

FINAL TRANSCRIPT

Eldorado Gold Corporation

Q2 2015 Earnings Conference Call

Event Date/Time: July 31, 2015 — 11:30 a.m. E.T.

Length: 16 minutes

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PRESENTATION**Operator**

Good morning, ladies and gentlemen. My name is Aaron (phon), and I'll be your Operator today. At this time, I'd like to welcome everyone to the Eldorado Gold Corporation's second quarter results conference call. At this time, all lines have been placed on mute to prevent any background noise.

After our speakers' remarks, we will have a question-and-answer session. And if you'd like to ask a question at that time, please press *, then the number 1 on your telephone keypad. If you'd like to withdraw your question, please press the # key.

I'd like to turn the call over to Mr. Paul Wright. Mr. Wright, you may begin your call.

Paul Wright — Chief Executive Officer, Eldorado Gold Corporation

Well, thank you, Operator. And good morning, and thank you all for joining us, and welcome to our second quarter financial and operating results call. In Vancouver this morning we have Norm Pitcher, President; Fabiana Chubbs, Chief Financial Officer; and Paul Skayman, Chief Operating Officer. And, of course, Krista Muhr, our Vice President of Investor Relations.

As always we have provided detailed financial and operational information in yesterday's press release.

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And before I begin, I need to remind you that any projections and objectives included in our discussion today are likely to involve risks, which are detailed in our 2015 AIF and in the forward-looking statement disclaimer at the end of yesterday's news release.

We will follow our usual format with myself providing some general comments on the Company's business and our results and release. Norm will then provide operational detail followed by a brief walk through the financial statements led by Fabi, and then we'll open up for questions.

First of all, I'd like to thank all of our teams in the regions and in Vancouver for their continued efforts and dedication that have resulted in yet another solid quarter for the Company. With gold production of 181,160 ounces and all-in sustaining costs of \$900 an ounce, this performance results in a guidance update for the full year of 2015 with now a total production target of 690,000 ounces with all-in sustaining costs of \$925 per ounce.

Year-end projections for sustaining capital have been adjusted downward somewhat from the original guidance of \$165 million through a decrease spend by about 33 percent or approximately \$110 million. In addition, there will be a modest reduction in new project development going to approximately \$300 million from the original budget of \$345 million.

Despite ongoing capital spend on our growth projects, our balance sheet remains very strong with total liquidity of approximately \$825 million.

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In the quarter, we completed and released positive feasibility studies for TZ and Certej. In completing these studies, opportunities were recognized for improvement, and our teams are working to realize these opportunities.

Before handing over to Norm, I'll just make a couple of brief comments on the Skouries development. As you are aware, actions taken by a ministry of the Greek government have impeded our progress somewhat at Skouries, specifically the revoking of a tree cutting license and the suspension of a building approval. These actions have delayed the estimated completion time of Skouries from late 2016 into early 2017. Despite this impediment, we had a busy quarter onsite, as described in the news release. We expect favourable decisions from the Greek Council of State in regards to these challenges in this quarter, and the results of these decisions will remove the temporary obstacles allowing the Company to increase its manpower onsite and work aggressively to complete the construction of Skouries.

Also, at this time, we are finalizing the detail design of our tailings dam construction. And with this completed and a positive decision in hand from the courts, we will be able to provide a more definitive schedule for the completion of construction of Skouries.

With that, I'll hand over to Norm and Fabi.

Norm Pitcher — President, Eldorado Gold Corporation

Thanks, Paul. Good morning, everyone. Let's start with the operations. With half-year now under our belt, all of the operations are performing well, both in terms of ounces produced and cash

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costs. Q2 was a very good quarter, and I'd also like to thank our operating teams around the world for that performance.

With that said, I'll be quite brief this morning and just provide some quick comments on the operations where appropriate. Starting with Kisladag, in Q2 we placed about 4.9 million tonnes of ore on the leach pad, of which approximately 1.4 million tonnes of that was run of mine material. This accounts for the lower recovery compared to Q2 2014 when we did not place any run of mine material on the pad. So we're not—there's no recovery issues, it's just that we put expected lower recovery run of mine material on the pad in this quarter.

At Efemcukuru, had a good quarter. Grade was up, and we made up for a slower start that was largely weather related in Q1, and now we're tracking to budget quite well.

At Tanjianshan, as reported, gold sales were lower due to June production not being shipped at month end. We actually had a big rainstorm in the area right at the end of the month and the shipment went out unfortunately on July 1st, instead of June 30th.

Really besides that no other comments on the rest of the operations, but certainly happy to answer questions during the Q&A.

On the development side, during the quarter we released an update in Olympias Phase II, which sees us spending around \$45 million in 2015 and 2016 to upgrade the existing plant to process 385,000 tonnes of ore per year, and produce about 60,000 ounces of gold plus silver, lead, and zinc at cash costs in the low 300s net of byproduct credits.

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At Skouries, lots of earthworks ongoing. Process equipment is being delivered; we began installing flotation tanks. Stripping into the open pit is now complete, and we began the stream diversion channel and topsoil removal in the main starter dam of the tailings management facility.

At Eastern Dragon, we received a PPA during the quarter, which is a big milestone for us and have recommenced work onsite, finishing electrical works in the plant in the transformer station, constructing maintenance workshops for the plant and mine vehicles and starting on foundations for the warehouse. Our remaining permitting consists of converting the EL to ML and then the forestry permits. For the ML, we need to redo an environmental report, which should be done by mid-August, and the ML application submitted in early September. We're also in the process of looking at alternate mining configurations that would allow us to lay lighter during the colder months.

On exploration, we drilled about 9,000 metres during the quarter at our exploration projects in China, Greece, Romania, and Brazil, including underground drilling at the QLT Deep structure at Tanjianshan, underground drilling at Stratoni, and surface drilling in Romania and Brazil. We will look to provide an exploration update later in the year.

With that, I'll turn it over to Fabi.

Fabiana Chubbs — Chief Financial Officer, Eldorado Gold Corporation

Thank you, Norm, and good morning, everyone. I will go through the financial statements highlighting changes in significant accounts.

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On the balance sheet, we ended the quarter with cash and cash equivalent and term deposit balance of \$450 million compared to \$501 million at the end of 2014. The change in cash balance is mainly the result of cash generation from operations, net of usage of cash for dividend payments and capital program.

During the quarter, we completed a feasibility study of the Certej project. Based on the feasibility study's technical assumption, we assessed the recoverable amount of property, plant, and equipment for Certej. As a result, an impairment loss of \$255 million was recorded against property, plant, and equipment. A deferred tax recovery of \$41 million was also recorded related to the impairment. These charges were reflected in income tax expense on the income statement.

Moving on to the income statement. We reported loss attributable to shareholders of the Company of \$198 million, or \$0.28 per share, for the quarter compared to a net profit of \$37 million, or \$0.05 per share, in the second quarter of 2014. Excluding the impairment adjustment, we reported adjusted net earnings for the quarter of \$17 million or \$0.02 per share, compared to \$36 million, or \$0.05 per share, in the second quarter of 2014.

I want to bring to your attention that on July 16, 2015, the Government of Greece enacted legislation increasing the corporate income tax rate from 26 percent to 29 percent, effective for fiscal year 2015. Under IFRS, we are required to adjust our deferred tax liability related to our Greek assets, which will result in a onetime tax adjustment of approximately \$65 million, or \$0.09 per share, in the third quarter of 2015.

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On the statement of cash flow, during the quarter we generated cash flow from operations—operating activities before changes in nonworking capital of \$62 million compared to \$92 million in the second quarter of 2014. The main uses of cash relate to our capital program, \$91 million, and loan repayments.

Those are my comments on the financial statements. I will turn the call back to Paul.

Paul Wright

Well, thanks, Fabi. Thanks, Norm. Operator, we'll open up for questions now please.

Q&A

Operator

Certainly. At this time, if you'd like to ask a question, please press *, then the number 1 on your telephone keypad.

Your first question comes from the line of Cosmos Chiu from CIBC. Please go ahead.

Cosmos Chiu — CIBC World Markets

Good morning. And thanks, Paul, Norm, Fabi, Paul, and Krista for hosting the call. A few questions here. Maybe first off on the lower CapEx budget in terms of sustaining CapEx. The lower CapEx budget, how much of that would you consider actual savings versus deferral? I guess, in the past, Paul, at Kisladag you had made some purchases for Phase 4 expansion. Are you using some of

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that equipment? Is that how you can save on sustaining CapEx so far in the first half, for example, at Kisladag?

Paul Wright

Yeah. No, we are. I mean, the equipment we bought for the expansion is—has been used for over a year now. So that's part of it. And then I think how much is savings and how much is just deferred. I mean, it's hard to sort of put a number to that. I mean, half-half, maybe something, something around there. I mean, look, with these sort of metal prices we're—clearly we're being a little more careful on spending in all the operations.

Cosmos Chiu

Yeah. And then, Norm, on the development in CapEx then in terms of the decrease of \$45 million, would it be safe to assume that a lot of those deferral will be coming from Skouries?

Norm Pitcher

Yeah, yeah.

Cosmos Chiu

Most of it?

Norm Pitcher

Yeah.

Cosmos Chiu

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Okay. And then on the development CapEx as well, Norm, I know previously you had included about \$35 million for Eastern Dragon. How has that been updated in terms of the CapEx now needed for Eastern Dragon because I've looked at pictures in the past; it's pretty fully built. I'm just wondering what you need...

Norm Pitcher

Yeah. It will be hard for us to spend that money this year. Some of that's going to clearly bleed into the first half of next year. There is a chunk in there for land payments that probably could be made this year still, and that's I think in excess of \$10 million. So, yeah, I mean—but we're not going to spend all that, half of it probably, something like that.

Cosmos Chiu

And then...

Paul Wright

The overall—Cosmos, the overall estimate to completion hasn't changed.

Norm Pitcher

No.

Paul Wright

It's just as Norm described. I mean, depending on when we actually finalize the ML, and the tree cutting is going to depend on how much of that gets spent this year versus early next year.

Cosmos Chiu

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Yeah, for sure. And certainly congrats on getting the permits at Eastern Dragon. And but could you maybe talk a little bit about the time line? Because I think previously you have been pushing towards a start of production in Q4 2015. Now it looks like it could be the first half of 2016. Are you just being conservative, Paul?

Norm Pitcher

No, I think we're being realistic sort of as to where we are now. I mean, as Paul just mentioned, the big permits, or ML, are converting the existing exploration license to a mining license, and then it's tree cutting permits, which are given both locally and centrally. So, as I mention, we had a—there is one part of—the ML application is, you know, there's 15 or something documents attached to that and it's—but one of that was an environmental one that we've had to redo.

So they're doing that now. It's going to be done by mid-August, and we will submit that. And so that puts sort us submitting the ML in September. They've got to look at that and then get the tree cutting. So Murphy's Law is we'll probably get it all about the time it starts to get kind of cold there.

Cosmos Chiu

Yeah. And can you remind me how the CapEx at Eastern Dragon works as well? Because I remember you had sold off about 20 percent interest to a third part. So is it just your portion that you're contributing to in terms of CapEx?

Paul Wright

No. No. We're completing towards the whole at this stage.

Cosmos Chiu

Okay. Okay. Maybe one last question here in terms of moving back to Kisladag. You mentioned that there was some run of mine ore stacked in Q2. Norm, can you remind me again in terms of what your budget is for run of mine ore in 2015? And how much of that—so are we looking at the same level in Q3 and Q4?

Norm Pitcher

No, we're sort of looking at—maybe I'll let Paul answer that. He can give you the numbers (phon).

Paul Skayman — Chief Operating Officer, Eldorado Gold Corporation

Yeah. I think it was around 5 million tonnes of run of mine planned, and we've probably gone a little harder in the second quarter particularly than perhaps the run rate for the rest of the year.

Cosmos Chiu

Okay. Thanks. That's all I have, and congrats again on a very strong first half. And have a good long weekend.

Norm Pitcher

Thanks, Cosmos.

Operator

Your next question comes from the line of Michael Gray from Macquarie. Please go ahead.

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Paul Wright

Suggest you move on to the next caller, Operator.

Operator

Again, if you'd like to ask a question, please press *, then the number 1 on your telephone keypad.

We have no further questions in the queue. Mr. Wright, I'll turn the call back over to you.

Paul Wright

Well, I guess we've succeeded in being successfully boring again. Thank you. Thank you very much for all who joined us today, and enjoy the long weekend. Thanks, Operator.

Operator

This concludes today's conference call. You may now disconnect.

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