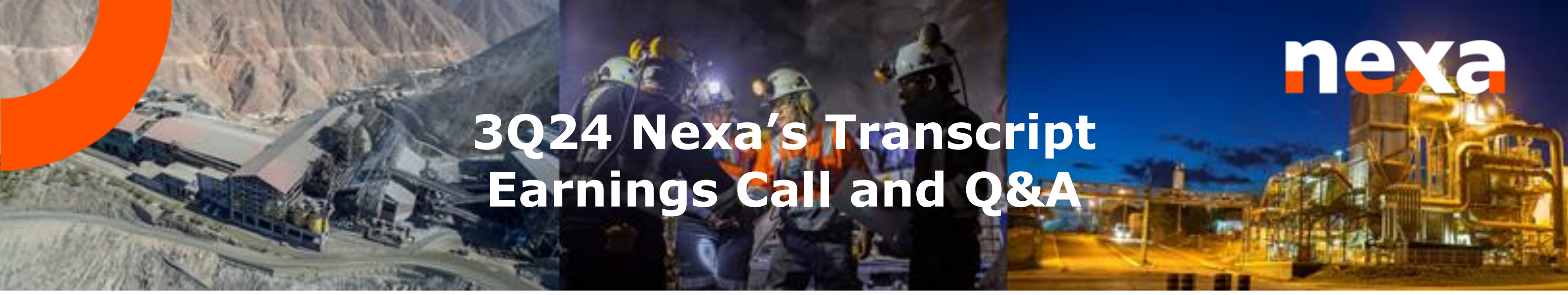

3Q24 Nexa's Transcript Earnings Call and Q&A

Participants:

I - Mr. Ignacio Rosado – CEO of Nexa Resources
J - Mr. José Carlos del Valle – CFO of Nexa Resources
R - Mr. Rodrigo Cammarosano – Head of IR & Treasury of Nexa Resources
L - Mr. Leonardo Coelho – Senior VP of Mining Operations of Nexa Resources
O - Operator

O – Good morning and welcome to Nexa Resources Third Quarter 2024 Conference Call. [Operator Instructions].

I would now like to turn the conference over to Mr. Rodrigo Cammarosano, Head of Investor Relations, for opening remarks. Please go ahead.

R – Good morning, everyone, and welcome to Nexa Resources Third Quarter 2024 earnings conference call. Thank you for joining us today. During the call, we will be discussing the company's performance as per the earnings release that we issued yesterday. We encourage you to follow along with this on-screen presentation through the webcast. Before we begin, I would like to draw your attention to slide number 2, where we'll be making forward-looking statements about our business, and we ask you to refer to the disclaimer and the conditions surrounding those statements. It is now my pleasure to introduce our speakers. Joining us today is our CEO, Ignacio Rosado, our CFO, José Carlos del Valle, and our Senior Vice President of Mining Operations, Leonardo Coelho. So now, I will turn the call over to Ignacio for his comments. Ignacio, please go ahead.

I – Thank you, Rodrigo. Good morning to everyone. Thanks for joining us today to go over our third quarter results of 2024. Let's move to slide number 3 where we will begin our presentation with the main highlights of the quarter.

We are pleased with our third quarter and year-to-date results. We have delivered consistent operational performance and maintained financial discipline. Our commitment to cash flow generation initiatives has been a key driver, supported by positive momentum in metal prices – especially zinc – which reinforces industry resilience and strengthen market fundamentals. With nine months behind us, we are on track to meet our full-year outlook. Zinc metal and oxide sales rose by 3% quarter-over-quarter, supported by improved demand in our home market. In mining production, zinc was relatively flat compared to last quarter, while lead and silver increased by 2% each, driven by higher treated ore volumes and grades. Copper production decreased by 4% due to lower-grade areas in the period. Our financial results were strong. Total consolidated net revenues for the third quarter reached US$709 million, up by 9% year-over-year, largely due to higher average LME prices. Adjusted EBITDA was US$183 million, 111% higher than the US$87 million reported in the same quarter last year, with Adjusted EBITDA margin of around 26%, expanding by 12 bps. This performance was mainly driven by higher by-product contribution, higher zinc prices, and lower mineral exploration and project evaluation expenses. Our net leverage ratio improved to 2.2x, down from 2.7x in 2Q24 and 3.1x in 3Q23. Regarding Aripuanã, I will provide further details later, but here are some key points: Aripuanã generated positive operating cash flow and marked its third consecutive quarter of EBITDA growth. Treated ore volumes rose significantly due to improved plant performance and stability. Notably, we reduced plant downtime and corrective maintenance, boosting operational efficiency. However, zinc production experienced a minor dip in 3Q24 compared to 2Q24, primarily due to lower grades and increases in talc levels in the flotation circuit. On the Cerro Pasco Integration Project, I am pleased to share that the tailings pumping system, a key step in phase 1, is currently undergoing the internal approval process - I will provide more details in the upcoming slides. Additionally, as previously disclosed, we announced the sale of the Pukaqaqa Greenfield Project and the non-operational Peruvian subsidiary, Minera Pampa de Cobre – the owner of the Chapi mine. These sales align with our portfolio optimization strategy, prioritizing efficient capital allocation to high-return assets. Now let's move to slide number 4 to discuss our operating performance.

Regarding the operating performance of the mining segment, zinc production reached 83 thousand tonnes in 3Q24, down by 5% year-over-year. This decline was primarily due to the absence of contributions from Morro Agudo along with lower zinc average grades, particularly at Vazante and El Porvenir. Compared to 2Q24, zinc production remained relatively stable, supported by higher volumes from Vazante, El porvenir, and Atacocha. This was partially offset by the absence of contributions from Morro Agudo and slightly lower volumes from Cerro Lindo and Aripuanã. In terms of cash cost, in 3Q24, the cash cost decreased to US$(-0.01) per pound compared to US$0.34 per pound in 3Q23. This decrease was mainly attributed to lower treatment charges and higher by-product contribution in the period. Compared to 2Q24, mining cash cost also decreased by US$0.04 per pound, driven by lower operating costs and slightly higher zinc volumes. The cash cost for the first nine months of this year has performed within our updated guidance range for the year. It's worth mentioning that last week, we issued a press release informing the market of the reduction in our cash cost guidance for 2024, which reflects a 64% decrease from the previous guidance issued last february. This adjustment is supported by higher LME metal prices, year-to-date performance, increased by-products contribution, and slightly lower TCs. The cost per run of mine for the quarter was US$46 per tonne, up 6% year-over-year due to lower treated volumes resulting from the cessation of mining operations at Morro Agudo. This was partially offset by lower operating costs related to third-party services, personnel, and energy. The cost per run of mine in the first nine months of this year performed within our unchanged guidance range for the year. Now, moving to slide number 5.

Regarding the operating performance of the smelting segment, metal sales totaled 153 thousand tonnes in the third quarter, down 1% from 3Q23. Compared to 2Q24, metal sales increased by 3%, driven by higher production volumes at Cajamarquilla and Três Marias, along with constructive demand in our domestic market. Consolidated smelting cash cost in the quarter was US$1.16 per pound, up from 1.01 per pound in 3Q23. This increase is mainly attributed to higher raw material costs, resulting from increased zinc prices and lower TCs, as well as higher operating costs, which was partially offset by higher by-product contribution. When compared to 2Q24, cash cost decreased by 3%, mainly explained by lower TCs, which was partially offset by the impact of lower zinc prices on our concentrate purchases and increased by product contribution. Our conversion cost was US$0.32 per pound compared to US$0.29 per pound in 3Q23, mainly due to higher operational costs related to maintenance expenses. This was partially offset by the positive impact of foreign exchange variations in the period. Compared to 2Q24, conversion cost increased by 6%, driven by higher variable and one-off energy costs in Cajamarquilla, which were partially offset by a decrease in maintenance expenses. I want to highlight that both cash cost and conversion costs in the first nine months of 2024 performed within our unchanged guidance range for the year. Now, moving to slide number 6, where we will start talking about Aripuanã.

The 3Q24 was another important quarter for Aripuanã. We achieved positive Adjusted EBITDA for the third consecutive quarter and recorded our first full quarter of positive operating cash flow. This improved financial performance was driven by our ongoing efforts to enhance operational efficiency alongside a strong-zinc-price-environment. In terms of production, as I mentioned in the first slide, we noted a significant improvement in treated ore volumes, by 12% in September compared to 2Q24 and a remarkable 27% increase compared to 1Q24. However, the performance of our tailings filters is currently limiting our capacity to exceed 90%. Throughout the year, we have been actively working to enhance tailings filter performance. However, due to operational limitations of the existing filters, we have decided to acquire a fourth filter, which is expected to be delivered in 2025. This addition will significantly boost our filtering performance and support further production increase. We also made meaningful progress in reducing plant downtime, achieving our lowest levels to date, with a 33% decrease compared to 2Q24 and 40% compared to 1Q24. Moreover, we maintained stable concentrate quality within commercial specifications. It's important to note that, during this quarter, average recoveries for zinc and lead were impacted by lower average grades and increased talc levels in the flotation circuit. In terms of metal production, we experienced flat zinc output, an increase in copper production, and a decrease in lead. Looking ahead, we anticipate further increases in treated ore and throughput rates, higher metal recoveries, and cost reductions, all aimed at improving our results. Now, moving to slide number 7, where we will talk about the advancements of the Cerro Pasco Integration Project.

In this slide, I would like to highlight our progress with the Cerro Pasco Integration Project. As discussed in our previous calls, this project has the potential to unlock significant value for Nexa. In 3Q24, we made important strides across various work fronts, including the start of the approval process for the tailings pumping system. The execution involves the construction of a tailings treatment plant in El Porvenir and a 6km tailings pipeline connecting the El Porvenir plant to the tailings storage facilities in Atacocha. In addition to the tailings pumping system, phase 1 includes investments to raise the El Porvenir tailings dam, which is already underway as part of El Porvenir's regular sustaining CAPEX. It also considers future investments to elevate Atacocha's tailings facility. The goal of this phase is to significantly extend the operational capacity of the tailings storage facilities at the Pasco complex, prolonging the operations. In the next slide, I will provide further details on the tailings pumping system. Now, moving to slide number 8.

As said before, the key benefit of this investment is the substantial increase in tailings storage capacity at the Pasco complex, allowing us to operate for over 10 years. The estimated execution period for this project is 2 years, from 2025 to 2026, with an expected operational start in the first half of 2027. The total investment for this initiative is estimated to be between US$85 and US$90 million, distributed over 2 years of execution. Key components of the system include the thickener area, water clarification, and reagent systems in El Porvenir, as well as the tailings pumping and transportation system, along with the necessary electrical infrastructure. We are confident in the potential this investment brings to our operations, the subsequent phases of the project, and the sustainability of the Pasco complex. I will turn the call over to José Carlos del Valle, our CFO, who will present our financial results. José, please go ahead.

J – Thank you, Ignacio. Good morning to everyone. I will continue on slide 9. As you can see from the chart in the upper left, total consolidated net revenues for the third quarter increased by 9% year-over-year. This increase was primarily driven by higher LME metal prices (with the exception of lead), although it was partially offset by slightly lower smelting sales volume and a lower net premium. When compared to 2Q24, net revenues decreased by 4%, driven by lower LME base metal prices and lower by-product contribution, partially offset by increased smelting sales volume and higher net premium. For the first nine months of 2024, net revenues totaled US$2,026 million, up by 4% from the same period a year ago. In terms of profitability, consolidated Adjusted EBITDA for

3Q24 reached US$183 million, up from US$87 million a year ago. This improvement was mainly attributed to higher by-product contribution, increased zinc prices, and higher margins in Aripuanã. Compared to 2Q24, Adjusted EBITDA decreased by 11%, driven by lower base metals prices and lower by-product contribution, partially offset by an increase in smelting sales volume. For the first nine months of 2024, Adjusted EBITDA totaled US$517 million, a remarkable 75% increase compared to the same period last year. This growth was primarily driven by higher by-product contribution, increased zinc prices, and higher margins in Aripuanã. Additionally, lower costs and reduced mineral exploration and project evaluation expenses contributed to this increase. Finally, it is worth noting that our consolidated Adjusted EBITDA margin increased to 26% in 3Q24, representing a 12bp improvement compared to 3Q23, although decreased by 2bps compared to 2Q24. Now, lets move to the next slide, number 10.

In the top left of the slide, we can see that in the first nine months of 2024, we invested US$191 million in CAPEX, with nearly all of this amount directed toward sustaining activities, including mining development and tailings storage facilities. In line with our ongoing capital allocation strategy, we have reduced our capital expenditures guidance by US$11 million, updating the figure from US$311 million to US$300 million. With respect to mineral exploration and project evaluation, we invested a total of US$45 million in the first nine months of 2024, with US$28 million allocated specifically to mineral exploration and mine development to support our exploration activities. Following the typical pattern we observe each year, we expect our investments to increase in the fourth quarter of 2024. Therefore, we are maintaining our 2024 guidance for exploration and project evaluation at US$72 million. Now let's move on to the next slide, where i will discuss our cash flow generation for the quarter.

Starting with the US$183 million of Adjusted EBITDA, net of non-operational items, we generated a strong cash flow from operations before working capital variations, totaling US$198 million in the quarter. We then paid US$38 million related to interest and taxes and invested US$55 million in the total CAPEX in our operations. Additionally, loans and investments had a negative net impact of US$6 million, primarily due to premiums paid on our bond repurchase program, along with payments for loans and financings, and lease liabilities. These effects were partially offset by the cash dividend received from Enercan and net sales of financial investments. We also paid US$7 million in contractual dividends to non-controlling interests. Furthermore, we had a positive impact of US$2 million from foreign exchange variations on our cash and cash equivalents, driven by the appreciation of the brazilian real against the U.S. dollar during the period. Finally, we had a negative effect of US$43 million related to working capital. Despite a negative year-to-date position, we remain focused on implementing initiatives, such as enhanced receivable management, to reverse this position in the next quarter. Combining all these effects, our free cash flow generation in 3Q24 amounted to US$51 million. Now moving to slide number 12.

In this slide, you can see that our liquidity has improved and remains healthy, and we continue to maintain a sound balance sheet with an improved and extended debt maturity profile. At the end of 3Q24, our available liquidity was approximately US$845 million, which includes our undrawn sustainability-linked revolving credit facility of US$320 million. Regarding our overall debt profile, the average debt maturity in 3Q24 was 5.7 years. Resulting in an average cost of debt of 6.36%. Importantly, as of September 30th, our total cash position is sufficient to cover all obligations maturing over the next 3.9 years. In terms of leverage, our net debt to Adjusted EBITDA ratio decreased from 2.7x to 2.2x times quarter-over-quarter. This decline is primarily attributed to the increase in adjusted ebitda over the last twelve months and a reduction in net debt. We will remain attentive to market conditions, continuously evaluating options to optimize our financial structure, diversify our funding sources, and enhance our liquidity position. Maintaining a maturity profile aligned with the long life of our assets and achieving the most competitive costs is our utmost priority. The extension of our debt profile is part of our ongoing optimization efforts and reflects our commitment to prudent financial management and confidence in the long-term prospects of our business. Moving now to slide 13.

Regarding the zinc market fundamentals, it is noteworthy that in 3Q24, the LME zinc price averaged US$2,779/t, up by 14% from 3Q23 and down 2% from 2Q24. As anticipated, the fundamentals for zinc remain solid and constructive, providing positive support for prices, with recent levels exceeding us$3,000/t. These fundamentals are underpinned by a trend that began last year, when low zinc prices in the second half of 2023 prompted some players to cut zinc concentrate production. This decision adversely affected global concentrate supply, resulting in decreased treatment charges. As illustrated in the lower part of the slide, TCs have been sharply declining since September 2023. Spot TCs in China have been trading at negative levels since mid-June to July this year, which has begun to adversely impact smelters' margins by increasing raw material costs. Consequently, in August, a group of Chinese smelters, part of the China zinc smelter purchase team, announced potential cuts to metal production due to tighter supplies of zinc concentrates and low TCs. Given this scenario, we expect metal production in 2024 to be lower than in 2023. In our view, these market conditions are unlikely to dissipate quickly, continuing to provide positive support for prices. Moving now to slide 14.

In 3Q24, the LME copper price averaged US$9,210/t, up by 10% from 3Q23 and down 6% from 2Q24. In the short-term, copper prices are expected to remain positively supported by China's economic stimulus, which could provide additional support to copper demand, along with a still tight concentrate market. For silver, the price averaged US$29/oz in 3Q24, up by 25% from 3Q23 and 2% from 2Q24. The short-term fundamentals for silver are also positive, driven by the energy transition and concerns about future silver availability, as most silver is produced as a by-product of other metals and relies on new mine projects to coming online. Nexa is a significant silver producer, with annual production estimated to be around 11 to 13 mmoz according to our 2024 guidance. Looking ahead, copper and silver prices are expected to remain positively supported by U.S. monetary policy, economic stimulus in China, and efforts related to the energy transition. Now I will hand over the presentation back to Ignacio for his final remarks.

I – Thank you, José Carlos. As we look to the remainder of the year, we are confident that zinc and copper prices will continue to receive strong support from global fundamentals, reinforcing our outlook for a robust close to 2024. The landscape shaping the base metals market - especially zinc – is characterized by stable demand, supply constraints, and the pivotal role zinc plays in galvanizing sustainable infrastructure. This is a metal at the heart of today's industrial growth and tomorrow's green innovations. Our commitment to enhancing productivity, efficiency, and performance across all operations remains steadfast. We are focused on extending the life of our mines and consistently improving our cash generation, all while prioritizing the safety of our people. We believe Nexa is very well positioned to seize growth opportunities. With a well-establish business, a proven track record, and a strong commitment to stakeholders value creation. This concludes our remarks. Thank you for your support. Operator, we are ready to open the floor for questions.

Q&A Session:

O – We will now begin the questions and answers session. [Operator Instructions] Our first question comes from Orest Wowkodaw with Scotiabank.

Question – Hi, good monrning. I wanted to get a little more color on the status of Aripuanã. You mentioned that you need another tailings filter that's coming next year. Can you give us more specifics, i.e., where is current throughput constrained until that new equipment is put in? And when next year do you expect that to be operational?

I – Yes. So, what we said is, Aripuanã is already in operation today. Aripuanã process between 130,000 to 140,000 tonnes per month, and this is equivalent to 90% of the capacity. So, the problem that we face with the filters is that we have a lot of fines and the capacity of the filters cannot absorb those fines, so limits the capacity. This happened because this was a fast-track project during the pandemic and COVID-9 in a very isolated area. So, the design of the filters that we had and the implementation of them were not proper to the mineral that we are processing today. Having said that, the fourth filter is necessary. We knew this since February or March of this year. So, we have been doing tests to accommodate a fourth filter that has higher capacity and has the capacity to have a lower humidity of tailings. So, we are ready to approve that. This is going to happen in the next two weeks. The implementation will take between ten to fourteen months. We are trying to fast track that and the cost might be between US$12 million and US$14 million. Once we approve it and we are executing the project, we will give more flavor on that. This filter will give us not only, let's say, full capacity, but we have more capacity in the other parts of the process of Aripuanã. So, if we are able to develop the mine as we are expecting that, we might even increase production further of the design capacity that it is today. So that's more or less where we are.

Question – But does that imply then it sounds like all of 2025 will be constrained at around 90%?

I – Yes, yes. I mean, we are aiming to produce between 140 to 150 in all 2025. And there's nothing we can do because the filter, the production, the manufacturing of the filter will take more or less six to eight months, but then we will have to run in parallel with the civil works. And we already have that detail, but it won't take less than ten to fifteen months.

Question – Okay. But I assume that means there's now downside risk to your previous 2025 guidance at Aripuanã. I think it was US$58 million US$72 million. Any idea at this point how much impact that could have?

I – I would say that we are still fine-tuning the life of mine plan for next year. I would say that it will be safer for us to give you that information in our estimates that we provided in January. So for that, I would rather wait for that because it will be more accurate and we are still fine-tuning all these plans.

O – And the next question comes from Carlos De Alba with Morgan Stanley.

Question – Thank you very much. I just wanted to hear a little bit what your view on the impact of the recent trends on TC/RCs for Nexa. I know that you have staggered your contracts over the next 3 years, but nonetheless, you have some exposure, and so I wanted to get your take on that.

I – Yes. This is the main question in the market today. This is the question. So what is happening in the market is that TCs are negative, and this is an unusual situation for everybody, given the shortage of concentrates, zinc concentrates that happened in 2024 and 2023 and the capacity of the smelting capacity in the world. So, we as smelters have to pay miners to get the concentrate and process that. And this is a very unusual situation that I don't think is going to prevail for many other months. Besides this and because of the recession in China and the recession in Europe that still goes, the premiums that we are facing today, the premiums we get to sell the metal are also going down, probably to normal levels that we had 5 years ago, okay? So the two main sources of income of the smelters are reducing and sometimes have to be negative because of the TCs. So we gather with most smelters and everybody is ready to cut production. In the case of Nexa is the same. We are evaluating contract by contract and we will make decisions during this budget season. And if we believe that buying concentrate at negative terms and selling at lower premiums will not pay, we will cut production. We can do that easily. How much or what percentage of our production is going to be cut, we don't know yet. And once we have our budget approved, we will come back to the market. The thing is that this is reflected in the zinc price because all the market knows this. So given that inventories of zinc are low, imagine this cutting production will generate a problem in the market, even if there is a recession and then I would say, further prices increases could happen. My view, my personal view is that the market will adjust this in the next three to six months. But 2025, it will be a really bad year for smelters. And I mean, this is the situation, and we have to face it.

Question – All right. But you have a very high level of vertical integration, right? What is right now? What are your expectations for the vertical integration between concentrate and smelting capacity for 2025?

I –It's a very important question because in Cajamarquilla, 50% of the ore feed in Cajamarquilla comes from our mines. So the benefit goes to our own mines. But the other 50% comes from the market and that's where Cajamarquilla gets the hit. It's negative for Cajamarquilla in that way. In the case of Brazil, the percentage is higher between 80% to 90% of the concentrate comes from our mines, but the other 10% comes from the market. But Brazil has to import. Cajamarquilla, I mean, the local market in Peru provides zinc for Cajamarquilla. So Brazil incurs an additional cost. So the penalty for Brazil is higher. But the integration with our mines help with this situation and that's why our smelters are in a better position, if you compare them with the rest of the market.

O - And the next question comes from Lawson Winder with Bank of America.

Question – Thank you, operator. Good morning everyone, I appreciate the updates today. May I ask on capital allocation, particularly M&A and in the context of your rising free cash flow. So I mean, despite the issues at Aripuanã, I mean, the other assets are remarkably offsetting those challenges and you are generating robust cash flow at this point. Where is your thinking in terms of timing of potential M&A? Is the focus still on copper? To what extent might you also consider M&A in the zinc space?

I – Yes, that's a great question, and thank you for the question. Yes, we are starting to generate cash flow, as you are saying, Aripuanã is not consuming any more cash flow and is producing some. And the rest of the mines, at these prices, have a lot of cash. So the aim is to reduce the debt right away because even if our net debt is 1.2x, 1.3x, our gross debt is high, and we want to make sure that we reduce that right away because the interest that are competitive, I would say, is still a cost and we want to make sure that we have the minimum cash and reduce the debt, the gross debt. So that's what we are trying to achieve in the next 1 or 2 years. In parallel, we are developing our mines. We are developing Pasco, putting some capital allocation there, US$140 million. The pumping system is US$90 million. The other US$50 million is the integration of the mines and the upgrade of the shaft. That is happening in the next 2 years and that will bring us more production in Pasco. So part of the capital allocation will go there. And then we are finding some very good targets in Cerro Lindo as well, the most profitable mine. So next year will be a very good year in trying to project if we can have more life of mine in Cerro Lindo. So that is in the capital allocation within our mines. Having said that, yes, we are still aiming to buy copper. The reason is behind the mines or the profile of the mines that we look in copper are similar to the mines that we have today. The ticket for us is around US$800 million. It's like 50,000 to 60,000 tonnes of copper. And the reason behind is that we can still produce and manage this type of mines, but copper has less volatility than zinc and it will diversify us and give us a profile. We are actively looking in the market. We have been doing that for the last 3 years. There are some options that we have today. So while we are reducing the debt, we are looking for opportunities. And once we have those opportunities, we will decide on the next 3 years capital allocation. And that's where we are today. Luckily, the zinc prices look good, the copper prices as well. We have now all the mines running at full capacity, but Aripuanã that has going through these challenges. Smelters are going through a difficult situation today, but I don't think that's going to be the case in 2026. So going forward, yes, we will start producing cash flow and reducing the debt and looking for the opportunities, especially in copper.

Question – Thank you very much, Ignacio, that's very helpful. And then if I could just follow up on your release from 2 weeks ago on exploration, what is your current thinking on year-end reserves, particularly at Cerro Lindo because you've highlighted the fact that you'd like to extend the life mine there. But also at Vazante and Aripuanã, do you expect that you can replace reserves or better again this year?

I – Yes. So let me see if I hear you correctly. So in the case of Cerro Lindo, yes, if you look at the profile of Cerro Lindo, the OB-8 and OB-9 have been replacing yearly reserves in Cerro Lindo for the last year. So what we are doing is that we are drilling near these deposits to bring more life of mine. And today, we have close to 8 to 10 years of life of mine, which was the case many years ago, but I think we are increasing that. The good thing with that is that these resources that will be converted into reserves for these 10 years are still profitable. They are very close to the infrastructure that we have today. So we are confident that the next 10 years of Cerro Lindo will be very similar to what we have today. Having said that, we found some very good anomalies near the current infrastructure, one was Pukaqaqa. We started drilling Pukaqaqa didn't show the potential we wanted, and it was like 3km away. But there is a new area that is 2km or 3km, but on the other side of the infrastructure that we will start drilling on 2025. We are allocating US$8 million to that, and we will have some results towards the end of 2025. It's early days, but the anomalies show that we might have a potential there that can bring us 5 to 7 years more. So that is a priority for us given that Cerro Lindo is the most profitable mine by far. In the case of Aripuanã, is a very good case because Aripuanã has been a really bad project to build. It was a fast track. We spent a lot of money. It was between in COVID, and we made a lot of mistakes. And we are at the end of that process today. However, we have also been drilling Aripuanã. And then the outlook that we have for that mine is that we can easily have 30 to 35 years of reserves in the area that we have, because in the surroundings, we have a mineral district that we have to consolidate. So that is also a priority for us because, yes, it has consumed a lot of cash flow. Today, we don't need to drill more, but at least we have to bring infill resources to make sure that the potential is there. And you can see that from our drill holes and from the report, you will see that there is a lot of mineral coming in this infill resources. So these are the two alternatives in our operations. The third one, and I don't know if you didn't mention that is Pasco. What happens in Pasco? Pasco is going to integrate the 2 underground mines. As we were saying, the Atacocha mine is not operating from the underground because the 10 million tonnes of resources cannot convert into reserves because the CAPEX doesn't pay. But if you connect them with the El Porvenir that you reduce the CAPEX significantly and you take the mineral through El Porvenir using the shaft that we will upgrade that shaft. Okay. We have also been drilling a lot in the intersection and orders of magnitude, for Cajamarquilla that is worth US$100, Atacocha US$150. And the mineral that we are finding in the intersection that has a lot of potential is US$200. So the idea is that once they are interconnected, we will increase the NSR per ton, the NSR of Pasco, and we will increase profitability. So Pasco is a mine that is going to have 10, 15, 20 years of life of mine with a better NSR. And it's a location that we know. So these are priorities for us. The 3 of us, these are priorities, and we will explain to the market in 2025 and 2026, what we will do in these 3 important projects, 3 important operations.

Question – Okay. Fantastic. And just one follow-up. I appreciate you touching on the regional target at Cerro Lindo. So just on that target, what is the thinking right now in terms of what you'll spend on that in 2025? And then secondly, is that region subject to the silver stream?

I – No, it's not subject to a silver stream contract like we do today. But today, we have, we found a very big anomaly there, and we put 2 drill holes, more than 1,000 meters drill holes that cross this big anomaly, yes. And we found similar to what we have in the OB-8, OB-9, all the infrastructure that we have, okay? So what we are doing is putting like 5 more drill holes with more than 1,000 meters to start to delineate what is the shape of this anomaly and this is the beginning of what we are going to do. This is starting in January, as I said, US$8 million. So I would say towards June and towards December, we will have more information on those. Our team is conservative on that. But you see their faces and they look happy. So we'll see what happens.

O – At this time, we are showing no more questions. We can move to the webcast questions.

R – We have some follow-up questions from the audience in the web. So the first one, it comes from Matheus Moreira from Bradesco BBI. Hi guys, congratulations for the results. We have seen overall positive dynamics for zinc prices in the past few weeks with continued tightness on the supply side. So going forward, how do you see supply-demand dynamics? So I believe that Ignacio has already addressed, but José Carlos will complement the question.

J – Thank you, Rodrigo. Good morning everyone. Yes, as you might remember, we've been anticipating this situation in previous calls, expressing that we believed in the fundamentals of zinc and that we expected for prices to increase at some point. So in the last few months, this has materialized. And as Ignacio mentioned, we currently have a very tight concentrate market. The story for zinc continues to be more a supply story. Even though we currently have soft demand in China, what we're seeing are constraints in terms of supply of concentrate. Just a couple of days ago, if I remember correctly, there was a publication by BMO anticipating that zinc concentrate production for 2024 will actually be lower than zinc concentrate production in 2023. So it is very unlikely the way we see it that prices will go back down to levels that we saw last year, US$2,400, US$2,500. I think personally that these prices are a better reflection of market dynamics. And going forward, even though zinc demand grows at low single digits, it's a very consistent demand growth. So based on the limitations that we have on supply in the concentrate market that may later translate to the metal market because of the actions that could be taken by smelters, this situation of tightness could prevail for some time. With the potential growth of zinc going forward, supported also by its participation in the energy transition economy, we expect that fundamentals will continue to be strong, that supply will continue to be constrained and that we should continue to have strong fundamentals. We don't know whether this will be at US$3,000 at US$3,200 at US$2,800, but certainly, we don't see prices going back down to the lower levels that we saw before. There could be some volatility along the way. It's never a straight line. But I think the dynamics that we're seeing will continue to evidence the strong fundamentals of the zinc market. I hope that answered the question.

R – Thank you, José. We have one question. This is more connected to the leverage. So it's from Julian Rios from SMBC Nikko Securities. So if the intention of the company is to reduce gross debt, do you guys have any specific type of liability management that we, as a company, that you as a company expect to undertake?

J – Yes. In general terms, and I think it's consistent with what we have explained before, we are in a cyclical industry. So we will feel more comfortable with lower levels of leverage. There's part of the leverage that we control or that we can influence and there's part of the leverage that we can't. We saw our net leverage levels peak in the first quarter of 2024. If I remember correctly, it was around 3.7%, 3.75%. This was mainly due to the decline in the price of the commodities that we sell. This situation is reverting because of the higher prices that we have. So we have better results. And also, we are having better operational performance and a higher contribution from Aripuanã. So that peak level of 3.7% is now at 2.2%. And with these operational levels and these prices, we continue to expect that, that trend is going to prevail going forward. So we would like to be below 2% for sure. Our target would be something in the range between 1% and 1.5%, so that it will give us the buffer to absorb the different cycles that we can see or short-term volatility that could still take place going forward. So that is in line also with the comment made by Ignacio that we want to reduce gross debt that will help us reduce our net leverage and also allow us to reduce the cost of interest every year, which is significant for a company the size of Nexa. So that will continue to be a priority.

O – This concludes our question-and-answer session. Now we will hand the call over to Ignacio for final remarks. Mr. Rosado, please go ahead.

I – Thank you, Dave. Thank you very much, everyone, for attending the call. We look forward to close the year achieving all our targets and achieving guidance. We are very committed to that and we are very committed to our 2025-2026 challenges. We believe that Aripuanã will start performing and will become a very solid operation going forward. We believe the Pasco project is going to give us a lot of upside. And we believe that we are well positioned to look for some other acquisitions in copper. Thank you again, and we look forward to hear from you in the following quarter.

O – The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

Participants of the Q&A:

Orest Wowkodaw - *Scotiabank*

Carlos De Alba – *Morgan Stanley*

Lawson Winder – *Bank of America*

Matheus Moreira – *Bradesco BBI*

Julian Rios - *SMBC Nikko Securities*

(Call Duration: 53 Minutes)