

# Endeavour Silver Corp.

## 2021 Third Quarter Financial Results

### Conference Call Transcript

**Date:** November 9, 2021

**Time:** 10:00 AM PT / 1:00 PM ET

**Speakers:** **Galina Meleger**  
Vice President, Investor Relations

**Dan Dickson**  
Chief Financial Officer

**OPERATOR:**

Welcome to the Endeavour Silver Corp. 2021 Third Quarter Financial Results Conference Call.

As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions.

I would now like to turn the conference over to Galina Meleger, VP of IR, for opening remarks. Please go ahead.

**GALINA MELEGER:**

Thank you, Operator. Good morning, everyone, and welcome to the Endeavour Silver 2021 Third Quarter Financial Results Conference Call.

With me on the line today, we have the Company's Chief Executive Officer, Dan Dickson, our Chief Financial Officer, Christine West, and our Chief Operating Officer, Don Gray.

Before we get started, I'm required to remind you that certain statements on today's call will contain forward-looking information within the meaning of applicable securities laws. These may include statements regarding Endeavour's anticipated performance in 2021, and future years, including revenue and cost figures, silver and gold production, grades and recoveries, and the timing and expenditures required to develop new mines in mineralized zones. We do not intend to, and do not assume any obligation to, update such forward-looking information, other than as required by applicable law.

With that, and on behalf of Endeavour Silver, I'd like to thank you again for joining today's call, and I'll now turn it over to our CEO, Dan Dickson.

**DAN DICKSON:**

Thank you, Galina, and welcome everyone.

It's been a solid year so far, and Q3 was no exception. Quarter-over-quarter, we saw higher silver and gold grades, and our operating costs improved, decreasing to levels that are closer to our 2021 guidance. Year-over-year, silver production increased by nearly 40%, driven by record production at Guanacevi, and gold production also increased, up by



3%. As anticipated, during the quarter, we suspended operations at El Compas. This will result in minimal impact on our projections for the year, as it is a very small asset, representing only 5% of our consolidated annual production. Overall, we are tracking to the upper end for our full year 2021 production guidance, which we revised upwards in October. Costs, while improving, are expected to come in the upper end of their respective ranges.

Despite strong production this quarter, I want to highlight that our performance is not reflected in our financials. This is due to the fact that we continue to withhold metal sales, as precious metal prices softened significantly during the quarter. Believing at the time that prices would rebound, which they have, and with the benefit of having more than \$100 million in cash on the balance sheet, we made the decision not to sell into a falling market. As a result, at the end of September, we were carrying a larger than normal finished goods inventory.

Given the inventories held on our balance sheet at \$1 million less than the estimated fair market value, this negatively impacted our third quarter revenue, earnings and mine operating cash flow. Our plan is to sell down most, if not all, of the inventory in the coming months and finish the year on a high note.

With operations running smoothly, we are laser-focused on future growth, starting with the development of our next mine, Terronera. As our largest and lowest cost mine, the high-grade Terronera project will be a game-changer for us. We recently issued an updated feasibility study on the project, where reserves grew by 33%, we extended the mine life from 10 to 12 years, and payable silver and payable gold increased by 32% and 20%, respectively.

We also incorporated a third portal into the mine plan to improve sequencing, as well as increase long hole mining. These design changes increase the capital cost of the project; however, they will yield more operational flexibility, resulting in better operational results. While there may be price pressures on some materials, we have sourced a number of long lead items and built in a contingency. Our team is focused on keeping the project on schedule, as this is a key driver to staying on budget.

Our intent is to fund the Terronera Development Project through a combination of cash on hand, operating cash flow and debt financing. To this end, we have been working with commercial banks on an \$80 million to \$100 million debt facility, and we expect to



receive committed financing in the coming months. Once we have clarity on financing, the Board will approve construction and we can commence the 24-month buildout.

Key permits required to begin construction are in place, although some amendments and normal course extensions have been filed to reflect the current design. In the meantime, the Board approved an additional \$13 million to be spent this year on early works and the project is moving relatively quickly. During the quarter, we advanced initial earthworks, front-end engineering, procurement, site clearing, and started our temporary camp.

There have been very few silver mines developed in the last five years, and very few are being planned. So, needless to say, we are excited to get going on the construction at Terronero and get it up and running. Upon completion of construction, currently scheduled for the first half of 2024, Terronero is expected to double our production profile and cut our cost profile in half. Simply put, Terronero is a high-grade silver asset and it clearly repositions us to a low-cost, top mid-tier producer, and we don't plan to stop there.

As we've stated, our five-year strategic plan is to become premier senior silver producer. To reach this milestone, we have a solid growth pipeline, which includes Parral, which could be our next development project in Mexico, a number of world-class exploration properties in Chile, and our most recent acquisition, the Bruner Gold Project. Bruner is an advanced-stage exploration property in Nevada, with favourable geology. We paid \$10 million in cash for Bruner and, based on historical resource estimates, we see a lot of upside potential for exploration discoveries and district consolidation. Our team will focus initially on verifying the historic resource, then turn their attention to the many exploration targets on this property.

This is truly an exciting time for Endeavour Silver and we have a great team in place focused on execution. For investors, there are several catalysts to look forward to in the coming months; receipt of committed project financing for Terronero, followed by a formal construction decision, and exploration updates, to name a few.

This concludes my comments for this quarter. Let us stop there and open the lines for questions. Operator, over to you.

**OPERATOR:**

Thank you. We will now begin the question-and-answer session. We will pause for a moment as callers join the queue.

The first question is from Heiko Ihle from H.C. Wainwright. Please go ahead.

**MARCUS GIANNINI:**

Hey, guys. This is Marcus Giannini calling in for Heiko. Thanks for taking our questions.

**DAN DICKSON:**

Good morning.

**MARCUS GIANNINI:**

You recently acquired the Bruner Gold Project for \$10 million. Could you maybe provide some colour on your exploration plans at site, and if possible, maybe a mental timeline on when you plan on beginning some work?

**DAN DICKSON:**

Yes, I mean, we're excited about Bruner. It was an opportunistic acquisition for us. It was sitting in a junior company that had some financial distress and we saw an opportunity there with a nice historic resource on the property, and, actually, historic PA, as well. Our plan right now is we'll come out with guidance and our exploration plans for 2022 in maybe late December or maybe early January, likely early January.

The plans, specifically, for Bruner will come out then for 2022, but, ultimately, I envision spending about \$1 million, \$1.5 million there next year. We're building up our Geology Team. We'll do some early works. We're going to prove out the historic resource, then focus on other targets that we see, and the ability to kind of grow that historic resource once we define it. We have about a year, a year-and-a-half worth of exploration work there, and then see if we can move that along the development line. I won't get into specifics of exactly where our drill program will be next year. That will come in the new year.

**MARCUS GIANNINI:**

Okay, awesome, thanks for the clarity, and then, just changing gears



here a bit, the withheld metals reported, they're getting quite meaningful, and you've done well holding back sales in the past, but just thinking out loud, do you have an internal plan to sell them before the end of the fiscal year? Is there a minimum metal price you'd like to sell at, or is this 100% dependent on spot pricing in the market?

**DAN DICKSON:**

Yes, our plan is to sell in the coming months, and mostly through—we'll get probably a lot of that off, depending on prices here over the next two months, so before year end. It really came to a function of where our balance sheet was and how strong it is, and our ability to be flexible on that. In Q3, we saw silver drop from \$24 and it kind of closed the quarter at \$21.50. We just didn't want to sell into a falling market. We did see a rebound of pricing coming, we've been correct about that, we're obviously north of \$24 now, and we've been selling regularly through this quarter and expect to kind of ramp that up as we see prices continue to improve.

**MARCUS GIANNINI:**

Okay, great. That's it for me. Thanks for taking my questions.

**DAN DICKSON:**

Thank you for the questions.

**OPERATOR:**

The next question is from Joseph Reagor from ROTH Capital Partners. Please go ahead.

**JOSEPH REAGOR:**

Hey, guys, thanks for taking my questions.

**DAN DICKSON:**

Hey, Joseph.

**JOSEPH REAGOR:**

Hey. So, just thinking about Terronero, and I realize that you haven't made the official construction decision there, but what's the spend look like Q4, maybe into Q1, there, as you guys are doing early earthworks, or anything, to get ready for construction?

**DAN DICKSON:**

Yes. We announced that, from September to December 31, that we had a \$13 million budget to spend this year, in 2021, so that's advancing on early procurement, sourcing long lead items, the mobile fleet, for example, so we can have it on site in December/January. Going into Q1, that's to be determined. Obviously, it's on a function of the formal construction decision.

Our holding costs are basically about \$500,000 a month, so that's the team that we built. We've got about 43 people, and that will be building closer to 50 here in the fourth quarter. We do expect to have financing in place, and once we have that financing in place, it's making sure that we have all the municipal permits that we require to get going. The hold costs, being about \$500,000 a month, is kind of our baseline on a monthly basis, so call it \$1.5 million to \$2 million in Q1, but if we get that formal construction decision, that's going to move rather quickly. Of the \$175 million spend over two years, you'd be looking at spending probably 60% of that next year. But, again, all that's depending on timeline.

I don't want to get into specifics of Q1 spend or Q2 spend of 2022, until we have that formal construction decision.

**JOSEPH REAGOR:**

Okay, fair enough. Obviously, you guys were able to pick up this asset in Nevada for a good price. Do you see any other opportunities out there like that, or do you feel like you have enough? Then, on that note, how do you guys feel about Mexico at this point? There's been some other interesting sales of assets in Mexico, with some companies doubling down on Mexico and other companies deciding to quickly move away. What are your guys' views there with the current political climate?

**DAN DICKSON:**

Yes, I mean, the two questions, other opportunities, I think there are other opportunities in Nevada, and I think there's a lot of opportunities in Mexico, and now that we've got a little bit of a footprint in Nevada, we've been looking at some assets that would be earlier projects, some more greenfield projects, and stuff in the area that we are now with Bruner, and we're building up our Geology Team there and we want to give them more work beyond Bruner. So, we're looking, and there are lots of opportunities, but there still remains a lot of opportunities in Mexico.

We still feel very strongly about Mexico. We still think it's one of the best jurisdictions in the world. Obviously, over the last five years, with the current government regime, things have moved a little bit left and there's a lot more rhetoric. Canadian companies have kind of been in the news, not necessarily for the wrong reasons, just from a perception standpoint, right? I've always thought Endeavour's done a very good job in Mexico. The programs that we've put in place for the communities around us has benefited us. So, we haven't been in the news, like other companies.

For us, Terronero is obviously the future of the Company. Jalisco, and the State of Jalisco, we've got great relationships with the communities around us, and we think there's a lot of opportunity to even grow Terronero around it. So, consolidating some of that area and continue to look in Mexico is one our first priorities. We have a phenomenal competitive advantage there, based on the people that we have in Mexico, and ultimately tax rates are very competitive to the rest of the world and the rest of the Americas. They've put in a special mining duty for gold and silver mining companies and the environmental tax back in 2013, and they've kind of already hit the mining companies with those taxes and we don't expect anything more. So, we're happy with the environment we're in, we're happy with the permitting and we're happy with the work that we've done with the government, so we're happy to continue to grow in Mexico.

**JOSEPH REAGOR:**

Okay, thanks, Dan. I'll turn it over.

**DAN DICKSON:**

Thanks a lot, Joseph, for those questions.

**OPERATOR:**

This concludes the question-and-answer session. I would like to turn the conference back over to Dan Dickson, CEO of Endeavour Silver, for any closing remarks.

**DAN DICKSON:**

Thanks, Operator, and I want to thank everybody for joining the call.

Ultimately, I think we had a very good third quarter, and fourth quarter will help us finish the year strong. Again, we'll have quarter-end production come out early





January, and look for 2022 guidance to come out in January, as well. I hope everyone has a good day, and I expect positive things from the Company going forward.

**OPERATOR:**

This concludes today's conference call, you may disconnect your lines. Thank you for participating and have a pleasant day.