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

Date: August 8th, 2024

Time: 7:30 AM PT

Speakers:

Rhylin Bailie
Vice President, Investor Relations

Greg Smith
President and Chief Executive Officer

Peter Hardie
Chief Financial Officer

Doug Reddy
Chief Operating Officer

Operator:
Welcome to the Equinox Gold Second 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'll 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're participating through the webcast, you can submit a question in writing by using the text box in the lower left quadrant 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, Gaylene, and thank you, everybody, for joining us today for our Q2 Call.

Peter and I are dialling in from beautiful Princeton, B.C., because we are two days into the Ride to Greenstone. This is a big, not cross-Canada, I guess cross half of Canada. We're riding from Vancouver to our new mine in Geraldton, Ontario to celebrate the mine opening, but also to raise money for the Geraldton District Hospital, which is the hospital that serves the Greenstone mine workforce and also five Indigenous communities, and almost a 3,000 square kilometre region in Northern Ontario. It's going really well so far. It's super exciting.

We've got people from our mine sites in Brazil and the States and in Mexico that have flown up to Canada to join us for the ride, and we're making our way across the country, raising money for the hospital, like I said. We've raised almost $1.2 million so far thanks to the generosity of our vendors and some industry sponsors. We're also raising money for four schools and a hospital in Brazil, and for the Alzheimer's Association of California. If you're interested in more information about that, you can go to the Ride to Greenstone website or the Equinox Gold website, and please do follow the progress as our cyclists make their way across the country.

After that plug, we'll now turn it over to the conference call. We will, of course, be making a number of forward-looking statements today. Please do visit our website, SEDAR and EDGAR to learn more about the Company.

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

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

On the line with me is our COO, Doug Reddy, our CFO, Peter Hardie, and our EVP of Exploration, Scott Heffernan, and of course, our VP of Investor Relations you just heard from, Rhylin Bailie. Today we are discussing Equinox Gold's 2024 second quarter financial and operating results. I'll start with a broad overview of the quarter, and then I'll turn over the call to Pete and Doug for more details.

I'm going to start with safety. We did, unfortunately, have a fatality at our Fazenda mine in Brazil in June. This was a tragedy for all of us at Equinox and we extend our deepest sympathies to our employees, and also the family, friends, and coworkers. We did have a site-wide suspension of operations at Fazenda in June to facilitate both the investigation and also to refresh our site safety training.

On the environment side, we did have no significant environmental incidents during the second quarter. As previously reported, we published our Fiscal 2023 ESG Report in May during the quarter, and you can find the report on the Equinox Gold website.

For the quarter, we produced just over 122,000 ounces of gold and sold just over 115,000 ounces at a cash cost per ounce sold of $1,747 and an all-in sustaining cost per ounce sold of $2,041 per ounce. For the first six months of the year, we produced approximately 234,000 ounces and sold approximately 232,000 ounces at cash costs of $1,653 per ounce and all-in sustaining costs of $1,993 per ounce.

We did have a few developments during the quarter that affected our production and costs in Q2, and also drove an update to our fiscal 2024 guidance. In mid-May, we completed the acquisition of the 40% of our Greenstone mine that we didn't already own. We spoke about this on the Q1 Call and in a couple of press releases, but as a reminder, this transaction delivers full ownership of the Greenstone mine to Equinox Gold, and consolidates ownership of Greenstone, which is one of the largest and highest-grade open-pit gold mines of scale in Canada. This transaction is accretive to our cash flow and our EBITDA. It delivers substantial near-term value and it increases the Company's average mine life, reserves, production, all while lowering our consolidated per-ounce operating costs.

Greenstone has been ramping up, largely on plan, with our first gold pour in late May, and just over 16,000 ounces produced through the end of June. Production has continued to ramp up, with just under 20,000 ounces produced in July alone at Greenstone. We recently concluded a multiday shutdown to address various wear and process issues identified through the start-up, and are now pushing toward achieving commercial production by the end of Q3. With the ramp-up progressing well, we've maintained our guidance for Greenstone, with an increase to reflect the consolidation of ownership.

We previously reported in April that we experienced some geotechnical issues in the South wall of the Piaba open pit at Aurizona, and that we had temporarily suspended mining in Piaba. We continued to process stockpiled ore through April, and production in Q2 at Aurizona primarily reflects processing of this material. We then idled the mill in May and June, and accelerated mining in the new Tatajuba open pit. We did begin processing first ore from Tatajuba in early July.

We are working on mitigation activities to recommence mining in Piaba, and this is progressing well. As the timing of starting mining again in Piaba does remain uncertain, guidance for Aurizona has been reduced to take into account lost production during the suspension of processing in May and June, and also to reflect the lower-grade ore mined, primarily from Tatajuba, through the remainder of the year.

At Mesquite, 2024 is primarily a stripping year as we pre-strip the Ginger pit, which supplies ore to the heap in 2025. Mining at Mesquite has been performing well, with recoverable ounces stacked exceeding plan. However, we are seeing slower-than-expected recoveries off the heap leach pad from ore stacked in prior periods, in part due to the increasing pad height. We are working to accelerate production, but we have reduced our 2024 production guidance for Mesquite to account for the slower recoveries.

Finally, the Company has concluded its previously reported assessment of the Phase 1 operations at Castle Mountain, and we've elected to suspend the contract mining and processing at Castle Mountain

Phase 1 and transition to residual leach only. We will continue to focus on advancing permitting and engineering of the Phase 2 expansion at Castle. Our guidance has been updated to reflect this change at Castle Mountain, and Castle will be reported as a development project going forward. Of course, we will continue to recover ounces off the pad through the year and into next year.

With these changes reflected, consolidated guidance for 2024 has been updated from 660,000 to 750,000 ounces of gold to 655,000 to 750,000 ounces of gold, with costs updated to cash costs of $1,305 to $1,405 per ounce, and all-in sustaining costs of $1,635 to $1,735 per ounce. This continues to reflect a substantial increase in gold production at much lower cost over the second half of the year.

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

Peter Hardie:
Thanks, Greg. We're now on Slide 7 in the presentation.

During Q2, we sold 115,000 ounces of gold at a realized price of $2,328 per ounce, for revenues of $269 million. Total sales included 10,000 ounces sold by Greenstone. Income from mine operations was $27 million.

We had $199 million in operating expenses in Q2 '24 compared to $193 million in Q2 2023. Operating expense in Q2 2024 increased 3% compared to Q2 2023, primarily due to the contribution of operating expenses at Greenstone, which was a construction project in 2023 and did not have operating expenses, and a higher operating expense at Los Filos, which was driven by an increase in underground mining activity, offset by lower operating expense at Aurizona that Greg mentioned earlier.

On a per-unit basis, we had a higher-than-usual Q2 2024 cash cost of $1,747 an ounce. The increase over previous quarters is primarily volume-driven with the lower production at Aurizona due to the geotechnical issue at the Piaba pit. The same explanation applies to our higher-than-usual all-in sustaining cost per ounce for the quarter. Note that Greenstone is not yet in commercial production, so when you're looking at our cost metrics, the 10,000 ounces it sold, along with the related cost of production, are excluded from the calculation of cash cost and all-in sustaining cost metrics we reported in Q2. That said, the revenues and related operating costs are still reported in the income statement, as required by IFRS.

Our EBITDA in Q2 2024 was $510 million. Included in EBITDA is a fair value gain on re-measurement of our Greenstone ownership interest, recorded when moving from proportionate to full consolidation. For accounting purposes, we record the change as if you sold the 60% ownership interest we had at fair value. The gain results from the difference in fair value and the costs that the 60% interest was carried on. That gain is about $470 million.

Our Adjusted EBITDA of $51 million for Q2 is the same as Q1 2024, and down $19 million from Q2 2023's Adjusted EBITDA of $71 million. The decrease in Adjusted EBITDA in Q2 2024 compared to Q2 2023 is primarily due to the impact of an $8.8 million realized loss on gold contracts in Q2 2024; we didn't have any in Q2 2023. In addition, we had a small realized loss on foreign exchange contracts this quarter, whereas, in Q2 2023, we had a $9.1 million realized gain on the same.

We had net income of $204 million for basic earnings per share of $0.72, $0.61 a share fully diluted. On an adjusted basis, we had a net loss of $6 million or $0.01 per share. Cash flow from operations before changes in noncash working capital was $45 million or $0.12 a share.

With respect to our sustaining spend for Q2, we spent $31 million, which is pretty much in line with what we did in Q1 this year.

With regards to Greenstone, with the mine and plant wrapping up, Greenstone should now fund itself from a cash flow perspective. For Greenstone, on a 100% basis, a total of $1.37 billion project to-date has been spent on construction and commissioning. Equinox's share of that spend was $55 million during the quarter, $109 million year-to-date, and $834 million project to-date, which excludes capitalized interest and other noncash amounts capitalized.

We had a busy quarter for corporate financing activity. To fund the $955 million, we needed to acquire the remaining ownership of Greenstone. We amended our existing senior revolving credit facility to a range of $500 million term loan, completed a bought deal equity financing for gross proceeds of $299 million. We issued 42 million shares directly to Orion Mine Finance and issued a $40 million promissory note to Orion Mine Finance that matures in December 2024.

Under the terms of the $299 million bought deal equity financing, the Company issued 56.4 million shares at $5.30 per share. The $500 million term loan matures May 13, 2027. No principal repayments are required under the term loan for the first two years of the three-year term. Quarterly repayments will commence on August 13, 2026, equal to 10% of the outstanding principal amount, with the remaining outstanding principle payable at maturity. The Company may prepay any portion of the outstanding term loan at any time without penalty. Interest, covenants, and other terms are substantially consistent with the Company's existing revolving credit facility, and the term loan benefits from the same security package as the revolving credit facility.

During Q2, we also amended two of the convertible notes by extending their maturities by six months. The maturity date of the 2019 convertible notes was extended from April 12 of this year to October 12, and the maturity date of the 2020 convertible notes was extended from March 10, 2025 to September 10, 2025. In addition, the conversion price of the 2020 convertible notes was amended from $7.80 per share to $6.50 per share.

For the $500 million term loan, the Company was required to have in place 328,000 ounces of gold hedges, of our forward gold production, through mid-2026. We already had some of those gold hedges in place for the second half of this year that we added to. The Company elected to wait the hedges into the next 12 months using gold collars. The collars are arranged as follows.

Moving to Slide 8; with respect to our available liquidity at June 30, we had $160 million of unrestricted cash on hand and $105 million available to draw on our revolving credit facility. The first of our debt maturities comes in October, with $140 million 2019 convertible note I just mentioned. It has a conversion price of $5.25 per share. Should the note holders decide not to convert, the Company will repay the note using its existing cash and liquidity.

Moving to Slide 9; with Greenstone construction complete and commercial production on the near horizon, the financial focus switches to de-leveraging. Free cash flow produced by the mines will be used to pay down debt. For the first 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 to consolidate our Greenstone ownership.

This slide demonstrates Equinox Gold's historical leverage, as measured by a 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 mines were being built. This is a natural consequence of using data 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 the mines are commissioned and ramped up, that leverage decreases as Equinox Gold has a benefit of EBITDA and cash flow generated by the new mine, and we expect the same as Greenstone enters into commercial production, hopefully later this quarter.

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

Doug Reddy:
Thanks, Pete. We're now on Slide 11 of the presentation.

At the Mesquite mine, gold production was 17,607 ounces with an all-in sustaining cost of $1,283 per ounce. Waste stripping continued in the Ginger pit, and the majority of the ore from that pit goes to leach pads starting in Q1 of 2025. For the rest of 2024, production is mostly draw-down of the leach pad inventory, side slope leaching and leaching of additional ore coming from current mining and re-handling and re-leaching of the old Vista pad material. The recoveries from the leach pad have been slower than expected due to pad height and associated longer leach cycles.

At Castle Mountain, production was up over Q1, at 6,148 ounces at an all-in sustaining cost of $1,424 per ounce. Phase 1 is a small operation that is mining and processing low-grade historic backfill material that needs to be removed from the old open pits prior to mining in situ material in Phase 2. We completed a review of the mine plan and costs at Castle Mountain for Phase 1, and concluded that mining will be suspended in August for the duration of the Phase 2 permitting. Residual leaching will continue through 2024, and we continue with the Phase 2 permitting process.

At Los Filos, production increased during Q2 to 37,430 ounces, and this should continue to improve in H2. The all-in sustaining cost was $2,274 per ounce. During the quarter, the crusher was brought back online, and all the material for crushing that it accumulated while the relocation of the conveyor was underway was then crushed and is now under leach.

The productivity program that's been in place at Los Filos for the last two years continues to show improvement, and we saw an increase in Los Filos' underground mine production continue in Q2. Mining in the new Diegos underground area has also been picking up once the second contractor started development work in the quarter.

Our dialogue with our community partners continues. We continue to work towards establishing new agreements so that we can ensure long-term economic viability and stability for the mine. We can move on to the next page.

In Brazil, at the Aurizona mine, production was 6,309 ounces with a very high all-in sustaining cost, over $3,000 per ounce. This reflects the standby costs that were being incurred while the plant was idle and the low ounces produced in the quarter, which resulted in a high cash cost and all-in sustaining cost. As previously announced and mentioned earlier in this call, we suspended mining in the Piaba open pit in April after geotechnical instability led to the displacement of material in two locations in the South wall of the Piaba pit.

We accelerated the start-up of Tatajuba open pit, and after two months with no ore processing, we restarted the process plant at the beginning of July. We continue working on remediation planning and activities in the Piaba open pit, with safety being the priority. Work at the moment on Piaba includes re-contouring of the pit wall, and that will happen in two areas. We are drilling a series of dewatering holes, and we've been installing additional monitoring equipment and completing external reviews of geotechnical and hydrogeological information.
At the Fazenda mine, regrettably, we had a fatality in the underground portion of the mine, as discussed earlier in the call. Production at Fazenda was 14,178 ounces, and the all-in sustaining cost was $1,876 per ounce for the quarter. Plant feed is currently 35% from open-pit, 65% from underground, and recovery is at 91%. Currently, mining is approximately 50/50 open-pit and underground. The open-pit contractor is now fully mobilized at Fazenda and is catching up on the mine plan through the rest of the year. In the underground mine, we are mobilizing additional equipment to facilitate a catch-up on development so that we can access additional stopes in Q3 and Q4.

At RDM, gold production was 10,675 ounces and the all-in sustaining cost was $1,774 per ounce. We changed the rental mining fleet and are catching up on the mining in H2. Construction of the dry stack tailings area is complete and is now fully in operation, with cyclone tailings being dried and placed in the storage area.

At Santa Luz, production was up compared to Q1, at 13,627 ounces, and all-in sustaining cost was $2,399 per ounce. Recovery was below plan, at 60% for Q2.

Dilution efficiency and electrowinning modifications were completed in the quarter. SAG mill liners and a new trunnion were installed. The new trunnion has enabled throughput to be increased by about 10%. A new de-sliming circuit was added. The de-sliming circuit is intended to remove a portion of the total organic carbon and improve overall recovery by about 6%. The circuit was brought online and is in commissioning, through Q3. The objective is to achieve recoveries around 73% or higher for the second half of the year.

Moving on to Page 13; at Greenstone, first ore was introduced to the high-pressure grinding rolls and grinding circuits on April 6. The first gold pour was on May 22, and the mine produced 16,247 ounces in Q2. Milling throughput achieved a rolling 30-day average of 59% of the nameplate of 27,000 tonnes per day as of July 22. As we came to the end of the month, we had our planned major shutdown and we were up and running, back on schedule, after that shutdown was completed.

Overall, the ramp-up is going very well. We mined over 7 million tonnes in the quarter, with over 1.2 million tonnes of that being ore. Stockpile was two million tonnes at the end of the quarter. The fleet now has 25 haul trucks and four shovels, and we look forward to commercial production during Q3.

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

Greg Smith:
Thanks, Doug.

Yes, it's been a mixed quarter for us. We've had to work through some challenges at a few of our minds, and particularly at Aurizona, and we've had to make some revisions to our guidance as a result. But, also a very positive quarter for the Company, in that we were able to complete the acquisition of the rest of Greenstone, achieve first gold pour, and then start the ramp-up toward commercial production, and really, we're at an inflection point now. We expect a stronger second half from a number of our mines, but more importantly, Greenstone is ramping up to commercial production over the next few months, and we already produced more gold at Greenstone in July than we did in all of Q2.

The big picture here is we are significantly increasing our production, at lower cost, during a period of historically strong gold prices and what we think is a continuing bullish macro outlook for gold.

I think I'll wrap it up there and turn it over to Rhylin to start the Q&A.

Rhylin Bailie:
Thanks, Greg and Doug.

Gaylene, can you please remind our participants how to ask a question?

Operator:
Certainly. Once again, to join the question queue, you may press star, then one on your telephone keypad. You'll hear a tone acknowledging your request. If you're using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. If you're participating through the webcast, you can submit a question in writing by using the text box in the lower left corner of the webcast frame. We'll pause for a moment as callers join the queue.

Rhylin Bailie:
Okay, so I do have a few questions from online. One that came in first we'll ask first: how are you going to catch up in the second half of the year to achieve your guidance?

Greg Smith:
Sure, I can take that. The main plan here, Rhylin, as you can see from the guidance, is that most of our sites will have a stronger second half of the year, in particularly Los Filos, and of course, Greenstone as we ramp up to commercial production. Greenstone is a very large mine and production of Greenstone definitely moves the needle for us, so yes, the second half of the year we'll produce a lot more gold

than we did in the first half.

Rhylin Bailie:

Okay. Mike Parkin sent me a question—he's our analyst from National Bank, sent me a question by email. This is for Peter. What will Castle Mountain care and maintenance costs be on an annual basis? Will there be any severance payments, and if so, how much and when will those flow through the financials?

Peter Hardie:

Thanks, Mike. I'll start with the later part. Yes, there will be severance payments. We haven't updated the market, provided guidance on what care and maintenance will look like heading into next year and beyond; we'll do so when we update guidance, or perhaps earlier than that.

With respect to the remainder of the year, we'll be residual leaching. The guidance that we provided for Castle Mountain effectively takes it through the point at which we go onto residual leach, which will be sometime during Q3. We expect to continue to pull ounces from the pad for several months after, and we'll provide a more comprehensive update on those costs as we move forward. It will depend, in part, on when the residual leach tapers off and when it no longer is beneficial to continue to residual leach based on the ounces being pulled and the cost to do it.

Rhylin Bailie:

Okay. Thank you, Peter. A question from… Oh.

Doug Reddy:

I'll just add to that that at Castle Mountain, our mining and our crushing is contractors, so those contract terminations have been provided to the contractors, and we have a very small team overall who will continue to work on the residual leaching. It is quite a compact and small operation, or remains a small team, as we move into residual leach.

Peter Hardie:

Yes, thanks, Doug.

Rhylin Bailie:
Thank you.

A question from Kerry Smith, our analyst at Haywood Securities who is currently on an airplane; when do you expect to be able to get back into mining at Piaba, and how many tonnes of ore, or ounces of production do you have at Tatajuba?

Doug Reddy:
For return to mining in Piaba, we're doing work in Piaba now, but it's at the upper areas of the pit. We will, during the course of this year, be going in and mining certain areas, especially on the West end of Piaba open-pit. Overall plan is based on doing all the dewatering program and all the geotechnical and re-contouring activities. We would like to be doing some additional mining in Piaba pit by the end of this year, but the real focus is going to be doing a large program in 2025.

But again, it all is dependent on working through all of our activities that we're doing to remediate and make the pit totally safe, keep the regulators totally informed, and being able to move in and be able to mine, especially on the East end of the pit.

Rhylin Bailie:
Thank you, Doug.

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

Operator:
Certainly. The first question from the phone lines is from Anita Soni with CIBC World Markets. Please go ahead.

Anita Soni:
Hi. Good morning, everyone. First question, I think I'm going to focus on Greenstone. When we look at the throughput rates that you delivered this quarter, can you just give us a little idea of how that ramped up over the course of the quarter and what the exit rates are right now in throughput?

Doug Reddy:

April, May, we were 40%, 50% of rated throughput, came up to just under 60% as we came into July. Then, we had a major shut, so we've taken care of a lot of the items that we've noticed during the ramp-up and we'll continue—we've restarted, and continue with the ramp-up in August. I'm not sure exactly the other details that you're looking for.

Anita Soni:

No, that's good. Another question, in terms of the definition of commercial production, I noticed it said within 10% of the design grades; you guys are substantially over the design grades, and I have a second question related to that in a second. Does that mean when you're looking for commercial production, you're looking for it to come down to the 1.5 that you were expecting over the next, I guess three, four years, rather than the 2.5 that you delivered this quarter?

Doug Reddy:

Yes, it won't continue at the 2.5. That was essentially, as you'll be aware, putting a lot of ounces that go into the circuit, and that was done where we had the ability to feed some high-grade material and be able to add that into the mill. Going forward, it gets tempered down to more the targeted, overall production rate, it won't continue at 2.5. That would be glorious, but we can't do that forever.

Anita Soni:

It was a good surprise. I didn't hold my breath that it wasn't going to be sustained.

Doug Reddy:

Yes, I anticipated that somebody would do the calc, and say, "How come your ounces produced, and you have 88% in recovery?"

Anita Soni:

Yes.

Doug Reddy:

But if you look at the number of ounces that go into circuit, then it all makes sense, and by putting in the higher grade, we took care of building up the ounces in-circuit very quickly.

Anita Soni:

Okay. Then, doing some calculations on the mining and the ore stockpile rates, can you just talk about the truck availability? I think you're getting around two million tonnes per truck, if I did the math right on that, per annum, if you annualize it. Could you just tell me what the design rates on the trucks are? I thought they were somewhere around three, 3.5, but of course that depends on your haul distances. Can you just talk about the availability on the trucks? Yes.

Doug Reddy:

Well, haul distances are affected at the very start for a couple reasons. One, that while we've been pioneering, essentially, the pit, we've been moving a lot of the soil material, some of which needs to be treated. That means we have to take it down to an area where it can be dealt with. That consumes some of the cycle time.

We've also been doing a lot of work with taking clean waste down to our tailings facility. Again, longer cycle time for those trucks. You can't really—you'd have to separate them out between mine and those other activities, but essentially, with a fleet of 25 trucks, four shovels on site, we'll be continuing the ramp-up towards a capacity of 180,000 tonnes a day by the end of the year.

Greg Smith:

Anita, its Greg here. I might just add, I don't know if there's a recent picture on our website, but if there's not, I can send one to you. This first year of mining at Greenstone is a little bit complex for a couple of reasons. You'll remember when we were there, there's the old McLeod tailings that are there from previous mining. Part of our permit requires that we excavate those tailings and move them to our facility, and we do have some trucks dedicated to doing that.

We also have this, we call it type D soil, which is contaminated soil in the main open-pit, which is a delicate job to move that material, and we're in the process of doing that. As we do that, it opens up additional areas of that open-pit for us to mine. If you looked at a recent picture, what you'll see there is a couple of awkward islands in the middle of our pit where we're still excavating the type D soil…

Anita Soni:

Okay.

Greg Smith:

…and it does provide some complexity in mining efficiency in the first half of this year. We're working through that quickly, and I think over the next quarter or so, we're largely through the type D soil, we open up the pit, the McLeod tailings are well-advanced, and we start to really see those efficiencies as we go into Q4 here. It's just for the first year, as Doug said, pioneering this pit with some of the historic issues does make it a little more complex, but again, we've been able to build a large stockpile, feed the mill, and are on track to be able to meet our targets.

Anita Soni:

Okay. Then, just a last question on that, on the mining rates; I think you guys mentioned that some of it was—well, looking back at the last couple of quarters, but basically it was talking about how the mining rates, some of that was dedicated to providing waste rock for the tailings dam. Are you through that? Are you basically just using the fleet to do ore and waste in the pit, or are you still looking at helping out the tailings facility?

Doug Reddy:

No, we're still hauling clean waste down to the TMF.

Anita Soni:

Okay, and how much a year?

Doug Reddy:

It's a next stage, we would be…

Anita Soni:

How much material, in terms of millions of tonnes, do you have to deliver to the tailings facility this year?

Doug Reddy:

I'll get back to you shortly.

Anita Soni:

Okay.

Doug Reddy:

Don't have that number on the top of my tongue, but I'll get back to you shortly.

Anita Soni:

You don't have that memorized, Doug?

Okay, that's it for my questions, I'll get back in the queue.

Greg Smith:

Thanks, Anita.

Anita Soni:

Thanks.

Operator:

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

Wayne Lam:

Yes, thanks, guys.

Maybe just circling back to Greenstone; really nice to see you guys hit the two million tonne ore stockpile, as planned. Could you give us an idea of the grade of that stockpile?

Then, maybe just as a follow-up on the 2.5 gram tonne, typically we see much lower-grade feed put through the early stages in ramping of a mill, but just wondering if you guys are seeing any positive reconciliation versus plan, and with some of the higher-grade material put through the mill to accelerate some upfront cash flow?

Greg Smith:

Wayne, it's Greg here. I'll start with the high-grade into the plant, and then Doug can respond to some of your other questions here.

As we were ramping up, basically, in the first couple of benches, or the first mining we did, we did have a fair bit of high-grade ore. As we started to ramp up the mill, we started to have very good recoveries right off the bat, so we're seeing +90% recoveries pretty much right away. In part, that's because of the increased residence time in the tanks when you're not up to full capacity, but when you start one of these plants up, you've got of build up that inventory in the tanks, and then you have this sort of rolling gold inventory in your tanks. Because we had access to such high-grade material and we were getting the very high recoveries right out of the gate, we took that opportunity to feed in some high-grade ore and ramp-up that inventory quickly, which got us into producing gold more quickly than we otherwise would have.

It wasn't a cash flow decision; it was more of a commissioning decision. Frankly, we had some very high grades that were coming out. Doug will get into it, but we've got different bins for stockpile, we had a couple days there where we were feeding, I think five grams per tonne and material like that. We were able to do that as part of our commissioning, and it reflects in the grade over the second quarter. As Doug said to Anita, that's not something that's going to persist, but it was helpful as we were ramping up the plant.

Doug Reddy:
Yes, so I think the other question was just about the stockpile, where we're partly feeding from stockpile, but we're also doing some direct feed to the crusher as well. It's not all first in, first out, by any

means, and reconciliation overall has been quite good. Average grade, I'd have to look it up, because we have been focused on certain bins. Again, I'll come back to that later during the call.

I'm going to just take a moment and answer Anita's question about total rock fill for the TMF. It's 7.8 million tonnes in 2024. I'll come back with a grade on the stockpile.

Wayne Lam:
Okay, great, thanks.

Then, maybe just given the higher cost of Castle, I think it makes sense to suspend operations. But just looking across the portfolio, you guys have a couple other operations running up towards those cost levels at Filos and Santa Luz. Just wondering, at Filos, if there's a more definitive cut-off point on the negotiations where you decide you can't subsidize it anymore?

Then, at Santa Luz, you guys are now several years through an eight-year mine life for an asset that's had challenges dating back a decade ago, under Yamana. Just wondering if there's a point at which you decide that that asset consumes too much capital and attention to continue to operate?

Doug Reddy:
Okay. With Los Filos, we knew the first half of the year would be weaker than the second half, and you can already see, now that we've done the relocation of the conveyor and we have all the material under leach, our ounces are significantly up in Q2. They'll continue to go up in the second half of the year.

All-in sustaining cost is, in that case, being driven by the ounces that we're producing, so we should see that improve in Los Filos in the second half of the year as well.

The bigger question at Los Filos has been the establishment of new agreements. That's the key element for Filos being able to get a path forward and to build a CIL. It's a large mine with a great opportunity, we're giving it our best shot to be able to work out everything with the communities. We're in dialogue and we hope that we can determine the new path for Filos overall.

With Santa Luz, yes—well, first of all, we're significantly better than the previous recoveries at Santa Luz. We invested in a new technology, and we've been working on getting to refine it. Obviously, scaling up from pilot plant to the industrial scale has had challenges. We see it as a very prospective district.

If I turned it over to Scott, he'd be able to talk at length about the opportunities that we have in the immediate area around Santa Luz. We're there because we believe in the long-term side of it, albeit we're in commissioning on the de-sliming circuit and we have a target that we want to achieve this year. We will continue to look at this from the big picture; as opposed to doing a strategic view on Santa Luz at this point in time we have these two larger projects in the plant that we wanted to get through and see them perform, and that's the trunnion and the de-sliming.

Greg Smith:
Wayne, as a general comment, we're in the business of producing gold, but obviously we want to produce gold profitably. We have no interest in being a charity here. Of course, if a mine is proving not to be economic or we don't see the long-term economic benefit of running a mine, then we're going to assess options for that mine.

Castle's a bit of a different story, because it was a very small contract, almost pilot plant type of operation while we worked towards a large expansion. We ended up running it longer than we had anticipated just because of the permit timelines, so in that case, to your point, it made sense for us to do that and really focus on the permitting for Phase 2.

But as Doug said, Los Filos is a large orebody, attractive deposit. Obviously, the long-term plan there is to build a CIL plant, and that massively increases recoveries and really changes the flavour of that mine. To do that, we've got to have new agreements with the community, so that's the focus right now.

At Santa Luz, yes, no question, it's been a challenge for us. It's new technology; not around the world, but it is a novel use of that technology at Santa Luz. The team has been, it's a little bit like Whack-a-Mole. We get some great results, and then something happens and we take a couple steps back. But I was just there, spent a lot of time with the team. They've done a lot of good work, and we're expecting a much better second half of the year here at Santa Luz.

Wayne Lam:
Okay, great. Yes, hopefully you guys can get it up to the 70%+ level in the second half.
Maybe just last one for me, looking ahead on the convert coming due in October. Peter had alluded to having the cash on hand and cash from operations to cover that, but it would seem to consume quite a bit of capital and reserve during the ramp-up. Just in terms of alternative funding options, would you look to refi with another convert, similar to the one done last September, or is there potential to renew the ATM? Just curious what the available funding options might be if you have to repay that with cash?

Greg Smith:
Pete, do you want to handle that one?

Peter Hardie:

Sure. First of all, Wayne, we do believe we'll be able to manage it through cash and our existing liquidity. If you recall, when we did the convert last year, we were expecting an April maturity on that note. We issued that, converted that time. Then we took the proceeds of that, put it on the revolver to reduce interest costs in the meantime. We have room on the revolver to draw that was put there thanks to that note issuance from last year, as well as existing cash.

With respect to Greenstone, given the ramp-up rate and trajectory we're currently on, in addition with commercial production expected this quarter, we're currently comfortable that we can repay that note if need be when it comes mature, through existing sources. With respect to prospective sources, of course, everything you mentioned is available, but they're not in our current plan.

Wayne Lam:

Okay, great. Thanks for taking my questions and best of luck with the ramp-up in operations in the months ahead.

Greg Smith:

Thanks, Wayne.

Rhylin Bailie:

Thanks, Wayne.

We do have some questions online that I feel have already been answered in the other things that the speakers have addressed. The archive of the webcast will be on the website in a couple of hours, so you're welcome to go back and have another listen. We'll have a transcript of the entire thing probably on Saturday.

If there was other questions, I'll get back to you later this evening. I have to get Pete on the road because he's got a big cycle ahead of him today, but I will get back to everybody else sometime tonight.

Greg, do you have any closing remarks?

Greg Smith:

No, just thanks again, everyone, for attending the call. You know where to find us if you've got any more questions.

Rhylin Bailie:

Perfect. Oh, Peter?

Peter Hardie:

I'm just going to add, please donate. It's a great cause.

Rhylin Bailie:

Thanks very much.

Operator, you can now conclude the call.

Operator:

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