First Quantum Minerals Ltd.

Consolidated Financial Statements
Second Quarter – June 30, 2010
(unaudited)
(expressed in millions of U.S. dollars, except where indicated)

First Quantum Minerals Ltd.

Consolidated Statements of Earnings (Loss)

(unaudited)

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

	Note	Three months ended June 30		Six months ended June 30	
		2010	2009	2010	2009
Sales revenues					
Copper		484.4	371.8	1,003.8	603.6
Gold		44.3	40.0	87.7	67.7
Acid		-	0.3	-	1.8
		528.7	412.1	1,091.5	673.1
Cost of sales		(249.2)	(152.1)	(454.9)	(281.7)
Depletion and amortization		(31.2)	(38.6)	(59.0)	(70.4)
Royalties, windfall taxes and export levies	17b	(20.3)	(11.3)	(39.6)	(20.0)
Operating profit		228.0	210.1	538.0	301.0
Other income (expenses)					
Exploration		(11.5)	(5.7)	(19.3)	(11.2)
General and administrative		(5.6)	(5.6)	(12.9)	(11.3)
Assets impaired	4	(813.1)	-	(813.1)	-
Acquisition transaction costs	3a	-	-	(18.5)	-
Interest		(14.6)	(11.5)	(28.5)	(22.6)
Derivative instrument adjustments		11.5	(52.7)	8.0	(99.1)
Other income	13	4.3	10.4	11.6	10.9
		(829.0)	(65.1)	(872.7)	(133.3)
Earnings (loss) before income taxes		(601.0)	145.0	(334.7)	167.7
Income taxes	4	42.1	(37.3)	(43.2)	(38.5)
Net earnings (loss)		(558.9)	107.7	(377.9)	129.2
Earnings (loss) for the period attributable to:					
Non-controlling interests		29.3	6.2	64.1	16.8
Equity holders of the parent		(588.2)	101.5	(442.0)	112.4
Earnings (loss) per common share					
Basic	12b	($7.33)	$1.31	($5.53)	$1.54
Diluted	12b	($7.33)	$1.30	($5.53)	$1.53
Weighted average shares outstanding (000's)					
Basic	12b	80,268	77,242	79,923	72,861
Diluted	12b	80,268	77,897	79,923	73,412
Total shares issued and outstanding (000's)	12a	80,599	78,224	80,599	78,224

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

First Quantum Minerals Ltd.

Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

(expressed in millions of U.S. dollars)

	Note	Three months ended June 30		Six months ended June 30	
		2010	**2009**	**2010**	**2009**
Net earnings (loss)		(558.9)	107.7	(377.9)	129.2
Other comprehensive income (loss)					
Unrealized gain (loss) on available-for-sale investments, net of tax		(22.7)	102.3	(34.8)	140.5
Realized gain on available-for-sale investments, net of tax		-	(1.2)	-	(1.3)
		(22.7)	101.1	(34.8)	139.2
Comprehensive income (loss)		(581.6)	208.8	(412.7)	268.4
Total comprehensive income (loss) for the period attributable to:					
Non-controlling interests		29.3	6.2	64.1	16.8
Equity holders of the parent		(610.9)	202.6	(476.8)	251.6
		(581.6)	208.8	(412.7)	268.4

First Quantum Minerals Ltd.
Consolidated Balance Sheets
(unaudited)

(expressed in millions of U.S. dollars)

	Note	June 30, 2010	December 31, 2009
Assets			
Current assets			
Cash and cash equivalents		689.3	919.2
Restricted cash	9a	40.3	40.3
Accounts receivable		219.4	342.6
Inventory	5	415.5	346.7
Current portion of other assets	8	267.8	195.2
		1,632.3	1,844.0
Investments	6	410.8	460.4
Property, plant and equipment	7	2,147.4	2,157.9
Other assets	8	87.6	102.3
Total assets		4,278.1	4,564.6
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		338.0	323.0
Current taxes payable		407.5	320.8
Current portion of debt	9	115.6	84.5
Current portion of other liabilities	11	4.7	3.9
		865.8	732.2
Debt	9	63.1	107.1
Convertible bonds	10	445.2	438.4
Other liabilities	11	48.5	36.1
Future income tax liabilities		372.3	373.9
Total liabilities		1,794.9	1,687.7
Equity			
Capital stock		895.7	750.4
Retained earnings		955.0	1,437.9
Accumulated other comprehensive income		257.7	297.2
Total equity attributable to equity holders of the parent		2,108.4	2,485.5
Non-controlling interests		374.8	391.4
Total equity		2,483.2	2,876.9
Total liabilities and equity		4,278.1	4,564.6
Commitments	16		
Contingencies and measurement uncertainty	4, 17		

Approved by the Board of Directors

"Andrew Adams" Director *"Peter St George"* Director

First Quantum Minerals Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

(expressed in millions of U.S. dollars)

		Three months ended June 30		Six months ended June 30	
	Note	2010	2009	2010	2009
Capital stock					
Common shares					
Balance – beginning of period		865.5	444.1	724.2	441.8
Acquisition of Kiwara PLC	3b	-	-	137.2	-
Acquisition of logistical expertise		2.1	-	2.1	-
Stock options exercised		0.8	0.1	4.9	2.4
Stock issued on equity financing		-	269.5	-	269.5
Balance – end of period		868.4	713.7	868.4	713.7
Equity portion of convertible bonds					
Balance – beginning of period		56.9	-	56.9	-
Equity allocation of convertible bonds	10	-	56.9	-	56.9
Balance – end of period		56.9	56.9	56.9	56.9
Treasury shares					
Balance – beginning of period		(47.0)	(38.8)	(47.2)	(38.8)
Restricted and performance stock units vested		0.6	-	0.8	-
Balance – end of period		(46.4)	(38.8)	(46.4)	(38.8)
Contributed surplus					
Balance – beginning of period		16.6	18.4	16.5	17.3
Stock-based compensation expense for the period		1.4	1.8	2.9	3.5
Transfers upon exercise of stock options		(0.6)	(0.1)	(1.8)	(0.7)
Restricted and performance stock units vested		(0.6)	-	(0.8)	-
Balance – end of period		16.8	20.1	16.8	20.1
Total capital stock		895.7	751.9	895.7	751.9
Retained earnings					
Balance – beginning of period		1,543.2	991.2	1,437.9	980.3
Earnings (loss) attributable to equity holders of the parent		(588.2)	101.5	(442.0)	112.4
Acquisition	3c	-	-	(0.4)	-
Dividends		-	-	(40.5)	-
Balance – end of period		955.0	1,092.7	955.0	1,092.7
Accumulated other comprehensive income					
Balance – beginning of period		285.1	38.1	297.2	-
Other comprehensive income (loss) for the period		(27.4)	101.1	(39.5)	139.2
Balance – end of period		257.7	139.2	257.7	139.2
Non-controlling interests					
Balance – beginning of period		363.6	323.9	391.4	313.3
Earnings attributable to non-controlling interests		29.3	6.2	64.1	16.8
Dividends paid		(18.1)	-	(18.1)	-
Acquisition	3c	-	-	(62.6)	-
Balance – end of period		374.8	330.1	374.8	330.1

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

First Quantum Minerals Ltd.

Consolidated Statements of Cash Flows

(unaudited)

(expressed in millions of U.S. dollars)

		Three months ended June 30		Six months ended June 30	
	Note	2010	2009	2010	2009
Cash flows from operating activities					
Net earnings (loss) for the period		(558.9)	107.7	(377.9)	129.2
Items not affecting cash					
Depletion and amortization		31.2	38.6	59.0	70.4
Assets impaired	4	813.1	-	813.1	-
Adjustment to net realizable value of inventory		-	(10.7)	-	(10.7)
Unrealized foreign exchange loss (gain)		(9.0)	3.6	(14.6)	0.8
Future income tax	4	(108.6)	(2.0)	(112.4)	(12.0)
Stock-based compensation expense		1.4	1.8	2.9	3.5
Unrealized derivative instruments loss (gain)		(9.5)	13.4	(7.4)	55.5
Other		10.6	6.1	16.7	6.9
		170.3	158.5	379.4	243.6
Change in non-cash operating working capital					
Decrease (increase) in accounts receivable and other		119.6	(68.2)	58.3	(121.0)
Increase in inventory		(50.2)	(9.1)	(71.7)	(24.5)
Increase (decrease) in accounts payable and accrued liabilities		37.0	44.5	10.0	(32.2)
Increase in current taxes payable		32.5	29.2	86.7	29.9
		309.2	154.9	462.7	95.8
Cash flows from financing activities					
Proceeds from debt		15.1	-	25.1	139.0
Repayments of debt		-	(150.0)	(40.4)	(251.5)
Proceeds from convertible bonds		-	488.0	-	488.0
Proceeds on issuance of common shares		0.2	269.5	3.1	271.2
Restricted cash		(36.0)	(40.3)	-	-
Dividends paid		(40.5)	-	(40.5)	-
Dividends paid to non-controlling interests		(18.1)	-	(18.1)	-
		(79.3)	567.2	(70.8)	646.7
Cash flows from investing activities					
Payments for property, plant and equipment		(82.7)	(94.4)	(119.3)	(173.2)
Acquisitions, net of cash acquired	3	(4.8)	-	(501.0)	-
Acquisition of logistical expertise		(1.6)	-	(1.6)	-
Acquisition of available-for-sale investments, net		0.1	(1.5)	0.1	3.8
		(89.0)	(95.9)	(621.8)	(169.4)
Increase (decrease) in cash and cash equivalents		140.9	626.2	(229.9)	573.1
Cash and cash equivalents - beginning of period		548.4	123.1	919.2	176.2
Cash and cash equivalents - end of period		689.3	749.3	689.3	749.3

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

1 Basis of presentation

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

2 Changes in accounting policies

Accounting Policy Changes Effective January 1, 2010

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

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

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

3 Acquisitions

a) Ravensthorpe

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

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

As at June 30, 2010, the preliminary fair values of the identifiable assets and liabilities of Ravensthorpe as at the date of acquisition are as follows:

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

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

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

ii) The Company's share of Ravensthorpe's income from the date of acquisition to June 30, 2010 was not significant.

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

b) Kiwara PLC

In January 2010, the Company acquired all of the issued share capital of Kiwara PLC ("Kiwara") which owned 85% of Kalumbila Minerals Limited ("Kalumbila") which holds mineral property licences on the periphery of the Kabombo Dome in North Western Province, Zambia. At the time of acquisition Kiwara had begun an in-fill drill program at Kalumbila to determine a mineral resource estimate for the properties. Under the terms of the Kiwara acquisition agreement, the Company acquired a further 10% interest in Kalumbila in February 2010 bringing its ownership interest to 95%. The acquisition of Kiwara has been accounted for as a single step asset purchase. The total purchase price was $269.0 million comprising:

	$
Cash	130.9
Issuance of common shares	137.2
Transaction costs	0.9
Total	269.0

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

The cash paid to acquire Kiwara including transaction costs less the cash acquired was $128.8 million.

As at June 30, 2010, the fair values of the identifiable assets and liabilities of Kiwara as at the date of acquisition are as follows:

	$
Assets	
Cash	3.0
Mineral property	377.9
Liabilities	
Accounts payable and accrued liabilities	(0.5)
Future income tax liability	(111.4)
Net assets acquired	269.0

In May 2010, the Company purchased 1% of the non-controlling interest in Kalumbila for $4.4 million bringing its ownership interest to 96%. This acquisition has been accounted for as an asset purchase. The Company holds an option to acquire the remaining 4% interest in Kalumbila for GBP 3.5 million.

c) Mauritanian Copper Mines SARL

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

4 Assets Impaired

a) Kolwezi

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 International Finance Corporation ("IFC"), have obtained legal advice that the *Contract of Association* is valid and binding and that all terms have been complied with by CMD. The *Contract of Association* also provides a dispute resolution mechanism through international arbitration.

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

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

On February 22, 2010 without any prior notice KMT and CMD received a Notice of Hearing Date from Gécamines and the RDC Mining Registry ("CAMI") setting the Local Appeal for hearing in less than 24 hours on February 24, 2010. Gécamines and CAMI requested the confirmation of the Lower Court judgment and also made an unsupported request for up to $US12 billion in damages to be awarded to Gécamines and CAMI. KMT's lawyers attended and objected to the proceedings. Following a hearing on February 24, 2010, the Company received official notification of the Local Appeal judgment on April 7, 2010 confirming the award of US$12 billion in damages against CMD and KMT. The Company filed for a "cassation" on June 19, 2010, the final venue of appeal in the RDC. However, despite the further right of appeal, the damages award is now enforceable against KMT and CMD in the RDC.

On July 16, 2010 KMT and CMD were summoned by the RDC, Gécamines and CAMI to appear before the Court of Appeal of Kinshasa in order to have a liquidator appointed to wind up KMT and value its assets as part of the enforcement of the judgement of the Appeal Court of Kinshasa. CMD and KMT requested a postponement, which was refused. On August 2, 2010 KMT received notice of a judgment of the Appeal Court of Kinshasa rendered on July 27, 2010. The judgment decided that KMT is in the process of being liquidated and a Congolese liquidator was appointed.

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

Following developments and actions against KMT and CMD, the Company has determined there to be a complete impairment of the Kolwezi assets in accordance with GAAP. The historical carrying value of the Kolwezi development project was $798.5 million and was comprised of the initial acquisition cost and subsequent capital expenditures. A future tax liability of $109.5 million relating to the acquisition of Kolwezi was derecognized concurrently with the asset impairment.

The Company believes that the value of the Kolwezi assets substantially exceeds the historical carrying value and the Company will continue to pursue all available avenues to recover the value of the project, including international arbitration. The timing of any negotiated or arbitrated settlement is not known at this time, but it could possibly take years.

b) Other

Other assets impaired during the period include a net realizable value adjustment relating to the Bwana Mkubwa copper plant and a write-down of other items of property, plant and equipment.

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

5 Inventory

	June 30, 2010	December 31, 2009
Ore in stockpiles	70.7	101.3
Work-in-progress	2.9	3.3
Finished product (a)	139.9	65.0
Total product inventory	213.5	169.6
Less: Non-current portion of ore in stockpiles (b)	(12.4)	(12.5)
	201.1	157.1
Consumable stores	214.4	189.6
	415.5	346.7

a) Included in finished product inventory is $23.6 million of copper purchased from external parties for resale by the Company's metal marketing division.

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

6 Investments

	June 30, 2010	December 31, 2009
Carlisa Investment Corp. – at cost	9.5	9.5
Marketable securities	396.8	443.3
Asset-backed commercial paper	4.5	7.6
	410.8	460.4

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

	Six months ended	Year ended
	June 30, 2010	December 31, 2009
Balance – beginning of period	460.4	163.5
Additions	-	6.7
Disposals	(0.1)	(35.9)
Gain (loss) in fair market value	(49.5)	326.1
Balance - end of period	410.8	460.4

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

7 Property, plant and equipment

	June 30, 2010			December 31, 2009		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Plant and equipment	1,640.6	(466.3)	1,174.3	1,320.4	(428.1)	892.3
Capital work-in-progress (note 4)	186.5	-	186.5	573.6	-	573.6
Mineral properties and mine development costs						
Depreciable	78.4	(38.5)	39.9	82.8	(41.0)	41.8
Non-depreciable (note 4)	746.7	-	746.7	650.2	-	650.2
	2,652.2	(504.8)	2,147.4	2,627.0	(469.1)	2,157.9

8 Other assets

	June 30, 2010	December 31, 2009
Recoverable taxes (note 17b)	238.5	181.3
Future recoverable variable profit tax (b)	47.2	38.0
Ore in stockpiles (note 5b)	12.4	12.5
Derivative instruments (note 15)	6.5	0.9
Future income tax asset	19.4	12.4
Logistical expertise (a)	7.9	-
Ravensthorpe deposit (note 3a)	-	34.0
Prepaid expenses and other	23.5	18.4
Total other assets	355.4	297.5
Less: current portion	(267.8)	(195.2)
	87.6	102.3
Current portion consists of:		
Recoverable taxes	238.5	181.3
Derivative instruments	6.5	0.9
Prepaid expenses and other	22.8	13.0
	267.8	195.2

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

b) Included in future income tax liabilities is an amount relating to variable profit tax ("VPT") introduced in Zambia in 2008, which has resulted in an increase in the future effective tax rate from the 30% base income tax rate for mining companies to 41%. The Company recorded a future recovery on this VPT under its Development Agreements and offset this against the income tax charge in net earnings as it maintains that these taxes are in excess of those permitted under its Development Agreement.

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

9 Debt

	June 30, 2010	December 31, 2009
Drawn debt		
Corporate revolving credit and term loan facility (a)	119.8	159.5
Kansanshi subordinated debt facility (c)	27.3	31.9
Short-term borrowings (d)	31.4	-
Other	0.2	0.2
Total debt	178.7	191.6
Less: Current portion debt	(115.6)	(84.5)
	63.1	107.1
Undrawn debt		
Corporate revolving credit and term loan facility (a)	50.0	50.0
Corporate revolving loan and short-term facility (b)	250.0	250.0
Short-term borrowings (d)	18.6	-

a) Corporate revolving credit and term loan facility

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

The corporate revolving credit and term loan facility has a principal amount outstanding of $121.1 million (December 31, 2009 - $161.4 million). The carrying amount shown above of $119.8 million is net of issue and transaction costs paid of $1.3 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 in concentrate and gold at Kansanshi, Bwana, Guelb Moghrein, and Frontier. Cash is restricted to meet required instalments and $40.3 million was recorded as restricted cash at June 30, 2010 (December 31, 2009 - $40.3 million).

b) Corporate revolving loan and short-term facility

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

The corporate revolving loan and short-term facility was undrawn at June 30, 2010 and December 31, 2009.

c) Kansanshi subordinated debt facility

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

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

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

d) Short-term borrowings

The Company's metal marketing division entered into a $50.0 million facility in January 2010. This facility is to finance short-term hedging of copper and gold proceeds. Interest on the facility is calculated at the bank's benchmark rate plus 1.75%. The loan is collateralized over physical metal pursuant to certain metal sales contracts.

10 Convertible bonds

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

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

	Six months ended	Year ended
	June 30, 2010	December 31, 2009
Convertible bonds – debt component		
Opening balance	438.4	441.7
Issuance costs	-	(10.6)
Accretion expense	6.8	7.3
	445.2	438.4

11 Other liabilities

	June 30, 2010	December 31, 2009
Derivative liabilities (note 15)	7.1	8.9
Asset retirement obligations	36.9	21.9
Other	9.2	9.2
Total other liabilities	53.2	40.0
Less: current portion	(4.7)	(3.9)
	48.5	36.1
Current portion consists of:		
Derivative liabilities	4.3	3.4
Other	0.4	0.5
	4.7	3.9

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

12 Common shares

a) Common shares

Authorized
Unlimited common shares without par value

Issued

	Number of Shares (000's)
Balance as at December 31, 2009	78,590
Stock options exercised	100
Share issuance on acquisition of Kiwara (note 3b)	1,885
Share issuance on acquisition of logistical expertise	24
Balance as at June 30, 2010	80,599

b) Earnings per share

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Basic earnings (loss) attributable to equity holders of the parent	(588.2)	101.5	(442.0)	112.4
Basic weighted average number of shares outstanding (000's of shares)	80,268	77,242	79,923	72,861
Effect of dilutive securities:				
Stock options	-	655	-	551
Diluted weighted average shares outstanding	80,268	77,897	79,923	73,412
Earnings (loss) per common share - basic	(7.33)	1.31	(5.53)	1.54
Earnings (loss) per common share - diluted	(7.33)	1.30	(5.53)	1.53

13 Other income

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Foreign exchange gain	4.0	9.2	11.0	9.3
Interest and sundry income	0.3	-	0.6	0.4
Gain on sale of investments	-	1.2	-	1.2
	4.3	10.4	11.6	10.9

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

14 Segmented information

The Company's reportable operating segments are individual mine development projects or operations, being Kansanshi, Guelb Moghrein, Frontier, Bwana/Lonshi, Kolwezi, Kevitsa, Ravensthorpe and Corporate. Each mine and development project is managed and reports information separately to the chief operating decision maker. The corporate segment is responsible for the evaluation and acquisition of new mineral properties, regulatory reporting, treasury and finance and corporate administration. Included in the corporate segment is our marketing division which purchases and sells third party material.

For the three month period ended June 30, 2010, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Projects under development	Corporate	Total
Segmented revenues	361.5	37.8	57.8	21.1	-	57.5	535.7
Less inter-segment revenues	-	-	-	(4.5)	-	(2.5)	(7.0)
Revenues (a)	361.5	37.8	57.8	16.6	-	55.0	528.7
Cost of sales (a)	(137.1)	(18.9)	(41.1)	(18.4)	-	(54.0)	(269.5)
Depletion and amortization	(19.8)	(7.1)	(2.6)	(1.6)	-	(0.1)	(31.2)
Operating profit (loss)	204.6	11.8	14.1	(3.4)	-	0.9	228.0
Interest	(0.4)	-	(0.9)	-	-	(13.3)	(14.6)
Other	(4.9)	(0.3)	(0.2)	(14.8)	(798.5)	4.3	(814.4)
Segmented profit (loss) before undernoted items	199.3	11.5	13.0	(18.2)	(798.5)	(8.1)	(601.0)
Income taxes	(56.2)	-	(3.9)	-	109.5	(7.3)	42.1
Non-controlling interests	(28.5)	-	(0.8)	-	-	-	(29.3)
Segmented profit (loss)	114.6	11.5	8.3	(18.2)	(689.0)	(15.4)	(588.2)
Property, plant and equipment	588.7	197.2	253.6	30.5	690.5	386.9	2,147.4
Total assets	1,236.7	287.1	346.4	54.1	694.7	1,659.1	4,278.1
Capital expenditures	31.3	12.1	2.7	(0.4)	25.3	1.9	72.9

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

	Kolwezi (note 4)	Kevitsa	Ravensthorpe	Total
Property, plant and equipment	-	331.0	359.5	690.5
Total assets	-	335.0	359.7	694.7
Capital expenditures	3.8	11.6	9.9	25.3

a) Corporate revenues and cost of sales are from copper purchased and sold by the Company's metal marketing division.

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

For the three month period ended June 30, 2009, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Projects under development	Corporate	Total
Segmented revenues	254.0	47.1	110.7	23.3	-	6.4	441.5
Less inter-segment revenues	-	-	-	(23.0)	-	(6.4)	(29.4)
Revenues	254.0	47.1	110.7	0.3	-	-	412.1
Cost of sales	(103.2)	(21.0)	(36.0)	(3.2)	-	-	(163.4)
Depletion and amortization	(26.8)	(5.2)	(5.2)	(1.4)	-	-	(38.6)
Operating profit (loss)	124.0	20.9	69.5	(4.3)	-	-	210.1
Interest	(1.5)	-	-	(0.1)	-	(9.9)	(11.5)
Other	(54.4)	(0.8)	(0.9)	(5.2)	-	7.7	(53.6)
Segmented profit (loss) before undernoted items	68.1	20.1	68.6	(9.6)	-	(2.2)	145.0
Income taxes	(23.3)	-	(20.2)	-	-	6.2	(37.3)
Non-controlling interests	(0.2)	(3.7)	(2.3)	-	-	-	(6.2)
Segmented profit (loss)	44.6	16.4	46.1	(9.6)	-	4.0	101.5
Property, plant and equipment	573.0	183.1	263.3	41.6	1,023.3	5.3	2,089.6
Total assets	1,191.5	252.6	349.2	68.0	1,029.4	1,068.8	3,959.5
Capital expenditures	12.1	9.6	3.1	-	36.2	1.3	62.3

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

	Kolwezi (note 4)	Kevitsa	Total
Property, plant and equipment	717.7	305.6	1,023.3
Total assets	720.5	308.9	1,029.4
Capital expenditures	35.8	0.4	36.2

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

For the six month period ended June 30, 2010, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Projects under development	Corporate	Total
Segmented revenues	759.5	102.0	144.4	48.6	-	66.2	1,120.7
Less inter-segment revenues	-	-	-	(18.0)	-	(11.2)	(29.2)
Revenues (a)	759.5	102.0	144.4	30.6	-	55.0	1,091.5
Cost of sales (a)	(294.9)	(39.6)	(73.3)	(32.7)	-	(54.0)	(494.5)
Depletion and amortization	(32.9)	(14.6)	(8.1)	(3.3)	-	(0.1)	(59.0)
Operating profit (loss)	431.7	47.8	63.0	(5.4)	-	0.9	538.0
Interest	(1.0)	-	(1.7)	-	-	(25.8)	(28.5)
Other	(3.4)	(2.4)	(0.5)	(20.9)	(798.5)	(18.5)	(844.2)
Segmented profit (loss) before undernoted items	427.3	45.4	60.8	(26.3)	(798.5)	(43.4)	(334.7)
Income taxes	(129.9)	-	(18.2)	-	109.5	(4.6)	(43.2)
Non-controlling interests	(58.8)	(2.4)	(2.9)	-	-	-	(64.1)
Segmented profit (loss)	238.6	43.0	39.7	(26.3)	(689.0)	(48.0)	(442.0)
Property, plant and equipment	588.7	197.2	253.6	30.5	690.5	386.9	2,147.4
Total assets	1,236.7	287.1	346.4	54.1	694.7	1,659.1	4,278.1
Capital expenditures	52.7	19.6	6.9	(0.4)	38.4	1.9	119.1

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

	Kolwezi (note 4)	Kevitsa	Ravensthorpe	Total
Property, plant and equipment	-	331.0	359.5	690.5
Total assets	-	335.0	359.7	694.7
Capital expenditures	9.2	18.8	10.4	38.4

a) Corporate revenues and cost of sales are from copper purchased and sold by the Company's metal marketing division.

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

For the six month period ended June 30, 2009, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Projects under development	Corporate	Total
Segmented revenues	417.7	87.3	165.9	34.1	-	11.9	716.9
Less inter-segment revenues	-	-	-	(31.9)	-	(11.9)	(43.8)
Revenues	417.7	87.3	165.9	2.2	-	-	673.1
Cost of sales	(198.0)	(38.7)	(57.9)	(7.1)	-	-	(301.7)
Depletion and amortization	(49.0)	(9.8)	(9.9)	(1.7)	-	-	(70.4)
Operating profit (loss)	170.7	38.8	98.1	(6.6)	-	-	301.0
Interest	(2.8)	-	(1.8)	(0.1)	-	(17.9)	(22.6)
Other	(101.8)	(1.2)	(0.5)	(9.9)	-	2.7	(110.7)
Segmented profit (loss) before undernoted items	66.1	37.6	95.8	(16.6)	-	(15.2)	167.7
Income taxes	(18.0)	-	(28.7)	-	-	8.2	(38.5)
Non-controlling interests	(6.6)	(7.0)	(3.2)	-	-	-	(16.8)
Segmented profit (loss)	41.5	30.6	63.9	(16.6)	-	(7.0)	112.4
Property, plant and equipment	573.0	183.1	263.3	41.6	1,023.3	5.3	2,089.6
Total assets	1,191.5	252.6	349.2	68.0	1,029.4	1,068.8	3,959.5
Capital expenditures	25.1	42.5	7.8	(0.8)	83.4	1.5	159.5

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

	Kolwezi (note 4)	Kevitsa	Total
Property, plant and equipment	717.7	305.6	1,023.3
Total assets	720.5	308.9	1,029.4
Capital expenditures	79.9	3.5	83.4

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

15 Financial instruments

The following provides a comparison of carrying and fair values of each classification of financial instrument as at June 30, 2010:

	Loans and receivables	Available-for-sale	Held for trading	Other financial liabilities	Total carrying amount	Total fair value
Financial assets						
Cash and cash equivalents	-	-	689.3	-	689.3	689.3
Restricted cash	-	-	40.3	-	40.3	40.3
Accounts receivable (a)	219.4	-	-	-	219.4	219.4
Recoverable taxes (note 17b)	238.5	-	-	-	238.5	238.5
Derivative instruments	-	-	6.5	-	6.5	6.5
Investments						
At cost (b)	-	9.5	-	-	9.5	-
At fair value	-	401.3	-	-	401.3	401.3
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	338.0	338.0	338.0
Derivative instruments	-	-	7.1	-	7.1	7.1
Convertible bonds (c)	-	-	-	445.2	445.2	573.2
Debt	-	-	-	178.7	178.7	178.7

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 17b)	181.3	-	-	-	181.3	181.3
Derivative instruments	-	-	0.9	-	0.9	0.9
Investments						
At cost (b)	-	9.5	-	-	9.5	-
At fair value	-	450.9	-	-	450.9	450.9
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	323.0	323.0	323.0
Derivative instruments	-	-	8.9	-	8.9	8.9
Convertible bonds (c)	-	-	-	438.4	438.4	672.6
Debt	-	-	-	191.6	191.6	191.6

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

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

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

Derivative financial instruments

As at June 30, 2010, the following derivative positions were outstanding:

	Maturity 2010	Maturity 2011	Total	**June 30, 2010**		**December 31, 2009**	
				Asset	Liability	Asset	Liability
Foreign exchange							
Foreign exchange contracts	11.9	-	11.9	-	(0.4)	0.9	(0.6)
Interest rate							
Floating to fixed interest rate swap – principal	10.1	32.7	42.8	-	(0.5)	-	(0.7)
Average fixed interest rate	1.80%	1.80%	1.80%				
Copper							
Futures sales contracts over quotation period (tonnes)	20,825	-	20,825	6.5	-	-	-
Average price ($/tonne)	$6,795	-	$6,795				
Futures sales contracts over quotation period (tonnes)	575	-	575	-	(1.8)	-	-
Average price ($/tonne)	$6,729	-	$6,729				
Gold							
Futures sales contracts over quotation period (ounces)	16,554	-	16,554	-	(0.4)	-	-
Average price ($/ounce)	$1,219	-	$1,219				
Other							
Embedded derivative (note 9c)				-	(4.0)	-	(7.6)
				6.5	(7.1)	0.9	(8.9)
Copper embedded derivative (tonnes)	16,949	-	16.949				
Average price ($/tonne)	$6,527	-	$6,527				
Gold embedded derivative (ounces)	3,353	-	3,353				
Average price ($/oz)	$1,246	-	$1,246				

16 Commitments

In conjunction with the development of Kevitsa and Ravensthorpe, upgrades at Kansanshi, Frontier, Guelb Moghrein and other projects, the Company has committed to approximately $153.4 million in capital expenditures.

17 Contingencies and measurement uncertainty

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

Sodimico, a RDC state owned mining company, obtained a judgment against Compagnie Miniere De Sakania SPRL ("Comisa") and the Company on March 12, 2010 from the Tribunal de Commerce of Lubumbashi and was notified of the judgment on April 5, 2010. The judgment orders Comisa and the Company to pay to Sodimico $17.3 million for the value of studies made by Sodimico over the perimeters of titles now held by Comisa and a further $40.0 million as additional unknown damages. The court found, based on documents provided by Sodimico, that Comisa acquired the rights over the Lonshi deposits "at the operation stage" and "therefore there is no doubt that it must have used the results of the geological and mining studies made by Sodimico". In fact, Comisa did not use any geological data or studies belonging to Sodimico and there is no factual or legal basis for the judgment. Comisa filed an appeal of the judgment which was set to be heard July 27, 2010 in Lubumbashi. The hearing was adjourned to October 2010. The Company believes that Sodimico could not enforce payment of the judgment amount against Comisa, and therefore no liability has been recorded as at June 30, 2010.

On March 8, 2010, the Company, and its RDC subsidiaries Comisa and Frontier, and also Bwana, a wrongly named Zambian subsidiary of the Company, were served notices of a case introduced by Sodimico against the RDC before the RDC Supreme Court of Justice ("Supreme Court"). Sodimico requested the cancellation of a February 2000 letter from the Minister of Mines, which Sodimico alleged wrongfully withdrew mining titles belonging to Sodimico. These titles are further alleged to have been subsequently granted to Comisa and Frontier. A hearing was held by the Supreme Court on May 14, 2010 and on May 21, 2010. The Supreme Court delivered a judgment purporting to restore certain mineral rights to Sodimico. These purported mineral rights conflict with mineral rights held by Frontier SPRL and Comisa SPRL. The conclusions of the Supreme Court are impossible to reconcile with the known history of the mineral rights in question. No steps have been taken to date to terminate either of Frontier's or Comisa's titles and they continue to operate without interference. The final outcome of the judgment remains uncertain and may result in an impairment of the Company's carrying value of Frontier 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.

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

The Company, through its Zambian subsidiaries, is party to Development Agreements with GRZ for its existing operations which provide an express right to full and fair compensation for any loss, damages or costs (including interest) incurred by the Company by reason of the government's failure to comply with the tax stability guarantees set out in the Development Agreements, and rights of international arbitration in the event of any dispute. Following consultation with external legal counsel, the Company assessed there to be a high probability of recovery from the GRZ of certain accruals or payments made in respect of these taxes. Accordingly, the Company has recorded the liability for taxes in accordance with the legislation, and has also recognized a receivable amount in respect of the excess taxes recoverable in accordance with the Development Agreement. As required by the financial instruments accounting standards, this receivable has been classified as "loans and receivables" and initially recorded at fair value based on management's best estimate of the timing of receipt and amounts due. The receivable will be assessed for impairment in future periods based on changes in facts and circumstances; any impairment amounts required in the future may be material. As at June 30, 2010 this receivable amounts to $238.5 million (December 31, 2009 - $181.3 million).

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

FIRST QUANTUM
MINERALS LTD.

Management's Discussion and Analysis
Second Quarter Ended June 30, 2010

(expressed in United States dollars, unless otherwise noted)

SUMMARY OPERATING AND FINANCIAL DATA

August 10, 2010

	Three months ended June 30		Six months ended June 30	
(USD millions unless otherwise noted)	**2010**	**2009**	**2010**	**2009**
Production – copper (tonnes)	85,402	92,486	170,464	181,926
Production – gold (ounces)	51,471	40,488	96,113	87,252
Sales – copper (tonnes)	74,421	93,482	155,862	163,256
Realized copper price (per lb)	$2.61	$1.80	$2.76	$1.68
Net sales	$528.7	$412.1	$1,091.5	$673.1
Net earnings before impairment and acquisition costs	$115.4	$101.5	$280.1	$112.4
Net earnings (loss)	$(588.2)	$101.5	$(442.0)	$112.4
Earnings per share before impairment and acquisition costs	$1.44	$1.31	$3.50	$1.54
Earnings (loss) per share	$(7.33)	$1.31	$(5.53)	$1.54
Average copper unit cash cost of production (C1)[1](per lb)	$1.21	$0.90	$1.21	$0.94
Cash	$729.6	$789.6	$729.6	$789.6

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

SECOND QUARTER HIGHLIGHTS

- Ramped up on-site activities in the development of Ravensthorpe, Kevitsa and Kalumbila
- Net earnings of $115.4 million (EPS of $1.44) before impairment and acquisition costs on a higher copper price, partially offset by lower sales volumes (sales volumes and inventory impacted by a change in the timing of recognizing sales through the metal marketing division, see "Revenues – Metal marketing division" for further discussion)
- 8% decrease in total copper production resulting from lower ore grades mined and processed and a decrease in capital investment at Frontier in response to the continuing uncertain operating environment in the République démocratique du Congo ("RDC")
- 27% increase in total gold production resulting from circuit improvements and plant expansions completed at Kansanshi and Guelb Moghrein
- Non-cash impairment charge of $703.6 million, net of tax, of which $689.0 million is related to the Kolwezi project pursuant to requirements of Canadian generally accepted accounting principles. See "Other items" for further discussion
- Strong cash and working capital position despite significant investments in Ravensthorpe, Kevitsa and Kalumbila in 2010. Dividends for 2010 will be based on net earnings before impairment charges

[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 and NEAR TERM OUTLOOK

Kansanshi copper and gold operation, Zambia

- At Kansanshi the first phase of the roll out of the new mining fleet has commenced with the delivery of three 180 tonne diesel/AC haul trucks. The trolley assist project has advanced with the design of the power supply system and the re-design of the short and medium term mine access ramps. Installation of the secondary crusher on the sulphide circuit has been completed and commissioning will continue into Q3 2010.
- Kansanshi's sulphide circuit throughput and recoveries are expected to increase on the commissioning of the secondary sulphide crusher in Q3 and with additional flotation capacity in Q1 2011. The commissioning of the new AC mining fleet will increase mining capacity in Q3 and Q4 2010.

Frontier copper operation, RDC

- Q2 copper production at Frontier was 33% lower than Q2 2009 due to the impact of reduced capital investment in mining in particular. Management's decision to reduce capital investment is a consequence of the uncertainty following the legal proceedings instigated by the RDC state-owned mining agency, Sodimico.
- In the short term, Frontier will continue to focus on increased waste stripping to establish wider and more efficient and productive working areas in the pit to expose additional sources of ore and add flexibility and operational optimization for the remainder of 2010.

Guelb Moghrein copper and gold operation, Mauritania

- At Guelb Moghrein the 3.8 million tonne per annum expansion was completed with the successful commissioning of the final stages including the heavy fuel oil power station and the high pressure grinding rollers.
- Optimization of the plant expansion will continue which is expected to further enhance copper and gold recoveries. Modified mine feed systems are being introduced to allow more effective blending of ore to target improved metal recovery.

Kevitsa nickel/copper/PGE project, Finland

- Construction work has commenced at Kevitsa with the installation of site infrastructure including road access, office buildings and lay down areas. Site earthworks and the placement of the concrete mill foundations also commenced in Q2. Detailed design work continues in the Helsinki offices of the contracted Finnish engineer. Commissioning of the processing plant is budgeted to commence in Q1 2012. The mineral resource and reserve model at Kevitsa is expected to be finalized before year end to include all the results of drilling activity collected up to the end of June 2010.

Ravensthorpe nickel project, Australia

- The refurbishment of the processing facilities at Ravensthorpe has advanced significantly during Q2 2010 with the removal of the original crushing facilities and the commencement of the engineering work for the new crushing and materials handling facilities. Commissioning of the plant is budgeted to commence in Q1 2011.
- The previously proposed Australian resource taxes regime was modified during Q2 2010 and the amended Minerals Resource Rent Tax will not apply to nickel production from Ravensthorpe.

Kalumbila copper property, Zambia

- Geological exploration and delineation drilling has commenced at the Kalumbila copper project in the North West Province of Zambia. Environmental studies also commenced in preparation for environmental and mining license applications.
- Base-line environmental and social consultations are planned as part of the environmental impact assessment to be prepared in support of a mining license. Exploration activities will focus on the three main prospects Kalumbila, Kawako and Kawanga targeting both copper and nickel.

Production Guidance

- Estimated production for 2010 is 360,000 tonnes of copper and 210,000 ounces of gold. The lower estimated copper production reflects lower year to date production and management's decision to reduce capital investment at Frontier due to the uncertainty following the legal proceedings instigated by a state owned mining agency in the RDC, Sodimico.
- Estimated average C1 cost for 2010 has increased to $1.17 per pound, reflecting additional mine stripping costs and the reduction in estimated copper and gold production.

REVENUES

NET SALES (after provisional pricing and realization charges)		**Three months ended June 30**		**Six months ended June 30**	
(USD millions unless otherwise noted)		**2010**	**2009**	**2010**	**2009**
Kansanshi	- copper	331.0	235.4	706.6	391.1
	- gold	30.5	18.6	52.9	26.6
Frontier	- copper	57.8	110.7	144.4	165.9
Guelb Moghrein	- copper	24.0	25.7	67.2	46.2
	- gold	13.8	21.4	34.8	41.1
Bwana/Lonshi	- copper	16.6	-	30.6	0.4
	- acid	-	0.3	-	1.8
Corporate		55.0	-	55.0	-
Net sales		528.7	412.1	1,091.5	673.1
Copper provisional pricing adjustment included above		(13.7)	3.5	(4.8)	40.9
COPPER SELLING PRICE		**USD/lb**	**USD/lb**	**USD/lb**	**USD/lb**
Current period sales		2.98	2.08	3.06	1.85
Prior period provisional pricing adjustment		(0.09)	0.02	(0.02)	0.11
Treatment charges/refining charges (“TC/RC”) and freight parity charges		(0.28)	(0.30)	(0.28)	(0.28)
Realized copper price		2.61	1.80	2.76	1.68

The Q2 2010 average realized copper price was significantly higher than Q2 2009 due to an increase in the average LME copper price. Copper sales volumes for Q2 decreased 20% to 74,421 tonnes due to lower production volumes and an increase in tonnes in inventory at the Company’s metal marketing division. Additionally, some of the concentrate produced at Guelb during process reconfigurations did not meet current customer specifications and required blending before final sale, resulting in a delay of sales volumes into Q3.

The Q2 negative provisional pricing adjustment resulted from the finalization of contracts totalling 19,477 tonnes of copper at an average price of $3.24 per pound ($7,132 per tonne). These contracts were provisionally priced at $3.55 per pound ($7,836 per tonne) at March 31, 2010 and were finalized during April, May and June 2010.

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

At June 30, 2010, 16,949 tonnes of copper provisionally priced at $2.96 per pound ($6,527 per tonne) remain subject to final pricing in July and August 2010. Refer to the ‘Outlook’ section for further discussion.

Gold revenues increased by 11% over Q2 2009 to $44.3 million. The increase resulted from a higher realized gold price which offset lower sales volumes in Q2 2010.

Q2 2010 MD&A (expressed in US Dollars) www.first-quantum.com

Metal marketing division

A metal marketing division was established in Q1 2010 to improve the management of copper and gold sales from the Company's operations and reduce the Company's exposure to provisional pricing. Prior to the establishment of the metal marketing division, revenues were recognized by operations when title transferred to buyers, usually upon leaving the mine site. Copper and gold sales managed by the metal marketing division are now recognized when title has transferred to final purchasers resulting in reduced sales volumes and higher inventory in the current period. The Q2 impact on total copper and gold sales was $49.7 million and earnings $24.1 million. The impact on current year sales volumes and inventory balances are summarized as follows:

METAL MARKETING DIVISION	Metal inventory balance held as at		Impact on sales volume for the period	
			Three months ended	Six months ended
	March 31, 2010	June 30, 2010	June 30, 2010	June 30, 2010
Copper (tonnes)				
Kansanshi	304	1,190	886	1,190
Guelb Moghrein	1,356	2,757	1,401	2,757
Frontier	2,568	7,143	4,575	7,143
Total copper	4,228	11,090	6,862	11,090
Gold (ounces)				
Guelb Moghrein	2,328	5,921	3,593	5,921

In addition to marketing the Company's production, the metal marketing division purchased and sold metal from external parties during Q2, resulting in corporate revenue of $55.0 million and finished goods inventory of $23.6 million.

In order reduce the effect of movements in metal prices between the time of shipment of metal from the mine site and final recognition of the sale, the metal marketing division enters into futures contracts. Reflecting the decrease in copper price in Q2 a derivative instrument gain of $11.5 million relating to these futures contracts was recognized during the period.

SEGMENTED OPERATING RESULTS

Kansanshi Copper and Gold Operation	**Three months ended June 30**		**Six months ended June 30**	
	2010	**2009**	**2010**	**2009**
Production (tonnes)				
Copper cathode	20,667	21,237	39,847	45,073
Copper in concentrate	15,091	18,787	22,293	40,387
Copper cathode tolled	20,350	20,368	47,551	35,770
Total copper production (tonnes)	56,108	60,392	109,691	121,230
Copper sales (tonnes)	54,666	56,485	111,130	103,176
Gold production (ounces)	26,919	20,117	51,191	42,110
Sulphide ore tonnes milled (000's)	2,791	3,381	5,240	6,641
Sulphide ore grade processed (%)	0.6	1.0	0.7	1.1
Sulphide copper recovery (%)	95	96	94	91
Mixed ore tonnes milled (000's)	1,288	545	2,537	545
Mixed ore grade processed (%)	1.5	1.6	1.4	1.6
Mixed copper recovery (%)	68	67	66	67
Oxide ore tonnes milled (000's)	1,408	1,300	2,658	2,643
Oxide ore grade processed (%)	1.5	1.4	1.4	1.5
Oxide copper recovery (%)	94	89	92	91
Cash costs (C1) (per lb)[1]	$1.05	$0.99	$1.11	$0.99
Total costs (C3) (per lb)[1]	$1.26	$1.27	$1.32	$1.25
Gross operating profit (USD M)	$204.6	$124.0	$431.7	$170.7

Q2 copper production decreased by 7% from Q2 2009 due to lower mining volumes and ore grades processed. Mine equipment availability issues limited ore volumes and grades early in Q2. Availabilities improved later in Q2 and are expected to be sustained on the commissioning of new equipment and improved pit maintenance. Continued strong recoveries across all circuits moderated the effects of the lower ore production from mining operations.

Q2 sulphide circuit production was impacted by 40% lower grades processed. Recoveries remained strong partially offsetting the impact of the lower ore grades. A secondary sulphide crusher is under construction and scheduled for commissioning in Q3 which is expected to increase throughput capacity.

Mixed ore circuit recovery rates continued to increase in Q2 reaching 73% in June. This is as a result of further circuit improvements and processing less weathered ore sourced directly from the pit versus ore stockpiles. Throughput was lower than plan due to some mill downtime in Q2.

Recoveries on the oxide circuit benefited from improved flotation recovery and leaching efficiency in Q2. Throughput was lower than plan due to less ore supply from mining, though grades were broadly the same as Q2 2009. Measures are being taken to further enhance the recovery rates from the oxide circuit during the second half of 2010. See "Development activities" for further discussion.

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

Total gold production increased by 34% due to the gold plant expansions made in the second half of 2009. Kansanshi produced a record 10,815 ounces of gold in dore in Q2, however gold in concentrate production was impacted by the lower head grades of ore processed through the sulphide and mixed ore circuits.

Kansanshi's cash unit cost of production (C1) increased from Q2 2009 due to higher ore costs and processing costs incurred, partially offset by an increased gold credit. Ore costs were 40% higher than Q2 2009 due to processing lower grade ore and increased costs related to equipment availability issues in the period. Increased processing costs in the current period resulted from the allocation of some fixed costs to lower total copper production. Acid costs were also higher due to the mineralogy of oxide ore currently being processed. An increased gold credit to $0.25 per pound resulted from higher gold sales volumes and prices realized in Q2.

Frontier Copper Operation	**Three months ended June 30**		**Six months ended June 30**	
	2010	**2009**	**2010**	**2009**
Production – copper in concentrate (tonnes)	16,181	24,058	36,967	43,329
Copper sales (tonnes)	11,762	26,706	27,283	40,932
Sulphide ore tonnes milled (000's)	2,147	2,035	4,079	3,605
Sulphide ore grade processed (%)	0.8	1.3	0.9	1.3
Sulphide copper recovery (%)	93	92	92	93
Cash costs (C1) (USD per lb)[1]	$1.82	$0.98	$1.66	$1.09
Total costs (C3) (USD per lb)[1]	$2.19	$1.12	$1.97	$1.23
Gross operating profit (USD M)	$14.1	$69.5	$63.0	$98.1

Q2 copper production at Frontier was 33% lower than Q2 2009 due to the impacts of reduced capital investment in mining in particular. Management's decision to reduce capital investment is a consequence of the uncertainty following the legal proceedings instigated by the RDC state-owned mining agency, Sodimico, see "Other items" for further discussion. Frontier's mine equipment availability was impacted as a result and access to higher grade ore was limited. A focus on waste stripping activity continued in order to establish a wider footprint in the pit floor, further impacting ore production and the cost of ore tonnes mined in the period.

The significant increase in cash costs was caused by lower ore grades processed, increased mining costs, and inefficiencies experienced on 33% lower copper production in Q2. The strip ratio increased to 3.7 in Q2 from 1.0 in Q2 2009, directly increasing the cost of ore tonnes mined in the current period. Mining costs were also impacted by limited access to higher grade ore in the pit floor as a result of mine equipment downtime in Q2. Processing costs were impacted by inefficiencies of significantly lower copper production.

Operating profit was lower as a result of 56% lower sales volumes in addition to the higher production costs in Q2. Sales were impacted by lower production in Q2 and an increase in inventory held by the metal marketing division. Increased production costs also reduced the gross margin realized on copper sales in the period.

[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 June 30		Six months ended June 30	
	2010	2009	2010	2009
Production – copper in concentrate (tonnes)	10,390	8,036	18,795	17,367
Copper sales (tonnes)	5,591	10,291	12,941	19,148
Gold production (ounces)	24,552	20,371	44,922	45,142
Sulphide ore tonnes milled (000's)	744	474	1,404	1,004
Sulphide ore grade processed (%)	1.6	2.0	1.5	1.9
Sulphide copper recovery (%)	87	86	88	90
Cash costs (C1) (USD per lb)[1]	$1.08	$0.06	$0.87	$0.21
Total costs (C3) (USD per lb)[1]	$1.69	$0.46	$1.56	$0.56
Gross operating profit (USD M)	$11.8	$20.9	$47.8	$38.8

Guelb Moghrein's plant expansion project resulted in 57% higher tonnes milled, 29% higher copper produced and 21% higher gold produced during Q2 in comparison to Q2 2009. The increased throughput was partially offset by reduced ore grades processed. Optimization of the circuit configuration aimed at increasing copper and gold recoveries was undertaken during Q2. This resulted in some circuit downtime and a limited amount of copper produced which required blending.

Gold production was 21% higher than Q2 2009, but behind plan due to circuit reconfigurations made during the quarter. This affected the recovery of gold dore production from the gold plant. Q3 gold dore production is expected to improve from the current quarter with the new circuit configuration and the addition of a gravity concentrator.

Guelb Moghrein's average cash cost of production (C1) was higher compared to Q2 2009 due to increased processing costs incurred during circuit optimization work and a lower gold credit related to lower gold sales volumes in Q2.

Guelb Moghrein's Q2 operating profit decreased from the comparative period due to a decrease in copper and gold sales volumes. Sales were limited by the production of some copper concentrate which required blending and an increase in the volume of copper and gold held by the metal marketing division.

Bwana/Lonshi Copper Operation	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Production – copper cathode (tonnes)	2,723	-	5,011	-
Copper sales (tonnes)	2,402	-	4,508	-
Oxide ore tonnes milled (000's)	114	-	215	-
Oxide ore grade processed (%)	2.6	-	2.7	-
Oxide copper recovery (%)	90	-	90	-
Cash costs (C1) (USD per lb)[1]	$1.34	-	$1.30	-
Total costs (C3) (USD per lb)[1]	$1.34	-	$1.37	-
Gross operating loss (USD M)	$(3.4)	$(4.3)	$(5.4)	$(6.6)

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

The Bwana Mkubwa copper SX/EW plant continued production of grade A copper cathode from the Lonshi oxide ore stockpile in Q2. The plant will continue operating until the ore stockpile is exhausted in Q3. The operation is cash generative as the gross operating loss for Q2 includes a non-cash expense of $5.7 million related to the inventory net realizable value write-up recognized in 2009. The write-up is expensed as the Lonshi ore stockpile is processed in 2010.

COSTS AND EXPENSES

	Three months ended June 30		Six months ended June 30	
(USD millions unless otherwise noted)	**2010**	**2009**	**2010**	**2009**
Gross operating profit	228.0	210.1	538.0	301.0
General and administrative	(5.6)	(5.6)	(12.9)	(11.3)
Acquisition transaction costs	-	-	(18.5)	-
Other income	4.3	10.4	11.6	10.9
Derivative instrument adjustments	11.5	(52.7)	8.0	(99.1)
Exploration	(11.5)	(5.7)	(19.3)	(11.2)
Assets impaired	(813.1)	-	(813.1)	-
Interest	(14.6)	(11.5)	(28.5)	(22.6)
Income taxes	42.1	(37.3)	(43.2)	(38.5)
Non-controlling interests	(29.3)	(6.2)	(64.1)	(16.8)
Net earnings (loss) attributable to equity holders of the parent	(588.2)	101.5	(442.0)	112.4
Earnings (loss) per share				
- basic (USD per share)	(7.33)	1.31	(5.53)	1.54
- diluted (USD per share)	(7.33)	1.30	(5.53)	1.53
Weighted average shares outstanding				
- basic (number of shares – millions)	80.3	77.2	79.9	72.9
- diluted (number of shares - millions)	80.3	77.9	79.9	73.4

The derivative instrument adjustments of $11.5 million in Q2 2010 consist primarily of mark-to-market gains recognized on futures sales contracts held by the metal marketing division at June 30, 2010. In Q2 2009, the Company's derivative loss was incurred on derivative positions entered into in order to protect the Company against the uncertain economic outlook of early 2009.

Exploration expenses in Q2 include $7.4 million incurred at the Lonshi underground evaluation project and $1.9 million at the Kalumbila property.

Following developments and actions against KMT and CMD, the Company has determined that a complete impairment of the Kolwezi assets is required in accordance with Canadian generally accepted accounting principles ("GAAP") totalling $798.5 million, before tax. Other impairment charges include a net realizable value adjustment for the Bwana Mkubwa copper plant.

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

Income taxes include the derecognition of a future income tax liability of $109.5 million relating to the Kolwezi purchase which was recognized concurrently with the asset impairment. Normalized income taxes have increased from Q2 2009 due to increased profitability and a decrease in the proportionate earnings contribution from Guelb Moghrein, which is operating under a tax holiday.

Non-controlling interests has increased from Q2 2009 due to the increase in net income of Kansanshi in 2010. In February 2010, the Company acquired the remaining 20% ownership interest in Mauritanian Copper Mines SARL, which owns Guelb Moghrein, resulting in no further non-controlling interests in this operation.

FINANCIAL POSITION AND LIQUIDITY

	Three months ended June 30		Six months ended June 30	
(USD millions unless otherwise noted)	**2010**	**2009**	**2010**	**2009**
Cash flows from operating activities				
- before changes in working capital	170.3	158.5	379.4	243.6
- after changes in working capital	309.2	154.9	462.7	95.8
Cash flows from financing activities	(79.3)	567.2	(70.8)	646.7
Cash flows from investing activities	(89.0)	(95.9)	(621.8)	(169.4)
Net cash flows	140.9	626.2	(229.9)	573.1
Cash balance	689.3	749.3	689.3	749.3
Available credit facilities				
- Corporate revolving loan and short-term facility	250.0	250.0	250.0	250.0
- Corporate revolving credit and term loan facility	50.0	-	50.0	-
- Short-term borrowings	18.6	-	18.6	-
Cash flows from operating activities per share (basic)				
- before working capital (USD per share)	$2.12	$2.05	$4.75	$3.34
- after working capital (USD per share)	$3.85	$2.01	$5.79	$1.31

Operating cash flows were generated from positive operating results during Q2. Working capital movements during the quarter include a decrease in accounts receivable of $119.6 million as a result of improved collections, and an increase of $50.2 million in inventory caused by an increase in tonnes held by the metal marketing division.

Cash flows from financing activities comprise dividend payments made to equity holders of the Company as well as dividends paid to non-controlling interests. Restricted cash increased to meet a scheduled principal repayment due in September 2010.

Investing activities in Q2 consist primarily of property, plant and equipment expenditures. The Company invested $9.9 million at Ravensthorpe on plant developments and $11.6 million at Kevitsa marking the first quarter of significant project development. The Company undertook significant investing activities during Q1 including; the acquisition of the Ravensthorpe nickel project for $338.8 million, of which $34.0 million was paid in 2009, the acquisition of Kiwara PLC for $133.2 million in net cash and $137.2 million in common shares of the Company, and the acquisition of the 20% non-controlling interest in Mauritanian Copper Mines for $63.0 million.

In addition to the Company's cash reserves, additional sources of funding available include the $250.0 million corporate revolving loan and $50.0 million available under the corporate revolving credit and term loan facility. An additional $18.6 million is also available for draw under the Company's short-term facility. The Company's working capital balance (not including cash and debt) at June 30, 2010 decreased by $83.3 million from December 31, 2009. Significant year to date working capital changes include; a $123.2 million decrease in accounts receivable due to collections and reduced sales volumes, a $71.7 million increase in inventory, a $57.2 million increase in recoverable taxes and a $86.7 million increase in current taxes payable related to earnings from operations and timing of tax payments.

As at June 30, 2010, the Company had the following contractual obligations outstanding:

(USD millions)	**Total**	**Less than 1 year**	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 – 5 years**	**Thereafter**
Term debt	178.7	115.6	45.1	4.5	4.5	4.5	4.5
Convertible bonds	500.0	-	-	-	-	500.0	-
Accounts payable	338.0	338.0	-	-	-	-	-
Deferred payments	9.2	0.4	0.4	0.3	0.2	-	7.9
Commitments	153.4	153.4	-	-	-	-	-
Asset retirement obligations	36.9	-	-	7.7	-	-	29.2

INVENTORY

	Copper (tonnes)	**Gold in dore (ounces)**
Kansanshi	20,600	1,769
Frontier	10,700	-
Guelb Moghrein	8,900	400
Bwana/Lonshi	500	-
Total	40,700	2,169

Finished copper inventory increased by 11,200 tonnes in Q2 to 40,700 tonnes as at June 30, 2010 with an average cost of approximately $1.30 per pound ($2,855 per tonne). Guelb Moghrein's inventory includes finished copper in concentrate requiring further blending prior to sale, which is expected to be completed in Q3. Approximately 9,800 tonnes of Kansanshi copper in concentrate was in the process of being treated or stockpiled for treatment at the Mufulira smelter as at June 30, 2010. Included in the total finished goods inventory balance of $139.9 million is $23.6 million of external copper purchased for resale by the metal marketing division.

Contained gold in dore inventory decreased to 2,169 ounces due to timing of shipments in Q2. Gold contained in copper in concentrate is not included in the inventory balances noted above.

COMPREHENSIVE INCOME

The market value of available-for-sale investments decreased during Q2 resulting in the Company recognizing a tax affected decrease in the fair value of investments of $22.7 million.

EQUITY

As at the date of this report the Company has 80,599,606 shares outstanding.

DEVELOPMENT ACTIVITIES

Acquisition of the Ravensthorpe nickel project, Australia

In February 2010, the Company acquired the Ravensthorpe nickel project for $338.8 million.

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

The Company has engaged an engineering firm and is proceeding with the detailed design of modifications for the Ravensthorpe process plant, of which a significant part will be the modification of the crushing, conveying, stockpile, reclaim and rejects handling areas of the plant. Approval of the project management plan from the department of mines and petroleum was received in Q2 and site works are underway with completion scheduled for Q1 2011. This will be followed by approximately six months of commissioning and ramp-up. The capital requirement for the modification is estimated at approximately $150 million.

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.

The previously proposed Australian resource taxes regime has been modified during Q2 2010 and the amended Minerals Resource Rent Tax will not apply to Ravensthorpe's nickel production.

Acquisition of Kiwara PLC

In January 2010, the Company acquired all of the issued share capital of Kiwara PLC ("Kiwara") which owned 85% of Kalumbila Minerals Limited ("Kalumbila") which holds mineral property licences on the periphery of the Kabombo Dome in North Western Province, Zambia. Under the terms of the Kiwara acquisition agreement, the Company acquired a further 10% interest in Kalumbila in February 2010 and 1% in May 2010 bringing its ownership interest to 96%. The Company holds options to acquire the remaining 4% interest in Kalumbila for GBP 3.5 million.

At the time of acquisition Kiwara had begun an in-fill drill program at Kalumbila to determine a mineral resource estimate for the properties. In Q2, six drill rigs were actively focused on two detailed sections over the central resource. These have confirmed excellent continuity of mineralization that will allow for further resource drilling to cover a larger area. Emphasis has now moved on to widely spaced drilling to test the ultimate extent of the Kalumbila ore system. An economic assessment including metallurgical test work, engineering and geotechnical studies are planned in the second half of 2010.

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

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

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

Kevitsa nickel/copper/PGE project, Finland

Design of the project is well progressed and all significant long lead equipment items will be delivered to suit the construction sequence. Construction on site commenced during Q2, with plant site earthworks in progress and the concrete works commenced in July.

The project effort for the second half of 2010 will concentrate on completion of detailed design, procurement of the balance of equipment, and continued construction on earthworks, concrete works, structural and building erection, and plant site infrastructure.

Kansanshi copper/gold operation, Zambia

The secondary sulphide crusher is due for integration into the processing circuit in Q3 which will increase throughput capacity and plant availability. Further enhancement of milling rates and overall operational stability are planned via the installation of a milling expert IT system which is scheduled for implementation by early Q4.

The installation of additional flotation capacity on sulphide and mixed ore is progressing with commissioning due in January 2011. This additional capacity will enhance recovery potential of both sulphide and mixed ore at the higher production rates. Oxide circuit developments aimed at improving recovery are expected to be completed during the second half of 2010.

Q2 2010 MD&A (expressed in US Dollars) www.first-quantum.com

The six gold gravity concentrators have contributed to the sustained increase in gold recovered and produced as dore. Investigations are ongoing into additional opportunities for gravity recovery of gold and further projects will be initiated in Q3. Further upgrades to downstream secondary gravity concentration are in progress.

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

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

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

Guelb Moghrein copper/gold operation, Mauritania

Commissioning of the new high pressure grinding rollers (“HPGR”) commenced in Q2 and will continue to be optimized in Q3 marking the completion of the 3.8 million tonne per annum plant expansion. Commissioning of the two remaining generators on heavy fuel was completed in Q2.

Frontier copper operation, RDC

At the Frontier mine, capital investment plans have been cut-back in response to uncertainty of tenure following the legal proceedings instigated by the RDC state-owned mining agency, Sodimico. See “Other items” for further discussion. In the short term, Frontier will continue to focus on increased waste stripping to establish wider and more efficient and productive working areas in the pit.

Lonshi underground evaluation project, RDC

The exploration and development of the underground project was suspended in June 2010 in response to the uncertain development environment in the RDC. See “Other items” for further discussion.

Exploration

Exploration activities continued at a high rate during Q2 2010 with a total of up to 18 drill rigs in operation exploration projects between Finland, the RDC, Zambia and Mauritania.

At Kevitsa, further encouraging results are currently being compiled to build a new resource model. This should be completed in August. The new resource model is expected to be completed without compromising the strip ratio. Extensions of previous drill holes have defined extensive mineralization continuing at depth to over 900m below surface.

At Kansanshi, two exploration rigs continued drilling on the SE Dome prospect. 57 drill holes have now been completed that define a clear dome structure of typical Kansanshi vein style mineralization. Resource definition drilling is now in progress.

At Kalumbila, drill rigs have been actively focused on two detailed sections over the central resource. These have confirmed excellent continuity of mineralization that will allow confidence for future resource drilling to be wider spaced. Some long wide intercepts in the hanging wall of the main mineralization will improve the strip ratio for an open pit mine. Emphasis has now moved to wide spaced drilling to test the ultimate extent of the Kalumbila ore system.

At Frontier, drilling in the western footwall of the ore body has located intercepts of over 200m of mineralization that could have a significant impact on the expansion of the pit to the west.

In Mauritania, exploration drilling recommenced in June, initially on the near mine extensions east and west of Guelb Moghrein. Regional drill targets have been defined for testing as soon as additional drilling capacity can be obtained.

OTHER ITEMS

Kolwezi update

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

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

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

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

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

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

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

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

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

On February 22, 2010, without any prior notice KMT and CMD received a Notice of Hearing Date from Gécamines and CAMI setting the Local Appeal for hearing in less than 48 hours on February 24, 2010. Gécamines and CAMI requested the confirmation of the Local Court judgment and also made an unsupported request for up to US$12 billion in damages to be awarded to Gécamines and CAMI. KMT's lawyers attended and objected to the proceedings. Following a hearing on February 24, 2010, the Company received official notification of the Local Appeal judgment on April 7, 2010 confirming the award of US$12 billion in damages against CMD and KMT. The Company filed for a "cassation" on June 19, 2010, the final venue of appeal in the RDC. However, despite the further right of appeal, the damages award is now enforceable against KMT and CMD in the RDC.

On July 16, 2010 KMT and CMD were summoned by the RDC, Gécamines and CAMI to appear before the Court of Appeal of Kinshasa in order to have a liquidator appointed to wind up KMT and value its assets as part of the enforcement of the judgement of the Appeal Court of Kinshasa. CMD and KMT requested a postponement, which was refused. On August 2, 2010 KMT received notice of a judgement of the Appeal Court of Kinshasa rendered on July 27, 2010. The judgement decided that KMT is in the process of being liquidated and a Congolese liquidator was appointed.

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

Following developments and actions against KMT and CMD, the Company has determined that a complete impairment of the Kolwezi assets is required in accordance with GAAP. The historical carrying value of the Kolwezi development project was $798.5 million and was comprised of the initial acquisition cost and subsequent capital expenditures. A future tax liability of $109.5 million relating to the acquisition of Kolwezi was derecognized concurrently with the asset impairment.

The Company believes that the value of the Kolwezi assets substantially exceeds the historical carrying value and the Company will continue to pursue all available avenues to recover the value of the project, including international arbitration. The timing of any negotiated or arbitrated settlement is not known at this time, but it could possibly take years.

The Company is currently finalizing its conversion to IFRS. Pursuant to IFRS, the Kolwezi assets were materially impaired in the year ended December 31, 2009 and accordingly, the impairment recorded in Q2 2010 under IFRS will be materially lower than the impairment under Canadian GAAP.

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

Sodimico, a RDC state owned mining company, obtained a judgment against Compagnie Miniere De Sakania SPRL ("Comisa") and the Company on March 12, 2010 from the Tribunal de Commerce of Lubumbashi and was notified of the judgment on April 5, 2010. The judgment orders Comisa and the Company to pay to Sodimico $17.3 million for the value of studies made by Sodimico over the perimeters of titles now held by Comisa and a further $40 million as additional unknown damages. The court found, based on documents provided by Sodimico, that Comisa acquired the rights over the Lonshi deposits "at the operation stage" and "therefore there is no doubt that it must have used the results of the geological and mining studies made by Sodimico". In fact, Comisa did not use any geological data or studies belonging to Sodimico and there is no factual or legal basis for the judgment. Comisa filed an appeal of the judgment which was set to be heard July 27, 2010 in Lubumbashi. The hearing was adjourned to October 2010. The Company believes that Sodimico could not enforce payment of the judgment amount against Comisa, and therefore no liability has been recorded as at June 30, 2010.

On March 8, 2010, the Company, and its RDC subsidiaries Comisa and Frontier, and also Bwana, a wrongly named Zambian subsidiary of the Company, were served notices of a case introduced by Sodimico against the RDC before the RDC Supreme Court of Justice ("Supreme Court"). Sodimico requested the cancellation of a February 2000 letter from the Minister of Mines, which Sodimico alleged wrongfully withdrew mining titles belonging to Sodimico. These titles are further alleged to have been subsequently granted to Comisa and Frontier. A hearing was held by the Supreme Court on May 14, 2010 and on May 21, 2010. The Supreme Court delivered a judgment purporting to restore certain mineral rights to Sodimico. These purported mineral rights now conflict with mineral rights held by Frontier SPRL and Comisa SPRL. The conclusions of the Supreme Court are impossible to reconcile with the known history of the mineral rights in question. No steps have been taken to date to terminate either of Frontier's or Comisa's titles and they continue to operate without interference. The final outcome of the judgment remains uncertain and may result in an impairment of the Company's carrying value of Frontier which could be material.

Zambian taxation update

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

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

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

In the consolidated financial statements, the Company has recognized a tax expense and liability in accordance with applicable laws notwithstanding the Development Agreements. In addition and reflecting the enforceability of the Development Agreements, the Company has recognized a receivable from the GRZ for an amount in respect of the expected ultimate repayment of taxes in excess of the taxes permitted under the Development Agreements. As required by the financial instruments accounting standards, this receivable has been classified as "loans and receivables" and initially recorded at fair value based on management's best estimate of the timing of receipt and amounts due. The receivable will be assessed for impairment in future periods based on changes in facts and circumstances; any impairment amounts required in the future may be material. As at June 30, 2010, this receivable amounts to $238.5 million.

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

OPERATIONAL OUTLOOK

The Company's 2010 production outlook has been lowered to 360,000 tonnes of copper and 210,000 ounces of gold. The lower estimated copper production reflects lower year to date 2010 production and management's decision to cut-back capital investment at Frontier due to the uncertainty following the legal proceedings instigated by a state owned mining agency in the RDC.

The estimated average C1 cost for 2010 has increased to $1.17 per pound, reflecting additional mine stripping costs and the reduction in estimated copper and gold production.

Kansanshi

The commissioning of the secondary crusher on the sulphide circuit in Q3 and the completion of the additional flotation capacity in Q4 will allow the treatment rate and copper recoveries to be enhanced for both the sulphide and mixed ore. This will subsequently allow an improved balance of material being mined which will reduce the need for further pre-strip activities and hence stabilize the mining schedule. Further improvements will be achieved with the commissioning of the de-slime circuit in the oxide stream and final optimization of the gravity concentrators. The new AC drive truck fleet and the delivery of the electric face shovels in Q4 2010 will result in an increase in mining volumes, which will allow a greater activity in the North West open pit.

Guelb Moghrein

Optimization of the 3.8 million tonne per annum expansion will continue during Q3 including works to increase grinding circuit throughput. Copper and gold recoveries will remain the focus of the overall plant optimization. The blend of mine feed will be enhanced to ensure that the ore quality remains within practical operational limits.

Frontier

The revised mining plan and schedule will allow ore to be mined from at least three distinct areas which will improve the quality of ore feed to the plant. However, mining will continue to focus on waste stripping to improve operational flexibility. The dewatering shaft development will continue and towards the targeted depth of 300 metres.

Q2 2010 MD&A (expressed in US Dollars) www.first-quantum.com

Hedging program

As at June 30, 2010, the following derivative positions were outstanding:

	Maturity 2010	Maturity 2011	Total	June 30, 2010		December 31, 2009	
				Asset	Liability	Asset	Liability
Foreign exchange							
Foreign exchange contracts	11.9	-	11.9	-	(0.4)	0.9	(0.6)
Interest rate							
Floating to fixed interest rate swap – principal	10.1	32.7	42.8	-	(0.5)	-	(0.7)
Average fixed interest rate	1.80%	1.80%	1.80%				
Copper (a)							
Futures sales contracts over quotation period (tonnes)	20,825	-	20,825	6.5	-	-	-
Average price ($/tonne)	$6,795	-	$6,795				
Futures sales contracts over quotation period (tonnes)	575	-	575	-	(1.8)	-	-
Average price ($/tonne)	$6,729	-	$6,729				
Gold (a)							
Futures sales contracts over quotation period (ounces)	16,554	-	16,554	-	(0.4)	-	-
Average price ($/ounce)	$1,219	-	$1,219				
Other							
Embedded derivative (note 8c)				-	(4.0)	-	(7.6)
				6.5	(7.1)	0.9	(8.9)
Provisionally priced sales (b)							
Copper embedded derivative (tonnes)	16,949	-	16.949				
Average price ($/tonne)	$6,527	-	$6,527				
Gold embedded derivative (ounces)	3,353	-	3,353				
Average price ($/oz)	$1,246	-	$1,246				

a) Copper and gold derivative contracts

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

b) Provisionally priced copper sales subject to final settlement prices in Q3 2010

At June 30, 2010, 16,949 tonnes of copper sales were provisionally priced at an average of $2.96 per pound ($6,527 per tonne). Of this total, 11,453 tonnes were priced in July and 5,496 tonnes will be priced in August. The average LME cash price for July 2010 was $3.06 per pound ($6,735 per tonne) resulting in a positive provisional adjustment of $2.4 million which will be recognized in Q3 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	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	FY 10
Revenues									
Copper	$532.5	$(15.0)	$231.8	$371.8	$511.3	$591.5	$519.4	$484.4	$1,003.8
Gold	24.8	21.2	27.7	40.0	35.0	53.3	43.4	44.3	87.7
Other revenues	0.8	-	1.5	0.3	-	-	-	-	-
Total revenues	558.1	6.2	261.0	412.1	546.3	644.8	562.8	528.7	1,091.5
Cost of sales	242.8	212.2	138.3	173.3	218.2	223.3	225.0	269.5	494.5
Inventory NRV adjustments	7.9	52.6	-	(9.9)	-	(15.5)	-	-	-
Impairment charge	-	254.2	-	-	-	-	-	813.1	813.1
Net earnings (loss)	147.5	(491.6)	10.9	101.5	123.8	227.2	146.2	(588.2)	(442.0)
Basic earnings (loss) per share	$2.16	$(7.19)	$0.16	$1.31	$1.59	$2.91	$1.81	$(7.33)	$(5.53)
Diluted earnings (loss) per share	$2.13	$(7.19)	$0.16	$1.30	$1.50	$2.67	$1.70	$(7.33)	$(5.53)
Weighted average # shares (000's)	68,370	68,388	68,794	77,242	78,052	78,169	80,669	80,268	79,923
Cash flows from operating activities per share									
Before working capital movements	$3.06	$(2.16)	$1.24	$2.05	$2.10	$3.45	$2.59	$2.12	$4.75
After working capital movements	$3.84	$0.64	$(0.86)	$2.01	$2.52	$3.45	$1.90	$3.85	$5.79
Copper selling price									
Current period copper sales (per lb)	$3.11	$1.35	$1.54	$2.08	$2.44	$3.00	$3.21	$2.98	$3.06
Prior period provisional adjustments (per lb)	(0.08)	(0.99)	0.26	0.02	0.06	0.03	(0.03)	(0.09)	(0.02)
Gross copper selling price (per lb)	3.03	0.36	1.80	2.10	2.50	3.03	3.18	2.89	3.04
Tolling and refining charges (per lb)	(0.06)	(0.07)	(0.06)	(0.09)	(0.08)	(0.08)	(0.10)	(0.06)	(0.08)
Freight parity charges (per lb)	(0.31)	(0.36)	(0.23)	(0.21)	(0.21)	(0.22)	(0.19)	(0.22)	(0.20)
Realized copper price (per lb)	2.66	(0.07)	1.51	1.80	2.21	2.73	2.89	2.61	2.76
Realized gold price (per oz)	$759	$637	$842	$850	$722	$926	$886	$1,000	$941
Total copper produced (tonnes) (1)	82,187	95,635	89,440	92,486	93,486	98,528	85,062	85,402	170,464
Total copper sold (tonnes)(1)	90,698	97,280	69,774	93,482	105,154	98,171	81,441	74,421	155,862
Total gold produced (ounces) (1)	25,811	39,644	46,764	40,488	43,357	62,679	44,642	51,471	96,113
Total gold sold (ounces) (1)	32,663	33,299	32,827	47,055	48,454	57,571	48,995	44,300	93,295
Cash Costs (C1) (per lb) (2) (3)	$1.37	$1.26	$0.97	$0.90	$0.98	$0.97	$1.21	$1.21	$1.21
Total Costs (C3) (per lb) (2)(3)	$1.99	$1.50	$1.19	$1.17	$1.27	$1.27	$1.49	$1.49	$1.49
Copper Inventory (tonnes)									
Kansanshi	14,306	14,416	30,036	33,801	22,021	22,059	18,979	20,621	20,621
Frontier	3,876	106	5,296	2,574	3,128	3,041	6,228	10,648	10,648
Guelb Moghrein	1,765	1,869	2,343	88	555	963	4,096	8,896	8,896
Bwana	-	-	-	-	-	-	182	502	502
Total copper inventory	19,947	16,391	37,675	36,463	25,704	26,063	29,485	40,667	40,667

Kansanshi production statistics	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	FY 10
Mining									
Waste mined (000's tonnes)	10,066	4,771	4,271	4,746	7,122	4,663	2,921	4,998	7,919
Ore mined (000's tonnes)	5,027	5,324	3,979	4,034	5,410	5,258	3,712	6,076	9,788
Ore grade (%)	1.5	1.4	1.4	1.4	1.4	1.3	1.4	1.2	1.3
Processing (1)									
Sulphide ore processed (000's tonnes)	2,824	2,956	3,260	3,381	2,576	2,777	2,449	2,791	5,240
Sulphide ore grade processed (%)	1.1	1.3	1.2	1.0	1.0	1.0	0.8	0.6	0.7
Sulphide ore recovery (%)	92	95	95	96	95	95	95	95	94
Mixed ore processed (000's tonnes)	-	-	-	545	1,477	1,566	1,249	1,288	2,537
Mixed ore grade processed (%)	-	-	-	1.6	1.3	1.4	1.4	1.5	1.4
Mixed ore recovery (%)	-	-	-	67	65	64	63	68	66
Oxide ore processed (000's tonnes)	1,562	1,414	1,343	1,300	1,540	1,478	1,250	1,408	2,658
Oxide ore grade processed (%)	1.6	1.7	1.6	1.4	1.6	1.4	1.3	1.5	1.4
Oxide ore recovery (%)	91	91	93	89	91	93	91	94	92
Copper cathode produced (tonnes)	23,685	25,716	23,836	21,237	25,436	21,535	19,180	20,667	39,847
Copper cathode tolled produced (tonnes)	13,266	10,657	15,402	20,368	26,344	24,901	27,201	20,350	47,551
Copper in concentrate produced (tonnes)	16,423	25,641	21,600	18,787	9,516	16,017	7,202	15,091	22,293
Total copper production	53,374	62,014	60,838	60,392	61,296	62,453	53,583	56,108	109,691
Concentrate grade (%)	28.1	28.3	28.1	27.5	27.9	27.6	27.3	27.3	27.3
Gold produced (ounces)	10,292	23,733	21,993	20,117	25,350	32,476	24,272	26,919	51,191
Combined Costs (per lb) (2)									
Mining	$0.41	$0.36	$0.27	$0.32	$0.35	$0.35	$0.45	$0.45	$0.45
Processing	0.79	0.62	0.48	0.49	0.50	0.52	0.60	0.57	0.58
Site Administration	0.03	0.04	0.02	0.02	0.02	0.01	0.03	0.02	0.03
TC/RC and freight parity charges	0.28	0.30	0.28	0.30	0.28	0.29	0.29	0.26	0.27
Gold credit	(0.11)	(0.08)	(0.06)	(0.14)	(0.14)	(0.21)	(0.19)	(0.25)	(0.22)
Combined Total Cash Costs (C1)	$1.40	$1.24	$0.99	$0.99	$1.01	$0.96	$1.18	$1.05	$1.11
Combined Total Costs (C3)	$2.11	$1.52	$1.22	$1.27	$1.31	$1.28	$1.39	$1.26	$1.32
Revenues ($ millions)									
Copper cathodes	$286.2	$117.8	$139.1	$185.2	$293.7	$291.9	$322.5	$275.2	$597.7
Copper in concentrates	66.8	(42.9)	16.7	50.1	86.0	88.4	53.1	55.8	108.9
Gold	12.2	10.1	8.0	18.6	18.7	29.1	22.4	30.5	52.9
Total revenues	$365.2	$85.0	$163.8	$253.9	$398.4	$409.4	$398.0	$361.5	$759.5
Copper cathode sold (tonnes)	25,943	28,199	27,875	21,095	26,178	21,012	18,953	20,215	39,168
Copper tolled cathode sold (tonnes)	13,266	10,657	15,402	20,368	26,344	24,902	26,995	20,350	47,345
Copper in concentrate sold (tonnes)	15,830	21,300	3,414	15,022	21,463	16,503	10,516	14,101	24,617
Gold sold (ounces)	18,416	19,658	10,251	21,227	30,083	33,085	26,739	29,741	56,480

Frontier Production Statistics	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	FY 10
Mining									
Waste mined (000's tonnes)	3,433	3,057	1,395	2,017	3,282	3,932	3,506	6,239	9,745
Ore mined (000's tonnes)	1,986	2,037	1,696	2,056	2,300	1,998	1,912	2,249	4,161
Ore grade (%)	1.2	1.2	1.2	1.3	1.2	1.2	1.2	0.9	1.0
Processing (1)									
Sulphide ore processed (000's tonnes)	1,651	2,178	1,570	2,035	2,183	2,280	1,932	2,147	4,079
Sulphide ore grade processed (%)	1.2	1.3	1.3	1.3	1.2	1.2	1.1	0.8	0.9
Recovery (%)	96	91	94	92	92	91	90	93	92
Copper in concentrate produced (tonnes)	18,687	24,917	19,271	24,058	24,765	24,259	20,786	16,181	36,967
Sulphide Circuit Costs (per lb) (2)									
Mining	$0.43	$0.45	$0.27	$0.23	$0.23	$0.41	$0.49	$0.78	$0.62
Processing	0.35	0.31	0.30	0.29	0.30	0.42	0.32	0.47	0.38
Site Administration	0.19	0.13	0.09	0.05	0.09	0.10	0.12	0.15	0.14
TC/RC and freight parity charges	0.55	0.64	0.57	0.41	0.40	0.39	0.61	0.42	0.52
Sulphide Circuit Total Cash Costs (C1) (3)	$1.52	$1.53	$1.23	$0.98	$1.02	$1.32	$1.54	$1.82	$1.66
Sulphide Circuit Total Costs (C3) (3)	$1.90	$1.67	$1.36	$1.12	$1.19	$1.52	$1.80	$2.19	$1.97
Revenues ($ millions)									
Copper in concentrates	$137.1	$(73.9)	$55.2	$110.7	$107.5	$165.8	$86.6	$57.8	$144.4
Copper in concentrate sold (tonnes)	25,660	28,533	14,226	26,706	24,211	26,424	15,521	11,762	27,283

Guelb Moghrein production statistics	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	FY 10
Mining									
Waste mined (000's tonnes)	776	1,128	2,048	2,333	2,177	2,246	2,803	2,609	5,412
Ore mined (000's tonnes)	858	1,038	789	603	525	827	690	812	1,502
Ore grade (%)	1.5	1.5	1.7	1.8	1.6	1.5	1.4	1.6	1.5
Processing (1)									
Sulphide ore processed (000's tonnes)	511	553	530	474	514	769	660	744	1,404
Sulphide ore grade processed (%)	2.0	1.7	1.9	2.0	1.7	1.7	1.4	1.6	1.5
Recovery (%)	84	85	92	86	84	92	90	87	88
Copper in concentrate produced (tonnes)	8,506	8,177	9,331	8,036	7,425	11,816	8,405	10,390	18,795
Gold produced (ounces)	15,423	16,011	24,771	20,371	18,007	30,203	20,370	24,552	44,922
Sulphide Circuit Costs (per lb) (2)									
Mining	$0.23	$0.38	$0.21	$0.19	$0.16	$0.29	$0.31	$0.25	$0.28
Processing	0.69	0.71	0.46	0.46	0.73	0.53	0.68	0.64	0.66
Site Administration	0.12	0.11	0.09	0.12	0.16	0.18	0.16	0.16	0.16
TC/RC and freight parity charges	0.39	0.38	0.49	0.45	0.49	0.51	0.42	0.48	0.46
Gold credit	(0.69)	(0.62)	(0.90)	(1.16)	(0.87)	(0.88)	(0.98)	(0.45)	(0.69)
Sulphide Circuit Total Cash Costs (C1)	$0.74	$0.96	$0.35	$0.06	$0.67	$0.63	$0.59	$1.08	$0.87
Sulphide Circuit Total Costs (C3)	$1.09	$1.08	$0.66	$0.46	$1.19	$1.02	$1.40	$1.69	$1.56
Revenues ($ millions)									
Copper in concentrates	$32.4	$(13.0)	$20.5	$25.7	$24.1	$45.4	$43.2	$24.0	$67.2
Gold	12.6	11.1	19.7	21.4	16.3	24.2	21.0	13.8	34.8
Total revenues	$45.0	$(1.9)	$40.2	$47.1	$40.4	$69.6	$64.2	$37.8	$102.0
Copper in concentrate sold (tonnes)	8,287	8,073	8,857	10,291	6,958	9,330	7,350	5,591	12,941
Gold sold (ounces)	14,247	13,641	22,576	24,931	18,371	25,384	22,256	14,559	36,815

Bwana/Lonshi Production Statistics	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	FY 10
Mining									
Waste mined (000's tonnes)	117	-	-	-	-	-	-	-	-
Ore mined (000's tonnes)	14	-	-	-	-	-	-	-	-
Ore grade (%)	4.3	-	-	-	-	-	-	-	-
Processing									
Oxide ore processed (000's tonnes)	228	14	-	-	-	-	101	114	215
Oxide ore grade processed (%)	0.8	0.9	-	-	-	-	2.8	2.6	2.7
Recovery (%)	84	92	-	-	-	-	90	90	90
Copper cathode produced (tonnes)	1,620	527	-	-	-	-	2,288	2,723	5,011
Acid produced (tonnes)	90,987	64,016	63,193	32,461	-	848	22,747	66,527	89,274
Surplus acid (tonnes)	2,071	150	7,768	1,819	-	-	-	-	-
Oxide Circuit Costs (per lb) (2)									
Mining	$1.53	-	-	-	-	-	$0.16	$0.29	$0.23
Processing	1.77	-	-	-	-	-	0.88	0.76	0.81
Site Administration	0.35	-	-	-	-	-	0.15	0.19	0.17
Gold / Acid credit	(0.39)	-	-	-	-	-	0.08	0.10	0.09
Oxide Circuit Total Cash Costs (C1)	$3.26	-	-	-	-	-	$1.27	$1.34	$1.30
Oxide Circuit Total Costs (C3)	$3.69	-	-	-	-	-	$1.40	$1.34	$1.37
Revenues ($ millions)									
Copper in cathodes	$10.0	$(3.1)	$0.4	-	-	-	$14.0	$16.6	$30.6
Copper cathodes sold (tonnes)	1,712	518	-	-	-	-	2,106	2,402	4,508

(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.
(3) Concentrate handling costs incurred at Frontier site have been reclassified to C1 cost

Appendix B

REGULATORY DISCLOSURES

Seasonality

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

Off-Balance Sheet Arrangements

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

Non-GAAP Measures

Calculation of Cash and Total Costs

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

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

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

Calculation of Operating Cash Flow per Share

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

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

International Financial Reporting Standards ("IFRS")

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

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

The Company is implementing 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 are currently being determined.

As part of the scope and planning phase, the Company identified IFRS versus Canadian GAAP differences and various policy choices available under IFRS. The Company has made significant progress quantifying the implication of these differences and policy choices and the impact of the adoption of IFRS on the Company's financial statements is likely to be material. IFRS accounting standards, and the interpretation thereof, are constantly evolving. As a result, we expect there may be new or revised IFRS accounting standards prior to the issuance of our first IFRS financial statements. The Company monitors and evaluates IFRS accounting developments and updates the conversion plan as necessary. Consequently, the differences identified below should be regarded as preliminary and subject to change.

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 "Impairment of Assets" 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. Based on the Company's Canadian GAAP impairment assessment as at December 31, 2009 and June 30, 2010, the use of a discounted cash flow model to test for impairment will result in a material impairment to 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.

In accordance with IFRS 1 transition provision, deemed cost of property, plant and equipment, the Company will elect to measure the Kolwezi project at January 1, 2010 at fair value and use that fair value as its deemed cost. The fair value of the Kolwezi project is currently being evaluated by management and the write down of the property value at transition will be material. Using fair value as deemed cost for the Kolwezi project will result in a limit to deemed cost for the reversal of impairments if project conditions improve subsequent to January 1, 2010.

Asset retirement obligations ("ARO")

Consistent with IFRS, rehabilitation provisions have been measured under Canadian GAAP based on the estimated cost of rehabilitation, discounted to its net present value upon initial recognition. However, adjustments to the discount rate are not reflected in the provisions or the related assets under Canadian GAAP unless it caused an upward revision of the future cost estimates. The Company elected to apply the exemption from full retrospective application as allowed under IFRS 1. As such, the Company has remeasured the rehabilitation liability as at January 1, 2010 under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" estimated the amount to be included in the related asset by discounting the liability to the date in which the liability arose, and recalculated the accumulated amortization under IFRS. The Company expects the ARO provision to increase, but the impact is not expected to be material.

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 continuing the process of determining the functional currency of its subsidiaries under IFRS.

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.

An IFRS 1 election is available to apply IFRS 3R "Business Combinations" 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 new standards under Canadian GAAP from January 1, 2010 which align the accounting for business combinations under Canadian GAAP to IFRS.

Income tax

Under Canadian GAAP the Company recognized a deferred income tax liability on temporary differences arising on the initial recognition of the mineral properties acquired where the fair value of the asset acquired exceeded its tax basis. IAS 21 "Income Taxes" does not permit the recognition of deferred taxes on such transactions. The expected impact of the derecognition of the deferred taxes at January 1, 2010 is a reduction of $176.0 million of deferred tax liability, a reduction of property, plant and equipment of $181.3 million and an adjustment to retained earnings of $5.3 million.

The Company is currently in the process of completing its review of further impacts of the transition to IFRS related to income taxes and currently does not expect the impacts to be material.

Financial statement presentation

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.

The Company will continue with the design and build phase into Q3 2010. The final analysis of the IFRS differences, completion of the final IFRS compliant accounting policies, and quantification of the IFRS opening balance sheet as at January 1, 2010 will be completed as part of this design and build phase. The implement and review phase will follow and the 2010 comparative interim financial statements will be completed. The timing of key activities mentioned above may change prior to the IFRS conversion date due to changes in regulation, the issuance of new accounting standards or amendments to existing accounting standards.

Changes in Accounting Policies

Business combinations

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

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

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

Critical Accounting Policies

Mineral properties and deferred exploration costs

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

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

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

Income taxes

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

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

Stock based compensation

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

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

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

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

Asset retirement obligations

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

Critical Accounting Estimates

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

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

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

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

Disclosure Controls and Procedures

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

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

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

Internal Control over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with Canadian 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 June 30, 2010 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Controls and Procedures

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

Forward Looking Statements

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

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

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.