Equinox Gold Corp.

First Quarter 2023 Results and Corporate Update Conference Call Transcript

Date: **Wednesday, May 3rd, 2023**

Time: **10:30 AM ET**

Speakers:

Greg Smith
President and Chief Executive Officer

Peter Hardie
Chief Financial Officer

Doug Reddy
Chief Operating Officer

Rhylin Bailie
Vice President, Investor Relations

Operator:

Welcome to the Equinox Gold First Quarter 2023 Results and Corporate Update. 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. (Operator Instructions)

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

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

I'm now going to turn the conference call over to our CEO, Greg Smith.

Greg Smith:

Thanks, Rhylin. Good morning, and thanks, everyone, for joining us today.

On the call with me is our COO, Doug Reddy, our CFO, Peter Hardie, our EVP of Exploration, Scott Heffernan, and of course our VP of Investor Relations, Rhylin Bailie.

For those of you new to the Company, Equinox Gold is a diversified America's-focused gold producer. We have seven producing mines across Brazil, Mexico and the United States, and we also have several growth projects, including our large-scale Greenstone gold mine in Ontario, which we are constructing now with our 40% joint venture partner Orion Mine Finance.

Today, we are discussing our 2023 first quarter financial and operating results. I'll start with a broad overview for the quarter and then turn the call over to Pete and Doug for more details.

During the first quarter, we produced just under 123,000 ounces and sold just over 123,000 ounces of gold. Cash cost per ounce sold was $1,376 and all-in sustaining cost per ounce sold was $1,658. This was a good start to the year for us and we're on track to meet our 2023 production and cost guidance of 550,000 ounces to 625,000 ounces of gold with cash costs between $1,355 and $1,460 per ounce and all-in sustaining costs between $1,575 and $1,695 per ounce.

Over the course of the quarter, construction at our Greenstone mine continued to advance on time and on budget for first gold pour in the first half of 2024. I was there just a few weeks ago with a few of our directors, and I can say that the progress that Eric and his team have made over the course of the winter is impressive. At the end of the quarter, we were 73% complete overall, construction was 65% complete, and the team is now primarily focused on mechanical, piping and electrical installations, and preparing for commissioning and operational readiness.

Just a quick word on Castle Mountain and Aurizona. At Castle Mountain, we have now received acknowledgement of completeness of our permit amendment application from the state, county and federal regulators, so permitting will now start to advance through the formal environmental analysis, and work on the Environmental Impact Statement is expected to start later this year. At Aurizona, the feasibility study on the addition of an underground mine is progressing well and we expect to have results ready for public release mid this year.

On the corporate side, we did take some steps this quarter to fortify our financial position as we continue through the Greenstone build. These actions resulted in an unrestricted cash balance of $285 million at the end of the quarter, that's up $85 million from year end, plus approximately $130 million available from our credit facility, for a total of $415 million in available cash liquidity. Pete will go into more detail on this later in the call.

Finally, I am pleased to report we also continued our excellent safety record during the quarter, with a continued reduction in our 12-month rolling total recordable injury frequency rate. We also had good environmental performance during the quarter, and in February we announced our greenhouse gas emissions reduction target of 25% by 2030, and that's as compared to a business-as-usual case. Details of that are laid out in our Climate Action Report, which is available on our website.

Finally, actually, shortly following this call, we will also publish our 2022 ESG Report, which will be available on our website. This report is very detailed and has loads of information on all things ESG at Equinox Gold, so I encourage everyone on this call to check that out.

With that, I'd like to hand the call over to Peter Hardie to run through our financial results.

Peter Hardie:
Thanks Greg. We're now on Slide 6 in the presentation.

As to our financial highlights for the quarter, we received an average realized price of $1,895 per ounce on the sale of 123,000 ounces of gold, generating $234 million in revenue.

We had $172 million in operating expenses in Q1, which is similar to the $168 million of operating expenses from Q4 2022, but an increase compared to Q1 2022 which was $152 million. The increase from Q1 last year is consistent with the inflation Equinox Gold experienced in the first half of 2022.

On a per unit basis, cash cost per ounce increased in Q1 2023 to $1,376 per ounce from $1,238 per ounce in Q1 2022, and all-in sustaining cost per ounce increased to $1,658 per ounce from $1,578 in Q1 2022. Key consumables unit costs remained stable from Q4 to Q1 2023. From Q4, we saw small decreases in key consumable prices in Brazil, which were offset by small increases in consumable prices in Mexico and the USA. Fortunately, the flattening of key consumables costs on a per unit basis has been a consistent trend since early 2023.

As Greg mentioned, our Q1 gold production and cost results have us on track for our 2023 guidance.

Our EBITDA in Q1 was $65 million, or $57 million on an adjusted basis, and we had net income of $17 million for basic earnings per share of $0.06, or $0.05 per share fully diluted. On an adjusted basis, we had a loss of $8 million or $0.03 a share.

The main adjusting items to income are the reversal of a $35 million gain on reclassifying our holdings in i-80 Gold from an investment in associate to marketable securities. This reclassification results from selling a portion of the i-80 holdings, which moved us to below 20% total ownership. In addition, there are adjustments of $13 million for unrealized gains on foreign exchange contracts and $15 million for our share of losses on investment in associate. Those are related to i-80 and we won't be incurring those going forward.

Cash flow from operations before changes in non-cash working capital was $195 million or $0.63 per share. Included in that cash flow from operations is the receipt of $140 million from the gold prepay arrangement. If you back out those prepaid funds, Equinox Gold generated $55 million in cash flow from operations, or $0.18 a share.

In terms of liquidity and capital position, we ended the quarter with $285 million of unrestricted cash and $127 million available to draw on our credit facility, giving us a total of $412 million of liquidity.

Our cash position was enhanced with the gold prepay arrangement we announced in March. For the $140 million we received under the terms of that arrangement, which is recorded as deferred revenue, Equinox Gold will deliver approximately 80,000 ounces of gold at equal monthly instalments from October 2024 to July 2026, which represents less than 5% of forecasted production for that period. Deliveries start after Greenstone construction is complete and gold can come from any of the mines to satisfy the obligation. Deliveries will be credited at $2,170 per ounce of gold as it is delivered, and we note that for purposes of the debt covenant calculations, the prepay does not receive deferred revenue treatment and will be included as debt. The prepay was led by ING, with NBF and BMO participating, and we, of course, thank our lenders for the continuing meaningful support.

During the quarter, we also bolstered cash by realizing total investment sales proceeds of $77 million, with $53 million received on the sale of our remaining Solaris shares and $24 million on the sale of the i-80 shares. Net debt decreased about $80 million from the end of December to $548 million at the end of March.

To furthest strengthen the Company's financial position during Q1 and into early April, we put in place gold hedge collars. There are approximately 164,000 ounces hedged from Q2 2023 through to the end of Q1 2024, with a floor price of $1,910 per ounce and significant upside participation up to a ceiling of over $2,100 an ounce, and that represents a little under 25% of our production through that period.

Moving to Slide 7, what does that all mean for Greenstone funding? Based on construction progress at the beginning of Q2, Equinox Gold's share of the remaining construction budget is about $260 million. We expect to fund this amount with our cash balance of $285 million, our ongoing operating cash flow, and the undrawn revolving credit facility of $127 million. Additionally, the $100 million accordion feature remains in place on the revolving credit facility. With those and other sources of liquidity, we're well funded to complete Greenstone construction.

I should note also, as stated previously, we paused the use of the at-the-market facility in January after drawing about $25 million from it, so there's $75 million remaining available on the ATM.

With that, I will turn the presentation over to Doug for review of our operations.

Doug Reddy:
Thanks, Pete. So, we're on Slide 8.

For the operations, all of the mines are working on continuous improvement programs that are focused on productivity improvements, consumable usage reduction, and also procurement savings.

Specifically looking at Mesquite, during Q1 the focus was on stripping in the Brownie and the Vista East pits, and that will provide us ore for the remainder of 2023. Due to the emphasis on stripping in Q1, we did have a relatively low number of new ounces that went onto the pad during that period, and yet ounces were as planned for the quarter, and that’s in part due to contributions that we got from re-leaching and side slope leaching of the pad in previously leached areas. We are continuing our exploration and permitting efforts, looking for mine life extensions at Mesquite.

At Castle Mountain, we were placing both run-of-mine and crushed and agglomerated ore on the heap leach pads, we had an increase in the overall tonnage being placed over the prior quarter, and we continue working on increasing the overall crusher throughput with the intent to [eventually] put all of it through the crusher and agglomeration system. We are also advancing our permitting and met test work in support of the Phase 2 [expansion], and I'll mention more on that later on.

At Los Filos, we're currently mining in the Los Filos and the Guadalupe open pits, as well as the Los Filos underground mine. We've had improved productivity, with more tonnes being placed in the quarter and with higher grades coming from both the open pits and underground mines. However, recovery was impacted for some of the ore coming from the Guadalupe open pit. Some of the ore has a high copper grade, specifically copper oxides, and they are cyanide consumers and delay our overall gold recovery. So, we've now been separating that ore, we're using a higher cyanide dosage, and we anticipate an extended leach cycle for the recovery of the gold from that ore. That’s going to mean that the ounces from that ore will be dragged out over subsequent quarters.

Also of note, we did suspend the Bermejal underground mine during the quarter, and that was due to the prolonged development period and investment period and the lower productivity that we were getting out of the mine. We will develop the revised mine plan to be able to match the timing for restart so that the higher-grade Bermejal ore will be fed into the CIL plant.

Turning to Slide 9, at Aurizona we had good mine production as we moved through the peak of the rainy season. Our contractor brought in additional trucks during the quarter, and we also mobilized a second contractor so that we can catch up on the material movement as the rainy season begins to abate. The process plant maintained higher throughput than planned, and we produced slightly higher [ounces] than planned for the quarter overall.

At Fazenda, the mine performed well, with open pit mining contributing higher grades and more tonnes than planned, which helped to offset lower production from the underground mine while we catch up on development headings and bring on additional stopes in the underground. Both throughput and plant recoveries at Fazenda were above plan and the mine was ahead overall in ounces being produced. And I note our exploration work at Fazenda continues to provide good resource and reserve replacement, as each year we focus on doing that to extend the life of Fazenda, and exploration has also been following up on the greenstone belt between Fazenda and Santa Luz.

At RDM, we restarted the process plant in January 19 after a permitting delay, and we're doing owner mining with our own equipment, supplemented with a rental equipment fleet, and mining is ahead of prior quarters for both the ore and waste movement. We're processing this combination of in situ ore supplemented by low-grade dump material. Recoveries are almost 90%, which is a couple percent above plan, and the mine intends to catch up on full year production as projected for the year. The final TSF raise is in progress. In our current TSF, we're optimizing the volume that we have available by using cyclone tailings, and we've entered into the permitting process for a filtered TSF at RDM.

Moving on to Santa Luz, we had lower recoveries in January, but achieved 65% in February and March as we kept the ore blend steady and modifications were being completed on the detox system, which is critical to maintaining recoveries at Santa Luz. Recoveries are now over 68% in April, and we continue to work on process plant improvements with a plan for recoveries to be over 70% for the second half of the year. I do note the resin-in-leach plant is achieving higher recoveries overall than what would've been possible with carbon-in-leach processing.

Moving on to Slide 10 and onto the development side, Greenstone will be one of the largest gold mines in Canada, with 5.5 million ounces of reserves. Annual production for the first five years will be 400,000 ounces a year with a 14-year life, and first production is coming in the first half of 2024. I just want to take a moment to acknowledge the focus on safety at all of our mines, but especially as a construction project at Greenstone. They passed three million hours just after the quarter end with no lost time injuries. So, it's good that they keep the focus on safety.

Moving on to Slide 11 with the construction information, the Greenstone project is on budget and on track. Overall, the project was 73% complete at the end of Q1. You can see [progress on] the various other items [including] construction procurement, concrete and structural, steel. The capital spend is 65% complete and we have around $260 million remaining as our share of the spend on the project. Project progress was really good during the winter months, as Greg stole some of my thunder and talked about how well things have been going. All of the buildings were enclosed and being heated by the end of the quarter. Ball mill installation has commenced as per the schedule, and as you can see in the photos, [the team has been able to] move inside and we have major installations underway, with mechanical, electrical, and piping being a focus. All major equipment is on site with the exception of the HPGR, which is on route to the site at the moment. On the operations side, we started mining in Q3 last year with four trucks and one shovel, we moved to 24/7 operations in Q4, and by the end of Q1 we'd moved six million tonnes of material. We now have seven trucks on site and two shovels, and I note that we will be doing an analyst and investor visit in September this year.

Moving on to our other expansion projects, with Castle Mountain Phase 2 we'll see an increase to over 45,000 tonnes a day going onto the leach pads and production of around 218,000 ounces a year for a 14-year mine life. As Greg noted, we submitted our permit application in March of 2022, we've had our notices of completeness from the permitting agencies, and we'll continue to work through the process and should see environmental assessment work happening during 2023.

For Piaba underground at the Aurizona mine, we're working on the feasibility study. That involves mining from the underground at the same time as the open pits. The feasibility study will be wrapped up by mid-year. We have permits for three portal locations and we will, upon completion of the feasibility study, look at timing for an exploration ramp. That would give us underground drill stations and the ability to mine underground ore, and we'll be looking to assess geotechnical and hydrogeological parameters as it will ultimately also serve as a production decline.

At Los Filos, as noted, we are looking at construction of the CIL plant. We'll be making a decision on construction once we're through the higher capex period for Greenstone, and we're also doing work on our operational efficiencies and having continued stability with the local communities.

With that, I'll hand it back to Greg.

Greg Smith:
Thanks, Doug. I think that covers the quarter well.

I should say, quite recently, we did launch a new website. On there, you can see pictures of all of our sites, but also of the [construction] progress at Greenstone. As Doug said, we haven't had anybody at site since September last year. We'll be doing a site tour in September of this year, but in the meantime, the website has plenty of pictures and you can track progress that way.

I think I'll just make a final comment, to thank the entire Equinox Gold team here in Vancouver and at all of our sites who, as always, are working hard for all of our stakeholders, and, of course [thank you] also for the continued support of our shareholders.

I'll finish up there, and pass it back to Rhylin for Q&A.

Rhylin Bailie:
Perfect. Thank you. Operator, can you please remind people how to ask a question?

Operator:
Certainly. (Operator Instructions)

Rhylin Bailie:
Thank you. While they queue up, we'll take a question from online. Can you give any further clarity on when you're going to pour first gold at Greenstone?

Greg Smith:

Well, what we've been guiding to the market so far is that we'll pour gold in the first half of 2024, and that's the guidance we're going to maintain for now.

Rhylin Bailie:

Okay. Can we please take some questions from the phone?

Operator:

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

Wayne Lam:

Yes, thanks, guys. I just want to ask about the progress or the results of the Quantitative Risk Assessment at Greenstone, and just wanted to understand the rationale behind the recent hedging in the prepay. Is that kind of just shoring up the balance sheet as you guys look to wrap up construction, or is that based on some of the results from the risk assessment?

Greg Smith:

We started the QRA in April, so we're still working our way through it. We've got initial feedback, but we have to work through the whole thing. It's the same thing that we did last year. It gives us a good, whole view of the site to make sure that all of our progress is on track, that we've accounted for all of the materials, and so we can make any adjustments going forward.

Peter Hardie:

Wayne, it's Peter. On your question on hedging and prepay, you hit the nail on the head. With respect to the—I'll refer to it as very short-term hedging. Those hedges run through Q1 next year. We were opportunistic on two occasions to take advantage of the forward gold curve, that was at the end of January and the beginning of April, where we locked in profits during our capex-intensive period, and then I would add, we still have meaningful exposure [to the gold price]. It's just under 25% that's hedged through that period, the ceiling is very high at $2,106, and, of course, we have full exposure on the unhedged 75% that remains on the short-term hedge.

Then with respect to the prepay, yes, it's to add liquidity now during the capex period, again, with a really high locked-in forward rate at $2,170 an ounce throughout the delivery period. That's just under two years and, again, post Greenstone start-up.

Greg Smith:

Wayne, I think it also helps, just to add some additional context, and if you go back to late October, early November, gold was $1,650. We're in the middle of a very substantial capital build at Greenstone. We've taken a number of incremental measures to make sure we've got as strong a balance sheet as possible as we move through that build. We've done a number of different things, which have included some hedging, the prepay, we sold some securities, we did tap [$25 million of] our ATM, we worked with our lenders and relaxed our [debt] covenants, and all of that was designed to just decrease risk over the build period. So, [the prepay and the hedging] was just one more part of an overall strategy, to do that.

Wayne Lam:

Okay, great. Yes, I agree, it looks like some prudent risk management. Maybe at Mesquite, I was just wondering if you might be able to discuss the lower cash cost quarter-over-quarter. Is that, in part, related to the kind of optimization in moving to the smaller pits, and I'm just wondering if that's sustainable relative to where the guidance was?

Doug Reddy:

Yes, it is specifically that. I mean, that's why we moved to the smaller pits at Mesquite and we continue to look at opportunities to be able to extend life overall. So, that is the approach there.

Wayne Lam:

Okay, great, thanks, and then maybe just last one for me. Just at Castle Mountain and on the permitting front, can you help us understand the impact of the designation of the national monument across that access road, and how does that impact the progress on timing in terms of the permitting for Phase 2?

Greg Smith:

It should have zero impact on the timing of permitting, and actually, if you go to the language of the proclamation for that national monument, it's very detailed in its, I guess, exclusion of any restrictions on any existing right-of-ways, whether it's roads, utilities, power, other infrastructure, that might be in the monument. That was obviously of key interest to us, and we're very, very pleased with the language that they ultimately used in the monument. We don't expect it to have any effect on permitting at Castle

Mountain and we were in ongoing, I guess, conversations with the regulators as that monument was being put into place, and not just us, there's lots of infrastructure on the Nevada side of the California/Nevada border there where that monument was put in. So, all in all, I think it was a good result for everybody and we're happy with the way that turned out.

Wayne Lam:
Okay, great. Congrats on a good quarter, and thanks for taking my questions.

Greg Smith:
Thanks, Wayne.

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

Anita Soni:
Hi. Good morning, Greg, Doug and Peter. So, a few questions. Firstly, the inventories, they've been climbing for the last couple of quarters and I just wanted to understand some of the—how the inventories play into the cost. Am I correct to assume that it's a function of some of these higher unit costs that will take some time to wind its way through, or is there something else at play there?

Peter Hardie:
Anita, it's Peter. One of the main contributors to the increase in overall inventories at Los Filos, where there was quite a bit of stacking activity both in Q4 and Q1, was a longer recovery from inventory, so those costs remain in inventory, of course, until they come off and we sell the gold, but that's the biggest contributor to the increase in inventories.

Anita Soni:
Okay. It's been about $30 million per quarter for the last two quarters. So, that should come out in the back half of the year? Like, what's the leach cycle at Los Filos?

Doug Reddy:
The normal leach cycle is 120 days. I mean, most of the gold comes out in the first 60 days, but 120 days overall. But for the higher copper ore we're looking at 180 days, so a third cycle to get it all, so,

hence, it drags out.

Peter Hardie:
Yes, if you're building that into your model, then, yes, it's pushing it into kind of later Q2 and Q3.

Anita Soni:
All right, and then just an overall question in terms of—as we think about the cost that you delivered this quarter and then increasing production over the course of the year that you had previously mentioned, do you anticipate that will have a overall—I guess, will costs be flat to this quarter, will they be rising from this quarter, would you expect them to decline?

Greg Smith:
Well, I think it's fair to say we're not shooting for the high end of our cost guidance, we're shooting for the low end of our cost guidance, and as we—traditionally, at Equinox Gold, just seasonality, Q1 is usually a lower production quarter for us and we typically see increasing production quarter-over-quarter. We expect this year to be the same, and along with that increasing production, you have a corresponding decrease in costs.

Anita Soni:
Okay, that's my questions for accounting, but now can I move on to Greenstone? So, just in terms of the deliverables, I think you had mentioned when we had our mine tour about nine months ago, that at the end of Q1 you would've been around 80% complete, and I do notice that in Q2 and Q3, you do have some pretty good productivity improvements, but according to the schedule right now, you're only supposed to deliver about, I guess, a little over 10% in Q2. So, do you expect to make up the shortfall in the completion over Q2/Q3, or will that kind of push out into Q1 and Q2, into 2024?

Doug Reddy:
No, it is exactly as you say, that the intent is to catch up by—we were looking at Q2. I think coming through the winter, we're looking at Q3 for the catch-up.

Anita Soni:
All right, and then a few specifics. I guess you've got seven trucks at this point; is that correct?

Doug Reddy:
So far, operating, yes.

Anita Soni:
Okay, yes, and then by the end of the year, you're supposed to have 18 that you need for operational readiness; is that the case?

Doug Reddy:
We have another 11 coming. I'd have to check the delivery dates, but it's all per our schedule. We've doubled down and checked to make sure we're going to achieve everything we need to do for material movement.

Anita Soni:
Sure, and then just moving on to the TSF, I just want to clarify, it is a downstream tailings facility, right, not a modified centre line?

Doug Reddy:
Downstream, and we do a cut-off wall that's deep soil mixing and we're doing an abutment or embankment on the TSF, as well, which is where a lot of our material goes to right now for the waste, it goes down onto the TSF.

Anita Soni:
Then, the other deliverable that I was thinking about for this quarter, did the crushers get delivered yet?

Greg Smith:
Are you talking about high-pressure grinding rolls or the crushers?

Anita Soni:
The crushers. Yes, it was listed as crushers in our mine tour booklet from last September, that the crushers should have been delivered.

Greg Smith:
Yes. The crushers are there, yes.

Anita Soni:

Okay. All right, that's it for my questions. I'll pass it off to somebody else.

Greg Smith:

Thanks, Anita.

Operator:

Our next question comes from Arun Lamba of TD Securities. Please go ahead.

Arun Lamba:

Hey, guys. Just a couple of quick ones on Greenstone. It's kind of largely been answered, but I guess first, can you just remind us when the timing of that independent study is going to come out? I'm guessing it's before the site visit in September. Then, just lastly, you mentioned all the buildings are enclosed, equipment on site, except the HPGR. In your view, what's the critical path item right now to kind of keep everything on schedule?

Greg Smith:

On the QRA assessment, we're in the midst of it right now. I think that'll be done probably sometime in May, and we can update the market probably in May or June, so long before the September site visit, and critical path has been the same since basically the start of construction, which is through the milling facility.

Doug Reddy:

So, really, the east end of the process plant building, which getting it enclosed was done in Q1, was critical; starting the ball mill installation, which has commenced on schedule. It remains a critical path until we get through the commissioning of that, because it is the core piece of equipment. But we've got the two mills being installed in parallel. Previously, they were scheduled for serial [installation], so that should be able to keep everything on track there.

Greg Smith:

Arun, I think when we spoke in, I guess it was January, you asked me what kept me up at night at Greenstone, and it's going really well, but the same thing I said then is the same thing I'll say now, which is we just have to maintain the productivity level of the contractors that are doing the mechanical, electrical, piping and installation at site, and that's a lot more challenging when the buildings aren't enclosed. At this point, they're all enclosed. We're moving past winter at Greenstone now, and things are actually starting to move very quickly there. So, that's the main critical path, keeping that productivity up as we get the mill installed, but things are looking really good.

Doug Reddy:
I just double-checked. Crushers are on site and secondary crusher installation work is underway.

Arun Lamba:
That's great, and then just quickly, just on the Sandbox potential up to $75 million, do you have an estimated time of completion for that, or is it still kind of unknown?

Greg Smith:
Well, in the non-binding term sheet that we signed with Sandbox, it had an outside date of September of this year, and so the team at Sandbox is working on that and Equinox Gold is working on the final documentation, and then that would lead to Sandbox doing a financing and then closing that transaction. So, right now, the outside date is September and that's the date that was in the term sheet.

Arun Lamba:
That's great. Thanks a lot, and congrats on a good quarter.

Greg Smith:
Thanks, Arun.

Operator:
Our next question comes from Mike Parkin of National Bank. Please go ahead.

Mike Parkin:
Hi, guys. Thanks for taking my questions, and congrats on an earnings beat for the quarter. Most of my questions have been the answered. Just, can you give us a bit more colour at Mesquite with respect to the permit and the path forward there in terms of what you expect at the asset, say, next year and the year beyond?

Doug Reddy:

Well, the permitting for Mesquite relates to—every time we do a drill program, we have to permit them, so that always is in the queue, is to get every single drill program permitted, so it's a stepwise progression. We are looking at one of the areas where we would like to be able to mine, that will involve some modifications to infrastructure, so that's underway, and we also had applied for a pad height increase, which we recently got granted. There are always permitting modifications to be done on a relatively tight footprint and a very large mine.

Mike Parkin:

So, it sounds like it's fairly low risk of being an issue for 2024?

Doug Reddy:

Well, yes. I would say the key thing is looking through 2024 into 2025. I mean, we need to get all drill programs done that would be able to support production that goes from the end of 2024 into 2025.

Mike Parkin:

Okay, and then just flipping back over to Greenstone, can you just give us an idea of where you are at staffing? Are you at peak contractor employment, or is that still yet to come this year, and could that support increased productivity in terms of your monthly completion rates?

Doug Reddy:

Well, we peaked through the summer, but due to a combination of operations and construction personnel, which was to be expected, and we've been through all the housing plans and everything and it'll be tight, but it's part of the plan.

Mike Parkin:

Then, in terms of your regular worker staffing, how is that going? You were kind of highlighting some wins, in terms of looking to be the employer of choice given a long mine life in the area. Is that still tracking nicely?

Greg Smith:

It's tracking nicely, but it's not without challenge. The team at Greenstone's working hard to get everyone they need for the operation, and I know they're attending a lot of different employment shows and conferences and we're very actively hiring, and so if anyone is interested in a job at Greenstone, you can check our website or the Greenstone website, we'd love to hear from you. The biggest challenge is the more technical roles, mill operators, electricians, heavy duty mechanics, those types of roles are certainly challenging, there's a lot of competition, but it is going well, and we're keen to talk to anyone who wants to work at Greenstone.

Doug Reddy:
Our peak will be June for personnel on site. We're about 870 at the moment, but June peaks at just over 1,000.

Mike Parkin:
Okay. Looking forward to tracking the progress on that one. Thanks, guys.

Rhylin Bailie:
It looks like we have one follow-up question from Anita.

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

Anita Soni:
Hi, thanks. I was just going to ask about the project capex spend. You’re on schedule in terms of the capex spend at around 65% at the end of this quarter, but given that you were a little bit behind on the actual progress, I guess, as you try to catch up over the next couple of quarters on the progress, will that have any impact to the overall capital or the capital spend pattern over the next couple of quarters?

Peter Hardie:
Yes, Anita. It’s Peter. We don't believe it will.

Anita Soni:
Okay, and so could you provide some colour on why it won't?

Peter Hardie:

We believe within our budget overall contingency for those kinds of items that might be taking more hours than originally planned, that that contingency's sufficient to satisfy an increase, if necessary.

Anita Soni:

Okay, and how much of the contingency remains? I think when we were on the tour, I believe some of it had been used up already, but I don't really have an update on what the contingency is since then.

Doug Reddy:

That is part of the QRA that we're going through right now, so I'm sorry, you're going to have to wait for us to finalize that work that we're doing.

Anita Soni:

Okay, and I just wanted to dig a little bit more on the tailings dam. I guess what I'm trying to drive at is you've got seven trucks right now, I think you were supposed to have about nine by the end of this quarter, and then, to me, the truck delivery is kind of critical to making sure that your TSF is built on time and available for when you start production, so could you give us a little bit of a timeline over the next six months, nine months, about when you're expecting the trucks, and what needs to be done on the TSF in order to be ready for the first half of 2024?

Doug Reddy:

Yes, the TSF is to be available for use as of the fourth quarter of this year, and that doesn't change. I'd have to go back and check on actual truck numbers, but Darrol van Deventer, with our Technical Services Team, monitors what David Newhook on the operations side at Greenstone has for progress, and I'll come back to you on that one.

Anita Soni:

Sure. In the technical report, it said it was nine by the end of this quarter and 18 by the end of next quarter, and obviously you've got to do a lot of moving of earth in Q2 and Q3, so you need those trucks.

Doug Reddy:

Yes. We also modified the mining plan, which we had talked about last year, that we went from—I think the original plan was about 41 million tonnes. We modified the plan for the first period to be about 30 million tonnes, which meant that we could push off some of the trucks, and it had no impact overall for the first five years of operations. It just pushed some of the tonnes into the operating period.

Anita Soni:
That was for the stripping, right? So, you've basically given yourself, I guess, 10 million tonnes of wiggle room.

Doug Reddy:
Yes, yes. There's the disconnect for you. I can come back and check on the delivery times for it and we'll come back with an answer for you.

Anita Soni:
Okay, thank you.

Greg Smith:
Yes, it's a good point, and just kind of further to your point, we've actually put in orders in advance on the trucks that we need.

Doug Reddy:
And shovels.

Greg Smith:
And shovels. So, we're very comfortable that we're going to have all the gear we need in the time that we need it, as we've kind of accelerated the ordering of and made commitments on that gear.

Anita Soni:
Okay. Thank you.

Rhylin Bailie:
Okay. We've got one question from online. Have you got all the permits that you need now at RDM?

Doug Reddy:
Yes, with the exception of the permit for the filtered tailings storage facility. We do have one permit,

which was for some additional low-grade dumps, that we were looking at for topping up our feed. We know that the permit's been issued and we're just waiting for the signed version of it to be delivered, but we consider that to be in hand. So, just a filtered tailings storage facility, which for us is a shift at RDM, and obviously is the way to go in Brazil, because all mines are shifting towards filtered tailings storage facilities for the future once they've finished their current designs.

Rhylin Bailie:
Great, thank you. Greg, do you have any closing remarks?

Greg Smith:
No, I think that sums it up well, and, as usual, I'll just say if anyone has any further questions, you can always reach out to Rhylin or myself via the website, all of our contact information is there, and thanks again for attending the call.

Rhylin Bailie:
Perfect. Thanks, everybody, for joining us today. Operator, you can now conclude the call.

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