

First Quantum Minerals Ltd.

Consolidated Financial Statements

Second Quarter – June 30, 2011

(unaudited)

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

First Quantum Minerals Ltd.
Consolidated Statements of Earnings (Loss)

(unaudited)

(expressed in millions of U.S. dollars)

	Note	Three months ended June 30		Six months ended June 30	
		2011	2010	2011	2010
Sales revenues	9	660.0	539.8	1,365.2	1,091.0
Cost of sales	10	(296.8)	(299.9)	(562.5)	(544.4)
Gross profit		363.2	239.9	802.7	546.6
Exploration		(15.4)	(11.5)	(34.8)	(19.3)
General and administrative		(14.5)	(5.6)	(33.2)	(12.9)
Acquisition transaction costs		-	-	-	(18.5)
Impairment of assets		-	(306.6)	-	(306.6)
Other income (expense)	11	(10.6)	(1.6)	(7.0)	1.9
Operating profit (loss)		322.7	(85.4)	727.7	191.2
Finance income		1.7	0.9	3.5	4.0
Finance costs	12	(1.3)	(5.0)	(6.6)	(14.0)
Earnings (loss) before income taxes		323.1	(89.5)	724.6	181.2
Income taxes		(135.8)	(63.2)	(284.1)	(148.8)
Net earnings (loss) for the period		187.3	(152.7)	440.5	32.4
Net earnings (loss) for the period attributable to:					
Non-controlling interests		32.0	29.3	78.5	64.1
Shareholders of the Company		155.3	(182.0)	362.0	(31.7)
Earnings (loss) per common share					
Basic	8b	1.81	(2.27)	4.22	(0.40)
Diluted	8b	1.64	(2.27)	3.83	(0.40)
Weighted average shares outstanding (000's)					
Basic	8b	85,755	80,268	85,754	79,923
Diluted	8b	94,622	80,268	94,621	79,923
Total shares issued and outstanding (000's)		86,179	80,599	86,179	80,599

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

First Quantum Minerals Ltd.**Consolidated Statements of Comprehensive Income (Loss)**

(unaudited)

(expressed in millions of U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Net earnings (loss) for the period	187.3	(152.7)	440.5	32.4
Other comprehensive income (loss)				
Unrealized loss on available-for-sale investments	(0.8)	(39.2)	(0.3)	(56.4)
Tax on unrealized loss on available-for-sale investments	0.3	11.8	0.1	16.9
Comprehensive income (loss)	186.8	(180.1)	440.3	(7.1)
Total comprehensive income (loss) for the period attributable to:				
Non-controlling interests	32.0	29.3	78.5	64.1
Shareholders of the Company	154.8	(209.4)	361.8	(71.2)
	186.8	(180.1)	440.3	(7.1)

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

First Quantum Minerals Ltd.
Consolidated Statements of Cash Flows

(unaudited)

(expressed in millions of U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Cash flows from operating activities				
Net earnings (loss) for the period	187.3	(152.7)	440.5	32.4
Items not affecting cash				
Depletion and amortization	24.1	31.2	44.7	59.0
Assets impaired	-	306.6	-	306.6
Unrealized foreign exchange loss (gain)	0.7	(3.1)	2.9	(4.9)
Deferred income tax	5.2	(3.3)	(19.8)	(6.9)
Share-based compensation expense	1.9	1.4	3.9	2.9
Derivative instruments	17.3	(9.7)	(31.3)	(7.5)
Interest expense	1.3	5.0	6.6	14.0
Other	3.2	9.8	5.6	10.1
	241.0	185.2	453.1	405.7
Change in non-cash operating working capital				
(Increase) decrease in trade and other receivables	(25.6)	119.7	96.9	58.2
Increase in inventories	(71.3)	(50.2)	(125.1)	(71.7)
Increase (decrease) in trade and other payables	(125.6)	52.0	(130.3)	25.0
Increase (decrease) in current taxes payable	(73.5)	32.5	25.1	86.7
	(55.0)	339.2	319.7	503.9
Cash flows from financing activities				
Proceeds from debt	5.1	15.1	-	25.1
Repayments of debt	-	-	(82.3)	(40.4)
Proceeds on issuance of common shares	-	0.2	0.2	3.1
Restricted cash	(20.2)	(36.0)	20.1	-
Dividends paid	(53.5)	(40.5)	(53.5)	(40.5)
Dividends paid to non-controlling interests	(7.5)	(18.1)	(7.5)	(18.1)
Finance lease payments	(0.9)	-	(1.9)	-
Interest paid	(16.6)	(18.7)	(16.9)	(21.7)
	(93.6)	(98.0)	(141.8)	(92.5)
Cash flows from investing activities				
Purchase of property, plant and equipment	(244.1)	(93.7)	(433.4)	(138.5)
Acquisitions, net of cash acquired	-	(6.7)	-	(502.9)
Proceeds from available-for-sale investments	0.1	0.1	0.1	0.1
Proceeds from disposal of property, plant and equipment	5.5	-	9.8	-
	(238.5)	(100.3)	(423.5)	(641.3)
Increase (decrease) in cash and cash equivalents	(387.1)	140.9	(245.6)	(229.9)
Cash and cash equivalents - beginning of period	1,486.4	548.4	1,344.9	919.2
Cash and cash equivalents - end of period	1,099.3	689.3	1,099.3	689.3

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

First Quantum Minerals Ltd.

Consolidated Balance Sheets

(unaudited)

(expressed in millions of U.S. dollars)

	Note	June 30, 2011	December 31, 2010
Assets			
Current assets			
Cash and cash equivalents		1,099.3	1,344.9
Restricted cash		20.2	40.3
Trade and other receivables		285.8	377.0
Inventories	4	527.3	390.9
Current portion of other assets		21.9	26.7
		1,954.5	2,179.8
Investments		17.4	18.0
Property, plant and equipment	5	3,157.9	2,730.9
Other assets		30.3	29.2
Total assets		5,160.1	4,957.9
Liabilities			
Current liabilities			
Trade and other payables		252.1	362.2
Current taxes payable		439.1	414.0
Current portion of debt	6	59.3	140.8
Current portion of provisions and other liabilities		18.1	48.4
		768.6	965.4
Debt	6	21.8	20.2
Convertible bonds		458.9	452.1
Provisions and other liabilities		193.9	168.3
Deferred income tax liabilities		176.2	194.5
Total liabilities		1,619.4	1,800.5
Equity			
Share capital	8	1,490.5	1,486.5
Retained earnings		1,600.6	1,292.1
Accumulated other comprehensive income		0.8	1.0
Total equity attributable to shareholders of the Company		3,091.9	2,779.6
Non-controlling interests		448.8	377.8
Total equity		3,540.7	3,157.4
Total liabilities and equity		5,160.1	4,957.9
Commitments	15		

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

First Quantum Minerals Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

(expressed in millions of U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Share capital				
Common shares				
Balance – beginning of period	1,479.5	868.7	1,479.3	727.4
Acquisitions	-	2.1	-	139.3
Share options exercised	-	0.8	0.2	4.9
Balance – end of period	1,479.5	871.6	1,479.5	871.6
Equity portion of convertible bonds				
Balance – beginning and end of period	48.3	48.3	48.3	48.3
Treasury shares				
Balance – beginning of period	(56.9)	(47.0)	(57.1)	(47.2)
Restricted and performance stock units vested	0.1	0.6	0.3	0.8
Balance – end of period	(56.8)	(46.4)	(56.8)	(46.4)
Contributed surplus				
Balance – beginning of period	17.7	16.6	15.9	16.5
Share-based compensation expense for the period	1.9	1.4	3.9	2.9
Transfers upon exercise of share options	-	(0.6)	-	(1.8)
Restricted and performance stock units vested	(0.1)	(0.6)	(0.3)	(0.8)
Balance – end of period	19.5	16.8	19.5	16.8
Total share capital	1,490.5	890.3	1,490.5	890.3
Retained earnings				
Balance – beginning of period	1,445.3	1,133.9	1,292.1	1,024.5
Earnings (loss) for the period attributable to shareholders of the Company	155.3	(182.0)	362.0	(31.7)
Acquisition of Mauritanian Copper Mines SARL	-	-	-	(0.4)
Dividends	-	-	(53.5)	(40.5)
Balance – end of period	1,600.6	951.9	1,600.6	951.9
Accumulated other comprehensive income				
Balance – beginning of period	1.3	285.1	1.0	297.2
Other comprehensive loss for the period	(0.5)	(27.4)	(0.2)	(39.5)
Balance – end of period	0.8	257.7	0.8	257.7
Non-controlling interests				
Balance – beginning of period	416.8	363.6	377.8	391.4
Earnings attributable to non-controlling interests	32.0	29.3	78.5	64.1
Dividends	-	(18.1)	(7.5)	(18.1)
Acquisition of Mauritanian Copper Mines SARL	-	-	-	(62.6)
Balance – end of period	448.8	374.8	448.8	374.8

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First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

(unaudited)

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

1 Nature of operations

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

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

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

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

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

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and current as of August 8, 2011, the date the Audit Committee approved the statements on behalf of the Board of Directors. Any subsequent changes to IFRS, that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

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

3 First time adoption of IFRS

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

a) Transition elections

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

- i) **Business combinations** – IFRS 1 provides the option to apply IFRS 3R, *Business Combinations*, retrospectively or prospectively from January 1, 2010 ("Transition Date"). The retrospective basis would require the restatement of prior acquisitions that meet the definition of a business combination under IFRS 3R. The Company elected to adopt IFRS 3R effective January 1, 2010.
- ii) **Share-based payments** – IFRS 1 permits the application of IFRS 2, *Share-based Payments*, to equity instruments granted on or before November 7, 2002, that had not vested by the Transition Date. The Company elected to apply IFRS 2 to equity instruments granted after November 7, 2002 that had not vested by the Transition Date.
- iii) **Deemed cost of property, plant and equipment** – IFRS 1 provides the option to measure individual items of property, plant and equipment at the Transition Date at fair value and use that fair value as its deemed cost. The Company has elected to use the fair value of the Kolwezi project at the Transition Date as its deemed cost.
- iv) **Borrowing costs** – The Company elected to capitalize borrowing costs related to all qualifying assets commencing from the Transition Date.
- v) **Decommissioning liabilities included in the cost of property, plant and equipment** – IFRS 1 provides the option to measure the restoration provision at the Transition Date in accordance with the requirements of IAS 37. Accordingly the Company re-measured the provisions as at Transition Date under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and estimated the amount to be included in the cost of the related asset by discounting the liability to the date which the liability first arose. The Company did this using best estimates of the historical risk-free discount rates, and recalculated the accumulated amortization and depletion under IFRS up to the transition date.

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

Assets

		June 30, 2010
Total assets under Canadian GAAP		4,278.1
Adjustments for differing accounting treatments		
Restoration provision	ii	20.4
Borrowing costs	iii	19.1
Deferred income tax		
Mineral property acquisitions	iv(a)	(183.2)
Convertible bond issuance	iv(c)	(12.7)
Intercompany inventory sales	iv(e)	4.3
Total assets under IFRS		4,126.0

Liabilities

		June 30, 2010
Total liabilities under Canadian GAAP		1,794.9
Adjustments for differing accounting treatments		
Restoration provision	ii	24.2
Deferred income tax		
Mineral property acquisitions	iv(a)	(168.0)
Total liabilities under IFRS		1,651.1

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Equity

		June 30, 2010
Total equity under Canadian GAAP		2,483.2
Adjustments for differing accounting treatments		
Share capital		
Deferred income tax		
Share issuance costs	iv(b)	3.2
Convertible bond issuance	iv(c)	(8.6)
Retained earnings		
Kolwezi project fair value adjustment	i	-
Restoration provision	ii	(3.8)
Borrowing costs	iii	19.1
Deferred income tax		
Mineral property acquisitions	iv(a)	(15.1)
Share issuance costs	iv(b)	(3.2)
Convertible bond issuance	iv(c)	(4.2)
Intercompany inventory sales	iv(e)	4.3
Total equity under IFRS		2,474.9

Comprehensive loss

		Three months ended	Six months ended
		June 30, 2010	June 30, 2010
Total comprehensive loss under Canadian GAAP		(586.3)	(417.4)
Increase (decrease) in net income for:			
Kolwezi project fair value adjustment	i	399.8	399.8
Restoration provision	ii	(2.9)	(2.9)
Borrowing costs	iii	10.9	19.1
Deferred income tax			
Mineral property acquisitions	iv(a)	(5.9)	(9.7)
Convertible bond issuance	iv(c)	1.6	(0.3)
Intercompany inventory sales	iv(e)	2.7	4.3
Total comprehensive loss under IFRS		(180.1)	(7.1)

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

Presentation differences in comprehensive loss

	Three months ended	Six months ended
	March 31, 2010	June 30, 2010
Increase (decrease) in sales revenue	15.0	(0.4)
(Increase) decrease in cost of sales	(13.9)	8.8
Decrease in other income	(1.1)	(8.4)
Total	-	-

Cash flows

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

Notes to the IFRS reconciliations above:

- i) IAS 16 Property, plant and equipment

Impairment

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

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

In June 2010 under both Canadian GAAP and IFRS a complete impairment of the Kolwezi project was recorded.

- ii) IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Restoration provisions

Consistent with IFRS, restoration provisions have been previously measured based on the estimated cost of restoration, discounted to its net present value upon initial recognition. However, adjustments to the current discount rate were not reflected in the provisions or the related assets under Canadian GAAP unless there was an upward revision in the future cost estimates. The Company elected to apply the exemption from full retrospective application as allowed under IFRS 1. As such, the Company has remeasured the restoration liability as at the Transition Date under IAS 37, estimated the amount to be included in the related asset by discounting the liability to the date in which the liability arose, and recalculated the accumulated amortization under IFRS. At June 30, 2010 the increase in restoration provision was \$24.2 million, the increase in mineral properties was \$20.4 million and the adjustment to retained earnings was \$3.8 million.

Under Canadian GAAP, the unwinding of the discount was included in cost of sales and has now been reclassified to finance cost as required under IFRS. The increase to finance costs was \$0.4 million for the six months ended June 30, 2010.

- iii) IAS 23 Borrowing costs

Under IFRS, there are no policy choices available for the capitalization of borrowing costs. IFRS requires borrowing costs to be capitalized on qualifying assets which take a substantial period of time to prepare for their intended use. A weighted average capitalization rate based on the Company's outstanding debt was used to calculate the amount of borrowing costs to capitalize on the qualifying assets at January 1, 2010 and acquired during 2010. The increase in property, plant and equipment was \$19.1 million at June 30, 2010 with a corresponding decrease in interest expense.

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

iv) IAS 12 Deferred taxes

a. Mineral property acquisitions

Under Canadian GAAP the Company recognized a deferred income tax liability on temporary differences arising on the initial recognition of mineral properties acquired other than in business combinations. IAS 21, *Income Taxes* does not permit the recognition of deferred taxes on such transactions. At June 30, 2010 the impact of the derecognition was a reduction of deferred income taxes of \$168.0 million, a reduction of property, plant and equipment of \$183.2 million and foreign exchange loss of \$9.7 million as a portion of the deferred tax liability was denominated in a foreign currency and accordingly had been revalued using the foreign exchange rate at the balance sheet dates.

b. Share issuance costs

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

c. Convertible bond issue

Under IFRS the deferred tax consequences of a financial instrument containing both a liability and equity component is recognized both in profit or loss and in equity in accordance with the component parts under IFRS. The deferred income tax related to the liability component of the convertible bond was not recorded under Canadian GAAP. At June 30, 2010 the impact of recognizing the deferred income taxes in equity is a decrease of deferred income taxes of \$12.7 million, a decrease in share capital of \$8.6 million, an adjustment to retained earnings of \$3.8 million and an increase in deferred income tax expense of \$1.6 million.

d. Non monetary assets and liabilities

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

e. Tax on intercompany inventory sales

Under IAS 12, unrealized profits resulting from intercompany transactions are eliminated from the carrying amount of assets, such as inventory. The tax effect of the transaction is calculated with reference to the local tax rate of the company that holds the inventory at the period-end. Canadian GAAP prohibits the recognition of a deferred tax asset for the difference between the tax basis of the assets in the buyer's tax jurisdiction and the cost as reported in the historical consolidated financial statements and requires the deferral of the seller's tax expense incurred upon the intercompany sale. At June 30, 2010 the impact of recognizing the deferred income tax assets on the intercompany sales is an increase of \$4.3 million of deferred tax asset and a decrease of deferred tax expense of \$4.3 million.

4 Inventories

	June 30, 2011	December 31, 2010
Ore in stockpiles	79.1	75.3
Work-in-progress	5.0	2.1
Finished product	223.0	137.3
Total product inventory	307.1	214.7
Less: Non-current portion of ore in stockpiles (a)	(12.4)	(12.4)
	294.7	202.3
Consumable stores	232.6	188.6
	527.3	390.9

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

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

5 Property, plant and equipment

	Plant and equipment	Capital work-in-progress	Mineral properties and mine development costs		Total
			Depreciable	Non-depreciable	
Cost					
As at January 1, 2010	1,320.4	373.7	84.0	271.4	2,049.5
Additions	109.5	310.7	5.4	-	425.6
Acquisitions	290.3	-	-	981.2	1,271.5
Disposals	(2.3)	-	-	-	(2.3)
Transfers between categories	103.2	(103.2)	-	-	-
Restoration provision	14.6	-	0.1	68.2	82.9
Impairment	(297.6)	(244.1)	(40.8)	(63.4)	(645.9)
Capitalized interest	10.2	-	-	32.3	42.5
As at December 31, 2010	1,548.3	337.1	48.7	1,289.7	3,223.8
Additions	-	451.2	-	-	451.2
Disposals	(14.8)	-	-	-	(14.8)
Transfers between categories	58.0	(58.0)	-	-	-
Restoration provision	-	-	-	22.4	22.4
Capitalized interest	4.7	-	-	17.0	21.7
As at June 30, 2011	1,596.2	730.3	48.7	1,329.1	3,704.3
Accumulated depreciation					
As at January 1, 2010	(428.1)	-	(41.0)	-	(469.1)
Depreciation charge	(111.7)	-	(3.9)	-	(115.6)
Disposals	0.8	-	-	-	0.8
Impairment	77.2	-	8.8	-	86.0
Other	5.0	-	-	-	5.0
As at December 31, 2010	(456.8)	-	(36.1)	-	(492.9)
Depreciation charge	(43.3)	-	(1.4)	-	(44.7)
Disposals	2.5	-	-	-	2.5
Other	(11.3)	-	-	-	(11.3)
As at June 30, 2011	(508.9)	-	(37.5)	-	(546.4)
Net book value					
As at December 31, 2010	1,091.5	337.1	12.6	1,289.7	2,730.9
As at June 30, 2011	1,087.3	730.3	11.2	1,329.1	3,157.9

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

(unaudited)

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

6 Debt

	June 30, 2011	December 31, 2010
Drawn debt		
Corporate revolving credit and term loan facility (a)	20.2	80.2
Kansanshi subordinated debt facility (b)	26.8	24.9
Short-term borrowings (c)	33.9	55.7
Other	0.2	0.2
Total debt	81.1	161.0
Less: Current portion of debt facilities and short-term debt	(59.3)	(140.8)
	21.8	20.2
Undrawn debt		
Corporate revolving credit and term loan facility (a)	-	50.0
Kevitsa facility (d)	250.0	-
Short-term borrowings (c)	76.2	54.3

a) Corporate revolving credit and term loan facility

The Company entered into a \$400.0 million corporate revolving credit and term loan facility in October 2006. The facility had three tranches, up to \$225.0 million, \$125.0 million, and \$100.0 million. Tranche C was cancelled effective April 11, 2011. The 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 and tranche B is repayable in seven semi-annual instalments commencing on September 30, 2008. Interest on tranches A and B is calculated at LIBOR plus 2.5%.

The corporate revolving credit and term loan facility has a principal amount outstanding of \$20.4 million (December 31, 2010 - \$80.7 million). The carrying amount shown above of \$20.2 million is net of issue and transaction costs paid of \$0.2 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. Cash is restricted to meet required instalments and \$20.2 million was recorded as restricted cash at June 30, 2011 (December 31, 2010 - \$40.3 million).

b) Kansanshi subordinated debt facility

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

The Kansanshi subordinated debt facility has a principal amount outstanding of 18.9 million Euros (December 31, 2010 - 18.9 million Euros). The carrying amount shown above of \$26.8 million is net of issue and transaction costs of 0.3 million Euros. The interest rate on the facility is indexed to the price of copper resulting in the existence of an embedded derivative. This embedded derivative is recorded at fair value at each period with changes in fair value recorded as a component of net earnings disclosed within finance costs.

c) Short-term borrowings

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

d) Kevitsa facility

In March 2011 the Company entered into a \$250.0 million project loan collateralized by the assets and offtake agreements of the Kevitsa project. The facility is available in two tranches. Tranche A of \$175.0 million is required to be repaid in equal annual instalments over four years starting March 31, 2013; and tranche B of \$75.0 million is required to be repaid on September 30, 2017. The funds are to be used to finance the development of the Kevitsa mine. Interest on the project loan is to be calculated at LIBOR plus 3.5%. The facility was available to draw from May 6, 2011.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

7 Restoration provisions

The Company has restoration and remediation obligations associated with its operating mines and processing facilities. During the six months ended June 30, 2011 the provision increased by \$25.7 million to \$155.6 million (included in provisions and other liabilities on the balance sheet) primarily as a result of the development of Kevitsa and Ravensthorpe.

The restoration provisions have been recorded, using a discount rate between 2.0% and 3.9% and an inflation factor between 2.8% and 4.0%. The liability for retirement and remediation on an undiscounted basis before inflation is estimated to be approximately \$190.5 million. Payments are expected to occur over a period of approximately 32 years.

8 Share capital

a) Common shares

Authorized

Unlimited common shares without par value

Issued

	Number of Shares (000's)
Balance as at December 31, 2010	86,176
Share options exercised	3
Balance as at June 30, 2011	86,179

b) Earnings (loss) per share

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Basic and diluted earnings (loss) attributable to shareholders of the Company	155.3	(182.0)	362.0	(31.7)
Basic weighted average number of shares outstanding (000's of shares)	85,755	80,268	85,754	79,923
Effect of dilutive securities:				
Convertible bonds	8,867	-	8,867	-
Diluted weighted average shares outstanding	94,622	80,268	94,621	79,923
Earnings (loss) per common share - basic	1.81	(2.27)	4.22	(0.40)
Earnings (loss) per common share - diluted	1.64	(2.27)	3.83	(0.40)

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

c) Dividends

On March 15, 2011, the Company declared a dividend payment of \$0.603 CAD per share or \$53.5 million in respect of the fiscal year ended December 31, 2010. (March 16, 2010 - \$0.512 CAD per share or \$40.5 million)

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

9 Sales revenues by nature

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Copper	606.9	495.5	1,258.5	1,003.4
Gold	53.1	44.3	106.7	87.6
	660.0	539.8	1,365.2	1,091.0

10 Cost of sales

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Direct operating costs	(270.3)	(269.1)	(514.4)	(493.9)
Derivative (loss) gain	(2.5)	0.4	(3.4)	8.5
Depletion and amortization	(24.0)	(31.2)	(44.7)	(59.0)
	(296.8)	(299.9)	(562.5)	(544.4)

11 Other income (expense)

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Foreign exchange (loss) gain	(10.9)	(1.8)	(6.2)	1.3
Sundry (expense) income	0.3	0.2	(0.8)	0.6
	(10.6)	(1.6)	(7.0)	1.9

12 Finance costs

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Interest expense on financial liabilities measured at amortized cost	(0.2)	(0.5)	(2.0)	(3.3)
Interest expense on convertible bonds	-	-	-	(2.5)
Interest expense other	(0.9)	(2.7)	(1.3)	(3.0)
Accretion on restoration provision	(0.2)	(0.4)	(3.3)	(0.6)
Other finance costs	-	(1.4)	-	(4.6)
	(1.3)	(5.0)	(6.6)	(14.0)

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

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

13 Segmented information

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

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

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

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

	Kansanshi	Guelb Moghrein	Frontier	Bwana/Lonshi	Projects under development	Corporate	Total
Segmented revenues	523.7	78.0	(0.5)	16.9	-	66.1	684.2
Less inter-segment revenues	-	-	-	(16.4)	-	(7.8)	(24.2)
Sales revenues	523.7	78.0	(0.5)	0.5	-	58.3	660.0
Cost of sales	(190.0)	(39.3)	(2.6)	(2.2)	-	(62.7)	(296.8)
Segmented gross profit (loss)	333.7	38.7	(3.1)	(1.7)	-	(4.4)	363.2
Net finance costs	(0.7)	-	-	-	-	1.1	0.4
Other	(1.1)	(2.6)	-	0.5	-	(37.3)	(40.5)
Segmented profit (loss) before undernoted items	331.9	36.1	(3.1)	(1.2)	-	(40.6)	323.1
Income taxes	(141.4)	-	-	-	-	5.6	(135.8)
Non-controlling interests	(32.1)	-	0.1	-	-	-	(32.0)
Segmented profit (loss)	158.4	36.1	(3.0)	(1.2)	-	(35.0)	155.3
Property, plant and equipment	697.5	204.4	-	22.3	1,347.0	886.7	3,157.9
Total assets	1,489.5	341.7	7.2	32.5	1,409.9	1,879.3	5,160.1
Total liabilities	736.0	29.5	6.6	50.1	262.1	535.1	1,619.4
Capital expenditures	35.4	9.4	-	-	192.2	7.1	244.1

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

	Kevitsa	Ravensthorpe	Total
Property, plant and equipment	546.1	800.9	1,347.0
Total assets	586.2	823.7	1,409.9
Total liabilities	57.0	205.1	262.1
Capital expenditures	91.7	100.5	192.2

First Quantum Minerals Ltd.
Notes to Consolidated Financial Statements

(unaudited)

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

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

	Kansanshi	Guelb Moghrein	Frontier	Bwana/Lonshi	Projects under development	Corporate	Total
Segmented revenues	367.1	40.6	64.4	21.1	-	53.7	546.9
Less inter-segment revenues	-	-	-	(4.5)	-	(2.6)	(7.1)
Sales revenues	367.1	40.6	64.4	16.6	-	51.1	539.8
Cost of sales	(162.4)	(28.7)	(50.3)	(19.7)	-	(38.8)	(299.9)
Segmented gross profit (loss)	204.7	11.9	14.1	(3.1)	-	12.3	239.9
Net finance costs	(0.4)	-	(1.0)	(0.3)	-	(2.4)	(4.1)
Other	(4.9)	(0.3)	(0.1)	(14.8)	(292.0)	(13.2)	(325.3)
Segmented profit (loss) before undernoted items	199.4	11.6	13.0	(18.2)	(292.0)	(3.3)	(89.5)
Income taxes	(54.5)	-	(3.9)	-	-	(4.8)	(63.2)
Non-controlling interests	(28.5)	-	(0.8)	-	-	-	(29.3)
Segmented profit (loss)	116.4	11.6	8.3	(18.2)	(292.0)	(8.1)	(182.0)
Property, plant and equipment	588.7	197.5	254.3	30.6	657.2	275.5	2,003.8
Total assets	1,236.7	287.3	347.1	54.2	661.5	1,551.8	4,138.6
Total liabilities	833.1	19.4	90.7	40.0	56.3	624.4	1,663.9
Capital expenditures	31.3	12.1	2.7	(0.4)	36.9	1.9	84.5

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

	Kolwezi	Kevitsa	Ravensthorpe	Total
Property, plant and equipment	-	269.6	387.6	657.2
Total assets	-	273.6	387.9	661.5
Total liabilities	17.5	6.2	32.6	56.3
Capital expenditures	3.8	16.8	16.3	36.9

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

For the six month period ended June 30, 2011, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/Lonshi	Projects under development	Corporate	Total
Segmented revenues	1,121.0	146.6	13.2	29.7	-	98.0	1,408.5
Less inter-segment revenues	-	-	-	(29.0)	-	(14.3)	(43.3)
Sales revenues	1,121.0	146.6	13.2	0.7	-	83.7	1,365.2
Cost of sales	(386.8)	(74.7)	(10.7)	(3.2)	-	(87.1)	(562.5)
Segmented gross profit (loss)	734.2	71.9	2.5	(2.5)	-	(3.4)	802.7
Net finance costs	(4.5)	-	-	-	-	1.4	(3.1)
Other	(3.7)	(5.0)	-	(0.1)	(2.9)	(63.3)	(75.0)
Segmented profit (loss) before undernoted items	726.0	66.9	2.5	(2.6)	(2.9)	(65.3)	724.6
Income taxes	(309.3)	-	-	-	11.8	13.4	(284.1)
Non-controlling interests	(78.8)	-	0.3	-	-	-	(78.5)
Segmented profit (loss)	337.9	66.9	2.8	(2.6)	8.9	(51.9)	362.0
Property, plant and equipment	697.5	204.4	-	22.3	1,347.0	886.7	3,157.9
Total assets	1,489.5	341.7	7.2	32.5	1,409.9	1,879.3	5,160.1
Total liabilities	736.0	29.5	6.6	50.1	262.1	535.1	1,619.4
Capital expenditures	74.2	31.7	1.5	-	318.8	7.2	433.4

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

	Kevitsa	Ravensthorpe	Total
Property, plant and equipment	546.1	800.9	1,347.0
Total liabilities	586.2	823.7	1,409.9
Total assets	57.0	205.1	262.1
Capital expenditures	140.1	178.7	318.8

First Quantum Minerals Ltd.
Notes to Consolidated Financial Statements

(unaudited)

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

For the six month period ended June 30, 2010, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/Lonshi	Projects under development	Corporate	Total
Segmented revenues	763.0	101.9	144.4	48.6	-	62.4	1,120.3
Less inter-segment revenues	-	-	-	(18.0)	-	(11.3)	(29.3)
Sales revenues	763.0	101.9	144.4	30.6	-	51.1	1,091.0
Cost of sales	(331.0)	(54.0)	(81.4)	(35.7)	-	(42.3)	(544.4)
Segmented gross profit (loss)	432.0	47.9	63.0	(5.1)	-	8.8	546.6
Net finance costs	(1.2)	-	(1.8)	(0.3)	-	(6.7)	(10.0)
Other	(3.4)	(2.4)	(0.5)	(20.9)	(292.0)	(36.2)	(355.4)
Segmented profit (loss) before undernoted items	427.4	45.5	60.7	(26.3)	(292.0)	(34.1)	181.2
Income taxes	(128.2)	-	(18.2)	-	-	(2.4)	(148.8)
Non-controlling interests	(58.8)	(2.4)	(2.9)	-	-	-	(64.1)
Segmented profit (loss)	240.4	43.1	39.6	(26.3)	(292.0)	(36.5)	(31.7)
Property, plant and equipment	588.7	197.5	254.3	30.6	657.2	275.5	2,003.8
Total assets	1,236.7	287.3	347.1	54.2	661.5	1,551.8	4,138.6
Total liabilities	833.1	19.4	90.7	40.0	56.3	624.4	1,663.9
Capital expenditures	52.3	19.6	6.9	(0.4)	58.2	1.9	138.5

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

	Kolwezi	Kevitsa	Ravensthorpe	Total
Property, plant and equipment	-	269.6	387.6	657.2
Total assets	-	273.6	387.9	661.5
Total liabilities	17.5	6.2	32.6	56.3
Capital expenditures	9.2	29.2	19.8	58.2

First Quantum Minerals Ltd.
Notes to Consolidated Financial Statements

(unaudited)

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

14 Derivative financial instruments

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

	Maturity 2011	June 30, 2011		December 31, 2010	
		Asset	Liability	Asset	Liability
Interest rate					
Floating to fixed interest rate swap	26.0	-	(0.2)	-	(0.4)
– principal					
Average fixed interest rate	1.80%				
Foreign currency					
USD/EUR extendible collar					
– principal	€60.0m	0.5	-	-	-
Strike price	1.376-1.416				
Copper					
Futures sales contracts over quotation period (tonnes)	40,600	4.2	(13.2)	3.0	(42.3)
Average price (\$/tonne)	\$9,105				
Embedded derivative hedged by future sales contracts (tonnes)	40,975	-	-	-	-
Average price (\$/tonne)	\$9,320				
Net provisional copper exposure (tonnes)	375				
Gold					
Futures sales contracts over quotation period (ounces)	14,103	0.1	-	-	(0.9)
Average price (\$/ounce)	\$1,519				
Embedded derivative hedged by future sales contracts (ounces)	14,105	-	-	-	-
Average price (\$/ounce)	\$1,509				
Net provisional gold exposure (ounces)	2				
Other					
Embedded derivative		-	(3.3)	-	(3.7)
		4.8	(16.7)	3.0	(47.3)

15 Commitments

In conjunction with the development of Kevitsa and Ravensthorpe, upgrades at Kansanshi, Guelb Moghrein and other projects, the Company has committed to approximately \$235.0 million in capital expenditures.

16 Subsequent events

a) Conversion of convertible bonds

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

On conversion, the Company issued 8,955,547 common shares and transferred the \$460.0 million convertible debt liability and the equity component of the convertible debt to common shares. The incentive payment and other transactions costs will be recognized in profit and loss in Q3 2011.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

(unaudited)

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

b) Common share split

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

Earnings per share will be retroactively restated on a five-for-one basis after the split occurs in Q3 2011.



FIRST QUANTUM
MINERALS LTD.

Management's Discussion and Analysis
Second Quarter Ended June 30, 2011

(expressed in United States dollars, unless otherwise noted)

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

SUMMARY OPERATING AND FINANCIAL DATA

August 8, 2011

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
<i>(USD millions unless otherwise noted)</i>				
Production – copper (tonnes)	64,587	85,402	139,475	170,464
Sales – copper (tonnes)	65,511	74,421	136,176	155,862
Production – gold (ounces)	41,087	51,471	90,233	96,113
Sales – gold (ounces)	38,426	44,300	83,775	93,295
Net realized copper price (per lb)	\$3.81	\$2.70	\$3.91	\$2.78
Average copper unit cash cost of production (C1) ¹ (per lb)	\$1.43	\$1.21	\$1.28	\$1.21
Sales revenues	\$660.0	\$539.8	\$1,365.2	\$1,091.0
Gross profit	\$363.2	\$239.9	\$802.7	\$546.6
Net earnings (loss)	\$155.3	\$(182.0)	\$362.0	\$(31.7)
Comparative earnings ²	\$155.3	\$124.6	\$362.0	\$293.4
Earnings (loss) per share	\$1.81	\$(2.27)	\$4.22	\$(0.40)
Comparative earnings per share ²	\$1.81	\$1.55	\$4.22	\$3.67
Cash	\$1,119.5	\$729.6	\$1,119.5	\$729.6

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

SECOND QUARTER HIGHLIGHTS

- 51% increase in gross profit as the 41% higher net realized copper price more than offset the lower sales volume.
- 3% decrease in copper production from the Kansanshi and Guelb Moghrein mines due to maintenance-related downtime at both operations and the processing of low-grade, high acid consuming oxide ore at Kansanshi.
- Continued strong cash position net of significant development capital investment and significant payments of taxes to the Zambia Revenue Authority ("ZRA").

Development projects advancing on schedule

- Pre-commissioning activities at the Ravensthorpe project commenced in Q2 2011. This will be followed by an estimated six months of commissioning and ramp-up.
- The Kevitsa project remains on schedule to achieve commercial production in mid 2012.

¹ C1 costs are not recognized under IFRS. See "Regulatory Disclosures" for further information.

² Comparative earnings and comparative earnings per share have been adjusted to remove the effect of asset impairments and acquisition transaction costs incurred in 2010. These measures are not recognized under IFRS.

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

- At the Trident project, mining licences were granted in April 2011 covering the entire project and the Environmental Impact Assessment (“EIA”) was approved and a land use agreement was agreed to in July for the development of the Sentinel deposit. Orders have been placed for some long-lead mills and mill drives.
- Site works have commenced on the expansion of the oxide/leach processing circuit at Kansanshi and delineation and near mine exploration has been expanded with 16 drill rigs.
- Exploration activities continue at a high rate at the Company’s other projects in Zambia, Peru, Finland and Mauritania.
- On July 20, 2011 the Company issued 125,679 common shares in connection with a listing of depositary receipts by the Company on the Lusaka Stock Exchange in Zambia.

Operational outlook for 2011

- Production of 280,000 tonnes of copper and 190,000 ounces of gold. A reduced outlook for the year reflects lower production to date as well as lower expected sulphide ore grades in the short-term at Kansanshi, lower acid availability in Zambia and plans for continued plant enhancement works at Guelb Moghrein.
- Average C1 cost of \$1.25 per pound of copper. An increase in the forecasted C1 cost is a result of lower production, inflated input costs and increased waste stripping at Kansanshi as required for the planned plant expansions.
- Nickel production to commence with the commissioning of the Ravensthorpe project in the second half of the year.

REVENUES

Sales revenues (after realization charges)	Three months ended		Six months ended	
	June 30		June 30	
<i>(USD millions unless otherwise noted)</i>	2011	2010	2011	2010
Kansanshi - copper	491.8	336.6	1,055.0	710.1
- gold	31.9	30.5	66.0	52.9
Guelb Moghrein - copper	56.8	26.8	105.9	67.2
- gold	21.2	13.8	40.7	34.7
Frontier - copper	(0.5)	64.4	13.2	144.4
Bwana/Lonshi - copper	0.5	16.6	0.7	30.6
Corporate	58.3	51.1	83.7	51.1
Sales revenues	660.0	539.8	1,365.2	1,091.0
COPPER SELLING PRICE	USD/lb	USD/lb	USD/lb	USD/lb
Realized copper price	4.05	2.98	4.14	3.06
Treatment charges/refining charges (“TC/RC”) and freight parity charges	(0.24)	(0.28)	(0.23)	(0.28)
Net realized copper price	3.81	2.70	3.91	2.78

Sales revenues were up 22% from Q2 2010 as an increase in the net realized copper price outweighed the 12% lower sales volume. The primary reason for the sales volume decrease was the forced shut down of operations at Frontier at the end of August 2010. Gold revenues increased by 20% over Q2 2010 to \$53.1 million due to the higher realized gold price and the timing of sales from Guelb Moghrein.

The Q2 2011 average net realized copper price was significantly higher than Q2 2010 due to an increase in the average LME copper price. TC/RC and freight charges were lower in the current year reflecting a higher proportion of cathode sales in the total sales volume.

During Q2 2011, the metal marketing division had revenues of \$58.3 million and finished goods inventory of \$56.3 million related to external purchases and sales.

SEGMENTED OPERATING RESULTS

Kansanshi Copper and Gold Operation	Three months ended		Six months ended	
	June 30		June 30	
	2011	2010	2011	2010
Production (tonnes)				
Copper cathode	21,037	20,667	46,482	39,847
Copper in concentrate	11,641	15,091	24,338	22,293
Copper cathode tolled	23,478	20,350	50,133	47,551
Total copper production (tonnes)	56,156	56,108	120,953	109,691
Copper sales (tonnes)	57,621	54,666	120,694	111,130
Gold production (ounces)	25,417	26,919	56,029	51,191
Gold sales (ounces)	25,944	29,741	57,154	56,480
Sulphide ore tonnes milled (000's)	2,724	2,791	5,042	5,240
Sulphide ore grade processed (%)	0.7	0.7	0.8	0.7
Sulphide copper recovery (%)	93	93	94	94
Mixed ore tonnes milled (000's)	1,696	1,288	3,334	2,537
Mixed ore grade processed (%)	1.0	1.3	1.1	1.4
Mixed copper recovery (%)	62	68	66	66
Oxide ore tonnes milled (000's)	1,469	1,408	2,986	2,658
Oxide ore grade processed (%)	2.1	2.2	2.3	2.2
Oxide copper recovery (%)	86	90	86	91
Cash costs (C1) (per lb) ¹	\$1.41	\$1.05	\$1.26	\$1.11
Total costs (C3) (per lb) ¹	\$1.68	\$1.26	\$1.53	\$1.32
Gross profit (USD M)	\$333.7	\$204.7	\$734.2	\$432.0

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

Kansanshi's total copper production was similar to Q2 2010 as an increase in total throughput was largely offset by lower ore grades and recoveries. Mining activities were focused on cut-backs of upper benches to establish wider pits resulting in higher waste stripping and lower overall ore grades mined and processed in the quarter.

Production from the sulphide circuit was higher than the prior year due to slightly higher ore grade in Q2 2011. The installation of additional flotation capacity was completed in May 2011 which required some downtime during its commissioning and optimization. This installation, combined with the new secondary sulphide crusher, is expected to increase throughput capacity and improve recoveries in the second half of 2011.

The mixed circuit throughput rate continued at a high rate however ore grades processed were 1.0% copper reflecting the current ore profile from the mine pits. Recovery also was lower as a result of an unfavourable blend of sulphide and oxide ore processed.

Production from the oxide circuit decreased from the prior year due to lower acid-soluble copper grades in the ore mined, resulting in lower recoveries. Domestic sulphuric-acid supply was intermittent in the latter part of the quarter which resulted in the stockpiling of some higher acid consuming oxide ore.

Gold production was 6% lower year-over-year as a result of lower gold grades mined and processed from the upper benches of the mine in Q2 2011.

Kansanshi's cash unit cost of production (C1) increased 34% over Q2 2010. Ore costs were impacted by increased fuel prices and the higher level of waste stripping activities. The increased waste stripping is required to enable future mine production to meet the planned increase in plant throughput. Processing costs were impacted by the lower grade of the ore processed, higher input costs for oil-based consumables and acid together with the costs of plant maintenance programs undertaken in Q2 2011.

Kansanshi's gross operating profit was 63% higher than Q2 2010 as a result of higher copper and gold prices in the current period, offset partially by higher production costs.

Outlook for 2011

Mining rates will increase as replacement and new mining equipment is introduced during 2011 and 2012. This higher capacity will allow for additional ore production, waste stripping and mine cutbacks, providing greater operational flexibility. The new equipment required to increase the rate of mining has been selected and procured. Also during Q2 2011, the 350-tonne electric face shovels from the Frontier mine were relocated for re-assembly at Kansanshi. Lower than plan mine grades are expected to continue in Q3 though efforts are being made to alleviate this through re-scheduling mining operations.

Optimization works are ongoing on the sulphide circuit to derive the required throughput gains expected from the installation of secondary crushing capacity. The expansion of the oxide/leach circuit has commenced with the relocation of the fixed plant from Bwana. This initial stage will be completed by late 2011 and an approximate 20% increase in cathode production is expected.

Guelb Moghrein Copper and Gold Operation	Three months ended		Six months ended	
	June 30		June 30	
	2011	2010	2011	2010
Production – copper in concentrate (tonnes)	8,429	10,390	18,520	18,795
Copper sales (tonnes)	7,810	5,591	13,841	12,941
Gold production (ounces)	15,670	24,552	34,204	44,922
Gold sales (ounces)	12,482	14,559	26,621	36,815
Sulphide ore tonnes milled (000's)	631	744	1,389	1,404
Sulphide ore grade processed (%)	1.5	1.6	1.5	1.5
Sulphide copper recovery (%)	91	87	92	88
Cash costs (C1) (USD per lb) ¹	\$1.62	\$1.08	\$1.44	\$0.87
Total costs (C3) (USD per lb) ¹	\$2.49	\$1.69	\$2.26	\$1.56
Gross operating profit (USD M)	\$38.7	\$11.9	\$71.9	\$47.9

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

Guelb Moghrein's copper production was 19% lower than Q2 2010 due to a major crusher repair which resulted in 14 days of circuit downtime. Throughput recovered to planned rates once the crusher returned online by the end of the quarter. Gold production was impacted by the circuit downtime as well as lower gold grades.

Guelb Moghrein's average cash cost of production (C1) was 50% higher than Q2 2010. During the period of the crusher downtime, the mining operation focused on waste stripping which resulted in a significantly higher strip ratio and higher ore costs in Q2 2011. The benefit of this additional stripping will be reflected in future periods. Processing costs were directly impacted by the circuit downtime as fixed costs were allocated to lower production in the quarter. Higher diesel and heavy-fuel oil prices also had a significant impact on mining and processing costs during Q2 2011.

Outlook for 2011

Following the completion of the commissioning phase of the 3.8 million tonnes per annum ("Mtpa") expansion, efforts have focused on the streamlining of the whole process plant. The optimization of the plant with the focus on increasing throughput and metal recoveries is ongoing. The delivery of the expanded mining fleet will provide additional mining flexibility and it is anticipated that this will allow the blend of mine feed to be enhanced ensuring ore quality can be maintained within practical operational limits.

COSTS AND EXPENSES

	Three months ended		Six months ended	
	June 30		June 30	
<i>(USD millions unless otherwise noted)</i>	2011	2010	2011	2010
Gross profit	363.2	239.9	802.7	546.6
General and administrative	(14.5)	(5.6)	(33.2)	(12.9)
Other income (expense)	(10.6)	(1.6)	(7.0)	1.9
Exploration	(15.4)	(11.5)	(34.8)	(19.3)
Net finance income (expense)	0.4	(4.1)	(3.1)	(10.0)
Impairment of assets	-	(306.6)	-	(306.6)
Acquisition transaction costs	-	-	-	(18.5)
Income taxes	(135.8)	(63.2)	(284.1)	(148.8)
Net earnings (loss) for the period	187.3	(152.7)	440.5	32.4
Net earnings (loss) for the period attributable to:				
Non-controlling interests	32.0	29.3	78.5	64.1
Shareholders of the Company	155.3	(182.0)	362.0	(31.7)
Earnings (loss) per share				
basic (USD per share)	1.81	(2.27)	4.22	(0.40)
diluted (USD per share)	1.64	(2.27)	3.83	(0.40)
Weighted average shares outstanding				
basic (number of shares – millions)	85.8	80.3	85.8	79.9
diluted (number of shares - millions)	94.6	80.3	94.6	79.9

General and administrative costs increased year-over-year due to elevated legal and other costs related to RDC matters and a higher complement of employees to develop and manage the expanded pipeline of projects.

Exploration expenses in Q2 2011 include \$8.0 million incurred at the Enterprise and Intrepid targets in Zambia and \$4.5 million at the Haqira project in Peru. The Company now capitalizes costs incurred at Sentinel as the project has advanced to a development planning phase. See “Development Activities - Exploration” for further discussion.

Net finance costs decreased in Q2 2011 due to an increase in interest income earned on cash balances. Interest costs on group debt balances are capitalized to the Kevitsa and Ravensthorpe projects in accordance with IFRS.

Income taxes are higher on increased profitability in Q2 2011 and an increase in Kansanshi’s effective tax rate from 30% in 2010 to 43% 2011. See “Other items” for further discussion on Zambian taxes.

FINANCIAL POSITION AND LIQUIDITY

	Three months ended		Six months ended	
	June 30		June 30	
<i>(USD millions unless otherwise noted)</i>	2011	2010	2011	2010
Cash flows from operating activities				
before changes in working capital	241.0	185.2	453.1	405.7
after changes in working capital	(55.0)	339.2	319.7	503.9
Cash flows from financing activities	(93.6)	(98.0)	(141.8)	(92.5)
Cash flows from investing activities	(238.5)	(100.3)	(423.5)	(641.3)
Net cash flows	(387.1)	140.9	(245.6)	(229.9)
Cash balance	1,099.3	689.3	1,099.3	689.3
Available credit facilities				
Kevitsa facility	250.0	-	250.0	-
Corporate revolving credit and term loan facility	-	50.0	-	50.0
Short-term borrowings	76.2	18.6	76.2	18.6
Corporate revolving loan and short-term facility	-	250.0	-	250.0
Cash flows from operating activities per share ¹				
before working capital (USD per share)	\$2.81	\$2.31	\$5.28	\$5.08
after working capital (USD per share)	(\$0.64)	\$4.23	\$3.73	\$6.30

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

Operating cash flows before changes in working capital increased from Q2 2010 due to an increase in net earnings. Working capital movements during Q2 2011 resulted in a decrease in cash of \$296.0 million. This was principally due to the payment of \$347.0 million in Zambian taxes in the current quarter. These tax payments comprised of an instalment for operating earnings in the current year and payment of back-taxes of \$224.0 million to the ZRA. See "Other items" for further discussion on Zambian taxation.

Cash flows from financing activities comprise dividend payments made to shareholders of the Company as well as dividends paid to non-controlling interests. Restricted cash increased to meet the final scheduled principal payment of the Corporate revolving credit and term loan facility in September 2011.

Development at Ravensthorpe and Kevitsa resulted in a cash outflow for investing activities of \$192.2 million. Capital investments also continued at Kansanshi and Guelb Moghrein related to the mining fleet additions and plant expansions.

As at June 30, 2011, 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	81.1	59.3	5.6	5.4	5.4	5.4	-
Convertible bonds	500.0	-	-	500.0	-	-	-
Trade, other and current taxes payable	691.2	691.2	-	-	-	-	-
Deferred payments	7.9	0.4	0.2	0.2	-	-	7.1
Finance leases	31.0	2.0	2.1	2.3	2.4	2.5	19.7
Commitments	235.0	235.0	-	-	-	-	-
Restoration provisions	156.9	1.3	1.3	1.3	1.3	1.3	150.4

INVENTORY

	Copper (tonnes)
Kansanshi	27,439
Guelb Moghrein	11,759
Total	39,198

Finished copper inventory decreased by 923 tonnes to 39,198 tonnes as at June 30, 2011 with an average cost of approximately \$1.89 per pound (\$4,168 per tonne). Approximately 15,000 tonnes of Kansanshi's copper in concentrate was in the process of being treated or stockpiled for treatment at the Mufulira smelter as at June 30, 2011. Included in the total finished goods inventory balance, but not in the table above, is 4,890 tonnes of third party material purchased for resale by the metal marketing division.

EQUITY

At the date of this report, the Company has 95,260,265 shares outstanding. Changes in common shares outstanding from June 30, 2011 are as follows

	'000 shares
Total shares outstanding as at June 30, 2011	86,179
a) Shares issued on conversion of convertible bonds	8,955
b) Lusaka stock exchange listing	126
Total shares outstanding as at August 8, 2011	95,260
c) Five-for-one common share split	381,041
Expected total shares outstanding on August 11, 2011	476,301

a) Conversion of convertible bonds

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

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

b) Lusaka stock exchange listing

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

c) Common share split

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

Each shareholder of record of the Company as at August 11, 2011 will receive four additional common shares for each common share held on such date. Earnings per share will be retroactively restated on the five-for-one basis for all comparative periods.

DEVELOPMENT ACTIVITIES

Ravensthorpe nickel project, Australia

Construction of the new plant elements is complete in a number of areas and pre-commissioning of these new elements has commenced. The environmental and project management approval processes continue with approvals now obtained for the recommencement of operations.

Re-commissioning of the existing plant continues with most areas handed over to operations. A period of approximately six months of plant commissioning and ramp-up is expected.

The operations recruitment program is continuing and is on schedule. Ravensthorpe is estimated to produce an average of 39,000 tonnes of nickel annually for the first five years after commencement of operations. The estimated average annual production is 28,000 tonnes over the total life of mine of 32 years. The life of mine planning has commenced with a focus on the sequence of depletion of the respective geological deposits; Halleys, Hale Bopp and Shoemaker Levy.

Kevitsa nickel/copper/PGE project, Finland

Detailed design activities are essentially complete and all major items of equipment are on site. Plant site earthworks are complete, concrete work is over 90% complete, structural steel construction is well progressed, mill installation is over 50% complete and mechanical, piping and electrical installation is progressing. Construction of a number of infrastructure items is complete including the access road, the incoming power line and the water pipeline.

The significant increase in the Kevitsa ore reserve (See "Exploration" for discussion) means that at the currently planned processing rate of 5.0 Mtpa, the mine life would be extended to over 30 years. Taken together with the potential for further resources to be recovered, the Company is currently scoping opportunities to scale production up to 10 Mtpa. An EIA is in process with a view to applying for a revised environmental permit later in 2011. In addition, an application has been made to expand the current mining lease to accommodate the further infrastructure that may be required.

Kevitsa has an initial annual production target of 10,000 tonnes of nickel and 20,000 tonnes of copper. Commercial production is targeted for mid 2012.

Trident project, Zambia

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

Resource drilling on the Sentinel deposit is essentially finished with approximately 170,000 metres of core drilling in nearly 500 holes completed in the last 14 months. Geological modeling, data analysis and reporting are currently in progress. Finalization of the resource estimation awaits the last batches of laboratory assays and should be complete in Q3 2011.

Based on an internally generated resource estimate, the Company is proceeding with the design of a project that is expected to initially produce 150,000 tonnes of copper in concentrate annually then rising up to 300,000 tonnes of copper in concentrate. Once the resource drilling is complete, the production target may be increased further. A National Instrument 43-101 ("NI 43-101") compliant resource statement for the Sentinel deposit is expected later in 2011. Initial design works have commenced, the long lead mills and mill drives have been ordered, and initial construction works are planned to commence in Q4 2011 with commercial production being achieved in 2014.

Kansanshi copper/gold operation, Zambia

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

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

Copper smelter project, Zambia

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

Exploration

Exploration activities continued at a high rate during Q2 2011 with ongoing drill programs in Zambia, Finland, Peru and Mauritania.

Trident, Zambia

At the Trident project in Zambia 10 core drills are still active. Completion of the Sentinel resource program is now allowing rigs to be transferred to regional targets and to Kansanshi.

Five drills have continued testing the Enterprise nickel prospect approximately 12 kilometres ("km") to the northwest of Sentinel. Eighty core holes have now been completed over an area of approximately 2km by 1km. Mineralization has been intercepted on most sections. Geological modeling is improving the understanding of the mineralization which appears to be controlled by an interplay of high angle faults and a strongly altered black shale unit. At least two significant pods of high grade mineralization have been identified. Further drill intercepts of 25-60 metres at grades of 2 to 3% nickel continue to be returned from the northern extent of the Enterprise prospect which remains open. Ground geophysical surveys are in progress at Enterprise and Sentinel to test methods capable of mapping the mineralized sequence in three dimensions.

Kevitsa, Finland

Near mine exploration work has included 12 core holes focused on discrete magnetic targets and copper-gold mineralization encountered near the south-eastern contact of the intrusion. Geophysical surveys completed during the quarter demonstrate that this contact style mineralization can be mapped as a chargeable anomaly. Base of till drilling continues to test targets around the southern and eastern side of the Kevitsa intrusion within the mine license area and adjacent claims. Drilling continues on regional targets to the north of Kevitsa.

Haquira, Peru

Infill and extension drilling on the main Haquira prospect continued with four rigs currently active. Helicopter borne magnetic and electromagnetic surveys commenced during the period. These will be the first detailed geophysical surveys to cover the entire Antares tenure and will directly map the Haquira porphyry and extensions as well as any further porphyry targets. Systematic soil geochemical grid sampling is also planned to cover the entire tenure.

Kansanshi, Zambia

The major program of resource development and exploration drilling planned at Kansanshi is ramping up successfully with 16 drills now on site and the successful commissioning of a new core processing area and full onsite assay laboratory. Resource development drilling continues to define extensions of significant veins to the north, south and west of the North-west Pit. Exploration drilling continues to be focused on extensions to the South-east Dome prospect and a series of regional traverses designed to test the overall extent and architecture of the Kansanshi mine sequence. Several holes on the regional traverses have intersected significant Kansanshi style veins well away from the current resource, demonstrating the potential scale of the mineralizing system.

Guelb Moghrein, Mauritania

In Mauritania, reverse circulation and core drilling continued with two rigs testing targets in the Guelb Moghrein area. Some near surface copper and gold intercepts were reported near the mine.

OTHER ITEMS

Zambian taxation

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

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

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

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

RDC – Disputes

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

The Company has commenced international arbitrations in respect of the Kolwezi project and the Frontier and Lonshi mines and will continue to pursue all available avenues to recover the value of its RDC assets. The timing of any judgments or negotiated or arbitrated settlements is not known at this time.

Hedging program

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

	Maturity 2011	June 30, 2011		December 31, 2010	
		Asset	Liability	Asset	Liability
Interest rate					
Floating to fixed interest rate swap					
Principal	26.0	-	(0.2)	-	(0.4)
Average fixed interest rate	1.80%				
Foreign currency					
USD/EUR extendible collar					
- Principal	€60.0m	0.5	-	-	-
Strike price	1.376-1.416				
Copper (a)					
Futures sales contracts over quotation period (tonnes)	40,600	4.2	(13.2)	3.0	(42.3)
Average price (\$/tonne)	\$9,105				
Embedded derivative hedged by future sales contracts (tonnes)	40,975	-	-	-	-
Average price (\$/tonne)	\$9,320				
Net provisional copper exposure (tonnes)	375				
Gold (a)					
Futures sales contracts over quotation period (ounces)	14,103	0.1	-	-	(0.9)
Average price (\$/ounce)	\$1,519				
Embedded derivative hedged by future sales contracts (ounces)	14,105	-	-	-	-
Average price (\$/tonne)	\$1,509				
Net provisional gold exposure (ounces)	2				
Other					
Embedded derivative		-	(3.3)	-	(3.7)
		4.8	(16.7)	3.0	(47.3)

a) Provisional pricing and derivative contracts

A portion of the Company's metal sales is sold on a provisional pricing basis and is subject to adjustment as a result of changes in market prices subsequent to the recognition of sales revenues. In order to mitigate the impact of these adjustments on net income, the Company enters into derivative contracts to directly offset the pricing exposure on the provisionally priced contracts. The provisional pricing gains or losses and offsetting derivative gains or losses are both recognized as a component of cost of sales. Derivative assets are presented in other assets and derivative liabilities are presented in other liabilities with the exception of copper and gold embedded derivatives which are included with accounts receivable.

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

Appendix A

SUMMARY OF QUARTERLY RESULTS

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

Consolidated operating statistics	Q3 09 ⁽¹⁾	Q4 09 ⁽¹⁾	FY 09 ⁽¹⁾	Q1 10	Q2 10	Q3 10	Q4 10	FY 10	Q1 11	Q2 11	YTD 11
<i>Revenues</i>											
Copper	\$511.3	\$591.5	\$1,706.4	\$507.9	\$495.5	\$543.8	\$648.8	\$2,196.0	\$651.6	\$606.9	\$1,258.5
Gold	35.0	53.3	156.0	43.3	44.3	50.6	59.0	197.2	53.6	53.1	106.7
Other revenues	-	-	1.8	-	-	-	-	-	-	-	-
Total sales revenues	546.3	644.8	1,864.2	551.2	539.8	594.4	707.8	2,393.2	705.2	660.0	1,365.2
Direct operating costs	207.7	233.9	733.4	224.8	269.1	267.3	288.6	1,049.8	244.1	270.3	514.4
Impairment charge	-	-	-	-	306.6	303.6	(1.2)	609.0	-	-	-
Net earnings (loss)	123.8	227.2	463.4	150.3	(182.0)	(117.2)	472.5	323.6	206.7	155.3	362.0
Basic earnings (loss) per share	\$1.59	\$2.91	\$6.14	\$1.86	\$(2.27)	\$(1.46)	\$5.82	\$4.03	\$2.41	\$1.81	\$4.22
Diluted earnings (loss) per share	\$1.50	\$2.67	\$5.92	\$1.69	\$(2.27)	\$(1.46)	\$5.25	\$3.97	\$2.18	\$1.64	\$3.83
Weighted average # shares (000's)	78,052	78,169	75,508	80,669	80,268	80,220	81,160	80,264	85,754	85,755	85,754
<i>Cash flows from operating activities per share</i>											
Before working capital movements	\$2.11	\$3.45	\$8.98	\$2.73	\$2.31	\$2.55	\$4.16	\$11.81	\$2.53	\$2.81	\$5.28
After working capital movements	\$2.52	\$3.45	\$7.45	\$2.04	\$4.23	\$0.24	\$3.71	\$10.27	\$4.42	(\$0.64)	\$3.73
<i>Copper selling price</i>											
Gross copper selling price (per lb)	2.50	3.03	2.40	3.12	2.98	3.18	3.73	3.25	4.23	4.05	4.14
Tolling and refining charges (per lb)	(0.08)	(0.08)	(0.08)	(0.10)	(0.06)	(0.03)	(0.02)	(0.06)	(0.03)	(0.04)	(0.04)
Freight parity charges (per lb)	(0.21)	(0.22)	(0.16)	(0.19)	(0.22)	(0.22)	(0.23)	(0.21)	(0.19)	(0.20)	(0.19)
Net realized copper price (per lb)	2.21	2.73	2.16	2.83	2.70	2.93	3.48	2.98	4.01	3.81	3.91
Net realized gold price (per oz)	722	926	839	886	1,000	1,169	1,085	1,033	1,183	1,382	1,275
Total copper produced (tonnes)	93,486	98,528	373,940	85,062	85,402	76,633	75,920	323,017	74,888	64,587	139,475
Total copper sold (tonnes)	105,154	98,171	366,581	81,441	74,421	79,408	76,290	311,560	70,665	65,511	136,176
Total gold produced (ounces)	43,357	62,679	193,288	44,642	51,471	46,718	48,564	191,395	49,146	41,087	90,233
Total gold sold (ounces)	48,454	57,571	185,907	48,995	44,300	44,934	50,139	188,368	45,349	38,426	83,775
Cash Costs (C1) (per lb) ⁽²⁾	\$0.98	\$0.97	\$0.96	\$1.21	\$1.21	\$1.21	\$1.06	\$1.18	\$1.15	\$1.43	\$1.28
Total Costs (C3) (per lb) ⁽²⁾	\$1.27	\$1.27	\$1.22	\$1.49	\$1.49	\$1.59	\$1.35	\$1.47	\$1.48	\$1.78	\$1.62
<i>Copper Inventory (tonnes)</i>											
Kansanshi	22,021	22,059	22,059	18,979	20,621	20,468	28,023	28,023	28,892	27,439	27,439
Guelb Moghrein	555	3,041	3,041	4,096	8,896	8,092	7,079	7,079	11,140	11,759	11,759
Frontier	3,128	963	963	6,228	10,648	8,032	1,651	1,651	89	10	10
Bwana	-	-	-	182	502	450	-	-	-	-	-
Total copper inventory	25,704	26,063	26,063	29,485	40,667	37,042	36,753	36,753	40,121	39,208	39,208

⁽¹⁾ 2009 Financial information is presented in accordance with previous Canadian GAAP and may not be appropriate as a comparative basis.

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

Kansanshi statistics	Q3 09⁽¹⁾	Q4 09⁽¹⁾	FY 09⁽¹⁾	Q1 10	Q2 10	Q3 10	Q4 10	FY 10	Q1 11	Q2 11	YTD 11
Mining											
Waste mined (000's tonnes)	7,122	4,663	20,802	2,921	4,998	9,008	6,920	23,847	6,700	13,087	19,787
Ore mined (000's tonnes)	5,410	5,258	18,681	3,712	6,076	6,394	6,863	23,045	6,152	6,025	12,177
Ore grade (%)	1.4	1.3	1.4	1.4	1.2	1.2	1.5	1.3	1.4	1.5	1.5
Processing⁽¹⁾											
Sulphide ore processed (000's tonnes)	2,576	2,777	11,994	2,449	2,791	2,443	2,699	10,382	2,318	2,724	5,042
Sulphide ore grade processed (%)	0.9	0.8	1.0	0.8	0.7	0.8	0.8	0.8	0.9	0.7	0.8
Sulphide ore recovery (%)	93	93	93	93	93	93	93	93	94	93	94
Mixed ore processed (000's tonnes)	1,477	1,566	3,588	1,249	1,288	1,289	1,636	5,462	1,638	1,696	3,334
Mixed ore grade processed (%)	1.3	1.4	1.4	1.4	1.3	1.2	1.3	1.3	1.2	1.0	1.1
Mixed ore recovery (%)	65	64	65	63	68	67	70	67	68	62	66
Oxide ore processed (000's tonnes)	1,540	1,478	5,661	1,250	1,408	1,495	1,521	5,674	1,517	1,469	2,986
Oxide ore grade processed (%)	2.3	2.2	2.2	2.1	2.2	2.4	2.4	2.2	2.4	2.1	2.3
Oxide ore recovery (%)	80	83	83	93	90	78	84	86	84	86	86
Copper cathode produced (tonnes)	25,436	21,535	92,044	19,180	20,667	21,914	24,921	86,682	25,445	21,037	46,482
Copper cathode tolled produced (tonnes)	26,344	24,901	87,015	27,201	20,350	23,564	26,386	97,501	26,655	23,478	50,133
Copper in concentrate produced (tonnes)	9,516	16,017	65,920	7,202	15,091	9,723	14,925	46,941	12,697	11,641	24,338
Total copper production	61,296	62,453	244,979	53,583	56,108	55,201	66,232	231,124	64,797	56,156	120,953
Concentrate grade (%)	27.9	27.6	27.8	27.3	27.3	24.7	24.0	24.9	23.0	22.1	22.6
Gold produced (ounces)	25,350	32,476	99,936	24,272	26,919	29,456	28,982	109,629	30,612	25,417	56,029
Combined Costs (per lb)⁽²⁾											
Mining	\$0.35	\$0.35	\$0.32	\$0.45	\$0.45	\$0.45	\$0.39	\$0.44	\$0.42	\$0.55	\$0.48
Processing	0.50	0.52	0.50	0.60	0.57	0.57	0.55	0.58	0.62	0.76	0.68
Site Administration	0.02	0.01	0.02	0.03	0.02	0.03	0.06	0.03	0.04	0.06	0.05
TC/RC and freight charges	0.28	0.29	0.29	0.29	0.26	0.29	0.30	0.28	0.30	0.30	0.30
Gold credit	(0.14)	(0.21)	(0.14)	(0.19)	(0.25)	(0.25)	(0.23)	(0.23)	(0.24)	(0.26)	(0.25)
Combined Total Cash Costs (C1) ⁽²⁾	\$1.01	\$0.96	\$0.99	\$1.18	\$1.05	\$1.09	\$1.07	\$1.10	\$1.14	\$1.41	\$1.26
Combined Total Costs (C3) ⁽²⁾	\$1.31	\$1.28	\$1.27	\$1.39	\$1.26	\$1.42	\$1.29	\$1.31	\$1.39	\$1.68	\$1.53
Revenues (\$ millions)											
Copper cathodes	\$282.1	\$280.4	\$871.1	\$308.5	\$271.7	\$293.2	\$366.6	\$1,240.0	\$494.0	\$444.2	\$938.2
Copper in concentrates	97.6	99.9	280.0	65.0	64.9	71.9	96.6	298.4	69.2	47.6	116.8
Gold	18.7	29.1	74.4	22.4	30.5	29.5	33.1	115.5	34.1	31.9	66.0
Total sales revenues	\$398.4	\$409.4	\$1,225.5	\$395.9	\$367.1	\$394.6	\$496.3	\$1,653.9	\$597.3	\$523.7	\$1,121.0
Copper cathode sold (tonnes)	26,178	21,012	96,160	18,953	20,215	21,329	20,285	80,782	29,412	26,370	55,782
Copper tolled cathode sold (tonnes)	26,344	24,902	87,016	26,995	20,350	23,564	26,386	97,295	26,655	23,478	50,133
Copper in concentrate sold (tonnes)	21,463	16,503	56,402	10,516	14,101	10,462	12,033	47,112	7,006	7,773	14,779
Gold sold (ounces)	30,083	33,085	94,646	26,739	29,741	29,907	29,355	115,742	31,210	25,944	57,154

⁽¹⁾ 2009 Financial information is presented in accordance with previous Canadian GAAP and may not be appropriate as a comparative basis.

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

Guelb Moghrein statistics	Q3 09⁽¹⁾	Q4 09⁽¹⁾	FY 09⁽¹⁾	Q1 10	Q2 10	Q3 10	Q4 10	FY 10	Q1 11	Q2 11	YTD 11
Mining											
Waste mined (000's tonnes)	2,177	2,246	8,804	2,803	2,609	2,491	1,924	9,827	2,267	3,114	5,381
Ore mined (000's tonnes)	525	827	2,744	690	812	823	720	3,045	931	661	1,592
Ore grade (%)	1.6	1.5	1.6	1.4	1.6	1.4	1.5	1.5	1.5	1.5	1.5
Processing⁽¹⁾											
Sulphide ore processed (000's tonnes)	514	769	2,287	660	744	644	748	2,796	758	631	1,389
Sulphide ore grade processed (%)	1.7	1.7	1.8	1.4	1.6	1.4	1.4	1.5	1.4	1.5	1.5
Recovery (%)	84	92	89	90	87	92	91	91	92	91	92
Copper in concentrate produced (tonnes)	7,425	11,816	36,608	8,405	10,390	8,487	9,687	36,969	10,091	8,429	18,520
Gold produced (ounces)	18,007	30,203	93,352	20,370	24,552	17,262	19,582	81,766	18,534	15,670	34,204
Sulphide Circuit Costs (per lb)⁽²⁾											
Mining	\$0.16	\$0.29	\$0.22	\$0.31	\$0.25	\$0.36	\$0.49	\$0.35	\$0.40	\$0.46	\$0.43
Processing	0.73	0.53	0.54	0.68	0.64	0.88	0.87	0.77	0.82	1.20	0.99
Site Administration	0.16	0.18	0.14	0.16	0.16	0.28	0.40	0.25	0.25	0.38	0.31
TC/RC and freight parity charges	0.49	0.51	0.48	0.42	0.48	0.51	0.48	0.48	0.47	0.62	0.55
Gold credit	(0.87)	(0.88)	(0.94)	(0.98)	(0.45)	(1.24)	(1.21)	(0.95)	(0.68)	(1.04)	(0.84)
Sulphide Circuit Cash Costs (C1) ⁽²⁾	\$0.67	\$0.63	\$0.44	\$0.59	\$1.08	\$0.79	\$1.03	\$0.90	\$1.26	\$1.62	\$1.44
Sulphide Circuit Total Costs (C3) ⁽²⁾	\$1.19	\$1.02	\$0.83	\$1.40	\$1.69	\$1.85	\$1.79	\$1.65	\$2.03	\$2.49	\$2.26
Revenues (\$ millions)											
Copper in concentrates	\$24.1	\$45.4	\$115.7	\$40.4	\$26.8	\$56.4	\$69.1	\$192.7	\$49.1	\$56.8	\$105.9
Gold	16.3	24.2	81.6	20.9	13.8	21.1	25.9	81.7	19.5	21.2	40.7
Total revenues	\$40.4	\$69.6	\$197.3	\$61.3	\$40.6	\$77.5	\$95.0	\$274.4	\$68.6	\$78.0	\$146.6
Copper in concentrate sold (tonnes)	6,958	9,330	35,436	7,350	5,591	9,291	10,700	32,932	6,031	7,810	13,841
Gold sold (ounces)	18,371	25,384	91,262	22,256	14,559	15,027	20,784	72,626	14,139	12,482	26,621
Frontier statistics											
Mining											
Waste mined (000's tonnes)	3,282	3,932	10,626	3,506	6,239	4,869	-	14,614	-	-	-
Ore mined (000's tonnes)	2,300	1,998	8,050	1,912	2,249	1,282	-	5,443	-	-	-
Ore grade (%)	1.2	1.2	1.2	1.2	0.9	0.9	-	1.0	-	-	-
Processing⁽¹⁾											
Sulphide ore processed (000's tonnes)	2,183	2,280	8,068	1,932	2,147	1,346	-	5,425	-	-	-
Sulphide ore grade processed (%)	1.2	1.2	1.2	1.1	0.8	0.9	-	1.0	-	-	-
Recovery (%)	92	91	92	90	93	92	-	90	-	-	-
Copper in concentrate produced (tonnes)	24,765	24,259	92,353	20,786	16,181	10,541	-	47,508	-	-	-
Sulphide Circuit Costs (per lb)⁽²⁾											
Mining	\$0.23	\$0.41	\$0.28	\$0.49	\$0.78	\$0.95	-	\$0.68	-	-	-
Processing	0.30	0.42	0.33	0.32	0.47	0.57	-	0.43	-	-	-
Site Administration	0.09	0.10	0.08	0.12	0.15	0.30	-	0.17	-	-	-
TC/RC and freight parity charges	0.40	0.39	0.44	0.61	0.42	0.40	-	0.49	-	-	-
Sulphide Circuit Cash Costs (C1) ⁽²⁾	\$1.02	\$1.32	\$1.13	\$1.54	\$1.82	\$2.22	-	\$1.77	-	-	-
Sulphide Circuit Total Costs (C3) ⁽²⁾	\$1.19	\$1.52	\$1.30	\$1.80	\$2.19	\$2.55	-	\$2.10	-	-	-
Revenues (\$ millions)											
Copper in concentrates	\$107.5	\$165.8	\$439.2	\$80.0	\$64.4	\$74.4	\$51.2	\$270.0	\$13.7	(\$0.5)	\$13.2
Copper in concentrate sold (tonnes)	24,211	26,424	91,567	15,521	11,762	12,360	6,381	46,024	1,562	79	1,641
Bwana/Lonshi statistics											
Copper cathode produced (tonnes)	-	-	-	2,288	2,723	2,404	-	7,415	-	-	-
Acid produced (tonnes)	-	848	96,502	22,747	66,527	14,896	12,395	116,565	34,131	67,103	101,234
Oxide Circuit Costs (per lb)											
Oxide Circuit Cash Costs (C1) ⁽²⁾	-	-	-	\$1.27	\$1.34	\$1.24	-	\$1.28	-	-	-
Oxide Circuit Total Costs (C3) ⁽²⁾	-	-	-	\$1.40	\$1.34	\$1.54	-	\$1.43	-	-	-
Revenues (\$ millions)											
Copper in cathodes	-	-	\$0.4	\$14.0	\$16.6	\$17.4	\$3.6	\$51.6	\$0.2	\$0.5	\$0.7
Copper cathodes sold (tonnes)	-	-	-	2,106	2,402	2,402	505	7,415	-	-	-
Copper cathode produced (tonnes)	-	-	-	2,288	2,723	2,404	-	7,415	-	-	-

(1) 2009 Financial information is presented in accordance with previous Canadian GAAP and may not be appropriate as a comparative basis.

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

Appendix B**REGULATORY DISCLOSURES****Seasonality**

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

Off-Balance Sheet Arrangements

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

Calculation of Cash Costs and Total Costs

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

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

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

Calculation of Operating Cash Flow per Share

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

Calculation of Comparative earnings

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

International Financial Reporting Standards

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

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

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

Implementation

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

Assets

		June 30, 2010
Total assets under Canadian GAAP		4,278.1
Adjustments for differing accounting treatments		
Restoration provision	ii	20.4
Borrowing costs	iii	19.1
Deferred income tax		
Mineral property acquisitions	iv(a)	(183.2)
Convertible bond issuance	iv(c)	(12.7)
Intercompany inventory sales	iv(e)	4.3
Total assets under IFRS		4,126.0

Liabilities

		June 30, 2010
Total liabilities under Canadian GAAP		1,794.9
Adjustments for differing accounting treatments		
Restoration provision	ii	24.2
Deferred income tax		
Mineral property acquisitions	iv(a)	(168.0)
Total liabilities under IFRS		1,651.1

Equity

		June 30, 2010
Total equity under Canadian GAAP		2,483.2
Adjustments for differing accounting treatments		
Share capital		
Deferred income tax		
Share issuance costs	iv(b)	3.2
Convertible bond issuance	iv(c)	(8.6)
Retained earnings		
Kolwezi project fair value adjustment	i	-
Restoration provision	ii	(3.8)
Borrowing costs	iii	19.1
Deferred income tax		
Mineral property acquisitions	iv(a)	(15.1)
Share issuance costs	iv(b)	(3.2)
Convertible bond issuance	iv(c)	(4.2)
Intercompany inventory sales	iv(e)	4.3
Total equity under IFRS		2,474.9

Comprehensive loss

		Three months ended	Six months ended
		June 30, 2010	June 30, 2010
Total comprehensive loss under Canadian GAAP		(586.3)	(417.4)
Increase (decrease) in net income for:			
Kolwezi project fair value adjustment	i	399.8	399.8
Restoration provision	ii	(2.9)	(2.9)
Borrowing costs	iii	10.9	19.1
Deferred income tax			
Mineral property acquisitions	iv(a)	(5.9)	(9.7)
Convertible bond issuance	iv(c)	1.6	(0.3)
Intercompany inventory sales	iv(e)	2.7	4.3
Total comprehensive loss under IFRS		(180.1)	(7.1)

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

Presentation differences in comprehensive loss

	Three months ended	Six months ended
	March 31, 2010	June 30, 2010
Increase (decrease) in sales revenue	15.0	(0.4)
(Increase) decrease in cost of sales	(13.9)	8.8
Decrease in other income	(1.1)	(8.4)
Total	-	-

Cash flows

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

Notes to the IFRS reconciliations above:

i) IAS 16 Property, plant and equipment

Impairment

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

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

In June 2010 under both Canadian GAAP and IFRS a complete impairment of the Kolwezi project was recorded.

ii) IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Restoration provisions

Consistent with IFRS, restoration provisions have been previously measured based on the estimated cost of restoration, discounted to its net present value upon initial recognition. However, adjustments to the current

discount rate were not reflected in the provisions or the related assets under Canadian GAAP unless there was an upward revision in the future cost estimates. The Company elected to apply the exemption from full retrospective application as allowed under IFRS 1. As such, the Company has remeasured the restoration liability as at the Transition Date under IAS 37, estimated the amount to be included in the related asset by discounting the liability to the date in which the liability arose, and recalculated the accumulated amortization under IFRS. At June 30, 2010 the increase in restoration provision was \$24.2 million, the increase in mineral properties was \$20.4 million and the adjustment to retained earnings was \$3.8 million.

Under Canadian GAAP, the unwinding of the discount was included in cost of sales and has now been reclassified to finance cost as required under IFRS. The increase to finance costs was \$0.4 million for the six months ended June 30, 2010.

iii) IAS 23 Borrowing costs

Under IFRS, there are no policy choices available for the capitalization of borrowing costs. IFRS requires borrowing costs to be capitalized on qualifying assets which take a substantial period of time to prepare for their intended use. A weighted average capitalization rate based on the Company's outstanding debt was used to calculate the amount of borrowing costs to capitalize on the qualifying assets at January 1, 2010 and acquired during 2010. The increase in property, plant and equipment was \$19.1 million at June 30, 2010 with a corresponding decrease in interest expense.

iv) IAS 12 Deferred taxes

a. Mineral property acquisitions

Under Canadian GAAP the Company recognized a deferred income tax liability on temporary differences arising on the initial recognition of mineral properties acquired other than in business combinations. IAS 21, *Income Taxes* does not permit the recognition of deferred taxes on such transactions. At June 30, 2010 the impact of the derecognition was a reduction of deferred income taxes of \$168.0 million, a reduction of property, plant and equipment of \$183.2 million and foreign exchange loss of \$9.7 million as a portion of the deferred tax liability was denominated in a foreign currency and accordingly had been revalued using the foreign exchange rate at the balance sheet dates.

b. Share issuance costs

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

c. Convertible bond issue

Under IFRS the deferred tax consequences of a financial instrument containing both a liability and equity component is recognized both in profit or loss and in equity in accordance with the component parts under IFRS. The deferred income tax related to the liability component of the convertible bond was not recorded under Canadian GAAP. At June 30, 2010 the impact of recognizing the deferred income taxes in equity is a decrease of deferred income taxes of \$12.7 million, a decrease in share capital of \$8.6 million, an adjustment to retained earnings of \$3.8 million and an increase in deferred income tax expense of \$1.6 million.

d. Non monetary assets and liabilities

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

e. Tax on intercompany inventory sales

Under IAS 12, unrealized profits resulting from intercompany transactions are eliminated from the carrying amount of assets, such as inventory. The tax effect of the transaction is calculated with reference to the local tax rate of the company that holds the inventory at the period-end. Canadian GAAP prohibits the recognition of a deferred tax asset for the difference between the tax basis of the assets in the buyer's tax jurisdiction and the cost as reported in the historical consolidated financial statements and requires the deferral of the seller's tax expense incurred upon the intercompany sale. At June 30, 2010 the impact of recognizing the deferred income tax assets on the intercompany sales is an increase of \$4.3 million of deferred tax asset and a decrease of deferred tax expense of \$4.3 million.

Control activities

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

Financial Reporting Expertise

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

Business Activities

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

Information Technology and Systems

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

Review

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

Disclosure Controls and Procedures

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

An evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined under the rules of the Canadian Securities Administration, was conducted as of December 31, 2010 under the supervision of the Company's Disclosure Committee and with the participation of management. Based on the results of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report in providing reasonable assurance that the information required to be disclosed in the Company's annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported in the securities legislation.

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

Internal Control over Financial Reporting

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

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

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

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

Limitations of Controls and Procedures

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

Cautionary statement on forward-looking information

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

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

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