Endeavour Silver Corp.

Fourth Quarter 2013 Results

Conference Call Transcript

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Speakers:

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Chief Executive Officer

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President and Chief Operating Officer

Dan Dickson
Chief Financial Officer

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OPERATOR:

At this time, I would like to turn the conference over to Meghan Brown, Director of Investor Relations. Please go ahead.

MEGHAN BROWN:

Thank you, Operator. Good morning, everyone, and welcome to the Endeavour Silver Fourth Quarter 2013 Financials Conference Call. On the call today, we have the Company's CEO, Brad Cooke; as well as our President and COO, Godfrey Walton; our CFO, Dan Dickson; and our VP of Corporate Development, Terry Chandler.

Before we get started, I'm required to remind you that certain statements on this call will include forward-looking information within the meaning of applicable securities laws. These may include statements regarding Endeavour's anticipated performance in 2014 and future years, including revenue and cost forecasts, silver and gold production, grades and recoveries and the timing and expenditures required to develop new silver mines in mineralized zones. The Company does not intend to and does not assume any obligation to update such forward-looking statements or information other than as required by applicable law.

Thank you, and with that, I will turn the call now over to Endeavour's CEO, Brad Cooke.

BRAD COOKE:

Thanks, Meghan, and welcome, everybody. I would like to, as I normally do, cover the highlights of today's news release and our financial and operating performance from the fourth quarter 2013 and the full year 2013. Then I'll open it up for Q&A, and you have our full attention. Most of the core management group is here today.

Our highlights on the financial side in 2013 were led by a net loss of $89.5 million compared to earnings of $42.1 million in 2012. That loss was primarily due to an impairment of our assets due to the lower metal prices. Our adjusted earnings fell 72% to $11.1 million, or $0.11 per share, compared to $40 million of earnings in 2012, and that adjustment also includes the deferred Mexican tax liability. I know that some of our peers actually don't include that as a deduction on their adjusted earnings, but we do.

EBITDA actually increased 10% last year to $100 million. Both cash flow from operations and mine operating cash flow were relatively flat year-on-year, cash flow being at $81.6 million and mine operating cash flow at $116.9 million. Revenues actually jumped 33% to $277 million, and that was primarily due to a significant spike in our silver and gold production last year. Realized silver price fell 25% to around $23 an ounce, and our realized gold price fell 18% to $1,375 an ounce. That was the main story for all of the silver and gold producers last year.

Our cash costs rose 8% year-on-year to $7.92 per ounce of silver payable, and our all-in sustaining costs actually fell 21% to $18.31 per ounce of silver payable. Our cash and equivalents actually rose 88% year-on-year to $35 million at year end compared to $19 million at the end of 2012, and I think that's, in some small measure, a snapshot of our free cash flow in the second half of last year.

We had another record year in operations, with silver production up 52% to 6.8 million ounces, gold production up 95% to 76,000 ounces, silver equivalent production up 67% to 11.3 million ounces. Our bullion and concentrate inventories were slowed down substantially at year end, primarily so that we would capture that cash before year end and not expose it to the new Mexican mining taxes that were instituted on January 1, 2014. A couple of the other operational highlights – we did successfully complete on time and under budget the El Cubo plant reconstruction, and year-on-year, all of our plant throughputs, ore grades and metal recoveries were higher at all three mines.

Moving to the fourth quarter, the bulk of the impairment on earnings was taken in the fourth quarter: net loss of $116 million compared to earnings of $15 million in Q4 of 2012, and an adjusted loss of $12 million in the fourth quarter last year compared to earnings of $13 million the year before. EBITDA fell 18% to $23 million, cash flow decreased 12% to $18 million and revenue nudged 2% higher to $68 million. Again, the main theme last year was the lower silver and gold prices. For the fourth quarter, the realized silver price was down 38% to $20.52; realized gold price, 28% down to $1,246.

Our cash costs, interestingly enough compared to 2012, fell 39% to $7.46 per ounce of silver. The cash costs in Q4 were actually slightly higher than Q3 last year, and that was primarily due to the lower value of the gold credit. We produced less gold in Q4 compared to Q3 and it was worth a lot less. El Cubo cash costs, however, fell 83% year-on-year to $6.65 in the fourth quarter, and that is clearly telling us that our turnaround has gained sufficient traction and that the long-term single digit cash costs that we originally modeled for El Cubo are in sight. All-in sustaining costs last year in the fourth quarter fell 49% to $14.24, again, substantially down year-on-year, slightly higher than Q3 but, again, directly related to the value of the gold credit quarter-on-quarter.

Operations in the fourth quarter – silver production was up 56% to 1.9 million ounces, gold production up 37% to 18,000 ounces, silver equivalent production up 49% to 3 million ounces, and again, all plant throughputs, ore grades and metal recoveries were higher at all three mines in the fourth quarter last year. So, in effect, we did deliver another record year of silver and gold production and revenue in 2013, and we achieved higher throughputs, grades and recoveries across all three mines. Our earnings, however, were hit clearly by the lower metal prices, by some reductions in reserves and by the reduced carrying values at El Cubo and Guanaceví, plus the deferred tax liability related to the new mining taxes in Mexico.

We're very encouraged by the turnaround still ongoing at El Cubo. It's not done yet. We've got two more quarters to go, so there'll still be some lumpiness to our quarterly reports on El Cubo in the next two or three quarters, but nonetheless, Q4 clearly signals that the operation is now humming along.

Moving now to the write-downs, I just wanted to highlight that depreciation and depletion totaled $54 million. We had a write-down of inventories of $5.9 million but the big item was the impairment charges. Basically, we used a silver price of $31 per ounce for our estimation of reserves and resources in 2012, and that crashed all the way down to $22 per ounce for our reserve estimates at the end of 2013. So impairment charges were unavoidable given the 45% drop in silver price year-on-year. That impairment charge was $95.8 million on Guanaceví and El Cubo and we took a $39 million impairment on goodwill at El Cubo was well.

Our consolidated operating costs on a per tonne basis last year were actually only slightly higher, basically the rate of inflation. They were up 5% to $97 per tonne. That was due to rising wage pressures, some restructuring costs, severance costs, the additional use of contractors and higher refining costs related to the selling of concentrates instead of the leaching of concentrates to produce doré bars. That was also partly offset by our additional economies of scale, with the higher output that we enjoyed last year.

Cash costs net of by-product credits rose 8%, as I mentioned earlier, to $7.92 per ounce last year, and how does that compare to our peer group? We think we're still in the lowest quartile in terms of a cash cost producer. We invested $88.6 million in total capital last year: property, plant and equipment, the bulk of which was the reconstruction of the mine and plant at El Cubo.

Moving on to our 2014 outlook, we've already guided in the range of 6.8 million ounces silver and 68,000 ounces gold for 2014, with cash costs in the $9 to $10 range, and direct operating cost per tonne in the $95 range. That translates into co-product costs of $13 to $14 per ounce of silver produced and all-in sustaining costs of around $19, slightly higher than what we averaged last year. We do aim to beat our numbers every year, and that's certainly our goal again this year, not only on the production but on the cost side too, and our focus in 2014 is really threefold. We are holding the production steady this year so that we can focus on squeezing our costs even further. That should help to expand our margins a bit. Secondly, because of the lower metal prices and the reduction in our reserves and resources, we're entirely focused on reserve replacement and resource expansion this year, and we will look for every opportunity to squeeze those budgets, as we do every year, and perhaps even augment them as we go forward based on our cash flow.

Our budget for the year in capital is $43.9 million, exploration budget is $10.7 million, and again, we'll be looking for opportunities to increase those budgets depending on how we do. Typically, on exploration, we do significantly better in terms of metres drilled compared to budget each year.

So, Operator, I think that's my summary for the news, and why don't we just open up the call for questions and answers?

OPERATOR:

Thank you. We will now begin the question and answer session. If you would like to ask a question, please press star, and one on your touchtone telephone. You will hear a tone to indicate you're in queue. For participants using a speakerphone, it may be necessary to pick up your handset before pressing any keys. If you wish to remove yourself from the question queue, you may press star, and two.

The first question is from Benjamin Asuncion of Haywood Securities. Please go ahead.

BENJAMIN ASUNCION:

Good morning, guys. Congratulations on a good quarter there. Brad, I was just hoping to get some clarification. On the consolidated guidance, you're talking about $95 a tonne. Could you give us some visibility on how that breaks apart between what your expectations are by mine?

DAN DICKSON:

Hi Ben, thanks for the question. Going forward, obviously using retrospective costs is the key there, and for Guanaceví, it would run about $110 per tonne; at Bolañitos, $78 to $80; and at El Cubo, $95 is what we're modeling.

BRAD COOKE:

And, Ben, as you probably are well aware, $95 at El Cubo was quite an accomplishment.

BENJAMIN ASUNCION:

Definitely. And then just more in terms of looking at exploration this year, what's your sense at Bolañitos in terms of what do you need to see to be able to justify another, sort of a subsequent expansion?

BRAD COOKE:

We're certainly not contemplating that in 2014, but we are in 2015, subject to successful reserve replacement and significant resource expansion this year, and so we are aggressively drilling several targets at Bolañitos in 2014.

BENJAMIN ASUNCION:

Okay. Is there a threshold for mine life that you'd like to keep in terms of a reserve supported mine life?

BRAD COOKE:

Well, yes. Our mine lives at each of our three mines have peaked individually at about three years and so that's kind of the ideal. They're currently not there right now, but they have been there and that's our goal over the next year or two, to get all three mines back to that level.

BENJAMIN ASUNCION:

Okay. Perfect. All right, I'll hop back in the queue and let somebody else ask a question. Thanks again, guys.

OPERATOR:

The next question is from Gordon Seashore of Seashore Investments. Please go ahead.

GORDON SEASHORE:

Gentlemen, in terms of your 2014 focus, I didn't hear anything regarding the regulatory government strategy where you can try to negate, to some extent, the tax rate, the additional duty tax and the environmental tax. Now, I understand that maybe you might have to do this in a consortium, but is there something ongoing that you might be successful? And if not, would there be some aggressive thinking about moving out of Mexico?

DAN DICKSON:

Thanks, Gordon. It's Dan Dickson. It's funny, in the last six months we've dealt a lot working with the industry, trying to get a voice with the Mexican government with regard to the tax reform, and the tax reform which put the special mining duty on, which is an EBITDA royalty, and the environmental tax, which is a 0.5% revenue tax. At this point, there's lots we can do, lots that we can plan for, lots that we actually really don't talk significantly about publicly as far as how we structure our organization but we continually look at to make sure that we are paying the taxes that we're required to pay under the laws.

As far as working with the consortium and pushing for that – and Brad might even be able to speak a little bit better to this – but at PDAC last week, the Mexican government, and specifically the Secretary of the Economy, was talking about the impact of that 7.5% to miners and possibly adjusting the legislation with regards to how we're able to deduct various costs. Now, that's very early on. I've talked with a couple of accounting firms. They were under the same understanding as us, but until we see something from the Mexican government on paper, we're not going to move in any direction with that.

As far as leaving Mexico, we still consider Mexico a very strong jurisdiction; albeit, we'd prefer no royalty taxes at all, but that's not the world that we live in and we're going to adjust and we're going to make it work. We're not opposed to looking at further projects in Mexico, but at the same time, we have looked outside of Mexico and it's something that's always in the front of our minds of where to be, and again, we're not going to run from Mexico.

BRAD COOKE:

Gordon, this is Brad, and perhaps I could just add a little bit of colour to Dan's comments. The mining industry in Mexico has been a little bit of a love/hate relationship with the government in the last year because of the imposition of the new mining taxes. The love part is that we really like working in Mexico and it's still one of the top jurisdictions in the Western world for mining investments. However, the magnitude of the new mining taxes and the way that they were implemented was quite a rude wakeup call for our industry and Mexico, we believe, did shoot itself in the foot, to a certain extent, and impaired the attractiveness of Mexico for new mining investment, not that it's now negative but it's just on par with several other very attractive places in Latin America.

We have already put in place tax management strategies that were already existing and legal in Mexico, and everybody else in our sector is doing the same thing. But perhaps more importantly – and, again, Dan highlighted this in his comments – last week, the Minister of Finance from Mexico – that's the Secretary of Economy – had both a private a dinner and a public session at Mexico Day in Toronto, and he made some very significant comments with regard to the mining tax. They're not going to climb down from the 7.5% number, but they still are in the process of writing the detailed wording of that piece of legislation and it has to be submitted by mid-April, and he basically said that they're looking for ways to soften the blow so as to encourage new mine investments.

We can't take it much farther than that but it was very encouraging, and over the next six weeks, our mining industry in Mexico are rolling up our sleeves and meeting with the government representatives as often as we can to show them how we think they can, not change the legislation but change maybe the wording to, again, soften the blow and encourage new investments. So I think that's a very tangible change in the government tone since last year.

GORDON SEASHORE:

Well, thank you. I know you can't go into a lot of details, but I hope that the industry has some proactive attorneys/consultants in DC that's working with the Obama Administration and going back and having some serious discussions with Mexico. When they want some help from us, we can push back on what we need to do to have a fair platform in terms of operations.

BRAD COOKE:

Well, we'll certainly call up our good friend Obama when we need him.

GORDON SEASHORE:

Well, that—no—is that a serious comment? I was serious in what I said.

BRAD COOKE:

No, no, I mean *(cross talking).*

GORDON SEASHORE:

There are lobbyists and attorneys who I know that do this that can be effective because you have talks at the highest level and sometimes, you know, you can get something on the plate that could be beneficial to the silver industry.

BRAD COOKE:

Sure. No, practically speaking, Gordon...

GORDON SEASHORE:

So are you playing that strategy?

BRAD COOKE:

Practically speaking, we also investigated the possibility of lawsuits under NAFTA and there are certainly grounds for that, but the time and money involved makes that approach completely impractical compared to the more practical restructuring, corporate restructurings that we've put in place in Mexico, which was something we could do before year end last year, which everybody else is doing, strictly—it's all above board, and then lobbying. I mean, we've been very persistent—we've been a thorn in the government's side, both privately and publicly in Mexico, to the point where I think we succeeded, and that's the main reason why the Minister of Finance came with softening up his comments last week. So I appreciate your comments that there are certainly legal options here under NAFTA, but they're probably not as practical as what we're doing right now.

GORDON SEASHORE:

All right, thank you.

OPERATOR:

The next question is from Graham Tanaka of Tanaka Capital. Please go ahead.

GRAHAM TANAKA:

Brad, congratulations on your production gains. Yes, just to get a bit more of a clear picture of the Mexico tax situation, what is the estimated higher cost this year for operations because of these tax increases?

DAN DICKSON:

Based on our 2014 guidance, the estimated additional cost at today's prices was about $3.5 million specifically to our bottom line, which is tax deductible so it's essentially 70% of that, so about $3 million for us is what we expect, again, at today's prices.

GRAHAM TANAKA:

So really, the most important thing, of course, is silver and gold prices. Yes, you've talked about the three-year mine lives, what would be the trend of costs over the three years of current reserves in the ground, and what would be the actual cost to replace those reserves, cost of replacement, if that's estimable? Thanks.

BRAD COOKE:

Well in terms of trends, at co-product basis where we're not including gold as a by-product credit – we're reporting it separately as a revenue item – we're clearly seeing year-on-year inflation industry-wide and in our operations as well, and so when we report cash costs net of the by-product gold credit, then it becomes much more a function of the amount of gold we produce and the price that we sell it at, and so that trend is actually a bit of a roller coaster. We had a huge run in the value of our gold credit all the way up to the r2011 peak and then a cascade down on the value of the gold sold based on the falling gold price, and yet if you look at the snapshot from last year, Q3 was a great quarter because the metal prices rallied and so the gold credit was significantly higher.

Our view is that – and this is sticking to your question about trends – this is the turnaround year for the precious metals and we're already seeing that in the robustness of the January, February and now March rally. That doesn't mean I don't expect a pullback from current levels. There's usually a second quarter pullback in our sector, but I'm quite keen on the outlook for the sector now, and again, if the last year's roller coaster was bottom at the beginning of July and a temporary bounce back in September, I'm actually thinking we're probably seeing the bottom already and there are some significant moves ahead of us perhaps through the fourth quarter of this year.

So in terms of trends, our costs on a co-product basis are generally just tied to their inflation rate, and on a by-product gold credit basis, they're a bit of a roller coaster, and if we stick to that this year, our costs will be coming down in the second half as the gold price rises.

DAN DICKSON:

And, Graham, with regards to your question about the cost of replacing reserves and what our cost is, it's a very difficult question to ask. It's something that I approach our exploration group and our engineers all the time with, and they kind of give me that look. Part of it is—because you can drill and you can discover about 500,000 ounces with one drill hole and you can drill 10 drill holes and discover no ounces, so it's very difficult to put a specific cost on what's the cost to replace those reserves. If it's talking about converting from resources to reserves, it's the development cost, which costs about $1,200 a metre for us to move through, but again, how many ounces get moved from resource to reserve on that development, it's very difficult. As I say, it’s very variable throughout the mine, so there’s no specific metric that we keep internally and that we gauge ourselves against as a cost to move from resource to reserves, but we do look at our exploration, what we spend in exploration and see what we add to resources.

BRAD COOKE:

And actually, Graham, if you’d like, we can go back and look at every year’s exploration budget in the last five or 10 years and show you the resource growth year-on-year, and that, will be a much simpler formula.

GRAHAM TANAKA:

No, I guess I was trying to get at—thank you for your answer, but I guess I was trying to get at – maybe it’s too hard to do – but a feel for what the cost is to grow reserves incrementally, because you’ve been able to grow at a great rate, and if the cost of the additional ounces of reserves is going to trend higher or stay the same or go lower in the mines you’re in now. I just don’t know what the grade fluctuations are. Thanks.

GODFREY WALTON:

Hi Graham, this is Godfrey. On the resource, before we go to the reserves, the average over the last several years is about $1 an ounce for discovery grade. Some years are a little higher than that, some years are a little lower, but that’s part of our influence, or our guiding influence on how much money we put towards exploration. As Dan has been mentioning, the cost of changing resources into reserves—and we only call reserves, reserves when we are actually able to touch them, so we want to make sure we have that development in place; and so, you know, as Dan mentioned, it’s about $1,000 to $1,200 a metre for every metre of development and our development budgets are looking at pushing as much ahead of where we’re mining as we can within a reasonable amount of development per month. So our budgets for development are looking at how we increase the area that we open up to then be able to look at—define that as a reserve cost, and our capital program for Cubo is about $21 million. That’s going to help us open up a large chunk of that new area called Asuncion, which we’ve announced before, and we’re continuing to drill that, so that will increase our reserves in that area there, which is our main push for Cubo. At Bolañitos, the development is really focused on the La Luz system. We have a lot of Daniela already opened up, it’s just ready for mining. We are developing at the lower part of Daniela, so we will add reserves in there. But the key area is going to be the La

Luz system, where we're doing a lot of development to open up some of the areas that we've been drilling over the last few months of last year and a lot during this year's exploration.

GRAHAM TANAKA:

Thank you very much.

OPERATOR:

As a reminder, to ask a question, please press star, and one. The next question is from Chris Thompson of Raymond James. Please go ahead.

CHRIS THOMPSON:

Good morning, guys. Thanks for the opportunity of asking some questions. A couple of quick questions on a mine-by-mine basis here. So we look at Bolañitos and see that you plan on delivering grades slightly above reserve grade to the mill there. Are we looking at proven or probable from a grade perspective there?

DAN DICKSON:

Sorry, Chris, to clarify your question, are we looking at silver and gold grades that are closer to proven or closer to probable?

CHRIS THOMPSON:

That's correct. I mean, you mention that grades at the mill are higher than reserve grades, and the question, I guess, is when you mention reserve grade, are you looking at proven reserve grade or probably reserve grade?

GODFREY WALTON:

Hi Chris, this is Godfrey. Thanks for the question. It'll be the reserve grade.

BRAD COOKE:

So combined.

GODFREY WALTON:

So it's not—proven grade, yes.

CHRIS THOMPSON:
Proven grade.

GODFREY WALTON:
Yes.

CHRIS THOMPSON:
Okay, perfect. Also, recoveries at Bolañitos, obviously we saw 90% recoveries, I think, on the silver. Is this sustainable, do you think?

GODFREY WALTON:
Yes. We've actually been tweaking the plant, and Abel, who's our Corporate Metallurgist, is getting some good increases in our recoveries at all our plants actually. So, yes, I think it is.

CHRIS THOMPSON:
Okay, perfect. Thanks, Godfrey. Just moving on to El Cubo quickly, you mention that 1,100 to 1,200 tonne a day this year, so are we going to see a peak of 1,200 tonne a day, no more than that by way of mill throughput?

BRAD COOKE:
Well that would be Guanaceví, 1,200 tonnes.

CHRIS THOMPSON:
Apologies.

BRAD COOKE:
Yes, so El Cubo obviously is our primary growth asset this year, with mill capacity in the 1,500 to 1,600 tonne range, and current feed last year was around 1,100 to 1,200 tonnes. So we've been pushing tonnes slowly in the first quarter, but they'll ramp up to the plant capacity by year end.

CHRIS THOMPSON:
Okay.

BRAD COOKE:
And that, Chris, is not a function of the plant. It's a function of mine development, primarily in this new Villalpando Asuncion zone. Just to give you a snapshot of how we're doing there, if you recall, that was a virgin discovery adjacent to some old workings just over a year ago. It was about nine months ago a six-hole wonder, and now it's actually not only in development, it's producing about 100 to 150 tonnes a day to the mill and our goal is to actually take that particular zone up to perhaps 500 or 600 tonnes per day by year end. That's where the growth primarily is going to come from; and by the way, that mineralized zone, the Villalpando Asuncion zone, when we announced it last year, it was about 200 metres long and we've now been able to track it for almost a kilometre. So we're very, very encouraged by both the length and the vertical extent of that mineralized zone. I think we have one section with five, Godfrey, or six holes?

GODFREY WALTON:
Six holes, yes.

BRAD COOKE:
Six 50-metre spaced holes and they all hit. So that kind of segues me into, you know, material news going forward, and given our goal is to replace reserves and expand resources this year, some primary value drivers over the next two quarters will be drilling. At El Cubo, it's going to be this Villalpando Asuncion zone that's currently expanding; at Bolañitos, it's going to be the La Luz Asuncion zone; and at San Sebastián, we haven't resumed drilling there yet but we do plan to do so in Q2, and the focus there will be obviously resuming our resource expansion. We've blocked out last year a 1.1-kilometre long mineralized zone at San Sebastián, but we spent the last half of last year, after we suspended drilling, mapping and sampling the vein for over five kilometres, and we're again very encouraged by the potential at San Sebastián. So those will be the main value drivers over the next two quarters.

CHRIS THOMPSON:
Okay, thanks. Just another quick question on El Cubo. As far as recoveries, you say that you

expect recoveries to return to about 90% on the silver. What's the current plant—what recoveries are you currently achieving right now?

DAN DICKSON:

Yes, in this quarter, we had an anomaly that we flushed out again at the leach circuit at the plant and we're able to attain 99%, but it's very similar to Bolañitos. We expect silver and gold recoveries to be 90%, 91% for the quarter. In and around there would be a good benchmark, Chris.

CHRIS THOMPSON:

Okay, perfect. Just quickly on Guanaceví, obviously increased as far as silver grades are concerned. Do you see this as sustainable? What sort of silver grade should we be really modeling working forward?

GODFREY WALTON:

Yes, the silver grades have moved up, and that's primarily because of Porvenir Cuatro. We've got some excellent grades there and we're expecting to continue mining that all year. So, yes, the grades should continue up and I think you'll find them above our reserve grade.

CHRIS THOMPSON:

Perfect, thanks. And then very finally on San Sebastián, I know you mentioned that drilling would commence in Q2. What do we need here as far as a development plan? I mean, where do you want to drive this project? Obviously cash is somewhat limited at the moment, I understand that, but what's the forward plan as far as San Sebastián is concerned?

BRAD COOKE:

We've held off on drilling it so far and until late Q2. Primarily for priority reasons, it was more important that we get drilling and developing at our mines. But our goal at San Sebastián is o continue drilling as best we can this year to see how big it actually is. We did actually complete the environmental baseline studies last year, and we did file a mine development plan and permit application with the government in December and we are hopeful that we'll receive that permit perhaps Q3 or Q4 so that, by the end of Q4, we're in a position, based on resource expansions, anticipated resource expansions and permitting, to make a decision on mine development at San Sebastián.

We will probably lean towards a phased development plan at San Sebastián. Again, it's just thinking of metal prices and cash flow more than anything. We don't really want to go out and do a project loan, for instance. We'd rather see it funded internally through cash, cash flow and our current line of credit. But our goal very simply this year is to get to a decision by year end, if possible.

CHRIS THOMPSON:
Fantastic. Thanks, guys.

BRAD COOKE:
Great. Thanks, Chris.

OPERATOR:
Next is a follow-up question from Benjamin Asuncion of Haywood Securities. Please go ahead.

BENJAMIN ASUNCION:
Hey, guys, I just have one more quick question here. Looking at selling El Cubo and Bolañitos product as concentrate, can you give us a sense of what you're looking at? Are we looking at sort of similar payability in terms as we kind of saw in the fourth quarter, or do you see any change in that?

DAN DICKSON:
Thanks for the question, the follow-up question. We do have two concentrate contracts out of Bolañitos, which puts the term somewhere around 95% payability; whereas at El Cubo, we have one contract. We now have two contracts, so it should put us similar, 94%, 95% payability on the Cubo stuff going forward.

BENJAMIN ASUNCION:
Okay, perfect. And just in terms of visibility or the economic trade-off between producing concentrate and further refining to doré, you're still obviously seeing favourable terms in the market from refiners to take the concentrate?

GODFREY WALTON:

Hi Ben, This is Godfrey. Yes, we have very good terms with the two people that we sell concentrate to, and we actually sell 50% of Bolañitos and 50% of Cubo to each purchaser.

BENJAMIN ASUNCION:

Okay, perfect. Thanks, guys.

GODFREY WALTON:

Okay.

OPERATOR:

There are no more questions at this time. I will now hand the call back over to Brad Cooke for closing comments.

BRAD COOKE:

Well, thank you very much, Operator. The main takeaways from today's call should be that we had an exceptional year in operations last year. We actually did really good on revenues and cash flow and the main downside was the impairments that we took on our earnings relative to reduced reserves, lower metal prices, et cetera. I think given that our view is this is a turnaround year in the metal prices, we're simply running our business this year to try and get a little more cash out of our operations before the metal prices move up so that they are honed and ready for outperformance, and that renewed focus on reserve replacement and resource expansion so that we can get back to where we were a year or so ago.

Lots of exciting news coming in the Company and we'd like to thank everybody for attending.

OPERATOR:

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