

Transcript of  
Avino Silver & Gold Mines Ltd.  
Q3 2024 Financial Results Conference Call & Webcast  
November 13, 2024

**Participants**

Jennifer North - Head of Investor Relations, Avino Silver & Gold Mines Ltd.

David Wolfin - President, Chief Executive Officer and Director, Avino Silver & Gold Mines Ltd.

Nathan Harte - Chief Financial Officer, Avino Silver & Gold Mines Ltd.

**Analysts**

Heiko Ihle - H.C. Wainwright & Co.

Jake Sekelsky - Alliance Global Partners

Joseph Reagor - Roth Capital Partners, LLC

Matthew O'Keefe - Cantor Fitzgerald, L.P.

**Presentation**

**Operator**

Welcome to the Avino Silver & Gold Mines Third Quarter 2024 Financial Results Conference Call and Webcast. 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. [Operator Instructions]

I would now like to turn the conference over to Jennifer North, Head of Investor Relations. Please go ahead.

**Jennifer North - Head of Investor Relations, Avino Silver & Gold Mines Ltd.**

Thank you, Operator. Good morning, everyone, and welcome to the Avino Silver & Gold Mines Limited third quarter 2024 financial results conference call and webcast. To join this webcast and conference call, there is a link in our news release dated October 17, 2024, and in our news release of yesterday's date, which can be found on our website under News 2024. In addition, a link can be found on the homepage of the Avino website.

On the call today, we have the company's President and CEO, David Wolfin; our Chief Financial Officer, Nathan Harte; our Chief Operating Officer, Carlos Rodriguez, and our VP of Technical Services, Peter Latta.

Before we get started, please note that certain statements made today on this call by the management team may include forward-looking information within the meaning of applicable securities laws. Forward-looking statements are subject to known and unknown risks, uncertainties, and other factors that may cause the actual results to be materially different than those expressed by or implied by such forward-looking statements.

The company does not intend to and does not assume any obligation to update such forward-looking statements or information other than is required by applicable law. For more information, we refer you to our detailed cautionary note in the presentation related to this call or on our press release of yesterday's date.

Please note that full financial statements and MD&A are now available on our website under Investors tab and then click on financial statements, as well as the full statements are available on Avino's profile on SEDAR+ and on EDGAR. Just a reminder that this conference call is being recorded and will be available for replay later today. Replay information and the presentation slides from this conference call and webcast will be available on our website. Also, please note that all figures stated are in U.S. dollars unless otherwise noted. Thank you.

I will now hand over the call to Avino's President and CEO, David Wolfin. David?

**David Wolfin - President, Chief Executive Officer and Director, Avino Silver & Gold Mines Ltd.**

Thanks Jen. Good morning, everyone, and welcome to Avino's Q3 2024 financial results conference call and webcast. We will cover the highlights of our financial and operating performance, and then we will go over the work that we are currently performing followed by a Q&A. I will start with a discussion on operations, and then I will turn it over to Nathan Harte, Avino's CFO, to discuss the financial performance for the period, and then Jennifer North, Head of Invest Relations will present an overview of Q3 ESG initiatives.

Please turn to Slide 5 as we go through the production results. Our team delivered a strong third quarter with total equivalent production results increasing by an impressive 13% over the third quarter of last year. The full Q3 production results were released in mid-October and are as follows. Silver equivalent production was 671,000 ounces. Silver production was 282,000 ounces, a 19% increase compared to Q3 2023. Copper production was 1.8 million pounds. Gold production was just over 1,600 ounces. Mill throughput was 157,000 tonnes.

Moving on to Slide 6, we'll review our Q3 updates beginning with the Avino Mine. It was a strong quarter from an operational standpoint with higher realized metal prices from all three metals and improved unit operating costs. The company demonstrated strong cash operating margins and a reduction in cash costs on both per ounce and per tonne basis.

Next, mill availability together with higher grades and recoveries in silver and copper put us back on track for a production guidance of 2.5 to 2.8 million ounces of silver equivalent for 2024. In addition, we resolved ore crushing challenges that were experienced in June and July.

Now, moving on to La Preciosa. Continued to process La Preciosa historical stockpile material as part of the sampling program to prepare for fresh mill feed. The initial recoveries from the lower-grade material were better than expected and provide potential upside as the project moves forward. The operations teams are in the last phases of securing approvals to move ahead with underground development at La Preciosa.

As the next phase of our growth strategy, La Preciosa is an important component of our transformational growth plan. Our 5-year strategy aims to increase production targeting between 8 and 10 million ounces of silver equivalent by 2029.

At this time, I will now hand it over to Nathan Harte, Avino's CFO, to present Avino's Q3 2024 financial results. Nathan?

**Nathan Harte - Chief Financial Officer, Avino Silver & Gold Mines Ltd.**

Thank you, David. It's my pleasure to be on the call and I would like to welcome everyone who has joined us and is viewing our presentation today. Turning to Slide 7 now for a summary of the key financial highlights for the third quarter. The third quarter built off Q2 with another quarter of improved financial performance. We generated \$14.6 million in revenues and a quarterly record of \$5.7 million in gross profit.

On a cash basis, mine operating cash flows before taxes was \$6.7 million, representing a 45% margin and is our highest in recent history. We had net income of \$1.2 million, or \$0.01 per share, and adjusted earnings came in at \$0.05 million or \$0.04 per share, both improved from previous quarters. Cash flows generated by operating activities were \$4.1 million, or \$0.03 per share, and we ended the quarter with cash on hand of \$7.8 million, again, much improved from the previous quarters.

Our working capital position continues to improve with almost \$16 million at quarter end, a further improvement of \$2 million in the quarter and over \$6 million improved from the end of 2023. As highlighted in our last call, balance sheet strength will be key over the coming months as La Preciosa development gets underway.

Turning to Slide 8, I'll walk you through some of the details of our financial results, some of which I did touch on the previous slide. Again, highlighting gross profit of \$5.7 million in mine operating cash flows before taxes of \$6.7 million, we saw further improvements in all financial metrics for the third quarter when compared to Q2 and Q3 of 2023.

Our gross profit margin was 45% on a cash basis. This further exceeded our prior record of 40% margin from last quarter, taking the crown as our highest since operating the Avino mine as a full-scale underground production operation.

Other figures for Q3 not previously discussed are CapEx and free cash flow at the bottom of the table, with CapEx being flat period-over-period and we saw a meaningful positive swing in free cash flow of over \$4 million as we generated \$2.3 million in free cash flow in Q3. This is compared to \$1.9 million in cash flow used in Q3 of 2023.

Moving over to the year-to-date columns, again, we saw increases across all metrics, with revenues up 33% and gross profit up 142% compared to the first 9 months of 2023. Net income was \$3 million or \$0.02 per share, with EBITDA coming in just shy of \$9 million. Adjusted earnings paints a similar picture with improvements compared to 2023, with \$11.4 million or \$0.08 per share generated so far this year.

Cash flow from operations before working capital movements was \$9.1 million compared to \$4.1 in the first 9 months of 2023. On a per share basis, this year has generated \$0.07, with the comparable 2023 period being \$0.03 generated. After working capital adjustments, cash flow from operations generated was \$7.6 million compared to just under \$1 million in the first 9 months of 2023.

For 2024, we have been cash flow positive, with \$2.6 million generated. This is a meaningful swing from the \$6.5 million used in 2023, and is a testament to Avino's operational performance in Q2 and Q3 of this year.

Here on Slide 9, you can see our cost per ounce figures for the third quarter improved from Q2 and back to our expected trend line, even with lower ounces sold than expected. We highlighted our expectations for a reduction in costs on our Q2 earnings call, and we aren't pleased with the improvement. The reduction was primarily a result of increased mill availability and strong production grades, and was further aided by the Mexican peso showing some weakness against the U.S. dollar in Q3.

Our cash cost per ounce number for Q3 came in at \$14.94. As you can see on the chart, this was improved from last quarter and from Q3 of last year, and below the 2024 average to date. All-in sustaining cash cost per ounce came in at \$22.06, decreasing from last quarter. This was also impacted by lower ounces sold, as we do expect further reductions.

The lower ounces sold in the period were primarily a reflection of mill availability in late June up until mid-July. We rebounded in August and September, however, and our strong September production did remain in concentrate inventory at September 30. Ounces sold subsequent to September 30 have been higher than previous months, and we look forward to reviewing our fourth quarter figures.

Coming to Slide 10, you can see our cost per tonnes process for the quarter was materially improved from last quarter. We see more improvement compared to Q2 on this slide versus the cost per ounce slide, as there was no production to sales time gap. On a cash cost basis, we came in under \$50 per tonne, a decrease of 27% from last quarter, which demonstrates the operational strength of our team.

Running an underground mine at these cost levels is a tremendous achievement. This quarter's operational results brought our average for the year down to \$55.68 and is more in line with our lofty expectations of the Avino Mine.

All-in sustaining cash cost per tonne process tells a similar story for the quarter at \$72.15, below recent quarters and in line with Q1 2024. The average for the year so far is \$78.46 and this is where we expect to be branding out the year.

With the Mexican peso weakening since the election, the pressure on our cost structure has eased. We are taking measures to protect our cost structure for the rest of the year and into 2025, especially with the recent strength of the U.S. dollar. With metal prices remaining elevated and

the anticipation of La Preciosa, we are looking forward as our focus shifts to the growth side throughout the rest of 2024 and into 2025.

At this point, I will now turn it over to Jennifer North, Head of investor relations, for an overview of our Q3 ESG and CSR initiatives.

**Jennifer North - Head of Investor Relations, Avino Silver & Gold Mines Ltd.**

Thank you, Nathan. Moving on to Slide 11, we have listed the ESG CSR initiatives that were completed in the third quarter of 2024. Avino follows the ESG Standards and the United Nations Sustainable Development Goals, or the SDG, that were together to address the most pressing challenges facing the world. Third quarter activities were focused on SDG #4 quality education, SDG #6 environment, clean water and sanitation, and SDG #9 industry, innovation and infrastructure to build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

In the communities, the following support was provided. In San José de Avino bridge work to prevent overflows during rainy season, road maintenance, installation of a new bell in the Avino Church, landfill maintenance and delivery of school supplies. In Ignacio Zaragoza, there was water irrigation work done for a special celebration, landfill rehabilitation and a social perception study focused on how to motivate future generations in the communities. In Pánuco de Coronado, we are looking to assist the community in coordinating better health systems.

For all the communities, we are looking into various community programs that Avino can help collaborate between company, seed capital and state government, food, health, construction and education. Currently, we have 471 direct jobs. This number of jobs will typically translate to 3 times the number of indirect jobs for services, consultants and suppliers in the surrounding communities and the Durango area.

I will now turn it back over to David to continue on with the presentation, providing our plans for the coming quarter. David?

**David Wolfin - President, Chief Executive Officer and Director, Avino Silver & Gold Mines Ltd.**

Thanks, Jen. Moving to Slide 12. We are thrilled to see the metal prices continue to rally in the third quarter and continue to remain strong. Our solid production results position us favorably as we prepare to achieve our transformational growth objectives through the advancement of La Preciosa.

I would like to thank our operations teams for doing a tremendous job in Q3 by keeping costs down, while increasing production. We have seen higher-grade material continue well through October and for the first part of November. We continue to prioritize our plans for La Gloria and Abundancia veins at La Preciosa. In addition, we are currently mining at Level 14 at Elena Tolosa, and we expect to move up to Level 12.5 later in the quarter, where we expect higher silver grades.

As outlined in Slide 13, we want to re-emphasize the company's growth plans. We have three assets within a 20-kilometer footprint, totaling hundreds of millions of silver equivalent mineral resources. In the same area, we have an operating mill complex, which is currently producing from the Avino Mine. Additionally, access to water, power, tailing storage, all the ingredients to grow organically without the major capital investments required that would expect if we were starting from scratch.

As you can see on this slide, our goal is to scale up by 2029 through production from these three assets. By capitalizing on our existing assets and resources, we can execute our growth plans efficiently and effectively. This approach not only mitigates risk associated with new project development, but also positions us for the long-term success and value creation.

We'd now like to move the call to the question-and-answer portion. Operator?

**Operator**

Certainly. Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question for today is from Heiko Ihle with H.C. Wainwright.

**Q:** Hey, David and team, thanks for taking my questions.

**David Wolfin - President, Chief Executive Officer and Director, Avino Silver & Gold Mines Ltd.**

Hi.

**Q:** Hey, let's talk about the production increase at the Avino Mine. I guess this morning went through your October 17th production press release again. May I assure you pin the strong production on more performance and availability. At this point were 1 or 2 days, we'll be halfway through Q4, would it be fair to model the same performance, up-time availability, et cetera, for Q4? Is what you saw in Q3 or have there been any impacts that may change these things either positively or negatively?

**Peter Latta, VP Technical Services, Avino Silver & Gold Mines Ltd.**

Hi, Heiko. Thank you very much for the question. I think that's fair at this point. December, obviously, is a bit slower month with the amount of holidays that we have, but I think what we've seen so far has been a continuation of that, but we're always conscious of going into the holiday season, and certainly it's a very important season to our Mexicans.

**Q:** Okay. This may be a question for Nate, but I'll throw it in here anyways. You have mine operating cash flow of \$6.7 million in the quarter. Do you guys have a sensitivity analysis or just some guidance maybe even for the impact that \$1 change in the price of silver has on your mine operating cash flow, maybe even for the fiscal year, Q4, and if you want to take a crack at it, maybe even for 2025 given some of the cost increases that are probably especially in the longer-term associated with the higher commodity pricing?

**Nathan Harte - Chief Financial Officer, Avino Silver & Gold Mines Ltd.**

Hey, Heiko, Nathan here. I mean given the length of that question it's tough to answer that one



on the spot. I think from a purely mine operating cash flow perspective, I mean, at that level \$1 increase, it's pretty close to 100% obviously, and we have seen improvements on the cost side, but as I mentioned just with that, there's a lot of other inputs that go into mine operating cash flows. So if everything remains constant, sure, it's dollar for dollar but there are a lot of other inputs that go into that. I'm happy to discuss that one offline if it's easier.

**Q:** I think that may make more sense. I'll get back in the queue. Thank you.

**David Wolfin - President, Chief Executive Officer and Director, Avino Silver & Gold Mines Ltd.**

Thank you.

**Nathan Harte - Chief Financial Officer, Avino Silver & Gold Mines Ltd.**

Thank you.

**Operator**

Your next question is from Jake Sekelsky with Alliance Global Partners.

**Q:** Hey, David, Nathan, and team. Thanks for taking my questions.

**David Wolfin - President, Chief Executive Officer and Director, Avino Silver & Gold Mines Ltd.**

Good morning, Jake.

**Nathan Harte - Chief Financial Officer, Avino Silver & Gold Mines Ltd.**

Good morning, Jake.

**Q:** So starting with the stockpile material at La Preciosa, can you just remind us what's remaining on those stockpiles just trying to get a sense of how we should be looking at that heading into 2025?

**Peter Latta, VP Technical Services, Avino Silver & Gold Mines Ltd.**

Yeah, I think we processed all that we're going to process from it. We sampled a lot of different areas to just get an idea of the grade and, I think, we've processed through what we want to process.

**Q:** Got it. Okay. And staying in that vein as we're getting near the underground La Preciosa, so can you just touch on sort of some of the development costs that you see coming in the next few quarters to reach fresh ore and maybe even the timing of that material getting to the mill?

**Nathan Harte - Chief Financial Officer, Avino Silver & Gold Mines Ltd.**

Sure. Jake, Nathan here. I think, key obviously is getting into the underground and getting started, and that'll determine the exact timing of the capital spend and the development costs there. In our 2024 guidance, we did put out CapEx estimates of about \$3 million to \$4 million in cost associated with that initial development, and we're still thinking that that's probably accurate. Having said that, with an improved balance sheet, we are looking at ways to increase

the throughput much quicker, I guess accelerate those plans. So, we'll provide a bit more color to that probably early in the new year. But as of now, yeah, we still stick with the same guidance we had.

**Q:** Got it. Okay. And then just lastly, Nathan, you touched on the weakening peso on the back of the election. Are you getting a bit more aggressive on hedging there, or is that something that you're going to be working through as you get through 2025 budgeting?

**Nathan Harte - Chief Financial Officer, Avino Silver & Gold Mines Ltd.**

Yeah, it's a pretty topical question. Obviously, I'm sure we're not the only ones looking at it right now. Given the weakness we saw and, especially in 2023, and all the way up to essentially the Mexican election, we are taking some measures to protect ourselves, especially above this [20, 20.25] [ph] range from peso to USD. So, yeah, we are definitely taking some measures to make sure that for 2025 budgeting purposes, we have an expected peso rate that we can use and accurately stick close to. Just it helps with cost management, and it has been quite volatile this past year, and we want to make sure that the company is set up good for 2025.

**David Wolfen - President, Chief Executive Officer and Director, Avino Silver & Gold Mines Ltd.**

But metals remain unhedged.

**Nathan Harte - Chief Financial Officer, Avino Silver & Gold Mines Ltd.**

Yes. As David said, we do not hedge any of our metals.

**Q:** Okay. Very good. That's all from me. Thanks again.

**Nathan Harte - Chief Financial Officer, Avino Silver & Gold Mines Ltd.**

Thank you.

**David Wolfen - President, Chief Executive Officer and Director, Avino Silver & Gold Mines Ltd.**

Thanks.

**Operator**

Your next question for today is from Joseph Reagor with Roth Capital Partners.

**Q:** Hey, David and team. Thanks for taking the questions. I guess, first, at La Preciosa, can you guys give us just an updated outlook on your timeline there as far as what items still need to happen and when?

**David Wolfen - President, Chief Executive Officer and Director, Avino Silver & Gold Mines Ltd.**

The final item that needs to happen is the military needs to go to site to check the building that we've built to house the explosives. That's it. We've satisfied everything else.



**Q:** Okay. And the timeline on that, so that you guys can get going with the underground development?

**David Wolfen - President, Chief Executive Officer and Director, Avino Silver & Gold Mines Ltd.**

Up to them, but we're hoping before the end of the year.

**Q:** Okay. Great. And then, I guess a question for Nathan on taxes. Your effective tax rate has been a bit elevated the last 2 quarters, and I've seen that with a couple of other Mexican-based mining companies. Is there anything we should be reading into that or is it just a timing thing?

**Nathan Harte - Chief Financial Officer, Avino Silver & Gold Mines Ltd.**

That's a good question. I think a lot of it, you can see at least from our perspective, a chunk of that is on the deferred side, which is more so reflective of people using up their tax losses. They would have generated in probably 2023. I know that's the case for us. So I would think that should stabilize a little bit. And on the current side, yeah, I mean, obviously, Q2 and Q3 were very profitable quarters for us. So we're paying our fair share to the Mexican government.

**David Wolfen - President, Chief Executive Officer and Director, Avino Silver & Gold Mines Ltd.**

But when we get La Preciosa up and running, we have significant tax losses to carry forward that we inherited from core.

**Nathan Harte - Chief Financial Officer, Avino Silver & Gold Mines Ltd.**

Yeah. So there should be some relief there as we get La Preciosa is moving.

**Q:** Okay. Thanks. I'll turn it over.

**David Wolfen - President, Chief Executive Officer and Director, Avino Silver & Gold Mines Ltd.**

Thank you.

**Nathan Harte - Chief Financial Officer, Avino Silver & Gold Mines Ltd.**

Thanks, Joe.

**Operator**

Your next question is from Matthew O'Keefe with Cantor Fitzgerald.

**Q:** Thanks, operator, and good morning, everyone. Most of my questions were answered. But I just wanted to ask just on the sustaining capital, I mean, your cost per tonne, you're in a very nice range here, just wondering on sustaining capital when you're looking at all-in sustaining that bounces around a fair bit. What can we expect sort of going forward as a range? And are there any major Avino mine, or are there any major items coming up, or are we kind of past most of that?

**Nathan Harte - Chief Financial Officer, Avino Silver & Gold Mines Ltd.**

Yeah, Matt, Nathan here. There's probably going to be a bit more in Q4, just as we do some upgrades to the crusher, mill upgrades, so there we expect probably similar to Q3, maybe a bit more. But I think, a couple of million a year is kind of what we guided everyone on the sustaining side, and so we think that that will stick. And then, of course, obviously, we're going to have capital at La Preciosa, and that'll be development and non-sustaining capital.

**Q:** Great. Okay. And on the peso, you addressed that. I'm just wondering how sensitive are your costs to peso movement?

**Nathan Harte - Chief Financial Officer, Avino Silver & Gold Mines Ltd.**

Fairly sensitive. I think, we obviously get our revenue coming in in U.S. dollars, and with most of our cost in Mexico and a pretty lean team here in Vancouver, we're probably close to 75% on the peso with some capital and operating payments being in USD. But the majority is peso, hence why we're looking to protect from any further volatility in the peso. I think we suffered quite heavily in 2023, along with a lot of the other Mexican producers. So, yeah, that's it.

**Q:** Good. All right. That's it for me. Congrats on a good quarter. Really good.

**Nathan Harte - Chief Financial Officer, Avino Silver & Gold Mines Ltd.**

Thanks, Matt.

**David Wolfin - President, Chief Executive Officer and Director, Avino Silver & Gold Mines Ltd.**

Thanks, Matt.

**Operator**

[Operator Instructions] We have reached the end of the question-and-answer session. And I will now turn the call over to David Wolfin, President and CEO, for closing remarks.

**David Wolfin - President, Chief Executive Officer and Director, Avino Silver & Gold Mines Ltd.**

Thank you all for joining our call today. We're very excited about the company's future. We're fully capitalized to reach our goals at La Preciosa, and we're maintaining a disciplined approach with the strong margins and a clean balance sheet. Stay tuned for encouraging news to follow at La Preciosa once we get the necessary approvals. Have a great day.

**Operator**

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