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First Quantum Minerals Ltd. (FM.CA)

Q4 2023 Earnings Call

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A. Tristan Pascall

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Greg Barnes

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Jackie Przybylowski

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. This is the conference operator. Welcome to the First Quantum Minerals Ltd. Fourth 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'll be an opportunity to ask questions. [Operator Instructions]

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

Bonita To

Director-Investor Relations, First Quantum Minerals Ltd.

Thank you, operator. And thank you, everyone, for joining us today to discuss our fourth 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 are Chief Executive Officer, Ryan MacWilliam our Chief Financial Officer; and Rudi Badenhorst our Chief Operating Officer.

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

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thank you, Bonita, and thank you, everybody, for joining our conference call today to discuss our fourth quarter results. Financial and operating results in the fourth quarter last year was significantly impacted by the situation in Panama. As such, the quarter was challenging, not just for First Quantum but for our investors and our stakeholders in Panama, particularly our workforce, the local communities around us and our suppliers. However, we have a plan in place to address the challenges thrown up by the circumstances in Panama, focused on delivering the future positive cash flows from the Kansanshi S3 Expansion, which will provide us the necessary time and space for resolution of Cobre Panamá. We have made good progress on our balance sheet initiatives to deliver this plan, such as our announcement yesterday on a \$500 million copper prepay. We are also well-advanced in discussions with our lenders and we will keep the market up-to-date on our progress. I will start today's call with an update on the current situation in Panama, followed by an operational update by Rudi. We will keep these updates brief as understandably the focus is on our balance sheet initiatives, which Ryan will review in detail. I will then close the call with our progress on the Kansanshi S3 Expansion project before opening up the lines for Q&A.

On our last conference call in October, our Refreshed Concession Contract for the Cobre Panamá mine had successfully been passed into law and published in the Official Gazette. Soon thereafter, however civil unrest gained momentum in the country with road blockages and protests against the government and also the mining contract. The road blockages impacted people and businesses across the country and also at Cobre Panamá as illegal blockades at the port prevented deliveries of essential supplies for our power plants and eventually forced the mine to ramp down and stop production. The blockades also prevented the shipment of concentrates to which both Rudi and Ryan will speak to shortly.

On Panama Independence Day, November 28, after four days of deliberation the Supreme Court in Panama declared Law 406 unconstitutional. This was then followed by an announcement on December 19 by the Minister of MICI that a temporary phase of environmental Preservation and Safe Management would be established until June 2024, whilst planning, audit and review activities are undertaken. This period will take us into the next administration in Panama, with elections across the country to be held in May this year and the new president taking office in July. In addition, the Minister noted that it could take up to two years to plan and perhaps 10 years or more to implement measures required following the abrupt halt to operations at Cobre Panamá. In early January, the company and MICI had discussions related to a formalized Preservation and Safe Management program and the associated costs.

At the government's request, we submitted our initial plan to address these critical activities on January 16. As part of this plan, we proposed the sale of the concentrate onsite to fund the initial phase of this critical environmental stability work, estimated at around \$15 million to \$20 million per month, and we currently await a response from MICI on this plan. There is currently no mining activity at Cobre Panamá. However, blockades around the mine have dissipated, allowing for the delivery of critical supplies for the environmental stewardship of the asset.

We have also commenced international arbitration processes, including notification under the Free Trade Agreement between Canada and Panama and with the International Chamber of Commerce's International Court of Arbitration relating to the 2023 concession contract. That being said, arbitration is not our preferred outcome and we continue to engage in constructive communication with the government as we remain committed to Panama and being a part of a long-term solution that delivers the best outcome for the country and Panamanians. As we navigate through this period of Preservation and Safe Management at Cobre Panamá, I want to reaffirm that our commitment to the environment is at the forefront. Cobre Panamá has always operated under best-in-

class environmental management and remains committed to this responsibility on a transparent basis, particularly with regards to tailings and water management. At all our mine sites, we implement best practices and adhere to stringent international standards to minimize our ecological footprint and preserve and restore the natural surroundings. Similarly, our reforestation efforts at Cobre Panamá are also world-class and contribute to the livelihoods of many Panamanian farmers. We do acknowledge that we need to improve our broad-based communications and we have made it a priority to address perceptions of mining by the Republic of Panama.

This includes media campaigns to dispel the misinformation and fake news that gained traction at the close of last year as well as direct engagement through tours to the mine site for government officials, civil society organizations and community members on an open and transparent basis to demonstrate our best-in-class environmental standards and the benefits of the mine to the country. Panamanians are curious about the mine, with almost half of the people recently polled expressing an interest in visiting to understand more about copper mining. And so yesterday we launched the Cobre Panamá Visitors and Citizen Participation Program. We look forward to welcoming some 3,000 people per month who want to learn more about this world-class project that is a huge part of the lives and economy of thousands of citizens and which is also a much needed contributor to both the global renewable energy transition and to electrification in developing countries around the world. As we continue with our campaigns to inform the Panamanian people about the mine, we are seeing new space begin to open up in Panama, in which a recent debate about the role of mining in the economy and society is increasingly possible.

I would now like to hand the call over to Rudi, who will provide an update on operations.

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

Thank you, Tristan and thank you, everybody, for joining our call today. Copper production in the fourth quarter totaled 160,000 tonnes, representing a 28% decrease from quarter three. Sales volumes were also impacted representing only 80% of the quarter's production and down over 40% from the preceding quarter due to the port disruptions at Cobre Panamá. Copper C1 cash cost of \$1.82 per pound during the quarter was \$0.40 higher than quarter three, largely as a result of the lower production volumes. At Cobre Panamá, the port disruptions also prevented the delivery of critical supplies to operate the power plant and forced the mine to ramp down production. As such, copper production for the fourth quarter was 63,000 tonnes, representing a decrease of 50,000 tonnes from the previous quarter. Copper C1 cash cost of \$1.45 per pound was \$0.26 higher than the previous quarter due to the lower production volumes and a lower by-product credits. It is worth noting that prior to the disruptions at Cobre Panamá, the CP100 Expansion facilities were operating very well, which speaks to the strong capabilities of our projects team and the operation achieved a monthly production record in October and was on track to achieve the top-end of its guidance range, which is now suspended.

At Kansanshi, the operation produced approximately 32,000 tonnes of copper, down from the previous quarter by about 8,000 tonnes due to mining constraints in Main 17 and the Main Pit that impacted mining rates. The latter relates to a misfire that was experienced in one of the blasting blocks that restricted mining activity. This has been dealt with and is no longer a constraint. Production was also impacted by asset volume restrictions due to unplanned maintenance at the smelter during the quarter. Additional asset is being procured from the Copperbelt as we rebuild our asset stocks. Kansanshi's production for 2023 was 135,000 tonnes, well within the guidance range. Copper C1 cash costs of \$2.43 a pound was \$0.80 higher than quarter three, mainly due to lower production and a one-time catch-up charge on new electricity rates. Production guidance for 2024 is expected to be around 130,000 tonnes to 150,000 tonnes and 65,000 tonnes to 70,000 tonnes of gold.

At Sentinel, the operation continued to be impacted by hard ore in the lower levels of Stage 1 and Stage 2 pits. And as such, copper production was down quarter-over-quarter to approximately 60,000 tonnes. Mining productivity, however, improved over the course of the quarter with improved blast fragmentation and reduced congestion with the commencement of Stage 3 Western Cut-back mining. Copper production for the year as a whole was 214,000 tonnes, falling short of the guidance. Copper C1 cash cost of \$1.85 per pound was \$0.20 higher than the preceding quarter, reflecting the lower production. Copper production is expected to be between 220,000 tonnes and 250,000 tonnes this year.

With regards to the current rainy season, we have recorded more rain when compared to the 2019 to 2022 season but less than we experienced during the last wet season. At Sentinel, there has been significant work on the wet weather preparations and the stormwater management processes have been implemented to mitigate the risk of potential water accumulation that was experienced in the previous rainy seasons. That being said, there will be some seasonal impact on the Zambian operations in the first quarter, which is reflected in our annual guidance.

Thank you and I would like now to hand over the call to Ryan to review the financials.

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Thank you, Rudi. As Rudi noted, Cobre Panamá was in a state of Preservation and Safe Management for much of the fourth quarter. The blockades around the mine impacted our ability to ship approximately 121,000 tonnes of copper concentrate, which was produced prior to the Supreme Court ruling. Sales therefore fell by more than production. As a result, revenue declined 40% in the quarter to \$1.2 billion. EBITDA decreased 72% to \$273 million. Our net loss attributable to shareholders was \$1.447 billion. This was due to a higher income tax expense from Cobre Panamá and a \$854 million impairment at Ravensthorpe.

The nickel market is under pressure due to the continued ramp-up in supply from Indonesia. This has resulted in both lower nickel prices and lower payabilities for Ravensthorpe. With the muted nickel outlook, we have taken the decision to fully impair Ravensthorpe. Across Western Australia, multiple nickel miners have idled production and it has been pleasing to see the government respond by designating nickel as a strategic mineral and providing royalty relief to support the industry.

Moving on to costs. Copper C1 costs were 28% quarter-on-quarter, were up 28% quarter-on-quarter to a \$1.82 per pound, impacted by lower production, higher fuel costs and the impact of one-off adjustments due to the signing of the new power contract in Zambia. Remaining input costs were stable during the quarter. In December, Brent oil prices declined to around \$76 per barrel, which should benefit costs in the coming quarter.

On to the balance sheet. Net debt increased by \$783 million during the quarter to \$6.4 billion. Liquidity was \$1.2 billion at the end of the year. This comprised of \$959 million in cash and \$250 million of undrawn revolver after we drew on the revolver through the quarter. There were two main drivers for the change to our debt and liquidity: Firstly, as mentioned in our Q3 results, during the fourth quarter we made a one-time tax payment of \$567 million to the Government of Panama. This payment was made prior to the Supreme Court ruling. It was important to make this payment and meet the obligations of Law 406, which preserved the strong arbitration rights that we have under this contract with the Government of Panama. This was the largest ever tax payment in Panama's history and as a reminder for the contribution that the mine has made to the country.

Secondly, net debt increased due to the disruptions to shipping at Cobre Panamá and the subsequent Preservation and Safe Management of the mine. As I noted earlier, the disruption at the port prevented us from

shipping copper concentrate. The sale of this concentrate will provide important funding of approximately \$225 million at current market prices. This is required for the implementation of essential environmental stability measures under the Preservation and Safe Management plan at the mine.

With Cobre Panamá not in operation, our focus is on ensuring that we have a balance sheet that confidently supports the completion of the Kansanshi S3 Expansion project, independent of the timing of resolution in Panama. As a result, we already have initiatives underway to strengthen our financial position. These include the suspension of the dividend, the reduction in capital spending and operating cost and working capital optimization. Liquidity has been further bolstered by yesterday's announcement of a \$500 million copper prepayment with our long-standing customer, Jiangxi Copper, at a competitive cost of funds in-line with that of our bank debt. The three-year prepayment agreement for 50,000 tonnes of copper per year includes a one-year grace period before periodic repayment commences. The price at which copper is sold under the agreement will reflect the LME copper price subject to typical market terms. This prepayment agreement is a reminder of the strategic nature of copper in today's market and the value of stable supply given the potential disruptions to copper production across the sector.

In addition to the prepay, the process to sell, our Las Cruces mine in Spain is well-advanced and has attracted interest from a range of parties from various parts of the world, reflecting the strategic location and processing capabilities of this project within the Iberian Pyrite Belt. As we alluded to in our January guidance release, we've also received expressions of interest regarding our Zambian assets, and as a result, have commenced the process to evaluate the possibility of a minority investment by a strategic investor into this business. This interest is a reflection of the positive business and the fiscal reforms that the Zambian government has delivered on in recent years. However, any such proposals received will be considered relative to other options available to the company and will only be pursued if we believe that they will deliver enhanced value and are in the best interest of our shareholders. The options that I have outlined are a subset of those available to the company.

As we've mentioned for a couple of months now, we've been considering pursuing a variety of balance sheet management initiatives across a wide range of finance providers from short-term trade to capital markets. The prepay is an attractive first step in this respect and we will continue to deliver initiatives which position our balance sheet to support our business's potential to create significant value over the coming period.

Lastly, I'd like to address the going concern references in our MD&A and Financial Statements. Current forecast in 2024, before taking into account future balance sheet initiatives, indicate that the company may exceed our net debt-to-EBITDA covenant ratio threshold in the coming 12 months, resulting in a material uncertainty ongoing concern. This is similar to language that has been in our MD&A previously when we have worked through other challenging moments in our history.

The nature of this analysis means that it does not factor in potential changes in the company's covenants, despite the fact that we are in advanced discussions with our banks in this respect. There is alignment with our banking group regarding amendments to the facilities to extend our debt amortization and provide more headroom in respect of our covenants. We expect to conclude these changes in the very near-term. This should remove the technical risk around the bank covenants when reviewed at the end of Q1. And that brings the finance section to an end.

I'll now hand the call back to Tristan.

A. Tristan Pascal

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thank you, Ryan. The Kansanshi S3 Expansion project remains on budget and on schedule to ramp-up in the second-half of 2025 and will return the company to a position of strong free cash flow generation. The \$1.25 billion project is a key part of our ongoing commitment to Zambia, which is supported by the continuing stable investment climate in the country under the current Zambian government administration. Engineering work at the end of the fourth quarter was 80% complete with minor mechanical design left and the balance on instrumentation and control engineering. Deliveries of major long lead items such as the mills, the primary crusher and process thickeners remain on schedule. Construction on the site continues across all disciplines and excavation of the primary crusher position commenced during the fourth quarter. Similarly, the advancement of the smelter expansion to 1.6 million tonnes per annum feed capacity and ramp-up of the Enterprise nickel mine also remain on track.

2023 closed with the company facing one of its biggest challenges in its recent history. However, I remain confident in the resilience of First Quantum and the determination of the team to work through the current challenges. As Ryan discussed in his section, we are taking a proactive approach to manage our balance sheet and address our liquidity in a fulsome and disciplined manner. An important component to this fulsome solution is an amendment and extension of our loan facilities. We have a long relationship with our lending banks and there is a high-degree of alignment among parties and we expect to provide an update to the market in short order. Whilst we address our liquidity, we remain focused on running our operations, executing our Kansanshi S3 Expansion and the safe and responsible stewardship of Cobre Panamá.

Thank you. Operator, I would like to open the line for questions now, please.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the analyst question-and-answer [Operator Instructions] Our first question comes from Greg Barnes of TD Securities. Please go ahead.

Greg Barnes

Analyst, TD Securities, Inc.

Q

Yes. Thank you, operator. Tristan, can you talk a little bit about the damages or value you're seeking under the arbitration process? I know you have the \$10 billion number in the slide deck. But I'm wondering if that's the number you're seeking or is it something more than that?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Yeah. Thanks, Greg. I mean, first off, we should highlight that although arbitration isn't our preferred outcome, we do have a strong case in arbitration. But we would really rather come to a resolution with the state of Panama that results in the best outcome for the people and for the company.

That being said, as part of the Free Trade arbitration that is between Canada and Panama on the Free Trade Agreement and as required under the process, we have provided a minimum value sought in those proceedings of \$20 billion, reflecting an estimated fair market value of the initial investment. But in reality, with damages and interest, the award could be very much higher and there's been some figures quoted in The Panamanian media which is several times higher. Alongside that, we do have the ICC arbitration process as well. That's under the auspices of the Concession Contract from 2023.

Greg Barnes

Analyst, TD Securities, Inc.

And is it the same value under the ICC process, Tristan?

Q

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

That's under a fair market value consideration. That is the termination clause in the ICC contract.

A

Greg Barnes

Analyst, TD Securities, Inc.

And just as a follow-up. I'll just direct this to Ryan. On the copper prepay. How does the mechanics of the repayment of the, say, \$500 million actually work?

Q

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Hello, Greg. The prepay is the sale agreement for 50,000 tonnes of copper over three years and we sell copper to Jiangxi just as we've sold it to them in the past as a regular customer at market-related terms. But also as part of the agreement, we received an advanced payment of \$500 million with the interest rate on that payment and a floating interest rate broadly in-line with our bank debt costs. We then sold then the copper as per normal. No discount on the LME price on market terms. There's a one-year grace period and then in years two and three, we pay them back on that loan plus interest and that payment is offset against what they would have paid us for the copper in years two and three.

A

Operator: Our next question comes from Orest Wowkodaw of Scotiabank. Please go ahead.

Orest Wowkodaw

Analyst, Scotia Capital, Inc.

Hi. Good morning. Ryan, do you have a target of debt reduction corporately in terms of what you're trying to get to with respect to the various transactions you're looking at?

Q

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Thanks, Orest. The focus is really on having the balance sheet that confidently delivered the S3 because it's S3 that delivers Zambia back to being a strong cash flow producer and then we'll naturally deleverage from there. So we have a clear plan in place. It's a holistic plan. It's well-advanced. We announced two important step-forwards in that plan today, which is the copper prepay and alignment on the bank covenants. And we'll keep the market updated in short order on further progress.

A

Orest Wowkodaw

Analyst, Scotia Capital, Inc.

Does the prepay qualify or is it considered debt under the covenants or is that considered not debt?

Q

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

A

Yes. So from an accounting perspective, it will be deferred revenue. But from a debt perspective, it will – from a covenant perspective, it would likely be included in the debt – the covenant calculation.

Orest Wowkodaw

Analyst, Scotia Capital, Inc.

Q

I see. So it's still – it helps you with liquidity but not with your debt covenants?

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

A

Correct. The focus on the debt covenants has really been that discussion with the banks. And I just like to note, appreciation for the supportive and constructive approach that our banks have taken in the discussions with us to reach alignment on new covenants.

Orest Wowkodaw

Analyst, Scotia Capital, Inc.

Q

Okay. And can you give us an idea how much of a minority interest are you considering in Zambia in terms of a potential sale to a strategic?

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

A

Orest, I wouldn't get too much into the specifics at this stage other than to say we've received interest from a number of parties in respect of Zambia and stakes within our business. I think that's a function of it being a high-quality copper business in Zambia and also the real improvement we've seen in Zambia, which has attracted a variety of parties also to make other investments in Zambia and we'll explore those discussions in a disciplined manner. And if there's a transaction that makes sense for shareholders, we'll progress with that transaction. If not, we're comfortable with the existing ownership structure in Zambia.

Operator: Our next question comes from Jackie Przybylowski of BMO Capital Markets. Please go ahead.

Jackie Przybylowski

Analyst, BMO Capital Markets Corp. (Canada)

Q

Thanks very much for taking my question. I just wanted to ask you about the unsold copper concentrate that you have in Panama, 121,000 tonnes. If you could tell us – I mean I know it hasn't been sold yet. If you could tell us maybe if you expect it will be sold in in the first quarter or if we should assume that's a second quarter transaction? And as a follow-up, I guess it'd be helpful just given the Law 406 has been overturned, if you could talk a little bit about what – like taxes and royalty rates and things that you're expecting you would owe on that sale if and when that happens? Thank you.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Sure, Jackie. Yeah. So there's 121,000 tonnes sitting in the shed and it's clear from our perspective that was mined and processed prior to the Supreme Court decision and that will provide the pathway to ship it out. We'd like to press for that. So certainly we submitted the Preservation and Safe Management plan on the 16th of January. And in conversations with the Ministry, a key component of that plan in how to address the environmental stewardship of the site which is needed is to how those costs are met. So the concentrate is an important part of that.

In addition, we don't want to see any gassing or anything coming off that concentrate. So there's a strong argument to move it. We would like to press for that as soon as possible. And in regard to the royalties and so on due, look, that's yet to be resolved with the government. Looking at the way the current mining code works, we would expect that the mining code royalties would apply to that. We don't see that the minimum tax, the previous arrangements under the Law 406 we do and we'd be looking at royalties under the current mining code.

Jackie Przybylowski

Analyst, BMO Capital Markets Corp. (Canada)

Okay. Great. Thanks very much, Tristan.

Operator: Our next question comes from Dalton Baretto of Canaccord Genuity. Please go ahead.

Dalton Baretto

Analyst, Canaccord Genuity Corp.

Thanks, operator, and good morning, Tristan and team. Tristan, I'm wondering if I can ask you about the situation around the election in Panama right now? I understand Martinelli has been disqualified from running. So I'm wondering what the board looks like to you right now and how you're thinking about both the election as well as your actions post the election? Thank you.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Yeah. Sure. So I think there's two parts: The first is that, as I was saying there, it's important that some activities commence on the site and that's really to address the environmental stewardship requirements right now. And we're seeing positive signs in terms of framework around the Preservation and Safe Management plan that is in discussion with the current administration.

The election is in May. There's some eight candidates running for that. I think Dalton what we'd say is whoever comes in, the solutions that are provided by the mine in terms of contribution to the economy, contributions to employment, social security, social infrastructure are extremely important and can't be ignored in the context of the challenges that Panama is experiencing in terms of lower growth rates and also the situation with low water and so on. So we're seeing very high power prices in the country. Getting the power plant running would provide an active contribution to support high power prices for people in their homes in Panama. These are the issues that the incoming administration will need to deal with, whichever the successful outcome of the democratic elections is.

Dalton Baretto

Analyst, Canaccord Genuity Corp.

Okay. Thank you for that. And then I think you said earlier in your comments that you're seeing new space for responsible debate on the role of mining. What does that look like in Panama right now and what's the plan, post the election, to address sort of the social license?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Sure, Dalton. So I think the decision by the Supreme Court last year was understandable in terms of a release [ph] valve (00:30:29) and a lot of emotion in the country. What was a surprise was that they stopped operations and that needs to be dealt with because stopping things in such a hard stop can be very detrimental to the environment. And so that's the reason why the Preservation and Safe Management framework is important that those activities can get underway.

I think there's an understanding that mines can't stop dead and there needs to be a fulsome work out of that solution. So we've seen MICI talk about developing a plan over two years and it may perhaps take up to 10 years to resolve that. In terms of opening further space, we acknowledge there was a lot of emotion. We need to do more in terms of broad-based communication in speaking to people. I think Panamanians are interested to learn about the mine. If you ask them of what should happen from this point, that's challenging for people to answer. And I think that that is a space but a lot needs to be done in terms of this time in front of the election and then into the run-up to the new administration coming in.

Operator: Our next question comes from Ralph Profiti of Eight Capital. Please go ahead.

Ralph M. Profiti

Analyst, Eight Capital

Q

Good morning, Tristan. Thanks for taking my question. I just have one. Did the MICI delivery of this preliminary draft on January 16 include proposals for cost sharing of the \$15 million to \$20 million a month after successful monetization of those inventories? Just wondering how we should think about sort of who foots the bill in that medium-term?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Sure, Ralph. So what happened that MICI had asked for us to submit a plan. That is, they said this needs to be addressed. How will you address the safe environmental management of the site? So they called for a plan and so with our submission, a Preservation and Safe Management plan that dealt with the topics of the environmental stewardship that is required. It dealt with the topics of the welfare of employees and how they would be looked after given the circumstances, security of the asset, safe maintenance that is keeping the assets in good standing and then also the costs. And certainly there's an understanding in terms of that framework that the cost of that environmental stewardship do need to be met.

So with the concentrators available for that, it also eliminates potential environmental degradation on the concentrate itself and that would address that \$15 million to \$20 million per month. That's the necessary level in order to ensure environmental stewardship. That's at a level of about 1,400 people per site, which is about the right level. Beyond that, the ability to operate some of the machinery there would give us greater ability to ensure that pH in the tailings dam is held within compliance, and that is there is no degradation in terms of downstream environmental impacts.

And we've seen that all the way through Panama that really has been operating as a gold standard environmentally, particularly in regard to discharge of water from the tailings dam, all our independent audit to return those very high standard results. And for that to continue, those costs do need to be addressed. That was part of the plan that we put forward.

Ralph M. Profiti

Analyst, Eight Capital

Q

Understood. Thanks, Tristan.

Operator: Our next question comes from Bryce Adams of CIBC Capital Markets. Please go ahead.

Bryce Adams

Analyst, CIBC Capital Markets

Thank you, operator. Hi, all. Firstly, just noting the Ravensthorpe impairment, it might be difficult with so many unknowns but what are the triggers for an impairment test on Cobre Panamá? Is that test, is that something that's being considered or with arbitration initiated, it's not required. Just wondering what the trigger might be for the testing there?

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Yeah. Sure, Bryce. So we do look at impairment triggers across our assets that included Ravensthorpe, included Cobre Panamá and you then consider a variety of scenarios going forward at Cobre Panamá as you work through that impairment analysis. And I think it's important to note that you also consider potential arbitration outcomes when you conduct that analysis. And on the basis of that, we were comfortable with the book value we have for Cobre Panamá.

Bryce Adams

Analyst, CIBC Capital Markets

Okay. Thanks. And for a follow-up, I'm going to go back to the copper concentrate at Cobre Panamá. If you're successful in shipping at that con, do you expect that all of the net revenue is available for care and maintenance cost? And in that scenario, is there a potential for a write-down, a write-down to the amount of the cost of the inventory?

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Yes. So, Bryce the way it would work is we would sell that copper concentrate. That would generate around \$220 million of cash, around \$160 million of EBITDA. So that normally would have been EBITDA that would have flowed into Q4, that would then flow in Q1 and that cash amount we expect would broadly fund the preservation and environmental work at the site for the most of this year.

Operator: Our next question comes from Ioannis Masvoulas of Morgan Stanley. Please go ahead.

Ioannis Masvoulas

Analyst, Morgan Stanley Securities Ltd.

Yes. Hello, Tristan and team. Thank you very much for the presentation. First question from me, going back to the prepayment agreement. Could this deal in any way restrict the pool of possible bidders for a minority stake, given that they will have to sell 50,000 tonnes per annum to Jiangxi for the next three years? And then within that, do you have capacity to do more of these deals, for example, at the Sentinel? Thank you.

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Sure, Ioannis. To your first question, no. The contracting added entity is our marketing subsidiary and it's a small percentage of the overall copper production from our Zambian business.

In terms of your second question, yes, there is potential for future agreements like this one. We'll assess them on a case-by-case basis, just as we do all our financing options and where we feel they're at competitive terms that make sense for us, we'll enter into them.

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

Lawson Winder

Analyst, Bank of America

Great. Thank you, operator. Good morning, everyone. Thank you for the presentation today. I just wanted to get a little bit of clarity on the prepay. I wasn't 100% clear that there are no caps or floors.

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Correct, Lawson. That's at LME prices, so there's no implicit hedging agreement locked into the prepay. It's just about purely selling physical copper at market-related prices. And as part of that, there's also a loan agreement to First Quantum.

Lawson Winder

Analyst, Bank of America

Okay. Perfect. Also, I wanted to ask you about potential asset monetizations or minority sale. So I mean through your consistent communication with the market and with us, Taca Taca has never been mentioned as a possible asset that could be monetized to help with liquidity and strengthening the balance sheet. Is that something you guys talk about internally?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Sure, Lawson. We certainly looked at that. Taca Taca is a great project. We think it hangs together really well. The question – the current stage of the asset is we need to address two questions: One, the environmental and social impact assessment approval; and secondly the investment climate in Argentina. And at this stage, we think both of those, particularly the investment climate that we're seeing with the new administration, there is certainly intent. But it's really we're yet to see implementation that would we think impact the way in which the process would go forward. Certainly, as we look at that asset the potential for partnership or and so on in the future, we've been open to say we would look at that. I think it really needs to get to a shovel-ready position Lawson before we could look further into that.

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

Ian Rossouw

Analyst, Barclays Capital Securities Ltd.

Hi. Thank you. Just one question on this Preservation and Safe Management program. Does any of your proposals include producing new copper to help fund the ongoing program going forward? And maybe just as a part of that, you mentioned that now that the blockades have cleared, have you been able to restart the power plant and selling into the grid?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

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Sure, Ian. At this time, no, the power plant is still idle. We'd like to see that happen. Producing that power would certainly have a very positive impact for Panamanians in terms of reducing power price in the grid. It's currently at a historical high because of low water in the hydro dams in the country. And this time of year it's always a low because of rainfall normally and because of low wind and solar.

So, currently Panama is running a lot of diesel power, which is very expensive and certainly the power station can contribute to the national grid. In terms of running our operations and generating new copper, that alternative is available in that turning the mill and producing on one train, as we would during the care and maintenance stage during the COVID period, we're certainly able to hold the environmental stewardship, particularly around the tailings dam in a very strong position. And ultimately it's the buffering from the lime addition, the buffering from the processing in the milling trains and certainly you could achieve that in by some level of operation. It really holds things steady and hold things constant. It would also provide the sand that's necessary for the ongoing cyclings and construction on the tailings dam.

Without that, you're challenged around erosion, you're challenged around long-term on those issues on the tailings dam because all of the long-term planning was there. But in the interim there is ongoing construction that is required on the dam and to manage pH in the tailings in the facility itself.

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

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thank you very much, operator. And thank you, everyone for joining our call today. We certainly appreciate the support and we look forward to talking to you again soon.

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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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