

Southern Copper Corp (3Q23 Earnings)

October 23, 2023

Corporate Speakers:

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

Participants:

- Gabriel Simoes; Goldman Sachs; Equity Research Associate
- Sofia Martin; GBM; Analyst
- John Tumazos; John Tumazos Very Independent Research; Principal
- Timna Tanners; Wolfe Research; Analyst
- Alexander Hacking; Citi; Analyst
- Carlos de Alba; Morgan Stanley; Analyst

PRESENTATION

Operator: Good morning. And welcome to Southern Copper Corporation's Third Quarter 2023 Results Conference Call. With us this morning we have Southern Copper Corporation, Mr. Raul Jacob, Vice President, Finance, Treasurer and CFO, who will discuss the results of the company for the third quarter 2023. As well as answer any questions 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 third quarter of 2023 results conference call. Before we go into today's agenda, let me mention that on October 5 of this year, Southern Copper lost one of the pillars of our organization. Mr. Xavier Garcia de Quevedo, Board member and Executive Vice President of Grupo Mexico passed away.

Over a period spanning 50 years Xavier, steered the company with intelligence, sound judgment and hard work. He took great pleasure in sharing knowledge, mentoring and developing talent. As well as supporting multiple generations of employees at our organization. We will miss him deeply.

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 market and then review Southern Copper's key results related to production, sales, operating costs, financial results, expansion projects and ESG. After this, we will open the session for questions.

Now let us focus on the copper market. In the third quarter of this year, the London Metal Exchange copper price increased 8% from an average of \$3.51 per pound in the third quarter of last year, up to \$3.79 this year. Even though this is a better price than what we had a year ago, we still see the market reflecting the uncertainty that involves basic metals due to a slow recovery of the Chinese economy, a recession in Europe and a soft landing or minor recession in the U.S.

At this point, we see the following factors affecting the copper market. The most relevant market intelligence houses for the copper market are now expecting a market in surplus of about 170,000 tons for this year. Even though copper inventories are still at a very low level, they have increased from 235,000 tons in June, up to 292,000 tons in September. This is a 24% increase. And what we're looking at is the London Metal Exchange, the COMEX Exchange, Shanghai Exchange and the bonded warehouses in China.

On top of this, we are seeing a stronger-than-expected U.S. dollar, which is reducing copper and ore metal prices expressed in the greenback. It is important to emphasize that Copper plays a leading role in the global shift to clean energy, which correlates positively with our assertion that the underlying demand for copper will be strong in the long term. In this scenario, we believe the current cycle of relatively low prices will be short lived.

Now let's look at Southern Copper's production for the past quarter. Copper represented 75% of our sales in the third quarter of 2023. Copper production registered a decrease of 1.9% in the third quarter of this year in quarter-on-quarter terms to stand at 226,120 tons. Our quarterly result reflects a 2.1% decrease in production in Peru, driven by our Cuajone mine, which reported lower ore grades. This was partially offset by higher production at Toquepala due to better ore grades.

Production at our Mexican operations decreased 1.8% in quarter-to-quarter terms, mainly due to lower production at our Buenavista mine. Compared to the second quarter of this year, copper production slightly decreased 0.6%, which was mainly attributable to a reduction in production at the Cuajone and Buenavista mines.

For this year 2023, we expect to produce 917,700 tons of copper, an increase of 2.6% over the 2022's final print. For molybdenum, it represented 14% of the company's sales value in the third quarter of this year and is currently our first by-product.

Molybdenum prices averaged \$23.59 per pound in the quarter compared to \$16 in the third quarter of 2022. This represents an increase of 47.4% in the molybdenum price. Molybdenum production increased also by 12.6% in the third quarter of 2023. This was

mainly driven by an increase in production at La Caridad, Toquepala and Buenavista mines due to higher ore grades, and these results were partially offset by lower production at the Cuajone mine.

For 2023, we expect to produce 25,900 tons of molybdenum. For the short term, we believe molybdenum prices will have good support due to a market deficit and higher demand coming from the aerospace and defense industries. Silver represented 4% of our sales value in the third quarter of 2023, with an average price of \$23.60 per ounce in the quarter. This reflected an increase of 23.5% compared to the third quarter of 2022. Silver is currently our second by-product.

Mined silver production decreased 10% in the third quarter, versus the same period of 2022, after production decreased at our operations with the sole exception of the Toquepala mine. Refined silver production fell by 11.4% quarter-over-quarter, which was mainly driven by a drop in production at our IMMSA refinery.

For commercial and operational reasons, the lead concentrate is now being sold to the market as concentrate instead of being processed in the refinery. In 2023, we expect to produce 19.3 million ounces of silver, an increase of 4% compared to 2022. Zinc represented 3% of our sales value in the third quarter of 2023, with an average price of \$1.10 per pound in the quarter. This represents a 26% decrease with regard to the third quarter of 2022 figure.

Zinc mine production increased 9.4% quarter-on-quarter and totaled 16,281 tons. This was driven primarily by an increase in production at the Santa Barbara and Charcas mines. Which was partially offset by lower production at the San Martin mine. Refined zinc production decreased by 12% in the third quarter compared to the same period of 2022.

For the year 2023, we expect to produce 64,200 tons of zinc, which represents an increase of 7% over our 2022 production level. For our financial results, in the third quarter of 2023, sales were \$2.5 billion. This is \$348 million higher than sales for the third quarter of 2022, it is a 16% increase in sales.

Copper sales volume decreased by 4.5%, while value increased 16% in a scenario of better prices for this metal. Regarding our main by-products, we had higher sales of molybdenum, that increased by 61% in the molybdenum sales, and this was due to a combination of better prices and higher volume.

Silver sales increased 19% due mainly to better prices. On zinc, we had lower sales by 31%, mainly due to lower prices and volumes. Our total operating cost and expenses increased by \$67 million or 5%, when compared to the third quarter of 2022.

The main cost increases has been in repair materials, workers' participation, depreciation, sales expenses, operations contractors and other factors. These cost increases were partially compensated by lower energy costs and lower inventory consumption.

The third quarter of 2023 adjusted EBITDA was \$1,291 million, which represented an increase of 27% with regard to the \$1,018 million registered in the third quarter of last year. The adjusted EBITDA margin in the third quarter stood at 52% versus 47% in the same period of 2022. Adjusted EBITDA for the nine months was \$3,974 million. This is 7% higher than what we had in 2022 for the nine months. The adjusted EBITDA margin in the nine months of 2023 stood at 52%, which compares with 51% in the same period of 2022.

Southern Copper operating cash cost, including the benefit of by-product credits, was \$0.98 per pound in the third quarter of 2023. This cash cost was \$0.14 lower than the cash cost of \$1.12, that we had in the second quarter of this year. Operating cash cost per pound of copper before byproduct credits was \$2.24 per pound in the third quarter of this year.

That is \$0.05 higher than the value for the second quarter of 2023, which was \$2.19. This 3% increase in operating cash cost before credits, is a result of higher cost per pound from production and administrative expenses. These two increases in costs were partially compensated by lower treatment and refining charges, and higher premiums.

Regarding byproducts, we had a total credit of \$604 million or \$1.26 per pound in the third quarter of this year. These figures represent an 18% per pound increase in byproduct credits, when compared to the credit that we had in the second quarter of 2023, which was \$517 million in total credit or \$1.07 per pound.

Total credits have increased for molybdenum, zinc and sulfuric acid and decreased for silver. For net income, net income in the third quarter of this year was \$619.5 million, which represented a 19.4% increase, with regard to the \$519 million registered in the third quarter of 2022.

The net income margin was, in the third quarter of this year, 24.7%, versus 24.1% in the same period of 2022. These improvements were mainly driven by an increase in sales. Cash flow from operating activities in the nine months of this year was \$ 3,032 million, which represented an increase of 76% over the \$1,720 million posted in the nine months of 2022.

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

In the nine months of this year, we spent \$753 million on capital investments, which represents a 38% of net income and reflects a 14.5% uptick in capital expenses year-on-year. Since there is a short description of our main capital projects in SEC's press release, I'm going to update new developments for each.

For the Buenavista zinc concentrator in Sonora, the capital budget for this project is \$413 million, most of which has already been invested. Progress is 99%, and we have initiated the commissioning process. Ramping up of the plant, initially scheduled to conclude in this quarter, has been pushed back to the first quarter of 2024. Given that the concentrator requires some technical adjustments.

For the Pilares project in Sonora, this is a project that has a value of \$176 million, of which \$144 million has been invested. Pilares is currently operating and delivering copper ore to the Caridad concentrator. We will report on Pilares one more time at the closing of 2023. And after that, we will remove it from the list of ongoing projects of the company. For the El Pilar project in Sonora, we are having already the results from experimental pads in the leaching process, that have confirmed adequate levels of copper recovery.

And we're evaluating different options to improve the same. Basic engineering study has been completed and the company is engaging in project development and on-site environmental activities.

Project Engineering is being developed by an external engineering and technology company. Mine life, as you know, is estimated at 13 years. For El Arco, the company has completed the environmental baseline study for the mine, concentrator and industrial facilities, and will proceed to submit the environmental impact statement, in Spanish "Manifestación de Impacto Ambiental" or MIA to the Secretary of Environment and Natural Resources, SEMARNAT.

This is to request the respective environmental impact permits. The company is currently preparing studies for the port, power line, town site and auxiliary services. For the Peruvian projects, we have the Tia Maria project in the Arequipa region in Peru. This is a greenfield project located in Arequipa, Peru, that will use a state-of-the-art SXEW technology with the highest international environmental standards to produce 120,000 tons of SXEW copper cathodes per year.

The estimated capital budget for this project is \$1.4 billion. It's important to mention that the company is ready to undertake this project. We have the resources as well as all the engineering ready to go for Tia Maria. Southern Copper has been consistently working to promote the welfare of the population of the Islay province. 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.

We have also promoted agricultural and livestock activities in the Tambo Valley and supported growth in manufacturing, fishing and tourism in Islay. For Los Chancas, in the Apurimac region of Peru, as of September 30 of this year, the company has held talks with representatives of the Tiaparo community to acquire part of the land required for the project.

Simultaneously, we continue to work with the Peruvian authorities to eliminate illegal mining activities at our concession. SCC will initiate hydrogeological and geotechnical studies soon, to gather additional information on the characteristics of the Los Chancas deposit.

The Michiquillay project in the Cajamarca region of Peru. In 2023 in accordance with our social agreements with the Michiquillay and La Encañada communities, the company has hired unskilled labor and is paying for the use of surface land. We're also supporting social programs in both communities. Simultaneously, exploration activities are underway.

As of September of this year, we have drilled 46,500 meters and obtained 14,892 core samples, which are currently under evaluation. Regarding environmental, social and corporate governance practices, ESG, as it is known, we are building drinking water infrastructure to remedy shortages in Cananea and Nacozari communities, in Sonora in Mexico.

Approximately 75,000 residents will benefit from these initiatives. This effort is aligned with our policies and commitments for sustainable development and is part of the \$77 million, that we have invested in Mexico and Peru over the last five years.

We're doing some innovation in the use and efficiency of water. We are currently recovering about 6,000 cubic meters of water per day, through the new tailings filtering plant in Quebrada Honda in Peru. This is equivalent to 0.6 cubic meters of water per ton of tailings. With a design capacity of 10,000 tons per day and an investment to date of \$27 million, this dam filter is the largest tailings processing unit of its kind in the market.

We're continuing with focus on prevention and risk management. In September of this year, our Buenavista del Cobre unit in Sonora received the safe and healthy work environment recognition from the Mexican government, after successfully passing an audit conducted by the Mexican Social Security Institute.

All of our other Mexican units also hold this recognition, which is awarded to companies that implement effective strategies and preventive actions for occupational health and safety. We continue to make progress with our critical risk registry and the performance levels of the controls in place to prevent or mitigate undesirable events have improved.

To achieve this, we have involved the head of each operating unit in the process, to establish and continuously monitor controls. All results are reported to managing executives on a monthly basis to facilitate supervision and subsequent monitoring by the Board of Directors.

Innovation in climate change mitigation. In September of this year also, Southern Peru received the 2023 National Mining Award in the mining economy category, within the framework of Perumin 36 Mining Convention held in the Arequipa region, in Peru.

The winning study, “Integration scenarios of renewable electricity generation systems in the mining sector of Peru by 2050”, prepared by engineer Rolando Jesus Claros, from the Power Systems area of Southern Peru, proposes the use of clean and renewable energy sources as part of the global energy transition process.

Southern Copper aims to achieve net zero emissions by 2050. For disclosure, transparency and accountability, to provide more clarity regarding Southern Copper's performance on ESG issues, we have published a supplement to the 2022 Sustainable Development Report and have also incorporated new topics on our Sustainable Development page to address biodiversity, our people, human rights and supply chain.

At the behest of our investors, we have expanded our responses to the CDP questionnaires to include the "Forests" questionnaire. This information complements responses to our “Climate Change” and “Water Security” questionnaires that has been available since 2016 and 2022, respectively.

From loss to gain: A journey of environmental restoration. Year-to-date, we have reforested 3x the area impacted in the same period. We have restored 1,388 hectares replanted versus 424 hectares impacted. Additionally, we have implemented works to retain 10,722 tons of soil that will have otherwise been lost to erosion in the state of Sonora in Mexico.

These actions are between the framework of our strategy to achieve zero net deforestation and generate a net positive impact on biodiversity, particularly in areas close to our operations. Inhabitants of the communities near our operations are highly active in the social programs we offer. Thus far this year, we have recorded 170,000 participations in these programs, which is a 7% increase from the previous year.

One of our most noteworthy efforts, the Youth Orchestra and Choirs Program recently celebrated its fifth year and is now present in 11 communities with 1,596 students in Mexico and Peru. To date, 8 out of 10 of our alumni pursue a bachelor's degree with 2% choosing music as their life project. Changing subjects, 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 in each Board meeting to determine the appropriate quarterly dividend.

Accordingly, as announced to the market on October 19, the Board of Directors authorized a cash dividend of \$1 per share of common stock, which will be payable on November 22 to shareholders of record at the close of business on November 8 of this year.

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

QUESTIONS AND ANSWERS

Operator: (Operator Instructions) And it's coming from the line of Gabriel Simoes with Goldman Sachs.

Gabriel Simoes: I have two questions here. The first one is about capital allocation, right? So El Pilar was postponed a bit basically because of the new regulatory process, that you have to go through to get approved in Mexico. And some issues, we've seen some issues with the other projects advancing in the near term. So we're at the point that El Pilar is the last Board approved project.

So I just wanted to have an idea of what we should expect in terms of CapEx, and the capital allocation for the coming years? And when we should see new projects being taken to the Board given the advancements that you guys are making on the other projects that you have on the pipeline? And in the meantime, if you have any thoughts that you could share on dividend distribution, thinking about the future distributions. So that's the first question.

And the second question here is about the costs in the mining division for the company. So in the beginning of the year, if I'm not mistaken, we were in at \$1.9 per pound, before by-product for the cost and we're running at a much higher level. So I just wanted to understand what was the main change this year versus the beginning of the year that would explain this difference and the fact that we're running at higher levels. I mean, how should we think about the cost for the fourth quarter and for 2024 and the main drivers for this in your opinion?

Raul Jacob: Yes. Thank you for your question, Gabriel. Actually, you said two questions, but they are at least four, but I'm glad that you made them.

Gabriel Simoes: Sorry about that.

Raul Jacob: No, no, no problem at all. On capital allocation, well, we're still doing some engineering work for El Pilar, some tests. We want to be sure on the recovery. And actually, what we would like to get is even an improvement of the current recovery rates that we have in this project just to improve its profitability for the future. This is the time where you need to do this test, not when you have the whole facility designed and already built.

On the other projects, basically, we will be informing to the market, as we undertake the different projects that are in our pipeline. We can give you a forecast of our CapEx, considering the development of the projects that I comment a few minutes ago, and I'll do that now.

For this year, we're expecting to finish the year at about \$1 billion in capital expenditures. For 2024, number will be \$1.3 billion, for 2025 \$1.7 billion, 2026, \$2.1 billion and 2027 \$2.6 billion. Dividends, it's always up to the Board. The Board approved a dividend of \$1 per share for the last quarter. And if you look at our track record, it's quite clear that the

company will not hold cash. That has been our record, and we expect that to be the case for the future as well.

Cash cost, we have some expenditures that were not considered in terms of our operating cost, and let me comment on that. As you may know, the Mexican exchange rate appreciated through the year, that impact our peso-denominated cost. In the Peruvian case, we had no significant variance in the exchange rate. So we didn't have that much of an effect on that.

For some costs, we are seeing now the reflect of inventory consumption. And a practical example is what has happened with the tires for mining trucks. When we have the beginning of the war or the invasion to be more proper of Russia to Ukraine, we had right away an increase in fuel and some other materials like ammonia that was used for explosives. But certain costs, such as the one for tires were not impacted because we were consuming our stocks.

Now we're replenishing the stocks for some of these materials, and that is somehow affecting our cash cost per pound, even though we are producing a little bit more copper than last year. But as I'm saying that, we're also seeing some reductions in some costs, particularly in three items. Fuel, where we have a slight variance, explosives also some reductions in costs as well as steel; and what we are also doing is catching up in certain maintenance expenditures, that we couldn't make through the COVID years and later on last year.

Regarding what we are expecting for cash cost for this year, we believe we could close at about the level that we are now, or slightly better, because we will have a little bit more production in the fourth quarter. For 2024, about \$1, very close to where we are now. And then it depends on how the new projects are kicking in into our production profile for the next few years.

Gabriel Simoes: That's very clear. I just wanted to do a follow-up basically on the cash cost. I just wanted to understand the -- if you have a guidance for before byproduct costs as well. That would be helpful.

Raul Jacob: At about where we are now, on the last quarter. In the last quarter, it was \$2.24 per pound. We believe it could be lower than that for the next few quarters. But for now, it will be a little bit more than \$2.20.

Operator: All right. It comes from the line of Sofia Martin with GBM.

Sofia Martin: Congratulations on your results. I have two main questions. My first one is, could you give us any color on production for the rest of the year and 2024? And if you have any further guidance going forward? And my second question is related to copper prices and market dynamics. Do you have any color heading into 2024?

Raul Jacob: Thank you for your questions, Sofia. For this year, as I mentioned, we're expecting 918,000 tons, that's for 2023. For next year, we expect to increase it for a few reasons. Let me comment on that.

Our goal is 946,700 for next year. We will have the contribution at full speed of Pilares. Pilares this year, we're getting about 23,000 tons of copper from Pilares. And the reason for that is that, at the beginning of the project, we had mineral in the form of oxides, that were sent to our SXEW plant, and they take a little bit longer to process than the usual sulfuric mineral.

For next year, we're expecting Pilares to increase from 23,000 tons of copper to 30,000 tons of copper. We will get the positive contribution of Buenavista Zinc for about 30,000 tons. And we will have improvements in the Toquepala and Cuajone ore grades, that will increase a little bit their production. In the case of Toquepala by 7,000, in the case of Cuajone by 9,000. So you have some additions on that.

Later on, we will have for 2025, our expectation is 956,500, in that case, we are expecting the contribution of El Pilar, a partial contribution of El Pilar. As well as Buenavista Zinc and Pilares copper production at full speed. For 2026, 985,400 and for 2027, 1 million tons of copper production.

For 2024, well, it's hard to say. We're looking at the market, as I mentioned, even though we had an 8% increase in prices, we're still seeing a market that stopped defining its direction actually. For now, we are expecting prices in the range of where we are now, maybe a little bit better if China comes back consuming more basic materials than what has had through this year. That is hard to predict at this point.

Long term, we do see a very strong demand coming from the energy revolution that includes electric vehicles and some other important copper construction, consumption as transmission lines, eolic energy and so on.

Operator: And it comes from the line of John Tumazos with Very Independent Research.

John Tumazos: Thank you very much. The \$1 quarterly dividend, thank you, have been bigger than reported earnings in 2022 and 2023. And the four very big capital projects are delayed and distant. There is \$7 billion of debt and lease, before cash balances and investments. The Board places a priority on perhaps reducing the debt, just in case when feasibility studies are updated, the capital cost rise. There's other companies or projects where capital costs doubled. I know that won't happen in Southern Copper, but, you never know. Thank you.

Raul Jacob: Well, let me comment on our debt position. Currently, well, you indicated, John, that you're considering also lease included as part of our debt. Actually, it's a long-term contract. It's a PPA that we have for power, for both the Peruvian and Mexican operations.

Accounting-wise, we have to register that as a lease, but actually it's a PPA, a Power Purchase Agreement. But our debt position, it's about \$6.2 billion. The average rate is 6%. In the last few years, we did several bond issues that allowed us to capture lower rates, and that has improved our debt profile. We will not have to pay for any principal up to 2025.

When we have \$500 million that are due. Last year, we paid \$300 million.

And for now, unless we have a project going on and getting into the construction phase, one of the main projects that I mentioned already. We believe that we will maintain the current cash position and debt position. For dividends, as I mentioned, it's a decision that's always taken by the Board. But what we are seeing is that, generally speaking, the company is not holding any cash. I think that, that will be our behavior in the next few quarters.

Operator: (Operator Instructions) And it comes from the line of Timna Tanners with Wolfe Research.

Timna Tanners: I know one of the other large copper producer CEO has mentioned that at current copper prices, projects were no longer so attractive, especially given higher costs for start-ups. But I'd like your thoughts on that. I know you still have quite a few projects in your pipeline, but they have been delayed a bit. And I'm just wondering if you still find building attractive or if there's a different approach to building versus buying, if M&A is interesting, great to get your thoughts.

Raul Jacob: Thank you very much for your question, Timna. Okay. On our projects, at current prices, say, \$3.60, even though costs have increased for both CapEx as well as OpEx, we see that they are attractive in terms of the returns that they are providing to the company. I think that as costs increase for operating purposes, we are seeing also an increase in the long-term price for the market.

And let me explain what I mean. Usually, a reasonable way to look at the long-term price will be the average industry cost plus maintenance capital for the current operations worldwide.

The long-term price used to be at about \$3.30 to promote the growth of our industry. Now you have to add to that, whatever inflation it's affecting both CapEx as well as OpEx. And considering that, I believe that we will be at about \$3.60 or even higher than that for the long run as a new price reference.

So, I believe that the copper prices could decrease further down from where they are, which is not our base case, but that may happen. We should see again, what we have seen in some other copper price cycle, where supply is somehow affected by demand restriction.

Now, having said that, it seems important to me to consider that production coming from Chile and Peru has been affected by different circumstances in these two countries. And that has somehow slowed the development of new projects that should supply the copper for the future. So my view is positive in the sense of midterm to long term, but we still have to pass through this strange seas that we're seeing nowadays.

Timna Tanners: Okay. That's helpful. I know there's also been some headlines around your Buenavista operations and some blockages that have been reported in the local press, that have caused some concern. I think that wasn't a cause of any disruption, but it would be great to get your perspective on that or how you see that getting resolved?

Raul Jacob: Well, as you well mentioned, it has not affected our operations. We are seeing some -- mainly related to the political campaign that is about to begin or is already under course in Mexico. As you know, we had a significant change in unions regarding the Buenavista operation in the past decade. And I think that there are certain external forces or political forces, that would like to affect our operations. They haven't had any success so far in these many years, and I believe that, that will be the case for the future as well.

Operator: And it comes from the line of Alex Hacking with Citi.

Alexander Hacking: Raul, just wanted to clarify on the guidance. You said 946,000 tons next year. In my notes, I had that last quarter that, that guidance was 1,026,000 tons, which is a 80,000-ton cut to that guidance. Am I correct? And if so, I guess, what's driven that downgrade and expectation for next year?

Raul Jacob: The reference that you gave us, Alex, is correct. We have made an adjustment in our production for the current operations, particularly Buenavista and Buenavista Zinc. Those two have reduced their forecast for next year. This number is still under review.

We will do a new set of forecast at the beginning of next year in our January conference. And currently, what we're considering is how are we going to improve the 946,000 tons, that I mentioned before.

Alexander Hacking: And then just to follow up with the issue there, obviously, there's a little bit of timing slippage right on Buenavista Zinc. But with the other -- would the main issue be grade? Would that be the reason that like the grade is effectively going to be a little bit lower than this previously forecast?

Raul Jacob: It's basically ore grade because the operations are at full speed, all the time, 24/7. So it's mainly ore grades or recoveries, depending on the different phase you are in the mines. That changes a little bit. And that plus the start-up of projects are the drivers of changes in production on the yearly basis.

Operator: And it comes from the line of Carlos De Alba with Morgan Stanley.

Carlos de Alba: So Raul, any comments on how Southern Copper has taken the plan proposed by the Mexican government to remediate what they claim is still a contamination in Rio Sonora from the spill in 2014.

Raul Jacob: Very straightforward answer is no, Carlos. We are looking at the information and we're studying it, and we'll answer that when corresponds. But at this point, we have no comments on this.

Carlos de Alba: Okay. That's clear. Now just the company, if I understand correctly, has done several analyses throughout the years. And they don't show any contamination left. Is that fair?

Raul Jacob: That's our view on the matter, yes.

Operator: And I'm not showing any further questions in the queue.

Raul Jacob: Okay. Thank you very much, Carmen. And with this will conclude our conference call for the third quarter of 2023. We certainly appreciate your participation and hope to have you back with us when we report the fourth quarter of this year and the end of the year results in January. Thank you very much. And have a nice day.

Operator: Thank you all for participating, and you may now disconnect.