Equinox Gold Corp.
Year End 2023 Results and Corporate Update Conference Call Transcript

Date:	**February 22nd, 2024**
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:
Welcome to the Equinox Gold Fourth 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 textbox in the lower left corner of the webcast frame.

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, Ashia, 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 EDGAR.

I will now turn the call over our CEO and President, Greg Smith.

Greg Smith:
Thanks, Rhylin, and good morning, everyone, and thanks for joining the call today.

On the line 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.

Again, today, we are discussing Equinox Gold's 2023 fourth quarter and full year financial and operating results. For those of you that are new to the Company, Equinox Gold is a fast-growing America's focused gold producer. We've got seven producing mines across Brazil, Mexico and the United States. We also have several growth projects including our large-scale Greenstone gold mine in Ontario that we're bringing into production this year with our 40% joint venture partner Orion Mine

Finance. Our production is supported by a large gold endowment including 17 million ounces in reserves and an additional 16 million ounces in measured and indicated resources.

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

We had a strong finish to the year with fourth quarter production of approximately 155,000 ounces, that's the second highest quarterly production in the Company's history. Cash cost per ounce sold in the fourth quarter was $1,330, our lowest quarterly cash costs this year with all in sustaining cost per ounce sold at $1,657. For the full year, we achieved our production guidance with just over 564,000 ounces produced. We sold 559,000 ounces in the year, beating our guidance with cash cost of $1,350 per ounce and achieving the low end of our all-in sustaining cost guidance at $1,612 per ounce.

Our safety performance this year was good. Four of our sites had no lost time incidents in 2023 and Greenstone completed over 5.9 million hours worked during construction with only one lost time incident. Further, our total 2023 recordable injury frequency rate improved substantially from 2022. These are excellent results. However, I must also acknowledge that after more than five years with no fatalities, we did unfortunately have one fatality during the year at our Santa Luz mine.

On the environmental side, we also had a substantial improvement to our significant environmental incident frequency rate compared to 2022. We issued our first Climate Action Report, our first Water Stewardship Report, and an enhanced ESG report. All of these are available on our website. Further, we improved our S&P Global Corporate Sustainability Assessment Score by over 28% compared to the prior year.

As most of you know, a major focus for the Company during 2023 was advancing construction of our Greenstone mine in Ontario. Greenstone is one of the largest and highest-grade open pit gold mines in Canada and will be a cornerstone asset for Equinox Gold. With a strong push through the fourth quarter, construction at Greenstone was substantially completed by the end of the year. Commissioning is now the focus and we're making excellent progress. Doug will have more details on the current status at Greenstone later in the call.

When operating, Greenstone will significantly increase our production while reducing our consolidated costs, so achieving production is going to be a major catalyst for Equinox Gold this year. This is going to be soon as we're on schedule for the first gold pour in the first half of this year.

During 2023, we advanced our plans to develop an underground mine at the Piaba deposit at Aurizona and also commenced initial groundwork at the new Tatajuba open pit. We plan to start development of the underground portal at Piaba and mining at Tatajuba later this year. We also continue to advance permitting of the planned expansion at our Castle Mountain mine which would increase production at Castle Mountain to over 200,000 ounces per year. We anticipate receiving the notice of completion from the Federal Bureau of Land Management in the very near term and the notice of intent shortly thereafter. We expect permitting for the expansion will finish up in mid-2026. In the meantime, we're advancing engineering and design so that when the permit is received, we'll be well prepared to commence construction. Across our mines, exploration drilling in 2023 successfully replaced our reserves.

Looking forward toward 2024, we expect an increase in production to between 660,000 ounces 750,000 ounces with cash costs of between $1,340 and $1,445 per ounce and all in sustaining costs of between $1,630 and $1,740 per ounce. The increase in production is driven by Greenstone, which we expect to ramp up through the course of the year following our first gold pour.

With that, Pete, I'll turn it over to you to discuss our financial results.

Peter Hardie:
Thanks, Greg.

We're now on Slide 8 in the presentation. We had a good Q4 that saw improvements in most key financial metrics compared to Q3 this year and Q4 last year, including gold ounces sold, realized price per ounce, income from mine operations, EBITDA, and operating cash flow before changes in non-cash working capital.

As Greg mentioned, Equinox had its strongest quarter on record for gold production and sales. We sold 150,000 ounces of gold at a realized price of $1,983 per ounce for revenues of $298 million. Income from mine operations was $39 million and that's an increase of $13 million from Q3's income from mine operations of $25 million and $16 million more than we did in Q4 2022. The increases in income from mine operations from prior quarters is primarily driven by the strong and higher gold prices we realized in Q4.

We had $198 million in operating expenses in Q4, which is a decrease compared to the $201 million of operating expenses from Q3 of this year and an increase from Q4 2022's $168 million. The quarter-on-quarter decrease from Q3 is primarily driven by lower reagent consumption at Los Filos. Included in our Q4 results are NRV write downs of $3.7 million or just under $4 million at Castle Mountain and just under $2 million at Santa Luz.

On a per unit basis, our Q4 cash cost per ounce of $1,330 is the lowest quarter for the year and lower than our annual 2023 cash cost per ounce of $1,350. Compared to Q4 2022, cash cost per ounce increased over $100 per ounce. The increase from Q4 last year is attributable to a few factors including increases in mining costs related to contract mining rate increases, that's mostly at Aurizona and Santa Luz of about $100 an ounce.

In addition, the appreciation of the Mexican peso and Brazilian real contributed to about $75 per ounce increase. Those increases from Q4 2022 are offset by a decrease of about $50 per ounce in consumables and energy prices. Had our realized gains in foreign exchange hedging been applied against our operating costs, it would have further reduced the cash cost per ounce for Q4 by about $50 per ounce.

For our annual 2023, the cash cost per ounce of $1,350 increased nominally from 2022's $1,315 per ounce. Had our realized gains in foreign exchange hedging been applied against our operating costs, it would have further reduced the cash cost per ounce for 2023 by about $60. Our all-in sustaining cost per ounce for Q4 this year of $1,657 is nominally up from Q3 and comparable to Q1 2023. When compared to Q4 2022, all-in sustaining cost per ounce is up just over $130 an ounce and due to the same reasons that I outlined for the increase in cash cost per ounce from Q4 last year, namely the mining and the foreign exchange. Our annual 2023 all-in sustaining cost per ounce of $1,612 is lower than 2022 to $1,622 per ounce.

In Q4, we saw Los Filos continue to decrease its overall gold ounces leach pad inventory balance. That trend continued into the New Year. At Mesquite, we saw an increase of gold ounce inventory on the leach pad compared to the end of Q3. For Mesquite, the gold ounce inventory increase in the second half of 2023 is expected to be recovered through the first half of 2024, and Doug will discuss Mesquite operations further in his review of the operations.

Our EBITDA in Q4 2023 was $85 million or $95 million on an adjusted basis, which is an improvement over Q3 this year and Q4 last year. We had net income of $4 million, $2 million on an adjusted basis, both of which result in earnings per share of $0.01. Cash flow from operations before changes in non-cash working capital was $168 million or $0.54 a share, which includes $76 million of proceeds from the long-term gold prepay arrangement that we closed in October. With respect to our sustaining spend, in 2023, we spent $120 million which was $16 million less than our guidance of $136 million.

Moving to Slide 9, in terms of liquidity and capital position, we ended the quarter with $192 million of unrestricted cash. The decrease from Q3 is primarily due to repaying $166 million of the revolving credit facility on October 3 with the proceeds from the convertible note we issued in September. During December and into January, Equinox made use of its ATM and issued 9.9 million shares at an average realized price of just under $4.80 per share for about $48 million of proceeds.

With regards to Greenstone, a total of $1.2 billion of the project spend has been spent to date or through the end of December 31, with a total budget of $1.23 billion. Throughout the project, Equinox saw some increases during the strong inflationary environment that were offset primarily by savings on foreign exchange and equipment financing. There is some exposure for the commissioning period offset by expected gold revenue, but we ultimately expect Greenstone to commence commercial production largely on budget.

We expect to fund our remaining share and any pre-commercial expenditures through our cash at the end of the quarter and our operating cash flow. We have $165 million available to draw on our revolving credit facility, $140 million of which set aside to repay with the (inaudible 11:31) of the convertible debenture that matures in April expire out of the (phonetic 11:37) money.

As Equinox depends in part on operating cash flow to fund Greenstone, we added to the gold hedges in place to ensure—and extended them to the end of Q2 to ensure a minimum gold price and secure the related cash flow on a portion of our gold sales. As at Jan 1, the Company had callers on about 143,000 ounces of gold with a floor of $1,964 and a ceiling of $2,170 per ounce.

Additionally, we have the $100 million accordion on the revolving credit facility feature that remains outstanding and undrawn. Finally, we have other levers with our $100 million investment portfolio and our ATM should they be needed.

With that, completes the review of our financial performance for the quarter. I'll turn the call over to Doug for a review of the operations.

Doug Reddy:
Thanks, Keith.

We are now on Slide 10 of the presentation. At the Mesquite mine gold production was within guidance of 88,000 ounces and below all in sustaining guidance at $1,251 per ounce for the year. The mine stacked a large tonnage of ore in both Q3 and Q4 and it took a while to bring all of that ore under leach. This gold inventory was being drawn down in Q4 and it will continue into 2024 with most of the gold production in the first half of the year coming from the ore that's already stacked.

Stripping of the Ginger pit is now the main focus for mining. The majority of the ore from that pit will be coming online in 2025. Ginger was a new discovery in 2023 and it's quickly been incorporated into the overall mine plan. At Mesquite, the Company continues working on developing additional resources and permitting to extend the life of the mine. At Castle Mountain, gold production was below guidance at 21,000 ounces and was within all-in sustaining cost guidance at $1,899 per ounce for the year. Phase 1 is a small operation and that involves mining and processing of low-grade mineralized dump material. This material needs to be removed from the old open pits in anticipation of mining higher grade in situ ore during the Phase 2 expansion.

Crushing agglomeration modifications were completed in 2023 and the contractor also increased their throughput by about 46%. But we still didn't get to the level of crushed material being fed through the crush and agglomeration system that we wanted. We'll continue to work on this and also on cost reductions in 2024.

At Los Filos, gold production was below guidance at 159,000 ounces and over the all-in sustaining cost guidance at $1,890 per ounce for the year.

In 2023, a productivity improvement program in both the open pit and underground mines was implemented and that yielded an increase in overall ore production. However, in spite of the additional ounces that were above the mine plant, being mined and stacked, leach pad issues resulted in slower and lower recoveries and there was an increase in the inventory of ounces accumulated on the pad. The issues were resolved during the second half of the year and the drawdown of the ounces continued through Q4 and continues into Q1 this year.

During 2024, we'll be mining from the Los Filos, Bermejal, and Guadalupe open pits and also from the Los Filos underground. All of the ore goes on to the existing leach pad and we're continuing optimization efforts to improve efficiencies and reduce costs.

Longer term, we'd like to expand the mine and to build the carbon and leach plant so we can process higher grade ore and that would be a 10,000 tonne per day plant that we'd like to build. But we're not going to be able to make that investment unless we've been able to negotiate new agreements with our community partners so that we can ensure long-term economic viability and stability for the mine. We started the dialogue in the Q4 of last year, and we're certainly hopeful that we'll be able to find a long-term solution so that we can invest on the mine, but as you will see in the MD&A, we have stated that we were not able to find a long-term solution, we may need to suspend the mine at least until new agreements are in place so that we can enter into a new phase of life for Los Filos.

On to the next page, in Brazil, at the Aurizona mine gold production was within guidance at 121,000 ounces and within all-in sustaining guidance at $1,440 per ounce for the year. In 2023, we had a record year for the total tonnes being moved in the mine. We also completed the new tailing storage facility which is now in use that's in Vene 2 and we've begun decommissioning of the Vene 1 tailing storage facility.

This year we're going to be mining from the Piaba pit, the Piaba East pit and also from the new Tatajuba open pit which is on the same trend and to the west of Piaba. We will be finishing the installation of a pebble crusher, that's to maintain throughput at 8,000 tonnes a day. Fresh rock will be about 67% of plant feed in 2024. We have the permits that we need to restart the development of the portal and ramp to access the Piaba underground and we will start that work in the second half of the year. That's going to let us get underground to do some bulk sampling and underground drilling and the portal will be sized ultimately to be usable as a production decline for underground operations.

At the Fazenda mine, we had another good year, achieving guidance with 66,000 ounces produced, but coming in slightly above the all-in sustaining cost guidance at $1,448 per ounce. Plant feed for 2024 will be 35% from open pit and 65% from underground. I do note that the team is evaluating the opportunity for a larger open pit over the center portion of the main mineralized trend. Hopefully we'll talk about that more later on this year.

Drilling programs continue to place reserves in the underground year-on-year and that's been a consistent annual program that we've had the effort to annually replace what we mine underground. A TSF raise is in progress at Fazenda and will be completed in Q2.

At RDM, gold production was within guidance at 53,000 ounces and below the all-in sustaining guidance at $1,612 per ounce for the year. In 2023, we continued mining with a rental and owner fleet that's being operated by an owner’s team. We're doing this year—we were continuing on with the stripping campaign that will allow us to get into a section of higher-grade ore at the bottom of the pit. When we expect full access to be at the start of 2025. We're also doing some input dumping that should help us to reduce some costs and we're planning to implement dry stack tailings in the second half of the year.

At Santa Luz, gold production was below guidance at 57,000 ounces and within the all-in sustaining cost guidance at $1,834 per ounce for the year. The mine had a good first half of the year, but began to have problems with pollution and electrowinning in the fourth quarter that impacted our resin activity and the recoveries. These issues were being addressed as we came into the end of the year and into the new year.

In 2024, we will be making some plant modifications and those will be to increase mill throughput and improve recoveries. One of them is a desliming circuit that will be to reduce the total organic content and improve overall gold recovery by about 6%. We will be installing a new trunnion that's to increase mill throughput that should be about more than 10% increase on the throughput. We are optimistic that these improvements overall will help stabilize the recoveries in throughput. We have the objective of achieving recoveries over 73% or higher for the second half of the year. We’re also doing a TSF at Santa Luz; that should be completed by the start of Q2.

Okay, move on to Greenstone. Obviously, a cornerstone asset for Equinox. It's got a great production profile, high average grade for an open pit, 1.27 grams and we'll be averaging 400,000 ounces a year on a 100% basis. That gives us about 240,000 ounces coming to Equinox Gold given our 60% interest in the project. Plant throughput at 27,000 tonnes per day, that's where we'll be ramping up to. During that time, we'll be evaluating what will be needed to be able to take it up to 30,000 tonnes a day which is the permitted rate for the mill.

With a 14-year life, it's a good initial mine life, but we do also see opportunities to add from areas that are immediately adjacent to the current pit design plus from an underground opportunity and also other deposits on the property. We look forward to being able to augment the mine plan over the coming years.

I just visited site and just in transit back to the corporate office. It's an exciting time and I will commend the construction team. After 25 months of construction, they have kept to the overall schedule of H1 2024 being the gold pour. It's a really good sight to see. When you look at the crushing circuit ore storage dome, they've been in hot commissioning; essentially they're ready to go. There's ore sitting in the ore storage dome ready to be used. Ball mills, HPGR, leach tanks and thickeners, they're all in wet commissioning. The tailings facility is permitted and ready for use. The mining fleet is 14 trucks, three shovels, current mining rates above 90,000 tonnes a day. It will be ramped up to 180,000 tonnes per day as we bring on additional trucks and bring them into service.

Stockpile for start up, currently it's just over 1.5 million tonnes. I know there's another 0.25 million tonnes broken in the pit. They're doing a good job of putting everything in place ready for hot commissioning and ramp up. We received all the permits required for the commissioning activities and overall things are going well. We're really looking forward to being able to announce first gold pour in the next few months and then advancing through ramp up in commercial production and onwards.

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

Greg Smith:
Yes, thanks, Doug.

Yes, I'll just reiterate, with Greenstone coming online in 2024, this is going to be a very transformative year for Equinox Gold. As we progress through this year, we're going to be increasing our production in what we believe will be a macro environment of decreasing interest rates and increasing gold prices. Our production from Greenstone will significantly reduce our operating cost and meaningfully increase our cash flow as we ramp up production through the year. With our capital cost at Greenstone also substantially decreasing here, Equinox Gold will transition to generating significant cash flow later this year.

I'd just like to thank the entire Equinox team, the team at Greenstone as well for their efforts during 2023, and of course a sincere thanks to all of our stakeholders.

I think I'll conclude there and pass it back to Rhylin for Q&A.

Rhylin Bailie:
Perfect.

Ashia, 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 will hear a tone acknowledging your request. If you're using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. If you're participating to the webcast, you can submit a question in writing using the textbox in the lower left corner of the webcast frame.

Rhylin Bailie:
Perfect. Thank you. While we wait for people to queue up, we'll take a couple of questions from online.

Doug touched briefly on what's happening at Greenstone. What are the next milestones that you will need to achieve to achieve first gold pour?

Greg Smith:
Doug, you want me to start and you can jump in?

Doug Reddy:
Sure.

Greg Smith:
We're getting in the real final stages here. As Doug mentioned, the crushing circuit has been hot commissioned. We've been running it intermittently, accumulating a crushed ore stockpile in the storage dome. HPGR, which is the high-pressure grinding roll, is ready to receive material. The mills are almost there. Ball mill one has been turned and load tested and ball mill two is shortly behind it. The real push and the primary push at this stage to get into full hot commissioning is just programming and instrumentation in the circuit. We've got a full team focused on that right now.

As we move through that, we can bring on each incremental part of the circuit online. As soon as we can push material through the whole thing, we'll start that hot commissioning. Getting close, and in terms of what we'll publicly announce between now and first gold pour, I'm not sure because it really is coming down to just getting the programming done and starting to push material through the circuit.

Is that about it, Doug, or anything else to add?

Doug Reddy:
That's really what it boils down to now. Most of the other things are minor. Once you're in the hot commission, you can work through any residual issues and tidy everything up.

Rhylin Bailie:
Okay. We've got a few questions online from Kerry Smith, our analyst from Haywood Securities. First one is for Doug. What's the stockpile grade at Greenstone? Is it in line with your block model?

Doug Reddy:
Well, I'll first of all deal with the second part, is it in line with the block model? We did a grade control drilling program was done and everything is pretty much matching against the grade of the block model. Then on the current stockpile average grade, I think we're about one gram overall, but that's not reflective of the bins. We've been getting, I'll say, a positive reconciliation on tonnes and low-grade material that's outside of the block model. But it is the first few benches so we are carefully monitoring it

as we go along. There is some variation on topography as you have the interface between soil and initial rock. But so far it looks like it's bang on.

Rhylin Bailie:
Perfect. Thanks. Kerry is also wondering what our preferred strategy and options are for retiring the April 2020 convertible notes?

Greg Smith:
Well, the preferred strategy is that it settles in the money and they convert and move from being note holders to shareholders. If that does not happen, either they don't convert or does not settle in the money, we have a fund set aside from the convert that we raised in September, which is currently parked against the revolving credit facility, and it's there to repay (inaudible 27:52) if we need to.

Rhylin Bailie:
Thank you. One more from Kerry. How are the discussions going with the three communities at Los Filos for the long-term life of mine agreement?

Doug Reddy:
I'll be general, because this is really a discussion between us and the communities at the moment. I met with them in November. We've had several meetings through December, January. We have a team that's engaged and addressing concerns both on the current CSR side, but a separate team that also is able to meet with them on an ongoing basis. Full on dialogue, we've laid it all on the table as to the opportunities at the mine and we see it as an opportunity to establish the next stage of life for Los Filos and it's clear that change is necessary, so but it's a dialogue and so it's going to take a while.

Rhylin Bailie:
Okay. Thank you.

Ashia, can we please take some questions from the phone?

Operator:
Of course. The next question comes from Wayne Lam with RBC. Please go ahead.

Wayne Lam:

Thanks. Good morning, guys. Just curious on the non-sustaining spend at Mesquite this year. It's quite high on that stripping for the Ginger pit. Just wondering what additional mine life or ounces we should expect from that stripping program?

Greg Smith:

I'll just start, Wayne, and Doug, feel free to jump in. Ginger is a new discovery, brand new pit at Mesquite. What you're seeing in our non-sustaining CapEx this year is basically the stripping program we're undertaking to advance that pit toward commercial production. Ginger will provide a substantial amount of the ounces in 2025. What this does, this capital investment this year, it really sets up for a fairly meaningful increase in production in 2025 at Mesquite.

Then beyond that, we're continuing to develop additional sources of ore and what we say on every call here is we want to keep Mesquite going as long as we can. Happily, we've been able to continue to do that through the discovery of new resources at site. Certainly, 2025 is looking good at Mesquite. That's the whole point of the investment we're making this year.

Wayne Lam:

Okay. Is that in reserve though or are there any parameters that on how we might be able to think about it?

Greg Smith:

Doug, you want to have that one?

Doug Reddy:

Yes. It came in quickly. Essentially it was identified by exploration and put into a resource model and as we came through 2023, but it is at a reserve level and was able to be put into the mine plan at the tail end of the year. Yes, it's definitely, we'll continue to look at additional opportunities to try to expand beyond but it provides good production in 2025.

Wayne Lam:

Okay, great. Thanks. Then maybe just at Greenstone, it seems like the total CapEx budget was effectively spent by year-end. Just wondering on the $95 million in non-sustaining, is the majority—just on timing of that, is the majority of that spend going to be complete in the first half before the first gold pour? Then just looking at the mine plan, there was about $77 million in sustaining CapEx budget in year one and just wondering what the delta is versus the $25 million guidance?

Peter Hardie:
I'll handle the first part of your question, Wayne. The $95 million is spread fairly evenly throughout the year. We split that really, call it, $55 million construction-related, $40 million other, call it, ancillary infrastructure that we need to do, but timing of which we're still reviewing, and not at all fundamental to the actual construction budget. Of the $55 million, about half of that is contingency, related to construction. That would be the first half of the year with the remainder effectively spread throughout the year.

Greg Smith:
The second part of your question there, Wayne, I don't have the feasibility study in front of me. Obviously, it's several years out of date in terms of where we're at in the project now. But within our sustaining CapEx, it's primarily for work around additional drainage on the site. We also are going to be maintaining our camp. Originally, it was a construction camp. Now we're going to make it, we'll call it a semi-permanent camp. We're going to do some upgrades on that camp. We don't really need to do those yet. We could push that out to later in the year. Then there's some capital stripping in there as well.

Doug Reddy:
Yes. There may be a calendar year versus year one difference, a model difference versus a calendar year difference. But Wayne, we can get back to you on—run that to ground and get back to you on it.

Wayne Lam:
Okay, no problem. Thanks for the detail. Then maybe just curious on the ATM, you guys have done the convert in September, which was advanced to try to derisk the upcoming repayment. Just curious, it seems like the execution over the past few months has been pretty aggressive on that facility. Just wondering if you guys expect to continue that program over the coming months or how we should think about the execution on that ATM?

Greg Smith:

Yes. Just looking at the big picture here, we've been more than two years in a Canadian dollar terms, a billion-dollar build for the Company, pretty meaningful build. We financed that largely through debt, some prepays, cash flow from operations, and to a very minor extent, some equity through our ATM at the sub 10% at this stage. The ATM has been a good tool for us and our shareholders, I think, just to manage our cash balances and our financial strength across what has been a pretty significant build. As we go into the later part of this year, Greenstone hits commercial production, we start to generate substantially more cash flow from operations and it becomes probably less of a focus for the Company.

In the near term, we've got access to it as we go through the commissioning at Greenstone. I think it's a good tool to have available to the Company. But whether or not we'll use it will depend on how we are seeing things shake out with our overall liquidity position as bring Greenstone into production.

Wayne Lam:

Very good. Thanks. I will hop back into the queue.

Operator:

The next question comes from Don DeMarco with National Bank Financial. Please go ahead.

Don DeMarco:

Thank you, Operator, and good morning, team. First question, can you speak to the trajectory of the ramp up over the year? You've got 240,000 ounces obviously back end loaded, but maybe any additional color on how we should model this quarter-over-quarter would be appreciated.

Greg Smith:

Yes. It's a staged ramp up, probably the best way to put it. We think that we will start pouring gold in Q2. The first phase of the ramp up will be to get to 60% of capacity. Commercial production, and let's call that sometime in Q3, starts to look like 80% of capacity. Then by the end of the year, we should be at that 90%, 95% capacity as we move into November, December.

Don DeMarco:

Okay. In response to an earlier caller's question, you mentioned the (inaudible 36:23) grade (inaudible

36:24) one gram per tonne. Should we expect that the grades in the first half during the ramp up to be lower than in the back half?

Greg Smith:
Yes. The original plan was to have around 800,000 tonnes, 900,000 tonnes at around a 0.9 gram per tonne. That was in our original model. We're sitting here now at a million north of a gram. As Doug mentioned, we've got several bins and we've got certain bins that are very, very high grade and then we've got some positive variance in terms of tonnes where we've got some lower grade material as well. Of course, as we start the ramp up, we're going to be running much lower grade material initially through the crusher and mills. As we dial in the processing circuit, increase our recoveries, we'll start to introduce that higher grade. In the first five years of this mine, the grade is higher than the life of mine average. We'll be able to ramp up the grade profile pretty quickly this year.

Don DeMarco:
Okay, great. Well, I'll certainly look forward to that. Costs are attractive for the guidance. But sticking with Greenstone, on the Greenstone CapEx, you mentioned you expect to finish the year on budget versus the $1.23 billion total CapEx. Now CapEx guidance included the $68 million in post construction costs. Can you provide some more color on these items? Like for example, it had the new hydro substation and so on. Are these items considered separate from that initial development CapEx budget?

Greg Smith:
Sure. As we get to the very end here, we've got some things that fall into sustaining capital or post construction capital. There's a few items that we did not need to do during the build that we pushed out. The hydro station is one of those items. It's more of a timing of the open pit as to when we need to move it. It was not something that had to be done during the construction period. As we said, by the end of 2023, construction of the mine, of the tailing facility, of the crushing circuit, milling, all the stuff needed to run the operation and all the material infrastructure was complete and we moved into commissioning. Over the course of 2024 and into 2025, we do have to do the hydro substation.

There are some historic soils on the property that were contaminated from early mining and earlier industrial activity. We need to move those into the tailings facility. We're buying an additional generator, which is really for redundancy for the power plant. We've got fleet payments, which are related to leasing for the fleet, which are even through the year. I think I said earlier, some drainage and then the camp and then some capital stripping that comes in later this year as well.

Nothing significant in and of itself, just things that will clean up the overall site and things that we need to do, although the timing of when we need to do some of these things is such that we can push them off or wait until commercial production or even 2025.

Don DeMarco:
Okay, understood. Thanks for that. Well, that's all for me. Good luck with the rest of the ramp up.

Greg Smith:
Thanks.

Operator:
The next question comes from Anita Soni with CIBC. Please go ahead.

Anita Soni:
Hi, good morning, guys. Apologies if this has been asked, I just topped off the Nuance call. But I was just wondering, when it comes to the guidance for the Greenstone asset, could you give us a little bit of color on the grades and cadence of throughput increases that you expect over the course of the year?

Greg Smith:
Yes, we just answered that question, Anita, and I'll give you the two scoops again. Basically, from first go forward, the first ramp up is to 60%, and we see that happening relatively quickly. The push to commercial production would take us to 80%, and we see that happening sometime in Q3. Then as we move into the end of the year, we would hit that 90%, 95% plus capacity and largely be at capacity by the end of 2024. The initial grades that we'll put through for the material that will lead to first gold and into that 60% ramp up will be lower just as we go through the commissioning, make sure we're getting the recoveries and everything is working the way it should. Then we can start to introduce the higher grade material into the plant and through the back end of this year as we're in commercial production.

The average grade for the first five years, this is a general comment, in the model, is 1.47, but there's higher grade material available within that broader average. Right now, we're sitting on a 1.5 million tonnes of stockpile. That's just over one gram. But within that 1.5 million tonnes, there's a fairly wide range of grades where we've got some low grade and we've also got a fair bit of much, much higher grade than that. Like any mine start up, start with the low grade, ramp up the production, increase the grades as we ensure we've got the recoveries and then get to commercial production.

Anita Soni:
Yes, when I was last on the tour in September, you guys were talking about potentially smoothing that first five-year profile. I think originally the tech report had very high grades at 1.7 gram per ton material and then dropped to 1.3 gram per ton. I was looking for a little bit of color on that, but then also the other aspect of it is the stockpiled material like your—as you mentioned, the grade that you have in the stockpile is one gram per tonne material and you're going to be feeding something materially higher than that. It's relying on you pulling higher grade material out of that stockpile. I was just wondering what the actual feed material is going to be in the next couple of years?

Greg Smith:
Yes, I think we're looking forward to looking at the mine plan and working on some of that smoothing in the future. Right now, Anita, we're totally focused on getting this plant up and running. Doug, earlier on the call, which also you were not on at that point, Doug did talk about the reconciliation. Everything is reconciling incredibly well to the block model. We are finding that we have some more tonnes, tonnes that would have been waste, but actually do meet the criteria of ore. We will end up with some lower grade stockpiles rather than going to the waste dumps.

But in terms of the mine plan and the reconciliation to what we had intended on mining, it’s actually looking really good. We’re early on, we’re early benches, but in terms of grade reconciliation, looking good, probably more tonnes than had been anticipated. Then going forward and optimizing the mine will come after we get it into production.

Anita Soni:
Okay. Fair. Thank you.

Operator:
The next question comes from Arun Lamba with TD Securities. Please go ahead.

Arun Lamba:

Thanks, Operator. I think you might have just answered this, but in terms of an updated life of mine plan, the feasibility study is somewhat dated, could we maybe expect one in 2025 or it's focused on the ramp up and then we'll do 2025 guidance and maybe update life of mine plans maybe in 2026 or something, just timing on that?

Doug Reddy:

I think that's our overall timing, 2026. (Multiple speakers 44:13) Sorry, go ahead, Greg.

Greg Smith:

I was just going to say, Arun, again, totally focused on getting the mine into production right now. Then we've got some luxury to do some of those technical report updates. I'm thinking later end of 2025 before we see a fulsome update like that. The next guidance coming out for 2025 would be a year from now, focus on that year and then in 2025 we could look to have a longer term mine plan updated to the next quarter.

Arun Lamba:

Perfect. Then just on Castle, you mentioned permitting for the Phase 2 going into 2026, and then in the MD&A you mentioned you're going to reevaluate whether there may be slowdown Phase 1 or whatnot. Should we get an update on that in the first half of this year or is that probably in the second half of the year similar to our Los Filos in terms of timing on a decision for the Phase 1 plan?

Greg Smith:

Yes, second half, Doug. Yes, it's in process right now, Arun. The permitting, it looks like we're making some good progress now on the permitting side. The BLM has been very engaged with us recently. We do expect that notice of completion and then this notice of intent coming in the relatively near term. Our estimate is that the process beyond the notice of intent will take around two years. That puts us into that mid-2026 timing for the permit for the expansion.

Phase 1, as Doug mentioned, it's a bit of a development project masquerading as an operating mine to some extent. The point of it is to maintain the permits and to excavate the existing open pits, and that's what we've been doing, and also doing testing on what this mine could look like at the increased production level. It's fairly low-grade material that we're processing. We're using a contractor for mining, a contractor for crushing. The cost profile is higher than we would prefer. What we're looking at is what makes the most sense given we've probably got two more years of permitting.

Once we build Phase 2, obviously, we're going to have a much larger fleet. It will be a lot cheaper to move this material. But if it makes sense to continue doing it now, we can get it into a situation where we're doing it at a reasonable cost, that would be first prize for us and we'll continue on with what we're doing. But at this point, there's no point in consuming capital over the next two years for that to any extent that it's a better deal to do it in two years from now. That's what we're looking at. It might just be a situation where we reduce the throughput at Castle Mountain over the next couple of years as we prepare for the expansion.

Arun Lamba:
Got it. Super helpful. Thanks a lot, guys.

Operator:
The next question comes from Jeremy Hoy with Canaccord Genuity. Please go ahead.

Jeremy Hoy:
Hi, Greg and team. Thanks for taking my question. Most of mine have been answered. One quick one for me. Again, it's on timing. Appreciate that the dialogue at Los Filos is fluid. But is there any timeline that we can keep in mind or any dates that we can look to for progress updates on the negotiations?

Greg Smith:
I don't think we want to give (multiple speakers 47:56). Yes, go ahead, Doug.

Doug Reddy:
I think we'll keep do our best to keep you informed, but given the dialogue, it's a back and forth. I can tell you that, long-term, the heap leach is not the way to go. Beyond the, I don't know, this year, next year, it just makes less sense. The CIL is actually a cheaper option for us because of the cyanide consumption and the pumping that happens on a heap leach. It is the time to discuss and to work it through. We'd like to obviously have everything wrapped up ASAP, but we continue to engage and try to be as open as we can, to be able to lay out all our cards on the table and to come to an understanding of what makes for the next stage of life for the mine.

Jeremy Hoy:

Okay. Yes, I appreciate the color and that it's a fluid situation. Thank you.

Operator:

We've got a follow-up question from Wayne Lam at RBC. Please go ahead.

Wayne Lam:

Okay. Thanks, guys. Yes, I just had one follow-up. Just wondering, on the impairment testing, the carrying value of Filos looks nearly equal to Greenstone now. Just wondering if that year-end testing included updated capital and operating costs versus the 2022 feasibility study? Then, just curious, with the ongoing community negotiations, does it become binary in that there may be a significant write down to be undertaken if you can't get a deal done?

Peter Hardie:

Wayne, it's Pete. The impairment test contemplates a CIL being put in. Of course, until the CIL is put in, it reflects current costs, but as Doug just mentioned, a CIL dramatically reduces operating costs there. I think that probably answers your question on impairment. Then with respect to would we incur a write down at Los Filos if the sale did not proceed, we likely would, but we would obviously have to review that given the circumstances when we would have to redo that impairment test.

I should clarify for accounting purposes; I shouldn't imply we did an impairment test. For accounting purposes, you look first to indicators and if you have an indicator, you do an impairment test. We concluded we did not have any indicators. There was no impairment test. Had we run an impairment test, it would incorporate the CIL, is the better way to answer your question.

Wayne Lam:

Okay, great. Yes, hopefully you guys can get a deal done imminently. Thanks for taking my question.

Peter Hardie:

Thanks, Wayne.

Operator:

We have got another follow-up question from Anita Soni at CIBC. Please go ahead.

Anita Soni:

Hi. Just another one on Greenstone and this time on the cost. The AISC guide is 850 to 950 AISC. I assume from the point—is it correct that it's from the point that it's going to be declared commercial or is it from the first gold pour that's the 850 to 950?

Doug Reddy:

Yes, that's right, Anita. It's from the point of commercial production.

Anita Soni:

Okay. It's that, and again, that was sometime probably in Q3, right? You've got to get to the 80%?

Doug Reddy:

That's right.

Anita Soni:

Okay. Then just in terms of that number, I was wondering, is there any additional costs that may be being capitalized or put into another bucket or would the 850 to 950 incorporate all of the costs at that asset in the quarter and in Q4 if we were to use that as a run rate?

Doug Reddy:

The 850 to 950, the only cost it would exclude, and Greg already alluded—I'm sorry, you may not have been on, but Greg alluded to it earlier, is the leasing costs related to the initial fleet that we acquired during construction remains non-sustaining. But apart from that, it grabs all the costs.

Anita Soni:

Okay. It grabs everything. There's nothing else that's—okay. All right. Thank you very much.

Rhylin Bailie:

Thank you. We do have a few questions online, but I think they were pretty much all addressed with the questions that were asked from the analysts. But I will get back to you all individually to make sure you've not got any follow-up questions. I think we're going to wrap it up here.

Greg, do you have any closing statements?

Greg Smith:

No. Just thanks again, everyone, for attending the call and you know where to find us if you've got any additional questions. The contact information is on our website. Rhylin, myself or any of us are always happy to engage with shareholders.

Rhylin Bailie:

Perfect. Thanks, everybody, for joining us this morning. Operator, you can now conclude the call.

Operator:

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