

# 4Q22 and FY2022 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 - Ms. Roberta Varella** – Head of IR of Nexa Resources

**L - Mr. Leonardo Coelho** – Senior VP of Mining of Nexa Resources

**O - Operator**

**O** - Good morning and welcome to Nexa Resources Fourth Quarter and Full Year 2022 Conference Call. [Operator Instructions]

I would now like to turn the conference over to Ms. Roberta Varella, Head of Investor Relations, for opening remarks. Please go ahead.

**R** – Good day and good afternoon, everyone, and welcome to Nexa Resources fourth quarter and full year 2022 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, as we will be making forward-looking statements about our business, and we just ask that you refer to the disclaimer and the conditions surrounding those statements. It is now my pleasure to introduce our speakers. Joining us today, is Ignacio Rosado, our CEO; Jose Carlos del Valle, our CFO; and Leonardo Coelho, our senior vice president of mining. So now, I will turn the call over to Ignacio for his comments. Ignacio, please go ahead.

**I** – Thank you, Roberta, and thanks to everyone for joining us this morning. Please, let's move now to slide number 3 where we will begin our presentation.

Let me begin by saying that despite a very challenging environment, with significant volatility in commodity prices and ongoing inflationary costs pressures, we are pleased with our fourth-quarter and full-year operational performance. I am closing my first year as CEO of Nexa, and I am very proud of the important work we have done throughout 2022. I would like to reflect on some of the key accomplishments of the year. We deployed a set of initiatives and new ways of working that streamlined our corporate structure and supported our strategic priorities. We achieved our operational guidance in all metrics. Mining production was close to the upper range, while metal sales were at the high end, exceeding the guidance range. Mining cash cost was in line with guidance and smelting cash cost was slightly below guidance. Aripuanã ramp-up has continued to progress and the fourth quarter marked Aripuanã's first revenue. We are also pleased to inform that we processed zinc in concentrate from Aripuanã at our Juiz de Fora smelter in Brazil. The average capacity of the plant at the beginning of February was above 60% and our exploratory drilling activities in this mine also indicated a potential increase in mineral reserves and resources. Another important milestone here is the Adjusted EBITDA achieved by our operations, which was US\$120 million in the fourth quarter and a record high of US\$760 million for the year. Cash flow generated from operations in 2022 before expansion was US\$285 million. I would also like to emphasize our strong balance sheet with a solid cash position, almost US\$820 million, and a net debt to EBITDA ratio of 1.5x.

All these achievements reaffirm our commitment to disciplined capital allocation and positive cash flow generation. Now, moving to slide number 4.

In slide number 4, regarding the operating performance of the mining segment, you can see that zinc production in the fourth quarter decreased to 75kt, down 8% year over year and 2% quarter over quarter. This decrease was mainly explained by the consolidated lower zinc head grade in our mines. In 2022, zinc production totaled 296kt, 7% lower than in 2021 due to lower ore throughput in Cerro Lindo that was impacted by Covid at the beginning of the year, and also lower throughput in our Vazante mine impacted by heavy rainfall levels also at the beginning of the year. In relation to cash cost, mining cash cost in 4Q22 decreased to US\$0.20/lb compared to US\$0.25/lb in 4Q21 and US\$0.57/lb in 3Q22. In both cases the decrease is mainly explained by higher by-products contribution. For 2022, cash cost achieved guidance but increased to US\$0.28/lb compared to US\$0.21/lb in 2021, and this was mainly driven by lower zinc volumes and higher TCs; which were partially offset by higher by-product credits. Now, moving to slide number 5.

In slide number 5, regarding the operating performance of the smelting segment, metal sales totaled 167kt in the fourth quarter of 2022, up 6% from 4Q21 and up 3% from 3Q22. This increase was mainly driven by higher production volumes and solid demand in our markets. In 2022, metal sales totaled 616kt, down 0.4% compared to 2021. With respect to cash cost in 4Q22, smelting cash cost decreased to US\$1.20/lb compared to US\$1.28/lb in 4Q21. This decrease was mainly driven by: lower LME prices; higher TCs; and higher by-product contribution. When we compare 4Q22 with to 3Q22, cash cost decreased by US\$0.16/lb due to lower LME prices. The full-year cash cost in 2022 was US\$1.34/lb compared to US\$1.13/lb in 2021, this increase was due to: higher LME prices, which affected our raw material costs; higher operating costs explained by inflation and negative FX in Brazil. These two factors were partially offset by higher by-products contribution. For 2022, cash cost was below our annual guidance of US\$1.37/lb. Now, let's please move to slide number 6

Ramp-up activities at the Aripuanã mine are progressing and we have continued to focus on increasing the plant throughput rate, increasing asset reliability, and improving concentrate grades. The milling capacity utilization reached 53% in December of 2022 compared to 32% at the end of the third quarter of the same year. At the end of December there were approximately 600kt of ore available in stockpiles, which will help with the ramp-up activities. Underground activities continued to focus on developing and preparing new areas for mining operations. In March 2023, you should see an increase in reserves and resources when we will publish our new inventory. In relation to capex during the last quarter of 2022, we invested US\$6 million in Aripuanã, totaling US\$66 million in Capex in 2022, for a cumulative Capex of US\$632 million since the beginning of the project. It is worth mentioning that in 2022, FX had a negative impact of US\$5.5 million. Now moving to the next slide.

In slide number 7, we are pleased to inform you that at Aripuanã we started to sell concentrates within market specifications, and we achieved our first revenue at the end of 4Q22, with an increase in sales planned for 1Q23. In addition, zinc in concentrate from Aripuanã has been processed at our Juiz de Fora smelter in Brazil. The capacity utilization rate at the beginning of February is over 60%, and we expect to achieve full capacity in the second half of 2023. Now moving to slide number 8.



In 2022, we executed over 115,000 meters of exploratory drilling in all our mines and projects and over 140,000 meters in operational infill drilling.

At Cerro Lindo, the Pucasalla mineralized body continued to be extended to the southeast with good results. At Vazante, the brownfield exploration focused on expanding existing mineralized zones in the northern extension of the mine. At Aripuanã, we achieved outstanding results in our brownfield program with infill drilling confirming thick and high-grade mineralization, which is supporting the increase in mineral reserves and resources. Regarding the Pasco complex, the results at the Porvenir mine, and at the San Gerardo open pit mine confirmed the continuity of mineralization, which has the potential to extend the life of both mines. The drilling campaigns in our greenfield projects, Hilarion and Namibia, also presented solid results. Now, I would like to turn over the call to Jose Carlos del Valle, our CFO, who will present our financial results. Jose, please go ahead.

**J** – Thank you, Ignacio. Good morning and good afternoon to everyone. I will continue on slide 9. I am pleased to report solid financial results for the full year 2022. As you can see, beginning with the chart on your upper left, total consolidated net revenues for the fourth quarter increased by 15% year-over-year, due mainly to higher metal sales. Compared to 3Q22, net revenues increased by 11%, mainly driven by the mining segment. Looking at the full year, in 2022, consolidated net revenues reached US\$3.0 billion, versus US\$2.6 billion in the same period last year, an increase of 16%, primarily due to higher prices. In terms of Adjusted EBITDA, consolidated Adjusted EBITDA in 4Q22 was US\$120 million, compared to US\$153 million in 4Q21 and US\$121 million in 3Q22. For the full year, consolidated Adjusted EBITDA increased by 2% to US\$760 million, the highest annual Adjusted EBITDA ever achieved by Nexa. In relation to these figures it is important to mention that, in December 2022, Nexa revised its Adjusted EBITDA definition aiming to provide a better understanding of its operational and financial performance. Prior period comparatives have also been adjusted based on the updated definition. We now move to slide 10, where I will explain our results in further detail.

In the mining segment, net revenues for 4Q22 totaled US\$315 million, down 3% versus the same period of last year. This is explained mainly by higher TCs and lower LME base metal prices. These negative effects were partially offset by higher copper, lead, and silver volumes. For 2022 as a whole, net revenue for the mining segment totaled US\$1.25 billion compared to US\$1.16 billion a year ago, mainly due to higher zinc LME prices, and the increase in copper, lead, and silver volumes. Regarding Adjusted EBITDA, on your upper right, fourth quarter Adjusted EBITDA for the mining segment was US\$78 million, a reduction of 36% year-over-year, mainly driven by lower prices and higher TCs. We also started recording the sales of Aripuanã in our results, which still have a higher unit cost, resulting in a negative impact of US\$14 million. Compared to the third quarter of 2022, Adjusted EBITDA increased by 22%, mainly driven by higher prices and higher by-product contributions. Finally, Adjusted EBITDA for the mining segment in 2022 was US\$440 million, compared to US\$477 million last year, mainly due to increases in operational costs, also the Aripuanã effect. Switching over to the smelting segment, net revenues in the fourth quarter totaled US\$606 million, an increase of 19% versus 4Q21. This improvement is due mainly to higher sales volumes. Compared to 3Q22, net revenues decreased 1%, mainly due to lower metal prices. Now, for the full year 2022, net revenue for the smelting segment totaled US\$2.5 billion compared to US\$2 billion in the same period of last year, mainly due to the increase in zinc metal prices. When we look at



Adjusted EBITDA for 4Q22, we see that the smelting segment reported US\$46 million, up 44% from 4Q21. This is explained mainly by higher TCs and an increase in by-product contribution of US\$19 million. Compared to the third quarter, Adjusted EBITDA for the smelting segment decreased by 21%, mainly explained by a non-cash impact of US\$14 million related to the update of environmental liabilities and related provisions in Brazil. Finally, the smelting segment's Adjusted EBITDA for the full year 2022 totaled US\$326 million compared to US\$271 million a year ago, this is an increase of 20%. Now, moving to slide number 11.

For 2022 and starting from our US\$760 million of Adjusted EBITDA without Aripuanã expenses and investments, we can see that cash flow provided by operations before working capital changes was US\$806 million. We then paid US\$229 million related to interest and taxes, and US\$234 million in sustaining capex for our current operations. We also paid dividends of US\$75 million, including the amount distributed by our subsidiary Pollarix. Additionally, we invested US\$41 million dollars in non-sustaining capex. In relation to Aripuanã, we invested approximately US\$226 million, including capex, pre-operating expenses and working capital. It is important to mention that in 2022 we had a negative net effect of US\$70 million due to the early redemption of our 2023 notes, which was partially offset by a new export credit facility. Foreign exchange effects on cash and cash equivalents, was positive in US\$16 million dollars. Finally, there was a working capital variation of US\$136 million, mainly due to higher LME prices on inventories and lower outstanding amounts of accounts payable. With all the effects presented in this slide, 2022 free cash flow was negative in US\$246 million dollars. For 2023, we are confident that with the completion of Aripuanã's ramp-up and a number of cash optimization initiatives we will make a strong contribution to the company's FCF generation. Now let's moving to slide 12.

In this slide you can see that our liquidity remains strong and that we continue to report a healthy balance sheet with an extended debt profile. By the end of 2022, our current available liquidity was approximately US\$816 million, including our undrawn revolving credit facility of US\$300 million. It is important to mention that as of December 31st, the average maturity of our total debt was 4.6 years, with a 5.3% average cost of debt. Finally, our leverage, measured by net debt to Adjusted EBITDA ratio was 1.5x, compared with 1.4x at the end of the third quarter and to 1.3x a year ago. Now moving to slide 13 to discuss market fundamentals.

As you all know we had high volatility in base metal prices during the year, due to a number of macro-economic factors. Despite this, during 2022 zinc was one the most resilient metals, registering a price increase of 16% compared to 2021. Although we expect zinc prices to remain relatively high in 2023, we expect prices will be lower compared to 2022. Zinc demand should continue to be driven by investments in infrastructure and construction sectors. Regarding copper, prices in 2022 decreased by 6% compared to 2021, partly affected by expectation of a potential slowdown in global economy growth and of a higher supply in the short-term. Going forward, electric vehicle production and renewable energy projects are the main drivers for copper demand. Overall, the outlook for zinc and copper in the mid to long-term remains positive and supported by solid market fundamentals. Now moving to slide 15, we are going to talk about the mining sector.



As we show here, for 2023, zinc production at the mid-range of the guidance is estimated to increase by 11% from 2022, mainly driven by additional production from Aripuanã. In general, zinc production is expected to increase in all of our mines, except for Cerro Lindo due to lower head grades. For 2024, zinc production is estimated to increase 6%, with a further 2% in 2025 over 2024. In 2023, copper production at the midpoint of the guidance range is forecasted to increase by 1% on average compared to 2022, also mostly driven by Aripuanã, before decreasing in 2024 as we expect to access lower grade copper areas, this in line with the mine plan. Lead production follows a similar upward trend and is expected to increase by 10% in 2023 versus 2022, with further increases of 10% and 8% in 2024 and 2025, respectively. Consolidated 2023 run of mine mining costs at the mid-range of the guidance are estimated to increase 2% year-over-year, primarily driven by Vazante due to a scheduled trunnion maintenance, in addition to expected higher energy prices and inflationary pressures on costs. In terms of cash cost, which does not include Aripuanã, we estimate mining cash cost between US\$0.49/lb and US\$0.54/lb in 2023, compared to US\$0.28/lb in 2022. The main reasons for this are: (i) ongoing inflationary costs pressures; (ii) higher TCs; (iii) lower by-product credits, as we assume lower base metal prices compared to 2022; and (iv) also a decrease in zinc volumes from our current operations without Aripuanã. Turning now to slide 16 to discuss 3-year guidance. For our smelting segment

For 2023 it is important to mention that metal sales at the midpoint of the guidance range are estimated to decrease by 4% compared to 2022, as these estimates do not assume the resale of material from third parties. For the forecasted periods, the smelters are expected to operate at normal levels and sales are expected to be similar to production levels. In terms of conversion costs, we estimate smelting consolidated conversion costs to increase slightly mainly due to inflationary costs pressures and higher energy costs in Brazil. On the other hand, consolidated smelting cash costs in 2023 are expected to decrease year-over-year, primarily due to an estimated decrease in zinc prices and higher TCs, which should be partially offset by lower by-product credits. Next, before moving forward, I would like to discuss energy in some more detail. As most of you are aware, we consolidate our Pollarix subsidiary in our results. Pollarix is responsible to supply energy for our operations, and it has equity interest in several power plants in Brazil, one of them being Enercan. In November, Enercan capital structure changed, and as a result we lost the joint control we had in the past. Consequently, we have stopped recognizing Enercan's proportional result in our numbers. We will still receive dividends, so this will have no impact on our final result, but it will have a quarterly effect on mining and smelting costs, which will increase in comparison to 2022. Finally, turning over to my last slide on investment guidance.

For 2023, we expect capex of US\$310 million dollars. Sustaining investments are expected to total US\$268 million, with mining accounting for US\$194 million (including US\$52 million from Aripuanã) and smelting accounting for US\$64 million. In the mining segment, the majority of sustaining capital expenditures, around US\$79 million, are for underground mine development, and US\$54 million for tailings storage facility. In terms of mineral exploration in 2023, we estimate a total investment of US\$55 million, also down compared to 2022. Finally, project evaluation investments are estimated at US\$55 million, mainly driven by the Três Marias disposal facility project of US\$20 million, and US\$28 million related to corporate IT, potential growth projects and various other projects across our



business units. I will now hand the call back to Ignacio for his final remarks. Ignacio please.

**I** – Thank you, Jose Carlos. I would like to close this presentation by briefly reinforcing our priorities. This year, we have been able to consistently perform and deliver strong results with operational flexibility and a rigorous discipline in costs and investments. Nonetheless, we are aware that the uncertainty of today's economic landscape is likely to extend into the entire of 2023, affecting the demand for our products, as well as putting pressure on our costs. In Nexa, we will remain focused on optimizing costs, opex, and capex to properly navigate in the current environment. With respect to Peru, despite the current political instability, we believe we have strong relationships with our host communities which will continue to support our operational objectives. We also go into 2023 with a strong balance sheet. We will keep delivering based on our purpose, executing on our ESG strategy, and advancing the many initiatives we have underway throughout 2023. Finally, I would like to emphasize that we remain confident that the long-term dynamics of our industry are promising as the fundamental value for zinc and other base metals is robust. Thank you all for attending this presentation. With that, we will be happy to take your questions.

### **Q&A Session:**

**O** – Ladies and gentlemen, at this time we will begin our questions and answers session. [Operator Instructions] At this time, we will pause momentarily to assemble our roster.

**R** – So we have one question here from the web, from Fiorella Mendonza. When is the commercial production of Aripuanã expected to begin?

**I** – Okay. Thank you, Roberta. This is Ignacio Rosado. As we said in the presentation, Aripuanã reached a 53% capacity in December, 60% capacity in January and more than 60% in February and we start transporting commercial concentrate from Aripuanã in January. So officially, Aripuanã is in commercial production in January. We are expecting, as we said in the call that, in the second half of this year, we will be at full capacity, and we can comment more during the coming months.

**R** – So the next question from the web is from Hernan Kisluk from MetLife. The cost guidance for 2023 includes a 2% increase in ROM but 84% increase in cash costs. Is the difference attributed to lower by-product prices or are there other factors?

**J** – Thank you Roberta. In relation to this question, I would first say that, obviously our focus is to control costs in all the aspects that are under our control and that is reflected in the 2% increase in the mining cost of ROM that is what we can control. In terms of the mining cash cost, it is mainly related to our assumptions related to by-product contributions, the trades and slightly lower production in zinc, noting to in Aripuanã from the existing mines. So, the focus continues to be on controlling our costs, the ones that we can control. The other ones are based on assumptions.

**R** – Continuing from the web. What is the expected contribution to EBITDA from Aripuanã in 2023 and 2024?

**I** – Yes. So again, Aripuanã ramp-up is going really well. However, as you may know in the ramp-up period, things move forward, and it is difficult for us to predict what is going to be the EBITDA for the rest of this year and 2024. As I said, Aripuanã will be at full

capacity in the second half of this year. So, in the coming months, we can give you more guidance on the progress of Aripuanã. But today, I would say it is early to project an EBITDA for this year and the following one.

**O** – And everyone, we do have a question from the audio side from Jens Spiess from Morgan Stanley. Please go ahead with your question.

**Question** – Hello. Thanks for taking my question. I guess, along those lines, I just wanted to ask, why didn't you include Aripuanã in your cash cost guidance and run of mine and cost guidance for 2023, considering that you will have considerable volumes coming from that mine? And secondly, looking at your cash flow statement, you had around US\$18 million off accruals and impairment at that. Could you maybe elaborate on what those are related to? And how much are accruals and how much are impairments?

**I** – So, Aripuanã is not included in the cash flows guidance, because as I was saying, during the ramp-up period we are adapting our concentrate or plant and this is a process, as I was saying, we are at 60% way, in the coming months is going to go up, so it is very difficult to predict what is going to be the cash cost of Aripuanã, because it is in the ramp-up. In the coming months, when we stabilize the plants, and we reduce all the costs that we are improving right now, because of the ramp-up, we can give you more flavor on Aripuanã. And that is why we could not include that in the guidance. Regarding the second question. I am going to turn it to Jose Carlos to answer that question.

**J** – Yes. I did not hear you very well. Could you please repeat? I know you are referring to the cash flow, right?

**Question** – Exactly. The cash flow from operations where you reported a cash out back into accruals and impairments. I think, it was US\$82 million. Just want to understand what that is related to and how much is actually accrual and how much is impairment?

**J** – From what I can remember that in terms of impairments, there are a number of things, mainly two factors. There is an impairment reversal related to Cerro Pasco based on the new scenario that we use to evaluate the assets. And this has to do with something that we have mentioned before related to the future of Cerro Pasco, on the potential integration of El Porvenir and Atacocha. And in terms of impairments, we did a write down off a Shalipayco and Puka at the end of this year, which had a net effect combined with the impairment reversal, related to Cerro Pasco. I'm not sure if that answers your question.

**Question** – Yes, I mean, you have two lines. One says impairment loss of long-lived assets is US\$32.5 million. I guess that is what you are saying.

**J** – Yes. That is really tied to that type of improvement.

**Question** – And then there is a second line that says changes in accruals and other asset impairment that is US\$84 million. So just want to understand. It is different.

**J** – Yes. Cerro Pasco is an impairment reversal was about US\$82 million if I remember correctly.

**O** – [Operator Instructions] We do have an additional question from Alejandra Andrade from JP Morgan. Please, go ahead with your question

**Question** – Thank you so much for taking my question. Just a quick one for me. Would you be interested at all in looking at M&A possibilities improved to increase your zinc

production there? There has obviously been headlines over the new asset that will be for sale. So just curious to see what you think there.

**I** – Thank you Alejandra. Actually, we are a very active looking for opportunities in zinc and copper in older jurisdictions in many countries. Peru is going through a difficult situation today. As you know, we have a very good portfolio of gold market standard, for example. So, we assess the projects and the operating mines there. But in Peru today, as you know, we have to be cautious about the country. And given that our concentration, we have spent a lot of capex in Aripuanã, and our concentration today is to make sure that that Aripuanã ramp-up continues to progress very well. We are concentrating our efforts today in making sure that this happens, and also in making sure that we can increase the production especially in our Pasco complex. So today, even if we are active looking for opportunities today, we are cautious about things.

**Question** – Great, thank you.

**R** – So, continuing the questions from the web. We have here one from Victor Vidal. Hi, Ignacio. Thanks for the opportunity and congratulations for the results. I have two questions. The first one, with regard to Aripuanã volumes. The guidance for 2022 were not achieved and compared to the technical report, I have the impression that metal volumes in the new guidance for 2023 and 2025 are below the potential and also below the last guidance. Are you being more conservative or there was something significant change in the mine exploration plan? If you are being more conservative, what is the main motive? If there are changes in the mine exploration plan, these are related to a slower ramp-up with less ore being treated or related to lower grades?

**I** – No, I would say that you know that during that period of ramp-up, we are always facing with some problems. So far, we don't have any fatal flaws. And as I was saying, Aripuanã is progressing towards being in full production during the second half of this year. However, we have to be conservative in our projections for this year. We are being conservative, but again, it is advancing in a solid way. As we informed in our Earnings Release, Aripuanã is increasing its life of mine. The Ambrex body, they show that we can increase reserves of more or less 35%. So, with this and the potential that we see in Babaçu and in other deposits, we believe that in 2024, we can potentially increase the capacity or the production of Aripuanã. However, this is early days, and we rather comply with a what we see today. And that is why we are trying to be conservative. But again, Aripuanã is going through a period that is very solid in advancing towards a full production.

**R** – If I may also ask about capex with regard to Aripuanã, I would like to understand better is sustaining capex needs. I noticed you expected increase in sustaining capex in 2023 related to this mine. Could you provide more details on this matter and your view on this line going forward?

**I** – Yes. We published a number of US\$54 million in Aripuanã. A part of it is sustaining. Today is almost US\$40 million and US\$14 million was related some issues around the tailings, okay. However, it is early again to say what is going to be the sustaining capex for Aripuanã because today, given that we are in the ramp-up period, we have a lot of contractors, we are trying to make sure that, the plant and the mine is ready for full production. So, we have some additional cost and additional capex that we are incurring to make sure that Aripuanã is in full production during the second half of the year. Having said that, this US\$54 million is a number that is going to be optimized in 2024. And I





believe that, during the second half of the year, we can give you more flavor around what is going to be the sustaining capex on a yearly basis going forward.

**R** – Next question comes from Isabella Vasconcelos from Bradesco. Thank you for all the detail. Three questions. Could you remind us please the TC level expected for 2023? How has the ramp-up of Aripuanã been versus initial expectations? Have there been larger challenges, positive surprises and regarding capital allocation, is expanding copper production is still a strategic focus?

**I** – I will start with the last one. The copper production is still strategically important for us. We said that we want to diversify more from zinc. We think it is growing and it is going in a solid way going forward. But we believe that, a mix of copper production in our total production is very important. And for that, we are looking for many, many opportunities in different countries. Regarding the TCs, we normally don't publish TCs. What we can say is that, at the end of last year and the beginning of this year that TCs were going up because of this bottlenecking production in Europe, because of the energy crises in Europe. So, most smelters, some of Glencore and some of Trafigura, were not producing. Today energy prices are going down, and today China is sort of opening right now to the world. So, the TC levels, we all know what will happen with them. So, I would say that they were a little bit higher towards the end of the year and this year, and it might go down, we don't know at which level during the rest of 2023. Regarding the third question, could you repeat?

**R** – The ramp-up of Aripuanã because you started with the third one there.

**I** – Yes. It is very close to what we expected. I guess, some factor that is important to mention in Aripuanã is the rainy season, generally in February and part of March in Aripuanã the rainy season is very strong. So, sometimes it is difficult for us to project the progress curve that is a similar to what we have or achieved. We had in our plans to reach 70% in February, we are close to that, we are more than 60%. And as I was saying, we do not see any further flow going forward. So, we are very confident that during the second half of this year, we will be at full capacity.

**R** – Next question comes from Isidro Arrieta from Scotiabank. Can you please update us on the situation of Peruvian operations and if you are seeing any impact of road blockades and protests?

**I** – Yes. Peru is going through a very difficult situation in the last two or three months after this political situation has created a lot of noise and a lot of protests in the country. What I can say is that for our operations and with the relationships that we have with entire communities, we don't see any problems in production interruption in the coming months. Having said that, blockages in the main highways in the country could affect production of some of the important miners in Peru. In our case, this has not been the case, only I would say, it could be the case. But given the context of where the government is managing all these conflicts in a given the context of what has happened in the country, if there are some blockages, I would say that they should not be material in the projection of our production for the 2023. So, we do not expect any material changes in that. And, as I was saying, we are very close to our communities, and we are trying to make sure that that is the case in the rest of 2023.

**O** – And our next question is a follow-up question from Jens Spiess from Morgan Stanley. Please go ahead with your follow-up.

**Question** - Just on Aripuanã, considering that you already reached commercial production, should we still expect ramp-up and non-operating expenses in the first quarter or will that drop to zero and be fully reflected in cost, because you already will have sales there? And secondly, do you foresee any impact on your tax rate due to the provisional measure on transfer pricing in Brazil?

**J** – Yes. Jose Carlos here. On the first part of your question is going forward, obviously, we will monitor how the ramp-up continues to grow. We will continue to monitor the cost of the concentrate as we have done in the past and we will be adjusting to the net realizable value if needed. But we expect that the cost the unit costs will continue to go down as capacity utilization increases over time, so we will keep track of that. In terms of mining tax, we have no additional news. There is an impact for our operations in 2023. But that is based on the current information is not so material, but we do not have any information on anything additional than that.

**R** – We have another question from the web from César Perez, BTG Pactual. Good morning, has your Cerro Lindo operation has been affected by ongoing blockades in some locations in Peru? Can you please explain how logistics work around the area? How metal is transported and how consumables enter and exit the area?

**J** – Alright, Jose Carlos here again. No, luckily, we have not been affected directly. Cerro Lindo location has not been impacted. There have been some blockades in the highway south of where Cerro Lindo is located. Transportation takes place basically by trucks that you go and come back from the north. So, no impact whatsoever to Cerro Lindo right now. And we expect that to continue with a good relationship with the communities around the operation as well.

**R** – Another question from the web from Rodrigo Murrieta, AFP Integra. What is mine life do you feel comfortable with in Cerro Lindo?

**I** – The life of mine on Cerro Lindo today, as you can see in the presentation is seven years. We have been replacing a year-over-year Cerro Lindo in terms of reserves, and as I was saying, we are exploring a Pucasalla Norte in Cerro Lindo. And we are having good results. So far with this life of mine and the findings that we are having Pucasalla Norte, we are a comfortable with what we have. However, the plan for all of our mines is put some priorities in more infill drilling in most mines, so we can extend the life of the mines in all of them. And this is something that is reflected in the capex that we are investing on almost US\$11 million related to this.

**O** – And ladies and gentlemen, with that we will be closing today's question-and-answer session. I would like to turn the floor back over to Ignacio for final remarks. Please go ahead.

**I** – Thank you. Thank you everyone for attending. We look forward to release our quarterly results in April. We are very confident that all of our mines and smelters are running in the right direction, and we hopefully achieve the guidance to 2023. Thank you again for participating and if you need to contact us later on with some questions you can do so by reaching Roberta or Jose Carlos. Thank you again and have a good day.

**O** – [Operator Closing Remarks]

**Participants of the Q&A:**

**Fiorella Mendonza** – *Inteligo Group*

**Hernan Kisluk** – MetLife

**Jens Spiess** – Morgan Stanley

**Alejandra Andrade** – JP Morgan

**Victor Vidal** – Charles River Capital

**Isabella Vasconcelos** – Bradesco BBI

**Isidro Arrieta** – Scotiabank

**César Perez**- BTG Pactual

**Rodrigo Murrieta** - AFP Integra

(Call Duration: 50 Minutes)