

**Southern Copper Corporation (Southern Copper Corporation 4Q23 Earnings Results)
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Corporate Speakers

- Raul Jacob; Southern Copper Corporation; Vice President, Finance, Treasurer & Chief Financial Officer

Participants

- Timna Tanners; Wolfe Research; Analyst
- Gabriel Simoes; Goldman Sachs; Equity Research Associate
- Alfonso Salazar; Scotiabank; Analyst
- John Tumazos; John Tumazos Very Independent Research; Analyst
- Sofia Martin; GBM; Analyst

PRESENTATION

Operator: Good day, and welcome to Southern Copper Corporation's Fourth Quarter and Year 2023 Results Conference Call.

With us today we have Southern Copper Corporation's Mr. Raul Jacob, Vice President, Finance, Treasurer and CFO who will discuss the results of the company with the past quarter and year 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 risks 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 statements, whether as a result of new information, future events or otherwise. All results are expressed in full US GAAP. Now I will pass the call on to Mr. Raul Jacob.

Raul Jacob: Thank you very much, Carmen. Good morning, everyone and welcome to Southern Copper's fourth quarter of 2023 and full year 2023 results conference call.

On today's conference I'm joined by Mr. Oscar Gonzales Rocha, CEO of Southern Copper and Board Member. As well as Mr. Leonardo Contreras who is also a Board Member.

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 ESG. After this, we will open the session for questions.

Before we get into the details of this past quarter, I'd like to make some comments regarding the company results in 2023. Even though 2023 was a challenging year for Southern Copper, we believe the company achieved good results. 2023 net sales were \$9,896 million, this is \$152 million or 1.5% lower than 2022 net sales. This result was driven by higher sales volumes for copper of 2.2% and molybdenum of 2.3%. Better prices for molybdenum by 28% and silver. This situation was partially offset by a decrease in metal prices for copper and zinc and by a reduction in the sales volume of silver and zinc.

Net sales in 2023 were negatively impacted by a year accounting adjustment of \$406 million for lower metal prices on sales. In addition to this, we estimate that 2023 sales were affected by a larger copper anode inventory in process at year-end. If we exclude these two effects, the sales for 2023 would have been 3% higher than the 2022 mark.

The 2023 copper production increased 1.8% year-on-year to 911,000 tons of copper. The yearly result was mainly attributable to higher production at our Peruvian operations, a result that was partially offset by a reduction in production at our Mexican operations, which was mainly fueled by a drop in mineral processing and recovery at the Buenavista mine.

In the second half of last year, we experienced a reduction of fresh water at our Buenavista operation, which was generated by the fact that we lack the permits we expect to receive for building a pipeline of approximately 20 kilometers to transport water from the wells to the operations and nearby townsites. For 2024, the company has decided to transport water through other means to secure the supplies required to ensure that Buenavista can operate at full capacity for copper production and the ramp up of new zinc concentrator operations.

For our byproducts, Molybdenum production totaled 26,836 tons in 2023, which was 2.3% higher than the figure of 2022. This increase was due to higher production at three of our four mines, the exception was Toquepala. Mined zinc production rose 9.2% year-on-year due to higher production at the Charcas and Santa Barbara mines. Mined silver production dropped less than 1% in 2023 primarily driven by lower production at the Buenavista mine. This decrease was partially offset by higher production at our Peruvian operations.

In 2023, operating cash cost per pound of copper, including byproduct revenue credits, was \$1.03. The \$0.25 increase in cash cost reported versus the \$0.78 per pound in 2022 was mainly attributable to \$0.17 per pound increase in production cost and \$0.08 reduction in byproduct revenue credits. At this point, we believe we're seeing the end of inflation-related cost push. Our cash cost before byproduct credits evolved from \$2.09 per pound the first quarter of 2023 to \$2.23 per pound in the fourth quarter. It is important to know that levels were really stable through the second half of last year.

For 2024, we expect our cash cost before byproduct credits to be \$2.20 per pound. We expect zinc and silver to contribute positively to growth in 2024 on the back of an uptick

in volumes. For zinc, we expect a grow in production of 80% and for silver 13%. Nonetheless, we also expect molybdenum prices to remain at the level that they are right now, which is about \$19 per pound.

In this scenario, all in company cash cost credit for 2024 will total \$1.03 per pound. Therefore, our cash cost after byproduct credits is estimated at a \$1.17 per pound for this year, 2024. This increase in value is driven primarily by a 13% reduction in byproduct credits.

Adjusted EBITDA in 2023 was \$5,029 million. This is 6% lower or \$320 million below the figure of 2022. The drop in adjusted EBITDA year-on-year was primarily attributable to the reduction in sales equivalent to \$152 million, a \$113 million non-recurring variance in other income due to 2022 insurance and tax refunds, and a \$54 million uptick in operating cost. The adjusted EBITDA margin in 2023 was 50.8% versus 53.2% in 2022.

For net income, last year we had \$2,425 million, that's 8% lower than the mark for 2022. The net income margin was 24.5% last year versus 26.3% in 2022.

Now let us focus on the copper market. The London Metal Exchange copper price increased 2.2% from an average of \$3.63 per pound in the fourth quarter of 2022, up to \$3.71 per pound in the fourth quarter of 2023. At the beginning of last quarter we were expecting a market surplus for this year. However, after a significant reduction in copper production was announced by some producers, market expectation for a surplus ceased and were replaced by concerns about potential deficits due to the extremely low available inventories.

Even though still are significant uncertainties this year for the world economy, such as the slow recovery of China, a recession in Europe and a soft landing or minor recession in the US, we believe copper prices should have good support through 2024.

Now let's look at Southern Copper's production for the past quarter. For copper, it represented 77.8% of our sales in the fourth quarter of last year. Copper production registered a decrease of 3% in the fourth quarter, in a quarter-on-quarter terms to stand at 234,089 tons. Our quarterly results reflects a 9.6% decrease in production in Mexico driven by our Buenavista mine, which was partially offset by higher production at La Caridad mine due to better ore grades. Production at our Peruvian operations increased 6.6% in a quarter-on-quarter terms, which was mainly due to higher production at our Toquepala operation. Compared to the third quarter of last year, copper production increased 3.5% which was mainly attributable to higher production at the Cuajone, Toquepala and Caridad mines.

For this year we expect to produce 936,000 tons of copper, an increase of 3% over the 2023 final print. Last year, we drove our Pilares project to full capacity and initiated a ramp up at the Buenavista zinc concentrator. For 2024, we expect these two projects to contribute with 44,000 tons of copper to our production.

Molybdenum represented 10% of the company sales value in the fourth quarter of 2023 and is currently our first byproduct. Molybdenum prices averaged \$18.41 per pound in the quarter compared to \$21.17 in the fourth quarter of 2022. This represents a decrease of 13%. Molybdenum production increased 6.6% in the fourth quarter compared to the same quarter of 2022. This was mainly driven by an increase in production at the Toquepala and La Caridad mines due to higher ore grades in both operations. These results were partially offset by lower production at the Cuajone and Buenavista mines. Molybdenum production increased 2.3% year-on-year in 2023 after production grew at La Caridad, Cuajone and Buenavista. It was partially offset by lower production at Toquepala. For this year, 2024, we expect to produce 25,500 tons of molybdenum.

For silver, it represented 4.3% of our sales value in the fourth quarter of 2023 with an average price of \$23.25 per ounce in the quarter, which reflected an increase of 9%. Silver is currently our second byproduct. Mined silver production decreased 3.2% in the fourth quarter versus the same mark of 2022 after production reduced in Buenavista and Cuajone. This was partially offset by higher production at the Toquepala, Caridad and IMMSA operations. Refined production fell by 40% quarter-on-quarter which was mainly driven by a drop in all of our refineries. On this, I'd like to comment that we're having a change in commercial conditions and that has somehow alter the purchase of materials for silver production at the refinery in Mexico. In 2024 we expect to produce 20.7 million ounces of silver, an increase of 13% compared to 2023.

Zinc represented 3.3% of our sales value in the fourth quarter of 2023. Zinc prices averaged \$1.13 per pound in the quarter. This is a 17% decrease regarding the fourth quarter of 2022 figures. Zinc mined production increased 11% quarter-on-quarter and totaled 16,930 tons. This was driven primarily by an increase in production at the Santa Barbara and Charcas mines. Refined zinc production decreased by 1% in the fourth quarter. In 2023 we produced 65,509 tons of zinc, an increase of 9.2% compared to 2022. This was mainly driven by an uptick in production at the Santa Barbara and Charcas operations. This was partially offset by a decrease production at the San Martin mine. Refined zinc production increased by 1% in 2023 compared to 2022. For this year we expect to produce 117,800 tons of zinc which represent an increase of 80% over our 2023 production level. This growth will be driven by the startup of the Buenavista zinc concentrator that will contribute with 54,400 tons of zinc. For the year 2025 and on, we expect to produce over 170,000 tons per year of zinc.

Financial results. For the fourth quarter of 2023 sales were \$2.3 billion, this is \$525 million lower than sales for the fourth quarter, or a 19% reduction. Even though copper prices were 2% higher than in the fourth quarter of 2022, sales of this metal decreased almost 10%. Net sales in the past quarter were negatively impacted by a quarterly accounting adjustment of \$62.2 million for copper sales and this was basically for lower metal prices on sales. In addition to this, at the end of the past quarter we had a larger copper anode inventory in process that also affected sales.

Regarding our byproducts, despite a 6% increase in the volume of molybdenum sold, sales of our main byproduct decreased 54% due to lower prices and an important accounting adjustment of \$106.2 million on molybdenum sales.

Zinc sales decreased 18% due to lower prices and volume. For silver, sales fell 10% due to lower volume which was partially offset by better price. So, the fourth quarter of last year sales reduction was mainly affected by an increase in copper inventory and adjustments on open sales of copper and molybdenum for \$168.4 million.

Operating cost, our total operating cost and expenses decreased by \$23.5 million or 2% when compared to the fourth quarter of 2022. The main cost reduction has been in inventory consumption, capitalized leachable material, workers participation and energy. These cost reductions were partially offset by higher contractor cost, labor, exchange rate variances, repair materials, water, fuel and other factors. The fourth quarter of 2023 adjusted EBITDA was \$1,055 million, which came in 35.3% under the \$1,631 million registered in the fourth quarter of 2022.

The adjusted EBITDA margin for the fourth quarter was 46% versus 58% in the fourth quarter 2023.

Cash cost. Southern Copper operating cash cost including the benefit of byproduct credits was \$1.25 per pound in the fourth quarter of 2023. This cash cost was 27 cents higher than the cash cost of \$0.98 in the third quarter of this past year. Operating cash cost per pound of copper before byproduct credits was \$2.23 per pound in the fourth quarter of 2023. That is \$0.01 lower than the value for the third quarter. This 1% decrease in operating cash cost is a result of lower cost per pound from production cost and lower administrative expenses, which were partially offset by lower premium on cathode sales and higher treatment and refining charges on concentrate sales.

Regarding byproducts, we reported a \$0.28 reduction in credits. For the fourth quarter of last year we had a credit of \$491 million or 98.4 cents per pound. This figure represents a 22% decrease when compared to a credit of \$604 million for \$1.26 per pound in the third quarter of last year. Total credits increased for zinc 16% but decreased for molybdenum 33% and sulfuric acid 11%.

Net income in the fourth quarter was \$445 million which represented a 51% decrease versus the fourth quarter 2022 figures. The net income margin in the fourth quarter of 2023 was 19% versus 32% in the fourth quarter of 2022. Net income was affected by lower sales, as explained earlier, and by year-end non-recurrent adjustments in non-operating cost as well as taxes.

Cash from operations. Cash flow from operating activities in 2023 was \$3,573 million which represented an increase of 27% over the \$2,802 million post in 2022. This result was mainly driven by a reduction in working capital.

For capital investment, our current capital investment program for this decade exceeds \$15 billion and it currently includes investments in the Buenavista Zinc and Pilares projects in Mexico and the Tia Maria, Los Chancas and Michiquillay projects in Peru. In 2023 we spent \$1 billion on capital investments, which reflected a 6% increase year-on-year and represented a 41% of net income in 2023.

Since there is a description of our main capital projects in Southern Copper's press release, I'm going to focus on updating new developments for each.

For the Buenavista zinc concentrator in Sonora, the capital budget for this project is \$439 million, most of which has already been invested. We have initiated the commissioning process and progress is 99%. Ramping up of the plant began in the first quarter of this year, this quarter, after technical adjustments to the concentrator. We expect to produce 54,500 tons of zinc and 11,900 tons of copper in 2024. And an average of 90,200 tons of zinc and 20,700 tons of copper per year in the next five years.

For the Pilares project in Sonora in Mexico, the budget for this project is \$176 million, of which \$145 million has been invested. Pilares is currently operating at full capacity and delivering copper ore to the La Caridad operation. Since Pilares is fully integrated into our operation, this will be the last time we are reporting on it as a project. In other words, Pilares graduated from the project stage and is now part of the La Caridad operation.

For the Peruvian projects, in the case of the Tia Maria project in Arequipa, we reiterate our view that the initiation of construction activities at Tia Maria will generate significant economic opportunities for the Islay province and the Arequipa region. Given the current Peruvian economic situation, it is crucial to move ahead on projects that will stimulate a sustainable growth cycle. We expected to begin the construction phase of the project in the near future. We will make it a priority to hire local labor, to fill the 9,000 jobs that we expect to generate during Tia Maria's construction. Additionally, from day one of our operation, we will generate significant contribution to revenue in the Arequipa region by paying royalty and later on income tax.

The Los Chancas project in Apurimac, it's a greenfield project in which we are in a coordinated effort with the Peruvian authorities and the company making significant progress in eradicating illegal mining activities at our concession. Once this process is complete, we will restart environmental impact assessment, conduct a diamond drilling campaign for 40,000 meters and initiate hydrogeological and geotechnical studies to gather additional information on the characteristics of the Los Chancas deposits.

The Michiquillay project in Cajamarca as of December 31st of last year we have drilled 63,000 meters, from a total program of 110,000 meters and obtained 20,137 core samples for chemical analysis. Geological modeling, cross section interpretation and drilling logging are currently underway. For 2024, the company expects to complete the diamond drilling program, geological modeling and resource evaluation. We will also begin hydrogeological and geotechnical studies and assess the result of metallurgical testing at

the deposit. The company continues working with the Michiquillay and La Encañada communities, following the guidelines of the social agreement signed with them.

For environmental, social and corporate governance or ESG practices, we have major improvements in water recovery that we want to report. Over the last four years we have improved the use of water at our operations, going from 0.64 cubic meters, less than one cubic meter, 0.64 of water for milled ton of mineral in 2020 to 0.53 cubic meters in 2023. This represents an increase in efficiency of 17%. Improvement have primarily been driven by the company's initiative to recover water from our Quebrada Honda tailings dam in Peru and by an uptick in the water volume recovered at the Buenavista del Cobre mine in Mexico.

We continue to make progress in our sustainability ratings. S&P global results in its Corporate Sustainability Assessment or CSA indicates that Southern Copper Corporation has achieved a place among the top 10 performers in the mining sector with a rating that exceeds the industry average by 100%. These results reflect our ongoing commitment to improving our sustainability practices and maintaining the company's inclusion in the Dow Jones Sustainability Index for the Latin American region. This year marks our fifth consecutive year in the Dow Jones Sustainability Index.

In 2023, SCC achieved some of the highest score in the sector for key CSA indicators including transparency and disclosure, occupational safety and health, operations closure, and human capital development.

We obtained a score of 90 out of 100 on CSA Climate Governance Index. This attest to the progress the company has made in this area. Additionally, we achieved a score of 100 in the Task Force on Climate-Related Disclosures which focus on management and disclosure of financial risks and opportunities related to climate change. Additionally, investor-led Climate Action 100+ initiative recognized our efforts to develop an emission reduction roadmap and award us a full compliance rating in the TCFD category. Furthermore, the rating agency Sustainalytics reduced the company's risk by two levels between 2020 and 2023.

In 2023 we registered a 97% increase in year-to-year investment in social infrastructure. In Mexico, \$35.9 million was allocated to these efforts, a project that was particularly noteworthy this year focused on improving water infrastructure for the communities of Cananea and Nacozari. In Peru, \$45.7 million was investment in social infrastructure including the progress in building the wastewater treatment plant or PTAR, in Ilo. The company also prioritize education infrastructure development in Peru and will build upon successful previous initiatives in Moquegua and Tacna.

Continuing our commitment, the company is actively expanding educational infrastructure to benefit the community under the Works for Taxes modality. This effort includes setting up five high-performance schools or COAR as is the acronym in Spanish, for 1,500 students to strengthen the capacities of outstanding students in the state educational system. Two schools are currently under construction, in Moquegua and

Tacna. These investments have made Southern Copper the primary private investor in Peru in national educational infrastructure.

Regarding dividends, as you know, it is the company policy to review our cash position, expected cashflow 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 January 25th, the Board of Directors authorized a cash dividend of \$0.80 per share of common stock payable on February 29 to shareholders of record at the close of business on February 13, of 2024.

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

QUESTIONS AND ANSWERS

Operator: Thank you. (Operator Instructions). One moment for our first question, please. It comes from the line of Timna Tanners with Wolfe Research. Please proceed.

Timna Tanners: Yeah, hey. Good day and happy Friday. Can you hear me okay?

Raul Jacob: Yes, very well Timna.

Operator: Yes.

Raul Jacob: Good.

Timna Tanners: Okay, great. Hope everyone's doing well. I have a bunch of questions. First off, I wanted to hear about how you were guiding to lower cost and just if you can provide some more color on how the cost come down just given the broader inflation that we've been seeing prevalent in the last couple of years.

Raul Jacob: Okay. Basically what we're seeing is that after an uptick in prices, after the Russian invasion to Ukraine, we saw a combination of the impact that it have on energy and some key materials for us such as ammonia that is used as a material for explosive production as well as steel, for instance, and obviously oil.

And we had some cost push. Well, we reacted to that. Changing the mix of explosives, making more research to improve our cost on steel as well as looking into some other ways to save energy, both as power and as fuel. And that somehow has helped us and made us stabilize our cash cost before credits at about \$2.23, \$2.24 last year and we have the expectation of decreasing it a little bit more through 2024.

Timna Tanners: Okay, that's helpful. Thank you. Regarding Tia Maria, you sounded more constructive in the release this time and in the remarks. And I'm just wondering if it's actually time to put it in our estimates as coming forward. And if so, if you could elaborate on timings.

Also that \$1.4 billion amount in light of all that cost inflation around miners globally, can you just remind us about some updated number and what that entails. Thanks a lot.

Raul Jacob: Sure. Regarding the CapEx, we already have spent a little bit north of \$350 million on equipment that is stored with the proper care, nearby the Tia Maria deposit.

And we are more positive for sure on Tia Maria and we are moving forward with some actions and we will report on progress as we get better news on it. But, yes, we are much more positive regarding the project. But we would like to give good news when we have something relevant to report.

Timna Tanners: Okay, that's helpful. I'll leave it there. Thanks again.

Raul Jacob: Thank you very much Timna.

Operator: Thank you. One moment for our next question, please. It comes from the line of Gabriel Simoes with Goldman Sachs. Please go ahead.

Gabriel Simoes: Hi, thank you for taking my questions, I have two. So the first one is if you could provide some more details on the gap that we have heard in production versus copper sale in the quarter.

As you mentioned this is due to the end of inventory --

Raul Jacob: I'm sorry Gabriel, I can't copy you -- Gabriel, I can't copy you well. Could you get a little closer to your microphone?

Gabriel Simoes: Is this better?

Raul Jacob: Yes, much better now.

Gabriel Simoes: Sorry. Sorry. I'm sorry about that. So the first question is about the gap that we observed this quarter in production versus sales for copper.

I think you mentioned that this is due to the end of inventory situation, but any additional detail that you could provide us on the market here would be interesting. And in addition, would you expect this gap to be reversed in the coming quarter so that the excess inventory that you accumulated due to the higher production, that would be interesting to know as well.

And my second question is regarding the comment that you guys made on the Buenavista water situation. So, I just wanted to have some more color on how this is going. And if it has already impacted some of your costs in some way. It has sure affected cost in a meaningful way in the short-term. And if there is a longer-term solution for this already underway or could it structurally increase the cost of the mining in the future, if there's a relevant metaphor for the costs? Thank you.

Raul Jacob: Okay. Thank you very much for your questions, Gabriel. Okay. Well, we had an inventory build-up related to the Minera Mexico refinery at the end of the past quarter. We had about 7,800 tons of copper in process. That should be sold, I believe, this quarter, in the first quarter of this year.

So it's more like a one thing. Obviously, inventories are varying all the time but in this case we had some repairs that were scheduled for the end of the year that generated this uptick in inventories in process.

Regarding the Buenavista water situation, as I mentioned the company has taken action on solving this problem for this year. We're basically moving water using water tankers trucks and obviously it has an impact in cost. We'll see that it's about \$29 million that we're expecting. And in terms of production, it's created a problem in production at Buenavista. If you look at the metrics that we're reporting for Buenavista we're mentioning that there was a reduction in mineral process as well as recovery, that's directly related to the lack of water. So that's why the company has evaluated different ways to solve this and we finally took a decision and are implementing it since this month -- I'm sorry, since January.

Operator: Thank you. (Operator Instructions). Our next question comes from Alfonso Salazar with Scotiabank. Please proceed.

Alfonso Salazar: Thank you and good day Raul. I have two questions. The first one is regarding the water concessions, and I want to understand how this water from Cananea relate with the new law in Mexico that requires a mining, a concession for use of water specifically for mining activities. I just wanted to understand if there's a link between these two things. If I'm not mistaken, I remember correctly back in November 2022 there was a misunderstanding between the government and the company because of some concessions, water concessions granted to the company at Buenavista which I think the company clarified as there were not such a concessions granted.

And the second question is regarding El Arco. I didn't see the details in the press release about this project. Just want to understand why is that? And the third question that I have is regarding the blended grade that we should expect at La Caridad, basically because it's going to be using Pilares as a satellite mine. So, I would imagine that we should increase the La Caridad mine as more production comes from Pilares. I just wanted to understand what you expect in terms of that blended grade there. And these are the three questions that I have, Raul.

Raul Jacob: Thank you very much Alfonso. Good hearing from you.

Okay. In the water concessions, well basically we do have the concession for the wells but what we don't have is the final permit to build a pipeline. So that is something that we expect to have when we finish working on the construction for the wells. We haven't received it yet. So this is what this has created. This plus some lower rain than expected

this year, this past year I should say. That is basically what we have in the wells. We'll solve the problem in terms of water availability no matter how the weather affects rains in the area.

Now, in the case of El Arco, we haven't made any reference to the project because we have not made much progress to report. We will do that when we have something relevant to share with the financial community. At this point, we're advancing with the project but there's nothing relevant to report.

And then on the blended rate expected for La Caridad, let me explain what's happening in Pilares, at the very beginning of the project, and where are we now. When we initiated the production of mineral at the Pilares project, we found that there was an oxide layer that had to be removed before getting into the sulfurs, which are the feed for the concentrator.

So the first months, this was at the end of 2022 and the first quarter of 2023, we basically removed this oxides from the Pilares deposit and send it to our SXEW leaching areas. That material is being processed, so we will expect to have some more refined SXEW copper coming from Pilares in the near future. And then we looked at the price, at the relative prices of molybdenum vis-a-vis copper, this was by mid-2023. Molybdenum had very good prices and copper not as good as we had seen the year before.

And after making some numbers, some financial reviews, we concluded that it was interesting to increase the molybdenum production of La Caridad which is, from our four open pit mines, the one that has the best ore grade for molybdenum. So, the company favored the production of molybdenum at La Caridad and that was sold taking the opportunity of much higher prices for molybdenum.

That has passed. The last quarter, we had a price that was, as I reported, lower than what we had before and consequently we are coming back to sending ores from Pilares to La Caridad. Our expectation is that we should be producing about 35,000 tons of copper from Pilares in the mix at the Caridad concentrator, with Caridad materials.

Alfonso Salazar: Okay. And as I understand, in case moly prices saw a gain, you may reduce the input from Pilares to produce more molybdenum, right?

Raul Jacob: If prices make sense to do that, we'll consider it.

Alfonso Salazar: Okay, thank you. And just to confirm, the problem with water that you have at Buenavista was not related with the changes to the mining law and the water concessions.

Raul Jacob: I don't think so. I think that this is a different matter. It's just a pipeline permit that is taking longer than what we believe when we initiated the works in these two wells.

Alfonso Salazar: Thank you very much Raul.

Raul Jacob: You're welcome.

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

John Tumazos: Thank you very much. I apologize if I have any construction noise in the background.

Southern Copper had 24,500 tons, less output from purchased ores in 2023 and 113,000 -- like five million less other income. Could you describe whether the purchased ores were in Sonora or Southern Copper and if it's a regular or sustainable or sort of an episodic thing. and what is in the other income which defined?

Raul Jacob: Okay. Let me address the latter -- the last question.

Other income, was the expected one in 2023, other income/expense was the proper one, the usual trend of the company in 2023. The anomaly was in 2022 and it was a positive thing for the company. We had some insurance refunds as well as a tax refund that we had in 2022. So more than having lower other income in 2023 we had an exceptional very good 2022 in that regard.

Getting into the ore purchases, basically we had to purchase an usual amount of copper concentrate in 2022 to fill up our smelter in Peru due to the Cuajone mine stoppage of 54 days. We had a community that blockaded the water supply for Cuajone for, as I said, 54 days, that was in 2022. So in 2023, Cuajone operated at full capacity, which is excellent for us, and that's why we reduced significantly our purchases of third parties material.

Generally speaking, we are buying third parties copper for technical reasons because as you know, John, we are long in copper concentrates, so we could, using just our own materials, fill up our smelters and refineries. But sometimes we want to acquire third party material that has a certain technical characteristic that improves our process, and that's why we are buying some of that, as our report shows.

John Tumazos: Thank you.

Operator: Thank you. And one moment for our next question. And thank you. Our next question comes from Sofia Martin with GBM. Please proceed.

Sofia Martin: Hi, thank you for taking my question. I was just wondering if you could share your production guidance '24 for the next couple of years?

Raul Jacob: Certainly Sofia. Okay. I already mentioned that for 2024 it's 936,000. For 2025, 956,000. 2026, 985,000. 2027, 1,001,000. 2028, 1,018,000.

Sofia Martin: Perfect. Perfect. Thank you very much.

Raul Jacob: You're welcome.

Operator: Thank you.

Raul Jacob: I also mentioned that from this year we're increasing our zinc production from 65,500 last year up to 118,000 this year and then over 170,000 of the next foreseeable future.

Operator: Thank you so much. And we have one more question one moment, please. It's a follow-up from Timna Tanners with Wolfe Research. Please proceed.

Timna Tanners: Thanks for taking my follow-up. I've had two more questions.

One was the -- related to the reporting in term of (inaudible).

Raul Jacob: We cannot -- we don't hear -- we couldn't hear you at the beginning.

Timna Tanners: Oh, sorry. So just two quick questions. One is related to the reported interest in Las Cruces from Grupo Mexico. Is that anything you can comment on?

And the second one, just is there anything that you can provide in terms of color on the board's decision to cut the dividend? Thank you.

Raul Jacob: The first one, I couldn't get your question, so sorry.

Timna Tanners: Sorry about that. My connection might be kind of rough. So the -- it's been reported that Grupo Mexico is looking at Las Cruces, the Spanish mine owned by First Quantum. So I'm just wondering if you have any comment on that or if it's relevant for Southern Copper?

Raul Jacob: It's a relevant question for Grupo Mexico, actually. But what we do, if there is a good opportunity to generate value for our shareholders through an acquisition, we dive into this alternative. In this case, the company is not directly involved, it's through AMC that the Las Cruces evaluation is being done.

In the case of the dividend, well, it's as we explained, in each board meeting the company, the board looks at how the market is, what are the next payments that the company has to do, what are the investment requirements. And in this case, if you see, our cash generation from operations was somehow lower, so the board decided to cut a little bit the dividend in order to maintain a solid cash position for the company.

Timna Tanners: Okay. Thank you again.

Operator: Thank you. And sir, I'm not showing any further questions in the queue.

Raul Jacob: Okay. Thank you very much, Carmen.

Well with this, we conclude our conference call for Southern Copper's 4th Quarter and Full Year Results for 2023. We certainly appreciate your participation and hope to have you back with us when we report the first quarter of 2024 results. Thank you very much for being with us and have a very nice day.

Operator: And thank you all for joining our call today. And you may now disconnect.