Transcript of
Fortuna Mining Corp.
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**Participants**

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Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.
David Whittle - Chief Operating Officer, West Africa, Fortuna Mining Corp.
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**Analysts**

Don DeMarco - National Bank Financial
Adrian Pay - Adrian Pay Asset Management

**Presentation**

**Operator**
Greetings. Welcome to Fortuna Mining's Q3 2024 Financial and Operation Results Conference 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'll now turn the conference over to your host, Carlos Baca, Vice President of Investor Relations. Carlos, you may begin.

**Carlos Baca - Vice President of Investor Relations, Fortuna Mining Corp.**
Thank you, Paul. Good morning, ladies and gentlemen. I would like to welcome you to Fortuna Mining's third 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; David Whittle, Chief Operating Officer, West Africa.

Today's earning 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 Chief Executive Officer, Fortuna Mining Corp.**
Thank you, Carlos. Q3 performance demonstrates the strength of our business. We remain focused on delivering value to our shareholders through our strategic investments, operational excellence, unlocking geologic potential of our properties and responsible mining practices. Fortuna has had a record quarter on several key financial metrics, starting with record sales of $275 million and we're tracking to generate sales of over $1 billion this year. We benefited from incrementally higher gold prices selling at an average realized price of $2,490 per ounce, compared to $2,330 in the second quarter, and $2,080 in the first quarter.

We recorded earnings of $50.5 million and earnings per share of $0.16, well ahead of analysts' consensus of $0.11. Our EBITDA was a strong $131 million, representing a 48% margin over sales, which is an increase from 43% in the second quarter and 42% in the first quarter. Our free cash flow from ongoing operations was a strong $56 million compared to $38 million in the second quarter.

We remain disciplined with our costs achieving a cash cost of $1,059 per gold equivalent ounce in the quarter, and $977 for the 9 months. We're well aligned to meet our guidance for the year of $935 to $1,055, that's our range for guidance. Throughout the mine portfolio, we're not experiencing significant inflationary pressures on labor, services or consumables, against our annual budget.

For West African operations, Yaramoko and Séguéla are driving performance and tracking on the low end of cost guidance. In Argentina, Lindero is about 10% above guidance for the year due to lagging currency evaluation against inflation.

Our capital projects are also tracking well against guidance under the concept of sustaining capital at our mines. We have a global budget figure for the year of $130 million for the 9 months. We have executed $98 million or 75% of the annual budget. Currently, all our mines remain within their capital execution plans and are expected to finish the year within budget range with the only exception of the Yaramoko mine, which is accelerating 2025 underground development in the second half of this year with an additional capital budget of $11 million. This unbudgeted development is bringing new mineralized zones identified throughout 2024 into the 2025 mine plan.

Additionally, our largest sustaining capital project in 2024 is the Lindero leach-pad expansion with a budget of $42 million. The project remains on time and on budget. We started placing all on the leach-pad in mid-October and the project is scheduled for completion with final demobilization of contractors taking place in January and February of next year. I remind you that, in 2024, this project alone represents approximately $400 in the Lindero AISC and $90 in our consolidated AISC. This project once completed serves the mine for a decade.

Our AISC for the quarter and 9 months were $1,695 and $1,618, respectively. AISC is tracking on the upper end of the guidance range for the year, driven by the aforementioned increased in underground development to access new resources at the Yaramoko mine and the higher costs at in data resulting from the lagging peso evaluation against the inflation.

Regarding exploration, we have increased 2024 global budget from the origin $37 million to the current $44 million in order to expand our drill program at the Séguéla mines Kingfisher discovery made earlier this year and also continue extending deeper mineralization at the Sunbird deposit in support of an underground mine plan. Our aim remains to produce an updated resource estimate for Séguéla before the end of the year encompassing new mineral deposits and extensions such as Kingfisher, Badior, and Sunbird dip.

With respect to the San Jose mine, after 13 years of operations, we have made a decision to initiate a progressive mine closure starting in Q1 2025. Our project team is expected to deliver the final closure plan and budget in the fourth quarter of this year, which considers closure and monitoring activities over an 8-year period. Closure activities will be concurrent with a continued mining and processing at a reduced rate of under 1,000 tons per day for approximately the initial 18 months starting next year.

Management expects cash flow from continued operations during 2025 and half of 2026 will offset closure cost currently provision at around $15 million to $$20 million, but expected to increase as a result of the updated feasibility level closure plan being developed.

With respect to our capital allocation priorities, first, we have achieved the set objective of putting together a fortress balance sheet after a capital intensive few years here at the company. We recorded a net cash position this quarter and reduced and restructure our credit lines providing for liquidity of about $350 million, maintaining our debt-to-EBITDA ratio under a low 0.2, and reducing our quarter financial costs year-over-year comparison by about $3 million.

Second priority, we continue investing record annual amounts to unlock the geologic potential and value of our properties. We're focused on high value opportunities in our portfolio at the Séguéla Mine, the Diamba Sud Project in Senegal, and the Lindero Mine in Argentina.

With that, thank you for your continued support. I'll now let David Whittle provide us with an update on West African operations.

**David Whittle - Chief Operating Officer, West Africa, Fortuna Mining Corp.**
Thanks, Jorge. I'm pleased to report on the strong operational performance and significant milestones achieved by our West African operations during the third quarter of 2024. Both mines exceeded their plan production targets and, again, reported zero lost time injuries for the quarter. Séguéla and the Yaramoko had a successful third quarter regarding production combining for 63,004 ounces of gold for the quarter and 189,168 ounces for the first 3 quarters of 2024.

The power interruptions experienced by both Yaramoko and Séguéla did not extend into the third quarter, which enabled both mines to surpass their production targets for the quarter. In the third quarter, Séguéla Mine, 484,000 tonnes of ore and an average gold grade of 2.48 grams per tonne and 2.9 million tonnes of waste achieving a strip ratio of 6.1 to 1.

The processing plant treated 418,000 tonnes and an average grade of 2.69 grams per tonne, producing 34,998 ounces of gold for the quarter and totaled 102,537 ounces for the first 9 months of 2024. The increased runtime due to the additional power availability of the processing plant allowed for the processing of additional lower grade ore when compared to previous quarters.

Plant throughput averaged 210 tonnes per hour for the quarter with a peak of 216 tonnes per hour averaged in September. Initiatives have started in order to further optimize the processing plant's performance, the increase throughput at Séguéla has necessitated the advancement of preparations for the next lift of the tailing storage facility. The design for the next lift has been completed, which when constructed will see sufficient tailing storage capacity until mid-2029 of the plant throughput rates. Contractor quotations have been received and construction activities are expected to commence in the fourth quarter.

In the third quarter, Séguéla experienced full power availability from the national grid. Backup power generating capacity is now installed on-site to mitigate any further power supply issues and work is scheduled to commence on the construction of the solar power plant in the fourth quarter. Mining activities at Séguéla continue to be focused on the Antenna, Ancien and Koula pits with mining at each of the three pits being in line with the mine plant. Continued exploration success combined with the processing plant optimization, providing exciting opportunities for the Séguéla Mine to surpass previously expected annual production targets, and 2025, we'll see us bring forward a number of capital initiatives to exploit these opportunities.

Extensive drilling is continuing at the Kingfisher deposit and Sunbird underground project. It is expected that a maiden resource for the Kingfisher deposit will be produced by year-end. Drilling at the Sunbird underground project is producing good results and mining feasibility work is progressing well. Both deposits have the potential to be core production deposits for a number of years at Séguéla.

In addition, an initial scoping study is currently being conducted with regards to underground mining opportunities of the Ancien pit, whilst further drilling continues within the lease on some of the many identified expiration targets. The continued strong production performance at Séguéla resulted in a cash cost of $655 per ounce and an AISC of $1,176 per ounce of gold. Séguéla remains ahead of schedule year-to-date is on track to achieve annual production guidance of between 126,000 and 138,000 ounces.

At Yaramoko, 102,000 tonnes were mined at an average grade of 7.75 grams per tonne, for 25,589 ounces of gold. The processing plant treated 124,000 tonnes with an average grade of 6.71 grams per tonne, producing 28,006 ounces of gold in line with a mine plan and totaling 86,631 ounces for the three quarters of 2024.

Following the seismic event in the second quarter, mining schedules at the zone 55 ore body will reassessed to mitigate the effects of future seismic events. This review and subsequent resequencing of mining activities reduce the availability of the higher grade stopes during the third quarter, leading to the slightly lower production when compared to the second quarter.

As a result of this review, Fortuna has been able to optimize the development layout of the mine and reduce future development requirements. As such, it is now expected that development operations will cease at the Zone 55 ore body late in the fourth quarter with only stoping activities occurring in 2025 and beyond.

Mining operations at the QVP ore body continued in line with the mine plan. Recent drilling is indicating the potential for the extension of mining further along strike to the east and development will commence to test those extensions in the fourth quarter. Yaramoko strong production during the quarter resulted in a cash cost of $974 and an AISC of $1,373 per ounce of gold and remains on track to achieve its production guidance of 105,00 to 119,000 ounces of gold.

At the Diamba Sud Project in Senegal drilling will recommence in the fourth quarter. Now that the wet season is over, a resource update is currently being prepared based on the drilling to date, geotechnical, hydrological, environmental and other studies are continuing in order to be able to produce a PEA in 2025.

Our West African operations have demonstrated resilience and strong performance. We remain focused on optimizing production, advancing our exploration opportunities, whilst maintaining our commitment to safety and operational excellence.

Back to you, Jorge.

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
Thank you, David. Luis will now take us through the highlights of our financials report.

**Luis Dario Ganoza - Chief Financial Officer, Fortuna Mining Corp.**
Thank you. Attributable net income to Fortuna shareholders for the quarter was $50.5 million or $0.16 per share. This compares to 13% in the prior quarter and $0.09 in Q3 of 2023. Our strong financial performance in the quarter was the result, as Jorge emphasized, of record high metal prices and cost per ounce aligned with our guidance for the year.

Our cash cost per gold equivalent ounce was $1,059 higher than the last 2 quarters, but still within our annual forecast. When compared to the same quarter in 2023, cost per ounce was higher by $244, mostly as a result of higher costs at Séguéla and Yaramoko and with a lesser impact at San Jose. In the case of Séguéla, costs are higher due to the low cost production in Q3 of the previous year related to lower stripping ratios and higher initial head rates.

A few comments on the income statement, depreciation and depletion in the quarter was $59 million, which includes $16.8 million in depletion of the purchase price related to the acquisition of Roxgold in 2021.

On the general and administration line item expenses were $16 million and as shown in the breakdown we provide in Page 11 of our MD&A and in the news release, this was comprised of $9.9 million of in-country G&A at our mining operations, $3.96 million of corporate G&A and $2.2 million of share-based compensation.

We recorded investment gains of $3.2 million for the quarter from cross-border. Argentine peso denominated bond trades, and $8.3 million year-to-date. This is a benefit granted to exporters by the Argentine government, whereby 20% of export proceeds is allowed to be converted into pesos at a preferential exchange rate.

We saw $2 million reduction in interest and finance cost this quarter contributing to our overall cost efficiency. As shown in note 21 of the financials, the actual interest expense charge was $3 million below the prior year, reflecting lower debt balances and lower cost of financing year-over-year.

Our effective tax rate was 21% for the quarter and 22% year-to-date. The 9-month period is distorted by that $12 million deferred tax recovery related to the convertible note offering closed in Q2. Excluding this effect and quarterly variability from foreign exchange at current metal prices, we expect our effective tax rate to be in the 28% to 30% range and our current tax rate to be in the 32% to 35% range.

Moving on to the cash flow, we generated $92.9 million of net cash provided by operating activities, which includes $26.4 million of negative changes in working capital. The bulk of this negative change is related to timing of accounts receivable. As we have disclosed before, we have been experiencing challenges in the collection of VAT at our Yaramoko operations in Burkina Faso and anticipate this might continue to be a challenge moving forward. VAT receivables at Yaramoko increased $2.6 million in Q3 and $12 million year-to-date.

In the investing section of a casual statement, we recorded $50.2 million under additions to property, plant and equipment, consisting of approximately $38 million of sustaining capital, including brownfields exploration and $12 million of non-sustaining capital expenses. Year-to-date, we have recorded additions to property, plant and equipment of $141.9 million, consisting of $103 million of sustaining capital, and around $39 million of non-sustaining capital. This includes $19 million in exploration, $11.4 million in Diamba Sud and $6.5 million repurchase of the Séguéla NSR back at the beginning of the year.

For Q4, we expect to see similar levels of CapEx as in Q3, mostly related to the conclusion of the leach-pad expansion at Lindero. Our free cash flow from ongoing operations was $56.6 million. This is after corporate expenses interest and all sustaining capital expenditures. Our net free cash flow after all capital expenditures was $44 million.

Moving on to the balance sheet, we closed the quarter with a cash position of $181 million and total liquidity of $431 million, including the full undrawn amount of our $250 million revolving credit facility. Subsequent to the end of the quarter, we have amended the credit facility to reflect a stronger balance sheet position coming out of the convertible note offering in the second quarter. The amendment includes a resizing of the facility from $250 million to $150 million.

Additionally, the prior facility carried an accordion feature of $50 million, which has been increased to $75 million. We have also achieved improvements in the pricing grid and covenant terms. In summary, this has allowed us to reduce our cost of capital and provided us with added financial flexibility.

Back to you, Jorge.

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
Thank you. Carlos?

**Carlos Baca - Vice President of Investor Relations, Fortuna Mining Corp.**
We would now like to open the call to any questions that you may have. Please, Paul, if you can prompt the audience.

**Operator**
Certainly. At this time, we will be conducting a question-and-answer session. [Operator Instructions] And the first question today is coming from Don DeMarco from National Bank Financial. Don, your line is live.

**Q:** Thank you, operator, and good morning, Jorge and team. Congratulations on the strong quarter. So first question, Jorge, I'm just reading in the MD&A that at Lindero, the company may be required to temporarily repatriate U.S. dollars into Argentina and convert them into Argentine pesos. Can you just give us a sense of what maybe quantify the financial implications of this?

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
So where we're disclosing is that in the next few quarters, what we expect to see in Argentina is a shift from what we have been seeing up to now, where we had been able to repatriate cash surpluses from Lindero through intercompany financing arrangement we had in place. That has been exhausted by now. And we will find ourselves in the situation, most exporters are in today, any cash surpluses? We'll have to be either kept in country or we'll be looking into different alternatives as to how to manage that exposure. All cash surpluses are kept in local currency in pesos in country, right?

So we are going to only start accumulating cash locally towards year-end. It will build up at current prices over the course of 2025, and we are looking to different alternatives as to manage that exposure. That's, I guess, the best we can say at this stage.

**Q:** Yeah.

**Luis Dario Ganoza - Chief Financial Officer, Fortuna Mining Corp.**
Yes. And this is subject of course to the current effects restrictions in country. The government has consistently been signaling lifting of those restrictions, but have not provided a date. As we know, Mr. Milei is a very Pro-Market President, trying to promote investment into the country and the removal of those FX controls is central to that? No. So, I mean, he indicates his priority lifting those FX controls is, it's a priority, but he has not provided a date for that. We believe the country is tracking in the right direction, but we still need to see some of those milestones. There's some positive signs there. The gap between the official rate and the parallel rate in the street has significantly narrow, country risk is coming down. But again, positive signs, but we're not – we are still subject in the country. The country's still subject to those FX restrictions, right?

**Q:** Okay. And do you have any opportunities to invest either at Lindero or in Argentina?

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
Yes, absolutely. Well, one, we've been expanding our leach-pad for the next decade. That has been $42 million project. That sets the mine, as I said, for a very long time for the life of reserves we currently have. And we have other opportunities in the Arizaro porphyry, in other properties in South, if that were to be the case. But we're looking at options, I think it's still very, very dynamic. We are in a different situation than about a year ago, with respect to the government, for the previous government removal of those effects controls was not a matter of discussion. For this government, it is a priority. So, now, when it happens, it is something we're all looking and watching carefully, right. Consciously.

**Q:** Okay. Thanks for that. Then just one more question on the mining codes in or proposed changes to mining codes in Cote and Burkina Faso. Have you been in touch with the government or have any dialogue with the government or have a sense of what the potential implications of these changes might be on either Yaramoko, or Séguéla, or separately Diamba Sud?

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
Yes. The answer is we are in very close and in sometimes intense dialogue with both governments on the matter at a company level and also through the mining chambers that are quite active in both countries. And with respect to the changes recently enacted in Burkina Faso, they really do not impact us. Today, we do not see an impact to our business. And with respect to Cote d'Ivoire, there is a different process being driven, I believe the authorities are doing the right thing. There is a draft, a new mining code being circulated, and properly consulted with industry. And that's what's taking place right now, and we see that as positive.

And I would say, if I have to characterize it, the process in Cote d'Ivoire has been far more orderly than what we've seen in Burkina Faso. But, yeah, we're very engaged and, right now, we don't see any dramatic change to our business in Cote d'Ivoire or Burkina Faso as an outcome of these changes.

**Q:** Okay. Thank you for that. That's all for me. Good luck with Q4.

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
Thank you.

**Operator**
Thank you. The next question will be from John Pereira. John is a private investor. John, your line is live.

**Q:** Yeah. Thank you. And Jorge, yeah, congratulations on a good quarter to the team. From the last call, you reported that the leach-pad, and I think you just mentioned that was a $42 million project, correct me if I'm wrong. Was you expecting to complete the CapEx spend on that during Q3? And, I think I heard earlier that, that was going to extend into January of 2025. Can you just elaborate on what's still left to complete, not the details of the project, but in terms of the spend here in Q4 and so how much more is left on that CapEx spend?

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
Okay. Thank you for the question. The leach-pad has a couple of key components. One is the availability of that real estate for placing ore for leaching, right? So that has been met even ahead of time in early mid-October, right? So, the leach-pad has been turned to operations and the leach-pad has been turned to operations and we're placing on the leach-pad, right?

The second one is, there are some ancillary activities that don't impact the continued operations of the expanded leach-pad that will drag on until early 2025 and conclude with demobilization activities of the contractor and whatnot in January perhaps spending into February. But the key thing is that the leach-pad is operational. With respect to the leach-pad amount that we might see still coming into 2024.

**David Whittle - Chief Operating Officer, West Africa, Fortuna Mining Corp.**
Yeah, not in an isolated manner for the leach-pad. What we can say is that part of the payments expect in Q3 associated to the leach-pad have are rolling into Q4. As Jorge mentioned, the project for all material purposes is on track. It's a matter of timing of payments mostly and the leach-pad exclusively might be in the range of $10 million to $15 million, right, in Q4. The expectation that we had provided before with respect to a bit of the spend taking place in January hasn't changed for any significant purposes.

**Luis Dario Ganoza - Chief Financial Officer, Fortuna Mining Corp.**
Yeah, it's about $10 million what we might see coming into Q4 in the range of $10 million.

**Q:** Okay. Yeah. So if you had $38 million of sustaining capital in Q3, are you expecting any upward surprises then in sustaining capital here in Q4? Or are you expecting then that the sustaining capital cost should start to diminish as time goes on because essentially this project is completing?

**Luis Dario Ganoza - Chief Financial Officer, Fortuna Mining Corp.**
Yes, that is the case. As I said, we'll see a bit of spillover into 2025, few a couple of million dollars something in the range of $4 million, $5 million, and then something in the range of $8 million still attached to these final activities of the leach-pad in Q4. Yeah.

**Q:** Yeah. Just trying to get a sense for the cash flow number, overall cash flow number and net cash flow. But anyway, just a second question, a follow-up on Burkina Faso. You mentioned in terms of the government noise about the licenses, it's really not going to affect, Fortuna. And, I think the understanding from the news release you put out on it was that those were just their impact would be just on new mines and new licenses being issued going forward. Is that kind of the sense that you're getting from the government?

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
So, I believe you're referring to unfortunate statement made by the President of Burkina Faso, Captain Traoré some weeks ago, is that what you're referring to?

**Q:** Yes, that's correct.

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
Yes. He was misquoted really. What he was saying in that statement is that companies that do not comply with the new mining code, they could be subject to a cancellation of their licenses. And I think that as a general statement is something we're all subject to in many jurisdictions all the time. If you don't comply with the law, well, you're subject to cancellation of your concessions. But, I believe that statement was caught by Reuters and put out there without much context. We do not see as I restate any implication to our business from the new mining code or any actions that the government could take or not.

I think the government of Burkina Faso in spite of all the challenges the country is going through on security, humanitarian crisis and political instability is quite receptive to the foreign mining companies in country, right? If I need dialogue with the Ministry of Finance, he is available. With the Ministry of Mines, he is available. With the Head of National Security, he is available. So all of that is going well.

**Q:** Okay. Yeah. And then there was another statement that was made earlier about recovery, it was that a VAT, I didn't quite understand. And is that in Burkina Faso? Can you just elaborate on what that was?

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
Yes. All companies are struggling to get the VAT recovery in Burkina Faso. That is not an inconsequential amount of money that's building up on VAT for us towards the end of the year is a figure in the amount of $40 million to $50 million. The government of Burkina Faso I would say up to a year ago has been quite diligent in providing returns on VAT, but that has stopped. As I said the country is going through all sorts of crisis not only security humanitarian, financial crisis as well. So we did receive an advance on VAT within the last 3, 4 months about $1.5 million but it's trickling down, right? It's coming slowly and it's building up, right, particularly at these prices.

**Q:** So when you're reporting your cash flow numbers, are you accruing for these VAT numbers that are they included and they're accrued or they are just not included in the cash flow number, because you haven't recovered it yet?

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
It is included as a negative change in working capital, right? So when we talk about free cash flow, it is considering the fact that we're seeing those delays in collecting VAT. Yeah.

**Q:** So that part of the $25 million in receivables that was referenced, is that VAT and that which reduced the…

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
Yes, that's correct.

**Q:** Okay. Good. All right. So it did, so it's not in, you're not including it in your cash flow. It's affecting your cash flow, so that'll will come through whenever that comes through and be built into the cash flow at that time?

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
That is correct, yes.

**Q:** Okay. And then the last question, I'm sorry it's taking up so much time. But the last question with respect to San Jose, we didn't see any further drill results on San Jose, but I guess I'm going to assume that there is nothing meaningful that would allow the company to make the decision to continue to run the mine, a combination of higher silver prices and a new find. Has the company looked at potentially selling that mine versus, obviously, sustaining the closing costs that you're going to have to absorb over the next months or years?

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
With respect to the first part of the question, we have stopped exploration at this stage. And as I stated during the call, we are planning to carry a mining at least for 18 months, because the mine although it is exhausting the reserves we estimated a year ago still has resources, right? The discovery of the Yessi vein and resources at the Victoria vein and other portions of the mine. So, yes, we are updating those resources based on not only the current prices, but also the current exchange rate which has moved in our favor.

Current peso to the dollar is at around 20, when a year ago was closer to 16, right? So all of those things do have an impact. But the way we see it is just residual mining, right? We are always considering strategic options now for the asset. Yes, but independent of those that might come or not we have a base case which is the progressive closure.

**Q:** Okay. So the current drive, you're calling it a progressive closure, so you continue to mine on a reduced rate to help absorb…

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
18 months, pretty much. So we're winding down operations. This year, already, we executed a significant reduction in workforce and concurrent with mining activities in 2025 and into 2026 that will be taking place at a reduced rate. We will be conducting also closure activities of ancillary facilities. We have 2 tailings disposal facilities. We have a dry stack facility and a conventional tailings facility. We will be starting the work to close the one of those.

So concurrent with the production at a smaller rate there are a lot of activities that we can initiate. And at the same time as I'd say we keep the strategic options open, right? There are still remaining resources and exploration opportunities in a bigger property package that we have decided for strategic reasons not to pursue.

**Q:** Okay. Yeah. And then the last point is, I think I read the expectation is that the ongoing reduced mining operation will should cover costs. So you're expecting that that mine is not going to be a cash drain. It's going to continue to at least breakeven during that 18-months period?

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
We are doing a tradeoff between a complete halt of production and just carrying the closure cost, which is a project, right? A closure is a project. So you will be carrying a project that will be intensive in the initial 24, 36 months, and then goes into more of a monitoring phase, right? So we tradeoff a complete halt of operations versus that option where the alternative is where we can continue doing some residual mining, generate some positive cash flows that help offset some of those costs that we will be incurring anyhow, right, those project costs if you will. So in our estimate today, we see a benefit, an economic benefit of continuing with that residual mining, while we concurrently do closure activities starting with ancillary facility, right?

**Q:** Okay. And then you had accrued for the mining closure costs, I think it was $90 million several quarters ago. So there would not be an effect on the net earnings number, just an effect on, potentially effect on the cash flow number. Do you believe that what's been accrued on the balance sheet should will be adequate at this point?

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
We are currently, as I stated during the call, updating a feasibility level closure plan. And we anticipate that as an outcome of that with more basic detailed engineering on some of the closure activities that figure will increase, right? So the final study will be complete this fourth quarter probably end of November, sometime in December we should have the final numbers. But we can anticipate that that provision will likely increase, right?

**Q:** To be precise the numbers in the balance sheet for direct closure costs are in the $10 million range. The provision we carry in the balance sheet plus end of last year we took a provision, a charge for $6 million of severance costs, of which around $2.5 million have been spent. So that is the amount that's currently in the balance sheet, something in the range of $14 million. Yeah.

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
We anticipate that number will increase, right.

**Q:** Okay. That's it for me. Thank you very much, gentlemen.

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
Thank you.

**Operator**
Thank you. And the next question will be from Adrian Pay from Adrian Pay Asset Management. Your line is live.

**Q:** Yeah, good morning. I had 2 questions, if I may. Sorry, one just quick follow-up, if I may. I'm sorry about this on San Jose. Does the cost of residual mining continue to show up as a cash cost of mining? And does it get included in your all-in sustaining costs? I'm obviously asking because with the lower production, those costs are going to go way up and it's going to affect your company wide costs or does it just count as a – sorry, go on.

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
No, no, that's a very good topical question for us right now and that's something we're looking into as we speak, Adrian. What would be the more adequate way to account for that income, right? The way we see it technically is we have a closure project that's generating some income. We're even considering if we should include that those ounces which are small in our guidance, right, in our 2025 guidance. We're giving consideration to that. We're talking with the auditors. We're talking with – we're analyzing that as we speak. We'll have more clarity when we provide guidance next year on how all of this is going to manage.

But we've been telling sharing with investors, with analysts that we will be taking a position with respect to the future of San Jose in the Q3 and consistent with that is that we are advancing to you all that San Jose is going into closure. And that we have the opportunity to offset a significant portion of those closure costs in the initial 2 years by carrying some residual mining of resources that we have which are high grade, right? Some of the higher grade resources updated to current exchange rate and prices do believe, we believe provide an economic benefit to the project, right, offsetting closure costs.

So that is what we're advancing but we certainly have a bit more work to do. As I said we do not have final closure numbers yet. We can anticipate that it's going to be a number higher than what we currently have in the provision as discussed with the previous caller. And how we're going to manage the reporting of those ounces or not is something that we're still figuring out.

**Q:** Okay. Thank you. The second question, if I may, is on exploration. So two parts. One is, what is the proportion of your total exploration spend that is on new exploration projects? And then, do you look at new exploration projects when you're looking at the potential for a new exploration project? Is it purely opportunistic or are you favoring particular regions? And I'm just hypothetically because you'd like to rebalance a little bit more to Latin America from West Africa or are you favoring certain metals or is it purely opportunistic as to whether you take on a new project?

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
I will start with the second part of your question, and then we will allow Luis to provide the breakdown. But to answer the second part of your question, we have the benefit of being in different geographies and that we see opportunities emerge in all of them. And what we do, Adrian, is we rank them based on their own merit, on their own technical merit first. And then depending on the nature of the opportunity, we decide if tactically it makes sense for us.

Strategically, we are very comfortable for the long-term being in all the jurisdictions where we are, right? Now, tactically, there are places where we could commit to deploy more capital than others. Today, we clearly favor Cote d'Ivoire, Senegal ahead of Burkina Faso or for any large capital investment ahead of Argentina, right? But our process to help you understand it is we first rank – we see opportunities emerging throughout. We rank each one under technical merit, and then we assess tactically, if it's an opportunity with hydrologic potential, but correspondingly low financial risk to the company, where we can be a bit more adventurous on where we move or not versus opportunities that demand high capital commitment.

So we do not gear or the opportunities as always we want to be more weighted towards Latin America now or more weighted towards silver or not. No, we rank the emerging opportunities on their own merit first.

**Q:** Okay. That's very helpful. Thank you.

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
Luis, on the breakdown?

**Luis Dario Ganoza - Chief Financial Officer, Fortuna Mining Corp.**
Yeah. So, I just to try to answer that question in most effective way possible, the only new project really where we're spending exploration dollars is Diamba. There's a bit of greenfields $2.5 billion, but the only new project really is Diamba. The bulk of our exploration budget is being spent in the areas around our existing projects, our existing mines, I should say, and mainly today, Séguéla, right?

**David Whittle - Chief Operating Officer, West Africa, Fortuna Mining Corp.**
But what goes – we have a breakdown of sustaining versus non-sustaining.

**Luis Dario Ganoza - Chief Financial Officer, Fortuna Mining Corp.**
Yeah. The question is between sustaining and non-sustaining in terms of what we would call brownfields exploration expenditures, around one-third today is staying in sustaining and two-third is being classified as non-sustaining. The objective of those budgets is to expand resources and the exploration camps, right?

**David Whittle - Chief Operating Officer, West Africa, Fortuna Mining Corp.**
So, yeah, close to $15 million allocated to sustaining, the balance of sustaining, Adrian.

**Q:** Okay. I was thinking of new greenfields like, say, the joint venture or the earning you have with Riverside on Cecilia and Mexico? Is that all very, very small?

**David Whittle - Chief Operating Officer, West Africa, Fortuna Mining Corp.**
Well, yeah, as described by Luis, our largest greenfields project is Diamba. We have a total budget allocated to the Diamba in 2024 in the range of $13 million total budget that includes exploration, engineering or owners cost associated with being in country managing the project. So that figure was around $13 million, probably $9 million out of that is classified as exploration.

**Q:** Okay. Thank you.

**Operator**
Thank you. [Operator Instructions] The next question is coming from Peter Fried, who is a private investor. Peter, your line is live.

**Q:** Thank you, moderator, and congratulations on the solid quarter. My questions are regarding the normal course issuer bid, specifically the approximately $36 million that had of in funds that were to satisfy the 2019 convertible debentures. And why none of those funds were then used to repurchase the 7,184,000 shares that were converted, despite several many opportunities to repurchase those shares at below $5, and then also what does this mean for the company's NCIB program going forward?

**Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Mining Corp.**
Well, in terms of execution on the NCIB, as you would expect, we've been managing at the discretion of management based on opportunities we see in the market. We have not committed publicly to any particular price. And I think all that's relevant to say on that point is that we will continue taking those opportunities as we see them in the market given the restrictions we would typically have around certain blackouts during the year. So, I mean, with a specific reference to $5. I don't believe we've made any commitments again to any specific share price, right?

Our capital allocation priorities, I think are clear. We've been first given priority to providing the strength we need in the balance sheet. I believe at times like these companies, mining companies where we have no purchasing pricing power, of course, need to work on the balance sheet. And that's something we've been doing after many years of capital intensive phase, right? It's the first time we pivot into a net positive cash position in several years.

So with that, it's a set priority that strength on the balance sheet and return to shareholders, of course, for us it's not a question of when or if, but when. And we have in place the NCIB and be sure that we are keen to provide at the right time returns to our shareholders, right, via the buybacks or the institution of a dividend policy that's something that's being analyzed and discussed at the Board level at this time.

**Q:** Okay. Thank you.

**Operator**
Thank you. And there were no other questions from the lines at this time. I would now like to hand the call back to Carlos Baca for closing remarks.

**Carlos Baca - Vice President of Investor Relations, Fortuna Mining Corp.**
Thank you, Paul. If there are no further questions, I would like to thank everyone for listening to today's earnings call. Have a great day. Bye.

**Operator**
Thank you. This does conclude today's conference, and you may disconnect your lines at this time. Thank you for your participation.