshi, 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 three month period ended September 30, 2010, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Projects under development	Corporate	Total
Segmented revenues	405.2	72.6	80.9	24.3	-	33.8	616.8
Less inter-segment revenues	-	-	-	(7.1)	-	(7.1)	(14.2)
Revenues (a)	405.2	72.6	80.9	17.2	-	26.7	602.6
Cost of sales (a)	(149.3)	(29.6)	(46.5)	(9.5)	-	(32.3)	(267.2)
Depletion and amortization	(13.3)	(8.0)	(3.8)	(0.6)	-	(0.1)	(25.8)
Operating profit (loss)	242.6	35.0	30.6	7.1	-	(5.7)	309.6
Interest	(1.0)	-	(0.3)	-	-	(14.2)	(15.5)
Other	(1.1)	(1.5)	(312.6)	(6.5)	7.4	(43.1)	(357.4)
Segmented profit (loss) before undernoted items	240.5	33.5	(282.3)	0.6	7.4	(63.0)	(63.3)
Income taxes	(106.0)	-	(9.6)	-	-	54.5	(61.1)
Non-controlling interests	(24.8)	-	12.5	-	-	-	(12.3)
Segmented profit (loss)	109.7	33.5	(279.4)	0.6	7.4	(8.5)	(136.7)
Property, plant and equipment	632.6	194.7	2.7	25.1	749.5	387.1	1,991.7
Total assets	1,355.5	285.1	30.0	52.1	763.3	1,832.8	4,318.8
Capital expenditures	56.4	7.8	5.4	-	60.5	0.5	130.6

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 4)	Kevitsa	Ravensthorpe	Total
Property, plant and equipment	-	364.4	385.1	749.5
Total assets	-	373.8	389.5	763.3
Capital expenditures	1.4	33.4	25.7	60.5

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

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

For the three month period ended September 30, 2009, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Projects under development	Corporate	Total
Segmented revenues	398.4	40.4	107.5	11.4	-	7.1	564.8
Less inter-segment revenues	-	-	-	(11.4)	-	(7.1)	(18.5)
Revenues	398.4	40.4	107.5	-	-	-	546.3
Cost of sales	(160.6)	(18.8)	(33.8)	(5.1)	-	-	(218.3)
Depletion and amortization	(29.3)	(6.8)	(5.9)	(1.2)	-	-	(43.2)
Operating profit (loss)	208.5	14.8	67.8	(6.3)	-	-	284.8
Interest	(1.6)	-	(3.2)	(0.1)	-	(14.6)	(19.5)
Other	(48.2)	(0.5)	(0.4)	(3.7)	-	9.3	(43.5)
Segmented profit (loss) before undernoted items	158.7	14.3	64.2	(10.1)	-	(5.3)	221.8
Income taxes	(54.7)	-	(18.3)	-	-	(0.2)	(73.2)
Non-controlling interests	(19.9)	(2.6)	(2.3)	-	-	-	(24.8)
Segmented profit (loss)	84.1	11.7	43.6	(10.1)	-	(5.5)	123.8
Property, plant and equipment	566.1	190.7	262.3	40.5	1,072.2	5.3	2,137.1
Total assets	1,250.4	263.9	342.6	64.4	1,078.9	1,196.3	4,196.5
Capital expenditures	19.6	13.0	5.0	0.1	48.9	0.4	87.0

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 4)	Kevitsa	Total
Property, plant and equipment	765.6	306.6	1,072.2
Total assets	768.0	310.9	1,078.9
Capital expenditures	47.9	1.0	48.9

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

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

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Projects under development	Corporate	Total
Segmented revenues	1,164.7	174.6	225.3	72.9	-	100.0	1,737.5
Less inter-segment revenues	-	-	-	(25.1)	-	(18.3)	(43.4)
Revenues (a)	1,164.7	174.6	225.3	47.8	-	81.7	1,694.1
Cost of sales (a)	(444.2)	(69.2)	(119.8)	(42.2)	-	(86.3)	(761.7)
Depletion and amortization	(46.2)	(22.6)	(11.9)	(3.9)	-	(0.2)	(84.8)
Operating profit (loss)	674.3	82.8	93.6	1.7	-	(4.8)	847.6
Interest	(2.0)	-	(2.0)	-	-	(40.0)	(44.0)
Other	(4.5)	(3.9)	(313.1)	(27.4)	(791.1)	(61.6)	(1,201.6)
Segmented profit (loss) before undernoted items	667.8	78.9	(221.5)	(25.7)	(791.1)	(106.4)	(398.0)
Income taxes	(235.9)	-	(27.8)	-	109.5	49.9	(104.3)
Non-controlling interests	(83.6)	(2.4)	9.6	-	-	-	(76.4)
Segmented profit (loss)	348.3	76.5	(239.7)	(25.7)	(681.6)	(56.5)	(578.7)
Property, plant and equipment	632.6	194.7	2.7	25.1	749.5	387.1	1,991.7
Total assets	1,355.5	285.1	30.0	52.1	763.3	1,832.8	4,318.8
Capital expenditures	109.1	27.4	12.3	(0.4)	98.9	2.4	249.7

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 4)	Kevitsa	Ravensthorpe	Total
Property, plant and equipment	-	364.4	385.1	749.5
Total assets	-	373.8	389.5	763.3
Capital expenditures	10.6	52.2	36.1	98.9

a) Corporate revenues and cost of sales are from copper purchased and sold by the Company’s metal marketing division.

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

For the nine month period ended September 30, 2009, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Projects under development	Corporate	Total
Segmented revenues	816.1	127.7	273.4	45.5	-	19.0	1,281.7
Less inter-segment revenues	-	-	-	(43.3)	-	(19.0)	(62.3)
Revenues	816.1	127.7	273.4	2.2	-	-	1,219.4
Cost of sales	(358.6)	(57.5)	(91.7)	(12.2)	-	-	(520.0)
Depletion and amortization	(78.3)	(16.6)	(15.8)	(2.9)	-	-	(113.6)
Operating profit (loss)	379.2	53.6	165.9	(12.9)	-	-	585.8
Interest	(4.4)	-	(5.0)	(0.2)	-	(32.5)	(42.1)
Other	(150.0)	(1.7)	(0.9)	(13.6)	-	12.0	(154.2)
Segmented profit (loss) before undernoted items	224.8	51.9	160.0	(26.7)	-	(20.5)	389.5
Income taxes	(72.7)	-	(47.0)	-	-	8.0	(111.7)
Non-controlling interests	(26.5)	(9.6)	(5.5)	-	-	-	(41.6)
Segmented profit (loss)	125.6	42.3	107.5	(26.7)	-	(12.5)	236.2
Property, plant and equipment	566.1	190.7	262.3	40.5	1,072.2	5.3	2,137.1
Total assets	1,250.4	263.9	342.6	64.4	1,078.9	1,196.3	4,196.5
Capital expenditures	44.7	55.5	12.8	(0.7)	132.3	1.9	246.5

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 4)	Kevitsa	Total
Property, plant and equipment	765.6	306.6	1,072.2
Total assets	768.0	310.9	1,078.9
Capital expenditures	127.8	4.5	132.3

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

15 Financial instruments

The following provides a comparison of carrying and fair values of each classification of financial instrument as at September 30, 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	-	-	632.8	-	632.8	632.8
Accounts receivable (a)	307.9	-	-	-	307.9	307.9
Recoverable taxes (note 17b)	221.4	-	-	-	221.4	221.4
Derivative instruments (b)	-	-	1.3	-	1.3	1.3
Investments						
At cost (c)	-	9.5	-	-	9.5	-
At fair value	-	644.8	-	-	644.8	644.8
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	370.1	370.1	370.1
Derivative instruments	-	-	26.8	-	26.8	26.8
Convertible bonds (d)	-	-	-	448.6	448.6	763.8
Debt	-	-	-	208.3	208.3	208.3

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 17b)	181.3	-	-	-	181.3	181.3
Derivative instruments	-	-	0.9	-	0.9	0.9
Investments						
At cost (c)	-	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 (d)	-	-	-	438.4	438.4	672.6
Debt	-	-	-	191.6	191.6	191.6

a) 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) Included in derivative instruments are copper and gold derivatives entered into by the Company's metal marketing division in order to reduce the effects of movements in metal prices between the time of shipment of metal from the mine site and final settlement. The gain or loss arising from these derivatives offsets an unrecognized gain or loss in the fair market value of the inventory held by the metal marketing division and changes in the value of sales subject to pricing adjustments.

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

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

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

Derivative financial instruments

As at September 30, 2010, the following derivative positions were outstanding:

	Maturity 2010	Maturity 2011	September 30, 2010		December 31, 2009	
			Asset	Liability	Asset	Liability
Foreign exchange						
Foreign exchange contracts	10.9	-	0.7	-	0.9	(0.6)
Interest rate						
Floating to fixed interest rate swap – principal	32.7	26.0	-	(0.3)	-	(0.7)
Average fixed interest rate	1.80%	1.80%				
Copper						
Futures purchases contracts over quotation period (tonnes)	200	-	0.6	-	-	-
Average price ($/tonne)	$7,416	-				
Futures sales contracts over quotation period (tonnes)(a)	31,725	-	-	(21.1)	-	-
Average price ($/tonne)	$7,485	-				
Gold						
Futures sales contracts over quotation period (ounces)	21,898	-	-	(1.3)	-	-
Average price ($/ounce)	$1,249	-				
Other						
Embedded derivative (note 9c)			-	(4.1)	-	(7.6)
			1.3	(26.8)	0.9	(8.9)
Copper embedded derivative (tonnes)	16,024	-				
Average price ($/tonne)	$8,054	-				
Gold embedded derivative (ounces)	2,377	-				
Average price ($/ounce)	$1,308	-				
Copper embedded derivative hedged by future sales contracts (tonnes)(a)	10,968	-				

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.

16 Commitments

In conjunction with the development of Kevitsa and Ravensthorpe and upgrades at Kansanshi and Guelb Moghrein, the Company has committed to approximately $184.5 million in capital expenditures.

17 Contingencies and measurement uncertainty

a) Sodimico

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 is set to be heard November 16, 2010 in Lubumbashi. The Company believes that Sodimico could not enforce payment of the judgment amount against Comisa, and therefore no liability has been recorded as at September 30, 2010.

b) 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.

After the election of the current President, the GRZ reviewed these tax changes and proposed that the windfall tax be removed, the deductibility of capital allowances be increased back to 100% in the period of expenditure and that 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 are not retroactive to April 1, 2008.

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. Following consultation with external legal counsel, the Company assessed there to be a high probability of recovery from the GRZ of certain accruals or payments made in respect of these taxes. Accordingly, the Company has recorded the liability for taxes in accordance with the legislation, and has also recognized a receivable amount in respect of the excess taxes recoverable in accordance with the Development Agreement. This receivable has been classified as "loans and receivables" and initially recorded at fair value based on management's best estimate of the timing of receipt and amounts due. As required, the receivable is assessed for impairment at each reporting period based on changes in facts and circumstances; any impairment amounts required may be material. As at September 30, 2010 this receivable amounts to $221.4 million (December 31, 2009 - $181.3 million).

Currently, the Company is involved in discussions with the GRZ to find an alternative solution to arbitration or litigation to fully resolve all outstanding matters in relation to the tax changes introduced in conflict with the Development Agreements. The timing and outcome of these discussions remains uncertain.

18 Subsequent events

a) Antares Minerals Inc. ("Antares")

In October 2010, the Company entered into a definitive agreement to acquire, by way of a court-approved plan of arrangement, all of the outstanding securities of Antares. The total consideration for the purchase of 100% of the fully diluted shares of Antares is approximately CAD $460 million ($446.6 million) in cash and shares. Antares' principal asset is the 100% owned Haquira project in southern Peru.

b) Sale of Marketable Security Investments

In November 2010, the Company sold its approximate 16% interest in Equinox Minerals Limited which will raise proceeds of approximately CAD $650 million.

FIRST QUANTUM
MINERALS LTD.

Management's Discussion and Analysis
Third Quarter Ended September 30, 2010

(expressed in United States dollars, unless otherwise noted)

SUMMARY OPERATING AND FINANCIAL DATA

November 9, 2010

	Three months ended September 30		Nine months ended September 30	
(USD millions unless otherwise noted)	**2010**	**2009**	**2010**	**2009**
Production – copper (tonnes)	76,633	93,486	247,097	275,412
Production – gold (ounces)	46,718	43,357	142,831	130,609
Sales – copper (tonnes)	79,408	105,154	235,270	268,410
Realized copper price (per lb)	$2.99	$2.21	$2.84	$1.88
Net sales	$602.6	$546.3	$1,694.1	$1,219.4
Net earnings before impairment, derivatives and acquisition costs	$129.7	$164.2	$401.8	$375.7
Net earnings (loss)	$(136.7)	$123.8	$(578.7)	$236.2
Earnings per share before impairment, derivatives and acquisition costs	$1.62	$2.10	$5.02	$5.04
Earnings (loss) per share	$(1.70)	$1.59	$(7.24)	$3.17
Average copper unit cash cost of production (C1)[1](per lb)	$1.21	$0.98	$1.21	$0.95
Cash	$632.8	$807.7	$632.8	$807.7

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

Q3 HIGHLIGHTS AND SIGNIFICANT ITEMS

- Operating profit of $309.6 million increased by 36% from Q2 2010
- Results benefitted from a higher copper price, but were adversely impacted by the forced shut down of Frontier operations on August 27, 2010
- Net earnings of $129.7 million (EPS of $1.62) before impairment and derivative timing losses
- Impairment of $243.8 million, net of tax and including closure costs, related to the Frontier copper operation following the forced shut down by the République démocratique du Congo ("RDC"). See "Other items" for further discussion
- Increased on-site activities in the development of Ravensthorpe, Kevitsa and Trident (formerly Kalumbila)
- 18% decrease in total copper production resulting from the shut down at Frontier and lower ore grades at Kansanshi
- 8% increase in total gold production resulting from circuit improvements and plant expansions completed at Kansanshi
- Strong cash and working capital position despite significant investments in Ravensthorpe, Kevitsa and Trident in 2010

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

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

RECENT DEVELOPMENTS AND NEAR TERM OUTLOOK

Kansanshi copper and gold operation, Zambia

- The new mining fleet continues to be commissioned with the nine of the twelve new 180 tonne AC drive units now operating. The third 250 tonnes excavator was commissioned and together with improvements to the mobile plant availability, mining rates lifted during Q3. These enhancements are expected to continue during Q4.
- The secondary crusher on the sulphide circuit was commissioned during Q3 and will be optimised during Q4.

Guelb Moghrein copper and gold operation, Mauritania

- Ongoing optimization of the autogenous circuit, including the high pressure grinding rollers, will continue in Q4 with a goal to achieve design throughput and increase copper and gold recoveries.

Kevitsa nickel/copper/PGE project, Finland

- Construction works at Kevitsa have advanced on schedule during Q3. Earthworks and concrete works have advanced well and the first construction steel will be erected at the beginning of Q4. The update of the Kevitsa resource has also progressed well during Q3 and is expected to be finalised during Q4.

Ravensthorpe nickel project, Australia

- The refurbishment of the processing facilities at Ravensthorpe has advanced significantly during Q3 2010. The new crusher installations are well advanced. Refurbishment of the existing fixed plant facilities has commenced with commissioning on track for Q2 2011.
- Grade control drilling has commenced to ensure the geological database is sufficiently advanced to allow detailed mine planning ahead of the re-commencement of the plant.

Trident project, Zambia

- Significant exploration activities at the Sentinel copper deposit and Enterprise nickel target were undertaken in Q3 with an aim to further delineate the existing copper deposit and define other targets within the licence areas. An economic assessment including metallurgical test work, engineering and geotechnical studies are underway and expected to be completed in Q4 2010. Environmental studies also commenced in preparation for environmental and mining license applications.
- Base-line environmental and social consultations are planned as part of the environmental impact assessment to be prepared in support of a mining license. Exploration activities will focus on the three main prospects, Sentinel, Enterprise and Intrepid, targeting both copper and nickel.

Production Guidance

- The Company’s 2010 production outlook has been lowered to 322,000 tonnes of copper and 195,000 ounces of gold. The lower estimated copper production reflects the closure of Frontier.
- Estimated average C1 cost for 2010 is unchanged at $1.17 per pound

Acquisition of Antares Minerals Inc.

- In October 2010, the Company entered into an agreement to acquire Antares Minerals Inc. (“Antares”) for CAD $460 million in cash and shares. Antares’ principal asset is the 100% owned Haquira project in Peru, one of the world’s major undeveloped copper deposits.

Sale of investment in Equinox Minerals Limited

- In November 2010, the Company announced the sale of its approximate 16% interest in Equinox Minerals Limited which will raise proceeds of approximately CAD $650 million in cash. The funds will be used towards advancement of the Company’s diversified pipeline of growth projects.

REVENUES

NET SALES (after provisional pricing and realization charges)		**Three months ended September 30**		**Nine months ended September 30**	
(USD millions unless otherwise noted)		**2010**	**2009**	**2010**	**2009**
Kansanshi	- copper	375.7	379.7	1,082.3	770.8
	- gold	29.5	18.7	82.4	45.3
Guelb Moghrein	- copper	49.6	24.1	116.8	70.3
	- gold	23.0	16.3	57.8	57.4
Frontier	- copper	80.9	107.5	225.3	273.4
Bwana/Lonshi	- copper	17.2	-	47.8	0.4
	- acid	-	-	-	1.8
Corporate		26.7	-	81.7	-
Net sales		602.6	546.3	1,694.1	1,219.4
Copper provisional pricing adjustment included above		6.5	12.9	(4.8)	40.1
COPPER SELLING PRICE		**USD/lb**	**USD/lb**	**USD/lb**	**USD/lb**
Current period sales		3.20	2.44	3.12	2.11
Prior period provisional pricing adjustment		0.04	0.06	(0.01)	0.07
Treatment charges/refining charges (“TC/RC”) and freight parity charges		(0.25)	(0.29)	(0.27)	(0.29)
Realized copper price		2.99	2.21	2.84	1.89

The Q3 2010 average realized copper price was significantly higher than Q3 2009 due to an increase in the average LME copper price. Copper sales volumes for Q3 decreased 24% to 79,408 tonnes due to the shut down of operations at Frontier at the end of August. Sales volumes from Kansanshi, Guelb Moghrein and Bwana/Lonshi were consistent with production in Q3 and the inventory held in the Company’s metal marketing division was consistent with the start of the period.

The Q3 positive provisional pricing adjustment resulted from the finalization of contracts totalling 16,949 tonnes of copper at an average price of $3.14 per pound ($6,913 per tonne). These contracts were provisionally priced at $2.96 per pound ($6,527 per tonne) at June 30, 2010 and were finalized during July and August 2010.

The year-to-date negative provisional pricing adjustment resulted from the finalization of contracts totalling 21,647 tonnes of copper at an average price of $3.24 per pound ($7,140 per tonne). These contracts were provisionally priced at $3.34 per pound ($7,361 per tonne) at December 31, 2009 and were finalized during January and February 2010.

At September 30, 2010, 16,024 tonnes of copper provisionally priced at $3.65 per pound ($8,054 per tonne) remain subject to final pricing in October and November 2010. Refer to the ‘Outlook’ section for further discussion.

Gold revenues increased by 50% over Q3 2009 to $52.5 million. The increase resulted from a higher realized gold price which offset lower sales volumes in Q3 2010.

Q3 2010 MD&A (expressed in US Dollars) www.first-quantum.com

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 reduce the Company's exposure to provisional pricing. Prior to the establishment of the division, revenues were recognized by operations when title transferred to buyers, usually upon leaving the mine site. Copper and gold sales managed by the metal marketing division are now recognized when title has transferred to final purchasers resulting in reduced sales volumes and higher inventory for the year-to-date. The impact on current quarter and current year sales volumes and inventory balances are summarized as follows:

Metal marketing division	Impact on sales volume for the period	
	Three months ended September 30, 2010	Nine months ended September 30, 2010
Copper (tonnes)		
Kansanshi	(392)	798
Guelb Moghrein	736	3,493
Frontier	889	8,032
Total copper	1,233	12,323
Gold (ounces)		
Guelb Moghrein	1,045	6,966

In addition to marketing the Company's production, the metal marketing division purchases and sells metal from external parties. During Q3, the division had revenues of $26.7 million and finished goods inventory of $44.5 million related to external purchases and sales.

In order to reduce the effect of movements in metal prices between the time of shipment of metal from the mine site and final recognition of the sale, the metal marketing division enters into futures contracts. As a result of the significant increase in LME copper prices during Q3, a derivative instrument loss of $23.8 million was recognized on these futures contracts in the period. This loss offsets an unrecognized gain in the fair market value of the inventory held by the metal marketing division at September 30, 2010.

SEGMENTED OPERATING RESULTS

Kansanshi Copper and Gold Operation	**Three months ended September 30**		**Nine months ended September 30**	
	2010	**2009**	**2010**	**2009**
Production (tonnes)				
Copper cathode	21,914	25,436	61,761	70,509
Copper in concentrate	9,723	9,516	32,016	49,903
Copper cathode tolled	23,564	26,344	71,115	62,114
Total copper production (tonnes)	55,201	61,296	164,892	182,526
Copper sales (tonnes)	55,355	73,985	166,485	177,161
Gold production (ounces)	29,456	25,350	80,647	67,460
Sulphide ore tonnes milled (000’s)	2,443	2,576	7,683	9,217
Sulphide ore grade processed (%)	0.8	0.9	0.8	1.0
Sulphide copper recovery (%)	93	93	92	90
Mixed ore tonnes milled (000’s)	1,289	1,477	3,826	2,022
Mixed ore grade processed (%)	1.2	1.3	1.3	1.1
Mixed copper recovery (%)	67	65	66	81
Oxide ore tonnes milled (000’s)	1,495	1,540	4,153	4,183
Oxide ore grade processed (%)	2.4	2.3	2.2	2.2
Oxide copper recovery (%)	78	80	86	81
Cash costs (C1) (per lb)[1]	$1.09	$1.01	$1.11	$1.00
Total costs (C3) (per lb)[1]	$1.42	$1.31	$1.33	$1.27
Gross operating profit (USD M)	$242.6	$208.5	$674.3	$379.2

Q3 copper production decreased by 10% from Q3 2009 due to lower throughput and grades processed. Overall mining production improved in Q3 on the continued commissioning of new mining equipment. However, increased waste stripping resulted in lower total ore volumes mined and processed in the period.

Q3 sulphide circuit production was impacted by lower grades and tonnes processed. Throughput decreased from the comparative period on the testing and commissioning of the secondary sulphide crusher in Q3 2010 resulting in downtime on the crushing and milling circuit.

Mixed ore circuit throughput was constrained by maintenance downtime on the SAG mill in early Q3, resulting in processing of ore directly through the ball mill at lower rates. Circuit recovery remained strong in Q3 offsetting a small decrease in ore grade processed.

Kansanshi’s oxide circuit recovers both oxide and sulphide minerals to produce copper cathode and copper in concentrate. Total copper recovery of 78% reflects an increase in the proportion of sulphide material floated in the circuit at a lower overall recovery. Q3 throughput was impacted by downtime caused by the construction and commissioning of circuit improvements aimed at achieving higher recoveries of sulphide and oxide material. The benefits of these improvements are expected to be realized in Q4 and into 2011.

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

Total gold production increased by 16% due to continued gravity circuit improvements. Kansanshi produced a record 14,482 ounces of gold in dore in Q3.

Kansanshi's cash unit cost of production (C1) increased from Q3 2009 due to higher ore costs and higher processing costs, partially offset by an increased gold credit. The cost of ore processed was 29% higher than Q3 2009, despite a decrease in total mining costs per tonne of mined material, due to lower grade ores mined and the impact of higher waste stripping on the cost per ore tonne mined. Increased processing costs resulted from lower overall copper production and higher maintenance costs. The increased gold credit resulted from higher gold sales volumes and prices realized in Q3.

Guelb Moghrein Copper and Gold Operation	**Three months ended September 30**		**Nine months ended September 30**	
	2010	**2009**	**2010**	**2009**
Production – copper in concentrate (tonnes)	8,487	7,425	27,282	24,792
Copper sales (tonnes)	9,291	6,958	22,232	26,106
Gold production (ounces)	17,262	18,007	62,184	63,149
Sulphide ore tonnes milled (000's)	644	514	2,048	1,518
Sulphide ore grade processed (%)	1.4	1.7	1.5	1.9
Sulphide copper recovery (%)	92	84	91	88
Cash costs (C1) (USD per lb)[1]	$0.79	$0.67	$0.85	$0.35
Total costs (C3) (USD per lb)[1]	$1.85	$1.19	$1.60	$0.61
Gross operating profit (USD M)	$35.0	$14.8	$82.8	$53.6

Guelb Moghrein's Q3 production improved from 2009 on the plant expansion completed in 2010. The plant continued process configuration work aimed at achieving design throughput capacity and improved recoveries. This included a conversion to an autogenous circuit in Q3 which temporarily reduced overall mill availability and throughput. Ore grades processed are generally lower in 2010 reflecting the ore profile going forward.

Gold production was 4% lower than Q3 2009 due to lower gold grades processed, offset partially by increased recovery and throughput. The gold plant is expected to improve dore production with the addition of a gravity concentrator.

Guelb Moghrein's average cash cost of production (C1) was higher compared to Q3 2009 due to increased ore costs and processing costs incurred on lower grade ore and circuit downtime during optimization work undertaken. The gold credit benefitted from higher realized gold price which outweighed lower gold sales volume in Q3 2010.

Guelb Moghrein's Q3 operating profit increased from the comparative period due to increased copper sales volumes and significantly higher realized copper and gold prices. This was reduced by higher production costs incurred and increased depreciation on the plant expansion completed in 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 September 30**		**Nine months ended September 30**	
	2010	**2009**	**2010**	**2009**
Production – copper in concentrate (tonnes)	10,541	24,765	47,508	68,094
Copper sales (tonnes)	12,360	24,211	39,643	65,143
Sulphide ore tonnes milled (000's)	1,346	2,183	5,425	5,788
Sulphide ore grade processed (%)	0.9	1.2	1.0	1.3
Sulphide copper recovery (%)	92	92	90	92
Cash costs (C1) (USD per lb)[1]	$2.22	$1.02	$1.77	$1.06
Total costs (C3) (USD per lb)[1]	$2.55	$1.19	$2.10	$1.21
Gross operating profit (USD M)	$30.6	$67.8	$93.6	$165.9

There was no copper production at Frontier following the forced shut down of operations on August 27, 2010 by the RDC government.

Copper production at Frontier during July and August was impacted by the effect of reduced capital investment in 2010 which was a consequence of the uncertainty following the legal proceedings instigated by the RDC state-owned mining agency, Sodimico. As a result, Frontier's mine equipment availability was lower and access to higher grade ore was limited.

A significant increase in cash costs was caused by lower ore grades processed, increased mining costs, and inefficiencies experienced on lower copper production in Q3 2010. The Company incurred an impairment charge of $249.8 million, net of tax and including closure costs, related to the Frontier copper operation following the forced shut down by the RDC. See "Other items" for further discussion.

Bwana/Lonshi Copper Operation	**Three months ended September 30**		**Nine months ended September 30**	
	2010	**2009**	**2010**	**2009**
Production – copper cathode (tonnes)	2,404	-	7,415	-
Copper sales (tonnes)	2,402	-	6,910	-
Oxide ore tonnes milled (000's)	112	-	327	-
Oxide ore grade processed (%)	2.2	-	2.5	-
Oxide copper recovery (%)	92	-	91	-
Cash costs (C1) (USD per lb)[1]	$1.24	-	$1.28	-
Total costs (C3) (USD per lb)[1]	$1.54	-	$1.43	-
Gross operating profit (loss) (USD M)	$7.1	$(6.3)	$1.7	$(12.9)

The Bwana Mkubwa copper SX/EW plant continued production of grade A copper cathode from the Lonshi oxide ore stockpile until the end of Q3. The gross operating profit for Q3 includes a non-cash expense of $15.5 million related to the inventory net realizable value write-up recognized in 2009. The write-up was expensed as the Lonshi ore stockpile was processed in 2010. The facility has been placed on care and maintenance while options are considered for use of the SX/EW assets.

[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 September 30		Nine months ended September 30	
(USD millions unless otherwise noted)	**2010**	**2009**	**2010**	**2009**
Gross operating profit	309.6	284.8	847.6	585.8
General and administrative	(13.3)	(8.7)	(26.2)	(20.0)
Acquisition transaction costs	-	-	(18.5)	-
Other income (loss)	(2.0)	10.0	9.6	20.9
Derivative instrument adjustments	(22.6)	(40.4)	(14.6)	(139.5)
Exploration	(12.6)	(4.4)	(31.9)	(15.6)
Assets impaired	(306.9)	-	(1,120.0)	-
Interest	(15.5)	(19.5)	(44.0)	(42.1)
Income taxes	(61.1)	(73.2)	(104.3)	(111.7)
Non-controlling interests	(12.3)	(24.8)	(76.4)	(41.6)
Net earnings (loss) attributable to equity holders of the parent	(136.7)	123.8	(578.7)	236.2
Earnings (loss) per share				
- basic (USD per share)	(1.70)	1.59	(7.24)	3.17
- diluted (USD per share)[1]	(1.70)	1.50	(7.24)	3.11
Weighted average shares outstanding				
- basic (number of shares – millions)	80.2	78.1	80.0	74.6
- diluted (number of shares - millions)[1]	80.2	87.7	80.0	78.6

The derivative instrument adjustments of $22.6 million in Q3 2010 consist of losses recognized on LME futures sales contracts held by the metal marketing division as at September 30, 2010 following a significant increase in copper price during the current period. The commensurate gain in the underlying copper inventory is not recognized until it is sold. In the comparative period, the Company's derivative loss was incurred on derivative positions entered into in order to protect the Company against the uncertain economic outlook of early 2009.

Exploration expenses in Q3 include $7.5 million incurred at the Trident project representing a significant increase in exploration activity. See "Development activities" for further discussion

Asset impairment expense in Q3 2010 consists primarily of the impairment of Frontier's property, plant and equipment, and inventory that were deemed unrecoverable following the forced suspension of the Frontier operation. The tax impact of this impairment is included with income tax expense.

Interest expense has decreased from Q3 2009 due to a decrease in LIBOR and a lower balance of the corporate revolving credit and term loan facility.

Q3 income taxes were reduced by the impact of Frontier's impairment on current and future tax liabilities, representing a tax recovery of $63.1 million. Normalized income taxes have increased from Q3 2009 due to increased profitability and a decrease in the proportionate earnings contribution from Guelb Moghrein, which is operating under a tax holiday.

Non-controlling interests has decreased from Q3 2009 due to the 5% non-controlling interest portion of Frontier's impairment, resulting in a $12.5 million recovery in Q3 2010. 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.

[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.

FINANCIAL POSITION AND LIQUIDITY

	Three months ended September 30		Nine months ended September 30	
(USD millions unless otherwise noted)	**2010**	**2009**	**2010**	**2009**
Cash flows from operating activities				
- before changes in working capital	193.8	164.6	573.2	408.2
- after changes in working capital	8.3	196.7	471.0	292.5
Cash flows from financing activities	49.7	(52.2)	(21.1)	594.5
Cash flows from investing activities	(114.5)	(86.1)	(736.3)	(255.5)
Net cash flows	(56.5)	58.4	(286.4)	631.5
Cash balance	632.8	807.7	632.8	807.7
Available credit facilities				
- Corporate revolving loan and short-term facility	250.0	250.0	250.0	250.0
- Corporate revolving credit and term loan facility	50.0	50.0	50.0	50.0
- Short-term borrowings	9.9	-	9.9	-
Cash flows from operating activities per share (basic)				
- before working capital (USD per share)	$2.42	$2.11	$7.17	$5.47
- after working capital (USD per share)	$0.10	$2.52	$5.89	$3.92

Operating cash flows were generated from positive operating results during Q3. Working capital movements during Q3 2010 include an increase in accounts receivable of $86.4 million as a result of a significant increase in copper price, and a decrease in taxes payable due to payments of $115.0 million made by Kansanshi to the Government of the Republic of Zambia ("GRZ").

Cash inflows from financing activities comprise proceeds from debt of $66.2 million related to an increase in short-term borrowings required to finance material purchases and short-term hedging of copper and gold in Q3. Financing activities also include Q3 dividend payments of $15.2 million to equity holders of the Company and $1.9 million to non-controlling interests.

Investing activities in Q3 consist primarily of property, plant and equipment expenditures. The Company invested $25.7 million on the plant at Ravensthorpe and $33.4 million at Kevitsa as development continues to increase at both projects. Kansanshi expended $44.0 million on new mining equipment and the secondary crusher during the period. The Company undertook significant investing activities in early 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, and the acquisition of the 20% non-controlling interest in Mauritanian Copper Mines for $63.0 million.

In addition to the Company's cash reserves, additional sources of funding available include the $250.0 million corporate revolving loan and $50.0 million available under the corporate revolving credit and term loan facility.

Subsequent to September 30, 2010, the Company cancelled the $250.0 million corporate revolving and loan facility and sold all of its marketable security investment in Equinox Minerals Limited which will raise proceeds of approximately CAD $650 million.

As at September 30, 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	208.3	182.6	5.3	5.1	5.1	5.1	5.1
Convertible bonds	500.0	-	-	-	-	500.0	-
Accounts payable	370.1	370.1	-	-	-	-	-
Deferred payments	9.3	0.4	0.4	0.3	0.2	-	8.0
Commitments	184.5	184.5	-	-	-	-	-
Asset retirement obligations	27.1	-	-	-	-	-	27.1

INVENTORY

	Copper (tonnes)	**Gold in dore (ounces)**
Kansanshi	20,468	2,472
Guelb Moghrein	8,092	1,150
Frontier	8,032	-
Bwana/Lonshi	450	-
Total	37,042	3,622

The Company's finished copper inventory decreased by 3,658 tonnes in Q3 to 37,042 tonnes as at September 30, 2010 with an average cost of approximately $1.49 per pound ($3,279 per tonne). Guelb Moghrein's inventory includes finished copper in concentrate which required further blending prior to sale and will be sold in Q4. Frontier's inventory balance represents finished copper held in transit to final offtakers through the metal marketing division. Approximately 16,500 tonnes of Kansanshi copper in concentrate was in the process of being treated or stockpiled for treatment at the Mufulira smelter as at September 30, 2010. Included in the total finished goods inventory balance, but not in the table above, is 5,977 tonnes of third party material purchased for resale by the metal marketing division.

Contained gold in dore inventory increased to 3,622 ounces due to timing of shipments in Q3. Gold contained in copper in concentrate is not included in the inventory balances noted above.

COMPREHENSIVE INCOME

The market value of available-for-sale investments increased during Q3 resulting in the Company recognizing a tax affected increase in the fair value of investments of $208.5 million.

EQUITY

As at the date of this report the Company has 80,672,932 shares outstanding.

DEVELOPMENT ACTIVITIES

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 550km 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.

An engineering firm in Perth is completing the detailed design of modifications for the Ravensthorpe process plant, of which a significant part is the modification of the crushing, conveying, stockpile, reclaim and rejects handling areas of the plant. Various environmental and project management plans received approval from the relevant authorities during Q3. As a result, site works are progressing well. Concrete demolition work on both the limonite and saprolite crushing stations have been completed and new civil work is underway. Inspection, testing and re-commissioning of the existing plant continues. Major equipment deliveries have commenced. Upgrade and modification work scheduling will allow commissioning to commence in Q2 2011. This will be followed by approximately six months of commissioning and ramp-up. In order to provide further enhancements to the plant, the revised capital requirement for the modification has increased to approximately $190 million.

The operations recruitment program is continuing and is on schedule. The Company expects Ravensthorpe's average annual production of nickel metal will be approximately 39,000 tonnes 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 is continuing and nearing completion for earth works, concrete works and structural steel. Procurement of the major items of equipment is well advanced and the first major components will be delivered to the site in Q4 2010.

Construction progressed with 160 contractors currently on site and 350 scheduled by Q1 2011. The earthworks are now 83% complete, the concrete works are 35% complete. The construction of the main power line is in progress and work on the water line will commence in Q1 2011. Additional major contracts are in progress for the primary crusher excavation, the tailings and water reservoir construction and the site switchyard.

The project remains on schedule to commence commercial production in mid 2012.

Trident project (formerly Kalumbila), Zambia

In January 2010, the Company acquired all of the issued share capital of Kiwara PLC ("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 and 1% in May 2010 bringing its ownership interest to 96%. The Company holds options to acquire the remaining 4% interest in Kalumbila for GBP 3.5 million which will be exercised in Q4 2010.

Base-line environmental and social consultations have commenced as part of the environmental impact assessment to be prepared in support of a mining license.

Refer to the "Exploration" section for discussion on the Company's exploration program at Trident.

Kansanshi copper/gold operation, Zambia

Throughput optimization of the sulphide circuit is ongoing, mainly focused on the production of a finer product from the crusher. The first phase of the milling expert control system was implemented and is working well in its current restricted configuration. Full implementation will happen in a staged manner over the remainder of Q4.

The installation of additional flotation capacity on sulphide and mixed ore is progressing with commissioning due in January 2011. This additional capacity will enhance recovery potential of both sulphide and mixed ore at higher production rates. The installation of additional leaching capacity for the oxide circuit, aimed at improving recovery of soluble copper, is scheduled for completion towards the end of Q4 2010. The de-sliming circuit aimed at improving recovery of sulphide minerals from the oxide ore flotation circuit was commissioned in Q3 and optimization work to deal with capacity constraints is underway.

Optimization of gold recovery continues with an additional gravity concentrator installed and commissioned in the mixed ore milling circuit. Test work on the treatment of the acidic high pressure leach residue to extract gold was also positive. The goal for these installations is to reduce gold in concentrate to below payable levels and maximize the more favorable return on gold in dore.

Guelb Moghrein copper/gold operation, Mauritania

Ongoing optimization of the autogenous circuit, including the high pressure grinding rollers, will continue in Q4 with a goal to achieve design throughput and increase copper and gold recoveries.

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.

Exploration

Exploration activities continued at a high rate during the period with staff, resources and drill rigs redeployed from the RDC to Zambia to boost the Trident program. Extra drilling capacity arrived in Mauritania and a substantial summer prospecting program in Finland has revealed significant potential for new nickel and copper projects.

Fourteen drill rigs are now active on the Trident project in Zambia. Nearly 50,000m of drilling has been completed in 142 holes on the Sentinel copper deposit since the Company acquired the project in Q1 2010. A pattern of 200m spaced sections has been largely completed in the area of the current mineral resources of approximately 4km by 1km with preliminary results demonstrating good continuity of mineralization. Furthermore, the focus of the drilling activity has now moved to the south west to test for potential significant extensions up to several kilometers and outside of the current mineral resource. Preliminary results are positive with visible mineralization observed and logged in the drill core.

A major regional exploration program is currently in progress over the entire Trident project of approximately 2,300 km^2 of license area. Detailed airborne electro-magnetic work has been completed and is proving an excellent tool to identify the prospective target zones. A low level helicopter magnetic-radiometric survey is currently in progress and a systematic geochemical program of 23,000 soil samples is already providing targets for follow up drilling. Drilling has commenced on the Enterprise nickel target 12 km north of Sentinel and will progress to further regional targets over Q4.

At Kansanshi two exploration rigs continued drilling on the southeast dome prospect and 74 holes have now been completed that define a clear domal structure approximately 500m across hosting typical Kansanshi vein style mineralization. Recent drill results have defined the first area of near surface oxide mineralization.

At Kevitsa in Finland, drilling will focus on high priority geophysical targets in the Kevitsa tenure. Resource modeling of the new extensions to the south of the proposed Kevitsa pit has been completed and optimization studies are currently in progress. An extensive field validation program of regional targets has defined 22 prospects for follow up drilling during the coming winter.

In Mauritania a second drill rig and a boosted geological team are now in place which will accelerate the testing of regional targets over the next few months.

Antares Minerals Inc.

In October 2010, the Company entered into a definitive agreement to acquire, by way of a court-approved plan of arrangement, all of the outstanding securities of Antares. The total consideration for the purchase of 100% of the fully diluted shares of Antares is approximately CAD $460 million in cash and shares.

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.

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 IFC (International Finance Corporation). 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 Kolwezi exploitation permit held by KMT, the Company formed by the parties to pursue the KMT Project, be returned to Gécamines pursuant to the *Contract of Association*. Subsequently, the exploitation permit was cancelled and 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.*

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 as previously noted, 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 the cancellation of the Kolwezi exploitation permit, on October 28, 2009 the RDC local court ruled on the incorporation of KMT and found on the basis of no evidence that there was a formal defect in the Decree granting authorization for the constitution of KMT. The local court also found without any evidence presented that there was fraud committed in the constitution of KMT and held for this reason KMT did not exist in law. CMD, IFC and IDC appealed this decision.

On February 1, 2010, CMD, IFC and 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 appeal of the judgment of the local court 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 a hearing on February 24, 2010, the Company received official notification of the Court of Appeal's judgment on April 7, 2010 confirming the local court's decisions with respect to KMT and awarding US$12 billion in damages against CMD and KMT. On July 27, at the request of the RDC and Gécamines, the Court of Appeal appointed a liquidator to KMT for the purposes of winding up KMT and distributing its assets.

On October 12, 2010 CMD, IFC and IDC applied to the ICC Tribunal for interim protective procedural orders. On October 26, the Tribunal ordered that the RDC and Gécamines cannot enforce directly or indirectly the March 10, 2010 decision of the Court of Appeal, which includes the US$12 billion damages judgment issued by the Court of Appeal against KMT and CMD, maintaining a temporary Order issued on August 19, 2010. This ruling impacts the ongoing efforts by the RDC to enforce the Court of Appeal judgment through the appointment of a Liquidator and means that the RDC cannot liquidate KMT's assets in the country in payment of the damages claim.

Following the appointment of an official liquidator to liquidate KMT and CMD, the Company determined that a complete impairment of the Kolwezi assets was required. The historical carrying value of the Kolwezi development project was $791.1 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 concurrently with the asset impairment.

Sodimico

Sodimico, a RDC state owned mining company, 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 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". In fact, Comisa did not use any geological data or studies belonging to Sodimico and there is no factual or legal basis for the judgment. Comisa filed an appeal of the judgment, which is set to be heard November 16, 2010 in Lubumbashi. The Company believes that Sodimico could not enforce payment of the judgment amount against Comisa, and therefore no liability has been recorded as at September 30, 2010.

RDC – Frontier and Lonshi

On March 8, 2010, the Company, and its RDC subsidiaries Comisa and Frontier, and also Bwana, a wrongly named Zambian subsidiary of the Company, 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. The conclusions of the Supreme Court are impossible to reconcile with the known history of the mineral rights in question.

On August 10, 2010 Frontier received notification from the RDC mining registry ("CAMI") of the withdrawal of its mining and exploration titles based on instructions from the Minister of Mines. On August 24, 2010 Comisa received notification from CAMI of the withdrawal of its mining and (bulk of) 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. The threats by Sodimico rendered it impossible to continue safe and orderly operations at Frontier. Frontier's operations employed approximately 1500 workers and it was the largest tax payer in the RDC in 2009. The Company no longer has access to either Frontier or Lonshi and therefore has no ability to maintain the facilities or monitor for safety or environmental issues that may arise.

As a result of these actions the Company has determined there to be a complete impairment of the RDC assets of Frontier including product and supplies inventories, mineral properties, plant and equipment. The historical carrying value of these assets, and associated liabilities was $252.8 million in property, plant and equipment, $51.9 million in inventories and $1.2 million of other assets and associated liabilities. The impairment was recorded net of current and future tax recoveries of $62.8 million and includes closure costs of $6.7 million.

On October 1, 2010 the Company, through its subsidiaries International Quantum Resources Limited, Frontier and Comisa commenced international arbitration under the facilities of the International Centre for Settlement of Investment Disputes ("ICSID") in Washington, United States of America against RDC. The arbitration relates to the unjustified withdrawal and reissue of certain mining titles (the "Permits") held by Frontier and Comisa, in violation of the provisions of the RDC Mining Code and applicable laws. First Quantum contests the validity of the RDC's cancellation of the Permits and illegal possession of the Company's investments and assets, seeks their return and is pursuing damages as compensation for the losses the Company has suffered with respect to the RDC's actions.

The Comisa and Frontier ICSID arbitration forms part of First Quantum's overall effort to pursue its legal rights in RDC.

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 new windfall tax on copper sales revenue; a new 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 new President, the GRZ reviewed these tax changes and proposed that the new windfall tax be removed, the deductibility of capital allowances be increased back 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 are 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 Company to export the copper in concentrate that cannot be treated in Zambia due to the lack of smelter capacity within Zambia.

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. Following consultation with external legal counsel, the Company assessed there to be a high probability of recovery from the GRZ of payments made in respect of these taxes.

In the consolidated financial statements, the Company has recognized a tax expense in accordance with applicable laws from time to time notwithstanding the Development Agreements. In addition and reflecting the enforceability of the Development Agreements, the Company has recognized a receivable from the GRZ for an amount in respect of the expected ultimate repayment of taxes in excess of the taxes permitted under the Development Agreements. This receivable has been classified as "loans and receivables" and initially recorded at fair value based on management's best estimate of the timing of receipt and amounts due. As required, the receivable is assessed for impairment at each reporting period based on changes in facts and circumstances; any impairment amounts required may be material. As at September 30, 2010, this receivable amounts to $221.4 million.

Currently, the Company is involved in discussions with the GRZ to find an alternative solution to arbitration or litigation to fully resolve all outstanding matters in relation to the tax changes introduced in conflict with the Development Agreements. While the timing and outcome of these discussions remains uncertain, the Company recognizes that resolving this dispute through arbitration may not be in the best interest of either the Company or the GRZ. Accordingly, while no terms have been agreed to, the Company is seeking to achieve a compromise resolution which respects the key terms of the Development Agreements.

OPERATIONAL OUTLOOK

The Company's 2010 production outlook has been lowered to 322,000 tonnes of copper and 195,000 ounces of gold. The lower estimated copper production reflects no further production from Frontier in Q4.

The estimated average C1 cost for 2010 is unchanged at $1.17 per pound

For 2011, the forecast is for 305,000 tonnes of copper and 210,000 ounces of gold. The Company also expects to begin nickel production in 2011 with the commissioning of the Ravensthorpe project planned for the second half of the year.

Kansanshi

Significant focus for Q4 and into 2011 will be given to increasing throughput to the oxide circuit. Key focus areas will be crushing and milling capacity along with leach, CCD and SX capacity. The use of equipment from Bwana Mkubwa will allow fast tracking of this project. In addition, a review is underway to develop a means to treat higher quantities of mixed ore. Optimization of the sulphide circuit to derive the required throughput gains expected from the installation of secondary crushing capacity are ongoing.

Guelb Moghrein

Optimization of the 3.8 million tonne per annum expansion will continue during Q4. 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.

Q3 2010 MD&A (expressed in US Dollars) www.first-quantum.com

Hedging program

As at September 30, 2010, the following derivative positions were outstanding:

	Maturity 2010	Maturity 2011	September 30, 2010		December 31, 2009	
			Asset	Liability	Asset	Liability
Foreign exchange						
Foreign exchange contracts	10.9	-	0.7	-	0.9	(0.6)
Interest rate						
Floating to fixed interest rate swap – principal	32.7	26.0	-	(0.3)	-	(0.7)
Average fixed interest rate	1.80%	1.80%				
Copper						
Futures sales contracts over quotation period (tonnes)(a)	200	-	0.6	-	-	-
Average price ($/tonne)	$7,416	-				
Futures sales contracts over quotation period (tonnes)(a)	31,725	-	-	(21.1)	-	-
Average price ($/tonne)	$7,485	-				
Gold						
Futures sales contracts over quotation period (ounces)(a)	21,898	-	-	(1.3)	-	-
Average price ($/ounce)	$1,249	-				
Other						
Embedded derivative (note 9c)			-	(4.1)	-	(7.6)
			1.3	(26.8)	0.9	(8.9)
Copper embedded derivative (tonnes)(b)	16,024	-				
Average price ($/tonne)	$8,054	-				
Gold embedded derivative (ounces)(b)	2,377	-				
Average price ($/ounce)	$1,308	-				
Copper embedded derivative hedged by future sales contracts (tonnes)(a)	10,968	-				

a) Copper and gold derivative contracts

Part of the Company's metal production is sold directly to end customers 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 Q4 2010

At September 30, 2010, 16,024 tonnes of copper sales were provisionally priced at an average of $3.65 per pound ($8,054 per tonne). Of this total, 9,686 tonnes were priced in October and 6,338 tonnes will be priced in November. The average LME cash price for October 2010 was $3.76 per pound ($8,292 per tonne) resulting in a positive provisional adjustment of $2.3 million which will be recognized in Q4 2010.

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	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	FY 10
Revenues									
Copper	$(15.0)	$231.8	$371.8	$511.3	$591.5	$519.4	$484.4	$550.1	$1,553.9
Gold	21.2	27.7	40.0	35.0	53.3	43.4	44.3	52.5	140.2
Other revenues	-	1.5	0.3	-	-	-	-	-	-
Total revenues	6.2	261.0	412.1	546.3	644.8	562.8	528.7	602.6	1,694.1
Cost of sales	212.2	138.3	173.3	218.3	223.3	225.0	269.5	267.2	761.7
Inventory NRV adjustments	52.6	-	(9.9)	-	(15.5)	-	-	-	-
Impairment charge	254.2	-	-	-	-	-	813.1	306.9	1,120.0
Net earnings (loss)	(491.6)	10.9	101.5	123.8	227.2	146.2	(588.2)	(136.7)	(578.7)
Basic earnings (loss) per share	$(7.19)	$0.16	$1.31	$1.59	$2.91	$1.81	$(7.33)	$(1.70)	$(7.24)
Diluted earnings (loss) per share	$(7.19)	$0.16	$1.30	$1.50	$2.67	$1.70	$(7.33)	$(1.70)	$(7.24)
Weighted average # shares (000's)	68,388	68,794	77,242	78,052	78,169	80,669	80,268	80,220	79,976
Cash flows from operating activities per share									
Before working capital movements	$(2.16)	$1.24	$2.05	$2.11	$3.45	$2.59	$2.12	$2.42	$7.17
After working capital movements	$0.64	$(0.86)	$2.01	$2.52	$3.45	$1.90	$3.85	$0.10	$5.89
Copper selling price									
Current period copper sales (per lb)	$1.35	$1.54	$2.08	$2.44	$3.00	$3.21	$2.98	$3.20	$3.12
Prior period provisional adjustments (per lb)	(0.99)	0.26	0.02	0.06	0.03	(0.03)	(0.09)	0.04	(0.01)
Gross copper selling price (per lb)	0.36	1.80	2.10	2.50	3.03	3.18	2.89	3.24	3.11
Tolling and refining charges (per lb)	(0.07)	(0.06)	(0.09)	(0.08)	(0.08)	(0.10)	(0.06)	(0.03)	(0.06)
Freight parity charges (per lb)	(0.36)	(0.23)	(0.21)	(0.21)	(0.22)	(0.19)	(0.22)	(0.22)	(0.21)
Realized copper price (per lb)	(0.07)	1.51	1.80	2.21	2.73	2.89	2.61	2.99	2.84
Realized gold price (per oz)	$637	$842	$850	$722	$926	$886	$1,000	$1,169	$1,015
Total copper produced (tonnes) [(1)]	95,635	89,440	92,486	93,486	98,528	85,062	85,402	76,633	247,097
Total copper sold (tonnes)[(1)]	97,280	69,774	93,482	105,154	98,171	81,441	74,421	79,408	235,270
Total gold produced (ounces) [(1)]	39,644	46,764	40,488	43,357	62,679	44,642	51,471	46,718	142,831
Total gold sold (ounces) [(1)]	33,299	32,827	47,055	48,454	57,571	48,995	44,300	44,934	138,229
Cash Costs (C1) (per lb) [(2) (3)]	$1.26	$0.97	$0.90	$0.98	$0.97	$1.21	$1.21	$1.21	$1.21
Total Costs (C3) (per lb) [(2)(3)]	$1.50	$1.19	$1.17	$1.27	$1.27	$1.49	$1.49	$1.59	$1.52
Copper Inventory (tonnes)									
Kansanshi	14,416	30,036	33,801	22,021	22,059	18,979	20,621	20,468	20,468
Guelb Moghrein	1,869	2,343	88	555	963	4,096	8,896	8,092	8,092
Frontier	106	5,296	2,574	3,128	3,041	6,228	10,648	8,032	8,032
Bwana	-	-	-	-	-	182	502	450	450
Total copper inventory	16,391	37,675	36,463	25,704	26,063	29,485	40,667	37,042	37,042

Kansanshi production statistics	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	FY 10
Mining									
Waste mined (000’s tonnes)	4,771	4,271	4,746	7,122	4,663	2,921	4,998	9,008	16,927
Ore mined (000’s tonnes)	5,324	3,979	4,034	5,410	5,258	3,712	6,076	6,394	16,182
Ore grade (%)	1.4	1.4	1.4	1.4	1.3	1.4	1.2	1.2	1.2
Processing (1)									
Sulphide ore processed (000’s tonnes)	2,956	3,260	3,381	2,576	2,777	2,449	2,791	2,443	7,683
Sulphide ore grade processed (%)	1.3	1.2	1.0	0.9	0.8	0.8	0.7	0.8	0.8
Sulphide ore recovery (%)	95	92	96	93	93	93	93	93	92
Mixed ore processed (000’s tonnes)	-	-	545	1,477	1,566	1,249	1,288	1,289	3,826
Mixed ore grade processed (%)	-	-	1.6	1.3	1.4	1.4	1.3	1.2	1.3
Mixed ore recovery (%)	-	-	67	65	64	63	68	67	66
Oxide ore processed (000’s tonnes)	1,414	1,343	1,300	1,540	1,478	1,250	1,408	1,495	4,153
Oxide ore grade processed (%)	1.7	2.2	2.2	2.3	2.2	2.1	2.2	2.4	2.2
Oxide ore recovery (%)	91	86	82	80	83	93	90	78	86
Copper cathode produced (tonnes)	25,716	23,836	21,237	25,436	21,535	19,180	20,667	21,914	61,761
Copper cathode tolled produced (tonnes)	10,657	15,402	20,368	26,344	24,901	27,201	20,350	23,564	71,115
Copper in concentrate produced (tonnes)	25,641	21,600	18,787	9,516	16,017	7,202	15,091	9,723	32,016
Total copper production	62,014	60,838	60,392	61,296	62,453	53,583	56,108	55,201	164,892
Concentrate grade (%)	28.3	28.1	27.5	27.9	27.6	27.3	27.3	24.7	25.2
Gold produced (ounces)	23,733	21,993	20,117	25,350	32,476	24,272	26,919	29,456	80,647
Combined Costs (per lb) (2)									
Mining	$0.36	$0.27	$0.32	$0.35	$0.35	$0.45	$0.45	$0.45	$0.45
Processing	0.62	0.48	0.49	0.50	0.52	0.60	0.57	0.57	0.58
Site Administration	0.04	0.02	0.02	0.02	0.01	0.03	0.02	0.03	0.03
TC/RC and freight parity charges	0.30	0.28	0.30	0.28	0.29	0.29	0.26	0.29	0.28
Gold credit	(0.08)	(0.06)	(0.14)	(0.14)	(0.21)	(0.19)	(0.25)	(0.25)	(0.23)
Combined Total Cash Costs (C1)	$1.24	$0.99	$0.99	$1.01	$0.96	$1.18	$1.05	$1.09	$1.11
Combined Total Costs (C3)	$1.52	$1.22	$1.27	$1.31	$1.28	$1.39	$1.26	$1.42	$1.33
Revenues ($ millions)									
Copper cathodes	$111.5	$131.9	$176.7	$282.1	$280.4	$310.6	$266.1	$303.8	$880.5
Copper in concentrates	(36.6)	23.9	58.6	97.6	99.9	65.0	64.9	71.9	201.8
Gold	10.1	8.0	18.6	18.7	29.1	22.4	30.5	29.5	82.4
Total revenues	$85.0	$163.8	$253.9	$398.4	$409.4	$398.0	$361.5	$405.2	$1,164.7
Copper cathode sold (tonnes)	28,199	27,875	21,095	26,178	21,012	18,953	20,215	21,329	60,497
Copper tolled cathode sold (tonnes)	10,657	15,402	20,368	26,344	24,902	26,995	20,350	23,564	70,909
Copper in concentrate sold (tonnes)	21,300	3,414	15,022	21,463	16,503	10,516	14,101	10,462	35,079
Gold sold (ounces)	19,658	10,251	21,227	30,083	33,085	26,739	29,741	29,907	86,387

Guelb Moghrein production statistics	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	FY 10
Mining									
Waste mined (000's tonnes)	1,128	2,048	2,333	2,177	2,246	2,803	2,609	2,491	7,903
Ore mined (000's tonnes)	1,038	789	603	525	827	690	812	823	2,325
Ore grade (%)	1.5	1.7	1.8	1.6	1.5	1.4	1.6	1.4	1.5
Processing (1)									
Sulphide ore processed (000's tonnes)	553	530	474	514	769	660	744	644	2,048
Sulphide ore grade processed (%)	1.7	1.9	2.0	1.7	1.7	1.4	1.6	1.4	1.5
Recovery (%)	85	92	86	84	92	90	87	92	91
Copper in concentrate produced (tonnes)	8,177	9,331	8,036	7,425	11,816	8,405	10,390	8,487	27,282
Gold produced (ounces)	16,011	24,771	20,371	18,007	30,203	20,370	24,552	17,262	62,184
Sulphide Circuit Costs (per lb) (2)									
Mining	$0.38	$0.21	$0.19	$0.16	$0.29	$0.31	$0.25	$0.36	$0.30
Processing	0.71	0.46	0.46	0.73	0.53	0.68	0.64	0.88	0.73
Site Administration	0.11	0.09	0.12	0.16	0.18	0.16	0.16	0.28	0.20
TC/RC and freight parity charges	0.38	0.49	0.45	0.49	0.51	0.42	0.48	0.51	0.48
Gold credit	(0.62)	(0.90)	(1.16)	(0.87)	(0.88)	(0.98)	(0.45)	(1.24)	(0.86)
Sulphide Circuit Total Cash Costs (C1)	$0.96	$0.35	$0.06	$0.67	$0.63	$0.59	$1.08	$0.79	$0.85
Sulphide Circuit Total Costs (C3)	$1.08	$0.66	$0.46	$1.19	$1.02	$1.40	$1.69	$1.85	$1.60
Revenues ($ millions)									
Copper in concentrates	$(13.0)	$20.5	$25.7	$24.1	$45.4	$43.2	$24.0	$49.6	$116.8
Gold	11.1	19.7	21.4	16.3	24.2	21.0	13.8	23.0	57.8
Total revenues	$(1.9)	$40.2	$47.1	$40.4	$69.6	$64.2	$37.8	$72.6	$174.6
Copper in concentrate sold (tonnes)	8,073	8,857	10,291	6,958	9,330	7,350	5,591	9,291	22,232
Gold sold (ounces)	13,641	22,576	24,931	18,371	25,384	22,256	14,559	15,027	51,842

Frontier Production Statistics	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	FY 10
Mining									
Waste mined (000's tonnes)	3,057	1,395	2,017	3,282	3,932	3,506	6,239	4,869	14,614
Ore mined (000's tonnes)	2,037	1,696	2,056	2,300	1,998	1,912	2,249	1,282	5,443
Ore grade (%)	1.2	1.2	1.3	1.2	1.2	1.2	0.9	0.9	1.0
Processing (1)									
Sulphide ore processed (000's tonnes)	2,178	1,570	2,035	2,183	2,280	1,932	2,147	1,346	5,425
Sulphide ore grade processed (%)	1.3	1.3	1.3	1.2	1.2	1.1	0.8	0.9	1.0
Recovery (%)	91	94	92	92	91	90	93	92	90
Copper in concentrate produced (tonnes)	24,917	19,271	24,058	24,765	24,259	20,786	16,181	10,541	47,508
Sulphide Circuit Costs (per lb) (2)									
Mining	$0.45	$0.27	$0.23	$0.23	$0.41	$0.49	$0.78	$0.95	$0.68
Processing	0.31	0.30	0.29	0.30	0.42	0.32	0.47	0.57	0.43
Site Administration	0.13	0.09	0.05	0.09	0.10	0.12	0.15	0.30	0.17
TC/RC and freight parity charges	0.64	0.57	0.41	0.40	0.39	0.61	0.42	0.40	0.49
Sulphide Circuit Total Cash Costs (C1) (3)	$1.53	$1.23	$0.98	$1.02	$1.32	$1.54	$1.82	$2.22	$1.77
Sulphide Circuit Total Costs (C3) (3)	$1.67	$1.36	$1.12	$1.19	$1.52	$1.80	$2.19	$2.55	$2.10
Revenues ($ millions)									
Copper in concentrates	$(73.9)	$55.2	$110.7	$107.5	$165.8	$86.6	$57.8	$80.9	$225.3
Copper in concentrate sold (tonnes)	28,533	14,226	26,706	24,211	26,424	15,521	11,762	12,360	39,643

Bwana/Lonshi Production Statistics	**Q4 08**	**Q1 09**	**Q2 09**	**Q3 09**	**Q4 09**	**Q1 10**	**Q2 10**	**Q3 10**	**FY 10**
Mining									
Waste mined (000's tonnes)	-	-	-	-	-	-	-	-	-
Ore mined (000's tonnes)	-	-	-	-	-	-	-	-	-
Ore grade (%)	-	-	-	-	-	-	-	-	-
Processing									
Oxide ore processed (000's tonnes)	14	-	-	-	-	101	114	112	327
Oxide ore grade processed (%)	0.9	-	-	-	-	2.8	2.6	2.2	2.5
Recovery (%)	92	-	-	-	-	90	90	92	91
Copper cathode produced (tonnes)	527	-	-	-	-	2,288	2,723	2,404	7,415
Acid produced (tonnes)	64,016	63,193	32,461	-	848	22,747	66,527	14,896	104,170
Surplus acid (tonnes)	150	7,768	1,819	-	-	-	-	-	-
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	$(3.1)	$0.4	-	-	-	$14.0	$16.6	$17.2	$47.8
Copper cathodes sold (tonnes)	518	-	-	-	-	2,106	2,402	2,402	6,910

(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 the RDC and 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. In addition, the Company's exploration program is generally curtailed during the rain season due to site access issues.

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 we are 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 has made significant progress quantifying the implication of these differences and policy choices and the impact of the adoption of IFRS on the Company's financial statements is likely to be material. The quantification of the differences and policy choices will continue until the end of 2010.

IFRS accounting standards, and the interpretation thereof, are constantly evolving. As a result, the Company expects there may be new or revised IFRS accounting standards prior to the issuance of our first IFRS financial statements. The Company monitors and evaluates IFRS accounting developments and updates the conversion plan as necessary. Consequently, the differences identified below should be regarded as preliminary and subject to change.

Mineral properties, plant and equipment

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 will result 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 is currently being evaluated by management and the write down of the property value at transition will be material. Using fair value as deemed cost for the Kolwezi project will result in a limit to deemed cost for the reversal of impairments if project conditions improve subsequent to January 1, 2010.

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 is in the process of identifying components and calculating the associated depreciation expense under IFRS. The Company expects the carrying value of certain plant and equipment may change upon conversion to IFRS but the change is not expected to be material.

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 is in the process of determining the date for adoption of this IFRS standard.

On transition to IFRS, the Company expects their accounting policy under Canadian GAAP to be acceptable under IFRS prior to the transition date and therefore the Company does not expect a difference on transition related to the accounting treatment of borrowing costs.

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 ARO provision will increase, but the impact is not expected to be material.

Business combinations

Certain differences have been identified between IFRS and Canadian GAAP in accounting for business combinations. Under IFRS transaction costs are expensed on acquisition.

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 align the accounting for business combinations under Canadian GAAP to IFRS.

Income tax

Under Canadian GAAP the Company recognized a deferred income tax liability on temporary differences arising on the initial recognition of the mineral properties 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 expected impact of the derecognition of the deferred taxes at January 1, 2010 is a reduction of $176.0 million of deferred tax liability, a reduction of property, plant and equipment of $181.3 million and an adjustment to retained earnings of $5.3 million.

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 expense 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.

The Company is currently in the process of completing its review of further impacts of the transition to IFRS related to income taxes and currently does not expect the impacts to be material.

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 will be assessed and any changes implemented. The Company is completing documentation of accounting process changes resulting from the application of IFRS accounting policies and expects to complete this process by the end of 2010. The Company is applying our existing control framework to the IFRS changeover process and does not anticipate significant changes. In 2010 all accounting policy changes and transitional financial position impacts will be subject to review by senior management and the Audit Committee of the Board of Directors. The Company is progressing with our changeover on schedule and is on track to project completion in 2011. The Company will continue to provide quarterly and annual updates on the IFRS transition project in future filings throughout our convergence period to 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 the remainder of 2010 and through 2011.

Business Activities

The Company is currently assessing the impact of the IFRS transition project on our financial covenants and key ratios. The Company expect the transition to impact our covenants and key ratios that have an equity component. The impact of the IFRS transition project on our financial covenants is under review.

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 through to the end of 2010 and 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 deferred exploration 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 expand ore reserves within existing mine operations, are deferred and depleted on a units-of-production basis over their reserves.

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

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

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

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

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

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

Asset retirement obligations

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

Critical Accounting Estimates

In preparing the financial statements, management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Specifically, estimates and assumptions are made in regards to reserve and resource estimation; future copper, cobalt, 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. Where necessary this report outlines those critical accounting policies that have changed since the filing of the Company's 2009 Audited Financial Statements or that are particularly relevant to the current year.

As is common in the mining industry, a number of the Company's sales agreements require final prices to be determined in a future period. For this purpose, it is necessary for management to estimate the final price received based on current prices for both copper and gold. As a result of the 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.

Effective in Q2 2008, management has also had to make estimates in relation to the compensation receivable from the Zambian government in accordance with the terms of Development Agreements or, alternatively, pursuant to the Constitution of Zambia. Expert legal advice has been obtained to assist management in determining what the likelihood of collection will be via various alternative methods; over what period of time collection will occur; and, what costs and interest receipts would be awarded on settlement. This analysis has resulted in recognition of a substantial proportion of the recoverable taxes paid or accrued as a receivable. Actual results may differ materially depending upon the outcome of negotiations, arbitration or litigation.

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, 2009 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, 2009 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, 2009 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 internal controls over financial reporting during the period ended September 30, 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.