Equinox Gold Corp.
Fourth Quarter 2021 Results and Corporate Update Conference Call Transcript

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Speakers:

Rhylin Bailie
Vice President, Investor Relations

Christian Milau
Chief Executive Officer

Peter Hardie
Chief Financial Officer

Doug Reddy
Chief Operating Officer

Operator:

Thank you for standing by, this is the conference Operator. Welcome to the Equinox Gold Fourth Quarter 2021 Results and Corporate Update Conference Call and Webcast.

As a reminder, all participants are in listen-only mode and the conference is being recorded.

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, Kharl, 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 take the time to visit our continuous disclosure documents on our website, on SEDAR, and on EDGAR.

I'm now going to turn the conference call over to our CEO, Christian Milau.

Christian Milau:

Thank you very much, and welcome, everyone, this morning.

Just recapping on the business plan here on Page Number 3, we've put together a collection of companies and assets over the last four years, and we're excited to be at this point in our growth cycle here where we've got the diversified America's gold producer with the seven producing mines, soon to be eight once Santa Luz is ramping up in quarter two this year, and five exciting growth projects, and we have an extremely large reserve and resource base: 16 million ounces and 30 million ounces, which allows us to have a lot of leverage to the gold price, and as we continue to develop these assets, we'll be moving from roughly 700,000 ounces this year in 2020 towards a million ounces plus over the next few years, and our balance sheet's in a strong place again and that pathway towards a million ounces is clear and in our control in our portfolio, and when we look at the quarter four and full year highlights, Pete and Doug will walk you through more of the granularity on this, but I did want to touch at high level.

As expected, we had a strong Q4, as previously released, and we tracked down the path of continuing on our two construction projects, and Doug will talk about the detail on that, but pleased to say we're making good progress, and as planned we're moving those forward on schedule at this stage, and also we've had good results over the last year, and we continue to focus on it going forward in drilling and expanding our portfolio of exciting mineral and reserve base assets that really need some attention to continue to extend the mine life, and we've also put out two expansion studies on Aurizona and Castle Mountain which continue to show mine life extension and reserve growth.

And the other area that we're really going to focus on this year, and we've kind of put it to a little bit to the back burner, as we announced on the last call, but Los Filos, we're working on various scenarios to optimize it, to look to bring forward cash flows, to increase production and really work on that plan as we deliver on the Greenstone construction project and have this be a key contributor, so we want to reduce those costs, continue to expand that production base and make plans to be able to build out CIL once we get to stability and we get Greenstone up and running.

In terms of operations, again, pleased to report that we've had another quarter of uninterrupted operations. Los Filos finished last year well. As you saw in the press release, RDM did have heavy rains recently, and Doug will touch on the detail of that, but we're working towards suspending the plant there for a few weeks as we reduce the water level in the TSF, but we don't expect an overall material change to our guidance as a result of this. We see this as a very temporary measure.

In terms of ESG, I do want to touch on this. It continues to be a focus for us and increasing in terms of priorities this year as we build out our team. We got our first ESG report out last year. This year, we'll be enhancing it. We do plan to have an ESG call that's focused on that topic for all investors to attend give or take around our time of our AGM here in the second quarter. We've been implementing the Towards Sustainable Mining and Responsible Gold Mining Principles Protocols at all mine sites this year. We set our Scope 1 and 2 emissions' targets last year and emissions in total, and we also achieved our target of reducing them by 5%, which is a short-term goal. We do need to set our long-term targets, and that's in the works this year, and hopefully by around this year end we'll be able to announce our long-term targets.

Also, just in summary, we had a good, strong finish to the year overall, and I want to turn it over to Pete and Doug to walk you through the granularity of that.

Peter Hardie:
Thanks, Christian.

With respect to our operating results, I'll just touch on a few of them, as Doug will go through each of the mines in just a minute.

For responsible mining in 2021, we improved on our already good safety and environmental performance, as demonstrated by our safety and environmental metrics that you see here. We especially ended 2021 on a good note for safety and environment in our environmental stewardship.

As to COVID, we've managed well in 2021. That was led primarily by the vaccine rollouts in the countries where we operate, but that was also coupled with our continued rigorous screening and testing protocols, and that led to little to no down time at our sites in ‘21 due to COVID, which obviously we’re very pleased with.

As to operations, we previously announced that we produced 602,000 ounces of gold. We achieved our guidance there, along with our all-in sustaining costs of guidance, with an all-in sustaining cost per ounce of $1,350 an ounce. We were a little high on our cash cost per ounce guidance, just above the higher end of our range.

On our next page, we have our Q4 financial results. We had our best quarter to date, really, from a financial perspective. We sold 212,000 ounces of gold at an average realized price of $1,972 an ounce. Our cash cost for Q4 was $1,040 an ounce, and our all-in sustaining cost was a very respectable $1,266 an ounce.

We had net income for the quarter of $111 million and adjusted net income of $76 million, which translates into basic earnings per share of $0.37 a share, or $0.25 a share on an adjusted basis.

We were also very busy on the corporate front during the year, which included—which—the results of which are included in our net income of $557 million for the year.

We sold 10 million units of Solaris where each unit was a share-and-a-half warrant to buy more shares for proceeds of $67 million and a gain of $50 million. Selling the shares reduced Equinox's holding in Solaris to just below 20%, which resulted in a change of accounting and a gain of $186 million during the year, and another benefit of that change in accounting is it allows us to reflect the fair value of that investment. It was previously carried at the original cost, which was very, very low, so we're pleased with that.

During 2021, we sold the Pilar Mine for a gain of $45 million, and those items get adjusted out, along with others, to arrive at our adjusted income for the year of $74 million.

Some of those other items include an $85 million gain on the change in fair value of Equinox-issued warrants, which expired unexercised in October of 2021, and a $58 million gain on the change in fair value of gold contracts, which roll off in September of this year.

Our balance sheet remains unchanged and strong, with a little over $300 million in cash and $200 million in available credit at the end of the year, and in addition, we have approximately $450 million of investments fair value, and we've received a couple of questions about why our current assets have increased so much. That's primarily due to three things.

First of all, we announced the sale of Mercedes in December of 2021. Those assets are held for sale and are all current, including the property, plants, and equipment, and in addition, the Solaris warrants we hold to be able to acquire more shares of Solaris at a low cost. Many of which expire in Q4 of 2022 are now included as current. They were previously included as long term, and finally, the third big reason our current assets have increased is the fair value of the Solaris shares have gone up significantly. They were about CA$11 a share at the end of September, and they've gone up to $16 a share, so that increases both the fair value, of course, of our investment there, along with the value of the warrants.

With respect to our quarterly results by mine, previously mentioned, we had a strong quarter with 210,000 ounces of production led by Los Filos, Castle Mountain, and Aurizona. Cash costs for the year in Q4 were especially low at Aurizona, as you can see in the middle column under cash costs, and for the year, and finally, our all-in sustaining costs for the quarter were led by Mesquite at $1,023 all-in sustaining for the quarter.

As to our guidance for the year, Christian, Ross, and Rhylin have been out engaging with stakeholders quite a bit since we released it earlier this year, so I'll just highlight that as with this year, much of the performance is weighted into the second half of the year, so costs will be higher, as you can see at the bottom page—the bottom of the page. In the first half of the year, we expect cash costs of about $1,200 a year, a little over for the first half of the year, dropping to just a little over $1,000 an ounce in the second half of the year, and likewise, the all-in sustaining costs will be higher in the first half, in the mid-$1,500s per ounce, and dropping to the higher $1,200s or just a little under $1,300 an ounce in the second half of the year.

With that, I'll turn the discussion of the operations themselves over to Doug.

Doug Reddy:
Thanks, Pete.

As Pete noted, in 2021 several of our open-pit mines were back-end weighted for the gold production. We do see that at a few of the operations in 2022 as well.

Looking first at the U.S.A., Mesquite, in Q4 we produced 66,870 ounces, and for the year 137,500 ounces, so a majority of the ounces coming at the very end of the year. Overall production will be similar in 2022 for Mesquite, and I'll note that in 2021 we completed the stripping campaign for the Brownie pit, and that's the ore that is almost entirely being processed or placed on the leach pad in 2022, and similarly for 2022 we're doing a $44 million stripping campaign to open up a new phase of the Vista East pit, the VE pit, and that will benefit us at the very end of 2022 and into 2023. We're also coming on with a $5 million exploration program at Mesquite, which looks at resource to reserve conversion in Brownie, Vista East, and Rainbow pits, and I do want to underscore that this mine is a consistent producer. It will be doing its five millionth ounce in 2022, so a good asset, very consistent.

At Castle Mountain, our Q4 production was 8,357 ounces. We're looking at 25—it was 25,000 ounces for the year, and it will be higher in 2022, and that will reflect modifications to our stacking and irrigation practices that have been implemented during 2021, and also we'll be introducing crushing and agglomeration in Q1. That should increase our recoveries, avoid some of our percolation issues that we've seen with certain rock types where blending has been very important, and be able to point the way forward for improving our leach times and recoveries. We are doing a leach pad expansion, which is well underway already. It's a $7 million price tag for that, but that's well underway, and we are doing the Phase 2 studies and permitting that will support the expansion to 200,000 ounces a year. The plan to submit the permit amendment is—that will go in in Q1.

Moving on to Mexico, at Los Filos, in Q4 we produced 54,733 ounces, and the total for 2021 was 144,000 ounces. It will be higher in 2022 at 160,000 ounces to 180,000 ounces, and that will reflect a continuous mode of operations. We have ongoing development that was done in 2021 in the Los Filos open pit and Guadalupe open pit, which is our major contributor for the open-pit ore going to the leach pads now, and also development from the Bermejal underground deposits where we have a small amount of contribution as we continue with the development of Bermejal, focused on getting into Zone 5, the central and higher-grade portion of Bermejal.

Our work in 2022 includes $20 million of sustaining and $47 million of non-sustaining capital, principally for open-pit stripping and underground development, with $30 million of that being carried over from 2021 where we were either delayed or interrupted in development work in the middle of the year.

At the Mercedes mine, total contribution attributable to Equinox for 2021 is 31,800 ounces, and as noted we have an agreement in place to sell the mine to Bear Creek for $100 million with a 2% NSR and just under 25 million shares in Bear Creek. That transaction's expected to close around the end of this quarter. In the meantime, we continue with development into two additional deposits at Mercedes, and we will both take the cost but also the benefit of that up until the point where we—until the transaction closes.

Moving on to Brazil, Aurizona mine, Q4 production was 41,258 ounces, and the total production for the year was 135,000 ounces. We will see slightly lower production in 2022, and that reflects a small drop in the feed grade, the grade of the feed to the plant. We did set a new throughput record in Q4 with 922,000 ounces being processed—sorry, 922,000 tonnes being processed, and we also set a record for mining in the quarter.

In 2022, we are moving ahead with permitting on portal locations for the underground expansion. We've also had the results from drilling, 21,000 metres of drilling come in, part of that focused on the underground and also on other targets in the immediate area around the Piaba pit that will benefit us as we move ahead with design work for the underground.

We're also doing a $8 million of spend on infrastructure, including a new pebble crusher which helps us to maintain our feed to the plant as we move into a higher proportion of fresh rock, and we continue drilling within the mine area and nearby targets. We have $8 million slated for exploration on that.

At Fazenda, in Q4 we produced 14,499 ounces for a total of 60,000 ounces in 2021. We should see that slightly higher in 2022, largely from some higher grades coming from both some underground areas and open-pit production. This mine's been operating for essentially over 30 years, and recoveries are now around 89%. A big part of our work has been the underground and additional exploration on surface that's worked on reserve replacement, and we continue with that.

On the plant, it set a new production throughput record of 351,000 tonnes processed, and in 2022 we will be doing an exploration program that not only works or explores immediately around Fazenda, but within the Fazenda to Santa Luz district. Very exciting, numerous targets in that Greenstone belt, and we will ultimately look at developing—or identifying and developing resources that could either go to Fazenda or Santa Luz depending on the metallurgy and proximity to process plants.

At RDM, our Q4 production was 13,362 ounces, and our total production for the year was 59,000 ounces. We anticipate that that will be higher in 2022 at 70,000 ounces to 80,000 ounces, in large part coming from a new geotechnical model that enables us to access higher grades and increase our overall production coming from the open pit.

We did process more stockpile material in the fourth quarter, given that we had heavy rainfall limiting some access to our open pits, and in this year we will be doing an increase on the TSF capacity and also installing a thickener. A thickener gives us the ability to do some water conservation, and it also reduces the volume of tailings going to the TSF. Water conservation because RDM is in a drought-stricken area, and typically we are always working to maintain as much water as we can available for processing throughout the year. We do have ample water. We have a very full water storage dam, and separate to that, of course, as we've noted, we have lots of water in our TSF at the moment, so in response to new guidelines, we will be suspending the plant for the next two to three weeks while we continue pumping and evaporating to reduce water levels in the TSF.

During that time, we continue with mining and stockpiling of ore, and we anticipate that there'll be a marginal impact to us overall as we restart and process the ores that we've been putting to one side during this period. I will note that there are no issues with the TSF, and all regular internal and external and independent inspections of the TSF have confirmed this.

Moving on to Santa Luz, commissioning is underway. Construction is on time and on budget. The total budget was $103 million for the construction CapEx. We are at 95% complete overall. The crushing area's close to completion. Commissioning is underway on the leach circuit, SAG mill, ball mill, and secondary grinding areas. First ore will be introduced this month, and first gold is targeted for late in March.

We'll move on to Greenstone where construction is underway. This project is being developed by Equinox as 60%, Orion as 40%. Total reserves at the project are 5.5 million ounces, and it does have significant additional exploration upside. This is a conventional open pit with a leach/CIP plant. The project has excellent infrastructure. It's on the Trans-Canada Highway and right next to the town of Geraldton. We have great community and First Nation support for this project, and our initial capital is US$1.23 billion. That includes $177 million in contingency, about 14% of the initial capital, and it also includes $125 million for a fleet, which we could lease to reduce the upfront cash spend. It does exclude pre-production revenue, and 80% of our initial capital is Canadian dollar-based.

I will note that around 29% of the CapEx is now fixed by virtue of contracts that are in place, and about 45% of the CapEx is committed so far. We have an overall construction period of two years and six months of commissioning. First gold pour is targeted for H1 of 2024. If you go over to Page 14, you can look at some of the construction progress, and I invite you to go to our website, and you can see excellent photos for both Greenstone and Santa Luz, and time-lapse photography for Santa Luz, so you can see how things are progressing at those sites.

The engineering for Greenstone is 85% complete, and one of the reasons why we're able to be advancing with this project so well is—I mean, it's kudos to the team. Their project readiness has been very good, going from being on standby to bringing everything up to speed during 2021 very quickly, but they're a very experienced team. They know this project will. They've been with the project for many years and been able to have everything ready to roll, so Phase 1 road building and tree clearing is complete. Site access road and power lines are almost complete. The TSF work is ahead of schedule, and highway relocation work is actually ahead of schedule as well. Site civil works and concrete foundation work is underway, and plant earthworks are about 70% complete, so that's a big de-risking thing in being able to get ahead on our earthworks. Temporary water treatment plant is already in operation, and we have a 600-person lodging facility that's in use. All principle and critical equipment have already been ordered, so very good progress at Greenstone. Kudos to the team.

I'm going to pass it back to Christian.

Christian Milau:
Yes, and I'll just conclude on a couple of slides here.

On 15, just to reiterate, we’re in that execution phase right now, and we've got about 600,000 ounces of incremental growth to our existing, roughly, 700,000-ounce production base, and as you can see, they're sequenced nicely for Santa Luz coming on stream in the next few weeks; Greenstone in the next two years; Los Filos, Castle Mountain, and Aurizona underground well-slotted in due course in and around the end of the signing of Greenstone, so we've got one of the best growth profiles, if not the best, in, certainly, the mid-tier to larger gold space right now. It’s all internal.

And from a valuation perspective, we’re still trading on a slightly discounted multiple to some of our peers, as you can see, versus the intermediate and senior peers, and we’ll continue over the next two years as we execute and deliver these projects on time, on budget, to claw away at moving up that valuation curve, and at the moment it's quite a compelling valuation for a million-ounce producer over the next couple of years, and we've got extremely good leverage to gold, and obviously in this gold environment we’re pleased to have that reserve and resource base internally already owned in our portfolio.

Now on 16, just to reiterate what Pete touched on earlier, there's not a lot to say on the balance sheet. It continues to be the same: strong cash balance, available debt from our global banking group, and almost half a billion dollars in investments, good cash flow coming from the operating mines. We've got almost $1 billion of liquidity investments right now, and we've got a funded internal growth profile, so we think we’re positioned extremely well. The first half of this year is slightly lower cash producing from our mines, but as we hit the second half of this year, and with Santa Luz ramping up and some of that CapEx coming off, we’re pretty excited about where we are and where we’re positioned right now, and obviously, the gold environment's been very supportive recently as well.

On 17, just a highlight of the overall portfolio, and how it's diversified, growth-focused in all of our jurisdictions. We are an Americas-focused gold producer.

And keen and pleased here to take some questions on the back of a good year-end—end to the year last year in 2021.

Rhylin Bailie:
Thank you, Christian.

Operator, can you please remind people how to ask a question?

Operator:
Certainly. We will now begin the question-and-answer session. To join the question queue you may press * then 1 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 * then 2.

Rhylin Bailie:
Thank you.

While we're waiting, I'll take a question from one of our very supportive shareholders in the States who frequently talks about us on his *Rons Basement* YouTube channel.

Great quarter. Can you provide any colour on how operations are performing during the first two months of 2022, and do you think that your previously-released guidance is on track, conservative, or aggressive?

Christian Milau:
Maybe I'll take that, and Doug, please jump in if you have any comments.

I mean, as we said, the first half of this year is slightly lower production and higher costs. We're tracking along those lines. It's sort of an annual trend it seems for us. The second half of the year tends to be a bit better, and I don't see any difference this year, and I think we've provided a little more granularity and clear guidance this year by bifurcating the two halves, and we are tracking on plan there in the first couple of months as we move forward and reiterate our guidance with this release today.

Rhylin Bailie:
Thank you.

Another question from online. I saw that IAMGOLD recently increased costs again at their Côté project. How do we know that Greenstone is going to be on budget?

Doug Reddy:
I think the best way to look at Greenstone is that the team's been working on moving the project forward for many years, and as we got to the end of 2019, the Greenstone team were doing an update of all aspects of the project and the CapEx, and that's when we stepped in, and it's been a continuous effort working with Greenstone to revisit and track all the costs. Project readiness is a key item, and we've done internal and external assessments of project readiness, and I would say that Greenstone is right in the correct position for project readiness when we did our construction announcement and engineering advancement, being that we're 85% now. I mean, we were about 80% at the time of the announcement.

All those things mean that we're actually—all the CapEx was being done on the basis of well-advanced work on the site, and being able to immediately start with early works on tree clearing, camp construction, water treatment plant, and site infrastructure means that we can move very quickly to be able to de-risk, especially on the earthworks side of things around the plant and also on the TMF, so I think it's in part the opportunity that we had to work with the team to do multiple revisions and make sure that everything was correct as we moved towards the construction decision, and also ensuring that readiness and engineering were at sufficient levels for this project.

Christian Milau:
And I think we've taken the opportunity to observe the market, and obviously supply chain and inflation issues, and we built that into our CapEx estimates. Fourteen percent contingency is a pretty healthy number relative to I see in a lot of projects when they start, and I think we've looked at the foreign exchange and we've looked at inflation and other things, and we've also got the firm close in that we've been able to build into our estimates.

Doug Reddy:

Yes, and I think also we benefit by being able to see what's happened on other projects to go back and make sure, are we sure about what we're doing, and every single time we see anything happen on any other project, that question circulates around. We double-check and make sure that we've not missed something, and the team at Greenstone is very responsive in regards to double checking on everything and being proactive when we see potential problems.

Rhylin Bailie:

Perfect. Thank you.

Operator, we'll now take a few questions from the phone lines, please.

Operator:

Certainly.

The next question comes from Ryan Thompson of BMO. Please go ahead.

Ryan Thompson:

Hi, guys. Thanks for the update. Just a couple of questions for me.

First one is on the corporate side of things. Obviously, you're going to be reliant on cash from operations as you go through this capital-intensive period building out Greenstone. Is there any thought or discussion of potentially hedging out some of your gold over the next little while?

And then the second question is more just on the operation. You mentioned at Mesquite, you've got a lot of stripping and so on going on, and you're also doing some exploration to convert resources potentially into reserves. Would there be any sort of permitting associated with trying to bring in any of these new pits? Any sort of colour you could provide on that would be helpful as well. Thanks.

Peter Hardie:

Sure. It's Peter here. I'll answer your first question on hedging gold.

We do not currently plan to hedge any gold to provide going forward, even though we're in a construction period. As we've mentioned before, we feel like we're well funded heading forward with our balance sheet liquidity, so no plans to hedge gold.

Christian Milau:

Yes, and Ryan, we do look at other things like the other currencies, or we may look at fuel and that, but gold being our primary product and what most people are buying us for, we do keep that as open to the spot market as possible, and we do believe that we've got a strong balance sheet and other levers, as Pete said, so that's not in focus right now.

Doug Reddy:

In regards to Mesquite, there's always permitting underway. It depends on what you're looking at and whether it's a leach pad expansion, or if you're looking at doing a drill program. There's always some aspect of permitting that's underway. I'm not sure if that answers your question, but it is part of the normal operating practice at Mesquite.

Ryan Thompson:

Okay, so I know you have a pretty big resource base there, and you mentioned trying to convert some of that into reserves. Would it be like a sort of longer permitting process to accomplish that, or is it sort of normal course sort of business?

Doug Reddy:

Yes. I mean, essentially, if we were looking at large or wholesale changes, obviously it would be a longer thing, but when you're looking for small things, let's say exploration programs, or a not so small leach pad expansion, I mean, they're, I'll say, a shorter or more modest permitting period, but if you're looking for a wholesale change, yes, obviously it's going to be a longer-term timeframe, but that's all being managed very well at the site.

Christian Milau:

I think, Ryan, a lot of the reserve and resource is sitting within and around our pits, and that's more of the routine regular permitting, and I think we probably actually update permitting a few times a year, and have since on various different matters, and I think across the highway and that stuff is definitely the longer-term permitting, which is a multi-year plan, so I think a lot of stuff around the periphery and in the current resource sitting around is kind of more—I'm never going to call permitting routine, but closer to routine. It's across the highway in that. It's probably the multi-year plan.

Ryan Thompson:
Okay. Thanks. That's helpful, and that's all I had today. Thanks, guys.

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

Kerry Smith:
Thanks, Operator.

Christian, if you submit the EIA amendment for Castle Mountain Phase 2 sometime in March, then are you still feeling like it's going to be a three-year permitting cycle to get that approved then?

Christian Milau:
Yes, I think we still indicate three years. I mean, if all goes well, it could be as short as two years, but I think it's better to aim towards three years, and because of the sequencing of our projects and with Greenstone being, give or take, two years away from being completed, three years is probably a good amount of time, and we've had good feedback, good dialogue. I think the team have been able to adapt that permitting. The water issue they've been working with on the side, and they found water sources that they need, so the permitting will be the key focus over the next two years, and we think minimum two years, but it could be three years.

Kerry Smith:
Okay, and maybe Doug can answer it, but with RDM it's always kind of a dry area, and you're always looking for water, and unfortunately you're discharging now because you've got too much. Is there any thought that maybe you should build a supplemental sort of water containment area just in case this ever happens again?

Doug Reddy:
I think we already have a—I think it's 3.4 million cubic metres water storage dam on site, so we already, at the end of the year, we were looking at our water balance and figuring that we're good for two years

without any additional rain, so now this is exceptional. As you'll have noted, in Brazil, they've had heavy rains in several areas that typically don't get as much rain as they've been having, so we were already pumping and evaporating water out of the TSF.

We've already been working on plans to be able to conserve water. I mean, that's why we're putting in the—part of the reason we're putting in the thickener, and at the same time we understand this change in the regulations that came in, so really it means that not just pumping the excess water out of the TSF, but also not adding more from our process plant during that period, so we'll do that, we'll bring it down, and we'll get prepared just to bring it back online and then work on processing the ore and catching back up.

Christian Milau:
And I think, Kerry, in terms of big picture, I think water and emissions are two areas, and it's got an ESG focus, but two areas that we as a business are definitely focusing on, because we have areas of dry, dry areas, and then we have these areas that have these excessive rains, and we made some proactive measures to buy evaporators and things like that last year, and we'll continue to look at water and water treatments, as well, as something we put in place. Aurizona, we put the treatment plant in and that, so it'll be an evolving thing where we continue to look at our water excesses and deficiencies.

Doug Reddy:
And the water balance and tailings side of things is an initiative that we've been doing for over a year here with—Kelly Boychuk leads that. He's well over 30 years experience in dealing with TSFs. That's part of the work that we do on an ongoing basis to try to conserve water, but also ultimately to reduce our footprint, and this thickener was one of the first actions that came out of that, and we continue doing test work and looking at how we can improve things overall, and in part driven by ESG, but also it's just sensible for us to reduce our TSF footprint and conserve more water.

Kerry Smith:
Okay. Okay, and I know you've talked about not starting construction at Los Filos until Greenstone's completed in terms of its construction cycle. Is there a scenario where you perhaps could start the mill construction earlier than that, or is that kind of the plan now?

Christian Milau:

Yes, I think I'd like everyone to assume that's the base plan. There's always an opportunity to start a bit earlier, but I think prudence says that we should be—from a stability perspective, capital perspective and all that, should be planning for it after Greenstone. We will look at scenarios to keep our optionality as open as possible, but I do want analysts to not be forecasting in a start of construction there in the next six months kind of thing. I want it to be a couple of years out that if we bring it forward, that'll be a good news story, and we'll update the market at that time, but at the moment I think it's best to plan for about two years from now.

Kerry Smith:

Okay, and have you sensed, or maybe have your people at site sensed, any change in the attitude of the communities now that they're back to work, for better or for worse? Are things similar to how they were when they got back to work? Do you think they're better, or do you just sense that maybe they're getting a bit disgruntled about things? I'm just trying to just gauge how that is going.

Doug Reddy:

I think everybody is happy to be working. When we got through the last two issues, everybody's back at work, and that's what they want to be doing, and so general attitude at site, I'd say, that's my understanding is that it's better when everybody's busy working, and for team, management team, at the site, they're continuing to do everything they can to be interacting with the communities on a more day-to-day basis and not when we have a confrontation or a crisis, but just about everything.

Christian Milau:

I think we're seeing more dealing with routine grievances, even if they get elevated to the level that they shouldn't be, but we're more dealing with day-to-day routine grievances on a regular basis in a more constructive manner, building partnerships on things outside of just mining and good things in the community, and I think, as Doug said, we heard from the leaders, and we have heard from the workforce, effectively, they want to be operating and working, so that's great that we're all aligned on that front.

Doug Reddy:

And of course, part of it is that with COVID restrictions easing off, we're able to just interact face-to-face. It's so much better than having a more stilted conversation through Zoom or WhatsApp messaging or whatever.

Christian Milau:
And we've seen COVID come down very significantly. We have it might be zero people off in California right now from any absenteeism, and Mexico's come down very significantly in the last couple of weeks, for sure, and Brazil's still got some flu and that around, and I think it's a little bit higher than the other two countries. In Canada, we've managed it very well as well, so we're seen very little disruption, and I agree we're starting to see more travel and face-to-face meetings happening, which is very positive for our business, and we want to get you guys as analysts and some investors to go visit Santa Luz and Greenstone this year, too, and see the great things that are happening there.

Kerry Smith:
Okay, great. That's all my questions. Thank you.

Rhylin Bailie:
Since we're talking about Los Filos, I'm going to take a question from online.

You pushed the CIL plant out a little bit, which will obviously bring costs down, but do you see costs coming down in the interim as you're working through Bermejal and Guadalupe? What will it take to get Los Filos a bit more economical?

Doug Reddy:
Yes, Guadalupe has been mostly stripping. It has been contributing, and some ore, but really it contributed in a meaningful way in the latter part of 2021, so that brings in some higher-grade ore going to the leach pad, but nonetheless higher-grade ore, so that helps, and Bermejal underground, I mean, the development, initial development, is establishing all the infrastructure, and we get a small contribution from it, but we were delayed in being able to do that, so as we get into Bermejal more, we'll end up with higher grades, and that'll help bring more ounces to the pad. We'd love for CIL to be there to be processing it, but in the meantime we'll segregate it on the pad, and be able to reprocess it at a later date through the CIL.

Christian Milau:

And I think we're running various optimizations and mine plans that now we have the clarity that we're not planning to build the CIL for the next two years. We can actually plan to bring forward some of that grade, and not stockpile it to put through the CIL in six months time or whatever. We can actually plan to make it more cash generative, as well as hopefully lower cost along the way. I'd say it's going to be gradual changes, and the step change comes when you get a CIL plan in place.

Rhylin Bailie:

Thank you.

Operator, we'll go to the phone lines, please.

Operator:

Certainly.

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

Mike Parkin:

Hi, guys. Thanks for taking my questions.

You mentioned you're adding agglomeration, I think you said at Castle Mountain. When could we expect that to kind of kick in in terms of results?

Doug Reddy:

Well, we're going to be doing the crushing and agglomeration starting in the tail end of Q1, and given the heap leach, you'll start to see the impact in Q2.

Mike Parkin:

Okay, and is that factored into guidance?

Doug Reddy:

Yes.

Mike Parkin:
Then, in terms of when do you have to kind of make a go/no go decision on leasing the fleet for Greenstone?

Peter Hardie:
Yes. Hi, Mike. It's Peter.

We've already primarily made that decision during the construction period. In the first year or two of operations, we're going to be leasing equipment, and then as Greenstone is cash-generative and self-financing, we'll switch to purchasing it.

Mike Parkin:
Okay, and then one last one for me. In terms of Greenstone, when are you thinking you'll have the mill building enclosed by?

Doug Reddy:
Enclosed. I'd have to dig into the timing schedule. Can I get back to you on that one?

Mike Parkin:
Sure. Yes. If Rhylin can pass that on, that'd be appreciated. Thanks very much.

Christian Milau:
I think one of the key things, Mike, is all the concrete work we expect to have done, the engineering by, call it, spring this year. This summer is a big summer. Earthworks are almost done. We'll have the concrete pads down, have the steel already ordered and coming. Prices are fixed, which is an important piece to that, and the plan is to be erecting a number of these buildings so that we're working indoors next winter, so we'll get you the exact answer, but I would expect most of that to be done by the fall so that we're working indoors next winter, and if we need to double shift because we're working single shifts, that will be in the plans, and we'll be working on that with the team.

Peter Hardie:
Yes, we don't mention it much, but the team in charge of Greenstone are experienced cold-weather

builders as well, so they, of course, factor all of that into their overall planning and have experience with it.

Christian Milau:
Yes.

Mike Parkin:
Yes, that's good news. That's what I was hoping to hear. Thanks very much.

Operator:
The next question comes from Lawrence Danny, a Private Investor. Please go ahead.

Lawrence Danny:
Good morning, gentlemen. Thanks for all your hard work.

I know, as mentioned, you're in the capital-intensive phase, investing and building and developing mines. When do you think it's conceivable, estimate-wise, that we might see dividend? Are we looking at a couple of years?

Christian Milau:
Yes, good question. It's something, certainly, we keep on our radar and focus as we move forward. Right now, the best use of our capital is expanding these assets, as you've sort of acknowledged there, and the plan will be to get Greenstone up and running, and I think on the back of Greenstone running, and call it a quarter or two and getting confidence, obviously, in the cash flows coming in, that'll give us the flexibility then to be considering that dividend type policy and potentially a return of capital to shareholders. As we continue to grow, I think at that stage this business will be really diversified, it'll have a good asset base, and potentially a little excess capital to allow us to start returning it, so ramping up to 2024 (Multiple speakers 0:46:30).

Lawrence Danny:
Is that Q—Twenty-four? Okay. I just wanted clarity on that. What's that?

Christian Milau:

At some point around the end of '24 as we go through that budget phase for 2025.

Lawrence Danny:

Got you. Thanks very much.

Rhylin Bailie:

I've got a number of questions come in talking about production growth and the reduction in all-in sustaining costs.

So you talked about the incremental growth from your existing assets. Will we start to see all-in sustaining costs come down as those projects come online? When do you expect to hit that magic million-ounce target, and what will your all-in sustaining costs look like when you get there?

Christian Milau:

Well, that's a number of questions. Let me try and knock those off in order.

Basically, I mean, even as we've indicated in our guidance, we do expect all-in sustaining costs to come down this year, and I think it's a good example of how we think things will progress in a sense that Santa Luz is coming on. It'll be one of our lower-cost assets. It replaces some production, or displaces some production, of higher-cost assets, and I think Greenstone will be the next phase of lower-cost production again, so getting towards that million ounces, the run rate of a million ounces might be hit at the end of 2024. It might be '25 as Greenstone's ramping up there.

Our costs, I don't have an exact number, and that's quite far out in the future, but moving towards the $1,100 mark maybe is a reasonable estimate for this stage, give or take, as we get towards that million ounces and we diversify the portfolio into those longer-life, better-quality, lower-cost assets.

Rhylin Bailie:

Thank you. We’ll go back to the phone lines, please.

Operator:

The next question comes from Robert Zeitzer, a Private Investor. Please go ahead.

Robert Zeitzer:
Thank you. Thank you very much.

I have a quick question on your portfolio of assets: the Solaris, the i-80, and the Bear Creek mining. Is there any thought given to either to start selling these things, or keeping them for longer time? I know Solaris has been very, very successful. The i-80 Gold looks very promising. I know very little about the Bear Creek. I know our price that we pay for it seems inexpensive, but the stock doesn't seem to be performing. Is there any thought to either increasing these positions, or decreasing them, or keeping them?

Christian Milau:
Sure. I'll try and answer those three questions there.

Starting with Solaris, I mean, it is a core holding that we basically helped generate and create a few years back. It's been very successful, as you mentioned, and we still have roughly a $300 million stake there. We're a supporter with Richard Warke of that company. I think between the two of us, we own—it might be up to 50% of the shares, and it's a world-class, pour-free deposit that we think is of interest to world-class global copper major companies, and we like to be supportive of that company. It's likely to be acquired, we think, in the next 12 to 24 months by a larger company that has the resources to develop it rather than a single asset junior—or a smaller junior company, so we'll be supporter of that, and I think so in due course there probably will be a monetization event there, but we'd like to be a supporter of it as Richard takes it forward and develops those plans.

In terms of i-80, I think it's slightly different. It's gold. It's in Nevada. Ewan's done a wonderful job of pulling those assets together and a very clever deal with Barrick that potentially has the chance to produce, give or take, 400,000 ounces a year in due course. There's some work to be done there in terms of developing that portfolio, refurbishing a plant, and bringing together the cohesive plan, but we like owning 25% of a Nevada-based gold portfolio in our backyard. It's only a drive down the road, so that one I see as maybe a little bit longer term and a little more strategic, so I think that one we'll keep an eye on and be supportive of, and maybe want to own more of it later, but for now we'll keep watching it and supporting it.

And then with Bear Creek, we don't even own it, so I think it's a little premature to speculate on that, but what we do know is it's a massive project that's actually got high leverage to silver, and obviously precious metals, which obviously we're very keen on. It's not an asset, probably, for our portfolio, but we're very keen to be a shareholder of that, and we've seen that get higher and higher profile. They continue to move it forward slowly, and I think having a producing asset in the portfolio will give them more leverage and ability to actually finance it, and move it forward, so I think that one we just need some time to get to grips with, but we're very happy to be call it a minority shareholder on that one.

Robert Zeitzer:
Thank you very much.

Rhylin Bailie:
Thanks, Christian.

At the moment, it's our last question online.

Your growth to date obviously has come predominantly through mergers and acquisitions, but now you've got the assets that you need to get to that million-ounce target. Are you considering any additional M&A, particularly around the Greenstone area where there's some really great junior mines?

Christian Milau:
Yes. I mean, M&A is definitely taking a little bit of a back seat for us now. We're focused on delivering these and executing on these construction projects. Heads are down, and we're really focused on that at the moment, so we're not really looking hard for M&A. We're always an opportunistic group if the right opportunity exists and is there, but something that we always have to weigh up when we're looking at something like that specific type of example is we've got so much potential underground and potentially along strike and some open-pit deposits down the road that we already have the licenses on, that really, to add another license when we've got some exciting stuff that we already own and we've paid for, it's probably more economical to actually go and drill and evolve those deposits that we already own around our sites.

And there's a lot of upside around Greenstone in particular, but I think, actually, there's probably four or five other sites that have a very similar scenario where the best capital spend is actually on our own sites around our mines, and that's how you add value rather than going out and paying multi millions of dollars for other early-stage deposits, where I think our Exploration team has identified a really exciting sort of three-year plan here to continue to add ounces around our mine, including Greenstone.

Rhylin Bailie:

Perfect. Thank you.

At the moment, there are no further questions. So Christian, do you have any closing remarks?

Christian Milau:

No. I just want to say thanks again for the support. We've had a great 2018 to 2020. The share price was a little weaker in 2021, and for reasons we all know, and I think, hopefully, that's behind us now, and it's an exciting platform here with, I think, some of the most highly-leveraged growth to the precious metals and gold space that you're going to find out there, and we've got a strong balance sheet to execute and deliver upon our plan, so I think this is going to be an exciting next couple of years in our growth portfolio.

Rhylin Bailie:

Perfect. Thank you very much for joining us today.

Operator, you can now close out the conference call.

Operator:

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