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

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Speakers:

Ross Beaty
Chairman

Christian Milau
Chief Executive Officer

Attie Roux
Chief Operating Officer

Scott Heffernan
Executive Vice President, Exploration

Peter Hardie
Chief Financial Officer

Rhylin Bailie
Vice President, Investor Relations

Operator:
Welcome to the Equinox Gold Corporate Update and First Quarter Results Conference Call and Webcast.

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, and zero. If you are participating online, you can submit a question using the Ask a Question tab on your screen.

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 very much, Operator.

Thank you very much for joining us today. We will of course be making a number of forward-looking statements in today's presentation, so please take a moment to visit our continuous disclosure documents on our website, on SEDAR and on EDGAR.

I will now turn the conference over to Ross Beaty, our Chairman, to discuss the results of the AGM and take you through the presentation.

Ross Beaty:
Thank you very much, Rhylin, and welcome ladies and gentlemen to this call.

I really first of all want to start by apologizing for doing this on a Friday afternoon just before a Canadian long weekend. This is normally what happens when a company wants to deliver bad news. But nothing could be further from the truth for Equinox Gold. We had a great quarter. We are just hitting on all cylinders. And I just want to make that front and centre for everybody.

The reason we're doing this today is to accommodate our accountants. We took about a month longer to close our Leagold deal than we had expected and this put them right up against the wire to get the consolidation done. [There was a] tremendous amount of accounting to be done and changes that were required, a lot of scrutiny, a lot of review. And they asked us to go to the very last day before they had to file the quarterly statements, and that was today. We accommodated that; it won't happen again. I acknowledge it's a rotten time to be doing this for everybody, and by Tuesday morning when we reopen, some people will have forgotten that we've put out such good results and they'll be moving on to whatever is going on next week.

What is good about it is that we are ending the week on a very high note for gold. And all the reasons we did the Leagold merger and have had such rapid growth in our gold production and gold reserves is because of our conviction that we are in a secular gold bull market, and I think all the events that have happened in really the last two years, but particularly the last month or so, have confirmed that that's been a very wise strategy.

What we're going to do now is I'm going to run through a few slides in our presentation that's on our webcast to give a high level of review of what we're up to and some of the things we set out to do in 2019. This is like a report card of how we did. This is the third year we've done this now, we started out our first year in 2018. We did a report card then of what we were hoping to do that year. We did another one a year ago, where we set out what we did in 2018 versus our objectives, and what we planned to do in 2019. And today I'm going to talk about what we actually did in 2019 versus our objectives we set out a year ago and I'm going to tell you what we're planning to do this year so that next year at this time, we can do exactly the same thing.

The first thing I'm going to do is I'm going to start on Page 3 of our webcast presentation and I'm going to talk about our leadership team because after all, it's the people in a company that build it not anything else. If you have great people, you end up with a great company and great results.

I'm going to start with our Board of Directors. This is a relatively new Board for many of the traditional Equinox shareholders; unfortunately, we had to lose some of our very valuable Board when we did the Leagold deal, but we brought in some great new Directors from Leagold.

Besides myself, I want to acknowledge Neil Woodyer, who is the previous CEO of Leagold, who is our Vice Chair.

Christian Milau, of course, who is a brand new Director as of today because he's the new CEO of the combined Company. He’s of course taking transitioning from being CEO of Equinox Gold [to CEO of the new merged company] and he is going to be coming on as a Director as of today.

Len Boggio, who is an independent Board Member who's also Chair of our Audit Committee.

And I want to warmly welcome Maryse Bélanger to our Board as an Independent Director. Maryse has a long track record as a very successful engineer and miner in many places. She speaks fluent French, fluent Portuguese, and she lives near Vancouver. I'm very happy to be welcoming the first female on to our Board as well; it's overdue. We need more diversity. I'll say that right away. And we'll be looking for that in the future as well. But I'm particularly happy to welcome her on to our Board.

Tim Breen, a Director who is a representative of Mubadala who post conversion of the convertible securities they hold will be our largest shareholder. Tim Breen is an excellent Director and is representing Mubadala in a very competent fashion.

Two new Directors who've joined Equinox from Leagold: Gordon Campbell, who I've had the personal pleasure of knowing for many, many years, and General Wesley Clark, both Independent Directors.

And Marshall Koval, who is soon going to be Independent. He was the CEO of Anfield Resources, which is one of the three companies that formed Equinox Gold back at the end of 2017, also a dear personal friend and strong engineer and a very, very solid project manager over the last 20 or 30 years of his career.

Peter Marrone, who is the Chair of Yamana Gold, also an Independent Board Member.

Then on Management, our senior top three, but really these three only represent the top of a very flat pyramid where we have literally thousands of competent people reporting to these three strong managers: Greg Smith, our President, who heads Business Development as well; Attie Roux, our COO, with a big, big team of Equinox staff that’s under his leadership; and then, of course, Peter Hardie, who's responsible for all our financial statements and of course banking relationships, and I can't speak highly enough about Peter and his team.

Moving on to Page 4, the 2019 report card: what did we say we were going to do and what did we do? Well, we guided the market to production of 200,000 to 235,000 ounces at an all-in-sustaining cost of $940 to $990. We hit both numbers. We built our mine at Aurizona successfully, it opened up more or less on budget, more or less on schedule. We hit gold production for Aurizona and gold production for Mesquite. And we produced just over 200,000 ounces and beat cost guidance with all-in-sustaining costs of $931. So I'm going to say we ticked that off pretty successfully.

In exploration, we targeted extending the mine lives of Aurizona and Mesquite, which were the only mines that we owned a year ago. We had great success at both. We put out a reserve report earlier this week where we demonstrated we'd extended the mine lives at both of those mines, and I'm going to tick that one as well.

In development, we said we wanted to advance Castle Mountain toward production and at least start construction in 2019 and open it in 2020, and also develop the Aurizona underground plan. And once again we did start at construction Castle Mountain. It's underway. Christian will talk a little bit more about its status and of course we're working on Phase 2 at Castle Mountain, doing the feasibility study, [and we just completed] an underground preliminary economic assessment at Aurizona. That gets ticked as well.

On the next page, we said we wanted to refinance our balance sheet. We had some high cost debt. We got rid of all the high cost debt from Sprott and we converted it into a debt package with Scotiabank and a syndicate of banks, as well as a $130 million convertible note with Mubadala, retired the high cost debt and refinanced our balance sheet. So we'll tick that as well.

We also said we wanted to improve our liquidity and market visibility. We listed on the New York Stock Exchange in September, we advanced to the TSX big board from the TSX junior board in November, and we increased our daily trading value by about 400% in 2019, versus 2018. And we've increased it again very significantly this year. So we'll tick that one as well.

Then lastly, we said we wanted to work on an accretive acquisition. We also reminded our investors that we aren't here to grow for growth's sakes: we're here to grow and try to make money. We're trying to add value, not just size. But in the context of the year, late in the year in December we announced our at-market merger with Leagold Mining. And this really has added fuel to our ambition of becoming a major gold producer, accelerating our vision of producing more than a million ounces per year. And we could hit this in the near very near future by the end of next year, or shortly thereafter. We also put together a $670 million financing package to fully fund our growth to get us to a million ounces of gold production per year. So we're going to tick that one as well.

I would say we hit all of our objectives in 2019.

What are we going to do this year? Well, we have a very ambitious plan again this year. We hope to do a lot of development and expansions. We are going to work hard on the Los Filos expansion. Just today we approved at our Board Meeting the restart of our Santa Luz project [and will be advancing the engineering and other studies to] get that rolling. We are going to complete Castle Mountain mid-year to produce about 45,000 ounces in Phase 1, and we're going to push ahead with Phase 2 as fast as we can. And we set out as an objective completing the PEA for Aurizona underground, and we completed that as well and announced the highlights about a week or so ago.

Exploration. Our plan is to extend the mine lives at four of our mines and upgrade the Aurizona underground resources to support a preliminary feasibility study. We're working on that right now.

In corporate, we set out as an objective to get included in the GDXJ and the GDX, which were both successful; we were added in March and April, respectively. We also have been informed that we will be added to the S&P/TSX indexes in June and September. We also want to work hard on our environmental and social governance reporting. We're doing that right now. And we're going to publish this on our website quarterly. It's a very important part of our business to make sure we look after our communities, our employees and the environment. And [ESG reporting] will be a fundamental part of our business plan going forward.

And finally, again, if we see value, we will seek to exploit it. We are coming from a position of strength and we are going to try to take advantage of that by adding value, not just growth, but ultimately we aim to be even a bigger company by the end of this year than we are right now.

So that's our plan for 2020. And I very much look forward to reporting to you throughout the year as we achieve those different objectives.

Page 7, we show here what our growth profile is and will be. I'm going to start with 2018, which was our first year in business. We produced in that year about 25,000 ounces that came to us from the acquisition of the Mesquite mine in the fall of 2018. In 2019, we added Aurizona. We started producing from Aurizona mid-year and had a full year from Mesquite. So we produced about 200,000 ounces in 2019.

Our objective in 2020 is to produce just under 600,000 ounces a year and that will include operations at Los Filos which of course came to us in the Leagold deal; some smaller Brazilian operations Pilar, Fazenda and RDM; our own Aurizona, a full year at Aurizona, and another full year at Mesquite, as well as the tag end of production from the first partial year from Castle Mountain Phase 1. And that's going to get us to just under 600,000 ounces in 2020.

Beyond this, you can see we have a very, very ambitious development plan which will lead to potential production of about 1.1 million ounces in the future when we add the Santa Luz mine, Castle Mountain Phase 2, we expand Los Filos and we continue with operations in all of our other mines. So it's a very ambitious growth platform. I don't know of any other gold company in the world that has such a strong growth platform, either in the last couple of years or in the next couple of years from internal growth without needing any new acquisitions. So we're very pleased with that incredible growth outlook.

On Page 8, this is just sort of a snapshot of where the mines are, our reserves, our gold production in 2020, the path to gold production, the growth we have, the different projects we have. We've got just under 22 million ounces of measured and indicated gold resources, which include 12.2 million ounces of proven and probable gold reserves. Our estimate for this year is just over $1,000/oz in all-in-sustaining costs, which should give us a fabulous margin. Today's gold price is $1,750. It doesn't take too much to figure out how much money we're going to be making for our shareholders in 2020. And we start from a very, very good financial base, we have about $350 million in cash in our bank at today's date. And Christian will go into some more detail about that shortly.

Page 9, this is a kind of a busy chart, but it shows all our peers or some of our peers and where they rank in terms of their price to net asset value ratio. What we've done is we've moved [to the right] in terms of our 2021 estimated gold production, so we're going to be producing in the range of 800,000 plus or minus ounces in 2021; could be higher. And if we don't change our valuation, our current price to net asset value is about 0.71 more or less, but we're going to be a much bigger company.

The next to the right is you'll see a hashed blue circle with a very strong blue arrow upwards. That's really where we expect to get to. We expect to get to, in the next year or so, a much, much higher price to net asset value multiple. In fact, we should be there today and we should be at a much higher value. In fact, in the last month or two we've probably underperformed our peers, whereas we outperformed our peers for the period since December when we announced the merger. And here's why.

When you do these mergers, our merger was concluded on March 10. Almost always you have a lot of churning in the shareholder base. So the shareholders of both Equinox and Leagold who maybe didn't necessarily want to see the combination or for some reason wanted to exit—this is a normal thing. We've had lots of people exiting, and particularly non-core holdings such as Yamana. Yamana sold, I think they sold 8 million shares, which was a significant stake. And that's fine. We accept that. But there was a lot of selling from what could be Leagold shareholders or Equinox shareholders.

Fortunately for us, it was taken up by a lot of buying from the indexes and from new shareholders. We've had a wonderful, wonderful group of new shareholders come into us who've bought stock just in the last couple of months. But because we've had so much of this sort of you could say overhang pressure, and there's been a lot of warrants exercised as well—and they're continuing to be exercised today as warrants expire. So before they expire, they get exercised before they have to be canceled. And in fact, we've got some warrants that are being exercised right now that expire on May 24. So some of that is holding us back.

I think when we go through those [warrant expiry] dates we're going to see a nice pop and we should kind of recover from what I think has been under performance in the last month or so. And we should get more of that blue arrow heading up towards more of a 1:1 or 1.25:1 price to net asset value and get us more in what I think is a fair place relative to our peers who have the same kind of production we do, the same kind of profitability we do and the same sort of size.

Moving to Page 10. This is the right time to build a gold company. I say all of us in Management and our Board, we're all bullish on gold. And I want to remind shareholders, this is not the gold froth we're seeing this week for example. The optimistic outlook for gold, it’s nothing new. We could see this coming. That's why we started Equinox Gold in late 2017 when we put it all together.

The gold market actually broke out from a four or five year low in January of 2016. And so we were already in a secular bull market. I was confident gold was going to keep doing well and blow through its previous high of $1,900 in this cycle. I didn't know when, I didn't know where it was going to end up, but I was sure—the underpinnings of the macro environment in the world is so bullish for gold right now—I was sure that gold was going to do well. What I didn't know was that a COVID crisis was going to come along and add gasoline to the fire, which is exactly what it's done. And I'll talk about that in just another minute.

We did know it was good time to build a gold company. Look at this chart, look at what gold equities have done relative to the gold price. They're still undervalued, they're under owned. We need a lot more generalist investors to own gold stocks. I think it's starting to happen, but there's a long way to go. When gold investors start buying equities instead of simply the precious metal itself, you're going to see what happened back in 2010, 2011, you're going to see a tremendous outperformance of the equities relative to gold itself. And you're going to see this catch-up, which has not yet happened. I see a lot of opportunities still for higher gold equity valuations, and specifically to Equinox, higher share prices.

I'm going to end on the next slide Page 11, with just a couple of comments about gold. As I said, I felt gold was in a pretty healthy secular bull market for the last two or three years. In that environment, to build a gold company that’s successful you want to build a big one, you want to build a gold company that has big production and big reserves and big resources. And that way give huge leverage to your shareholders, both on your income statement and on your balance sheet, and in your reserves and your resources. And so, we've done that. We've built from nothing in just two years this tremendous amount of leverage, and we're going to keep doing that.

This year we've [also] had this very, very unusual, tremendously harmful, costly, deadly – in many cases – pandemic: the COVID-19 crisis. Well, without talking about all the terrible things that's done to a lot of people's livelihoods and jobs and companies, it's been extremely good for the gold price. Why? Because all this easing and all this synchronized stimulus that is happening in every single country in the world to the maximum extent of governments' ability to help stimulate the economy, get people back to work, help the people who are suffering from this tremendous crisis and the economic consequences; all of that is causing currencies, fiat currencies, to be debased. Governments are printing money like crazy, they're writing cheques to try to get the public to spend money again. It's just, I mean, it's just an orgy of money printing, an orgy of debasing currencies.

At the same time, we have zero or even negative interest rates, trillions and trillions of dollars of negative interest rates. So, gold doesn't have a a negative carry the way some of these bonds have now, but it has at least a zero carry.

And of course with the COVID crisis, we're seeing supply issues. We were seeing in gold anyway, the average grade of most gold mines was dropping. Gold mining was becoming more difficult, more socially difficult in many, many countries. Countries were increasing taxes, it was just getting to be a more and more difficult business. We had for five years declining gold prices down to a price of $1,050 an ounce. Well, most gold mines are uneconomic at below $1,100 an ounce and so in that period, companies stopped exploring.

So you have this tremendous lag time now between discovery and operation of a mine. I'm going to say today it's actually closer to 20 years. So when people start exploring again, which they're doing now, it's going to take a long, long time before that really filters through to higher mine supply. And so, the COVID crisis is just, again, increasing those supply problems.

The last comment I'm going to make is I just want everybody to try to have some sense of history. For 5,000 years, we've seen every single empire that's ever existed – from the Greek Empire, the Roman Empire, the Holy Roman Empire, Spanish Empire, British Empire and even though the American Empire – their solution to the problem of spending money and trying to control their budget deficits is to print money. And what that means is that fiat currencies they are allowed to print become less valuable over time.

Gold keeps its value. It's kept its value for 5,000 years. It's a great place to hold value. That's why it's money. And what we're producing is money for the world, to replace or to substitute for fiat currency and other forms of investment. More and more people will recognize that gold is a solid store of value, and that will increase the gold price. Some of that money will flow into equities in solid companies like Equinox Gold. That's why we were built. That's why we exist, to provide that gold for those investors. And that's why I'm extremely positive about the continuing bull market for gold and the prospects for Equinox Gold itself.

With those comments, I'm going to turn things over now to Peter and Christian to talk about our quarterly results. Thank you again for joining us today.

Christian Milau:
Great, thank you, Ross. It's Christian here.

I just want to take one second to acknowledge our long-term and existing and new shareholders for their support through this period of growth and buying into and believing in us, in the vision.

And also to say thanks to the team and the workforce, because it's been a really challenging time. I would never imagine going through a merger and managing putting two companies together in a COVID world pandemic. [We've had] really exceptional performance from people who just rolled up their sleeves and are working very closely together.

I will walk you through the couple of slides here on the operating results. We had a very good and strong first quarter, we're very pleased with it. Both production and costs were ahead of plan. And please remember that there's only 20 days of the Leagold assets included in our results. So I'll sort of highlight those as we go through.

From a health and safety perspective, we had a good result. From an operating result perspective, we had about 90,000 ounces of gold produced; on a full three month basis we would have done almost 150,000 ounces, if you had full a three months from the four Leagold assets included. So, a real step change over the last few years.

And again, on the cost front, as Ross mentioned, $968 an ounce all-in-sustaining costs was below that initial guidance range that we gave out and we're seeing the benefits of FX savings and some cost savings and good cost control in this environment. And traditionally the first or first and second quarters tend to be a little bit higher than the last quarters of the year. So we're really pleased to see [those low costs] at the beginning of the year.

And just looking through the individual mines.

Mesquite produced almost 37,000 ounces, not quite as much as it produced in quarter four last year. But again, another strong quarter and it’s really hitting its stride at the moment. We continue to process a bunch of the mineralized old dump material, which is fully oxide, and we're seeing the results of that at the moment. Just under $1,000 per oz all-in-sustaining costs, which again, is within guidance and is reflecting also a lower diesel price that we're seeing in the U.S. these days.

Aurizona produced just over 32,000 ounces; a good quarter. It's our first quarter in the rainy season. And it's great to see that the mine actually produced at $952 all-in-sustaining cost. And that's well below our guidance range. So we're appreciative of the grade reconciliations have been strong there, we had benefits from FX costs and as well, good cost control.

And then the newly merged assets from Leagold we had 20,000 ounces of contribution, which is on plan, but it's only for the last 20 days of the quarter.

Turning on to Slide 14, in terms of financial results, revenue was $130 million. But what that translated to were good mine operating earnings of $43 million and EBITDA of $65 million, which is $50 million on an adjusted basis. So we've had good production, good cost control, benefits and tailwinds from FX and diesel costs. Ultimately, it translated to some very good earnings for the quarter.

Net income was about $11 million, with adjusted net income of $17 million. We had a few non-cash items that were impacted there. There's the warrant liability revaluation, some foreign exchange collars, and as well as the historical Leagold hedge, there's some unrealized losses in there as well.

In terms of cash from operations, we had a strong cash flow quarter, although we did have the impact of some transaction costs and that impacted our overall cash flow. And in terms of a net cash flow basis, we did have about $17 million of gold shipments, particularly from Brazil, that went over the quarter end and turned into cash proceeds in the first couple of days of April. Flight delays did impact us right at the end of the quarter there, particularly with the COVID situation in Brazil. So, cash came in the door, but it was just after quarter end. Ultimately, we ended up with just over $300 million of cash at the end of the quarter. And as of May 14, yesterday evening, we had $350 million of cash and it continues to climb. We're seeing the benefits of some warrant exercises and the anti-dilute that was exercised just post the quarter-end.

Overall, our net debt position and our balance sheet's in a very strong place, our net debt to EBITDA debt ratio is about 1 times, and we have a very strong cash position as we work our way through this COVID situation.

Turning to Slide 15, in terms of development and corporate highlights, Castle Mountain Phase 1 construction is more than 75% complete now. It continues along, not completely unaffected by COVID but with very minimal impact so far. We've had a few staff not being able to make it to site a couple of days of the week if they're having to look after their children or manage family matters during the COVID situation, but overall, it continues along nicely. We advanced the Phase 2 feasibility study andit should be done in the second half of this year.

As well, the Los Filos expansion activities have continued on, although the actual on the ground activity has stopped for May and April, which I'll touch on in a minute about the Mexico situation. We continue also to look at the carbon-in-leach plant and the appropriate size when we go to actually constructing it starting probably later this year. I'll touch on that later as well.

As well, at Santa Luz, the other project down in Brazil. We think it's very exciting project. We're just at the moment updating the capex and the engineering work so that we can launch into construction as well at the appropriate time.

And obviously corporately, the merger was completed on March 10, the refinancing was done and we've been added to both the GDX and the GDXJ just before and after the quarter end, so we've seen 20 million shares of buying in that process.

I mentioned earlier, there was extra cash that came in post quarter end, so about $12 million from the anti-dilute right, as well as over $42 million from warrants. We continue to see some cash from that [warrant] exercise. And I'll touch on the recent updates in reserves and resources and the underground PEA at Aurizona.

Looking at Slide number 17, in terms of more of an operational update and how the business is going. I don't want to dwell on and stop too much here on the COVID situation, it's been mentioned and talked about a lot in our recent publications. But we're putting everything in place to protect the people in our areas, including workforce and community members. We're also trying to protect their jobs and the income and keep contributing to the local governments and communities as well. So it's a fine balancing act that we're managing at the moment.

On the health and safety front, we have the typical protocols you'd expect under these situations with a very contagious virus; as many travel restrictions and remote working policies in place as possible; heightened hygiene protocols; as well as we're looking at the business continuity side, and we put in place contingency plans with suppliers, alternate supply routes as well, we've stockpiled critical supplies and have extra supplies on site; and as well of course, we've fortified our cash reserves and now have over $350 million of cash.

And then on the workforce support front. We've protected high risk personnel by asking them to work at home or to stay off site during this higher contagious period of COVID. We're also providing mental health services and some guidance where needed as well. So we're not out of the woods yet. We see the virus cases still continuing [to grow] in Brazil and Mexico. They're not quite at the top of that curve yet it appears, but we'll do everything we can to manage through this process.

Looking at overall production for the year on Slide number 18. We put out guidance just before the COVID situation hit, obviously, and we will update that at a practical time here when Los Filos resumes production. In Mexico, the main impact has been the temporary suspension during April. And the Mexican Government's just come out to say that we can ramp up production around the end of May. At the moment, that's the plan. We've got a few more weeks here of getting ready to go back into production. We've delayed the underground development at Bermejal, we've also delayed some of the stripping here at Guadalupe; so some of our capex numbers will be adjusted to reflect that lower spend during the last two months. And as well we'll look at our overall production once we have a high certainty of going back into production at the end of the month.

As well, the other five mines in the portfolio that operate, they continue to operate not completely unaffected. We have different protocols on site and [have had] minor impacts. We did have minor shutdowns at both RDM and Pilar in Brazil for anywhere from 8 to about 14 days, but they are now fully operating. So overall, the portfolio has managed the storm nicely and we see the real benefits of diversity and having multiple jurisdictions with multiple mine sites.

Turning over to Slide 19, looking a little more closely at Los Filos, currently it's producing give or take 180,000 ounces per year. And it has a nice runway over the next sort of 12 to 18 months to get to 350,000 to 400,000 ounces of production per year. I have to just say that the Leagold team did a wonderful job of taking this from a 1.7 million ounce reserve up to 4.5 million ounces, plus another 6 million ounce resource.

There's lots of upside here in this in this sort of complex in Mexico. So currently just the heap leaching operation but when those two expansion projects are done, Guadalupe [open pit] and Bermejal underground, we'll see the higher grade materials and increased production solely using the heap leaching technology. But on the back of that with the actual optimization of the CIL plant that we're undergoing at the moment. We plan to have that done by about mid-year this year, and we're likely to go from about a 4,000 tonne per day plant to something more like a 6,000 or 8,000 tonne per day plant. We're in the final stages of getting that updated. We're looking at the mine plan to support that.

Also in this new higher gold price environment, we think there's some real opportunity to expand and extend this mine life. And ideally we'd like to get to the point where we're actually going into construction in the second half of this year for that CIL plant.

Turning to Aurizona in Northern Brazil, just last week we had results out on the Piaba underground study, we put out a new underground 740,000 ounce PEA study; as well, we've added the Tatajuba resource [in the] update that came out just a couple of days ago and it's 112,000 ounces. And we're really looking this year to continue to test those two areas. For mine extension along strike at Tatajuba we're investing about $4 million in exploration this year, and we're going to be spending another $4 million plus in the underground, so basically continue to delineate more ounces there.

As well we'll continue to spend a little bit of effort on regional targets. So this is a really big 1,400 square kilometer property with lots of upside potential. And we've really been able to turn our attention to [exploration] now that [Aurizona's] been in production for about three quarters.

When you turn to Slide 21, just a quick, high level, look at the PEA results from the underground, it's almost 750,000 ounces. And remember our reserve there it's just under a million ounces. So this is a meaningful potential impact. It's over $230 million of net present value with a very nice IRR. And with $70 million of initial capital, this is a low capital intensity expansion for an increase in our production levels. The 2.8 grams per tonne is about double our open-pit grade. So very nice enhancement potential to the grade that'll be coming out from underground, and as well it would feed about one-third of our plant capacity at 2,800 tonnes per day. Again, it's open at depth and to the east and west and we've got about $8 million this year for exploration at Aurizona.

Turning on to Slide 22. Coming back to California now, the next expansion project in our portfolio is really Castle Mountain. Now, just a quick refresher, it's a 3.6 million ounce reserve with a 16-year mine life so a fantastic large, Western U.S. based project. It'll produce just under 50,000 ounces a year for the first Phase, that phase could go for up to 10 years, and it's only $60 million of capital. So again, we're about 75% of the way constructed there. We're in the final stages right now. So in the next few months, we'll be in a position to start stacking ore, and in quarter three we plan to be pouring gold.

In the background, we're also working on a feasibility study for Phase 2, which would take this to 200,000 ounces a year. That should be ready in the second half of this year. And we'll be able to look at applying for a permanent amendment on the back of that feasibility study when it's ready. And also in the near term, we're also drilling for water for Phase 2 extra water sources. And that work should start this month.

Turning on to Slide 23, and back to Brazil and the next project in the pipeline, that's Santa Luz. We’re really excited about this one now that we've had a bit of time to get closer to it and understand it better. It's an 11-year mine life, just over a million ounce reserve, lots of upside and a very similar project to Aurizona. It's got parallel trends and underground potential, it'll be 100,000 to 125,000 ounces a year of production at a very attractive cost. And all of that for well under $100 million.

Really, when we look at this, this could be a $500 million net asset value, net present value type project and at current gold prices and foreign exchange rates, it becomes very exciting in this current environment. So we're really looking forward to finishing off the cost update and really launching into construction here this year so that we can have this up in production late 2021 or early 2022 at the latest.

On Slide 24, I'll just quickly go through the other four assets.

Mesquite, again it's been producing on and off for 30 years, has synergies with Castle Mountain and it will actually smelt the gold for Castle Mountain in the early years. Reminder that we bought this back in 2018 when gold was about $1,200 an ounce for $150 million. This is a 125,000 ounce producer at a good attractive all-in-sustaining cost of just under $1,000 an ounce. Now we've mined out about a year and a half, we originally had a three year mine life, we still have probably two and a half years or more of mine life plus residual leaching left. And there's lots of potential upside on site.

Scott and his team have done a wonderful job of identifying more of the mineralized dump material and old leach pads with ore grade material. There's another 40 million tons that we highlighted in our press release earlier this week that needs to be drilled out this year. And Scott's got the money to do it. So we're really looking forward to the results of that over the next sort of six months or so.

Fazenda in Brazil produces about 75,000 ounces a year. It's been operating on and off for 25 years, a low cost operator. It's actually been performing at or below its all-in-sustaining cost estimate for the year and had a good first quarter.

RDM in Brazil, similar size, 75,000 ounces a year on average, all in cost slightly higher. It's now on grid power and now has a more permanent water source and storage area, so it has a more sustainable cost structure going forward.

And as well Pilar is the sixth mine in the group, which is slightly smaller and higher costs but contributes about 30,000 to 40,000 ounces a year.

Just touching on a few other areas coming back to the overall company. Since the merger closed in March, as Ross mentioned, we've had extremely good liquidity of anywhere from sort of $20 million to $50 million to $90 million a day of trading. About 40 new institutions have come into the name and about a billion dollars in value has been traded since December. So a lot of interest in the story, and we've seen the overall liquidity go from under a million dollars a day up to numbers that are 25 times more than that. So we've really been pleased with the uptick in the interest in the stock.

Turning on to Slide 26, that has translated into a much larger institutional proportional ownership of the stock. But one thing that really I think sets us apart and makes us very unique to other companies is the unparalleled insider ownership. Almost 11% of the Company is owned by insiders, Ross, ourselves as Management, other Board Members, are very well aligned with long-term shareholders here. We think it's a unique feature of this Company. When you look at all of our peers that produce about 300,000 ounces or more, there's almost none that are above 2% ownership from the insiders. So that’s a really good selling feature where we're well aligned with shareholders.

Just to summarize on Page 27, and bring us back to the catalysts for 2020 before I open up for questions. Operations and development have a lot ongoing. It's all about execution at the moment. We've got expansion projects we're working on. We also have a bunch of exploration work to do to extend mine lives and to look at all the exciting upside at Los Filos, Mesquite, Fazenda and Aurizona. And as well, corporately, we’re looking towards being included in the TSX composite in June and September, which could bring another 10 million shares of buying.

As well, as Ross said, we think on the back of all that there's a real chance for a re-rate in the next six to 12 months as we continue to execute. And don't forget, this platform is a fully funded growth platform, and that's a unique position to be in this kind of market as well.

I just wanted to conclude by saying thanks to the team for managing through a very successful integration and thanks to shareholders for the support through another successful year.

And now we'll just pass it back to Ross or open up for questions.

RHYLIN BAILIE:
Sure. 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 star, then one on your telephone key pad. You will hear a tone acknowledging your request. If you are using a speaker phone, please pick up your handset before pressing any keys. To withdraw your questions, please press star, then two. If you are participating online, you can submit a question using the Ask a Question tab on your screen. We will pause for a moment as callers join the queue.

RHYLIN BAILIE:
We do have a few questions from online. I'll start with those while people line up on the phone line. I'm going to combine two questions. They're both talking about how we're managing the COVID virus. So, the U.S. and Brazil have both sort of responded differently than some of the other countries around the world. What are our plans to mitigate the spread of the virus in these two countries and how do we think it will affect operations as 2020 unfolds?

CHRISTIAN MILAU:
Attie, do you want to comment on that, and I can add a comment as well.

ATTIE ROUX:
Okay, Christian, thanks. If you look at the two countries, we started up pretty early in our COVID prevention program by introducing preventative measures at our gates. This included the

normal heat screening, the handwashing, the social distancing, which we started long before it was promulgated in these countries. We have advanced on that further with activities that came from epidemiologists, where we get information on what's the best practices in the world at the moment and we're introducing all of that. Things like the risk group screening from the mine, and to make sure that they don't enter the mine areas.

CHRISTIAN MILAU:

I was just going to add that we've also looked at various rotations and people's travel and obviously limited that and try to limit the impacts and introducing any kind of new potential transfer of this virus in any areas that we're working in, and we're working very closely with the local community as well to dialogue with them and get their assistance.

RHYLIN BAILIE:

Operator, can you please take a question from the phone line?

OPERATOR:

Certainly. Our next question comes from Kerry Smith with Haywood Securities. Please go ahead.

KERRY SMITH:

Thanks, Operator. Christian, have you seen much cost pressure at the site from the extra measures you've had to implement for the COVID program? Obviously, it costs more money, it's probably slowing your productivity a little bit. I'm just wondering if you are seeing a noticeable increase in cost because of that, or if it's either not that big of an increase or it's being offset by the FX?

CHRISTIAN MILAU:

Yes, I mean, Attie, please add a comment after but I'll have a first go with that.

Basically, we are seeing small amounts I'd say of increases, we certainly are looking at extra cost because of rotations and shifts and people and covering off all the sanitary and hygiene measures that we have in place. I think they're being more than offset at the moment by FX and costs like diesel going down very significantly. It's a little early to know because I think we're seeing in Mexico and Brazil, certainly the virus spread has been increasing, but the U.S. is probably a little more stable where we are anyways. And at the moment, I would say it's been minor or limited in the cost sense.

And the other side of it maybe, Kerry, to think about is working capital, we probably put a little extra money into having extra stockpiles and supplies at various sites; although that'll translate into cash in due course as well. I call the impact so far pretty minimal.

KERRY SMITH:
Okay. Maybe a second question if I could. Ross was saying in his introductory remarks that the Board had approved the Santa Luz restart today at the Board Meeting. Do you have a rough timing for us in terms of when you would expect to start construction?

CHRISTIAN MILAU:
Yes. I think we want to officially get into construction sort of in the second half of this year, maybe early second half of this year. We're still finishing off all the final bits of engineering and that to prepare ourselves. And in this current COVID environment, we don't want to rush into it either. We want to sort of build up the project team. So as I indicated earlier, I think sort of early second half of this year is a good starting point.

KERRY SMITH:
Then I think you said production in late 2021, early 2022, correct?

CHRISTIAN MILAU:
Exactly. Once we actually pin that date, then we can give you the exact timing on that, but it's give or take a 12 month build process once you get going.

KERRY SMITH:
Okay. Okay, that's great. Thank you very much.

RHYLIN BAILIE:
Thank you, Operator. You can take another question from the phone lines, please.

OPERATOR:
Certainly. Our next question comes from Andrew Weekly with Smith Weekly Research.

ANDREW WEEKLY:

Thanks, Operator. Hello, to the Management team. Can anyone speak to what types of assets are being sought through the M&A activity going forward? I know you can't give much detail for strategic reasons, but a few hints as to what is being considered. While we are still in the lower valuations for potential growth deals?

ROSS BEATY:

Sure. Thank you very much Andrew. It's hard to be specific. We try to be opportunistic. We want to add value and that's very much easier said than done. We certainly got that with our two deals that we've done. We did our Mesquite purchase at the bottom of the gold market that year when we were able to acquire that as a start-up company from a distressed seller. And we then of course, combined with Leagold on terms that I think we'll all agree are good terms.

We could be looking at acquiring another operating company, if a combination made sense, although I can say we have absolutely nothing on our horizon right now, mostly because we've spent the last couple of months integrating the Leagold deal. That’s got to happen successfully. And I'd say that's pretty much behind us now, and it has gone successfully. We could look at potentially even a development play if we thought it was going to be a really great long-term asset for us.

I think the two criteria that I would personally push for us are number one, value and number two, looking for an asset that's at least as good as anything we've already got. And those are rare, they're hard to come by. They're hard to get wrapped up, particularly in a bull market like we're seeing right now. But they are out there. And if we can pull them in off, we'll do it. And if we can't, we are very content with our existing internal growth pipeline and we’ll simply execute that plan, which will lead us to great things as well.

CHRISTIAN MILAU:

And we continue to be focused on the Americas.

ANDREW WEEKLY:

Yes, very well. I appreciate that, Ross and Christian. I certainly agree that the Leagold deal and Mesquite deal [were] fantastic. Christian, can you speak a little bit more about Mesquite? I know you'd mentioned it just a moment ago. Can you speak to Mesquite area potential? What does Management see as mine life expansion that could be had at Mesquite through exploration? And does it believe that the trend at Mesquite provides sound economic reason to remain in the district?

CHRISTIAN MILAU:
I'm just going to make one comment. I'm going to actually let Scott speak a little bit to that. But basically, when we bought it, we knew we had a certain amount of ounces in the ground and a certain mine life that was limited. In the year or so since then, we've really been able to develop both the near pit and old mineralized dump material into mine life extension, very materially and very profitably, and it's already been about 60% of our production last year. And Scott continues to identify more. Plus think about the bigger, longer term upside across the highway into the east of our property and there's definitely potential there. We're wait for drilling permits in that area. Scott, I don't know if you want to comment on anything that's near nearby.

SCOTT HEFFERNAN:
Yes, sure. I see it kind of threefold. With our most recent resource and reserves update there earlier this week, the new resource estimate stated exclusive [of reserves] shows 430,000 ounces of M&I. These are exclusive of reserves, so these form an immediate exploration target, and we're looking to convert these resources to reserves and incorporate them into a mine plan. So obviously, bringing those ounces, adding ounces to bring forward production faster is a guiding principle, guiding philosophy. So that's one prong.

There is the dump material, which has proven to be a fantastic value add and a big success. We are focused on that and are currently testing another 40 million short tons that are identified on site. We're working quite hard on that; we've drilled 35,000 meters so far this year.

And then, thirdly, for the upside is the bigger picture. And there is Rainbow, which represents several hundred thousand ounces of resource sitting there with expansion potential, and it's a little bit slower to permit some of these exploration targets when they're outside of the immediate mine footprint, but there certainly is a significant boost to potential to unlock in time.

ANDREW WEEKLY:

Okay. Well, Scott, thank you for that. And just one other question, gentlemen and ladies there, I appreciate the time. Can you speak briefly to the diesel procurement practices in place, and does Management see an opportunity to secure additional diesel fuel reserves due to lower prices and uncertainties?

CHRISTIAN MILAU:

Yes. We've seen—we were budgeting, I think California diesel it was closer to $3 or in the high $2s, late last year and we've seen current prices more in the $1.80 per gallon type range, so we're seeing almost a 30% benefit there. Interestingly, in my former life, when we owned Mesquite we did say 50% of the year's cost we actually hedged out and that's something we're certainly looking at at the moment. And we're certainly looking at our fuel suppliers and seeing what we can put in place that has a little bit more longevity to it to secure some of that fuel at a very attractive price at well below budgets right now.

ANDREW WEEKLY:

Okay. Very well. Thank you to you all. Keep up the efforts and stay well.

RHYLIN BAILIE:

We've got quite a few questions from online, and all are talking about the same thing. So I'm going to package them into a few different versions.

Someone noticed that we've branded ourselves as the premier Americas gold producer. So I know you already touched on this Christian, but do we intend to stay in the Americas and will we consider expanding into other hotspots. And on the back of that I'm going to parcel in, do we think there's any risk of nationalization of the projects in Brazil given the market weakness?

ROSS BEATY:

Yes. I'll start on this and Christian could add anything he wants. Yes, we really like being in the Americas. They're jurisdictions we know very well, they've been very successful for us and for many, many other companies, specifically Mexico, Brazil and North America. We see nothing whatsoever in talk or in even fact, even in reasonable rumor, that suggests there's ever going to be a nationalization [in Brazil]. Those days are long past and we just think that's absolutely impossible in this day and age.

There could be pressure to increase their tax take, I think that's possibly going to happen everywhere in the world. And that's just kind of a normal battle between producers of wealth like mining companies and consumers of wealth like governments. And there's the rational governments that realize that they can't gore the bull; if they do they kill everything and nobody gets anything. So we have always had that battle and we will continue that in the periods to come, I think. But, never say never on jurisdiction.

We certainly like being in the Americas. But if there was a great value opportunity just about anywhere we might look at it. I'm loathe to say we'll never go outside the Americas; you never know. But for the moment, it's not in our plan.

CHRISTIAN MILAU:
I just echo Ross' comment there, particularly on Brazil. I've had conversations directly with the Mines Ministry over the last few years. And interestingly, that topic of nationalization came up and they felt a bit aggrieved by that comment. They're a very developed mining country that's very mining friendly, and they see themselves as very much being at the forefront of mining globally, and it's just not something that's done there.

RHYLIN BAILIE:
Thank you. So a shareholder in Germany would like to know if we're planning to sell any assets that we currently have in our portfolio, and then a shareholder in the U.K. would like to know would we consider selling the entire Company if the right offer came along from a Barrick or a Newmont?

ROSS BEATY:
Yes. I can address that, too. The answer to the question of whether we would sell to anybody. Well, of course, never say never, once again. But Equinox Gold has been built to be an acquirer, we're not a seller. We are planning to be in this business for a very long time. We'd like to build ourselves as a household name in the gold business and become one of the world's best gold producers with the best reputation for growth and quality and finance and management and everything else. That's our ambition. And it's not simply to set us ourselves up for sale to someone else. What was the German question?

RHYLIN BAILIE:

Someone else wanted to know if we were considering selling any of our assets?

ROSS BEATY:

Are we selling any of our assets. Christian?

CHRISTIAN MILAU:

Yes. I mean, we'll go through that natural process as we continue to grow and opportunistically sort of enhance the portfolio with larger, longer life, higher quality type assets along the way. We probably won't want to manage some of the smaller assets in the long-term. And I think it's a natural progression of the portfolio. And so, again, never say never, but we would consider the smaller end of things potentially selling along the way.

RHYLIN BAILIE:

Thank you. Operator, can you please take a question from the phone lines?

OPERATOR:

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

ROBERT ZEITZER:

Yes. Thank you very much. My question is, I was originally, I'm a U.S. investor and I was a holder of Castle Mountain [NewCastle Gold] which became Equinox Gold. And as part of that we received a [spinout] from Equinox Gold and Solaris Copper, which became Solaris Resources. And as a U.S. investor, we have never received any update on what's going on. The only thing I did hear through your conference call last time was that the Augusta Group was involved with this company now. Is there any way that a U.S. investor like myself can get information on what's happened since Equinox gave whatever deal they made with the Augusta Group to run this company to see if there's been any new developments, have there been any private placements and things like that? And what's in the future? Thank you.

CHRISTIAN MILAU:

Yes. Thanks for that question. It's a good point. We own about 30% of Solaris Resources, as it's called now. And they have a website where you can get that information if you want to see it, it's SolarisResources.com, and you'll be able to obviously contact the management there. Richard

Warke and Dan Earle are leading that company at this stage. And it does continue to progress. It acts like basically a public company, because you can find all of its press releases and its information on the website, and also on SEDAR. So you can use both those sources and also you can reach out to them, they are based in Vancouver and Toronto.

They are currently not publicly listed, but the intention is, when the market conditions are right, they would like to get back to the public markets. I think keep an eye out for that. We still continue to be very excited about that as an investor and we own that 30% block and we think it will be a very valuable company one day. They have started drilling there in Ecuador. And we think it's a really interesting situation … with COVID ongoing, obviously, to put a little wrinkle in the timing of getting that drilling work done ... But keep an eye out on that Solaris Resources website.

ROBERT ZEITZER:
Thank you very much.

RHYLIN BAILIE:
Thank you, Robert. We have a question from online and it's from Saudi Arabia. So it makes sense that the question is about oil prices. How much are your economics benefiting from the low oil prices, and are you considering hedging your oil prices?

CHRISTIAN MILAU:
I will just say on oil prices, we're particularly feeling and seeing the benefit in California where I'm going to say about 15% of our costs, give or take, are linked to the diesel price and we're seeing roughly a 30% decrease in the diesel price currently. Will that continue, I don't know. But at the moment, we're benefiting from it.

Diesel price is probably more like 10% of our costs in other jurisdictions, it's not quite as significant. And interestingly, in both Mexico and Brazil, the diesel and oil prices tend to be more government controlled. So they don't tend to oscillate on the open markets like it does in the U.S. as much, where instead of getting a 30% benefit right now we're probably getting more like a 10% to 15% benefit on that 10% of our costs.

PETER HARDIE:

Yes. It's Peter here. I will also add that for operations like Mesquite in the U.S., it does take some time for the costs to reflect that, because they work their way through the heap leach and there's a recovery curve that takes a couple months there. But for the operations that have plants associated with them, you'll see the benefit of that cost quicker.

RHYLIN BAILIE:

Thank you. Ross, I know you've been asked this question before at previous conferences. With Lumina Gold for sale, would we consider investing in Ecuador?

ROSS BEATY:

I think I answered that question exactly one year ago. And what I said then was, it's very hard for me to be buying and selling at the same time. It's kind of an obvious conflict. I've tried to maintain a pretty good reputation for avoiding those things. And I will do so with that as well. So it's very unlikely, I guess not impossible, but it's extremely unlikely. Unfortunately. It's a great deposit.

RHYLIN BAILIE:

And we have one final question from online just asking about guidance. Do we still have the same guidance targets for 2020?

CHRISTIAN MILAU:

With the guidance, we said we'd update our guidance when practical, when we have the clarity of the startup in Mexico, which is looking very much like early June or late May. And we'll basically be able to reassess our plan and update the guidance then. The other five mines so far have call it minimal impact. So at the moment, it's looking like mostly Mexico but it is a very fluid environment. So we'll update guidance as soon as we can in the next month or two.

RHYLIN BAILIE:

Perfect. Thank you. I'll remind people that this webcast will be archived on the website for three months. And we'll also post the full transcript in a few days. So thanks very much for joining us today and I'll turn it back to Christian and Ross for closing comments.

ROSS BEATY:

Any more questions on the phone?

RHYLIN BAILIE:

No, there are no more questions.

ROSS BEATY:

No more questions on the phone. Okay. Well, I have no further comments.

Thank you all for joining us, and apologies again, for doing this on a Friday afternoon before a long weekend. It will not happen again.

CHRISTIAN MILAU:

Thanks very much, everyone.

RHYLIN BAILIE:

Thank you very much. Enjoy your weekend.

OPERATOR:

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