First Quarter 2022 Financial Results Conference Call Transcript

Date:	**May 13, 2022**
Time:	**9:00 AM PT | 12:00 PM PT**
Speakers:	**Alan Hair** Chair & Interim Chief Executive Officer
	Sandra Daycock Chief Financial Officer
	Fernando Cornejo Chief Operating Officer
	Fiona Grant Leydier Vice President, Investor Relations

Operator:
Welcome to Great Panther Mining's First Quarter 2022 Results Conference Call.

As a reminder, all participants are in listen-only mode and the conference is being recorded.

I would now like to turn the conference over to Fiona Grant Leydier, Vice President, Investor Relations. Please go ahead.

Fiona Grant Leydier:
Thank you, Operator.

Good morning, everyone. I'm Fiona Grant Leydier. Thank you for participating today. Before we begin, please note that we will be making forward-looking statements during the presentation. It will be caution that actual results and future events may differ from those noted today. The commentary also refers to various non-GAAP measures, definition and reconciliations that are included in the Company's

MD&A for the three months ended March 31, 2022. All dollar amounts expressed in this presentation and the associated financial statements and MD&A are in U.S. dollars, unless otherwise noted. For reference during the call, ASIC refers to all-in sustaining costs.

For today's call, please refer to the first quarter 2022 financial results news release issued yesterday and the accompanying financial statements and MD&A which are posted on our website and have been filed on SEDAR and Edgar. This conference call is being recorded and will be available to replay later today. Replay information and the presentation slides accompanying this conference call and webcast will be available on our website at greatpanther.com

On the call this morning, we have Alan Hair, Chair and Interim CEO; Sandra Daycock, Chief Financial Officer; and Fernando Cornejo, Chief Operating Officer.

Alan Hair:
Thank you, Fiona, and thank you everyone for dialing in today. We navigated through another challenging quarter and have made good progress in a number of fronts to build back steady state production at Tucano.

To that end, we're starting to see improvements in operating performance at Tucano thanks to the mobilization of the new contractor, MINAX, who's working in tandem with our current contractor, U&M, and we have advanced stripping of the TAP AB, TAP C and Urucum North pits in preparation for production in the third quarter.

We reported an updated mineral reserve and mineral resource estimates at Tucano Gold Mine, which outlines an increase in both reserves and resources, successfully replacing 2021 mining depletion and increasing the open pit mine life by one and a half years.

This updated MRMR was focused on the open pit, as drilling of the Urucum North Underground project has just been completed. The underground resource will be updated once engineering studies currently underway are finalized. We also reported some encouraging exploration results from the Coricancha advanced development projects in Peru. The results confirm the potential of the Escondida vein which has never been mined. We are evaluating options to further advance the project. We were fortunate that the Omicron COVID surge in Q1 did not adversely affect our operations. Safety protocols remain in place, and vaccination programs continue to progress.

Our financial results for the quarter are representative of where we are in the new optimized mine plan for Tucano following the setbacks in 2021. Revenue for the quarter was $33.4 million dollars on a consolidated production of 17,913 gold equivalent ounces. Consolidated cash costs were $1,725 per gold ounce sold, and consolidated ASIC excluding corporate G&A was $2,740 per gold ounce sold.

We expected to have high costs in the first half of this year because of the amount of stripping we're doing against the backdrop of low gold ounces coming from the mine. We expect costs to normalize and cashflow to improve as production increases throughout the second half of the year. We ended the quarter with $33.4 million in cash and cash equivalents and borrowings of $52.7 million. Sandra will go into further details on these financials later in the call.

I will now pass it over to Fernando Cornejo, COO, to discuss results from our operations.

Fernando Cornejo:
Thank you, Alan, and good morning, everyone. Focusing first on Tucano. Gold production for the quarter was 14,037 ounces compared with 22,996 ounces in Q1 2021, a decrease of 39%. Despite planned throughput being 10% higher compared to Q1 2021, the ongoing stripping in the TAP AB, TAP C and Urucum North pit resulted in low ore production, triggering a higher consumption of low grade stockpiles and marginal ore.

The plant feed grade for this first quarter was 0.57 grams per tonne compared to the 0.9 grams per tonne in Q1 2021. Production in the first quarter of 2022 was positively affected by mining the constellation and higher plan throughput due to the higher availability of the MINAX mine fleet to rehandle the stockpiles.

For the quarter, cash cost per ounce sold was $1,817 compared to the $983 in Q1 2021 and the ASIC per ounce sold was $2,606 compared to the $1,549 in Q1 2021. In Q1, the Tucano geotechnical committee completed its studies for the Urucum Central South pit pushback with the assistance of SRK Consulting. This studies further refine the design of the pushback providing more confidence that this pushback could be done safely and effectively. This work is expected to commence in the second half of 2022 and production of ore is expected to resume in 2023.

With regard to the new contractor, we are on track to have MINAX fully mobilized in Q2 this year. MINAX, with its new locally sourced mining fleet, has contributed to a more efficient productivity. Over time, this will have a positive effect on performance and costs. Finally, to outline that we are currently in discussions with our existing contractor U&M to resolve concerns over equipment availability.

Moving on with Topia, total production for the quarter was 290,694 silver equivalent ounces compared with the 363,218 ounces in Q1 2021. Metal production decreased by 20%, primarily due to lower material milled in the absence of the stockpiles while the targeted producing mines for 2022 are in development.

Silver recoveries were 92%, same as in Q1 2021, and gold recoveries were 64.1% compared to the 55.4% in 2021. Average strip rates were somewhat lower at 362 grams per tonne silver and 0.84 grams per tonne gold, compared to 398 grams per tonne silver and 0.87 grams per tonne gold in 2021.

For the quarter, cash cost per payable silver ounces were $16.82 compared to the $15.88 in Q1 2021 and the ASIC per payable silver rounds was $26.74 compared to the $18.71 in Q1 2021. The Guanajuato Mine remains on care and maintenance while the Company assesses options to maximize the potential of this asset.

I will now turn the call over to Sandra Daycock, our CFO, to discuss the financial results.

Sandra Daycock:
Thank you, Fernando. Consolidated revenue for the quarter was $33.4 million, compared with $52.6 million in Q1 2021 on consolidated sales of 17,798 gold equivalent ounces compared with 29,635 gold equivalent ounces in Q1 2021. Mine operating earnings were $2.3 million, compared with $19.9 million in the same period of 2021. Our average realized price for gold was $1,895 per ounce in Q1 2022 versus $1,755 per ounce in Q1 2021. Our average realized silver price decreased slightly to $24.10 per ounce in the first quarter compared with $25.35 per ounce in Q1 2021.

Cash costs per gold ounce sold were $1,725 per gold ounce sold, an 81% increase compared with $954 for gold per ounce sold in Q1 2021 due to the reduction in sales volume stemming from the processing of lower grade stockpiles and marginal ore to supplement lower mined ore production that Fernanda mentioned.

Consolidated ASIC per gold outsold excluding corporate G&A was $2,740 in Q1 2022 compared with $1,557 in Q1 2021. As we are seeing across the industry, inflationary pressures are starting to have an impact on costs. The strengthening of the BRL against the U.S. dollar represented approximately $100 per ounce of the higher ASIC in Q1 2022 versus Q1 2021. Inflation in Brazil costs also contributed approximately $120 per ounce to ASIC.

To that end, we are reviewing the potential impact of this cost pressure relative to our 2022 cost guidance and assessing further initiatives to improve operational efficiency and reduce fixed costs.

Our net loss was $8.9 million compared with a net loss of $0.3 million in Q1 2021. EBITDA was negative $1.2 million compared with $10.3 million of EBITDA in the same quarter last year. Cash flow from operating activities before changes in non-cash working capital was negative $4.5 million, compared with $7.3 million in Q1 2021. We ended the quarter with cash and cash equivalents of $33.4 million, compared with $45.5 million for the same period in 2021 and $47.7 million on December 31, 2021.

At the end of Q1 2022, borrowing totaled $52.7 million compared with $27.6 million in Q1 2021. In addition, during Q1 2022, the Company issued shares for proceeds of $2.7 million through the ATM facility. Our net working capital declined to negative $18.1 million in the quarter, and current assets declined only slightly, as the negative change in cash of $14.3 million was partially offset by higher receivable and inventory balances, including the reclassification of a $7.4 million tax refund receivable into current assets because, as we are very happy to report, the sizable refund was received in April.

However, current liabilities increased by $17 million due to $6.1 million in offtake loan repayments being reclassed to current liabilities, $6.8 million in higher provisions for leases, contingencies, and reclamation, and a $2.7 million increase in trade payables.

A big portion of that increase stemmed from inflation and the exchange rate that I mentioned earlier. The Company expects to generate positive cash flows from its mining operations in 2022 prior to capital investments, debt repayment obligations and exploration and development costs. Further, we have an established track record of refinancing our debt obligations as they come due. In the meantime, we expect to require further financing and we're evaluating various alternatives to bridge the gap to steady state production in the latter half of the year.

Thank you. That's all we have for formal remarks.

I'll now turn the call back to the Operator for the question-and-answer period.

Operator:
We will now begin the question-and-answer session. Our first question comes from Heiko Ihle of H.C. Wainwright. Please go ahead.

Heiko Ihle:
Hi there. Thanks for taking my questions. Can you hear me okay?

Alan Hair:
Yes, we can.

Heiko Ihle:
(Audio interference 13:52)

Alan Hair:
Sorry, you're breaking up now.

Operator:
Pardon me. It seems Heiko's line has disconnected.

Sandra Daycock:
Operator, is the line working? Heiko has obviously disconnected.

Operator:
Heiko has disconnected. I'll hand it over to Fiona.

Fiona Grant Leydier:
Actually, I have a question on behalf of Jake Sekelsky of AGP. He is traveling at the moment, but did send through a question via email. So, I'll post that right now and we can answer it here.

We've seen inflationary pressures across the board. Are you taking any the proactive steps to mitigate the impact here, specifically related to energy and consumables?

Alan Hair:
Yes, absolutely. I mean, we're doing a very thorough review of our costs and the current contracts. Maybe Fernando could give a little bit more detailed colour.

Fernando Cornejo:
Yes, absolutely. We are breaking down our contracts between major contracts and midsize contracts, and we're going into renegotiations with all those companies. Some of those will imply potentially switching suppliers at this point in time, but the team in Brazil and Mexico are moving ahead with those renegotiations.

Operator:
This concludes the question-and-answer session. I would like to turn the conference back over to Alan Hair for any closing remarks.

Alan Hair:
Thank you, Operator.

As Sandra mentioned, we expect to generate positive cash flow from our operations in the second half of this year. We are prudently managing our costs and are focused on delivering optimal operational performance as to Tucano ramps back up. We will have results from the Urucum North Underground drill campaigns shortly, which will be followed by completion of the engineering studies required for development by the end of the year.

As we stated earlier, the first half of this year is all about building back to steady state at Tucano, with the expectation of a stronger second half of 2022 continuing into 2023. We look forward to sharing the progress with you in the next quarter. Thank you for your time today.

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