

Endeavour Silver Corp. First Quarter 2017 Earnings Conference Call Transcript

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Speakers: **Meghan Brown**
Director, Investor Relations

Bradford Cooke
Chief Executive Officer

Godfrey Walton
President and Chief Operating Officer

Dan Dickson
Chief Financial Officer

OPERATOR:

Thank you for standing by. This is the conference operator. Welcome to the Endeavour Silver first quarter 2017 earnings 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. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an operator by pressing star, and zero.

I would now like to turn the conference over to Meg Brown, Director of Investor Relations. Please go ahead.

MEGHAN BROWN:

Thank you operator. Good morning everyone and welcome to Endeavour Silver Q1 earnings conference call. On the call today we have the Company's CEO, Brad Cooke, as well as our President and COO, Godfrey Walton, and our CFO, Dan Dickson.

Before we get started, I'm required to remind you that certain statements on this call will contain forward-looking information within the meaning of applicable securities laws. These may include statements regarding Endeavour's anticipated performance in 2017 and future years, including revenue and cost forecasts, silver and gold production, grades and recoveries, and the timing and expenditures required to develop new mines in mineralized zones. The Company does not intend to and does not assume any obligation to update such forward-looking statements or information other than as required by applicable law.

With that, I will turn the call over to our CEO, Brad Cooke.

BRADFORD COOKE:

Great. Thanks, Meg. Welcome everybody to this Q1 conference call on our financial results. Our financial performance in the first quarter was actually sharply improved compared to the first quarter of last year, and even though revenue and cost of sales were down due to lower production, our earnings were up as a result of the higher precious metals prices, foreign exchange gains and tax recoveries.

Net earnings actually increased 230% to \$6 million on the quarter. EBITDA was up 4% to \$9

million. Cash flow from operations increased 19% to \$8.9 million, and revenues decreased 12% to \$36.4 million.

Our sales actually averaged between 2% and 5% above average spot prices for silver and gold, respectively, and our cash costs were relatively flat, up only 2% at \$7.81 per ounce of silver payable, net of the gold credit. All-in sustaining costs, however, were up 64% to \$18.24 per ounce, reflecting our willingness to reinvest our free cash flow to extend mine lives and grow resources.

Cash was relatively flat, down only 2.5% to \$70.5 million on the quarter; net working capital was flat at \$81.9 million compared to year end.

Generally, looking at the individual operations, we enjoyed strong free cash flow at Bolañitos, we had a modest profit at El Cubo, and a modest loss at Guanacevi. Guanacevi is actually the only mine underperforming its plan. It's still very much a work in progress, recovering from some operating issues that we had last year, and there's still clearly work to do to get Guanacevi back to good health. We are, however, seeing a rise in our Bolañitos tonnage and a slow rise in our El Cubo grades coming into the second quarter, so we are hopeful those two mines will outperform their plans this year.

Q1 was also a very busy time for us on our development projects. We released a Preliminary Economic Assessment for the El Compas mine, which is scheduled to become our fourth mine. We hope to receive the explosives permit by the end of the quarter, break ground, and see initial production by year end. That Preliminary Economic Assessment report should be filed and available on SEDAR by May 11. We are also very busy on our Terronera project, which we hope will become mine number five. A production decision is still to be taken there as we wait for and work on the environmental permits, a debt financing to help facilitate the construction of Terronera, and related issues and opportunities. That report, the pre-feasibility report on Terronera, should be filed on or before May 18.

Those are the highlights for the quarter. Why don't we open this up for Q&A?

OPERATOR:

Thank you. We will now begin the question and answer session. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speaker phone, please pick up your handset before pressing any keys. To withdraw your question, please press star and two. We will pause for a moment as callers join the queue.

The first question today comes from Justin Stevens with Raymond James. Please go ahead.

JUSTIN STEVENS:

Good morning, guys. Just a few questions from me. In terms of grades at Bolañitos, there are lower silver and higher gold grades than what we were anticipating. Is the Q1 grades sort of what we're going to be looking at going forward from that one?

GODFREY WALTON:

Sorry. Grades going forward, Justin? This is Godfrey.

JUSTIN STEVENS:

Yes, at Bolañitos.

GODFREY WALTON:

At Bolañitos, yes. We were a little bit slower getting into the Plateros orebody, which is why the grades were lower than we anticipated as well, but we should be back into Plateros full steam this quarter and so then you should see the grades coming up, back to what they were scheduled to be.

JUSTIN STEVENS:

Sounds good. Also, just on the cost side, we've had things pretty well dialled in I think, but are these costs per tonne sort of what we're expecting going forward here?

DAN DICKSON:

Hey Justin, this is Dan. Those costs per tonne are relatively in line with what we expect, in line with our budget for the year. I'd say Guanacevi because of the lower production had higher costs per tonne, so if we can improve the production tonnage throughout the year we should

see those costs per tonne come down.

JUSTIN STEVENS:

Sounds good. Just on the sort of M&A front or at least sort of land acquisition side, are you guys looking at all to sort of pick up or consolidate your land packages? I mean if you've got a bit of extra cash to throw around.

BRADFORD COOKE:

Hi Justin. It's Brad again. We're always active on the M&A front. From time to time we pull the trigger on acquisitions. Last year we did two, El Compas and Parral. Within the districts of the existing three mines, we're always looking to acquire properties and expand our land positions in these districts, and I think there's certainly an opportunity to do more of that this year, particularly at Guanacevi and Bolañitos, and to a lesser extent at El Cubo.

For the development projects we've also been active on expanding our footprint, so news on that later this year.

JUSTIN STEVENS:

Sounds good. That's it for me. Thanks, guys.

BRADFORD COOKE:

Thanks, Justin.

DAN DICKSON:

Thanks, Justin.

OPERATOR:

As a reminder, if you wish to ask a question please press star and one on your touch-tone phone.

There are no questions at this time. I'll turn the conference back over to Mr. Brad Cooke for any closing remarks.

BRADFORD COOKE:

Well, you guys are letting us off easy this quarter. It must have been good news.

Thank you operator, and thanks to everybody for listening in. Let's have a quick look ahead to Q2. Obviously we're still very active on the exploration front with I think currently five or six drills working and we're taking a break on some of the drills just to correlate results. It is reasonable, however, to expect some news from Parral this quarter, and perhaps another news release on Terronera. We've got some land acquisitions we think might be ready in the Zacatecas district, and as the operations continue to improve we are obviously hoping Q2 will look better than Q1.

So we're on track for another decent quarter and we look forward to chatting in early July on our operating results. Thanks all for joining us and we'll turn this back over to the operator.

OPERATOR:

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