



Nexa Resources

3Q18 Results

NEXA
LISTED
NYSE



November 1st 2018

nexa

Disclaimer



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Agenda

- **CEO Message and Highlights**

Tito Martins, Nexa CEO

- **Nexa Results**

Mario Bertoncini, Nexa CFO

- **Aripuanã & Closing Remarks**

Tito Martins, Nexa CEO





Aripuanã greenfield project

- Feasibility study (FEL3) completed
- Construction approved by the BoD
- Zinc equivalent¹ production estimated at 120kton per year for 13 years considering only mineral reserves
- Excellent potential to extend mine life by up to 6 years, based on the significant current inferred mineral resources



1 year listing and rebranding new milestone

- The Company remains committed and focused on operational excellence, safety improvements, project execution and financial discipline
- All relevant subsidiaries officially rebranded, Nexa Peru (former Milpo), Nexa Brazil (former VMZ), Nexa Cajamarquilla and Nexa Atacocha



Guidance update

- Zinc, copper and silver mining production reiterated
- Smelting sales reiterated
- Gold mining production range up 6koz
- Lead mining production range down 5kton
- CAPEX FX adjustment, reduced by US\$20 million



Growth on metal sales², 4.5% higher in 9M18 compared to 9M17

- 439kton sales volume², leveraged by a higher production in the period
- Smelters operating at capacity



Share Buyback program approved

- On September 20, 2018 the BoD approved the program with the following details:
 - Up to US\$30 million
 - 12 month period from November 6, 2018
 - Carried out on NYSE

Performance Highlights



Zinc mining production of 90kton in the 3Q18, in line with 3Q17, mainly due to better performance in El Porvenir and Vazante.



4.1% higher smelting¹ zinc sales volume in the 3Q18, higher sales in Brazil.



3Q18 revenue of US\$595 million, 5% lower compared to 3Q17, driven by lower metal prices partially offset by higher sales volumes from our smelters.



US\$120 million adjusted EBITDA in 3Q18 compared to US\$161 million in 3Q17, a decrease of 26% mainly due to lower metal prices.



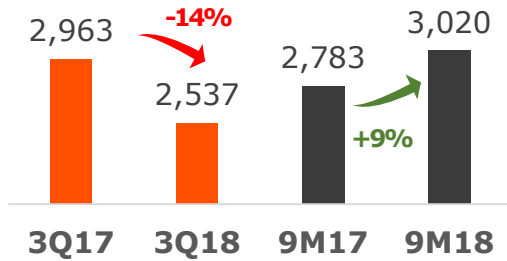
Net Debt/Adj. EBITDA of 0.32x as of September 30, 2018, with an average debt maturity of 6.2 years.

Market Fundamentals

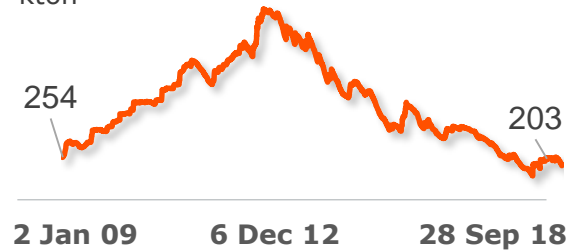
3Q18 Lower LME prices across base metals markets despite strong fundamentals

Zinc

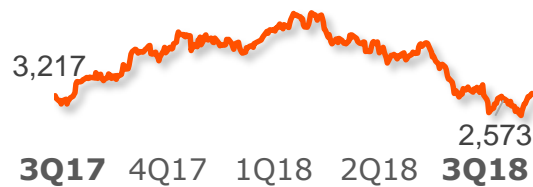
LME average price²
US\$/ton



LME stocks¹
kton



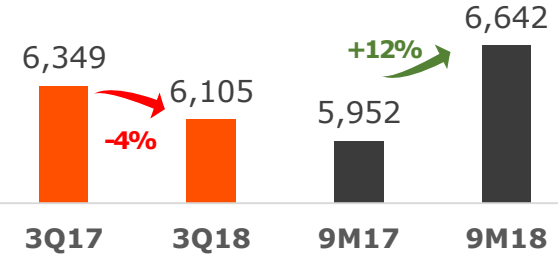
LME price evolution
US\$/ton



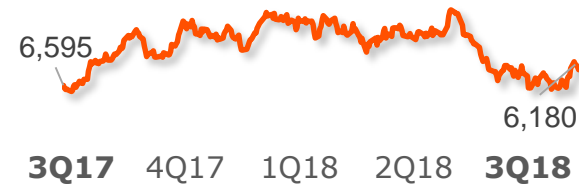
**Total stocks³ forecast:
29 days of consumption
at Dec 18**

Copper

LME average price²
US\$/ton

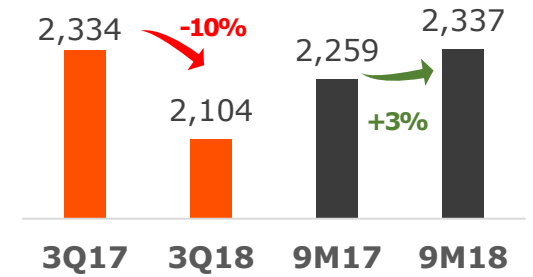


LME price evolution
US\$/ton

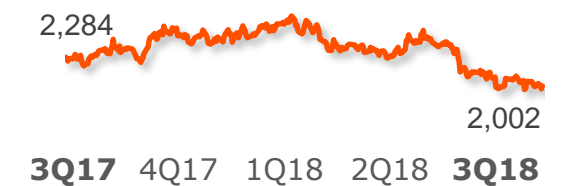


Lead

LME average price²
US\$/ton



LME price evolution
US\$/ton



Sound fundamentals for base metals were not enough to hold LME prices in 3Q18, since **trade war**, in addition to fears about **Treasury rate hikes**, clouds the market with concerns and directly affects the global economy

¹Based on daily stocks, as reported by the London Metal Exchange

²Based on daily prices, as traded in the London Metal Exchange

³Woodmackenzie forecast for total stocks (LME+SMM+shadow) for December 31, 2018 as of June 30, 2018

Mining Production

Consistent production in 3Q18



Mining production per metal

Metal contained in concentrates (kton)

Metal	3Q17	1Q18	2Q18	3Q18	9M17	9M18
Zinc	89	87	92	90	273	270
Lead	13	12	13	13	38	38
Copper	12	11	9	10	33	30
Silver	1,923	1,884	1,847	2,053	5,675	5,783
Gold	7	7	7	7	25	22
Zinc Equivalent ¹	139	134	135	137	418	407

Mining production per mine

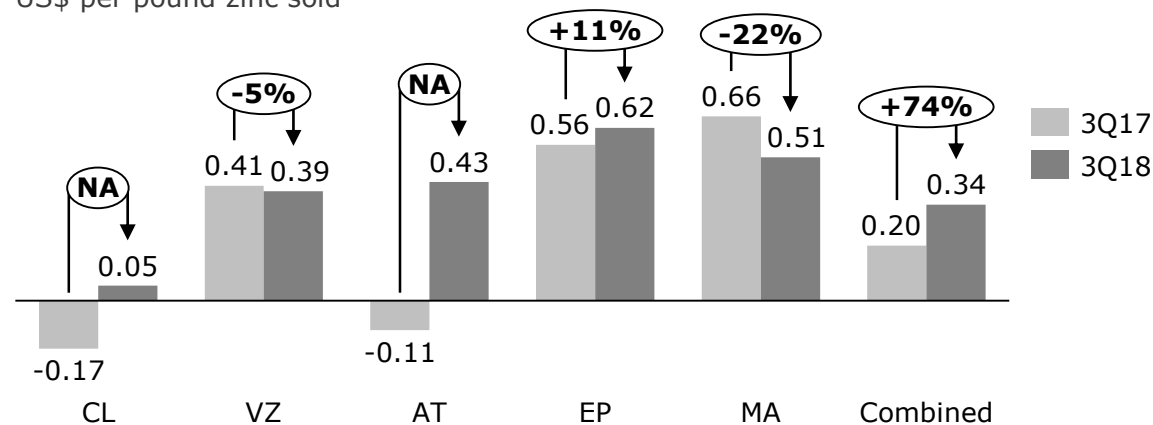
Zinc equivalent¹ (kton)

Metal	3Q17	1Q18	2Q18	3Q18	9M17	9M18
Cerro Lindo	68	57	59	60	205	176
Vazante	35	36	36	35	103	107
El Porvenir	18	24	23	22	54	68
Atacocha	13	12	11	12	36	35
Morro Agudo	6	5	7	9	20	21
Zinc Equivalent ¹	139	134	135	137	418	407

- Production of contained zinc in **3Q18 in line with 3Q17**
- 3Q18 zinc equivalent production benefited from **better performance in El Porvenir and Morro Agudo** compared to 3Q17
- In Cerro Lindo, as planned, the mine development program will enable higher production in 4Q18
- Zinc equivalent production in 9M18 reached **96% of the volume planned for the period**
- Cash cost increased mainly due to lower by-products credits (\$0.11/lb) and higher operating costs (\$0.07/lb), driven by higher maintenance and mining development costs

Cash cost after by-products credits

US\$ per pound zinc sold



Smelting Sales

Smelting robust sales supported by consistent production

Smelting sales per product

(kton)

Metal	3Q17	1Q18	2Q18	3Q18	9M17	9M18
Metallic zinc	144	137	143	150	410	430
Zinc oxide	10	9	9	10	29	28
Total	154	146	152	160	439	458

Smelting sales per plant

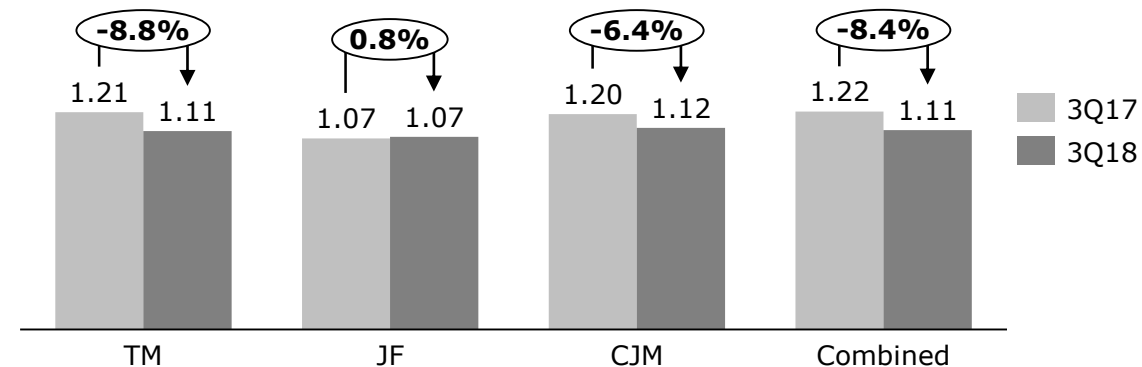
(kton)

Metal	3Q17	1Q18	2Q18	3Q18	9M17	9M18
Cajamarquilla	84	79	82	84	228	245
Três Marias	50	49	51	55	148	155
Juiz de Fora	20	18	19	21	63	58
Total	154	146	152	160	439	458

- 3Q18 smelting sales were **4.1% higher** than 3Q17, driven by higher sales in Brazil due to a sales backlog from 2Q18
- Smelting sales in Brazil were **8.3% higher** than 3Q17
- Smelters operating at almost full capacity
- Cash cost benefited from lower LME prices and BRL devaluation

Cash cost after by-product credits

US\$ per pound zinc sold



Segments

Robust 9M18 result although impacted by lower LME prices in 3Q18

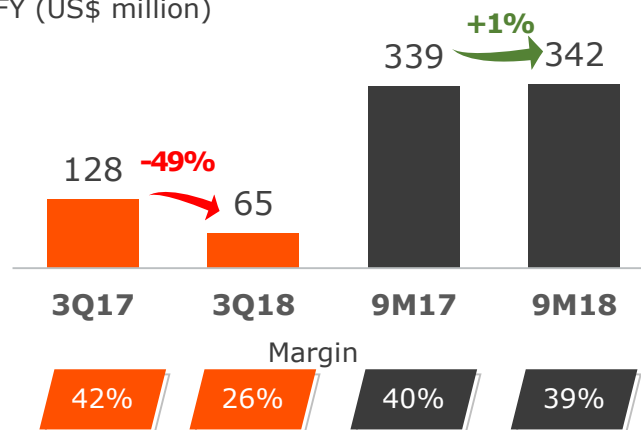
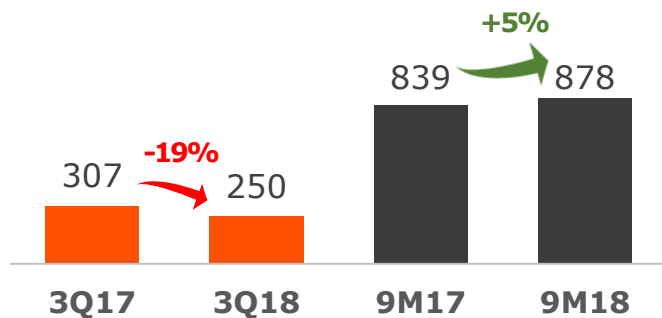
Revenue per segment

FY (US\$ million)

Adj. EBITDA per segment

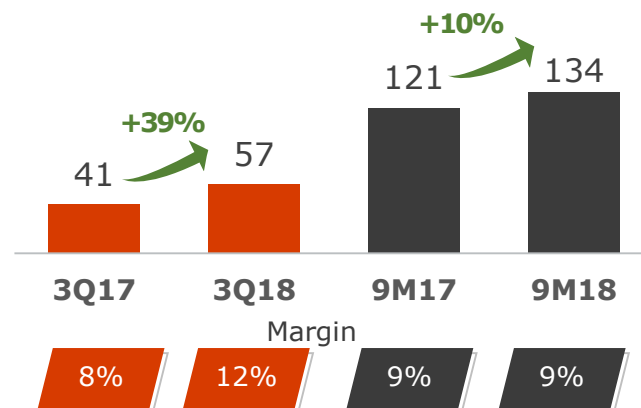
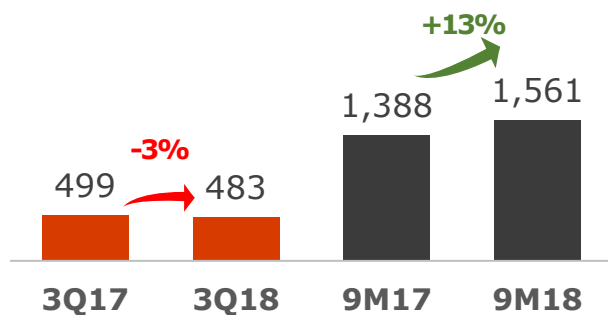
FY (US\$ million)

Mining¹



Mining EBITDA in line with 9M17 mainly due to higher metal prices at the 1H18 and offset by the recent LME prices decrease

Smelting



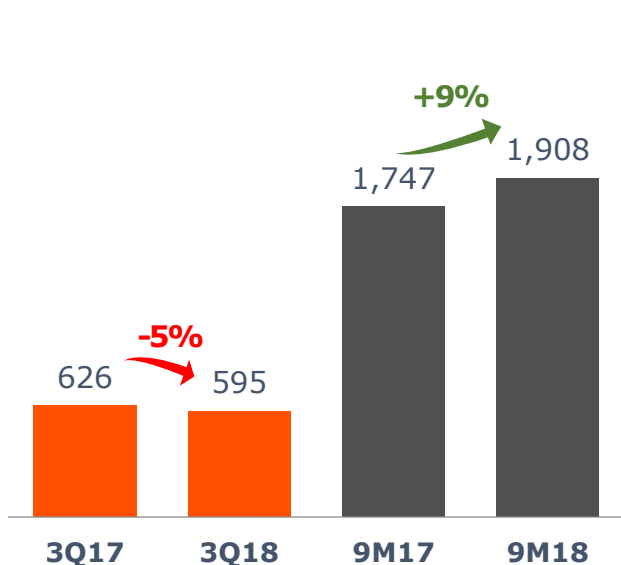
Smelting EBITDA increased 10% in 9M18 compared to 9M17 mainly due to **higher sales volume** and zinc prices at the 1H18.

Financial Results

3Q18 Adj. EBITDA decreased as a result of lower base metal prices partially offset by higher metal sales

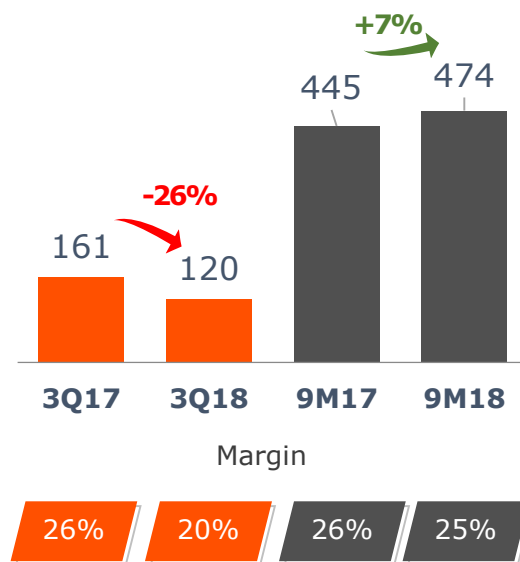
Net Revenues

(US\$ million)



Adjusted EBITDA

(US\$ million)

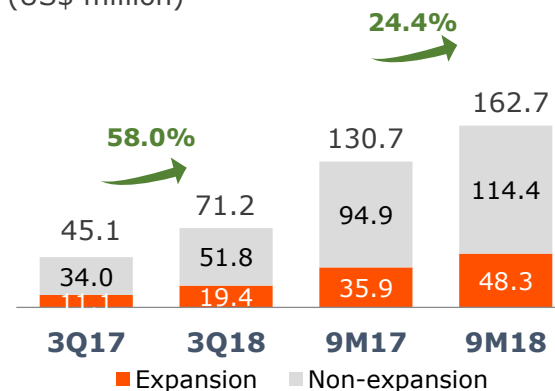


Margin

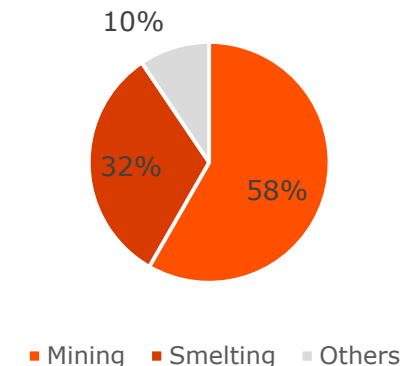


Capex

By Category
(US\$ million)

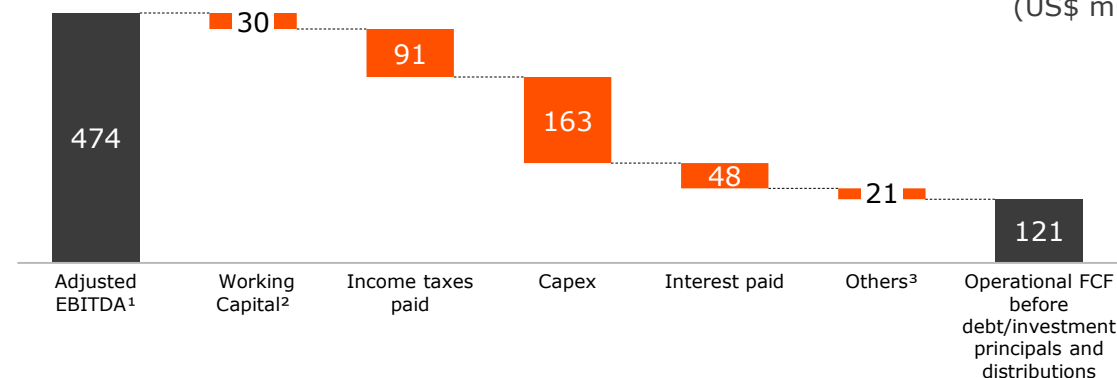


By Business
(9M18, %)



9M18 Cash Flow

(US\$ million)



- **Robust 9M18 Adj. EBITDA** due to higher sales and base metals prices
- Sound **cash conversion⁴ of 25%** in the 9M18

(1) Reconciliation of adj. EBITDA to Net Income available at the Earnings Release; (2) Trade accounts receivable, US\$28.1m; inventory, US\$35.9m; other taxes recoverable, -US\$54.5m; other assets, US\$9.4m; trade payable, -US\$16.1m; confirming payable, -US\$22.0m; salaries and payroll charges, -US\$23.4m; taxes payable, US\$39.4m; other liabilities, -US\$27.1m; (3) Deferred Revenues, -US\$22.0m; Proceeds from sale of non-current assets, US\$1.3m; effects of exchange rates on cash and cash equivalents, -US\$0.2m; (4) cash conversion = Operational FCF before debt/investment principals and distributions divided by Adjusted EBITDA

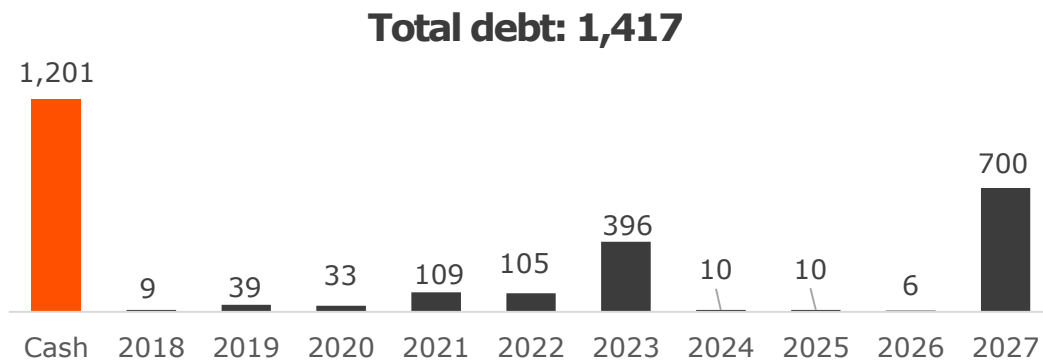
Liquidity and Indebtedness

Extended debt profile and unleveraged position

Debt profile¹ (as of September 2018)

Debt repayment schedule (US\$ million)

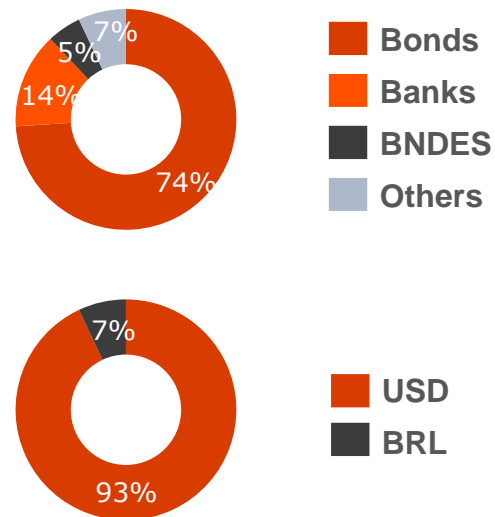
Average debt maturity: 6.2 years @5.1% avg cost



Positive credit rating from major rating agencies

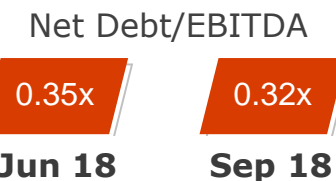
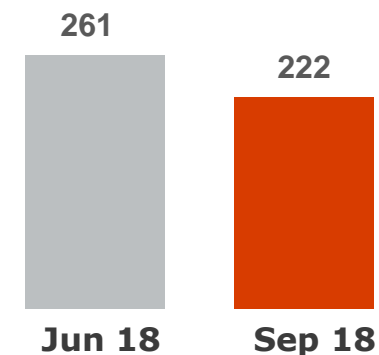
S&P Global	BB+	Stable	Jan 2018
MOODY'S	Ba2	Stable	Apr 2018
FitchRatings	BBB-	Stable	Mar 2018

Debt by Category



Net debt²

(US\$ million)



Following our financial discipline and cash and leverage targets, we continue to analyze opportunities to keep **reducing debt cost and extend the average maturity** of our debt

2018 Guidance



Metal Contained (in concentrate)	2017 actual	YTD 2018	2018 estimated Current			2018 estimated Previous			Change		
Zinc (kton)	375.4	269.6	370	-	390	370	-	390	-	-	-
Lead (kton)	52.6	37.8	50	-	55	55	-	60	-5	-	-5
Copper (kton)	44.2	29.8	39	-	42	39	-	42	-	-	-
Silver (koz)	7,946	5,783	7,600	-	8,000	7,600	-	8,000	-	-	-
Gold (koz)	32.5	21.6	23	-	25	17	-	19	+6	-	+6

Main updates

- **Reiterate** zinc, copper and silver mining production guidance
- Adjustments on **lead and gold** mining production guidance ranges

Smelting sales	2017 actual	YTD 2018	2018 estimated		
Zinc Metal (kton)	555.4	280.4	560	-	580
Zinc Oxide (kton)	38.5	18.1	37	-	39
Total	593.9	298.6	597	-	619

unchanged

Main assumptions

- **Increase in the performance of the roasters** in all Company's smelters
- **Regular production** through 2018 compared to a 2017 which experienced atypical rains and floods in Peru during the first half

These estimates should be considered preliminary and subject to change. These estimates are based on a number of assumptions that management believes to be reasonable and reflect the Company's expectations as of February 15, 2018. Our independent registered public accounting firm has not audited, compiled, performed any procedures on or reviewed these estimates, and accordingly does not express an opinion or any other form of assurance with respect to these estimates. Accordingly, you should not place undue reliance on these estimates, which may differ materially from our final results.

2018 Guidance



Capex per segment (US\$mm)	2017 actual	YTD 2018	2018 estimated Current	2018 estimated Previous	Change
Mining	107.1	94.9	159	172	-13
Smelter	81.0	52.5	101	108	-7
Others	9.5	15.4	0	0	0
Total	197.6	162.7	260	280	-20

Capex per category (US\$mm)	2017 actual	YTD 2018	2018 estimated Current	2018 estimated Previous	Change
Expansion/Greenfield	48.8	48.3	82	90	-8
Modernization	21.4	5.4	19	20	-1
Sustaining	59.4	43.8	64	68	-4
HS&E/Tailing dams	62.1	54.7	84	92	-8
IT/Others	5.9	10.4	11	11	+1
Total	197.6	162.7	260	280	-20

Exploration and Project Development (US\$million)	2017 actual	YTD 2018	2018 estimated
Mineral exploration	77.7	36.6	86
Project development	15.0	10.0	30
Total	92.7	46.6	116

unchanged

Main updates:

- Lower CAPEX given **BRL devaluation**
- **Vazante's life of mine extension** (US\$46 million)
- Implementation of **dry stacking tailings in Vazante** (US\$22 million)
- **FEL 3 and potential execution of Aripuanã** (US\$22 million)
- **Process conversion at the Cajamarquilla Smelter** – Goethite to Jarosite – to increase recovery of zinc (US\$15 million)

Expenses increasing as projects and exploration advances, granting **long term growth for Nexa**

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Aripuanã Greenfield Project Approved



Project submitted to Board of Directors and approved on Oct 19th

- 70% owned by Nexa Resources
- **Feasibility study concluded & technical report filed** (with 1st-time public disclosure of estimated mineral reserves)
- Installation license exp. by 2018YE, operation permit exp. by 2020YE
- **Significant increase of the expected average production** from recent technical report vs estimates previously released
- Production **startup expected by early 2021**
- 13 years LOM¹ with excellent potential to extend mine by up to 6 years, based on the significant current inferred mineral resources²

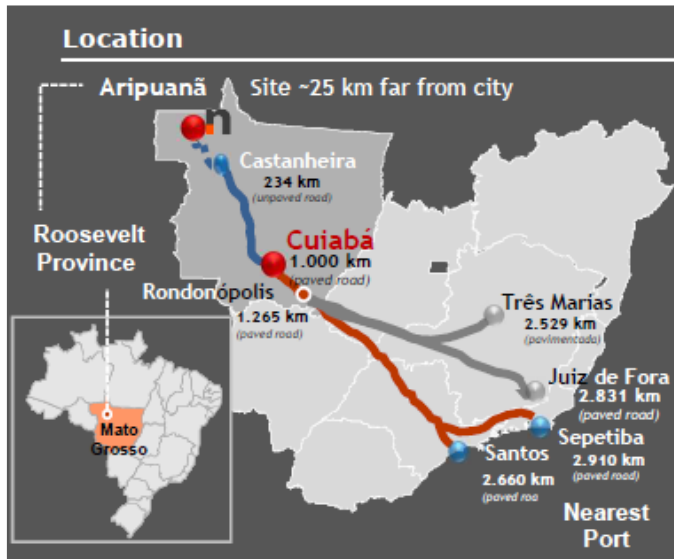
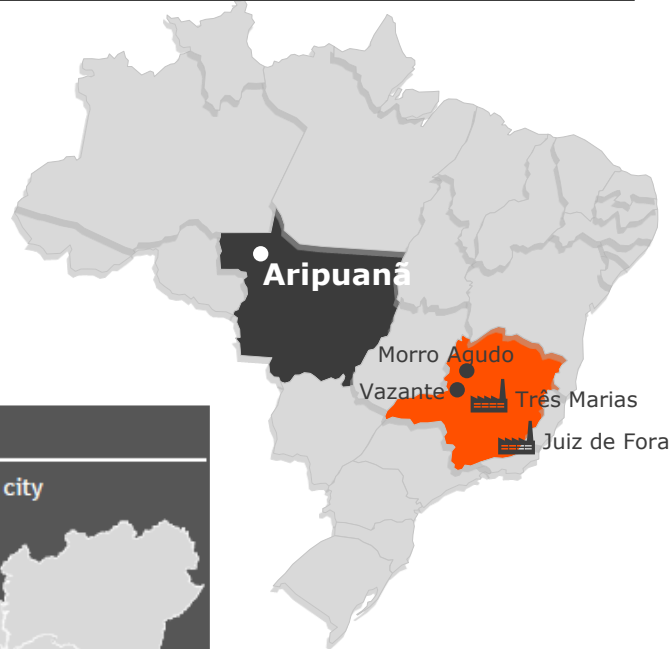
- Expected zinc equivalent³ average production¹ **120 thousand ton/yr** (considering only mineral reserves)
 - ~ 18% of Nexa's 2017 zinc production of 375.4kton
 - ~ 28% of the volume bought in 2017 from 3rd-party suppliers (**contributing to higher mining and smelting integration**)
- Estimated CAPEX US\$392 million
- Project NPV US\$129 million
- Tailings disposal: 50% dry stacks and 50% cement paste backfill
- 100% process water recirculation, with minimal discharge to the environment

Aripuanã Project			
Proven & Prob. Mineral Reserves	26.2Mt		
Avg Estimated Annual Production		Grade:	
Zinc (kt)	66.7	Zn (%)	3.7%
Lead (kt)	23.0	Pb (%)	1.4%
Copper (kt)	3.7	Cu (%)	0.2%
Silver (moz)	1.87	Ag (g/t)	34
Gold (toz)	13.0	Au (g/t)	0.3

Aripuanã Greenfield Project Overview

Location

Mato Grosso - Brazil



Logistics

Located NW of the state of Mato Grosso

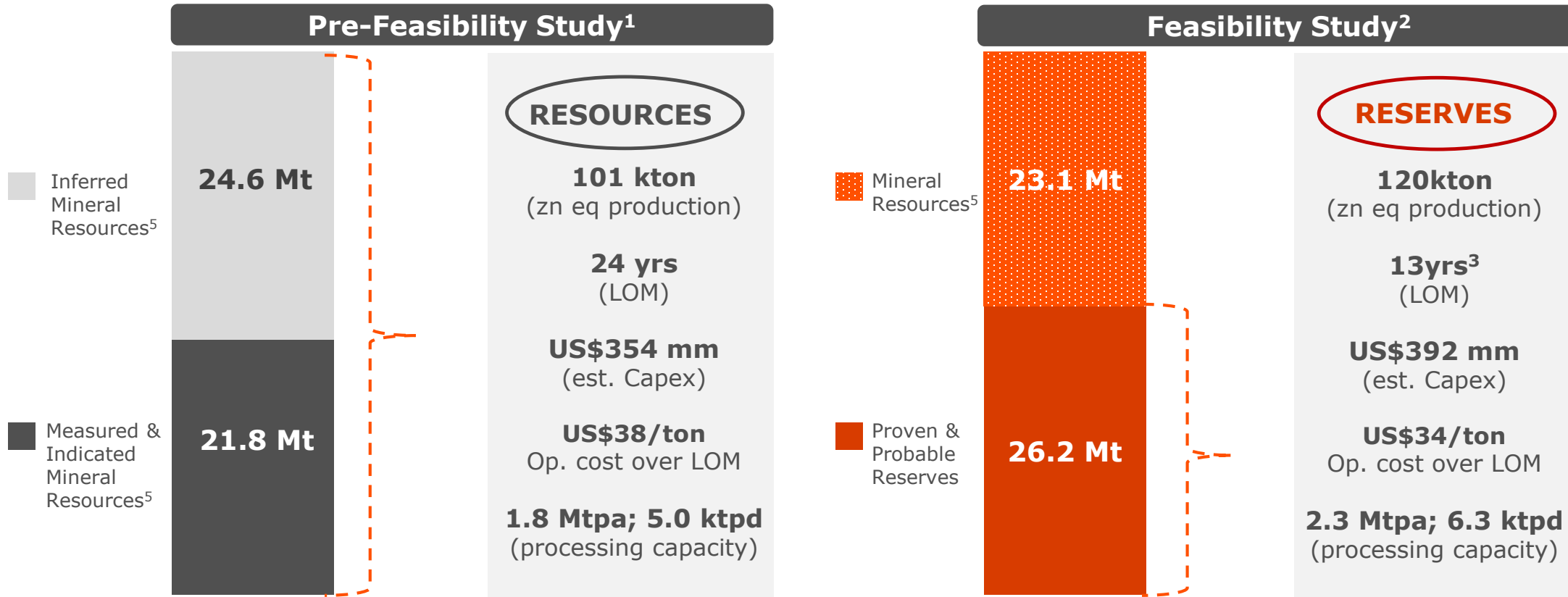
- 1,265 kilometers from Rondonópolis plus:
 - An additional 1,264 kilometers from Três Marias smelter or
 - An additional 1,566 km to the Juiz de Fora smelter,
- 2,660 km from the port of Santos

Social Strategy

Regional Development

- We outlined a socioeconomic integrated plan aiming to minimize impacts and boost regional development
- Five goals: (i) economic development; (ii) public management & social participation; (iii) childhood, youth & vulnerable groups; (iv) socioenvironmental safety & health; (v) indigenous people
- Project expected to create ~1,600 jobs during the construction phase and employ ~750 during operation

Aripuanã Greenfield Project Overview



*Project is in **2nd quartile of normal cash curve** (Wood Mackenzie's method); 2023 C1 zinc cash cost estimated at US\$0.14/lb (net of by-product rev)

After one year of our IPO we remain committed to our goals and have reached important milestones



Greenfield project development:

- Aripuanã Preliminary License on April
- Aripuanã construction start-up approved by the BoD on October.



Mine development and mineral exploration:

- Continuous updating on mineral reserves and resources
- Cerro Lindo mine development plan concluded new stopes and is on track to support higher production by year end
- Consistent expenditures in mineral exploration both on brownfield and greenfield projects
- First time declaration of mineral reserves of Aripuanã



Financial discipline:

- Solid cash generation
- Liability management in order to keep low cost and long average maturity
- Share repurchase approved by the BoD



Building a benchmark:

- Increasing safety standards
- Higher transparency and governance



Thank you.

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