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First Quantum Minerals Ltd. (FM.CA)

Q3 2024 Earnings Call

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A. Tristan Pascall

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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 Third Quarter 2024 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, Gaylene. And thank you, everyone, for joining us today to discuss our third 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 Pascal

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thank you, Bonita. And thank you, everybody, for joining us today for our third quarter updates. It is pleasing to report strong operational performance from the Zambian operations during the quarter to which Rudi will cover in his remarks.

Over the last several quarters, the work by the teams at site have placed us in today's position to deliver on the upper end of the copper production guidance range and the lower end of the cost guidance that we provided earlier this year.

While the Zambian operations had a successful quarter with production, it is with deep regret that we announced the death of a colleague at Kansanshi towards the end of the quarter. The health and safety of our colleagues across the business is our top priority. This includes providing all necessary support for both our employees and their families during this difficult time.

I would like to extend my deepest sympathies to the family and friends impacted by this tragedy.

In Zambia, the country continued to experience power restrictions during the quarter. However, our teams at Kansanshi and Trident were quick to respond with operational adjustments to mitigate the impact of these restrictions, resulting in minimal disruptions to copper production.

In the near-term, with existing contracts covering approximately 50% of our power needs through to April 30, 2025, we expect to have sufficient power to avoid operational interruptions in the remaining quarter of the year. These agreements include options for extension, providing flexibility in our power sourcing strategy.

We continue to be proactive in our power management efforts, recognizing the importance of power stability not just for the mining sector, but also for Zambia's broader civil society. And as such, we are working constructively with the government to develop long-term solutions that support both industry and the country's energy security.

Our efforts reflect our broader commitment to Zambia's economic and energy stability, ensuring that essential services and industries remain operational whilst mitigating the impact of power shortages.

In the medium-term, the company is in advanced discussions to receive offtake from three independent power producers for solar and natural gas projects that will add nearly 800 megawatts in country power generating capacity.

These projects are scheduled to come online in 2025 and will ensure that we can secure sufficient power for the commissioning and ramp-up of the S3 Expansion at Kansanshi.

In addition, the company is looking at direct offtake arrangements with independent renewable power producers that are expected to be commissioned in 2027 and 2028. That will add an additional 480 megawatts of power generation capacity.

With regards to longer-term solutions, we remain supportive of the commitments made by the country to ensure future energy resilience. On this front, we are actively collaborating with ZESCO on critical projects aimed at

expanding and stabilizing the national grid, including installation of Static VAR Compensator in the North Western Province.

Staying in Zambia, the 2025 national budget was presented on September 27 by the Minister of Finance and National Planning. The Minister reaffirmed his commitment to maintain stable and predictable tax policies to encourage investment and, as such, there were no significant changes to the mining tax regime.

Over to Panama, we continue interactions with various levels of government, stakeholder and community groups in the country. We have not yet met with the new president who has made public statements that the issue of the Cobre Panamá mine will only be addressed in early 2025.

In the meantime, we continue to work on the approval of the Preservation and Safe Management Program. The plan was submitted on August 27, along with a formal presentation to the Ministry of Commerce and Industries on September 25. But the plan is still pending government approval and, therefore, aspects of the plan have not yet been implemented by the company.

At Cobre Panamá, however, maintaining the integrity of the site remains of utmost importance to the company and Rudi will review the maintenance works that we continue with there.

In parallel with the work at site the company has also embarked on a comprehensive program of public outreach to provide transparent information regarding the mine to the Panamanian people.

As part of the program, we have presented at universities, schools and several public events. The publication of our virtual tour online has attracted a significant number of visitors curious to further understand the role of responsible mining in Panama. And we continue to engage closely with our key stakeholders, including our workforce, local communities and suppliers.

With regards to arbitration, ICC arbitration continues to be the most advanced, with a final hearing scheduled for September 2025. Under the FTA arbitration, the company has three years from the date of Panama's breaches of the FTA to file its arbitration claim.

We continue to maintain the position that arbitration is not our preferred outcome, and we remain committed to dialogue with the new government and to be – being part of the solution for the country and the people of Panama.

Along with our third quarter results, the company announced the appointment of Mrs. Montalvo and Mr. Xia to the board of directors. I'm pleased to welcome both to the board, both of whom bring several decades of industry experience with them and with Juanita's experience in social affairs in Latin America and Africa and Kevin's deep knowledge of the copper markets.

With that, I will conclude the opening remarks and pass the call to Rudi to review our operational results.

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

Thank you, Tristan. And thank you, everybody, for joining our call. It is pleasing to share with you today the strong operational performance during the third quarter, despite the power challenges in Zambia. I would like to thank the teams in Zambia for their proactive and decisive actions and power management that allowed copper production to continue virtually uninterrupted for the last several quarters.

Total copper production for the third quarter was 116,000 tonnes, a 13% increase over the second quarter. The improved volumes also resulted in a 9% quarter-over-quarter decline in C1 cash costs to average \$1.57 per pound.

With a strong production year-to-date, we have increased our copper production guidance for the year to between 400,000 tonnes and 420,000 tonnes.

Kansanshi had a solid quarter, recording its highest quarterly production in copper since 2021 and in gold since 2022. Copper production totaled nearly 50,000 tonnes in the third quarter, an improvement of well over 8,000 tonnes from the second quarter as mining from Main 15 and Main 17 cutbacks allowed access to higher grades.

In addition, we maximized mixed tonnes at higher grade through the mills by swapping the mixed and sulphide milling circuits during the third quarter, and this will continue for the larger part of the fourth quarter.

As such, we have increased our copper production guidance above our previous guidance range to between 135,000 tonnes and 165,000 tonnes. As I noted earlier, gold production at Kansanshi was also strong in the third quarter at 32,000 ounces.

This has allowed us to also increase our gold production guidance above the previous guidance range to between 90,000 ounces and 100,000 ounces for Kansanshi and 120,000 ounces to 135,000 ounces at the group level.

Sentinel reported copper production of 58,000 tonnes in the third quarter, approximately 4,800 tonnes higher than the previous quarter as throughput continued to improve. The higher throughput was driven by improved fragmentation of ore and better performance of the in-pit crushers.

Mining performance and throughput is expected to further improve over the remainder of the year, with the ongoing development of the Stage 3 Western cut-back, which will increase the availability of softer ore.

As such we continue to expect copper production to be within our guidance range, albeit at the bottom end of the range at 220,000 tonnes to 250,000 tonnes.

Enterprise had its first full quarter of commercial production, producing 4,800 tonnes of nickel. At the end of September, the nickel plant was turned off for nine days in order to prioritize power for the copper circuit.

However, the nickel plant resumed normal operations in October and production guidance remains unchanged at 17,000 tonnes to 20,000 tonnes of contained nickel.

At Cobre Panamá the operations remained under the phase of preservation and safe management throughout the quarter. The inspection frequency of the process plant has increased from 28 to 56 days. However, startup frequency of the equipment remains unchanged at 14 days.

All the major, ultra-class mobile equipment is in a maintenance cycle that adheres to the original equipment manufacturers long-term storage recommendations and includes periodic inspections as well as scheduled startups.

The costs for the P&SM program in quarter three were approximately \$13 million per month and are expected to be in the range of \$11 million to \$13 million per month for the remainder of the year. I wish to thank all our employees of Cobre Panamá and their continued commitment to the operation and maintaining the mine area to the highest environmental standards.

As Tristan noted earlier, we had a tragic accident during the quarter. The death of our colleague was profoundly felt by the team at Kansanshi and across our company. We continue to support the family and we are committed to applying the lessons learned from the investigations as we seek to ensure the safety of all our colleagues.

Thank you. 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, the copper price was strong early in the quarter, supported by the weaker US dollar and lower interest rates. Prices then pulled back on concerns around Chinese growth, reaching a low of \$3.91 in early August.

While prices increased steadily late in the quarter following the announcement of Chinese stimulus measures, overall Q3 realized copper prices were 2% lower than Q2.

Despite the slightly lower copper price, revenue and EBITDA increased by 4% and 55%, respectively, on the back of the strong operational performance that Rudi described and the resulting higher copper sales and increased gold volumes.

Q3 net earnings attributable to shareholders also improved to \$108 million, returning to a positive position for the first time since Cobre Panamá entered Preservation and Safe Management.

On to costs. C1 costs improved by 9% to a \$1.57 per pound. This improvement was due to higher production across all sites, coupled with lower fuel costs from decreased fuel prices and improved burn rate.

As Rudi and Tristan mentioned, our Zambian electricity costs have increased because of the power shortages and the resulting higher third-party imports. The cost impact of this has been mitigated by strong gold by-product credits during the quarter, results of both strong gold production and strong gold prices, with the gold price averaging \$2,400 per ounce during the quarter.

Additionally, the reduction in inflation that has played out globally in recent months has resulted in some of our input costs tracking favorably compared to the assumptions used in our initial C1 cash cost guidance. We're, therefore narrowing the top end of our cost guidance by \$0.10 with our revised full year guidance range of \$1.80 to \$1.95 per pound.

In order to prudently manage the balance sheet through the construction of S3, we've maintained the hedging approach that we described on our Q2 call. We now have roughly 43% of our copper hedged in the form of zero cost collars through to the end of 2025.

Some of our hedges that we previously put in place roll off during the quarter, resulting in a realized hedge gain of \$21 million. We've continued to add new collars during the quarter with average floor and cap of \$4.07 and \$4.78 per pound, respectively.

This takes our current total hedge position to 245,000 tons of collars with an average floor on cap of \$4.18 to \$5.01 per pound.

Net debt increased this quarter by \$154 million to \$5.6 billion. This was driven by capital expenditure on S3 and increased working capital levels. This increase in working capital was predominantly a result of sales made towards the end of the quarter. And cash only being received for these sales after the quarter end.

Liquidity remained strong at \$1.5 billion, comprising of \$693 million in cash and \$830 million of undrawn revolver. It was also pleasing to successfully complete the amendment and extension of the Trident facility on October 15, with repayments now commencing in 2026 out to 2028. This frees up \$425 million in liquidity in the coming year while we focus on delivering S3.

We also continue to review the merits of a sale of CLC and a minority investment into our Zambian business. This is consistent with our broader strategy where we're open to partnerships in Zambia and across the group as it creates strategic value for our business and host countries. As these discussions are currently underway, we'll not be making further comments in this regard.

That concludes the finance section. I'll now hand the call back to Tristan.

A. Tristan Pascal

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thank you, Ryan. Before handing the call over for Q&A, I'm excited to share with you the progress that has been made at the Kansanshi S3 Expansion since our last update.

During the quarter, the team at site completed the assembly of the SAG and ball mills and installation of the gearless mill drives have commenced.

System configuration of the plant control system has been completed for the primary circuit and work is now focused on ancillary systems and services. In our presentation deck you will see other areas of progress, including installation of the flotation cells, erection of the pebble conveyors and the primary crusher, all of which remains on schedule.

The focus on site has now shifted to bulk piping and electrical installation works. Commissioning activities have started in the 33kv distribution substation, which is scheduled to be energized in the fourth quarter. The plant simulator is now on site and operator training is expected to start imminently.

We expect that all required equipment will be onsite by the end of November. We have been focused on supplementing manning levels, bringing in the additional manpower that will be needed for the installation of equipment over the coming months as we commission S3.

Our operational readiness team is in place at Kansanshi and already working with our project team to facilitate a smooth ramp-up on completion of the construction phase. There is a lot of activity on site and we are on track for first production in the second half of 2025.

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

QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] Our first question is from Orest Wowkodaw with Scotiabank. Please go ahead.

Orest Wowkodaw

Analyst, Scotiabank

Q

Hi. Good morning. It sounds promising that could be a pathway to discussion, I guess, in the new year with the new Panamanian government on restarting Cobre Panamá.

I'm just curious, does the – do you think the environmental audit has to be completed to begin that process? And can you give us an update on when you think that's going to happen? And then also wondering about what the status is of the existing concentrate sitting at Cobre Panamá.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Hi, Orest. Thanks for the questions. So, in terms of the environmental audit, yes, the government's comments, the president's comments in particular have noted that they would like to see that audit happen.

We expect in the timetable that they've been providing was by the end of this year. Although at this stage, we haven't seen that environmental auditor appointed as yet. Currently our understanding is that the terms of reference for that audit are being prepared and that they would then appoint the auditor.

Our hope is that it can still be completed on time and that the audit would then be in place for the timing that we talked about and the president has been made clear in terms of a restart early next year, or at least dealing with the issue early next year.

In terms of your question on the concentrate, that material is sitting at the port, 121,000 tonnes. It's in reasonable condition in terms of copper content, but we remain concerned about degradation of the sulphur in that material and that does continue to pose some hazard environmentally. It is in the best interests of the environment and everyone there to get that material shipped off.

Our understanding that it is the government's intent to do that through approval of the Preservation and Safe Management plan would allow that material to move and we think that's important to happen as soon as practically can be achieved.

Orest Wowkodaw

Analyst, Scotiabank

Q

Thanks, Tristan.

Operator: The next question is from Ralph Profitì with Eight Capital. Please go ahead.

Ralph M. Profitì

Analyst, Eight Capital

Q

Thanks, operator. Good morning, Tristan. Just wondering and maybe Rudi can chime in here. As the wet weather comes in at Sentinel in Q4. Just wondering what the conditions of the benches are in sort of utilizing some of the terrace mining initiatives? Sort of what state are we in there? And just wondering if that's kind of driving the bottom end of the range as we think about conservatism into Q4.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thanks, Ralph. Rudi, do you want to take that question?

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

Yeah, no problem. Hi Ralph. Thanks for the question. Certainly, the – well, let's start off with the wet season hasn't started in Zambia yet. I think at the end of this week, we're going through the 60th birthday anniversary of Zambia with independence and normally that's when the rain starts.

But I can assure you, we're well prepared for the wet season. Considerable amount of capital has been spent on dewatering activity and setting up into such a way that allows for the handling of water in the event that we have exceptional wet season. But we're quite confident that the measures that we've taken are adequate enough and that mining is set up to deal with it.

As far as the back end of production is concerned at Sentinel. Sure. Yes, surely, we are always taking the wet season into consideration in our plans and in our budgets. But also we are taking necessary maintenance measures as well during the quarter that impacts that.

Ralph M. Profiti

Analyst, Eight Capital

Got you. Helpful, yeah. Ryan, can you help us out with capital spending versus budget at S3. So, the remainder of 2024 and maybe into 2025, Tristan's comments about, ramp-up in labor activities and manpower, just wondering whether or not we're seeing inflationary pressures there.

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Sure, Ralph. So, we've spent \$700 million on S3 to date, so that means we've got \$550 million to go. As Tristan noted, we're on budget. Of the \$550 million to go, \$200 million of that is already committed. That leaves a balance which is still to be priced. But in most of those contracts, we have visibility on what we expect the pricing to be.

So, I think all of that gives us the confidence in Tristan's remarks about the fact that the project remains on track and on budget within that \$1.25 billion.

Operator: The next question is from Ian Rossouw with Barclays. Please go ahead.

Ian Rossouw

Analyst, Barclays Capital Securities Ltd.

Thanks. Hi team. Just a question on the S3 Expansion. Tristan, you mentioned in your remarks, first production is expected in the second half of 2025. If I compare that to some of the previous releases, the wording was mid-2025. Just wanted to get some clarification if there has been any delay to the target for first production.

And then, secondly, just sticking to Kansanshi, just on the gold production. In the start of the year, as part of your three-year production outlook, you cut gold production guidance at Kansanshi by 30% for this year and 25% next year. And then the increase today is essentially sort of taking that production at Kansanshi back to where the guidance was last year.

Can you provide a bit of details? What's resulted in these changes and whether it's mine plan? I guess you mentioned in the release it's grade related, but just how should we think about that for next year's figure? Thank you.

A. Tristan Pascal

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Thanks, Ian. I'll let Rudi take the second part of that question on gold production and how that's come about through the swapping of the mills from sulphide to mixed.

But in terms of your first question on S3 timing, I think, Ian, our response to that is we have the opportunity now with greater clarity to the end of the project to be more specific. So, I wouldn't call it a change in outlook. It's more that we're being more specific on how we see the project land, and that is we expect completion by midyear.

And then we're really focused now on operationalizing and ramping up through the second half of the year. So, our notes really speak to that, how we see first ore start and first production come through and ramp-up through the second half of the year. But broadly speaking, we're comfortable with the project delivering on the timetable we've been outlining.

Rudi, would you like to just speak there on the gold, on the situation and the outlook for the year?

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

A

Yeah, no problem. Hi Ian, good to hear from you again. As you would be aware, Ian, at Kansanshi that the [ph] gold grade – the reason we track our copper grade and where we currently mining in the upper benches of the Main 15 cut-back, we are seeing slightly higher mixed ore grades which also then necessitated or gave us the opportunity to swap the milling circuits, which meant that we have seen a higher tonnage going through the plant of mixed grade and, obviously, the gold accompanies that.

And at the same time during the third quarter we installed some additional mills and concentrate at the Kansanshi and brought others online, which also resulted in the additional gold. As far as 2025 is concerned, we'll look at that when we provide our guidance early in the new year.

Operator: Next question is from Myles Allsop with UBS. Please go ahead

Myles Allsop

Analyst, UBS AG (London Branch)

Q

Yeah, great. Thanks. Just I'm going back to Cobre Panamá, could you just give us a quick update in terms of speed to remobilize? If you were to get approval tomorrow, what would be the likely sort of timing to be able to start ramping up?

And would be helpful to get a sense as to why you think the government has not approved the Preservation and Safe Management plan. The kind of sense last quarter was that it was imminent and three months later and it still sounds like it's imminent. Do you have a better understanding as to why it's dragging and will we be having the same conversation in three months' time? That's the first question.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Thanks, Myles. Yeah. So, look, in terms of ramping Cobre Panamá back up if and when that decision comes through. Yeah, I think what we would – how we would respond to that is certainly at this time, it's really about bringing people on and bringing supplies back online.

There's a lot of Panamanian suppliers that are sitting idle and waiting. There's a lot of employment in Panama that are sitting idle and waiting. There were some 4,500 redundancies made at the site. We currently speak to around 3,000 of those people every month. And most of those are ready to come back to work immediately.

But I think as time drags on, that gets harder to get people back. It's just a natural attrition there. And so, I think if it does delay too much later into the second half of next year, that gets more challenging.

In terms of how we think the overall ramp-up will run, we would be able to start up one train or a second train in a fairly straightforward manner, but then it's going to take time to build out capacity. And so, probably would take in the order of six months to build out to the sort of full level.

In terms of the second part of your question on the Preservation and Safe Management plan. Yes, certainly, we have felt in country and the conversation seems to be that it's imminent. Comments from various ministers who are involved in that decision making process have been public in saying that's imminent. And we continue to receive that guidance on the ground there that it is imminent.

Certainly, what we think is dragging on that is that the government has made clear, the president has made clear, they're focused on the Social Security reform at the current time, and that is taking a lot of attention.

Nonetheless, as I said, the public comments have been around imminent approval because that was important in terms of managing the environmental topic at Cobre Panamá and that's in everybody's interest. That sits well outside a commercial interest or the mine's interest or the government's interest that's in the interest of everyone that those environmental – the environmental security, the asset integrity of the site is maintained.

And so, it's therefore our view that it should be approved without any further delay.

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

Lawson Winder

Analyst, Bank of America

Q

Thanks very much, operator. Good morning, Tristan, Rudi and Ryan. Excellent Q3 results in Zambia and thank you for the update. If I could ask about the Zambian asset sale process, just in light of the recent news and another potential offer for a minority interest, would you be able to characterize the nature of that sale process for example, are there still new bids coming in or is the process closed? Are you in a final phase, perhaps with a shortlist of bidders? And could you give us an idea of maybe how many bidders might be involved and, ultimately, what will the criteria be if FM makes a – or sorry, First Quantum makes a decision to accept an offer.

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Sure. Lawson.

A

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thanks, Lawson.

A

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

It was pretty public.

A

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Ryan, do you want to...

A

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Sorry. Sure. Lawson, we've been pretty consistent that across the business we're more open to partnerships, and that includes in Zambia. But it's only if it's in the interest of our Zambian business, the Zambian government and all the stakeholders involved. So, we remain open minded in respect of potential partnerships. We are engaged in discussions in that respect, but we wouldn't provide any comments beyond that, given there are live discussions.

A

Lawson Winder

Analyst, Bank of America

Okay, well fair enough. And then where my follow-up would be would actually be on Sentinel. So, it was great to see that the improved fragmentation in the pit was leading to some improved crushing and milling rates. What are kind of the next steps to ultimately get to that 62 million tonnes per year run rate and when is the latest thinking on when that will ultimately be achieved?

Q

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

Hi, Lawson. It's really effectively achieved that run rate during the months of August and September with 5 million tonnes per annum being throughput at Sentinel.

A

Sentinel certainly now in a position and you'll remember during the last few calls we said that we're setting up the pit to be productive, which means that we will continue to mine what's in front of the shovels. We won't be chasing grade and it's all about setting up the terraces and getting those shovels in a position where they can mine effectively and extract the ore effectively. That's where Sentinel is at now. And we're quite confident that over the preceding year we'll see those rates of 5 million plus on a monthly basis happening a lot frequently.

Operator: The next question is from Bryce Adams with CIBC. Please go ahead.

Bryce Adams

Analyst, CIBC World Markets, Inc.

Q

Good morning or good afternoon to everyone. Thanks for the update and thanks, Tristan, for the comments around Panama.

My question is a follow-up on the earlier Panama questions. If the environmental audit is not yet started and the order isn't appointed. Does this mean the discussions with the government are more likely to be second half of next year rather than earlier in the year?

Understanding an audit might take up to six months to complete the timeline here, things like those government conversations could take a little longer. Just wondering if I have it wrong, but it appears like that audit might conclude by mid-next year. That's all I had. Thanks a lot.

A. Tristan Pascal

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Yeah, Bryce, thanks for the question. I think we need to see what the terms of reference are for the audit and how that would work. I mean, certainly Cobre Panamá has been the subject of intense audit all through last year and this year.

The audit result that we had as an operate – our operating asset from August to October was 100% compliance on all the environmental and biodiversity requirements of the 371 commitments under the ESIA. And it was only elements of the health and safety where some improvements warranted and were underway.

Subsequent to the Supreme Court decision and while we were closed, we brought in independent auditors to review and the government itself brought in auditors when the mine was in suspension. And again, the independent audit demonstrated a high level of compliance and the government audit itself continued to demonstrate 100% compliance on the environmental and biodiversity requirements under the ESIA.

So, we feel good, we feel confident about the position of the mine and that any independent audit looking at it would feel the same way that probably point out areas and we're quite happy that those areas are pointed out and that we get everything to the highest possible standards. But we'll just need to see what those terms of reference are in order to understand the timetable that you referred to.

Beyond that, I can only point to the president's comments and his most recent comments in New York to say that they would be looking to deal with the issue early in 2025.

Operator: The next question is from Gabriel Simoes with Goldman Sachs. Please go ahead.

Gabriel Simoes

Analyst, Goldman Sachs do Brasil CVM SA

Q

Hi. Thanks for taking my question. I would like an update on the current power situation you mentioned you expect minimal reduction in the fourth quarter but it would be interesting to you know your view looking a bit further out, right?

So, what can we see in terms of disruption as Kansanshi ramps up its new concentrator and how big an impact that would have? And if there are any measures being taken by the country in terms of power generation or in

terms of infrastructure to improve the situation in the extended drought or into the future drought in the coming years. Thank you.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Thanks Gabriel. Yeah. So, certainly the situation with El Nino had an impact on the country, not just on power, but on food security. And First Quantum has been supporting Zambia. We have trucked some 4,000 tons of maize into the country to support the government's efforts on food security.

And on the power situation we've been putting in place, the alternative sourcing of power, and that is from imported sources. And we have three providers of that imported power, mostly from Mozambique and from Namibia, to augment the in-country supplies.

And so, at this stage, we feel good about this season. And as Rudi says, the rains are expected imminently for the wet season. It does look like in terms your question looking ahead, that the forecasts are that the El Nino is already flipped into La Nina although a milder La Nina than probably was earlier expected mid-year. And the current outlook with the La Niña is a mild La Niña, and that means rainfall and more normal rainfall.

However, we do continue to prepare for both scenarios. That is a heavy La Niña, lots of rain and as Rudi said, we've done the work on preparing for de-watering in the mine to be able to cope with that, a heavy situation but also the other scenario which is lighter rain. And that would mean that the mining conditions are good, but that we might see prolonged disruption to power.

So, the contracts that we've placed to external parties provide for that optionality. They provide for the ability to continue those imports. And we feel comfortable that the level of import would allow us to start S3 without substantial impact on our production expectations.

Beyond that, we continue to work with the government utility ZESCO in supporting infrastructure in the country. We have projects online with them to support the stability of the grid and Static VAR compensation over the next two years. And we have projects with them to support increased renewable energy in the country to some 480 megawatts of power to come in from wind and solar sources. And beyond that, to support them in purchasing power directly at ZESCO from surrounding countries, including some 250 megawatts from South Africa that's coming through in the next month or so.

I hope that covers the question, Gabriel. But in terms of outlook, we believe that we've built in the flexibility and optionality that we can cover any potential shortfall in power.

Gabriel Simoes

Analyst, Goldman Sachs do Brasil CTVM SA

Q

Super clear. Thank you. If I could just add another question on your hedging strategy you mentioned that around 43% of expected production until 2025. I just wanted to understand how you were thinking about the strategy going forward since around 50% of production hedged are you comfortable moving forward or should we expect a change to that policy. Thank you.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Ryan, would you take that follow up question, please?

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

A

Sure. Yeah. So, on hedging strategy broadly at the moment, we're targeting having around 40% to 50% of our production hedged through zero cost collars up to the end of 2025 and as hedges roll off.

So, you've seen us replace them with new hedges, as we did in Q3. As we come into the back end of this year and into early next year, we'll decide whether or not to extend that into 2026. And that decision will be driven by where the copper price comes to, how we're going in Zambia and a variety of other factors. But for now, the plan is to stay between 40% and 50% hedged through to the end of 2025.

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

Dalton Baretto

Analyst, Canaccord Genuity Corp.

Q

Thank you. Hi, Tristan and Team. I'm thinking past S3 and your growth pipeline to Taca Taca. Under this new Argentine RIGI regime, I understand there's some pretty specific timelines in terms of getting the project approved by the RIGI and then some specific timelines around capital spending. And then if you just update us in terms of how you're thinking about Taca Taca as it relates to the RIGI regime. Thank you.

A. Tristan Pascal

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Hi, Dalton. Yeah, thanks for the question. And yeah, it's pertinent to speak about Taca Taca. We saw a large delegation from Argentina at LME Week and I think certainly that reflected a lot of confidence that the country is developing in terms of the investment promotion legislation that was passed as part of the omnibus legislation and we're seeing RIGI.

And certainly for us, it provides an important step forward for Taca Taca. That project – we continue to like the project to potentially deliver perhaps 250,000 tonnes of copper a year for the first decade of an overall life that's 30 years plus.

We're not at the sanction decision stage as yet. The timelines of the RIGI are that an application is required within the next two years and there is a possibility that it can be extended by one year. But at the moment the application window is around two years.

In that time, we would also need to see the environmental permit for Taca Taca come through and the water permit. And in that timetable we would also need to be working on the financing pathway for the project. So, we see those three as parallel work streams and that need to develop alongside each other in the timetable that's provided for under the RIGI.

Dalton Baretto

Analyst, Canaccord Genuity Corp.

Q

Thank you, Tristan. And as my follow-up, I mean, you touched on financing and I was wondering, as you think about financing Taca Taca or whether a JV there is on the table or even whether this plays into potentially a JV on Zambia asset. Thank you.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Sure, Dalton. I think that what we see in Argentina is a level of confidence developing. And I think that needs – that will continue to develop as we see stability come through over the coming months and during that period for the application of RIGI.

During that time, we think the country will continue to open up for the right partners. We've been open – Ryan made comments about our approach to partnership that is that we see the benefit for that.

We're doing that on our La Granja project where we partner with Rio Tinto in Peru. We're doing that and we're going through a process in Zambia where we look at partnership and, in fact, Cobre Panamá was a partnership with KOMIR, the Korean government.

So, Argentina itself we think can lend itself and that the right partners will gain confidence and gain interest in the country in order to develop a financing pathway for it. And we think that the timetable that's outlined in the RIGI that two years is appropriate to consider and work through that process.

Operator: The next question is from Craig Hutchison with TD Cowen. Please go ahead.

Craig Hutchison

Analyst, TD Securities, Inc.

Q

Good morning. Thanks for taking my question. Just a question around Q3. You guys always had a very strong – sorry Q4, you had a very strong Q3 results. But the guidance kind of implies that you'll be somewhere in that range of 80,000 tonnes to 100,000 tonnes for Q4. And yet the setup seems pretty good at Sentinel with softer ore and a shift to more mixed oxide at Kansanshi.

Can you just give us some context as to where you're going to see that change in terms of production, or the lower guidance for Q4? Is that being driven by lower grades at Kansanshi or is there some planned maintenance shutdowns in the quarter? Thanks.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Rudi, would you like to take that question? Thanks, Craig. Rudi?

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

A

Yes. Thanks, Tristan. Hi Craig. You hit the nail on the head. It's primarily lower grades at Kansanshi, and that's driven by normalization of the mixed and sulphide circuits where we swap back with mixed material going back towards its original circuit and then doubling up again on the tonnage throughput on sulphide, which generally runs at the lower grade. So, that's pretty very much driven through there.

The stage 3 cut-back at Sentinel, yes, it's nice and softer ore. It runs through the mills a lot easier. But as we are still in the operations of that cut-back, it is relatively tarnished and weathered material. So, it doesn't float as well as your primary sulfides. But yeah, primarily driven by Kansanshi and swapping of the mill circuit.

Craig Hutchison

Analyst, TD Securities, Inc.

Perfect. Thank you.

Q

Operator: The next question is from Ian Rossouw with Barclays. Please go ahead.

Ian Rossouw

Analyst, Barclays Capital Securities Ltd.

Thanks for the follow-up. Just a quick one on working capital. Ryan, you mentioned you sold quite a bit of material towards the end of the quarter and received the cash post quarter end.

Q

Obviously, prices are up a bit versus the quarter average, but just wanted to get a sense of how much of that \$200 million working capital build you would expect to come back for that to normalize?

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Sure. Ian. So, of the \$200 Million working capital build, \$100 million of that was an increase in receivables, about \$40 million of that was a VAT receivable, which came in just after the quarter end.

A

And then of the balance of \$60 million of receivables due to sales, we probably got about \$20 million to \$30 million that came in just after quarter end. So, net about \$60 million of the \$100 million came in just post quarter end rather than getting in before the end of the quarter.

Ian Rossouw

Analyst, Barclays Capital Securities Ltd.

Thanks and just on the inventory side because you're still tracking sales quite a bit behind production so far this year is there some expected on working on inventory working capital?

Q

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Not significantly. We actually had low inventories at the end of Q2. So that's why you saw it slightly move the other way through the end of this quarter. So maybe we'll get inventories a bit lower through the back end of the year, but I shouldn't assume a big release from a working capital perspective coming into the year end. And a lot of that inventory is still sitting in that Cobre Panama concentrate.

A

Operator: The next question is from Myles Allsop with UBS. Please go ahead.

Myles Allsop

Analyst, UBS AG (London Branch)

Yes, Thanks for the follow-up. So, yeah, a couple of things. First of all, again, going back to the Preservation and Safe Management. How much should we put in our forecast for the cost in 2025? Should we keep running it around \$12 million a quarter or at what stage will you take it a step lower than that? So that'll be helpful.

Q

And then going back to the Zambian power question as well. Can you just remind us how much power you consume currently and how much that will lift by with S3? And then if you're 50% covered, where will you be when S3 is running? Thank you.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Thanks, Myles. I might ask Rudi to take that second question on the specifics of the power draw in Zambia at the moment and then with S3.

But in terms of your first question on the costs of the Preservation and Safe Management plan or the plan that we're running at the moment, as Rudi outlined, we were at around \$13 million a month through the course of Q3 and we're saying about \$11 million to \$13 million.

Myles, the tension there is to make sure that we ensure the environmental security that covers about 1,400 people on site. That's the highest proportion is that labor costs. And it is appropriate that we continue to maintain that dedication and that level of compliance.

But certainly, there is a law of gravity and we can't withstand that forever. We really do need to see the sources of funding for that to come through. And obviously the concentrate at the, in the shed is a source that can be applied and support all of the environmental works that need to happen.

To date, the company has been doing that just on the basis of ensuring good compliance. But ultimately, we do need to see that come through. I think we will get to a point where we need to go to a next step in terms of reducing that cost. And obviously, that's around people.

And we're talking to the governments around the timing and how that can work. The level of engagement is increasing and it is important that we get those answers so that we can address those questions as to what is the right level of people and performance going forward so that we can manage that cost, manage the level of employment there at the site, but also ensure that there isn't a legacy that Panama has to bear there.

And all of that is part of the conversation that we – seeking engagement, having engagement on and that's why the Preservation and Safe Management plan is important and why we continue to push and request that that's approved as soon as possible.

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

A

Myles, jumping on the question on power. Currently, our power draw on the assets in Zambia is around about 310 to 315 megawatts. Obviously, all of that is underwritten by power supply agreements, by ZESCO and currently with the drought as Tristan mentioned earlier we've obviously made various efforts to secure imported power directly through third-party providers.

At the moment we're importing about 190 megawatts of that total requirement and the rest is provided by the state utility, ZESCO, as per our agreement.

When S3 comes online next year through commissioning and for ramp up, it's another 85 to 90 megawatts. But we've already, as I highlighted in our Q2 call secured power to ensure the suitable start up and maintaining of production when S3 is running.

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

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thank you, operator. I'd like to thank everybody for joining us today and for your interest. And we look forward to speaking to you again at our next update. Thank you.

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

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