



**FIRST QUANTUM**  
MINERALS LTD.

**REVISED**  
**ANNUAL INFORMATION FORM**

**AS AT DECEMBER 31, 2008**  
(unless otherwise noted)

**DATED: MARCH 30, 2009**

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## DATE, CURRENCY AND OTHER INFORMATION

Unless otherwise indicated, the information in this revised annual information form (“AIF”) is given as of December 31, 2008. All amounts in this AIF are expressed in United States dollars, unless otherwise indicated. References to “Cdn\$” are to Canadian dollars, “A\$” are to Australian dollars and “€” are to Euros, where and if applicable. For reference, the following currency average exchange rates for 2008 and rates as at December 31, 2008 should be noted: one Canadian dollar for 0.9441 and 1.0592 United States dollars, respectively; one Euro for 1.4713 and 0.6797 United States dollars, respectively; and one Australian dollar for 0.8530 and 1.1724 United States dollars, respectively (source: Oanda.com). “SEDAR” means the System for Electronic Document Analysis and Retrieval, the publicly accessible database used for the filing of public securities information as required by securities regulatory agencies in Canada. This AIF applies to the business activities and operations of First Quantum Minerals Ltd. for the year ended December 31, 2008, unless otherwise indicated. References herein to the “Company” may include, collectively or individually, one or more of the direct or indirect subsidiaries of First Quantum Minerals Ltd.

## CAUTION WITH RESPECT TO FORWARD-LOOKING STATEMENTS AND INFORMATION

Certain of the information contained in this document constitutes “forward-looking statements” within the meaning of the *Private Securities Litigation Reform Act of 1995* and forward-looking information within the meaning of applicable Canadian securities legislation. Such forward-looking statements and information include statements regarding: targets for copper production; cash operating costs and certain significant expenses; percentage increases and decreases in production from the Company’s principal mines; schedules for completion of detailed feasibility studies and initial feasibility studies; potential increases in reserves and production; the timing and scope of future commencement of mining or production; anticipated grades and recovery rates; asset retirement obligation estimates; the ability to secure financing; and potential acquisitions or increases in property interests. Often, but not always, forward-looking statements or information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate” or “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

With respect to forward-looking statements and information contained herein, we have made numerous assumptions including among other things, the price of copper and other metals, economic and political conditions, continuity of operations and productions levels. Although the Company believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that forward-looking statements or information referenced herein will prove to be accurate. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause 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. These risks, uncertainties or other factors include, but are not limited to, the actual prices of copper, gold and sulphuric acid, unanticipated grade, geological, metallurgical, processing, access, transportation of supply or other problems, political, economic and operational risks of foreign operations, availability of materials and equipment, the timing of receipt of governmental permits, force majeure events, the failure of plant, equipment or processes to operate in accordance with specific expectations, accidents, labour relations and risks in start-up date delays, environmental costs and risks, the outcome of acquisition negotiations, general domestic and international economic and political conditions, the factual results of current exploration, development and mining activities, results of pending and future feasibility studies, changes in project parameters as plans continue to be evaluated, and those factors disclosed in documents filed by the Company from time to time with the securities commissions of British Columbia, Alberta and Ontario, the Autorité des marchés financiers in Quebec and the United States Securities and Exchange Commission (the “SEC”) including, without limitation, those risks, uncertainties and other factors set out in this AIF. For resource and reserve figures appearing herein, varying cut-off grades have been used depending on the mine, method of extraction and type of ore contained in the orebody.

Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Also, many of the factors are beyond the control of the Company. Accordingly, readers should not place undue reliance on forward-looking statements or information. All forward-looking statements and information herein are qualified by this cautionary statement.

## **Presentation of Mineral Reserve and Resource Estimates**

This AIF uses the terms “Mineral”, “Measured”, “Indicated” and “Inferred” in connection with its resource presentations, as defined in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 43-101”) under guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council. While the terms “Mineral”, “Measured”, “Indicated” and “Inferred” are recognized and required by Canadian regulations, they are not defined terms under standards of the SEC. As such, certain information contained in this AIF concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by U.S. companies subject to the reporting requirements of the SEC. “Inferred” resources have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an “Inferred” resource will ever be upgraded to a higher category. Under Canadian rules, estimates of “Inferred” resources may not form the basis of feasibility or other economic studies. Mineral resources that are not mineral reserves do not have demonstrated economic viability. United States shareholders are cautioned not to assume that all or any part of “Measured” or “Indicated” resources will ever be converted into “Mineral” reserves. United States shareholders are also cautioned not to assume that all or part of an “Inferred” resource exists, or is economically or legally mineable. In addition, the definitions of “Proven” and “Probable” reserves under CIM standards differ in certain respects from the SEC standards.

## **CORPORATE STRUCTURE**

### **Name and Incorporation**

The Company was incorporated under the *Company Act* [now the *Business Corporations Act* (British Columbia)] on December 21, 1983, under the name of Xenium Resources Ltd. The Company changed its name to Xenium Resources Inc. on January 25, 1984, to Zeal Capital Ltd. on November 29, 1989, and to First Quantum Ventures Ltd. on June 16, 1993. On July 18, 1996, the Company changed its name to its current name, First Quantum Minerals Ltd., and was continued into the Yukon Territory, pursuant to the provisions of the *Business Corporations Act* (Yukon). On June 7, 2002, the Company amalgamated with its wholly-owned subsidiary, First Quantum Minerals (Yukon) Ltd., pursuant to the provisions of the *Business Corporations Act* (Yukon). On August 11, 2003, the Company’s jurisdiction of incorporation was continued from the Yukon Territory to the federal jurisdiction under the *Canada Business Corporations Act*. The Company was continued to the Province of British Columbia under the *Business Corporations Act* (British Columbia) (the “BCA”) on June 3, 2005.

The address for both the head office and the registered and records office of the Company is 8th Floor, 543 Granville Street, Vancouver, British Columbia, V6C 1X8.

## Intercorporate Relationships

The following table illustrates the intercorporate relationships between the Company and its material and other subsidiaries (as determined by Item 3.2 of **Form 51-102F2**) and sets out the respective jurisdictions of incorporation of such subsidiaries and the percentage of their voting securities owned, controlled or directed, directly or indirectly, by the Company.

As at December 31, 2008

<u>Name of Subsidiary</u>	<u>Percentage of Voting Securities Beneficially Owned, Controlled or Directed by the Company</u>	<u>Jurisdiction of Incorporation/Continuance</u>
<b>Adastra Minerals Inc.</b>	100%	Yukon Territory
<i>Adastra Offshore Ltd.</i>	100%	British Virgin Islands
Roan Prospecting & Mining SPRL	99.9%	République démocratique du Congo
<i>Kolwezi Holdings Ltd.</i>	100%	British Virgin Islands
Kolwezi Investment Ltd.	100%	British Virgin Islands
Congo Mineral Developments Limited	100%	British Virgin Islands
Kingamyambo Musonoi Tailings SARL	65%	République démocratique du Congo
<b>Cravtorns Limited</b>	100%	British Virgin Islands
<b>First Quantum Minerals (Australia) Pty Limited</b>	100%	Australia
<b>FQM Finance Ltd.</b>	100%	British Virgin Islands
<i>Black Bark Investments Ltd.</i>	100%	British Virgin Islands
Kansanshi Holdings Limited	100%	Ireland
Kansanshi Mining Plc	80%	Zambia
<i>First Quantum Minerals SA (Pty) Ltd.</i>	100%	South Africa
<i>Mauritan Holdings Ltd.</i>	100%	British Virgin Islands
Mauritanian Copper Mines S.A.	80%	Mauritania
<i>Skyblue Enterprises Inc.</i>	100%	British Virgin Islands
Carlisa Investments Corp.	18.8%	British Virgin Islands
Mopani Copper Mines PLC	16.9%	Zambia
<b>FQML Scandinavia Inc.</b>	100%	Canada (federal)
<i>Scandinavian Minerals Limited</i>	100%	Canada (federal)
Kevitsa Mining AB	100%	Sweden
Kevitsa Mining Oy	100%	Finland
<b>International Quantum Resources Limited</b>	100%	British Virgin Islands
<i>Compagnie Minière de Sakania sprl</i>	100%	République démocratique du Congo
<i>Frontier sprl</i>	95%	République démocratique du Congo
FQM Frontier Limited	95%	Zambia
<b>Oryx Limited</b>	100%	Barbados
<i>Cover Investments Limited</i>	100%	Ireland
First Quantum Mining and Operations Limited	100%	Zambia

## **Investments**

### ***Carlisa Investments Corp.***

The Company holds an 18.8% interest in Carlisa Investments Corp., which holds a 90% interest in Mopani Copper Mines Plc (“Mopani”). Mopani is a privately-held Zambian registered company which operates both the Nkana underground copper mine and cobalt refinery and the Mufulira underground copper mine, smelter and copper refinery in Zambia, which was commissioned in December of 2006. The smelter provides treatment capacity for copper concentrate produced at Kansanshi and copper concentrate produced at Frontier. The carrying value of this investment as at December 31, 2008 was \$9.5 million. As Carlisa Investments Corp. and Mopani are private companies, only limited public information about them is or may be made available for dissemination. In 2008, Mopani produced approximately 160,000 tonnes of finished copper and 1,400 tonnes of cobalt and had assets as at December 31, 2008 in excess of \$1 billion.

### ***Equinox Minerals Limited***

The Company held a 19.25% interest in Equinox Minerals Limited (“Equinox”) as of December 31, 2008. Equinox’s principal asset is its 100% owned Lumwana copper mine, which is located in the North Western province of Zambia, approximately 65 kilometres west of the Company’s Kansanshi mine.

## **Credit Facilities**

As of December 31, 2008, the Company had in place four separate debt facilities, which were drawn to a total of \$390.3 million.

A \$400 million Corporate Credit Facility (the “Facility”), which was established with a syndicate of European commercial banks in 2006, has been used to pay down and restructure then existing credit and long-term debt facilities for the financing of Frontier and other general corporate purposes. The Facility has been fully drawn and, as at December 31, 2008, the balance outstanding was \$292.1 million, repayable over the remaining three years to September 2011.

Two other facilities were established to facilitate the completion of Kansanshi, comprising a €34 million subordinated facility provided by European Investment Bank and a \$25 million project completion facility provided by a subsidiary of Glencore International AG. The subordinated facility has been fully drawn and, as at December 31, 2008, the balance outstanding was €26.4 million repayable over seven years to October 2015. The project completion facility had an outstanding balance of \$11.1 million as at December 31, 2008, which the Company prepaid in full in January 2009.

The Company also had a \$250 million corporate revolving credit facility for working capital and general corporate purposes, which was drawn to \$50 million at December 31, 2008. Subsequent to year-end, the Company renewed this facility with Standard Chartered Bank for the next 12 months to January 9, 2010.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Overview

The Company is an international mining company which has grown through a combination of exploration, development, operation and acquisition of mining projects or companies with interests in mining projects and the production of London Metal Exchange (“LME”) grade “A” copper cathode, copper in concentrate, gold and sulphuric acid.

The common shares of the Company are listed and posted for trading on the Toronto Stock Exchange (the “TSX”) under the symbol “FM” and also trade on the main listing of London Stock Exchange (“LSE”) operated by the LSE under the symbol “FQM”. Equity options of the Company are listed for trading and trade on the Montreal Exchange under the root symbol “FM”.

The Company’s principal activities include mineral exploration, development and mining. At present, its operations are located in Africa, including Zambia, the République démocratique du Congo (the “RDC”) and Mauritania. In June 2008, the Company also acquired a development property in Finland. The Company also considers investments in other geographic regions or commodities as part of its growth strategy.

The Company’s operations in Zambia include the Bwana Mkubwa solvent extraction and electrowinning (“SX/EW”) facility (“Bwana”) (100% owned) and the Kansanshi copper mine (“Kansanshi”) (80% owned).

In the RDC, the Company operates the 100% owned Lonshi copper mine (“Lonshi”), which provided oxide copper ore for processing at Bwana, and 95% of the Frontier copper mine (“Frontier”), which commenced commercial production on 2 November 2007, producing copper in concentrate.

In Mauritania, the Company operates the 80% owned Guelb Moghrein copper and gold mine (“Guelb Moghrein”), which began commercial production in October 2006.

In August 2006, the Company acquired, by way of court-approved plan of arrangement, 100% of Adastra Minerals Inc. (“Adastra”), formerly “American Mineral Fields Inc.” (see *Significant Acquisitions*). Prior to its acquisition by the Company, Adastra was an international mining company in the business of acquiring, exploring and developing mineral resource properties. Adastra continues to own properties and project interests in the RDC and Zambia, including the Kolwezi cobalt-copper tailings project (the “Kolwezi Project”) located in the RDC in which Adastra has a 65% indirect interest through a joint venture.

In 2008, the Company acquired, through a wholly-owned subsidiary, 100% of Scandinavian Minerals Limited (“SML”) by way of court-approved plan of arrangement (see “Significant Acquisitions”). Prior to its acquisition by the Company, SML was a Canadian public company listed on the TSX and on the Frankfurt Freiverkehr market. The principal asset of SML is its 100% owned Kevitsa nickel-copper-PGE project in northern Finland (the “Kevitsa Project”), which the Company is currently developing.

As at December 31, 2008, the Company employed approximately 6,500 employees (on a full or part-time basis) and consultants.

### Three Year History

#### *General*

The Company has grown and developed rapidly over the last three completed financial years. By the end of 2008, the Company owned all or a majority of the interests in three operating mines (Kansanshi, Guelb Moghrein and Frontier), one copper-cobalt development project (Kolwezi), one nickel-copper-PGE development project (Kevitsa), the SX/EW facility (Bwana) and several exploration projects and properties.

The number of persons employed by the Company had increased from approximately 4,000 in 2005 to approximately 6,500 by the end of 2008. The Company implemented a policy of regular declaration and payment of dividends in 2005. By August of 2006, the Company completed the acquisition of Adastra which it had announced in January of that year. Revenues of the Company have increased 59% over the last three completed financial years, from \$1,095 million at the end of 2006 to \$1,740 million by December 31, 2008.

In June 2008, the Company acquired SML, which is the Company's first development project outside of Africa.

The following is a more detailed summary of the general development of the Company's business over the last three financial years:

#### 2006

On January 10, 2006, the Company in a news release announced the results of a scoping study in connection with its High Pressure Leach ("HPL") at Kansanshi, providing further detail on the project. Construction of the HPL began in late 2005 and progressed throughout 2006. The autoclaves and the SX/EW facility have been commissioned. The complete facility was commissioned during the 2007 financial year.

On January 18, 2006, the Company announced that it would make an offer to acquire all of the issued and outstanding Class "A" common shares of Adastra for consideration consisting of one common share of the Company for every 17.5 Class "A" common shares of Adastra. The offer, which was mailed to holders of Adastra Class "A" common shares on February 2, 2006, was extended and further amended throughout February, March and April of 2006. On April 28, 2006, the Company took up approximately 61 million Class "A" common shares of Adastra representing approximately 75% of the issued and outstanding Class "A" common shares. The Company paid for the deposited Adastra Class "A" common shares on May 3, 2006 by issuing approximately 3.5 million common shares and paying approximately Cdn\$29 million in cash. On August 3, 2006, shareholders of Adastra approved a plan of arrangement under the *Business Corporations Act* (Yukon Territory). After obtaining a court order from the Supreme Court of the Yukon Territory, articles of arrangement were filed on August 11, 2006 with the registrar under the *Business Corporations Act* (Yukon Territory) deeming Adastra to be a wholly-owned subsidiary of the Company (see "Significant Acquisitions"). On August 14, 2006, the Company announced that it had completed the acquisition of Adastra. Adastra ceased to be a publicly-traded company effective September 15, 2006.

On March 13, 2006, the Company announced that it would pay a final dividend of Cdn\$0.265 per common share to shareholders of record on April 19, 2006. The dividend was paid to shareholders on May 10, 2006. On August 9, 2006, the Company announced that it would pay an interim dividend of Cdn\$0.095 per common share to shareholders of record on August 22, 2006. The dividend was paid to shareholders on September 5, 2006.

In April, the Company commenced construction of Frontier and confirmed by way of news release in November updated resource and construction details, pursuant to which a 43-101 technical report was filed in December. Capital costs in the amount of \$226 million in respect of Frontier were approved by the Company.

On October 17, 2006, the Company announced that it had determined that commercial production had been reached at Guelb Moghrein as of October 5, 2006.

In October, final agreements and closing documents in respect of the Facility were executed by the Company and certain of its subsidiaries.

#### 2007

On March 14, 2007, the Company announced that it would pay a final dividend of Cdn\$0.625 per common share to shareholders of record on April 19, 2007. The dividend was paid to shareholders on May 10, 2007. On August 9, 2007, the Company announced that it would pay an interim dividend of Cdn\$0.24 per common share to shareholders of record on August 29, 2007. The dividend was paid to shareholders on September 19, 2007.

On May 18, 2007, the Company's shares were accepted for trading on the main board of the London Stock Exchange. As a result, the Company cancelled its listing on AIM and began trading exclusively on the TSX and LSE, respectively, with the Toronto Stock Exchange continuing as the Company's primary market. The Company did not issue any new shares nor raise any new funds in connection with the listing and accordingly, the holdings of existing shareholders were not diluted as a result of the listing on the London Stock Exchange.

On November 12, 2007, the Company announced that it had determined that commercial production had been reached at Frontier as of November 2, 2007.

On November 19, 2007, the Board of Kingamyambo Musonoi Tailings SARL ("KMT") (owned by the Company 65%, La Générale Des Carrières et Des Mines ("Gécamines") 12.5%, Industrial Development Corporation of South Africa ("IDC") 10%, the International Finance Corporation ("IFC") 7.5% and the Government of the République démocratique du Congo ("RDC") 5%) committed to proceed with the development of the Kolwezi Project. The Company, with support from its contributing equity partners of KMT (the IDC and IFC), agreed to finance or procure third party debt project financing totaling up to \$593 million. This satisfied the obligations of the Company under the *Contract of Association* with the RDC and Gécamines 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 Kolwezi Project. The Company has commenced the initial stages of development, including building foundations and construction of an access road to Zambia.

On December 6, 2007, the Company announced that it had acquired, through trades on the TSX, 17.27% of the common shares of Equinox. This was accomplished through the acquisition on December 5, 2007 of an additional 7.32% of the common shares of Equinox. The Company already owned on that date 9.95% of the common shares of Equinox. The Company acquired the common shares of Equinox for investment purposes and may acquire further common shares or dispose of its holdings of common shares as investment conditions warrant.

## 2008

Between January and July, 2008, the Company acquired, through trades on the TSX, an additional 1.98% of the common shares of Equinox, increasing its total shareholdings in Equinox to 19.25%. The Company acquired the common shares of Equinox for investment purposes and may acquire further common shares or dispose of its holdings of common shares as investment conditions warrant.

On February 21, 2008, the Company announced that it would pay a final dividend of Cdn\$0.54 per common share to shareholders of record on April 11, 2008. The dividend was paid to shareholders on May 2, 2008. On August 12, 2008, the Company announced that it would pay an interim dividend of Cdn\$0.26 per common share to shareholders of record on August 22, 2008. The dividend was paid to shareholders on September 15, 2008.

Open pit mining operations at Lonshi were completed in August 2008 and in October, the Company announced the temporary suspension of copper cathode production, but continued to operate its acid plant. As a result of the closure of the Lonshi border to the export of ore in November 2007, which remained closed throughout 2008, Bwana has been unable to process approximately 536,000 tonnes of stockpiled oxide ore at Lonshi. The Company continues to explore for alternate sources of economically viable oxide ore for the resumption of operations at Bwana.

In 2008, the Company commenced expansion of the Guelb Moghrein processing plant to increase production through higher throughput at lower grades. The expansion is expected to be commissioned in the third quarter of 2009. The gold flotation circuit and carbon-in-leach plant was upgraded in 2008 and was fully operational by December 2008.

In 2008, the Company acquired, through a wholly-owned subsidiary, 100% of SML by way of court-approved plan of arrangement (see "Significant Acquisitions"). Prior to its acquisition by the Company, SML was a Canadian public company listed on the TSX and on the Frankfurt Freiverkehr market. The principal asset of SML is its 100% owned Kevitsa Project, which the Company is currently developing.

## **Significant Acquisitions**

### *Equinox*

As mentioned above, the Company acquired an additional 1.98% of the common shares of Equinox in 2008.

### *SML*

On April 21, 2008, the Company announced it had entered into an Arrangement Agreement pursuant to which a wholly-owned subsidiary (FQML Scandinavia Inc.) of the Company would acquire from holders of SML (the "SML Shareholders") all outstanding common shares of SML (the "SML Shares"), subject to SML Shareholders' approval, on the basis of Cdn \$9.00 in cash plus 0.01 common share of the Company for each common share of SML. SML was, prior to the arrangement, a Canadian public company listed on the TSX and Frankfurt Freiverkehr market.

On May 6, 2008, SML made an application to the Ontario Superior Court of Justice for an order authorizing SML to call and conduct a Special Meeting of the Shareholders of SML to approve the plan of arrangement. An Interim Order was given on that date. On June 12, 2008, the Special Meeting was held to vote on the arrangement. The arrangement was approved by 99% of the votes cast at the Special Meeting.

On June 17, 2008, SML received final court approval from the Ontario Superior Court of Justice approving the plan of arrangement.

On June 18, 2008, the transaction closed and the Company acquired 27,005,199 SML Shares representing all of the issued and outstanding SML Shares on an undiluted basis. Under the plan of arrangement, SML Shareholders have up to six years from June 18, 2008 within which to deposit certificates representing their SML Shares. Any certificate not validly deposited within that period will cease to represent a security holder claim or interest of any kind against SML, the holder will receive no consideration from the Company and the certificate will be cancelled.

As at December 31, 2008, the Company has paid an aggregate of approximately 283,862 in common shares of the Company and \$214.3 million in cash for SML. As at March 6, 2009, substantially all of the issued and outstanding SML Shares had been deposited.

## **DESCRIPTION OF THE BUSINESS**

### **Overview**

#### *Copper*

The Company's primary product is copper. In 2008, the Company produced 334,445 tonnes of copper. Copper has a wide range of applications because of its many useful properties. It is malleable, durable, strong and resistant to heat. Copper is also one of the most efficient conductors of electricity and heat.

Copper is used to manufacture copper wire, copper products and copper alloy products. Wire and cable copper is used for or formed into general industrial cable, utility power cable, telecommunications cable, insulated wire and winding wire for electrical motors. Wire and copper cable is also used in heating and air conditioning systems, plumbing, roofing, and brass fittings. For electrical and electronic devices in common usage such as televisions, radios, lighting, computers and mobile phones, copper wiring is used for electrical leads, adapters, transformers and motors. Copper compounds and chemicals are used to protect plants and crops and to preserve wood.

Copper tubing for plumbing, heating systems, air conditioners and refrigerators accounts for a significant use of copper. Copper may also be used in alloy products which include copper sheet and strips and brass fixtures used for building fixtures and fittings.

The price of copper is primarily determined by changes in supply and demand, which are in turn affected and determined by global economic conditions. Copper consumption by Asian countries has increased demand for the metal and, in the last few years, has led to higher prices for it.

### **Gold**

The Company also engages in the production of gold at both Kansanshi and Guelb Moghrein.

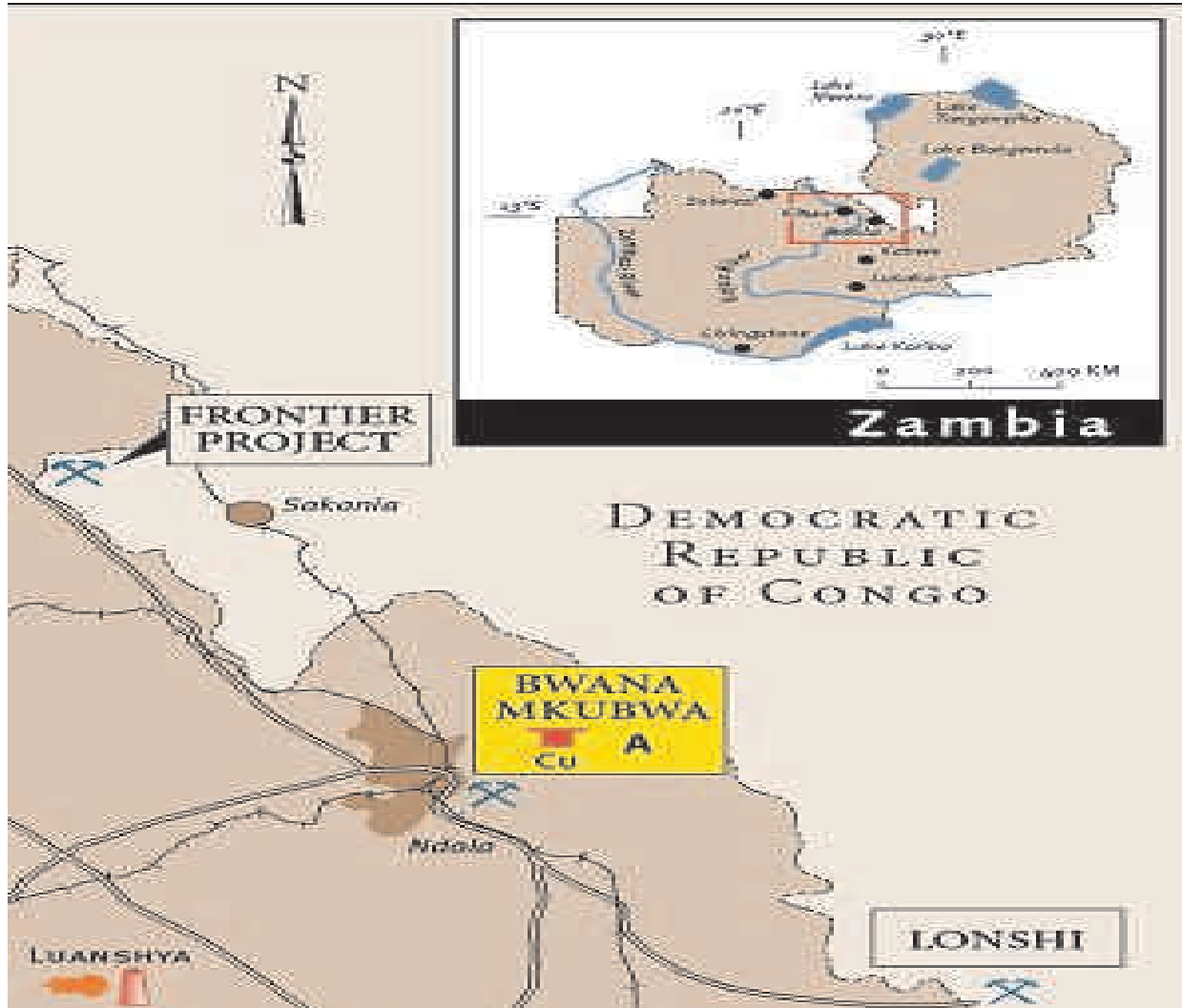
In addition to its common use in jewelry, gold has many other important uses. Gold plays an important role in modern health applications and research. Gold is used in medicines, lasers, thermometers and genetic research. Gold is the most ductile metal and is a good conductor of heat and electricity. It is used in computers, telecommunication, digital technology, and has important applications for space exploration.

*Information on production forecasts for each of the Company's producing divisions (Kansanshi, Frontier and Guelb Moghrein) is contained under the Outlook in the Company's Management's Discussion and Analysis for the year ended December 31, 2008, which is available for review on SEDAR at [www.sedar.com](http://www.sedar.com). Except as otherwise set out in this AIF, scientific and technical information in this AIF relating to the Company's properties and development projects and has been reviewed on behalf of the Company by Mr. John Gregory, Group Consultant, Mining, of the Company. Mr. Gregory is a qualified person under National Instrument 43-101 ("NI 43-101").*

## Operations

### *Bwana-Lonshi Division*

#### Bwana



#### *History*

In May of 1997, the facility at Bwana was issued a large scale mining license for copper mining in the Ndola area by the government of Zambia, replacing the original mining license granted to the Company in 1996. In 1998, the Company completed construction of a 10,000 tpa copper cathode SX/EW tailings retreatment and sulphuric acid plant.

In 2000, the Company discovered the Lonshi copper deposit and, in 2001, began construction and expansion at Bwana to enable the processing of ore from Lonshi. Further expansion in 2002 resulted in an increase in grade "A" copper cathode production capacity by 30,000 tpa. Tailings at Bwana were principally depleted in 2002 and Bwana, after completion of a modification program, began sourcing ore from Lonshi for the production of copper cathode. Further expansion, including the construction of the Bwana-Lonshi division's acid plant in Solwezi, allowed Bwana to increase both its copper cathode and sulphuric acid production. On July 26, 2006, Bwana

entered into a *Development Agreement* with the Government of the Republic of Zambia (“GRZ”). In November 2007, the RDC-Zambian border between Lonshi and Bwana was closed for the export of ore from the RDC by the Governor of the Katanga Province. Mining continued at Lonshi and ore was stockpiled pending the expected opening of the border. The oxide resource was substantially depleted at Lonshi in August 2008. However, Bwana continued to source alternate sources of oxide ore in Zambia. In October 2008, Bwana announced the temporary suspension of copper cathode production, but continued to operate its acid plant. The Lonshi border remains closed and Bwana is unable to process the approximately 536,000 tonnes of stockpiled oxide ore. The Company continues to explore for alternate sources of economically viable oxide ore for the resumption of operations at Bwana.

#### *Property and Ownership Interest*

The Bwana facility is owned 100% by the Company through one of its subsidiaries, First Quantum Mining and Operations Limited. Activity of the Company on land at Bwana is permitted under a large scale mining license which had a term of 10 years, permits copper mining operations and applies to an area of approximately 5600 hectares, of which approximately 900 hectares are used for operational requirements at present. The term of the license expired in May of 2007 and was renegotiated to provide for a further 10 year term. In addition, the Company holds a number of leasehold interests which secure rights to active processing areas.

#### *Location, Access and Infrastructure*

Bwana is located approximately six kilometres southeast of the city of Ndola in the Zambian portion of the Copperbelt. Ndola is served internationally by an airport which provides direct air service from and to South Africa. Domestic air services are available through the international airport in the capital of Lusaka. Bwana is also accessible by both road and rail. A 1.5 kilometre rail spur from the Bwana railway station connects Bwana to the Zambian railway network. Ndola is served by Zambia Railways which, in turn, links to the southern African rail system. Fully paved roads link Ndola with all other towns in the Copperbelt to the west, and with Lusaka to the south. The main road to Lusaka from Ndola passes approximately two kilometres west of Bwana, which is accessed via a three kilometre paved then unsurfaced road. This road passes adjacent to the original main open pit at Bwana. The area in which Bwana is located is classed as tropical dry forest and savannah with a temperate humid climate. Average annual precipitation is approximately 1,400 millimetres. Bwana is situated at an elevation of 1,374 metres above sea level.

Bwana has access to infrastructure (such as power, water and waste disposal areas) for its operations.

#### *Processing*

Bwana processed oxide ore mined from Lonshi to produce copper cathode. Copper cathode is produced through a process of millings, leaching and SX/EW. In October 2008, Bwana announced the temporary suspension of copper cathode production. Bwana continues to operate its acid plant for the production of sulphuric acid. Bwana owns four sulphuric acid plants, two of which are located at Kansanshi. Sulphuric acid plants incorporate sulphur burning to produce sulphur dioxide gas, gas cleaning and drying, conversion to sulphur trioxide and absorption, all of which result in the production of sulphuric acid.

#### *Labour*

At December 31, 2008, Bwana employed 237 persons. The local labour force is unionized.

### *Production Review*

The production statistics for the last three years for Bwana are set out in the following table:

	<u>Unit</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Ore Processed (Oxide)	<i>Tonnes</i>	718,000	1,276,000	1,265,000
Copper Grade	<i>%Cu</i>	0.85	2.3	4.5
Copper Production	<i>Tonnes</i>	5,850	25,402	51,068
Total Cost Copper	<i>\$/lb</i>	4.03	2.43	1.04
Cash Cost Copper <sup>(1)</sup>	<i>\$/lb</i>	3.26	2.03	0.76

(1) Cash cost copper amounts arrived at after subtracting acid credits.

### *Permits*

Bwana holds all permits required to carry out its operations and operated in material compliance in 2008.

### *Sales*

Sales from Bwana arise from both the sale and treatment of Lonshi ore and of sulphuric acid. Bwana-Lonshi is treated by the Company as one division in respect of earnings. When operating, the Company sells all of its copper cathodes at the facility gate and has an off-take agreement with a third party. The agreement provides that the Company must sell to the third party all (100%) of the production of Bwana. Some of the sulphuric acid produced by Bwana is sold to third party mining companies operating within the Copperbelt. However, in 2008, most of the sulphuric acid produced was produced for and consumed by the Company's operations at Kansanshi.

Revenues for the past two years attributable to the Bwana-Lonshi division are as follows:

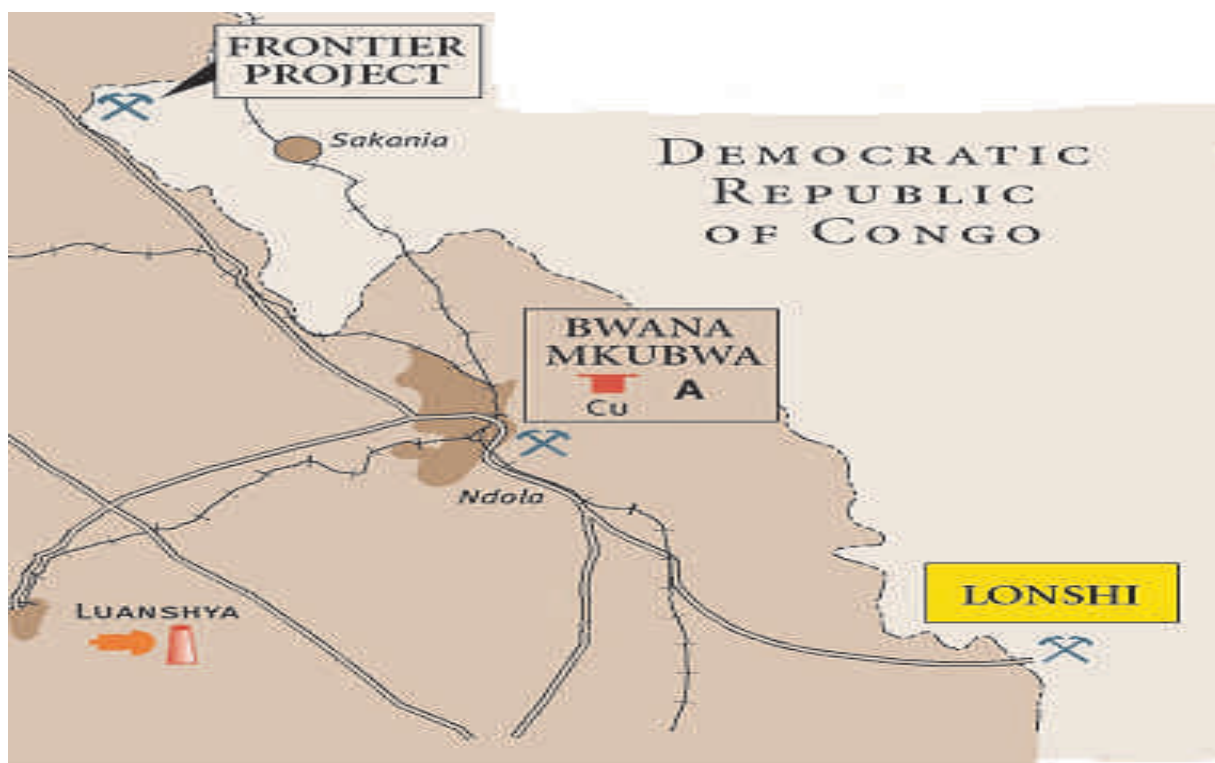
<u>Year</u>	<u>Revenues</u>
2008	\$37,000,000
2007	\$166,900,000

### *Taxes*

The effective rate of corporate income tax required to be paid by the Company under its *Development Agreement* in respect of Bwana is approximately 25% of Bwana's earnings. However, Bwana is currently in a dispute with the GRZ with respect to tax legislation introduced in April 2008.

## Lonshi

The information on Lonshi contained in this AIF is based in part on technical reports dated January 30, 2003 and March 26, 2003, prepared by Mr. Alan Stephens, formerly Vice President of Exploration for the Company, and Mr. G. Clive Newall, the President of the Company, in accordance with the requirements of NI 43-101. Each of Messrs. Stephens and Newall is a qualified person under NI 43-101. The technical reports are available for review on SEDAR at [www.sedar.com](http://www.sedar.com).



### *History*

The area around Lonshi has been explored and drilled since the 1930s. No further activity occurred at the site until the Company discovered the Lonshi deposit in late 2000 after exploration efforts initiated by the Company to secure feed for its processing facility at Bwana. Drilling campaigns beginning in 2000 resulted in the definition of a mineral resource and the construction of the mine which was completed in 2001. Mining operations began in August of that year. The oxide resource was substantially depleted in August 2008. Further exploratory work is underway to investigate the feasibility of an underground mine to recover the potential sulphide resource.

### *Property and Ownership Interest*

Lonshi is owned 100% by the Company through a subsidiary, Compagnie Minière de Sakania Sprl. ("COMISA"), and lies within a 132 square kilometre concession granted to COMISA in June of 2001 for a period of 20 years. The concession allows the COMISA to mine and develop the concession area and to extract copper and other minerals from the area. In addition, a number of leaseholds secure access to surface rights to active mining areas.

### *Location, Access and Infrastructure*

Lonshi is located in the province of Katanga in the RDC, within three kilometres of the border between the RDC and Zambia and approximately 36 kilometres southeast of Bwana. The terrain is flat and has an average elevation of 1,300 metres. Vegetation includes a mixture of open savannah grassland, tropical dry forest, savannah and marsh.

Access to Lonshi from Bwana is by way of a Company owned and operated dedicated-to-long haul service road having a distance of 40 kilometres. The nearest Zambian city to Lonshi is Ndola. Lonshi is situated 230 kilometres southeast of Lubumbashi, RDC. Average annual precipitation is 1,400 millimetres. As noted under Bwana, export of Lonshi oxide ore from RDC has been prohibited since November 2007.

Lonshi has access to infrastructure (such as power, water and waste disposal areas) for its operations.

#### *Geological Setting and Mineralization*

Mineralization is hosted within an average 15 metre thick package of weathered Roan sediments which are relatively easy to mine. Grade control is approximately 90% visual. Argillaceous sediments, marbles and schists overlie the Roan sediments.

The orebody at Lonshi is sited at the thrust contact of an altered and sheared conglomerate with overlying dolomitic marble. Sulphide mineralization, mainly chalcocite and covellite, occurs as carbonate clast replacement in the conglomerate and as dissemination and rare veinlets in both conglomerate and dolomite. The dolomite, which is weathered, is now a residual black silty rock known as Terre Noire which hosts a major secondary oxide mineralization.

#### *Labour*

At December 31, 2008, Lonshi employed 383 persons.

#### *Mining*

Mining at Lonshi is carried out in a single pit using conventional open pit methods and employing excavators and a fleet of articulated dump trucks. Mined ore is then transported to the RDC-Zambian border where, after stockpiling, it is taken by a third party contractor for processing at Bwana.

#### *Mining Review*

Certain production statistics for the past three years are set out in the following table:

	<u>Unit</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Waste Mined	<i>Tonnes</i>	1,978,239	9,961,098	18,843,000
Ore Mined	<i>Tonnes</i>	141,010	351,662	520,000
Ore Grade Mined	<i>%Cu</i>	4.98	6.5	10.3
Strip Ratio		14:1	28.3:1	36.2:1

#### *Permits*

Lonshi holds all permits required to carry out its operations and operated in material compliance in 2008.

#### *Sales*

Bwana-Lonshi is treated as one division in respect of revenues.

#### *Mineral Resources*

##### *Oxide*

The reported oxide Mineral Resource as at 31<sup>st</sup> December, 2007 was substantially depleted during 2008.

### *Sulphide*

Ongoing exploration drilling below the base of the open pit has identified a zone of continuous sulphide mineralization.

The sulphide extension of the Lonshi deposit extends to a depth of some 350 metres below the completed open pit. This sulphide resource has been delineated by a series of diamond drill holes and an inferred resource has been prepared as shown in the table below, which identifies mineralisation associated with the Lonshi Conglomerate and the Dolomite horizon that lies above.

#### **Lonshi - Inferred Sulphide Mineral Resource**

	Tonnage	% TCu	Tonnes Cu
Lonshi Conglomerate Resource			
<b>0.5% TCu Cut off</b>	<b>6, 895, 234</b>	<b>5.52</b>	<b>380,574</b>
<b>1% TCu Cut off</b>	<b>6, 889, 648</b>	<b>5.52</b>	<b>380,530</b>
<b>2% TCu Cut off</b>	<b>6, 803, 654</b>	<b>5.57</b>	<b>379,131</b>
<b>4% TCu Cut off</b>	<b>5, 623, 910</b>	<b>6.07</b>	<b>341,130</b>
Dolomite Resource			
<b>0.5% TCu Cut off</b>	<b>11, 197, 074</b>	<b>1.70</b>	<b>190,683</b>
<b>1% TCu Cut off</b>	<b>7, 783, 397</b>	<b>2.12</b>	<b>165,373</b>
<b>2% TCu Cut off</b>	<b>2, 763, 189</b>	<b>3.33</b>	<b>92,040</b>
<b>4% TCu Cut off</b>	<b>615, 476</b>	<b>5.19</b>	<b>31,956</b>
TOTAL RESOURCE			
<b>0.5% TCu Cut off</b>	<b>18, 092, 308</b>	<b>3.16</b>	<b>571,258</b>
<b>1% TCu Cut off</b>	<b>14, 673, 045</b>	<b>3.72</b>	<b>545,904</b>
<b>2% TCu Cut off</b>	<b>9, 566, 843</b>	<b>4.93</b>	<b>471,170</b>
<b>4% TCu Cut off</b>	<b>6, 239, 386</b>	<b>5.98</b>	<b>373,086</b>

*The Inferred Sulphide Mineral Resource has been developed in accordance with NI 43-101 by independent geologist Gayle Hanssen of the consulting group DMS based in Harare, Zimbabwe. Gayle Hanssen is a qualified person under NI 43-101 and holds the following valid qualifications: BSc (Hons) Natal – Pr.Sci.Nat and is a member of SACNASP.*

It is important that the strength and condition of the rock mass directly above the mineralisation (hanging wall), plus the hydrogeology of the region be evaluated and understood in detail to ensure an appropriate level of technical and financial evaluation can be completed in a timely manner. As such, the development of a decline commenced in September 2008, which will extend from the open pit to intersect the upper limits of mineralisation.

By the end of February 2009, 35 metres of the decline had been developed, and the intersection with the ore horizon is anticipated to occur mid 2009. Once this has been achieved trial stoping will commence and additional diamond drilling will be used to confirm the hanging wall condition, water flow rates and further resource delineation. The results of these tasks will define the ultimate mining method to be employed and will also determine the viability of an underground mine at Lonshi.

### *Mineral Reserve*

The oxide Mineral Reserves was completely depleted during 2008.

### *Mine Life*

As at December 31, 2008, Lonshi had no further mine life with respect to the oxide resource.

### *Taxes and Royalties*

The effective rate of corporate income tax paid by the Company in the RDC in respect of Lonshi is approximately 30% of Lonshi earnings. A mineral royalty of 3.0% of net sales is payable on a monthly basis by Lonshi to the government of the RDC.

### ***Kansanshi***

*The information on Kansanshi contained in this AIF is based in part on a technical report dated as of February 7, 2005 prepared by Anthony Cameron in accordance with the requirements of NI 43-101. Mr. Cameron is a qualified person under NI 43-101. The technical report is available for review on SEDAR at [www.sedar.com](http://www.sedar.com).*



### *History*

Kansanshi is the site of one of the oldest copper mines in Zambia and dates back to the fourth century A.D. It has been mined intermittently since that time by various parties including Zambian Consolidated Copper Mines (“ZCCM”) which, in 1969, approved the development of an open pit mine to treat high grade oxide ore. Due to economic conditions at the time, the processing project was halted and only mining was conducted at the site until April of 1986, when mining operations ceased due to economic conditions. In 1988, after a resumption of mining operations, ZCCM constructed a small sulphide flotation concentrator to treat ore which was transported offsite for smelting. In 1998, ZCCM formally ceased operations at Kansanshi and initiated closure and reclamation activities.

Cyprus Amax Minerals Corporation (“Cyprus Amax”) acquired a majority of the ownership of surface leases and selected assets associated with Kansanshi from ZCCM and the GRZ. After completion of metallurgical testwork and a feasibility study to determine the potential for a 124,000 tpa copper production site, Cyprus Amax was acquired by Phelps Dodge Corporation in 1999.

The Company purchased its 80% interest in Kansanshi from Cyprus Amax in August of 2001. Payment by the Company consisted of an initial payment of \$2.5 million in cash, together with the issuance of 1.4 million common shares. The market value of the 1.4 million common shares was determined 30 days after the beginning of commercial production at Kansanshi and the difference between the value established and \$25 million was paid as

an additional cash payment to Cyprus Amax. A further amount of \$2.0 million was paid to a subsidiary of ZCCM, which continues to hold a 20% interest in Kansanshi. The Company also agreed to pay a further \$4.0 million to ZCCM when a decision was reached to proceed with the project. Commercial production at Kansanshi was achieved in April of 2005.

#### *Property and Ownership Interest*

The Company has an 80% interest in Kansanshi which it holds through a subsidiary, Kansanshi Mining PLC. The remaining 20% is owned by a subsidiary of ZCCM. All surface rights necessary to develop and operate the project have been obtained and include four leases governing in excess of 7,000 hectares, which secure access to active mining areas. The right to mine is governed by a large scale mining license granted in March of 1997 and having a term of 25 years. It allows for the exploration and mining of copper and various other minerals and applies to an area of approximately 21,593 hectares.

#### *Location, Access and Infrastructure*

Kansanshi is located approximately 10 kilometres north of the town of Solwezi, the capital of the Northwestern Province in Zambia, and 18 kilometres south of the border with the RDC. The Solwezi district of Zambia has an estimated population of 200,000, the majority of whom live in rural areas surrounding Solwezi. Chingola, a town located in the Zambian portion of the Copperbelt, is approximately 180 kilometres to the southeast of Kansanshi.

Prior to commencing construction at Kansanshi, the infrastructure in the Solwezi area was poor. Power supplies were limited and inadequate for the development of the mine. Roads, airport, hospitals and schools were in need of significant upgrades. As a result, the Company undertook a number of measures to improve infrastructure including the signing of a connection agreement with ZESCO Limited (the Zambian power utility) for the construction and supply of a new power line to service Kansanshi and the upgrading of the main road from Solwezi to Kansanshi. Both projects were completed in 2004. The main road from Chingola to Solwezi, a paved highway, was repaired in 2002 and is adequate for construction and ongoing operational requirements. An existing airstrip near Solwezi is equipped with a full-time tower and radio control. The airport has been rehabilitated to accommodate increased usage by small charter aircraft. The climate at Kansanshi is temperate humid, with average annual precipitation of approximately 1,400 millimetres. Kansanshi is situated at an elevation of 1,460 metres above sea level. Vegetation includes a mixture of open savannah grassland, tropical dry forest, savannah and marsh.

As a result of the efforts of the Company and others, Kansanshi has access to infrastructure (such as power, water and waste disposal areas) for its operations.

#### *Geological Setting and Mineralization*

The deposit at Kansanshi occurs within a broad, northwest trending, north-west closing antiform, which can be traced for approximately 12 kilometres. Kansanshi is a vein deposit developed within a tectonised rock sequence and, as such, constitutes a major mineralization control. The main veins and vein swarms dip subvertically, perpendicular to the fold axes, in the plane of maximum extension.

A major north-south trending and well mineralized zone of complicated faulting, abundant vein injection, breccia development and down-dropped rock units lie within the area delineated by Kansanshi's mining license. Copper mineralization at Kansanshi occurs as vein-specific mineralization within and immediately adjacent to mesoscopic veins; as stratiform or concordant mineralization in thin bands and veinlets parallel to bedding/foliation; and as disseminated mineralization associated with albite-carbonate alteration. Brecciated zones may also be mineralized, but usually only within oxidized and supergene enrichment horizons, which display a complicated spatial distribution of secondary copper minerals.

Primary copper sulphide mineralization is dominated by chalcopyrite, with very minor bornite, accompanied by relatively minor pyrite and pyrrhotite. Oxide mineralization is dominated by chrysocolla with malachite, limonite

and cupriferous goethite. The mixed zone includes both oxide and primary mineralization but also carries significant chalcocite, minor native copper and tenorite. Some copper appears to be carried in clay and mica minerals, where it is essentially refractory.

#### *Labour*

At December 31, 2008, Kansanshi employed 1,346 persons. The local labour force is unionized.

#### *Mining and Processing*

Mining is carried out in two open pits, Main and Northwest (“NW”), using conventional open pit methods and employing hydraulic excavators and a fleet of haul trucks. Ore treatment is flexible to allow for variation in ore type either through an oxide circuit, a sulphide circuit and the HPL circuit. Sulphide ore is treated via crushing, milling and flotation to produce copper in concentrate. Oxide ore is treated via crushing, milling and the SX/EW process to produce cathode copper. Additional capital expenditure commencing in early 2006 expanded the sulphide milling circuit which increased production capacity significantly from the 4th quarter 2008. The HPL is used to treat a portion of the increased copper concentrate by processing the concentrate in the autoclaves by oxidation and leaching. The expansion of the sulphide milling circuit was approved to maintain finished copper production as oxide ore is depleted and sulphide ore grades begin to fall. Kansanshi has also developed a gold circuit to process post HPL circuit solids through cyanide leaching and elution to recover contained gold and produce gold bullion. The gold plant has not been placed in operation due to technical issues with the HPL residue. The construction of a 4<sup>th</sup> Electro winning facility commenced in 2007 and was commissioned early 3rd quarter 2008. Additional cleaning capacity scheduled for completion by end of February 2009, in conjunction with added capacity provided by in-circuit crushing for the new mill circuit, due by end of first quarter 2009, will further increase capacity, flexibility and efficiency.

#### *Mining Review*

Certain mining statistics for the years ended December 31, 2008 and December 31, 2007 are set out in the following table:

	<u>Unit</u>	<u>2008</u>	<u>2007</u>
Waste Mined	<i>Tonnes</i>	28,838,523	25,096,032
Ore Mined	<i>Tonnes</i>	19,006,033	15,509,653
Ore Grade Mined	<i>%Cu</i>	1.6	1.7
Strip Ratio		1.5:1	1.6:1

#### *Production Review*

Production statistics for the years ended December 31, 2008 and December 31, 2007 are set out in the following table:

	<u>Unit</u>	<u>2008</u>	<u>2007</u>
Sulphide Ore Processed	<i>Tonnes</i>	9,219,196	6,131,890
Oxide Ore Processed	<i>Tonnes</i>	5,972,732	5,765,074
Sulphide Copper Grade	<i>%Cu</i>	1.2	1.1
Oxide Copper Grade	<i>%Cu</i>	1.7	1.7
Copper in Concentrate Produced	<i>Tonnes</i>	101,775	67,332
Copper Cathode Production	<i>Tonnes</i>	112,882	96,493
Total Cost Copper	<i>\$/lb</i>	1.45	1.16
Cash Cost Copper <sup>(1)</sup>	<i>\$/lb</i>	1.09	1.03

(1) Cash cost copper amounts have been arrived at after subtracting gold credits.

*Permits*

Kansanshi holds all necessary Zambian permits required to carry out its operations and operated in material compliance in 2008.

*Sales*

Sales from Kansanshi arise from the sale of copper cathode produced on site and from the toll treatment of copper concentrate production at Zambian smelters. Total copper cathode production is sold under off take agreements with two third parties, one governing the sale of approximately 85% of production and the other governing the sale of approximately 15% of production. Copper concentrate is also treated through the pressure leach facility. From time to time, due to a lack of capacity at Zambian smelters, copper concentrates are sold to third parties for export sale.

A summary of the revenues for the past two years attributable to the Kansanshi division are as follows:

<u>Year</u>	<u>Revenues</u>
2008	\$1,224,500,000
2007	\$1,128,700,000

*Mineral Resource*

The reported Mineral Resource as at December 31, 2007 has been depleted during 2008 and the remaining portion as at December 31, 2008 is identified as follows:

**MAIN and NW – as at December 31<sup>st</sup>, 2008**

<b>MEASURED RESOURCE</b>				
Cut-off Grade % Cu (t)	Tonnage (mt)	Cu (t) %	As Cu %	Au (g/t)
0.0	118.1	0.93	0.41	0.13
0.5	69.1	1.39	0.66	0.18
1.0	34.2	2.10	1.15	0.25
<b>INDICATED RESOURCE</b>				
0.0	682.8	0.40	0.08	0.09
0.5	175.1	0.99	0.26	0.17
1.0	56.2	1.62	0.58	0.25
<b>TOTAL MEASURED AND INDICATED RESOURCE</b>				
0.0	800.9	0.48	0.12	0.10
0.5	244.2	1.10	0.37	0.17
1.0	90.4	1.80	0.79	0.25

<b>INFERRED RESOURCE</b>				
0.0	632.9	0.31	0.05	0.06
0.5	110.6	1.10	0.21	0.11
1.0	40.7	1.80	0.44	0.14

*This Mineral Resource has subsequently been depleted by annual production The depleted mineral resources has been defined by Geoff Clynick, Chief Geologist at Kansanshi Mining Plc. Geoff Clynick is a qualified person under NI 43-101 and holds the following qualification: BSc (Hons), ARSM, MAusIMM*

*Mineral Reserve*

The reported Mineral Reserve as at December 31, 2007 has been depleted during 2008 and the remaining portion as at December 31, 2008 is identified as follows:

**MAIN and NW - as at December 31<sup>st</sup>, 2008**

Class / Pit	Leach Ore (OX & ML)				Float Ore (MF & SUL)		
	Ore (Mt)	Tcu (%)	AsCu (%)	Au (g/t)	Ore (Mt)	Tcu (%)	Au (g/t)
Main Proven	18.2	2.48	1.85	0.27	30.6	0.99	0.16
Main Probable	2.0	1.86	1.69	0.27	15.7	0.69	0.11
<b>Total Main Pit</b>	<b>20.2</b>	<b>2.41</b>	<b>1.83</b>	<b>0.27</b>	<b>46.2</b>	<b>0.89</b>	<b>0.14</b>
NW Proven	2.5	1.52	1.07	0.50	0.1	0.30	0.17
NW Probable	2.8	2.27	2.02	0.54	22.6	1.28	0.28
<b>Total NW Pit</b>	<b>5.2</b>	<b>1.92</b>	<b>1.57</b>	<b>0.52</b>	<b>22.7</b>	<b>1.27</b>	<b>0.28</b>
Total Proven	20.6	2.36	1.76	0.30	30.7	0.99	0.16
Total Probable	4.8	2.10	1.88	0.43	38.2	1.04	0.21
<b>Total Reserve</b>	<b>25.4</b>	<b>2.31</b>	<b>1.78</b>	<b>0.33</b>	<b>68.9</b>	<b>1.02</b>	<b>0.19</b>

*The depleted mineral reserve has been defined by Laurence Morris, Mining Manager at Kansanshi Mining Plc. Laurence Morris is a qualified person under 43-101 and holds the following qualifications: BSc (Hons) Geology, H.N.D. Mining Engineering, MAusIMM*

*Mine Life*

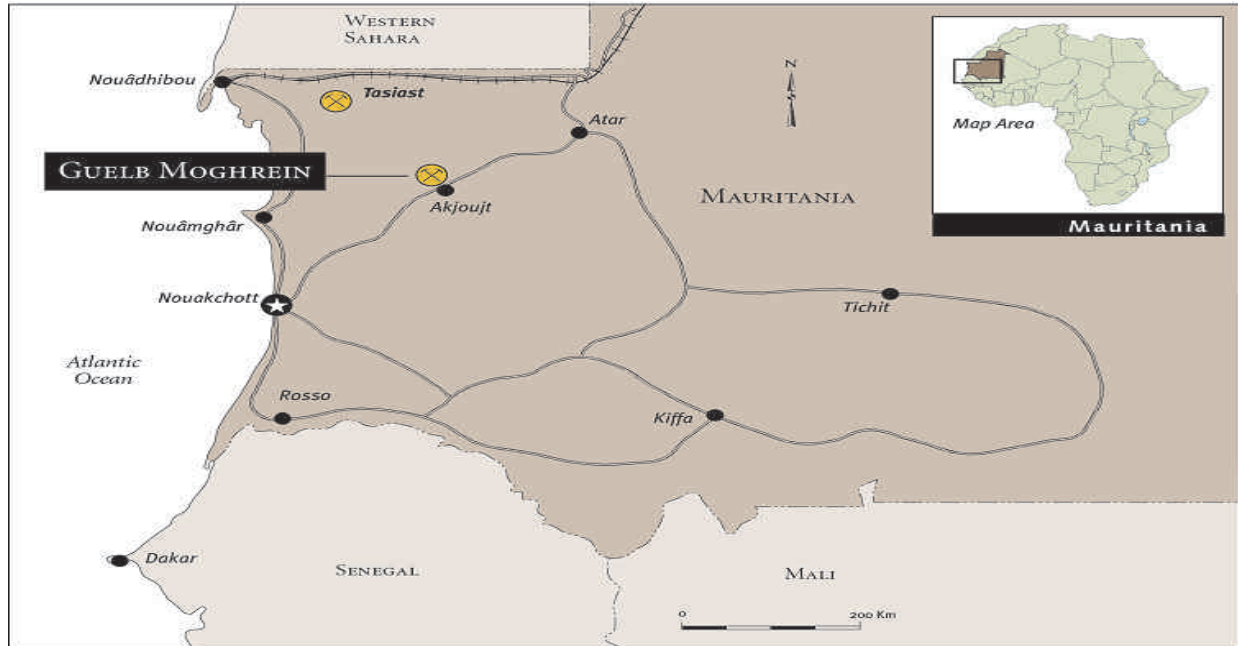
As at December 31, 2008, Kansanshi had an estimated mine life of 13 years.

*Taxes and Royalties*

The effective rate of corporate income tax paid by the Company under its Development Agreement in respect of Kansanshi is approximately 25% of Kansanshi earnings. A mineral royalty of 0.6% of net sales is payable by Kansanshi on a monthly basis to the government of Zambia under the Development Agreement. However, Kansanshi is currently in a dispute with the GRZ with respect to tax legislation introduced in April 2008.

## **Guelb Moghrein**

The information on Guelb Moghrein contained in this AIF is based in part on a technical report dated March, 2008, prepared by Mr. Chris Bargmann in accordance with the requirements of NI 43-101. Mr. Bargmann is an independent qualified person under NI 43-101. The technical report is available for review on SEDAR at [www.sedar.com](http://www.sedar.com).



### *History*

Copper-made tools and arrowheads in the Akjohjt area of Mauritania, where Guelb Moghrein is located, date from approximately 4000 to 6000 BC. Anglo American Corporation developed the deposit at Guelb Moghrein in the early 1970s, but had to close its operation in 1977 as a result of the technical difficulties and high fuel costs it experienced. In 1995, a Mauritanian chartered company attempted to develop Guelb Moghrein, but did not proceed beyond the production of a feasibility study in 1997. In November of 2004, the Company signed an asset sale agreement which replaced a heads of agreement entered into in June of 2004. The terms of the asset sale agreement included a \$2 million payment on signing, a \$3 million payment 12 months afterward (which was paid in December of 2005), and a \$5 million payment twenty-four (24) months thereafter or upon commercial production (whichever was earlier), provided that if the Company withdrew from the arrangement, it had no obligation to pay the balance of the consideration. Site establishment and construction was commenced in March of 2005. Guelb Moghrein achieved commercial production in October of 2006. The \$5 million payment was made by the Company in November of 2006 after achievement of commercial production.

### *Property Ownership and Interest*

The Company controls an 80% interest in Guelb Moghrein which it holds through a subsidiary, Mauritanian Copper Mines S.A. The remaining 20% is owned by Guelb Moghrein Mines d'Akjoujt and General Gold Ltd. The right to mine is governed by a large scale mining license which applies to an area of 81 km<sup>2</sup> and is valid until December of 2042. In addition to the Guelb Moghrein mining concession, the Company holds six exploration concessions in the area around Guelb Moghrein, totaling 7072km<sup>2</sup> of ground. The Company also holds three exploration licenses in southern Mauritania covering an extension to the mineralized Mauritanides belt.

### *Location, Access and Infrastructure*

Guelb Moghrein is located 250 kilometres northeast of the nation's capital, Nouakchott, near the town of Akjoujt, and is accessible by paved highway. Akjoujt has a population of approximately 6,000 individuals. It consists of an open pit mineable copper and gold deposit. The climate is classed as desert and the average annual precipitation is 106 millimetres. Guelb Moghrein is located 141 metres above sea level.

Guelb Moghrein has access to no infrastructure (such as power, water and waste disposal areas) for its operations and generates 100% of its power demand and process & potable water requirements.

### *Geological Setting and Mineralization*

The Occidental deposit at Guelb Moghrein is considered to be an example of the Iron Oxide Copper Gold (IOCG) type deposit that, in terms of its structure and mineralogy, has common features with other IOCG deposits elsewhere in the world. The mineralization is predominantly hosted by ferromagnesian carbonates (FMC). The copper-gold mineralization is hosted primarily within chalcopyrite and pyrrhotite. Magnetite becomes abundant outside the sulphide rich zones of the FMC. The Occidental deposit extends approximately 600 meters along strike and dips to the southwest at 30o to 40o. The eastern and western flanks of the Occidental deposit are fault bounded and the deposit is open at depth.

### *Labour*

At December 31, 2008, Guelb Moghrein employed 863 persons.

### *Mining and Processing*

Mining at Guelb Moghrein is carried out in a single open pit using hydraulic excavators and mechanical drive haul trucks. The processing plant at Guelb Moghrein processes sulphide ore to produce a copper-gold concentrate and doré by way of a copper circuit and a gold circuit.

Mining commenced in April 2006. The current mining rate is two million tonnes of ore per year at a strip ratio of 3:1 (waste:ore). Sufficient ore is stockpiled to satisfy production feed for a period of one month. Commissioning of the copper flotation plant commenced in July 2006 and commercial production began in October 2006. The plant currently produces approximately 12,000 tonnes of concentrate per month at a grade 25% copper, with credits received for gold in concentrate. The Company is currently in the process of expanding the plant to increase production through higher throughput at lower grades. The expansion is expected to be commissioned in the third quarter of 2008. The gold flotation circuit and carbon-in-leach plant was upgraded in 2008 and was fully operational by December 2008.

*Mineral Resource*

The reported Mineral Resource as at December 31, 2007 has been depleted during 2008 and the remaining portion as at December 31, 2008 is identified as follows:

**Mineral Resources at 0.75% Cu cut-off (effective December 31, 2008)**

Ore Type	Classification	Tonnes (Mt)	Cu %	Au g/t
SULPHIDE	Measured	9.54	1.58	1.24
	Indicated	18.78	1.41	0.87
	<b>Total</b>	<b>28.33</b>	<b>1.47</b>	<b>1.00</b>
	Inferred	2.43	1.36	0.72
OXIDE	Measured	0.10	2.48	2.08
	Indicated	0.01	2.45	1.76
	<b>Total</b>	<b>0.11</b>	<b>2.48</b>	<b>2.04</b>
	Inferred	0.01	2.89	1.47

*This Mineral Resource as at December 31, 2008, has been developed by independent geologist Christopher Bargmann of the consulting group Snowden based in London UK. Mr Bargmann is a qualified person under NI 43-101 and holds the following valid qualifications: FGS (CGeol) MAusIMM.*

*Mineral Reserve*

The Mineral Reserves based on the updated Mineral Resource model as at December 31, 2008 are summarized below. These Reserves are based on the expanded process plant throughput of 3.8 Mtpa which will be commissioned during 2009, and at a cut-off grade of 0.65 % Cu equivalent.

**Guelb Moghrein Ore Reserve Estimate –December 31, 2008**

	Ore Volume	Ore Tonnes	TCu%	Au (g/t)
Proved	5,183,821	19,119,375	1.27	0.88
Probable	2,977,125	10,948,070	1.37	1.11
<b>Total Reserve</b>	<b>8,160,946</b>	<b>30,067,445</b>	<b>1.31</b>	<b>0.97</b>

*The Mineral Reserve as at December 31, 2008 has been delineated by independent consulting Mining Engineer, Anthony Cameron of A&J Cameron and Associates based in Perth, Australia in accordance with the requirements of NI 43-101. Mr. Cameron is a qualified person under NI 43-101 and holds the following valid qualifications: BE (Mining), Grad Dip Bus, M Comm Law and is a fellow of the AusIMM.*

*Sales*

A summary of the revenue for the past year attributable to the Guelb Moghrein division is as follows:

<b>Year</b>	<b>Revenue</b>
2008	\$191,120,000
2007	\$227,500,000

*Permits*

Guelb Moghrein holds all necessary permits required to carry out its operations and operated in material compliance in 2008.

### *Mine Life*

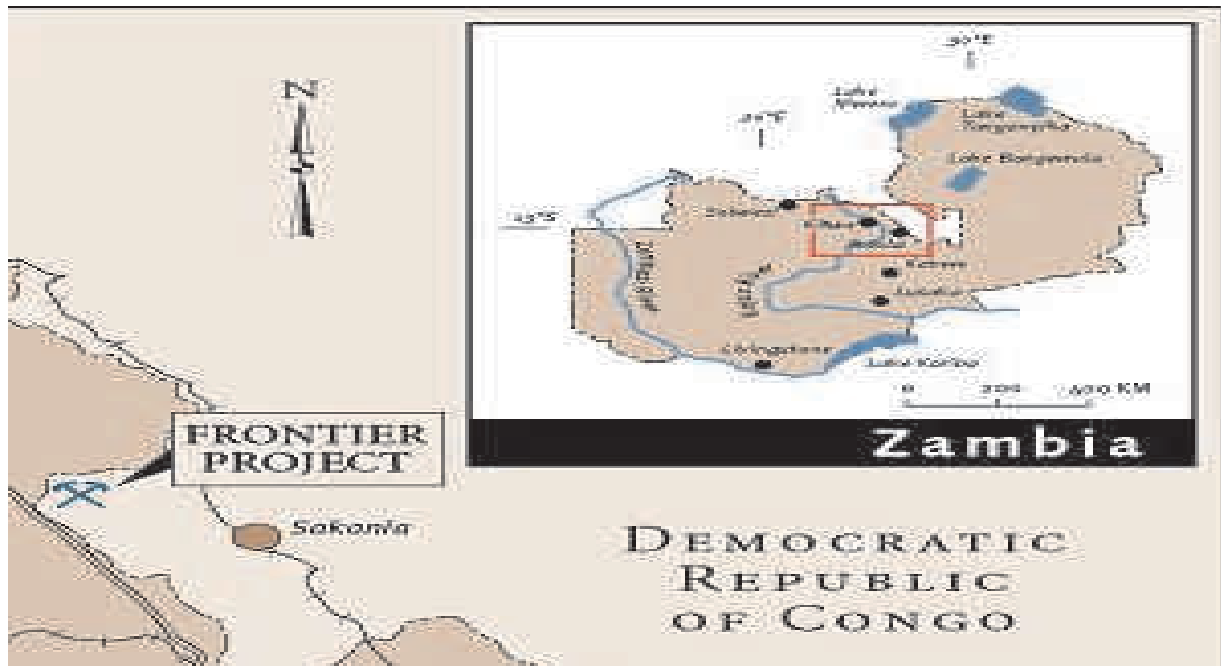
As at December 31, 2008, Guelb Moghrein had an estimated mine life of nine years.

### *Taxes and Royalties*

Pursuant to the consent by and confirmation of the government of Mauritania, the effective rate of corporate income tax paid in respect of Guelb Moghrein at present is 0%. A mineral royalty of 3% on copper and 4% on gold of net sales is payable on a quarterly basis by Guelb Moghrein to the government of Mauritania.

### *Frontier*

*The information on Frontier contained in this AIF is based in part on a technical report dated as of June 9, 2005 prepared by Ms. Gayle Hanssen of Digital Mining Services of Harare, Zimbabwe and in part on a technical report prepared and supervised by Mr. John Gregory of the Company dated December 21, 2006, each in accordance with the requirements of NI 43-101. Each of Ms. Hanssen and Mr. Gregory is a qualified person under NI 43-101.*



### *History*

The Company's discovery of Frontier resulted from an exploration program following a data review and soil sampling after the successful discovery and development of Lonshi. The area in which Frontier is located was explored in the 1930s and the 1970s. A copper occurrence at Frontier was first described by Union Minière in 1932. Companies which have explored this area include Anglo American Limited, Union Minière and a Japanese group in association with Sodimico. The Company, through its subsidiary COMISA, acquired exploration licenses in respect of Frontier in January of 2001 and July of 2002.

In September 2003, the Company announced a new copper discovery at Frontier followed by the results of an independent copper-cobalt resource estimate in May 2004. In May 2005, the Company announced an updated resource statement on the Frontier deposit. In October 2005, a preliminary feasibility study was conducted on behalf of the Company by Internet Mining. Further supportive and confirmatory analysis was undertaken in 2006 and a formal mineral resource was developed along with an economic analysis of the project, announced by the

Company in November 2006. Construction of Frontier began in April 2006 and was completed in September 2007. Commercial Production was achieved on November 2, 2007.

#### *Property and Ownership Interest*

The Company's 95% interest in Frontier is held by a subsidiary with the remaining 5% being held by the government of the RDC. Mining at Frontier is governed by two licenses which were renewed in February 2006. Each license provides for the exclusive mineral rights to copper and other minerals and is valid for a period of 30 years. A number of leasehold interests secure access to the surface areas for mining.

#### *Location, Access and Infrastructure*

Frontier is located near the town of Sakania in the RDC, within two kilometres of the Zambian border, and the paved highway that parallels it, roughly equidistant between the city of Ndola (35 kilometres) to the southeast and the Mopani smelter at Mufulira (30 kilometres) to the northwest. It is also approximately 45 kilometres west of Bwana. The main railway from the Copperbelt in Zambia to Lubumbashi in the RDC passes within five kilometres of Frontier. There are limited power and communication networks in the region. The climate at Frontier is tropical and temperatures vary with maximum highs being prevalent in October and maximum lows being prevalent in June and July. The elevation is approximately 1200 meters above sea level.

Land was acquired on both the Zambian and RDC borders to enable the operational work areas to be constructed efficiently and effectively. A new border crossing facility was constructed to allow a practical means of access between both countries on a regular and practical basis.

Local facilities are used, wherever possible, and upgraded as necessary in order to achieve the standards required by the Company. The town of Sakania houses local personnel along with new single and married quarters constructed near the Frontier site. Senior members of the management live on site or in Ndola. Schooling and medical facilities are available in Sakania and Ndola and significant upgrades have been made to ensure acceptable standards are met.

Frontier is situated some 120 kilometres from the nearest source of RDC power supply. This had significant implications for the overall capital cost of the project. Société Nationale d'Electricité ("SNEL") agreed that power supplied by SNEL may be routed via Zambia. There were two potential connection points, each within 30 kilometres of the Frontier site. A joint study between SNEL and Copperbelt Energy Corporation ("CEC") was conducted to ascertain the most viable solution. A "T" off point along the 220kV supply from the "Maposa – Kitwe" line was selected as the connection on the basis of its distance (21 kilometres) and capacity to deliver the 37.5MW project power demand.

The ore body drilling program indicated significant groundwater and this led to the initiation of an extensive hydro-geological program. Geologically, there is significant water-bearing dolomite in the immediate vicinity. The water for the project is extracted from a borefield, located to dewater the pit. This water is of high quality and meets World Health Organization standards for human consumption. Excess water is tested and discharged to local water courses.

Tailings storage for Frontier is designed on the basis of a large circular paddock storage dam. The initial storage capacity is formed by embankments constructed across the valleys to the north and south of the high ground which runs through the centre of the storage area. The tailings slurry is discharged from a pipeline located on the peripheral embankments. The tailings form long beaches sloping toward the centre of the storage. Water released from the settling tailings and incidental rainfall collected during the wet season is recovered from the central decant pond. The tailings storage site is located approximately two kilometres to the east of the plant site, itself located on the border between the RDC and Zambia. The open pit is located to the north of the plant site. The tailings storage site occupies an area of approximately 400 hectares. The topography is generally gently sloping from west to east. A small saddle across the centre of the site provides gradients to the north and south. The area

is covered with light bush. The climate at Frontier is classed as temperate humid. Average annual precipitation is 1,400 millimeters.

#### *Geological Setting and Mineralization*

Mineralization at Frontier is sediment hosted and epigenetic in style. It occurs higher in the stratigraphy than traditional Copperbelt deposits such as Mufulira and Nchanga.

The Frontier deposit is hosted within veined and altered sediments of the Katanga Supergroup and is located in the south-eastern extension of the Lufilian arc, a fold thrust belt of Neoproterozoic age. The stratigraphic location of the copper mineralization is predominantly within shales and conglomerates (the "Grand Conglomerate") of the Nguba Group. The shales unconformably overlie an Upper Roan subgroup dolomite, which has been intersected in many of the drill holes, and underlie a second Nguba Group dolomite unit.

The deposit is interpreted to be contained within a shallow south eastwardly plunging and north eastward dipping overturned anticline, with the thickest mineralization developed in the nose region of this fold. Alteration associated with mineralization comprises sodic metasomatism, silicification and dolomitisation. The region has been subjected to considerable faulting which runs parallel to strike.

Mineralization is hosted by altered Nguba shales and within the uppermost portion of the Grand Conglomerate. Copper occurs as chalcopyrite with minor bornite, as its oxidation and enrichment products in cross cutting quartz-albite – carbonate stockworks, veins, veinlets and breccias, and as foliated parallel disseminations in highly deformed and altered shales and underlying diamictite.

#### *Labour*

At December 31, 2008, Frontier employed 1,029 persons.

#### *Mining and Processing*

Frontier consists of a single open pit mine, a processing plant and associated infrastructure, producing copper concentrate. Mining is undertaken using conventional open pit methods and employing hydraulic face shovels and mechanical drive haul trucks.

The mining fleet includes the normal ancillary equipment such as dozers, graders and water carts. Ore is crushed and stockpiled (ROM oxide ore is stockpiled separately). As required, the crushed ore is milled in a SAG/ball circuit and processed through a flotation circuit. Initial treatment is by flotation of sulphide ore. Sulphide concentrates are treated at the Nkana and Mufulira smelting and refining facilities and commercial arrangements in respect thereof have been agreed upon. Disposal of tailings is to a conventional tailings dam following thickening to recover water. Waste is disposed onto conventional waste dumps. All waste dumps and tailings dams are designed to minimize dust and facilitate future rehabilitation.

The estimated total annual copper production in sulphide flotation concentrate, at 8.0 million tpa throughout, is averaging approximately 84,000 tpa. The ore source is located at the site. Minor cobalt exists in some areas of the deposit, although these areas are unequally distributed throughout the ore body. Cobalt is not considered as part of the current mining plan. However, this is expected to be reviewed as part of future studies and during initial operations.

#### *Sales*

Sales from Frontier arise from the sale of copper concentrates. Copper concentrate treated by way of pressure leach or through the Mopani smelter at Mufulira is sold to a third party through an off take agreement. Untreated concentrates are purchased by the third party for export sales.

### Permits

The Company has obtained all necessary permits required to operate Frontier and operated in material compliance in 2008. The environmental impact assessment and environmental management plan were formally approved and the exploitation permit was granted by the government of the RDC in February 2006.

### Mineral Resource

The reported Mineral Resource has been depleted during 2008 and the remaining portion as at December 31, 2008 is identified as follows:

#### **Copper Resource – As at December 31, 2008**

Resource Category	Cut Off % Tcu	Tonnage Sulphide	Tonnage Ox / Mx	Tonnage Total	XTCu Sulph	%TCu Ox / Mx	%TCu Total	Contained Sulph Cu tonnes	Contained Mx Ox Cu tonnes	Contained Copper tonnes
<b>MEASURED</b>	<b>0.35 Cut off</b>	<b>113,650,846</b>	<b>-</b>	<b>113,650,846</b>	<b>1.17</b>		<b>1.17</b>	<b>1,333,754</b>	<b>-</b>	<b>1,333,754</b>
<b>INDICATED</b>	<b>0.35 Cut off</b>	<b>64,694,783</b>	<b>17,542,539</b>	<b>82,237,322</b>	<b>1.14</b>	<b>1.25</b>	<b>1.17</b>	<b>740,346</b>	<b>218,789</b>	<b>959,135</b>
<b>TOTAL (measured &amp; Indicated)</b>	<b>0.35 Cut off</b>	<b>178,345,629</b>	<b>17,542,539</b>	<b>195,888,168</b>	<b>1.16</b>	<b>1.25</b>	<b>1.17</b>	<b>2,074,099</b>	<b>218,789</b>	<b>2,292,888</b>
<b>INFERRED</b>	<b>0.35 Cut off</b>	<b>77,521,096</b>	<b>811,445</b>	<b>78,332,541</b>	<b>1.22</b>	<b>0.60</b>	<b>1.21</b>	<b>944,370</b>	<b>4,908</b>	<b>949,278</b>

*This Mineral Resource as at December 31, 2008, has been verified by independent geologist Gayle Hanssen of the consulting group DMS based in Harare Zimbabwe. Ms. Hanssen is a qualified person under 43-101 and holds the following valid qualifications: BSc (Hons) Natal – Pr.Sci.Nat and is a member of SACNASP.*

### Mineral Reserve

The reported Mineral Reserve has been depleted during 2008 and the remaining portion as at December 31, 2008 is identified as follows:

#### **Frontier Ore Reserve Estimate –December 31, 2008**

	Ore Volume	Ore Tonnes	TCu%
Sulphide			
Proved	41,098,438	110,143,815	1.14
Probable	15,311,719	41,002,907	1.17
<b>TOTAL SULPHIDE RESERVE</b>	<b>56,410,157</b>	<b>151,146,722</b>	<b>1.15</b>
Transitional			
Proved	-	-	-
Probable	4,410,938	7,189,336	1.13
<b>TOTAL TRANSITIONAL RESERVE</b>	<b>4,410,938</b>	<b>7,189,336</b>	<b>1.13</b>
Total			
Proved	41,098,438	110,143,815	1.14
Probable	19,722,657	48,192,243	1.17
<b>TOTAL RESERVE</b>	<b>60,821,095</b>	<b>158,336,058</b>	<b>1.15</b>

*This Mineral Reserve as at December 31, 2008, has been delineated by independent consulting Mining Engineer, Anthony Cameron of A&J Cameron and Associates, based in Perth, Australia. Mr Cameron is a qualified person under 43-101 and holds the following valid qualifications: BE (Mining), Grad Dip Bus, M Comm Law and is a fellow of the AusIMM.*

### *Exploration*

Drilling at Frontier was carried out by Stanley Mining Services Ltd. and SDS Drilling. Survey and Technical Services (STS), of Masvingo, Zimbabwe, surveyed all drill hole collars. Down hole surveys were completed on the diamond drill holes which were drilled at HQ core size, with reduction to NQ core size as required. Half core samples were taken with individual sample intervals reflecting geology and respecting core loss, and a minimum sample interval of 0.5 metres. Core recovery was generally better than 90%. All reverse circulation samples were split to normal industry standards. The Company personnel conducted all sampling, and supervised the chain of custody from the drill site to the laboratory.

All samples were prepared to normal industry standards, with diamond and reverse circulation drill holes, and assayed for total copper, ambient temperature acid soluble copper and total cobalt, at Scientific Services (Pty.) Ltd. of Cape Town, South Africa and Genalysis Laboratory Services of Maddington, Western Australia. Early reverse circulation drill holes and air core holes were assayed for total copper and ambient temperature acid soluble copper at Antec Laboratories, of Kwekwe, Zimbabwe. Appropriate standards, blanks and duplicates were employed.

### *Mine Life*

At December 31, 2008, Frontier had an estimated mine life of 19 years.

## **Development Projects**

### ***Kolwezi Project***

*The information on the Kolwezi Project contained herein is based in part on a technical report dated as of August 11, 2003 prepared by Dr. Isobel Clark of Geostokos Limited in accordance with the requirements of NI 43-101. Dr. Clark is an independent qualified person under NI 43-101. The technical report is available for review under Adastra's profile on SEDAR at [www.sedar.com](http://www.sedar.com).*

### *History*

Tailings located at the Kolwezi Project originated from a mineral concentrator at a mine owned by the RDC's state-owned mining company, Gécamines, which commenced operations in 1952. The concentrator processed ore from the western open-pit copper mines of the Katanga copper belt area of the RDC into copper concentrate which was then shipped from Kolwezi for smelting. The nature of the oxide ore meant that copper and cobalt recovery in the concentrate was incomplete. The resulting tailings therefore contained significant metal values. The tailings filled the original Kingamyambo dam and were subsequently allowed to fill the Musonoi river valley. Together, these now comprise the Kolwezi Project.

Tailings contained in the Kolwezi Project were owned by Gécamines. In 1998, Adastra, through one of its now wholly-owned subsidiaries, Congo Mineral Developments Limited ("CMD"), entered into a joint venture agreement with the government of the RDC pursuant to which ownership of the Kolwezi Project was to be transferred to a company, 60% of which was owned by CMD and 40% of which was owned by Gécamines, subject to government approval and financing. However, introduction of the new *Mining Code* in the RDC delayed the process.

In 2002, CMD received from the RDC government acknowledgment of both its rights and those of Gécamines in respect of the Kolwezi Project. In 2003, terms for the redevelopment of the Kolwezi Project were successfully renegotiated to reflect the new *Mining Code* and associated fiscal regime in the RDC. In November 2003, Adastra entered into a *Heads of Agreement* with the IFC and IDC, under which each would have an option to acquire up to 10% of the Kolwezi Project from Adastra on a farm-in basis at a price related to the accumulated expenditures of Adastra and its affiliates as at the time of exercise of its option. In March 2004, KMT was incorporated as a joint venture company to hold ownership of the Kolwezi Project. The shares of KMT were originally owned 82.5% by Adastra through CMD, with the remainder being owned by Gécamines and the RDC. In November 2005, IDC and IFC provided notice to Adastra that they would be exercising their respective options to acquire 10% and 7.5%,

respectively, of KMT. This transaction was completed in March 2006. At present, the Company's indirect interest in the Kolwezi Project is 65%.

Under a *Contract of Association* entered into by CMD, Gécamines and the RDC government governing the ownership and management of KMT, KMT was required to pay \$15 million to Gécamines for the transfer to CMD of the rights to the Kolwezi Project, of which \$5 million has been paid to date. The *Contract of Association* also provides that Gécamines is to receive an annual dividend of the greater of its ordinary dividend and 2.5% of free cash flow for each year from start-up until senior debt and subordinated loans have been fully reimbursed. Thereafter, Gécamines will be entitled to an annual dividend based on 10% of the average price realized for cobalt sold in a year in excess of \$10.00 (adjusted for inflation) per pound in addition to any ordinary dividend received by Gécamines, provided that ordinary dividends are paid in such year.

On November 19, 2007, the Board of KMT committed to proceed with the development of the Kolwezi Project. The Company, with support from its contributing equity partners of KMT (the IDC and IFC), agreed to finance or procure third party debt project financing totaling up to \$593 million. This satisfied the obligations of the Company 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 Kolwezi Project. In 2008, the Company commenced development of the Kolwezi project and, at the end of 2008, the overall project was 47% complete. Commissioning is planned for the third quarter of 2010.

#### *Property and Ownership Interest*

The Company has a 65% interest in the Kolwezi Project. The remainder is held by the government of the RDC (5%), Gécamines (12.5%), IDC (10%) and IFC (7.5%). The rights to the tailings at the Kolwezi Project are held by KMT through a Tailings Exploitation Permit, which was transferred to KMT in May 2004. The Tailings Exploitation Permit is valid until May 2022, and renewable for five one year periods until the resource is exhausted. It also gives KMT the exclusive right to exploit the tailings within the area set out in the permit.

Subsurface exploration rights for cobalt and copper underneath the Kolwezi Project area were secured on August 24, 2005 by a subsidiary of Adastra, Roan Prospecting and Mining SPRL ("RPM"), pursuant to a renewable license having a term of five years and expiring on September 12, 2010, as endorsed by ministerial decree no. 755/cab/min/01/2005. In addition, on November 1, 2005, Adastra announced that RPM had also secured under licenses quarry exploration rights for limestone and aggregates in proximity to the Kolwezi Project. The renewable licenses, which had an initial term of one year, were renewed, are in good standing and cover eight concession areas for limestone and two for aggregates.

#### *Location, Access and Infrastructure*

The Kolwezi Project is situated within the Katanga region, which is inside the RDC portion of the Copperbelt. The project is accessed by unpaved road from Kolwezi, a town with significant infrastructure, including water and power utilities, which is serviced by rail and air via a small airstrip and which is located 25 kilometres from the project. Kolwezi is situated approximately 320 kilometres northwest of Lubumbashi, which is the capital of the Katanga province in the RDC.

The climate at the Kolwezi Project is tropical with an average temperature of approximately 27°C and an annual average rainfall of about 1,100 millimetres. Seasonal climatic variations are related to the wet and dry seasons, each of which last for approximately six months. The Katanga region occupies a high plateau covered by forests and savannahs.

At present, the only infrastructure in place at the site includes environmental monitoring stations set up as part of an on-going environmental baseline study. However, locations for a required new processing plant and tailings dam have been finalized. Access to roads and railways, various water and slurry pipelines, are under construction and the routing for a new high voltage power line is under review.

### *Geological Setting and Mineralization*

Mineralization at the Kolwezi Project is dominated by gangue minerals such as quartz, silica and mica. The copper occurs predominantly as a composite of malachite and pseudomalachite particles, which are often associated with the oxide mineral tenorite. Cobalt at the Kolwezi Project occurs in a copper or copper-bearing oxide or hydroxide phase. Accessory amounts of covellite, bornite and chalcopyrite are present. Oxidation and a fine grind are expected to allow for high metal recoveries upon leaching of the tailings.

### *Mining and Processing*

The Kolwezi Project, when successfully developed, is expected to allow large-scale extraction by hydraulic mining, by means of a copper circuit and a cobalt circuit. Slurry is expected to be thickened and filtered prior to entering the copper circuit for leaching and the SX/EW process to produce copper cathode. Leach residue is expected to be further treated by way of cobalt SX/EW to produce cobalt cathode. The two tailings deposits at the Kolwezi Project are located on the surface.

### *Mineral Resources*

#### **Kolwezi Mineral Resources**

Resource	Category	Volume m <sup>3</sup>	Tonne	Density	Tonne Cu	% Cu	Tonne Co	% Co
Kingamyambo	Measured	31,516,909	42,316,297	1.34	563,094	1.33	130,898	0.31
Musonoi / Kasobantu	Measured	50,681,440	67,424,650	1.33	1,070,337	1.59	220,572	0.33
	Indicated	2,333,871	3,061,698	1.31	42,968	1.40	11,780	0.38
SUB TOTAL		53,015,311	70,486,348	1.33	1,113,305	1.58	232,352	0.33
TOTAL		84,532,220	112,802,645	1.33	1,676,399	1.49	363,249	0.32

*The above table sets out the Mineral Resource estimate for the Kolwezi Project as at August 11, 2003. It has been verified by Dr. Isobel Clark of Geostokos Limited, who satisfied the requirements of an independent qualified person as defined under NI 43-101. The Kingamyambo and Musonoi tailings dams comprise a resource of 112.8 million tonnes of mineralization at an average grade of 1.49% copper and 0.32% cobalt. Total metal content is estimated at 1,676,400 tonnes of copper and 362,250 tonnes of cobalt. Geological investigations and modeling have been carried out to a sufficient standard for all of the Kingamyambo tailings and the greater part of the Musonoi tailings to fall in the "Measured" resource category. The "Indicated" portion of the Musonoi resource relates to that part of the tailings dam lying under the deeper water at the downstream end of the Musonoi River where it was not possible to achieve a regular drill hole grid.*

## ***Kevitsa Project***

*The information on the Kevitsa Project contained herein is based in part on a Pre-Feasibility Study (Technical Report) dated as of July 2006 (amended November 2006) prepared by Dexter Ferreira of St. Barbara in accordance with the requirements of NI 43-101. Mr. Ferreira is an independent qualified person under NI 43-101. The Pre-Feasibility Study (Technical Report) is available for review under SML's profile on SEDAR at www.sedar.com.*



## ***History***

The Kevitsa mineral property is a large nickel-copper-PGE (platinum group elements) deposit situated in northern Finland.

The deposit was discovered by the Geological Survey of Finland (“GTK”) in 1987. GTK carried out diamond drilling consisting of 563 holes with a total length of 48,474m. Of these, 278 holes totalling 32,845m outlined the deposit.

The Finnish government auctioned the deposit in 1995, and the project was taken over by Outokumpu Mining Oy (“Outokumpu”). Outokumpu drilled 15 holes for a total length of 2,220m, partly for collection of material for metallurgical testing. Following (comprehensive) metallurgical testing, Outokumpu failed to make nickel and copper at recoveries which warranted development of the project and it returned the project to the Finnish Ministry of Trade and Industry in 1998.

In July 2000, SML (then called Scandinavian Gold Limited) engaged SRK Consulting (“SRK”) to compile all data and evaluate the potential for a large scale open pit mining operation on the Kevitsa property with hydrometallurgical treatment of a bulk concentrate using the PlatSol™ process. The technical report prepared by SRK was originally published in April 2001, updated in September 2003 and amended in December 2003. SRK identified mineral resources to a depth of 500 metres and mineral reserves for an open pit mining scenario to a depth of 450 metres.

SML concentrated on developing the project using conventional flotation technology to produce separate nickel and copper concentrates for sale to smelters. In March 2004, SML commenced a program of metallurgical development work designed to produce such concentrates. Extensive bench-scale testing has been followed by mini-pilot and pilot plant tests which demonstrated that separate, smelter-grade copper and nickel concentrates can be produced at reasonable levels of recovery.

Following this metallurgical success, in October 2005, SML engaged St. Barbara to undertake a new study (Kevitsa Pre-Feasibility Study) based on open pit mining with production of smelter-grade concentrates for sale to Finnish or overseas smelters. The study was completed in July 2006 and showed positive economics for an open pit operation mining 4.5 million tons of ore per year, as discussed further above.

Further pilot plant tests were followed at the Geological Survey of Finland in the laboratory in Outokumpu in 2006-2008. A break-through in producing a bulk concentrate with good recoveries was followed by successful selective processing of copper and nickel concentrates.

Since the Company acquired SML in June 2008, the Company has commenced a further drill program to investigate the potential for upgrading currently inferred resources, to investigate mineralization beyond the currently defined pit limits and to provide additional geotechnical information to aid in pit design. Development drilling continues to extend the Kevitsa ore system. A recent review of geophysics and geology at Kevitsa has established good potential for Cu-Ni-PGE massive sulphides and a drill rig is currently testing these targets.

#### *Property and Ownership Interest*

The mineral rights are held by the Company’s wholly owned subsidiary, Kevitsa Mining AB (“KMAB”). The Company acquired KMAB through its acquisition of SML.

Minerals rights in Finland are owned by the state and regulated by an office under the Ministry for Trade and Industry. The Chief Inspector of Mines grants exploration permits according to the legislation. Applications are open for all legal entities within the European Union. Initially, a reservation is granted which is valid for one year which provides limited rights to do exploration, with the permission of the landowner, but does not grant access to land.

A claim is considerably more expensive (circa €1675 per km<sup>2</sup> per year), but confers the right to conduct activities on the land. Claims are initially granted for a period of five years and, provided activities can be demonstrated, can be extended for an additional three years and, under certain conditions, even further. During the claim period, a mining concession can be applied for provided a potential deposit has been located. In order to obtain a mining concession, an environmental impact assessment report must be presented to, and approved by, the authorities. The Company filed its mining concession application in December 2006 and its environmental impact assessment in September 2007. The application for the environmental permit for mining was filed in July 2007.

The Company’s interest in the Kevitsa property consists of 24 exploration licenses (“claims”) totalling approximately 24 square kilometres, nine of which were issued in November 2000, the balance being issued in March 2006. In December 2006, the Company applied for the mining concession which, under Finnish law, once granted, will replace the claims.

### *Location, Access and Infrastructure*

The Kevitsa property is located at approximately 142 kilometres north-northeast of Rovaniemi, the capital of Finnish Lapland (see Figure 1). Access is by road from Rovaniemi, along the main highway E75 to the village of Petkula. Kevitsa is situated 8 kilometres east of Petkula by forest road. Power is available from a 21 MW hydroelectric power station located next to Petkula village and which is connected to the Finnish national grid. Kevitsa Mining Oy bought the land covering the mining concession in spring 2008. The principal landowner in the region surrounding the Kevitsa property is the Finnish State Forestry Commission.

The terrain at Kevitsa is generally flat, with an altitude of between 220 metres and 240 metres above sea level. The Kevitsa hill, rising to approximately 350 metres, is situated in the southeastern part of the claim block. The land consists of bog land alternating with slightly raised terrain with pine forest. The original forest at Kevitsa was cut down several decades ago. Bedrock outcrops on the hills but is generally covered by a 1 to 5 metre thin layer of clay and/or sandy till. In boggy land a 1 to 5 metre thick peat layer is developed on top of the till.

The climate of the Kevitsa property is subarctic. Based on long-term climatic data from Sodankylä Municipality (1971 to 2000), the average temperature was  $-0.8^{\circ}\text{C}$  and average precipitation was 507mm. October to April has negative average temperatures with January being the coldest with an average of  $-14.1^{\circ}\text{C}$ . Half of the precipitation falls during this period as snow. The summer months warm up fast with July being the warmest with an average of  $14.3^{\circ}\text{C}$ . There is no permafrost in the area. Year-round operation is possible in Finland.

### *Geological Setting and Mineralization*

The mineral deposit on the Kevitsa property is hosted by the mineral intrusion known as the Kevitsa Intrusion. The Kevitsa Intrusion is situated within the Fennoscandian (or Baltic) Shield which comprises Achaean basement gneisses and late Achaean to early Proterozoic greenstone belts. Intrusive activity towards the end of the Achaean generated an abundance of layered intrusions, including the Kevitsa Intrusion.

The Kevitsa Intrusion measures approximately 3.5 kilometers north-south by 5 kilometers east-west and outcrops to the south of the Koitelainen Layered Intrusion. The Koitelainen Layered Intrusion measures some 20 kilometers north-south by 25 kilometers east-west. The area is partially covered by a thin discontinuous layer of glacial till which can reach up to 5m in thickness and comprises a poorly sorted mix of rounded boulders and cobbles in a matrix of silty sand.

The Kevitsa Intrusion has a roughly circular outcrop/subcrop and comprises basic olivine pyroxenites and metaperidotites in the northeast, gabbros in the west and central areas and granophyres primarily in the south. At the center of the outcrop is a large serpentinite xenoliths measuring 500 metres north-south by 1,500 metres east-west. The northern (basal) contact of the intrusion dips at between  $40^{\circ}$  and  $50^{\circ}$  to the south and is discordant to the bedding in the metasediments. The intrusion is characterized by internal layering defined by changes in petrological composition. This roughly parallels the basal contact but the dip reduces to  $20^{\circ}$  in the upper layers.

The Kevitsansärvi Ni-Cu-Co-PGE mineralisation (herein referred to as the Kevitsa deposit) is contained within the olivine-pyroxenite of the Ultramafic Zone of the Kevitsa Intrusion. The Ultramafic Zone contains up to 5% sulphide, the majority of which occurs as granular masses interstitial to the cumulate silicate mineral grains. Only in one particular area do the sulphides become nickel, copper and PGE rich, and it is this area that constitutes the Kevitsa deposit.

Potentially economic grades are concentrated in a high-grade core of the deposit, which outcrops at surface in an irregular, roughly circular; shape 300 to 400 metres in diameter and dips at approximately  $50^{\circ}$  to the southwest. The metal grades decrease gradually away from this core in all directions. Particularly high nickel and PGE grades have been identified in relatively narrow vertical shoots near the surface in the centre of the deposit.

The mineralogy is reasonably consistent throughout the Ultramafic Zone, comprising largely olivine and orthopyroxene. The sulphides are finely disseminated, generally 100-500 microns in size. Most (>95%) of the

sulphides consist of pentlandite (a nickel sulphide), chalcopyrite (a copper sulphide) and the iron sulphides pyrrhotite, troilite and pyrite. Other sulphides include cubanite, (a copper-iron sulphides), mackinawite (an iron rich pentlandite), and millerite and heazlewoodite (both nickel sulphides).

#### *Labour*

At December 31, 2008, Kevitsa employed 17 persons.

#### *Mining and Processing*

Mining is planned to start with a open pit. The amount of mineable ore will be updated during 2009, but may increase from earlier estimates (66 million tonnes in the pre-feasibility study). The planned stripping ratio will be in the order of 2.0-2.5. At the commencement of operations, the annual ore production will be approx five million tonnes.

Processing is traditional: mined ore will be crushed in a primary crusher. The primary crusher product will be screened to send the AG (Autogenous Grinding) mill media to stockpile, the mid product to secondary crushing and pebble storage for the pebble mill media; finally the crushed ore will be ground in a combination of AG Mills and a pebble mill. Two different concentrates will be produced: 1) 76,000 tonnes of nickel-cobalt-PGE-concentrate grading close to 12% Ni. The nickel content in the concentrate is expected to be approx 9,000 tonnes. The annual content of PGEs is expected to be approx. 34,000 Oz; and 2) 51,000 tonnes of copper-PGE-gold concentrate grading approx 28% Cu, some PGEs, and approx 5,000 Oz of gold.

The amount of produced copper in the two concentrates will be approx 17,000 tonnes.

Cu and Ni ore will be recovered in separate flotation circuits with each product being thickened and filtered to produce concentrates stored separately for transport.

#### *Permits*

Kevitsa holds all necessary Finnish permits required to carry out its operations and operated in material compliance in 2008. Kevitsa has applied for environmental permits and the mining concession, which are expected to be approved in Q1 2009.

#### *Mineral Reserve and Resource*

The Company commenced a diamond drilling campaign regarding the Kevitsa Project in the autumn of 2008, which is anticipated to be finalized during the spring of 2009. The purpose of the diamond drilling campaign is to upgrade inferred mineral resources into indicated or measured resources and further into mineable mineral reserves. Another goal is to convert some of the waste into ore, in order to decrease the stripping ratio and thereby improve the feasibility. Information regarding mineral reserves and mineral resources in respect of the Kevitsa Project is contained in the annual information form of SML dated November 26, 2007 (the "SML AIF") which is publicly available, for informational purposes only, at [www.sedar.com](http://www.sedar.com). The SML AIF is not, and shall not be deemed to be, incorporated by reference in or otherwise included in this annual information form of the Company. The Company has not verified, and makes no representation or warranty as to, the accuracy or completeness of any information, including information related to mineral reserves and mineral resources of the Kevitsa Project, contained in the SML AIF.

## **Exploration**

### *General*

Exploration is in progress immediately around each of the Company's operational sites with a view to providing additional and high value ore feed. More extensive landholdings in the Copperbelt and Mauritania are being explored for new stand alone mining targets.

Exploration activities involve geochemical sampling, reverse circulation and diamond core drilling. Recent programs are increasingly utilizing 'smart targeting' methods integrating geochemistry with airborne and ground geophysics to provide a synthesis of geological information for targeting drilling.

The following is a summary of the Company's exploration properties and activities:

### *Zambia*

The Company's exploration activities and efforts in Zambia are conducted in regions having a surface area totaling approximately 2690 km<sup>2</sup>. The company has rationalized its tenure position in Zambia during the period.

Projects held during the year include Mwinilunga (located in the Mwinilunga District), Solwezi (located in the Solwezi District near Kansanshi) and Luswishi (located in the Copperbelt Province). The Company also holds exploration licenses for the Mkushi (Kashime), Kipushi and Mpongwe (Kadola West) projects.

Limited definition drilling to test significant Cu-Co intersections at Kashime was completed during the year with a new resource model currently in preparation. A submission for a Mining License at Kashime has recently been submitted.

At Mwinilunga the Company has undertaken a regional airborne electromagnetic survey and follow up mapping and drilling. A renewal of the Mwinilunga tenure (4260 km<sup>2</sup>) was submitted in 2008, but has not been processed. Negotiations with the Zambian Mines Department are ongoing.

### *RDC*

The Company's exploration activities in the RDC are carried out under 42 permits and two mining licenses with a combined surface area of 6,622km<sup>2</sup>. During the period, the Company's exploration tenure has been reduced under statutory rules, and the replacement permits are currently in the process of being granted.

Active projects in the RDC include the Bifurcation, Grandeur, Massif Central, Mikaka and Mati geochemical anomalies in the Mokambo region; the Mwati project south of Kimpe Mine and the Kibamba target in the Likasi region. Further exploration and interpretive work are being conducted in the Grandeur, Massif Central and Mikaka anomalies.

High priority drill targets for 2009 have been generated on the Mati and Kipushi prospects as well as along strike of the Lonshi mine. A more extensive drill program is planned immediately south of the Frontier Mine where drilling in 2008 has intercepted encouraging mineralisation.

### *Mauritania*

In addition to the Guelb Moghrein mining concession, the Company holds six exploration concessions in the area around Guelb Moghrein, totaling 7179km<sup>2</sup> of ground. The Company also holds three exploration licenses in southern Mauritania, covering an extension to the mineralized Mauritanides belt of approximately 3,843 km<sup>2</sup>.

Exploration activity in Mauritania is currently focused on three areas; near-mine exploration, district exploration (within trucking radius of Guelb Moghrein) and regional target generation in the “Southern Concessions” near the border of Mali and Senegal.

The near-pit exploration program involves improved definition of the along-strike structural controls on the ore-body as well as investigation of the potential for additional ore-body stacking in the footwall.

Guelb Moghrein has been classified as an iron oxide copper gold (IOCG) type deposit, a class of deposits that commonly occurs in clusters. Regional exploration for similar deposits in the district commenced in early 2008. The first main target to be drill tested in 2008 at El Joul, only 7 kilometers from the mine, has encountered significant intercepts of characteristic IOCG type mineralization demonstrating strong potential for developing new resources in the district. Detailed drilling at El Joul and several other high priority targets is planned for 2009.

### *Finland*

The company acquired 24 exploration claims and two claim reservations totaling 5108 Ha which cover the Kevitsa deposit and surrounds through its acquisition of SML in 2008. A mining license application has been submitted for 1420 ha covering the Kevitsa mineralization and planned infrastructure areas.

A program of detailed diamond drilling commenced in late 2008 to test for extensions to the Kevitsa Ni-Cu-PGE resource. Drilling to date has encountered long intercepts of typical Kevitsa mineralization to the south and south west of the current resource. The drill program is due for completion in Q1 2009, at which time a new resource estimate will be completed.

Exploration around Kevitsa has also included extensive geophysical surveys which have generated a series of conductive anomalies that may represent the presence of massive sulphide accumulations at depth. A drill program to test these new targets is planned once the resource extension drilling is finished.

A program of target generation around Kevitsa and elsewhere in Finland has commenced as part of a strategic alliance with an Australian private company, ‘Newgenco’, who have considerable global experience in Ni sulphide targeting and exploration.

### **Competition**

The Company competes with other mining companies for acquiring mineral claims, permits, concessions and other mineral interests as well as for recruiting and retaining qualified employees. There is significant competition for the limited number of acquisition opportunities and, as a result, the Company may be unable to acquire attractive mining properties on terms that it considers acceptable.

### **Environmental**

#### *General*

The Company operates in material compliance with all applicable environmental laws. This includes the preparation and filing of environmental and social impact assessment reports for each of its operations. In addition, the Company has environmental and social management plans and policies which apply to each of its operations. The Company’s goals with respect to the environment are similar to those under ISO 14001 management guidelines and the Company subscribes to the *Equator Principles*.

In 2008, the Company continued implementation of approved environmental management plans at each of Bwana-Lonshi, Kansanshi, Guelb Moghrein, Frontier and KMT designed to protect the environment and minimize its potential environmental liability, including pollution prevention, legal compliance and continued environmental improvement. Despite the Company’s best endeavors, in January 2008, a level 3 environmental incident occurred

at Bwana involving a spill of gypsum slurry from a containment facility resulting in the flooding of public places and farmlands. The investigation of the incident attributed the spill to the unauthorized opening of a valve. As the gypsum is the product of the neutralisation process, it posed no significant risk to the environment. However, farmers in the immediate vicinity suffered financial losses from flooded crops and the settled gypsum solids. Bwana removed the spilled material and, following negotiations with the farmers and environmental authorities, agreed to pay fair compensation for the loss of crops. Through this incident, FQM showed its willingness to act decisively and responsibly in the event of environmental adversity. Bwana was fined the equivalent of \$125 by the Environmental Council of Zambia over this incident. With the exception of this incident, each of the Company's operating sites was compliant in all material respects in 2008 and the Company had no known environmental liabilities and no penalties arising as a result of water pollution or contamination of land beyond the boundaries of its respective operations and, to the Company's knowledge, none of these operations were considered by any applicable environmental regulatory authority to be imminent threats to the environment.

Statutory and independent environmental audits are carried out periodically, as and when required by local environmental regulatory authorities, at the Company's operating facilities. The Company also recently adopted the *Equator Principles* as an additional tool for environmental management.

#### *Permits*

As at December 31, 2008, the Company had all necessary environmental permits and licenses in place required to carry out its operations. The Company is not subject to any claims or litigation concerning the environment.

#### *Asset Retirement Obligations*

Closure plans have been prepared for each of the Company's mines and operational sites. Asset retirement obligations ("AROs"), which include the cost of dismantling and disposal of plant and equipment and the rehabilitation of areas disturbed by mining activity, are reviewed and calculated annually for each such site. Undiscounted AROs as at December 31, 2008 are shown in the following table:

<b><u>Undiscounted AROs as at December 31, 2008</u></b>	
<b><u>Site</u></b>	<b><u>\$000's</u></b>
Kansanshi	\$9,620
Bwana	\$1,915
Lonshi	\$1,198
Guelb Moghrein	\$1,278
Frontier	\$1,885
KMT	\$10,936
<u>Kevitsa</u>	<u>\$418</u>
<b>Total AROs</b>	<b>\$27,250</b>

The AROs are amended annually for potential or actual liabilities, such as plant expansions, additional land disturbances, pollution (if any) and fluctuations in currency exchange rates. In addition, progressive site rehabilitation is carried out to minimize work to be done at closure.

#### *Historical Liabilities*

Each of Lonshi and Frontier is a green field mine site and no historical environmental liabilities were therefore present when the Company acquired its interests in those projects. Historical environmental liabilities existing at Bwana and Kansanshi, upon acquisition by the Company of its interests therein, are provided for under the Bwana and Kansanshi closure plans, respectively.

The Company, which filed an environmental impact assessment with the government of Mauritania through a subsidiary, is not responsible for historical environmental liabilities existing at the Guelb Moghrein site on the date of acquisition by the Company of that asset.

The Company's Kolwezi Project in the RDC is situated in an area already degraded and polluted by previous mining activities. Historical environmental liabilities were identified in the project environmental and social impact assessment study of 2006. The RDC government issued a certificate of release from environmental liabilities within the project concession area.

#### *Tailings Dams*

Bwana has three licensed tailings dams. These are known at Bwana as TD4, TD5A and TD5B. The dams are contiguous, cover a surface area of 1.75 km<sup>2</sup> and are side-hill paddock type tailings storage facilities. TD4 originally contained six million tonnes of oxide tailings from operations prior to those of the Company which were hydro-mined and processed in the first five years of company operations at Bwana. TD4 is now used to store process water and runoff from the plant site which is recycled in the plant through a decant system and pump station. Vegetation is well-established on the outer walls of TD4. Reprocessed Bwana tailings are stored in TD5A. Tailings from processed Lonshi ore are stored in TD5A and in TD5B, a new adjacent tailings dam. Average tailings production in 2008 was approximately 40,000 tonnes per month. The copper plant was placed on care and maintenance in the third quarter 2008 due to a shortage of feed material. TD5A and TD5B contain a total of 11.5 million dry tonnes of tailings. Progressive re-vegetation of the downstream slopes of these dams began in 2004 and is continuing. Prior to placing the plant on care and maintenance, supernatant from TD5A and TD5B was returned to the process plant and recycled as process water. Rainfall is now stored on the tailings dams. No effluent is released from the dams to surface water. Groundwater quality around the tailings dams is monitored in a number of boreholes. The tailings dams at Bwana are regularly inspected and subject to a bi-annual statutory inspection and reporting by independent engineers.

Kansanshi has one licensed tailings dam. It is a cross-valley type dam sited inside the mining license at the head of a small tributary stream. This tailings dam will provide sufficient tailings storage capacity for the first 16 years of the Kansanshi mine life. Eventually, it will cover an area of approximately 6.5 km<sup>2</sup>. Stage 1 tailings dam construction involved the construction of a 35 metre high earthfill embankment across the valley to create the initial storage capacity. An indigenous vegetation cover has been established over the downstream slope of the earthfill embankment. In 2008, Kansanshi began raising the dam wall using cyclone tailings and spigotting, as appropriate. As of the date of this AIF, approximately 42,000,000 dry tonnes of tailings have been deposited in the Kansanshi tailings dam. Current tailings production is approximately 1,217,178 tonnes per month. This is expected to increase to 1,375,210 tonnes per month in 2009. The Kansanshi tailings dam supernatant is recycled in the process plant via a pump out decant and pipeline. No effluent is released from dam to surface water. Groundwater quality around the tailings dam is currently monitored in seven boreholes. Three lines of piezometers have been installed in the main dam wall for ongoing stability assessment. The tailings dam at Kansanshi is regularly inspected and subject to bi-annual statutory inspections and reporting by independent engineers.

Guelb Moghrein has three active tailings storage facilities. The sulphide concentrator tailings are currently stored in a circular side-hill paddock type dam covering 1.2 km<sup>2</sup>. This facility was commissioned in September of 2006. The dam is raised by upstream deposition using cyclone and/or spigot tailings. Current tailings production is 161,366 tonnes per month. The dam supernatant is recycled in the process plant by way of a pump out decant. The groundwater quality is monitored from a number of boreholes located close to the dam. Construction work commenced on a new circular concentrator tailings storage facility in 2008, which will be commissioned in March 2009. The new tailings dam has been constructed so that the tailings in the old storage facility can be safely reclaimed and processed to recover the contained gold.

The old gold plant tailings storage facility at Guelb Moghrein was closed in 2007. A new 3 cell lined storage facility was constructed in 2008 and the first cell commissioned in 4Q 2008. There is no discharge from this facility. The supernatant evaporates in the hot arid climate. Groundwater quality is monitored in boreholes

located around the facility. The tailings storage facilities at Guelb Moghrein are regularly inspected and subject to statutory inspections and reporting.

Frontier has one circular tailings dam covering an area of 3.2 km<sup>2</sup> and total storage capacity of 175,000,000 dry tonnes. Tailings production commenced at Frontier in October 2007. The tailings dam contains approximately 7,890,862 dry tonnes of tailings. Planned production for 2009 is 632,881 tonnes per month. The tailings dam will be raised by upstream deposition methods using cyclone or spigot tailings. Supernatant from the tailings dam will be recycled in the process plant. There is no discharge from the tailings dam to surface water. Groundwater quality around the tailings dam is currently monitored in seven boreholes. The tailings storage facility at Frontier is regularly inspected and subject to statutory inspections and reporting.

## **Social Responsibility**

### *General*

The Company is mindful of its responsibility in each community in which it operates. Social programs have been, and are being, developed and implemented at each mine site to promote sustainability and the Company has implemented a *Social Policy*, which applies to all of its operations.

In 2006, Kansanshi announced the establishment of the Kansanshi Foundation. Approximately \$300,000 was spent on community projects in 2006 and \$1,000,000 in 2007. In 2008, there was a reduction in spending on community development projects particularly in the second half of the year due to the low copper price. The focus in 2008 was the completion of projects that ran over from 2007. Some of the projects undertaken to date include the drilling and equipping of water bores to supply clean water to villages and communities surrounding the mining license; construction of school buildings and installations of services; building of a modern market in Solwezi town; repairs to town infrastructure including bridges and roads; and the supply and installation of a mortuary equipment at the Solwezi General Hospital. In an effort to reduce deforestation in the Solwezi area, Kansanshi has promoted alternative livelihoods such as beekeeping, for which it also provided a training program and donated beekeeping tools and equipment. In 2008, Kansanshi spent \$802,107 on community development and social programs.

Bwana carried out a variety of community projects. Activities varied from repairs to town infrastructure such as roads, and the Kafubu water and sewage works, to the sponsorship of sports events and the donation of sports equipment to schools and sports clubs; electrical improvements to schools and orphanages; the provision of water supplies to local village communities; dredging of local watercourses to remove weeds, improve flow and prevent the breeding of mosquitoes; and the provision of assistance to Zambian Forestry Department to patrols mounted to prevent deforestation in the Chondwe and Kansansfwe forest reserves through which the Bwana-Lonshi division's haul road passes. At Bwana, \$271,000 was spent on community projects in 2008.

In 2008, although the mine was not in production during the 4th quarter, Lonshi continued to maintain the electricity and water supply services to the village and funded the community clinic and school.

Guelb Moghrein continued its community development program in 2008. Activities included: the ongoing refurbishment of schools in Akjoujt and Bennichab; repairs to medical facilities at the Akjoujt Hospital; sponsorship of a gynaecologist to regularly visit Akjoujt; small-scale citrus and vegetable agricultural projects in Akjoujt and Bennichab; assistance to local farming cooperatives by providing water pumps and pipes to enable irrigation and improve the production of vegetables from garden plots in the Akjoujt wadis; demonstration of drip feed irrigation methods to farmers; the provision of water bladders in parts of Akjoujt where there is no reticulated water system; the supply of clean water at no cost to low income families living along a 114 kilometre long pipeline; signing of a road maintenance agreement with the Ministry of Transport for the Nouakchott Akjoujt highway and paying an initial contribution of \$1,600,000; distribution of over 200 tonnes of wheat to needy communities in Inchiri Province due to the continuing drought; repairs to the Akjoujt water reticulation system; the donation of an ambulance and utility vehicle to the Akjoujt community; sponsorship of sports clubs and sports

events; and planting of over 200 trees in Akjoujt. \$195,000 was spent on community projects in 2008 and \$535,000 has been budgeted for 2009.

Frontier engaged PACT Congo, an international development organization, to assist with the development and implementation of a Sustainable Development Plan for Sakania and surrounding communities. Projects undertaken in 2008 included: the rehabilitation of Sakania Hospital; construction of a clinic for employees and their dependents; preparation of village development plans by village development committees; engagement with local farmers to increase crop production and supply of seeds and fertilizer on a credit scheme to farmers to plant an additional 460 ha of maize, beans and groundnuts; construction of maize storage buildings; establishment of a poultry farm; setting up of a small-scale aggregate business, sewing business and saw mill; repairs to roads and drainage culverts; maintenance of the water supply to Sakania town; and expansion of WORTH groups amongst women (micro savings and literacy program). Frontier spent \$3,109,535 on social projects in 2008. This includes the malaria controls and HIV/Aids programs. The Frontier community development budget for 2009 is \$1,200,000.

KMT formulated its Community Development Plan in 2008 and set up a Public Liaison Committee. KMT's community development program in 2008 included: the development and implementation of a malaria control program in the KMT concession; construction of two village clinics and the drilling of water bores; construction of a market structure in Tshala village; start of the HIV/Aids program; launch of an immunization program for under 1's in the Kolwezi area; start of construction of a clinic for KMT employees and their dependents; and development of a resettlement action plan for Simukonga village situated close to the tailings dam. The amount spent on social programs and infrastructure in 2008 was approximately \$1 million. KMT will establish a Foundation in 2009 to manage its community development projects at a budget of \$20 million over the life of mine.

#### *HIV Program*

The Company continued to develop its HIV program which, along with its policy on HIV, was adopted in 2005. The Company's HIV program includes voluntary counseling and testing for HIV, the supply of free condoms in the workplace and the provision of appropriate medication to employees of the Company who are HIV positive.

Implementation of the Company's HIV program in Zambia began in November of 2005. The Zambian HIV prevalence rate is approximately 16% of the population. The Company's HIV policy advocates a non-discriminatory approach to addressing the epidemic and provides for considerable support in terms of counseling, care and free medical (including treatment of opportunistic infections) and anti-retroviral therapy ("ART") for all employees and their families. The program is run from the Company's Ndola office by a senior coordinator and site HIV coordinators who are registered nurses with specialist training in counseling and testing, ART administration, and other HIV related issues. Each division operates on an annual budget of US\$100,000. In addition, the Company has entered into an association with other mining companies in Zambia and the United States government involving various HIV initiatives, technical support and training program, including the training of peer educators. The HIV introductory program was initiated in April 2006 and involves a two hour training session delivered to all employees. The objective of the program is to explain the Company policy and to educate and encourage all employees, their families and the community at large to undergo voluntary counseling and testing ("VCT"). The following table illustrates the status of the HIV introductory program at the Company's Bwana, Kansanshi, Frontier and KMT operations as at December 31, 2008:

<u>Site</u>	<u>Total Sensitized <sup>(1)</sup></u>	<u>VCT</u>	<u>Tested HIV Positive</u>	<u>Employees on ART</u>	<u>Trained Peer Educators</u>
Kansanshi	64,753	8,009	779	143	373
Bwana	21,444	1,503	196	47	191
Frontier	13,233	894	52	4	117
KMT	<u>1,569</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>71</u>
<b>Total</b>	100,999	10,406	1,027	194	752

(1) Includes employees, family members and members of the community

The infection rate of people tested is running at 9%, which is below the Zambian government national prevalence rate of 16%. In October 2008, the Company extended its HIV program to KMT.

### Occupational Health and Safety

During 2008, the Company continued to implement internationally accepted occupational health and safety standards and procedures throughout its operations. The Company has also introduced formal induction courses relating to the environment and occupational health and safety at each of its operations.

Sadly in 2008, the Company suffered four fatalities in separate mining accidents at Frontier (2), Kansanshi (1) and Lonshi (1). Bwana continues to have the best safety record with no Loss Time Incidents (“LTIs”) since December 21, 2005 (1,105 days). Despite the setbacks in 2008, the Company strives to improve its health and safety performance. Progress has been made on developing health and safety procedures and guidelines which support the Company’s goal of zero injuries. All employees and contractors now undergo health and safety training as part of the general environmental health and safety induction program. Specific workplace health and safety training is given based on job task and work area. Themes presented in weekly health and safety bulletins are discussed with supervisors at workplace meetings. Health and safety statistics for 2007 and 2008 at the Kansanshi, Bwana, Lonshi, Guelb Moghrein, Frontier and KMT operations are summarized in the following table:

#### **Health and Safety Performance Indicators at Company Operations in 2007 and 2008**

	Kansanshi		Bwana		Lonshi		Guelb Moghrein		Frontier		KMT	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
No. of Fatalities	2	1	0	0	1	1	0	0	0	2	n/a	0
Injury rate <sup>(1)</sup>	0.15	0.06	0	0	0.58	0.55	0.30	0	0.32	0.19	n/a	0.17
Lost day rate <sup>(2)</sup>	1.26	13.2	0	0	10.4	138	9.61	0	10.2	36.4	n/a	5.28

(1) The per annum injury rates have been calculated by using the number of lost time injuries and dividing that figure by the number of hours worked by employees; the result is then multiplied by 200,000 hours.

(2) The per annum lost day rates have been calculated by using the number of lost days and dividing that figure by the number of hours worked by employees; the result is then multiplied by 200,000 hours.

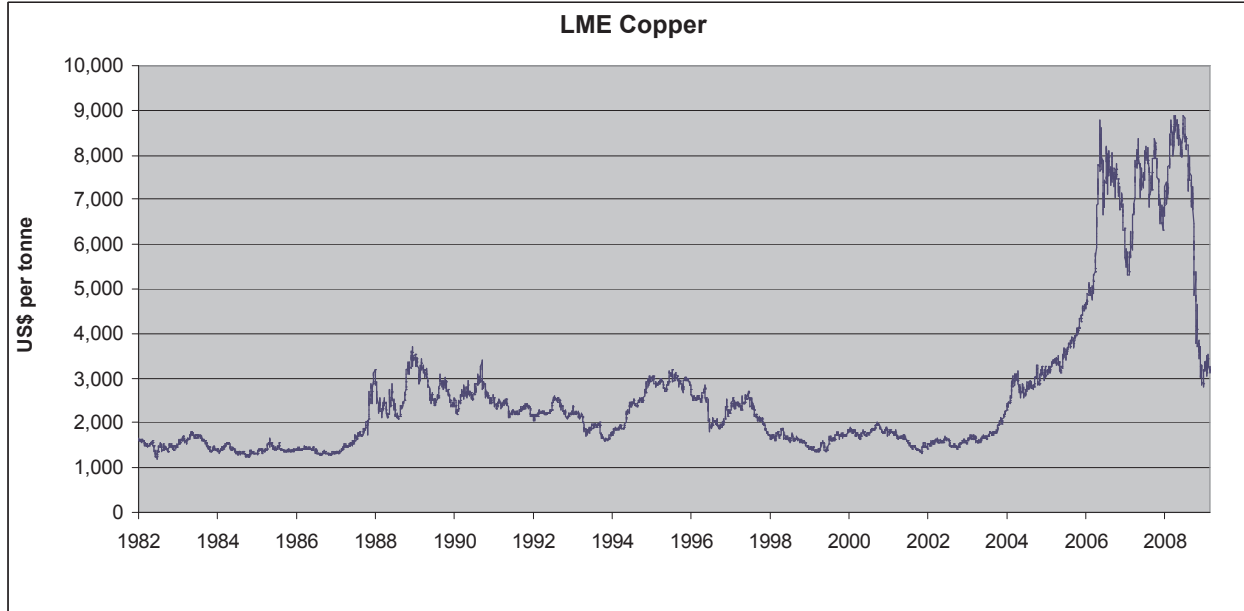
In 2008, increased emphasis was placed on improved monitoring of occupational exposure to gas, dust and noise. Safety departments are also requiring that employees wear correct personal protective equipment to mitigate any potential exposure.

In Zambia, the Company is currently working with the Comprehensive HIV/Aids & Malaria Program (CHAMP) and the US Presidents Emergency Plan for Aids Relief (PEPFAR) on the funding and development of malaria control programs in Solwezi and Ndola Towns. The programs will be run in collaboration with existing government malaria programs. Funds will be sourced from CHAMP, PEPFAR, government, local businesses and the community. FQM will be involved in the planning stages but the program will be run by CHAMP. A similar malaria control program is planned for Kolwezi.

### Copper market 2008

Although 2008 will be remembered for the dramatic declines witnessed in financial and commodity markets, copper managed to post an average price for the year well above the long-term trend price. The average LME cash settlement price over 2008 was \$3.16/lb (\$3.23 in 2007). Chart 1 illustrates the copper price over the last 26 years. The LME average over this period is \$1.93/lb.

Chart 1 – long-term copper price

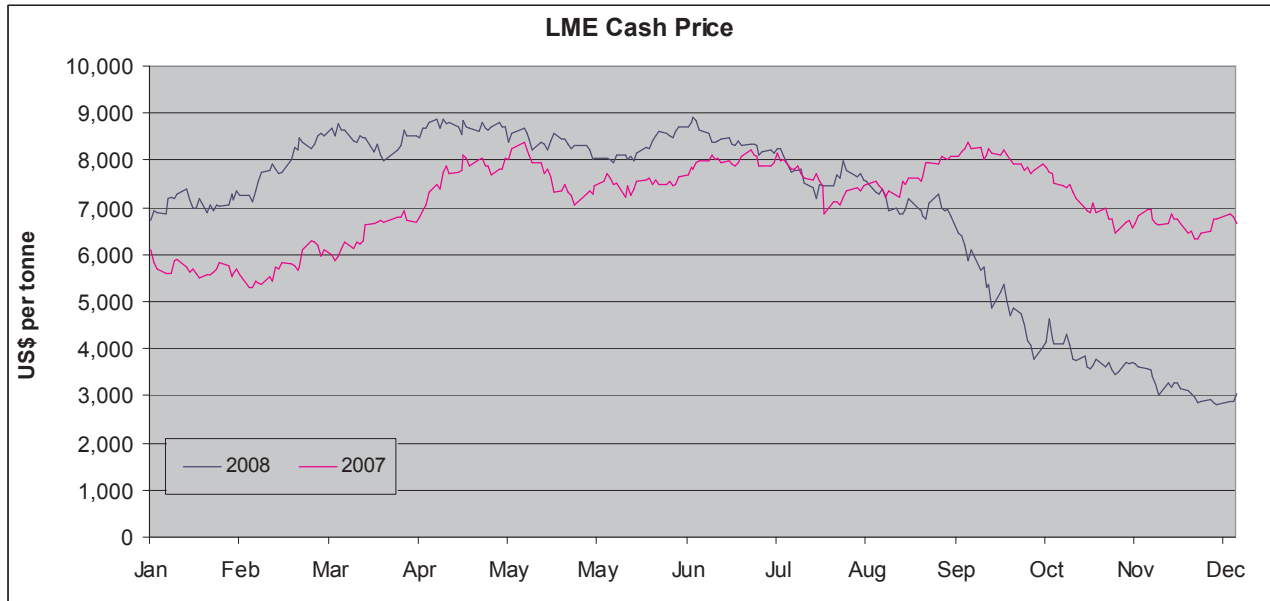


The year began on the note of continued turmoil in financial markets following through from the previous year, a declining (U.S.) dollar and rising inflation. Nevertheless, analysts, investors and consumers alike maintained a bullish outlook and kept faith with the China growth story, with expectations it would compensate for the slowdown in the U.S. and Europe and continue feeding a demand led commodity boom, albeit at a slower pace.

The optimism was in part fuelled by a deficit in 2007 of 160,000 tonnes and doubts over the ability of existing operations and new projects to meet further rising demand. As new projects came online, production costs were firmly on the rise, squeezed by competing demand for new capital and plant capacity and higher energy costs. These factors, combined with investor sentiment and hedge funds amidst a weakening US\$, helped push the copper price to a new high in March 2008 – LME prices reached US\$ 4.03/lb in early March 2008, surpassing the previous high posted in May 2006.

The LME copper cash price at the start of the year was US\$ 3.05/lb. It reached a high of US\$ 4.03/lb before closing on 31 December at US\$ 1.38/lb. Chart 2 illustrates the relative price performance over the 2007 and 2008 years.

Chart 2 – LME 2007 and 2008



Although copper remained in deficit for the first 8 months of year, the shortfall was declining – 22,000 tonnes versus 226,000 tonnes over the corresponding period in 2007. Eventually, the culmination of increasingly poor economic data in the United States and Europe, signs of China slowing down, coupled with the worsening liquidity situation took hold in the fourth quarter. By October 2008, the US Federal Reserve had already cut interest rates by 200 basis points through over five reductions to bring its target lending rate from 3.5 % at the start of the year to 1.5%. The United States, United Kingdom and European governments had also taken steps to support banks, which were struggling with losses caused by deterioration in asset values and illiquid markets.

These steps may have slowed but not prevented completely, deterioration in investor confidence, and over the fourth quarter, copper on the LME came off by over 50% from its September 2008 closing price. The year end closing price of US\$ 1.38/lb was 55% lower than the price at the start of 2008.

The copper price outlook now is dependant on the recovery of demand, which in turn relies on a return of investor and consumer confidence. It is estimated that 2008 posted a surplus of just over 220,000 tonnes. Demand in 2009 is anticipated is to grow by 1.4% (2.8% in 2007 and 2008). With production (supply) projected to increase by 1.8% in 2009 (3.0% in 2008), the resultant surplus is estimated at around 295,000 tonnes.

As the lower price will force rationalization of uneconomic mines and drive down the industry’s marginal cost, the current shortage of liquidity and capital will also provide difficult hurdles for new projects to come online in 2009. Already, numerous projects have been cancelled or postponed due to poor economics. A recent poll by Equity Research indicates an industry consensus price for 2009 of US\$ 1.60/lb and US\$ 2.00 for 2010.

*(Sources: Barclays Capital Commodity Research, Mitsui Monthly Copper Wrap, ISCG, BNP Paribas Metals Special Report 28 November 2008, theprivateer.com)*

### Copper Production Process

The cycle of copper production can be generally categorized into seven basic phases: (i) mining and crushing; (ii) grinding; (iii) concentrating; (iv) leaching or smelting; (v) electrowinning (SX/EW) or electrolytic refining; (vi) production of pure copper cathode; and (vii) conversion to end products.

### *Mining and Crushing*

In this phase, sulphide and oxide ores are mined through digging or blasting. They are then crushed to walnut-sized pieces.

### *Grinding*

Once the ore is crushed, it is ball or rod-milled in large, rotating, cylindrical machines until it becomes a powder which, generally, contains less than 1% copper. Sulphide ores are moved to a concentrating stage. Oxide ores are routed to leaching tanks.

### *Concentrating*

Sulphides are concentrated into a slurry. The slurry is composed of approximately 15% copper. Waste slag is then removed and water is recycled. The tailings which result from this process contain copper oxide which are routed to leaching tanks or are returned to the surrounding terrain. Concentrated copper can be turned into pure copper cathode in two different ways: leaching and electrowinning or smelting and electrolytic refining.

### *Leaching or Smelting*

Leaching involves dissolving the contained copper concentrate through the use of a weak acid solution, which produces a weak copper sulphate solution. The weak sulphate solution is then ready for the electrowinning process. Smelting involves several stages in which the copper concentrate is melted and purified, resulting in matte, blister and, finally, 99% pure copper. Finished copper is also recycled for other uses through resmelting.

### *Electrowinning or Electrolytic Refining*

After the leaching process, the sulphate copper-containing solution is treated and transferred to an electrolytic process tank. When electrically charged, pure copper ions migrate directly from the solution to starter cathodes made from pure copper foil. Precious metals can also be extracted from the solution.

Electrolytic refining involves the immersion of anodes cast from the 99% pure copper achieved from smelting in an acid bath. Pure copper ions migrate electrolytically from the anodes to what are known as starter sheets made from pure copper foil and build up into a 300 pound cathode. Gold, silver and platinum may be recovered from the used bath.

### *Production of Pure Copper Cathode*

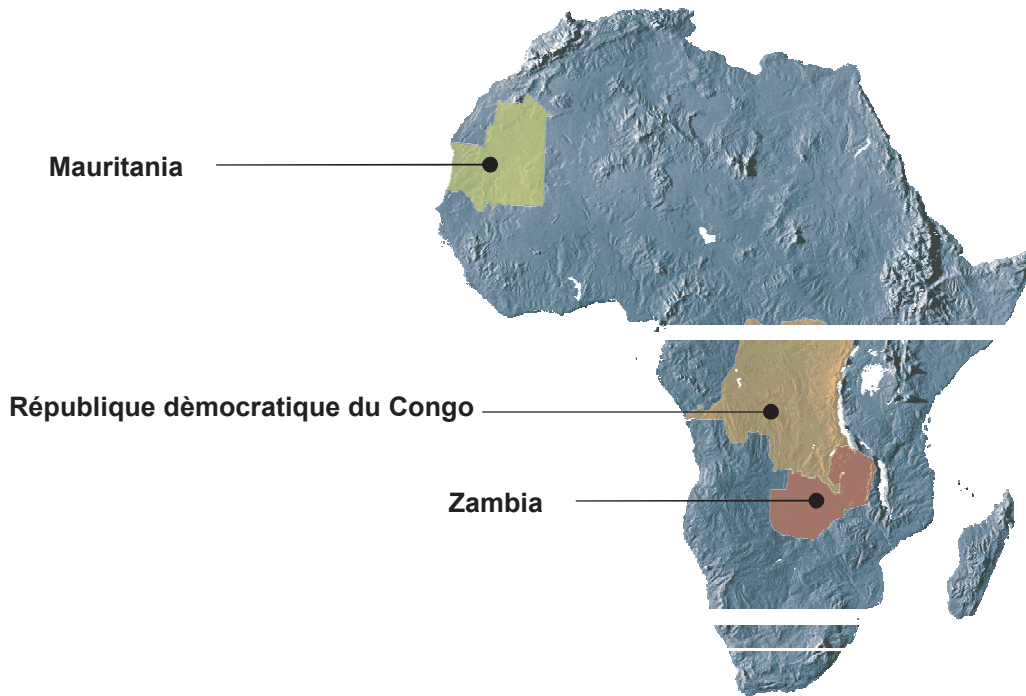
Copper cathodes of 99.99% purity may be shipped as melting stock to mills or foundries.

### *Conversion to End Products*

Copper cathodes can be converted into: copper wire rod, which can be drawn down by wire mills to make pure copper wire of all gages; billets, which are longer copper logs sawed into shorter lengths to be extruded and drawn as tube, rod and bar stock of varied sizes and shapes; cake, which are shorter slabs of copper capable of being hot and cold rolled to produce plate, sheet, strip and foil; and copper ingots, which are bricks of copper capable of being used by mills for alloying with other metals or used by foundries for casting.

### Geographic Locations of Company Operations

The Company's operations are located entirely outside of Canada and are located in the countries of Zambia, the RDC and Mauritania (see "DESCRIPTION OF THE BUSINESS"). The Company also has a development project in Finland.



#### *Zambia*

Zambia, formerly known as Northern Rhodesia and a colony of Great Britain, gained its independence in 1964. At present, Zambia's economy is resource-based and the country has an area of approximately 752,614 km<sup>2</sup>. The population of Zambia, approximately 11.7 million individuals, is highly literate, having one of the lowest illiteracy rates in Africa. English is the primary language spoken by a large majority of the population, though other indigenous languages are also spoken.

Pluralistic democracy, stability and economic liberalism initiatives began in 1991, after several decades of industry nationalization. In 2000, the mining industry was privatized. In December of 2001, a minority government was established which had among its mandates the goal of eliminating corruption. Worldwide copper demand has benefited Zambia in terms of economic performance and copper output has increased steadily due to the higher copper prices and the opening of new mines. In addition to copper, the country's natural resources include cobalt, zinc, lead, coal, emeralds, gold, silver, and uranium and hydro-electric power. While Zambia's gross domestic product per capita is lower than that of industrialized nations, its gross domestic product growth rate attained an estimated level of 6.2% in 2008. Zambia uses the "kwacha" as its currency. In 2008, the average exchange rate was 1 kwacha for each \$0.00026 United States dollar.

At present, Zambia is a republic governed by a unicameral national assembly. The head of state, who is also the head of government, is the President. President Levy Patrick Mwanawasa passed away in August 2008. The current President, Ru Piah Banda, was elected in the most recent presidential and legislative elections held in October of 2008. The highest court of law is the Supreme Court, which adheres to a combination of English common law and customary law and is the final court of appeal. The government of Canada maintains a high commission in Zambia.

*(Sources: Government of Canada, Department of Foreign Affairs; Central Intelligence Agency)*

### *République démocratique du Congo*

The RDC, formerly known as Zaire and a colony of Belgium, borders nine other African countries and gained its independence in 1960. At present, the RDC's economy is primarily resource-based and the country is contained within an area of approximately 2.4 million km<sup>2</sup>. The population of the RDC is approximately 66 million individuals. French is the main language spoken by a large majority of the population, though many other indigenous languages are also spoken. At present, a significant portion of the population is not highly educated, which represents a challenge in terms of sourcing suitably qualified personnel.

The RDC has suffered from a series of internal conflicts since its independence. Though the country continues to suffer from instability and a lack of suitable infrastructure, some measure of calm has resulted from a peace and reconciliation process entered into in 2003. Natural resources remain the primary driver for the Congolese economy and the RDC, despite continuing internal issues, presents considerable economic potential. Worldwide copper demand has also benefited the RDC which has seen resulted in a recent increase in interest on the part of foreign investors. In addition to copper and other minerals, the RDC is rich in energy, primarily hydro-electric in origin, and timber resources. The RDC's gross domestic product is relatively low when compared to that of industrialized nations. However, the growth rate of its gross domestic product attained an estimated level of 6.2% in 2008. The RDC uses the Congolese "franc" as its currency. In 2008, the average exchange rate was 1 Congolese franc for each \$0.00218 United States dollar.

At present, the RDC is a presidential democratic republic governed by a lower chamber (the National Assembly) and an upper chamber (the Senate). The head of state is the President. The current President is Joseph Kabila, who was elected following two rounds of multi-party elections in October of 2006 and inaugurated in December of 2006. In February of 2006, the RDC approved a constitution which, among other things, resulted in the decentralization of government and provides for a Prime Minister who, along with the President, leads the government. Certain of the government's financial efforts, such as its efforts to reduce triple digit inflation to single digit inflation, have been successful. The highest court of law is the Supreme Court, which adheres to a French civil law system and is the final court of appeal. The government of Canada maintains an embassy in the RDC.

*(Sources: Government of Canada, Department of Foreign Affairs; Central Intelligence Agency)*

### *Mauritania*

Mauritania is a former colony of France and gained its independence in 1960. At present, Mauritania's economy is primarily resource-based and the country has an area of just over 1 million km<sup>2</sup>. The population of Mauritania, which numbers approximately 3.4 million individuals, until the 1970s, was essentially nomadic. Climate changes have forced large numbers of individuals into cities and towns, such that over 60% of the population now lives in urban communities. Arabic remains the main language spoken in Mauritania, though French and several other indigenous languages are also spoken.

The economy is largely dependent on iron ore mining which accounts for 40% of total exports, and fishing, although over-fishing by foreign interests has threatened this source of revenue in recent years. However, oil and natural gas production is expected to contribute to the economy in the future as the result of successful exploration and development by foreign interests of offshore oil deposits. Understandably, Mauritania's gross domestic

product is very low compared to that of industrialized nations. The growth rate of its gross domestic product attained a level of approximately 4.0% in 2008. Mauritania uses the “ouguiya” as its currency. In 2008, the average exchange rate was 1 ouguiya for each \$0.00405 United States dollar.

Until August 2008, Mauritania was a bicameral republic with a lower chamber, the National Assembly, and an upper chamber, the Senate. The head of state was the President while the head of government was the Prime Minister. On August 6, 2008, Gen. Mohamed Ould Abdel Aziz deposed democratically elected President Sidi Ould Cheikh Abdellahi, who was elected President in March of 2007. The current Prime Minister is Moulaye Ould Mohamed Laghdaf, who was appointed in August 2008. A new Presidential election has been pledged in June 2009. The highest court of law is the Supreme Court, which adheres to a combination of Islamic and French civil law and is the final court of appeal. The government of Canada maintains a consulate in Mauritania.

*(Sources: Government of Canada, Department of Foreign Affairs; Central Intelligence Agency)*

### *Finland*

Between the 12th to the 19th centuries, Finland was a province and then a grand duchy under Sweden, and an autonomous grand duchy of Russia after 1809. It won its complete independence in 1917. During World War II, it was able to successfully defend its freedom and resist invasions by the Soviet Union - albeit with some loss of territory. In the subsequent half century, the Finland was transformed from a farming and forestry economy to a diversified modern industrial economy with a per capita income now among the highest in Western Europe. Finland has been a member of the European Union since 1995 and was the only Nordic state to join the euro system at its initiation in January 1999.

Finland is contained within an area of approximately 338,145 km<sup>2</sup> and has a population of approximately 5.24 million individuals, of which 95% speak Finnish as the main language. The population is highly educated.

Finland operates as a Republic with six administrative divisions. President Tarja Halonen was first elected in March 2000 and was re-elected to head a coalition government for a further six year term in January 2006. The President appoints the Prime Minister. Finland has a unicameral Parliament elected by popular vote on a proportional basis to serve four-year terms. The last Parliamentary election was held in March 2007. The Finnish Constitution was introduced on March 1, 2000. The legal system is based on a civil law system headed by a Supreme Court.

Finland's economy is manufacturing based principally in the metals, wood, paper, engineering, telecommunications, and electronics industries. The growth rate of its gross domestic product attained a level of approximately 2.4% in 2008. Finland uses the Euro as its local currency.

*(Sources: Government of Canada, Department of Foreign Affairs; Central Intelligence Agency)*

## **RISK FACTORS**

An investment in the Company's common shares involves certain risks. The following risk factors should be considered carefully by investors in the Company's common shares.

### **Disclosure Regarding Forward-Looking Statements**

Statements contained in this AIF that are not historical facts are forward-looking statements or information that involve risks and uncertainties that could cause actual results to differ materially from targeted or projected results. Such forward-looking statements or information include statements or information regarding: targets for copper production; cash operating costs and certain significant expenses; percentage increases and decreases in production from the Company's principal mines; schedules for completion of detailed feasibility studies and initial feasibility studies; potential increases in reserves and production; the timing and scope of future commencement of mining or

production; anticipated grades and recovery rates; asset retirement obligation estimates; the ability to secure financing; and potential acquisitions or increases in property interests. Factors that could cause actual results to differ materially include changes in copper, gold, cobalt and acid prices; unanticipated grade, geological, metallurgical, processing, access, transportation of supply or other problems; results of current exploration activities; results of pending and future feasibility studies; changes in project parameters as plans continue to be refined; political, economic and operational risks of foreign operations; availability of materials and equipment; the timing of receipt of governmental permits; force majeure events; the failure of plant, equipment or processes to operate in accordance with specific expectations; accidents, labour relations and risks in start-up date delays; environmental costs and risks; the outcome of acquisition negotiations; general domestic and international economic and political conditions; and other factors described in this AIF. Many of these risks are beyond the Company's ability to control or predict.

Actual results may differ materially from those projected. Prospective investors are cautioned not to put undue reliance on forward-looking statements, and should not infer that there has not been any change in the affairs of the Company since the date of this AIF that would warrant any modification of any forward-looking statement made in this AIF.

### **Current Global Financial Conditions**

Current global financial conditions have been characterized by increased volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both the rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of the Company to obtain equity or debt financing in the future on terms favourable to the Company or at all. In addition, general economic indicators, including employment levels, announced corporate earnings, economic growth and consumer confidence, have deteriorated. Any or all of these economic factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the common shares may be adversely affected.

Securities of mining companies, including the Company's common shares, have experienced substantial volatility in the past, and especially during the 4th quarter of 2008 and early 2009, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in the countries where the Company carries on business and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of the Company is also likely to be significantly affected by short-term changes in commodity prices, precious metal prices or other mineral prices, currency exchange fluctuation and the political environment in the countries in which the Company does business and globally.

### **Governmental and Environmental Regulation**

The Company's mining operations and exploration activities are subject to extensive foreign laws and regulations, which include laws and regulations governing, among other things: exploration; development; production; exports; taxes; labour standards; mining royalties; price controls; waste disposal; protection and remediation of the environment; reclamation; historic and cultural resource preservation; mine safety and occupational health; handling; storage and transportation of hazardous substances; and other matters. The costs of discovering, evaluating, planning, designing, developing, constructing, operating and closing the Company's mines and other facilities in compliance with such laws and regulations are significant. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the Company would not proceed with the development of, or continue to operate, a mine.

As part of its normal course operating and development activities, the Company has expended significant resources, both financial and managerial, to comply with governmental and environmental regulations and permitting requirements, and will continue to do so in the future. Moreover, it is possible that future regulatory developments, such as increasingly strict environmental protection laws, regulations and enforcement policies

thereunder, and claims for damages to property and persons resulting from the Company's operations, could result in additional substantial costs and liabilities, restrictions on or suspension of the Company's activities and delays in the exploration of and development of its properties.

The Company is required to obtain governmental permits to develop its reserves and for expansion or advanced exploration activities at its operating and exploration properties. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous foreign agencies. There can be no certainty that these approvals will be granted to us in a timely manner, or at all. The duration and success of each permitting effort are contingent upon many variables not within the Company's control. In the case of foreign operations, governmental approvals, licenses and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. In the context of environmental protection permitting, including the approval of reclamation plans, the Company must comply with known standards, existing laws and regulations that may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the interpretation of the laws and regulations implemented by the permitting authority. The failure to obtain or renew certain permits, or the imposition of extensive conditions upon certain permits, could have a material adverse effect on the Company's business, operations and financial condition.

Failure to comply with applicable environmental, health and safety laws can result in injunctions, damages, suspension or revocation of permits and imposition of penalties. There can be no assurance that the Company has been or will be at all times in complete compliance with such laws or permits, that compliance will not be challenged or that the costs of complying with current and future environmental, health and safety laws and permits will not materially or adversely affect the Company's future cash flow, results of operations and financial condition.

### **International Operations**

Many of the mineral rights and interests of the Company are subject to government approvals, licenses and permits. Such approvals, licenses and permits are, as a practical matter, subject to the discretion of applicable governments or governmental officials. No assurance can be given that the Company will be successful in obtaining or maintaining any or all of the various approvals, licenses and permits required to operate its businesses in full force and effect or without modification or revocation.

The Company's business is subject to the risks normally associated with conducting business in foreign countries. Some of these risks are more prevalent in countries that are less developed or have emerging economies. In certain countries in which the Company has assets and operations, such assets and operations are subject to various political, economic and other uncertainties and changes arising therefrom, including, among other things: the risks of war and civil unrest or other risks that may limit or disrupt a project, restrict the movement of funds or product, or result in the deprivation of contract rights or the taking of property by nationalization or appropriation without fair compensation; expropriation; nationalization; renegotiation, nullification, termination or rescission of existing concessions or of licenses, permits, approvals and contracts; taxation policies; foreign exchange and repatriation restrictions; changing political conditions; changing fiscal regimes and uncertain regulatory environments; international monetary and market securities fluctuations; and currency controls and foreign governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. For example, in 2008 the government of Zambia introduced changes to its tax regime relating to mining companies and in 2007 the RDC closed its border to the export of ore from Lonshi. The above risks are beyond the control of the Company and the occurrence of any of the foregoing could have a material and adverse impact on the Company and its business, prospects, financial position, financial condition and/or results of operations. For further country or operations specific information see the Annual MD&A available for review on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company may also face import and export regulations, including restrictions on the export of metals, disadvantages of competing against companies from countries that are not subject to Canadian and US laws, including the *Foreign Corrupt Practices Act*, restrictions on the ability to pay dividends offshore, and risk of loss due to disease and other potential endemic health issues.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in the United States or Canada. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in law or policy or to what extent any such developments or changes may have a material adverse effect on the Company's operations.

### **Political Unrest and Risk of Operating in the RDC**

The RDC has a history of political instability, significant and unpredictable changes in government policies and laws, war and civil conflict, illegal mining activities, lack of law enforcement and labour unrest. Due to the fact that the RDC is a developing nation, with poor physical and institutional infrastructure, the Company's RDC operations are subject to various increased economic, political and other risks, including war, civil unrest, nationalization, expropriation, changing fiscal regimes and uncertain regulatory environments, changing tax and royalty regimes, and challenges to or reviews of the Company's legal and contractual rights, including the Kolwezi Project *Contract of Association* (the "**Kolwezi Contract**"). From time to time, governments of the RDC have intervened in the export of mineral concentrates in response to concerns about the validity of export rights and payment of duties. In addition, the government of the RDC is reviewing compliance by mining companies with state deadlines and criteria and proposing to renegotiate or terminate contracts, licenses and permits held by companies found to not be in compliance. While the Company has recourse to international arbitration under the Kolwezi Contract, there are risks associated with the enforceability of the Kolwezi Contract, the Company's mining titles, and any damages awards obtained through international arbitration. The above factors (which may include new or modified taxes or other government levies as well as other legislation) may result in expropriation or nationalization or the curtailment or cessation of the Company's activities in the RDC, which could materially and adversely affect the Company's results of operations or financial condition.

The RDC has experienced many years of civil war and conflict. The northeast region of the RDC is still experiencing serious civil unrest and instability which could have an impact on political, social or economic conditions in the RDC. Although Lonshi, Frontier and the Kolwezi Project are located in the remote southeast portion of the RDC, the effect of unrest and instability on political, social or economic conditions in the RDC could result in the impairment or cessation of the mining operations at Lonshi or Frontier and the development of the Kolwezi Project, which could materially and adversely effect the Company's operations or financial condition.

### **Mining and Processing**

The Company's business operations are subject to risks and hazards inherent in the mining industry that may result in damage to the Company's property, delays in its business and possible legal liability. These risks and hazards include but are not limited to:

- environmental hazard and weather conditions;
- discharge of pollutants or hazardous chemicals;
- industrial accidents;
- failure of processing and mechanical equipment and other performance problems;
- labour force disruptions;
- the unavailability of materials and equipment;
- unanticipated transportation costs;
- changes in the regulatory environment;
- unanticipated variations in grade and other geological problems, water conditions, surface or underground conditions;
- unanticipated changes in metallurgical and other processing problems;
- encountering unanticipated ground or water conditions and unexpected or unusual rock formations;
- cave-ins, pit wall failures, flooding, rock bursts and fire;
- periodic interruptions due to inclement or hazardous weather conditions; and

- force majeure factors, other acts of God or unfavourable operating conditions and bullion losses.

Any of these can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures, and production commencement dates. Such risks could also result in damage to, or destruction of, mineral properties or processing facilities, personal injury or death, loss of key employees, environmental damage, delays in mining, monetary losses and possible legal liability. Satisfying such liabilities may be very costly and could have a material adverse effect on future cash flows, results of operations and financial condition.

The Company's processing facilities are dependent on continuous mine feed to remain in operation. Insofar as the Company's mines may not maintain material stockpiles of ore or material in process, any significant disruption in either mine feed or processing throughput, whether due to equipment failures, adverse weather conditions, supply interruptions, export or import restrictions, labour force disruptions or other causes, may have an immediate adverse effect on the results from the operations of the Company. A significant reduction in mine feed or processing throughput at a particular mine could cause the unit cost of production to increase to a point where the Company could determine that some or all of the Company's reserves are or could be uneconomic to exploit.

The Company periodically reviews mining schedules, production levels and asset lives in its life-of-mine planning for all of its operating and development properties. Significant changes in the life-of-mine plans can occur as a result of mining experience, new ore discoveries, changes in mining methods and rates, process changes, investment in new equipment and technology, precious metals price assumptions, and other factors. Based on this analysis, the Company reviews its accounting estimates and, in the event of impairment, may be required to write-down the carrying value of one or more mines. This complex process continues for the life of every mine.

As a result of the foregoing risks and, in particular, where a project is in a development stage, expenditures on any and all projects, actual production quantities and rates, and cash costs may be materially and adversely affected and may differ materially from anticipated expenditures, production quantities and rates, and costs. In addition, estimated production dates may be delayed materially, in each case especially to the extent development projects are involved. Any such events can materially and adversely affect the Company's business, financial condition, results of operations and cash flows.

### **Mine Development**

The Company's ability to maintain or increase its annual production of copper will be dependent in significant part on its ability to bring new mines into production and to expand existing mines. Although the Company utilizes the operating history of its existing mines to derive estimates of future operating costs and capital requirements, such estimates may differ materially from actual operating results at new mines or at expansions of existing mines. The economic feasibility analysis with respect to any individual project is based upon, among other things: the interpretation of geological data obtained from drill holes and other sampling techniques; feasibility studies (which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed); precious and base metals price assumptions; the configuration of the ore body; expected recovery rates of metals from the ore; comparable facility and equipment costs; anticipated climatic conditions; and estimates of labour, productivity, royalty, tax rates, or other ownership burdens and other factors.

The Company's development projects are also subject to the successful completion of final feasibility studies, the issuance of necessary permits and the receipt of adequate financing. Although the Company's feasibility studies are completed with the Company's knowledge of the operating history of similar ore bodies in the region, actual operating results of its development projects may differ materially from those anticipated.

As noted earlier, uncertainties relating to operations are even greater in the case of development projects. Any of the following events, among others, could affect the profitability or economic feasibility of a project:

- unanticipated changes in grade and tonnage of ore to be mined and processed;
- unanticipated adverse geotechnical conditions;

- incorrect data on which engineering assumptions are made;
- costs of constructing and operating a mine in a specific environment;
- availability and costs of processing and refining facilities;
- availability of economic sources of power;
- adequacy of water supply;
- adequate access to the site, including competing land uses (such as agriculture and illegal mining);
- unanticipated transportation costs;
- government regulations (including regulations to prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, as well as the costs of protection of the environment and agricultural lands);
- fluctuations in commodity prices and exchange rates; and
- accidents, labour actions and force majeure events.

It is not unusual in new mining operations to experience unexpected problems during the start-up phase, and delays can often occur at the start of production. In the past, the Company has adjusted estimates based on changes to assumptions and actual results.

### **Copper and Other Metals Prices**

The profitability of the Company's current operations is directly related and sensitive to the market price of copper and, to a lesser extent, that of gold. Copper and gold prices fluctuate widely and are affected by numerous factors beyond the Company's control, including global supply and demand, expectations with respect to the rate of inflation, the exchange rates of the United States dollar to other currencies, interest rates, forward selling by producers, central bank sales and purchasers, production and cost levels in major producing regions, global or regional political, economic or financial situations and a number of other factors.

The financial results and exploration, development and mining activities of the Company may in the future be significantly and adversely affected by declines in the price of copper or other minerals. The price of copper or other minerals fluctuates widely and is affected by numerous factors beyond the control of the Company such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, the political and economic conditions and production costs of major mineral producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges. Future production from the Company's mining properties is dependent upon the prices of copper and other minerals being adequate to make these properties economic.

### **Mineral Reserve and Resource Estimates**

The Company's reported mineral reserves and resources are only estimates. No assurance can be given that the estimated mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative. Mineral reserve and resource estimates may require revision (either up or down) based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, changes in the mine plan or pit design, or increasing capital costs may render certain mineral reserves and resources uneconomic and may ultimately result in a restatement of reserves and/or resources. Moreover, short-term operating factors relating to the mineral reserves and resources, such as the need for sequential development of ore bodies and the processing of new or different ore grades, may adversely affect the Company's profitability in any particular accounting period.

The Company uses two different standards in determining its mineral resources and reserves: the JORC Code (Australian Code for Reporting of Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy Institute) or CIM Standards (the "Canadian Institute of Mining, Metallurgy and Petroleum on Mineral Resources and Reserve Definitions and Guidelines").

For a discussion of the differences in resource and reserve reporting standards see *“Presentation of Mineral Reserve and Resource Estimates”*.

Any material reductions in estimates of mineral reserves and/or resources, or the Company’s ability to extract those resources, could have a material adverse effect on the Company’s results or financial condition.

### **No Assurance of Titles or Boundaries**

Title to the Company’s properties may be challenged or impugned, and title insurance is generally not available. The Company’s mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

### **Estimation of Asset Carrying Values**

The Company annually undertakes a detailed review of the life-of-mine plans for its operating properties and an evaluation of the Company’s portfolio of development projects, exploration projects and other assets. The recoverability of the Company’s carrying values of its operating and development properties are assessed by comparing carrying values to estimated future net cash flows from each property.

Factors which may affect carrying values include, but are not limited to: copper, gold, cobalt and sulphuric acid prices; capital cost estimates; mining, processing and other operating costs; grade and metallurgical characteristics of ore; and mine design and timing of production. In the event of a prolonged period of depressed copper prices, the Company may be required to take additional material write-downs of its operating and development properties.

### **Exploration**

Since mines have limited lives based on proven and probable mineral reserves, the Company continually seeks to replace and expand its reserves. Mineral exploration, at both newly acquired properties and existing mining operations, is highly speculative in nature, involves many risks and frequently does not result in the discovery of mineable reserves. There can be no assurance that the Company’s exploration efforts will result in the discovery of significant copper mineralization or that any mineralization discovered will result in an increase of the Company’s proven or probable reserves. If proven or probable reserves are developed, it may take a number of years and substantial expenditures from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. No assurance can be given that the Company’s exploration programs will result in the replacement of current production with new reserves or that the Company’s development program will be able to extend the life of the Company’s existing mines. In the event that new reserves are not developed, the Company will not be able to sustain any mine’s current level of copper beyond the life of its existing reserve estimates.

### **Insurance**

As noted above, the business of mining and mineral exploration is generally subject to a number of risks and hazards including: adverse environmental conditions; industrial accidents; contaminations; labour disputes; unusual or unexpected geological conditions; ground or slope failures; cave-ins; changes in the regulatory environment; and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage to the Company’s properties or the properties of others, delays in mining, monetary losses and possible legal liability. The Company maintains insurance against certain risks that are typical in the mining industry and in amounts that the Company believes to be reasonable, but which may not provide adequate coverage in certain circumstances. However, insurance against certain risks (including certain liabilities for environmental pollution or other hazards as a result of exploration and production) is not generally available to the Company or to other companies in the industry on acceptable terms. Losses resulting from such failure to obtain insurance may result in costs increases and decreased profitability.

## **Health**

HIV, malaria and other diseases are perceived as a serious threat to maintaining a skilled workforce in the Zambian Copperbelt. The per capita incidence of the HIV virus in Zambia is amongst the highest in the world. As such, HIV remains a major healthcare challenge faced by the Company's Zambian and RDC operations. There can be no assurance that the Company will not lose members of its workforce or lose workforce man-hours, which may have a material adverse effect on the Company's operations.

## **Currency**

The Company's revenue from operations is received in United States dollars while a significant portion of its operating expenses are incurred in Zambian Kwacha, Congolese Franc, and Mauritanian Ouguiya. Accordingly, foreign currency fluctuations may adversely affect the Company's financial position and operating results. In certain circumstances the Company engages in foreign currency hedging activities for operational purposes.

## **Effects of Inflation on Results of Operations**

A significant portion of the Company's operations are located in Zambia which has historically experienced relatively high rates of inflation. Since the Company is unable to control the market price at which it sells the minerals it produces (except to the extent that it enters into forward sales contracts), it is possible that significantly higher inflation in the future in Zambia, without a concurrent devaluation of the local currency against the United States dollar or an increase in the price of such minerals, could have a material adverse effect upon the Company's results of operations and financial condition.

## **Key Personnel**

The Company is dependent on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company. The Company currently does not have key person insurance on these individuals.

## **Labour Relations**

Current union agreements at the Company's operations in Zambia are typically one year in duration and are subject to expiration at various times in the future. If the Company is unable to renew union agreements as they become subject to renegotiations from time to time, it could result in work stoppages and other labour disturbances that could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

If unionized employees were to engage in a concerted strike or other work stoppage, or if other employees were to become unionized, the Company could experience a disruption of operations, higher labour costs or both. A lengthy strike or other labour disruption could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

## **Share Price Volatility**

In recent years, the securities markets have experienced a high level of price and volume volatility and the market price of securities of many companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of the Company's securities.

## **Financing**

The Company has been successful at financing its projects and operations over the years. However, the Company's ability to continue its exploration, assessment, development and operational activities will depend on the resource industry generally, which is cyclical in nature, and which may, in turn, affect the Company's ability to attract

financing, including joint venture financing, debt or bank financing, equity financing or production financing arrangements. Failure to obtain, or difficulty or delay in obtaining, requisite financing could result in delay of certain projects or postponement of further exploration, assessment or development of certain properties or projects. Financing through the issuance of equity will result in dilution of existing shareholders.

### **Acquisition Strategy Risk**

The Company is actively pursuing the acquisition of advanced exploration, development and production assets consistent with its acquisition and growth strategy. From time to time, the Company may also acquire securities of, or other interests in, companies with respect to which the Company may enter into acquisitions or other transactions. Acquisition transactions involve inherent risks, including:

- accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates;
- ability to achieve identified and anticipated operating and financial synergies;
- unanticipated costs;
- diversion of management attention from existing business;
- potential loss of our key employees or the key employees of any business that the Company acquires;
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and
- decline in the value of acquired properties, companies or securities.

Any one or more of these factors or other risks could cause the Company not to realize the benefits anticipated to result from the acquisition of properties or companies, and could have a material adverse effect on the Company's ability to grow and on the Company's financial condition.

While the Company continues to seek acquisition opportunities consistent with its acquisition and growth strategy, the Company cannot be certain that it will be able to identify additional suitable acquisition candidates available for sale at reasonable prices, to consummate any acquisition or to integrate any acquired business into its operations successfully. Acquisitions may involve a number of special risks, circumstances or legal liabilities. These and other risks related to acquiring and to operating acquired properties and companies could have a material adverse effect on results of operations and financial condition. In addition, to acquire properties and companies, the Company would use available cash, incur debt, issue common shares or other securities, or a combination of any one or more of these. This could limit the Company's flexibility to raise capital, to operate, explore and develop the Company's properties and to make additional acquisitions, and could further dilute and decrease the trading price of the common shares. When evaluating an acquisition opportunity, the Company cannot be certain that it will have correctly identified and managed the risks and costs inherent in the business that it is acquiring.

From time to time, the Company engages in discussions and activities with respect to possible acquisitions. At any given time, discussions and activities can be in process on a number of initiatives, each at a different stage of development. While at the present time the Company has no binding agreement, the Company is actively pursuing potential acquisitions. The Company can provide no assurance that any potential transaction will be successfully completed, and, if completed, that the business acquired will be successfully integrated into its operations. The Company also cannot provide any assurance that if it issues shares in connection with an acquisition, such share issuance will not be dilutive. If the Company fails to manage its acquisition and growth strategy successfully, it could have a material adverse effect on our business, results of operations and financial condition.

### **Uncertainties Associated with Acquisitions**

Acquisitions by the Company, such as the acquisitions of Adastra and SML, involve the integration of companies that previously operated independently. An important factor in the success of an acquisition is the ability of the acquirer's management in managing its business and that of the acquired company and, if appropriate, integrating all or part of that company's business with that of the acquirer. The integration of the two businesses can result in

unanticipated operational problems and interruptions, expenses and liabilities, the diversion of management attention and the loss of key employees and their knowledge. There can be no assurance that the business integration will be entirely successful or that it will not adversely affect the business, financial condition or operating results of the acquirer and, as a result, the price of its publicly traded securities. In addition, the acquirer may incur charges related to the acquisition of the acquired company and related to integrating the two companies. There can be no assurance that the Company, in the case of Adastra, will not incur additional material charges in the future to reflect additional costs associated with the acquisition or that all of the benefits expected from the acquisition will be realized.

## **CAPITAL STRUCTURE**

The authorized capital of the Company consists of an unlimited number of common shares of which, as at December 31, 2008, 68,750,351 common shares were issued and outstanding. This figure includes common shares purchased and held by an independent trust under the Company's long term incentive plan, further details of which can be found in the Company's financial statements and its management's discussion and analysis for the financial year ended December 31, 2008, each of which is available for review on SEDAR at [www.sedar.com](http://www.sedar.com). The number of fully-diluted common shares outstanding as at December 31, 2008 was 69,419,851 common shares. Each shareholder is entitled to one vote for each common share registered in his or her name, as the case may be, on the list of shareholders. All of the common shares of the Company rank equally as to participation in dividends and in the distribution of our assets on a liquidation, dissolution or winding up, or other distribution of assets for the purpose of winding up the Company's affairs.

## **DIVIDENDS**

The Company implemented its dividend policy in 2005. Under this policy, the Company expects to pay two dividends per year, the first an "interim" dividend declared after the release of second quarter results; the second, a "final" dividend based on year end results. Interim dividends are set at one-third of the total dividends (interim and final) declared on a per common share basis applicable in respect of the previous financial year. Final dividends are determined based on the financial performance of the Company during the previous applicable financial year.

On March 13, 2006, the Company announced that it would pay a final dividend of Cdn\$0.265 per common share to shareholders of record on April 19, 2006. The dividend was paid to shareholders on May 10, 2006. On August 9, 2006, the Company announced that it would pay an interim dividend of Cdn\$0.095 per common share to shareholders of record on August 22, 2006. The dividend was paid to shareholders on September 5, 2006.

On March 14, 2007, the Company announced that it would pay, on May 10, 2007, a final dividend in the amount of Cdn\$0.625 per common share to shareholders of record of the Company as of April 19, 2007. On August 9, 2007, the Company announced that it would pay an interim dividend of Cdn\$0.24 per common share to shareholders of record as of August 29, 2007. The dividend was paid to shareholders on September 19, 2007.

On February 21, 2008, the Company announced that it would pay a final dividend of Cdn\$0.54 per common share to shareholders of record on April 11, 2008. The dividend was paid to shareholders on May 2, 2008. On August 12, 2008, the Company announced that it would pay an interim dividend of Cdn\$0.26 per common share to shareholders of record on August 22, 2008. The dividend was paid to shareholders on September 15, 2008.

## MARKET FOR SECURITIES

### Trading Price and Volume

The common shares of the Company are listed and posted for trading on the TSX under the symbol “FM”. The TSX is the principal exchange on which the common shares of the Company are traded. On April 9, 2001, the common shares were listed for trading on AIM under the symbol “FQM”. On May 19, 2007, the Company’s securities were accepted for trading on the London Stock Exchange. The table shown below presents the high and low sale prices for the common shares and the average trading volumes, on a monthly basis, on the TSX for 2008.

<u>Month</u>	<u>High Cdn\$</u>	<u>Low Cdn\$</u>	<u>Volume</u>
January	86.60	65.82	567,968
February	96.53	74.29	639,480
March	92.25	76.66	585,640
April	95.39	79.02	509,361
May	94	75.35	531,847
June	79.75	65.55	487,743
July	72.91	65.65	424,159
August	75.95	53.16	455,690
September	67	30	637,614
October	39.99	16.38	898,018
November	29	12.75	563,410
December	19.28	13.01	411,210

## DIRECTORS AND OFFICERS

The names and provinces or states and countries of residence of the directors and officers of the Company, positions held by them with the Company, and their principal occupations as at March 6, 2009 are set forth below. Each director is elected to hold office until the next annual meeting of shareholders of the Company or until his successor is elected or appointed.

<u>Name, Residence and Office with the Company</u>	<u>Principal Occupation<sup>(5)</sup></u>	<u>Commencement of Directorship and Expiry<sup>(6)</sup></u>
<b>Philip K. R. Pascall<sup>(4)</sup></b> Western Australia, Australia <i>Chairman, Chief Executive Officer, Director</i>	Chairman and Chief Executive Officer of the Company	June 1996
<b>G. Clive Newall<sup>(4)</sup></b> West Sussex, United Kingdom <i>President, Director</i>	President of the Company	May 1996
<b>Martin R. Rowley</b> Western Australia, Australia <i>Executive Director, Business Development, Director</i>	Executive Director of Business Development of the Company effective January 16, 2007; Chief Financial Officer of the Company from December 1997 to January 2007	March 1997
<b>Rupert Pennant-Rea<sup>(1)(3)(4)</sup></b> London, United Kingdom <i>Director</i>	Chairman, Henderson Group plc; non-executive director of PGI plc, Acuity VCT plc, Acuity VCT 2 plc, Go-Ahead Group plc, Gold Fields Limited	May 2001
<b>Peter St. George<sup>(1)(2)(3)</sup></b> New South Wales, Australia <i>Director</i>	Non-executive director of Boart Longyear Limited	October 2003
<b>Andrew B. Adams<sup>(1)(2)(3)</sup></b> Ontario, Canada <i>Director</i>	Corporate director; non-executive director of Uranium One Inc.	June 2005
<b>Michael Martineau<sup>(2)(3)(4)</sup></b> London, England <i>Director</i>	Director and Deputy Chairman of Axmin Inc.; Director of Golden Star Resources Limited; Chairman of Eurasia Mining Plc	October, 2007
<b>David Moroney</b> Western Australia, Australia <i>Chief Financial Officer</i>	Chief Financial Officer of the Company of the Company since January, 2007; General Manager, Group Business Systems, 2003 to 2006 for Wesfarmers Ltd.; Chief Financial Officer, CSBP Ltd., 2002 to 2003; Deputy Chief Financial Officer, Normandy Mining Ltd., 1999 to 2002	N/A
<b>Christopher Lemon</b> British Columbia, Canada <i>General Counsel and Corporate Secretary</i>	General Counsel and Corporate Secretary of the Company since August, 2007, General Counsel and Corporate Secretary for International Forest Products Inc. from 2005 to 2007; Associate Counsel and Assistant Secretary for Weldwood of Canada Limited	N/A

**Name, Residence and Office with the Company**

**Principal Occupation<sup>(5)</sup>**

**Commencement of Directorship and Expiry<sup>(6)</sup>**

from 2000 to 2005

- (1) Denotes member of Audit Committee.
- (2) Denotes member of Compensation Committee.
- (3) Denotes member of Nominating and Governance Committee.
- (4) Denotes member of Environmental, Health and Safety Committee.
- (5) Includes occupations for preceding five years.
- (6) Each director is elected to hold office until the next annual general meeting of the shareholders of the Company or until his successor is elected or appointed. "N/A" means "not applicable", as the individual is not a director.

**Aggregate Ownership of Securities**

As at December 31, 2008, and to the best of the knowledge of the Company, the current directors and officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 2,150,269 common shares constituting 3.1% of the issued and outstanding common shares of the Company. None of the directors or executive officers of the Company held shares of the Company's subsidiaries except shares required for qualification as a director of a subsidiary or where otherwise required under local law.

**Corporate Cease Trade Orders and Bankruptcies**

Except as set out below, and to the best of the knowledge of the Company, no current director, executive officer or material shareholder of the Company is at the date of the AIF, or within the ten years prior to the date of the AIF has been, a director or executive officer of any issuer that was the subject of a cease trade or similar order or an order that denied the issuer access to any exemptions under securities legislation that was in effect for a period of more than 30 consecutive days that was issued while that person was acting in that capacity or was issued after ceasing to act in that capacity and resulted from an event that occurred while acting in that capacity.

Except as set out below, and to the best of the knowledge of the Company, no current director, executive officer or material shareholder of the Company is at the date of the AIF, or within the ten years prior to the date of the AIF has been, a director or chief executive officer of any issuer that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

Andrew Adams was a director of Tahera Diamond Corporation ("Tahera") until his resignation from the board of Tahera on March 20, 2008. Tahera sought protection under the *Companies' Creditors Arrangement Act* (the "CCAA") in January, 2008 and the court proceedings under the CCAA relating to Tahera, to the best of the knowledge of the Company, are ongoing.

**Penalties or Sanctions**

To the best of the knowledge of the Company, no current director, executive officer or material shareholder of the Company had been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, and been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

**Personal Bankruptcies**

As at the date hereof, and to the best of the knowledge of the Company, no current director, executive officer or material shareholder of the Company had, within the past ten years of the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or its assets.

### **Conflicts of Interest**

Certain directors and officers of the Company are directors, officers and/or shareholders of other private and publicly listed companies, including companies that compete with the Company. To the extent that such other companies may participate in or be affected by ventures involving the Company, these directors and officers of the Company may have conflicting interests. While there is potential for such conflicts to arise, the Board has not received notice from any director or officer of the Company indicating that any material conflict currently exists. Conflicts of interest affecting the directors and officers of the Company will be governed by the *Business Corporations Act* (British Columbia) and other applicable laws. In the event that such a conflict of interest arises at a meeting of the Board, a director who has such a conflict must disclose the nature and extent of his interest and abstain from voting for or against matters concerning the venture. To the best of the knowledge of the Company, no director or executive officer had an existing or potential material conflict of interest with the Company or its material subsidiaries.

### **MATERIAL CONTRACTS**

The Company entered into a Plan of Arrangement and related agreements pursuant to its acquisition of SML (see further details under *Significant Acquisitions*).

All other contracts entered into by the Company during the course of 2008 were in the ordinary course of business for the Company. Such contracts are not material when considered in the context of the Company's business and the industry within which it operates. Certain contracts which have been entered into in the ordinary course of business and which relate to the operations of the Company are described earlier in this AIF.

### **INTERESTS OF EXPERTS**

The following persons prepared or contributed to a report under NI 43-101, referenced earlier in this AIF, during the Company's 2008 financial year:

- (i) G. Clive Newall, President and a director of the Company, in connection with a technical report in respect of Lonshi, dated January 30, 2003, as amended March 26, 2003;
- (ii) Alan J. Stephens, former Vice President, Exploration, of the Company, in connection with a technical report in respect of Lonshi, dated January 30, 2003, as amended March 26, 2003;
- (iii) John Gregory, Group Consultant, Mining, of the Company, in connection with a technical report in respect of Frontier dated December 21, 2006;
- (iv) Ian Thomas, Acting General Manager / Process Consultant for Intermet Engineering Pty Ltd., in connection with a technical report in respect of Frontier dated December 21, 2006;
- (v) Douglas Cooper, Director, D.E. Cooper and Associates, in connection with a technical report in respect of Frontier dated December 21, 2006;
- (vi) Martin Broome, Principal and Managing Director of African Mining Consultants, in connection with a technical report in respect of Frontier dated December 21, 2006;

- (vii) Gayle Hanssen, Director and Geological Consultant with Digital Mining Services, in connection with a technical report in respect of Frontier dated June 9, 2005, and in connection to oxide and sulphide mineral resources in respect of Lonshi as at December 31, 2007, and in connection with the mineral resources at Kolwezi;
- (viii) Anthony R. Cameron, Mining Consultant with A & J Cameron and Associates Ltd., in connection with a technical report in respect of Frontier dated December 21, 2006 and a technical report dated as of February 7, 2005 in connection with Kansanshi. Mr. Cameron also contributed to the previous delineation of mineral reserves at Lonshi and the delineation of the ore reserve estimates at Guelb Moghrein;
- (ix) Christopher Bargmann of Snowden Mining Industry Consultants Ltd, in connection with a technical report in respect of Guelb Moghrein dated March 18, 2008;
- (x) Dr. Simon Charles Dominy of Snowden Mining Industry Consultants Ltd, in connection with a technical report in respect of Guelb Moghrein dated March 18, 2008;
- (xi) Dr. Isobel Clark, of Geostokos Limited, in connection with a technical report in respect of Kolwezi dated as of August 11, 2003;
- (xii) Geoff Clynick, Chief Geologist at Kansanshi, in connection with the Kansanshi Mineral Resource Table provided in this AIF; and
- (xiii) Laurence Morris, Mining Manager at Kansanshi, in connection with the Kansanshi Mineral Reserve Table provided in this AIF.

To the best of the knowledge of the Company, none of the individuals noted above owns in excess of 1% of the common shares of the Company.

The Company's auditors, PricewaterhouseCoopers LLP ("PwC") report that they are independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia.

## **TRANSFER AGENT AND REGISTRAR**

The Company's transfer agent is Computershare Investor Services Inc., which is located at 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia, Canada, V6C 3C9. Our register of transfer is located in Vancouver.

## **AUDIT COMMITTEE DISCLOSURE**

### **Audit Committee - General**

The Audit Committee operates under the guidelines of the Audit Committee Charter which is reproduced later in this AIF. The Audit Committee, among other things, reviews the annual and quarterly financial statements of the Company, oversees the annual audit process, the Company's internal accounting controls and the resolution of issues identified by the Company's auditors, and recommends to the Board the firm of independent auditors to be nominated for appointment by the shareholders at the next annual general meeting. In addition, the Audit Committee meets annually with the Company's auditors both with and without the presence of any other members of the Company's management.

### **Composition of the Audit Committee**

The Audit Committee is comprised of the following three independent directors who are financially literate: Messrs. Adams, Pennant-Rea and St. George. The Chairman of the Audit Committee is Mr. Adams.

### Relevant Education and Experience of the Audit Committee

Mr. Adams obtained his B.Sc (Accounting and Statistics) from Southampton University and then qualified as a chartered accountant in the United Kingdom in 1981. He has over 20 years of financial experience in the mining industry, and served as Chief Financial Officer of Aber Diamond Corporation from 1999 to 2003 and Chief Financial Officer of Anglo Gold North America from 1995 to 1999. He is currently a member of the Audit Committee of Uranium One Inc.

Mr. Pennant-Rea obtained degrees in Economics from Trinity College Dublin and the University of Manchester. Mr. Pennant-Rea was the Chairman of the audit committee of Sherritt International Corporation from 1995 to 2007. He is also a member of the audit committee of Gold Fields Ltd. He has been editor of The Economist and Deputy Governor of the Bank of England.

Mr. St. George qualified as a chartered accountant in South Africa in 1972 and has more than thirty years of experience in the finance industry in mergers and acquisitions and corporate advice. He was Chief Executive Officer of Salomon Smith Barney Australia and Natwest Markets Australia for a combined period of more than six years. Mr. St. George was Chairman of Walter Turnbull, an accountancy and financial services firm, until October 2008 and is a former director of the Sydney Futures Exchange. Mr. St. George obtained a Masters of Business Administration from the University of Cape Town in 1972.

### Principal Accounting Firm Fees

From time to time, PwC also provides advisory and other non-audit services to the Company and certain of its subsidiaries, the details of which are summarized below. As a policy, the Company does not engage its auditors to provide services in connection with internal audit and financial information systems design and implementation. As a matter of policy, all non-audit related services are generally pre-approved by the Audit Committee.

The following table summarizes fees billed by PwC during the last two financial years:

	December 31, 2008	December 31, 2007
Audit Fees	\$498,401	\$648,121
Audit-Related Fees <sup>(1)</sup>	-	447,762
Tax Fees <sup>(2)</sup>	17,644	27,022
All Other Fees	3,539	113,930
<b>Total</b>	<b>\$519,584</b>	<b>\$1,236,836</b>

(1) Includes prospectus related services

(2) Includes tax compliance and tax planning

The Audit Committee considered whether the provision of the above-captioned services was compatible with maintaining auditor independence and determined that such services were fully compatible with the maintenance of the auditor's independence.

### Pre-Approval Policies

The Audit Committee has considered and adopted a pre-approval policy in respect of non-audit services performed by its auditors. The Audit Committee's charter provides that the Audit Committee must approve in advance the provision of non-audit services by the Company's auditors. This is done at the beginning of each financial year.

Under the pre-approval policy of the Company, its auditors are required to prepare a quarterly statement regarding the assignments accepted by them including non-audit services. In addition, the auditors must notify the Chairman of the Audit Committee of any non-audit service the fees for which (i) exceed a pre-determined amount per assignment and (ii) which exceed pre-determined increments thereafter.

**Audit Committee Charter**

The actual text of the Audit Committee's charter is set out in Exhibit "A" to this AIF.

## **ADDITIONAL INFORMATION**

Additional information about the Company may be found on SEDAR at *www.sedar.com*.

Further information, including particulars of directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans is contained in the Company's information circular for its most recent annual meeting of holders of the Company's common shares. Additional financial information is provided in the Company's comparative consolidated financial statements and management's discussion and analysis for its most recently completed financial year, copies of which have been filed with the securities commissions in each Canadian province in which the Company is a reporting issuer and which is available on SEDAR at *www.sedar.com*.

Contact information for the Company is as follows:

First Quantum Minerals Ltd., 8<sup>th</sup> Floor, 543 Granville Street, Vancouver, British Columbia, Canada, V6C 1X8, telephone: (604) 688 – 6577, fax: (604) 688 – 3818, e-mail: [info@fqml.com](mailto:info@fqml.com), website: [www.first-quantum.com](http://www.first-quantum.com).

**EXHIBIT "A"**  
**TO**  
**ANNUAL INFORMATION FORM**  
**DATED MARCH 6, 2009**

**TEXT OF AUDIT COMMITTEE CHARTER**

**AUDIT COMMITTEE CHARTER**

**1. OVERALL PURPOSE / OBJECTIVES**

The audit committee (the "Audit Committee") of the board of directors (the "Board") will provide independent review and oversight of the Company's financial reporting process, the system of internal control and management of financial risks, and the audit process, including the selection, oversight and compensation of the Company's external auditors. The Audit Committee will also assist the Board in fulfilling its responsibilities in reviewing the Company's process for monitoring compliance with laws and regulations and the Company's Employee Code of Conduct. In performing its duties, the Audit Committee will maintain effective working relationships with the Board, management, internal audit and the Company's external auditors and monitor the independence of the external auditors.

To perform his or her role effectively, each Audit Committee member will obtain an understanding of the responsibilities of Audit Committee membership as well as the Company's business, operations and risks.

**2. AUTHORITY**

The Board authorizes the Audit Committee, within the scope of its responsibilities, to seek any information it requires from any employee and from external parties, to retain outside legal or professional counsel and other experts and to ensure the attendance of Company officers at meetings as appropriate.

**3. ORGANIZATION**

**3.1 Membership**

- a) The Audit Committee shall be comprised of at least three directors. Each Audit Committee member shall be an "unrelated director" in accordance with the Corporate Governance Guidelines of the Toronto Stock Exchange and shall be "independent" in accordance with the rules of the relevant Canadian Securities Administrators, as set out in Schedule "A" attached.
- b) All members shall, to the satisfaction of the Board, be financially literate.
- c) The chairman of the Audit Committee (the "Chairman") will be appointed by the Board, and in his or her absence, nominated by the Audit Committee from time to time.
- d) A quorum for any meeting will be two members.
- e) The secretary of the Audit Committee will be appointed by the Chairman.

**3.2 Attendance at Meetings**

- a) The Audit Committee may invite such other persons to its meetings as it deems appropriate.
- b) The external auditors will be present at each quarterly Audit Committee meeting, unless otherwise requested by the Chairman, and are expected to provide comment on the financial statements and their

work in relation to the financial statements and other disclosure documents in accordance with their professional standards. The auditors will also have direct access to the Audit Committee without the need to use management as a conduit.

- c) Meetings shall be held not less than four times a year. Special meetings shall be convened as required. Either auditors or management may request that the Audit Committee convene a meeting if they consider that it is necessary.
- d) The proceedings of all meetings will be minuted.

### **3.3 Role of Chairman**

- a) The Chairman of the Audit Committee shall preside over meetings of the Audit Committee, assist in coordination of the agenda and materials for Audit Committee meetings, co-ordinate the discharge of the Audit Committee's responsibilities under this Charter and provide reports of the Audit Committee to the Board.

## **4. ROLES AND RESPONSIBILITIES**

The Audit Committee will:

- a) Review with the auditors and management the adequacy and effectiveness of the Company's controls over financial reporting;
- b) Make inquiries of management and the auditors to gain an understanding of the current areas of greatest financial risk and whether management is managing these effectively;
- c) Review the confirmation of compliance with the Company's policies on controls over financial reporting;
- d) Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- e) Review any legal matters which could significantly impact the financial statements as reported on by the General Counsel and meet with external counsel whenever deemed appropriate;
- f) Meet with management and the external auditors to review the annual audited and quarterly interim financial statements, including management's discussion and analysis ("MD & A"), as well as earnings press releases, and determine whether they are complete and consistent with the information known to Audit Committee members. Determine whether the external auditors are satisfied the financial statements have been prepared in accordance with generally accepted accounting principles, and, if appropriate, recommend to the Board that the audited annual and quarterly interim financial statements, MD & A and earnings press releases, be included in the Company's securities filings;
- g) Pay particular attention to complex and/or unusual transactions such as those involving derivative instruments and consider the adequacy of disclosure thereof;
- h) Focus on judgmental areas, for example those involving valuation of assets and liabilities and other commitments and contingencies;
- i) Review audit issues related to the Company's material associated and affiliated companies that may have a significant impact on the Company's equity investment;
- j) Assess the fairness of the financial statements and disclosures, and obtain explanations from management on whether:

- i. actual financial results for the period varied significantly from budgeted or projected results;
  - ii. generally accepted accounting principles have been consistently applied;
  - iii. there are any actual or proposed changes in accounting or financial reporting practices; and
  - iv. there are any significant or unusual events or transactions which require disclosure and, if so, consider the adequacy of that disclosure;
- k) Oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;
  - l) Review the external auditors' proposed audit scope and approach and ensure no unjustifiable restriction or limitations have been placed on the scope;
  - m) Review the performance of the auditors;
  - n) Approve any permissible non-audit engagements of the external auditor in accordance with applicable laws and policies;
  - o) Consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Company. The Audit Committee will obtain from the external auditors, on an annual basis, a formal written statement delineating all relationships between the external auditors and the Company which could be seen to bear on the independence of the auditors;
  - p) Set clear hiring policies for employees or former employees of the external auditors;
  - q) Make recommendation to the Board regarding the selection, evaluation, and, if and when appropriate, replacement of the external auditors, subject to approval of shareholders if required by statute;
  - r) Approve the appropriate audit engagement fees for the external auditors;
  - s) Ensure that the external auditors report directly to the Audit Committee and are made accountable to the Board and the Audit Committee;
  - t) Meet separately with the external auditors to discuss any matters that the Audit Committee or external auditors believe should be discussed privately, including the results of the external auditors' review of the adequacy and effectiveness of the company's accounting and financial controls;
  - u) Endeavour to cause the receipt and discussion on a timely basis of any significant findings and recommendations made by the external auditors;
  - v) Obtain regular updates from management and the Company's legal counsel regarding compliance matters, as well as periodic certificates from the Chief Financial Officer as to required statutory payments and bank covenant compliance, and from senior management as to compliance with the Company's Employee Code of Conduct when deemed necessary;
  - w) Ensure that the Board is aware of matters which may significantly impact the financial condition or affairs of the business;
  - x) Prepare and publish an annual Audit Committee report in the Company's annual information form in accordance with the rules of the relevant Canadian Securities Administrators;

- y) Perform other functions as requested by the Board;
- z) If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist the Audit Committee;
- aa) Review and update the Audit Committee Charter and receive approval of such changes from the Board;
- bb) Work with the Board to determine an appropriate annual budget for the Audit Committee and its required activities, including but not limited to, the compensation of the external auditors and any outside counsel or other experts retained by the Audit Committee; and
- cc) Create specific procedures for the receipt, retention and treatment of complaints regarding the Company's accounting, internal accounting controls and auditing matters. These procedures will include, among other things, provisions for the confidential treatment of complaints and anonymity for employees desiring to make submissions.

## SCHEDULE "A"

### National Instrument 52-110 – Audit Committees

#### 1.4 Meaning of Independence

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
  - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
  - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
  - (c) an individual who:
    - (i) is a partner of a firm that is the issuer's internal or external auditor,
    - (ii) is an employee of that firm, or
    - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
  - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
    - (i) is a partner of a firm that is the issuer's internal or external auditor,
    - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
    - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
  - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and
  - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because

- (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
  - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
- (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
  - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
- (a) has previously acted as an interim chief executive officer of the issuer, or
  - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
- (8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

### **1.5 Additional Independence Requirements**

- (1) Despite any determination made under section 1.4, an individual who
- (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
  - (b) is an affiliated entity of the issuer or any of its subsidiary entities,
- is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
- (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
  - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting,

consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

#### **1.6. Meaning of Financial Literacy**

An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

**LAST UPDATED: February 6, 2009**