



Nexa Resources S.A.

2Q19 Nexa's Transcript Earnings and Q&A

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2Q19 Nexa's Transcript Earnings Call and Q&A

	Participants
T	Mr. Tito Martins - CEO of Nexa Resources
M	Mr. Rodrigo Menck - CFO of Nexa Resources
R	Ms. Roberta Varella – Head of IR of Nexa Resources
P	Presenter

P - Good morning, and welcome to the Nexa Resources Second Quarter Conference Call. (Operator Instructions) Presenters on this call today are Mr. Tito Martins, CEO of Nexa Resources; and Mr. Rodrigo Menck, CFO of Nexa Resources. Also joining the call is Ms. Roberta Varella, Head of Investor Relations. Please note, this event is being recorded.

I would now like to turn the conference over to Mr. Tito Martins, CEO of Nexa Resources. Please go ahead, sir.

T - Thank you. Good morning, everyone, and thank you for participating in another Nexa's earnings conference call. Today, we will be talking about our results for the second quarter of 2019. Please, let's move to Slide 3, where we will begin our presentation.

Here, we present some of the main highlights of the quarter. Considering our mining operations, zinc production was slightly lower year-over-year at 91,000 tons, and the lower production in Cerro Lindo was offset by the increase from our other mines.

Unfortunately, we had a fatal accident with one of our employees in Cerro Lindo, which stopped our mining operations for 3 days. And as a consequence, we faced some instability in the month production, which was normalized in July. Once again, we would like to express our condolences to the family of the victim and assure that all necessary measures were implemented to improve safety conditions.

Our smelting operations were solid. Metallic zinc sales volume was up 3% year-over-year and around 8% quarter-over-quarter, driven by stronger seasonal demand. Adjusted EBITDA was \$118 million, down 28% from the same period a year ago, but up around 10% when compared with the first quarter. It's worth mentioning that this number was negatively affected by an increment in provision expenses of \$12 million.

Liquidity remained strong, and we ended the quarter with a leverage of 1.3x. We were able to revert the net loss registered in the first quarter, and we recorded a net income of \$23 million in the quarter.

Regarding the guidance provided, we decided to maintain the forecast for zinc production for the year as we expect to successfully execute our mining plan during the second semester. Copper and lead ranges were revised downward. But on the other hand, we increased our expected production for silver and gold. Our guidance for zinc metal sales and CAPEX are maintained.

In terms of projects, our construction works in Aripuanã continue to advance and 58% of the total CAPEX project has been committed. We are happy to announce that Vazante dry-stacking tailings project has been ramping up.

Moving to the next slide, we provide more updates on Aripuanã. Slide 4. Construction works in Aripuanã continue to move forward. The access ramp for the Arex mine was concluded, and we have achieved 90% of physical progress for the access ramp at the Link mine. Around 58% of the total project CAPEX has been already committed, and we maintain our CAPEX guidance of \$140 million for 2019. The installation of electrical transmission line and temporarily facilities have started. And we also have started our recruitment program and 515 local candidates have been selected for future mine and plant operations. We are also working different programs with the local communities, including the improvements on the local public hospital and public schools.

Now please move to Slide 5. On Slide 5, we will comment on our mineral exploration and project development investments. As part of our strategy, we aim an average life of mine of 12 years for our current operations. As a result, our exploration activities are primarily concentrated on identifying new ore bodies and the validation of mineral resources and its conversion to reserves. We also believe project development is an intelligent manner of maintaining an optimized portfolio of organic and inorganic options for growth.

During the second quarter, mineral exploration expenses were \$19 million, mainly related to greenfield and brownfield exploration. Project development disbursements amount \$9 million, including \$5 million in FEL1 and FEL2 project studies.

Turning to the Slide 6, we will comment in more detail where we are investing. In Cerro Lindo, our main mine complex, our objectives are to extend known bodies and develop exploratory drillings to find new mineralized zones. 12,294 meters of drilling were executed, focusing on nearby greenfield areas in the southern region of the Topara Valley, close to our current operations. And to a lower extent, on the named Orcocobre region. As a result of our exploration program, we expect to update the data for Cerro Lindo by November 2019 through a new technical report.

Now please move to Slide 7. In Vazante, 6,880 meters of drilling were executed, focusing on extending resources. At our main target, Extremo Norte, deep far north extension, drilling confirmed a new zinc mineralized zone.

Please now turn to Slide 8. Slide 8 refers to drilling campaign in Pasco complex. 13,294 meters of drilling were executed at the El Porvenir mine, focusing on extending known ore bodies and 10,422 meters were drilled in Atacocha, looking to identify nearby greenfield areas such as San Gerardo underground and the Atacocha - El Porvenir operational integration area. Over the following months, exploration campaigns will target extensions below level 2,900.

Now please move to Slide 9. On this slide, we will comment on Hilarion, one of our polymetallic potential greenfield projects that is currently in exploration stage. 2,469 meters of drilling were executed so far in 2019, with the objective of increasing inferred resources. Growth drilling, targeting northward extension confirmed zinc and lead mineralization. Detailed information of these achievements will be released next week as we expect to file a technical report until the end of the year following the information released last March. For the year, we expect to reach our plan of 8,500 meters in 11 holes in the Hilarion mineralized trend.

Now I would like to pass to Rodrigo Menck, our CFO, who will comment on our quarter result. Menck, please.

M - Thank you, Tito, and good morning, everyone. Let's please turn to Page 10, where we will comment our second quarter consolidated results.

Beginning with the first chart on your left regarding mine production, we had lower average zinc and copper head grades, partially offset by higher treated ore volumes, driven primarily by the Brazilian mines. As such, zinc production of 91,000 tons was down 1% from the same period of last year, lower than initially expected as it was negatively impacted by the Cerro Lindo production decrease of 7%. Copper production of 8,000 tons was 5% lower than the second quarter of '18, given the already mentioned lower grade.

On our Smelting segment, overall sales volume has increased 3% when compared to the second quarter of '18, driven by higher exports over Cajamarquilla as well as higher local sales in Brazil. The planned maintenance shutdown at Cajamarquilla to implement the Jarosite process conversion initially scheduled for the end of the third quarter of 2019 was postponed to November due to delay of shipping of some equipment. Nonetheless, we do not expect this delay to impact our sales for the year-end, thus maintaining our 2019 guidance.

On the following graph, adjusted EBITDA was \$118 million in the second quarter, down 28% compared to the second quarter of '18, and we will get into more details on the next page. Finally, net income was \$23 million, better than the first quarter, driven by higher revenues and better margins of our smelters. Similarly to the graphs of this page, when compared to the same period of '18, it reversed a net loss of \$35 million, which was at that time, negatively impacted by non-cash foreign exchange losses.

Please move to Slide 11, where we will discuss EBITDA. Compared to the first quarter of '19, adjusted EBITDA increased 10% to \$118 million. This performance is primarily explained by lower base metal prices, higher costs in our Mining segment and an increase in exploration and project development disbursement, which were positively compensated by the increase of byproducts revenues in our Smelting segment, mainly sulfuric acid, the U.S. dollar appreciation against Brazilian real and the positive effect of IFRS 16. Also, there was the impact of other operation expenses, including incremental provisions in the quarter.

Please move to Slide 12, where we will present our mining performance in the quarter. As we already mentioned treated ore volume increased 2.6% year-over-year as shown in this page, partially compensating lower grades. As such, the lower production volume in Cerro Lindo offset the better performance from the other mines and total zinc production was 91,000 tons, down 1% compared to the second quarter of '18. Also, copper production followed the same trend and decreased 6% to 8,000 tons.

As a result, net revenues for the Mining segment were \$246 million, down 18% year-over-year and primarily as a result of lower metal prices. EBITDA was \$44 million in the quarter, lower than the same period of last year as a result of both the decrease of net revenues as well as of higher operating costs across all mines.

Thus, cash cost, net of by-product revenues, increased to \$0.48 per pound from \$0.25 per pound, as highlighted at the bottom of the page, driven by market-related factors as well as higher operating costs, although with a positive contribution of byproduct sales.

Let's please move on to Slide 13, where we present our Smelting performance. Metallic zinc sales of approximately 147,000 tons in the second quarter were 3% higher than the second quarter of '18 and almost 8% compared to the first quarter of '19, driven by a seasonally stronger demand and higher exports from our operation in Peru. EBITDA for this segment was \$73 million, 57% higher than the same quarter of last year as a result of higher treatment charges by-product prices and lower zinc prices, partially offset by higher energy costs and provisions.

Consequently, Smelting cash cost decreased by 20% when compared to the second quarter of '18. Differently from our Mining segment, market-related factors had a positive contribution, emphasizing the importance of the mining and smelting integration.

Please move to Slide 14. On Slide 14, regarding our debt profile and cash position, we continue to report a healthy balance sheet with extended debt profile and low leverage and maintain the debt breakdown characteristics by source and currency, as seen on the lower left side of the page. As of June 30, the average maturity of our total debt was 5.6 years with an average cost of 4.7% per annum in U.S. dollar terms.

On the right side of the page, we see net debt increase as a result of the reduction of our cash position, given the disbursement of our expansion projects. Consequently, our leverage measured by the net debt to last 12 months EBITDA ratio stood at 1.3x, further increased when compared to the first quarter as expected, given the disbursements of our projects.

Let's please move to Slide 15. On Slide 15, we see that Nexa invested \$95 million in the second quarter, being 42% of expansion projects, including Aripuanã. Moreover, 58% were directed to non-expansion projects mainly related to sustaining CAPEX, health and safety and environmental investments. Finally, we reaffirm our 2019 CAPEX guidance of \$420 million.

Let's please move to the next page. Here on Page 16, we see Nexa free cash flow generation. Coming from our \$118 million EBITDA, we have had a negative working capital change of \$60 million. \$36 million of tax and interest paid, \$95 million of CAPEX, including Aripuanã, and \$4 million related to our share buyback program, causing effective free cash flow to be negative in \$60 million. Additionally, we have increased investment tenor of \$53 million of our cash position at Nexa Peru to periods above 90 days to capture higher time deposit yields. This is recorded as an investment activity. And although it is a noncash event, it caused our consolidated free cash flow for the quarter to be negative \$113 million.

Let us please move on to Page 17, where Tito will continue our presentation.

T - Thank you, Menck. On Slide 17, I will comment on the zinc market. In the second quarter, average zinc price was \$2,763 per ton, down 11% year-over-year, but up 2% when compared to the previous quarter. Zinc prices started the quarter in an upward trend but reversed in May, mainly driven by the escalation of the U.S. and China trading war and the deceleration of the manufacturing sector in China. It's worth mentioning, zinc benchmark TC's in the second quarter of 2019 are still at high levels around \$245 per ton compared to an average benchmark of \$137 per ton in 2018. This may be an indicative of a persistent pressure on refined zinc supply, mainly driven by the not yet fully recovered production in the Chinese smelters. Zinc metal stocks remain in very low levels.

Looking to the slide on its upper right. This graph shows the comparison between the market estimates in 2017 and 2019 and illustrates supply projections are usually more optimistic than reality, despite regular operating disruptions. New zinc supplies coming from China and riskier mining jurisdictions as Africa do not start up as initially expected. Also, environmental protection is still affecting both mines and smelters' production in China. In a scenario where demand is relatively stable, our expectations are, there will be a delay in new production around the world, mainly in China.

Over to Slide 18. On Slide 18, we list our main greenfield projects. We believe our robust project pipeline is crucial to support our long-term growth strategy and our commitment to value creation. Our main priority is to continue to expand our portfolio in both zinc and copper. After Aripuanã, which is a polymetallic mine with zinc as main product, our next project should be a copper project. We have good copper projects in our portfolio like Magistral and Pukaqaqa. Magistral has already completed pre-feasibility study and the FEL 3 is in progress. We expect to have an updated technical report by the end of 2019.

Pukaqaqa is in pre-feasibility stage. And we will likely have a technical report by the end of the year. Its FEL 3 should start still in 2019. We see both projects as very promising. And as I mentioned in the previous quarter conference call, once we get more detailed results, we will have a good problem to decide which one will come after Aripuanã. Considering our zinc projects, we have Hilarion and Shalipayco as our main priorities. Shalipayco is in pre-feasibility stage, and we are negotiating with local communities to receive the social license. Hilarion is in exploration stage, and with good results, we expect Hilarion PEA to be concluded in October 2019.

Now let's move to Slide 19. We had some operational setbacks in the first semester, especially in our largest mine, Cerro Lindo, but our priorities did not change. On the contrary, we will continue to focus on efficiency, productivity and cost gains in order to believe better results. Aripuanã project is moving as planned, and we do not see any issues that could prevent us from completing the project as expected.

Vazante's dry stacking facility is ready, and we are working on its ramp up. We faced the 30-day delay in the Jarosite conversion in Cajamarquilla, but we expect to conclude it by November, which will allow us to increase zinc recovery to 97% in the smelter. We are committed to maintain the market update about our brownfield and greenfield projects. And as a result, we expect to file new reports for Cerro Lindo, Magistral, Pukaqaqa and Hilarion along the next few months.

Before ending the presentation, we would like to reiterate that health and safety in the workplace remains our top priority, and we continue our efforts to eliminate accident risks. Thank you all for your time, and let's move on to the Q&A session.

P - And our first question today comes from Petr Grishchenko with Barclays.

Question – Hi good morning, and thanks a lot for taking my questions. I got a few. So, I guess to begin with, can you please provide a little more color on declining ore grades and how this incorporates in your guidance? Because frankly, I'm a little bit confused on your press release that says you expect grade to increase in line with the mine plan, but then you also suggest that the guidance assumes higher treated ore volumes to compensate for forecast of lower grade. So, any color on that aspect would be helpful.

M – Hi Petr, thank you for your question. Actually, the mine planning forecast increase in ore grades, well, we faced during this second quarter some geomechanical instability when we were accessing the ore body. So for those months, May and June,

we had a slight decrease in our ore grades, but they are forecasted to be reversed and have been already reversed in the beginning of this third quarter. So we expect to fulfill our guidance based on that.

Question – Got it, yes, there is timing difference, I guess, on that. And also on treatment charge. Can you perhaps provide an update on what you're seeing for the second half? And how you see treatment charges impacting your mining and refining operations in aggregate? And I also cannot recall percentage of your sales that are benchmarked versus negotiated annually, so if you can remind me that, that will be helpful.

M - Okay. So let's break down this answer to you. Around 60% of our needs are fulfilled by our own mines, which have the benchmark TC as a reference, right? The other 40% comes from the market, and we have 90% of annual contracts, which have the 3-year average as reference. As we can see now in our earnings release, this is \$188 per ton, right? The other 10% goes with the market. The market in Peru where we buy our concentrates, they are not as volatile as we see in Asia, for example. So it's been close to the benchmark. Benchmark was \$245, and we have recently seen the benchmarks around \$250, \$270 a ton.

T - At the first quarter of the year, we actually closed some contracts with this around \$230, \$235. The TCs started to go up. So we have a range that varies in between \$225 and \$250.

Question – All right. Okay. That's helpful. And another question. Can you provide some more color on the working capital for the second half because first half consumption was a little more than I modeled. So if you can provide any guidance, that would be helpful.

M - Working capital, actually, these accounts, they are varying normally, Petr. Why is that? We have some tax recoverables that follow a mechanic very peculiar to Peru. Sometimes in the end of the period, they are reduced because they have the risk of not repaying us. With specific regard to account receivables, we have some shipments that were done with very short term but they were not paid until the end of the quarter. So actually, we shouldn't be seeing in the following quarter working capital variations that are volatile or too wide or wider than the \$60 million that we have seen. Thank you for the question.

Question – Okay. And then the last question, if I may. On the capital allocation front, how are you thinking about balancing dividends and buybacks with rising leverage metrics this year? And also, do you have any expectations, like internally, if you can provide any guidance the way you think the leverage will shape by the end of the year?

M - Petr, leverage has been increasing basically because of our investments in growth, Aripuanã mainly, right? So we are spending this year the way we were forecasting. If you follow our disbursements as per our guidance until the end of the year, this will not be increasing much more than 1.5x, 1.6x. This is what it has been forecasting, right?

About capital allocation, this is a result of our results as well, right? So we need to wait until next year to see how was our final cash generation before investment to see what can be paid to the market. We have our policy, we have our minimum dividend policy. So this is a good indication at this point in time.

Question – Great, thanks a lot for answers and bes of luck to you guys.

P - And our next question comes from Jens Spiess with Morgan Stanley. Please go ahead.

Question – Yes hello, and thanks a lot for taking the call. I just want to know if you could tell us what your expectations are for other operating expenses? They were higher this quarter than usually. Do you expect them to continue this way? Or, yes, what's your expectation going forward?

M - Expectation going forward is this line to be decreased because we had the FX impact this quarter and also the provisions, which were a one-off.

Question - Okay. So basically, all the provisions shouldn't be expected to continue, right?

And regarding production, it seems that production has to increase in the second half of the year in order to reach your guidance, and you seem to expect that. But could you maybe give more details if that will be evenly during the third and fourth quarter? Or will it be gradually that production jump?

M - In principle, evenly.

T - You have to remember that I think Menck mentioned before, we had some instability in Cerro Lindo. We're not expecting to have it in the second half. All the lines are operating very well I mean Vazante, Morro Agudo and the Pasco Complex. So, having fixed the issues that we faced in Cerro Lindo makes us believe that everything is going to be really stable along the second half.

M – So evenly.

Question - Okay, great, thank you. And on the Cerro Lindo updated technical report, any preview you could give us on what you expect there? Will there be big changes in the short-term production sequence? Or is it more changes in the long term and extending the life of mine there?

T - I would love to say something Cerro Lindo right now, but because of the legal standards, since we are planning to release the technical report sometime along the second half, but not in the next 45 days, I'm not supposed to say anything. I hope we have good news.

P - And our next question comes from Timna Tanners with Bank of America and Merrill.

Question – Hey, good morning, gentlemen. Just wanted to ask, firstly, at high level view, think about the weaker copper and zinc prices when contemplating further expansion and maybe slowing it down or maybe changing your plans at all given recent trends?

T – Hi Timna, how are you. Basically, what we're seeing is clearly. The market is looking at China and the trade war situation. And as we actually have seen some slowdown in manufacturing in China. I believe that the reaction of the commodity price has to do with that. But in general terms, we are still not seeing growth in concentrate -- zinc concentrate production there, which implies that the concentrate production growth will come only from the Western world, which means that we may still see the lack of the metal in the market I mean, the warehouse, the stocks in the warehouse are really low to date. So, the fundamentals tell us that price of zinc

should be higher than they are today. And it seems to me that's just a perception of a slowdown in China that's making them fall. They have fallen along the last 4, 5 weeks, right?

In terms of the copper, it's pretty much the same. You were having a discussion yesterday about this and we came to the conclusion that copper price should be around \$6,000 per ton until the end of the year basically because of the slowdown I mentioned to you and on the other hand, we are not seeing new production coming to the market. So, we should work with copper around \$6,000, and expecting that zinc price should be higher than they are today.

Question - Okay. So no change to the investment plans.

T - No, no, no. About production, about plans, we are keeping everything. We work with the long-term prices and our targets in terms of projects and development of new mines, we will stick with that. In the long term, we are positive about the commodities.

Question - And then, the other question I had was just if you could comment on some of the headlines coming out of Peru about changes to the mining law. Just your opinion on that? Or if that would have any impact on you, what's driving that. I appreciate it.

T - Very good question. What happened is the President of Peru last weekend, because they are celebrating the national -- it's the most important event in Peru this weekend, I forgotten the name of the event.

M - National Day.

T - National Day. That's the event. He made a speech of, what, 1.5 hours and actually, he was focusing on proposing a change, resignation of the Congress and himself as well, and proposed new election for the next year. And in the middle of the speech, he came up with the potential change in the mining code in Peru. Reaction in Peru was really strong against that. I mean, the mining association was against, the industry association was against, politics were against, basically because Peru is in a very good position today. Lots of new projects being developed. We keep saying that Peru is the new frontier for the mining business around the world. So, I don't think that we'll see a concrete change. I don't see the possibility, not even the power to do any modification in what we have today. The mining code in Peru is a good one. It's a pro-business. So I don't see any possibility at all to see those change. And I have been speaking with a lot of people there. Everybody has the same concept about what's going on.

Question - Okk, very helpful. Thanks again.

P - And our next question comes from Oscar Cabrera with CIBC. Please go ahead.

Question - Thank you operator, and good morning everyone. Tito, I was wondering if you could provide context around your zinc production. I appreciate that you maintained your guidance, but if you look at the bigger zinc producers, so Cerro Lindo, Vazante and El Porvenir, and you look at your budgets for the year in terms of grade and throughput, how would you qualify these for the second half? Your expectations to beating expectations or below expectations? That would be helpful just to put context around the production for the balance of the year.

M - Hello Oscar, this is Menck, how are you? Thank you for your question. Actually, it's pretty much the same way I answered a previous question. We expect to have

treated ore volumes similar to the first quarter, a bit above it. And as we go through the mine planning, we will recover grades. So we expect to have a smooth and continuous production during the third and the fourth quarter. That's why we believe we can achieve our guidance. Was it clear?

Question - Okay. No, that's helpful, Menck. Thank you. But just -- let's focus on Cerro Lindo then. The grades or the average grade in the fourth quarter of last year was 2.35% zinc. We're averaging about 2% this -- on the first half of the year. Are you expecting to get back to the 2.35% level for the second half? Or should we expect just a small increase from what you see in the first half?

T - Oscar, it's Tito here. We are expecting actually to increase the throughput in the plant. The volumes will be higher. The grades should not change much, but we will produce -- we will have more run of mine through the plant. We want to keep the stability between 20,000 and 21,000 tons per day. That's how we're going to reach the production that we are forecasting.

Question - That's perfect, Tito. And so we expect the same thing out of El Porvenir and in Vazante, I assume?

T - Yes, yes. Vazante is doing very well. Pasco is doing very well also.

Question - Now, if I may move on to your development projects. You have said here in your remarks that you'd be looking at Magistral and Pukaqaqa to see which one goes ahead. Magistral, you have provided like figures around CAPEX, about \$0.5 billion and 52,000 tons of production. What does the other project look like? Is it comparable in terms of CAPEX and production?

T - Yeah. What happened with this information, Oscar, I'm not allowed to release it yet. We're planning to have the pre-feasibility study plus the technical report ready some time along the semester. So after we have it, we have production. Again, in terms of objectives, both projects are pretty much aligned with what we want. I hope I can have this information very soon to you, okay?

Question - Yes. No, that's -- I can appreciate it, Tito. Just trying to sort of like reconcile your comments on the last question in terms of, if you're in a tougher copper price environment over the next couple of years, would you go after something that is less capital intensive, but we'll wait for the results. The other thing within your projects, and this chart that you provided is very helpful. How much time are you allotting for permits, i.e. when we talk about Magistral and Pukaqaqa, we can see that a start of -- I'm assuming start of construction in 2021. How long do you think the permits would take in Peru to get these projects through?

T - I'm trying to be precise here, but let me explain what's going on. In the case of Magistral, we already have -- we had the agreement with the local communities. So technically speaking, we almost have the permits, it's just a matter of the formalization with the government. What we did in the first half, we have to renegotiate with the local municipality a change in the project, which was the location of the tailings dam and it was done. We renegotiated this agreement. So, we are in the process to formalize with the central government the new agreement. When it happens, the bureaucratic process, we should have the permits for construction granted. I would say, it will be very easy. I mean less than 6 months to get it.

In the case of Pukaqaqa, we already have the permit. Yeah, there is nothing that is pending for construction. Why? Because we have the local agreement. And we have the broader agreement with the central government as well. So, there is no restrictions at all in terms of permits to build those 2 projects. Peru is a very

interesting place to get the permits you may need, as long as you have a good relationship with the communities and you can have the social -- what they call the social agreement, the central government doesn't delay the permit. So we are fine with that.

Question – Ok, that is very helpful, thank you.

P - And our next question comes from Carlos De Alba with Morgan Stanley.

Question – Good morning, everyone, thank you for the question. Just, Tito, what options do you think has the company -- what options do you think are available to the company to try and improve the liquidity, which is one of the issues that we keep getting feedback from investors as to why the stock, despite the value that it offers, continues to trade below peers in valuation and definitely suggest a lot of upside to the average price target?

T - Carlos, Carlos, this is a very difficult question. We've been discussing different options. We have not yet come up with the final conclusion about this. But I agree with you, liquidity has been our biggest concerns about the performance of our shares. Clearly, there was a shift, a big shift in between last year and this year. We have tried to figure out what to do. Hopefully, we can come up with something soon. But so far, I don't have an answer for that.

M - Carlos, this is Menck. The best thing we can do in this period is continuously explain to the market what we are, increasing our level of transparency and disclosure. We're preparing ourselves for that and hoping that this stimulates the market also to trade more.

R - Yes, and also to add, we have been attracting new investors to the share, but also in terms of the profile, they long-term investors, part of them. So it helps with, I'd say, with the liquidity issue, but we are working to try to improve that as well.

Question – Understood, thank you very much and hopefully the updated technical report will do the trick.

P - And our next question comes from Alex Hacking with Citi.

Question - Yes, just following up on Oscar's question earlier around Cerro Lindo. Obviously, the reserve grade at that mine is below what you're currently mining. I think it's closer to 1.8%. Do you have ability to further increase throughput at the mill to offset that over time? Or is this something that you hope to resolve with the drilling campaign to potentially increase that reserve grade as well as potentially expanding life of mine?

M - Alex, this is Menck here. It's a very good question, but unfortunately, all the responses will be comprised in anticipating any results that will come out in the technical reports that we put -- or we intend to release into the end of the year. So I will ask for your patience on that. And you will be able to have much more color once we have it out in the market.

T - Yes. I don't have the numbers in my mind, but I can tell you one thing. The previous technical report stated that the grade should be a little bit above the ones we find today. So on average, they should be higher than they are than what we are producing from today, yes. That, we can say.

Question – Ok, I got it, look forward to seeing the technical report.

P - And this will conclude our question-and-answer session. I'd like to turn the conference back over to Mr. Tito Martins for any closing remarks.

T - I would like to thank you all for this opportunity and state again that we are very confident that we actually can reach the guidance that was provided. July, I can advance it was a good month. So we are very optimistic about our production. Nobody asked anything about the smelting. The smelters are doing very well. The Jarosite project has a delay of 1 month, but we will be implementing it at the end of November. And so we are glad to see that production is back on track. And hopefully, the market -- the price of the commodities can react also in the second half. We do have expectations about what the China and U.S. will do about the trade war. Everybody's losing with that, right? So hopefully, they come up with a good conclusion, a good agreement, and we are back -- the market goes back to what it was last year. Thank you very much, again.

P - The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines at this time, and have a great day.

Participants of the Q&A:

Last Name	Name	Company
Grishchenko	Petr	Barclays Bank
Spiess	Jens	Morgan Stanley
Tanners	Timna	Bofa Merrill Lynch
Cabrera	Oscar	CIBC
Alba	Carlos	Morgan Stanley
Hacking	Alexander	Citigroup