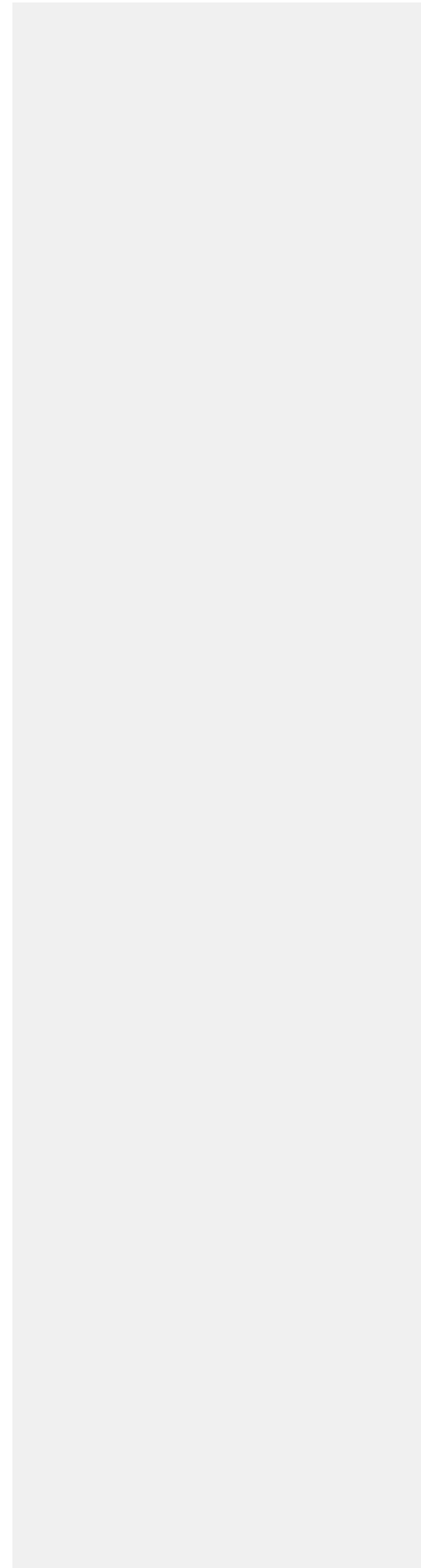
First Quantum Minerals Ltd.

Consolidated Financial Statements
December 31, 2009 and 2008
(tabular amounts in millions of U.S. dollars, except where indicated)



Management's Responsibility for Financial Reporting

The consolidated financial statements of First Quantum Minerals Ltd. and the information contained in the annual report have been prepared by and are the responsibility of the Company's management. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada and, where appropriate, reflect management's best estimates and judgements based on currently available information.

Management has developed and is maintaining a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is reliable.

The Company's independent auditors, PricewaterhouseCoopers LLP, who are appointed by the shareholders, conduct an audit in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of their audit and gives their opinion on the consolidated financial statements.

The Audit Committee of the Board of Directors meets periodically with management and the independent auditors to review the scope and results of the annual audit, and to review the consolidated financial statements and related financial reporting matters prior to approval of the consolidated financial statements.

Philip K.R. Pascall
Chairman and Chief Executive Officer

Mark Bolton
Chief Financial Officer

March 15, 2010

Auditors’ Report

To the Shareholders of
First Quantum Minerals Ltd.

We have audited the consolidated balance sheets of **First Quantum Minerals Ltd.** (“the “Company”) as at December 31, 2009 and 2008 and the consolidated statements of earnings and comprehensive income (loss), changes in shareholders’ equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, B.C.
March 11, 2010

First Quantum Minerals Ltd.

Consolidated Statements of Earnings and Comprehensive Income (Loss)

For the years ended December 31, 2009 and 2008

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

	Note	2009	2008
Sales revenues			
Copper		1,745.1	1,641.3
Gold		156.0	97.5
Acid		1.8	1.6
		1,902.9	1,740.4
Cost of sales		(745.4)	(763.2)
Adjustment to net realizable value of inventory	4	25.4	(60.5)
Depletion and amortization		(161.7)	(113.3)
Royalties, windfall taxes and export levies	21b	(55.0)	(187.4)
Zambian taxes recovery	21b	2.9	127.5
Operating profit		969.1	743.5
Other income (expenses)			
Exploration		(25.9)	(28.5)
General and administrative		(25.3)	(31.4)
Interest		(60.4)	(31.8)
Impairment of available-for-sale investments	5	-	(254.2)
Derivative instrument adjustments		(135.9)	(6.1)
Other income (expenses)	15	26.2	(0.5)
		(221.3)	(352.5)
Earnings before income taxes and non-controlling interests		747.8	391.0
Income taxes	12	(200.3)	(247.2)
Non-controlling interests		(84.1)	(97.9)
Net earnings		463.4	45.9
Other comprehensive income (loss)			
Unrealized gain (loss) on available-for-sale investments, net of tax of $10.3 million (2008 - $36.9 million)		315.8	(457.2)
Realized loss (gain) on available-for-sale investments, net of tax of nil (2008 - $0.1 million)		(18.6)	0.4
Other-than-temporary loss recognized in net earnings		-	254.2
		297.2	(202.6)
Comprehensive income (loss)		760.6	(156.7)
Earnings per common share	13b		
Basic		$6.14	$0.67
Diluted		$5.92	$0.67
Weighted average shares outstanding (000's)	13b		
Basic		75,508	68,161
Diluted		80,982	68,916
Total shares issued and outstanding (000's)	13a	78,590	68,751

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

First Quantum Minerals Ltd.

Consolidated Balance Sheets

As at December 31, 2009 and 2008

(expressed in millions of U.S. dollars)

	Note	2009	2008
Assets			
Current assets			
Cash and cash equivalents	19	919.2	176.2
Restricted cash	8a	40.3	40.3
Accounts receivable		342.6	93.2
Inventory	4	346.7	270.9
Current portion of other assets	7	195.2	150.8
		1,844.0	731.4
Investments	5	460.4	163.5
Property, plant and equipment	6	2,157.9	1,996.3
Other assets	7	102.3	113.3
Total assets		4,564.6	3,004.5
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		323.0	333.1
Current taxes payable	12	320.8	146.4
Current portion of debt	8	84.5	139.5
Current portion of other liabilities	10	3.9	27.0
		732.2	646.0
Debt	8	107.1	246.2
Convertible bonds	9	438.4	-
Other liabilities	10	36.1	34.8
Future income tax liabilities	12	373.9	363.6
Total liabilities		1,687.7	1,290.6
Non-controlling interests		391.4	313.3
Total liabilities and non-controlling interests		2,079.1	1,603.9
Shareholders' equity			
Capital stock	13	750.4	420.3
Retained earnings		1,437.9	980.3
Accumulated other comprehensive income		297.2	-
Total shareholders' equity		2,485.5	1,400.6
Total shareholders' equity, liabilities and non-controlling interests		4,564.6	3,004.5
Commitments	20		
Contingencies and measurement uncertainty	21		
Subsequent events	21,22		

Approved by the Board of Directors

________________________________ Director___________________________________ Director

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

First Quantum Minerals Ltd.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2009 and 2008

(expressed in millions of U.S. dollars)

	Note	2009	2008
Capital stock			
Common shares			
Balance – beginning of year		441.8	415.2
Stock options exercised	14a	12.9	6.8
Shares issued on equity financing	13a	269.5	-
Acquisition of Scandinavian Minerals Limited	16	-	19.8
Balance – end of year		724.2	441.8
Equity portion of convertible bonds			
Balance – beginning of year		-	-
Equity allocation of convertible bonds	9	56.9	-
Balance – end of year		56.9	-
Treasury shares			
Balance – beginning of year		(38.8)	(34.3)
Shares purchased	14b	(11.7)	(9.2)
Restricted and performance stock units vested	14b	3.3	4.7
Balance – end of year		(47.2)	(38.8)
Contributed surplus			
Balance – beginning of year		17.3	15.1
Stock-based compensation expense for the year	14a	5.8	8.7
Transfers upon exercise of stock options		(3.3)	(1.8)
Restricted and performance stock units vested	14b	(3.3)	(4.7)
Balance – end of year		16.5	17.3
Total capital stock		750.4	420.3
Retained earnings			
Balance – beginning of year		980.3	987.4
Net earnings for the year		463.4	45.9
Dividends		(5.8)	(53.0)
Balance – end of year		1,437.9	980.3
Accumulated other comprehensive income			
Balance – beginning of year		-	202.6
Other comprehensive income (loss) for the year		297.2	(202.6)
Balance – end of year		297.2	-
Retained earnings and accumulated other comprehensive income		1,735.1	980.3

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

First Quantum Minerals Ltd.

Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

(expressed in millions of U.S. dollars)

Field Code Changed

Field Code Changed

	Note	2009	2008
Cash flows from operating activities			
Net earnings for the year		463.4	45.9
Items not affecting cash			
Depletion and amortization		161.7	113.3
Non-controlling interests		84.1	97.9
Impairment of available-for-sale investments	5	-	254.2
Adjustment to net realizable value of inventory	4	(25.4)	60.5
Unrealized foreign exchange loss (gain)		2.7	(9.9)
Future income tax expense		(2.5)	64.9
Stock-based compensation expense	14	5.8	8.7
Derivative instruments		(16.6)	(5.5)
Non-cash interest expense		21.2	3.8
Loss (gain) on disposal of investments		(18.6)	0.3
Other		2.3	2.5
		678.1	636.6
Change in non-cash operating working capital			
Decrease (increase) in accounts receivable and other		(300.0)	48.3
Increase in inventory		(1.8)	(113.1)
Increase in accounts payable and accrued liabilities		23.6	183.6
Increase in current taxes payable		174.4	19.2
Long-term incentive plan contributions		(11.7)	(9.2)
		562.6	765.4
Cash flows from financing activities			
Proceeds from debt		138.9	294.4
Repayments of debt		(347.2)	(276.2)
Proceeds from convertible bonds		488.0	-
Proceeds on issuance of common shares		279.1	5.0
Restricted cash		-	5.6
Dividends paid		(5.8)	(53.0)
Dividends paid to non-controlling interests		(6.0)	-
		547.0	(24.2)
Cash flows from investing activities			
Payments for property, plant and equipment		(361.8)	(460.3)
Deposit for Ravensthorpe acquisition	22b	(34.0)	-
Acquisition of Scandinavian Minerals Limited	16	-	(214.3)
Available-for-sale investments, net		29.2	(90.4)
		(366.6)	(765.0)
Increase (decrease) in cash and cash equivalents		743.0	(23.8)
Cash and cash equivalents - beginning of year		176.2	200.0
Cash and cash equivalents - end of year	19	919.2	176.2

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

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 in Zambia, the République démocratique du Congo ("RDC"), Mauritania and Finland.

2 Changes in accounting policies

Accounting Policy Changes Effective January 1, 2009

Pre-production costs

Section 3064, "Goodwill and Intangible Assets" established revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with this standard, the CICA withdrew EIC 27, "Revenues and Expenditures During the Pre-operating Period". As a result of the withdrawal of EIC 27, the Company is no longer able to defer costs and revenues incurred subsequent to the completion of plant commissioning at new mine operations. The Company adopted the new standard retrospectively and there was no significant impact on these financial statements.

Mining exploration costs

In March 2009, the CICA issued EIC 174 "Mining Exploration Costs". This EIC provides guidance on accounting for and impairment of exploration costs. As the Company's policy is to expense early stage exploration expenditures, application of this EIC did not have an impact on these financial statements.

Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the CICA issued EIC 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This EIC provides guidance on the impact of equity and counterparty credit risk when determining the fair value of financial assets and liabilities including derivative instruments. The adoption of this EIC did not have a significant impact on these financial statements.

Financial instruments fair value disclosure

Section 3862 "Financial Instruments – Disclosures" was expanded to include additional disclosures about fair value measurements of financial instruments. The revised standard did not change the Company's methodology for measuring the fair value of financial assets and liabilities. The additional required disclosures are included in note 18.

Accounting Policy Changes Effective January 1, 2010

In January 2009, the CICA issued Section 1582 "Business Combinations" ("Section 1582"), 1601 "Consolidated Financial Statements" ("Section 1601") and 1602 "Non-controlling Interests" ("Section 1602") which replaces Section 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. This new standard revises guidance on the determination of the carrying amount of assets acquired, liabilities assumed, goodwill and the accounting for non-controlling interest at the date of a business combination. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. The three new standards are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of these sections is permitted and the Company expects to adopt these new sections January 1, 2010. The adoption will result in the reclassification of non-controlling interests of $391.4 million to shareholders' equity.

3 Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Principles of consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries. The principal operating subsidiaries are First Quantum Mining and Operations Limited ("FQMO") which includes Bwana Mkubwa ("Bwana"), Compagnie Minière de Sakania SPRL ("Comisa"), Kansanshi Mining Plc ("Kansanshi"), Mauritanian Copper Mines SARL ("Guelb Moghrein"), Frontier SPRL ("Frontier"), Kingamyambo Musonoi Tailings SARL ("Kolwezi") and Kevitsa Mining ("Kevitsa").

The Company also consolidates entities that are subject to control on a basis other than ownership of a majority of the voting interests, or variable interest entities. The Company established an independent trust to purchase the common shares necessary to satisfy the Company's long-term incentive plan. The Company consolidates the trust as it constitutes a variable interest entity.

Estimates, risks and uncertainties

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Measurement of the Company's assets and liabilities is subject to risks and uncertainties, including ones related to ownership rights, reserve and resource estimation; future copper, cobalt, nickel, gold and sulphuric acid prices; estimated costs of future production; future costs of asset retirement obligations; changes in government legislation and regulations; estimated future income tax amounts; amounts recoverable under contracts; the availability of financing and various operational factors.

Foreign currency translation

The functional currency of the Company and all of the Company's operations is the United States dollar ("USD"). The Company's foreign currency transactions are translated into USD at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities are translated using period end exchange rates with any gains and losses included in the determination of operating results. Non-monetary assets and liabilities are translated using historical rates.

Inventory

Product inventories comprise ore in stockpiles; acid and metal work-in-progress; finished acid; and finished cathode, metal in concentrate and gold bullion. Product inventories are recorded at the lower of average cost and net realizable value. Cost includes materials, direct labour, other direct costs and production overheads and amortization of plant, equipment and mineral properties directly involved in the mining and production processes. Stripping costs related to production are inventoried as incurred.

When inventories have been written down to net realizable value, a new assessment of net realizable value is made in each subsequent period. When the circumstances that caused the write down no longer exist, the amount of the write down is reversed.

Consumable stores are valued at the lower of purchase cost and net realizable value and recorded as a current asset.

Inventories on hand that will not be processed within one year are classified as long-term.

Mineral properties and mine development costs

General exploration and associated costs are expensed in the period incurred. Significant property acquisition costs are capitalized, Exploration and development costs relating to specific properties are capitalized once management determines the property will be developed to produce commodities on a continuing basis. These capitalized costs are expensed once 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 increase future output by providing access to additional reserves, are deferred and depleted on a units-of-production basis over the reserves to which they relate.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depletion and amortization. Costs recorded for plants under construction include all expenditures incurred in connection with the development and construction of the plants. Interest and financing costs that relate to the project and are incurred during the construction period are capitalized. No amortization is recorded until the plants are substantially complete and ready for use. Where relevant, the Company has estimated residual values on certain plant and equipment.

Property, plant and equipment are amortized over the estimated lives of the assets on a units-of-production or straight-line basis as appropriate.

Asset impairment

The Company performs impairment tests on property, plant and equipment, mineral properties and mine development costs when events or changes in circumstances occur that indicate the assets may not be recoverable. Where information is available and conditions suggest impairment, estimated future net cash flows for a mine or development project are calculated using estimated future prices, mineral resources, and operating, capital and reclamation costs on an undiscounted basis. Where appropriate, a probability weighted approach is applied to alternative cash flow scenarios. When estimated undiscounted future cash flows are less than the carrying value, the project is considered impaired. Reductions in the carrying value of a mine or development project are recorded to the extent the net book value exceeds the fair value, typically calculated using market value or discounted estimated future cash flows.

Management estimates of mineral prices, recoverable reserves, and operating, capital and reclamation costs are subject to certain risks and uncertainties that 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 future that could adversely affect management's estimate of the net cash flow to be generated from its projects.

Asset retirement obligations

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

Convertible bonds

Upon issue of convertible bonds, the fair value of the liability component is determined by discounting the contractual future cash flows using a market rate for a non-convertible instrument with similar terms. This value is carried as a liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds are allocated to a separate component of equity, net of issue costs, which remains constant in subsequent periods. Issue costs are apportioned between the liability and equity components based on their respective carrying amounts when the bonds were issued.

The finance costs recognized in respect of the convertible bonds includes the accretion of the liability component to the amount that will be payable on redemption.

Revenue recognition

The Company produces copper cathode, copper and gold in concentrate, gold bullion and acid. Copper and gold products are sold under pricing arrangements where final prices are set at a specified date based on market prices. Revenues are recognized when title and risk pass to the customer using forward prices for the expected date of final settlement. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in copper and gold market prices result in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of revenue. Acid revenue is recorded when title has passed to the customer.

Income taxes

Current income taxes are recorded based on estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities using substantively enacted tax rates for the period in which the differences are expected to reverse. The amount of future tax assets recognized is limited to the amount that is more likely than not to be realized.

Stock-based compensation

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

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

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

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

Earnings per share

Earnings per share are calculated using the weighted average number of shares outstanding during the period. Shares acquired under the long-term incentive plan are treated as treasury shares and are deducted from the number of shares outstanding for the calculation of basic earnings per share. Diluted earnings per share are calculated using the treasury stock method whereby all "in the money" options, warrants and equivalents are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, recoverable taxes, investments, accounts payable and accrued liabilities, debt and derivative instruments.

a) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and other short-term investments with initial maturities of less than three months. It excludes cash subject to restrictions under debt facilities. Cash and cash equivalents and restricted cash have been classified as held-for-trading and are recorded at fair value.

b) Accounts receivable and recoverable taxes

Accounts receivable and recoverable taxes are classified as loans and receivables and accordingly are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

c) Investments

The Company's investment in Carlisa Investment Corp. ("Carlisa"), a privately held entity, is designated as available-for-sale but is measured at cost as the fair value is not readily determinable. Fair values for investments in marketable securities are determined by quoted market prices at the balance sheet date. Unrealized gains and losses on the marketable securities are recognized in other comprehensive income. If a decline in fair value is significant or prolonged it is deemed to be other-than-temporary and the loss is recognized in net earnings. Available-for-sale investments are recorded as non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

d) Derivatives and hedging

The Company periodically enters into derivative instruments to mitigate exposures to copper and gold commodity prices, foreign exchange rates, and interest rates. The Company does not apply hedge accounting. Derivative financial instruments, including embedded derivatives, are classified as held-for-trading and measured at fair value as determined by active market prices and valuation models, as appropriate. Valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining these assumptions, the Company uses readily observable market inputs where available or, where not available, inputs generated by the Company. Changes in fair value of held-for-trading financial instruments are recorded in net earnings.

e) Accounts payable and accrued liabilities and debt

Accounts payable and accrued liabilities and debt are classified as other financial liabilities and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in net earnings over the period to maturity using the effective interest rate method.

4 Inventory

	2009	2008
Ore in stockpiles (a)	101.3	115.0
Work-in-progress	3.3	6.8
Finished product	65.0	46.2
Total product inventory	169.6	168.0
Less: non-current portion of ore in stockpiles (b) (note 7)	(12.5)	(61.1)
	157.1	106.9
Consumable stores (c)	189.6	164.0
	346.7	270.9

a) During 2009, the Company recorded an adjustment of $25.4 million to reverse the write downs previously incurred on the Kansanshi and Lonshi ore stockpiles at December 31, 2008 as the market and operational conditions causing the write downs have improved. The reversal of the write downs were recorded in net earnings. During 2008, the Company recorded a write down of $43.6 million to the Kansanshi and Lonshi ore stockpiles to reflect their net realizable value.

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

c) During 2008, the Company recorded an adjustment of $16.9 million to reduce the Bwana plant and Lonshi mine consumable stores inventory to reflect its net realizable value of nil.

d) During the year, $873.3 million (2008 - $937.0 million) of inventory was expensed in cost of sales and depletion and amortization.

5 Investments

	2009	2008
Carlisa – at cost	9.5	9.5
Marketable securities	443.3	144.4
Asset-backed commercial paper	7.6	9.6
	460.4	163.5

The following table summarizes the movements in the fair value of our investments:

	2009	2008
Balance – beginning of year	163.5	567.0
Additions	6.7	91.9
Disposals	(35.9)	(1.8)
Gain (loss) in fair market value	326.1	(493.6)
Balance - end of year	460.4	163.5

During 2008, the Company considered the decrease in market value of its marketable securities to be other-than-temporary and recorded the mark-to-market loss of $254.2 million in net earnings.

6 Property, plant and equipment

	2009			2008		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Plant and equipment	1,320.4	(428.1)	892.3	1,170.7	(299.2)	871.5
Capital work-in-progress (note 21a)	573.6	-	573.6	427.5	-	427.5
Mineral properties and mine development costs	733.0	(41.0)	692.0	733.0	(35.7)	697.3
	2,627.0	(469.1)	2,157.9	2,331.2	(334.9)	1,996.3

During 2009, the Company did not capitalize any interest and financing costs (2008 - $8.2 million).

7 Other assets

	2009	2008
Recoverable taxes (note 21b)	181.3	127.5
Future recoverable variable profit tax (note 12b)	38.0	41.4
Ore in stockpiles (note 4)	12.5	61.1
Derivative instruments (note 18)	0.9	9.0
Future income tax asset (note 12)	12.4	8.1
Ravensthorpe deposit (note 22b)	34.0	-
Prepaid expenses and other	18.4	17.0
Total other assets	297.5	264.1
Less: current portion	(195.2)	(150.8)
	102.3	113.3
Current portion consists of:		
Recoverable taxes	181.3	127.5
Derivative instruments	0.9	4.8
Prepaid expenses and other	13.0	18.5
	195.2	150.8

8 Debt

	2009	2008
Drawn debt facilities		
Corporate revolving credit and term loan facility (a)	159.5	288.2
Corporate revolving loan and short-term facilities (b)	-	50.0
Kansanshi subordinated debt facility (c)	31.9	36.2
Kansanshi project completion facility (d)	-	11.1
Other	0.2	0.2
Total debt	191.6	385.7
Less: current portion of debt facilities and short-term debt	(84.5)	(139.5)
	107.1	246.2
Undrawn debt facilities		
Corporate revolving credit and term loan facility (a)	50.0	-
Corporate revolving loan and short-term facilities (b)	250.0	200.0

The scheduled future minimum principal repayments are as follows:

	$
2010	86.0
2011	86.3
2012	5.3
2013	5.3
2014	5.3
Thereafter	5.3
	193.5

a) Corporate revolving credit and term loan facility

The Company entered into a $400.0 million corporate revolving credit and term loan facility in October 2006. The facility has three tranches, tranche A up to $225.0 million, tranche B $125.0 million, and tranche C $100.0 million. The total aggregate outstanding under the facility is not to exceed $400.0 million. Tranche A is repayable in ten equal semi-annual instalments commencing on March 31, 2007; tranche B is repayable in seven semi-annual instalments commencing on September 30, 2008; and tranche C is to be repaid on September 30, 2011. Interest on tranches A and B is calculated at LIBOR plus 2.5%. Interest on tranche C is calculated at LIBOR plus 2.75%. During 2009, the Company repaid $50.0 million borrowed under tranche C; this tranche remains available to be redrawn until September 30, 2011.

As at December 31, 2009, the corporate revolving credit and term loan facility has a principal amount outstanding of $161.4 million (December 31, 2008 - $292.2 million). The carrying amount shown above of $159.5 million is net of paid issue and transaction costs of $1.9 million, which are deferred and amortized over the term of the facility. The collateral includes an assignment of proceeds under various sales contracts from the sale of copper, copper concentrate and gold at Kansanshi, Bwana, Guelb Moghrein, and Frontier. Cash is restricted to meet required installments and at December 31, 2009 $40.3 million was recorded as restricted cash (December 31, 2008 - $40.3 million).

b) Corporate revolving loan and short-term facilities

The Company originally entered into a $250.0 million loan facility in January 2008 for general corporate purposes and to provide financing in relation to corporate investments. The outstanding balance of this facility was repaid in January 2009 with funds from a replacement facility.

The Company renewed the $250.0 million facility in January 2009. Any principal amount drawn under the new facility is due in January 2010. Interest is calculated at LIBOR plus 4.5%. The loan is collateralized by a first ranking mortgage over the marketable security investments and the shares of Scandinavian Minerals Limited and Carlisa owned by the Company.

The corporate revolving loan and short-term facility was undrawn at December 31, 2009. The Company paid issue and transaction costs of $11.0 million, which have been amortized over the term of the facility. Subsequent to December 31, 2009, this facility was extended at an interest rate of LIBOR plus 3.0% and the shares in Scandinavian Minerals Limited were released from the security package and will be available for draw until January 2011.

c) Kansanshi subordinated debt facility

Kansanshi entered into a 34.0 million Euro subordinated debt facility in December 2003 to finance the Kansanshi project. This facility is repayable in nine equal annual payments commencing October 31, 2007. Interest is calculated annually, within a range of 3.2% to 13.2%, based on the average London Metal Exchange cash copper price for the preceding calendar year. The interest rate is at its lower limit at a realized copper price of less than $1,300 per tonne and increases incrementally until the copper price reaches its $2,200 per tonne upper limit. As this facility is in Euros, the Company has entered into cross-currency principal swaps to mitigate the effects of movements in the Euro during 2009 and 2008 (note 18).

The Kansanshi subordinated debt facility has a principal amount outstanding of 22.7 million Euros (2008 – 26.4 million Euros). The carrying amount is net of issue and transaction costs of 0.5 million Euros, which are deferred and amortized over the term of the facility. The interest rate on the facility is indexed to the price of copper resulting in the existence of an embedded derivative. This embedded derivative is recorded at fair value at each period with changes in fair value recorded as a component of net earnings (note 18).

d) Kansanshi project completion facility

Kansanshi entered into the $25.0 million project completion facility in March 2004, which was amended and restated in 2006. This facility was drawn down in 2005 and was repayable in 9 semi-annual instalments which commenced December 31, 2006. Kansanshi repaid the outstanding balance of this facility in January 2009.

9 Convertible bonds

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

The Bonds may be converted into the Company's common shares, at the option of the holder thereof, at any time from October 19, 2009 to the close of business falling seven business days prior to the Final Maturity Date. The conversion price (the "Conversion Price") is USD $56.39 (CAD $63.11) per common share for a maximum total of 8,866,820 common shares issuable upon conversion. The Conversion Price is subject to adjustments if certain fundamental changes to the Company occur.

The Company has the option to call the Bonds from July 3, 2012 until the Final Maturity Date, in the event that the trading price of the common shares exceeds 140% of the Conversion Price over a certain period. In addition, the Company has the right to redeem the Bonds if at any time the aggregate principal amount of the Bonds outstanding is equal to or less than 15% of the aggregate principal amount of the Bonds initially issued.

	December 31, 2009
Allocation of gross proceeds	
Gross proceeds	500.0
Fair value of debt component	(441.7)
Fair value of equity component	58.3
Convertible bonds	
Opening balance	441.7
Issuance costs	(10.6)
Accretion expense	7.3
	438.4
Equity	
Opening balance	58.3
Issuance costs	(1.4)
	56.9

The fair value of the debt portion of the Bonds at initial recognition was estimated using the discounted cash flow model method. The fair value of the equity component was estimated using the residual value method. The debt component of the Bonds is accreted over the expected life of 5 years using the effective interest rate method. Total finance fees associated with the transaction were $12.0 million which were allocated on a proportionate basis between the debt and equity components.

10 Other liabilities

	2009	2008
Derivative liabilities (note 18)	8.9	34.0
Asset retirement obligations (note 11)	21.9	18.8
Other	9.2	9.0
Total other liabilities	40.0	61.8
Less: current portion	(3.9)	(27.0)
	36.1	34.8
Current portion consists of:		
Derivative liabilities	3.4	25.8
Other	0.5	1.2
	3.9	27.0

11 Asset retirement obligations

The Company has restoration and remediation obligations associated with its operating mines and processing facilities. The following table summarizes the movements in the asset retirement obligation for the years ended December 31, 2009 and 2008:

	2009	2008
At January 1	18.8	8.2
Obligations incurred and acquired	1.7	8.8
Accretion expense	1.4	1.8
At December 31	21.9	18.8
Less: current portion	-	(0.9)
	21.9	17.9

The asset retirement obligations have been recorded initially as a liability at fair value, using a credit adjusted risk-free discount rate between 3.8% and 9.0% and an inflation factor of 4%. The liability for retirement and remediation on an undiscounted basis before inflation is estimated to be approximately $29.6 million. Payments are expected to occur over a period of approximately 23 years.

As a result of construction at the Kolwezi project and expansions at GuelbMoghrein, additional asset retirement obligations of $1.7 million were recognized during 2009 (2008 - $8.8 million).

12 Income taxes

The income taxes shown in the consolidated statements of earnings differ from the amounts obtained by applying statutory rates to the earnings before provision for income taxes due to the following:

	2009		2008	
	Amount $	**%**	**Amount $**	**%**
Earnings before income taxes and non-controlling interest	747.8		391.0	
Income taxes at statutory rates	224.3	30	117.3	30
Difference in foreign tax rates (b)	51.5	7	51.8	13
Foreign tax holiday (a)	(24.4)	(3)	(24.5)	(6)
Non-deductible expenses	1.8	-	53.2	14
Increase in income tax rates	-	-	22.3	6
Recoverable variable profit tax (b)	(47.8)	(7)	(41.4)	(11)
Change in valuation allowance	(70.6)	(9)	87.6	22
Tax losses not recognized and other	65.5	9	(19.1)	(5)
Income tax expense	200.3	27	247.2	63
Income tax expense consists of:				
Current income taxes	202.8		182.3	
Future income taxes	(2.5)		64.9	
	200.3		247.2	

The significant components of the Company's future income tax liability are as follows:

	2009	2008
Property, plant and equipment	(394.8)	(399.3)
Operating loss carry-forwards	10.6	26.6
Other	10.3	13.5
Valuation allowance	-	(4.4)
Net future income tax liability	(373.9)	(363.6)

The significant components of the Company's future income tax asset are as follows:

	2009	2008
Inventory	7.2	11.9
Property, plant and equipment	19.7	12.8
Loss carry-forwards	18.9	85.5
Other	(4.0)	(6.5)
Valuation allowance	(29.4)	(95.6)
Net future income tax asset	12.4	8.1

a) Guelb Moghrein is subject to a five year tax holiday agreement with the Mauritanian government. Guelb Moghrein will be subject to Mauritanian income taxes on income earned subsequent to February 2012.

b) Included in the current and future tax expense for the year are amounts relating to the variable profit tax ("VPT") introduced in Zambia in 2008. The VPT resulted in an increase in the effective tax rate from the 30% base income tax rate for the Company to 42%. The impact of this rate increase has been recorded in current and future tax liabilities. The Company maintains that these taxes are in excess of those permitted under the Development Agreement, and a recovery of the current and future tax expense relating to the VPT has been recognized in the year.

c) The Company has the following operating loss carry-forwards that may be available for tax purposes:

i) Canada - $55.9 million (2008 – $46.9 million) expiring between 2010 and 2028;

ii) Zambia - $35.4 million (2008 – $33.5 million) expiring in 2016;

iii) RDC - nil (2008 – nil).

d) The Company has capital losses available for deduction against future capital gains of $57.5 million (2008 – $39.1 million) that may be available for tax purposes in Canada. These capital losses have no expiry date.

e) In the normal course of business, the Company may be subject to audit by taxation authorities. These audits may alter the timing or amount of taxable income or deductions. The amounts ultimately reassessed upon resolution of issues raised may differ from the amounts accrued.

13 Capital stock

a) Common Shares

Authorized
Unlimited common shares without par value

Issued

	Number of Shares (000's)
Balance as at December 31, 2007	68,108
Stock options exercised (note 14a)	359
Shares issued on acquisition of SML (note 16)	284
Balance as at December 31, 2008	68,751
Stock options exercised (note 14a)	495
Share issuance (i)	9,344
Balance as at December 31, 2009	78,590

i) On April 6, 2009, the Company issued 9,343,750 common shares at a share price of CAD $37.00 through a public offering for net proceeds of USD $269.5 million (CAD $334.6 million) after payment of commissions and expenses related to the issue.

b) Earnings per share

	2009	2008
Net earnings available to common shareholders	463.4	45.9
Add interest on convertible bonds, net of tax	16.4	–
Net diluted earnings available to common shareholders	479.8	45.9
Basic weighted average number of shares outstanding (000's of shares)	75,508	68,161
Effect of dilutive securities:		
Convertible bonds	4,761	–
Stock options	713	755
Diluted weighted average shares outstanding	80,982	68,916

c) Treasury shares

The Company established an independent trust to purchase, on the open market, the common shares pursuant to the long-term incentive plan (note 14b). The Company consolidates the trust as it constitutes a variable interest entity. Consequently, shares purchased by the trust to satisfy obligations under the long-term incentive plan are recorded as treasury shares in shareholders' equity. Generally, dividends received on shares held in the trust will be paid to plan participants in cash as received.

	Number of Shares (000's)
Balance as at December 31, 2007	502
Shares purchased	126
Shares vested	(77)
Balance as at December 31, 2008	551
Shares purchased	158
Shares vested	(99)
Balance as at December 31, 2009	610

d) Capital management

The Company's objectives when managing capital are to continue to provide returns for shareholders, and comply with lending requirements while safeguarding the Company's ability to continue as a going concern. The Company considers the items included in shareholders' equity to be capital.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital based on the ratio of debt net of available cash ("net debt") to net debt plus total capital. Additionally, based on terms of the corporate revolving credit and term loan facility, the Company is required to maintain the following:

i) Total capital greater than $400.0 million

ii) Debt to capital ratio less than 150%

The Company's ratios were calculated as follows:

	2009	2008
Total debt and convertible bonds	630.0	385.7
Cash and cash equivalents and restricted cash	(959.5)	(216.5)
Net debt	(329.5)	169.2
Total equity	2,485.5	1,400.6
Net debt to net debt plus equity	-	11%
Debt to capital ratio	25%	28%

As at the balance sheet date, the Company was in compliance with its lending requirements.

14 Stock based compensation

Included in general and administrative expense is stock based compensation expense as follows:

	2009	2008
Share stock option expense (a)	-	(1.6)
Long-term incentive plan expense (b)	(5.8)	(7.1)
	(5.8)	(8.7)

a) Share stock options

The Company has a stock option plan whereby it may grant up to 6.0 million options to directors and employees.

		2009		2008
	Number of shares (000's)	**Weighted average exercise price CAD**	**Number of shares (000's)**	**Weighted average exercise price CAD**
Outstanding - beginning of year	670	24.12	1,131	20.49
Exercised	(495)	21.81	(359)	14.06
Forfeited	(18)	16.70	(102)	23.58
Outstanding - end of year	157	32.26	670	24.12

At December 31, 2009, the following stock options were outstanding:

Number of shares (000's)	Exercise price range CAD	Weighted average exercise price CAD	Weighted average remaining life (months)
104	$20.88-$29.25	22.79	6
53	$37.41-$59.00	50.85	18
157		32.26	10

Stock options vest over a three year period. At December 31, 2009, all stock options were vested and exercisable.

b) Long-term incentive plan

The Company has a long-term incentive plan (the "Plan"), which provides for the issuance of performance stock units ("PSUs") and restricted stock units ("RSUs") in such amounts as approved by the Company's Compensation Committee.

Under the Plan, each PSU entitles participants, which includes directors, officers, and employees, to receive one common share of the Company at the end of a three year period if certain performance and vesting criteria, which are based on the Company's performance relative to a representative group of other mining companies, have been met. The fair value of each PSU is recorded as compensation expense over the vesting period. The fair value of each PSU is estimated using a Monte Carlo Simulation approach. A Monte Carlo Simulation is a technique used to approximate the probability of certain outcomes, called simulations, based on normally distributed random variables and highly subjective assumptions. This model generates potential outcomes for stock prices and allows for the simulation of multiple stocks in tandem resulting in an estimated probability of vesting.

Under the Plan, each RSU entitles the participant to receive one common share of the Company subject to vesting criteria. Previous RSU grants are vesting in equal tranches over a three year period. Current year RSU grants will vest fully at the end of the three year period. The fair value of each RSU is recorded as compensation expense over the vesting period. The fair value of each RSU is estimated based on the market value of the company's shares at the grant date.

	2009	2008
	Number of shares (000's)	Number of shares (000's)
Performance stock units		
Outstanding - beginning of year	284	189
Granted	136	107
Vested	(56)	-
Forfeited	(34)	(12)
Outstanding - end of year	330	284
Restricted stock units		
Outstanding - beginning of year	211	179
Granted	136	124
Vested	(43)	(77)
Forfeited	(27)	(15)
Outstanding - end of year	277	211

The following assumptions were used in the Monte Carlo Simulation model to calculate compensation expense in respect of the PSUs granted:

	2009	2008
Risk-free interest rate	1.84%	3.37%
Vesting period	3 years	3 years
Expected volatility	75.3%	53.5%
Expected forfeiture per annum	4%	4%
Expected dividend	0%	0%
Weighted average probability of vesting	22.6%	23.0%

15 Other income (expenses)

	2009	2008
Foreign exchange gain (loss)	5.9	(8.1)
Interest and sundry income	1.7	7.9
Gain (loss) on sale of investments	18.6	(0.3)
	26.2	(0.5)

16 Acquisition of Scandinavian Minerals Limited ("SML")

In June 2008, the Company acquired all of the outstanding common shares of SML which owned the Kevitsa nickel-copper-PGE project in northern Finland.

The acquisition of SML has been accounted for as an asset purchase. The total purchase cost was $277.6 million comprising:

	$
Cash	255.4
Issuance of common shares (a)	19.8
Transaction costs	2.4
Total	277.6

a) The Company issued 284,491 common shares at CAD 71.28 per share for the acquisition of SML. The measurement of the common share component of the consideration is based on the average share price of the Company's common shares immediately before and after the date of acquisition.

b) The cash paid to acquire SML including transaction costs less the cash acquired was $214.3 million.

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

	$
Assets	
Cash	43.5
Restricted cash	23.6
Accounts receivable	0.2
Plant and equipment	14.7
Mineral property	268.5
Liabilities	
Accounts payable and accrued liabilities	(0.7)
Asset retirement obligation	(0.4)
Future income tax liability	(71.8)
Net assets acquired	277.6

17 Segmented information

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

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

For the year ended December 31, 2009, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Kolwezi	Kevitsa	Corporate	Total
Segmented revenues	1,264.2	197.3	439.2	59.8	-	-	27.3	1,987.8
Less inter-segment revenues	-	-	-	(57.6)	-	-	(27.3)	(84.9)
Revenues	1,264.2	197.3	439.2	2.2	-	-	-	1,902.9
Cost of sales	(555.0)	(79.0)	(147.3)	(19.1)	-	-	-	(800.4)
Adjustment to net realizable value of inventory	9.9	-	-	15.5	-	-	-	25.4
Depletion and amortization	(111.6)	(23.7)	(21.9)	(4.5)	-	-	-	(161.7)
Zambian taxes recovery	2.9	-	-	-	-	-	-	2.9
Operating profit (loss)	610.4	94.6	270.0	(5.9)	-	-	-	969.1
Interest	(4.8)	-	(9.8)	-	-	-	(45.8)	(60.4)
Other	(154.5)	(2.3)	(3.7)	(20.7)	-	-	20.3	(160.9)
Segmented profit (loss) before undernoted items	451.1	92.3	256.5	(26.6)	-	-	(25.5)	747.8
Income taxes	(139.1)	-	(76.8)	-	-	-	15.6	(200.3)
Non-controlling interests	(57.5)	(17.6)	(9.0)	-	-	-	-	(84.1)
Segmented profit (loss)	254.5	74.7	170.7	(26.6)	-	-	(9.9)	463.4
Property, plant and equipment	557.2	198.0	259.5	38.7	786.8	312.2	5.5	2,157.9
Total assets	1,237.2	291.6	387.8	79.6	788.3	315.6	1,464.5	4,564.6
Capital expenditures	53.0	73.6	17.0	-	149.0	10.1	1.5	304.2

For the year ended December 31, 2008, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Kolwezi	Kevitsa	Corporate	Total
Segmented revenues	1,224.5	191.1	287.8	142.8	-	-	24.9	1,871.1
Less inter-segment revenues	-	-	-	(105.8)	-	-	(24.9)	(130.7)
Revenues	1,224.5	191.1	287.8	37.0	-	-	-	1,740.4
Cost of sales	(599.3)	(83.8)	(182.7)	(84.8)	-	-	-	(950.6)
Adjustment to net realizable value of inventory	(10.7)	-	-	(49.8)	-	-	-	(60.5)
Depletion and amortization	(73.8)	(15.4)	(18.2)	(5.9)	-	-	-	(113.3)
Zambian taxes recovery	123.5	-	-	4.0	-	-	-	127.5
Operating profit (loss)	664.2	91.9	86.9	(99.5)	-	-	-	743.5
Interest	(9.0)	(0.1)	(12.8)	(0.3)	-	-	(9.6)	(31.8)
Other including impairment	(11.4)	(6.2)	(0.1)	(14.2)	-	-	(288.8)	(320.7)
Segmented profit (loss) before undernoted items	643.8	85.6	74.0	(114.0)	-	-	(298.4)	391.0
Income taxes	(217.0)	-	(29.0)	(8.9)	-	-	7.7	(247.2)
Non-controlling interests	(79.9)	(16.3)	(1.7)	-	-	-	-	(97.9)
Segmented profit (loss)	346.9	69.3	43.3	(122.9)	-	-	(290.7)	45.9
Property, plant and equipment	594.7	149.4	264.8	43.2	637.8	302.2	4.2	1,996.3
Total assets	1,091.3	204.9	312.2	69.5	641.2	311.6	373.8	3,004.5
Capital expenditures	114.8	60.4	48.4	8.1	233.4	302.2	0.5	767.8

Capital assets and revenues by geographic segment

The Company's capital assets, including plant and equipment, capital work-in-progress, mineral properties and mine development costs, are located in Africa and Europe. Specifically, the Company has capital assets of $595.9 million in Zambia (2008 - $637.9 million), $1,046.3 million in the RDC (2008 - $902.6 million), $198.0 million in Mauritania (2008 - $149.4 million), and $312.2 million in Finland (2008 – $302.2).

The Company's revenues by country of origin, are $1,266.4 million from Zambia (2008 – $1,261.5 million), $439.2 million from the RDC (2008 – $287.8 million) and $197.3 million from Mauritania (2008 – $191.1 million).

18 Financial instruments

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

Fair values

The Company classifies its financial assets as either held-for-trading, available-for-sale, or loans and receivables. Financial liabilities are classified as either held-for-trading, or other financial liabilities.

Held-for-trading financial assets and liabilities are recorded at fair value as determined by active market prices and valuation models, as appropriate. Changes in fair value of held-for-trading financial instruments are recorded in net earnings.

Available-for-sale financial assets are recorded at fair value as determined by active market prices. Unrealized gains and losses on available-for-sale investments are recognized in other comprehensive income. If a decline in fair value is deemed to be other-than-temporary, the unrealized loss is recognized in net earnings. Investments in equity instruments that do not have an active quoted market price are measured at cost.

Loans and receivables and other financial liabilities are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

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

	Loans and receivables	Available-for-sale	Held-for-trading	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Cash and cash equivalents	-	-	919.2	-	919.2	919.2
Restricted cash	-	-	40.3	-	40.3	40.3
Accounts receivable (a)	342.6	-	-	-	342.6	342.6
Recoverable taxes (note 21)	181.3	-	-	-	181.3	181.3
Derivative instruments	-	-	0.9	-	0.9	0.9
Investments						
At cost (b)	-	9.5	-	-	9.5	-
At fair value	-	450.9	-	-	450.9	450.9
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	643.8	643.8	643.8
Derivative instruments	-	-	8.9	-	8.9	8.9
Convertible bonds (c)	-	-	-	438.4	438.4	672.6
Debt facilities	-	-	-	191.6	191.6	191.6

The following provides a comparison of carrying and fair values of each classification of financial instrument as at December 31, 2008:

	Loans and receivables	Available-for-sale	Held-for-trading	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Cash and cash equivalents	-	-	176.2	-	176.2	176.2
Restricted cash	-	-	40.3	-	40.3	40.3
Accounts receivable (a)	93.2	-	-	-	93.2	93.2
Recoverable taxes (note 21)	127.5	-	-	-	127.5	127.5
Derivative instruments	-	-	9.0	-	9.0	9.0
Investments						
At cost (b)	-	9.5	-	-	9.5	-
At fair value	-	154.0	-	-	154.0	154.0
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	479.5	479.5	479.5
Derivative instruments	-	-	34.0	-	34.0	34.0
Debt facilities	-	-	-	385.7	385.7	385.7

a) Accounts receivable

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

b) Investments – at cost

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

c) Convertible bonds

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

Section 3862 "Financial Instruments – Disclosures" ("Section 3862") establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Section 3862 are described below:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 Inputs for the asset or liability that are not based on observable market data.

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at December 31, 2009.

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Cash and cash equivalents	919.2	-	-	919.2
Restricted cash	40.3	-	-	40.3
Derivative instruments	-	0.9	-	0.9
Investments				
At fair value	443.4	-	7.5	450.9
Financial liabilities				
Derivative instruments	-	8.9	-	8.9

The Company's cash and cash equivalents and restricted cash instruments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

The Company's derivative instruments are valued using pricing models and the Company generally uses similar models to value similar instruments. Where possible, the Company verifies the values produced by comparing its pricing models to active market prices. Valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. The Company's derivatives trade in liquid markets, and as such, model inputs can generally be verified and do not involve significant management judgement. Such instruments are classified within level 2 of the fair value hierarchy.

The Company's investments in marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable securities is calculated as the quoted market price of the marketable security multiplied by the quantity of shares held by the Company. The Company's investments classified as Level 3 include asset backed commercial paper. The Company reviews the fair value quarterly to determine whether the value is materially impaired.

Financial risk management

Credit risk

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

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

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

counterparties for derivatives who are rated “A-” grade or above by international credit rating agencies and graduated counterparty limits are applied depending upon the rating.

Exceptions to the policy for dealing with relationship banks with ratings below “A-” are explicitly reported to, and approved by, the Audit Committee. As at December 31, 2009 significantly all cash and short-term deposits are with counterparties with ratings “A-” or higher.

The Company’s credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. More than 90% the Company’s product sales and trade accounts receivable are generated from five customers each representing greater than 10% of the total sales for the year. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and capital expenditures. Included within other assets are amounts receivable for the repayment of taxes in excess of those permitted under the Company’s contractual Development Agreements with the Government of Zambia (note 21b).

Significant credit risk exposures to any single counterparty or group of counterparty having similar characteristics are as follows:

	December 31, 2009
Accounts receivable	
Commodity traders and smelters	311.9
Government authorities – refundable VAT	14.4
Other	16.3
Other assets	
Government of the Republic of Zambia – recoverable taxes (note 21b)	181.3

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

Liquidity risk

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

In addition, the Company is obligated under its corporate revolving credit and term loan facility to maintain liquidity and satisfy various ratio tests on an historical and prospective cash flow basis. These ratios were in compliance during the year ended December 31, 2009.

At December 31, 2009, the Company held cash and cash equivalents of $919.2 million (December 31, 2008 - $176.2 million) and had a working capital balance of $249.8 million (December 31, 2008 - $90.5 million). At December 31, 2009 the Company has undrawn debt facilities of $300.0 million (December 31, 2008 - $200.0 million).

Contractual obligations as at December 31, 2009 are as follows:

	Total	< 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Thereafter
Debt	191.6	84.5	85.9	5.3	5.3	5.3	5.3
Convertible bonds	500.0	-	-	-	-	500.0	-
Accounts payable	643.8	643.8	-	-	-	-	-
Deferred payments	9.2	0.5	0.4	0.4	0.4	-	7.5
Commitments	112.9	112.9	-	-	-	-	-
Asset retirement obligations	21.9	-	-	-	-	-	21.9
Total	1,479.4	841.7	86.3	5.7	5.7	505.3	34.7

Market risks

a) Commodity price risk

The Company is subject to revenue price risk from fluctuations in the market prices of copper, cobalt and gold. The Company is also exposed to commodity price risk on diesel fuel through its mining operations. The Company's risk management policy allows for the management of these exposures through the use of derivative financial instruments. As at December 31, 2009, the Company had not entered into any copper, gold or diesel derivative contracts.

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

The following table shows the impact on net earnings from changes in the fair values of financial instruments of a 10% change in the copper and gold commodity prices, based on December 31, 2009 prices. There is no impact of these changes on other comprehensive income except indirectly through the impact on the fair value of the available-for-sale investments. The impact of a 10% movement in commodity prices is as follows:

	December 31, 2009	Impact of price change on net earnings	
		10% increase	10% decrease
Accounts receivable			
Copper			
Provisional tonnes	21,647		
Average forward price ($/tonne)	$7,361	11.1	(11.1)
Gold			
Provisional ounces	4,069		
Average forward price ($/oz)	$1,096	0.3	(0.3)

At year end no commodity hedging in respect of copper production had been undertaken.

b) Interest rate risk

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

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

The Company manages its cash flow interest rate risk on borrowings on a net basis after first recognizing the natural hedge arising from floating rate deposits. The Company has a policy allowing floating-to-fixed interest rate swaps targeting 50% of exposure over a five year period.

As at December 31, 2009, the Company was in a net cash position as it held cash reserves in excess of the cash commitments for acquisitions subsequent to year end (note 22). This position was considered temporary and the Company decided not to close interest rate swaps it had previously entered into in relation to its floating interest rate obligations under debt instruments. The floating-to-fixed interest rate swaps as December 31, 2009 covered 45% of the Company's floating rate debt at a rate of 1.83% per annum. The final maturity of the swaps coincides with the final debt repayment date of September 30, 2011.

The impact on a full year net earnings of a 100 basis point change in interest rate would be as follows:

	December 31, 2009	Impact of interest rate change on net earnings	
		100 basis point increase	100 basis point decrease
Interest-bearing deposits	938.9	6.6	(6.6)
Floating rate borrowings	159.5	(1.1)	1.1

c) Foreign exchange risk

The Company's functional and reporting currency is USD. As virtually all of the Company's revenues are derived in USD and the majority of its business is conducted in USD, foreign exchange risk arises from transactions denominated in currencies other than USD. Commodity sales are denominated in USD, the majority of borrowings are denominated in USD and the majority of operating expenses are denominated in USD. The Company's primary foreign exchange exposures are to the local currencies in the countries where the Company's operations are located, principally the Zambian kwacha ("ZMK"), Euro ("EUR") and Mauritanian ouguiya ("MRO"); to the local currencies of suppliers who provide capital equipment for project development, principally the Australian dollar ("AUD") and South African rand ("ZAR"); and to the EUR as a result of the EUR denominated Kansanshi subordinated debt facility.

The Company's risk management policy allows for the management of exposure to local currencies through the use of financial instruments at a targeted amount of up to 75% for committed exposures within one year down to 25% for estimated exposures in five years.

As at December 31, 2009, the Company had entered into derivative financial instruments to reduce its foreign exchange risk in relation to an acquisition denominated in Pound Sterling ("GBP") (note 22a). The derivative financial instruments comprised of a combination of forward exchange contracts ($48.9 million), bought USD put options ($48.8 million) and sold call options ($24.9 million) against the GBP. In addition, the Company had foreign exchange forward sales contracts for $61.5 million against CAD to cover its corporate requirements.

The Company is exposed to currency risk through the following financial assets and liabilities denominated in currencies other than USD at December 31, 2009:

	Cash and cash equivalents	Investments	Financial liabilities
CAD	110.3	443.3	0.1
AUD	2.0	-	1.2
ZMK	6.1	-	8.1
EUR	22.8	-	44.4
ZAR	1.9	-	6.4
MRO	-	-	7.0
Total	143.1	443.3	67.2

Based on the above net exposures at December 31, 2009, a 10% change of the above currencies against the USD would result in a $6.9 million increase or decrease in the Company's net earnings and would result in a $40.3 million increase or decrease in the Company's other comprehensive income.

Derivative financial instruments

As at December 31, 2009, the following derivative positions were outstanding:

	Maturity 2010	Maturity 2011	Total	**Fair value December 31, 2009**		**Fair value December 31, 2008**	
Gold				Asset	Liability	Asset	Liability
Forward sales contracts	-	-	-	-	-	-	(19.1)
Bought put options	-	-	-	-	-	2.2	-
Sold call options	-	-	-	-	-	-	(2.1)
Foreign exchange							
Foreign exchange spot and forward sales contracts – USD equivalent	61.5	-	61.5	0.7	-	0.2	-
Foreign exchange bought put options and forward sales contracts – USD equivalent	96.6	-	96.6	-	(0.6)	2.0	-
Foreign exchange sold call options – USD equivalent	24.5	-	24.5	0.2	-	-	(4.6)
Cross-currency swap (note 8c)	-	-	-	-	-	4.6	-
Interest rate							
Floating to fixed interest rate swap – principal	48.1	19.4	67.5	-	(0.7)	-	(0.2)
Average fixed interest rate	1.82%	1.80%	1.82%				
Other							
Embedded derivative (note 8c)				-	(7.6)	-	(8.0)
				0.9	(8.9)	9.0	(34.0)
Copper embedded derivative (tonnes)	21,647	-	21,647				
Average price ($/tonne)	$7,361	-	$7,361				
Gold embedded derivative (ounces)	4,069	-	4,069				
Average price ($/oz)	$1,096	-	$1,096				

a) Derivative assets are presented in other assets and derivative liabilities are presented in other liabilities with the exception of copper and gold embedded derivatives which are included in accounts receivable.

19 Supplementary cash flow information

Cash and cash equivalents comprise the following:

	2009	**2008**
Cash on hand and balances in bank	214.6	148.9
Short-term investments	704.6	27.3
	919.2	176.2

During the year ended December 31, 2009, the Company paid interest of $64.5 million (2008 - $50.7 million) and taxes of $78.4 million (2008 - $170.8 million).

20 Commitments

In conjunction with the development of Kolwezi and Kevitsa, upgrades at Frontier, Guelb Moghrein and other projects, the Company has committed to approximately $112.9 million in capital expenditures.

21 Contingencies and measurement uncertainty

a) Kolwezi Dispute

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

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

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

On February 23, 2010 without any prior notice KMT and CMD received a Notice of Hearing Date from Gécamines and CAMI setting the Local Appeal for hearing in less than 24 hours on February 24, 2010. Gécamines and CAMI requested the confirmation of the Lower Court judgment and also made an unsupported request for up to $US12 billion in damages to be awarded to Gécamines and CAMI. KMT's lawyers attended and objected to the proceedings. The Company believes a decision of the Local Appeal is imminent. The Company continues to believe the allegations against KMT and CMD have no merit and intends to vigorously defend against any decision. No amount has been accrued in these financial statements.

The carrying value of the Kolwezi development project is $786.8 million (December 31, 2008 - $637.8 million) and is comprised of the initial acquisition cost of $387.6 million and capital expenditures of $399.2 million (December 31, 2008 - $250.2 million). In response to the events during the year and subsequent to December 31, 2009, the Company has performed an impairment analysis based on the estimated undiscounted values of the potential outcomes of the dispute including the process of international arbitration. No impairment has been recorded as at December 31, 2009 as a result of this analysis. The final outcome of the arbitration process remains uncertain and may result in the impairment or loss of all or part of the Company's investment which could be material.

b) Zambian Tax

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

Under the new President, the GRZ reviewed these tax changes and proposed that the windfall tax be removed, the deductibility of capital allowances be increased back to 100% in the period of expenditure and that hedging income be part of mining income for tax purposes. These changes were passed by Parliament in March 2009 and the majority of changes took effect from April 1, 2009. These enacted changes are not retroactive to April 1, 2008. On May 18, 2009 the GRZ issued a temporary exemption to the concentrate export levy of 15% expiring December 31, 2009 in order to allow the Company to export copper in concentrate that cannot be treated in Zambia due to the lack of smelter capacity.

The Company, through its Zambian subsidiaries, is party to Development Agreements with GRZ for its existing operations which provide an express right to full and fair compensation for any loss, damages or costs (including interest) incurred by the Company by reason of the government's failure to comply with the tax stability guarantees set out in the Development Agreements, and rights of international arbitration in the event of any dispute. Following consultation with external legal counsel, the Company assessed there to be a high probability of recovery from the GRZ of certain payments made in respect of these taxes. Accordingly, the Company has recognized a receivable from the GRZ for an amount in respect of the expected ultimate repayment of taxes in excess of the taxes permitted under the Development Agreements. As required by the financial instruments accounting standards, this receivable has been classified as "loans and receivables" and initially recorded at fair value based on management's best estimate of the timing of receipt and

amounts due. The receivable will be assessed for impairment in future periods based on changes in facts and circumstances; any impairment amounts required in the future may be material. As at December 31, 2009 this receivable amounts to $181.3 million (December 31, 2008 - $127.5 million).

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

22 Subsequent events

a) Kiwara

In November 2009, the Company entered into an implementation agreement to acquire the entire issued share capital of Kiwara PLC ("Kiwara") by way of a scheme of arrangement ("Scheme"). Pursuant to the Scheme, Kiwara shareholders receive 0.0085 shares of the Company and GBP0.375 for every Kiwara share held. In January 2010 the Company received regulatory approvals and the acquisition was completed. In total, the cash and equity transaction is valued at approximately $260.2 million (GBP157.6 million) and results in the issuance of 1,864,960 common shares.

Kiwara is a mineral exploration and development company, focusing on base metals in Zambia. Kiwara's asset is a controlling interest in mineral prospecting licences in the periphery of the Kabombo Dome in North Western Province, Zambia.

b) Ravensthorpe

In December 2009, the Company entered into an agreement with BHP Billiton to acquire the assets of the Ravensthorpe Nickel Operation in Western Australia for $340.0 million. In February 2010, the Company received regulatory approval and the acquisition was completed. Under the terms of the agreement, the Company paid $34.0 million in December 2009 on deposit.

c) Mauritanian Copper Mines SARL non-controlling interest

In February 2010, the Company purchased the 20% non-controlling interest in Mauritanian Copper Mines SARL for $63.0 million.

FIRST QUANTUM
MINERALS LTD.

Management's Discussion and Analysis
Fourth Quarter and Year Ended December 31, 2009

(expressed in United States dollars, unless otherwise noted)

March 16, 2010

SUMMARY OPERATING AND FINANCIAL DATA

	Three months ended December 31		Year ended December 31		
(USD millions unless otherwise noted)	**2009**	**2008**	**2009**	**2008**	**2007**
Realized copper price (per lb)	$2.79	$(0.04)	$2.16	$2.22	$2.97
Production – copper (tonnes)	98,528	95,635	373,940	334,415	226,693
Production – gold (ounces)	62,679	39,644	193,288	116,177	107,961
Sales – copper (tonnes)	98,171	97,280	366,581	334,787	223,907
Net sales	$656.3	$12.4	$1,902.9	$1,740.4	$1,539.2
Net earnings (loss)	$227.2	$(491.6)	$463.4	$45.9	$520.3
Earnings (loss) per share	$2.91	$(7.19)	$6.14	$0.67	$7.72
Average copper unit cash cost of production (C1)[1] (per lb)	$0.97	$1.26	$0.96	$1.23	$1.04
Cash	$959.5	$216.5	$959.5	$216.5	$222.5

Unless otherwise indicated, all comparisons of performance throughout this report are to the comparative periods for 2008

FOURTH QUARTER HIGHLIGHTS

- Record quarterly and yearly copper production on successful plant expansions at Kansanshi and Guelb Moghrein
- 58% increase in Q4 gold production to record levels at Kansanshi and Guelb Moghrein on gold circuit and gold plant expansions
- 23% reduction in the Q4 average copper unit cash cost of production (C1) due to cost saving initiatives, lower process input costs and higher gold credit; annual reduction of 22%
- Q4 net earnings of $227.2 million and EPS of $2.91 realized on higher copper price and lower production costs
- Announcements made to acquire the Ravensthorpe nickel operation in Australia for $340.0 million and Kiwara PLC, which holds prospecting licenses in Zambia, for approximately $260.2 million
- Strong closing cash and working capital position realized on cash flows from operations and financing activities in 2009

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

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

RECENT DEVELOPMENTS

- Development of the Kevitsa nickel-copper-PGE project in Finland was approved in Q4 with increased mineral reserves published in November 2009. Project construction has commenced and commercial production is targeted for mid 2012.
- Construction work has commenced at the Ravensthorpe nickel operation on modifying the crushing, conveying, stockpile and reclaim areas and will continue for approximately the next 12 months, followed by approximately six months of commissioning and ramp-up. The total modification cost is estimated at $150.0 million.
- In February 2010, the Company established a physical metal marketing division to manage offtake sales, marketing, logistics and administration for all tonnage produced by the Company's mining operations.
- In Q1 2010, the Company, along with partners the IFC (International Finance Corporation) and the Industrial Development Corporation of South Africa ("IDC"), commenced international arbitration against La Générale des carrières et des mines ("Gécamines") and the République démocratique du Congo ("RDC") regarding the cancellation of the Kolwezi project.
- The Company continues to evaluate the Lonshi underground project with a development decision pending. A drilling program is currently underway to define possible extensions to the ore body.
- The Bwana Mkubwa copper SX/EW plant was restarted in January 2010 to process the stockpiled ore from the depleted Lonshi open pit mine. Grade A copper cathode production at an average rate of 800 tonnes of copper cathode per month is expected to continue until the end of 2010.

NEAR TERM OUTLOOK

- Estimated production for 2010 is 385,000 tonnes of copper and 240,000 ounces of gold
- Estimated average C1 cost for 2010 is $0.97 per pound. The gold credit is expected to increase with the additional estimated production. Management of processing costs will remain a key objective in the year. Higher mining costs are expected due to increased stripping activity.
- Kansanshi now has three distinct fully operational processing routes. These routes, which cater for oxide/leach, mixed float and sulphide feeds, will continue to be optimized and metallurgical recoveries are expected to be enhanced. Gold production is expected to improve as a result of the commissioning of additional gravity concentrators in early 2010. New AC powered mining equipment will be commissioned with the objective of reducing unit costs and improving fleet reliability. Following an extensive geological review and drilling program at Kansanshi, a revised mineral resource and reserve estimate is pending.
- At Frontier, additional mining flexibility will be applied to the mining operations through advanced mine planning and the utilization of AC powered haul trucks. The new haul trucks are expected to reduce costs and enhance operational reliability which in turn should result in an increase in mining volumes to ensure that ore feed rates are maintained or improved. In addition, a dewatering shaft project has commenced in order to maintain favourable ground conditions for mining as the open pit deepens.
- At Guelb Moghrein, the final commissioning of the new heavy fuel oil ("HFO") power station in Q1 is expected to lower generating costs as all power will be derived from the new power station with all other power generator units expected to remain off-line. The commissioning of the high pressure grinding rollers ("HPGR") unit in early 2010 should mark the completion of the 3.8 million tonne per annum expansion project and allow for the further enhancement of both gold and copper recoveries.
- An intensive drilling program is planned in 2010 for the Kalumbila exploration project in Zambia, which was acquired with Kiwara PLC and additional drilling programs have been initiated in Zambia, Finland and the RDC.

REVENUES

NET SALES (after provisional pricing and realization charges)		Three months ended December 31		Year ended December 31	
(USD millions unless otherwise noted)		**2009**	**2008**	**2009**	**2008**
Kansanshi	- copper	391.8	81.2	1,189.8	1,180.4
	- gold	29.1	10.1	74.4	44.1
Frontier	- copper	165.8	(73.9)	439.2	287.8
Guelb Moghrein	- copper	45.4	(13.0)	115.7	137.7
	- gold	24.2	11.1	81.6	53.4
Bwana/Lonshi	- copper	-	(3.1)	0.4	35.4
	- acid	-	-	1.8	1.6
Net sales		656.3	12.4	1,902.9	1,740.4
Copper provisional pricing adjustment included above		5.5	(212.7)	40.0	44.5
COPPER SELLING PRICE		**USD/lb**	**USD/lb**	**USD/lb**	**USD/lb**
Current period sales		3.00	1.35	2.35	2.50
Prior period provisional pricing adjustment		0.03	(0.99)	0.05	0.06
Treatment charges/refining charges (“TC/RC”) and freight parity charges		(0.24)	(0.40)	(0.24)	(0.34)
Realized copper price		2.79	(0.04)	2.16	2.22

The average realized copper price for Q4 was significantly higher than Q4 2008, when the sharp decline in copper price impacted both the Q4 sales and provisional pricing adjustment. The realized copper price improved consistently through 2009 aided by increased local smelter capacity which resulted in reduced realization charges.

Copper sales volumes for Q4 increased 1% to 98,171 tonnes over Q4 2008. Sales volumes during Q4 were consistent with production. The 2009 annual sales volume increased 9% due to a 12% increase in copper production.

The Q4 positive provisional pricing adjustment resulted from the finalization of contracts totalling 16,364 tonnes of copper at an average price of $2.94 per pound ($6,486 per tonne). These contracts were provisionally priced at $2.79 per pound ($6,149 per tonne) at September 30, 2009 and were finalized during Q4 2009.

A positive provisional pricing adjustment for 2009 resulted from the finalization of 2008 year end sales contracts totalling 79,293 tonnes of copper at an average price of $1.56 per pound ($3,438 per tonne). These contracts were provisionally priced at $1.33 per pound ($2,932 per tonne) at December 31, 2008 and were finalized during 2009.

At December 31, 2009, 21,647 tonnes of copper provisionally priced at $3.34 per pound ($7,361 per tonne) remain subject to final pricing in January and February 2010. Refer to the ‘Outlook’ section for further discussion.

Gold revenues increased by 151% for Q4 and 60% for the year. The increases resulted from higher gold production from copper in concentrate and tolled copper sales and from the operation of the new gold plants at Guelb Moghrein and Kansanshi. Gold revenues were further improved by the higher gold price and lower realization charges incurred on gold dore sales during 2009.

SEGMENTED OPERATING RESULTS

Kansanshi Copper and Gold Operation	Three months ended December 31		Year ended December 31	
	2009	2008	2009	2008
Production (tonnes)				
Copper cathode	21,535	25,716	92,044	102,353
Copper in concentrate	16,017	25,641	65,920	67,780
Copper cathode tolled	24,901	10,657	87,015	45,181
Total copper production (tonnes)	62,453	62,014	244,979	215,314
Gold production (ounces)	32,476	23,633	99,936	54,252
Sulphide and mixed ore tonnes milled (000’s)	4,343	2,956	15,582	9,219
Sulphide and mixed ore grade processed (%)	1.0	1.3	1.1	1.2
Sulphide and mixed copper recovery (%)	86	95	91	93
Oxide ore tonnes milled (000’s)	1,478	1,414	5,661	5,972
Oxide ore grade processed (%)	1.4	1.7	1.5	1.7
Oxide copper recovery (%)	93	93	91	94
Copper sales (tonnes)	62,417	60,156	239,578	207,701
Cash costs (C1) (per lb)[1]	$0.96	$1.24	$0.99	$1.16
Total costs (C3) (per lb)[1]	$1.28	$1.52	$1.27	$1.63
Gross operating profit (loss) (USD M)	$231.2	$(66.9)	$610.4	$664.2

Copper production increased 1% in Q4 and 14% in 2009 achieving records in both periods. The addition of the mixed ore circuit during 2009 allowed for the effective processing of mixed acid soluble and acid insoluble copper ore to produce copper in concentrate. This ore type was previously stockpiled, and due to the successful recent introduction of the mixed ore circuit and continuous improvements made during 2009, mixed ore now represents a significant portion of Kansanshi’s total copper production. The mixed ore circuit contributed 14,400 tonnes and 32,200 tonnes of contained copper for Q4 and 2009, respectively.

Q4 sulphide and mixed ore tonnes milled increased by 47% with capacity gains realized from the 12 million tonne per annum expansion and the addition of the mixed ore circuit in 2009. The increase in throughput was partially offset by decreases in ore grades processed and recoveries of sulphide and mixed copper contained. Recoveries were lower due to the inherently lower recovery rates of the new mixed ore circuit and the ore grade processed was lower due to a decrease in mined ore grades during Q4.

Q4 tolled copper cathode production from the Mufulira smelter increased by 134% from Q4 2008 due to capacity improvements throughout 2009. Kansanshi’s high pressure leach system (“HPL”) continued to process Frontier’s concentrates and as a result there was no processing of Kansanshi concentrates through the HPL in Q4.

Copper cathode production decreased 16% during Q4 and 10% in 2009, in comparison to 2008, as output was restricted by decreased availability of higher grade ore in the mine pit.

Gold production improved through 2009 achieving a quarterly record of 32,476 ounces in Q4. Production benefited from increased ore throughput, the addition of gravity concentrators and further upgrades to the gold plant during Q4. The gold plant contributed 8,800 ounces of the total gold in dore production during Q4.

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

Compared to Q4 2008, Kansanshi's Q4 average cash unit cost of production (C1) decreased by 23% for several reasons: cost saving initiatives implemented in late 2008, an increase in the gold credit, lower sulphur prices and therefore acid price and an impairment against stockpile inventory recorded in 2008. The gold credit was realized on record gold sales volumes and higher realized prices during Q4 2009. Acid consumption and prices have decreased significantly from 2008 when local acid availability was limited and sulphur prices were high. Kansanshi's average total unit cost of production (C3) was 16% lower due to the suspension of the Zambian concentrate export levy after Q1 2009 which was partially offset by an increase in the Q4 2009 depreciation expense resulting from the capital expansions during the year. The concentrate export levy was introduced in March 2008 but was temporarily suspended in March 2009 for the balance of 2009 in response to insufficient smelter capacity in Zambia to treat domestic concentrate production.

Frontier Copper Operation	**Three months ended December 31**		**Year ended December 31**	
	2009	**2008**	**2009**	**2008**
Production – copper in concentrate (tonnes)	24,259	24,917	92,353	80,177
Sulphide ore tonnes milled (000's)	2,280	2,178	8,068	7,122
Sulphide ore grade processed (%)	1.2	1.3	1.2	1.3
Copper recovery (%)	91	91	92	89
Copper sales (tonnes)	26,424	28,533	91,567	87,022
Cash costs (C1) (USD per lb)[1]	$1.32	$1.53	$1.13	$1.52
Total costs (C3) (USD per lb)[1]	$1.52	$1.67	$1.30	$1.82
Gross operating profit (loss) (USD M)	$104.1	$(137.1)	$270.0	$86.9

Copper production decreased by 3% in Q4 and increased by 15% in the year compared to the same periods in 2008. Q4 production was impacted by lower ore grades processed as mining activities were mainly focused on waste stripping in preparation for the rainy season. Full year 2009 production benefited from increased ore throughput as efforts to improve mill rates were successful. Included in Frontier's total copper in concentrate production was approximately 2,450 tonnes that were processed through Kansanshi's HPL in Q4 and 11,050 tonnes in 2009.

Frontier's Q4 average cash unit cost of production (C1) was 14% lower than Q4 2008 due to decreases in realization charges as a result of changes in export contract terms and increased sales to local smelters. This decrease was offset partially by the increase in ore costs caused by increased waste stripping in Q4. The full year 2009 C1 costs were also lower following the implementation of cost saving initiatives started in Q4 2008. There were efficiency gains in on processing costs for the year due to higher mill throughput and higher copper production in 2009.

Operating profit is significantly higher than the comparative periods in 2008 due to the increase in the realized copper price and decrease in total operating costs. The 2008 results were impacted by the sharp decline in the Q4 2008 copper price and higher costs associated with the first full year of operations at Frontier.

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

Guelb Moghrein Copper and Gold Operation	Three months ended December 31		Year ended December 31	
	2009	2008	2009	2008
Production – copper in concentrate (tonnes)	11,816	8,177	36,608	33,073
Gold production (ounces)	30,203	16,011	93,352	61,925
Sulphide ore tonnes milled (000's)	769	553	2,287	2,072
Sulphide ore grade processed (%)	1.7	1.7	1.8	1.9
Copper recovery (%)	92	85	89	86
Copper sales (tonnes)	9,330	8,073	35,436	34,070
Cash costs (C1) (USD per lb)[1]	$0.63	$0.96	$0.44	$0.70
Total costs (C3) (USD per lb)[1]	$1.02	$1.08	$0.83	$1.05
Gross operating profit (loss) (USD M)	$41.0	$(27.9)	$94.6	$91.9

Copper production increased by 45% in Q4 and by 11% for 2009 due to increased plant throughput. Ore throughput in Q4 was 44% higher than Q4 2008 due to the completion of the expansion to 3.8 million tonne throughput per annum in Q3 2009.

Gold production increased by 89% in Q4 and by 51% for 2009 due to increased plant throughput, higher gold grades treated and the addition of the gold dore smelter in Q1 2009. The gold dore smelter produced approximately 3,500 ounces of gold in dore in Q4 and 14,300 ounces of gold in dore in 2009.

Guelb Moghrein's average cash unit cost of production (C1) was 34% lower in Q4 compared to Q4 2008. This reduction was due to an increase in the gold credit and efficiencies gained from the 45% increase in copper production in Q4 2009. The full year C1 cost for 2009 was 37% lower than 2008 also due to the increases in gold and copper production in 2009.

Guelb Moghrein's operating profit was higher against the comparative periods in 2008 due to the lower total production costs and higher realized copper and gold prices in Q4 and for 2009.

Bwana/Lonshi Copper Operation	Three months ended December 31		Year ended December 31	
	2009	2008	2009	2008
Production – copper cathode (tonnes)	-	527	-	5,851
Copper sales (tonnes)	-	518	-	5,994
Gross operating profit (loss) (USD M)	$12.7	$(64.2)	$(5.9)	$(99.5)

The Bwana Mkubwa site remained on care and maintenance as at December 31, 2009. The operating gain at Bwana/Lonshi in Q4 2009 was recognized on a net realizable value of inventory adjustment of $15.5 million.

In January 2010, transportation of the Lonshi ore stockpile provided sufficient feed to restart the Bwana Mkubwa copper SX/EW plant, with grade A copper cathode production expected in 2009 at an average rate of 800 tonnes per month. The Company has recorded a partial reversal of the 2008 adjustment to net realizable value of inventory of $15.5 million as the conditions causing this write down have improved.

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

COSTS AND EXPENSES

	Three months ended December 31		Year ended December 31	
(USD millions unless otherwise noted)	**2009**	**2008**	**2009**	**2008**
Gross operating profit (loss)	389.0	(296.1)	969.1	743.5
General and administrative	(5.3)	(7.1)	(25.3)	(31.4)
Other income (expenses)	5.3	(5.3)	26.2	(0.5)
Derivative instrument adjustments	3.6	(0.1)	(135.9)	(6.1)
Exploration	(16.0)	(9.1)	(25.9)	(28.5)
Interest	(18.3)	(9.6)	(60.4)	(31.8)
Income taxes	(88.6)	61.2	(200.3)	(247.2)
Non-controlling interests	(42.5)	28.7	(84.1)	(97.9)
Net earnings (loss) before impairment charge	227.2	(237.4)	463.4	300.1
Impairment charge on investments	-	(254.2)	-	(254.2)
Net earnings (loss) after impairment charge	227.2	(491.6)	463.4	45.9
Earnings (loss) per share				
- basic (USD per share)	$2.91	$(7.19)	$6.14	$0.67
- diluted (USD per share)	$2.67	$(7.19)	$5.92	$0.67
Weighted average shares outstanding				
- basic (number of shares – millions)	78.2	68.4	75.5	68.2
- diluted (number of shares - millions)	87.9	68.4	81.0	68.9

General and administrative costs decreased in Q4 and 2009 from 2008 due to cost saving initiatives implemented in late 2008 and a reduction in stock based compensation expense in 2009. Other income (expenses) includes a gain on sale of marketable securities of $9.6 million for Q4 and $18.6 million for 2009.

The Company implemented a hedging program during Q1 2009 due to the uncertain economic outlook and the steep fall in the copper price during Q4 2008. These copper hedges were entered into in order to protect the Company against possible further declines in the copper price. Subsequent to entering into the hedges, the copper price increased significantly resulting in the derivative instrument adjustments for 2009.

Exploration expenses include $20.4 million incurred at the Lonshi underground evaluation project for 2009.

Interest expense was higher than the comparative periods as the average debt level increased following the issue of the 6%, $500 million convertible bond during Q2. In addition, due to the significant changes in the credit conditions, the $250 million corporate revolving loan was renewed at higher costs in Q1.

Non-controlling interests expense has risen from 2008 due to the increase in net income of Kansanshi, Guelb Moghrein and Frontier in 2009.

FINANCIAL POSITION AND LIQUIDITY

	Three months ended December 31		Year ended December 31	
(USD millions unless otherwise noted)	**2009**	**2008**	**2009**	**2008**
Cash flows from operating activities				
- before working capital	269.9	(148.2)	678.1	636.6
- after working capital	270.1	43.4	562.6	765.4
Cash flows from financing activities	(47.5)	(47.7)	547.0	(24.2)
Cash flows from investing activities	(111.1)	(106.1)	(366.6)	(765.0)
Net cash flows	111.5	(110.4)	743.0	(23.8)
Cash balance	919.2	176.2	919.2	176.2
Available credit facilities				
- Corporate revolving loan and short-term facility	250.0	200.0	250.0	200.0
- Corporate revolving credit and term loan facility	50.0	-	50.0	-
Cash flows from operating activities per share (basic)[1]				
- before working capital (USD per share)	$3.45	$(2.17)	$8.98	$9.33
- after working capital (USD per share)	$3.45	$0.63	$7.45	$11.23

Operating cash flows continued to be generated from positive operating results during Q4.

Financing activities during Q4 include a scheduled repayment on the Kansanshi subordinated debt facility and the reclassification of cash to restricted cash as required under the corporate revolving credit and term loan facility. During 2009, the Company generated cash through equity and debt financing. In April 2009, the Company completed an equity financing by issuing 9,343,750 common shares of the Company at a price of CAD37.00 per share for gross proceeds of CAD345.7 million. The net proceeds, after fees and expenses, were $269.5 million. In June 2009, the Company completed an issue of a $500 million 6%, five year unsecured convertible bond for net proceeds of $488.0 million after the payment of commissions, fees and expenses related to the offering.

During 2009, the Company repaid the balance of $50.0 million on the corporate revolving credit facility. Subsequent to December 31, 2009, this $250.0 million facility was extended and will be available for draw until January 2011. The Company also repaid the balance of $11.0 million outstanding on the Kansanshi project completion facility.

Capital expenditures during Q4 were lower than previous periods due to the suspension of the Kolwezi development project on September 16, 2009. Kansanshi's mixed ore circuit and sulphide circuit expansions were completed during Q3 and expenditures on the gold recovery process continued in Q4. The plant expansion to 3.8 million tonnes per annum at Guelb Moghrein was substantially completed in Q3 and expenditures continued on the gold recovery circuit into Q4. During Q4, the Company paid a deposit of $34.0 million in relation to the acquisition of the Ravensthorpe nickel operation.

In addition to the Company's substantial cash reserves, additional sources of funding available include the $250.0 million corporate revolving loan that has been extended to expire in January 2011 and $50.0 million available under the corporate revolving credit and term loan facility. The Company's working capital balance (not including cash and debt) at December 31, 2009 increased by $228.4 million from December 31, 2008 due to an increase in the accounts receivable balance as a result of the sharp increase in copper price from 2008 to 2009. Included in the working capital balance is finished goods inventory of approximately 26,063 tonnes of contained copper.

[1] Cash flow per share is a non-GAAP measure. See "*Regulatory disclosures – Calculation of operating cash flow per share*" for further information

As at December 31, 2009, the Company had the following contractual obligations outstanding:

(USD millions)	**Total**	**Less than 1 year**	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 – 5 years**	**Thereafter**
Term debt	191.6	84.5	85.9	5.3	5.3	5.3	5.3
Convertible bonds	500.0	-	-	-	-	500.0	-
Accounts payables	643.8	643.8	-	-	-	-	-
Deferred payments	9.1	0.4	0.4	0.4	0.4	-	7.5
Commitments	112.9	112.9	-	-	-	-	-
Asset retirement obligations	21.9	-	-	-	-	-	21.9

INVENTORY

	Copper (tonnes)	**Gold in dore (ounces)**
Kansanshi	22,059	1,415
Frontier	963	-
Guelb Moghrein	3,041	1,120
Total	26,063	2,535

Copper in concentrate increased by 400 tonnes in Q4 to 26,063 tonnes at December 31, 2009, with an average cost of approximately $1.15 per pound ($2,529 per tonne). Sales volumes during Q4 were consistent with production and local smelter capacity remained strong. The high pressure leach facility at Kansanshi was offline for maintenance towards the end of 2009, with approximately 270 tonnes of concentrate stockpile awaiting further processing. Approximately 18,900 tonnes of Kansanshi copper in concentrate was in the process of being treated or stockpiled for treatment at the Mufulira smelter as at December 31, 2009. Contained gold in dore inventory increased from Q3 to 2,535 ounces due to timing of shipments and increasing dore production at Kansanshi and Guelb Moghrein in Q4. Gold contained in copper in concentrate is not included in the inventory balances noted above.

CONVERTIBLE BONDS

The Company issued $500.0 million of convertible bonds (the 'Bonds') in June 2009 for net proceeds of $488.0 million after the payment of commissions and expenses related to the offering. The Bonds bear interest at 6% per annum, payable semi-annually in equal instalments and are due on June 19, 2014 (the 'Final Maturity Date'). These Bonds may be converted into the Company's common shares, at the option of the holder thereof, at any time from October 19, 2009 to the close of business falling seven business days prior to the Final Maturity Date. The conversion price (the "Conversion Price") is USD $56.39 (CAD $63.11) per common share for a maximum total of 8,866,820 common shares issuable upon conversion. In addition, if certain fundamental changes occur to the Company, holders of the Bonds may be entitled to an adjustment to the Conversion Price. The Company has the option to call the Bonds after July 3, 2012 until the Final Maturity Date, in the event that the trading price of the common shares exceeds 140% of the Conversion Price over a certain period. In addition, the Company has the right to redeem the Bonds if at any time the aggregate principal amount of the Bonds outstanding is equal to or less than 15% of the aggregate principal amount of the Bonds initially issued.

As the bonds are convertible into common shares of the Company, the Company is required to account for the Bonds as both debt and equity. The Company elected to use the fair value approach to value the debt portion and the residual value approach to allocate the remaining value to equity. The result of this accounting approach was an allocation of $431.1 million as debt and $56.9 million as equity, which is equal to the net proceeds of $488.0 million. The debt portion of the Bond will be increased over the term of the Bonds to the face value of $500.0 million.

COMPREHENSIVE INCOME

The market value of available-for-sale investments continued to increase during Q4 resulting in the Company recognizing a tax effected increase in the fair value of investments of $61.6 million for Q4 and $297.2 million for 2009.

SHAREHOLDERS' EQUITY

Shareholders' equity increased due to the equity financing, the convertible bond issuance, the positive operating results and the increase in the fair value of the Company's marketable security investments.

The Company's equity financing resulted in the issuance of 9,343,750 common shares for net proceeds of $269.5 million and the convertible bond issuance resulted in an increase to shareholders' equity of $56.9 million.

As at the date of this report the Company has 80,549,483 shares outstanding.

DEVELOPMENT ACTIVITIES

Acquisition of the Ravensthorpe nickel operation, Australia

In December 2009, the company entered into an agreement with BHP Billiton to acquire the Ravensthorpe nickel operation ("Ravensthorpe") subject to relevant approvals from the Australian Foreign Investment Review Board and the West Australian Minister for Mines and Petroleum. The government approvals were received in February 2010 and the finalization of the acquisition was completed on February 10, 2010 for $340.0 million.

Ravensthorpe is located in Western Australia, approximately 550 kilometres south-east of Perth. It is an open pit mine and hydrometallurgical process plant that uses proven technology to recover nickel and cobalt to produce a mixed nickel cobalt hydroxide intermediate product. Ravensthorpe's development was completed in 2007. However, operations were suspended in January 2009 after the LME nickel price dropped to as low as $8,810.00 per tonne in late 2008.

The Company is planning to spend the next 12 months constructing two additional crushing plants in the modification of the crushing, conveying, stockpile and reclaim areas of the plant. This is expected to be followed by approximately six months of commissioning and ramp-up. The capital requirement for the modification is estimated at approximately $150.0 million, depending on currency exchange rates. The Company expects Ravensthorpe's average annual production of nickel metal will be approximately 39,000 tonnes for the first five years after recommencement of operations and an average annual production of 28,000 tonnes of nickel metal over the expected life of mine of 32 years.

Acquisition of Kiwara PLC

In November 2009, the Company entered into an implementation agreement to acquire the entire issued share capital of Kiwara PLC ("Kiwara") by way of scheme of arrangement (the "Scheme"). At the time, Kiwara owned a 85% interest in mineral prospecting licenses (the "License Area") on the periphery of the Kabombo Dome in North Western Province, Zambia, and had an option to acquire the remaining 15%. The License Area includes the Kalumbila Copper deposit which represents an early stage opportunity to develop a relatively low grade but extensive copper resource.

Pursuant to the Scheme, Kiwara shareholders receive 0.0085 First Quantum shares and GBP0.375 for each Kiwara share held. The Scheme became effective on January 29, 2010 and the acquisition was completed at a value of approximately $260.2 million.

Subsequent to the successful acquisition of Kiwara, the Company, through its wholly-owned subsidiaries, exercised options to purchase 10% of the issued share capital of Kalumbila Minerals Limited ("Kalumbila") increasing the Company's ownership to 95% of the issued share capital of Kalumbila and the License Area.

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

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

Kevitsa nickel/copper/PGE project, Finland

The Company announced Board approval for development of the Kevitsa project on November 30, 2009. Concurrently, an Engineering Study was finalized and a technical report for the updated Kevitsa mineral resource and reserve was published and has been filed on SEDAR. The new mineral resource shows an increase in both nickel and copper grades. Ongoing delineation drilling has extended the mineralization both south and east with an updated mineral resource estimate anticipated to be assessed in mid 2010.

Basic engineering has commenced and detailed engineering design is expected to begin in March 2010. A final contract on building the access road to the mine site was signed with the Lapland Road Administration Authority. The new Vajusuvanto bridge leading to the mine area was officially opened by the minister in charge in November 2009.

Kansanshi copper/gold operation, Zambia

Sulphide ore treatment capacity will be increased by approximately 10% and flexibility will be improved upon the inclusion of secondary crushing in Q2 2010 in conjunction with mill feed belt capacity upgrades and modifications to the pebble crushing. Additional flotation capacity is being planned to ensure that efficiency losses are mitigated as ore treatment rates are increased. The replacement of the SAG mill on the oxide circuit was completed in Q1 2010.

The project to improve recovery of gold to gravity concentrates via additional gravity concentrators progressed with rapid and successful commissioning of two additional gravity concentrators in Q1 2010. Two more gravity concentrators are scheduled to be installed in Q2 2010. Additional research projects are underway to improve secondary recovery of gold from the gravity concentrate streams.

Guelb Moghrein copper/gold operation, Mauritania

The new HPGR comminution circuit is progressing with all major items of equipment on site and civils works near completion. Commissioning of the new circuit is scheduled for completion in Q2 2010. The gold scavenger flotation circuit extension and gravity concentrator are planned for commissioning in Q1 2010. Greater fuel efficiency at the plant is anticipated with the completion of the last phase of the new power station in Q1 2010. The remaining two 5 mega watt engines are on site and most of the auxiliary equipment has been installed in advance.

Frontier copper operation, RDC

The focus at Frontier for 2010 is to increase waste stripping to establish wider and more efficient working areas in the pit. This is planned to be achieved through the use of contractors and also with the introduction of new AC haul trucks. The AC haul trucks provide the capability for an AC powered trolley assist system in order to decrease hauling costs. These mining activities will increase the total mining volumes as well as the strip ratio in 2010.

Bwana Mkubwa copper SX/EW plant, Zambia

The RDC has permitted the Company to export Lonshi oxide ore with the border being officially re-opened November 5, 2009 and exports resumed on November 9, 2009. The Bwana Copper plant was successfully re-commissioned early in January 2010 and is anticipated to operate at an output level of approximately 800 tonnes of grade A copper cathode per month for the balance of 2010. The strategy beyond the exhaustion of ore from Lonshi is under review.

Kolwezi copper/cobalt project, RDC

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

Lonshi underground evaluation project, RDC

Decline development into the Lonshi underground deposit continued with strong intersections through the lower conglomerate ore body, and adjacent lower dolomite ore body. In addition to the decline development, an extensive surface drilling program is currently underway to improve confidence in the current resource model and to test for potential extensions to the ore body.

The exploration and development of the underground project will continue into 2010 with an objective to provide support for operational development.

Exploration

The Company's exploration activities continued at a high level during Q4 with ongoing drill programs in Finland, Zambia and the RDC.

At Kevitsa in Finland, four drill rigs are now active and exploration drilling continues to return encouraging intercepts some distance from the planned pit. Efforts are focused on assessing the potential for near surface mineralization to impact on areas of proposed plant and infrastructure. Infill drilling has now commenced to follow up on encouraging exploration intercepts immediately south of the current resource area. A series of regional Ni-Cu projects in Finland have been defined with alliance partner Newgenco. Claim reservations are being applied for with follow up exploration planned in 2010.

In the RDC, drilling continued on several high priority targets. A new prospect has been defined at 'Clairiere' some 50 kilometres ("kms") east of Lubumbashi. Seven core holes testing a strong copper soil anomaly have intersected a prospective package which is variably mineralized with disseminated chalcopyrite and bornite, the intercepts lie in the centre of a large 'copper clearing' with abundant copper flower, assay results are awaited. Five drill holes completed on the edges of the Frontier resource area have highlighted additional mineralization. A wide mineralized intercept on the footwall (western side) of the Frontier ore zone has potential to expand the mineable resource and is being targeted with follow up drilling in the next quarter. At Lonshi, an extensive diamond drill program of approximately 30,000 metres has commenced to test the strike and depth extent of the sulphide ore system with a view to expanding the current resource for underground extraction.

In Zambia, a potential new discovery appears to have been made at the 'South East Dome' prospect some 2 kms SE of the Kansanshi Main pit. Nine core holes completed in Q4 have all returned mineralization including some wide intercepts of 50 metres or more at estimated grades of 1% TCu. Two rigs are actively drilling in order to delineate the extent and geometry of the new deposit.

The Company announced the acquisition of Kiwara PLC during the quarter. Kiwara is the owner of the Kalumbila and Kawako exploration projects located approximately 150 kms from Kansanshi in the Solwezi district of Zambia. Kalumbila represents an early stage opportunity to evaluate and develop a relatively low grade but extensive copper resource. The nearby Kawako Project is at a reconnaissance drilling stage but includes some extraordinary high grade Nickel intercepts. An intensive drilling program is planned for Kalumbila in 2010.

In Mauritania, a major airborne gravity survey is in progress covering over 1,500 square kms surrounding the Guelb Moghrein mine. This survey has the potential to directly target high density Iron-Oxide-Copper-Gold (IOCG) deposits like Guelb Moghrein under sand cover. Follow up RC drilling has commenced on the previously discovered IOCG mineralization at El Joul some 8 kms SE of the mine.

OTHER ITEMS

Kolwezi update

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

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

The reasons for the decision as quoted in the Prime Minister's letter are:

1. misdated KMT Decree issue;
2. failure to commence commercial production within 44 months;
3. failure to respect the terms of the initial tender offer;
4. refusal to agree to pay increased royalties; and
5. refusal to agree to cancel the Management Fees provided for in the Contract of Association.

First Quantum remains firmly of the view that none of these reasons have any legal basis. CMD responded to the Prime Minister's letter, rebutted each of the reasons cited by the Council of Ministers, and requested further meetings to resolve the matter. CMD declined to return KMT's exploitation permit, and in response, the RDC Mining Registry ("CAMI") unilaterally cancelled KMT's exploitation permit and issued a new exploitation permit to Gécamines. Because of the urgent circumstances and in view of the precipitous actions of the RDC and of its State entities based on the decision of the Council of Ministers, on August 26 and September 3, 2009, KMT and CMD initiated three proceedings before the Tribunal de Grande Instance High Court in Kinshasa (the "Local Court") of the RDC seeking to obtain appropriate provisional measures to preserve their rights and to secure the KMT Project site.

Subsequently, on September 15, 2009 CMD received an order by the General Prosecutor of Katanga to seal KMT's facilities. The Company has been advised by its lawyers that such an order is illegal. On September 16, 2009, the Company had no choice but to announce that it had suspended construction at its KMT Project. Given the actions taken by the RDC government, the Company was also advised there was no longer any purpose in pursuing interim relief in the Local Court.

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

On October 21, 2009, KMT and CMD appeared before the Local Court and asked the Local Court to note that it was not seized of the provisional requests previously sought, and to note the withdrawal of the proceedings. The RDC and Gécamines contested the withdrawal of the proceedings. The debate that followed before the Local Court dealt only with questions of procedure, namely the withdrawal of the demands and incidentally on the joining of the three cases. There was no debate on the merits and no evidence was provided to the Local Court. The Company learned by way of a press conference called by the Vice Minister of Mines that the Local Court had rendered judgment on October 28, 2009, but that judgment was only served on CMD on November 23, 2009. The judgment held that the actions instituted by CMD and KMT were receivable, but not founded in law. The Local Court concluded on the basis of no evidence that there was not a clerical error in the Decree granting authorization for the constitution of KMT, but rather there was a formal defect. The Local Court also found without any evidence presented that there was fraud committed in the constitution of KMT and held that for this reason KMT did not exist in law. The Court then accepted the cross-claim of the RDC and Gécamines, and, as a consequence, condemned each of the CMD and KMT to pay to Gécamines and the RDC as damages and interest the equivalent of US $3,000,000 and court costs.

Thus, the Local Court ruled not only on the withdrawal of the proceedings but also on the constitution of KMT itself. The Local Court did so without any debate or evidence and while it had taken its decision under advisement after having heard the parties on issues of procedure and whether the Local Court was seized of the matter. At the same time, the Local Court imposed unproven damages and interest. On December 21, 2009 CMD and KMT filed an appeal of the judgment (the "Local Appeal").

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

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

In public statements made on February 3, 2010 during the Indaba mining conference held in Cape Town, South Africa, the Minister of Mines of the RDC indicated that instructions had been given by the Government of the RDC to Gécamines to start negotiations with third parties in order to create a new partnership in relation to the KMT Project and that Gécamines had started such discussions with certain third parties. In response the Company has published notices in certain widely circulated publications advising of CMD's, IFC's and IDC's valid contractual rights, and the ongoing ICC International Arbitration with respect to the KMT Project and warning third parties not to interfere with KMT legal title or attempt to induce a breach of CMD's, IFC's and IDC's contractual relations with the RDC and Gécamines.

On February 23, 2010, without any prior notice KMT and CMD received a Notice of Hearing Date from Gécamines and CAMI setting the Local Appeal for hearing in less than 24 hours on February 24, 2010. Gécamines and CAMI requested the confirmation of the Lower Court judgment and also made an unsupported request for up to $US12 billion in damages to be awarded to Gécamines and CAMI. KMT's lawyers attended and objected to the proceedings. The Company believes a decision of the Local Appeal is imminent. The Company continues to believe the allegations against KMT and CMD have no merit and intends to vigorously defend against any decision. No amount has been accrued in these financial statements.

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

The carrying value of the Kolwezi development project is $786.8 million and is comprised of the initial acquisition cost of $387.6 million and capital expenditures of $399.2 million. In response to the events during the year and subsequent to December 31, 2009, the Company has performed an impairment analysis based on the estimated undiscounted values of the potential outcomes of the dispute including the process of international arbitration. No impairment has been recorded as at December 31, 2009 as a result of this analysis. The final outcome of the arbitration process remains uncertain and may result in the impairment or loss of all or part of the Company's investment. Under IFRS, the use of a discounted cash flow model to test for impairment is likely to have a material impact on the Company's carrying value of the Kolwezi project (refer to the "*Regulatory Disclosures – International Financial Reporting Standards – Mineral properties, plant and equipment*").

Zambian taxation update

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

Under the new President, the GRZ reviewed these tax changes and proposed that the new windfall tax be removed, the deductibility of capital allowances be increased back to 100% in the period of expenditure and to allow hedging income be part of mining income for tax purposes. These changes were passed by Parliament in March 2009 and the majority of changes took effect from April 1, 2009. These enacted changes are not retroactive to April 1, 2008. On May 18, 2009, the GRZ issued a temporary exemption of the concentrate export levy of 15% until December 31, 2009 in order to allow the Company to export the copper in concentrate that could not be treated in Zambia due to the lack of smelter capacity within Zambia.

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

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

impairment in future periods based on changes in facts and circumstances; any impairment amounts required in the future may be material. As at December 31, 2009, this receivable amounts to $181.3 million.

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

OUTLOOK

The Company expects its 2010 production to increase to 385,000 tonnes of copper and 240,000 ounces of gold. The group C1 cost of production is expected to remain unchanged at $0.97 per pound of copper.

During January and February 2010, copper production was approximately 55,400 tonnes from:

Kansanshi	33,400
Frontier	15,400
Guelb Moghrein	5,200
Bwana Mkubwa	1,400

The Company sold 55,300 tonnes of copper in January and February 2010.

Kansanshi

Copper production for the first two months of 2010 was affected by the replacement of the oxide SAG mill which caused a period of downtime and a temporary shift in the processing plan. The mixed ore circuit will continue to focus on increasing flotation capacity to enhance efficiencies at the targeted throughput rates. Sulphide ore treatment capacity will be increased by approximately 10% by the inclusion of secondary crushing in Q2 2010 in conjunction with mill feed belt capacity upgrades and modifications to the pebble crushing circuit aimed at increasing capacity and flexibility.

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

Guelb Moghrein

Production at Guelb Moghrein was impacted by extended downtime during January as a result of unscheduled maintenance on mill 3. Progress on the new HPGR comminution circuit is in line with commissioning at the beginning of Q2. A gold scavenger flotation circuit extension and Falcon concentrator will be commissioned in Q1 and is expected to result in increased gold recoveries shortly thereafter. Greater fuel efficiency is expected with the completion of the last phase of the new power station in Q1.

Frontier

Mining activities have been focused on pit maintenance and waste stripping in early 2010 in response to difficult pit conditions caused by a heavy rainy season. Increases in plant throughput and recoveries will remain key production objectives in 2010. Waste stripping activity planned for 2010 is expected to impact ore costs in 2010, while the cost saving initiatives implemented in late 2008 will be reviewed and improved upon.

Bwana Mkubwa

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

Medium term group production estimate (2011 to 2014)

The Company expects production from the Kansanshi, Frontier and Guelb Moghrein operations to increase to an average total of 400,000 tonnes of copper and 250,000 ounces of gold for years 2011 to 2014. During this period, the Kevitsa and Ravensthorpe projects are scheduled to begin commercial production. Including the anticipated annual average copper production from the Kevitsa project, the Company expects its copper production to rise to 420,000 tonnes from year 2013. In addition, the Company expects the Kolwezi project could begin production within 12 months from recommencement of construction and produce 70,000 tonnes of copper annually.

The Company expects to become a material nickel producer by year 2013 with total nickel production of approximately 50,000 tonnes annually from the Ravensthorpe and Kevitsa projects.

Hedging program

Following the sharp decline in the copper price in the last quarter of 2008, the Company resolved in January 2009 to hedge up to 50% of planned copper production on a rolling six month period to protect itself against possible further falls in the copper price. An option based strategy of bought puts and sold calls was entered into to achieve a guaranteed, minimum price (put strike) over the hedged quantity while still participating in favorable price movements up to a capped, ceiling price (call strike). All copper contracts entered into under this strategy during 2009 have matured during the year.

The Company regularly reviewed its risk positions and as the copper market regained strength over the course of the 2009 year, no additional hedging positions were undertaken subsequent to June 2009. As at December 31 2009, the Company did not have any commodity hedge positions outstanding.

As at December 31, 2009, the following derivative positions were outstanding:

	Maturity 2010	Maturity 2011	Total	**Fair value December 31, 2009**		**Fair value December 31, 2008**	
Gold				Asset	Liability	Asset	Liability
Forward sales contracts	-	-	-	-	-	-	(19.1)
Bought put options	-	-	-	-	-	2.2	-
Sold call options	-	-	-	-	-	-	(2.1)
Foreign exchange							
Foreign exchange spot and forward sales contracts – USD equivalent	61.5	-	61.5	0.7	-	0.2	-
Foreign exchange bought put options and forward sales contracts – USD equivalent	96.6	-	96.6	-	(0.6)	2.0	-
Foreign exchange sold call options – USD equivalent	24.5	-	24.5	0.2	-	-	(4.6)
Cross-currency swap	-	-	-	-	-	4.6	-
Interest rate							
Floating to fixed interest rate swap – principal	48.1	19.4	67.5	-	(0.7)	-	(0.2)
Average fixed interest rate	1.82%	1.80%	1.82%				
Other							
Embedded derivative				-	(7.6)	-	(8.0)
				0.9	(8.9)	9.0	(34.0)
Copper embedded derivative (tonnes)	21,647	-	21,647				
Average price ($/tonne)	$7,361	-	$7,361				
Gold embedded derivative (ounces)	4,069	-	4,069				
Average price ($/oz)	$1,096	-	$1,096				

Provisionally priced copper sales subject to final settlement prices in 2010

At December 31, 2009, 21,647 tonnes of copper sales were provisionally priced at an average of $3.34 per pound ($7,361 per tonne). Of this total, 11,563 tonnes and 10,084 tonnes were subject to final pricing in January and February 2010, respectively.

The average LME cash price for January 2010 was $3.35 per pound ($7,386 per tonne) and for February 2010, $3.11 per pound (6,848 per tonne) resulting in a negative provisional adjustment of $4.9 million which will be recognized in Q1 2010.

Appendix A

SUMMARY OF QUARTERLY AND CURRENT YEAR RESULTS

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

Consolidated operating statistics	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	FY09
Revenues									
Copper	$486.3	$625.5	$538.3	$(8.8)	$239.0	$380.2	$522.9	$603.0	$1,745.1
Gold	25.2	26.3	24.8	21.2	27.7	40.0	35.0	53.3	156.0
Other revenues	-	0.8	0.8	-	1.5	0.3	-	-	1.8
Total revenues	511.5	652.6	563.9	12.4	268.2	420.5	557.9	656.3	1,902.9
Cost of sales	137.1	219.0	248.6	218.4	142.0	189.4	231.4	234.7	797.5
Inventory NRV adjustments	-	-	7.9	52.6	-	(9.9)	-	(15.5)	(25.4)
Impairment charge	-	-	-	254.2	-	-	-	-	-
Net earnings	182.0	208.0	147.5	(491.6)	10.9	101.5	123.8	227.2	463.4
Basic earnings per share	$2.68	$3.06	$2.16	$(7.19)	$0.16	$1.31	$1.59	$2.91	$6.14
Diluted earnings per share	$2.65	$3.02	$2.13	$(7.19)	$0.16	$1.30	$1.50	$2.67	$5.92
Weighted average # shares (000's)	67,837	68,046	68,370	68,388	68,794	77,242	78,052	78,169	75,508
Cash flows from operating activities per share									
Before working capital movements	$4.02	$4.45	$3.06	$(2.16)	$1.24	$2.05	$2.10	$3.45	$8.98
After working capital movements	$2.12	$4.64	$3.84	$0.64	$(0.86)	$2.00	$2.52	$3.45	$7.45
Copper selling price									
Current period copper sales (per lb)	$3.43	$3.72	$3.11	$1.35	$1.54	$2.08	$2.44	$3.00	$2.35
Prior period provisional adjustments (per lb)	0.32	0.01	(0.08)	(0.99)	0.26	0.02	0.06	0.03	0.05
Gross copper selling price (per lb)	3.75	3.73	3.03	0.36	1.80	2.10	2.50	3.03	2.40
Tolling and refining charges (per lb)	(0.05)	(0.06)	(0.06)	(0.07)	(0.06)	(0.09)	(0.08)	(0.08)	(0.08)
Freight parity charges (per lb)	(0.19)	(0.29)	(0.27)	(0.33)	(0.18)	(0.16)	(0.16)	(0.16)	(0.16)
Realized copper price (per lb)	3.51	3.38	2.70	(0.04)	1.56	1.85	2.26	2.79	2.16
Realized gold price (per oz)	$868	$982	$759	$637	$842	$850	$722	$926	$839
Total copper produced (tonnes) (1)	75,616	80,977	82,187	95,635	89,440	92,486	93,486	98,528	373,940
Total copper sold (tonnes)(1)	62,802	84,007	90,698	97,280	69,774	93,482	105,154	98,171	366,581
Total gold produced (ounces) (1)	16,495	34,227	25,811	39,644	50,425	36,827	43,357	62,679	193,288
Total gold sold (ounces) (1)	29,071	26,797	32,663	33,299	32,827	47,055	48,454	57,571	185,907
Cash Costs (C1) (per lb) (2)	$1.02	$1.23	$1.37	$1.26	$0.97	$0.90	$0.98	$0.97	$0.96
Total Costs (C3) (per lb) (2)	$1.28	$1.91	$1.99	$1.50	$1.19	$1.17	$1.27	$1.27	$1.22
Copper Inventory (tonnes)									
Kansanshi	14,243	16,342	14,306	14,416	30,036	33,801	22,021	22,059	22,059
Guelb Moghrein	1,057	1,546	1,765	1,869	2,343	88	555	963	963
Frontier	16,328	10,850	3,876	106	5,296	2,574	3,128	3,041	3,041
Total copper inventory	31,628	28,738	19,947	16,391	37,675	36,463	25,704	26,063	26,063

Kansanshi production statistics	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	FY09
Mining									
Waste mined (000's tonnes)	3,671	10,167	10,066	4,771	4,271	4,746	7,122	4,663	20,802
Ore mined (000's tonnes)	5,433	3,306	5,027	5,324	3,979	4,034	5,410	5,258	18,681
Ore grade (%)	1.6	1.8	1.5	1.4	1.4	1.4	1.4	1.3	1.4
Processing (1)									
Sulphide and mixed ore processed (000's tonnes)	1,891	1,548	2,824	2,956	3,260	3,926	4,053	4,343	15,582
Oxide ore processed (000's tonnes)	1,455	1,541	1,562	1,414	1,343	1,300	1,540	1,478	5,661
Sulphide and mixed ore grade processed (%)	1.3	1.4	1.1	1.3	1.2	1.0	1.0	1.0	1.1
Oxide ore grade processed (%)	1.8	1.6	1.6	1.7	1.6	1.4	1.6	1.4	1.5
Sulphide and mixed ore Recovery (%)	93	93	92	95	95	94	88	86	91
Oxide Recovery (%)	94	92	91	91	93	89	91	93	91
Copper cathode produced (tonnes)	27,522	25,430	23,685	25,716	23,836	21,237	25,436	21,535	92,044
Copper cathode tolled produced (tonnes)	8,219	13,039	13,266	10,657	15,402	20,368	26,344	24,901	87,015
Copper in concentrate produced (tonnes)	16,562	9,154	16,423	25,641	21,600	18,787	9,516	16,017	65,920
Total copper production	52,303	47,623	53,374	62,014	60,838	60,392	61,296	62,453	244,979
Concentrate grade (%)	27.6	28.7	28.1	28.3	28.1	27.5	27.9	27.6	27.8
Gold produced (ounces)	2,301	17,927	10,292	23,733	25,655	16,455	25,350	32,476	99,936
Combined Costs (per lb) (2)									
Mining	$0.20	$0.36	$0.41	$0.36	$0.27	$0.32	$0.35	$0.35	$0.32
Processing	0.50	0.69	0.79	0.62	0.48	0.49	0.50	0.52	0.50
Site Administration	0.02	0.03	0.03	0.04	0.02	0.02	0.02	0.01	0.02
TC/RC and freight parity charges	0.18	0.20	0.28	0.30	0.28	0.30	0.28	0.29	0.29
Gold credit	(0.08)	(0.13)	(0.11)	(0.08)	(0.06)	(0.14)	(0.14)	(0.21)	(0.14)
Combined Total Cash Costs (C1)	$0.82	$1.15	$1.40	$1.24	$0.99	$0.99	$1.01	$0.96	$0.99
Combined Total Costs (C3)	$0.95	$2.00	$2.11	$1.52	$1.22	$1.27	$1.31	$1.28	$1.27
Oxide Circuit Costs (per lb) (2)									
Mining	$0.16	$0.32	$0.31	$0.27	$0.20	$0.22	$0.23	$0.25	$0.22
Processing	0.59	0.86	1.09	0.96	0.68	0.85	0.57	0.70	0.70
Site Administration	0.03	0.02	0.03	0.05	0.02	0.02	0.02	0.01	0.02
Oxide Circuit Total Cash Costs (C1)	$0.78	$1.20	$1.43	$1.28	$0.90	$1.09	$0.82	$0.96	$0.94
Oxide Circuit Total Costs (C3)	$0.88	$1.99	$1.96	$1.46	$1.09	$1.28	$1.05	$1.22	$1.15
Sulphide Circuit Costs (per lb) (2)									
Mining	$0.24	$0.41	$0.49	$0.44	$0.32	$0.38	$0.44	$0.40	$0.39
Processing	0.39	0.49	0.53	0.36	0.40	0.33	0.50	0.46	0.42
Site Administration	0.02	0.02	0.03	0.03	0.02	0.02	0.02	0.01	0.02
TC/RC and freight parity charges	0.40	0.43	0.52	0.51	0.41	0.43	0.43	0.41	0.42
Gold credit	(0.17)	(0.27)	(0.20)	(0.13)	(0.10)	(0.22)	(0.24)	(0.33)	(0.23)
Sulphide Circuit Total Cash Costs (C1)	$0.88	$1.08	$1.37	$1.21	$1.05	$0.94	$1.15	$0.95	$1.02
Sulphide Circuit Total Costs (C3)	$1.03	$2.01	$2.24	$1.57	$1.32	$1.27	$1.50	$1.31	$1.34
Revenues ($ millions)									
Copper cathodes	$305.5	$338.1	$286.2	$117.8	$139.1	$185.2	$293.7	$291.9	$909.9
Copper in concentrates	67.9	28.9	72.6	(36.6)	23.8	58.6	97.6	99.9	279.9
Gold	8.8	13.0	12.2	10.1	8.0	18.6	18.7	29.1	74.4
Total revenues	$382.2	$380.0	$371.0	$91.3	$170.9	$262.4	$410.0	$420.9	$1,264.2
Copper cathode sold (tonnes)	29,811	28,063	25,943	28,199	27,875	21,095	26,178	21,012	96,160
Copper tolled cathode sold (tonnes)	8,219	13,039	13,266	10,657	15,402	20,368	26,344	24,902	87,016
Copper in concentrate sold (tonnes)	8,981	4,393	15,830	21,300	3,414	15,022	21,463	16,503	56,402
Gold sold (ounces)	11,995	11,995	18,416	19,658	10,251	21,227	30,083	33,085	94,646

Guelb Moghrein production statistics	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	FY09
Mining									
Waste mined (000's tonnes)	1,388	1,018	776	1,128	2,048	2,333	2,177	2,246	8,804
Ore mined (000's tonnes)	662	626	858	1,038	789	603	525	827	2,744
Ore grade (%)	1.3	1.6	1.5	1.5	1.7	1.8	1.6	1.5	1.6
Processing (1)									
Sulphide ore processed (000's tonnes)	517	491	511	553	530	474	514	769	2,287
Sulphide ore grade processed (%)	1.8	1.9	2.0	1.7	1.9	2.0	1.7	1.7	1.8
Recovery (%)	83	86	84	85	92	86	84	92	89
Copper in concentrate produced (tonnes)	7,668	8,722	8,506	8,177	9,331	8,036	7,425	11,816	36,608
Gold produced (ounces)	14,191	16,300	15,423	16,011	24,771	20,371	18,007	30,203	93,352
Sulphide Circuit Costs (per lb) (2)									
Mining	$0.20	$0.19	$0.23	$0.38	$0.21	$0.19	$0.16	$0.29	$0.22
Processing	0.63	0.60	0.69	0.71	0.46	0.46	0.73	0.53	0.54
Site Administration	0.13	0.10	0.12	0.11	0.09	0.12	0.16	0.18	0.14
TC/RC and freight parity charges	0.38	0.57	0.39	0.38	0.49	0.45	0.49	0.51	0.48
Gold credit	(0.97)	(0.75)	(0.69)	(0.62)	(0.90)	(1.16)	(0.87)	(0.88)	(0.94)
Sulphide Circuit Total Cash Costs (C1)	$0.37	$0.71	$0.74	$0.96	$0.35	$0.06	$0.67	$0.63	$0.44
Sulphide Circuit Total Costs (C3)	$0.89	$1.14	$1.09	$1.08	$0.66	$0.46	$1.19	$1.02	$0.83
Revenues ($ millions)									
Copper in concentrates	$67.2	$51.1	$32.4	$(13.0)	$20.5	$25.7	$24.1	$45.4	$115.7
Gold	16.4	13.3	12.6	11.1	19.7	21.4	16.3	24.2	81.6
Total revenues	$83.6	$64.4	$45.0	$(1.9)	$40.2	$47.1	$40.4	$69.6	$197.3
Copper in concentrate sold (tonnes)	9,757	7,953	8,287	8,073	8,857	10,291	6,958	9,330	35,436
Gold sold (ounces)	17,076	14,802	14,247	13,641	22,576	24,931	18,371	25,384	91,262

Frontier Production Statistics	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	FY09
Mining									
Waste mined (000's tonnes)	2,195	3,740	3,433	3,057	1,395	2,017	3,282	3,932	10,626
Ore mined (000's tonnes)	638	1,860	1,986	2,037	1,696	2,056	2,300	1,998	8,050
Ore grade (%)	1.3	1.4	1.2	1.2	1.2	1.3	1.2	1.2	1.2
Processing (1)									
Sulphide ore processed (000's tonnes)	1,499	1,794	1,651	2,178	1,570	2,035	2,183	2,280	8,068
Sulphide ore grade processed (%)	1.2	1.4	1.2	1.3	1.3	1.3	1.2	1.2	1.2
Recovery (%)	74	91	96	91	94	92	92	91	92
Copper in concentrate produced (tonnes)	13,437	23,136	18,687	24,917	19,271	24,058	24,765	24,259	92,353
Sulphide Circuit Costs (per lb) (2)									
Mining	$0.61	$0.33	$0.43	$0.45	$0.27	$0.23	$0.23	$0.41	$0.28
Processing	0.29	0.26	0.35	0.31	0.30	0.29	0.30	0.42	0.33
Site Administration	0.15	0.12	0.19	0.13	0.09	0.05	0.09	0.10	0.08
TC/RC and freight parity charges	0.65	0.69	0.55	0.64	0.57	0.41	0.40	0.39	0.44
Sulphide Circuit Total Cash Costs (C1)	$1.70	$1.40	$1.52	$1.53	$1.23	$0.98	$1.02	$1.32	$1.13
Sulphide Circuit Total Costs (C3)	$2.18	$1.70	$1.90	$1.67	$1.36	$1.12	$1.19	$1.52	$1.30
Revenues ($ millions)									
Copper in concentrates	$32.6	$192.0	$137.1	$(73.9)	$55.2	$110.7	$107.5	$165.8	$439.2
Copper in concentrate sold (tonnes)	4,214	28,615	25,660	28,533	14,226	26,706	24,211	26,424	91,567

Bwana/Lonshi Production Statistics	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	FY09
Mining									
Waste mined (000's tonnes)	898	1,079	117	-	-	-	-	-	-
Ore mined (000's tonnes)	37	89	14	-	-	-	-	-	-
Ore grade (%)	4.4	5.3	4.3	-	-	-	-	-	-
Processing									
Oxide ore processed (000's tonnes)	242	234	228	14	-	-	-	-	-
Oxide ore grade processed (%)	0.9	0.8	0.8	0.9	-	-	-	-	-
Recovery (%)	97	84	84	92	-	-	-	-	-
Copper cathode produced (tonnes)	2,208	1,496	1,620	527	-	-	-	-	-
Acid produced (tonnes)	66,414	74,699	90,987	64,016	63,193	32,461	-	848	96,502
Surplus acid (tonnes)	10	2,174	2,071	150	7,768	1,819	-	-	9,587
Oxide Circuit Costs (per lb) (2)									
Mining	$1.65	$1.61	$1.53	-	-	-	-	-	-
Processing	2.15	3.20	1.77	-	-	-	-	-	-
Site Administration	0.58	0.39	0.35	-	-	-	-	-	-
Gold / Acid credit	(0.78)	(1.26)	(0.39)	-	-	-	-	-	-
Oxide Circuit Total Cash Costs (C1)	$3.60	$3.94	$3.26	-	-	-	-	-	-
Oxide Circuit Total Costs (C3)	$4.13	$5.47	$3.69	-	-	-	-	-	-
Revenues ($ millions)									
Copper in cathodes	$13.1	$15.4	$10.0	$(3.1)	$0.4	-	-	-	$0.4
Copper cathodes sold (tonnes)	1,820	1,944	1,712	518	-	-	-	-	-

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

Appendix B

REGULATORY DISCLOSURES

Seasonality

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

Off-Balance Sheet Arrangements

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

Non-GAAP Measures

Calculation of Cash and Total Costs

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

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

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

Calculation of Operating Cash Flow per Share

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

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

International Financial Reporting Standards ("IFRS")

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

An IFRS conversion project team has been established and the process to transition from Canadian GAAP to IFRS has commenced. The project team has developed a conversion implementation plan comprising 3 major phases. These include a scope and planning phase, a design and build phase, and an implement and review phase. Throughout the transition, all stakeholder groups are being consulted to ensure complete information. These stakeholders include senior management from finance, treasury, tax, the Corporation's regional business units, information technology, human resources, the Board of Directors through the Audit Committee, among others.

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

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

Mineral properties, plant and equipment

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

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

Foreign currency

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

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

Asset retirement obligations ("ARO")

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

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

Business combinations

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

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

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

Income tax

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

Presentation of financial statements, including presentation of minority interests

IFRS requires that minority interests be treated as a component of equality, rather than as a liability, in the Company's balance sheet. In addition, under IFRS the related income (loss) is no longer deducted in arriving at net income (loss), but disclosed separately on the face of the income statement. The Company has elected to early adopt a new standard under Canadian GAAP from January 1, 2010, which is aligned with IFRS.

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

Financial instruments presentation

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

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

Changes in Accounting Policies

Pre-production costs

Section 3064, "Goodwill and Intangible Assets" establish revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with this standard, the CICA withdrew EIC 27, "Revenues and Expenditures During the Pre-operating Period". As a result of the withdrawal of EIC 27, the Company is no longer able to defer costs and revenues incurred subsequent to the completion of plant commissioning and prior to the commercial levels of production at new mine operations. The Company adopted the new standard retrospectively effective January 1, 2009 and there was no significant impact on the financial statements.

Mining exploration costs

In March 2009, the CICA issued EIC 174 "Mining Exploration Costs". This EIC provides guidance on accounting for and impairment of exploration costs. The Company adopted this EIC effective January 1, 2009. As the Company's policy is to expense early stage exploration expenditures, application of this EIC does not have an impact on the financial statements.

Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the CICA issued EIC 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This EIC provides guidance on the impact of equity and counterparty credit risk when determining the fair value of financial assets and liabilities including derivative instruments. The Company adopted this EIC effective January 1, 2009. The adoption of the EIC did not have a significant impact on the Company's financial statements.

Critical Accounting Policies

Mineral properties and deferred exploration costs

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

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

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

Income taxes

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

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

Stock based compensation

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

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

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

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

Asset retirement obligations

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

Critical Accounting Estimates

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

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

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

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

Disclosure Controls and Procedures

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

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

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

Internal Control over Financial Reporting

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

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

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

There were no changes in the Company's internal controls over financial reporting during the period ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Controls and Procedures

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

Forward Looking Statements

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

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

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