

Fitch believes Panama and mining giant have too much not to agree



Due to the weight of the Cobre Panama project in First Quantum's finances, as it contributes more than 40% of its copper production and the mine's 4% contribution to Panama's gross domestic product, Fitch believes that both parties will be able to reach an agreement on the missing points to sign a new contract. However, the risk rating agency estimates that before all obstacles are overcome, the copper mine will be under the maintenance stage for a period of six months.

On January 10, the Canadian mining company filed an appeal with the Ministry of Commerce and Industries (MICI) to stop the order issued by the Directorate of Mineral Resources to stop the commercial operation of the mine and place the project in a maintenance stage, where the processing plant will operate at its minimum capacity, but without exporting the copper concentrate.

The MICI has a period of 2 months to accept or reject the appeal, during which time the mine can continue to operate normally, including the dispatch of the mineral through the port of Punta Rincón, where in recent weeks the arrival of ships to transport the concentrate to countries such as China, Spain, Germany, among others. "We see significant uncertainty about the time required to negotiate and finalize an agreement, and the rate of mine utilization during this time. We conservatively assume that Cobre Panama will be put into care and maintenance and will operate at reduced capacity for six months in 2023, before returning to normal operations," Fitch said in its report where it announced that it placed the default rating of Cobre Panama on negative watch, issuer and a B+ senior unsecured rating.

During the summons made by the plenary session of the National Assembly, the MICI minister, Federico Alfaro Boyd, assured that the Government is not renegotiating the points agreed upon in January 2021 and that the differences to agree on a new agreement are related to the percentage of royalties that will be paid when the depletion of the reserves is established; the wording of the clauses for substantial breach and termination of the contract, as well as how much the State must pay the company in case of breach of contract, regardless of whether it occurs due to causes attributed to the company or the State.