



First Quantum Minerals Ltd.
Consolidated Financial Statements
First Quarter – March 31, 2005

(Unaudited)

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

First Quantum Minerals Ltd.

Consolidated Balance Sheets

As at March 31, 2005 and December 31, 2004

(unaudited)

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

	2005 \$	2004 \$
Assets		
Current assets		
Cash and cash equivalents	78,989	50,356
Restricted cash (note 8)	1,755	1,931
Accounts receivable and prepaid expenses	21,620	21,927
Inventory (note 4)	42,493	31,674
	<u>144,857</u>	<u>105,888</u>
Investments (note 5)	9,522	15,340
Exploration properties	444	444
Property, plant and equipment (note 6)	340,584	319,222
Other assets and deferred charges (note 7)	27,702	32,167
	<u>523,109</u>	<u>473,061</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	33,528	33,884
Current taxes payable (note 9)	7,170	3,248
Current portion of long-term debt (note 8)	30,391	22,865
Current portion of other liabilities (note 10)	12,368	12,012
	<u>83,457</u>	<u>72,009</u>
Long-term debt (note 8)	207,204	191,661
Asset retirement obligation	4,006	3,762
Future income tax liability (note 9)	12,130	12,313
Other liabilities (note 10)	30,603	33,286
	<u>337,400</u>	<u>313,031</u>
Minority interests	2,190	2,190
	<u>339,590</u>	<u>315,221</u>
Shareholders' Equity		
Equity accounts (note 11)	163,279	161,776
Retained Earnings (Deficit)	20,240	(3,936)
	<u>183,519</u>	<u>157,840</u>
	<u>523,109</u>	<u>473,061</u>
Commitments and contingencies (note 14)		

Approved by the Board of Directors



Director



Director

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

First Quantum Minerals Ltd.

Consolidated Statements of Earnings and Deficit

For the three months ended March 31, 2005 and 2004

(unaudited)

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

	Three months ended	
	March 31, 2005	March 31, 2004
	\$	\$
Revenues		
Copper	38,172	22,082
Acid	10	3,170
	<u>38,182</u>	<u>25,252</u>
Costs and expenses		
Cost of sales	16,166	12,091
Depletion and amortization	3,905	2,332
Exploration	1,012	377
Foreign exchange (gain) loss	(379)	129
General and administrative	2,106	1,145
Interest and financing fees on long-term debt	849	587
Other Income	(262)	(256)
Gain on disposal of investment	(16,127)	-
	<u>7,270</u>	<u>16,405</u>
Earnings before income taxes and equity earnings	30,912	8,847
Income Taxes (note 9)	3,736	2,614
Equity earnings	-	434
Net earnings for the period	<u>27,176</u>	<u>6,667</u>
Deficit - Beginning of period	(3,936)	(31,946)
Dividends declared	(3,000)	-
Retained earnings (Deficit) - End of period	<u>20,240</u>	<u>(25,279)</u>
Earnings per common share		
Basic	\$0.44	\$0.11
Diluted	\$0.43	\$0.11
Weighted average number of shares outstanding (000's)	61,267	58,568

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

First Quantum Minerals Ltd.

Consolidated Statements of Cash Flows

For the three months ended March 31, 2005 and 2004

(unaudited)

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

	Three months ended March 31, 2005 \$	March 31, 2004 \$
Cash flows from operating activities		
Net earnings for the period	27,176	6,667
Items not affecting cash		
Depletion and amortization	3,905	2,332
Accretion	137	346
Provision for deferred stripping	3,903	-
Equity earnings	-	(434)
Unrealized foreign exchange (gain) loss	(126)	390
Future income tax expense (recovery)	(186)	2,614
Stock-based compensation expense	654	186
Other	406	44
Gain on disposal of investment	(16,127)	-
	<u>19,742</u>	<u>12,145</u>
Change in non-cash operating working capital		
Decrease (increase) in accounts receivable and prepaid expenses	8,590	(2,771)
(Increase) decrease in inventory	(7,732)	355
Increase (decrease) in accounts payable and accrued liabilities	2,330	(3,061)
	<u>22,930</u>	<u>6,668</u>
Cash flows from financing activities		
Movement in restricted cash	176	-
Proceeds from long-term debt	31,523	17,876
Repayments of principal on long-term debt	(5,308)	(2,502)
Proceeds from issue of common shares and warrants	849	43,325
Payments for deferred premium obligation and finance fees	(2,401)	(1,330)
	<u>24,839</u>	<u>57,369</u>
Cash flows from investing activities		
Net payments to acquire capital assets and investments	(38,865)	(34,993)
Payments for deferred exploration and stripping costs	(2,104)	(1,164)
Proceeds on disposal of investment	21,944	-
	<u>(19,025)</u>	<u>(36,157)</u>
Effect of exchange rate changes on cash	(111)	(494)
Increase in cash and cash equivalents	28,744	27,880
Cash and cash equivalents - Beginning of period	50,356	25,592
Cash and cash equivalents - End of period	<u>78,989</u>	<u>52,978</u>

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2005 and 2004

(unaudited)

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

1. Nature of operations

First Quantum Minerals Ltd. ("FQM" or the "Company") is engaged in the production of copper, gold and acid and related activities including exploration, development and processing. These activities are conducted principally in Zambia, the Democratic Republic of Congo (DRC), and Mauritania.

2. Basis of presentation

These interim consolidated financial statements do not contain all the information that is required of annual financial statements and they should be read in conjunction with the most recent annual financial statements. These interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual financial statements of the Company except where indicated in note 3.

3. Change in accounting policy

Effective January 1, 2005, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) set out in Accounting Guideline 15, Consolidation of Variable Interest Entities (AcG-15). This guideline requires the consolidation of certain entities that are subject to control on a basis other than the ownership of voting interests. There was no impact on either Earnings or the Consolidated Balance Sheet from applying this guideline.

4. Inventory

	March 31, 2005 \$	December 31, 2004 \$
Ore in stockpiles	19,244	11,584
Work-in-progress	2,409	1,283
Copper and concentrates	2,964	243
Total product inventory	24,617	13,110
Consumable stores	18,990	19,678
Total inventory	43,607	32,788
Less: Non-current portion	(1,114)	(1,114)
	42,493	31,674

5. Investments

	March 31, 2005 \$	December 31, 2004 \$
Carlisa Investment Corp. (a)	9,522	9,522
Anvil Mining NL (b)	-	5,818
	9,522	15,340

a) The Company has an 18.8% interest in Carlisa that holds a 90% interest in Mopani.

b) On February 28, 2005, the company disposed of all of its common shares in Anvil for net proceeds of \$21,944 or CA\$6.75 per share based on 4,029,617 shares resulting in a gain of \$16,127.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2005 and 2004

(unaudited)

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

6. Property, plant and equipment

	March 31, 2005		
	Cost \$	Accumulated amortization \$	Net \$
Land and Buildings	11,007	3,219	7,788
Mineral Property	48,112	17,382	30,730
Plant and Equipment	302,275	52,248	250,027
Work-in-progress	52,039	-	52,039
	413,433	72,849	340,584

	December 31, 2004		
	Cost \$	Accumulated amortization \$	Net \$
Land and Buildings	7,234	2,742	4,492
Mineral Property	47,980	17,147	30,833
Plant and Equipment	137,448	47,575	89,873
Work-in-progress	194,024	-	194,024
	386,686	67,464	319,222

7. Other assets and deferred charges

	March 31, 2005 \$	December 31, 2004 \$
Prepaid Power	11,521	11,853
Deferred finance fees - net of amortization	9,552	7,549
Non-current ore stockpiles (note 4)	1,114	1,114
Deferred stripping asset	147	1,948
Fair value of derivative instruments (note 13)	5,640	9,988
Derivative instruments transition adjustment	1,002	1,002
Less: Current portion of prepaid power	(1,274)	(1,287)
	27,702	32,167

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2005 and 2004

(unaudited)

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

8. Long-term debt

	March 31, 2005	December 31, 2004
	\$	\$
Drawn debt facilities		
SCB facility (a)	25,385	27,692
Bwana EIB facility (b)	12,055	12,731
Banque Belgolaise facility (c)	6,000	9,000
Standard Bank Group and WestLB (d)	120,000	97,000
Kansanshi EIB facility (e)	43,905	46,376
Banque Belgolaise and Export Development Bank of Canada (f)	30,000	21,477
Other	250	250
Total long-term debt	237,595	214,526
Less: Current portion	(30,391)	(22,865)
	207,204	191,661
Available for drawdown		
Glencore International AG (g)	25,000	
	25,000	

a. Standard Chartered Bank (SCB)

In 2003, Bwana entered into a long-term debt facility with SCB of \$30,000 to re-finance an existing facility, and provide additional funding for capital projects and general working capital purposes. This facility is repayable in 13 equal quarterly instalments which commenced in October 2004 and bears interest at a rate of LIBOR plus 2.5%. A sinking fund has been established to meet the quarterly instalments and is recorded as restricted cash. Subsequent to March 31, 2005, the company agreed to repay \$7,500 on this facility as a result of the Anvil disposition.

The company has pledged as security the assets and undertakings of Bwana.

b. Bwana European Investment Bank (EIB) facility

In 2002, Bwana entered into a long-term debt facility with EIB for 14,000 Euros for additional project financing on the expansion of Bwana. This facility is repayable in six equal annual instalments which commenced July 2003 and bears interest at between 3% and 12.5%, based on the average realized cash copper price for the preceding financial year. The interest rate is at its lower limit at a realized copper price of less than \$1,400 per tonne and then increases incrementally until it reaches it \$2,400 per tonne upper limit.

The company has pledged as security the assets and undertaking of Bwana pari passu with the pre-existing security provided of SCB. As this facility is in Euros, the company has entered into cross-currency principal and interest rate swaps. The outstanding balance of this loan after considering the effect of the cross-currency swap is \$11,281.

c. Banque Belgolaise facility

In 2003, the company entered into a long-term debt facility with Banque Belgolaise for \$6,000 to assist with financing the Comisa mining fleet. This facility was extended to \$10,000 to provide additional financing for Comisa's larger mining fleet. The facility was repayable in 10 quarterly instalments which commenced in December 2004 and bears interest at LIBOR plus 3%. A sinking fund has been established to meet these quarterly instalments and is recorded as restricted cash. On March 15, 2005, the facility was reduced to \$6,000 as a result of the Anvil disposition (note 5). The facility is now repayable in 6 quarterly instalments of \$1,000.

The company has pledged as security the mining fleet of Comisa.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2005 and 2004

(unaudited)

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

d. Standard Bank Group and WestLB

In 2003, Kansanshi entered into a secured \$120,000 senior debt facility agreement arranged and underwritten by Standard Bank Group and WestLB to finance the design, construction, operation and maintenance of the Kansanshi project.

The facility comprises two tranches of \$60,000, each available for drawdown until July 31, 2005. Tranche A is repayable in eleven semi-annual instalments commencing on January 31, 2006; Tranche B is repayable in 22 quarterly payments commencing on October 31, 2005. Interest on Tranche A is calculated at a fixed rate of 6%. Interest on Tranche B is calculated at LIBOR plus 3% during construction and LIBOR plus 2.5% during the repayment period.

The company has pledged as security the assets and undertakings of Kansanshi, a mortgage over the shares of Kansanshi Holdings Limited and a guarantee of repayment by FQM.

e. Kansanshi European Investment Bank (EIB) Facility

In 2003, Kansanshi entered into a subordinated debt facility agreement with EIB, for 34 million Euros (\$46,400), to finance the design, construction, operation and maintenance of the Kansanshi project.

This facility is available for drawdown prior to October 31, 2006 and repayable in nine equal annual payments commencing October 31, 2007. Interest will be 7.2% until April 30, 2005 and thereafter will be recalculated annually, with 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 then increases incrementally until it reaches its \$2,200 per tonne upper limit.

As this facility is in Euros, the company has entered into cross-currency principal and interest rate swaps. The outstanding balance of this loan after considering the effect of the cross-currency swap is \$41,130.

f. Banque Belgoise and Export Development Bank of Canada

In 2004, the company entered into a \$30,000 facility with Banque Belgoise and Export Development Bank of Canada.

This facility comprises two tranches repayable in 12 quarterly instalments commencing on July 31, 2005. Tranche A is for \$25,000 and bears interest at LIBOR plus 3% during the availability period and LIBOR plus 2.5% thereafter. Tranche B is for \$5,000 and 90% of this tranche bears interest at LIBOR plus 1%, while the remainder bears interest the same as tranche A. The availability period ended on March 31, 2005.

The company has pledged as security the assets and undertakings of FQM Zambia Ltd which includes the Kansanshi mining fleet.

Undrawn debt facilities

g. Glencore International AG

In 2004, Kansanshi entered into a \$25,000 cost over run facility with Glencore International AG. The facility bears interest at LIBOR plus 3.5%. If utilized, the loan is repayable in ten semi-annual instalments commencing eighteen months after the project completion date.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2005 and 2004

(unaudited)

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

9. Future income taxes

	March 31, 2005	December 31, 2004
	\$	\$
Opening balances	12,313	4,589
Future income tax expense	(183)	7,724
Closing balance	12,130	12,313
Income tax expense consists of:		
	March 31, 2005	March 31, 2004
	\$	\$
Future income tax (recovery) expense	(183)	2,614
Current income tax expense	3,919	-
	3,736	2,614

10. Other liabilities

	March 31, 2005	December 31, 2004
	\$	\$
Unrealized fair value of derivative liability (note 13)	9,398	10,945
Deferred premium obligation	18,098	19,231
Zesco Limited (a)	3,579	3,579
ZCCM deferred payment (b)	3,333	3,333
Guelb Moghrein deferred payment (c)	7,486	7,370
Other	1,077	840
	42,971	45,298
Less: Current Portion	(12,368)	(12,012)
	30,603	33,286

a. Zesco Limited

The company has entered into an agreement with Zesco Limited (Zesco) whereby Zesco will provide the Kansanshi mine with power for 10 years from the first day of commercial operations. The company agreed to pay a connection fee of \$10,000, of which \$6,000 was paid during 2004 with the balance of \$4,000 to be paid in equal semi-annual payments beginning in the fourth quarter of 2004. Interest is calculated on the outstanding balance at a fixed rate of 6% per annum.

b. ZCCM deferred payment

Consistent with the Kansanshi development agreement, the company agreed to pay \$3,333 to Zambian Consolidated Copper Mines (ZCCM). This balance is included within the current portion of the liabilities.

c. Guelb Moghrein deferred payment

The company agreed to pay a total of \$10,000 to acquire the rights to the 80% interest in Guelb Moghrein copper project. The first payment of \$2,000 was made in December 2004, with subsequent payments of \$3,000 due 12 months after the first payment date and \$5,000 due on the earlier of 24 months from the first payment date or upon commercial production. The discounted value of the deferred payments at March 31, 2005 is \$7,486.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2005 and 2004

(unaudited)

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

11. Equity accounts

	March 31, 2005 \$	December 31, 2004 \$
Common shares	159,484	158,538
Contributed surplus	3,795	3,238
	163,279	161,776
Number of shares issued and outstanding	61,487	61,239
Weighted average number of shares (000's)	61,267	60,123

12. Segmented information

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

Bwana / Lonshi Operation (BLO)

The Bwana plant and the Lonshi mine are owned by separate legal entities but from a management perspective are viewed as an integrated operation, with the Bwana plant processing the ore mined at Lonshi. The Bwana plant in Zambia produces grade A copper cathodes from the Lonshi open pit mine in the DRC. In addition, the Bwana plant manufactures sulphuric acid for use in processing the copper and for sale to third parties.

Kansanshi Copper / Gold Operation (KCO)

The Kansanshi project is located in the northwest province of Zambia, approximately 15 kilometres north of Solwezi. The project reached commercial production in April 2005 and has begun to produce grade A copper cathodes and copper in concentrate with a gold credit.

Guelb Moghrein Project (GMP)

The Guelb Moghrein project is located near Akjoujt in Mauritania. Project construction commenced in early 2005 and commercial production is expected to commence in early 2006.

Corporate Development and Administration and Other (CDA)

The corporate development and administration segment is responsible for the evaluation and acquisition of the new mineral properties, regulatory reporting, and corporate administration. It also holds the Connemara gold mine in Zimbabwe which is currently on a care and maintenance basis, the Frontier project which is in the drilling and assessment phase, and the investment in Carlisa which holds a 90% interest in Mopani Copper Mines Ltd.

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2005 and 2004

(unaudited)

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

For the three months ended **March 31, 2005**, segmented information is presented as follows:

	BLO	KCO	GMP	CDA	Total
	\$	\$	\$	\$	\$
External Revenues	38,182	-	-	-	38,182
Cost and Expenses					
Cost of Sales	16,166	-	-	-	16,166
Depletion and amortization	3,859	-	-	46	3,905
Exploration	525	-	-	487	1,012
Foreign exchange loss (gain)	(489)	-	-	110	(379)
General and administrative	-	-	-	2,106	2,106
Interest and financing fees	849	-	-	-	849
Other Income	(49)	-	-	(213)	(262)
Gain on Disposal	-	-	-	(16,127)	(16,127)
Total Cost and Expenses	20,861	-	-	(13,591)	7,270
Segment profit (loss) before the under noted items	17,321	-	-	13,591	30,912
Equity earnings	-	-	-	-	-
Income Tax	3,736	-	-	-	3,736
Segment profit (loss)	13,585	-	-	13,591	27,176
Property, Plant and equipment additions	2,047	20,671	3,489	(62)	26,145
Total assets	185,134	348,025	14,793	204,027	751,979
Inter-company balances included in total assets	(62,131)	-	-	(166,739)	(228,870)
Total consolidated assets	123,003	348,025	14,793	37,288	523,109

Definitions:

BLO – Bwana / Lonshi Operation

KCO – Kansanshi Copper / Gold Operation

GMP – Guelb Moghrein Project

CDA – Corporate Development and Administration which includes Frontier, Connemara and Carlisa

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2005 and 2004

(unaudited)

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

For the three months ended **March 31, 2004**, segmented information is presented as follows:

	BLO	KCO	GMP	CDA	Total
	\$	\$	\$	\$	\$
External Revenues	25,252	-	-	-	25,252
Cost and Expenses					
Cost of Sales	12,091	-	-	-	12,091
Depletion and amortization	2,296	-	-	36	2,332
Exploration	179	-	-	198	377
Foreign exchange loss (gain)	(231)	-	-	360	129
General and administrative	-	-	-	1,145	1,145
Interest and financing fees	577	-	-	10	587
Other income	(7)	-	-	(249)	(256)
Gain on disposal of investment	-	-	-	-	-
Total Costs and Expenses	14,905	-	-	1,500	16,405
Segment profit (loss) before the under noted items	10,347	-	-	(1,500)	8,847
Equity earnings	-	-	-	434	434
Income Tax	2,614	-	-	-	2,614
Segment profit (loss)	7,733	-	-	(1,066)	6,667
Property, Plant and equipment additions	7,363	34,913	-	2,312	44,588
Total assets	91,450	95,811	-	54,567	241,828
Inter-company balances included in total assets	19,656	-	-	101,704	121,360
Total consolidated assets	111,106	95,811	-	156,271	363,188

Definitions:

BLO – Bwana / Lonshi Operation

KCO – Kansanshi Copper / Gold Operation

GMP – Guelb Moghrein Project

CDA – Corporate Development and Administration which includes Connemara and Carlisa

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2005 and 2004

(unaudited)

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

13. Financial Instruments

a) Derivative instruments

The company uses derivative instruments to mitigate the effect of certain risks that are inherent in its business and from time to time to address the requirements of its lending institutions.

As at March 31, 2005, the company had entered into a number of derivative instruments to minimize the risk exposure to copper and gold prices, foreign currency, and interest rate protection contracts, and foreign currency protection contracts.

For copper and gold forward and put option contracts, fair values were calculated using spot and forward prices and volatilities. For interest rate protection contracts, fair values were determined using market interest rates. For foreign currency protection contracts, fair values were determined using the exchange rate at year end.

The put options offer downside protection while allowing the company to participate in any copper and gold price appreciation. Forward contracts are based on a fixed gold price and cap the price that will be received for sales in the future. The fair values of these contracts at March 31, 2005 are as follows:

	Estimated fair value
Asset (Liability)	\$
Copper put options (i)	1,009
Gold put options and forward contracts (ii)	(9,056)
Cross currency principal and interest swaps (iii)	4,289
	<u>(3,758)</u>

i. In 2004, the Company entered into copper put option contracts on 210,240 tonnes of its expected copper production at Kansanshi beginning in 2005 and ending in 2007 at a price of \$1,800 (\$0.821b). Upon entering into these contracts, the company assumed a premium obligation of \$21,024, which becomes due and payable between January 2005 and December 2007. As at March 31, 2005, 196,332 copper put options were outstanding. As a result of closing out 13,908 options during the period the company realized a loss of \$172 which had previously been recorded as unrealized. In addition, unrealized losses of \$1,041 were recorded as a result of a decrease in the fair value of the remaining options. These losses have been capitalized as commercial production at Kansanshi has not yet commenced.

ii. In 2004, the Company has entered into put option contracts on 139,296 ounces at a forward price of \$350 per ounce for part of its gold production at Kansanshi beginning in 2005 and ending in 2009. To cover the cost of these put option contracts, the company has also entered into contingent gold forward contracts on 139,926 ounces of gold with a strike price of \$400 for part of its gold production at Kansanshi beginning in 2005 and ending in 2009. As at March 31, 2005, 3,711 contracts had expired unexercised leaving 135,585 put options and forward contracts outstanding.

As at March 31, 2005, the increase in gold prices has meant that the fair value of the put options had decreased to \$342 (December 2004: \$660) (note 7) and the fair value of the forward contracts has decreased to \$9,398 (December 2004: \$10,945) (note 10). These changes in fair value has been capitalized as commercial production at Kansanshi has not yet commenced.

iii. The company has entered into cross-currency principal and interest rate swaps to hedge the Euro interest and principal payments on the Bwana and Kansanshi EIB facilities. As at March 31, 2005, the fair value of these instruments was \$4,289 (December 2004: \$7,282) (note 7).

First Quantum Minerals Ltd.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2005 and 2004

(unaudited)

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

14. Commitments and contingencies

Kansanshi deferred consideration

Under the terms of the purchase agreement, the company has agreed to make a final payment to Cyprus Amax in connection with the Kansanshi acquisition. This amount will be calculated as \$25,000 less an amount equal to the average market value for the 30 days after to the commencement of commercial production of the 1.4 million common shares that the company previously issued to Cyprus Amax.

Management believes no amounts will be due to Cyprus Amax at the time this final payment is calculated.

Commitments

In conjunction with the development of Kansanshi and other projects, the company has committed to approximately \$51 million in capital expenditures as at March 31, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS AND FINANCIAL REVIEW

(May 10, 2005)

Three Months ended March 31, 2005

(expressed in U.S. dollars)

Summary of Financial and Operational Results

The following discussion, analysis and financial review are comprised of seven main sections:

1. At A Glance
2. 2005 First Quarter Discussion
3. Discussion of Financial Position and Liquidity
4. Other Matters
5. Outlook
6. Critical Accounting Policies and Definitions
7. Selected Annual Information and Summary of Quarterly Results

For further information on the Company reference should be made to the Company's Annual Information Form (AIF) and also to its public filings that are available on www.sedar.com.

1. At A Glance

- Bwana / Lonshi copper production of 11,963 tonnes of cathode with a cash cost (C1) of \$0.60 per pound
- Pre-commercial production at Kansanshi was 518 tonnes of copper cathode and 5,810 tonnes of contained copper from concentrates
- Net earnings of \$27.2 million or \$0.44 per share including a gain on sale of Anvil of \$16.1m or \$0.26 per share
- Cash flow from operations before operating working capital movements was \$19.7 million or \$0.32 per share
- Cash flow from operations after operating working capital movements was \$22.9 million or \$0.37 per share

Copper Production for the quarter exceeded the record high achieved in Q3 2004. Dolomite contamination within the processed ore has resulted in increased C1 costs due to higher acid consumption. At Kansanshi, commercial production was achieved in April 2005.

2. 2005 First Quarter Discussion

Earnings and Operations

For reporting purposes, there are no revenues and expenses shown from Kansanshi in the Statement of Earnings and Deficit as commercial production for reporting purposes was only achieved in April 2005. During the first quarter, \$5.4 million worth of revenue was charged against pre-production costs at Kansanshi.

Consolidated Revenue

Revenues for the quarter were a record \$38.2 million, the majority of which came from copper proceeds as the high acid consumption at Bwana meant that acid revenues were limited. Copper revenues were up 73% on the comparative period in 2004 due to improved copper prices and a 23% increase in copper sales volumes at Bwana. Acid revenues decreased \$3.2 million from Q4 2004 due to the increase in acid consumption.

The realized copper price rose to \$1.45 per pound. The realized copper price was significantly up from last year and previous quarters as all copper sales were at unhedged market prices.

The average LME price for the first quarter of 2005 was \$1.44 per pound (2004: \$1.24/lb; 2003: \$0.76/lb).

Consolidated Cost of Sales and Production Statistics

Cost of sales for the first quarter ended March 31, 2005 was \$16.2 million. The 34% increase in cost of sales was primarily due to the 23% increase in copper cathode sold.

First Quarter Revenues			
Table 1			
	2005	2004	2003
Revenues (millions)			
Copper	\$38.2	\$22.1	\$6.9
Acid	-	3.2	3.3
Total Revenue	\$38.2	\$25.3	\$10.2
Sales Statistics (tonnes)			
Copper Sales	11,935	9,693	4,456
Acid Sales	49	20,763	23,432
Realized Price			
Copper (per pound)	\$1.45	\$1.03	\$0.70

Other expenses (income) of \$(8.9 million) (2004: \$4.3m 2003: \$2.3m) included a one time gain from the disposal of the company's investment in Anvil of \$16.1 million (refer section 4: Investments - Anvil).

First Quarter Cost of Sales and Production Statistics			
Table 2			
	2005	2004	2003
Costs			
Cost of Sales (millions)	\$16.2	\$12.1	\$8.1
C1 Costs (per pound)	\$0.60	\$0.39	\$0.44
C3 Costs (per pound)	\$0.77	\$0.53	\$0.71
Bwana/Lonshi Production Statistics (tonnes)			
Waste Mined (000's)	2,596	1,036	427
Ore Mined (000's)	152	66	-
Ore Grade Mined	5.3%	5.4%	n/a
Ore Processed (000's)	264	209	111
Ore Grade Processed	5.2%	5.2%	n/a
Copper Production	11,963	9,689	4,359
Acid Production	32,936	34,344	34,385

Other expenses, excluding the Anvil disposal were \$7.2 million (2004: \$4.3m 2003: \$2.3m). Other expenses comprised depletion and amortisation of \$3.9 million (2004: \$2.3m; 2003: \$1.0m), general and administration costs of \$2.1 million (2004: \$1.1m; 2003: \$0.5m) and interest and financing expenses of \$0.8 million (2004: \$0.6m; 2003: \$0.6m). The movement in depreciation expense is due to the increased production at Bwana which uses the units of production method of depreciation. General and administrative expenses include \$0.6 million that was charged to the income statement for the expensing of stock options.

Bwana/Lonshi

Mining:

For the first quarter ended March 31, 2005, 152,000 tonnes of ore grading 5.3% and 2,596,000 tonnes of waste were mined. Mid-way through 2004, the company increased the size of its mining fleet at Lonshi to meet the additional ore requirements of the increased copper production, which has meant that more material has been mined than in the comparative period last year.

Although heavy rain fell during January and February, road improvements made during the dry season meant that production continued throughout the rains but at lower levels than in more recent quarters. The mining in the wet did however result in higher costs due to lower production and operating in less than ideal conditions. The strip ratio for the quarter was 17:1 (2004: 18:1; 2003: n/a). As a result, the Company has deferred costs associated with its mining program at Lonshi of approximately \$0.2 million since December 31, 2004.

Processing:

Processing initiatives such as the two new CCDs and the increased electrical current flow implemented after the first quarter 2004 have meant that copper production has increased 23% from Q1 2004 to 11,963 tonnes. Q4 2004 production was lower than Q1 2005 due to non-recurring production related matters in 2004.

Cash costs (C1) for the quarter were \$0.60 per pound and total costs (C3) were \$0.77 per pound. Cash costs (C1) have increased principally due to the higher acid consumption as a result of dolomite contained in the ore processed. Compared with Q4 2004 acid costs per pound of copper produced are up \$0.06 and the acid credit is down \$0.03 per pound. This coupled with a \$0.02 increase in ore costs due to the increased mining costs explains the majority of the increase in C costs from Q4 2004.

Acid production was 32,936 tonnes, of which 49 tonnes was surplus acid production that was sold to external customers. The acid available for resale has decreased due to the increased acid consumption required for the copper circuit. Acid consumption during the first quarter was 40,419 tonnes (2004: 13,643t; 2003: 10,902t). The acid consumed exceeded production of the acid plants at Bwana and 8,365 tonnes of acid was provided from the Solwezi Acid Plant. The increase of 196% in acid consumption has been driven by the increased acid consumption rate per tonne of copper produced 3.4:1 (2004: 1.4; 2003: 2.5) coupled with a 23% increase in copper production.

Kansanshi

Mining:

During the quarter, 2,120,000 tonnes of ore and 1,651,000 tonnes of waste had been mined. Consistent with the Lonshi mining operations, heavy rain fell during January and early February, although mining continued when access to the pit permitted. As with other mining operations around the world, the shortage of mining truck tyres is proving problematic, with up to 50% of the 100 tonne trucks being unavailable due to lack of tyres. The company is presently working at minimizing the impact of the ongoing tyre shortage by investing in smaller size vehicles that would reduce the dependency on the Euclids.

First Quarter Cost of Sales and Production Statistics			
Table 3			
	2005	2004	2003
Kansanshi Production Statistics (tonnes)			
Waste Mined (000's)	1,651	4,032	-
Ore Mined (000's)	2,120	1,346	-
Ore Grade Mined	1.7%	2.4%	-
Ore Grade Processed	1.7%	-	-
Copper Cathode Produced	518	-	-
Contained Copper in Concentrate Produced	5,810	-	-
Concentrate Grade	29.3%	-	-
Acid Production	22,339	-	-

Processing:

For the quarter, copper production increased to 6,328 tonnes including 5,810 tonnes of copper in concentrate and 518 tonnes of copper cathode. Due to the phased start-up and commissioning at Kansanshi, the sulphide circuit was running at commercial levels during the quarter but as the oxide circuit had not reached commercial production, the costs and revenue associated with all production continue to be deferred. Commercial production for reporting purposes was reached in April 2005.

Acid production at Solwezi was 22,339 tonnes, of which 4,429 tonnes was consumed internally and 8,365 tonnes were transferred to the Bwana / Lonshi operation. 8,851 tonnes were sold externally but as the rest of the plant had not reached commercial production, the revenues were charged against pre-production costs.

Consolidated Earnings

First Quarter Net Earnings			
Table 4			
	2005	2004	2003
Earnings			
Net Earnings (millions)	\$27.2	\$6.7	\$(0.2)
Basic earnings per share	\$0.44	\$0.11	\$0.00
Diluted earnings per share	\$0.43	\$0.11	\$0.00

Net earnings for the quarter increased to \$27.2 million or \$0.44 per share including the gain on sale from Anvil of \$16.1 million or \$0.26 per share.

Cash Flow

Consolidated Cash Flow

First Quarter ended March 31, 2005

The cash inflow from operating activities was \$22.9 million or \$0.37 per share (2004: \$0.11; 2003: \$(0.01)). The significant turnaround in cash flow from operations is attributable to the improvement in revenue resulting from increased copper production and improved copper prices. The cash flow from operating activities before non-cash working capital movements was \$19.7 million.

First Quarter Cash Flows			
Table 5			
	2005	2004	2003
Cash Flows from: (millions)			
Operating activities			
Before working capital movements	\$19.7	\$12.1	\$1.4
After non-cash working capital movements	22.9	6.6	(0.4)
Financing activities	24.8	57.4	(0.2)
Investing activities	\$(19.0)	\$(36.2)	\$(3.8)

The cash inflow from financing activities was \$24.8 million. During the quarter approximately \$31.5 million (2004: \$17.9m; 2003: \$47.3m) was drawn down from debt facilities, principally related to Kansanshi. No significant financings occurred in the first quarter of 2005. The company also repaid \$5.3 million (2004: \$2.5m; 2003: \$10.3m) of long term debt during the quarter.

3. Discussion of Financial Position and Liquidity

Cash and cash equivalents

At March 31, 2005, the Company had cash and cash equivalents of \$79.0 million. The increase in cash can be principally attributed to positive cash flow from operating activities of \$22.9 million and the proceeds from the disposition of Anvil.

Financial Position – Assets			
Table 6			
	2005	2004	2003
Assets (millions)	Mar 31	Dec 31	Dec 31
Cash and cash equivalents	\$79.0	\$50.4	\$25.6
Restricted cash	1.8	1.9	-
Current assets	144.9	105.9	47.6
Property, plant & equipment	340.6	319.2	96.6
Other assets and deferred charges	27.7	32.2	3.0
Total assets	\$523.1	\$473.1	\$162.1

Restricted Cash

As at March 31, 2005, the Company had \$1.8 million in cash that is being held as sinking funds for debt repayments.

Current assets

Total current assets were \$144.9 million. The increase in current assets was principally due to a \$28.7 million increase in cash and cash equivalents, and an increase of \$10.8 million in inventory.

Other assets and deferred charges

Total other assets and deferred charges were \$27.7 million which is principally comprised of fair value of derivatives of \$5.6 million (2004: \$10.0m), long-term prepayment for Zesco of \$10.2 million (2004: \$10.6m), deferred financing fees of \$9.6 million (2004: \$7.5m; 2003: \$1.9m), and deferred stripping asset of \$0.1 million (2004: \$1.9m; 2003: \$(2.7m)). The fair value of derivatives is comprised of copper puts, gold puts, cross currency and interest rate swaps. Reference should be made to section 4 of this MD&A.

Total assets

Total assets were \$523.1 million. The large increase is as a result of an increase in current assets, other assets and property, plant and equipment. The property, plant and equipment have increased due principally to the continuing construction and investment at Kansanshi.

Current liabilities

Current liabilities were \$83.5 million. The increase for the year can be attributed to the increase in current taxes payable at the Bwana/Lonshi operation and an increase in the current portion of long-term debt to \$30.4 million (2004: \$22.9m; 2003: \$13.0m) due to the agreement reached with Standard Chartered Bank to repay \$7.5 million as a result of the Anvil disposition. The \$7.5 million was repaid in April 2005.

Financial Position - Liabilities			
Table 7			
	2005	2004	2003
Liabilities (millions)	Mar 31	Dec 31	Dec 31
Current liabilities	\$83.5	\$72.0	\$34.1
Net long-term debt	207.2	191.7	32.4
Asset Retirement Obligation	4.0	3.8	4.2
Other liabilities	30.6	33.3	3.1
Total liabilities	\$337.4	\$313.0	\$78.3

Net long-term debt

Net long term debt was \$207.2 million. The increase is due to Kansanshi related draw downs that occurred on the Standard Bank & WestLB and Banque Belgoise & Export Development Bank of Canada debt facilities.

Asset Retirement Obligation

The small increase in the asset retirement obligation is principally due to a small Kansanshi related revision as the plant commissioning is completed.

Other Liabilities

Other liabilities were \$30.6 million, which includes the long-term portion of the deferred premium obligation of \$12.6 million (2004: \$13.8m) associated with the copper puts at Kansanshi (reference should be made to Section 4 of the MD&A for further discussion on these derivatives), \$9.4 million (2004: \$10.9m) for the unrealized fair value of the gold forwards at Kansanshi and \$4.6 million (2004: \$3.6m) in deferred payments.

Total liabilities

Total liabilities were \$337.4 million which include future income taxes of \$12.1 million (2004: \$12.3m; 2003: \$4.6m). The provision for future income taxes has decreased slightly as the taxable income at the Bwana/Lonshi operation will exceed the accounting income during 2004 as the result of accelerated capital allowances that were taken in previous years.

Contractual Obligations

Payments Due by Period							
Table 8							
(millions)	Total	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	There after
Term Debt	\$237.6	\$30.4	\$46.0	\$41.1	\$33.7	\$27.6	\$58.8
Deferred Payments	14.4	6.6	5.0	0.4	0.4	0.4	1.6
Commitments	\$51.0	\$51.0	\$-	\$-	\$-	\$-	\$-

Under the terms of the Kansanshi purchase agreement, a final payment is due to Cyprus Amax upon reaching certain production thresholds as defined in the agreement. On April 19, 2005, commercial production was achieved from a reporting perspective but the production thresholds established in the agreement had not been reached in order to enable any final payment calculation to be made.

The final payment amount will be calculated as \$25.0 million less an amount equal to the average market value, for the thirty days after the production thresholds have been met, of 1.4 million common shares of the Company. On this basis, if the company's share price exceeds US\$17.86, no further payment will be made to Cyprus Amax. Using March 31, 2005 exchange rates this is equivalent to a share price of CA\$21.74. The trading range for March was US\$17.41 to US\$21.63.

Under the terms of the Guelb Moghrein development agreement announced on July 14, 2004, the Company has conditionally agreed to make the following payments; \$2.0 million upon satisfaction of certain conditions (first payment date); \$3.0 million, 12 months after first payment date; and \$5.0 million, 24 months after first payment or commercial production. The first payment was made in December 2004 and the remaining payments have been recorded at their discounted value as there is no interest payable on these amounts. As at March 31, 2005 the discounted value was \$7.5 million (2004: \$7.4m)

Undrawn Debt Facilities

As at March 31, 2005 the Company had undrawn debt facilities of \$25 million (2004: \$56.5m) that has principally been designated for capital requirements at Kansanshi. The Company will draw upon these facilities as required.

Working capital

As at March 31, 2005 the working capital of the Company was \$61.4 million. The improvement in the working capital comes primarily from the positive cash flow from operations and a \$10.8 million increase in inventory. These improvements have been offset by the increase in the current portion of long term debt of \$7.5 million.

Financial Position - Equity			
Table 9			
	2005	2004	2003
	Mar 31	Dec 31	Dec 31
Shareholders' Equity (millions)	\$183.5	\$157.8	\$81.6
Weighted Average # Shares (000's)	61,267	60,123	50,668
Outstanding # of Shares (000's)	61,487	61,239	56,396
Working capital (millions)	\$61.4	\$33.9	\$13.5

Shareholders' Equity

As at March 31, 2005, the Company had shareholders' equity of \$183.5 million. The significant improvement in equity arose principally from the \$16.1 million gain on disposal of Anvil and current period operating profits. During the quarter, retained earnings decreased by \$3.0 million as a result of the inaugural dividend of CA\$0.06 per share that was declared on March 18, 2005. The record date of the dividend was April 11, 2005 and payment was made on April 25, 2005.

As at March 31, 2005 the Company had 61,486,828 common shares outstanding. In addition to the outstanding common shares, the Company had 2,909,800 options outstanding. The weighted average number of shares outstanding for the quarter was 61,267,461.

4. Other Matters

First Quarter Segmented Discussion				
Table 10				
(millions)	BLO	KCO	CDA	Total
Revenue	\$38.2	-	\$-	\$38.2
Cost of Sales	16.2	-	-	16.2
Gross Profit	22.0	-	-	22.0
Other expenses	4.7	-	2.5	7.2
Net Earnings	\$13.6	-	\$13.6	\$27.2

Segmented Information

For the first quarter ended March 31, 2005, the combined operation at Bwana and Lonshi (BLO) had revenues of \$38.2 million (2004 \$25.3m; 2003: \$10.2m). CDA refers to Corporate Development and Administration.

Kansanshi Copper-Gold Deposit, Zambia (80%)

The Kansanshi plant reached commercial production on April 19, 2005 for reporting purposes. All revenues and costs prior to this period have been deferred, which has resulted in \$5.4 million in revenue being deferred for the quarter. In March 2005, the Company completed an independent operations review which accelerated the mining schedule and production rates that were contemplated in the original Definitive Feasibility Study (DFS). The key parameters of the independent operations review are highlighted in the table below:

The original DFS had envisioned the treatment of 4 million tonnes of oxide ore and 2 million tonnes of sulphide ore (4O+2S) to produce an average of 100,000 tonnes of finished copper production per year. The revised plan considers capital additions carried out to the sulphide milling circuit during initial construction at Kansanshi will double design throughput of sulphide ore to 4 million tonnes per year (4O+4S). This results in the copper concentrate production substantially outperforming the DFS forecasts in 2005 when an aggregate production of 91,000 tonnes is planned.

Independent Operations Review Parameters		
Table 11		
	2005	2006-2009
Mining		
Ore (tonnes mt)	8,885	50,587
Waste (tonnes mt)	15,795	85,184
Strip Ratio	1.78	1.70
Processing		
Total Concentrate (tonnes)	171,982	1,077,185
Copper in Concentrate (tonnes)	48,155	301,613
Copper Cathode (tonnes)	42,845	282,921
Total Copper Production (tonnes)	91,000	584,534
Gold Production (ozs)	36,022	196,403

Under the revised plan, peak production will be approximately 163,000 tonnes of copper, (92,000 tonnes of which would be produced from concentrates) and 60,000 ounces of gold in 2007. The revised plan estimates an average C1 costs over the first 5 years of copper production of \$0.45 / lb. The increase in cost, compared to the original DFS is mainly attributable to the increased volumes of copper in concentrate produced under the revised plan and general increases in consumable costs.

Guelb Moghrein Copper-Gold Deposit, Mauritania (80%)

Guelb is located 250 kilometres northeast of the nation's capital, Nouakchott, near the town of Akjoujt, in Mauritania. It consists of an open pit mineable, copper/gold deposit. In January 2005, the detailed design and engineering contract was awarded with site establishment commencing in March 2005. The company expects to develop Guelb in 2005 with production start-up expected in the fourth quarter of 2005. Production will be initially targeted at approximately 30,000 tonnes of copper and 50,000 ounces of gold per year in the form of a copper-gold concentrate which will be trucked to the port of Nouakchott and exported to international smelters.

As at March 31, 2005, the company had capitalized acquisition and development costs totaling \$13.8 million (2004: \$10.3m). Of the capitalized amount \$7.5 million relates to the discounted value of two future acquisition payments which are due to be paid in 2005 and 2006 respectively.

Frontier Copper Deposit, Democratic Republic of Congo (100%)

In May 2004, First Quantum announced the results of an independent copper-cobalt resource estimate completed at its wholly owned Frontier Project located in Haut Katanga Province, Democratic Republic of Congo (DRC). As at March 31, 2005 a project engineering study is substantially complete and a final report is expected in the second quarter of 2005.

As at March 31, 2005, the company had spent \$4.2 million (2004: \$3.7m) on this project. Geological work is continuing with a further 2000 new soil samples being taken to expand the geochemical database. An updated resource is expected to be published in Q2 2005. Work is ongoing on an environmental impact assessment at Frontier as well as considering aspects such as power supply.

Kashime Copper Prospect, Zambia (100%)

In December 2004, the company announced the results of a reverse circulation drill program completed at the Kashime copper prospect (Kashime). Mineralization at Kashime occurs as disseminated to semi massive bornite and chalcopyrite, oxidized in part, and is hosted by an altered, schistose, carbonaceous sandstone unit overlain by a barren hanging wall dolomitic marble. The mineralized unit dips southwards at 10 – 20 degrees, and depth of oxidation is controlled by proximity to faulting. The drill program tested the most anomalous 1000 metre long section of a 2000 metre long, +300 parts per million copper soil anomaly. Highlights from the 13 hole drill program included 56 metres grading 2.08% copper; 55 metres grading 1.20% copper and 101 metres grading 0.92% copper. Follow up drilling to further test the prospect is planned for 2005.

As at March 31, 2005, no costs associated with this exploration property had been deferred. During the quarter, 14 core holes were drilled over a strike of approximately 4,000 metres, results are pending. The company currently has two drill rigs operating at Kashime.

Exploration

During the first quarter ended March 31, 2005, the Company expensed \$1.0 million (2004: \$0.4m; 2003: \$0.1m) on exploration targets that were predominantly located within the DRC and Zambia (including Kashime). Included within the company's exploration portfolio are 11,000 square kilometres in the DRC, 18,000 square kilometres in Zambia and 10,000 square kilometers in Mauritania.

Investments -Carlisa

The Company holds an 18.8% interest in Carlisa Investment Corporation (Carlisa), which holds a 90% interest in Mopani Copper Mines Plc (Mopani). Mopani is a public company registered in Zambia. The carrying value of this investment as at March 31, 2005 is \$9.5 million (2004: \$9.5m; 2003: \$9.5m). In 2004, Mopani increased its finished copper production to approximately 160,000 tonnes from 134,000 tonnes and cobalt production rose marginally to 2,000 tonnes.

Investments -Anvil

On February 28, 2005 the Company disposed of all of its 4,029,617 common shares in Anvil at a net price of CA\$6.75 per share. In the first quarter of 2005, the Company recognized a gain of approximately \$16.1 million on the Anvil Sale. The Company continues to hold 296,631 warrants in Anvil at an exercise price of CA\$1.13.

Financial Instruments

The Company enters into derivative instruments to minimize the risk exposure to copper and gold prices, foreign currency, and interest rate movements and, from time to time, to address the requirements of its lending institutions. These instruments consist of forward and option contracts, interest rate protection contracts, and foreign currency protection contracts.

For copper and gold forward and put option contracts, fair values were calculated using spot and forward prices and volatilities. For interest rate protection contracts, fair values were determined using market interest rates. For foreign currency protection contracts, fair values were determined using the exchange rate at quarter-end.

The put options offer downside protection while allowing the company to participate in any copper and gold price appreciation. Forward contracts are based on a fixed gold price and cap the price that will be received for sales in the future.

Copper Financial Instruments

In 2004, the Company entered into 210,240 copper put option contracts on its expected production at Kansanshi beginning in 2005 and ending in 2007 at a price of \$1,800 (\$0.82/lb). Upon entering into these contracts the company assumed a premium obligation of \$21 million, the net present value of this liability was recorded as a deferred premium obligation. As at March 31, 2005, 13,908 copper put option contracts had been delivered into, which has reduced the deferred premium obligation to \$18.1 million. As at March 31, 2005, 196,332 copper put options were outstanding and the fair value of these options per contract was

negative \$87 (Dec 04: \$82). This decrease in fair value has been capitalized as commercial production had not yet commenced as at March 31, 2005.

Gold Financial Instruments

In 2004, the Company has entered into 139,296 put option contracts on ounces at a forward price of \$350 per ounce for part of its gold production at Kansanshi beginning in 2005 and ending in 2009. To cover the cost of these put option contracts that the Company also entered into contingent gold forward contracts on 139,926 ounces of gold with a strike price of \$400 for part of its gold production at Kansanshi beginning in 2005 and ending in 2009. As no premium is payable on this combined position, no obligation has been recognized.

As at March 31, 2005, the 3,711 contracts had lapsed leaving 135,585 put option and forward contracts outstanding. The combined fair value per contract was negative \$67 (Dec 04: \$74). As at March 31, 2005 the company had recorded the fair value of the gold put options of \$342 as an asset and the fair value of the gold forward contracts of \$9,398 as a liability on the balance sheet. The combined increase in fair value has been capitalized as commercial production at Kansanshi has not yet commenced.

Other Financial Instruments

The Company has entered into cross-currency principal and interest rate swaps to hedge the Euro interest and principal payments on the Bwana and Kansanshi EIB facility. As at March 31, 2005, the fair value of these instruments was \$4.3 million and has been accounted for in the balance sheet as fair value of derivative instruments.

5. Outlook

In the second quarter of 2005, with commercial production at Kansanshi achieved in April 2005, the income statement will benefit from the revenues associated with production that are no longer being capitalized. It is anticipated that unit costs in the short term, will be higher than those indicated in the AR Cameron Report as the plant gradually works up to full design capacity. From the date of commercial production, April 19 to April 30, approximately 958 tonnes of contained copper in concentrate had been produced and 1,100 tonnes of copper cathode.

In addition, a \$29 million capital program in 2005 will expand the sulphide circuit again to eight million tonnes of treatment capacity which will result in an average of 145,000 tonnes of finished copper production per year during 2006-2009. An additional expansion of the sulphide circuit is also under consideration to increase the sulphide treatment capacity to 12 million tonnes of sulphide ore to maintain annual finished copper production of 145,000 tonnes as oxide ore is depleted and sulphide ore grades begin to fall.

First Quantum has also been investigating alternative processing routes for a portion of the increased copper concentrate production. To this end, the Company has purchased a complete "second-hand" pressure oxidation facility. The pressure oxidation facility is currently being dismantled and over the next several months will be transported to Kansanshi. Once on site, the pressure oxidation facility and ancillary equipment will be reconstructed and commissioned for use. An additional advantage of this technology at Kansanshi is that it will generate much of the acid required for oxide leaching. It will also enable the leach circuit to operate at elevated temperatures and hence substantially improve copper recovery in mixed ores. A full report of the impact of this process route is being prepared by independent consultants, Bateman Engineering Pty Ltd.

With a strong start to the year the Bwana / Lonshi operation is currently on track to exceed its initial production estimates of between 40,000 to 45,000 tonnes of copper cathode in 2005 with 11,963 tonnes of copper cathode already produced in the first quarter. C1 (cash) costs for the first quarter have exceeded the expected range of between \$0.50 and \$0.55 per pound of finished copper due to the gangue acid consumption averaging 3.4:1 for the quarter. For the remainder of 2005 it is expected that the high gangue acid consumption will decrease as ore is sourced from a different area of the Lonshi pit, this should improve the C1 cost from the first quarter. In April, the Bwana/ Lonshi operation produced approximately 3,826 tonnes of copper cathode.

At Guelb a National Instrument 43-101 compliant Reserve / Resource statement is expected after the completion of in-fill drilling in the second quarter of 2005. A Project Engineering Report has been completed and the results are expected to be published in the second quarter of 2005. The contracts for the plant engineering and construction have been awarded. Construction activities are underway. Guelb is expected to be financed through a combination of cash on hand, project debt and end user/supplier finance.

At Frontier, the project engineering study is substantially complete. This coupled with an updated resource/ reserve statement is expected to be published in the second quarter of 2005. At the newly discovered Kashime prospect exploration drilling recommenced in February, 2005 and is ongoing.

6. Critical Accounting Policies and Definitions

In preparing financial statements management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Specifically, estimates and assumptions are made in regards to reserve and resource estimation; future copper, cobalt, sulphuric acid and gold prices; foreign currency exchange rates; stock prices; estimated costs of future production; changes in government legislation and regulations; estimated future income tax amounts; and the availability of financing and various operational factors.

Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management.

The following section outlines those critical accounting policies that have changed since the filing of the Company's 2004 Audited Financial Statements or that are particularly relevant to the current year.

Consolidation of Variable Interest Entities

Effective January 1, 2005, the Company was required to adopt CICA Accounting Guideline 15, Consolidation of Variable Interest Entities (AcG-15). This standard harmonizes Canadian guidance with the equivalent US standard, FASB Interpretation No. 46R (FIN 46R), Consolidation of Variable Interest Entities. AcG-15 establishes accounting guidance for consolidation of variable interest entities by the primary beneficiary and applies to any business enterprise, public or private, that has a controlling interest, contractual relationship or other business relationship with a variable interest entity. There has no financial impact upon adoption of this new guideline.

Pre-production costs

Determination of the start of commercial production is an important consideration as during the development phase costs will continue to be capitalized / deferred while during the production phase these costs would be treated as operating expenses. As noted in the company's financial statements the company defers all production costs and revenues until such a time that the project achieves commercial production.

The exercise of assessing when commercial production levels are achieved is not straight-forward and requires consideration of many factors including, but not limited to, when; a nominated percentage of design capacity for the mine and mill has been achieved; mineral recoveries reaching or exceeding expected levels and the achievement of continuous production. The company when evaluating whether or not commercial production has been achieved or not will generally consider that commercial production has been achieved when between 65% and 70% of design capacity has been achieved continuously for a period of at least a week and recoveries are approaching expected levels. Notwithstanding, each project is also viewed in isolation and specific circumstances may exist that alter the above general framework on any individual project

Forward Looking Statements

Certain information contained in the Management's Discussion and Analysis constitutes "forward - looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, including but not limited to those with respect to the prices of gold, copper, cobalt and sulphuric acid, estimated future production, estimated costs of future production, the Company's hedging policy and permitting time lines, involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual prices of copper, gold, cobalt and sulphuric acid, the factual results of current exploration, development and mining activities, changes in project parameters as plans continue to be evaluated, as well as those factors disclosed in the Company's documents filed from time to time with the Alberta, British Columbia, Ontario and Quebec Securities Commission and the United States Securities and Exchange Commission and the Alternative Investment Market operated by the London Stock Exchange.

7. Selected Annual Information and Summary of Quarterly Results

Selected Annual Information					
Table 12					
	2005	2004	2003	2002	2001
Statement of Operations	(3 months)	(12 months)	(12 months)	(13 months)	
(millions)					
Total Revenues	\$38.2	\$113.5	\$60.4	\$51.3	\$138.1
Net Earnings (Loss)	27.2	28.0	4.6	(3.4)	(21.3)
Net Earnings per Share					
Basic	\$0.44	\$0.47	\$0.09	\$(0.09)	\$(0.58)
Diluted	\$0.43	\$0.46	\$0.09	\$(0.09)	\$(0.58)
Balance Sheet (millions)					
Total Assets	523.1	473.1	162.1	99.6	156.6
Total Liabilities	337.4	313.0	78.3	45.3	61.2
Shareholders' Equity (millions)					
	183.5	157.8	81.6	52.1	45.0
Cash Flow from:					
(millions)					
Operating activities	22.9	30.7	16.9	(4.1)	6.5
Operating per share	\$0.37	\$0.51	\$0.33	\$(0.09)	\$0.18

The comparison between financial years is complicated by the change in fiscal year end that occurred in 2003. This change means that the 2002 year is a 13 month period.

Comparison between years is further complicated by the results of Carlisa being proportionately consolidated from April 1, 2000 to March 1, 2002. After diluting its investment in Carlisa, the Company now cost accounts for its investment. To fully understand the impact of Carlisa, reference should be made to the 2002 audited annual financial

statements.

Summary of Quarterly Results

The following table sets out the financial performance, financial position and operation statistics for the Company for the last eight quarters

Summary of Quarterly Results (unaudited)								
Table 13								
	2005	2004	2004	2004	2004	2003	2003	2003
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Statement of Operations and Deficit								
(millions, except where indicated)								
Total Revenues	\$38.2	\$30.7	\$31.2	\$26.3	\$25.3	\$19.9	\$17.7	\$12.7
Cost of Sales	16.2	14.5	14.1	13.1	12.1	13.0	11.5	8.8
Net Earnings (Loss)	27.2	9.3	7.9	4.1	6.7	1.4	3.3	(0.2)
Basic Earnings per share	\$0.44	\$0.16	\$0.13	\$0.07	\$0.11	\$0.02	\$0.06	\$(0.00)
Diluted Earnings per share	\$0.43	\$0.15	\$0.13	\$0.07	\$0.11	\$0.02	\$0.06	\$(0.00)
Realized copper price	\$1.45	\$1.20	\$1.16	\$1.11	\$1.03	\$0.84	\$0.75	\$0.71
Cash Costs (C1)	\$0.60	\$0.48	\$0.45	\$0.48	\$0.39	\$0.47	\$0.42	\$0.44
Cash Costs (C3)	\$0.77	\$0.59	\$0.68	\$0.67	\$0.53	\$0.66	\$0.47	\$0.69
Financial Position (millions)								
Working Capital	61.4	33.9	51.8	28.0	40.2	13.5	9.6	1.1
Total Assets	523.1	473.1	385.0	276.4	241.8	162.1	132.3	111.0
Weighted Average # Shares (000's)	61,267	60,123	59,867	59,434	58,568	50,668	48,872	45,926
Bwana/Lonshi Production Statistics								
<i>Mining:</i>								
Waste Mined (000's)	2,596	2,926	4,213	2,854	1,036	885	1,833	1,343
Ore Mined (000's)	152	261	257	85	66	439	260	12
Ore Grade %	5.3	6.4	4.7	5.2	5.4	5.5	4.8	4.3
<i>Processing:</i>								
Ore Processed (000's)	264	256	278	237	209	197	233	181
Contained Copper (tonnes)	13,804	12,824	12,908	10,813	10,904	10,790	11,188	7,794
Grade %	5.2	5.0	4.6	4.6	5.2	5.5	4.1	3.7
Recovery %	87	85	88	89	89	89	79	86
Copper Produced (tonnes)	11,963	10,942	11,330	9,585	9,689	9,558	8,862	6,734
Acid Produced (tonnes)	32,936	35,671	35,920	34,265	34,344	33,035	36,245	29,286
Surplus Acid (tonnes)	49	9,664	16,884	19,149	20,763	15,689	20,275	15,832
Kansanshi Production Statistics								
<i>Mining:</i>								
Waste Mine (000's)	1,651	2,857	1,175	-	-	-	-	-
Ore Mined (000's)	2,120	1,346	-	-	-	-	-	-
Ore Grade %	1.7	2.4	-	-	-	-	-	-
<i>Processing:</i>								
Ore Processed (000's)	688	-	-	-	-	-	-	-
Contained Copper (tonnes)	11,541	-	-	-	-	-	-	-
Recovery %	55	-	-	-	-	-	-	-
Copper Produced (tonnes)	6,328	-	-	-	-	-	-	-
Acid Produced (tonnes)	22,339	-	-	-	-	-	-	-
Surplus Acid (tonnes)	8,851	-	-	-	-	-	-	-