Equinox Gold Corp.

Corporate Update and Second Quarter Results

Conference Call and Webcast Transcript

Date:	**Tuesday, August 11, 2020**
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Speakers:	**Christian Milau** Chief Executive Officer
	Rhylin Bailie Vice President, Investor Relations
	Peter Hardie Chief Financial Officer
	Scott Heffernan Executive Vice President, Exploration
	Attie Roux Chief Operating Officer
	Doug Reddy Executive Vice President, Technical Services

Operator:
Welcome to the Equinox Gold Corporate Update and Second 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 Corp. Please go ahead.

Rhylin Bailie:
Thank you very much Anastasia and thank you very much for joining us today at the Equinox Gold second quarter update.

We will of course be making a number of forward-looking statements today, so please do take the time to visit our website and our continuous disclosure documents on both SEDAR and on EDGAR to be fully informed.

I will now turn the conference call over to our CEO, Christian Milau.

Christian Milau:
Yes. Thanks, Rhylin and welcome everyone to the second quarter call.

Just to note here, Peter Hardie, CFO, is with me today, as well as Doug Reddy, Head of Technical Services, soon to be COO, and Attie Roux, our current COO is here as well, and Scott Heffernan who's Head of Exploration, so the whole team is ready for questions at the end as well.

As a quick summary, we had a very good quarter, despite the challenges of COVID that we know all the industry and other industries have been dealing with. Los Filos in Mexico was temporarily suspended for most of the quarter but is up and running again and we had two of our Brazilian mines suspended for a little less than two weeks. Overall, we had very strong cash flow performance and very strong cost performance for the quarter. We're really pleased and that gave us the ability to repay a little bit of our debt as we sort of transition here after a reasonably smooth integration during the COVID crisis.

I'm very happy with how things have gone since March 10th when the two companies, Leagold and Equinox, came together and the management team really has gotten onto the same page here and I'd say it's gone as well as it could be expected. I really want to say thanks to Attie Roux who has been the COO since the merger. I worked with Attie for about five years at Endeavour Mining as well and he made the transition here very smooth. It was a challenging time as COVID came on literally within days of us completing the merger. So thanks to Attie. He'll be retiring at the end of August so hopefully he'll enjoy a little more downtime in his, I would say, semi-retirement. And we're pleased to welcome Doug Reddy to the team as COO. I worked with Doug for five years at Endeavour, so it feels like a fairly seamless transition and I think shareholders should be very happy with the result here of this transition from one experienced leader to another. So we're looking forward to the future. There's lots of exciting stuff to come and we'll run through that here today.

And just starting on Slide 3, with health and safety, we did have three lost-time injuries over the 2.6 million hours for the quarter but that's respectable performance. And with COVID, the impact was a little disruptive at Los Filos being down for most of the quarter but all the mines are currently operational. But let's not forget here, the risk hasn't gone away with COVID. We're finding a new way to operate, a new normal for now, until a vaccine is found or things change. We certainly are operating with a lot more testing at our sites. We've implemented quite regular testing in California, we're doing the same in both other countries as well. We're even instituting potentially some labs on our sites and we're using the local labs that are in the regions. So, we're taking it very seriously and we've integrated a lot of those costs. As you can see, we've had about $16 million of temporary costs for the quarter.

I'm going to pass it over to Peter Hardie to run you through the rest of the financial results here.

Peter Hardie:
Thanks.
So, we had another record quarter with production of 127,000 ounces and on the back of that, we sold just under 126,000 ounces of gold at a realized price of $1,712 per ounce. I'll note that the sales for the quarter are more than 40,000 ounces more than over Q1 and that was with Los Filos down for most of the quarter due to government mandated temporary standby due to COVID.

Our costs for the quarter were also quite strong with mine cash costs at $776 an ounce and all-in sustaining of $900 an ounce. Both costs are driven by, first of all, good cost control by our operating teams on the ground, favourable foreign exchange and of course, low fuel prices. Also influencing the cost for the quarter was adjustments for purchase price accounting.

Our consolidated financial results, we had revenues of $215 million and mine operating earnings of $85 million. Adjusted EBITDA was $83 million, and our adjusted net income was $27 million or $0.12 a share. Including in those adjustments, as Christian has mentioned, were adjustments for our gold hedges and warrants, liabilities as we have Canadian dollar denominated warrants. For the gold hedges, it was $38 million and warrants, $49 million and then also an adjustment for foreign exchange. All of these non-cash charges are unrealized for a total of about $90 million.

Our cash flow from operations after changes in working capital for the quarter was $84 million and I would note that before changes in working capital was $61 million.

Onto Slide 4. For our corporate highlights, we received $157 million in exercises on warrants and options during the quarter. Those warrants are predominately legacy Brio warrants that came in through the Leagold merger.

We were added to the GDX and S&P/TSX Composite Indices, and in addition of note, Solaris Resources, which was the copper spinout from the Company in the summer of 2018, listed on the TSXV, they came out with a strong news release yesterday of good drill results and our 30% investment in that company is now worth a market rate of $70 million. On our balance sheet, of course, we carry that cost and so that market rate is not reflected there.

With respect to our liquidity and capital position, of course, the warrant exercises from the quarter and option exercises really strengthened or continue to strengthen an already strong balance sheet. Our cash was $494 million at the end of the quarter and that was after repaying $22 million in debt. Our net debt, which includes our in-the-money convertible notes, is $244.3 million, and if you exclude those because they're well in-the-money at an average convert price of $6.50 a share, we actually have a net cash position of $8.3 million.

With respect to our share liquidity and volume, since the merger we've experienced a huge increase in both with an average daily trading volume of over $48 million recently.

Going to Slide 5, noting again we had our second consecutive quarter with record results. That was on the back of, first of all of course, having a full quarter of results post the Leagold merger and having those assets now in the portfolio. Mesquite had a very strong quarter, producing just shy of 40,000 ounces for the quarter and 76,000 ounces in the first half of the year at very good costs. The Brazil assets, despite all of the difficulties with COVID in that country, and thanks to very strong management on the ground, are meeting expectations for where we thought they would be from the beginning of the year, so they had a strong quarter, and Los Filos, even though it was down for the quarter still produced just shy of 18,000 ounces at quite low costs.

The rationale or the basis for those [Los Filos] costs is first of all, with the mine being on temporary suspension, we postponed sustaining capital and expenditure activity to the second half of the year, and you'll see that in our guidance in a minute when Christian walks us through it. Of course, we had favourable foreign exchange there and the activity of residual leaching in and of itself is fairly low cost. And finally, purchase price accounting also contributed somewhat to the low cost as well.

Christian Milau:
And, just going back to the operational results and walking through each mine in a little more detail. Los Filos first in Mexico, you know, mining and development re-commenced in June, the ramp up took place probability midway through June. We retested the whole workforce for COVID, so we took a very cautious approach to restarting.

One of the impacts from the quarter delay in development has been that the higher grade ounces that we expected from the Guadalupe open pit and the Bermejal underground are being deferred to 2021, so we did have a delayed quarter in essentially of production in Q2 but we also have a knock on effect on Q4, moving those ounces into next year, so that's why we've reset that guidance.

And our all-in sustaining cost benefited from the FX rates and fuel rates that Peter eluded to. We're still seeing those nice depreciated currency rates helping us in Q3 as well.

Aurizona in Brazil, with its first full rainy season had good production. Overall, we met our expectations for production and the only thing, I think, we were a little behind on our waste mining for the quarter and we expect to catch that up here in the dry season. We benefited from having a nice stockpile of lower grade ore that we were able to draw upon as needed during the rains and we plan to have the same going into next rainy season at the end of the year.

Again, FX rates and fuel helped our costs and what we're really focused on now, and Scott's spending a lot of time on as we come out of this rainy season, is how to extend the mine life. Drilling is ongoing, we're looking at obviously advancing to a pre-feasibility study for the underground potential there and there's drilling going on at depth as well as at satellite pits and along strike, so keep an eye on that space. We plan to have some news, obviously, as we get results from that program.

Mesquite, as Peter said, was really kind of the star of the first half. It was ahead of production, a little below our cost targets. We were definitely prioritizing the oxide ore from the historical dumps which we continue to find more and more of as Scott's programs continue to bear fruit. For the second half and part of June, we're starting to stack more and more non-oxide ore, so they'll be a longer leach curve, slightly lower recoveries so we have sort of tempered expectations for the second half. We don't expect exactly the same sort of results, we expect slightly lower production.

But what's really exciting there is the exploration that's ongoing and we've had really good results to date. Remember, this mine was acquired for $158 million in 2018 when gold was $1,200 an ounce and it had a three-year mine life. We now have been mining for almost two years and we still have almost a three-year mine life, so we're really pleased to see that exploration bear fruit.

We're also excited, obviously, it's a very sort of leverage to gold operation where it has a very good margin right now, and when you look at it on potential EBITDA basis here, these types of gold prices we're seeing, even with the big fall today in the gold price, potential EBITDA generation on an annual basis could be in excess of the purchase price, so free cash flow from that operation is very exciting.

And the other added benefit now is we're just ramping up Castle Mountain into production here in the near term and we'll be able to smelt the gold and share some of the actual back office and services between the two mines.

When we turn back to Brazil and Fazenda on Slide 7, Fazenda basically was affected slightly by COVID. The mining workforce was reduced for a short period there, the local mayor had put in place some restrictions to manage the COVID situation in local communities, so we were impacted slightly by that but it's now operating at full capacity.

Grades were slightly lower for the quarter and we do expect to see ourselves through that period probably into late Q3 and into Q4, and then we'll be seeing a return to the normal grades we're used to seeing out of Fazenda. Again, good costs, slight deferred expenditures for the quarter into the later part of this year. Then when you look at RDM, the other Brazilian mine of some scale, it had a very strong first half. We were very happy with the grades and the mining performance, slightly better than planned, and what's exciting as well is there's been a lot of rain and capturing of water and the storage of water has been very good for this year, where we expect to make it through the full year with the water sources that we have available to us. Again, costs were good, some slight deferred stripping spend from the first half, and what we're planning to do is have a big pit extension once we receive the permit for that and we'll be able to access some higher-grade ore later this year.

So overall, very pleased with RDM performance. Pilar, the smallest mine in Brazil had a pretty respectable first half. It was affected [by COVID] slightly in April, there was a temporary suspension there as well for a couple of weeks but it had overall good performance and benefited from FX and fuel rates.

Looking on Slide 8, our cost guidance and our production guidance for the year, we have updated it despite there still being some risks out there in all three countries that we operate in due to COVID. Los Filos has been the biggest adjustment, we've come down from about 170,000 to 190,000 ounces to about 100,000 ounces of expected production for the year. Again, impacted by that Quarter 2 COVID impact and temporary suspension as well as pushing the higher-grade ores from quarter four into next year.

Cost performance has been good there, so we've moderated that down a bit. For Aurizona, we've increased our guidance by about 5,000 ounces and reduced the costs after a very good first half performance. Mesquite, we've increased the production guidance by about 10,000 ounces and Fazenda we've reduced it just slightly by 5,000 ounces after the slightly slower first half.

But overall, our guidance for the whole year is about 470,000 to 530,000 ounces which is down about 12% overall and our costs are down slightly to $975 to $1,025 per ounce. On a capital basis, we're about the same as we expected at the beginning of the year, about $90 million on a sustaining capital spend basis and about $144 million on expansion capital, and interestingly in there, we've added a few million dollars for early works at Santa Luz.

When we turn over to the growth and development projects on Slide number 9, Castle Mountain is the first one, which is very topical today. Phase 1 construction is substantially complete. I think as of yesterday, we were 95% or 96% complete. We commenced stacking ore in June, commissioning is underway. We certainly expect to meet guidance for this year. We're slightly delayed with COVID slowing down a couple of the contractors and affecting completion of the physical construction, but we don't expect that to cause us any major delays or issues this year, so to be conservative, we did sort of delay the gold pour by a couple of weeks into early Q4 and we expect to produce about 50,000 ounces on average there per year.

And then in the background, we've been working on the phase 2 feasibility study which we still expect before year end which will basically demonstrate the 200,000 ounce per year mine potential of this project, and in the background we've also been drilling for water on site for phase 2 and also in the nearby town areas, so that's all ongoing and of course we'll be giving you results when that comes to light in the next six months here.

Switching back to Los Filos in Mexico, despite the temporary suspension, actually some very exciting stuff has been happening at Los Filos behind the scenes. This is a project producing on average, 200,000 ounces a year but we see the potential to 350,000 plus ounces in our near future here.

In addition to developing the Guadalupe open pit and the Bermejal underground, we've been looking at upsizing the carbon and leach plant size, so Doug and the team down in Mexico have been working on moving from a 4,000 tonnes per day plant up to something like 8,000 tonnes per day, expandable to about 10,000. The plan is to make that study public in the next sort of about three to five months. In early Q4, mid-Q4 hopefully we should have that result out and the really exciting part on the back of that, it's allowed us to look at the actual mine plan and scheduling of our mining and obviously with the new gold price environment, it really does change things, and so we have a 4.5 million ounce reserve there, we have a 6 million ounce resource and we see the potential to increase the reserves in the short-term. So, watch this space and when we come out with those results, you'll see the brand new plant, the upsize overall to production capacity and we should be able to convert some of that resource [to reserves] as well.

And then secondarily, on a little bit smaller basis, Santa Luz in Brazil, we're excited about that restart as well. It's a little bit ahead of Los Filos in Mexico. We're just finalizing the capex and economics on it. We should be able to get that study out in the second half of the year as well. We've already given the go ahead to start some early works and small construction works and maybe a few orders in advance of that full construction announcement, but we fully expect to be announcing [full-scale construction] in the second half of this year and remember, that's a 100,000 ounce producer with an initial 11-year mine life and, similar to Aurizona, we're pretty excited about the [exploration] upside potential on surface and underground [at Santa Luz].

We're excited about having these three fully financed projects in our portfolio and when you think about Castle, it's got two phases to it so we've got four projects in the pipeline here and it's pretty unique compared to our mid-tier competitors. We've got a fully funded internal growth profile, and when you flip onto Page 10, we illustrate that projection over the next couple of years. It's a funded organic growth profile towards a million ounces a year of annual production. It's roughly a 20% per annum growth rate, and really what peers have that kind of growth internally? We think the opportunity here from a valuation perspective as well, is that we've been trading a little bit on a single asset to maybe now a multi-asset producer around the 0.7x, 0.8x priced to net asset value range. A lot of our peers are now in that 1.0x to 1.5x range, they're more established, they've been around for a number of years at a little more steady state.

Our market cap is below C$4 billion and a lot of our peers that are producing about three quarters of a million ounces per year are in that $6 billion to $10 billion range, so if we can execute on these projects and deliver on that goal of meeting that 750,000 to a million ounces of annual production, we really think there's exceptional potential here for a re-rate.

And, our leverage to gold is outstanding. When you look at our portfolio now, we've got 20 million ounces in resource, we've got over 12 million ounces in reserve, we've got a 20% per annum growth rate and the key to us now is really executing on this growth profile.

Turning on to Slide number 11, just to summarize and bring it all together, we've had a good first half to the year despite the disruptions, we're very happy with the performance of the mines and the integration of the team and the assets. The second half of this year is very catalyst rich, so our long-term plans are on track despite some of these disruptions. The team's in place to deliver on it, and so Los Filos and the CIL plant construction is looking to start in the second half towards year end this year and we'll get that study out which will give you a lot more detail.

Santa Luz construction is already sort of underway in terms of early work, so we plan to get that study out in the second half of this year. Castle Mountain phase 1 gold pour should be in the first half of quarter four, the Castle Mountain phase 2 feasibility study is in quarter 4, and as well, we're going to be starting the Aurizona underground pre-feasibility with an expectation of completing that in 2021.

On the exploration front, there's probably too much to talk about here but we've certainly got our eyes focused on extending the mine lives at our core mines, but also looking at a midterm exploration plan which Scott and team are looking at right now and plan to set the stage for the next two to three years.

Corporately, as Pete said, we've been included in the indices, we've completed the merger, we just got some sustainability reporting information on our website, it's now operational if you go to our website [in the Responsible Mining section] and look for that, and as I mentioned, the re-rate potential here is exceptional. We'll continue to focus on the fully funded growth platform internally, we've got a strong balance sheet, we've got about $500 million of cash and as Pete said, we're pretty much net debt free when you exclude the in-the-money convertible notes which Mubadala holds who are our long-term partner and shareholder ultimately, and our net debt is below 1x EBITDA, so we're in a very strong position to deliver on this profile.

So, I just want to say thanks to the team and to you as shareholders for your support for the first half of the year. It's not been an easy half although the gold prices made up for some of the challenges we faced in our business on a day to day basis in-country, but the team's performed very well despite all the in-country disruptions from COVID and the new normal that we now live in. With that, I'll conclude it and maybe open it up to a question-and-answer session.

Rhylin Bailie:
Thank you very much Christian. Operator could 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 speakerphone, please pick up your handset before pressing any keys. To withdraw your question, 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:
Thank you very much. While we wait for people to ask questions on the phones, I will ask a question from our online listeners. How will the development delay at Los Filos affect your production in 2021 at that project?

Christian Milau:
You know, in terms of Los Filos for 2021, I mean obviously we're just starting our budget process, so I don't have detailed information on that yet, but what we do expect to see here is as we move towards the higher grades at both Guadalupe and Bermejal, we expect to see the production increase incrementally into next year. Obviously, won't have the benefits of the CIL plant probably until the end of 2021 or into the first half of 2022 when it becomes operational, so you'll see an incremental improvement and increase in the production rates and levels, and obviously 2022 will show an improvement of beyond that because of the CIL plant coming into play, so it'll be a nice sort of, call it steady upward trend here over the next sort of 18 to 24 months.

Rhylin Bailie:
Okay, thank you. Can we please take a question from the phones?

Operator:
Certainly. Our first question comes from Ovais Habib with Scotiabank. Please go ahead.

Ovais Habib:
Hi Christian and team and congrats on a good quarter despite the COVID impacts that we saw in Q2.

Couple questions from me, Christian. Number one, starting off with Aurizona. Obviously, production was lower as a result of the rainfall which reduced access to some of the high-grade areas. How have you increased your guidance at the mine as well for the year? Now, grades are likely the reason of that increased guidance, but can you give us a ballpark of what the grade is you're expecting in the second half, and also, are you looking to do anything else to mitigate any sort of risk for the next rainfall or rainy season going into 2021?

Christian Milau:
Maybe I'll take part of that and let Scott comment a little bit on where we're focused for grade, etc. I think we were trying to be fairly prudent and conservative going into the rainy season being the first one for us [when in production], so we did factor in the potential for less mining in a sense, maybe not being able to access all the higher-grade ore. We had a good stockpile which is obviously lower grade and I'd say we slightly outperformed that. The plant operated well and performed well. We see going into the dry season here the potential to slightly outperform in terms of throughput in the second half.

I think in terms of grade, maybe Scott if you want to just comment on that?

Scott Heffernan:
Yes, grade is slightly lower in the first half largely due to sequencing in areas that we could access during the rains and then of course, keeping that managing of the rains strategy in play to keep production up, drawing on the stockpile during the rain, setting ourselves up for the next rainy season as well. So, we expect to see the grade come up as the team has been able to access a bit more central areas of the pit, so grades in the 1.5, 1.6 range, there'll be much more of that in the mine plan for the second half.

Christian Milau:
And again, Ovais, we plan to move the mining rate up significantly. We plan for sort of half the rate during the rainy season and obviously it's going to be quite a bit higher here in the dry periods. It was just like we experienced last year and we'll be making up for that stockpile again so that going into the rains [next year], we have that stockpile in place and we're ready for it.

Ovais Habib:
Okay, that's great and just sticking with Aurizona. You're looking to modify the processing from CIP to CIL, I guess to enhance the recoveries. Was this conversion in the works since you started production at Aurizona, or was this something new that has come up? And also, if you could just comment on the cost of this conversion?

Christian Milau:
I don't know if Attie you want to comment on it generally? I can comment about the history and the cost if you want but do you want to comment on it generally?

Attie Roux:
Yes, I think if you look at the change in the ore characteristics at Aurizona, it's moving to areas where there's a little bit more carbonaceous material and also more sulphidic material, so that's more suited to CIL rather than the CIP. Christian maybe you can comment on the cost structure.

Christian Milau:
Yes, in terms of the cost Ovais, I believe it's less than a million dollars, so it's pretty minor and it really

has no disruption to the operations. It can be done sort of in the background as we operate here, and it will kind of seamlessly happen. I don't think people will even notice it. It will give us a little bit more stability and probably those recovery routes along the way, but overall pretty minor impact.

Attie Roux:
Most of the equipment is already on site, you know, like the interstage screens to be able to modify the tanks. So, as you said, it's not an issue.

Ovais Habib:
Perfect. And just switching gears and going to Castle Mountain now. Christian you were mentioning that you've started drilling for water at site. Can you comment on that – is this going according to plan?

Christian Milau:
Yes, obviously I can only give you so much colour at this stage. I can tell you we're drilling, I think we're on hole number four or five, and there's water in all the holes. We've got to do our pump tests, we've got to do our work to actually see the recharge rates and that, but the good news is there's water there. We're being, call it, prudent by also drilling and going out to sites that are, give or take, 15 or 20 miles away, private lands that we could access as supplemental backup or alternative water sources. So we're taking all options into play here and as we hoped and expected, we are finding water and it's just a matter of doing the work now to prove up which site it's going to come from. But there are multiple sites.

Ovais Habib:
That's good to hear.

Christian Milau:
I think we'll get that out in the next few months here, we just need enough time to actually go through the pump test and the recharge rates.

Ovais Habib:
Sounds good. So, that's it for me. Thanks for taking my questions, Christian.

Christian Milau:
Thank you.

Operator:
Our next question comes from Kip Keen with S&P Global. Please go ahead.

Kip Keen:
Hi everyone, thanks for taking my question. What's the strategy or review on shareholder returns? I know you're still in a growth phase here, but as you come into more cash assuming gold prices remain elevated for some quarters or years, how might you approach that?

Christian Milau:
Yes, it's a good question actually and we're getting that question much more often nowadays in this current gold environment, despite our growth profile.

So, in terms of our cash flow now as I said, we probably have operating cash flow at these kind of gold prices where we are going to be funding our growth profile from operating cash flow rather than needing to use our balance sheet, so one of our plans is here in the next few weeks, actually, to repay $200 million on our revolving credit facility, to pay that down, and then I think secondarily, we're just starting the budget process here and we have to entertain the thought of a dividend. I've had a few people ask about share buyback but certainly a dividend, or a share buyback for next year. Despite the fact we're in heavy growth phase at the moment, we just feel that at the moment if we continue with these sustained high levels of gold prices, we will have the cash ability to start returning some capital to shareholders in some form or another.

So, sort of watch this space I think for this year, let's get through the end of this year and the COVID sort of stabilization and then next year with our guidance coming out, we should be able to comment on that in a little more detail. But dividends are coming up the radar screen and we're certainly getting a lot of those questions today.

Kip Keen:
Okay, thanks. And then just a follow up on another question. In terms of your operations and staffing levels, have you made any changes, say at Aurizona or Mesquite, in terms of staffing levels sort of pre versus post COVID? Any savings there or are things essentially the same?

Christian Milau:
I'll comment generally and Attie please jump in if I miss anything, but overall, I'd say staffing levels have stayed fairly similar. There's a few places where maybe we actually look to add a couple of people because we have to modify shifts or rotations and that. We've actually added a little extra in terms of testing and for sure in terms of the regularity of testing of people and physical distancing etc. So, that might cause a slight increase, but not that significant. [Those costs] are obviously being completely offset by FX rates and fuel prices etc., so in terms of net-net cost, it's probably actually down at the moment, despite some additional costs from slight changes to the way we operate.

Kip Keen:
Okay, thanks.

Attie Roux:
Yes, I think one of the other things we did was also a bit of cross training to make people multi-skilled so they can be used elsewhere to cover the shortages resulting from COVID, and in one instance we had a contractor come in to do some of the work in place of our own people, but that's very minor.

Kip Keen:
Okay, thank you.

Rhylin Bailie:
Thank you. We've got a question now from a shareholder online in Saudi Arabia. When do you expect the Company to be profitable on GAAP measures?

Christian Milau:
At the moment we would be, but the gold price and the share price have been outperforming and we have those non-cash losses that are coming at us from increased share price, which obviously revalues our warrant liability on the balance sheet, and as well from the gold hedge from the Leagold merger that gets revalued at a higher gold price.

So I think this quarter if things stay flat on both the share price and a gold price basis or they happen to drop back a little bit, which we have seen happen today, you have a potential for minimal to no impact or even a positive impact from those two factors. If that is the case, we are going to be seeing profitability here this quarter. So really, we're on the cusp of that right now.

Rhylin Bailie:
Thank you. Another question from online. You mentioned in your catalysts slide that you'll have accretive M&A in 2020. Is that still the plan despite rising gold prices?

Christian Milau:
Accretive M&A is probably, it's not item number one on this list anymore. It is kind of down the list. We are still opportunistic and keen to grow the business even externally, but we've got a lot of growth internally, we've got our focus on executing on that and we'll kind of keep an eye on the market and keep an eye on opportunities. We will look at things, we would love to continue to grow and expand the portfolio in the Americas if possible. But I would say we don't need to get bigger for growth's sake anymore. We've gotten the diversity, the scale, the liquidity now, but if there's something attractive we'd love to add it to the portfolio. We'll continue to up tier the portfolio looking for lower cost, longer life, good jurisdiction mines along the way, but we don't need to do it. It's something that would be a nice add-on.

Operator:
Our next question comes from Dalton Baretto with Canaccord Genuity. Please go ahead.

Dalton Baretto:
Thanks, guys. Question, the online caller actually beat me to the accretive M&A question, but I do want to follow-up on that. It's one you didn't touch on when you were talking about the rest of the catalysts there. So, just in terms of the current gold price, like how are you thinking about the portfolio right now in terms of the number of assets you have, the quality of the assets? And then, as you look externally and try to up tier the portfolio, as you said, what is it you're looking for? Are you looking more for

greenfield type stuff? Is there is something else you want to build? Do you think you will get the assets you're looking for in this environment at the price you want? Just any comments on that.

Christian Milau:
Yes, it's certainly harder to find those opportunistic deals at 2000 gold vs 1200 gold, that's for sure. But, again, we will look on a relative basis. We do need to execute, continue to get our re-rating to allow us to be a little more opportunistic on these opportunities.

But I'd say what's underway at the moment, we're focused on things that are, ideally, producing assets in the Americas 150,000 ounces plus type annual production. But obviously a number of those are getting a rerating in because of gold price, and they're trading at a higher value today. They may not be as attractive or as accretive as they used to be, so we may pass on a number of things like that. I'd say the door is opening. I know Ross has certainly said before that the discount between producing and development assets wasn't big enough in the past. I would say maybe now it's starting to open up a little bit where producing assets are being rerated and revalued and maybe we are going to look at some of the development assets as well. And because over the next 12 months to 18 months here, we should be executing on three of our growth projects, we will continue to look at that development pipeline in the long-term. So, I'd say we're a little more open to a development asset than we were a year ago or two years ago.

Dalton Baretto:
Okay, great. And then just given where Solaris is trading now, what are your thoughts on your holding there?

Christian Milau:
Yes. We've loved that asset as investors as a Company for years now, and it's been kind of hidden in our portfolio until what is it, mid-2018. It's great to see that get the light of day and Richard [Warke] and Dan [Earle] have done a good job obviously, so far, for its short life on the stock exchange.

I think our value right now is $70 million, $75 million for our third of it and we have no plans to be selling out in the near-term. We believe it's worth a heck of a lot more in the longer term and we love the Warintza asset in Ecuador. I know, Scott's sitting beside me and he and Greg who are both here love that asset. And then there's three or four more assets in the Americas in that portfolio. And so, we see the potential there in the long-term of creating significant value. This is just the start and we're a core shareholder, and we plan to be there supporting them.

Dalton Baretto:
Okay, great. Maybe just one last one for me. Are you able to comment at all in terms of what Mubadala's thinking now, just given where your share price is versus the exercise price on the converts?

Christian Milau:
Yes, it's been a great partnership since they got involved. I think, there is sort of a win-win, and it's kind of been that with them and they've gotten some good returns. We've gotten a great stable long-term partner and shareholder, and we really do view them as a shareholder.

They did come in through a hybrid instrument. They're such a large fund and I think they manage about a trillion dollars, so they normally don't do deals of the scale and small size they did with us. So, they got in through a hybrid convertible and we're now at the liquidity and scale where I think it's a really interesting opportunity for them in the long-term to be a partner with a good size gold mining company that will be a million-ounce producer, and we see them as a long-term shareholder alongside Ross Beaty.

So, great support and I think you'll see them convert that in some point in the next few years here, but there's no urgency to do that. They've still got three or four years left on their convertibles, but I do see them as a long-term partner supporting our growth.

Dalton Baretto:
Okay, great. Thank you, that's all for me.

Christian Milau:
Thanks, Dalton.

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

Kerry Smith:
Thanks Operator. Christian, I apologize if this question got asked, I got jammed up on another call, but could you just go through with me the permit status for Castle Mountain phase 2, the expansion at Los Filos, and the restart at Santa Luz? Just so I understand which permits you need, if any, for each of those and the timing?

Christian Milau:
Well, I'll comment on Castle, and maybe I'll let Doug comment on the other two.

So, for Castle, basically, we've got our permits for phase 1, it's going into operations here. The thought is on the back of the feasibility study for phase 2, which will be out in quarter four, we'll use that ultimately [to launch] our plans for phase 2 and we'll submit an amendment application ultimately to the regulators in California on the back of [achieving phase production], so give or take quarter four, quarter one next year. We'll be able to submit an amendment to up-size the area of disturbance within our current [approved] EIS boundary.

We assume that'll take us at least a couple of years to do. It is the U.S. and California, so it's a methodical permitting process, but remember, it's an amendment to an operating mine. We've been very successful so far with both Castle in terms of permitting as well as in Imperial County with Mesquite, so we see it as a process that'll take time and resources, but we need to do the right thing first and show that we're a good citizen and operator and then we'll go and amend it.

In terms of the other two, Doug, do you want to comment on Los Filos and Santa Luz?

Doug Reddy:
Yes. Los Filos, obviously the optimized feasibility study work is underway at the moment. Previously, we had the permit for the plant location, but it was conditional on confirming the final footprint for the plant. At this point, we will be moving [the plant site]. When we did our geotechnical program, we made it quite comprehensive, covered some other areas that we thought would be superior and it looks like we will be moving the plant site. So we would revise that permit, which by my understanding it will take about a six month period to go through that revision. It's still permitted, it's just a revision of where the footprint would be.

The other ones would be the filtered tailings deposition, which in the permit, again, it was final confirmation of the outline. We previously had been planning to put the filtered tailings onto the heap leach pads, so a lined facility, nothing changes there. So, it's just a matter of confirming the outline. We may shift it slightly, because we anticipate that the heap leach pad will ultimately be a bigger design, which is a good thing. And then for Bermejal underground…

Kerry Smith:
I'm sorry, Doug. When would that permit for the filtered tails be put in then? Is that going to happen this year? Or is that after the piece is done, or how does that work?

Doug Reddy:
It'll go as soon as the study goes in. It'll be submitted, and that is just a confirmation of the footprint, so it should be a straightforward revision, and that would happen while we're in the midst of the detailed engineering and moving into construction.

And then the final one that we have had all along was a permit for the Bermejal underground. We will be using the currently permitted portal and ramp. We do have additional sites for extra portals that were already permitted, and so we are just looking at one of those as being an additional opportunity in the future. So, we just have to revisit that and confirm that all the permitting is lined up for that one, so no change there anticipated.

Kerry Smith:
So, all of those permits for Los Filos and it sounds like they would all be in hand by the middle of next year. Would that be reasonable, then?

Doug Reddy:
That will be a reasonable timeframe.

Kerry Smith:
Okay.

Doug Reddy:
Beyond that, for Santa Luz we have all the permits but there is one thing that we're doing at the moment, which is a geotechnical drilling program to do a design for the next phase for the tailings impoundment. So, when that geotechnical design is finalized, that will go in for a permit for that particular lift which will be a longer life lift on Santa Luz.

Kerry Smith:
And other than that, all the permits are in place then?

Doug Reddy:
Yes.

Kerry Smith:
Okay, that's great. And then, maybe just on the amendment at Castle Mountain. Christian, is it only a state approval that you need for an amendment then, so there would be no federal involvement in that process for phase 2?

Christian Milau:
Yes. It will be BLM in San Bernardino County would be the lead agency.

Kerry Smith:
Okay, so, just the BLM is the only federal agency then. Okay, great, thanks very much.

Christian Milau:
Yes. Thanks, Kerry.

Rhylin Bailie:
Thanks, Kerry. We have another question from a listener online in Vancouver. Could you please provide a bit more colour on your comment about sharing resources between Mesquite and Castle Mountain, and to what extent this can be done in a way to reduce costs and increase efficiencies?

Christian Milau:
Yes, sure. It's a good question, now that we're coming into operation. The first key one is, we didn't build the very back end of the plant there at Castle, we're actually trucking loaded carbon, with gold on the carbon, down to Mesquite which is about a four-hour drive on a paved highway directly down to site effectively, so we'll be able to smelt it down there. There's excess capacity [at Mesquite] so we've been

able to save about say 10% of the [construction] capital [at Castle Mountain] by doing that. We're using obviously an experienced team and process there. So, we don't need to commission the back end of the plant in that sense.

There will be [shared] back office staff, reporting, IT systems, HR support, there will be permitting support, there will be tax consolidation between the two sites, so any start-up losses versus profits in Mesquite could potentially be offset against each other.

Things like joint purchasing in the midterm here when we're buying, you know, either cyanide or tires or spare parts, etc., we will be able to do that jointly. Something like a fleet, at Mesquite if we continue to extend the life there, maybe we need to be replacing part or all of that fleet and in the long-term, it could be moved up to Castle if need be. Or it'll just stay at Mesquite if we continue to extend the mine life there. So, there's all those kinds of opportunities.

Rhylin Bailie:
Perfect. Well, at the moment, there are no more questions online or from the phone, so I guess we'll wrap up the call.

Thank you again for joining us today. If you do think of any other questions, please don't hesitate to get in touch. I understand there was a bit of an audio glitch at the beginning of the webcast, but the audio was captured on the conference call so we'll be able to fix that up in the archive which will be available on our website in a few hours.

I'll now turn it back over to Christian for closing remarks.

Christian Milau:
Thanks, Rhylin. Thanks again everyone for attending and for your support during these challenging times. The business is in a great place, growth is intact, and the long-term plan here is exceptional.
So, you know stay tuned, the second half of this year is going to be pretty exciting. Lots of good news, I think, coming as we manage in this new environment that we live within, so please stay tuned. Thanks.

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