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First Quantum Minerals Ltd. (FM.CA)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome, everyone, to the First Quantum Minerals Third Quarter 2026 Results Conference Call. As a reminder, today's conference call is being recorded. All lines have been placed in mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] I would now like to turn the call over to Bonita To, Director, Investor Relations and Capital Markets. Please go ahead.

Bonita To

Director-Investor Relations & Capital Markets, First Quantum Minerals Ltd.

Hi. Thank you, operator. And thank you, everyone, for joining us today to discuss our third quarter results. During the call, we will be making forward-looking statements, and 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'll turn the call over to Tristan.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thank you, Bonita. Good morning, everyone, and thank you for joining us today for our third quarter results. It's been an eventful three months since our last call, so I'm pleased to have this opportunity, to provide you an update.

In the third quarter, with the hedge book behind us, we benefited fully from stronger copper prices. This translated into a meaningful improvement in our financial performance and demonstrated the underlining earnings potential of our business, which Ryan will speak to in more detail later in today's call. We also delivered higher production in the quarter, which Rudi will take us through in more detail later.

I would like to start with the October 9 earthquake in Panama. First and foremost, all First Quantum personnel in the country were reported safe. Our thoughts remain with the families and communities affected, particularly in the Penonomé area, where some of the most significant impacts were reported. The earthquake was well within the design parameters of the mine, with no material impacts to site infrastructure or environmental protection systems. And the tailings and water management facilities also remain stable and secure. I want to recognize the Cobre Panamá team for their strong and immediate response to the incident and their dedication in assisting local communities with the provision and delivery of essential supplies as part of the wider relief efforts in the country.

During the third quarter, we made good progress with the stockpile processing program as part of the ongoing environmental stewardship of the mine. We have successfully recommissioned all three processing trains, marking another important step in the program, and our focus has now shifted towards improving reliability and stability.

In other developments in Panama, on September 30, the Interministerial Commission provided its recommendation regarding the future of Cobre Panamá. The report acknowledges that maintaining the site

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indefinitely without a long-term framework is not a sustainable solution, and recommends that the government negotiates with First Quantum to establish a new framework that can address the outstanding arbitration proceedings and provide for a restart to support an orderly, self-financed, long-term closure process, all while complying with the ruling of the Supreme Court of Justice and prioritizing environmental, social, and economic outcomes for Panama.

The report highlighted the findings of the independent environmental audit, which found a high level of compliance, while identifying a limited number of areas for improvement, which we have already commenced addressing. The report also recognizes the significant economic consequences of the shutdown for Panama, from employment and local business activity to export and government revenues, an indicator that economic activity previously generated by the mine cannot be easily replaced by other sectors. Importantly, the commission highlights the severe impact on communities around the mine and recommends that these communities be priority beneficiaries in any future framework with greater local economic participation and tangible investment in community needs.

I would also like to provide some context around the commission's comments on closure. The report recognizes that closure for the site of Cobre Panamá's scale is a complex engineering and environmental undertaking involving ongoing tailings and water management, rehabilitation, stabilization, and long-term monitoring to ensure a high quality outcome for environmental rehabilitation, biodiversity, and local communities.

The report does not describe closure as a single event but as a long-term process that needs to be properly planned, funded, and independently verified. As such, rather than an immediate closure that would place a high burden on the state of Panama, the commission recommends a progressive closure over several decades that would be funded by the mine's own economic activity.

The commission also recommends that the mine's territorial footprint does not expand and be progressively reduced through closure and rehabilitation over the life of the operation. The ministers have explained that the ultimate territorial footprint needs to be smaller than that was agreed under Law 406.

As a reminder, the commission's report expressly states that it is setting out general principles and the mechanisms and other specifics are to be developed through negotiations. We view the report as a positive step forward towards establishing a basis from which formal dialogue can begin. We remain ready to engage constructively with the government of Panama with the objective of a fair and durable solution for all parties, while respecting Panama's sovereignty, ownership of its reserves and resources, democratic institutions, and legal processes.

Thank you. And I will now pass the call to Rudi to discuss our operational results.

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

Thank you, Tristan. Quarter three brought another quarter of production growth, supported by continued strong performance from S3 at Kansanshi and the continued processing of stockpiled ore at Cobre Panamá. Approximately 109,000 tonnes of copper were produced in the third quarter, an increase in total copper production compared to the second quarter.

Copper sales totaled 110,000 tonnes, which was approximately 1,000 tonnes above production, assisted by Cobre Panamá volumes that were carried over from the second quarter. At Kansanshi, copper production in the quarter was approximately 46,000 tonnes, up 2,000 tonnes from the previous quarter due to improved throughput.

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S3 was sustained above design capacity owing to a higher operating time and strong utilization and milling rates. Also at Kansanshi, we actively managed leaching by prioritizing lower acid-consuming material when acid consumption rates were high. This generated 70,000 tonnes of surplus sulfuric acid sales during the third quarter, allowing us to realize additional value from the strong pricing environment which Ryan will discuss.

Copper production guidance for 2026 has been narrowed to between 175,000 tonnes and 185,000 tonnes, and gold production guidance has been lowered to between 95,000 and 105,000 ounces, both reflecting performance to date. While S3 is expected to continue to operate above design capacity, stripping at South East Dome is taking longer than originally planned, which will result in lower grades continuing into the next year. Additionally, the acid sales initiative is expected to continue into 2027, which will also impact copper production.

At Sentinel, copper production was approximately 49,000 tonnes, a decrease of about 1,000 tonnes from the previous quarter, with lower grades more than offsetting improved throughput. The lower grades reflected the areas mined during the quarter, with access to higher grade mining areas delayed due to the lower mining volumes as a result of the midlife overhaul of Rope Shovel 1.

Grades and throughput are expected to improve in the fourth quarter of 2026 as mining progresses with Stage 2 with the reintroduction of Shovel 1, deployment of a new larger hydraulic face shovel in October, and the introduction of the relocated In-Pit Crusher 4 that was out of operation for the entire quarter three. Production guidance at Sentinel for 2026 has been updated to between 190,000 tonnes and 200,000 tonnes of copper to reflect performance to date.

We remain effective in managing the maintenance of bolt fatigue issues and continue to plan for a major upgrade regarding the flange bolt fatigue in Ball Mill 2 in 2027, which will involve replacing a section of the discharge end with a new original equipment manufacturer design, which will provide a permanent engineered solution.

As Tristan noted, good progress has been made on the processing program at Cobre Panamá, which is now transitioning from recommissioning to stable operations. During the quarter, copper production was over 13,000 tonnes and gold production was over 6,000 ounces. Additionally, we resumed concentrate shipments in the third quarter. 33,000 wet metric tonnes of copper concentrate was loaded and shipped in August, demonstrating the restoration of the site's processing and export capabilities.

A second vessel with approximately 39,000 wet metric tonnes was loaded and shipped in September. Processing of stockpiled ore is progressing smoothly. We had 38 million tonnes of stockpiled ore at the beginning of the program with sufficient stockpiles to support processing until mid-2027. We remain on track for guidance for 2026, with copper production from the stockpiles expected to be 30,000 tonnes to 40,000 tonnes and gold production expected to be 10,000 ounces to 15,000 ounces.

Enterprise produced just under 10,000 tonnes of nickel, a 13% decrease from the previous quarter due to lower grades, following stronger grades in the first half of the year. Ore grades are expected to be lower in the fourth quarter, in line with the mine plan. However, mining volumes are expected to increase in the fourth quarter with the arrival of additional contractor equipment, and production guidance for 2026 has increased to between 40,000 tonnes and 45,000 tonnes of contained nickel, following strong performance to date.

Following the expansion of the ore footprint, our operational priority will now focus on rainy season preparation. This includes installation of the in-pit dewatering stage tank and final development of the main pit sump, which is due to be completed before the start of the upcoming wet season. Similarly, with the ROM ore pad nearing capacity, ore feed to the nickel concentrator is well set up for the rainy season.

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Now lastly, looking at Guelb Moghrein, copper production was 1,000 tonnes and gold production was 16,000 ounces, which includes output from reprocessed tailings through the CIL plant and ore stockpiles treated via the flotation circuit. Copper production guidance for 2026 is approximately 7,000 tonnes of copper. However, gold production guidance has increased to 45,000 ounces to 50,000 ounces, following the successful transition to a gold-focused operation.

Thank you. And with that, I will turn the call over to Ryan for the financial review.

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Thank you, Rudi. LME copper prices remained strong in the third quarter, reaching record highs of $6.74 per pound. Market volatility increased in September due to the uncertainty surrounding US tariffs. However, underlying fundamentals remain supportive, with supply constraints compounded by weather disruptions and strikes in Chile.

Our financial performance was strong this quarter. Revenue increased by 37% to $2.1 billion, driven by higher copper prices and increased sales. This revenue included two concentrate shipments from stockpile processing at Cobre Panamá. In Zambia, our integrated smelts production ensures security of acid supply for our SX EW operations and provides additional surplus acid to sell.

Zambian acid prices have increased from $180 per tonne in the first quarter to $460 per tonne in the third quarter. Due to the strong acid pricing environment, we sold 70,000 tonnes of acid in the quarter, which generated $33 million of revenue and provided $0.14 byproduct credit to our copper C1 costs. EBITDA more than doubled quarter-over-quarter to $844 million. This was driven by elevated revenues and the benefit of full exposure to copper prices as we have no further hedges in place.

Turning to costs, excluding Cobre Panamá's stockpile processing, copper C1 costs of $2.40 per pound were $0.08 lower quarter-over-quarter. So this was driven by lower fuel and maintenance costs and increased acid sales. This more than offset the impact of Guelb Moghrein transitioning to a gold operation where the corresponding accounting treatment results in the gold production no longer counting as a byproduct credit.

Including Cobre Panamá, copper C1 costs were $2.59 per pound, up $0.05 quarter-over-quarter. This reflects a $0.13 per pound impact from full quarter of stockpile processing at Cobre Panamá. As expected, we continue to see elevated diesel prices during the quarter, averaging $1.40 per liter, a modest decrease from the Q2 average of $1.59 per liter. With a two- to three-month lag in fuel deliveries, elevated fuel prices will continue flowing through the cost base for the rest of the year.

Turning to guidance, we've updated our copper C1 guidance to $2.50 per pound to $2.65 per pound, incorporating the previously provided sensitivity of $0.25 due to elevated fuel prices and a stronger Zambian kwacha. These inflationary pressures are expected to continue to impact our cost base into the New Year. All-in sustaining cost guidance has increased to $4.10 to $4.25 per pound, primarily reflecting higher royalties associated with stronger copper prices and the impact of lower production volumes.

Enterprise Nickel cost guidance is revised down to $3 to $3.25 per pound due to the strong operational performance at that mine. Finally, total capital expenditure guidance has been narrowed to $1.15 billion to $1.25 billion, reflecting the latest timing assumptions on CapEx. We've previously estimated that stockpile processing at

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Cobre Panamá would cost $250 million. Our latest estimate is $200 million, of which $80 million has already been spent.

On the balance sheet, net debt improved by $98 million to $5.3 billion, with strong EBITDA generation sufficient to cover our planned CapEx, tax, and interest outflows. Our net leverage ratio improved to 2.6 times, marking our lowest level since Q3 2023 before the suspension of production at Cobre Panamá. We remain focused on deleveraging and expect strong copper prices and continued free cash flow generation to further strengthen the balance sheet. Overall, it was another solid quarter, with strong operational performance and higher copper prices underpinning robust margins.

I'll now hand the call back to Tristan.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thank you, Ryan. As I attended the London Metal Week – London Metal Exchange Week two weeks ago, one theme came through very consistently. The world faces a growing scarcity of new copper supply. Despite the near-term macroeconomic and geopolitical volatility out there, in the medium and long term, the world will need more copper to meet growing demand. However, bringing on meaningful new production will be challenging with few large scale, high quality greenfield copper projects in the pipeline due to decades of underinvestment. This constrained supply outlook underscores the optionality and value of First Quantum's Greenfield pipeline and the decades of experience we have in delivering growth.

Based on measured and indicated resources, our portfolio includes two of the world's largest undeveloped greenfield copper projects in Taca Taca and La Granja. At Taca Taca, we continue to work constructively with provincial authorities, with the Mine ESIA approval expected this year following public consultation which has been scheduled for November. We expect water use concession approvals to follow, and we are preparing our reapplication for submission shortly.

At La Granja, the engineering study is well advanced, alongside environmental baseline work, community engagement, and resettlement planning. We continue to advance engineering definition and permitting work while preserving flexibility around the ultimate development approach. A technical report on reserves is expected to be filed in 2027.

We will approach both projects with the same core team that built Sentinel, Cobre Panamá, and most recently the S3 expansion at Kansanshi. Over the last 20 years, this core team has completed $13 billion in capital projects, including two of the world's largest greenfield copper projects by initial throughput capacity. There have been valuable technical and financial lessons learned that will not only guide us in how we design and build these projects, but also how to fund these projects in a disciplined manner. This experience positions us well in the long term to deliver the next generation of large scale projects at the right time.

In the meantime, we have made meaningful progress on our priorities thus far this year, and our near-term focus remains firmly on execution of them. Firstly, a fair and durable resolution for Cobre Panamá. Secondly, safe, reliable, lean, and productive performance at our operations. Thirdly, continued proactive management of our balance sheet to ensure flexibility to invest in the future. And fourthly, de-risking our growth pipeline with the discipline needed to deliver long-term value.

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The improvement we saw in our third quarter results demonstrates the underlying potential of First Quantum's business. We still have work ahead of us, but I remain confident in the business and our ability to execute on our priorities that will progressively unlock optionality and further value.

With that, operator, I'm happy to open the lines for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from the line of Orest Wowkodaw with Scotiabank. Please go ahead.

Orest Wowkodaw
Analyst, Scotiabank

Q

Hi, good morning. A question about Kansanshi. Your disclosure talks about delays in stripping the South East Dome, which I guess has impacted the grade profile for this year. And your release alludes to a knock on impact into 2027. I'm wondering if you can give us more color there. I mean, how long is it behind? Is it three or six months behind? And what can that do – can you give us a sense of the grade impact on the sulphide circuit for 2027?

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

A

Hi, Orest. Thanks for the question. Yeah, so that's right, where we would want to be, we're not quite there. And so we're just headlining that. In terms of this year, we don't see much impact and we – you see that in our guidance. But we are saying that we see that challenge into next year. We'll come back to that. And there's a lot of focus on how that can be achieved and we'll come back to that in our guidance in January, February.

Orest Wowkodaw
Analyst, Scotiabank

Q

But is it – can you give us an indication? Is it three months behind or six months behind? Like we don't have any sense here.

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

A

Yeah. Thanks, Orest. We'll work on that and come back to you. This year, there won't be much impact and we'll come back to it in our guidance next year.

Orest Wowkodaw
Analyst, Scotiabank

Q

Okay. Okay, thanks.

Operator: Our next question comes from the line of Richard Garchitorena with Barclays. Please go ahead.

Richard Garchitorena
Analyst, Barclays Capital, Inc.

Q

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Great. Thank you and congrats on a good quarter. My question is on following the recommendation from the Interministerial Commission, can you walk us through what the next milestones are in terms of the government process? Obviously, the President has to make a decision, but what are the, I guess, commercial, legal, and environmental issues still need to be resolved? And then also, if you – once you – if you do get some go-ahead, what's the current timeline for you to ramp up once you get the approvals?

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

A

Yeah. Thanks for the question. And I think first thing to note is that the recommendations were absolutely in line with moving forward and dealing with the situation of the mine over the long term, and that requires reactivation. So we would look forward to engaging on that in a formal manner. But I think right now, the focus in Panama is in relief efforts around the earthquake. And I think certainly for our team but more broadly in the country, that's really the importance and that's going to take, we believe, some weeks to ensure that everybody that's been affected by the earthquake is in a good position.

I think at the right time, the matter of the mine will come back to focus with government. And in that regard, the next step we see clearly is an announcement following the recommendations, which were to the President, to negotiate. And we expect that to be, okay, well, thank you for the recommendations, and the instruction is to proceed as per the recommendations, and we would look forward to engaging at that time in a formal manner around negotiation.

In terms of what that will provide, yeah, certainly there's three key elements. The legal structure, and I think it's been made clear that we expect to have a different pathway under the constitution and certainly we will be constructive around that. The important side of that is, is there's transparency about what that will be and what it will look like and people understand it well.

Secondly, on the environmental side, following up from the environmental audit and the Supreme Court saying that there needed to be an ESIA update, that that's addressed, and that there's consultation around that process in order to have transparency. And then thirdly, on the commercial terms, and in that side, and you ask around that, it's just too early to say. We will look forward to discussion around that, that we see that there's a need for balance between obviously people in Panama saying there needs to be more tangible benefits locally and the benefits of the mine to come through. But equally, that this is the largest investment in Panama's history and there needs to be recognition of that and preserving the country's reputation as a destination for investment.

So that's broadly across it. And again, we look forward to the announcement at the right time that there will be formal conversation, formal negotiation. And we – certainly from our side at First Quantum, we will engage constructively to find the best result for all stakeholders.

Richard Garchitorena
Analyst, Barclays Capital, Inc.

Q

Great. Thanks for that colour. And then just maybe on the copper costs, obviously it increased from $2.15 and $2.40, it's $2.50 to $2.65. I was wondering if you could bridge how much of that was related to the higher kwacha, the fuel, the higher fuel, and then Cobre Panamá volumes increasing? Sort of maybe break it down for us if you could. Thank you.

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

A

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Thanks. Thanks, Ryan. Can you take that question, please?

Ryan MacWilliam
Chief Financial Officer, First Quantum Minerals Ltd.

A

Sure. So you saw about a $0.13 impact this quarter with Cobre Panamá coming online, but we had noted, our previous guidance already assumed Cobre Panamá included in it. We added that in in Q1. So the $0.25 we've added to the guidance is purely due to cost impacts. As you know, that's diesel and kwacha. The kwacha represents about 20% of our cost base is in kwacha and we've seen that obviously strengthened significantly from just under 30 to just under 20 over the last year. And then similarly on diesel, a big step-up in costs. We're procuring at around $0.80 in Q1. We've now been procuring as high as $1.60 in Q3. And as a result, we've baked that $0.25 in. It's broadly 50-50 impact split between kwacha and diesel.

Operator: Our next question comes from the line of Alain Gabriel with Morgan Stanley. Please go ahead.

Alain Gabriel
Analyst, Morgan Stanley & Co. International Plc

Q

Yes. Thank you for taking my question and good morning and good afternoon, everyone. First question is back to Cobre Panamá. How realistic is it for the discussions to address the three buckets that you've laid out, Tristan, within the next seven- or eight-month timeframe that you have laid out until you fully exhaust the stockpiles? And how would you practically run the operations if the timelines slip by a few months? That's my first question.

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

A

Yeah. Thanks, Alain. Certainly, those three areas are the key focus and we've done a lot of preparation work in regard to that in terms of each of the elements and have a good understanding of the path forward there. We do need to engage and have a clear picture from government as to where their priorities are. But I think coming through the recommendations, we start to see a clear picture. And – but that will take time to get through.

As you say, yes, we can – we feel good about the concrete milestones that have been made and we continue to act in good faith on both sides. So the arbitration was put aside, and certainly, First Quantum has been committing in terms of keeping the asset in good standing in terms of its environmental condition. We were investing sort of $13 million to $15 million a month. And now that we're in the processing phase of the stockpiles, we're able to cover that cost which was important, but ensure that we continue to rehabilitate the site.

On the government side, we've seen clear milestones around the enactment of the preservation and safe management plan, the export of concentrates into restart of the power plant, and then the start and completion of the environmental audit, and now the ministerial recommendations with the stockpiles in process. And yes, we have a timetable around that, but we feel that it's the right thing to do to ensure that people have a good training program ahead of them. So we continue to look at whether it's the right thing to do to bring on the second train in order that people have a good understanding around the mine, the employees, and people are ready, the community is ready. But we'll need to go through that negotiation process. Certainly from our side, it will be constructive in seeking a resolution as soon as possible.

Alain Gabriel
Analyst, Morgan Stanley & Co. International Plc

Q

Thank you. That's clear. And second question is back to Taca Taca as well. You continue to advance the ESIA and the water permits and plan to submit the application on the RIGI as you mentioned. And can you remind

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remind us of the timelines and how rigid are your balance sheet metrics or guardrails that you set in enabling you to sanction the project? And what are your preferences in terms of capitalizing the project when you compare minority stake sales to partnerships Vicuña style or simply outright debt financing?

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

A

Sure, Alain. Well, let me handle the first part and then I'll ask Ryan to take the second part of the question on the financing. So in the milestones, they're very clear. There's four main milestones for us. So firstly, the ESIA, and there will be a public consultation in November. And at this stage, we continue to see the progress of that in due order and we would expect resolution shortly within several months inside this year. And then the second will be the RIGI application. So we've been drafting that to make sure that that's a high quality application. We're conscious of the due date by 8th of July next year, and so we'll be submitting that shortly.

And then thirdly, the financing which you reference and Ryan can speak more on. And then fourthly, when do we get to a decision? And as you point out, we will be fiscally disciplined, economically disciplined around that. We said publicly we'd like to see our net EBITDA ratio fall towards 1. And at this stage, it continues to decrease, and with the strong third quarter is in a very good position right now, but we'll continue to focus on that. And that's important in terms of making sure that the balance sheet's in a good position alongside the financing pathway that we've been developing. Ryan?

Ryan MacWilliam
Chief Financial Officer, First Quantum Minerals Ltd.

A

Yeah. It's pleasing, as just a note, to see the progress on the balance sheet, the 2.6 times net debt to EBITDA in Q3. But to be clear, we still have a way to go. Now, we're going to be disciplined around targeting that region of 1 times net debt to EBITDA before project sanction. In parallel, we'll work on financing options. We've noted that strategically, we're open to partnerships across our asset base as we work more with others, and that includes, we'll explore those options at Taca Taca. It would be a minority stake if we go that route so we can put our project execution capabilities into the asset.

But there are also a variety of other options available to us that we'll explore. The asset has a very strong pipeline of credits, so streaming is one avenue. Project finance is certainly another avenue we're working on. We announced the consultation agreement with IFC earlier this year, which supports project financing, and it's really about giving ourselves a variety of options and then assessing which option is the most attractive from a cost of capital perspective and also a strategic perspective. And that's some of the work ahead of us over the next period in advance of a project sanction.

Operator: Our next question comes from the line of Cody Hayden with Deutsche Bank. Please go ahead.

Cody Hayden
Analyst, Deutsche Bank AG

Q

Yes. Good afternoon and thank you for taking my question. Just going back to Kansanshi very quickly, you're currently processing lower acid consumer material to maximize the acid sales. I was just wondering if you could give us a bit of color on the strategy and the potential for acid production volumes in Q4 and then how this strategy could potentially impact copper production into 2027? Thank you.

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

A

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Sure. Ryan, can you take that question from Cody?

Ryan MacWilliam
Chief Financial Officer, First Quantum Minerals Ltd.
A

Yeah. Cody, as you noted, we've seen a very strong acid market as a result of the situation in the Middle East, prices averaging over $400 in Q3. And as a result, we processed slightly less of the low margin copper, around 1,000 – incremental 1,000 tonnes of copper production that we sacrificed, which resulted in us generating 70,000 tonnes of acid which we sold and which in turn realized $33 million or a $0.15 byproduct credit on our C1 costs.

We expect to continue to sell acid into the Q4 and next year. We've taken a slightly more conservative assumption on our Q4 guidance. We assume sales of around 45,000 tonnes through the balance. But certainly, at any acid price above $200, we'll continue to look to sell excess acid. And so if we see those prices continue into next year that will mean slightly lower copper production. We've seen it have about a 1,000 tonne impact per quarter as we noted in Q3. How much of that we end up realizing or pushing forward on will really be dependent on how the acid market evolves over the next 12 months.

Cody Hayden
Analyst, Deutsche Bank AG
Q

Okay. Thank you.

Operator: Our next question comes from the line of Ian Rossouw with Barclays. Please go ahead.

Ian Rossouw
Analyst, Barclays Capital Securities Ltd.
Q

Thank you. Just another question on Cobre Panamá. You previously mentioned just around the expectations of the, I guess, when you have the decision to restart the operation fully, ramp up to I think you said 80% by within the next six to nine months. Just I guess now that you've commissioned all of the trains, whether you can update us on that. And I think longer-term, you said it's always just – I guess that it will be dependent on whether you can get the full employee sort of complement. And I wanted to just get an update on how that's going.

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

Yeah. Hi, Ian. That remains right. So we – what we've seen, I think as you saw in the decrease in costs, we're saying around the rehabilitation from $250 million down to $200 million. The assets in good condition. It's been well looked after during the periods of shut, and most of the work was in really man hours and painting and welding and reconditioning. And we continue to work our way through the back end of the plants, particularly in columns and the concentrate areas. But at the front end, yes, the three trains were brought into position during the quarter. We largely completed the SAG mill segment change-out on Train 3. And so all of that work does come to bear in terms of performance.

And from here, we do think – we continue to hold to that timeline for ramp-up to the levels that you described, 80% or so in six to nine months. And really, that comes down to the mining side of things. So we have no drill and blast. We're operating around 7 trucks in the circuit, although we've put 18 trucks of the total into service at this stage. So we need to go through all of the trucks and then have all of the operators and train them all up for a full mining operation. And we think that's where the time will be in getting back to – in getting up at six to nine months. And then beyond that, it will take a lot, as it always has done, in getting to full nameplate capacity in terms of optimization of Cobre Panamá, having the screening plant running, all of those elements on the journey towards 100 million tonnes per year.

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Ian Rossouw
Analyst, Barclays Capital Securities Ltd.

Q

Thanks. And then maybe just to follow up on that, I think previously you said $350 million to $500 million sort of including the $250 million, which you've now reduced to $200 million for a full restart. Is that still a relevant number? And how should we think about the spending of that? Is some of that front loaded as you ramp up the material movement?

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

A

Sure. Ryan, do you want to comment on that?

Ryan MacWilliam
Chief Financial Officer, First Quantum Minerals Ltd.

A

Yeah. So Ian, we previously said $250 million for those stockpile restarts and then another $250 million once we get the formal greenlight to move back into operations. As you note, we expect to underspend the first $250 million at around $200 million. But there's no change to our assessment that on the full greenlight, we'll spend another $250 million split between building up working capital, some CapEx, and then the commissioning costs as we move ultimately back into full operations.

Operator: Our next question comes from the line of Matt Murphy with BMO Capital Markets. Please go ahead.

Matthew Murphy
Analyst, BMO Capital Markets Corp. (Canada)

Q

Hi. Can I try another one on production outlook on Sentinel? Have you – what work have you done in terms of understanding how long the Ball Mill will be down for next year, and is that captured in the guide already?

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

A

Thanks, Matt. Rudi, can you take that question?

Rudi Badenhorst
Chief Operating Officer, First Quantum Minerals Ltd.

A

No problem, Tristan. Hi, Matt. Hope you're doing well. Yes, the replacement on Ball Mill 2 in Train 2 is scheduled towards the middle part of next year. It is part of our plan and the budget is part of guidance already. It's important to note that, although the estimate for replacement of that section of the back end of Ball Mill 2 will take between 30 days and 40 days, it is not a full stoppage of the Train 2 at Sentinel. SAG mill will continue to run with the entire Train 1 milling circuit.

So it's just a reduction, a slight reduction on throughput as a result of not having that Ball Mill available. But it does not really impact on our overall production guidance for next year. We're well advanced in setting up for that. We're just waiting for the last remaining bits to be delivered to site and then we'll get cracking.

Matthew Murphy
Analyst, BMO Capital Markets Corp. (Canada)

Q

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Got it. Okay. Thank you for that, Rudi. And then also just one on the Zambian kwacha for cost implications. I guess we've seen it weakening a bit from the highs early in Q3. So I don't know what your crystal ball says on Zambian kwacha into next year. Is that something you would hedge or do you have any views on whether it's going to potentially be a tailwind next year?

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

A

Sure, Matt. Ryan, do you want to take that question with your crystal ball?

Ryan MacWilliam
Chief Financial Officer, First Quantum Minerals Ltd.

A

Yeah, I'd say crystal balls on global exchange rates are normally pretty foggy, Matt, so I would hesitate to predict the Zambian kwacha. I mean, what we see is in the more risk-off market that you've seen over the last quarter globally, you've seen that hit emerging markets' currencies and the Zambian kwacha certainly hasn't been spared in that regard. It does provide a slight tailwind on our costs through the quarter, but it's too early to say. I mean, as we think about our planning, we plan at around somewhere between $18 to $20 kwacha to the dollar. And we don't foresee any step change on that over the next year.

But certainly, we will monitor that and we don't look at hedging. I'd say the kwacha market, one, is not a very liquid market to hedge. And secondly, we're always very cautious on hedging exchange rates in general given you can then be squeezed if you don't hedge the top line. So at this stage, we're pleased to be unhedged across both our revenue lines and our cost inputs. And it's our expectation we will continue to be that way into the New Year.

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

A

I'd just add, Matt that we've seen the outcome of the election and I think that the market recognizes the continuity that's there. And so far, what we're hearing in terms of the projection around appointment of ministers and so on is a good level of continuity. So we continue to see Zambia being a good destination for investments and that underlines the strength of kwacha, as well, as the points around Ryan's making. And overall, we see that as very positive for the country. We see that the performance that's been there will continue on, and we're certainly leaning into that in terms of the next period of time.

Operator: Our next question comes from the line of Myles Allsop with UBS. Please go ahead. Myles Allsop, your line is now open.

Myles Allsop
Analyst, UBS AG (London Branch)

Q

Oops! Sorry about that. I was on mute. Yeah, just going back to the Interministerial report, what did you find the most surprising in that report? Obviously, the share price reacted pretty aggressively. And then just maybe you could clarify in terms of how long were you originally expecting Panama to operate for? Was it 25 years or longer? And the footprint as well, of the current footprint, how much has been moved versus untouched if that becomes an issue in terms of constraining production in the future? That's the first question.

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

A

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Thanks, Myles. So yeah, certainly, what we saw in the recommendations were the establishment of the conditions for a long-term closure and that involved reactivation of the mine. And central to that is negotiation to resolve the arbitration, but also to ensure that the people around the mine, and the recommendations noted very clearly that those around the mine had been most impacted, to ensure the continued strong stewardship of the environment. And so all of those need to come to bear.

In terms of the surprises on the day, certainly there was a lot of activity. But it's a reminder to sort of read the document rather than react to headlines or to post headlines at the front end. Certainly we saw a lot of machine trading kick in as it triggered stop losses and so on, on not much volume. There was a big movement. But again, the clear, written down, clear elements of the recommendations were fairly straightforward. And for us, clearly continue the pathway to resolve this matter in a constructive way, and we continue to work on that. And then, sorry, Myles, the second part of – the first part of your question, what was that?

Myles Allsop
Analyst, UBS AG (London Branch)
Q

Just around how long were you planning originally for Cobre Panamá to operate for? And the footprint that's been disturbed by the mine so far, if you're constrained by not being allowed to use the full lease?

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

Sure. Look, we'll just need to clarify that further in the negotiations. We note that comment in the recommendations and it's part of what we'll have to understand and discuss with government.

Myles Allsop
Analyst, UBS AG (London Branch)
Q

Okay. How long was Cobre Panamá originally planned to operate for? Is it 25 years or – I mean, the resource, I presume, would last a lot longer?

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

Yeah. So the original ESIA, which was for the three main pits and then with the reserves and resources around there was around 32 years. But then at the higher throughputs rates, it came back a little bit. That's the order of magnitude of the previous basis of approval. Looking into the future, it's obviously prospective around the area but they weren't in the original ESIA approval.

Operator: Our next question comes from the line of Anita Soni with CIBC. Please go ahead.

Anita Soni
Analyst, CIBC World Markets, Inc.
Q

Hi. Thanks for taking my question. Just to follow on with that, just to clarify, so the commission has recommended that the – it's just what was included in the original ESIA approval, right? You can't go out past that? Like say the mine life is now 25 years and no extensions?

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

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No, no. Anita, hi, thanks for the question. No, the recommendation didn't give a timeline. I just gave a worked example. And I think we're speculating here around timeline as to what will be involved. It did recognize that the resolution would take time and to reactivate, and we'll need to get into a negotiation to understand how that works.

Anita Soni
Analyst, CIBC World Markets, Inc.

Q

So there's still some optionality for further phases besides what's included in the ESIA?

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

A

The ministry had said pretty clearly that the ultimate footprint needs to be smaller than that that was agreed in under Law 406. And we'll need to see what that is as we engage in conversation and negotiation.

Anita Soni
Analyst, CIBC World Markets, Inc.

Q

Okay. And so my actual question was just have you engaged with Franco-Nevada at this point and what their stance is given the commission's recommendations? I would have thought that they were probably – were looking for some further upside in this – in their original investment in Cobre Panamá. So I'm just wondering if you've had any discussions with them post the commission's recommendation?

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

A

Thanks, Anita. Yeah, Franco-Nevada are an important part of it in resolving the matter. They're part of the capital markets investment into Panama alongside our partner KOMIR. And all of that is how the overall global capital markets have put the money into the investment for Cobre Panamá. And all of them – all of us – have a key role in resolving the matter constructively going forward.

Operator: And our next question comes from the line of Chris LaFemina with Jefferies. Please go ahead.

Christopher LaFemina
Analyst, Jefferies LLC

Q

Hi. Thanks, guys. Yeah, just another question, sorry, on Panama. This idea of operating the mine to fund or self-fund the long-term closure, I mean, I guess that's kind of true for all mines around the world, but I'm wondering if there's anything specific that we should take away from that. Does is it imply that you'll have to keep like restricted cash in the country to fund the closure? I mean, obviously, this is something you're still going to be negotiating with the government, but what could that mean in terms of how you ensure funding without Panama having to commit any capital along the way, restricted cash or investments in Panama or something or just do not know yet?

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

A

Thanks, Chris. I mean, the headline here is I think we're comparing it to – if there was a walk away today, what the liability would be and how the state of Panama would address that. But Ryan, could you just answer any further detail there?

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Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

A

Yeah. Chris, there are obviously a variety of ways in which that could be achieved through guarantees or closure funds or cash reserves. The principle outlined is that the closure needs to be responsibly funded and that funding needs to be protected for. In terms of which mechanics the government will look to put in place to achieve that, we will have to wait for that detail when we get into those negotiations and we'll approach those negotiations constructively because we, too, are aligned with the government that we want to see responsible provisions for closure in due course.

Christopher LaFemina

Analyst, Jefferies LLC

Q

That makes sense. Thanks. And then secondly on Cobre as well. The – Tristan, you mentioned earlier the earthquake, which is obviously a priority for the government now. And I'm just wondering what sort of delays around negotiations that could imply? I mean, I remember it was last year when Social Security reform was a priority for the government and they would get to the mine after that. And now we're in the process of hopefully getting the mine back online pretty soon and then the earthquake unfortunately happens. Are we thinking about – I think you might have mentioned weeks rather than months for delays around that, but how should we think about that? Thank you.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Thanks, Chris. Yeah, look, it did have a significant impact. Thankfully, no large loss of life in Panama, but it has affected – so we had 19 employees that we're supporting whose families – who lost their homes. And so it's certainly had an impact, particularly in Penonomé seems to be one of the areas most affected. And ensuring that those people have relief is correctly the right focus of the government right now. And there's a lot of effort going into that and that's important. But then we see that the matter of the mine will come back. I think the holiday season in November in Panama around the public holidays for independence are probably a key element in that timeline, and we'll just see which side of that it comes down to.

Operator: Thank you. That concludes our Q&A session. I will now turn the call back over to Tristan Pascall for closing remarks.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thank you, operator, and thank you, everybody, for your time and for joining us today. I hope you enjoy the rest of your day. Thank you.

Operator: Ladies and gentlemen, this concludes today's conference call. We thank you for your participation. You may now disconnect.

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