First Quantum Minerals Ltd.

Consolidated Financial Statements

Second Quarter – June 30, 2006

(Unaudited)

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

First Quantum Minerals Ltd.

Consolidated Balance Sheets

As at June 30, 2006 and December 31, 2005

(Unaudited)

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

	2006 $	2005 $
Assets		
Current assets		
Cash and cash equivalents	190,327	82,910
Restricted cash (note 7)	29,665	20,162
Accounts receivable and prepaid expenses	193,443	70,444
Inventory (note 4)	96,964	60,854
	510,399	234,370
Investments	10,183	9,522
Property, plant and equipment (note 5)	841,804	471,294
Other assets and deferred charges (note 6)	38,842	31,325
	1,401,228	746,511
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	86,457	63,492
Current taxes payable	67,415	16,055
Current portion of long-term debt (note 7)	77,155	58,255
Current portion of other liabilities (note 8)	44,775	20,377
	275,802	158,179
Long-term debt (note 7)	197,017	176,767
Future income tax liability	147,791	43,330
Other liabilities (note 8)	38,043	34,340
	658,653	412,616
Minority interests	60,148	22,454
	718,801	435,070
Shareholders' Equity		
Equity accounts (note 9)	346,712	166,592
Retained earnings	335,715	144,849
	682,427	311,441
	1,401,228	746,511

Commitments (note 13)

Approved by the Board of Directors

Peter B. St. George ______ Director   A Adams ______ Director

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

First Quantum Minerals Ltd.

Consolidated Statements of Earnings and Retained Earnings

For the three and six months ended June 30, 2006 and 2005

(Unaudited)

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

	Three months ended		Six months ended	
	June 30, 2006 $	**June 30, 2005 $**	**June 30, 2006 $**	**June 30, 2005 $**
Revenues	362,506	86,515	549,659	124,697
Cost of sales	63,477	35,070	117,934	51,236
Depletion and amortization	14,360	6,940	26,366	10,845
Operating profit	284,669	44,505	405,359	62,616
Other expenses				
Exploration	4,855	1,140	6,989	2,152
General and administrative	3,715	2,173	7,377	4,279
Interest and financing fees on long-term debt	5,713	3,383	11,936	4,233
Other expenses (income) (note 10)	34,695	(1,741)	53,492	(2,385)
Gain on disposal of investment	-	-	-	(16,127)
	48,978	4,955	79,794	(7,848)
Earnings before income taxes and minority interest	235,691	39,550	325,565	70,464
Income taxes	64,541	7,186	89,121	10,924
Minority interest	20,679	3,315	31,190	3,315
Net earnings for the period	150,471	29,049	205,254	56,225
Retained earnings (deficit) - beginning of period	199,632	20,240	144,849	(3,936)
Dividends	14,388	-	14,388	3,000
Retained earnings - end of period	335,715	49,289	335,715	49,289
Earnings per common share				
Basic	$2.33	$0.47	$3.25	$0.92
Diluted	$2.28	$0.46	$3.18	$0.90
Weighted average shares outstanding (000's)	64,564	61,499	63,193	61,384

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

First Quantum Minerals Ltd.

Consolidated Statements of Cash Flows

For the three and six months ended June 30, 2006 and 2005

(Unaudited)

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

	Three months ended		Six months ended	
	June 30, 2006 $	**June 30, 2005 $**	**June 30, 2006 $**	**June 30, 2005 $**
Cash flows from operating activities				
Net earnings for the period	150,471	29,049	205,254	56,225
Items not affecting cash				
Depletion and amortization	14,360	6,940	26,366	10,845
Minority interest	20,679	3,315	31,190	3,315
Provision for deferred stripping	-	481	845	4,384
Unrealized foreign exchange (gain) loss	1,833	(4,296)	2,507	(4,859)
Future income tax expense	22,444	3,150	29,109	2,967
Stock-based compensation expense	1,037	716	2,057	1,369
Unrealized derivative instruments loss	2,817	3,189	18,829	3,626
Other	1,542	449	2,434	852
Gain on disposal of investment	-	-	-	(16,127)
	215,183	42,993	318,591	62,597
Change in non-cash operating working capital				
(Increase) decrease in accounts receivable and prepaid expenses	(103,653)	(26,528)	(124,503)	(17,938)
(Increase) decrease in inventory	(19,890)	(11,150)	(35,997)	(18,880)
Increase (decrease) in accounts payable and accrued liabilities	58,938	(3,021)	74,774	(691)
	150,578	2,294	232,865	25,088
Cash flows from financing activities				
Restricted cash	(5,051)	(2,542)	(9,504)	(2,365)
Proceeds from long-term debt	82,000	-	82,000	31,523
Repayments of long-term debt	(33,126)	(10,126)	(45,462)	(15,434)
Issuance of common shares and warrants	1,506	439	2,984	1,288
Dividends paid	(14,388)	(3,000)	(14,388)	(3,000)
Deferred premium obligation and finance fees	(3,882)	(7,582)	(6,260)	(9,982)
	27,059	(22,811)	9,370	2,030
Cash flows from investing activities				
Property, plant and equipment	(86,607)	(1,256)	(127,959)	(39,987)
Deferred exploration and stripping costs	(7,770)	(1,026)	(6,256)	(3,130)
Other	(230)	-	(498)	21,944
	(94,607)	(2,282)	(134,713)	(21,173)
Effect of exchange rate changes on cash	(224)	274	(105)	163
Increase (decrease) in cash and cash equivalents	83,030	(22,799)	107,522	5,945
Cash and cash equivalents - beginning of period	107,521	78,989	82,910	50,356
Cash and cash equivalents - end of period	190,327	56,464	190,327	56,464

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

1 Nature of operations

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

2 Basis of presentation

These interim consolidated financial statements have been prepared in accordance with 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 2005 audited financial statements.

3 Adastra acquisition

Initial acquisition

On May 1, 2006, the Company acquired 75% of the outstanding shares of Adastra Minerals Inc. ("Adastra") and therefore consolidates Adastra's operating results from May 1, 2006. Adastra is an international mining company currently developing several mineral assets in Central Africa, including the Kolwezi Copper-Cobalt Tailings Project in the DRC.

The acquisition of 75% of Adastra has been accounted for as an asset purchase with the total consideration paid being comprised of:

	$
Issuance of common shares (note 9)	175,079
Cash	26,884
Transaction costs	2,262
	204,225

The preliminary allocation of the purchase price to assets and liabilities acquired is as follows:

Assets	**$**
Cash	10,584
Restricted cash	2,972
Accounts receivable and prepaid expenses	709
Property, plant and equipment	282,567
Liabilities	
Accounts payable and accrued liabilities	(8,673)
Other liabilities	(1,059)
Future income tax liability	(76,370)
Minority interests	(6,505)
	204,225

The purchase price allocation is preliminary and subject to adjustment over the course of 2006 on completion of the valuation process and analysis of resulting tax effects. Final valuations of property, plant and equipment, intangible assets, future income tax liabilities and asset retirement obligations are not yet complete due to the inherent complexity associated with the valuations.

Second step transaction

Subsequent to June 30, 2006, the Company was working on a second step transaction, which would acquire the remaining 25% of the outstanding shares of Adastra that were not acquired during the initial acquisition.

(Unaudited)

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

4 Inventory

	June 30, 2006 $	December 31, 2005 $
Ore in stockpiles	33,043	23,480
Work-in-progress	4,414	3,744
Finished product	16,264	5,130
Total product inventory	53,721	32,354
Consumable stores	43,243	28,500
Total inventory	96,964	60,854

5 Property, plant and equipment

			June 30, 2006			December 31, 2005
	Cost	Accumulated amortization	Net $	Cost	Accumulated amortization	Net $
Processing facilities and ancillary equipment	398,018	111,334	286,684	383,404	84,980	298,424
Capital work-in-progress	242,097	-	242,097	140,919	-	140,919
Mineral properties	335,268	22,245	313,023	52,420	20,469	31,951
Total	975,383	133,579	841,804	576,743	105,449	471,294

6 Other assets and deferred charges

	June 30, 2006 $	December 31, 2005 $
Prepaid power	8,788	9,258
Deferred finance fees - net of amortization	11,358	11,596
Deferred stripping asset	14,067	7,811
Fair value of derivative instruments (note 12)	1,261	932
Other	3,368	2,660
	38,842	32,257
Current portion	-	(932)
	38,842	31,325

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

7 Long-term debt

	June 30, 2006 $	December 31, 2005 $
Drawn debt facilities		
Standard Bank Group and WestLB AG facility (a)	103,000	117,000
Fortis Bank and Export Development Bank facility (b)	60,000	-
Kansanshi EIB facility (c)	42,667	40,265
Glencore International AG facility (d)	25,000	25,000
Fortis Bank facility (e)	22,000	-
Bwana Standard Chartered Bank facility (f)	9,755	13,007
Standard Chartered Bank facility (g)	11,500	11,500
Other	250	250
Banque Belgolaise and Export Development Bank of Canada facility	-	25,000
Banque Belgolaise facility	-	3,000
Total long-term debt	274,172	235,022
Less: Current portion	(77,155)	(58,255)
	197,017	176,767

a) Standard Bank Group and WestLB AG facility

In 2003, Kansanshi entered into a secured $120,000 senior debt facility agreement arranged and underwritten by Standard Bank Group and WestLB to finance the Kansanshi project. The facility comprises two tranches of $60,000. Tranche A is repayable in 11 semi-annual instalments commencing on January 31, 2006; Tranche B is repayable in 22 quarterly payments commencing on October 31, 2005. Interest on Tranche A is calculated at a fixed rate of 6%. Interest on Tranche B is calculated at LIBOR plus 3% during the repayment period. A sinking fund has been established to meet these quarterly payments and is recorded as restricted cash. The Company has pledged as security the assets and undertakings of Kansanshi, a mortgage over the shares of Kansanshi Holdings Limited and a guarantee of repayment by FQM.

b) Fortis Bank and Export Development Bank of Canada facility

In May 2006, the Company entered into a secured $60 million facility agreement with Fortis Bank to finance the design, construction, operation and maintenance of the Guelb Moghrein project. The facility is comprised of two tranches. Tranche A is for $45 million and is repayable in 17 quarterly instalments commencing on December 15, 2006. Tranche B is for $15 million and is repayable in four quarterly instalments commencing on December 15, 2009. Interest is calculated at LIBOR plus 2% on $40 million of the facility and LIBOR plus 3.1% on $20 million of the facility. The Company has pledged as security the assets and undertakings of Mauritanian Copper Mines (MCM), a mortgage over the shares of MCM and a guarantee of repayment by FQM.

c) Kansanshi European Investment Bank facility

In 2003, Kansanshi entered into a subordinated debt facility agreement with European Investment Bank (EIB), for 34 million Euros, to finance the Kansanshi project. This facility is repayable in nine equal annual payments commencing October 31, 2007. Interest is calculated annually, with a range of 3.2% to 13.2%, based on the average LME cash copper price for the preceding calendar year. The interest rate is at its lower limit at a realized copper price of less than $1,300 per tonne and then increases incrementally until the copper price reaches its $2,200 per tonne upper limit. As this facility is in Euros, the Company has entered into cross-currency principal and interest rate swaps to mitigate the effects of movements in the Euro.

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

d) Glencore International AG facility

In 2004, Kansanshi entered into a $25,000 facility with Glencore International AG. This facility was drawn down in 2005 and is repayable in 10 semi-annual instalments commencing eighteen months after the project completion date and bears interest at LIBOR plus 3.5%.

e) Fortis Bank facility

In March 2006, the Company entered into a bridge facility with Fortis Bank SA/NV for $22,000, which was used to repay the Banque Belgolaise and Export Development Bank of Canada facility and the Banque Belgolaise facility. The facility is due and payable on December 31, 2006 and bears interest at LIBOR plus 2.5%. It is the Company's intention to re-finance this loan with a new long-term facility.

f) Bwana Standard Chartered Bank facility

In 2003, Bwana entered into a long-term debt facility with Standard Chartered Bank of $30,000 to provided additional funding for capital projects and general working capital purposes. This facility is repayable in 13 equal quarterly instalments, which commenced in October 2004, and bears interest at a rate of LIBOR plus 2.5%. A sinking fund has been established to meet the quarterly instalments and is recorded as restricted cash. The Company has pledged as security the assets and undertakings of Bwana.

g) Standard Chartered Bank facility

In 2005, the Company entered into a facility with Standard Chartered Bank for $11,500, which was used to repay the Bwana EIB facility. This facility is due and payable in September 2006 and bears interest at LIBOR plus 2.5%. It is the Company's intention to re-finance this loan with a new long-term facility.

8 Other liabilities

	June 30, 2006 $	December 31, 2005 $
Unrealized fair value of derivative liability (note 12)	38,151	20,417
Deferred premium obligation (note 12)	12,150	15,714
Prepaid sales	11,207	-
Zesco Limited	3,158	3,368
ZCCM deferred payment	3,333	3,333
Guelb Moghrein deferred payment	5,000	4,845
Asset retirement obligation	4,589	4,195
Deferred stripping liability	1,854	1,009
Other	3,376	1,836
	82,818	54,717
Current Portion	(44,775)	(20,377)
	38,043	34,340

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

9 Equity accounts

	June 30, 2006 $	December 31, 2005 $
Common shares	339,117	160,733
Contributed surplus	7,595	5,859
	346,712	166,592

Number of shares issued and outstanding	65,996	61,674
Weighted average number of shares (000's)	63,193	61,498

On May 1, 2006, the Company issued 3,497,192 common shares at $CA 55.88 per share as part of the Adastra acquisition (note 3).

10 Other expenses (income)

	Three months ended		Six months ended	
	June 30, 2006 $	June 30, 2005 $	June 30, 2006 $	June 30, 2005 $
Derivative instrument losses	34,052	2,999	52,634	3,437
Foreign exchange losses (gains)	2,787	(4,231)	4,058	(5,048)
Interest and sundry income	(1,981)	(509)	(3,037)	(774)
	34,858	(1,741)	53,655	(2,385)

11 Segmented information

The Company's reportable operating segments are strategic business units that produce different but related products or services.

The corporate development and administration ("CDA") segment is responsible for the evaluation and acquisition of the new mineral properties, regulatory reporting, and corporate administration. Included in the CDA is the newly acquired Kolwezi Copper-Cobalt Tailings project, the Connemara gold mine in Zimbabwe, which is currently on a care and maintenance basis and the investment in Carlisa which holds a 90% interest in Mopani Copper Mines Ltd.

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

For the six months ended June 30, 2006, segmented information is presented as follows:

	KCO $	BLD $	GMP $	FRO $	CDA $	2006 Total $
Segmented revenues	383,849	179,442	-	-	6,016	569,307
Less inter-segment revenues	1,061	12,571	-	-	6,016	19,648
Revenues	382,788	166,871	-	-	-	549,659
Cost of sales	73,567	44,367	-	-	-	117,934
Depletion and amortization	13,838	12,492	-	-	36	26,366
Operating profit (loss)	295,383	110,012	-	-	(36)	405,359
Interest on long-term debt	11,165	247	-	-	525	11,937
Other	12,259	5,541	-	-	50,057	67,857
Segmented profit before undernoted items	271,959	104,224	-	-	(50,618)	325,565
Income taxes	65,588	29,307	-	-	(5,774)	89,121
Minority interest	31,375	-	-	-	(185)	31,190
Segmented profit	174,996	74,917	-	-	(44,659)	205,254
Property, plant and equipment	369,130	61,789	93,513	33,142	284,230	841,804
Total assets	710,063	144,126	100,967	33,383	412,689	1,401,228
Capital expenditures	61,257	3,076	27,521	23,275	283,511	398,640

For six months ended June 30, 2005, segmented information is presented as follows:

	KCO $	BLD $	GMP $	FRO $	CDA $	2005 Total $
Segmented revenues	45,063	83,282	-	-	3,875	132,220
Less inter-segment revenues	-	(3,648)	-	-	(3,875)	(7,523)
Revenues	45,063	79,634	-	-	-	124,697
Cost of sales	18,538	32,698	-	-	-	51,236
Depletion and amortization	2,927	7,861	-	-	57	10,845
Operating profit (loss)	23,598	39,075	-	-	(57)	62,616
Interest on long-term debt	2,639	1,594	-	-	-	4,233
Gain on disposal of investment	-	-	-	-	(16,127)	(16,127)
Other	(1,794)	628	-	-	5,212	4,046
Segmented profit before undernoted items	22,753	36,853	-	-	10,858	70,464
Income taxes	2,729	8,195	-	-	-	10,924
Minority interest	3,315	-	-	-	-	3,315
Segmented profit	16,709	28,658	-	-	10,858	56,225
Property, plant and equipment	274,671	65,898	22,044	3,691	921	367,225
Total assets	373,949	108,680	22,213	3,691	53,400	561,933
Capital expenditures	43,112	9,523	11,771	-	12	64,418

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

For the three months ended June 30, 2006, segmented information is presented as follows:

	KCO $	BLD $	GMP $	FRO $	CDA $	2006 Total $
Segmented revenues	258,948	111,301	-	-	3,717	373,966
Less inter-segment revenues	1,061	6,682	-	-	3,717	11,460
Revenues	257,887	104,619	-	-	-	362,506
Cost of sales	42,766	20,711	-	-	-	63,477
Depletion and amortization	7,594	6,750	-	-	16	14,360
Operating profit (loss)	207,527	77,158	-	-	(16)	284,669
Interest on long-term debt	5,560	(110)	-	-	263	5,713
Other	4,145	3,677	-	-	35,443	43,265
Segmented profit before undernoted items	197,822	73,591	-	-	(35,722)	235,691
Income taxes	52,994	21,382	-	-	(9,835)	64,541
Minority interest	20,864	-	-	-	(185)	20,679
Segmented profit	123,964	52,209	-	-	(25,702)	150,471
Property, plant and equipment	369,130	61,789	93,513	33,142	284,230	841,804
Total assets	710,063	144,126	100,967	33,383	412,689	1,401,228
Capital expenditures	37,639	2,121	15,817	17,167	283,481	356,225

For the three months ended June 30, 2005, segmented information is presented as follows:

	KCO $	BLD $	GMP $	FRO $	CDA $	2005 Total $
Segmented revenues	45,063	44,423	-	-	2,212	91,698
Less inter-segment revenues	-	(2,971)	-	-	(2,212)	(5,183)
Revenues	45,063	41,452	-	-	-	86,515
Cost of sales	18,538	16,532	-	-	-	35,070
Depletion and amortization	2,927	4,002	-	-	11	6,940
Operating profit (loss)	23,598	20,918	-	-	(11)	44,505
Interest on long-term debt	2,639	744	-	-	-	3,383
Other	(1,794)	547	-	-	2,819	1,572
Segmented profit before undernoted items	22,753	19,627	-	-	(2,830)	39,550
Income taxes	2,729	4,457	-	-	-	7,186
Minority interest	3,315	-	-	-	-	3,315
Segmented profit	16,709	15,170	-	-	(2,830)	29,049
Property, plant and equipment	274,671	65,898	22,044	3,691	921	367,225
Total assets	373,949	108,680	22,213	3,691	53,400	561,933
Capital expenditures	18,449	6,874	8,282	-	5	33,610

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

12 Derivative instruments

As at June 30, 2006, the Company has entered into a number of derivative instruments to mitigate the Company's exposure to copper and gold prices, foreign exchange rates, and interest rates. The Company does not apply hedge accounting and all derivatives are marked-to-market.

As at June 30, 2006, the following derivative positions were outstanding:

	2006	2007	2008	2009	Total	Fair Value
Copper (i)						
Put options (tonnes)	34,296	86,016	-	-	120,312	-
Price ($/tonne)	$1,800	$1,800	-	-		
Copper (Collar) (tonnes)	9,000	-	-	-	9,000	(9,715)
Average upper limit ($/tonne)	$5,750	-	-	-		
Average lower limit ($/tonne)	$4,250	-	-	-		
Gold						
Put options (oz)	12,492	37,380	24,060	38,028	111,960	202
Price ($/oz)	$350	$350	$350	$350		
Forward Contracts (oz)	12,492	37,380	24,060	38,028	111,960	(28,638)
Price ($/oz)	$400	$400	$400	$400		
Other						
Interest rate swaps						300
Cross currency swaps						961

i) Copper

As at June 30, 2006, there were put option contracts for 120,312 tonnes of copper outstanding with a premium obligation of $11,550.

As at June 30, 2006, there were copper collar contracts for 9,000 tonnes of copper outstanding with a premium obligation of $600.

13 Commitments

In conjunction with the development of Guelb Moghrein, Frontier and other projects, the Company has committed to approximately $88,529 in capital expenditures as at June 30, 2006.

FIRST QUANTUM MINERALS LTD.

Management Discussion and Analysis and Financial Review

for the

Second Quarter and Six Months ended June 30, 2006

(expressed in US Dollars)

Aug 8, 2006

1. Highlights: Second Quarter 2006

- Net earnings of $150.5 million ($2.33 per share) in the second quarter, an increase of 419 % compared to the second quarter of 2005.
- Cash flow from operating activities, before working capital movements, of $215.2 million ($3.33 per share) in the second quarter, an increase of 400 % million compared with the second quarter of 2005.
- Copper production in the second quarter of 48,153 tonnes (106.1 million pounds), an increase of 68% compared with the second quarter of 2005.
- Gross copper selling price of $3.77 in the second quarter versus LME average of $3.29, and a realized copper price of $3.44.
- Guelb Moghrein commissioning commenced, with commercial production expected to be achieved during the third quarter.
- The High Pressure Leach Project at Kansanshi is nearing completion.
- Civil construction underway at Frontier.
- Acquisition of 75% of the shares of Adastra Minerals Inc which controls the Kolwezi tailings project in the DRC.

For further information on the Company, reference should be made to Section 2 or its public filings (including its most recently filed AIF) which are available on SEDAR at www.sedar.com. Information is also available at the Company's website at www.first-quantum.com. In addition, reference should be made to the risk factors section contained in the Company's most recently filed AIF. The following interim information is prepared in accordance with Canadian GAAP and denominated in United States dollars, unless otherwise noted.

2. Company Overview

First Quantum Minerals Ltd. (the "Company") is a Canadian mining company whose principal activities include mineral exploration, development, mining, and the production of London Metal Exchange ("LME") grade "A" copper cathode, copper in concentrate, gold and sulphuric acid. The discussion and analysis contained in this MD&A follows the reporting segments as described in the Company's most recently filed annual financial statements.

The 80% owned Kansanshi operation is located near Solwezi, in Zambia and produces grade "A" copper cathode and copper in concentrate. The concentrate produced also includes a gold credit. The Kansanshi operation consumes acid from the Bwana/Lonshi operation's Solwezi acid plant located on the same site. The wholly owned Bwana/Lonshi operation includes the open pit mine at Lonshi located in the Democratic Republic of Congo ("DRC") and the Bwana processing plants located in Zambia. The Bwana/Lonshi operation produces grade "A" copper cathode and also includes three acid plants that manufacture sulphuric acid. Two of these plants are located at Bwana while the other plant is located at the Kansanshi site near Solwezi.

Also in Zambia, the Company owns an effective 16.9% interest in Mopani Copper Mines Plc ("Mopani").

In the DRC, the Company is currently developing its Frontier project. In addition, its wholly owned subsidiary, Comisa, has the exclusive exploration rights over 37 exploration permits with a total surface area of 11,000 square kilometers in the DRC.

In May 2006, the Company acquired 75% of Adastra Minerals Inc ("Adastra"), an international mining company that has interests in several mineral assets in Central Africa including the Kolwezi Tailings project in the DRC. The Company is proceeding with a second step transaction to acquire the remaining 25% of Adastra that the Company does not already own, which is expected to be completed on August 11, 2006.

3. 2006 Second Quarter Discussion

Consolidated Revenue

Second quarter revenues were $362.5 million, which included copper revenues of $356.3 million ($251.8m at Kansanshi and $104.5m at Bwana/Lonshi) and gold revenues of $6.1 million. Copper revenues at Kansanshi comprised $142.3 million from copper cathodes and $109.5 million from copper concentrates. Copper revenues increased from the comparative period in 2005 due to an increase in both the market price for copper and a 68% increase in copper production as a result of the ramp up in production at Kansanshi.

Table 1: Q2 Revenue Statistics

	2004	2005	2006
Revenues (millions)			
Copper	$23.4	$83.3	$356.3
Gold	-	0.6	6.1
Acid	2.9	2.6	0.1
Total Revenue	$26.3	$86.5	$362.5
Gross copper selling price (per lb)	$1.14	$1.53	$3.77
Realized copper price (per lb)	$1.11	$1.42	$3.44
Average LME cash copper price (per lb)	$1.26	$1.54	$3.29
Realized gold price (per oz)	-	$427	$631
Average gold price (per oz)	$393	$427	$627
Sales Statistics (1)			
Copper (tonnes)	9,599	26,535	46,930
Gold (ounces)	-	1,370	9,611
Acid (tonnes)	19,149	14,939	910

(1) Copper sales and production volumes refer to contained copper in either concentrate or cathode.

Second quarter copper revenues also benefited from provisional price adjustments on 31,506 tonnes of contained copper, that had been provisionally priced at the end of the first quarter of 2006 at an average LME price of $2.48 per pound. The realized copper price for the second quarter was $3.44 per pound, which has resulted in favorable pricing adjustments being included in second quarter copper revenues.

The realized copper price was $3.44 per pound for the quarter. The significant increase from 2005 is principally due to the increased market price for copper. The average LME cash copper price for the second quarter was $3.29 versus $1.54 for the second quarter of 2005. The realized copper price is calculated by deducting TC/RCs (tolling and refining costs) and freight parity charges from the gross selling price achieved. The gross copper selling price achieved, before realization charges, for the quarter was $3.77 per pound, which was higher than the average LME cash price due to favourable pricing adjustments.

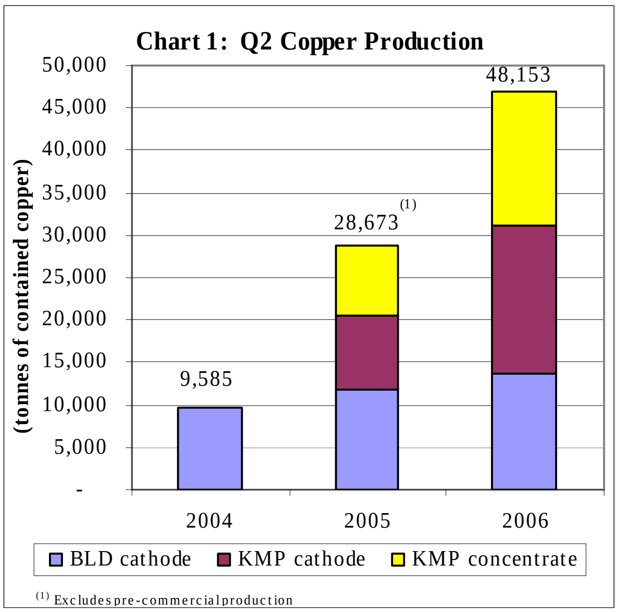
During the second quarter, the Company sold 32,402 tonnes of copper cathode (including 1,186 tonnes produced from concentrates that were toll treated) and 14,528 tonnes of contained copper in the form of concentrates.

Certain copper sales agreements entered into by the Company call for "provisional pricing" based on the average applicable cash copper price for a specified future monthly period. Included within copper revenue as at June 30, 2006 was 45,541 tonnes of contained copper that has been provisionally priced using a provisional average LME copper price of $3.36 per pound. Of this amount 17,448 tonnes will have their final price determined in July 2006, 12,678 tonnes in August 2006, and 15,415 tonnes thereafter. This equates to approximately $337.3 million worth of gross revenue (before realization charges) that may be subject to adjustment as a result of copper price fluctuations between July 2006 and March 2007. The average LME cash price for July 2006 was $3.50 per pound.

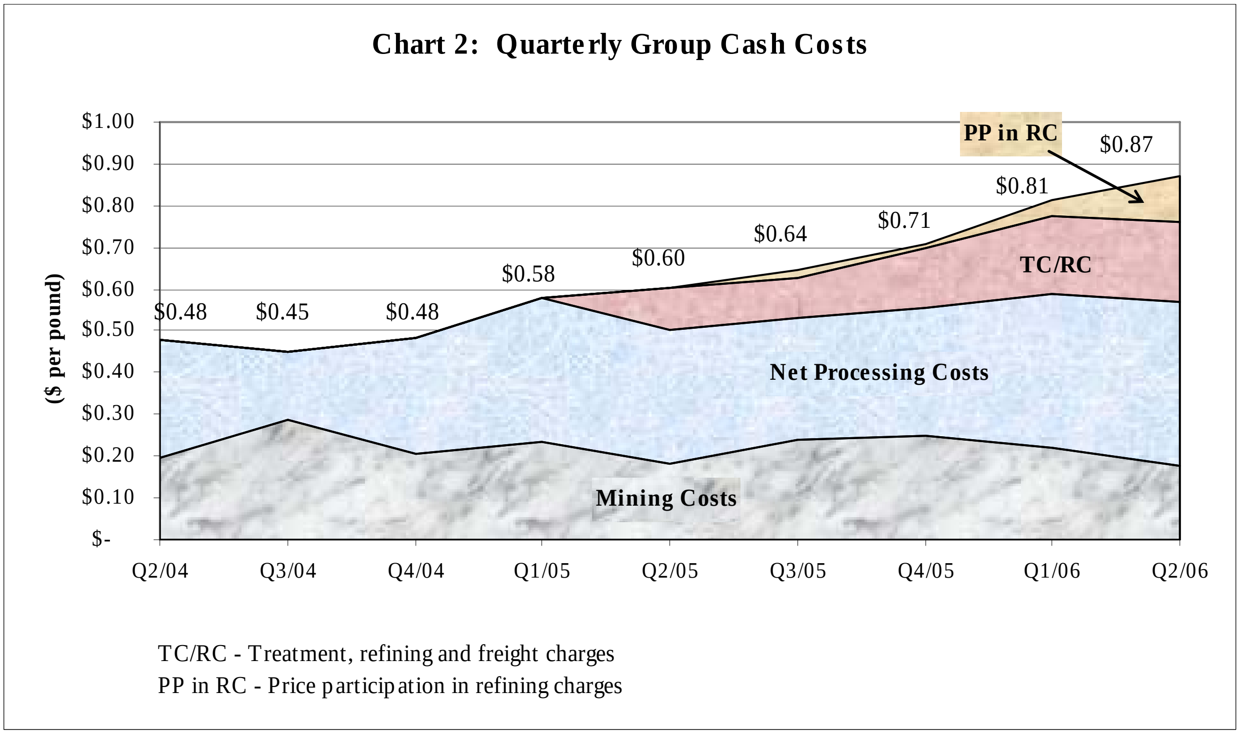
Gold revenues arise from the sale of gold contained in copper concentrates at Kansanshi. Each tonne of concentrate generally contains between 3 and 10 grams of gold for which a net credit is received by the Company after the deduction of the gold realization charges. For the second quarter, gold revenues totalled $6.1 million for 9,611 ounces of gold. The average realized gold price for the quarter was $631 per ounce compared to the average gold price of $627 per ounce.

Consolidated Cost of Sales and Cash Costs

Cost of sales as a percentage of revenue decreased to 18% in the second quarter of 2006. Although unit costs have risen from 2005, the cost of sales has decreased as a percentage of revenue as a result of the rising copper price and the increased proportion of copper concentrate in sales. From an accounting perspective, the further processing costs (TC/RCs) associated with the copper in concentrate are recorded as revenue deductions resulting in the cost of sales for concentrates being significantly lower than that of copper cathode, which is a finished product when sold. A detailed analysis on the cash cost movements is provided in the segmented information that follows the Group discussion.



Copper production for the quarter was 48,153 tonnes which included 34,584 tonnes from Kansanshi (18,687 tonnes of cathode (including 1,186 tonnes produced from concentrates that were toll treated) and 15,897 tonnes of concentrate) and 13,569 tonnes from Bwana/Lonshi. The Company also produced 71,421 tonnes of acid, which represents a 3% increase over the second quarter of 2005.



The above graph shows the major components of the group's cash cost. The increase from Q2 2005 to Q4 2005 can be attributed to the higher strip ratio at Bwana / Lonshi that was revised in Q2 2005, the decrease in mining costs from Q4 2005 is due to a higher proportion of the copper being derived from Kansanshi which has a lower cost than Bwana / Lonshi. With the introduction of concentrate sales in Q1 2005, the realization charges (TC/RC and freight charges) have increased with the proportion of copper concentrate produced. A large component of the increase in cash costs over the last two quarters can be attributed to price participation in concentrate refining charges, which is directly tied to the LME price of copper and therefore beyond the Company's control. Net processing costs include by-product credits from acid and gold.

Group cash costs and total costs for the second quarter of 2006 were $0.87 per pound and $1.07 per pound respectively compared with $0.60 per pound and $0.80 per pound for the second quarter of 2005. This increase from the second quarter of 2005 is principally due to the price participation component of the TC/RCs and an increase in the concentrate freight costs (as a result of having to export concentrates). Compared with the first quarter of 2006, the average LME price has increased by $1.05 which contributes approximately $0.11 to concentrate costs due to price participation.

In the first quarter of 2006, it was noted that the appreciation of the Zambian Kwacha had a negative impact on the Group cash costs. In the second quarter of 2006, there has been a slight depreciation of the Kwacha, which has resulted in some cost stability.

Other Expenses and Consolidated Earnings

Depletion and amortization expenses in the second quarter were $14.4 million (2005: $6.9m; 2004: $3.0m). The increase was principally due to the achievement of commercial production, in the second quarter of 2005, and the continuing ramp up of production at Kansanshi.

Table 2: Q2 Other Expenses and Earnings			
	2004	**2005**	**2006**
Other Expenses ($ millions)			
Depletion and amortization	$3.0	$6.9	$14.4
Exploration	0.6	1.1	4.9
General and administrative	1.5	2.2	3.7
Interest	0.9	3.4	5.7
Other expenses (income)	0.6	(1.7)	34.7
Earnings			
Net earnings (millions)	$4.1	$29.0	$150.5
Basic earnings per share	$0.07	$0.47	$2.33
Diluted earnings per share	$0.07	$0.46	$2.28

Interest for the quarter was $5.7 million (2005: $3.4m; 2004: $0.9m). The increase in interest is due to the capitalization of interest costs associated with Kansanshi before commercial production was reached.

The increase in other expenses to $34.7 million is associated with derivative losses. The Company entered into downside price protection on both copper and gold production. As a result the Company recorded derivative losses of $34.1 million principally due to the appreciation of both the copper and gold price. The accounting requirement is to mark to market all open positions, even if they relate to future periods. Actual cash payments relating to premiums and settlements made during the period were $33.8 million. Reference should be made to section 6 of this MD&A for a full description of derivative instruments.

Net earnings for the quarter, increased to $150.5 million or $2.33 per share, compared with the second quarter of 2005 net earnings of $29.0 million or $0.47 per share, and were up from the first quarter by $95.7 million, as a result of improved production, an increase in the LME copper price and provisional price adjustments from prior periods, offset by the derivative losses mentioned above.

Consolidated Cash Flow

The operating cash inflow for the quarter, before working capital movements, was $215.2 million or $3.33 per share.

Table 3: Q2 Cash Flow Information			
	2004	**2005**	**2006**
Cash Flows from ($ millions)			
Operating activities			
Before working capital movements	$11.5	$43.0	$215.2
After working capital movements	10.8	2.3	150.6
Financing activities	16.5	(22.8)	27.1
Investing activities	(47.7)	(2.3)	(94.6)
Operating Cash Flow (per share)			
Before working capital movements	$0.19	$0.70	$3.33
After working capital movements	$0.18	$0.04	$2.33

The operating cash inflow after working capital movements was $150.6 million or $2.33 per share. The difference between the before and after non-cash working capital movements can be principally attributed to the increase in accounts receivables, due principally to provisional pricing adjustments (where the final price will be determined at a future date and provisional payments are made at 90% of invoice value). Consumable stores, ore stockpiles and copper in concentrate all increased, which led to a $19.9 million increase in inventory. The aforementioned movements were offset by an increase in accounts payable of $58.9 million, a large portion of which relates to current taxes payable.

The cash inflow from financing activities for the quarter was $27.1 million, which included proceeds from a $22 million Fortis Bank bridging facility which was used to repay existing Banque Belgolaise and Export Development Bank of Canada facilities. The Company also drew down $60 million from Fortis Bank for project financing at Guelb Moghrein. The inflow from long term debt was offset by dividend payments and repayment of long term debt.

The cash outflow from investing activities was $94.6 million as the Company paid $26.9 million in cash for Adastra (refer section 6 of the MD&A under Adastra Acquisition) and continued capital investments at Kansanshi, Guelb Moghrein and Frontier.

Second Quarter Segmented Information

Table 4: Q2 Selected Segmented Operating and Financial Information						
	Kansanshi		Bwana/Lonshi			Guelb
	2005	2006	2004	2005	2006	2006
Costs						
Cost of sales ($ millions)	$20.1	$45.3	$13.1	$16.5	$20.7	*N/A*
Cash Costs (per lb) [1]	$0.63	$0.94	$0.48	$0.57	$0.69	-
Total Costs (per lb) [1]	$0.80	$1.11	$0.67	$0.79	$0.98	-
Production Statistics						
Waste mined (000's tonnes)	3,185	5,516	2,854	4,025	5,607	1,721
Ore mined (000's tonnes)	2,051	2,552	85	319	183	144
Ore grade (%)	2.0	1.4	5.2	5.5	10.7	1.9
Sulphide ore processed (000's tonnes)	434	1,140				-
Oxide ore processed (000's tonnes)	696	1,246	237	328	314	-
Sulphide ore grade processed (%)	2.0	1.6				-
Oxide ore grade processed (%)	1.8	1.5	4.6	4.1	5.0	-
Copper cathode produced (tonnes)	8,802	18,687	9,585	11,717	13,569	-
Copper in concentrate produced (tonnes)	8,154	15,897				-
Concentrate grade [2] (%)	28.6	25.8				-
Acid produced (tonnes)	N/A	*N/A*	34,265	69,218	71,421	-

[1] For the definition of cash and total costs, reference should be made to section 7. [2] Refers to contained copper in concentrate.

Kansanshi

During the quarter, 2,552,000 tonnes of ore and 5,516,000 tonnes of waste were mined. In the second quarter, the total material mined increased, from the first quarter of 2006, from a total of 3,970,000 tonnes to 8,068,000 tonnes. The significant improvement can be attributed to the end of the wet season, which was unusually long and wet this year. The improvement in availability of haul trucks, arrival of additional trucks, and additional artisan workers should result in improved mining performance in the future. For the second quarter, contained copper production was 34,584 tonnes which represents a 104% increase, from the second quarter of 2005, as a result of having a full quarter's production included in the quarter (previously only production after commercial production was included in reported production figures). Compared with the first quarter of 2006 copper production increased by 17% in part due to the completion of the four million tonne sulphide circuit expansion in February, 2006.

During the quarter, Kansanshi produced 18,687 tonnes of copper cathode at a cash cost of $0.70 per pound and a total cost of $0.87 per pound. Included within the cathode production are 17,501 tonnes from the SX/EW process and 1,186 tonnes produced from the tolling of copper concentrates. Cathode costs are higher than the comparable period in 2005 by $0.09. A lower processed ore grade has resulted in ore costs rising by $0.02. Efficiencies through higher throughput have decreased processing costs but this has been offset by higher repairs and maintenance costs associated with the hardness of the ore. Cash costs are also higher than the first quarter by $0.06, as a result of lower ore grades ($0.03) and toll treatment charges associated with the further processing of copper concentrates.

During the quarter, Kansanshi produced 15,897 tonnes of contained copper in the form of concentrates at a cash cost of $1.23 per pound and a total cost of $1.40 per pound. Concentrate cash costs were up $0.58 per pound from the second quarter of 2005. TC/RCs and freight charges combined to attribute $0.52 of this increase, with the price participation and the need to export a majority of the concentrates principally contributing to this increase. Concentrate costs are also higher than the first quarter by $0.30 per pound. The $1.05 per pound increase in the average LME cash copper price has attributed to the significant increase in the TC/RCs because of price participation for the quarter. The rest of the increase in cost, can be explained by increased processing costs associated with repairs and maintenance (due to hardness of the ore) offset by an increase in the gold credit.

The combined cash cost for both concentrate and cathode was $0.94 per pound with a total cash cost of $1.11 per pound.

Bwana/Lonshi

During the second quarter, approximately 183,000 tonnes of ore and approximately 5,607,000 tonnes of waste were mined from Lonshi. The strip ratio for the quarter was 31:1. Total material mined increased 33% compared with the same period last year, principally due to the larger mining fleet operating at Lonshi. Although the total material mined has increased, the portion of ore has decreased by 43%, due to the higher strip ratio. Notwithstanding, copper production has been able to be maintained as a result of the significant increase in the ore grade from an average of 5.5% to 10.7%. This higher grade ore is being blended with low grade ore, previously stockpiled at Lonshi, to bring the processed ore grade down to approximately 5%. With the eventual end of one of the wettest rainy seasons in April, the total material mined also increased 71% from the first quarter of 2006.

During the second quarter, copper production was 13,569 tonnes. Cash costs were $0.69 per pound and total costs were $0.98 per pound of copper. Cash costs at Bwana/Lonshi have risen $0.12 per pound from the comparable quarter of 2005, due to the increased ore costs associated with the higher strip ratio and an increase in processing costs associated with the appreciation of the Kwacha and an increase in oil based consumables and sulphur. Notwithstanding, cash costs have decreased by $0.21 per pound from the first quarter due to a $0.19 per pound reduction in ore costs associated with mining higher ore grades and the end of the wet season.

Acid production increased to 71,421 tonnes, of which 34,216 tonnes were produced at Ndola and 37,205 tonnes at Solwezi. Of the total acid produced, 910 tonnes were sold externally, 40,824 tonnes consumed at Kansanshi with the balance consumed at Bwana/Lonshi.

Guelb Moghrein

Guelb Moghrein is located 250 kilometres northeast of the nation's capital, Nouakchott, near the town of Akjoujt, in Mauritania. It consists of an open pit mineable copper/gold deposit. Logistical and supply difficulties in Mauritania have delayed the commissioning from the first quarter of 2006 until late in the second quarter of 2006, with commercial production now expected during the third quarter of 2006. Copper concentrate production from commissioning has commenced.The Company remains unable to release an engineering report as the Company is not treating the current resource statement as compliant with National Instrument 43-101.

During the quarter, 144,000 tonnes of sulphide ore and 1,721,000 tonnes of waste were mined. As at June 30, 2006, the Company had capitalized acquisition and development costs totalling $93.5 million (2005: $66.0m). Included within this figure are acquisition costs of $10.0 million.

4. 2006 Half Year Discussion

Consolidated Revenue

Six month revenues were $549.7 million, which included copper revenues of $538.7 million ($372.2m at Kansanshi and $166.5m at Bwana/Lonshi) and gold revenues of $10.6 million. Copper revenues at Kansanshi comprised $227.1 million from copper cathodes and $145.1 million from copper concentrates. Copper revenues increased from the comparative period in 2005 due to an increase in both the market price for copper and a 120% increase in copper production.

Table 5: Six Month Revenue Statistics

	2004	2005	2006
Revenues (millions)			
Copper	$45.5	$121.5	$538.7
Gold	-	0.6	10.6
Acid	6.1	2.6	0.4
Total Revenue	$51.6	$124.7	$549.7
Gross copper selling price (per lb)	$1.10	$1.51	$3.21
Realized copper price (per lb)	$1.07	$1.43	$2.92
Average LME cash copper price (per lb)	$1.25	$1.51	$2.75
Realized gold price (per oz)	-	$427	$600
Average gold price (per oz)	$401	$427	$590
Sales Statistics (1)			
Copper (tonnes)	19,299	38,535	83,565
Gold (ounces)	-	1,370	17,690
Acid (tonnes)	39,912	14,988	1,847

(1) Copper sales and production volumes refer to contained copper in either concentrate or cathode.

Copper revenues could have been approximately $32.1 million higher were it not for the requirement to stockpile an additional 5,860 tonnes of copper in concentrate at Kansanshi due to a lack of treatment capacity on the Zambian copperbelt until the smelter rebuild at Mufulira is completed. It is currently anticipated that the rebuild will be completed during the third quarter of this year, which will reduce concentrate stockpiles to normal operational levels by the end of 2006. This concentrate inventory is carried at cost as at June 30, 2006.

The realized copper price was $2.92 per pound for the six months. The significant increase from 2005 is principally due to the increased LME price for copper. The average LME cash copper price for the six months was $2.75 versus $1.51 for the first six months of 2005. The realized copper price is calculated by deducting TC/RCs and freight parity charges from the gross selling price achieved. The gross copper selling price achieved, before realization charges, for the six months was $3.21 per pound, which was higher than the average LME cash price due to favourable pricing adjustments.

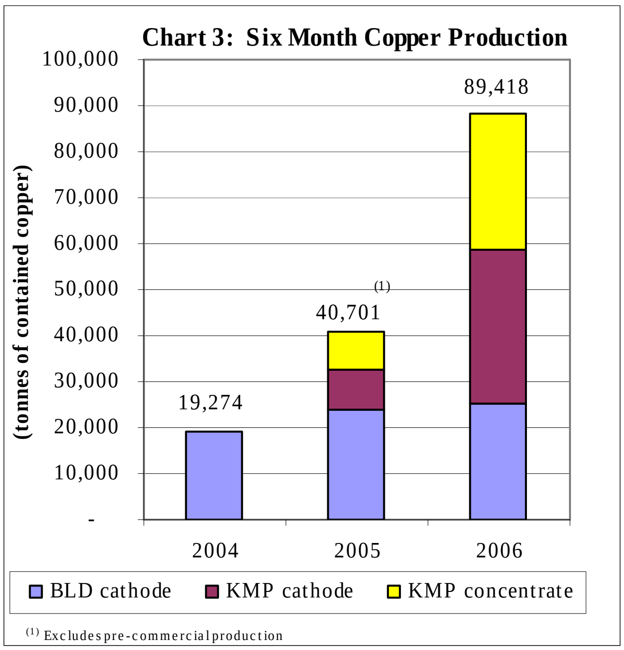
For the six months ended June 30, 2006, the Company sold 59,755 tonnes of copper cathode and 23,810 tonnes of contained copper in the form of concentrates.

Certain copper sales agreements entered into by the Company call for "provisional pricing" based on the average applicable cash copper price for a specified future monthly period. Included within copper revenue as at June 30, 2006 was 45,541 tonnes of contained copper that has been provisionally priced using a provisional average LME cash copper price of $3.36 per pound. This equates to approximately $337.3 million worth of gross revenue, (before realization charges) that may be subject to adjustment as a result of copper price fluctuations between July 2006 and March, 2007. The average LME cash price for July 2006 was $3.50 per pound.

Gold revenues arise from the sale of gold contained in copper concentrates at Kansanshi. Each tonne of concentrate generally contains between 3 and 10 grams of gold for which a net credit is received by the Company after the deduction of the gold realization charges. For the six months ended June 30, 2006, gold revenues totalled $10.6 million for 17,690 ounces of gold. The average realized gold price of $600 per ounce compared to the average gold price of $590 per ounce for the six months**.**

Consolidated Cost of Sales and Cash Costs

Cost of sales as a percentage of revenue decreased to 21%. Although unit costs have risen from 2005, the cost of sales has decreased as a percentage of revenue as a result of the rising copper price and the increased proportion of copper concentrate in sales. From an accounting perspective, the further processing costs (TC/RCs) associated with the copper in concentrate are recorded as revenue deductions resulting in the cost of sales for concentrates being significantly lower than that of copper cathode, which is a finished product when sold. A detailed analysis on the cash cost movements is provided in the segmented information that follows the Group discussion.



Copper production was 89,418 tonnes which included 64,131 tonnes from Kansanshi (34,483 tonnes of cathode (including 1,186 tonnes produced from concentrates that were toll treated) and 29,648 tonnes of concentrate) and 25,287 tonnes from Bwana/Lonshi. The Company also produced 139,616 tonnes of acid, which represents a 12% increase over the six months ending June 30, 2005 as a result of the inclusion of the Solwezi Acid Plant.

Group cash costs and total costs were $0.85 per pound and $1.05 per pound respectively compared with $0.60 per pound and $0.78 per pound for 2005. This increase from 2005 is as a result of higher cash costs at Bwana/Lonshi and the inclusion of production at Kansanshi. The increased costs at Bwana/Lonshi result from the increased mining costs (including the increase in strip ratio in July 2005), the appreciation of the Kwacha and an increase in the cost of oil based consumables. The costs are higher at Kansanshi due to the production of copper in concentrate that requires additional processing by third parties. These processing costs are included in the cash costs.

Other Expenses and Consolidated Earnings

Depletion and amortization expenses were $26.4 million (2005: $10.8m; 2004: $5.4m). The increase was principally due to Kansanshi achieving commercial production in the second quarter of 2005.

Table 6: Six Month Other Expenses and Earnings

	2004	2005	2006
Other Expenses ($ millions)			
Depletion and amortization	$5.4	$10.8	$26.4
Exploration	1.0	2.2	7.0
General and administrative	2.6	4.3	7.4
Interest	1.5	4.2	11.9
Other expenses (income)	0.5	(2.3)	53.5
Earnings			
Net earnings (millions)	$10.8	$56.2	$205.3
Basic earnings per share	$0.18	$0.92	$3.25
Diluted earnings per share	$0.18	$0.90	$3.18

Interest for the six months was $11.9 million (2005: $4.2m; 2004: $1.5m). The significant increase in interest is due to the previous capitalization of interest costs associated with Kansanshi before commercial production was reached.

The increase in other expenses to $53.5 million is associated with derivative losses of $52.6 million. As a requirement of the Kansanshi project financing and to manage copper and gold price exposure, the Company entered into downside protection on both the copper and gold production. As a result the Company recorded derivative losses of $52.6 million principally due to the appreciation of both the copper and gold price. The accounting requirement is to mark to market all open positions even if they relate to future periods. Actual cash payments, included in these losses, related to premiums and settlements made during the period were $38.3 million. Reference should be made to section 6 of this MD&A for a full description of derivative instruments.

Net earnings for the six months increased to $205.3 million or $3.25 per share.

Consolidated Cash Flow

The operating cash inflow, before working capital movements, was $318.6 million or $5.04 per share.

Table 7: Six Month Cash Flow Information

	2004	2005	2006
Cash Flows from ($ millions)			
Operating activities			
Before working capital movements	$23.6	$62.6	$318.6
After working capital movements	17.4	25.1	232.9
Financing activities	73.8	2.0	9.4
Investing activities	(83.9)	(21.2)	(134.7)
Operating Cash Flow (per share)			
Before working capital movements	$0.40	$1.02	$5.04
After working capital movements	$0.29	$0.41	$3.68

The operating cash inflow after working capital movements was $232.9 million or $3.68 per share. The difference between the before and after non-cash working capital movements can be principally attributed to the increase in accounts receivables due principally to provisional pricing adjustments, where the final price will be determined at a future date. Consumable stores, ore stockpiles and copper in concentrate all increased, which led to a $36.0 million increase in inventory. The decreases in operating cash flow noted above were offset by an increase in accounts payable of $74.8 million, which is primarily related to an increase in current taxes payable.

The cash inflow from financing activities for the six months was $9.4 million, which included proceeds from a $22 million Fortis Bank bridging facility which was used to repay Banque Belgolaise and Export Development Bank of Canada facilities. The Company also drew down $60 million from Fortis Bank for project financing for Guelb Moghrein. The inflow from long term debt was offset by dividend payments and repayment of long term debt.

The cash outflow from investing activities was $134.7 million as the Company continued its capital investments at Kansanshi, Guelb Moghrein and Frontier. In addition, the Company paid $26.9 million in cash for Adastra (refer to section 6 of this MD&A under Adastra Acquisition).

Six Month Segmented Information

Table 8: Six Month Selected Segmented Operating and Financial Information

	Kansanshi		Bwana/Lonshi			Guelb
	2005	2006	2004	2005	2006	2006
Costs						
Cost of sales ($ millions)	$20.1	$77.2	$25.2	$32.7	$44.4	*N/A*
Cash Costs (per lb) (1)	$0.63	$0.87	$0.44	$0.57	$0.79	-
Total Costs (per lb) (1)	$0.80	$1.03	$0.59	$0.77	$1.08	-
Production Statistics						
Waste mined (000's tonnes)	4,836	8,104	3,889	6,621	8,847	2,877
Ore mined (000's tonnes)	4,171	4,493	151	471	330	185
Ore grade (%)	2.2	1.4	4.8	5.4	9.7	1.9
Sulphide ore processed (000's tonnes)	434	1,921				-
Oxide ore processed (000's tonnes)	696	2,290	446	592	649	-
Sulphide ore grade processed (%)	2.0	1.7				-
Oxide ore grade processed (%)	1.8	1.6	4.9	4.6	4.5	-
Copper cathode produced (tonnes)	8,802	34,483	19,274	23,745	25,287	-
Copper in concentrate produced (tonnes)	8,154	29,648				-
Concentrate grade (2) (%)	28.6	27.4				-
Acid produced (tonnes)	N/A	*N/A*	68,609	124,493	139,616	-

(1) For the definition of cash and total costs, reference should be made to section 7. (2) Refers to contained copper in concentrate.

Kansanshi

For the six months ended June 30, 2006, 4,493,000 tonnes of ore and 8,104,000 tonnes of waste were mined. Total material mined increased from 2005 from a total of 9,007,000 tonnes to 12,597,000 tonnes. During the first six months of 2005, the world shortage of mining truck tires had significantly impaired the availability of the Company's haul trucks at Solwezi; the 40% increase this year compared with the same period last year is reflective of the easing of the tire shortages and the larger haul truck fleet. The previous shortfalls in mining production did not result in any shortfall in ore availability but did result in the deferral of some waste stripping. To address these historical shortfalls the fleet is being augmented with the purchase of additional excavators and haul trucks.

For the six months ended June 30, 2006, contained copper production increased by 278% to 64,131 tonnes. This increase is due to the start of commercial production at Kansanshi during April 2005, the continuing ramp up of production and the commissioning of the four million tonne sulphide circuit expansion that was completed in February 2006.

For the six months ended June 30, 2006, Kansanshi produced 34,483 tonnes of copper cathode at a cash cost of $0.68 per pound and a total cost of $0.84 per pound. Cathode cash costs were up $0.07 per pound principally due to higher crushing and milling costs associated with the additional mill ball requirement due to the hardness of the ore, higher loads of balls in the mills and the use of higher cost high chrome mill balls. In addition, ore costs are higher due to slightly lower ore grades.

Kansanshi produced 29,648 tonnes of contained copper in the form of concentrates at a cash cost of $1.09 per pound and a total cost of $1.25 per pound. Concentrate cash costs were up $0.44 per pound from the first six months of 2005 as a result of increased ore costs due to rehandling requirements in the wet and lower ore grades ($0.04) and higher TC/RCs ($0.17) and freight charges ($0.25). These were partially offset by an improved gold credit. The increased TC/RCs stem principally from a benchmark 10% price participation clause above a copper price of $0.90 per pound which is added to the refining charges (RC). With the rising LME price of copper, the RC has therefore increased. This charge is really a reduction against revenue but to comply with industry standards for measurement of cash costs, it is added to unit costs. The higher freight charge arises from the need to use international smelters as an interim measure until the Mufulira smelter upgrade is completed in the second half of this year. The combined cash cost for both concentrate and cathode was $0.87 per pound with a total cash cost of $1.03 per pound.

Bwana/Lonshi

For the six months ended June 30, 2006, approximately 330,000 tonnes of ore and approximately 8,847,000 tonnes of waste were mined from Lonshi. The strip ratio for the six months was 27:1. The ore grade was significantly higher than both comparative periods and was 9.7% for the six months. The improvement in material mined from 2005 can be principally attributed to the larger mining fleet that was built up during the course of 2005.

Copper production was 25,287 tonnes. Cash costs were $0.79 per pound and total costs were $1.08 per pound of copper. Cash costs at Bwana/Lonshi have risen $0.22 per pound from the previous year due to increases in both ore costs and processing costs. Ore costs are up $0.15 per pound from 2005 and have been impacted by the increasing price of fuel, the appreciation of the Kwacha and the higher strip ratio at Lonshi. These costs have been partially offset by the higher ore grade being processed as a result of the improved ore grades out of the pit. Processing costs have increased by $0.05 per pound from 2005 as a result of the appreciation in the Kwacha and an increase in oil based consumables and sulphur. The improved ore grade processed and reduction in gangue acid consumption have helped offset these increases. Overall the appreciation of the Kwacha has added approximately $0.04 per pound to the cash costs since the comparative period of 2005.

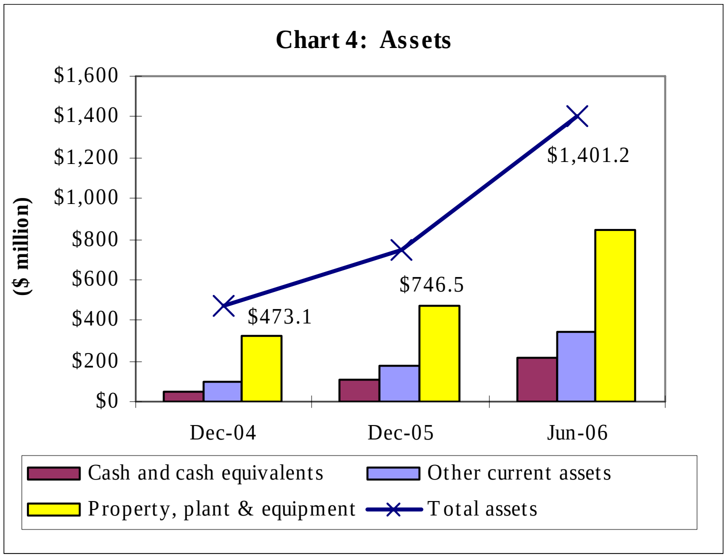
Acid production increased to 139,616 tonnes, of which 65,985 tonnes were produced at Ndola and 73,631 tonnes at Solwezi. Of the total acid produced, 1,847 tonnes were sold externally, 77,328 tonnes consumed at Kansanshi with the balance consumed at Bwana/Lonshi.

Guelb Moghrein

For the six months ended June 30, 2006, 185,000 tonnes of sulphide ore and 2,877,000 tonnes of waste were mined. As at June 30, 2006, the Company had capitalized acquisition and development costs totalling $93.5 million (2005: $66.0m). Included within this figure are acquisition costs of $10.0 million.

5. Balance Sheet Discussion

Assets

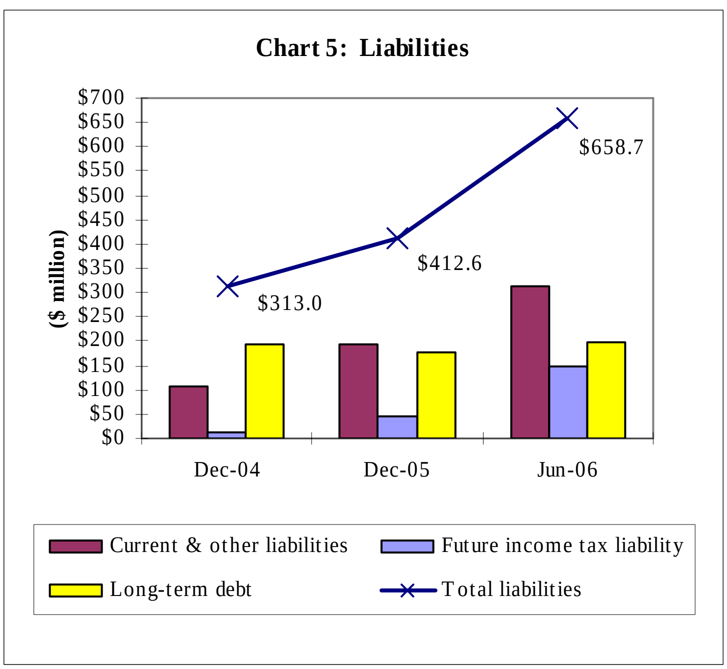


At June 30, 2006, the Company had cash and cash equivalents of $190.3 million. The strong cash flow from operations of $232.9 million has been partially utilized by the Company's continuing investment in its capital projects and the acquisition of Adastra. In addition, the Company had $29.7 million in restricted cash that is being held for sinking fund requirements on debt repayment and collateral on derivative positions. The increase in current assets of $276.0 million was principally due to the increase in accounts receivable, cash and cash equivalents and inventory. Inventory increased 59% from December 31, 2005 as a result of higher levels of consumable stores, ore in stockpiles and finished inventory. As at June 30, 2006 the Company had approximately 9,663 tonnes of contained copper in concentrate, an increase of 5,860 tonnes from 2005 year end. Based on the forward copper prices as at the end of the quarter and contract terms the entire stockpile had an approximate sales value of $53.0 million.

The net increase in property, plant and equipment of $370.5 million is due to the Company's acquisition of Adastra (refer section 6 of the MD&A under Adastra Acquisition) and the Company's continuing investment in projects such as Guelb Moghrein, Frontier and the upgrades at Kansanshi including the High Pressure Leach project less depreciation charges.

Total other assets and deferred charges were $38.8 million, which is principally composed of deferred financing fees of $11.4 million (2005: $11.6m; 2004: $7.5m), long-term prepayment to Zesco of $8.8 million (2005: $9.3m; 2004: $10.6m), deferred stripping asset of $14.1 million (2005: $7.8m; 2004: $1.9m), fair value of derivative instruments of $1.3 million (2005: $0.0 m; 2004: $10.0m) and a future income tax asset of $3.4 million (2005: $2.6m; 2004: $0.0m). For a complete explanation of the fair value of derivatives, reference should be made to section 6 of this MD&A.

Liabilities



The increase in current liabilities from December 31, 2005 can be attributed to an increase in current taxes payable of $ 51.4 million (both Kansanshi and Bwana/Lonshi are now in a cash taxes payable position) and $18.9 million in the current portion of long term debt. There has also been an increase in the current portion of other liabilities of $24.4 million.

The total long-term debt increased by $39.2 million as a result of debt drawdowns of $82.0 million less debt repayments of $45.2 million and an increase in current portion of long term debt of $ 18.9 million.

Table 9: Total Long-term Debt			
($ millions)	**2004**	**2005**	**2006**
Debt	**Dec 31**	**Dec 31**	**Jun 30**
Kansanshi	$164.9	$207.3	$170.7
Bwana/Lonshi	49.4	16.0	9.8
Guelb Moghrein			60.0
Corporate and Other	0.2	11.7	33.7
Total	214.5	235.0	274.2
Less restricted cash	1.9	20.2	13.8
Net long-term debt	212.6	214.8	260.4

Other liabilities consisted of the long-term portions of unrealized fair value of derivatives ($20.8 million), deferred premium obligations associated with copper derivatives ($4.2 million), and other deferred payments/obligations ($13.0 million).

The Company is currently documenting a commercial revolving term debt facility for $400 million that will be used to restructure the Company's existing project based debt, provide finance for the Frontier project and provide a revolving facility to be used for general corporate purposes. Integral to this new facility the Company entered into a $22.0 million bridge facility with Fortis Bank which was used to repay the Banque Belgolaise and Export Development Bank of Canada facilities in April 2006.

Shareholders' Equity

As at June 30, 2006, the Company had $346.7 million in common shares and contributed surplus. During the period, the Company issued approximately 3.5 million common shares as part of the Adastra acquisition (refer section 6 of the MD&A for further details).

Table 10: Financial Position – Equity			
	2004	**2005**	**2006**
	Dec 31	**Dec 31**	**Jun 30**
Equity accounts ($ millions)	$161.8	$166.6	$346.7
Retained earnings ($ millions)	$(4.0)	$144.8	$335.7
Shareholders' equity ($ millions)	**$157.8**	**$311.4**	**$682.4**
Weighted average # shares (000's)	60,123	61,498	63,193
Diluted weighted average # shares (000's)	61,235	63,011	64,529
Outstanding # shares (000's)	61,239	61,674	65,996
Dividend for fiscal year ended (CA$ per share)	0.06	0.285	
Working capital ($ millions)	33.9	76.2	234.6

As at June 30, 2006, the Company had 65,995,820 common shares outstanding and 2,177,000 options outstanding. The weighted average exercise price of the options was CA$17.49.

Dividends

In December 2005, the Company declared that the 2006 dividend would be no less than 10% of after tax profits. Consistent with this policy, the Company declared a final dividend of CA$0.265 per share (26.5 Canadian cents) payable to shareholders of record as of April 19, 2006. This payment was made on May 10, 2006.

Working capital

As at June 30, 2006, the working capital of the Company was $234.6 million (2005: $76.2m; 2004: $33.9m).

Contractual Obligations

Table 11: Payments Due by Period							
($ millions)	**Total**	**Less than 1 year**	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 – 5 years**	**Thereafter**
Term debt	274.2	77.2	43.1	39.1	47.6	33.7	35.5
Deferred payments	6.5	3.8	0.4	0.4	0.4	0.4	1.1
Commitments	88.5	88.5					
Asset retirement obligations	4.6	0.2	0.3	0.5	-	-	3.6

Under the terms of the Guelb Moghrein development agreement announced on July 14, 2004, the Company has already paid $5.0 million to Guelb Moghrein Mines D'Akjouit PLC and General Gold Limited and conditionally agreed to pay a further $5.0 million, 24 months after the earlier of the completion date or upon achieving commercial production. The completion date was November 2004. Contractual obligations above for term debt are based on the current debt facilities and are likely to change under the proposed $400 million facility.

6. Other Matters

Frontier Copper Deposit, DRC

In May 2004, the Company announced the results of an independent copper-cobalt resource estimate completed at Frontier project located in Haut Katanga Province, DRC.

As at June 30, 2006, the Company had capitalized $33.1 million (2005: $9.9m) in development costs, civil construction and plant construction and design for Frontier. The current scoping study envisages an average annual production of

80,000 tonnes of contained copper. In January 2006, the Frontier Environmental Impact Assessment and Environmental Management Plan were formally approved by the Congolese Ministry of Mines and the Exploitation Permit was granted in February 2006.

Adastra Acquisition

On May 1, 2006, the Company completed its initial acquisition by acquiring 75% of the issued and outstanding shares of Adastra. This MD&A includes 75% of Adastra's operating results from May 1, 2006 onwards. Adastra is an international mining company currently developing several mineral assets in Central Africa, including the Kolwezi Copper-Cobalt Tailings Project in the DRC.

The 75% acquisition of Adastra has been accounted for as an asset purchase with the total consideration paid being comprised of:

	$000's
Issuance of common shares	175,079
Cash	26,884
Transaction costs	2,262
	204,225

The preliminary allocation of the purchase price to assets and liabilities acquired is as follows:

Assets	**$000's**
Cash	10,584
Restricted cash	2,972
Accounts receivable and prepaid expenses	709
Property, plant and equipment	282,567
Liabilities	
Accounts payable and accrued liabilities	(8,673)
Long-term debt	(1,059)
Future income tax liability	(76,370)
Minority interest	(6,505)
	204,225

The purchase price allocation is preliminary and subject to adjustment over the course of 2006, on completion of the valuation process and analysis of resulting tax effects. Final valuations of property, plant and equipment, intangible assets, future income tax liabilities and asset retirement obligations are not yet complete due to the inherent complexity associated with the valuations. The Company expects to acquire the remaining 25% of the outstanding shares of Adastra that were not acquired during the initial acquisition on August 11, 2006.

Kashime Copper Prospect, Zambia

A preliminary inferred oxide resource has been completed by independent consultants, Digital Mining Services, and in February 2006, a program of combined reverse circulation and diamond drilling was initiated to improve definition. A programme of induced polarization is now underway which will be carried out over the eastern and central portion of the target where significant copper sulphides have been intersected at depth in some holes.

During the six months ended June 30, 2006, the Company expensed $7.0 million (2005: $2.2m; 2004: $1.0m) on other exploration targets that were predominantly located within the DRC and Zambia. Of this amount, $1.6 million was related to the Kashime Copper Prospect. As at June 30, 2006, no costs associated with this exploration property have been deferred.

Kibamba Copper Prospect, DRC

On March 27, 2006, the Company announced a new discovery at its Kibamba copper prospect in the DRC. A total of the 25 reverse circulation drill holes totalling 2,430 meters and 9 diamond drill holes totalling 1,863 meters were drilled between October and December 2005. Highlights from the 25 hole drill program included 80 meters grading 2.20% copper and 0.25% cobalt. Results from additional drilling at Kimbamba are being reviewed and will be released in due course.

Investments – Carlisa

The Company holds an 18.8% interest in Carlisa Investment Corp. ("Carlisa"), which holds a 90% interest in Mopani. The carrying value of this investment as at June 30, 2006 is $9.5 million. There has been no movement in this investment since 2002. For the first six months of 2006, Mopani produced approximately 78,746 tonnes of finished copper and 769 tonnes of cobalt. In a Reuters dispatch, Tim Henderson, Mopani's CEO forecasted "copper production to rise to 200,000 tonnes in 2006." The increase in forecasted copper production can be attributed to capital upgrades at the mine including the construction of a new smelter at Mufulira, which will increase its handling capacity from 420,000 tonnes to eventually 850,000 tonnes of copper concentrate per year. As at December 31, 2005, Mopani had total assets over $700.0 million. As the majority owner of Mopani is a private company not registered in Zambia, only limited public information is available.

Seasonality

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

Financial Instruments

From time to time, to satisfy the requirements of its lending institutions and to manage copper price risk exposure, the Company enters into derivative instruments to reduce the risk exposure to copper and gold prices, foreign currency, and interest rate movements. These instruments consist of forward and option contracts, interest rate protection contracts, and foreign currency protection contracts.

For copper and gold forward put option contracts, fair values were calculated using spot and forward prices and volatilities. For interest rate protection contracts, fair values were determined using market interest rates. For foreign currency protection contracts, fair values were determined using the exchange rate at quarter-end. All changes in fair value of derivatives related to Kansanshi were capitalized as preproduction costs up to April 19, 2005. Any changes in fair value subsequent to April 19, 2005 have been recorded as other expenses.

The put options offer downside protection while allowing the Company to participate in 100% of the copper and gold price appreciation above the put option strike prices up to the level of any call options that have been sold.

As at June 30, 2006, the following derivative positions were outstanding:

Table 12: Derivative Positions

	2006	2007	2008	2009	Total	Fair Value ($000's)
Copper (i)						
Put options (tonnes)	34,296	86,016	-	-	120,312	-
Price ($/tonne)	$1,800	$1,800	-	-		
Copper (Collar) (tonnes)	9,000	-	-	-	9,000	(9,715)
Average upper limit ($/tonne)	$5,750	-	-	-		
Average lower limit ($/tonne)	$4,250	-	-	-		
Gold						
Put options (oz)	12,492	37,380	24,060	38,028	111,960	202
Price ($/oz)	$350	$350	$350	$350		
Forward Contracts (oz)	12,492	37,380	24,060	38,028	111,960	(28,638)
Price ($/oz)	$400	$400	$400	$400		
Other						
Interest rate swaps						300
Cross currency swaps						961

Overview

The first six months of 2006 saw significant movements in both the LME copper price and gold, with copper up $1.32 per pound from December to close at $3.40 per pound and gold up $100.50 per ounce from December to close at $613.50 per ounce. This significant price appreciation has resulted in derivative losses being recorded on the Company's open copper and gold positions of $52.6 million for the six months. Included within these losses are actual cash payments related to settlements and premiums of $38.3 million.

Copper Financial Instruments

In 2004, the Company was required to enter into copper put option contracts related to its expected copper production at Kansanshi, to satisfy lending requirements. Upon entering into these contracts, the Company assumed a premium obligation of $21.0 million which is due and payable between January 2005 and December 2007. As at June 30, 2006, there were put option contracts for 120,312 tonnes of copper outstanding with a premium obligation of $11.5 million.

In 2005 and 2006, the Company entered into copper collar contracts. Upon entering into these contracts, the Company assumed a premium obligation of $2.1 million, which is due and payable between January 2006 and December 2006. As at June 30, 2006, there were copper collar contracts for 9,000 tonnes of copper outstanding with a premium obligation of $0.6 million.

Gold Financial Instruments

In 2004, the Company was also required to enter into put option contracts related to its gold production at Kansanshi, to satisfy lending requirements. To cover the cost of these put option contracts, the Company has also entered into contingent gold forward contracts of the same volume.

Other Financial Instruments

The Company has entered into cross-currency principal and interest rate swaps to hedge the Euro interest and principal payments on the Kansanshi EIB facility.

7. Outlook

As of June 30, 2006, due to the continued lack of smelter capacity on the Zambian Copperbelt the Company had stockpiled approximately 9,663 tonnes of contained copper in concentrates. The stockpile at June 30, 2006 is expected to be reduced significantly during the third quarter of 2006. With the completion of Mopani's Mufulira smelter expansion in the third quarter of 2006, all stockpiled concentrates are expected to be treated by the end of 2006. As a result, the Company's revenues, cash flow and earnings are expected to be higher in the second half of 2006 compared to the first half.

During the second quarter cash costs at Kansanshi were higher than forecast. Cash costs for copper in concentrate have been impacted by smelter price participation for both copper sold in the second quarter as well as copper provisionally priced in previous periods. Cash costs are expected to improve when the Mufulira smelter begins processing all Kansanshi's concentrate as TC/RC terms are based on longer term benchmarks and freight charges will be substantially reduced. The expanded Mufulira smelter is expected to be producing at design capacity by the end of 2006.

Based on production volumes achieved during the first six months of 2006 as well as the current commissioning status of Guelb Mogrein, the Company expects to produce about 200,000 tonnes of copper (a 68 % increase over 2005 copper production) which includes 140,000 to 145,000 tonnes from Kansanshi, 45,000 to 50,000 tonnes from Bwana/Lonshi and 7,500 tonnes from Guelb Moghrein. Group cash costs are expected to be in the range of $0.79 to $0.85 before the effect of price participation on refining costs.

At Guelb Moghrein, the first copper concentrate was produced in July. Commercial production (i.e. 65% of design capacity) is expected to be reached during the third quarter. The Company remains unable to release an engineering report as the Company is not yet treating the current resource statement as compliant with National Instrument 43-101.

During July, Kansanshi produced 10,670 tonnes of copper which included 5,921 tonnes of copper cathode and 4,749 tonnes of copper in concentrate. Name plate treatment capacity at Kansanshi currently stands at eight million tonnes of sulphide ore per year, with oxide treatment capacity at four million tonnes per year. Design throughputs are expected to be an average of 12,300 tonnes of copper per month which includes 6,000 tonnes of copper cathode and 6,300 tonnes of copper in concentrate. Cash costs for 2006 are forecast in the range of $0.80 to $0.85 per pound of copper before any effect of price participation on refining costs.

Price Participation on refining costs only impacts the cash costs for concentrate. For every dollar increase in the copper price above $0.90 per pound, $0.10 per pound will be added to the cash cost, or approximately $0.05 per pound to the combined cash costs at Kansanshi (assuming a 50/50 split between cathode and concentrate production)

At Kansanshi the Company is investing in a High Pressure Leach ("HPL") facility to treat a portion of the increased copper concentrate production. The main components of HPL facility are two autoclaves, an oxygen plant and an additional 35,000 tonne per annum solvent extraction and electrowinning (SX/EW) facility. Construction of the HPL project is expected to be completed such that pre-commissioning and commissioning will begin in October 2006. The total capital cost is budgeted at $100 million including an upgrade to the Zesco power supply and increased working capital.

During July 2006, Bwana/Lonshi produced 4,346 tonnes of copper cathode. Cash costs for 2006 are forecast in the range of $0.76 to $0.83 per pound of copper. The Company is currently assessing the alternative and most beneficial uses for the Bwana processing plant after the Lonshi ore has been exhausted. From 2006, the Company will process external ore purchased from third parties, to exploit the full production capacity at Bwana.

At Frontier, civil construction is underway in both Zambia and the DRC in anticipation of Board approval for full project funding based on an independent engineering study. Civil construction is expected to be completed ahead of the rainy season (November-April) which will allow for construction to continue without delay. Commissioning of Frontier is expected to begin in the second half of 2007. Upon Board approval, the independent engineering study will be published.

A large exploration program began in May with several drilling programs targeting prospects identified in 2005 including Kashime and Kibamba.

8. Non-GAAP Measures, Critical Accounting Policies and Other

Non-GAAP Measures

Calculation of Cash and Total Costs

The consolidated cash (C1) and total (C3) costs presented for the Company are a non-GAAP measure that is prepared on a basis consistent with the industry standard Brooke Hunt definitions. However, the segmented cash and total costs are prepared on a basis which differs from the Brooke 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. This means that the cash costs at the Bwana/Lonshi division include a credit for acid produced from the Solwezi acid plant. The calculation of the cash costs therefore include credits for both acid plants located at Ndola and the acid plant located at Solwezi.

For the purposes of calculating the cash costs at Kansanshi, TC/RCs that are normally deducted from concentrate revenues are added to the cash costs in an attempt 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 treatment and refining charges.

Cash costs therefore include all mining and processing costs less any profits from by-products such as gold or acid, that are allocated to that segment. In addition, 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, realized foreign exchange and site administration costs.

The cash and total costs per pound presented in this MD&A have only been calculated post commercial production, therefore any costs and production prior to commercial production have not been considered in determining the cash and total costs of the consolidated group or segments.

Reconciliation of Cash Costs to Cost of Sales

The following describes the relationship between the cost of sales per the statement of earnings and deficit to the cash costs described in section 2. By multiplying the sales weighted group costs of $0.81 per pound / $1,785 per tonne (this differs from the group cash cost due to different weightings between production and sales) by the units sold (83,565 tonnes), a cash cost of sales can be determined based on unit costs. From this figure, realization charges (TC/RCs and freight credits on concentrate) are deducted. The realization charges are approximated by deducting the net realizable copper price ($2.92 per pound) from the gross copper selling price ($3.21 per pound). This equates to realization charges of approximately $0.29 per pound, by subtracting approximately $0.07 per pound to estimate freight credits on cathode (not a cash cost), this arrives at $0.22 per pound. This multiplied by the units sold approximates the dollar realization charges. The dollar realization charges plus the gold and acid credits can then be deducted from the cash cost of sales to arrive at the reconciled cost of sales figure per the statement of earnings and deficit.

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, sulphuric acid and gold prices; foreign currency exchange rates; stock prices; estimated costs of future production; changes in government legislation and regulations; estimated future income tax amounts; and the availability of financing and various operational factors.

Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management. The following section outlines those critical accounting policies that have changed since the filing of the Company's 2005 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 significant 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.

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 in 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 proven and probable reserves.

Management's estimates of mineral prices, recoverable proven and probable 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, proven and probable reserves, and operating, capital and reclamation costs on an undiscounted basis where 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.

Pre-production costs

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

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

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.

Future Changes in Accounting Policies

Deferred Stripping Accounting

The Emerging Issues Committee ("EIC") of the CICA has issued EIC – 160 Stripping Costs Incurred in the Production Phase of a Mining Operation, on deferred stripping. The conclusion is that the nature of stripping costs should be assessed and certain costs arising from the expansion of ore reserves at a mine due to a change in mine plan may be considered a "betterment" of existing mine assets, resulting in capital asset treatment. All costs of an operating nature must be included in inventory as incurred. This will increase the volatility of the Company's operating costs and financial performance, which will be commented on as appropriate in future periods.

In March 2006, the EIC finalized the deferred stripping abstract. The Company will be required to adopt the provisions of this EIC on either a retroactive or prospective basis effective July 1, 2006. Management is currently considering the impact of this change in accounting practice and will adopt it as required in the first quarter of 2007.

Financial Instruments

The CICA has introduced new financial instrument standards, which will more comprehensively address when to recognize financial instruments on the balance sheet, how to measure them, how to account for gains and losses, and when and how to apply hedge accounting. The new standards are Section 1530, Comprehensive Income, Section 3855, Financial Instruments – Recognition and Measurement, and Section 3865, Hedges. The mandatory effective date for Sections 1530, 3855 and 3865 will be for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Management is currently considering the impact of these new standards and will evaluate their impact prior to the 2006 year end.

Forward Looking Statements

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

9. Summary of Quarterly Results

The following table sets out a summary of the Quarterly for the Company for the last eight quarters:

Table 13: Summary of Quarterly Results (unaudited)

Statement of Operations and Deficit	**2004 Q3**	**2004 Q4**	**2005 Q1**	**2005 Q2**	**2005 Q3**	**2005 Q4**	**2006 Q1**	**2006 Q2**
(millions, except where indicated)								
Total revenues	$31.2	$30.7	$38.2	$86.5	$143.0	$176.9	$187.2	$362.5
Cost of sales	14.1	14.5	16.2	35.0	53.8	46.9	54.5	63.5
Depletion and amortization	2.6	3.0	3.9	6.9	12.5	13.2	12.0	14.4
Exploration	1.1	1.0	1.0	1.1	1.5	3.8	2.1	4.9
General and administrative	1.4	2.2	2.1	2.2	2.5	2.9	3.7	3.7
Interest	0.8	0.7	0.8	3.4	5.8	9.3	6.2	5.7
Other expenses (income)	(0.3)	(0.9)	(0.6)	(1.7)	5.9	13.5	18.8	34.7
Income taxes	3.7	2.0	3.7	7.2	14.8	19.9	24.6	64.5
Minority interests	-	-	-	3.3	6.8	10.2	10.5	20.7
Equity earnings	0.1	1.0	-	-	-	-	-	-
Net earnings	7.9	9.3	27.2	29.0	39.5	57.1	54.8	150.5
Basic earnings per share	$0.13	$0.16	$0.44	$0.47	$0.64	$0.93	$0.89	$2.33
Diluted earnings per share	$0.13	$0.15	$0.43	$0.46	$0.63	$0.90	$0.86	$2.28
Gross copper selling price (per lb)	$1.19	$1.23	$1.47	$1.53	$1.77	$2.09	$2.50	$3.77
Realized copper price (per lb)	$1.16	$1.20	$1.44	$1.42	$1.58	$1.97	$2.26	$3.44
Average LME cash copper price (per lb)	$1.24	$1.40	$1.44	$1.54	$1.71	$1.95	$2.24	$3.29
Realized gold price (per oz)	-	-	-	$427	$482	$467	$563	$631
Average gold price (per oz)	$401	$434	$427	$427	$440	$485	$554	$627
Total copper sold (tonnes)[2]	11,374	10,872	12,000	26,535	39,864	40,203	36,635	46,930
Total copper produced (tonnes) [3]	11,330	10,942	12,028	28,673	36,196	42,220	41,265	48,153
Total gold sold (ounces)	-	-	-	1,370	7,130	5,766	8,079	9,611
Total acid sold (tonnes)	16,884	9,664	49	14,939	7,120	219	937	910
Cash Costs (C1) (per lb) [1]	$0.45	$0.48	$0.58	$0.60	$0.64	$0.71	$0.81	$0.87
Total Costs (C3) (per lb) [1]	$0.68	$0.59	$0.75	$0.80	$0.87	$0.89	$1.01	$1.07
Financial Position (millions)								
Working capital	$51.8	$33.9	$61.4	$47.1	$32.2	$76.2	$102.0	$234.6
Total assets	$385.0	$473.1	$523.1	$561.9	$641.5	$746.5	$842.4	$1,401.2
Weighted average # shares (000's)	60,668	60,942	61,267	61,499	61,583	61,639	61,808	64,564
Cash Flows from (millions)								
Operating activities								
Before working capital movements	$12.9	$9.8	$19.7	$43.0	$81.1	$101.0	$105.7	$215.2
After working capital movements	10.4	2.9	22.9	2.3	69.8	115.5	84.6	150.6
Financing activities	76.6	49.0	24.8	(22.8)	(5.1)	(1.6)	(17.7)	27.1
Investing activities	(69.7)	(52.5)	(19.0)	(2.3)	(57.8)	(94.4)	(42.4)	(94.6)
Cash Flows from Operating activities per share[3]								
Before working capital movements	0.21	0.16	0.32	0.70	1.32	1.64	1.71	3.33
After working capital movements	0.17	0.05	0.37	0.04	1.13	1.87	1.37	2.33
Kansanshi Production Statistics								
Mining:								
Waste mined (000's tonnes)	1,175	2,857	1,651	3,185	6,064	5,240	2,588	5,516
Ore mined (000's tonnes)	-	1,346	2,119	2,050	1,621	1,499	1,382	2,552
Ore grade (%)	-	2.4	1.7	2.0	2.0	1.9	1.7	1.4
Processing:								
Sulphide Ore processed (000's tonnes) [3]	-	-	-	434	507	580	782	1,140
Oxide Ore processed (000's tonnes) [3]	-	-	-	696	955	1,039	1,044	1,246
Contained copper (tonnes) [3]	-	-	-	19,917	27,510	30,934	32,213	36,981
Sulphide ore grade processed (%)	-	-	-	2.0	2.0	2.0	1.9	1.6
Oxide ore grade processed (%)	-	-	-	1.8	1.8	1.9	1.7	1.5
Recovery [3] (%)	-	-	-	86	84	96	92	94
Copper cathode produced (tonnes) [3]	-	-	-	8,802	14,395	18,324	15,796	18,687
Copper in concentrate produced (tonnes) [3]	-	-	-	8,154	8,670	11,234	13,751	15,897
Concentrate grade (%)	-	-	-	28.9	29.5	28.7	29.3	25.8
Costs:								
Cost of sales (millions)	-	-	-	$20.1	$26.4	$20.8	$31.9	$45.3

Table 13: Summary of Quarterly Results (unaudited) (continued)

	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Q2
Kansanshi Production Statistics (continued)								
Combined Cash Costs:								
Cash Costs (per lb) (1)	-	-	-	$0.63	$0.59	$0.65	$0.77	$0.94
Total Costs (per lb) (1)	-	-	-	$0.80	$0.80	$0.76	$0.93	$1.11
Cathode Cash Costs:								
Cash Costs (per lb) (1)	-	-	-	$0.61	$0.52	$0.52	$0.64	$0.70
Total Costs (per lb) (1)	-	-	-	$0.80	$0.73	$0.63	$0.80	$0.87
Concentrate Cash Costs:								
Cash Costs (per lb) (1)	-	-	-	$0.65	$0.71	$0.87	$0.93	$1.23
Total Costs (per lb) (1)	-	-	-	$0.81	$0.90	$0.98	$1.08	$1.40
Revenue ($000's)								
Copper cathodes	-	-	-	29,165	54,116	87,624	84,745	142,301
Copper in concentrates	-	-	-	15,309	34,668	31,850	35,611	109,517
Gold	-	-	-	585	3,438	2,692	4,545	6,068
Total revenues	-	-	-	45,059	92,222	122,166	124,901	257,887
Copper cathode sold (tonnes)	-	-	-	8,919	14,227	18,505	15,556	18,754
Copper in concentrate sold (tonnes)	-	-	-	6,024	12,243	9,260	9,282	14,528
Gold sold (ounces)	-	-	-	1,370	7,130	5,766	8,079	9,611
Bwana/Lonshi Production Statistics								
Mining:								
Waste mined (000's tonnes)	4,213	2,926	2,596	4,025	4,707	5,918	3,241	5,607
Ore mined (000's tonnes)	257	261	152	319	300	209	147	183
Ore grade (%)	4.7	6.4	5.3	5.5	3.9	6.1	8.4	10.7
Processing:								
Ore processed (000's tonnes)	278	256	264	328	363	397	335	314
Contained copper (tonnes)	12,908	12,824	13,804	13,354	15,003	14,262	13,401	15,625
Grade (%)	4.6	5.0	5.2	4.1	4.1	3.6	4.0	5.0
Recovery (%)	88	85	87	88	88	89	87	87
Copper cathode produced (tonnes)	11,330	10,942	12,028	11,717	13,131	12,662	11,718	13,569
Acid produced (tonnes)	35,920	35,671	55,275	69,218	64,263	72,040	68,195	71,421
Surplus acid (tonnes)	16,884	9,664	49	14,939	7,120	219	937	910
Costs:								
Cost of sales (millions)	$14.1	$14.5	$16.2	$16.5	$29.8	$31.8	$23.7	$20.7
Cash Costs (per lb) (1)	$0.45	$0.48	$0.58	$0.57	$0.74	$0.84	$0.90	$0.69
Total Costs (per lb) (1)	$0.68	$0.59	$0.75	$0.79	$1.01	$1.16	$1.20	$0.98
Revenues ($000's)								
Copper cathodes	28,624	29,249	38,172	38,899	49,602	54,694	62,085	104,455
Copper cathodes sold (tonnes)	11,233	11,060	12,000	11,592	13,394	12,438	11,797	13,648
Guelb Production Statistics								
Mining:								
Waste mined (000's tonnes)	-	-	-	-	-	-	1,156	1,721
Ore mined (000's tonnes)	-	-	-	-	-	-	41	144
Ore grade (%)	-	-	-	-	-	-	1.9	1.9

(1) For the definition of cash and total costs, reference should be made to section 7. (2) Copper sold does not include tonnes sold prior to pre-commercial production.
(3) Copper produced does not include tonnes produced prior to pre-commercial production.

Significant Quarterly Milestones

In the second quarter of 2005, the Company commenced commercial production at Kansanshi which significantly increased copper production in Q2 2005 and continued to increase as production ramped up through the remainder of 2005 and 2006.

In the first quarter of 2005, the Company sold its investment in Anvil for a profit of $16.1 million. During the second quarter of 2006, the Company acquired 75% of Adastra.