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First Quantum Minerals Ltd. (FM.CA)

Q2 2023 Earnings Call

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Bonita To

Director-Investor Relations, First Quantum Minerals Ltd.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

OTHER PARTICIPANTS

Orest Wowkodaw

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Jackie Przybylowski

Analyst, BMO Capital Markets

Ralph M. Profiti

Analyst, Eight Capital

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Christopher LaFemina

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Analyst, TD Securities, Inc.

Edward Brucker

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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 Second Quarter 2023 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 second 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 will be Tristan Pascall, our Chief Executive Officer, with opening remarks followed by Rudi Badenhorst, our Chief Operating Officer, who will provide an overview of our operations. Ryan MacWilliam, our Chief Financial Officer, will review our financial results and Tristan will then wrap things up. After which, we will open up the lines to take questions. And with that, I will now hand it over to Tristan.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thank you, Bonita, and thank you, everybody, for joining us on our conference call today to discuss our second quarter results. After what was a challenging start to the year, it is pleasing to report improvements in the second quarter, which Rudi will speak to in his review of operations.

As a result of our focus on productivity and costs to which we continue to seek to improve, our second quarter EBITDA of \$568 million increased from the first quarter despite the weakness in the copper price, which Ryan will provide more details in his financial review.

Overall, I'm pleased with our second quarter results with our three largest operations hitting daily production records during the period, and I'm confident that our three main operations are set up well for the remainder of the year. We do expect a stronger performance in the second half of the year and we remain comfortable with our guidance, although production will likely be at the bottom end of the range.

I would like to give an update on the Concession Contract in Panama. As you're aware, we reached an agreement with the Government of Panama earlier this year. Since this agreement, the Concession Contract has successfully gone through the public consultation process in April and has been signed by both the government and MPSA in June.

It is currently under normal course review with the National Comptroller, which is the final stage before the contract is presented to the National Assembly. We do expect endorsement from the National Comptroller in short order, and continue to expect the Concession Contract to be put in front of the National Assembly in the current legislative term. The Cobre Panamá team continues to work closely with government to support the

passage of the contract into law for the mutual benefit to Cobre Panamá and the people of Panama.

Before I hand over the call to Rudi to review operational results, I would like to highlight that during the quarter, we published our 2022 ESG Report, which was our seventh Annual Report on our sustainability performance.

Following the publication of this report, we hosted our inaugural Virtual ESG Day that outlined our practical and pragmatic approach on a number of ESG areas that are key to our business. I'm very proud of the work we do across our business, and the commitment of all our operations to the surrounding communities and our commitment to produce copper in a safe and responsible manner. If you were unable to attend this event, I encourage you to view the replay, which is available on our website.

And with that, I would like to hand the call over to Rudi.

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

Thank you, Tristan. After a difficult first quarter, it is pleasing to see operations back on track in the second quarter, with Sentinel achieving its highest monthly production for the year in May and Cobre Panamá and Kansanshi achieved the same records in June.

Total copper production for the second quarter was approximately 187,000 tonnes, up over 48,000 tonnes from the first quarter as grades increased at each of our three largest operations and throughput improved at both Cobre Panamá and Sentinel.

At Cobre Panamá, the operation delivered a strong performance in the second quarter with copper production of just over 90,000 tonnes, 38% higher than the first quarter as grades improved and mill throughput continues to ramp up towards the 100 million tonnes per annum rate.

At Kansanshi, copper production of approximately 35,000 tonnes was nearly 6,000 tonnes higher than the first quarter. Production during the second quarter focused on mining cutbacks at elevated benches that have historically had higher grades. As a result, grades across all three circuits were higher quarter-over-quarter. During the quarter, we encountered harder ore in the Main 11 area with high carbon content, which impacted crushing and milling rates. This is being addressed by blending with softer ores from stockpile and by continued acceleration of ores from the Main 15 and Main 17 areas.

Sentinel reported copper production of 54,000 tonnes in the second quarter, approximately 18,000 tonnes higher than in Q1. While the mining activities continued to be impacted by excess water from the heavy rains in the first quarter, by mid-May, operations steadily improved once the pit was dewatered, thereby allowing the operations to regain access to higher grade ore.

Overall, it was good to see an increase in the production in the second quarter, and we expect to see these improvements continue over the remainder of the year, which Tristan will address in the guidance section of his closing remarks.

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

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Thank you, Rudi. The copper price averaged \$3.84 per pound in the second quarter, down 5% from Q1. This fall

was as a result of the weak global industrial activity and the accompanying recession concerns as interest rates continued to rise.

However, this broader demand softness was balanced by reasonable electric grid and electric vehicle spending, particularly in China. As such, commodities like copper, which are tied to the energy transition, outperformed traditional industrial commodities.

Despite the weaker copper price in the second quarter, total revenue increased 6% from Q1. This was driven by increased copper sales of 27,000 tonnes due to the higher production, which Rudi described. Sales were lower than production during the quarter, partly due to the inventory levels returning to normal, following a low Q1, and as well as the timing of shipments which will catch up over time.

As can be seen on slide 15, the copper C1 cash costs of \$1.98 per pound were 12% lower than Q1. This decrease was driven by higher production and lower fuel and explosive costs in the quarter. This was partially offset by higher maintenance costs and lower byproduct credits due to the lower gold grades at Cobre Panamá.

Our costs generally fall into three categories. The first category includes costs directly linked to commodity markets, such as fuel, freight, and explosives. This category makes up roughly 25% of our costs and is an area where we have seen strong cost improvements through the first half of this year.

The second category includes items such as grinding media and reagents, where the cost base is partially linked to commodity prices built into the cost base, but with a lagging effect. These make up roughly 15% of our costs, and improvements so far have been muted due to this lagging effect.

The last category includes labor, services, and fixed costs. These fixed costs include items such as electricity, which is generally based on multiyear contracts, and items such as treatment charges, which are priced off annual contracts.

These costs make up roughly 60% of our cost base and it is in this category where costs remain sticky. This is similar to what we're seeing in inflation globally as core CPI remains above broader CPI measures.

Slide 16 highlights the Q2 EBITDA increase by 10% to \$568 million, driven by higher revenues. Net earnings attributable to shareholders increased to \$93 million and adjusted earnings per share increased to \$0.12.

Moving on to our balance sheet, during the quarter, we announced the offering of our first standalone eight-year Senior Notes. This \$1.3 billion issuance resulted in a 50% increase in our weighted average debt maturity.

The proceeds were used to pay down \$970 million in the existing revolving credit facility and \$300 million of redemption of the company's outstanding 2025 Senior Notes. This provides us with a continued strong liquidity buffer, which is important given the global macro uncertainty.

Our net debt decreased by \$130 million to \$5.65 billion due to higher EBITDA and favorable working capital movement.

Also during the quarter, it was pleasing to see the government of Zambia reach a \$6.3 billion debt restructuring deal with external government creditors. This unlocks another tranche of IMF funding and is expected to benefit the fiscal and monetary environment in Zambia, and therefore, its sovereign credit rating. This benefits Zambia and First Quantum as an improvement in the Zambian rating decreases the country risk component of our corporate credit rating.

Lastly, our continued confidence in our underlying business has led to the declaration of an interim dividend of \$0.08 per share based on our 15% of cash flow dividend policy. This will be paid out on September 19. And that brings the finance section to an end.

I will now hand the call back to Tristan.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thanks, Ryan. As Rudi noted, the second quarter saw production improvements, and we are well set up for this to continue in the second half of the year. At Cobre Panamá, the CP100 expansion project is ramping up well, already achieving brief periods at full design capacity and on track to exit the year at a consistent rate of 100 million tonnes per annum.

In addition, we continue to expect grades to continue to improve over the course of the year. As such, we are maintaining our copper production guidance for Cobre Panamá at 350,000 to 380,000 tonnes. Construction of the moly plant is progressing well with completion and commissioning expected by the end of 2023 for first molybdenum concentrate production in the first quarter of 2024.

At Kansanshi, the second quarter started to see the benefits of the changes in the mining fleet deployment, and mining on the upper elevations of Main 15 and Main 17, which have had historically higher grades. As well, our extensive drilling campaign has allowed for better visibility of the mining areas, and as well as the grades in our stockpiles. As such, we continue to expect the copper production to be within our guidance range of 130,000 to 150,000 tonnes, albeit at the bottom end of the range is more likely. Production will remain at these lower levels until the S3 expansion project comes online in 2025.

The overall procurement for this project is approximately 33% committed. Several long-lead items are on track for delivery in the coming weeks, including the first haul trucks and the construction works already underway are expected to accelerate into next year. We are confident that we remain on schedule for first production from the S3 expansion in the second half of 2025.

At Sentinel, with the groundwater now under control, we have already begun accessing the higher grade ore at the bottom of the pit. As well, we had to deploy the drilling contractor for July to work alongside our own drill rigs to increase stocks of broken material. We expect the milling rates and grades to continue to improve for a stronger second half of the year. However, taking into account the challenges we encountered in the first quarter, production for the year will likely come in at the lower end of our guidance range of 260,000 tonnes to 280,000 tonnes.

At Enterprise, an important milestone was achieved with first production of nickel concentrate achieved in the second quarter. As well, the process plant temporarily demonstrated nameplate capacity during the quarter. The remaining focus will be to ramp up to commercial production over the remainder of this year and with full ramp-up in 2024.

At the Las Cruces Underground Project, while all necessary permits are now in place for project approval, technical and study work continues. The project continues to be evaluated taking into account the current economic conditions and the company's debt reduction objectives.

This brings to an end my prepared remarks. However, before I open the lines for Q&A, I would like to take this opportunity to commend all the teams at our operations. During the first quarter, each operation faced its own

unique challenges, and the teams swiftly responded, bringing the operations back on track. This has resulted in an improved second quarter and I believe places the company in a position for a stronger second half of the year.

With that, we will be happy to take questions now. Thank you.

QUESTION AND ANSWER SECTION

Operator: Thank you. We'll now begin the analyst question-and-answer session. Analysts are permitted to ask one question and one follow-up, and they're welcome to rejoin the queue if they have more. [Operator Instructions] The first question is from Orest Wowkodaw with Scotiabank. Please go ahead.

Orest Wowkodaw

Analyst, Scotia Capital, Inc.

Well, hi, good morning. Question is around Sentinel. Can you maybe walk us through what gives you confidence that that operation can still meet the low end of guidance expectations for this year just based on the weak first half?

A. Tristan Pascal

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Sure, Orest. Well, let me give you the high level, and then Rudi can jump in with some detail. So, as we said on the last call, we still had water in the pit in Sentinel really towards the end of April, and into early May. So, what we've seen so far this quarter and the production results of 54,000 tonnes reflects really a strong operation from the two months, May and June. And July we've seen that we're very much on track. As we said in the first quarter call, the lack of access to the lower areas of the pit really meant that we were focused on lower grade areas in the Phase II area of the pit. And now – and we were on site just in the last couple of weeks. The working areas, the benches, and the roads are now in very, very good condition, particularly in the bottom of the pit. And we now have very good grades there. So, up to 1%, 1.5% copper in the bottom of the pit, and that was always intended to come out this year. It's just that the proportion – the sequence across the year has now shifted. So we'll see the majority of that in the second half. Rudi, do you want to add anything to that?

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

No, I'd just concur, Tristan. The important thing is that as we said that the end of the first quarter, pre-stripping or the stripping on those areas associated with high grade was already done. It was a matter of getting rid of the water. We're already, as Tristan highlighted seeing very, very positive results into the first month of the third quarter, and we have absolutely no reason not to be positive about the production coming out of Sentinel for the remainder of this year.

Certainly, as far as preparations are concerned for the upcoming wet season in November, additional pumping capacity has been employed. Last year, where we couldn't pump any of the contact water to the environment without doing the necessary neutralization has principally been removed by installing a facility to pump all of that water to the process plant. So, we won't have any restrictions in pumping water there.

And the efforts around opening up the northern wall for setting us up for 2024 has progressed exceptionally well. And so, Orest, there's absolutely no reason for us not to believe that we will get there this year. We are in the ore, all the shuttles are ore-bound, and things are looking good there.

Orest Wowkodaw*Analyst, Scotia Capital, Inc.*

Okay. Thanks, Rudi. And, just as a follow-up, those changes that you've made with respect to the water treatment, does that suggest that you expect a more balanced profile next year with respect to the production through the first half of the year versus second?

Rudi Badenhorst*Chief Operating Officer, First Quantum Minerals Ltd.*

Exactly that.

Orest Wowkodaw*Analyst, Scotia Capital, Inc.*

Okay.

Operator: The next question is from Jackie Przybylowski with BMO Capital Markets. Please go ahead.

Jackie Przybylowski*Analyst, BMO Capital Markets*

Hello and thank you very much. Actually, I'll ask my first question as a follow-up to Orest's question. In the MD&A that you put out last night, you talked about fragmentation issues at Trident, and that you're deploying a contractor to help with some of the drilling and mining. Can you talk a little bit about how you expect that contractor will impact the costs at Sentinel and, I guess, at Enterprise as well? And you say in the release that you're expecting that will start in July. Can you talk about how long you expect that contractor will be deployed for?

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

Rudi, do you want to take that one?

Rudi Badenhorst*Chief Operating Officer, First Quantum Minerals Ltd.*

Yeah, no worries. Hi Jackie. Yeah, we've decided to go the route of additional drill rigs in the Sentinel pit. And it's really primarily to give the operations an opportunity to get ahead of some broken stock, and we are planning to only utilize the additional three rigs for a period of about six to nine months. And then we will let them go. It's really just to help our own existing fleet become ahead of the game where we lost a bit of opportunity with the rain last year or the beginning of the year when it was quite wet, and we couldn't get those drill rigs in.

And as far as costs are concerned, the contractor that we brought in are drilling at similar rates, and in some cases slightly lower cost than ourselves. So we don't expect to see any real increase in drilling costs. But what is more important is that we will see a substantial increase in broken stock, which will allow for the more efficient feeding of the crushers, and upping the milling rate which is essential.

Jackie Przybylowski*Analyst, BMO Capital Markets*

Thanks very much Rudi. Really appreciate that. And maybe as the second question, can I ask if you can comment at all on the progress in the Panamanian government or of Panamanian National Assembly to approve your proposed changes to the mining code. Can you – do you have any sense on when that comes up in the debate or discussion or when we might expect to see a resolution on that? Thanks.

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

Thanks, Jackie. I'll take that one. Yeah. The contract is currently sitting with the National Comptroller, and that's an administrative process to validate the counter signature by the government on the contract that was signed. And that's the last step before it does go into the National Assembly. The current sitting of parliament commenced on the 1st of July. And our understanding is that in the last three or four weeks, they've been working on the establishment of the various committees, so the Finance Committee and so on. And the process is the contract goes into the committee for reading, and then it passes from the committee into the Full House in the National Assembly.

So, that's the sequence we believe as soon as it's signed by the National Comptroller, which we believe will happen in short order, that it would then go into the National Assembly, read by the committee, and then for debate and voting in the House. So, there's no reason to expect that wouldn't occur, as we said in this current sitting of parliament.

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

Ralph M. Profiti*Analyst, Eight Capital*

Thanks, operator. Good morning. Tristan, two questions, the first one is on Cobre Panamá. It looks like just a shade under 92 million tonnes per annum as the run rate – as the average for Q2. Just wondering where you are at the exit rate of Q2 or even in today's terms? And just how close are we to getting to 100 on a steady state basis even before the year end target?

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

Yeah. Thanks, Ralph. So, really that's a combination question at the front end of the circuit around the efficiencies generated by the screening plant, and that's the focus and the optimization work that's going on. We're very, very happy with the contribution that Ball Mill 6 is already making. The processed water upgrades have, since the last of year – end of last year have meant that even at these high throughput rates, we've seen very good recoveries. And so, really it's around the optimization of that screening plant with secondary and pebble crushing. So that's going well. We have seen days where we exceed the normal throughput rates, and that target of 100 million tonnes per annum, and it's now a matter of stringing that sequence together. And alongside, the grade coming out of the pit.

We do see variations across the pit. Some areas are harder than others. Some are more competent than others. And also we have areas where there's some clay content that has an impact on that screening plant. So that's why the optimization is important, and takes that time, and we're very confident of hitting that 100 million tonne per annum. We are not saying that we'll achieve that any time sooner, but if we do that, then that would be a bonus. But at this stage, we continue to hold to what we said, which is by the end of the year.

Ralph M. Profiti*Analyst, Eight Capital*

Okay. Yeah. Got it. Thanks. And if I can ask a second question maybe for Ryan. Just on the Zambia IMF deal, you talked about corporate credit advantages and just wondering if you're seeing some of those savings on the recent Senior Notes refinancing where you're seeing that savings on the jurisdictional component on the terms of

those notes. Is that something that we can infer from some of the rates that we're seeing on those coupons for that refi?

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

Yeah. Hi, Ralph. So this is the first time we've issued notes that are at better rates than what the JPMorgan High Yield Index is. But I think it's driven by a combination of factors. It's driven by the more than \$2 billion in debt reduction over recent years. It's driven by the constructive relationship now in place with the government of Panama, and it's driven by the fact that we're on track with our brownfield projects.

Certainly, the dynamic in Zambia and the positive part that the government has delivered that IMF deal and continues to make progress, and part of this debt restructuring is a part of it. There's still more work to go there with the government and, we hope, we think that will help in the future. But, I'd say, the Zambia piece is a part of it, but it's together with the other factors that help that bond issuance.

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

Ioannis Masvoulas*Analyst, Morgan Stanley Securities Ltd.*

Hello. Thanks for taking my questions. The first question is on Kansanshi. You mentioned in the MD&A, and on the prepared remarks about the processing challenges due to the ore hardness, and the fact that you had to use a stockpile material. Is this something you expect to persist in the second half of the year?

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

Thanks, Ioannis.

Rudi Badenhorst*Chief Operating Officer, First Quantum Minerals Ltd.*

Hi, Ioannis.

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

Rudi, Rudi....

Rudi Badenhorst*Chief Operating Officer, First Quantum Minerals Ltd.*

I'm sorry.

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

...Rudi. Go ahead, Rudi.

Rudi Badenhorst*Chief Operating Officer, First Quantum Minerals Ltd.*

Yeah. Yeah, absolutely, Ioannis. The – currently, we're experiencing some very hard material in the Main 11 area of the pit, and that is offset by mining, as we stated in the MD&A and also in the call earlier, by going up into Main 17 and Main 15 where we have some higher grade and very, very good material.

But also, you know the strategy with S3 coming on in a year-and-a-half and two years' time has always been to also incorporate our stockpiles. And, when we have the advantage to use those stockpiles and offset some throughput issues through the crushers in the mills by using those stockpiles, we will continue to do so.

We have drilled those stockpiles in the last six months and we now know quite well, we – where the grade is on those stockpiles, and where there isn't any grade. So, it's not just a haphazard feeding of stockpiles. It actually forms part of the strategy and it's working well for Kansanshi at the moment.

Ioannis Masvoulas

Analyst, Morgan Stanley Securities Ltd.

Okay. Great. Thank you for that. And just a follow-up on the Cobre Panamá fiscal talks, what's the – when does the current legislative term of the National Assembly end?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

It's the 1st of October is when the current term ends.

Operator: The next question is from Chris LaFemina from Jefferies. Please go ahead.

Christopher LaFemina

Analyst, Jefferies LLC

Hey. Thanks, guys, for taking my question. So, I have a bit of a bigger picture question regarding your strategy, and how that might change if commodity prices change. So, it seems like strategy now is de-lever the balance sheet, a prudent conservative approach to growth, but you obviously have a pretty big organic growth pipeline.

What if we have a period where copper prices go a lot higher than people expect? How does the strategy change? So, if we think about your project pipeline, La Granja and Haquira are kind of tied up with community relations work that you need to do. Taca Taca, there's fiscal stability that you need to focus on before you can really start putting a lot of capital there.

So what happens to cash flow if you can de-lever more quickly in the event of higher copper prices, you develop [Las Cruces underground But what about beyond that, is it capital returns or is there anything you can do in the portfolio to accelerate some of the investments? And then I have a follow-up question to that as well.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Sure, Chris. Thank you. I mean, the first thing to say is, look, we certainly understand the structural shape of the copper market and the challenges on supply to what looks like stronger and stronger demand in the future. But as

Ryan said in his comments, in the near term, we also need to plan. And it seems in the last few days that the outlook is improving. But certainly, it would make prudent sense to plan for a downturn, or recession, or continued challenges on inflation. So, look, our first responsibility is to deliver and not to get ahead of ourselves on that in terms of making sure the plan for this year is in solid place, and into next year, and certainly that's the focus as Rudi has set out there. But, yeah, beyond that, we believe that First Quantum has an enviable brownfield and greenfield portfolio, and certainly has the team in order to be able to put those into play.

If we do see, and that rosy scenario comes to bear, we have the assets and the capability to deliver that. But we would only do that as we've said many times from the position where the balance sheet is in strong position. So we did set out our capital allocation policy. It's in the presentation and sets out pretty clear. The focus on improving the balance sheet, and then investing in the business, but also making a return to shareholders to share in that upside if it does come to bear.

Christopher LaFemina

Analyst, Jefferies LLC

Q

And then conversely, in a weaker market, what levers would you pull to make sure the business stays structurally intact?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Thanks, Chris. Yeah, look, I think that's an important question. As I said, it's really around delivery on the plan. If we do see significant compression, what we would say, as Ryan set out in terms of our cost structure, we would expect some of those more sticky elements to pull back as well. That our margin – we've noted the resilience of the copper price even during these challenges time, and we would seek to push out on our supply, and our cost control. If things get really squashed, then, we would be looking at how we're spending capital in the business, and that would be the next lever to pull.

But in the meantime, as I said, it's really around delivery on the production plan. You know revenue and copper generation is what gets us there and achieve the balance sheet deleveraging that we want to see in the near term.

Operator: The next question is from Greg Barnes with TD Securities. Please go ahead.

Greg Barnes

Analyst, TD Securities, Inc.

Q

Yes, thank you, Tristan, just a comment from you around the risks as the concession agreement in Panama goes through the National Assembly and these various committees, can the committees or do they have the power to change some of the terms of the agreement? Or is this more of a formality?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Yeah. Greg, I wouldn't say it's a formality, but the process is that the committees do the reading, and then, it goes from the committee into the full House. But no, there's no – if it's just a yes or no vote. The detail of that in terms of the various diputados and so on, and where they would line, that's part of what the government is focused on. The government and the company are aligned in terms of the PR effort, and moving that forward. But it is a democratic process. I would say that we're confident, but it is a democratic process. And – but

everything that we're seeing at the moment gives us reason to believe that we expect it would pass, and we would like to see that in the near future.

Greg Barnes*Analyst, TD Securities, Inc.*

Q

Okay. And just a follow-up question also on Cobre, but for Ryan, you're hedging on the coal for the power plant comes to an end at the end of this year. What's the thinking around protecting the coal price beyond 2023?

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

A

We will certainly consider future coal hedges. The current hedge program there has been successful and certainly protected the costs around power generation. Our guidance for next year assumes a coal price of around \$150 a tonne, and that's what's embedded in those C1 costs. If we're able to get a lower coal price because it's been more recently in the spot market, you'll see better than expected costs coming out of Cobre, and, conversely, if the coal prices are above \$150 a tonne, it will move the other way.

It is a discussion with the suppliers and, I think that'll just be, we'll go into those commercial discussions, if there's a sensible contract for us and them to put in place, we'll put it in place; and, if there's not, we're also comfortable buying coal off the spot market.

Over time, coal does become a smaller portion of the costs there, Greg, as we move to renewables. We've already got that expansion project, powered by renewables, and we've disclosed that, by 2030, we'll be fully off coal. So, it's an important question, but of less importance with time.

Operator: The next question is from Ed Brucker with Barclays. Please go ahead.

Edward Brucker*Analyst, Barclays Capital, Inc.*

Q

Thanks for taking the question today. My first one was just on the recent new deal. Historically, you've waited really, kind of 12 months ahead of when they mature. So, I just want to get your thoughts on why you're proactive now. What was the rationale at coming to the market for that bond, especially in the context for where rates are right now?

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

A

Sure. And so, we had actually redeemed \$850 million of the 2024s before the end of the first quarter and we drew from the revolver to fund that redemption. So, effectively, to some extent, this most recent redemption was partly for the 2025 of \$300 million, but the other way to think about it is the majority, the balance, the \$1 billion, most of that actually went to the 2024s, which we had recently redeemed. So, fairly consistent strategy with what we've done previously.

Edward Brucker*Analyst, Barclays Capital, Inc.*

Q

Got it. And then, the La Granja acquisition was small and I'd say prudent. There's some CapEx on the back end. But it seems like there, in the capital allocation plan, there's inorganic projects that you can look at. I just want to

get your thoughts on more acquisitions in the near, I guess, or medium term, how large you're looking or if it's more of an afterthought?

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

A

We have a fairly consistent approach to acquisitions where we monitor opportunities out there through the prism of where can we add value to a situation, where do we have the skills or experiences from what we've done before to unlock value? And certainly with La Granja, it's a challenging project, but we think the learnings from within our business that we can apply to it for the benefit of both us and Rio Tinto. And we will continue with that approach and that means opportunities might come up and we might do acquisitions. Similarly, if no opportunities come up, we're very comfortable not doing any acquisitions given the strong pipeline that Tristan mentioned. But where we do them, it's generally going to be focused on where can we take our existing skills and capabilities to unlock value traditionally in copper projects by investors.

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

Bryce Adams*Analyst, CIBC World Markets*

Q

Hi, all. Thanks for the call. Several questions already on the production front. My question is on cost performance. You're now guiding to the high end of costs for this year. Should we be expecting that cost pressure to impact the outlook for 2024 and 2025 or not at this stage?

Ryan MacWilliam*Chief Financial Officer, First Quantum Minerals Ltd*

A

Yeah. Hi, Bryce. So, the main reason to guide towards the top end of costs is because we're guiding towards the low end of production. So, the main driver there is just less units of production embedded in that C1 cost guidance, particularly where we've seen lower gold production through the first half of this year.

As we'll go through our planning process for next year, certainly in some areas, as we noted, we've seen things like the oil price come down versus what we had in our plan for this year in the next two years. So that would be a tailwind as we think about costs in the outer years. But we'll do that work through the balance of this year and then put out that guidance in early next year.

Bryce Adams*Analyst, CIBC World Markets*

Q

Okay. Thanks. The follow up is just a clarifier on the Panama National Assembly. Did you say – or did I hear they're sitting until October 1st or October 31st?

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

A

High Bryce. Yes, 1st of October, October the 1st.

Bryce Adams*Analyst, CIBC World Markets*

Q

Okay. Thanks so much.

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

Dalton Baretto

Analyst, Canaccord Genuity Corp.

Thanks. Good morning, everybody. Just one question for me. Tristan, in the past, you've said that you'd like to add a third leg of production somewhere, in addition to Panama and Zambia, I guess. So, I'm just wondering, is that still a priority? And then do you think it can come from your existing pipeline or do you think you have to look externally for it? Thank you.

A. Tristan Pascal

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thanks, Dalton. Yeah. Look, we see a continued rationale to diversify operations in Zambia, operations in Panama, and a third leg would continue to diversify that. We think that's prudent in terms of the volatility of our earnings, but also in terms of, the share price, and so on as well. The greenfield pipeline that we have is very competitive. We're particularly excited about the deal with Rio Tinto that we expect to finalize very soon, being the La Granja acquisition. That is a world-class orebody. One of the largest unexploited copper orebodies in the world. So that will take some time to go through the validation and studies in order to deliver that project.

In the meantime, we are looking and continue to look closely at Taca Taca in Argentina and I was there during the quarter on the ground just to understand the lay of the project, but also the country and the appetite for the investment that it may have as it comes up to the elections in October. Those questions around Argentina will be answered by Argentina. The project is in good standing and it's really about the administration that goes forward as to what – how they see investment into the country.

But we do think that there's a strong call for copper in the country. And we note the level of other projects and other opportunities for Argentina in that regard. And that would be very strong for the country given where the economy is at the moment.

So those are very competitive, but as Ryan said, we do look at other opportunities elsewhere from time-to-time. But we do think, we also have the people that can deliver those projects in the near term.

Dalton Baretto

Analyst, Canaccord Genuity Corp.

That's great. Thank you, Tristan.

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

A. Tristan Pascal

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thanks, operator. Thank you, everyone, for joining us today. And I would like to wish you all an enjoyable and restful summer. I look forward to the next update with our third quarter results.

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

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