

## Southern Copper Corp (2Q24 Earnings)

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### Corporate Speakers:

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

### Participants:

- Carlos de Alba; Morgan Stanley; Analyst
- Marcio Farid; Goldman Sachs; Analyst
- Alejandro Demichelis; Jefferies; Analyst
- Sofia Martin; GBM; Analyst
- Hernan Kisluk; MetLife; Analyst
- Alfonso Salazar; Scotiabank; Analyst
- Myles Allsop; UBS; Analyst
- Jonathan Brandt; HSBC; Analyst
- David Feng; CICC; Analyst

## PRESENTATION

Operator^ Good morning. And welcome to Southern Copper Corporation's Second Quarter and Six Months 2024 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 second quarter and six months 2024, 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 U.S. 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 Second Quarter 2024 Results Conference Call.

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, who is also a Board member.

In today's call we will begin with an update on our view of the copper markets and then review Southern Copper's key results related to production, sales, operating cost, financial results, expansion projects and ESG. After this, we will open the session for questions.

Now let us focus on the copper market.

The London Metal Exchange copper price increased 15% from an average of \$3.85 per pound in the second quarter of 2023, up to \$4.42 this quarter.

Based on the production cuts announced by several producers and other information to date, we're expecting a market deficit of about 217,000 tons of copper for 2024.

At this point in time, we estimate that the copper supply will increase slightly by 0.6%. That's about 0.5 of a percentage point.

Looking at the demand, even though we see weak China demand mainly from its real estate market, a resilient U.S. economy and new demand from decarbonization technologies as well as artificial intelligence are supporting copper demand and price.

Now let's look at Southern Copper's production for the past quarter.

Copper represented 76% of our sales in the second quarter of this year. Copper production registered an increase of 6.6% in the second quarter in quarter-on-quarter terms to stand at 242,474 tons.

Our quarterly results reflect a 15% increase in production in Peru. And this improvement was driven by growth at the Toquepala mine, which increased its production by 21%, which was boosted by higher ore grades. Production at our Mexican operations increased by 0.7% in quarter-to-quarter terms, mainly due to higher production at our La Caridad mine, partially offset by a decrease in the production at Buenavista and IMMSA.

For 2024, we expect to produce 963,000 of copper, an increase of 6% over 2023 final print. This growth will be fueled by recovery at our SX-EW facilities at Buenavista and by the copper production of our new Buenavista zinc concentrator, which is operating at full capacity.

Molybdenum represented 12% of the company's sales value in the second quarter of this year and is currently our first byproduct. Molybdenum prices averaged \$21.69 per pound in the quarter, compared to \$20.87 per pound in the second quarter of last year. This represents an increase of 4%.

Molybdenum production increased by 21% in the second quarter compared to the same period of last year. This was mainly driven by higher production at the Peruvian operations and the Buenavista mine due to higher ore grades. These results were partially offset by lower production at La Caridad mine.

In 2024, we expect to produce 27,400 tons of molybdenum, which represents an increase of 2% over our 2023 production level.

Silver represented 5% of our sales value in the second quarter of this year, with an average price of \$28.84 per ounce in the quarter, which reflected an increase of 19% versus the 2023 second quarter price.

Silver is currently our second by-product. Mined silver production increased 8% in the second quarter of 2024 versus the same period of 2023, with the sole exception of IMMSA, production rose at all our operations. Refined silver production increased by 28% quarter-over-quarter, which was mainly driven by growth in our La Caridad and Ilo refineries.

In 2024, we expect to produce 20.6 million ounces of silver, an increase of 12% compared to 2023.

Zinc represented 4% of our sales value in the second quarter of this year, with an average price of \$1.29 per pound in the quarter, which represents a 12% increase in price compared to the second quarter of last year. Zinc mine production increased 71% quarter-on-quarter and totaled 29,419 tons. Growth was driven primarily by the 13,653 tons produced at the new Buenavista zinc concentrator and by an increase in production at the Charcas mine. Refined zinc production increased 6% in the second quarter of 2024 vis-a-vis the second quarter of last year.

For this year, we expect to produce 121,800 tons of zinc, which represents an increase of 86% over our 2023 production level.

So we are increasing our expected production for zinc in 86% this year. This growth will be driven by production at our Buenavista zinc concentrator that will add 55,400 tons, which has ramped up better than planned.

For 2025 and on, we expect to produce 178,000 tons of zinc per year.

Financial results. For the second quarter of this year, net sales were \$3,118 million, which represented growth of 36% with regard to the second quarter of the past year.

Expansion was primarily fueled by an increase in sales volumes of copper, which grew 5.5%, molybdenum by 21% increase, silver 32% increase and zinc 78% increase in sales volumes.

Also, we had an increase in metal prices for all of our products.

Our total operating cost and expenses increased \$111 million or 8% when compared to the second quarter of last year. The main cost increments have been in workers' participation, repair materials, contractors and operating materials, sales expenses, diesel and fuel, freight and insurance, purchased copper and other factors. These cost increments were partially offset by a decrease in the energy cost and in exchange rate variance.

In the first half of the year, we saw unitary cost reductions for several materials and services, such as grinding media, steel, explosives, tires and power cost. These savings, however, has been somewhat offset by higher costs associated with growth in production and sales volume and by an increase in maintenance and contractors expenditures, which we are closely monitoring and controlling.

Looking at our EBITDA. The second quarter of this year, adjusted EBITDA was \$1,797 million, which represented an increase of 61% with regard to the \$1,116 million registered in the same period of 2023, the second quarter. The adjusted EBITDA margin in the second quarter of this year stood at 58% versus 49% in the same period of 2023.

Adjusted EBITDA in the six months of 2024, was 3,215 million. This is 20% higher than what we had at the six months of last year. The adjusted EBITDA margin for the first half of the year stood at 56% versus 53% in the same period of 2023.

Cash cost. Southern Copper operating cash cost including the benefit of byproduct credits was \$0.76 per pound in the second quarter of 2024.

This cash cost was \$0.31 lower than the cash cost of \$1.07 that we had for the first quarter of 2024. This is a 29% reduction in cash cost.

Before byproduct credits, the operating cash cost was \$2.15 per pound this past quarter. This is \$0.04 higher than the value that we had for the first quarter of 2024. This 2% increase in the operating cash cost before byproduct credits reflect an increase in cost per pound from production cost, administrative expenses and lower premium in refined copper. These higher costs were partially offset by lower treatment and refining charges.

Regarding by-products, we had a total credit of \$716 million or \$1.40 per pound in the second quarter of this year. These figures represent a 34% increase in byproducts when compared with the credit of \$532 million or \$1.04 that we had in the first quarter of this year. Total credits have increased for molybdenum, zinc and silver, and decreased somehow for sulfuric acid.

The second quarter of 2024 net income was \$950 million, which represents a 74% increase with regard to the \$548 million registered in the second quarter of last year.

The net income margin in the second quarter stood at 31% versus 24% in the second quarter of 2023. This increase was mainly driven by a 36% increase in sales, which was partially offset by higher operating costs related to sales volumes, G&A and exploration expenses.

On a year-on-year basis, net income was 24% higher than in 2023 for similar reasons.

Cash from operations. Cash flow from operating activities in the six months of this year was \$1,622 million, which represents a decrease of 18% compared to the \$1,982 million posted in the six months of 2023. Cash flow in the first half of this year was affected by a significant increase in working capital of \$511 million, which was mainly driven by an increase in accounts receivable at our Mexican operations.

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

In the second quarter of this year, we spent \$332 million on capital investments, which reflected a 31% increase over the figure reported in the second quarter of 2023, and represents 36% of net income this quarter.

In the first half of the year, we spent \$546 million on capital investments, which represent 33% of net income and reflects the impact of an 11% increase in capital expenses year-on-year.

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.

This past quarter, we completed ramp-up at the Buenavista Zinc concentrator, which graduated from project to operating unit status. The zinc concentrator is operating according to our expectations, producing 23,300 tons of zinc and 5,500 tons of copper to date.

Our projections indicate that we will comply with the 2024 plan of producing 55,400 tons this year. And we expect this facility to generate an average of 90,200 tons of zinc and 20,000 tons of copper per year in the next five years.

For the Peruvian projects, we have the Tia Maria project, which is a greenfield project located in the Arequipa region, in Peru.

This project will use state-of-the-art SX-EW technology with the highest international environmental standards to produce 120,000 tons of SX-EW copper cathodes per year.

Southern Copper has consistently promoted the welfare of the population of the Islay province and the Arequipa region.

As part of these efforts, we have implemented successful social programs in education, health care and productive development to improve the quality of life in the region.

As of July 1 of this year, the company has restarted activities at the Tia Maria project, which reflects advances on the social and political fronts in the province of Islay, the Arequipa region and at the national level.

We reiterate our view that Tia Maria will generate significant economic and social opportunities for the Islay province and the Arequipa region.

In 2024, the company will, among other scheduled activities, install a live fence as well as 1,000 fog catchers.

Southern Copper will also roll out earth-moving work this year. All these activities will generate 270 direct jobs in 2024 for the local population.

In 2025, we expect to begin mine construction, which will generate 1,100 direct jobs over the year. To the fullest extent possible, we intend to fill the 9,000 jobs that we expect to generate during Tia Maria's construction with workers from the Islay province.

When we start operations in 2027, the project will generate 600 direct jobs and an estimate of 4,800 indirect jobs.

Our social programs in Islay totaled \$6.3 million in the last two years.

Our current programs promote a reduction in the cost of agricultural production by improving productivity with cutting-edge technology.

Additionally, we are working to provide Internet access to 4,600 school students.

On top of this, we are committed to developing health facilities, high-performance schools, research centers and roads in the Arequipa region via the work for taxes mechanism.

Tia Maria will generate significant revenues for the Arequipa region from day one of its operation.

At current copper prices, we expect to export \$17,500 million and contribute with \$3,400 million in taxes and royalties during the first 20 years of operation. The company is currently reviewing its historical capital budget for Tia Maria of \$1.4 billion.

We will update this budget by year-end.

For Los Chancas project located in the Apurimac region in Peru, the company continues to coordinate efforts with the Peruvian authorities to eradicate illegal mining activity.

Once this process is completed, we will resume the environmental impact assessment and initiate hydrogeological as well as geotechnical studies. We also will conduct a diamond drilling campaign for 40,000 meters to gather additional information on the characteristics of the Los Chancas deposit.

For the Michiquillay project in the Cajamarca region of Peru, as of June 30 of this year, total advancement on the exploration project stood at 30%.

We drilled 104,000 meters on a total program of 148,000 meters and obtained 33,991 core samples for chemical analysis. Diamond drilling is underway, which will provide data for cross-section interpretation, geological modeling and resource evaluation. This month, we will begin hydrogeological studies and in August geotechnical studies will commence.

We will also assess the results of metallurgical testing at the deposit in August.

For environmental, social and corporate governance, or ESG practices, we are glad to report that on August 1 of this year, the company will begin receiving Eolic energy from the Fenicias wind park, which is operated by Grupo Mexico Infraestructura. This will reduce our CO2 emission by approximately 250,000 tons per year, which is equivalent to 7% of Southern Copper's carbon footprint.

Southern Copper recently published its sustainability development report, significantly improving the granularity and specificity of information regarding our performance, commitment and efforts in environmental, social and government areas.

Our Buenavista mine in Sonora, Mexico has received the copper mark, the zinc mark and the molybdenum mark certifications for responsible production following a third-party independent evaluation of our performance in environmental, social and governance matters, including on this, human rights.

Consequently, all open pit copper, zinc and molybdenum production from our Mexican operations is currently certified by mark standards.

For education, our IMPULSA program seeks to provide our workers in Mexico with opportunities to qualify for certification of attaining of primary and secondary education and bachelor degrees.

From 2022 to date, more than 970 people have participated in this program and 430 have graduated.

At present, there are 540 workers actively participating in IMPULSA.

For human development, the sports adviser and coach of the Sonora Operations swimming team, Jorge Iga, qualified for the Paris 2024 Olympic Games after breaking the Mexican record for the 100-meter free style.

Thanks to Mr. Iga support in 2024, 17 students from our academies participated in six top-level competitions.

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, on July 18 of this year, Southern Copper Corporation announced a quarterly cash dividend of \$0.60 per share of common stock and a stock dividend of 0.0056 shares of common stock per share.

This is payable on August 26, of this year 2024 to shareholders of record at the close of business on August 9, 2024. Ladies and gentlemen, with these comments, we end our presentation today. Thank you very much for joining us.

Now we would like to open the forum for questions.

## QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) One moment for our first question, please. And it comes from the line of Carlos De Alba with Morgan Stanley.

Carlos de Alba^ Raul, just on Tia Maria, I would like to understand the rationale behind the new environmental approval that the company is doing or trying to get from the government that would be in relation to a dam that will supply water and not pursue the original desalination plant plus pumping station and pipeline. Given the less than positive history of the project, why would the company introduce this new uncertainty, which, honestly, in my opinion, it's just going to complicate matters for the company.

Potentially, but I want to clarify with you, this is because the CapEx will be lower and or the OpEx will be lower? Can you talk about like the magnitude, if I'm correct, the magnitude of the return on investment that the company would get with a dam as opposed to a desalination plant? Or how much is the CapEx for the desalination, the pumping station and the pipeline relative to the construction of dam?

And what is the difference in the OpEx going forward within the two projects?

Raul Jacob^ Okay. Thank you very much for your question, Carlos.



At this point, we are maintaining our approved project, which considers the desal plant. This is what we're developing right now.

If there is a possibility later on in time of including a dam to get the water that the project requires, we will consider that.

But at this point, we are following our current desal plan for the project. Regarding the costs, we're currently looking at all the CapEx -- as you know we have been reporting a capital expense of about \$1.4 billion for the project, but we are currently revising it because we want to add some facilities that were not considered in the first project. And we have obviously -- we need to accommodate some inflation cost in the project total CapEx.

For new facilities, I mean a new road that will connect the project to the coast of Islay. Not passing through the Tambo Valley.

That will remove one of the concerns that the farmers of Islay or the valley have about the trucks and all the materials that will move on for the project construction that will disturb the valley's environment.

So, for avoiding that, we're considering building a new road, it's a 20-kilometer road, roughly speaking. And some other changes since the project was approved in 2014, we have seen some technological advances that we want to include in the capital budget as well.

So, as we indicated in the press release, we are expecting to announce this by year-end at the most. That's the current status.

Carlos de Alba^ Just one clarification.

So you will build a road, not a railway, right?

Raul Jacob^ No, both things. The railroad will be for moving up the sulfuric acid and materials that we need to operate and down basically the production on a daily basis.

However, for the construction phase and to communicate directly to the coast, we will build a road that will connect the plant and the facilities for the project with the coast of Mollendo.

Carlos de Alba^ All right. Got it.

Okay. And then my second question is relating the outlook for costs before by-products? If I missed it, I'm sorry, but if you didn't mention, could you please let us know how you see the evolution of your cash cost before by-product -- the benefit of by-products?

Raul Jacob^ Well it's hard to know because we always have price variances either way, but I believe that we will be at about \$2 per pound before subtracting credits.

Please keep in mind that those \$2 now includes the additional cost of our new concentrator for zinc.

So, it's all the cost of the company, which includes the cost of the by-product plants that are related to our production complex divided by the pounds of copper that we're producing.

So, for this year, we expect it to be at about \$2. And then it depends on the production level that we have.

If we -- for instance, in 2027, when we add Tia Maria to our current production profile, we certainly will reduce our cost before by-product credits because the Tia Maria expected cash cost is in the range -- in the lower range of \$1-plus.

Operator^ One moment for our next question, and is coming from Marcio Farid with Goldman Sachs.

Marcio Farid^ A couple of follow-ups on my side here.

Firstly, how -- I think CapEx execution was a bit stronger than we were expecting for the quarter.

It's still relatively half of yearly guidance, right? But just trying to understand if investments for Tia Maria are expected to be materially higher for this year.

I think you had pretty much close to 0 for Tia Maria in the guidance for this year.

Are you anticipating some more expenditures related to that as investment seems to be quite not remarkable at this point. And yes, how should we think about final year CapEx and for Tia Maria, specifically as well? And similarly, for production as well I think, pretty good numbers, but roughly in line with our estimates.

We had, I think, guidance for the year around 950,000 tons. How you're thinking about final year guidance and your ability to reach the production guidance for the year, please?

That will be my questions.

Raul Jacob^ The second one is how sure do we feel about the production guidance, right?

Marcio Farid^ Yes. Yes.

Raul Jacob^ Okay. Let me start by this one.

Okay.

We feel very confident that we will either maintain or improve our production guidance in the second half of this year.

We are seeing our zinc new concentrator.

It's certainly operating at a very good pace.

We were very satisfied on that.

On the first half of the year, our SX-EW production at Buenavista was affected by some water scarcity that has been fixed.

We're already getting even more water than what we expect to have due to higher rainy season that we're seeing at the Sonora state.

So that is going to help our production of SX-EW copper for the second half of this year.

We have not included that as part of our current guidance. And I believe that there will be an upside factor for us. Coming to your first question on the CapEx for Tia Maria. This year, we are spending, as I said, we're doing a live fence that will be around the expected place for the new facilities for the project. And we will basically spend much less than a project of this magnitude would require.

However, we believe that we could -- we will be accelerating the capital expenditures for the project through the second half of the year. And for 2025, we expect to spend, in Tia Maria, about \$316 million. That will be for earth-moving activities and some other items that are related to the project.

I mentioned the road that we want to build. That will be obviously a very important source of new labor requirement, which is one of our priorities to use people from the Islay province and the Tambo Valley specifically.

And then for the rest of the CapEx of Tia Maria, we will advise on before year-end on this.

Marcio Farid^ Okay.

Can I just a quick follow-up as it sounds like costs a lot better on after by-product base. Volume is very strong.

Obviously we have -- we did not have the breakdown by each the full financial statements are out.

But where do you think was the beat in terms of positive surprise for -- after by-products, costs and obviously by-products production and revenues as well please.

Raul Jacob^ Well as I comment when we covered the cash cost portion of the presentation.

We have had the benefit of both, better prices and higher volumes. The new zinc concentrator obviously was important for getting higher volumes.

We have also had much better molybdenum production coming from our mines.

Zinc, well I mentioned already the impact of having a much higher zinc production coming from the new zinc concentrator.

And silver comes in higher quantities not only from our mines, but also as a by-product of the zinc concentrator.

So, higher volumes and better prices, that's what in my view explained the positive surprise that you were mentioning.

Operator^ One moment for our next question, and is from the line of Alejandro Demichelis with Jefferies.

Alejandro Demichelis^ A couple of things.

First is a follow-up on your net cash cost, yes. Raul, if I'm understanding correctly what you were saying, which is higher volumes on zinc, higher volumes of silver, then we should assume that, that extra by-product revenues should be stable.

Obviously with all the variations of prices.

But then your net cash cost should it kind of remain below the \$1 per pound?

Raul Jacob^ Hopefully, yes.

But we have to see where the prices are going through the rest of the year.

We don't know where prices are going to be in the second half of this year.

But regarding volumes, I believe that we will maintain the volumes that we have been achieving year-to-date for our by-products. And as well as copper, I already mentioned on copper that we would like to improve on the production forecast that we mentioned, and for by-products also we should maintain the production level.

Hopefully, prices will be, well the same or even better.

We see a better forecast, but that's where we are now.

Alejandro Demichelis^ Okay. And then it is a follow-up, obviously from the last quarter. Maybe you can give us some kind of indication of how we should think about -- how you're thinking about dividends for the rest of the year? Should we assume it's like a 50-50 between cash and stock?

Raul Jacob^ I can only say that it's up to the board to make that decision.

I think that the dividend, as was approved, having 50% in cash and 50% in shares, it's reflecting the new investments that we are undertaking, the Tia Maria investment as well as some payments that we have to do for next year.

If you see in our balance sheet, we have almost \$500 million in debt repayment that we'll have to do in April next year.

So, I believe that has made our board a little bit more conservative in the cash dividend and in a way to reflect the good time that we're seeing in our market and the production levels of the company that has been joined by a dividend in shares as well.

Alejandro Demichelis^ Okay.

Okay. And just to confirm, you said that for Tia Maria, for 2025, the CapEx expectation is about \$300 million, something like that?

Raul Jacob^ \$316 million, that's the current budget.

However, it's under review, and we would like to accelerate our CapEx expenses in Tia Maria.

But obviously with the proper activities to move on.

Operator^ One moment for our next question, that comes from Sofia Martin with GBM.

Sofia Martin^ I was just wondering if you could share with us your copper production guidance for the next couple of years?

Raul Jacob^ Certainly Sofia.

Okay.

For 2024, I already mentioned 963,200 tons.

For 2025, we will have a reduction in production coming from the Buenavista mine and the open pit operations of Peru. That will put us now at 921,000 tons.

For 2026, we are expecting a little bit more than 930,000 tons. And then in 2027 and the following years, we'll be getting the benefit of the Tia Maria production, and that will increase our production forecast close to 1 million tons by 2027 and over 1 million tons by 2028 onwards.

Sofia Martin^ Perfect.

Raul Jacob^ Yes. And for the next years, even though we haven't received the Board approval yet, we're considering an expansion of the Cuajone mine that will increase its capacity by about a third of what it is right now.

However, that is not included in our current capital forecast. That is something that the company is working on.

Operator^ Our next question comes from the line of Hernan Kisluk with MetLife.

Hernan Kisluk^ Following up on the previous questions about dividend and also talking about Tia Maria and the CapEx that we need for going forward.

Can you maybe remind us what are your capital allocation priorities? So we think that CapEx will be higher, but then thinking about the cash position, the net debt level and changes that you have been doing on the dividend front, how should we think about them going forward?

Raul Jacob^ Well, going forward, the company is focused, as it has been mentioned in several forums as well as these conference calls. We are focusing on organic growth.

We already finished the new zinc concentrator in Buenavista. And we are focusing on the projects that the company has, which are pretty much 100% owned by the company. And well, currently we are moving forward with Tia Maria.

We already finished the zinc concentrator in Mexico.

We do have two other projects in Peru and one big project in Mexico, which is, in Peru, the Los Chancas and Michiquillay projects and in Mexico, El Arco and El Pilar, that are two projects. And that's a part of our pipeline in mining, specific copper mining projects. And besides that, for the future, we're also considering the construction of metallurgical complexes, one in Peru and one in Mexico, that will be a way to process the long concentrate production that we have now.

Hernan Kisluk^ And given the growth projects that you have are going to grow the asset base, should we expect a stable net debt level for the next few years? Or will we go along with...

Raul Jacob^ I'm sorry, I couldn't hear what you said.

Hernan Kisluk^ On net debt. Yes.

Should we consider that it will grow? Together with the asset base in...

Raul Jacob^ For now, we have been paying our total debt.

We paid about \$700 million in the last five years. Next year, we have the maturity of one of our 10-year bonds that will mature in April, and it has a principal of \$500 million.

If we move on with projects, I believe that we will certainly touch the debt markets in the future.

But at this point, we have no concrete plans to do that.

Operator^ One moment for our next question and it's from the line of Alfonso Salazar with Scotiabank.

Alfonso Salazar^ Two questions from my side. The first one is regarding production and sales levels.

For several quarters now we have seen that production is above shipments.

So just wondering what is behind this? And if there is any reason in the long term to assume that these numbers shouldn't be the same?

The second question is regarding permits for tailing dams in Mexico, which we hear that some companies that having problems to secure these permits and they have to slow down production or they are considering having to do that in the future unless they get these permits.

Is there is any situation like that in your case? And also, if there is any update on the water pipeline that you need for Buenavista?

Raul Jacob^ Okay.

Well, the difference that you mentioned Alfonso refers to the difference between the copper contained in our mine production vis-a-vis the refined copper that we sell.

As you know we sell about 75% of all the copper production that we do is sold as refined copper or further processed copper such as rod. In doing this you lose a portion of your production, and that's why, if you see our production of copper and the sales, usually, they are slightly lower the sales in volume compared to the production volumes that we report. That's one of the reasons why you see this over time. And your second question, could you repeat it, please?

Alfonso Salazar^ Yes. Sure. Regarding tailings dam permits in Mexico, because you got some companies that have some problems?

Raul Jacob^ Yes. No. We haven't had any problems with that.

We're currently working to have all of our tailing dams, not only operating with the safety that we need them to have in order to maintain our operations at a sound pace.

But nothing to report in that regard.

We are basically looking into growing the capacity of these tailing dams.

And we are so far with no issues about this.

Alfonso Salazar^ Excellent. Any update on the water pipeline for Buenavista?

Raul Jacob^ No, for now it's basically as has been reported before.

Operator^ One moment for our next question, and is from the line of Myles Allsop with UBS.

Myles Allsop^ Maybe a few quick questions, follow-ups.

So, with Tia Maria, since your activity has been picking up over the last few months, have you seen any social unrest, Clearly, that's been an issue for many years with Tia Maria.

But do you feel you have more acceptance by the local communities at this juncture?

Raul Jacob^ Yes, we do see much better local acceptance to the project.

Obviously, there are some people that will never change their mind. They don't like mining and they are protesting.

But so far, we are seeing that the majority of the Islay population, which is roughly speaking, a little bit more than 50,000 people live in this province of Arequipa.

Of those 50,000 we see interest in the project to move on.

People are registering themselves into a website that we have opened for job offers.

So, we're seeing a very positive development in that regard. And we are making efforts to explain that the project will be environmentally safe for the people of Islay.

As it is the case with our operations in the southern part of Peru, where we have no issues regarding environmental matters with the local population of Moquegua, Tacna and Ilo.



Myles Allsop^ Okay. And then maybe going back to the capital allocation question earlier. Where does M&A fit within -- obviously organic growth is clearly the priority, but there are a few opportunities in Europe and so on at the moment. Where does that M&A kind of optionality sit within the priority of management?

Raul Jacob^ Well, the company is always open to review any opportunities that we have on M&A issues.

At this point, we're not looking into anything specific.

We are working on organic growth.

But if there is a good opportunity out there, our responsibility as management will be to analyze it and to report to our Board of Directors and ask them for a decision on that.

Myles Allsop^ Is there any really like Tier one assets that you're interested in, like proper big 120,000-plus thousand tons? Or would you look at smaller opportunities as well?

Raul Jacob^ We have made both things in the past.

So, the answer is yes and yes.

We have looked into assets that have over 100,000 tons of copper production as long as they are a good fit with our current operations, meaning by this mainly copper and low cash cost. That can be assets of 100,000 plus size or smaller assets that are close to our operations as has been the case with Pilares, for instance.

We have developed that deposit and it is feeding our Caridad operations right now.

So, it depends on certain conditions, but for smaller assets, it should most likely be relatively close to where we have our new operations.

For bigger ones, that's a different story.

Myles Allsop^ Okay. That makes sense. Maybe last question just on Mexico.

Obviously, we've had the elections. And do you think that the new government and the policy will impact your operations potentially in Mexico?

Obviously, there have been kind of incremental challenges, shall we say, over the last six years. And just on that El Pilar project as well it's never really talked about so small.

But is that still got all the permitting? Is it actually moving forward? Or is that still on hold?

Is El Arco viable under the current administration?

Raul Jacob^ For El Pilar, we are looking into some issues regarding the recovery of the SX-EW solution.

We're working on that.

For the other concern that you indicated, on the question regarding the new policies of the coming government, we have to see when they present them.

At this point, we have no specific issues to comment on this.

Operator^ One moment for our next question, and it's from the line of Jon Brandt with HSBC.

Jonathan Brandt^ Just two really quick ones for me. Just on Tia Maria, I know you're reviewing the CapEx that you have, but I'm more curious about the timing.

I believe you're looking at a potential startup in the second half of 2027. Do you see any risk that it maybe slips into 2028? If you could just talk a little bit about the timing as you see things.

And then second question is you mentioned the possibility of expanding the Cuajone mine.

I'm hoping you can give us a few more details around that. And if there are any other similar type or sort of smaller brownfield projects that you might have at your other mines that could help boost production in the coming years?

Raul Jacob^ Yes. Thank you for your question, Jon.

In the case of the Tia Maria current timeline, that's the best that we have at this point, is finishing the project by the first half of 2027, initiating the ramping up and having the project stabilized and operating at full capacity by sometime between the third and fourth quarter of 2027.

On the Cuajone expansion, the idea is to increase the capacity of the Cuajone operation by about a third of its current capacity.

Nowadays, Cuajone can mill about 90,000 tons of mineral per day on the Cuajone concentrator.

The idea is to build new facilities that will allow Cuajone to increase its milling capacity to 120,000 tons of material. That's basically it and, as I say, and let me stress, we're still working on that.

We have not Board approval, which is important that you keep in mind.

And I think that we have already covered the other question about on the kind of projects that we have been looking at.

Operator^ (Operator Instructions) Our next question comes from the line of David Zeng with CICC.

David Feng^ This is David from CICC. Just one quick question on your pricing for copper.

We know that the COMEX copper price tends to have some premium over LME copper price in some time this year. And given that our customers are mainly based in Americas, so I just wonder, shall we assume that the COMEX copper price would be a better referencing index for your copper sales instead of the LME copper price in most of your contracts?

Raul Jacob^ Okay. David, we do have most of our sales from the Mexican operations are priced using the COMEX price.

For the Peruvian operations and some of the concentrate sales of the Mexican operation, we have as a reference the LME price. And well, for now it looks more attractive selling on the COMEX market, but that could change very quickly.

This year, it is, as you say, arbitrage has been favoring the COMEX market due to the relatively scarcity that we're seeing on the COMEX market vis-a-vis the LME market.

But that's something that may vary over time.

So we are, for that reason, having a portion of our sales in COMEX terms as well as LME terms for some other portion of our sales.

Operator^ And Raul, I'm not showing any further questions in the queue.

I will pass it back to you for final comments.

Raul Jacob^ Thank you very much, Carmen. With this we conclude our conference call for Southern Copper's second quarter 2024 results. We certainly appreciate your participation and hope to have you back with us when we report our 3Q24 results. Thank you very much for being with us today and have a nice day .

Operator^ Ladies and gentlemen, thank you for participating in today's conference.

You may now disconnect.