Transcript of
Fortuna Silver Mines, Inc.
Q2 2023 Financial and Operational Results Call
August 10, 2023

Participants

Carlos Baca - Vice President, Director of Investor Relations, Fortuna Silver Mines, Inc.
Jorge Ganoza - President, CEO and Director, Fortuna Silver Mines, Inc.
Luis Ganoza - Chief Financial Officer, Fortuna Silver Mines, Inc.
Cesar Velasco - Chief Operating Officer - Latin America, Fortuna Silver Mines, Inc.
David Whittle - Chief Operating Officer - West Africa, Fortuna Silver Mines, Inc.
Julien Baudrand - Senior Vice President, Sustainability, Fortuna Silver Mines, Inc.

Analysts

Eric Winmill - Bank of Nova Scotia
Don DeMarco - National Bank Financial

Presentation

Operator

Greetings and welcome to the Fortuna Silver's Second Quarter 2023 Financial and Operational Results Call. At this time, all participants are in 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'll now turn the conference over to your host Mr. Carlos Baca, Vice President of Investor Relations. Sir, the floor is yours.

Carlos Baca - Vice President, Director of Investor Relations, Fortuna Silver Mines, Inc.

Thank you, Ali [ph]. Good morning ladies and gentlemen. I would like to welcome you to Fortuna Silver Mines second quarter 2023 financial and operational results conference call. Hosting the call today on behalf of Fortuna will be Jorge Alberto Ganoza, President and Chief Executive Officer; Luis Dario Ganoza, Chief Financial Officer; Cesar Velasco, Chief Operating Officer, Latin America; David Whittle, Chief Operating Officer, West Africa; and Julien Baudrand, Senior Vice President of Sustainability.

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

Before I turn over the call to Jorge, I would like to indicate that this earnings call contains forward-looking information that is based on the company's current expectations, estimates, and beliefs and is subject to a number of risks, uncertainties, and other factors that could cause actual results to differ materially from a conclusion, forecast, or projection made in the forward-looking information. A description of these risks, uncertainties, and other factors is set out in the company's annual information form for the financial year ended December 31, 2022. The annual MD&A for the financial year ended December 31, 2022 and our interim MD&A for the second quarter of 2023, which is -- which are all publicly available on SEDAR+ website.

Certain material factors or assumptions were applied by the company in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information made in this call. These material factors or assumptions are also described in the company's annual information form for the financial year ended December 31, 2022. The annual MD&A for the financial year ended December 31, 2022 and the interim MD&A for the second quarter of 2023. The company assumes no obligation to update such forward-looking information in the future except as required by law.

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

Jorge Ganoza - President, CEO and Director, Fortuna Silver Mines, Inc.

Thank you, Carlos. The highlights of the quarter is our first gold pour at the newly use Séguéla Mine for sure. This took place on May 24th as we released. Séguéla was delivered on budget and slightly ahead of schedule. Séguéla is a flagship asset for the company having high margin gold ounces for over a decade of mining to our portfolio.

David Whittle, our Chief Operating Officer for West Africa here with us and he will share with you our progress on the ramp-up activities later in this call. But I can advance that beyond the normal start-up hiccups here and there, things are advancing according to plan. And after a little over two years since the Roxgold acquisition and subsequent capital deployment towards the delivery of Séguéla, we are ready to start harvesting the cash flows and benefits of the transaction.

Our strategic expansion of the business into West Africa is going to start paying off. We now have two operating mines in the region. And starting in Q3, West Africa becomes our largest contributor to free cash flow. And our recent agreement to acquire Chesser Resources and the advanced exploration stage the Diamba Sud project in Senegal, which is set to close in September, adds to our exciting regional exploration and growth pipeline.

During the quarter, we had to contend with a couple of events that weighted on the operational and financial results of the company for the period, which were pre-released and discussed in our Q1 MD&A as subsequent events. At the San Jose Mine, in Mexico demands by the workers' union for higher profit sharing beyond what is mandated by law and/or standing collective agreements with the union, led to a 15-day legal blockade generating corresponding loss of production expenses and standby charges.

Across Mexico, there have been generalized worker union demands for higher profit sharing, which have affected several mines. The more notable one product in Newmont's Peñasquito which unfortunately, has been on standby for two months now trying to resolve the issue.

At our Yaramoko Mine, in Burkina Faso, we had to repair the Armtec tunnel at the entrance portal of the mine, closing access to the mine entrants for 27 days. Although, this event at Yaramoko, did not impact production, which is tracking on the upper end of guidance for the year, it did generate standby charges of approximately $1.5 million.

And at the Lindero Mine in Argentina, our tip operations reached a peak in the movement of waste material during the quarter, reaching a stripping ratio of 2.7:1 which we expect to revert back to 1.1:1 for Q3 and 0.7:1 for Q4. Also bear in mind, that over the next 18 months, we will be carrying out the first and final planned expansion of the leach pad at the Lindero Mine. This is a $34 million project and the single largest in our sustainability CapEx portfolio.

At Séguéla, we produced 4,023 gold ounces in the quarter, but those ounces were sold in July. So our Q3 sales will benefit from that bump in when we report Q3 results. Taking into account the issues described before, our business managed to generate $9.5 million of free cash flow from operations, $44 million in net cash flow from operating activities, $44 million in adjusted EBITDA and a net operating income of $3.5 million or $0.01 per share.

Our consolidated all-in sustaining cost is expected to have peaked in Q2 at $1,799 and to come down during Q3 and Q4 as the operational issues at San Jose and Yaramoko were successfully resolved in the second quarter. Waste stripping at Lindero comes down in the second half of the year, as I previously mentioned. And more importantly, we start benefiting from the Séguéla Mine sales in the third quarter. Luis, our CFO will expand on this.

There is a general theme of margin compression over the last years across the mining industry, and we of course have not been immune to this. And again, that is why assets like Séguéla are pivotal to our portfolio. We expect Séguéla to operate at an all-in sustaining cost in the vicinity of $1,000 per ounce moving for.

On the exploration side of the business, we continue to report positive results from -- coming from Séguéla infill drilling at under, and new prospects like Barana where we reported earlier this week, a drill hole intersect of 90 grams of gold over a true width of 1.8 meters. Also, on a positive note, our exploration at the Yaramoko Mine, continues expanding mineralization and the producing Zone 55 ore body, to a point where we're planning for an interim reserve update before the end of the year. David Whittle, will also be expanding on this as well.

In June, we had a fatal accident at the Caylloma Mine, involved in one of our mine contractors conducting activities related to work at height. This strategic accident comes as a blow at a time when the Caylloma Mine has been operating without any lost time injuries for 23 consecutive months, and has robust management systems and practices in place.

All identified improvement measures coming from the investigation and analysis of the accident has been implemented on the mine site, and a corporate action plan is in place to expand learnings across the organization. So something like this, does not ever repeat again.

Subsequent to the quarter end, we published our 2022 sustainability report, communicating adequately on the topical issues of environmental and social governance with our stakeholders and meeting expectations sensitively is something we take very seriously.

To this end, we carry out a thorough materiality assessment by identifying each of the many expectations based on the sector are reasonable to us and our moment. Julien Baudrand, our Senior Vice President, Exploration is here with us, and can expand on the highlights of the report.

Julien, do you want to touch on the report, please.

Julien Baudrand - Senior Vice President, Sustainability, Fortuna Silver Mines, Inc.

Yes. Thank you, Jorge. So all this report, this fifth report, sustainability report for the company. It includes an updated format to with the access to ESG data such as SASB, TCFD and GRI being or main escorting framework. We also present this year stand-alone mini sustainability reports for each of our operation. So you will be able to find our key performance per site. The report present also a strong ESG governance system with a dedicated sustainability report, sustainability committee and also short-term and incentives-based on ESG performance.

The report give also the detail of our 2022 performance on all the material ESG factors such as safety environment, biodiversity, water, waste management and human capital. We will -- you will find also commitments of the company to implement industry standard to manage sustainably related risk and opportunities, mainly climate change -- our climate change position statement based on TCFD with the objective to disclose a 2030 GHG reduction targets in the coming six months. We will have also some news on this climate change matter.

Other big commitments this year or last year was GIST and Tailings Management where we target a full compliance by 2027. This standard will warranty to minimize risk from Tailings Management and ensure the long-term value of the company.

Finally, the report presents the contribution to our house countries and local communities, financial contribution but also you will see other information about how we impact positively on the life of our people. So we have for you to explore these other key aspects of our business. The sustainability report is definitely a good way to affect our long-term growth strategy and also how mining can add building a better world.

Thank you. Back to you Jorge.

Jorge Ganoza - President, CEO and Director, Fortuna Silver Mines, Inc.

Thank you, Julien. Now, we have Chief Operating Officers take us through a review of the highlights for the region. So we can start with West Africa, David you want to go ahead.

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

Thanks, Jorge. Operations in West Africa continued their solid performance during the second quarter of 2023, the highlight being the completion of construction and the pouring of first gold at the Séguéla mine on May 24 with 4,023 ounces of gold being produced in the quarter, which we shipped in July.

As we commenced processing operations, we encountered some initial commissioning issues and altered mining plans to provide a more competent fee material to the processing plant. Initial processing plant fee for commissioning was predominantly oxide ore from the up at 10 meters of mining at the Antenna pit. This section of the Antenna pit appeared to have been heavily depleted due to artisanal mining activities. They're, therefore, not providing the initially expected grade.

The nature of this oxide also caused issues within the first stages of processing [indiscernible] leading to reduced throughputs. These issues have been addressed. Mill feed is now a combination of fresh, transitional and oxide ore and nameplate capacity of 154 tonnes per hour is currently being met or exceeded. Whilst the above early issues mean that we now expect production from Séguéla will be at the lower end of the guidance range. Current mill feed puts are exceeding maybe capacity and our long-term view of Séguéla's potential remains unchanged.

The initial grade control drilling at Antenna showed a 15% increase in contained ounces compared to the geological model driven by a 2% increase in tonnes and 13% increase in grade when discounting the upper 10 meters of oxide ore. Initial grade control drilling is now completed Ancien pit with Stage 2 Antenna pit grade control drilling underway.

In the second quarter, Séguéla Mine 383,100 tonnes of ore at an average grade of 2.35 grams per tonne and 877,143 tonnes of waste for a strip ratio of 2.3. Ore process was 19,605 tonnes, up 1.56 grams per tonne with 4,023 ounces being pour.

On July 18, the transformer feeding the SAG mill variable speed drive sales and the repair with overview of the original equipment manufacturer was successfully undertaken. Unfortunately, eight days of production from the processing plant were last with normal operations recommencing on July 26.

In other activities, infill drilling at the Sunbird pit was completed in the beginning of the second quarter, which will allow the conversion of inferred material to research status and allow the Sunbird pit to be brought into the life of mine plans. As operations progress, the focus will turn to debottlenecking the current process plan, increasing throughput, and examining expansion options as the mine plan develops.

At the Yaramoko Mine, strong production performance enabled the operation to pour 29,002 ounces of gold. Mine tonnes at Yaramoko was 64,779 tonnes at 6.35 grams per tonne. The reduced mine output was due to the 27-day stoppage caused by the loss of access to the main 55 Zone mine due to the anti-funnel failure of the portal. Normal operations were resumed in early May and the mine has been operating as planned with no further interruptions.

During the mine's stoppage processing operations were able to continue with the processing of surf stockpiles. As such, 144,202 tonnes of ore were processed at an average grade of 6.51 grams per tonne. Mining development continued to encounter higher grades than planned as well as they extend the mining boundaries to the western side of the ore body.

Diamond drilling is currently focusing on the lower eastern side of the 55 Zone ore body but we'll switch back to the Western side in the third quarter. A second diamond drilled to further explore the western boundaries of the 55 Zone is expected to be mobilized also in the third quarter.

Due to the increased grades encountered and the increase in mineable tones, it's now expected that Yaramoko will exceed the upper end of current guidance. Gold production for the first half year was 55,439 ounces. AISC for the second quarter was $1,626 an ounce, and $1,564 an ounce for the first half of 2023. both at the lower end of guidance range.

Safety and health of our employees is a key focus at our operations. Unfortunately, at Séguéla we incurred an LTI in April due to a processing plant employee incurring chemical learns. At the Yaramoko safety performance, which remains strong, with no injuries occurring at the mine in the second quarter.

Thank you and back to you Jorge.

Jorge Ganoza - President, CEO and Director, Fortuna Silver Mines, Inc.

Thank you, David. We can move on to LatAm, Cesar.

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

Thank you, Jorge, and good morning to everyone. In the second quarter of 2023, consolidated silver and gold production at our Latin American operations, plus 1.26 million ounces and 31,323 ounces respectively, representing a decrease of 23.6% and 16.7% when compared to the comparable period in 2022. This decrease in production was mainly driven by the 15-day illegal blockade at the San Jose Mine as referenced to by Jorge, which concluded on May 11 and also lower head grades at the Lindero Mine.

So in Argentina at the Lindero Mine, mine production for the second quarter was 0.8 million tons of mineralized material with a stripping ratio of 2.69:1, which is aligned with the operations plan for the year of 1.17:1.

Gold production in the quarter was 25,456 ounces. This is 12% lower when compared to the second quarter of 2022. But as mentioned, this decrease is explained by lower head grades of mineralized material plate on the leach pad as be fully aligned with the mineral reserves and mining sequence for the period.

Gold production for the first six months of 2023 totaled 50,714 ounces well in line to meet annual guidance. AISC is expected to be at the high end of annual guidance range, mainly due to higher sustaining CapEx driven by the leach pad expansion, high capitalized stripping cost, higher inflationary pressures from key consumables and services, and the lag on the depreciation of the Argentine peso.

The mine continues capturing savings and focus remains on cost control and value generation by concentrating on constantly pursuit efficiencies and delivering strategic capital projects on time and on budget.

I am also pleased to report that the contract for the construction and operation of the solar plant at Lindero has been awarded. The solar plant will supply about 40% of the total annual energy requirement of 15 megawatt speed, generating fuel savings and contributing to the reduction of the operations carbon footprint by approximately 4,252 tons per year of CO2. So that's good news. This was an important step and engineering and permitting works have commenced. The solar plant is expected to begin generating power by the fourth quarter of 2022. So everything is on track.

Moving to Mexico. The San Jose Mine produced 0.96 million ounces of silver at an average head grade of 168 grams per ton and 5,778 ounces of gold at an average head grade of 1.02 grams per ton, reflecting a 31% and 30% decrease in production respectively when compared to the second quarter of 2022. The decrease in production is explained by the 15-day full shutdown of operations, due to the legal blockade by the Workers Union, which impacted planned production for the quarter by 47,200 tons. This also had an impact on the mines preparation plan, delaying access to higher grade stopes, scheduled for a period as well as high absenteeism during the quarter. The operation has adjusted the mining plan and higher grade stocks are expected to be mined in the upcoming months.

Management has implemented a revised mining and processing plant to recover the lost production in the quarter. At this stage though, it is anticipated that silver production will achieve the lower end of annual guidance range, while gold production will come below. The effect on costs derived from the agreements reached with the union, as well as the blockade impact on production has been significant and are being partially offset by reducing non-essential expenditures and capturing further efficiency, initiatives for the remaining of the year.

Additionally, costs have also been affected by a stronger Mexican peso, which has appreciated approximately 20% year-to-date, coupled with higher inflation on supplies and services. It is anticipated that AISC for the year will be slightly above guidance, mainly due to the impact of the blockade and the standby charges derived from it.

Moving down to Peru. In the second quarter of 2023, the Caylloma Mine produced 305,296 ounces of silver at an average head rate of 84 grams per ton, a 14% increase in the comparable period in 2022. Production has benefited from higher head grade stopes at the lower levels of the

Animas Vein. Silver production for the first six months totaled 0.59 million ounces, on track to achieve the upper end of annual guidance range.

Zinc and lead production was 14 million and 10.2 million pounds at an average head grade of 5.18% and 3.72% respectively. That's a 29% and 34% increase when compared to the second quarter of 2022. As mentioned before, the increase in production is the result of higher head grade sourced from the lower levels at the Animas Vein, zinc and lead production for the first six months totaled 27.1 million pounds and 19.7 million pounds respectively. AISC is tracking well to meet annual guidance range as the operation continues to deliver strong production at a lower cost. Back to you, Jorge.

Jorge Ganoza - President, CEO and Director, Fortuna Silver Mines, Inc.

Thank you, Cesar. Luis, please go ahead.

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

Yes. Thank you. So sales were $158.4 million in the quarter. That's a decrease of $9.5 million compared to the prior year. The decrease was driven mainly by the lower metals sold at San Jose as explained due to the legal blockade reported in the month of April. Silver and gold metals sold at San Jose were 31% and 30% below the prior year. As a result, both of a 15-day stoppage and as Cesar explained, the lower average production rates over effective days of production.

Silver and gold prices were up 7% and 6% compared to Q2 of 2022, but this positive effect was offset by a sharp drop in zinc prices of 31%. Our operating income was down $5.4 million, primarily as a result of lower sales and the $7.1 million of nonrecurring expenses, that we've mentioned consisting of $3.5 million of standby charges, $2.8 million related to a new agreement with the Workers Union at San Jose and a $1 million fine at Yaramoko.

Consolidated cash cost of sales per gold equivalent ounce was approximately $970. This is $80 above the prior year. The increase was a result of higher cost per ounce sold at San Jose related to lower productivity rates and lower head grades as a result of a ramp-up process after the stoppage and higher cost per ounce at Lindero related to lower volume produced and higher input costs. This was partially offset by lower costs per ounce sold at Yaramoko.

Our lower income tax in the quarter compared to Q2 of 2022, reflects lower income before income taxes and a tax credit in the quarter at our Mexican operations. In addition, the prior year effective tax rate was impacted by timing of withholding taxes. After the aforementioned impacts and onetime charges, we recorded net income of $3.4 million or $0.01 per share.

With respect to our all-in sustaining costs, we have disclosed $1,799 per gold equivalent ounce sold, which represents an increase of $366 year-over-year. The increase is explained by the effect of the stoppage at San Jose as described before and higher AISC at Lindero driven primarily by higher sustaining CapEx associated to Phase 2 of the leach pad expansion and a peak in the planned stripping ratio for the year, as well as higher cost per ounce as mentioned before.

In terms of free cash flow, net cash from operating activities in the quarter was $44.2 million compared to $47.4 million in Q2 of 2022. Changes in working capital as per the cash flow statement were positive $2.7 million. It's worth noting, this includes $4.4 million of negative changes in working capital from Séguéla consisting of inventory and payables, which we have excluded from our reported $9.5 million of free cash flow from operations. This free cash flow from operations figure is after sustaining CapEx, brownfield exploration and corporate expenses.

Cash used in investing activities as per the cash flow statement is $73.2 million. This consists of $35.6 million of sustaining CapEx including brownfields, $19.5 million in construction and preproduction activities at Séguéla, a $10 million payment associated with first gold at Séguéla, $3.4 million of capitalized interest and $4.5 million in costs related to the Chesser Resources transaction. At the end of the quarter, we still had approximately $9.4 million of construction payables outstanding.

Moving on to the balance sheet. We closed the quarter with a liquidity position of $98 million. Our revolving credit facility of $250 million was almost fully drawn at the end of the quarter and we expect to start reverting this in the second half of the year as we start paying down debt after the end of the Séguéla construction. We maintain a strong liquidity position going into the second half of the year.

Finally, our total net debt including the outstanding convertible debenture is $198 million resulting in a leverage ratio of total net debt-to-adjusted EBITDA of 0.9%. Thank you. Back to you, Jorge.

Jorge Ganoza - President, CEO and Director, Fortuna Silver Mines, Inc.

Thank you. Carlos for Q&A.

Carlos Baca - Vice President, Director of Investor Relations, Fortuna Silver Mines, Inc.

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

Operator

Thank you. At this time, we will be conducting a question-and-answer session. [Operator Instructions]. Thank you. Our first question is coming from Eric Winmill with Bank of Nova Scotia. Your line is live.

Q: Great. Thanks for taking my question. Obviously, great to see Séguéla ramping up well. I know it's still early days but just wondering if you had any additional detail in terms of what you're seeing in terms of where the grade is tracking in terms of reconciliation and tons and when you think you might get to steady state there? I mean notwithstanding, the transformer issue that would be great. Thanks.

Jorge Ganoza - President, CEO and Director, Fortuna Silver Mines, Inc.

David, you want to expand the answer?

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

Yes, initially as we touched on in the discussion earlier, our grade control drilling at the Antenna pit indicated an increase in overall ounces, predominantly grade driven as well. And in our recent reconciliation through the plant that would now imply that we are seeing those grades as expected from our mining plans actually in the mill as well. We still got to do the reconciliation of the grade control drilling at Tzaneen, which is now being completed. There will probably still be a couple of weeks away and the grade control drilling at the Stage 2 of Antenna pit is currently underway.

Jorge Ganoza - President, CEO and Director, Fortuna Silver Mines, Inc.

And to add a bit of color to that with the infill drilling at antenna, which is anchored for production this year and into the next one. The infill grid is a 10-meter drill spacing pretty much. So giving higher confidence for ore control and we expect to report our consolidation of production to reserves at the end of the third quarter with the results for the third quarter.

And for the second quarter, it was just a few initial weeks of production and getting the new balance a process that went on in the first month of the third quarter in July. And you can expect other team is dealing with the balancing weightometers, belt layers and stuff like that which is normal with any commissioning process. So we expect that by the end of Q3 we can probably provide our first reconciliation. But so far since suggest David that we're tracking along expectations.

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

Yes, after those initial issues would be predominantly oxide ore. Yes.

Q: Would be great to know. Super helpful. Thank you very much. I will hop back in the queue.

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. Guys just following along the line of questioning on the previous call on Séguéla. Jorge you mentioned you're expecting AISC in the order of about $1,000 an ounce going forward. But just wondering if you're going to be reporting AISC for Q3? And how should we model costs during this ramp-up say over the next two or three quarters?

Jorge Ganoza - President, CEO and Director, Fortuna Silver Mines, Inc.

Yes, we will be reporting all-in sustaining costs for the quarter. I mean, I think, it will be reasonable to expect that those all-in sustaining figures for the initial months of production is going to be a bit distorted. But we plan to report, we're making some adjustments or some adjustments have been made also to the original mine plan. As David described we have had to expose more fresh ore than the original plant contemplated. We had to move faster into two shifts in the pit in just one.

So those things will have some bearing on the all-in sustaining in the short-term for sure. But long-term and long-term I'm talking about at this stage the next two quarters I would expect we are tracking within our guidance expectations. Luis, perhaps you want to expand anything on that?

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

Just to provide a bit more visibility. I mean that involves a cash cost per ounce in the range of $600 to $650 on average over the next couple of quarters depending as Jorge just described on some of the variability we might see as the mine continues to the mine plans continue to adapt. And AISC yes, it's -- we stick to our guidance of around $1,000 to $1,050 per ounce for the second half of the year on average.

Q: Okay. Thank you for that. Just a second question looking at the Chesser acquisition. Clearly, this provides an opportunity in your pipeline. We're looking ahead to the close of the transaction in September. But beyond that could you give us a sense of the timing on some milestones you might expect a resource update in PEA. I don't know maybe it's too early to talk about potential first for or something. But what is the runway of catalysts and milestones that you envision for this?

Jorge Ganoza - President, CEO and Director, Fortuna Silver Mines, Inc.

Yes. For us Diamba Sud remains an exploration project. Chesser had advanced with a PEA and was trying to move beyond the PEA building on engineering towards prefeasibility study. We are analyzing, reviewing all of that work. There might be some engineering work. We want to continue pursuing. But largely for us Chesser remains an exploration part.

Diamba Sud is today a sub-million-ounce deposit and as it sits today doesn't meet our criteria for developing a mine. But we -- having said that, we have -- we are of a strong view that there is clear opportunities to take that five million ounce deposit as it sits today well beyond the million ounces.

Diamba Sud sits at the core of one of the most productive gold belt in the West African region just kilometers away from Gounkoto and Loulo and B2 Gold's Fekola mine. So we are quite excited about the exploration opportunity this presents, but it is an exploration project for us. We still have to show success with the jewelry and move Diamba Sud beyond the million ounces before we contemplate development stage project.

So it's an advanced exploration project for one we're very excited of them. We are currently developing an exploration budget. We want to be drilling Diamba Sud before the end of the year. But first things first we need to close the transaction. That will take place in September. That's our best estimate right now. But our exploration team [indiscernible] are working already on exploration budget for the second half of 2023.

Q: Okay. Thank you for that. That's helpful. And that's all for me. So good luck with the continued ramp up at Séguéla.

Jorge Ganoza - President, CEO and Director, Fortuna Silver Mines, Inc.

Thank you.

Operator

Thank you. [Operator Instructions]. Okay, we appear to have no questions on the line at this time. So I will hand it back for any closing comments.

Carlos Baca - Vice President, Director of Investor Relations, Fortuna Silver Mines, Inc.

Thank you, Eli. 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 and you may disconnect your lines at this time and we thank you for your participation.