Equinox Gold Corp.

Second Quarter 2023 Results and Corporate Update Conference Call Transcript

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Time: **7:30 AM PT**

Speakers:

Rhylin Bailie
Vice President, Investor Relations

Greg Smith
President and Chief Executive Officer

Peter Hardie
Chief Financial Officer

Doug Reddy
Chief Operating Officer

Operator:
Thank you for standing by. This is the conference operator. Welcome to Equinox Gold's Second 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. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an operator by pressing star, then zero. If you are participating through the webcast, you can submit a question in writing by using the text box in the lower left corner of the webcast screen.

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, Gillian, and thank you, everybody, for joining us this morning. We will, of course, be making a number of forward-looking statements today. Please do visit our continuous disclosure documents on our website, on SEDAR and on EDGAR.

I'd now like to turn the call over to our CEO and President, Greg Smith.

Greg Smith:
Thanks, Rhylin, and good morning, and thanks, everyone, for joining us today, especially at this very early hour on the West Coast here. On the call with me is our COO, Doug Reddy, our CFO, Peter Hardie; our EVP of Exploration, Scott Heffernan; and our VP of Investor Relations, Rhylin Bailie, who you just heard from.

As a quick introduction to those new to the Company, Equinox is a diversified Americas-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 is in construction now with our 40% joint venture partner, Orion Mine Finance.

Today, we're discussing our 2023 second quarter financial and operating results. But before we jump into those results, I just want to acknowledge the fatality at our Santa Luz mine in June. This was a tragic incident, and we extend our deepest sympathies to our employees, family, friends and coworkers. We had a one-week site-wide suspension of operations at Santa Luz to facilitate the investigation and to refresh safety training.

I'll now start with a broad overview for the quarter, and then I'll turn over the call to Pete and Doug for more details.

We had a solid quarter with sales of just over 138,000 ounces at a cash cost per ounce sold of $13.61 and an all-in sustaining cost per ounce sold of $1,502. For the first six months of the year, we sold 261,000 ounces at cash costs of $13.54 per ounce and all-in sustaining cost of $15.76 per ounce. This reflects record sales for the Company for the first six months of the year, and we remain on track to meet our 2023 production and cost guidance.

On Tuesday this week, we issued a press release with a full Greenstone update. For those that didn't see it, the team at Greenstone has done a great job of continuing to advance the mine on time and on budget for first gold pour in the first half of 2024. As of July 21, we were 85% complete overall at Greenstone. There's loads of pictures on the website, and you can really see how far the project’s come and advanced over the course of this year. And Doug will have more to say on Greenstone in a few minutes.

During the quarter, we also continued to progress the feasibility study on the addition of an underground mine at Aurizona. And we're going to continue to conduct some additional work, including trade-off studies on throughput from the underground mine. This means we'll complete the study next year. This timing also allows us to proceed with construction of a portal and a decline, which we plan to include in our capital budget for 2024. Our work so far shows excellent potential for a long-life underground mine in Aurizona. So we're keeping our foot on the gas in terms of development while we progress the feasibility study. And Doug will also comment more on this.

We finished the quarter with unrestricted cash balance of $174 million, plus approximately $130 million available from our credit facility for a total of over $300 million in available cash liquidity at quarter end. With cash flow from operations, this leaves us well funded through the completion of construction at Greenstone.

We also published our third comprehensive ESG report in May. And just recently in July, we published our first water stewardship report. These reports summarize our performance during 2022, our targets for 2023 and our long-term strategy across a range of ESG initiatives. They're both available on our website along with our climate action report, and I encourage everyone on this call to check them out.

So 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. From a gold sales and revenue perspective, we had our best first half of the year in the Company's history. During the quarter—for the 138,000 ounces we sold, we received an average realized price of $19.62 per ounce. That's $19.31 year-to-date, generating $217 million in revenue, $506 million year-to-date. We sold 15,000 more ounces in Q2 as compared to Q1 of this year and about 18,000 more ounces than we did for the 120,000 ounces that we sold in Q2 last year.

Our cash cost per ounce of $13.61 for Q2 is similar to that of Q1 of this year and down from Q2 of last year of $14.82. Our all-in sustaining cost per ounce of Q2 this year of $15.02 is down from Q1's $15.76 and also down from Q2 last year, last year's $16.57. As to forward views on input costs, unit prices, we're now starting to see decreases in particularly diesel and cyanide in Brazil and the U.S. Those unit cost decreases in Brazil are somewhat offset by the strength of the real against the U.S. dollar.

Our EBITDA in Q2 2023 was $64 million or $71 million on an adjusted basis, and we had net income of $5 million for basic and fully diluted earnings per share of $0.02. On an adjusted basis, we had a net loss of $6 million or $0.02 a share.

Cash flow from operations before changes in working capital was $81 million or $0.26 a share. Included in that cash flow from operations is a receipt of an additional $10 million from the gold prepaid arrangement. If you back out those funds, we generated $71 million in cash flow from operations or about $0.20 a share. In terms of liquidity and capital position, we ended the quarter with $174 million of unrestricted cash and $127 million available to draw on our credit facility, giving us total liquidity of a little over $300 million. We did draw the remainder of the revolver on August 1.

Further to the gold sale prepaid transactions entered in Q1. As I mentioned, we did enter into an additional gold sale prepay on June 23, whereby with one of our—one of the members of the syndicate that provided the prepay, we received $10 million in exchange for delivering to the lender 263 ounces of gold per month from October 24 to July 26 for a total of just under 6,000 ounces. Those terms reflect—and that delivery period reflects that of the prepay that we did earlier in the year. Concurrent with the execution of the gold prepay sale transaction in June, we entered into financial swap agreements that fixed the gold price relating to that $10 million at $21.09 per ounce.

Net debt increased from $113 million at the end of Q1 to $548 million—pardon me, going from $548 million to $661 million at the end of Q2.

On Slide 7, what does that mean for Greenstone? Based on progress to date, we believe our share of the remaining construction budget is about $170 million, and we expect to fund that through our cash that we had at the end of the quarter, our operating cash flow and the final draw on the revolving credit facility. Additionally, we still have the $100 million accordion feature in place. And with those sources of liquidity, as Greg mentioned, we believe we're well funded to complete Greenstone construction.

With that, I will turn the time over for Doug to review the operations.

Doug Reddy:
Thanks, Pete.

As mentioned earlier, we had a very good first half of the year, and we are looking at pushing hard to deliver strong production in the second half. We've noted before that about 55% of production this year is in the second half of the year. At Mesquite, the Brownie pit provided a majority of new ore, about 90% of the ore going to the leach pad, and re-leaching on portions of the pad also contributed significantly to the Q2 gold production. Mining costs at Mesquite benefited from a drop in diesel prices. And just, for example, the current price is about 30% lower than it was in Q2 last year. Process costs were reduced through a reduction of cyanide and lime usage. We don't see that staying the same in the second half because we plan on stacking more in the second half. So the overall cost will go up on cyanide mine.

At Castle Mountain, throughput has increased 40% since the start of the year in the crusher and the crusher run time is up by about 30%. We continue with modifications to the crusher setup and we're planning for those additional modifications to be implemented in Q3.

At Los Filos, productivity improvements were seen in both open pit and underground. Open pit has about 15% higher productivity, along with loading improvements and an increase in effective operating hours. For underground is about 23% increase in the ore tonnes being mined. So although we—but although we have more tonnes going to the leach pad, we did have some challenges on the leach pad that we've been addressing. These include some higher copper ore coming from the Guadalupe open pit. I do note that this is only a portion of the ore, and it represents about 12% of the tonnes being stacked for the remainder of the year.

We also had issues with solution management related to some broken pipes in one area of the pad. Those have since been repaired and the pregnant solution in that area where the breakage occurred needs to be drained. That impacts about 8,000 ounces that is slow in coming out of the pad. It will come out. It's just going to be slower coming out than originally anticipated. And we also had one portion of the leach pad, which had to be turned again and leached again after a carbonate precipitation occurred, which was hindered recovery. That impacts about 4,000 ounces. Again, those ounces will come out in the second half of the year.

At Aurizona—in addition to the current mining contractor, we also mobilized a second contractor with articulated dump trucks. They'll be in for most of the rest of 2023. They came in during the rainy season. The rainy season is over now. We're putting a big push on the mining and to establish a larger stockpile in advance of the next rainy season.

At Fazenda, we're currently mining mostly from open pits while the underground also catches up on development, and we'll work on bringing additional stopes into production. Drilling continues on the reserve replacement program at Fazenda. It's been successful every year, and we continue doing that to—successful in replacing reserves every year.

At RDM, we had good performance from the owner-operated fleet. That fleet is a combination of our own trucks plus 15, 60-ton rental trucks. The increase in mining of higher grade in-situ ore has brought the production up significantly in the quarter. And the mill feed is—I'll note that mill feed is also being augmented with low-grade stockpile if there is any availability in the mill.

At Santa Luz, the team continues to gradually bring recovery up, and the plant had an average overall recovery of 67% in the quarter. We are targeting 70% or better for the remainder of the year, and the team continues to work on process and throughput improvements.

Moving on to Greenstone. I get the pleasure of being able to speak about a really good story on construction progress, and the team has done a great job. We put out the Greenstone update news release on Tuesday and provided a complete summary of the project status. Essentially, the project is on budget and on schedule for H1 2024 production.

Moving on to the next page, looking at progress. Overall progress at Greenstone is 85% complete, which is comprised of construction at 83% complete, engineering is 100% complete and procurement's 87% complete. Capital spend at June 30 is $937 million, which is 76% complete of the budget on a 100% basis. And we have approximately $170 million remaining as Equinox Gold's share to fund through to project completion.

Facilities handed over to operations so far are the permanent effluent water treatment plant, truck shop, warehouse, sewage treatment plant, potable water treatment plant, the pit and plant site fuel stations, reagent storage building and site mix emulsion or explosives plan. The Ministry of Transport Petrol Yard's been turned over to the Ministry and the dismantling of the old petrol yard is now complete. Highway 11 realignment is also complete and has now been transferred to the Ministry and was open to the public a few days ago. And the natural gas pipeline to site has been commissioned and is now operational. Plant site is 75% complete. The TSF is 80% complete. Operations are now at 240 employees. We'll get to around 360 employees by year-end. We look forward to hosting an analyst and investor visit in early September.

Now moving on to our other expansion projects. At Castle Mountain, we continue in permitting. We've responded to queries from BLM, and we anticipate permitting being complete in 2025. In the meantime, we continue with engineering work and with met test work to support the Phase II of Castle Mountain.

At Aurizona, as Greg mentioned, we've been advancing the engineering studies, and these incorporate additional drilling and the recent work looked at the underground mining at a higher production rate given the large scale of the underground resource. And we see benefits in continuing to advance our studies on operating with both open pit and underground to concurrently fill the plant. So we are looking—we are planning on developing an exploration decline in H1 2024, which would provide us an opportunity to develop down to one of the ore zones, mine in the ore zone and enable collection of geotechnical and hydrogeological information on ore and wall rock.

The plan is to have a fully dimensioned decline that would serve as a production access and would also enable a rapid start to underground production when we've completed our additional studies.

And then at Filos, we continue to assess the opportunity to invest in CIL, but we do remain focused on having the right climate in Mexico and within the region before committing to the major investment. And while we also have competing opportunities for capital investment on other projects.

So with that, I'm going to hand it back to Greg.

Greg Smith:
Thanks, Doug. I think I'll just make a final comment here to thank the entire Equinox Gold team in Vancouver and at all of our sites as well as our shareholders and other stakeholders for their continued support. And finish up there and pass it back to Rhylin for Q&A.

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

Operator:
Certainly. Once again, to join the question queue, you may press star, then one on your telephone keypad. You'll 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, then two. If you're participating through the webcast, you can submit a question in writing by using the text box in the lower left corner of the webcast screen. We will pause for a moment as callers join the queue.

Rhylin Bailie:
Thank you. Well, there's no online questions yet. So you can go ahead and take questions from the

phone, please.

Operator:
Thanks. The first question is from Kerry Smith with Haywood Securities. Please go ahead.

Kerry Smith:
Thanks, Operator. Good morning, everybody, and congratulations on a good quarter. I had a couple of questions, Greg. First one was on Greenstone. There was $177 million of contingency built in to that $1.3 billion CapEx. How much of that have you actually spent so far on the project? Has it been roughly proportionate to the percentage spend that you've completed on the project? Or has it been more or less?

Greg Smith:
No, it's roughly proportionate, Kerry. And when we talk about amounts left to spend, we're assuming that we go through that contingency. So it was included in the initial total budget amount, we think we're going to come in at that total budget amount.

Kerry Smith:
Okay, that's helpful. Thanks. And then the second question I had, just on the convertible notes, the $140 million that are due next April, what is the plan or the strategy to deal with those notes to try and roll them out?

Greg Smith:
Yes. It's something we've been kind of working on recently. I think that there's a couple of options. Obviously, our first choice would be that they're well in the money, and we issue that equity. But you can't always plan for that. So we are talking to the holders, Mubadala, who are very constructive. And of course, we have other options available to us in terms of the market. So it is something that's on our radar, Kerry, and at some point, we'll report what we're doing on that specifically.

Kerry Smith:
Okay. But do you think you'd have a strategy in place by Q3? Or is that something that's going to fall into early next year?

Greg Smith:

Whenever you've got debt maturing within a year, and especially when you're in a large capital program like this, I think it makes sense to be ahead of it rather than too tied up against it. So if we can have something done over the course of the next several months, I think that would be our preference

Kerry Smith:

Yes, I agree. Okay. And then the last question I had, how much CapEx do you think they will be left to fund for Greenstone in 2024?

Peter Hardie:

Kerry, it's Pete. We believe $170 million will get us through to the point where we don't need to fund CapEx anymore. So the budget that we prepared assumes that's all of the CapEx that the partners are going to have to provide the project before it's able to take care of itself and support itself.

Kerry Smith:

And how much of that $170 million will fall into the next fiscal year, though, roughly?

Greg Smith:

We're on track for the $277 million we were going to spend this year. And sorry, I don't have that split between this year and next year at my fingertips.

Kerry Smith:

Okay. Maybe Rhylin can send me a text after and just let me know what that number is, that would be helpful.

Rhylin Bailie:

Yes.

Kerry Smith:

Thank you.

Operator:

The next question is from Anita Soni with CIBC. Please go ahead.

Anita Soni:

Hi. I'll just follow up on that. And I believe it's $180 million that you spent to date or into June 30 up to $277 million. So I assume that's about $70 million left for next year. Is that correct?

Peter Hardie:

Yes, Anita. Thanks for clarifying.

Anita Soni:

Okay. I have a couple of questions. Just firstly, on the leach inventory. I think there was some buildup in Q1 and then some additional buildup in Q2. Can you just give me an idea of how much is allocated to each one of the assets? I believe the majority is to Los Filos, right?

Peter Hardie:

Yes, that's fair. Yes.

Anita Soni:

Okay. And are there any others? I noticed like Santa Luz and Mesquite, I had to put some inventory adjustments and to get into the cash costs and the ASIC that you were reporting.

Doug Reddy:

There is some at Mesquite and a smaller amount at Castle, but it's predominantly Los Filos.

Anita Soni:

Was there (multiple speakers 21:39)

Greg Smith:

We do maintain, Anita, a very large stockpile at Santa Luz. That's how we manage the blend of the ore going into the mill. And so the mining has exceeded throughput at Santa Luz, and we are working at building and maintaining a fairly large stockpile there. It's just more complicated than the other mines because you're trying to manage around the total organic carbon in the ore. And that—next time you go there, you'll see it's a stockpile inventory management before anything goes into the mill.

Anita Soni:

Okay. So that's broken ore above ground stocks rather than something in the...

Greg Smith:

Yes.

Anita Soni:

Okay. And then my second…

Peter Hardie:

I guess the final comment, Anita, on Santa Luz is they also built up their spare parts, consumables inventory balances a little over the first half of this year as well. You might see that inventory figure at Santa Luz.

Anita Soni:

Okay. So for the remaining assets, I think it was Los Filos, Mesquite that we were talking about in Castle Mountain, those should probably reverse over the course of the year? I think you said for sure, Los Filos, but I just want to confirm for Mesquite.

Greg Smith:

Yes, for Filos and Mesquite, yes.

Anita Soni:

Okay. And then just on...

Greg Smith:

(Inaudible 22:56)

Anita Soni:

Sorry, just on Greenstone. I think as I mentioned, $180 million year-to-date on the spend. So how do we—how is it going to play out for Q3 and Q4? Like is it really bulky in Q3 year spend and then tapers down into Q4 for the $277 that you had said, I think, as I mentioned, there was about $100 million left for this year in the back half of the year.

Peter Hardie:

Yes. That's right, Anita. We do expect that kind of typical S-curve. There's a lot of activity happening now, and then you'll see tapering through Q4.

Anita Soni:

Okay. And then I think I had one more question and that was—I forgot, and I'll get back into the queue. Thanks.

Rhylin Bailie:

We've got a question from an investor in Kuala Lumpur. Asking just can you give any more clarity on how things are going at Filos and when you might be able to start the expansion there?

Doug Reddy:

Like I said earlier, at the moment, we're monitoring the status in Mexico in general but also in the region. We continue with the current heap leach operations, mining from Los Filos, (inaudible 24:12) Los Filos underground, Bermejal open pit and Guadalupe open pit. And we are advancing in our discussions with the communities as well, but we haven't picked the timing yet. It's rushing into it with Filos when we have other development projects also on the go at Aurizona and Castle Mountain. We are judicious on how we deploy our capital.

Greg Smith:

Yes, no decision will come on Filos during 2023. Maybe in 2024, we can provide more clarity.

Rhylin Bailie:

Operator, do you want to take Anita's follow-up call?

Operator:

Certainly. The next question is from Anita Soni with CIBC.

Anita Soni:

Hi, I'm back. So it was a question with regards to the sustaining capital. So I think you spent about 35% year-to-date. And I just wanted to get an idea of—you did mention that you'll be spending it over the back half of the year, the remaining 65%. But will it be all 65%? Or do you expect to come in a little bit under what you had previously guided to?

Peter Hardie:

Yes. We are planning on catching up on that sustaining spend, Anita. We deferred some equipment expenditure at Filos. RDM, we deferred some of the tailings work into the second half of the year, and we had planned on doing some of that work in Q2. So yes, we do plan on doing that in the second half of the year. We believe we're on track for our full spend for the year.

Anita Soni:

Okay. And is it an even split between Q3 and Q4?

Greg Smith:

It's always heavily weighted into Q4.

Peter Hardie:

It's at somewhat, call it, typical operations pattern where you head into budgeting and mine managers, our general managers recognize that they got behind on the sustaining spend and want to get it done before the end of the year. So you can assume that we'll have more in Q4.

Anita Soni:

And you've got to move up that budget deadline to like (inaudible 26:30) get them going. Okay. Thanks. And so higher sustaining capital spend in Q4, but lower sustaining capital spend at—or sorry, lower development capital spend at Greenstone in Q4.

Greg Smith:

Correct.

Anita Soni:

Okay. Thank you.

Operator:

The next question is from Wayne Lam with RBC. Please go ahead.

Wayne Lam:

Great. Thanks guys. Just wondering at Santa Luz, obviously, a very unfortunate situation this past quarter. Can you just provide a bit more detail into what happened in terms of breach and safety protocols?

Greg Smith:

No, Wayne, the answer is no. And the reason is because we haven't really—out of respect for the employee's family, colleagues, we're not going into any details publicly on what happened.

Wayne Lam:

Okay. Got it, thanks. And then maybe at Greenstone, really nice to see things on track. Just wondering with the project 85% complete, $170 million left to spend and $300 million in cash with the revolver fully drawn, are you guys seeing any additional large spend or bottleneck items ahead as you enter the home stretch here?

Peter Hardie:

The short answer, Wayne, is no. the focus is on—we're in that phase towards the tail end of construction. It's a fairly linear relationship between the amount of piping and electrical installation you have and the manpower that you have doing it and their productivity rate. They've made great progress through the summer, which is what was planned. And very fortunately, they're staying on schedule on that front.

So it's really just keeping working that schedule, maintaining the productivity rates that we need. We're happy with our commissioning readiness. And we had a great report from Greenstone yesterday that the recruiting is going very well in relation to operational readiness. We had an external review of our operational readiness by another group, which also went well. So with respect to what we have left, based on all the feedback that we have from our work internally, from the assessments that we have done by independent groups, we don't believe right now that we do have bottlenecks that have significant remaining risk, unmitigated risk related to them.

Greg Smith:

And Doug referenced employee—how many employees we have today and where we need to get to by the end of the year. We're in a pretty heavy recruitment drive to ramp up the workforce. That's actually going really well. It was a little challenging like a few months ago, we had our own questions whether we'd get there. But as the mines advanced, we've been able to really increase the level of workforce for operations quite quickly. And it looks like we're on track for year-end. But that was one area where we definitely knew we had to focus. But now we just got a full update yesterday again, and things are going very well at Greenstone. And hopefully, you're coming Wayne, in September, and you can see it for yourself.

Wayne Lam:
Yes. Yes, I definitely plan to be there. And it sounds like you guys are in a pretty comfortable spot. Just wanted to confirm the original CapEx number had about $125 million in fleet purchases. Can you remind me if you guys have moved to fleet financing and do you happen to have an estimate of what kind of operating cost impact that might have as we kind of look out to next year?

Peter Hardie:
We did move to fleet financing, Wayne, and we haven't done any guidance on what 2024 and operations look like. So we don't have an update on how that might affect operating costs. We will obviously provide that as part of our 2024 guidance when we release it, but it's not something that we have today.

Wayne Lam:
Okay, got it. And then maybe just last one for me. Just on the inflationary impacts, do you guys have any percentage estimate on how much consumables have kind of eased versus your budget? And then some of your peers have noted quite a bit of offset on the input cost easing just given the stronger local currencies in Mexico and Brazil. I'm just wondering if you guys are feeling those pressures as well as an offset to the input costs and have you been managing that?

Peter Hardie:
Yes. So prior to consideration of that FX strength that you see in Brazil and Mexico, we are starting to see some tapering in unit input costs, which we're obviously very happy to see. In Mexico, even prior to consideration of FX with respect to diesel, PEMEX, the government, I should say, or PEMEX, they tend to buffer fuel price increases. But at the same time, when fuel prices taper, there's an effect where that's buffered as well. So while we have seen fuel come off, as Doug already mentioned quite

reasonably in the U.S. and also in Brazil. We haven't seen that necessarily in Mexico.

With respect to FX, yes, the FX in Brazil and Mexico is almost effectively offsetting the unit price decreases that we're seeing. With respect—and then with regards to cost management, we hedged about 50% of the near-term FX exposures that we have in Mexico and Brazil. that's been helping some, which is why you see realized gains on our FX in our financials. That's what that program is. Hopefully, that gives you a rough idea of what we're seeing and how we try and manage the risk.

Wayne Lam:
Okay, sounds good. That’s great. Yes, thanks for taking my questions and good luck in the months ahead.

Peter Hardie:
Thanks Wayne.

Rhylin Bailie:
Thanks Wayne I've got a question online from Ovais Habib, our analyst at Scotiabank. Ovais says, “Cash cost in the first half has been below the guidance range. How should we look at the second half? Are you on track to beat the cash cost guidance? Or is there a catch-up in cost and all-in sustaining over the second half that we should expect?”

Peter Hardie:
So I'll address the all-in sustaining first as I think it's in the same line of questioning that Anita mentioned. Some of the sustaining capital was deferred into the second half of the year. We do intend to spend that. So you'll see an increase there on a per unit basis.

With respect to cash costs as well, we do think they'll go up some as the inventory releases from the buildup, especially when related to our leaching operations. So we see those going up a little. And I'll just reiterate, if we hit around the top end of our guidance, then we will come in, we believe, right around the low end of both our cash cost and all-in sustaining cost guidance.

Rhylin Bailie:
Thank you. Operator, you can take the next question from the phone, please?

Operator:

Thank you. The next question is from Dalton Baretto with Canaccord Genuity. Please go ahead.

Dalton Baretto:

Thanks. Good morning guys. You sound good considering the hour there. A few questions from me. Just first off on liquidity. Outside of your I-80 stake, are you happy with the existing liquidity you have right now relative to the remaining spend, or are you going to look to bolster it a little bit?

Greg Smith:

Yes, outside of I-80, we're relatively happy. And we don't see ourselves bolstering it.

Dalton Baretto:

Okay, great. And then just on—so you have 40% Orion stake in Greenstone. I know you can't speak to their intentions, but on the chance that they look to offload their stake kind of post commercial production, do you guys have a ROFR on that stake? And then have you given any thought to how you would fund that?

Greg Smith:

Yes, we have a ROFR. I think it's fair to say that we'd love to own more of Greenstone. And have we given any thought to how we fund it? I mean, it's definitely nothing that I would call advanced. It's on our radar for sure because at some point we expect we're going to need to act if we don't do something pre-emptive. But absolutely, it's something we think about, it's something we talk to them about. And absolutely, we'd like to own more Greenstone. How that ends up playing out, Dalton, I couldn't speak to that right now.

Dalton Baretto:

Okay, thanks. And then once Greenstone is in commercial production, how are you thinking about the broader portfolio? Are you kind of happy with it right now? Are you going to look to make some changes?

Greg Smith:

I guess I'd say something I think I've said in the past, which is, over the course of building the

Company, we've acquired mines, we've developed mines and we sold some mines. We're always looking to up-tier the portfolio. And so if we can get to a place where we've got larger, longer life mines that fill out our production profile, that's a goal that we aspire to. So I think we've got a lot of upside in our portfolio that we want to surface and—but that's not to say that we wouldn't make changes in the future. Right now, we're very focused on getting Greenstone built up and running and in commercial production. And then we've got a little more flexibility around the longer-term strategy at that point. At this stage, we just want to keep our eye on the ball there at Greenstone.

Dalton Baretto:
Thanks. And maybe just one last one. On Castle Mountain Phase 2, it sounds like you've got an initial response from the BLM, and they look like they're going to perhaps accept the application. Have they flagged any kind of, let's call them, high-risk areas that they'll be looking at? Or is this going to be reasonably straightforward?

Doug Reddy:
Well, both the County and BLM had a period where they can do there, I think it's called assessment of completeness of our application, and they made additional inquiries. So we responded and it's just in the overall permitting process. So there's no indication of anything other than when we've moved to the point of answering the questions to be complete to be able to enter fully into the rest of the process.

Dalton Baretto:
Okay. So at this point in time, there's no kind of indications as to what they're going to be focused on, where they're going to look to actually mitigate certain things, water, that sort of thing?

Doug Reddy:
It looks really straightforward, Dalton, at this stage. It's an already operating mine. We're not expanding beyond the currently permitted EIS footprint that's already there. And we're not meaningfully changing the processing that was there previously. So it's a straightforward application. I guess the most painful part to us is just time, right? It's got to go through their process. I wish this permit was coming in at 2024. It looks like it's going to be 2025. But no, we haven't received any comments that I would characterize as controversial or concerning to us.

Dalton Baretto:

Great. Thanks guys. That's all for me.

Rhylin Bailie:
All right. We've got no further questions. If anybody thinks of anything after having a couple of cups of coffee, please do get in touch by e-mail.

Greg, do you have any closing remarks?

Greg Smith:
No. Just thanks, everyone, for joining the call so early today. I promise it's not something we're going to make a habit of. We had to accommodate some schedules, but I do appreciate those that got up early and attended the call. And thanks again for joining. As Rhylin said, you can always reach out to us directly, and we're happy to answer questions.

Rhylin Bailie:
Thank you, Gillian, you can close 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.