

Haywood Securities analyst Kerry Smith says Greece's energy minister Panos Skourletis (pictured) was on a "fishing expedition" when he revoked the technical studies on Eldorado Gold's (TSX: ELD; NYSE: EGO) Skouries and Olympias gold projects in the Halkidiki peninsula of northern Greece, forcing the company to halt its operations in the country and start laying off workers.

On Aug. 19, Eldorado reported the suspension, based on the testwork on the Olympias Phase III flash smelting process. The Ministry of Energy claims the company violated contract terms by completing the pilot scale testwork in Finland and not Greece. The testwork is part of the technical studies for both Skouries and Olympias, which make up the basis of other permits Eldorado needs to start constructing the assets that are crucial for its longterm growth.

Smith points out he has never heard of a requirement in the permitting process for companies to do testwork at site, especially when Halkidiki has no expertise in flash smelting. If that was the case authorities would have flagged this issue earlier, Smith says, noting Eldorado has had permits for both projects for some time.

"There have been a number of appeals against the permits. The Council of State, which is their equivalent to the Supreme Court, has upheld the permits — I think it is probably three times," Smith says. "So it's not like there hasn't been challenges to the legitimacy of the permits, and it has been upheld every time."

"I kind of feel like this guy (Skourletis) is on a fishing expedition and I'm not really sure what exactly his motive is. My gut feel is... if this was really an issue it would have come up in the past when there was all these petitions to have the EIA (environmental impact assessment) overturned."

(The EIA covers Skouries, Olympias and Eldorado's Stratoni underground silver-lead-zinc mine, collectively known as the Cassandra mine.)

On Aug. 20, Eldorado confirmed it would halt its mining and development activities in the Halkidiki region, starting Aug. 24, while dismissing the majority of its Greek workforce for up to three months. Eldorado's Greek arm, Hellas Gold S.A., employs roughly 2,000 persons at the Stratoni operation and the Olympias and Skouries projects.

In a statement, Eldorado's CEO Paul Wright said the "unfortunate outcome" is detrimental to all its stakeholders and the Greek society. He explains the company would not continue to spend on its projects in Greece while the Ministry of Energy is "openly hostile to our activities."

Eldorado aims to restart its activities in Greece "at some point in the near future—preferably through constructive engagement with the Ministry of Energy rather than a court

decision,” Wright said.

The miner has started legal action against the decision of the ministry, including filing an injunction before the Council of State, but has not specified when it should receive a court decision.

Krista Muhr, the company’s vice president of investor relations, said she could not comment further on that timeline or Eldorado’s actions.

According to Smith, the company suspended its activities and dismissed employees to apply pressure on the government. “They are tired of the shenanigans. I think it is the exact right strategy. You need to force these guys (officials), in some way, shape or form, to sit down and come to the realization that what the company is trying to do in the country is actually a net benefit.”

Eldorado’s resource investment in Greece has created 5,000 direct and indirect jobs, including the 2,000 on Hellas’ payroll, in a country where the average unemployment rate is 25%.

“I think it is the only way to force their hand, to be honest, because it is a joke over there.

There is a contingent of people within the government that are a problem,” Smith says.

“The way you put the government in the hot seat is you put the employees out of work because you know the employees have been supportive of the projects in the past ... and the reality is there are no other jobs for them to go to.”

Eldorado’s Greek projects have also received its share of criticism from activists opposing them because of environmental or foreign ownership concerns. *Reuters* reported miners held counter-protests in Halkidiki on Aug. 24, a day after activists staged demonstrations. Eldorado acquired Stratoni, Skouries and Olympias, along with the Certej project in Romania, through its \$2.5 billion takeover of European Goldfields in 2012.

Currently the Greek assets don’t generate any cash, Smith says, noting Skouries and Olympias are important in the long term. “These assets over the course of time will be material and it would be a shame if the company wasn’t able to build these mines and to get them up and running.”

Asked what Eldorado investors should do given the continuing uncertainty in Greece, Smith says if he owned shares, he won’t feel bad sitting with the position. “I think it is going to get resolved favourably for them (Eldorado).” Smith has a “buy” and \$6.75 target price on the stock.

Mackie Research analyst Barry Allan comments the ministry’s decision “defies economic logic and continues to add to a Greek comedy which in actual fact is a tragedy— ELD is an environmentally sensitive company and would add billions to the GDP of Greece, helping

solve its current debt crisis." Allan believes "economic logic will (eventually) prevail." He has a "buy" and \$8.50 target on the stock.

However, not all analysts are optimistic about Eldorado's situation in Greece.

Raymond James' Phil Russo has cut his US\$6.75 target to US\$4 and "outperform" rating to "market perform," after removing the Greek assets from his valuation.

Despite the lower rating, Russo writes "investors searching for deeply discounted gold names should consider Eldorado given the market has effectively removed the Greek assets from its share price," with the possibility for the "Greece value to come back into the name on a changing risk landscape."

That landscape could change with the Greek election, expected in September after Prime Minister Alexis Tsipras resigned on Aug. 20, and the company restarting its operations through court proceedings.

Eldorado closed Aug. 25 at \$3.95 per share, down 28% since Greece's government suspended the technical studies. The stock has fallen nearly 50% since the start of 2015.

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