



**FIRST QUANTUM**  
MINERALS LTD.

**Condensed Interim Consolidated Financial Statements**  
**Third Quarter- September 30, 2020**

(unaudited)

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

# First Quantum Minerals Ltd.

## Interim Consolidated Statements of Earnings (Loss)

(unaudited)

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

		Three months ended September 30		Nine months ended September 30	
	Note	2020	2019	2020	2019
Sales revenues	13	1,402	987	3,598	2,783
Cost of sales	14	(1,056)	(837)	(2,964)	(2,252)
<b>Gross profit</b>		<b>346</b>	<b>150</b>	<b>634</b>	<b>531</b>
Exploration		(3)	(4)	(9)	(12)
General and administrative		(24)	(21)	(70)	(57)
Other expense	17	(62)	(17)	(217)	(57)
<b>Operating profit</b>		<b>257</b>	<b>108</b>	<b>338</b>	<b>405</b>
Finance income		19	10	52	19
Finance costs	15	(198)	(69)	(601)	(80)
Movement in Zambian discount	3c	16	(160)	75	(160)
Loss on redemption of senior notes	8	-	-	(2)	(25)
<b>Earnings (loss) before income taxes</b>		<b>94</b>	<b>(111)</b>	<b>(138)</b>	<b>159</b>
Income tax credit (expense)	16	(62)	33	(109)	(87)
<b>Net earnings (loss)</b>		<b>32</b>	<b>(78)</b>	<b>(247)</b>	<b>72</b>
<b>Net earnings (loss) attributable to:</b>					
Non-controlling interests		3	(5)	(58)	14
Shareholders of the Company	12	29	(73)	(189)	58
<b>Earnings (loss) per share attributable to the shareholders of the Company</b>					
<b>Net earnings (loss) (\$ per share)</b>					
Basic	12	0.04	(0.11)	(0.27)	0.08
Diluted	12	0.04	(0.11)	(0.27)	0.08
<b>Weighted average shares outstanding (000's)</b>					
Basic	12	688,806	688,425	688,342	687,556
Diluted	12	689,407	688,425	688,342	689,393
<b>Total shares issued and outstanding (000's)</b>	11a	<b>689,411</b>	<b>689,401</b>	<b>689,411</b>	<b>689,401</b>

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

# First Quantum Minerals Ltd.

## Interim Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

(expressed in millions of U.S. dollars)

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
<b>Net earnings (loss) for the period</b>	32	(78)	(247)	72
<b>Other comprehensive income (loss)</b>				
<i>Items that have been/may be subsequently reclassified to net earnings (loss):</i>				
Cash flow hedges reclassified to net earnings	(2)	-	(4)	(27)
Movements on unrealized cash flow hedge positions arising during the period	(134)	(32)	(149)	(10)
<i>Items that will not subsequently be reclassified to net earnings (loss):</i>				
Unrealized gain (loss) on investments	1	(1)	(1)	(1)
<b>Total comprehensive income (loss) for the period</b>	(103)	(111)	(401)	34
<b>Total comprehensive income (loss) for the period attributable to:</b>				
Non-controlling interests	3	(5)	(58)	14
Shareholders of the Company	(106)	(106)	(343)	20
<b>Total comprehensive income (loss) for the period</b>	(103)	(111)	(401)	34

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

# First Quantum Minerals Ltd.

## Condensed Interim Consolidated Statements of Cash Flows

(unaudited)

(expressed in millions of U.S. dollars)

		Three months ended September 30		Nine months ended September 30	
	Note	2020	2019	2020	2019
<b>Cash from operating activities</b>					
Net earnings (loss) from operations		32	(78)	(247)	72
Adjustments for					
Depreciation	14	323	225	891	617
Income tax expense (credit)	16	62	(33)	109	87
Net finance expense		179	59	549	61
Movement in Zambian VAT discount		(16)	160	(75)	160
Unrealized foreign exchange loss		47	7	175	45
Loss on redemption of senior notes		-	-	2	25
Other		2	(11)	17	6
		629	329	1,421	1,073
Taxes paid		(46)	(52)	(217)	(193)
Movements in non-cash operating working capital		(131)	(126)	(124)	(391)
Net cash from operating activities of operations		452	151	1,080	489
<b>Cash flows used by investing activities</b>					
Purchase and deposits on property, plant and equipment	5	(138)	(270)	(438)	(1,130)
Interest paid and capitalized to property, plant and equipment	5	-	(101)	-	(388)
Other		6	2	10	14
Net cash used by investing activities of operations		(132)	(369)	(428)	(1,504)
<b>Cash flows from (used by) financing activities</b>					
Net movement in trading facility	8	16	60	(71)	113
Movement in restricted cash		(2)	52	(8)	54
Proceeds from debt	8	-	190	1,813	2,786
Repayments of debt	8	(100)	(372)	(1,496)	(2,219)
Net proceeds from joint venture (KPMC)	7,9b	-	(2)	14	33
Dividends paid to shareholders of the Company		(2)	(2)	(5)	(5)
Early redemption costs on senior notes	8	-	-	-	(14)
Interest paid		(197)	(89)	(489)	(94)
Other		(3)	(15)	(10)	(21)
Net cash from (used by) financing activities of operations		(288)	(178)	(252)	633
<b>Increase (decrease) in cash and cash equivalents and bank overdrafts</b>		32	(396)	400	(382)
<b>Cash and cash equivalents and bank overdrafts – beginning of period</b>		882	802	523	788
Exchange gains (losses) on cash and cash equivalents		1	-	(8)	-
<b>Cash and cash equivalents and bank overdrafts – end of period</b>		915	406	915	406
Cash and cash equivalents and bank overdrafts comprising:					
Cash and cash equivalents		942	939	942	939
Bank overdrafts		(27)	(533)	(27)	(533)

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

# First Quantum Minerals Ltd.

## Interim Consolidated Balance Sheets

(unaudited)

(expressed in millions of U.S. dollars)

	Note	September 30, 2020	December 31, 2019
<b>Assets</b>			(audited)
<b>Current assets</b>			
Cash and cash equivalents		942	1,138
Trade and other receivables	3	504	512
Inventories	4	1,386	1,367
Current portion of other assets	6	135	135
		2,967	3,152
<b>Non-current assets</b>			
Cash and cash equivalents - restricted cash		36	27
Non-current VAT receivable	3b	328	396
Property, plant and equipment	5	19,484	19,972
Goodwill		237	237
Investment in joint venture	7	547	589
Other assets	6	493	374
<b>Total assets</b>		<b>24,092</b>	<b>24,747</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank overdrafts		27	615
Trade and other payables		598	737
Current taxes payable		157	141
Current debt	8	1,774	838
Current portion of provisions and other liabilities	9	317	192
		2,873	2,523
<b>Non-current liabilities</b>			
Debt	8	6,686	7,360
Provisions and other liabilities	9	2,283	2,172
Deferred revenue	10	1,425	1,421
Deferred income tax liabilities		549	609
<b>Total liabilities</b>		<b>13,816</b>	<b>14,085</b>
<b>Equity</b>			
Share capital	11	5,636	5,615
Retained earnings		3,686	3,880
Accumulated other comprehensive loss		(199)	(45)
Total equity attributable to shareholders of the Company		9,123	9,450
Non-controlling interests		1,153	1,212
<b>Total equity</b>		<b>10,276</b>	<b>10,662</b>
<b>Total liabilities and equity</b>		<b>24,092</b>	<b>24,747</b>
Commitments & contingencies	20		

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

# First Quantum Minerals Ltd.

## Interim Consolidated Statements of Changes in Equity

(unaudited)

(expressed in millions of U.S. dollars)

	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total equity attributable to shareholders of the Company	Non-controlling interests	Total Equity
Balance at January 1, 2020	5,615	3,880	(45)	9,450	1,212	10,662
Net earnings (loss)	-	(189)	-	(189)	(58)	(247)
Other comprehensive income (loss)	-	-	(154)	(154)	-	(154)
Total comprehensive income (loss)	-	(189)	(154)	(343)	(58)	(401)
Share-based compensation expense	21	-	-	21	-	21
Dividends	-	(5)	-	(5)	(1)	(6)
Balance at September 30, 2020	5,636	3,686	(199)	9,123	1,153	10,276

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total equity attributable to shareholders of the Company	Non-controlling interests	Total Equity
Balance at January 1, 2019	5,592	3,942	(27)	9,507	1,215	10,722
Net earnings (loss)	-	58	-	58	14	72
Other comprehensive income (loss)	-	-	(38)	(38)	-	(38)
Total comprehensive income (loss)	-	58	(38)	20	14	34
Share-based compensation expense <sup>1</sup>	16	-	-	16	-	16
Dividends	-	(5)	-	(5)	(9)	(14)
Balance at September 30, 2019	5,608	3,995	(65)	9,538	1,220	10,758

<sup>1</sup> Net of capitalized amounts

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

# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

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

### 1 Nature of operations

First Quantum Minerals Ltd. ("First Quantum" or "the Company") is engaged in the production of copper, nickel, gold, silver, zinc and acid, and related activities including exploration and development. The Company has operating mines located in Zambia, Panama, Finland, Turkey, Spain, Australia and Mauritania. The Company is exploring the Haquira copper deposit in Peru and the Taca Taca copper-gold-molybdenum deposit in Argentina.

The Company's shares are publicly listed for trading on the Toronto Stock Exchange and has Depositary Receipts listed on the Lusaka Stock Exchange.

The Company is registered and domiciled in Canada, and its registered office is Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver, BC, Canada, V7X 1L3.

### 2 Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board have been condensed or omitted. The accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied in the preparation of, and disclosed in, the consolidated annual financial statements for the year ended December 31, 2019.

These consolidated interim financial statements have been prepared on a going concern basis. In making the assessment that the Company is a going concern, management has taken into account all available information about the future, which is at least, but is not limited to, twelve months from September 30, 2020.

Following the declaration on March 11, 2020, of a pandemic by the World Health Organisation, the restrictions imposed by governments around the world has had a significant impact on the global economy and commodity prices, which have impacted the Company. Expected credit losses on financial assets remain immaterial at September 30, 2020. Commodity price risk continues to be managed through the Company's hedging program (see note 19).

On July 3, 2020, the Company received notice from the Panama Ministry of Health of the lifting of the previously imposed temporary suspension of labour activities, which resulted in the operation being placed on preservation and safe maintenance in early April. The operation reached full production on the three SAG mill trains on August 8, 2020, slightly ahead of schedule.

All of the Company's other mines continue to operate. The Company has not experienced any significant disruption to supply chains and product shipments since the onset of the COVID-19 pandemic. The Company is working to manage the logistical challenges presented by the closure of trade borders, using alternative routes where feasible. Border restrictions, if ongoing, could result in supply chain delays.

On April 22, 2020, the Company announced the amendment of financial covenants under the senior Term Loan and RCF in response to uncertainty related to COVID-19. The Net Debt to EBITDA ratio was increased and the Debt Service Cover Ratio was decreased, for the remainder of 2020 and 2021. The Company was in compliance with all existing facility covenants as at September 30, 2020. On September 18, 2020, the Company announced the offering and pricing of \$1,500 million principal amount of 6.875% Senior Notes due 2027 at an issue price of 100.00%. The proceeds will be used to partially repay the existing revolving credit facility and redeem in full the Company's outstanding Senior Notes due 2022.

At September 30, 2020, the Company had \$915 million of net unrestricted cash (inclusive of overdrafts), as well as future cash flows in order to meet all current obligations as they become due. The committed senior debt facilities have \$100 million undrawn as at September 30, 2020.

# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

### 3 Trade receivables

#### a) Trade and other receivables

	September 30, 2020	December 31, 2019
Trade receivables	403	369
VAT receivable (current)	13	20
Other receivables	88	123
	504	512

#### b) VAT receivable

	September 30, 2020	December 31, 2019
Kansanshi Mining PLC	174	233
Kalumbila Minerals Limited	139	141
First Quantum Mining and Operations Limited (Zambia)	15	24
VAT receivable from the Company's Zambian operations	328	398
Other	13	18
Total VAT receivable	341	416
Less: current portion, included within trade and other receivables	(13)	(20)
Non-current VAT receivable	328	396

#### c) VAT receivable by the Company's Zambian operations

	September 30, 2020	December 31, 2019
Receivable at date of claim	860	847
Impact of depreciation of Zambian Kwacha against U.S. dollar <sup>1</sup>	(400)	(242)
	460	605
Impact of discounting non-current portion <sup>2</sup>	(132)	(207)
Total VAT receivable from Zambian operations	328	398

#### Consisting:

Current portion, included within trade and other receivables	-	2
Non-current VAT receivable	328	396

<sup>1</sup> The impact of depreciation of the Zambian Kwacha against the U.S. dollar in the nine-month period ended September 30, 2020 on the Company's Zambian operations VAT receivable is included within other expense in the Statement of Earnings.

<sup>2</sup> The movement in VAT discount of \$75 million has been recognized in the Statement of Earnings in the nine-month period ended September 30, 2020, (September 30, 2019: \$160 million), representing the movement in discounting over the expected timeframe to repayment. Discussions with the relevant government authorities are ongoing and management continues to consider that the outstanding VAT claims are fully recoverable.



# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

### d) Aging analysis of VAT receivable for the Company's Zambian operations

	< 1 year	1-3 years	3-5 years	5-8 years	Total
Receivable at date of claim <sup>1</sup>	192	406	36	226	860
Impact of depreciation of Zambian Kwacha against U.S. dollar	(37)	(191)	(21)	(151)	(400)
Non- current VAT due	155	215	15	75	460
Impact of discounting	(40)	(65)	(5)	(22)	(132)
Total VAT receivable from Zambian operations	115	150	10	53	328

The movement in VAT receivable at date of claim is net of offsets received in the nine-month period of \$85 million.

## 4 Inventories

	September 30, 2020	December 31, 2019
Ore in stockpiles	225	267
Work-in-progress	31	27
Finished product	328	284
Total product inventory	584	578
Consumable stores	802	789
	1,386	1,367

## 5 Property, plant and equipment

	Plant and equipment	Capital work- in-progress	Mineral properties and mine development costs		Total
			Operating mines	Development projects	
Net book value, as at January 1, 2020	10,802	851	7,182	1,137	19,972
Additions	-	411	-	-	411
Disposals	(8)	-	-	-	(8)
Transfers between categories	285	(407)	115	7	-
Restoration provision	-	-	8	-	8
Depreciation charge	(660)	-	(239)	-	(899)
Net book value, as at September 30, 2020	10,419	855	7,066	1,144	19,484
Cost	15,610	855	9,194	1,144	26,803
Accumulated depreciation	(5,191)	-	(2,128)	-	(7,319)

# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

	Plant and equipment	Capital work-in-progress	Mineral properties and mine development costs		Total
			Operating mines	Development projects	
Net book value, as at January 1, 2019	4,634	10,125	2,097	2,242	19,098
Change in accounting policy – IFRS 16	20	-	-	-	20
Additions	-	1,274	-	-	1,274
Disposals	(32)	-	-	-	(32)
Impairments	(76)	-	(25)	-	(101)
Transfers between categories	6,897	(11,097)	5,305	(1,105)	-
Restoration provision	-	-	96	-	96
Capitalized interest	-	549	-	-	549
Depreciation charge	(641)	-	(291)	-	(932)
Net book value, as at December 31, 2019	10,802	851	7,182	1,137	19,972
Cost	15,371	851	9,061	1,137	26,420
Accumulated depreciation	(4,569)	-	(1,879)	-	(6,448)

Following declaration of commercial production at Cobre Panama on September 1, 2019, capitalization of qualifying finance costs ceased.

Included within capital work-in-progress and mineral properties – operating mines at September 30, 2020, is an amount of \$693 million related to capitalized deferred stripping costs (December 31, 2019: \$682 million).

## 6 Other assets

	September 30, 2020	December 31, 2019
Prepaid expenses	141	142
KPMC shareholder loan	305	246
Other investments	15	19
Deferred income tax assets	155	93
Derivative instruments (note 19)	12	9
Total other assets	628	509
Less: current portion of other assets	(135)	(135)
	493	374

Included within prepaid expenses is \$28 million (December 31, 2019: \$28 million) in relation to Sentinel which will be recovered through deductions on electricity invoices from ZESCO under the terms of the agreement to transfer powerline ownership.

# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

### 7 Joint venture

On November 8, 2017, the Company completed the purchase of a 50% interest in KPMC from LS-Nikko Copper Inc. KPMC is jointly owned and jointly controlled with Korea Resources Corporation ("KORES") and holds a 20% interest in Cobre Panama. The purchase consideration of \$664 million comprised the acquisition consideration of \$635 million and the reimbursement of cash advances of \$29 million with \$179 million paid on closing. In the nine months ended September 30, 2020 no consideration was paid, with the consideration paid to date being \$464 million. The remaining consideration is payable in two instalments in November 2020 and November 2021. These are presented within trade and other payables and other non-current liabilities respectively (note 9).

A \$547 million investment in the joint venture representing the discounted consideration value and the Company's proportionate share of the loss in KPMC to date is recognized. For the nine-month period ended September 30, 2020, the loss attributable to KPMC was \$82 million (September 30, 2019: \$2 million). The loss in KPMC relates to the 20% equity accounted share of loss reported by MPSA, a subsidiary of the Company. The material assets and liabilities of KPMC are an investment in MPSA of \$277 million, shareholder loans receivable from the Company (note 9b) and shareholder loans payable of \$1,351 million due to the Company and its joint venture partner KORES.

### 8 Debt

		September 30, 2020	December 31, 2019
<b>Drawn debt</b>			
Senior notes:			
First Quantum Minerals Ltd. 7.00% due February 2021	(a)	-	298
First Quantum Minerals Ltd. 7.25% due May 2022	(g)	847	846
First Quantum Minerals Ltd. 7.25% due April 2023	(b)	1,599	1,093
First Quantum Minerals Ltd. 6.50% due March 2024		845	843
First Quantum Minerals Ltd. 7.50% due April 2025	(c)	1,346	1,091
First Quantum Minerals Ltd. 6.875% due March 2026		992	991
First Quantum Minerals Ltd. senior debt facility	(d)(g)	2,355	2,422
Kalumbila term loan	(e)	285	341
Trading facilities		191	262
Equipment financing	(f)	-	11
Total debt		8,460	8,198
Less: current maturities and short term debt		(1,774)	(838)
		6,686	7,360
<b>Undrawn debt</b>			
First Quantum Minerals Ltd. senior debt facility	(d)	100	250
Trading facilities		189	138

#### a) First Quantum Minerals Ltd. 7.00% due February 2021

On January 16, 2020, the Company issued a notice of redemption of the remaining 2021 Notes. The 2021 Notes were redeemed at 100% of the principal amount, plus accrued and unpaid interest to the redemption date on January 31, 2020.

#### b) First Quantum Minerals Ltd. 7.25% due April 2023

On January 13, 2020, the Company issued an additional \$500 million of 7.25% 2023 Notes. These notes were issued under the same indentures as the original Notes and priced at 102.50%.

#### c) First Quantum Minerals Ltd. 7.50% due April 2025

On January 13, 2020, the Company issued an additional \$250 million of 7.50% 2025 Notes. These notes were issued under the same indentures as the original Notes and priced at 103.00%.

# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

### d) First Quantum Minerals Ltd. senior debt facility

The senior debt Facility comprises a \$1.5 billion Term Loan Facility and a \$1.2 billion RCF maturing on December 31, 2022. Interest is charged at LIBOR plus a margin. This margin can change relative to certain financial ratios of the Company.

A scheduled repayment of \$225 million was made in respect of the Term loan facility on June 30, 2020.

### e) Kalumbila term loan

A scheduled repayment of \$57 million was made in respect of the Kalumbila term loan on June 30, 2020.

The full amount outstanding at September 30, 2020 of \$286 million is due within twelve months of the balance sheet date (December 31, 2019: \$343 million).

### f) Equipment financing

In March 2020, the financing arrangement with Caterpillar Financial Services Corporation was fully repaid and cancelled.

### g) Senior notes offering

On September 17, 2020, the Company announced the offering and pricing of \$1,500 million of 6.875% Senior Notes due 2027 at an issue price of 100.00%. Settlement took place on October 1, 2020. On September 18, 2020 the Company issued a notice of redemption of the outstanding Senior Notes due 2022 to be redeemed at par. Proceeds of the new bond were used to partially repay the existing revolving credit facility and redeem in full the Company's outstanding Senior Notes due 2022 on October 19, 2020, the next business day following the redemption date.

## 9 Provisions and other liabilities

### a) Provisions and other liabilities

	September 30, 2020	December 31, 2019
Amount owed to joint venture (note 9b) <sup>1</sup>	1,351	1,238
Restoration provisions	709	699
Derivative instruments (note 19)	156	31
Non-current consideration for acquisition of joint venture <sup>2</sup>	92	82
Leases	31	36
Retirement provisions	40	40
Deferred revenue (note 10)	99	95
Other deferred revenue	24	31
Other	98	112
<b>Total other liabilities</b>	<b>2,600</b>	<b>2,364</b>
Less: current portion	(317)	(192)
	<b>2,283</b>	<b>2,172</b>

<sup>1</sup>The shareholder loan is due from the Company's Cobre Panama operation to KPMC, a 50:50 joint venture between the Company and KORES.

<sup>2</sup>The current portion of the consideration for acquisition of joint venture of \$100 million (December 31, 2019: \$100 million) has been included in trade and other payables.

### b) Amount owed to joint venture

	September 30, 2020	December 31, 2019
<b>Balance at the beginning of the year</b>	<b>1,238</b>	<b>946</b>
Funding provided to MPSA for the development of Cobre Panama	28	190
Interest accrued	85	102
<b>Balance at end of period due to KPMC</b>	<b>1,351</b>	<b>1,238</b>

# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

In September 2013, the Company and KPMC entered into a shareholder loan agreement with Minera Panama S.A ("MPSA") for development of the Cobre Panama project, in which KPMC is a 20% shareholder. Interest is calculated semi-annually at an annual rate of 9%. In November 2017, the Company acquired a 50% interest in KPMC from LS-Nikko Copper Inc. inclusive of the above shareholder loans. The assets and liabilities of KPMC are an investment in MPSA, a subsidiary of the Company, a loan receivable from MPSA, and loans due to shareholders. Interest income and expense earned on these loans are on the same terms.

Following completion of the additional precious metal streaming agreement with Franco Nevada on March 16, 2018, the receipt of \$356 million proceeds by MPSA was used entirely to repay shareholder loans by MPSA to KPMC. Of this \$356 million shareholder loan repayment, \$178 million was received by the Company.

As at September 30, 2020, the accrual for interest payable is \$411 million (December 31, 2019: \$326 million) and is included in the carrying value of the amount owed to the joint venture, as this has been deferred under the loan agreement. Amounts due to KPMC are specifically excluded from the calculation of net debt as defined under the Company's banking covenant ratios.

### 10 Deferred revenue – precious metal stream arrangement

	September 30, 2020	December 31, 2019
<b>Balance at the beginning of the year</b>	1,516	1,490
Accretion of finance costs	49	64
Amortization of gold and silver revenue	(41)	(38)
<b>Balance at the end of the period</b>	1,524	1,516
Less: current portion (included within provisions and other liabilities)	(99)	(95)
<b>Non-current deferred revenue</b>	1,425	1,421

#### Precious metal stream arrangement

The Company, through its subsidiary, MPSA, has a precious metal streaming arrangement with Franco-Nevada. The arrangement comprises two tranches. Under the first phase of deliveries under the first tranche ("Tranche 1") Cobre Panama will supply Franco-Nevada 120 ounces of gold and 1,376 ounces of silver for each 1 million pounds of copper produced, deliverable within 5 days of eligible copper concentrate sales. Under the first phase of deliveries under the second tranche ("Tranche 2") Cobre Panama will supply Franco-Nevada a further 30 ounces of gold and 344 ounces of silver for each 1 million pounds of copper produced, deliverable within 5 days of eligible copper concentrate sales.

Tranche 1 was finalized on October 5, 2015 which provided for \$1 billion of funding to the Cobre Panama project. Under the terms of Tranche 1, Franco-Nevada, through a wholly owned subsidiary, agreed to provide a \$1 billion deposit to be funded on a pro-rata basis of 1:3 with the Company's 80% share of the capital costs of Cobre Panama in excess of \$1 billion. The full Tranche 1 deposit amount has been fully funded to MPSA. Tranche 2 was finalized on March 16, 2018, and \$356 million was received on completion. Proceeds received under the terms of the precious metals streaming arrangement are accounted for as deferred revenue.

The amount of precious metals deliverable under both tranches is indexed to total copper-in-concentrate sold by Cobre Panama. Under the terms of Tranche 1 the ongoing payment of the Fixed Payment Stream is fixed per ounce payments of \$430.91 per oz gold and \$6.46 per oz silver subject to an annual inflation adjustment for the first 1,341,000 ounces of gold and 21,510,000 ounces of silver (approximately the first 20 years of expected deliveries). Thereafter the greater of \$430.91 per oz for gold and \$6.46 per oz for silver, subject to an adjustment for inflation, and one half of the then prevailing market price. Under Tranche 2 the ongoing price per ounce for deliveries is 20% of the spot price for the first 604,000 ounces of gold and 9,618,000 ounces of silver (approximately the first 25 years of production), and thereafter the price per ounce rises to 50% of the spot price of gold and silver.

In all cases, the amount paid is not to exceed the prevailing market price per ounce of gold and silver.

The Company commenced the recognition of delivery obligations under the terms of the arrangement in June 2019 following the first sale of copper concentrate. Deferred revenue will continue to be recognized as revenue over the life of the mine, which is expected to be 35 years. The Company uses refinery-backed credits as the mechanism for satisfying its delivery obligations under the arrangement. In the nine-month period ended September 30, 2020, \$90 million was recognized in cost of sales, in the year ended December 31, 2019, \$44 million.

# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

### 11 Share capital

#### a) Common shares

Authorized

Unlimited common shares without par value

Issued

	Number of shares (000's)
Balance as at December 31, 2019	689,401
Shares issued through dividend reinvestment plan	10
Balance as at September 30, 2020	689,411

On January 6, 2020, the Company announced adoption of a Shareholders Rights Plan. The Shareholders Rights Plan ("the Rights Plan") applies in the event of any person or persons acting in concert having beneficial ownership of 20 per cent or more of the Company's outstanding common shares without having complied with bid provisions under the Rights Plan. In the occurrence of such an event, each outstanding common share has a right attached to it to purchase additional common shares of the Company, at a substantial discount to the then market price.

#### b) Dividends

On February 13, 2020, the Company declared a final dividend of CDN\$0.005 per share, or \$3 million, in respect of the financial year ended December 31, 2019 (February 14, 2019: CDN\$0.005 per share or \$3 million) paid on May 7, 2020 to shareholders of record on April 16, 2020.

On July 28, 2020, the Company declared an interim dividend of CDN\$0.005 per share, in respect of the financial year ended December 31, 2020 (July 29, 2019: CDN\$0.005 per share or \$2 million), paid on September 21, 2020 to shareholders of record on August 28, 2020.

### 12 Earnings (loss) per share

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Basic and diluted earnings (loss) attributable to shareholders of the Company	29	(73)	(189)	58
Basic weighted average number of shares outstanding (000's of shares)	688,806	688,425	688,342	687,556
Effect of potential dilutive securities:				
Treasury shares	601	-	-	1,837
Diluted weighted average number of shares outstanding	689,407	688,425	688,342	689,393
Earnings (loss) per share – basic (expressed in \$ per share)	0.04	(0.11)	(0.27)	0.08
Earnings (loss) per share – diluted (expressed in \$ per share)	0.04	(0.11)	(0.27)	0.08

# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

### 13 Sales revenues

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Copper	1,150	877	3,029	2,483
Gold	158	86	390	210
Nickel	61	-	91	-
Other	33	24	88	90
	1,402	987	3,598	2,783

### 14 Cost of sales

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Costs of production	(740)	(573)	(2,083)	(1,575)
Depreciation	(312)	(249)	(899)	(625)
Movement in inventory	7	(39)	10	(60)
Movement in depreciation in inventory	(11)	24	8	8
	(1,056)	(837)	(2,964)	(2,252)

### 15 Finance costs

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Interest expense on financial liabilities measured at amortized cost	(178)	(194)	(543)	(570)
Precious metal streaming arrangement non-cash interest (note 10)	(16)	(16)	(49)	(48)
Accretion on restoration provision	(4)	(5)	(9)	(11)
Total finance costs	(198)	(215)	(601)	(629)
Less: interest capitalized (note 5)	-	146	-	549
	(198)	(69)	(601)	(80)

### 16 Income tax

A tax expense of \$109 million was recorded for the nine months ended September 30, 2020, (nine months ended September 30, 2019: \$87 million tax expense) reflecting statutory tax rates. The statutory tax rates for the Company's operations range from 20% to 35%. No tax expenses or credits have been recognized with respect to losses incurred for the early repayment of borrowings or corporate sales hedge program.

# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

### 17 Other income (expense)

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Foreign exchange losses <sup>1</sup>	(60)	(12)	(193)	(49)
Change in restoration provision for closed properties	-	1	2	(1)
Share of loss in joint venture (note 7)	(5)	(1)	(41)	(1)
Other income (expenses)	3	(5)	15	(6)
	(62)	(17)	(217)	(57)

<sup>1</sup> The majority of foreign exchange losses are unrealized and arise on translating Zambian Kwacha monetary assets, in particular VAT receivable (see note 3c), at the period end exchange rate.

### 18 Segmented information

The Company's reportable operating segments are individual mine development projects or mine operations. Each of the mines and development projects report information separately to the CEO, the chief operating decision maker.

The Corporate & other segment is responsible for the evaluation and acquisition of new mineral properties, regulatory reporting, treasury and finance and corporate administration. Included in the Corporate & other segment is the Company's metal marketing division which purchases and sells third party material, and the exploration projects.

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

#### *Earnings by segment*

For the three-month period ended September 30, 2020, segmented information for the statement of earnings (loss) is presented as follows:

	Revenue	Cost of sales (excluding depreciation)	Depreciation	Other	Operating profit (loss) <sup>1</sup>	Income tax (expense) credit
Cobre Panama	440	(208)	(117)	(2)	113	-
Kansanshi <sup>2</sup>	423	(208)	(64)	(31)	120	(45)
Sentinel	340	(172)	(58)	(25)	85	(31)
Las Cruces	82	(32)	(56)	(5)	(11)	3
Guelb Moghrein	71	(32)	(9)	(3)	27	(7)
Çayeli	25	(12)	(8)	1	6	(3)
Pyhäsalmi	10	(8)	(1)	(1)	-	1
Ravensthorpe	62	(60)	(10)	(3)	(11)	11
Corporate & other <sup>3</sup>	(51)	(1)	-	(20)	(72)	9
Total	1,402	(733)	(323)	(89)	257	(62)

<sup>1</sup> Operating profit (loss) less net finance costs and taxes equals net earnings (loss) for the period on the consolidated statement of earnings.

<sup>2</sup> Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.

<sup>3</sup> Revenue includes hedge gains and losses recognized on forward copper sales and zero cost collar options and forward nickel sales.



# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

For the three-month period ended September 30, 2019, segmented information for the statement of earnings is presented as follows:

	Revenue	Cost of sales (excluding depreciation)	Depreciation	Other	Operating profit (loss) <sup>1</sup>	Income tax (expense) credit
Cobre Panama	210	(142)	(32)	(1)	35	-
Kansanshi <sup>2</sup>	314	(185)	(55)	(12)	62	11
Sentinel	303	(191)	(72)	(14)	26	17
Las Cruces	61	(34)	(47)	1	(19)	11
Guelb Moghrein	52	(32)	(8)	(5)	7	(4)
Çayeli	13	(8)	(6)	(2)	(3)	(1)
Pyhäsalmi	16	(9)	(4)	1	4	(4)
Ravensthorpe	-	(7)	(1)	-	(8)	3
Corporate & other <sup>3,4</sup>	18	(4)	-	(10)	4	-
<b>Total</b>	<b>987</b>	<b>(612)</b>	<b>(225)</b>	<b>(42)</b>	<b>108</b>	<b>33</b>

<sup>1</sup> Operating profit (loss) less net finance costs and taxes equals net earnings (loss) for the period on the consolidated statement of earnings.

<sup>2</sup> Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.

<sup>3</sup> Cobre Panama was declared to be in commercial production, effective September 1, 2019. Development costs and pre-commercial production operating revenues and costs prior to this date were capitalised.

<sup>4</sup> Revenue includes hedge gains and losses recognized on forward copper sales and zero cost collar options.

For the nine-month period ended September 30, 2020, segmented information for the statement of earnings (loss) is presented as follows:

	Revenue	Cost of sales (excluding depreciation)	Depreciation	Other	Operating profit (loss) <sup>1</sup>	Income tax (expense) credit
Cobre Panama	945	(541)	(293)	(7)	104	-
Kansanshi <sup>2</sup>	1,123	(633)	(187)	(105)	198	(93)
Sentinel	827	(487)	(171)	(80)	89	(33)
Las Cruces	262	(97)	(167)	(1)	(3)	7
Guelb Moghrein	216	(120)	(31)	(5)	60	(15)
Çayeli	46	(27)	(19)	-	-	(13)
Pyhäsalmi	34	(25)	(4)	2	7	(3)
Ravensthorpe	81	(140)	(16)	(4)	(79)	31
Corporate & other <sup>3</sup>	64	(3)	(3)	(96)	(38)	10
<b>Total</b>	<b>3,598</b>	<b>(2,073)</b>	<b>(891)</b>	<b>(296)</b>	<b>338</b>	<b>(109)</b>

<sup>1</sup> Operating profit (loss) less net finance costs and taxes equals net earnings (loss) for the period on the consolidated statement of earnings.

<sup>2</sup> Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.

<sup>3</sup> Revenue includes hedge gains and losses recognized on forward copper sales and zero cost collar options and forward nickel sales.

# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

For the nine-month period ended September 30, 2019, segmented information for the statement of earnings is presented as follows:

	Revenue	Cost of sales (excluding depreciation)	Depreciation	Other	Operating profit (loss) <sup>1</sup>	Income tax (expense) credit
Cobre Panama	210	(142)	(32)	(1)	35	-
Kansanshi <sup>2</sup>	1,086	(606)	(174)	(41)	265	(59)
Sentinel	918	(577)	(190)	(29)	122	(15)
Las Cruces	194	(102)	(137)	(9)	(54)	22
Guelb Moghrein	193	(120)	(37)	(6)	30	(10)
Çayeli	63	(31)	(21)	6	17	(12)
Pyhäsalmi	73	(34)	(20)	3	22	4
Ravensthorpe	-	(16)	(4)	-	(20)	6
Corporate & other <sup>3,4</sup>	46	(7)	(2)	(49)	(12)	(23)
<b>Total</b>	<b>2,783</b>	<b>(1,635)</b>	<b>(617)</b>	<b>(126)</b>	<b>405</b>	<b>(87)</b>

<sup>1</sup> Operating profit (loss) less net finance costs and taxes equals net earnings (loss) for the period on the consolidated statement of earnings.

<sup>2</sup> Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.

<sup>3</sup> Cobre Panama was declared to be in commercial production, effective September 1, 2019. Development costs and pre-commercial production operating revenues and costs prior to this date were capitalised.

<sup>4</sup> Revenue includes hedge gains and losses recognized on forward copper sales and zero cost collar options.

### Balance sheet by segment

Segmented information on balance sheet items is presented as follows:

	September 30, 2020			December 31, 2019		
	Non-current assets <sup>1</sup>	Total assets	Total liabilities	Non-current assets <sup>1</sup>	Total assets	Total liabilities
Cobre Panama <sup>2</sup>	11,937	12,531	3,174	12,006	12,623	3,124
Kansanshi <sup>3</sup>	2,493	3,977	846	2,641	3,939	923
Sentinel	2,963	3,647	558	3,056	3,633	623
Las Cruces	68	193	166	213	848	194
Guelb Moghrein	63	152	48	89	190	50
Çayeli	66	105	32	83	132	28
Pyhäsalmi	9	35	45	11	79	45
Ravensthorpe	714	874	188	710	812	173
Corporate & other <sup>4</sup>	1,494	2,578	8,759	1,427	2,491	8,925
<b>Total</b>	<b>19,807</b>	<b>24,092</b>	<b>13,816</b>	<b>20,236</b>	<b>24,747</b>	<b>14,085</b>

<sup>1</sup> Non-current assets include \$19,484 million of property plant and equipment (December 31, 2019: \$19,972 million) and exclude financial instruments, deferred tax assets, VAT receivable and goodwill.

<sup>2</sup> Cobre Panama is 20% owned by KPMC, a joint venture.

<sup>3</sup> Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity. This segment includes the Kansanshi smelter.

<sup>4</sup> Included within the corporate segment are assets relating to the Haquira project, \$691 million (December 31, 2019: \$689 million), and to the Taca Taca project, \$444 million (December 31, 2019: \$441 million).

# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

### Capital expenditure by segment

Additions to non-current assets other than financial instruments, deferred tax assets and goodwill represent additions to property, plant and equipment, for which capital expenditure is presented as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Cobre Panama	53	156	210	841
Kansanshi	33	49	82	118
Sentinel	35	48	105	122
Las Cruces	-	5	1	19
Guelb Moghrein	2	4	9	6
Çayeli	1	1	3	3
Ravensthorpe	12	1	19	3
Corporate & other	2	6	9	18
Total	138	270	438	1,130

## 19 Financial instruments

The Company classifies its financial assets as amortized cost, FVOCI or FVTPL. Financial liabilities are measured at amortized cost or FVTPL.

The following provides a comparison of carrying and fair values of each classification of financial instrument at September 30, 2020:

	Amortized cost	Fair value through profit or loss	Fair value through OCI	Total
<b>Financial assets</b>				
Trade and other receivables <sup>1</sup>	88	403	-	491
Due from KPMC (note 6)	305	-	-	305
Derivative instruments in designated hedge relationships	-	-	2	2
Other derivative instruments <sup>2</sup>	-	10	-	10
Investments	-	-	15	15
<b>Financial liabilities</b>				
Trade and other payables	598	-	-	598
Derivative instruments in designated hedge relationships	-	-	147	147
Other derivative instruments <sup>2</sup>	-	9	-	9
Leases	31	-	-	31
Liability to joint venture (note 9)	1,351	-	-	1,351
Debt	8,460	-	-	8,460

<sup>1</sup> Commodity products are sold under pricing arrangements where final prices are set at a specified future date based on market commodity prices. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in commodity market prices give rise to an embedded derivative in the accounts receivable related to the provisionally priced sales contracts.

<sup>2</sup> Other derivative instruments related to provisionally priced sales contracts are classified as fair value through profit or loss and recorded at fair value, with changes in fair value recognized as a component of cost of sales.

The following provides a comparison of carrying and fair values of each classification of financial instruments at December 31, 2019, on the same classification basis as above:

# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

	Amortized cost	Fair value through profit or loss	Fair value through OCI	Total
<b>Financial assets</b>				
Trade and other receivables <sup>1</sup>	123	369	-	492
Due from KPMC (note 6)	246	-	-	246
Derivative instruments in designated hedge relationships	-	-	8	8
Other derivative instruments <sup>2</sup>	-	1	-	1
Investments <sup>3</sup>	-	-	19	19
<b>Financial liabilities</b>				
Trade and other payables	737	-	-	737
Other derivative instruments <sup>2</sup>	-	31	-	31
Leases	36	-	-	36
Liability to joint venture (note 9)	1,238	-	-	1,238
Debt	8,198	-	-	8,198

<sup>1</sup> Commodity products are sold under pricing arrangements where final prices are set at a specified future date based on market commodity prices. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in commodity market prices give rise to an embedded derivative in the accounts receivable related to the provisionally priced sales contracts.

<sup>2</sup> Other derivative instruments related to provisionally priced sales contracts are classified as fair value through profit or loss and recorded at fair value, with changes in fair value recognized as a component of cost of sales.

### Fair Values

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs for the asset or liability that are not based on observable market data.

The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at September 30, 2020:

	Level 1	Level 2	Level 3	Total fair value
<b>Financial assets</b>				
Derivative instruments – LME contracts <sup>1</sup>	5	-	-	5
Derivative instruments – OTC contracts <sup>2</sup>	-	7	-	7
Investments <sup>3</sup>	15	-	-	15
<b>Financial liabilities</b>				
Derivative instruments – LME contracts <sup>1</sup>	7	-	-	7
Derivative instruments – OTC contracts <sup>2</sup>	-	149	-	149

<sup>1</sup> Futures for copper, nickel, gold and zinc were purchased on the London Metal Exchange ("LME") and London Bullion Market and have direct quoted prices, therefore these contracts are classified within Level 1 of the fair value hierarchy.

<sup>2</sup> The Company's derivative instruments are valued by the Company's brokers using pricing models based on active market prices. All forward swap contracts held by the Company are OTC and therefore the valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates using inputs which can generally be verified and do not involve significant management judgment. Such instruments are classified within Level 2 of the fair value hierarchy. Derivative assets are included within other assets on the balance sheet and derivative liabilities are included within provisions and other liabilities on the balance sheet.

<sup>3</sup> The Company's investments in marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities is calculated as the quoted market price of the marketable security multiplied by the quantity of shares held by the Company.

# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at December 31, 2019, in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
<b>Financial assets</b>				
Derivative instruments – LME contracts <sup>1</sup>	1	-	-	1
Derivative instruments – OTC contracts <sup>2</sup>	-	8	-	8
Investments <sup>3</sup>	19	-	-	19
<b>Financial liabilities</b>				
Derivative instruments – LME contracts <sup>1</sup>	17	-	-	17
Derivative instruments – OTC contracts <sup>2</sup>	-	14	-	14

<sup>1</sup> Futures for copper, nickel, gold and zinc were purchased on the London Metal Exchange ("LME") and London Bullion Market and have direct quoted prices, therefore these contracts are classified within Level 1 of the fair value hierarchy.

<sup>2</sup> The Company's derivative instruments are valued by the Company's brokers using pricing models based on active market prices. All forward swap contracts held by the Company are OTC and therefore the valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates using inputs which can generally be verified and do not involve significant management judgment. Such instruments are classified within Level 2 of the fair value hierarchy. Derivative assets are included within other assets on the balance sheet and derivative liabilities are included within provisions and other liabilities on the balance sheet.

<sup>3</sup> The Company's investments in marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities is calculated as the quoted market price of the marketable security multiplied by the quantity of shares held by the Company.

### *Derivatives designated as hedged instruments*

The Company has elected to apply hedge accounting with the following contracts expected to be highly effective in offsetting changes in the cash flows of designated future sales. Commodity contracts outstanding as at September 30, 2020, were as follows:

	Open Positions (tonnes/ozs/ litres)	Average Contract price	Closing Market price	Maturities Through
<b>Commodity contracts:</b>				
Copper forward	184,125	\$2.79/lb	\$3.00/lb	December 2021
Copper zero cost collar	185,150	\$2.73/lb-\$2.97lb	\$3.00/lb	December 2021
Nickel forward	4,809	\$6.75/lb	\$6.52/lb	February 2021
Fuel forward	105,715,050	\$0.34/lt	\$0.30/lt	April 2021

# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

### Other derivatives

As at September 30, 2020, the Company had entered into the following derivative contracts for copper, gold, nickel and zinc in order to reduce the effects of fluctuations in metal prices between the time of the shipment of metal from the mine site when the sale is provisionally priced and the date agreed for pricing the final settlement.

Excluding the contracts noted above, as at September 30, 2020, the following derivative positions were outstanding:

	Open Positions (tonnes/ozs)	Average Contract price	Closing Market price	Maturities Through
<b>Embedded derivatives in provisionally priced sales contracts:</b>				
Copper	132,727	\$3.02/lb	\$3.00/lb	January 2021
Gold	40,585	\$1,969/oz	\$1,887/oz	November 2020
Nickel	1,421	\$6.68/lb	\$6.51/lb	November 2020
Zinc	200	\$1.05/lb	\$1.09/lb	November 2020
<b>Commodity contracts:</b>				
Copper	131,825	\$3.02/lb	\$3.00/lb	January 2021
Gold	40,348	\$1,969/oz	\$1,887/oz	November 2020
Nickel	1,422	\$6.68/lb	\$6.51/lb	November 2020
Zinc	200	\$1.05/lb	\$1.09/lb	November 2020

As at December 31, 2019, the following derivative positions were outstanding:

	Open Positions (tonnes/ozs)	Average Contract price	Closing Market price	Maturities Through
<b>Embedded derivatives in provisionally priced sales contracts:</b>				
Copper	119,336	\$2.71/lb	\$2.79/lb	April 2020
Gold	28,333	\$1,502/oz	\$1,523/oz	April 2020
<b>Commodity contracts:</b>				
Copper	119,550	\$2.71/lb	\$2.79/lb	April 2020
Gold	28,336	\$1,502/oz	\$1,523/oz	April 2020

A summary of the fair values of unsettled derivative financial instruments for commodity contracts recorded on the consolidated balance sheet.

	September 30, 2020	December 31, 2019
Commodity contracts:		
Asset position	12	9
Liability position	(156)	(31)

# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

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(expressed in millions of U.S. dollars)

### 20 Commitments & contingencies

#### *Capital commitments*

The Company has committed to \$79 million (December 31, 2019: \$137 million) in capital expenditures.

#### *Other commitments & contingencies*

Due to the size, complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. The Company is routinely subject to audit by tax authorities in the countries in which it operates and has received a number of tax assessments in various locations, including Zambia, which are currently at various stages of progress with the relevant authorities. The outcome of these audits and assessments are uncertain however, the Company is confident of its position on the various matters under review.

In October 2016, the Company, through its subsidiary Kansanshi Holdings Limited, received a Notice of Arbitration from ZCCM International Holdings PLC ("ZCCM") under the Kansanshi Mining PLC ("KMP") Shareholders Agreement. ZCCM is a 20% shareholder in KMP and filed the Notice of Arbitration against Kansanshi Holdings Limited ("KHL"), the 80% shareholder, and against KMP. The Company also received a Statement of Claim filed in the Lusaka High Court naming additional defendants, including the Company, and certain directors and an executive of the named corporate defendants. Aside from the parties, the allegations made in the Notice of Arbitration and the High Court for Zambia were the same. The Company is firmly of the view that the allegations are in their nature inflammatory, vexatious and untrue.

The dispute was stated as a request for a derivative action, requiring ZCCM to obtain permission to proceed in each forum of the Arbitration and the Lusaka High Court. The dispute arose from facts originating in 2007, and concerned the rate of interest paid on select deposits by KMP with the Company. The deposits were primarily retained for planned investment by KMP in Zambia. In particular, KMP deposits were used to fund a major investment program at Kansanshi, including the successful construction and commissioning of the Kansanshi smelter and expansion of the processing plant and mining operations. The entirety of the deposit sums has been paid down from the Company to KMP, with interest. The interest was based on an assessment of an arm's length fair market rate, which is supported by independent third-party analysis. ZCCM disputed that interest rate paid to KMP on the deposits was sufficient.

In July 2019, the Arbitral Tribunal issued a final award in favour of KMP. The parties have reached an agreement on costs, in total exceeding US\$1 million payable by ZCCM, bringing this particular matter to an end.

In parallel, several preliminary procedural applications to dismiss the High Court Action were lodged on behalf of the Company, and other defendants, in the Lusaka High Court. By a decision dated January 25, 2018, the Lusaka High Court used its discretion to rectify ZCCM's procedural errors. The Court granted leave to the Company, FQM Finance, a wholly-owned subsidiary of the Company, and the individual defendants to appeal against this decision and the litigants have agreed to a stay pending the appeal. The appeal hearing took place on November 21, 2018, with submissions made by all parties. The Court of Appeal delivered judgment on January 11, 2019, dismissing the appeal. An appeal to the Supreme Court of Zambia was heard on April 24, 2019, and has been dismissed. The High Court was scheduled to resume hearing two further procedural applications, including whether ZCCM is allowed to maintain the derivative action. However, before these hearings could take place the defendants brought an application requesting dismissal of the case on grounds of abuse of process/ res judicata, on the basis that the action cannot be allowed to continue for risk of producing conflicting judgment from the London arbitration, which has already adjudicated the facts of this particular complaint. ZCCM objected to the defendants' application. ZCCM also tried to bring an application to set aside the registration of the Arbitral award in Zambia. The defendants' resisted this application. Both applications had an oral hearing in October 2019.

# First Quantum Minerals Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

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(expressed in millions of U.S. dollars)

However, after the October 2019 hearing, ZCCM pursued a challenge to the registration of the Arbitral Award on grounds that it was not enforceable because it had complied with the costs payment order of the Arbitral Award. KMP opposed ZCCM's challenge and made submissions to the Registrar that an Arbitration Award is eligible for registration despite compliance with costs orders. On February 13, 2020, the Registrar accepted KMP's position and dismissed ZCCM's challenge to the registration of the Arbitration Award. Accordingly, the Lusaka High Court proceeded to rule on the abuse of process application. By way of a ruling dated March 23, 2020, the Lusaka High Court agreed with KMP's application that the process, if it were to be allowed to continue before it, would risk conflicting judgements and would be res judicata. Accordingly, ZCCM's derivative action case was dismissed, with costs awarded to KMP against ZCCM. On April 6, 2020, ZCCM sought permission to appeal to the Court of Appeal on grounds that the High Court judge erred in fact and in law. KMP objects to the appeal, and the matter remains pending. The Court of Appeal heard the matter on October 14, 2020 for which the parties exchanged written submissions. ZCCM argues that the decision of the High Court was not a decision on the merits for the purposes of res judicata, nor does it bind the other defendants who were not parties to the arbitration. KHL argues that the final Arbitration Award signals that the matter was fully evaluated on the merits in so far as that particular cause of action (the derivative action) is concerned. As to the related defendants, KHL relies on authorities to show that they are the "privies" of the party which partook in the arbitration. The Court of Appeal has reserved judgement, which is expected to be released this quarter.

In addition, on November 11, 2019, Kansanshi Holding Ltd (KHL) filed a UNCITRAL Rules based Request for Arbitration against ZCCM and KMP (as Nominal Respondent) in connection with a Cash Management Services Agreement dated August 19, 2019. KHL seeks a declaration that the CMSA is an arm's length contract. The CMSA provides for cash management services whereby KMP would deposit with the Group's treasury subsidiary certain of its cash balances for management by FQML's treasury function. All cash managed and deposited is callable on demand by KMP and attracts commercial interest rates. Under the shareholder agreement between the Group and ZCCM, related party transactions are required to be on arms' length basis. This arbitration was held virtually in a hearing between October 19 to 23, 2020, and the decision of the arbitral Tribunal has been reserved.

## 21 Post balance sheet events

### *Senior notes offering*

On September 17, 2020, the Company announced the offering and pricing of \$1,500 million of 6.875% Senior Notes due 2027 at an issue price of 100.00%. Settlement took place on October 1, 2020. Proceeds of the new bond were used to partially repay the existing revolving credit facility and redeem in full the Company's outstanding Senior Notes due 2022, on October 19, 2020, the next business day following the redemption date.