

# **Southern Copper Corporation Q3 2024 Results**

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## Q3 2024 Highlights

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### Welcome

Good morning to everyone. Welcome to Southern Copper's third quarter 2024 results conference call. At today's conference, I am 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.

### Agenda

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.

### Copper business

Now let us focus on the copper market. The London Metal Exchange copper price increased 10% from an average of \$3.79 per pound in the third quarter of 2023, up to \$4.17 this past quarter. Just as a reference, today, the copper price is about \$4.30.

Based on supply and demand dynamics, we are expecting a slight market surplus of about 100,000 tons of copper for 2024.

Looking at copper demand, although we see a weak one from China, we believe the recently announced economic measures will promote economic growth and fuel demand from the world's largest copper consumer. Furthermore, a resilient US economy and new demand from decarbonization technologies coupled with needs driven by artificial intelligence are expected to bolster support for long-term copper demand.

Now let us look at Southern Copper's production for the past quarter. Copper represented 77% of our sales in the past quarter. Copper production registered an increase of 11% in the third quarter of 2024 in a quarter-on-quarter terms to stand at 252,219 tons.

Our quarterly result reflects an 18% increase in production in Peru, which was driven by higher mineral throughput at Cuajone and higher ore grades and recoveries at Toquepala. Production at our Mexican operations increased 7% in the quarter to quarter terms, mainly due to higher production at our Buenavista and La Caridad mines.

For 2024, we expect to produce 975,000 tons of copper, an increase of 7% over the 2023 final print. This growth will be fueled by recovery at our SX-EW facilities at Buenavista, higher production in Peru, and copper production at our new Buenavista zinc concentrator, which is operating at full capacity.

### Molybdenum business

For molybdenum, it represented 10% of the company's sales value in the third quarter of this year and is currently our first byproduct. Molybdenum prices averaged \$21.68 per pound in the quarter. This compares to \$23.59 per pound in the third quarter of 2023, a decrease of 8% in price.

Molybdenum production increased by 6% in the third quarter of this year compared to the third quarter of 2023. This was mainly driven by higher production at the Peruvian operations and the Buenavista mine, due to higher ore grades and recoveries. These results were partially offset by lower production at La Caridad mine, and also due to lower ore grades and recoveries.

For 2024, we expect to produce 28,200 tons of molybdenum, which represents an increase of 5% over our 2023 production levels.

### **Silver business**

Silver represented 5% of our sales value in the third quarter of this year, with an average price of \$29.43 per ounce this quarter. This represents a growth of 25% versus the 2023 third quarter price. Silver is currently our second byproduct.

Mine silver production increased 22% in the third quarter of 2024 versus the same period of 2023. This was after production rose at all our operations, with the exception of La Caridad. Refined silver production decreased by 3% quarter-over-quarter, which was mainly driven by a reduction at our La Caridad refinery. This result was partially offset by higher production at the Ilo refinery. In 2024, we expect to produce 20.8 million ounces of silver, an increase of 13% compared to 2023.

### **Zinc business**

Zinc represented 4% of our sales value in the third quarter of 2024, with an average price of \$1.26 per pound in the quarter. This represents a 15% increase compared to the third quarter of 2023 figure. Mine production for zinc increased a remarkable 91%. I repeat, 91% increase in zinc mine production. A total of 31,078 tons. This was mainly driven by new production at the Buenavista zinc concentrator that contributed with 14,453 tons over the period; and by an increase in production at the Santa Barbara mine.

Refined zinc production increased by 9% in the third quarter of this year, vis-a-vis the third quarter of 2023.

For 2024, we expect to produce 120,300 tons of zinc, which represents an increase of 84% over our 2023 production level. This growth will be driven by the production of our Buenavista zinc concentrator that we're expecting it to produce 54,800 tons of zinc. The ramp up has been faster than expected. For next year, and on, we expect to produce over 154,000 tons of zinc per year.

### **Financials**

Looking at our financial results. For the third quarter of 2024, sales were \$2.9 billion. This is \$425 million higher than sales for the third quarter of 2023. This is a 17% increase in sales. Copper sales value increased by 21% and volume by 8%. Obviously, the difference came from better prices.

Regarding our main byproducts, we registered a drop in sales of molybdenum due to lower prices and open sales adjustments. These negative variances were partially offset by an increase in volume of molybdenum sold of 6%. Zinc sales rose 61% due to much higher volumes, thanks to the contribution of the Buenavista zinc plant and better prices.

Finally, silver sales grew 46% due to higher prices and volumes.

Our total operating costs and expenses increased \$44 million, or 3%, compared to the third quarter of 2023. The main cost increment has been in repair materials, translation difference, workers' participation, inventory consumption, leachable material, and other factors. These cost increments were partially offset by reductions in the cost of energy, operating and services contractors, purchased copper, water consumption, and diesel and fuel.

The third quarter of 2024 adjusted EBITDA was \$1,685 million, which represented an increase of 31% with regards to the \$1,291 million registered in the third quarter of 2023. The adjusted EBITDA margin in this past quarter stood at 57%, versus 52% in the third quarter of 2023. Adjusted EBITDA for the nine months of 2024 was \$24,899 million. This is 23% more than the mark for the nine months of 2023.

The adjusted EBITDA margin in this year, year-to-date as of September, stood at 57% versus 52% for the nine months of 2023.

Southern Copper operating cash cost, including the benefit of byproduct credits, was \$0.76 per pound in the third quarter of 2024. This cash cost was similar to the cash cost for the second quarter of this year, 2024. So we had \$0.76 this past quarter of cash cost. And in the second quarter of this year, we had \$0.758. So pretty much the same.

The operating cash cost per pound of copper before byproduct credits was \$1.95 per pound in the third quarter of this year. This is \$0.20 below the value for the second quarter of 2024. This 9% decrease in the operating cash cost is the result of lower cost per pound from production cost, treatment and refining charges and administrative expenses. These were partially offset by lower premiums on our refined sales.

Regarding byproducts, we had a total credit of \$639 million, which is \$1.19 per pound of credits in the third quarter of this year. These figures represent an 11% decrease when compared to the credit of \$716 million, or \$1.40 per pound of credits that we had in the second quarter.

Total credits have decreased for molybdenum and silver and increased for zinc and sulfuric acid when we compare the third quarter to the second one of this year. Net income in the third quarter of 2024 was \$897 million, which represented a 45% increase with regard to the \$620 million registered in the third quarter of 2023.

The net income margin in the third quarter of this year stood at 31% versus 25% in the third quarter of 2023. These improvements were mainly driven by an increase in sales and our strict cost control measures. In the nine months of 2024, the net income was \$2,583 million, which represents growth of 30% compared to the \$1,980 million reported for the nine months of 2023.

The net income margin for the first three quarters of the year stood at 30% versus 26% for the nine months of 2023. Cash flow from operating activities in the third quarter of 2024 was \$1,440 million, an increase of 37% versus the figure in the third quarter of 2023.

In the nine months of this year, cash flow from operating activities stood at \$3,061 million, which represented an increase of 1% over the \$3,032 million posted in the nine months of 2023.

For capital investments. Our current capital investment program exceeds \$15 billion and includes investments in the Tia Maria, Los Chancas and Michiquillay projects in Peru and in the Buenavista Zinc, El Pilar and El Arco projects in Mexico. This capital forecast includes several

infrastructure investments, including key investments to bolster competitiveness of the El Arco project.

In the nine months of this year, we spent \$792 million on capital investments, which represents 31% of net income and reflects a 5% uptick in capital expenses year-on-year.

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

For the Tia Maria project, which is located in the Arequipa Region of Peru. As of September of this year, the company generated more than 422 jobs. Of those, 355 were filled with local applicants. To the fullest extent possible, we intend to fill the 9,000 jobs estimated to be required during Tia Maria's construction with workers from the Islay province.

When we start operations in 2027, the project will generate 600 direct jobs and 4,800 indirect jobs. In the coming months, we expect to build roads and access points, train operators, update topographic network, install and delimit properties along the living fence, install a temporary camp and begin earth moving facilities. For 2025, our Board has approved a CAPEX budget of \$363 million for the project and its related activities.

In the case of the Los Chancas project in Apurimac, in coordination with the Peruvian authorities, efforts continue to eradicate illegal mining activities. Once this process has concluded, we will resume the environmental impact assessment and begin hydrogeological and geotechnical studies. We will also begin a 40,000 meter in-field drilling campaign to gather additional information on the geological characteristics of the Los Chancas deposit.

For the Michiquillay project in the Peruvian region of Cajamarca, as of September 30th of this year, the total progress on the exploration program is 30%. We have drilled 121,000 meters on a total program of 148,000 meters and obtained 39,234 drill core samples for chemical analysis.

Diamond drilling will continue and will provide information for the interpretation of geological sections related to mineralization, geological modeling, and mineral resource evaluation. Geo-metallurgical studies are currently underway. Hydrological and hydrogeological studies for the project will begin shortly.

### **ESG update**

Regarding environmental, social and corporate governance practices, our three operations in Peru: Cuajone, Toquepala and Ilo, were awarded with the Copper Mark and the Molybdenum Mark certifications for responsible production following an independent third party assessment of environmental, social and governance performance. We are proud to report that all our open pit copper and molybdenum production has been certified under this standard. This applies also obviously for the Mexican operations.

Regarding education, we delivered the Center for Research with a specialized engineering laboratories to the Universidad Nacional de San Agustín de Arequipa, named UNSA, in Peru. This facility, which was built under the work for taxes mechanism at a cost of \$18 million, is equipped with 24 laboratories and will benefit 6,500 students and 174 researchers.

In Mexico, the Cultural Center located in Charcas in San Luis Potosi, obtained first place in the Noldi Schreck Awards in the categories private institutional architecture and repurposing of buildings. This space, which began operations in the summer of 2023, has hosted over 4,700

participants and 120 volunteers across 200 activities related to education, culture, health and sports. The cultural center, which is open to the public, is now considered a cultural attraction and received visits from tourists, locals and state authorities.

Grupo Mexico has a program named Dr. Vagón that has provided more than 80,000 medical services in Sonora over the last ten years. In September of this year, Dr. Vagón, which is a Fundación Grupo México's health program, visited Cananea to provide more than 6,000 free medical services to 2,050 people. Patients were evaluated by specialists and needy candidates received medicine, eyeglasses and hearing aids.

During these interventions, 102 elderly residents received cataract surgery to help them recover their sight.

Switching gears, we are going to talk about dividends. As you know, it is the company's policy to review our cash position, expected cash flow generation from operations, capital investment plans and other financial needs at each Board meeting to determine the appropriate quarterly dividend. Accordingly, on October 17th of this year, Southern Copper Corporation announced a quarterly cash dividend of \$0.70 per share of common stock and a stock dividend of 0.0062 shares of common stock per share payable on November 21 of this year, to shareholders of record at the close of business on November 6th.

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

## Q&A

**Gabriel Simoes (Goldman Sachs):** I would first like to understand if you could please comment on the gap that we saw between copper production and sales this quarter, and if we should see that effect being reversed potentially in the fourth quarter?

My second question is about Tia Maria. We saw some news this week on protests regarding the project. So it would be interesting to understand how fast you are being able to move forward with this project. And if you could comment on local community support for the project and your actions in the region, that would also be great.

**Raul Jacob:** Okay. Thank you very much for your question, Gabriel. Regarding the gap between copper production and sales. Well, we are also concerned about that. But what we have identified that, well, we have a portion of our copper production. It is material in process at our smelters and refineries at this point. So we should close that gap shortly.

Regarding Tia Maria. Well, we have not had much activity on the protest. Today and tomorrow in Peru, several organizations are calling for a protest against the government, which is not specifically related to the project. And that is basically it.

So far now, as well as in the last two days, we have seen that things are peacefully at the area of the project. Today, our workforce is working with no interruptions. I mentioned that we have over 400 employees working at this moment in Tia Maria, and they went to work with no problems, no issues at all. So we want to move on with the project as soon as we can.

I mentioned already that there is a budget approved for the project for next year. Obviously it will be entitling several activities, among them initial pre-stripping work of the La Tapada mine.

**Gabriel Simoes:** Okay. Just a quick follow up, if I may, on the first question. So you mentioned you expect the gap to close in the future, right? Not to be reversed necessarily, right? If you could just confirm that and potentially add some more color on the issues that you are having. So like if the gap closes, but does not reverse, you would be like working with higher inventories. Is that the plan?

**Raul Jacob:** No, the idea is to have our inventories coming back to the appropriate level.

**Gabriel Simoes:** Okay. So a reversion. Is that expected already for the fourth quarter? Just to be clear, sorry.

**Raul Jacob:** Yes. We would like to do that in the fourth quarter.

**Carlos De Alba (Morgan Stanley):** Yes. A couple of questions. First, can you give us the guidance for cash cost before byproducts for 2024 and 2025. And then what can you share in terms of the potential for dividends to continue to come in the coming quarters? The combination of cash and shares. And maybe to that last point, can you let us know what is the current or what will be the current number of Treasury shares after the recently announced dividend is paid out?

**Raul Jacob:** Okay. On the cash cost, Carlos, I think, obviously this is one of the most difficult data to forecast because you have not only what you do on the cost, but also what happens with the prices of your byproducts and your production.

But we believe that we should maintain the current cash cost of about in the 70s. Let us say 76 was the last mark, but about around that number, as long as we have the prices that we have for the different byproducts, but mainly molybdenum, silver and zinc.

Obviously, the better production of zinc that we have, it is significant for improving this and it depends on, as I say, on the production. We believe that we will fill up with the estimates that I provide you and then the difference is for prices on the byproducts.

And for the current production, we believe that we are at about a little bit less than \$2 that we have reported for the past quarter.

**Carlos De Alba:** So the cost before the benefit of byproducts should remain around \$2 per pound.

**Raul Jacob:** Yes, we believe so.

**Carlos De Alba:** This year and next year.

**Raul Jacob:** Next year, we will see. But we are expecting to have more production of zinc and silver next year, so that should be a little bit better.

On dividends, it is always up to the Board. The Board has been approving dividends of 50-50, a portion in cash and a portion in shares. We think that this is a good way to maintain the company liquidity. As you may imagine, we will be using some of the cash generated for the projects that we have, mainly Tia Maria. And we do have next year to pay \$500 million in a bond that matures in the second quarter of the year.

Current number of shares after recently announced dividend in Treasury. Okay. We have 99 million shares in the Treasury at this point, Carlos.

**Rafael Barcellos (Bradesco BBI):** Could you please elaborate further on the regulatory environment in both Mexico and Peru? It would also be interesting to hear from you. I mean, specifically about your growth initiatives in Mexico. Whether there is any news on the discussions related to open pit operations, Mexico and so on. So if you can comment anything here, it would be interesting.

And my second question is about production. I mean, I wanted to understand your expectations for copper production into 2025, if possible.

**Raul Jacob:** Okay. Thank you very much for your questions, Rafael. Well, on the regulatory environment in Mexico and Peru. Let me start by Peru first. In the case of Peru, the government is proposing some changes in current procedures in order to shorten the time lag that the time that they take to obtain the different permits. This is a positive thing that we are seeing and working with the National Society of Mining of Peru in order to produce a proposal that is good for mining companies that are here and for projects as well.

In the case of regulatory environment in Mexico, so far we had some changes last year, that mainly affected the exploration activities and concessions. In our case, we were not affected by the new regime of concessions. So far we are we are okay on that.

On the open pit mining, well, we have to see what happens at the end of the day. However, it will not affect companies and projects that have already concessions. That is our understanding on this matter.

On the production expectations for 2025, let me repeat our forecast in this. Okay. I am sorry, I think I have not said it for 2025, but I am going to repeat 2024 and what we are expecting for 2025 at this point.

For 2024, in copper, we are expecting 975,000 tons. For next year, the number should be 978,300. That is our latest estimate. For molybdenum, this year we are expecting 28,200 tons. And for next year, 26,200 tons.

For zinc, we are expecting this year 120,300 tons of zinc. For next year, 154,600 for 2025.

Silver, we are increasing our production from 20.8 million ounces to 22.9 million ounces. So as you can see, we are improving a little bit our copper production, that is our current view. On molybdenum, we are expecting a little bit less than what we are producing this year, but hopefully we will have some catch up on this as we have done in some other years.

For zinc, we are increasing it from 120,300 to 154,600. For silver, from 20.8 million ounces to 22.9 million ounces. And I think that that is for our main product, which is copper and our main byproducts as well.

**Ian Snyder (JP Morgan):** I had two, but that was covered on the open pit mining question on Mexico. But my other question, can you talk about your plans for debt issuance in the upcoming 12 months? First, regarding the 2025 bond maturity that you mentioned? And second, anything related to the elevated CAPEX for greenfield projects, Tia Maria, in particular? Could we see you do a 2025 refinancing and upsize the notional to account for some expansion CAPEX?

**Raul Jacob:** We will eventually tap the debt markets in the next few quarters. But so far we have not closed a specific proposal. We want to understand what will be the environment in



which such an issuance will have to be put in the market. And we want to obviously find a time where interest rates are okay for this kind of financing.

As we have done in the past, we will very likely go to the debt market as we initiate the construction of a major project. Right now, we are considering the initiation of Tia Maria. So we will consider a new debt for financing the project and some other corporate activities as well in the next few months. But so far, we have not put in place any specific structure or anything similar to that.

**Ian Snyder:** Understood.

**David Feng (CICC):** My first question is regarding the operating cash cost reconciliation on the last page of your press release. So firstly, we can see that there is about a positive \$188 million of treatment and refining charges and then negative \$262 million in other charges, which are both with some significant changes than previous quarters. We all know that the TC/RC in the market has been staying at a very low level, or even negative sometimes, but I think the majority of your concentrate is smelted and refined by yourself. How should we understand the figures of these two, like significant changes here? And how should we expect, like how about your outlook for this in the following quarters? I will come up with the second.

**Raul Jacob:** Hold on a second, please. Okay. There has been a mistake on the information. This treatment and refining should be a negative number, 11.1% for the nine months of this year. And that is creating the difference that we are talking about.

**David Feng:** I mean we can see that the nine month number is basically brought by the significant changes for the three months in the last quarter. So would you might just give me some like, extra clarification on that?

**Raul Jacob:** It is a typo. So sorry about that. Basically, the press release should be a negative number, the 11.1.

**David Feng:** Got it. Understood. Maybe I will come with my second one. So, previously, I think you have mentioned that you may provide a revised CAPEX estimate for Tia Maria by the end of this year. So I just wonder how is the progress on the reevaluation and then any color on what should we expect from what will be the main items in the CAPEX to be revised?

**Raul Jacob:** Well, the CAPEX that we are using for Tia Maria was approved in 2016. So eight years have passed by. Obviously, there has been some technological improvements in the process. We want to start a new solvent extraction electrowinning operation, and there are also some other parts of the project that we are looking into considering them or not for this new stage of the project.

We have, for instance, a new road that we will want to build between where the plant is going to be in the middle of the desert, down to the coast. That road has obviously a cost. And we are including that in the budget. So it is a mix of changes due to technology or better processes that are available now and some changes that we want to do on the structure and some things that we have had. For instance, the road is something that we believe will be very helpful to eliminate any complaints of the people in the valley, because we will pass through a deserts area all the way down to the coast and then to the Mollendo and Matarani cities, which are okay with the project. So that is the kind of things that are being considered.

We are also looking into different ways to transport the production, and the sulfuric acid required by the project. By this, I mean that our main idea is to have a railroad, however, we want to design or decide on the proper way or the proper part of the area where the railroad will pass by. So they are a little bit different. And that is why we are not providing at this point a specific budget.

The ballpark number that we are seeing is about \$1.8 billion, but we still are looking into this number to be sure that that is the one that we want to execute.

**David Feng:** Okay. That is really helpful. Thanks for color. I will pass it on.

**Alejandro Demichelis (Jefferies):** One quick question. So you mentioned the copper production for next year, and that is great. Could you please give us some indication of CAPEX for next year? That is the first question, please.

**Raul Jacob:** Okay. Well, we are still looking into our budgets for CAPEX for next year. We have been considering about \$920 million for CAPEX for 2025. That number may vary a little bit. But still we do not have a definite number at this point. So we are maintaining our latest forecast on this.

**Alejandro Demichelis** Okay. That is very clear. And then the second question is, could you please comment on the situation of water in Mexico and how you are seeing that evolving over the next few quarters, please.

**Raul Jacob:** Well, for now, we have all the water that is required for our operations for what is remaining in 2024 and next year. Obviously, we are looking into this matter with extremely care because it is a key element that we need to develop our operations. But so far we are happy that we currently have all the water. All our water needs are filled. And we are okay with that and expecting that that will be the case in 2025.

**Alejandro Demichelis:** Okay. And just to finish on the water situation, we have seen new reports about the situation of the Sonora River and the incidents that happened in the past. How do you see the situation at the moment?

**Raul Jacob:** Well, generally speaking, we have been looking into different sources that we have for water. And we believe that we are fine with what we have. We are storing water for our needs next year, and a small cushion in case that something does not go as we expect.

**Alejandro Demichelis:** Perfect.

**Raul Jacob:** You are welcome.

**Pablo Abraham Peregrina (BBVA):** My question has been answered, and it was about the \$354 million from the other charge line. But just to clarify that \$1.95 for the cash cost before byproduct remains unchanged. Right?

**Raul Jacob:** Well, that is our number for the third quarter.

**Timna Tanners (Wolfe Research):** I just wanted to follow up. I know you provided new numbers for production for copper and zinc and new CAPEX, but I did not really get the why. Like, why is the copper production number now seen flat when before it was going to see a decent decline? Why is the zinc production number lower than expected? And why the lower CAPEX number?

**Raul Jacob:** Okay. On the CAPEX number, it is basically what we are expecting. At this point, Timna, we are reviewing currently our budgets. So I will ask you to wait for our next conference call in January, where we will provide a much more defined information on CAPEX, specifically.

In the case of copper production, well, we have had a bigger increase in production this year. We are expecting to close 2024 with 975,000 tons, which compares with 911,000 tons in 2023. And this is basically the result of a recovery of the Mexican operations, particularly SX-EW facilities, and higher production at the Peruvian operations.

So for next year, we are expecting to maintain the current levels, that is why we are forecasting 978,000 tons for next year.

And for zinc, we are moving forward with the production of the new facility, which is the Buenavista zinc concentrator. It will be producing about 92,000 tons next year. And the IMMSA operations are also recovering and increasing their production to 85,000 tons altogether. That is a 178,000 tons of zinc. I think that this is a much higher number than the 121,000 tons that we are forecasting for this year for 2024.

**Timna Tanners:** Okay. Thanks. One quick follow up, if I could. For 2026, and I know that is pretty far out, but you had also guided to 938,000 tons for copper. But with the revised higher 2025, is it fair to say that that value could be sustained at the more recent annual run rate going forward? Or is there something on the horizon that could cause that to correct?

**Raul Jacob:** We have to stick to our mine plans and in some times, in some circumstances ore grades as well as recoveries are affected by different circumstances in the deposits. And that is why we have variances in our total production.

For now, we expect a slightly lower production of copper for 2026, but we still are working on revising the mining plans and see if we can improve it. So we do not have a significant variance between 2025 and 2026. And as you well mentioned, Timna, we are a little bit far away right now from it. So let us wait until we have more information, and we can provide a more solid forecast on this.

**Timna Tanners:** Understood.

**Raul Jacob:** You are welcome.

**Jon Brandt (HSBC):** I just first wanted to just go back quickly to Tia Maria. You mentioned you set these targets in 2016. There has been a lot of improvement. So I am just wondering, I understand the CAPEX is going to go up, but is there any other changes that we could expect? Could you see an increase in production and or capacity above the 120,000 tons? How should we think about unit cost expectations at the mine?

And then my second question is just on Los Chancas. Could you provide a bit of an update there? I mean, it seems like every quarter we talk about sort of the illegal mining activities. Is there any scope to have this finalized so you can start operations there again? Or do you expect that this is going to carry on for the foreseeable future?

**Raul Jacob:** The second point is regarding Los Chancas, right?

**Jon Brandt:** Yes. Correct. Los Chancas.

**Raul Jacob:** Okay. Well, we are working on this with the national police. We are taking certain actions that we believe will be very helpful for removing these illegal miners from the Los

Chancas deposit. And this takes a while. We have been doing some progress, but we still have to do more work and coordination with the national police.

So I am sorry that I cannot provide you a specific timeline on this. Our expectation is that between now and, say, the first quarter of next year, we will be able to remove them. But that is our expectation. We have to see how things evolve.

And on the other point, on production for Tia Maria, we are basically maintaining the forecast that was prepared a couple of years ago. It is mainly what you have seen. And we have, on the cash cost, about \$1.16 per pound. That is our current cash cost for the first ten years of the project. And well, obviously it is a little bit higher than the \$1 that we have been using in the past, and \$1.10. But at the same time, the price tag that we are considering now has increased just due to inflation.

We were doing a cash cost estimations, considering \$3 per pound of copper. Now we are using \$3.80 as a reference for a long-term market. So we believe that the project is still very profitable. Even though we have some changes in our CAPEX, it still will be a very good project with extremely low cost per ton of installed capacity. And I think that is something very positive for the project of Tia Maria.

**Alfonso Salazar (Scotiabank):** I have two questions. The first one, if we can go back to the water situation in Mexico. Is there any update on the pipeline that you need to build at Buenavista? And if you are moving your water by truck, what is the increase in operating costs by doing that.

And the second question that I have is, if you can remind us the breakdown of costs in Mexican pesos, what percentage is in Mexican pesos at your Mexican mines?

**Raul Jacob:** Okay. Thank you, Alfonso. Regarding the water pipeline, we are still working on getting the permit to build the pipeline. At this point, we are not using water trucks to provide the water that the Buenavista operation requires. So we are using our own other sources of water for filling up the water needs of Buenavista at this point.

Regarding your second question, cost, Mexican pesos. It is 39%. According to our estimation, 39% of our total cost is in Mexican pesos, Alfonso.

**Alfonso Salazar:** That is only for Mexican mines, right?

**Raul Jacob:** Yes, that is for Mexico.

With this, we conclude our conference call for Southern Copper's third quarter 2024 results. We certainly appreciate your participation and hope to have you back with us when we report the fourth quarter of this year and the full 2024 results. Thank you very much for being with us today and have a nice day.

[END OF TRANSCRIPT]