Equinox Gold Corp.
2019 Corporate Update Conference Call Transcript

Date: **May 1, 2019**

Time: **2:00 PM PT**

Speakers: **Ross Beaty**
Chairman of the Board of Directors

Christian Milau
Chief Executive Officer & Director

Operator:
Thank you for standing by. This is the conference Operator. Welcome to the Equinox Gold 2019 Corporate Update Conference Call and Webcast. As a reminder, all participants are in listen-only mode, and the conference is being recorded.

After the presentation, there will be an opportunity to ask questions. 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. If you are participating online, you can submit a question using the Submit Question tab at the top of your screen. We will now join you with the meeting room in Vancouver where the presentation will get underway in a few moments.

Rhylin Bailie:
We are now live. I think we may as well get started. Everybody on the phone is dialed in. Everybody in the webcast is dialed in. I'd like to welcome everybody, please, to the Equinox Gold Corporate Update. Just a reminder, of course, that this is being recorded, so please ask your questions clearly into the microphone, and I also remind you that we will be making forward-looking statements today, a number of cautionary statements, so just a reminder that you should look to our website and to all of our continuous disclosure documents for full appraisal of the cautionary notes.

I'm now going to turn the website over to Ross Beaty for opening remarks.

Ross Beaty:
Thank you, Rhylin, and thank you again, everybody, for joining us today, and everybody who is joining us by web. It's a good chance to update everybody at the same time on what we're doing. We've just put out our results this morning for Q1, and we can talk to all of that on an immediate basis.

This, of course, is the first annual meeting for a whole year of Equinox. This is our very first year of operations in 2018, and it was a pretty busy full year. We did a lot of stuff, and today we're going to kind of go over what we've done, what we achieved, and where we are planning to go in the near term.

I will go over a few things to begin with, and then I'll turn over the podium to Christian Milau who will go into some more depth on things, and then we'll come back for the Q&A.

Just to start, of course, we have this wonderful team, a wonderful operating team and a wonderful Board. It's a solid team. It's pretty much full now. We've got our whole team for the U.S. [operations], pretty much fleshed out our head office team, and we've made the new changes to the Board with Greg stepping off as a Board Member [but] maintaining his position as a key member of the Management Team and President of the Company, Greg Smith, that is. Ms. Sam Drier is joining us as a Board Member. Then, subsequent to today's meeting, Mohamed Alsuwaidi from the Mubadala Investment Company, who just spent US$130 million buying a convertible debenture that will convert into almost 20% of Equinox. He will be joining the Board after today as well.

That's our Board. Eight wonderful, wonderful people. Better governance this year. We have two independent Board Members joining us. Actually Christian, is Mohamed independent?

Male Speaker:
No.

Ross Beaty:
So, just Sam, just Sam on the independent side and Mohamed is dependent because they have a right to convert into a big position. I just have to tell you what a great Board they are. It's been a tremendous team this last 12 months, and I know it'll continue.

Next, so, I'm just going to talk to a couple of just general slides about why gold, and why Equinox Gold, and why now and things like that. I have a conviction that we are in the sort of first, let's say, third or fourth innings of a gold bull market. It really began right about here, January 2016, after five years of down markets in 2011. Now, we are sort of bumping up here when you follow this, any chart will also tell you the next sort of critical thing is going to happen later this year, and we're going to see quite a dramatic push one way or the other, and I'm convinced it's going to be an up push.

The interesting thing is, even though we have sort of the start of a secular bull market, I think, in gold, the junior market, as demonstrated by the Gold Miners Index, has just been nuked. It is disassociated from the gold price, and it is stuck. It's actually in a declining trend as people just lose interest in the gold space, lose interest in the junior space, even though the gold price is actually doing okay. It's not doing badly. It's $1,280 or $1,290 gold, $1,300 gold. That's a pretty good price. Most gold producers are making pretty good money at that price. But the junior space has just been hammered, and this is unusual. It's not likely to last. It will correct either by gold going down or the junior space going up. My bet is that gold price is going to stay static or improve in the year to come, and there's going to be a significant correction upward in the junior gold miners, generally speaking; and inside that space you're going to see outperformance by those companies that have superior growth prospects. I think in that whole space, there's nobody who has better growth prospects than we do.

This is another slide of just how much capital has been taken out of the sort of speculative space that would otherwise have gone into this more speculative junior exploration space, particularly in the producer space, just in the last few years. This is a number of financings that have been done by Canadian precious metal equities. This year, 8, last year 24, raising relatively small amounts of money compared to the last 10 years. I mean, it's just hardly here.

Now, what this means, a lot of has gone into the cannabis space, crypto space. What this means is if there's no capital that goes into the resource space, this means that there's not going to be any new mines developed, any exploration done, and that will have a knock-on effect in production in years to come. If you can't explore, you can't discover; you can't discover, you can't build; you can't build, you don't grow your production. And it's the juniors who make all the discoveries. By and large, most of the big discoveries have been made by smaller start-up companies, and if you lose that discovery space, the majors are all busy buying each other, but they're not actually discovering new mines, and they're not growing that production space that is so critical to keep the industry demands sustained. Gold supply will be ultimately impacted, and that will be another bullish factor for the price.

Let's just go back and see what have we done in the last year? We started basically December 31, 2017, just over a year ago. We started with a development asset in Brazil, a couple of non-core assets in other places in South America, Mexico, the Elk Gold deposit, a small gold deposit in BC, and then this Castle Mountain project. When Equinox was formed from NewCastle and Trek Mining, it brought together two development assets, Castle Mountain and Aurizona. But we had big ambitions to build a big Company.

What were our targets last year? First and foremost, to build Aurizona. We had all the financing in place to build it, we had to go and build it. That meant putting the team together, going down there, getting things going again. It was a brownfields build because, of course, we started with a mine that was in production until just a few years ago; we were just going to make it better. That's really what we focused on for the last 16 months, and we are there now. It's built.

We did a Castle Mountain prefeasibility study. That we finished in July last year. That showed the potential to build a 200,000 ounce a year mine for a 16-year mine life, a big, big mine in two stages, Phase 1 and Phase 2—and Christian will talk a little bit about where we are on that. We also set a target of getting into production quickly. One of the good things for a company like us is that the rest of the sector is pretty hammered. It's in pretty tough shape to raise a lot of money, which means not only valuations are good, but there's very little competition for getting good assets.

We had a competitive situation last year in different things we looked at, a competitive opportunity to buy this Mesquite Mine from New Gold. We were the winning bidder. We got it at a really good time at a really good price, and we think that's going to be a really excellent asset for us over the medium-term. So we achieved that last year.

We set out to monetize some of these non-core assets. The Koricancha Mill sold. We had an option deal to sell the Elk deposit, which we hope to realize on this year. We spun out all the copper assets into Solaris Copper that Christian will talk about in a minute. We hit that target squarely.

And we set out a goal to grow reserves and resources and, again, we hit that metric very, very successfully. The number, when we started in 2017, we had total reserves and resources of 7.9 million ounces. We ended last December 2018 with 12.8 million ounces, a great big step up in the right direction. We really hit every single one of those targets in 2018. It was a very busy year, and this really is, more than anything, what demonstrates the potential for production growth for this Company.

Last year we had one mine, Mesquite Mine, which we had for two months of production [which gave us] 26,000 ounces. In 2019, of course, we'll add Aurizona. It will be there imminently. This morning we expected to pour our first bar, and we had a seal fail or something like that happen yesterday in the process and so much for that. It's been like that for weeks now. We've been imminently about to pour the first bar, and there's always been a little nit that's prevented it. But it literally will be any day now, right Jim?

Jim Currie:
Any day now.

Ross Beaty:
He's never said that before. Actually, he's said that for days. But, anyway, we're basically there in Aurizona. We were really hoping to be able to announce it this morning, but it didn't quite happen, but it's imminent.

Then, of course, the next thing for us to do is to build Castle Mountain. We're hoping to make a construction decision on that in Q3 and get that going by next year. So, very happy and impressive growth and 26,000 ounces [of production]. Zero in 2017, 26,000 last year, approximately 230,000 to 265,000 this year, and next year at least 300,000. Then, really, from existing assets, we have visibility on over 500,000 [ounces], so between 140,000 a year or so from Brazil, plus 200,000 from Castle Mountain, plus 140,000, 150,000 from Mesquite per year, we're at 500,000. But, really, I'm hoping we exceed that a lot.

This excludes—there's a little footnote there that says it excludes the Aurizona underground potential. From my standpoint, that is the real home run at Aurizona, is getting an underground mine there that will produce in conjunction with an open-pit mine and double the capacity at Aurizona to take that number well over 600,000 ounces from existing assets.

That's really our—our focus right now is to continue to build production, continue to grow reserves and resources. The bigger we can make this Company now, the better it will perform, not only if gold is static, but also it will be a standout winner if gold really moves the way I think it will. Why do I think gold will move? I just think we're in the ninth inning of a bull market and other financial sectors. It's on fumes right now. It's been sustained by one-off Tax Reform. It's been sustained by massive amounts of borrowing, both federal, municipal, corporate, personal. The juice is just going to run out, and when that runs out, I think we're going to have a correction in major markets; you're going to see a real big move in gold.

There's a whole bunch of other reasons for me to be bullish on gold. Those are just some of them, but I do see quite a market coming. When it comes, I don’t know when it’s going to happen, it might be next week, it might be in two years, I want Equinox Gold to be best positioned of the junior intermediate mining companies to take advantage of it in terms of reserves, resources, and production. If we have great combinations of those, we’re going to outperform and that, of course, is our objective.

With those introductory remarks, I'm going to turn it over to Christian to go into the weeds a little bit, and then we’ll open up to questions.

Christian Milau:
Thanks, Ross. Turning on to the individual assets and mine sites, I’ll spend a little bit of time on each, but focus mostly on Aurizona because that’s the most topical one today.

Looking at Mesquite being our first producer here, Mesquite was acquired at the end of last year. It’s a long-standing producing mine. It was through Newmont in 80s and 90s and then Western Goldfields in the 00s, and basically, it’s been producing between 120,000, 140,000, 150,000 ounces for many years. It’s produced over 3 million ounces. So, it’s a big heap leach run of mine in California down near the Mexico and Arizona border.

Looking at what it’s done this year and what it did last year or last quarter and what are the plans for this year. So, 25,300 ounces basically for first quarter, a little bit at the lower end. Mesquite tends to start off with a lower quarter in the beginning of the year. I think the last five years it’s done between 25,000 and 33,000 ounces. They stopped stacking in December, for those not familiar with that mine. It has a cap on the number of tonnes it can move, so we actually stop stacking partway through. So, a little bit of catch up in January as we start stacking again.

The other thing that we’ve been doing this year is we’ve been increasing the percentage of non-oxide material going up on the pad. I think it had 10% or 12% last year in the final quarter, and this year it’s been about 50%, 60% in the first quarter. We’ve had a lot more dependence on that. The two things about the non-oxides, you’ll remember if you were back in the New Gold days, listening to them, it is a lower recovery, and it’s a longer leach cycle, so it does take time for that material to come through at slightly higher grade than some of the stuff they’ve been putting through last quarter.

We expect to see, as the year goes on, it will improve. We’re probably at the lower end of where we’d hoped to be at this stage. Costs are reasonable, $873 all-in sustaining cost per ounce. I think our guidance was $950 to $1,000, so not bad there. Revenues, we sold about 27,000 ounces, so that's the revenue of $35 million.

What are we doing this year? Well, a key focus for us since we got involved with the asset was how do we extend the mine life? This was a long in the tooth mine. We didn't pretend it was a Castle with a 16-year mine life to start. Two things that we've been focusing on are there are a whole bunch of mineralized waste dumps from the Newmont days, etc., as well as some leach pad material that's basically got material at similar grade to our current ore. It was mined in a time where their cut-off grade was much higher than it is currently, so we've been drilling that off. We're probably 50% or so of the way through that material. We actually started stacking that material just recently in the last few weeks. Our goal is to actually use that to extend mine life, but also to smooth out any of the [production] ups and downs along the way.

Then also, there are a few exploration targets. We'll be freeing up some extra area in and around our pits and there are some identifiable ounces that we want to explore. We need a few dollars to do that, so Scott [Heffernan, EVP Exploration], who's not here today who is actually in Brazil, will be doing some of that hopefully later this year. Then also there are some new concessions and permits that are in and around the old pit. Some of them are even across the highway that's been moved once by the previous operator. I think there are six new concessions there. We're in the process of trying to permit those. We'd love to stick a few holes in there this year and actually look if this orebody extends across that highway. It's been moved once. All indications are that it should be pretty interesting.

Then the third thing on there is obviously we want to integrate this with Castle Mountain as much as possible. Tom Rinaldi who is here with us today, and if you want to chat, he's here after the meeting.

Ross Beaty:
Put your hand up, Tom.

Christian Milau:
Tom is back there?

Ross Beaty:
Yes.

Christian Milau:
Basically, Tom has come in recently, only like a month ago, and his job really is to coordinate the two mines. How do we make this a really efficient operation? They're 200 miles apart. There's going to be synergies in people, systems, equipment, suppliers, all this stuff. We may even be able to process some of the gold down at Mesquite when we get Castle up and running. There's lots of opportunity there, but we need to be thinking as one.

When you turn on to the next slide, really, Aurizona is where I want to spend most of the time because that's what all questions have been recently. As Ross said, we're a few months late on pouring gold. I'm disappointed with that, personally. I'm a big shareholder in the Company. It's been disappointing to see the share price lag over the last few months for sure. First gold pour, as Ross said, is imminent. I said early May, just to cover my bases there. But the mine is constructed. Basically, I'm not sure exactly the date of that photo, but you can see everything is there.

The new mills are shiny, the ROM pad, which isn't on this picture, is basically full. We've got three months of ore sitting up there already. We are ready to go. We've actually been putting ore through the SAG mill over the last week, so it is going through the system. The [momentum] is starting. We're just dealing with a couple of things that—I'll get questions, why the delay? Well, I don't have one big major event I would blame it on, but we've had exceptional rains over the last sort of three, four months. I think we had one year's worth of rain in Northern Brazil over the first three months of the year. Not saying that's caused the total delay, but it certainly slowed us down.

I'm looking at, I think, Québec is getting a bunch of rain right now. Brazil is getting more rain right now. We've been able to deal with that. You have to be careful with the electricals at the end, so it's probably slowed that part of it down.

The other parts are you just have your normal start-up issues, pumps going off, some valves that needed changing out, a few false starts in a couple of pieces of equipment. But no major events. We're almost there, and gold is going through the system now. So, I expect to tell you any day that we're pouring gold.

In terms of commissioning, it's ongoing. Most of the actual system has been turned over from Ausenco to EPCM. Almost all of the contractors have been demobilized from site, so our operating team is there. They're actually working night shifts now, so things are really moving on nicely at this stage.

This is a good picture, and I want to emphasize this to people. We're in the rainy season, so it is a little tougher to mine right now, but we already have three months of ore sitting up there, so we don't have to be concerned with rain at this stage. Our plan is to manage through those rainy seasons with this ore. We've got it there. We've had great control and reconciliation to our model done. It's reconciling positively which is nice to see. Now, we just need to make sure the guys that are mining it dig it out with as minimal dilution as possible, but we're pleased that we've got that start-up material there. We'll be into the dry season in the next month or so. It'll be starting. So, we had a good head start on that.

I do want to give some kudos to the team down at site. We've [worked] 1.8 million hours with no LTIs. That's pretty good for a construction project in the middle of nowhere, basically. The team have done a fantastic job to have no LTIs. The other thing that's been great is we got two awards in the last two years. We've made a real effort with the communities and the programs we put in place there. This one, in particular, is mostly about some of the artisanal mining areas where they've actually destroyed the land. We've actually reclaimed the land, created areas for market gardens, and basically for animal grazing, etc. Locals will run it. They'll manage it. We'll help them. Then they sell a lot of the product back to us and into the communities. We've got some really nice awards for that, so good job to the team down there.

Looking at the upside, and Ross mentioned this, I want to start before the underground with a couple of the other areas and things that really excite us. This is the million-ounce deposit in Piaba here in the middle. We've been exploring, and we've done a little bit of exploring historically in the Tatajuba deposit. You can see the long strike length there in the light pink. Basically, it's another 4 or 5 kilometres right along the same strike. The grades in the drill holes there have been slightly better actually in terms of grade, and it's all near surface material that we've discovered recently in drilling but also historically in the drilling.

Once we're in production, and we can allocate some capital back to this, we're excited to get back to there because if we're going to double the mine life [at Aurizona], the first place we want to go is obviously into Tatajuba. But, also, we've had some nice hits in the far east as well, some really high-grade holes [where] there might be some small pockets of gold. Obviously, the ocean is there, so it won't go on to the same strike length. Then we have parallel structures, such as the Piaba North trend. The artisanals have cleared a long 3, 4-kilometre trend right there. They've been finding nuggets, anywhere from 2 to 4 kg, we've even seen 20 and 30 kg nuggets in the system at Piaba North. So, there's definitely some gold in that system. Then you go on our property, and we have another sort of 1,300 square kilometres and 20 or 15 kilometres away there are a couple of other areas that are early stage that we are excited about, that could be part of a new [mining] area for us. Ultimately, we see this as a camp in a district. This is not just one, seven-year mine life area. We see this as either expanding in production, extending the mine life, or multiple operations here.

Looking at the underground, which has kind of really come up recently in terms of our real understanding of it, we've done a bunch of work this year. The new resource went out [and] we've doubled the resource underground and also have been able to get more confidence from the drilling data that we've had to date.

We've done PEA study internally on this, and we brought it up to over 1 million ounces. It's at 2 grams per tonne gold but there is a core of that that's about 3 grams per tonne. We plan to do more drilling. We want to make this bigger. But we do see this as potential to really supplement the 1.5-gram material in the Piaba deposit or maybe it's the 1.5-plus gram material in Tatajuba. But supplementing it with some underground material as well at slightly higher grades. That's when Ross referred to [when saying] we can make a slightly larger scale operation.

Then we turn our minds back to California again, so Castle Mountain. Once we're done with Aurizona, which is really imminent here, then we want to look to Castle Mountain. That's the next exciting growth phase of this Company internally. Phase 1 is basically ready to go. The engineering work is done, KCA has been helping us with the team here and as well down in the California.

Ross Beaty:
Can you go back for a sec? Sorry.

Christian Milau:
Go ahead.

Ross Beaty:
I just wanted to point out to everybody here that's looking at this screen, this was the mine, of course, that was operating in the late 90s for what, eight years, seven years?

Christian Milau:
Almost 9 or 10, I think.

Ross Beaty:
It was a heap leach plant. This was the old pit, but then they reclaimed it. It closed down, then they reclaimed it, and then it was sold, and it was sold again, and then we acquired it through NewCastle. This is an old leach pad here. It looks just like a hill. They did such a beautiful job on the reclamation. You can go by there and you wouldn't even know it was an old mine, except for the pit. Those old leach pads were perfectly reclaimed. They were great at it.

Castle Mountain is a model for what a mine can look like when it's reclaimed. Mining is often criticized as an ugly thing. It is true. It is ugly, and it is impactful when it's running. But when a mine is closed down it can be restored very, very truly to bring back original vegetation in large part and, in some cases like this, topography that looks so similar to the original topography, you would hardly even notice it was a mine or a leach pad when you go by this. It's just amazing how well they did it. That's, of course, what we will do when the mining closes after the 20 or 30 years that we're going to hopefully be in business here.

Christian Milau:
Yes. We've done the engineering. We've done the drilling work for Phase 1 and we think [Phase 1] could be a six or seven-year mine life, not three [as stated in the pre-feasibility study]. There's enough material there that's sort of low-hanging fruit for that, plus maybe some more in situ gold which we haven't even got our heads around yet. We've got a nice starter kit ready to go. It's about $50 million of capital, maybe it's a little bit less with some [Mesquite] synergies, but $50 million in capital, so a small, bite-size chunk relative to other mines that have produced about 50,000 ounces a year. We're ready to go as soon as we basically present to the Board [and get] the go-ahead and [we should be] ready to go in Q3 as we say here.

Just stepping back for those not as familiar with this project, it's in California, obviously, near the

Nevada border, about an hour and fifteen minutes from Las Vegas on the road on a paved highway, effectively, with a little bit of dirt road at the end. It's four hours north of Mesquite, so there's a really nice connector along that paved highway there, so we can really share in the skills, knowledge and other things. And it's 3.6-million-ounce reserve. This is a big project already, with a 16-year mine life and a good cost base.

We're really excited about this. Again, a big run-of-mine heap leach operation similar to Mesquite, but it's also got a small mill that we'll be attaching onto it that'll produce about 30% of the gold at 3.3 grams. It's got the high-grade component, and it's got the big low-grade heap leach component to it. This will ultimately become almost like a super pit, but effectively that's where the gold will come from, those old historical pits and expanding them.

We currently have the permits for Phase 1 for all the key things. We do need ministerial permits basically for the air-quality emissions, as well as water discharge for this Phase 1. Those are expected, say, Quarter 2, Quarter 3 this year. We really don't expect any challenges with those. The water discharge, we have to prove that we're not discharging into the environment, and this will be at a zero-discharge project so that shouldn't be a problem. Air-quality emissions, well, the equipment has gotten more efficient and, we're not crushing on this first phase as well, so there'll be slightly less emissions [than previous operations] in that sense.

But that's the first phase. The really exciting part is the second phase: 200,000 ounces a year. That's what we really want to get to. But what we've allowed ourselves with Phase 1 is at least a couple of years running this, becoming a good corporate citizen again, showing everyone that we're creating jobs, we're good to the environment, part of the local fabric. Then we are also in the background just [updating] the permitting.

We've currently got an environmental impact statement that has an area of disturbance that allows us to operate Phase 1. For Phase 2 we keep that same environmental impact statement area, but we do need to update it, so it allows us to disturb a slightly wider area within that. That'll take us a couple of years. We're in California. We're pretty open to that. The second piece is obviously we need to expand the water and probably double the water capacity for Phase 2. That's something that, at the moment, we've identified probably five to seven areas we want to go and explore, essentially, and drill for water. Some of those are right within our permits, some are within land we own outside the permit in the monument, some is further down, even. We're going to keep exploring those as we get the permits to actually go and drill which we hope, again, is sort of Q3 this year, and then we'll continue to identify that water source. There is lots of water in the area. There's a big aquifer that runs through south of the project. The question is what's the easiest place to access it with the least amount of challenges, regulatory-wise.

Now, stepping back and sort of changing gears, looking at sort of Quarter 1 results we put out today, we will have the MD&A and financials out today as well, if you want to read [about these results] in greater depth. First Quarter really was about two things, basically production at Mesquite which is mostly here, and then continuing to build Aurizona.

The first part is, obviously, on production. Again, we've already talked about the upper items on the production and the cost, and we've got operating cash flow from operations of almost $7 million. Sustaining capital is a small number, about $2.8 million. Most of that is waste stripping at Mesquite, and we've probably spent about $25 million on Aurizona capex in that first quarter as well.

At the end of the quarter, our cash and cash equivalents are about $24 million. It doesn't include $16 million of restricted cash of which part of that is for some bonding in Brazil, but also the other portion is for the Aurizona project financing with Sprott, which has now been freed up since the quarter end when we refinanced Sprott out and basically Mubadala's money paid them out. So, we've got another $7.5 million to $8 million that has come in from freeing up that money.

Turning to the next slide, one of the key events, and this is not technically in the quarter, it's a subsequent event, but I think it's a really important piece to our quarter in a sense, and there's lots of disclosure in the financials that'll be out, but, basically, we'd always planned this year, we pretty much telegraphed it to the market that we wanted to mature our capital structure and actually refinance our balance sheet. We thought we'd be doing it in the second half of the year as we were just finishing off Aurizona, but the Mubadala guys were kind enough to come along and spot an opportunity to really partner up with us, and they said we can take out that Sprott debt, effectively. Now we've got a 5% coupon piece of debt that's basically replaced a 10% coupon. We've been able to cut that coupon in half.

We've also been able to free up the structure completely. When you bring that in, and you put in a revolving credit facility, we can now move funds between all of our sites. We have the ability to do hedging, bonding, anything we need to do within a normal capital structure for a midsize company. Previously, in the first quarter, we had siloed financing for Aurizona and siloed financing for Mesquite. We couldn't move things between them. We had different sets of lenders and competing interests. Now, we have aligned interests. Mubadala is sitting at the top level with us, very aligned at growing the Company and supporting us as we grow. The second level is obviously the corporate revolving credit facility—Scotiabank, BMO, ING and SocGen have stepped in who were our lenders in Mesquite and actually increased this slightly to $130 million, but they've just taken the Mesquite loan and converted it into a corporate revolver, so it allows us to borrow and draw and pay back as we see fit.

At the moment, it's $100 million drawn. As soon as we hit commercial production at Aurizona, it'll be $130 million. So, a much more flexible balance sheet, much lower cost to capital, and at this stage of our development, I think it's a very good capital structure. The key four points here: reduce interest cost, defer principal payments, increase the capital availability, and just the flexibility within the system which can't be understated.

Totally shifting gears, so that's kind of on the Equinox side, but this is an important piece too. It is consolidated currently in our financials, but we still own 40% of Solaris Copper. Last year in August we basically spun [out all of our copper assets to Solaris Copper]. 60% of the shares went to shareholders at the time, the other 40% stayed with us as Equinox. It's a private company for now. Really, the goal here was to put the copper assets into a separate vehicle, allow them to ultimately get their own valuation in due time as we delivered on these assets. No one was buying Equinox stock to buy these copper assets at these earlier speculative stage stories, but now there's a real interest. We've had a lot more interest since it's been a separate company. Greg is running it currently and Federico has been very active in it as well.

Our focus to date really has been on been on Warintza. It's a really exciting copper porphyry that David Lowell discovered many years ago. It's in Ecuador. We said we would take this Company public again as soon as possible. The goal is second half of this year. The two events we really wanted to hit before we took it public were essentially getting a partner for Ricardo in Chile. Freeport McMoRan is now in there with up to $130 million they'll spend there [to earn an 80% interest].

The second one was unlocking Warintza. Federico and Greg have done a great job in advancing that. The two things that have happened there are we now have four or five permits to drill. We need the fifth one, which, let's say, Q2, Q3 we hope to have that this year; and then the second part ultimately was getting a community agreement, and we got that community agreement subject to the public hearing which is now required in Ecuador. We're hoping we'll be having that in sort of June or certainly in early Q3. Once we have those two items in place, we then have a story, we have the ability to then take it back to the public markets and allow people to actually trade their shares publicly.

Then we look to pulling it back together on Equinox. The story for us, and what we've been telling the market is, as Ross said, we were a developer about a year ago, purely a developer. Now we have one asset in production, a second one on the cusp, and then a third project in the pipeline. We're still trading in that sort of 0.5, sometimes 0.6 range, which is more around that junior sort of developer, almost junior producer space, but we're starting to move up this curve. Without the gold price changing, if we can deliver this year, really the goal is to continue to move up that multiple curve, and there's no reason we shouldn't be able to. If the gold price moves, well, great, that'll be the cherry on top for sure.

What have we set for ourselves to help achieve that and move up that curve? Well, some of them are pretty obvious that we've already been talking about. Mesquite we've got. It's currently in production. We're going to see if we can extend that mine life. We're doing some exploration, drilling some historical dumps.

Aurizona, ramping up to commercial production, pretty obvious. We need to get on with that. We're almost there. Explore there, we'd like to get back to exploring because I think, really, the exciting upside in the equity story in Aurizona is actually all the exploration around it. Then continue with the underground studies. We're going to optimize that underground study.

Castle Mountain will be our shift in terms of our construction focus. Like I said, we have two ministerial permits we need. We need to assess the financing [for Phase 1 construction], whether it comes from cash flows or current debt providers. We're going to look at alternatives for financing that. Then we want to do the feasibility study for Phase 2. We've got a pre-feas on Phase 2, but basically feasibility study level for Phase 1.

Then corporately, as well. Let's not forget about that. We're going to finish closing the financing, basically we've gone through first close. The funds have been released to repay Sprott. There's still a small amount in restricted cash. I think it's about $11 million from Mubadala. As soon as we get the security registered, effectively, it's the main gating factor on that, those monies will be released. We expect those in May.

What else are we going to do? Well, we're looking at listing potentially in the U.S. and on the TSX. We're currently only the TSXV. I think we may be the largest TSXV, certainly mining company, out there. Certainly, our liquidity is one of the key areas that I think is important for us to be focused on. This space right now, as you've seen, all those passive funds have really dominated in the last few years here in North America. They continue to dominate. We are on none of the indices right now. We really want to get into at least the GDXJ to get started, but I think our key gating factor at the moment is daily liquidity. I think it's around $1million.

A U.S. listing, a TSX listing, will help us get more visible for lots of U.S. shareholders. We have two U.S. projects. I think it's the obvious next step for us this year.

Then the index inclusion and then, ultimately—we haven't really talked a lot about this in the last little while, and I know Ross may, he'll probably get asked a few questions, but we've talked about growing. We have a target, and if you look at the next page, I'll kind of conclude on this, we've set this long-term goal of being a 1-million-ounce producer. Ross talked about building a big company. Well, 1 million ounces is a good size. We have about 0.5 million that we can get to within our current portfolio. How do we get to that million? Well, we probably need to add a couple more assets along the way. Mubadala has joined us to be a partner along the way with that, and we're really excited about looking at opportunities, as Ross said, in this space right now when valuation is still pretty reasonable out there. Our goal will be in the second half of this year, to put our head up again and start looking forward and, certainly, Greg's key focus will be looking at other opportunities out there to consolidate in our space.

I think that brings it all together. I'll conclude the formal part of that, and maybe turn it back over to Ross for the questions.

Ross Beaty:

Yes. Thanks very much, Christian. I think we will open it to questions now. Thank you again, all, for coming and please feel free to ask questions, and we'll do our best to answer them.

Rhylin Bailie:

I'm just going to turn it back to the Operator quickly to remind people who are on the phone and on the webcast how to ask a question. While she's giving those instructions, we will get everything organized, and then we'll alternate questions from the phone, questions from the room, and questions from the webcast.

Operator, please go ahead.

Operator:

Certainly. Anyone on the conference call who wishes to join the question queue may press star, one on their telephone keypad. You will hear a tone acknowledging your request. If you're using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, two. If you're participating online, you can submit a question using the Submit Question tab on your screen. Once again, to ask a question, please press star, one at this time. We will pause for a moment as callers join the queue.

Rhylin Bailie:

Are there any questions from the room? There must be at least one question.

Ross Beaty:

Yes.

Rhylin Bailie:

We've got one. Remember please wait for the microphone to come. Robyn is bringing it to you.

Male Speaker:

Thank you. My question is there's a lot of excitement with Aurizona and because it was a mine that was a brownfield project, it was shut down four years ago, and so there's an excitement about how it's going to be operated better and all this exploration upside. I'm just wondering if you can just sort of summarize what is it that, from an operational perspective, is going to be better now than how it was operated before. And on an exploration front, what's being done now that wasn't done as well as before? Thank you.

Christian Milau:

I'll certainly take the operating side, if you, as a geologist, want to take the other side, go for it. But the operational side, I mean, when you look at the historical operation there, it was built during 2008, 2009, during the financial crisis. I think they built it for, I'm going to say $50 million, $60 million, but a very small amount of capital. There really wasn't a crusher there. They installed a 60-year-old asbestos mill from Quebec but the plant was undersized and certainly undercapitalized.

They mined out the soft ore and did okay, actually. But when they started getting to harder rock, boulders of certain scale and size, they weren't able to process it. What we've done is we stepped back and said what would you build if you had a complete greenfield [project], and how much of the plant can we use. What we've done is we ditched the part we can't use, but we spent, say, $150 million approximately to put in place a plant that can handle all material: so a whole crushing system which it didn't have; two mills, a ball mill and a SAG mill, which can handle the hard rock; it has a lot more power capacity as well to crush and grind material. We are capable of mining [and processing] everything now. It's a huge difference.

I think they planned to expand and planned to do it, but don't forget we hit that financial crisis. It's easy always to give previous management a hard time, but they didn't have the money and the funding available to actually do that. We set out and said we're going to do it first time. Interestingly, one of the good examples is we put in a ball mill. We don't need the ball mill for, I think, I'm going to say, almost two years. We've got soft material. But we said we're not going to take shortcuts when we put it in.

That's how I think we'll be able to operate better, in a sense. The plant is fit for purpose.

Ross Beaty:

Then there were the harsh financial realities of a very burdensome royalty that Sandstorm had that was really just punitive and fatal, actually. Then the glorious problem of gold going from $1,800 when they started up to $1,000 when they were really going. That didn't help. When you lose those kinds of value parameters, it's very hard to pay money. That hurt them and a ton of other mines in Brazil at the same time, in fact, in several mines globally.

We're going to build it right. We've got a long-term plan. We **have** built it right, [for the] long-term plan. We have a modest royalty now, and I think we're going to have a sustainable revenue gold price.

Christian Milau:
I think from an exploration front, I don't think we see anything different than they did. They just didn't have the money at the time to be able to build and explore. I think we're going to give ourselves that runway.

Ross Beaty:
The thing that I love about Aurizona, really more than anything, is it's not just, as Christian said in his presentation, it's not just a seven-year mine life that we have right now modeled in our feasibility study, it's a camp. It's going to be, I'm convinced, when we get it running and running at a sustainable basis as per the feasibility study, which should happen very soon, we will add Tatajuba, Piaba North, Piaba East, all kinds of other exploration drivers, and we'll come in with reserves that'll be able to feed into the open-pit operation, extending the seven-year life a long time. I don't know how long, 20, 30 years, something like that is my guess. But equally important to me is the potential underground that is—the shocking thing I saw when I went there for the first time in June last year, I went through every single cross-section across the deposit, and I had no idea [what was there], but I saw that it had been heavily drilled. I think 200 drill holes had been put in by previous operators below the open pit.

Every single hole had, what looked to me like, an economic grid around 2 grams per tonne over significant widths, like 10 to 20 metres. Astonishing numbers, and continuous. A subvertical, just exactly the kind of orientation you want to have for a large tonnage, bulk mineable, low-cost, underground mine. It just looked beautiful.

When we kind of got over the big thrust of getting the open-pit going and the construction going, we started to look at it more closely. Scott Heffernan did a great job on this, our Exploration EVP. He started putting together all of the underground zones with a consultant, an independent mine consultant, and came out with a resource of about 1.6 million ounces at around 2 grams per tonne, which is a pretty good grade for a bulk underground mine. That's a multiyear and probably a multi-decade mine life. That, I think, will be added to the open-pit to bulk up the production to some higher level. It could be double. Who knows. We haven't done any real studies, but I just see the potential is there for a long-life operation at Aurizona, spanning decades, and that's kind of what we're planning for and what all of our organization and construction decisions have been founded upon.

Rhylin Bailie:
Thank you. Operator, can you please take the two questions that we have on the phone?

Operator:
Certainly. The first question from the phones comes from Andrew Mikitchook with BMO Capital Markets. Please go ahead.

Andrew Mikitchook:
Good afternoon, guys. Congratulations on moving along Aurizona and starting off Mesquite here for the year. Just a two-part question; with the slower leach kinetics at Mesquite, do you guys expect that to essentially catch up in the balance of the year with much stronger production in the balance of the year as this all kind of gets rolling? Then second part of the question is, for Aurizona, should we expect that once you guys are well into the commissioning or maybe in commercial production you guys would revise 2019 targets for that mine? Thank you.

Christian Milau:
Thanks, Andrew. I'll take that. For Mesquite, first off, we do expect the year to improve as we move forward. We do expect to catch up, and that's the plan here. We've now got more flexibility certainly with the waste dumps and old leach pad material, but also, we're moving to other pits as well. So, that is the opportunity. I mean, we knew that the first quarter certainly would be weaker. The leach curves are maybe a little slower that we'd hoped, but the plan is to catch up, absolutely.

As for Aurizona, and I think you were asking about resetting guidance for that, at this stage we don't see that. We'd certainly factored in there could be delays when we were looking at guidance on that. We'll see as it ramps up here in the next number of weeks, and then we'll reassess for Quarter 2. But at the moment we don't see that as a sensible thing to be resetting guidance on that. We certainly considered [potential delays] when we were starting up.

Andrew Mikitchook:

Thank you very much.

Operator:

Our next question is from John Sclodnick with National Bank Financial. Please go ahead.

John Sclodnick:

Thanks, Ross, Christian. Thanks for taking my question. Yes, Andrew covered off—I had a question on guidance—but just wondering if you might be able to give a little colour on your expectations for commercial production at Aurizona.

Christian Milau:

In terms of commercial production in Aurizona, I guess you're asking about timelines. Certainly if, I would say, we're pouring gold imminently here, we'd except in the next sort of couple of months certainly, month or two months, to be into commercial production. We've given ourselves sort of this quarter, I think, is what our aim is.

John Sclodnick:

Perfect. Actually, my other question was answered already, so thanks very much.

Rhylin Bailie:

Are there any questions from the room? It's a quiet crowd.

Ross Beaty:

You're letting us off.

Rhylin Bailie:

All right. Well, I've got two questions from shareholders online. The first question is from a shareholder in Canada. For the acquisitions that you spoke of, especially to reach your target of 1 million ounces, would you strategically prefer larger mines or relatively midsize mines that have some expansion upside?

Ross Beaty:

Yes. Right today it's not really the best time to be talking about where we're going to do next because we've obviously got a lot of work to do to get Mesquite running like a top, getting Aurizona running like a top, getting the construction decision made on Castle Mountain and getting it going and making sure it's running well. Then we will look at where to go next. We've got so much opportunity with our existing assets alone that we really don't need to look at anything else for the time being.

We're going to be very opportunistic. It's impossible to define, with any certainty, what sort of criteria we're looking at. Producing, nonproducing, size, jurisdiction, etc. We would like, if we do anything, to be synergistic, to be logical, to do something that the market will reward us for in terms of "these are smart people, they know what they're doing. That was a smart deal." We'd really like that to be the bottom line conclusion, the way we got rewarded when we bought Mesquite. It was a smart deal. It was the right price. It was an opportunistic deal, great synergies, perfect fit, adds value to Castle Mountain, and Castle Mountain adds value to it. It just was well-received, and that's the kind of deal we'd like to do again if the right one comes by from the sea of opportunities that's out there, most of which we would not even look at, let alone do any due diligence on. That's kind of where we're at on that.

Ask that question probably in Q4, and maybe we'll have more ability to answer it with more definition.

Christian Milau:

Can I just add, though, that in terms of size, one part of the question is do we prefer larger rather than smaller. It takes similar management amount of time to manage 150,000 to 200,000 ounces annual production versus 40,000 or 50,000 ounces. So, 100,000 ounces and greater has sort of been an unwritten target for us in terms of annual production.

Ross Beaty:

I think also we're not interested in growth for growth's sake. Just to get bigger is not the objective, it's to get bigger and better and more profitable. Scale truly is important in this business. In fact, it's important in almost every business, especially public markets. With a larger company you have much more income to offset your overhead with. You have much more liquidity; you are accessible to larger capital markets; you are more resilient if things turn down. With multiple assets in multiple jurisdictions you can have a problem in one [mine], and a great situation happening in another, and yet, three months or a year from then you might have exactly the opposite situation happening. Multiple assets really does make good business sense. Scale really is important, and that's why I think any sensible company that's trying to build a really long-term business should try to become as big as you can within reason and provided that you're not just, say, issuing a pile of shares just to get bigger. That doesn't make any sense. You've got to have a value proposition that informs every single deal you do. If you do have a logical plan, and it really is a one-and-one-is-three, you should be doing it. That's very much where we stand right now, I think.

Rhylin Bailie:
Okay. Another question from online. What do you see for the mine life at Mesquite?

Ross Beaty:
Mesquite currently has a mine life under the feasibility study that was done last year, of 16 years.

Rhylin Bailie:
Mesquite.

Ross Beaty:
I'm sorry. I beg your pardon. I was thinking Castle Mountain. Mesquite currently has a short mine life, a few years under current reserves and resources and then another few years of leaching where it will be in operation, it will be generating cash flow, but it won't have actual mining. Every single tonne we now add from either successful exploration in greenfields areas or making larger mining areas of existing pits, or making ore from waste, which is exactly what we've done this year quite successfully. In other words, drilling in areas that were waste at a gold price of $300 an ounce 20 years ago, but at $1,200 an ounce, that waste is today ore, and that's now adding to our long-term reserves. We've got 100,000 ounces so far this year.

Christian Milau:
About 100,000, yes.

Ross Beaty:
That's recoverable ore, so that's almost a full year already, and we expect to have significant increase to that by the end of this year.

Rhylin Bailie:
Are there any questions from the room? All right.

Operator, we have a question on the phone from a private investor, and since it's such a quiet room and phone, can you please remind people how to ask a question just in case they forgot?

Operator:
Yes. To ask a question on the phones, please press star, one. You can also, if you're participating online, click on the Submit Question tab at the top of your screen. Our next question comes from Glen Zeitzer, a Private Investor. Please go ahead.

Glen Zeitzer:
Hi. My name is Glen Zeitzer and my brother Robert and I were investors in the Augusta Group stock, so Augusta Mining, Aurizona Mining, NewCastle Gold, and now, of course, Equinox. Our question is, we wanted to know if Richard Warke is still a major stockholder.

Ross Beaty:
Yes. I can answer that. Absolutely, unequivocally, he is a large shareholder, he participated in our last equity financing pro rata to his existing stake, and we're delighted to have him. We have some very solid, long-term, high net worth investors like Richard, Lukas Lundin and myself, in the Company, and combined with Mubadala, which is a very, very deep pocketed, massive sovereign wealth fund in Abu Dhabi, we have tremendous financing capacity in the Company, should we need it to buy or grow or do whatever our future holds. It's a fantastic shareholding base, and Richard is absolutely part of it.

Glen Zeitzer:
Great. Really happy to hear that. Thank you very much.

Rhylin Bailie:
We've got three questions online. The first one: your underground mine at Aurizona, do you consider that a sort of midterm target, less than three years, or is that a longer-term target for you?

Ross Beaty:

It will be defined within three years, quantified, defined. We'll be drilling there hopefully later this year, and then continue to drill and define it further, do some economic studies. But we would probably not start development there within three years, so it's going to be a midterm situation.

Rhylin Bailie:

Okay. Another question from online. Are there any metal streams or royalties of third-parties, such as Sandstorm, on the other properties other than Aurizona?

Christian Milau:

Yes, I'll take that one. There is the 3% on Aurizona with Sandstorm. There is, I think it's 2.5% on Castle with Franco-Nevada, and on Mesquite I think there might be some small ancillary like…

Ross Beaty:

What is it, Peter?

Peter Hardie:

The average royalty rate overall is also about 3%.

Christian Milau:

OK, about 3% in royalties [on Mesquite] as well.

Rhylin Bailie:

All right. One more question online. Do you expect additional equity dilution with your plan for capital expenditures and exploration expenditures, or do you hope to use internally-generated cash flow?

Ross Beaty:

The latter.

Rhylin Bailie:

Short and sweet. Are there any other questions from the room? All right. Well, I guess there's no more questions on the phones either, so I will remind people that this webcast will be archived on our website. If you do think of questions down the road, you can e-mail me, or you can go back and listen to the archive. Now, I will hand it back to Christian for closing remarks.

Ross Beaty:

Nothing more to say. I think we've had a good session here. Thank you all for joining us once again, and if you have any questions you'd like to ask privately, phone him. Thank you all. Thank you again.