Endeavour Silver Corp.

2019 Q2 Conference Call Transcript

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Speakers:

Bradford Cooke
Chief Executive Officer

Godfrey Walton
President and Chief Operating Officer

Dan Dickson
Chief Financial Officer

Galina Meleger
Director, Investor Relations

OPERATOR:

Welcome to the Endeavour Silver 2019 Second Quarter Financial Results 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, one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star, zero.

I would now like to turn the conference over to Galina Meleger, Director, Investor Relations. Please go ahead.

GALINA MELEGER:

Thank you, Operator. Good morning, everyone, and welcome to the Endeavour Silver Corp. 2019 Second Quarter Financial Results Conference Call. With me on the line today, we have the Company's CEO, Bradford Cooke, as well as our President and Chief Operating Officer, Godfrey Walton, and our Chief Financial Officer, Dan Dickson.

Before we get started today, 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 2019, and future years, including revenue and costs forecasts, silver and gold production, grades and recoveries, and the timing and expenditures required to develop new silver 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 would like to thank you again for joining our call today, and I will now turn it over to our CEO, Bradford Cooke.

BRADFORD COOKE:

Thank you, Galina, and welcome, everybody, to this conference call on our second quarter financials. As usual, I'll start off with a high level overview of our second quarter performance, and then we'll take a brief look ahead to the rest of the year, and open it up for Q&A.

As per our news release this morning, we've pointed out that we had yet another challenging quarter, both in operations and financially, but really just a continuation of the issues that we identified in Q1. As a result of that company-wide review of how to improve our operations, we initiated quite a number of changes at each of the mines, and two of the four mines have already responded—started responding to those changes.

Coming back to the highlights of the second quarter, our financial performance was generally lower year-on-year, largely due to lower production and higher unit costs. Specifically, our revenue was down 24% to $29.4 million. That drove mine operating cash flow before taxes of $2.6 million. We recorded about a $1 million loss in cash flow from operations and the net loss came in at about $10.1 million. Cash costs were up during the quarter to $13.67, all-in sustaining costs up to $20.90 per ounce, and after the gold credits. We do maintain a strong balance sheet, so not withstanding the operating issues during the second quarter, we finished the quarter with a strong working capital position of $46.6 million and a cash position of $23.1 million.

I think, looking forward, the main questions are how fast can we move to get the operations back in the black and what about our growth projects, so let me touch briefly on those.

Oh, by the way, before I go into that, we obviously did also revise our guidance based on the soft first half of the year. We previously, in July, revised our production guidance to the kind of 4.5 million ounce silver, 40,000 ounce gold range. That's about 7.4 million to 8.2 million ounces of silver equivalence. Because of that, obviously, we've now, in this news release today, revised our costs guidance, so our consolidated cash costs, we revised to $10 or $11 per ounce, net of the gold credits, that does imply $8 to $9 in the second half, and our all-in sustaining costs were revised to $17 or $18, implying about $15 or $16 in the second half.

In terms of how to get the operations back on track, we acted very quickly in Q2 with some fairly sweeping changes, changes in site leadership and management, reductions in the workforce, new equipment, and other changes to help turn around the performance, primarily, at Guanacevi and, secondarily, at the other operations.

The good news is that Guanacevi has responded, and it continues to respond, through the development of two newer, higher grade bodies at Milache, and Santa Cruz Sur, we're seeing both the tonnes and the grade starting to drift higher, recoveries were higher, and at El Compas, we did declare at the end of the first quarter commercial production, and through the second quarter, we saw continued improvement with throughput grades and recoveries. There's still work to do on recoveries at Compas, but it's now performing pretty close to plan, and Guanacevi, we want to see it back on the revised plan here by the end of the third quarter. At Bolañitos, we only made changes in June/July, so the bulk of the performance turnaround at Bolañitos is not forecast until the end of Q3, Q4, and Cubo is just chugging along as planned.

So, that's kind of the brief overview of where we are at in the operations. We recognized we had problems, we made a number of changes, we're seeing the benefits of those changes. We'll need the rest of the year to see those operations back in the black.

In terms of our growth outlook, Compas was the first of three new mines that are in our growth pipeline, and now that it's performing at commercial production, our attentions, obviously, turn to Terronera and Parral.

Terronera, as a reminder, is proposed to be the next core asset of the Company, with a pre-feasibility study last year forecasting 5.2 million ounces of annual silver equivalent production for nine-and-a-half years. Since the publication of that PFS, we've made significant strides, with better economic performance, longer mine life, larger reserves and resources, and revised mine plans. We have commissioned internally a couple of optimizations to the previously published PFS, and we expect to go public with the final PFS here in the third quarter. So, Terronera is basically ready. We received the final government permit to build the Terronera operation in June. So, we're now, in addition to the final engineering and final PFS, turning our attention to the financing package, debt equity package to build Terronera, and we, ideally, would like to have that in place this quarter.

Last, but not least, Parral, there'll be some news on it next week, but, basically, it's been our biggest drill program this year. We see significant opportunities at Parral, we expect it become mine number six in the group, but there might be a way to accelerate that.

So, that's my overview looking forward for the second half of the year, with forecasts of improved operating performance, improved financial performance quarter-on-quarter, and with the attention now turning back to our growth projects.

I think I'd like to stop there, Operator, and why don't we open this up for Q&A? We've got our CEO, Godfrey Walton, here for operating questions, and our CFO, Dan Dickson, for financial questions.

OPERATOR:

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

Our first question comes from Chris Thompson with PI Financial. Please go ahead.

CHRIS THOMPSON:

Hi, good morning, guys. Thanks for hosting the call. A couple of quick questions here. We'll start off with Guanacevi. Obviously, a lot happening with the asset. What's your expectation as far as unit costs, i.e., dollar per tonne milled here, once you bring Milache on?

DAN DICKSON:

Yes, Chris, it's Dan here. Thanks for the question. Unit costs, on a consolidated basis, we expect to get down—right now, it's $145. You'll recall, historically, we had an average between $85 and $90 per tonne. We don't think we can get back down to $80 and $90 right now, but as we come out of the Santa Cruz mine—where we're pumping, we're quite low and it's quite narrow, actually, at the depth for that—as we come out of there and increase the production coming out of Milache—so, about one-third of our production actually in Q2 came from Milache, and that's going to rise to closer to 50%, and then we're going to have additional production come out of that new ore body, Santa Cruz Sur, which has actually got wider veins than what we're seeing at Santa Cruz. That will help us get down, from a cost per tonne standpoint, so we're expecting the back half of 2019 to be about $105 to $108.

BRADFORD COOKE:

There is actually, Chris—this is Brad here—there's a third area of potential production in the second half. If you recall, we announced in early July the acquisition of exploration and exploitation rights to some ground immediately adjacent to Milache and Porvenir Cuatro. In fact, the Porvenir Cuatro mine workings stop at the property boundary. We are aggressively exploring and developing that boundary area of Porvenir Cuatro here in the third quarter, and we may even see some first increment of production from that area, if we're successful.

CHRIS THOMPSON:

Great, thanks for that, Brad. I guess, moving on to Bolañitos, obviously, the intention is to return throughput to 1,000 tonnes a day, you say the second half. Any sense of whether this should be fourth quarter weighted?

GODFREY WALTON:

Hi, Chris, this Godfrey. We are, actually, pushing forward and we're seeing some changes happening in Bolañitos, so the production is picking up, but it's probably going to be late Q3, early Q4 before we see some—getting back to filling the plant.

BRADFORD COOKE:

Yes, and again, Chris, if I could chip in. We've just moved the General Manager from Compas back to Bolañitos, where he came from, Jorge Coss. You met Jorge on the last mine tour you did there.

CHRIS THOMPSON:

Yes, yes.

BRADFORD COOKE:

He's been there a few years. I think that Bolañitos suffered in his absence. It's not the only issue at Bolañitos, but bringing him back, we think is a good part of the resolution of what's gone wrong there.

CHRIS THOMPSON:

Okay, great. Guys, a general question. I mean, obviously, tough metal prices for silver producers. I would imagine that you've—I'm not going to say starved the assets from a sustaining capital perspective, but better metal prices look like they're with us now, hopefully going higher. What would be the right—what are you looking for by way of a good run rate, annual run rate for the assets on a sustaining capital basis?

DAN DICKSON:

Yes, Chris, I mean, that's always an easier question after time, and historically, at Guanacevi, we spent, basically, $10 million to $12 million. Now that we're getting into new ore bodies with Milache and Santa Cruz—and you're right, we did starve the—especially, Guanacevi and Bolañitos were starved in 2016 and '17, with prices down. I think that caught up to us this year a little bit, or it essentially has, and even in the last two years at Guanacevi, but we've put significant investment in last year to try to catch up and get advanced. If you recall, we've always historically ran kind of an 18-month cycle of mine development ahead of stopes, and that had got down to under a year. So, to get back up there, our plan this year of $10 million is actually at Guanacevi, would be the run rate to maintain that, and we're pushing ahead a little bit at Guanacevi and we're actually starting to get ahead of ourselves there. At Bolañitos, historically, it actually had been $4 million to $5 million. I don't see that changing. We've been pushing both those operations in the last handful years.

Cubo's always been a different beast, we have never had more than a year ahead of us there, and this year we actually haven't spent much capital, it's been going into operating costs. So, what you'll see from a Cubo standpoint is whether we can increase reserves at the end of the year. Arguably, it would be about $4 million to $5 million of sustaining capital there for the Cubo going ahead, and Compas, it's small, you're talking about less than $1 million.

CHRIS THOMPSON:

Right.

BRADFORD COOKE:

Chris, it's Brad. Again, I just want to turn our attention to the ability to fill the plants, is really one of the keys to positive cash flow. We've fallen below plant capacities at all three mines in recent years, and with the new ore bodies at Guanacevi, there's absolutely no reason why we can't go back to the 1,200 tonne plant capacity, which is one of the keys to profitability at Guanacevi. We can do better than we're doing at Bolañitos, maybe not the 1,600 tonne plant capacity yet, but certainly 1,200 tonnes is doable, once we fix the issues, the operating issues, primarily people issues at Bolañitos. Cubo has got a mine life problem, which we can only deal with through exploration, and so we're not going to forecast plant capacity there this year, but we'll take another look at that at year end, and Compas is already at plant capacity. So, I think throughput is definitely a key at Guanacevi and, to a certain extent, Bolañitos.

CHRIS THOMPSON:

Okay, great, and then, guys, a final question. Obviously, you guys are tasked with—I'm not going to say—I don't want to say these things, but righting the ship or shoring the ship up at your operating base at the moment, as well as potentially building another asset here. Can you do both?

BRADFORD COOKE:

Yes, we can, and we have to. We actually built a company on fixing other people's problems. It's kind of ironic that we now have to fix our own problems in order to get the operations back up where they should be. To be honest, if we take a step back and look at the last three years, the main area that's come back to bite us at Guanacevi, Bolañitos and El Cubo is the site management. That's the area that we've had the biggest challenge in finding the right people, we've gone through a number of people at those positions, and that's primarily the house-cleaning that we've done Guanacevi and Bolañitos, is site leadership, and not just production leadership, but safety leadership and security leadership, all of it goes together. I think that is being addressed now, and that's what bit us in the first and second quarters. That's why we feel we can do both the operational turnaround and get back building new projects.

CHRIS THOMPSON:

All right. A quick question, final question, labour, severance, unions, any issues?

DAN DICKSON:

Chris, it's Dan again. At El Cubo, we incurred a $1 million severance in Q1, basically the down-sizing and running 800 tonnes per day. We haven't had any issues—knock on wood—since that. We always have our daily discussions back and forth with the union out at Cubo. At Guanacevi, we incurred (inaudible 17:20), and that was laying off 80 employees and reducing contractors by over 100 in Q2. That's sitting in our cost of sales. Bolañitos, subsequent to the quarter end, we did another $300,000. Again, what we've actually seen from these cuts at Guanacevi and Bolañitos, is we've actually seen production improve, and ultimately it's changing the cultures and getting people back to work, and working hard. But, from a labour negotiation or labour relationship standpoint, it's actually been relative positive since those cuts. Now, you have special circumstances with various individuals that happen from time to time, but in general, from a macro standpoint, it's been positive at Guanacevi and Bolañitos since those severances.

CHRIS THOMPSON:

Great, guys. I've chewed up a lot of time. Thank you for the comprehensive answers to my questions.

BRADFORD COOKE:

Thanks, Chris.

OPERATOR:

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

JOSEPH REAGOR:

Good morning, guys. Thanks for taking the questions.

BRADFORD COOKE:

Hi, Joe.

JOSEPH REAGOR:

So, two items. I guess the first one, Terronera, it's a big part of the future of the Company. Assuming you arrange your financing package during Q3, what does the development timeline look like for you guys, maybe with some details as far as how things will roll out?

BRADFORD COOKE:

Yes, maybe, Godfrey, do you want to address that?

GODFREY WALTON:

Sure. Thanks, Joe, for the question. Yes, assuming that we can arrange financing in Q3, the schedule that we're currently looking at is actually building the camp this year and starting on-ground development in January/February next year. The PFSs that we've put so far suggest a

15-month to 18-month schedule for construction for the plant and about a 12-month schedule for the mine. So, it would be looking at really starting production in Q1 2021 or Q2 2021, but we are looking at ways to be able to produce from one of the veins earlier and actually process that in one of our plants. There's an opportunity there to actually get some production from Terronera before we actually have that operating on site.

JOSEPH REAGOR:

Okay. So, if I got all that correctly, a fair thing for us to assume is a ramp-up during 2021 towards full production rate.

GODFREY WALTON:

Yes, when the plant is ready, the mine will be able to produce 1,500 tonnes a day, but we can probably produce—we'll have a ramp-up, actually, during 2020, as we access both veins and are able to stockpile some material before the plant starts up, and in some cases, the higher grade material, we'll actually look at moving up to either Bolañitos or Cubo.

JOSEPH REAGOR:

Okay, and then switching gears a bit, at El Compas, the costs, when you look at it on a percent revenue basis, are still very elevated. What more can be done there to get costs down? Is it just a matter of getting production up and the fixed costs become a smaller component? Any other colour you can give would be great.

DAN DICKSON:

Yes, sure, Joe. It's Dan here. There's actually a couple things, and inside the MD&A, as you get through it today. Our PA had a plan of about $110 costs per tonne. What's flowing through the $138 that you're seeing, or the $130 that you're seeing for the year is NRV. We had to take a write-down on our stockpile, which is the early stockpile. As we ramped up the mine, our costs per tonne were higher, because we weren't hitting out outputs. If you pull out the NRV, the cash costs on that, which is about $500,000, we're actually moving that tonne through the plant through royalties for $111, so right on plan, and we expect that to come through.

What also is happening, is we've seen the grades come up (inaudible 22:12), and then since quarter end, we've gotten into the Orito vein and are processing that Orito vein. We've seen our

recoveries come up to plan. Right now, in our recoveries, through the first six months, it was just under 78 percent, or I think it was about 76 percent, and plan was 85 percent. Since the end of June, we've been up into the 80 percentile. So, if we can hold that, with our costs per tonne being at $110, we should be hitting plan about what we expected, and then ultimately having that cost per ounce come down, and using a silver by-product basis, with gold as a by-product, which effectively Compas is really a gold mine, that puts you into the area of cash costs where we expect. So, Compas is actually trending exactly where we expected it to trend. It just takes a little bit of time to ramp up. As you know, we hit commercial production March 15, so three-and-a-half months, and hopefully here, in Q3and Q4, it performs from a cost standpoint. Like I say, it's trending in that way.

JOSEPH REAGOR:

Okay. So, it would be fair to say free cash flow positive by year end?

DAN DICKSON:

Yes. Not a large amount of free cash flow, because it's such a small operation, but we should be positive free cash flow.

BRADFORD COOKE:

Yes.

JOSEPH REAGOR:

Okay, great. I'll turn it over. Thanks, guys.

BRADFORD COOKE:

Thanks for your questions.

OPERATOR:

Our next question comes from Mark Reichman with Noble Capital Markets. Please go ahead.

MARK REICHMAN:

Good afternoon. When I look at the costs, it looks like the second half of the year, both in terms of cash costs and all-in sustaining costs, are expected to be pretty much in the range of your

original guidance. Brad, you talked about the goal of filling the plants. When you look ahead, do you see more improvements into 2020, and the latter half of the year, it's going to be more around your original expectations, or are there some additional items in there that are actions that you've taken to get those costs down?

BRADFORD COOKE:

Thanks for your question, Mark. In general, yes. Clearly, tonnes and grades drive profits, and we had a pretty crappy start to the year and just getting back to not only our original plan, but with the new production area on the adjacent ground being explored and developed now, 2020 should actually be a good year of full production. So, yes, because of anticipation for higher tonnes per day in 2020, and higher grades from the three ore bodies, we should actually have a good year next year.

MARK REICHMAN:

Mm-hmm, and then, secondarily, Dan, because your comments last quarter were so helpful, I thought maybe you might want to just address a little bit about the liquidity position and capital expenditures, and exploration going forward, because I know you kind of cut back on some of the exploration, and kind of how you're managing your balance sheet.

DAN DICKSON:

Yes, and Brad touched on we had working capital of $46.8 million at the end of June. We did have our ATM raise $7.5 million. We want to make sure we protect our balance sheet. We have very little as far as debt on the liability side of the balance sheet. We have picked up some loans related to equipment. We've had an equipment availability issue at Bolañitos. That goes hand-in-hand with the culture, the change that we need from a personnel standpoint, to make sure that we're taking care of our equipment and maintaining it properly, and going through those proper preventative maintenance programs. Since quarter end, we've picked up more equipment through loans. But, in general, I'd say our balance sheet is very strong. We're in a position, and we wanted to be in a position, that we could add some debt to build out Terronera. Going forward, we feel like we have good liquidity. We do have that potential to be able to continue to touch the ATM, with $18 million left as of June 30 on it.

Ultimately, it comes down to the long-term growth for the Company. We have Terronera there.

Also, we're doing significant exploration still at Parral. Parral's been positive and we're going to have news on that in the coming weeks. But, it's not about next year or the year after, it comes down to the long-term profitability of the Company and what other things we have pipelines in. We do have an exploration program for $10 million in the year, and we've slowed that down, but we do have exploration commitments that need to be spent in Chile, two projects that Brad's previously spoken to publicly. Paloma and Cerro Marquez will probably still go forward, unless we see a dip in silver price or gold price, which we don't anticipate.

Additionally, what we don't have in our future cash flow, or even the cost profile, is our cash costs we're projected using $12.75 gold as a by-product. Clearly, we're well above $12.75. We also projected our cash flows using $15.50 silver. Clearly, we're well above that $15.50, at $17. So, we think, despite what we put into our press release, and we like to be conservative, there is an opportunity there to be a bit more positive cash flow.

As far as capital expenditures in the back half of this year, they should be less than the front end of the year, excluding that capital that we've loaned and leased, so basically cash payments on those loans that are over four years. So, we expect to add that.

The way, Mark, this Company's been growing, is with the drill bit, and exploration success with the drill bit. We're excited about what we have in Chile, and ultimately, hopefully, we have good news that comes out of there in the back half of the year. We've just sat through Management meetings of potentials and all the mapping and the geo-cams and the geo-physic work that we've done on those properties, and dropping a little bit of cash for the drill holes, we expect to have success on the other side of it. That's going to continue. Our exploration dollars for the year will be about $8 million to $9 million, which is a little bit lower than what the original profile was. Capital is basically in line with the 2019 projection, or guidance that we had out there.

All in all, I know it's a longwinded answer, our balance sheet should be strong, and everything will change once we have a Terronera decision.

MARK REICHMAN:
That's very helpful. Thank you very much.

BRADFORD COOKE:
Thanks for your questions.

OPERATOR:
Once again, if you have a question, please press star, one. Our next question comes from Heiko Ihle with H.C. Wainwright. Please go ahead.

TYLER BISSET:
Hey, this is Tyler Bisset calling in for Heiko. Thank you, guys, for taking our questions.

BRADFORD COOKE:
Oh, thank you for calling.

TYLER BISSET:
In your MD&A, you stated that direct operating costs are estimated to be in the range of $90 to $100 per tonne, and achieving the operating costs is predicated on the ability to meet mine output. In the second half of the sentence, is that a placeholder, or are there real specific factors that Management is worried about, and if the latter, can you maybe provide some additional colour on the not so obvious factors the firm is currently grappling with?

DAN DICKSON:

Yes, sure, Tyler. I mean, is it a placeholder? I mean, I guess it partly is a placeholder. At the end of the day, in our MD&A and our AIF, we have standard risk factors, and in mining, as much as we've got experience in dealing with our operations—we've been at Guanacevi for almost 15 years and Bolañitos for 12 years—there's always things that come up that change. When we put out our guidance, we take in everything that we consider, but everything is an estimate, and ultimately, tomorrow, we could wake up and additional rainfall in the Guanajuato area during rainy season can impact those costs, or a labour issue arises and that impacts those costs. We had a rock fall and, unfortunately, the end of June, we had a fatality, and that impacts our output in any given month. So, you kind of want to put that placeholder in there, because, quite frankly, we open up ourselves to shareholder discontent if we miss on our guidance, and guidance is a difficult thing to put out, it puts a target for us, and we have that, but as much as you can estimate, there's one thing that you can be sure about an estimate, that it's going to be wrong, because so much more comes up.

TYLER BISSET:

That makes sense, thanks very much. Your IVA receivables are still sitting at about $14.2 million, and this breaks down into $4.7 million for El Cubo and $6.5 million for Guanacevi, which gives us $11.2 million. So, two questions there. Is the remainder just considered to be non-recoverable, and if so, how much longer will it stay on the balance sheet; and on the same token, given that the balance sheet is mostly unchanged from the end of the year, when total IVA balance was $15.4 million, at what point do you think the government will actually start sending meaningful refunds to you? One would think that in the current geopolitical climate they'd want to be seen as friendly as possible to the mine industry.

DAN DICKSON:

Yes, IVA's always been—the ebbs and flows of IVA change, depending if Mexico has the cash flows to pay it back. You're right to look at our segment disclosures to see where that IVA is sitting. Compas' IVA's are growing the most, on a percentage basis, and that's a function of we haven't collected a lot from the Zacatecas state government. Sometimes, it's just educating the bureaucracy of what mining does and building that relationship.

We've submitted all our IVA claims in Zacatecas for that $3.5 million, and we spent six months providing support for it. Ultimately, we expect to receive that IVA. If we don't deem it to be collectible—and there are instances in the past where we've written off $600,000 of IVA or $100,000 of IVA, we've taken that approach, but we believe all this is collectible, and we have legal means that allows us to go through the courts to collect that.

In Guanacevi's case, where you noted that we have $6.5 million, $5 million of that relates to 2015. We've actually collected the IVA from 2017 and 2018, and part of 2019 is still remaining, but that's all relatively current. We have about $4.5 million that was denied by the Mexican government, what we believe is unfavourably denied, because they deemed some not to be collectible or just didn't understand the mining, and we won those in court. The government has six months to pay it back, and I think we're about month three or four of that. So, we actually should see an inflow from Guanacevi of about $4 million.

But, for the 12 years that I've been with Endeavour and working in Mexico, we've seen that ebb and flow. If you look back, we actually peaked at $22 million of IVA last year, and we've actually driven that down to $14 million. The run rate that should be there, it should be about $8 million to $10 million, give or take.

BRADFORD COOKE:
Per year.

DAN DICKSON:
Give or take at any given time.

BRADFORD COOKE:
Right.

DAN DICKSON:
Basically, we're paying out our value-added tax and we should collect it, but that balance will sit about $8 million, $10 million, which is the three/four months of timeline it takes to turn that over.

TYLER BISSET:
Perfect, that's super helpful. Thanks for taking our questions.

BRADFORD COOKE:

You're welcome, and just maybe I could add to Dan's answer, that we do receive IVA refunds every year. It's not like they're just stuck there forever. This is a not a static account balance, it turns over every year. It's just that because you do filings every month, every quarter, some filings are readily accepted and you get the money back quickly, some filings are not readily accepted and you have to fight for them. I think that Dan's point that we took the account balance from $22 million down to $14 million in the last year actually shows that we're making headway, and the normal balance would be like $10 million, so we're about $4 million offside on where we think we should be. That's not such a bad thing in the context of where Mexico is at with the new administration and all new people in the tax collection group, and the need of mining companies to educate these new appointees on how the system works.

TYLER BISSET:

I appreciate that colour. Thanks, guys.

BRADFORD COOKE:

Okay. Thank you for your questions.

OPERATOR:

This concludes the question and answer session. I would like to turn the conference back over to Bradford Cooke for any closing remarks.

BRADFORD COOKE:

Thank you, Operator, and thanks all for listening. It's not easy to report a crappy quarter, like we did for Q2, but at least it's improving on our Q1, and we see significant improvements quarter-on-quarter moving forward. I think we're going to come into more fun and more profits in our near future. So, stay tuned for our next quarterly call in—Galina, late October?

DAN DICKSON:

Early November.

BRADFORD COOKE:

Early November. All right, thanks all.

OPERATOR:

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