Project Mina de Cobre Panamá

Project Financing

Executive Summary

(Project Description Update)

Minera Panamá S.A.

June 2017
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2 EXECUTIVE SUMMARY

First Quantum Minerals Ltd. (following the completion of the acquisition of Inmet Mining Corporation in April 2013), hereinafter referred to as “FQM”, assumed an 80% equity interest in Minera Panamá, S.A. (“MPSA”), the Panamanian company that holds the Cobre Panama concession. MPSA owns exploration and mining rights to a 12,995.1 hectare (ha) concession, awarded through Contract Law 9 of February 26, 1997. The mining concession is located about 120 kilometres straight west and 300 kilometres (km) by road from Panamá City (Figure 2-1).

MPSA has undertaken considerable field work and studies since 2007 to determine the copper, molybdenum, gold and silver resource in the area and whether the minerals can be recovered profitably. MPSA’s work has shown that these minerals can be mined and processed profitably. The set of rocks that contains these minerals is called a metal-bearing ore body, which will be exploited by open pit mining. Ore is defined as rocks containing minerals that can be recovered at a profit. The minerals will be concentrated in a process plant and transported by pipeline to a port at Punta Rincón near the community of Río Caimito, from where they will be shipped for final processing in other countries.

MPSA received approval for the Mina de Cobre Panamá Project (the Project) from the former National Environmental Authority (ANAM) now Ministry of Environment on December 28, 2011. Construction began on December 29, 2011 and the project is expected to provide employment and economic benefits to the people of Panamá for at least 30 years.

The Project’s main facilities include a mine site, a process plant, a tailings management facility, a port site and an electric power plant. About 5,900 hectares of land will be used to develop the Project. There are two industrial facilities: one at the mine site and the other one for the port, at Punta Rincón. Apart from the industrial facilities, both sites also have ancillary infrastructure and services such as housing camps, administration offices and technical facilities to provide maintenance to the equipment used in the industrial activities. The mine and port sites are linked the coastal road. Pipelines and power transmission lines run from Punta Rincón to the mine site. The port for shipping the concentrate covers an area of approximately 200 ha. The power generation plant (located at the port site) will use coal for fuel.

The buildings and facilities at the mine site will be removed after the mining is complete. Most of the land, where possible, will be reclaimed or returned to a condition that has similar plant and animal life to what existed before the Project. Mine waste storage facilities will be covered and revegetated and the open pits used to exploit the ore body will be filled with water, creating lakes.

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Water is used by mining projects in the mineral concentration process. Water used by the Project will be taken from the open pit and mine site drainages, freshwater reservoirs and return water from the tailings management facility. Water used to concentrate the ore minerals will be contained in ponds and circulated to the processing plant. Other wastewater from the worker’s camps is treated before it is released to the environment.

Although this is a large-scale mining project, the Project footprint has been kept as small as possible so that people, plants and animals in the area are impacted as little as possible. However, the Project will result in some noise close to the facilities which could scare away some animals near the Project’s boundaries and along the road from the mine site to the port site. The Project is not expected to affect the health of humans and animals.

The Project is creating many job opportunities. MPSA is committed to hiring qualified local workers, where possible, and to helping build employment skills amongst the local and regional populations by offering training programs. Revenues for Panamá will also be generated through royalties and taxes, and businesses in Panamá will benefit from an increase in customers.

Road traffic from Panama City to the Project site is through the Panamerican Highway and entering towards the La Pintada area. In order to avoid travel through Penonomé, a by-pass road is used by all heavy trucks. Completion of the road between Penonomé, Panama City or the Colon Port as most of the heavy and oversized loads will be imported through the fully functional International Port. Vehicular traffic will be heaviest during the construction period. Maximum use will be made of the project Port facilities during operations, including the diesel fuel storage tank area that will help reduce the current fuel tank trucks transiting through the Llano Grande Road.

The Project is significantly contributing to improvements in public infrastructure and basic services that have been historically under-developed in the area of influence, such as education, health and community water supply. All this is being done in coordination and cooperation with the relevant local authorities.

No deterioration of human health is expected from Project activities. Air quality models show that only slightly changes will occur to areas within close proximity to the Project site. It is expected that these variations in air quality resulting from the Project development, will be within national and international standards. Potential health changes would most likely be as a result of changes in jobs, money, road traffic patterns, road improvements, or eating less traditional foods.
The Project is developing an environmental management system in line with ISO14001:2015. The environmental and social monitoring program will detect early, any changes from the baseline conditions. In addition, MPSA is involving community members in the monitoring programs so that people can have confidence in the program and the results.

What is in this Report?

The original ESIA report was written by consultants who were not part of MPSA, but were from an independent company that specializes in environmental, health and social issues: Golder Associates Panama S.A. (Golder). MPSA engaged Golder to do the field work and produce the environmental and social impact assessment. This revised project description incorporates information on significant project changes and current project status. The original version of ESIA project description is available in MPSA’s web site and all social and biodiversity commitments under the ESIA are still binding and in effect.

The following sections describe the project description as at June 2017 including any changes made since the original environmental and social impact assessment that MPSA submitted to the ANAM in August 2010:

- who is building the mine (the Project proponent);
- how the Project will mine and process the copper ore (the Project description); and
- Resettlement Status.

2.1 GENERAL INFORMATION ABOUT THE PROPOSENT

The developer of the Mina de Cobre Panama Project is Minera Panamá, S.A. (MPSA). MPSA is a Panamanian company established under the laws of the Republic of Panamá. MPSA’s business is the exploration and development of the Project, and MPSA owns the exploration and mining rights to a 12,995 hectare concession in Petaquilla.

The Project orebodies are located within the concession limits and, therefore, the mining activity will occur within the concession. The port, power plant, the tailings management facility, the electric transmission lines, the road linking the mine and the port will largely be located outside of the concession area.

MPSA is owned by First Quantum Minerals (FQM), a well-established and growing metals and mining company producing mainly copper, gold, nickel and zinc. FQM’s assets are...
located in Zambia, Spain, Mauritania, Australia, Finland, Turkey, Panama, Argentina and Peru. Because MPSA is owned by FQM, MPSA is also governed by the values, policies and standards of FQM, and benefits from its international experience.

### Table 2.1-1 How to Contact Minera Panamá S.A.

<table>
<thead>
<tr>
<th>Person to contact</th>
<th>Todd Clewett, Country Manager</th>
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<td>+507 294-5700</td>
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<td>Email Address</td>
<td><a href="mailto:Todd.Clewett@fqml.com">Todd.Clewett@fqml.com</a></td>
</tr>
<tr>
<td>Name and registration of the Consultant</td>
<td>Golder Associates Panamá, S.A. IRC-033-2008</td>
</tr>
</tbody>
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### 2.2 BRIEF DESCRIPTION OF THE PROJECT

The Project includes a mine and process plant site where mining and ore processing activities will take place; a tailings storage facility; a port site at Punta Rincón for concentrate filtration and ship loading and unloading; a power plant at Punta Rincón for generation of electricity; and supporting infrastructure (roads, pipelines, transmission lines, camps for accommodation, emission, liquid and solid waste management) as outlined below (see Figure 2.2-1).

To limit and/or mitigate safety, environmental and social impacts during the construction and operations phases, the procedures in the plans that form part of Chapter 10, Environmental Management Plan (refer to original ESIA document) are being incorporated into the environmental management plans for operations. The Environmental Management Plans are being developed in accordance with and observing all applicable Panama regulations, and MPSA is applying best practice where it is practicable and feasible to do so. Thus, the company is committed to respect international, corporate and voluntary policies and guidelines, which are presented in Section 5.3 of the environmental and social impact assessment (refer to original ESIA document).

#### 2.2.1 Mine and Plant Site Facilities

The main facilities at the mine and plant site include:
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- three open pit mines (at Botija, Colina and Valle Grande), which will be developed over the life of the Project;
- ore crushing, conveying and stockpile facilities, including:
  - four gyratory in-pit crushers (with provision for a additional crushers and conveyors to increase throughput later during the operations phase);
  - belt conveyors; and
  - an area for crushed ore stockpiling.
- a process plant, which includes:
  - grinding plant with three semi-autogenous mills and four ball mills;
  - flotation plant with large tanks for the separation of copper-bearing minerals from the waste mineral, resulting in production of copper concentrate. Gold will be included in the copper concentrate and will be recovered during later processing of the concentrate in facilities located outside Panama;
  - an additional flotation circuit to separate molybdenum concentrate; and
- concentrate thickening to prepare the copper/gold concentrate to the proper consistency for pumped transport to the port site by pipeline, a tailings management facility (TMF), which for the first 22 years of mining will receive and store tailings from which metal concentrates will have been extracted in the concentrator plant;
- saprolite and waste rock storage facilities (WRSF) for the storage of this material generated during the operations phase;
- a low-grade ore stockpile;
- a fresh water reservoir;
- a process water reservoir;
- ancillary facilities, including:
  - truck and mobile equipment maintenance shops;
  - offices;
  - sewage treatment plants;
  - fuel storage and fuelling;
  - explosives preparation and storage facilities;
  - warehouses for storage of operational materials
- water diversion and sediment control structures;
- quarry(ies) for borrow material (aggregate);
- camp and administration facilities for personnel during construction and operations phases;
• security facilities;
• laboratory facilities; and
• internal roads within the site to access camps, pits, waste rock storage facility, tailings management facility and ancillary facilities.
Figure 2.2-1  Overall Site Plan
2.2.2 Port Site Facilities

The main port facilities at the Punta Rincón site include:

- copper/gold concentrate filtering facility;
- a copper/gold concentrate storage building;
- a port with ship loading and unloading facilities for concentrate carriers and for receiving fuel and operating supplies, including coal for the power plant;
- temporary facilities for receiving equipment and supplies and housing workers during construction;
- camp and administration facilities for personnel during construction;
- ancillary facilities, including sewage treatment and domestic waste management;
- a reservoir constructed to dam one of the nearby ravines for fresh and process water supply; and
- security facilities.

2.2.3 Power Plant Facilities

The main facilities at the power plant site to be located at Punta Rincón include:

- two 150-megawatt coal-fired units for the generation of electricity (with provisions for a third unit);
- coal transportation, handling and storage facilities;
- particulate removal and flue gas desulphurization facilities;
- a 125 meter (m) exhaust stack for combustion gas;
- ash storage facilities;
- seawater intake and discharge water systems used for cooling;
- ancillary facilities for plant operations, such as workshops and storage warehouses for spares and equipments; and
- camp and administration facilities for personnel during construction and operation.

2.2.4 Supporting Infrastructure Facilities

Equipment, materials and supplies will initially be transported to the mine and plant site by way of the existing Pan-American Highway from Panamá City, and the existing secondary road from Penonomé, La Pintada and Coclesito (Coclesito Road). Equipment
and supplies sourced from offshore will be landed at existing port facilities in Panamá City or Colon. The secondary road will be upgraded and realigned in some locations and a new section of road has been constructed from the San Juan River to the east side of the proposed Botija pit.

A new approximately 30 km long private road (the coast road) connecting the port at Punta Rincón with the mine and the concentrator plant site has been constructed. Upon completion of the port equipment and supplies from offshore destined for the mine and concentrator plant site will be landed at Punta Rincón and transported along the coast road. Vehicle access points to the road will be restricted to the mine, the concentrator plant site and port sites.

During construction, personnel are bussed to the mine and plant site via the Coclesito Road. During operations personnel for the mine, plant and port facilities will also be bussed to the mine and concentrator plant site via the Coclesito Road. Since the coastal road construction was completed in 2015 personnel are transported to the port facilities via this road.

The main infrastructure built to support the mine and plant and port sites includes:

- water management facilities including dams for water reservoirs, stream diversions, sewage and effluent monitoring and treatment systems, potable water treatment systems;
- coast road, a private road with turnouts, connecting the mine and concentrator plant site with Punta Rincón (port);
- improvements to the existing access road from Llano Grande to the mine site, including bypasses around the Molejon Gold Mine, Coclesito, La Pintada and Penonomé;
- three pipelines lying on the coast road for concentrate, fuel and filtrate water mixed with fly ash slurry coming from the power generation plant, as well as fibre optic cable;
- a power station consisting of two 150 MW coal-fired generators;
- 230 Kilovolt power transmission lines between the port site and the mine site, and between the mine and plant site and the grid interconnection substation at Llano Sanchez; and
- facilities and systems for environmental monitoring and management of interactions with the environment in compliance with Project commitments and regulatory requirements.

It is expected to use quarry material existing at the area of the Botija Pit, the tailings management facility footprint, the mine and concentrator plant site and the ash storage
area at the power plant site. Other construction materials will be imported to the country and will be transported as described above.

Temporary storage areas for equipment and material deliveries via barge to the power plant are located at the Port of Colón. Temporary storage areas for equipment and materials for the transmission line are in the vicinity of Llano Sanchez and the switchyard at Punta Rincón.

Cargo shipped in containers provided by ocean carriers or others and received through Colón is transhipped to Project containers at the Colón marshalling yard. Cargoes received through Puerto de Balboa are transhipped at the Ciruelito temporary storage area.

### 2.2.5 Development Area

The Project will mine and process copper sulphide ore in the concession located 120 km west of Panamá City and 20 km from the Caribbean Sea coast. The concession covers an area of 130 square kilometres ($km^2$) and is located in the District of Donoso, Colón Province, in north-central Panamá (Figure 2.2-1). Port facilities (the port site) and a power plant will be constructed at Punta Rincón.

The total area that will be affected over the course of the Project is approximately 5,900 ha, including the occupied areas at the mine and concentrator plant site, the port, the power plant sites and the coast road. To limit the areas occupied at any one time, areas are cleared only as required and rehabilitated as soon as they are no longer required. It is anticipated that the maximum area of impact of the Project will occur between year 10 and year 15 of the operations phase.

For safety purposes, a buffer zone is provided around all Project areas. The buffer zone will extend 250 metres around all facilities with the exception of the pits, waste rock and tailings management facility, where the zone will extend 500 metres. Public access will be prohibited from these zones and from all Project area sites.

### 2.2.6 Project Phases

The Project consists of four phases:

- the planning phase;
- the construction/execution phase;
- the operations phase; and
• the closure/post-closure phase.

2.2.6.1 Planning Phase

The planning phase included: on-site technical, environmental and social data collection at the Project site, preliminary design and cost estimates, conceptual engineering, project execution logistics, preparation and submission of the environmental and social impact assessment, preparation for onsite construction and receipt of required government approvals and permits to proceed with construction. Planning has been underway by MPSA, under the previous management of Teck, re-initiated work in mid-2007. Detailed engineering started in February 2011. Improvements to the Coclesito Road were undertaken prior to the beginning of the construction phase and subject to permitting requirements.

2.2.6.2 Construction/Execution Phase

The construction/execution phase includes onsite construction and commissioning of infrastructure and designed facilities. Onsite construction began on December 29, 2011 after receipt of the required government approvals and permits.

During this Phase all the facilities required for the safe and efficient operation of the mine, ore processing facilities (including waste management) and supporting infrastructure (port, roads, transmission lines, pipelines, camps, etc.) will be built, including a power plant at the port site to provide electricity to the mine.

Site preparation commenced in December 2011. The final infrastructure construction is anticipated to finish in October 2018. The last part of this period (October 2018 to early January 2019) will also be used to commission the concentrator plant. The first shipment of concentrate is expected in the first quarter 2019. Each construction area follows a pattern of site conditioning, civil work, construction of process facilities and surface infrastructure, pre-commissioning and commissioning. Construction of process and surface infrastructure facilities includes the maintenance facilities, power generation and distribution, tailings management facility, reclaim water and cyclone sand systems, offices, concentrator plant and port facilities. Pre-commissioning includes the testing of the process systems with air and/or water without introducing ore feed to the concentrator plant. Commissioning involves the testing of processing plant facilities with material containing no minerals of economic value or low-grade ore.

Camps include facilities to prepare and supply food for the people working at the mine, as well as water and sewage treatment facilities for 3,500 persons at the mine site, 1,100 persons at the port site and 1,800 persons at the electric power generation plant.
During the construction phase 5 significant project changes have occurred as a result of continuous technical review. These modifications have been necessary to improve mine operations and reduce project risk. The 5 modifications are:

- Relocation of the process plant;
- Above ground pipelines in the pipeline corridor along road between mine and port;
- Tunnel decant at the tailings management facility;
- Cooling water intake at the power plant; and
- Electrical Transmission Line clearing.

In accordance with permitting regulations, MPSA has submitted applications to the environmental regulatory authority Mi-Ambiente to obtain governmental approval of these project changes. MPSA has received formal resolution/approval of 4 of the modifications and resolution on the Electrical Transmission Line Clearing is expected by August 2017. A summary of the current status of the change applications is included in an addendum to this updated project description together with copies of the change application submissions and resolution letters from Mi-Ambiente.

### 2.2.6.3 Operations Phase

Commissioning of the power plant is scheduled for October 2017, with commercial production in January 2018. Operations of the power plant will continue beyond 2044. Mining operations have been scheduled to start in October 2018. The mine, mill and supporting facilities will operate until the end of 2044.

During the operations phase, accommodation facilities will be supplied for 1,200 persons at the mine site and process plant site and 120 persons at the power plant site.

Active mining in the open pits is projected to end after about 28 years, with processing of remaining low-grade ore material continuing for an additional two years. Average annual copper production is projected to be 255,000 tonnes, along with approximately 89,600 ounces of gold and 3,800 tonnes of molybdenum.

The principal operations at the mine and plant site will take place at the three open pits, waste rock storage facilities and saprolite storage areas, ore processing and tailings management facility. The Botija, Colina and Valle Grande pits will be mined using the open pit mining method. Pre-stripping and ore stockpiling at the Botija Pit began in July 2016 and will continue until the latter half of 2034. The Colina Pit is scheduled to be mined between the latter half of 2018 and the end of 2042. The Valle Grande Pit is expected to be mined between the years 2023 and 2044. Vegetation and saprolite stripping and waste
rock removal will take place progressively as areas need to be accessed for mining. Waste rock, low grade ore and saprolite will be stored in the Botija South waste rock storage facility, Colina North waste rock storage facility and Southwest waste rock storage facility. Saprolite will also be stored in the Botija North saprolite storage area. The Colina Pit will be backfilled with waste rock between 2040 and 2043.

The ore extracted from the pits will be crushed, milled, separated from waste minerals in flotation cells at the concentrator plant site. The copper concentrate will be transported to the port site via pipeline, filtered and stored for shipment to out of country metallurgical processing facilities. The processing of extracted ore and pumping of concentrate to the port site is scheduled to continue through the mine life to year 2045. For the first 10 years of operation, about 320,000 tonnes per day (117 million tonnes per year) of ore will be processed to produce copper/gold and molybdenum concentrates. Following the first 10 years, throughput will be increased to 360,000 tonnes per day to compensate for falling ore grade, and to ensure that concentrate will be produced at a constant rate.

For about the first 20 years of operation, the tailings containing silicate-like minerals and iron sulphides from the rougher and cleaning circuits will be deposited in the tailings management facility (Figure 2.2-2 Simulation to year 18 of operations). Following the first 20 years, the tailings will be placed under water in the ore depleted Botija Pit. In the final two years of operations, all tailings will be placed in the spent Colina Pit.

The final stage of ore processing will take place at the port site. Copper/gold concentrate transported through the pipeline between the concentrator plant and port sites will be filtered and loaded by covered conveyors on to bulk freighters at the main berth at port. Water from the concentrate filtration plant will be pumped to the tailings management facility and/or depleted pits through a pipeline.

The port facilities at Punta Rincón include two berths, a main (Panamax) berth and a berth for barges and coastal vessels. The main berth will be used for the export of copper/gold concentrate and the importing of coal. Diesel fuel will be delivered in tanks in barges via the barge berth and transported to the mine and plant via pipeline. Other reagents and supplies will arrive via barge and be offloaded either into the storage area at the port or loaded directly onto vehicles for transport along the coast road to the mine and concentrator plant site.

The coal-fired power plant at Punta Rincón will be the main source of electricity for the Project (Figure 2.2-3). Two 150-megawatt coal-fired power plant units will operate continuously 24 hours a day, 365 days a year. Bottom ash will be stored in a dedicated on-site facility (disused aggregate quarry) at the port site. MPSA will explore as well the sale of fly ash for use in cement industry. Power plant exhaust gas will be filtered and scrubbed with seawater to remove particulates and sulphur dioxide, respectively. The
power plant will use seawater for the unit cooling system. The cooling water will be discharged back to the sea through diffusers to improve mixing and cooling of the discharge stream.
Figure 2.2-2  Tailings Management Facility Layout Year 18

Minera Panamá S.A.
Figure 2.2-3  Port - General Layout
Electricity will be fed from a substation into the transmission line that will link the port site and the mine and plant site. From there, electricity will be connected to the Panamanian energy grid at Llano Sanchez.

2.2.6.4 Closure/Post-closure Phase

The closure/post-closure phase includes the reclamation and rehabilitation of the areas used by the Project and the subsequent monitoring, inspection, and maintenance as needed to meet regulatory requirements. Closure (the period of time when the ore extraction and processing has ceased and the Project footprint is rehabilitated to a standard which allows the subsequent land use) is scheduled to take place between the years 2045 and 2048 for the current 3 ESIA approved pits. Post-closure activities, as needed, will be carried out from 2048 onwards. This phase will begin when ore extraction and processing have permanently ceased, and final decommissioning of facilities has been completed.

Planning for closure will continue progressively throughout the life of the Project, starting with the conceptual closure plan outlined in the Environmental Recovery and Closure/Post-closure Plan. Areas used by the Project will be progressively rehabilitated where possible as they become available over the life of mine. This staged approach to close the mine, open pits, tailings management facilities and waste rock and saprolite storage facilities will reduce the number of areas to be rehabilitated upon cessation of mining and mineral processing.

The Colina and Valle Grande pits will be flooded over time. Overflow will discharge naturally into their respective watersheds. The Botija Pit, which will have been partially filled with tailings, will be filled to the point to maintain a water cover over the tailings to prevent possible acid water formation. A water cover will also be maintained over the tailings in the tailings management facility to prevent acid water formation.

Water treatment will be performed, if necessary, to ensure that discharged water from the tailings management facility meets effluent limit values and/or treated water environmental standards.

As buildings and other infrastructure are no longer required they will be decommissioned, demolished and removed from the site and the recovered areas re-vegetated. Water courses that have been diverted will be re-established in their original watersheds, where possible.

Post-closure monitoring and effluent treatment will be performed, as required, to meet regulatory and corporate commitments and to ensure the safety and environmental
integrity of the site. This period is expected to continue for at least five years post closure to ensure that environmental, safety and post-mining land use objectives are being met.

The power plant is expected to become a part of the Panamanian national power grid and will likely operate beyond the life of the mine to provide long-term benefits to Panamá. The port facilities associated with the power plant (including the wharves) and the coast road from the port to the concentrator plant site will be maintained by others upon closure. Once the power plant is no longer required, all buildings and other infrastructure, including the transmission lines, will be demolished and removed and the recovered areas re-vegetated. All these measures will meet the regulations in force at the time the closure plan is submitted, and should be approved by the Environmental National Authority at that same time.

The conceptual mine closure plan will be reviewed and updated in 2017.

2.2.7 Project Costs

The Project is self financed and, therefore, its implementation will not create a debt for Panamá. About 40 percent of the Project capital cost will be obtained through financial institutions.

The total capital cost for the Project, including the power generation plant, is estimated to be US$ 5,480 million, which represents a direct capital investment for Panamá.

This investment in the mining and energy sector will generate an additional indirect and induced investments. Thus, there is a projected positive impact on capital formation during the construction period.

During the operations phase, there will also be annual contributions to capital formation from the Project and power generation facility respectively. The macroeconomic model output indicates that this combined capital investment in the mining and energy sectors will generate a further indirect and induced capital investment within the Panamanian economy.

2.2.8 Resettlement

During the ESIA baseline studies, two communities (Chicheme and Petaquilla) were identified as being within the project development area. Thus a Resettlement Action Plan was prepared and included in the 2010 ESIA. In March 2015 all 32 families of Chicheme
moved to their new community and 8 of the 12 families of Petaquilla moved to their new community. The last 4 families of Petaquilla moved in January 12, 2017. The resettlement process has been witnessed by people from the Public Defender’s office, Ministry of Government, Church and Ngabe Bugle indigenous leadership. MPSA is now performing the mid term evaluation report for the resettled communities as required by the RAP and plans to continue providing monitoring and livelihood restoration projects until the communities are self supporting and thriving.