Equinox Gold Corp.
First Quarter 2024 Results and Corporate Update Conference Call Transcript

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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's First Quarter 2024 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 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, Carl, 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 visit our website, SEDAR and EDGAR, to view the rest of our continuous disclosure documents.

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

Greg Smith:
Thanks, Rhylin. Good morning and thanks, everyone, 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 our VP of Investor Relations, Rhylin Bailie.

Again, today we are discussing Equinox Gold's 2024 first quarter financial and operating results. Today is also the first opportunity we've had to publicly discuss our recently announced transaction to consolidate ownership of the Greenstone Mine in Ontario. I'm going to start with that and then move on to the first quarter results.

As most of you know, we already own 60% of the Greenstone Mine, with our joint venture partner, Orion Mine Finance, owning the other 40%. On April 23, we announced that we are acquiring Orion's 40% interest. This transaction delivers full ownership of the Greenstone Mine to Equinox Gold and consolidates ownership of one of the largest and highest-grade open-pit gold mines of scale in Canada.

The total acquisition cost is $995 million in cash and shares, $250 million will be satisfied through the issue of 42 million common shares of Equinox Gold to Orion. The remaining $745 million will be paid in cash, sourced from a new $500 million three-year term loan, the proceeds from the recently completed $299 million equity offering of common shares of Equinox Gold, and a deferred payment of $40 million due at the end of this year.

We expect the transaction to close in the near term, so I want to take the opportunity now to thank Orion Mine Finance and their team for being great partners on the development of this mine and to welcome them as meaningful shareholders of Equinox Gold.

As existing owners of Greenstone, we know this mine well and consider this a very logical and attractive transaction for Equinox. It is accretive to our cash flow and EBITDA, delivering substantial near-term value. It increases the Company's average mine life, reserves and production, while lowering our consolidated per-ounce operating costs. It enhances our strategic flexibility and operational control and decision-making. It increases the Company's exposure to the top-tier mining jurisdiction of Ontario and gives us 100% ownership of a rare, long-life, high-quality mine of scale.

Based on analyst consensus estimates, you can see on this slide that our consolidated production will immediately increase this year as Greenstone starts commercial operations. over the next two years, we start to see our overall cost decrease, with the increased exposure to the lower-cost production from the Greenstone mine. You can also see the meaningful increase to our EBITDA or our earnings before interest, tax and depreciation and amortization. This headline increase in EBITDA also results in an increase of EBITDA on a per-share basis, making this an accretive transaction for Equinox in the near-term.

Also based on consensus net asset values for our mining and development assets, you can see the substantial increase in overall exposure to Canada, which will exceed 52% with the completion of this consolidation. This is specifically exposure to Ontario, which is one of the lowest-risk operating jurisdictions globally for mining.

Our current production guidance for this year is currently 660,000 ounces to 750,000 ounces. On closing of the consolidation of Greenstone, our consolidated pro forma guidance increases to a midpoint of 780,000 ounces, with a corresponding decrease to our consolidated cash costs and all-in sustaining costs. We will formally update our 2024 guidance once we have closed the transaction.

Where does this take us? We've still got our seven producing mines across Brazil, Mexico and the United States. Of course, we'll have production in Canada in just a couple of weeks. Pro forma, we'll see a production bump of around 160,000 ounces per year by owning 100% of Greenstone now, which we expect to be in commercial production in Q3 this year. Our production is supported by a large gold endowment, including, pro forma the transaction, 19 million ounces in reserves and an additional 17 million ounces in measured and indicated resources. With this consolidation of Greenstone, we've taken another important step toward achieving our vision of a million ounces of gold production per year.

I'll now give a quick overview of the first quarter results and then I'll turn the call over to Pete and Doug for more details. During the first quarter, we produced just under 112,000 ounces of gold and sold just over 116,000 ounces. Cash costs per ounce sold was $1,567 per ounce and all in sustaining costs per ounce sold was $1,950 per ounce.

Q1 is seasonally and typically a lower production quarter for us. This Q1 was a good quarter with Los Filos in Aurizona, currently both our largest mines, both exceeding plan for the first quarter and setting us up well to achieve our fiscal 2024 guidance.

We did report in April that we have experienced some geotechnical issues in the south wall of the Piaba open pit in Aurizona, and have temporarily suspended mining in Piaba. To mitigate this, we processed low-grade stockpiled ore through April and we have accelerated mining in the new Tatajuba open pit. We expect first ore from Tatajuba in early June. We are continuing to assess the impact this might have on production from Aurizona for this year, but at this stage, we're not revising our consolidated guidance.

Our safety performance this quarter was good. Six of our sites had no lost time incidents and our 12-month rolling total recordable injury frequency rate stands at 1.55 per million hours worked. We had no significant environmental incidents in Q1 and shortly following this call, we will publish our fiscal 2023 ESG report, which this year is a consolidation of our ESG, climate, tailings and water stewardship reports into one comprehensive document. It will be available on our website and I'd encourage everyone on this call to check it out. It is an excellent report.

On the development side, commissioning of Greenstone remained a key focus for the Company during the first quarter and we were pleased to report in early April that we had started processing material through the full grinding circuit. Commissioning is progressing well and we're looking forward to our first gold pour at Greenstone later this month. This is coming very soon. Doug will have more details on the current status of Greenstone later in the call.

We're also advanced—we also did advance the permitting of our planned expansion at Castle Mountain, which would increase production at Castle Mountain to over 200,000 ounces of gold per year. We recently received the Notice of Completion from the Federal Bureau of Land Management and are now working with them to complete the Notice of Intent, which will formally kick off permitting for the expansion, and we expect that to finish up sometime in mid-2026.

At our Aurizona mine in Brazil, we also plan to start development of the underground portal at Piaba later this year, and as mentioned earlier, we have accelerated the development of the new Tatajuba open pit, with mining commencing in May and first ore expected in June.

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

Peter Hardie:
Thanks, Greg.

We're now on Slide 10 in the presentation. We sold 117,000 ounces of gold, as Greg mentioned, at an average realized price of $2,066 per ounce, revenues of $241 million. Income from mine operations was $11 million, compared to $14 million in Q1 2023.

We had $184 million in operating expenses in Q1 2024, which is a decrease from the immediate prior quarter of Q4 last year, when we experienced $198 million of expenses, but an increase from Q1 2023's $172 million.

On a per-unit basis, we had cash costs of $1,567 per ounce, compared to $1,346 per ounce in Q1 2023. The difference is primarily driven by lower production at Los Filos, which Doug will discuss in a minute, and higher costs at Fazenda and Santa Luz, offset partially by the positive impact of higher production at Mesquite.

Our all-in sustaining cost per ounce for Q1 2024 was $1,950, compared to $1,658 in Q1 last year. The change in AISC is the result of the same factors that affected cash costs, and in addition, we spent about $12 million more on sustaining capital in Q1 this year versus Q1 last year, which was primarily on deferred stripping.

Our EBITDA on Q1 2024 was $28 million or $52 million on an adjusted basis. We had a net loss of $43 million for the quarter for basic loss per share of $0.13. On an adjusted basis, we had a net loss of $14 million or $0.04 per share. Cash flow from operations before changes in non-cash working capital was $48 million or $0.15 a share.

With respect to our sustaining spend, we spent $32 million during the quarter.

In April, in addition to announcing the transaction to consolidate our ownership of Greenstone, we also extended each of the $140 million Mubadala convertible notes by six months, so they now mature in October 2024 and September 2025. We also repriced the Mubadala note that matures next year to convert at $650 per share from the original conversion price of $780 per share. The purpose of extending those notes was to move the maturity of the 2024 note outside of the Greenstone commissioning period.

Moving to Slide 11, please note these figures are as at March 31 and not pro forma. In terms of liquidity and capital position, we ended the quarter with $125 million of unrestricted cash.

At March 31, the Company had issued a cumulative total of $22.5 million shares under the ATM Program for total gross proceeds of $100 million. As such, the ATM is now fully utilized and we have not renewed it. We expect to retain about $75 million of cash from the recent equity offering after making the initial $955 million payment to Orion to acquire the remaining 40% of Greenstone.

With regards to Greenstone, a total of $1.3 billion has been spent on the project to date. Greenstone was built during a difficult macroeconomic environment. Equinox Gold successfully navigated that environment by nimble management while also benefiting from U.S. dollar strength compared to the Canadian dollar. We expect Greenstone to start producing gold this month and to quickly begin generating gold credits. We ultimately expect Greenstone to achieve commercial production largely on budget and expect to fund any pre-commercial expenditures through our treasury and operating cash flow.

At the end of Q1, we also have $165 million available to draw on a revolving credit facility. Additionally, we have $100 million on our accordion feature of the revolving credit facility that remains available and undrawn. We have other levers including our $100 million investment portfolio.

As Equinox Gold depends in part on operating cash flow to fund Greenstone, we have gold hedges in place to ensure minimum gold price and secure the related cash flow and a portion of our gold sales during Greenstone commissioning and ramp-up.

At April 1, 2024, the Company had on 112,000 ounces of gold for April to December with a floor of $2,008 per ounce and a ceiling of $2,221 per ounce. On the 112,000 ounces hedged, 64,000 are in Q2, 33,000 in Q3, and 15,000 in Q4.

I'll also note that the $500 million term loan we expect to execute on close of the Greenstone final acquisition includes a requirement to hedge a minimum of 15% of production over 36 months from close of the transaction. Management has one month to put the hedges in place after close, which we expect to occur shortly.

We're now on Slide 12. For the past few years at Equinox Gold, we've been acquiring and building mines and have been using debt as one of the funding methods for doing so, including an additional $500 million term loan that we'll use to consolidate the Greenstone ownership.

This slide demonstrates Equinox Gold's historical leverage as measured by net debt to EBITDA ratio from Q1 2020, through Q4 2023, and pro forma leverage through 2026 as per analyst consensus. The general trend we see is that leverage in the Company increased as acquisitions were completed and as mines were being built. This is a natural consequence of using debt as one lever for funding acquisitions and construction.

Leverage peaked in Q1 2020, a few months after construction of Aurizona was completed, and again in late 2022 as construction of Greenstone was ongoing and construction of the Santa Luz Mine was completed. Another trend we see in this chart is that as mines are commissioned ramped up, that leverage decreases as Equinox Gold has the benefit of the EBITDA and cash flow generated by the new mine. Greenstone is expected to be a high margin producer.

On the right side of the chart, we see that based on analyst consensus figures, leverage is expected to quickly decrease as Greenstone EBITDA is generated and we use cash flow to reduce debt. Ideally, we want leverage during non-construction periods to be below one times and expect to achieve that in late 2025. With completion of Greenstone construction and pending gold production, Management's goal is to reduce Equinox Gold's leverage as quickly as possible through the generation of operating cash flow from Greenstone and the other mines.

With that, I will turn it over to Doug for a review of the operations.

Doug Reddy:
Thanks, Pete.

We're now on Slide 13 of the presentation. At the Mesquite mine, gold production was 22,000 ounces with an all-in sustaining cost of $1,188 per ounce. The mine benefited from lower fuel consumption and pricing in Q1.

Stripping continued in the Ginger pit. That was a new discovery that was brought into the mine plan last year. Ore from Ginger comes onto the leach pad in Q1 of 2025. Mining in Q1, we saw the completion of the Vista East pit, and additional ore was continuing to come as a positive reconciliation in the Don Juan pit.

For the rest of 2024, production is mostly from drawdown of the leach pad inventory that had been accumulated in the latter part of 2023. Also, from side slope leaching and leaching of the additional ore that's been coming from the current mining. We also completed a drilling program that was designed to expand the Ginger deposit. That was completed in Q1.

At Castle Mountain, production was 4,700 ounces at a high all-in sustaining cost of $2,600 per ounce. Phase 1 is a small operation 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. Most of the material in Q1 was crushed and agglomerated, comprising 85% of the ore that was being stacked. We continue to work on cost reductions at Castle Mountain.

For Phase 2, as Greg noted earlier, we did receive a Notice of Completion from BLM for permit application and the permitting process continues to work towards the Notice of Intent.

At Los Filos, production was 24,000 ounces with an all-in sustaining cost of $2,424 per ounce, but this should be better in H2. In this quarter, the crusher was suspended while a planned move of the conveyor was being completed. During this time, production was only from run-of-mine ore and drawdown of the leach pad inventory that had been accumulated in H2 of 2023. Ounces produced were higher than planned for the quarter. Ore for crushing, which is the higher-grade ore, was stockpiled during Q1 and is being processed in Q2. That material will be under leach in late Q2 and in Q3.

Operational improvements on the mining side that were reported in the previous quarter continued into 2024, especially in the open pit, where we also had positive reconciliations for the Los Filos and Guadalupe open pits.

Los Filos underground production was steady, but in the mining in a new area in the south mine, the area is called Diego's, that was slow for production as it was in a startup phase with a new contractor. We do see that recovering during the subsequent quarters and coming up to full speed of production in Diego's.

We have continued our dialogue with our community partners on new agreements and these agreements are so that we can ensure long-term economic viability and stability for the Los Filos mine.

Moving on to the next page. In Brazil, at the Aurizona Mine, production was 23,800 ounces with an all-in sustaining cost of $1,973 per ounce. Mining was focused on waste and the majority of the ore that was processed was from the stockpile, which is normal during the rainy season. The Vene 2 tailings storage facility was commissioned in Q1 and is now the deposition area for our tailings and we commenced the closure of the Vene 1 tailings storage facility.

We have had exceptional rain year-to-date, highest rainfall in the life of the Aurizona Mine. We suspended mining in the Piaba open pit after geotechnical instability led to displacement of material in two locations in the south wall. As we reported, there were no injuries, no damage to equipment or infrastructure and no environmental damage.

We continue working on remediation planning and activities with safety being the top priority. In late April, we commenced mining activities at the new Tatajuba open pit and anticipate ore coming in June from there to feed the process plant. However, we do expect the plant to be idle for six weeks.

At the Fazenda Mine, production was 14,400 ounces and the all-in sustaining cost was $1,745 per ounce. Plant feed is currently 45% from open pit and 55% from underground. In the open pit, we changed the mining contractor in Q1 and this impacted the adherence to the mine plan. The new open pit contractor is now fully mobilized and is catching up.

In the underground mine, the development was behind and this delayed access to some of the higher-grade stopes. Development rates have increased in April as we look to catching up on mining in both open pit and underground in H2 of 2024. Drilling programs continue to replace reserves in the underground at Fazenda.

At RDM, gold production was 10,900 ounces and the all-in sustaining cost was $1,800 per ounce. We changed the rental mining fleet during Q1. This is rental equipment that is operated by our team. We also received the permit for the dry stack tailings area. We'll be implementing that method of tailings management in the second half of this year.

At Santa Luz, production was 11,836 ounces and the all-in sustaining cost was $2,519 per ounce. Plant throughput overall recoveries were impacted by several modifications and changes that were being made to the process plan. Elution efficiency and the number of elutions was improved. Electrowinning and detox were also improved. These changes led to recovery improvements by April that we're now seeing on average in April 68.5% recovery.

In Q2 and Q3, we will be working on the installation of a new trunnion, which should enable up to a 10% increase in throughput in the sag mill and also a de-sliming circuit. That will be to reduce the total organic carbon content and improve overall gold recovery by up to 6%. The objective here is to achieve recoveries of around 73% or higher for the second half of the year.

Moving on to Page 15. At Greenstone, we're in hot commissioning, and we've been processing ore since April 6. Primary and secondary crushing and the HPGR circuit are performing well. We've been running each ball mill with a full load and have gradually ramped up to running them in tandem. The gravity circuit and the ILR, or intensive leach reactor, are in operation.

The stockpile of broken ore in the pit on April 30 was over 1.9 million tonnes. The tailings facility is permitted and in use. By the end of April, we were operating at about 40% to 50% of design capacity and continued to ramp up in this last week. Naturally, there are some stoppages while the team resolves issues and adjusts the equipment during this commissioning period, but the first gold pour is on track for this month.

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

Greg Smith:
Thanks, Doug.

I'm going to finish off with just a few final comments on the Greenstone mine given the recent transaction announcement. At 400,000 ounces of gold production per year on average over the first five years, Greenstone really is a world-class generational gold mine. It'll be Equinox Gold's largest, longest life and lowest-cost mine once ramped up to commercial operations over the coming months. We feel extremely privileged to have seen this asset go from acquisition through construction into commissioning and now consolidated 100% into our Company.

Greenstone is a rare asset. It'll be one of Canada's largest gold mines and will be one of Canada's highest-grade open-pit gold mines of scale. It'll also be one of the very few gold mines of this size globally that is not held by a major mining company.

Greenstone will also be a low-cost gold mine, with cash costs expected to be in the lowest quartile of gold mines globally. Achieving production at Greenstone will significantly reduce our operating costs and meaningfully increase our cash flow.

There is substantial opportunity to extend the more than 14-year mine life that is currently defined at Greenstone. We already are seeing increased mine life through drilling that we have done in the southeast end of the open pit, and there is opportunity to further expand the open pit to the west. There is also a substantial underground resource at Greenstone of over 4 million ounces in all categories, and we will start to assess and ultimately surface this value once we have the mine in commercial production.

Finally, with this transaction, we will consolidate ownership of mineral claims over a highly prospective 100-kilometre trend to the west of the Greenstone mine with multiple near-mine gold deposits and a number of targets across the trend. This includes the Brookbank deposit, which already has over 680,000 high-grade gold ounces in resource.

To conclude, with the consolidation and commissioning of Greenstone, we will be substantially increasing our annual production into historically strong gold prices and into a bullish macro-outlook for gold with the potential for decreasing interest rates later this year. We will now have also increased exposure to Canada and to low-cost production from a significant mine at the beginning of its mine life, decreasing our operating costs and increasing our EBITDA and cash flow. We have a production profile and portfolio that now elevates Equinox Gold to a large gold producer.

I'm going to stop there and pass back to Rhylin for Q&A.

Rhylin Bailie:
Thanks, Greg.

Operator, 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 through the webcast, you can submit a question in writing by using the text box in the lower left corner of the webcast frame. We'll pause for a moment as callers join the queue.

Rhylin Bailie:
Thank you. I'll wait for people to join up. I do have a question that's come in online. Greg, you mentioned consolidation of ground around Greenstone and in the Greenstone district. What is the potential there and what are the plans for exploration?

Greg Smith:
I'll get Scott Heffernan to answer that one.

Scott Heffernan:
Yes, sure. The short answer is that the exploration potential is excellent and that we're now busy designing exploration strategies and plans. The belt, as Greg mentioned, is over 100 kilometres long. It's host to a number of defined resources, including the roughly 700,000-ounce Brookbank deposit, as well as a number of past producers such as the old Sand River and Leach Mines. These were mainly active in the 1940s and '50s.

The immediate focus will be on the existing resources to determine the potential to expand them and to, of course, determine if they can be bolted onto Greenstone or whether they represent standalone targets.

Additionally, there's the greenfield potential. The belt has seen little to no modern exploration in the last 70 years and the potential to discover the next Greenstone is real. The immediate work will largely be desktop in nature, compilation and target generation and this will progress into more field-based activities in due course.

Rhylin Bailie:
Perfect. Thank you.

Operator, we'll now take some questions from the phone, please.

Operator:
The first question comes from Anita Soni of CIBC World Markets. Please go ahead.

Anita Soni:
Doug, my first question is with regards to the guidance. I see in the presentation you've indicated the pro forma guidance would be in the range of $730,000 to $830,000. Is that just pending the close of the transaction? That would be the guidance? We can just adjust for when the transaction closes or is that subject to change as well?

Doug Reddy:
It's pro forma right now, Anita, based on just adjusting the Greenstone piece for 100%. Until we close the transaction, it will remain pro forma and then once we close, we'll update it formally.

Anita Soni:

Other parts to that, moving parts, Los Filos, you indicated that was the closure or the crusher being offline for 70% of the quarter was on plan, but it does require a pretty steep ramp up for all of the last three quarters. Would you expect to be hitting your guidance at Los Filos this year?

Doug Reddy:

Yes. Yes.

Anita Soni:

Okay.

Doug Reddy:

The production at Los Filos in Q1 was actually better than planned and Los Filos is absolutely on track for their guidance for the year.

Anita Soni:

Okay. A similar question with Aurizona. Should we adjust for the four to six weeks' downtime that you have?

Doug Reddy:

I think that Aurizona is a little more complicated because at this stage we don't know exactly what the rest of the year will look like. We did continue processing through April and we are now into Tatajuba and started mining and we'll have ore back online in June. The main flex there, Anita, is how soon we get back into the main Piaba pit because grade in Piaba is higher and that would increase production depending on when we can get back in there.

We don't know yet. It's still raining in Brazil and as the dry season comes, we'll advance the remediation and then we'll have an update on that. That's why I say in the call we're not changing our consolidated guidance. There's enough room within our guidance to accommodate any changes in Aurizona at this stage, but we'll have a more formal update on Aurizona over the next couple of months as we get into the dry season.

Anita Soni:
Okay. Then just a little bit more focus now on Greenstone. You mentioned 1.5 million tonnes of ore, and as you know, I'm always interested in the grade. Doug, can you give us what the grade of that is, including the average and some highs and lows on that?

Doug Reddy:
Yes. The stockpile at the startup was 1.5 million tonnes, but we also have broken ore in the pit, so in total, it's about 1.9 million tonnes. Feed during the startup, we chose to start with Vene 3 materials, so it's about 0.4 grams per ton, and as we move through commissioning, we'll be feeding Vene 2, Vene 1 material into the plant, which gets up to around 2 grams per ton.

Overall, I think you're asking how our reconciliation is. It's bang on for where we expect it, with the exception that we're getting additional tonnes from outside of our ore blocks, so lower-grade material that's in addition, so we add more to Vene 3 that's beyond what we planned.

Anita Soni:
Yes. Actually, I was just trying to get a handle on what you're working with in the first six to nine months in terms of feeding the mill. I think you have about 60—the 1.5 would be about 60 days of full throughput stockpile and I'm just trying to get a gauge of how much that mining fleet has to ramp up to match the mill once it gets going.

Doug Reddy:
We'll be…

Anita Soni:
After the average grades of the Vene 2 and Vene 3.

Doug Reddy:
You're asking what's coming direct feed from the pit?

Anita Soni:
Yes.

Doug Reddy:

Currently, we are broken ore from the pits around 2 grams, so when we're feeding that in, it's going in at 2 grams. Our operating rates, 70,000 tonnes, 80,000 tonnes a day. We have additional capacity to be able to ramp that up, but it's just being timed to be able to feed into the mill and we'll gradually be ramping up through the year as we bring in additional equipment.

Anita Soni:

Okay. Then what's your current strip ratio?

Doug Reddy:

Current, I would have to get back to you because, of course, a lot of that is—I won't say it's pioneering, but it's early stages of the pit. It's dealing with things such as we've been dealing with the glory hole that was there, and filling that with low-grade material, mining around that. It's not a straightforward question, but I'll look into what it currently is and get back to you.

Anita Soni:

Okay. That's it for my questions. I'll get back in the queue. Thanks.

Operator:

The next question comes from Mike Parkin of National Bank. Please go ahead.

Mike Parkin:

Hi, guys. Just a couple of questions. What are you thinking in terms of potential timing and news flow on the Aurizona underground? I know I believe there was a study you guys were working on. When could we expect that? If that is something that you move ahead with, when could you see potentially capital being committed for that project?

Greg Smith:

Q4. We're going to get into the dry season here, Mike, and then we'll start that initial development of the portal area and then we'll update the market sometime in the fourth quarter. I think this year in our budget, we had about $10M allocated to the commencement of that development, it's not a particularly huge project in 2024. But later this year is when we intend on getting in there.

At the moment, we're in the process of finalizing contractors and mobilizing the timeline for mobilization of the people that are going to be working on it. It's advancing, but there's not a whole lot to say yet, and that'll come later this year.

Mike Parkin:
Okay. Then switching over to Greenstone, just in terms of labor, hiring, where are you on that? Is that continuing to track fairly well?

Doug Reddy:
Our offsite is fully staffed up. We have a few people from the project side who are just helping address any potential issues that come up during commissioning, but we're good.

Mike Parkin:
Okay. Great. Then just a random thought for you. With gold prices being so high, is there any potential recoverable ounces in any of your historic heaps that if you did a shock to them, where historically a lower gold price wouldn't have justified the cost, but at these gold prices, you could shock some of the older pads to extract gold that might not have recovered at normal cyanide concentration?

Doug Reddy:
That is something that we have been doing over the last few years at Los Filos. When we have an opportunity, we take some of the older material, especially if it's higher-grade material that's been crushed and fully leached. We do look at turning it, but when we turn it, we add lime to it and then it gives another good pulse of gold out of it.

A little bit more difficult to do at Mesquite because it's one big large pad and it is something we always talk about, is how to deal with that, and given the sheer height of that pad, which does cause us to have a longer—it's not the leach cycle. It's the cycle of solution going through that pad.

Castle Mountain's a much smaller pad. We would consider anything that works on other pads, we would consider that for Castle Mountain as well. But Filos is the one where we already are doing that.

Mike Parkin:
Okay. That's it for me, guys. All the best with the ramp up of Greenstone.

Doug Reddy:

Thanks, Mike.

Rhylin Bailie:

Thanks. I'll take a quick question from one of our analysts online. Just wondering if Orion is responsible for continuation of their CapEx spend until the transaction closes?

Greg Smith:

No. The economic cutoff was April 30.

Rhylin Bailie:

Okay. Operator, can we take the questions from the phone?

Operator:

The next question comes from Kerry Smith of Haywood Securities. Please go ahead.

Kerry Smith:

Thanks, Operator. A couple of questions. Firstly, for Peter, you say you spent the $1.3 billion on a 100% basis on the project as of March 31. How much more would there be to spend? Or another way to say it is, what will the final CapEx number be or is that the final number?

Peter Hardie:

It's close to the final number, Kerry. Right now, the spend is really more on working capital. We're imminently pouring gold. We've said in the past, we expect the operation to achieve cash flow neutrality fairly quickly after it starts pouring gold, we're seeing—and the construction has been principally complete since late last year. Yes, we think we're right near the end here.

Kerry Smith:

Okay. Okay. Great. Maybe for Doug, on Tatajuba, you're going to have this gap where you won't have any ore tonnes coming out of the main Piaba pit and you're going to be accessing ore in Tatajuba. What is the grade ore? Can you deliver a similar amount of ounces per month from Tatajuba or will there be a production decline on a monthly basis because the plants maxed out and the grade from Tatajuba is 20% less to whatever the number is?

Doug Reddy:

Tonnes-wise, we've done the plan so that we can take up the feed to the plant. That's not an issue. Scott's far more cognizant of the work we've been doing at Tatajuba overall on the resource reserve side. I'll let him speak to that.

Scott Heffernan:

Sure. You're right, Kerry, the grade is lower on average in Tatajuba than in Piaba proper. But the ore zone does daylight and right now the equipment's in that upper laterite saprolite zone where you have collapse and distribution of grade over much broader areas. We're right into ore. Tatajuba is exposed now with the vegetation having been cleared and mining is underway.

Kerry Smith:

Doug, you're expecting you can push the plant a little bit and keep the monthly production in ounces similar from either ore body then?

Doug Reddy:

That's what we're looking at. Yes, we did put in a pebble crusher, which has been fully commissioned, but that for Tatajuba ore that has no bearing, it just gives us the opportunity when we start to get back into fresh material, whether it be the Piaba or underground. In the meantime, Tatajuba is just—it's waste. It's so much softer and allows us to be able to operate at high throughput.

Kerry Smith:

Okay. Okay. Great. You talked about this internal evaluation on Castle Mountain Phase 1. When would that be finished?

Doug Reddy:

We've been working it through with different scenarios during the first part of this quarter. We'll continue to be working that through for the rest of Q2, probably have some conclusions in Q3. That's our normal business planning cycle overall for leading into our mine plans that go into the budget cycle. It's a natural cadence for us.

Kerry Smith:

Okay. Then on the discussions with the three communities at Los Filos, as long as you're making—would it be fair to say that as long as you're making progress in those discussions that you don't have a definitive end date where you say, if we don't have an agreement by the end of the year, we're done and we're going to shut down? Or would you continue to just keep going as long as you're making progress?

Doug Reddy:
We continue to have the dialogue with all three communities. The dialogue is going very well. Obviously, we have overall timing when it comes to operating the mine, as we've said, efficiently, given that heap leach is not the way to go. We want to transition over to CIL. But in regards to the specifics of timing and everything, that's something that I can't really get into because that's part of the dialogue. It is a conversation. It's driven by working together jointly on this.

Kerry Smith:
Okay. But would it be fair to assume that you'll continue the dialogue at least for the rest of 2024, then there's no risk that you would move to shut it down this year or very low risk?

Doug Reddy:
We have a mine plan through 2024.

Kerry Smith:
Okay. On the hedging that you have to put on for the new $500 million loan, you said that would be over the next 36 months to mid-2026. Will that be equal by quarter, Peter, or how might that hedge be added?

Peter Hardie:
Yes. Thanks, Kerry. We're reviewing that strategy and haven't decided on it yet. There's different options, including the one you're referring to of doing a straight line hedge. We may move some more of the hedge up front, but we haven't decided that fully. Once we have decided it, we'll let everybody know what we did.

Kerry Smith:
Okay. Okay. Got you. Okay. Great. Then the last question I had, Doug, was just on Santa Luz with the new train and the de-sliming. These projects probably should have been done a year-and-a-half ago. I'm just wondering why it took so long to decide to push ahead with them. Was it just you needed to do the engineering or you weren't quite sure what the ultimate strategy might be?

Doug Reddy:

No. It's methodically working through test work to make sure that when we went from pilot plant to industrial scale, we weren't going to disrupt anything. Then doing the engineering work and doing the ordering and delivery of the equipment and scheduling it so that we can get other changes completed before we start to do this. If you change everything at once, you don't really know what's working. That's why it's a stepwise fashion of working through all the changes in Q1. We're ready for the Q2, Q3 implementation of these two and then we'll see the results in Q3.

Kerry Smith:

Okay. Okay. Thanks very much. Appreciate it, guys.

Doug Reddy:

Thanks, Kerry.

Rhylin Bailie:

Thanks, Kerry. We do have a few questions online. I'll get back to you by email about those. I think we're done for now. Greg, do you have any closing remarks?

Greg Smith:

No, none for me, other than just thanks again, everyone, for joining the call. Thanks for the continued support. We'll talk to you next quarter.

Rhylin Bailie:

Perfect. Thank you, 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.