



FIRST QUANTUM
MINERALS LTD.

Condensed Interim Consolidated Financial Statements
Third Quarter- September 30, 2020

(unaudited)

(In U.S. dollars, tabular amounts in millions, except where indicated)

First Quantum Minerals Ltd.

Interim Consolidated Statements of Earnings (Loss)

(unaudited)

(expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

| | Note | Three months ended September 30 | | Nine months ended September 30 | |
|--|------|------------------------------------|---------|-----------------------------------|---------|
| | | 2020 | 2019 | 2020 | 2019 |
| Sales revenues | 13 | 1,402 | 987 | 3,598 | 2,783 |
| Cost of sales | 14 | (1,056) | (837) | (2,964) | (2,252) |
| Gross profit | | 346 | 150 | 634 | 531 |
| Exploration | | (3) | (4) | (9) | (12) |
| General and administrative | | (24) | (21) | (70) | (57) |
| Other expense | 17 | (62) | (17) | (217) | (57) |
| Operating profit | | 257 | 108 | 338 | 405 |
| Finance income | | 19 | 10 | 52 | 19 |
| Finance costs | 15 | (198) | (69) | (601) | (80) |
| Movement in Zambian discount | 3c | 16 | (160) | 75 | (160) |
| Loss on redemption of senior notes | 8 | - | - | (2) | (25) |
| Earnings (loss) before income taxes | | 94 | (111) | (138) | 159 |
| Income tax credit (expense) | 16 | (62) | 33 | (109) | (87) |
| Net earnings (loss) | | 32 | (78) | (247) | 72 |
| Net earnings (loss) attributable to: | | | | | |
| Non-controlling interests | | 3 | (5) | (58) | 14 |
| Shareholders of the Company | 12 | 29 | (73) | (189) | 58 |
| Earnings (loss) per share attributable to the shareholders of the Company | | | | | |
| Net earnings (loss) (\$ per share) | | | | | |
| Basic | 12 | 0.04 | (0.11) | (0.27) | 0.08 |
| Diluted | 12 | 0.04 | (0.11) | (0.27) | 0.08 |
| Weighted average shares outstanding (000's) | | | | | |
| Basic | 12 | 688,806 | 688,425 | 688,342 | 687,556 |
| Diluted | 12 | 689,407 | 688,425 | 688,342 | 689,393 |
| Total shares issued and outstanding (000's) | 11a | 689,411 | 689,401 | 689,411 | 689,401 |

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

First Quantum Minerals Ltd.

Interim Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

(expressed in millions of U.S. dollars)

| | Three months ended September 30 | | Nine months ended September 30 | |
|--|------------------------------------|-------|-----------------------------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| Net earnings (loss) for the period | 32 | (78) | (247) | 72 |
| Other comprehensive income (loss) | | | | |
| <i>Items that have been/may be subsequently reclassified to net earnings (loss):</i> | | | | |
| Cash flow hedges reclassified to net earnings | (2) | - | (4) | (27) |
| Movements on unrealized cash flow hedge positions arising during the period | (134) | (32) | (149) | (10) |
| <i>Items that will not subsequently be reclassified to net earnings (loss):</i> | | | | |
| Unrealized gain (loss) on investments | 1 | (1) | (1) | (1) |
| Total comprehensive income (loss) for the period | (103) | (111) | (401) | 34 |
| Total comprehensive income (loss) for the period attributable to: | | | | |
| Non-controlling interests | 3 | (5) | (58) | 14 |
| Shareholders of the Company | (106) | (106) | (343) | 20 |
| Total comprehensive income (loss) for the period | (103) | (111) | (401) | 34 |

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

First Quantum Minerals Ltd.

Condensed Interim Consolidated Statements of Cash Flows

(unaudited)

(expressed in millions of U.S. dollars)

| | Note | Three months ended September 30 | | Nine months ended September 30 | |
|---|------|------------------------------------|-------|-----------------------------------|---------|
| | | 2020 | 2019 | 2020 | 2019 |
| Cash from operating activities | | | | | |
| Net earnings (loss) from operations | | 32 | (78) | (247) | 72 |
| Adjustments for | | | | | |
| Depreciation | 14 | 323 | 225 | 891 | 617 |
| Income tax expense (credit) | 16 | 62 | (33) | 109 | 87 |
| Net finance expense | | 179 | 59 | 549 | 61 |
| Movement in Zambian VAT discount | | (16) | 160 | (75) | 160 |
| Unrealized foreign exchange loss | | 47 | 7 | 175 | 45 |
| Loss on redemption of senior notes | | - | - | 2 | 25 |
| Other | | 2 | (11) | 17 | 6 |
| | | 629 | 329 | 1,421 | 1,073 |
| Taxes paid | | (46) | (52) | (217) | (193) |
| Movements in non-cash operating working capital | | (131) | (126) | (124) | (391) |
| Net cash from operating activities of operations | | 452 | 151 | 1,080 | 489 |
| Cash flows used by investing activities | | | | | |
| Purchase and deposits on property, plant and equipment | 5 | (138) | (270) | (438) | (1,130) |
| Interest paid and capitalized to property, plant and equipment | 5 | - | (101) | - | (388) |
| Other | | 6 | 2 | 10 | 14 |
| Net cash used by investing activities of operations | | (132) | (369) | (428) | (1,504) |
| Cash flows from (used by) financing activities | | | | | |
| Net movement in trading facility | 8 | 16 | 60 | (71) | 113 |
| Movement in restricted cash | | (2) | 52 | (8) | 54 |
| Proceeds from debt | 8 | - | 190 | 1,813 | 2,786 |
| Repayments of debt | 8 | (100) | (372) | (1,496) | (2,219) |
| Net proceeds from joint venture (KPMC) | 7,9b | - | (2) | 14 | 33 |
| Dividends paid to shareholders of the Company | | (2) | (2) | (5) | (5) |
| Early redemption costs on senior notes | 8 | - | - | - | (14) |
| Interest paid | | (197) | (89) | (489) | (94) |
| Other | | (3) | (15) | (10) | (21) |
| Net cash from (used by) financing activities of operations | | (288) | (178) | (252) | 633 |
| Increase (decrease) in cash and cash equivalents and bank overdrafts | | 32 | (396) | 400 | (382) |
| Cash and cash equivalents and bank overdrafts – beginning of period | | 882 | 802 | 523 | 788 |
| Exchange gains (losses) on cash and cash equivalents | | 1 | - | (8) | - |
| Cash and cash equivalents and bank overdrafts – end of period | | 915 | 406 | 915 | 406 |
| Cash and cash equivalents and bank overdrafts comprising: | | | | | |
| Cash and cash equivalents | | 942 | 939 | 942 | 939 |
| Bank overdrafts | | (27) | (533) | (27) | (533) |

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

First Quantum Minerals Ltd.

Interim Consolidated Balance Sheets

(unaudited)

(expressed in millions of U.S. dollars)

| | Note | September 30, 2020 | December 31, 2019 |
|--|------|-----------------------|----------------------|
| | | | (audited) |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 942 | 1,138 |
| Trade and other receivables | 3 | 504 | 512 |
| Inventories | 4 | 1,386 | 1,367 |
| Current portion of other assets | 6 | 135 | 135 |
| | | 2,967 | 3,152 |
| Non-current assets | | | |
| Cash and cash equivalents - restricted cash | | 36 | 27 |
| Non-current VAT receivable | 3b | 328 | 396 |
| Property, plant and equipment | 5 | 19,484 | 19,972 |
| Goodwill | | 237 | 237 |
| Investment in joint venture | 7 | 547 | 589 |
| Other assets | 6 | 493 | 374 |
| Total assets | | 24,092 | 24,747 |
| Liabilities | | | |
| Current liabilities | | | |
| Bank overdrafts | | 27 | 615 |
| Trade and other payables | | 598 | 737 |
| Current taxes payable | | 157 | 141 |
| Current debt | 8 | 1,774 | 838 |
| Current portion of provisions and other liabilities | 9 | 317 | 192 |
| | | 2,873 | 2,523 |
| Non-current liabilities | | | |
| Debt | 8 | 6,686 | 7,360 |
| Provisions and other liabilities | 9 | 2,283 | 2,172 |
| Deferred revenue | 10 | 1,425 | 1,421 |
| Deferred income tax liabilities | | 549 | 609 |
| Total liabilities | | 13,816 | 14,085 |
| Equity | | | |
| Share capital | 11 | 5,636 | 5,615 |
| Retained earnings | | 3,686 | 3,880 |
| Accumulated other comprehensive loss | | (199) | (45) |
| Total equity attributable to shareholders of the Company | | 9,123 | 9,450 |
| Non-controlling interests | | 1,153 | 1,212 |
| Total equity | | 10,276 | 10,662 |
| Total liabilities and equity | | 24,092 | 24,747 |
| Commitments & contingencies | 20 | | |

The accompanying notes are an integral part of these consolidated financial statements.

First Quantum Minerals Ltd.

Interim Consolidated Statements of Changes in Equity

(unaudited)

(expressed in millions of U.S. dollars)

| | Share capital | Retained earnings | Accumulated other comprehensive income (loss) | Total equity attributable to shareholders of the Company | Non-controlling interests | Total Equity |
|-----------------------------------|---------------|-------------------|---|--|---------------------------|--------------|
| Balance at January 1, 2020 | 5,615 | 3,880 | (45) | 9,450 | 1,212 | 10,662 |
| Net earnings (loss) | - | (189) | - | (189) | (58) | (247) |
| Other comprehensive income (loss) | - | - | (154) | (154) | - | (154) |
| Total comprehensive income (loss) | - | (189) | (154) | (343) | (58) | (401) |
| Share-based compensation expense | 21 | - | - | 21 | - | 21 |
| Dividends | - | (5) | - | (5) | (1) | (6) |
| Balance at September 30, 2020 | 5,636 | 3,686 | (199) | 9,123 | 1,153 | 10,276 |

| | Share capital | Retained earnings | Accumulated other comprehensive loss | Total equity attributable to shareholders of the Company | Non-controlling interests | Total Equity |
|---|---------------|-------------------|--------------------------------------|--|---------------------------|--------------|
| Balance at January 1, 2019 | 5,592 | 3,942 | (27) | 9,507 | 1,215 | 10,722 |
| Net earnings (loss) | - | 58 | - | 58 | 14 | 72 |
| Other comprehensive income (loss) | - | - | (38) | (38) | - | (38) |
| Total comprehensive income (loss) | - | 58 | (38) | 20 | 14 | 34 |
| Share-based compensation expense ¹ | 16 | - | - | 16 | - | 16 |
| Dividends | - | (5) | - | (5) | (9) | (14) |
| Balance at September 30, 2019 | 5,608 | 3,995 | (65) | 9,538 | 1,220 | 10,758 |

¹ Net of capitalized amounts

The accompanying notes are an integral part of these consolidated financial statements.

First Quantum Minerals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

1 Nature of operations

First Quantum Minerals Ltd. ("First Quantum" or "the Company") is engaged in the production of copper, nickel, gold, silver, zinc and acid, and related activities including exploration and development. The Company has operating mines located in Zambia, Panama, Finland, Turkey, Spain, Australia and Mauritania. The Company is exploring the Haqira copper deposit in Peru and the Taca Taca copper-gold-molybdenum deposit in Argentina.

The Company's shares are publicly listed for trading on the Toronto Stock Exchange and has Depository Receipts listed on the Lusaka Stock Exchange.

The Company is registered and domiciled in Canada, and its registered office is Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver, BC, Canada, V7X 1L3.

2 Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board have been condensed or omitted. The accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied in the preparation of, and disclosed in, the consolidated annual financial statements for the year ended December 31, 2019.

These consolidated interim financial statements have been prepared on a going concern basis. In making the assessment that the Company is a going concern, management has taken into account all available information about the future, which is at least, but is not limited to, twelve months from September 30, 2020.

Following the declaration on March 11, 2020, of a pandemic by the World Health Organisation, the restrictions imposed by governments around the world has had a significant impact on the global economy and commodity prices, which have impacted the Company. Expected credit losses on financial assets remain immaterial at September 30, 2020. Commodity price risk continues to be managed through the Company's hedging program (see note 19).

On July 3, 2020, the Company received notice from the Panama Ministry of Health of the lifting of the previously imposed temporary suspension of labour activities, which resulted in the operation being placed on preservation and safe maintenance in early April. The operation reached full production on the three SAG mill trains on August 8, 2020, slightly ahead of schedule.

All of the Company's other mines continue to operate. The Company has not experienced any significant disruption to supply chains and product shipments since the onset of the COVID-19 pandemic. The Company is working to manage the logistical challenges presented by the closure of trade borders, using alternative routes where feasible. Border restrictions, if ongoing, could result in supply chain delays

On April 22, 2020, the Company announced the amendment of financial covenants under the senior Term Loan and RCF in response to uncertainty related to COVID-19. The Net Debt to EBITDA ratio was increased and the Debt Service Cover Ratio was decreased, for the remainder of 2020 and 2021. The Company was in compliance with all existing facility covenants as at September 30, 2020. On September 18, 2020, the Company announced the offering and pricing of \$1,500 million principal amount of 6.875% Senior Notes due 2027 at an issue price of 100.00%. The proceeds will be used to partially repay the existing revolving credit facility and redeem in full the Company's outstanding Senior Notes due 2022.

At September 30, 2020, the Company had \$915 million of net unrestricted cash (inclusive of overdrafts), as well as future cash flows in order to meet all current obligations as they become due. The committed senior debt facilities have \$100 million undrawn as at September 30, 2020.

First Quantum Minerals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

3 Trade receivables

a) Trade and other receivables

| | September 30, 2020 | December 31, 2019 |
|--------------------------|-----------------------|----------------------|
| Trade receivables | 403 | 369 |
| VAT receivable (current) | 13 | 20 |
| Other receivables | 88 | 123 |
| | 504 | 512 |

b) VAT receivable

| | September 30, 2020 | December 31, 2019 |
|--|-----------------------|----------------------|
| Kansanshi Mining PLC | 174 | 233 |
| Kalumbila Minerals Limited | 139 | 141 |
| First Quantum Mining and Operations Limited (Zambia) | 15 | 24 |
| VAT receivable from the Company's Zambian operations | 328 | 398 |
| Other | 13 | 18 |
| Total VAT receivable | 341 | 416 |
| Less: current portion, included within trade and other receivables | (13) | (20) |
| Non-current VAT receivable | 328 | 396 |

c) VAT receivable by the Company's Zambian operations

| | September 30, 2020 | December 31, 2019 |
|---|-----------------------|----------------------|
| Receivable at date of claim | 860 | 847 |
| Impact of depreciation of Zambian Kwacha against U.S. dollar ¹ | (400) | (242) |
| | 460 | 605 |
| Impact of discounting non-current portion ² | (132) | (207) |
| Total VAT receivable from Zambian operations | 328 | 398 |

Consisting:

| | | |
|--|-----|-----|
| Current portion, included within trade and other receivables | - | 2 |
| Non-current VAT receivable | 328 | 396 |

¹ The impact of depreciation of the Zambian Kwacha against the U.S. dollar in the nine-month period ended September 30, 2020 on the Company's Zambian operations VAT receivable is included within other expense in the Statement of Earnings.

² The movement in VAT discount of \$75 million has been recognized in the Statement of Earnings in the nine-month period ended September 30, 2020, (September 30, 2019: \$160 million), representing the movement in discounting over the expected timeframe to repayment. Discussions with the relevant government authorities are ongoing and management continues to consider that the outstanding VAT claims are fully recoverable.

First Quantum Minerals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

d) Aging analysis of VAT receivable for the Company's Zambian operations

| | < 1 year | 1-3 years | 3-5 years | 5-8 years | Total |
|--|----------|-----------|-----------|-----------|-------|
| Receivable at date of claim ¹ | 192 | 406 | 36 | 226 | 860 |
| Impact of depreciation of Zambian Kwacha against U.S. dollar | (37) | (191) | (21) | (151) | (400) |
| Non-current VAT due | 155 | 215 | 15 | 75 | 460 |
| Impact of discounting | (40) | (65) | (5) | (22) | (132) |
| Total VAT receivable from Zambian operations | 115 | 150 | 10 | 53 | 328 |

The movement in VAT receivable at date of claim is net of offsets received in the nine-month period of \$85 million.

4 Inventories

| | September 30, 2020 | December 31, 2019 |
|-------------------------|--------------------|-------------------|
| Ore in stockpiles | 225 | 267 |
| Work-in-progress | 31 | 27 |
| Finished product | 328 | 284 |
| Total product inventory | 584 | 578 |
| Consumable stores | 802 | 789 |
| | 1,386 | 1,367 |

5 Property, plant and equipment

| | Plant and equipment | Capital work-in-progress | Mineral properties and mine development costs | | Total |
|--|---------------------|--------------------------|---|----------------------|---------|
| | | | Operating mines | Development projects | |
| Net book value, as at January 1, 2020 | 10,802 | 851 | 7,182 | 1,137 | 19,972 |
| Additions | - | 411 | - | - | 411 |
| Disposals | (8) | - | - | - | (8) |
| Transfers between categories | 285 | (407) | 115 | 7 | - |
| Restoration provision | - | - | 8 | - | 8 |
| Depreciation charge | (660) | - | (239) | - | (899) |
| Net book value, as at September 30, 2020 | 10,419 | 855 | 7,066 | 1,144 | 19,484 |
| Cost | 15,610 | 855 | 9,194 | 1,144 | 26,803 |
| Accumulated depreciation | (5,191) | - | (2,128) | - | (7,319) |

First Quantum Minerals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

| | Plant and equipment | Capital work-in-progress | Mineral properties and mine development costs | | Total |
|---|---------------------|--------------------------|---|----------------------|---------|
| | | | Operating mines | Development projects | |
| Net book value, as at January 1, 2019 | 4,634 | 10,125 | 2,097 | 2,242 | 19,098 |
| Change in accounting policy – IFRS 16 | 20 | - | - | - | 20 |
| Additions | - | 1,274 | - | - | 1,274 |
| Disposals | (32) | - | - | - | (32) |
| Impairments | (76) | - | (25) | - | (101) |
| Transfers between categories | 6,897 | (11,097) | 5,305 | (1,105) | - |
| Restoration provision | - | - | 96 | - | 96 |
| Capitalized interest | - | 549 | - | - | 549 |
| Depreciation charge | (641) | - | (291) | - | (932) |
| Net book value, as at December 31, 2019 | 10,802 | 851 | 7,182 | 1,137 | 19,972 |
| Cost | 15,371 | 851 | 9,061 | 1,137 | 26,420 |
| Accumulated depreciation | (4,569) | - | (1,879) | - | (6,448) |

Following declaration of commercial production at Cobre Panama on September 1, 2019, capitalization of qualifying finance costs ceased.

Included within capital work-in-progress and mineral properties – operating mines at September 30, 2020, is an amount of \$693 million related to capitalized deferred stripping costs (December 31, 2019: \$682 million).

6 Other assets

| | September 30, 2020 | December 31, 2019 |
|---------------------------------------|--------------------|-------------------|
| Prepaid expenses | 141 | 142 |
| KPMC shareholder loan | 305 | 246 |
| Other investments | 15 | 19 |
| Deferred income tax assets | 155 | 93 |
| Derivative instruments (note 19) | 12 | 9 |
| Total other assets | 628 | 509 |
| Less: current portion of other assets | (135) | (135) |
| | 493 | 374 |

Included within prepaid expenses is \$28 million (December 31, 2019: \$28 million) in relation to Sentinel which will be recovered through deductions on electricity invoices from ZESCO under the terms of the agreement to transfer powerline ownership.

First Quantum Minerals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

7 Joint venture

On November 8, 2017, the Company completed the purchase of a 50% interest in KPMC from LS-Nikko Copper Inc. KPMC is jointly owned and jointly controlled with Korea Resources Corporation ("KORES") and holds a 20% interest in Cobre Panama. The purchase consideration of \$664 million comprised the acquisition consideration of \$635 million and the reimbursement of cash advances of \$29 million with \$179 million paid on closing. In the nine months ended September 30, 2020 no consideration was paid, with the consideration paid to date being \$464 million. The remaining consideration is payable in two instalments in November 2020 and November 2021. These are presented within trade and other payables and other non-current liabilities respectively (note 9).

A \$547 million investment in the joint venture representing the discounted consideration value and the Company's proportionate share of the loss in KPMC to date is recognized. For the nine-month period ended September 30, 2020, the loss attributable to KPMC was \$82 million (September 30, 2019: \$2 million). The loss in KPMC relates to the 20% equity accounted share of loss reported by MPSA, a subsidiary of the Company. The material assets and liabilities of KPMC are an investment in MPSA of \$277 million, shareholder loans receivable from the Company (note 9b) and shareholder loans payable of \$1,351 million due to the Company and its joint venture partner KORES.

8 Debt

| | | September 30, 2020 | December 31, 2019 |
|---|--------|-----------------------|----------------------|
| Drawn debt | | | |
| Senior notes: | | | |
| First Quantum Minerals Ltd. 7.00% due February 2021 | (a) | - | 298 |
| First Quantum Minerals Ltd. 7.25% due May 2022 | (g) | 847 | 846 |
| First Quantum Minerals Ltd. 7.25% due April 2023 | (b) | 1,599 | 1,093 |
| First Quantum Minerals Ltd. 6.50% due March 2024 | | 845 | 843 |
| First Quantum Minerals Ltd. 7.50% due April 2025 | (c) | 1,346 | 1,091 |
| First Quantum Minerals Ltd. 6.875% due March 2026 | | 992 | 991 |
| First Quantum Minerals Ltd. senior debt facility | (d)(g) | 2,355 | 2,422 |
| Kalumbila term loan | (e) | 285 | 341 |
| Trading facilities | | 191 | 262 |
| Equipment financing | (f) | - | 11 |
| Total debt | | 8,460 | 8,198 |
| Less: current maturities and short term debt | | (1,774) | (838) |
| | | 6,686 | 7,360 |
| Undrawn debt | | | |
| First Quantum Minerals Ltd. senior debt facility | (d) | 100 | 250 |
| Trading facilities | | 189 | 138 |

a) First Quantum Minerals Ltd. 7.00% due February 2021

On January 16, 2020, the Company issued a notice of redemption of the remaining 2021 Notes. The 2021 Notes were redeemed at 100% of the principal amount, plus accrued and unpaid interest to the redemption date on January 31, 2020.

b) First Quantum Minerals Ltd. 7.25% due April 2023

On January 13, 2020, the Company issued an additional \$500 million of 7.25% 2023 Notes. These notes were issued under the same indentures as the original Notes and priced at 102.50%.

c) First Quantum Minerals Ltd. 7.50% due April 2025

On January 13, 2020, the Company issued an additional \$250 million of 7.50% 2025 Notes. These notes were issued under the same indentures as the original Notes and priced at 103.00%.

First Quantum Minerals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

d) First Quantum Minerals Ltd. senior debt facility

The senior debt Facility comprises a \$1.5 billion Term Loan Facility and a \$1.2 billion RCF maturing on December 31, 2022. Interest is charged at LIBOR plus a margin. This margin can change relative to certain financial ratios of the Company.

A scheduled repayment of \$225 million was made in respect of the Term loan facility on June 30, 2020.

e) Kalumbila term loan

A scheduled repayment of \$57 million was made in respect of the Kalumbila term loan on June 30, 2020.

The full amount outstanding at September 30, 2020 of \$286 million is due within twelve months of the balance sheet date (December 31, 2019: \$343 million).

f) Equipment financing

In March 2020, the financing arrangement with Caterpillar Financial Services Corporation was fully repaid and cancelled.

g) Senior notes offering

On September 17, 2020, the Company announced the offering and pricing of \$1,500 million of 6.875% Senior Notes due 2027 at an issue price of 100.00%. Settlement took place on October 1, 2020. On September 18, 2020 the Company issued a notice of redemption of the outstanding Senior Notes due 2022 to be redeemed at par. Proceeds of the new bond were used to partially repay the existing revolving credit facility and redeem in full the Company's outstanding Senior Notes due 2022 on October 19, 2020, the next business day following the redemption date.

9 Provisions and other liabilities

a) Provisions and other liabilities

| | September 30, 2020 | December 31, 2019 |
|---|-----------------------|----------------------|
| Amount owed to joint venture (note 9b) ¹ | 1,351 | 1,238 |
| Restoration provisions | 709 | 699 |
| Derivative instruments (note 19) | 156 | 31 |
| Non-current consideration for acquisition of joint venture ² | 92 | 82 |
| Leases | 31 | 36 |
| Retirement provisions | 40 | 40 |
| Deferred revenue (note 10) | 99 | 95 |
| Other deferred revenue | 24 | 31 |
| Other | 98 | 112 |
| Total other liabilities | 2,600 | 2,364 |
| Less: current portion | (317) | (192) |
| | 2,283 | 2,172 |

¹The shareholder loan is due from the Company's Cobre Panama operation to KPMC, a 50:50 joint venture between the Company and KORES.

²The current portion of the consideration for acquisition of joint venture of \$100 million (December 31, 2019: \$100 million) has been included in trade and other payables.

b) Amount owed to joint venture

| | September 30, 2020 | December 31, 2019 |
|--|-----------------------|----------------------|
| Balance at the beginning of the year | 1,238 | 946 |
| Funding provided to MPSA for the development of Cobre Panama | 28 | 190 |
| Interest accrued | 85 | 102 |
| Balance at end of period due to KPMC | 1,351 | 1,238 |

First Quantum Minerals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

In September 2013, the Company and KPMC entered into a shareholder loan agreement with Minera Panama S.A ("MPSA") for development of the Cobre Panama project, in which KPMC is a 20% shareholder. Interest is calculated semi-annually at an annual rate of 9%. In November 2017, the Company acquired a 50% interest in KPMC from LS-Nikko Copper Inc. inclusive of the above shareholder loans. The assets and liabilities of KPMC are an investment in MPSA, a subsidiary of the Company, a loan receivable from MPSA, and loans due to shareholders. Interest income and expense earned on these loans are on the same terms.

Following completion of the additional precious metal streaming agreement with Franco Nevada on March 16, 2018, the receipt of \$356 million proceeds by MPSA was used entirely to repay shareholder loans by MPSA to KPMC. Of this \$356 million shareholder loan repayment, \$178 million was received by the Company.

As at September 30, 2020, the accrual for interest payable is \$411 million (December 31, 2019: \$326 million) and is included in the carrying value of the amount owed to the joint venture, as this has been deferred under the loan agreement. Amounts due to KPMC are specifically excluded from the calculation of net debt as defined under the Company's banking covenant ratios.

10 Deferred revenue – precious metal stream arrangement

| | September 30, 2020 | December 31, 2019 |
|--|-----------------------|----------------------|
| Balance at the beginning of the year | 1,516 | 1,490 |
| Accretion of finance costs | 49 | 64 |
| Amortization of gold and silver revenue | (41) | (38) |
| Balance at the end of the period | 1,524 | 1,516 |
| Less: current portion (included within provisions and other liabilities) | (99) | (95) |
| Non-current deferred revenue | 1,425 | 1,421 |

Precious metal stream arrangement

The Company, through its subsidiary, MPSA, has a precious metal streaming arrangement with Franco-Nevada. The arrangement comprises two tranches. Under the first phase of deliveries under the first tranche ("Tranche 1") Cobre Panama will supply Franco-Nevada 120 ounces of gold and 1,376 ounces of silver for each 1 million pounds of copper produced, deliverable within 5 days of eligible copper concentrate sales. Under the first phase of deliveries under the second tranche ("Tranche 2") Cobre Panama will supply Franco-Nevada a further 30 ounces of gold and 344 ounces of silver for each 1 million pounds of copper produced, deliverable within 5 days of eligible copper concentrate sales.

Tranche 1 was finalized on October 5, 2015 which provided for \$1 billion of funding to the Cobre Panama project. Under the terms of Tranche 1, Franco-Nevada, through a wholly owned subsidiary, agreed to provide a \$1 billion deposit to be funded on a pro-rata basis of 1:3 with the Company's 80% share of the capital costs of Cobre Panama in excess of \$1 billion. The full Tranche 1 deposit amount has been fully funded to MPSA. Tranche 2 was finalized on March 16, 2018, and \$356 million was received on completion. Proceeds received under the terms of the precious metals streaming arrangement are accounted for as deferred revenue

The amount of precious metals deliverable under both tranches is indexed to total copper-in-concentrate sold by Cobre Panama. Under the terms of Tranche 1 the ongoing payment of the Fixed Payment Stream is fixed per ounce payments of \$430.91 per oz gold and \$6.46 per oz silver subject to an annual inflation adjustment for the first 1,341,000 ounces of gold and 21,510,000 ounces of silver (approximately the first 20 years of expected deliveries). Thereafter the greater of \$430.91 per oz for gold and \$6.46 per oz for silver, subject to an adjustment for inflation, and one half of the then prevailing market price. Under Tranche 2 the ongoing price per ounce for deliveries is 20% of the spot price for the first 604,000 ounces of gold and 9,618,000 ounces of silver (approximately the first 25 years of production), and thereafter the price per ounce rises to 50% of the spot price of gold and silver.

In all cases, the amount paid is not to exceed the prevailing market price per ounce of gold and silver.

The Company commenced the recognition of delivery obligations under the terms of the arrangement in June 2019 following the first sale of copper concentrate. Deferred revenue will continue to be recognized as revenue over the life of the mine, which is expected to be 35 years. The Company uses refinery-backed credits as the mechanism for satisfying its delivery obligations under the arrangement. In the nine-month period ended September 30, 2020, \$90 million was recognized in cost of sales, in the year ended December 31, 2019, \$44 million.

First Quantum Minerals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

11 Share capital

a) Common shares

Authorized

Unlimited common shares without par value

Issued

| | Number of shares (000's) |
|--|-----------------------------|
| Balance as at December 31, 2019 | 689,401 |
| Shares issued through dividend reinvestment plan | 10 |
| Balance as at September 30, 2020 | 689,411 |

On January 6, 2020, the Company announced adoption of a Shareholders Rights Plan. The Shareholders Rights Plan ("the Rights Plan") applies in the event of any person or persons acting in concert having beneficial ownership of 20 per cent or more of the Company's outstanding common shares without having complied with bid provisions under the Rights Plan. In the occurrence of such an event, each outstanding common share has a right attached to it to purchase additional common shares of the Company, at a substantial discount to the then market price.

b) Dividends

On February 13, 2020, the Company declared a final dividend of CDN\$0.005 per share, or \$3 million, in respect of the financial year ended December 31, 2019 (February 14, 2019: CDN\$0.005 per share or \$3 million) paid on May 7, 2020 to shareholders of record on April 16, 2020.

On July 28, 2020, the Company declared an interim dividend of CDN\$0.005 per share, in respect of the financial year ended December 31, 2020 (July 29, 2019: CDN\$0.005 per share or \$2 million), paid on September 21, 2020 to shareholders of record on August 28, 2020.

12 Earnings (loss) per share

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|------------------------------------|---------|-----------------------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| Basic and diluted earnings (loss) attributable to shareholders of the Company | 29 | (73) | (189) | 58 |
| Basic weighted average number of shares outstanding (000's of shares) | 688,806 | 688,425 | 688,342 | 687,556 |
| Effect of potential dilutive securities: | | | | |
| Treasury shares | 601 | - | - | 1,837 |
| Diluted weighted average number of shares outstanding | 689,407 | 688,425 | 688,342 | 689,393 |
| Earnings (loss) per share – basic (expressed in \$ per share) | 0.04 | (0.11) | (0.27) | 0.08 |
| Earnings (loss) per share – diluted (expressed in \$ per share) | 0.04 | (0.11) | (0.27) | 0.08 |

First Quantum Minerals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

13 Sales revenues

| | Three months ended September 30 | | Nine months ended September 30 | |
|--------|------------------------------------|------|-----------------------------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| Copper | 1,150 | 877 | 3,029 | 2,483 |
| Gold | 158 | 86 | 390 | 210 |
| Nickel | 61 | - | 91 | - |
| Other | 33 | 24 | 88 | 90 |
| | 1,402 | 987 | 3,598 | 2,783 |

14 Cost of sales

| | Three months ended September 30 | | Nine months ended September 30 | |
|---------------------------------------|------------------------------------|-------|-----------------------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| Costs of production | (740) | (573) | (2,083) | (1,575) |
| Depreciation | (312) | (249) | (899) | (625) |
| Movement in inventory | 7 | (39) | 10 | (60) |
| Movement in depreciation in inventory | (11) | 24 | 8 | 8 |
| | (1,056) | (837) | (2,964) | (2,252) |

15 Finance costs

| | Three months ended September 30 | | Nine months ended September 30 | |
|--|------------------------------------|-------|-----------------------------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| Interest expense on financial liabilities measured at amortized cost | (178) | (194) | (543) | (570) |
| Precious metal streaming arrangement non-cash interest (note 10) | (16) | (16) | (49) | (48) |
| Accretion on restoration provision | (4) | (5) | (9) | (11) |
| Total finance costs | (198) | (215) | (601) | (629) |
| Less: interest capitalized (note 5) | - | 146 | - | 549 |
| | (198) | (69) | (601) | (80) |

16 Income tax

A tax expense of \$109 million was recorded for the nine months ended September 30, 2020, (nine months ended September 30, 2019: \$87 million tax expense) reflecting statutory tax rates. The statutory tax rates for the Company's operations range from 20% to 35%. No tax expenses or credits have been recognized with respect to losses incurred for the early repayment of borrowings or corporate sales hedge program.

First Quantum Minerals Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

17 Other income (expense)

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|------------------------------------|------|-----------------------------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| Foreign exchange losses ¹ | (60) | (12) | (193) | (49) |
| Change in restoration provision for closed properties | - | 1 | 2 | (1) |
| Share of loss in joint venture (note 7) | (5) | (1) | (41) | (1) |
| Other income (expenses) | 3 | (5) | 15 | (6) |
| | (62) | (17) | (217) | (57) |

¹ The majority of foreign exchange losses are unrealized and arise on translating Zambian Kwacha monetary assets, in particular VAT receivable (see note 3c), at the period end exchange rate.

18 Segmented information

The Company's reportable operating segments are individual mine development projects or mine operations. Each of the mines and development projects report information separately to the CEO, the chief operating decision maker.

The Corporate & other segment is responsible for the evaluation and acquisition of new mineral properties, regulatory reporting, treasury and finance and corporate administration. Included in the Corporate & other segment is the Company's metal marketing division which purchases and sells third party material, and the exploration projects.

The Company's operations are subject to seasonal aspects, in particular the rain season in Zambia. The rain season in Zambia generally starts in November and continues through April, with the heaviest rainfall normally experienced in the months of January, February and March. As a result of the rain season, mine pit access and the ability to mine ore is lower in the first quarter of the year than other quarters and the cost of mining is higher.

Earnings by segment

For the three-month period ended September 30, 2020, segmented information for the statement of earnings (loss) is presented as follows:

| | Revenue | Cost of sales (excluding depreciation) | Depreciation | Other | Operating profit (loss) ¹ | Income tax (expense) credit |
|--------------------------------|--------------|--|--------------|-------------|---|--------------------------------|
| Cobre Panama | 440 | (208) | (117) | (2) | 113 | - |
| Kansanshi ² | 423 | (208) | (64) | (31) | 120 | (45) |
| Sentinel | 340 | (172) | (58) | (25) | 85 | (31) |
| Las Cruces | 82 | (32) | (56) | (5) | (11) | 3 |
| Guelb Moghrein | 71 | (32) | (9) | (3) | 27 | (7) |
| Çayeli | 25 | (12) | (8) | 1 | 6 | (3) |
| Pyhäsalmi | 10 | (8) | (1) | (1) | - | 1 |
| Ravensthorpe | 62 | (60) | (10) | (3) | (11) | 11 |
| Corporate & other ³ | (51) | (1) | - | (20) | (72) | 9 |
| Total | 1,402 | (733) | (323) | (89) | 257 | (62) |

¹ Operating profit (loss) less net finance costs and taxes equals net earnings (loss) for the period on the consolidated statement of earnings.

² Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.

³ Revenue includes hedge gains and losses recognized on forward copper sales and zero cost collar options and forward nickel sales.

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Notes to the Condensed Interim Consolidated Financial Statements

(expressed in millions of U.S. dollars)

For the three-month period ended September 30, 2019, segmented information for the statement of earnings is presented as follows:

| | Revenue | Cost of sales (excluding depreciation) | Depreciation | Other | Operating profit (loss) ¹ | Income tax (expense) credit |
|----------------------------------|------------|--|--------------|-------------|---|--------------------------------|
| Cobre Panama | 210 | (142) | (32) | (1) | 35 | - |
| Kansanshi ² | 314 | (185) | (55) | (12) | 62 | 11 |
| Sentinel | 303 | (191) | (72) | (14) | 26 | 17 |
| Las Cruces | 61 | (34) | (47) | 1 | (19) | 11 |
| Guelb Moghrein | 52 | (32) | (8) | (5) | 7 | (4) |
| Çayeli | 13 | (8) | (6) | (2) | (3) | (1) |
| Pyhäsalmi | 16 | (9) | (4) | 1 | 4 | (4) |
| Ravensthorpe | - | (7) | (1) | - | (8) | 3 |
| Corporate & other ^{3,4} | 18 | (4) | - | (10) | 4 | - |
| Total | 987 | (612) | (225) | (42) | 108 | 33 |

¹ Operating profit (loss) less net finance costs and taxes equals net earnings (loss) for the period on the consolidated statement of earnings.

² Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.

³ Cobre Panama was declared to be in commercial production, effective September 1, 2019. Development costs and pre-commercial production operating revenues and costs prior to this date were capitalised.

⁴ Revenue includes hedge gains and losses recognized on forward copper sales and zero cost collar options.

For the nine-month period ended September 30, 2020, segmented information for the statement of earnings (loss) is presented as follows:

| | Revenue | Cost of sales (excluding depreciation) | Depreciation | Other | Operating profit (loss) ¹ | Income tax (expense) credit |
|--------------------------------|--------------|--|--------------|--------------|---|--------------------------------|
| Cobre Panama | 945 | (541) | (293) | (7) | 104 | - |
| Kansanshi ² | 1,123 | (633) | (187) | (105) | 198 | (93) |
| Sentinel | 827 | (487) | (171) | (80) | 89 | (33) |
| Las Cruces | 262 | (97) | (167) | (1) | (3) | 7 |
| Guelb Moghrein | 216 | (120) | (31) | (5) | 60 | (15) |
| Çayeli | 46 | (27) | (19) | - | - | (13) |
| Pyhäsalmi | 34 | (25) | (4) | 2 | 7 | (3) |
| Ravensthorpe | 81 | (140) | (16) | (4) | (79) | 31 |
| Corporate & other ³ | 64 | (3) | (3) | (96) | (38) | 10 |
| Total | 3,598 | (2,073) | (891) | (296) | 338 | (109) |

¹ Operating profit (loss) less net finance costs and taxes equals net earnings (loss) for the period on the consolidated statement of earnings.

² Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.

³ Revenue includes hedge gains and losses recognized on forward copper sales and zero cost collar options and forward nickel sales.

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For the nine-month period ended September 30, 2019, segmented information for the statement of earnings is presented as follows:

| | Revenue | Cost of sales (excluding depreciation) | Depreciation | Other | Operating profit (loss) ¹ | Income tax (expense) credit |
|----------------------------------|--------------|--|--------------|--------------|---|--------------------------------|
| Cobre Panama | 210 | (142) | (32) | (1) | 35 | - |
| Kansanshi ² | 1,086 | (606) | (174) | (41) | 265 | (59) |
| Sentinel | 918 | (577) | (190) | (29) | 122 | (15) |
| Las Cruces | 194 | (102) | (137) | (9) | (54) | 22 |
| Guelb Moghrein | 193 | (120) | (37) | (6) | 30 | (10) |
| Çayeli | 63 | (31) | (21) | 6 | 17 | (12) |
| Pyhäsalmi | 73 | (34) | (20) | 3 | 22 | 4 |
| Ravensthorpe | - | (16) | (4) | - | (20) | 6 |
| Corporate & other ^{3,4} | 46 | (7) | (2) | (49) | (12) | (23) |
| Total | 2,783 | (1,635) | (617) | (126) | 405 | (87) |

¹ Operating profit (loss) less net finance costs and taxes equals net earnings (loss) for the period on the consolidated statement of earnings.

² Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.

³ Cobre Panama was declared to be in commercial production, effective September 1, 2019. Development costs and pre-commercial production operating revenues and costs prior to this date were capitalised.

⁴ Revenue includes hedge gains and losses recognized on forward copper sales and zero cost collar options.

Balance sheet by segment

Segmented information on balance sheet items is presented as follows:

| | September 30, 2020 | | | December 31, 2019 | | |
|--------------------------------|------------------------------------|---------------|-------------------|------------------------------------|---------------|-------------------|
| | Non-current assets ¹ | Total assets | Total liabilities | Non-current assets ¹ | Total assets | Total liabilities |
| Cobre Panama ² | 11,937 | 12,531 | 3,174 | 12,006 | 12,623 | 3,124 |
| Kansanshi ³ | 2,493 | 3,977 | 846 | 2,641 | 3,939 | 923 |
| Sentinel | 2,963 | 3,647 | 558 | 3,056 | 3,633 | 623 |
| Las Cruces | 68 | 193 | 166 | 213 | 848 | 194 |
| Guelb Moghrein | 63 | 152 | 48 | 89 | 190 | 50 |
| Çayeli | 66 | 105 | 32 | 83 | 132 | 28 |
| Pyhäsalmi | 9 | 35 | 45 | 11 | 79 | 45 |
| Ravensthorpe | 714 | 874 | 188 | 710 | 812 | 173 |
| Corporate & other ⁴ | 1,494 | 2,578 | 8,759 | 1,427 | 2,491 | 8,925 |
| Total | 19,807 | 24,092 | 13,816 | 20,236 | 24,747 | 14,085 |

¹ Non-current assets include \$19,484 million of property plant and equipment (December 31, 2019: \$19,972 million) and exclude financial instruments, deferred tax assets, VAT receivable and goodwill.

² Cobre Panama is 20% owned by KPMC, a joint venture.

³ Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity. This segment includes the Kansanshi smelter.

⁴ Included within the corporate segment are assets relating to the Haqira project, \$691 million (December 31, 2019: \$689 million), and to the Taca Taca project, \$444 million (December 31, 2019: \$441 million).

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Notes to the Condensed Interim Consolidated Financial Statements

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Capital expenditure by segment

Additions to non-current assets other than financial instruments, deferred tax assets and goodwill represent additions to property, plant and equipment, for which capital expenditure is presented as follows:

| | Three months ended September 30 | | Nine months ended September 30 | |
|-------------------|------------------------------------|------------|-----------------------------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Cobre Panama | 53 | 156 | 210 | 841 |
| Kansanshi | 33 | 49 | 82 | 118 |
| Sentinel | 35 | 48 | 105 | 122 |
| Las Cruces | - | 5 | 1 | 19 |
| Guelb Moghrein | 2 | 4 | 9 | 6 |
| Çayeli | 1 | 1 | 3 | 3 |
| Ravensthorpe | 12 | 1 | 19 | 3 |
| Corporate & other | 2 | 6 | 9 | 18 |
| Total | 138 | 270 | 438 | 1,130 |

19 Financial instruments

The Company classifies its financial assets as amortized cost, FVOCI or FVTPL. Financial liabilities are measured at amortized cost or FVTPL.

The following provides a comparison of carrying and fair values of each classification of financial instrument at September 30, 2020:

| | Amortized cost | Fair value through profit or loss | Fair value through OCI | Total |
|---|----------------|---|---------------------------|-------|
| Financial assets | | | | |
| Trade and other receivables ¹ | 88 | 403 | - | 491 |
| Due from KPMC (note 6) | 305 | - | - | 305 |
| Derivative instruments in designated hedge relationships | - | - | 2 | 2 |
| Other derivative instruments ² | - | 10 | - | 10 |
| Investments | - | - | 15 | 15 |
| Financial liabilities | | | | |
| Trade and other payables | 598 | - | - | 598 |
| Derivative instruments in designated hedge relationships | - | - | 147 | 147 |
| Other derivative instruments ² | - | 9 | - | 9 |
| Leases | 31 | - | - | 31 |
| Liability to joint venture (note 9) | 1,351 | - | - | 1,351 |
| Debt | 8,460 | - | - | 8,460 |

¹ Commodity products are sold under pricing arrangements where final prices are set at a specified future date based on market commodity prices. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in commodity market prices give rise to an embedded derivative in the accounts receivable related to the provisionally priced sales contracts.

² Other derivative instruments related to provisionally priced sales contracts are classified as fair value through profit or loss and recorded at fair value, with changes in fair value recognized as a component of cost of sales.

The following provides a comparison of carrying and fair values of each classification of financial instruments at December 31, 2019, on the same classification basis as above:

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| | Amortized cost | Fair value through profit or loss | Fair value through OCI | Total |
|--|----------------|-----------------------------------|------------------------|-------|
| Financial assets | | | | |
| Trade and other receivables ¹ | 123 | 369 | - | 492 |
| Due from KPMC (note 6) | 246 | - | - | 246 |
| Derivative instruments in designated hedge relationships | - | - | 8 | 8 |
| Other derivative instruments ² | - | 1 | - | 1 |
| Investments ³ | - | - | 19 | 19 |
| Financial liabilities | | | | |
| Trade and other payables | 737 | - | - | 737 |
| Other derivative instruments ² | - | 31 | - | 31 |
| Leases | 36 | - | - | 36 |
| Liability to joint venture (note 9) | 1,238 | - | - | 1,238 |
| Debt | 8,198 | - | - | 8,198 |

¹ Commodity products are sold under pricing arrangements where final prices are set at a specified future date based on market commodity prices. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in commodity market prices give rise to an embedded derivative in the accounts receivable related to the provisionally priced sales contracts.

² Other derivative instruments related to provisionally priced sales contracts are classified as fair value through profit or loss and recorded at fair value, with changes in fair value recognized as a component of cost of sales.

Fair Values

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs for the asset or liability that are not based on observable market data.

The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at September 30, 2020:

| | Level 1 | Level 2 | Level 3 | Total fair value |
|---|---------|---------|---------|------------------|
| Financial assets | | | | |
| Derivative instruments – LME contracts ¹ | 5 | - | - | 5 |
| Derivative instruments – OTC contracts ² | - | 7 | - | 7 |
| Investments ³ | 15 | - | - | 15 |
| Financial liabilities | | | | |
| Derivative instruments – LME contracts ¹ | 7 | - | - | 7 |
| Derivative instruments – OTC contracts ² | - | 149 | - | 149 |

¹ Futures for copper, nickel, gold and zinc were purchased on the London Metal Exchange ("LME") and London Bullion Market and have direct quoted prices, therefore these contracts are classified within Level 1 of the fair value hierarchy.

² The Company's derivative instruments are valued by the Company's brokers using pricing models based on active market prices. All forward swap contracts held by the Company are OTC and therefore the valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates using inputs which can generally be verified and do not involve significant management judgment. Such instruments are classified within Level 2 of the fair value hierarchy. Derivative assets are included within other assets on the balance sheet and derivative liabilities are included within provisions and other liabilities on the balance sheet.

³ The Company's investments in marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities is calculated as the quoted market price of the marketable security multiplied by the quantity of shares held by the Company.

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The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at December 31, 2019, in the fair value hierarchy:

| | Level 1 | Level 2 | Level 3 | Total fair value |
|---|---------|---------|---------|------------------|
| Financial assets | | | | |
| Derivative instruments – LME contracts ¹ | 1 | - | - | 1 |
| Derivative instruments – OTC contracts ² | - | 8 | - | 8 |
| Investments ³ | 19 | - | - | 19 |
| Financial liabilities | | | | |
| Derivative instruments – LME contracts ¹ | 17 | - | - | 17 |
| Derivative instruments – OTC contracts ² | - | 14 | - | 14 |

¹ Futures for copper, nickel, gold and zinc were purchased on the London Metal Exchange ("LME") and London Bullion Market and have direct quoted prices, therefore these contracts are classified within Level 1 of the fair value hierarchy.

² The Company's derivative instruments are valued by the Company's brokers using pricing models based on active market prices. All forward swap contracts held by the Company are OTC and therefore the valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates using inputs which can generally be verified and do not involve significant management judgment. Such instruments are classified within Level 2 of the fair value hierarchy. Derivative assets are included within other assets on the balance sheet and derivative liabilities are included within provisions and other liabilities on the balance sheet.

³ The Company's investments in marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities is calculated as the quoted market price of the marketable security multiplied by the quantity of shares held by the Company.

Derivatives designated as hedged instruments

The Company has elected to apply hedge accounting with the following contracts expected to be highly effective in offsetting changes in the cash flows of designated future sales. Commodity contracts outstanding as at September 30, 2020, were as follows:

| | Open Positions (tonnes/ozs/ litres) | Average Contract price | Closing Market price | Maturities Through |
|-----------------------------|---|------------------------------|-------------------------|-----------------------|
| Commodity contracts: | | | | |
| Copper forward | 184,125 | \$2.79/lb | \$3.00/lb | December 2021 |
| Copper zero cost collar | 185,150 | \$2.73/lb-\$2.97lb | \$3.00/lb | December 2021 |
| Nickel forward | 4,809 | \$6.75/lb | \$6.52/lb | February 2021 |
| Fuel forward | 105,715,050 | \$0.34/lt | \$0.30/lt | April 2021 |

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Other derivatives

As at September 30, 2020, the Company had entered into the following derivative contracts for copper, gold, nickel and zinc in order to reduce the effects of fluctuations in metal prices between the time of the shipment of metal from the mine site when the sale is provisionally priced and the date agreed for pricing the final settlement.

Excluding the contracts noted above, as at September 30, 2020, the following derivative positions were outstanding:

| | Open Positions (tonnes/ozs) | Average Contract price | Closing Market price | Maturities Through |
|--|--------------------------------|------------------------|----------------------|--------------------|
| Embedded derivatives in provisionally priced sales contracts: | | | | |
| Copper | 132,727 | \$3.02/lb | \$3.00/lb | January 2021 |
| Gold | 40,585 | \$1,969/oz | \$1,887/oz | November 2020 |
| Nickel | 1,421 | \$6.68/lb | \$6.51/lb | November 2020 |
| Zinc | 200 | \$1.05/lb | \$1.09/lb | November 2020 |
| Commodity contracts: | | | | |
| Copper | 131,825 | \$3.02/lb | \$3.00/lb | January 2021 |
| Gold | 40,348 | \$1,969/oz | \$1,887/oz | November 2020 |
| Nickel | 1,422 | \$6.68/lb | \$6.51/lb | November 2020 |
| Zinc | 200 | \$1.05/lb | \$1.09/lb | November 2020 |

As at December 31, 2019, the following derivative positions were outstanding:

| | Open Positions (tonnes/ozs) | Average Contract price | Closing Market price | Maturities Through |
|--|--------------------------------|------------------------|----------------------|--------------------|
| Embedded derivatives in provisionally priced sales contracts: | | | | |
| Copper | 119,336 | \$2.71/lb | \$2.79/lb | April 2020 |
| Gold | 28,333 | \$1,502/oz | \$1,523/oz | April 2020 |
| Commodity contracts: | | | | |
| Copper | 119,550 | \$2.71/lb | \$2.79/lb | April 2020 |
| Gold | 28,336 | \$1,502/oz | \$1,523/oz | April 2020 |

A summary of the fair values of unsettled derivative financial instruments for commodity contracts recorded on the consolidated balance sheet.

| | September 30, 2020 | December 31, 2019 |
|----------------------|-----------------------|----------------------|
| Commodity contracts: | | |
| Asset position | 12 | 9 |
| Liability position | (156) | (31) |

(expressed in millions of U.S. dollars)

20 Commitments & contingencies

Capital commitments

The Company has committed to \$79 million (December 31, 2019: \$137 million) in capital expenditures.

Other commitments & contingencies

Due to the size, complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. The Company is routinely subject to audit by tax authorities in the countries in which it operates and has received a number of tax assessments in various locations, including Zambia, which are currently at various stages of progress with the relevant authorities. The outcome of these audits and assessments are uncertain however, the Company is confident of its position on the various matters under review.

In October 2016, the Company, through its subsidiary Kansanshi Holdings Limited, received a Notice of Arbitration from ZCCM International Holdings PLC ("ZCCM") under the Kansanshi Mining PLC ("KMP") Shareholders Agreement. ZCCM is a 20% shareholder in KMP and filed the Notice of Arbitration against Kansanshi Holdings Limited ("KHL"), the 80% shareholder, and against KMP. The Company also received a Statement of Claim filed in the Lusaka High Court naming additional defendants, including the Company, and certain directors and an executive of the named corporate defendants. Aside from the parties, the allegations made in the Notice of Arbitration and the High Court for Zambia were the same. The Company is firmly of the view that the allegations are in their nature inflammatory, vexatious and untrue.

The dispute was stated as a request for a derivative action, requiring ZCCM to obtain permission to proceed in each forum of the Arbitration and the Lusaka High Court. The dispute arose from facts originating in 2007, and concerned the rate of interest paid on select deposits by KMP with the Company. The deposits were primarily retained for planned investment by KMP in Zambia. In particular, KMP deposits were used to fund a major investment program at Kansanshi, including the successful construction and commissioning of the Kansanshi smelter and expansion of the processing plant and mining operations. The entirety of the deposit sums has been paid down from the Company to KMP, with interest. The interest was based on an assessment of an arm's length fair market rate, which is supported by independent third-party analysis. ZCCM disputed that interest rate paid to KMP on the deposits was sufficient.

In July 2019, the Arbitral Tribunal issued a final award in favour of KMP. The parties have reached an agreement on costs, in total exceeding US\$1 million payable by ZCCM, bringing this particular matter to an end.

In parallel, several preliminary procedural applications to dismiss the High Court Action were lodged on behalf of the Company, and other defendants, in the Lusaka High Court. By a decision dated January 25, 2018, the Lusaka High Court used its discretion to rectify ZCCM's procedural errors. The Court granted leave to the Company, FQM Finance, a wholly-owned subsidiary of the Company, and the individual defendants to appeal against this decision and the litigants have agreed to a stay pending the appeal. The appeal hearing took place on November 21, 2018, with submissions made by all parties. The Court of Appeal delivered judgment on January 11, 2019, dismissing the appeal. An appeal to the Supreme Court of Zambia was heard on April 24, 2019, and has been dismissed. The High Court was scheduled to resume hearing two further procedural applications, including whether ZCCM is allowed to maintain the derivative action. However, before these hearings could take place the defendants brought an application requesting dismissal of the case on grounds of abuse of process/ res judicata, on the basis that the action cannot be allowed to continue for risk of producing conflicting judgment from the London arbitration, which has already adjudicated the facts of this particular complaint. ZCCM objected to the defendants' application. ZCCM also tried to bring an application to set aside the registration of the Arbitral award in Zambia. The defendants' resisted this application. Both applications had an oral hearing in October 2019.

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(expressed in millions of U.S. dollars)

However, after the October 2019 hearing, ZCCM pursued a challenge to the registration of the Arbitral Award on grounds that it was not enforceable because it had complied with the costs payment order of the Arbitral Award. KMP opposed ZCCM's challenge and made submissions to the Registrar that an Arbitration Award is eligible for registration despite compliance with costs orders. On February 13, 2020, the Registrar accepted KMP's position and dismissed ZCCM's challenge to the registration of the Arbitration Award. Accordingly, the Lusaka High Court proceeded to rule on the abuse of process application. By way of a ruling dated March 23, 2020, the Lusaka High Court agreed with KMP's application that the process, if it were to be allowed to continue before it, would risk conflicting judgements and would be res judicata. Accordingly, ZCCM's derivative action case was dismissed, with costs awarded to KMP against ZCCM. On April 6, 2020, ZCCM sought permission to appeal to the Court of Appeal on grounds that the High Court judge erred in fact and in law. KMP objects to the appeal, and the matter remains pending. The Court of Appeal heard the matter on October 14, 2020 for which the parties exchanged written submissions. ZCCM argues that the decision of the High Court was not a decision on the merits for the purposes of res judicata, nor does it bind the other defendants who were not parties to the arbitration. KHL argues that the final Arbitration Award signals that the matter was fully evaluated on the merits in so far as that particular cause of action (the derivative action) is concerned. As to the related defendants, KHL relies on authorities to show that they are the "privies" of the party which partook in the arbitration. The Court of Appeal has reserved judgement, which is expected to be released this quarter.

In addition, on November 11, 2019, Kansanshi Holding Ltd (KHL) filed a UNCITRAL Rules based Request for Arbitration against ZCCM and KMP (as Nominal Respondent) in connection with a Cash Management Services Agreement dated August 19, 2019. KHL seeks a declaration that the CMSA is an arm's length contract. The CMSA provides for cash management services whereby KMP would deposit with the Group's treasury subsidiary certain of its cash balances for management by FQML's treasury function. All cash managed and deposited is callable on demand by KMP and attracts commercial interest rates. Under the shareholder agreement between the Group and ZCCM, related party transactions are required to be on arms' length basis. This arbitration was held virtually in a hearing between October 19 to 23, 2020, and the decision of the arbitral Tribunal has been reserved.

21 Post balance sheet events

Senior notes offering

On September 17, 2020, the Company announced the offering and pricing of \$1,500 million of 6.875% Senior Notes due 2027 at an issue price of 100.00%. Settlement took place on October 1, 2020. Proceeds of the new bond were used to partially repay the existing revolving credit facility and redeem in full the Company's outstanding Senior Notes due 2022, on October 19, 2020, the next business day following the redemption date.