First Quantum Minerals Ltd.

Consolidated Financial Statements
First Quarter – March 31, 2010
(unaudited)
(tabular amounts in millions of U.S. dollars, except where indicated)

First Quantum Minerals Ltd.

Consolidated Statements of Earnings

(unaudited)

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

	Note	Three months ended	
		March 31, 2010	March 31, 2009
Sales revenues			
Copper		519.4	231.8
Gold		43.4	27.7
Acid		-	1.5
		562.8	261.0
Cost of sales		(205.7)	(131.1)
Depletion and amortization		(27.8)	(31.8)
Royalties, windfall taxes and export levies	16c	(19.3)	(8.7)
Zambian taxes recovery	16c	-	1.5
Operating profit		310.0	90.9
Other income (expenses)			
Exploration		(7.8)	(5.5)
General and administrative		(7.3)	(5.7)
Acquisition transaction costs	3a	(18.5)	-
Interest		(13.9)	(11.1)
Other income (expenses)	12	3.8	(45.9)
		(43.7)	(68.2)
Earnings before income taxes		266.3	22.7
Income taxes		(85.3)	(1.2)
Net earnings		181.0	21.5
Earnings for the period attributable to:			
Non-controlling interests		34.8	10.6
Equity holders of the parent		146.2	10.9
Earnings per common share			
Basic	11b	1.81	0.16
Diluted	11b	1.70	0.16
Weighted average shares outstanding (000's)			
Basic	11b	80,669	68,794
Diluted	11b	90,438	69,194
Total shares issued and outstanding (000's)	11a	80,568	68,876

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)

	Note	Three months ended	
		March 31, 2010	**March 31, 2009**
Net earnings		181.0	21.5
Other comprehensive income			
Unrealized gain (loss) on available-for-sale investments, net of tax		(12.1)	38.2
Realized gain on available-for-sale investments, net of tax		-	(0.1)
		(12.1)	38.1
Comprehensive income		168.9	59.6
Total comprehensive income for the period attributable to:			
Equity holders of the parent		134.1	49.0
Non-controlling interests		34.8	10.6
		168.9	59.6

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	March 31, 2010	December 31, 2009
Assets			
Current assets			
Cash and cash equivalents		548.4	919.2
Restricted cash		4.3	40.3
Accounts receivable		362.9	342.6
Inventory	4	368.3	346.7
Current portion of other assets	7	241.4	195.2
		1,525.3	1,844.0
Investments	5	446.4	460.4
Property, plant and equipment	6	2,914.0	2,157.9
Other assets	7	80.6	102.3
Total assets		4,966.3	4,564.6
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		361.0	323.0
Current taxes payable		375.0	320.8
Current portion of debt facilities and short-term debt	8	101.0	84.5
Current portion of other liabilities	10	8.8	3.9
		845.8	732.2
Debt	8	65.2	107.1
Convertible bonds	9	441.8	438.4
Other liabilities	10	44.7	36.1
Future income tax liabilities		484.9	373.9
Total liabilities		1,882.4	1,687.7
Equity			
Capital stock		892.0	750.4
Retained earnings		1,543.2	1,437.9
Accumulated other comprehensive income		285.1	297.2
Total equity attributable to equity holders of the parent		2,720.3	2,485.5
Non-controlling interests		363.6	391.4
Total equity		3,083.9	2,876.9
Total liabilities and equity		4,966.3	4,564.6
Commitments	15		
Contingencies and measurement uncertainty	16		

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 Changes in Equity

(unaudited)

(expressed in millions of U.S. dollars)

	Note	Three months ended March 31, 2010	Three months ended March 31, 2009
Capital stock			
Common shares			
Balance – beginning of period		724.2	441.8
Acquisition of Kiwara PLC	3b	137.2	-
Stock options exercised		4.1	2.3
Balance – end of period		865.5	444.1
Equity portion of convertible bonds			
Balance – beginning and end of period	9	56.9	-
Treasury shares			
Balance – beginning of period		(47.2)	(38.8)
Restricted and performance stock units vested		0.2	-
Balance – end of period		(47.0)	(38.8)
Contributed surplus			
Balance – beginning of period		16.5	17.3
Stock-based compensation expense for the period		1.5	1.7
Transfers upon exercise of stock options		(1.2)	(0.6)
Restricted and performance stock units vested		(0.2)	-
Balance – end of period		16.6	18.4
Total capital stock		892.0	423.7
Retained earnings			
Balance – beginning of period		1,437.9	980.3
Earnings attributable to equity holders of the parent		146.2	10.9
Acquisition of non-controlling interest in Mauritanian Copper Mines SARL	3c	(0.4)	-
Dividends		(40.5)	-
Balance – end of period		1,543.2	991.2
Accumulated other comprehensive income			
Balance – beginning of period		297.2	-
Other comprehensive income (loss) for the period		(12.1)	38.1
Balance – end of period		285.1	38.1
Non-controlling interests			
Balance – beginning of period		391.4	313.3
Earnings attributable to non-controlling interests		34.8	10.6
Acquisition of non-controlling interest in Mauritanian Copper Mines SARL	3c	(62.6)	-
Balance – end of period		363.6	323.9

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

First Quantum Minerals Ltd.

Consolidated Statements of Cash Flows

(unaudited)

(expressed in millions of U.S. dollars)

		Three months ended	
	Note	March 31, 2010	March 31, 2009
Cash flows from operating activities			
Net earnings for the period		181.0	21.5
Items not affecting cash			
Depletion and amortization		27.8	31.8
Unrealized foreign exchange gain		(5.6)	(2.8)
Future income tax		(3.8)	(10.0)
Stock-based compensation expense		1.5	1.7
Unrealized derivative instruments loss		2.1	42.1
Other		6.1	0.8
		209.1	85.1
Change in non-cash operating working capital			
Increase in accounts receivable and other		(61.3)	(52.8)
Increase in inventory		(21.5)	(15.4)
Decrease in accounts payable and accrued liabilities		(27.0)	(76.7)
Increase in current taxes payable		54.2	0.7
		153.5	(59.1)
Cash flows from financing activities			
Proceeds from debt		10.0	139.0
Repayments of debt		(40.4)	(101.5)
Proceeds on issuance of common shares		2.9	1.7
Restricted cash		36.0	40.3
		8.5	79.5
Cash flows from investing activities			
Payments for property, plant and equipment		(36.6)	(78.8)
Acquisitions, net of cash acquired	3	(496.2)	-
Proceeds from disposal of available-for-sale investments		-	5.3
		(532.8)	(73.5)
Decrease in cash and cash equivalents		(370.8)	(53.1)
Cash and cash equivalents - beginning of period		919.2	176.2
Cash and cash equivalents - end of period		548.4	123.1

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 Basis of presentation

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

2 Changes in accounting policies

Accounting Policy Changes Effective January 1, 2010

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

As a result of the Section 1582 definition of a business being an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing a return to its investors and owners, the acquisition of the Ravensthorpe project completed in January 2010, note 3(a), is accounted for as a business combination. The adoption of Section 1582 also has an impact on the treatment of transaction costs relating to this business combination. Transaction costs accounted for under Section 1582 are expensed as incurred.

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

3 Acquisitions

a) Ravensthorpe

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

The acquisition of Ravensthorpe has been accounted for as a purchase of a business. The total purchase cost was $338.8 million paid in cash, including a $34.0 million deposit paid in December 2009. Transaction costs of $18.5 million were expensed during the quarter ended March 31, 2010.

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

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

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

i) The fair values of the plant and equipment, mineral property and asset retirement obligation are preliminary due to the timing of the acquisition. The review of the fair value of the assets and liabilities acquired will continue for up to 12 months from the acquisition date. The finalization of fair values of the assets and liabilities assumed may change the preliminary estimates and those changes may be material.

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

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

b) Kiwara PLC

In January 2010, the Company acquired all of the issued share capital of Kiwara PLC ("Kiwara") which owned 85% of Kalumbila Minerals Limited ("Kalumbila") which holds mineral property licences on the periphery of the Kabombo Dome in North Western Province, Zambia. At the time of acquisition Kiwara had begun an in-fill drill program at Kalumbila to determine a mineral resource estimate for the properties. Under the terms of the Kiwara acquisition agreement, the Company acquired a further 10% interest in Kalumbila in February 2010 bringing its ownership interest to 95%. The Company holds options to acquire the remaining 5% interest in Kalumbila for GBP 6.5 million. The acquisition of Kiwara has been accounted for as a single step asset purchase. The total purchase price was $268.6 million comprising:

	$
Cash	130.9
Issuance of common shares	137.2
Transaction costs	0.5
Total	268.6

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

The cash paid to acquire Kiwara including transaction costs less the cash acquired was $128.4 million.

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

	$
Assets	
Cash	3.0
Mineral property	377.4
Liabilities	
Accounts payable and accrued liabilities	(0.5)
Future income tax liability	(111.3)
Net assets acquired	268.6

i) The fair values are preliminary due to the timing of the acquisition. The review of the fair value of the assets and liabilities acquired will continue for up to 12 months from the acquisition date.

c) Mauritanian Copper Mines SARL

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

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

4 Inventory

	March 31, 2010	December 31, 2009
Ore in stockpiles	80.9	101.3
Work-in-progress	2.1	3.3
Finished product	91.8	65.0
Total product inventory	174.8	169.6
Less: Non-current portion of ore in stockpiles (a) (note 7)	(12.4)	(12.5)
	162.4	157.1
Consumable stores	205.9	189.6
	368.3	346.7

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

5 Investments

	March 31, 2010	December 31, 2009
Carlisa Investment Corp. – at cost	9.5	9.5
Marketable securities	429.4	443.3
Asset-backed commercial paper	7.5	7.6
	446.4	460.4

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

	Three months ended	Year ended
	March 31, 2010	December 31, 2009
Balance – beginning of period	460.4	163.5
Additions	-	6.7
Disposals	(0.1)	(35.9)
Gain (loss) in fair market value	(13.9)	326.1
Balance - end of period	446.4	460.4

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

6 Property, plant and equipment

	March 31, 2010			December 31, 2009		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Plant and equipment	1,650.5	(452.2)	1,198.3	1,320.4	(428.1)	892.3
Capital work-in-progress (note 16a)	558.4	-	558.4	573.6	-	573.6
Mineral properties and mine development costs						
Depreciable	82.9	(41.5)	41.4	82.8	(41.0)	41.8
Non-depreciable (note 16a)	1,115.9	-	1115.9	650.2	-	650.2
	3,407.7	(493.7)	2,914.0	2,627.0	(469.1)	2,157.9

7 Other assets

	March 31, 2010	December 31, 2009
Recoverable taxes (note 16c)	207.9	181.3
Future recoverable variable profit tax (b)	45.3	38.0
Ore in stockpiles (note 4)	12.4	12.5
Derivative instruments (note 14)	1.7	0.9
Future income tax asset	14.3	12.4
Logistical expertise (a)	7.9	-
Ravensthorpe deposit (note 3a)	-	34.0
Prepaid expenses and other	32.5	18.4
Total other assets	322.0	297.5
Less: current portion	(241.4)	(195.2)
	80.6	102.3
Current portion consists of:		
Recoverable taxes	207.9	181.3
Derivative instruments	1.7	0.9
Prepaid expenses and other	31.8	13.0
	241.4	195.2

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

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

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

8 Debt

	March 31, 2010	December 31, 2009
Drawn debt		
Corporate revolving credit and term loan facility (a)	119.6	159.5
Kansanshi subordinated debt facility (c)	30.1	31.9
Short-term borrowings (d)	16.3	-
Other	0.2	0.2
Total debt	166.2	191.6
Less: Current portion of debt facilities and short-term debt	(101.0)	(84.5)
	65.2	107.1
Undrawn debt		
Corporate revolving credit and term loan facility (a)	50.0	50.0
Corporate revolving loan and short-term facility (b)	250.0	250.0
Short-term borrowings (d)	33.7	-

a) Corporate revolving credit and term loan facility

The Company entered into a $400.0 million corporate revolving credit and term loan facility in October 2006. The facility has three tranches, up to $225.0 million, $125.0 million, and $100.0 million. The total aggregate outstanding under the facility is not to exceed $400.0 million. Tranche A is repayable in ten equal semi-annual instalments commencing on March 31, 2007; tranche B is repayable in seven semi-annual instalments commencing on September 30, 2008; and tranche C is to be repaid on September 30, 2011. Interest on tranches A and B is calculated at LIBOR plus 2.5%. Interest on tranche C is calculated at LIBOR plus 2.75%.

The corporate revolving credit and term loan facility has a principal amount outstanding of $121.1 million (December 31, 2009 - $161.4 million). The carrying amount shown above of $119.6 million is net of issue and transaction costs paid of $3.4 million, which are deferred and amortized over the term of the facility. The collateral includes an assignment of proceeds under various sales contracts from the sale of copper, copper concentrate and gold at Kansanshi, Bwana, Guelb Moghrein, and Frontier. Cash is restricted to meet required instalments and nil was recorded as restricted cash at March 31, 2010 (December 31, 2009 - $40.3 million).

b) Corporate revolving loan and short-term facility

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

The corporate revolving loan and short-term facility was undrawn at March 31, 2010 and December 31, 2009.

c) Kansanshi subordinated debt facility

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

The Kansanshi subordinated debt facility has a principal amount outstanding of 22.7 million Euros (December 31, 2009 – 22.7 million Euros). The carrying amount is net of issue and transaction costs of 0.5 million Euros. The interest rate on the facility is indexed to the price of copper resulting in the existence of an embedded derivative. This embedded derivative is recorded at fair value at each period with changes in fair value recorded as a component of net earnings.

d) Short-term borrowings

The Company’s marketing subsidiary entered into a $50.0 million facility in January 2010. This facility is to finance short-term hedging of copper and gold proceeds. Interest on the facility is calculated at the bank’s benchmark rate plus 1.75%. The loan is collatorized over physical metal pursuant to certain metal sales contracts. Cash is restricted to meet payment requirements and $4.3 million was recorded as restricted cash at March 31, 2010.

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

9 Convertible bonds

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

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

	Three months ended	Year ended
	March 31, 2010	**December 31, 2009**
Convertible bonds – debt component		
Opening balance	438.4	441.7
Issuance costs	-	(10.6)
Accretion expense	3.4	7.3
	441.8	438.4

10 Other liabilities

	March 31, 2010	December 31, 2009
Derivative liabilities (note 14)	11.8	8.9
Asset retirement obligations	32.3	21.9
Other	9.4	9.2
Total other liabilities	53.5	40.0
Less: current portion	(8.8)	(3.9)
	44.7	36.1
Current portion consists of:		
Derivative liabilities (note 14)	8.4	3.4
Other	0.4	0.5
	8.8	3.9

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

11 Capital stock

a) Common shares

Authorized
Unlimited common shares without par value

Issued

	Number of Shares (000's)
Balance as at December 31, 2009	78,590
Stock options exercised	93
Share issuance on acquisition of Kiwara (note 3b)	1,885
Balance as at March 31, 2010	80,568

b) Earnings per share

	Three months ended	
	March 31, 2010	March 31, 2009
Basic earnings attributable to equity holders of the parent	146.2	10.9
Add interest on convertible bonds, net of tax	7.5	–
Diluted earnings attributable to equity holders of the parent	153.7	10.9
Basic weighted average number of shares outstanding (000's of shares)	80,669	68,794
Effect of dilutive securities:		
Convertible bonds	8,867	–
Stock options	902	400
Diluted weighted average shares outstanding	90,438	69,194
Earnings per common share - basic	1.81	0.16
Earnings per common share - diluted	1.70	0.16

12 Other income (expenses)

	Three months ended	
	March 31, 2010	March 31, 2009
Derivative instrument loss	(3.5)	(46.4)
Foreign exchange gain	7.0	0.1
Interest and sundry income	0.3	0.4
	3.8	(45.9)

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

13 Segmented information

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

The corporate segment is responsible for the evaluation and acquisition of new mineral properties, regulatory reporting, treasury and finance and corporate administration.

For the three month period ended March 31, 2010, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Projects under development	Corporate	Total
Segmented revenues	398.0	64.2	86.6	27.5	-	8.7	585.0
Less inter-segment revenues	-	-	-	(13.5)	-	(8.7)	(22.2)
Revenues	398.0	64.2	86.6	14.0	-	-	562.8
Cost of sales	(157.8)	(20.7)	(32.2)	(14.3)	-	-	(225.0)
Depletion and amortization	(13.1)	(7.5)	(5.5)	(1.7)	-	-	(27.8)
Operating profit (loss)	227.1	36.0	48.9	(2.0)	-	-	310.0
Interest	(0.6)	-	(0.8)	-	-	(12.5)	(13.9)
Other	1.5	(2.1)	(0.3)	(6.1)	-	(22.8)	(29.8)
Segmented profit (loss) before undernoted items	228.0	33.9	47.8	(8.1)	-	(35.3)	266.3
Income taxes	(73.7)	-	(14.3)	-	-	2.7	(85.3)
Non-controlling interests	(30.3)	(2.4)	(2.1)	-	-	-	(34.8)
Segmented profit (loss)	124.0	31.5	31.4	(8.1)	-	(32.6)	146.2
Property, plant and equipment	567.1	198.5	264.1	39.0	1,461.3	384.0	2,914.0
Total assets	1,326.9	331.6	385.5	86.2	1,465.9	1,370.2	4,966.3
Capital expenditures	21.4	7.5	10.7	9.2	13.1	-	61.9

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

	Kolwezi	Kevitsa	Ravensthorpe	Total
Property, plant and equipment	792.3	319.4	349.6	1,461.3
Total assets	793.8	322.5	349.6	1,465.9
Capital expenditures	5.4	7.2	0.5	13.1

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

For the three month period ended March 31, 2009, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Projects under development	Corporate	Total
Segmented revenues	163.7	40.2	55.2	10.8	-	5.5	275.4
Less inter-segment revenues	-	-	-	(8.9)	-	(5.5)	(14.4)
Revenues	163.7	40.2	55.2	1.9	-	-	261.0
Cost of sales	(94.8)	(17.7)	(21.9)	(3.9)	-	-	(138.3)
Depletion and amortization	(22.2)	(4.6)	(4.7)	(0.3)	-	-	(31.8)
Operating profit (loss)	46.7	17.9	28.6	(2.3)	-	-	90.9
Interest	(1.3)	-	(1.8)	-	-	(8.0)	(11.1)
Other	(3.6)	(0.4)	0.4	(4.7)	-	(48.8)	(57.1)
Segmented profit (loss) before undernoted items	41.8	17.5	27.2	(7.0)	-	(56.8)	22.7
Income taxes	(7.9)	-	(8.6)	-	-	15.3	(1.2)
Non-controlling interests	(6.4)	(3.3)	(0.9)	-	-	-	(10.6)
Segmented profit (loss)	27.5	14.2	17.7	(7.0)	-	(41.5)	10.9
Property, plant and equipment	586.8	178.2	265.6	42.8	987.2	4.0	2,064.6
Total assets	1,141.2	252.1	297.1	73.1	994.7	335.7	3,093.9
Capital expenditures	13.0	32.9	4.6	(0.7)	47.2	0.1	97.1

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

	Kolwezi	Kevitsa	Total
Property, plant and equipment	682.0	305.2	987.2
Total assets	684.4	310.3	994.7
Capital expenditures	44.1	3.1	47.2

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

14 Financial instruments

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

	Loans and receivables	Available-for-sale	Held for trading	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Cash and cash equivalents	-	-	548.4	-	548.4	548.4
Restricted cash	-	-	4.3	-	4.3	4.3
Accounts receivable (a)	362.9	-	-	-	362.9	362.9
Recoverable taxes	207.9	-	-	-	207.9	207.9
Derivative instruments	-	-	1.7	-	1.7	1.7
Investments						
At cost (b)	-	9.5	-	-	9.5	-
At fair value	-	436.9	-	-	436.9	436.9
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	361.0	361.0	361.0
Derivative instruments	-	-	11.8	-	11.8	11.8
Convertible bonds (c)	-	-	-	441.8	441.8	850.6
Debt facilities	-	-	-	166.2	166.2	166.2

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

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

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

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

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

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

Derivative financial instruments

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

	Maturity 2010	Maturity 2011	Total	**March 31, 2010**		**December 31, 2009**	
				Asset	Liability	Asset	Liability
Foreign exchange							
Foreign exchange contracts	-	-	-	-	-	0.9	(0.6)
Interest rate							
Floating to fixed interest rate swap – principal	10.1	32.7	42.8	-	(0.5)	-	(0.7)
Average fixed interest rate	1.80%	1.80%	1.80%				
Copper							
Futures sales contracts over quotation period (tonnes)	1,175	-	1,175	1.7	-	-	-
Average price ($/tonne)	$6,364	-	$6,364				
Futures sales contracts over quotation period (tonnes)	15,875	-	15,875		(6.5)	-	-
Average price ($/tonne)	$7,403	-	$7,403				
Gold							
Futures sales contracts over quotation period (ounces)	17,270	-	17,270	-	-	-	-
Average price ($/ounce)	$1,115	-	$1,115				
Other							
Embedded derivative (note 8c)				-	(4.8)	-	(7.6)
				1.7	(11.8)	0.9	(8.9)
Copper embedded derivative (tonnes)	19,477	-	19,477				
Average price ($/tonne)	$7,836	-	$7,836				
Gold embedded derivative (ounces)	3,102	-	3,102				
Average price ($/oz)	$1,114	-	$1,114				

15 Commitments

In conjunction with the development of Kevitsa and Ravensthorpe, upgrades at Kansanshi, Frontier, Guelb Moghrein and other projects, the Company has committed to approximately $89.4 million in capital expenditures.

16 Contingencies and measurement uncertainty

a) Kolwezi Dispute

During 2007, the Government of the RDC announced a review of over 60 mining agreements entered into over the last decade with foreign companies. The Kolwezi mining convention (“Contract of Association”), to which the Company’s subsidiary Congo Mineral Developments Limited (“CMD”) is a party, was included in this review. The Company and its contributing partners in the Kolwezi Project, Industrial Development Corporation of South Africa (“IDC”) and the IFC (International Finance Corporation), have obtained legal advice that the *Contract of Association* is valid and binding and that all terms have been complied with by CMD. The *Contract of Association* also provides a dispute resolution mechanism through international arbitration.

CMD received a letter from the RDC Prime Minister dated August 21, 2009, which directed that the exploitation permit held by Kingamyambo Musonoi Tailings SARL (“KMT”), the company formed by the parties to pursue the project, be returned to La Générale des carriéres et des mines (“Gécamines”) pursuant to the *Contract of Association*. Subsequently, on September 15, 2009 CMD received an order by the General Prosecutor of Katanga to seal KMT’s facilities and on September 16, 2009 the Company suspended construction at the KMT Project.

The Company, in consultation with external counsel, has determined there is no legal basis for the directive to return KMT's exploitation permit or the sealing of the KMT facilities, and that CMD, the IFC and the IDC, continue to have a valid and binding contract with the RDC and Gécamines. On January 11, 2010, CMD received a letter from Gécamines purporting to cancel the *Contract of Association*. In response CMD, IFC and IDC sent a letter to Gécamines dated January 15, 2010 setting out summary reasons why the purported cancellation of the *Contract of Association* was not well founded. This letter required Gécamines to withdraw its cancellation letter, failing which the CMD, IFC and IDC's reserved their rights to initiate the international arbitration proceedings provided for in the *Contract of Association*. Gécamines did not withdraw its cancellation letter and on February 1, 2010, CMD, IFC and IDC commenced international arbitration at the International Chamber of Commerce in Paris.

On February 23, 2010 without any prior notice KMT and CMD received a Notice of Hearing Date from Gécamines and the RDC Mining Registry ("CAMI") setting the Local Appeal for hearing in less than 24 hours on February 24, 2010. Gécamines and CAMI requested the confirmation of the Lower Court judgment and also made an unsupported request for up to $US12 billion in damages to be awarded to Gécamines and CAMI. KMT's lawyers attended and objected to the proceedings. The Company received official notification of the Local Appeal judgment on April 7, 2010 confirming the award of $US12 billion in damages against CMD and KMT. The Company continues to believe the allegations against KMT and CMD have no merit and intends to file for a "cassassition", which is the final venue of appeal in the RDC. However, despite the further right of appeal the damages award is now enforceable against KMT and CMD in the RDC. No amount has been accrued in these financial statements.

The Company believes there is no legal basis for the cancellation of KMT's exploitation permit, the sealing of the KMT facilities, Gécamines' cancellation of the *Contract of Association*, or the decision of the Local Court, and as previously noted, that CMD and the KMT Project's other contributing partners, the IFC and the IDC, continue to have a valid and binding contract with the RDC and Gécamines.

The carrying value of the Kolwezi development project at March 31, 2010 is $793.8 million (December 31, 2009 - $786.8 million) and is comprised of the initial acquisition cost of $387.6 million and capital expenditures of $406.2 million (December 31, 2009 - $399.2 million). The Company has performed an impairment analysis based on the estimated undiscounted values of the potential outcomes of the dispute including the process of international arbitration. No impairment has been recorded as at March 31, 2010 as a result of this analysis. The final outcome of the arbitration process remains uncertain and may result in the impairment or loss of all or part of the Company's investment which could be material.

b) Societe de Developpement Industriel et minier du Congo ("Sodimico")

Sodimico, an RDC state owned mining company, obtained a judgment against Compagnie Miniere De Sakania SPRL ("Comisa") and the Company on March 12, 2010 from the Tribunal de Commerce of Lubumbashi and Comisa was notified of the judgment on April 5, 2010. The judgment requires Comisa and the Company to pay to Sodimico $17.3 million for the value of studies made by Sodimico over the perimeters of titles now held by Comisa and a further $40.0 million as additional unknown damages. The court found based on documents provided by Sodimico, that Comisa acquired the rights over the Lonshi deposits "at the operation stage" and "therefore there is no doubt that it must have used the results of the geological and mining studies made by Sodimico". In fact Comisa did not use any geological data or studies belonging to Sodimico and there is no factual or legal basis for the judgment. Comisa has filed an appeal of the judgment. The Company believes that the probability of Sodimico enforcing payment of the judgment amount against the Company is unlikely, and therefore no liability has been recorded as at March 31, 2010.

On March 8, 2010, the Company, and its RDC subsidiaries Comisa and Frontier, and also Bwana, a wrongly named Zambian subsidiary of the Company, were served notices of a case introduced by Sodimico against the RDC before the RDC Supreme Court of Justice. Sodimico is requesting the cancellation of a February 2000 letter from the Minister of Mines, which Sodimico alleges wrongfully withdrew mining titles belonging to Sodimico. These titles are further alleged to have been subsequently granted to Comisa and Frontier. The Company believes there is no legal basis to the Sodimico claims and Comisa and Frontier have filed reply submission in the proceedings.

c) Zambian Tax

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

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

The Company, through its Zambian subsidiaries, is party to Development Agreements with GRZ for its existing operations which provide an express right to full and fair compensation for any loss, damages or costs (including interest) incurred by the Company by reason of the government's failure to comply with the tax stability guarantees set out in the Development Agreements, and rights of international arbitration in the event of any dispute. Following consultation with external legal counsel, the Company assessed there to be a high probability of recovery from the GRZ of certain accruals or payments made in respect of these taxes. Accordingly, the Company has recorded the liability for taxes in accordance with the legislation, and has also recognized a receivable amount in respect of the excess taxes recoverable in accordance with the Development Agreement. As required by the financial instruments accounting standards, this receivable has been classified as “loans and receivables” and initially recorded at fair value based on management’s best estimate of the timing of receipt and amounts due. The receivable will be assessed for impairment in future periods based on changes in facts and circumstances; any impairment amounts required in the future may be material. As at March 31, 2010 this receivable amounts to $207.9 million (December 31, 2009 - $181.3 million).

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

FIRST QUANTUM MINERALS LTD.

Management's Discussion and Analysis
First Quarter Ended March 31, 2010

(expressed in United States dollars, unless otherwise noted)

May 10, 2010

SUMMARY OPERATING AND FINANCIAL DATA

	Three months ended March 31	
(USD millions unless otherwise noted)	**2010**	**2009**
Production – copper (tonnes)	85,062	89,440
Production – gold (ounces)	44,642	46,764
Sales – copper (tonnes)	81,441	69,774
Realized copper price (per lb)	$2.89	$1.51
Net sales	$562.8	$261.0
Net earnings	$146.2	$10.9
Earnings per share	$1.81	$0.16
Earnings per share before acquisition costs	$2.04	$0.16
Average copper unit cash cost of production (C1)[1] (per lb)	$1.19	$0.97
Cash	$552.7	$123.1

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

FIRST QUARTER HIGHLIGHTS

- Successful completion of acquisitions of the Ravensthorpe nickel project ("Ravensthorpe") in Australia for $338.8 million and Kiwara PLC, which holds prospecting licenses in Zambia, for $268.6 million
- Q1 net earnings of $146.2 million and EPS of $1.81 on a higher copper price, offset by acquisition costs and a delay in the recognition for sales to final off takers under a new metal marketing division. EPS before acquisition costs of $2.04
- 5% decrease in total copper production caused by a power disruption in the Copperbelt and the replacement of the oxide SAG mill shell at Kansanshi
- 5% decrease in total gold production caused by lower ore throughput and grades processed, offset by circuit improvements and plant expansions made in late 2009 and continuing in 2010
- 23% increase in the average copper unit cash cost of production (C1) due to higher ore costs and lower production
- Strong closing cash and working capital position realized on cash flows from operations, despite significant investing activities in Q1 2010

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

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

RECENT DEVELOPMENTS

- Following an extensive geological review and drilling program at Kansanshi, a revised mineral resource and reserve estimate has been completed. The increased mineral reserves can now support a mine life of approximately 13 years at a throughput rate of 24 million tonnes per year or 20 years when the revised inferred mineral resource is considered.

- Construction work has commenced at Ravensthorpe on modifying the crushing, conveying, stockpile and reclaim areas and will continue for approximately the next 12 months, followed by approximately six months of commissioning and ramp-up. The total modification cost is estimated at $150 million. The implications of the new Australian resource taxes recently outlined, yet to be finalized and approved, are being monitored.

- Detailed engineering design has commenced at Kevitsa and the majority of long-lead equipment has been tendered. Construction activity at the site is planned to commence in Q2 2010 and commercial production is targeted for mid 2012.

- In February 2010, the Company established a physical metal marketing division to manage off take sales, marketing, logistics and administration for all of the Company's production. Whilst reducing risks for provisionally priced sales this extended the recognition date for sales: the Q1 impact on sales was $29.8 million and earnings $13.3 million.

- In February 2010, the Company, along with partners the IFC (International Finance Corporation) and the Industrial Development Corporation of South Africa ("IDC"), commenced international arbitration against La Générale des carrières et des mines ("Gécamines") and the République démocratique du Congo ("RDC") regarding the cancellation of the Kolwezi project.

NEAR TERM OUTLOOK

- Estimated production for 2010 is 385,000 tonnes of copper and 220,000 ounces of gold. Lower estimated gold production primarily reflects the lower Q1 production.

- Estimated average C1 cost for 2010 has increased to $1.05 per pound, from $0.97 per pound, reflecting higher Q1 2010 costs and higher anticipated mining costs due to increased stripping activity.

- Kansanshi now has three different processing methods: oxide/leach, mixed float and sulphide float. These circuits will continue to be optimized and metallurgical recoveries are expected to be enhanced. Gold production is expected to improve as a result of the recent commissioning of additional gravity concentrators. New AC powered mining equipment will be commissioned with the objective of reducing unit costs and improving fleet reliability.

- At Frontier, additional mining volumes and flexibility are expected through the implementation of advanced mine planning, utilization of additional haul trucks and completion of the dewatering shaft project.

- At Guelb Moghrein, the final commissioning of the new heavy fuel oil ("HFO") power station is expected to lower generating costs. The commissioning of the high pressure grinding rollers ("HPGR") unit in 2010 should mark the completion of the 3.8 million tonne per annum expansion project and allow for enhanced gold and copper recoveries.

- An intensive drilling program is now underway at the Kalumbila exploration project in Zambia, which was acquired with Kiwara PLC and additional drilling programs have been initiated in Zambia, Finland and the RDC.

REVENUES

NET SALES (after provisional pricing and realization charges)		Three months ended March 31	
(USD millions unless otherwise noted)		**2010**	**2009**
Kansanshi	- copper	375.6	155.7
	- gold	22.4	8.0
Frontier	- copper	86.6	55.2
Guelb Moghrein	- copper	43.2	20.5
	- gold	21.0	19.7
Bwana/Lonshi	- copper	14.0	0.4
	- acid	-	1.5
Net sales		562.8	261.0
Copper provisional pricing adjustment included above		(4.8)	39.4
COPPER SELLING PRICE		**USD/lb**	**USD/lb**
Current period sales		3.21	1.54
Prior period provisional pricing adjustment		(0.03)	0.26
Treatment charges/refining charges (“TC/RC”) and freight parity charges		(0.29)	(0.29)
Realized copper price		2.89	1.51

The average realized copper price for Q1 was significantly higher than Q1 2009 due to an increase in the average LME copper price from the comparative period.

Copper sales volumes for Q1 increased 17% to 81,441 tonnes over the comparative period as the Q1 2009 sales volumes were constrained by local smelter capacity. Sales volumes during Q1 2010 were 4% lower than production as a result of the establishment of the Company’s new metal marketing division which has resulted in a delay in the recognition of some copper sold and an increase in finished copper contained in inventory in transit. Sales volumes in Q2 are expected to normalize to levels comparable to production.

The Q1 negative provisional pricing adjustment resulted from the finalization of contracts totalling 21,647 tonnes of copper at an average price of $3.24 per pound ($7,140 per tonne). These contracts were provisionally priced at $3.34 per pound ($7,361 per tonne) at December 31, 2009 and were finalized during January and February 2010.

At March 31, 2010, 19,477 tonnes of copper provisionally priced at $3.55 per pound ($7,836 per tonne) remain subject to final pricing in April, May and June 2010. Refer to the ‘Outlook’ section for further discussion.

Gold revenues increased by 57% over Q1 2009. The increase resulted from a higher realized gold price and higher sales volumes in the current period. In Q1 2010, gold sales volumes exceeded production due to the increase in gold dore sales, as well as improved smelter capacity compared to Q1 2009.

SEGMENTED OPERATING RESULTS

Kansanshi Copper and Gold Operation	**Three months ended March 31**	
	2010	**2009**
Production (tonnes)		
Copper cathode	19,180	23,836
Copper in concentrate	7,202	21,600
Copper cathode tolled	27,201	15,402
Total copper production (tonnes)	53,583	60,838
Copper sales (tonnes)	56,464	46,691
Gold production (ounces)	24,272	21,993
Sulphide ore tonnes milled (000's)	2,449	3,260
Sulphide ore grade processed (%)	0.8	1.1
Sulphide copper recovery (%)	95	95
Mixed ore tonnes milled (000's)	1,249	-
Mixed ore grade processed (%)	1.4	-
Mixed copper recovery (%)	63	-
Oxide ore tonnes milled (000's)	1,250	1,343
Oxide ore grade processed (%)	1.4	1.6
Oxide copper recovery (%)	91	93
Cash costs (C1) (per lb)[1]	$1.18	$0.99
Total costs (C3) (per lb)[1]	$1.39	$1.22
Gross operating profit (USD M)	$227.1	$46.7

Copper production decreased by 12% from Q1 2009 due to lower mining volumes and mill throughput in Q1 2010. Production from all three circuits was impacted by a four day power blackout and low ore volumes and grades from mine operations caused by the impacts of lower mine equipment availability in Q1 2010.

Sulphide circuit production was impacted by lower throughput and ore grade processed. Throughput stabilized later in Q1 2010 and is expected to improve with circuit enhancements planned for Q2 and Q3 2010.

The mixed ore circuit continued to achieve strong recovery rates in Q1 2010. This circuit processes mixed acid soluble and acid insoluble copper ore and produced copper in concentrate totalling 10,907 tonnes in Q1 2010.

In addition to the power blackout and mining issues discussed above, the oxide ore circuit was impacted by the replacement of the SAG mill in January 2010. Recovery was lower due to the processing of higher acid insoluble grade ore in Q1 2010. Projects are underway to enhance the recovery rates from the oxide circuit during 2010. See "Development activities" for further discussion.

Q1 2010 tolled copper cathode production from the Mufulira smelter increased by 77% from Q1 2009 due to capacity improvements made during Q3 2009.

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

Gold production improved from Q1 2009 by 10% but was behind plan due to low ore throughput on all three circuits. Gold in dore production of 8,001 ounces reflects improvements made to the gold plant in Q3 and Q4 2009.

Kansanshi's cash unit cost of production (C1) increased from Q1 2009 due to higher ore costs and processing costs incurred. Ore costs were impacted by lower mine production caused by lower equipment availability in the period, which increased the cost per tonne of ore processed and resulted in the processing of ore from stockpiles at lower grades and a higher average cost per tonne. Processing costs reflect inefficiencies of lower copper production and lower ore grades processed in the period. Additionally, higher engineering and maintenance costs were incurred related to the replacement of the oxide SAG mill in Q1 2010.

Frontier Copper Operation	**Three months ended March 31**	
	2010	**2009**
Production – copper in concentrate (tonnes)	20,786	19,271
Copper sales (tonnes)	15,521	14,226
Sulphide ore tonnes milled (000's)	1,932	1,570
Sulphide ore grade processed (%)	1.1	1.3
Sulphide copper recovery (%)	90	94
Cash costs (C1) (USD per lb)[1]	$1.46	$1.23
Total costs (C3) (USD per lb)[1]	$1.70	$1.36
Gross operating profit (USD M)	$48.9	$28.6

Copper production increased by 8% in Q1 2010 due to an increase in mill throughput, partially offset by lower sulphide grades and recoveries. The heavy rains at Frontier meant that mining activities were restricted to waste stripping and pit maintenance, and ore grades suffered as a result. Recoveries were impacted by an increase in acid soluble content of the material processed which is not recovered in Frontier's sulphide circuit.

Frontier's Q1 average cash unit cost of production (C1) was 19% higher than Q1 2009 due primarily to a change in the mine plan to increase waste stripping in order to establish a wider and more efficient working area in the pit. Processing costs were largely unchanged as increases in oil based consumables costs were offset by efficiencies gained on higher throughput and production volumes in the current period.

Operating profit is higher than Q1 2009 due to the increase in the realized copper price, offset partially by an increase in production costs. The Q1 2010 operating profit was affected by a delay in the recognition of copper revenues as the new metal marketing division held 2,568 tonnes of copper in transit as at March 31, 2010.

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

Guelb Moghrein Copper and Gold Operation	Three months ended March 31	
	2010	2009
Production – copper in concentrate (tonnes)	8,405	9,331
Copper sales (tonnes)	7,350	8,857
Gold production (ounces)	20,370	24,771
Sulphide ore tonnes milled (000's)	660	530
Sulphide ore grade processed (%)	1.4	1.9
Sulphide copper recovery (%)	90	92
Cash costs (C1) (USD per lb)[1]	$0.59	$0.35
Total costs (C3) (USD per lb)[1]	$1.40	$0.66
Gross operating profit (USD M)	$36.0	$17.9

Copper production decreased from Q1 2009 as an increase in mill throughput was outweighed by lower grades processed and lower recoveries experienced in Q1 2010. Mill throughput has increased as a result of the sulphide plant expansion completed in Q3 2009, however, throughput was lower than plan due to mill downtime in Q1 2010.

Gold production also decreased from Q1 2009 due to lower grades and recoveries processed in Q1 2010. The commissioning of the gold scavenger flotation cell in Q1 2010 is expected to enable circuit changes to be introduced to increase gold recoveries. The gold dore smelter produced approximately 4,100 ounces of gold in Q1 2010.

Guelb Moghrein's average cash unit cost of production (C1) was higher compared to Q1 2009 as a result of higher waste stripping and lower production volumes, as well as costs related mill downtime in Q1 2010.

Guelb Moghrein's Q1 operating profit increased from the comparative period due to the increased realized copper price, partially offset by higher production costs and lower sales volumes. The Q1 2010 operating profit was affected by a delay in the recognition of copper revenues as the new metal marketing division held 1,356 tonnes of copper in transit as at March 31, 2010.

Bwana/Lonshi Copper Operation	Three months ended March 31	
	2010	2009
Production – copper cathode (tonnes)	2,288	-
Copper sales (tonnes)	2,106	-
Oxide ore tonnes milled (000's)	101	-
Oxide ore grade processed (%)	2.8	-
Oxide copper recovery (%)	90	-
Cash costs (C1) (USD per lb)[1]	$1.27	-
Total costs (C3) (USD per lb)[1]	$1.40	-
Gross operating loss (USD M)	$(2.0)	$(2.3)

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

The Bwana Mkubwa copper SX/EW plant recommenced production in January 2010 to process the Lonshi oxide ore stockpile. Production volumes are in-line with expectation and recoveries have improved consistently from start-up. The entire high grade ore stockpile has now been transported to the plant which is expected to continue to produce grade A copper cathode at an average rate of 800 tonnes per month until the stockpile is exhausted in August 2010.

Bwana/Lonshi is cash generative as the gross operating loss for Q1 2010 includes a non-cash expense of $7.0 million related to the net realizable value write-up recognized in 2009 and now expensed as the Lonshi ore stockpile is processed in 2010.

COSTS AND EXPENSES

	Three months ended March 31	
(USD millions unless otherwise noted)	**2010**	**2009**
Gross operating profit	310.0	90.9
General and administrative	(7.3)	(5.7)
Acquisition transaction costs	(18.5)	-
Other income	7.3	0.5
Derivative instrument adjustments	(3.5)	(46.4)
Exploration	(7.8)	(5.5)
Interest	(13.9)	(11.1)
Income taxes	(85.3)	(1.2)
Non-controlling interests	(34.8)	(10.6)
Net earnings attributable to equity holders of the parent	146.2	10.9
Earnings per share		
- basic (USD per share)	$1.81	$0.16
- diluted (USD per share)	$1.70	$0.16
Weighted average shares outstanding		
- basic (number of shares – millions)	80.7	68.8
- diluted (number of shares - millions)	90.4	69.2

Acquisition costs incurred in Q1 2010 are primarily Australian duties paid in relation to the purchase of Ravensthorpe. Other income includes realized and unrealized foreign exchange gains on cash balances and monetary assets and liabilities held in currencies other than the US dollar.

Derivative instrument adjustments in Q1 relate to copper hedging undertaken to reduce the Company's exposure to quotational period pricing risk on copper sales in the period. In Q1 2009, the Company's hedging loss was incurred on derivative positions entered into in order to protect the Company against the uncertain economic outlook of early 2009.

Exploration expenses include $5.4 million incurred at the Lonshi underground evaluation project in Q1 2010.

Interest expense has increased from the comparative quarter due to the issuance of the 6%, $500.0 million convertible bonds in Q2 2009. Interest expense includes non-cash accretion of $3.4 million on the convertible bonds in Q1 2010.

Income taxes have increased from the comparative quarter primarily due to the increased profitability.

Non-controlling interests has increased from Q1 2009 due to the increase in net income of Kansanshi, Guelb Moghrein and Frontier in 2010. In February 2010, the Company acquired the remaining 20% ownership interest in Mauritanian Copper Mines SARL, which owns Guelb Moghrein, resulting in no further non-controlling interests from this operation.

FINANCIAL POSITION AND LIQUIDITY

	Three months ended March 31	
(USD millions unless otherwise noted)	**2010**	**2009**
Cash flows from operating activities		
- before working capital	209.1	85.1
- after working capital	153.5	(59.1)
Cash flows from financing activities	8.5	79.5
Cash flows from investing activities	(532.8)	(73.5)
Net cash flows	(370.8)	(53.1)
Cash balance	548.4	123.1
Available credit facilities		
- Corporate revolving loan and short-term facility	250.0	100.0
- Corporate revolving credit and term loan facility	50.0	-
- Short-term borrowings	33.7	-
Cash flows from operating activities per share (basic)		
- before working capital (USD per share)	$2.59	$1.24
- after working capital (USD per share)	$1.90	$(0.86)

Operating cash flows were generated from positive operating results during Q1. Working capital movements include an increase in accounts receivable as a result of an increase in copper price over the period, and an increase in finished copper inventory caused by the establishment of the new marketing division, resulting in a delay in the recognition of sales and an increase in finished inventory held in transit.

During Q1 a scheduled repayment of $40.3 million was made on the Corporate revolving credit and term loan facility using the restricted cash balance outstanding from December 31, 2009. The Company also paid $6.3 million of finance fees for the renewal of the Corporate revolving loan and short-term facility in Q1 2010.

The Company undertook significant investing activities during Q1 including; the acquisition of the Ravensthorpe nickel project for $338.8 million, of which $34.0 million was paid in 2009, the acquisition of Kiwara PLC for $128.4 million in net cash and $137.2 million in common shares of the Company and the acquisition of the 20% non-controlling interest in Mauritanian Copper Mines for $63.0 million. In addition to these acquisitions, the Company invested cash of $36.6 million in capital expenditures on existing projects and operations during Q1. Capital expenditures have decreased from Q1 2009 due to the suspension of the Kolwezi project.

In addition to the Company's cash reserves, additional sources of funding available include the $250.0 million corporate revolving loan that has been extended to expire in January 2011 and $50.0 million available under the corporate revolving credit and term loan facility. An additional $33.7 million is also available for draw under the Company's new short-term facility. The Company's working capital balance (not including cash and debt) at March 31, 2010 decreased by $24.3 million from December 31, 2009 due to an increase in accounts payable and taxes payable, partially offset by an increase in the accounts receivable balance as a result of the increase in copper price for Q1. Included in the working capital balance is finished goods inventory of approximately 29,500 tonnes of contained copper.

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

(USD millions)	**Total**	**Less than 1 year**	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 – 5 years**	**Thereafter**
Term debt	166.2	101.0	45.2	5.0	5.0	5.0	5.0
Convertible bonds	500.0	-	-	-	-	500.0	-
Accounts payable	361.0	361.0	-	-	-	-	-
Deferred payments	9.5	0.4	0.4	0.4	0.4	-	7.9
Commitments	89.4	89.4	-	-	-	-	-
Asset retirement obligations	32.3	-	-	-	-	-	32.3

INVENTORY

	Copper (tonnes)	**Gold in dore (ounces)**
Kansanshi	19,000	2,600
Frontier	6,200	-
Guelb Moghrein	4,100	700
Bwana/Lonshi	200	-
Total	29,500	3,300

Finished copper inventory increased by 3,400 tonnes in Q1 to 29,500 tonnes as at March 31, 2010 with an average cost of approximately $1.26 per pound ($2,771 per tonne). The commencement of sales made directly to end customers through the metal marketing division has created a one-off delay in the recognition of some sales and an increase in finished copper inventory held in transit. At March 31, 2010, there were 4,200 tonnes of finished copper held in transit to final off takers. Approximately 16,000 tonnes of Kansanshi copper in concentrate was in the process of being treated or stockpiled for treatment at the Mufulira smelter as at March 31, 2010. Contained gold in dore inventory increased to 3,300 ounces due to timing of shipments and increased dore production at Kansanshi in Q1. Gold contained in copper in concentrate is not included in the inventory balances noted above.

COMPREHENSIVE INCOME

The market value of available-for-sale investments decreased during Q1 resulting in the Company recognizing a tax effected decrease in the fair value of investments of $12.1 million in Q1 2010.

EQUITY

Shareholders' equity increased during Q1 due to the issuance of 1,885,360 shares pursuant to the acquisition of Kiwara PLC in Q1 2010.

As at the date of this report the Company has 80,595,849 shares outstanding.

DEVELOPMENT ACTIVITIES

Acquisition of the Ravensthorpe nickel project, Australia

In December 2009, the Company entered into an agreement with BHP Billiton to acquire the Ravensthorpe nickel project subject to relevant approvals from the Australian Foreign Investment Review Board and the West Australian Minister for Mines and Petroleum. Following the receipt of the government approvals, the finalization of the acquisition was completed on February 10, 2010 for $338.8 million.

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

The Company has engaged an engineering firm and is proceeding with the detailed design of modifications for the Ravensthorpe process plant, of which a significant part will be the modification of the crushing, conveying, stockpile, reclaim and rejects handling areas of the plant. The modification works are planned to be completed during Q1 2011 and will be followed by approximately six months of commissioning and ramp-up. The capital requirement for the modification is estimated at approximately $150 million, depending on currency exchange rates. The Company expects Ravensthorpe’s average annual production of nickel metal will be approximately 39,000 tonnes for the first five years after recommencement of operations and an average annual production of 28,000 tonnes of nickel metal over the expected life of mine of 32 years.

On May 2, 2010, the Australian Federal Government announced a proposal that, if implemented, would result in substantial changes to the taxation system and in particular corporate taxation applicable to the Australian extractive resources industry. If enacted as proposed, the Resource Super Profit Tax (“RSPT”) will apply a significant additional tax starting in 2012.

The proposed changes must first be approved through the legislative process of the Australian Federal Parliament prior to the planned implementation on July 1, 2012. The Australian Federal Government has released information on the proposed taxation changes, however draft legislation is not expected to be available until 2011. Furthermore, the legislation, if passed by the Australian Federal Parliament, may differ from the current proposal, with the Australian Federal Government publically indicating a willingness to engage with affected companies over the RSPT. In the event that the taxation reforms are introduced in their current form, the Company‘s taxation costs pursuant to the Ravensthorpe nickel project are expected to increase materially.

Acquisition of Kiwara PLC

In January 2010, the Company acquired all of the issued share capital of Kiwara PLC (“Kiwara”) which owned 85% of Kalumbila Minerals Limited (“Kalumbila”) and holds mineral property licences on the periphery of the Kabombo Dome in North Western Province, Zambia. At the time of acquisition Kiwara had begun an in-fill drill program at Kalumbila to determine a mineral resource estimate for the properties. Under the terms of the Kiwara acquisition agreement, the Company acquired a further 10% interest in Kalumbila in February 2010 bringing its ownership interest to 95%. The Company holds options to acquire the remaining 5% interest in Kalumbila for GBP 6.5 million.

In Q1 2010, the Company has focused efforts on setting up and planning a major drilling program to upgrade and expand the main Kalumbila copper resource. An initial program of approximately 50,000 meters of drilling utilizing six diamond core rigs has been contracted and drilling commenced in April. Concurrent baseline studies for social and environmental impacts are now in process. An economic assessment including metallurgical test work, engineering and geotechnical studies are planned in 2010.

In addition to the resource development program, a regional exploration program has been initiated to assess the potential of a high grade nickel prospect as well as further copper and uranium prospects in the extensive Kalumbila tenure package.

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

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

Kevitsa nickel/copper/PGE project, Finland

Ongoing delineation drilling at the Kevitsa project has extended the mineralization both south and east with an updated mineral resource estimate anticipated to be assessed in Q3 2010. Detailed engineering design has commenced, and the majority of long - lead equipment for the project has been tendered. In addition, construction contracts are being tendered, and construction activity at the site is planned to commence in Q2 2010.

Q1 2010 MD&A (expressed in US Dollars) www.first-quantum.com

Kansanshi copper/gold operation, Zambia

The sulphide ore treatment capacity upgrade progressed in Q1 with belt drive and chute upgrades completed. The commissioning of the new secondary crusher is scheduled for the end of Q2. Milling rates of approximately 35,000 tonnes per day have been achieved and the secondary crushing will add to this capacity. Further enhancement of milling rates and overall operational stability are planned via the installation of a milling expert system.

The installation of additional flotation capacity on sulphide and mixed ore is on schedule, with completion intended in Q4 2010. This capacity will enhance recovery potential of both sulphide and mixed ore.

Oxide circuit developments aimed at improving recovery are expected to be complete by Q4 2010.

The project to improve recovery of gold to gravity concentrates via additional gravity concentrators continued with two more gravity concentrators installed in Q1. Commissioning of the final gravity concentrator will be complete by May 2010. Further upgrades to downstream secondary gravity concentration and pyrometallurgical treatment are in progress.

Following an extensive geological review and drilling program at Kansanshi, a revised mineral resource and reserve estimate has been completed. In summary, the revised mineral reserve estimate is:

Total tonnes:	304,500,000
Total copper:	1.16%
Acid soluble copper (leach and mixed ore only):	0.81%
Gold (grams per tonne):	0.17
Strip ratio:	2.2

Using a 0.3% cut-off grade, the measured and indicated resource categories and the contained copper increase by approximately 18% and 50%, respectively. Significantly increased proved and probable mineral reserves estimate can support a mine life of approximately 13 years at a throughput rate of 24 million tonnes per year. The mine life increases to 20 years when the inferred mineral resource estimate is considered. The overall strip ratio increases marginally to 2.2:1 compensated by the increase in head grade to 1.16% total copper.

Guelb Moghrein copper/gold operation, Mauritania

The commissioning of the new gold scavenger flotation cell in Q1 has enabled circuit changes to be introduced to treat higher arsenic ore at increased flotation recoveries. The new HPGR has been installed and the circuit will be commissioned in Q2. The remaining two 5 megawatt engines comprising the last phase of the new power station are undergoing final tests prior to commissioning in Q2.

Frontier copper operation, RDC

Frontier will continue to focus on increased waste stripping to establish wider and more efficient working areas in the pit in 2010. This will be achieved through the use of contractors and also with the introduction of new AC haul trucks. A dewatering shaft project is underway to provide better water management in the pit.

Bwana Mkubwa copper SX/EW plant, Zambia

The Bwana copper plant was successfully re-commissioned early in January 2010 and is operating at an output level of approximately 800 tonnes of grade A copper cathode per month until August 2010. All of the high grade ore stockpile from the Lonshi mine has now been exported to Bwana Mkubwa and no further exporting is planned for 2010. The strategy beyond the processing of the Lonshi ore is under review.

Kolwezi copper/cobalt project, RDC

Project construction was suspended on September 16, 2009 in response to an order by the General Prosecutor of Katanga to seal the Kingamyambo Musonoi Tailings SARL ("KMT") facilities. The project is currently on care and maintenance. Refer to the "Other items" section for further discussion.

Lonshi underground evaluation project, RDC

The exploration and development of the underground project continues with an objective to provide support for operational development.

Exploration

The Company's exploration activities continued at a high level in Finland and Mauritania. Seasonal rains in the Copperbelt slowed drilling activities in Zambia and the RDC.

In Finland, four drill rigs continue a high rate of production on resource expansion and exploration targets near Kevitsa. Infill and extension drilling at the southern end of the Kevitsa resource continues to return strong results of mineralization close to surface in a swamp covered area with little previous drilling. These results are expected to have a positive impact on the next resource model and pit optimization study to be completed in Q3 2010. Exploration drilling has focused on assessing the potential for near surface mineralization to impact on areas of the proposed plant and infrastructure. Targeting of a bowl shaped electro-magnetic anomaly 2 km southeast of the Kevitsa resource has defined a new area of near surface low grade disseminated Ni-Cu-PGE mineralization. A full 3D seismic survey is currently in process over the Kevitsa resource area. This survey will provide detailed structural information for geotechnical and exploration targeting purposes.

In Zambia, construction of access tracks to the SE Dome Prospect near Kansanshi allowed drilling to recommence in Q1 despite heavy rains. Two core rigs commenced a systematic test of this encouraging new target where mineralization has been identified within a dome structure covering approximately 700 meters by 500 meters at surface. Results from 2009 drilling returned during Q1 include many intercepts of 20 meter to 70 meter width at 0.6% to 2% total copper with subsidiary gold. The current program of 100 meter spaced drill sections is designed to generate a preliminary resource later in 2010.

In the RDC, regional drilling was suspended during the heavy rain season, however near-mine drilling continued at Frontier and Lonshi. The Lonshi program is targeted at extensions of the high-grade underground mineralization.

In Mauritania, a geology campaign to integrate geology, geophysics and geochemical signatures of the Guelb and El Joul mineralization was completed in March 2010. A new 3D model of the Guelb ore body has defined clear targets for mineralization extending to the west and southeast. A 19 hole diamond drill program has been initiated to test the new potential. A major airborne gravity survey was completed over a large part of the tenure around Guelb Moghrein. Integration of this data with airborne magnetic and regional geochemistry has defined a series of high-priority drill targets.

OTHER ITEMS

Kolwezi update

During 2007, the Government of the RDC announced a review of over 60 mining agreements entered into over the last decade with foreign companies. The Kolwezi mining convention ("*Contract of Association*"), to which the Company's subsidiary Congo Mineral Developments Limited ("CMD") is a party, was included in this review. The Company and its contributing partners in the Kolwezi Project, Industrial Development Corporation of South Africa ("IDC") and the IFC (International Finance Corporation), have obtained legal advice that the *Contract of Association* is valid and binding and that all terms have been complied with by CMD. The *Contract of Association* also provides a dispute resolution mechanism through international arbitration.

Despite CMD's voluntary participation in the revisitation and efforts to reach a negotiated resolution, CMD received a letter from the RDC Prime Minister dated August 21, 2009, which reported on the outcome of an August 4, 2009 meeting of the RDC Council of Ministers with respect to the *Contract of Association* advising of the "impossibility to pursue the partnership" and directed that the exploitation permit held by KMT, the Company formed by the parties to pursue the project, be returned to Gécamines.

Because of the urgent circumstances and in view of the precipitous actions of the RDC and of its State entities based on the decision of the Council of Ministers, on August 26 and September 3, 2009, KMT and CMD initiated three proceedings before the Tribunal de Grande Instance (court of first instance) in Kinshasa (the "Local Court") seeking to obtain appropriate provisional measures to preserve their rights and to secure the KMT Project site.

Subsequently, on September 15 and 16, 2009 KMT's offices in Lubumbashi and facilities in Kolwezi were sealed by order of the General Prosecutor of Katanga. On September 16, 2009, the Company had no choice but to announce that it had suspended construction at its KMT Project. Given the actions taken by the RDC government, the Company was also advised there was no longer any purpose in pursuing interim relief in the Local Court.

At the time of suspension the construction of the Kolwezi Project was at an advanced stage (approximately 75% complete) and was on schedule to start commissioning in May 2010. The suspension resulted in the immediate loss of 700 local jobs in the Kolwezi area, loss of tax revenues to the RDC government, and an indefinite delay in commissioning of the Kolwezi Project.

On October 21, 2009, KMT and CMD appeared before the Local Court and asked the Local Court to note that it was not seized of the provisional requests previously sought, and to note the withdrawal of the proceedings. The RDC and Gécamines contested the withdrawal of the proceedings. The debate that followed before the Local Court dealt only with questions of procedure, namely the withdrawal of the demands and incidentally on the joining of the three cases. There was no debate on the merits and no evidence was provided to the Local Court. The Company learned by way of a press conference called by the Vice Minister of Mines that the Local Court had rendered judgment on October 28, 2009, but that judgment was only served on KMT on November 23, 2009. The judgment held that the actions instituted by CMD and KMT were receivable, but not founded in law. The Local Court concluded on the basis of no evidence that there was not a clerical error in the Decree granting authorization for the constitution of KMT, but rather there was a formal defect. The Local Court also found without any evidence presented that there was fraud committed in the constitution of KMT and held that for this reason KMT did not exist in law. The Court then accepted the cross-claim of the RDC and Gécamines, and, as a consequence, ordered each of CMD and KMT to pay to Gécamines and the RDC as damages and interest the equivalent of $3 million and court costs.

On December 21, 2009 CMD and KMT filed an appeal of the judgment (the “Local Appeal”).

By letter transmitted on January 11, 2010, Gécamines notified CMD, IFC and IDC of the decision of its Board of Directors to cancel the *Contract of Association*. By letter dated January 15, 2010, KMT’s legal counsel replied to this letter, setting out summary reasons why the purported cancellation of the *Contract of Association* was not well founded and requiring that Gécamines withdraw its cancellation letter, failing which CMD, IFC and IDC reserved their rights to initiate the international arbitration proceedings provided for in the *Contract of Association*. Gécamines did not withdraw its cancellation letter.

In the Company’s view, the Local Court’s decision constituted a denial of justice and this, along with the actions taken by Gécamines to wrongfully cancel the *Contract of Association*, demonstrated the need for the Company to file international arbitration seeking orders obliging the RDC and Gécamines to respect their undertakings and obligations under the *Contract of Association*. On February 1, 2010, CMD, IFC and IDC commenced international arbitration at the International Chamber of Commerce (ICC) in Paris.

On February 22, 2010, without any prior notice KMT and CMD received a Notice of Hearing Date from Gécamines and CAMI setting the Local Appeal for hearing in less than 48 hours on February 24, 2010. Gécamines and CAMI requested the confirmation of the Local Court judgment and also made an unsupported request for up to US$12 billion in damages to be awarded to Gécamines and CAMI. KMT’s lawyers attended and objected to the proceedings. Following a hearing on February 24, 2010, the Company received official notification of the Local Appeal judgment on April 7, 2010 confirming the award of approximately US$12 billion in damages against CMD and KMT. The Company continues to believe the allegations against KMT and CMD have no merit and intends to file for a “cassation”, which is the final venue of appeal in the RDC. However, despite the further right of appeal the damages award is now enforceable against KMT and CMD in the RDC.

The Company believes there is no legal basis for the cancellation of KMT’s exploitation permit, the sealing of the KMT facilities, Gécamines’ cancellation of the *Contract of Association*, or the decision of the Local Court and Local Appeal, and as previously noted, that CMD and the KMT Project’s other contributing partners, the IFC and the IDC, continue to have a valid and binding contract with the RDC and Gécamines. For further details with respect to the revisitation and legal proceedings please refer to the Company’s most recent Annual MD&A.

The carrying value of the Kolwezi development project is $793.8 million and is comprised of the initial acquisition cost of $387.6 million and capital expenditures of $406.2 million. The Company has performed impairment analysis based on the estimated undiscounted values of the potential outcomes of the dispute including the process of international arbitration. No impairment has been recorded as at March 31, 2010 as a result of this analysis. The final outcome of the arbitration process remains uncertain and may result in the impairment or loss of all or part of the Company’s investment. When the Company adopts IFRS, the use of a discounted cash flow model to test for impairment is likely to have a material impact on the Company’s carrying value of the Kolwezi project (refer to the “*Regulatory Disclosures – International Financial Reporting Standards – Mineral properties, plant and equipment*”).

Societe de Developpement Industriel et minier du Congo ("Sodimico")

Sodimico, a RDC state owned mining company, obtained a judgment against Compagnie Miniere De Sakania SPRL ("Comisa") and the Company on March 12, 2010 from the Tribunal de Commerce of Lubumbashi and Comisa was notified of the judgment on April 5, 2010. The judgment requires Comisa and the Company to pay to Sodimico $17.3 million for the value of studies made by Sodimico over the perimeters of titles now held by Comisa and a further $40.0 million as additional unspecified damages. The court found based on documents provided by Sodimico, that Comisa acquired the rights over the Lonshi deposits "at the operation stage" and "therefore there is no doubt that it must have used the results of the geological and mining studies made by Sodimico". In fact Comisa did not use any geological data or studies belonging to Sodimico and there is no factual or legal basis for the judgment. Comisa has filed an appeal of the judgment. The Company believes that the probability of Sodimico enforcing payment of the judgment amount against the Company is unlikely, and therefore no liability has been recorded as at March 31, 2010.

On March 8, 2010, the Company, and its RDC subsidiaries Comisa and Frontier, and also Bwana, a wrongly named Zambian subsidiary of the Company, were served notices of a case introduced by Sodimico against the RDC before the RDC Supreme Court of Justice. Sodimico is requesting the cancellation of a February 2000 letter from the Minister of Mines, which Sodimico alleges wrongfully withdrew mining titles belonging to Sodimico. These titles are further alleged to have been subsequently granted to Comisa and Frontier. The Company believes there is no legal basis to the Sodimico claims and Comisa and Frontier have filed reply submission in the proceedings.

Zambian taxation update

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

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

The Company, through its Zambian subsidiaries, is party to Development Agreements with GRZ for its existing operations which provide an express right to full and fair compensation for any loss, damages or costs (including interest) incurred by the Company by reason of the government's failure to comply with the tax stability guarantees set out in the Development Agreements, and rights of international arbitration in the event of any dispute. Following consultation with external legal counsel, the Company assessed there to be a high probability of recovery from the GRZ of payments made in respect of these taxes.

In the consolidated financial statements, the Company has recognized a tax expense and liability in accordance with applicable laws notwithstanding the Development Agreements. In addition and reflecting the enforceability of the Development Agreements, the Company has recognized a receivable from the GRZ for an amount in respect of the expected ultimate repayment of taxes in excess of the taxes permitted under the Development Agreements. As required by the financial instruments accounting standards, this receivable has been classified as "loans and receivables" and initially recorded at fair value based on management's best estimate of the timing of receipt and amounts due. The receivable will be assessed for impairment in future periods based on changes in facts and circumstances; any impairment amounts required in the future may be material. As at March 31, 2010, this receivable amounts to $207.9 million.

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

OUTLOOK

The Company's 2010 production outlook remains unchanged at 385,000 tonnes of copper and 220,000 ounces of gold. The group C1 cost of production is expected to increase to $1.05 per pound of copper as a result of higher Q1 costs and an increase in mining costs caused by increased waste stripping.

Kansanshi

Planned mine fleet expansions and improvements in maintenance systems should improve mining availability and volumes in the remainder of 2010. The mixed ore circuit will continue to focus on increasing flotation capacity to enhance efficiencies at the targeted throughput rates. Additional flotation capacity will also be commissioned in Q4 2010 which will increase residence and further enhance recoveries and throughput for the mixed ore. Sulphide ore treatment capacity will be increased by approximately 10% by the inclusion of secondary crushing in Q2 2010 in conjunction with mill feed belt capacity upgrades and modifications to the pebble crushing circuit aimed at increasing capacity and flexibility.

Gold production is expected to benefit from the successful commissioning of two Falcon concentrators. Two additional concentrators will be installed in Q2 and further opportunities are being considered to improve recoveries in 2010.

Guelb Moghrein

Process optimization trials including the commissioning of the HPGR circuit will continue during Q2 2010. The additional flotation capacity commissioned in Q1 2010 will help raise metal recoveries, and the Falcon concentrator will be commissioned in Q2 2010 and is expected to result in increased gold recoveries shortly thereafter. Greater fuel efficiency is expected with the completion of the new HFO power station in Q2.

Frontier

Mining activities will continue to be focused on waste stripping to establish efficient working areas in the pit. This is expected to impact ore costs in 2010, however a detailed mine plan will be reviewed to ensure ore feed quality can be enhanced during Q2. Increases in plant throughput and recoveries will remain key production objectives in 2010. Waste stripping activity planned for 2010 is expected to impact ore costs, while the cost saving initiatives will be reviewed and further enhanced.

Bwana Mkubwa

The Bwana Mkubwa copper SX/EW plant began processing ore from the Lonshi oxide stockpile in January 2010. The plant will continue to process the available Lonshi ore to produce at an average expected rate of 800 tonnes of grade A copper cathode per month until the stockpile is exhausted in August 2010.

Q1 2010 MD&A (expressed in US Dollars) www.first-quantum.com

Hedging program

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

	Maturity 2010	Maturity 2011	Total	March 31, 2010		December 31, 2009	
				Asset	Liability	Asset	Liability
Foreign exchange							
Foreign exchange contracts	-	-	-	-	-	0.9	(0.6)
Interest rate							
Floating to fixed interest rate swap – principal	10.1	32.7	42.8	-	(0.5)	-	(0.7)
Average fixed interest rate	1.80%	1.80%	1.80%				
Copper (a)							
Futures sales contracts over quotation period (tonnes)	1,175	-	1,175	1.7	-	-	-
Average price ($/tonne)	$6,364	-	$6,364				
Futures sales contracts over quotation period (tonnes)	15,875	-	15,875		(6.5)	-	-
Average price ($/tonne)	$7,403	-	$7,403				
Gold (a)							
Futures sales contracts over quotation period (ounces)	17,270	-	17,270	-	-	-	-
Average price ($/ounce)	$1,115	-	$1,115				
Other							
Embedded derivative (note 8c)				-	(4.8)	-	(7.6)
				1.7	(11.8)	0.9	(8.9)
Provisionally priced sales (b)							
Copper embedded derivative (tonnes)	19,477	-	19,477				
Average price ($/tonne)	$7,836	-	$7,836				
Gold embedded derivative (ounces)	3,102	-	3,102				
Average price ($/oz)	$1,114	-	$1,114				

a) Copper and gold derivative contracts

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

b) Provisionally priced copper sales subject to final settlement prices in Q2 2010

At March 31, 2010, 19,477 tonnes of copper sales were provisionally priced at an average of $3.55 per pound ($7,836 per tonne). Of this total, 6,875 tonnes were priced in April, 11,087 tonnes will be priced in May, and 1,515 tonnes will be priced in June. The average LME cash price for April 2010 was $3.51 per pound ($7,745 per tonne) resulting in a negative provisional adjustment of $0.6 million which will be recognized in Q2 2010.

Appendix A

SUMMARY OF QUARTERLY AND CURRENT YEAR RESULTS

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

Consolidated operating statistics	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Revenues									
Copper	$482.5	$619.3	$532.5	$(15.0)	$231.8	$371.8	$511.3	$591.5	$519.4
Gold	25.2	26.3	24.8	21.2	27.7	40.0	35.0	53.3	43.4
Other revenues	-	0.8	0.8	-	1.5	0.3	-	-	-
Total revenues	507.7	646.4	558.1	6.2	261.0	412.1	546.3	644.8	562.8
Cost of sales	133.3	212.8	242.8	212.2	132.8	178.8	218.2	223.3	225.0
Inventory NRV adjustments	-	-	7.9	52.6	-	(9.9)	-	(15.5)	-
Impairment charge	-	-	-	254.2	-	-	-	-	-
Net earnings	182.0	208.0	147.5	(491.6)	10.9	101.5	123.8	227.2	146.2
Basic earnings per share	$2.68	$3.06	$2.16	$(7.19)	$0.16	$1.31	$1.59	$2.91	$1.81
Diluted earnings per share	$2.65	$3.02	$2.13	$(7.19)	$0.16	$1.30	$1.50	$2.67	$1.70
Weighted average # shares (000's)	67,837	68,046	68,370	68,388	68,794	77,242	78,052	78,169	80,669
Cash flows from operating activities per share									
Before working capital movements	$4.02	$4.45	$3.06	$(2.16)	$1.24	$2.05	$2.10	$3.45	$2.59
After working capital movements	$2.12	$4.64	$3.84	$0.64	$(0.86)	$2.00	$2.52	$3.45	$1.90
Copper selling price									
Current period copper sales (per lb)	$3.43	$3.72	$3.11	$1.35	$1.54	$2.08	$2.44	$3.00	$3.21
Prior period provisional adjustments (per lb)	0.32	0.01	(0.08)	(0.99)	0.26	0.02	0.06	0.03	(0.03)
Gross copper selling price (per lb)	3.75	3.73	3.03	0.36	1.80	2.10	2.50	3.03	3.18
Tolling and refining charges (per lb)	(0.05)	(0.06)	(0.06)	(0.07)	(0.06)	(0.09)	(0.08)	(0.08)	(0.10)
Freight parity charges (per lb)	(0.21)	(0.32)	(0.31)	(0.36)	(0.23)	(0.21)	(0.21)	(0.22)	(0.19)
Realized copper price (per lb)	3.49	3.35	2.66	(0.07)	1.51	1.80	2.21	2.73	2.89
Realized gold price (per oz)	$868	$982	$759	$637	$842	$850	$722	$926	$886
Total copper produced (tonnes) [1]	75,616	80,977	82,187	95,635	89,440	92,486	93,486	98,528	85,062
Total copper sold (tonnes)[1]	62,802	84,007	90,698	97,280	69,774	93,482	105,154	98,171	81,441
Total gold produced (ounces) [1]	16,495	34,227	25,811	39,644	46,764	40,488	43,357	62,679	44,642
Total gold sold (ounces) [1]	29,071	26,797	32,663	33,299	32,827	47,055	48,454	57,571	48,995
Cash Costs (C1) (per lb) [2]	$1.02	$1.23	$1.37	$1.26	$0.97	$0.90	$0.98	$0.97	$1.19
Total Costs (C3) (per lb) [2]	$1.28	$1.91	$1.99	$1.50	$1.19	$1.17	$1.27	$1.27	$1.47
Copper Inventory (tonnes)									
Kansanshi	14,243	16,342	14,306	14,416	30,036	33,801	22,021	22,059	18,979
Frontier	16,328	10,850	3,876	106	5,296	2,574	3,128	3,041	6,228
Guelb Moghrein	1,057	1,546	1,765	1,869	2,343	88	555	963	4,096
Bwana	-	-	-	-	-	-	-	-	182
Total copper inventory	31,628	28,738	19,947	16,391	37,675	36,463	25,704	26,063	29,485

FIRST QUANTUM MINERALS LTD.

Kansanshi production statistics	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Mining									
Waste mined (000's tonnes)	3,671	10,167	10,066	4,771	4,271	4,746	7,122	4,663	2,921
Ore mined (000's tonnes)	5,433	3,306	5,027	5,324	3,979	4,034	5,410	5,258	3,712
Ore grade (%)	1.6	1.8	1.5	1.4	1.4	1.4	1.4	1.3	1.4
Processing (1)									
Sulphide ore processed (000's tonnes)	1,891	1,548	2,824	2,956	3,260	3,381	2,576	2,777	2,449
Sulphide ore grade processed (%)	1.3	1.4	1.1	1.3	1.2	1.0	1.0	1.0	0.8
Sulphide ore recovery (%)	93	93	92	95	95	96	95	95	95
Mixed ore processed (000's tonnes)	-	-	-	-	-	545	1,477	1,566	1,249
Mixed ore grade processed (%)	-	-	-	-	-	1.6	1.3	1.4	1.4
Mixed ore recovery (%)	-	-	-	-	-	67	65	64	63
Oxide ore processed (000's tonnes)	1,455	1,541	1,562	1,414	1,343	1,300	1,540	1,478	1,250
Oxide ore grade processed (%)	1.8	1.6	1.6	1.7	1.6	1.4	1.6	1.4	1.3
Oxide ore recovery (%)	94	92	91	91	93	89	91	93	91
Copper cathode produced (tonnes)	27,522	25,430	23,685	25,716	23,836	21,237	25,436	21,535	19,180
Copper cathode tolled produced (tonnes)	8,219	13,039	13,266	10,657	15,402	20,368	26,344	24,901	27,201
Copper in concentrate produced (tonnes)	16,562	9,154	16,423	25,641	21,600	18,787	9,516	16,017	7,202
Total copper production	52,303	47,623	53,374	62,014	60,838	60,392	61,296	62,453	53,583
Concentrate grade (%)	27.6	28.7	28.1	28.3	28.1	27.5	27.9	27.6	27.3
Gold produced (ounces)	2,301	17,927	10,292	23,733	21,993	20,117	25,350	32,476	24,272
Combined Costs (per lb) (2)									
Mining	$0.20	$0.36	$0.41	$0.36	$0.27	$0.32	$0.35	$0.35	$0.45
Processing	0.50	0.69	0.79	0.62	0.48	0.49	0.50	0.52	0.60
Site Administration	0.02	0.03	0.03	0.04	0.02	0.02	0.02	0.01	0.03
TC/RC and freight parity charges	0.18	0.20	0.28	0.30	0.28	0.30	0.28	0.29	0.29
Gold credit	(0.08)	(0.13)	(0.11)	(0.08)	(0.06)	(0.14)	(0.14)	(0.21)	(0.19)
Combined Total Cash Costs (C1)	$0.82	$1.15	$1.40	$1.24	$0.99	$0.99	$1.01	$0.96	$1.18
Combined Total Costs (C3)	$0.95	$2.00	$2.11	$1.52	$1.22	$1.27	$1.31	$1.28	$1.39
Revenues ($ millions)									
Copper cathodes	$305.5	$338.1	$286.2	$117.8	$139.1	$185.2	$293.7	$291.9	$322.5
Copper in concentrates	64.1	22.7	66.8	(42.9)	16.7	50.1	86.0	88.4	53.1
Gold	8.8	13.0	12.2	10.1	8.0	18.6	18.7	29.1	22.4
Total revenues	$378.4	$373.8	$365.2	$85.0	$163.8	$253.9	$398.4	$409.4	$398.0
Copper cathode sold (tonnes)	29,811	28,063	25,943	28,199	27,875	21,095	26,178	21,012	18,953
Copper tolled cathode sold (tonnes)	8,219	13,039	13,266	10,657	15,402	20,368	26,344	24,902	26,995
Copper in concentrate sold (tonnes)	8,981	4,393	15,830	21,300	3,414	15,022	21,463	16,503	10,516
Gold sold (ounces)	11,995	11,995	18,416	19,658	10,251	21,227	30,083	33,085	26,739

Frontier Production Statistics	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Mining									
Waste mined (000's tonnes)	2,195	3,740	3,433	3,057	1,395	2,017	3,282	3,932	3,506
Ore mined (000's tonnes)	638	1,860	1,986	2,037	1,696	2,056	2,300	1,998	1,912
Ore grade (%)	1.3	1.4	1.2	1.2	1.2	1.3	1.2	1.2	1.2
Processing (1)									
Sulphide ore processed (000's tonnes)	1,499	1,794	1,651	2,178	1,570	2,035	2,183	2,280	1,932
Sulphide ore grade processed (%)	1.2	1.4	1.2	1.3	1.3	1.3	1.2	1.2	1.1
Recovery (%)	74	91	96	91	94	92	92	91	90
Copper in concentrate produced (tonnes)	13,437	23,136	18,687	24,917	19,271	24,058	24,765	24,259	20,786
Sulphide Circuit Costs (per lb) (2)									
Mining	$0.61	$0.33	$0.43	$0.45	$0.27	$0.23	$0.23	$0.41	$0.49
Processing	0.29	0.26	0.35	0.31	0.30	0.29	0.30	0.42	0.32
Site Administration	0.15	0.12	0.19	0.13	0.09	0.05	0.09	0.10	0.12
TC/RC and freight parity charges	0.65	0.69	0.55	0.64	0.57	0.41	0.40	0.39	0.53
Sulphide Circuit Total Cash Costs (C1)	$1.70	$1.40	$1.52	$1.53	$1.23	$0.98	$1.02	$1.32	$1.46
Sulphide Circuit Total Costs (C3)	$2.18	$1.70	$1.90	$1.67	$1.36	$1.12	$1.19	$1.52	$1.70
Revenues ($ millions)									
Copper in concentrates	$32.6	$192.0	$137.1	$(73.9)	$55.2	$110.7	$107.5	$165.8	$86.6
Copper in concentrate sold (tonnes)	4,214	28,615	25,660	28,533	14,226	26,706	24,211	26,424	15,521

Guelb Moghrein production statistics	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Mining									
Waste mined (000's tonnes)	1,388	1,018	776	1,128	2,048	2,333	2,177	2,246	2,803
Ore mined (000's tonnes)	662	626	858	1,038	789	603	525	827	690
Ore grade (%)	1.3	1.6	1.5	1.5	1.7	1.8	1.6	1.5	1.4
Processing (1)									
Sulphide ore processed (000's tonnes)	517	491	511	553	530	474	514	769	660
Sulphide ore grade processed (%)	1.8	1.9	2.0	1.7	1.9	2.0	1.7	1.7	1.4
Recovery (%)	83	86	84	85	92	86	84	92	90
Copper in concentrate produced (tonnes)	7,668	8,722	8,506	8,177	9,331	8,036	7,425	11,816	8,405
Gold produced (ounces)	14,191	16,300	15,423	16,011	24,771	20,371	18,007	30,203	20,370
Sulphide Circuit Costs (per lb) (2)									
Mining	$0.20	$0.19	$0.23	$0.38	$0.21	$0.19	$0.16	$0.29	$0.31
Processing	0.63	0.60	0.69	0.71	0.46	0.46	0.73	0.53	0.68
Site Administration	0.13	0.10	0.12	0.11	0.09	0.12	0.16	0.18	0.16
TC/RC and freight parity charges	0.38	0.57	0.39	0.38	0.49	0.45	0.49	0.51	0.42
Gold credit	(0.97)	(0.75)	(0.69)	(0.62)	(0.90)	(1.16)	(0.87)	(0.88)	(0.98)
Sulphide Circuit Total Cash Costs (C1)	$0.37	$0.71	$0.74	$0.96	$0.35	$0.06	$0.67	$0.63	$0.59
Sulphide Circuit Total Costs (C3)	$0.89	$1.14	$1.09	$1.08	$0.66	$0.46	$1.19	$1.02	$1.40
Revenues ($ millions)									
Copper in concentrates	$67.2	$51.1	$32.4	$(13.0)	$20.5	$25.7	$24.1	$45.4	$43.2
Gold	16.4	13.3	12.6	11.1	19.7	21.4	16.3	24.2	21.0
Total revenues	$83.6	$64.4	$45.0	$(1.9)	$40.2	$47.1	$40.4	$69.6	$64.2
Copper in concentrate sold (tonnes)	9,757	7,953	8,287	8,073	8,857	10,291	6,958	9,330	7,350
Gold sold (ounces)	17,076	14,802	14,247	13,641	22,576	24,931	18,371	25,384	22,256

Bwana/Lonshi Production Statistics	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Mining									
Waste mined (000's tonnes)	898	1,079	117	-	-	-	-	-	-
Ore mined (000's tonnes)	37	89	14	-	-	-	-	-	-
Ore grade (%)	4.4	5.3	4.3	-	-	-	-	-	-
Processing									
Oxide ore processed (000's tonnes)	242	234	228	14	-	-	-	-	-
Oxide ore grade processed (%)	0.9	0.8	0.8	0.9	-	-	-	-	-
Recovery (%)	97	84	84	92	-	-	-	-	-
Copper cathode produced (tonnes)	2,208	1,496	1,620	527	-	-	-	-	2,288
Acid produced (tonnes)	66,414	74,699	90,987	64,016	63,193	32,461	-	848	22,747
Surplus acid (tonnes)	10	2,174	2,071	150	7,768	1,819	-	-	-
Oxide Circuit Costs (per lb) (2)									
Mining	$1.65	$1.61	$1.53	-	-	-	-	-	$0.16
Processing	2.15	3.20	1.77	-	-	-	-	-	0.88
Site Administration	0.58	0.39	0.35	-	-	-	-	-	0.15
Gold / Acid credit	(0.78)	(1.26)	(0.39)	-	-	-	-	-	0.08
Oxide Circuit Total Cash Costs (C1)	$3.60	$3.94	$3.26	-	-	-	-	-	$1.27
Oxide Circuit Total Costs (C3)	$4.13	$5.47	$3.69	-	-	-	-	-	$1.40
Revenues ($ millions)									
Copper in cathodes	$13.1	$15.4	$10.0	$(3.1)	$0.4	-	-	-	$14.0
Copper cathodes sold (tonnes)	1,820	1,944	1,712	518	-	-	-	-	2,106

(1) Copper sold or produced does not include tonnes sold or produced prior to achieving commercial production.
(2) For the definition of cash and total costs, reference should be made to the regulatory disclosures section.

Appendix B

REGULATORY DISCLOSURES

Seasonality

The Company's results as discussed in this MD&A are subject to seasonal aspects, in particular the rain season in RDC and Zambia. The rain season in the RDC and Zambia generally starts in November and continues through April, with the heaviest rainfall normally experienced in the months of January, February and March. As a result of the 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. In addition, the Company's exploration program is generally curtailed during the rain season due to site access issues.

Off-Balance Sheet Arrangements

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

Non-GAAP Measures

Calculation of Cash and Total Costs

The consolidated cash (C1) and total (C3) costs presented for the Company are non-GAAP measures that are prepared on a basis consistent with the industry standard Brook Hunt definitions. In calculating the cash and total costs for each segment, the costs are prepared on the same basis as the segmented financial information that is contained in the financial statements.

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

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

Calculation of Operating Cash Flow per Share

The calculations of operating cash flow per share, before and after working capital movements, are non-GAAP measures that are prepared for analysts' use to measure the Company's cash flows from operations on a per share basis.

In calculating the operating cash flow per share, before and after working capital movements, the operating cash flow calculated for GAAP purposes is divided by the weighted average common shares outstanding for the respective period.

International Financial Reporting Standards ("IFRS")

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

An IFRS conversion project team has been established and the process to transition from Canadian GAAP to IFRS commenced in 2009. The project team developed a conversion implementation plan comprising three major phases. These include a scope and planning phase, a design and build phase, and an implement and review phase. Throughout the transition, all stakeholder groups are being consulted to ensure complete information. These stakeholders include senior management from finance, treasury, tax, the Corporation's regional business units, information technology, human resources, the Board of Directors through the Audit Committee, among others.

The Company is implementing new accounting and consolidation systems in various parts of its business and expected changes in accounting policies, processes and collection of additional information for disclosure are being incorporated in the implementation of these systems. The impact on internal controls over financial reporting and disclosure controls and procedures will be determined during the design and implementation phases.

As part of the scope and planning phase, the Company identified IFRS versus Canadian GAAP differences and various policy choices available under IFRS. The implication of these differences and policy choices will continue to be assessed, but the final quantification of these differences is not yet known. The impact of the adoption of IFRS on the Company's financial statements is likely to be material. Based on the review conducted, the following standards are believed to have the most significant impact on the Company:

Mineral properties, plant and equipment

In accordance with Canadian GAAP, impairment testing is a two step process. The first step, using undiscounted cash flows is undertaken to determine if impairment exists. If an impairment is identified, then the second step is undertaken to determine the impairment to be recorded. IAS 36 uses a one step approach for both identifying and measuring impairments, which is based on comparing the carrying value to the recoverable amount. The recoverable amount is the higher of fair value less selling costs and value in use, which is based on discounted cash flows. The Company is assessing whether this difference will result in adjustments on conversion. Based on the Company's Canadian GAAP impairment assessment as at December 31, 2009 and March 31, 2010, the use of a discounted cash flow model to test for impairment is likely to have a material impact on the Company's carrying value of the Kolwezi project under IFRS.

Under IFRS, reverse impairment indicators must be reviewed periodically. To the extent that reverse impairment indicators exist, previously recognized impairments may be reversed. Applying IFRS 1 elections for fair value as deemed cost to certain long-lived assets will limit the requirement to reverse possible impairments.

Foreign currency

An IFRS 1 election is available which resets cumulative foreign currency translation adjustments to zero on the date of transition. The Company expects to apply this IFRS 1 election.

Under Canadian GAAP, the Company does not have a currency translation adjustment as the measurement currency of all its subsidiaries is the USD. The Company is in the process of determining the functional currency of its subsidiaries under IFRS.

Asset retirement obligations ("ARO")

Under IAS 37 the ARO must include legal or constructive obligations which may result in an expanded scope. The discount rate applied to the ARO is a current rate updated at each balance sheet date.

The Company expects to apply the IFRS 1 election available for the related ARO asset which provides relief in retroactively reassessing any potential depreciation impacts as a result of conversion adjustments to the ARO. The Company is in the process of completing its assessment on the IFRS conversion adjustments for ARO.

Business combinations

Certain differences have been identified between IFRS and Canadian GAAP in accounting for business combinations. Under IFRS transaction costs are expensed on acquisition. Additionally, on asset acquisitions future tax liabilities recognized for temporary tax differences are not recognized.

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

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

Income tax

The Company is currently in the process of completing its review of the impacts of the transition to IFRS related to income taxes.

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

Financial instruments presentation

Under IFRS foreign exchange gains and losses attributable to our available-for-sale investments are included in earnings. Under Canadian GAAP these gains and losses are included in other comprehensive income.

The Company will continue with the design and build phase into Q2 2010. The final analysis of the IFRS differences, completion of the final IFRS compliant accounting policies, and quantification of the IFRS opening balance sheet as at January 1, 2010 will be completed as part of this design and build phase. The implement and review phase will follow and the 2010 comparative interim financial statements will be completed. The timing of key activities mentioned above may change prior to the IFRS conversion date due to changes in regulation, the issuance of new accounting standards or amendments to existing accounting standards.

Changes in Accounting Policies

Business combinations

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

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

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

Critical Accounting Policies

Mineral properties and deferred exploration costs

The Company expenses exploration and associated costs relating to non-specific projects/properties in the period they are incurred. For specific properties or projects, any acquisition, exploration, or development costs are deferred until the project to which they relate is sold, abandoned, impaired or placed into production. Property acquisition and mine development costs, including costs incurred during production to expand ore reserves within existing mine operations, are deferred and depleted on a units-of-production basis over their reserves.

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

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

Income taxes

The Company uses the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years. The amount of future tax assets recognized is limited to the amount that is more likely than not to be realized.

The determination of the Company's tax expense for the year and its future tax liabilities and assets involves significant management estimation and judgement involving a number of assumptions. In determining these amounts management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of future tax assets and liabilities. Management also makes estimates of the future earnings which affect the extent to which potential future tax benefits may be used. The Company is subject to assessment by various taxation authorities which may interpret tax legislation in a manner different from the Company. These differences may affect the final amount or the timing of the payment of taxes. When such differences arise the Company makes provision for such items based on management's best estimate of the final outcome of these matters.

Stock based compensation

The Company grants stock options under its stock option plan and Performance Stock Units ("PSUs") and Restricted Stock Units ("RSUs") under its new long-term incentive plan to its directors and employees. The Company expenses the fair value of stock options, PSUs and RSUs granted over the vesting period.

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

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

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

Asset retirement obligations

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

Critical Accounting Estimates

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

Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management. Where necessary this report outlines those critical accounting policies that have changed since the filing of the Company's 2009 Audited Financial Statements or that are particularly relevant to the current year.

As is common in the mining industry, a number of the Company's sales agreements require final prices to be determined in a future period. For this purpose, it is necessary for management to estimate the final price received based on current prices for both copper and gold. As a result of the volatility in current metal prices, actual results may materially differ from those initially recorded when final prices are determined. Management follows the industry practice of re-pricing any provisional priced sales at the end of each reporting period and any differences / adjustments are recorded in the current period's earnings.

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

Disclosure Controls and Procedures

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

An evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined under the rules of the Canadian Securities Administration, was conducted as of December 31, 2009 under the supervision of the Company's Disclosure Committee and with the participation of management. Based on the results of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report in providing reasonable assurance that the information required to be disclosed in the Company's annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported in the securities legislation.

Since the December 31, 2009 evaluation, there have been no adverse changes to the Company's controls and procedures and they continue to remain effective.

Internal Control over Financial Reporting

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

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

An evaluation of the effectiveness of the Company's internal control over financial reporting was conducted as of December 31, 2009 by the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on this evaluation, management has concluded that the Company's internal controls over financial reporting were effective.

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

Limitations of Controls and Procedures

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

Forward Looking Statements

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

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

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