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Clive Newall

President

Dwayne Lo

Financial Controller

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CONFERENCE CALL PARTICIPANTS

Tom Meyer

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Onno Rutten

UBS Securities

Haytham Hodaly

Salman Partners

Kerry Smith

Haywood Securities

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RBC Capital Markets

Gary Lampard

Canaccord

PRESENTATION

Operator

Good afternoon ladies and gentlemen. Welcome to the First Quantum Minerals Ltd. First Quarter 2008 Financial and Operational Results Conference Call. Please be advised that this call is being recorded.

I would now like to turn the meeting over to Mr. Clive Newall, President. Please go ahead, Mr. Newall.

Clive Newall, President

Good afternoon ladies and gentlemen. I'm Clive Newall, President of the Company, and I have with me Dwayne Lo, Financial Controller, and Chris Lemon, Senior Corporate Counsel. I'll make a few introductory remarks before handing over the conference to questions.

Firstly, I'm very pleased to report another record quarter. Production was up 63 percent on prior year, sales up 42 percent, earnings up 133 percent, C1 costs down around 7 percent. Interesting that the share price, despite the very impressive increases, was only up around 8 percent.

I'm going to home in the areas where I know there are going to be a number of questions, so I'll address those in the introduction, which may answer some of your questions, and obviously people have noticed that our sales were significantly affected by a build up of inventory. This mainly resulted from the ongoing problems at the Mufulira smelter. Those issues are now largely resolved and Mufulira is now running at capacity and they are taking as much concentrate as we can give them.

The other main highlight of the quarter of course was our offer for 100 percent of Scandinavian Minerals, owners of the Kevitsa nickel copper project in Northern Finland. This is going through a process. The court has approved a special meeting of shareholders for June the 12th, so we await the outcome of that vote.

The other main issues which I know will come up are the tax situation in Zambia and the re-visitation process which is ongoing in DRC.

The Government of Zambia has announced a number of tax changes, which were passed by parliament in late March. They include an increase in tax and royalty rates, a windfall tax, a variable tax, and a new export levy on the export of concentrates. The Company, along with other miners in the region, have entered into

development agreements with the Government of Zambia, which unequivocally provide for stability in the regulatory environment and with rights of international arbitration in the event of a dispute. Currently the Company, along with other miners, is seeking mediation with GRZ but, if necessary, will exercise its rights on its development agreement.

The industry is also right now awaiting a practice note from the Zambian Revenue Authority, which will hopefully provide some clarity on how these taxes may apply, because I think most of you are probably aware there's lots of different interpretations on how these taxes are to be applied. Hopefully this practice note will at least allow us to see what we're dealing with, which is not the case at the moment.

With regard to the re-visitation process in DRC, the Company has responded to the notification of the outcome of the review by the DRC government and we have responded to the committee that has been set up to review this process. We are awaiting a response from them right now. There is no timetable unfortunately. We have no view on how long this process might take.

So those are the problem areas. Notwithstanding the political issues, the outlook is for continuing strong growth. In the near term our expected production for 2008 is around 310,000 tonnes with Kansanshi being the star performer. Frontier will meet its target this year almost certainly. You may have noticed that production was down in the first quarter, but of course always keep in mind that production in Zambia and in the Congo is very much affected by rainy seasons and the first quarter is the worst impacted quarter, and particularly at a mine like Frontier where the open pit mine is in a very early stage of development. Clearly you have a lot of water and a lot of mud to deal with and it does impact production, but on the year we're still forecasting 84,000 tonnes I think.

In the longer run we've got continuing growth coming from expansions at Kansanshi, where we're in the middle of construction of a new tank house as well as a 4 million tonne a year in concentrator capacity. They will come on stream this year. We're also building a new gold plant, which will further add to production growth. The Kolwezi project is approved and under construction, so that is still on schedule. So we've revised our production estimates over the next five years, which we include in this news release, where the average production we're forecasting for the next five years is 222,000 tonnes from Kansanshi, 43,000 tonnes from Guelb Moghrein, and 81,000 tonnes from Frontier.

Now of course in addition to all of this we have a second expansion or should I say an expansion of the Kolwezi project also planned within that timeframe, although not finally engineered, and none of this includes the new Kevitsa project, and that's because we're, of course firstly we don't own it and secondly we are carrying out our own reengineering of that project.

So I think rather than me just talk I'll hand over to questions right now. So Teresa, if you could open the meeting to questions I think we'll take it from there.

QUESTION AND ANSWER SESSION

Operator

Thank you. We will now take questions from the telephone lines. If you have a question and you are using a speakerphone, please lift your handset before making your selection. If you have a question, please press star one on your telephone keypad. Should you wish to cancel your question, please press the pound sign. Please press star one at this time if you have a question. There will be a brief pause while the participants register for questions. Thank you for your patience.

The first question is from Tom Meyer of Raymond James. Please go ahead.

Tom Meyer, Raymond James

Hi, Clive. Apologies, I missed the first minute of your commentary, but just looking at the costs in 1Q Frontier Kansanshi and then your guidance for 2008 to be in the \$1.15 to \$1.20 pound range, is that mostly the freight parity charges or are there other diesel inflation, etcetera, being assumed?

Clive Newall, President

There's the underlying inflation assumed in that but there are also some sort of fairly substantial items like, ah, there's been a huge hike in sulphur costs. We are still running on sulphur that was acquired at substantially lower costs. Out into the future we're going to be paying whatever the market rate is. I'm sure you're aware that the price of sulphur went up from \$70 to about \$400 in a very short space of time and that adds a significant cost element. But yes, you're right; freight parity costs are going to be significant because we're producing a

growing volume of concentrates and not all of it's going to be processable within the region. We're going to be exporting concentrates.

Tom Meyer, Raymond James

And the export, I guess it doesn't really matter once it leaves the continent, it's probably headed to Asia, but, um, and you may have mentioned this already, but the plan is to drawdown those inventories so I suspect given the Mufulira situation that a large fraction of that will end up in Asia.

Clive Newall, President

Yes, although, um, if you missed the first minute perhaps, ah, the Mufulira smelter is now back on line and running steadily and calling for as much concentrate as we can send it. So we will be getting rid of quite a lot of that material locally.

Tom Meyer, Raymond James

Okay. All right, I'll pass it on. Thanks very much.

Operator

Thank you. The next question is from Onno Rutten of UBS Securities. Please go ahead.

Onno Rutten, UBS Securities

Yes, good morning everyone. Good morning or good afternoon, Clive. And again I'm also going to say I hopped on a minute or two late, so apologies as well. With regard to the taxes that you booked in the quarter, first of all in Q1, did you use 25 or 30 percent for your taxes in Zambia?

Clive Newall, President

Do you want to answer that one, Dwayne?

Dwayne Lo, Financial Controller

Yes. For our current earnings we used 25 percent. The increase to 30 percent becomes effective April 1st. So

what we had to do was apply the 30 percent to our future tax settlements; however, current earnings were still subject to 25 percent.

Onno Rutten, UBS Securities

Okay. And then the actual tax rate of course was higher than the first quarter; is that then due to the tax settlements in the DRC? And, if so, could you elaborate on those?

Dwayne Lo, Financial Controller

It was partially due to tax settlements in the DRC, partially due to the change in the tax rate that we applied to our future taxes. The settlements and adjustments in the DRC were related to finalization of prior year's tax returns as well as just settling some issues on deductible items with the DRC government. Generally a one-off item.

Onno Rutten, UBS Securities

Okay. And as you indicated in your press release, the net impact on the future tax liability was \$17 million, correct?

Dwayne Lo, Financial Controller

That's correct.

Onno Rutten, UBS Securities

And hence your suggestion if we exclude that your earnings would have been 285.

Dwayne Lo, Financial Controller

That's correct.

Onno Rutten, UBS Securities

Okay. Then moving on, in accruing 30 percent taxes in Q2, what royalty rate are you going to accrue starting in Q2?

Dwayne Lo, Financial Controller

We will be increasing to the suggested tax change, royalty rate change.

Onno Rutten, UBS Securities

So 3 percent.

Dwayne Lo, Financial Controller

Correct.

Onno Rutten, UBS Securities

Okay. And then your decision not to accrue any windfall tax or profit tax, could you elaborate a bit further on why you are accruing part of the proposed tax changes but not all?

Dwayne Lo, Financial Controller

These rates don't go into effect until April 1st; however, under accounting guidelines, when you know that there is a change in a future tax rate, such as the 25 to 30 percent, we must apply this change in the tax rate to future tax time differences, therefore part of your current tax provision includes this future component and the expected increase in rates. If this makes sense. It's more of an accounting aspect to it.

Onno Rutten, UBS Securities

Yeah, but I'm just curious why part of the new tax package is expected by the accountants whereas another part of the new tax package is not expected by the accountants.

Clive Newall, President

Well I think, Onno, it's more that without the practice note it's impossible to know how to apply any of the new taxes.

Onno Rutten, UBS Securities

I would really concur with that one.

Clive Newall, President

And we just don't have the practice note. Nor does anybody else. So the simple ones are the royalty and the 30 percent tax rate, so we can apply those, that's easy.

Onno Rutten, UBS Securities

Okay, well back to mining language that's a very clear and yeah, I agree with that observation. Just operationally, a quick question on Guelb: Am I correct in observing that the gold circuit upgrades are pushed back a bit?

Clive Newall, President

Yes, it's pushed back a little bit, but I think we're, I'll check that, but I think we're bringing that in in the fourth quarter of this year.

Onno Rutten, UBS Securities

Yeah, commissioning in the third it says. Okay. But then it also says that production should rise. This is just overall milling rates.

Clive Newall, President

Yes.

Onno Rutten, UBS Securities

In the second half of 08 there's a benefit of debottlenecking in the flotation and then you also have new trucks arriving. What type of milling rate are you envisaging by year end 08 and going into 09?

Clive Newall, President

I'm not sure of the exact number to be quite honest. I'll have to check that.

Onno Rutten, UBS Securities

Okay. And then you say there is an expansion being studied for a 49 percent increase?

Clive Newall, President

Yes.

Onno Rutten, UBS Securities

Is that 49 relative to current levels or relative to the debottleneck levels? I'm just trying to gauge your terminal milling rate once you're all said and done.

Clive Newall, President

It's to the debottlenecked rate. So a 49 percent increase over that. But of course we are working now off a completely new reserve and resource base with a lower cut off, a bigger reserve, and but of course lower throughput grade. So we're forecasting average production from Guelb at 43,000 tonnes a year.

Onno Rutten, UBS Securities

Okay. And lastly on the long-term production guidance for Kansanshi up to 222, does that assume any future further expansions or is that essentially executing upon your expansion project that you're currently implementing?

Clive Newall, President

That's just executing the expansion projects that you are aware of which are under construction.

Onno Rutten, UBS Securities

Okay, cool. Okay, thank you very much.

Operator

Thank you. The next question is from Haytham Hodaly from Salman Partners. Please go ahead.

Haytham Hodaly, Salman Partners

Thank you, operator. Just a couple of quick questions to follow-up on Onno's questions. He actually ended up asking a lot of the questions I had. But with regards to this windfall profits tax which you won't be accounting for

at this point, just want to clarify my understanding a little bit on it. It is a tax based on the marginal difference between the copper price and the \$2.50? It doesn't apply to the entire revenue, is that correct?

Dwayne Lo, Financial Controller

Sorry, windfall tax is based on the LME copper price. The variable tax is the one that is based on the copper price being below \$2.50, at which time the windfall tax would not apply.

Haytham Hodaly, Salman Partners

Okay, yeah. So it's basically, ah, it only gets applied above \$2.50, between that and the current spot price or realized price.

Dwayne Lo, Financial Controller

That's correct.

Haytham Hodaly, Salman Partners

Okay, that's perfect. Thank you.

Operator

Thank you. The next question is from Kerry Smith of Haywood Securities. Please go ahead.

Kerry Smith, Haywood Securities

Clive, just with all the acid issues in the Congo, or in the copper belt in general, and the fact that Bwana had pretty high acid consumption in Q1 per tonne of copper produced, I presume that's just the ore that you're buying on a tolling basis because you can't get your own over there, why not just shut the plant down and just produce acid and use it to, you know, sell it or use it for the rest of your operations and just shut the mining side down there?

Clive Newall, President

Well we are, ah, we live in continuing hope that the border is going to open shortly. The mine at Lonshi has

been stockpiling ore and, ah, high-grade ore, as you see, and a lot of that is also low acid consumption ore. We got through most of the higher-acid consumption material last year. So it would be a great shame to shut it down right now. But as we have also hinted, we do have some future plans for Bwana Mkubwa which, um, whereby the plant may well be converted into a roasting plant where we'll be feeding roaster off gas to those acid plants rather than sulphur. This is all with, of course, a view that there's insufficient smelting capacity in the region and there are going to be power issues, and roasting plants make most sense in those circumstances. So it may well become a major source of cheap sulphuric acid in the future; we're just working on that right now. But no, we will get that border open. It's getting closer and closer. It's a ridiculous situation. We agree it's a spat between departments in the, the regional government department and the mining department, but we're ever hopeful.

Kerry Smith, Haywood Securities

Okay. And how much ore is left to be mined out of the Lonshi pit? Like you said I think it was 79,000 tonnes you've got stockpiled now; how much more is left in the mine plan to be stockpiled?

Clive Newall, President

There was about 26,000 tonnes before that 6,000 tonnes of contained copper that we've already stockpiled. So there's about 20,000 tonnes remaining in the resource.

Kerry Smith, Haywood Securities

That's tonnes of ore like, right?

Clive Newall, President

No, contained copper.

Kerry Smith, Haywood Securities

Tonnes of contained copper. At what average grade?

Clive Newall, President

It's all about between 5 and 6 percent.

Kerry Smith, Haywood Securities

Okay.

Clive Newall, President

It's really—particularly as we've spent a great deal of money on the pit and the pushback and the wider costs, the quite higher cost, because we're doing a lot of mining without any output from the mine. So when we do eventually get the border open it will be a very low cost 20,000, 26,000 tonnes of copper.

Kerry Smith, Haywood Securities

So has the mining cost at the Lonshi operation been expensed every quarter as you've been incurring those costs then or have they been capitalized?

Dwayne Lo, Financial Controller

These have being inventoried at present.

Kerry Smith, Haywood Securities

Okay. Okay.

And, Dwayne, can you explain why the accounts receivable increased to \$100 million in Q4 07 to Q1?

Dwayne Lo, Financial Controller

Yes. Actually a number of reasons. One is that with the increase in the copper price we had a substantially larger amount of provisionally priced AR that we hadn't received until subsequent to March. Second would be the timing of receipts. In addition, Frontier, being that it's just started up we hadn't received any of our receivables on Frontier related to the sales until April, just because we were settling contract terms.

Kerry Smith, Haywood Securities

Okay, so that's the main issue. So most of it was frontier then I guess, is it?

Dwayne Lo, Financial Controller

There's a subsequent amount of new Frontier sales included in there.

Kerry Smith, Haywood Securities

Okay.

Clive Newall, President

It's nothing structural, it's just an ongoing new mines coming into production issues.

Kerry Smith, Haywood Securities

Okay, just it was—I was a bit surprised by the magnitude of the number.

Clive Newall, President

Yeah, it was a big increase. I agree.

Kerry Smith, Haywood Securities

Yeah. And, Clive, in your opening comments you mentioned that you've responded to the committee in the Congo. Are you referring to the task force that was set up after they put out the press release in February or are you referring to the old commission, which—

Clive Newall, President

No, no, this is the post-February committee.

Kerry Smith, Haywood Securities

Okay, so that's the committee of all the ministers and the bureaucrats.

Clive Newall, President

Yeah.

Kerry Smith, Haywood Securities

Okay. And do you have any—you've met these guys the, I presume; do they actually understand what the issues are? Because it looked to me like they were a bunch of bureaucrats that had very little sort of mining background.

Clive Newall, President

I don't think anybody's met them. You know, they are, as you say, a bunch of faceless bureaucrats.

Kerry Smith, Haywood Securities

Okay. And just on your five-year production guidance, how much variability could we expect in those numbers or do you think they'll be roughly similar year in, year out for those different operations over the next five years?

Clive Newall, President

Well with a mine like Kansanshi where it's quite mature now, the production profile is fairly smooth, but of course we're still working on Frontier on the original mine model, which inevitably includes all sorts of variations in production, which never happens. They get smoothed out as the mine gets remodelled as it develops. So other than that, no, it's pretty smooth once we take out the Frontier—

Kerry Smith, Haywood Securities

(Inaudible). Okay. And just the last quick question: how long will it take Mufulira to work through the concentrate inventory that they've got there as a backlog? Is that going to all happen in Q2 and you'll have a big sales...? Because you had lower sales in Q1; will that all get made up in Q2?

Clive Newall, President

I think you need to be a crystal ball gazer to answer that one. We believe that Mopani itself, its own concentrate or its own ore production, sulphide ore production, is not going particularly well, so that does leave more space for us. But we can't guarantee the reliability of the smelter. It's working fine at the moment, but, you know, who knows.

Kerry Smith, Haywood Securities

And is much of that related to the power issues from ZESCO or it's just...?

Clive Newall, President

No, I mean the power issues have gone away now. The first quarter was beset by all sorts of, well you know all the issues of outages and then load sharing problems. Now we're into the dry season, for the next nine months it shouldn't be too much of a problem.

Kerry Smith, Haywood Securities

Right, okay. Okay, great. Thanks a lot.

Operator

Thank you. The next question is from Fraser Phillips of RBC Capital Markets. Please go ahead. Mr. Phillips, your line is open. Please go ahead. Mr. Phillips has left the conference.

The next question is from Greg Barnes of TD Newcrest. Please go ahead.

Greg Barnes, TD Newcrest

Thank you. Clive, has the new windfall profits tax and variable tax, have they been passed into legislation officially?

Clive Newall, President

They've been passed through parliament, yes. They were in late March.

Greg Barnes, TD Newcrest

So that's official then.

Clive Newall, President

Well, it's an interesting question. I guess it's been passed through parliament so it's official. But without the practice note that goes with it we're not sure just what it is.

Greg Barnes, TD Newcrest

Okay. And accepting that you don't have the practice note, the variable tax, I guess it is, that kicks in at \$2.50 a pound, is that based on revenue do you think or is it based on operating profit?

Dwayne Lo, Financial Controller

Sorry, the windfall tax kicks in at \$2.50 a pound; is that what you're referring to?

Greg Barnes, TD Newcrest

Sure, okay. Fine.

Dwayne Lo, Financial Controller

Yes, it's based on actually the revenues. The LME copper price.

Greg Barnes, TD Newcrest

Okay. So moving on from there, if Mufulira is now seemingly operating better, do you still plan to ship Frontier concentrate offshore or do you think you can shift it back to Mufulira?

Clive Newall, President

We'll put as much as we possibly can through Mufulira, but clearly Kansanshi is going to take priority with the new duty or the levy on export concentrate. So Zambian concentrates will get priority.

Greg Barnes, TD Newcrest

Okay. And the levy on concentrate shipped out of the country, how does that work?

Dwayne Lo, Financial Controller

Any concentrates that are shipped from Zambia without any further tolling process is subject to a 15 percent export levy.

Greg Barnes, TD Newcrest

On the value of the copper contained?

Dwayne Lo, Financial Controller

That's correct.

Greg Barnes, TD Newcrest

Okay, and that—are you accruing for that one now or are you still debating whether that one's applicable or not?

Dwayne Lo, Financial Controller

This is kind of a tax that gets charged as the sale happens. There's no need to accrue for it on basis that if we can toll our copper we'd toll it rather than ship it to avoid this 15 percent tax.

Clive Newall, President

But we've paid the 15 percent tax on significant volumes of concentrate already.

Greg Barnes, TD Newcrest

Okay. Then can you give us some kind of guidance on how much concentrate you are budgeting to ship out of the country annually now?

Clive Newall, President

Again, that's a bit sort of how long is a piece of string. Again it depends on the reliability of Mufulira, the schedule or the timetable for the two new smelters, the Chinese one at Chambishi and of course Vedanta's new smelter at Konkola. There's still uncertainty with both of those. And also of course the reliability of the old, the other smelter that Vedanta own, the Nkana smelter. So it's a difficult question to answer, but we are using, I think, an estimate of around 22 percent of our total copper production.

Greg Barnes, TD Newcrest

Is going overseas.

Clive Newall, President

Yeah. But that's just a guess, you know. There's a lot of moving parts in that.

Greg Barnes, TD Newcrest

Well it's better than nothing. Okay, thanks very much.

Operator

Thank you. The next question is from Cliff Hale-Sanders of CIBC World Markets. Please go ahead.

Cliff Hale-Sanders, CIBC World Markets

Hi, good afternoon gentlemen. Most of them have been answered but I thought I'd just ask one about Kolwezi. Obviously you're continuing on the review process. Just wondering how long you'll continue to expand capital and at what rate before you have to make a, you know, pull the plug or constrain capital pending some resolution there. I know you guys are pretty confident that there won't be any material changes, but obviously you'd like to see the issue resolved.

Clive Newall, President

Well we are well into construction now and have substantial commitments for the remainder of this year, and we will continue to develop the project along our schedule that we set out in the news release back in December or November, whenever it was. That's notwithstanding the ongoing negotiations. Now clearly there could be events within that discussion with the government that cause us to review that, but right now we're going ahead according to that schedule.

Cliff Hale-Sanders, CIBC World Markets

And I guess the follow-on from that one then and jumping into Scandinavian Minerals, and I know we've chatted about this before, given the issues in the Congo and in Zambia and the rest of Africa, should we continue to look at more of sort of these tuck-in acquisitions as a stepping stone for First Quantum to look further afield going forward? Or anything along those lines?

Clive Newall, President

Well I think, ah, these sort of acquisition, this acquisition strategy has been our stated strategy for the last five years, so it's nothing new, it's just that this Scandinavian Minerals was the first one that, well hopefully, will come to fruition.

And just to bear in mind that our first discussions with Scandinavian go back more than a year, so long before the issues in Zambia or DRC arose. This isn't a strategy of a flight from Africa; it's just that we've always recognized that we need to diversify geographically to maintain the sort of the growth rates we've got. There's no way we could maintain that growth rate just in the copper belt. We'd have to own everything to do that. So clearly, the answer to your question is we will continue looking for these add-on projects as we have been for the last five years.

Cliff Hale-Sanders, CIBC World Markets

Okay.

Operator

Thank you. The next question is from Lawrence Smith of Scotia Capital. Please go ahead.

Lawrence Smith, Scotia Capital

Good afternoon. Unfortunately back to the tax situation in Zambia, you know, should we assume that for the next quarterly results you will be reporting based on the new tax regime including the windfall taxes?

And I guess a related question is, you know, when do you expect you'll be getting the details of how the new taxes are calculated and, you know, will you issue a press release to help all of us understand that? Thank you.

Dwayne Lo, Financial Controller

Beginning, yes, in the second quarter we'll be applying what we understand the new tax rates will be.

As for the practice notes, I believe they're expected sometime very soon.

Clive Newall, President

There's no specific date as to when we're going to get them. Soon in Zambian time can be...can be anything really.

Lawrence Smith, Scotia Capital

Thank you very much.

Operator

Thank you. The next question is from Onno Rutten of UBS Securities. Please go ahead.

Onno Rutten, UBS Securities

Thank you for the second opportunity. Just to finalize that question there from Larry, you say you will be applying the tax rate in Q2—which tax rate? 30 percent or 30 percent plus windfall tax?

Dwayne Lo, Financial Controller

Once we get a full understanding of how these taxes work through these expected practice notes, we'll be applying, one, the 30 percent increase, as well as we'll be accruing for the windfall tax. As well as the increased royalty rate.

Onno Rutten, UBS Securities

Okay, and that then begs the question your statement that you're willing to challenge this according to your stated rights of the stability agreement. Are you going to include as well you actually believe your stability agreement is the legal document?

Clive Newall, President

We have advice that that is true. We of course are taking more advice from our legal advisors on how better to deal with this, i.e. whether to pay the tax and recover it through the stability agreement or not pay the tax and handle it another way. We have yet to decide which way to go.

Onno Rutten, UBS Securities

Okay. Okay, thank you. And then just following up to a question of Greg Barnes in the previously quarterly call, associated with this five-year plan do you have some rough indication of CapEx? Or especially just CapEx in 2008. Do you have a rough indication what we're looking at?

Clive Newall, President

Well we know what we're going to be spending more or less in 2008 and 2009 but of course not taking into account the Kevitsa project, because we're going to be reengineering that over the next few months and we'll have a better handle on that by, I don't know, maybe third quarter this year.

Onno Rutten, UBS Securities

But what will the CapEx number be for 08?

Clive Newall, President

Well you've seen our numbers, our capital expenditure for the Kolwezi project, and that is the bulk of the expenditure this year. We are finishing off the expansions at Kansanshi and the new tank house. We haven't given guidance on capital to gate. So we haven't actually given public guidance, but you can come to your own number as we've put the capital cost for Kolwezi in the public domain and that certainly dominates the next couple of years.

Onno Rutten, UBS Securities

Okay, very well. And last question with regards to the improving smelting situation. In April you were still behind on shipping relative to production. Is it really that recent that there is really an improvement?

Clive Newall, President

Yes it is. It's recent. I think we stated in our year end that we were expecting the Mufulira to come back on stream in the second quarter, and that's what it's done essentially. On stream, you know, running continuously that is. (Inaudible) constrained, as you know, by the having had no acid plant operating, no off gas capture.

So the government has put a constraint on its output, only allowing it to vent a certain amount of off gas.

Onno Rutten, UBS Securities

Okay. And the new (inaudible) casting wheel is in place.

Clive Newall, President

I believe so, yes.

Onno Rutten, UBS Securities

Okay. And last, ah, you mentioned the KCM smelter has still some uncertainty. Previously you had indicated they might be taking on some of your concentrate. Are they still in a position to take on external concentrates or is it really a function of them ramping up their new flash furnace?

Clive Newall, President

KCM has two smelters. The Nkana smelter will continue to take our concentrates on an ad hoc basis, as they always have. The new smelter we are not entirely clear about. Firstly, it's a different technology, (inaudible) flash smelter, and how well it will handle the chunk of pyrite concentrate from our operations. That all remains to be seen. So we're not factoring much in from the new smelter. But what it does of course, it takes away, it takes KCM concentrates from their old smelter so freeing up more space there.

Onno Rutten, UBS Securities

At the old Nkana smelter.

Clive Newall, President

At the old Nkana smelter.

Onno Rutten, UBS Securities

Okay. Okay, very well. Thank you.

Operator

Thank you. The next question is from Fraser Phillips of RBC Capital Markets. Please go ahead.

Fraser Phillips, RBC Capital Markets

Clive, two quick questions about the concentrates again. The 22 percent estimates you made of export, I presume that's just Kansanshi concentrates that you're referring to?

Clive Newall, President

Well priority will be given to Kansanshi at in-country, at Mufulira, to avoid the export levy.

Fraser Phillips, RBC Capital Markets

Right.

Clive Newall, President

So it's Frontier concentrates that will be being exported as a priority.

Fraser Phillips, RBC Capital Markets

Okay, but then Frontier though, I mean the export levy, coming back to the 15 percent, doesn't apply to Frontier I presume.

Clive Newall, President

No, that's right.

Fraser Phillips, RBC Capital Markets

So you're assuming 22 percent of the total concentrates.

Clive Newall, President

Yes. 22 percent of our total production. Total copper production, not concentrate production, not copper and con. It works out about half I suppose of our concentrate production roughly.

Fraser Phillips, RBC Capital Markets

That would be exported?

Clive Newall, President

Approximately. In very rough terms. I mean, look, it's a guess.

Fraser Phillips, RBC Capital Markets

No, no, I understand it's a guess, I have no problem with that, but I'm now, you know, in terms of Frontier concentrate, when you're saying exported you mean away from the copper belt.

Clive Newall, President

Yes.

Fraser Phillips, RBC Capital Markets

Okay.

Clive Newall, President

Obviously we'll process whatever we can when there's space, but Kansanshi will get priority.

Fraser Phillips, RBC Capital Markets

And then the other question is originally it was not the expectations, going back some ways, that Frontier would all be treated at Mufulira? Is that correct?

Clive Newall, President

Well that's the logical place to do it, because it's only 30 kilometres away. Next door to Frontier. But, you know, unfortunately that was the plan before this export levy, which has changed the priorities.

Fraser Phillips, RBC Capital Markets

But my question is would Mufulira be in a position to actually process all that con at this point?

Clive Newall, President

Well you mean from both mines? No. No, no. No, we'd be sending concentrate elsewhere whatever the circumstances, we've just sort of reprioritized where particular concentrate will go. It was always that we would be exporting some concentrate.

Fraser Phillips, RBC Capital Markets

Some concentrate. So Mufulira was never in a position to process it all. Or never would have been.

Clive Newall, President

Nope.

Fraser Phillips, RBC Capital Markets

Okay.

Clive Newall, President

When the new tank house comes on stream at Kansanshi, it will allow us to run both autoclaves continuously there, which will increase our capacity a bit (inaudible).

And as I said earlier in my opening remarks or in an answer to one of the questions, we are also looking at converting the Bwana Mkubwa facility into a concentrate, ah, to handle concentrate through a roaster. But that's just at the drawing board stage.

Fraser Phillips, RBC Capital Markets

Okay, thank you.

Operator

Thank you. The next question is from Kerry Smith of Haywood Securities. Please go ahead.

Kerry Smith, Haywood Securities

Thanks, operator. Clive, one other thing, if I can just clarify with Dwayne; as I understood it the windfall profits

tax and the variable rate profits tax were an either/or situation. Is that still your understanding?

Dwayne Lo, Financial Controller

That's correct.

Kerry Smith, Haywood Securities

And do you know whether it's an either/or that you would pay the higher of the two or the lower of the two?

Dwayne Lo, Financial Controller

I believe it really depends on the copper price, as in variable tax only would come into effect if the copper price was below \$2.50 a pound, and once it crosses the \$2.50 threshold variable tax doesn't come into play and it becomes a windfall tax issue.

Kerry Smith, Haywood Securities

I see, okay. So the variable is only payable below \$2.50 a pound.

Dwayne Lo, Financial Controller

That's correct.

Kerry Smith, Haywood Securities

I see. Okay. Okay.

Clive Newall, President

The big question marks still, Kerry, on are deductibility of these new taxes. That's what we don't... And it makes a huge difference.

Kerry Smith, Haywood Securities

Okay. Okay. And that you don't know obviously.

Clive Newall, President

No.

Kerry Smith, Haywood Securities

Okay. And I see that your marketable securities increased slightly in the quarter but I'm presuming none of that was incremental positions in Equinox that were acquired, because you would have to report that. Is that correct?

Clive Newall, President

We are still reporting our 17.3 percent stake.

Kerry Smith, Haywood Securities

Right. So it hasn't changed. Yeah, the 99 million shares or whatever the number was.

Dwayne Lo, Financial Controller

Well the reporting requirement is an additional 2 percent.

Kerry Smith, Haywood Securities

Oh, I see. You can acquire 1 percent and not have to report but if you acquire over 2 you have to.

Dwayne Lo, Financial Controller

That's just the legal requirement.

Kerry Smith, Haywood Securities

Okay, I understand. Okay. So some of that incremental investment could have been buying a little bit more Equinox but you may not necessarily have to report then.

Clive Newall, President

We can't answer that, can we?

Kerry Smith, Haywood Securities

Okay. Okay, yeah, thanks a lot.

Operator

Thank you. Once again, please press star one on your telephone keypad if you have a question.

The next question is from Gary Lampard of Canaccord. Please go ahead.

Gary Lampard, Canaccord

Yeah, thanks very much. Just a question on your cash cost guidance, \$1.15 to \$1.20; do you account for any of the royalties or the export tax on concentrates in the C1 cost guidance?

Dwayne Lo, Financial Controller

Yes we did make increases related to the royalty.

Gary Lampard, Canaccord

Okay, so the 0.6 to 3 percent, that's been picked up in that guidance?

Dwayne Lo, Financial Controller

That's right.

Gary Lampard, Canaccord

But the export taxes on concentrates?

Dwayne Lo, Financial Controller

Just due to the uncertainty related to export levy I don't believe we have.

Gary Lampard, Canaccord

Okay, got it. Thanks.

Clive Newall, President

I think they'd be a C3 cost, wouldn't it?

Dwayne Lo, Financial Controller

That's correct.

Operator

Thank you. There are no further questions registered at this time. I would now like to turn the meeting over to Mr. Newall.

Clive Newall, President

Well thank you very much ladies and gentlemen.

I think if you've got any further questions, Philip Pascall is going to be around Toronto for the next couple of days and I'm going to be in New York next week. I'm sure I'll be meeting with, ah, or between the two of us we'll be meeting up with most of you who are on line today. So we look forward to seeing you soon and to the next conference call.

Thank you very much.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time. Thank you for your participation.
