

Transcript of  
Fortuna Silver Mines  
Q3 2022 Financial and Operational Results Call  
November 10, 2022

**Participants**

Carlos Baca - Director of Investor Relations, Fortuna Silver Mines  
Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines  
Luis Ganoza - Chief Financial Officer, Fortuna Silver Mines  
David Whittle - Chief Operating Officer, West Africa, Fortuna Silver Mines  
Cesar Velasco - Chief Operating Officer, Latin America, Fortuna Silver Mines

**Analysts**

Trevor Turnbull - Scotiabank  
Don DeMarco - National Bank Financial

**Presentation**

**Operator**

Good day, ladies and gentlemen, and welcome to the Fortuna Silver Q3 2022 Financial and Operational Results Call. At this time, all participants have been placed on a listen-only mode and we will open the floor for your questions and comments after the presentation.

It is now my pleasure to turn the floor over to your host, Carlos Baca, Director of Investor Relations. Sir, the floor is yours.

**Carlos Baca - Director of Investor Relations, Fortuna Silver Mines**

Thank you, Tom. Good morning, ladies and gentlemen. I would like to welcome you to Fortuna Silver Mines and to our financial and operations results call for the third quarter of 2022. Hosting the call today on behalf of Fortuna will be Jorge Alberto Ganoza, President and Chief Executive Officer; Luis Dario Ganoza, Chief Financial Officer; Cesar Velasco, Chief Operating Officer, Latin America; and David Whittle, Chief Operating Officer, West Africa.

Today's earnings call presentation is available on the Featured Presentation box on our homepage at fortunasilver.com. As a reminder, statements made during this call are subject to the reader advisories included in yesterday's news release and in the earnings call presentation. Financial figures contained in the presentation and discussed in today's call are presented in U.S. dollars, unless otherwise stated.

Before I turn over the call to Jorge, I would like to indicate that this earnings call contains forward-looking information that is based on the Company's current expectations, estimates and beliefs. This forward-looking information is subject to a number of risks, uncertainties and other

factors. Actual results could differ materially from a conclusion, forecast or projection in the forward-looking information. Certain material factors or assumptions were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information.

Additional information about the material factors that could cause actual results to differ materially from the conclusion, forecast or projection in the forward-looking information and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information, is contained in the Company's Annual Information Form and MD&A, which are publicly available on SEDAR. The Company assumes no obligation to update such forward-looking information in the future, except as required by law.

I would like now to turn the call over to Jorge Alberto Ganoza, Co-Founder of Fortuna.

**Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines**

Thank you, Carlos. Our business continued to perform well in the third quarter. We had a small adjusted gain in net income of \$0.01 per share slightly short of analyst consensus and beat consensus estimates for cash flow per share with \$0.22 versus \$0.18 of the analysts. We are providing our results news release a measure of free cash flow from operations after capital investments at the mines, taxes and interests paid and corporate overhead. This figure is a strong \$34 million for the period in this metal price, an inflationary environment where business continue generating very healthy cash flows.

The financial performance is underpinned by steady and meaningful quarterly production of approximately 100,000 ounces -- of gold equivalent ounces. For the quarter, 68% of sales were attributable to gold, 20% to silver, and 12% to our byproduct zinc and lead out of the Caylloma Mine in Peru. Costs at all our mines are tracking within the range. We guided at the beginning of the year inflation pressures on key consumables like diesel, cyanide, steel, explosives, cements have pushed site costs to the upper range of guidance. But at this time, late in the year, we believe risks for major deviations from our annual cost projections are largely diminished.

Our safety culture and safety performance continued to show sustained improvement with multiple key initiatives ongoing in both LATAM and West African regions. We reported the second consecutive quarter free of lost time injuries to our people and a total recordable injury rate of 2.6 million -- per million hours worked for the quarter.

Our project team at Séguéla continues to deliver exceptional performance. As at the end of October, the construction is 83% complete, remaining on-time and on-budget. We have accrued \$119 million of the \$173 million total CapEx and have already committed approximately 95% of the total CapEx. David Whittle, our Chief Operating Officer for West Africa will share with you more details on the status of the projects and what is coming over the next few months in a moment.

I want to bring to your attention a few additional important topics for the quarter and subsequent events. One is on Monday, November 7, the Mexican Federal Court ruled in our favor on the

disputed attempt by SEMARNAT official to reduce the term of our 12-year environmental permit extension at the San Jose mine down to two years. With this ruling, our 12-year environmental permit extension stance has originally granted in December of last year. Needless to say, we are extremely pleased with this outcome, which is consistent with our position that we have always been in material compliance with applicable laws and standard procedures on this matter.

A second matter to bring to your attention is the expansion or extension of our credit facility, which is set to close in December. Although we have passed our peak capital demands and remain well funded to take Séguéla construction to completion and meet sustaining capital needs at our mines. This added financial flexibility is welcome for a business of our size today, and also at a time when we want to be able to continue capturing organic growth opportunities in our portfolio at an accelerated base.

On September 12, we published an exploration news release sharing the continued success we have -- we are having with our drilling programs at Séguéla. At the newly discovered Sunbird deposit, we successfully extended gold mineralization significantly beyond the limits of a maiden 350,000 inferred gold resource at a grade of 3.2 grams gold. We are working to produce an updated estimate with all these new data before year-end.

Additionally, our scout drilling within the property continues to yield significant gold intersects at multiple prospects like Kestrel, G7 and Winy. Please refer to the September 12 exploration news release for the details on the program. We are all excited about the opportunities for organic growth that Séguéla continues to present to us.

With that, I'll ask Luis now to share the highlights of the financial results.

**Luis Ganoza - Chief Financial Officer, Fortuna Silver Mines**

Thank you. So as Jorge mentioned, sales were \$166.6 million in the quarter. This is 2% over Q3 2021. Lindero recorded \$10.2 million of higher sales, partially offset by slightly lower sales at our three other operating mines. In terms of aggregate volume and metal price impacts, we had higher volume contribution to sales of \$10 million, mostly coming from Lindero, partially offset by lower metal prices and treatment and refining charges of \$6 million. In particular, the isolated effect of lower silver and gold prices on our doré and provisional concentrate sales was \$13 million.

Our average provisional realized prices in the quarter were \$1,718 per ounce of gold compared to \$1,779 per ounce in Q3 2021, that's 3% lower and \$19.16 per ounce of silver compared to \$24.24 in the prior year, that's 21% lower. Our operating income of \$5.7 million was \$60 million lower than Q3 2021. Excluding non-recurrent items, namely the \$13 million charge in Q3 2021 for the settlement of the disputed royalty claim with the Mexican Geological Survey and \$3.0 million charge in Q3 2022 for the write-off of Tlamino project in Serbia, the drop in operating income was approximately \$26 million.

The main drivers for these were higher total cash costs of \$17 million and \$9 million of higher depletion. These higher cash costs year-over-year are approximately \$9 million to \$10 million above what was already built into the midpoint of our cost guidance for the year. The higher depletion is mostly aligned with higher activity at Lindero.

We recorded a net loss in the quarter of \$4.1 million or \$0.01 per share. Other items in the quarter contributing to the loss were the \$3.4 million write-off mentioned before. A \$1.6 million unrealized loss on derivative contracts and \$2.4 million of foreign exchange loss is mostly related to balances held in local currency in our West African operations in the context of the strong appreciation of the U.S. dollar. We reported adjusted net income of \$2.3 million compared to \$22.5 million in Q3 2021.

Our reported free cash flow from ongoing operations was \$34 million for the quarter, including \$11.6 million of positive changes in working capital. For the first nine months of 2022, the same figure was \$64.8 million, including \$18 million of negative changes in working capital.

On the balance sheet, we closed the quarter with \$125.9 million of liquidity comprised of \$90.9 million of cash and \$35 million undrawn under our \$200 million revolving credit facility. Our total net debt, including the outstanding convertible debenture is \$120 million for a net debt-to-EBITDA ratio of 0.4. On the Séguéla construction, we've funded \$20.6 million in the quarter. We continue to remain adequately funded for the remaining portion of the construction.

Back to you, Jorge.

**Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines**

Thank you. David, do you want to highlight the West African region results, please.

**David Whittle - Chief Operating Officer, West Africa, Fortuna Silver Mines**

Thanks, Jorge. Operations in West Africa continued their solid performance throughout Q3, tracking well with respect to our schedules and budgets. Despite the ongoing worldwide inflationary and supply chain pressures, either the operations at Yaramoko or the construction progress at Séguéla been impacted. But yes, Yaramoko mine third quarter gold production of 27,130 ounces was in line with plan with production for the first nine months of the year totaling 79,918 ounces positioning Yaramoko to achieve midpoint to annual guidance.

Safety performance at both sites has been strong with Séguéla continuing to be an LTI free project to date. We are proud to highlight that Yaramoko reached in Q3 the milestone mark of a two-year LTI free operation. Important to note also that operations at Yaramoko have been unaffected by the political upheaval that occurred in Burkina Faso, at the end of the third quarter.

Moving to Séguéla. Construction progress continues to be steady in line with plan and on time and on budget with first gold projected for mid-2023. As of October 31, the project is 83% complete with approximately \$166 million committed of the \$173 million initial capital budget. The project continues to be derisk and is transitioning from the bulk earthworks phasing to the

structural, mechanical, and piping works of the process plant with the majority of construction consignments having progressed through the logistical process.

The mining contractor, Mota-Engil, continued mobilization and site establishment activities and recruitment of key positions. Long-lead fleet shipments are underway with arrival onsite expected during the fourth quarter. ROM pad construction and initial grade control drilling is planned to commence this quarter. The water storage dam is complete with approximately 565,000 cubic meters stored sufficient for commissioning and operating requirements. CIL tanks fabrication, water tanks assembly along with hydrostatic testing has been completed. First, structural steel has been erected and assembly and installation of mechanical equipment has commenced within the process plant.

The project critical path processing plant EPC is on track at 83% complete, while the HV grid connection scope is nearing completion with energization of the HV sub-station expected in December. Parallel to the excellent progress on the ground, operational readiness scopes are advancing well with the operations team and systems continuing to be established. Key members of the operational team have been hired with progress on the next level of management staffing advancing according to the plan.

Back to you Jorge.

**Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines**

Thank you, David. Cesar, Latin American results highlights, please.

**Cesar Velasco - Chief Operating Officer, Latin America, Fortuna Silver Mines**

Yes. Thank you, Jorge. So our metal production, our mines in Latin America is on track to achieve annual guidance range. San Jose, Caylloma and Lindero delivered another strong production quarter reflecting an increase of 6.9% in consolidated gold production compared to the same period of 2021. Stronger silver and base metal production is explained by higher production and higher head grades for the period.

Some highlights for the quarter. In Argentina, Lindero deliver another consistent gold production performance with a 14.5% production increase compared to the third quarter of 2021, mainly explained by an increase in the performance of the three-stage crushing and stacking system. The operation continues capturing higher productivity gains, partially offsetting inflationary pressures and key consumables and demonstrating consistent production performance. Gold production for the first nine months of 2022 totaled 89,000 ounces.

Moving on to Mexico, San Jose delivered its highest silver production quarter in 2022, totaling 1.55 million ounces. This is a 7.6% higher production when compared to the equivalent period in 2021. Gold production of 9,100 ounces was 2% higher for the same period. Increase in silver and gold production was primarily due to higher mill throughput and slightly higher grades in line with the mining sequence and Mineral Reserve estimates, placing the operation in a strong

position to achieve the upper range of annual guidance. Silver and gold production for the first nine months of 2022 totaled 4.3 million ounces and 25,600 ounces respectively.

As we move to Peru, the Caylloma mines continue to deliver strong, steady production with 292,000 ounces of silver produced in the third quarter of 2022. Measured against the comparable quarter of 2021 silver was 6.1% higher due to a combination of increased mill throughput, higher grades, and better recoveries. Silver production for the first nine months of 2022 totaled 871,000 ounces on track to achieve the upper range of annual guidance.

Zinc and lead production for the third quarter was 11.9 million pounds and 9.1 million pounds respectively. Overall, production was a result of variances in head grades, higher mill throughput, and better recoveries. For the first nine months of 2022, zinc production totaled 33.6 million pounds and lead production totaled 25.9 million pounds, both in line to achieve the upper range of guidance.

Back to you, Jorge.

**Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines**

Thank you, Cesar. Carlos?

**Carlos Baca - Director of Investor Relations, Fortuna Silver Mines**

We would now like to turn the call over to any questions that you may have.

**Operator**

Thank you. Ladies and gentlemen, the floor is now open for questions. [Operator Instructions] And the first question today is coming from Trevor Turnbull from Scotiabank. Trevor, your line is live. Please go ahead.

**Q:** Great. Thank you. I think Jorge, the last time we spoke, you talked about delivery of the SAG mill components to the site as one of the major critical path items, and I just wondered now that the mill is essentially arrived. What do you consider a critical path now for construction?

**Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines**

I'll refer to David, who is here. David, do you want to expand on the critical path items that we see them moving forward, please?

**David Whittle - Chief Operating Officer, West Africa, Fortuna Silver Mines**

Yes. Thanks, Jorge. I suppose the construction of the project is really transitioning now from the bulk earthworks and concrete, civil facing to the SMP phase. So really any further exposure really forms part of that works. As you alluded to the SAG mill components have been somewhat de-risked in that, all those components are either in transit or actually already in

Abidjan. In fact, [indiscernible] transportation up to site from Abidjan in this next week. So we're pretty confident at this stage that our risks have been minimized and we don't see any major risks going forward.

**Q:** That's great.

**Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines**

To complement in order to give a bit more visibility, major milestones coming and some of them were mentioned already. We have the interconnection to the national power grid coming in December. That's a milestone we're looking forward to. And also the start of mine excavations early next year, right. We are starting to see our arrival in-country of components of the mine fleet and really we're gearing for excavations to start early next year. David?

**David Whittle - Chief Operating Officer, West Africa, Fortuna Silver Mines**

Yes, very much, so the first mining trucks are currently in the final stages of being fitted out at the OEMs and should be getting transported to site within the next couple of weeks and further batches of mining equipment to the mining contractor, which is all new equipment should be getting delivered over the rest of Q4. The grid connection, as you alluded to is actually scheduled for the first half of December with ultimate connection to the actual plant thereafter in about January next year.

The mobilization and recruitment of the mining operations team has gone really well. So we have all the key senior roles in terms of general manager and mining managers, processing managers, chief geologists, maintenance people, already identified and recruited. So we now just filling out the secondary levels of the professional and management ranks within the organizational structure.

**Q:** Yes. It sounds like things have continued to go well and hopefully they'll continue to the very end. I also had a question, just sticking with Africa for a minute. At Yaramoko, I think the latest tech report indicated that the mining rates are going to be fairly consistent next year compared to what you did this year on the order of half a million tons. But in 2024, it looks like the rate comes down significantly, and I just wondered if you could remind me why that is and if there's anything over the next year or so you could potentially do to address and change that?

**David Whittle - Chief Operating Officer, West Africa, Fortuna Silver Mines**

Yes. In terms of 2023 and 2024, our milling rates should stay around the same area as we are now. In the first quarter of 2023, we actually completed the mining at the Bagassi South satellite mine. And at that point in time we commenced processing some of our lower grade stockpiles at that point in time. That will continue. We still have a substantial amount of lower grade material on the ROM pad, which is enabling us to maintain full production throughput in the mill. At the moment, we are doing some development out to an additional narrow vein deposit at the Bagassi South mine. That development is progressing in the second half of this year and will bear the

majority of its fruit in the second half of 2023 and early 2024, providing some additional mill feed.

We're also in the last stages of doing the feasibility on a smaller surface deposit just to the immediate northern area of the mine as well to provide us with some additional mill feed as well. But it's expected that the development that the [indiscernible] from those two areas will probably be coming reduced somewhat towards the end of 2024 onwards and then we'll be into a position where we've really only been able to mill what is being produced from the underground line at that stage.

**Q:** Sorry, so the stockpiles and the satellites potentially keep everything running about current rates at least through kind of mid-2024 is what you're saying?

**David Whittle - Chief Operating Officer, West Africa, Fortuna Silver Mines**

Probably more towards the end of 2024, yes.

**Q:** Okay. Great. That's very helpful. And then I just had one final question and maybe this is more for Jorge and Luis. But just given the fairly material drawdown on the revolver as you are waiting to enter production with Séguéla, I was wondering would you consider any level of hedging going into this?

**Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines**

Short answer is no. We feel we are adequately funded and we have absolutely no need to enter hedges issues, metals at this stage. We are past or peak year in our history in terms of capital demand -- total capital demand amounted to roughly \$244 million, \$245 million this year. We've been able to meet those funding requirements comfortably with cash on hand the existing facility, which we're expanding, and Luis can elaborate more on that and the cash generation from the assets, right. No, we're not thinking of hedgings.

**Q:** Yes. It doesn't seem like the best time to be hedging, but we have seen a few people talking about it more and more, and I just wanted to ask. But that's all I had. Thank you, Jorge.

**Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines**

Thank you.

**Operator**

Thank you. [Operator Instructions] And our next question is coming from Jasper Wike. Please announce your affiliation and then you may go ahead Jasper.

**Q:** Thank you, operator. I'm [indiscernible] from ValPal. Congrats on the fantastic progress made on Séguéla. I cover most of your peers, and several of them have had delays in their development projects. Given that the first gold pour is towards the end of the second quarter next

year, how long is the ramp up time to nameplate capacity, and how much gold production could be expected in the second half of next year?

**Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines**

Let me give a point here and see if David can compliment. But right now we are budgeting 2023. And as you can probably appreciate, our mine planning teams are going through the optimization based on the addition of resources and opportunities throughout 2022 at Séguéla. We're right now going through the revision and optimization of our mine schedules and plans at Séguéla for 2023. So we will be providing guidance on that early next year when we guide for production across the business. But I can advance that it is not going to look similar to what we have in our feasibility study today. We have opportunities versus what was produced in May of 2021 over a year-ago in the feasibility study. So the team is working and iterating on mine scheduling and we will be providing guidance for 2023 early next year.

Now with respect to ramp up to nameplate capacity, well, it is always our expectation that that can be smooth transition. It is an expectation that that can be achieved in a matter. I mean, there should be no shortage of ore, we are going to stockpile and we should be in a position to feed the mill at nominal capacity as it demands it. It's certainly going to be no less than several weeks. But I don't know, David, if you can provide a bit more color on the timing required for nominal capacity. It's always a process. We would look to declare commercial operations in a way once we achieve 85% plus, 85% of nominal capacity and design recoveries, right. That's traditionally what's done, and it would be an expectation right now that we can achieve that in a matter of weeks. Anything else, David, you would want to add?

**David Whittle - Chief Operating Officer, West Africa, Fortuna Silver Mines**

Not overly. I think that about covers it. Obviously, we alluded too earlier, the mining contractor is already well and truly in the process of mobilizing and we are expected to be producing and producing ore to the ROM pads by February of the coming year. So Jorge alluded to there, we certainly expect to have enough ore on the pad at that point in time to pull commission and going into operations. Other aspects such as the amount of water that we've got in the dams there is quite sufficient, commissioning and operational purposes as well. So we would be hopeful of a fairly quick ramp up to steady state operations through the mill.

**Q:** Thank you. I look forward to seeing the guidance. And a follow-up question on the Séguéla. What is the long-term throughput plan for Séguéla? In other words, how much tonnage are you targeting on an annual basis? Because in the feasibility study, I know it might not be up to date, that's why I'm asking as mentioned that you could get a throughput up to 1.57 million tons per annum, i.e. more than the nameplate capacity of 3,750 tons per day by expanding your excavator fleet. I wish I would ask if you could add some more color there?

**Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines**

Our plan there is to -- we have embedded in the design the opportunity to expand milling capacity, right? I think how this is going to -- how you are going to see it play out is we start

production. We will push to maximize nameplate capacity and push the nominal capacity to see if we can effectively improve on that, and likely second half of 2023 is going to be a year of commissioning ramp up and stabilizing steady state operations, testing the nominal capacity. And in that second half of the year, we're going to decide if and to what rate the plant needs to be expanded.

Again, referring to what's in the feasibility study, a lot has changed. By next year, we will have Sunbird in the mine plan. Today, we have 350,000 ounces of gold in inferred resources at the highest grade -- at higher grade than the average grade of reserves. The grade of Sunbird is 3.2 grams gold and it's above the reserve grade of the deposit on average.

So all of those things are moving parts right now, and I think the second half of the year 2023 is going to be key for us to finally define how big this is going to be. I personally have an opinion that we have important opportunities ahead of us to expand beyond what's currently in the feasibility study. Clearly, we will have more resources available and that should drive the decisions to expand. The question is at what rate, right? And we're in no position today to give an opinion on rate beyond what's in the feasibility study, but what I can say decisively is that we have clear opportunities to expand beyond that.

**Q:** Thank you. I look forward to see the impact on -- does Sunbird have on Séguéla. One last quick question, speaking of Boussoura, the exploration project, yes previously communicated that the plan is to put out and made an inferred resource towards the end of the year or early next year. Is that still the plan, or has anything changed?

**Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines**

Yes. We are in the final stages of having a resource available for disclosure. The team is well advanced. Our team has been really dealing with -- that is the same team that's been supporting the Séguéla optimization and the Sunbird resource estimation. And we have given priority to the work on Séguéla that's why Boussoura has been somewhat delayed. But it is our plan to have that out shortly, right.

**Q:** Thank you. I look forward to it. That was everything for me.

**Operator**

Thank you. And your next question is coming from Don DeMarco from National Bank Financial. Don, your line of live, please go ahead.

**Q:** Okay. Thank you, operator. Good afternoon, Jorge. So at San Jose, there's recently a favorable decision by the court regarding this, the 12-year extension of the EIA. Beyond this, what are the next steps, if any?

**Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines**

Hi, Don. Well, there are no next steps. The ruling is not appealable by SEMARNAT. So we have -- the operation has been working since throughout all of this drama as business as usual. We always been under the protection of court orders, court injunction, court stay of executions, and now we get this final resolution that basically says that our -- the reason of 12-year permit granted by SEMARNAT stands. So for us, there is no next step really here. It's quite simple.

**Q:** Okay. So you're not waiting for another court decision. There's no reaction from SEMARNAT or -- so effectively this de-risks the EIA for 12 years for San Jose. Is that right?

**Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines**

Yes. That's what we understand. We have no notices from SEMARNAT of any kind in front of us, nor indications that there is something like that coming. All the issues that we were dealing with SEMARNAT were in that court, right, regarding that extension of the permit. So we have no pending issues there with respect to the environmental permit, right, yes.

**Q:** Great. So okay, well, thank you for that. Just another couple questions. Looking at Lindero, year-to-date AISC is above the top end of the guidance. We know that inflation has been a factor here. Can you just remind us what are the drivers for this uptick in costs? And heading into next year, is this the new normal for Lindero in terms of what we're seeing in cost maybe in Q3 or thereabouts?

**Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines**

Yes. Lindero has been hit by the hardest by inflation, but not only that, we're still dealing with the legacy issues from the construction. We're still remediating legacy issues from the construction, perhaps Cesar you want to provide a bit more color on the status of that work and what is it that we're seeing into next year, right?

**Cesar Velasco - Chief Operating Officer, Latin America, Fortuna Silver Mines**

Sure. Jorge. Yes. As you mentioned, we had some legacy issues that have been properly addressed throughout the year, especially referring to the crushing system, and also some opportunities for debottlenecking, some of the process on granulometry as well. So Phase I, of the leach pad, also has been finalized this year. And as we move -- as we look into next year, we will be looking at the expansion of the leach pad on what we call Phase II. But a lower requirement for what you referred to as legacy issues in next year. So pretty much everything. We will be taking care of in 2022.

**Q:** Oh, in 2023.

**Luis Ganoza - Chief Financial Officer, Fortuna Silver Mines**

This is Luis. Just to compliment on that and the question with respect to a new normal, a large component of that higher cost in the case of Lindero comes from the sensitivity of the cost structure at that mine to certain consumables particularly diesel and cyanide, right. So what

happens next, of course is highly dependent as well on how we see those inflation, those key inputs evolving over the next few months and year.

**Q:** Okay. Thank you for that. And just as a final question, this is a strategic/corporate development question. And maybe it's a little premature given that you're focused on a mine starting up in about six to nine months. But we also see, and it was mentioned earlier in the call about Yaramoko, the high cost mine life and technical report and so on. In the event Yaramoko was to wind down or otherwise, would you look to add another asset? And if so, you got a number of jurisdictions you're operating, which ones would you favor? Do you have any preference at this point? And so what are your thoughts regarding adding another asset and jurisdictional preferences? Thank you.

**Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines**

Yes. With respect to jurisdiction, we're not looking to add more dispersion to our geographical presence already, right? I mean, I think what we have done with the expansion into West Africa is anchor the company in two regions that where we should be able to see our business growth for years to come. So we are not looking to add new jurisdictions. So everything that we do has to be covered with the infrastructure and teams we have in place at the [indiscernible] level. So we look at opportunities in the countries where we operate and near neighbors. And with respect to growth outside the farm, our view is that we have so much growth – organic growth in the pipeline that our focus needs to be to harvest that.

We were just talking with the previous caller on the expansion of Séguéla, right. We have the view that Séguéla has the looks of a much bigger mine and we need to work to materialize that, right. So that's going to be a big area of focus in Cote d'Ivoire, which is a great jurisdiction to work. We have the Caylloma mine, which is our smallest producer today and it's a steady free cash flow generator. Not our biggest business, but it's a mine, that if you look at reserves and resources, it's 18 to 10 years in the internal, if you do what the regulators don't like, if you pile reserves and resources, you can see a 10-year operation with mineralization wide open and the northeast extensions of the Animas Vein. So we're contemplating potentially the expansion of that mine. That's a study that will take place throughout 2023. We are working on the adoption of some demanding standards on GISTMand whatnot that will consume capital.

I think there is a lot of organic growth and housekeeping for a business of our size that we need to face. And I think there is a lot of value to be harvested within the portfolio. And that will be our priority. That is not to say that we're just blind or we'll blind ourselves to opportunities in the countries where we operate or near neighbors. We are always curious. We're always -- I am myself, I come from the ranks of exploration, so, I do favor active exploration. So we will be always keen to get involved in a good opportunity, a good exploration play if it comes. But the message is we're largely focused on organic growth for the next time to come, right.

**Q:** Okay. Thank you, Jorge. That's all for me. And so good luck with final construction and ramp up of Séguéla.

**Jorge Ganoza - President and Chief Executive Officer, Fortuna Silver Mines**

Thank you, Don.

**Operator**

Thank you. And there are no further questions in queue at this time. At this time, I would like to turn the floor back to Carlos Baca for closing remarks.

**Carlos Baca - Director of Investor Relations, Fortuna Silver Mines**

Thank you, Tom. 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, ladies and gentlemen. This does conclude today's conference call. You may disconnect your phone lines at this time and have a wonderful day. Thank you for your participation.