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First Quantum Minerals Ltd. (FM.CA)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. This is the conference operator. Welcome to the First Quantum Minerals Limited First Quarter 2025 Results Conference Call. As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. [Operator Instructions]

I would now like to turn the conference over to Bonita To, Director Investor Relations. Please go ahead.

Bonita To

Director-Investor Relations, First Quantum Minerals Ltd.

Thank you, operator, and thank you, everyone for joining us today to discuss our first quarter results. During the call we will be making forward-looking statements. As such, I encourage you to read the cautionary notes that accompany this presentation, our MD&A and the related news release.

As a reminder, the presentation is available on our website and that all dollar references are in US dollars unless otherwise noted.

On today's call are Tristan Pascall, our Chief Executive Officer; Ryan MacWilliam, our Chief Financial Officer; and Rudi Badenhorst, our Chief Operating Officer.

And with that, I will turn the call over to Tristan for opening remarks.

A. Tristan Pascall*Chief Executive Officer & Director, First Quantum Minerals Ltd.*

Thank you, Bonita, and thank you, everybody, for joining us today on our first quarter update. It's been an eventful period since our Q1 results. Uncertainty from shifting trade policy has increased concerns about global growth.

While there is not a material direct impact on our business from the tariffs and we continue to see strong physical demand for copper in the current market, the potentially weaker outlook for global growth reinforces our focus on lean and safe operations and continuous work to strengthen the balance sheet and drive cost and capital disciplines.

Since November 2023, we have taken deliberate and strategic actions to safeguard our business and protect the long-term growth of the company, in a potential scenario of a significant slowdown.

This included a \$500 million copper prepay agreement in February of last year, and we are pleased to announce with our first quarter results that we have supplemented this agreement with another three-year term for an additional \$500 million copper prepay.

During the quarter, we also successfully completed an additional \$1 billion note offering that allowed us to retire a portion of our 2027 notes. We also implemented a copper hedging strategy that we have actively managed for over a year.

Additionally, our meaningful gold production from Kansanshi and Guelb Moghrein will also act as a natural hedge in a potential broad downturn.

Whilst our financial initiatives are important actions in building our resilience, the strength of the company's business has always been with the quality of our assets. This is embedded in the culture of First Quantum, from overseeing construction and expansions right through to lean and safe production.

The company has consistently demonstrated our ability to deliver strong results through our consistent track record in operational excellence and continuous improvement. And we remain on track for 2025 for continued safe productivity in Zambia, to which Rudi will cover in his operational review.

In Panama, the country made progress on social security reform during the first quarter and passed legislation on March 18th. As well, President Mulino made public comments that he will approve the shipment of the copper concentrate and the restart of the power plant, whilst we continue to wait for formal notice [of these approvals with the President's public comments we engage in constructive arbitration discussions with the government's legal counsel.

On April 2nd, the company terminated its ICC arbitration and suspended the FTA arbitration. And we are committed to engaging with the government and the people of Panama on resolution for the Cobre Panamá mine.

In the meantime, the company continues with its public outreach within the country on the benefits of the mine. Cobre Panamá remains an important and strategic resource of copper, which is a critical metal for the renewable energy transition and ongoing upliftment in developing economies.

The mine has always operated in an environmentally and socially responsible manner and has the potential to employ over 5,000 additional Panamanians and create over 40,000 direct and indirect Panamanian jobs.

Cobre Panamá was purchasing approximately \$20 million per week from Panamanian companies and would have provided over \$500 million in taxes per year – in taxes, royalties and social securities to the country.

Since the suspension of operations in November 2023, as ordered by the previous government, the country of Panama has lost over \$750 million in accumulated contributions to government and \$1.5 billion in expenditures with local companies.

I would like to reiterate that the company is committed to a fair and transparent process towards an equitable resolution for Cobre Panamá, the country of Panama and its people.

On to Zambia, whilst the rainy season brought steady rainfall, the reservoir levels at Lake Kariba currently remain at relatively low levels, and a return to normal hydroelectricity power generation will take time.

As such, the company continues to proactively manage supplementary power arrangements and has sufficient import arrangements in place until the end of 2026 to cover 60% of the power needs of our Zambian operations, including the Kansanshi S3 Expansion.

With our first quarter results, I am pleased to share that Mr. Peter Buzzi and Ambassador Brian Nichols have been nominated to to be appointed as Directors at our upcoming at our upcoming Annual General Meeting in May.

Mr. Buzzi brings with him over 25 years in capital markets experience. Whilst Ambassador Nichols previously served as the United States Assistant Secretary of State for Western Hemisphere Affairs, with over 35 years of experience in international relations, crisis management and trade development across Latin America, Africa and Asia.

I would also like to personally thank Andrew Adams and Joanne Warner, who will both be retiring at the AGM.

With that, I would like to hand the call over to Rudi to review the operations.

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

Thank you, Tristan, and thank you, everybody for joining our call today. As Tristan mentioned, we had the seasonal impact of rainy season in Zambia during this quarter and it was pleasing to see that the mitigation work that we conducted over the last few years on de-watering and adding pumping capacity resulted in minimal impact on our operations from the weather.

As well, while the power situation in Zambia remained constrained in the first quarter, the imported power contracts that we initiated last year allowed for minimal power interruptions of both Zambian operations. In addition, given the volatility of the copper price since the end of the quarter, the operational side of the business is focusing on lean and safe, cost efficient operations.

Kansanshi, we produced 47,000 tonnes of copper during the first quarter, a slight decline from the fourth quarter due to lower feed grades as the swap of the mixed and sulphide mills that allowed for higher volumes and grade mixed ore feed in the fourth quarter returned to normal by the end of last year.

Gold production continued to be strong, with nearly 30,000 ounces produced in the first quarter, while the gold production,

Operator: Pardon the interruption. The deteriorating audio quality is making it challenging to understand the presenters. We are going to pause for a moment to switch to the backup line. We will turn the hold music on while we do this. Please resume where you left off, sorry, thank you for your patience.

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

Thank you. Gold production continued to be strong with nearly 30,000 ounces produced in the first quarter, while the gold production, along with the strong gold price, provided a nice tailwind for us during the quarter, copper C1 cash cost of \$1.34 per pound was \$0.13 higher quarter-over-quarter due to lower copper production along with higher smelter costs.

We remain well on track for 2025 production guidance of 160,000 tonnes to 190,000 tonnes of copper and 100,000 ounces to 110,000 ounces of gold. There's a scheduled six-week maintenance shutdown of the smelter in the current quarter.

Over to Sentinel. The operation reported 46,000 tonnes of copper in the first quarter, approximately 10,000 tonnes lower than the previous quarter, while cash costs increased to \$2.55 per pound as a result of the lower production volumes.

During the quarter, monitoring of the ball mills identified early symptoms of fatigue related to weakening of flange balls on the North Shelf. This phenomena is appearing in some mills around the world of similar age by the same manufacturer.

We are working closely with the original equipment manufacturer as well as specialist engineering consultants to minimize the impact of the maintenance for the fatigue. We continue to expect Sentinel to achieve its 2025 production guidance of 200,000 tonnes to 230,000 tonnes.

A four-day full maintenance shutdown of the Sentinel plant is planned in the second quarter of 2025, followed by tailings thickener upgrades in the second half of 2025. There will be a continued focus at Sentinel to increase throughput and to drive lean and safe cost effective operations.

Additionally, grades are expected to be higher in the second half of the year and as such, we expect steady improvement of copper production over the course of the year. For the first quarter of 2025, Enterprise produced 4,600 tonnes of nickel, a 25% increase over the previous quarter due to the ramp up in ore supply to the plant as we mine through the difficult fault zone that impacted the fourth quarter last year.

Grades were lower quarter-over-quarter as a result of a higher proportion of transitional ore. Nickel cash cost of \$4.78 per pound was \$0.16 higher than the previous quarter due to higher freight costs.

2025 production guidance remains unchanged at 15,000 tonnes to 25,000 tonnes of nickel. A four-day full maintenance shutdown of the Enterprise plant is planned in the second quarter of this year. The focus for 2025 will remain on ore quality and grade control through ongoing reverse circulation drilling.

Over to Cobre Panamá, which has been in Preservation and Safe Management since November 2023. Costs in the first quarter were approximately \$13 million per month and expected to remain in this range until formal approval is received for the export of copper concentrate and the restart of the power plant.

Thank you. And I will now hand the call over to Ryan to review the financials.

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Thank you, Rudi. On the market side, copper prices were solid during the quarter on the back of a tight concentrate market. Prices have fallen post-quarter end. US tariff announcements have reduced the outlook for global economic growth.

We expect continued volatility ahead, given the uncertainty around trade policy, but it is pleasing to see the continued strong physical market in China. The LME price averaged \$4.24 per pound during the quarter.

This was up 2% from Q4, albeit materially below the US COMEX benchmark price due to potential tariffs on copper imports into the US.

Quarter-over-quarter revenue was down 5%, which resulted in the 17% fall in EBITDA. The reduction in revenue was driven by lower copper and gold sales, which was somewhat mitigated by higher prices for both metals.

The Q1 net loss attributable to shareholders was \$23 million. On to costs, Copper C1 costs were up 16% to \$1.95 per pound, driven by Sentinel's lower production and stockpile drawdowns along with higher Zambian employee and maintenance costs.

This was partially offset by stronger gold price product sales from Kansanshi, which reduced overall C1 cash costs by \$0.07. Remaining input prices were stable, including Zambian power rates.

On to the balance sheet where we've remained active in our management of liquidity and debt maturities. We were pleased to complete an opportunistic \$1 billion senior unsecured notes offering on the 5th of March.

The timing was driven by both favorable spreads and the high yield market backdrop at the time. The proceeds were used to reduce near-term maturities by \$750 million and enhance liquidity by \$250 million.

This new bond extends our debt maturity profile out to 2033. After the quarter end, we also entered into a supplemental three-year \$500 million prepayment for future copper deliveries at spot market prices with similar terms and a repayment profile to the previous repayment. These combined actions increase our short-term liquidity by about \$750 million.

We continue to explore other initiatives to strengthen our balance sheet, including a potential minority partnership in our Zambian business. Net debt increased in the quarter by \$257 million to \$5.8 billion.

This increase was mainly due to unfavorable working capital movements and capital spend. These working capital movements were driven by higher trade receivables due to late March shipments and the impact of underlying copper price fluctuations on our provisionally priced sales.

We expect this to unwind through quarter two. Liquidity remains strong at \$1.6 billion at quarter end, comprising of \$743 million in cash and \$880 million of undrawn revolver.

We also continue our hedging strategy from last year with a realized gain of \$3 million for the quarter. Since inception in Q2 2024, the total program gain is \$38 million.

More than half of our copper sales are hedged via collars for the rest of 2025 through to June 2026, with an average floor of \$4.14 per pound and cap of \$4.75 per pound. The strategy stabilizes cash flows from a material portion of our production, while we complete S3 and focus on resolution in Panama.

So, in summary, our financial focus is on ensuring strong cost and capital discipline, on continuing to extend our debt maturity profile, on maintaining a strong liquidity position and on benefiting from the hedge book in place. All of which puts us in a solid position to deal with any future volatility.

I'll now hand the call back to Tristan.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thank you, Ryan. Before opening the call for Q&A, I would like to provide an update on the progress of the Kansanshi S3 Expansion project. During the quarter, 20% of major systems at the 25 million tonne per annum concentrator began early commissioning, in parallel with the completion of construction.

The majority of the 33kV distribution network and substations were energized, which allowed for the SAG mill and gearless mill drive to be commissioned.

In addition, water was introduced to the site for the raw water pond and process water tank. Remaining construction work continues with a focus on completing the remaining piping and electrical scope in particular.

By the end of the quarter, the project achieved 83% construction completion, configuration of the plant control system achieved 84% completion, and operational readiness, which includes onboarding and training of the workforce, reached 75% completion.

We continue to make good progress on the S3 Expansion project at Kansanshi and it remains on budget at \$1.25 billion and well on track for completion by mid-year.

In closing, I would like to reiterate our key priorities for this year. Firstly, towards resolving the situation in Panama and we look forward to constructive discussions with the government for a resolution of the situation.

Secondly, along with the actions taken to-date, we will continue with the proactive management of our balance sheet and liquidity position. Thirdly, we will continue our focus on safe and lean productive operational performance.

And finally, the successful delivery of the Kansanshi S3 Expansion project. I remain confident in the outlook for the company. Our financial actions, along with other initiatives forthcoming, have provided the company with meaningful headroom in our balance sheet, and our operations remained steady, reliable and lean.

The startup of the S3 Expansion at Kansanshi is only a few months away and will be a turning point for the company, returning it to a position of free cash flow generation.

Over the last 18 months, the company has become more efficient and focused, and this has prepared us well for any challenge, including those presented to us by the current macroeconomic environment. We will continue to take action proactively, strategically and always with a long-term view.

Thank you. This brings our prepared remarks to an end. Operator, we can open the call for Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the analyst question-and-answer session. Analysts are permitted to ask one question and one follow-up and are welcome to rejoin the queue if they have more. [Operator Instructions] The first question comes from Henrique Marques with Goldman Sachs. Please go ahead.

Henrique Marques

Analyst, Goldman Sachs

Q

Hi. Thank for taking my question. We've heard Panama's President addressing the nation yesterday regarding the mine situation, potential solutions, as well as the timeline to get a solution by the end of the year.

Would be great if you could give us more color on what exactly these options are and if you see this timeline as feasible and if the mine actually reopens by the end of the year, how long should it take to fully ramp up? Thank you.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Thanks, Henrique. Thanks for the question. And also thank you to your team for publishing your explanatory notes on the comments by the President of Panama on Tuesday.

We did see some misunderstandings of the English translations in some newswire. Those have been corrected. But your note was very helpful to understand the President's statement. So, in terms of his statement, President Mulino has been consistent in saying that he will address the issue of the mine following social security.

And I think those comments on Tuesday reinforced that. He did talk about various routes for resolution. At this stage, we think it's too early for us to comment on that, and we certainly welcome the President's comments around that once suspension of arbitration is in place, he would make calls for the parties to engage in dialogue, and certainly we will engage in that dialogue.

But in terms of what the outcome will be, we think it's too early for us to comment on at this point in time. In terms of dates and ramp up, certainly, we would be interested in getting the matter resolved as quickly as possible.

In terms of ramp up, look, our view was, it would take six to nine months to get to around 80% of throughput on the process plant. But to get to 100 million tonnes per annum, that last stage of optimization will be fairly involved and take a further degree of time to get there.

Enrique Marquez

Analyst, Goldman Sachs

Q

Thank you.

Operator: The next question comes from Orest Wowkodaw with Scotiabank. Please go ahead.

Orest Wowkodaw

Analyst, Scotiabank

Q

Hi. Thanks. Just following up on the previous question. Is there any exact timeline at this point where you expect those negotiations to begin on a restart?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Hi, Orest. Thanks for the question. No, not particularly. What we did hear from the President and consistent with his previous comments is that once suspension of arbitration was in place, that he would call for dialogue between the parties.

We're ready for that dialogue. I think it's important to the country of Panama, to the people of Panama that we get on with that. We did put it aside and suspend the arbitrations. We've consistently repeated that arbitration is not our preferred course of action, and to come to resolution would be in the best interest for the benefit of the country.

Orest Wowkodaw

Analyst, Scotiabank

So, as a follow-up, is there anything left for First Quantum to do in terms of meeting the President's request in order to engage in discussions?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

No, not on our side, as far as I'm aware, Orest.

Orest Wowkodaw

Analyst, Scotiabank

Okay. Thank you.

Operator: The next question comes from Matthew Murphy with BMO Capital Markets. Please go ahead.

Matthew Murphy

Analyst, BMO Capital Markets Corp. (Canada)

Hi. Yeah, it kind of feels like things are starting to progress on the Panama front. How does it make you think about the partner and sale options at this point? Is that kind of on hold, and you see how Panama pans out over the next few quarters or is it still a priority to further improve the balance sheet?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thanks, Matthew. I assume you're talking about the Zambia partnership. Ryan, do you want to take that?

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Sure. Hi, Matt. The Zambia partnership is really – discussions are a reflection of our broader strategic desire to work more with partners where there's the right partner that makes sense for us and them. So, we wouldn't tie it specifically to any discussions or progress around Panama.

It's really that broader strategic initiative that catalyze a partner in Ravensthorpe, that catalyze the partner with Rio Tinto La Granja and the fact that Zambia's made really positive strides in recent years to reform its mining sector has attracted interest from different parts of the world.

And we are seeing if that might eventuate into a sensible partnership. At this stage, while the discussions continue, we still have to go through those and see where they get to and if at the end of them there's something that makes sense for us, makes sense for Zambia, and makes sense for a potential partner, and then we'll update in due course.

Matthew Murphy

Analyst, BMO Capital Markets Corp. (Canada)

Q

Okay. And then just as a follow-up, does the gold price make you think about options with your gold exposure to improve the balance sheet.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Yeah, go ahead, Ryan.

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

A

Yeah. Certainly the gold price hitting record high has provided an important tailwind on our costs. We saw a \$0.07 benefit in Q1 relative to Q4 last year in our C1 cost due to that increase in gold price coupled with the strong gold production that's coming out of Kansanshi and increasingly out of Guelb Moghrein with the CIL plant online there.

And yes, I mean, there are a range of financing options available to us. You saw through the course of this quarter, we issued the bond. We've done a copper prepay. There are options around gold. It's gold prepay, gold streams and other tools in the toolbox.

And I think whenever you're sitting with high-quality assets and two strategically important commodities, you're going to have a wide range of options. And that's what we've demonstrated and which we expect will continue to be the case going forward and indeed pleasing to see the strong gold price that we've seen in recent months.

Operator: The next question comes from Ioannis Masvoulas with Morgan Stanley. Please go ahead.

Ioannis Masvoulas

Analyst, Morgan Stanley Securities Ltd.

Q

Yes, hello. Thank you for taking my question. Looking at the developments in Panama, it feels like things are moving in the right direction. But I wanted to ask you, now that you have discontinued the ICC process and suspended the FTA arbitration, what's your legal recourse going forward if things do not progress the way you anticipate?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Hi, Ioannis. Yeah, thank you. So, we've been very willing to do that and to take this course of action to open space for engagement and the suspension of arbitration provides the opportunity for engagement, for dialogue with the government of Panama.

The suspension can be continued through request from both parties. And certainly we would be constructive in that process. But in the long-term, all our legal rights are protected. And ultimately there can be reversion back to arbitration. Again, that's not our preferred outcome. We would seek to get to resolution through engagement.

Ioannis Masvoulas

Analyst, Morgan Stanley Securities Ltd.

Very clear. Thank you.

Q

Operator: The next question comes from Lawson Winder with Bank of America Securities. Please go ahead.

Lawson Winder

Analyst, BofA Securities

Good morning. Thank you very much, operator. And hello, Tristan, Rudi and Ryan. Thank you for today's update. Wanted to ask about Panama as well. And it makes a lot of sense that you've gone ahead and suspended the arbitrations or put one on hold and canceled the other.

The other parties involved have not yet done so. And it seems the government of Panama is willing to engage as long as First Quantum is willing to take those steps. Is that a fair statement or is there still an expectation that the government would like to see some of the other arbitration suspended as well?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Yes. Thanks, Lawson. And look – so I'm speaking only from what we see publicly, public statements, because we can't speak for the government of Panama. But my understanding from the President's comments over the course of the week is that they are looking for those other suspensions.

Certainly from our side, we believe, we've done everything to get ready for – to prepare the ground for that engagement. And certainly we're ready and able for those engagements to take place.

Lawson Winder

Analyst, BofA Securities

Yeah. Your openness to communicate with the government has been, I think, very helpful. I wanted to also just follow-up on the power situation in Zambia. So, 60% imported, I think is the highest that you guys have ever done historically. Is there room to keep moving that up should that situation arise?

And could you maybe also give us some color on where the power is coming from and then how you think about those current options today and how those might potentially increase should that need arise.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thanks, Lawson. Rudi, do you want to take that one?

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

A

Yeah. Hi, Lawson. Thanks for the question. The rainy season in Zambia is lingering somewhat. Just in the last week, we still had 100 millimeters of rain the northwest province. So, the rain is lasting a little bit longer.

We've seen very good river flows in the northern part of the Zambezi. Last week at Chavuma river flowrates of 2,900 cubic metres per second had been recorded, whilst down at Livingstone the flowrate over the same period was 2,200 cubic metres per second. So, there's still quite a lot of water that needs to come down over the next month and a bit into Kariba. And we look, we look forward to see what that does to the lake levels.

However, when we are fully aware that one season is not going to resolve it, we expect to see the emergency power restrictions and obviously then the broad importation of power not seizing until sort of second half of 2026.

As a result of that we deliberately took pre-emptive steps to secure power through third-party imports, other than ZESCO, because ZESCO is importing as well, all the way through to Q1 2027.

And principally that sits at around 60% of our power needs will be then directly imported through third-party providers and the remainder comes from ZESCO.

The contracts that we have in place at the moment for that duration does allow for upside and we're quite comfortable that if there's any need for additional power that we would be able to secure that without too much of an issue.

Power originates mainly as far as our direct imports through providers from South Africa, Mozambique, a little bit from Malawi, there's some interconnectors being finalized from Tanzania, which opens up really a big power source from Ethiopia coming through into Tanzania and Zambia over the next two years.

And along with that, you're well aware of the fact that we've entered into an arrangement with TotalEnergies for 430 megawatts of wind and solar power that comes into effect towards the middle of 2026, all the way through to 2028.

We've secured 100 megawatts of solar power, a base load of 25 megawatts coming into play in the third quarter of this year from within country, situated at Kariba North Bank power station. And we continue to invest into the the grid in Zambia, stabilized voltage and help ZESCO protect the grid against fluctuations from interconnectors to neighboring countries.

Operator: The next question comes from Myles Allsop, UBS. Please go ahead.

Myles Allsop

Great. Thank you. Could you just confirm whether the environmental audit has started yet? I presume it hasn't because I can't see any comments around that. And how long will that take, is the first question.

A. Tristan Pascall

Yeah. Thanks, Myles. So, the status of the environmental audit was that the terms of reference went through public consultation back in February. And we understand now that those terms of reference are in the process of being finalized, the logistics around appointment of the company currently of the company involved, the auditor currently sits with the regulator and we're waiting to hear back in terms of the formal notification around who that is and the timetable for that.

In the meantime, we have had a CODESA audit that is the MiAMBIENTE, the Ministry of Environment's independent audit that came through last month and completed their regular audit of the sites on environmental matters.

Their finding was that Cobre Panamá was 100% compliant on all environmental obligations. We've provided that audit publicly on the website, it's available to see. But in the meantime, yes Myles we're waiting to hear back from the government on the wider audit on environmental.

Myles Allsop

Analyst, UBS AG (London Branch)

Q

And then you mentioned earlier around this ball mill issue potentially at Sentinel. Could you just provide a little bit more detail around that and what the scenarios are? Will this potentially result in extended outage or can it be managed within a normal maintenance schedule?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Sure. Rudi, could you take that one, please?

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

A

Thanks, Myles. The fatigue relates to the bolts on the shell of the mill flanges, not the mill itself. And they mainly relates to the ball mill in train two on the discharge end.

Our condition monitoring team picked it up quite early, so intervention is opportune and we're working with the OEMs and other mill specialists to understand the core reason for the phenomena.

So, in the meantime, however, it's just really frustratingly isolated downtime of the ball mill where the SAG continues to run during this downtime. Thus, tonnes per hour through that specific mill train is just lower for the period the ball mill stands, it's not a complete outage. Going forward we're confident that we'll address the mill bolt issue and we don't foresee an extended downtime on the unit.

Operator: The next question comes from Dalton Baretto with Canaccord Genuity. Please go ahead.

Dalton Baretto

Analyst, Canaccord Genuity Corp.

Q

Thanks, Operator. Good morning, Tristan and team. Just staying in Panama here, Tristan. I understand that for the FTA arbitration, the suspension isn't sort of a permanent thing and that you have to keep renewing it. Can you tell me how often you have to renew it and what you'd need to see from the government of Panama to keep renewing it?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Yes. Thanks, Dalton. So, we're very happy to put aside the arbitration again. It's not our preferred pathway, an outcome we want to be in engagement, and we've given the space for that to happen.

But yes, both parties would need to mutually agree and go back to keep moving forward. And that's up to the parties as we intend to go forward together. We would just need to see constructive progress.

We have every reason to think that's the case and we note the President's comments this week in which he was saying that once all the suspension of arbitrations were in place, that he would be calling for dialogue between the parties. And we look forward to joining that dialogue.

Dalton Baretto

Analyst, Canaccord Genuity Corp.

Q

Great. Thanks, Tristan. And then maybe just as a follow up, one of the things President Mulino was adamant about on Tuesday night was that contract law would not be the pathway forward, just given what's happened. And there may not be a short answer to this, but can you sort of talk about what some of the legal pathways forward could be?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Sure, Dalton, thanks. Yes, the President did make those comments, and I think he's been consistent in saying – he's repeatedly said, any agreement will not relate to a contract law because Law 9 and then Law 406 have not been successful.

They haven't proved to be durable. So, his comment, I'll just point out, he also pointed out the economic impact to the country of the mine closure and that many well-paid jobs have been lost, particularly for young people.

Suppliers have been badly affected and it's affected the country's economic outlook. We believe the President is looking for a solution that would be durable, which has not been the case with the previous contract law approach.

Ultimately, we're in complete agreement. We would be focused on a legal solution that is durable and fair for both parties, for all parties involved, including the people of Panama. But I think, Dalton, at the moment, it's too early to comment on what the potential solutions might look like.

Operator: This concludes the question-and-answer session. I would like to turn the conference back over to Tristan Pascall for any closing remarks. Please go ahead.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thanks, operator. And I'd like to thank everybody for joining the call today, for your interest and time and look forward to speaking to you again at our next update.

Operator: This brings to a close today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.

Disclaimer

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