Equinox Gold Corp.
Investor Reception: 2021 Report Card, 2022 Objectives Conference Call Transcript

Date: Tuesday, January 25th, 2022

Time: 7:30 AM PT

Speakers:

Rhylin Bailie
Vice President, Investor Relations

Ross Beaty
Chair

Christian Milau
Chief Executive Officer

Peter Hardie
Chief Financial Officer

Doug Reddy
Chief Operating Officer

Operator:

Welcome to the Equinox Gold Corporate Update.

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

I would now like to turn the meeting over to Rhylin Bailie, Vice President, Investor Relations for Equinox Gold. Please go ahead.

Rhylin Bailie:

Thank you, Ariel, and thank you, everybody, for joining us this morning.

We will of course be making a number of forward-looking statements today, so please do take the time to visit our website and our continuous disclosure documents on SEDAR and on EDGAR.

I would now like to turn the conference call over to Ross Beaty, Chairman of Equinox Gold, for opening remarks.

Ross Beaty:

Thank you very much, Rhylin, and good morning, ladies and gentlemen. Thank you for joining us today.

This is our annual report card. This is our annual statement of what we did in 2021 and what our objectives and numbers are forecast to be for 2022. We're going to be very granular today; we have a lot of stuff to go over, because we're a very big and busy Company right now. This is the fourth year I've done this. We're four years old as of January, and we have come from basically nothing to establishing ourselves as a significant globally-based gold Company with a tremendous growth profile.

Now, none of this growth comes cheaply. It doesn't come easily, it doesn't come freely. This is really a year coming up in 2022 that, for me, it's all about growth, building our new mines, especially our big one in Ontario, Greenstone, and also developing a long-term sustainable future for our other mines, particularly the ones in Brazil, but not to forget the two big ones we have in California, and of course, our Los Filos mine in Mexico. To year, a big investment, and big investment means you're setting the stage for, really, the future of the Company, the long-term future of this Company, as a very scaled gold producer which will offer investors tremendous leverage to gold prices, both on our production side and also on our large reserves and resources line.

With that introduction, I'm going to go through some early slides here, which are going to be sort of the broader-based picture of what Equinox Gold is like today, what we're going to be doing this coming year, and then I'm going to turn it over to Christian Milau and his Management team for a lot more granularity on details of each project and what's going on in 2022 vis-à-vis our guidance.

The first slide I want to talk to—Rhylin, were you going to talk about cautionary notes?

Rhylin Bailie:
We already did that. You can go ahead.

Ross Beaty:
Okay, very good. I'm going to start with Slide 3, and I call this the fastest-growing gold Company because I think we are. We've come from, really, a standing start at the beginning of 2018; we had no production. We had a development asset in Brazil, another one in California, and we've grown into a diversified gold producer. We have seven mines today, and we have a clear path to produce more than one million ounces of gold annually, which is a very, very ambitious, and for me, will be a very satisfying result when we get there. Why one million ounces? It's just a number, but it represents scale, and these days investors reward scale with better multiples, better liquidity, a lot more access to capital. It's just good business, and that's why we have that as our objective.

In 2018, of course, was the year that we acquired the Mesquite mine as well. We spun out Solaris Resources, which has been very successful. In 2019, we acquired Leagold. The products are our three mines in Brazil, apart from our Aurizona mine, and the Los Filos mine in Mexico. We also brought in a cornerstone investment, Mubadala, from Abu Dhabi. We're very proud of having Mubadala there as a cornerstone investor, which invested $260 million through convertible debentures and now holds a fully diluted position once they convert those, which will be close to 18% of the Company.

In 2020, we acquired Premier Gold. We did these acquisitions to get us quickly to a large production base with a very large reserve base. We wanted to go quickly to get to scale; that is our business plan, and we are very, very active on that today, of course. We think we've got another year or two and we will achieve this objective, once we complete construction of the Greenstone mine and develop our other assets, as we'll go through today.

This past year, we had construction underway at two new mines, as well as growing a tremendous amount of explorations to necessitate (phon 5:14) more of our reserves and resources. That's the last four years in a nutshell. Today we have assets in four countries: Canada, where we're developing the very large Greenstone gold deposit. It'll produce about just shy of 400,000 ounces a year in the first few years and 60% of that will be ours, so that'll be a very major gold mine as we develop it. Then in Brazil, we have, today, about 346,000 ounces of annual production, and this will grow to just 400,000 ounces when our new Santa Luz mine reaches full production.

In Mexico, this year we have about 170,000 ounces of annual production from the Los Filos mine. We also expect to expand that, in due course, and have some real good growth prospects at that world class mine in Guerrero State in Mexico. Then in the U.S., we have about 155,000 ounces of annual production today, but as we expand the Castle Mountain mine particularly, that should climb to about 300,000 ounces per year.

Between all four of these countries, we have about the same amount of production potential, and that gives us a tremendous, I think, a great balance. They're all good countries; they're mining countries. It also gives us diversification against the normal risks that exist today, both in mining and in social and political spheres. It's this diversified base that builds strength, and I mean, we sought to achieve and we have, I think, got there today.

We have a track record of value creation. We're not growing just to grow. There's no value in that. But if you can grow and create value for shareholders, it's a good business plan. In 2018, the Mesquite mine that we bought for $158 million has already produced more than $160 million in free cash flow, 430,000 ounces of gold, and we've discovered about a million ounces of new gold resources, with, I think, a lot more to come. The Mesquite mine has been a real homerun for us. We acquired it with a two-year reserve. This is three years later, almost four years later, and we have more ounces there in reserves and resources than we started with. It's been a great success, a great value creator.

In 2019, we completed construction of our Aurizona mine, our first mine that we built ourselves. It cost $160 million. It had had quite a troubled history, but we've already produced more than $230 million of free cash flow, we've produced 335,000 ounces of gold from Aurizona, and more importantly to me, we've discovered another 1.7 million ounces of gold resources. This will give Aurizona a long-term future as another cornerstone asset of ours; tremendous growth potential here to build Equinox even bigger and better in the future.

In 2020, as our investors will know, we spun out Solaris Resources. Solaris has been a tremendous success, and I take my hat off to Richard Warke, Dan Earle, and the Management team at Solaris and what they've been able to do to take a copper asset in Ecuador and create a really tremendous world class copper exploration development company. Our stake in that, we retain 30% of this spinout. We invested about $15 million in support in the early stages of the company. We sold $66 million last year, and we have about $300 million more as a portfolio asset, which, at some point, will be crystallized, will be sold, and we will be able to use that money to develop our gold assets, which is exactly what we planned when we set out with Solaris Gold as a spinout to our shareholders at the start.

Then we did it again in 2021 when we acquired Premier Gold. We created i-80 Gold, along with Ewan Downie, the CEO, who had been the real driving force behind Premier Gold. Ewan wanted to build a new company in Nevada. We created the i-80 with him. We kept, again, 30% of the spinout. We helped him along at the start, invested about $14 million. He has a really exciting company there; it's got a market cap today of about $500 million, and our 30% is worth about $150 million. I think it's 25% today, it's worth about $150 million. We expect more great things to come from that asset of ours and his company in the future.

We've created this value over the last few years, but the real value, I think, is going to come as we further develop our portfolio, we further explore it, we get more mine life extensions, more resource growth, build a bigger Company. What we've done so far is really, to me, just a model for what we're going to continue to do in the future.

Just in terms of our gold production and our reserve growth, this slide sort of tells it all. Over the years, 2018, we started with our Mesquite mine, a few months of Mesquite, and we produced way less than 100,000 ounces. Twenty-nineteen, 2020, 2021, you can see the growth. Last year we produced about 600,000 ounces. This year, our guidance is around 700,000 ounces, and then during the mid-2020s when we complete the expansion of some of our mines, as we complete the construction of Greenstone, we'll be producing, on a sustainable basis, well over a million ounces per year. Then the yellow line there is the way we've grown our gold reserves. This is exclusive of resources; resources is another, I think—well, you'll see resources in a minute.

Moving to the next slide, this slide I'm very proud of because it really shows the value add per share. That's the most important metric to me, how you can add to value per share. If you look at the left-hand slide there, reserves and resources growth grew 1,000 shares. You can see how that's grown, from both reserves and in resources. I think in 2022, the big expenditure we're spending in 2022 is on making these assets long-term, doing a lot of the capital expenditures that we've just got to make to take these mines into a new generation, taking those resources and moving them into reserves, making these mines longer and longer-lasting, with more value creation for our shareholders.

In terms of operating cash flow growth per share, that's self-evident, and that's a number we're very proud of. Again, production growth for 1,000 shares, you can see here where we're going. We're not growing just for growth sake, we're growing to add value to all shareholders on a per share basis.

We actually did very, very well in 2018, '19, and '20, but to be honest, last year wasn't a great year. Our market actually underperformed last year. Overall, since we started, these numbers are pretty impressive, I think. We've outperformed all the indices, gold and all of our peers since we began, but we had a down year last year which I'm not too proud of. Again, I think it's because we had problems at Los Filos, obviously, that was a significant road bump, but also we had, I think, some concern from investors about whether this acquisition of Premier was the right thing for us to do. It got us this big, big gold asset in Ontario, but it's going to cost a lot of money to develop, and Ontario has not exactly had a stellar record of developing new gold mines in recent years. It's going to be kind of a "show me" story, and we're prepared for that. We've got our heads down and you're going to hear some numbers from Christian and Doug and the team here later on about what we're doing at Greenstone to make that a very successful mine. But I think with this behind us now, I'm looking forward to us getting back to outperforming our peers, outperforming gold, and outperforming the indices, as we've done really since we started trading, in the first three years of our existence.

Really, this is all about is getting to kind of where our peers are, and right now we're not there. We're trading at a much lower price to net asset value basis, based on consensus estimates here. What we think we should be doing is trading much higher up on that price to net asset value metric, because we will have among the highest, by 2024, the highest gold production among all of those peers, we'll have the fastest production growth, and we'll have among the highest in total reserves. We think that, by increasing our production base, as we move forward in the next year or two, we should climb up that left-hand side, which should increase our share price for all of our investors.

We have a lot of inside ownership. I have a large stake personally; I've committed to this Company a great deal, both in money and in time. I'm very pleased with what we're doing with the Company, our strong, strong team, great Board of Directors, support of shareholders, fantastic assets. We have this stellar growth profile. We've got our heads down this year. Twenty-twenty-two is going to be an investment year. We have the capital to make those investments, we have the team to make the investments, and we have the assets. If you look at all of our assets, we are simply pregnant with opportunity. We have the expansion at Los Filos to come, and you're going to hear a lot more about where that stands. It's not happening this year, it's not going to happen until we have more clarity in Mexico on the community side, and we have much more advancement on our Greenstone asset.

In Brazil, of course we're having our Santa Luz mine open up very shortly, just in the next couple of months, we'll complete construction. That's going to be a great growth lever with a long life for that asset. At the Aurizona mine, we have an underground development there that's going to take that mine, I think, and allow it to run for many decades. It's a huge, huge slab of mineralization that goes laterally about four kilometres. Vertically, we haven't hit the bottom of it; I think we've tested now almost a thousand metres from the surface, and it's wide and it's consistent, and I feel that—I think Aurizona's really going to be a cornerstone asset for us.

Then in California, we have the Castle Mountain mine. Currently, it's just a small producer, almost like a pilot stage producer, but it's giving us the information we need to make that into a long-term, much larger producer. We're submitting permits this year to go into Phase 2, which is really the real story at Castle Mountain, to allow that mine to produce about 200,000 ounces a year for a long time.

Then of course, in Greenstone, we have our big Greenstone development. Between Greenstone and Castle Mountain, steady-state production for many more years at Mesquite, expansion at Los Filos eventually, complete development of Santa Luz, going underground and expanding and developing a much longer life for Aurizona. Then potentially, even the Fazenda mine in Brazil has a long life potential. We're finding some tremendous exploration results nearby. We're making that into a district.

When you look at all these together, I think Equinox Gold is really positioning itself to be a major global gold producer, long life, quality. Once we get those capital programs going that we're spending so much money on this year and next year, once we complete these capital programs, we are going to set ourselves up as a long-term dividend producer, great capital gains potential, and most importantly to me, the scale to be of interest to large investors, as well as the scale to offer investors tremendous leverage to higher gold prices. Needless to say, I am very optimistic about gold prices. I think we have a synchronicity of factors today that are bullish for gold, as much as I've seen in my career. I mean, most of them are well-known to our investors. I'm absolutely, profoundly bullish on gold price. I think it will go over $2,000 an ounce this year. Who knows how much higher, but I'm very optimistic we're going to see higher gold prices, as we've seen in recent months.

It's a volatile world; it's not going to go straight up. There's going to be lots of noise. But the overall, if you stand back away from the trees, if you look at the forest, you can see the macro factors in the world today are very favourable for gold. I'm expecting to have higher gold prices, within which environment Equinox will thrive.

With those comments, I'm going to turn it over to the Management team here, and I want to just remind everybody that none of this happens easily. We have a very committed Board of Directors. This slide shows all nine of them, it's a wonderful Board, I'm very proud of the Board. They're diligent, they're hardworking, they support all of our growth efforts. Then, the real depth to the Company is this strong Senior Management team, some of whom you see here.

I think we have about 7,000 people now in the Company, and it's a strong team. We have a strong group of country managers, we have a strong group of mine managers. Our Exploration team is fabulous. I mean, we are doing a wonderful job. You're going to hear a lot about our ESG programs, from Dennis. We have a strong Human Resources team, a strong Engineering team. We really are well-founded right now to take our Company into an entirely new orbit as we develop our existing assets in the future.

I'm very pleased at what happened in 2021, with the exception of the Los Filos situation, it was very disappointing; and I'm extremely excited about what's going to happen in 2022. These people make it possible.

Now I'm going to turn the call over to Christian, who's going to go a lot more granular into individual assets and talk about our guidance, and talk about what we're doing on the ground, really, to develop the Company. I look forward to speaking to all of you a year from now on how we've done in 2022 to set us up for a great future. Thank you very much, and over to you, Christian.

Christian Milau:
Thanks, Ross.

Just to echo Ross' comments there, this is a big investment year, and as he noted there, we've been investing in the people as well as the assets. We've built a great platform, but also the people to carry out that work, and we're very conscious of the heavy workload in front of us over the next two years. As we dive into Page 13 and a little bit more granularity, as Ross said, it was a bit disappointing in 2021 with the share price, but in terms of when we set objectives and our report card, we're pretty transparent on that. Every year, in our Management circular, at our AGM, we basically issue what we plan to do for the year-end, kind of a report card on the prior year. This is our verbal reporting on it.

Looking at Page 13, in terms of operations, I'm really pleased with how we ended out the year. It was tough during that disruption of operations, obviously, at Filos, but we delivered 602,000 ounces of gold; a very strong finish to the year with 210,000 ounces in Quarter 4. That's despite the disruption. We were able to hit the lower end of our guidance for the original guidance at the beginning of the year prior to that disruption, so well done to the team on that front. We increased production by over 25%, and don't forget, we've also sold Pilar during the year and we're in the process of selling Mercedes, so we're seeing a continuing increase in growth in our production despite also selling some noncore assets along the way.

In terms of all-in sustaining costs we are looking to achieve, we haven't issued the final numbers yet, we will in February, sort of the upper half of that guidance for the year. We've integrated Premier Gold assets, so obviously the Greenstone mine being the number one asset there in that portfolio. Health and safety were strong again, and I'll comment on that a little bit further on the next couple of slides.

In terms of development, Santa Luz is tracking on-plan for gold pour towards the end of Quarter 1. Greenstone construction started in October. We had a great initial groundbreaking ceremony there with all the First Nations, the mayor, the Minister of Mines and just a great kickoff for that mine, and a real ground swell of support in the local region.

Los Filos expansion projects do continue on despite the disruptions. We're now mining Guadalupe. We continue to advance Bermejal. It's been slower than planned, and we'll talk about that a bit later.

Castle Mountain, again, the expansion's been brought to light here. It'll be a 200,000 ounce producer for almost 20 years. It's a four million ounce reserve, so that's a big deposit.

Aurizona expansion, as Ross mentioned, that'll be almost doubling the mine life with that extension underground that we've added into the pre-feasibility study, and we'll continue to drill this year and advance the permitting and the work on that. We've extended the mine life, as we've said there, through exploration at Aurizona. We're going to looking at satellite deposits as well. Reserves and resources continue to grow. As well, you'll be seeing some news, hopefully in the next couple of months here, on the Bahia district, which is obviously in-between Santa Luz and Fazenda.

Turning over on Page 14 to the corporate summary, we continue to focus on keeping a healthy Treasury. We've got almost $500 million of liquidity, and we'll touch on that a bit further later on in the presentation. We continue to bolster the cash through noncore asset sales. We've also continued to focus and support our investment portfolio, and we'll touch on those a little bit further later on in the presentation too.

We've completed the accretive acquisition of Premier. We've also focused on responsible mining, and again, we'll talk about that in a little bit more depth here on the next slide, but for us, it's been a quick start, as Ross said, to growing this Company. We've now adopted various standards: TSM, Towards Sustainable Mining, Responsible Gold Mining Principles from the World Gold Council. Our ESG reporting, we had our inaugural report out last year. We put out our first Tailings Management Report. We submitted data on the Carbon Disclosure Project, our Scope I and Scope II emissions are now available publicly.

Also, we've also put a bit more focus on having ESG meetings with investors. Focus meetings, we'll start to have them a bit more widely as well this year, displaying and talking about all the things we're doing well, and also the areas that we need to improve on. As a growing Company, there are definitely some of those areas.

Looking a little more closely on the next slide, the way we think of ESG is it's actually an integrated part of our operations. It really isn't a separate part of our business. It's part of doing good business. The areas that we want to look at, and some good examples are things like energy sources. In the long-term here, we have to set some long-term targets. This year is a year of planning. We're setting an objective of setting those targets by year-end. We know that our trucks, our plants, the energy sources for those are going to be key to reducing our emissions. We're looking at carbon credits; what do we do and what do we impact, and where do we actually create some value in some of the regions we operate in. We're doing, actually, a review of that at the moment as we speak.

We've also, on the environmental side, certified two sites in compliance with the International Cyanide Code. Our safety stats for the year were excellent. We were able to bring those down, despite increasing the number of work hours by almost 50%. We commenced reporting using the TCFD framework, which is a lot of work. We've also been doing projects locally, and one I want to really highlight is we've just actually hooked up to the grid the water treatment plant in the Aurizona village. Just during the floods they had in the first part of last year, we made a big commitment to invest in the water system there. We rebuilt the system, it's a brand new plant. Ross and I were down there actually in October to kind of get a good look at it, and we were able to actually get the community connected to the grid just recently, so right around year-end we were able to get it up and running fully. We're in the process of handing it over to the communities, but that's a really nice investment for an area where access to water is critical.

We've had no production days lost due to COVID. It's been actually the most challenging period probably over the last two, 2.5 years during COVID, most recently during this Omicron variant. A lot less people off sick and actually getting seriously ill, but we've seen a lot more absenteeism, obviously because of the five to 10-day period where people are recovering. But we've been able to weather that and sort of manage shifts and that.

In terms of transparency, as I mentioned, we now are providing a much more regular quarterly database reporting of information on our website. We're going to be reviewing integrated reporting. That's something where I think the future is heading. We provide a quarterly Management, financial statement, and MD&A, but also we'll be providing probably more data as we move forward and as the industry moves to provide that on an integrated basis, but that's in the early stages.

We've created a couple of Committees. We obviously have an ESG Committee, but we actually integrate this whole thinking into our project planning and our operations and budgeting process. We're conducting two human rights assessments at the moment at two sites that probably have the most risk to issues. We just continue to move forward on all fronts, and we'll keep disclosing and providing more and more information.

Now diving into a little bit more detail on guidance, on Slide 16; as Ross said, this is an investment year. We have increased the overall production from just over 600,000 ounces now to almost 700,000 ounces. Really, the key changes there are an increase in Los Filos production; we expect an uninterrupted year and full year from that. We've also added in 70,000 ounces to 90,000 ounces from Santa Luz. If we pour gold in the second half of March here, we've got almost three-quarters of production, so that's a part year for Santa Luz. It's not quite its full run rate production level for this year.

In terms of costs, they are up slightly, and as we'll mention and go through a little bit further, there is some inflation that we're seeing, particularly in fuel and consumables, which we mention in the press release. Overall, our cash costs are up about 5.5% to 6% on a total basis. All-in sustaining costs up a little bit as well, when you look at all the sustaining capital and the investment we're making into the mines. We're very much bifurcated into half one for the year and half number two, and we've highlighted that, and normally we don't provide that kind of granular detail.

We thought we'd provide the guidance for cash costs and all-in sustaining costs on a half basis, because there is a big difference between half one and half two. You do see the costs come down in the second half of the year, with 60% of the production in that half and 85% of the cash flow in the second half, and you do see some of the investment starting to come off, obviously in Santa Luz, investment completes in the first half of the year. CapEx on a non-sustaining basis will be lower in the second half of the year.

Also don't forget, for those of you that had maybe expected closer to 800,000 ounces of production this year, we did sell almost 100,000 ounces of production with Pilar and Mercedes, which we're not including in this guidance.

A couple of assumptions worth just touching on at the very end as well, as we've made assumptions on the foreign exchange rates, the Brazilian real at 5:1; currently it's weaker than that. Mexican peso at 19:1, and currently it's a bit weaker than that, and the Canadian dollar at 1.28, and those are baked into our assumptions.

When you dive into Page 17, I think it's worth a little bit closer look at the investments. I won't go through all the detail. We're spending about $36 million on exploration, and you can see the breakdown of that in the words and the detail. A lot of that is non-sustaining, growth sort of capital; it will be spent on areas that are close to mines or greenfield areas that are within the regions that we operate.

We're also looking to invest in our mines. Filos, we continue to strip and to develop and do the work that's been delayed over the last couple years to open up these new ore sources. Mesquite's a big year, again, we're investing in VE2. It's a big open-pit, waste stripping of about $44 million; that alone is $300 to $400 an ounce of addition to our all-in sustaining cost, but that will pay off in the coming year in 2023.

Castle Mountain, we've decided to do the full leach pad expansion, so we've committed to $7 million of capital, which will be the rest of Phase 1. Most of that will be done in the first half of this year, so you do see some benefits going from H2 onwards.

Aurizona, we're stripping, we're putting in the pebble crusher as we move into a little bit harder rock and more fresh rock this year. We're also finishing off a tailings dam lift, and we're also going to be permitting and working on a second tailings dam as we see the extension of that mine life to 11 years and a great future there.

RDM, we continue on with tailings lifts. We're also putting in a tailings thickener, so we're looking to reduce the water that we put back into the environment and actually recover more and more of that water.

Santa Luz, as we get into full-scale mining here, we'll be stripping and lifting the tailings dam. In terms of a non-sustaining basis, we continue on with some Los Filos expansionary capital, as we've been doing in the past. Castle Mountain Phase 2, the permit should be submitted in the next few months here, and Doug will talk about that in a bit more detail. Really importantly here, the Fazenda-Santa Luz district, we're going to put $9 million into the exploration there, so keep an eye out for news on that.

Then the big capital items are obviously the $27 million on finishing off Santa Luz in the first quarter and leaking probably into the second quarter for capital spend. Then Greenstone's the big item, the big new addition here, it's $326 million. A big chunk of that, $700 million, $750 million of our share of the capital spend, there's a big chunk of it this year. Obviously leading into summer, there'll be a peak period where our camp should be full and we'll be doing a lot of spend.

I'll turn it over to Doug to actually walk through the individual assets.

Doug Reddy:
Thanks, Christian.

As Christian and Ross have said, it's really all about the mines and projects. We do have very experienced and professional operations and project teams. They're being managed by very reliable country managers, and we appreciate their work in 2021 and their enthusiasm going into 2022.

We'll look at U.S.A. first. Mesquite mine produced 137,500 ounces in 2021, with half of the production coming in Q4, just under 67,000 ounces in Q4. It's a solid performer. It will be producing its fifth million ounce in 2022, and this mine has recently surpassed five years with no LTIs, and that's 3.8 million hours worked since the last LTI, so a very safe and reliable mine.

This year we'll be processing almost entirely Brownie open-pit ore and opening up the VE2 orebody. We're going to be permitting and constructing a new leach pad that will support mine life extension, and the 2022 guidance is 120,000 to 1300,000 ounces at an all-in sustaining cost of $1,450 to $1,500 per ounce.

At Castle Mountain, production in 2021 was just over 25,000 ounces, and this is ROM, run-of-mine material going to a heap leach. We will be introducing crushing and agglomeration. That will be to improve percolation rates, increase recoveries at the site. We do have the benefit of this period, as Ross mentioned, it's almost like a pilot mine. We have the benefit of being able to make some changes now to be able to learn and see what can improve overall. We know from history that a coarse crush can improve the recovery and percolation at this mine. Permitting for Phase 2 will be happening this quarter. Phase 2 is an expansion to 200,000 ounces a year. It has over four million ounces of reserves and brings the total project to a total of 21 years of mine life.

We continue with optimization studies, including metallurgical test work and the water well drilling that's been done on the back of the feasibility study that was done last year. We did a gap analysis and we continue to take the opportunity to be able to optimize the overall project. Guidance for 2022 is 25,000 ounces to 35,000 ounces at an all-in sustaining cost of $1,475 to $1,525 per ounce.

Moving onto Los Filos in Mexico; Los Filos produced 144,000 ounces in 2021. Yes, it was a truncated year due to some interruptions, but the continuous operations in Q4 yielded 38% of the ounces in that one quarter, just under 55,000 ounces. Mining has been happening in the Guadalupe open pit and Bermejal underground, but mostly it's development in Bermejal underground with small contributions coming from Bermejal underground as we gradually ramp-up the ore production in Bermejal underground through this year.

We have ongoing development in Los Filos open pit, in Guadalupe open pit, Bermejal underground, and also we continue to get contributions from the Los Filos underground in 2022. I'll note that 90% of our ore tonnes are from the open pit, with 23% of our ounces, so just 10% of our tonnes coming from the underground contribute one-third of the ounces that go to the leach pad at Los Filos. Twenty-twenty-two guidance is 160,000 ounces to 180,000 ounces at an all-in sustaining cost of $1,625 to $1,700 per ounce.

Moving on to Mercedes, our portion, attributable to Equinox in 2021, was just under 32,000 ounces. We reached an agreement late in the year to sell the mine to Bear Creek for $100 million and a 2% NSR and just under 25 million shares in Bear Creek. The transaction's expected to close in Q1. I'll note that we did initiate a development program that's currently underway that we'll open up additional mining areas at Mercedes and enable that mine to be able to increase their annual throughput.

Moving over to Brazil on the next slide, at Aurizona, we produced 135,000 ounces in 2021, with 30% of those ounces, which is 41,000 ounces, were produced in the fourth quarter. That was a record quarter for plant throughput. We are, in 2022, installing a pebble crusher. That's to help deal with increased proportion of fresh ore, and we always knew that we would gradually work our way through the saprolite and even into a higher proportion of fresh ore, so that helps us to maintain our ability to process a higher ratio of fresh ore going through the plant.

We've been advancing the underground study. Things that will happen in 2022 for the underground will be permitting on portals. We will continue drilling on the underground portion of the Piaba trend. As Ross mentioned, it's a very long trend. We developed a PFS with good first pass drilling, and we're going back and being able to pick up on other areas where we can add to that overall resource and reserve, utilizing, essentially, the same infrastructure that's already been designed for the PFS. We will continue with ongoing mine planning, and so far we've gone from an initial life at Aurizona of six years; now we're at 11 years life of mine, with a peak of 160,000 ounces a year, as seen in the PFS. We'll be working on updating that as we move ahead.

Exploration, it's a very large property, and we have targets immediately beside our known deposits that we're mining, but also very nearby on other targets such as Tatajuba. We have more regional targets on this property that Scott Heffernan and his team will continue to explore in 2022. Guidance at Aurizona for the year is 120,000 ounces to 130,000 ounces at an all-in sustaining cost of $1,175 to $1,225 an ounce.

At Fazenda, we produced just over 60,000 ounces for the year. The emphasis in 2022 is going to be on underground mining. We have done a very good job of year-on-year reserve replacement. A technical report came out in 2021 which shows that each year, our programs have been designed for reserve replacement and they've been bang-on with replacing everything we mine. The big change in 2021 was to step out and start exploring the belt between Fazenda and Santa Luz. As Ross mentioned, it is a very prospective Greenstone belt. We have lots of targets, and the Exploration team has been progressing really well on that. Guidance for 2022 is 60,000 ounces to 65,000 ounces at an all-in sustaining cost of $1,200 to $1,250 per ounce.

RDM produced just under 59,000 ounces in 2021. We continued with the large stripping program that's been happening at RDM, and during the year, we incorporated a new geotechnical model in the mine design which enables lower overall waste and some higher grades being mined in 2022. Twenty-twenty-two guidance of 70,000 ounces to 80,000 ounces at an all-in sustaining cost of $1,350 to $1,400 per ounce.

Now we move on to one of our construction projects, Santa Luz. Commissioning is underway. This is a past producing mine. It involved refurbishment of some of the existing infrastructure. It already had the power and water to site, but we've been retrofitting a lot of the facility of that site, including many changes in the processing plant. The initial construction CapEx was $103 million. We're 90% complete.

We're well advanced on the crushing area. We're commissioning in leach circuit and SAG, ball mill, and secondary grinding areas. Mining commenced in June of 2021, and we're looking at the mine producing 110,000 ounces a year for the first five years, 95,000 ounces a year for life of mine. This project is on-time and on-budget, and the first gold pour is planned for late in Q1. Our guidance for 2022 is 70,000 ounces to 90,000 ounces at an all-in sustaining cost of $975 to $1,050 per ounce.

On the next slide, you can see some photos of the leach tank area, SAG and ball mill, crusher area on the right-hand side. There's lots of photos and a time-lapse video on our website. I encourage you to have a look at that, and you can see the progress on the site. It's been going very well and the team is very focused, and we're very proud of the progress that they've been making on this project.

Moving on to Greenstone; construction's underway at Greenstone. We are building one of the largest gold mines in Canada, and I often think that it's not fully recognized for what it is. This is being developed by Equinox at 60% and Orion is 40%; 5.5 million ounces. It's a conventional open-pit and a CIL plant; five million ounces of gold production over a 14-year life, and it will be producing 400,000 ounces a year for the first five years, and more than 360,000 ounces for the life of mine, per year, and has lots of additional exploration potential within its belt.

It has excellent infrastructure. It's adjacent to the town of Geraldton, it's on the Trans-Canada Highway. We have very good community support; all of the Indigenous agreements are in place, and we have very good support from our First Nations and Métis partners. We're looking at a two-year construction period overall and with six months of commissioning, and the first gold pour is targeted for the first half of 2024.

If you look at the next slide, you can see a photo, obviously, on the left-hand side. That's a photo of the camp before the snow flew, so that's in the fall. There's several photos there of the water treatment plant that's in place, and also on the snowy photo on the right-hand side, that's the site prepped for the plant area, the reagents area, offices, etc., so a lot of the earthworks have been undertaken in the fall. I'd say that's been progressing very well, as well as work on the TSF area. The bottom right photo of a group of people who look a bit chilly were doing the groundbreaking ceremony. They're representatives from Equinox and Orion, our First Nations partners, the Métis nation and our local community. I'll say that this project is well set-up and we were over 85% complete on engineering at year-end.

Going onto the next photo, looking principally at the capital costs, on the left-hand side is a breakdown of our total initial capital costs, US$1.2 billion. The CapEx was updated in Q4 of 2021, and it's reflecting the firm supplier quotes following detailed engineering, and also doing a review of the CapEx. We've increased the contingency with a provision for inflation and potential COVID impacts. We're at $1.23 billion in initial capital, that's 100% basis; $50 million spent to-date. That includes the overall CapEx estimate, includes $170 million in contingency. That's about 14% of initial capital. It includes $125 million for the mining fleet, of which $100 million could actually be leased and reduce the upfront cash spend. It excludes any contribution from preproduction revenue, and about 80% of the initial capital is Canadian dollar-based.

I think our estimate at the end of the year was about 25% in fixed price commitments on steel structures and equipment and a total value of about, 40% of the CapEx was already committed. We've got a good handle on where we're going on the CapEx already.

CapEx timeline, this is 100% basis. For 2021, there was $110 million focused on engineering, workforce, the camp, the water treatment plant, TSF and plant earthworks. Some of that was early works and some of that was part of the initial CapEx. Then 2022, $540 million being spent on process plant, water and tailings management, so a lot of earthworks involved in that; power and electrical, the new infrastructure, repositioning of existing infrastructure, including the highway that runs across the project, and investment in the mobile equipment.

As we move into 2023, there's about $450 million that's focused on the power, tailings, and process plant, and then 2024 will be the remaining spend for construction and commissioning.

I think with that, I hand it back to Christian.

Christian Milau:
All right, thanks, Doug.

I just have a couple of slides just to wrap it up before Q&A. Looking at Slide 26, obviously we've got a solid balance sheet we continue to emphasize. We ended the year with just over $300 million of cash and a couple hundred million dollars still available on our revolving credit facility, so almost a half a billion dollars in liquidity. We're also sitting on almost a half a billion dollars in investments, being

Solaris, i-80, Bear Creek, and Pilar. We continue to advance our cash flow metrics as we increase production. The gold price has been holding steady at $1,800, so our all-in sustaining margin is over $300 million, or at current spot price, almost $500 an ounce. Really nice, solid balance sheet to deliver on our funded growth.

When you look at the final slide, really, the 2022 objectives, again, it's a year of growing the business, investing in the assets, focusing on the operation, so continuing with health and safety and ESG metrics and disclosure, hitting our 600,000 ounces to 700,000 ounces of gold production at the cost we set. Really continue to execute on the ramp-up at Santa Luz, bringing it in on-time, on-budget, advancing Greenstone on-plan. It's a key summer this year to get lots of work done. Expansion at Castle Mountain, really it's early days, but submitting that permit application in the next couple of months here, completing the CIL study on Los Filos. A little less urgency to that as Ross mentioned in terms of timeline, and also continuing the Aurizona underground development. Exploration will continue to get a lot of attention in the region and around the mine sites to extend mine lives. Corporately, we want to complete the Mercedes sale, support our investee companies, and continue to be opportunistic on the M&A front, but really, we're focused on internal execution and developing our assets.

Just as a summary on the very last slide, Slide 28, to highlight things, we're executing on our growth plans, we've got massive leverage to the gold price with a 16 million ounce reserve and 30 million ounce resource base. There's an excellent opportunity, really, here to buy funded growth in a really supportive, well set-up gold environment. We think it's an attractive price and a good multiple in terms of an early point. This is a Company on the way towards a million ounces of annual production per year. We set that ambition early days when we started building this Company, and we're well on our way to executing on that. Really, right now and the next 18 months to two years is about putting our heads down and delivering on the things that we're setting in terms of targets and getting Greenstone up and running, particularly by early 2024.

I think I'll end it there and open it up to Q&A.

Rhylin Bailie:
Perfect, thank you.

Operator, can you please remind people how to ask a question?

Operator:

Certainly. Once again, if you are participating through the webcast, you can submit a question in writing by using the text box in the lower left corner of the webcast frame. If you are listening by phone and wish to ask a question, please press * then 1. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press * then 2. We will pause for a moment as callers join the queue.

Rhylin Bailie:

Thank you.

While we wait for people on the call to join up, I'll ask a question from one of our online listeners. Can you please give us an update on the all-in sustaining costs? We had hoped they would come down this year but they came to be around the same range or higher.

Christian Milau:

Yes, I'll give an overall summary to that. What we've seen, particularly in certain regions, is things like fuel prices and assume those would come up quite a bit, and I think we've used an estimate, an average of about 15% in a couple of places. I'm going to use California as an example. It's a free floating fuel price. We've seen it basically double over the last 18 months.

We're battling those increases in consumables and some of the input costs. One of the things we are doing also to try and combat that is putting in place a global purchasing initiative, and we're actually looking to fill a role here in Vancouver, which we'd be looking to bring together all of our purchasing. We're buying cyanide at seven mines around the world, but at the moment they're all buying on separate contracts, effectively. If we can start to bring together some of that purchasing power, I hope that we can sort of combat some of these costs, but right now we've factored that into our increases.

A couple of other items as well, I'd say labour is lagging behind that. It's probably not increasing at the same level as consumables. We're investing in, particularly at Mesquite, there's a $44 million sustaining capital program to open up VE2, which we'll see the payoff in 2023. That has a contributor to Mesquite costs being a little elevated. To be honest, at Los Filos, as we've unfortunately not been able to put in place the CIL plant yet and we're still opening up the Bermejal underground that has higher grade source of ore, that is a little bit of a higher cost producer right now. One of the goals there is ultimately advancing it to putting in place a more efficient operating plant that will allow us to process the higher grade, ultimately at a lower cost.

It's a combination of inflation, a couple of investments, and then ultimately, longer-term, getting Los Filos down and bringing into line Santa Luz and Greenstone, which are going to be lower cost producers, and bring down our average costs over time. It's an investment phase right now in the portfolio.

Rhylin Bailie:
Thank you.

We can go ahead and take some calls from the conference line, please.

Operator:
Certainly. Our first question comes from Anita Soni of CIBC World Markets. Please go ahead.

Anita Soni:
Hi, thanks for taking my question.

I just wanted to go over 2023 and what's built into your growth slide where you show mid-20s and where you get to over a million ounces. If you go back to Slide 6, showing that last bar on the right showing mid-20s, can you tell us what's embedded in that and when you plan to start spending on Castle Mountain and on Los Filos CIL? I know you've said that you won't be spending until you get some stability, and certainly after the major Hardrock CapEx is behind you, but if we could get an idea of the timeline, that would be appreciated.

Christian Milau:
Yes, I think the way to think of the portfolio is we've got our baseline production of the seven producing mines at the moment, give or take, 700,000 ounces of production. That'll be the core part of the portfolio. Then obviously, Greenstone will come into production in the first part of 2024. That'll add, give or take, 240,000 ounces, 250,000 ounces to our attributable portfolio. We've also got the Los Filos expansion. Right now it's producing 160,000 ounces to 180,000 ounces, has a chance to do 300,000

ounces to 350,000 ounces, but as we've said, we probably won't invest in that while we're building Greenstone. Maybe we do towards the end, depending on the stability and the timing and that, so you could be starting to invest in that as you're finishing off Greenstone.

Then with Castle Mountain, the expansion from roughly 30,000 ounces to 200,000 ounces, that'll be permit-dependent. We'll submit that permit application around the end of Quarter 1 this year and that'll take, I'm going to say two to three years, but let's use three years as the outset. That permit would come in a bit after we are finishing off Greenstone, so you wouldn't start investing in that until probably a year after Greenstone's done. That production will come in on a lag basis, a couple years after Greenstone's up and running.

Really, it's those additional production bases from the expanding Los Filos, adding Greenstone and then adding Castle Mountain expansion.

Anita Soni:
Okay, and when you look at these two projects that you have beyond Hardrock, how would you prioritize them? Say the Castle Mountain permit comes in at two years. Would you accelerate that one over Los Filos CIL?

Christian Milau:
At the moment and the current situation, that's a possibility. The challenges there, the CIL needs to be built to make that a more efficient mine that we envisage. There's a little more uncertainty with the timing, so I agree, if it came in sooner, it's likely that we'd look at Castle as a potential earlier project if it came in earlier.

Anita Soni:
Okay. Then a last question and I'll pass it to others to take some questions, is in terms of your sustaining and non-sustaining capital, are there—and outside of the spend that you've outlined at Greenstone, can you give us any major drivers of what the sustaining and non-sustaining capital will look like in 2023? I know Ross mentioned in his opening comments that there was a lot of investment in the next two years, so I'm just trying to get an idea of, is this the level of investment we'll see, given the Greenstone investment's pretty similar? Is this the level of investment we'll see in the mine next year as well?

Christian Milau:

Obviously, we don't have exact figures at this stage. I think we're going to see a fairly steady state from the longer operating mines. Mesquite will be a little lumpier. We haven't set up that capital yet for 2023, but it may come down a bit if that waste stripping tails off a bit, because we're putting almost $45 million into VE2 this year and you'll see the benefits of that in 2023. But it also depends on how we convert any of that resource to reserve and whether there's any stripping related to that, which I don't have visibility on today. There's a potential for that to come down.

I think with Filos, you're going to see, certainly, obviously, Guadalupe, we're now into the guts, I'd say, of the orebody. You're going to see less stripping there, but you're also going to see Bermejal up and operating and a better, more run rate state in 2023 as well, so some of that sustaining capital and non-sustaining will probably tail off a little bit into 2023. Aurizona, we're making a fairly big investment into stripping and into the new tailings dam, so we're overlapping almost two tailings dam in 2022. There's a potential for that to tail off a little bit as well, but probably mildly less than we're currently operating at.

Anita Soni:

All right. Thank you.

Operator:

Our next question comes from Kerry Smith of Haywood Securities. Please go ahead.

Kerry Smith:

Thanks, Operator.

Christian, I just have a couple of questions. One, just notionally on the timing of the funding for 2022. You've got, notionally, $700 million of growth in sustaining CapEx, and you've got $100 million coming from Mercedes, you've got $200 million on the revolver that's undrawn. Then you've got $300 million of cash. I was just wondering about the timing of the outflows versus the inflows with the cash from the operations, and the cash from the sale of Mercedes. What would be the minimum cash balance that you would want to maintain on the balance sheet? I'm assuming it's probably got to be $200 million anyhow, so I'm just thinking about the timing of inflows and outflows this year to fund the heady CapEx spend.

Peter Hardie:

Hey Kerry, it's Peter Hardie here.

Kerry Smith:

Hi.

Peter Hardie:

With respect to your latter question on minimum cash balance, we seek to maintain a minimum cash balance of $100 million. Then with respect to the timing of the capital flows, it is a front half of the year weighted year. Part of that is due to Santa Luz. We're completing construction there, and then of course, it comes online after Q1 and then has a full half-year of production in the second half of the year. That contributes to operating cash flow, and why operating cash flow is weighted into the second half of the year.

Then with respect to Greenstone, that's fairly steady state throughout the year, if you're trying to model that out. Then on the other operations, at Aurizona there's seasonality, so it winds up—it's always weighted in the latter part of the year, generally speaking, when it's dry and ground conditions are good to do some of the sustaining work that is typically done every year. Then for the remaining mines, the CapEx is weighted really into the first six to eight months of the year.

Kerry Smith:

Okay, okay, so probably we would maybe expect to see you draw on the revolver, the rest of the revolver, sometime in the first half, I guess. Would that be fair?

Peter Hardie:

Yes, maybe middle of the year depending on timing, but yes. It's pretty typical; we budget for when activities will happen. They always happen with a—generally speaking, as you know, in operations, they tend to happen a little bit slower than you would otherwise expect with respect to the actual expenditure. But yes, I think saying that we'll be drawing in the revolver in the middle or later in the year is fair.

Kerry Smith:

Okay, okay, that's helpful. Thank you, Peter.

Then just on the comment that you made in the press release on the crushing and agglomeration circuit that you're putting in at Castle Mountain for Phase 1, does that have any implications for the CapEx for the Phase 2 project, or is this really something you're doing just for Phase 1 and not likely to be utilized in Phase 2?

Doug Reddy:
As I said, we're doing this because we have the opportunity to be able to improve percolation and recovery and we've done some additional met test work, some gap analysis work, post-feasibility study. We see opportunity and optimization, so that is why we want to do this on a larger scale and see if we can improve Phase 1. If it works out for Phase 1, and of course we have—the prior operation was doing a crush and agglomeration. If we can do a coarse crush and it improves things, then we would look at that for Phase 2 as well. It is a natural thing given that we have the opportunity to be able to do this on the scale that we'll need for a real world test rather than just large diameter columns, to be able to see how it works out. We believe this will make a difference for this coming year.

Kerry Smith:
Okay, and the intention, Doug, is to use it in Phase 1 for not just historic stockpiled ore, but also for fresh ore. Is that correct?

Doug Reddy:
We intend, principally, Phase 1 is nonmaterial, but we do intend to do some tests on some in-situ material as well. That would be really good.

Kerry Smith:
Yes, okay. Got you. Then at RDM, this new geotechnical model, you're just steepening the walls up. Is that likely to carry over for the remaining years in mine life, so we will see a lower life of mine strip ratio at that project? Is that the expectation then?

Doug Reddy:
Yes.

Kerry Smith:

Okay. Okay, great.

Doug Reddy:

This year, it's less so in future years, but it's a change in this year. It gives us that little bump in 2022, but it does alleviate some of the strip in future years, some of the stripping ratio in future years.

Kerry Smith:

Right, and can you give any guidance as to what the new life of mine strip ratio might be for that project then?

Doug Reddy:

Not off the top of my head. I'd have to go and look that up.

Kerry Smith:

Okay, no problem. Then last question, just on Aurizona when you install the pebble crusher, will that have any impact on production, or can it be tied in without really disrupting the current operation?

Doug Reddy:

We actually have talked about installing the pebble crusher last year and looked at the feed that was coming in and the blending that was coming in. As I noted, we had a record throughout in Q4 of 2021. Knowing that we are gradually increasing our ratio of fresh to saprolite, we felt that now is the time to put it in, and obviously, in the future, as we move towards a contribution, eventually, from underground ore, which is all going to be fresh, it will be very important to be able to have that already in place. Now is the time to do it.

It's not going to increase, it's to maintain. It's all about being able to have the blend. If you went to 100% fresh ore, yes, you'd probably reduce your throughout rate a bit, but also keep in mind if you're doing underground ore, you're also getting higher-grade material. It's always going to be about achieving the right blend for throughout, and also feed from the different sources.

Kerry Smith:

Okay, okay, that's helpful. Thank you, Doug.

Doug Reddy:

No problem.

Operator:

Our next question comes from Wayne Lam of RBC. Please go ahead.

Wayne Lam:

Hey, good morning, guys.

Doug Reddy:

Good morning.

Wayne Lam:

Just a question at Mesquite; you guys just finished up a big strip program to open up to the Brownie pit last year. Then this year, you guys are investing in the stripping at VE2. Just looking out to 2023, do you expect that to be a year of significantly lower waste stripping? Just trying to understand what the resource conversion you're seeing here, if there's additional deposits that need to be opened up to kind of sustain the mine life, and what a run rate level of cost might be once all these programs are completed?

Doug Reddy:

I would say that, yes, next year would be a lower strip compared to what we were dealing with this year and last year. Obviously, the strip in 2021 for Brownie, in the first part of the year, led to having that large contribution of the ore at the very end of the year. We knew it was going to happen that way. VE2, we're taking advantage of being able to mine Brownie ore in this year, at the same time stripping VE2, so we benefit from VE2 going into next year, so less of a strip next year.

We have added to the resources at Mesquite and we're doing a fulsome review of the future mining at that site. It's a quite constrained mine site, so you're always looking at what areas you can be mining without compromising other areas at the site. The guys at site have been doing an excellent job of trying to manage the competing areas of waste dumps versus open pits, with a lot of constraints on that site. I'd say, beyond next year, it's still being revised and worked on of what we're going to do to try to maintain a lower strip going into 2023 and beyond.

Wayne Lam:

Okay, great, thanks.

Then maybe at Los Filos, looking at the costs, even before accounting for the waste stripping that was deferred into this year, the cash costs look to be about 25% higher versus the initial guidance last year. What's driving that cost increase? Obviously there's some inflation pressures being seen, but how much of that is kind of being attributed to grade, and how should we think about the overall grades or proportion of ore from the Bermejal underground this year?

Doug Reddy:

Well, Bermejal underground is principally development. There's a small contribution from Bermejal underground as mining continues, but really, the main zone for Bermejal underground is Zone 5. In regards to inflation, in Mexico the inflation was about 7.5%, so it's a combination of the factors. Also, the fact that we're running a very large heap leach which involves a lot of consumables, cyanide and lime. Whereas if we had a CIL, it actually is more efficient to run a CIL than to run a very large heap leach, so we would benefit from that, but that's going to be pushed off for a bit.

Christian Milau:

Some of the fixed costs there, I think, unfortunately as it's still a smaller operation, don't get spread across as many ounces. The community payments, for one, for example, are based on gold ounces, so as the gold price has sustained a higher level, there's a higher fixed cost for land access agreement payments and that, and those don't get spread over as many ounces. That's why, ideally, going to 300,000+ ounces will make this a much more efficient operation.

Wayne Lam:

Okay, perfect. Then maybe the last question, you guys have kind of outlined the growth projects ahead. I was just wondering, for the Aurizona underground, how you guys are thinking about that in terms of sequencing. Would that be a brunt to construction during the construction period of Greenstone?

Doug Reddy:

On Aurizona, we completed the PFS already and we're going to be entering into a period of permitting.

We have, actually, several portal areas that we're going to put forward for permitting. We did the same thing when we approached the portal for Bermejal underground in Mexico. While the permitting process happens, I think our estimate is three months to outside of six months, but the pit won't necessarily be in the correct position to be able to start the portal in all three of those areas. We'll see how the pit advances, and by the time we've completed that, we will have incorporated additional drilling and see if our overall mine plan has changed in regards to our portal location to tie into the mine plan that has been in the process of being developed.

Theoretically you could say that you could start the portal development in 2022. Will that happen? I don't know until we get further on with the results of the drilling and see where the centre of the higher-grade material is, because that will determine how we develop. We can obviously access higher-grade sooner rather than mining lower-grade and leaving the higher-grade until later.

Doug Reddy:
Probably minimal, we'll call it, development spend capital in 2022, you probably have a smaller amount as we advance in '23 and then '24, as Greenstone is finishing, you start hitting the higher capital spend, although it's a pretty small project overall.

Wayne Lam:
Okay, perfect, that's helpful. Thank you.

Rhylin Bailie:
I'll take a question from one of our online listeners. We saw some insider selling in late 2021. Can you give some colour on that, and do you, Christian and Greg, still hold significant positions in Equinox Gold?

Christian Milau:
Yes, sure, I'll comment on that. We're coming to, I guess it's been four years since we created Equinox, so I've been with the Company as CEO for over five years. There's an expiry of a number of, as I say, my personal options and my instruments that, obviously, don't extend longer. I did sell a few of those, if you're looking at any insider selling in that sense. I still have a very material stake in this. I actually bought more shares last year as well in the summer, and my personal position is in the multi-millions of dollars. This is by far the biggest investment of my portfolio, so no, there's not a material change in my

position, actually. If anything, it's gone up a bit.

Rhylin Bailie:

I believe some of the insider selling was for people who are renovating and things like that, too, so.

Christian Milau:

Yes.

Rhylin Bailie:

Thank you.

Operator, we'll take a question from the phone, please?

Operator:

Certainly. Our next question comes from John Sclodnick of Desjardins. Please go ahead.

John Sclodnick:

Hey, thanks for taking my question.

Just wanted to dig into Castle Mountain, and just curious on how long Phase 1 can last before going into Phase 2, and yes, just how much reserve you've got left there?

Doug Reddy:

I think we're good for five-plus years. We've already been operating for—we're in our second year. We have additional material that we've not fully put into reserves that's available to us, so we've got quite a run rate, so well beyond, I believe, that would be that outsized guess for permitting.

Christian Milau:

Theoretically, we'd continue at that rate beyond that period, but clearly in that period, we expect to have a bigger mine depth.

John Sclodnick:

Okay, good to know, yes, just curious on how that would dovetail with Phase 2. The rest of my questions have been asked already, so appreciate it. Thanks.

Doug Reddy:
Thanks, John.

Rhylin Bailie:
Thanks, John.

To bring Ross back into the loop, I have the mandatory question that we get on every single call: is there any plan for dividends or share buybacks; would you consider maybe selling i-80 Gold and Solaris in order to buy back in 2x shares?

Ross Beaty:
That's a good question, actually. We haven't really looked at things quite like that. Certainly, the answer to the first part of the question is black and white. We can't wait to take out a dividend. It's going to be significant, it's going to be long-lasting, and I can hardly wait to get there. But we're not there yet; we're putting our money into growth. We really won't be looking at—I don't think we'll be looking at declaring a dividend probably until we finish Greenstone. Unless we see a spike in the gold price, we have better cash flow from operations, or we have a much stronger financial position that gives us a lot of free cash flow beyond what we need for our expansion CapEx and the development projects.

Right now there's nothing in the immediate horizon, but I certainly will look forward to the day we can declare a dividend, and it will happen. It will come and it will last a long time once we complete this period of growth.

On the second question, that's a very interesting one. The answer to the question, I think, was that, why not sell these portfolio assets that are trading at higher price to net asset value multiples than we are and put the money into buying our own shares? I think that there's good merit to that notion if we had spare cash, beyond what we see as our immediate needs for growth to complete our expansion and development projects.

For example, if we had a higher gold price, so we had more free cash flow ourselves for our operations, if we had an outcome from the standpoint of, for example Solaris, if it was sold this year, say, or next year, which I think it very likely could be because it's an attractive development asset to large companies. That is, I think, the business plan of the Company, to divest eventually. We would potentially have more receipts from that kind of sale than we have currently planned. I know there's more cash available for things like dividends and share buybacks. It's an interesting idea and I can imagine there are certain steps that we would actually do that, but for the time being, I think the plan is pretty simple and straightforward. We're going to use those assets as needed to fund our growth and look at the opportunity for them to rise in value. If there is a point in time that we think the price is higher than—fits us with other strategic objectives, then we'll do that kind of thing. It would be an interesting exercise, if and as it, when it happens.

But more than that I really expect that the multiple on Equinox shares will rise so that we won't have this discount that we see today. I hope our investors realize that we are a very, very well-valued Company today, a very good investment opportunity today, and that will ultimately, during the course of 2022, result in a rising share price and elimination of that discount.

Rhylin Bailie:
Thank you, Ross.

Operator, you can take another question from Anita on the line, please.

Operator:
Our next question is a follow-up from Anita Soni at CIBC World Markets. Please go ahead.

Anita Soni:
Yes, I just wanted to ask in terms of your policy on—sorry, I lost my train of thought there. I was just going to ask in terms of the inflationary pressures that you're seeing at Hardrock. When do we expect to do an updated study on the Hardrock deposit? You bought it from the junior and I think you probably, given the amount of CapEx that's going to be invested into it, wanted to re-evaluate, from a ground-up perspective, what the assumptions were. I know you did an update on the overall CapEx number but I'm just wondering if you are going to re-do that study at any point?

Doug Reddy:
The study was delivered at the very start of 2020. When we took over, we did a thorough review on the

study. I'll applaud the team that's been on the project for over 10 years, some of them have been with the project, and done a really good job of bringing it up to a high standard. We've really dug deep into it. We've had lots of discussion about the contingencies and escalation. As I noted in the presentation, we've been through a Q4 review of the CapEx. There's no intent to go and update the study, essentially, we have updated the CapEx overall.

Anita Soni:
Mm-hmm.

Christian Milau:
As we get closer to production, obviously we'll put out some estimates on operating expenditures and the plan for wrapping that up.

Anita Soni:
All right. Thank you.

Rhylin Bailie:
Okay. We've got Mike Parkin, one of our analysts online, asking about our plans for annual reserve updates going forward.

Doug Reddy:
I'm sorry.

Rhylin Bailie:
Okay.

Doug Reddy:
I was just double-checking the number on one of the prior questions.

Rhylin Bailie:
Mike Parkin, one of our analysts, is asking about our plans to do annual reserve updates going forward.

Doug Reddy:

Yes, we'll be doing the update and it will come out—we target the middle of the year for—so it'll come out in Q3, updating for midyear.

Rhylin Bailie:
Okay. At the moment, we have no more questions online, but I did promise to ask a question on behalf of a couple of our investors that have been asking about this, and this is another one for you, Ross.

What can Equinox Gold or the gold industry do to sort of remind the Millennials or the younger investors that gold is a great investment? We're losing out to Bitcoin and CAC. What can we do to better position the industry?

Ross Beaty:
Good question, another good question from the online listeners. This is something that's been vexing me as well. I've been watching the macro environment in the last few years that I have thought should result in higher gold prices than we see. Gold, of course, has gone up, it's been pretty good, but it should have done better. I expected gold sales to $2,000 and up a couple years ago, it bounced, it nudged it and then it went back, and then it's been—things were bouncing around, flopping around the $1,800 level since then. It's a disappointment to me. I really thought that the inflation that was pretty self-evident, that was going to be coming into the world, it would be—and it has now—now everybody has admitted it there, would have resulted in higher gold prices. I would've thought that the geopolitical situation that's going on in the world would have resulted in higher gold prices than we see right now, and I would've expected this based on the things that I've seen that have happened in my career, in the mining industry and in the investing world the last 30 or 40 years.

While gold has done okay, it should have done better. I'm constantly challenging myself on why this is, and I think clearly, the move into cryptos has affected it, for sure. I think cryptos have certainly had some bites taken out of their roar in the last… There certainly have been—the price of Bitcoin hasn't done very well, and the cryptos haven't done really well recently, whereas gold has held its own in the last few months. Maybe that is going to affect some of the Millennials who are investing in cryptos. Maybe it's not the great investment it's been lauded to be.

But I think the question's point, about is there anything else we can do to bring more investment into the gold space? Should The World Gold Council be looking at new things that should be done to remind

Millennials of the historic store of value that gold has always had, the uses of gold, the beauty of gold, and the part in everyone's investment portfolio that gold should play, both the novel and also gold equities. It's definitely something that we have to think about, and I would say it's going to give us food for thought in this coming year. If gold continues to outperform against cryptos, that's going to be one data point that I think will be able to be said quite resoundingly, that it is an abiding store of value and an abiding investment product.

If we see gold outperform major markets, particularly the tech stocks that have done so well in recent years and have now started to crack. If we see gold outperform against the S&P 500, the Dow, the U.S. dollar, all of these things which we should see if gold behaves like it has behaved in the last 20 or 30 years. Then I think we're going to convince Millennials that gold does have a place in everyone's investment portfolio, as it has for many, many decades. I think that's what I look forward to.

Watch this space; I think in The World Gold Council and gold groups like that, we'll try to figure out ways to remind Millennials of the importance of gold, the role it has as an investment product and an historic value, and I think we could see more inflows into gold if we are successful in that. It's not just Millennials, it's generalist investors of all kinds, and many institutional investors as well. We just simply have to see, I think, some changes in the overall major markets to get people to be thinking about gold again. I think that's happening today; I expect that trend will continue and I look forward to it. That's the short answer.

Rhylin Bailie:
Thank you, Ross.

Okay, we're coming up on the nine o'clock mark so I will hand it over to Ross and Christian for closing remarks.

Ross Beaty:
Nothing more from me. I thank everyone for their time and patience today and hope you understand a lot more about our Company than you did before, and look forward to watching us as we continue with 2022 development.