

Transcript of
Fortuna Silver Mines
Fortuna and Roxgold Business Combination Call
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Participants

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Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.
Luis Ganoza - Chief Financial Officer, Fortuna Silver Mines Inc.
John Dorward - President, Chief Executive Officer and Director, Roxgold Inc.
Paul Criddle - Chief Operating Officer, Roxgold Inc.

Analysts

Cosmos Chiu - CIBC
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Don DeMarco - National Bank Financial
Ryan Walker - Echelon

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the Fortuna and Roxgold Business Combination Call. At this time, all participants have been placed on a listen-only mode. The floor will be open for your questions and comments following the presentation. [Operator Instructions] It is now my pleasure to turn the floor over to your host Linda Desaulniers. Ma'am, the floor is yours.

Linda Desaulniers - Legal Counsel, Fortuna Silver Mines Inc.

Thank you. Good morning ladies and gentlemen. I would like to welcome you to the Fortuna Silver Mines and Roxgold conference call to discuss the details of the business combination of the two companies announced today, which will create a low-cost intermediate global gold and silver producer.

The participants from the two companies on the call today are Jorge Ganoza, President, Chief Executive Officer and the Director of Fortuna; Luis Ganoza, Chief Financial Officer of Fortuna; John Dorward, President, Chief Executive Officer and the Director of Roxgold; and Paul Criddle, Chief Operating Officer of Roxgold.

Today's webcast presentation will be available after this call on the fortune a website at fortunasilver.com by clicking on the investors tab, and then on the presentation sub-tab. You can also download the presentation on the Roxgold website by going to roxgold.com and by clicking on the investors tab and then on the events-and-presentations sub-tab.

As a reminder, all statements made by the either company during this call are subject to the reader advisories included in today's news release and in the presentation. These advisories describe the forward-looking statements, non-GAAP financial measures, and outline the risk factors and assumptions relevant to the transaction. All of the financial figures contained in the presentation and discussed in today's call are presented in US dollars unless otherwise stated.

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

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

Thank you, Linda. I'm very pleased to be here today with John and Paul to share with you our joint vision for this combination and the benefit to our shareholders. Put simply, what builds success in our business is identification of quality assets, followed by strong operational and financial execution.

We have followed the success of the Roxgold team for a number of years from their early start at Yaramoko back in 2015. Since then, John and team have successfully continued to expand their business in West Africa. And today, by combining our companies Fortuna is gaining access to a platform for continued growth in one of the most prolific gold regions in the world.

John Dorward - President, Chief Executive Officer and Director, Roxgold Inc.

Thank you, Jorge. We feel very confident that this is the logical next step for Roxgold. While we have had a great deal of success in Burkina Faso in Cote d'Ivoire over recent years, we feel that the best future for our stakeholders is to combine with a company of the caliber of Fortuna. The future belongs to liquid, well-diversified and capitalized companies and the combined company will have a wealth of compelling growth opportunities to pursue.

I've known Jorge and his team for a number of years. And I've always respected the professional manner in which they have built their company. Fortuna is comprised of genuine operators and mine builders and we look forward to a very bright future.

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

Thank you, John. Gaining access to the Roxgold platform will mean one, immediate -- immediately adding low cost production from Yaramoko; second, a permitted feasibility stage development project together with 49% IRR and pre-operational CapEx under 150 million; third, a robust exploration pipeline; and fourth, a seasoned team of senior executives and site managers with a track record of success discovering, developing and operating mines in the region.

Following through the bullets, we show in this slide, we want to stress the following. This transaction creates a premier global intermediate precious metals producer with exciting near and medium-term growth. We anticipate a combined production of 400,000 to 0.5 million gold equivalent ounces for 2021 through 2023, at all in sustaining costs under \$1,000. I want to underscore this is not just a combination of quality assets but equally important, we're bringing

together two teams of high performers in their respective jurisdictions. And this is one of the things I am personally most excited about.

We're creating a very potent business with annual projected average EBITDA of \$0.5 billion for 2021 to 2023. The combination brings a robust pipeline of high upside exploration projects at different stages of development. Site in our business does matter. The pro forma company will benefit from diversified production, a stronger balance sheet, enhanced capital markets relevant and a lower cost of capital. All of this translates into the ability to lower the risks for the business, accelerate value, creating opportunities, and enhance competitiveness in the continued search for quality assets in the future.

With respect to the pro forma production mix of gold and silver, I want to advance that we remain committed to silver. But more importantly, we're even more committed to the construction of a portfolio of assets that can perform throughout the precious metals price cycle. On a pro forma basis, silver will contribute approximately 20% of revenue and our initiatives to grow silver contribution remain active in the Americas.

Looking at the transaction summary on page seven, under the proposed transaction, Fortuna is to acquire 100% of the issued and outstanding common shares of Roxgold under a Plan of Arrangement. The implied fully diluted value of the transaction is approximately 1.1 billion Canadian dollars. The exchange ratio agreed to is 0.283 of a Fortuna share, which results in a pro forma ownership of 64.3% Fortuna and 35.7% Roxgold. Premiums on the closing price of Friday and the 20-day v works are 42% and 40% respectively. The conditions are all customary for a transaction of this nature, with relevant voting support from directors, officers and Appian Natural Resources Fund, Roxgold's largest shareholder.

Moving on to slide eight, pro forma capitalization. Things to highlight here are the strong cash position, close to 200 million and approximately 40 million of net cash, the large trading liquidity that comes from Fortuna's market recognition and dual listing. On 2021, gold equivalent production of 450,000 ounces, at an estimated all-in sustaining costs under \$1,000 per ounce, with a very robust annual EBITDA of \$0.5 billion. Slide nine presents the global footprint of the combined company demonstrating our global reach and highlights our presence in key mining jurisdictions for gold and silver.

Slide 10, under benefit to shareholders, John, can you please elaborate on the benefits to Roxgold shareholders?

John Dorward - President, Chief Executive Officer and Director, Roxgold Inc.

Certainly, Jorge. This transaction strikes an attractive balance between both immediate and long-term benefits for Roxgold shareholders. The exchange ratio outline provides an attractive upfront premium, which recognizes the significant organic pipeline that we have built in recent years along with enhanced liquidity. Perhaps more importantly, however, is the fact that Roxgold shareholders will retain a significant ownership in the combined company. And it is my belief that the combined company will emerge as the go-to name for investors seeking meaningful growth allied to a strong balance sheet with proven management.

Back to you Jorge.

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

For Fortuna shareholders, this transaction is accretive on all meaningful production of financial metrics. We will benefit from the continuation of a highly regarded West African team led by Paul Criddle as Chief Operating Officer for the African region and Paul Weedon as VP African Exploration. We will benefit from low cost assets of low technical complexity. We will benefit from very exciting Brownfields and Greenfields opportunities underscored by continued reporting of drilling success at Seguela and Boussoura. And this transaction is consistent with our objective to preserve a very strong balance sheet.

Moving on to slide 11. Here we show our senior operating team, we plan to retain the full capabilities of the operating and exploration teams and empower them to allow this group of high performers to continue delivering. The Roxgold operations and explorations team's track record of bringing projects on time and on budget and unlocking value through exploration is a distinctive feature of the Roxgold organization we will seek to preserve.

Slide 12, this is an important view that shows how the asset portfolio of the combined companies is complimentary, resulting in diversified production from four operating mines and a well populated pipeline of projects from development through to different phases of exploration.

Slide 13, Paul, you want to share the highlights of the mines and projects.

Paul Criddle - Chief Operating Officer, Roxgold Inc.

Thanks, Jorge. Initially with Yaramoko. Yaramoko continues to be the solid cash engine for Roxgold. In 2020, the mine delivered great results, despite the challenges presented with COVID by exceeding our production guidance and cost planning within expectations after COVID adjustments. Also late in 2020, we restarted the reserves at Yaramoko, maintaining the seven year mine life horizon, as we have since the original DFS and after five years in production as well. A trend that we plan on continuing to deliver with the current in 2022 influenced extension programs. Active brownfields exploration is underway with several targets, including the 109 Zone and Bagassi South structures, as well as numerous additional service targets. Two service and two underground rigs are at the project now is programs underway across prosecuting both surface and underground target.

Now moving to Seguela. As outlined in our recent DFS announcements, Seguela is a great project that is continuing to get better. The project, as defined today, is compelling. With extremely manageable pre-production capital burns of only \$142 million, the very strong production profile that you can see right here, especially in the first six years at average of 133,000 ounces grab and the all-in sustaining costs of \$832 an ounce life of mine, the project is quite leading in all categories. But that said, that is the project, as it's defined today, and the DFS is really just a snapshot in time that we will be adding value [ph], as we advanced the many value optimization opportunities at this exceptional project.

Those opportunities include depth extension at Ancien and Koula. Especially at Koula where the data of drilling is now significantly extended despite the deposits, it's clear that an underground stories are emerging. Together with the review of papers on schedule, the opportunity would be lifted for this period and in doing so remove a substantial amount of waste at the project. In addition, further drilling and extension of reserves and geotechnical and pit design optimization of the pit also present an opportunity. And of course, the continued development, the very exciting Sunbird discovery to be integrated into the mine plan at Seguela only make the project better for longer.

The project has each of these exciting upside scenarios contemplated in the plant and infrastructure designed to facilitate further expansion of the project than is currently assumed in the DFS. We're very excited to continue to uncover what Seguela has the potential to be.

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

Thank you, Paul. On slide 15, over the last month, Roxgold exploration programs have continued to demonstrate the potential of the prospects with consistent real results from high grade gold at Boussoura and discovery and expansion of new deposits at Seguela, like Koula and Sunbird, just like Paul just mentioned. Additionally, we share the excitement on the prospects for new ounces at the Yaramoko where the underground and near surface drilling programs are on their way.

Paul?

Paul Criddle - Chief Operating Officer, Roxgold Inc.

Thanks, Jorge. Seguela regional, this is the side package that today that's delivered the five deposits we discussed now into the Seguela mine plan. This package will continue to be targeted by Paul Weedon and his team. The mineralization now has drilled up on over 800 meter strike, Sunbird remains open down plants into the south, and there are still over 20 high priority targets to test on this package.

In Boussoura, the project continues to grow in footprint and scale at Fofora and Galgouli as well as within those delivering exciting veins across space and width. We currently have two rigs in the project extending and defining these prospects and Paul's team hope to deliver an initial resource estimate the project later this year. With depth potential testing limited to only 240 meters at this stage and only a fraction of the bank [ph] hurdles on the project tested. We're very excited to contemplate as what this project could be.

On Cote d'Ivoire regional, outside of Seguela, continue to procure [ph] large package with excellent exposure to largely unexplored belts and hosting significant gold systems and deposits. [inaudible] is generating first pass geochemistry anomalies for follow up testing. It's an extremely prospective area, same terrain and a long stroke comprising 5 million stronger operation, Montage's Morondo project and Perseus's Sissingue Antoinette, Veronique and Juliette properties.

Although not mentioned on the slide, back at Yaramoko, in addition to the brownfields opportunities, referred to earlier, with the success of the open-pit evaluation of 55 Zone has

provided a new lens for the team to prosecute several dozen targets on the more regional Yaramoko package.

Back to you Jorge.

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

On slide 16. This slide helps convey how prolific the Greenstone belts of West Africa are. The quantity of gold ounces discovered and growth in gold production in the region over the last 15 years, it is not only attributable to elite [ph] potential, but also to governments that value and foster the expansion of responsible mining in their respective jurisdictions.

John, if you want to add here something?

John Dorward - President, Chief Executive Officer and Director, Roxgold Inc.

Sure, it is it's probably difficult to name a more vibrant region to gold developments over the past 10 years in West Africa. While many jurisdictions assert they are mining friendly, countries such as Burkina Faso and Cote d'Ivoire actually walk the walk, and have been proactive in attracting foreign direct investment through mining.

One fact that I've been keen to promote over the years is that it only took five years from discovery drill hole to first gold production at Yaramoko. There are very few countries where this can be achieved, and we are well on track for delivering a similar time frame at Seguela.

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

Thank you. Luis?

Luis Ganoza - Chief Financial Officer, Fortuna Silver Mines Inc.

Yes. In slide 17, as Jorge has emphasized, the key features of this combination are the bumping production scale, taking us immediately to a new relevant threshold of 0.5 million gold equivalent ounces, low cost production profile, strong EBITDA margin business and significant and resilient free cash flow generation capacity. A quick note is that all figures are based on consensus numbers, except 2021 production and all-in sustaining cost, which are based on company guidance.

A few aspects to highlight on the upper left table, the increasing production contribution from Roxgold as Seguela is forecasted to come in line in 2023. In terms of all-in sustaining costs, we also see pro forma projected figures benefiting from lower expected all-in sustaining costs at Roxgold as Seguela starts contributing low cost ounces. Projected pro forma EBITDA and free cash flow reflect the similar trend with a meaningful expected impact over the medium term,

Slide 18, in the upper portion of the slide, we highlight that from an absolute market cap and valuation multiple perspective, pro forma Fortuna will have plenty of room for further value recognition as we continue to execute and deliver. In the graphs below, we show EBITDA margin and free cash flow generation are comfortably in the upper half of our comparative group with a clear path towards further growth and enhanced margin. The pro forma EBITDA margin of 55%

speaks to the strength of the portfolio of mines and reinforces the concept of growth with quality assets.

On slide 19, we reinforce the point that pro forma Fortuna will position itself as a meaningful company in the intermediate space of precious metals producers, with all-in sustaining costs in the lower percentile of a comparative group, and a well diversified production base between West Africa and LatAm. An interesting graph at the bottom right shows market capitalization of relevant producers and developers with operations in West Africa. Here you can observe the two largest gold mining companies in the world, followed by four other large producers, but then a break in size with respect to mid-size producers with a group being led by Fortuna, a competitive positioning in terms of size, we believe, presents an advantage as new opportunities may arise. Back to you, Jorge.

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

Thank you. As a recap, this transaction is accretive on all relevant operational and financial metrics. We're bringing together quality assets in prolific jurisdictions along with top talent. Our combined reserves will stand at a solid 4 million gold equivalent ounces and inferred resources at 1.5 million gold equivalent ounces with clear opportunities for further discovery in multiple prospects and projects. We're growing while preserving a high margin business with lower -- with below average holding sustaining costs and EBITDA margins over 50% for the business.

With this, I will close our prepared remarks. We look forward to this new exciting phase for the company and we continue to deliver value to our shareholders through the advancement of our assets and discovery. Thank you.

Linda Desaulniers - Legal Counsel, Fortuna Silver Mines Inc.

Thank you, Jorge. I would now like to turn the call over to the audience for any questions that you might have. Operator, we're ready for questions.

Operator

Thank you. Ladies and gentlemen, the floor is now open for questions. [Operator Instructions] Your first question is coming from Cosmos Chiu. Your line is live.

Q: Hi, thanks, Jorge, John and teams for hosting the call today. Maybe my first question is to Jorge, certainly we've had this COVID-19 pandemic in the past year and a bit now. How were you able to get comfortable with a due diligence process with the COVID-19 restrictions? Were you able to get to site? Just overall, how were you able to complete your due diligence.

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

Thank you, Cosmos. We were able to have a full team of our due diligence at site both at Yaramoko and Seguela. In spite of some travel restrictions, we were able to set foot on the ground and spend time at both, as I said, Yaramoko and Seguela with the Roxgold team. So we were able to conduct thorough on site due diligence, yes.

Q: For sure. And then also maybe Jorge, as you look at Roxgold and I don't cover Roxgold, I don't know the assets as well but when you – we are putting a value to Roxgold's assets, how much upside have you factored? In the prepared comments, I believe, John might have mentioned, for example, Yaramoko there is exploration potential here. If I work out the mine lives, it looks like it's only about five or six years of mine life left at Yaramoko. If I just look at reserves, I think John's team also mentioned Seguela, the DFS is only really a starting point at this point in time. So I'm just wondering, as you were putting a value to Roxgold, how much value did you put on some of that upside potential?

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

One of the things we're most excited about is exploration potential. And to speak about that, one, we first learned about Yaramoko back in 2015, when the mine had a five year mine life. And here we are, five, six years later with a five, six year mine life. So we've been on site, we had deep exchanges with the exploration team. And, we believe Yaramoko continues to offer opportunities for further discovery, and the team has four drill rigs on site and we're just very upbeat about the potential at Yaramoko.

And Seguela speaks for itself. The team continues to deliver consistent results. In spite of them being focused on developing the engineering and feasibility work, the drill rigs have continued to turn and continue to deliver new areas and expansions of high grade source like Koula and the recently discovered Sunbird.

When we look at Boussoura, Boussoura is a most exciting exploration property. In a way I kind of share the vision of the Roxgold team, it looks like Yaramoko look alike, in terms of potential for high grades, an underground mine of high grade nature. And on top of that, there are 250,000 hectares of exploration ground. So, we are very upbeat about the exploration. But you don't have to stretch much the exploration argument to find value in the current reserves, in the current feasibility study, you know.

Q: Okay. Thanks. All right, maybe one, just diving into a bit more detail into Seguela here. Maybe and hopefully John can help me with this. Again, I don't cover Roxgold, but could you give me a bit more detail in terms of timeline, in terms of the permitting, in terms of CapEx and are you going to be able to, as a combined company, internally funded CapEx, any of that detail quickly will really help?

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

Paul?

Paul Criddle - Chief Operating Officer, Roxgold Inc.

Sure.

Q: Hi, Paul.

Paul Criddle - Chief Operating Officer, Roxgold Inc.

Hi, Cosmos. The capital outlay planned for Seguela is \$142 million, so very, very modest and manageable outline. At the moment, we have in hand ESRA and exploitation permits both what you need to commence construction of the mine. We have commenced early stage works at site, building the combination bridge and the access road to site.

We are in the process of completing the mining convention and negotiations. And all that said is done, we expect to make a development decision towards the middle of the year and start the project. As we understand the current development, timeline and construction schedule that would see it commissioning towards the end of 2022, started 2023.

Q: Perfect. Maybe one last question on the financials, the financial metrics. Jorge and I think Luis you also mentioned that the deal is a creative on all metrics. I think there was a slide you talked about, on an absolute basis, EBITDA increasing, free cash flow increasing but could you give us more granularity in terms of potentially what multiples that you might have paid, is this accretive on per share metrics in terms of cash flow, in terms of earnings? Or if that's the case, what is it accretive on a per share basis?

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

Yeah, the transaction is accretive on 2021, 2025 production, cash flow and reserves and resources, right. So we are seeing accretion on all those metrics. And something important that we value is that the accretion on reserves, the accretion of resources, the accretion on near-term free cash and production come at a – I lost my train of thought here for a second. The accretion matrix on all those aspects -- I probably lost my train of thoughts. Yeah, as I said, we're seeing accretion on all those metrics, above the 35%, that Roxgold is taking part on the company now.

Q: Great, thanks, Jorge, and John and teams. And those are the questions I have. Thanks a lot.

Operator

Your next question is coming from Chris Thompson. Your line is live.

Q: Hi, guys. Good morning to you. Just I've got three questions. I'll just -- I'll ask John and Paul, the first question I guess. Paul, obviously, looking forward to chatting again. Nice to see the two companies combined. John, what's the future for you?

John Dorward - President, Chief Executive Officer and Director, Roxgold Inc.

The future looks a little hazy at the moment, Chris. I don't have a great a great insight but, look, I think one step at a time and that's to see this transaction consummated and across the line, and the companies and all of our employees and all of our shareholders and stakeholders enjoying the fruits of the combined entity. So that's really first and foremost.

Beyond that, I still think -- but apart from the photo on the front of the presentation, I'm actually still quite a young fellow, so I think there's a few more innings in me, so time will tell. But certainly interested in staying in the mining game, I think it's the -- despite its challenges, it's the main game in town, the best place to be.

Q: So yeah, I totally agree with you on that. Okay, Jorge, I've got two questions for you. I would imagine I'm not alone in saying this or thinking this, but what about the timing here? I mean, why now, saying that you really haven't completed the job at Lindero? What is the impetus for making this acquisition today or at least bidding for it?

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

Well, our work at Lindero is pretty much done, we have finished through the grunt of the work and Lindero is on a steady ramp up showing continuous trend towards design. We're starting to see free cash flow emerge from day one, actually. So, there are three things that we've been focusing on; one is strengthening the balance sheet, second is advancing exploration opportunities and third, looking at the opportunities, new opportunities, out there.

And as I said, we've been intrigued by Roxgold's success since 2015. Back then, our interest in Roxgold was mainly driven by the high grade nature of the Yaramoko reserves. And today when we revisited the story, what we've seen is something different as a platform really. I cannot underscore enough the fact that a Yaramoko -- sorry Roxgold offers a platform with low cost production, very exciting and highly profitable development project; a robust high-grade exploration pipeline; and, more importantly, a team with vast experiencing in the region that will join the C-suite at Fortuna, right.

So we believe, it's the new opportunity presented itself and I believe we're not compromising our balance sheet; to the contrary, we're giving ourselves an opportunity, with this transaction, to strengthen even further the balance sheet, right. So we're thinking not short-term, we're thinking medium, long-term and we believe this is going to be tremendous success story.

Q: Thanks, Jorge. I can't disagree with you, great team with Roxgold there. The final question, I guess is, reading between the lines here, is this a confirmation, in your opinion, that the best days for San Jose are behind you at the moment?

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

Well, if you look at the reserves, we are starting to see the declining grades in the reserves. But you see the potential, the geologic potential and the opportunities that we're starting to capture, bear in mind that for the last three years, we shortchanged some of our exploration because we were allocating capital to the Lindero construction.

Our investment on exploration back in 2017 was about 4% of sales, our drilling meterage was around 30,000 meters. In 2020, our investment in exploration was only 1% of sales with our total drilling meterage about 8000 meters. Clearly not enough to replenish reserves are or expand resources. Today, our budgets are refocused on exploration. Our total drilling meterage, for Fortuna stands at around 50,000 meters with investment on exploration at around 4% to 4.5% of sales from a much larger base of sales.

And sure enough, we have started to see a success with the drill bit, we published a few weeks ago, a couple of weeks ago, some very exciting discoveries on the north -- upper north extent of

the San Jose mine with 5.5 meters with two kilos of silver, silver equivalent grades. So, we believe that as we start, letting the drill rigs turn again, we're going to be able to start showing success with the drill bit, yeah.

Luis Ganoza - Chief Financial Officer, Fortuna Silver Mines Inc.

This is Luis. Let me go back to the prior question to help complement and be more specific on the question on accretion. So yes, we see accretion on reserves. We see accretion on resources. We see accretion on the average annual cash flow for the period up to 2025. We see accretion on annual average gold equivalent production again to 2025. And on NAV, well, on the base case scenarios, you're always paying for value, but when you consider that exploration potential we'd talked a lot about, we certainly see a lot of potential accretion, as well, of which of course Roxgold shareholders will be turned on to be part of. Thank you.

Q: Thanks, guys. Congratulations.

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

Thanks, Chris.

Operator

Your next question is coming from Trevor Turnbull. Your line is live.

Q: Thank you. Yeah. Jorge, I guess I had a question with respect to completing Lindero and having that team together that just built that. I was wondering if you do make a development decision as a combined company to go forward with the Seguela, would you -- is there anything that that potentially you can contribute from what you've learned at Lindero? And are there any people that potentially could also get involved in the development of that project as well, from Lindero?

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

We believe that Roxgold has a solid proven team of operators and builders led by Paul. We met - - we had technical sessions with Paul and his team and the team is in place. So what we will do is from our corporate role, render all the technical support and help back Paul so him and his team can deliver. We do not anticipate any significant changes to the Roxgold operational structure. Again, if it's not broken, don't fix it. They have delivered and in a great way, and they're under budget, on time, and we will continue to support that.

Q: Great. And then just, I guess, to reiterate on the exploration, you were talking to Chris, about how you really boosted exploration budgets this year relative to recent past. But going forward with this merger, that won't impact -- you won't need to revisit any of your exploration budgets in the Americas, those are going to stay intact. Is that right?

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

Absolutely.

Q: Okay, great. Thank you.

Operator

Your next question is coming from Don DeMarco. Your line is live.

Q: Well, thank you. Hi, Jorge. In terms of the Lindero free cash flow, is it going to be used to fund Seguela? And is there any concerns about getting cash out of Argentina?

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

Well, the consolidated -- one of the benefits of the consolidation or coming together is strengthening the balance sheet for 2021 or plans for repatriation of capital are going accordingly to our budget. So, we are currently repatriating funds from Argentina and as we're cash flowing positive, we're repatriating capital. So we -- one of the benefits of a combination is lowering the cost of capital for Seguela, right. And Luis, you want to --

Luis Ganoza - Chief Financial Officer, Fortuna Silver Mines Inc.

Yes and -- sorry, I believe we can comfortably say that funding of Seguela and the pro forma company is something that will be addressed through internal resources and through the additional or expanded built-in strength of the balance sheet.

Q: Okay, great. Thanks for that. Maybe just a couple other questions, just trying to understand some read throughs on this. Jorge, I think at one point you had actually considered Roxgold, maybe even as an alternative to Lindero; now you've got both. Is there any read through here that maybe West Africa is edging ahead of Latin America for opportunities? And can you give any indication of what the company's strategy might be going -- might be going from here with respect to say, continued growth?

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

We're very committed to Latin America but developing nations -- politics in developing nations are a pendulum, you know. So you have to take a long term view and that's what we have. So, first we're driven by quality of assets and then we look hard at jurisdiction and we remain very committed to Latin America and we look forward to a long-term commitment in West Africa.

And I believe, as I said in the presentation, these are two premier mining jurisdictions, this business is built -- its success in this business is built not on the mine right next to your house, it is built on quality of assets and mining is a frontier business. It has always been and it continues to be a frontier business. And we have to go where the good assets are and where the government will allow you to develop them.

And I believe that, with -- we take in a long term view on these two regions, and we look forward to remain committed to the two regions. Now I think that things sometimes get a bit harder here or there but, in mining, you have to take a long-term view.

Q: Okay. Maybe finally, then, we've seen other silver companies acquire gold assets recently. Is there any read through here on is the silver asset, it's difficult to expand the silver portfolio and that prompts looking at gold.

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

Yes, I'm going to say it is something that always but good silver assets are discovered. The San Jose mine was a discovery, the Escobal mine, every mine is a discovery, of course, but very difficult to go and buy a good silver mine, usually those are discovered, right. And discovery is a process. So that's why it's metal that attract so much attention. So there are not a lot of good quality silver assets out there.

So our commitment is -- we're committed to silver, as I said in the presentation, but our bigger commitment is to putting together a portfolio of quality assets that can perform throughout the precious metals price cycle, right. We're not just going to bring silver assets into the portfolio because they have a silver name attached to them and are not constructive on margins for the business. We want assets that are constructive on margins of the business, right.

Q: Okay. Yeah, that's right. Okay, Jorge, congratulations again. And I look forward to connecting to Paul and the rest of the team and wish John, all the best in his next endeavors. Thanks again, guys.

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

Thank you.

Operator

Your next question is coming from Mark [ph]. Your line is live.

Q: Hey, Jorge. Congratulations. Very exciting stuff. My question is just touching on something that's already been touched on a few times, I just want to put a fine point on it. So on slide 17, you've got the free -- you've got a free cash flow chart here showing from 21 to 23, including this Seguela, I'm not sure if I'm pronouncing that right, CapEx. And so this implies to me that the initial plan is a self-funded free cash flow approach to the CapEx of this, i.e. not debt or equity funding or anything else. Is that is that right? Am I reading this correctly?

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

I think we can say that. I mean, we don't see any reasons for any sort of equity funding. What we can say is that coming out of this transaction, we will certainly seek to reposition or balance it and set up our capital structure in a way that allows us to capture opportunities to lower their cost of capital, given the new scale of the business. And, as I said previously, I mean, we are comfortable that given the internal resources of the pro forma company, funding, the construction of Seguela will be well within our means.

Q: Great. All right. Rock on. Good luck.

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

Thank you.

Operator

Your next question is coming from Ryan Walker. Your line is live.

Q: Hi, guys. Thanks for the call. Obviously, a lot has been answered. So just a couple of quick ones for me. Going back to a previous question, just on the timing of the deal, from the Roxgold perspective, why now when you've got the positive movement with Seguela feasibility, Boussoura kind of starting to emerge and Yaramoko just chugging along like a train?

John Dorward - President, Chief Executive Officer and Director, Roxgold Inc.

Sure, Ryan. I mean, it's a good question. I think you're right. I mean, momentum for us had been very positive off late, sort of largely, I think, driven from a combination of the resource reserve update that we had last year at Yaramoko, to go back to Jorge's earlier comments. I mean, when they came -- when his team came and visited the mine at the start of the feasibility study, it had a seven year mine life, I think, in our feasibility study and it has a seven year mine life today, so it's going about thing that really good underground mine that can sort of keep maintaining its reserves.

Seguela has obviously been an out-of-the-box success for us. No question about that continues and I think to go from strength to strength. I think the potential is still very great. And Boussoura, well, still early days and certainly, becoming interesting and starting to get a little -- garner a little more attention and certainly, very positive in our outlook for us.

I think when I look at the timing of it, it is a long term business that we're in and you can't necessarily make strategic changes on turning on a dime, so you sort of set strategy in place when you look to pursue that. And we've always maintained really a dual track strategy, one of which is to build out our own sort of organic growth pipeline, which we've been busy doing.

And the second one is to maintain sort of an independent but positive outlook towards potentially combining with another group. And then we have -- we engage with our shareholders on a regular basis. And I think it's fair to say that we've had fairly strong feedback in recent times that the potential combination might be a positive way to go for some of our shareholders. And we take that on board. We're not deaf and we're not sort of resistant to listening to our shareholders. So we take that on board and we put that in our mix. It's not necessarily the sole reason for doing something but it is a big -- that's an important consideration. So I think that's important for us to note, at this juncture.

And, I think you -- if you are looking at potentially combining the business into a larger company, you want to do that from a position of strength where you have momentum, and that's where we are, so that's -- I think that's positive. And look, I think we have -- over the journey, we've had discussions, as you would suspect, I don't think that's a profound revelation for people on the call that we've had conversations with other groups, and we've talked to other people who are in the

region and things like that and generally we found -- not to put too fine a point on it, that our asset quality was probably outmatching what was on offer from other counterparts.

And, with Fortuna and Jorge and his team in Fortuna, what you see is a strongly positioned growing company in its own right, that doesn't need to do something but wants to do something to take the next step and that for us felt right. And that was the right time from our own purposes and the right counterparty to deliver, I think what will be ultimately a long-term extremely successful story.

So hopefully -- it was a long answer to your question, I'm sorry about that, Ryan. But hopefully, just to give you a little bit of the background to the dynamic of why we are here today and extremely happy to be here and we think that we've found the very strong match for ourselves going forward.

Q: Great, thanks. And you answered my second question and that was preemptively, so I'll pass it at the time. Thanks, guys. Congrats.

John Dorward - President, Chief Executive Officer and Director, Roxgold Inc.

Thanks, Ron.

Operator

There are no further questions from the lines. I'd like to pass the line back to Jorge for closing remarks.

Jorge A. Ganoza - President, Chief Executive Officer and Director, Fortuna Silver Mines Inc.

I want to thank all the participants this morning and we look forward to continue the dialogue with our shareholders. Thank you.

Operator

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