Equinox Gold Corp.
Fist Quarter 2025 Results and Corporate Update 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 First Quarter 2025 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, Operator. 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 learn more about our continuous disclosure documents.

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

Greg Smith:

Thanks, Rhylin. 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 our VP of Investor Relations, Rhylin Bailie. Again, today we're discussing Equinox Gold's 2025 first quarter financial and operating results. For those of you who are new to the Company, Equinox Gold is a fast-growing America's focused gold producer with mines across Canada, United States, Mexico and Brazil.

I'm going start with a broad overview of the first quarter and then I'll turn the call over to Pete and Doug for more details. Starting with safety, our safety performance this quarter was good. Our 12 month rolling total recordable injury frequency rate across the entire company improved from last quarter to 1.95 per million hours worked. For the quarter, our total recordable injury frequency rate was 1.07 with two lost time injuries across all our operations. We also had no significant environmental incidents in Q1, maintaining our excellent significant environmental incident frequency rate of zero for the rolling 12-month period.

During the first quarter, we produced just over 145,000 ounces of gold and sold approximately 148,000 ounces. These results represent the highest first quarter production in the Company's history, and as in prior years, we expect quarterly production to increase over the course of the year. Including production and costs from Los Filos, cash cost was $17.69 dollars per ounce and all in sustaining cost was $2,065 per ounce. Those results include Los Filos. We did not include any production from the Los Filos mine in our guidance for 2025 due to the need to establish new long-term agreements with local communities to continue operations.

Excluding production and cost from Los Filos, cash cost per ounce was $16.37 per ounce and all in sustaining cost was $19.79 per ounce sold. As we press released on April 1, we were unable to conclude a new and necessary long-term agreement with one of the three communities at Los Filos, and so we have suspended operations at the mine. During the quarter, we also announced a proposed business combination with Caliber Mining. Last week, both Equinox shareholders and Caliber security holders voted in favour of the merger and this week Caliber received court approval for the transaction. We continue to expect this transaction to close sometime in the second quarter.

I'm just going to make a few comments about this transaction now. This merger is really about two strong companies coming together to create a major new gold producer with our Greenstone mine in Ontario and Caliber's Ballantyne mine in Newfoundland as the foundation for the Company. These are both brand new long life Canadian mines and together they'll make us the second largest producer of gold from Canada once they're both fully ramped up. The Canadian operations will be complemented by diversified portfolio of other mines across The Americas with combined production of 950,000 ounces in 2025. This is at the midpoint of the Company's combined guidance.

Once both Greenstone and Ballantyne are running at full capacity, we're on a path to produce over 1.2 million ounces per year. This substantial production profile immediately takes advantage of these record high gold prices, which will generate meaningful cash flow and accelerate our plans to deleverage the balance sheet and ultimately implement programs to return capital to our shareholders.

With that, I'm going turn this over to Pete to discuss our financial results.

Peter Hardie:
Thanks, Greg.

We're now on Slide 6 of the presentation. In addition to this being Equinox's best production for Q1, it's also our third straight quarter with more than $400 million in revenue. With respect to the operations, Greenstone unit costs were higher in the quarter compared to Q4. We had planned for Q1 to be our lowest production quarter.

During Q1, we added four haul trucks to the fleet and incurred the related costs with operating them. There are no further haul truck additions planned for the year. In addition, we performed plant maintenance during Q1 to remediate items that we had noted were impeding the ramp up. We've seen the benefits of that maintenance by way of increasing throughput through March and April. We expect Greenstone's unit cost to decline throughout the year with increasing gold production.

Included in the quarter's results are $65 million of nonrecurring charges. We had an accounting adjustment for depreciation of $25 million at RDM and Santa Luz that is nonrecurring. In addition, for Los Filos, we had a $29 million inventory net realizable value adjustment resulting from moving leach pad inventory from current to long-term and using long-term instead of short-term gold prices to value that inventory. That's as a result of the suspension of the operations. In addition, there are $10 million of Los Filos mine suspension charges recorded as care and maintenance.

Further, for Q2, at Los Filos, we expect approximately $35 million in mine suspension and care and maintenance charges. For the second half of 2025, we expect carrying costs at Los Filos to be about $2.5 million to $3 million per month, and we'll look to reduce those monthly carrying charges as we work our way through the year. With commercial production achieved at Greenstone in Q4, interest costs that were being capitalized to the project are now entirely expensed through the income statement. All interest costs will be expensed going forward.

In addition, there was an expense of $15 million for the increase in a gold price linked payment that Equinox assumed as part of the consolidation of Greenstone ownership. While we drew on the revolving credit facility after the quarter end with the increasing production profile through the remainder of the year, we expect it to be our last draw and our focus now switches to paying down debt, and I'll speak to more to that in a moment.

We're now on Slide 7 of the presentation. Equinox Gold had $173 million in unrestricted cash at the end of Q1. During the quarter, we drew $40 million on the revolving credit facility and invested $40 million in Caliber Mining convertible notes. The Caliber convertible debenture provides them a liquidity contingency buffer as they complete Valentine construction should close of the merger be unexpectedly prolonged, not that we expect that. We will cancel the $40 million of Caliber convertible notes on close of the merger.

We're now on Slide 8 of the presentation. Note that the 2025 and 2026 data on this slide is analyst consensus. With the Greenstone ramp up progressing at current gold prices, the Company should generate strong cash flow in the second half of the year and beyond that can be devoted to reducing debt and unwinding the balance sheet.

To start, in March, we made the first of the 3,900 ounces per month gold deliveries that run through September 2026 to begin reducing the deferred revenue balance on 87,000 prepay ounces. For 2025, we expect to reduce the obligation by 39,000 ounces and $74 million. As at March 31, 2025, the Company had head collar arrangements on 90,000 ounces of gold that were put in place for the $500 million term loan used to help fund the Greenstone ownership consolidation in May.

Hedges on 50,000 of those ounces mature in a straight line through Q2 2025. The average ceiling on those ounces is $2,900 per ounce. The remaining of the 40,000 hedges matured about 10,000 ounces per quarter from Q3 through the end of Q2 next year, and have a ceiling of about $3,500 per ounce. We look forward to predominantly unwinding the hedges by the end of Q2.

With respect to reducing debt, there's a $140 million convertible note that matures in September with a conversion price of $6.5 per share that we intend to retire when it matures. This note has been largely in the money since the February. If the note converts to shares on maturity, then the $140 million that would have been used to repay it will instead be used to pay down the revolving credit facility or term loan. Following retirement of the convertible note, free cash flow will be devoted to paying down the Company's credit facilities.

With that, I'll turn the presentation over to Doug to discuss our Q1 operating results.

Doug Reddy:
Thanks, Pete.

We're now on Slide 9 of the presentation. At Greenstone in Q1, the mine and mill performed well through the first full winter producing 44,449 ounces. Ramp up continued with an average of 137,000 tonnes a day moved in the quarter and that continued to increase in April and averaged 165,000 tonnes per day coming into May. Some loading unit challenges impacted availability, but the disruptions were generally short-term. The fleet was expanded with the addition of the four CAT 793s bringing it to a total of 29 trucks. As noted in the last quarterly call, we are adding an additional PC5500 shovel that will arrive in June and be operational by July 1.

The mining team is also focused on additional RC grade control drilling, blast movement optimization, doing larger blasts, which are now hitting over a million tons per blast and doing fletch mining, which helps with selectivity. Our mining flexibility has improved with the pit enlargement now that we removed the central area that was impeded while we moved some contaminated soil. We're getting the whole pit to one level, which is good for flexibility in mining.

On the process plant side, we averaged over 18,600 tonnes per day on the crushing and over 18,400 tonnes per day on the milling in the quarter and continued ramping up into April. Milling is now over 23,400 tonnes a day or 87% of design capacity. Downtime was reduced and CIP tank modifications were completed through numerous changes in the mill, which we have said in advance that we were going to do in Q1. Overall, we've seen the mill stability improve and the maintenance intervals continue to lengthen, which further boosts our overall efficiency.

At the Mesquite Mine, gold production was 12,271 ounces. That was principally from side slope leaching and was above plan for the quarter. Mining in the quarter was predominantly waste stripping of the Ginger Pit. We did have early access to ore in Ginger and we're able to stack more ounces than planned at the March and that ore started to report to the ADR plant in April and May. About 93% of ore mined in 2025 will be from the Ginger Pit. We've also started waste stripping in the Brownie 4 Pit and that will provide ore production late in 2025 and into 2026.

I also want to note that during the quarter, we skipped passed six million hours with no lost time incidents. That's a testament to the attention to safety that's being paid by personnel in all areas and all levels at that mine.

At Los Filos, minor amounts of open pit and underground mining continued into January. Production was 31,518 ounces. That was mostly from leaching of the ore that was stacked in Q4 and January, and the rest was coming from residual leaching. As mentioned earlier, operations have been suspended indefinitely and no further leaching is occurring at Los Filos.

On the next page, in Brazil, at the Aurizona mine, the rainy season was in full swing in Q1, but mining did well and the rain is now beginning to taper off. Mining was principally in the Piaba and Tatajuba pits, and we are ahead of plan on ore tonnes moved, although a bit behind on waste movement. We had higher grades from the Piaba Pit at around 1.2 grams per tonne, and Tatajuba tends to be lower average grade at just under 1 gram per tonne. Stockpiles are used to supplement plant feed as necessary during the rainy season. Gold production was 15,555 ounces and on track with our expectations for the quarter.

Remediation work on the Piaba Open Pit area is complete and the 14 dewatering holes that were drilled prior to and during the rainy season have performed very well during the heavy rains. Later in the year, we are planning to mine the western extension of the Tatajuba Open Pit and we also plan to start work on the underground portal and ramp in late 2025 once the rainy season is over.

At the Bahia Complex, production was 27,565 ounces and at Fazenda, open pit mining focused on the larger CLX Open Pit, which encompasses several smaller pits and areas that were mined previously and from the underground mining that was done in the earlier years of Fazenda's 40-year mine life. Open pit mine tons and grade were low at the start of the year and improved through the quarter. Underground mining at Fazenda was strong with 1,900 tons per day being—of ore being moved and over 3,000 tons per day of ore and waste being moved.

In the underground, we are transitioning to a long hole retreat mining method. Feed grade to the CIL plant was low for the quarter at 1.26 grams per ton that will improve in this quarter and recovery was 89%. At Santa Luz, mine grade was up at 1.6 grams per ton from the C1 Pit and 0.6 grams per ton as we started mining the A2 Pit. Feed grade to the resin and leach plant was 1.3 grams per ton.

Recovery dipped in the quarter to 60% as we dealt with some sulfide and arsenopyrite bearing ore in addition to the high TOC, total organic carbon that was going to the resident leach plant. We stabilized at 64% in April for recovery. A six-leach tank is in construction and plan to come online in July. That will allow for servicing of the other tanks and increase our overall residence time, which will benefit recovery in the long-term.

At RDM, gold production was 10,710 ounces for the quarter. Ore mining was low, while Pushback seven was advancing on the hanging wall of the pit and a footwall pushback was being completed to recover ore that had been left behind years ago in the upper portion of the pit wall. Average feed grade to the plant was 0.55 grams per tonne and reflects the use of low-grade ore while the pushbacks are underway to give access to the higher-grade ore.

The new dry stack tailings facility has worked out well, and we've started construction of the expansion to that facility for this storage area. We've also started—we've also switched to an owner fleet for haulage of the dry tails, and that should help lower our overall costs at RDM.

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

Greg Smith:
Thanks, Doug.

We'll move on to Q&A in just a second here. I'll just conclude by saying we're very pleased to have received the support of our shareholders for our transaction with Caliber Mining, and we look forward to getting the deal done this close—or getting the deal closed this quarter. On our next call, we'll be reporting as a combined company. As Greenstone continues to ramp up and Ballantyne commences production later this year, we'll start to see the substantial benefit of having these two low-cost long-life mines in one company.

I think now, Rhylin, let's move to Q&A.

Rhylin Bailie:
Sure. Operator, can you please remind people how to ask their questions?

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 are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. If you are participating through the webcast, you can submit your question in writing by using the text box in the lower left corner of the webcast frame. We will pause for a moment as callers join the queue.

Rhylin Bailie:
Thank you. While we're waiting, we'll take some of the questions that we've got online. We do have a few questions about Greenstone. I'll try to combine them into one. When do you expect Greenstone to be operating at capacity? Will that bring your costs down closer to your target?

Greg Smith:
Sure. I can take that, Rylin.

Yes, Greenstone is continuing to ramp up over the course of the year. Design capacity of the plant is 27,000 tonnes per day. We expect to be in and around that range as we move into the second half of the year here. In April, the plant was producing at 87% of design capacity. Some of the work we did in Q1 on the plant is actually really starting to pay dividends here as we move into April and into May. Very happy with the way the plant is progressing at Greenstone.

On the mining side, that's probably an area where we've had more challenges in Q1. We did increase the size of the fleet by four haul trucks, which was great. But we did have some issues with availability of our PC5500 Komatsu motors. That is probably the biggest single issue in terms of moving tons in the first quarter. As Doug mentioned, we do have an additional incremental shovel arriving in June. It will be operating in July. That combined with the increase in the fleet should result in an ability to move a lot more tons.

We're already seeing availabilities improve on our existing fleet and mining rates have increased a fair bit in April, 160 on average...

Doug Reddy:
One sixty five.

Greg Smith:
One sixty five. We're continuing to see increase in mining rates as well. And I think that will only continue to improve as we get into the warmer weather and in particular when we get the additional shovel on-site.

Rhylin Bailie:

One other question that came in. How many downtimes did you see during the quarter? You mentioned that those are improving.

Doug Reddy:

Yes. We had total of 10 down days on in the plant but we were able to—because we have crushed ore done and emergency stockpile, we were able to limit the number of days that affected the milling circuit. About 10 in total, but we were doing things that we said we were going to do; fixing downcomers that were causing some short circuiting in our tanks and modifying valves that allowed for some leakage, as well as changing slurry pumps, screen decks, and some springs on the screens that were requiring frequent change outs. All of those have been rectified. We're getting much longer periods between having to do shutdowns. We're pleased with the progress. It obviously impacted the quarter, but we're seeing the benefits coming into April and May.

Rhylin Bailie:

Perfect. Thank you. Operator, can we take some questions from the phone please?

Operator:

Certainly. The first question comes from Wayne Lam with TD Securities. Please go ahead.

Wayne Lam:

Hey, good morning, guys. First question, maybe just wondering on the balance sheet, with the revolver nearly drawn down now, just wondering how you're thinking about flexibility in the event of a more drawn out ramp up at Greenstone? Would you be looking to refinance shortly maybe after the close of the transaction? And then, just curious on the capacity to fund two new mine ramp ups here, and how you're thinking about any contingency plans?

Peter Hardie:

Yes. With respect to our liquidity, available liquidity, we do have a planned refinancing of our revolving credit facility. I want to emphasize that was planned for this quarter. But that said, Wayne, we've seen great improvement in April with performance at Greenstone, and assuming that continues and we hit our targets throughout the year, we don't believe any further draws are required and we're actually very much looking forward to starting to pay down debt in the second half of the year.

Greg Smith:
I'd just add, Wayne, that Caliber also released their results and confirmed they're fully funded to get Valentine into production here. So, between the two companies, I don't see a liquidity issue coming up here. In particular, in the second half of the year, production increases, costs come down, Ballantyne comes online, Greenstone's ramped up.

Wayne Lam:
Okay, understood. Maybe just a follow-up to the prior question on the Greenstone ramp up. Maybe if you could give us a bit more detail on some of the changes at the mill, and what you might need for improved availability to get closer to nameplate capacity? Curious on maybe on the cost side, if you're seeing any pressures on things like labour and if you're still confident in getting to the full year cost guidance given the challenges in the quarter?

Doug Reddy:
In the mill, we had said in at the end of last year that in Q1, we were going to be making changes on slurry pumps and also modifications in our tanks, specifically in valves and downcomers. All of that's been done. At the same time, we made a lot more modifications in other areas when we had the downtime happening. It's all been driven towards, well, obviously, stopping short circuiting the tanks, which will improve our recovery long term, but also to be able to extend the periods between downtime.

For example, changing the springs out and related to our screen decks has enabled us to be able to push out the periods between downtime. The reduced downtime that we see in April and May is testament to one of the aspects of being able to bring the tons per day up to 87% of capacity.

Peter Hardie:
On the cost side, it's Peter. As I was saying in my comments, Greenstone has been scaled up from a cost structure perspective to what's required to achieve its goals for the year. It being a low production quarter in Q1 as was part of the plan, understandably the cost per unit there are higher than prior quarter or in Q3 while it was still in commissioning prior to commercial production. We do believe, again, if we're on track with respect to continuing progress that we're seeing, that we're on track overall for our guidance for the year.

Wayne Lam:
Okay, great. Maybe just last one at Los Filos. Are there still ongoing negotiations or discussions being had there that leave you constructive on getting a deal done, or things that more of an impasse with the third community? Maybe if you could provide a bit more clarity on approximate care and maintenance costs there?

Greg Smith:
Sure, Wayne. It's Greg speaking. I'll start. I think the best way to describe it is the way you just did, impasse. We spent a year, more than a year negotiating with all three communities. The government was involved. A number of stakeholders were involved. We came to terms with all three communities, signed a, call it, a heads of agreement document on that basis, executed the two agreements with—executed long-term new agreements with two of the communities. The third community elected not to sign a new long-term agreement. The existing agreement expired and so we suspended operations.

The reality is that the terms we negotiated with the three agreements are really the best we can do. We need to maintain the economic integrity and the investability of that asset of Los Filos. It has the potential to be a great mine, but it does require a substantial amount of investment. It's critical that you have agreements in place to support that investment. At this stage, not a lot happening on that basis.

Of course, we're always open to dialogue. But at this point, I would not expect anything to move on that basis at Los Filos in the near-term. I think it's fair to say, you don't expect any production from Los Filos for the rest of this year.

Wayne Lam:
Okay. One follow-up. But in terms of your comment on the economics there, like that stance wouldn't change with the gold price move that we've seen?

Greg Smith:
Well, I guess one way to put it is, our stance evolved over the course of the negotiating period. Gold prices go up, gold prices go down, but you have inflation to take into account as well, costs, etc. Again, there's only so much you can do when you're planning for the long term. Obviously, gold prices are helpful to the economics of any mine. But again, without getting into the details of how these negotiations played out, at this stage, no, it doesn't have an effect on our position.

Wayne Lam:

Okay, great. Thanks for taking my questions and best of luck in the months ahead.

Greg Smith:

Thanks, Wayne.

Operator:

Your next question comes from Anita Soni with CIBC World Markets. Please goa head.

Anita Soni:

Good morning, Greg, Doug, and Peter. Thanks for taking my questions. I just wanted to drill a little bit down into the way grades and tonnages, the way you see them evolving at Greenstone over the next three or four quarters. I think you said the lower grades were a result of mine sequencing, but it sounds like you also had some challenges with the equipment in the pit. How long do you think you would be in—when will you be accessing higher grade areas in the pit? How do you think the mine is going to keep up with the plant over the course of the year?

Doug Reddy:

We'll refer to what we said in the last call as well was we were expecting to be about at this grade for Q1. We see it ramping up during the course of the year and getting to 1.5/1.6 by the—in the latter part of the year. Grade wise, it's evolving the way we expected. We are a bit slower on the mining, yes. We're aware of that and that pushes things out a little bit.

At the back end of the year, we may end up with not getting the higher grade as quickly as we anticipated in the original plan for the year, but overall, it should evolve that way. That goes to the tons per day being moved. In Q1, the average is 137,000 tons a day, but we had peaks at over 193,000 tons a day. As we came into April and May, the 165,000 tonnes a day is average and so that's good.

We're getting peaks where we're doing over 200,000 tonnes a day. It's definitely picked up the pace as we came through the winter months through the challenges that we had with loading units, a little bit of absenteeism, but we're good now and the team is doing really well.

Greg Smith:

Go ahead, Anita. Sorry. Go ahead.

Anita Soni:

What's the actual grade that's being mined right now, the direct ore feed grade rather than what is processed?

Doug Reddy:

Well, we get a lot of material that goes to the stockpile. Average grade being mined ranges from 0.6 to 1.2, anywhere in there. I'd say we're typically just under 1 gram. We're using a bit of the stockpile and getting it to 1.1 on the feed.

Anita Soni:

Sorry, Greg, you were going to say something?

Greg Smith:

I was just going to say that, as mentioned earlier, the challenge we really had was around availability of the large shovels. That really did cause us some issues in January and February. As that availability increases, we were able to see the tonnage increase substantially. But as Doug said, we are behind on the mining and the key for us is to start working on catching that up. This additional shovel will help with that.

We are bang on pretty much our feed grade for Q1, our expected feed grade, and so good from that perspective, but definitely need to catch up on the mining through the year. We're seeing that start to happen now and keen to get that additional shovel into the fleet.

Anita Soni:

And sorry, could you tell me how many—what am I trying to say—the word trucks. How many trucks did you have the first quarter? Sorry, tired.

Doug Reddy:

We went from 25. We brought four more online and this is always planned and we're now at 29 trucks.

Anita Soni:

Okay. So, you went from 21 to 25 during the quarter?

Doug Reddy:
No. We went from 25 to 29 in the quarter.

Anita Soni:
Okay. All right. Thank you. Then last question, a little bit more bigger picture and related to the deal. Greg, can you go through what you view as core assets and non-core assets? There's been a lot of talk about asset sales post the merger and then focusing management time and resources on some of the bigger assets. But where would you see shutting assets if you were to do that?

Greg Smith:
Sure. The easy comment to make is that Greenstone and Ballantyne form the foundation of the Company. Both in Canada, both long-life, both with a lot of exploration potential. Obviously, those are core. We have the development project down in California, Castle Mountain. We are making substantial progress under the new administration in terms of permitting. That is becoming much more relevant to the future growth plans of the Company in the near-term here. Castle Mountain, that's another 200,000 ounces per year long life mine in The Americas and The United States. Clearly, a core asset for us.

We've got a fairly large portfolio of other assets. We've got obviously operating scale in Brazil. We've got some operating scale in Nicaragua, and then Filos, the Nevada assets, and Mesquite. Anita, I never want to isolate individual assets as being core or non-core at this stage. We're going to close this transaction. The management team will do a full review.

It's a pretty good market for thinking about divestments of assets or some M&A around gold assets. It's definitely top of mind for us. It is something that we're going to focus on. But big picture, easy comment is Valentine, Castle, and Greenstone, of course, as the major core of the Company and then focusing on the other assets here over the next year, and then determining what we're going to do.

Obviously, there are some—just the scale of the Company, there are some that are going to be non-core. We've had a fairly robust amount of interest in various assets in the portfolio. Again, we'll consolidate all of that as we close the transaction and then go from there.

Anita Soni:
Thank you. I will leave it there. Thank you very much.

Greg Smith:
Thanks, Anita.

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

Jeremy Hoy:
Hi, everyone. Thanks for taking my questions. Picking at some of the details here and going back to Greenstone, recovery was relatively in line with where it was at Q4. You've seen spikes up to 90% range. At a high level, can you just walk us through the ins and outs of what it takes to get grade up to design, recovery into design?

Doug Reddy:
Yes, higher grade, higher recoveries. With the lower grade coming in this quarter, we did know it would be lower. We knew we'd be doing plant modifications to rectify some short-circuiting solutions. The solutions are—that's Preg Solutions. We're losing solutions to tails in a couple of areas due to a short circuiting in the tanks and a valve design that was not working properly. We've made those modifications. We anticipate as we go forward that we will see an improvement in recoveries overall.

Jeremy Hoy:
Just one more from me on Los Filos. In the disclosure, you mentioned that you started layoffs. If the community were to come back and sign an agreement today, how long would it take to restart that operation?

Greg Smith:
Well, the question would be whether it makes sense to start the operation right away. The path to prosperity at most fields really is through the construction of a new CIL plant, 10,000 ton per day CIL plant. To do that we need to continue with some engineering. We need to get some permitting done on-site and obviously, advanced toward construction decision then build it. To go back into production on heap leach only basis immediately after having wound the operation down, economically, might not make the most sense.

Now, never say never. We'd have to assess in the context of those discussions and determine what the best path is. But I think at this stage again, we're not in a position where we see a resolution in the near-term. Our current expectation is that Filos would remain suspended for the remainder of this year certainly. We'll assess it as we go.

Jeremy Hoy:
Okay, that's really helpful, Greg. Thank you. I will step back in the queue.

Doug Reddy:
Thanks.

Rhylin Bailie:
Okay. Lots of questions online. I'm trying to combine them. Lots of questions about cost at the mines. How did these Q1 results compare to what you had budgeted for the year? What's your target ASIC for the year end?

Peter Hardie:
Other than Greenstone, where costs on a per ounce basis, they are a little higher than budget. But overall, as we've been saying, we believe we're still very much on plan for the year. For the rest of the mines, they actually performed within what we expect. Q1 is very typically for the Company, the lightest production quarter every year. As Greg mentioned, it's a record for us for Q1. We're happy with—overall with where we're headed. As a Company as a whole, believe we're on track with our overall cost guidance.

Greg Smith:
I guess part of the challenge we have at Equinox is typically Q1 is our lowest production quarter and we have increasing production quarter-over-quarter. As you increase your production, the denominator goes up and your average cost per ounce goes down and that results in your average for the year. We typically have a higher cost quarter in Q1 and then see those cost per ounce come down over the course of the year as production increases. This happens at Equinox pretty much every year. It's based on seasonality typically and it's the same this year.

Rhylin Bailie:
Thank you. We've had some questions about the finance costs and other nonrecurring costs that occurred during the quarter, and how we have record production and record gold prices that's still booked to net loss. Can you explain that from an accounting perspective?

Peter Hardie:

Yes. There's two major contributors there—or three. There's those Filo suspension, which creates noise in the income statement, as there's a lot of non-normal costs associated with spending operations, principally severance for employees that are being laid off. We did have the accounting adjustments that I mentioned non-cash and those won't recur.

Finally, with the very fortunate completion of Greenstone commercial production last quarter, we had the opportunity, I suppose you could describe it to capitalize costs related to Greenstone construction and pre-commercial production. But, with completion of that, those charges even they were being incurred on a cash basis, they weren't going through our earnings statement, but now do. Those are the three primary components of the loss for the year.

Reflecting Greg's comments just now, as we see our production increase throughout the year, we'll see the earnings increasing throughout the year. Again, as we delever and reduce the obligation side of the balance sheet, of course, the finance charges, with respect to those charges decrease and you wind up with this virtual cycle of having more cash available to deploy to pay down obligations, while also reducing the cost of those obligations overall on your earnings.

Rhylin Bailie:

Okay, perfect. It looks like Jeremy did not come back into the queue. We did have a lot of questions coming online. Most of them were addressed during the call or during the Q&A. If I missed your questions, my apologies. I'll get back to you by email today or you're welcome to give me a call. Greg, did you have any wrap up statements?

Greg Smith:

No. I just again appreciate everyone for joining the call today. Appreciate your support. You know where to find us. All of our contact information is on the website. You can reach out to Rhylin or me anytime.

Rhylin Bailie:

Perfect. Thank you. Operator, you can now conclude the call.

Operator:

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