

# **First Quantum Minerals Ltd.**

Consolidated Financial Statements

**Second Quarter – June 30, 2011**

(unaudited)

(In U.S. dollars, tabular amounts in millions, except where indicated)

**First Quantum Minerals Ltd.**  
**Consolidated Statements of Earnings (Loss)**

(unaudited)

(expressed in millions of U.S. dollars)

	Note	Three months ended June 30		Six months ended June 30	
		2011	2010	2011	2010
Sales revenues	9	660.0	539.8	1,365.2	1,091.0
Cost of sales	10	(296.8)	(299.9)	(562.5)	(544.4)
<b>Gross profit</b>		363.2	239.9	802.7	546.6
Exploration		(15.4)	(11.5)	(34.8)	(19.3)
General and administrative		(14.5)	(5.6)	(33.2)	(12.9)
Acquisition transaction costs		-	-	-	(18.5)
Impairment of assets		-	(306.6)	-	(306.6)
Other income (expense)	11	(10.6)	(1.6)	(7.0)	1.9
<b>Operating profit (loss)</b>		322.7	(85.4)	727.7	191.2
Finance income		1.7	0.9	3.5	4.0
Finance costs	12	(1.3)	(5.0)	(6.6)	(14.0)
<b>Earnings (loss) before income taxes</b>		323.1	(89.5)	724.6	181.2
Income taxes		(135.8)	(63.2)	(284.1)	(148.8)
<b>Net earnings (loss) for the period</b>		187.3	(152.7)	440.5	32.4
<b>Net earnings (loss) for the period attributable to:</b>					
Non-controlling interests		32.0	29.3	78.5	64.1
Shareholders of the Company		155.3	(182.0)	362.0	(31.7)
<b>Earnings (loss) per common share</b>					
Basic	8b	1.81	(2.27)	4.22	(0.40)
Diluted	8b	1.64	(2.27)	3.83	(0.40)
<b>Weighted average shares outstanding (000's)</b>					
Basic	8b	85,755	80,268	85,754	79,923
Diluted	8b	94,622	80,268	94,621	79,923
<b>Total shares issued and outstanding (000's)</b>		86,179	80,599	86,179	80,599

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

**First Quantum Minerals Ltd.****Consolidated Statements of Comprehensive Income (Loss)**

(unaudited)

(expressed in millions of U.S. dollars)

	<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>Net earnings (loss) for the period</b>	187.3	(152.7)	440.5	32.4
<b>Other comprehensive income (loss)</b>				
Unrealized loss on available-for-sale investments	(0.8)	(39.2)	(0.3)	(56.4)
Tax on unrealized loss on available-for-sale investments	0.3	11.8	0.1	16.9
<b>Comprehensive income (loss)</b>	186.8	(180.1)	440.3	(7.1)
<b>Total comprehensive income (loss) for the period attributable to:</b>				
Non-controlling interests	32.0	29.3	78.5	64.1
Shareholders of the Company	154.8	(209.4)	361.8	(71.2)
	186.8	(180.1)	440.3	(7.1)

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

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

(unaudited)

(expressed in millions of U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
<b>Cash flows from operating activities</b>				
Net earnings (loss) for the period	187.3	(152.7)	440.5	32.4
Items not affecting cash				
Depletion and amortization	24.1	31.2	44.7	59.0
Assets impaired	-	306.6	-	306.6
Unrealized foreign exchange loss (gain)	0.7	(3.1)	2.9	(4.9)
Deferred income tax	5.2	(3.3)	(19.8)	(6.9)
Share-based compensation expense	1.9	1.4	3.9	2.9
Derivative instruments	17.3	(9.7)	(31.3)	(7.5)
Interest expense	1.3	5.0	6.6	14.0
Other	3.2	9.8	5.6	10.1
	241.0	185.2	453.1	405.7
Change in non-cash operating working capital				
(Increase) decrease in trade and other receivables	(25.6)	119.7	96.9	58.2
Increase in inventories	(71.3)	(50.2)	(125.1)	(71.7)
Increase (decrease) in trade and other payables	(125.6)	52.0	(130.3)	25.0
Increase (decrease) in current taxes payable	(73.5)	32.5	25.1	86.7
	(55.0)	339.2	319.7	503.9
<b>Cash flows from financing activities</b>				
Proceeds from debt	5.1	15.1	-	25.1
Repayments of debt	-	-	(82.3)	(40.4)
Proceeds on issuance of common shares	-	0.2	0.2	3.1
Restricted cash	(20.2)	(36.0)	20.1	-
Dividends paid	(53.5)	(40.5)	(53.5)	(40.5)
Dividends paid to non-controlling interests	(7.5)	(18.1)	(7.5)	(18.1)
Finance lease payments	(0.9)	-	(1.9)	-
Interest paid	(16.6)	(18.7)	(16.9)	(21.7)
	(93.6)	(98.0)	(141.8)	(92.5)
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(244.1)	(93.7)	(433.4)	(138.5)
Acquisitions, net of cash acquired	-	(6.7)	-	(502.9)
Proceeds from available-for-sale investments	0.1	0.1	0.1	0.1
Proceeds from disposal of property, plant and equipment	5.5	-	9.8	-
	(238.5)	(100.3)	(423.5)	(641.3)
<b>Increase (decrease) in cash and cash equivalents</b>	(387.1)	140.9	(245.6)	(229.9)
<b>Cash and cash equivalents - beginning of period</b>	1,486.4	548.4	1,344.9	919.2
<b>Cash and cash equivalents - end of period</b>	1,099.3	689.3	1,099.3	689.3

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

# First Quantum Minerals Ltd.

## Consolidated Balance Sheets

(unaudited)

(expressed in millions of U.S. dollars)

	Note	June 30, 2011	December 31, 2010
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,099.3	1,344.9
Restricted cash		20.2	40.3
Trade and other receivables		285.8	377.0
Inventories	4	527.3	390.9
Current portion of other assets		21.9	26.7
		1,954.5	2,179.8
Investments		17.4	18.0
Property, plant and equipment	5	3,157.9	2,730.9
Other assets		30.3	29.2
Total assets		5,160.1	4,957.9
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		252.1	362.2
Current taxes payable		439.1	414.0
Current portion of debt	6	59.3	140.8
Current portion of provisions and other liabilities		18.1	48.4
		768.6	965.4
Debt	6	21.8	20.2
Convertible bonds		458.9	452.1
Provisions and other liabilities		193.9	168.3
Deferred income tax liabilities		176.2	194.5
Total liabilities		1,619.4	1,800.5
<b>Equity</b>			
Share capital	8	1,490.5	1,486.5
Retained earnings		1,600.6	1,292.1
Accumulated other comprehensive income		0.8	1.0
Total equity attributable to shareholders of the Company		3,091.9	2,779.6
Non-controlling interests		448.8	377.8
Total equity		3,540.7	3,157.4
Total liabilities and equity		5,160.1	4,957.9
Commitments	15		

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

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

(unaudited)

(expressed in millions of U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
<b>Share capital</b>				
<b>Common shares</b>				
Balance – beginning of period	1,479.5	868.7	1,479.3	727.4
Acquisitions	-	2.1	-	139.3
Share options exercised	-	0.8	0.2	4.9
Balance – end of period	1,479.5	871.6	1,479.5	871.6
<b>Equity portion of convertible bonds</b>				
Balance – beginning and end of period	48.3	48.3	48.3	48.3
<b>Treasury shares</b>				
Balance – beginning of period	(56.9)	(47.0)	(57.1)	(47.2)
Restricted and performance stock units vested	0.1	0.6	0.3	0.8
Balance – end of period	(56.8)	(46.4)	(56.8)	(46.4)
<b>Contributed surplus</b>				
Balance – beginning of period	17.7	16.6	15.9	16.5
Share-based compensation expense for the period	1.9	1.4	3.9	2.9
Transfers upon exercise of share options	-	(0.6)	-	(1.8)
Restricted and performance stock units vested	(0.1)	(0.6)	(0.3)	(0.8)
Balance – end of period	19.5	16.8	19.5	16.8
<b>Total share capital</b>	1,490.5	890.3	1,490.5	890.3
<b>Retained earnings</b>				
Balance – beginning of period	1,445.3	1,133.9	1,292.1	1,024.5
Earnings (loss) for the period attributable to shareholders of the Company	155.3	(182.0)	362.0	(31.7)
Acquisition of Mauritanian Copper Mines SARL	-	-	-	(0.4)
Dividends	-	-	(53.5)	(40.5)
Balance – end of period	1,600.6	951.9	1,600.6	951.9
<b>Accumulated other comprehensive income</b>				
Balance – beginning of period	1.3	285.1	1.0	297.2
Other comprehensive loss for the period	(0.5)	(27.4)	(0.2)	(39.5)
Balance – end of period	0.8	257.7	0.8	257.7
<b>Non-controlling interests</b>				
Balance – beginning of period	416.8	363.6	377.8	391.4
Earnings attributable to non-controlling interests	32.0	29.3	78.5	64.1
Dividends	-	(18.1)	(7.5)	(18.1)
Acquisition of Mauritanian Copper Mines SARL	-	-	-	(62.6)
Balance – end of period	448.8	374.8	448.8	374.8

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

# First Quantum Minerals Ltd.

## Notes to Consolidated Financial Statements

(unaudited)

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

### 1 Nature of operations

First Quantum Minerals Ltd. (“FQM” or the “Company”) is engaged in the production of copper, gold and acid and related activities including exploration, development and processing. Currently operating mines are located in Zambia and Mauritania. The Company is also developing the Ravensthorpe nickel project in Australia, the Kevitsa nickel-copper-platinum project in Finland and the Sentinel copper deposit in Zambia, and exploring the Haquira copper deposit in Peru. Operations in the République démocratique du Congo (“RDC”) are currently suspended and subject to international arbitration.

The Company has its primary listing on the Toronto Stock Exchange and a secondary listing on the London Stock Exchange. The Company’s registered office is the 8<sup>th</sup> Floor – 543 Granville Street, Vancouver, BC, Canada, V6C 1X8.

### 2 Basis of presentation and adoption of International Financial Reporting Standards (“IFRS”)

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has reported on this basis in these condensed interim consolidated financial statements. In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in note 3, the Company has consistently applied the same accounting policies in its opening IFRS statements of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Company’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended December 31, 2010. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and current as of August 8, 2011, the date the Audit Committee approved the statements on behalf of the Board of Directors. Any subsequent changes to IFRS, that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company’s Canadian GAAP annual financial statements for the year ended December 31, 2010. The Company’s IFRS accounting policies were disclosed in Note 3 of the condensed interim consolidated financial statements for the period ended March 31, 2011.

### 3 First time adoption of IFRS

The effect of the Company’s transition to IFRS, described in note 2, is summarized in this note as follows:

#### a) Transition elections

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

- i) **Business combinations** – IFRS 1 provides the option to apply IFRS 3R, *Business Combinations*, retrospectively or prospectively from January 1, 2010 (“Transition Date”). The retrospective basis would require the restatement of prior acquisitions that meet the definition of a business combination under IFRS 3R. The Company elected to adopt IFRS 3R effective January 1, 2010.
- ii) **Share-based payments** – IFRS 1 permits the application of IFRS 2, *Share-based Payments*, to equity instruments granted on or before November 7, 2002, that had not vested by the Transition Date. The Company elected to apply IFRS 2 to equity instruments granted after November 7, 2002 that had not vested by the Transition Date.
- iii) **Deemed cost of property, plant and equipment** – IFRS 1 provides the option to measure individual items of property, plant and equipment at the Transition Date at fair value and use that fair value as its deemed cost. The Company has elected to use the fair value of the Kolwezi project at the Transition Date as its deemed cost.
- iv) **Borrowing costs** – The Company elected to capitalize borrowing costs related to all qualifying assets commencing from the Transition Date.
- v) **Decommissioning liabilities included in the cost of property, plant and equipment** – IFRS 1 provides the option to measure the restoration provision at the Transition Date in accordance with the requirements of IAS 37. Accordingly the Company re-measured the provisions as at Transition Date under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and estimated the amount to be included in the cost of the related asset by discounting the liability to the date which the liability first arose. The Company did this using best estimates of the historical risk-free discount rates, and recalculated the accumulated amortization and depletion under IFRS up to the transition date.

# First Quantum Minerals Ltd.

## Notes to Consolidated Financial Statements

(unaudited)

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

- b) A reconciliation of assets, liabilities, equity, comprehensive income and cash flows of the Company from those reported under Canadian GAAP to IFRS at January 1, 2010, December 31, 2010 and March 31, 2010 were disclosed in Note 4 of the condensed interim consolidated financial statements for the period ended March 31, 2011. Reconciliation of assets, liabilities, equity, comprehensive income and cash flows of the Company at June 30, 2010 from those reported under Canadian GAAP to IFRS are presented below:

### Assets

		<b>June 30, 2010</b>
Total assets under Canadian GAAP		4,278.1
Adjustments for differing accounting treatments		
Restoration provision	ii	20.4
Borrowing costs	iii	19.1
Deferred income tax		
Mineral property acquisitions	iv(a)	(183.2)
Convertible bond issuance	iv(c)	(12.7)
Intercompany inventory sales	iv(e)	4.3
Total assets under IFRS		4,126.0

### Liabilities

		<b>June 30, 2010</b>
Total liabilities under Canadian GAAP		1,794.9
Adjustments for differing accounting treatments		
Restoration provision	ii	24.2
Deferred income tax		
Mineral property acquisitions	iv(a)	(168.0)
Total liabilities under IFRS		1,651.1

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

(unaudited)

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

**Equity**

		<b>June 30, 2010</b>
Total equity under Canadian GAAP		2,483.2
Adjustments for differing accounting treatments		
Share capital		
Deferred income tax		
Share issuance costs	iv(b)	3.2
Convertible bond issuance	iv(c)	(8.6)
Retained earnings		
Kolwezi project fair value adjustment	i	-
Restoration provision	ii	(3.8)
Borrowing costs	iii	19.1
Deferred income tax		
Mineral property acquisitions	iv(a)	(15.1)
Share issuance costs	iv(b)	(3.2)
Convertible bond issuance	iv(c)	(4.2)
Intercompany inventory sales	iv(e)	4.3
Total equity under IFRS		2,474.9

**Comprehensive loss**

		<b>Three months ended</b>	<b>Six months ended</b>
		<b>June 30, 2010</b>	<b>June 30, 2010</b>
Total comprehensive loss under Canadian GAAP		(586.3)	(417.4)
Increase (decrease) in net income for:			
Kolwezi project fair value adjustment	i	399.8	399.8
Restoration provision	ii	(2.9)	(2.9)
Borrowing costs	iii	10.9	19.1
Deferred income tax			
Mineral property acquisitions	iv(a)	(5.9)	(9.7)
Convertible bond issuance	iv(c)	1.6	(0.3)
Intercompany inventory sales	iv(e)	2.7	4.3
Total comprehensive loss under IFRS		(180.1)	(7.1)

# First Quantum Minerals Ltd.

## Notes to Consolidated Financial Statements

(unaudited)

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

In addition to the measurement differences impacting comprehensive income, there are also differences in the presentation of items included in comprehensive income. In addition to the reclassifications included in the notes below under Canadian GAAP derivative instruments were included in revenues and other income and now have been classified to cost of sales under IFRS.

### Presentation differences in comprehensive loss

	Three months ended	Six months ended
	March 31, 2010	June 30, 2010
Increase (decrease) in sales revenue	15.0	(0.4)
(Increase) decrease in cost of sales	(13.9)	8.8
Decrease in other income	(1.1)	(8.4)
Total	-	-

### Cash flows

The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the statements of consolidated earnings and consolidated balance sheets have resulted in reclassification of various amounts on the statements of cash flows, however as there have been no changes to the net cash flows no reconciliations have been prepared.

Notes to the IFRS reconciliations above:

- i) IAS 16 Property, plant and equipment

#### Impairment

In accordance with Canadian GAAP, impairment testing is a two step process. The first step, using undiscounted cash flows was undertaken to determine if impairment exists. If impairment was identified, the second step was undertaken to determine the amount of the impairment to be recorded. IAS 36 *Impairment of Assets* uses a one step approach for both identifying and measuring impairments, which is based on comparing the carrying value to the recoverable amount. The recoverable amount is the higher of fair value less selling costs and value in use, which is based on discounted cash flows. The use of an undiscounted cash flow model under Canadian GAAP did not result in any impairments at the Transition Date. The use of a discounted cash flow model to determine the recoverable amount indicated a material impairment to the Company's carrying value of the Kolwezi project under IFRS.

In accordance with IFRS 1, the Company elected to measure the Kolwezi project at January 1, 2010 at fair value and use that fair value as its deemed cost. The fair value of the Kolwezi project at January 1, 2010 was \$280.0 million which resulted in a \$399.8 million write down of property, plant and equipment and a corresponding adjustment to opening retained earnings.

In June 2010 under both Canadian GAAP and IFRS a complete impairment of the Kolwezi project was recorded.

- ii) IAS 37 Provisions, Contingent Liabilities and Contingent Assets

#### Restoration provisions

Consistent with IFRS, restoration provisions have been previously measured based on the estimated cost of restoration, discounted to its net present value upon initial recognition. However, adjustments to the current discount rate were not reflected in the provisions or the related assets under Canadian GAAP unless there was an upward revision in the future cost estimates. The Company elected to apply the exemption from full retrospective application as allowed under IFRS 1. As such, the Company has remeasured the restoration liability as at the Transition Date under IAS 37, estimated the amount to be included in the related asset by discounting the liability to the date in which the liability arose, and recalculated the accumulated amortization under IFRS. At June 30, 2010 the increase in restoration provision was \$24.2 million, the increase in mineral properties was \$20.4 million and the adjustment to retained earnings was \$3.8 million.

Under Canadian GAAP, the unwinding of the discount was included in cost of sales and has now been reclassified to finance cost as required under IFRS. The increase to finance costs was \$0.4 million for the six months ended June 30, 2010.

- iii) IAS 23 Borrowing costs

Under IFRS, there are no policy choices available for the capitalization of borrowing costs. IFRS requires borrowing costs to be capitalized on qualifying assets which take a substantial period of time to prepare for their intended use. A weighted average capitalization rate based on the Company's outstanding debt was used to calculate the amount of borrowing costs to capitalize on the qualifying assets at January 1, 2010 and acquired during 2010. The increase in property, plant and equipment was \$19.1 million at June 30, 2010 with a corresponding decrease in interest expense.

# First Quantum Minerals Ltd.

## Notes to Consolidated Financial Statements

(unaudited)

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

### iv) IAS 12 Deferred taxes

#### a. Mineral property acquisitions

Under Canadian GAAP the Company recognized a deferred income tax liability on temporary differences arising on the initial recognition of mineral properties acquired other than in business combinations. IAS 21, *Income Taxes* does not permit the recognition of deferred taxes on such transactions. At June 30, 2010 the impact of the derecognition was a reduction of deferred income taxes of \$168.0 million, a reduction of property, plant and equipment of \$183.2 million and foreign exchange loss of \$9.7 million as a portion of the deferred tax liability was denominated in a foreign currency and accordingly had been revalued using the foreign exchange rate at the balance sheet dates.

#### b. Share issuance costs

IFRS requires current and deferred taxes be recognized in equity when they relate to transactions or events recognized in equity in either the same or a different period. The deferred income tax related to the share issuance costs under Canadian GAAP had not been net against share capital. At June 30, 2010 the impact of recognizing the deferred income taxes in share capital is an increase of \$3.2 million in share capital and a \$3.2 million reduction to retained earnings.

#### c. Convertible bond issue

Under IFRS the deferred tax consequences of a financial instrument containing both a liability and equity component is recognized both in profit or loss and in equity in accordance with the component parts under IFRS. The deferred income tax related to the liability component of the convertible bond was not recorded under Canadian GAAP. At June 30, 2010 the impact of recognizing the deferred income taxes in equity is a decrease of deferred income taxes of \$12.7 million, a decrease in share capital of \$8.6 million, an adjustment to retained earnings of \$3.8 million and an increase in deferred income tax expense of \$1.6 million.

#### d. Non monetary assets and liabilities

Under IAS 12, where the non-monetary assets and liabilities of an entity are measured in its functional currency but the taxable profit or tax loss and the tax base of its non-monetary assets and liabilities is determined in a different currency, deferred income tax is recognized. The review of non-monetary asset balances translated using the relevant closing exchange rates at June 30, 2010 did not result in an adjustment to our balance sheets or statements of comprehensive income under IFRS, but may have a material impact on our tax expense in future periods.

#### e. Tax on intercompany inventory sales

Under IAS 12, unrealized profits resulting from intercompany transactions are eliminated from the carrying amount of assets, such as inventory. The tax effect of the transaction is calculated with reference to the local tax rate of the company that holds the inventory at the period-end. Canadian GAAP prohibits the recognition of a deferred tax asset for the difference between the tax basis of the assets in the buyer's tax jurisdiction and the cost as reported in the historical consolidated financial statements and requires the deferral of the seller's tax expense incurred upon the intercompany sale. At June 30, 2010 the impact of recognizing the deferred income tax assets on the intercompany sales is an increase of \$4.3 million of deferred tax asset and a decrease of deferred tax expense of \$4.3 million.

## 4 Inventories

	June 30, 2011	December 31, 2010
Ore in stockpiles	79.1	75.3
Work-in-progress	5.0	2.1
Finished product	223.0	137.3
Total product inventory	307.1	214.7
Less: Non-current portion of ore in stockpiles (a)	(12.4)	(12.4)
	294.7	202.3
Consumable stores	232.6	188.6
	527.3	390.9

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

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

(unaudited)

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

**5 Property, plant and equipment**

	Plant and equipment	Capital work-in-progress	Mineral properties and mine development costs		Total
			Depreciable	Non-depreciable	
<b>Cost</b>					
As at January 1, 2010	1,320.4	373.7	84.0	271.4	2,049.5
Additions	109.5	310.7	5.4	-	425.6
Acquisitions	290.3	-	-	981.2	1,271.5
Disposals	(2.3)	-	-	-	(2.3)
Transfers between categories	103.2	(103.2)	-	-	-
Restoration provision	14.6	-	0.1	68.2	82.9
Impairment	(297.6)	(244.1)	(40.8)	(63.4)	(645.9)
Capitalized interest	10.2	-	-	32.3	42.5
As at December 31, 2010	1,548.3	337.1	48.7	1,289.7	3,223.8
Additions	-	451.2	-	-	451.2
Disposals	(14.8)	-	-	-	(14.8)
Transfers between categories	58.0	(58.0)	-	-	-
Restoration provision	-	-	-	22.4	22.4
Capitalized interest	4.7	-	-	17.0	21.7
As at June 30, 2011	1,596.2	730.3	48.7	1,329.1	3,704.3
<b>Accumulated depreciation</b>					
As at January 1, 2010	(428.1)	-	(41.0)	-	(469.1)
Depreciation charge	(111.7)	-	(3.9)	-	(115.6)
Disposals	0.8	-	-	-	0.8
Impairment	77.2	-	8.8	-	86.0
Other	5.0	-	-	-	5.0
As at December 31, 2010	(456.8)	-	(36.1)	-	(492.9)
Depreciation charge	(43.3)	-	(1.4)	-	(44.7)
Disposals	2.5	-	-	-	2.5
Other	(11.3)	-	-	-	(11.3)
As at June 30, 2011	(508.9)	-	(37.5)	-	(546.4)
<b>Net book value</b>					
As at December 31, 2010	1,091.5	337.1	12.6	1,289.7	2,730.9
As at June 30, 2011	1,087.3	730.3	11.2	1,329.1	3,157.9

# First Quantum Minerals Ltd.

## Notes to Consolidated Financial Statements

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### 6 Debt

	June 30, 2011	December 31, 2010
<b>Drawn debt</b>		
Corporate revolving credit and term loan facility (a)	20.2	80.2
Kansanshi subordinated debt facility (b)	26.8	24.9
Short-term borrowings (c)	33.9	55.7
Other	0.2	0.2
<b>Total debt</b>	<b>81.1</b>	<b>161.0</b>
Less: Current portion of debt facilities and short-term debt	(59.3)	(140.8)
	21.8	20.2
<b>Undrawn debt</b>		
Corporate revolving credit and term loan facility (a)	-	50.0
Kevitsa facility (d)	250.0	-
Short-term borrowings (c)	76.2	54.3

#### a) Corporate revolving credit and term loan facility

The Company entered into a \$400.0 million corporate revolving credit and term loan facility in October 2006. The facility had three tranches, up to \$225.0 million, \$125.0 million, and \$100.0 million. Tranche C was cancelled effective April 11, 2011. The total aggregate amount outstanding under the facility is not to exceed \$400.0 million. Tranche A is repayable in ten equal semi-annual instalments commencing on March 31, 2007 and tranche B is repayable in seven semi-annual instalments commencing on September 30, 2008. Interest on tranches A and B is calculated at LIBOR plus 2.5%.

The corporate revolving credit and term loan facility has a principal amount outstanding of \$20.4 million (December 31, 2010 - \$80.7 million). The carrying amount shown above of \$20.2 million is net of issue and transaction costs paid of \$0.2 million, which are deferred and amortized over the term of the facility. The collateral includes an assignment of proceeds under various sales contracts from the sale of copper, copper in concentrate and gold. Cash is restricted to meet required instalments and \$20.2 million was recorded as restricted cash at June 30, 2011 (December 31, 2010 - \$40.3 million).

#### 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.

The Kansanshi subordinated debt facility has a principal amount outstanding of 18.9 million Euros (December 31, 2010 - 18.9 million Euros). The carrying amount shown above of \$26.8 million is net of issue and transaction costs of 0.3 million Euros. The interest rate on the facility is indexed to the price of copper resulting in the existence of an embedded derivative. This embedded derivative is recorded at fair value at each period with changes in fair value recorded as a component of net earnings disclosed within finance costs.

#### c) Short-term borrowings

In 2010, the Company's metal marketing division entered into two facilities totalling \$110.0 million. The facilities are used to finance purchases and the term hedging of copper and gold undertaken by the metal marketing division. Interest on the facilities is calculated at the bank's benchmark rate plus 1.75%. The loans are collateralized by physical inventories.

#### d) Kevitsa facility

In March 2011 the Company entered into a \$250.0 million project loan collateralized by the assets and offtake agreements of the Kevitsa project. The facility is available in two tranches. Tranche A of \$175.0 million is required to be repaid in equal annual instalments over four years starting March 31, 2013; and tranche B of \$75.0 million is required to be repaid on September 30, 2017. The funds are to be used to finance the development of the Kevitsa mine. Interest on the project loan is to be calculated at LIBOR plus 3.5%. The facility was available to draw from May 6, 2011.

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### 7 Restoration provisions

The Company has restoration and remediation obligations associated with its operating mines and processing facilities. During the six months ended June 30, 2011 the provision increased by \$25.7 million to \$155.6 million (included in provisions and other liabilities on the balance sheet) primarily as a result of the development of Kevitsa and Ravensthorpe.

The restoration provisions have been recorded, using a discount rate between 2.0% and 3.9% and an inflation factor between 2.8% and 4.0%. The liability for retirement and remediation on an undiscounted basis before inflation is estimated to be approximately \$190.5 million. Payments are expected to occur over a period of approximately 32 years.

### 8 Share capital

#### a) Common shares

Authorized

Unlimited common shares without par value

Issued

	Number of Shares (000's)
Balance as at December 31, 2010	86,176
Share options exercised	3
Balance as at June 30, 2011	86,179

#### b) Earnings (loss) per share

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Basic and diluted earnings (loss) attributable to shareholders of the Company	155.3	(182.0)	362.0	(31.7)
Basic weighted average number of shares outstanding (000's of shares)	85,755	80,268	85,754	79,923
Effect of dilutive securities:				
Convertible bonds	8,867	-	8,867	-
Diluted weighted average shares outstanding	94,622	80,268	94,621	79,923
Earnings (loss) per common share - basic	1.81	(2.27)	4.22	(0.40)
Earnings (loss) per common share - diluted	1.64	(2.27)	3.83	(0.40)

The effect of the convertible bonds and share options were anti-dilutive for the three and six month periods ending June 30, 2010 and therefore excluded from the computation of diluted earnings per share.

#### c) Dividends

On March 15, 2011, the Company declared a dividend payment of \$0.603 CAD per share or \$53.5 million in respect of the fiscal year ended December 31, 2010. (March 16, 2010 - \$0.512 CAD per share or \$40.5 million)

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

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

**9 Sales revenues by nature**

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Copper	606.9	495.5	1,258.5	1,003.4
Gold	53.1	44.3	106.7	87.6
	660.0	539.8	1,365.2	1,091.0

**10 Cost of sales**

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Direct operating costs	(270.3)	(269.1)	(514.4)	(493.9)
Derivative (loss) gain	(2.5)	0.4	(3.4)	8.5
Depletion and amortization	(24.0)	(31.2)	(44.7)	(59.0)
	(296.8)	(299.9)	(562.5)	(544.4)

**11 Other income (expense)**

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Foreign exchange (loss) gain	(10.9)	(1.8)	(6.2)	1.3
Sundry (expense) income	0.3	0.2	(0.8)	0.6
	(10.6)	(1.6)	(7.0)	1.9

**12 Finance costs**

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Interest expense on financial liabilities measured at amortized cost	(0.2)	(0.5)	(2.0)	(3.3)
Interest expense on convertible bonds	-	-	-	(2.5)
Interest expense other	(0.9)	(2.7)	(1.3)	(3.0)
Accretion on restoration provision	(0.2)	(0.4)	(3.3)	(0.6)
Other finance costs	-	(1.4)	-	(4.6)
	(1.3)	(5.0)	(6.6)	(14.0)

# First Quantum Minerals Ltd.

## Notes to Consolidated Financial Statements

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### 13 Segmented information

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

The corporate segment is responsible for the evaluation and acquisition of new mineral properties, regulatory reporting, treasury and finance and corporate administration. Included in the corporate segment is the Company's metal marketing division which purchases and sells third party material. Operations at the Frontier mine were suspended during 2010 as detailed in the Company's 2010 Annual Report. The segment results below include sales of material which at the date of suspension of operations was stockpiled at other sites.

The Company's operations are subject to seasonal aspects, in particular the rain season in Zambia. The rain season in Zambia generally starts in November and continues through April, with the heaviest rainfall normally experienced in the months of January, February and March. As a result of the rain season, mine pit access and the ability to mine ore is lower in the first quarter of the year than other quarters and the cost of mining is higher.

For the three month period ended June 30, 2011, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/Lonshi	Projects under development	Corporate	Total
Segmented revenues	523.7	78.0	(0.5)	16.9	-	66.1	684.2
Less inter-segment revenues	-	-	-	(16.4)	-	(7.8)	(24.2)
Sales revenues	523.7	78.0	(0.5)	0.5	-	58.3	660.0
Cost of sales	(190.0)	(39.3)	(2.6)	(2.2)	-	(62.7)	(296.8)
Segmented gross profit (loss)	333.7	38.7	(3.1)	(1.7)	-	(4.4)	363.2
Net finance costs	(0.7)	-	-	-	-	1.1	0.4
Other	(1.1)	(2.6)	-	0.5	-	(37.3)	(40.5)
Segmented profit (loss) before undernoted items	331.9	36.1	(3.1)	(1.2)	-	(40.6)	323.1
Income taxes	(141.4)	-	-	-	-	5.6	(135.8)
Non-controlling interests	(32.1)	-	0.1	-	-	-	(32.0)
Segmented profit (loss)	158.4	36.1	(3.0)	(1.2)	-	(35.0)	155.3
Property, plant and equipment	697.5	204.4	-	22.3	1,347.0	886.7	3,157.9
Total assets	1,489.5	341.7	7.2	32.5	1,409.9	1,879.3	5,160.1
Total liabilities	736.0	29.5	6.6	50.1	262.1	535.1	1,619.4
Capital expenditures	35.4	9.4	-	-	192.2	7.1	244.1

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

	Kevitsa	Ravensthorpe	Total
Property, plant and equipment	546.1	800.9	1,347.0
Total assets	586.2	823.7	1,409.9
Total liabilities	57.0	205.1	262.1
Capital expenditures	91.7	100.5	192.2

# First Quantum Minerals Ltd.

## Notes to Consolidated Financial Statements

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

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

	Kansanshi	Guelb Moghrein	Frontier	Bwana/Lonshi	Projects under development	Corporate	Total
Segmented revenues	367.1	40.6	64.4	21.1	-	53.7	546.9
Less inter-segment revenues	-	-	-	(4.5)	-	(2.6)	(7.1)
Sales revenues	367.1	40.6	64.4	16.6	-	51.1	539.8
Cost of sales	(162.4)	(28.7)	(50.3)	(19.7)	-	(38.8)	(299.9)
Segmented gross profit (loss)	204.7	11.9	14.1	(3.1)	-	12.3	239.9
Net finance costs	(0.4)	-	(1.0)	(0.3)	-	(2.4)	(4.1)
Other	(4.9)	(0.3)	(0.1)	(14.8)	(292.0)	(13.2)	(325.3)
Segmented profit (loss) before undernoted items	199.4	11.6	13.0	(18.2)	(292.0)	(3.3)	(89.5)
Income taxes	(54.5)	-	(3.9)	-	-	(4.8)	(63.2)
Non-controlling interests	(28.5)	-	(0.8)	-	-	-	(29.3)
Segmented profit (loss)	116.4	11.6	8.3	(18.2)	(292.0)	(8.1)	(182.0)
Property, plant and equipment	588.7	197.5	254.3	30.6	657.2	275.5	2,003.8
Total assets	1,236.7	287.3	347.1	54.2	661.5	1,551.8	4,138.6
Total liabilities	833.1	19.4	90.7	40.0	56.3	624.4	1,663.9
Capital expenditures	31.3	12.1	2.7	(0.4)	36.9	1.9	84.5

Projects under development at 30 June 2010 included Kolwezi, Kevitsa, and Ravensthorpe. The exploration and development costs related to these properties are capitalized. The segmented information for these projects is presented as follows:

	Kolwezi	Kevitsa	Ravensthorpe	Total
Property, plant and equipment	-	269.6	387.6	657.2
Total assets	-	273.6	387.9	661.5
Total liabilities	17.5	6.2	32.6	56.3
Capital expenditures	3.8	16.8	16.3	36.9

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For the six month period ended June 30, 2011, segmented information is presented as follows:

	Kansanshi	Guelb Moghrein	Frontier	Bwana/Lonshi	Projects under development	Corporate	Total
Segmented revenues	1,121.0	146.6	13.2	29.7	-	98.0	1,408.5
Less inter-segment revenues	-	-	-	(29.0)	-	(14.3)	(43.3)
Sales revenues	1,121.0	146.6	13.2	0.7	-	83.7	1,365.2
Cost of sales	(386.8)	(74.7)	(10.7)	(3.2)	-	(87.1)	(562.5)
Segmented gross profit (loss)	734.2	71.9	2.5	(2.5)	-	(3.4)	802.7
Net finance costs	(4.5)	-	-	-	-	1.4	(3.1)
Other	(3.7)	(5.0)	-	(0.1)	(2.9)	(63.3)	(75.0)
Segmented profit (loss) before undernoted items	726.0	66.9	2.5	(2.6)	(2.9)	(65.3)	724.6
Income taxes	(309.3)	-	-	-	11.8	13.4	(284.1)
Non-controlling interests	(78.8)	-	0.3	-	-	-	(78.5)
Segmented profit (loss)	337.9	66.9	2.8	(2.6)	8.9	(51.9)	362.0
Property, plant and equipment	697.5	204.4	-	22.3	1,347.0	886.7	3,157.9
Total assets	1,489.5	341.7	7.2	32.5	1,409.9	1,879.3	5,160.1
Total liabilities	736.0	29.5	6.6	50.1	262.1	535.1	1,619.4
Capital expenditures	74.2	31.7	1.5	-	318.8	7.2	433.4

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

	Kevitsa	Ravensthorpe	Total
Property, plant and equipment	546.1	800.9	1,347.0
Total liabilities	586.2	823.7	1,409.9
Total assets	57.0	205.1	262.1
Capital expenditures	140.1	178.7	318.8

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

	Kansanshi	Guelb Moghrein	Frontier	Bwana/Lonshi	Projects under development	Corporate	Total
Segmented revenues	763.0	101.9	144.4	48.6	-	62.4	1,120.3
Less inter-segment revenues	-	-	-	(18.0)	-	(11.3)	(29.3)
Sales revenues	763.0	101.9	144.4	30.6	-	51.1	1,091.0
Cost of sales	(331.0)	(54.0)	(81.4)	(35.7)	-	(42.3)	(544.4)
Segmented gross profit (loss)	432.0	47.9	63.0	(5.1)	-	8.8	546.6
Net finance costs	(1.2)	-	(1.8)	(0.3)	-	(6.7)	(10.0)
Other	(3.4)	(2.4)	(0.5)	(20.9)	(292.0)	(36.2)	(355.4)
Segmented profit (loss) before undernoted items	427.4	45.5	60.7	(26.3)	(292.0)	(34.1)	181.2
Income taxes	(128.2)	-	(18.2)	-	-	(2.4)	(148.8)
Non-controlling interests	(58.8)	(2.4)	(2.9)	-	-	-	(64.1)
Segmented profit (loss)	240.4	43.1	39.6	(26.3)	(292.0)	(36.5)	(31.7)
Property, plant and equipment	588.7	197.5	254.3	30.6	657.2	275.5	2,003.8
Total assets	1,236.7	287.3	347.1	54.2	661.5	1,551.8	4,138.6
Total liabilities	833.1	19.4	90.7	40.0	56.3	624.4	1,663.9
Capital expenditures	52.3	19.6	6.9	(0.4)	58.2	1.9	138.5

Projects under development at June 30, 2010 included Kolwezi, Kevitsa and Ravensthorpe. The exploration and development costs related to these properties are capitalized. The segmented information for these projects is presented as follows:

	Kolwezi	Kevitsa	Ravensthorpe	Total
Property, plant and equipment	-	269.6	387.6	657.2
Total assets	-	273.6	387.9	661.5
Total liabilities	17.5	6.2	32.6	56.3
Capital expenditures	9.2	29.2	19.8	58.2

# First Quantum Minerals Ltd.

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### 14 Derivative financial instruments

As at June 30, 2011, the following derivative positions were outstanding:

	Maturity 2011	June 30, 2011		December 31, 2010	
		Asset	Liability	Asset	Liability
<b>Interest rate</b>					
Floating to fixed interest rate swap					
– principal	26.0	-	(0.2)	-	(0.4)
Average fixed interest rate	1.80%				
<b>Foreign currency</b>					
USD/EUR extendible collar					
– principal	€60.0m	0.5	-	-	-
Strike price	1.376-1.416				
<b>Copper</b>					
Futures sales contracts over quotation period (tonnes)	40,600	4.2	(13.2)	3.0	(42.3)
Average price (\$/tonne)	\$9,105				
Embedded derivative hedged by future sales contracts (tonnes)	40,975	-	-	-	-
Average price (\$/tonne)	\$9,320				
Net provisional copper exposure (tonnes)	375				
<b>Gold</b>					
Futures sales contracts over quotation period (ounces)	14,103	0.1	-	-	(0.9)
Average price (\$/ounce)	\$1,519				
Embedded derivative hedged by future sales contracts (ounces)	14,105	-	-	-	-
Average price (\$/ounce)	\$1,509				
Net provisional gold exposure (ounces)	2				
<b>Other</b>					
Embedded derivative		-	(3.3)	-	(3.7)
		4.8	(16.7)	3.0	(47.3)

### 15 Commitments

In conjunction with the development of Kevitsa and Ravensthorpe, upgrades at Kansanshi, Guelb Moghrein and other projects, the Company has committed to approximately \$235.0 million in capital expenditures.

### 16 Subsequent events

#### a) Conversion of convertible bonds

On July 27, 2011 the Company announced a voluntary incentive payment offer in relation to its \$500 million 6% convertible bonds. The offer included a cash payment of \$8,088.91 per \$100,000 in principal amount of the Bonds (the "Incentive Payment") and a cash payment of \$1,410.68 per \$100,000 in principal amount of the Bonds (the "Conversion Price Adjustment Payment") to convert any or all of the convertible bonds due 2014. The incentive offer period expired on July 28, 2011 with 99.98% of the bondholders accepting the conversion offer.

On conversion, the Company issued 8,955,547 common shares and transferred the \$460.0 million convertible debt liability and the equity component of the convertible debt to common shares. The incentive payment and other transactions costs will be recognized in profit and loss in Q3 2011.

# **First Quantum Minerals Ltd.**

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### **b) Common share split**

On July 29, 2011, shareholders of the Company approved a five-for-one share split of the company's issued and outstanding common shares. The record date of the share split will be August 11, 2011. The Company's common shares will begin trading on a split basis from August 9, 2011.

Earnings per share will be retroactively restated on a five-for-one basis after the split occurs in Q3 2011.