

**Southern Copper Corp (1Q23 Earnings)**  
**April 27, 2023**

Corporate Speakers

- Raul Jacob; Southern Copper Corporation; Vice President, Finance Treasurer and CFO

Participants

- Carlos de Alba; Morgan Stanley; Analyst
- Isabella Vasconcelos; Bradesco BBI; Analyst
- Hernan Kisluk; MetLife; Analyst
- John Tumazos; Very Independent Research; Analyst
- Marcio Farid; Goldman Sachs; Analyst

**PRESENTATION**

Operator: Good morning and welcome to Southern Copper Corporation's First Quarter 2023 Results Conference Call. With us this morning we have Southern Copper Corporation's Mr. Raul Jacob, Vice President, Finance Treasurer and CFO, who will discuss the results of the company for the first quarter 2023 as well as answer any questions that you may have.

The information discussed on today's call may include forward-looking statements regarding the company's results and prospects, which are subject to risk and uncertainties. Actual results may differ materially, and the company cautions not to place undue reliance on these forward-looking statements.

Southern Copper Corporation undertakes no obligation to publicly update or revise any forward-looking statement whether as a result of new information, future events or otherwise. All results are expressed in full U.S. GAAP. Now, I will pass the call onto Mr. Raul Jacob.

Raul Jacob: Thank you very much, Carmen. Good morning everyone and welcome to Southern Copper's First Quarter 2023 Results Conference Call. In today's call, we will begin with an update on our view of the copper market and then review Southern Copper's key results related to production, sales, operating costs, financial results, expansion projects, and environmental, social, and governance. After this, we will open the session for questions.

At today's conference, I'm joined by Mr. Oscar Gonzalez Rocha, CEO of Southern Copper and Board Member, as well as Mr. Leonardo Contreras, also a Board Member.

Let's focus now on the copper market. In the first quarter of this year, the London Metal Exchange copper price decreased by 11% from the average of \$4.53 per pound that we had in the first quarter of 2022. The average price has been \$4.05 this past quarter.

The price reduction, which is slightly lower as we speak now, reflects concerns about a possible recession in the U.S. and Europe, and this has been partially offset by the good news on China's economy. Current copper prices are at around \$3.90 per pound. And we believe the prices are being affected by the following factors. One is the reduction in global inflation, which may slow down or even stop the interest rate hike cycle led by the Fed and the ECB.

The bouncing back of the Chinese economy after its opening after the strong COVID measures that they had, China's GDP has been growing at 4.5%, which is slightly higher than the expected 4% that was mentioned by the major companies that follow the Chinese economy. We do have some uncertainty regarding future production growth in Chile and Peru. These two countries together represent about 40% of the global supply. And Chile recently reported a copper production decline of 4% for March of this year. Considering how demand and supply are evolving, the most relevant market intelligence houses for the copper market are currently expecting a market imbalance or small deficit of about 100,000 tons for this year.

This assumes a growth in demand between 2% and 2.5% and lower than expected supply growth estimated now between 1.5% and 2%. And this is basically due to the first quarter stoppages that we had in South America. Inventories are still very low, at about 411,000 tons as of March 31st. These are one of the lowest marks since 2005. It is important to emphasize that copper plays a leading role in the global shift to clean energy, which correlates positively with our assertion that the underlying demand for copper will be strong in the long term. In this scenario, we believe the current cycle of low prices will be short lived.

Now let's look at Southern Copper's production for the past quarter. Copper represented 77% of our sales in the first quarter of 2023. SCC's copper production registered an increase of 4% in quarter on quarter terms to stand at 223,272 tons. Our quarterly results reflect a 16% increase in production in Peru, mainly from the Cuajone operation that grew 48.5% and this was basically the result of much more mineral production in Cuajone. As you may recall, this operation was affected by an illegal stoppage in the first and second quarters of 2022.

So, coming back to operation and operating at full capacity now, Cuajone had much more mineral production and better ore grades and recoveries. That certainly helped this quarter's production. In the case of the Mexican operations, we had a drop in production of 2.4%, mainly coming from La Caridad, whose production decreased by 11% due to a temporary lower ore grade. For 2023, we expect to produce 940,000 tons of copper, an increase of 5% over the 2022 final print.

This growth will unfold as we get the Peruvian production at full speed which coupled with new production in our Mexican operations through our Pilares and Buena Vista Zinc concentrator projects. For molybdenum, it represented 11% of the company's sales value in the first quarter of this year and is currently our first by-product. Molybdenum prices average \$32 per pound in the quarter compared to the \$19 that they averaged in the first quarter of 2022. This represents an increase in price of 69%.

Molybdenum production decreased by 9% in the first quarter of this year, and this was mainly driven by a drop in production at the Toquepala mine due to lower ore grades. These results were partially offset by higher production at Cuajone, which increased its molybdenum production by 67%, and La Caridad, which increased its molybdenum production by 5%. These mines had higher ore grades, in the case of Cuajone, obviously more volume as well, and better recoveries for Cuajone.

As you know, molybdenum is primarily used to produce special alloys for stainless steel that require significant levels of hardness and resistance to corrosion and heat. New uses for this metal are associated with lubricants, sulfur filtering of heavy oils and shale gas production. Silver represented 4% of our sales value in the first quarter of 2023 with an average price of \$20.53 per ounce in the quarter. This reflected a decrease of 6% in silver price. Silver is currently our second by-product.

Mined silver production increased by 3% in the first quarter of this year after production rose at Cuajone and Toquepala. This was partially offset by a decrease in production at the Mexican operations. Refined silver production fell by 12% quarter over quarter, mainly driven by a drop in production at our IMMSA refinery due to a temporary slowdown in purchases of third-party materials.

For Zinc, it represented 3% of our sales value in the first quarter of 2023 with an average price of \$1.42 per pound in the quarter. This represents a decrease with regard to the first quarter of 2022 figure. Zinc mined production increased by 2% quarter on quarter and totaled 15,075 tons. This was driven primarily by an increase in production at the Santa Barbara and San Martin mines. Refined zinc production increased by 11% in the first quarter of this year.

For 2023, we expect to produce 116,000 tons of zinc, which represents an increase of 94% over the 2022 production level. This growth will be driven by the production start-up of the Buena Vista Zinc operations that should contribute this year with 52,000 tons of more zinc production, and by the recovery of the IMMSA mines production where better ore grade areas have been identified. For next year and on, we expect to produce over 200,000 tons of zinc per year.

Financial results. For the first quarter of 2023, sales were \$2.8 billion. This is \$30 million higher than sales for the first quarter of 2022. Expansion was primarily fueled by an increase in the sales volume of copper that grew by 10%, silver grew 15%, and zinc 6%. This was partially offset by a decrease in the sales volume of molybdenum that decreased

by 8% in sales. Metal prices fell for most of our products with the exception of molybdenum that increased, as I mentioned, by 69%.

Our total operating cost and expenses increased by \$146 million or 11% when compared to the first quarter of 2022. Main cost increments have been in inventory consumption, repair materials, explosives, reagents, sales expenses, diesel and fuel, and operations contractors. These cost increases were partially compensated by exchange rate differences, lower purchased copper, and other factors. When looking at our costs this past quarter, please keep in mind the following events.

The Cuajone mine illegal stoppage affected our first quarter 2022 production and costs. The Russian invasion to Ukraine, that started in February of last year, had an inflationary impact on costs that was mainly reflected after the first quarter of last year in the company's results. The first quarter adjusted EBITDA was \$1,568 million, which represented a decrease of 7% with regard to the \$1,678 million registered in the first quarter of 2022. The adjusted EBITDA margin was 56% in the first quarter of this year versus 61% in the first quarter of 2022.

Operating cash cost per pound of copper before by-product credits was \$2.09 per pound in the first quarter of this year. That is 5.1 cents higher than the value for the fourth quarter of 2022. This 2% increase in operating cash cost before credits is a result of higher cost per pound from production, partially compensated by lower treatment and refining charges, lower administrative expenses, and higher premium on refined copper sales.

Regarding by-products, we had a total credit of \$631 million, or \$0.133 per pound, in the first quarter of this year. These figures represent a 16.3% decrease when compared with the credit of \$806 million or \$0.159 per pound that we had in the fourth quarter of last year. Total credits have increased for zinc and silver and decreased for molybdenum significantly and sulfuric acid.

Let me point out that we had an adjustment, a negative adjustment on open sales of molybdenum this past quarter of \$265 million and that is compared to a positive adjustment on open sales at the closing of the fourth quarter of \$141 million. So that is a main event that obviously affected our by-product revenues in this past quarter vis-a-vis the fourth quarter of last year. Southern Copper operating cash cost, including the benefit of by-product credits, was \$0.75 per pound in the first quarter of this year.

This cash cost was \$0.31 higher than the cash cost of \$0.44 that we had in the fourth quarter of 2022. Of this increase, as I mentioned already, five cents came from higher cost per pound mainly due to lower volume and \$0.26 came from lower by-product credits resulting, as I mentioned, from lower prices of silver and zinc and the very significant open sales adjustment, negative adjustment that we had on molybdenum sales in this first quarter.

Our net income in the first quarter of this year was \$813 million, which represented a 4% increase when compared to a \$784 million registered in the first quarter of 2022. The net income margin in the first quarter of this year was 29% versus 28% in the first quarter of 2022. Cash flow from operating activities in the first quarter was \$1,185 million, which represented an increase of 44% over the \$821 million posted in the first quarter of 2022, and an increase of 10% over the \$1,082 million posted in the fourth quarter of last year.

For capital investments, our current capital investment program for this decade exceeds \$15 billion and includes investment in Buenavista zinc, Pilares, El Pilar, and El Arco projects in Mexico, and in the Tia Maria, Los Chancas, and Michiquillay projects in Peru. This capital forecast includes several infrastructure investments including key investments to bolster the competitiveness of El Arco project.

For the Mexican projects, let me start with the Buenavista Zinc concentrator in Sonora. As I said, this is a project located in the Buenavista deposit. We are building a new concentrator for zinc, and we are expecting this production facility to produce or to add 100,000 tons of zinc and 20,000 tons of copper capacity per year. When operating, this facility will double the company's zinc production capacity and provide more than 2,000 operational jobs.

Currently, the capital budget for the project is \$416 million, most of which has already been invested and we are about to initiate operations this quarter, the second quarter. For Pilares, also located in Sonora, this is a former, or a brownfield mine that we acquired a few years back. It's located six kilometers away from La Caridad. And the project consists of an open pit mine operation with an annual production capacity of 35,000 tons of copper in concentrate.

The Pilares budget is \$176 million, of which \$114 million has been invested. The project is currently operating and delivering copper mineral oxide to the SX-EW facilities of the La Caridad operation. And we expect to produce mineral for the La Caridad concentrator at full capacity through the second quarter of this year. El Pilar, also in Sonora, is a copper greenfield project which is strategically located 45 kilometers away from the Buenavista mine. We anticipate that El Pilar will operate as a conventional open pit mine with annual production capacity of 36,000 tons of copper cathodes.

This operation will use highly cost efficient and environmentally friendly SX-EW technology. The budget for El Pilar is \$310 million. The results from the experimental pads in the leaching process for El Pilar have confirmed adequate levels of copper recovery. Basic engineering study is finished, and the company continues to develop the project and engage in on-site environmental activities. The SX-EW plant detailed engineering is being developed on an ongoing basis and we expect production to begin in 2025 and mine life is estimated at 13 years.

For El Arco, located in the Baja California Peninsula, this is a world-class copper deposit located in the central part of the Baja California Peninsula. The project includes an open pit mine combining concentrator and SX-EW operations. Annual production is expected

to total 190,000 tons of copper and 105,000 ounces of gold. As of March 31<sup>st</sup>, the company has completed the environmental baseline study for the mine and industrial facilities and is reviewing basic engineering analysis to request environmental impact permits.

For the Peruvian projects, we have the Tia Maria project located in the Arequipa region in Peru. And this is a project that will use the state-of-the-art SX-EW technology with the highest international environmental standards to produce 120,000 tons of refined copper cathodes per year. The estimated capital budget for the project is \$1.4 billion. In the case of Los Chancas, that is also in Peru, it's a project located in the Apurimac region in Peru. This greenfield project, located, as I said, in Apurimac, is a copper and molybdenum porphyry deposit.

The Los Chancas project envisions an open pit mine with a combined operation of concentrator and SX-EW processes to produce 130,000 tons of copper and 7,500 tons of molybdenum annually. The estimated capital investment is \$2.6 billion, and the project is expected to begin operating in 2030. As of March, of this year, part of the project's land continues to be occupied by illegal miners, 70 of whom have irregularly registered their stake in the Integral Registry of Mining Formalization, or REINFO, as it is known in Spanish.

The company has requested, and the authority has ordered, the exclusion of these 70 informal miners from the REINFO registry so that they are now all illegal miners. The company has also filed criminal complaints and other legal remedies to physically expel the illegal miners from the project.

Michiquillay project. In June of 2018, Southern Copper signed a contract for the acquisition of the Michiquillay project in Cajamarca, Peru. Michiquillay is a world-class mining project with inferred mineral resources of 2.3 billion tons with an estimated copper grade of 0.43%. When developed, we expect Michiquillay to produce 225,000 tons of copper per year along with by-products of molybdenum, gold, and silver. It will have an initial mine life of more than 25 years and a competitive cash cost. We estimate an investment of approximately \$2.5 billion that will be required and expect to initiate production by 2032.

In the fourth quarter of 2022, the company informed the Ministry of Energy and Mines that it had begun exploration activities and initiated an assessment of the existing mineral resources at depth. In 2023, in accordance with our social agreements with the Michiquillay and La Encañada communities, the company has hired unskilled labor and is paying for the use of surface land. We're supporting social programs in both communities as we roll out exploration activities.

Environmental, social, and governance investments. SCC is committed to improving its ESG record by adopting best practices and informing the investment community and other stakeholders about our progress in these matters. This year, Grupo Mexico will present edition number 15 of the Sustainable Development Report, which contains

disaggregated information from Southern Copper Corporation, and reaffirms our commitment to transparency and ongoing improvement.

In 2022, we have placed particular importance on updating our strategy for climate change, which includes targets to reduce greenhouse gas emissions. This year's report also provides information on our program and objectives with regard to promoting diversity and inclusion, both inside the company and within the communities close to our operations.

**Sustainable Development Committee.** In 2022, Southern Copper Corporation set up a Sustainable Development Committee, which is presided by an independent director. This committee's main objective is to support SCC's Board of Directors in its endeavors to supervise management of risks and opportunities in the environment, in the ambits of environmental, safety, and health, community development, human rights, and corporate governance.

The committee meets every quarter and has assessed diverse aspects of the company's ESG trajectory, including adherence to international agreements and management of water and mineral waste. The Sustainable Development Committee, in its third session, addressed climate change as well as diversity and inclusion, and identified opportunities on the corporate governance front.

**Third-party certification.** In recognition of our commitment to implement best environmental, social, and corporate governance practices, our Buenavista del Cobre mine, located in Mexico, in Sonora, has obtained certification for three important ISO, International Organization for Standardization standards. ISO 9001 for quality management, ISO 14001 for environmental management, and ISO 45001 for occupational safety and health management. These certificates are further proof of our commitment to quality, the environment, and the occupational safety and health of our employees.

**Occupational safety and health.** At Southern Copper Corporation, our employees' safety is our priority. Our unit in Ilo, located in Moquegua, in the Moquegua region in Peru, has earned first place in the smelter and refinery category of the 26th National Competition for Mining Safety, organized by the Peruvian Institute of Mining Safety. This distinction recognizes SCC's performance with regard to indicators of our employees, occupational safety and health, and is a reflection of our ongoing commitment to ensuring the sustainability of our operations.

**Biodiversity.** In March 2023, the Environmental Management Unit at Buenavista del Cobre obtained certification from the Wildlife Habitat Council in recognition for our contributions to efforts to prevent the extinction of the Mexican gray wolf. Thanks to these actions, population of these species, which was on the brink of extinction in the wild, has multiplied in their natural habitat in Mexico. Going forward, we will continue to work side by side with society and authorities to serve the common good in the regions in which we operate.

Community development. At SCC, we continue to strengthen our community development model and currently operate 29 community centers that provide services to 350,000 people a year, in Mexico and Peru. These efforts positively impact the quality of life of the residents in the communities where we work. Recently, we renovated two community centers, called Casa Grande, in Santa Barbara, Chihuahua and Charcas, in San Luis Potosi. These facilities will serve an additional 21,000 people.

Diversity and inclusion. At SCC, we are convinced that valuing diversity, preventing discrimination, and promoting openness to different ways of thinking are fundamental in all efforts to develop inclusive workplace environments that promote the integral development of our employees and stakeholders. We are committed to driving the agenda for diversity and inclusion transversely throughout the company and in the communities around our operations. Our results in 2022 reflect the fruit of our efforts with a 16% increase in the number of women employed by SCC.

Dividend announcement. Regarding dividends, as you know, it is the company policy to review our cash position, expected cash flow generation from operations, capital investment plans, and other financial needs at each board meeting to determine the appropriate quarterly dividend. Accordingly, as announced to the market on April 20th, the board of directors authorized a cash dividend of \$1 per share of common stock payable on May 23rd to shareholders of record at the close of business on May 9, 2023.

Ladies and gentlemen, with these comments, we would like to end up our presentation today. Thank you very much for joining us, and we would like now to open the forum for questions.

## QUESTIONS AND ANSWERS

Operator: Thank you. (Operator Instructions)



And our first question comes from the line of Carlos de Alba with Morgan Stanley. Please proceed.

Carlos De Alba: Yes, good morning, Raul, and everyone. Thank you for the call. Raul, would you please comment on how you see costs trending in the coming quarters? Clearly, the industry is facing a lot of cost pressures, but Southern Copper has always been a low-cost producer. We've seen recent pressures of the effect in the company, but any guidance will be very interesting to hear. And then my second question is regarding growth with specifically wondering about Los Chancas. How quickly can you solve the situation there? We heard what you said that you got positive court rulings, but how quickly can you restart exploration or the works that you were doing at Los Chancas if you had to stop them?

And combined with these, given the attractive profile of growth that you have, but with some of the challenges regarding the timing to execute on those, would the company consider M&A opportunities? You've heard, obviously, that there is a couple of recent transactions where copper assets have been in focus. So, I wonder to what extent the company will have appetite for a relatively large medium acquisition in copper, given that so far, the company has focused on smaller opportunities. Thank you.

Raul Jacob: Okay, thank you for your set of questions, Carlos. Okay, I'm going to touch base on each of them. If I skip one of your concerns, please let me know. Let me start by cost and production. We already mentioned that we're expecting an increase in production of about 5% vis-a-vis last year for copper. And we are also expecting to have a much more production for zinc this year, particularly, due to the beginning of the zinc concentrator at Buenavista. In the case of our cost, we're expecting a better cash cost for the next quarters.

And the reason for that is twofold. I mentioned already that we had to include in our financials a significant open sales reduction in molybdenum. It was \$265 million that we had to charge or decrease our sales by that amount. That obviously explains why the company, vis-a-vis the market, has shown this quarter lower than expected results regarding particularly EBITDA and some other metrics. So, we're expecting not to have this type of adjustments in the second quarter, where already current prices for molybdenum are at about \$22 per pound, and we closed the past quarter at \$24 per pound.

So, if there is a negative adjustment due to open sales of molybdenum, it will be relatively much smaller than the one that we have acknowledged or registered in the first quarter. So that should improve our by-product revenues in the second quarter. We're also seeing on the total cost of production some trends that will reflect a better cost, particularly in energy, we're seeing a much lower gas price than we had before, that is helping our energy costs at the Mexican operations.

We're seeing some relatively lower fuel prices as well. That will be much more noticeable in the second quarter. So, for production, our expectation is to produce for copper 940,000 tons, for cost -- some cost reductions that should help to reduce our cash cost, and some by-product revenues, particularly in molybdenum this quarter and also through the year in zinc because we will have 52,000 tons coming from the new zinc concentrator that we're about to initiate production in the Buenavista mine.

Considering growth, in the case of Los Chancas, we believe that we are in a different environment, vis-a-vis the government relations that the company has had. Currently, we're seeing a much stronger commitment from the Peruvian authorities regarding promoting private investments in Peru, which is a positive event for us. In the case of Los Chancas in particular, we believe that through the year we will be able to remove these illegal miners from the Los Chancas premises, and with that we can come back to exploration efforts and more important than that, the beginning of the environmental impact assessment, which is, after the feasibility study, the next step in our work for Los Chancas.

Finally, M&A, well at this point, we are not considering anything specific for M&A. However, the responsible thing to do in this case is to review any opportunities that may arise. And obviously after a thoughtful review, advise our board or recommend our board some action in this matter, but for now, we're not considering anything specific.

Carlos De Alba: All right, thank you, Raul.

Raul Jacob: You're welcome, Carlos.

Operator: Thank you. One moment for our next question please. And it comes from the line of Isabella Vasconcelos with Bradesco BBI. Please proceed.

Isabella Vasconcelos: Hi, good afternoon. Thank you for the call. Raul, I have a couple of questions. So, the first one in terms of mining regulation and particularly in Mexico, what are the kind of expected impacts on your operations deriving from the new mining law and whether it changes anything for El Arco and the development of El Arco? And my second question is specifically on the outlook for production for the coming years. We noticed that there was a slight delay on the startup of Pilares if I'm not mistaken. So, if you could comment a little bit on the expected production outlook for the coming years for the key commodities. So, those are my questions. Thank you.

Raul Jacob: Thank you very much, Isabella. Okay, at this point, regarding the new mining law in Mexico, let me first mention that currently, the bill is not a law. It has to pass a process in the Mexican Senate, and the Senate has to approve it. The text that was approved by the House of Representatives of Mexico has not significant effect in our current business and our organic growth so far. Now, once we have a definite law, we will review it carefully and see if there are any points where it may impact our operations or our growth for the long term.

And your second question is the outlook for production in the coming years. Already, I mentioned, on copper we're expecting to be at about 940,000 tons this year. For 2024 we expect to produce 1,026,000 tons of copper. That will come basically from much more production at the Peruvian operations, mainly from Toquepala, and the contribution at full capacity of Pilares and Buenavista Zinc -- the copper production of the Buenavista zinc concentrator. As you know, in this case, it is a zinc concentrator, but it does have some copper production.

In 2025 we're expecting to produce 1,020,000 tons of copper; 2026, 1,100,000 tons; and for 2027, 1,071,000 tons. In the case of zinc, this year we are expecting to produce 116,000 tons of zinc. And after that, we will be over 205,000 tons for the next four years. And on, it's the ore grade and the expected production of the new zinc concentrator will feed our production significantly for zinc in the next few years.

Isabella Vasconcelos: That's very helpful. Thank you.

Raul Jacob: You're welcome.

Operator: Thank you. One moment for our next question. And it comes from the line of Hernan Kisluk with MetLife. Please proceed.

Hernan Kisluk: Good morning. Thank you for taking my question. Actually, an extension of the question on cost made by Carlos before. So, I understand that cost inflation has affected not only you guys, but the industry as a whole. But on the other day, mining is a game of who is at the lowest percentile of the cash cost curve. So, I was wondering if during this period of cost turbulence for the industry as a whole again, I'm wondering if your position in the cash cost curve has changed during this period.

Raul Jacob: To put it simply, Hernan, no, it hasn't changed. We believe that we're still in the first quartile of cash cost. I haven't seen the latest, I mean, this quarter's information, but I'm sure it is available, but so far at the end of 2022, we were certainly at a very competitive position. I mentioned already that we had some events that affected our cash cost in the first quarter, mainly the impact of these negative sales adjustment on molybdenum.

And for the next quarters, we should be lower than our \$0.75 per pound that we mark in this past quarter due to more production coming from our operations and more credits, vis-a-vis the same prices of all by-products, due to higher zinc production and lower open sales adjustment for molybdenum. That's our expectation. Obviously, we'll see what happens at the end of the day. What we're seeing in cost, generally speaking, is a reduction in several costs that has affected our operations in Mexico and Peru.

Let me put you a practical example of what I mean. When the Russian invasion to Ukraine started, well, Russia has been for many years a significant ammonia producer, and ammonia is one of the key elements for open pit explosives. So, we had a tenfold increase in the price of the ammonia, tenfold. And that has decreased significantly now

that there are some other sources that have been developed for these key elements for open pit explosives and some Russian production that has been passing through the different markets.

So, that is a practical example of what I mean. Some costs, some higher costs that are related to these tragic event, has been coming back down. And the company is doing its part by working on producing more copper as well as some more of our by-products.

Hernan Kisluk: Thank you very much.

Raul Jacob: You're welcome. Thank you very much.

Operator: Thank you. One moment for our next question, please. And it comes from the line of John Tumazos with Very Independent Research. Please proceed.

John Tumazos: Thank you. The dividend of a dollar was almost as large as net income, should we infer from this that management expects net income to rebound under \$1.50, \$2 a share range, or are the big capital projects five or more years out not likely to need money next year or the year after? Or is the dividend a candidate to get adjusted because the payout is too large?

Raul Jacob: I, well, it's up to the board. The board, as I mentioned, look at the cash position of the company, see any requirements of cash. For instance, in terms of debt payments, we have no payments up to 2025 where we will pay \$500 million in debt. Last year we had to pay \$300 million. So, we, at this point, have no significant debt payments. Prices were better than what they are today. So, for forward-looking on dividends, I would say that it will be a discussion at the board level.

For now, the board decided to pay a \$1 dividend this past quarter, to approve a \$1 dividend that will be paid this quarter. But there are no -- one of the things that we stress is that our dividend policy is flexible depending on the conditions of the market, our cash flow generation, and our growth plans. So, this is something that we will review, and the board will make a decision in each board meeting regarding this matter.

John Tumazos: So there's no simple mechanical formula like 50% or 70% of earnings or cash flow?

Raul Jacob: Yes, that's correct. There is no tie to a specific payout ratio or anything. Similarly, it depends on the way that the company sees the market, its commitments to capital, as well as any duties that we have regarding debts or things like that. So, there is no specific rule regarding dividends.

John Tumazos: Thank you.

Raul Jacob: You're welcome. One thing that I like to stress is that even though we don't have a specific rule, we do have a very good track record of recognizing our shareholders

through dividends. And depending on the company possibilities, the company has always paid dividends. In certain moments, it has been a relatively higher one, as you mentioned, John, regarding the relationship between net earnings and dividend pay, but it is always an ongoing discussion, but one thing that I can tell is that we don't want to hoard cash, and that is something that is important for, I believe, for our shareholders.

Operator: Thank you. One moment for our next question, please. All right, and it comes from the line of Marcio Farid with Goldman Sachs. Please proceed.

Marcio Farid: Okay. Yes, so, a couple of follow-ups for me. First of all, on the molybdenum prices, just wondering if you have any outlook that you can provide to us in the market that we have a hard time trying to track. So just trying to understand how sustainable the current high prices are. What has been the main drivers, and how to think about it going into the end of the year because it has obviously provided good cost support after by-products for Southern Copper, right?

And secondly, specifically on Peru, it does feel like the worst of the social unrest have been left behind for now. Just trying to understand how you see the current operational environment in Peru. If there is anything that you'd highlight going forward and how confident you are that there's going to be some sort of instability when it comes to mining production in Peru. Thanks, Raul.

Raul Jacob: You're welcome, Marcio. Thank you very much for your questions. On the drivers for molybdenum prices, it's very hard to know what is going to happen. And let me explain to you why. This is an extremely shallow market. Just to give you an idea, in copper, on a yearly basis, there are about 25 million tons of refined copper being produced and consumed. For molybdenum, it's less than 300,000. So, it's a fraction, almost 10%, a little bit more than that, 15% in the volume of developed markets such as the copper one.

What has happened in the fourth quarter, as much as we understand, and our commercial team has shared with us, is that given the uncertainties that we had in Chile and Peru, major molybdenum suppliers, as well as copper, some consumers decided to increase their inventories just to protect their pipelines of production in their own activities, these industrial consumers. And that somehow moved up the price of molybdenum.

Well, production in Peru has been much more stable through the quarter, as well as some other higher operations in some other locations. So, that has made the prices to adjust downward. At this point, prices are at about \$20 per pound for molybdenum; which is a good level for us. We don't regret receiving these prices for our production, it would be always better if they are higher, but that's where we are. And as long as it is stable, we will not have these bounce up and down in open sales that we have faced in both the fourth quarter and the first quarter of this year.

Regarding Peruvian social unrest, as you mentioned, Marcio, it's left behind. The environment, the current environment operation is absolutely normal. All the mines and

different mining facilities in Peru are operating right now. There is no mining operation being affected significantly by any kind of stoppages. And we believe that this is something that will certainly help to make a more peaceful social environment through 2023. So, I think that's it.

Marcio Faid: I just want to say thank you very much. This is very clear. Thank you very much.

Raul Jacob: You're welcome. Thank you.

Operator: Thank you. And sir, I'm not showing any questions in the queue. You may proceed with any final remarks.

Raul Jacob: Thank you, Carmen. Well, with this we conclude our conference call for the first quarter of 2023. We certainly appreciate your participation and hope to have you back with us when we report the second quarter of 2023 results. Thank you very much and have a very nice day today.

Operator: Thank you. And with that, we conclude today's conference call. Thank you for participating.