Transcript of
Fortuna Mining Co. (Formally Fortuna Silver Mines)
Q2 2024 Financial and Operational Results Call
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Participants

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Presentation

Operator

Greetings. Welcome to the Fortuna Mining Corp. Q2 2024 Financial and Operational Results Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] Please note this conference is being recorded.

I will now hand the conference over to your host, Carlos Baca, Vice President of Investor Relations. Sir, the floor is yours.

Carlos Baca - VP, IR, Fortuna Mining Co.

Thank you, Jenny. Good morning to all. I would like to welcome you to Fortuna Mining's second quarter 2024 financial and operational results conference call. Hosting the call today on behalf of the company will be Jorge Alberto Ganoza, President and Chief Executive Officer; Luis Durant Ganoza, Chief Financial Officer; Cesar Velasco, Chief Operating Officer, Latin America; David Whittle, Chief Operating Officer, West Africa.

Today's earnings call presentation is available on our website. As a reminder, statements made during this call are subject to the reader advisories included in yesterday's news release, the earnings call webcast presentation, MD&A, and the risk factors in our annual information form. Financial figures contained in the presentation and discussed in today's call are presented in U.S. dollars unless otherwise stated. Technical information in the presentation has been reviewed and approved by Eric Chapman, Fortuna's Senior Vice President of Technical Services and qualified person.

I would now like to turn the call over to Jorge Alberto Ganoza, President, Chief Executive Officer and Co-Founder of Fortuna.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Thank you, Carlos, and good day to all.

I'm pleased to report that Fortuna remains well-positioned to continue capitalizing on the rising prices of gold and silver while strategically maintaining a business capable of performing across varying market cycles.

Q2 was marked by significant operational and financial results. Specifically, we made strides in three relevant areas. advancement of key capital projects, capturing high-value exploration opportunities and consolidating a fortress balance sheet.

For mines, produced 116,000 gold equivalent ounces benefiting from the upward trend in precious metal prices. The average realized gold price increased to $2,334 per ounce from $2,087 per ounce in Q1. Hello. The average realized price increased to - I thought I lost the line for a second here - $2,334 per ounce from $2087 per ounce in Q1. This led to total sales of $260 million, with gold contributing 81%, silver 10% and by-products zinc and lead making up their remainder.

The business generated $93 million in cash flow before working capital adjustments equivalent to $0.30 per share and achieved $39 million in free cash flow from operations, where adjusted EBITDA was $113 million, reflecting a robust margin of 43% over sales.

I want to highlight two major capital projects. Firstly, the Lindero leach pad expansion has reached 60% completion with a total 2024 construction budget of $42 million. This is our largest capital project.

This significant project weighs approximately $400 on the Lindero all-in sustaining cost and $90 on our consolidated all-in sustaining cost for this year. We anticipate the leach pad to be concluded and ready to receive ore by Q4, setting the stage for the next decade of reserves.

And secondly, the Seguela processing plant exceeded expectations, operating at an average rate of 208 dry metric tonnes per hour, which is 36% above its design capacity of 154. dry metric tonnes per hour. This optimization has delivered significant value and helped mitigate the power outages of the national grid in Cote d'Ivoire during the quarter, ensuring no material effect on our guided production for the year.

On our high-value exploration opportunities, we are thrilled about the emerging Kingfisher discovery at the Seguela mine. Through 14,000 meters of drilling, we have identified continuous mineralization over a 2-kilometre strike length. We plan to continue drilling with the aim of producing a first resource estimated by year-end.

Kingfisher is a remarkable discovery as it does not have surface expression. The prospect is located just four kilometers from our processing plant and main Antenna deposit. This discovery highlights the significant discovery potential within the 35-kilometer-long belt under our control. And on the strength of our balance sheet, the successful placement of $172 million in convertible notes in the quarter was three times oversubscribed. This has increased our liquidity to $350 million and lowered our cost of capital from 7.7% down to 3% and 3.25%.

We also maintained a low total net debt to EBITDA ratio of 0.2. The strong balance sheet allows us to pursue value-focused opportunities in our regions throughout market cycles. All-in-all Q2 performance demonstrates the strength of our business. We remain focused on delivering value to our shareholders through strategic investments, operational excellence, unlocking the geologic potential of properties and responsible mining practices.

Now, David Whittle will give you an overview of the performance of our business in West Africa. David?

David Whittle - COO, West Africa, Fortuna Mining Co.

Thanks, Jorge.

I'm pleased to report on the strong operational performance and significant milestones achieved by our West African operations at Seguela and Yaramoko during the second quarter of 2024. Seguela and Yaramoko had a successful second quarter regarding production, combining for 64,430 ounces of gold for the quarter and 126,163 ounces for the first half of 2024. While both Seguela and Yaramoko had power supply limitations, they remained on target to achieve production targets. Both mines also maintain their excellent safety record.

In the second quarter, Seguela mined 420,000 tonnes of ore at an average grade of 3.03 grams per tonne and 2.5 million tonnes of waste, achieving a strip ratio of 5.9:1. The processing plant treated 318,000 tonnes at an average gold grade of 3.47 grams per tonne, producing 32,983 ounces of gold for the quarter, totaling 67,539 ounces in the first half of 2024.

Despite power limit interruptions from the national grid, resulting in a reduction of 455 hours or 19 days of processing time. We were able to mitigate this by optimizing mining schedules to provide higher grade ore to the plant and increasing plant throughputs, which averaged 208 tonnes per hour for the quarter with a high of 213 tonnes per hour averaged in June.

In the third quarter, Seguela experienced full power availability from the national grid. Backup power generating capacity is being expanded on site to mitigate any future power supply issues and construction of the onsite solar power plant is still scheduled to commence this year. As a result, Seguela remains ahead of schedule year-to-date and is on track to achieve annual production guidance of between 126,000 ounces and 138,000 ounces. Mining activities at Seguela have been focused on the Antenna pit to deliver higher grade ore to the processing plant. Additionally, over 75,000 tonnes of ore have been mined at the Ancien and Koula pits year-to-date, surpassing the mining planned targets.

Continued exploration success at the Badior, [indiscernible] and Gabbro North pits is providing further opportunities within the life of mine plan and opens the potential for underground mining at the Sunbird and Ancien deposits. These developments, along with the emerging Kingfisher discovery bode well for the future of the Seguela mine. Despite these power supply issues, the strong production performance in Seguela resulted in a cash cost of $564 per ounce and an AISC of $1,097 per ounce of gold.

At Yaramoko, 111,000 tonnes were mined at an average grade of 8.0 grams per tonne for 28,709 ounces of gold in the second quarter. The processing plant treated 121,000 tonnes at an average grade of 8.4 grams per tonne, producing 31,447 ounces of gold, outperforming the mine plan and totaling 58,624 ounces for the first half of 2024.

During the quarter, mining operations were paused at the 55 Zone orebody due to a fall of ground caused by a seismic event. Access to the working areas of the mine was reduced by 10 days whilst rehabilitation works were conducted.

During this time, the QVP ore body continued to produce mill feed, which was supplemented by existing stockpiles. To mitigate future seismic risks, mining operations have been rescheduled, resulting in a revised production profile that will lower expected production in the third quarter but enhance output in the fourth quarter. Yaramoko was also affected by power availability in Burkina Faso resulting from power supply reductions in Ghana and Cote d'Ivoire.

Yaramoko already has backup diesel generating capacity, which was complemented by the mobilization of an additional genset, thereby mitigating any significant effects on the mining and processing operations. As experienced at Seguela, normal power supply has been provided from the national grid in the third quarter.

Mining and drilling operations at both, the 55 Zone and the QV orebodies have revealed strike extensions beyond the initially anticipated mining boundaries. Consequently, 55 Zone development operations are now projected to continue until the first quarter of 2025, although this extension will likely elevate the forecasted all-in sustaining cost per ounce in 2024, potentially reaching or exceeding the upper end of our current guidance. It will significantly enhance the production and cost profile for 2025. Originally, the 55 Zone development was scheduled to conclude in June 2024.

Exploration operations at Yaramoko have identified a promising satellite open pit opportunity at the 109 zone located just to the north of the processing plant. This opportunity has undergone all required studies and has been permitted by the Burkina Faso government. We're currently evaluating tender submissions with mining expected to commence in the fourth quarter of 2024.

Yaramoko's strong production during the quarter resulted in a cash cost of $953 and an AISC of $1,389 per ounce of gold and remains on track to achieve its production guidance of 105,000 ounces to 119,000 ounces of gold. Overall, our West African operations have demonstrated resilience and a strong performance. We remain focused on optimizing production, advancing our exploration opportunities, while maintaining our commitment to safety and operational excellence.

Thank you. Back to you Jorge.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Thank you David, Cesar, can you please share with us the highlights of the LATAM business?

Cesar Velasco - COO, Latin America, Fortuna Mining Co.

Thank you, Jorge, and good morning to everyone.

Lindero, San Jose and Caylloma had a strong second quarter collectively producing 28,286 ounces of gold, bringing our total to 56,231 ounces for the first half of 2024. Silver production was also robust with a combined total of 990,574 ounces for the quarter and 2.1 million ounces for the first half of 2024. I am pleased to report that all our Latin American operations are on track to meet their production guidance for the year.

Our safety performance across all operations this quarter has been exemplary. Management at site continues to effectively implement our active leadership philosophy program, yielding excellent results. So starting in Argentina, Lindero's gold production in the quarter was 22,874 ounces, a slight 2% decrease compared to the previous quarter. This was due to a longer-than-expected maintenance pause of the HPGR and agglomeration plant which required more spare parts than originally anticipated.

During the quarter, 1.8 million tonnes of ore were mined at a stripping ratio of 0.7:1. A total of 1.4 million tonnes of ore were placed on the leach pad at an average gold grade of 0.61 grams per tonne containing an estimated 27,663 ounces. The operation experienced lower front-end loader mechanical availability which mainly impacted the waste mining plan for the period. The mine plant has been adjusted to reflect higher waste mining during the third and fourth quarters with higher head grades and ore tonnage to be placed on the leach padded. This remains aligned with the annual guidance for the year.

As of the end of July, the $51.8 million leach pad expansion project, of which $41.7 million is to be spent in 2024, is approximately 64% complete. The construction package of the project commenced in January 2024 with contractors on site undertaking earthworks. Construction of the impulsion line and liner deployment. Procurement is practically complete with important items on site. The new impulsion line pump arrived on site in July. Liner installation has progressed and contracts for the major mechanical works have been executed.

The company expects to start placing ore on the leach pad expansion in the fourth quarter of 2024. Gold production for the first six months of 2024 totaled 46,136 ounces. Lindero had a cash cost of $1,092 and an AISC of $2,033 per ounce of gold for the quarter. The AISC reflects timing of sales as the company maintained higher inventories in the vault as of the end of July.

If we exclude the microeconomic effect related to inflation and devaluation for the second quarter, our cash cost remains in line with company expectations at approximately $1,000 per ounce. As anticipated in our guidance for the year, our AISC carries a heavy component related to the leach pad expansion project. If we were to exclude the leach pad expansion and inflation devaluation effect, the AISC of Lindero would be between $1,400 to $1,500 per ounce. For the second half of the year, the company expects Lindero's cash cost and AISC to remain aligned with annual guidance if the Argentine macroeconomics do not worsen.

Moving up to Mexico, San Jose produced 684,176 ounces of silver and 5,269 ounces of gold at an average head grades of 140 grams per tonne of silver and 1.9 grams per tonnes of gold, respectively, reflecting a 10% decrease and a 16% increase when compared to the first quarter of 2024.

The processing plant milled 136,214 tonnes, averaging 1,980 tonnes per day, and the grade profile for the period was consistent with the geological model. Silver and gold production for the first six months of 2024 totaled 1,443,287 ounces, and 9,802 ounces, respectively, on track to meet annual guidance.

For the first half of 2024, in alignment with the mining sequence and production plan, the operation conducted an intensive preparation campaign to position the mine for higher silver and gold production in the second half of the year. As mineral reserves are scheduled to be exhausted by year end, the company continues evaluating its options whether to execute a multiyear progressive mine transition and monetary plan or putting the mine on care and maintenance or maintaining operations at the mine.

San Jose had a cash cost of $24.91 and an AISC of $27.55 per silver equivalent ounce for the quarter. When compared to the previous quarter, the increase in cost is mainly explained by lower head grades, lower production and a stronger Mexican peso as 50% of our costs are denominated in pesos.

Nonetheless, as previously indicated, San Jose's mine plan for the second half of the year accounts for higher production, lower development and lower preparation meters, which will reduce both, cash costs and ASIC in alignment with our annual guidance for the year. Exploration drilling continues at the Yessi vein to provide better understanding of the economic potential of the mineralized zone.

Moving to Peru, the Caylloma Mine produced 306,398 ounces of silver at an average head grade of 83 grams per tonne of silver in the second quarter of 2024, 3% and 5% lower, respectively, when compared to the previous quarter. Silver production for the first six months of 2024 totaled 621,858 ounces, in line to meet annual guidance. Zinc and lead production was 13.0 million pounds and 10.5 million pounds at an average head grades of 4.80% and 3.83%, respectively, a 7% and 10% increase when compared to the first quarter.

Increased production is the result of higher head grades sourced from the lower levels of the Animas vein. Zinc and lead production for the first six months of 2024 totaled 25.2 million and pounds and 20.1 million pounds, respectively, well on track to meet the upper end of guidance for the year. The cash cost per silver equivalent ounce for the quarter was $13.94, driven primarily by lower treatment and refining charges. The AISC per ounce of payable silver equivalent was $19.87. Both cash cost and AISC are aligned with annual guidance for the year.

Back to you, Jorge.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Thank you, Cesar. Luis, a briefing on the financial results.

Luis Dario Ganoza - CFO, Fortuna Mining Co.

Sure. Thank you.

So for Q2 2024, we have recorded net income attributable to Fortuna shareholders of $43.3 million as previously stated by Jorge, or $0.13 per share. This is compared to $3.4 million and $0.01 share in Q2 of 2023. Net income in the period includes a large deferred tax credit related to the issuance of our convertible notes. Adjusting for this and our non-cash, non-recurring items adjusted attributable net income was $30.4 million or $0.09 per share compared to $2.5 million and $0.01 per share in Q2 of 2023. Main drivers for the higher net income were an increase in gold volumes sold of 66% as well as higher gold prices of 17%.

As has been noted, the increase in gold sold is explained by the Seguela mine which contributed 33,000 ounces in Q2 or 36% of total gold sold. Our consolidated cash cost per gold equivalent ounce was $988, slightly above our Q2 2023 cash cost of $968.

Excluding San Jose, for which we are currently expensing all capital items, our consolidated cash cost in the quarter was $879 per ounce, representing a reduction of approximately $90 per ounce year-over-year. The reduction was due to the low cost contribution of Seguela with $564 per ounce, partially offset by higher cost per ounce at Lindero and Yaramoko.

As in the case of Lindero, as Cesar has mentioned, we expect we can remain for the year within the AISC guidance range. However, it is worth noting that we have been seeing an increasing impact on our costs from the growing appreciation of the peso as even though inflation is trending down, the pace of the valuation has been lagging the inflation rate. We expect this trend to continue for the remainder of the year.

A few comments on the financials. Depreciation in the quarter was $57 million, which includes $17.5 million in depletion of the purchase price related to the acquisition of Roxgold in 2021. On general and administration expenses we recorded $22.4 million.

And as shown in the breakdown we provide in the news release and in page 10 of our MD&A, this was comprised of close to $10 million of in-country G&A at our mining operations, $6.6 million of corporate G&A and $5.8 million of share base compensation. Compared to Q2 of 2023, we have a higher mine G&A related to the addition of Seguela and higher share based

Compensation explained by the rise of our share price in the second quarter to a large extent. Our effective tax rate for the quarter is distorted by the $12 million deferred tax recovery I previously alluded to. Excluding this effect, our effective tax rate was 39%, which is in the high end of the range of what we expect on average, which is between 32% and 36%.

Moving on to cash flow and the cash flow statements - moving on to cash flow and the cash flow statement - sorry. We generated $73.5 million of net cash provided by operating activities, which includes $20.6 million of taxes paid, the majority of which is related to the Seguela mine in Ivory Coast. There is a pronounced timing effect - impact in the quarter as the bulk of taxes paid at Seguela are concentrated in Q2.

In the investing section of the cash flow statement, we recorded $50.4 million under additions to mineral properties, land and equipment, consisting of $32.8 million of sustaining capital, including brownfields exploration and $17.6 million of non-sustaining capital expenses. This includes $6.5 million to acquire one-half of the 1.2% NSR royalty held by Franco Nevada at Seguela, $5 million spent at Diamba Sud and $6.2 million of exploration.

Our free cash flow from ongoing operations was $38.6 million, which considers corporate expenses and sustaining capital and our net free cash flow after all capital expenditures was $21 million.

We expect to see a peak in sustaining capital expenditure levels in Q3, mostly associated to the progression of the leach pad expansion at the Lindero mine. And as Jorge has emphasized and as we have communicated before, 2024 is a heavy CapEx year at Lindero with a total budget including capitalized tripping of $64 million, comprising around 50% of our consolidated capital expenditures, excluding exploration activities.

Moving on to the balance sheet, we closed the offering of $172.5 million of convertible notes on June 10th. The notes have a five-year maturity, bear a 3.75% coupon and have a conversion price of $6.59 per share at quarter end. The proceeds from the offering were partially used to fully repay the outstanding $125 million under our revolving credit facility. Subsequent to the end of the quarter, the $46 million of convertible notes issued in 2019 were settled with approximately $10 million redeemed in cash and $36 million converted into shares.

Back to you, Jorge.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Thank you. We can move on to Q&A operator.

Operator

[Operator Instructions] Your first question for today is from Adrian Pay with Adrian Pay Asset Management.

Q: Yes. Hi, how are you? I had two questions, if I may. The first question was on the base metals, the zinc and the lead. What proportion - I should know, I could work this out, but what proportion of the revenue from the mine is that and how do you see that going over the next six to 12 months? That's the first question.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Hello, Adrian.

Q: Hi.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

I would say base metals. I can stand to be corrected here by Luis or Cesar, but I - if my math doesn't fail me. Base metals account for two-thirds of revenue today at the mine.

Q: And how do you see that changing in the next 12 months or so - 24 months?

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

In the previous cycle? Just as a quick reference, talking about 2011 some years ago now, silver and base metals were pretty much 50/50 in terms of revenue contribution. That has shifted towards the more base metal-rich component. And we expect this break of silver and base metals will remain as what we have in our plans for 2024-2025. Can we adjust that? Yes, we could. We have some silver-rich veins, but those veins at these prices today are not in the mine plan.

Q: Okay. Okay, that's helpful. And then secondly, I don't know - I know you've talked a little bit about San Jose, but can you expand maybe a little bit on what your current thinking is about San Jose for next year?

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Yes. At San Jose, we have currently three options in front of us. We are set to exhaust reserves as they were the reserves we estimated early - late last year, early this year and we've been working on several fronts. One is exploration and the Yessi vein, something that we have been talking about.

Second is, you know, there are changing scenarios. Higher prices, the peso over the last weeks has weakened against the dollar. So, all of those variables are being assessed as we continue optimizing the resources we have. We are short on reserves right now, but we have close to, I would say around 20,000, 29,000 - 29 million ounces of silver in resources. And the work we are doing is trying to optimize our processes to see how many of those ounces we can bring into a reserve. So, we have three options in front of us. One, by year end we call a progressive closure.

Second, we go into care and maintenance while our exploration and evaluations continue. Or third, we have the opportunity to continue mining depending on the success of the work we carry over coming weeks, months, before the end of the year. We certainly need to have clarity on which of those three avenues we will take in the third quarter, right?

Q: Okay.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

We are updating our mine closure plan. We're conducting exploration. We are doing several iterations on the optimization of existing resources. All of that is taking place right now. But we certainly need to have a position or we expect we can have a position during this third quarter.

Q: Okay, super. That's very helpful. Thank you. Thank you.

Operator

Your next question is from Tony Christ with Odyssey Investments.

Q: Yes. Thank you. It's Christ. Pronounced like Chris. Anyway, thank you for taking the question. Jorge, congratulations on the quarter. You're experiencing dramatic growth. I have a two - actually a two-part question. I'm wondering if you can give an update on the share repurchase that you announced after the last quarter announcement and if the company is able to participate in any share repurchase, any guidance or color you can give on it?

And I - and secondly, I'd like to know if your team might consider coming on a Zoom call with Water Tower Research. They're English and they handle smaller companies. So, I was on a call with B2Gold and I was impressed. They had twelve research analysts and they have, I think, more stability.

Well, they have less variability in the price of their stock and I think it helps get the word out to an entity - through an entity that's not a vested interest entity. So I'd like to ask if you consider that, if I can call them and arrange it having that. But thank you and congratulations again. Just an astronomical quarter. You're growing even if gold prices stay constant. So, congratulations.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Thank you for that. With respect to share repurchase program, yes, we have a program in place. We have not been active on the program over the last month, but that is something that we are revisiting constantly. And when we participate in the market response to our use of funds at the time or view on valuation and movements in the market. So, so, yes, you can expect to see us active in the market any time.

With respect to a meeting and learning about other - as I understand you, potential houses that can give be interested in learning more about the company? Yes, absolutely. There is a channel through carlosbaca@infofortuna and we can certainly arrange a conversation any time.

Q: I will contact Carlos. Thank you so much.

Operator

Your next question for today is from John Pereira, a Private Investor.

Q: Yes. Good morning, gentlemen. Again, I'd iterate congratulations on the quarter. Just as a follow-up to the previous question on San Jose, I know there's exploration going on with the Yessi vein. When do you expect that we're going to see an update on that exploration? I guess that is part, I guess, ties into one of the three options for the San Jose mine. So, first question is, when do we expect to see an update on that exploration program?

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

The bulk of our drilling is done. We're currently assessing the results and running iterations with the results we have in place. As I said, it is in this third quarter that we must have clarity on the path forward, bringing into consideration these exploration results, the iterations of the optimization of existing resources for reserves and the updating of the mine closure plan. Yes, it's work that it's ongoing and hopefully before the end of the quarter we can be in a position to make a decision and share it with the market.

Q: Right. Okay. And then the second question is - thank you for that. And the second question is on the sustainable capital costs that the company is incurring. And it was indicated that Lindero was a $64 million CapEx plan for the leach pad and so on. I didn't - maybe I missed it, but I didn't get an understanding of how much is left to be spent of that $64 million. I did read that the remainder of that was going to be spent here in Q3. Maybe just give a little bit more clarity to that component of CapEx. How much more is to be spent on the two leach pad and what additional capacity they're going to provide? You know, then maybe when that that CapEx number drops and if you can give some clarity on when that CapEx number drops and so get into what it's going to - you expect it to drop to as a normalized quarter-on-quarter CapEx rate for sustainable capital.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Yes. Just a clarification. The total sustaining capital for Lindero this year is the 60-plus-million dollars, you mentioned. Out of that figure, the leach pad is $42 million this year.

Q - John Pereira

Okay.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Right?

Q - John Pereira

Yes.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

So we are the six - the leach pad is, over 60% complete. 60%, 64% complete by the end of the quarter. And we do expect to see still CapEx execution in the third quarter and that CapEx execution tails off in the fourth quarter. The leach pad expansion is a project that was always in the technical report. It was a project scheduled to be executed on year three of operations. And it sets up the mine to receive, or the path to receive reserves for over a decade.

There are also, throughout the next decade, other minor investments that will have to be done periodically as it would be expected. But the bulk of the investment is being executed now and it sets the mind for the next decade, right? So perhaps Cesar or Luis have a detail right now on our expected CapEx for the fourth quarter. But the project is complete on the fourth quarter. So CapEx, still heavy CapEx on Q3 and then tails off in Q4.

Q: Okay, so that $64 million number was the overall CapEx...

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Total.

Q: The total of which you're saying $40 million was for the leach pad, 60% spent on that. So say $24 million. There's another $6 million to spend on the leach pad. And then, and then the remainder of the $64 million will be spent between the third and into the fourth quarter. Yes, I understand you'll have ongoing, nominal amounts for, CapEx costs for maintenance on any mine. But the bulk of the leach pad and the other capex for Lindero will be will. So I'd say it's what, somewhere around $30 million, $35 million still to be spent in Q3 and Q4, you know, in terms of larger CapEx spend on Lindero, would that be.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Yes. Perhaps Luis or Cesar can help. Compliment here. I don't -

Luis Dario Ganoza - CFO, Fortuna Mining Co.

Yes. This is Luis here. That is accurate. That is accurate. That is a fair estimate of what we should expect for the second half of the year. And just to complement on an ongoing basis, annual CapEx for Lindero, we should expect to see more in the range of $20 million on a recurrent basis, right, beyond 2024.

Q: So annualized base is, $20 million - $20 million to $25 million ongoing CapEx -

Luis Dario Ganoza - CFO, Fortuna Mining Co.

Yes. Yes.

Luis Dario Ganoza - CFO, Fortuna Mining Co.

And then there's a component in Argentina for a larger component in CapEx as well, or. No, did I have that wrong?

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

No, again, on an ongoing basis. Yes. Go ahead, Luis, go ahead, go ahead.

Luis Dario Ganoza - CFO, Fortuna Mining Co.

No, I just wanted to provide a clarification. So for 2024, I think, we just recapped what we should expect for the second half. And you correctly pointed out what we had indicated for a total year in terms of total CapEx, including the leach pad. And what we're clarifying now is that beyond the leach pad expansion, the $20 million $25 million is a fair estimate for the recurrent annual CapEx for Lindero moving forward. There's nothing else.

Q: Okay. So, and again, thank you for taking all the time, guys. But I guess what I'm also saying is, you know, for anywhere else, any of the other mines, is there any, additional major sustainable CapEx? And obviously you got your CapEx for exploration. That's second line item there. But is there any other major sustainable Capex expected here in Q3 and Q4 and going forward that you're aware of it?

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

No, no. No, no, no, no,. We have a lot of visibility and control on our capital projects for 2024 and 2025 and 2026. We have at every mine always an expansion of tailings facility and things like that. All of those are scheduled in our lums. But certainly the elephant in the room here is a leach pad expansion with $42 million. Right.

Q: Yes.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

There is no yes, no other projects of that nature in the portfolio today.

Q: Okay. And then, sorry, then the last clarification on the question is, when the completion of that, you have a completion of that leach pad, it's not essentially going to enable additional throughput. It's just going to allow you to process, as you indicated process product, for the next several years, so the next decade or so, correct?

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

That is correct,

Q: Yes. Okay, that's great. Thank you very much for taking the time to answer those questions and elaborate. Appreciate it, gentlemen.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Thank you.

Operator

Your next question for today is from Thomas [indiscernible] a Private Investor.

Q: Yes, I have a question. Because of the lack of power and the amount of tonnage that you could produce through your mill, you used a higher grade of material to compensate for the less amount of tonnage. Going forward into the third and fourth quarter, are you still going to use that same amount of high-grade ore to mill? And if you do, I'm assuming that that would be a much higher output of gold. And that's just what I want to kind of know. Is that how you're going to do things going forward? Thank you.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Yes, you are right in how we mitigated the power outages we lost at the Seguela mine a 19 days, 19, 1-9, 19 days of operation in the quarter. No, an aggregate of 19 days due to the intermittent power outages throughout the quarter. The way we mitigated that was we had the capacity to run the mill at a higher rate. So we did that. And because we had some flexibility in the mine plan, in the mine schedule, we were able to source higher grades. That was a mitigating plan put in place and executed well by our site team.

And in July, we have received 100% power from the grid almost. So, we are reverting back to our original mining schedule. You should expect to see great decline with respect to what we saw in the second quarter. And what we should do is continue - what we're working to do, you should expect to see us continuing pushing the throughput or the bottlenecking efforts, initiatives, optimization. And you should continue to see higher throughput. So, that's where the game is more than great right now.

Q: Thank you very much for answering my question and I look forward to when Chris Marcus interviews you on Fortuna Silver on his site, and I'll be listening to that when you're on the air with him very shortly. Thank you very much, sir.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Thank you.

Operator

Your next question for today is from Don DeMarco with National Bank Financial. Don, your line is live.

Q: Thank you, operator. And good afternoon, Jorge and team. I was disconnected, just getting back in the queue, so I apologize if my question's already been asked, but I wanted to get a little bit more detail on Kingfisher. In June, you released some exploration updates, some intercepts, and seeing some wide intercepts. high grades certainly garnered some attention. But I wonder what the next steps are at Kingfisher. Namely, how much infill drilling required?

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Yes.

Q: And how about, like, in terms of is there potential to, or is it too early to say to supplant some of the ore that's queued up over the next quarters or years with this higher grade ore? Thank you.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Yes. At Kingfisher, up to since the discovery halt to now. So basically, throughout this year, we have already drilled about 14,000 meters. The 14,000 meters have outlined gold mineralization in a shear zone that was not previously identified for a strike length of two kilometers. And our plan right now is to continue drilling nonstop until the end of the year with the aim of producing a first resource estimate. We expect the bulk of that resource estimate will be in the inferred category.

We are not focused on tight infill drilling now to upgrade the quality of the resource, but rather fully understand the lateral and vertical extent of mineralization at this point. So that is the focus of the program right now. Something exciting about this discovery is that it's a blind discovery. It has no surface expression.

If you're acquainted with West Africa, you know that a lot of the deposits, most of the deposits in production today throughout the region have some sort of artisanal mining on top of it. And this one doesn't. It's virgin ground. And we're currently running orientation geophysical surveys to see if we can pick up signatures that we can extrapolate. As part of our larger exploration program in the property. We control 35 kilometers here on the belt. A lot of ground to cover still.

So, going back to Kingfisher, we expect to produce a first resource estimate by year-end. You should expect most of it to be in the first category. In this first pass, we expect to have a good sense of size and dimension. And then probably follow with infill drilling in 2025. Early 2025, Kingfisher needs to first produce a resource then upgrade the resource in certainty category to indicate it. We need to work on permits for this one deposit to incorporate it into our mine plan and schedules.

But still early days, but we're thrilled about what we're seeing. Wide zones of mineralization on a well-defined shear that has not been identified before striking for over two kilometers. That remains open with a vertical extent that remains open as well. It's shaping up to be probably the largest deposit we have in inventory at Seguela today.

So, give us a bit of time to have the drill rigs truth - the deposit. And probably in early 2025, we can start thinking about timelines for when this can contribute to a mine plan. I don't want to put the carriage in front of the horses, but we are thrilled. We're excited. It looks meaningful. We just have to do our work, right?

Q: Okay. Okay. Well, thanks for that. We'll keep. Keep an eye out for the main and resource. And any updates in the interim? That's all for me. Good luck with Q3.

Jorge Alberto Ganoza - President and CEO, Fortuna Mining Co.

Thank you.

Operator

[Operator Instructions] We have reached the end of the question-and-answer session, and I will now turn the call over to Carlos for closing remarks.

Carlos Baca - VP, IR, Fortuna Mining Co.

Thank you, Holly. If there are no further questions, I would like to thank everyone for listening to today's earnings call. Have a great day.