

# **First Quantum Minerals Ltd.**

Consolidated Financial Statements

**First Quarter – March 31, 2008**

(unaudited)

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

**First Quantum Minerals Ltd.**  
**Consolidated Statements of Earnings and Comprehensive Income**

(unaudited)

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

	<b>Three months ended March 31</b>	
	<b>2008</b>	<b>2007</b>
<b>Sales revenues</b>		
Copper	486.3	253.3
Gold	25.2	7.9
Acid	-	0.1
	511.5	261.3
<b>Cost of sales</b>	(137.1)	(101.9)
<b>Depletion and amortization</b>	(20.3)	(13.6)
	354.1	145.8
<b>Other expenses/income</b>		
Exploration	(5.8)	(2.6)
General and administrative	(6.7)	(5.7)
Interest	(8.6)	(7.6)
Other expenses/income (note 10)	(4.3)	1.5
	(25.4)	(14.4)
<b>Earnings before income taxes and minority interests</b>	328.7	131.4
Income taxes	(98.0)	(31.7)
Minority interests	(48.7)	(21.4)
<b>Net earnings for the period</b>	182.0	78.3
<b>Other comprehensive income</b>		
Unrealized gain (loss) on available-for-sale investments, net of tax of \$11.6 and \$(3.0)	(65.2)	14.8
	(65.2)	14.8
<b>Comprehensive income</b>	116.8	93.1
<b>Earnings per common share</b>		
Basic	\$2.68	\$1.16
Diluted	\$2.65	\$1.14
<b>Weighted average shares outstanding (000's)</b>		
Basic	67,837	67,318
Diluted	68,728	68,601
<b>Total shares issued and outstanding (000's)</b>	68,180	67,470

# First Quantum Minerals Ltd.

## Consolidated Balance Sheets

(unaudited)

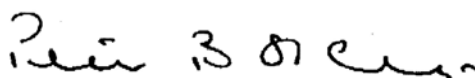
(expressed in millions of U.S. dollars, except where indicated)

	March 31, 2008	December 31, 2007
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	269.6	200.0
Restricted cash (note 7)	-	22.5
Accounts receivable	373.1	272.0
Inventory (note 3)	341.7	279.4
Current portion of other assets (note 6)	12.0	12.7
	996.4	786.6
<b>Available-for-sale investments</b> (note 4)	512.1	567.0
<b>Property, plant and equipment</b> (note 5)	1,393.9	1,320.5
<b>Other assets</b> (note 6)	15.5	8.6
	2,917.9	2,682.7
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	127.9	104.9
Current taxes payable	176.6	127.2
Current portion of long-term debt (note 7)	89.6	73.7
Current portion of other liabilities (note 8)	27.2	23.5
	421.3	329.3
<b>Long-term debt</b> (note 7)	300.7	287.5
<b>Other liabilities</b> (note 8)	38.9	40.1
<b>Future income tax liabilities</b>	225.0	224.4
	985.9	881.3
<b>Minority interests</b>	264.1	215.4
	1,250.0	1,096.7
<b>Shareholders' equity</b>		
<b>Capital stock</b>	397.2	396.0
<b>Retained earnings</b>	1,133.3	987.4
<b>Accumulated other comprehensive income</b>	137.4	202.6
	1,667.9	1,586.0
	2,917.9	2,682.7
<b>Commitments and contingencies</b> (notes 12 and 13)		
<b>Subsequent event</b> (note 14)		

Approved by the Board of Directors



Director



Director

**First Quantum Minerals Ltd.**  
**Consolidated Statements of Changes in Shareholders' Equity**

(unaudited)

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

	<b>Three months ended March 31</b>	
	<b>2008</b>	<b>2007</b>
<b>Capital stock</b>		
<b>Common shares</b>		
Balance – beginning of period	415.2	399.6
Stock options exercised	1.7	3.0
Balance – end of period	416.9	402.6
<b>Treasury shares</b>		
Balance – beginning of period	(34.3)	(15.6)
Shares purchased	(2.5)	(4.0)
Balance – end of period	(36.8)	(19.6)
<b>Contributed surplus</b>		
Balance – beginning of period	15.1	12.0
Compensation expense for the period	2.4	2.3
Transfers upon exercise of stock options	(0.4)	(0.8)
Balance – end of period	17.1	13.5
<b>Total capital stock</b>	<b>397.2</b>	<b>396.5</b>
<b>Retained earnings</b>		
Balance – beginning of period	987.4	518.8
Net earnings for the period	182.0	78.3
Dividends	(36.1)	(36.4)
Balance – end of period	1,133.3	560.7
<b>Accumulated other comprehensive income</b>		
Balance – beginning of period	202.6	(2.5)
Change in fair value of available-for-sale investments	(65.2)	14.8
Balance – end of period	137.4	12.3
<b>Retained earnings and accumulated other comprehensive income</b>	<b>1,270.7</b>	<b>573.0</b>

**First Quantum Minerals Ltd.**  
**Consolidated Statements of Cash Flows**

(unaudited)

(expressed in millions of U.S. dollars)

	<b>Three months ended</b>	
	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>		
Net earnings for the period	182.0	78.3
Items not affecting cash		
Depletion and amortization	20.3	13.6
Minority interests	48.7	21.4
Unrealized foreign exchange loss	4.2	0.9
Future income tax expense	15.3	1.7
Stock-based compensation expense	2.4	2.3
Unrealized derivative instruments gain	(1.8)	(1.3)
Other	1.5	2.0
	272.6	118.9
Change in non-cash operating working capital		
Increase in accounts receivable and other	(100.3)	(7.2)
Increase in inventory	(60.5)	(22.7)
Decrease in accounts payable and accrued liabilities	(15.2)	(19.5)
Increase in current taxes payable	49.4	9.3
Long term incentive plan contributions	(2.5)	(4.0)
	143.5	74.8
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	50.0	-
Repayments of long-term debt	(25.3)	(25.6)
Proceeds on issuance of common shares	1.3	2.2
Other	(5.9)	(2.4)
	20.1	(25.8)
<b>Cash flows from investing activities</b>		
Restricted cash	22.5	15.0
Payments for property, plant and equipment	(94.6)	(55.4)
Acquisition of available-for-sale investments	(21.9)	(61.6)
	(94.0)	(102.0)
Effect of exchange rate changes on cash	-	(0.2)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>69.6</b>	<b>(53.2)</b>
<b>Cash and cash equivalents - beginning of period</b>	<b>200.0</b>	<b>249.5</b>
<b>Cash and cash equivalents - end of period</b>	<b>269.6</b>	<b>196.3</b>

# First Quantum Minerals Ltd.

## Notes to Consolidated Financial Statements

(unaudited)

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

### 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 2007 audited financial statements.

### 2 Changes in accounting policies

Effective January 1, 2008, the Company adopted three new CICA accounting standards as follows:

#### Capital disclosures

Section 1535, Capital disclosures, requires the disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with capital requirements and, if the entity has not complied, the consequences of such non-compliance.

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

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

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

- i) Total capital greater than \$400 million
- ii) Long term debt to capital ratio less than 150%

The Company's ratios were calculated as follows:

	March 31, 2008	December 31, 2007
Total long term debt	390.3	361.2
Cash and cash equivalents	(269.6)	(200.0)
Net debt	120.7	161.2
Total capital	1,667.9	1,586.0
Net debt to net debt plus capital	7%	9%
Long term debt to capital ratio	23%	23%

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

#### Inventories

Section 3031, Inventories, provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The Company adopted the new standard effective January 1, 2008 and there was no significant impact on the financial statements.

#### Financial instruments – disclosure and presentation

Section 3861, Financial instruments – disclosure and presentation, has been replaced by section 3862, Financial instruments – disclosure, and section 3863 – Financial instruments – presentation. These new standards require entities to disclose quantitative and qualitative information that enable users to evaluate the significance of financial instruments for the Company's financial performance, and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date. In addition, the Company is required to disclose management's objectives, policies and procedures for managing these risks.

# First Quantum Minerals Ltd.

## Notes to Consolidated Financial Statements

(unaudited)

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

### Fair values

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

Held for trading financial assets and liabilities are recorded at fair value as determined by active market prices and valuation models, as appropriate. Valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining these assumptions, the Company uses readily observable market inputs. Changes in fair value of held for trading financial instruments are recorded in net earnings.

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

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

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

	Loans and receivables	Available- for-sale	Held for trading	Other financial liabilities	Total carrying amount	Total fair value
<b>Financial assets</b>						
Cash and cash equivalents	-	269.6	-	-	269.6	269.6
Restricted cash	-	-	-	-	-	-
Accounts receivable (i)	314.3	-	58.8	-	373.1	373.1
Derivative instruments	-	-	9.9	-	9.9	9.9
Investments						
At cost (ii)	-	9.5	-	-	9.5	-
At fair value	-	502.6	-	-	502.6	502.6
<b>Financial liabilities</b>						
Accounts payable and accrued liabilities	-	-	-	304.5	304.5	304.5
Derivative instruments	-	-	38.3	-	38.3	38.3
Long-term debt	-	-	-	390.3	390.3	390.3

The following provides a comparison of carrying and fair values of each classification of financial instrument as at December 31, 2007:

	Loans and receivables	Available- for-sale	Held for trading	Other financial liabilities	Total carrying amount	Total fair value
<b>Financial assets</b>						
Cash and cash equivalents	-	200.0	-	-	200.0	200.0
Restricted cash	-	22.5	-	-	22.5	22.5
Accounts receivable (i)	202.6	-	69.4	-	272.0	272.0
Derivative instruments	-	-	6.6	-	6.6	6.6
Investments						
At cost (ii)	-	9.5	-	-	9.5	-
At fair value	-	557.5	-	-	557.5	557.5
<b>Financial liabilities</b>						
Accounts payable and accrued liabilities	-	-	-	232.1	232.1	232.1
Derivative instruments	-	-	36.5	-	36.5	36.5
Long-term debt	-	-	-	361.2	361.2	361.2

# First Quantum Minerals Ltd.

## Notes to Consolidated Financial Statements

(unaudited)

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

i) Accounts receivable

Copper products are sold under pricing arrangements where final prices are set at a specified future date based on market copper prices. Changes between the price recorded upon recognition of revenue and the final price due to fluctuations in copper market prices result in the existence of a 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.

ii) Investments – at cost

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

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

	<b>March 31, 2008</b>	<b>March 31, 2007</b>
Balance - beginning of period	567.0	42.2
Additions	21.9	61.5
Change in fair value	(76.8)	17.8
Balance - end of period	512.1	121.5

### *Financial risk management*

#### Credit risk

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

The Company limits exposure to credit risk on short-term deposits by investing with counterparties that carry investment grade ratings as assessed by external rating agencies. Under the Company's risk management policy, allowable counterparty exposure limits are determined by the level of the rating. A rating of "A-" grade is the minimum allowable rating required as assessed by international credit rating agencies.

Likewise, it is the Company's policy to deal with banking counterparties for derivatives who are rated "A-" grade or above by international credit rating agencies and graduated counterparty limits are applied depending upon the rating.

Exceptions to the policy for dealing with relationship banks with ratings below "A-" are explicitly reported to and approved by the Audit Committee.

The Company's credit risk associated with trade accounts receivable are managed through establishing long term contractual relationships with international trading companies using industry-standard contract terms. Other accounts receivable consist primarily of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and capital expenditures.

Significant credit risk exposures at March 31, 2008 to any single counterparty or group of counterparties having similar characteristics are as follows:

	<b>March 31, 2008</b>
Bank deposits	
Standard Chartered Bank	185.0
Royal Bank of Canada	50.1
Stanbic Bank	14.0
Accounts receivable	
Commodity traders and smelters	330.5
Government authorities	38.3

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

# First Quantum Minerals Ltd.

## Notes to Consolidated Financial Statements

(unaudited)

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

### Liquidity risk

The Company manages liquidity risk by maintaining cash and cash equivalent balances and available credit under the terms of committed credit facilities. Liquidity requirements are managed based on expected cash flow to ensure that there is capital to meet short term and long term obligations.

Contractually obligated undiscounted cash flow requirements as at March 31, 2008 are as follows:

	Total	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Thereafter
Long-term debt	390.3	89.6	90.5	90.9	95.8	5.9	17.6
Accounts payable and accrued liabilities	304.5	304.5	-	-	-	-	-
Deferred payments	14.8	13.0	0.4	0.4	0.4	0.4	0.2
Commitments	78.6	78.6	-	-	-	-	-
Asset retirement obligations	8.4	0.9	-	-	-	1.4	6.1
<b>Total</b>	<b>796.6</b>	<b>486.6</b>	<b>90.9</b>	<b>91.3</b>	<b>96.2</b>	<b>7.7</b>	<b>23.9</b>

### Market risks

The significant market risks to which the Company is exposed are commodity price risk, interest rate risk, and foreign exchange risk.

#### a) Commodity price risk

The Company is subject to price risk from fluctuations in the market prices of copper, cobalt and gold. The Company has a policy allowing active management of this exposure through the use of derivative financial instruments; however, to date the Company has entered into derivative positions only as required by lending agreements. The use of commodity derivatives is based on practices and parameters set by the Company's Board of Directors ("Board"). Presently, the Board does not intend to enter into derivative positions in relation to copper or cobalt price exposure, but has authorised entering into gold derivatives to cover gold price exposure of up to 50% in a two-year horizon and up to 25% for years three to five.

The Company's commodity price risk related to financial instruments primarily relates to changes in fair value of embedded derivatives in accounts receivable, the embedded copper derivative in the Kansanshi subordinated debt facility and existing gold put option and forward contracts.

The following table shows the impact on net earnings from changes in the fair values of financial instruments of a 10% change in the copper and gold commodity prices, based on March 31, 2008 prices. There is no impact of these changes on other comprehensive income except indirectly through the impact on the fair value of the available-for-sale investments.

The impact of a 10% movement on commodity prices is as follows:

	<b>March 31, 2008</b>	Impact of price change on net earnings	
		10% increase	10% decrease
<b>Accounts receivable</b>			
Copper			
Provisional tonnes	8,974		
Forward average price (\$/tonne)	\$8,475	4.3	(4.3)
Gold			
Provisional ounces	3,336		
Forward average price (\$/oz)	\$916	0.2	(0.2)
<b>Derivative instruments</b>			
Copper			
Embedded derivative in debt facility	\$8,475	-	-
Gold			
Forward contracts (ounces)	58,078		
Forward average price (\$/oz)	\$916	(3.0)	3.0

# First Quantum Minerals Ltd.

## Notes to Consolidated Financial Statements

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

### b) Interest rate risk

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

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

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

The impact on net earnings for a three-month period of a 1% change in LIBOR would be as follows:

	March 31, 2008	Impact of LIBOR change on net earnings	
		1% increase	1% decrease
Deposits			
Interest-bearing deposits	203.9	0.4	(0.4)
Borrowings			
Floating rate borrowings	343.4	(0.8)	0.8

### c) Foreign exchange risk

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

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

As at March 31 2008, the Company had sold forward \$9.0 million against the ZAR and AUD through an option strategy which matures in November 2008. The Company has also managed its exposure to the Euro through the use of cross-currency swaps matched to the outstanding principal of the Euro denominated loan.

As at March 31, 2008, with other variables unchanged, a \$0.01 change in value of the US dollar against the currencies to which the Company is normally exposed (ZMK, ZAR and AUD) would have no significant impact on net earnings resulting from the use of financial instruments.

#### *Derivative financial instruments*

As at March 31, 2008, the following derivative positions were outstanding:

	Maturity 2008	Maturity 2009	Total	March 31, 2008	December 31, 2007
<b>Gold (i)</b>					
Put options (oz)	18,045	38,028	56,073	-	-
Price (\$/oz)	\$350	\$350	\$350		
Forward Contracts (oz)	18,045	38,028	56,073	(30.5)	(29.1)
Price (\$/oz)	\$400	\$400	\$400		
<b>Other</b>					
Foreign exchange contracts				9.9	6.6
Embedded derivative (ii)				(7.8)	(7.4)

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

# First Quantum Minerals Ltd.

## Notes to Consolidated Financial Statements

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

- ii) The interest rate on the Kansanshi subordinated debt facility (note 7) is indexed to the price of copper resulting in the existence of an embedded derivative. This embedded derivative has been classified as held for trading, and is recorded at fair value with changes in fair value recorded as a component of net earnings.

### 3 Inventory

	March 31, 2008	December 31, 2007
Ore in stockpiles	116.7	104.9
Work-in-progress	6.6	7.1
Finished product	74.9	41.4
Total product inventory	198.2	153.4
Consumable stores	143.5	126.0
	341.7	279.4

### 4 Available-for-sale investments

	March 31, 2008	December 31, 2007
Carlisa Investment Corp. – at cost	9.5	9.5
Marketable securities	493.0	547.9
Asset-backed commercial paper	9.6	9.6
	512.1	567.0

### 5 Property, plant and equipment

	March 31, 2008			December 31, 2007		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Plant and Equipment	981.2	(235.3)	745.9	939.4	(211.0)	728.4
Capital work-in-progress	191.1	-	191.1	142.0	-	142.0
Mineral properties and mine development costs	487.8	(30.9)	456.9	482.0	(31.9)	450.1
	1,660.1	(266.2)	1,393.9	1,563.4	(242.9)	1,320.5

### 6 Other assets

	March 31, 2008	December 31, 2007
Derivative instruments (note 2)	9.9	6.6
Future income tax asset	-	3.2
Prepaid expenses and other	17.6	11.5
Total other assets	27.5	21.3
Less: Current portion	(12.0)	(12.7)
	15.5	8.6

# First Quantum Minerals Ltd.

## Notes to Consolidated Financial Statements

(unaudited)

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

### 7 Long-term debt

	March 31, 2008	December 31, 2007
<b>Drawn debt facilities</b>		
Corporate revolving credit and term loan facility (a)	326.7	298.4
Kansanshi subordinated debt facility (b)	46.7	43.1
Kansanshi project completion facility (c)	16.7	19.5
Other	0.2	0.2
Total long-term debt	390.3	361.2
Less: Current portion	(89.6)	(73.7)
	300.7	287.5
<b>Undrawn debt facilities</b>		
Corporate revolving credit and term loan facility (a)	-	95.0
Corporate revolving loan facility (d)	250.0	-

#### 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 to restructure existing project debt, provide financing for development of the Frontier project and to provide a revolving facility to be used for general corporate purposes.

The facility is comprised of three tranches, up to \$225.0 million, \$125.0 million, and \$100.0 million. The total aggregate outstanding under the facility is not to exceed \$400.0 million. Tranche A is repayable in ten equal semi-annual instalments commencing on March 31, 2007; tranche B is repayable in seven semi-annual instalments commencing on September 30, 2008; and tranche C is to be repaid on September 30, 2011. Interest on tranches A and B is calculated at LIBOR plus 2.50%. 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 \$332.5 million. During the quarter ended March 31, 2008, \$50.0 million was drawn and \$45.0 million in undrawn facilities expired. The carrying amount is net of issue and transaction costs of \$5.8 million. The security includes an assignment of proceeds under various sales contracts from the sale of copper, copper concentrate and gold at Kansanshi, Bwana, Guelb Moghrein, and Frontier. Cash is restricted to meet required instalments and nil was recorded as restricted cash at March 31, 2008.

#### b) 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. As this facility is in Euros, the Company has entered into cross-currency principal swaps to mitigate the effects of movements in the Euro (note 2).

The Kansanshi subordinated debt facility has a principal amount outstanding of 30.2 million Euros (2007 – 30.2 million Euros). The carrying amount is net of issue and transaction costs of 0.7 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 (note 2), with changes in fair value recorded as a component of net earnings.

#### c) Kansanshi project completion facility

Kansanshi entered into the \$25.0 million project completion facility in March 2004, which was amended and restated in 2006. This facility was drawn down in 2005 and is repayable in 9 semi-annual instalments commencing December 31, 2006. Interest is calculated at LIBOR plus 3.5%.

The Kansanshi project completion facility has a principal amount outstanding of \$16.7 million which is equal to its carrying amount.

#### d) Corporate revolving loan facility

In January 2008, the Company finalized, but has not drawn, a \$250.0 million loan facility for general corporate purposes and to provide financing in relation to corporate investments. The facility is available until 2009 and is secured by a first ranking mortgage over Equinox Minerals Limited shares owned by the Company. Interest will be calculated at LIBOR plus 2.50%. The Company intends to utilize this facility to finance the acquisition of Scandinavian Minerals Limited (note 14).

**First Quantum Minerals Ltd.**  
**Notes to Consolidated Financial Statements**

(unaudited)

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

## 8 Other liabilities

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
Derivative liabilities (note 2)	38.3	36.5
Kolwezi deferred payment	7.9	7.9
Asset retirement obligations	8.4	8.2
Other	11.5	11.0
Total other liabilities	66.1	63.6
Less: Current portion	(27.2)	(23.5)
	38.9	40.1

## 9 Stock based compensation

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

	<b>March 31, 2008</b>	<b>March 31, 2007</b>
Share stock option expense	(0.6)	(1.0)
Long term incentive plan expense	(1.8)	(1.3)
	(2.4)	(2.3)

## 10 Other expenses/income

	<b>March 31, 2008</b>	<b>March 31, 2007</b>
Derivative instrument losses	(1.4)	(1.1)
Foreign exchange losses	(4.6)	(0.5)
Interest and sundry income	1.7	3.1
	(4.3)	1.5

## 11 Segmented information

The Company's reportable operating segments are individual mine operations and the reportable segments are Kansanshi, Guelb Moghrein, Frontier, Bwana/Lonshi, Kolwezi and Corporate. Each mine 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 and corporate administration.

# First Quantum Minerals Ltd.

## Notes to Consolidated Financial Statements

(unaudited)

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

For the three month period ended March 31, 2008, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Kolwezi	Corporate	Total
Segmented revenues	382.2	83.6	32.6	26.5	-	6.4	531.3
Less inter-segment revenues	-	-	-	(13.4)	-	(6.4)	(19.8)
Revenues	382.2	83.6	32.6	13.1	-	-	511.5
Cost of sales	(79.8)	(26.4)	(13.4)	(17.5)	-	-	(137.1)
Depletion and amortization	(14.4)	(2.8)	(1.1)	(2.0)	-	-	(20.3)
Operating profit (loss)	288.0	54.4	18.1	(6.4)	-	-	354.1
Interest on long-term debt	(2.0)	(0.6)	(4.4)	-	-	(1.6)	(8.6)
Other	(6.6)	(2.6)	0.3	(1.5)	-	(6.4)	(16.8)
Segmented profit before undernoted items	279.4	51.2	14.0	(7.9)	-	(8.0)	328.7
Income taxes	(86.6)	-	(11.8)	(1.1)	-	1.5	(98.0)
Minority interests	(38.7)	(9.9)	(0.1)	-	-	-	(48.7)
Segmented profit (loss)	154.1	41.3	2.1	(9.0)	-	(6.5)	182.0
Property, plant and equipment	558.2	108.8	243.0	45.1	434.6	4.2	1,393.9
Total assets	1,022.8	225.4	363.2	128.4	444.8	733.3	2,917.9
Capital expenditures	53.0	7.7	13.3	4.4	30.4	-	108.8

For the three month period ended March 31, 2007, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/ Lonshi	Kolwezi	Corporate	Total
Segmented revenues	223.2	15.9	-	30.5	-	3.4	273.0
Less inter-segment revenues	-	-	-	(8.3)	-	(3.4)	(11.7)
Revenues	223.2	15.9	-	22.2	-	-	261.3
Cost of sales	(68.9)	(4.1)	-	(28.9)	-	-	(101.9)
Depletion and amortization	(9.3)	(1.4)	-	(2.9)	-	-	(13.6)
Operating profit (loss)	145.0	10.4	-	(9.6)	-	-	145.8
Interest on long-term debt	(4.3)	(1.4)	-	(0.1)	-	(1.8)	(7.6)
Other	(2.0)	(0.1)	-	(0.4)	-	(4.3)	(6.8)
Segmented profit before undernoted items	138.7	8.9	-	(10.1)	-	(6.1)	131.4
Income taxes	(34.9)	-	-	2.1	-	1.1	(31.7)
Minority interests	(19.7)	(1.7)	-	-	-	-	(21.4)
Segmented profit (loss)	84.1	7.2	-	(8.0)	-	(5.0)	78.3
Property, plant and equipment	424.1	104.2	149.5	46.8	391.0	0.7	1,116.3
Total assets	691.2	161.2	150.9	133.6	391.8	268.4	1,797.1
Capital expenditures	21.7	1.6	33.1	0.7	0.7	6.6	64.4

# First Quantum Minerals Ltd.

## Notes to Consolidated Financial Statements

(unaudited)

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

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### 12 Commitments

In conjunction with the development of Kolwezi, upgrades at Kansanshi, Frontier and other projects, the Company has committed to approximately \$78.6 million in capital expenditures as at March 31, 2008.

### 13 Contingencies and measurement uncertainties

- a) The Government of the Democratic Republic of Congo (“DRC”) announced during 2007 a review of over 60 mining agreements entered into over the last decade with foreign companies. The Kolwezi mining convention was included in this review and on February 19, 2008 formal notification of the outcome of the review was received by the Company. The notification listed a number of conditions to be met by the Company. The Company has legal advice that the convention is valid and binding and that KMT has complied with all its terms. The convention provides a dispute resolution mechanism through international arbitration. The Company through KMT responded to the letter and awaits a response from a panel set up by the DRC to manage the review process. The carrying value of the Kolwezi mineral property is \$434.6 million.
- b) 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 were passed by parliament in late March and the majority of changes take effect from April 1, 2008. These changes include a new windfall tax on copper sales revenue based on trigger prices for copper above \$2.50/lb; a new variable tax of 15% of taxable income where the profit margin exceeds 8% and no windfall tax applies; a concentrate export levy of 15%; an increase in the royalty rate from 0.6% to 3%; an increase in the income tax rate from 25% to 30%; and other changes including a reduction in capital allowances and quarantining of hedging losses and gains. These changes, if finally enforceable, will result in higher tax payments in that country, which will be material at current commodity prices.

The Company has entered into Development Agreements with GRZ on existing operations which unequivocally provide for stability in the regulatory environment, including taxation, and rights of international arbitration in the event of any dispute, which the Company will pursue if necessary to protect its contractual rights. Currently, the Company is seeking mediation along with other mining companies operating in Zambia with similar agreements. The financial impact of the proposed changes on the Company is uncertain.

### 14 Subsequent event

In April 2008, the Company announced that it has entered into a definitive agreement to acquire, by way of a court-approved plan of arrangement, all of the outstanding common shares of Scandinavian Minerals Limited (“SML”), which owns the Kevitsa property in Finland, on the basis of CDN \$9.00 in cash plus 0.01 common shares of the Company for each common share of SML.

The Board of Directors of SML has unanimously approved the transaction and resolved to recommend to the holders of SML shares that they vote in favour of the transaction. In addition, the directors and senior offices of SML have entered into voting agreements with the Company, pursuant to which they have irrevocably agreed to vote their shares (including any shares issuable upon the exercise of options), representing approximately 13.6% of the issued and outstanding common shares of SML, in favour of the transaction.

The value of the transaction is approximately \$282.0 million on the basis of CDN \$9.00 in cash plus 0.01 common shares of the Company for each common share of SML. The implied value of the purchase price is CDN \$9.92 per SML share based on the closing price of the Company’s shares on the Toronto Stock Exchange of CDN \$92.18 on May 5, 2008.



**FIRST QUANTUM**  
MINERALS LTD.

**Management Discussion and Analysis**

**First Quarter Ended March 31, 2008**

(expressed in US Dollars)

May 13, 2008

<b>Key features for the quarter</b>		<b>Q1 2008</b>	<b>Q1 2007</b>	<b>Q1 2006</b>
Production	t Cu	75,616	46,403	42,086
Sales	t Cu	62,802	44,315	36,635
Net sales	USDM	511.5	261.3	187.2
Operating profit	USDM	354.1	145.8	122.0
Net profit	USDM	182.0	78.3	55.8
Earnings per share	USD	\$2.68	\$1.16	\$0.90

Unless otherwise indicated, all comparisons of performance throughout this report are to the comparative period for the prior year.

- Record quarterly copper production achieved on the back of outstanding results at Kansanshi
- Record quarterly operating profit, driven by copper price and strong sales volume
- Copper in concentrate stockpiles increase to approximately 31,600 tonnes by quarter end
- Additional tax expense of \$17 million provided against change in Zambian corporate tax rate from 25% to 30%
- The Company entered into a definitive agreement to acquire 100% of Scandinavian Minerals Limited

**Near term outlook**

- Expected production for 2008 remains at 310,000 tonnes
- Frontier operations improving now the rainy season has ended

**Longer term outlook**

- Kansanshi expansion project and gold plant construction will drive further increases in production
- Kolwezi project approved and under construction
- Copper production profile over the five years 2009-2013 from existing operations is expected to average 222,000 tonnes per annum at Kansanshi, 43,000 tonnes at Guelb Moghrein and 81,000 tonnes at Frontier as a result of planned expansions
- In addition, expected production increases arising from the Kolwezi and Kevitsa projects

*For further information on 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](http://www.sedar.com). Information is also available on the Company's website at [www.first-quantum.com](http://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 and denominated in United States dollars, unless otherwise noted.*

## Q1 2008 operating results

	Q1 2008	Q1 2007	Q1 2006
<b>NET SALES (after TC/RC charges)</b>	<b>USD M</b>	<b>USD M</b>	<b>USD M</b>
Kansanshi - copper	373.4	218.4	120.4
- gold	8.8	4.8	4.5
Guelb Moghrein - copper	67.2	12.8	-
- gold	16.4	3.1	-
Frontier - copper	32.6	-	-
Bwana/Lonshi - copper	13.1	22.1	62.1
- acid	-	0.1	0.2
Net sales	511.5	261.3	187.2
Copper provisional pricing adjustment included above	44.5	(17.6)	16.9
<b>OPERATING PROFIT</b>	<b>USD M</b>	<b>USD M</b>	<b>USD M</b>
Kansanshi	288.0	145.0	86.6
Guelb Moghrein	54.4	10.4	-
Frontier	18.1	-	-
Bwana/Lonshi	(6.4)	(9.6)	35.4
Total operating profit	354.1	145.8	122.0
<b>COPPER SELLING PRICE</b>	<b>USD/lb</b>	<b>USD/lb</b>	<b>USD/lb</b>
Current period sales	3.43	2.96	2.32
Prior period provisional pricing adjustment	0.32	(0.18)	0.21
TC/RC and freight parity charges	(0.24)	(0.19)	(0.27)
Realized copper price	3.51	2.59	2.26
<b>UNIT COSTS</b>	<b>USD/lb</b>	<b>USD/lb</b>	<b>USD/lb</b>
Cash costs (C1)	0.99	1.06	0.80
Total costs (C3)	1.25	1.30	1.00

### Group operating profit driven by significant sales increase

Notwithstanding intermittent power blackouts and the effects of the rainy season, group operating profit, which was a quarterly record, rose significantly as a result of higher sales volume, an increase in the realized copper price and lower cash costs than in the comparative quarter of last year. Sales volume increased due to the 63% increase in production, a new quarterly production record. Kansanshi continued to increase its output due to facility upgrades and expansions and Frontier enjoyed its first full quarter of production. The realized copper price was 36% higher due to the increased LME copper price, which also resulted in large positive provisional pricing adjustments, unlike the comparative quarter when the LME copper price decreased. The profit margin also benefited from a reduction in the average cash unit cost of production (C1) mainly due to the increased copper output and a reduction in waste stripping.

**Kansanshi operating profit benefits from 48% increase in copper output**

Kansanshi, again, reached record production levels with its sixth consecutive quarter on quarter output increase. Against the comparative quarter of 2007 there was a 26% increase in the tonnes of copper sold. This, combined with a higher realized copper price and lower cash unit costs, contributed to Kansanshi's 99% increase in operating profits.

Copper production increased due, mainly, to a combination of an increase of 15% in oxide and 61% in sulphide ore processed and an increase in the sulphide ore grade processed. The continued facility expansions enabled the increase in ore throughput while the increase in ore grades processed was the direct result of the build up of the mining fleet which had enabled higher grade sulphide ore to be mined and stockpiled over the past few quarters. This resulted in contained copper output increases of 21% from the oxide ore and 97% from the sulphide ore.

As discussed in the previous quarter, operational issues at the Mufulira smelter limited cathode output to approximately 8,200 tonnes. Kansanshi continued to focus on achieving a steady state of production from the high pressure leach system, which contributed approximately 1,700 tonnes of copper in concentrate to cathode production. Of the remaining balance of copper in concentrate production, approximately 9,000 tonnes were sold without further processing and approximately 5,900 tonnes were added to the inventory stockpiles.

Kansanshi's average cash unit cost of production (C1) of \$0.79/lb was positively impacted by the increase in copper in concentrate output as a percentage of the total copper output as the gold credit increased and leach costs decreased. Leach costs decreased due to the lower proportionate share of oxide ore production and a decrease in the processing of high acid consuming oxide ore. In addition, the lower waste stripping, increased production and improved efficiencies all helped keep under control rising cost pressures related to increased oil-based consumables and wages.

**Guelb Moghrein boosted by increasing copper and gold prices and increased sales**

Guelb Moghrein's sales revenues were 426% higher as the sales issues of the comparative quarter were settled during the latter part of 2007. This, combined with increased copper and gold prices, a further reduction of the concentrate stockpile and an increase in copper production, all led to the significant increase in operating profit.

Guelb Moghrein continued to operate above throughput design level. Copper in concentrate production increased due to a 26% increase in the tonnes of ore processed as the comparative quarter was still ramping up since achieving commercial production in late 2006. In addition to the increased gold credit, the average cash unit cost of production (C1) was positively impacted by lower TC RC and freight parity costs versus the comparative quarter as improved offtake terms were negotiated. This was partially offset by rising oil-based consumables, power and wage costs.

**Frontier achieves operating profit in first full quarter of operations**

Frontier achieved an operating profit on the back of high copper prices despite sales volumes being limited due to the constraints imposed by the operational issues of the Mufulira smelter. This resulted in approximately 9,200 tonnes of copper in concentrate production being added to the inventory stockpile by quarter end. Alternative overseas offtake arrangements were finalized late in the quarter which enabled a sale of just over 4,000 tonnes of copper in concentrate.

With the open pit in its very early stage of development copper production was impacted by the heavy rain season, which caused delays in the mining of high grade ore. This resulted in the processing of mixed lower grade ores, which impacted the percentage of copper recovered in the process and contributed to an increase in the average mining unit cost of production. In addition, the sales of concentrate, which had been stockpiled on the Zambian side of the border, were assessed as being subject to the new Zambian export levy, which increased the average total unit cost of production (C3). Alternative arrangements have now been agreed for the export of concentrate directly from the mine, which ensures the Zambian levy does not apply.

**Bwana/Lonshi negatively impacted by DRC border closure**

For the entire quarter the DRC provincial government of Katanga continued to disallow any ore shipments from the Lonshi mine to cross the border into Zambia. This required the Bwana treatment plant to process low grade ore purchased from external vendors and resulted in low copper production and increased average cash unit (C1) and total (C3) costs of production.

Meanwhile, mining operations continued at the Lonshi mine resulting in a stockpile of approximately 76,000 tonnes of ore at an average ore grade of approximately 5.8% at quarter end. The Company believes it has satisfied all requirements to allow the shipment of ore to Bwana from Lonshi. Discussions are ongoing but the border remains closed as of the date of this report.

**Provisional pricing adjustment positive following increase in copper price during final settlement periods**

The provisional pricing adjustments reflect the quarter's final settlement prices for prior period copper sales at an average of \$3.65/lb compared to the December 31, 2007 provisional forward average LME price of \$3.04/lb.

As at March 31, 2008, there were 8,974 tonnes of contained copper that were provisionally priced at an average LME copper price of \$3.85/lb. This revenue will be subject to future adjustments as a result of movements in the copper price. Of this amount, 6,812 tonnes had the final price determined in April at \$3.94/lb resulting in a favourable provisional pricing adjustment of approximately \$1.4 million, and 2,162 tonnes will be determined in May.

**Q1 2008 net profit**

	<b>Q1 2008</b>	<b>Q1 2007</b>	<b>Q1 2006</b>
	<b>USD M</b>	<b>USD M</b>	<b>USD M</b>
Operating profit	354.1	145.8	122.0
Corporate costs and other expenses/income	(11.3)	(6.2)	(4.9)
Derivative losses (net)	(1.4)	(1.1)	(18.6)
Exploration	(5.8)	(2.6)	(2.1)
Interest (net)	(6.9)	(4.5)	(5.3)
Tax expense	(98.0)	(31.7)	(25.0)
Minority interests	(48.7)	(21.4)	(10.3)
<b>Net profit</b>	<b>182.0</b>	<b>78.3</b>	<b>55.8</b>
<b>Earnings per share</b>			
- basic	\$2.68	\$1.16	\$0.90
- diluted	\$2.65	\$1.14	\$0.88
<b>Weighted average shares outstanding</b>			
- basic	67.8	67.3	61.8
- diluted	68.7	68.6	63.4

**Net profit driven by outstanding operating results, hampered by Zambian tax rate increases**

Net profit and earnings per share were 132% higher than the comparative quarter, which was driven by the outstanding operating results. However, the increased Zambian tax rates hampered further increases in net profit and earnings per share due to the restatement of the future income tax liability at a higher tax rate.

**Other expenses impacted by foreign exchange loss**

During the quarter an unrealised foreign exchange loss of \$4.6 million was recognized on the movement in the USD against the Euro on the EIB subordinated debt facility for Kansanshi. This was offset by a gain included in net derivative losses.

**Exploration costs up**

The Company continued with its increased exploration activities over the past few quarters resulting in higher costs than the comparative quarter. Part of the increase was targeted at discovering new opportunities in Mauritania.

**Income tax expense up on increased earnings, future rate changes, and tax dispute settlements**

In addition to the increased operating profits, income tax expense was negatively impacted by the increased tax rate in Zambia and amounts related to the final settlement of prior year income tax disputes in the DRC.

As a result of the Zambian government passing legislation in parliament to increase the tax rate payable by mining companies from 25% to 30%, the Company has restated its balance of future income tax liabilities to reflect the higher rate. This resulted in a charge of \$17.0 million to profit during the quarter. Any receivable from the Government of Zambia for reimbursement of any increased tax charges afforded by the stability provisions of the Development Agreement has not been recognized at this point pending further clarification of the impact of the tax changes. If the tax rate used for calculating future income tax liability is kept at 25% in accordance with the provisions of the Development Agreement, the net profit for the quarter would increase to \$195.6 million, earnings per share basic of \$2.88 and fully diluted of \$2.85.

**Minority interests directly impacted by increased profits at Kansanshi and Guelb Moghrein**

Minority interests increased directly with the increase in operating profits at Kansanshi and Guelb Moghrein as this represents the minority shareholder's portion of each operation's net income.

## Q1 2008 cash flows

	Q1 2008	Q1 2007	Q1 2006
	USD M	USD M	USD M
Cash inflows from operating activities			
- before working capital	272.6	118.9	103.8
- after working capital	143.5	74.6	83.9
Cash inflows from financing activities	20.1	(25.8)	(13.2)
Cash outflows from investing activities	(94.0)	(102.0)	(46.1)
Net incash flows	69.6	(53.2)	24.6
Cash flows per share			
- before working capital	\$4.02	\$1.77	\$1.68
- after working capital	\$2.12	\$1.11	\$1.36

### Cash inflows from operating activities increase on significant increase in net profit

Operating cash flows before working capital movements benefited from the Company's operating results. Non-cash related expenses that were included in the operating results including depreciation, minority interests and future tax expense were significantly higher than the comparative quarter.

Operating cash flows after working capital movements for the quarter were impacted by a build up inventory of \$60.5 million and an increase in accounts receivable of \$100.3 million, which were offset by an increase in current taxes payable of \$49.4 million. Inventory was particularly impacted by an increase in concentrate stockpiles at Kansanshi and Frontier. Current taxes increased due to the positive results and the timing of tax payments.

### Cash inflows from financing activities increase due to debt draw down

Financing activities included a long-term debt draw down of \$50.0 million and repayments totalling \$25.3 million on the corporate revolving credit and term loan facility and the Kansanshi project completion facility. The funds from the draw down were used for capital investment purposes. These financing cash inflows were higher during the current quarter as there were no draw downs in the comparative quarter.

### Cash outflows from investing activities increase on capital investment

The Company spent \$64.6 million on capital upgrades at Kansanshi, Frontier and Guelb Moghrein and \$30.0 million on the Kolwezi development project. In addition, \$21.9 million was spent on acquiring investments in marketable securities. Capital expenditures continued at Kansanshi on sulphide expansion and the gold plant commissioning, while Guelb Moghrein continued investment in the gold plant and other expansion projects. Compared to the same quarter in 2007, the Company spent more on capital upgrades and development and less on marketable security investments during the current quarter.

**Q1 2008 balance sheet**

	<b>Q1 2008</b>	<b>YE 2007</b>	<b>YE 2006</b>
	<b>USD M</b>	<b>USD M</b>	<b>USD M</b>
Cash	269.6	200.0	249.5
Property, plant and equipment	1,393.9	1,320.5	1,078.0
Total assets	2,917.9	2,682.7	1,719.7
Long term debt	390.3	361.2	294.9
Total liabilities	1,250.0	1,096.7	799.9
Shareholders' equity	1,667.9	1,586.0	919.8
Net working capital	575.0	457.3	312.8
Net debt to net debt plus equity	7%	9%	5%

**Group assets rise on positive cash flows and capital investment**

The Company's positive operating cash flow enabled continued capital expenditure and investment. Working capital also rose significantly during the period.

Inventory increases consisted of an additional \$33.5 million in finished products, \$17.5 million in consumable stores and \$11.8 million in ore stockpiles. The Company had stockpiles of approximately 31,600 tonnes of copper in concentrate at quarter end, which was an increase of 13,300 tonnes during the quarter. Operational issues at the Mufulira smelter resulted in a significant reduction in the processing of concentrates from Kansanshi and Frontier. This resulted in the stockpiling of concentrates while management arranges alternative processing and offtake arrangements. Of this stockpiled total, approximately 8,000 tonnes of Kansanshi production remain stockpiled at the Mufulira smelter awaiting treatment, while 6,200 tonnes remained onsite at Kansanshi and 16,300 tonnes remained at Frontier.

The total investment in marketable securities at cost amounted to \$330.3 million. However, due to the current market price of Equinox, the Company recognized a fair value loss of \$76.8 million through comprehensive income, thus reducing the fair value of the investment since December 31, 2007.

Property, plant and equipment balances increased by \$73.4 million, net of depreciation, as the Company continued capital investment in the Kansanshi sulphide circuit upgrade, the Kolwezi development project and expansions at Guelb Moghrein.

**Group liabilities increase on current taxes, debt draw downs and minority interest**

Current tax payable increased due to the positive operating results and the timing of payments. Long-term debt increased due to net draw downs during the quarter. Minority interests increased due to the positive operating results at Kansanshi and Guelb Moghrein.

**Shareholders' equity increases on net earnings**

The Company declared a dividend of 54 cents per share totalling \$36.1 million during the quarter. Due to the decline in fair value of the Company's investments in marketable securities, a comprehensive loss after tax of \$65.2 million was recognized during the quarter.

As at the date of this report the Company has 68,378,922 shares outstanding.

## Growth activities

### Scandinavian Minerals Limited acquisition offer

In April 2008, the Company entered into a definitive agreement (“Arrangement Agreement”) to acquire, by way of a court-approved plan of arrangement, all of the outstanding common shares of Scandinavian Minerals Limited (“SML”), which owns the Kevitsa nickel - copper - PGE property in northern Finland.

The Kevitsa nickel-copper-PGE deposit in Finland fits the Company’s strategy of developing or acquiring projects to bring into commercial production and subsequent efficient operation. This acquisition is also consistent with the Company’s goal of diversifying assets geographically and across commodities.

The value of the transaction is approximately \$282 million on the basis of CDN \$9.00 in cash plus 0.01 common shares of the Company for each common share of SML. The implied value of the purchase price is CDN \$9.92 per SML share based on the closing price of the Company’s shares on the Toronto Stock Exchange of CDN \$92.18 on May 5, 2008.

First Quantum will finance the acquisition through a combination of cash-on-hand and access to existing credit facilities. The transaction is not contingent on any financing condition.

The Board of Directors of SML has unanimously approved the transaction and resolved to recommend to shareholders of SML that they vote in favour of the transaction. In addition, the directors and senior officers of SML have entered into voting agreements with the Company, pursuant to which they have irrevocably agreed to vote their shares (including any shares issuable upon the exercise of options), representing approximately 13.6% of the issued and outstanding common shares of SML, in favour of the transaction.

The transaction will be carried out by way of a statutory plan of arrangement pursuant to the Canada Business Corporations Act and must be approved by the affirmative vote of SML shareholders at a special meeting of shareholders to be called and held to consider the transaction and the Ontario Superior Court of Justice. The proposed transaction is expected to close in the second quarter of 2008, shortly after receipt of shareholder and court approvals. The completion of the transaction is subject to customary closing conditions, including the receipt of any required regulatory approvals. The Arrangement Agreement contains customary non-solicitation provisions, but permits SML, in certain circumstances, to terminate the arrangement and accept an unsolicited superior proposal, subject to fulfilling certain conditions. SML has agreed to pay the Company a break fee of US\$8 million in such circumstances and certain other limited circumstances if the transaction is not completed.

Details regarding these and other terms of the transaction are set out in the Arrangement Agreement, which has been filed by the Company and SML on the Canadian SEDAR website at [www.sedar.com](http://www.sedar.com).

### Kolwezi development in DRC

The Board of Kingamyambo Musonoi Tailings SARL (“KMT”) (owned by First Quantum 65%, La Generale Des Carrieres et Des Mines (“Gecamines”) 12.5%, Industrial Development Corporation of South Africa (“IDC”) 10%, the International Finance Corporation (“IFC”) 7.5% and the Government of the Democratic Republic of Congo 5% (“RDC”) committed in November 2007 to proceed with the development of the Kolwezi tailings project (“Kolwezi”). First Quantum with support from its contributing equity partners of KMT (“IDC and IFC”) will finance or procure third party debt project financing totalling up to \$593 million. This satisfied the obligations of First Quantum, the IDC and the IFC under the Contract of Association to complete feasibility studies, carry out an environmental impact assessment, prepare an environmental management plan, and to obtain commitments with respect to the financing of the project.

Site works commenced and commercial start-up remains expected for the first quarter of 2010. The plant will commence operations at 35,000 tonnes per year copper and 7,000 tonnes per year of cobalt hydroxide at a capital cost of \$553 million. The plant will be designed and constructed such that its capacity can be doubled for an incremental capital cost of \$40 million. The mine life is expected to be 22 years at an annual production rate of 70,000 tonnes of copper cathode per year. The future development of a cobalt metal facility and the expansion of copper and cobalt capacity will be considered in light of practical experience on site and on commodity market conditions.

Progress continued on the detailed design for the project with Lycopodium Engineering in Perth, with engineering design at approximately 52% complete and drafting at approximately 36% complete. Approximately \$159.0 million of the project budget has been ordered at quarter end. Construction works are underway on site for infrastructure items which include process plant earthworks, power supply, water supply, roads access, construction camp, site housing and site buildings.

Official approval was received for the construction of a new road from Zambia to Kolwezi, and consultation with officials from both countries is in progress to facilitate finalization of the new border post. The acid plant design is underway and orders have been placed for long lead equipment items. Substantial design completion is estimated for the latter part of 2008 and the project construction completion and commencement of pre-commissioning is estimated for the fourth quarter of 2009.

The Government of the Democratic Republic of Congo (“DRC”) announced during 2007 a review of over 60 mining agreements entered into over the last decade with foreign companies. The Kolwezi mining convention was included in this review and on February 19, 2008 formal notification of the outcome of the review was received by the Company. The notification listed a number of conditions to be met by the Company. The Company has legal advice that the convention is valid and binding and that KMT has complied with all its terms. The convention provides a dispute resolution mechanism through international arbitration. The Company through KMT responded to the letter and awaits a response from a panel set up by the DRC to manage the review process.

### **Kansanshi sulphide expansion project construction nearing completion**

The construction works for the Kansanshi sulphide circuit expansion to an annual throughput in excess of 12 million tonnes are nearing completion. Pre commissioning commenced in April and will progress in a sequence from crushing to floatation and tailings, followed by milling. The SAG mill shell and ball mill heads arrived during the first quarter and the SAG mill is currently being installed. The completion of the project will occur following the SAG mill installation. The construction completion and commissioning is expected during the second quarter of 2008.

### **Kansanshi fourth 35,000 tonne per year electrowinning tank house is progressing well**

Kansanshi is progressing well with the construction of a fourth 35,000 tonne per year electrowinning tank house to bring electrowinning capacity to 140,000 tonnes of copper cathode per year. Concrete works are complete and structural, mechanical and piping works are in progress. All procurement is complete and the focus is on expediting the remaining equipment deliveries to site. Construction completion is expected during the third quarter of 2008, with commissioning of the new tank house to occur subsequent to construction completion. It is not expected that Kansanshi will utilize the full tank house capacity. It will, however, provide flexibility to make up for periods of power disruptions.

### **Guelb Moghrein plant expansion study underway**

Guelb Moghrein is currently finalizing a plant expansion study to increase copper output to 45,000 tonnes per year. This expansion comprises a 49% increase in mill throughput from additional milling and flotation capacity, the installation of a 20 MW power station, and dedicated saline and fresh water pipelines.

Additional mining equipment is expected to arrive in the third quarter which will enable an increase in waste stripping and the exposure of more ore.

Steady progress is being made on the construction of the gold flotation circuit and the CIL circuit upgrade, which is scheduled for commissioning in the third quarter. Flotation cell tanks are in place, the regrind mill foundations are ready for pouring, and the erection of the additional leach tank has commenced. The first phase of the power station expansion is underway with the installation of Engine No.5, also for commissioning in the third quarter.

Production should rise in the second half of 2008 as the benefit of debottlenecking the flotation circuit is realized.

## Outlook

### Group copper production estimate for 2008 is 310,000 tonnes

The Company continues to expect to produce approximately 310,000 tonnes of copper in 2008. This expected production includes approximately 181,000 tonnes from Kansanshi, approximately 84,000 tonnes from Frontier, approximately 33,000 tonnes from Guelb Moghrein and approximately 12,000 tonnes from Bwana/Lonshi.

For the 2008 year, the Company anticipates group average cash unit cost of production (C1) to be in the range of \$1.15 to \$1.20 per pound of copper, as a result of higher leach costs from increased world sulphur prices, higher TC RC and freight parity charges for Frontier and increased diesel prices.

During April, total copper production was about 25,500 tonnes sourced as follows:

- Kansanshi – 15,500 tonnes;
- Bwana/Lonshi – 500 tonnes;
- Guelb Moghrein – 2,700 tonnes;
- Frontier – 6,800 tonnes.

The Company sold approximately 23,100 tonnes of copper in April.

### Group copper production five-year estimate

The Company is investing significantly in additional capacity at its existing production facilities and as a result plans that these operations will achieve the following average production levels over the years 2009 to 2013:

- Kansanshi – up 22% on 2008 planned production to 222,000 tonnes;
- Guelb Moghrein – up 30% on 2008 planned production to 43,000 tonnes;
- Frontier – broadly in line with 2008 planned production at 81,000 tonnes.

In addition the Company expects Group production will rise even further as a result of new operations being brought on stream.

### Zambian budget announcement

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 were passed by parliament in late March and the majority of changes take effect from April 1, 2008. These changes include a new windfall tax on copper sales revenue based on trigger prices for copper above \$2.50/lb; a new variable tax of 15% of taxable income where the profit margin exceeds 8% and no windfall tax applies; a concentrate export levy of 15%; an increase in the royalty rate from 0.6% to 3%; an increase in the income tax rate from 25% to 30%; and other changes including a reduction in capital allowances and quarantining of hedging losses and gains. These changes, if finally enforceable, will result in higher tax payments in that country, which will be material at current commodity prices, as well as to potentially discourage further investment in both new and existing projects.

The Company has entered into Development Agreements with GRZ on existing operations which unequivocally provide for stability in the regulatory environment, including taxation, and rights of international arbitration in the event of any dispute, which the Company will pursue if necessary to protect its contractual rights. Currently, the Company is seeking mediation along with other mining companies operating in Zambia with similar agreements. The financial impact of the proposed changes on the Company is uncertain.

**Frontier production achieves design levels; expected to produce approximately 84,000 tonnes of copper in 2008**

Frontier is now producing concentrates at design production rates, recoveries and quality. The wet season has passed allowing improved mining rates which will continue until the end of the year. Emphasis is placed on exposing a larger competent ground footprint before the end of the dry season to minimize the effect of the next wet season on the larger machines.

Limited smelter capacity will open up with the construction of two smelters in Zambia which may allow for the treatment of some of the concentrates. However, the majority of concentrates will be sold without further processing for the foreseeable future with much of the groundwork being completed during the first quarter to achieve this change. This is expected to result in a significant reduction of copper in concentrate inventories later in the year.

**Bwana/Lonshi border issues continue to impact production**

The DRC border has been closed for the export of copper ores and exploration core samples from the Lonshi mine into Zambia since November 2007. The Company has been working with the DRC authorities to resolve this issue. The mining operations at the Lonshi mine continued but as the ore body reaches its end, there will be retrenchment of personnel.

Mining operations at the Lonshi mine continued and ore is being stockpiled in anticipation of the ore export embargo being lifted. Capacity at Bwana is such that any production backlog should be recouped and annual targets for cathode copper are expected to be achieved.

Evaluations of alternative options for the continued commercial operation of the Bwana processing facility, beyond the completion of the Lonshi oxide resource, are currently being undertaken. The planning for a trial decline at the Lonshi mine, to gather geotechnical information for the evaluation of an underground sulphide operation to augment the Frontier feed with high grade ore, is underway.

## Appendix A

## Summary of quarterly and current year to date 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 to date:

Statement of Operations and Retained Earnings (millions, except where indicated)	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1
<b>Revenues</b>									
Current period copper sales <sup>(1)</sup>	\$165.6	\$295.9	\$311.4	\$243.7	\$270.9	\$315.7	\$460.2	\$448.4	\$441.8
Prior period provisional copper adjustments <sup>(2)</sup>	16.9	60.4	11.7	(31.7)	(17.6)	22.6	3.2	(34.7)	44.5
Other revenues	4.7	6.2	5.3	4.4	8.0	12.5	20.4	29.6	25.2
Total revenues	187.2	362.5	328.4	216.4	261.3	350.8	483.8	443.3	511.5
Cost of sales	53.2	65.2	81.7	88.5	101.9	121.3	152.6	168.4	137.1
Net earnings	55.8	149.5	133.2	60.9	78.3	123.1	183.6	135.3	182.0
Basic earnings per share	\$0.90	\$2.32	\$2.00	\$0.93	\$1.16	\$1.83	\$2.71	\$2.00	\$2.68
Diluted earnings per share	\$0.88	\$2.27	\$1.96	\$0.91	\$1.14	\$1.79	\$2.66	\$1.97	\$2.65
<b>Copper selling price</b>									
Current period copper sales (per lb)	\$2.32	\$3.14	\$3.37	\$2.89	\$2.96	\$3.28	\$3.58	\$2.97	\$3.43
Prior period provisional adjustments (per lb)	0.21	0.57	0.11	(0.35)	(0.18)	0.23	0.02	(0.21)	0.32
Gross copper selling price (per lb)	2.53	3.71	3.48	2.54	2.78	3.51	3.60	2.76	3.75
Tolling and refining charges (per lb)	(0.12)	(0.19)	(0.19)	(0.08)	(0.06)	(0.03)	(0.05)	(0.06)	(0.05)
Freight parity charges (per lb)	(0.15)	(0.16)	(0.12)	(0.14)	(0.13)	(0.10)	(0.10)	(0.14)	(0.19)
Realized copper price (per lb)	2.26	3.36	3.17	2.32	2.59	3.38	3.45	2.56	3.51
Average LME cash copper price (per lb)	2.24	3.29	3.48	3.21	2.69	3.46	3.50	3.28	3.52
Realized gold price (per oz)	\$563	\$631	\$581	\$628	\$661	\$629	\$700	\$736	\$868
Average gold price (per oz)	\$554	\$627	\$622	\$614	\$650	\$667	\$681	\$788	\$927
Total copper sold (tonnes) <sup>(3)</sup>	36,635	48,094	46,302	41,454	44,315	45,366	60,904	73,322	62,802
Total copper produced (tonnes) <sup>(3)</sup>	42,086	49,180	45,480	46,531	46,403	49,979	57,565	72,746	75,616
Total gold sold (ounces) <sup>(3)</sup>	8,079	9,611	8,864	6,944	12,004	19,422	29,182	40,081	29,071
Cash Costs (C1) (per lb) <sup>(4) (5)</sup>	\$0.80	\$0.89	\$1.00	\$1.14	\$1.06	\$1.12	\$0.98	\$0.98	\$0.99
Total Costs (C3) (per lb) <sup>(4) (5)</sup>	\$1.00	\$1.09	\$1.23	\$1.38	\$1.30	\$1.38	\$1.22	\$1.19	\$1.25
<b>Financial Position</b>									
Working capital (restated)	\$106.9	\$245.6	\$308.0	\$312.8	\$246.7	\$390.8	\$464.8	\$457.3	\$575.0
Copper in concentrate inventory (tonnes)									
Kansanshi	7,157	8,389	7,242	9,046	7,102	10,578	9,733	8,325	14,243
Guelb Moghrein	-	-	2,345	6,068	10,182	10,897	8,483	2,867	1,057
Frontier	-	-	-	-	-	-	-	7,104	16,328
Total copper in concentrate inventory (tonnes)	7,157	8,389	9,587	15,114	17,284	21,475	18,216	18,296	31,628
Total assets	\$839.5	\$1,398.1	\$1,574.0	\$1,719.7	\$1,797.1	\$2,035.4	\$2,300.4	\$2,682.7	\$2,917.9
Weighted average # shares (000's)	61,808	64,564	66,615	67,287	67,318	67,531	67,681	67,689	67,837
<b>Cash Flows from</b>									
<b>Operating activities</b>									
Before working capital movements	\$103.8	\$213.5	\$176.3	\$70.6	\$118.9	\$175.2	\$256.9	\$220.8	\$272.6
After working capital movements	83.9	142.5	118.3	129.3	74.6	40.5	201.6	224.1	143.5
Financing activities	(13.2)	32.1	(58.6)	53.1	(25.8)	38.0	(42.8)	50.6	20.1
Investing activities	(46.1)	(91.8)	(60.1)	(122.8)	(102.0)	(114.8)	(96.2)	(297.3)	(94.0)
<b>Cash Flows from Operating activities per share</b>									
Before working capital movements	\$1.68	\$3.31	\$2.65	\$1.05	\$1.77	\$2.59	\$3.80	\$3.26	\$4.02
After working capital movements	\$1.36	\$2.21	\$1.77	\$1.92	\$1.11	\$0.60	\$2.98	\$3.29	\$2.12

	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1
<b>Kansanshi Production Statistics</b>									
<i>Mining</i>									
Waste mined (000's tonnes)	2,588	5,516	6,683	7,123	5,316	6,681	6,482	6,482	3,671
Ore mined (000's tonnes)	1,382	2,552	3,220	2,380	2,600	3,371	4,650	4,867	5,433
Ore grade (%)	1.7	1.4	1.4	1.4	1.5	1.6	1.6	1.8	1.6
<i>Processing</i> <sup>(3)</sup>									
Sulphide Ore processed (000's tonnes)	782	1,140	1,277	1,212	1,171	1,372	1,759	1,830	1,891
Oxide Ore processed (000's tonnes)	1,044	1,246	1,401	1,080	1,263	1,499	1,465	1,538	1,455
Contained copper (tonnes)	32,213	36,981	32,882	31,545	38,231	36,766	41,605	51,572	55,995
Sulphide ore grade processed (%)	1.9	1.6	1.2	0.9	0.8	1.1	1.0	1.3	1.3
Oxide ore grade processed (%)	1.7	1.5	1.2	1.6	1.8	1.4	1.7	1.6	1.8
Recovery (%)	92	94	95	92	93	99	99	99	93
Copper cathode produced (tonnes)	15,796	17,501	17,158	17,201	22,823	20,322	23,705	26,399	27,522
Copper cathode tolled produced (tonnes)	-	1,186	3,036	1,805	5,521	12,204	14,314	16,142	8,219
Copper in concentrate produced (tonnes)	14,572	16,924	11,984	10,015	7,056	3,727	3,140	8,471	16,562
Total copper production	30,368	35,611	32,178	29,021	35,400	36,253	41,159	51,012	52,303
Concentrate grade (%)	29.3	25.8	26.4	26.9	25.2	26.6	27.8	28.3	27.6
<i>Combined Costs (per lb)</i> <sup>(4) (5)</sup>									
Mining	\$0.12	\$0.14	\$0.23	\$0.21	\$0.20	\$0.24	\$0.24	\$0.20	\$0.20
Processing	0.41	0.44	0.50	0.62	0.54	0.59	0.59	0.53	0.50
Site Administration	0.03	0.04	0.04	0.04	0.03	0.02	0.03	0.03	0.02
TC RCs and freight parity charges	0.31	0.42	0.31	0.27	0.14	0.16	0.15	0.18	0.15
Gold / Acid credit	(0.07)	(0.08)	(0.07)	(0.05)	(0.06)	(0.06)	(0.07)	(0.09)	(0.08)
Combined Total Cash Costs (C1)	\$0.80	\$0.96	\$1.01	\$1.09	\$0.85	\$0.95	\$0.94	\$0.85	\$0.79
Combined Total Costs (C3)	\$0.95	\$1.13	\$1.23	\$1.28	\$1.05	\$1.17	\$1.13	\$0.86	\$0.92
<i>Oxide Circuit Costs (per lb)</i> <sup>(4) (5)</sup>									
Mining	\$0.11	\$0.13	\$0.19	\$0.15	\$0.16	\$0.22	\$0.19	\$0.18	\$0.16
Processing	0.51	0.52	0.54	0.70	0.56	0.68	0.64	0.64	0.59
Site Administration	0.03	0.01	0.02	0.04	0.03	0.02	0.03	0.03	0.03
Oxide Circuit Total Cash Costs (C1)	\$0.65	\$0.66	\$0.75	\$0.89	\$0.75	\$0.92	\$0.86	\$0.85	\$0.78
Oxide Circuit Total Costs (C3)	\$0.81	\$0.84	\$0.96	\$1.05	\$0.92	\$1.12	\$1.02	\$0.86	\$0.88
<i>Sulphide Circuit Costs (per lb)</i> <sup>(4) (5)</sup>									
Mining	\$0.10	\$0.13	\$0.20	\$0.20	\$0.28	\$0.26	\$0.32	\$0.23	\$0.24
Processing	0.28	0.35	0.45	0.52	0.45	0.48	0.52	0.39	0.39
Site Administration	0.04	0.02	0.02	0.04	0.03	0.02	0.03	0.03	0.02
TC RCs and freight parity charges	0.68	0.89	0.73	0.62	0.42	0.39	0.35	0.39	0.33
Gold / Acid credit	(0.16)	(0.17)	(0.16)	(0.13)	(0.18)	(0.14)	(0.17)	(0.20)	(0.17)
Sulphide Circuit Total Cash Costs (C1)	\$0.94	\$1.22	\$1.24	\$1.25	\$1.00	\$1.01	\$1.05	\$0.84	\$0.81
Sulphide Circuit Total Costs (C3)	\$1.09	\$1.39	\$1.47	\$1.49	\$1.25	\$1.24	\$1.29	\$0.86	\$0.95
<i>Revenues (\$ millions)</i> <sup>(3)</sup>									
Copper cathodes	\$84.8	\$142.3	\$158.6	\$110.9	\$175.8	\$249.1	\$307.1	\$268.0	\$305.5
Copper in concentrates	35.6	109.6	65.3	20.1	42.6	6.9	16.0	37.2	67.9
Gold	4.5	6.0	5.2	2.8	4.8	4.7	6.3	10.2	8.8
Total revenues	\$124.9	\$257.9	\$229.1	\$133.8	\$223.2	\$260.7	\$329.4	\$315.4	\$382.2
Copper cathode sold (tonnes)	15,556	17,568	17,181	17,360	22,798	20,207	24,909	27,897	29,811
Copper tolled cathode sold (tonnes)	-	1,186	3,036	1,805	5,521	12,204	14,314	16,142	8,219
Copper in concentrate sold (tonnes)	9,282	15,692	13,131	8,215	9,000	250	2,696	7,927	8,981
Gold sold (ounces)	8,079	9,611	8,864	4,428	7,764	7,118	9,862	16,053	11,995

	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1
<b>Guelb Moghrein Production Statistics</b>									
<i>Mining</i>									
Waste mined (000's tonnes)	1,156	1,721	1,660	1,719	1,610	1,400	1,487	1,358	1,388
Ore mined (000's tonnes)	41	144	179	400	462	539	674	650	662
Ore grade (%)	1.9	1.9	1.8	1.5	1.4	1.4	1.3	1.4	1.3
<i>Processing</i> <sup>(3)</sup>									
Sulphide Ore processed (000's tonnes)	-	-	-	334	410	464	509	470	517
Contained copper (tonnes)	-	-	-	6,552	7,791	8,894	10,006	8,410	9,241
Sulphide ore grade processed (%)	-	-	-	2.0	1.9	1.9	2.0	1.8	1.8
Recovery (%)	-	-	-	78	83	79	81	85	83
Copper in concentrate produced (tonnes)	-	-	-	5,031	6,446	7,050	8,101	7,158	7,668
Gold in concentrate produced (ounces)	-	-	-	10,355	13,588	12,814	14,699	13,060	14,191
<i>Sulphide Circuit Costs (per lb)</i> <sup>(4)(5)</sup>									
Mining	-	-	-	\$0.40	\$0.21	\$0.17	\$0.12	\$0.20	\$0.20
Processing	-	-	-	0.77	0.56	0.52	0.47	0.64	0.63
Site Administration	-	-	-	0.08	0.07	0.06	0.07	0.22	0.13
TC RCs and freight parity charges	-	-	-	0.86	0.66	0.43	0.38	0.57	0.38
Gold / Acid credit	-	-	-	(0.15)	(0.21)	(0.48)	(0.78)	(1.26)	(0.97)
Sulphide Circuit Total Cash Costs (C1)	-	-	-	\$1.96	\$1.29	\$0.71	\$0.26	\$0.37	\$0.37
Sulphide Circuit Total Costs (C3)	-	-	-	\$2.45	\$1.66	\$1.09	\$0.76	\$1.05	\$0.89
<i>Revenues (\$ millions)</i> <sup>(3)</sup>									
Copper in concentrates	-	-	-	\$5.6	\$12.8	\$41.2	\$74.1	\$55.3	\$67.2
Gold	-	-	-	1.6	3.1	7.6	14.1	19.3	16.4
Total revenues	-	-	-	\$7.2	\$15.9	\$48.8	\$88.2	\$74.6	\$83.6
Copper in concentrate sold (tonnes)	-	-	-	1,308	2,332	6,336	10,514	12,774	9,757
Gold sold (ounces)	-	-	-	2,516	4,240	12,304	19,320	24,028	17,076
<b>Frontier Production Statistics</b>									
<i>Mining</i>									
Waste mined (000's tonnes)	-	-	-	-	888	2,857	3,619	2,810	2,225
Ore mined (000's tonnes)	-	-	-	-	81	160	1,442	2,042	1,064
Ore grade (%)	-	-	-	-	1.1	0.9	1.0	1.2	1.8
<i>Processing</i> <sup>(3)</sup>									
Sulphide Ore processed (000's tonnes)	-	-	-	-	-	-	-	835	1,499
Contained copper (tonnes)	-	-	-	-	-	-	-	11,872	18,238
Sulphide ore grade processed (%)	-	-	-	-	-	-	-	1.4	1.2
Recovery (%)	-	-	-	-	-	-	-	73	74
Copper in concentrate produced (tonnes)	-	-	-	-	-	-	-	8,712	13,437
<i>Sulphide Circuit Costs (per lb)</i> <sup>(4)</sup>									
Mining	-	-	-	-	-	-	-	\$0.41	\$0.61
Processing	-	-	-	-	-	-	-	0.32	0.29
Site Administration	-	-	-	-	-	-	-	0.17	0.15
TC RCs and freight parity charges	-	-	-	-	-	-	-	0.39	0.65
Sulphide Circuit Total Cash Costs (C1)	-	-	-	-	-	-	-	\$1.29	\$1.70
Sulphide Circuit Total Costs (C3)	-	-	-	-	-	-	-	\$1.59	\$2.18
<i>Revenues (\$ millions)</i> <sup>(3)</sup>									
Copper in concentrates	-	-	-	-	-	-	-	\$16.1	\$32.6
Copper in concentrate sold (tonnes)	-	-	-	-	-	-	-	2,684	4,214

	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1
<b>Bwana/Lonshi Production Statistics</b>									
<i>Mining</i>									
Waste mined (000's tonnes)	3,241	5,607	5,915	4,081	2,105	3,425	2,992	1,732	898
Ore mined (000's tonnes)	147	183	110	80	16	94	160	82	37
Ore grade (%)	8.4	10.7	11.9	10.4	7.5	6.1	6.8	6.1	4.4
<i>Processing</i>									
Oxide Ore processed (000's tonnes)	335	314	322	294	242	327	353	355	242
Contained copper (tonnes)	13,401	15,625	15,011	13,037	5,007	7,653	9,819	6,787	2,279
Oxide ore grade processed (%)	4.0	5.0	4.7	4.3	2.1	2.3	2.8	1.9	0.9
Recovery (%)	87	87	89	96	91	87	85	86	97
Copper cathode produced (tonnes)	11,718	13,569	13,302	12,479	4,557	6,676	8,305	5,864	2,208
Acid produced (tonnes)	68,195	71,421	63,830	73,901	67,227	69,108	67,537	72,477	66,414
Surplus acid (tonnes)	937	910	508	8	586	1,483	11	-	10
<i>Oxide Circuit Costs (per lb) <sup>(4)</sup><sup>(5)</sup></i>									
Mining	\$0.41	\$0.32	\$0.50	\$0.60	\$1.49	\$1.57	\$1.04	\$1.37	\$1.65
Processing	0.38	0.35	0.38	0.43	1.05	0.81	0.65	0.90	2.15
Site Administration	0.10	0.10	0.10	0.07	0.20	0.15	0.21	0.35	0.58
Gold / Acid credit	(0.09)	(0.08)	(0.06)	(0.09)	(0.24)	(0.14)	(0.09)	(0.17)	(0.78)
Oxide Circuit Total Cash Costs (C1)	\$0.80	\$0.69	\$0.92	\$1.01	\$2.50	\$2.39	\$1.81	\$2.45	\$3.60
Oxide Circuit Total Costs (C3)	\$1.10	\$0.98	\$1.18	\$1.26	\$2.92	\$2.77	\$2.25	\$2.81	\$4.13
<i>Revenues (\$ millions)</i>									
Copper cathodes	\$62.0	\$104.5	\$99.2	\$75.4	\$22.1	\$41.2	\$66.1	\$37.1	\$13.1
Copper cathodes sold (tonnes)	11,797	13,648	12,954	12,766	4,664	6,369	8,471	5,898	1,820

<sup>(1)</sup> Recognized at the settlement price or the LME copper price at the end of the respective period

<sup>(2)</sup> The provisional adjustment reflects the settlement or provisional price adjustment of prior period copper sales, therefore the sum of the periods will not equal the year to date

<sup>(3)</sup> Copper sold or produced does not include tonnes sold or produced prior to achieving commercial production

<sup>(4)</sup> For the definition of cash and total costs, reference should be made to the regulatory disclosures section.

<sup>(5)</sup> Mining costs included in cash and total costs have been restated to reflect the removal of the deferred stripping accounting policy and the retroactive restatement of prior period balances.

## Appendix B

## Regulatory disclosures

## Seasonality

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

## Contractual obligations

	Total	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Thereafter
	USD M	USD M	USD M	USD M	USD M	USD M	USD M
Term debt	390.3	89.6	90.5	90.9	95.8	5.9	17.6
Deferred payments	14.8	13.0	0.4	0.4	0.4	0.4	0.2
Commitments	78.6	78.6					
Asset retirement obligations	8.4	0.9	-	-	-	1.4	6.1

## Derivatives

The Company periodically enters into derivative instruments to mitigate the exposures to copper and gold commodity prices, foreign exchange rates, and interest rates. The Company does not currently apply hedge accounting and all derivatives are recorded at fair value with changes in fair value recorded as a component of other expenses.

As at March 31, 2008, the following derivative positions were outstanding:

	2008	2009	Total	Fair Value March 31, 2008
				USD M
<b>Gold</b>				
Put options (oz)	18,045	38,028	56,073	-
Price (\$/oz)	\$350	\$350	\$350	
Forward contracts (oz)	18,045	38,028	56,073	\$(30.5)
Price (\$/oz)	\$400	\$400	\$400	
<b>Other</b>				
Foreign exchange contracts				\$9.9
Embedded derivative				\$(7.8)

## 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 RCs 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 treatment and refining charges.

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

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

### 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.

## **Changes in Accounting Policies**

Effective January 1, 2008, the Company adopted three new CICA accounting standards as follows:

Section 1535, Capital disclosures, requires the disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with capital requirements and, if the entity has not complied, the consequences of such non-compliance.

Section 3031, Inventories, provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The Company adopted the new standard effective January 1, 2008 and there was no significant impact on the financial statements.

Section 3861, Financial instruments – disclosure and presentation, has been replaced by section 3862, Financial instruments – disclosure, and section 3863 – Financial instruments – presentation. These new standards require entities to disclose quantitative and qualitative information that enable users to evaluate the significance of financial instruments for the Company's financial performance, and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date. In addition, the Company is required to disclose management's objectives, policies and procedures for managing these risks.

## **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.

#### Pre-production costs

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

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

#### Income taxes

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

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

#### Stock Based Compensation

The Company grants stock options under its stock option plan and PSUs and 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, sulphuric acid and gold prices; foreign currency exchange rates; stock prices; estimated costs of future production; changes in government legislation and regulations; estimated future income tax amounts; and the availability of financing and various operational factors.

Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management. Where necessary this report outlines those critical accounting policies that have changed since the filing of the Company's 2007 Audited Financial Statements or that are particularly relevant to the current year.

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

### **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, 2007 under the supervision of the Company's Disclosure Committee and with the participation of management. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective. Since the December 31, 2007 evaluation, there have been no adverse changes to the Company's controls and procedures and they continue to remain effective.

### **Internal Controls over Financial Reporting**

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with Canadian generally accepted accounting principles.

An evaluation of the design effectiveness of the Company's internal controls over financial reporting was conducted as of December 31, 2007 by the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on this evaluation, management has concluded that the design of the Company's internal controls over financial reporting was effective.

There were no adverse changes in the Company's internal controls over financial reporting during the quarter ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

**Forward Looking Statements**

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