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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Centerra Gold 2018 Second Quarter Results Conference Call and Webcast.

(Operator Instructions) As a reminder, we are recording today's conference Wednesday, August 1, 2018.

And now it's my pleasure to turn the conference over to John Pearson, Vice President, Investor Relations. Please go ahead, sir.

John W. Pearson - *Centerra Gold Inc. - VP of IR*

Thank you, operator. I'd like to welcome everyone to Centerra Gold's 2018 Second Quarter Conference Call.

Today's conference call is open to all members of the investment community and media. We have summary slides that are available on the company's website, to accompany each speaker's remarks.

Following the formal remarks, the operator will give the instructions for asking a question, and then we'll open the phone line to the questions.

Please note that all figures are in U.S. dollars, unless otherwise noted.

Joining me on the call today is Scott Perry, President and Chief Executive Officer; Gordon Reid, Chief Operating Officer; Darren Millman, Chief Financial Officer; and Yousef Rehman, General Counsel.

I would also like to caution everyone that certain statements made on this call may be forward-looking statements and as such are subject to known and unknown risks which may cause actual results to differ from those expressed or implied. Also, we will discuss today certain measures that are non-GAAP measures, and I refer you to our description of non-GAAP measures in the combined news release and MD&A. For a more detailed discussion of the material assumptions, risks and uncertainties, please refer to our news release and the MD&A issued this morning, along with the unaudited financial statements and notes and to our other filings, which can all be found on SEDAR or the company's website.

And now I'll turn the call over to Scott.



Scott Graeme Perry - Centerra Gold Inc. - President, CEO & Director

Okay, thank you, John. And good morning, ladies and gentlemen, and thanks for attending our Q2 Earnings Conference Call.

As John mentioned, I'm just going to be referencing the webcast presentation. And I'm just starting off on Slide #5.

So just touching on some of the key highlights during the quarter. First and foremost, we really want to reference the key safety milestone that we achieved at Kumtor during the quarter. On April 11, we achieved 1 year of "lost time injury free" operations, which also represents some 6 million man-hours without a single lost time injury incident. We're very pleased to see this level of safety performance. And we give full kudos to the management team at Kumtor in terms of demonstrating that we can achieve an environment of 0 harm. So it's a great milestone, a great accolade. Second bullet point there, during the quarter, we sold the royalty portfolio for USD 155 million. This is also inclusive of a \$45 million silver stream on the commenced development project in British Columbia. You'll see this when we move into our financials. We finished the quarter in a strong financial position and also in terms of our liquidity profile.

At Öksüt, during the quarter, we also closed our Öksüt credit financing facility. And we made an initial draw of USD 15 million. Looking at the fourth bullet point there: The construction at Öksüt is progressing very well. Everything is on schedule. I'm very pleased with how this operation is performing and, again, targeting first gold pour here in Q1 of 2020.

Just moving into Mount Milligan. A lot of the efforts and the initiatives we've been taking on we've been -- to ensuring in terms of our maintenance at Mount Milligan is resonating. We're seeing much improved mill availability, and that really demonstrated or showcased itself in terms of the throughput performance during Q2 at Mount Milligan. I think the most notable highlight there was we've actually achieved a run rate of 60,000 tonnes per day over a 30-consecutive-day time line period. And Gord will touch on this. Just in terms of the water at Mount Milligan, during the quarter, we applied to the BC regulators to access additional water sources. This access that was applied for will be accessed out to July 2020. We expect, we are hopeful that we'll receive those approvals during the fourth quarter, but obviously the timing of such approvals is -- always has an element of uncertainty. And it's obviously outside the control of the company.

Just in terms of Kemess, a very notable milestone during the quarter. We've now received our amended mine acts permit. This is the key permit that we need to have in hand if we were to make a construction decision. There's 2 remaining sort of normal-course permits that we're now waiting to receive and we expect to receive both this summer, and that is the emissions discharge permit -- sorry, the effluent discharge permit and the air emissions permit.

And in terms of financial results, Darren will touch on these, another quarter of profitability. We recorded after-tax net earnings of USD 43 million or correspondingly \$0.15 per share. On an adjusted basis, it represented \$1 million of earnings. In terms of the metal output numbers, it was gold production during the quarter of some 130,000 ounces of gold and copper production of 16.5 million pounds. In terms of our unitary cost, our all-in sustaining cost for the quarter was \$996 per ounce, and this is very favorably complemented by a low all-in sustaining cost at Mount Milligan. Mount Milligan during the quarter was \$700 per ounce. And in terms of cash flow in terms of the headline cash provided from operations before working capital changes, the result for the quarter was \$47.6 million or some \$0.16 per share. And then in terms of the balance sheet, we finished the quarter with overall liquidity of some USD 574 million.

Just moving on to the next slide, on Slide 6, just touching on the sort of the liquidity aspects a little bit more. I'm just referencing the chart there on the top-left quadrant. This is just a waterfall chart just illustrating the year-to-date cash flow performance, and you can see we started the year with \$417 million in cash. And really the big investment this year was the acquisition of AuRico Metals. We closed that transaction in the first week of January, and that resulted in an outflow of some USD 246 million. We funded that acquisition with 100% cash. Obviously, during Q2, as I referenced, you can see the green increment there. One of the assets that came to us with that acquisition of AuRico Metals was the royalty portfolio. And we divested and closed that transaction during Q2, generating some \$155 million of proceeds. As you follow through the increments and the decrements, you can see where we finished the quarter with some USD 188 million of cash reserves.

Moving to the chart in the top right and just our overall liquidity profile. And you can see in this ring chart the blue segment is our cash reserves. The yellow segment is our available capacity on our \$500 million revolving line of credit facility, and the green segment just represents the available capacity on our low-cost \$150 million Öksüt credit facility.

The chart in the bottom left just illustrates our net debt position. In 2017, we finished with a net cash position of USD 119 million, which is illustrated by the blue column. In Q1, the net debt was as high as USD 225 million. Following the acquisition of AuRico Metals, you can see, during the quarter, we've now finished the first 6 months with a net debt position of USD 110 million. And by and large, that really represents sale of the royalties; and in terms of those proceeds, all of which we used to pay down our revolving line of credit facility.

And then just lastly, the chart in the bottom right is our year-over-year retained earnings profile and really continues to demonstrate that theme of continued profitability. Our retained earnings balance is now just over USD 1.12 billion. And when you look at those columns there, comparing them to the red line chart which is the prevailing gold price, you can see, regardless of where we've been in the gold price cycle, Centerra has always had a portfolio of operating assets that's demonstrated ongoing profitability. So I'd like to think that it speaks to the quality of the assets in terms of their embedded margin.

Just moving on to the next slide, on Slide 7. Slide 7 is an illustration of the world industry cost curve, and what we're referencing here is the all-in sustaining cost metric. And what we've done with this chart is we've just illustrated where each of Centerra's operating assets are positioned from an all-in sustaining cost perspective. And these numbers are just as per our guidance for 2018, but what we're also illustrating, on the far left, is where Öksüt and the Kemess Underground Project are situated on this chart.

As you can see, Öksüt, Gord will speak to this, construction is underway. It's a relatively quick build. We're expecting first gold pour here in Q1 of 2020, but as and when it is commissioned, we're expecting Öksüt to be our lowest-cost asset, so it's a key aspect to our strategy. It's going to be our third source of high-quality, low-cost production. And obviously it's going to very favorably complement the existing operating asset base. The same remarks can be said to Kemess. You can see here, as per the feasibility study, we're looking at all-in sustaining cost as low as \$244 per ounce. It's a long-lived asset. So when I think about Centerra and the strategy moving forward, it's about a very long-lived asset in Mount Milligan, a long-lived asset in Kemess. I think we're really putting together a platform here that we can continue to build the company around.

With that, I'm now going to pass the call over to Gordon Reid, our Chief Operating Officer.

Gordon Dunlop Reid - Centerra Gold Inc. - VP & COO

Thanks, Scott. Good morning, everyone.

Safety performance in Q2 was somewhat average. In the quarter, we had 4 reportable injuries, for a total reportable injury frequency rate of 0.33. Of the reportable injuries, 2 were the result of [pits and] falls, and 2 were the result of sprains and strains. Year-to-date, we had 11 reportable injuries and a total reportable injury frequency rate of 0.49. Our goal is 0 harm, and we are still on that journey. The rollout of our Work Safe – Home Safe phase 1 program continues at our development sites OMAS and Kemess. Rollout of Work Safe – Home Safe phase 2 has been started at both the Kumtor operation and the Mount Milligan operation.

I'll refer you to Slide 9. In the quarter, consolidated production was 130,000 ounces at an all-in sustaining cost per ounce of \$996 per ounce. Kumtor produced 83,800 ounces of gold at an all-in sustaining cost per ounce sold of \$1,071 per ounce, as Kumtor continues to process from a low-grade surface stockpile, Sarytor; and cutback 17 mining done previously. Kumtor mining is currently ahead of schedule. We are expecting to intersect the high-grade SB zone ore in cutback 18 within Q3.

Mount Milligan produced 46,380 ounces of gold at an all-in sustaining cost per ounce of \$700 per ounce. Mount Milligan also produced 16.5 million pounds of copper. We've reduced our guidance at Mount Milligan given the ongoing challenge of sourcing sufficient water to keep the mill operating at full throughput. We have applied to the BC regulatory agencies to allow for temporary withdrawal of water from nearby surface and groundwater sources until July 2020. The application is pending.

Development on our Öksüt project is advancing on budget and on schedule. Our Greenstone project received a letter from the Ontario ministry of environment and climate change confirming that a decision on our environmental assessment application will be made before the end of the year. Our Kemess Project received its amended Mines Act permit that allows for construction should a construction decision be made. No construction decision has as yet been made for either our Greenstone or our Kemess projects.



I'll refer you to the next slide, Slide 10. For the 30 consecutive days ending June 6, Mount Milligan operated at an average daily rate of 60,900 tonnes per day. Mount Milligan achieved and is maintaining a maintenance target ratio of 80% planned maintenance to 20% unplanned maintenance, a significant improvement over the 70% unplanned maintenance to 30% planned maintenance ratio from a year ago. The mine has been challenged by temporary losses of water into the sands and gravels underlying the tailings storage facility; and by a very dry May, June and July. Water storage volumes are 50% lower this year, as compared to the same time last year, at 1 million cubic meters. Without access to additional water sources, Mount Milligan will have to further reduce throughput to one ball mill during the fourth quarter.

In June, Mount Milligan requested an EA amendment to allow for access to additional groundwater and surface water sources until July 2020. Mount Milligan has begun to -- the process to identify and establish a long-term water source that will reduce the need to rely on natural annual precipitation and will come into effect at the time the temporary permits expire.

I'll refer you to Slide 11. This schematic illustrates the location of the base underdrain towers or what we call the BUTs and the external sources of water being requested from the BC regulator. Note that the BUTs and groundwater well locations are for illustrative purposes only and should not be relied upon for accuracy of location. The round circles represent the BUTs. We are allowed to pump from these BUTs without additional licensing or EA approval. They were constructed as a geotechnical support feature of the tailings dam but are currently being used to bring water back into the tailings facility from the sands and gravels that underlie the tailings facility. During the winter of 2017 to 2018, these wells produced enough water to run one ball mill continuously. The water contained in the sands and gravels under the TSF is finite; and there is no guarantee that this source of water will last through the winter of 2018, 2019. The groundwater wells both within and external to the TSF, the tailings storage facility, require additional licensing EA amendment approval, as they intersect fresh water. These groundwater wells are a part of the EA amendment request.

The surface water sources that have been applied for include Meadows Creek, Rainbow Creek and Philip Lake, as you see in the circle -- the blue circles. These sources require additional licensing EA amendment approval. These sources will provide water as a percentage of the base flow, which is established to be protective of the environment. As such, the flows will vary year -- over the year, with the maximum flow being achieved during the [pressure] periods.

Turning your attention to this exploration slide, Slide 12. We've been very excited with our exploration success at Mount Milligan. Exploration activities in the quarter included in-pit, near-pit and step-out drilling; as well as geophysical surveying. Over 10,000 meters of drilling was completed in the second quarter in 28 [under-drilled] holes targeting under-drilled areas within and under the ultimate pit. Of particular interest, I'd like to draw your attention to hole 18-1068 in the news release. That hole returned almost 100 meters of 0.41-gram per tonne gold and 0.18% copper in the Saddle Zone, which is located between the Southern Star and MBX zones. This drilling success has led us to increase our exploration budget in the second half of the year by CAD 1.2 million and 6,500 meters of drilling.

Going to Slide 6 (sic) [13]. Our Öksüt project is proceeding on schedule and on budget, as evidenced by these pictures. There are currently 300 people working directly on the project, including 64 of our OMAS employees, which is our local subsidiary; and 236 contractors, who are primarily involved in advancing the site access roads and other earthworks projects. We remain on schedule and budget to achieve first gold pour by Q1 2020.

I'll turn the call over to Darren.

Darren J. Millman - Centerra Gold Inc. - VP & CFO

Thanks, Gord. Good morning, everyone.

For those following on the slide deck. I'll be talking to Slide 15.

Total revenue from operations during the quarter was \$243 million, \$117 million in gold sales in the quarter attributable to the Kumtor operations and \$76 million in copper-gold sales from the Mount Milligan operations. It's a 13% comparative quarter decrease in revenue largely attributable to Kumtor processing lower-grade surface stockpiles from Sarytor and cutback 17, as mentioned by Gord.

Operating cash flow before changes in working capital during the quarter was \$47.5 million, the significant change attributable to Kumtor operations with approximately 13 -- 30% less gold sold in the quarter and the all-in sustaining cost approximately 35% higher in the current quarter compared to the prior year. The lower production and the higher-cost ounces were expected and in accordance with the 2018 plan.

Net earnings for the quarter was \$43.5 million, where the major contributors for the earnings during the quarter was the gain on the sale of the gold royalty portfolio of \$28 million; and the additional \$10 million in payments receivable from the sale of our ATO project in Mongolia, which was previously announced. After taking into consideration these nonrecurring items, the company's adjusted earnings for the quarter was just under \$1 million or 0 per share.

On a consolidated level, Centerra realized gold prices during the quarter of \$1,176 per ounce, and \$1,165 per ounce in the prior year quarter. Copper during the same period was \$2.23 per pound and \$1.90 per pound, both net of stream arrangements.

I'll now be talking to Slide 16. 140,427 ounces of gold were sold during the quarter, and 12.7 million pounds of copper. Consolidated all-in sustaining cost of \$996 per ounce was achieved in the quarter; and as mentioned by Gord, Kumtor recording all-in sustaining cost per ounce of \$1,071, with Mount Milligan recording \$700 per ounce.

As highlighted by Scott earlier, we received \$155 million in cash receipts from the sale of the gold royalty portfolio during the quarter. This has enabled us to further reduce our overall net debt position to \$110 million. The company remains in a very strong financial position with \$574 million in liquidity, with all conditions preset met on the Öksüt credit facility during the quarter.

The company is currently also evaluating several options on the Kumtor -- on the Kemess Project, with our current focus on offtake financing and project financing.

And with that, I'll turn it back to Scott.

Scott Graeme Perry - Centerra Gold Inc. - President, CEO & Director

Okay, thank you, Darren.

Just wrapping up on Slide 18.

So again just referencing the all industry -- sorry, the world industry cost curve in terms of all-in sustaining cost metric. Again just showing where each of Centerra's assets is positioned and just trying to highlight our go-forward strategy. The strategy is one of ongoing profitability, obviously, in terms of Kumtor and Mount Milligan. We think these are significant top-tier assets that'll underpin the company moving forward. Öksüt is in construction now. As I mentioned earlier, we think it's going to be our third source of low-cost, high-quality production.

So really in terms of our strategy it's one of growing intrinsic value. We think we've got the right asset portfolio. We think we've got the strong liquidity in terms of our financial horsepower, and more and more it's just going to be about executing on this moving forward.

With that, I'd like to pass the call back to the operator. And we can just go into the question-and-answer section.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question is from David Haughton with CIBC.



David Haughton - *CIBC Capital Markets, Research Division - MD & Head of Mining Research*

Just looking at Mount Milligan, just wondering what your throughput strategy is whilst you're waiting for the permit. Would you look to conserve as much water as possible? Or would you just be running, say, at the 50,000 to 60,000 tonnes a day? And just trying to get an idea as to what your thinking is here.

Gordon Dunlop Reid - *Centerra Gold Inc. - VP & COO*

David, it's Gordon. Our strategy will be to run the mill at the highest level of throughput without risk of having a shutdown. We don't want to have a shutdown. And there is a minimum pond level that we have targeted that we would work towards.

David Haughton - *CIBC Capital Markets, Research Division - MD & Head of Mining Research*

Okay, so in your commentary you had said that the pond has currently got about 1 million cubic meters. What sort of minimum are you thinking about here?

Gordon Dunlop Reid - *Centerra Gold Inc. - VP & COO*

So that's really more to just a prescribed number. We have to look at the potential of freezing, where it is in the pond, the potential of sucking up dirty water and potentially damaging the mill. So we don't have a prescribed number. It's more of a general number than subject to these other criteria, so I really can't give you a number.

David Haughton - *CIBC Capital Markets, Research Division - MD & Head of Mining Research*

All right. So talking about freezing. That doesn't really apply so much to the third quarter, so I'm just trying to get a beat as to what we should be thinking about as the average throughput in the third quarter. It -- would it be above 50,000 tonnes a day, would you say?

Gordon Dunlop Reid - *Centerra Gold Inc. - VP & COO*

It's all subject to the availability of water. And as you know, we've applied for these temporary approvals to draw water from groundwater and surface water sources. If we get approval -- if we get access to that water in the fourth quarter, we'll be able to achieve our \$55,000 -- 55,000 tonne per day guidance. If we don't get access to that water, it will be a lower amount than that, a lower throughput than that.

Scott Graeme Perry - *Centerra Gold Inc. - President, CEO & Director*

And David, it's Scott. Just to clarify: I think your question was with regard to Q3, and I think Gordon is more speaking to Q4. So in terms of Q3, David, we've got a 10-day shutdown for the primary crusher, which is complete. So that was in the month of July. And then in September, the BC Hydro authorities, they've got a scheduled shutdown for 5 days. And so in the spirit of your question, the days when -- every other day where we're operating, we are targeting our ongoing throughput guidance of 55,000 tonnes per day. Does that answer your question?

David Haughton - *CIBC Capital Markets, Research Division - MD & Head of Mining Research*

Yes, it does. Because we were kind of getting into a bit of a circular discussion there that was somewhat frustrating, but this is much clearer. Just going over to Kumtor, very much back-end weighted on the grade. I heard that you're getting into the higher-grade portion of one of the cutbacks. Should we be thinking about most of a slightly better grade in Q3 and then a much better grade in Q4, as far as what's presented to the mill?

Gordon Dunlop Reid - *Centerra Gold Inc. - VP & COO*

You can expect that. We'll be getting into the higher-grade material within Q3, and then the entirety of Q4 will be in the higher grade. So yes.

David Haughton - *CIBC Capital Markets, Research Division - MD & Head of Mining Research*

Okay. And by higher grades, could we see it in the high-3-gram kind of level in Q4?

Gordon Dunlop Reid - *Centerra Gold Inc. - VP & COO*

I'd refer you to your -- our guidance, and that's -- we'll be achieving the guidance.

David Haughton - *CIBC Capital Markets, Research Division - MD & Head of Mining Research*

Okay. Over to Öksüt, and I'll leave it after this. Earlier on, we'd had an idea of the CapEx spend for the year around the \$82 million mark. A little bit of a slower start in the first half. I'm just wondering whether that is still the target for the year or whether we'd see some of that spend slip into 2019.

Gordon Dunlop Reid - *Centerra Gold Inc. - VP & COO*

Yes, well, we're maintaining our guidance at the moment on Öksüt. I mean, clearly as the year progresses and given the weakening in the Turkish lira, we're reevaluating, but I -- we're maintaining our guidance at this point.

Scott Graeme Perry - *Centerra Gold Inc. - President, CEO & Director*

And David, it's Scott. Just you mentioned a slower start. I just want to remind everyone that we didn't break ground until March 27. So in terms of the guidance, the USD 82 million of investment expenditures this year, obviously the majority of it is back-end weighted in the second half of this year given the March 27 groundbreaking.

Operator

And the next question is from Trevor Turnbull with Scotiabank.

Trevor Turnbull - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Yes. I just wanted to ask a little bit more just to kind of understand the water balance at Mount Milligan. I know that you aim to recycle 100% of the process water, but you obviously are losing a bit of it. You aren't able to -- you recycle 100%, but at the same time you are seeing the finite amount of water that you have actually go down over time. And I'm just wondering kind of what is that loss rate in terms of what you use. If you need 21,000 cubic meters a day and you're recycling essentially 100% of that, what portion of that is getting lost that you're not actually putting back into the tailings facility?



Gordon Dunlop Reid - Centerra Gold Inc. - VP & COO

Yes. So the losses are 37.5% of the tonnes of concentrate that gets caught up in the interstitial voids within the tailings. So for example, if we run 60,000 tonnes a day of ore, about 1/3 of that in terms of tonnes of water stays in the tailings facility and is not accessible because it's within the tailings voids...

Trevor Turnbull - Scotiabank Global Banking and Markets, Research Division - Analyst

Right. And you do have these -- you talked about these BUTs to actually recover water from, I assume, these same voids in the gravels and so forth in the dam. Is there too much of a lag time? Is that why it doesn't still net out to be kind of a stable amount of water in the facility? Is it because it takes too long to percolate down to where you can pump it back in?

Gordon Dunlop Reid - Centerra Gold Inc. - VP & COO

Yes. There's 2 things. One, there is a lag time. And secondly, when the water is sitting in the pond, it's accessible for as -- up to 100% of the available water. When the water is in the sands and gravels, we can only bring it up at a fixed rate based on the capacity of the pumps. So I hope that's understandable.

Trevor Turnbull - Scotiabank Global Banking and Markets, Research Division - Analyst

Right. So maybe -- yes. So what kind of pumping capacity have you got to supplement what's -- in other words, you're losing, say, 1/3 into the gravel, but then you're clawing some of that back with pumping. To what degree are you kind of gaining on that again?

Scott Graeme Perry - Centerra Gold Inc. - President, CEO & Director

We never really go into those specifics, Trevor. I think the way we look at it is that we've got 4 sources of water. We've got the base underdrain towers, what we call the BUTs, as you say. We've got the groundwater access in terms of the wells. We've got the existing available water in the tailings storage facility. And then we've obviously got access to Philip's lake, which is expiring at the end of October. I probably should also mention any precipitation that occurs as well. So they're all of our water sources. And they are adequate in terms of what we need to replace the 21,000 cubic meters of water every day, but as we mentioned, the access to Philip's lake, that expires at the end of October. And that's why we have this big push right now on the permitting strategy looking to establish ongoing access to Philip's lake; as well as 2 additional sources, which is Meadows Creek and Rainbow Creek. And we want that access established out to July 2020.

Trevor Turnbull - Scotiabank Global Banking and Markets, Research Division - Analyst

Right. And I understand it would certainly help to have these additional sources, but Philip's lake in and of itself, like if you were to extend the ability to pump there beyond October, that still isn't quite enough to offset the losses in the facility ahead of 2020, is it?

Gordon Dunlop Reid - Centerra Gold Inc. - VP & COO

Well, not by itself, but it's one piece of the puzzle that allows us to operate at our full throughput.

Trevor Turnbull - Scotiabank Global Banking and Markets, Research Division - Analyst

Look, I understand. And I'm not trying to be pedantic. It just seems that this is the crux of the issue. You're draining 1 million cubic meters of a finite resource, and I think what David and I and everyone really wants to know is how fast are you draining that. I understand there's ways to supplement it, but come -- I mean, even Philip's lake at 2,500, it's slightly more than 10% of what you need. It seems like we're just trying to understand how

quickly this resource is wasting away. But I understand there's multiple sources on the come, but at this point you're kind of facing a ticking clock here.

Gordon Dunlop Reid - *Centerra Gold Inc. - VP & COO*

So we have 1 million cubic meters in the current TSF. The BUTs, last winter, we provided enough water from the BUTs to run one ball mill continuously. The Philip Lake amendment lifts the cap. The existing Philip Lake amendment had a cap of 60 liters a second, which is 5,000 cubic meters a day. We're allowed to draw up 15% of the base flow, so that's why it varies. Now we're -- the amendment, the extension of the temporary permit that we've asked for takes the cap off so we can pull 15% of the base flow. And that 2,500 was a snapshot in time on a particular day. So it varies based on the amount of water. Rainbow Creek is similar. It's a percentage of the base flow. This percentage is meant to be protective of the environment, but both these creeks particularly in the spring flow at very high rates, so we expect to be able to pull a lot of water from them in the spring and then use -- and that'll go into the TSF and be available for our use. The groundwater as well. There is -- the groundwater sources, we expect to contribute a fair bit of water to the overall picture as well once groundwater wells are permitted.

Trevor Turnbull - *Scotiabank Global Banking and Markets, Research Division - Analyst*

Yes, I appreciate that. I just, guess, again referencing something David had mentioned. A lot of these increasing flows with from -- either from the creeks and from the base flow percentages, a lot of these things seem to be a bit spring melt and runoff dependent. And it's more of the concern getting to the spring, but I'll leave it there.

Operator

And the next question is from Greg Barnes with TD Securities.

Greg Barnes - *TD Securities Equity Research - MD and Head of Mining Research*

I'm sorry about this, but it's following up on Trevor's comments. So if you have access to all those sources of water heading into Q1 of 2019, can you run the mill at full capacity?

Gordon Dunlop Reid - *Centerra Gold Inc. - VP & COO*

We could run the mill at our guided capacity of 55,000 tonnes a day, yes.

Greg Barnes - *TD Securities Equity Research - MD and Head of Mining Research*

Okay, assuming you have access to all of those different pieces of the puzzle that you've added up there.

Gordon Dunlop Reid - *Centerra Gold Inc. - VP & COO*

That is correct.

Scott Graeme Perry - *Centerra Gold Inc. - President, CEO & Director*

Which includes the permits.



Gordon Dunlop Reid - *Centerra Gold Inc. - VP & COO*

Yes...

Greg Barnes - *TD Securities Equity Research - MD and Head of Mining Research*

Which includes the permit that you hope to get very soon.

Scott Graeme Perry - *Centerra Gold Inc. - President, CEO & Director*

Yes, exactly.

Greg Barnes - *TD Securities Equity Research - MD and Head of Mining Research*

And if you don't get the permit, I know that's obviously not something you want to contemplate, but what level can you run the mill at?

Gordon Dunlop Reid - *Centerra Gold Inc. - VP & COO*

We have -- I believe we guided in the MD&A that we would have to cut back to a single ball mill and run at a reduced throughput of 30,000 tonnes a day without those permits.

Greg Barnes - *TD Securities Equity Research - MD and Head of Mining Research*

Okay. So you can get through the winter running the mill at the 55,000 tonnes a day.

Scott Graeme Perry - *Centerra Gold Inc. - President, CEO & Director*

The permits.

John W. Pearson - *Centerra Gold Inc. - VP of IR*

If we had all of those permitted water sources, yes.

Operator

(Operator Instructions) Our next question is from Matthew Macphail with Canaccord Genuity.

Matthew Macphail - *Canaccord Genuity Limited, Research Division - Associate*

Just changing gears a little bit, talking about something else at Mount Milligan, the exploration. You guys are -- obviously you're drilling around the periphery and below the current reserve pit. Are any of the results you're seeing like incrementally positive to a potential revised mine plan? Like this Saddle Zone, is this something that could be brought forward? And would it be an improved grade profile over the current mine plan? I know it's still early, but what are the -- is it looking like right now?



Gordon Dunlop Reid - Centerra Gold Inc. - VP & COO

Well, the Saddle Zone is called the Saddle Zone because it is a -- it was historically treated as a noneconomic saddle between the MBX and the Southern Star zones. This current drilling that our exploration group is doing is identifying economic mineralization within the Saddle Zone. That -- it is too early to say for sure, but it suggests to us the risk potential that we could deepen the pit and mine out the Saddle Zone and increase the ore reserve overall because of it.

Matthew Macphail - Canaccord Genuity Limited, Research Division - Associate

And just to follow up with that. Is it looking economic because of previously not enough drilling or just new commodity price assumptions or other estimates? I'm just trying to figure out if it's a net positive. Or is it a -- just a difference of assumptions and a bit more drill density?

Gordon Dunlop Reid - Centerra Gold Inc. - VP & COO

No. This area was under drilled. And these resources or these intercepts we're picking up are new intercepts, so it's a net positive.

Operator

And gentlemen, there are no more questions.

John W. Pearson - Centerra Gold Inc. - VP of IR

Well, with that, no more questions, we'll thank everyone for attending the call. And we'll be available throughout the day for other questions.

Thank you.

Operator

And ladies and gentlemen, that concludes our call for today. We thank you for your participation, everyone. Have a great rest of your day. And you may disconnect your line.

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