Transcript of
Fortuna Silver Mines, Inc.
First Quarter 2024 Earnings Call
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Participants

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Presentation

Operator
Greetings and welcome to the First Quarter 2024 Financial and Operational Results Call for Fortuna Silver. At this time, all participants are on a listen-only mode, and 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, Mr. Carlos Baca, Vice President of Investor Relations. Sir, you may begin.

Carlos Baca - Vice President, Investor Relations, Fortuna Silver Mines, Inc.
Thank you, Ali. Good morning, ladies and gentlemen. I would like to welcome you to Fortuna Silver Mines first quarter 2024 financial and operational results conference call. Hosting the call today on behalf of the company will be Jorge Alberto Ganoza, President and Chief Executive Officer; Luis 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 our website. As a reminder, statements made during this call are subject to the reader advisories included in yesterday’s news release. The earnings call 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 US dollars, unless otherwise stated.

Technical information in the presentation has been reviewed and approved by Eric Chapman, Fortuna’s Senior Vice President of Technical Services and qualified person.

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

Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Silver Mines, Inc.
Good morning to all. We continue to report strong operational and financial performance and according to our plans and guidance, we expect an even stronger second half of the year for production and costs. Over $225 million in sales, gold contributed 81% and silver 10%, with the balance being byproducts zinc and lead. We realized an average gold price in the quarter of $2,087 per ounce compared to $1,990 per ounce in the fourth quarter of 2023. Silver stayed flat at $23 quarter-over-quarter.

For attributable net income and adjusted net income for the quarter were both $26 million or $0.09 per share. Cash flow from operations before changes in working capital was $84 million or $0.28 per share. Both earnings and cash flow were well ahead of analyst consensus figures of $0.06 and $0.25 per share, respectively.

All our mines delivered gold and silver production in line with our plans and within guidance range projections for the year at 112,000 gold equivalent ounces, production was softer when compared to the previous two quarters, where we had consecutive record production of 129,136 gold equivalent ounces in Q3 and Q4 of 2023, respectively. The reduction against previous quarters is largely explained by lower grades and ounces produced at Seguela, but well according to plan.

Quarterly production during 2024 is planned to pick up throughout the year, with Q1 having the lowest plant production. All our mines reported consistent ASIC tracking well to be within our annual guidance range. Consolidated cash cost per gold equivalent ounce was $879, and if we adjust for San Jose Mine, which is mining on its last year of reserves, the cash cost is a low $744 per ounce.

Consolidated ASIC at $1,495 per gold equivalent ounce is on the very low end of our guidance range for the year, which is between $1,485 and $1,640 and slightly lower than the $1,509 we reported in Q4 2023. The low ASIC is largely explained by Seguela higher gold production and lower cost per tonne against our budgets and timing of capital expenses at the Lindero Mine leach pad expansion.

The largest short-term opportunity in the portfolio today is the throughput optimization at the Seguela Mine, which continues to render fruit after relining of the mill and other miner works in April, the plant is expected to reach a process rate of 220 dry metric tonnes per hour or 42% above nameplate capacity and 25% above our 2024 budget.

Looking forward, and there is an emerging situation in April in Cote d'Ivoire technical failures at two gas plants sourcing power into the national grid has resulted in outages at national level. It is expected power will be restored at normal levels in July. With the information available at this moment, we believe guidance for the year at Seguela is still achievable with no corresponding impact on consolidated guidance.

With respect to capital allocation, management continued during the quarter to focus on three priorities. One, provide maximum flexibility to our balance sheet. During the period, we paid an additional $40 million on our revolving credit facility, totaling $123 million since we started repayment in the third quarter of 2023. We brought net debt down to $83 million and our total net debt to EBITDA ratio stands at a low 0.221.

Our liquidity position stands at $212 million at the end of the quarter, essentially flat with respect to the previous quarter. Second is opportunistic return to shareholders. Management reinitiated its normal course issuer bid program in the quarter with the repurchase of 1 million shares for cancellation at an average price of $3.42 in the New York Stock Exchange. The normal course issuer bid has been renewed in April for an additional year for up to 5% of the issued and outstanding shares of the company.

And third, funding organic growth opportunities in our portfolio. Our priority exploration programs at Seguela, Diamba Sud, San Jose and Yaramoko continue to yield positive results. At the Seguela Mine in Cote d'Ivoire, the exploration team is planning to have new resources this year at the deposits of Badior, Kestrel, [inaudible] and Kingfisher. Of note, is a newly discovered Kingfisher deposit where drilling continues to return consistent results over the 2 kilometer strike length of the identified mineralization.

A fourth drill rig has now been mobilized to Seguela to further capitalize on these opportunities as well as examining the underground potential at deposits where we currently hold reserves in Koula and Ancien and Sunbird.

At Yaramoko and Burkina Faso, we continue to make marginal gains of high-grade mineralization at the immediate boundaries of resources on Zone 55. These gains are potentially helping to reduce the rate of depletion in the life of mine by providing opportunity to sustain 2025 at above 100,000 ounces of gold production.

At San Jose in Mexico, we continue advancing the Yessi Vein exploration with three dedicated drill rigs and planning to add a fourth one in May. Results to-date have defined potential economic mineralization within a 350 meters by 450 meters area which remains open to the southeast.

Step of drilling holes are being prioritized currently. For the second quarter, management is planning to drive a 150 meter drift to reach the core of the identified higher-grade zone. And Diamba Sud in Senegal, exploration and geotechnical drilling continues to advance according to plan along with environmental studies. Hydrologic drilling is set to begin in the second quarter.

And last, but not the least, we had a difficult start of the year on safety indicators, where total recordable lost time and lost time injury rates have been impacted by four lost time accidents in the quarter. We have now been operating for 50 days without any recordable – accidents and are doubling down on active leadership and multiple other initiatives that Cesar and David will touch on with the objective of still achieving a third year of continued improvement on key safety metrics.

I'll now ask David to provide an update on West African operations. David?

David Whittle - Chief Operating Officer, West Africa, Fortuna Silver Mines, Inc.
Thanks, Jorge and good morning, everyone. Seguela and Yaramoko had a successful first quarter with regard to production at Seguela. We unfortunately reported one LTI, whilst Yaramoko continued its good safety performance with no LTIs reported. In the first quarter, both Seguela and Yaramoko outperformed the mine plant, producing 34,556 and 27,177 ounces of gold respectively. At Seguela, production was 20% lower compared to the fourth quarter of 2023 as the average head grade for the period became more reflective of the life of mine grade.

In the quarter, Seguela had mined 421,000 tonnes of ore and an average gold grade of 2.23 grams per tonne and 2.54 million tonnes of waste for a strip ratio of 6:1. The processing plant treated 395,000 tonnes at an average gold grade of 2.79 grams per tonne. Whilst mining operations were centered on the Antenna pit, 700,000 and 18,000 tonnes of waste stripping was conducted at the Ancien and Koula pits, respectively.

Processing plant operations continued to progress beyond the nameplate capacity of 154 tonnes an hour, achieving an average throughput of 195 tonnes per hour. Gold recovery for the quarter was 94.4%, in line with design. The second lift is the Tailings Storage Facility was successfully completed in April, benefiting the operation with an additional two years of Tailings Storage at the enhanced throughput rates. Seguela's strong performance resulted in a cash cost of $459 and an ASIC of $948 per ounce of gold.

At Yaramoko, mine production in the first quarter was 124,000 tonnes at an average gold grade of 8.3 grams per tonne, with all primarily sourced from the 55 Zone underground mine. Development of stoping operations of the Bagassi South Mine improved, continuing – contributing 16,000 tonnes at an average gold grade of 6.16 grams per tonne.

At the processing plant, 108,000 tonnes of ore were treated and an average gold grade of 8.79 grams per tonne with recovery at 98.2%. The lower processing tonnes are attributed to a planned maintenance shutdown for the first two weeks of January '24. Yaramoko's steady production resulted in the cash cost of $752 and an ASIC of $1,373 per ounce of gold.

Development of the main decline, another major capital development of the 55 Zone Mine was completed during the quarter. Waste development now is limited to the striped footwall drives whilst the ore development continues to intersect wider areas and encounters better grades than planned, as well as further extending the mining boundaries to the east and the west of the ore body along strike.

Back to you, Jorge.

Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Silver Mines, Inc.
Thank you, David. Cesar, please.

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

Thank you, Jorge. Yeah. So, starting in Argentina, Lindero's gold production in the quarter was 23,262 ounces. This is a 21% decrease compared to the fourth quarter of 2023 due to the lower head grade of ore plates on the leach pad and a reduction in the gold rich carbon inventory. However, gold production remains aligned with the mine plan and mineral reserves estimates for the year.

During the quarter, 2 million tonnes of gold were mined had a stripping ratio of 0.54:1. A total of 1.55 million tonnes of ore were placed on the leach pad at an average gold grade of 0.60 grams per tonne containing an estimated 29,670 ounces. The operation experienced lower mechanical loader availability which mainly impacted the waste mining plan for the period. The mine plan has been adjusted to reflect enhanced waste mining during the next quarters and remains in alignment with the mine plan for the year.

As of April the 30th, 2024, the leach pad expansion project is approximately 44% complete with earthworks and construction of the impulsion line at 33% respectively. Procurement is 95% complete. Complementing current works, liner installation also commenced in April. The project is advancing on schedule with operations expected to begin ore placement by the end of 2024.

Lindero had a cash cost of $1,008 and an ASIC of $1,634 per ounce gold for the quarter. The costs reflect timing of sales at 1,700 ounces of gold remained in inventory at the end of the period. In addition to timing of sales, the operation experienced higher costs for rental equipment and intensive CapEx execution related to the leach pad expansion project. On a general note, in-country macroeconomic conditions have improved from what we saw in 2023 and have allowed Lindero to operate more efficiently as a result.

In Mexico at San Jose, unfortunately, we reported 2 LTIs during the quarter. Both incidents were related to employees working at heights. We continue to proactively reinforce our leadership initiatives to improve safety performance throughout all of our operations. San Jose produced 759,111 ounces of silver at an average head rate of 147 grams per tonne and 4,533 ounces of gold at an average head rate of 0.90 grams per tonne of gold.

The processing plant milled 181,103 tonnes of ore had an average throughput of 2,182 tonnes per day in line with the plant for the period. The mine has less operational flexibility in 2024 when compared to 2023 due to the reduced and more dispersed mineral reserves in the Trinidad deposit. Production stopes in the upper levels contained lower head grades and a higher presence of ferrous oxides which impacted recoveries by approximately 2% in the quarter.

San Jose had a cash cost of $21.98 and an ASIC of $24.24 per silver equivalent ounce for the quarter. The increase is explained by the lower head grades, lower production, and a 50% of our costs are peso-denominated, also a stronger Mexican peso impacted.

The company continues preparation to execute a multiyear progressive mine closure and monetary plan, whilst conducting regular assessments on tradeoffs between maintaining operations and a care and maintenance option. As Jorge mentioned before, exploration work continues to advance in the Yessi Vein.

In Peru, the Caylloma Mine produced 315,460 ounces of silver at an average head grade of 87 grams per tonne. Zinc and lead production was 12.2 and 9.5 million pounds, respectively. Metal production is in line with the mineral reserves estimates and production for the period. Underground development for the quarter was mainly focused on the lower levels of the Animas Vein. Cash cost per silver equivalent for a quarter was $11.61, driven primarily by lower treatment and refining charges. The all-in sustaining cash cost per ounce payable silver equivalent was $17.18.

Back to you, Jorge.

Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Silver Mines, Inc.
Cesar, Luis will now provide a review of the financial results.

Luis Dario Ganoza - Chief Financial Officer, Fortuna Silver Mines, Inc.
Thank you. So we have recorded net attributable income to Fortuna shareholders for the period of $26.5 million or $0.09 per share compared to $10.9 million and $0.04 per share in Q1 of 2023. Main driver for this 143% increase in net income was our contribution from the Seguela Mine which had its first full quarter of operations in Q3 of 2023. Seguela, as has been stressed, contributes low cost ounces which help lower consolidated cost per gold equivalent ounce sold from $916 in the prior period to $879 in Q1 of 2024.

A few comments on the income statement. Depreciation in the quarter was $50 million, which includes close to $16 million in depletion of the purchase price related to the acquisition of Roxgold in 2021. On general and administration expenses, we recorded $18.2 million and as shown in the breakdown, we provide this line item in our MD&A and this was comprised of $7.5 million of in-country G&A at our mining operations, $8.4 million of corporate G&A and $2.2 million of share based compensation. Our total general and administration expenses were $3.3 million above the comparative period due to the added G&A from the Seguela Mine and higher corporate G&A related to timing of expenses.

On foreign exchange, we recorded a loss of $4.1 million, which is primarily related to cash balances held in West Africa in the context of a 2.2% devaluation of the euro versus the US dollar, and costs of foreign exchange trades associated to repatriations of funds from West Africa.

On interest and finance costs, we recorded $6.2 million in the quarter, of which, $4.8 million is interest expense, the balance being accretion of right of use liabilities and asset retirement obligations. The increase of $3.6 million over 2023 is explained by $2.8 million of interest capitalized in Q1 of the prior year as part of the Seguela construction and higher accretion charges related to Seguela in the current quarter.

Moving onto a cash flow statement. Our net cash provided by operating activities was $48.9 million after $35.3 million of negative changes in working capital. A significant portion of this was related to timing of accounts payable. I do want to note, we have been experiencing challenges in the collection of VAT at our operations in Burkina Faso and anticipate this might continue to be a challenge moving forward.

In the investing section of the cash flow statement, we recorded $41.3 million under additions to property, plants and equipment, which includes $4.2 million spent at the Diamba Sud project in Senegal. Over the next two quarters, we expect higher capital expenditure levels, mostly due to the progression of the leach pad expansion at Lindero. As a reminder, sorry, 2024 is a heavy CapEx year at Lindero with a total budget, including capitalized stripping of $64 million, comprising around 50% of our consolidated capital expenditure budget for 2024, excluding exploration activities.

And moving onto the balance sheet, as Jorge has mentioned, we have been paying down debt aggressively with $40 million paid in the quarter and $123 million paid since the first full quarter of production at Seguela in Q3 of 2023.

Thank you, and back to you, Jorge.

Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Silver Mines, Inc.
Operator, we can open the floor for questions.

Operator
Thank you, sir. At this time, we will be conducting our question-and-answer session. [Operator Instructions] Thank you. Our first question is coming from Adrian Day with Adrian Day Asset Management. Your line is live.

Q: Yeah. Good afternoon, everybody. I want you to ask about San Jose, the closure. You're scheduled to close at the end of the year, but obviously you're spending money and having success at Yessi. What will it require, what is required for you to extend mining operations there? And when will a decision be made?

Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Silver Mines, Inc.
Adrian, we will have a better idea of how the situation at San Jose will evolve. There are potentially different scenarios we are looking at right now. So, one is, of course, based on the exploration success, we can continue mining. It's not just exploration success, but also resources that could not get converted in late 2023, benefiting from higher prices as we reassess our mine plans, right.

So, there is one scenario where we just continue mining. There is a second scenario where we decide to place the mine on care and maintenance, while we continue with exploration at Yessi. And the last one is, we exhaust reserves in 2023 and make the decision to just go into – sorry in 2024 and roll into a progressive closure plan, right.

The San Jose mine has a small footprint. We are currently updating our mine closure plans. And, but we really will have a better idea of which of these three avenues or three options we have will take. And we need a bit more time. We are – we always have to be hopeful in this business and we remain hopeful that Yessi will provide opportunities, but that still needs to be proven.

Yessi has been an exciting discovery at the San Jose Mine, but it needs to graduate from an exciting discovery to an exciting resource reserve we can plug into mine plants and we're not there yet. That's why we continue drilling aggressively. And as discussed in the call, management is planning to extend a drift to the core of a high grade area to get closer to mineralization and a better handle on mineralization as well.

Q: Okay, thank you. Thank you, that's helpful.

Operator

Thank you. Our next question is coming from Don DeMarco with National Bank Financial. Your line is live.

Q: Thank you, operator. Good morning, Jorge and team. Maybe just continuing on the last caller's question, Jorge, I saw that there was a response filed in Appeals Court in February with the decision expected in 12 months. Could you add more color to this and could this factor into any decision to extend the mine like San Jose?

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

With respect to the Court ruling, as you know, we had a favorable Court ruling on first instance on the Administrative Court in Mexico that was appealed. We expect the appeal to be resolved by year end, late 2024. We feel even more stronger or stronger on our legal position based on the ruling that basically discarded all the nonsensical arguments that were presented in front of us.

And we are right now, not positive that we'll get this appeal will not progress. And that is the last recourse the SEMARNAT has against our permit right now. We are also cognizant that there is a government change coming in June, there are elections, and we are in dialogue with the two leading candidates and are hopeful that the investment climate in Mexico for mining will improve as an outcome of this coming election.

Q: Okay, fair enough. And face value, you've got good drill results at Yessi. You got a higher gold price. So both of those, higher silver price. So both of those seem to be in your favor. If you do make a decision to go ahead, would it be kind of, oh, we'll extend it one more quarter at a time type thing? Or would you think, oh, we might extend it an entire year? I mean, what is your preliminary thoughts at this point on a potential extension?

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

You see, I'll tell you how we're viewing this. As I said previously, Yessi has been an exciting discovery because it has very high grades over substantial width for mechanized mining. But we still need to learn and define the type of volumes and tonnages that we have available there.

Today, we have defined mineralization over a panel area that stretches for 350 meters by 450 meters. This is a mine that can take as much as a million tonnes of ore a year. And at Yessi doing napkin, the work in the napkin, you currently probably are getting closer to 0.5 a million, right.

So that's why it's relevant to step out. It's taken us a while to understand Yessi, because it has a strike that's different to what we are used to at the San Jose Mine. The strike of this vein is odd with respect to what we've been mining here for over a decade. So it took us a while to figure that one out, and now we're drilling for volume. And that's why I say that it's going to be probably into the third quarter when we have a better handle on how big this is and how meaningful it can be to mine plants.

Again, one thing is an exciting discovery and another one is a resource that you conclude meaningfully into a mine. But right now, we do not have something that can go meaningfully into a mine plan. We're working for that.

Q: Okay, sounds good. So we'll look forward to that update maybe in Q3. Across the rest of your portfolio we see in Cote d'Ivoire there's been some shortage of electricity due to the national grid out of your control. But is this, you're looking at different options to work around this. Does this pose any risk to guidance or Q2 or Q3?

Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Silver Mines, Inc.
On the information we have at this time, our guidance is intact, right. So, we are benefiting from having a mill that can do up to 25% higher throughput than what we budgeted for 2024. We're benefiting from the fact that, as David stated, the West African region in the first quarter has produced almost 7,000 ounces ahead of budget.

And the problem that is, the portion of the problem that is out of our control appears to be improving. One of the power generators that came out of line is back online. This was a freak situation where two unrelated power plants came out of line. Power generators came out of line at the same time. So, we are seeing one already back in line and the other one is expected to be back in July. So, we, right now do not see any impact to our second quarter production. But it's a situation that we monitor closely.

Q: Okay. And what was behind this electricity shortage, these two incidents that you speak of at the private power generation plants? And is there any read through here about the stability of power in Cote d'Ivoire once these are fixed?

Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Silver Mines, Inc.
We did a thorough assessment of the power availability stability of the grid when making the construction decision for Seguela. And the assessment was that there was ample power generation capacity and the grid was stable. And then this accident happens, right. So, we are sourcing a longer-term solution for us, which is full backup for the entire operation.

We expect we can have that, those power generators, diesel generators on site by July. So, even if this problem drags on with the national grid, we should be autonomous by July. So that's why we say that and that we can control. So, we're bringing the problem into our hands rather than relying on something that's out of our controller.

Q: Okay, thanks for all that. Congratulations, and again, strong start to the year. And good luck with Q2. It's all for me.

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

Thank you, Don. Thank you.

Operator
Thank you. Our next question is coming from Eric Winmill with Scotiabank. Your line is live.

Q: Great, thank you. Hi, Jorge and team, appreciate you taking my question. On Argentina, we're seeing some positive headlines there after the election. Any comments about what you're seeing on the ground? And does this change your view in terms of deploying more CapEx within Argentina? Thanks.

Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Silver Mines, Inc.
I think that as Cesar pointed out, we're seeing positive signs all across. But I think there are two important things that we look at here, Eric that I think the positive signs we're seeing are building up to one liberating exchange controls, FX controls. I think what we're seeing is a lot of positive steps from these governments towards that.

And the second one that relates to this is country risk, right. Having lenders looking at Argentina as a place where they will take collateral, right, they'll lend money to Argentina and Argentina capital projects. So we're seeing a lot of positive messages followed by positive actions. Country risk has come down from 2,400 points to around 1,200, to give you a sense, the average for Latin American country risk is around 400, right.

So there's still a long way to go in terms of country risk perception. But it's trending in the right direction. We are hearing the right messages from government, followed by the right actions. But with respect to our view on investment, on new large capital projects, Greenfields projects. I think we're still on a watch-and-see mode.

Q: All right, thank you. Appreciate that. That's helpful. Maybe just one more for me. On the financial side, obviously you did see some working capital payments in the quarter. Any sort of view here in terms of an optimal level, should we expect additional working capital payments throughout the balance of this year?

Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Silver Mines, Inc.
Capital payments, you mean, debt?

Q: Yeah.

Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Silver Mines, Inc.
Yes, I mean we intend to continue using our liquidity over the next few quarters to pay down bank debt. The pace at which we do it will be a function of what we decide to do with the convertibles which is due around October of this year. And any other competing uses of cash. But overall, the pace we've seen so far is what we expect to maintain over the next few quarters.

Q: Okay, great. That's helpful. Appreciate that. I'll hop back in the queue. Cheers.

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

Thank you.

Operator
Thank you. [Operator Instructions] We have a question on the line from Tony Christ with Odyssey Investments. Your line is live.

Q: Thank you. Thank you for taking my question. I want to congratulate you, first of all, your team, for a great quarter. And we're looking forward to the future. I wanted to know any color you could give, additional comments on your African mine? And what your hopes are over the next year? Realistic hopes for the mine. Is it at a level now that should be consistent this year? Are there chances it could increase? Any comment, any more color you could give on it. Thank you so much. And again, congratulations.

Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Silver Mines, Inc.
Thank you, sir. With respect to our African operations, I can stress that we see short-term opportunities at Seguela. As stated during the call, we are in a position to run or mill and mine at approximately 25% above the throughput rate that we budgeted in 2024. And that is an outcome of the good work done by the site team on debottlenecking and squeezing the lemon, if you will, on the facility. And adequating the mine plans to source ore at that rate. So that is low-hanging fruit that we can capture throughout the year.

Now, a bit more longer-term, we continue enjoying exploration success at Seguela. I cannot stress that enough. As we are able to not only replace what we deplete, but expand beyond that, we can also consider opportunities for further expansions.

And at Yaramoko in Burkina Faso, the team, the mine is operating at a steady rate, but the team continues to capture opportunities on expansion of the resources. And as I said during the call, we continue to see opportunities on the fringes of the deposit on Zone 55 on the deeper portion of the mine. And as we extend our underground infrastructure or drift at the deep end of Zone 55, we continue to find its structure with grade, which leads us to think that we have an opportunity to continue ameliorating the rate of depletion at the mine and supporting the loam, right.

So those are the big ones. And, of course, Diamba Sud in Senegal, which is a big lever for medium, long-term growth in the company, we are exploring there, we have close to a 50,000 meter drill program budgeted that we are well advanced. We're advancing with engineering studies, environmental studies in parallel to the exploration. And if successful with the program this year, we believe we are in a position to deliver a PEA also by year end, an updated Preliminary Economic Assessment on the project by year end.

Q: Very good. Thank you. Continue the good work. Thank you.

Jorge Alberto Ganoza - President and Chief Executive Officer, Fortuna Silver Mines, Inc.
Thank you, sir.

Operator

Thank you. As we have no further questions in queue at this time, I would like to hand it back to Mr. Carlos Baca for closing remarks.

Carlos Baca - Vice President, Investor Relations, Fortuna Silver Mines, Inc.
Thank you, Ali. If there are no further questions, I would like to thank everyone for listening to today's earnings call. Have a great day.

Operator
Thank you. This concludes today's conference call and you may disconnect your lines at this time. We thank you for your participation.