Eldorado Gold Corporation
Fourth Quarter Year End 2018 Results
Conference Call Transcript

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Speakers:

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Executive Vice President and Chief Financial Officer

Paul Skayman
Chief Operating Officer

Jason Cho
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Peter Lekich
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Operator:
Welcome to the Eldorado Gold Corporation Fourth Quarter 2018 Results Conference Call. 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.

I would now like to turn the conference over to Peter Lekich, Manager, Investor Relations. Please go ahead.

Peter Lekich:
Thank you, Operator, and thank you, ladies and gentlemen, for taking the time to dial in to our conference call today. With me in Vancouver this morning are George Burns, President and CEO; Phil Yee, Executive Vice President and CFO; Paul Skayman, COO; and Jason Cho, Executive Vice President, Strategy and Corporate Development.

Our release yesterday details our 2018 fourth quarter and year-end financial and operational results. This should be read in conjunction with our year-end financial statements and Management's Discussion and Analysis, which are both available on our website. All dollar figures discussed today are in U.S. dollars, unless otherwise stated. We will be speaking to the slides that accompany this webcast. You can download a copy of these slides from our website.

Before we begin, I would like to remind you that any projections included in our discussion today are likely to involve risks, which are detailed in our 2017 AIF, and in the cautionary note on Slide 1.

I will now turn the call over to George.

George Burns:
Thanks, Peter, and good morning, everyone. Given that we hosted a conference call a few weeks ago to discuss the decision to resume mining and heap leaching of fresh ore at Kisladag, I expect this call will be brief. I will begin by reviewing the general highlights of 2018. Phil will cover the 2018 financial results and Paul will review the 2018 operations with a quick recap of the Kisladag decision.

The main takeaway from Slide 3 is that in 2018, Eldorado successfully met its overall production goals, which included two upward revisions to production guidance. These positive results reflect the better-than-expected heap leach pad production from Kisladag. Here we originally guided to 120,000 ounces to 130,000 ounces for 2018 but ended up producing over 170,000 ounces for the year. In addition to the strong performance at Kisladag, the underground mine development at Lamaque and refurbishment of the Sigma Mill proceeded according to plan throughout 2018. We poured our first gold for the Sigma Mill on December 20, 2018, a great end of the year for the Lamaque team. We continue to work towards declaring commercial production by the end of this quarter. Engineering work continued throughout 2018 with our teams completing three separate technical studies in the first half of the year for Lamaque, Kisladag and Skouries.

In the second half of the year, we produced a feasibility study for the Kisladag Mill scenario. We also worked hard in preparing the updated metallurgical model at Kisladag based on the increased recoveries from 250-day leach cycles. It was on the back of this work that we announced in January the decision to suspend advancement of the mill project and resume mining, crushing, stacking, and leaching, with mining expected to resume by the end of this quarter.

Also during 2018, we filed an application for payment with the government of Greece requesting approximately EUR 750 million for damages arising from the lengthy delays in issuing of permits for the Skouries project. The application is a good faith attempt to resolve the matter with the Greek state without needing to go down the route of arbitration. The Greek state has not responded to this application and continues to disregard its contractual obligations under the terms of the transfer agreement. This runs counter to the early assurances that Skouries permitting issue would be addressed following the positive conclusion of the arbitration in April of 2018.

We remain open to dialogue on the steps required to allow Skouries development to proceed and will continue to take the necessary and prudent steps to protect our investments in Greece. That said, we do not intend to restart construction at Skouries, which is now on care and maintenance, until we have all the required permits and have established a collaborative relationship with the Greek government. Greek elections will occur at some time this year, at the latest in October. We see this as a potential catalyst to finding a productive way forward with our Greek investments.

I will now turn the call over to Phil to review the financial results.

Philip Yee:

Thank you, George. Good morning, everyone. I would like to start off by apologizing for any confusion last evening with regards to our disclosures. This year-end, we have increased our Q4 disclosures in comparison to past years. Unfortunately, there were some clerical errors in the transcriptions for the non-IFRS sections on the reconciliation of adjusted net loss and net earnings from gold mining operations for the comparative quarters. This led us to correct and re-file our documents. I would like to emphasize that there were no material changes.

Moving on. Starting with Slide 4. We have an overview of our financial results for Q4 2018 and full year 2018. During the fourth quarter 2018, Eldorado Gold generated total metal sales revenues of $92.8 million compared to $101.4 million in the fourth quarter of 2017. This reduction was a result of lower gold sales volumes in Q4 2018 and a lower effective gold price - $1,245 per ounce in the fourth quarter of 2018 versus $1,280 per ounce in the fourth quarter of 2017. Included in the total metal sales this quarter were $73.3 million in revenue from the sale of 58,856 ounces of gold contained in doré and concentrates.

Total metal sales revenue for full year 2018 were $459 million compared to $391.4 million in 2017. The 17% increase was driven primarily by higher volume of gold sales in the year, coming from increased production at Kisladag and the start of commercial operations at Olympias at the beginning of 2018. The realized gold price in 2018 was $1,269 per ounce, marginally higher than the realized gold price of $1,262 per ounce in 2017.

Cash operating cost in 2018 averaged $625 per ounce sold, an increase from $509 per ounce sold in 2017, mainly reflecting the impact of the first year of operations at Olympias, where cash operating costs were $764 per ounce sold for the year. Operating cash costs in 2018 were also impacted by higher noncash inventory change adjustments at Kisladag during the year, as a result of lower inventory remaining on the pad after Q2 of 2018.

Cash operating cost at Kisladag were $662 per ounce sold in 2018 compared to $500 per ounce sold in 2017, the increase due primarily to the noncash inventory change impact of $309 per ounce sold in 2018. Lower average grade in 2018 at Efemcukuru was offset by higher mill throughput resulting in a decrease in cash operating costs to $511 per ounce sold from $524 per ounce sold in 2017.

All-in sustaining cost averaged $994 per ounce sold in 2018, an increase from $922 per ounce sold in 2017, reflecting higher levels of cash operating costs, partially offset by reduced sustaining capital expenditures when compared to the prior year. Sustaining capital expenditures in 2018 totaled $54.4 million or $179 per ounce sold compared to $56.8 million or $215 per ounce sold in 2017.

Net loss for the year 2018 included two substantial impairments. The net loss to shareholders from continuing operations was $361.9 million or $2.28 per share compared to a net loss of $9.9 million or $0.07 per share in 2017. The impairment adjustments in 2018 included $117.6 million or $94.1 million net of deferred tax, impairment of the Kisladag leach pad assets in Q3 of 2018. In addition, there was an impairment charge of $330.2 million or $247.7 million net of deferred tax at Olympias in Q4, 2018. This impairment charge was reflective of continued jurisdictional challenges in Greece and changes to the global markets for sale of concentrates.

Adjusted net loss from continuing operations for 2018 was $28.6 million compared to adjusted net earnings of $15.2 million in 2017. For Q4 of 2018, the net loss attributable to shareholders amounted to $218.2 million or $1.38 per share compared to a net loss attributable to shareholders for the fourth quarter of 2017 of $20.7 million or $0.15 per share. The adjusted net loss from continuing operations in Q4 of 2018 was $18.9 million compared to Q4 of '17, which had an adjusted net loss of just—of $0.4 million. The main factor impacting the Q4 2018 adjusted net loss was the impairment charge for Olympias in the quarter.

In addition, the higher adjusted net loss for Q4 2018 compared to Q4 2017 was due to reduced sales volumes and marginally lower gold prices in quarter four of 2018, together with increased production cost related to the first year of commercial operations at Olympias.

Eldorado ended the year with cash, cash equivalents, including term deposits, of $293 million, a reduction from $485 million at the end of 2017 and $385 million at the end of Q3 of 2018. The decrease in cash in 2018 was a result of the capital development requirements during the year primarily related to the construction at Lamaque and interest payments and outstanding debt, partially offset by net cash provided by operations. Net cash provided by operating activities in 2018 totaled $66.3 million compared to $30.8 million in 2017.

We currently maintain a solid cash position, access to an undrawn $250 million credit facility and a steady base of cash-producing operations. Our focus this year will be to continue optimizing cash flow generation, addressing near-term maturities and deleveraging the balance sheet while retaining reasonable flexibility to selectively pursue growth. Significant work was undertaken in 2018 related to various financing alternatives, and we will look to leverage that in 2019.

I will now turn it over to Paul to discuss our 2018 production and three-year outlook. Over to you, Paul.

Paul Skayman:
Thanks, Phil. Looking at Slide 5, we outline our production and cost for the fourth quarter. Total gold production in Q4 was 75,887 ounces, which includes 16,046 ounces of pre-commercial production from Lamaque. Kisladag produced 28,196 ounces of gold during the quarter and 172,000 ounces for the year, which is notable given no threshold has been placed on the pads since April 2018. Cash operating costs of $547 per ounce for the quarter were lower than full year costs of $662 reflecting the reduced impact of noncash inventory change during the quarter, together with reduced mining costs. These numbers can be compared to the initial 2018 guidance of 120,000 ounces to 130,000 ounces at $600 to $700 per ounce.

At Efemcukuru, gold production of 23,544 ounces at cash cost of $535 per ounce in Q4 was in line with full year production of 95,038 ounces at $511 per ounce. This was the midpoint of initial ounce guidance and lower on cost than initial guidance of $530 to $570 per ounce. At Olympias, we produced 8,101 ounces in the quarter and 46,750 ounces for the year. This was below our initial guidance of 55,000 to 65,000 ounces. We also missed our cost guidance with cost reporting at $764 per ounce, higher than initial guidance of $550 to $650 per ounce.

We previously discussed our recovery challenges with the lead circuit as a result of blending a higher ratio of East versus West zone ore, which led to lower-than-expected lead concentrate production. Any poor performance of the lead circuit allows lead to report to the zinc and gold circuits, which then negatively affects these as well. We saw less of these metallurgical problems in Q4 than we did in Q3 but are still working through the issues.

We also finished the year with approximately 8,800 ounces—payable ounces in concentrate that remained unsold. Ounces unsold were due to a combination of softening in the concentrate market and problems associated with some concentrate qualities. Previously, we've mentioned a number of

opportunities that we expect to implement over the next six months, including catching up on backfilling voids underground, developing more West zone faces and building an ore inventory to aid with blending at the front end of the plant. We're making progress on all of these fronts. Additionally, we have a specialist metallurgical team actively working on optimization of the processing plant, and this, along with the more reliable blend, is starting to yield results.

Looking at Slide 6, we showed this—our three-year guidance a few weeks ago. I think it bears repeating. The Company aims to produce between 390,000 ounces and 420,000 ounces of gold in 2019. Gold production increases to 520,000 ounces from 550,000 ounces in 2020, largely driven by ounces off the pad at Kisladag, along with expected ramp-up in Lamaque production. It's worth noting that higher production levels are expected in the second half of 2018. Also, costs at Olympias are expected to decrease quarter-on-quarter due to higher production of other metals.

Capital expenditures for 2019 are expected to come in at $93 million for sustaining, $45 million for growth and $18 million for capitalized exploration.

Moving to Slide 7. We've had a lot of questions on this slide, so I want to give you a brief recap as it summarizes the situation at Kisladag quite well.

On this cross section, the dark shaded areas indicate the A material, the recoveries based on previous column test work in the lined test pad, whereas the lighter shaded B material is targeted for additional test work throughout 2019. The material in the 22 million tonnes area is expected to provide overall recoveries of approximately 50% with the darker A material shown here giving the higher recoveries. We have confidence in the improved recoveries of the longer leach cycle to the higher recovery material, but we'll need more metallurgical work to be completed on the lower recovery material and we'll be doing this during 2019. Subject to further metallurgical test work under the longer leach cycle of 250 days for this deeper material, potential exists for higher heap leach recoveries, and therefore, to extend the mine life.

Moving on to Slide 8, Lamaque. We're really pleased with development of Lamaque as this asset has gone from acquisition to commissioning in approximately 18 months. The mine is expected to produce 100,000 to 110,000 ounces of gold in 2019 and then 125,000 to 135,000 ounces per year going forward, as outlined in the PFS.

The team has been working incredibly hard to reach our target of commercial production in Q1 2019. We expect to declare this positive news later this quarter.

Just to remind everyone, capital spending for 2018 and 2019 is expected to come in slightly over the PFS numbers that we released in early 2018 by approximately 10% to 15%. Underground development costs were slightly higher than planned. We purchased rather than leased some underground mine equipment, and we performed further work on the existing tailings dam to increase storage capacity.

We continue to see significant upside at Lamaque, based on the excess capacity we have in the mill, as well as the positive exploration results we've realized over the past year. In the short term, the Lamaque mine is permitted for 1,800 tonnes per day, and we will be looking to maximize production under this existing permit.

The Sigma Mill has capacity for 2,200 tonnes per day in its current configuration, which could be increased to over 5,000 tonnes per day with the addition of a SAG Mill. An opportunity exists to use this excess mill capacity with expanded production from the Triangle deposit or from one of the other satellite deposits that currently have resources on them.

Moving on to Slide 9. This shows the Triangle deposit with the reserve in future development shown in blue, completed development shown in black, and the inferred resource, which amounts to over a million ounces, shown in gold. The current reserve for Lamaque only includes reserves from C1, C2 and a portion of C4. The focus of our drilling this year will be to convert the inferred resource, shown in gold, in C4 and C5 to reserve. Doing this would allow us to potentially increase our production underground by as much as 30%. As you can see, the development as planned would allow us to access these areas at minimal incremental cost.

Moving on to Slide 10. Here we have an overview of our 2019 exploration programme. Our exploration budget this year is focused on brownfield campaigns at our current operations with the aim of expanding their resource potential. At Lamaque, 37,000 metres of resource expansion drilling are planned, half of which will be focused on the relatively under drilled portion of the Triangle deposit between the C5 and the C10 zones, which are deeper than the zone shown in the previous slide.

At Efemcukuru, we have consistently replaced much of our past production through resource expansion and resource conversion drilling. Over 25,000 metres of drilling at the project will further define existing

resource zones at the Kokarpinar vein as well as test targets in the Kestanebeleni footwall area. Both Olympias and Stratoni offer excellent resource expansion opportunities through extensions to known ore bodies and the possibility for discovery of new mineralized zones in nearby areas. We have allocated 7,000 metres and 10,000 metres of underground exploration drilling to these projects, respectively.

Now back over to you, George, to wrap up the call.

George Burns:
Thanks, Paul. Let's turn over to Slide 11. I would like to acknowledge the recent tailings event in Brazil. Our thoughts are with those who were impacted by this tragedy. The mining industry must learn from this tragedy. At Eldorado, we have demonstrated a commitment to dry stack tailings technology. We were the first company to pioneer this technology in Turkey and Greece, and the majority of our operations use dry stack tailings. Most of you will know this already that Kisladag does not produce tailings as it is a heap leach operation. At this time last year, we submitted an updated technical study in Greece to move the Skouries Project from conventional wet tailings to dry stack disposal. Subject to permit approval, this will reduce the environmental footprint of that project by 40%. Lamaque will initially use conventional slurry tailings depositioned in the existing dam, but we are assessing the viability of dry stack tailings in the Sigma pit in the future.

Turning to Slide 12, I'd like to take this opportunity to thank our global teams for their continued hard work, which has positioned us for a successful 2019. I would particularly like to acknowledge our team's commitment to safety. We focused on a number of initiatives during the year, including enhanced training to our recently rolled out Golden Safety Rules handbook. We entered 2019 with a solid balance sheet. The increased free cash flow from Kisladag will provide us with financial flexibility to continue to grow our current asset base.

In 2019, we will be focused on the following three projects: one, we will be testing the deeper material at Kisladag to see how recovery is impacted by longer leach cycles. We will also be looking at high-pressure grinding roll technology in conjunction with the longer leach cycles. If we are successful, this has a potential to expand the pit and extend the mine life. Two, we will be looking at expansion opportunities at Lamaque, including increasing the production from the Triangle deposit and exploring other targets for potential additional mill feed. Three, we will also be evaluating the possibility of

increasing capacity at Olympias using the existing mill footprint. We believe this could be done with modest capital. Thank you, everyone. I will turn it over to the Operator for questions.

Operator:
Thank you. We will now begin the question-and-answer session. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. Once again, to join the question queue, please press star, then one now. We will pause for a moment as callers join the queue.

Our first question comes from Matthew Fields of Bank of America Merrill Lynch.

Matthew Fields:
Hey, everyone. Just sitting here, I guess, we're about 296 days from when your bonds become current and I'm just thinking about how, with some of the uncertainty around your major assets, how you're planning to refi this $600 million tranche of bonds in that next 300 days. You talked about some asset sales potentially looking at on the last business update call. Do you find that there is $600 million worth of potential (unintelligible 24:28) out there? Do you think it could be split up between two smaller tranches, one secured, one unsecured? Maybe doing something more in the revolver, upsizing to take down some of those? Can you just give us a little bit of the plan that we know that you're working on to get ahead of this maturity?

Jason Cho:
Matt, it's Jason here. With regard to looking at the maturity, I'd say that there is a number of different things the Company is certainly considering. I will say that, at a high level, there is $600 million of demand out there with respect to looking at the various alternatives. With respect to, I guess, looking at timing of the high yield, I'd say, what we'd like to do is get a little bit more information in hand, I suppose. As you're aware, Lamaque is projected to be in commercial production in, I guess, later this month—or pardon me, into March. We know that we're going to start crushing and stacking at Kisladag in April. Where we're at with Olympias, I would say that we'll have better visibility into Q2.

One of the issues that we're looking at right now is thinking of what are the sources that are coming into the Company and then figuring out how best to redeploy. I will say that, with respect to looking at various alternatives, whether it is considering bank debt or some sort of term debt, whether it is a partial

refi of the high yield plus utilization of cash on balance sheet, plus that, that will be internally generated. I think there is a fair number of different alternatives that we are considering. I'd say it's generally work in progress at this point, Matt.

Matthew Fields:
Okay. You sort of didn't mention asset sales. Is that something that you're not really considering?

Jason Cho:
I would say it is something we are considering. I'd say all of that is work in progress and certainly works into how we intend to address the high-yield maturity.

Matthew Fields:
On your earlier comments, the timing of it, do you—are you sort of saying that you want to see how 2Q goes and then you'll try to figure it out?

Jason Cho:
No, I'd say that all of that certainly is part of it. I'd say that we have the ability to be a little bit opportunistic in terms of how we want to look at addressing the high yield. There is nothing that I'd say is urgently forcing us to do it right out of the gate here. But I'd say that we've got the ability to be a bit opportunistic in terms of how we want to evaluate the different options as it relates to addressing the high yield. I think, on our last call, I think we were asked what is the Company's intention with respect to how much of the debt will be retired. I think the way that I responded to that was referred the analyst to a general targeted net debt leverage ratio, right? Is there the possibility that we don't retire the full $600 million, and we retain some residual stuff going into 2020 or coming out of 2020, we still have some modest or some reasonable amount of debt on balance sheet that is kind of in line with the peers? I'd say that that's (unintelligible due to crosstalk 28:15)—

Matthew Fields:
Is that liquidity really free? Is that cash really free to pay down a chunk of that debt if Kisladag production is going to go way down in 2020, and you're going to be presumably burning cash? Is that really free and clear?

Jason Cho:
Yes, so if you're familiar with some of the disclosure that's out there, the long lead on the leaching of ounces from the pad, what we actually see is a lot of the cash flow in 2020 and into 2021. Although, we're crushing and stacking in the month of April, starting this year, you'll start to see a lot of that cash flow into 2020, and then the back half of this year.

Matthew Fields:
Sorry to play devil's advocate but—so you're not going to generate cash in the year that you actually need to refi?

Jason Cho:
We will. We absolutely will.

Matthew Fields:
All right. I appreciate it. I know (inaudible due to crosstalk 29:05) answer.

Jason Cho:
You're familiar with the 250-day leach cycle, right? What we'd experienced before is probably something closer to 90 to 100 days, and the issues that the Company encountered in October of 2017, what we witnessed over that period of time to the end of 2018 was a much, much longer leach cycle, right? Something that's approaching 250 days. Think of it this way, if you start crushing and stacking in the month of April, when do you expect to see most of those ounces? Likely the back half of 2019. If you continue at that proposed rate of, I don't know, a million tonnes a year, through the back end of 2019, you should see a lot of that in 2020, right?

Matthew Fields:
If you—if I may ask you a question? On your revolver, is it an event of default if your accounting company doesn't give you a going concern, a clean going concern opinion on your audit because your bonds are considered a current liability?

Philip Yee:
Matthew, it's Phil here. But I mean, is that speculation? Because we do not have a going concern issue on our balance sheet and financials.

Matthew Fields:
Not now, but your year-end 2019. I'm just saying, if the bond's not refinanced by the end of 2019.

Philip Yee:
We have enough cash to address part of it, and as Jason outlined, we are looking at different alternatives. We believe we will be in a position to address that. One of our main objectives, as we stated in the past, is to begin deleveraging the balance sheet, paying down some of the debt. That's one of our objectives for 2019 into 2020. I don't foresee there being a going concern issue here.

Matthew Fields:
Okay. Thanks very much and good luck.

Philip Yee:
Thank you.

Jason Cho:
Thanks.

Operator:
Once again, if you have a question, please press star, then one. Our next question comes from Kerry Smith of Haywood Securities.

Kerry Smith:
Thanks, Operator. Jason or Phil, are you still sort of—you'd mentioned on the last call that you were looking at a 50% reduction in debt. Basically refinancing, let's call it $300 million. Is that kind of still the target then?

Philip Yee:
Well, just to clarify, Kerry, I didn't say that we were trying to pay down the debt 50%. That was suggested. I said that was a reasonable target. But I don't think we've ever committed to a solid 50%. We're going to—as Jason outlined, we're looking at various options and our objective is to pay down as much as we can in 2019. We expect the cash flow generation increase in 2020 to be able to pay down a lot more in 2020.

Kerry Smith:
Okay, okay. Is the heap at Kisladag still performing today as you sort of expected it would or as you mentioned it was performing back when you did the call in January? Is it still sort of performing the way you thought?

Paul Skayman:
It's performing well, Kerry. It's actually a little bit in front of where we thought we would be. You've got to appreciate that this time of the year, weather plays a much bigger part, so often we've seen poorer performance in the first quarter due to rainfall. We've been somewhat conservative with our estimates, and we're doing a little bit better right now, year-to-date, than we anticipated in our budget.

Kerry Smith:
Okay. Phil, just one other question. The G&A is still a pretty high number, certainly on a per ounce basis. There was some talk in the MD&A about decreasing your global G&A target. What sort of targeted G&A are you looking at for corporate G&A then?

Philip Yee:
Well, I mean, we've started some initiatives this year, Kerry, to reduce G&A. Part of it, I think, has to do with the way G&A has been reported in the past. Some of the site-based, country-based G&A has been lumped in with the G&A expense number on the P&L. To be in line with some of our peers, we're going to be adjusting our reporting of that going into—starting in 2019. But again, I think we're looking at reducing the remaining G&A amount with efficiency and cost-reduction exercises in 2019, so…

George Burns:
Yes, this is George here. I mean, this year, after the adjustments and moving costs that are more pertinent to the operation support in-country, we budgeted and guided about a 10% reduction over last year's sort of head office cost. I think it was a little over 20% reduction from the prior year. We're headed in the right direction, Kerry, it'll continue to be a focus for us.

Kerry Smith:
Okay. That's a 10% reduction in 2019 that you're referring to, right? From 2018?

George Burns:

Correct. We've budgeted a 10% reduction this year compared to last year, again, after we have accounted for these adjustments. Our overall G&A is going to drop considerably more than that but the balance beyond the 10% is just reallocation to cost that really ought to be on a site basis.

Kerry Smith:

Okay. George or Paul, just the last question. What permits would you need if you wanted to put tailings, either wet tailings or dry tails, into the Sigma pit at Lamaque? Is there—could you put tailings in there now with—as wet tailings or…?

George Burns:

No, we need a permit to be able to dispose of tailings in the pit, and we've been working on both the technical aspects of that and the regulatory aspects. I mean, our current objective would be to go to a dry stack or pay sort of scenario in the Sigma pit. But there's still engineering and regulatory permitting issues that would have to be completed to make that change.

Kerry Smith:

Okay. It's just one provincial permit that you would need in that. Is that something that we would expect might happen in maybe—probably not next year but—or not this year, but next year?

George Burns:

I don't know if I'd put a time line on it. It's one of these things from a regulatory perspective. You're either going to get to the right answer and it's accepted or not, and from a tailings' risk perspective, putting it back into an open pit sort of heads down the road of reclamation. But the regulatory issues are more around water quality. What are the potential long-term impacts to water quality? Those are the things that we're studying both technically and with the regulators. I'd hate to make a guesstimate at this point.

Paul Skayman:

I would also say, Kerry, that we've identified more capacity in the existing tailings dam. We're not as rushed in terms of making that decision. We're taking our time, getting it right in terms of the best technical solution and then we'll work through that. There is—locally, there is desire to fill that pit. I think if we can arrive at the right technical solution, we'll ultimately do that but we're not in a rush at this stage.

Kerry Smith:
Okay. Would it be fair to say that you hope to decide one way or the other this year, but then it would be subject to permits, I guess?

George Burns:
Again, I don't want to speculate on timing, Kerry. We'll keep you updated as this progresses.

Kerry Smith:
Okay, great. Thanks very much.

George Burns:
You bet.

Operator:
Our next question comes from Tanya Jakusconek of Scotiabank.

Tanya Jakusconek:
Great. Good morning, everybody. Just remind me, Phil, what's the minimum cash balance you're comfortable having on the balance sheet in terms of any excess cash flow to paying down the bonds?

Philip Yee:
For budget purposes and going forward, we've maintained a safety margin of about $100 million in cash, minimum.

Tanya Jakusconek:
Okay. Okay, that helps. Thank you. Then, maybe for Paul, just coming back—actually, Phil, just on the inventory left over, that 9,000 ounces left at Olympias, how do we look at that during the year, is that going to be sold?

Paul Skayman:
Yes, the plan is to sell it during this quarter. We'll give you an update at the end of the quarter as to what that number looks like.

Tanya Jakusconek:

Okay. Thank you. Then actually, Paul, maybe just continuing with you. You mentioned that there is a possibility for an expansion at Olympias, which would be done at modest capital. Can you talk a little bit about what exactly you would be doing there? What is modest capital and does that mean we continue to push out that Phase 3—or Phase 2, appreciate that that's a ways out there.

Paul Skayman:

Yes, just looking at options. I mean, we feel that the existing processing plant could exceed—this year we're planning to put 430,000 tonnes through that plant. We could exceed that with the existing equipment, and we've got capacity to put another mill in place. The footings are actually in situ, so we could conceivably increase that throughput fairly significantly. Just again, looking at options. But as pointed out, reasonably modest capital spend to do that.

Tanya Jakusconek:

Well, what modestly capital spend are we talking about? What significantly expense—an increase? Can you go to 500 tonnes from 430? I mean, I—yes.

Paul Skayman:

Yes, the plant would certainly be capable of 500,000 tonnes and capital spend would be sort of $20 million to $30 million.

Tanya Jakusconek:

Okay. You wouldn't need any modification to your permits? Or do you need anything there?

Paul Skayman:

It'll be a modification to the permit, yes.

Tanya Jakusconek:

Okay. It could be done relatively quickly, like in a year or two?

George Burns:

Tanya, I'll just jump in there for a second. I'd say, first of all, these are our early estimates but reasonable. But I think the more important thing is, technically, this is quite simple; financially, it's pretty modest. Given our challenges in Greece and the requirements for permits I think that that is the more

significant issue. It's tough for us at this point to be able to predict when we might get the approval to expand throughput at Olympias. As I said on the introductory comments, we're feeling fairly optimistic that the election process could bring about a significant change in sentiment but we're just going to have to be patient and wait for that election to be completed.

Tanya Jakusconek:
No, and I appreciate that, George. I appreciate it, I mean, if we didn't have—if we had a normal investment scenario in Greece, and we didn't have a balance sheet having to deal with the bonds. I'm just trying to get a feel for how fast could something like that come up, could you get it in.

George Burns:
Sure. It's a pretty simple expansion. Without the ball mill, we have capacity to increase throughput with the permit and the ball mill and investment required to go maybe as high as 50% increase in production is technically pretty simple and pretty fast. It's really about the support of government and the appropriate permits.

Tanya Jakusconek:
Okay. Okay, thank you.

George Burns:
You bet.

Operator:
This concludes the question-and-answer session. I would like to turn the conference back over to Mr. George Burns for any closing remarks.

George Burns:
Thank you, everyone, for joining our call today. We're looking forward to a very productive 2019, and we'll be speaking with you at the end of the first quarter. Thank you.

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