

Transcript of
Fortuna Mining Co.
Q4 and Full Year 2024 Financial and Operational Results Call
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Participants

Carlos Baca - VP, IR, Fortuna Mining Co.
Jorge Ganoza - President and CEO, Fortuna Mining Co.
Luis Ganoza - CFO, Fortuna Mining Co.
Cesar Velasco - COO, Latin America, Fortuna Mining Co.
David Whittle - COO, West Africa, Fortuna Mining Co.

Presentation

Operator

Greetings. Welcome to the Fortuna Mining Company Q4 and Full-Year 2024 Financial and Operational Results Call. At this time all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions]. Please note this conference is being recorded.

I will now turn the conference over to your host Carlos Baca, Vice President of Investor Relations. You may begin.

Carlos Baca - VP, IR, Fortuna Mining Co.

Thank you Holly. Good morning ladies and gentlemen. I would like to welcome you to Fortuna Mining's fourth quarter and full-year 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 D. Ganoza, Chief Financial Officer; Cesar E. Velasco, Chief Operating Officer Latin America; and David Whittle, Chief Operating Officer West Africa.

Today's earnings call presentation is available on our website. As a reminder, statements made during the call are subject to the reader's 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.

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Jorge Ganoza - President and CEO, Fortuna Mining Co.

Thank you Carlos and good day to all. We're building a proven track record of expanding margins and generating strong cash flow driven by stable costs and rising gold prices. With a robust balance sheet and strong liquidity, we're actively investing in the business while delivering returns to our shareholders.

In the fourth quarter, the company had record free cash flow from operations of \$19.6 million which represents an increase of 69% versus Q3 2024. A net cash from operations before changes in working capital was also a record \$142 million or \$0.46 per share beating analyst consensus of \$0.40.

For full-year 2024, we surpassed \$1 billion in sales for the first time. Quarter-over-quarter, we realized a 7% higher gold price of \$2,660 and 10% higher revenue of \$302 million, while cash cost per ounce was 4% lower leading to an expansion of operating cash flow margin from 33% to 50%. For full-year 2025 comparing against 2024, our outlook is for stable to lower cash costs in the range of \$895 to \$1,015 per ounce and stable to lower ASIC as well in the range of \$1,550 to \$1,680 per ounce. Financially, today we're strong and this only continues to improve in the current gold price and operating environment.

Since the completion of the Seguela mine construction in mid-2023, we have reduced debt by \$118 million, moved from a net debt position at the time of \$198 million to our year-end positive net cash position of \$59 million. At year-end, cash was \$231 million, a quarter-over-quarter increase of \$50 million driven by strong growth in our free cash flow and liquidity was over \$381 million. All these while we maintain a very low debt leverage ratio of under 0.4.

We returned \$30.5 million to our shareholders via share buybacks in the fourth quarter and followed with additional purchases in January of \$1.8 million for 400,000 shares until the reporting period blackout setting. We look forward to remain active in our repurchase programs throughout the year. In full-year 2024, \$49 million was invested in mineral exploration and new project development. We plan to continue investing aggressively in the asset portfolio in 2025 with a budget of \$51 million.

With several high value targets like Kingfisher and Sunbird Deep at the Seguela mine camp, the Tongon North Prospect in northern Cote d'Ivoire, the Diamba Sud project in Senegal and the Arizaro Gold Porphyry at the Lindero mine in Argentina. Optimization of our mine portfolio is something I want to expand on as well. We are capturing two large opportunities.

First, in line with our messaging throughout 2024, we announced at the beginning of the year, the strategic decision to divest of our non-core San Jose mine in Mexico, which had become our highest cost mine and was producing from the tail end of its reserves. The sale process is ongoing and once concluded will allow us to refocus capital and management's attention on high value opportunities.

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And second, the successful optimization and expansion of our flagship Seguela mine has allowed us to provide two-year production and cost outlook with the mine planned to reach in 2026 a gold production of 160,000 ounces to 180,000 ounces at an industry-leading ASIC of between \$1,260 and \$1,390 per ounce.

For 2024 performance for total recordable injury frequency rate and lost time injury frequency rate was 1.36 and 0.48 respectively, compared to 1.22 and 0.36 in 2023. Importantly, our 2023 and 2024 performance measures consistently well against the published 2023 ICMM TRIFR figure of 2.59. And three of our mines operated free of any lost time injuries in 2024. However, subsequent to year-end, this performance was tainted by the fatal accident at our Seguela mine on February 24. We deeply regret this tragic accident and our heartfelt condolences have gone out to family and colleagues.

A specialized service provider to our mine contractor, Mota-Engil, was fatally injured while conducting a planned inspection and recharge of fire extinguishers. Upon the accident, senior corporate managers mobilized to site and an investigation is underway. We're firmly committed to a zero-harm work environment at Fortuna.

Now, our Chief Operating Officers will provide a briefing of their respective regions. We'll start with West Africa and David Whittle. David?

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

Thanks, Jorge. Seguela and Yaramoko had a successful fourth quarter from both a safety and production perspective. In the fourth quarter, Seguela produced 35,244 ounces of gold, a 1% improvement compared to the previous quarter, and delivered 137,781 ounces of gold in its first full-year of production.

Yaramoko's strong production performance delivered 29,576 ounces of gold, a 6% improvement compared to the previous quarter, leading to 116,206 ounces of gold for the year. Both mines achieved the higher end of their annual production guidance. In the fourth quarter, Seguela mined 715,000 tons of ore at an average gold grade of 2.34 grams per ton and 3.67 million tons of waste for a strip ratio of 5.1 to 1. All processed was 430,000 tons at 2.95 grams per ton gold.

Mine production was primarily sourced from the Antenna Pit, with production from the high-grade Ancien and Koula Pits ramping up in the second half of the year. The processing plant operations continued successfully and attained an average throughput rate of 213 tons per hour for the quarter, surpassing nameplate capacity by 38%.

Because of the better-than-expected production of the processing plant, we move forward the construction of the third lift of the tailing storage facility. Construction began in the fourth quarter of 2024, with completion expected in the second quarter of 2025. This \$8.5 million capital advancement will provide adequate tailing storage

until 2029, allowing for the increase in the production guidance in 2026 and beyond of 160,000 ounces to 180,000 ounces.

Seguela's strong performance resulted in a cash cost of \$653 per ounce for the quarter, with a cash cost for the year outperforming guidance at \$584 per ounce. Basic was \$1,376 and \$1,153 per ounce of gold for the quarter and year respectively at the lower end of guidance for 2024. Seguela's strong production, complemented by ongoing exploration success at the Kingfisher, Sunbird Underground and other deposits, positively reflects on the future and provides an opportunity to greatly exceed the production profile established in the Definitive Feasibility Study.

At Yaramoko, mine production in the fourth quarter of 2024 was 118,000 tons at an average grade of 8.5 grams per ton gold. Mine production was primarily obtained from the 55 Zone Underground mine, with development and stoping operations at the Bagasy South mine contributing 29,000 tons at a grade of 8.93 grams per ton gold to the above outputs. Ore development at the 55 Zone was completed in the fourth quarter, with waste development also having now been completed.

In the fourth quarter, the contract for mining of the 109 Zone open pits was awarded and the contract to progress with mobilization activities, with mining starting in the first quarter of 2025. At the processing plant, 102,000 tons were treated at an average grade of 8.5 grams per ton gold. The continued production profile at Yaramoko attained an ASIC of \$1,302 and \$1,359 per ounce for the quarter and year respectively.

ASIC marginally exceeded annual guidance due to \$9.6 million of increased development in the Zone 55 ore body extensions discovered throughout the year, increasing 2025 planned production and extending the life of mine into 2026. A cash cost of \$812 per ounce for the quarter and \$860 per ounce for the year was achieved outperforming the provided guidance. Overall, West Africa had a successful 2024, empowered by Segala's first full-year of production.

Looking ahead, we are greatly encouraged by both the short and long term outlook as we continue to enhance our production and further explore the prosperous West African region. Thank you and back to you, Jorge.

Jorge Ganoza - President and CEO, Fortuna Mining Co.

Thank you. We'll now go on to see a briefing from LatAm. Cesar?

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

Thank you, Jorge, and good day to everyone. In 2024, our Latin American operations demonstrated a good safety performance. They also delivered strong production and project execution, with the exception of San Jose Mine as it entered in the tail end of research.

As Jorge mentioned, the San Jose Mine was placed in care and maintenance in January 2025 as we are engaged in the sale process. Starting in Argentina, Lindero produced 26,806 ounces of gold in the fourth quarter. The 10% improvement in production over the previous quarter is due to a higher rate of fragrant [ph] solution percolation, which is related to the first lift of ore placed on the new leach pad expansion area.

As you know, the leach pad expansion has been our largest capital project in our portfolio in 2024 with a \$42 million budget, which weighs heavily in our all-in sustaining costs by approximately \$400 of the total \$1,793 for the year. I am pleased to point out that Lindero began placing ore on the new leach pad area in the second half of October 2024, two weeks ahead of plan and on budget. As of the end of February 2025, the completion is at 94%, and only minor activities and contractor demobilization remain.

In the fourth quarter, 2 million tons of ore were mined with a stripping ratio of 1.54 to 1. A total of 1.36 million tons of ore were placed on the leach pad, averaging 0.60 grams per ton of gold, containing an estimated 34,151 ounces of gold. For the full-year 2024, gold production totaled 97,287 ounces, achieving midpoint of our annual production guidance.

In the fourth quarter, Lindero had a cash cost of \$1,063 per ounce, and an ASIC of \$1,873 per ounce of gold. When compared to the previous quarter, ASIC is positively down 5%, reflecting a decrease in leach pad CapEx, although partially offset by a continued higher peso appreciation.

Looking ahead, and looking ahead for 2025, we have guided for lower ASIC between \$1,700 and \$1,770 per ounce. In Q1, we will be seeing a bit of that leach pad CapEx, and for the year, we'll reach our peak stripping ratio of 2.2 to 1, to revert back in 2026, closer to the LOMS average of 1.24 to 1. As part of several operational efficiency initiatives, Lindero successfully implemented a project to reduce the size for haul trucks and excavators, enabling additional cost savings and operational efficiencies during the life of mine. Another strategic project is the solar plant of 14.5 megawatt per hour, currently at 63% advance on schedule, and expected to be completed by the third quarter of 2025.

As for Peru, I am delighted to report that the Caylloma Mine surpassed its full-year production guidance for all metals. The mine produced 249,238 ounces of silver at an average head grade of 67 grams per ton of silver in the fourth quarter of 2024, aligned with the mine's schedule for the period. Zinc and lead production total 13.9 million pounds and 9.5 million pounds with average head grades of 4.94% and 3.36% respectively. This represents an improvement of 6% for zinc and a decrease of 7% for lead, when compared to the third quarter of 2024. Zinc and lead production were above the higher end of annual guidance by an impressive 33% and 16% respectively. Increased production attained is the result of positive rate reconciliation to the reserve model in the lower levels of the underground mine.

Cash cost per silver equivalent ounce for the quarter was \$16.53 and \$14.12 for the full-year. This was driven primarily by the result of lower silver production and the impact of higher realized silver prices on the calculation of silver equivalent ounce sold, partially offset by lower treatment charges. ASIC per ounce of payable silver equivalent was \$28.10 for a quarter. A 26% increase when compared to the same period of 2023, mainly explained by the result of higher cash cost per ounce, higher workers participation, and the impact of higher realized silver prices resulting in lower equivalent ounces.

If ASIC was calculated using the guidance metal prices, ASIC would have been \$23.60 per ounce for a quarter and \$19.27 per ounce for a full-year respectively. However, cash cost and ASIC are both diligently aligned with the annual guidance range. Overall, we achieved strong production in 2024 and remain excited about our operations and exploration activities throughout Latin America in 2025 and beyond.

Back to you, Jorge.

Jorge Ganoza - President and CEO, Fortuna Mining Co.

Thank you. Our CFO now will brief us on the highlights of the financial results. Luis.

Luis Ganoza - CFO, Fortuna Mining Co.

Thank you. So attributable net income in the quarter was \$11.3 million, \$0.04 per share, including \$26 million of non-cash charges, which were comprised mainly of the following. A write-off of \$14.5 million related to the Boussoura mineral property in Burkina Faso. The write-off corresponds to the \$9 million of purchase price allocation as part of the Roxgold acquisition and subsequent exploration expenditures. A \$7.2 million mine closure provision associated with the scheduled closure of the San Jose mine at year-end. The closure provision is expected to unwind upon completion of the sale of San Jose.

And a write-down of low-grade ore stockpiles of \$4.6 million at the Lindero mine. This write-down was triggered by projected higher costs from the appreciation of the Argentine peso against the U.S. dollar. The assessment is done with a gold price of \$2,150 per ounce, and it is worth noting the value of the stockpiles remains well above the incremental cash cost to process the ore.

After adjusting for non-cash charges, attributable net income in Q4 was \$37 million, or \$0.12 per share. We have disclosed an impact of \$0.05 per share from the evaluation of the euro against the U.S. dollar in the quarter, which generated and realized foreign exchange loss of \$7.5 million, and which additionally has an impact on the affected tax rate, mostly through the deferred tax component of the income tax provision. Our affected tax rate was 46%. We estimate our normalized affected tax rate to be between 30% and 35%.

Adjusted earnings per share in Q4 represents an increase over the prior year of 50%. The increase is primarily due to higher gold prices. We realized average gold price for the quarter of \$2,660 per ounce, an increase of approximately 34% over Q4 of 2023. Our adjusted EPS in Q4 compared to the prior quarter decreased 30% as a positive impact from higher sales of \$27 million was offset mainly by the higher affected tax rate and foreign exchange losses previously discussed. Our higher sales quarter-over-quarter were explained by higher gold prices and slightly higher gold volume sold of 4%.

Our cash cost of sales per gold equivalent ounce sold was \$1,015 for the quarter and \$987 for the year. As Jorge mentioned, both were within our annual guidance of \$935 to \$955 per ounce as lower costs at Seguela offset higher costs at Lindero, mostly from the appreciation of the peso in Argentina. I will provide a few other comments pertaining certain items out of our annual results.

We recorded a foreign exchange loss, as I mentioned, for a full-year of \$12.6 million, of which \$10.4 million was recorded in Q4. Again, this was mostly related to the evaluation of the euro against the U.S. dollar, which consequently impacts CFA franc denominated assets in our West African business. Our interest and finance costs for the full-year were \$25.5 million, of which accrued convertible coupon interest and bank debt interest were \$13.5 million. The comparable figure in 2023 was \$15.7 million and \$22 million when including capitalized interest from the Seguela construction phase. This represents a decrease in interest charges of \$9 million in 2024, reflecting lower debt balances and lower costs of debt. Details on this can be found on note 23 of our financial statements.

Finally, we recorded annual investment gains of \$9.7 million related to the cross-border trades of Argentine bonds. This is a mechanism by which exporters are allowed to access a preferential rate for a portion of export proceeds as part of government incentives to alleviate the over-evaluation of the official exchange rate. In Q4, we have changed our ASIC calculation to include these amounts as we deem this provides a better reflection of the cost of doing business in the country. It is worth noting that in 2024, the peso appreciated in real terms by 40% against the U.S. dollar.

Moving on to free cash flow and liquidity. Our total capital spend as per our cash flow statement for the year was \$204 million, of which \$51 million corresponds to non-sustaining capital. In Q4, we had our highest capital spend in the year with a total of \$61 million, of which \$12 million corresponds to non-sustaining capital. The free cash flow we report from ongoing operations deducts sustaining capital only. And our free cash flow for Q4 was \$95.6 million and \$203 million for the full-year.

It is also worth noting we paid income taxes in the year of almost \$44 million, while we incurred \$96.5 million of current taxes. Our tax payments in 2025 will consequently rise. And assuming constant prices year-over-year, payments should be much closer to our expected incurred income taxes. Our total liquidity at the end

of the quarter was \$381 million, compared to the \$430 million we reported in the prior quarter.

In the context of our strong free cash flow generation in Q4, the change reflects the downsides of our credit facility by \$100 million and share repurchases of \$30.6 million in the last quarter of the year. Considering the \$75 million accordion feature in our bank facility, our total potential liquidity available at the end of the quarter was \$456 million.

Back to you, Jose.

Jorge Ganoza - President and CEO, Fortuna Mining Co.

Carlos?

Carlos Baca - VP, IR, Fortuna Mining Co.

If there are no further questions, I would like to thank everyone for listening to today's earnings call. Have a great day. Sorry, sorry, my bad, my bad.

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

Operator

Certainly. At this time, we will be conducting a question-and-answer session. [Operator Instructions].

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

Carlos Baca - VP, IR, Fortuna Mining Co.

Thank you, Holly. Well, now, since there are no questions, I would like to thank everybody for listening in to today's call, and I do wish you a great day. Bye.

Operator

This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.