

*Mining that changes with the world*

**nexa**

**3Q22 Results**

October 28, 2022

NEXA  
LISTED  
NYSE

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# 3Q22 | Main Highlights



**Solid operational performance** in 3Q22. **Delivered** on production, costs and CAPEX according to guidance.

**Net revenue:** US\$703 million (7% increase y-o-y)

**Adjusted EBITDA:** US\$103 million (34% decrease y-o-y)

- Negative net price effect
- Higher operating costs, such as energy and third-party services
- Aripuanã pre-operational expenses



**Adjusted EBITDA 9M22** of **US\$598 million**



**Redesign optimization** with expected **annual savings** of **US\$25 to 30 million**



**Aripuanã ramp up** activities continue to progress

Commercial production is estimated to begin in December 2022

Potential addition of new resources



**ESG long-term engagement**



**Strong Balance Sheet**

Financial Leverage of 1.5x at the end of 3Q22 compared with 1.3x at the end of 2Q22

Total cash position of US\$838 million

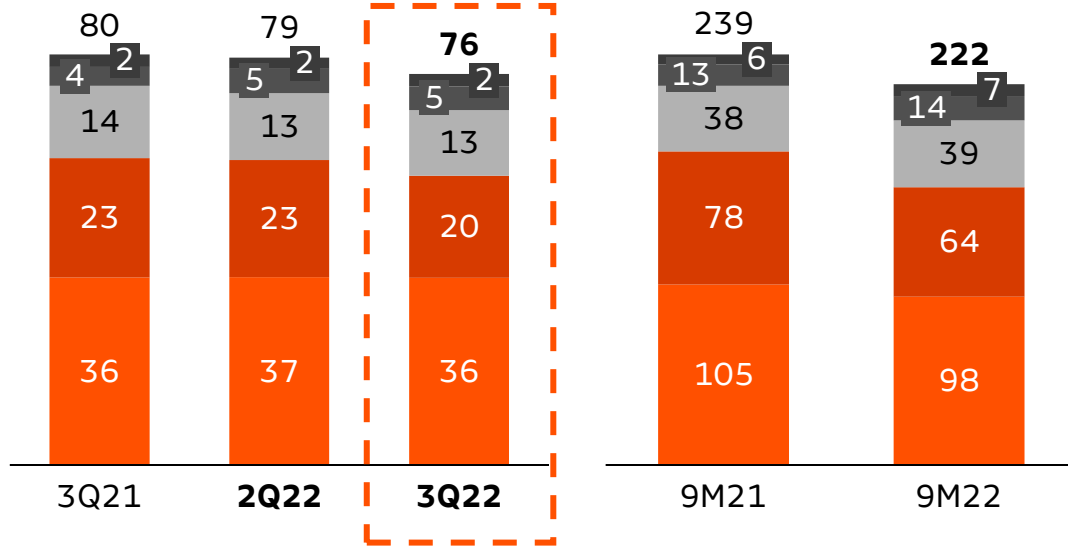
# Solid Operating Performance | Mining Segment

Underground polymetallic mines



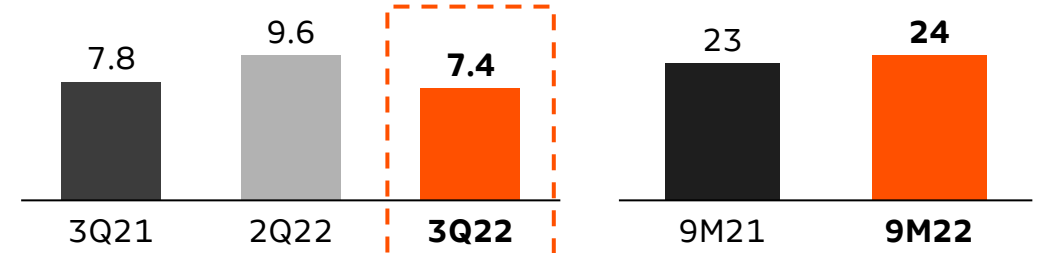
## Zinc Production

(000 ton)



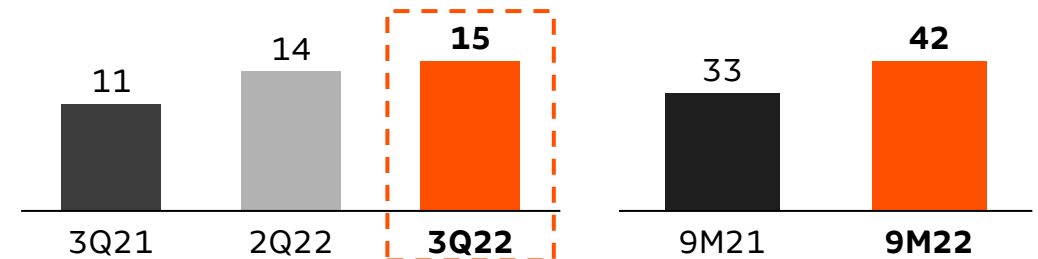
## Copper Production

(000 ton)



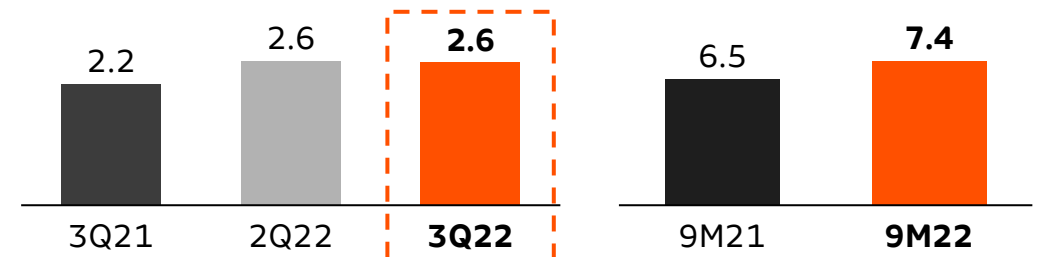
## Lead Production

(000 ton)



## Silver Production

(MMoz)



Atacocha
  Morro Agudo
  El Porvenir
  Cerro Lindo
  Vazante

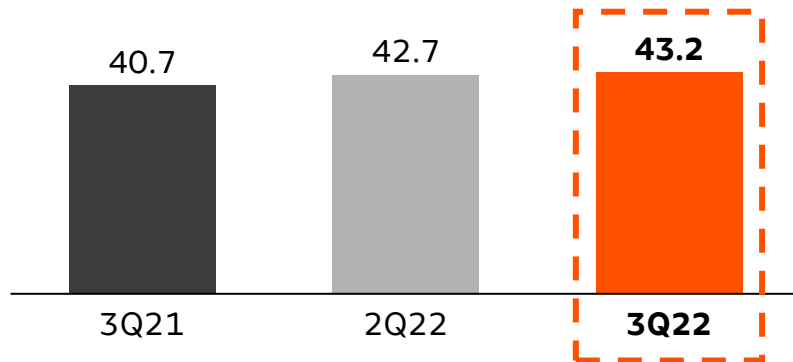
- **Cerro Lindo zinc production** decreased from 2Q22 and 3Q21, as **low-grade areas were accessed** during the quarter.
- **Vazante flooding** first half of 2022 affected 9M22 total production.
- We still expect to reach the **upper range of our production guidance** for 2022

# Solid Operating Performance | Mining Segment

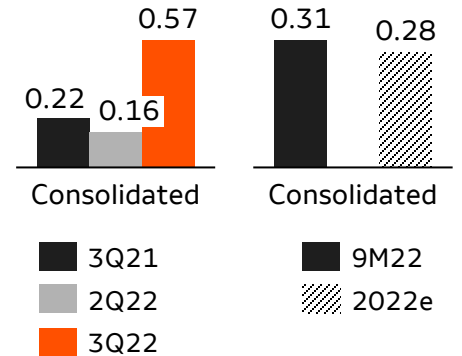
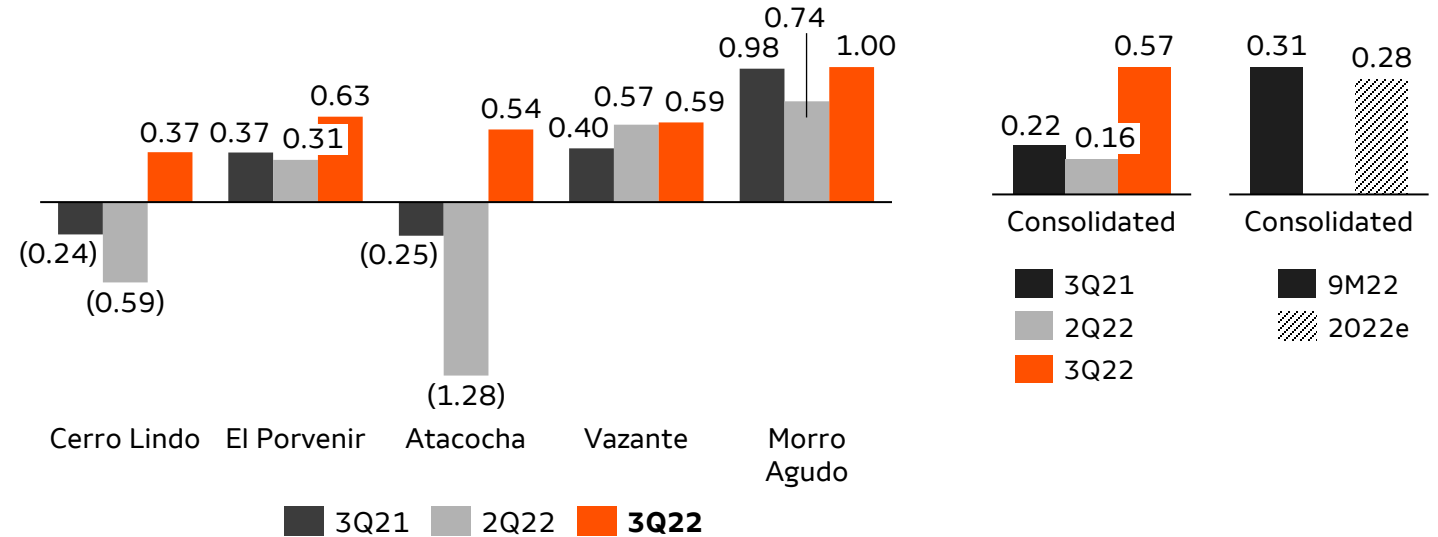


Costs

## Consolidated Cost per ROM (US\$/ton)



## Cash cost (US\$/ton Zinc sold)



- Run of mine mining cost in 3Q22 increased y-o-y reflecting **inflationary pressure on cost**, including **energy and labor**. This increases were partially offset by our **cost control initiatives** and **higher treated ore**.

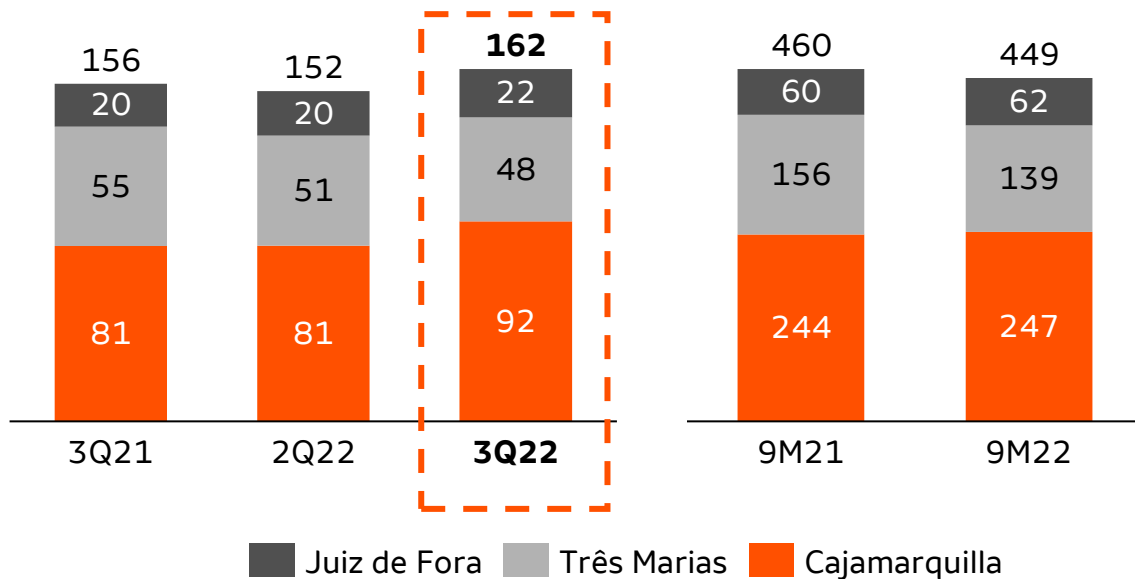
- Mining cash cost net of by-products in 3Q22 increased to US\$0.57/lb, mainly driven **by lower by-products credits** and **zinc volumes**.
- 2022 consolidated cash cost which is mainly influenced by prices, is expected **to be close to cash cost guidance**.



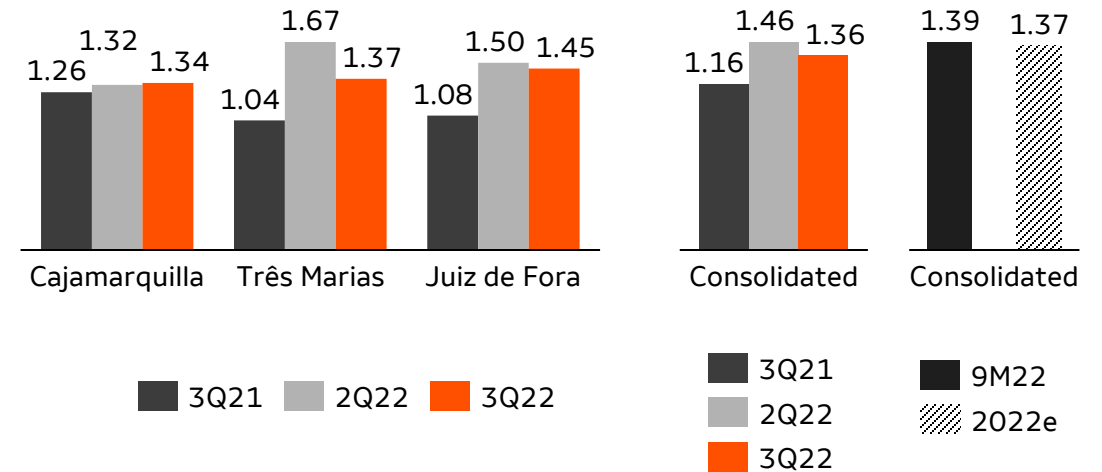
# Solid Operating Performance | Smelting Segment



## Metal Sales (000 ton)

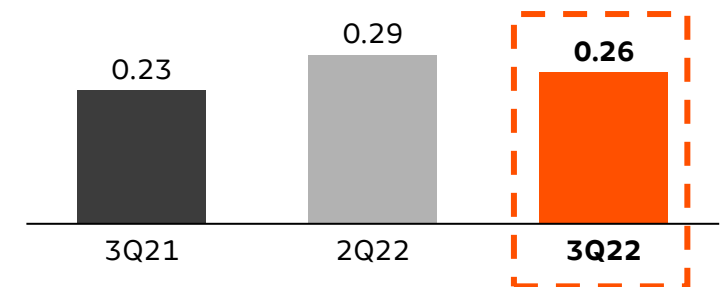


## Cash cost (US\$/ton Zinc sold)



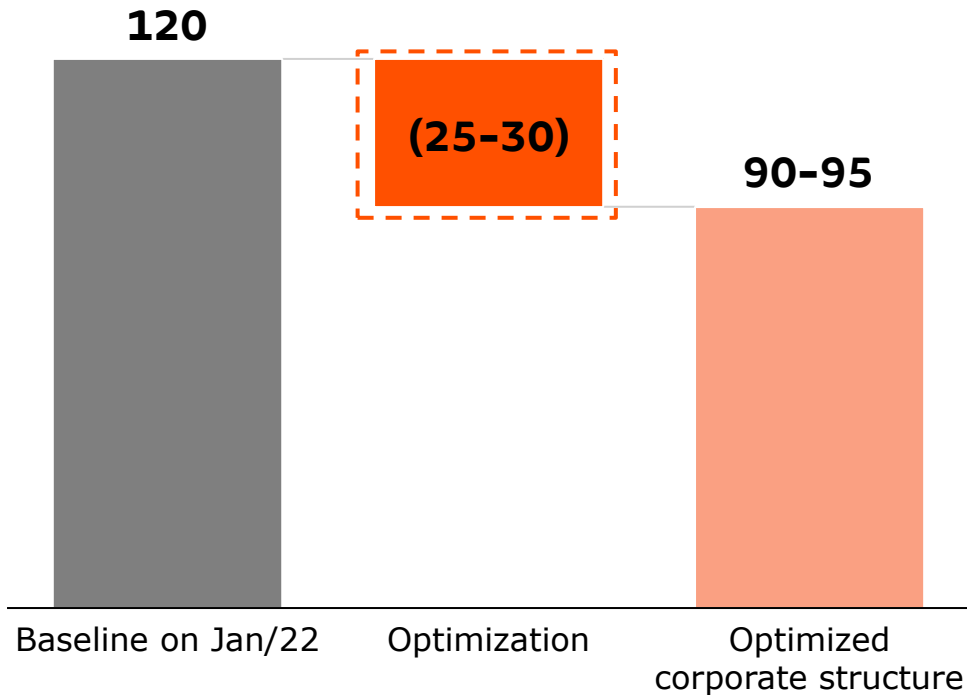
- **Total sales increased** from 3Q21 and 2Q22, following **higher production volumes**, in addition to an **improvement in lead times** compared to previous periods.
- Conversion cost was up US\$0.03/lb from 3Q21 due to **inflationary impacts**, such as energy costs. Compared to 2Q22, it decreased US\$0.03/lb, mainly explained by **higher volumes**.
- 2022 Consolidated cash cost is expected **to be close to cash cost guidance**.

## Consolidated Conversion Cost (US\$/lb Zinc contained)



# Redesign optimization | commitment to corporate overhead reduction

## Redesign (US\$ million)



- ✓ Headcount reduction of 25-30% of corporate expenses
- ✓ Overhead reduction of 25-30% of corporate expenses
- ✓ ~ US\$25 – US\$30 million in cost savings per year
- ✓ New structure will be more focused on supporting the operations and on making more agile decisions

- 100% implemented up to 1Q 2023



# Aripuanã | Project Update

World-class underground polymetallic mine with competitive cash cost position and attractive returns



✓ As previously disclosed, Ramp-up activities have safely started



✓ Milling capacity utilization was expected to be between 30-40% and reached 32% at the end of 3Q22

✓ We produced our first tonne of copper, lead and zinc in concentrate

▪ Approximately 646kt of ore was stockpiled (5 months of the estimated ramp-up curve)



▪ Horizontal mine development of 23,490 meters, compared to 21,079 meters at the end of 2Q22

▪ Paste fill circuit commissioning is in progress and first tests of mine fill will start in November



▪ The cumulative CAPEX of the project since the beginning of construction is US\$629 million, including FX impact of US\$5 million in 9M22.



▪ Commercial production is expected to start in December.



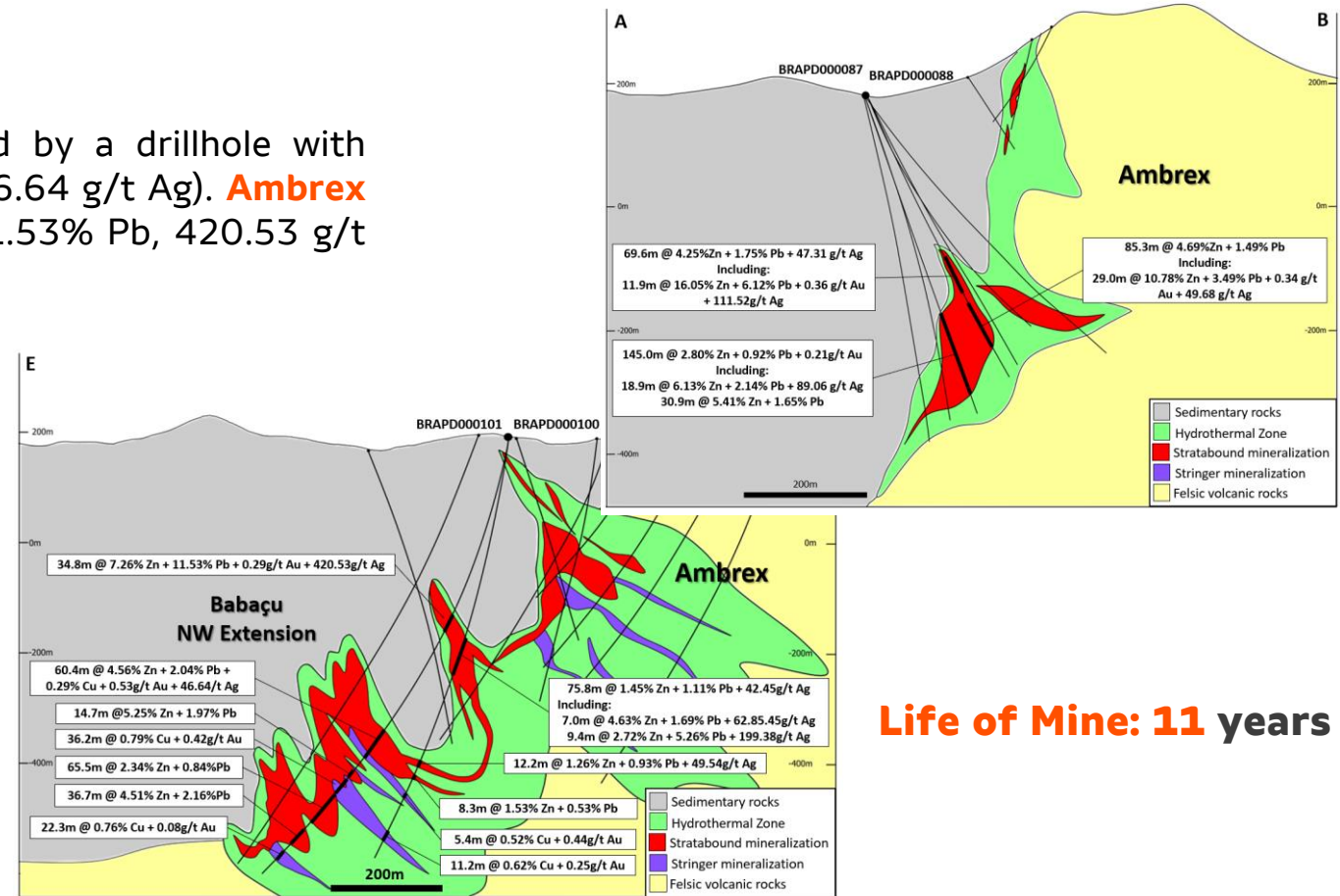
Meters Drilled<sup>1</sup>: 12,196m

Assay results received from **Babaçu** are highlighted by a drillhole with (60.4m with 4.56% Zn, 2.04% Pb, 0.53 g/t Au and 46.64 g/t Ag). **Ambrex** highlighted a drillhole with (34.8m with 7.26% Zn, 11.53% Pb, 420.53 g/t Ag and 0.29 g/t Au).

The drillholes indicated that **mineralization has been confirmed** which should support the conversion of **Inferred to Indicated Mineral Resources**.

### For 4Q22:

- The drilling campaign will focus in the **Babaçu brownfield program**, for resource definition and resource expansion at the northwest extension.
- The mine is already **fully operational**, and underground activities are focused on developing and preparing **new areas** for mining operations and **increasing mineral reserves** with drilling in new areas.



**Life of Mine: 11 years**

ARIPUANÃ - MAIN INTERSECTIONS 2022 - Ambrex Infill and Babaçu NW									
Hole_id	Ore body	From	To	Length	Zn%	Pb%	Cu%	Ag g/t	Au g/t
BRAPD000101	Ambrex	331.9	366.7	34.8	7.26	11.53	0.15	420.53	0.29
And	Babaçu	577.6	638.1	60.4	4.56	2.04	0.29	46.64	0.53
And	Babaçu	665.9	680.6	14.7	5.25	1.97	0.09	36.87	0.18

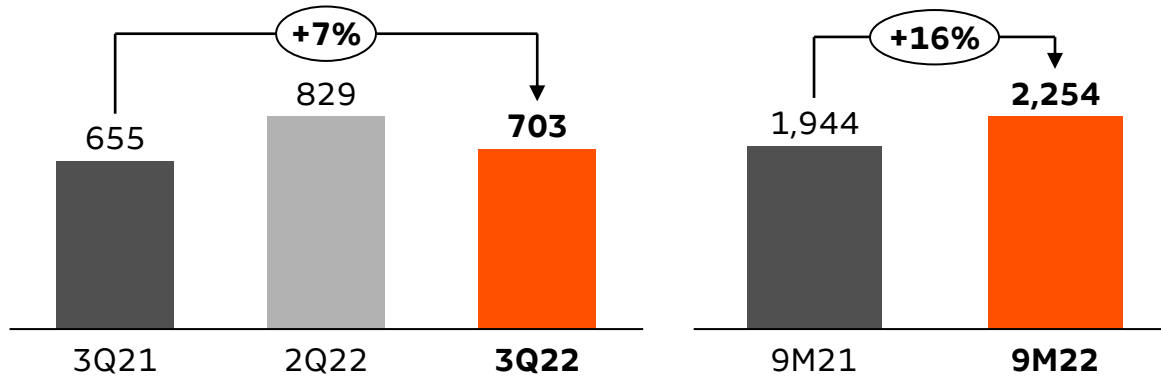
Note: Mine Life based on Mining Report 2021; mine life calculated by dividing reserves by ore mined capacity; <sup>(1)</sup> Includes: exploration and infill drilling.

# 3Q22 | Net Revenue and Adj. EBITDA

Consolidated Results

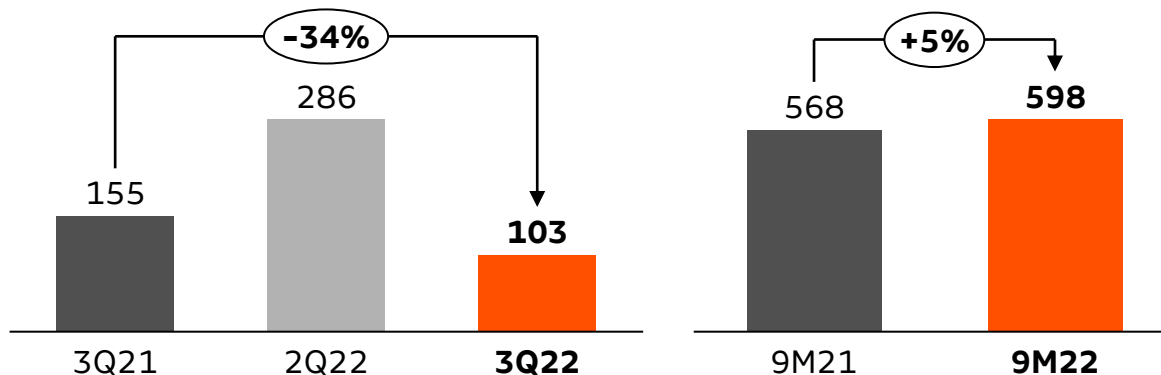


## Net Revenue<sup>1</sup>



- **Net revenue** in **3Q22 increased** from **3Q21**, mainly driven by higher LME zinc prices, metal sales and lead volumes.
- **Compared to 2Q22**, net revenue **decreased by 15%** driven by **lower zinc prices**, and partially offset by **higher metal sales, lead and by-products** volumes.
- **9M22 net revenue** was **up 16%** compared to 9M21, also primarily driven by **higher zinc prices**.

## Adjusted EBITDA

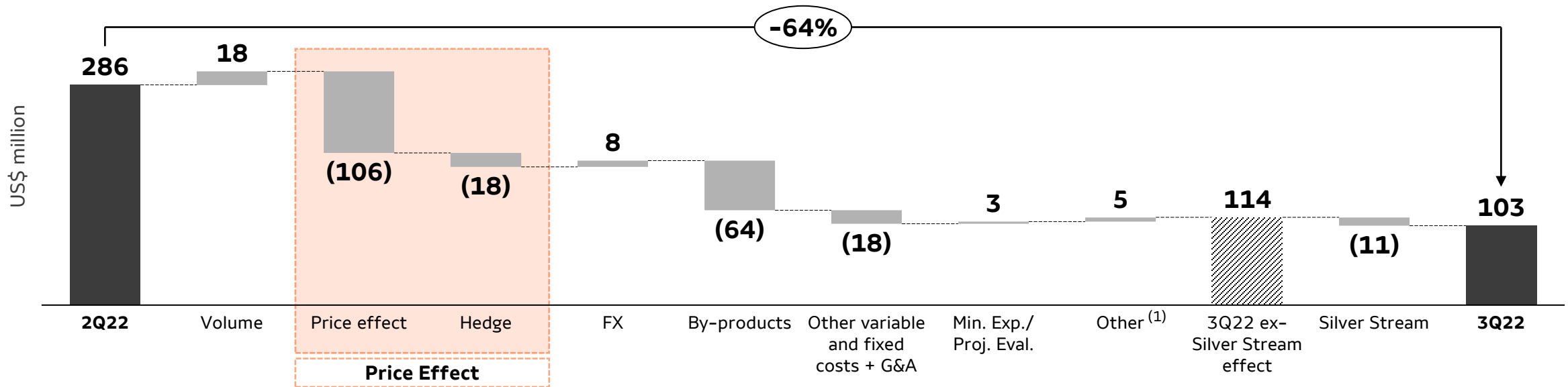


- **Adj. EBITDA** in **3Q22** was US\$103 million.
- **In 9M22**, Adj. EBITDA **increased to** US\$598 million.

<sup>(1)</sup> Includes intersegment revenues

# 3Q22 | Consolidated Performance

Consolidated Results



		<b>3Q22</b>	<b>2Q22</b>	<b>Δ</b>
<b>Zinc</b>	US\$/t	3,271	3,915	(16.4%)
<b>Copper</b>	US\$/t	7,745	9,513	(18.6%)
<b>Lead</b>	US\$/t	1,976	2,199	(10.1%)
<b>Silver</b>	US\$/oz	19.23	22.60	(14.9%)

Adjusted EBITDA decreased by 64% q-o-q mainly driven by

- Lower LME prices and changes in market prices;
- The net **negative hedge effect** of US\$18 million - primarily due to hedge mark-to-market adjustments resulting from lower LME prices mainly in 2Q22 - which is required to be recognized in the Company's results in advance of the physical sale of finished products.
- Lower **by-products** contribution due to the decrease in prices and volumes.
- Silver stream effect** in Cerro Lindo as a non-cash impact.

<sup>(1)</sup> Includes: Other income and expenses

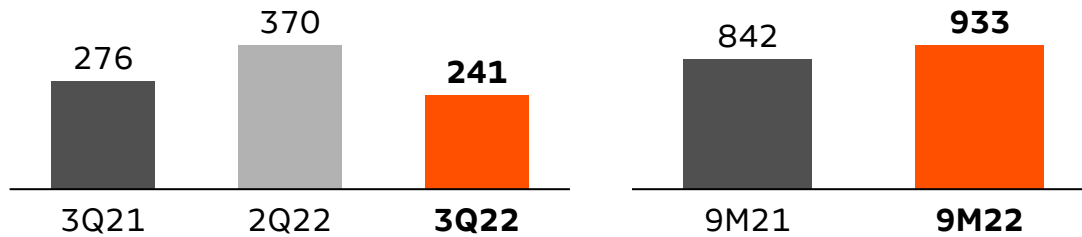
# 3Q22 | Lower Metal Prices and Quarterly effects

By Segment



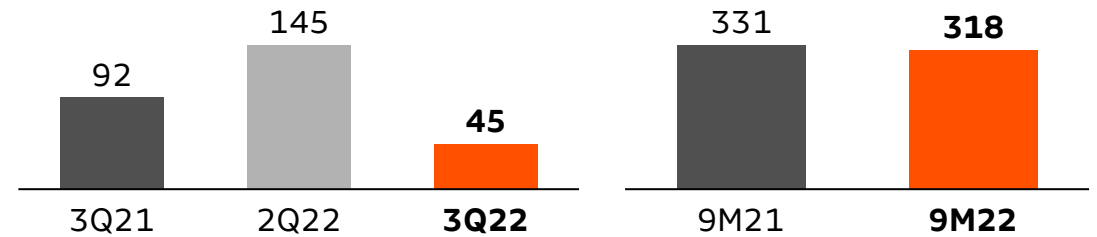
## Mining

Net Revenue



- **Silver-stream non-cash** impact of US\$11 million in 3Q22

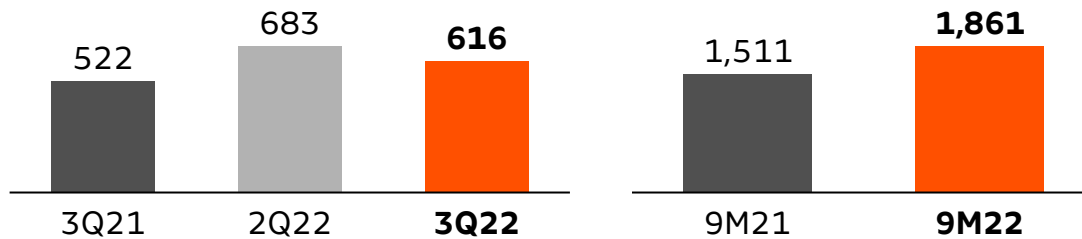
Adjusted EBITDA



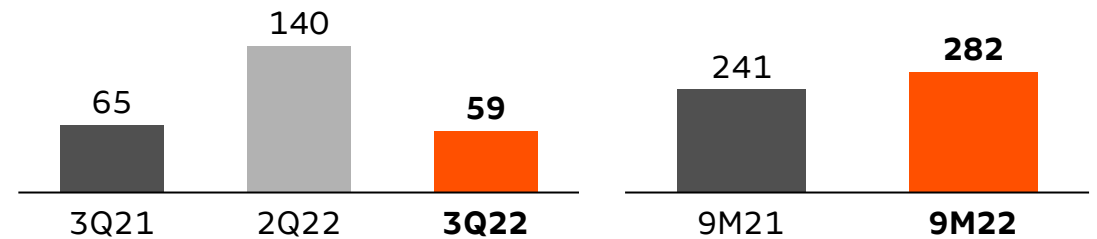
- Aripuanã **pre-operational expenses** of US\$15 million in 3Q22 and US\$44 million in 9M22 included in Adjusted EBITDA

## Smelting

Net Revenue



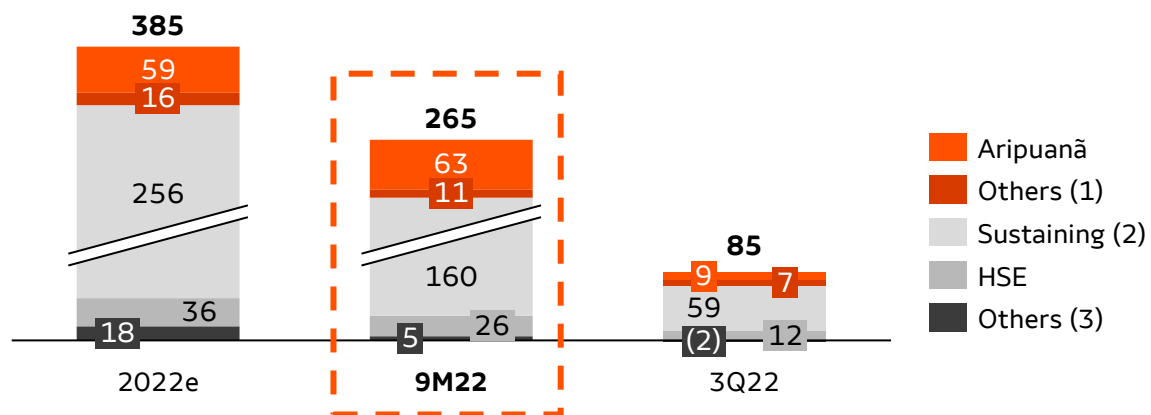
Adjusted EBITDA



- **Positive GSF** impact of US\$8 million in 3Q21



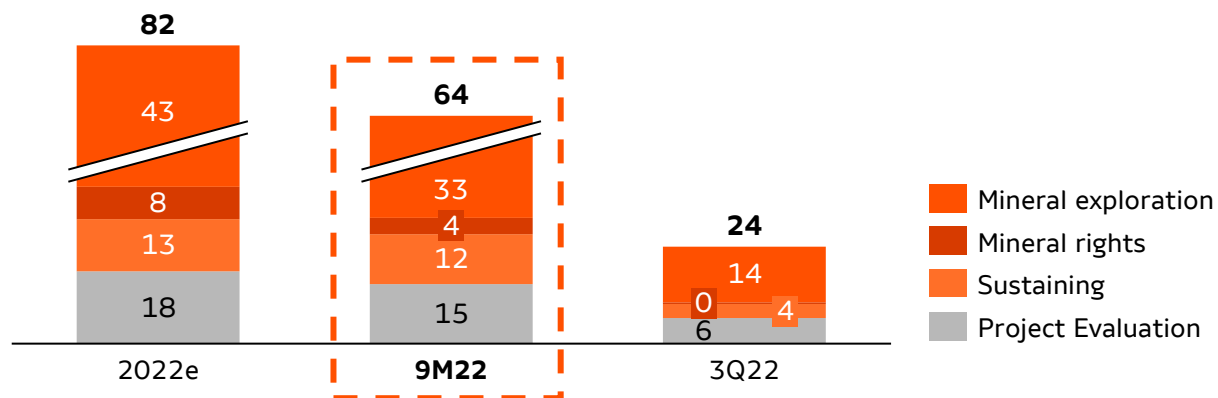
## Capital expenditures



CAPEX was US\$85 million in 3Q22.

- Aripuanã investment amounted to US\$9 million
- Essential sustaining (including HSE) investment of US\$70 million
- In 9M22, CAPEX amounted to US\$ 265 million, 28% was allocated to expansion projects, mainly driven by Aripuanã and 70% towards sustaining and HSE.
- 2022 estimated CAPEX remains unchanged at US\$385 million.

## Exploration and Project evaluation



Exploration and Project Evaluation expenses in 3Q22 amounted to US\$24 million, totaling US\$64 million in 9M22.

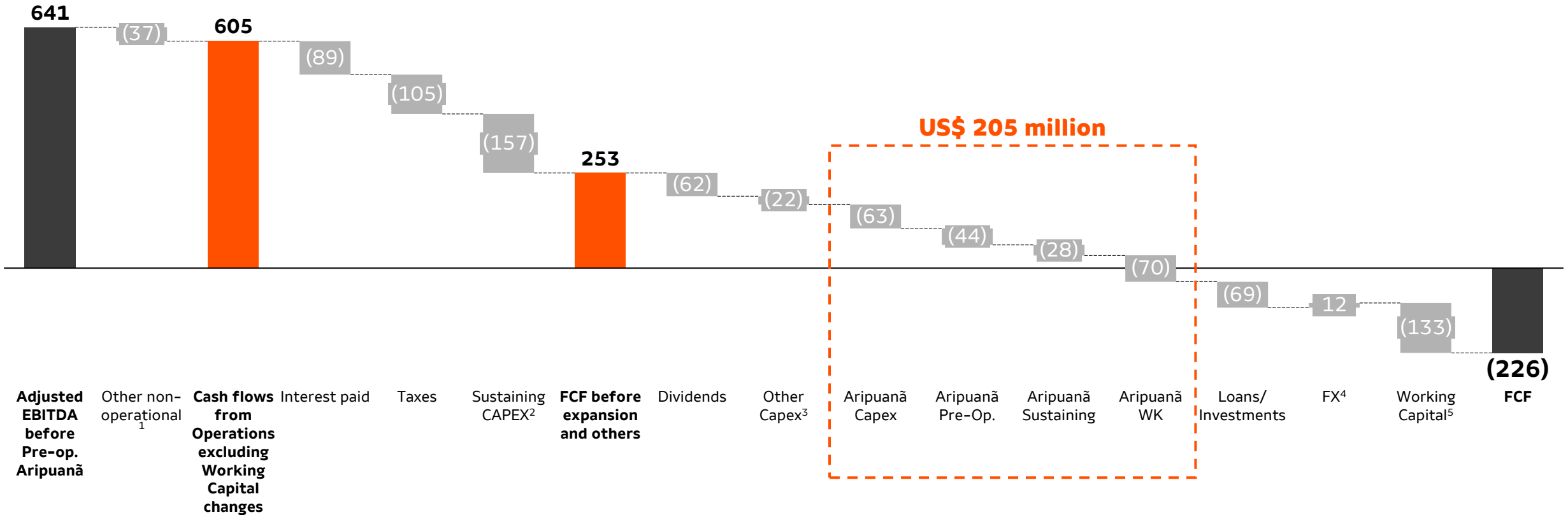
Investments are expected to continue to accelerate next quarter.

2022 guidance remains unchanged at US\$82 million.

<sup>(1)</sup> Including Vazante LOM extension, Magistral FEL3 and Bonsucesso FEL3 studies completion. <sup>(2)</sup> Investments in tailing disposal are included in sustaining expenses. <sup>(3)</sup> Modernization, IT and others; including reconciliation of advance payment of imported materials and capitalization of interest net of advanced payments.

# Free Cash Flow | 9M22

US\$ million



*FCF before expansion was US\$253 million*

*We are working to revert working capital burn in 9M22*

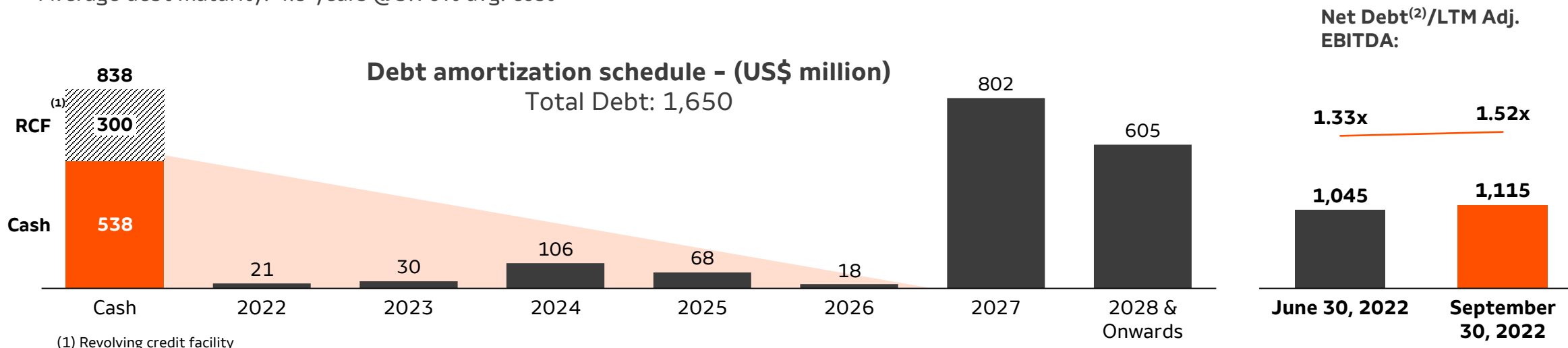
(1) Adjustments to reconcile Adjusted EBITDA to cash provided by operations; (2) "Sustaining CAPEX" includes Sustaining, HS&E, Tailing Dams; (3) "Other CAPEX" includes Expansion/Greenfield (ex-Aripuanã), Modernization, IT & Others (detailed breakdown available in the Earnings Release); (4) Foreign exchange effects on cash and cash equivalents; (5) Breakdown available in Financial Statement explanatory note "Changes in operating assets and liabilities".

# Liquidity and Indebtedness



## Debt profile (as of September 30, 2022)

Average debt maturity: 4.9 years @5.70% avg. cost



(1) Revolving credit facility

- Solid balance sheet with a long-term debt profile
- Leverage increased to 1.52x mainly driven by lower adjusted EBITDA in 3Q22.

<u>Rating agencies</u>	<u>Rating</u>	<u>Outlook</u>
S&P	BB+	Stable
Fitch	BBB-	Stable
Moody's	Ba2	Stable

<sup>(2)</sup> Gross debt (US\$1,650 million) minus cash and cash equivalents (US\$518 million), minus financial investments (US\$20 million), plus negative derivatives (US\$7 million), plus Lease Liabilities (US\$9 million).

# Agenda:



**ESG**



**Final  
remarks**





## ESG Strategy Structure



### Climate change

#### 2030 - 2050

Reduce absolute Scope 1 emissions by 20%\*

(\* ) 2020

Achieve emissions neutrality by 2040

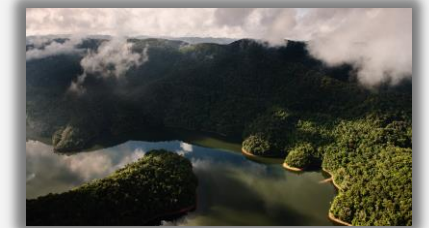
Reach net zero by 2050



### Natural capital

#### 2030

10% reduction of water consumption in mining operations (from 1.68 m<sup>3</sup>/ton of ROM to 1.51 m<sup>3</sup>/ton of ROM) and metallurgy units (from 24.01 m<sup>3</sup>/ton of metal to 21.61 m<sup>3</sup>/ton of metal), considering as a baseline the consumption of the last 12 months (2021-22).



### Health, safety & well-being

Achieve zero fatalities across all operating units

Consolidate all units in the first quartile (\*) of the mining industry with regard to the Total Recordable Injury Frequency Rate ("TRIFR").

(\* ) Currently, the average Nexa operation is already in the 1st quartile of the industry, considering 2021 as the base year.








### Plurality

30% women in the workforce/30% in leadership roles (\*)

(\* ) Currently, we already have 16.5% women in our workforce, and 21% in leadership positions. The Aripuanã Unit in Brazil is already ramping up with 30% women.



-  **Ramping-up Aripuanã's** mine and delivering commercial production. The exploration strategy focuses on increasing Mineral Resources, as well as life of mine;
-  Focus on cost control, efficiency, and cash flow generation, in addition to continuing to **deliver on guidance**;
-  **Exploration programs** are advancing toward expansion of our exploration portfolio and potentially increasing life of mine in our mining operations;
-  Strategic steps in our **ESG journey**, enhancing our public commitment to long-term value creation and sustainable development;
-  **Financial discipline** with focus on **balance sheet** strength and **leverage** ratios.

***Although short-term scenario could remain volatile, mid-long-term market fundamentals are positive. We're confident that our balance sheet is solid to navigate these uncertain times and believe Nexa has a unique position to generate value for all its stakeholders***





**thank you**  
thank you

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**nexa**