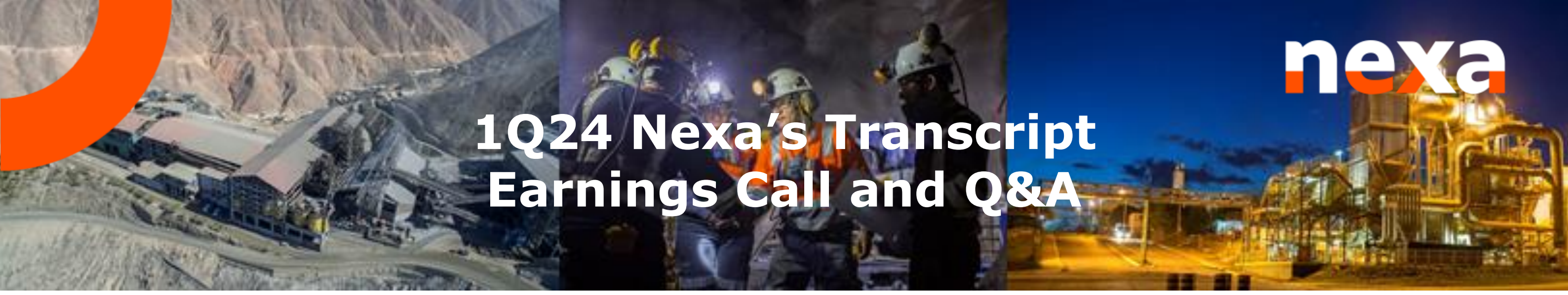

1Q24 Nexa's Transcript Earnings Call and Q&A

Participants:

I - Mr. Ignacio Rosado – CEO of Nexa Resources
J - Mr. José Carlos del Valle – CFO of Nexa Resources
R - Mr. Rodrigo Cammarosano – Head of IR & Treasury of Nexa Resources
L - Mr. Leonardo Coelho – Senior VP of Mining Operations of Nexa Resources
O - Operator

O – Good morning and welcome to Nexa Resources First Quarter 2024 Conference Call. [Operator Instructions].

I would now like to turn the conference over to Mr. Rodrigo Cammarosano, Head of Investor Relations, for opening remarks. Please go ahead.

R – Good morning, everyone, and welcome to Nexa Resources First Quarter 2024 Earnings Conference Call. Thanks for joining us today. During the call, we will be discussing the company's performance as per the Earnings Release that we issued yesterday. We encourage you to follow along with this on-screen presentation through the webcast. Before we begin, I would like to draw your attention to slide number 2, where we will be making forward-looking statements about our business, and we ask you to refer to the disclaimer and the conditions surrounding those statements. It is now my pleasure to introduce our speakers. Joining us today, is our CEO, Ignacio Rosado, our CFO, Jose Carlos del Valle, and our Senior Vice President of Mining Operations, Leonardo Coelho. So now I will turn the call over to Ignacio for his comments. Ignacio, please go ahead.

I – Thank you, Rodrigo. Good morning, everyone. Thanks for joining us today to discuss our results for the first quarter of 2024. Before starting our presentation, I regret to inform you that, in early March we had a fatal incident involving one of our employees in the El Porvenir mine, and earlier this week, another fatal incident involving one of our employees at the Vazante mine. This is a very difficult time for Nexa, and it becomes clear that we need to work even harder on reinforcing our safety system. We extend our heartfelt condolences to the families of our two employees and reassure them, and all our stakeholders, that the safety and well-being of every person who works at Nexa are our main values and remain our utmost priority. We are committed more than ever on enhancing employee safety and achieve zero fatalities. Please, let's move to slide number 3 where we will start our presentation with the main highlights of the quarter.

Let me begin by saying that I am pleased to report that we had a positive start of the year. We have achieved another quarter of consistent operating performance, maintaining our focus on cost discipline and capital allocation. Despite ongoing challenges in our industry at the beginning of the year, such as weak macroeconomic conditions, commodity price volatility, and lower demand due to seasonality, we continued to make steady progress and remained focused on executing our priorities. In the first quarter of 2024, consolidated net revenues were US$580 million, down by 13% year-over-year, mainly due to lower zinc prices, lower premiums and lower metal sales. Adjusted EBITDA in 1Q24 was US$123 million compared to US$133 million a year ago. This performance was mainly driven by lower zinc prices and lower metal sales. Despite the still low zinc price scenario in 1Q24, compared to last quarter, Adjusted EBITDA rose 17% due to strong production, lower costs, and lower mineral exploration and project evaluation expenses. Our Aripuanã project continues to make good progress and we expect to conclude the ramp-up process in mid-2024. Concerning Mineral Reserves we had very positive outcomes, as evidenced by a 59% increase in Mineral Reserves at Cerro Pasco, as highlighted in our recently released technical report summary. Furthermore, our overall mineral reserves for 2023 increased by 10% compared to 2022. I encourage you to review both the technical report and our Mineral Reserves and Mineral Resources report, which were published at the end of March and are available on our Investor Relations website. I would like to emphasize that we recently announced the divestiture of our Morro Agudo mine, marking another step in our capital allocation strategy. Our team has done incredible work providing full support to the employees who worked at Morro Agudo for many years. We estimate that around 25% of employees will be reallocated to other operations by the completion of the transaction. I want to reaffirm that we remain focused on completing the Aripuanã ramp-up by mid-2024. We observed improved metal recoveries and concentrate quality in 1Q24, maintaining our operational and cost optimization discipline to achieve positive cash flow generation throughout this year and advancing with the formal approval process for execution of the Cerro Pasco Integration Project. Before we move to our next slide, I would like to share that we released our 2023 Sustainability Report on April 25th. This report highlights the collective efforts of our teams in advancing our ESG initiatives meaningfully. Additionally, in April, we concluded important transactions in line with our liability management program. These transactions, included extending our debt profile through the issuance of new debentures and bonds, marking a significant milestone for Nexa. This strategic move allowed us to optimize our financial structure, diversify our funding sources and enhance our liquidity position. Jose Carlos will provide more details on this topic in his presentation later on. Now, moving to slide number 4.

Regarding the operating performance of the mining segment, zinc production reached 87kt in 1Q24, up 17% year-over-year, mainly explained by an increase in treated ore volume and higher zinc average grades, particularly at the Cerro Lindo, Vazante and Aripuanã mines. Compared to 4Q23, zinc production was down 3% explained by lower volumes from the Peruvian mines and Morro Agudo. Concerning cash cost, in 1Q24, it decreased to US$0.27/lb compared to US$0.43/lb in 1Q23, mainly explained by lower treatment charges ("TCs") and higher volumes. Compared to 4Q23, mining cash cost decreased by US$0.18/lb, mainly explained by lower treatment charges and lower operating costs at the Cerro Lindo and El Porvenir mines. The cost per run of mine in the quarter was US$45/t, relatively flat year-over-year, and down 6% quarter-over-quarter, mainly explained by lower operating costs. Now, moving to slide number 5.

Regarding the operating performance of the smelting segment, metal sales totaled 139kt in the first quarter, down 4% from 1Q23 and 3% compared to 4Q23, mainly impacted by lower production volumes and the typical seasonality of demand in the period. Smelting cash cost in 1Q24 decreased to US$0.98/lb, 22% lower compared to US$1.25/lb in 1Q23. This decrease was mainly explained by lower costs of raw materials, attributed to lower zinc prices. Compared to 4Q23, cash cost was down 3%. Our conversion cost was US$0.30/lb compared to US$0.31/lb in 1Q23 due to lower variable costs and lower energy costs. Compared to 4Q23, conversion cost was up 4% due to higher variable costs and lower smelting sales. Now, moving to slide number 6, where we will talk about Aripuanã.

In the first quarter of 2024, activities in Aripuanã have progressed as planned with our efforts concentrated on the replacement of some critical equipment and on improving the metallurgical process. Those were important steps to keep improving plant stabilization and reliability. As a consequence, in the quarter, we saw significant advances in recoveries and concentrate quality. Although capacity utilization during the first quarter of 2024 was 57%, we saw an important increase in utilization in March and April, with levels reaching more than 80% on certain days of both months and stabilizing at around 70% in the second week of April. In the following months we expect this positive trend to continue. In the first quarter of this year, we saw an increase in copper, lead, and silver production compared to the previous quarter, while zinc was flat. Our current focus continues on plant stabilization and on adjusting some critical processes, such as improving the performance of the tailings filtering circuit, which will allow us to further increase capacity utilization, paving the way for the completion of the ramp-up, which is expected by mid-2024. Our exploration plan in Aripuanã in the first quarter also progressed as expected, and the results confirmed the continuity of mineralization with high polymetallic contents, reaffirming that we have a robust mining asset with the potential to operate for many years. I would like to highlight the important results we obtained in the 2023 exploration campaign, which contributed to Nexa's overall 10% increase in mineral reserves. In the next two slides, we will see more details of the operational performance of Aripuanã in the quarter. Now, moving to slide number 7.

Starting with the plant downtime in the upper left side, we noted a decrease of 14% quarter-over-quarter, indicating improvement in the stabilization of the plant. Average plant capacity utilization averaged 57% in the quarter but increased to 70% during April. In the lower left side, we can see the progress of the zinc recovery, which reached 73% in March, versus 66% in December. Copper and lead recoveries also improved significantly in March, indicating a strong positive trend. Now, moving to slide number 8.

On slide 8, compared to the 4Q23, zinc production was relatively flat. Copper production increased by 9%, while lead and silver production increased by 14% and 11%, respectively. These improvements indicate that we are moving in the right direction to complete the ramp-up in mid-2024. Now, moving to slide number 9.

On this slide, I would like to highlight that we continue progressing with our exploration program. We have reached important results, with an overall 10% increase in our Mineral Reserves in 2023, net of depletion. This increase was mainly driven by the infill and brownfield positive results from drilling activities in Aripuanã and the inclusion of the Atacocha mineral reserves driven by the positive results from the Cerro Pasco Integration Project. The 2023 results reinforce Nexa's successful track record in not only replenishing but also increasing our Mineral Reserves and Mineral Resources base, as well as showing the potential of our assets. Now, I will turn over the call to José Carlos del Valle, our CFO, who will present our financial results. José, please go ahead.

J – Thank you, Ignacio. Good morning to everyone. I will continue on slide 10. As you can see, beginning with the chart on your upper left, total consolidated net revenues for the first quarter decreased by 13% year-over-year, mainly due to lower zinc prices, lower net premiums and lower smelting sales volumes, which were partially offset by higher mining sales volumes. Compared to 4Q23, net revenues decreased by 8%, also as a result of lower smelting sales volumes and lower zinc prices. In terms of profitability, consolidated Adjusted EBITDA in 1Q24 was US$123 million, compared to US$133 million a year ago. This lower performance was mainly explained by a 22% reduction in zinc prices year-over-year and lower smelting sales volumes. Compared to 4Q23, despite lower zinc price levels, Adjusted EBITDA increased by 17%, primarily due to lower costs, and lower mineral exploration and project evaluation expenses. Finally, it is worth noting that our consolidated Adjusted EBITDA margin increased to 21%, 1bp and 3bps higher compared to 1Q23 and 4Q23, respectively. Now, let´s move to the next slide, number 11.

On the top left of the slide, we can see that in 1Q24, we invested US$74 million in CAPEX, nearly all of which went to sustaining activities, including mining development and tailings storage facilities. In line with this, our 2024 CAPEX guidance for the year remains unchanged at US$311 million. With respect to mineral exploration and project evaluation, we invested a total of US$12 million, of which US$9 million were related to mineral exploration and mine development to support our exploration activities. However, we expect our investments in these areas to accelerate in the upcoming quarters, and therefore we our maintaining unchanged our 2024 guidance for exploration and project evaluation at US$72 million. Now let's move on to the next slide, in which I will discuss our cash flow.

Starting from the US$123 million of Adjusted EBITDA net of non-operational items, we paid US$46 million related to interest and taxes, and spent US$75 million in total CAPEX in our operations. Additionally, loans and investments had a positive net impact of US$24 million, mainly due to a new US$30 million short-term facility that became effective in March. We then had a negative impact of US$3 million due to the effects of foreign exchange on our cash and cash equivalents, driven by the depreciation of the Brazilian real against the U.S. dollar during the period. Finally, we saw a negative effect of US$125 million related to working capital, which is the typical payment cycle observed in the first quarter of each year, in line with our established payment terms and annual tax obligations in the jurisdictions where we operate. As in 2023, we expect this working capital effect to be reversed throughout the year. Combining all these effects, our free cash flow in 1Q24 was negative in US$144 million. Now moving to slide 13.

In this slide, you can see that our liquidity remains healthy, and we continue to present a sound balance sheet with an extended debt maturity profile. At the end of 1Q24, our available liquidity amounted to approximately US$644 million, including our undrawn sustainability-linked revolving credit facility of US$320 million. Furthermore, in March, we successfully renegotiated and extended by five years one of our remaining export credit notes, totaling US$90 million, which was previously set to mature in October 2024. Regarding our overall debt profile, in 1Q24 average debt maturity was 3.7 years and carried an average cost of 6.10%. It is important to mention that as of March 31st, our total cash position is sufficient to cover the payment of all obligations maturing in the next 3 years. In terms of our leverage ratio, measured by the net debt to Adjusted EBITDA ratio, increased from 3.2x to 3.7x quarter-over-quarter. This expected increase is primarily due to the previously explained temporary decrease of US$144 million in our cash balance quarter-over-quarter, and to the lower Adjusted EBITDA registered in the last twelve months, driven by the prevailing trend of lower zinc prices in the period. As previously disclosed and in line with our proactive approach to liability management, in April, Nexa successfully extended its debt profile from 3.7 years to around 7 years, through the execution of new bond issuance and tender offers for existing bonds. This strategy also included the issuance of new US$130 million 6-year ESG-linked debentures in the Brazilian market. In relation to the bonds' transactions, the new US$600 million 10-year bond carries a 6.750% coupon and allowed us to repurchase around US$485 million and US$100 million of the existing notes due in 2027 and in 2028, respectively. These transactions marked a significant milestone for the company, as Ignacio mentioned at the beginning of his presentation. These strategic initiatives allowed us to optimize our financial structure, diversify our funding sources, and enhance our liquidity position. It is important to understand that the extension of our debt profile is part of an ongoing optimization effort and is a reflection of our commitment to prudent financial management and of our confidence in the long-term prospects of our business. In this line of thinking, we are always evaluating cost efficient options to continue to maintain a maturity profile that is in line with the long life of our assets. Moving now to slide 14.

Regarding market fundamentals, it is worth noting that in 1Q24, LME zinc prices averaged US$2,450/t, down by 22% from 1Q23. This decrease primarily stems from the conditions present at the beginning of 2024, reflecting lower demand prospects in China and uncertainties regarding the U.S. economy, especially in relation to inflation. Compared to 4Q23, LME zinc prices were down 2%, mainly explained by the Chinese New Year holiday and lower demand due to seasonality during 1Q24. LME copper prices averaged US$8,438/t in 1Q24, down by 5% from 1Q23 and up by 3% from 4Q23, also presenting high sensitivity to the Chinese economy throughout the first quarter. Looking ahead, zinc prices are expected to be positively supported by the macro-economic stimulus in China and the current tight zinc concentrate market, that has driven benchmark TCs to levels that are 40% lower than what they were in 2023. In the mid to long-term, the fundamental outlook for both zinc and copper prices remains positive. Additionally, investments in construction, infrastructure and in the automotive sector will continue to have a positive impact on demand expectations for base metals. Now I will hand over the presentation back to Ignacio for his final remarks.

I – Thank you, Jose Carlos. As I mentioned earlier, we expect to conclude the ramp-up at Aripuanã by mid-2024, as we continue gradually reducing plant downtime, while increasing capacity utilization and improving recoveries of all the metals. Our Cerro Pasco Integration Project is progressing as expected towards the approval process. Our exploration results provide significant indications, not only of the potential to further extend the life of our current mines but also of our consistent track record of replenishing reserves. We are focused on our ESG strategy, which prioritizes safe performance across our operations, high environmental standards, and the development of our communities within a framework of ethics, transparency, and responsibility. We already took an important step in strengthening our balance sheet with the execution of the liability management transactions at the beginning of this year which, combined with a disciplined capital allocation and positive cash flow generation, will allow Nexa to start deleveraging and improve its financial position. That concludes our remarks, thank you for your support and confidence. Operator, we are ready to open the floor for questions.

Q&A Session:

O – We will now begin the questions and answers session. [Operator Instructions] And our first question comes from Camilla Barder from Bradesco BBI. Camilla, please go ahead.

Question – Good morning, two questions on my side. The first one, you commented yesterday on the release about a potential legal impact in legislation in Brazil and Peru, results and in cash flow. Could you please give more details in terms of magnitude and timing for those impacts. And for Brazil, what would be the exact impact, is it any cash outflow expected for that? And the second question is about the guidance, you kept production guidance despite the disinvestment in Morro Agudo, right? So, could you please share a little bit about the rationale for this maintenance of the guidance? Do you expect better production in other mines to offset the divestment or we could potentially expect production more towards the low end of the guidance.

J – I wanted to clarify. Thanks, Camilla, for the question. You were talking about, only to make sure that I answer the question correctly. You're referring to some legal, something in Brazil. I didn't quite get the question. Could you please clarify.

Question – Yes. In Brazil, there was a law about that you have to submit impacts for mine but was not quite sure if there is any outflow related to that or it's just something legal.

J – I honestly not sure exactly which legislation you're referring to on that one. And you mentioned that there was another one on Peru as well. You're right exactly about something in Peru, maybe it's a communication that it wasn't so clear, sorry.

Question – In Peru, you mentioned about a discussion regarding tax that could impact results along 2024.

J – You're probably referring to some of the tax contingencies that we have or you're talking about tax reform because these are a plain standard wording that we include because there are always discussions about potential changes in the tax regimes both in Peru and Brazil. So, I want to know if you're talking about something specific related to a particular operation or you're asking in general about the 2 countries?

Question – Yes. In general.

J – Yes. As far as I know, sorry, you wanted to say something else?

Question – No, go ahead, please.

J – No. I can comment in general, I'm happy to get in touch after the call if you have a specific question that we can help you with. But in general terms, I think there are always discussions both in Peru and in Brazil about potential changes in the tax legislation. And this is something that happens in other countries as well, related to the desire of the government to increase their income. But there is no material that we have flagged as of now, either in Peru or in Brazil, even though there have been discussions. But we have not flagged anything that is material that may significantly affect our operations in neither of the countries. But happy to get in touch after the call if you have something specific in mind, maybe that you have read somewhere else or you need further detail, we can help you with that.

Question – Okay. There is also on the stability of Cerro Lindo that you mentioned.

J – Okay. Sure. Yes, as you may know, this is a matter that has been ongoing for a number of years in Peru and is affecting all the mining companies that have stability agreements, tax stability agreement with the Peruvian government. You may know that I came from Antamina. In Antamina, we had exactly the same problem. There is actually an international arbitration that is going on right now between Cerro Verde and the Peruvian government. So, these are ongoing disputes and we always in our mindset of transparency, we always review that these are things that at some point may affect us. But our view is that we have a very strong case, but we still have to make that disclosure. So, there's nothing new here, it's just that we are making sure that we are disclosing that we have this contingency just like just like all the other mining companies that have these stability agreement with the Peruvian government.

Question – Okay, clear. Thank you. And about the guidance.

I – Only one comment on this. No, go ahead please.

Question – The second one about the guidance. But if you want to add something about it. About the guidance was asking about.

I – So yes, Morro Agudo, it was a very small operation for us. It was a marginal operation, and we decided to sell because of that. Having said that, Morro Agudo was in our guidance, but still, we are maintaining our guidance on production and costs. So, we don't believe that selling Morro Agudo and stop reporting production of Morro Agudo is going to affect our guidance for the end of year.

Question – Okay. It's because it's a marginal investment, okay.

I – Yes. Yes.

O – And our next question comes from Carlos De Alba from Morgan Stanley.

Question – Yeah, good morning everyone thank you very much, two questions. The first one is if you can provide a little bit more comment on the Magistral environmental impact study and the issue that apparently it might be rejected by the authorities. Just I wanted to understand what is behind this and what the repercussions? And then second question, maybe on the working capital. Typically, yes, there is a seasonality on working capital in Q1, but this time, relative to the last several years, the consumption of cash flows for working capital was much bigger. So, I wanted to understand how much of that do you expect to be reversed in the second quarter or throughout the year? Thank you.

I – Yes. So, thank you, Carlos. Regarding Magistral, what happens is that ANA, which is the National Water Authority, has issued a report where they stated that they have still some observations regarding the project's impact on the water deposits that are near our project. This means that this report goes to SENACE, which is the main authority that is going to issue a report of this approval, and this is now in the hands of the SENACE. So we expect that they will come back to us with an answer in the next 1 or 2 months, okay? So, in the context of that, I would like to say that and we said this many times Carlos, that Magistral is a good project for us and it still is an investment of US$1 billion and we always want to compare this investment of US$1 billion with all investments that we might be able to do not only in Peru but also in other countries and the contract that we have signed with the government means that we can start investing in Magistral until 2028. In the case that project is disapproved, we will need to start again all these process that's going to take us at least 4 years. But then in that case, we will have to assess if that's a priority or we just let Magistral go for the moment, put it on hold and try to look for other options in our pipe. So that's mainly what is happening in Magistral. I guess for the next call in July, we will have more information and we can answer that in a more specific way Carlos. And regarding working capital. José Carlos, please.

J – Yes, good morning, Carlos. As we have seen in prior years and actually in discussions that we've had with different funds and analysts, there is a lot of seasonality in our working capital, particularly in the first quarter of the year. This is very typical and it's actually not too different from what we saw last year, and it has to do with increased receivables and much lower payables because there is a trend of increased spending towards the end of the prior year, particularly in Capex that are large numbers. So, you have to pay all of that in the first quarter of the following year. You have to rebuild the inventories because typically you sell everything that you have at the end of the prior year as well and in addition to that, in the first quarter, we paid a significant amount of taxes and employee bonuses, etc. So, for those reasons mainly, the first quarter is always negative in working capital and, therefore, negative in terms of cash flow. Just as last year, we expect this to start reversing throughout the year. Obviously, prices will have an important impact on how quickly this happens. But we will see the reversing trend starting in the second quarter.

Question – Thank you.

O – And our next question is going to come from Lawson Winder from Bank of America. [Operator Instructions]. Lawson Winder, please go ahead.

Question – Thank you operator. Hello and good morning, Ignacio and team. Thank you for the update. I have a few questions if you don't mind. First on the balance sheet and the debt. What is your target net debt-to-EBITDA ratio? And when do you expect to reach that? And then when you think about capital allocation at what point might more attention be given to an update to the dividend?

J – Yes, I can comment on that. Good morning, Lawson. I can comment about leverage in general terms. Obviously, in the first quarter, as expected, we had a higher net leverage ratio. This is something that will change throughout the year, quarter after quarter, not only as we accumulate cash even more so with these prices. But as our adjusted EBITDA improves as Ignacio mentioned, our Aripuanã project is performing well. We are in the process of achieving the completion of the ramp-up, as we've been commenting in previous calls, so our EBITDA will improve over time, and we expect that our net leverage will reduce significantly throughout this year much lower than the levels that we have seen in the first quarter. Having said that, we continue to state that reducing our debt, not just the leverage is our top priority. So, the idea is that gradually over the next few years as we start generating cash with Aripuanã and generating more cash flow as a company as a whole, we will start looking to reducing our debt. We have said a number of times that we feel more comfortable with net leverage ratios in the neighborhood of 1.5x because that is what gives you the buffer to be able to go through the low price cycles as we have had in the last few quarters. So, it is a priority to go back down to those levels and to impart reduce our debt to get to those levels. We will see a significant improvement during the year, and we will probably take some more quarters to reduce the debt to levels that will allow us to have leverage of about 1.5x. In relation to dividends, we stated that we will take a look at market conditions and company performance in the second half of the year to make a decision on dividends that continues to be the case. Things are looking good in terms of Aripuanã performance, as I mentioned, prices have improved, but we don't know how long this higher levels will be in place but definitely will be considerations that we will evaluate once we make a decision as we anticipated for the second half of this year.

Question – Okay. That's very helpful. And then just kind of sticking with this theme of capital allocation. So Aripuanã is ramping up, there's still quite a bit of CAPEX left to go. Next project is Cerro Pasco. When you look beyond Cerro Pasco, what is kind of the thinking around the next likely project that Nexa might be tackling.

I – Yes. So, it's a very good question. Aripuanã, as José Carlos is saying, we have been talking about that Lawson, on Aripuanã is the ramp-up is finishing in the coming months. So, most of the CAPEX of Aripuanã is going to be sustaining CAPEX and I would say that Aripuanã needs only sustaining CAPEX and not a growth CAPEX, okay? The next one is Cerro Pasco, we hope we approve it in the second half of this year. We are ready to approve Cerro Pasco, but we want to make sure as a company, and this is part of the Board, the conversations that we have with the board. We are trying to make sure that we finish first the ramp-up of Aripuanã and then we can announce the approval of Cerro Pasco. We are ready to approve Cerro Pasco, but it's a timing of finishing Aripuanã before. So, Cerro Pasco is a project that is going to cost us between US$140 million and US$160 million and the investment is going to be in the next 3 years. This year, in Cerro Pasco, we are investing in all permits, which is the main bottleneck and in finishing the engineering of the pumping system, okay? So besides that, as José Carlos was mentioning in terms of capital allocation, with the cash generation that we will have, we want to make sure that one of the priorities on our capital allocation is to reduce the debt. Having said that, in terms of capital allocation we also work in our pipeline of projects, specifically, we have for example, Tinka Resources that it has now issued a new technical report and we have to make a decision if we advance on that, and we have other projects in our pipeline that we can advance. But in any case, those are 5 to 8 years to become mines if they might become. So, I would say that the next project that we will bring is a project that will be from our M&A strategy, we are assessing a lot of projects our size. Similar to the mines that we have investments of around US$600 million to US$800 million and that's why we need the leverage of 1.5x that José Carlos mentioned because that will allow us to invest with our cash flow and with some debt to bring the other projects. This is more like where we are today. We are active on M&A we are very committed to visit some projects that have more copper, as we said before, and I will say that that's mainly our capital allocation strategy going forward.

Question – Okay. Fantastic. And since you touched on M&A, I might follow up and just ask for a little bit more clarification on your latest thinking. I mean, it sounds like it's largely in line to what you said before. In terms of time line, what does it look like for you at this point, at what time you might be able to transact on a copper acquisition? And then maybe on some of the details, just update us on your thinking are you looking at corporate versus asset M&A, producing versus development? There's been a lot of interesting copper M&A in the past year, both at the asset and corporate level. I mean, with your work, what are you seeing in terms of valuation? Are you seeing valuations that make sense?

I – Yes. Projects are always expensive in good times and in bad times. They are always expensive. I guess we are in a niche and the project that we look for in terms of copper, the size of a 50,000 tonnes, it might have some polymetallic zinc and lead as well, and that put us on the radar of US$600 million to US$800 million. This is below the radar of most big mining companies that we understand that. And I would say that the opportunity that we are looking for, we are flexible on corporate or at an asset level. We are flexible on that. I would say that we are more focused on understanding the potential asset that we will acquire. We are trying to bring our priorities around brownfield projects close to production, all projects that are starting production and they need some experience to unlock more value for them. There are not that many projects of that, but there are, and I would say that given that this expertise that we have, these are the ones that we are looking for. Having said that, because of this investment and because of our leverage, our shareholders are conservative, our board is conservative. So I would say we have to finish first Aripuanã, we have to approve Cerro Pasco that is coming this year. We have to execute Cerro Pasco and in parallel, while bringing the cash flow we'll hopefully assess or bring some of these opportunities that we are assessing and announce an acquisition of some copper-zinc advanced projects. That's more in where we are.

Question – Fantastic, thank you so much.

O – Thank you. At this time, to handle questions brought up through the webcast. I will turn the conference over to Rodrigo Cammarosano, the Nexa's Head of IR. Rodrigo, please go ahead.

R – Thank you, operator. We have 2 questions from the webcast. The first one is from Hernán Kisluk from MetLife. And we also have another question from Alina Seppä from Evli

Fund Management company. So those questions are pretty much the same and those have been already answered by José Carlos, they are related to the leverage and the dividend payment. So, I believe that those questions have already been addressed and we don't have any other questions. So I will turn the call over to Ignacio for his final remarks.

I – Thank you very much Rodrigo. Thank you very much to everyone for attending the call. We look forward to speaking to you in the next quarter. Just wanted to say that we are very committed on our safety program, this is a difficult time for us because we had 2 fatalities in 2 months, and this never happened to us. So, we are very focused on making sure that the system that we have that is a good system has to be reinforced and we have to make sure that all of our people understand that safety is of our main value, and we will dedicate a lot of time on that. We are also working very hard on making sure that Aripuanã finally is at the end of the ramp-up. Cerro Pasco is clear for us, we can approve it today, but we want to make sure that we first finish Aripuanã and then we are working always on achieving guidance on costs, on the optimization of CAPEX and on production to have a stable production. So, this is a simple strategy, but it's a day-to-day strategy that we have to build. So, we hopefully can show you that during the second quarter and the end of second quarter. Thank you very much all for attending and have a good day.

O – [Operator Closing Remarks]

Participants of the Q&A:

Camilla Barder – *Bradesco BBI*

Carlos De Alba – *Morgan Stanley*

Lawson Winder – *Bank of America*

Hernan Kisluk – *MetLife*

Alina Seppä – *Evli Fund Management*

(Call Duration: 52 Minutes)