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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Centerra Gold 2018 Fourth Quarter and Year-End Results Conference Call and Webcast. (Operator Instructions) As a reminder, this conference is being recorded, Monday, February 25, 2019.

I would now like to turn the conference over to John Pearson, Vice President, Investor Relations. Please go ahead.

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

Thank you, Edison. I would like to welcome everyone to Centerra Gold's 2018 Fourth Quarter and 2018 Year-End Conference Call. Today's call is open to all members of the investment community and media. And summary slides are also available on Centerra Gold's website. Following the formal remarks, the operator will give the instructions for asking a question, and we will then open the phone line to questions. Please note that all figures today are in U.S. dollars, unless otherwise noted.

Joining me on the call today is Scott Perry, President and Chief Executive Officer; Darren Millman, Chief Financial Officer; and joining us by phone remotely is Yousef Rehman, our General Counsel.

I would like to caution everyone that certain statements made on this call today 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 certain of the measures we will discuss today are non-GAAP measures, and I refer you to our description of the non-GAAP measures in the combined news release and MD&A. And for a more detailed discussion of the material assumptions, risks and uncertainties, please refer to our news release and MD&A, which were released on Friday evening along with the audited financial statements and notes and to our other filings, which all can be found on SEDAR and the company's website.

So at this time, I will now 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 joining our call.

Just starting up on Slide 4 of our accompanying presentation deck. As you can see on this slide, we're really looking to recognize some of the exemplary efforts of our team at Öksüt. First and foremost, starting off with safety, the team continues to demonstrate great performance. We currently stand at 1.2 million hours of lost time incident-free operations, which is just an outstanding milestone for the project and the team given that they are in the construction phase.



Construction is progressing really well. Later on in this deck, we've got some images just to really demonstrate a lot of the activity that's taking place on surface with the various infrastructure and installations. But most importantly, construction is exactly in line with schedule. So we continue to put forward that this project will be delivered on time, on budget, which is fantastic. Obviously, this is going to be a key source of high-quality, low-cost production for Centerra and just absolutely paramount in terms of our strategy moving forward and continuing to diversify the company.

In terms of the 2018 production results, you can see here in the third bullet point, we've produced just under 730,000 ounces of gold, 47 million pounds of copper for the year. Relative to our guidance, that exceeded the top end of guidance, so a very strong end to 2018.

We saw that really resonate in terms of our low all-in sustaining costs for the year, just referencing the fourth bullet point here. We actually finished the year at an all-in sustaining cost of \$754 per ounce, which was actually \$28 per ounce lower than our revised guidance. So again, a very strong finish to the year at both operations and, again, just really reflects the strong production levels.

I just move down towards some of the later bullet points in the slide. You can see in terms of free cash flow generation in the quarter, Mount Milligan generated \$31 million of positive free cash flow and Kumtor generated \$107 million of positive free cash flow, so very strong profitability at the operating level.

We continue to rationalize our portfolio. One of the key announcements in Q4 was that we divested of our Mongolian business unit for net proceeds of USD 35 million, and that transaction closed in October.

Just the last 2 bullet points. I think what really represents the strong level of free cash flow generation is in Q4, in the fourth quarter, we repaid some \$140 million of debt. Again, that just really illustrates the strength of the cash flow, the strength of the profitability and, obviously, the strong balance sheet that we'll be carrying over into 2019. And you can see that with the last bullet point there, we finished the year with total liquidity of \$641 million. So in terms of business plan moving forward, with that liquidity and the strong profitability, Centerra's growth and the construction and what have you is all fully funded internally.

Just moving on to the next slide, on Slide 5. Just a few highlights in terms of the financials, and Darren will talk to this in more detail. But again, just the ring chart there in the top right, you can see that's where we finished the year in terms of our overall treasury position and total liquidity. So cash reserve's around \$152 million. And then in terms of the undrawn capacity in our revolving line of credit facility, we've got around \$389 million. If you aggregate that with the Öksüt construction credit facility, that denotes the \$641 million in total liquidity.

The bottom left there, we finished the year with strong balance sheet. In terms of our net debt position, it's USD 46 million. So in terms of our overall indebtedness or leverage ratio, I think we're very competitive relative to our comparative peer group.

I always like to highlight the last chart there in the bottom right, just in terms of the positive retained earnings. Again, 2018 was another year of positive after-tax earnings. And you can see, when you look at the blue segment in those column charts, generally speaking, year-over-year, we have been growing our retained earnings balance regardless of where we are in the prevailing gold price environment, which is illustrated by the red line chart. So again, I think that also just speaks to the underlying quality of the operating assets.

Just moving down to the next slide, on Slide 6. I keep talking about the profitability, the retained earnings. I think this chart puts it in perspective just in terms of Centerra's business, our portfolio being one of high margins. What we're illustrating here is the world industry cost curve in terms of the all-in sustaining costs, and then it's just illustrated where each of Centerra's assets reside relative to that industry-wide cost curve.

So you can see Centerra in bold. We're right there at the 25 percentile sort of mark. Our all-in sustaining cost guidance for this year in the midpoint of around \$750 per ounce. But I think what's really exciting when you look at Centerra's organic growth opportunities, obviously, the key one right now, which is in construction, is Öksüt in Turkey. And you can see on the far left there, we're expecting Öksüt to be producing gold as well as \$490 per ounce. So that's going to be very complementary to what is already a very low-cost profile for Centerra. So very excited to see Öksüt coming online as soon as Q1 of 2020.



I'm just going to move on to Slide 8 of the presentation deck, just talk a little bit more about some of the operating highlights. So again, on Slide 8, second bullet point there, I think, that's the key one. And again, I just want to recognize all of our employees' efforts throughout the company. It was a very strong finish to the year in 2018, and you're seeing that in terms of our gold production and our all-in sustaining cost performance. We've really outperformed the very favorable end on both set of metrics. That strong performance is carrying over into 2019. You can see the third bullet point here, we're guiding for gold production as high as 740,000 ounces for the year and at all-in sustaining cost as low as \$723 per ounce.

I think where you're really going to see a lot of this strong momentum is at Kumtor. We've made great strides in terms of our mine planning and sequencing and just the way we're phasing in the pit. We're essentially ahead of our life-of-mine plan, if you will, our 43-101 plan. And I think where you can see that is if you look at the quarter-over-quarter gold production profile at Kumtor, this year, we're expecting it to be a lot more uniform, a lot more evenly distributed on a quarterly basis. So again, I think, that's a real positive in terms of Centerra being able to showcase Kumtor's profitability on a quarter-over-quarter basis.

Second last bullet point here just on Öksüt. I mentioned earlier that the project is progressing really well and doing everything safely, which is fantastic project, on time, on budget. As at the end of 2018, we were essentially 38% complete on construction.

And then just the last highlight here just in terms of our Greenstone project, which is another key asset within our organic growth pipeline. In December of 2018, we received the federal environmental assessment approval. So now we're just waiting on the provincial environmental assessment approval, and we expect to have that in hand here most likely in Q1 of this year.

Just moving on to Slide 9. Just to cover up on Mount Milligan, which is, obviously, our second key asset in British Columbia in Canada. Just in terms of the mill productivities here, in terms of the first bullet point, you can see in the fourth quarter the mill is operating at approximately 44,000 tonnes per operating day. That was an intentional strategy, whereby we were leveraging the speed of the mill or slowing down our overall processing speed, if you will, just to make sure that we're conserving an adequate amount of water in terms of managing our water balance at Mount Milligan.

For the full year, you can see Mount Milligan achieved 47,000 tonnes per operating day. So again, both of these metrics lower than what has always been the sort of targeted 55,000 tonnes a day sort of capacity rate. But again, that was an intentional strategy in terms of managing the water balance.

If I reference the fourth bullet point, we expect to be receiving our 3-year sort of medium-term water permits here shortly. That will give us access to new ancillary water sources in terms of Philip Lake, Meadows Creek and Rainbow Creek as well as groundwater sources. We expect to have these permits in hand shortly, which is ideal, given that the spring melt season usually commences in the first half of April. So when we have these permits in hand and as and when the spring melt season commences, that's going to put us in a fantastic position to realize significant volumes of water that will allow us to totally replenish our overall water balance at Mount Milligan and that will then allow us to operate the mill at full speed being 55,000 tonnes per day. We'll be operating the mill at full speed for the remainder of the year once that spring melt season commences.

Just moving on to next slide, on Slide 10, and this is my last slide, and then I'll pass it over to Darren. Just -- we just included -- John has included some images here just some of the recent construction activities at Öksüt. So again, this is our project in Turkey. This is what's going to be our third operating asset, and we're expecting first gold here in Q1 of 2020. You can see with these images that really highlights all the infrastructure and installations on surface is coming together pretty quickly. So we're very excited about this.

The project's in its sort of critical phase right now being the winter season in Turkey. Season to date, if you will, our performance and productivities has been in line, if not ahead of budget. If we can continue to maintain that level of positive progress, then it just obviously increases the likelihood that much more of, obviously, the project being delivered on time, on budget, but even the potential to maybe bring the project forward. So again, I just want to recognize our team's efforts there. They're doing a fantastic job.

So with that, I'm going to pass the call over to Darren Millman, our Chief Financial Officer. And Darren, over to you.



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

Thanks, Scott. Good morning, everyone. For those following on the slides, I'm now speaking to Slide 12.

Total revenue from operations during the quarter was \$391 million, \$247 million in gold sales -- of gold sales in the quarter attributable to the Kumtor operations, a 13% increase in ounces sold compared to the comparative year quarter. This, however, was offset by lower gold prices realized. \$89 million was from copper-gold sales from the Mount Milligan operations. The company sold 8% more gold ounces than in the comparative quarter and 13.6 million pounds of copper. However, these increases in gold and copper sales were offset by the decrease in copper market prices experienced in the quarter.

Net earnings for the quarter was \$49 million. There was no items classified as adjusting items recorded in the quarter, but I would highlight a \$41.8 million reclamation expense. This was material attributable to the Thompson Creek mine currently on care and maintenance. The underlying expense for the water treatment at the Thompson Creek mine is over a 100-year period with the initial water treatment capital expenditure of \$6 million to be incurred in year 44 and average operating expenses to range from \$0.3 million to \$1.4 million over the longer term.

The earnings was \$0.17 per share, which included the reclamation charge of \$0.14 per share. On a consolidated level, Centerra realized gold prices during the quarter of \$1,157 per ounce and \$1,190 per ounce in the prior year quarter. Copper during the same periods was \$1.76 per pound and \$2.23 per pound, both net of the streams.

I'm now referring to Slide 13. 269,754 ounces of gold was sold during the quarter and 13.6 million pounds of copper. Consolidated all-in sustaining cost of \$576 per ounce was achieved in the quarter, and Kumtor recording an all-in sustaining cost of \$508 per ounce, with Mount Milligan recording an all-in sustaining cost of \$689 per ounce. Consolidated all-in sustaining cost for the year was \$754 per ounce, with Kumtor recording all-in sustaining of \$694 with Mount Milligan recording the all-in sustaining of \$764.

Our operating cash flow before changes in working capital during the quarter was \$157 million, another strong finish for the year from Kumtor with \$144 million coming from the operations and \$28 million coming from Mount Milligan operations. The molybdenum business unit incurring a \$3 million cash outflow in the quarter. The strong free cash flow has enabled us to reduce debt by \$105 million in the year and at year-end with the net debt position of \$46 million. The company remains in a very strong financial position with \$641 million in liquidity and comfortably funding the development of the Öksüt project.

With that, I'll pass it over to the operator to open up the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Bryce Adams with CIBC.

Bryce Adams - CIBC Capital Markets, Research Division - Analyst

You've spoken about rescheduling the mine sequencing at Kumtor. A great profile, it was very strong in Q4. Just wondering if there's any chance of that high-grade zone and those higher grades rolling into the early part of 2019?

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

Bryce, this is Scott. I think we have -- if you look at our guidance, from memory, we were guiding that 28% of the gold production in 2019 will be in Q4. And then if you think about Q1, Q2, Q3, the remaining portion of the gold production would be evenly distributed over those quarters. So yes, we are seeing some of the higher-grade material that we've established access to. You'll see some of that coming into Q1. So I think it's going



to be a robust quarter. Our guidance is for gold production of up to 565,000 ounces. If you kind of take the midpoint of our production guidance and then take 21% of that, that's kind of where we're targeting in Q1.

Bryce Adams - *CIBC Capital Markets, Research Division - Analyst*

Okay. But if the first 3 quarters were not to be uniform, probably there's potential for Q1 to be the kicker?

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

No. I think the way we're managing it is it will be evenly distributed. So I will guide you to 21% of the annual gold production target being in Q1.

Bryce Adams - *CIBC Capital Markets, Research Division - Analyst*

Okay. And then the second question would be on recoveries, gold recoveries at Kumtor and gold recoveries at Mount Milligan, both pretty strong results there. I was wondering if you could talk to that a little bit more.

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

Yes, so both operations, it's really attributable to the higher grade, but especially, so Kumtor, if you've had a chance to look at our MD&A, you would've seen that the grade was very high, very strong in Q4 and typical of a lot of milling operations. In terms of the recovery leach curve, it's generally a fixed tower grade. So when that feed grade is high, you tend to see the higher recovery. So that's predominantly what's driving that growth at Kumtor. At Mount Milligan, as you point out, we had higher recoveries as well. On the gold, we're averaging around 67%. A lot of what that's attributable is the lower throughput. So we're running the mills at a slower speed. But as a result, you're getting a lot more retention time in terms of the back end of the circuit and that facilitates stronger recoveries, and that will be the key theme there in Q4.

Operator

(Operator Instructions) The next question comes from the line of Mike Parkin with National Bank.

Michael Parkin - *National Bank Financial, Inc., Research Division - Mining Analyst*

Just a couple of ones related to kind of the water treatment comments in the press release. For Thompson Creek and the Endako, obviously, we've got a figure for Thompson Creek. Just give us a bit more color on how that is to kind of flow over the next 10 years in terms of expenditures? Is there a more heavy weighting? Or is it kind of a consistent spend on a go-forward basis? And you mentioned that you're reviewing your long-term water treatment at Endako. Can you give us a bit more color on that as well?

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

So thanks, Mike. It's Darren here. So basically, the Thompson Creek mine expecting expenditures to be at similar levels as we've incurred 2018 into 2019, and that to continue in the short to medium term. As I referred to in the MD&A and the financial statements, we're not really expecting significant expenditure to be increasing for reclamation cost at the Thompson Creek mine until year 44, in which we incur approximately \$6 million for the water treatment and then the operating expenditure will then take an increase something -- ranging between \$300,000 up to \$1.4 million. So that's very much down the track. Endako, we'd review actually all our reclamation expenditures on an annual basis. At the moment, we're in discussions with the relevant local authorities, and it's more from a bonding perspective is our focus, so what we're required to establish for financial assurance purposes. We don't expect the same potential increase. So there could be potentially a decrease in Endako, given we are sort of remediating

that on a regular basis. So -- but there is obviously from the BC government perspective has been a push for additional water requirements. So it's a difficult one to answer on that piece, but we're not expecting anything material to the same level we recently experienced at Thompson Creek.

Operator

(Operator Instructions) And there appear to be no further questions on the telephone lines.

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

With that, we'll end the call then. Thank -- I want to thank everyone for joining us this morning on our call, and we will end it now. Thanks.

Operator

Ladies and gentlemen, that does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines.

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