First Quantum Minerals Ltd.

Consolidated Financial Statements
Second Quarter – June 30, 2012
(unaudited)
(In U.S. dollars, tabular amounts in millions, except where indicated)

First Quantum Minerals Ltd.

Consolidated Statements of Earnings

(unaudited)

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

	Note	Three months ended June 30		Six months ended June 30	
		2012	2011	2012	2011
Sales revenues	9	722.3	660.0	1,451.0	1,365.2
Cost of sales	10	(447.6)	(296.8)	(906.0)	(562.5)
Gross profit		274.7	363.2	545.0	802.7
Exploration		(17.1)	(15.4)	(30.0)	(34.8)
General and administrative		(15.7)	(14.5)	(33.1)	(33.2)
Settlement of RDC claims and sale of assets	11	-	-	1,217.9	-
Other income (expense)		1.4	(10.6)	1.7	(7.0)
Operating profit		243.3	322.7	1,701.5	727.7
Finance income		9.3	1.7	10.7	3.5
Finance costs	12	(2.4)	(1.3)	(4.6)	(6.6)
Earnings before income taxes		250.2	323.1	1,707.6	724.6
Income taxes		(81.2)	(135.8)	(177.6)	(284.1)
Net earnings for the period		169.0	187.3	1,530.0	440.5
Net earnings for the period attributable to:					
Non-controlling interests		27.0	32.0	51.1	78.5
Shareholders of the Company		142.0	155.3	1,478.9	362.0
Earnings per common share					
Basic	8b	0.30	0.36	3.12	0.84
Diluted	8b	0.30	0.33	3.10	0.76
Weighted average shares outstanding (000's)					
Basic	8b	474,035	428,786	474,035	428,772
Diluted	8b	476,310	475,243	476,310	475,229
Total shares issued and outstanding (000's)	8a	476,310	430,895	476,310	430,895

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

First Quantum Minerals Ltd.

Consolidated Statements of Comprehensive Income

(unaudited)

(expressed in millions of U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Net earnings for the period	169.0	187.3	1,530.0	440.5
Other comprehensive income (loss)				
Unrealized loss on available-for-sale investments	(3.4)	(0.8)	(5.4)	(0.3)
Tax on unrealized loss on available-for-sale investments	0.7	0.3	1.1	0.1
Comprehensive income for the period	166.3	186.8	1,525.7	440.3
Total comprehensive income for the period attributable to:				
Non-controlling interests	27.0	32.0	51.1	78.5
Shareholders of the Company	139.3	154.8	1,474.6	361.8
	166.3	186.8	1,525.7	440.3

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	
	2012	2011	2012	2011
Cash flows from operating activities				
Net earnings for the period	169.0	187.3	1,530.0	440.5
Items not affecting cash				
Depletion and amortization	33.1	24.1	73.8	44.7
Unrealized foreign exchange (income) loss	(0.9)	0.7	0.8	2.9
Deferred income tax	24.4	5.2	10.7	(19.8)
Share-based compensation expense	1.9	1.9	5.0	3.9
Net finance costs	(6.9)	1.3	(6.1)	6.6
Settlement of RDC claims and sale of assets	-	-	(1,217.9)	-
Other	(0.7)	3.2	0.5	5.6
	219.9	223.7	396.8	484.4
Change in non-cash operating working capital				
(Increase) decrease in trade, other receivables and derivatives	13.5	(8.3)	(24.5)	65.6
Increase in inventories	(5.1)	(71.3)	(59.1)	(125.1)
Increase (decrease) in trade and other payables	43.3	(125.6)	81.4	(130.3)
Increase (decrease) in current taxes payable	(38.7)	(73.5)	(23.2)	25.1
	232.9	(55.0)	371.4	319.7
Cash flows from financing activities				
Proceeds from debt	-	5.1	-	-
Repayments of debt	(6.0)	-	(22.7)	(82.3)
Proceeds on issuance of common shares	-	-	-	0.2
Restricted cash	-	(20.2)	-	20.1
Dividends paid	(61.4)	(53.5)	(61.4)	(53.5)
Dividends paid to non-controlling interests	(15.8)	(7.5)	(15.8)	(7.5)
Finance lease payments	(1.0)	(0.9)	(1.9)	(1.9)
Interest paid	(0.3)	(16.6)	(0.4)	(16.9)
	(84.5)	(93.6)	(102.2)	(141.8)
Cash flows from investing activities				
Purchase of property, plant and equipment	(287.6)	(244.1)	(530.5)	(433.4)
Deposits on property, plant and equipment	(23.0)	-	(57.0)	-
Acquisition of investment	(9.5)	-	(16.0)	-
Interest received	1.8	-	2.4	-
Proceeds from settlement of RDC claims and sale of assets	-	5.6	736.5	9.8
	(318.3)	(238.5)	135.4	(423.5)
Increase (decrease) in cash and cash equivalents	(169.9)	(387.1)	404.6	(245.6)
Cash and cash equivalents - beginning of period	1,026.6	1,486.4	452.1	1,344.9
Cash and cash equivalents - end of period	856.7	1,099.3	856.7	1,099.3

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, 2012	December 31, 2011
Assets			
Current assets			
Cash and cash equivalents		856.7	452.1
Trade and other receivables		243.7	238.1
Inventories	3	709.8	649.9
Current portion of other assets	5	52.2	34.0
		1,862.4	1,374.1
Investments		28.2	18.0
Property, plant and equipment	4	4,220.9	3,824.4
Promissory note receivable	11	477.7	-
Other assets	5	153.5	81.5
Total assets		6,742.7	5,298.0
Liabilities			
Current liabilities			
Trade and other payables		292.8	273.4
Current taxes payable		266.2	289.4
Current portion of debt	6	25.2	48.1
Current portion of provisions and other liabilities		12.3	11.0
		596.5	621.9
Debt	6	14.5	14.8
Provisions and other liabilities		284.2	286.4
Deferred income tax liabilities		225.4	206.4
Total liabilities		1,120.6	1,129.5
Equity			
Share capital		1,955.6	1,950.6
Retained earnings		3,141.3	1,723.8
Accumulated other comprehensive income		(3.1)	1.2
Total equity attributable to shareholders of the Company		5,093.8	3,675.6
Non-controlling interests		528.3	492.9
Total equity		5,622.1	4,168.5
Total liabilities and equity		6,742.7	5,298.0
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	
	2012	2011	2012	2011
Share capital				
Common shares				
Balance – beginning of period	2,003.8	1,479.5	2,003.8	1,479.3
Shares issued and share options exercised	-	-	-	0.2
Balance – end of period	2,003.8	1,479.5	2,003.8	1,479.5
Equity portion of convertible bonds				
Balance – beginning and end of period	-	48.3	-	48.3
Treasury shares				
Balance – beginning of period	(67.8)	(56.9)	(68.0)	(57.1)
Restricted and performance stock units vested	0.2	0.1	0.4	0.3
Balance – end of period	(67.6)	(56.8)	(67.6)	(56.8)
Contributed surplus				
Balance – beginning of period	17.7	17.7	14.8	15.9
Share-based compensation expense for the period	1.9	1.9	5.0	3.9
Transfers upon exercise of share options	-	-	-	-
Restricted and performance stock units vested	(0.2)	(0.1)	(0.4)	(0.3)
Balance – end of period	19.4	19.5	19.4	19.5
Total share capital	1,955.6	1,490.5	1,955.6	1,490.5
Retained earnings				
Balance – beginning of period	2,999.3	1,445.3	1,723.8	1,292.1
Earnings for the period attributable to shareholders of the Company	142.0	155.3	1,478.9	362.0
Dividends	-	-	(61.4)	(53.5)
Balance – end of period	3,141.3	1,600.6	3,141.3	1,600.6
Accumulated other comprehensive income				
Balance – beginning of period	(0.4)	1.3	1.2	1.0
Other comprehensive loss for the period	(2.7)	(0.5)	(4.3)	(0.2)
Balance – end of period	(3.1)	0.8	(3.1)	0.8
Non-controlling interests				
Balance – beginning of period	517.1	416.8	492.9	377.8
Earnings attributable to non-controlling interests	27.0	32.0	51.1	78.5
Disposal of subsidiaries	-	-	0.1	(7.5)
Dividends	(15.8)	-	(15.8)	-
Balance – end of period	528.3	448.8	528.3	448.8

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

(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. ("First Quantum" or the "Company") is engaged in the production of copper, gold, nickel and acid and related activities including exploration and development. Currently operating mines are located in Zambia, Australia and Mauritania. The Company is developing the Kevitsa nickel-copper-platinum project in Finland and the Sentinel copper project in Zambia, and exploring the Haquira copper deposit in Peru. Operations in the République démocratique du Congo ("RDC") were suspended in 2010. During the quarter ended March 31, 2012 the Company sold all of its material ownership interests in the RDC (note 11).

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

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated annual financial statements for the year ended December 31, 2011.

The accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied in the preparation of, and disclosed in, the consolidated annual financial statements for the year ended December 31, 2011. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and current as of May 2, 2012, the date the Audit Committee approved the statements on behalf of the Board of Directors.

3 Inventories

	June 30, 2012	December 31, 2011
Ore in stockpiles	102.0	95.1
Work-in-progress	26.4	14.3
Finished product	191.2	230.2
Total product inventory	319.6	339.6
Consumable stores	390.2	310.3
	709.8	649.9

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

4 Property, plant and equipment

			Mineral properties and mine development costs		
	Plant and equipment	Capital work-in-progress	Operating mines	Development projects	Total
Cost					
As at January 1, 2011	1,548.3	337.1	48.7	1,289.7	3,223.8
Additions	-	1,078.9	-	-	1,078.9
Disposals	(17.9)	-	-	-	(17.9)
Transfers between categories	478.1	(507.8)	265.9	(236.2)	-
Restoration provision	-	-	58.8	59.0	117.8
Capitalized interest	5.5	1.9	-	19.7	27.1
Capitalized depreciation	-	12.1	-	-	12.1
As at December 31, 2011	2,014.0	922.2	373.4	1,132.2	4,441.8
Additions	-	472.5	-	-	472.5
Disposals	(2.0)	-	-	-	(2.0)
Transfers between categories	112.3	(187.8)	75.5	-	-
As at June 30, 2012	2,124.3	1,206.9	448.9	1,132.2	4,912.3
Accumulated depreciation					
As at January 1, 2011	(456.8)	-	(36.1)	-	(492.9)
Depreciation charge	(107.3)	-	(4.7)	-	(112.0)
Disposals	4.5	-	-	-	4.5
Capitalized depreciation	(12.1)	-	-	-	(12.1)
Other	(4.9)	-	-	-	(4.9)
As at December 31, 2011	(576.6)	-	(40.8)	-	(617.4)
Depreciation charge	(64.8)	-	(9.0)	-	(73.8)
Disposals	1.2	-	-	-	1.2
Other	(1.4)	-	-	-	(1.4)
As at June 30, 2012	(641.6)	-	(49.8)	-	(691.4)
Net book value					
As at December 31, 2011	1,437.4	922.2	332.6	1,132.2	3,824.4
As at June 30, 2012	1,482.7	1,206.9	399.1	1,132.2	4,220.9

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

5 Other assets

	June 30, 2012	**December 31, 2011**
Deferred income tax asset	21.1	11.3
Derivative instruments	19.8	5.1
Prepaid expenses	32.4	28.9
Deposits on property, plant and equipment	116.2	59.2
Other	16.2	11.0
Total other assets	205.7	115.5
Less: Current portion of other assets	(52.2)	(34.0)
	153.5	81.5
Current portion consists of:		
Derivative instruments	19.8	5.1
Prepaid expenses and other	32.4	28.9
	52.2	34.0

6 Debt

	June 30, 2012	**December 31, 2011**
Drawn debt		
Kansanshi subordinated debt facility (a)	18.9	19.3
Short-term borrowings (b)	20.5	43.3
Other	0.3	0.3
Total debt	39.7	62.9
Less: Current portion of debt	(25.2)	(48.1)
	14.5	14.8
Undrawn debt		
Kevitsa facility (c)	250.0	250.0
Short-term borrowings (b)	89.5	66.7
Kansanshi senior term and revolving facility (d)	1,000.0	-

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

a) Kansanshi subordinated debt facility

Kansanshi entered into a €34.0 million 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 €15.1 million (December 31, 2011 – €15.1 million). The carrying amount shown above of $18.9 million (December 31, 2011 - $19.3 million) is net of issue and transaction costs of €0.2 million (December 31, 2011 - €0.2 million). 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.

b) 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.

c) Kevitsa facility

In March 2011, a subsidiary of 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%.

d) Kansanshi senior term and revolving facility

In March 2012, Kansanshi entered into a $300.0 million senior term loan (the "term loan") and a $700.0 million revolving credit facility (the "facility") to finance the Kansanshi expansions and the Copper smelter project collateralized by the assets and offtake agreements of Kansanshi. The facility is required to be repaid by January 24, 2017 and interest is calculated at a rate of either the three or six month LIBOR plus 3%. The term loan is repayable in six equal semi-annual instalments commencing on July 25, 2014 and interest is calculated at a rate equal to three year LIBOR plus 3%. The funds were available to draw from April 14, 2012.

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, 2012 the provision increased by $3.1 million to $255.6 million (included in provisions and other liabilities on the balance sheet) due to accretion of the liability and movement in the foreign exchange rate where the estimate of the liability is not in U.S. dollars.

The restoration provisions have been recorded, using a risk-free discount rate between 0.9% and 2.9% and an inflation factor between 2.8% and 4.0%. Payments are expected to occur over the life of each of the operating mines 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, 2011, and June 30, 2012	476,310

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

b) Earnings per share

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Basic and diluted earnings attributable to shareholders of the Company	142.0	155.3	1,478.9	362.0
Basic weighted average number of shares outstanding (000's of shares)	474,035	428,786	474,035	428,772
Effect of dilutive securities:				
Convertible bonds (i)	-	44,334	-	44,334
Treasury shares	2,275	2,123	2,275	2,123
Diluted weighted average shares outstanding	476,310	475,243	476,310	475,229
Earnings per common share – basic	0.30	0.36	3.12	0.84
Earnings per common share – diluted	0.30	0.33	3.10	0.76

i) The convertible bonds were converted into common shares of the Company on August 4, 2011.

c) Dividends

On March 6, 2012, the Company declared a final dividend payment of $0.1277 CAD per share or $61.4 million in respect of the financial year ended December 31, 2011 (March 15, 2011 - $0.1206 CAD per share or $53.5 million).

9 Sales revenues by nature

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Copper	528.1	606.9	1,101.4	1,258.5
Gold	64.3	53.1	132.8	106.7
Nickel	128.1	-	208.2	-
Cobalt	1.8	-	3.9	-
Sulphur	-	-	4.7	-
	722.3	660.0	1,451.0	1,365.2

10 Cost of sales

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Direct operating costs	(414.5)	(272.8)	(832.2)	(517.8)
Depletion and amortization	(33.1)	(24.0)	(73.8)	(44.7)
	(447.6)	(296.8)	(906.0)	(562.5)

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

11 Settlement of RDC claims and sale of assets

On January 5, 2012 the Company reached an agreement with Eurasian Natural Resources Corporation PLC ("ENRC") to dispose of its residual RDC assets for $1.25 billion. The agreement closed on March 2, 2012.

The Company received consideration of $750.0 million in cash and a three year $500.0 million promissory note. The promissory note is payable on March 2, 2015 and bears interest at a rate of 3% per annum payable annually in arrears. As part of the transaction, First Quantum, ENRC, the RDC Government, International Finance Corporation ("IFC") and Industrial Development Corporation ("IDC") have also settled all disputes relating to the companies being sold and their assets and operations in the RDC.

The net settlement amount received has not given rise to a tax liability and accordingly reduces the Company's overall effective tax rate for the period.

A reconciliation of the proceeds of the settlement is as follows:

Received in cash	750.0
Fair value of three year promissory note	475.0
	1,225.0
Payments made to IFC and IDC	(14.0)
Transaction costs	(4.6)
Net liabilities disposed of	11.5
Settlement of RDC claims and sale of assets	1,217.9

12 Finance costs

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Interest expense on financial liabilities measured at amortized cost	(0.6)	(0.2)	(1.3)	(2.0)
Interest expense other	(0.3)	(0.9)	(0.4)	(1.3)
Accretion on restoration provision	(1.5)	(0.2)	(2.9)	(3.3)
	(2.4)	(1.3)	(4.6)	(6.6)

(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, Ravensthorpe, Kevitsa, Sentinel and Corporate. Each operation and development project reports information separately to the CEO, the chief operating decision maker.

The corporate segment is responsible for the evaluation and acquisition of new mineral properties, regulatory reporting, treasury and finance and corporate administration. Included in the corporate segment is the Company's metal marketing division which purchases and sells third party material.

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, 2012, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Ravensthorpe	Projects under development	Corporate	Total
Segmented revenues	488.0	91.2	129.9	-	48.9	758.0
Less inter-segment revenues	-	-	-	-	(35.7)	(35.7)
Sales revenues	488.0	91.2	129.9	-	13.2	722.3
Cost of sales	(256.8)	(69.7)	(99.5)	-	(21.6)	(447.6)
Segmented gross profit (loss)	231.2	21.5	30.4	-	(8.4)	274.7
Net finance costs	(0.5)	-	(2.1)	-	9.3	6.7
Other	0.9	(2.4)	1.5	-	(31.2)	(31.2)
Segmented profit before undernoted items	231.6	19.1	29.8	-	(30.3)	250.2
Income taxes	(83.2)	(5.9)	(6.5)	-	14.4	(81.2)
Non-controlling interests	(27.0)	-	-	-	-	(27.0)
Segmented profit	121.4	13.2	23.3	-	(15.9)	142.0
Property, plant and equipment	1,205.7	210.3	949.2	1,232.6	623.1	4,220.9
Total assets	1,884.9	387.0	1,088.7	1,405.6	1,976.5	6,742.7
Total liabilities	709.6	44.4	214.7	71.4	80.5	1,120.6
Capital expenditures	188.1	6.7	9.0	83.4	0.4	287.6

Following the completion of its tax holiday in Mauritania on February 19, 2012, Guelb Moghrein is now subject to Mauritanian income taxes at a rate of 25%.

Projects under development at June 30, 2012 include Kevitsa and Sentinel. The exploration and development costs related to these properties are capitalized. The segmented information for these projects is presented as follows:

	Kevitsa	Sentinel	Total
Property, plant and equipment	816.1	416.5	1,232.6
Total assets	866.4	539.2	1,405.6
Total liabilities	52.8	18.6	71.4
Capital expenditures	52.9	30.5	83.4

(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, 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 at June 30, 2011 included 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

(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, 2012, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Ravensthorpe	Projects under development	Corporate	Total
Segmented revenues	978.5	181.5	212.1	-	147.8	1,519.9
Less inter-segment revenues	-	-	-	-	(68.9)	(68.9)
Sales revenues	978.5	181.5	212.1	-	78.9	1,451.0
Cost of sales	(510.9)	(135.6)	(170.8)	-	(88.7)	(906.0)
Segmented gross profit (loss)	467.6	45.9	41.3	-	(9.8)	545.0
Net finance costs	(1.2)	-	(2.1)	-	9.2	5.9
Other	(1.9)	(3.8)	2.3	-	1,160.1	1,156.7
Segmented profit before undernoted items	464.5	42.1	41.5	-	1,159.5	1,707.6
Income taxes	(184.0)	16.7	(9.0)	-	(1.3)	(177.6)
Non-controlling interests	(51.3)	-	-	-	0.2	(51.1)
Segmented profit	229.2	58.8	32.5	-	1,158.4	1,478.9
Property, plant and equipment	1,205.7	210.3	949.2	1,232.6	623.1	4,220.9
Total assets	1,884.9	387.0	1,088.7	1,405.6	1,976.5	6,742.7
Total liabilities	709.6	44.4	214.7	71.4	80.5	1,120.6
Capital expenditures	286.6	16.3	52.4	174.5	0.7	530.5

Following the completion of its tax holiday in Mauritania on February 19, 2012, Guelb Moghrein is now subject to Mauritanian income taxes at a rate of 25%. A deferred tax asset and recovery have been recorded in relation to accumulated capital allowances recognized in Q1 2012.

Projects under development at June 30, 2012 include Kevitsa and Sentinel. The exploration and development costs related to these properties are capitalized. The segmented information for these projects is presented as follows:

	Kevitsa	Sentinel	Total
Property, plant and equipment	816.1	416.5	1,232.6
Total assets	866.4	539.2	1,405.6
Total liabilities	52.8	18.6	71.4
Capital expenditures	112.6	61.9	174.5

(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 at June 30, 2011 included 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

(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, 2012, the following derivative positions were outstanding:

	Maturity 2012	June 30, 2012		December 31, 2011	
		Asset	Liability	Asset	Liability
Foreign currency					
USD/EUR extendible collar					
– principal	€9.0m	-	(0.1)	-	(0.2)
Strike price	1.250-1.330				
Copper					
Futures sales contracts over quotation period (tonnes)	45,673	19.4	(7.0)	1.9	(5.1)
Average price ($/tonne)	$7,695				
Embedded derivative hedged by future sales contracts (tonnes)	44,639	-	-	-	-
Average price ($/tonne)	$7,605				
Net provisional copper exposure (tonnes)	(1,034)				
Gold					
Futures sales contracts over quotation period (ounces)	22,233	0.1	-	3.2	-
Average price ($/ounce)	$1,585				
Embedded derivative hedged by future sales contracts (ounces)	16,987	-	-	-	-
Average price ($/ounce)	$1,584				
Net provisional gold exposure (ounces)	(5,246)				
Nickel					
Futures sales contracts over quotation period (tonnes)	855	0.3	(0.1)	-	(0.7)
Average price ($/tonne)	$16,674				
Embedded derivative hedged by future sales contracts (tonnes)	855	-	-	-	-
Average price ($/tonne)	$16,475				
Net provisional nickel exposure (tonnes)	-				
Other					
Embedded derivative		-	(1.8)	-	(2.4)
		19.8	(9.0)	5.1	(8.4)

15 Commitments

In conjunction with the development of Kevitsa and Sentinel, upgrades at Kansanshi and other projects, the Company has committed to approximately $892.6 million in capital expenditures.

Management's Discussion and Analysis

Second Quarter ended June 30, 2012

For further information on First Quantum Minerals Ltd. ("First Quantum" or 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. This Management's Discussion and Analysis ("MD&A") contains forward-looking information that is subject to risk factors, see *"Regulatory Disclosures"* for further discussion. 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 its most recently filed AIF.

First Quantum's results have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in United States dollars, tabular amounts in millions, except where noted. This MD&A has been prepared as of August 1, 2012.

SUMMARIZED OPERATING AND FINANCIAL RESULTS

	Three months ended June 30		**Six months ended June 30**	
(USD millions unless otherwise noted)	**2012**	**2011**	**2012**	**2011**
Copper production (tonnes)	71,543	64,587	137,412	139,475
Copper sales (tonnes)	72,711	65,511	140,500	136,176
Cash cost of copper production (C1)[1] (per lb)	$1.53	$1.43	$1.56	$1.28
Realized copper price (per lb)	$3.48	$3.81	$3.57	$3.91
Nickel production (contained tonnes)	8,053	-	16,626	-
Nickel sales (contained tonnes)	9,846	-	15,178	-
Cash cost of nickel production (C1)[1] (per lb)	$5.70	-	$5.70	-
Realized nickel price (per lb)	$7.84	-	$8.21	-
Gold production (ounces)	43,798	41,087	86,293	90,233
Gold sales (ounces)	46,445	38,426	92,064	83,775
Sales revenues	722.3	660.0	1,451.0	1,365.2
Gross profit	274.7	363.2	545.0	802.7
Net earnings attributable to shareholders of the Company	142.0	155.3	1,478.9	362.0
Earnings per share	$0.30	$0.36	$3.12	$0.84
Diluted earnings per share	$0.30	$0.33	$3.10	$0.76
Comparative earnings[2]	142.0	155.3	261.0	362.0
Comparative earnings per share[2]	$0.30	$0.36	$0.55	$0.84

[1] Cash costs (C1) are not recognized under IFRS. See "*Regulatory Disclosures*" for further information.

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

[3] Copper, nickel and gold produced at Kevitsa during its commissioning phase in Q2 2012 has been excluded from group production figures shown above. See *"Summary of results"* for further information.

Overall copper production was 11% higher than Q2 2011 on increased throughput and grade

- Total copper production was 11% higher than Q2 2011 due to higher sulphide ore grades processed at Kansanshi and higher throughput from the expansion of the oxide circuit. Guelb Moghrein achieved another strong period of throughput however production was lower than the prior year period as a result of lower grades processed.
- Total gold production was 7% higher than Q2 2011 due to higher throughput and recovery at Kansanshi

Ravensthorpe follows successful commencement of operations with another strong quarter in Q2 2012

- Nickel production was in-line with plan and C1 costs were below plan for Q2 2012 on the back of continued, efficient operation of the plant.

Year-over-year comparative earnings impacted by lower average realized copper price

- Sales revenues increased to $722.3 million as a result of nickel revenue from Ravensthorpe, higher copper and gold sales volumes, offset partially by the impact of lower copper prices.
- Cash costs of copper production increased as a result of inflationary cost pressures principally related to sulphuric acid, energy and other consumables, offset partially by higher production.
- Comparative earnings were lower than Q2 2011 due to lower realized copper prices and higher production costs. This was offset partially by the earnings contribution from Ravensthorpe and higher sales volumes of copper and gold.

Kevitsa first production achieved in Q2 2012; commercial production on track for Q3 2012

- First concentrate was produced on May 26, 2012. Mining and processing activities continue to ramp up as forecasted towards design production levels.

Development projects progressing

- Mechanical construction for the oxide circuit 7.2 million tonnes per annum (“Mtpa”) upgrade is complete and optimization of the new circuit elements is planned for Q3 2012. The stage two expansion to 14.5 Mtpa is on track for commissioning in the first half of 2013.
- The fifth Kansanshi acid plant is scheduled to be commissioned at the end of Q3 2012 which will allow for full utilization of the 7.2 Mtpa oxide circuit capacity in Q4 2012.
- Detailed design works on the smelter continued in Q2 2012. The overall project is scheduled for construction completion in mid-2014 followed by commissioning and ramp up.
- Board approval for the full Sentinel project was given on May 9, 2012, resulting in a ramp-up of project development activities.

Strong financial position maintained to finance development projects

- Cash of $0.9 billion and available debt facilities of $1.3 billion as at June 30, 2012.
- Cash generated by operations totalled $232.9 million for the quarter and $371.4 million for the year to date.

Operational outlook for 2012

- Expected production unchanged at approximately; 270,000 to 290,000 tonnes of copper, 36,000 to 40,000 tonnes of contained nickel and 170,000 to 190,000 ounces of gold.
- Expected average C1 cash cost for copper operations unchanged at approximately $1.55 per pound of copper.
- Expected average C1 cash cost for Ravensthorpe reduced from previous guidance, to approximately $6.50 per pound of nickel.
- Expected total capital expenditure unchanged at approximately; $1.2 to $1.4 billion in 2012.

in United States dollars, tabular amounts in millions, except where noted

OPERATIONS

Kansanshi Copper and Gold Operation	Three months ended June 30		Six months ended June 30	
	2012	2011	2012	2011
Copper production (tonnes)	62,825	56,156	119,436	120,953
Copper sales (tonnes)	63,750	57,621	122,295	120,694
Gold production (ounces)	28,244	25,417	55,402	56,029
Gold sales (ounces)	29,162	25,944	59,470	57,154
Sulphide ore tonnes milled (000's)	2,379	2,724	3,812	5,042
Sulphide ore grade processed (%)	1.0	0.7	1.0	0.8
Sulphide copper recovery (%)	94	93	94	94
Mixed ore tonnes milled (000's)	2,093	1,696	4,655	3,334
Mixed ore grade processed (%)	1.1	1.0	1.1	1.1
Mixed copper recovery (%)	64	62	64	66
Oxide ore tonnes milled (000's)	1,548	1,469	2,972	2,986
Oxide ore grade processed (%)	2.0	2.1	2.0	2.3
Oxide copper recovery (%)	84	86	85	86
Cash costs (C1) (per lb)[1]	$1.52	$1.41	$1.53	$1.26
Total costs (C3) (per lb)[1]	$1.93	$1.68	$1.88	$1.53
Gross profit	231.2	333.7	467.6	734.2

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

Copper production increased by 12% from Q2 2011 due to higher ore grade and throughput in Q2 2012. The ongoing mine pit development work has increased the availability of sulphide ore and allowed for the reconfiguration of the sulphide and mixed circuits in May 2012. The circuit capacity for sulphide and mixed ore treatment is now approximately 12 Mtpa and 6.5 Mtpa, respectively.

Sulphide ore grade processed improved significantly from Q2 2011 due to the exposure of additional sulphide ore faces at target grades. In Q2 2012, the temporarily interchanged sulphide and mixed circuits had offsetting variances in throughput in comparison to Q2 2011. The combined mixed and sulphide circuit throughput was consistent with Q2 2011.

The mixed ore circuit benefited from improved grades and recoveries in Q2 2012. Following the circuit interchange, the reduced throughput on the mixed ore circuit allowed longer residence time in flotation resulting in improved recoveries.

Copper production from the oxide circuit was in-line with Q2 2011 as increased throughput was offset by lower ore grade and recovery. The recent incorporation of elements of the 7.2 Mtpa oxide expansion improved plant availability and utilization in the quarter. The availability of locally-sourced sulphuric acid remained a constraint on the grade and tonnes of oxide ore processed in the current period.

Gold production was 11% higher than Q2 2011 due primarily to improved recovery. The continued gold circuit enhancements and improvements have resulted in a higher proportion of gold recovered in dore, which is not subject to the smelter deductions applied to gold recovered in concentrate.

Q2 2012 C1 costs increased by $0.11/lb from Q2 2011. Inflationary pressures have resulted in cost increases for sulphuric acid and some consumables. These increases were largely offset by the unit cost effect of 12% higher production in Q2 2012. Realization costs were $0.05/lb higher than Q2 2011 due to a higher proportion of concentrate sales during the period.

Gross profit was lower than Q2 2011 due primarily to lower realized copper prices, offset partially by higher sales volumes in Q2 2012.

in United States dollars, tabular amounts in millions, except where noted

Outlook

The main areas of focus are on sulphuric acid supply and increasing the flexibility of ore sources for the three circuits. Available mining areas have increased as planned with several new areas in the main and north-west pits now providing ore. Further improvements are anticipated with additional plant operational efficiency and flexibility afforded by multiple concurrent mining areas.

The full benefit of the 7.2 Mtpa upgrade is expected to be realized in Q4 2012, coinciding with the commissioning of the fifth acid plant. The additional leach and CCD capacity in the oxide process circuit is expected to contribute to maximizing output from available ore resource through improved recovery, as well as providing the capacity to efficiently operate at higher treatment rates.

All parties involved in the Q1 2012 labour dispute continue to be engaged in a legal process aimed at resolving the differences.

Guelb Moghrein Copper and Gold Operation	**Three months ended June 30**		**Six months ended June 30**	
	2012	**2011**	**2012**	**2011**
Copper production (tonnes)	8,718	8,429	17,976	18,520
Copper sales (tonnes)	8,961	7,810	18,205	13,841
Gold production (ounces)	15,554	15,670	30,891	34,204
Gold sales (ounces)	17,283	12,482	32,594	26,621
Sulphide ore tonnes milled (000's)	753	631	1,550	1,389
Sulphide ore grade processed (%)	1.3	1.5	1.3	1.5
Sulphide copper recovery (%)	88	91	89	92
Cash costs (C1) (per lb)[1]	$1.61	$1.62	$1.73	$1.44
Total costs (C3) (per lb)[1]	$2.20	$2.49	$2.33	$2.26
Gross profit	21.5	38.7	45.9	71.9

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

Copper production increased 3% over Q2 2011 due to 19% higher throughput. Partially offsetting the higher throughput were lower ore grades and recoveries. The better throughput performance in 2012 to date is a result of the mill optimization works and improved blast fragmentation aimed at achieving steady state operations. Copper grades in 2012 reflect the current ore profile in the pit and are expected to remain at these levels in the future.

Gold production was consistent with Q2 2011 as the increase in throughput was offset by reduced gold recovery in Q2 2012.

Cash cost of production was slightly lower than Q2 2011 as an increased gold credit outweighed increases in cash operating costs in Q2 2012. The gold credit was higher as a result of increased gold sales volumes and prices in Q2 2012. Operating costs have increased from Q2 2011 due to increased costs for personnel, maintenance, consumables and due to the unit cost impact of processing lower grade ore.

Gross profit was lower than Q2 2011 as a result of lower realized copper prices and higher operating costs, offset partially by increased metal sales volumes and a higher realized gold price.

Outlook

Process plant enhancements continue with a focus on consistent operation at steady state to maximize product recovery and concentrate quality. An additional mill from the mothballed Bwana Mkubwa copper plant is planned to be installed in Q4 2012 to stabilize milling at targeted throughput rates. Additional mining equipment, to facilitate higher mine production rates, is planned for commissioning in Q4 2012.

Operations were temporarily suspended and 12 production days were lost following an illegal strike action by some unionized employees in July. The majority of the workforce has returned to work and operations have resumed. The Company continues to work through a government-facilitated mediation process to resolve the differences with the unions.

in United States dollars, tabular amounts in millions, except where noted

Ravensthorpe Nickel Operation	Three months ended June 30		Six months ended June 30	
	2012	2011	2012	2011
Nickel production (contained tonnes)	8,053	-	16,626	-
Nickel sales (contained tonnes)	9,846	-	15,178	-
Nickel production (payable tonnes)	6,204	-	12,821	-
Nickel sales (payable tonnes)	7,443	-	11,642	-
Beneficiated ore tonnes processed (000's)	667	-	1,391	-
Beneficiated ore grade processed (%)	1.6	-	1.6	-
Nickel recovery (%)	77	-	77	-
Cash costs (C1) (per lb)[1]	$5.70	-	$5.70	-
Cash costs (C3) (per lb)[1]	$6.95	-	$6.94	-
Gross profit	30.4	-	41.3	-

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

Q2 2012 nickel production was in-line with plan as a result of steady state operation of the complete circuit. Crushing plants and ore beneficiation continue to operate above plan and ore supply from the buffer ponds are allowing for scheduled maintenance activities to be undertaken without full plant shutdowns.

In-pit mining commenced in April and the first drill and blast activity occurred at the end of May. Ore feed to the crusher circuit was sourced exclusively from the mine-pit by the end of Q2 2012.

Nickel cash costs per payable pound were lower than plan due to lower diesel and sulphur costs incurred. The consistent operation of the sulphuric acid plant provided for sufficient and stable power generation for the operation, resulting in reduced diesel power generation and cost in Q2 2012. Sulphur costs were also lower than plan as a result of a reduction in global prices and lower consumption.

Outlook

Circuit developments and enhancements for the remainder of 2012 include a focus on improved blending of ore to ensure consistent beneficiation recovery rates and leach feed material, and installation of equipment in the beneficiation area during Q3 2012 to improve flocculent consumption. Continued optimization in this area is expected to result in significant savings.

Various options are also being explored to improve the payable nickel content in order to increase revenue from sales.

DEVELOPMENT ACTIVITIES

Kevitsa nickel/copper/PGE project, Finland

Commissioning of the plant has progressed well, with the plant running consistently and ramping up. The first concentrate was produced on May 26, 2012. Early indications are that all major processing components, the primary crusher, secondary crusher, mills, primary screen, conveyors and flotation cells are all performing well and have the capacity to operate above the approved annual throughput rate. The transition from first ore feed, to steady state production of copper and nickel concentrate is ongoing. The mining fleet is operating as expected through the top layers of weathered rock and into the more competent material below.

During the commissioning phase in Q2 2012, Kevitsa produced 642 tonnes of copper, 121 tonnes of nickel and 482 ounces of gold.

At the current approved throughput rate of 5.5 Mtpa, Kevitsa is expected to produce approximately 11,000 tonnes of nickel and 20,000 tonnes of copper annually. The Company has submitted an environmental assessment and application to increase the plant throughput rate up to a maximum of 10 Mtpa. Liaison with the relevant authorities is in progress and approval is expected in the first half of 2013. With the current estimated measured and indicated resource, the increased throughput rate is expected to increase annual production to approximately 15,000 tonnes of nickel and 28,000 to 30,000 tonnes of copper while retaining a mine life in excess of 20 years.

Kansanshi expansions, Zambia

The multi-stage Kansanshi plant upgrade to an annual production capacity of 400,000 tonnes of copper continued in Q2 2012. Mechanical construction for the oxide circuit 7.2 Mtpa upgrade is complete. Optimization of the new circuit elements is planned for Q3 2012. The milling circuit configuration changes to increase mill throughput rates to 7.2 Mtpa is planned to be implemented once acid supply is increased through the operation of the fifth acid plant which is currently under construction and on track for commissioning at the end of Q3 2012.

Progress on the stage two oxide capacity expansion to 14.5 Mtpa continued with earthworks and civil works progressing well and mechanical construction of CCDs commenced. Completion remains on target for the first half of 2013. Acid supply will dictate the rate of oxide treatment until the smelter is commissioned in mid-2014, however the output of the five acid plants as well as the current volume of acid that can be externally sourced will allow for interim treatment rates of approximately 10 Mtpa.

The second phase of the 400,000 tonne annual production capacity expansion project is a proposed 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 is expected to occur in two stages depending on ore grades. Project commitment is expected in Q4 2012 following completion of the resource definition drilling program, which is necessary for detailed mine planning.

Copper smelter project, Zambia

Kansanshi's concentrate is currently treated at smelters in Zambia, however, existing domestic smelting capacity will be insufficient to process the substantial increase in production resulting from the Kansanshi expansion and the Sentinel project. The new copper smelter will be designed to process 1.2 million tonnes of concentrate to produce over 300,000 tonnes of copper metal annually. The smelter is expected to also produce 1.0 million tonnes of sulphuric acid as a by-product at a low cost which will benefit Kansanshi by allowing the treatment of high acid-consuming oxide ores and the leaching of some mixed ores. The additional acid is also expected to optimize the expansion of the oxide leach facilities and allow improved recoveries of leachable minerals in material now classified and treated as mixed ore.

Detailed design works on the smelter continued in Q2 2012. Subject to environmental approval, the overall project is scheduled for construction completion in mid-2014 followed by commissioning and ramp up.

Sentinel project, Zambia

A mineral resource and reserve estimate for the Sentinel copper project was released in March 2012. An estimated measured and indicated resource of 1,027 Mt at 0.51% copper grade, containing 5.2 Mt of copper has been delineated, inclusive of an estimated recoverable proven and probable mineral reserve of 774 Mt at 0.50% copper grade, containing 3.9 Mt of copper. The life of mine strip ratio is anticipated to be 2.2:1 and the estimated mine life is in excess of 15 years.

The project is expected to produce up to 280,000 to 300,000 tonnes of copper in concentrate annually.

The Company received a written confirmation of an offer from Zambia Electricity Supply Corporation Limited ("Zesco"), for the connection and supply of power to the Sentinel copper project at a mutually-agreeable electricity tariff level. The Company's Board of Directors has accepted these commercial terms in principle and as a result, has formally approved the construction of the project on May 9, 2012, which was followed by a ramp up of project activities. Detailed design works are progressing well and numerous equipment commitments, including long-lead mining fleet orders, are now in place. Site establishment and construction works are in progress, with an access road, airstrip and construction camp completed. Project capital costs are estimated at approximately $1.7 billion with project completion expected during 2014.

Exploration

Exploration programs continued at a high level in most districts with major drilling campaigns active at Trident and Kansanshi.

Trident

A resource definition program on the main Enterprise nickel target is nearing completion. Geological modelling and resource estimation is planned in Q3 2012. Metallurgical test work is continuing and preliminary results show good recoveries of nickel sulphides generating a high grade nickel concentrate, especially in the central ‘millerite’ zone. Further metallurgical holes are planned to assess the variability of the mineralization throughout the deposit.

Drilling on extensions of Enterprise in Q2 2012 defined a new zone of mineralization at “Enterprise Southwest”. Although thinner and lower grade than the main Enterprise mineralization the new zone demonstrates potential for additional tonnage over a further 600 metres of strike length.

Kansanshi

At Kansanshi, 18 core rigs continued operating divided between incremental resource and reserve additions immediately around the existing pits and the district exploration program. These programs are designed to provide enhanced definition of longer term oxide and sulphide resource potential as well as to test the ultimate extents of the mineral system.

Eight rigs are active on near-mine resource definition. During Q2 2012, encouraging results were returned from drilling around both the NW pit and Main pit, with strong intercepts of veins well beyond the currently defined resource limits. A deep hole to 1,000 metres below the centre of the Main pit reported some extensive low grade mineralization in stratigraphy well below the current pit model.

Ten rigs were active on exploration drilling around Kansanshi. Resource drilling of the Southeast Dome prospect was largely completed during the period and resource modeling and estimation is in progress. A prospective new buried dome was located at ‘Rocky Hill’ between the Southeast Dome and Main pit and is currently the focus of systematic drill testing. Further prospective dome targets are under investigation by regional drilling.

Finland

Near mine drilling during the period has focused on the separate Satovaara intrusive body south of Kevitsa where limited intercepts of chalcopyrite copper mineralization continue to be returned on the contact of the intrusion.

An extensive drilling program using shallow scout drills and diamond core drills continues to test the large suite of magnetic and geochemical targets defined in the area north and west of Kevitsa. Several targets have encountered magmatic sulphides including limited intercepts of massive sulphide mineralization grading up to 2.4% nickel. Follow up drilling and ground geophysics is planned to look for thicker mineralization. Shallow drilling has commenced on the ‘Bonanza’ target north east of Kevitsa where strong copper, gold and nickel grades are reported in surface geochemistry.

Long delays in granting of exploration permits in Finland together with changes to the access permissions in state forests have combined to significantly impede exploration drilling over large areas.

Peru

Exploration drilling at Haquira has been suspended since January. Planned recommencement of drilling after the wet season has not been possible due to delays in the granting of drilling and environmental permits. A permit for drilling at Cristo de los Andes was received in June and permitting for Haquira is expected shortly. Six or more rigs are expected to be active during Q3 2012 with the emphasis on testing extensions of Haquira and satellite targets identified in recent magnetic and surface geochemical surveys.

Several new regional prospects are under evaluation in southern Peru. Access to a large land package 40 kilometres east of Haquira was secured via an agreement with Zincore Metals Inc. (“Zincore”). First Quantum has acquired 19.9% of Zincore, and 60% of the invested proceeds will be used for regional exploration. In addition, First Quantum has taken an option to earn 75% of Zincore’s early stage Dolores copper porphyry prospect.

Mauritania & West Africa

Five targets in Guelb Moghrein district were tested during the period. One target at ‘Bull’ returned low grade copper mineralization over 20 metres and requires follow up drilling. A specialized drill track-mounted rig is being mobilized to site to conduct resource drilling of the Oriental Hill copper-gold mineralization.

Reconnaissance exploration including mapping and geochemical sampling continued on mafic hosted Ni-Cu-PGE targets in Cote d’Ivoire, Burkina Faso and Mali as part of a strategic alliance with Newgenco. Permit applications are pending for new projects in Cote d’Ivoire and Burkina Faso.

in United States dollars, tabular amounts in millions, except where noted

SALES REVENUES

Sales revenues (after realization charges)		Three months ended June 30		Six months ended June 30	
		2012	**2011**	**2012**	**2011**
Kansanshi	- copper	451.4	491.8	897.1	1,055.0
	- gold	36.6	31.9	81.4	66.0
Guelb Moghrein	- copper	63.5	56.8	130.1	105.9
	- gold	27.7	21.2	51.4	40.7
Ravensthorpe	- nickel	128.1	-	208.2	-
	- cobalt	1.8	-	3.9	-
Corporate		13.2	58.3	78.9	83.7
Sales revenues from continuing operations		722.3	660.0	1,451.0	1,351.3
Frontier	- copper	-	(0.5)	-	13.2
Bwana	- copper	-	0.5	-	0.7
Sales revenues		722.3	660.0	1,451.0	1,365.2

Q2 2012 total sales revenues from continuing operations were 9% higher than the prior year period due to the contribution of $129.9 million of revenues from Ravensthorpe, offset by an 11% lower average copper price and lower corporate revenues.

The Company's revenues are recognized at provisional prices when title passes to the customer. Subsequent adjustments for final pricing are materially offset by derivative adjustments and shown on a net basis in cost of sales (see *"Hedging Program"* for further discussion).

Copper selling price (per lb)	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Average LME cash price	3.57	4.15	3.67	4.25
Realized copper price	3.48	4.05	3.57	4.14
Treatment/refining charges ("TC/RC") and freight charges	(0.27)	(0.24)	(0.26)	(0.23)
Net realized copper price	3.21	3.81	3.31	3.91

The LME copper price averaged $3.57/lb for the quarter, a decrease of $0.58/lb from the average for Q2 2011. Copper experienced a downward price shift from the middle of April on what was perceived as disappointing Chinese trade and economic data. Prices came under additional pressure amid the Euro zone sovereign debt crisis which led to a broader sell off across the LME metals at the end of May. June saw the release of further downbeat Chinese data. Later in June a cut in Chinese interest rates pulled prices back up towards $3.40/lb.

Nickel selling price (per lb)	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Average LME cash price	7.78	10.96	8.35	11.60
Realized nickel price per payable pound	7.84	-	8.21	-
TC/RC charges	(0.05)	-	(0.11)	-
Net realized nickel price per payable pound	7.79	-	8.10	-

The LME nickel price averaged $7.78/lb for the quarter, a decrease of $3.18/lb from the average for Q2 2011.The European stainless industry remains cautious with the regional economic situation sustaining bearish sentiment and high levels of risk aversion. Demand for stainless in China also remains weak with many of the largest mills making greater cuts in Q2 production rates than had previously been reported or anticipated.

in United States dollars, tabular amounts in millions, except where noted

SUMMARY FINANCIAL RESULTS

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Gross profit				
Kansanshi	231.2	333.7	467.6	734.2
Guelb Moghrein	21.5	38.7	45.9	71.9
Ravensthorpe	30.4	-	41.3	-
Other	(8.4)	(9.2)	(9.8)	(3.4)
Total gross profit	274.7	363.2	545.0	802.7
Exploration	(17.1)	(15.4)	(30.0)	(34.8)
General and administrative	(15.7)	(14.5)	(33.1)	(33.2)
Other income	1.4	(10.6)	1.7	(7.0)
Net finance income (costs)	6.9	0.4	6.1	(3.1)
Gain on disposal of residual claim and assets	-	-	1,217.9	-
Income taxes	(81.2)	(135.8)	(177.6)	(284.1)
Net earnings for the period	169.0	187.3	1,530.0	440.5
Net earnings for the period attributable to:				
Non-controlling interests	27.0	32.0	51.1	78.5
Shareholders of the Company	142.0	155.3	1,478.9	362.0
Comparative earnings	142.0	155.3	261.0	362.0
Earnings per share				
basic	$0.30	$0.36	$3.12	$0.84
diluted	$0.30	$0.33	$3.10	$0.77
Comparative earnings per share	$0.30	$0.36	$0.55	$0.84

Exploration expense increased from Q2 2011 as increased activity in Finland and at Kansanshi outweighed lower activity in Peru during the period. Exploration expenses incurred at Enterprise in 2012 are consistent with expenses incurred at the Sentinel project in 2011. Q2 2012 exploration expenses comprise primarily;

- $7.9 million at Enterprise
- $2.8 million in Finland
- $2.4 million at Haquira
- $2.0 million at Guelb Moghrein
- $1.0 million at Kansanshi's prospective targets

General and administrative costs increased marginally from Q2 2011 as a reduction in legal costs related to 2011 République démocratique du Congo ("RDC") matters were outweighed by an increase in personnel costs driven by an increased complement of employees to develop and manage the Company's expanded pipeline of projects.

On January 5, 2012, the Company reached an agreement with ENRC to dispose of its residual claims and assets in respect of the Kolwezi Tailings project, and the Frontier and Lonshi mines and related exploration interests, all located in the Katanga Province of the RDC and to settle all current legal matters relating to these interests for a total consideration of $1.25 billion. The transaction was completed on March 2, 2012. The total consideration was comprised of $750.0 million, paid on March 2, 2012, together with a deferred consideration of $500.0 million in the form of a 3-year Promissory Note with an interest coupon of 3% payable annually in arrears. Under the terms of the acquisition, ENRC acquired, with certain limited exceptions, all of First Quantum's assets and property either physically located within the RDC or relating to the operations formerly carried out by First Quantum and its subsidiaries in the RDC. In connection with the transaction, First Quantum, ENRC, the RDC Government, International Finance Corporation and Industrial Development Corporation have also settled all disputes relating to the companies being sold and their assets and operations in the RDC and each of First Quantum, ENRC, the RDC Government, International Finance Corporation and Industrial Development Corporation have released one another in respect of all claims and judgments relating to the foregoing or to any other matter arising in the RDC on or before the date of closing.

in United States dollars, tabular amounts in millions, except where noted

The $1,217.9 million gain recognized on the disposal includes the fair value of proceeds received, net of transaction costs and the underlying net liabilities of subsidiaries disposed of.

The Q2 2012 effective income tax rate was 32% of earnings before taxes. Kansanshi's effective tax rate was impacted by the treatment of hedging activities in Zambia. During Q1 2012, Kansanshi's hedging losses were not allowed as a deduction against operating income, resulting in a higher effective tax rate. In Q2 2012, these hedging losses were largely reversed, and accordingly the periodic gain did not have a corresponding tax effect, resulting in a lower effective tax rate in Q2 2012.

Following the completion of its tax holiday in Mauritania on February 19, 2012, Guelb Moghrein is now subject to Mauritanian income taxes at a rate of 25%.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Cash flows from operating activities				
- before changes in working capital	219.9	223.7	396.8	484.4
- after changes in working capital	232.9	(55.0)	371.4	319.7
Cash flows from financing activities	(84.5)	(93.6)	(102.2)	(141.8)
Cash flows from investing activities				
Payments for property, plant and equipment	(310.6)	(244.1)	(587.5)	(433.4)
Proceeds from settlement of RDC claims and sale of assets	-	-	736.5	-
Other investing activities	(7.7)	5.6	(13.6)	9.9
Net cash flows	(169.9)	(387.1)	404.6	(245.6)
Cash balance	856.7	1,099.3	856.7	1,009.3
Cash flows from operating activities per share[1]				
before working capital (per share)	$0.46	$0.52	$0.84	$1.13
after working capital (per share)	$0.49	($0.13)	$0.78	$0.75

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

Operating cash flows before changes in working capital were comparable with Q2 2011 as lower net earnings included higher non-cash expenses in Q2 2012. The prior quarter working capital movements were impacted by a payment of $347.0 million in Zambian taxes, which resulted in negative cash flows after changes in working capital.

Cash flows from financing activities comprise primarily of dividend payments made to shareholders of the Company and non-controlling interests of $61.4 million and $15.8 million, respectively. Total dividends paid in Q2 2012 increased by 27% from Q2 2011.

Capital expenditure for property, plant and equipment totaled $310.6 million in Q2 2012 which comprised primarily of;

- $188.1 million at Kansanshi for the oxide circuit expansion and mine pit development costs
- $52.9 million at Kevitsa for project completion and development costs incurred during the commissioning phase
- $53.5 million at Sentinel, including deposits, for long-lead plant and mine equipment

Proceeds from settlement of RDC claims and sale of assets represents the net cash proceeds received during Q1 2012. The $500.0 million promissory note is receivable on March 2, 2015.

in United States dollars, tabular amounts in millions, except where noted

As at June 30, 2012, the Company had the following contractual obligations outstanding:

	Total	< 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Thereafter
Debt	39.7	25.3	5.0	4.7	4.7	-	-
Accounts payable and current taxes	559.0	559.0	-	-	-	-	-
Deferred payments	4.1	0.4	0.2	-	-	-	3.5
Finance leases	27.7	2.1	2.1	2.3	2.4	2.6	16.2
Commitments	892.6	892.6	-	-	-	-	-
Restoration provisions	255.6	1.3	1.3	1.3	1.3	1.3	249.1

Total commitments of $892.6 million comprise primarily of capital expenditure for property, plant and equipment related to the development of Sentinel, upgrades at Kansanshi and other projects.

The significant capital expansion and development program is expected to be funded using available cash and debt facilities. Currently the $250.0 million Kevitsa debt facility and $1.0 billion Kansanshi senior term and revolving facility are undrawn and available for drawdown. The Company's working capital, together with future cash flows from operations and available debt facilities is expected to be sufficient to fund the Company's committed and planned capital expansion and development programs.

in United States dollars, tabular amounts in millions, except where noted

Hedging program

As at June 30, 2012, the following derivative positions were outstanding:

	Maturity 2012	June 30, 2012		December 31, 2011	
		Asset	Liability	Asset	Liability
Foreign currency					
USD/EUR extendible collar - Principal	€9.0	-	(0.1)	-	(0.2)
Strike price	1.250-1.330				
Copper (a)					
Futures sales contracts over quotation period (tonnes)	45,673	19.4	(7.0)	1.9	(5.1)
Average price ($/tonne)	$7,695				
Embedded derivative hedged by future sales contracts (tonnes)	44,639	-	-	-	-
Average price ($/tonne)	$7,605				
Net provisional copper exposure (tonnes)	(1,034)				
Gold (a)					
Futures sales contracts over quotation period (ounces)	22,233	0.1	-	3.2	-
Average price ($/ounce)	$1,585				
Embedded derivative hedged by future sales contracts (ounces)	16,987	-	-	-	-
Average price ($/tonne)	$1,584				
Net provisional gold exposure (ounces)	(5,246)				
Nickel (a)					
Futures sales contracts over quotation period (tonnes)	855	0.3	(0.1)	-	(0.7)
Average price ($/tonne)	$16,674				
Embedded derivative hedged by future sales contracts (tonnes)	855	-	-	-	-
Average price ($/tonne)	$16,475				
Net provisional nickel exposure (tonnes)	-				
Other					
Embedded derivative		-	(1.8)	-	(2.4)
		19.8	(9.0)	5.1	(8.4)

a) Provisional pricing and derivative contracts

A portion of the Company's metal sales is sold on a provisional pricing basis whereby sales are recognized at prevailing metal prices when title transfers to the customer and final pricing is not determined until a subsequent date, typically two months later. The difference between final price and provisional invoice price is recognized in net earnings. In order to mitigate the impact of these adjustments on net earnings, 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, gold and nickel embedded derivatives which are included within accounts receivable.

As at June 30, 2012, substantially all of the Company's metal sales contracts subject to pricing adjustments were hedged by offsetting derivative contracts.

EQUITY

At the date of this report, the Company has 476,310,282 shares outstanding. There were no changes in common shares outstanding during Q2 2012.

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. 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. The Company's Zambian subsidiaries have complied with the GRZ's new tax regime without prejudice to its rights under the Development Agreement.

Following the change of government in 2011, the first Budget of the new government introduced a further increase in the mineral royalty tax from 3% to 6%, effective April 2012, in breach of the Development Agreements.

Until resolved differently with the GRZ, the Company is recognizing and paying taxes in excess of the Development Agreement, resulting in an effective tax rate of approximately 43% at Kansanshi.

in United States dollars, tabular amounts in millions, except where noted

SUMMARY OF RESULTS

The following unaudited tables set out a summary of quarterly and annual results for the Company:

Consolidated operating statistics	**Q3 10**	**Q4 10**	**2010**	**Q1 11**	**Q2 11**	**Q3 11**	**Q4 11**	**2011**	**Q1 12**	**Q2 12**	**YTD 12**
Revenues											
Copper	$541.8	$650.8	$2,196.0	$651.6	$606.9	$585.0	$474.4	$2,317.9	$573.3	$528.1	$1,101.4
Gold	52.6	57.0	197.2	53.6	53.1	66.0	68.2	240.9	68.5	64.3	132.8
Nickel	-	-	-	-	-	-	-	-	80.1	128.1	208.2
Other revenues	-	-	-	-	-	-	24.7	24.7	6.8	1.8	8.6
Total sales revenues	594.4	707.8	2,393.2	705.2	660.0	651.0	567.3	2,583.5	728.7	722.3	1,451.0
Direct operating costs	267.0	291.1	1,052.0	244.1	270.3	306.7	344.6	1,165.7	417.7	414.5	832.2
Net earnings (loss) attributable to shareholders of the Company	(117.2)	454.7	305.8	206.7	155.3	90.9	76.0	528.9	1,336.9	142.0	1,478.9
Basic earnings (loss) per share	$(0.29)	$1.12	$0.76	$0.48	$0.36	$0.20	$0.16	$1.18	$2.82	$0.30	$3.12
Diluted earnings (loss) per share	$(0.29)	$1.01	$0.69	$0.44	$0.33	$0.20	$0.16	$1.18	$2.81	$0.30	$3.10
Dividends declared per common share ($CDN per share)	$0.039	-	$0.142	$0.121	-	$0.053	-	$0.174	$0.128	-	$0.128
Weighted average # shares (000's)	401,100	405,801	401,322	428,770	428,775	456,865	474,071	447,224	474,035	474,035	474,035
Cash flows from operating activities											
Before working capital movements	$0.46	$0.75	$2.25	$0.62	$0.52	$0.55	$0.19	$1.85	$0.37	$0.46	$0.84
After working capital movements	$0.02	$0.72	$2.00	$0.88	($0.13)	$0.21	($0.01)	$0.92	$0.29	$0.49	$0.78
Copper statistics											
Total copper produced (tonnes)	76,633	75,920	323,017	74,888	64,587	58,785	67,316	265,576	65,869	71,543	137,412
Total copper sold (tonnes)	79,408	76,290	311,560	70,665	65,511	71,443	65,638	273,257	67,789	72,711	140,500
Realized copper price (per lb)	3.18	3.73	3.25	4.23	4.05	3.84	3.33	3.87	3.67	3.48	3.57
TC/RC (per lb)	(0.03)	(0.02)	(0.06)	(0.03)	(0.04)	(0.06)	(0.06)	(0.05)	(0.07)	(0.08)	(0.07)
Freight charges (per lb)	(0.22)	(0.23)	(0.21)	(0.19)	(0.20)	(0.24)	(0.26)	(0.22)	(0.18)	(0.19)	(0.19)
Net realized copper price (per lb)	2.93	3.48	2.98	4.01	3.81	3.54	3.01	3.60	3.42	3.21	3.31
Cash costs – copper (C1) (per lb)[(1)]	$1.21	$1.06	$1.18	$1.15	$1.43	$1.52	$1.53	$1.41	$1.59	$1.53	$1.56
Total costs – copper (C3) (per lb)[(1)]	$1.59	$1.35	$1.47	$1.48	$1.78	$1.85	$1.97	$1.76	$1.89	$1.96	$1.94
Nickel statistics											
Nickel produced (contained tonnes)	-	-	-	-	-	-	5,666	5,666	8,573	8,053	16,626
Nickel sold (contained tonnes)	-	-	-	-	-	-	1,388	1,388	5,332	9,846	15,178
Nickel produced (payable tonnes)	-	-	-	-	-	-	4,189	4,189	6,617	6,204	12,821
Nickel sold (payable tonnes)	-	-	-	-	-	-	1,110	1,110	4,199	7,443	11,642
Realized nickel price (per payable lb)	-	-	-	-	-	-	-	-	8.85	7.84	8.21
TC/RC (per payable lb)	-	-	-	-	-	-	-	-	(0.20)	(0.05)	(0.11)
Net realized nickel price (per payable lb)	-	-	-	-	-	-	-	-	8.65	7.79	8.10
Cash costs – nickel (C1) (per payable lb)[(1)]	-	-	-	-	-	-	-	-	$5.69	$5.70	$5.70
Total costs – nickel (C3) (per payable lb)[(1)]	-	-	-	-	-	-	-	-	$6.93	$6.95	$6.93
Gold statistics											
Total gold produced (ounces)	46,718	48,564	191,395	49,146	41,087	41,468	43,524	175,225	42,495	43,798	86,293
Total gold sold (ounces)	44,934	50,139	188,368	45,349	38,426	47,458	49,209	180,442	45,619	46,445	92,064
Net realized gold price (per ounce)	1,169	1,085	1,047	1,183	1,382	1,386	1,386	1,335	1,502	1,384	1,442
Inventory (tonnes)											
Kansanshi	20,468	28,023	28,023	28,892	27,439	16,301	21,643	21,643	19,709	18,690	18,690
Guelb Moghrein	8,092	7,079	7,079	11,140	11,759	10,032	6,598	6,598	6,592	6,349	6,349
Ravensthorpe (nickel)	-	-	-	-	-	-	4,279	4,279	7,521	5,727	5,727

(1) For the definition of cash costs and total costs, reference should be made to the *"Regulatory Disclosures"* section.

Copper, nickel and gold produced at Kevitsa during its commissioning phase in Q2 2012 has been excluded from consolidated production figures shown above. See "Kevitsa statistics" on page 16 for information.

in United States dollars, tabular amounts in millions, except where noted

Kansanshi statistics	**Q3 10**	**Q4 10**	**2010**	**Q1 11**	**Q2 11**	**Q3 11**	**Q4 11**	**2011**	**Q1 12**	**Q2 12**	**YTD 12**
Mining											
Waste mined (000's tonnes)	9,008	6,920	23,847	6,700	13,087	16,133	15,848	51,768	16,062	18,217	34,279
Ore mined (000's tonnes)	6,394	6,863	23,045	6,152	6,025	5,761	6,568	24,506	5,882	6,150	12,032
Processing [1]											
Sulphide ore processed (000's tonnes)	2,443	2,699	10,382	2,318	2,724	2,185	1,628	8,855	1,433	2,379	3,812
Sulphide ore grade processed (%)	0.8	0.8	0.8	0.9	0.7	0.4	0.6	0.7	1.0	1.0	1.0
Sulphide ore recovery (%)	93	93	93	94	93	88	92	91	95	94	94
Mixed ore processed (000's tonnes)	1,289	1,636	5,462	1,638	1,696	2,057	2,986	8,377	2,562	2,093	4,655
Mixed ore grade processed (%)	1.2	1.3	1.3	1.2	1.0	0.9	1.0	1.0	1.1	1.1	1.1
Mixed ore recovery (%)	67	70	67	68	62	61	64	63	64	64	64
Oxide ore processed (000's tonnes)	1,495	1,521	5,674	1,517	1,469	1,594	1,492	6,072	1,424	1,548	2,972
Oxide ore grade processed (%)	2.4	2.4	2.2	2.4	2.1	2.3	2.3	2.3	2.0	2.0	2.0
Oxide ore recovery (%)	78	84	86	84	86	84	88	86	85	84	85
Copper cathode produced (tonnes)	21,914	24,921	86,682	25,445	21,037	25,173	24,838	96,493	21,274	22,938	44,212
Copper cathode tolled produced (tonnes)	23,564	26,386	97,501	26,655	23,478	22,782	18,515	91,430	21,085	18,757	39,842
Copper in concentrate produced (tonnes)	9,723	14,925	46,941	12,697	11,641	2,224	15,810	42,372	14,252	21,130	35,382
Total copper production	55,201	66,232	231,124	64,797	56,156	50,179	59,163	230,295	56,611	62,825	119,436
Concentrate grade (%)	24.7	24.0	24.9	23.0	22.1	19.1	24.4	22.3	28.2	26.3	27.0
Gold produced (ounces)	29,456	28,982	109,629	30,612	25,417	26,677	29,580	112,286	27,158	28,244	55,402
Cash Costs (per lb) [1]											
Mining	$0.45	$0.39	$0.44	$0.42	$0.55	$0.52	$0.63	$0.53	$0.58	$0.55	$0.56
Processing	0.57	0.55	0.58	0.62	0.76	0.97	0.81	0.79	0.90	0.82	0.86
Site administration	0.03	0.06	0.03	0.04	0.06	0.09	0.06	0.06	0.05	0.07	0.06
TC/RC and freight charges	0.29	0.30	0.28	0.30	0.30	0.31	0.32	0.31	0.37	0.35	0.36
Gold credit	(0.25)	(0.23)	(0.23)	(0.24)	(0.26)	(0.33)	(0.30)	(0.28)	(0.36)	(0.27)	(0.31)
Cash costs (C1) (per lb)[1]	$1.09	$1.07	$1.10	$1.14	$1.41	$1.56	$1.52	$1.41	$1.54	$1.52	$1.53
Total costs (C3) (per lb)[1]	$1.42	$1.29	$1.31	$1.39	$1.68	$1.87	$1.90	$1.70	$1.82	$1.93	$1.88
Revenues ($ millions)											
Copper cathodes	$293.2	$366.6	$1,240.0	$494.0	$444.2	$424.1	$302.6	$1,664.9	$355.0	$338.9	$693.9
Copper in concentrates	71.9	96.6	298.4	69.2	47.6	61.8	65.8	244.4	90.7	112.5	203.2
Gold	29.5	33.1	115.5	34.1	31.9	35.7	37.3	139.0	44.8	36.6	81.4
Total sales revenues	$394.6	$496.3	$1,653.9	$597.3	$523.7	$521.6	$405.7	$2,048.3	$490.5	$488.0	$978.5
Copper cathode sold (tonnes)	21,329	20,285	80,782	29,412	26,370	29,350	24,522	109,654	24,128	23,238	47,366
Copper tolled cathode sold(tonnes)	23,564	26,386	97,295	26,655	23,478	22,782	18,514	91,429	21,085	18,758	39,842
Copper in concentrate sold(tonnes)	10,462	12,033	47,112	7,006	7,773	8,970	11,000	34,749	13,332	21,755	35,087
Gold sold (ounces)	29,907	29,355	115,742	31,210	25,944	29,592	27,742	114,488	30,308	29,162	59,470

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

in United States dollars, tabular amounts in millions, except where noted

Guelb Moghrein statistics	**Q3 10**	**Q4 10**	**2010**	**Q1 11**	**Q2 11**	**Q3 11**	**Q4 11**	**2011**	**Q1 12**	**Q2 12**	**YTD 12**
Mining											
Waste mined (000's tonnes)	2,491	1,924	9,827	2,267	3,114	3,696	4,162	13,239	4,532	4,673	9,205
Ore mined (000's tonnes)	823	720	3,045	931	661	878	1,140	3,610	994	1,046	2,040
Processing [1]											
Sulphide ore processed (000's tonnes)	644	748	2,796	758	631	668	634	2,691	797	753	1,550
Sulphide ore grade processed (%)	1.4	1.4	1.5	1.4	1.5	1.4	1.4	1.4	1.3	1.3	1.3
Recovery (%)	92	91	91	92	91	91	91	91	92	88	89
Copper in concentrate produced (tonnes)	8,487	9,687	36,969	10,091	8,429	8,606	8,155	35,281	9,258	8,718	17,976
Gold produced (ounces)	17,262	19,582	81,766	18,534	15,670	14,791	13,943	62,938	15,337	15,554	30,891
Cash Costs (per lb) [1]											
Mining	$0.36	$0.49	$0.35	$0.40	$0.46	$0.78	$0.69	$0.57	$0.65	$0.67	$0.66
Processing	0.88	0.87	0.77	0.82	1.20	1.28	1.45	1.17	1.23	1.31	1.27
Site administration	0.28	0.40	0.25	0.25	0.38	0.23	0.39	0.31	0.33	0.31	0.32
TC/RC and freight charges	0.51	0.48	0.48	0.47	0.62	0.49	0.69	0.57	0.76	0.58	0.67
Gold credit	(1.24)	(1.21)	(0.95)	(0.68)	(1.04)	(1.45)	(1.59)	(1.16)	(1.13)	(1.26)	(1.19)
Cash costs (C1) (per lb)[1]	$0.79	$1.03	$0.90	$1.26	$1.62	$1.33	$1.63	$1.46	$1.84	$1.61	$1.73
Total costs (C3) (per lb)[1]	$1.85	$1.79	$1.65	$2.03	$2.49	$1.89	$2.45	$2.20	$2.41	$2.20	$2.33
Revenues ($ millions)											
Copper in concentrates	$56.3	$69.2	$192.7	$49.1	$56.8	$72.3	$66.2	$244.4	$66.6	$63.5	$130.1
Gold	21.1	25.9	81.7	19.5	21.2	30.1	31.0	101.8	23.7	27.7	51.4
Total revenues	$77.4	$95.1	$274.4	$68.6	$78.0	$102.4	$97.2	$346.2	$90.3	$91.2	$181.5
Copper in concentrate sold (tonnes)	9,291	10,700	32,932	6,031	7,810	10,332	11,601	35,774	9,244	8,961	18,205
Gold sold (ounces)	15,027	20,784	72,626	14,139	12,482	17,866	21,467	65,954	15,311	17,283	32,594

Ravensthorpe statistics	**Q3 10**	**Q4 10**	**2010**	**Q1 11**	**Q2 11**	**Q3 11**	**Q4 11**	**2011**	**Q1 12**	**Q2 12**	**YTD 12**
Processing											
Beneficiated ore processed (000's tonnes)	-	-	-	-	-	-	645	645	724	667	1,391
Beneficiated ore grade processed (%)	-	-	-	-	-	-	1.3	1.3	1.5	1.6	1.6
Recovery (%)	-	-	-	-	-	-	68	68	78	77	77
Nickel produced (contained tonnes)	-	-	-	-	-	-	5,666	5,666	8,573	8,053	16,626
Nickel produced (payable tonnes)	-	-	-	-	-	-	4,189	4,189	6,617	6,204	12,821
Cash Costs (per lb) [1]											
Mining	-	-	-	-	-	-	-	-	$0.57	$0.69	$0.63
Processing	-	-	-	-	-	-	-	-	3.73	4.10	3.99
Site administration	-	-	-	-	-	-	-	-	0.61	0.50	0.57
TC/RC and freight charges	-	-	-	-	-	-	-	-	1.03	0.45	0.66
Cobalt credit	-	-	-	-	-	-	-	-	(0.25)	(0.04)	(0.15)
Cash costs (C1) (per lb) [1]	-	-	-	-	-	-	-	-	$5.69	$5.70	$5.70
Total costs (C3) (per lb) [1]	-	-	-	-	-	-	-	-	$6.93	$6.95	$6.94
Revenues ($ millions)											
Nickel	-	-	-	-	-	-	-	-	80.1	128.1	208.2
Cobalt	-	-	-	-	-	-	-	-	2.1	1.8	3.9
Total revenues	-	-	-	-	-	-	-	-	82.2	129.9	212.1
Nickel sold (contained tonnes)	-	-	-	-	-	-	1,388	1,388	5,332	9,846	15,178
Nickel sold (payable tonnes)	-	-	-	-	-	-	1,110	1,110	4,199	7,443	11,642

Production of copper, nickel and gold during Kevitsa's commissioning phase in Q2 2012 is shown below for information purposes.

Kevitsa statistics	**Q3 10**	**Q4 10**	**2010**	**Q1 11**	**Q2 11**	**Q3 11**	**Q4 11**	**2011**	**Q1 12**	**Q2 12**	**YTD 12**
Production											
Copper produced (tonnes)	-	-	-	-	-	-	-	-	-	642	642
Nickel produced (tonnes)	-	-	-	-	-	-	-	-	-	121	121
Gold produced (ounces)	-	-	-	-	-	-	-	-	-	482	482

[1] For the definition of cash costs and total costs, reference should be made to the "*Regulatory Disclosures*" section

in United States dollars, tabular amounts in millions, except where noted

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 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 the settlement of claims and sale of RDC assets in 2012. 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.

	Three months ended June 30		**Six months ended June 30**	
	2012	**2011**	**2012**	**2011**
Net earnings attributable to shareholders of the Company	142.0	155.3	1,478.9	362.0
Deduct:				
Settlement of RDC claims and sale of assets	-	-	1,217.9	-
Comparative earnings	142.0	155.3	261.0	362.0
Earnings per share as reported	$0.30	$0.36	$3.12	$0.84
Comparative earnings per share	$0.30	$0.36	$0.55	$0.84

Financial instruments risk exposure

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

Credit risk

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

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

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

Exceptions to the policy for dealing with relationship banks with ratings below "A-" are reported to, and approved by, the Audit Committee. As at June 30, 2012 substantially all cash and short-term deposits are with counterparties with ratings "A-" or higher.

The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. More than 70% of the Company's product sales and trade accounts receivable are generated from four customers each representing greater than 10% of the total sales for the period. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and property, plant and equipment expenditures.

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

Liquidity risk

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

In addition, the Company was obligated under its corporate revolving credit and term loan facility to maintain liquidity and satisfy various ratio tests on an historical and prospective cash flow basis. These ratios were in compliance during the period ended June 30, 2012.

Market risks

a) Commodity price risk

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

As at June 30, 2012, the Company had entered into derivative contracts for copper, gold and nickel in order to reduce the effects of fluctuations in metal prices between the time of the shipment of metal from the mine site and the date agreed for pricing the final settlement. As at June 30, 2012, the Company had not entered into any diesel or sulphur derivative contracts.

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

b) Interest rate risk

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

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

The Company manages its interest rate risk on borrowings on a net basis after first recognizing the natural hedge arising from floating rate deposits. The Company has a policy allowing floating-to-fixed interest rate swaps targeting 50% of exposure over a five year period. As at June 30, 2012, the Company held no floating-to-fixed interest rate swap.

c) Foreign exchange risk

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

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

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, 2011 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, 2011 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, 2011 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, 2012 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 is also 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 are principally included in the Development activities section and are 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, 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.