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First Quantum Minerals Ltd. (FM.CA)

Q2 2024 Earnings Call

CORPORATE PARTICIPANTS

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

Analyst, Scotia Capital, Inc.

Jackie Przybylowski

Analyst, BMO Capital Markets Corp. (Canada)

Ioannis Masvoulas

Analyst, Morgan Stanley Securities Ltd.

Dalton Baretto

Analyst, Canaccord Genuity Corp.

Marcio Farid

Analyst, Goldman Sachs do Brasil CTVM SA

Bryce Adams

Analyst, CIBC World Markets, Inc.

Myles Allsop

Analyst, UBS AG (London Branch)

Lawson Winder

Analyst, Merrill Lynch Canada, Inc.

Ralph M. Profit

Analyst, Eight Capital

MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. This is the conference operator. Welcome to the First Quantum Minerals Limited Second 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, operator. And thank you, everyone, for joining us today to discuss our second quarter results. During the call, we will be making forward-looking statements. As such, I encourage you to read the cautionary notes that accompanying this presentation or 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, we have Tristan Pascall, our Chief Executive Officer; Ryan MacWilliam, our Chief Financial Officer; and Rudi Badenhorst, our Chief Operating Officer.

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

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thank you, Bonita. And thank you, everybody, for joining us today for our second quarter update. Operationally, we had another solid quarter in Zambia, which Rudi will cover in his remarks, and both Kansanshi and Sentinel are set up well for the second half of the year. We remain on track to deliver on the copper production guidance, which we provided earlier in the year.

We were pleased to announce the commercial production on Enterprise on June 1. However, in April, we made the difficult decision to place Ravensthorpe on care and maintenance due to the high cost structure of the operation. Despite this, with the Enterprise performing better than expected, we have maintained our nickel production guidance, albeit at the bottom of the range. Whilst we are not natural hedges, the copper price in May reached levels that provided assurance on maintaining balance sheet strength during this time of elevated debt, and while we look for a resolution in Panama. As such, in our continued efforts to prudently manage the balance sheet, we initiated a copper hedging program to which Ryan will provide more details in his financial overview. It was pleasing to reach a Shareholder Rights Agreement with Jiangxi Copper during the quarter, which formalizes our relationship and removes uncertainty for all the First Quantum stakeholders by establishing guardrails with respect to three key areas.

Firstly, with a few exceptions, Jiangxi Copper will not vote against board recommended matters. Secondly, Jiangxi Copper remains under standstill for the term of the agreement. And thirdly, any material block of shares that Jiangxi Copper wishes to sell will have the oversight of First Quantum. As part of the agreement, Jiangxi Copper will have the right to nominate rather than appoint one director to First Quantum's board. With the nominee being subject to the recommendation of the Nominating & Governance Committee of First Quantum's board. The nominee must fit the skills matrix as required by the board, as well as discharging all of the duties regularly expected of directors sitting on the board of a Canadian company.

Over the years, since its initial investments in 2019, the relationship between Jiangxi Copper and First Quantum has strengthened. Jiangxi's support of the strategic direction of the company, and both parties expressed a willingness to formalize the boundaries of this relationship. This agreement has been many years in the works and we are pleased to have reached this outcome. In Panama, President Mulino was inaugurated on July 1. He has authorized discussions between the company and its various ministers and officials. Initial meetings have taken place and there should be further dialogue in the coming weeks once his government is ready.

In the meantime, there continues to be 121,000 dry metric tonnes of concentrate on site. Shipment of this concentrate is part of the Preservation and Safe Management Program and therefore sale of this concentrate will not take place until the program is approved. We continue to work with the new officials for the approval of the Preservation and Safe Management Program, which involves getting the new administration up to speed on the current situation at the mine. In his inauguration speech, President Mulino announced that a strict environmental audit would be conducted on Cobre Panamá. And our understanding is that the government is currently assembling a list of independent international experts who could conduct this audit. We understand and welcome this move as a necessary step for the new administration and the Panamanian public to learn more about Cobre Panamá's exceptional environmental practices and standards and we are prepared to cooperate fully. The company has always operated its operations with transparency and in full compliance with international environmental standards. We are confident the results of this environmental audit, in line with all previous audits of the mine, will demonstrate the world-class nature of our operations.

Moving on to arbitration, the company has taken steps towards two arbitrations proceedings, one under the International Chamber of Commerce, and the other under the Canada-Panama Free Trade Agreement. The ICC

is the most advanced of these two proceedings, with the arbitration initiated in November of last year, with a final hearing scheduled for September 2025. Under the FTA arbitration, an updated notice of intent was filed on February 7. The company has three years from Panama's breaches of the FTA within which to file its arbitration claim. I would once again reiterate that arbitration is not our preferred outcome and we remain committed to dialogue with the new government and to being part of the solution for the country and the people of Panama.

Over to Zambia. The severe drought continues to impact the country. I'm proud that First Quantum is supporting Zambia's food security efforts by contributing to transportation costs to import grain into Zambia from Tanzania. The severe drought conditions also continue to impact power availability. In June, ZESCO imposed a further 20% in power restrictions across the mining sector for a total 40% reduction overall. As such, the company made the decision to source power beyond the formal restrictions imposed by the ZESCO contract and we'll be sourcing 193 megawatts of power or 52% of its needs from imports. There will be an impact on costs, which Ryan will review. However, the company anticipates it will be able to sufficiently substitute power with imports and avoid operational interruptions. In addition, the company is proactively securing sufficient power for the commissioning and ramp-up of the S3 Expansion at Kansanshi with three independent power producers. The situation in Zambia is serious and we will continue to work constructively with government and civil society to achieve the best possible outcomes that ensure employment and income to the country to remain stable and Zambia's debt restructuring efforts remain intact.

With that said, we are pleased and supportive of the commitments made by the country for additional and reliable power generation capacity, including wind, solar, and hydro projects, as well as infrastructure investments, including interconnections with other countries across the Southern African power pool to address the country's power needs for the future.

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 today. Total copper production for the second quarter of 2024 was 103,000 tonnes, a 2% increase from quarter one. This was another solid quarter operationally. And with the work accomplished during the quarter, we are now well set up for the remainder of the year and on track to achieve our copper production guidance as Tristan noticed earlier. Copper sales volumes did lag during the quarter by approximately 8,000 tonnes lower due to the timing of shipments, vessel delays at Walvis Bay, and Dar-es-Salaam ports related to weather, port congestion, and scheduled disruptions. Copper C1 cash cost declined by \$0.29 to average \$1.73 per pound, benefiting from higher gold production at Kansanshi and record gold prices. At Kansanshi, copper production totaled 42,000 tonnes in the second quarter, an improvement of 10,000 from quarter one, driven by higher feed grades. During the quarter, we gained access to higher grade material at the Main 15 cutback. This, along with access to Main 17, will allow for grades to remain at elevated levels for the remainder of the year.

In addition, we will be swapping the mixed and sulphide mills during the third quarter in order to maximize mixed grade through the mills. This will allow us to comfortably achieve our production guidance of 130,000 tonnes to 150,000 tonnes of copper at Kansanshi. Copper production at Sentinel totaled 54,000 tonnes in the second quarter, a decline of approximately 9,000 tonnes from the previous quarter. The decline in production was expected as the mine experienced higher grades during the first quarter and have since returned into normalized levels. The ongoing Stage 3 development progressed well during the quarter with the in-pit crusher successfully commissioned well ahead of schedule that enabled access to softer ore. The access to the Western Cut-back at Stage 3 will increase the availability of softer ore and allow for improved mining

performance and throughput over the remainder of the year. As such, copper production guidance at Sentinel has been maintained at 220,000 tonnes to 250,000 tonnes. At Enterprise, over 6,000 tonnes of nickel was produced during the second quarter, an increase of over 2,000 tonnes from the first quarter.

Mining volumes have been steadily improving and plant performance has been strong, allowing for the deceleration of – declaration of commercial production. Due to the stronger than expected performance at Enterprise, nickel production is expected to be at the upper end of guidance at 17,000 tonnes to 20,000 tonnes. As Tristan noted earlier, we made the difficult decision to place Ravensthorpe into care and maintenance. This work commenced in May and should be completed during the third quarter. Care and maintenance costs are estimated to be approximately \$5 million per month during the third quarter and will reduce to \$2 million a month thereafter. Production guidance has been lowered to 5,000 contained tonnes of nickel in the reflection of this. We continue to support our personnel, particularly those living near in the locally Ravensthorpe region and we are thankful for support from the community and local and state governments to the mine during this challenging phase.

Cobre Panamá remains in a phase of Preservation and Safe Management. During the quarter, the process plant preservation and maintenance cycle was changed from 14 days to 28 days. The new maintenance cycle will allow for the execution of corrective maintenance activities to maintain optimal conditions. The focus continues to be on environmental, care and maintenance activities for all areas, including cleaning and maintenance work at sediment ponds and pumps, managing surface water of the waste dump and low grade stockpiles, redirecting rainwater, the treatment of water to manage the pH levels. These expenses are expected to range from \$15 million to \$17 million per month for the remainder of the year, depending on the level of environmental stability and asset integrity programs.

I wish to thank all our employees of Cobre Panamá for their ongoing commitments to safe and responsible environmental management of the mine area and its surrounding communities. 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. During the quarter, copper prices reached a peak of \$4.92 per pound following the collapse in copper treatment charges, the resulting concern of smelter production cuts, combined with lower mine supply forecast. The copper prices since pulled back to around \$4.20 per pound on the back of expectations of slower growth in China. During the quarter, we took advantage of the stronger pricing environment and entered into a copper hedging program made up of unmarginated zero-cost collars to the end of 2025 and roughly 40% of our production. The hedge program is the next step in protecting the balance sheet, following the successful completion of the financing activities in Q1. We've been consistent that while our goal as a company is generally to be unhedged, we will consider the use of hedging as an insurance policy to protect the balance sheet through more capital intensive phases. This hedging strategy ensures a minimum price on a portion of our production, while Cobre Panamá is offline and until the S3 Expansion is fully commissioned at the end of 2025. The hedges are front-end weighted as this when the S3 Expansion project is most capital intensive. Once fully operational, S3 is expected to return First Quantum to a positive to strong positive free cash flow generation.

Revenue and EBITDA increased from the first quarter by 19% and 86% respectively, mainly on the back of higher realized copper prices and improved operational performance, particularly at Kansanshi. Our Q2 net loss attributable to shareholders also improved to \$46 million, although it was impacted by a further impairment at

Ravensthorpe. We wrote off the majority of the remaining inventories following the decision to place the operation into care and maintenance during the quarter.

As Rudi noted, second quarter C1 cash costs averaged \$1.73 per pound, a 14% improvement over the previous quarter. In general, cost have largely stabilized. However, as guided in our Q1 results, electricity costs increased as of May 1 to Kansanshi and Trident as a result of the power shortage in Zambia and the need to import power at higher rates. As Tristan noted, ZESCO has requested further restrictions. So we'll be more than doubling our imported power from July 1 onwards. With these additional imports, the impact of cash costs increased to approximately \$55 million or \$0.06 per pound for the full year. In other areas, input costs and prices are tracking favorably to the assumptions used in our C1 cash cost guidance. Oil prices have averaged in the mid-80s year-to-date, while we continue to use \$90 per barrel in our assumptions. The Kwacha has been weaker than the 21 assumed in our guidance.

And lastly, gold prices have been a significant tailwind for us, more than offsetting the impact of the higher power prices as the gold prices averaged well over \$2,000 per ounce through the first part of this year. Considering all these factors, we remain comfortable with our C1 cash cost guidance range for the year of \$1.80 to \$2.05 per pound. In respect to our balance sheet initiatives, the sales process of our Las Cruces mine in Spain remains ongoing, as well as the potential minority investment in the company's Zambian business. We will bring in a partner if it creates value to our business in Zambia. Net debt increased this quarter by \$160 million to \$5.4 billion. The strong progress on the S3 and the resulting increase in capital expenditure was the main driver of this cash outflow. Liquidity remained strong at \$1.6 billion at the end of the quarter, comprising of approximately \$876 million in cash and \$740 million of undrawn revolver. And that concludes the finance section.

I'll now hand the call back to Tristan.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thank you, Ryan. Two years ago, First Quantum approved the Enterprise and the S3 Expansion projects following a commitment made by Zambia's New Dawn administration to reform the mining sector and establish a platform for more stable, durable, and responsible mining in Zambia. It is very pleasing to share with you that Zambia was recognized in the latest annual mining survey by the Fraser Institute for its improved investment climate. Out of 86 countries, Zambia is ranking improved from 58 to 34. The country achieved the third highest ranking in Africa and now ranks ahead of traditional mining jurisdictions, including Chile and Peru. The current administration has made great efforts to improve the investment climate for the mining sector within the country and it is very pleasing to bear – to see this bear fruit.

At Enterprise, it is pleasing that the mine was completed, commissioned, and delivered into commercial operation ahead of schedule. I wish to acknowledge our in-house project teams for another project successfully executed that distinguishes First Quantum's approach to delivering growth. At the S3 Expansion project, we continue to receive long lead deliveries with the last major delivery of flotation cells completed early in the third quarter. Construction continues to focus on the assembly and installation of major components, mainly the mills and the primary crusher. And we are pleased to show you the progress of our S3 project in the presentation on our website. Work has also begun on configuration of the plant control system. The S3 Expansion is key to restoring First Quantum's strong cash flow generation, and we remain on track for first production mid-next year. We have also published a 43-101 Technical Report for Kansanshi. The copper production profile at Kansanshi has smoothed over the life of the mine, while unit costs and capital spending has increased, reflecting inflation since the last report in 2020. Also, reflected in the higher capital spending are fleet replacements related to the S3

Expansion. As part of the report, we were pleased to see an increase in mineral reserves that has extended the operating life of Kansanshi by five years to 2049.

This brings our prepared remarks to an end. There was a lot of information with our second quarter results, and I would be pleased to take any questions. Operator, we can open the call for Q&A.

QUESTION AND ANSWER SECTION

Operator: Certainly. We will now begin the analyst question-and-answer session. Analysts are permitted to ask one question and one follow-up and are welcome to rejoin the queue if they have more. [Operator Instructions] The first question comes from Orest Wowkodaw from Scotiabank. Please go ahead.

Orest Wowkodaw

Analyst, Scotia Capital, Inc.

Hi. Good morning. It's great to hear that the new president of Panama has authorized, I guess, some discussions to restart with the company. The President has made some public comments about potentially restarting the mine to close it. And I'm wondering if you can provide any color on what you think that means from a restart perspective and whether you think that could be a partial restart or full restart and under what sort of timeline potentially?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Hi, Orest. Sure. Thanks very much for the question. Yeah. So the President in his inauguration speech, and since that day, has made a number of comments around the mine, and we note his comments around open to close. I think it's been very pleasing to see the dialogue around the mine, which is a very important issue for the country in terms of the need to deal with, in particular, the environmental issues and how those need to be managed through an operating asset. It's very hard to manage an immediate closure such as happened at the end of last year. And so it's very necessary that there is a level of activity that can ensure environmental security. So that's the first point.

Initially, we see that progressing through the Preservation and Safe Management plan that we have submitted. And I think that's very important to underline the costs and the ability to keep ensuring assets and environmental security in the interim. But we're very open to and committed to dialogue with the new administration to put in place a framework around which we can have those conversations that will see a stable level of operation to ensure the long term environmental security of the asset. The timing of that, Orest, is difficult. I think there's a number of complexities to work through. We don't see that happening this year. And certainly, the President has made comments around that. We are committed to engage in the dialogue in order to get to that position.

Orest Wowkodaw

Analyst, Scotia Capital, Inc.

Thanks. What's the timing for the environmental audit?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Yeah. Thanks, Orest. So firstly, to say we're absolutely open to the audit and we see it as a necessary step for the government of Panama. We're waiting for the instructions from government. We understand they're currently

putting together a shortlist of international experts. That could take a few weeks. And so we're waiting to hear back on the government on the exact timing. But the indications were that it would come this year and the costs will be perhaps in the – is to be discussed and agreed with the government. The consequences, I think, of doing nothing at the mine will be very challenging for the environment. And so we welcome this audit which we expect would understand that doing nothing right now is not a good outcome for the country.

Orest Wowkodaw

Analyst, Scotia Capital, Inc.

Thank you.

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Operator: The next question comes from Jackie Przybylowski from BMO Capital. Please go ahead.

Jackie Przybylowski

Analyst, BMO Capital Markets Corp. (Canada)

Thanks so much for taking my questions. I guess maybe my first question would be for Ryan on the hedge program. It seems very well timed and opportunistic, and I totally understand the rationale behind it. Can you talk a little bit about what you might look at in terms of adding hedges, what you may need to see in the market to add further hedges going forward?

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Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Sure, Jackie. Our intent would be to replace hedges as they roll off and to stay broadly 40% to 50% hedged through to the end of 2025. And that really ties in with the delivery and ramp-up of the S3 project. And then from there, we move to a stronger phase of cash flow generation, and therefore, we don't need that hedging insurance policy from then on.

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Jackie Przybylowski

Analyst, BMO Capital Markets Corp. (Canada)

Thanks, Ryan. And as my follow-up question, maybe I'll just ask, have you sort of looked at that in terms of the scenarios for restarting Cobre Panamá in 2025 or not? Does that affect your hedge program? I mean, it obviously would in terms of that 40% to 50% calculation, but would you be more comfortable being hedged or not hedged in a different scenario with that restart?

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Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Jackie, we've made that decision and approach independent of Cobre Panamá timing. So it really focuses on what the S3 ramp-up looks like and then matching a program that ties in with that.

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Jackie Przybylowski

Analyst, BMO Capital Markets Corp. (Canada)

Great. Okay. Thank you very much.

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

Ioannis Masvoulas

Analyst, Morgan Stanley Securities Ltd.

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Hello. Thank you very much for the presentation. My first question is around assets sales or stake sales actually. You mentioned that you will only bring a partner in Zambia if this would present strategic value. Will this preclude discussions with certain types of potential bidders that may offer an attractive economic value instead?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

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Hi, Ioannis. Ryan, do you want to take that question?

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

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Yeah. Sure. Ioannis, the comment was really focused on the fact that we don't have to do a transaction in Zambia, but we think the improved investment climate there, which Tristan referenced in his script, gives us an opportunity to engage with parties who are now looking at Zambia afresh following the positive business reforms in the last few years. And if there is a partner that has the capability, the experience in the mining sector, and the desire to work with us and the Zambian government and moving those assets forward, we will really take that very seriously. But the comment really was focused on we'll consider it holistically rather than just the dollar value of any transaction.

Ioannis Masvoulas

Analyst, Morgan Stanley Securities Ltd.

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Very clear. Thank you very much. And just a follow-up, back to Cobre Panamá. Certainly, lots of uncertainties on the path forward, but assuming the environmental audit concludes successfully, what would be the next milestones towards a possible restart? And within that, how should we think about a new contract agreement between you and the government given recent comments being made by their President? Thank you.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

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Sure, Ioannis. Thank you. So the milestones, as we see them. But we committed to dialogue around that with the government really initially to address the immediate activities required under the Preservation and Safe Management plan to ensure environmental security. Currently, we're covering all of that cost and we outlined that in the second quarter results as to where that cost is now at \$17 million a month, approximately. They're ranging \$15 million to \$20 million. And that's important that we cover that cost. Initially, the concentrate sale would go a long way to support that. And that's part of the Preservation and Safe Management plan that we would hope is approved.

The – going forward from that, I think it's important that we provide space for dialogue. And that would really be a conversation around a framework as to how that dialogue could work to really understand the full solutions required for Panama and its people, but to work in order to ensure the ongoing environmental security, asset security of the mine and the conditions where the mine exists. And it needs to be dealt with in a respectful way and in a patient manner. So those are the milestones we think, this year. The President has made comments around that timetable. I think he said, not before the summer months, which run through sort of from December. But really, for us, the importance is not when, the importance is getting to a proper agreement that benefits the both parties, that ensures a stable operation forward and must make sense for our shareholders.

Ioannis Masvoulas

Analyst, Morgan Stanley Securities Ltd.

Thanks very much.

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

Dalton Baretto

Analyst, Canaccord Genuity Corp.

Thank you. Good morning, Tristan and team. Maybe I can start by following in that same vein there. Just a point of clarification, Tristan. Does the approval of the preservation and safe maintenance plan depend on the outcome of the audit, or are they completely separate?

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A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Dalton, look, we will go through that process. A lot of that conversation needs to happen with government. From our perspective, though, the Preservation and Safe Management plan was really needed just to deal with the immediate environmental requirements. And with or without an order, with or without the future framework, there are a number of environmental matters that need to be – they need to be the right framework by which those can be covered and be dealt with. And that's what the Preservation and Safe Management plan really was set out. We submitted that in January, and it's really about dealing with those upfront key environmental matters well before we get to the sort of long term items that we would envisage coming to a more holistic framework discussion.

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Dalton Baretto

Analyst, Canaccord Genuity Corp.

Got it. So but from Mulino's perspective – from the government's perspective, the two are completely separate. Or are they waiting to see what the audit looks like first?

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A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Look, we see the audit as a key step. There's been a number of environmental audits at Cobre Panamá. The last one, at the end of last year from August to October while the mine was operating. The audit demonstrated that we were 100% compliant with the environmental and biodiversity requirements of the 371 obligations under the ESIA. There were five health and safety areas to be addressed which we were addressing at that time. And that demonstrates the very strong environmental standards of the operation to international standards at the highest level. So we would welcome the audit. We think it's an important part for Panama to understand the situation on the ground at the mine, to provide transparency, to provide meaningful context around what needs to happen, that the mine just can't stop in mid air. There needs to be a – to ensure integrity of the environment there.

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Operator: The next question comes from Marcio Farid from Goldman Sachs. Please go ahead.

Marcio Farid

Analyst, Goldman Sachs do Brasil CVM SA

Thanks, everyone. Morning. My question is around the operations in Zambia. Obviously, Kansanshi performed well in the quarter both in terms of cost, but also grade improvement as well. You talk about potential further efficiency gains on the

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release or just trying to understand what are you thinking about in terms of magnitude of potential cost improvements if the grades that you reported in the quarter can be sustained into the next quarter? And if the report that you've published highlight any potential upside risk in terms of costs and grades for S3 Expansion as well. Thank you.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Sure. Thanks for the question, Marcio. I'll let Ryan answer the first part of that question. And then just look ahead, I can give you some context as well.

A. Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Sure. So on costs, we did see very strong cost performance through the quarter. That was largely driven by the lower unit cost at Kansanshi, which, in turn, were driven by the strong gold production there, which tied in with the strong gold price environment. We do expect through the second half of the year Sentinel to represent a larger share of the production. Sentinel doesn't come with that byproduct credit. So we would expect higher costs through the second half of the year than what we had in Q2, but still well within guidance.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Yeah. And then looking forward, Marcio, we were very happy to release the updated 43-101 Technical Report at Kansanshi. I think that gives a very fulsome picture and the team has done an excellent job in presenting the overall look forward as we get into South East Dome. And as the S3 project comes online, in terms of costs, you'll note in that, our assumptions are around inflation and as we bring new mining fleets and shift from the traditional – the methodology we had, which was a selective mining methodology at Kansanshi and as we shift across to a bulk mining methodology, that's the major impact on costs at Kansanshi, looking forward. And we're pleased at being on site very recent in the last few weeks to see those large trucks operating under trolley assist, those – the Hitachi 250 tonners, including the first battery truck which we saw running under its own power, completely carbon neutral in terms of emissions from that truck. So it's an exciting time for Kansanshi as we deliver the S3 Expansion and as we bring on that bulk mining methodology, we expect to see costs reduce in the future.

Marcio Farid

Analyst, Goldman Sachs do Brasil CTVM SA

Great. Thank you. And a quick follow-up on the energy side. Obviously, ZESCO reduced power supply by another 20%, which is that is probably how you will get to the 40% you have contracted for imported sources, right? Just trying to understand what is the risk that you see that for the curtailment happens between now and the end of the year? And what are the actions the company has taken to avoid any production displacement then? Thank you very much.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thanks, Marcio. So yeah, look, the situation is serious with regard to the drought. That appears to be an effect from El Niño in terms of dry conditions in Zambia, similarly dry conditions in Australia and wet conditions in Brazil and in Latin America. A lot of the outlook is for a flip to neutral conditions by the middle of this year, August-September is what the metallurgical forecast seem to be pointing to. And potentially, a flick to La Niña around the 40% likelihood, which would reverse things the other way. And we would see higher rainfall in Zambia, similarly higher in Australia and lower in Latin America. So we're preparing for a heavy wet season but also planning that if

there are limitations to power and the drought does continue through the dry season as to how to go about that, in particular with relation to the S3 Expansion.

And Marcio, we've put in place the flexibility in the contract with ZESCO. We're very pleased with that long term relationship. We have then – ZESCO is working very proactively around that in terms of headlining the challenges looking forward in the country for power delivery. But then we're able to secure power through imports with independent power providers. And we feel confident at the moment in those agreements that we'll be able to cover our operational requirements. Although the situation is serious in the country, that's coming from sources that are from gas and very interesting on the east coast of Africa, they've had good rainfall in places like Mozambique, Malawi, and so on. And so are not impacted to the same degree. So those are strong sources of supply in the current market environment and we're able to import that power and believe that we'll be able to see no impact on operations.

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

Bryce Adams

Analyst, CIBC World Markets, Inc.

Hi, everyone. Thanks for the presentations. There was a note about government officials visiting site and the report for the immediate export of the concentrate and the power plant restart. I wanted to clarify, is that a couple of months stale? When was the report, was it earlier in the year or was it more recent? What's the latest on the concentrate in shed?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thanks, Bryce. Yeah, that was – officials from the previous administration visited the site in the run-up in June, in the run-up to the inauguration on July 1. So it was up to date at the end of the quarter. The feedback from that site visit, as far as I understand, was positive in terms of all of the structure and the way in which we presented the Preservation and Safe Management plan, including the export of concentrates. Although we are still waiting for that approval. We are in dialogue with the governments around that approval and the need to ensure that the provisions that are in that Preservation and Safe Management plan, we can enact in order to ensure environmental security as the first priority both for the country and in order to assure that the mine is in good – it's in a good, stable position. So the answer is waiting for that approval. Those are technical official visits went well.

Bryce Adams

Analyst, CIBC World Markets, Inc.

Okay. What are the key drivers for the shareholder agreement? It's a more formalized relationship, but what practically changes? And then I can see the reasons FM would enter into the agreement, but what do you think is the key benefit for Jiangxi?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Yeah. Thanks, Bryce. Look, we were happy to enter into that agreement. It's been a long time coming. We've been working with our partners, Jiangxi, for some time. And really, it does now provide the formalization of the relationship between us. The key provisions are, number one, ensure the guardrails around our relationship and the ongoing relationship with Jiangxi in the form of a standstill, restrictions on dispositions of shares and ensuring Board support not for all matters, but encompassing majority of matters that the Board will come for. Those guardrails, we think are very important. They really – the benefit for First Quantum, I think, and for our

shareholders remove uncertainty with – for all our stakeholders regarding the nature of our relationship with Jiangxi and their intentions into the future.

In terms of Jiangxi, they've been very clear they're backing the strategic direction of the company, backing the strategic direction, which we're heading in. And to your question around motivations for them to ensure a customer and supplier relationship in a time where copper is scarce, we saw that in the prepay agreements that they were seeking to ensure security of supply and to what is the number one or number two largest copper smelting business in the world. And there, a lot of strength and capability in downstream processing all the way from smelting through to rod and bar and into copper foils for battery technologies. A huge capability in those downstream areas.

So for Jiangxi, I think it provides them access to the front end in terms of scarce copper supply and ensures the relationship going into the future, where there's certainty for both parties.

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

Myles Allsop

Analyst, UBS AG (London Branch)

Great. Thanks so much. Could you give us a sense on the timing of the sale of Las Cruces and the stake in Zambia? Is it kind of hopeful over the next six months or could it take longer?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thanks, Myles. Ryan, do you want to take that one?

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Yeah. We expect both of those to play out through the second half of this year.

Myles Allsop

Analyst, UBS AG (London Branch)

Okay. And then maybe just going back to the environmental audits, would you expect it to take three months like last year? And what are the key sensitive areas do you expect to come out of this audit that we should be focused on?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Sure, Myles. Yeah. Challenging to give a timeframe for that. Although these things, we would expect a detailed audit would take a few months to get resolved. But in terms of where the asset stands and the capability of us to respond to those audits requirements, we can do so very quickly. The President in his comments noted that he wanted it done – he wanted it done quickly in order to prepare the ground. And so the government and the people of Panama had a good understanding of the conditions and more transparency or understanding of conditions at site.

In terms of the main focus areas for the audit. Look, the key always at Cobre Panamá has been handling of water in particular through the tailings dam. And our objectives and our continued strong management of the

environmental conditions at site really do relate around water and in particular, the tailings dam to ensure the integrity of those assets. That's challenging while the asset is not operating because of the buffering, because of the addition that the process plant provides to managing that water. But as we see now and bringing technical people to site, bring auditors to the site in the past, we continue with a strong track record in terms of the downstream water key indicators, to fish in the stream, micro fauna is all in a very strong and healthy from the discharge. But the water is really the key issue, always has been. And our continued management of that requires the approval of Preservation and Safe Management plan in the interim and long term, our ability to operate the plant in order to ensure that that asset integrity continues.

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

Lawson Winder

Analyst, Merrill Lynch Canada, Inc.

All right. Thank you, operator. And good morning, Tristan, Ryan, and team, Rudi. Wanted to ask about the report that the Panama Canal Authority now has some level of jurisdiction over the watershed in which Cobre Panamá is contained. Does that change how the environmental audit might be done or how anything might be considered in any sort of negotiations or arbitration?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Hi, Lawson. Yeah. Not sure on that one. I mean, we're sort of three or four watersheds over from the Panama Canal. Look, you need to follow up on the detail and perhaps you can reference where you're looking at there. Not something particularly aware of. We're a long way from the canal. The sort of previous miscommunications or fake news around that we were taking water from the canal is completely misplaced. I think very positive for Panama, rainfall in the last few months has meant that the canal has improved its operating capacities. It's getting back towards normal provision of draught and ability to service ships coming through the canal. Although I am aware the Canal Authority is worried in the long term about ongoing effects of climate change on the canal and how they'll deal with that in the future. Certainly, we would be willing to be part of solutions for the country and part of solutions for the Panama Canal.

Lawson Winder

Analyst, Merrill Lynch Canada, Inc.

Okay. Fantastic. And then just my follow-up would be on the cash cost guidance. Would you guide us to – or suggest that we model on the higher end of the range just given the power cost impact? Or can we still think of it as being the middle of the range?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Sure. Ryan, can we take that one?

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

Lawson, so no change to the commentary on our cash cost. So I'd still use the same ranges we provided before and we wouldn't point you to the top or bottom end of that cash cost, a function of in some areas, we've seen tailwinds such as gold price, such as kwacha, such as diesel prices. And in some areas, we've seen headwinds such as electricity prices in Zambia.

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

Dalton Baretto

Analyst, Canaccord Genuity Corp.

Thanks for taking my follow-up, guys. I wanted to ask about the partnering process in Zambia. My understanding is that Vedanta is also looking for a partner. And I'm just wondering, given what you said about the improved business climate, the fact that Jiangxi is also looking to secure supply. Is there an opportunity for you guys to do something together?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Thanks, Dalton. I'll let Ryan take that one.

Ryan MacWilliam

Chief Financial Officer, First Quantum Minerals Ltd.

I think we monitor developments in Zambia, but our focus with Zambia really at the moment is on the ramp-up of S3 and really pleased to see the delivery of Enterprise.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Yeah, Dalton. We follow the progress at Mopani and Vedanta. We think those operations are very important for the ongoing capacity of Zambia. They're big employers. They're important to the copper belt as being the traditional sort of source of mining in the country. And so they're very important providers. We previously had an ownership in Mopani. We know that asset very well. We understand the characteristics of underground mining at Mopani and potentially what that would look like at Vedanta. No interest directly in that at the moment. And our focus, as Ryan said, is on developing S3 and ensuring that comes in on track, on schedule.

Alongside that, we're very excited this quarter to have delivered commercial production from Enterprise. That's a huge step forward, the team there, both from the project side to execute that successfully ahead of schedule. And then on the operating side, we've seen really strong progress and huge, better than expected performance on the flotation in particular, dealing with talc and dealing with what we've – typically, nickel mines can be very difficult to bring into commercial production. So it's been very pleasing to see that happen. And really, Dalton, that's what's taking our focus right now and into the future.

Dalton Baretto

Analyst, Canaccord Genuity Corp.

Thanks for that, Tristan. If I can squeeze in a follow-up, I wanted to ask also about a comment you made on the ICC arbitration. I think you...

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Hi, Dalton. You just dropped there. Are you still there?

Operator: Sorry. His line dropped. I'll move to the next question and ask him to rejoin in case he wants to finish his question again. The next question comes from Ralph Profiti from Eight Capital. Please go ahead.

Ralph M. Profiti

Analyst, Eight Capital

Q

Thanks, operator. Tristan, when you look at the power supply demand situation across Zambia and you look at sort of excess power from countries and sort of competing industrial demand outlook, and you think about this 193 megawatts that is currently sourced. Does some of that address the increased power draw potentially required at S3? And I'm just kind of wondering, trying to reconcile the 40% requirement versus the 52% actually sourced. And then maybe my second question is, what is the step-up in max power requirements once S3 comes on? My apologies. I couldn't find it at the Kansanshi Technical Report.

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Yeah, thanks...

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

A

Tristan, Tristan, do you...

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

A

Yeah. Rudi, do you want to take that question? Thank you.

Rudi Badenhorst

Chief Operating Officer, First Quantum Minerals Ltd.

A

Yeah. I'll just jump in on the first question, Ralph. First portion of the question. The reason for us to commit to a slightly larger proportion of imported power right now than ZESCO is asking for, is because we are in a position to secure power from third-party providers as fixed and firm power, so that we are 100% certain of what power we're going to get hour-by-hour. With the emergency power imports that ZESCO is doing is not all firm power at the moment, which provides less uncertainty.

However, from August, which is next month, a few weeks from now, there's an additional 800 megawatts of power available coming out of South Africa with a new turbines that have been brought in line and synchronized on the South African grid from Kusile. That power is available or some of that power is available for the Southern African power pool, either directly to be procured by ourselves on imports or through ZESCO. And that power is at a substantial – substantially cheaper than the existing emergency power imports that are taking place. Similarly, ZESCO has entered into an agreement with Mozambique for additional power imports on the new gas fired power station that becomes available from January, an additional 250-megawatt from that area. And then we have also gone into various agreements that Tristan has highlighted earlier, including an additional 150 megawatts that we might need for S3 going forward. So we're very comfortable that the commissioning of S3 will not be dependent on power issues.

Ralph M. Profiti

Analyst, Eight Capital

Q

Great. Thank you. That's the answer I was looking for. Thank you.

Operator: The next question comes from Dalton Baretto from Canaccord Genuity. Please continue your last question.

Dalton Baretto

Analyst, Canaccord Genuity Corp.

Thanks, guys. I'm sorry. I'm not sure what happened there. Tristan, just a question, a point of clarification if you will. I think you said the ICC arbitration is scheduled for a final hearing just over a year from now in September of 2025. And I'm just wondering, will that result in a binding decision?

A. Tristan Pascall

Chief Executive Officer & Director, First Quantum Minerals Ltd.

Yeah. Hi. Thanks for the follow-up. Yeah, that's our understanding that that's the final hearing on the ICC arbitrations.

Operator: This concludes the question-and-answer session. I would 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.

Thanks, operator. Thanks, everyone. I wanted to thank you all for your interest and time today, and I wish everyone an enjoyable summer in the Northern Hemisphere. Thank you.

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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