Equinox Gold Corp.

First Quarter 2022 Results and Corporate Update Transcript

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Speakers:

Rhylin Bailie
Vice President, Investor Relations

Christian Milau
Chief Executive Officer

Peter Hardie
Chief Financial Officer

Doug Reddy
Chief Operating Officer

Operator's Opening Script:

Welcome to the Equinox Gold First Quarter 2022 Results and 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 conference over to Rhylin Bailie, Vice President, Investor Relations for Equinox Gold. Please go ahead.

Rhylin Bailie:

Thank you, Cherice, 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, SEDAR, and EDGAR to read the rest of our continuous disclosure documents.

I will now turn the conference call over to our CEO, Christian Milau.

Christian Milau:

Thanks, Rhylin, and welcome, everyone. Doug, Peter and I will walk you through the first quarter results here and take questions. But just as a reminder on the first Slide 3, we're an Americas-focused group that's really building a sizable platform in the Americas. We've started out with six producing mines at the moment. We've got the one in commissioning in Brazil, and it's ramping up towards commercial production at the moment, and we've got four large growth projects. This year, we'll be producing 600,000 to 700,000 ounces with a clear path to a million ounces over the next couple of years as our growth projects come in on stream.

We've also got a strong balance sheet to fund that. Just leading into this quarter, as expected, we said the first half of the year would be a bit slower—and first quarter, particularly. We expect costs will continue to reduce over the year, and as we move through the year, production will ramp up as we bring new mines online and we hit into the higher periods of production starting in Q2, Q3 period this year.

Pleased with the first quarter's costs. They're roughly in-line with expectations. We set those with our guidance early in the year. Production was a little bit light, and we'll walk you through why that happened and how we see production moving up over the year. Definitely, it's hard to compare to Q4 2021 as we were very back ended last year, so we'll walk you through the quarterly production here.

Looking at Slide 4, in terms of recent highlights. Santa Luz poured its first gold on time. Recoveries have been good. It was in the end of March, so we're really pleased with that, and at the moment, we're ramping it up.

Greenstone is tracking well. We had a chance to visit site last week and really pleased with the progress there. We're coming out of the winter season, so a real hive of activity out there, and Doug will walk you through all the good stuff that's going on the ground. Really pleased to see the team coming together and they've managed, obviously, these recent waves of COVID as well—very well on site.

Fazenda/Santa Luz had some drilling that we put out into the press not too long ago here, so showing new significant gold mineralization in that nice big district and belt. Many more targets identified, so we're excited about that whole district.

Corporately, we also had a few events happen just after the quarter end. We sold Mercedes. That actually closed in April. That was announced at the end of last year, but now we have $75 million of the $100 million of cash has come in with that just after quarter end. We also received $40 million of proceeds from the Solaris warrant that we sold about a year ago to some purchases of our Solaris share. We brought in another $40 million. After quarter end, we brought in approximately $110 million.

I'll pass it over to Peter to walk you through the actual operating and the financial results here.

Peter Hardie:
Thanks. With respect to responsible mining, we had five lost time incidents during the quarter for a total recordable injury frequency rate of 3.76 per million hours worked. The 12-month rolling average remained lower at 3.01. We're also very pleased, of course, that we had no significant environmental incidents to report during the quarter.

As to operations, we produced 117,000 ounces of gold, as Christian said, that was a little lower than expectation. We did sell 119,000 ounces of gold. We had lower production. The production was primarily affected by RDM in Brazil, which experienced rain events late in Q4 that affected ore access heading into the quarter. In addition to that, we had a 10-day suspension of plant operations.

At Aurizona, we had a little more reliance on our lower grade stockpile than expected. An example—and so grade was lower for the quarter at 0.94 grams per tonne. For reference, in Q1 of last year, we had 1.3 grams per tonne during the quarter. Mesquite, the production was lower, but that was expected due to waste stripping that's happening there during the quarter.

Our all-in sustaining cost of $1,578 per ounce, as Christian mentioned, is close to expectations for the quarter, and we remain on track for the year for our guidance range. We expect to increase—and that's due to increased production cash flow and lower cost that we're going to see in the second half of the year. The increase in AISC for this quarter versus the same quarter in the prior year is primarily due to the cost escalation you see across the board and across the industry. Also, in part by the slightly lower volume than we were expecting for the quarter.

With respect to our financial results, the 119,000 ounces that we sold drove revenue of $223 million. Our mine operating earnings were $28.5 million, and our Adjusted EBITDA was $43 million. We had a loss of about $20 million on the quarter for about $0.07 a share and on an adjusted basis, that was a loss of $24 million or about $0.08 a share. We had cash flow from operations before noncash changes in working capital of $33 million. For the end of the quarter, we finished with $150 million in cash.

The reason that the cash decreased from our year-end cash position is primarily due to the $125 million that we spent on CapEx. As we outlined in our guidance, our CapEx—it's a CapEx heavy year with close to $700 million in sustaining and non-sustaining capital that we expect to spend.

After the end of the quarter, during the month of April, we did take in $115 million from the sale of Mercedes, and also, from the sale of 5 million more shares of Solaris.

With respect to our liquidity, it remains good. Our net debt was $385 million, so our leverage remains reasonable. We, of course, also have our investments to act as levers to help with our overall strong balance sheet as we head into the remainder of the year.

With that, I will turn it over to Doug Reddy, our COO, to discuss the operations.

Doug Reddy:

Thanks, Peter. As noted, several of our mines were focused on stripping in Q1. We will be benefiting from that as we move into subsequent quarters. This is similar to how it worked in 2021 where we had stripping earlier in the year and had stronger subsequent quarters, especially the second half of the year.

Mesquite is particularly one of these cases. They had a low first quarter as we focused on waste stripping in the Brownie pit. Production has picked up in this quarter already, and we should have good production through both Q2 and Q3. I think Q3 will be our strongest quarter at Mesquite this year. We are now working on permitting for additional leach pad space at Mesquite, and we're filing for permitting for drilling across the highway. That will be for longer-term opportunities at Mesquite.

Exploration drilling has been focused on developing additional mineable reserves adjacent to the current active mining areas. This month, we are starting an injection leaching program, which is drilling into our existing leach pad to enhance overall recoveries in areas that have not been fully leached in the past, so we should be benefiting from that additional opportunity.

At Castle Mountain, we previously discussed the issue that we've had with run-of-mine ore having slow percolation, so we have established a crushing and agglomeration circuit for the ore and that will provide better percolation overall, and that will lead to shorter leach times and improved overall recoveries. Pad 1B has been in construction, it's nearing completion now, and it should be ready for use in Q2.

We are drilling in areas of dump material, south dump, which will bring in additional feed for the Phase 1. It allows us more flexibility in our feed going to the leach pad for Phase 1 operations. Our planned amendment was submitted in mid-March for Phase 2. That's currently under review with the BLM, Bureau of Land Management, and San Bernardino County.

Looking at Los Filos. Guadalupe open pit has been a very good contributor in the quarter with additional ore than expected. That resulted in a lower strip ratio overall, reducing from an anticipated 12:1 in the quarter, down to 7:1. At the same time, our underground mines were behind on grade, so that means overall we had more lower-grade material going to the leach pads. They carry with it a lower recovery—longer recovery period, plus we were also in a stacking sequence that meant that the ore was going on to the higher lists on the pad, which takes longer for it to come through. Some of that gold will come through in this quarter, so production is catching up in April, and it looks good for Q2.

In Bermejal underground, we did have a slow start in development in the latter half of 2021. The development rates are now improving as we go forward. We are looking at various mine plan alternatives. We continue to look at how we can bring forward production and improve overall cash flow. We hope to be able to implement some changes late this year.

At Aurizona, so on the next page. On Aurizona, we had a very high rainfall, essentially about 1.2 meters of rain in the quarter, but the site team are dealing with it. We are restricted on some of the access to ore in the pit, but we had built up a low-grade stockpile, so we are feeding low-grade stockpile in addition to the ore that's coming from the open pit. Ideally, we would have liked to have a larger stockpile given that we are operating at a highest throughput in our plant that we've seen in the life of the mine for the last several quarters. But we do have a production plan, overall, that will see us through.

Our work does continue on advancing the underground activities in preparation for, ultimately, being able to establish what will be an exploration portal and lead to eventual development of the underground below the Piaba open-pit. The work will include the addition of drilling that was completed in 2021. Based on our prior work, we believe that we'll end up with additions to resources and reserves in the underground that will complement the studies that are ongoing at the moment.

At Fazenda, we had a solid quarter and good grades. Production was mostly coming from two open pits, and this has given the underground mine an opportunity to be able to catch up on much needed development and open up some new stopes. At the same time, we brought in a mobile crusher during the quarter, while the primary crusher was down unexpectedly. That has been fixed and now is returned back to full operation at the start of April.

We've had good drilling being reported in a news release that went out last week. Drilling was reported for the Canto 2 pit area, which is very close to all the infrastructure at Fazenda, and also in numerous other targets in the Bahia district, and these targets may ultimately benefit either the Fazenda mine or Santa Luz mine depending on the proximity and the characteristics of their ore.

At RDM, we had a weak quarter due to the initial suspension related to the freeboard on the TSF, and that was in response to a new regulation that was brought in with immediate effect, which subsequently was changed in the timing. But nonetheless, we reduced our freeboard at the TSF, tailings storage facility.

As noted in our disclosure for the quarter, permitting for the next TSF raise at RDM is delayed due to reversal of previous decisions by the state environmental agency. We are in discussion with the regulatory authorities, and if we are not able to achieve a satisfactory resolution prior to the need for us to start the next raise, which would be in this quarter, then the mine may need to be temporarily suspended and that could happen in Q2 or Q3.

Now, I will note that the RDM TSF has been raised intermittently during the mine life to store additional tailings and those were in the overall design. The TSF has been designed and is operated to industry best practices. It is regularly inspected and audited by independent parties. A design alteration was filed with the environmental agency in 2017 to change from centreline to downstream design, which is considered the safest method. Since 2018, each raise has been completed using a downstream design. I would encourage you if you want more details, we provide that in the news release and in the MD&A, and we can discuss more during the Q&A part.

At Santa Luz, we had the first gold pour on March 30. This came from the elution and gravity circuits. Elutions and recoveries are looking good, and the resin is performing as anticipated in test work and, also, in our pilot plant work that was done in advance of the construction at Santa Luz. We are still ramping up, and we'll be doing that through May and June. We are using a temporary crusher at the moment while we finalize work on the primary crusher that should come online later this month.

As you can see, there are a few slides on Santa Luz showing the crushing area, the open pit, as well as the process plant area. It is a refurbishment of a previously operated mine, overall budget was $103 million, and we essentially are just wrapping up doing the ramping up and commissioning at the moment.

Looking at Greenstone on Page 11. We just did a visit. It was part of our quarterly review. We do reviews—well, we have reporting on weekly, monthly, and quarterly basis. This project is being developed by Equinox and Orion that ultimately has more than—will contribute 5 million ounces of gold over a 14-year life.

During our visit, I'll say we were impressed with all the activity that's been happening through the winter, and we can clearly see everything has been geared up for a very busy summer. Engineering is nearing over 90% complete; now, that is an important factor in ensuring that the project is appropriately costed with being able to do all the material takeoffs and proper engineering leads to a good cost basis.

That has been part of this project all the way along—is very good diligence by the team that's been with this project for probably around 10 years the core group has been with the project. They've been doing a great job in bringing CapEx to completion for the technical report that was delivered just before we became a partner on the project, and then doing subsequent CapEx reviews, and then monitoring any trends and changes on CapEx.

The project is 50% contracted already, 31% of those are fixed contracts and overall 20% complete. TSF is ahead of schedule, and there's been lots of geotech investigations that were done prior to the design, as well as additional work that was done in 2021 on the TSF design. We've looked at it many times, we're very happy with the progress on the TSF.

Plant site earthworks are 75% complete and, essentially, concrete placement is catching up now that the weather has been improving and the foundations are going in so that the building construction can advance quickly during the summer.

Overall, it’s tracking on schedule and on budget, and I encourage you to have a look at the photos on the subsequent pages where you can see on Page 12 the area where the power plant and effluent treatment plants and the admin buildings will be, and the batch plant as well.

On Page 13, you can see progress on the administration building. Second floor was on when we were at site. Most of the snow was gone when we were at site as well, but you can see foundations going in for—foundations going in for the truck shop and the power plant and the concrete batch plant is there as well.

On Page 14, east end of the mill, power plant foundations going in and then the work on the tailings storage facility starter dam construction, which as I said, is ahead of schedule. With that, I'm going to hand it back to Christian.

Christian Milau:
Thanks, Doug. That's a good review of the operations, and just to conclude things, I've got a few slides here.

ESG, obviously, is a critical topic that I do want to touch on here. We just published our second full ESG report for 2021. It's available now online. You can access that. We do publish quarterly data as well on our website, so we don't wait until the yearend to publish it all at once in our report. But really pleased with that report, it’s taken steps forward in terms of our disclosure and pulling together our data, which is only our second year of doing this. Kudos to the team for pulling that together and making that progress.

In terms of a few other areas that maybe highlight that come out of that, we started and initiated a very serious safety program that applauds the good record that we have on various sites, and we now give out awards for our safest site, which was Mesquite last year. For our most improved, which was Aurizona last year. We also give out individual awards for extreme sort of dedication to the safety part of our business or for coming up with unique ideas for improving the safety at our mine sites. If you want to get a bit more on that, it will be in our full report.

We are working on our energy and GHG plan, so we're working on the long-term plan there. This year is really focused on coming together and bringing the data together, so we can set intermediate midterm targets as well as our long-term targets for reduction of GHG gases.

We continue to focus on communities. The Aurizona water treatment plant now is fully operational. Gregg Bush and his team down in Mexico have continued to work on various partnerships with the communities at Los Filos to bring that forward.

In terms of health, we're very pleased with the COVID reactions from the sites. They were very quick to adopt good protocols. We've had no production days lost during COVID, and it seems to be that the latest wave is dissipating at the moment.

We'll also be putting out—we put out our regular tailings management report that was issued last year as well, so that's something that will be supplemental to our full ESG report if you want more information on our tailings dams. As well on human rights, we've completed human rights assessments at a couple of our sites, and we'll periodically do that kind of assessment so that we're managing our commitments to good practice.

Looking at Slide 16, in terms of investing for growth, and just again, back looking at the big picture here. We've got an unparallel growth profile, about 600,000 ounces of incremental growth coming. As this growth sequences in, which is Santa Luz, which is just ramping up. Greenstone over the next two years will be finished construction and into production. Los Filos will be ready to advance into higher production levels. Castle Mountain is going through permitting right now, and we're pretty pleased with the timing outlook on that to sequence after Greenstone. The Aurizona underground will come in, in due course as well.

We've got nicely sequenced projects, a strong balance sheet to fund them, unparalleled growth in the sector versus peers, and we own all of that growth currently. We're focused on executing and delivering right now, not in M&A at the moment. When you look at that in terms of valuation, we're still trading at a bit of a discount to our peers, so we're really keen to see as we knock off various milestones, we continue to de-risk Greenstone, we ramp up Santa Luz, we bring our costs down with these newer longer-life mines that we'll get into rerating towards our intermediate producer peers, which is closer to that 1 times multiple. We're excited for that to happen over the next six to 18 months.

Looking at the next slide in terms of our balance sheet. Again, not a big change from prior quarters. Overall, unrestricted cash is at about $265 million when you include those April receipts from Mercedes and the Solaris warrants. Total liquidity, about $465 million. We still have a couple of hundred million on the RCF, the revolving credit facility.

This year, we will review our overall banking facility to see if there's a way to extend that and mature it with the Company doubling in size over the last couple of years, and we continue to have cash flow that will just continue to increase quarter-on-quarter over this year. Still with about $850 million of liquidity when you include our market value investments, as Peter alluded to earlier, which is comprising mostly Solaris and i-80 Gold shares.

Just in summary on Slide #18. It's a diversified portfolio of assets now, and we've really been focused on making sure we've got the diversity, we've got growth in each of these countries, we're focused on internal growth and execution right now, and our goal really this year is to execute on these construction plans to hit our guidance, which we reiterated this quarter. Also, to showcase all the great work that's going on the ground, so we're planning visits to Greenstone and Santa Luz in September, October, and it will be the first time in a couple of years we are able to get analysts and a few investors out to site, and I think it will be an exciting time to show the great progress at both of those sites, which are going to be cornerstones of our future production base.

With that, I think I'll conclude and open it up to Q&A.

Rhylin Bailie:
Thank you, Christian.

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

Operator:
Certainly.

Rhylin Bailie:
Thank you. While we wait for people to join up, I'll take a few questions from online.

We all saw IAMGOLD's announcement this morning, and I wonder if that's affecting your share price today. How do you feel confident that you'll be able to stay on budget at Greenstone?

Christian Milau:
Yes. We do keep an eye on the market and all the other projects going on in Ontario currently at the moment, of course. It's always disappointing to see a cost overrun, but we do think it has probably had some impact on the share price because I think people do watch those projects and Greenstone is probably the third in the actual sequence of new projects coming on stream there in Ontario over the next year or two.

As Doug said earlier, we just had a visit to site, and we keep very close attention to all the issues that we've seen out in the sector with building projects in Ontario, but also in other projects around the world, and we've built a mine per year over the last few years. Right now, we're really pleased with the team that's in place there and the progress. We're really pleased with the actual preparation and readiness. That was something that was critical to us when we started this project.

Us and Orion spent a lot of time with the team there, which the team there was primarily led from the Agnico Eagle team that built a few of their northern mines. I've been on this project for a number of years, and we're really pleased with the readiness. The engineering, as Doug alluded to; the team in place, we did an external review of that; and so we felt going into that, we were able to, number one, observe the market, look at the cost escalation, contingencies, make sure we're planning ahead and anticipating some of the challenges that we're going to see as we build the project.

I don't know, Doug, if you have anything else to add to that?

Doug Reddy:
Just as we looked at getting involved with Greenstone, our due diligence was an extensive review of the CapEx on the project. Then after we took over our 60%, we continued to do our review on the engineering and the CapEx. Then Greenstone initiated an independent review—QRA review of the CapEx as well, so it's been gone through many times, and we put in what we believe to be an appropriate overall contingency.

All the bidding is done accounting for anticipated escalations, so by doing all of that, we think that everything is being mitigated and there is a constant monitoring process as well as tracking of trends. It's a good team on site, a good level of project readiness before we announced construction, and now we're just working through the engineering, essentially 91% completion, which means that we've got a good firm basis for all the materials and everything that are related to the site, and we've been doing our engineering reviews all the way through.

I think the level of which the project was at before we even announced construction is one of the pivotal factors that help us to be where we're at right now, and being able to follow through with as many contracts and fixed contracts as possible at this stage is critical.

Rhylin Bailie:

Thank you. Staying on that cost trend, given all the inflation that we're seeing in other companies again, do you feel like you've adequately budgeted that in? Do you think you're going to be able to achieve your all-in sustaining cost guidance for the year?

Christian Milau:

Yes. I'll start, and Pete, if you have any comments, please jump in as well. We did anticipate some of that when we did our budgeting and our guidance review early in the year. As I said, for the first half of the year, we anticipate about 15, 40 (phonetic 28:50) in costs. I think we're within $20 or $30 of that, basically, in the first quarter, which is meant to be our weakest. I think we're tracking nicely, and we've done our best to anticipate that because we did have some visibility, particularly in Brazil and California and Mexico as we were coming into this year.

Pete, I don't know if there's anything else to add?

Peter Hardie:

No, we are tracking very close to what we expected for cost escalation, and that's all factored into our guidance.

Rhylin Bailie:

Thank you.

Operator, we'll take a question from the call now, please.

Operator:

Absolutely. The first question comes from Mike Parkin with National Bank Financial. Please go ahead.

Mike Parkin:

Hi, guys. Thanks for taking my question. Can you just remind us what your budget for diesel or oil is for Greenstone on your base case, and if you have any hedges in place?

Peter Hardie:

Is that in reference to construction versus operations?

Mike Parkin:

Yes. Just in terms of are you exposed to that with—I imagine it's a contractor doing your earthworks. Is there a locked-in price there per tonne moved or is there an inflationary factor component to the contract?

Doug Reddy:

Yes. The contracts allow for escalation for the earthworks. It's pretty much a set overall approach to it. We have been working on the long-term pricing for consumables. A specific number—you'll have to give me a minute to sift through my pile of paper and dig that out, so I'll come back to you or we'll e-mail you afterwards.

Peter Hardie:

Yes. I'll add, Mike, that we don't have any—none of it is hedged.

Mike Parkin:

Okay. Rhylin, if you can just e-mail it to me afterwards. That's fine.

Rhylin Bailie:

You bet.

Mike Parkin:

With respect to Castle Mountain Phase 2, you gave that update. Good colour in the press release there around, in terms of surface disturbance, what that is potentially going to trigger in terms of your closure plan. Is that new or is that potentially going to defer the potential of starting that Phase 2 expansion?

Doug Reddy:

No, we think we've already taken into account, and we're staying within the overall footprint. That's always been a mandate for us, but we do anticipate that we'll end up going through—I don't know what the acronym stands for. I know (inaudible 31:38) was the overall one, but we will be doing an impact assessment and so we anticipate that in our overall timing. But we think we've been very careful to consider the various—bring in the mitigating factors to make sure that it will be as smooth as possible given that it will be a several year process to work through it.

Christian Milau:

Yes. We've taken the conservative approach to assuming an environmental impact. A new environmental impact statement is required here rather than just an amendment to the plan of operations. A couple of years to do that.

Mike Parkin:

Okay. Then just circling back to Greenstone, in terms of your large steel equipment as well as steel framing of the mill, has all of that been ordered? If so, are you seeing—are those prices protected or are you exposed to the elevated steel prices?

Doug Reddy:

Major pieces have already been contracted. As I mentioned earlier, escalation was accounted for when we did that. We do know that we had early warning on trends, which essentially both Equinox, Orion—we're meeting with Greenstone on a frequent basis to see how that would play out for steel prices and what the mitigating actions would be. The team on-site took it to heart to work through and find ways to be able to reduce what they saw as a potential cost escalation beyond what the original budget was, and they did a very good job bringing it closer to be on line, but they did consume a bit of their overall contingency to be able to account for that.

But we have, I would say, a reasonable contingency overall, and they are looking for the remainder of the project to see all the opportunities where they can make further cost savings. That includes things such as financing some of the equipment that we'd be doing for sites, so it's not all one way.

Christian Milau:

I think just to give a little more colour, we've got most of those big contracted ordered items are in the track now. The timelines are set. A few of the big trucks arrived this month, (inaudible 34:04) on site. Steel was actually being shipped in the day. We were watching it through the window come through the gate. A lot of those things are fixed in price and they have a set timeline. There's still some smaller contracts that I'd say still have to be finalized in that. But the big things are actually in the pipeline, so we're feeling pretty good about that actually.

Mike Parkin:

Okay. Is that a function of having a greater percent of your engineering complete versus Côté when it kicked off? You're within 5% of their project, yet you're months behind in terms of when the project kicked off or a quarter behind.

Doug Reddy:

Greenstone's team had already been through a stage prior to us getting involved where they had been through vendor drawings and advanced engineering prior to us coming in. Then as we moved forward and they started build up their team, there were certain vendor drawings that needed to be changed or updated in the engineering, but it was managed very well. Brought up to a point where we were doing engineering reviews on all the activities that they've been doing, and it was targeted that we would be finishing the 90% engineering in April, so it's just a little bit behind because it's just been coming to the completion—actually, it was March, and it got completed in April.

We're very much on track with achieving that, and that means that all the material takeoffs, which are critical to make sure we're not going to have a blowout on the actual materials that go into building the process plant and facilities are accurate.

Mike Parkin:

Okay.

Peter Hardie:

I'll add that the procurement function was a key focus for us from as soon as we could close the transaction through the fall and for the Greenstone team who was proactive in getting those large equipment orders in and fixed, as Christian and Doug have already described, to help with cost containment and what was already then, a rising price environment. There's a lot of focus on that through the summer and fall last year.

Mike Parkin:

Okay. Thanks very much, guys, for the colour.

Christian Milau:

Thanks, Mike.

Rhylin Bailie:

Thanks, Mike. Operator, we'll take the next question from the phone, please.

Operator:

Absolutely. The next question comes from Spencer Lehman, a Private Investor. Please go ahead.

Spencer Lehman:

Yes. Good morning. I'm a little confused on the balance sheet. When I do the math, I don't quite understand how you lost that much cash. It seemed like at the end of December, you had around $550 million, and the debt was about $580 million. You pretty much were like zero net debt. Now, you're at $385 million net debt and the cash—the cash went from $546 million down to $151 million, which was about $395 million. I don't see where you lost that much. Did you pay down the debt somewhat or where did all that cash go?

Christian Milau:

Let me just start. Our cash at the end of the year was $300 million, it's now just over $150 million plus the (multiple speakers)

Spencer Lehman:

I'm sorry, I thought the cash was $546 million at the end of the year.

Christian Milau:

No. No. No.

Spencer Lehman:

I'm getting that from Yahoo Finance. Is that incorrect?

Christian Milau:

Yes, it must be.

Rhylin Bailie

I'll check that.

Christian Milau:

I've got Peter nodding his head here. He's CFO. Yes, it's gone from $300 million to $150-ish million, then you add another $115 million we received within days of the quarter end. We're not much below the $300 million approximately at quarter end. The big thing to remember for this year is, I think, it's about $700 million of total capital, which is a lot of Greenstone, almost half of that, and then the other projects that we have on the go. We're spending that on a quarterly basis, so a quarter, that's over $150 million a quarter.

Spencer Lehman:

Right.

Christian Milau:

We said in the first half of the year, we're not generating a lot of cash with 85% of our free cash flows in the second half of the year. We're going through, as we did, probably, last year as well—first quarter is definitely weaker. It starts ramping up in Q2 and then the second half of the year is strong. But the balance sheet's in good shape. Please reach out to us offline, if you want to, we can walk you through—Pete will walk you through the balance sheet (multiple speakers).

Spencer Lehman:

No. Well, that explained it. If my figure is incorrect—I'm going to say the Yahoo Finance that I saw cash at $546 million. If there was $300 million, that explains it.

Christian Milau:

Okay.

Spencer Lehman:

Is your long-term debt still around $580 million?

Christian Milau:

I think it's about that level, if I can remember correctly.

Peter Hardie:

Yes.

Spencer Lehman:

Okay. That hasn't been—do you see that—are you comfortable with that amount or could you see that being reduced now over the coming months?

Peter Hardie:

Yes. It's Peter here. We don't see that reducing over the coming months. We're in a CapEx-intensive period, as Christian alluded to earlier on the call. We're about that point in the cycle of our credit facilities, where we'll look to refinance. That might include an expansion of the credit facilities. I think you can see that deleveraging occurring around when Greenstone comes online. We're comfortable with the level of leverage we have, we definitely have room for more, and so we're going to maintain these levels, maybe go up a little, as we move forward. Then as we move into 2024, you'll see the deleveraging.

Spencer Lehman:

Well, my apologies. My mistake was trusting the Yahoo Finance statement.

Rhylin Bailie:

I'm glad you flagged it. I'll certainly get in touch and have that number corrected. Thank you for bringing it to our attention.

Spencer Lehman:

Okay. Thank you.

Rhylin Bailie:

Thanks, Spencer.

We'll now take some questions from online, and we have quite a few today. The first question is interesting and probably worth clarifying.

Brazil politics. Brazil permitting. Belo Sun had a setback with their permitting, is that any way related to RDM issues? What do you feel about the upcoming October election, will that change the view towards mining in Brazil?

Christian Milau:

Yes, I'll take that. It's Christian here. I can't speak for Belo Sun, for sure, and I'm not familiar with all the intimate details. I do believe there is an Incra permitting-related issue there, which is indigenous communities, and we don't have that around our mines. It is different. I think it's difficult to compare the apples and oranges in that sense.

Brazil permitting, generally, it's quite a—I'm going to use the word, bureaucratic, procedural process for permitting tailings, dam raises, or getting your mine permits in place. It takes time and you have to walk through the steps and the paperwork in that. It's probably improved a little bit over the last few years with the current government, but it's still quite a process. As you can see, we still sometimes get challenged with timelines on that.

The one thing I can say is we do have a top-notch team there that has helped us through and navigate all this because we've got the three different states that we work within, and the permitting is quite state-oriented in certain aspects, particularly around the environmental agencies.

But we do feel good about permitting all of our operations, our tailings, dam raises. We've had good success in the past. We're using the best methodologies for things like tailings, dams, downstream for RDM is the safest and best possible, and we're confident we'll get through that. It's just sometimes the timing is a little bit uncertain there in Brazil.

In terms of elections, boy, I'm not sure I'm totally qualified to comment on that, but I'll make a general comment. Bolsonaro's government, over the last few years has been, I'd say, mildly positive towards foreign investment in the country, and that's what I've heard from a lot of people. Certainly, regulations and permitting and labour relations and laws and rules have been slightly more streamlined, I would say, that allow things to happen more quickly. You saw with us getting new permits in Bahia, probably reduced a lot of the nuisance lawsuits and things that you sometimes, historically, have seen in Brazil. I would say a positive step forward in that sense.

I don't think you're going to see a shift change at the moment, even if the government does change in October, and I don't want to predict who's going to win that. I'm not close enough to say that, but I don't think you're going to see a shift change even if the government changes because I think it's been a pretty positive environment in Brazil.

We've certainly felt that doing business in Brazil over the last five years has been overall positive and swinging in the right direction where you do see certain countries around the world right now where it swinging a little bit more negative towards foreign investment in mining, where I would say Brazil has been slightly more positive in that aspect.

Doug Reddy:

I would just add, if I can. Even prior to Bolsonaro's term, we saw labor and mining legislation reforms coming on even prior to his term. It's been a mining and foreign investment friendly jurisdiction for some time now. We would hope, of course, that would continue regardless of who's in power in terms of President.

Operator:

Thank you very much. Back to cost questions. What percentage of your costs are related to diesel, are you considering hedging or possibly even stockpiling diesel to reduce future costs?

Christian Milau:

Yes. It depends on the individual site—Pete, add anything, if I miss something—but diesel heavy truck heavy sites like Mesquite will be probably closer to 15% to 20% of our costs would be diesel-oriented, where I'd say sites that are moving less tonnes on a daily basis are probably closer to the 10%, 12% basis, so it's probably in the 10% to 20% overall.

When you factor that in and you look at diesel prices, it is a step change in some of these diesel prices, but in a number of the countries we work within it's not completely market-oriented. The U.S., obviously, when the price of oil goes up, the price of fuel usually on the ground moves pretty similarly. But in Brazil and Mexico, it's slightly more, I'd call it, subdued through government control to a certain degree, where you'd see it doesn't go up quite as much as the oil price, and it doesn't go down as much as, sometimes, the oil price. Slightly more stable.

It's only a tenth to a fifth of our overall all-in sustaining costs. An increase of 20% or 30% there isn't a massive increase, but it does add on to things like labour and consumables.

Peter Hardie:

Yes, we do explore opportunities to hedge. We haven't done any as of yet, but that doesn't mean we won't do any going forward.

Rhylin Bailie:

Thank you. I've got about six questions related to growing production and long-term all-in sustaining costs, so I'm going to try to combine them into one that makes sense. You talk about 600,000 ounces of incremental production growth, when can we sort of expect to see that and how will that affect your long-term all-in sustaining costs as you, ultimately, move toward that million ounce per year target?

Christian Milau:

Yes, so in terms of the sequencing, we had that information on (inaudible 45:16), maybe not the timeline there, so it's a little bit fluid. But, Santa Luz, that incremental production is coming on today essentially, so that's done. We'll put a tick in that box.

Greenstone, that 240,000 ounces will start in the first half of '24, so from then onwards, you'll see that run rate improve.

Los Filos will be a little more gradual, as we get through higher-grade ores over the next 12 months, you'll see that gradually move up, give or take, 50,000 ounces in total. Then when we build a new CIL plant, you'll see it go up another 75,000 ounces, and that will likely happen after Greenstone's done. Call it from 2025 onwards at some point there.

Castle Mountain, you'll be adding 180,000 ounces from the incremental increase in production. We plan to build that and get that permit dealt with while we're actually building Greenstone. You get your permit. Greenstone will be finished. You start building Castle Mountain in Phase 2. Call it 2026 when you start to see the 180,000 ounces extra there.

Again, Aurizona underground will be a gradual thing as we get into underground ores over the next few years, you'll see marginal or incremental improvements there.

The second part of that question was?

Rhylin Bailie:

Just longer-term all-in sustaining costs.

Christian Milau:

Longer-term all-in sustaining—yes, good question. Yes, as I said, we have an elevated cost in the first half of this year. The second half of the year, depending on inflation, of course, or any changes is anticipated to be below $1,300. A big step change there already. Part of that is from just improving the current operations, adding the lower cost mines as we move forward. In the long term, I think I'd say a very rough estimate, $1,100, $1,200 type all-in sustaining costs before I probably would say closer to $1,000, but with current inflation, I don't want to say $1,000 today. You'll see that gradually come down, and it will be more in line with industry peers and norms.

Rhylin Bailie:

Thank you. Project specific, Castle Mountain and Los Filos, how are we going to get the costs down there?

Doug Reddy:

Well, Castle Mountain has been a change in the way we treat the ore. It was originally run-of-mine, but the percolation issues with this particular ore is such that the recovery takes too long. Switching to crush and agglomeration will provide a quicker leach time, gives the ability to get the full recovery in a shorter period of time. It does a whole bunch of other things in regards to reducing the amount of area that we have to carry under leach and it just improves our overall operation for Phase 1.

Phase 2, of course, is a different story. It's a much bigger project. It has much more scale. It provides a better overall cost per ounce when we move to the Phase 2. Phase I is a step towards Phase 2.

Christian Milau:

Just can I add on Phase 1. Right now, you have to remember, we're doing that Pad 1B, which will cover the rest of the Phase 1, basically leach pad space, so that capital is concentrated into two or three quarters. If you look at the 2,300 last quarter, a lot of that cost is just in this one-off leach pad expansion, then you get the benefit of that for the next number of years.

Doug Reddy:
For the remainder of Phase 1.

Christian Milau:
For the remainder of Phase 1. As Doug said, it's really going to come down just because you've got lumpy capital into all-in sustaining costs. I guess that's one of the disadvantages of all-in sustaining costs versus cash costs. If you have a heavy capital short-term period, it does reflect in all-in costs.

Doug Reddy:
With Los Filos, in many ways, it's the backing up of several development projects that should have been happening in 2020, 2021, which we've gotten through most of the stripping in Guadalupe, there's still some more to be done during the next phase of that particular pit. But it's fully producing now and contributing as I mentioned earlier. We are doing the stripping for the expansion on the Los Filos open pit.

When it comes to Bermejal underground, it got so delayed by 2020 that it got pushed into 2021, and now, we're still doing the development that should have happened previously on Bermejal underground, so it's catch-up.

Those all contribute more ore or higher-grade ore to Los Filos. Ultimately, our preference would be to have a CIL plant. It would have been nice to have that yesterday as opposed to in the future, because it gives a better recovery and, ultimately, is a far more efficient, better cost per ounce structure than putting higher-grade ore onto a leach pad. We look to that for the future, but it's been, as we've said repeatedly, we want to see stable operations, stable relationship with the communities before we make a commitment to that CapEx. But ultimately, it would be a bigger, better overall cost per ounce.

Christian Milau:
We're encouraged by that progress to-date. The last couple of quarters have been sort of steady. We've been able to get back into focusing on producing gold than having community relations issues and that, so we're pleased to see that progress at the moment. The team at site is actually now focused on how do we improve the mine plant, get those costs down, in call it the shorter term here.

Rhylin Bailie:

Thank you. Question for Peter. Are you sufficiently funded to achieve all of your expansion projects and will there be any equity financing required?

Peter Hardie:

We are sufficiently funded. We're comfortable with the strength of our balance sheet, and we have no intention of any equity funding.

Rhylin Bailie:

Thank you. I'm going to answer a question that has come in. As some of you may have noticed, our main website has been down since Thursday of last week. Our website vendor had a technical issue; all of their clients were down, so it certainly was not isolated to Equinox Gold. It did not affect any of our computer systems. It was completely separate from Equinox Gold because the website is hosted by a third-party vendor.

We put up a short-term interim website. It has hopefully most of the information you need, but it is certainly condensed from what we normally have online. Some of the website functionality is back through that vendor, so we are considering transitioning back to that vendor, but we want to wait until we know that they've got 100% stability. Hopefully, we'll be back with that big website this week or next week. But for now, we're going to stick with our interim website because we know it's at least consistent disclosure.

You can always reach us by phone and by e-mail, so thank you for your patience in that regard.

We have no further questions online, so I will turn it back over to Christian for closing remarks.

Christian Milau:

Thanks, Rhylin, and thanks, everyone, for joining.

Good progress. Great to see things happening on the ground. As we execute this year, we'll keep you up to date, particularly on Greenstone and our important projects and really looking forward to site visits in the second half of this year. Get people to come out, put boots on the ground at each of our sites in

Ontario and Brazil that are brand-new mines. We'll keep you up to date during the year. Thanks for joining us.

Rhylin Bailie:
Thank you very much. Operator, you may now close the conference call.

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